

## CEO confidence in future growth of economy slips.

Optimism for future economic growth among CEOs fell to its lowest level since the presidential election in July. The WSJ/Vistage Small Business CEO Confidence Index was 108.2 in July, and while only slightly below June's 110.8 or last July's 110.0, it was well below January's peak of 120.5. The January peak was likely due to the tax reform legislation, and it is not surprising that the initial enthusiasm has faded. The continued declines over the past six months suggest that other factors aside from tax reform may be responsible, and the current administration's trade policy may be the primary reason. Whether one agrees or disagrees with the aim of the policy, the imposition of tariffs will cause economic disruptions. Moreover, since the full range of products, the size and the timing of the tariffs are currently unspecified, it is only natural that their initial impact is to increase uncertainty about future economic prospects. While CEOs may be uncertain whether their business will be directly affected, they could have inferred that the overall pace of growth in the domestic economy would slow during the year ahead. Indeed, the decline in expected economic conditions during the year ahead has shouldered the most pullback of all of the components. When asked whether the Trump administration improved or worsened prospects for their companies, positive responses were more than twice negative responses (45% versus 20%), although the July survey did record the most negative sentiment since the election.

### Economy expected to weaken.

CEOs expected that the economy will grow more slowly in the year ahead. The percent holding favorable growth prospects for the year ahead fell to 27% in July, half the peak of 54% recorded at the start of 2018. This was the least favorable economic outlook since the month before Trump was elected. Although most of the decline was recorded in Q1 2018, due to waning expected impact of tax reforms, prospects for the economy fell significantly since the start of Q2 — a quarter that is widely thought to have experienced a robust pace of GDP growth. The current state of the economy was judged to have recently improved by 60%, remaining largely unchanged in the past few months and well above last July's 53%.

### Revenue and profit expectations remain at favorable levels.

Expectations for revenue and profit growth were largely unchanged from a month and a year earlier, although both were below the 2018 peak levels. Revenue growth was anticipated by 76% of all small firms, down from a peak of 83% at the start of 2018, and profit growth was expected by 62%, down from a peak of 70% three months ago. In contrast, just 5% anticipated declines in revenues during the year ahead, and only 8% expected declines in profits; both figures were unchanged from last July.

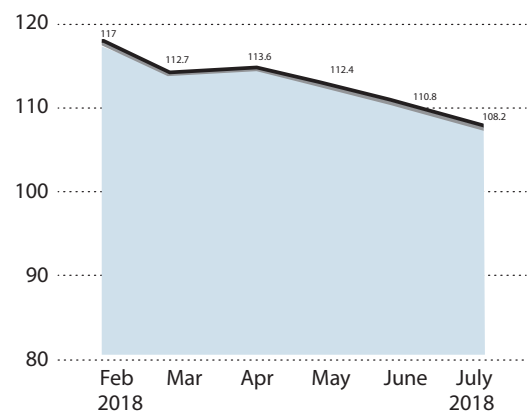
### Modest decline in business expansion plans.

Small firms slightly reduced their planned investments in new plant and equipment. Planned increases in investments were reported by 47% of all firms, just below the 2018 peak of 52% and equal to last July. Increases in total employment were planned by 62%, well below the late 2017 peak of 72% but just above last July's 59%. Overall, 81% of all small firms reported hiring employees in the past quarter, which covered both new additions as well as normal attrition. Just 10% reported that their firm's expansion was due to seasonal factors, and 13% reported that their firm was impacted by changes in immigration policy. Despite the small reduction in anticipated expansion of their workforces, the hiring plans of small firms strongly suggest that the labor market will remain quite tight during the year ahead.

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

Source: July 2018 WSJ/Vistage Small Business CEO Confidence Index survey, n= 791

**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	471	60%
	Remained about the same	254	32%
	Worsened	62	8%
	Don't know/No opinion	4	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	213	27%
	About the same	359	45%
	Worse	200	25%
	Don't know/No opinion	19	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	369	47%
	Remain the same	341	43%
	Decrease	71	9%
	Don't know/No opinion	10	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	598	76%
	Remain the same	142	18%
	Decrease	41	5%
	Don't know/No opinion	10	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	487	62%
	Remain the same	233	29%
	Worsen	64	8%
	Don't know/No opinion	7	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	493	62%
	Remain the same	249	32%
	Decrease	40	5%
	Don't know/No opinion	7	1%
<b>7. Is any of your planned workforce expansion tied to seasonal hiring?</b>	Yes	78	10%
	No	705	90%
<b>8. Have you hired employees in the past quarter?</b>	Yes	635	81%
	No	149	19%
<b>9. Has your business been impacted by changes in the immigration policy?</b>	Yes	103	13%
	No	680	87%
<b>10. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm.	354	45%
	It has worsened prospects for my firm.	154	20%
	It has had no impact on prospects for my firm.	275	35%
<b>11. Are you familiar with 'association health plans' (AHPs) as an option for small businesses and self-employed people?</b>	Yes	209	27%
	No	573	73%

Question	Answer	Respondents	
		#	%
<b>12. How will AHPs impact your health insurance choices?</b>	We already offer health insurance through an AHP	31	4%
	We currently offer health insurance but will consider offering an AHP	276	37%
	We do not currently offer health insurance and will consider an AHP	56	7%
	We currently offer health insurance and this won't impact my choices	360	48%
	We currently don't offer health insurance and this won't impact my choices	28	4%
	<b>13. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	74
10-19 employees		151	19%
20-49 employees		276	35%
50-99 employees		189	24%
100-499 employees		95	12%
500-999 employees		4	1%
1000-4999 employees		1	0%
5000-9999 employees		1	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.

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