

**February 2020**

## Improving economic outlook drives small business CEO confidence.

The economic confidence of small businesses posted its second substantial year-to-year gain in February 2020 to reach the highest level in fifteen months. While the January survey recorded large gains in how small businesses judged current economic conditions, the February survey witnessed a large gain in future prospects for the national economy. All components of the WSJ/Vistage Small Business CEO Confidence Index improved, with the overall Index reaching 105.7 in February, up from the October 2019 low of 89.9, an 18% gain. Importantly, small businesses held the most positive expectations for sales revenues and profits since the middle of 2018. Small gains in investment spending were reported as well as continued strength in hiring among small businesses. Indeed, the overall intentions of small businesses point toward the continuation of the longest expansion on record. When asked about the biggest challenges they are facing, two-thirds of small business CEOs cited the strong labor market's impact on hiring and retention, nearly twice as many as any other issue. About one-third of CEOs surveyed indicated they were challenged by other factors which include the pace of economic growth, regulations, tariffs, cost of materials, and the political environment. Needless to say, uncertainty is now driven by pending changes in tax and spending programs based on the outcome of the elections, and the ultimate impact from the coronavirus on the global economy is as yet unknown. Despite these uncertainties, small businesses will remain a positive force for job growth and the overall economy.

### Economy expected to improve.

For the first time in more than a year, more small businesses anticipated that the national economy would improve rather than worsen—27% versus 21%, the exact opposite of last month's reading when 21% expected improvements and 27% expected the economy to worsen. To be sure, half of all small businesses expected the pace of economic growth would remain unchanged at its current level during the year ahead. The expected gain in the February survey indicates that small business CEOs expect modest increases rather than additional small declines in the pace of economic growth. CEOs' judgments about the recent pace of growth posted their biggest gains in the past few months, with positive assessments rising to 38% in February, up modestly from 36% in January, but substantially above the lows of 22% recorded in September and October. Overall, the data suggest that given the record length of the expansion, small businesses base their renewed growth prospects on repeated evidence of ongoing strength in the economy.

### Outlook for revenues and profits brighten.

Gains in revenues and profits were expected by the largest proportion of CEOs in more than a year. Increases in revenues were expected by 76% of all small businesses, up from last year's 70% and the highest since September 2018. Increased profits were anticipated by 64% of businesses, up from last year's 60%, and the highest since 70% was recorded in April 2018. Just as important, revenue declines were anticipated by only one-in-twenty small businesses, and profit decline by less than one-in-ten. Profits are impacted by the burden of higher wages and cost of benefits to hire and retain workers, which businesses may not have been able to cover by raising prices.

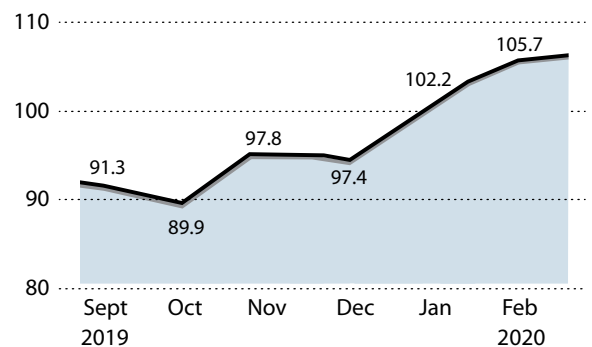
### Expansion plans remain stable.

Investment plans remained largely unchanged in February, with planned increases in fixed investments in plant and equipment voiced by 44% of CEOs, just above last month's and last year's 43%. Just 8% of CEOs plan decreases in fixed investments, the lowest since late 2018. Planned additions to their workforce were voiced by 63% in February just between last month's 61% and the reading of 64% recorded two months ago. Importantly, recent hires in small businesses were for roles across all levels of the workforce.

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

Source: February 2020 WSJ/Vistage Small Business CEO Confidence Index survey, n= 668

### WSJ/Vistage Small Business CEO Confidence Index



The WSJ/Vistage Small Business CEO Confidence Index increased to 105.7 in February, an 18% gain from the 2019 low recorded in October.

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	253	38%
	Remained about the same	333	50%
	Worsened	76	11%
	Don't know/No opinion	6	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	178	27%
	About the same	333	50%
	Worse	142	21%
	Don't know/No opinion	15	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	508	76%
	Remain about the same	119	18%
	Decrease	34	5%
	Don't know/No opinion	7	1%
4. Do you expect your company's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	427	64%
	Remain about the same	172	26%
	Worsen	63	9%
	Don't know/No opinion	6	1%
5. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	420	63%
	Remain the same	217	32%
	Decrease	28	4%
	Don't know/No opinion	3	0%

Question	Answer	Respondents	
		#	%
<b>6. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?</b>	Increase	292	44%
	Remain the same	312	47%
	Decrease	56	8%
	Don't know/No opinion	8	1%
<b>7. Looking back over the last 12 months, what types of positions have you been hiring for in your company? (Select all that apply)</b>	Front line employees	340	51%
	Skilled workers	388	58%
	Front line managers	156	23%
	Functional leaders (Sales, Marketing, IT, etc)	269	40%
	Executive leadership	119	6%
	Other, please specify	26	4%
<b>8. Did you consider changing the way your company is organized – from an S Corp. to a C Corp., or the reverse – in response to changes in the tax law?</b>	Yes	98	15%
	No	567	85%
<b>9. Have changes in the U.S. immigration policy impacted your business?</b>	Yes	84	13%
	No	581	87%

Question	Answer	Respondents	
		#	%
<b>10. Which external factors are currently the biggest challenge or risk to your business?</b>	Regulation changes	228	34%
	Access to cash/capital	161	24%
	Political climate	232	35%
	Tax policies	136	20%
	Tariffs/trade agreements	193	29%
	Job market's impact on hiring & retention	449	67%
	Immigration policy	61	9%
	Pace of economic growth	230	34%
	Cost of goods	195	29%
	Consumer spending	133	20%
	Other, please specify	83	12%
<b>11. How are tariffs impacting your business?</b>	Positively impacting my business	23	3%
	Not impacting my business	423	63%
	Negatively impacting my business	220	33%
<b>12. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm	326	49%
	It has worsened prospects for my firm	127	19%
	It has no impact on prospects for my firm	208	31%

Question	Answer	Respondents	
		#	%
13. During your company's last fiscal year, what was its total employment?	1-9 employees	53	8%
	10-19 employees	138	21%
	20-49 employees	240	36%
	50-99 employees	147	22%
	100-499 employees	83	12%
	500-999 employees	5	1%
	1000-4999 employees	2	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 [vistageindex.com](https://vistageindex.com) to view an interactive tool with full results from previous months.