

Rebound in confidence.

Small firms expressed greater confidence in the latest survey, recouping from the January post-election surge and nearing the five-year high recorded from November 2014 to March 2015. The WSJ-Vistage Small Business Confidence Index rose to 113.6 in August, up from July's 110.0 and barely above January's 113.5.

While the overall Confidence Index is nearly equal to the January level, the components have traced radically different paths. New all-time peaks were recorded for revenue and profit prospects, but the year-ahead outlook for the national economy is much less favorable than it was at the start of the year.

While it may be tempting to think that small firms expect more robust growth for themselves than for the overall economy, it is more likely that firms simply anticipate that the cumulative gains by the end of the ninth year of expansion will boost revenues and profits to new heights. While small firms do not expect the pace of growth to be as fast as they initially expected under the Trump administration, it remains true that more than twice as many small firms anticipate the Trump administration will improve rather than worsen business prospects (37% versus 14%), although half (49%) anticipate no measurable impact on their business (see the survey results following this report).

Overall, persistent strength in the economy and regulatory reforms has offset concerns about delayed tax reform and infrastructure spending.

Record expected revenue growth. More small firms anticipated higher revenues in August than at any other time since the survey began in June of 2012. Among all firms, 83% anticipated higher revenues during the year ahead, up from 75% in July and 67% last August. This was just above the prior peak of 82% recorded in November 2014. Just 4% expected declines in sales revenues in the year ahead.

Record profit growth anticipated. Profits were expected to increase during the year ahead by 65% of small firms in August, up from last month's 59% and last year's 52%, and tying the January 2015 record. Just 7% anticipated that their profits would decline in the year ahead in the August 2017 survey.

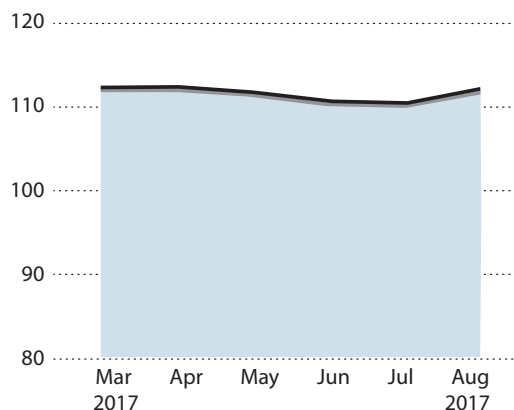
Robust hiring plans. Small firms reported the most aggressive hiring plans in several years. Increases in their total employee counts were planned by 64% of all small firms in August, up from last month's 59% and last year's 53%, tying the high first recorded in February 2015. Overall, hiring plans have been quite favorable since the start of 2015, with the proportion of small firms that planned increases in their total workers staying in the narrow range of 51% to 64%.

Investment plans remain steady. Planned increases in investment expenditures, while not record-setting, were nonetheless quite positive in the latest survey. Planned increases in total fixed investment expenditures were reported by 49% of all small firms in August, between July's 47% and June's 50%, although above last August's 41%. Firm births are much more common among small firms, with the expansion of fixed investments, as well as total employees, being more common among young firms. The WSJ-Vistage sample data on small firms certainty confirms that small firms are more likely to be in a growth phase, expanding fixed investments and employment.

Economy posts strong gains. Conditions in the national economy have improved, indicated 58% of small firms. This is up from last month's 53% and last August's 26% — the highest level since early 2015.

Slower economic growth expected. Although prospects for the national economy have not significantly changed in the past three months, the outlook is now closer to last August's pessimism than to January's optimism. In the August survey, 38% expected the economy to improve, between January's 60% and last August's 22%. Trump's election caused economic expectations to abruptly shift, which was accompanied by increased uncertainty. The recent changes in the economic outlook may simply represent a return to more realistic expectations for an economy that has started its ninth year of expansion.

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	394	58%
	Remained about the same	238	35%
	Worsened	38	6%
	Don't know/No opinion	4	1%
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	256	38%
	About the same	325	48%
	Worse	76	11%
	Don't know/No opinion	17	3%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same or decrease during the next 12 months?	Increase	329	49%
	Remain the same	293	43%
	Decrease	46	7%
	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 during the next 12 months?	Increase	559	83%
	Remain the same	87	13%
	Decrease	27	4%
	Don't know/No opinion	1	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	440	65%
	Remain the same	186	28%
	Worsen	47	7%
	Don't know/No opinion	1	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	425	64%
	Remain the same	219	33%
	Decrease	24	4%
	Don't know/No opinion	1	0%

Question	Answer	Respondents	
		#	%
7. Has the new Trump administration changed prospects for your business?	It has improved prospects for my firm.	245	37%
	It has worsened prospects for my firm.	93	14%
	It has had no impact on prospects for my firm.	331	49%
8. During your company's last fiscal year, what was its total employment?	1-9 employees	50	7%
	10-19 employees	122	18%
	20-49 employees	262	39%
	50-99 employees	164	24%
	100-499 employees	70	10%
	500-999 employees	6	1%

WSJ | VISTAGE

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.