

Tariff policy shifts elevate uncertainty among small firm CEOs.

Economic confidence among small firms fell to its lowest level since November 2012 — moreover, there were only two other lower readings since the survey began in June 2012. The WSJ/Vistage Small Business CEO Confidence Index fell to 92.9 in August, down from last month's 99.8 and last year's 107.8. The largest declines were in the expected strength in the economy during the year ahead: 40% of CEOs expect the economy to worsen, up from 29% last month and nearly twice last year's 23%. The falloff in confidence may be overstated since the data were collected after the announcement about additional tariffs on goods from China, but before it was announced that some of those tariffs would be delayed until mid-December. The size of the potential negative impact was substantial — 45% of all small firms reported that the initial tariff announcement would have a negative impact on their business. The variance in responses between those impacted by tariffs vs. those unaffected was largest in future expectations of the overall economy: 52% of firms who reported that tariffs would hurt their business expect a worsening economy, nearly twice the 29% of firms who would not be impacted by new tariffs. Given the delay until mid-December, one might anticipate a temporary rebound in overall confidence next month, tempered by an increase in uncertainty about tariff policies. Moreover, the recent cut in interest rates has been advertised by the Fed as a precautionary step to avoid a potential recession. Rather than sparking renewed optimism, the rate cut, and any additional cuts, are likely to cause small firms to follow the Fed's lead by adopting more cautious plans for investment spending and hiring as a recession hedge.

Economy expected to weaken.

The current state of the economy was judged much less favorably in August. The proportion of CEOs who reported overall improvements fell to 29% from last month's 38% and last year's 60%. An important note is that 51% of small firm CEOs reported that the economy remained unchanged over the past year. As noted above, future prospects for the national economy were in part determined by the firm's sensitivity to higher Chinese tariffs; those who will be impacted are more likely to expect a worsening economy in the year ahead.

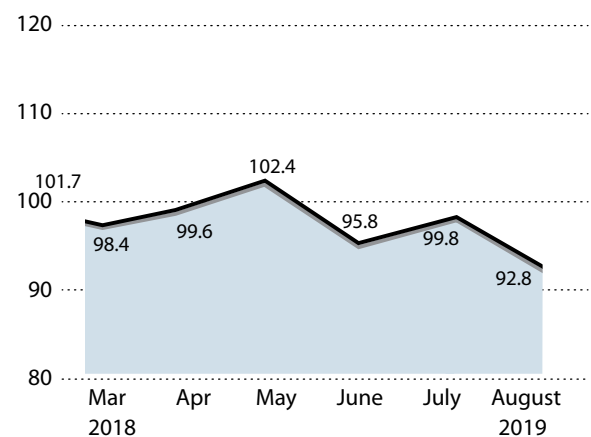
Moderate declines in prospects consistent with slowdown.

Small firms reported only modest declines in their expected revenues and profits during the year ahead. Increased revenues during the year ahead were anticipated by 65% of CEOs in the August survey, just below July's 68% and last year's 73%. Improved profitability during the year ahead was anticipated by 52% of CEOs in the August survey, slightly down from July's 59% and last August's 61%. While firms expect a modest slowdown in revenues and profits, they didn't anticipate the extent of declines that would correspond with an economy-wide downturn.

Hiring and investment plans are increasingly cautious.

Planned net additions to their workforce were anticipated by 55% of all small firms in the August survey, down from last month's 58% and last year's 64%, and the lowest percentage since October 2016. That same increase in caution was displayed in firm's investment plans. Increases in net investments in plant and equipment were planned by 38% of all firms, down from 42% in July and 46% last August. Cutbacks in new investment spending were planned by just 13% in August's survey, although barely above last month's 12%, it was nonetheless the highest percentage in three years. CEOs who reported that their business was sensitive to tariffs were more likely to pare back planned increases in their workforce (48%) than CEOs who said their firms would not be affected by the new round of tariffs (61%); smaller differences were found for planned investments.

WSJ/Vistage Small Business CEO Confidence Index



The WSJ/Vistage Small Business CEO Confidence Index declined to 92.9 in August 2019, down from 99.8 in July

Visit vistageindex.com to see the interactive tool and view results from previous months.

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

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	192	29%
	Remained about the same	340	51%
	Worsened	130	19%
	Don't know/No opinion	11	2%
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	78	12%
	About the same	318	47%
	Worse	266	40%
	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	435	65%
	Remain the same	173	26%
	Decrease	58	9%
	Don't know/No opinion	7	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	352	52%
	Remain the same	230	34%
	Worsen	83	12%
	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	256	38%
	Remain the same	327	49%
	Decrease	85	13%
	Don't know/No opinion	5	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	371	55%
	Remain the same	246	37%
	Decrease	50	7%
	Don't know/No opinion	6	1%
7. Has your firm's total number of employees increased, remained the same, or decreased during the past 12 months?	Increase	390	58%
	Remain the same	193	29%
	Decrease	88	13%
	Don't know/No opinion	2	0%
8. How are tariffs impacting your business?	Positively impacting my business	21	3%
	No impact on my business	401	60%
	Negatively impacting my business	250	37%
9. Do you expect your business to be impacted by the additional tariffs on Chinese goods that President Trump has said the U.S. will impose in September?	Yes	303	45%
	No	369	55%
10. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	296	44%
	It has worsened prospects for my firm	175	26%
	It has had no impact on prospects for my firm	199	30%

Question	Answer	Respondents	
		#	%
11. What type of leadership succession plan do you have in place for your business?	My company has a board or corporate entity that will make future leadership decisions	95	14%
	A member of my family will inherit or take over the business	95	14%
	Someone from the current executive team will take over (COO, CTO, CFO, etc.)	192	29%
	I do not currently have a succession plan in place	288	34%
	Other	59	9%
12. During your company's last fiscal year, what was its total employment?	1-9 employees	63	9%
	10-19 employees	120	18%
	20-49 employees	251	37%
	50-99 employees	155	23%
	100-499 employees	78	12%
	500-999 employees	2	0%
	1000-4999 employees	3	0%
	5000 + employees	1	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.