

CEO Confidence recovers from January drop, remains below last year.

Economic optimism among small firms improved slightly in the February 2019 survey, nearly regaining the decline recorded in January. The WSJ/Vistage Small Business CEO Confidence Index was 99.8 in February, up from 95.2 in January. The end of the partial Federal shutdown and the Fed's delay in raising interest rates have helped boost CEOs assessments of current economic conditions and future prospects for the national economy, compared to last month. To be sure, the February rebound did not erase the longstanding decline in economic confidence among CEOs; the number of CEOs who feel the economy recently improved has fallen by 50% in the past year, from 66% last February to 32% this year. The small rebound also did not resolve uncertainties about future shutdowns nor future Fed policies. Hopefully, the economy has moved past the shutdown disruptions, rate hikes will remain on hold, and spring will finally bring an end to the Arctic chill. Along with a slower pace of economic growth, fewer firms are planning aggressive expansion compared to last year. The reduced level of confidence among CEOs has likely created uncertainty about forecasts, as CEOs anticipate slightly slower revenue gains and profit growth as well. While the data do not indicate a full-fledged downturn in 2019, political and economic uncertainties are more likely to increase than to decline in 2019.

Prospects for economic growth still trending downward.

When asked if the federal shutdown affected their business, fewer than 1 in 4 CEOs indicated any impact; 10% reported it had a direct impact and 13% reported an indirect impact on their firm. The uncertainty driven by the federal shutdown has likely abated; When asked about prospects for the economy in the year ahead, 26% of CEOs reported it would worsen, down from 36% in January. There was only a slight increase in the proportion who anticipated improved economic conditions, rising to 17% in February compared to 14% in January. This stands in sharp contrast to last February, when 45% of CEOs expected improvements in the economy and just 11% expected the economy to worsen.

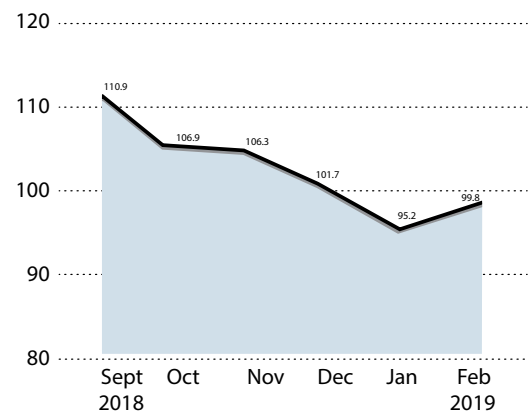
Revenues and profit growth expectations weaker than in 2018.

Expectations for revenues and profits regained the small losses recorded in the January survey but were still lower compared with last February. Increased revenues during the year ahead are expected by 70% of CEOs according to the February survey, up from 66% last month and equal to the December 2018 reading. Nonetheless, even after this gain, the proportion that expected higher revenues was significant lower than last February's 82%. Interestingly, although expected profits recorded the same rebound from last month, the year-to-year falloff was much smaller, declining to 60% from last February's 65%. This suggests some cost cutting or increases in the prices small firms charge for their products or services. This is consistent with last month's survey, when 49% of small firms expected to increase the prices of their goods or services during 2019.

Plans for hiring and investments slow for year ahead.

There was little change in the proportion of CEOs who anticipate increasing their workforce between February's and January's surveys — 59% versus 58% — but it was well below last February's 69%. While this still indicates robust growth in employment during the year ahead, the pace of gains is anticipated to slow during 2019. The same slowing was found in the plans for fixed investments. In the February survey, 43% of CEOs indicated plans for increased fixed investment expenditures, recovering from last month's slide to 39%, but still below last year's 52%. While just 12% of CEOs reported plans to reduce investments, that number has doubled since last year, when 6% reported plans for cutbacks.

WSJ/Vistage Small Business CEO Confidence Index



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– 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	216	32%
	Remained about the same	354	52%
	Worsened	103	15%
	Don't know/No opinion	8	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	117	17%
	About the same	374	55%
	Worse	174	26%
	Don't know/No opinion	16	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	476	70%
	Remain the same	153	22%
	Decrease	45	7%
	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	408	60%
	Remain the same	197	29%
	Worsen	70	10%
	Don't know/No opinion	6	1%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	296	43%
	Remain the same	295	43%
	Decrease	79	12%
	Don't know/No opinion	11	2%

Question	Answer	Respondents	
		#	%
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	405	59%
	Remain the same	232	34%
	Decrease	37	5%
	Don't know/No opinion	7	1%
7. How are tariffs impacting your business?	Positively impacting my business	33	5%
	No impact on my business	426	63%
	Negatively impacting my business	219	32%
8. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	319	47%
	It has worsened prospects for my firm.	143	21%
	It has had no impact on prospects for my firm.	215	32%
9. Did the government shutdown directly or indirectly impact your business?	Yes, it directly impacted my business	67	10%
	Yes, it indirectly impacted my business	86	13%
	No, it did not impact my business	526	77%
10. During your company's last fiscal year, what was its total employment?		#	%
	1-9 employees	60	9%
	10-19 employees	118	17%
	20-49 employees	247	36%
	50-99 employees	168	25%
	100-499 employees	84	12%
	500-999 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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