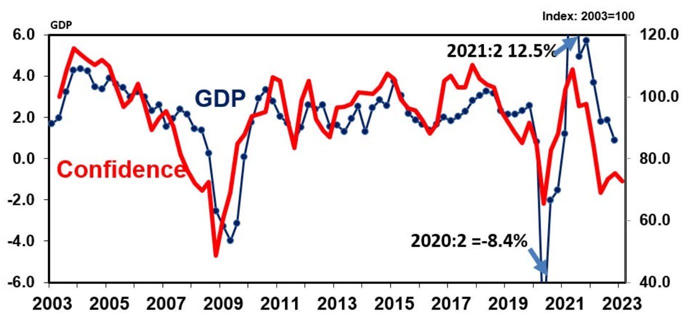
CEO confidence continues to fall amid recession concerns

The Vistage CEO Confidence Index retreated in the Q1 2023 survey, nearly erasing the small gains of the last two quarters. Overall, the Index was 13.9% below Q1 2022 and has now fallen 33.3% from the post-pandemic peak of 108.8 reached in Q2 2021.

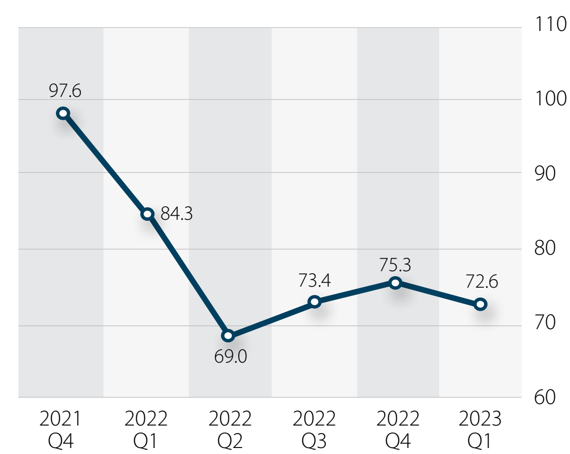
Importantly, the Index has held at these depressed levels since Q2 2022, which is when the Federal Reserve implemented its first interest rate hike. The impact of higher interest rates on the Index was stunning: In the four quarters since the Fed first hiked rates, the Index has averaged 72.6, a sharp decline from the 97.0 recorded in the prior four quarters. So far, the slow pace of cumulative confidence losses reflects the near-zero starting level of rates and that CEOs widely desire lower inflation. New fixed investments, however, have been under duress since business loans are often based on the prime rate, which automatically reflects the Fed's rate changes.

Moreover, the evolving banking crisis will make loans harder to get and more expensive as interest rates continue to rise. Although some of the data in this report was collected from Friday to Monday, March 10th to the 13th, there were only small differences between the data before and following the collapse of Silicon Valley Bank. While its impact on the economy will depend on the length and manner in which the crisis is resolved, it has elevated the prospects for a 2023 recession.

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 72.6 in Q1 2023, a 13.9% decrease from last year's 84.3.

Vistage CEO Confidence Index highlights

Economic Sentiment	Revenues and Profits	Investments and Hiring
9% of CEOs said the economy recently improved, while 58% said it worsened.	**55%** of CEOs expect increased revenues in the next 12 months.	**30%** of CEOs plan to increase fixed investments in the next 12 months.
9% of CEOs expect the national economy to improve in the year ahead, while 53% expect it to worsen.	**43%** of CEOs expect increased profits in the year ahead.	**54%** of CEOs plan to expand their workforce in the next 12 months while 43% have expanded staff since the start of the year.

CEOs increasingly pessimistic about the economy

Just 9% of all CEOs reported that the economy had improved during the past year, and just 9% expect the economy to improve during the year ahead. Only during the Great Recession in 2008 did fewer CEOs judge both past and future economic prospects more pessimistically. In the most recent survey, 53% of all CEOs anticipate the economy to worsen during the year ahead, largely unchanged in the past two quarters but substantially above the post-pandemic low of 10% in Q1 2021. Half of all CEOs (49%) in the Q1 2023 survey are either moderately or extremely concerned that a potential recession would hurt their business. As a result, 30% have already begun to cut costs, with another 28% planning cutbacks in 2023.

Spending on fixed and capital investments decrease

Just 30% of all CEO respondents plan to increase total fixed investment expenditures, down from 36% last quarter and 45% in the first quarter of 2022. In the past 20 years, planned investments were only lower in one quarter during the pandemic shutdown and in three quarters during the Great Recession. When directly asked about the impact of rising interest rates, 52% reported they had a negative impact on their businesses. Decreased or delayed capital investments were reported by 30%, while 12% reported that they had increased their fixed investment spending, perhaps acting in advance of future rate increases. Increased hiring is planned by 54% in Q1 2023, down from 60% in the prior quarter and 65% in Q1 2022.

Profit and revenue expectations hold despite recession concerns

Although the proportion of CEOs reporting revenue increases has remained largely unchanged in the past several quarters, that percentage has declined sharply in recent years: 55% reported revenue gains in Q1 2023, down from 68% in Q1 2022, and 76% in Q1 2021. Although the proportion reporting revenue declines remained low at 16%, only 4 times in the history of the survey has a higher percentage been recorded. Improved profits are expected by 43% of CEOs surveyed in Q1, just below last year's 44%, and well below the 61% recorded two years ago. Profits are bolstered by delays in new capital investments (54%), sourcing new vendors and suppliers (51%), and cutbacks or delays in hiring (50%).

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

Question	Answer	#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same or worsened?	Improved	120	9%
	Remained about the same	458	33%
	Worsened	819	58%
	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	122	9%
	About the same	507	36%
	Worse	742	53%
	Don't know/No opinion	34	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	768	55%
	Remain the same	398	28%
	Decrease	226	16%
	Don't know/No opinion	14	1%
4. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	604	43%
	Remain the same	448	32%
	Worsen	343	24%
	Don't know/No opinion	11	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	419	30%
	Remain the same	715	51%
	Decrease	245	17%
	Don't know/No opinion	27	2%

Question	Answer	Respondents #	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	754	54%
	Remain the same	541	39%
	Decrease	99	7%
	Don't know/No opinion	12	1%
7. To what degree are you concerned about a potential recession affecting your business?	Extremely concerned	152	11%
	Moderately concerned	530	38%
	Somewhat concerned	420	30%
	Slightly concerned	253	18%
	Not at all concerned	50	4%
8. Are higher interest rates impacting your business?	Yes	730	52%
	No	385	27%
	Not yet, but anticipating they will	287	20%
9. How have your company plans for capital investments changed over the last six months?	Increased capital investments	170	12%
	Decreased capital investments	158	11%
	Delayed capital investments	270	19%
	No changes	788	56%
	Other	15	1%

Question	Answer	#	%
10. Which best describes your approach to cost management over the next 6 months?	Have already implemented cost-cutting measures	418	30%
	Planning to reduce costs	397	28%
	No plans to reduce costs	503	36%
	Other	86	6%
11. In which areas do you plan to find cost savings? *Select all that apply*	Reduce workforce or delay hiring	407	50%
	Workforce benefits and employee development	71	9%
	Source new vendors and suppliers	409	51%
	Delay or reduce capital expenses	436	54%
	Decrease sales and marketing	102	13%
	Sunset unprofitable products or services	336	42%
	Other	89	11%
12. Is your company finding it easier or more difficult to fill job openings than it was at the start of the year?	Easier	381	27%
	No change	834	59%
	More difficult	188	13%
13. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	692	49%
	No	708	51%
14. How has the size of your workforce changed since the beginning of the year?	Increased	597	43%
	Remained the same	596	42%
	Decreased	207	15%
	Don't know/No opinion	4	0%

Question	Answer	Respondents #	Respondents %
15. How have your employee retention rates changed since the beginning of the year?	Increased	216	15%
	Remained the same	1043	74%
	Decreased	120	9%
	Don't know/No opinion	23	2%

16. What improvements have you made to increase employee retention in the past 12 months?
Select all that apply

	Have implemented improvements	Planning to improve	No plans to change
Adjust base compensation	82%	6%	12%
Employee engagement surveys/NPS	28%	23%	49%
Company culture	57%	20%	23%
Remote work options/flexible scheduling	42%	7%	52%
Stay interviews	17%	21%	62%
Bonus and incentive programs	53%	16%	31%
Reward and recognition programs	47%	20%	34%
Employee benefits	42%	10%	48%
New hire onboarding	51%	20%	28%
Workforce development	47%	29%	24%
Leadership development	53%	30%	17%
Pulse surveys	21%	20%	58%
Mentorship programs	22%	27%	51%

17. Which statement best describes how you feel about Open and Regenerative AI such as ChatGPT?

It presents an opportunity to my business	596	43%
I don't understand how it works	286	20%
It presents a risk to my business	47	3%
It is not relevant at this time	469	34%

Question	Answer	#	%
18. During your company's last fiscal year, what was its total employment?	1-9 employees	89	6%
	10-19 employees	147	10%
	20-49 employees	334	24%
	50-99 employees	281	20%
	100-499 employees	450	32%
	500-999 employees	65	5%
	1000-4999 employees	31	2%
	5000-9999 employees	2	0%
	10000+ employees	6	0%
	None	1	0%
19. During your company's last fiscal year, what were its total revenues?	Less than 500k	11	1%
	500-999k	23	2%
	1-4 Million	184	13%
	5-9 Million	213	15%
	10-20 Million	258	18%
	21-49 Million	294	21%
	50-99 Million	212	15%
	100-249 Million	129	9%
	250-499 Million	47	3%
	500-999 Million	20	1%
	1+ Billion	14	1%