

## Small firm CEO confidence inches upward.

Economic confidence among small firms recovered from losses recorded during the prior six months, although it was still well below last year. The WSJ/Vistage Small Business CEO Confidence Index was 102.4 in May, up from 99.8 in April, but 10 points below last May's 112.4. The largest gain from last months reflects more positive CEO sentiment about recent economic conditions. Although small firm CEOs also voiced more positive expectations for economic growth during the year ahead, more CEOs still anticipated worsening than did improving conditions. Smaller gains in planned fixed investments and hiring were reported in May, while small reductions were cited in revenue and profit expectations. The diminished revenue and profit picture may have been due to the collapse of trade negotiations and the imposition of tariffs given that the survey was conducted between May 6 and May 13. While the impact on the entire U.S. economy will be slight, the impact on an individual firm could be substantial. When directly asked in the May survey, one-third (32%) reported that their firm expected a negative impact, and just one-in-twenty-five (4%) expected a positive impact on their firm. Importantly, the survey was largely completed before China announced its own set of tariffs on U.S. exports to China. While the tariff-induced price increases will pass costs on to the consumers of their product or services, higher prices also act to lower overall demand, and also to increase the prices of non-imported goods. Of course, the best outcome would be a new trade deal with China and the EU. If the trade wars persists, the survival of some small firms will depend on their entrepreneurial ability to quickly adapt.

### Sentiment about the economy improves.

Adjustments to newly imposed tariffs are more easily made when the economy is strong. When asked to assess current conditions in the national economy, 40% of CEOs reported that the economy had recently improved, up from last month's 32% and the highest proportion since last December. However, this rebound still left assessments of the economy well below last May, when 60% of CEOs reported recent improvements. Few CEOs —just 9% — reported that conditions recently worsened. The outlook for the economy during the year ahead also improved, as nearly three-in-four CEOs anticipated the economy would expand at least by the same rate as it did in the prior year. However, slightly more CEOs expect the economy to worsen rather than to improve during the year ahead (25% versus 19%). Given that the current expansion is likely to become the longest ever recorded in the next few months, a slowdown in the later stages of a record expansion is hardly surprising.

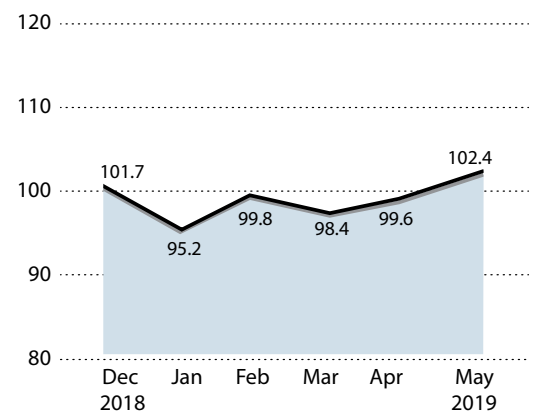
### Less favorable revenue and profit expectations.

Despite incremental improvements in the economy, CEOs voiced less favorable revenue and profit expectations. Among all small firm CEOs, 69% expected increased revenues in the year ahead, down from last year's 82%. Higher profits were expected by 58% of small firm CEOs in the May survey, modestly below last year's 63%. Few CEOs expect declines in revenues (6%) or profits (12%) during the year ahead; these levels were close to the average revenue declines (6%) and profit declines (10%) recorded during the past year.

### Slight uptick in hiring and investment plans.

There was a very small improvement in planned expansion plans. 63% of CEOs are planning net additions to their workforce according to the May survey, just above the 61% recorded in each of the prior two months. Just 4% expected to reduce their payrolls. CEOs also indicated plans for increasing fixed investment spending: 44% planned net additions in investments in the May survey, just above last month's 40%. Just 10% of all CEOs are planning cutbacks in investment spending, unchanged from last month. Overall, the small gains in hiring and planned fix investments signal that most firms anticipate continued strong demand for their products or services in the year ahead.

### WSJ/Vistage Small Business CEO Confidence Index



Visit [vistageindex.com](http://vistageindex.com) to see the interactive tool and view results from previous months.

Question	Answer	Respondents	
		#	%
<b>1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?</b>	Improved	265	40%
	Remained about the same	336	51%
	Worsened	60	9%
	Don't know/No opinion	3	0%
<b>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?</b>	Better	124	19%
	About the same	368	55%
	Worse	164	25%
	Don't know/No opinion	8	1%
<b>3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	458	69%
	Remain the same	163	25%
	Decrease	41	6%
	Don't know/No opinion	2	0%
<b>4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?</b>	Improve	388	58%
	Remain the same	191	29%
	Worsen	80	12%
	Don't know/No opinion	5	1%
<b>5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?</b>	Increase	295	44%
	Remain the same	297	45%
	Decrease	68	10%
	Don't know/No opinion	4	1%

Question	Answer	Respondents	
		#	%
<b>6. 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	416	63%
	Remain the same	218	33%
	Decrease	27	4%
	Don't know/No opinion	3	0%
<b>7. How are tariffs impacting your business?</b>	Positively impacting my business	28	4%
	No impact on my business	421	64%
	Negatively impacting my business	213	32%
<b>8. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm.	317	48%
	It has worsened prospects for my firm.	129	20%
	It has had no impact on prospects for my firm.	214	32%
<b>9. Based on the new tax law passed last year, how did your 2018 tax bill change?</b>	Decreased >20%	47	7%
	Decreased 10-20%	122	19%
	Decreased <10%	131	20%
	Remained the same	255	40%
	Increased <10%	48	7%
	Increased 10-20%	26	4%
	Increased >20%	13	2%
<b>10. Have you filed a tax return for your business income this year?</b>	Yes	347	53%
	No, I asked for an extension	274	42%
	Other, please specify	34	5%

Question	Answer	Respondents	
		#	%
<b>11. Many businesses technologies use algorithms or rules to analyze data and provide a recommendation or ranking. Examples of how algorithms are used include scoring the best job candidate or determining who is most qualified for a loan. Are these or other types of algorithms changing your industry or how you run your business?</b>	Yes	156	24%
	No	500	76%
<b>12. Which of the following employee benefits do you currently offer? (Select all that apply)</b>	Group Medical	602	94%
	Long Term Care	145	23%
	Health Savings Account	274	43%
	Flexible Spending Account	204	32%
	Retirement benefits (401(k), SEP, Defined Benefit, etc.)	551	86%
	Other, please specify	138	22%
<b>13. If you offer a Group Medical Plan, what portion of the employee premium do you pay?</b>	0-25%	45	8%
	26-50%	122	20%
	51-75%	163	27%
	76-99%	134	22%
	100%	135	23%
<b>14. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	59	9%
	10-19 employees	128	19%
	20-49 employees	244	37%
	50-99 employees	156	23%
	100-499 employees	73	11%
	1000-4999 employees	3	0%
	5000-9999 employees	1	0%

# WSJ | VISTAGE

## Small Business CEO Survey

A monthly survey measuring the sentiment of U.S. small business CEOs and owners about the economy.

Visit [vantageindex.com](https://vantageindex.com) to view an interactive tool with full results from previous months.