

Small business confidence returns to pre-pandemic level

Confidence among small businesses improved significantly in September, even though they anticipate an extended period of slow and incomplete economic recovery in the months ahead. The Wall Street Journal/Vistage Small Business CEO Confidence Index rose for the fifth consecutive month to 89.5 in September, twice the April low of 44.7. Importantly, the September pace of monthly gains was at least twice as fast as recorded in July and August. The monthly gain was shared by all factors that comprise the Index, and compared to a year earlier, the outlook for the national economy was nearly twice as favorable. Expected revenues and profits also posted slight gains when compared with last September. While the gains forecast a rise in third quarter GDP, the data also reflects the realization among many small businesses that substantial hardships remain, with survival dependent on additional aid and a vaccine that ends the coronavirus.

Slow recovery progress

While it was still true that just over half (56%) of all small businesses in the September survey believed that the economic recovery would take another six months to more than a year, last month that figure was substantially higher at 71%. When asked about how long it would be before their business would recover, 45% of small businesses believed it would be at least six months to a year in the September survey, down from 53% in August. When asked how long their cash reserves would last, 40% of small businesses said they would be depleted in less than six months in the September survey, barely below the 43% recorded in August. According to the September survey, 23% of small businesses expected revenue declines of 25% or more due to the pandemic, just below the 28% reported in August. The data also make clear that there is substantial variation across small businesses, as 30% of all small businesses reported in September that they had already recovered or had not been hurt by pandemic losses, just above the 26% in August. Like the old aphorism “what doesn’t kill you makes you stronger,” 46% of all small businesses reported that by the end of the next six months they believed their business would be stronger than before the pandemic, up from 38% in August. Resilience comes from facing adversity, and after the longest expansion in history, this lesson was long overdue.

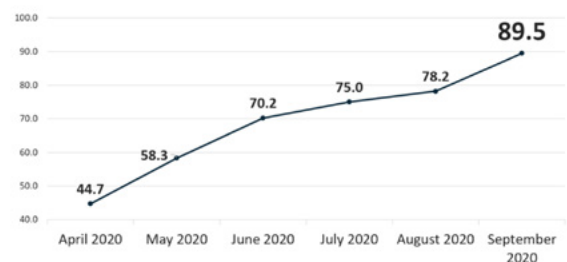
Gains expected in revenues and profits

Increased revenues were anticipated by 66% of small businesses in the September survey, three times the April low of 22%. Declines in profits were expected by just 14% of all small businesses in September’s survey, a fraction of the all-time peak level of 59% set in April. Those enormous gains in revenue and profit expectations simply reflect the huge economic cost of the April shutdown. More recent gains, however, have also been quite favorable, with the proportion of small businesses that expect increased revenues moving up by 10 percentage points since last month, and higher profits are anticipated by the majority (53%) of small businesses in September for the first time in six months.

Investment and workforce expansion plans improve

Planned increases in fixed investment expenditures and anticipated increases in workforce represent rising confidence in the future vitality of small businesses. Small business’ plans to increase investment expenditures rose in the September survey to 36%, up from 29% in the two prior months. More importantly, planned investment cutbacks fell to just 17%, the lowest level in six months. Strong gains in workforce expansion were also reported in September, with 57% of small businesses reporting plans to increase total employment, up from last month’s 46%, and the highest level in six months. Importantly, just 8% of small businesses reported plans to cut back employment during the year ahead. The data indicate that continued declines in the national unemployment rate can be expected in the year ahead.

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



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

Economic improvements anticipated

Virtually no small businesses believe that economic conditions have improved in the past year – just 5%. The sharp economic decline caused by the pandemic has meant that a majority of small businesses (56%) expect the economy to improve in the year ahead; indeed, the highest proportion to expect improvement since January 2017, when Trump first took office. This data is surprising only to those who expect a depression.

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

Source: September 2020 WSJ/Vistage Small Business CEO Confidence Index survey, n= 679

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	37	5%
	Remained about the same	77	11%
	Worsened	561	83%
	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	381	56%
	About the same	163	24%
	Worse	114	17%
	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	445	66%
	Remain the same	153	23%
	Decrease	74	11%
	Don't know/No opinion	7	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	360	53%
	Remain the same	214	32%
	Worsen	98	14%
	Don't know/No opinion	7	1%

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	244	36%
	Remain the same	306	45%
	Decrease	117	17%
	Don't know/No opinion	12	2%
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	390	57%
	Remain the same	232	34%
	Decrease	51	8%
	Don't know/No opinion	6	1%
7. To what degree have your revenues been impacted by the coronavirus pandemic?	Increased	146	22%
	Decreased less than 10%	136	20%
	Decreased 10-24%	173	26%
	Decreased 25-49%	124	18%
	Decreased 50-74%	29	4%
	Decreased more than 75%	7	1%
8. How long will your cash reserves support your business during the current economic conditions?	No change in revenues	63	9%
	Less than 1 month	12	2%
	1 – 2 months	72	11%
	3 – 5 months	184	27%
	6 – 12 months	199	29%
	More than one year	195	29%
Other	15	2%	

Question	Answer	Respondents	
		#	%
9. When do you expect economic conditions in the U.S. will begin to improve?	Less than 1 month	27	4%
	1 – 2 months	43	6%
	3 – 5 months	190	28%
	6 – 12 months	260	38%
	More than one year	121	18%
	Other	35	5%
10. 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	82	12%
	Already recovered from impacts	124	18%
	Less than 1 month	7	1%
	1 - 2 months	36	5%
	3 - 5 months	106	16%
	6 - 12 months	186	27%
	More than one year	119	18%
	Other	17	3%
11. Which statement describes where you expect your business to be 6 months from now?	Stronger than before	314	46%
	Back to normal	116	17%
	Moderately weakened but regaining momentum	216	32%
	Significantly weakened and fighting to rebuild	31	5%
12. How do you expect the size of your workforce to change the next 3 months?	Increase	319	47%
	Remain the same	300	44%
	Decrease	54	8%
	Don't know/no opinion	4	1%

Question	Answer	Respondents	
		#	%
13. If you implemented remote working during the pandemic, what portion of your employees have returned to the office either full or part time?	All have returned	160	24%
	Some have returned	268	40%
	None, we have gone fully remote	43	6%
	None, but we plan to return in the future	68	10%
	Did not implement remote working	81	12%
	Other	57	8%
14. When do you expect employees working remotely to return to the office?	In the next 30 days	2	3%
	Before the end of the year	13	19%
	Not until 2021	40	60%
	Uncertain	10	15%
	Other	2	3%
15. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	304	45%
	It has worsened prospects for my firm	168	25%
	It has had no impact on prospects for my firm	205	30%
16. During your company's last fiscal year, what was its total employment?	1-9 employees	66	10%
	10-19 employees	131	19%
	20-49 employees	267	39%
	50-99 employees	151	22%
	100-499 employees	61	9%
	500-999 employees	3	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.