

July 2021
July 6-13 | 616 respondents

Small business confidence holds steady at improved levels

Optimism among small businesses remained largely unchanged at very favorable levels in July. The July WSJ/Vistage Small Business CEO Confidence Index declined just slightly to 114.6 from 115.6 in June. The survey found no significant change since last month in any of the component questions. When compared with the May peak in confidence, the modest overall decline in the Confidence Index was due to an over-optimistic expectations for growth in the national economy. Few small businesses anticipated the extent of bottlenecks, delays, and higher costs to re-supply and rehire that now plagues the entire economy. The fallout from these issues had an impact on their estimates of revenue and profit growth. When asked about supply chain issues facing their firms, 38% of small businesses responding to the July survey reported that said the problems were still worsening. The inflation outlook was also worsening, with two-thirds of all small businesses expecting higher inflation into 2022; in comparison, just 5% thought it would be temporary, lasting from 1 to 3 months, and 27% expected higher inflation to last to the end of 2021. Just 16% of all small businesses reported that they had benefited from reduced rent or loan repayment, with nearly two-thirds of those who benefited reporting that they would still need to repay missed payments. The slower and more costly efforts to fully re-engage was unexpected, but small businesses thought those difficulties would eventually be resolved. Long-term sales prospects were still favorable enough to justify continued increases in investment spending to expand production and to better manage supply and labor costs.

Slower growth expected

Small businesses remained convinced that the national economy would continue to improve, but nonetheless concluded that their past expectations for growth were too optimistic. The proportion of small businesses who thought the economy had improved was 74%, unchanged from last month, and slightly below the nine year peak of 77% set in May. In contrast, when asked about the outlook for the economy, a much larger decline in optimism was recorded. An improved economy was anticipated by half of the small businesses replying to the July survey, down from a peak of 67% set in March, followed by two months at 66%. The variability in economic expectations reflects the unique characteristics of the pandemic recession. Not only has the unexpected difficulties of restarting the economy caused an uneven pace of growth, it has also been due to the resurgence of infections due to new virus variants and the worldwide spread of the virus that has delayed trade deliveries.

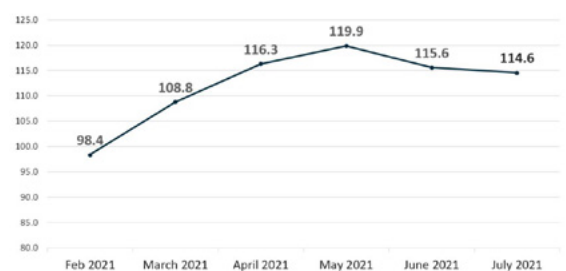
Restrained growth in revenues and profits

Revenue and profit expectations moderated in July, but were still much more favorable than last July. Indeed, the small recent declines pale in comparison to the very positive levels. Revenues were expected to increase by over three-quarters (76%) of small businesses responding to the July survey, down from 80% in June, falling back to February's reading. Revenue expectations were still much more expansive than last July, when just 52% anticipated revenue increases in the year ahead. Not surprisingly, profit expectations followed a similar path: increased profits were anticipated by 57% of small businesses in the July survey, down slightly from 59% in June, and falling back to the same level as in February. Profit expectations were well above last July's reading, when just 45% of small businesses anticipated increases in profits.

Expansion in investment spending

Expanding investments in plant and equipment signal a basic confidence in the future of their business. Plans to increase fixed investment spending were voiced by 51% of small businesses in July, the highest figure since before the start of the pandemic. Current planned increases in investment spending were substantially above last year's 29% and were even higher than two years ago (42%) or three years ago (47%). Some of the recent gains may be due to desires to substitute capital for labor to raise efficiency.

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



The July WSJ/Vistage Small Business CEO Index declined just slightly to 114.6 from 115.6 in June.

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

Strong hiring plans

Planned net increases in hiring were voiced by 71% of small businesses responding to the July survey, unchanged from June, and just below the nine-year peak of 75% recorded in May. In the surveys conducted since 2012, just six surveys recorded 70% or more small businesses who planned to increase hiring, with four of those surveys occurring in the past four months. Post-pandemic hiring will face shifts in the types of jobs workers prefer and wages they will demand.

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

Source: July 2021 WSJ/Vistage Small Business CEO Confidence Index Survey n=616

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	454	74%
	Remained about the same	88	14%
	Worsened	68	11%
	Don't know/No opinion	6	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	306	50%
	About the same	206	33%
	Worse	89	15%
	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	466	76%
	Remain the same	116	19%
	Decrease	30	5%
	Don't know/No opinion	4	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	350	57%
	Remain the same	187	30%
	Worsen	74	12%
	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	316	51%
	Remain the same	247	40%
	Decrease	44	7%
	Don't know/No opinion	9	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	434	71%
	Remain the same	158	26%
	Decrease	21	3%
	Don't know/No opinion	3	0%
7. How long do you expect high inflation to persist?	1-3 months	29	5%
	Through the end of the year	163	27%
	Beyond the end of the year	405	66%
	Other	18	3%
8. Which best describes your supply chain?	No problem	166	27%
	Getting worse	231	38%
	Slowly getting better	161	26%
	Other	58	9%
9. Did your landlord or commercial lender allow you to reduce your rent or loan payments during the pandemic?	Yes	93	16%
	No	501	84%

Question	Answer	Respondents	
		#	%
10. If your rent or loan payments were reduced, how much of the reductions in your loan or rent will you be required to repay to your landlord or commercial lender?	All of the unpaid amount	40	43%
	Partial amount	18	19%
	None	23	25%
	Other	12	13%
11. What statement best describes the impact of the pandemic on female employees at your company?	We lost female employees permanently	57	9%
	Female employees that left temporarily have already returned	22	4%
	Female employees that left temporarily plan to return in the future	9	1%
	We did not lose any female employees	481	78%
	Other	44	7%
12. If you lost female employees due to the pandemic, what are the reasons they have not returned?	Caring for children/elders	44	55%
	COVID exposure concerns for self or other member of household	15	19%
	Found other opportunity	24	30%
	No flexible work options for their role	10	13%
	Role/job was eliminated	15	19%
	Other	10	13%
13. How has the proportion of women in leadership at your company changed over the past 12 months?	Increased	157	26%
	Remained the same	429	70%
	Decreased	16	3%
	Don't know/Unsure	13	2%
14. How do you anticipate the proportion of women in leadership at your company will change over the next 12 months?	Increase	146	24%
	Remain the same	424	69%
	Decrease	5	1%
	Don't know/Unsure	40	7%

Question	Answer	Respondents	
		#	%
15. During your company's last fiscal year, what was its total employment?	1-9 employees	59	10%
	10-19 employees	110	18%
	20-49 employees	245	40%
	50-99 employees	138	22%
	100-499 employees	62	10%
	1000-4999 employees	1	0%
	None	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.