

## SMB CEO confidence edges upward in November.

Economic optimism among small firms was at the upper end of the favorable range in November, with small firm CEOs indicating more optimism about gains in the economy as well as their own financial situation. The WSJ/Vistage Small Business CEO Confidence Index was 112.5 in the November 2017 survey, slightly above last month's 110.0 and significantly above last November's 102.4. Renewed strength in the national economy and a rebound in judgements about how Trump's policies would aid their business are key factors for CEO expectations of improved revenues and profits. CEOs holding a favorable view of the presidential administration rose to 40% in November, the second monthly increase since the low of 29% was recorded in September, although still less favorable than the peak of 48% set in January. While the recent movement on Trump's tax reforms has contributed to the perception that the administration has improved business prospects, it is likely that two consecutive quarters of 3% GDP growth played the more decisive role. However, annualized gains in confidence among small firms will increasingly depend on continued accomplishment going forward, rather than just the expectation of future improvement. Regulatory remission has been a clear plus for small firms, but tax reforms are now needed to energize prospects for continued growth.

### Economic growth expected to slow.

Compared with sentiment recorded in January, CEO views of the current state of the economy have become much more favorable, while expectations for future economic growth have somewhat dimmed. In the November 2017 survey, 57% of all small firms reported that the economy had improved, the same as in March, but well above January's 47%. This reflects the strong performance of the economy in the 2nd and 3rd quarters. In contrast, the January survey showed that 60% of CEOs expected the national economy to improve in 2017, while in November additional gains were expected by just 37%. This suggests that CEOs do not anticipate the favorable growth rates in 2017 to be higher in 2018. Only 13% indicated that they believe the economy is going to worsen; half (49%) of all small firms expect economic conditions to remain unchanged, which indicates they expect conditions to stay at the improved 2017 levels. While economic prospects did improve from last month, the gain was small in comparison to the decline since January.

### Financial prospects of small firms remain robust.

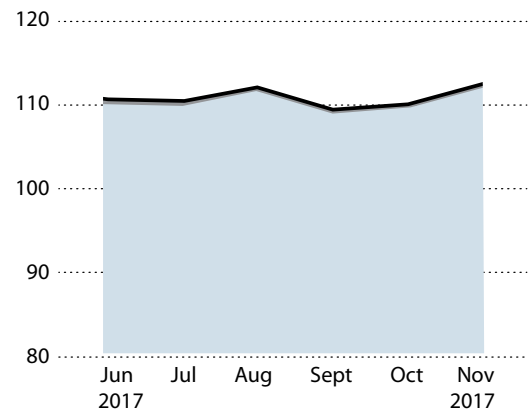
Small firm CEOs judged their financial prospects very positively in the November survey. Higher revenues were anticipated by 78% of all small firms in November, only five points below the five-year peak of 83% recorded three months ago. Profits were expected to increase by 64%, just below the five-year peak of 65% recorded three months ago. Both revenue and profit expectations improved substantially following the presidential election and have varied only slightly since then.

### Small firms plan robust hiring & investments.

Planned increases in the number of employees and increases in investment expenditure signal that small firms anticipate continued expansion. Increased spending on fixed business investments were intended by 49% of all small firms in November, just below the 2017 peak of 50% recorded in June. Plans to increase their total number of employees were cited by 61% of all small firms, just below the 2017 peak of 64% recorded two and three months ago. Firm expansion, both in terms of fixed investments and total employees, surged following the presidential election and has since then increased, rising to be very close to its five-year peak level.

– Analysis provided by Dr. Richard Curtin, University of Michigan

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



Visit [vistageindex.com](http://vistageindex.com) to see the interactive tool and view results from previous months.

| 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                | 411         | 57% |
|  | Remained about the same | 271         | 37% |
|  | Worsened                | 36          | 5%  |
|  | Don't know/No opinion   | 8           | 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         | 37% |
|  | About the same          | 353         | 49% |
|  | Worse                   | 91          | 13% |
|  | Don't know/No opinion   | 16          | 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                | 356         | 49% |
|  | Remain the same         | 320         | 44% |
|  | Decrease                | 42          | 6%  |
|  | Don't know/No opinion   | 8           | 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                | 563         | 78% |
|  | Remain the same         | 132         | 18% |
|  | Decrease                | 25          | 3%  |
|  | Don't know/No opinion   | 6           | 1%  |
| <b>5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?</b>                        | Improve                 | 465         | 64% |
|  | Remain the same         | 203         | 28% |
|  | Worsen                  | 54          | 7%  |
|  | Don't know/No opinion   | 4           | 1%  |

| Question  | Answer   | Respondents |     |
|---|--|-------------|-----|
|   |  | #           | %   |
| <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                                       | 442         | 61% |
|   | Remain the same                                | 258         | 36% |
|   | Decrease                                       | 22          | 3%  |
|   | Don't know/No opinion                          | 3           | 0%  |
|   |  |             |     |
| <b>7. Has the Trump administration changed prospects for your business?</b>   | It has improved prospects for my firm.         | 288         | 40% |
|   | It has worsened prospects for my firm.         | 106         | 15% |
|   | It has had no impact on prospects for my firm. | 328         | 45% |
| <b>8. During your company's last fiscal year, what was its total employment?</b>  | 1-9 employees                                  | 62          | 9%  |
|   | 10-19 employees                                | 134         | 18% |
|   | 20-49 employees                                | 281         | 39% |
|   | 50-99 employees                                | 160         | 22% |
|   | 100-499 employees                              | 86          | 12% |
|   | 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.

Visit [vistageindex.com](http://vistageindex.com) to view an interactive tool with full results from previous months.