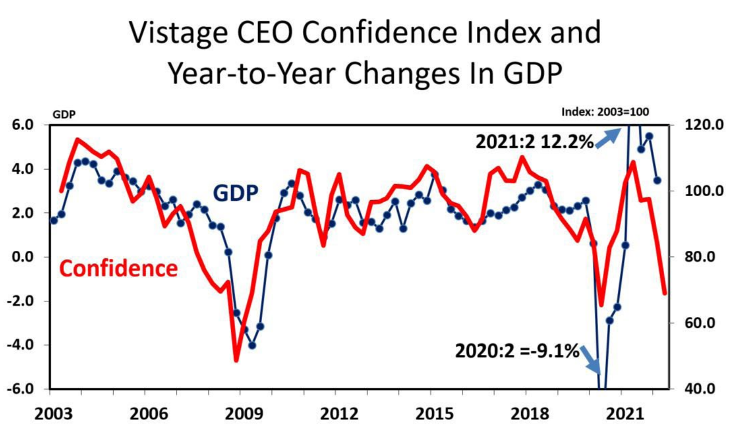
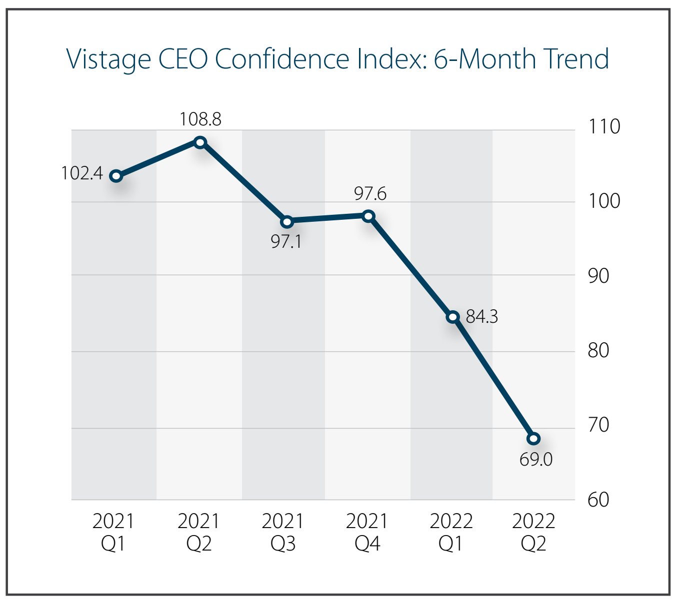
VISTAGE CEO Confidence Index | Surveying CEOs of small to midsize businesses since 2003

Q2 2022 | June 6-13

Economic downturn expected

Nearly two-thirds (64%) of CEOs anticipate worsening economic conditions in the year ahead according to the latest survey of small and midsize business leaders. The Vistage CEO Confidence Index fell to 69.0 in Q2 2022, an 18.2% loss from last quarter and 36.6% below Q2 2021. The steep fall-off brings the Index down to levels that have been only recorded during recessions: It is barely above the level during the pandemic shutdown in Q2 2020 (65.5), but still above the all-time low set during the Great Recession in Q4 2008 (48.7). Cost increases for materials and wages have not been fully passed on to customers as expected profits posted a steeper falloff than expected revenues. The smallest — although still substantial — declines were reported for planned hiring and investment spending. These more limited cutbacks are due to CEOs' challenges expanding their businesses' productive capacity, and they reflect the resilience of entrepreneurs. Unfortunately, conditions are likely to worsen in the months ahead due to the steep expected increases in interest rates and unrelenting domestic and global inflationary pressures. The timing of the recession will be determined by when consumers shift from drawing down their savings to support their long-delayed spending plans and shift to a precautionary outlook that favors maintaining and adding to their savings and reserve funds. Such a shift in customer priorities can occur quickly and may have already started. An important factor governing the speed of the shift is whether they remain confident in the ability of federal policies to limit the economic damage.





The Vistage CEO Confidence Index plunged to 69.0 in Q2 2022, down 18.2% from last quarter and one of the all-time lows since the inception of the Index.

Vistage CEO Confidence Index highlights

Economic Sentiment	Revenues and Profits	Investments and Hiring
14% of CEOs said the economy recently improved, a 16-point drop from Q1 2022.	**52%** of CEOs expect increased revenues in the next 12 months.	**38%** of CEOs plan to increase fixed investments in the next 12 months.
8% of CEOs expect the national economy to improve in the year ahead, while 64% expect it to worsen.	**32%** of CEOs expect increased profits in the year ahead.	**52%** of CEOs plan to expand their workforce in the next 12 months.

Recession or stagflation?

More than two-thirds (68%) of CEOs believe that the national economy has already worsened, and a similar proportion (64%) anticipate that it will post additional declines in the year ahead. Negative views about how the economy will fare in the year ahead have grown significantly, with CEO expectations for a worsening economy rising by 49 percentage points from a year ago. Just 8% of CEOs anticipate an improved economy in the year ahead, down from last year's 54%. Given that the data was collected prior to the Federal Reserve's three-quarter point rate increase, and the guidance that more hikes will be forthcoming, it is likely to weaken these assessments even more in the months ahead. If the Fed is successful in achieving a "soft landing," it would still bring about rising unemployment and a relatively high inflation, or what has been called stagflation. The only other likely alternative is for the economy to enter into a recession. The most unlikely alternative is the occurrence of a quick reversal of the global energy and food crises.

Revenue and profit expectations plunge

The proportion of CEOs that anticipate increased revenues in the year ahead plunged to 52% from last quarter's 68% and last year's 78%, even though 76% of CEOs plan to raise their selling prices. Profit expectations were hit even harder: Just 32% expect profit increases, which equaled the all-time low first recorded at the height of the Great Recession at the close of 2008. The profit drain was largely due to increased costs for wages (89%), vendor supplies (82%), energy (63%), and raw input materials (61%). In addition, a slowdown in sales to current customers (41%) also accounted for downward pressures on profits.

Slowdown in hiring and investment plans

52% of CEOs surveyed in Q2 2022 plan increases in total employment, down from 65% one quarter ago and 76% two quarters ago. While this drop was significant, it was nonetheless well above the all-time low of 27% and above the levels recorded in 18 other quarters since 2003. Given the recent challenges in maintaining an adequate workforce and the cost of hiring and training, this cautious approach is understandable. This strategy may rapidly reverse in the 2nd half of 2022. New investments in plant and equipment also plunged in the past six months, with increases in planned expenditures falling to 38% from 45% last quarter and 52% two quarters ago, and not much below the average of 43% from 2003 to the present. However, new investment expenditures are likely to be vulnerable to rising interest rates.

— 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	237	14%
	Remained about the same	301	18%
	Worsened	1137	68%
	Don't know/No opinion	5	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	130	8%
	About the same	462	28%
	Worse	1067	64%
	Don't know/No opinion	21	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	875	52%
	Remain the same	528	31%
	Decrease	253	15%
	Don't know/No opinion	24	1%
4. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	541	32%
	Remain the same	610	36%
	Worsen	506	30%
	Don't know/No opinion	23	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	633	38%
	About the same	735	44%
	Decrease	284	17%
	Don't know/No opinion	28	2%

Question	Answer	#	%
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	867	52%
	Remain the same	673	40%
	Decrease	129	8%
	Don't know/No opinion	11	1%
7. Which best describes your supply chain?	No problem	308	18%
	Getting worse	494	30%
	Slowly getting better	714	43%
	Other	154	9%
8. Which effects of inflation are you experiencing for your business? *Select all that apply*	Higher costs for raw materials and other inputs	1031	61%
	Increased prices from vendors	1378	82%
	Increased wages and compensation	1493	89%
	Increased energy prices	1059	63%
	Changes in buyer behavior	686	41%
	Not experiencing effects from inflation	18	1%
	Other	46	3%
9. How do you expect prices for your product or service to change during the next 12 months?	Increase	1265	76%
	Remain the same	350	21%
	Decrease	40	2%
	Don't know/No opinion	20	1%

Question	Answer	Respondents #	Respondents %
10. Since the beginning of the year, how has the size of your workforce changed?	Increased	852	51%
	Remained the same	634	38%
	Decreased	188	11%
11. Which factors are impacting the recent decrease in your headcount? *Conditional to workforce decreased in Q10*	Decrease in demand	39	21%
	Uncertainty about the economy	43	23%
	Difficulty attracting and retaining employees	119	63%
	Difficulty competing for talent with larger companies	75	40%
	Other	42	22%
12. Which factors are driving the recent increase in your headcount? *Conditional to workforce increased in Q10*	Staffing to meet current demand	644	76%
	Scaling for increased customer demand	443	52%
	Staffing for new location	124	15%
	Expanding to new markets	204	24%
	Other	41	5%
13. How have your employee retention rates changed since the beginning of the year?	Increased	191	11%
	Remained the same	1129	67%
	Decreased	348	21%
	Don't know/No opinion	9	1%
14. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	1076	65%
	No	589	35%

Question	Answer				
15. If hiring and retaining employees has become more difficult, what are you doing in response?		**Have Implemented**	**Planning to implement**	**No plans to implement**	**Uncertain at this time**
	Boosting wages	80%	10%	7%	3%
	Developing existing workforce	70%	22%	6%	1%
	Refining recruitment strategies	63%	20%	14%	3%
	Offering flexible hours/schedules	62%	8%	25%	5%
	Allowing remote work options	62%	4%	29%	5%
	Leadership development programs	56%	28%	13%	3%
	Adding employee benefits	45%	15%	34%	6%
	Creating apprenticeship or internship programs	40%	19%	32%	10%
	Offering hiring bonuses	36%	7%	48%	9%
	Reorganizing the workforce	34%	23%	37%	6%
	Investing in automation and labor-saving devices	34%	27%	32%	8%
	Increasing overtime	32%	3%	57%	8%

16. Which best describes your current workforce model?	All-remote workforce	120	7%
	Hybrid workforce	840	50%
	Fully onsite workforce	636	38%
	Other	81	5%

Question	Answer			
17. How have the following areas of your business been impacted by remote work? *Conditional to remote or hybrid model in Q16*		**Positively impacted**	**No impact**	**Negatively impacted**
	Collaboration	11%	29%	60%
	Culture	15%	30%	55%
	Communication	13%	35%	52%
	Accountability	9%	53%	38%
	Employee productivity	25%	53%	22%
	Customer satisfaction	11%	78%	12%

18. Rate the following statements about your culture:

	Strongly disagree	Moderately disagree	Slightly disagree	Neutral	Slightly agree	Moderately agree	Strongly agree
My company's mission, vision and purpose are clearly articulated to employees.	3%	5%	4%	8%	15%	31%	35%
Our culture is a differentiator for attracting and retaining employees.	3%	1%	2%	8%	15%	29%	43%
We recognize and reward employees who demonstrate our organizational values.	3%	2%	2%	7%	20%	35%	32%
Managers understand and hold their teams accountable to living our company culture.	2%	3%	5%	15%	24%	34%	17%
First-line managers are highly effective at demonstrating and reinforcing our company culture.	2%	3%	7%	13%	24%	34%	17%

Questions	Answers	#	%
19. During your company's last fiscal year, what were its total revenues?	Less than 500k	19	1%
	500-999k	34	2%
	1-4 Million	263	16%
	5-9 Million	265	16%
	10-20 Million	325	19%
	21-49 Million	345	21%
	50-99 Million	203	12%
	100-249 Million	138	8%
	250-499 Million	49	3%
	500-999 Million	19	1%
	1+ Billion	20	1%
20. During your company's last fiscal year, what was its total employment?	1-9 employees	119	7%
	10-19 employees	194	12%
	20-49 employees	440	26%
	50-99 employees	315	19%
	100-499 employees	473	28%
	500-999 employees	79	5%
	1000-4999 employees	52	3%
	5000-9999 employees	5	0%
	10000+ employees	3	0%