

VISTAGE

CEO CONFIDENCE INDEX REPORT

Q4
2023

Decisions and Investments for 2024

FOCUS ON 2024 DECISIONS AND INVESTMENTS

The promise of a pending growth cycle does little to offset the immediate impact of inflation, evolving workforce challenges and interest rates that are at their highest since 2007. CEOs face tough decisions about how to position their business to endure and grow through a slow 2024. Growth requires investment, yet the cost of money increases the risk and reduces the payoff of business decisions. For some CEOs, just servicing their existing debt is draining precious EBITDA with nothing to show for it. Interest rates may have peaked, but they will never return to the “free money” era of 2008-2016.

Momentum is building in anticipation of growth for small and midsize businesses as 5 of the 6 components of the Q4 Vistage CEO Confidence Index rose 6 points to reach 82.0, continuing the slow rise of the aftermath economy. Investments, however, remained flat with little change over the past 6 quarters: Just

35% of CEOs plan on increasing investments in the year ahead while 18% plan to decrease as uncertainty continues.

Despite a surprising growth rate over the last year, the 2024 economic landscape is fraught with challenges yet to be addressed before the marketplace can shake off the last vestiges of the pandemic. Investments take time to germinate, testing CEOs and their ability to make the best decisions and investments at the right time so they can position their business to accelerate once the growth cycle hits.

This report captures CEOs’ economic sentiment and strategic intent for the next 12 months. On page 9, we’ll look at the top decisions CEOs are facing and investments they are making entering an uncertain 2024.

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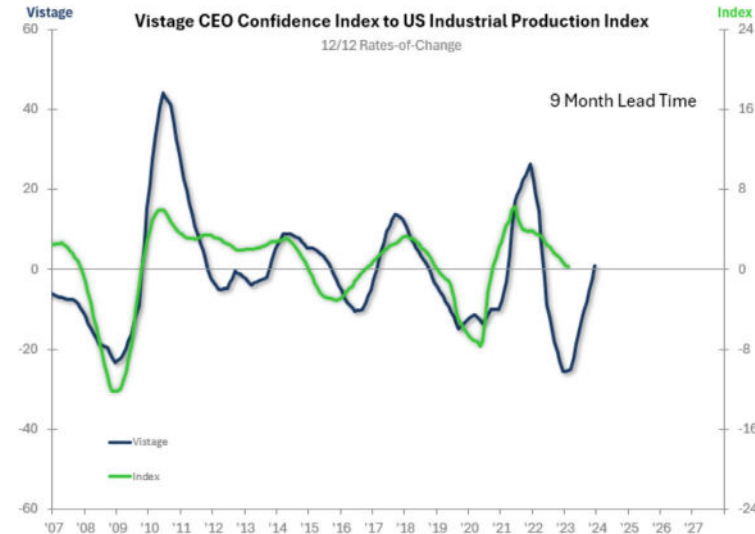
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For more Vistage CEO Confidence Index results, visit

VISTAGE.COM/CEOINDEX

Leading Indicator: Vistage CEO Confidence Index

ITR Economics, using their rate-of-change methodology, has determined that the Vistage CEO Confidence Index is a leading indicator of the U.S. Industrial Production Index 9 months in advance. Businesses reliant on the U.S. Industrial Production Index can map key indicators to the Vistage CEO Confidence Index to aid in forecasting.



↑ Overall Economy
20%

of CEOs said the economy recently improved, up from 16% in Q3.

↑ Future Economy
21%

of CEOs expect the national economy to improve in the year ahead, up from 13% in Q3 and a 10 percentage-point gain since Q2.



↑ Expected Revenues
59%

of CEOs expect increased revenues in the next 12 months, up from 55% in Q3.

↑ Profitability Projections
47%

of CEOs expect increased profits in the year ahead, the highest since Q4 2021.



= Future Investments
35%

of CEOs plan to increase fixed investments in the next 12 months, the same levels as last quarter.

↑ Future Employment
56%

of CEOs plan to expand their workforce in the next 12 months, an 8 percentage-point increase from last quarter.

CEOs Waiting for Takeoff

Waiting to take off can be one of the most frustrating aspects of business travel. Sitting on the tarmac slowly inching forward in a queue of planes only adds to the anxiety of CEOs waiting for the growth cycle to begin. The Q4 Vistage CEO Confidence Index rose slightly again for the fifth time in six quarters to 82, still held back by continued historical lows regarding the economy.

Despite healthy GDP in 2023, CEOs' concerns regarding the current and future economy are at lows not seen since the waning days of the Great Recession in 2008. Compared to Q4 2022, both expectations for the next 12 months and a review of last year are well above the lows hit in Q2 2022, yet still well below the norm established during the rising economic tide of the 2010s.

That pessimism erodes expectations for revenue and profits into 2024 holding back the Index. In turn, fixed investments remained flat. CEOs invest when they are confident in their business and marketplace. By the same token, when CEOs are deeply concerned, investments are delayed, postponed or outright canceled. Note that just 18% of CEOs plan on reducing their fixed investments, a proportion that has remained stable over the 6 quarters and just 5 points above Q4 2019, supporting the outlook for slow or no growth ahead.

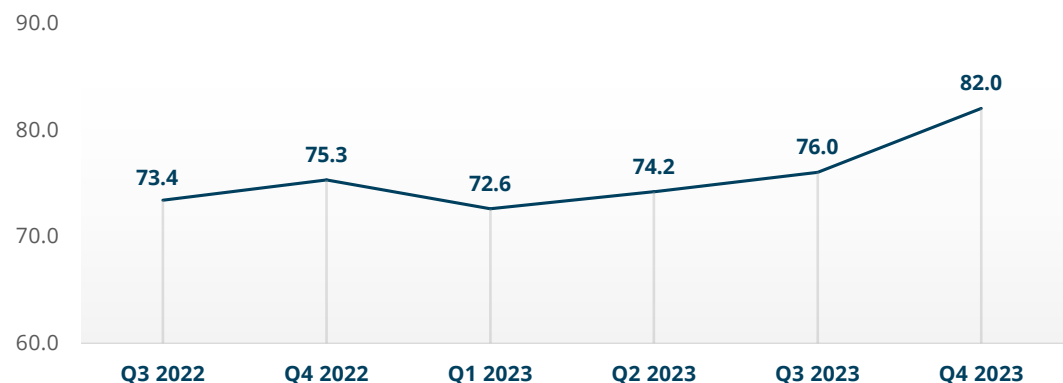
While CEOs are grouchy, the workforce is not. Unemployment is historically low and opportunities abound as 56% of CEOs plan on expanding their workforce in 2024. That's equal to the 10-year average with only 7% planning on reducing headcount. Headline-making layoffs at big company tech and financial services do not reverberate in the SMB space. Hiring and retaining talent remain the top challenges faced by CEOs going into 2024. Workforce velocity has slowed since the peak of 2021 but remains above a pre-pandemic peak. When the growth cycle finally takes off, the demand for talent will once again surge. CEOs will want to make sure every seat on their plane is full or they may end up in a growth holding pattern.

82.0

↑ 6 points from previous quarter

The Vistage CEO Confidence Index rose 6 points,
a 9% increase from last year's 75.3.

Q4 Vistage CEO Confidence Index rises 6 points in one quarter, reaching highest level in 18 months





Jackie Greene,
Vice President of Economics,
ITR Economics

OVERALL TRENDS IN THE VISTAGE CEO CONFIDENCE INDEX

The ITR Economics forecast for 2024 predicts a general macroeconomic recession. In the context of U.S. GDP, that means we will see two quarters of decline in 2024. Those quarters of decline will not necessarily be consecutive, but they will occur in 2024. For Industrial Production, the decline began back in September and will continue through 2024.

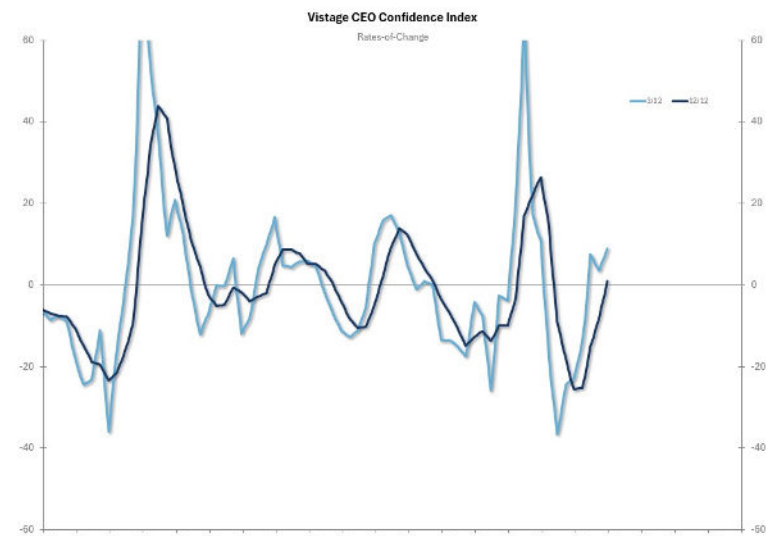
Data from the latest Vistage CEO Confidence Index suggests the macro economy could rise imminently. However, looking deeper into trends across the individual components of the Index, the overall rise is a function of the value of the Index one year ago. As a result, the boost in the rate of change is not based on future growth, but an adjustment from the low of the past year.

The bottom line? **The rise in the Index will not translate into a rise in the economy given our outlook for 2024.** This is not unique. The Vistage CEO Confidence Index along with many other leading indicators are showing this trend.

RECOMMENDATIONS FOR CEOs

- **Be diligent about factoring in how to best manage finances as well as customers' expectations in this new reality.** The increasing favor of soft landing over recession is caused by CEO optimism plus still growing GDP numbers. However, we are still expecting a recession in 2024. An upside is that interest rates should stay relatively steady in 2024, and even if there is downward movement, they will not go back to the pre-pandemic floor again.

- **Strategies to protect your profit margin are going to be key; don't get caught competing on price alone.** Hone in on your competitive advantages, promoting what you do better than your competitors to protect that profit margin. While corporate profits are down, they're still historically at a relatively healthy level. We're watching indicators such as the Consumer Price Index, and the Producer Price Index. If the Price Indexes continue a downward trend, there may be some easing in pricing that will help protect your profit margin. While some commodity prices will go down, wages are not projected to decrease.
- **Consider your employment needs in the context of the recession in 2024 and the rise in 2025.** Factor in the length of time it takes you to hire and train people to determine when you need to bring them on board to support that growth. If it takes a year to train someone, now is the time to bring them on board. But if you are projecting a softer 2024 and it only takes two months to train someone, hold off on that hire until you're in a better cash position.





Positive signs in economic sentiment for the new year

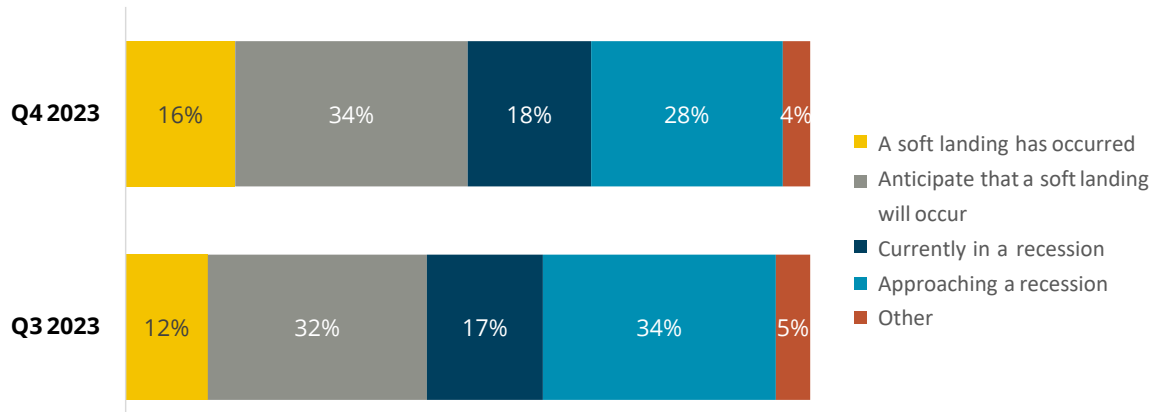
Looking at sentiment for the new year, this quarter's data points to improving optimism among CEOs, and more significantly declining pessimism; 20% of CEOs believe the U.S. economy has improved, up from just 9% in Q1, while 43% believe the economy is worse than a year ago, which is an improvement from 58% in Q4 2022.

Looking forward, pessimism about the future of the U.S. economy continues to ease as well, with just over a third (34%) reporting that it will get worse in the next 12 months compared to 51% last year. This is also an 8 percentage-point improvement from last quarter's 42%.

To provide more context about the state of the economy, CEOs were asked about recession versus a soft landing. This quarter, half of the CEOs surveyed support a soft landing with 16% reporting that a soft landing has occurred while 34% anticipate a soft landing is going to occur. A shrinking proportion — 46% — lean towards a recession, with 18% reporting that the U.S. economy is in a recession and 28% expecting a recession in the future. This sentiment captures how different industries enter and exit phases of the business cycles at different times.

CEOs of small and midsize businesses increasingly lean toward soft landing over recession for the U.S. economy

Which statement best expresses your view of the U.S. economy?



BIGGEST LEADERSHIP CHALLENGE:

“Managing through a changing economy. As markets soften, marketing and sales must change gears and have the mindset of gaining market share. It's more important than ever for the operations side of the business to execute and help win business.”

— Brian Burns, Co-Founder
Cutting Edge Countertops Inc.

BIGGEST LEADERSHIP OPPORTUNITY:

“Continuing to refine processes so we are ready when the economy begins to show improvement.”

— Keith Wilson, Owner, WDSL A



Revenue and profit expectations improve for the new year

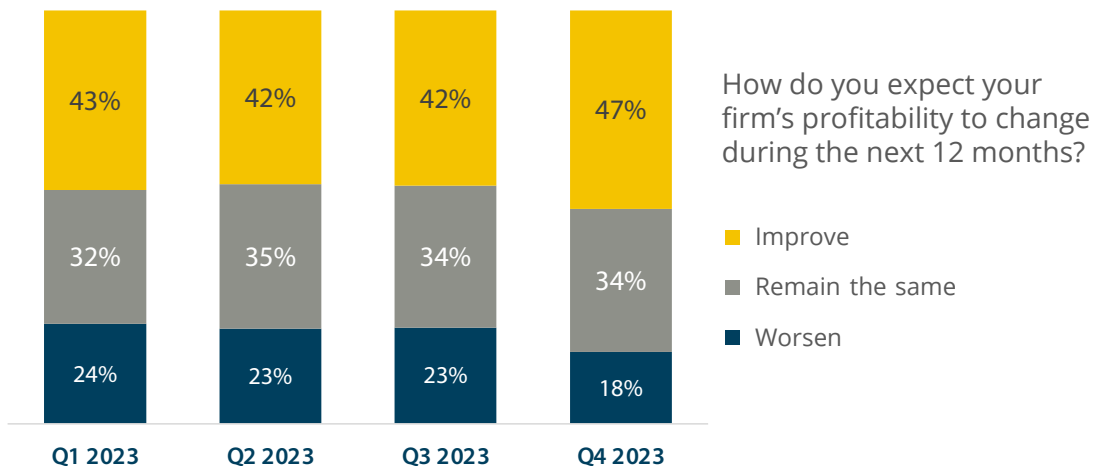
Looking ahead and well into the new year, the proportion of CEOs projecting higher revenues has grown; nearly 6-in-10 (59%) CEOs expect increased revenues in the year ahead, up from 55% last quarter. Additionally, just 12% of CEOs expect decreases in revenues over the next year, down from 15% last quarter. **These shifts indicate the most optimistic revenue sentiment since Q1 2022.** Indeed, as we look at the decisions and investments of CEOs, new markets, new products and new acquisitions play into increased revenues along with increased prices.

Profitability expectations have also seen a 5-point increase from last quarter with 47% of CEOs projecting increased profits. The

proportion expecting decreased profits has dropped as well with just 18% expecting decreased profits, down from 23% last quarter — the lowest since the end of 2021.

There are two factors contributing to more positive profit expectations; slowing wage increases and continued price increases. When asked about budgeted wage increases in 2024, just over a quarter of CEOs (26%) indicate they will be higher than in 2023. A more significant proportion — 54% of CEOs — plan to increase prices in the year ahead. While their price increases may not be as high as in years past, the result will offset slowing wage increases and help preserve profits.

The proportion of CEOs expecting increased profits reaches highest level in 2 years



TOP INVESTMENT FOR 2024:

“Scaling the business (training/growth) to grow people with the revenue.”

— **Lori Leitgeb**, CEO,
Stack Builders Inc.



Investments focused on human capital

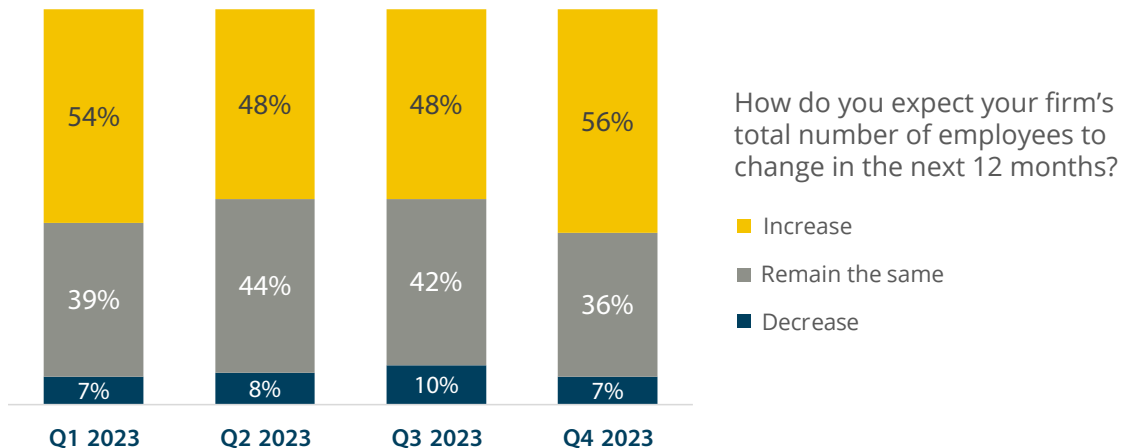
The one factor that remains stagnant is fixed investments. Just over one-third (35%) of CEOs plan to increase fixed investments in the next 12 months, while 18% plan to decrease fixed investments. CEOs continue to prioritize cost management, resulting in figures on par with the average of the past four quarters.

Workforce expansion plans are more optimistic; new budgets and improved revenue predictions have contributed to an 8 percentage-point increase in CEOs planning to increase personnel

in the next 12 months. Just 7% of CEOs plan to decrease their workforce. As quit rates continue to slow, the hiring landscape has improved with 35% of CEOs reporting it is easier than the start of the year and only 11% reporting it is more difficult.

At the intersection of investments and talent are efforts to improve efficiencies and leverage automation. Whether the goal is reduced hours, improved efficiencies or addressing talent gaps, investments in technology will offset the lack of personnel.

Workforce expansion planned by nearly 6-in-10 CEOs



TOP INVESTMENT FOR 2024:

“Technology – accelerating digital transformation and automation tools.”

— Jeff Call, Managing Partner,
Bennett Thrasher LLP

FOCUS: 2024 DECISIONS AND INVESTMENTS

The final phase of the aftermath economy will play out in a no-to-low growth marketplace in 2024 before the next growth cycle powers up in 2025. Bridging the economic gap to that growth cycle presents CEOs with a relatively stable, new normal to make critical decisions and investments. The status quo has been reset.

The top areas of focus for 2024 were distilled from our analysis of responses to open-ended questions about decisions, investments, challenges and opportunities that were captured from 1,363 CEOs.

Talent: Hiring and recruiting continue to be the top decisions that CEOs are facing. While pressure on hiring has relented, operational impacts remain with 48% of CEOs reporting they are not able to operate at full capacity due to challenges in hiring. New workers take time to cycle up. Hiring into a growth cycle takes careful planning. Employee retention and development remain key strategies. Employee engagement comes back into focus as a motivated and connected worker is more productive and less likely to leave. Workforce velocity will accelerate again once the growth cycle hits. Consequently, talent was the second most common category for investment.

Growth: Decisions about growth and expansion are also top of mind. Leaning into the economic gap, CEOs are looking at growing into new markets and geographies with new or enhanced products. Decisions focused on rethinking marketing tactics and powering up sales growth to get closer to their customers. As prior surveys have revealed, acquisitions are being planned by 27% of CEOs as a path to inorganic growth.

Operational efficiency: Driving efficiency and productivity were also frequently mentioned as top decisions and backed up by investments in technology and automation. Streamlining processes and optimizing resources is critical with a focus on financial discipline. Technology plays a key role as artificial intelligence begins to emerge as a usable tool; over half (52%) of CEOs report they are using AI select functions or have integrated it into daily operations. Automation, business applications and digital transformation all require investment, which is evidenced by technology being the largest category for investment.

48%
of CEOs report
hiring challenges
are impacting
their operations.

27%
of CEOs are
planning
acquisitions.

52%
of CEOs are
currently using or
testing AI.

The new status quo has been set as the twilight of the aftermath economy fades into the preverbal new normal. With altered yet stable rates for inflation, interest and unemployment, ambitious CEOs are making critical decisions and investments to bridge the gap and be positioned for the upswing.

FOCUS ON DECISIONS AND INVESTMENTS



Vistage Decision Model

As we leverage data from the Q4 survey each year, we use the Vistage Decision Model as a framework to categorize the top decisions and investments SMBs are focused on in the year ahead. The themes often stay the same, with talent, technology, growth and financials always topping the list. This coming year, the economic environment and market cycles make the decisions a little more nuanced.

The Vistage Decision Model is a research-based framework that categorizes the key decisions that top-performing CEOs of small and midsize businesses face. This framework provides leaders with a lens to use to categorize what decisions they should focus on to optimize their business and enhance their leadership.

New year. New budgets. New outlook. Small businesses are welcoming 2024 with renewed optimism, as evidenced by a near 8-point jump in the WSJ/Vistage Small Business CEO Confidence Index in December.

Indeed, December indicates signs of a thaw, as this is the most optimistic that small businesses have been since April of 2022.

While all components of the WSJ/Vistage Small Business Index rose compared to November, the primary driver of the increase is improved economic optimism about the year ahead, no doubt fueled by the U.S. Federal Reserve holding steady on interest rates, inflation continuing to slow and, of course, a GDP that remains in growth mode and most recently spurred by spending during the holiday season.

Other signs of optimism include the growing proportion of small businesses expecting increased revenues; 62% expect increased revenues compared to 57% last month and 60% a year ago. Growing at a greater rate is the proportion of small businesses that expect increased profits, reaching 49% compared to 42% last month and 44% last year. While this might not seem like a significant shift, profit expectations for small businesses have not been this optimistic since last spring.

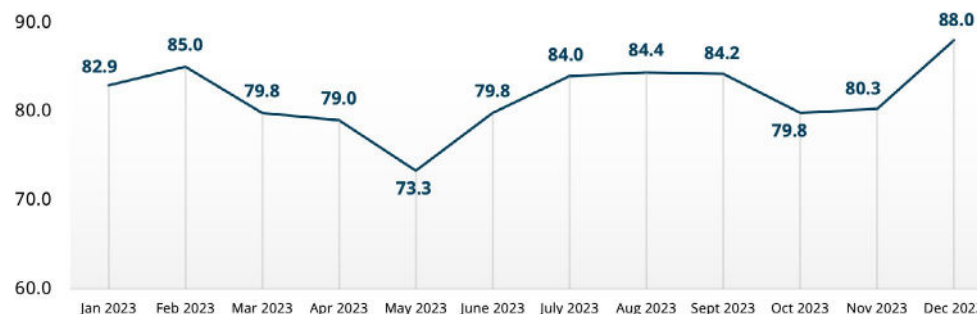
There is some trepidation among small businesses when it comes to their spending plans for the new year. Just 33% of small businesses expect to increase fixed investments in the year ahead, and only 21% plan to seek capital in 2024. However, with increased revenues and workforce expansion on the horizon for small businesses, the Fed's actions surrounding interest rates in 2024 may loosen the purse strings for expansion-related investments.

Find deeper insights and explore the full dataset of the December 2023 WSJ/Vistage Small Business [CEO Confidence Index](#).

↑ Overall Economy	↑ Expected Revenues	↑ Future Investments
20% of small businesses said the economy recently improved (up from 13% in November).	62% of small businesses expect increased revenues in the next year (up from 57% in November).	33% of small businesses plan to increase their investments in the next year (up from 30% in November).
↑ Future Economy	↑ Profitability Projections	↑ Future Employment
22% of small businesses expect the economy to improve in the next year (up from 12% in November).	49% of small businesses expect increased profitability in the next year (up from 42% in November).	57% of small businesses plan to increase their headcount in the next year (up from 48% in November).

Small business confidence jumps nearly 8 points from November

WSJ/Vistage Small Business CEO Confidence Index: 12-Month Trend





Joe Galvin | Chief Research Officer, Vistage Worldwide, Inc.

As Chief Research Officer for Vistage, the world's leading executive coaching organization for small and midsize businesses, Joe Galvin is responsible for providing Vistage members with current, compelling and actionable thought leadership on the top issues, topics and decisions of small and midsize business CEOs.



Jackie Greene | Vice President of Economics, [ITR Economics](#)

Jackie Greene is the Vice President of Economics and has been serving ITR Economics' clients since 2005. During that time she has contributed to the company's forecasts, publications and thought leadership. Jackie has worked with many clients in a one-on-one capacity as well as delivered keynote addresses on multiple continents.



Anne Petrik | Vice President of Research, Vistage Worldwide, Inc.

As Vice President of Research, Anne Petrik leads the design, deployment and analysis of CEO surveys for Vistage, capturing the sentiment and practices of the Vistage CEO community. Using her analysis in collaboration with perspectives from experts and partners, Anne directs the thought leadership published by Vistage research to provide small and midsize business CEOs with insights that inform on how to optimize their businesses and enhance their leadership.

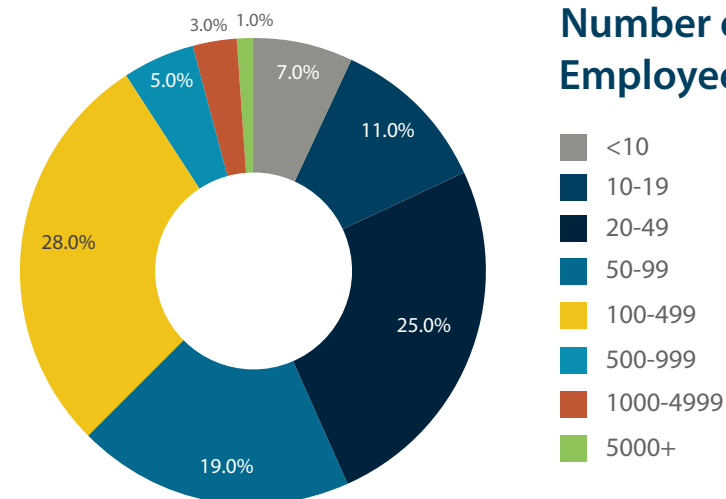
The Q4 Vistage CEO Confidence Index survey was conducted December 4-18, 2023, and gathered 1,363 responses from CEOs and key executives for small and midsize businesses.

Industries

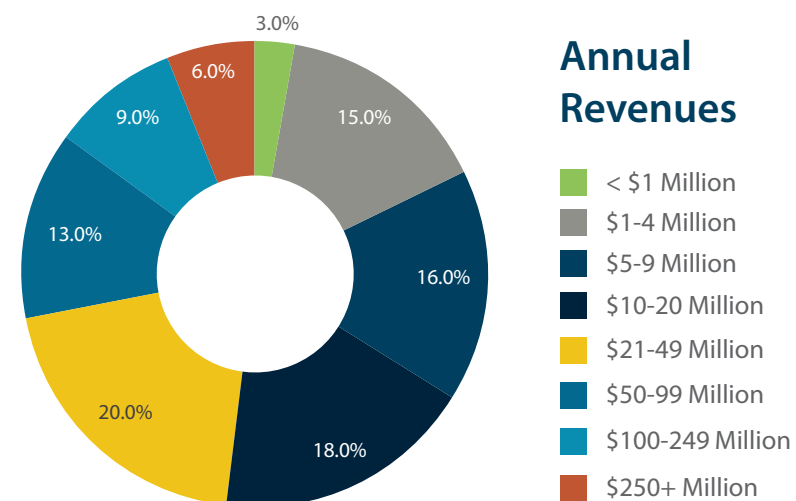


Each quarter, the WSJ/Vistage Small Business Index is calculated from a subset of data from the Vistage CEO Confidence Index comprised of respondents with \$1-20 million in annual revenues.

Number of Employees



Annual Revenues



ABOUT THE CEO CONFIDENCE INDEX

Established in 2003, the Vistage CEO Confidence Index surveys small to midsize business CEOs, presidents and business owners about the U.S. economy each quarter. The Q4 2023 Vistage CEO Confidence Index includes responses from 1,363 U.S. CEOs, surveyed between December 4 and 18, 2023. Using ITR Economics' rate-of-change methodology, analysis has revealed that the Vistage CEO Confidence Index is a leading indicator of the U.S. Industrial Production Index 9 months in advance.

Now in its 20th year, the Vistage CEO Confidence Index is recognized as the definitive voice of high-performing, high-integrity small and midsize business leaders. As a trusted resource, the Index provides world-class insights to inform decision-making for CEOs and other key leaders of small and midsize businesses.

See the full data set at vistage.com/ceoindex

ABOUT VISTAGE RESEARCH

Vistage conducts original research and curates subject matter expertise from thought leaders to create actionable, thought-provoking insights for leaders of small and midsize businesses. Our analysis of surveys we conduct, including the WSJ/ Vistage Small Business CEO survey and the Vistage CEO Confidence Index survey, informs various reports. Since 2003, Vistage has published the CEO Confidence Index, a proven economic indicator. Vistage provides the data and expert perspectives to help SMB CEOs make better decisions.

Learn more at vistage.com/research-center

ABOUT VISTAGE WORLDWIDE INC.

Vistage is the world's largest CEO coaching and peer advisory organization for small and midsize businesses. For more than 65 years, we've been helping CEOs, business owners and key executives solve their greatest challenges through confidential peer groups and one-to-one executive coaching sessions. Today, more than 45,000 members in 35 countries rely on Vistage to help make better decisions for their companies, families and communities. The results prove it: Vistage CEO members grew their annual revenue on average by 4.6% in 2020, while nonmembers with comparable small and midsize businesses saw revenue decrease by 4.7%, according to a study of Dun & Bradstreet data. Learn more at vistage.com.

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CEO CONFIDENCE INDEX

20TH ANNIVERSARY

Capturing sentiment of small and midsize business CEOs since 2003.

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