

Small businesses adapt to post-pandemic economy

The outlook among small businesses continued to improve in the February 2021 survey. The WSJ/Vistage Small Business CEO Confidence Index rose to its highest level since last February, which was the peak of the longest expansion on record. The WSJ/Vistage Small Business CEO Confidence Index was 98.4 in February, up from last month's 95.4 and just 7% below last February's 105.7. Although small business judgments about the current state of the economy have improved, the majority of small businesses still think that economic conditions are now worse than a year ago. While the majority of small businesses expect the U.S. economy to improve in the year ahead, those prospects have not improved in the past six months.

Good news about vaccinations may have been offset by the rapidly spreading new variants of the coronavirus. The gains in overall confidence reflect the agility of small businesses to adapt to what are now viewed as lasting changes for both producers and consumers. When asked about their level of concerns, 30% of all small businesses reported "extreme concerns" about the national economy, and 25% reported the same extreme concerns about the local economy; in contrast, just 8% reported extreme concerns about their business's future and just 11% about their business's finances.

The lack of gains in the outlook for the national economy since Biden's election runs counter to the large dose of additional federal stimulus that is likely in the months ahead. The positive impact of the stimulus was clearly evident in how small businesses viewed their expected gains in revenues and profits, as well as expected increases in hiring and fixed investments. The potential negative impact on inflation, interest rates, and taxes from an excessive dose of stimulus may well take place in the future, but it will not occur before a substantial boost in the pace of economic growth in 2021 and early 2022.

Improved revenue and profit expectations

Increased revenues over the next 12 months were anticipated by 72% of all small businesses that responded to the February survey, more than triple the April low of 22%, and the highest level since last February's 76%. Expected increases in profits followed a similar pattern: 57% of small businesses anticipated greater profitability in February 2021, substantially above April's 21%, and close to last February's 64%. Although profitability gains slowed in February, the overall level of expectations for both revenues and profits are a clear sign that small firms anticipate that their finances will continue to head in the right direction.

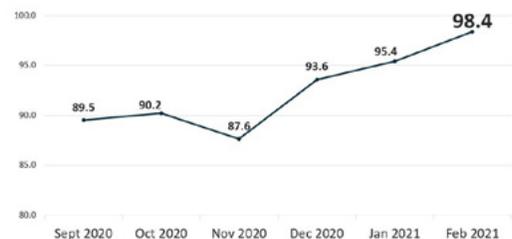
Hiring and investment plans remain positive

Planned net increases in hiring were reported by 65% of all small businesses in the February survey, representing an incremental gain over the 63% recorded last February. Moreover, those small businesses who are planning net increases in employees have remained largely unchanged in the past three months. Just 5% anticipate any cutbacks in their workforce, down from a peak of 32% in April. Planned increases in investment spending were cited by 40% of small businesses in February, the highest level since last February's 44%. Just 12% of small businesses reported plans to cut backs investment spending in the February survey, down from the peak of 52% in April, and near equal to last February's low of 8%.

Employee vaccinations

When asked about their policies with regard to employee vaccinations, the majority of small businesses (58%) reported that vaccinations would be recommended but not required. Just 10% of all small businesses said that they would require some or all employees to obtain vaccinations. No vaccine recommendation or requirement was reported by 21%. The balance of small businesses (12%) said they were still uncertain.

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



The WSJ/Vistage Small Business CEO Confidence Index rose for the third consecutive month, reaching 98.4 in February, the highest level since last February, which marked the peak of the longest expansion on record.

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

Prospects for economy

In the February 2021 survey, the proportion of small businesses that thought the overall economy continued to worsen from a year ago fell to 56%, down from last month's 67% and the all-time high of 94% in April and May 2020. In contrast, the proportion of small businesses that anticipated an improved economy during the year ahead remained virtually unchanged in February (56%) from one month (57%) or two months ago (56%). This slowdown in economic gains was probably due to the arrival of a new variant of the coronavirus, the continued high levels of COVID-19 infections and deaths as well as due to a slower than anticipated pace of vaccinations.

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

Source: February 2021 WSJ/Vistage Small Business CEO Confidence Index Survey n=624

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	107	17%
	Remained about the same	167	27%
	Worsened	347	56%
	Don't know/No opinion	3	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	351	56%
	About the same	143	23%
	Worse	115	18%
	Don't know/No opinion	15	2%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	450	72%
	Remain the same	117	19%
	Decrease	50	8%
	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	353	57%
	Remain the same	183	29%
	Worsen	83	13%
	Don't know/No opinion	5	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	250	40%
	Remain the same	291	47%
	Decrease	74	12%
	Don't know/No opinion	9	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	405	65%
	Remain the same	184	29%
	Decrease	32	5%
	Don't know/No opinion	3	0%
7. Do you plan to require that your employees receive a vaccine?	Yes, all will be required to receive a vaccine	30	5%
	Yes, those that are in the office or traveling will be required	31	5%
	No, vaccines will be recommended but not required	362	58%
	No, vaccines will not be recommended or required	128	21%
	Not certain at this time	73	12%
8. Which of the following are you implementing for your business in regards to employee vaccines (select all that apply):	Offering cash incentives for vaccinations	24	5%
	Allowing paid time off for vaccinations	212	42%
	Educating employees about local vaccine eligibility	266	53%
	Hosting a vaccine event	30	6%
	Other	117	23%
9. Does your business plan to cover any costs related to employee vaccines?	Yes, we will cover the administrative cost of vaccinations	90	15%
	No, but vaccines will be covered by company-provided health insurance	278	45%
	No, we will not cover the cost of employee vaccinations	114	18%
	Not certain at this time	138	22%

Question	Answer	Respondents	
		#	%
Please rate your level of concern about the impact of the COVID-19 pandemic on the following areas:	1 - Not at all concerned	10	2%
	2 - Somewhat concerned	85	14%
	3 - Neutral	54	9%
	4 - Very concerned	284	46%
	5 - Extremely concerned	189	30%
10.1 The national economy	1 - Not at all concerned	19	3%
	2 - Somewhat concerned	105	17%
	3 - Neutral	91	15%
	4 - Very concerned	252	41%
	5 - Extremely concerned	153	25%
10.2 Your local economy	1 - Not at all concerned	73	12%
	2 - Somewhat concerned	155	25%
	3 - Neutral	147	24%
	4 - Very concerned	176	28%
	5 - Extremely concerned	71	11%
10.3 Your business's finances	1 - Not at all concerned	141	23%
	2 - Somewhat concerned	160	26%
	3 - Neutral	146	24%
	4 - Very concerned	120	19%
	5 - Extremely concerned	52	8%
10.4 Your business's future	1 - Not at all concerned	141	23%
	2 - Somewhat concerned	160	26%
	3 - Neutral	146	24%
	4 - Very concerned	120	19%
	5 - Extremely concerned	52	8%

Question	Answer	Respondents	
		#	%
10.5 Your personal morale	1 - Not at all concerned	153	25%
	2 - Somewhat concerned	120	19%
	3 - Neutral	137	22%
	4 - Very concerned	159	26%
	5 - Extremely concerned	52	8%
10.6 Employee morale	1 - Not at all concerned	34	5%
	2 - Somewhat concerned	177	29%
	3 - Neutral	117	19%
	4 - Very concerned	216	35%
	5 - Extremely concerned	77	12%
11. Has your paid sick leave policy changed now that The Families First Coronavirus Response Act has expired?	No, paid sick leave remains available to my workers because we offered it prior to the pandemic.	433	70%
	No, paid sick leave remains available to my workers because we chose to extend it during the pandemic.	122	20%
	Yes, we have ended paid sick leave because the law expired.	61	10%
12. Would raising the minimum wage to \$15 affect your business?	Yes	228	37%
	No	358	57%
	Don't know/not sure	37	6%

Question	Answer	Respondents	
		#	%
13. During your company's last fiscal year, what was its total employment?	1-9 employees	58	9%
	10-19 employees	100	16%
	20-49 employees	256	41%
	50-99 employees	136	22%
	100-499 employees	71	11%
	500-999 employees	2	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.