

## Declining revenue expectations causes CEO confidence to slip.

Economic optimism among small business CEOs continued its slow decline due to weaker expected growth in revenues and profits. The WSJ/Vistage Small Business CEO Confidence Index was 107.8 in August, slightly below July's 108.2 and last August's 113.6. While the decline from the January 2018 peak of 120.5 has been substantial, falling to its lowest level since Trump took office, the level of small business optimism remained quite positive. The overriding issue for small businesses has been rising costs of materials used for production, cited by two-thirds (65%) of CEOs in August. Rising costs have motivated nearly half (47%) of CEOs to raise the prices they charged, and prompted nearly half (47%) to plan to raise prices during the year ahead. Price hikes left small firms with less favorable assessments of their expected revenues and profits. Although the direct impact of tariffs on domestic inflation is quite small, the presence of tariffs could form a pretext to justify more widespread price hikes. When asked about the impact of tariffs on their own firms, 11% of CEOs reported a "strong impact," and 31% reported their firm would be "moderately impacted." Although the enthusiasm about economic prospects based on Trump's election has evaporated, the basic economic confidence of small firms has remained strong.

### Weakened prospects for revenues and profits.

Small firms expressed more cautious expectations for sales revenues and profits for the year ahead. 73% of CEOs expected revenue growth in the next 12 months, down from 76% one month ago and 83% one year earlier. 61% of CEOs expected growth in profits over the next 12 months, just below last month's 62% and down from last August's 65%. Although revenue and profit expectations have declined, they remained at positive levels when compared with trends over the prior five years.

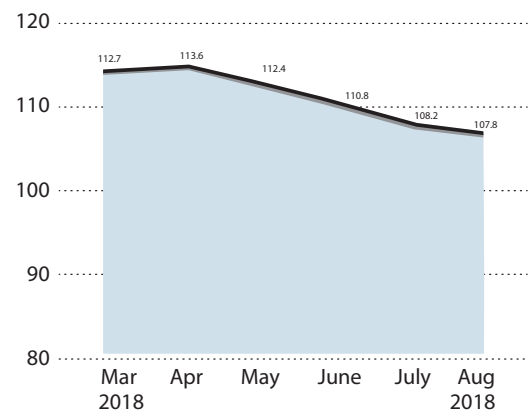
### Modest decline in business expansion plans.

Small firms slightly reduced their planned investments in new plant and equipment in accordance with their lower anticipated revenues and profits. 46% of CEOs planned increases in investments, just below last month's 47% and last year's 49%. Nearly two-thirds of all firms (64%) planned expansion of their workforce, unchanged from a year ago, although slightly below the peak of 72% set in December 2017. Nonetheless, the pace of expansion of their workforces suggests that the labor market will remain quite tight during the year ahead. Growth in employees and investment spending has gradually declined over the past year, but still remains at quite favorable levels.

### Economic growth expected to weaken.

The positive recent GDP report was reflected in how firms judged current economic conditions, but it did not have much impact on how they evaluated future economic prospects. 60% of CEOs reported recent gains in the economy, unchanged from last month and above last year's 58%. Just 29% expected future economic gains. While this is just above last month's 27%, this percentage was well below the 54% of CEOs in January that reported expecting overall gains in business conditions.

### WSJ/Vistage Small Business CEO Confidence Index



Visit [vistageindex.com](http://vistageindex.com) to see the interactive tool and view results from previous months.

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

Source: August 2018 WSJ/Vistage Small Business CEO Confidence Index survey, n= 731

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	440	60%
	Remained about the same	224	31%
	Worsened	57	8%
	Don't know/No opinion	10	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	210	29%
	About the same	333	46%
	Worse	169	23%
	Don't know/No opinion	19	3%
<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	333	46%
	Remain the same	317	43%
	Decrease	75	10%
	Don't know/No opinion	6	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	535	73%
	Remain the same	144	20%
	Decrease	43	6%
	Don't know/No opinion	9	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	445	61%
	Remain the same	208	28%
	Worsen	75	10%
	Don't know/No opinion	3	0%

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	458	64%
	Remain the same	224	31%
	Decrease	35	5%
	Don't know/No opinion	4	1%
<b>7. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm.	342	47%
	It has worsened prospects for my firm.	160	22%
	It has had no impact on prospects for my firm.	223	31%
<b>8. Have your prices for your product or service increased, remained about the same, or decreased during the past 12 months?</b>	Increased	344	47%
	Remained the same	348	48%
	Decreased	31	4%
	Don't know/No opinion	4	1%
<b>9. Do you expect prices for your product or service will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	342	47%
	About the same	352	48%
	Decrease	25	3%
	Don't know/No opinion	7	1%
<b>10. Have prices from your suppliers increased, remained about the same, or decreased during the past 12 months?</b>	Increased	472	65%
	Remained the same	227	31%
	Decreased	6	1%
	Don't know/No opinion	21	3%

Question	Answer	Respondents	
		#	%
<b>11. To what degree has your company been impacted by tariffs that have been proposed or implemented this year?</b>	Strongly impacted	77	11%
	Not at all impacted	305	42%
	Moderately impacted	224	31%
	Don't know/No opinion	122	17%
<b>12. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	57	8%
	10-19 employees	124	17%
	20-49 employees	287	39%
	50-99 employees	158	22%
	100-499 employees	100	14%
	500-999 employees	3	0%
	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.

Visit [vistageindex.com](https://vistageindex.com) to view an interactive tool with full results from previous months.