

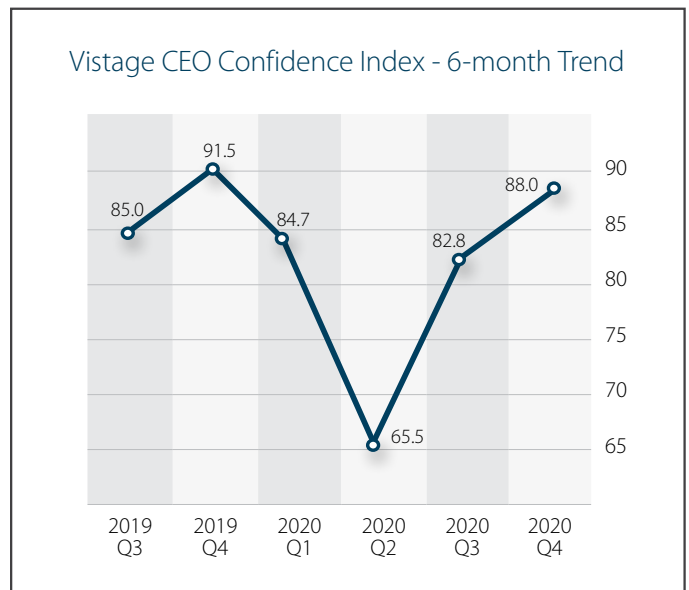
## Confidence continues to climb for small and midsize businesses

Confidence among CEOs improved in the Q4 2020 survey to the most favorable level recorded in 2020. The Vistage CEO Confidence Index rose to 88.0 in Q4, up from 82.8 in Q3, and the pandemic low of 65.5 recorded in Q2. Indeed, confidence rose to within 3.8 percent of the pre-pandemic level set in Q4 2019.

Despite the strong overall gain, few CEOs believe the current state of the economy had recovered to anywhere near last year's performance. Importantly, CEOs held much more favorable expectations about the future outlook for the national economy, although the pace of those expected gains has significantly slowed. Moreover, the country now faces an increase in COVID-19 infections and deaths as well as the arrival of vaccines that could eradicate the viral threat over the next year. Renewed lockdowns and other restrictions on businesses in the months ahead could worsen conditions before they experience a lasting and robust recovery.

Needless to say, small and midsize businesses differ substantially in the impact of lockdowns based on their location, the product or service they provide, and the reactions of their customers. The most promising indication that small and midsize businesses are preparing for a robust recovery is their more expansive plans for hiring and fixed investment spending, both of which posted significant fourth quarter gains, restoring these plans to their pre-pandemic levels.

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



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## Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
<p><b>76%</b> of CEOs said the economy recently worsened, a 7-point change from 83% in Q3 2020.</p>	<p><b>67%</b> of CEOs expect increased revenues in the next 12 months, a 4-point increase from Q3.</p>	<p><b>40%</b> of CEOs expect to increase investment expenditures in the next 12 months.</p>
<p><b>59%</b> of CEOs expect the national economy to improve in the year ahead; 15% expect conditions to worsen.</p>	<p><b>55%</b> of CEOs expect increased profits in the year ahead.</p>	<p><b>64%</b> of CEOs plan to expand their workforces in the next 12 months, a 12-point increase from Q3.</p>

### Economic recovery postponed

The persistent and escalating spread of COVID-19 has continued to postpone the arrival of renewed economic strength. For each of the past three quarters, CEOs anticipated that the recovery from the pandemic losses would take six months or longer, indicating that the recovery keeps getting pushed back. Just over half (51%) of CEOs expected recovery would take greater than six months in Q2 2020, a figure that increased to 59% in Q3 and held steady at 58% in Q4.

Hopefully, by next quarter, businesses will begin to shorten the anticipated arrival of better economic times as the vaccine becomes more widely distributed.

### CEOs on cash reserves

When asked how long their cash reserves would last, the same underlying pattern emerged: the proportion of CEO respondents who said their cash reserves would last for six months or longer was nearly identical from the third quarter (66%) to the fourth quarter (67%) survey. Importantly, CEOs that report losses of 25% or more have declined, reported by 33% in the second quarter, down to 19% in the third quarter and 17% in the fourth quarter.

The proportion of CEOs who reported no change or increased revenues rose slightly from 31% in the third quarter to 36% in the fourth quarter. Just 28% of CEOs said that the current COVID-19 resurgence was having a worse impact on their businesses when compared with the prior restrictions in the spring or summer, likely due to surges in COVID-19 that vary by geographic regions.

### Hiring and investment gains

Hiring and investment plans posted gains in the Q4 survey, rising to levels equal to last year's readings. Planned increases in hiring were reported by 64% of CEOs, up from 52% last quarter and last year's 63%. Increases in fixed investment spending are planned by 40% of CEOs in the Q4 survey, which is between last quarter's 36% and last year's 42%.

The planned increases in hiring and investments were consistent with the proportion of CEOs who expect economic improvements: 59% expected the U.S. economy to improve, while just 15% expected it to worsen in 2021. A year ago at the peak of the last expansion, small and midsize businesses held opposite prospects — just 16% of CEOs expected a higher growth rate and 29% expected a slower growth rate in 2020, although the majority (53%) anticipated no change in the pace of growth. Given that these positive growth prospects were already in place in Q2, one might anticipate that CEOs' plans for renewed hiring and investments would be contingent on substantial progress in ending the COVID-19 pandemic.

## Revenues and profits expected to rebound

CEOs anticipated that their revenues and profits would rebound in 2021. In the Q4 survey, 67% anticipate increased revenues in the year ahead, which represents a strong rebound from the Q2 low of just 45%, and is equal to last year's projections. In addition, the Q4 survey revealed that 55% of CEOs anticipate an increase in profits, up from the Q2 low of 39% and nearly closing the gap to last year's 57%. Note that the percentage gains from lows are smaller in terms of dollars than equal percentage losses from higher baselines of revenues. Nonetheless, this is very positive news.

Question	Answer	Respondents	
		#	%
<b>1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?</b>	Improved	125	8%
	Remained about the same	233	15%
	Worsened	1150	76%
	Don't know/No opinion	11	1%
<b>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?</b>	Better	891	59%
	About the same	362	24%
	Worse	235	15%
	Don't know/No opinion	31	2%
<b>3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	1023	67%
	Remain the same	313	21%
	Decrease	166	11%
	Don't know/No opinion	17	1%
<b>4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?</b>	Improve	830	55%
	Remain the same	437	29%
	Worsen	230	15%
	Don't know/No opinion	22	1%

Question	Answer	Respondents	
		#	%
5. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	647	43%
	About the same	752	50%
	Decrease	102	7%
	Don't know/No opinion	18	1%
6. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	614	40%
	Remain the same	692	46%
	Decrease	189	12%
	Don't know/No opinion	24	2%
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	978	64%
	Remain the same	442	29%
	Decrease	91	6%
	Don't know/No opinion	8	1%
8. To what degree have your revenues been impacted by the coronavirus pandemic?	Increased	334	22%
	No change in revenues	210	14%
	Decreased less than 10%	321	21%
	Decreased 10-24%	388	26%
	Decreased 25-49%	191	13%
	Decreased 50-74%	53	3%
	Decreased 75+%	19	1%
9. How long will your cash reserves continue to support your business based on the current economic conditions?	Less than 1 month	24	2%
	1 – 2 months	129	9%
	3 – 5 months	327	22%
	6 – 12 months	411	27%
	More than one year	601	40%
	Other	23	2%

Question	Answer	Respondents	
		#	%
<b>10. When do you expect that economic conditions in the U.S. will begin to improve?</b>	Less than 1 month	37	2%
	1-2 months	73	5%
	3-5 months	459	30%
	6-12 months	648	43%
	More than 1 year	232	15%
	Other	69	5%
<b>11. Has your company experienced a cyberattack or threat in the past 12 months?</b>	Yes, we have had an incident in the last 12 months	376	25%
	No, we have not had an incident in the last 12 months	921	61%
	Don't know/no threat detected	212	14%
<b>12. Does your company have a defined cyber risk strategy that is documented and communicated to your executive leaders?</b>	Yes - our strategy is current and reviewed at least annually	739	49%
	Yes - but the strategy is not current and does not have a scheduled review cycle	258	17%
	No - but we are actively working on a cyber risk strategy	193	13%
	No - our organization does not have a defined strategy	322	21%
<b>13. Does your strategic plan include goals or objectives related to diversity and inclusion efforts that support recruitment, development and/or retention of staff?</b>	Yes	753	50%
	No	632	42%
	Don't know/Not sure	128	8%
<b>14. Which is the primary objective of your company's diversity, inclusion efforts and/or programs? (Select one)</b>	Comply with legal requirements	200	14%
	Enhance external reputation	30	2%
	Attract and retain talent	755	52%
	Respond to customer expectations	48	3%
	Achieve business results	271	19%
	Reflect the demographic composition of our community	149	10%

Question	Answer					Respondents	
<b>15. Please rate your level of agreement with the following statements:</b>	Strongly Disagree	Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Agree	Strongly Agree
<b>15.1 Diversity and inclusion is critical to my company's performance and success</b>	7%	8%	4%	25%	17%	25%	13%
<b>15.2 Diversity and inclusion is a key part of our talent development strategies</b>	6%	7%	5%	25%	20%	24%	13%
<b>15.3 Diversity and inclusion is a priority for my company</b>	5%	8%	4%	26%	19%	24%	13%
<b>15.4 I am satisfied with the level of diversity and inclusion in my company today</b>	2%	8%	13%	14%	20%	27%	17%
<b>16. What impact do you believe the outcome of the election will have on your business?</b>	Positive impact					340	22%
	No impact					272	18%
	Negative impact					516	34%
	Too soon to tell					386	25%
<b>17. As COVID-19 cases continue to rise, are you taking steps to address workplace safety by communicating expectations for employee behavior outside of the workplace?</b>	Yes					939	62%
	No					573	38%
<b>18. Is the recent surge of the coronavirus and related restrictions having a worse impact on your business compared to spring or summer?</b>	Yes					430	28%
	No					1013	67%
	Other					72	5%

Question	Answer	Respondents	
		#	%
<b>19. During your company's last fiscal year, what were its total revenues?</b>	Less than 500k	24	2%
	500-999k	35	2%
	1-4 Million	244	16%
	5-9 Million	277	18%
	10-20 Million	283	19%
	21-49 Million	294	19%
	50-99 Million	177	12%
	100-249 Million	119	8%
	250-499 Million	32	2%
	500-999 Million	17	1%
	1+ Billion	17	1%
<b>20. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	123	8%
	10-19 employees	178	12%
	20-49 employees	376	25%
	50-99 employees	313	21%
	100-499 employees	423	28%
	500-999 employees	51	3%
	1000-4999 employees	43	3%
	5000-9999 employees	5	0%
	1000000+ employees	6	0%
	None	1	0%