

## Small business CEO confidence remains stable.

The latest data on the economic confidence of small businesses was unchanged from last month, which recorded a welcome but limited reversal in pessimism about prospects for the national economy. The WSJ/Vistage Small Business CEO Confidence Index was 97.4 in the December 2019 survey, barely below last month's 97.8, and only slightly below last year's 101.8. Unfortunately, last month's decline in pessimism about the economic outlook was not followed by increased optimism in December. Increased optimism requires the expectation of positive economic developments, not simply the absence of negative economic news. While there has been some easing of fears about an economy-wide downturn and more positive news about tariffs, these gains may have been replaced by rising apprehensions about potential changes in federal spending and taxing policies advocated by potential Democratic candidates in the upcoming presidential election. While it is unlikely that a resurgence in optimism will take place in the months ahead, the economic expansion is likely to continue in 2020, even if at a slower overall pace. Overall, it stands to reason that small businesses have accepted and adjusted to a slower pace of economic growth given that the expansion is the longest in U.S. history and is expected to continue for yet another year.

### Economic outlook remains weak among small business CEOs.

Just 26% of all small businesses judged the economy to have improved in the December survey, slightly below last month's 28% but significantly below last December's 43%. A weakened economy was reported by 17% in December, down from a high of 27% three months ago. Looking to the year ahead, just 17% of CEOs expect prospects for the national economy to strengthen, barely above the 15% recorded both last month and last year. In contrast, 32% expected the economy to weaken during the year ahead, nearly identical with last December's 33%. While the economic outlook has improved over the greater pessimism CEOs expressed from August to October due to heightened concerns about the potential imposition of tariffs, no further significant action on either monetary or fiscal policies can be expected prior to next year's election. The best that can be said is that small businesses have countered prospects for very slow economic growth by reducing investment expenditures while largely maintaining the level of their workforce to take full advantage of opportunities for continued revenue growth.

### Investment and hiring plans diverge.

Investment and hiring plans moved in opposite directions in the December survey. Plans to increase fixed investments were voiced by 40% of small business CEOs, below the 2019 peak of 44% and last December's 42%.

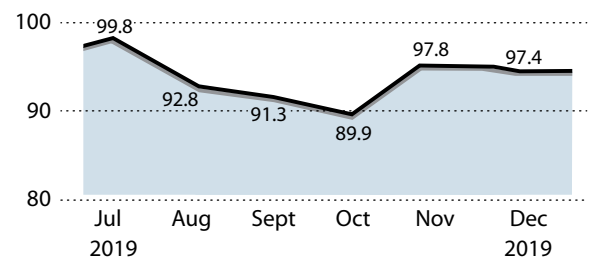
Declines in investment expenditures were planned by 14% of all CEOs, up from last month's 9% and last year's 7%, and the highest proportion since 2016. In sharp contrast, plans to expand their workforce are held by 64% of all small businesses, up from last month's 60% and the highest since last December's 64% – this is unlikely to reflect seasonal hiring since by the time the survey was completed holiday hiring was largely complete. Indeed the split between weaker investment spending and strong hiring reflects trends in the quarterly data captured from both small and midsize businesses.

### Revenue and profit expectations stabilized this year.

Revenue gains were anticipated by 69% of all small businesses, on par with last month's 68% and last year's 70%. While revenue expectations remained largely unchanged in the past year, in contrast to the significant decline that was recorded in the prior year, when expectations for increased revenues fell from 83% in December 2017 to 70% in December 2018. Profitability also varied by a minor amount during the last year, having fallen much more in the prior year. Increased profitability was anticipated by 58%, just between last month's 57% and last year's 60%. Profit expectations reached a peak in April 2018, when 70% expected rising profits during the year ahead.

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

### WSJ/Vistage Small Business CEO Confidence Index



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Visit [vistageindex.com](http://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 about the same, or worsened?	Improved	174	26%
	Remained about the same	383	56%
	Worsened	119	17%
	Don't know/No opinion	5	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	114	17%
	About the same	333	49%
	Worse	218	32%
	Don't know/No opinion	16	2%
3. Do you anticipate that your company's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	469	69%
	Remain about the same	153	22%
	Decrease	54	8%
	Don't know/No opinion	5	1%
4. Do you expect your company's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	393	58%
	Remain about the same	206	30%
	Worsen	79	12%
	Don't know/No opinion	3	0%
5. Are your company's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	275	40%
	Remain about the same	303	44%
	Decrease	94	14%
	Don't know/No opinion	9	1%

Question	Answer	Respondents	
		#	%
<b>6. Do you expect your company's total number of employees will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	435	64%
	Remain about the same	214	31%
	Decrease	30	4%
	Don't know/No opinion	2	0%
<b>7. Is employee absenteeism becoming a bigger problem for your business?</b>	Yes	90	13%
	No	556	82%
	Don't know/Not sure	33	5%
<b>8. How are tariffs impacting your business?</b>	Positively impacting my business	24	4%
	No impact on my business	408	60%
	Negatively impacting my business	244	36%
<b>9. Has the tax law that took effect in 2018 impacted your business?</b>	Yes	266	39%
	No	246	36%
	Not sure	167	25%
<b>10. Is offering affordable health care for your employees a challenge you face?</b>	Yes	470	69%
	No	207	31%

Question	Answer	Respondents	
		#	%
<b>11. How has your company mitigated rising costs of healthcare for your business?</b>	Changed percentage of employer contribution	117	39%
	Offered fewer benefits	102	22%
	Delayed or decreased wage increases	84	18%
	Reduced hiring	39	9%
	Fewer/less capital investments	73	16%
	Raised prices	132	29%
	Have not been impacted by rising costs	30	7%
	Other, please specify	105	23%
<b>12. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	72	11%
	10-19 employees	119	18%
	20-49 employees	249	37%
	50-99 employees	156	23%
	100-499 employees	70	11%

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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](http://vistageindex.com) to view an interactive tool with full results from previous months.