

Trade détente stabilizes confidence.

Economic confidence among small firms has stabilized, hovering near the lower levels recorded at the start of 2019. The WSJ/Vistage Small Business CEO Confidence Index rose to 99.8 in July 2019, up from 95.8 in June. The renewed confidence was due to modest gains in evaluations of the national economy. The overall level of confidence was still significantly below last July's level of 108.2. Moreover, it has remained largely unchanged for the past six months remaining near the lows from just prior to Trump's election. Although the trade détente has temporarily eased concerns about tariffs, the lingering uncertainty has kept employment and investment plans largely unchanged from June. Delays in tariff increases, however, modestly boosted the expected growth in profits for the year ahead. While the domestic and worldwide slowdown in the pace of economic growth continues to depress optimism, lingering concerns about tariffs have increased pessimism about future prospects among a significant share of firms. Indeed, one-third of all small firms reported that tariffs have negatively impacted their business. While higher tariffs mean higher prices and diminished demand, the firms also expected an impact on their profit margins, which could account for last month's drop and July's rebound in profit expectations. It is not surprising that firms do not expect to pass along the full tariff increases due to customer resistance as well as to preserve their competitive position.

Economic sentiment posts marginal gains.

When asked to assess current conditions in the national economy, 38% of all small firms reported that the economy had recently improved, up from last month's 34% but still well below last year, when 60% of all firms thought that the economy had improved. When asked about prospects for the economy in the year ahead, just 19% of CEOs expect improved conditions according to the July survey, up from last month's 15%, and modestly below last year's 27%. For additional context, half of all firms (51%) anticipate that economic conditions will remain largely unchanged during the year ahead. Worsening conditions in the economy were still anticipated by 29% of all small firms, between the 34% recorded last month and 25% recorded last year. While overall assessments of the national economy remain near the lows recorded under the Trump administration, they indicate a slowdown in the pace of growth, not a recession.

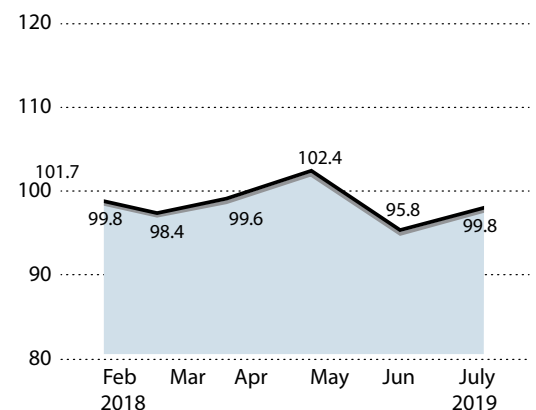
Revenue and profit expectations inch upwards.

CEOs reported expectations for modest revenue gains and somewhat more sizeable profit gains than last month. Among all small firms, 68% of CEOs expected increased revenues in the year ahead, up marginally from last month's 65% and well below last year's 76%. In contrast, increased profits were anticipated by 59% in July, up from last month's 53% and only marginally below last year's 62%. The gain in profits compared with revenues suggests that the delayed imposition of higher tariffs had a greater positive impact on profits than revenues. The proportion of firms expecting declines in profits fell to just 10% in the July survey.

Hiring and investment plans remain stable.

Planned hiring and new investment expenditures remained largely unchanged, although both were somewhat below last July's reading. Net additions to their workforce are planned by 58% of all firms, barely above last month's 57% and just below last year's 62%. Very few firms indicated plans to decrease in their total labor force, reported by just 5% of CEOs in the July survey. The data suggest that firms anticipate a slowdown in the pace of growth in their business, but not a downturn that would require layoffs. An increase in fixed investments expenditures is planned by 42% of CEOs, barely above last month's 41% but still somewhat below last year's 47%. Cutbacks in investment spending were planned by just 12%; the last time this many CEOs planned investment cutbacks was just prior to Trump's election. Overall, firms anticipate a slowdown in the pace of growth and continued uncertainty about the imposition of future tariffs.

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	253	38%
	Remained about the same	316	47%
	Worsened	96	14%
	Don't know/No opinion	3	0%
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	125	19%
	About the same	341	51%
	Worse	191	29%
	Don't know/No opinion	11	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	456	68%
	Remain the same	162	24%
	Decrease	46	7%
	Don't know/No opinion	4	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	392	59%
	Remain the same	201	30%
	Worsen	70	10%
	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	280	42%
	Remain the same	302	45%
	Decrease	78	12%
	Don't know/No opinion	8	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	386	58%
	Remain the same	241	36%
	Decrease	40	6%
	Don't know/No opinion	1	0%
7. How are tariffs impacting your business?	Positively impacting my business	23	3%
	No impact on my business	427	64%
	Negatively impacting my business	216	32%
8. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	310	47%
	It has worsened prospects for my firm	145	22%
	It has had no impact on prospects for my firm	206	31%
9. Has your company added any safety measures or taken other steps to protect against potential shootings or other workplace violence?	Yes	141	21%
	No, but we are in the process of developing safety measures and precautions	83	12%
	No	442	66%
10. What external factor is currently the biggest challenge or risk to your business?	Regulatory changes	72	11%
	Political uncertainty	85	13%
	Tariffs	41	6%
	Tight job market	251	38%
	Slowing economic growth	149	23%
	Other	63	10%

Question	Answer	Respondents	
		#	%
11. During your company's last fiscal year, what were its total revenues?	1-9 employees	65	10%
	10-19 employees	135	20%
	20-49 employees	221	33%
	50-99 employees	147	22%
	100-499 employees	97	15%
	500-999 employees	1	0%
	1000-4999 employees	2	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.