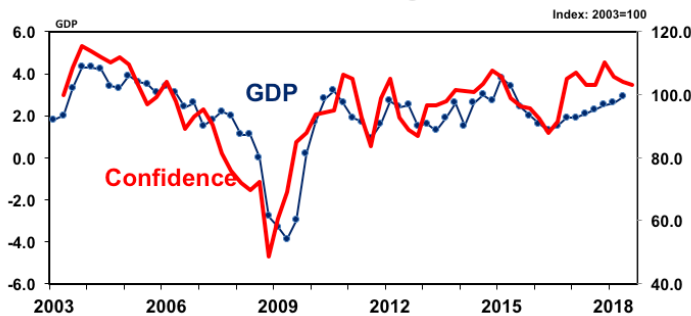


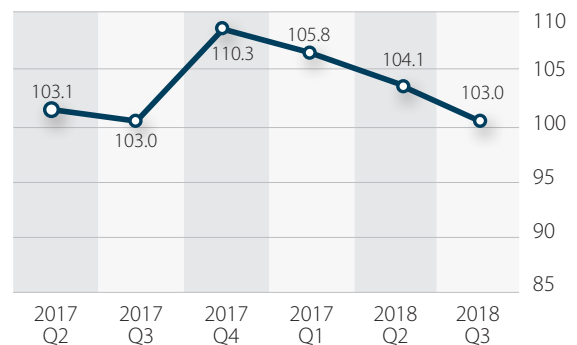
CEO optimism prevails.

Economic confidence among CEOs continued to slowly decline in the Q3 2018 Vistage CEO Confidence Index survey from the fourteen year peak set in late 2017, which was due to the passage of the tax cut legislation. The Vistage CEO Confidence Index was 103.0 in the Q3 2018, reversing the entire gain recorded in the past 3 quarters. Most of the recent decline was due to an anticipated slowdown in the pace of economic growth as well as a slight decline in revenue and profit expectations. To be sure, CEO's expectations for revenues and profits are still quite robust. The small falloff in revenues came despite the intention by 56% of all firms to increase prices for their goods and services. Dampening of profits was due to higher costs for labor and from delaying firm growth: 47% of firms reported that they boosted wages or benefits, and another 14% reported slowing growth in sales and order fulfillment. Increased production costs due to higher wages, benefits, interest rates, and prices of materials will squeeze profits and put a premium on lowering costs and raising prices charged for their goods and services. Perhaps the prime source of current economic uncertainty is the escalating trade war with China, which could increase inflation. The resulting increases in inflation will stiffen the Fed's resolve to increase interest rates later this year and next year.

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



Vistage CEO Confidence Index



The Q3 2018 Vistage CEO Confidence Index was 103.0, between the prior quarter's 105.8 and on par with last year's 103.1.

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 from the majority of the period. This correspondence shows an increasing divergence beginning in early 2017; the gap will most likely be closed by an increase in GDP growth and a moderation in confidence.

The data indicate a continued economic expansion with an uptick in the average rate of GDP growth during 2018 and into 2019. Strong GDP growth in the 2nd and 3rd quarters of 2018 will more closely align expectations with actual outcomes.

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

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
64% of CEOs said the economy had recently improved.	75% of CEOs expect increased revenues in the year ahead.	50% of CEOs expect to increase investment expenditures in the next year.
25% of CEOs expect the economy to post additional gains during the year ahead.	61% of CEOs expect increased profits in the year ahead.	63% of CEOs plan to expand their workforce in the year ahead.

Outlook for revenue and profit robust despite decline.

Expected gains in revenues and profits, while at their lowest levels during the past year, were still quite positive. 61% of CEOs expected increased profits in the year ahead, barely below the 62% in both the previous quarter and year prior. Expected growth in revenues was reported by 75%, down slightly from the 78% recorded last quarter and 77% last year. When asked to quantify growth in revenues, firms who reported gains of 6% or more, clearly above the inflation rate, rose to 60% from last year's 55%. Revenues gains of 10% or more were expected by 36% in the current fiscal year, just above last year's 34%. Declines or unchanged revenues were anticipated by 18%, down from last year's 23%. Overall, the data indicate a small but consistent shift toward higher expected growth rates in revenues in the year ahead.

Hiring and investment plans remain strong.

CEOs reported plans for robust expansion during the year ahead in their workforce as well as increased investment spending on new plant and equipment. 63% of CEOs planned increases in the total workforce, up slightly from the 61% recorded one quarter ago and 62% one year earlier. During the past four quarters, firms voiced the most expansive hiring plans in the past fifteen years. Planned increases in investment spending were the most favorable in the past four quarters than any time since 2004-05. 50% of CEOs reported plans to increase spending, up from 48% in the prior quarter and 47% in Q3 2017. Just 8% of CEOs planned declines in investments in the coming year.

Low expectations for continued economic growth.

More CEOs reported recent gains in the pace of economic growth in the Q3 survey; more CEOs also reported that they anticipated a weaker pace of growth during the year ahead. 64% of CEOs reported recent improvements in economic conditions, unchanged from last quarter and above last year's 52%. Just 25% of CEOs anticipated that the economy would improve during the year ahead, and 21% expected economic conditions to worsen—the worst outlook since the election. This may simply be a recognition that GDP growth will not be sustained at the recent 4% level, and it may suggest the recognition by firms that darkening economic clouds loom on the distant horizon.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	953	64%
	Remained about the same	464	31%
	Worsened	52	4%
	Don't know/No opinion	15	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	376	25%
	About the same	766	52%
	Worse	318	21%
	Don't know/No opinion	24	2%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	747	50%
	Remain the same	608	41%
	Decrease	112	8%
	Don't know/No opinion	17	1%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1117	75%
	Remain the same	292	20%
	Decrease	68	5%
	Don't know/No opinion	7	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	912	61%
	Remain the same	434	29%
	Worsen	129	9%
	Don't know/No opinion	9	1%

Question	Answer	Respondents	
		#	%
6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	834	56%
	About the same	585	39%
	Decrease	56	4%
	Don't know/No opinion	9	1%
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	935	63%
	Remain the same	474	32%
	Decrease	66	4%
	Don't know/No opinion	2	0%
8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q4 2018	265	18%
	Q1 2019	178	12%
	Q2 2019	146	10%
	Q3 2019	117	8%
	Steadily throughout the next 12 months.	632	43%
	I do not plan to increase my total number of employees in the next 12 months.	146	10%
9. Does your company hire temporary or seasonal workers?	Yes	548	37%
	No	927	63%
10. If hiring workers has become more difficult, what are you doing in response?	Boosting wages	889	31%
	Adding employee benefits	458	16%
	Developing existing workforce	896	31%
	Managing demand/slowing growth	202	7%
	Adjusting fulfillment/delivery timelines	197	7%
	Other	213	7%

Question	Answer	Respondents	
		#	%
11. Which of the following best describes your company's strategy?	We have a well-defined strategy that guides business decisions	670	46%
	We have a generally understood strategy that guides business decisions, but it is not well defined	592	40%
	We have a generally understood strategy that is not always referenced for business decisions	153	10%
	We don't have an overarching strategy that guides business decisions	50	3%
12. Who participates in strategic planning at your company?	Owners / investors / board of directors	810	20%
	CEO/self	1121	28%
	All department/functional leaders (Marketing, Sales, Finance, HR, etc)	874	22%
	Select department/functional leaders	353	9%
	Business unit leaders	283	7%
	Managers	221	6%
	Cross-functional work-groups	80	2%
	Outside advisors/facilitators	200	5%
	Other	12	0%
13. Which of the following do you use to evaluate the effectiveness of company strategy?	ROI	655	20%
	Company KPIs	824	25%
	Specific Strategy targets	713	22%
	Market share	255	8%
	Customer satisfaction	618	19%
	Other	64	2%
	We do not really measure strategy effectiveness	141	4%

Question	Answer	Respondents	
		#	%
14. How often do you measure company KPIs?	Monthly	623	77%
	Quarterly	92	11%
	Annually	8	1%
	Other	84	10%
15. During your company's last fiscal year, what were its total revenues?	Less than 500k	29	2%
	500-999k	23	2%
	1-4 Million	254	17%
	5-9 Million	254	17%
	10-20 Million	273	18%
	21-49 Million	291	20%
	50-99 Million	175	12%
	500-999 Million	17	1%
	100-249 Million	108	7%
	250-499 Million	49	3%
	1+ Billion	11	1%
16. During your company's last fiscal year, what was its total employment?	1-9 employees	113	8%
	10-19 employees	174	12%
	20-49 employees	350	24%
	50-99 employees	291	20%
	100-499 employees	433	29%
	500-999 employees	66	4%
	1000-4999 employees	48	3%
	None	1	0%
	5000-9999 employees	6	0%
	10000+ employees	2	0%

Question	Answer	Respondents	
		#	%
17. What was your actual revenue growth rate in your past fiscal year?	Declined more than 10%	51	3%
	Declined 6-10%	49	3%
	Declined 1-5%	86	6%
	Flat	158	11%
	Increased 1-5%	318	22%
	Increased 6-10%	305	21%
	Increased more than 10%	509	34%
18. What is your projected revenue growth rate for your current year?	Decline more than 10%	35	2%
	Decline 6-10%	35	2%
	Decline 1-5%	52	4%
	Flat	147	10%
	Increase 1-5%	318	22%
	Increase 6-10%	345	24%
	Increase more than 10%	534	36%



Surveying CEOs of small to mid-sized businesses since 2003