

SMB CEO confidence surges in December.

Economic optimism among small firms surged to its highest level since the survey first began in June 2012. Although the December survey was completed before the final passage of the tax reform legislation, it was CEO anticipation of its passage that prompted the gain in confidence. One-in-four small firms said that they planned changes in the structure or operation of their business in response to the passage of the tax reform legislation. Firms expressed the most aggressive planned expansion in investment spending ever recorded and the largest planned increase in the number of employees.

Expected gains in revenues as well as profits were anticipated by all-time record numbers of CEOs of small firms. These planned changes are as good as could be expected, even if the initial enthusiasm is tempered by the actual decisions of firms. Growth prospects for the national economy have improved over the recent lows, but have remained somewhat less favorable than last December immediately following the last presidential election.

Nonetheless, 42% of small firms reported that the current administration improved their business prospects, only marginally below the January peak of 48%. The rollout of the tax reforms, together with ongoing regulatory changes, will hold the current administration's economic policy feet to the fire of the marketplace.

Jobs and investments expanding.

The largest number of CEOs of small firms since mid-2012 reported planned increases in their workforce as well as increases in planned investment expenditures during the year ahead. Plans to increase the total number of employees were cited by 72% of all small firm CEOs in the December 2017 survey, well above last month's 61% or last December's 60%. The recent surge in planned increases in employment directly reflects tax reforms, as regulatory changes have been ongoing throughout the past year. 52% of small firms planned increased spending on fixed business investments in December, up marginally from last month's 49% and last December's 48%.

While the recent gains in planned investment spending were small, December's response still represents the best outlook for increased investment spending since mid-2012. Importantly, these gains in planned employment and fixed investment expenditures occurred prior to the passage of the tax bill; additional adjustments are anticipated once the impact of all of the provisions of the bill become known to small firms.

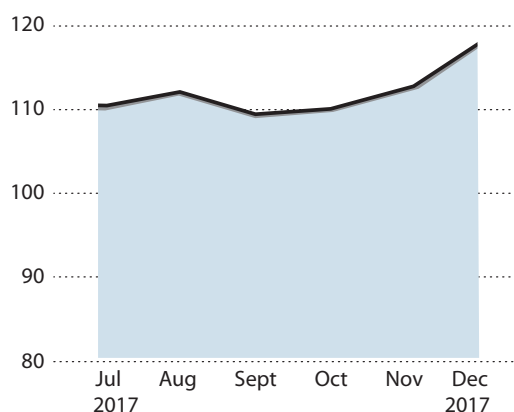
Robust gains in revenues and profits expected.

83% of CEOs from small firms in December expect increased revenues in the year ahead, up from last month's 78% and tied the five-year peak of 83% first recorded in August 2017. Just 3% of CEOs of small firms anticipate declines in total revenues, the lowest number ever recorded. Profits were expected to increase by 66%, the highest percentage recorded since mid-2012. Both revenue and profit expectations improved substantially following the presidential election. In anticipation of the passage of tax reform, these expectations rose to new peak levels.

Small firm CEOs expect continued economic growth.

Conditions in the national economy were reported to have recently improved by 65% of all small business firms in December, up from 57% last month and 43% last December. While the December figure was slightly below the peak of 67% set in January 2015, it was substantially above the 25% recorded in the month prior to the presidential election. The proportion that expected continued gains in the national economy rose slightly to 44% in December, up from last month's 37% but still well below the five-year peak of 60% recorded in January 2017. These small expected gains in the national economy stand in sharp contrast to the much larger gains expected in CEO anticipation of their firms' growth in the year ahead.

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 United States improved, remained the same or worsened?	Improved	478	65%
	Remained about the same	229	31%
	Worsened	30	4%
	Don't know/No opinion	3	0%
2. During the next 12 months, do you expect the overall economic conditions in the United States will be better, about the same or worse than now?	Better	329	44%
	About the same	320	43%
	Worse	83	11%
	Don't know/No opinion	8	1%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same or decrease during the next 12 months?	Increase	387	52%
	Remain the same	302	41%
	Decrease	41	6%
	Don't know/No opinion	10	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	616	83%
	Remain the same	98	13%
	Decrease	24	3%
	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	486	66%
	Remain the same	197	27%
	Worsen	52	7%
	Don't know/No opinion	5	1%

Question	Answer	Respondents	
		#	%
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	530	72%
	Remain the same	184	25%
	Decrease	24	3%
	Don't know/No opinion	2	0%
7. If hiring workers has become more difficult, what are you doing in response?	Boosting wages	380	30%
	Adding employee benefits	219	17%
	Developing existing workforce	431	34%
	Reducing sales/marketing activities that create demand	21	2%
	Lengthening fulfillment/delivery timelines	50	4%
	Other	136	11%
8. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	305	42%
	It has worsened prospects for my firm.	100	14%
	It has had no impact on prospects for my firm.	328	45%
9. Do you expect to change how your business is structured or operates in response to changes in the tax bill?	Yes	179	24%
	No	557	76%

Question	Answer	Respondents	
		#	%
10. What do you expect to do with any tax savings?	Boost wages	59	8%
	Increase investment	278	38%
	Expand into new areas	104	14%
	Take more profits	174	24%
	Other	112	15%
11. During your company's last fiscal year, what was its total employment?	1-9 employees	67	9%
	10-19 employees	150	20%
	20-49 employees	265	36%
	50-99 employees	174	24%
	100-499 employees	71	10%
	500-999 employees	3	0%
	None	10	1%
12. During your company's last fiscal year, what were its total revenues?	1-4 Million	230	31%
	5-9 Million	239	32%
	10-20 Million	271	37%

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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.