

Continued gains in confidence among small business leaders

Small businesses continued to regain confidence that their firms would rebound, although data shows the task ahead will neither be easy or quickly accomplished. The WSJ/Vistage Small Business CEO Confidence Index rose for the third consecutive month to 75.0 in July, posting a cumulative gain of 68% above the low of 44.7 in April. The sharp decline in April was due to the economy-wide shutdown which, along with the subsequent rebound, was much larger than anything previously recorded. While the recent plunge in confidence was due to the pandemic, the smaller variations recorded prior to the pandemic and the high levels of confidence over the past few years can be attributed to the longest economic expansion in U.S. history. The sudden decline in April was not due to actual fluctuations in the economy, but was intentionally caused by government policies to lessen the impact of the pandemic.

Although the data currently reflect the much hoped for “V” recession, that prognosis assumes the impact of the pandemic on the economy continues to moderate and is finally extinguished by a vaccine. That outlook is unlikely as the recent resurgences have demonstrated. Importantly, small businesses have anticipated a slow and halting rebound. When asked about when they expected the economy to begin to improve, just 29% of small business CEOs expected gains to begin in less than six months, and 68% anticipated it would take six months or longer. Moreover, when asked about the time it would take their firms to fully recover from the pandemic, 54% of small business CEOs reported it would take six months or longer. Small businesses reported progress in bringing back employees and restarting planned investments, and also anticipated incremental rebounds in revenues and profits. While all of these performance metrics that comprise the Index increased in July, they were still much less favorable than the figures recorded last July.

Uneven revival from shutdown

The recent performance of the national economy has hardly changed according to the consensus: 88% of all small businesses thought the economy continued to worsen, barely below last month’s 91%. Expectations for improvement in the year ahead fell slightly in the July survey, anticipated by 41% of small businesses, down from last month’s 49%. To be sure, anticipated gains were still ahead of the 31% who expected declines. Given the recent surge in the spread of COVID-19, added restrictions on businesses are likely to worsen the year-ahead economic outlook.

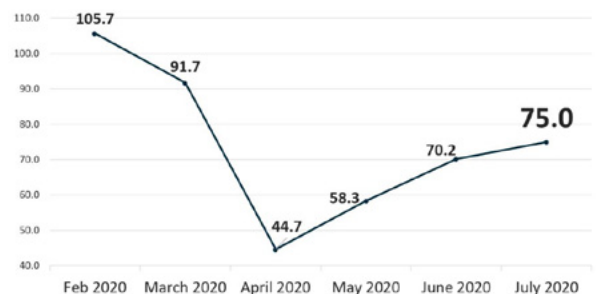
Investment and employment plans recover

For the first time in four months, more small businesses planned net additions to fixed investment spending than planned reductions. Although those that are planning additions (29%) were only slightly ahead of those that plan reductions (24%) that is a substantial change from the dominance of reductions to additions in April (14% vs. 52%). Hiring plans exhibited the same shift from contractions to expansion. Hiring expansions exceeded contractions in July (46% vs. 15%), a strong gain from April when job contractions dominated (21% vs. 32%). Despite these strong rebounds, both planned investments and hiring were still well below last July’s levels. To safely accommodate their employees, over two-thirds of all firms reported making changes in the configuration of their workplace or have changed on premise work schedules.

Revenues and profits rebound

It should be no surprise that the revenues and profits of small businesses have improved over the lows recorded during the April shutdown. Indeed, small businesses were twice as likely to report increases rather than declines in July for sales revenues (54% vs. 24%) and profits (45% vs. 28%). The opposite was true just four months ago for revenues (22% vs. 59%) and profits (21% vs. 59%). The rebounds still leave rising revenues and profits about halfway between the April lows and February’s expansion peaks.

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



The WSJ/Vistage Small Business CEO Confidence Index rose for the third consecutive month, a gain of 68% from April’s low of 44.7.

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

Small business viability

How healthy will small businesses be at the start of 2021? The experience of the pandemic has transformed most small businesses: just 13% reported that they would be back to their normal business routines in six months. Of all small businesses respondents, 35% reported that the actions that they have undertaken will make them stronger. More frequently, however, 43% of small businesses expected to be modestly weaker but regaining momentum by the start 2021, and another 9% expected to be significantly weaker and still fighting for survival six months from now.

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

Source: July 2020 WSJ/Vistage Small Business CEO Confidence Index survey, n= 713

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	23	3%
	Remained about the same	61	9%
	Worsened	624	88%
	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	295	41%
	About the same	177	25%
	Worse	220	31%
	Don't know/No opinion	21	3%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	369	52%
	Remain the same	151	21%
	Decrease	174	24%
	Don't know/No opinion	19	3%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	324	45%
	Remain the same	181	25%
	Decrease	197	28%
	Don't know/No opinion	11	2%

Question	Answer	Respondents	
		#	%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	206	29%
	Remain the same	330	46%
	Decrease	169	24%
	Don't know/No opinion	8	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	325	46%
	Remain the same	268	38%
	Decrease	110	15%
	Don't know/No opinion	10	1%
7. When do you expect the decrease to the size of your workforce will take place?	1-3 months	70	64%
	4-6 months	31	28%
	7-9 months	7	6%
	10-12 months	2	2%
8. To what degree have your revenues been impacted by the coronavirus pandemic?	Increased	117	16%
	Decreased less than 10%	112	16%
	Decreased 10-24%	183	26%
	Decreased 25-49%	150	21%
	Decreased 50-74%	57	8%
	Decreased 75-89%	12	2%
	Decreased more than 90%	12	2%
	No change in revenues	60	8%
	Other	10	1%

Question	Answer	Respondents	
		#	%
9. How long will your cash reserves support your business during the current economic conditions?	Less than 1 month	16	2%
	1 – 2 months	71	10%
	3 – 5 months	225	32%
	6 – 12 months	220	31%
	More than one year	166	23%
	Other	11	2%
10. When do you expect economic conditions in the U.S. will begin to improve?	Less than 1 month	23	3%
	1 – 2 months	43	6%
	3 – 5 months	142	20%
	6 – 12 months	298	42%
	More than one year	185	26%
	Other	22	3%
11. Which statement describes where you expect your business to be 6 months from now?	Stronger than before	247	35%
	Back to normal	91	13%
	Moderately weakened but regaining momentum	306	43%
	Significantly weakened and fighting to rebuild	67	9%
12. How long do you expect it will take your business to recover from the economic impact of the pandemic?	Have not been impacted by the pandemic	83	12%
	Already recovered from impacts	79	11%
	Less than 1 month	18	3%
	1-2 months	34	5%
	3-5 months	97	14%
	6-12 months	222	31%
	More than one year	161	23%
	Other	19	3%

Question	Answer	Respondents	
		#	%
13. Has there been a surge in Covid-19 cases in your area that has impacted your business?	Yes	209	29%
	No	435	61%
	Uncertain	69	10%
14. How have you managed social distancing requirements for your workplace?	I have changed the configuration of my workplace	117	16%
	I have changed scheduling to limit the number of people on premises at one time	135	19%
	I have both changed the configuration of the workplace and implemented scheduling to limit people on premises at one time	236	33%
	I have not made any changes at this time	112	16%
	Other	113	16%
15. Have any of your employees, customers or vendors tested positive for Covid-19?	Yes	250	35%
	No	459	65%
16. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	277	39%
	It has worsened prospects for my firm	203	29%
	It has had no impact on prospects for my firm	228	32%
17. During your company's last fiscal year, what was its total employment?	1-9 employees	62	9%
	10-19 employees	143	20%
	20-49 employees	286	40%
	50-99 employees	162	23%
	100-499 employees	58	8%
	500-999 employees	1	0%
	1000-4999 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.