

## CEO confidence stabilizes at high levels.

Economic optimism among small businesses has remained largely unchanged at very favorable levels during the past three months. The WSJ/Vistage Small Business CEO Confidence Index was 112.4 in May, insignificantly different from the 113.6 in April, the 112.6 in March or last May's 110.9. While the Confidence Index is below January's six-year peak of 120.5, which was sparked by the passage of tax reform legislation, confidence has remained at the top of the range it has traveled since the survey began in mid-2012.

Although most components of the WSJ/Vistage Small Business CEO Confidence Index varied by only one or two points from last month, significantly more CEOs expected lowered profitability in the year ahead. Indeed, expected profitability posted its largest percentage monthly decline since late 2012, although it still remained at relatively favorable levels. One conjecture is that CEOs have reduced expectations now that they understand the details of how the new tax legislation will impact their firms, causing them to moderate their initial enthusiasm.

Higher costs of materials, higher interest rates and potentially higher tariffs are the most likely reasons for higher costs and thus lower profits; however, the decline in outlook on profitability would imply relatively large expected total cost increases. While it could just be a result that will correct itself next month, if the decline in expected profitability is confirmed or accelerates in subsequent months, it could play a significant role in how firms determine additional investment expenditures.

### Strong revenues prevail amid weaker profit expectations.

Despite reduced expectations for profit growth, small firms continued to anticipate robust gains in revenue during the year ahead. Overall, financial prospects for small firms remained at favorable levels. When asked about expected revenues, 81% of all small firms anticipated higher revenues during the year ahead, barely below last month's 82% or the six-year peak of 83% recorded at the start of 2018. Expected increases in profits, however, fell to 63% in May, down from April's six-year peak of 70% and the lowest level recorded since October 2017.

### Business expansion plans remain strong.

Small firms planned to expand their investments in new plant and equipment and to increase the size of their workforce. Plans to expand investment expenditures were voiced by 52% in May, up from 48% in April and last May's 47%, tying the six-year peak last recorded from December to February 2018. Expansion of their workforce was planned by 66% of all firms, between April's 65% and the six-year peak of 72% set in December 2017. While the strength in hiring and investments suggest the falloff in profits was an anomaly, uncertainty about the economy and economic policies caused 10% of firms to delay additional investments and 5% to delay additional hiring.

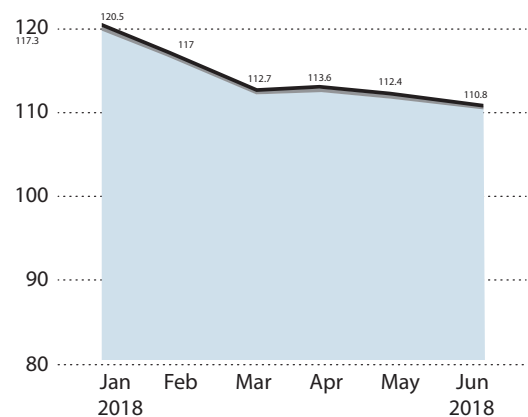
### Perception of the economy stabilizes.

Although the recent pace of growth has stabilized, CEOs expected the economy to grow more slowly during the year ahead. Recent economic gains were cited by 60%, largely unchanged from one and two months ago, but 10% below the January 2018 figure. In contrast, favorable prospects for the economy during the year ahead fell to 34% in May, also unchanged from the prior two months, but down 20% from the January 2018 reading. While some of the decline could be due to the expectation of interest rate hikes, it stands in sharp contrast to economists' forecasts for a stronger economy in 2018 than in 2017.

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

Source: June 2018 WSJ/Vistage Small Business CEO Confidence Index survey n=772

**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 United States improved, remained the same, or worsened?</b>	Improved	481	62%
	Remained about the same	237	31%
	Worsened	49	6%
	Don't know/No opinion	5	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	241	31%
	About the same	384	50%
	Worse	131	17%
	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	379	49%
	Remain the same	324	42%
	Decrease	65	8%
	Don't know/No opinion	4	1%
<b>4. When do you plan to increase your investment expenditures over the next 12 months?</b>	Q3 2018	108	29%
	Q4 2018	69	18%
	Q1 2019	22	6%
	Q2 2019	6	2%
	Steadily throughout the next 12 months	168	45%
<b>5. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	591	77%
	Remain the same	143	19%
	Decrease	34	4%
	Don't know/No opinion	4	1%

Question	Answer	Respondents	
		#	%
<b>6. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?</b>	Improve	468	61%
	Remain the same	232	30%
	Worsen	67	9%
	Don't know/No opinion	5	1%
<b>7. 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	488	63%
	Remain the same	253	33%
	Decrease	27	4%
	Don't know/No opinion	2	0%
<b>8. When do you plan to increase your firm's total number of employees over the next 12 months?</b>	Q3 2018	153	31%
	Q4 2018	62	13%
	Q1 2019	33	7%
	Q2 2019	10	2%
	Steadily throughout the next 12 months	230	47%
<b>9. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm.	371	48%
	It has worsened prospects for my firm.	124	16%
	It has had no impact on prospects for my firm.	274	36%
<b>10. How did the new tax law impact your hiring plans?</b>	Increased hiring plans	108	14%
	No impact on hiring plans	648	84%
	Decreased hiring plans	15	2%
<b>11. How did the new tax law impact your investment plans?</b>	Increased investment plans	163	21%
	Decreased investment plans	23	3%
	No impact on investment plans	582	76%

Question	Answer	Respondents	
		#	%
<b>12. Based on your current understanding of the new tax law, do you think your tax bill will:</b>	Decrease > 20%	39	5%
	Decrease 10 - 20%	171	22%
	Decrease < 10%	237	31%
	Remain about the same	264	35%
	Increase < 10%	38	5%
	Increase > 10%	16	2%
	<b>13. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	74
10-19 employees		158	20%
20-49 employees		292	38%
50-99 employees		171	22%
100-499 employees		75	10%
500-999 employees		2	0%

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