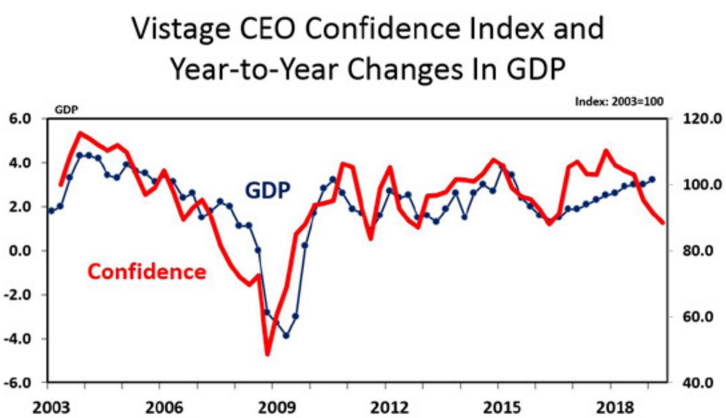
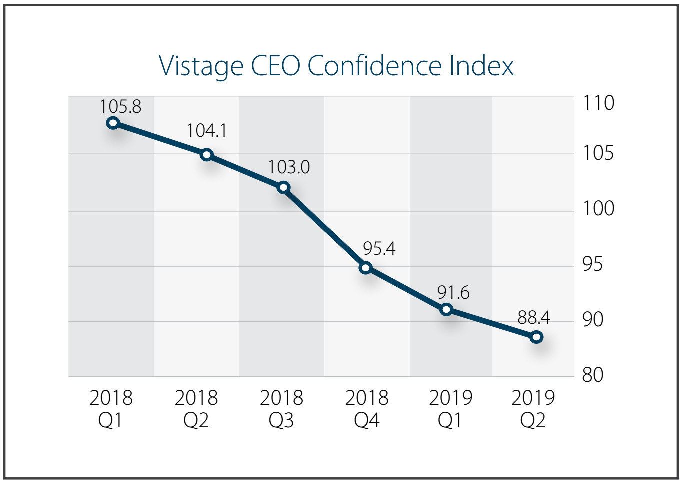
CEO optimism tumbles.

Confidence among CEOs tumbled to the lowest level since late 2016 according to analysis of the Q2 2019 Vistage CEO Confidence Index survey. The CEO Confidence Index was 88.4 in Q2 2019, down from 91.6 in the prior quarter and last year's 104.1. This represents the lowest CEO confidence level in the past three years, since the 87.9 recorded in Q4 2009. However, one of the components measured in the Index - CEO sentiment about future economic conditions - is at the lowest in 10 years. The falloff was driven by much less favorable assessments of the national economy, which tumbled by about 30% from last year's readings. All other components of the Confidence Index also declined. Although most of the June data was collected before the threat of Mexican tariffs vanished, tariffs of 25% on nearly half of all imports from China remained in force. When directly asked about the expected impact of tariffs on their firms, 40% of all firms expected negative consequences for their own business, compared with just 4% who anticipated any positive impact. While most observers believe tariffs primarily impact customers, firms face declines in business activity from price hikes and have in fact been unable to fully pass on costs to customers. Despite these concerns, more firms still held the view that Trump administration has improved prospects for their business than those that feel it has worsened them (42% versus 26%). Damage done to the economy from the tariffs, the slowdown in employment growth as well as heightened economic uncertainty have been substantial. Among all firms, 35% expected the national economy to worsen in the year ahead, the highest figure since Q4 2008 — although this was a mere fraction of the 60% recorded in late 2008, in the depths of the Great Recession.





The Q2 2019 Vistage CEO Confidence Index was 88.4, the lowest level in the past ten years.

Trends in the Vistage Confidence Index show a close correspondence with year-to-year changes in real GDP published by the U. S. Bureau of Economic Analysis. This correspondence shows an increasing divergence beginning in early 2017, which is subsequently reversed starting in 2018. In late 2017 and early 2018, firms held more optimistic views on the impact of tax cuts and expansive fiscal policies, and in 2019 adopted the view that the falloff in stimulus spending would hurt growth prospects more than the evidence suggests. Overall, the data indicate a slowing pace of economic growth during 2019.

– Analysis provided by Dr. Richard Curtin, University of Michigan

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
31% of CEOs said the economy had recently improved, half the 64% recorded a year ago.	**64%** of CEOs expect increased revenues in the year ahead, down from 70% last quarter and 78% last year, and the lowest percentage in nearly seven years.	**40%** of CEOs expect to increase investment expenditures in the next year.
35% of CEOs expect the national economy to worsen in the year ahead, and just 13% expect improved conditions.	**54%** of CEOs expected increased profits in the year ahead, down from last year's 62%.	**56%** of CEOs plan to expand their workforce in the year ahead, the lowest proportion in nearly three years.

CEOs pessimistic about current economic conditions.

Just 31% of all CEOs reported that economic conditions had recently improved, half the 64% recorded a year ago. Firms have expressed even greater pessimism about the outlook for the economy in the year ahead: Just 14% expected improved conditions, unchanged from the prior two quarters and well below last year's 32%. While the majority expected sideward movement in the national economy (51%), the proportion that actually anticipated economic downturn rose to 35% in the latest survey, twice last year's 17% and the highest level since late 2008, when negative prospects for the economy peaked at 60%.

Revenue and profit outlook reach recent lows.

64% of all firms expected increased revenues, down from 70% last quarter and 78% last year, making this the lowest percentage in nearly seven years. Profit increases were anticipated by 54%, down from last quarter's 58% and last year's 62%, the lowest since Trump entered office. Indeed, the impact of tariffs on profits may partially erase the benefits of Trump's tax cuts for some firms.

Hiring and investment plans remain timid.

56% of all firms anticipated adding new employees to their total workforce. Although only marginally below last quarter's 59%, this was the lowest proportion in nearly three years. When asked to rate the importance of a variety of strategies, 70% rated retraining existing talent and 67% rated attracting qualified talent as "very important." Boosting wages and fringe benefits were the most effective means to attract and retain workers. The anticipated small decline in the pace of hiring will slightly ease these wage pressures. Planned increases in expenditures for new fixed investments were anticipated by 40%, barely below last quarter's 41% and only slightly below last year's 48%. Importantly, few firms planned cutbacks in investment spending (13%), with most firms keeping the level of investment expenditures largely unchanged (46%). These small declines in planned investments and hiring are consistent with an expected slowdown in the pace of economic growth.

Question	Answer	Respondents #	Respondents %
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	456	31%
	Remained about the same	707	48%
	Worsened	289	20%
	Don't know/No opinion	11	1%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	185	13%
	About the same	742	51%
	Worse	507	35%
	Don't know/No opinion	29	2%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	935	64%
	Remain the same	391	27%
	Decrease	129	9%
	Don't know/No opinion	8	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	795	54%
	Remain the same	466	32%
	Worsen	192	13%
	Don't know/No opinion	10	1%

Question	Answer	#	%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	591	40%
	Remain the same	668	46%
	Decrease	190	13%
	Don't know/No opinion	14	1%
6. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	817	56%
	Remain the same	535	37%
	Decrease	105	7%
	Don't know/No opinion	6	0%
7. When do you plan to increase your firm's total number of employees over the next 12 months?	Q3 2019	261	32%
	Q4 2019	115	14%
	Q1 2020	49	6%
	Q2 2020	18	2%
	Steadily throughout the next 12 months.	374	46%

8. Rate the importance of the following in relation to your talent management challenges, 1 being least important and 5 being very important.	5 Very important	4 Important	3 Moderately important	2 Slightly important	1 Least important
Retaining existing talent	70%	23%	5%	1%	1%
Attracting qualified talent	67%	27%	5%	2%	0%
Creating a strong culture that drives employee engagement	65%	28%	6%	1%	0%
Employee engagement	49%	40%	8%	1%	1%
Training and development of employees	42%	45%	11%	2%	0%
Managing performance	34%	46%	17%	2%	0%
Creating growth opportunities for employees	31%	46%	20%	3%	1%
Succession planning	19%	29%	27%	15%	10%
Organizational structure	18%	35%	33%	11%	2%

Question	Answer	Respondents #	Respondents %
9. If attracting qualified talent has become difficult, what are you doing in response? Please select all that apply:	Developing existing workforce	995	70%
	Boosting wages	913	64%
	Adding employee benefits	546	38%
	Allowing employees to work remotely	464	33%
	Increasing investment in equipment to automate tasks	448	32%
	Partnering with organizations to create apprenticeship or internship programs	320	23%
	Slowing or delaying expansion plans	171	12%
	Shifting work to another location	167	12%
	Adjusting fulfillment/delivery timelines	152	11%
	Other	95	7%
	Reducing marketing activities	69	5%
	None of the above	56	4%
10. If retaining existing talent has become more difficult, what are you doing in response? Please select all that apply:	Improve company culture	934	68%
	Increase compensation	843	61%
	Offer reward and recognition programs	750	54%
	Deliver employee development programs	617	45%
	Provide new hire onboarding	572	41%
	Enhance employee benefits	565	41%
	Allow employees to work remotely/offer flexible hours	536	39%
	Provide career path planning	482	35%
	Measure employee engagement	473	34%
	Offer mentorship programs	293	21%
	None of the above	46	3%
	Other	29	2%

Question	Answer				Respondents
11. Please rate the effectiveness of the following recruiting tools to attract top talent to your organization: (1 – 5 scale, 1 being not effective, 5 being most effective)	5 Extremely effective	4 Very effective	3 Somewhat effective	2 Not very effective	1 Not effective
Employee referrals	27%	30%	32%	7%	3%
Internship programs	6%	17%	36%	21%	11%
Partnerships with local schools, community organizations, industry organizations	4%	16%	33%	25%	14%
Postings on job-specific websites, i.e. CareerBuilder, Monster, Indeed, etc)	6%	24%	41%	18%	8%
Postings/ads in local media	2%	7%	30%	36%	21%
Professional recruiters	7%	20%	32%	21%	14%
Social media (i.e. LinkedIn, Facebook)	3%	16%	42%	26%	9%
Temp agencies	3%	11%	26%	28%	24%

12. Which of the following do you use to measure employee engagement? Select all that apply.

One-to-one meetings	1142	79%
Retention rates	835	58%
Stay/Exit interviews	793	55%
Annual engagement study	557	39%
Productivity metrics	545	38%
Monitor social media reviews	300	21%
Pulse surveys	206	14%
Time studies	96	7%
None of the above	73	5%
Other, please specify	26	2%

Question	Answer				Respondents
13. Rate your level of agreement to the following statements about your organizational culture:	5 Strongly agree	4 Agree	3 Neither agree or disagree	2 Disagree	1 Strongly disagree
Culture is critical to our company's performance and success	70%	26%	3%	0%	0%
I'm satisfied with the strength of our organizational culture	12%	47%	22%	17%	1%
The development and promotion of our organizational culture is a priority	61%	32%	6%	1%	0%

Question	Answer	Respondents	
14. How are tariffs impacting your business?	Positively impacting my business	63	4%
	Not impacting on my business	808	56%
	Negatively impacting my business	574	40%
15. President Trump has announced plans to impose new tariffs on Mexico. Will those tariffs impact your business?	Yes	543	38%
	No	895	62%
16. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	604	42%
	It has worsened prospects for my firm	370	26%
	It has had no impact on prospects for my firm	473	33%
17. During your company's last fiscal year, what was its total employment?	1-9 employees	98	7%
	10-19 employees	150	10%
	20-49 employees	339	23%
	50-99 employees	288	20%
	100-499 employees	452	31%
	500-999 employees	75	5%
	1000-4999 employees	53	4%
	5000-9999 employees	3	0%
	10000+ employees	4	0%

Question	Answer	#	%
18. During your company's last fiscal year, what were its total revenues?	Less than 500k	23	2%
	500-999k	33	2%
	1-4 Million	206	14%
	5-9 Million	248	17%
	10-20 Million	266	18%
	21-49 Million	313	21%
	50-99 Million	171	12%
	100-249 Million	130	9%
	250-499 Million	47	3%
	500-999 Million	14	1%
	1+ Billion	12	1%

VISTAGE
CEO Confidence Index

Surveying CEOs of small to midsized businesses since 2003