

May 2020

Free-fall in small business confidence ends.

Confidence among small businesses improved in May, according to analysis of the May WSJ/Vistage Small Business CEO Confidence Index survey. The small gain in confidence, rising to 58.3 from the record low of 44.7 in April, may be because states are beginning to lift shelter-in-place orders and business is starting to return. However, May's confidence level remains far below the levels recorded before the coronavirus pandemic.

While small business CEOs anticipate improved economic conditions in the year ahead, their views of the current state of the economy remain dismal. Given that states are beginning to take steps to end the economic shutdown, it is not so surprising that CEOs expect some gains in the economy in the next 12 months though the pandemic will still disrupt the pace of this growth.

However, when asked about expected changes in revenues, profits, employment or investments, aside from the small gains from April, small business CEOs still remained more unfavorable than at any other time in the nearly eight-year history of the survey. Given the horrendous economic damage due to the coronavirus pandemic, the balance of this report will focus on how small business leaders have adjusted their actions and future plans to revitalize their companies.

Financial assistance

Many of the business leaders surveyed applied for and obtained financial assistance from a variety of programs, and some have been frustrated by poor plan administration.

Seventy percent of respondents to the May survey employ fewer than 50 employees. These small businesses are critically dependent on the knowledge and skills of their employees, but often do not have the financial resources to maintain payrolls when their businesses are shuttered.

The most common source of aid sought by all small businesses was the Paycheck Protection Program (PPP):

- 90% of CEO survey respondents applied for the PPP
- 87% received PPP funds
- 10% were approved but have not received funding

Small businesses also applied for the Economic Injury Disaster Loan (EIDL) Emergency Advance:

- 22% of CEO survey respondents sought EIDL Emergency Advance
- 50% of those who applied reported receiving the grant funds

Small businesses also plan to leverage other options including the CARES Act, Small Business Administration, the Federal Reserve, and state and local programs. These programs help to forestall further damage to their companies and employees, but most programs provide aid only on a one-time basis. Importantly, 42% of CEOs reported plans to receive funds using a line-of-credit from a financial institution.

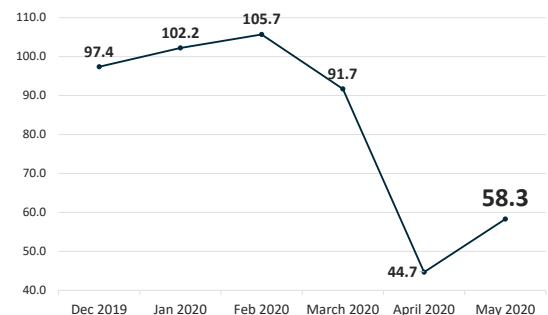
Changes in work arrangements

In the May survey, 92% of small business CEOs reported that their most significant change to work arrangements has been a move from the office to work-from-home. Other adjustments included:

- Reduced work hours, reported by 28% of small business CEOs
- Layoffs, reported by 22%
- Furloughs, reported by 18%
- Reduced salaries, reported by 18%

Due to the pandemic, 39% of all small businesses reported declines in workforce size (19% of businesses reported declines by under 10%; 10% reported declines of 10% to 24%, and 10% reported workforce declines of 25% or more). In contrast, 53% of CEOs reported no

WSJ/Vistage Small Business CEO Confidence Index, 6 month trend



The WSJ/Vistage Small Business CEO Confidence Index rose slightly to 58.3 in May 2020.

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

change in the size of their workforces, and 8% reported increases in their workforces. While the workforce declines reported by 39% was a significant loss, it would have presumably been higher without the assistance programs.

Revenue declines steep and widespread

Half of all small businesses reported revenue declines of between 10% and 49%, while 17% reported revenue declines of less than 10%, and 16% reported declines of 50% or more. Nearly half (48%) of small businesses changed the products or services they offer as a result of the pandemic; of those, 27% have added items in high demand due to the pandemic, and another 52% have added items that would increase their long-term growth potential.

Long road to recovery

When asked how long it would be before the economy improved, just 14% of CEOs expect improvement within two months, 30% expect it to begin in three to five months, 33% expect it to begin in six to 12 months, and 20% expect it to take more than one year. These projections reflect the fact that the recovery is dependent on a resolution to the coronavirus as well as reversing the extraordinary economic losses.

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

Source: May 2020 WSJ/Vistage Small Business CEO Confidence Index survey, n= 816

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	13	2%
	Remained about the same	31	4%
	Worsened	768	94%
	Don't know/No opinion	4	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	337	41%
	About the same	116	14%
	Worse	334	41%
	Don't know/No opinion	29	4%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	269	33%
	Remain the same	187	23%
	Decrease	334	42%
	Don't know/No opinion	16	2%

Question	Answer	Respondents	
		#	%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	229	28%
	Remain the same	210	26%
	Decrease	362	44%
	Don't know/No opinion	15	2%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	165	20%
	Remain the same	332	41%
	Decrease	308	38%
	Don't know/No opinion	11	1%
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	245	30%
	Remain the same	364	45%
	Decrease	195	24%
	Don't know/No opinion	12	1%
7. What programs have you - or do you plan to - leverage for your business?	Paycheck Protection Program (PPP)	733	90%
	Economic Injury Disaster Loan (EIDL) Emergency Advance	177	22%
	Other SBA funding/programs (traditional loans or Debt Relief program)	61	8%
	Other CARES Act provisions	93	11%
	Main Street Program from the Federal Reserve	36	4%
	Line of credit from banks	342	42%
	Federal tax relief measures	120	15%
	Do not plan to seek other aid	54	7%
	Other, please specify	22	3%

Question	Answer	Respondents	
			%
7.1 Please share the status of your PPP7.1 loan:	Received funds	637	87%
	Approved and waiting for funds	73	10%
	Approved but the program ran out of money before I received funds	3	0%
	Application submitted by bank, waiting on approval	15	2%
	Ineligible or not approved	1	0%
	Waiting for confirmation from bank that application was submitted	3	0%
	7.2 Please share the status of your EIDL application:	Applied and received \$10K grant	88
Application accepted, but did not yet receive grant funds		50	28%
Have not been able to apply due to lapse in appropriations		8	5%
Other, please specify		31	18%
8. To what degree have your revenues been impacted by the coronavirus pandemic?	Increased	56	7%
	Decreased less than 10%	137	17%
	Decreased 10-24%	243	30%
	Decreased 25-49%	167	20%
	Decreased 50-74%	78	10%
	Decreased 75-89%	23	3%
	Decreased more than 90%	27	3%
	No change in revenues	67	8%
	Other, please specify	17	2%

Question	Answer	Respondents	
		#	%
9. How long will your cash reserves support your business during the current economic conditions?	Less than 1 month	18	2%
	1 – 2 months	128	16%
	3 – 5 months	300	37%
	6 – 12 months	239	30%
	More than one year	107	13%
	Other, please specify	18	2%
10. When do you expect economic conditions in U.S. will begin to improve?	Less than 1 month	13	2%
	1 – 2 months	99	12%
	3 – 5 months	247	30%
	6 – 12 months	273	33%
	More than one year	165	20%
	Other, please specify	18	2%
11. Which statement describes where you expect your business to be 6 months from now?	Stronger than before	195	24%
	Back to normal	122	15%
	Moderately weakened but regaining momentum	402	49%
	Significantly weakened and fighting to rebuild	95	12%

Question	Answer	Respondents	
		#	%
12. Select the statement that best pertains to your product changes:	Added new products or services that will sustain long term growth	202	52%
	Pivoted temporarily to produce products and services to meeting customer's/community's short term needs (i.e. face masks, PPE)	105	27%
	Temporarily reduced products or services offered due to decreased demands	36	9%
	Permanently reduced products and services offered due to diminished ROI	4	1%
	Other, please specify	42	11%
13. Have you made any changes in the products or services you offer as a result of the pandemic?	Yes	392	48%
	No	419	52%
14. Select the statement that best pertains to your product changes:	Added new products or services that will sustain long term growth	202	52%
	Pivoted temporarily to produce products and services to meeting customer's/community's short term needs (i.e. face masks, PPE)	105	27%
	Temporarily reduced products or services offered due to decreased demands	36	9%
	Permanently reduced products and services offered due to diminished ROI	4	1%
	Other, please specify	42	11%
15. Which options have you implemented or will you implement for your workforce during the pandemic? Select all that apply:	Have implemented	648	79%
	Plan to implement	2	0%
15.1 Remote working	Implemented and plan to extend/expand	101	12%

Question	Answer	Respondents	
		#	%
15.2 Reduced hours	Have implemented	209	26%
	Plan to Implement	76	9%
	Implemented and plan to extend/expand	17	2%
15.3 Reduced salaries	Have implemented	124	15%
	Plan to implement	86	11%
	Implemented and plan to extend/expand	19	2%
15.4 Layoffs/Reduction in force	Have implemented	162	20%
	Plan to Implement	85	10%
	Implemented and plan to extend/expand	14	2%
15.5 Furloughed employees	Have implemented	128	16%
	Plan to Implement	58	7%
	Implemented and plan to extend/expand	13	2%
16. How has the size of your total workforce changed as a result of the pandemic?	Increased	63	8%
	Decreased less than 10%	156	19%
	Decreased 10-24%	82	10%
	Decreased 25-49%	43	5%
	Decreased 50-74%	21	3%
	Decreased 75-89%	9	1%
	Decreased more than 90%	27	3%
	No change in workforce	434	53%

Question	Answer	Respondents	
		%	
17. Which of the following are part of your return to work plans? (Select all that apply)	Multiple phases for return	382	52%
	Employee policies for personal hygiene, reporting symptoms, social distancing	569	78%
	Reconfiguring office to accommodate social distancing	284	39%
	Staggered work days, shifts and/or break times	295	40%
	Providing or requiring personal protective equipment (PPE)	418	57%
	Temperature checks and testing requirements	273	37%
	Increased cleaning of facilities	517	70%
	Accommodations for infected personnel, at-risk personnel or families	248	34%
	Closing common areas	127	17%
	Emergency response plan in case of infection	248	34%
	Have not developed return to work plans	68	9%
	Other, please specify	40	5%
18. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	334	41%
	It has worsened prospects for my firm	219	27%
	It has had no impact on prospects for my firm	257	32%

Question	Answer	Respondents	
			%
19. During your company's last fiscal year, what was its total employment?	1-9 employees	64	8%
	10-19 employees	167	20%
	20-49 employees	343	42%
	50-99 employees	159	19%
	100-499 employees	78	10%
	500-999 employees	4	0%
	1000-4999 employees	1	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 to view an interactive tool with full results from previous months.