

Tariffs erode CEO confidence.

Economic confidence among small firms fell to its lowest level since the start of the year, largely due to the negative impact of tariffs on sales and profits. However, because most interviews were conducted before the announcement that a deal with Mexico was reached, some of the losses may be reversed. Nonetheless, tariffs of 25% on nearly half of all imports from China still represent a significant economic headwind. The WSJ/Vistage Small Business CEO Confidence Index fell to 95.8 in June 2019, staying barely above the January 2019 figure of 95.2, which was the lowest level under the Trump administration. Notably, every component of the Confidence Index declined in June, with the largest losses focused on recent and prospective trends in the national economy. When directly asked about the potential impact of tariffs, 36% of all small firms reported that the tariffs would have a negative impact on their business. While higher tariffs will in part be passed on to their customers, the data suggest that some of the increases will instead result in reduce profit margins. Net favorable assessments of Trump's policies on business prospects have been reduced; however, it remained true in June that more firms thought that Trump improved (41%) rather than weakened (24%) their business prospects.

Economy weakens.

When asked to assess current conditions in the national economy, 34% of all small firms reported that the economy had recently improved, down from last month's 40%. This represents a fall back to the lows recorded in the first four months of this year. Although CEOs' economic assessment didn't fall below levels at start of the year, they were significantly more pessimistic than in last June, when 62% of all firms thought that the economy had recently improved. Now, nearly half of all firms thought that the rate of economic growth has remained largely unchanged from last year's pace. Not only did small firms report that a slowdown in the economy had already started, but one-third of all firms expected economic growth to continue to decelerate through the next 12 months. Just 15% of CEOs anticipated a faster pace of growth during the year ahead. Overall assessments of the economy were near the lowest levels in the past seven years.

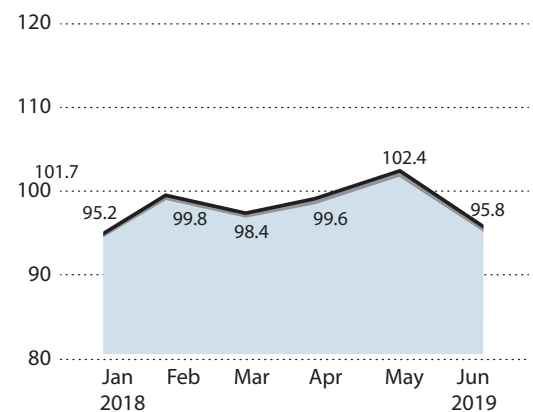
Fewer CEOs expect increased revenues and profits.

Firms voiced less favorable revenue and profit expectations. Among all small firms, 65% expected increased revenues in the year ahead, down marginally from last month's 69% and more substantially from last year's 77%. This was the lowest proportion to expect increased revenues in three years. Higher profits were expected by 53% of small firms in June, below last month's 58% and last year's 61%. Because firms have been unable to pass on the entire cost of tariffs, more firms anticipate declines in profits than at any time in the past six years; the proportion of all firms expecting declines, however, was just 14%.

Hiring and investment plans deteriorate.

57% of all firms anticipated net additions to their workforce, just below the 63% recorded in last month's survey and the June '18 survey. 41% of small firm CEOs reported plans to increase fixed investment expenditures, somewhat below last month's 44% and last year's 49%. Cutbacks in investment spending were planned by just 11% of all firms, the average level recorded since the start of 2019. Overall, the small declines in hiring and planned fixed investments stand in sharp contrast to the more substantial declines in prospects for the entire economy. This divergence could simply reflect a higher degree of uncertainty about overall economic prospects, with small firms hedging their bets by making only modest cutbacks in hiring and investments.

WSJ/Vistage Small Business CEO Confidence Index



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Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	243	34%
	Remained about the same	342	48%
	Worsened	126	18%
	Don't know/No opinion	9	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	15%
	About the same	360	50%
	Worse	245	34%
	Don't know/No opinion	10	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	466	65%
	Remain the same	191	27%
	Decrease	57	8%
	Don't know/No opinion	6	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	383	53%
	Remain the same	233	32%
	Worsen	99	14%
	Don't know/No opinion	5	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	293	41%
	Remain the same	335	47%
	Decrease	82	11%
	Don't know/No opinion	10	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	411	57%
	Remain the same	261	36%
	Decrease	44	6%
	Don't know/No opinion	4	1%
7. How are tariffs impacting your business?	Positively impacting my business	27	4%
	Not impacting on my business	430	60%
	Negatively impacting my business	254	36%
8. President Trump has announced plans to impose new tariffs on Mexico. Will those tariffs impact your business?	Yes	231	33%
	No	477	67%
9. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm.	291	41%
	It has worsened prospects for my firm.	171	24%
	It has had no impact on prospects for my firm.	253	35%
14. During your company's last fiscal year, what was its total employment?	1-9 employees	56	8%
	10-19 employees	132	18%
	20-49 employees	282	39%
	50-99 employees	166	23%
	100-499 employees	83	12%
	500-999 employees	1	0%

Question	Answer	Respondents	
		#	%
11. During your company's last fiscal year, what were its total revenues?	1-4 Million	206	29%
	5-9 Million	248	34%
	10-20 Million	266	37%

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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.