

**August 2020**  
August 3-10 | 704 respondents

## Slowdown in pace of small business confidence gains

Although small businesses continued to regain confidence in August, they anticipate an extended slowdown, with one-in-three small businesses reporting a recent surge in COVID-19 cases in their area. While well below August 2019's 92.9, the WSJ/Vistage CEO Confidence Index rose for the fourth consecutive month to 78.2 in August 2020, up from the low of 44.7 in April.

Since the shutdown in April, the monthly gains in confidence have dramatically slowed, going from an increase of 13.6 in May to an incremental increase of just 3.2 in August. Despite consistent gains over the last four months, the Small Business CEO Confidence Index is currently still below any other reading taken before the pandemic.

The coronavirus-induced recession has been deeper than any prior recession, and the recovery will resist the usual economic policy interventions. Indeed, it is likely to persist until effective treatments or a vaccine is available. In contrast, based on popular guidelines, positive GDP growth in the next few quarters will define a classic "V" type recession.

However the National Bureau of Economic Research (NBER) as the official arbiter of recessions does not use such a simple and fixed formula, but bases its judgment on a committee's interpretation of a range of economic indicators. The opinions provided by small businesses support this more nuanced judgment. When asked when they anticipated that the overall economy would begin to improve, just 6% of small businesses thought it would be in one or two months, 19% thought it would be in three to five months, 44% thought it would be in six months to a year, and 27% thought it would take more than a year. Their uncertainty emanates not from the economy but from the impact of the virus and related restrictions.

### Recovery inconsistent among small businesses

Small businesses were equally split between those who thought that in six months their companies would be back to normal or stronger than before the pandemic, and those who thought they would still be at least moderately weaker but regaining upward momentum.

Overall, 24% of small business CEOs surveyed expected it would take more than a year to fully recover from the pandemic, 29% thought it would take six months to a year, and 13% reported it would take three to five months to recover; just 4% thought it would take only one or two months. In contrast, 26% of CEOs said their small business had already recovered or was unaffected by the pandemic. Among all small businesses surveyed, 28% reported gains or unchanged revenues, while 71% reported revenue declines, including over one-quarter of firms reporting declines of 25% or more.

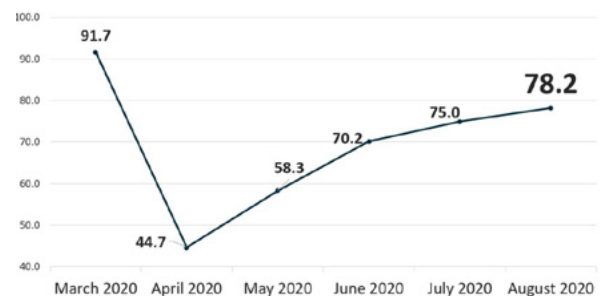
### Slower gains in revenues and profits

Since the April lows, reported expectations of revenues and profits of small businesses have substantially improved, although the pace of gains has declined in each of the past four months. Gains in revenues were anticipated by 56% of small businesses in August, barely above last month's 52%, but still well above the April low of 22%. Rising profit expectations were reported by 48% of small business CEOs, barely above last month's 45%, but well above the April low of 21%. These gains in revenue and profit projections are still well below the February peaks, when 76% of small businesses expected increased revenues and 65% expected increased profits.

### Plans for investment and workforce expansion stall

Although planned increases in both investment spending and workforce remained unchanged from last month's reading, there was a slight falloff in the proportion of businesses that reported planned declines in investments and hiring—a two percentage point decline from July to August 2020 for both factors. As with other factors, while there has been a significant recovery since the April lows, the planned increases by small businesses are well below the February peaks for both fixed investments and for planned additions in the overall labor force.

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



The WSJ/Vistage Small Business CEO Confidence Index continues to rise, driven by optimistic revenue and profit expectations of small business CEOs.

Visit [vistageindex.com](http://vistageindex.com) to see the interactive tool and view results from previous months.

## School reopening presents challenges

When asked about school reopening plans where they operated, 52% of all small businesses said that current school reopening plans would affect their business or workforce, another 14% were uncertain, depending on which plans would be actually adopted; 34% anticipated no impact. Most small businesses (55%) reported that those employees who could work from home could continue to do so; at the other extreme, a few small businesses (8%) reported that there would be no exemptions from the dates set for the return of employees. In between these reactions, some small businesses offered a variety of assistance programs for finding adequate childcare, other firms designed their plans depending on the types of work performed, and some cited case-by-case decisions.

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

Source: August 2020 WSJ/Vistage Small Business CEO Confidence Index survey, n= 704

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	25	4%
	Remained about the same	54	8%
	Worsened	621	88%
	Don't know/No opinion	4	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	292	41%
	About the same	166	24%
	Worse	211	30%
	Don't know/No opinion	35	5%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	393	56%
	Remain the same	166	24%
	Decrease	127	18%
	Don't know/No opinion	18	3%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	338	48%
	Remain the same	203	29%
	Decrease	147	21%
	Don't know/No opinion	16	2%

Question	Answer	Respondents	
		#	%
<b>5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?</b>	Increase	204	29%
	Remain the same	327	46%
	Decrease	157	22%
	Don't know/No opinion	16	2%
<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	325	46%
	Remain the same	278	39%
	Decrease	93	13%
	Don't know/No opinion	8	1%
<b>7. To what degree have your revenues been impacted by the coronavirus pandemic?</b>	Increased	127	18%
	Decreased less than 10%	121	17%
	Decreased 10-24%	186	26%
	Decreased 25-49%	141	20%
	Decreased 50-74%	40	6%
	Decreased 75-89%	9	1%
	Decreased more than 90%	6	1%
	No change in revenues	66	9%
<b>8. How long will your cash reserves support your business during the current economic conditions?</b>	Less than 1 month	11	2%
	1 – 2 months	66	9%
	3 – 5 months	228	32%
	6 – 12 months	198	28%
	More than one year	190	27%
	Other	11	2%

Question	Answer	Respondents	
		#	%
<b>9. If you received a PPP loan, please share the status of your funds:</b>	Full amount of funds has been spent	493	70%
	Funds will be spent in next 3 months	64	9%
	Funds have been allocated to be spent throughout the rest of the year	73	10%
	Did not receive a PPP loan	60	9%
	Other	12	2%
<b>10. When do you expect economic conditions in the U.S. will begin to improve?</b>	Less than 1 month	14	2%
	1 – 2 months	27	4%
	3 – 5 months	136	19%
	6 – 12 months	310	44%
	More than one year	190	27%
	Other	27	4%
<b>11. Which statement describes where you expect your business to be 6 months from now?</b>	Stronger than before	265	38%
	Back to normal	81	12%
	Moderately weakened but regaining momentum	296	42%
	Significantly weakened and fighting to rebuild	58	8%
	Other	1	0%
<b>12. How long do you expect it will take your business to recover from the economic impact of the pandemic?</b>	Have not been impacted by the pandemic	80	11%
	Already recovered from impacts	106	15%
	Less than 1 month	10	1%
	1-2 months	24	3%
	3-5 months	91	13%
	6-12 months	203	29%
	More than one year	171	24%
	Other	18	3%

Question	Answer	Respondents	
		#	%
<b>13. Has there been a surge in Covid-19 cases in your area that has impacted your business?</b>	Yes	216	31%
	No	402	57%
	Uncertain	86	12%
<b>14. Will plans for how schools are re-openings affect your business or work force?</b>	Yes	366	52%
	No	238	34%
	Uncertain	99	14%
<b>15. Which of these most closely resembles your approach to the uncertainty around school in the fall?</b>	My employees can work from home as long as they need to	383	55%
	We are helping employees find childcare or creating our own arrangements to allow them to come back to work	68	10%
	I'm giving employees with children a specific time period to find alternative childcare plans	54	8%
	I'm asking employees to come back to work at a specific date, no exceptions	55	8%
	Other	137	20%
<b>16. Are you testing your employees?</b>	Yes, we are conducting mandatory testing	43	6%
	Yes, we are offering voluntary testing	54	8%
	No, we are not currently testing, but plan to in the future	50	7%
	No, we are not testing	555	79%
<b>17. Have you seen an increase in employee absenteeism in the past 3 months?</b>	Yes	171	24%
	No	530	76%
<b>18. Has the Trump administration changed prospects for your business?</b>	It has improved prospects for my firm	320	46%
	It has worsened prospects for my firm	200	29%
	It has had no impact on prospects for my firm	181	26%

Question	Answer	Respondents	
		#	%
19. During your company's last fiscal year, what was its total employment?	1-9 employees	70	10%
	10-19 employees	127	18%
	20-49 employees	293	42%
	50-99 employees	151	21%
	100-499 employees	61	9%
	1000-4999 employees	1	0%
	None	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](https://vistageindex.com) to view an interactive tool with full results from previous months.