

## Small firm CEO confidence continues to sink.

Economic optimism among small firms sank in the January 2019 survey to its lowest level since the presidential election. The decline in the past year was relatively steep, with the WSJ/Vistage Small Business CEO Confidence Index falling 21% from 120.5 last January to 95.2 in January 2019. Most of the decline was due to increasingly negative views of the national economy, with current assessments falling 36% from last January and expected economic conditions down by 47%. While a decline in the pace of economic growth in 2019 has been anticipated for some time, the recent data reflect increased uncertainty due to a host of issues, including the partial government shutdown, the impact of tariffs, instabilities in financial markets, the global slowdown, and the lack of clarity about monetary policy. While most of these concerns were recorded in last month's survey, the January survey recorded for the first time a modest downturn in how small firms viewed their own financial prospects, including their hiring and investment plans—all of these components were down 9 - 3% compared with a year ago. Another month of declines in both prospects and expansion plans will become more difficult to reverse. While the federal shutdown may not have significant impact on small firms, it has likely led to increased cynicism about government.

### Economic growth stumbles.

When asked to assess the recent performance of the national economy, just 32% of CEOs reported that the economy had recently improved, down from 43% in December and 70% in last January's survey. Prospects for the economy were bleak, as only 14% expected improved economic conditions in the year ahead and 36% who anticipated a worsening outlook. This was significantly different from last year, when improved economic conditions were anticipated by 54%, with just 7% who expected a worsening economy. The only other time that firms expressed less optimism about growth prospects was in November 2012. In the January survey, uncertainty about the economic outlook caused 28% of all firms to scale back hiring, capital investments or both. Tariffs were cited as having negatively impacted their business by 36% of all CEOs. Increases in interest rates were cited by 30% of CEOs as having a negative impact on their business. When asked about the impact of the Trump administration on their business, small firms reported the least favorable assessments since October 2017.

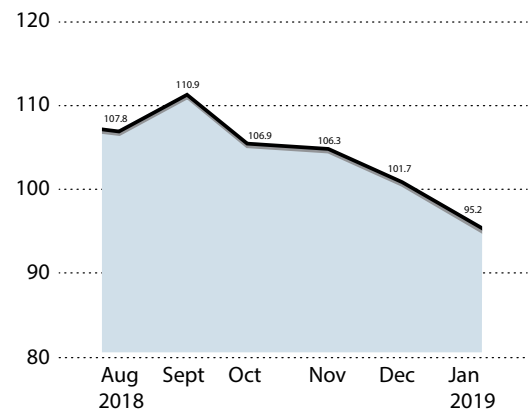
### Revenues and profits weaken.

Expectations for revenues and profits declined over the past month. Increased revenues in the year ahead are anticipated by 66% of CEOs, down from 83% last January. Higher profits were anticipated by 57% of CEOs, down from 69% a year ago. While the data shows that the majority of CEOs still expect rising revenues and profits, those numbers reflect the lowest expectations of rising revenues and profits since the election. It is of some interest to note that 49% of all small firms expected to increase the prices of their goods or services during 2019.

### Hiring and investments plans dampen.

The proportion of CEOs that anticipate increasing their workforce in the coming year fell to 58% in the latest survey, down from 64% last month and 70% in last January's survey. Thus far the data indicate only a slowdown in the pace of increases, as just 5% anticipated an overall cutback in employees in the year ahead. 39% of CEOs plan increases in fixed investments in the next 12 months, down from 42% last month and 52% in last January's survey. Cutbacks in investments were planned by just 12% of all small firms.

**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

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	247	32%
	Remained about the same	329	43%
	Worsened	184	24%
	Don't know/No opinion	5	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	105	14%
	About the same	365	48%
	Worse	278	36%
	Don't know/No opinion	17	2%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	504	66%
	Remain the same	194	25%
	Decrease	60	8%
	Don't know/No opinion	7	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	433	57%
	Remain the same	236	31%
	Worsen	89	12%
	Don't know/No opinion	7	1%
5. Compared with a year ago, has your overall business volume (number of orders, client engagements, etc.) increased, remained the same or declined?	Increased	458	60%
	Remained the same	202	26%
	Declined	103	13%
	Don't know/No opinion	2	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	373	49%
	About the same	353	46%
	Decrease	33	4%
	Don't know/No opinion	6	1%

Question	Answer	Respondents	
		#	%
<b>7. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?</b>	Increase	299	39%
	Remain the same	363	47%
	Decrease	92	12%
	Don't know/No opinion	11	1%
<b>8. 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	441	58%
	Remain the same	277	36%
	Decrease	42	5%
	Don't know/No opinion	5	1%
<b>9. What impact has uncertainty in the economy had on your business?</b>	I have scaled back hiring	45	6%
	I have scaled back investments	64	8%
	I have scaled back both hiring and investments	106	14%
	I have not changed expansion plans based on uncertainty	394	52%
	I do not feel there is uncertainty in the economy	116	15%
	Other, please specify	38	5%
<b>10. If hiring workers has become more difficult, what are you doing in response? Select all that apply.</b>	Boosting wages	412	55%
	Adding employee benefits	257	34%
	Developing existing workforce	488	65%
	Slowing or delaying expansion plans	96	13%
	Reducing marketing activities	40	5%
	Adjusting fulfillment / delivery times	62	8%
	Increasing investment in equipment to automate tasks	156	21%
	Shifting work to another location	62	8%
	Allowing employees to work remotely	192	26%
	Partnering with organizations to create apprenticeship or internship programs	105	14%
	None of the above	80	11%
	Other, please specify	49	7%

Question	Answer	Respondents	
		#	%
<b>11. Thinking about your hiring challenges, how difficult is it to hire tech talent?</b>	Very difficult	195	26%
	Moderately difficult	287	38%
	Not at all difficult	32	4%
	We are currently not hiring for tech positions	247	32%
<b>12. Which statement best describes your approach to remote employees:</b>	We have a documented employee remote work policy that is enforced by all managers	74	10%
	We have a documented policy that is not consistently enforced	25	3%
	We handle remote employees on a case-by-case basis	265	35%
	We do not have a formal employee remote work policy	152	20%
	We do not have remote employees	245	32%
<b>13. How are tariffs impacting your business?</b>	Positively impacting my business	26	3%
	No impact on my business	460	61%
	Negatively impacting my business	274	36%
<b>14. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm.	315	42%
	It has worsened prospects for my firm.	181	24%
	It has had no impact on prospects for my firm.	260	34%
<b>15. Have rising interest rates had any effect on your business?</b>	Yes, rising interest rates have impacted my business	227	30%
	No, rising interest rates have not impacted my business	395	52%
	No, but I expect rising interest rates to impact my business in the next 12 months	141	18%

Question	Answer	Respondents	
		#	%
16. During your company's last fiscal year, what was its total employment?	1-9 employees	71	9%
	10-19 employees	129	17%
	20-49 employees	271	35%
	50-99 employees	185	24%
	100-499 employees	100	13%
	500-999 employees	5	1%
	1000-4999 employees	3	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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