

Small Firm CEOs Are Cautiously Optimistic About the Future.

Economic optimism among CEOs of small businesses declined slightly in the past month, reaching the lowest level since November 2016. The WSJ/Vistage Small Business CEO Confidence Index was 106.3 in November, barely below October's 106.9 but well below last November's 112.5. The decline in this index over the past year has been concurrent with an expected slowdown in the pace of economic growth. Expectations for future weakness in the economic growth rate has prompted only small declines in planned fixed investments, but despite the economic slowdown, six-in-ten firms still plan to expand their workforce in the next 12 months. While revenue and profit expectations improved from last month, they were slightly below last year's levels. While an increasing number of CEOs report a more cautious outlook for their own firm's prospects in terms of revenues and profits, the majority of CEOs anticipate increases, which indicates an optimistic outlook for future. Nonetheless, it is hard to dismiss the finding that CEOs were more likely to expect the economy to weaken than to improve in the year ahead. Importantly, half of all firms anticipate that the pace of growth in 2019 would be the same as in 2018. Given that the economy has averaged 3.0% growth thus far in 2018, if the pace of growth stabilized close to that level it would be a very favorable development. While tax cuts and spending increases will still bolster the economy in 2019, other negative developments such as rising interest rates, falling stock prices, softened home and vehicle sales, as well as heightened uncertainty about tariffs and international growth, must also be considered.

Expectations for future economic growth near record low.

Despite the very strong pace of GDP growth in Q2 and Q3, CEOs have increasingly anticipated that a slowdown will occur during the year ahead. In the November survey, just 20% of CEOs expect continued improvement in the national economy, a 34 point drop from the peak set in January 2018. More importantly, 26% anticipate a worsening economy in the year ahead. Only twice before have small firms held as unfavorable an outlook (October 2013 and February 2016) and in only one other survey was the outlook more pessimistic (November 2012). Note that the common element has been the reaction of small firms to government policies or gridlock. Specifically, 35% of CEOs report negative impacts of tariffs, 29% of CEOs believe the midterm elections will have impact on the national economy, and nearly all firms expect to pay higher wages (59%) or offer greater benefits (37%) to attract workers. Nonetheless, 48% of firms report that the Trump administration has improved prospects for their business, unchanged from October and marginally below the January peak of 52%.

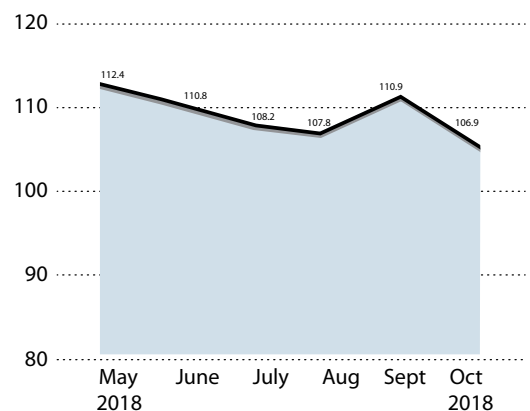
CEOs see strong revenue and profit prospects.

Expectations for revenues and profits in the year ahead remain at very favorable levels. 75% of CEOs expect increased revenues in the year ahead and 63% of CEOs anticipate higher profits. In contrast, few small firms anticipate declines in revenues (5%) or profits (9%). This optimism could be based on a year-over-year increase in the number of customer inquiries and sales leads; 51% of CEOs reported an increase compared with just 7% citing declines.

CEOs turn to monetary and nonmonetary job benefits to retain employees.

CEOs report an emphasis on creating a better work-life balance to attract and keep their employees. To address challenges in hiring, boosting wages (59%) and adding benefits (37%) can help firms remain competitive. Importantly, 63% of CEOs cite that they are developing the skills and capabilities of their existing labor force to address hiring challenges. This indicates they are focused on retaining and developing the talent they need internally. Also in line with driving retention, 68% of CEOs note that it is very important for hiring decisions to select employees who fit the firm's values and culture. Half or more of all small firms are supporting a better work-life balance by offering paid holidays, work at home and flexible hours, among other benefits. These enhancements presumably benefit productivity as well as lower hiring costs.

WSJ/Vistage Small Business CEO Confidence Index



Visit vistageindex.com to see the interactive tool and view results from previous months.

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

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	379	55%
	Remained about the same	246	36%
	Worsened	59	9%
	Don't know/No opinion	4	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	135	20%
	About the same	355	52%
	Worse	182	26%
	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	307	45%
	Remain the same	316	46%
	Decrease	59	9%
	Don't know/No opinion	6	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	514	75%
	Remain the same	131	19%
	Decrease	35	5%
	Don't know/No opinion	8	1%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?*	Increase	431	63%
	Remain the same	189	27%
	Decrease	61	9%
	Don't know/No opinion	7	1%
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	425	62%
	Remain the same	238	35%
	Decrease	22	3%
	Don't know/No opinion	3	0%

Question	Answer	Respondents	
		#	%
7. Compared to last year, have your customer inquiries or sales leads increased, remained the same or decreased?	Increased	349	51%
	Remained the same	280	41%
	Decreased	46	7%
	Don't know/No opinion	10	1%
8. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	329	48%
	It has worsened prospects for my firm.	120	18%
	It has had no impact on prospects for my firm.	233	34%
9. How are tariffs impacting your business?	Positively impacting my business	36	5%
	No impact on my business	412	60%
	Negatively impacting my business	238	35%
10. Which area do you expect to be impacted most by the result of the midterm elections?	Economic growth	187	29%
	Healthcare reform	144	22%
	Infrastructure	98	15%
	Tax policy	90	14%
	Tariffs/Trade policy	36	6%
	Other, please specify	99	15%

Question	Answer	Respondents	
		#	%
11. If hiring workers has become more difficult, what are you doing in response? Select all that apply.	Boosting wages	397	59%
	Adding employee benefits	245	37%
	Developing existing workforce	419	63%
	Managing demand / slowing growth	93	14%
	Adjusting fulfillment / delivery times	68	10%
	Increasing investment in equipment to automate tasks	151	23%
	Shifting work to another location	47	7%
	Other, please specify	87	13%
	Partnering with organizations to create apprenticeship or internship programs	58	9%
	None of the above	58	9%
12. How important is promoting work-life balance for employees to your workplace culture?	1 - Not important	4	1%
	2 - Slightly important	29	4%
	3 - Moderately important	114	17%
	4 - Important	309	45%
	5 - Very important	229	33%
13. How important is determining workplace cultural fit during hiring to your workplace culture?	1 - Not important	2	0%
	2 - Slightly important	6	1%
	3 - Moderately important	44	6%
	4 - Important	167	24%
	5 - Very important	464	68%

Question	Answer	Respondents	
		#	%
14. How important is creating a purpose-driven culture to your workplace culture?	1 - Not important	3	0%
	2 - Slightly important	14	2%
	3 - Moderately important	70	10%
	4 - Important	246	36%
	5 - Very important	347	51%
15. Which of the following do you offer to your employees to promote work-life balance?	Extended holiday leave incremental to individual vacation time and observed holidays	283	42%
	Unlimited PTO	54	8%
	Flexible work hours	437	64%
	The ability to work from home	330	49%
	None of the above	109	16%
	Other, please specify	52	8%
	Other, please explain	38	13%
16. What is your approach to paid time off (PTO) during the holidays?	We offer PTO for national holidays	374	55%
	We offer incremental PTO before/after national holidays	132	19%
	We offer extended PTO over the holidays (greater than 5 days)	78	11%
	We do not encourage time off during the holiday season based on the seasonal nature of our business	31	5%
	None of the above	36	5%
	Other, please specify	33	5%

Question	Answer	Respondents	
		#	%
17. During your company's last fiscal year, what was its total employment?	1-9 employees	60	9%
	10-19 employees	124	18%
	20-49 employees	242	35%
	50-99 employees	172	25%
	100-499 employees	83	12%
	500-999 employees	5	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.

Visit vistageindex.com to view an interactive tool with full results from previous months.