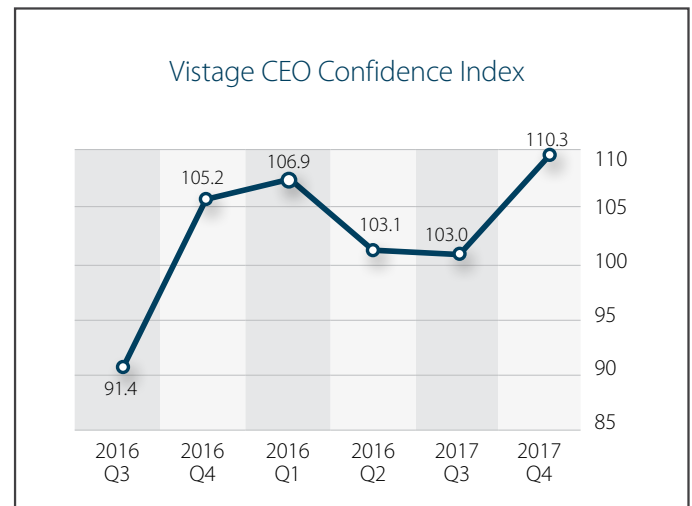
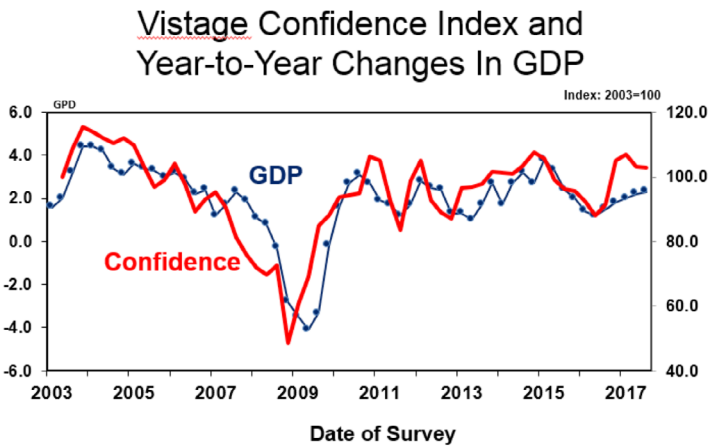


## CEO optimism surges to decade peak.

In December, CEOs of small to midsized firms voiced the most optimistic economic outlook since Q4 2004. Planned increases in their workforce and expected revenue growth were the highest in a dozen years, anticipated profit growth was the highest in ten, and intentions to expand investments in their productive capacity reached the highest level since 2004. This surge in CEO optimism about all aspects of their firms' health was recorded before the final passage of the tax reform measure, but its passage was certainly anticipated. CEO assessments of the current state of the economy have improved substantially during the past year, but those same gains were not as positive for future prospects. To be sure, firms were more optimistic than last quarter. However, they were less optimistic about continued gains in the overall economy than in last year's Q4 survey. This may reflect their ability to more quickly evaluate how tax reform would affect their own firm's future prospects than it would the entire economy. One might anticipate that as the specifics of the tax reform become more widely understood, firms will react even more positively.



The Vistage CEO Confidence Index was 110.3 in Q4 2017, about the Q3 index of 103.0, and well above last year's 105.2.

Trends in the Vistage CEO Confidence Index show a close correspondence with year-to-year changes in real GDP published by the U. S. Bureau of Economic Analysis. The Vistage CEO Confidence Index is a six-month leading indicator for GDP and currently indicates a continued expansion with an uptick in the average rate of GDP growth during 2017 and early 2018.

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

## Vistage CEO Confidence Index highlights

**66%** of CEOs said the economy had recently improved, a significant increase from last quarter's 52%.

**83%** of CEOs expect increased revenues in the year ahead.

**45%** of CEOs expect the economy to post additional gains during the year ahead, up 13 points from 32% last quarter.

**67%** of CEOs expect increased profits in the year ahead.

**71%** of CEOs plan to expand their workforce in the year ahead.

**54%** of CEOs expect to increase investment expenditures in the next year.

### Hiring and investment intentions surge.

71% of CEOs said they plan to increase hiring in the next year, up from last quarter's 62% and last year's 60%. Note that last year's Q4 survey was conducted after the election; the figure was 54% in the prior quarter. The December survey data represent the highest percentage who planned workforce additions since 2003. Intentions to increase investments in new plant and equipment rose to 54%, up from 47% one quarter and one year earlier, the highest number to plan increased investment spending in more than a dozen years and just shy of the 57% peak recorded in the closing quarter of 2004. While intentions are not always fulfilled, it will be a very positive outcome if the tax reform legislation results in more jobs and more capital investments. The difficulties in increasing the current full-employment workforce will necessitate higher wages; those wage gains may spark higher inflation and added interest rate hikes.

### CEOs have robust revenue and profit outlook.

Prospects for revenue growth were at their highest level since 2005. In Q4 2017, 83% of CEOs of small and midsize firms anticipated gains in revenues during the year ahead, marginally above last quarter's 77%, but well above the 69% recorded in the quarter before the presidential election. Around the peak in the last expansion, revenue expectations were as positive as now in five quarters from late 2003 to early 2005. Profits expectations also improved, with 67% anticipating higher profits in the year ahead, marginally above last quarter's 62% and last year's 64%. Improved profit expectations were still somewhat below the all-time peak of 74% recorded in the closing quarter of 2003.

### Confidence in economic growth improves.

Recent gains in economic growth were more frequently reported by CEOs than those who anticipated continued gains in the year ahead. Among all firms, 66% of CEOs reported the economy had recently improved, up from 52% last quarter and 42% this time last year. These gains are not surprising given that the economy has recently expanded at a 3% rate. When asked about prospects for the year ahead, 45% anticipated continued gains, up from 32% in the prior quarter but below last year's Q4 reading of 58%. The overall confidence index suggests a much faster pace of GDP growth in the year ahead. In reality, what seems likely is growth that falls somewhere between the high level of overall optimism and more modest prospects for the economy. Importantly, in either case, CEOs of small to midsize firms anticipate strong economic growth in 2018.

Question	Answer	Respondents	
		#	%
<b>1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same or worsened?</b>	Improved	914	66%
	Remained about the same	405	29%
	Worsened	53	4%
	Don't know/No opinion	5	0%
<b>2. During the next 12 months, do you expect the overall economic conditions in the United States will be better, about the same or worse than now?</b>	Better	621	45%
	About the same	596	43%
	Worse	144	10%
	Don't know/No opinion	16	1%
<b>3. Are your firm's total fixed investment expenditures likely to increase, remain about the same or decrease during the next 12 months?</b>	Increase	741	54%
	Remain the same	533	39%
	Decrease	90	7%
	Don't know/No opinion	13	1%
<b>4. Do you anticipate that your firm's sales revenues will increase, remain about the same or decrease during the next 12 months?</b>	Increase	1139	83%
	Remain the same	182	13%
	Decrease	53	4%
	Don't know/No opinion	3	0%
<b>5. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?</b>	Improve	917	67%
	Remain the same	357	26%
	Worsen	98	7%
	Don't know/No opinion	5	0%

Question	Answer	Respondents	
		#	%
<b>6. Do you expect prices for your product or service to increase, remain about the same or decrease during the next 12 months?</b>	Increase	653	47%
	About the same	652	47%
	Decrease	64	5%
	Don't know/No opinion	8	1%
<b>7. 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	978	71%
	Remain the same	338	25%
	Decrease	57	4%
	Don't know/No opinion	4	0%
<b>8. When do you plan to increase your firm's total number of employees over the next 12 months?</b>	Q1 2018	238	17%
	Q2 2018	213	15%
	Q3 2018	83	6%
	Q4 2018	23	2%
	Steadily throughout the next 12 months.	514	37%
	I do not plan to increase my total number of employees in the next 12 months.	306	22%

Question	Answer	Respondents	
		#	%
<b>9. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	104	8%
	10-19 employees	170	12%
	20-49 employees	318	23%
	50-99 employees	271	20%
	100-499 employees	389	28%
	500-999 employees	53	4%
	1000-4999 employees	39	3%
	5000-9999 employees	4	0%
	10000+ employees	9	1%
	None	20	1%
	<b>10. During your company's last fiscal year, what were its total revenues?</b>	Less than 500k	15
500-999k		25	2%
1-4 Million		230	17%
5-9 Million		239	17%
10-20 Million		271	20%
21-49 Million		276	20%
50-99 Million		166	12%
100-249 Million		91	7%
250-499 Million		39	3%
500-999 Million		11	1%
1+ Billion		14	1%