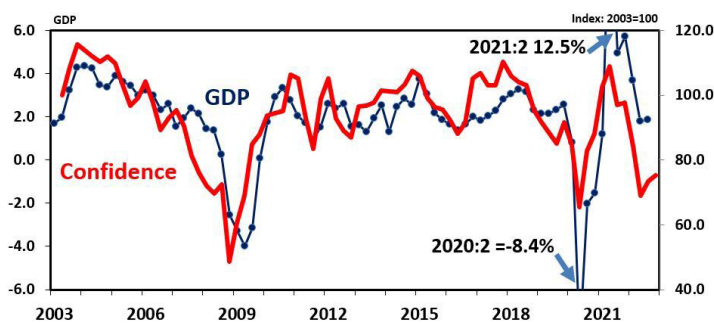


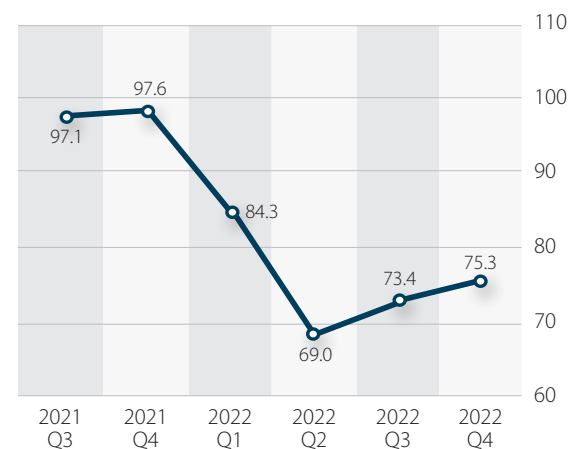
Increase in CEO confidence driven by hiring and profit expectations

The Vistage CEO Confidence Index posted another small quarterly gain in the December survey, although it remained well below last year's level. The CEO Confidence Index in the 4th quarter of 2022 was 75.3, up just 2.5% from last quarter but 22.9% below last year's level. The two components that posted the largest gains in Q4 2022 were planned hiring (+7.0%) and expected profit growth (+5.3%). Two other Index components posted quarterly declines, largely due to interest rate increases: year-ahead prospects for the national economy (-4.8%) and net planned fixed investment expenditures (-0.8%). It's interesting to note that less favorable prospects for the national economy have yet to impact the demands for increased compensation, with 84% of CEOs paying higher wages, 52% expanding benefits, and 44% offering hiring and retention bonuses. Rising profit expectations may indicate a slowdown in cost increases for inputs paid by CEOs and a corresponding increase in purchases at higher prices for their products or services among their customers. While the increase in excess pandemic saving has energized customer spending, those gains have been depleted and may now be replaced by greater precautionary motives in 2023. There is widespread uncertainty about the length and depth of a potential recession given the initial unresponsiveness of employment and inflation to the Federal Reserve's seven rate hikes since March 2022. Restoring a 2% inflation rate is likely to require much higher interest rates for extended periods of time.

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



Vistage CEO Confidence Index: 6-Month Trend



The Vistage CEO Confidence Index rose for the second consecutive quarter to reach 75.3 in Q4 2022, a 2.5 percent increase from Q3.

Vistage CEO Confidence Index highlights

Economic Sentiment

15% of CEOs said the economy recently improved, while 58% said it worsened.

10% of CEOs expect the national economy to improve in the year ahead, while 51% expect it to worsen.

Revenues and Profits

58% of CEOs expect increased revenues in the next 12 months.

43% of CEOs expect increased profits in the year ahead, a 5-point gain from Q3 2022.

Investments and Hiring

36% of CEOs plan to increase fixed investments in the next 12 months.

60% of CEOs plan to expand their workforce in the next 12 months, an 8-point increase from Q3 2022.

CEO sentiment about the economy clouded by uncertainty

Assessments of the current state of the economy as well as economic prospects for the year ahead remained largely unchanged in the 4th quarter survey. Current economic conditions were judged unfavorably by 58% in the latest survey, barely below last quarter's 60%. When asked about prospects for the year ahead, 51% expected worsened conditions, just above last quarter's 50%. The negative outlook for the national economy is hardly surprising given the Fed's commitment to substantially hike interest rates to reduce inflation. Whether the Fed can accomplish this goal without significant increases in unemployment is the primary source of CEOs' uncertainty about future economic prospects.

CEO hiring plans increase

Increased hiring is planned by 60% of CEOs surveyed in the 4th quarter of 2022, up from 52% in the prior two quarters. The challenges faced in hiring have begun to recede as CEOs reported that it was easier rather than harder to hire now than at the start of 2022 by a margin of 28% versus 20% (with 52% reporting no change). Success at hiring still required higher wages (84%, up from 82% last quarter), enhanced benefits (52%, up from 45%), and hiring and retention bonuses (44%, up from 42%). Automation and other labor-saving devices were already adopted by 41%, with another 30% actively planning to make these investments in the future. An increase in fixed investments is planned by just 36% of CEOs, while 19% plan to decrease investments; the largest proportion of declines since the shutdown of the economy in early 2020 due to the pandemic.

Revenues and profits expectations improve

The proportion of CEOs that anticipated increased revenues in the year ahead was 58% in the 4th quarter 2022 survey, up from 54% in the prior quarter but well below last year's 74%. Higher selling prices contributed to the overall revenue gains, with 70% of CEOs intending to boost prices in the year ahead. Higher profit prospects during the year ahead were also reported, with 43% expecting higher profits in the 4th quarter 2022 survey, up from the all-time low of 32% last recorded in the 2nd quarter of 2022. Needless to say, the extent of profits is determined by the extent of changes in a business's input prices compared with their selling prices. CEOs may have recently encountered less resistance to higher selling prices, but that resistance is likely to increase along with the potential economic slowdown and the depletion of excess savings.

— 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	202	15%
	Remained about the same	367	27%
	Worsened	793	58%
	Don't know/No opinion	11	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	136	10%
	About the same	518	38%
	Worse	698	51%
	Don't know/No opinion	21	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	800	58%
	Remain the same	347	25%
	Decrease	216	16%
	Don't know/No opinion	10	1%
4. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	587	43%
	Remain the same	467	34%
	Worsen	311	23%
	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	492	36%
	About the same	594	43%
	Decrease	262	19%
	Don't know/No opinion	25	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	827	60%
	Remain the same	447	33%
	Decrease	96	7%
	Don't know/No opinion	3	0%
7. What is your timeline for exiting your business?	No plans to exit	314	23%
	Less than 2 years	115	8%
	Between 2 and 5 years	321	23%
	Over 5 years	512	37%
	Does not apply	108	8%
8. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	831	61%
	No	532	39%
9. Is your company finding it easier or more difficult to fill job openings than it was at the start of the year?	Easier	382	28%
	No change	709	52%
	More difficult	277	20%

Question	Responses				
10. If hiring employees has become more difficult, what are you doing in response? <i>Select all that apply</i>		Have Implemented	Planning to implement	No plans to implement	Uncertain at this time
	Boosting wages	84%	8%	6%	3%
	Reorganizing the workforce	36%	28%	27%	9%
	Investing in automation and labor-saving devices	41%	30%	23%	7%
	Allowing remote work options	60%	5%	31%	5%
	Offering flexible hours/schedules	68%	5%	22%	4%
	Offering hiring or retention bonuses	44%	6%	42%	7%
	Creating apprenticeship or internship programs	39%	21%	29%	11%
	Increasing overtime	34%	3%	55%	8%
	Refining recruitment strategies	59%	29%	9%	3%
	Adding employee benefits	52%	13%	28%	7%
	Developing existing workforce	72%	23%	3%	1%
	Leadership development programs	61%	28%	7%	4%
11. Which of the following people metrics are you currently measuring for your business? <i>Select all that apply</i>	#		%		
	Retention	949	76%		
	Engagement	660	53%		
	Attrition/turnover	831	66%		
	New hire time to full productivity	330	26%		
	Time to hire	408	33%		
	Other, please specify	65	5%		
12. How have your employee retention rates changed since the beginning of the year?	Increased	355	26%		
	Remained the same	775	57%		
	Decreased	194	14%		
	Don't know/No opinion	37	3%		

Question	Answer	Respondents	
		#	%
13. If you had employees leave your company this year, what percentage departed voluntarily vs non-voluntarily?			
	% Voluntary (employees that left)	661	61%
	% Involuntary (employees that were asked to leave)	422	39%
14. Do you invest in development specifically for your company's managers and leaders?	Yes	1081	80%
	No	275	20%
15. Are you investing in technology to reduce the labor burden in your product or service?	Yes	1024	75%
	No, but we are planning to	167	12%
	No	167	12%
16. Which are the objectives of your company's diversity & inclusion strategies? <i>Select all that apply</i>	Comply with legal requirements	770	58%
	Enhance external reputation	364	27%
	Attract and retain talent	829	62%
	Respond to customer expectations	366	27%
	Improve business results with diverse perspectives	478	36%
	Reflect the demographic composition of our community	401	30%
	Do not have any diversity & inclusion strategies in place	313	23%
	Other	82	6%
17. Has your company experienced a cyberattack or threat in the past 12 months?	Yes, we have had an incident that resulted in lost or compromised data	57	4%
	Yes, we have had an incident but data was not lost or compromised	276	20%
	No, we have not had an incident, but a customer or supplier has reported an incident	280	21%
	No, we have not had an incident	653	48%
	Don't know/No threat detected	90	7%

Question	Answer	Respondents	
		#	%
18. Does your company have a defined cyber risk strategy that is documented and communicated to your executive leaders?	Yes - our strategy is current and reviewed at least annually	809	60%
	Yes - but the strategy is not current and does not have a scheduled review cycle	207	15%
	No - but we are actively working on a cyber risk strategy	131	10%
	No - our organization does not have a defined strategy	204	15%
19. How do you expect prices for your product or service to change during the next 12 months?	Increase	943	70%
	Remain the same	303	22%
	Decrease	99	7%
	Don't know/No opinion	11	1%
20. Which effects of inflation are impacting your business? <i>Select all that apply</i>	Higher costs for raw materials and other inputs	870	64%
	Increased prices from vendors	1108	82%
	Increased wages and compensation	1265	93%
	Increased energy prices	793	58%
	Change in buyer behaviors	621	46%
	Increased costs for business travel	648	48%
	Not experiencing effects from inflation	14	1%
	Other	47	3%
21. How does the pay you are offering new hires today compare to wages offered to new hires in similar roles a year ago?	Higher	1190	88%
	Same	152	11%
	Lower	4	0%
	Other, please specify	5	0%

Question	Answer	Respondents	
22. How have prices you are charged for goods, services and other inputs changed over the last 90 days?		#	%
	Prices increased more rapidly	260	19%
	Prices increased but at a slower pace	695	52%
	No change in prices	343	25%
	Prices have decreased	49	4%
23. Which best describes your supply chain?	No problem	212	16%
	Getting worse	126	9%
	Slowly getting better	820	61%
	Not applicable	156	12%
	Other	38	3%
24. During your company's last fiscal year, what were its total revenues?	Less than 500k	15	1%
	500-999k	27	2%
	1-4 Million	188	14%
	5-9 Million	230	17%
	10-20 Million	248	18%
	21-49 Million	287	21%
	50-99 Million	191	14%
	100-249 Million	119	9%
	250-499 Million	38	3%
	500-999 Million	15	1%
	1+ Billion	15	1%

Question	Answer	Respondents	
		#	%
25. During your company's last fiscal year, what was its total employment?	1-9 employees	106	8%
	10-19 employees	135	10%
	20-49 employees	331	24%
	50-99 employees	289	21%
	100-499 employees	402	29%
	500-999 employees	63	5%
	1000-4999 employees	37	3%
	5000-9999 employees	2	0%
	10000+ employees	8	1%

VISTAGE
CEO Confidence Index

Surveying CEOs of small
to midsize businesses
since 2003