

April 2021
April 5-12 | 657 respondents

Small business economic optimism surges

Optimism among small businesses surged in April due to record stimulus spending, continued low interest rates, and substantial progress in COVID-19 vaccinations. The gain in economic confidence over last year's record low was larger than any prior annual gain (+1600%), bringing it to its highest level since January 2018, which was driven by the new fiscal policy in the form of Trump's tax reforms. To be sure, businesses do not anticipate the negative pandemic repercussions to disappear but expect that they will be transformed into permanent shifts in customer preferences, higher overhead costs, and most importantly, higher prices on their inputs. Just as the gain in the WSJ/Vistage Small Business CEO Confidence Index was exaggerated by last year's extraordinary low, inflation is expected to post extraordinary gains from last year's shutdown lows in the next few months.

The key issue is whether the gain in inflation will be short lived as widely anticipated, or lead to further increases in the years ahead. Importantly, the April gain in confidence was mostly due to the perceived revival of the national economy. Expected growth in profits was somewhat less favorable than last month, and expected growth in revenues posted only a small gain over March. Indeed, small businesses judged future growth in the overall economy no more favorably than last month. Nonetheless, more small businesses planned to take advantage of the coming boom by investing in their workforce and increasing fixed investment spending. Despite the gain in optimism, there remains a good deal of uncertainty about the potential for a resurgence in the virus and in inflation domestically and worldwide.

Resurgent economy

Recent improvements in the national economy have surged in the past few months, with gains reported by 66% of small businesses in April, up from 39% in March and just 12% in January 2021. Given that this was the fastest gain ever recorded, it should be no surprise that few anticipate that pace of improvement to continue. When asked about prospects for the national economy during the year ahead, the outlook remained the same as last month; two-thirds of small businesses expected economic prospects to improve, unchanged from March, and only modestly ahead of January's 56%. The economy still needs to create many more jobs and faces an inflation threat. Additionally, apprehensions about increased taxes and regulations has tempered small business leaders' enthusiasm.

Expectations for revenues inch upward, profits stable

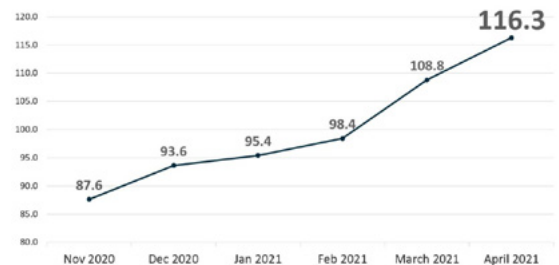
Increased revenues were anticipated by 78% of all small businesses in the April survey, just above last month's 76% and January's 69%, reaching the highest level since early 2018. Expected increases in profits, however, did not fare as well. Higher profit margins were anticipated by 59%, down from last month's 61%, and well below the April 2018 all-time peak of 70%. Importantly, just 10% expected a decline in profits during the year ahead in both March and April, adding some stability to small businesses.

Growth in investment spending, hiring plans

Plans to increase fixed investment spending were voiced by 47% of all small businesses in April, up from 43% in March and well above the 37% set in January 2021. Increased investment spending will allow businesses to expand output or produce output more efficiently. Importantly, two-thirds of all small businesses plan to continue to create new products or services generated in response to the pandemic.

Planned net increases in hiring over the next 12 months were reported by 71% of all small businesses in April, up from last month's 67% and January's 62%, and the highest level since late in 2017. The tradition of working in a physical workplace still held strong support, although a substantial minority favored working from home: Small business CEOs judged that 62% of employees would prefer to return to the office, and 29% thought their employees would favor working from home. The choice was seen as

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



The WSJ/Vistage CEO Confidence Index surged to 116.3 in April, up from 108.8 in March and last April's record low of 44.7.

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having little impact on whether employees stayed with their current employer or changed jobs: Just 4% of CEOs thought some employees would find another job if the work was fully remote, and 8% thought some employees would find another job if work remained fully in the office.

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

Source: April 2021 WSJ/Vistage Small Business CEO Confidence Index Survey n=657

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	433	66%
	Remained about the same	129	20%
	Worsened	85	13%
	Don't know/No opinion	10	2%
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	434	66%
	About the same	133	20%
	Worse	71	11%
	Don't know/No opinion	19	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	516	78%
	Remain the same	117	18%
	Decrease	24	4%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	388	59%
	Remain the same	200	31%
	Worsen	67	10%
	Don't know/No opinion	2	0%

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	310	47%			
	Remain the same	291	44%			
	Decrease	44	7%			
	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	471	71%			
	Remain the same	170	26%			
	Decrease	14	2%			
	Don't know/No opinion	2	0%			
7. Once vaccine eligibility is open to all, will you require on-site employees to be vaccinated?	Yes	55	8%			
	No	440	67%			
	Uncertain	160	24%			
8. What is your current mask policy for your workplace?	Masks will be required indefinitely	175	28%			
	Masks will be required through 2021	183	29%			
	Masks are recommended but not required	152	23%			
	Masks are not required	127	20%			
9. Please rate your level of agreement with the following statements:		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Employees do not want to return full time to the office	23%	29%	19%	21%	8%
	Employees are eager to return to the office	2%	12%	24%	44%	18%
	We plan to offer incentives and perks for employees who work in the office	40%	25%	29%	5%	1%
	Employees have indicated they will find another job if their position is fully remote	49%	22%	26%	3%	1%
	Employees have indicated they will find another job if they are required to work in the office full time	43%	24%	24%	6%	2%

Question	Answer	Respondents	
		#	%
10. Do you expect to seek additional financing for your business this year?	Yes	158	24%
	No	413	63%
	Uncertain at this time	86	13%
11. If your company changed the products or services you offer in response to the pandemic, what best describes those changes in the future?	Will continue to offer new products or services	329	65%
	Will phase out products and services that were in response to short-term customer needs	44	9%
	Will bring back products or services that were temporarily discontinued due to decreased demand	20	4%
	Other	120	23%
12. During your company's last fiscal year, what was its total employment?	1-9 employees	64	10%
	10-19 employees	128	19%
	20-49 employees	248	38%
	50-99 employees	154	23%
	100-499 employees	62	10%
	1000-4999 employees	1	0%
13. During your company's last fiscal year, what were its total revenues?	Less than 500k	5	1%
	500-999k	15	2%
	1-4 Million	178	27%
	5-9 Million	214	33%
	10-20 Million	222	34%
	21-49 Million	20	3%
	50-99 Million	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.