

## Small business confidence falls amid coronavirus concerns.

Confidence among small businesses fell significantly in early March due to the coronavirus, reversing the gains recorded in the prior four months. The WSJ/Vistage Small Business CEO Confidence Index fell to 91.7 in March, significantly below last month's 105.7 and last year's 98.4. Indeed, the current level of confidence among small businesses is now near the lowest levels recorded in the past seven years. The Small Business Index remained slightly above last October's 89.9, which had declined due to uncertainties about the impact of President Trump's evolving trade policies. The only other survey to record a lower overall level of confidence was in November 2012, when it fell to 83.9 due to uncertainties about falling off the "fiscal cliff." Importantly, it can be anticipated that the Small Business Index will decline in future months as the impact of the virus intensifies; the current data was collected from March 2 to March 9. When directly asked about the impact of the coronavirus, small business CEOs reflected concerns about disruptions to travel (58%), supply chains and deliveries (51%), decreased sales (29%), and having offices, plants, or employees in affected areas (20%). The initial assessments of the impact of the coronavirus by small businesses were varied, as 31% were not or only slightly concerned about its impact, 31% were somewhat concerned, and 38% were moderately or extremely concerned. This input mainly reflect concerns when China was the epicenter of COVID-19. CEO sentiments can be expected to shift and to intensify along with the spread of the virus that has occurred since the survey and in months ahead.

### Economy expected to weaken.

Twice as many small businesses anticipated that the economy would worsen rather than improve during the year ahead – 41% versus 19%. Moreover, the 41% who anticipated worsening conditions in the economy was nearly twice last month's 21%, and just below the all-time peak of 43% recorded last October. While no recession is yet in sight, the risks of a global recession, including the U.S., have clearly risen due to the impact of the coronavirus. This suggests that prospects for the economy are likely to weaken further. The economic policy responses to the potential for recession must break new ground given that most policies were designed as reactions to more traditional economic causes of downturns. Small businesses typically have a constrained ability to counter business risks, and even less ability to counter pandemic risks. Nonetheless, it is imperative for small business leaders to have contingency plans to lessen costs of a shutdown as well as a restart of business.

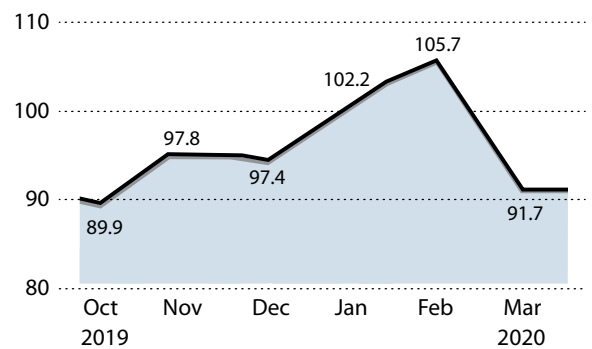
### Employees and fixed investments soften, cutbacks increase.

Having plans to protect employees is crucial for small businesses. Of all Index components, hiring plans recorded the smallest decline; increasing overall staffing was voiced by 59% in March, down from 63% last month and just below the 61% in last March's survey. Just 7% of all CEO respondents anticipated an overall reduction in their labor forces; this may indicate that small businesses draw the distinction between reductions solely due to the impact of the virus on business and plans to more permanently reduce staff. Declines in fixed investments, in contrast, were planned by 15% of respondents, the highest in four years. Postponed investments are much less costly to businesses than reducing their trained workforces, especially when the business disruption is expected to be temporary and interest rates are anticipated to remain low well after the health crisis is over.

### Revenues and profits prospects dim.

The proportions who expected gains in revenues and profits declined by ten percentage points from last month, although both remained somewhat above the October 2019 lows. Higher revenues were still widely anticipated, by 65% of all survey respondents in March, down from last month's 76%. Higher profits were anticipated by 54% of firms, down from last month's 64%. While the overall percentages are still low, expectations for declines in revenues (11%) and profits (15%) were the highest in more than three years, and are likely to become more negative.

**WSJ/Vistage Small Business  
CEO Confidence Index**



The WSJ/Vistage Small Business CEO Confidence Index fell to 91.7 in March, nearly reversing all gains since the 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	229	25%
	Remained about the same	408	45%
	Worsened	269	29%
	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	170	19%
	About the same	343	37%
	Worse	373	41%
	Don't know/No opinion	29	3%
3. Do you anticipate that your company's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	599	65%
	Remain about the same	206	23%
	Decrease	102	11%
	Don't know/No opinion	8	1%
4. Do you expect your company's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	494	54%
	Remain about the same	277	30%
	Worsen	137	15%
	Don't know/No opinion	7	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	336	37%
	Remain the same	428	47%
	Decrease	134	15%
	Don't know/No opinion	17	2%

Question	Answer	Respondents	
		#	%
<b>6. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	538	59%
	Remain the same	311	34%
	Decrease	63	7%
	Don't know/No opinion	3	0%
<b>7. What are you doing in response to challenges hiring? (Select all that apply)</b>	Boosting wages	542	61%
	Adding employee benefits	360	40%
	Developing existing workforce	681	76%
	Leveraging apprentices or apprenticeship programs	146	16%
	Offering internship programs	248	28%
	Hiring temps/contractors	311	35%
	Increasing investment in equipment to automate tasks	304	34%
	Shifting work to another location	77	9%
	Allowing employees to work remotely	346	39%
	Slowing or delaying expansion plans	104	12%
	Reducing marketing activities	32	4%
	Adjusting fulfillment/delivery timelines	94	11%
	Attracting talent is not a challenge for my company	87	10%
Other, please specify	34	4%	
<b>8. How are tariffs impacting your business?</b>	Positively impacting my business	31	3%
	Not impacting my business	607	67%
	Negatively impacting my business	271	30%

Question	Answer	Respondents	
		%	
<b>9. On a scale of 1 to 5, with 5 being extremely concerned, what is your level of concern about the impact of the coronavirus?</b>	1 – Not concerned at all	77	9%
	2 – Slightly concerned	196	22%
	3 – Somewhat concerned	272	31%
	4 – Moderately concerned	224	25%
	5 – Extremely concerned	117	13%
<b>10. In which areas have you or your business been directly or indirectly impacted by the coronavirus? (Select all that apply)</b>	Supply chain/vendors	283	40%
	Customers/sales	208	29%
	Travel and events/conferences	414	58%
	Delivery and distribution	76	11%
	Factories or office locations in affected areas	65	9%
	Employees in affected areas	80	11%
	Family in affected areas	44	6%
	Market impact	286	40%
	Other, please specify	65	9%
<b>11. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm	459	51%
	It has worsened prospects for my firm	170	19%
	It has no impact on prospects for my firm	276	30%

Question	Answer	Respondents	
		#	%
12. During your company's last fiscal year, what was its total employment?	1-9 employees	85	9%
	10-19 employees	190	21%
	20-49 employees	342	37%
	50-99 employees	202	22%
	100-499 employees	94	10%
	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](https://vistageindex.com) to view an interactive tool with full results from previous months.