

October 2017

## Confidence persists.

Economic optimism among CEOs of small firms has remained at favorable levels during the past six months. While improved prospects associated with the outcome of the presidential election sparked the initial surge in confidence, optimism has been largely maintained by an underlying strength in the economy.

The WSJ/Vistage Small Business Confidence Index was 110.0 in the October 2017 survey, barely above last month's 109.3 and barely below the 110.9 recorded six months ago. Confidence was nonetheless significantly higher than last October's reading of 96.7.

The sideward movement in overall confidence may reflect some residual hope that the President Trump could still accomplish some of his economic agenda. However, the moderate overall gains in the economy are much more likely to have contributed to continuing confidence in small firms. Just one-third of all small firms reported that the Trump administration improved prospects for their firm in October, well below the peak of nearly half recorded at the start of 2017. Small firms no longer anticipate a new era of robust GDP growth, as growth prospects for the economy have declined slowly since the start of the year. CEOs of small firms expect to flourish, even with modest economic growth without a downturn. While regulatory remission would be a plus for small firms, uncertainties about fiscal policies have so far been overwhelmed by moderate growth as well as the hope that Trump's tax reform policies will eventually be passed.

**Slower economic growth expected.** CEOs have sustained their sentiment that the national economy improved during most of 2017. This continued in October, with about half of all small firms indicating that the economy had recently improved. However, the future pace of economic growth has been increasingly expected to slow over the course of the year. In October, 34% of CEOs expected improved economic conditions during the year ahead, just above last month's 31% but well below January's five-year peak of 60% who expected gains. While this falloff in favorable prospects partly reflects the lack of progress on Trump's policy agenda, the small October rise may be due to the expectation of a modest rebound in late 2017 and early 2018, due in part to hurricane recovery spending. Surprising is that the expectation of only modest economic growth has maintained the high plateau of the Confidence Index since the start of the year.

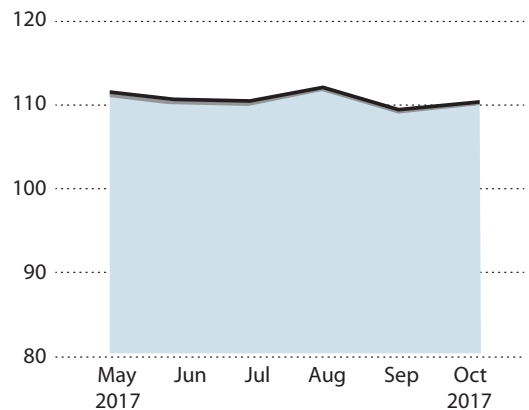
**Growth in revenues and profits expected.** Three-in-four small firms in the latest survey anticipate higher revenues during the year ahead, and six-in-ten expect higher profits. More importantly, these favorable expectations have remained largely unchanged since the start of the year and only modestly above the levels that had prevailed last October, prior to Trump's election. Increased revenues are anticipated by 76% of all small firms in October, just below the 77% recorded last month and at the start of 2017, but modestly above last October's 69%. Profits are expected to increase in the year ahead by 61% of all small firms in October as well as in September, barely above the 63% at the start of 2017 and moderately above last October's 55%.

**Robust hiring and investment plans maintained.** Small firms anticipate a continued economic expansion in the year ahead, as evidenced by data showing that many CEOs plan increases in both number of employees as well as in investment expenditures. Even though the pace of economic growth has varied over the past several quarters, small firms have held steadfast to their planned increases in employment and investment plans since the start of the year.

In the October survey, 62% of small-firm CEOs reported plans to increase their total workforce, equal to the average since January and 10% higher than last October. Very few firms (3%) plan to downsize their workforce.

Additionally, 48% of all small firms indicated planned increases in investment expenditures in October, unchanged from the 2017 average and well above the 37% reported in last October's survey. Conversely, just 7% planned to cut their overall investment spending in October.

**WSJ/Vistage Small Business CEO Confidence Index**



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Question	Answer	Respondents	
		#	%
<b>1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same or worsened?</b>	Improved	395	51%
	Remained about the same	337	43%
	Worsened	42	5%
	Don't know/No opinion	7	1%
<b>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?</b>	Better	266	34%
	About the same	381	49%
	Worse	116	15%
	Don't know/No opinion	18	2%
<b>3. Are your firm's total fixed investment expenditures likely to increase, remain about the same or decrease during the next 12 months?</b>	Increase	371	47%
	Remain the same	348	45%
	Decrease	57	7%
	Don't know/No opinion	5	1%
<b>4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?*</b>	Increase	590	76%
	Remain the same	148	19%
	Decrease	41	5%
<b>5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?</b>	Improve	473	61%
	Remain the same	243	31%
	Worsen	64	8%
<b>6. Do you expect your firm's total number of employees will increase, remain about the same or decrease during the next 12 months?</b>	Increase	482	62%
	Remain the same	266	34%
	Decrease	27	4%

Question	Answer	Respondents	
		#	%
<b>7. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm.	266	34%
	It has worsened prospects for my firm.	131	17%
	It has had no impact on prospects for my firm.	382	49%
<b>8. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	66	8%
	10-19 employees	137	18%
	20-49 employees	304	39%
	50-99 employees	188	24%
	100-499 employees	83	11%
	500-999 employees	3	0%

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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.

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