

April 2019

Small firm CEO confidence stabilizes.

Economic confidence among small firms has remained largely unchanged during the past three months. Although the recent monthly shifts in confidence have been small and seemingly insignificant, they nonetheless confirm a halt to the year-long decline in confidence. To be sure, small firms do not anticipate an economic resurgence, but they now anticipate a moderate rate of economic growth in the year ahead. Moreover, the stabilization was recorded in all components of the Confidence Index. Firms hold a slightly less favorable outlook for revenues and profits than last April, and correspondingly, firms expect to slightly decrease planned investments and hiring. These shifts are unsurprising given that the 2018 surge in growth was due to expansive fiscal and tax policies, and firms have now adjusted their forward planning to accommodate more modest growth prospects. In addition, firms have shared the consensus view (and accompanying apprehensions) that all expansion ultimately ends. Given that the current expansion will become the longest ever recorded in a few months, eclipsing the 10-year all-time record this summer, the attention of firms has been drawn toward mitigating risks if and when a downturn occurs. Importantly, the recent stabilization suggests that small firms now anticipate that the expansion has enough momentum to persist for at least another year or more.

Sentiment on economic prospects levels out after drop from last year.

Just 32% of all CEOs reported that the economy had recently improved, down from 58% in last April's survey. Just 14% of firms reported that conditions worsened. The majority of CEOs (53%) reported that the economy was essentially unchanged from a year ago. While the outlook remains reduced from the prior year, the outlook for the economy during the year ahead has stabilized in the past three months. Among all firms, just 16% expected an improved economy during the year ahead. Although this is largely unchanged during the past few months, it was about half the 36% recorded last April. More small firms anticipated declines in the pace of growth, reported by 29% of CEOs in the April survey. While this remained largely unchanged during the past few months, it was only marginally above last year's 20%. Most of the shift was toward the expectation that the health of the national economy would remain unchanged at present levels in the year ahead.

Revenue and profits expectations sustained.

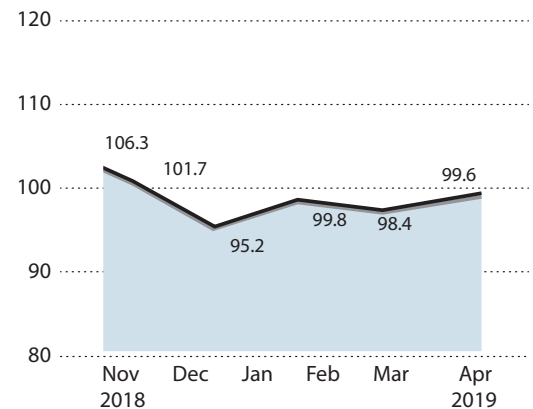
Expectations for revenues and profits remained largely unchanged from last month, and were slightly below last year's readings. Increased revenues during the year ahead are expected by 72% of all CEOs according to the April survey, a full 10 percentage points below last year's 82%. Most of the shift was toward unchanged revenues, reported by 20% of CEOs up from 13% last year. Just 7% of CEOs anticipate declines in revenues. Increased profits are anticipated by 59% of CEOs, barely above last month's 58%, but well below last year's 70%. Last year's profitability expectations were the highest since the survey began seven years ago and could be attributed to expected tax reductions on 2018 incomes.

Hiring and investment plans remain intact.

There was little change in planned hiring or investment expenditures during the past few months. 61% of CEOs plan net additions to their workforce, unchanged from last month and marginally below last April's 65%. Just 5% of CEOs expect to reduce their payrolls through a reduction in force. This marginal drop in hiring signals that small firms do not anticipate a significant decline in business. Fewer CEOs plan to increase fixed investment spending: Just 40% of CEOs plan net additions in investments according to the April survey, down from 43% in the prior two months and 48% in last April's survey. Cutbacks in investment spending are planned by 10% of all CEOs, just below last month's 11% but twice last year's 5%. The modest overall declines in planned hiring and investment spending are consistent with the view that the pace of economic growth will slow in the year ahead.

– 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	291	32%
	Remained about the same	478	53%
	Worsened	124	14%
	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	144	16%
	About the same	486	54%
	Worse	259	29%
	Don't know/No opinion	14	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	649	72%
	Remain the same	185	20%
	Decrease	60	7%
	Don't know/No opinion	9	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	535	59%
	Remain the same	273	30%
	Worsen	89	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	364	40%
	Remain the same	437	48%
	Decrease	88	10%
	Don't know/No opinion	14	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	555	61%
	Remain the same	297	33%
	Decrease	47	5%
	Don't know/No opinion	4	0%
7. Do you conduct an employee engagement study?	Yes	270	30%
	No	628	70%
8. How are tariffs impacting your business?	Positively impacting my business	35	4%
	No impact on my business	578	64%
	Negatively impacting my business	286	32%
9. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	403	45%
	It has worsened prospects for my firm.	166	18%
	It has had no impact on prospects for my firm.	329	37%
10. During your company's last fiscal year, what was its total employment?	1-9 employees	86	10%
	10-19 employees	148	16%
	20-49 employees	355	39%
	50-99 employees	201	22%
	100-499 employees	110	12%
	500-4999 employees	3	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.