

Measure of CEO Confidence



CEO Confidence Marginally Improved in Q3 2020

The Conference Board **Measure of CEO Confidence™** in collaboration with The Business Council, which had posted a sharp increase in Q2, rose slightly in Q3 from 44 to a reading of 45 in the second quarter. (A reading below 50 points reflects more negative than positive responses.)

On the whole, CEOs remain pessimistic about current economic conditions, albeit less so. Nearly 90 percent say conditions are worse compared to six months ago, down from 100 percent last quarter. Conversely, just 8 percent say general economic conditions are better. CEOs also continue to express pessimism about conditions in their own industries, though to a lesser extent. Currently, about 76 percent say conditions are worse compared to six months ago, down from 82 percent last quarter. Additionally, about 17 percent of CEOs say conditions are better in their own industries, up from 10 percent last quarter.

While sentiment about present-day conditions has modestly improved, expectations about the short-term outlook have retreated. Now, 62 percent expect economic conditions will improve over the next six months, down from 71 percent last quarter. Moreover, nearly 17 percent expect economic conditions will worsen, up slightly up from 16 percent in Q2. CEOs' expectations regarding short-term prospects in their own industries were somewhat more positive than their expectations for the overall economy. Now, 60 percent of CEOs anticipate an improvement in conditions, down from 69 percent last quarter. Those expecting conditions will worsen in the short term, however, decreased to 17 percent from 22 percent in the previous quarter.

COVID-19 puts Employment Growth at Risk and Reduces Capital Spending

The employment landscape has changed dramatically since the onset of the pandemic virtually eliminating labor and talent shortages along with wage pressures that were prevalent in early 2020. Looking ahead over the next 12 months, 38 percent of CEOs expect to reduce their workforce. Nearly two-thirds anticipate little, if any, problems in attracting qualified personnel, and more than a third do not foresee increasing employee's wages. Nearly 50 percent say they will increase wages by less than 3 percent.

In addition to workforce changes, CEOs are also anticipating trimming their capital spending plans. Thirty seven percent say they will trim their budgets by 10 percent or more over the next 12 months. An additional 18 percent say they anticipate reducing their capital spending plans by less than 10 percent.

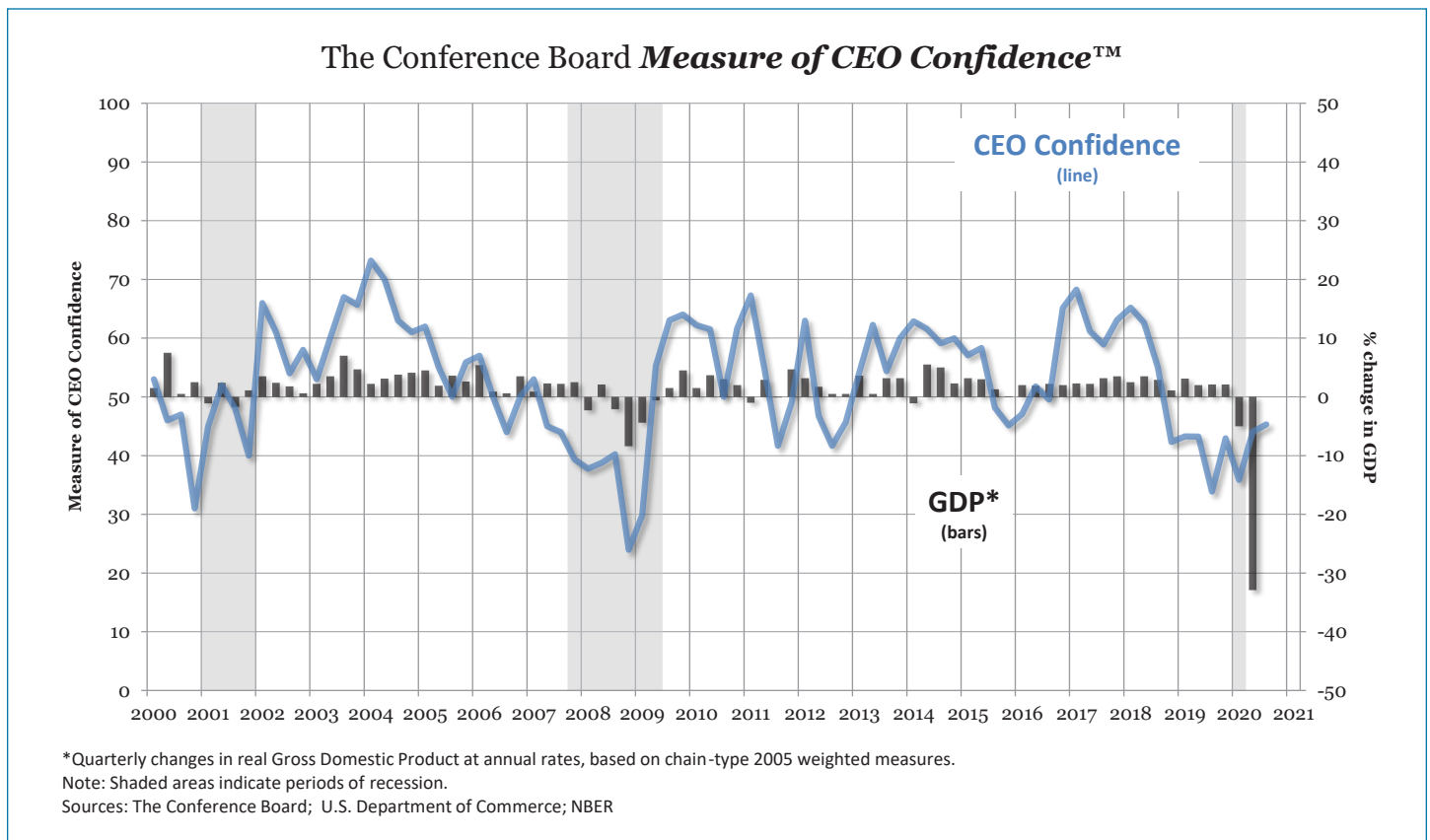
Lynn Franco

Table 1
CEO Confidence

	2017		2018				2019				2020			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*	Q1a*	Q2	Q3
MEASURE OF CEO CONFIDENCE™	59	63	65	63	55	42	43	43	34	43	36	34	44	45
Current Economic Conditions vs. 6 Months Ago	63	68	70	69	63	46	42	43	33	41	29	3	2	13
Expectations for Economy, 6 Months Ahead	57	62	65	60	51	39	42	42	32	42	38	49	66	62
Expectations for Own Industry, 6 Months Ahead	56	59	61	59	51	42	46	45	37	46	41	48	64	61
Current Conditions in Own Industry vs. 6 Months Ago	59	61	61	61	54	47	42	46	36	47	35	11	19	25

*The Q1 2020 survey was fielded during 2/12 thru 3/11. An interim, follow-up survey was fielded during 3/25 thru 4/2.

Note: Beginning with 2020 Q3, the survey was conducted in collaboration with The Business Council. For more information, please refer to the Technical Notes, August 2020



*Quarterly changes in real Gross Domestic Product at annual rates, based on chain-type 2005 weighted measures.
 Note: Shaded areas indicate periods of recession.
 Sources: The Conference Board; U.S. Department of Commerce; NBER

There are five reply options for each question. A score for each question is determined by assigning the following values to the replies and calculating the average: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The Measure of CEO Confidence is the average of the scores for Questions 1, 2, and 3. The score for each question, and the Measure of CEO Confidence, thus can range from 0 to 100.

Hiring Qualified People: Expected degree of difficulty in attracting qualified people

	A lot of trouble and the problem is widespread	Some trouble overall but real problems in several areas	Not much trouble overall but real problems in key areas	Overall no problem but some problems in some areas	No problem hiring
In the next 12 months	1%	6%	29%	33%	32%
Annually in the next 3 years	1%	10%	27%	43%	19%

Employment: Expected expansion of workforce, aside from acquisitions

	Over 3 percent	2-3 percent	1-2 percent	Little change	Net reduction in workforce
In the next 12 months	13%	7%	9%	32%	38%
Annually in the next 3 years	18%	10%	21%	33%	19%

Wages: Expected increase in wages paid to employees

	Over 5 percent	3-5 percent	1-3 percent	Virtually unchanged	Cut average pay
In the next 12 months	3%	11%	49%	32%	5%
Annually in the next 3 years	4%	23%	58%	14%	0%

Capital Spending: Expected revisions to capital spending plans

	Over 10 percent	Up to 10 percent	No Revision	Down less than 10 percent	Down 10 percent or more
In the next 12 months	7%	8%	30%	18%	37%
Annually in the next 3 years	3%	19%	45%	21%	11%

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ABOUT THE BUSINESS COUNCIL

The Business Council is a forum for the CEOs of the world's largest multinational corporations across all industry sectors. Members gather several times each year to share best practices, network and engage in intellectually provocative, enlightening discussions with peers and thought-leaders in business, government, academia, science, technology and other disciplines. Through the medium of discussion, the Council seeks to foster greater understanding of the major opportunities and challenges facing business, and to create consensus for solutions. Visit The Business Council's website at www.thebusinesscouncil.org

THE CONFERENCE BOARD, INC. www.conferenceboard.org

AMERICAS +1 212 759 0900 / customer.service@conferenceboard.org

ASIA +65 6325 3121 / service.ap@conferenceboard.org

EUROPE/AFRICA/MIDDLE EAST +32 2 675 54 05 / brussels@conferenceboard.org

THE CONFERENCE BOARD OF CANADA +1 613 526 3280 / www.conferenceboard.ca

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