

Slide in CEO confidence continues.

Economic optimism among small businesses continued its slow retreat from its January peak, which can mostly be attributed to concerns about the current and future health of the economy. The March WSJ/Vistage CEO Confidence Index was 112.7, down from 117 in February. Despite the two-month decline, the Confidence Index among small businesses remains at quite favorable levels. Some of the decline can be attributed to the natural fading of optimism as greater details about the tax reform became known; potentially, some of the March decline can be attributed to negative reactions to the recent introduction of steel and aluminum tariffs. The current administration was judged slightly less favorably for small business in March; 45% indicated the administration has improved prospects for their firm, down from 51% in February. Importantly, small businesses also expressed somewhat less confidence in their own financial prospects and business expansion plans. Overall, the declines in confidence are far from an indicator of a renewed economic downturn, but rather reflect that CEOs have a more informed view of the impact of the tax reform legislation. Indeed, the optimism of small businesses indicates they are still struggling to hire and retain enough employees to keep up with today's robust demand and tomorrow's increases in sales.

A tempered pace of growth expected.

Small businesses remained quite optimistic about the recent pace of economic growth, as 60% of CEOs thought the economy had improved. Although this was below the six-year peak of 70% recorded in January, most of the shift was toward the view that the pace of growth would remain unchanged; just 7% expected it had worsened. The greater slide in optimism about the year-ahead pace of growth stands in contrast to many other forecasts of a stronger economy in the year ahead. 35% of CEOs surveyed in March expected the economy to improve in the next 12 months, down from 45% last month and 55% in last March's survey. Importantly, just 16% expected economic conditions to actually worsen during the year ahead, as the near majority (47%) anticipated that the pace of economic growth would remain largely unchanged.

Businesses plan robust expansion.

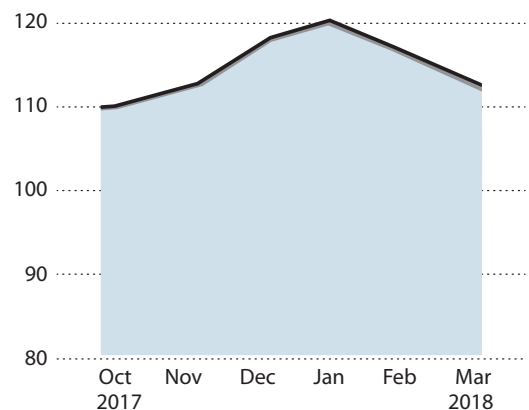
Despite growing concerns about the aggregate pace of economic growth, small businesses continue to voice plans to expand their investments in new plants, equipment and number of employees. 51% of CEOs planned to expand their investment expenditures, on par with the peak of 52% recorded in each of the prior three months. Just 6% expected to reduce their investment expenditures, which is unchanged for the sixth consecutive month. 64% of CEOs planned to expand expansion of their workforce which is between the peak of 72% set three months ago and above last March's 59%. Importantly, just 3% anticipated an outright reduction in the number of their employees. The data indicate that job growth in the nation as a whole will remain strong in the year ahead, although somewhat below the extraordinary gains recorded in the recent February BLS report.

Continued growth in revenues and profits anticipated.

While the number of CEOs who anticipated higher revenues and profits declined slightly in the most recent survey, they remained at quite favorable levels. 79% of CEOs expected increased revenues between the six-year peak of 83% recorded at the turn of the year and last March's 75%. Just 5% anticipated revenue declines. 66% of CEOs expected higher profits in the year ahead, marginally below the 69% peak in January and slightly above last March's 63%. When asked about how changes in the tax reform would impact their firm, 45% of all small businesses reported that they would have an impact on their firm's expenses for entertainment, meals and transportation. Most of these businesses reported that they would change their policies so as to cut back or shift the treatment of employer-paid expenses to comply with new tax regulations.

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

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	541	60%
	Remained about the same	287	32%
	Worsened	63	7%
	Don't know/No opinion	6	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	315	35%
	About the same	424	47%
	Worse	142	16%
	Don't know/No opinion	16	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	454	51%
	Remain the same	381	42%
	Decrease	58	6%
	Don't know/No opinion	4	0%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same or decrease during the next 12 months?	Increase	705	79%
	Remain the same	144	16%
	Decrease	45	5%
	Don't know/No opinion	3	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	590	66%
	Remain the same	230	26%
	Worsen	74	8%
	Don't know/No opinion	3	0%

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	578	64%
	Remain the same	290	32%
	Decrease	27	3%
	Don't know/No opinion	2	0%
7. Has the new Trump administration changed prospects for your business?	It has improved prospects for my firm.	399	45%
	It has worsened prospects for my firm.	145	16%
	It has had no impact on prospects for my firm.	349	39%
8. Is your business impacted by the changes in the tax treatment for entertainment, meals, and transportation?	Yes, Entertainment	174	20%
	Yes, Meals	161	19%
	Yes, Transportation	78	9%
	All the above	223	26%
	None of the above	474	55%
9. What do you plan to do in response to the change in tax treatment?	Cut back on spending on employee meals	115	14%
	Cut back or make other changes to business entertainment	184	22%
	Discontinue offering free parking, bicycle commuting benefits or other transportation related expenses	9	1%
	Charge employees for meals or other benefits	6	1%
	Change expense policies	143	17%
	Not applicable	481	58%
	Other, please specify	62	7%

Question	Answer	Respondents	
		#	%
10. During your company's last fiscal year, what were its total revenues?	1-4 Million	289	32%
	5-9 Million	289	32%
	10-20 Million	319	36%
11. During your company's last fiscal year, what was its total employment?	1-9 employees	102	11%
	10-19 employees	159	18%
	20-49 employees	321	36%
	50-99 employees	192	21%
	100-499 employees	90	10%
	500-999 employees	3	0%
	1000-4999 employees	2	0%
	None	28	3%

WSJ | VISTAGE

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.