

March 2021
March 1-8 | 806 respondents

Resurgent economy drives small business optimism

Small businesses judged the outlook for their future to have improved significantly in March. The survey found substantial evidence of a resurgent economy, with gains posted in every component measured. The WSJ/Vistage Small Business CEO Confidence Index was 108.8 in March, up from 98.4 in February and last March's 91.7, reaching its highest level in the past 30 months.

Progress on vaccinations and President Biden's relief bill has convinced the majority of small businesses that the economy will continue to post substantial gains in the next few years. The passage of the relief bill was a foregone conclusion among small businesses since Democrats won the Senate in January; nonetheless, the sudden March surge in positive judgments about economic growth has been remarkable.

A surging economy is anticipated to incur some shortages in supply chains, as 44% of small business respondents to the March survey reported that they had already experienced shortages in their supply chains. Following their dreadful pandemic experiences, this "inflation problem" was taken as convincing evidence that a strong economic rebound was well underway. It could be anticipated that small businesses will pass these input price increases to their customers, with the knowledge that as competition returns, part of those increases may prove to be temporary. The potential negative impact on inflation, interest rates, and taxes from President Biden's stimulus bill may well take place in the future, but it will not occur before a substantial boost in the pace of economic growth in the balance of 2021 and into 2022.

Improved expectations for revenues and profits

Increased revenues were anticipated by 76% of all small businesses in March, 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: 61% of small businesses reported expectations for greater profitability in the March survey, substantially above April's low of 21%, and below last March's 54%. The overall positive level of expectations for both revenues and profits are a clear sign that small businesses anticipate that their finances will continue to head in a positive direction over the next few years.

Robust hiring and investment plans

Planned net increases in hiring and fixed investments have been gradually improving over the past several months. Planned hiring gains were reported by 67% of all small businesses in March, just ahead of the 65% in February, and last year's 59%, but well above the pandemic low of 21% in April. Note that the current level of 67% is the highest proportion of small businesses to anticipate adding to their total workforce since early 2018.

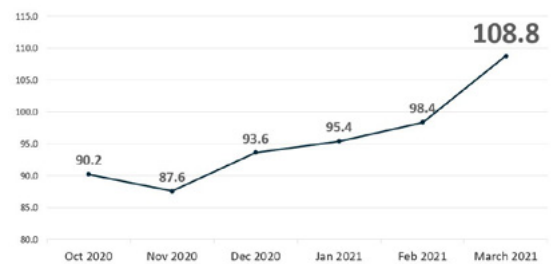
When asked about the potential impact of a proposed \$15/hour minimum wage, one-third of small businesses surveyed said the change would affect their business. Planned increases in investment spending were cited by 43% of small firms in March, just above February's 40% and last year's 37%, but well above the pandemic low of just 14% last April.

When asked about their experience in capital markets, aside from PPP funds, nearly two-thirds (63%) of small businesses reported not raising any funds since the pandemic began. Among those who did raise funds, the most commonly used sources were bank loans (19%) and non-PPP federal loan programs (13%); private equity or venture capital was mentioned by just 4%, and loans from family and friends by just 3%.

Surging economy

Judgments about the surging pace of economic growth have been quite amazing. The proportion of small businesses that reported recent improvement in the economy jumped to 39% in March from last month's 17%, and reports of a worsening economy fell to 35% from last month's 56%: the result is that the net balance rose by 70%, the largest monthly percentage change since the survey began in 2012.

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



The WSJ/Vistage CEO Confidence Index reached 108.8 in March, up from 98.4 in February and last March's 91.7

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

When asked about economic prospects for the year ahead, 67% of small businesses expect conditions to continue to improve during the year ahead, up from 56% last month and just 19% last March. In contrast, a worsening pace of economic growth was expected by just 12%, a fraction of last March's 41%.

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

Source: March 2021 WSJ/Vistage Small Business CEO Confidence Index Survey n=806

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	312	39%
	Remained about the same	206	26%
	Worsened	285	35%
	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	536	67%
	About the same	164	20%
	Worse	96	12%
	Don't know/No opinion	10	1%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	610	76%
	Remain the same	143	18%
	Decrease	49	6%
	Don't know/No opinion	4	0%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	495	61%
	Remain the same	227	28%
	Worsen	79	10%
	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	346	43%
	Remain the same	388	48%
	Decrease	63	8%
	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	544	67%
	Remain the same	233	29%
	Decrease	24	3%
	Don't know/No opinion	5	1%
7. Are you experiencing temporary shortages or other problems with your supply chain?	Yes	350	44%
	No	450	56%
8. Would raising the minimum wage to \$15/hour affect your business?	Yes	261	33%
	No	495	62%
	Don't know/not sure	47	6%
9. Beyond PPP funds, how have you raised capital since the start of the pandemic? (Select all that apply)	A traditional bank loan	151	19%
	Other federal loan programs	104	13%
	Crowdfunding	1	0%
	Private equity or venture capital	31	4%
	Family and friends	23	3%
	Have not raised capital in the past year	495	63%
	Other	51	6%

Question	Answer	Respondents	
		#	%
10. During your company's last fiscal year, what was its total employment?	1-9 employees	71	9%
	10-19 employees	153	19%
	20-49 employees	332	41%
	50-99 employees	183	23%
	100-499 employees	65	8%
	500-999 employees	2	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.