

Coronavirus reverses last quarter's gains in CEO optimism.

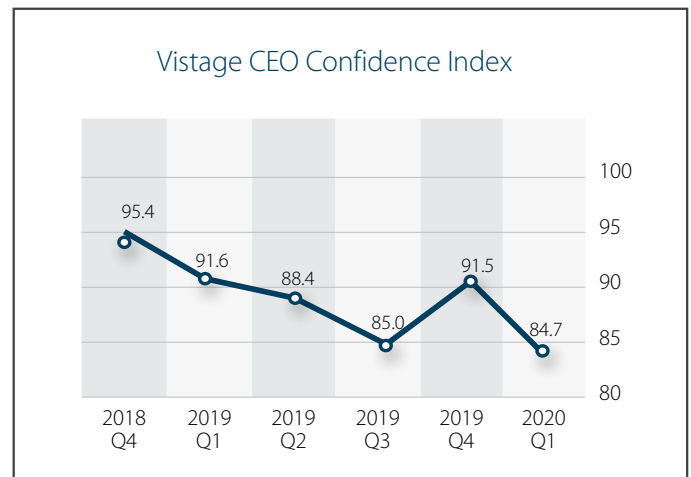
The fall in confidence among small and midsize business CEOs in the Q1 2020 survey completely reversed the gain from Q4, dropping to its lowest level since 2011.

The Vistage CEO Confidence Index was 84.7 in Q1 2020, down from 91.5 in the prior quarter and 91.6 in Q1 2019. Although the overall Index was barely below the 2019 low of 85.0, survey responses captured March 9 (concurrent with the free-fall in stock and oil prices) were significantly more negative, especially about prospects for the overall economy.

When directly asked about the impact of the coronavirus, top answers from CEOs included:

- Disruptions to travel (61%)
- Supply chains and deliveries (59%)
- Customers/sales (30%)
- Offices, plants, or employees in affected areas (27%)

The initial assessments of the impact of the coronavirus were varied, as 28% of respondents were not concerned or only slightly concerned about its impact, 32% were somewhat concerned, and 40% were moderately or extremely concerned. When factoring in the rapidly changing information over the course of the survey, concerns intensified over time. On March 2, just 38% CEO respondents expressed moderate or extreme concern, which rose to 48% on March 9. This trend in the data indicate that further declines in economic confidence are more likely as the virus spreads in the United States.



The Q1 2020 Vistage CEO Confidence Index was 84.7, dipping below the lowest point recorded in 2019.

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

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
25% of CEOs said the economy had recently improved, down 2 points from last quarter.	62% of CEOs expect increased revenues in the next 12 months.	38% of CEOs expect to increase investment expenditures in the next year.
41% of CEOs expect the national economy to worsen in the year ahead; 18% expect improved conditions.	53% of CEOs expect increased profits in the year ahead.	55% of CEOs plan to expand their workforces in the year ahead.

Prospects for economy dim.

The proportion of CEOs who reported that the economy recently weakened rose to 29% in Q1, up from 17% last quarter, and the most negative reading since 2011. When asked about growth prospects during the year ahead, 41% anticipated a worsening economy, up from last quarter's 29% and the highest level since the depths of the Great Recession in late 2008. The virus pandemic is very unlikely to last as long as the Great Recession, however it is still likely to have an impact that stretches past mid-2020; the largest negative impact will be felt in Q2 2020. CEOs have less flexibility to counter disruptions to their businesses and employee workforces. The best policy responses would be designed to offset the economic impact of the coronavirus as it occurs, and not simply in retrospect. A loss in confidence cannot be quickly nor easily regained and could produce further damage to the economy.

Hiring and investment plans soften.

Workforce expansion is planned by 55% of CEOs, down from last quarter's 63% and the lowest level since 2016. Importantly, planned additions to their workforces has been on a gradual decline since the all-time peak of 71% was recorded in late 2017, although the impact of the virus may have played a part in this most recent decline. Nonetheless, 9% plan to make workforce reductions, which is the highest percentage since 2013. Investment spending was only down marginally in Q1; 38% of CEOs are planning to increase investments, just below last quarter's 42% and last year's 41%. Overall, hiring and investment plans suggest that small and midsize businesses anticipate the virus will only have a temporary impact; this sentiment about the length of the disruption is likely to reverse soon.

Revenue and profit outlook declines.

The Index for revenues, which factors in the proportion of CEOs who expect increases as well as those who expect declines, was the lowest since 2009. Increased revenues were expected by 62% of CEOs, just below last quarter's 67% and just ahead of the 61% recorded two quarters ago. On the other end, 13% of CEOs expected decreased revenues, the highest since Q4 2009. Similar small declines in profit expectations were recorded: Profit increases were expected by 53% of CEOs, between 57% in the prior quarter and the 51% recorded two quarters ago. A higher proportion of CEOs reported expectations for declining profits (15%) as well as revenues (13%). At the time of the survey, small and midsize businesses did not have a clear impact on profits and revenues that are now arising.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	422	25%
	Remained about the same	760	45%
	Worsened	299	29%
	Don't know/No opinion	14	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	309	18%
	About the same	648	38%
	Worse	689	41%
	Don't know/No opinion	49	3%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1059	62%
	Remain the same	398	23%
	Decrease	226	13%
	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	906	53%
	Remain the same	518	31%
	Worsen	259	15%
	Don't know/No opinion	12	1%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	638	38%
	Remain the same	784	46%
	Decrease	246	15%
	Don't know/No opinion	27	2%

Question	Answer	Respondents	
		#	%
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	933	55%
	Remain the same	602	36%
	Decrease	154	9%
	Don't know/No opinion	6	0%
7. What segment do you primarily sell to?	Consumers	297	18%
	Businesses (B2B)	1221	72%
	Channel sales/resellers	77	5%
	Other, please specify	98	6%
8. Do you sell a product or a service?	Service	819	48%
	Product	466	28%
	Product, supported by service lines	354	21%
	Other, please specify	53	3%
9. What percentage of growth target did your sales team achieve in 2019?	<70%	496	30%
	71-80%	126	8%
	81-90%	169	10%
	91-100%	311	19%
	100-110%	327	20%
	111-120%	109	7%
	>120%	105	6%
10. What was your revenue breakdown between new and existing customers in 2019?	Existing customers	1124	75%
	New customers	375	25%

Question	Answer	Respondents	
		#	%
11. Which of the following do you invest in to support and enable sales?	Lead/demand generation	900	56%
	Messaging/collateral	870	54%
	Sales training – skills or process	864	54%
	Sales technology/Customer Relationship Management (CRM)	1071	67%
	Other, please specify	134	8%
12. What are you doing in response to challenges in hiring? Please select all that apply.	Boosting wages	1067	64%
	Adding employee benefits	670	40%
	Developing existing workforce	1333	80%
	Leveraging apprentices or apprenticeship programs	343	21%
	Offering internship programs	560	34%
	Hiring temps/contractors	614	37%
	Increasing investment in equipment to automate tasks	630	38%
	Shifting work to another location	163	10%
	Allowing employees to work remotely	646	39%
	Slowing or delaying expansion plans	190	11%
	Reducing marketing activities	58	3%
	Adjusting fulfillment/delivery timelines	160	10%
	Attracting talent is not a challenge for my company	138	8%
Other, please specify	71	4%	
13. How are tariffs impacting your business?	Positively impacting my business	58	3%
	Not impacting my business	1065	63%
	Negatively impacting my business	561	33%

Question	Answer	Respondents	
		#	%
14. On a scale of 1 to 5, with 5 being very concerned, what is your level of concern about the impact of the coronavirus?	1 – Not concerned at all	112	7%
	2 – Slightly concerned	355	22%
	3 – Somewhat concerned	520	32%
	4 – Moderately concerned	418	25%
	5 – Extremely concerned	240	15%
15. In which areas have you or your business been directly or indirectly impacted by the Coronavirus? Select all that apply.	Supply chain/vendors	636	46%
	Customers/sales	414	30%
	Travel and events/conferences	842	61%
	Delivery and distribution	184	13%
	Factories or office locations in affected areas	171	12%
	Employees in affected areas	204	15%
	Family in affected areas	94	7%
	Market impact	539	39%
	Other, please specify	130	9%
16. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	901	54%
	It has worsened prospects for my firm	296	18%
	It has had no impact on prospects for my firm	479	29%

Question	Answer	Respondents	
		#	%
17. During your company's last fiscal year, what was its total employment?	1-9 employees	136	8%
	10-19 employees	206	12%
	20-49 employees	395	23%
	50-99 employees	338	20%
	100-499 employees	510	30%
	500-999 employees	64	4%
	1000-4999 employees	41	2%
	5000-9999 employees	2	0%
	10000+ employees	3	0%
18. During your company's last fiscal year, what were its total revenues?	Less than 500k	24	1%
	500-999k	32	2%
	1-4 Million	312	18%
	5-9 Million	268	16%
	10-20 Million	336	20%
	21-49 Million	316	19%
	50-99 Million	198	12%
	100-249 Million	140	8%
	250-499 Million	34	2%
	500-999 Million	23	1%
1+ Billion	13	1%	