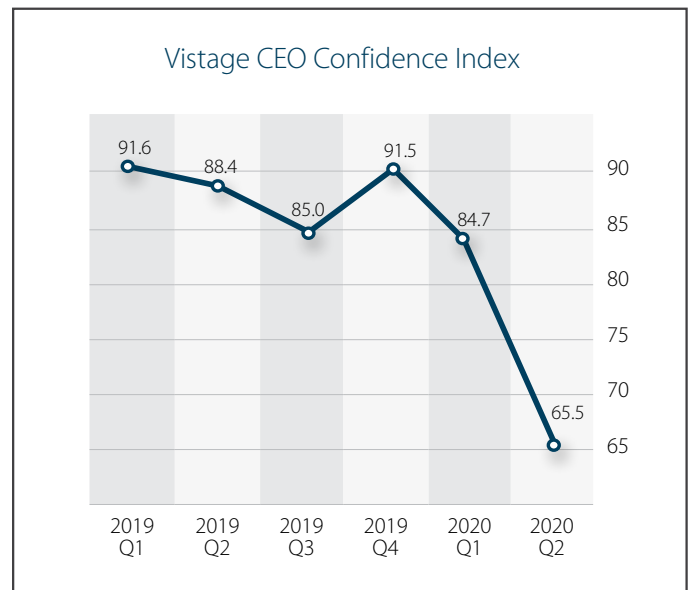
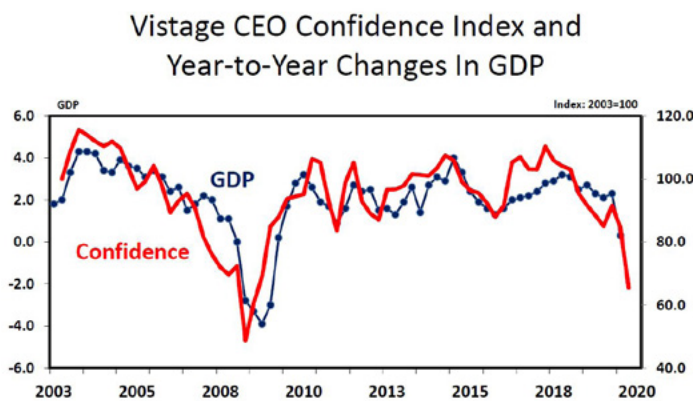


Economic optimism among small and midsize businesses in Q2 matches 2008 recession

Confidence among CEOs of small and midsize businesses (SMBs) has plunged by the largest percentage decline since the depths of the Great Recession at the end of 2008. Revenue and profit expectations, as well as planned investments and hiring, all fell by upwards of 20% according to the Q2 2020 Vistage CEO Confidence Index survey, conducted June 1-8, 2020. The sharp decline in confidence reflects the sudden and widespread economic catastrophe sparked by the government-led shutdown due to the coronavirus. The greatest change was in how SMBs judged conditions in the overall economy, with a near consensus (93%) among CEOs who thought the economy had come to a virtual standstill. It should not be a surprise that the majority of CEOs (54%) anticipated that the economy would improve from its current dismal performance in the year ahead. This sudden turnaround in the outlook for the economy reflects the fact that the reopening of the economy has already begun and will accelerate in the months ahead. However CEOs held much more cautious views about revenue and profit expectations for their businesses, reflecting the financial harm they have endured, as well as the potential for a second wave of infection. Overall, SMBs were nearly evenly split about expectations of where their businesses would be in six months; 46% of CEOs thought their businesses would be as strong or stronger in six months compared to 54% that expect their businesses would be weaker than it was at the onset of the pandemic.

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



The Q2 2020 Vistage CEO Confidence Index was 65.5, the third lowest recorded in the history of the survey.

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
<p>93% of CEOs said the economy had recently worsened, up from 17% in Q4 2019.</p>	<p>45% of CEOs expect increased revenues in the next 12 months; 31% expect decreases.</p>	<p>25% of CEOs expect to increase investment expenditures in the next year.</p>
<p>54% of CEOs expect the national economy to improve in the year ahead; 25% expect conditions to worsen.</p>	<p>39% of CEOs expect increased profits in the year ahead, down from 53% in Q4 2019.</p>	<p>36% of CEOs plan to expand their workforces in the next 12 months.</p>

Negative views of economy may be short-lived

Negative views on the current state of the economy skyrocketed to 93% in Q2 from just 17% two quarters ago. While the recent decline in the Index is similar to the decline prior to the Great Recession, the causes are fundamentally different; the current recession is a result of a purposeful shutdown of the economy. In turn, the reopening of the economy signals the beginning of the recovery. Full recovery, however, won't happen until a vaccine is discovered or at least a treatment is found for remission. Although the renewed GDP growth anticipated in Q3 may well be the end to the "official" recession, it will take much longer to restore the financial viability for small and midsize businesses, which will be impacted by significant differences across industries and regions of the country. The full restoration of surviving SMBs will also require the financial resurgence of their customers.

Financial assistance critical

CEOs were asked to forecast the timing of the economic recovery and how long their current financial reserves could sustain their businesses. The resulting data indicated that the estimates of when the recovery would begin was uniformly later than how long their financial reserves could sustain their businesses. Expected revenue losses were substantial, with losses of 25% or more expected by nearly a third (32%) of SMBs. Given the size of losses and the inadequacy of reserves, government relief programs were viewed as essential to their survival. The two most common types of assistance small businesses plan to leverage are the Paycheck Protection Program (PPP), cited by 80%, and lines of credit from banks, cited by 42%. The PPP enabled SMBs to lessen reductions in their overall workforce, as declines of 10% or more were reported by 18% of all small businesses. Other programs played smaller roles, such as tax breaks (15%), CARES Act provisions (13%), and EIDL (13%). The overall popularity of these government and private sources of help is underscored by the just 12% of SMBs who sought no additional funds.

Product development during the pandemic

Nearly half of all small and midsize businesses (46%) made changes in the products or services they provide which will help cut losses during the pandemic or gain market share in the recovery. The most common response, mentioned by 23% of CEOs, was the development of new products or services to bolster future growth. Another 12% of CEOs reported temporarily offering new products or services that are currently in demand. Temporary or permanent cutbacks in products or services were planned by just 7% as a result of lack of demand or of cost cutting measures.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	30	2%
	Remained about the same	58	4%
	Worsened	1299	93%
	Don't know/No opinion	5	0%
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	750	54%
	About the same	268	19%
	Worse	342	25%
	Don't know/No opinion	32	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	627	45%
	Remain the same	322	23%
	Decrease	425	31%
	Don't know/No opinion	18	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	542	39%
	Remain the same	371	27%
	Worsen	464	33%
	Don't know/No opinion	15	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	342	25%
	Remain the same	583	42%
	Decrease	453	33%
	Don't know/No opinion	214	1%

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	499	36%
	Remain the same	574	41%
	Decrease	307	22%
	Don't know/No opinion	12	1%
7. To what degree have your revenues been impacted by the coronavirus pandemic?	Increased	145	10%
	Decreased less than 10%	230	17%
	Decreased 10-24%	422	30%
	Decreased 25-49%	283	20%
	Decreased 50-74%	110	8%
	Decreased 75-89%	35	3%
	Decreased more than 90%	25	2%
	No change in revenues	138	10%
8. How long will your cash reserves support your business during the current economic conditions?	Less than 1 month	14	1%
	1 – 2 months	133	10%
	3 – 5 months	407	29%
	6 – 12 months	434	31%
	More than one year	382	28%
	Other	17	1%
9. When do you expect economic conditions in the U.S. will begin to improve?	Less than 1 month	81	6%
	1 – 2 months	193	14%
	3 – 5 months	396	28%
	6 – 12 months	473	34%
	More than one year	233	17%
	Other	14	1%

Question	Answer	Respondents	
		#	%
10. Which statement describes where you expect your business to be 6 months from now?	Stronger than before	376	27%
	Back to normal	242	17%
	Moderately weakened but regaining momentum	649	47%
	Significantly weakened and fighting to rebuild	120	9%
11. What programs have you - or do you plan to - leverage for your business?	Paycheck Protection Program (PPP)	1106	80%
	Economic Injury Disaster Loan (EIDL) Emergency Advance	184	13%
	Other SBA funding/programs (traditional loans or Debt Relief program)	71	5%
	Other CARES Act provisions	180	13%
	Main Street Program from the Federal Reserve	48	3%
	Line of credit from banks	575	42%
	Federal tax relief measures	205	15%
	Do not plan to seek other aid	165	12%
	Other	26	2%
12. Do you expect to have your PPP loan forgiven?	Yes, I expect all of it to be forgiven	609	55%
	Yes, I expect most of it will be forgiven	391	35%
	Yes, I expect some of it will be forgiven	94	9%
	No, my loan will not be forgiven	7	1%
13. How do you expect your staffing will change once the designated period for spending the PPP funds ends?	Staffing will remain constant	593	54%
	I expect to lay off employees	141	13%
	I expect to furlough employees	40	4%
	I expect to reduce employee hours or wages	63	6%
	I expect to increase staffing or hours	94	8%
	Not sure at this time	157	14%
	Other	17	2%

Question	Answer	Respondents	
		#	%
14. How has the size of your total workforce changed as a result of the pandemic?	Increased	150	11%
	Decreased less than 10%	330	24%
	Decreased 10-24%	161	12%
	Decreased 25-49%	68	5%
	Decreased 50-74%	19	1%
	Decreased 75-89%	7	1%
	Decreased more than 90%	4	0%
	No change in workforce	651	47%
15. What kind of testing are you currently conducting or considering for your workforce? Select all that apply.	Daily temperature testing	631	46%
	Daily symptom checking	659	48%
	Diagnostic testing for coronavirus	83	6%
	Antibody testing to detect exposure to the coronavirus	54	4%
	Not planning any testing	493	36%
	Other	92	7%
16. Select the statement that best pertains to any product/service changes your company has made during the pandemic:	Did not make changes to products/services	743	54%
	Added new products or services that will sustain long-term growth	310	23%
	Pivoted temporarily to produce products and services to meeting customer's/community's short term needs (i.e. face masks, PPE)	162	12%
	Temporarily reduced products or services offered due to decreased demands	86	6%
	Permanently reduced products and services offered due to diminished ROI	19	1%
	Other	55	4%

Question	Answer	Respondents	
		#	%
17. For any employees who have been working remotely, what are your plans to bring them back to the workplace?	We have a plan to bring employees back, but aren't sure when it will begin	183	13%
	We have begun a phased plan to bring employees back slowly	420	31%
	We will bring employees back in the next month	93	7%
	We plan to continue remote working with some or all of our employees	319	23%
	Employees working remotely have already returned	242	18%
	Other	116	8%
	18. During your company's last fiscal year, what was its total employment?	1-9 employees	94
10-19 employees		142	10%
20-49 employees		359	26%
50-99 employees		273	20%
100-499 employees		434	31%
500-999 employees		48	4%
1000-4999 employees		35	3%
5000-9999 employees		3	0%
10000+ employees		3	0%
None		1	0%

Question	Answer	Respondents	
		#	%
19. During your company's last fiscal year, what were its total revenues?	Less than 500k	15	1%
	500-999k	23	2%
	1-4 Million	218	16%
	5-9 Million	238	17%
	10-20 Million	272	20%
	21-49 Million	285	20%
	50-99 Million	167	12%
	100-249 Million	116	8%
	250-499 Million	36	3%
	500-999 Million	12	1%
	1+ Billion	10	1%