



After the Election

Economic analysis and advice
for CEOs and business owners

VISTAGE

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With a new administration preparing to take the Oval Office, most small business owners are optimistic, according to the latest WSJ/Vistage Small Business CEO Survey.

When asked if they thought the election would improve the national economy, 55% of CEOs gave a positive response. That's almost a 6 percent gain since October, and the first year-to-year gain in economic confidence in well over a year.

"The initial reactions are quite positive, like any honeymoon," says Dr. Richard Curtin, Research Professor and Director of the Surveys of Consumers at the University of Michigan, who conducts the analyses for the WSJ/Vistage survey each month.

"But a successful partnership will take time to develop and require hard work," he cautions. "More importantly, we do not know the specific economic proposals and regulatory changes the Trump administration would actually propose and implement."

The survey also shows that **40% of CEOs say the outcome of the election improves prospects for their firm.** So, although the details of this administration have yet to be hammered out, many report feeling confident as they move forward. An equal percentage say the election results have no impact on the prospects for their firm, while 20% say they have a worse view.

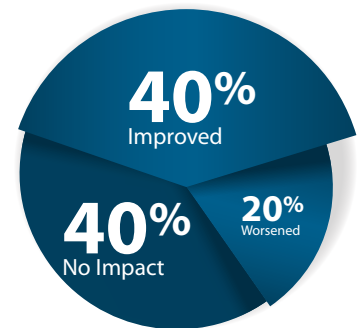
Economist **Brian Beaulieu**, CEO of ITR Economics, and Vistage member **Ami Kassir**, Founder and CEO of MultiFunding, share the optimism.

"I am cautiously optimistic that this administration will make it **easier for small business owners to access reasonably priced credit,**" Kassir says, "and that it will be harder to access the crazy expensive credit that's been available over the last decade or so."

Beaulieu says his economic outlook remains unchanged. "We [ITR Economics] see 2017 and 2018 rates going up, with the potential for 2019 to go sideways," he says. "But then 2020 and 2021 would be trending up as well."



55% of CEOs say the outcome of the election has improved their outlook for the economy.



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– Brian Beaulieu
CEO of ITR Economics

Starting now

Beaulieu and Kassar offer possible scenarios and offer strategies on what business owners and CEOs can take advantage of and prepare for over the next few years.

The most immediate action centers on interest rates.

“In the immediate future, remember that Trump — love him or hate him — brings a lot of uncertainty, and uncertainty can often cause interest rates to rise,” Kassar says. **“So this is a good time for small businesses to look at their current loans and consider moving from variable to fixed-rate interest.”**

The thing to take advantage of is the timing,” Beaulieu adds. “We can expect interest rates to go higher, so **if you haven’t yet secured long-term debt, do so.**”

Hiring and investing

On the job front, the WSJ/Vistage Small Business CEO Survey reports that **only 20 percent of CEOs say they will increase hiring and capital investments based on the outcome of the election.**

“While the surprise election of Trump was immediately reflected in more favorable expectations for the economy,” Curtin says, “it will take more evidence of the size and timing of the anticipated policy changes before small firms are confident enough to undertake the risks of ramping up hiring or investments.”

Beaulieu says he doesn’t foresee an improvement in the tight labor market.

“Labor costs will go up,” he says. “They are already going up — at a 3.6% clip per annum—and they will rise higher. **So now is the time to utilize technology to reduce the need for more labor or to lock in your labor costs.**”

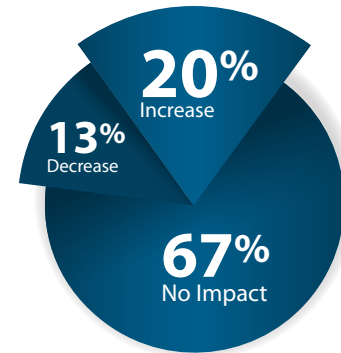
Beaulieu says he has bigger concerns about campaign promises to bring back old jobs. “It’s a natural cycle for jobs to become obsolete to make room for change. Joseph Schumpeter called it ‘creative destruction’—when we create, we destroy the past.

“The problem with promising to bring back old jobs, like the manufacturing jobs in the 1980s-1990s,” say Beaulieu, “is that it would be a huge step back for America competitively, and would reduce our standard of living.”

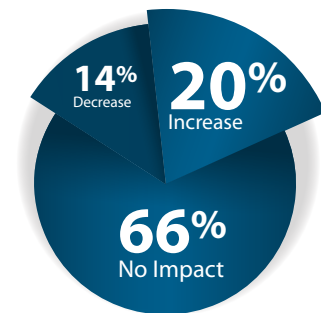
Trump’s thoughts about how to add jobs to the market face a twofold challenge, Beaulieu says.

For one, **we don’t have enough workers for the jobs we need**, he says.

“What we are seeing is that Millennials didn’t go into as many of the STEM disciplines—science, technology, engineering and math—as their predecessors did. So it’s going to be increasingly difficult to find employees with the skills and experience needed for current jobs.”



20% of CEOs say that they will increase hiring and capital investments based on the outcome of the election.



66% of CEOs say that the outcome of the election will not affect their planned capital investments.

“It’s going to be increasingly difficult to find employees with the skills and experience needed for current jobs.”

– Brian Beaulieu
CEO of ITR Economics

But Beaulieu says solutions are on the horizon, as long as we remain focused on the big picture.

“The future is about new talent. **Let’s go where we’ve never gone before rather than cling to the past.** Would we, for example, not want to progress with the technology of self-driven cars and trucks just because jobs would be lost? Or do we remain agents of change and create new jobs while we create the future?”





Domestic and global expectations

Beaulieu says he predicts that **domestic businesses “will remain fine and may even benefit from President Trump’s protectionism.”** However, he is not as comfortable with the potential scenario for globally connected companies.

“If you have any companies dealing outside the United States,” he says, “our new president could be messing with costs, which can limit availability, creating shortages and a higher cost structure that could cause profitability to take a hit. Lowering corporate taxes won’t mean as much if labor and supply costs go up through protectionism.”

Another consideration is the political climate abroad, he adds.

“It’s early and we don’t know yet,” Beaulieu says, “but I have heard anecdotes from business people outside the United States saying, ‘We don’t know about the U.S. anymore.’ They may feel afraid of the political climate. That’s a chilling scenario from an economic standpoint.”

An avowed proponent of free trade, Beaulieu cautions against leveling the complaint that it isn’t fair.

“Free trade is my bias. When you are 24.5% of the world’s economy, stop whining about what’s fair and look at the big picture.”

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Health care considerations

Beaulieu says one area where the Trump administration would likely cause no economic effect is health care.

“ACA repeal would have no effect economically on businesses,” he says. “Health care costs were going up before and during Obama’s administration, and will go up after.

“It’s all about our culture and supply and demand,” he explains. **“Until demographics change, rising health care costs will be part of the deal.** That isn’t going to change.”



Takeaways

That brings us back to uncertainty. For Beaulieu, the one big question is whether Trump could start a trade war.

“He has the authority to put us in a trade war in his first 100 days in office. For anything else he will have to go through Congress, and that will take time to help—or hinder—the economy.

“A trade war could rapidly change everything,” Beaulieu says, adding that’s his biggest worry.

However, he and Kassar have hopes for the new administration, and final thoughts for business owners.

“Trump talked about opening credit to small businesses,” Kassar says, “and **I think he might be able to do it, or find ways to make more loans available and free up capital.**”

Beaulieu says he feels confident that **Trump’s tax policies will influence business favorably.**

Legislators are actively discussing rolling back all or part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. **“I am all in favor of repealing**

Dodd-Frank,” Beaulieu says. **“It will free up capital and grow the economy.”**

This is a “short-term good, long-term bad” scenario, as Beaulieu also believes repeal of Dodd-Frank increases the risk of the next Great Depression becoming a reality.

Window of opportunity

While uncertainty exists with any incoming president, says Joe Galvin, Vistage’s Chief Research Officer, we can determine that there is a window of opportunity for small and mid-sized businesses to capitalize on existing economic factors, such as low interest rates, that allow them to invest in infrastructure, talent and technology.

With an economic tailwind propelling small and mid-sized firms forward, the cautious optimism expressed by Vistage members suggests the time for making critical strategic investment decisions is at hand. Taking the long view, the demand for talent may be the most pressing issue CEOs and business owners will confront as the demand for skilled labor outpaces the supply.



Top advice from Brian Beaulieu, CEO of ITR Economics

- **Fix long-term loans**
- **Invest in technology, people and real estate**
- **If inflation is a problem, figure out how to deal with that threat**

from Ami Kassar, CEO of MultiFunding

- **Take advantage of low interest rates**
- **Lock up fixed interest**
- **Act now—this window may pass quickly**



Contributors



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Research Professor and
Director of the Surveys
of Consumers at the
University of Michigan

Richard Curtin has been a Research Professor and the Director of the Surveys of Consumers at the University of Michigan since 1976. Professor Curtin's monthly report on consumer confidence is one of the most closely followed economic indicators, with findings from his research extensively reported in the media. His research is widely used by businesses and financial institutions as well as by federal agencies responsible for monetary and fiscal policies. Results from the Surveys of Consumers are an official component of the Index of Leading Economic Indicators.



Ami Kassir
CEO and Founder of
MultiFunding LLC, and
current Vistage member

Ami Kassir, CEO and Founder of MultiFunding LLC, and a Vistage member, is a nationally renowned expert on access to capital for entrepreneurs. He's committed to ensuring that business owners have the best possible access to the capital structures that will help grow and manage their businesses. Kassir is regularly featured in the national press and writes a regular column for Inc.com. He has advised the White House, the Federal Reserve Bank, and the Treasury Department on the business credit markets. In addition, Kassir is a regular speaker at universities and business events across the country on topics including entrepreneurship and access to capital.



Brian Beaulieu
CEO, ITR Economics

Brian Beaulieu has been an economist with ITR Economics since 1982 and its CEO since 1987. At ITR, Beaulieu has been engaged in applied research regarding business cycle trend analysis and the utilization of that research at a practical business level. For the past 25 years, he has been conducting workshops and seminars across the U.S. and Canada for thousands of business owners and executives. Prior to joining ITR Economics, Beaulieu was an economist for the U.S. Department of Labor, where he worked on the health care component of the Consumer Price Index. Beaulieu is co-author of the books *Prosperity in the Age of Decline*, *Make Your Move*, and the children's book *But I Want It*.



Joe Galvin
Chief Research Officer,
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As Chief Research Officer for Vistage, Joe Galvin is responsible for providing Vistage members with the most current, compelling and actionable thought leadership on the strategic issues of small and mid-sized business. Galvin is an established thought leader and business analyst with former roles as Chief Research Officer for CSO Insights – Miller Heiman, VP Sales Optimization Strategies at SiriusDecisions, and VP/Research Director CRM for Gartner. He has researched and presented to business leaders around the world on advanced concepts in customer management, world-class sales performance, and CRM-SFA technology.

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About the survey

The Wall Street Journal/Vistage Small Business CEO Survey reveals insights on the sentiment of U.S. CEOs and small business owners from a broad range of industries.

It is limited to a random sampling of Vistage members with annual revenues ranging from \$1 million to \$20 million. The survey is fielded online for a period of 10 days every month.

To help summarize each month's results, Dr. Richard Curtin calculates a Small Business CEO Confidence Index based on a set of six standard questions about the state of the economy and the prospects for small businesses' revenues, profitability, fixed investment expenditures, and hiring.

All six component questions are scored as the percentage giving favorable replies minus the percentage giving unfavorable replies, plus 100.

The Small Business CEO Confidence Index is then the sum of the components calculated as a percentage of the level recorded in the June 2012 survey. Because the survey began in June 2012, the index for that month was 100.

[View the results](#)

About Vistage

With 21,000 members in 16 countries, Vistage facilitates confidential peer advisory groups for high-integrity CEOs and other senior leaders. Each group meets on a monthly basis to optimize their instincts, judgment, perspectives and decision making in order to become more effective leaders. CEOs who joined Vistage grew their companies at three times the rate of average U.S. companies, according to a 2015 Dun & Bradstreet analysis.

