

CEO confidence slips slightly after peak last month.

Economic optimism among small firms slipped from its January peak, mainly due to concerns about the future health of the economy. The WSJ/Vistage Small Business CEO Confidence Index slid 3.5 points to 117.0; however, the last three months have been the highest since the survey began in June 2012. While the small decline could be attributed to the initial enthusiasm about the passage of tax reform fading, it is more likely that small firms anticipate while reform may stimulate the economy, it may also result in slightly higher inflation and interest rates.

Small firms are more confident about prospective revenue and profit growth during 2018 than a year ago. Accordingly, they plan to invest more and expand their labor force more than they anticipated doing in last year's February survey. Half of all small firms credited the Trump administration for improving their business prospects, with just 12% voicing any negative implications for their own firm. The tax reform legislation has played a significant role, with two-thirds of all small firms anticipating a decline in taxes and 37% expecting a decrease of 10% or more in taxes. Perhaps the more important finding is that a substantial number of small firms are still unsure how the tax reforms will affect their firm.

Although two-thirds of all firms expect to increase their hiring, two-thirds also report that they are facing shortages of skilled workers. Rising wages may indicate the potential for increases in interest rate as well as overall inflation; it's likely these factors have slightly diminished CEO optimism about the economic future.

CEO optimism impacted by tax reform.

Despite the small decline in February, CEOs still anticipate a strong economic environment, expect to significantly expand their use of capital and labor, and continue to expect increases in revenues and profits. Note that in all of these areas, the February decline was nearly equal in relative amounts. At this early stage, it is difficult to determine whether the small relative declines were primarily due to more realistic assessments of tax reforms or to the potential for system feedback in the form of higher inflation and interest rates. While additional declines in confidence in the months ahead cannot be ruled out, it is more likely that continued growth in the economy will smooth the acceptance of modest increases in relatively low inflation and interest rates, as has been true in past expansions.

Small decline in CEO optimism for the economy balanced by positive outlook for their business.

Recently improved economic conditions were cited by 66% of CEOs, just below last month's 70% but well ahead of last February's 47%. In contrast, expectations for continued economic gains slipped in the most recent survey, with 45% anticipating improved economic conditions, down from last month's and last year's 54%. Importantly, just 11% expected actual declines in economic conditions. This decline in prospects for the overall economy had a barely noticeable impact on the expected revenues, but small firms did expect a small reduction in profits in 2018. Presumably, rising pressures to increase wages, which in turn causes inflation and interest rates to rise, outweighed the expected reduction in taxes. Nonetheless, 65% anticipated increased profits in 2018, below last month's 69% but above last year's 62%.

Expansion plans remain near peaks.

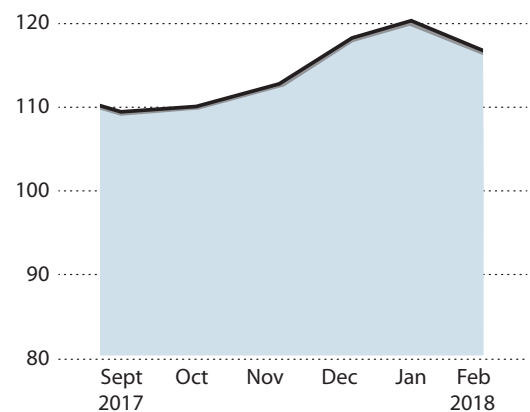
When asked about their investment plans, for the third month in a row 52% expected to increase investment spending. This trend has been the highest level of planned investments recorded since the survey began in 2012.

68% of CEOs plan workforce expansion in the next year, down from last month's 70% and the series peak of 72% set two months ago. Given the widespread perception that skilled workers are scarce, it is likely that firms will need to offer higher salaries or engage in more extensive training programs to meet their needs.

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

Source: February 2018 WSJ/Vistage Small Business CEO Confidence Index survey, n= 741

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	489	66%
	Remained about the same	216	29%
	Worsened	28	4%
	Don't know/No opinion	8	1%
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	335	45%
	About the same	311	42%
	Worse	83	11%
	Don't know/No opinion	12	2%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same or decrease during the next 12 months?	Increase	389	52%
	Remain the same	305	41%
	Decrease	42	6%
	Don't know/No opinion	5	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	610	82%
	Remain the same	108	15%
	Decrease	19	3%
	Don't know/No opinion	4	1%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	484	65%
	Remain the same	206	28%
	Worsen	46	6%
	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	500	68%
	Remain the same	208	28%
	Decrease	22	3%
	Don't know/No opinion	3	0%
7. Has the new Trump administration changed prospects for your business?	It has improved prospects for my firm.	372	51%
	It has worsened prospects for my firm.	88	12%
	It has had no impact on prospects for my firm.	276	38%
8. Based on your current understanding of the new tax law, do you think your tax bill will:	Decrease by more than 20%	28	4%
	Decrease by 10% to 20%	239	33%
	Decrease by less than 10%	210	29%
	Remain about the same	208	28%
	Increase by less than 10%	26	4%
	Increase by 10% or more	20	3%
9. Has the new tax law impacted your decisions about selling your company or making an acquisition?	Made me more likely or sped up my decision to sell	36	4%
	Made me less likely or delayed my decision to sell	12	1%
	Made me more likely or sped up efforts to make an acquisition	40	5%
	Made me less likely or slowed down plans to make an acquisition	4	0%
	No	505	61%
	Not Applicable	132	16%
	Other	5	1%

Question	Answer	Respondents	
		#	%
10. How is your company structured?	Sole proprietorship	10	1%
	Partnership	25	3%
	Limited Liability Company (LLC)	169	23%
	Single Member Limited Liability Company	11	2%
	C Corporation	171	23%
	Professional or Personal Service Corporation	8	1%
	S Corporation	337	46%
	11. Will you be changing how your company is structured in response to the new tax law? This might include switching from an S Corp., LLC or partnership to a C Corp., or the reverse, setting up or spinning off a business or shifting assets among operations.	No	649
Yes		76	10%
12. Does your business have cash overseas that you plan to repatriate as a result of the tax bill?	Yes	8	1%
	No	725	99%
13. Is the new tax law leading you to make other changes in your business?	No	560	76%
	Yes, increasing hiring	68	9%
	Yes, increasing investment	77	10%
	Yes, other	31	4%
14. Are you facing a shortage of skilled workers?	Yes	473	64%
	No	266	36%

Question	Answer	Respondents	
		#	%
15. If you are having trouble finding qualified workers, what are you doing in response?	Partnering with a local community college or other institution	292	46%
	Creating an apprenticeship program	179	28%
	Reskilling workers so that they can take on new roles	240	38%
	Increased recruiting	554	87%
	Boosting wages	378	59%
	Adding benefits	216	34%
	None of the above	19	3%
	Other	34	5%
16. During your company's last fiscal year, what was its total employment?	1-9 employees	52	7%
	10-19 employees	140	19%
	20-49 employees	286	39%
	50-99 employees	173	23%
	100-499 employees	84	11%
	500-999 employees	3	0%
	1000-4999 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 to view an interactive tool with full results from previous months.