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Research

Q2 2017 CEO Confidence Index

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Each quarter, Vistage surveys members that are CEOs of small to mid-sized businesses to produce the CEO Confidence Index. Started in 2003, the Vistage CEO Confidence Index has grown to be the largest and most comprehensive report of opinions and projections from CEOs of small and mid-size businesses in the U.S.

U.S. small and mid-sized businesses represent the most vital sector of the nation's economy, creating 75% of all new jobs and generating 50% of all national revenue. The opinions of leaders of these businesses provide a clear snapshot of current economic, market and industry trends and demonstrate their plans for growth over the next 12 months.

New York Q2 2017 CEO Confidence Index

This report represents a comparison of data from 1,490 respondents' specific to the NY-NJ-CT area. Key insights from comparing this local data to national data include:

- 55% of CEOs expect their profitability to improve during the next 12 months (vs. 60% nationally)
- Only 34% of CEOs believe that the Trump administration has improved prospects for their firm (vs. 40% nationally)
- 51% of CEO's are having trouble hiring workers (vs. 62% Nationally).

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Crosswinds buffet small business

CEOs of small business firms report renewed weakness in their outlook for the national economy in the midst of a tightening labor market. Firms expressed increased uncertainty about the ability of President Trump to advance his economic agenda, however this has thus far only had a limited impact on overall confidence. Indeed, firms remain quite confident, expressing more positive expectations than they did a year ago for revenues, profits, investment spending and expanding their workforce. CEOs reported greater difficulty and higher costs for hiring qualified workers, as well as greater hedging of potential risks in their planned investment spending. While these reactions are typical in long expansions — the expansion is celebrating its eighth year in June — business expectations are now more dependent on political rather than economic uncertainties.

Wavering pace of economic growth. Among all CEOs, 55 percent reported that the economy had recently improved, slightly below last quarter's 59 percent but more than twice last year's 21 percent. Unfortunately, many fewer firms expected those gains to continue in the year ahead. When asked about future economic prospects, just 38 percent expected continued improvement, down from 57 percent last quarter and 58 percent in late 2016 after Trump's election. While renewed economic growth was still anticipated by nearly twice the 20 percent recorded in last year's second quarter, the recent sharp drop in favorable expectations for the economy is still a top concern. When asked about the impact of uncertainty about future economic policies, just over one-third of all firms cited some impact — delayed investment (16 percent), delayed hiring (10 percent) or reduced orders from customers (9 percent) — while the majority 58 percent cited no impact from policy uncertainty.

Tight labor market. Six in ten firms planned to expand their workforce in the second quarter of 2017, and these robust plans have remained unchanged from the prior two quarters. By far the biggest challenge for small firms was the tight labor market, with 62 percent indicating that they were having trouble finding and hiring workers. The most common responses to this challenge was to offer higher wages (34 percent) or added benefits (13 percent). A second common strategy was to increase training (28 percent) of new hires so that on-the-job instructions could replace more skill and more expensive hires. Some firms favored slowing the pace of growth in their workforce (9 percent). Overall, one in five firms reported their top challenge was finding, hiring, training and retaining management talent.

Strong investment spending. Increased investments in plant and equipment were planned by 48 percent of all firms in the 2nd quarter, just above the 47 percent in the prior two quarters and barely below the decade peak of 49 percent set in the closing quarter of 2014. Although firms have revised downward the extent of near term growth, the robust data on investment spending suggests that firms still hold a favorable long-term outlook.

Revenues and profits ease off records. Revenue gains were expected by 73 percent of firms, down from 77 percent last quarter and 78 percent two quarters ago — the most positive revenue expectation in the past ten years. Rising profits were expected 60 percent of all firms, down from 64 percent in the prior two quarters — the highest proportion recorded since the start of 2006. Despite the small recent declines in expected revenues and profits, they remain at quite favorable levels.

Trends in the Vistage Confidence Index show a close correspondence with year-to-year changes in real GDP, published by the U. S. Bureau of Economic Analysis. The Confidence Index has about a six month lead and currently indicates a continued expansion with an uptick in the average rate of GDP growth during 2017. Trends in the Vistage Index of Employment Expectations have a close correspondence with year-to-year changes in total employment, published by the Bureau of Labor Statistics. The Employment Expectations Index has a six to nine month lead on actual changes in the employment series and indicates continued employment gains in 2017.



The Vistage Confidence Index was 103.1 in the second quarter 2017 survey, down from 106.9 in the first quarter but still well above last year's 88.0.

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



Q2 2017 Vistage CEO Confidence Index Survey
Tri-State (NY-NJ-CT)

Tri-State (NY-NJ-CT) Survey Highlights

39% of CEOs expect the economy to improve in the year ahead (vs. **38%** nationally)

51% of CEOs expect to increase investments in the year ahead (vs. **48%** nationally)

70% of CEOs expect to increase revenue in the year ahead (vs. **73%** nationally)

54% of CEOs plan to expand their workforce in the next year (vs. **61%** nationally)

54% of CEOs thought the national economy had improved in the past year (vs. **55%** nationally)

55% of CEOs expect rising profits in the year ahead (vs. **60%** nationally)

National Economic Outlook by Industry

% of CEOs who expect the economy to improve in the year ahead (includes industries with at least 25 responses). Response count in parentheses.

Other Services	52% (33)
Construction	43% (121)
Wholesale Trade	42% (71)
Manufacturing	40% (191)
Health Care	39% (31)
Null	39% (687)
Transportation & Warehousing	38% (26)
Finance and Insurance	38% (40)
Retail Trade	37% (30)
Real Estate and Rental and Leasing	35% (26)
Consulting Services	32% (38)

National Employment Outlook by Industry

% of CEOs who plan to expand their workforce in the next year (includes industries with at least 25 responses). Response count in parentheses.

Health Care	74% (31)
Other Services	70% (33)
Construction	68% (121)
Transportation & Warehousing	65% (26)
Finance and Insurance	63% (40)
Null	61% (687)
Real Estate and Rental and Leasing	58% (26)
Wholesale Trade	55% (71)
Manufacturing	53% (191)
Consulting Services	50% (38)
Retail Trade	47% (30)



Q2 2017 Vistage CEO Confidence Index Survey..

Number of respondents in (blue)

	Tri-State (NY-NJ-CT)	National
1 Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved 54% (47)	55% (823)
	Remained about the same 40% (35)	38% (566)
	Worsened 5% (4)	6% (91)
	Don't know/No opinion 1% (1)	1% (10)
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 39% (34)	38% (568)
	About the same 46% (40)	47% (698)
	Worse 14% (12)	13% (193)
	Don't know/No opinion 1% (1)	2% (31)
3 Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase 51% (44)	48% (716)
	Remain the same 37% (32)	43% (644)
	Decrease 11% (10)	8% (120)
	Don't know/No opinion 1% (1)	1% (10)
4 Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase 70% (61)	73% (1,084)
	Remain the same 24% (21)	21% (312)
	Decrease 6% (5)	6% (84)
	Don't know/No opinion 0% (0)	1% (10)
5 Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve 55% (48)	60% (901)
	Remain the same 34% (30)	30% (451)
	Worsen 10% (9)	9% (133)
	Don't know/No opinion 0% (0)	0% (5)
6 Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase 36% (31)	41% (616)
	About the same 57% (50)	52% (780)
	Decrease 7% (6)	6% (88)
	Don't know/No opinion 0% (0)	0% (6)
7 Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase 54% (47)	61% (904)
	Remain the same 40% (35)	34% (501)
	Decrease 6% (5)	5% (81)
	Don't know/No opinion 0% (0)	0% (4)
8 When do you plan to increase your firm's total number of employees over the next 12 months?	Q3 2017 17% (15)	18% (267)
	Q4 2017 14% (12)	10% (144)
	Q1 2018 3% (3)	6% (84)
	Q2 2018 2% (2)	4% (54)
	Steadily throughout the next 12 months. 33% (29)	35% (519)
9 Are you having trouble hiring workers?	I do not plan to increase staff in the next 12 months. 30% (26)	28% (422)
	Yes 51% (44)	62% (926)
12 Has the new Trump administration changed prospects for your business?	No 49% (43)	38% (556)
	It has improved prospects for my firm. 34% (29)	40% (584)
	It has worsened prospects for my firm. 19% (16)	16% (238)
13 Which trade deal should be more of a priority for the Trump administration, a deal with the UK or with Europe?	It has had no impact on prospects for my firm. 48% (41)	44% (654)
	UK 11% (9)	11% (157)
	Europe 44% (37)	35% (522)
19 During your company's last fiscal year, what were its total revenues?	Don't know 46% (39)	54% (792)
	Less than 500k 3% (3)	2% (24)
	500-999k 1% (1)	2% (31)
	1-4 Million 13% (11)	17% (259)
	5-9 Million 18% (16)	17% (251)
	10-20 Million 17% (15)	20% (294)
	21-49 Million 25% (22)	21% (310)
	50-99 Million 13% (11)	10% (148)
	100-249 Million 7% (6)	8% (112)
	250-499 Million 1% (1)	3% (43)
	500-999 Million 0% (0)	0% (7)
1+ Billion 1% (1)	1% (11)	

