VISTAGE
CEO Confidence Index

Surveying CEOs of small to midsize businesses since 2003

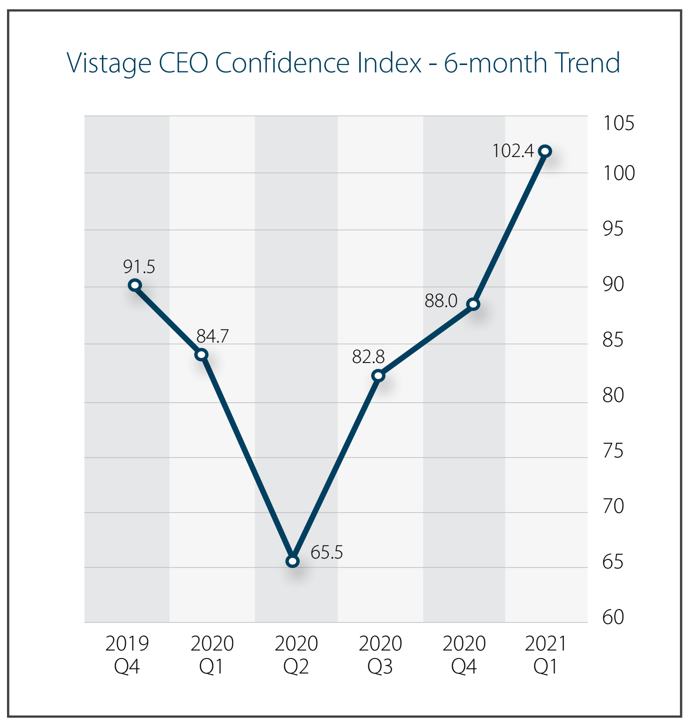
Q1 2021 | March 1- 8

Record gain in CEO confidence driven by vaccines and federal spending

Confidence among CEOs in Q1 2021 posted the largest year-to-year gain in the past decade, since the recovery from the Great Recession in 2009-10. CEOs reported that substantial gains in the economy had already occurred, and anticipated that those gains would continue during the year ahead. The Vistage CEO Confidence Index rose to 102.4 in Q1 2021, up from the pandemic low of 65.5 recorded in Q2 2020 and the highest level since Q3 2018.

This surge in economic optimism can be attributed to a growing rate of vaccinations and the passage of the American Rescue Plan, which provides $1.9 trillion in relief. Importantly, CEOs voiced their readiness to increase hiring and spending on fixed investments, and a larger proportion of CEOs are expecting growth in revenues and profits. While new virus variants are likely to spread, it is unlikely to cause renewed and widespread weaknesses in the economy during the balance of 2021.

Surging demand is likely to cause some temporary increases in inflation. The anticipated rise in inflation will be due to supply chain bottlenecks that will ease following the initial gains in the economy. Small and midsize businesses that are immediately able to scale up their activities will benefit from increased demand, but are also likely to face increased input prices. As the economic rebound gains strength, firms should be prepared for lower prices due to greater competition on both their inputs and their selling prices. The significant gains in confidence and optimism about the outlook for the overall economy point toward the beginning of the end of the pandemic.



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For more Vistage CEO Confidence Index results, visit vistage.com/ceoindex.

Vistage CEO Confidence Index highlights

Economic Sentiment	Revenues and Profits	Investments and Hiring
40% of CEOs said the economy recently improved, a 32-point jump from 8% in Q4 2020.	**76%** of CEOs expect increased revenues in the next 12 months, the highest proportion since Q2 2018.	**44%** of CEOs expect to increase investment expenditures in the next 12 months.
68% of CEOs expect the national economy to improve in the year ahead, a 9-point improvement from last quarter.	**61%** of CEOs expect increased profits in the year ahead.	**66%** of CEOs plan to expand their workforces in the next 12 months.

Economic turnaround in progress

Favorable judgments about the current state of the national economy have tripled since last month among small and midsize business CEOs. In addition, their overall economic outlook for the year ahead was twice as positive compared with a year ago. Recent improvements in the national economy were reported by 40% of all CEOs in the Q1 2021 survey, up from just 8% in the prior quarter. Fears of a worsening economy fell to just 34% from last quarter's 76%; the change in the net balance was the largest quarterly percentage ever recorded (+231%).

When asked about prospects for the economy during the year ahead, 68% of CEOs expected the economy to continue to improve; a year ago that percentage was just 18%. The proportion of CEOs who expected the economy to worsen tumbled to just 10% in Q1 2021, falling 31 percentage points from 41% recorded in Q1 2020.

Revenues and profits expectations accelerate

CEOs anticipate that their revenues and profits will post strong gains in the year ahead. Increased revenues were anticipated by 76% of CEOs in Q1 2021 survey, up from last quarter's 67%, and close to the all-time peak of 83%. Just 6% of CEOs expect falling revenues, down from the pandemic peak of 31% recorded in Q2 2020. Profits are projected to increase by 61% of CEOs, up from 55% last quarter, and substantially above the pandemic low of 39%.

Investment and hiring gains

Investment and hiring plans edged upward from last quarter's already improved level. Increases in fixed investment spending was planned by 44% of CEOs in Q1 survey, up from last quarter's 40% and last year's 38%. Planned increases in hiring were reported by 66% of CEOs, just above last quarter's 64% and substantially above last year's 55%.

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

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	624	40%
	Remained about the same	405	26%
	Worsened	534	34%
	Don't know/No opinion	16	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	1066	68%
	About the same	333	21%
	Worse	160	10%
	Don't know/No opinion	20	1%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1199	76%
	Remain the same	273	17%
	Decrease	98	6%
	Don't know/No opinion	9	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	962	61%
	Remain the same	436	28%
	Worsen	169	11%
	Don't know/No opinion	12	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	695	44%
	About the same	742	47%
	Decrease	120	8%
	Don't know/No opinion	22	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	1040	66%
	Remain the same	476	30%
	Decrease	56	4%
	Don't know/No opinion	7	0%
7. Over the past 12 months, to what degree have your revenues been impacted by the coronavirus pandemic?	Increased	452	29%
	No change in revenues	211	13%
	Decreased less than 10%	274	17%
	Decreased 10-24%	388	25%
	Decreased 25-49%	193	12%
	Decreased 50-74%	43	3%
	Decreased more than 75%	17	1%
8. How long will your cash reserves continue to support your business based on the current economic conditions?	Less than 1 month	25	2%
	1-2 months	113	7%
	3-5 months	368	23%
	6-12 months	404	26%
	More than one year	624	40%
	Other	40	3%

Question	Answer	Respondents #	Respondents %
Rate the importance of the following components of your talent management strategy today: **9. Attracting qualified talent**	Not at all important	10	1%
	Unimportant	11	1%
	Neutral	71	5%
	Important	451	29%
	Very important	1021	65%
9.1 Retaining existing talent	Not at all important	3	0%
	Unimportant	7	0%
	Neutral	60	4%
	Important	396	25%
	Very important	1094	70%
9.2 Improving employee engagement	Not at all important	3	0%
	Unimportant	11	1%
	Neutral	160	10%
	Important	779	50%
	Very important	608	39%
9.3 Training and development of employees	Not at all important	3	0%
	Unimportant	9	1%
	Neutral	132	8%
	Important	797	51%
	Very important	622	40%

Question	Answer	#	%
9.4 Developing career paths for employees	Not at all important	7	0%
	Unimportant	30	2%
	Neutral	333	21%
	Important	768	49%
	Very important	424	27%
9.5 Creating a strong culture	Unimportant	3	0%
	Neutral	76	5%
	Important	435	28%
	Very important	1050	67%
9.6 Managing performance	Not at all important	2	0%
	Unimportant	9	1%
	Neutral	147	9%
	Important	831	53%
	Very important	574	37%
9.7 Refining organizational structure	Not at all important	31	2%
	Unimportant	126	8%
	Neutral	517	33%
	Important	563	36%
	Very important	324	21%

Question	Answer	Respondents #	Respondents %
9.8 Sucession planning	Not at all important	83	5%
	Unimportant	178	11%
	Neutral	436	28%
	Important	529	34%
	Very important	334	21%

Question	Answer	#	%
10. Which components do you have in place as part of your employee development program? Select all that apply	General on-boarding	1404	91%
	Training on company culture and values	1080	70%
	Job-specific skills training	1299	84%
	Soft skills training – communication, time management, etc.	660	43%
	Leadership development program	662	43%
	Stretch assignments or special committee assignments	450	29%
	Employee assessments	1045	67%
	Coaching or feedback with managers	1110	72%
	Performance evaluations and KPIs	1072	69%
	Mentor program	414	27%
	Other	52	3%

Question	Answer	Respondents #	Respondents %
Rate your level of agreement with the following statements about your employee development program: **11. Employee development is a vital component of my company's culture**	Strongly disagree	4	0%
	Disagree	15	1%
	Neutral	118	8%
	Agree	720	46%
	Strongly agree	694	45%
11.1 Employee development is a key strategy to improve our retention and engagement	Strongly disagree	3	0%
	Disagree	13	1%
	Neutral	119	8%
	Agree	689	45%
	Strongly agree	720	47%
11.2 Our employee development program is a key differentiator for attracting talent	Not at all important	22	1%
	Unimportant	227	15%
	Neutral	607	39%
	Important	474	31%
	Very important	217	14%
11.3 Employees understand development and career path opportunities	Strongly disagree	12	1%
	Disagree	175	11%
	Neutral	561	36%
	Agree	640	42%
	Strongly agree	153	10%

Question	Answer	#	%
11.4 Our managers provide coaching to their direct reports	Strongly disagree	6	0%
	Disagree	72	5%
	Neutral	322	21%
	Agree	869	56%
	Strongly agree	273	18%
11.5 Our talent management strategy includes a focus on employee development	Strongly disagree	11	1%
	Disagree	110	7%
	Neutral	369	24%
	Agree	767	50%
	Strongly agree	277	18%
11.6 We consistently budget for and invest in employee development	Strongly disagree	18	1%
	Disagree	154	10%
	Neutral	396	26%
	Agree	652	42%
	Strongly agree	321	21%
12. Our talent management strategy includes a focus on employee development	Employee retention rates	1077	70%
	Employee turnover rates	852	56%
	Productivity per employee	730	48%
	Employee satisfaction	999	65%
	Role specific KPIs	570	37%
	Employee tenure	796	52%
	Other	62	4%

Question	Answer	Respondents #	Respondents %
13. How did your employee retention rates change in the past year?	Increased	443	28%
	Remained the same	817	52%
	Decreased	275	18%
	Don't know/no opinion	30	2%
14. Are you investing in automation or other productivity enhancements in 2021?	Yes, investment is already underway	847	54%
	Yes, we are planning to invest in the next three-to-six months	311	20%
	No, not planning to invest in this area	383	25%
	Other	22	1%
15. Which statement best describes the impact of reshoring on your business?	We have lost overseas business based on customers reshoring	18	1%
	We have acquired new business as a result of reshoring	133	9%
	We are adjusting our supply chain to reshore vendors and suppliers	151	10%
	Our businesses has not been impacted by reshoring	1191	78%
	Other	42	3%
16. As you look at your plans for the remainder of the year, which of the following best describes your approach to your workforce:	All-remote workforce	106	7%
	Hybrid workforce	909	58%
	Fully onsite workforce	512	33%
	Uncertain at this time	47	3%
17. How has a remote working environment impacted the on-boarding portion of your hiring practices?	Positive impact	154	10%
	Neutral impact	632	40%
	Negative impact	425	27%
	Not applicable	360	23%

Question	Answer	Respondents #	Respondents %
18. During your company's last fiscal year, what were its total revenues?	Less than 500k	32	2%
	500-999k	24	2%
	1-4 Million	245	16%
	5-9 Million	267	17%
	10-20 Million	294	19%
	21-49 Million	339	21%
	50-99 Million	175	11%
	100-249 Million	131	8%
	250-499 Million	44	3%
	500-999 Million	17	1%
	1+ Billion	11	1%

Question	Answer	#	%
19. During your company's last fiscal year, what was its total employment?	1-9 employees	119	8%
	10-19 employees	171	11%
	20-49 employees	394	25%
	50-99 employees	321	20%
	100-499 employees	454	29%
	500-999 employees	73	5%
	1000-4999 employess	39	2%
	5000-9999 employees	4	0%
	100000+ employees	3	0%
	none	1	0%