

Small business CEO confidence remains split.

Small firms are increasingly concerned about the outlook for the national economy, but indicate that prospects for their own firm remain remarkably strong. Although small firm CEOs' hiring and investment plans as well as anticipated revenue and profit growth are all less positive than last year, the falloff was relatively small compared with assessments of the national economy. CEO expectations for future growth in the U.S. economy dropped by 31.1% from last March, but the slippage in CEO prospects for revenue growth for their business was just 5.7%. Moreover, plans to increase hiring and investments — actions that are usually sensitive to anticipated weakness in the economy — fell by only 3.1% and 9.0%, respectively. Most of those small losses indicate that firms are putting additional hiring and investments on hold rather than planning cutbacks. The offsetting impact of these reduction in expansion plans is that the overall level of confidence among small firms posted an insignificant decline of just 1.4% from last month and 12.6% from last March.

Moreover, the data indicate slower employment growth and a higher inflation rate during the year ahead: 65% reported price increases for inputs, causing 50% to plan increased prices for their product or service in the next 12 months. This is after 48% already reported raising prices in the past year. Tariffs, higher salaries and higher interest rates have all contributed to upward price pressures.

Economic sentiment declines.

When asked about their outlook for the national economy, a mere 14% expect improving conditions, maintaining the lowest figure ever recorded among small firm CEOs. While this outlook ties the January 2019 reading, it is well below last March's 35% and the 55% recorded two year ago. One-third of all small firms expect the economy to worsen in the year ahead, which is twice the level recorded last March. Small firms may see recessionary clouds on the economy's horizon, but not on their firm's doorstep. Unsettled tariff and immigration policies, a slowing global economy and heightening political disagreements may have caused a slowdown in domestic growth expectations. The most favorable interpretation is that small firms may only anticipate small declines in the pace of economic growth, meaning they only need to make minor adjustments in their business.

Revenues and profit growth expectations remain stable.

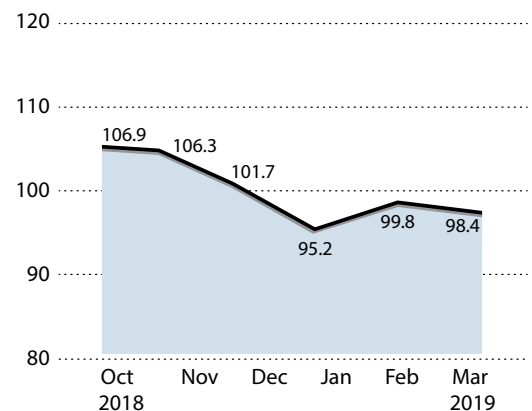
Expectations for revenue and profit growth remained largely unchanged from last month, but were slightly below last year's readings. Increased revenues during the year ahead were expected by 71% of all small firm CEOs in March, barely above last month's 70%, but below last March's 79%. The small year-to-year shift was toward expecting unchanged revenues. 58% of CEOs expect increased profits in the March 2019 survey, just below last month's 60% and last year's 66%. Presumably, CEOs based last year's assessment on how they expected to benefit from the new tax legislation and this year's assessment on actual computations; 40% of small firm CEOs reported lower tax bills; however 22% reported that the declines were under 10%.

Plans for hiring and investments not impacted by economic sentiment.

There was also little change in planned hiring or investment expenditures over the past month. 61% of CEOs plan to make additions to their workforce, which is between last month's 59% and last year's 64%. This small drop in workforce expansion stands in sharp contrast to the expected decline in the overall economy. Planned changes in fixed investment spending showed the same pattern: 43% of CEOs reported planning net additions in investments in the March 2019 survey, unchanged from the prior month but below last March's 51%. Decisions about changes in hiring or investment spending have a crucial impact on the future performance of small firms. The modest declines in these factors related to expansion indicates that firms do not anticipate a major economic downturn anytime soon.

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

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	272	31%
	Remained about the same	457	52%
	Worsened	147	17%
	Don't know/No opinion	11	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	124	14%
	About the same	467	53%
	Worse	284	32%
	Don't know/No opinion	12	1%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	627	71%
	Remain the same	190	21%
	Decrease	65	7%
	Don't know/No opinion	5	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	514	58%
	Remain the same	267	30%
	Worsen	98	11%
	Don't know/No opinion	8	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	377	43%
	Remain the same	399	45%
	Decrease	102	11%
	Don't know/No opinion	9	1%

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	545	61%
	Remain the same	290	33%
	Decrease	43	5%
	Don't know/No opinion	9	1%
7. When do you plan to increase your firm's total number of employees over the next 12 months?	Q2 2019	206	38%
	Q3 2019	104	19%
	Q4 2019	23	4%
	Q1 2020	10	2%
	Steadily throughout the next 12 months.	202	37%
8. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	423	48%
	About the same	419	47%
	Decrease	34	4%
	Don't know/No opinion	9	1%
9. How have prices you charged for your product or service changed during the past 12 months?	Increased	445	50%
	Remained the same	386	44%
	Decreased	42	5%
	Don't know/No opinion	10	1%
10. How have the prices you have been charged by suppliers or vendors changed during the past 12 months?	Increased	573	65%
	Remained the same	271	31%
	Decreased	19	2%
	Don't know/No opinion	22	2%

Question	Answer	Respondents	
		#	%
11. Have you changed the way your business is structured or operates as a result of the tax law? For instance, have you shifted from operating as an S Corporation or other pass-through entity to a C Corporation or the reverse?	Yes	52	6%
	No	833	94%
12. Based on the new tax law passed last year, how has your tax bill changed?	Decreased >20%	40	5%
	Decreased 10-20%	109	13%
	Decreased <10%	185	22%
	Remained the same	416	50%
	Increased <10%	54	6%
	Increased 10-20%	22	3%
	Increased >20%	6	1%
13. How are tariffs impacting your business?	Positively impact my business	35	4%
	No impact on my business	552	62%
	Negatively impact my business	298	34%
14. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	349	40%
	It has worsened prospects for my firm.	202	23%
	It has had no impact on prospects for my firm.	331	38%
15. During your company's last fiscal year, what was its total employment?	1-9 employees	80	9%
	10-19 employees	179	20%
	20-49 employees	314	35%
	50-99 employees	219	25%
	100-499 employees	91	10%
	500-999 employees	4	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.