

March 2017

Improved economy bolsters CEO confidence.

For the first time in two years, the majority of small business firms reported the economy had recently improved in the March 2017 WSJ/Vistage Small Business CEO Survey. Coupled with continued optimism about future economic prospects, overall confidence among small firms has remained largely unchanged at improved levels following the election of President Trump. The WSJ/Vistage Small Business CEO Confidence Index was 112.7 in the March 2017 survey, remaining largely unchanged from December's 112.0, and well ahead of last March's 98.9.

The March 2017 survey recorded the third consecutive, double-digit, year-to-year percentage gain—the best showing in the past three years. Overall, the current level of confidence among small firms is about as good as it has been since the survey began in 2012. Expected revenues and profits, as well as planned investments and hiring, showed insignificant shifts around very positive levels. There has been little change in how small firms view the Trump administration, with 42% expecting his new policies would improve financial prospects for their firms, between January's 48% and the 40% recorded in November and December. The timing of new fixed investments and an expanded workforce is critical for business success.

While it is too early in this administration to make any clear judgments about the eventual pace of change, further increases in the optimism of small firms appear to be in a holding pattern awaiting more information on the specifics and timing of changes.

Economy improves. Among all small firms in the March 2017 survey, 57% reported the economy had improved during the past year. This is up from 47% last month and just 27% last March, and is the highest percentage since March 2015. Just 1 in 20 firms thought the economy had recently worsened, down from 1 in 5 last March. When asked about the outlook for the national economy during the year ahead, 55% anticipated improved conditions in March, more than twice last March's 23%.

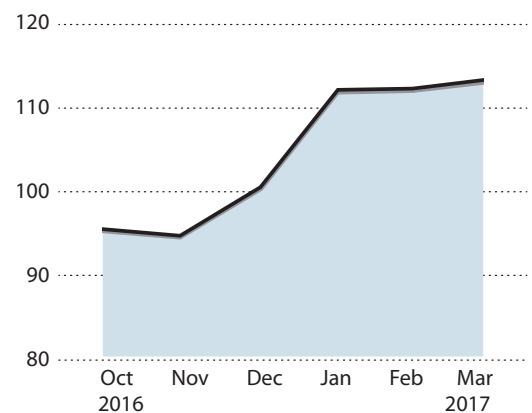
Anticipated revenue and profit gains. Higher revenues were expected by 75% of all small firms in March, just below the 77% recorded in the prior three months. When asked about future profits, 63% of small firms said they anticipated increases in March, just above last month's 62% and equal to December and January levels.

Strong hiring and investment plans. More expansive hiring plans were voiced by 59% of firms in March, just below last month's 62% and the 60% recorded three months ago. The data suggests continued strong hiring gains in the months ahead, as well as the growing need to offer better wages and benefit packages to attract top talent.

Increased spending on fixed investments was planned by 47% of all small firms in March. For the past four months planned increases in investment spending has stayed largely unchanged, varying between 47% and 48%.

Impact of prospective policy changes. Small firms were asked whether a repeal of the Affordable Care Act would help, hurt, or have no impact on their business. In response, 42% said it would help their business compared with just 12% who thought it would harm their business, with 47% saying it would have no impact. On trade with Mexico, 8 in 10 small firms reported their business had no ties to Mexico. Selling goods or services to customers in Mexico was reported by 10%, while manufacturing in Mexico or purchasing supplies from Mexican firms was reported by just 5%. Half of all small firms (51%) reported the elimination of interest deductions would have no impact on their business. Firms were nearly twice as likely to report the elimination of interest deductions would help (27%) rather than hurt (14%) their firms—presumably due to lower tax rates.

WSJ/Vistage Small Business CEO Confidence Index



Visit vistageindex.com to see the interactive tool and view results from previous months.

| Question | Answer | Respondents | |
|---|-----------------------|-------------|-----|
| | | # | % |
| 1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened? | Improved | 486 | 57% |
| | About the same | 322 | 38% |
| | Worsened | 46 | 5% |
| | Don't know/No opinion | 4 | 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 | 474 | 55% |
| | About the same | 257 | 30% |
| | Worse | 107 | 12% |
| | Don't know/No opinion | 20 | 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 | 400 | 47% |
| | About the same | 380 | 44% |
| | Decrease | 72 | 8% |
| | Don't know/No opinion | 6 | 1% |
| 4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months? | Increase | 644 | 75% |
| | About the same | 155 | 18% |
| | Decrease | 55 | 6% |
| | Don't know/No opinion | 4 | 0% |
| 5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months? | Improve | 543 | 63% |
| | About the same | 230 | 27% |
| | Worsen | 81 | 9% |
| | Don't know/No opinion | 4 | 0% |
| 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 | 506 | 59% |
| | About the same | 304 | 35% |
| | Decrease | 44 | 5% |
| | Don't know/No opinion | 4 | 0% |

| Question | Answer | Respondents | |
|---|--|-------------|-----|
| | | # | % |
| 7. Has the new Trump administration changed prospects for your business? | It has improved prospects for my firm. | 355 | 42% |
| | It has worsened prospects for my firm. | 115 | 13% |
| | It has had no impact on prospects for my firm. | 277 | 32% |
| | Other | 106 | 12% |
| 8. How would a repeal of the Affordable Care Act impact your business? | It would help my business. | 355 | 42% |
| | It would hurt my business. | 99 | 12% |
| | It would have no impact on my business. | 396 | 47% |
| 9. How would eliminating interest deductions impact your business? | It would help my company. | 226 | 27% |
| | It would hurt my company. | 121 | 14% |
| | It would have no impact on my company. | 429 | 51% |
| | Other | 67 | 8% |
| 10. Does your business have any operations in Mexico? | My business manufactures in Mexico. | 5 | 1% |
| | My business purchases goods and services from suppliers in Mexico. | 38 | 4% |
| | My business sells goods or services to customers in Mexico. | 88 | 10% |
| | My business has no ties to Mexico. | 694 | 82% |
| | Other | 26 | 3% |

| Question | Answer | Respondents | |
|---|--|-------------|-----|
| | | # | % |
| 11. During your company's last fiscal year, what was its total employment? | No employees | 1 | 0% |
| | 1-9 employees | 63 | 7% |
| | 10-19 employees | 181 | 21% |
| | 20-49 employees | 343 | 40% |
| | 50-99 employees | 187 | 22% |
| | 100-499 employees | 77 | 9% |
| | 500-999 employees | 4 | 0% |
| | 1000-4999 employees | 1 | 0% |
| | 12. During your company's last fiscal year, what were its total revenues? | 1-4 Million | 275 |
| 5-9 Million | | 284 | 33% |
| 10-20 Million | | 298 | 35% |

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Small Business CEO Survey

A monthly survey measuring the sentiment of U.S. small business CEOs and owners about the economy.

Visit vistageindex.com to view an interactive tool with full results from previous months.