

While expectations for the future economic growth continue to decline, overall CEO confidence edges up.

Economic optimism among small businesses in the September WSJ/Vistage Small Business CEO Survey recouped the small losses recorded in the prior two months. While confidence remains below the peaks recorded at the start of the year, which were due to new tax policies, it has remained at elevated levels since Trump took office. The WSJ/Vistage Small Business CEO Confidence Index was 110.9 in September 2018, up from 107.8 in August and last September's 109.3. Nearly all of the Index components rose in September over August, however CEO assessment of future prospects for the national economy sustained a decline. Importantly, expectations for revenue and profit growth remained as favorable as they were in last year's September survey, prompting firms to increase fixed investments and expand their workforce in the year ahead. When asked about the impact of Trump's policies on prospects for their own business, 42% reported improved prospects, only slightly below the January peak of 52%, and well above last September's 29%. This high level of support came despite rising concerns about the impact of tariffs on their cost of materials. To be sure, only 10% of firms reported that they would be strongly impacted, with another 32% who expected to be moderately affected. While 57% expected no direct impact on their firm, the only tool to mitigate increases in inflationary trends aside from new trade agreements is higher interest rates. A quick settlement with China, however, looks unlikely at present.

Strong prospects for revenues and profits.

Expectations for both sales revenues and profits for the year ahead improved from a month ago and neared last September's levels. 76% of CEOs expected revenue growth in the next 12 months, up from 73% one month ago and just below last year's 77%. It should be noted that 53% of all small firms in the September survey planned to increase the prices of their goods and services, which suggests that most firms anticipate that they will be able to pass cost increases to their customers, leaving profit margins unchanged. This is illustrated by the number of firms who anticipated that their profits would continue to increase at about the same rate; 63% of CEOs anticipated profit increases in September, just ahead of the 61% recorded in last month's survey.

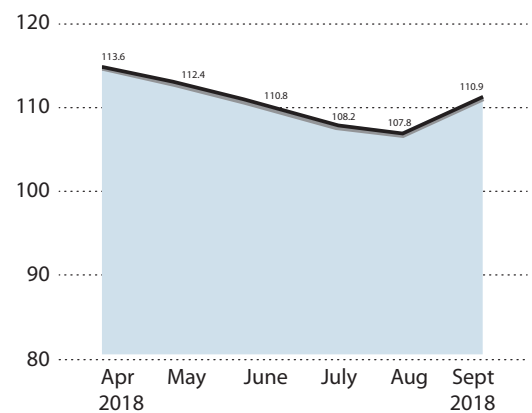
Continued strength in expansion plans.

Despite the expectation of a slowing pace of economic growth in the year ahead, small firms remained quite bullish on plans for investments in new plant and equipment as well as increases in their workforce. 50% of all CEOs reported plans to increase fixed investments in the September survey, slightly above the 46% recorded both one month and one year earlier. 65% of firms reported plans for workforce expansion in the next 12 months, just ahead of the 64% recorded both one month and one year earlier. Expansion of investments and employment are now at quite favorable levels. This strength in their willingness to expand their firms is perhaps the best "bottom-line" indicator of their confidence that the expansion will continue even if at a slower pace of growth.

Slowdown in economic growth expected.

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. Recent gains in the economy were reported by 62% of CEOs in September, just above last month's 60% but well above last year's 50%. Expected future gains were cited by 28% in September, between last month's 29% and last year's 31%, but well below the January 2018 peak of 54% that was due to the initial enthusiasm around tax cuts.

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	482	62%
	Remained about the same	255	33%
	Worsened	34	4%
	Don't know/No opinion	10	1%
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?	Better	219	28%
	About the same	381	49%
	Worse	165	21%
	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	388	50%
	Remain the same	330	42%
	Decrease	52	7%
	Don't know/No opinion	11	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	593	76%
	Remain the same	152	19%
	Decrease	33	4%
	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	489	63%
	Remain the same	220	28%
	Worsen	69	9%
	Don't know/No opinion	3	0%
6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	415	53%
	Remain the same	335	43%
	Decrease	26	3%
	Don't know/No opinion	5	1%

Question	Answer	Respondents	
		#	%
7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	505	65%
	Remain the same	246	32%
	Decrease	24	3%
	Don't know/No opinion	1	0%
8. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	357	46%
	It has worsened prospects for my firm.	141	18%
	It has had no impact on prospects for my firm.	280	36%
9. To what degree has your company been impacted by tariffs that have been proposed or implemented this year?	Strongly impacted	80	10%
	Not at all impacted	447	58%
	Moderately impacted	251	32%
10. During your company's last fiscal year, what was its total employment?	1-9 employees	67	9%
	10-19 employees	158	20%
	20-49 employees	285	36%
	50-99 employees	189	24%
	100-499 employees	77	10%
	500-999 employees	2	0%
	1000-4999 employees	2	0%
	None	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 to view an interactive tool with full results from previous months.