

Confidence maintained

Economic confidence among small firms has remained at favorable levels despite diminished expectations that the Trump administration would effectively boost the pace of economic growth.

The WSJ-Vistage Small Business Confidence Index was 109.3 in the September 2017 survey, slightly below last month's 113.6, but significantly above last year's 96.9. The recent month-to-month variations have remained flat the Q3 2017 average of 110.0 was nearly identical with the Q2 average of 111.2 and insignificantly below the Q1 average of 112.7.

Nonetheless, there have been important shifts in how small firms view prospects for the overall economy as well as for their own firm. Half as many small firms expected that the national economy would improve in September compared with January. When asked about prospects for their own business, however, small firms held as positive views about prospects for their own revenues and profits and anticipated expanding their payrolls at the same record pace as last month. To be sure, some of the decline in prospects for the economy could be due to the hurricanes or the notion that the rapid pace of GDP improvement in the Q2 would not be sustained. Overall, the data shows that small firms expect to flourish even with modest economic growth. Uncertainties about policies have been overwhelmed by favorable economic trends.

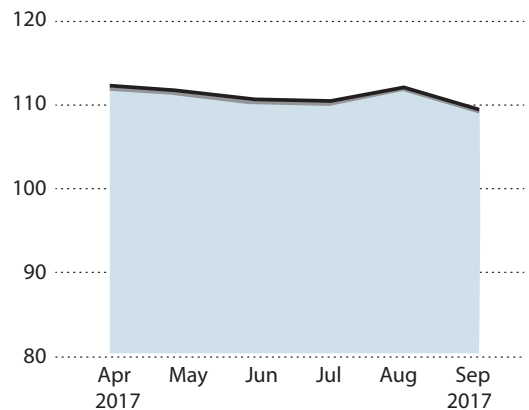
Slower economic growth expected. Half of all small firms thought that the economy had recently improved in September, which was twice as frequent as in last September's survey. Future prospects, however, were not viewed as favorably. Among all small firms in September, 31% expected improved economic conditions during the year ahead, compared to 60% who expected gains in January. The January surge in favorable economic prospects may have been due to the presumption that new policies would be soon enacted in the Trump administration; the subsequent falloff reflects the recognition that those anticipated policies have at best been delayed. When small firms were asked whether the Trump administration had changed prospects for their own firm, the proportion that reported improved prospects fell to 29% in September, down from 37% last month, and the peak of 48% in January. Only one-third of all small firms reported that uncertainty about the administration's potential policy resulted in changes including delayed hiring (8%), delayed investments (13%) or reduction in orders from their customers (10%). The majority, however, reported no impact on their business.

Strong revenue and profits expected. Increased revenues were anticipated by 77% of all small firms in September, just below last month's five-year peak of 83% and the second highest level since the start of 2017. Profits were expected to increase in the year ahead by 61% of all small firms in September, slightly below last month's five-year record of 65% but nearly equal to the 2017 average of 62%. In contrast, declines in revenues or profits were rare: Only 5% expected revenue declines and only 8% expected declines in profits in the year ahead.

Hiring plans remain robust. Small firms reported the most aggressive hiring plans in several years in both the August and September surveys. Increases in their total employee counts were planned by 64% of all small firms in August and September, tying the highest level recorded in two other surveys in late 2014 and early 2015. Hiring intentions clearly indicate that small firms will continue to bolster overall employment growth in the national economy.

Investment plans remain steady. Planned increases in investment expenditures remained at positive levels in September. Among all small firms, 46% planned on increasing the level of their investments in plant and equipment, which was at the bottom of the positive range of 46-50% recorded since the start of 2017. The proportion anticipating increased investments was nonetheless significantly above last September's 38%.

WSJ/Vistage Small Business CEO Confidence Index



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Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same or worsened?	Improved	382	50%
	Remained about the same	319	42%
	Worsened	49	6%
	Don't know/No opinion	8	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	237	31%
	About the same	379	50%
	Worse	117	15%
	Don't know/No opinion	25	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	345	46%
	Remain the same	347	46%
	Decrease	58	8%
	Don't know/No opinion	8	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	584	77%
	Remain the same	134	18%
	Decrease	38	5%
	Don't know/No opinion	2	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	462	61%
	Remain the same	236	31%
	Worsen	57	8%
	Don't know/No opinion	3	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	484	64%
	Remain the same	236	31%
	Decrease	34	4%
	Don't know/No opinion	4	1%

Question	Answer	Respondents	
		#	%
7. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	221	29%
	It has worsened prospects for my firm.	137	18%
	It has had no impact on prospects for my firm.	393	52%
8. How is uncertainty about the presidential administration and/or future economic policies impacting your business?	I am delaying additional hiring	63	8%
	I am delaying additional investments	109	13%
	It has reduced orders from my customers	85	10%
	It has not had any impact on my business	489	58%
	Other	91	11%
9. Which statement best describes health insurance coverage that you provide to employees?	We have offered insurance coverage for more than two years	645	85%
	We have added insurance coverage in the last two years	34	4%
	We plan to add health insurance in the coming year	12	2%
	We dropped health insurance benefits in the last two years	7	1%
	We plan to drop coverage in the coming year	2	0%
	We don't offer employees coverage	35	5%
	Other	22	3%
10. During your company's last fiscal year, what was its total employment?	1-9 employees	68	9%
	10-19 employees	147	19%
	20-49 employees	273	36%
	50-99 employees	170	22%
	100-499 employees	80	11%
	500-999 employees	4	1%
	1000-4999 employees	1	0%
	None	15	2%

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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.