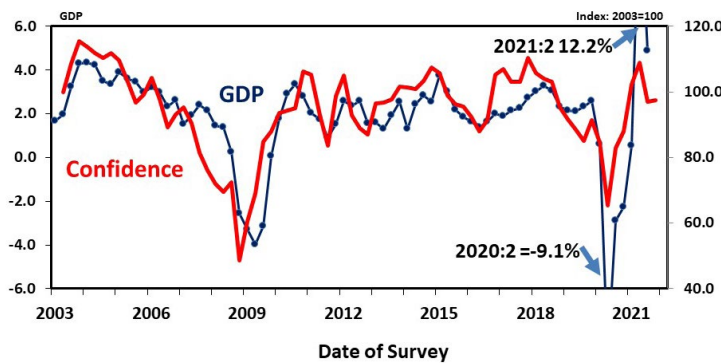


Amid record hiring plans, robust economic recovery is on hold

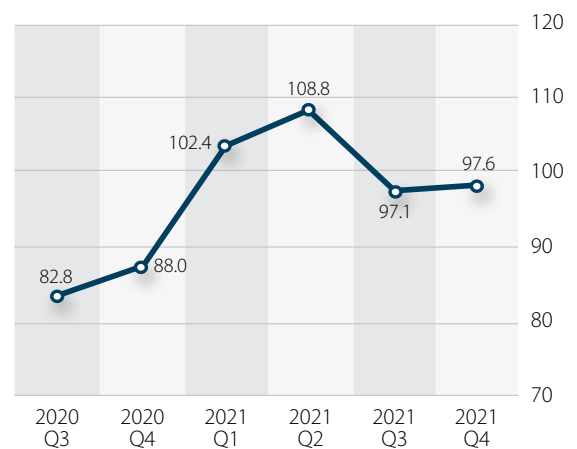
Rising concerns about the Omicron variant have maintained last quarter's falloff in economic confidence due to the Delta variant. The Q4 2021 Vistage CEO Confidence Index was 97.6, nearly equal to last quarter's 97.1, splitting the difference between the Q2 high (-10.3%) and last year's low (+10.8%). Importantly, CEOs anticipate a significant negative impact on the economy. However, despite the latest variant, small and midsize businesses are engaging in actions that will enhance their competitiveness and finances in the years ahead.

Despite the growing negative outlook for the national economy, more CEOs plan to increase their workforce in the next 12 months than at any other time since this survey began 19 years ago. Among the small and midsize business leaders who were surveyed, 72% of CEOs said that labor shortages prevented them from operating their business at full capacity, up from 67% last quarter. Over three-quarters of CEOs also reported that they planned to raise the selling prices of their goods or services. The price increases were forced by higher costs of inputs, including labor. Profit growth expectations posted only marginal gains from last quarter, and those minor gains still left profit expectations well below last year's levels. The data indicated that small and midsize businesses have now accepted the fact that COVID-19 will alter basic business practices for the foreseeable future, and they have built new business plans that recognize that ongoing transformation. Although the worst of the Omicron impact has yet to come, the data now indicate that confidence remains consistent with continued growth and elevated levels of inflation.

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



Vistage CEO Confidence Index: 6-month Trend



The Q4 Vistage CEO Confidence Index remained stable at 97.6 in the face of economic uncertainty and record hiring plans.

Vistage CEO Confidence Index highlights

Economic Sentiment	Revenues and Profits	Investments and Hiring
<p>48% of CEOs said the economy recently improved, an 8-point drop from Q3 2021.</p>	<p>74% of CEOs expect increased revenues in the next 12 months, a 6-point increase from last quarter.</p>	<p>52% of CEOs plan to increase fixed investments in the next 12 months, a 5-point increase from Q3 2021.</p>
<p>28% of CEOs expect the national economy to improve in the year ahead, just as many expect it to worsen.</p>	<p>51% of CEOs expect increased profits in the year ahead, on par with last quarter's reading.</p>	<p>76% of CEOs plan to expand their workforce in the 12 months ahead, the highest proportion in the history of the survey.</p>

Economic growth continues slowdown

A slowdown in the pace of economic growth and a decline in growth prospects for the year ahead were reported by CEOs surveyed in the 4th quarter. Positive assessments of the current state of the economy were reported by less than half of CEOs, down from three quarters just six months ago. For the year ahead, positive economic expectations were reported by just over one-in-four firms, nearly half as many as in the 2nd quarter, and the lowest level of optimism since the pandemic began. CEO sentiment about the strength of the economy in the year ahead was equally negative and uncertain: 28% expect improvement and 28% expect worsening conditions. Given that most CEOs are facing rising input costs, changes in product prices are defensive acts. The same is true for consumers as rising retail prices have led to declining living standards, requiring employers to raise wages as a defensive measure to meet worker demand.

Record expansion amid hiring challenges

When asked about planned increases in hiring, 76% of CEOs reported that they intend to increase their workforce, 10 points above the previous quarter's 66% and the highest level recorded since 2003. Twice as many CEOs reported that employee retention rates in 2021 had worsened rather than improved (29% vs. 14%). In response CEOs reported a wide array of strategies to add new employees: 78% reported offering higher wages, up from 69% last quarter; and 29% are offering hiring bonuses, up from 27% last quarter. To increase employee retention, 71% of CEOs report efforts to develop the existing workforce, up from 56% last quarter; 48% allow remote work, up from 41%; 40% added benefits, up from 28% last quarter; and 28% increased overtime, up from 26% last quarter.

Planned investments remain strong

When asked about investments in labor-saving devices, 69% of CEOs reported they already have made those investments, with another 13% planning to do so in the future. An increase in planned fixed investment spending was reported by 52% of CEOs, above last quarter's 47%; just 8% planned cutbacks in investments.

Revenues and price increases

Increased revenues for the year ahead are expected by 74% of CEOs responding to the Q4 survey, near the 2021 peak of 78% reached in June. Importantly, 69% of CEOs report that they have already raised their prices, and 77% expect to raise prices in 2022. Over three-in-five CEOs expect the future price increases to be between 5% and 10%, and another 23%

of CEOs cited price increases above 10%. These large increases are to cover increased costs as price increases didn't add much to profit expectations: 51% of CEOs expect profits to rise, just above last quarter's 50% and the two lowest levels since the pandemic began.

— 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	742	48%
	Remained about the same	356	23%
	Worsened	436	28%
	Don't know/No opinion	6	0%
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	431	28%
	About the same	654	42%
	Worse	436	28%
	Don't know/No opinion	19	1%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1145	74%
	Remain the same	297	19%
	Decrease	91	6%
	Don't know/No opinion	7	0%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	783	51%
	Remain the same	496	32%
	Worsen	251	16%
	Don't know/No opinion	10	1%

Question	Answer	Respondents	
		#	%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	801	52%
	Remain the same	583	38%
	Decrease	127	8%
	Don't know/No opinion	29	2%
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	1168	76%
	Remain the same	324	21%
	Decrease	45	3%
	Don't know/No opinion	3	0%
7. How have your prices changed over the past 90 days?	Increased	1056	69%
	Remained the same	456	30%
	Decreased	20	1%
	Don't know/no opinion	6	0%
8. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	1188	77%
	Remain the same	301	20%
	Decrease	34	2%
	Don't know/no opinion	14	1%
9. How much are you planning to increase prices in the next 12 months?	Less than 5%	191	16%
	Between 5 to 10%	727	61%
	More than 10%	267	23%

Question	Answer	Respondents	
		#	%
10. What are the objectives of your company's diversity & inclusion efforts and/or programs?	Comply with legal requirements	716	47%
	Enhance external reputation	389	25%
	Attract and retain talent	1021	67%
	Respond to customer expectations	373	24%
	Improve business results with diverse perspectives	559	36%
	Reflect the demographic composition of our community	407	27%
	Do not have any diversity strategies in place	339	22%
	Other	126	8%
11. Diversity and inclusion is critical to my company's performance and success.	Strongly Disagree	116	8%
	Disagree	151	10%
	Somewhat Disagree	55	4%
	Neutral	393	26%
	Somewhat Agree	246	16%
	Agree	366	24%
	Strongly Agree	190	13%
12. Diversity and inclusion is a key part of our talent development strategies.	Strongly Disagree	112	7%
	Disagree	135	9%
	Somewhat Disagree	58	4%
	Neutral	366	24%
	Somewhat Agree	316	21%
	Agree	349	23%
	Strongly Agree	179	12%

Question	Answer	Respondents	
		#	%
13. Diversity and inclusion is a priority for my company	Strongly Disagree	97	6%
	Disagree	141	9%
	Somewhat Disagree	79	5%
	Neutral	391	26%
	Somewhat Agree	286	19%
	Agree	341	23%
	Strongly Agree	172	11%
14. I am satisfied with the level of diversity and inclusion in my company today.	Strongly Disagree	19	1%
	Disagree	109	7%
	Somewhat Disagree	201	13%
	Neutral	259	17%
	Somewhat Agree	286	19%
	Agree	405	27%
	Strongly Agree	229	15%
15. 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	74	5%
	Yes, we have had an incident, but data was not lost or compromised	314	20%
	No, we have not had an incident, but a customer or supplier has reported an incident	366	24%
	No, we have not had an incident	703	46%
	Don't know/no threat detected	77	5%
16. 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	786	51%
	Yes — but the strategy is not current and does not have a scheduled review cycle	250	16%
	No — but we are actively working on a cyber risk strategy	254	17%
	No — our organization does not have a defined strategy	242	16%

Question	Answer	Respondents	
		#	%
17. How have your employee retention rates changed since the beginning of 2021?	Increased	217	14%
	Remained the same	852	55%
	Decreased	452	29%
	Don't know/no opinion	16	1%
18. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	1098	72%
	No	433	28%
19. If hiring employees has become more difficult, what are you doing in response?	Boosting Wages	1158	78%
	Developing existing workforce	1051	71%
	Refining recruitment strategies	871	58%
	Allowing employees to work remotely	720	48%
	Investing in automation and labor-saving devices	651	44%
	Reorganizing the existing workforce	635	43%
	Adding employee benefits	600	40%
	Offering hiring bonuses	429	29%
	Creating apprenticeship or internship programs	426	29%
	Increasing overtime for existing employees	419	28%
	Slowing or delaying growth	373	25%
	Does not apply	82	6%
	Other	51	3%
20. Are you investing in technology to reduce the labor burden in your product or service?	Yes	1057	69%
	No, but we are planning to	205	13%
	No	274	18%

Question	Answer	Respondents	
		#	%
21. Which best describes your supply chain?	No problem	333	22%
	Getting worse	566	37%
	Slowly getting better	518	34%
	Other	118	8%
22. Which effects of inflation are you experiencing for your business?	Higher costs for raw materials and other inputs	948	62%
	Increased prices from vendors	1218	80%
	Offering increased wages	1103	72%
	Not experiencing effects from inflation	59	4%
	Other	28	2%
23. Has your business made changes in response to the ongoing pandemic, the Omicron variant or government actions?	Yes, we have already made changes	643	42%
	No, we have not made changes, but plan to	94	6%
	No, we have not made changes and are not planning changes	664	43%
	Uncertain/Don't know	85	6%
	Other	51	3%
24. Which changes have you made or are planning to make in response to the ongoing pandemic, the Omicron variant or government actions?	Safety protocols in the workplace	541	75%
	Masking policies	454	63%
	Return-to-work plans	362	50%
	Vaccination policies	296	41%
	Testing policies	271	38%
	Business Travel	214	30%
	Other	38	5%

Question	Answer	Respondents	
		#	%
25. During your company's last fiscal year, what were its total revenues?	Less than 500k	15	1%
	500-999k	34	2%
	1-4 Million	242	16%
	5-9 Million	244	16%
	10-20 Million	299	19%
	21-49 Million	321	21%
	50-99 Million	186	12%
	100-249 Million	130	8%
	250-499 Million	41	3%
	500-999 Million	14	1%
	1+ Billion	14	1%
26. During your company's last fiscal year, what was its total employment?	1-9 employees	122	8%
	10-19 employees	151	10%
	20-49 employees	387	25%
	50-99 employees	315	20%
	100-499 employees	449	29%
	500-999 employees	64	4%
	1000-4999 employees	47	3%
	5000-9999 employees	3	0%
	10000+ employees	2	0%