

## Gain in CEO confidence driven by recent economic improvements

A robust reopening of the economy has led to confidence among CEOs of small and midsize businesses to reach its highest level in three years. The Vistage CEO Confidence Index reached 108.8 in Q2 2021, marking the fourth consecutive quarterly gain since the pandemic low of 65.5 in Q2 2020. The Index is now comparable to the most favorable levels recorded in the past decade, and just below the peak of 115.6 in the closing quarter of 2003. In the midst of the substantial recent gains, CEOs have become more concerned about rising input prices and supply shortages and the need to increase wages to attract and retain employees. Despite the pent-up demand from customers, supply chain challenges have caused significantly fewer CEOs to expect gains in the national economy. Increased hiring and restored supply lines will quickly dissipate these concerns. Even as the majority of CEOs plan price hikes for their products or services, they also anticipate small declines in their profitability, implying that all of the cost increases are passed on through higher prices. Higher productivity and expected input cost declines are key to future profits.

### Economic turnaround slows

Over the past six months, CEOs have reported a rapid and robust economic recovery. An improved economy was reported by 76% of CEOs in Q2 2021, up from 40% last quarter, and just 8% in the closing quarter of 2020. The Q2 survey ties the record for favorable recent gains in the national economy, which was first set seventeen years ago in Q2 2004. The current rapid pace of improvement, however, is expected to slow in the year ahead. When asked about prospects for the year ahead, the proportion of CEOs that expected continued gains fell to 54% from last month's 68%, which was a seventeen-year record. Although gains must slow as the economy reaches its potential, the reasons behind the slowdown are also related to supply chain bottlenecks as well as challenges attracting and retaining the required workforce.



The Q2 2021 CEO Confidence Index reached 108.8, marking the fourth consecutive quarterly gain since the pandemic low of 65.5 in Q2 2020.

## Vistage CEO Confidence Index highlights

Economic Sentiment	Revenues and Profits	Investments and Hiring
<p><b>76%</b> of CEOs said the economy recently improved, a 36-point jump from 40% in Q1 2021.</p>	<p><b>78%</b> of CEOs expect increased revenues in the next 12 months, the highest proportion since Q1 2018.</p>	<p><b>53%</b> of CEOs plan to increase fixed investments in the next 12 months, a 9-point increase from Q1 2021.</p>
<p><b>54%</b> of CEOs expect the national economy to improve in the year ahead, a 14-point decline from last quarter.</p>	<p><b>57%</b> of CEOs expect increased profits in the year ahead, a 4-point decline from Q1 2021.</p>	<p><b>71%</b> of CEOs plan to expand their workforces in the next 12 months, up from 66% in Q1 2021.</p>

### Record hiring plans

When asked about plans for future hiring, 71% of CEOs reported intentions to increase their workforce while just 2% plan to decrease. This proportion is the highest level since the quarterly survey started in 2003. Twice as many CEOs judged supply chain bottlenecks were worsening rather than improving (46% versus 22%), and more than twice as many CEOs reported retention of their employees had decreased rather than increased (24% versus 10%). Six-in-ten CEOs reported that they couldn't hire enough employees to run at full capacity despite offering higher wages. When asked about wage increases, 30% of CEOs reported wage increases of 1% - 3%, and additional 32% reported increases of 4% - 6% and 17% of CEOs reported wage increases of more than 6%. These hiring difficulties have led 65% of small and midsize businesses to increase their investment expenditures in labor-saving technologies, and another 15% reported that they are planning such investments in the future.

### Planned investments near record high

Overall investment plans continued to improve in the latest survey as 53% of CEOs plan to increase fixed investments, up from 44% last quarter and double the low of 25% reached one year ago. Just 6% of CEOs reported planning declines in investment expenditures.

### Revenues and profits continue to strengthen

When asked about revenue prospects for the year ahead, 78% of CEOs reported expecting gains in Q2 2021, just above last quarter's 76%. Given that 76% of CEOs anticipated raising prices, the expected revenue gains are less impressive as costs likely rose to a greater extent. Profit gains were expected by 57% of all CEOs, down from last quarter's 61%. These slight declines indicate the increased costs for inputs and wages are not being fully covered by anticipated price increases. While raw material and vendor prices may fall once supply lines are restored, it is next to impossible to lower wages.

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

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	1207	76%
	Remained about the same	178	11%
	Worsened	191	12%
	Don't know/No opinion	13	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	858	54%
	About the same	454	29%
	Worse	245	15%
	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	1242	78%
	Remain the same	270	17%
	Decrease	68	4%
	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	911	57%
	Remain the same	470	30%
	Worsen	200	13%
	Don't know/No opinion	8	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	839	53%
	About the same	637	40%
	Decrease	96	6%
	Don't know/No opinion	17	1%

Question	Answer	Respondents	
		#	%
<b>6. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	1124	71%
	Remain the same	428	27%
	Decrease	33	2%
	Don't know/No opinion	4	0%
<b>7. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?</b>	Increase	1206	76%
	Remain the same	336	21%
	Decrease	32	2%
	Don't know/No opinion	11	1%
<b>8. How have your employee retention rates changed since the beginning of 2021?</b>	Increased	155	10%
	Remained the same	1033	65%
	Decreased	376	24%
	Don't know/no opinion	24	2%
<b>9. Why do you believe employees are leaving your organization? (Select all that apply)</b>	Uncertainty in our business	82	5%
	Industry challenges	139	9%
	Higher salaries	599	38%
	Better benefits	113	7%
	More flexibility	216	14%
	Better career/development options	288	18%
	Not applicable	676	43%

Question	Answer	Respondents	
		#	%
<b>10. Are hiring challenges impacting your ability to operate your business at full capacity?</b>	Yes	986	62%
	No	597	38%
<b>11. Which type of employees are you struggling to find? (Select all that apply)</b>	Frontline/hourly	687	44%
	Skilled workers	643	41%
	Professional staff	574	36%
	Management	231	15%
	Senior leadership	125	8%
	Not applicable	270	17%
<b>12. If hiring employees has become more difficult, what are you doing in response? (Select all that apply)</b>	Boosting wages	871	56%
	Adding employee benefits	348	22%
	Developing existing workforce	788	50%
	Slowing or delaying growth	296	19%
	Allowing employees to work remotely	448	29%
	Offering hiring bonuses	349	22%
	Refining recruitment strategies	800	51%
	Investing in automation and labor-saving devices	425	27%
	Seeking partners to create apprenticeship or internship programs	246	16%
	Does not apply	239	15%
<b>13. As you look at your plans for the remainder of the year, what percentage of your employees will fall into each category?</b>	Fully on site	418	27%
	Hybrid	1072	70%
	Fully Remote	46	3%

Question	Answer	Respondents	
		#	%
<b>14. As you look at your permanent plans for your workforce beyond 2021, what percentage of your employees will fall into each category?</b>	Fully on site	430	28%
	Hybrid	1050	68%
	Fully remote	61	4%
<b>15. In developing your new workforce model, have you surveyed employees on their preference?</b>	Yes	699	44%
	No, but have plans to	208	13%
	No	617	39%
	Other	55	3%
<b>16. What is your current mask policy for your workplace?</b>	Masks are not required	917	59%
	Masks are recommended but not required	339	22%
	Masks will be required through 2021	213	14%
	Masks will be required indefinitely	77	5%
<b>17. What is your policy regarding vaccinations?</b>	Requiring that some or all employees are vaccinated	47	3%
	Recommending but not requiring that employees are vaccinated	769	49%
	Providing incentives or rewards to those who voluntarily show proof of vaccination	120	8%
	Requesting that employees share vaccination status	104	7%
	Not requesting or requiring vaccine information	509	32%
	None of the above	31	2%
<b>18. Which effects of inflation are you experiencing for your business? (Select all that apply)</b>	Higher costs for raw materials and other inputs	1018	64%
	Higher costs for labor	1107	70%
	Increased prices from vendors	1108	70%
	Not experiencing effects from inflation	127	8%
	Other	64	4%

Question	Answer	Respondents	
		#	%
<b>19. Which best describes your supply chain?</b>	No problem	384	24%
	Getting worse	719	46%
	Slowly getting better	354	22%
	Other	117	7%
<b>20. Which best describes how you have adjusted wages:</b>	Have not increased wages	267	17%
	Increased wages 1%-3%	471	30%
	Increased wages 4%-6%	501	32%
	Increased wages more than 6%	265	17%
	Other	77	5%
<b>21. Are you investing in technology to reduce labor burden in your product or service?</b>	Yes	1029	65%
	No, but we are planning to	243	15%
	No	308	19%
<b>22. When do you expect to resume travel for business purposes?</b>	Have already resumed business travel	1063	67%
	In the next 3 months	246	16%
	Before the year end	156	10%
	Travel is suspended until 2022	19	1%
	Uncertain at this time	93	6%

Question	Answer	Respondents	
		#	%
<b>23. During your company's last fiscal year, what were its total revenues? *</b>	Less than 500k	16	1%
	500-999k	25	2%
	1-4 Million	232	15%
	5-9 Million	281	18%
	10-20 Million	306	19%
	21-49 Million	339	21%
	50-99 Million	185	12%
	100-249 Million	122	8%
	250-499 Million	43	3%
	500-999 Million	20	1%
	1+ Billion	20	1%
<b>24. During your company's last fiscal year, what was its total employment?*</b>	1-9 employees	118	7%
	10-19 employees	171	11%
	20-49 employees	396	25%
	50-99 employees	323	20%
	100-499 employees	464	29%
	500-999 employees	63	4%
	1000-4999 employees	41	3%
	5000-9999 employees	5	0%
	10000+ employees	8	1%