

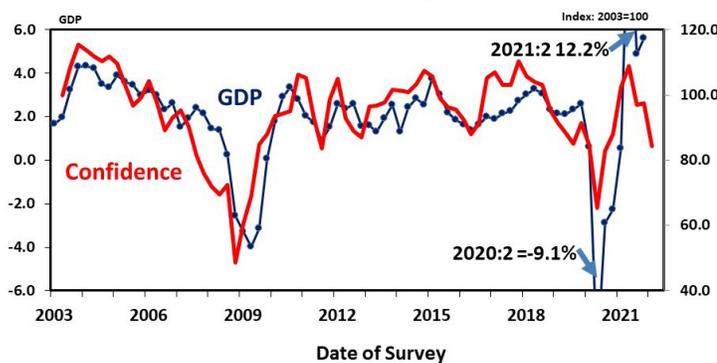
Uncertainty dominates CEO outlook

Rising concerns about the economic outlook were magnified by a surge in uncertainty about the potential impact of the Russian invasion of Ukraine on the domestic economy. The Vistage CEO Confidence Index fell to 84.3 in the 1st quarter of 2022, down 13.6% from last quarter, and the lowest level since the first few months at the start of the pandemic in 2020. Rising wages and materials costs, an inability to hire qualified staff to operate at full capacity, and shipping challenges for both input supplies and finished products have all reduced optimism.

These adverse conditions have caused less favorable prospects for revenues and profits as well as hiring and investment spending. More recently, higher energy costs related to Russia’s invasion of Ukraine have also resulted in steep increases domestically. The full impact of the war on the domestic economy, however, is as yet unknown. When asked whether it would influence their business, just 14% of CEOs reported that they didn’t expect it to affect their firm. A direct impact, however, was anticipated by 45% of CEOs, and importantly, 41% replied that they were uncertain about its potential impact on their firm. Even a quick resolution would not resolve all the underlying economic issues now faced.

As anticipated, the Federal Reserve has embarked on a path of repeated interest rate hikes over the next few years. Rather than immediately taking more aggressive actions, the Fed hopes to maintain a strong economy and robust employment into 2023, while at the same time slowly reducing inflation. Such “fine-tuning” by the Fed has long been a policy objective but has frequently proven too difficult to accomplish.

Vistage CEO Confidence Index and
Year-to-Year Changes In GDP



Vistage CEO Confidence Index: 6-Month Trend



The Vistage CEO Confidence Index fell to 84.3 in Q1 2022, the lowest level since the start of the pandemic.

Vistage CEO Confidence Index highlights

Economic Sentiment

30% of CEOs said the economy recently improved, an 18-point drop from Q4 2021.

Revenues and Profits

68% of CEOs expect increased revenues in the next 12 months.

Investments and Hiring

45% of CEOs plan to increase fixed investments in the next 12 months.

15% of CEOs expect the national economy to improve in the year ahead; more than three times as many (48%) expect it to worsen.

44% of CEOs expect increased profits in the year ahead.

65% of CEOs plan to expand their workforce in the next 12 months, erasing gains from the last quarter.

Economic growth slowdown

The pace of economic growth has already slowed and additional declines are expected during the year ahead. 47% of CEOs said the economy had worsened compared to a year ago. When asked about the year ahead, just 15% of CEOs expected improvement, down from 28% last quarter and 68% a year ago. In sharp contrast, a weakening economy was expected by 48% of CEOs surveyed, the highest percentage since 2008 near the bottom of the Great Recession. These very negative prospects are the result of two main sources of uncertainty: inflation and Russia's invasion of Ukraine. Even before the Russian invasion of Ukraine, firms voiced increased uncertainty about how long the upsurge in inflation and wages would persist. The Ukraine invasion has accelerated economic uncertainty.

Hiring remains strong

When asked about planned increases in hiring, 65% of CEOs reported that they intended to increase their workforce, just below the prior quarter's 76% and comparable to last year's 66%. 72% of CEOs said hiring challenges were impacting their ability to operate at full capacity. CEOs are leveraging a wide array of strategies to add new employees: 79% reported offering higher wages, 28% offered hiring bonuses, 36% expanded employee benefits, 65% had programs to develop their existing workforce, and 46% allowed employees to work remotely, among other incentives.

Declines in revenue and profit projections

68% of CEOs expect increased revenues for the year ahead, down from 74% last quarter and 76% last year. The expected revenue decline is despite price increases, which are planned by 83% of CEOs. Not surprisingly, expected profits declined due to revenue shortfalls as well as mounting cost increases. Higher profits were expected by 44% of CEOs surveyed. A worse profit outlook was only recorded twice since 2003: in the 2nd quarter of 2020 when the economy was in a pandemic shutdown, and in the three consecutive quarters at the height of the Great Recession in 2008-09.

— 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	470	30%
	Remained about the same	359	23%
	Worsened	747	47%
	Don't know/No opinion	8	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	244	15%
	About the same	525	33%
	Worse	768	48%
	Don't know/No opinion	47	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	1078	68%
	Remain the same	352	22%
	Decrease	135	9%
	Don't know/No opinion	19	1%
4. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	700	44%
	Remain the same	523	33%
	Worsen	342	22%
	Don't know/No opinion	19	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	712	45%
	About the same	666	42%
	Decrease	174	11%
	Don't know/No opinion	32	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	1037	65%
	Remain the same	476	30%
	Decrease	64	4%
	Don't know/No opinion	7	0%
7. Do you expect prices for your product or service to increase, remain about the same or decrease during the next 12 months?	Increase	1306	83%
	Remain the same	245	16%
	Decrease	18	1%
	Don't know/No opinion	11	1%
8. How have your employee retention rates changed since the beginning of the year?	Increased	197	12%
	Remained the same	1060	67%
	Decrease	307	19%
	Don't know/no opinion	18	1%
9. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	1133	72%
	No	445	28%

Question	Answer	Respondents	
		#	%
10. If hiring employees has become more difficult, what are you doing in response?	Boosting wages	1200	79%
	Developing existing workforce	992	65%
	Refining recruitment strategies	839	55%
	Allowing employees to work remotely	691	46%
	Reorganizing the existing workforce	591	39%
	Investing in automation and labor-saving devices	588	39%
	Adding employee benefits	552	36%
	Offering hiring bonuses	420	28%
	Increasing overtime for existing employees	379	25%
	Creating apprenticeship or internship programs	374	25%
	Slowing or delaying growth	333	22%
	Does not apply	114	8%
Other	41	3%	
11. Do you invest in development specifically for your company's managers and leaders?	Yes	1177	75%
	No	393	25%
12. How do you measure the success of your leadership development efforts?	Team KPIs and productivity	850	76%
	Employee retention rates	656	59%
	Exit interviews	401	36%
	Net Promoter or Employee Satisfaction surveys	368	33%
	Stay interviews	331	30%
	Other	77	7%

Question	Answer	Respondents				
		Strongly Agree	Agree	Neither Agree or Disagree	Disagree	Strongly Disagree
13. Please rate your level of agreement to the following statements.	I purposefully foster the reputation of our company as a place where people can grow.	52%	40%	7%	0%	1%
	I create space for my teams' best thinking by encouraging listening and collaboration.	44%	49%	5%	1%	1%
	I regularly give my team challenges to solve independently.	30%	52%	16%	2%	0%
	I engage team members by giving ownership and instilling accountability.	38%	52%	9%	2%	1%
	My company's decision-making process includes the opportunity for sharing opinions and debate.	50%	44%	4%	1%	1%
	Our company effectively collaborates across departments.	22%	52%	20%	5%	1%
	We regularly seek perspectives from diverse sources when solving a problem.	19%	51%	24%	5%	1%

14. Which best describes your supply chain?		
	#	%
No problem	290	18%
Getting worse	635	40%
Slowly getting better	517	33%
Other	132	8%

15. Are transportation issues a challenge for your company?	Yes	823	52%
	No	579	37%
	Not applicable	176	11%

Question	Answer	Respondents	
		#	%
16. Which aspects of transportation are presenting challenges for your business? (conditional to yes in Q15)	Shipping	570	69%
	Loading/unloading times for shipments	182	22%
	Trucking or ground transportation	555	68%
	Increased transportation costs	726	88%
	Favorable treatment of large companies by shipping/transportation companies	122	15%
	Other	53	6%
17. Which effects of inflation are you experiencing for your business?	Higher costs for raw materials and other inputs	977	62%
	Increased prices from vendors	1272	81%
	Increased wages and compensation	1362	87%
	Increased energy prices	916	58%
	Not experiencing effects from inflation	48	3%
	Other	32	2%
18. Will Russia's invasion of Ukraine have any impact on your business?	Yes	714	45%
	No	222	14%
	Don't know/uncertain	642	41%
19. Have you increased your cybersecurity measures due to Russia's invasion of Ukraine?	Yes	518	33%
	No	1025	67%
20. Which best describes your current workforce model?	All-remote workforce	99	6%
	Hybrid workforce	788	50%
	Fully onsite workforce	644	41%
	Other	47	3%

Question	Answer	Respondents	
		#	%
21. Which best describes your future workforce model? (conditional to hybrid or remote in Q20)	Workers will be required to fully return to the office.	22	1%
	Workers will be required to return to the office at least some days per week.	25	2%
	We will continue remote work.	237	15%
	Other	248	16%
22. During your company's last fiscal year, what were its total revenues?	Less than 500k	22	1%
	500-999k	25	2%
	1-4 Million	237	15%
	5-9 Million	248	16%
	10-20 Million	308	19%
	21-49 Million	337	21%
	50-99 Million	191	12%
	100-249 Million	131	8%
	250-499 Million	52	3%
	500-999 Million	16	1%
	1+ Billion	17	1%
23. During your company's last fiscal year, what was its total employment?	1-9 employees	125	8%
	10-19 employees	173	11%
	20-49 employees	383	24%
	50-99 employees	314	20%
	100-499 employees	463	29%
	500-999 employees	67	4%
	1000-4999 employees	46	3%
	5000-9999 employees	5	0%
	10000+ employees	5	0%
None	3	0%	

VISTAGE
CEO Confidence Index | Surveying CEOs of small
to midsize businesses
since 2003