

Optimism recovers midyear losses.

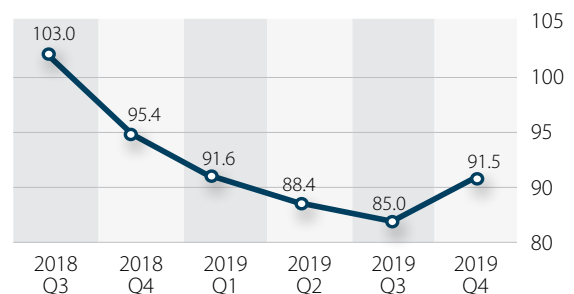
Confidence among CEOs in the Q4 2019 survey regained the losses in the prior two quarters to end the year at the same favorable level as at the beginning of 2019. The Vistage CEO Confidence Index was 91.5 in Q4 2019, up 7.7% from the prior quarter and nearly equal to the first quarter's 91.6. The Index is still below the 95.4 recorded in Q4 2018, and the recent peak of 110.3 at the close of 2017. The steep declines occurred from year-end 2017 to year-end 2018, and the Index reached its recent low in Q3 2019. While this rebound is small, it points toward the expectation that the expansion will continue during 2020, even if at a slower pace.

The positive news on tariffs – announced just after the survey concluded – will help to brighten the outlook for firms as 37% of CEOs reported that tariffs had a negative impact on their business. The anticipation of slower economic growth has continued to temper revenue and profit expectations as well as planned expansions in fixed investments and employment. Those declines were marginal this year, and the latest data regained a good bit of the mid-year losses. Needless to say, the economy is heading into an extraordinary year that will start with a Senate impeachment trial and end with an election that will determine a record expansion in federal spending and taxes.

Vistage CEO Confidence Index and
Year-to-Year Changes In GDP



Vistage CEO Confidence Index



The Q4 2019 Vistage CEO Confidence Index was 91.5, returning to levels recorded in Q1.

Trends in the Vistage CEO 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 that the expectations of firms indicate a small rebound in the pace of economic growth in early 2020.

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

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
27% of CEOs said the economy had recently improved, up 6 points from last quarter.	67% of CEOs expect increased revenues in the next 12 months.	42% of CEOs expect to increase investment expenditures in the next year.
29% of CEOs expect the national economy to worsen in the year ahead; 16% expect improved conditions.	57% of CEOs expect increased profits in the year ahead.	63% of CEOs plan to expand their workforce in the year ahead.

Small rebound in prospects for economy.

The proportion of CEOs that reported recent gains in economic conditions rose to 27% in Q4 2019, up from last quarter's low of 21% but still remained well below last year's 44%. When asked about prospects for the year ahead, although just 16% expected improved conditions, this was the highest level since 25% was recorded in Q3 2018. Most of the decline was recorded earlier, when the proportion expecting improved conditions fell from 45% in Q4 2017. Worsening economic conditions were anticipated by 29% in the latest survey, down from 39% last quarter and below last year's 33%.

Outlook for revenues and profits improves.

Increased revenues are expected by 67% of respondents in the Q4 2019 survey, up from 61% last quarter and nearly regaining last year's 70%. Just 8% of all firms anticipate declines in total revenues during the year ahead. When asked about price increases for their product or services, 44% report that their prices will increase, compared with just 6% who anticipated price declines. Importantly, price increases could be due to rising costs, including those associated with tariffs, reported by 37% of CEOs, or from rising company paid health costs, a challenge reported by 70%. Increased profits are expected by 57% of CEOs, between the 51% in the prior quarter and last year's 61%. Declines in profits are anticipated by just 12%.

Hiring plans remain strong while investment spending diminishes.

Hiring plans remained relatively strong during the past year, with workforce expansion planned by 63% of all small and midsize businesses up from last quarter's 57% and just below last year's 65%. Just 5% of all firms plan reductions. An increase in employee retention was reported by 25% of CEOs compared with 20% who reported falling retention rates. Firms have instituted a wide range of training and skill enhancement programs to increase the productivity of new employees and advance the skill development of the entire staff.

Investment strategies linked to technology.

An increase in expenditures for new fixed investments is anticipated by 42% of CEOs, between last quarter's 37% and nearly equal to last year's 43%. Technology is a key area of investment, and CEOs' goals for investments in new technologies were to position their companies as innovators and leaders in their fields, to enhance their ability to gain and keep customers, to lower costs by streamlining operations and procedures, to improve productivity, to attract and retain employees, and to reduce overall costs.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	432	27%
	Remained about the same	892	56%
	Worsened	269	17%
	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	263	16%
	About the same	842	53%
	Worse	465	29%
	Don't know/No opinion	34	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	1074	67%
	Remain the same	394	25%
	Decrease	124	8%
	Don't know/No opinion	12	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	911	57%
	Remain the same	497	31%
	Worsen	189	12%
	Don't know/No opinion	7	1%
5. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	709	44%
	About the same	777	49%
	Decrease	100	6%
	Don't know/No opinion	16	1%

Question	Answer	Respondents	
		#	%
6. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	672	42%
	About the same	714	45%
	Decrease	201	13%
	Don't know/No opinion	17	1%
7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	1015	63%
	Remain the same	501	31%
	Decrease	83	5%
	Don't know/no opinion	5	1%
8. How did your employee retention rates change in the past year?	Increased	404	25%
	Remained the same	861	54%
	Decreased	324	20%
	Don't know/no opinion	12	1%
9. Which components do you have in place as part of your employee development programs? Select all that apply.	Onboarding	1283	81%
	Job skills, software or process training	1085	49%
	Soft skills training	643	41%
	Leadership development	928	59%
	Personal development opportunities	878	56%
	Assessments	878	56%
	Formalized coaching	485	31%
	Mentor programs	480	30%
	Special assignments/cross training	765	49%
	Career pathing	442	28%
	Other, please specify	35	2%

Question	Answer	Respondents	
		#	%
10. What do you view as the top three drivers for your company's technology investments?	Keep up with competitors	166	10%
	Get ahead of the competitors/disrupt industry	642	40%
	Respond to customer demands/expectations	801	50%
	Streamline operations	943	59%
	Reduce costs	566	35%
	Attract new customers	489	31%
	Improve employee productivity	913	57%
	Attract/retain employees	260	16%
	Other	133	8%
11. Which business software/applications(s) do you expect to invest in over the next 12 months?	CRM (Customer Relationship Management)	711	45%
	ERP (Enterprise Resource Planning)	387	24%
	Human resources/workforce management	423	27%
	Accounting/financial management	506	32%
	eCommerce	291	18%
	Cybersecurity	550	35%
	Collaboration/project management	454	29%
	My company does not plan to invest in business software/applications in the next 12 months	156	10%
	Other	133	8%
12. Has your company experienced a cyberattack or threat in the past 12 months?	Yes, we have had an incident in the last 12 months	505	32%
	No, we have not had an incident in the last 12 months	899	56%
	Don't know/no threat detected	194	12%

Question	Answer	Respondents	
		#	%
13. Does your company have a defined cyber risk strategy that is documented and communicated to your executive leaders?	Yes - our strategy is current and reviewed at least annually	731	46%
	Yes - but the strategy is not current and does not have a scheduled review cycle	248	16%
	No - but we are actively working on a cyber risk strategy	263	17%
	No - our organization does not have a defined strategy	353	22%
14. How are tariffs impacting your business?	Positively impacting my business	69	4%
	No impact on my business	930	58%
	Negatively impacting my business	593	37%
15. Is offering affordable health care for your employees a challenge you face?	Yes	1123	70%
	No	473	30%
16. How has your company mitigated rising costs of healthcare for your business?	Changed percentage of employer contribution	479	44%
	Offered fewer benefits	225	21%
	Delayed or decreased wage increases	150	14%
	Reduced hiring	79	7%
	Fewer/less capital investments	126	12%
	Raise prices	313	29%
	Have not been impacted by rising costs	69	6%
	Other, please specify	283	26%

Question	Answer	Respondents	
		#	%
17. During your company's last fiscal year, what were its total revenues?	Less than 500k	26	2%
	500-999k	37	2%
	1-4 Million	256	16%
	5-9 Million	259	16%
	10-20 Million	315	20%
	21-49 Million	333	21%
	50-99 Million	186	12%
	100-249 Million	124	8%
	250-499 Million	40	2%
	500-999 Million	15	1%
	1+ Billion	13	1%
18. During your company's last fiscal year, what was its total employment?	1-9 employees	141	2%
	10-19 employees	176	11%
	20-49 employees	366	23%
	50-99 employees	316	20%
	100-499 employees	471	30%
	500-999 employees	65	4%
	1000-4999	44	3%
	5000+ employees	6	0%