

Small business confidence retreats amid latest Covid surge

“It ain’t over, ‘til it’s over.” This Yogi-ism from baseball great Yogi Berra aptly captures the frustration expressed by small businesses as they dealt with the arrival of the latest COVID-19 variant. The WSJ/Vistage Small Business CEO Confidence Index reversed last month’s gain to replicate the same level as in November when the Delta variant was dominant. Although each new variant increases the likelihood that the economic disruptions will end soon, the higher costs of production and ongoing shifts in demand for products will continue. Two-thirds of small businesses reported that hiring challenges have affected their ability to operate at full capacity, even as three-quarters of small businesses now offer higher wages. While the cost of some materials and vendor supplies may fall, those price declines will nonetheless leave prices and wages elevated.

Most small businesses reported that the Omicron variant has had some sort of impact, with the majority dealing with staffing issues. Just over half (51%) reported slight increases in absenteeism as a result of Omicron, and 29% reported significant increases in absenteeism. Increased absenteeism at supplier firms also made it more difficult to get inputs and supplies for 30% of small businesses surveyed. In contrast, just 15% of small businesses reported that they were unaffected by Omicron. Rising demand for products as a result of the Omicron variant was reported by just a few small businesses (5%), but fortunately few also saw demand decrease (7%). While the Delta and Omicron variants have delayed a sustained resurgence in economic activity, the more lasting legacy may result from the wage-price spiral that has already been set in motion. Policymakers have taken on the more difficult fine-tuning task that both lowers inflation and raises employment.

Economic growth slowdown

The recent growth slowdown was widely reported by small businesses. The proportion of small businesses that thought the economy had continued to expand at the start of 2022 fell to just 36%, down from 46% last month, and half the 74% recorded six months ago. When asked about how the economy would fare during the year ahead, just 27% of small businesses responding to the January survey anticipated gains, which was nearly identical to the 26% recorded in each of the prior three months. The change observed in January was that fewer small businesses anticipated a worsening economy, falling to 28% in January, down from an average of 32% in the prior three months. Importantly, the dominant expectation was that economic growth prospects would remain unchanged, expected by 43%, the highest since the pandemic began in 2020.

Strong investment plans

Increases in fixed investments expenditures were planned by 47% of all small businesses surveyed in January, marginally below last month’s 50% and the 2021 peak of 51% recorded six months ago. Fewer than one-in-ten small businesses reported they plan to cut their investment spending in the year ahead, a positive indication of small businesses’ long-term prospects.

Hiring challenges

Peak infection rates of each COVID variant were accompanied by a small drop in planned additions to their workforce, rather than planning a decline in total employment. Given the tight labor market, small businesses chose to keep trained and skilled workers, holding the total labor force unchanged. In the January survey, 67% of small businesses reported plans to increase total employment, down from 75% last month. Plans for an unchanged workforce were cited by 29% of small businesses, up from last month’s 21%; few businesses planned reductions, just 3%. Small businesses face conflicting hiring motivations: While over two-thirds indicated hiring challenges were impacting their ability to operate at full capacity, those impacted by staffing shortages due to COVID have led them to limit their productive capacity.

WSJ/Vistage Small Business CEO Confidence Index: 6-month trend



In January the WSJ/Vistage Small Business CEO Confidence Index reversed its prior-month gains, falling back to 99.5.

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

Revenue and profit expectations hold steady

Total sales revenue was expected to increase by 72% of small businesses, barely below last month's 73%, although declining revenues were reported by 7%, up from 4% last month. These revenue expectations remain quite positive due in part to ongoing price hikes by small businesses. In contrast, higher profits were expected by 51% of small businesses, up from last month's 49% but well below the 2021 peak of 62% recorded in May. Importantly, 18% of small businesses anticipated reduced profits during 2022, up from 12% last year, although nowhere near the all-time peaks recorded in early 2020, which reached 59% during the economic shutdown during April.

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

Source: January 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=630

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	224	36%
	Remained about the same	207	33%
	Worsened	195	31%
	Don't know/No opinion	4	1%
2. During the next 12 months, do you expect that the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	169	27%
	About the same	271	43%
	Worse	176	28%
	Don't know/No opinion	14	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	456	72%
	Remain the same	125	20%
	Decrease	41	7%
	Don't know/No opinion	8	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	319	51%
	Remain the same	186	30%
	Worsen	116	18%
	Don't know/No opinion	9	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	296	47%
	Remain the same	260	41%
	Decrease	58	9%
	Don't know/No opinion	16	3%
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	420	67%
	Remain the same	183	29%
	Decrease	19	3%
	Don't know/No opinion	8	1%
7. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	426	68%
	No	203	32%
8. Which best describes your supply chain?	No problem	170	27%
	Getting worse	184	29%
	Slowly getting better	211	34%
	Other	60	10%
9. What is your biggest supply chain challenge?	Price of goods and materials	93	24%
	Availability of inventory	126	32%
	Delivery/fulfillment time	153	39%
	Quality of goods and services received	5	1%
	Other	16	4%
10. Which effects of inflation are you experiencing for your business?	Higher costs for raw materials and other inputs	326	52%
	Increased prices from vendors	451	72%
	Offering increased wages	466	74%
	Not experiencing effects from inflation	33	5%
	Other	14	2%

Question	Answer	Respondents	
		#	%
11. Which COVID policies do you currently have in place?	Leveraging remote work	293	47%
	Requiring masks	258	41%
	Limiting capacity and contact in the workplace	218	35%
	Restricting business travel	112	18%
	Requiring vaccines	95	15%
	Covid testing	93	15%
	None of the above	161	26%
	Other	44	7%
12. Did the Omicron variant prompt a change in COVID testing policies or the decision to implement a workplace vaccine mandate?	Yes	46	30%
	No	107	70%
13. How is the Omicron variant impacting your business?	Absenteeism is up slightly due to illness among employees or their families	317	51%
	Absenteeism is up significantly due to illnesses among employees or their families	182	29%
	Difficulties obtaining goods or services have increased because of COVID impacts at suppliers, vendors or others	186	30%
	Demand has increased due to the rise in Omicron cases	33	5%
	Demand has decreased due to the rise Omicron cases	41	7%
	No impact	91	15%
	Other	26	4%
14. If COVID-related illnesses have impacted staffing, what have you done in response?	Reduced hours	15	4%
	Temporarily closed a location or facility	18	4%
	Operated at reduced capacity	288	68%
	Turned away business	41	10%
	Other	62	15%

Question	Answer	Respondents	
		#	%
15. What is your company's policy on how long an employee must stay at home if they test positive for COVID?	Five days	329	53%
	Seven days	58	9%
	Ten days	90	14%
	Other	148	24%
16. During your company's last fiscal year, what was its total employment?	1-9 employees	49	8%
	10-19 employees	115	18%
	20-49 employees	261	41%
	50-99 employees	140	22%
	100-499 employees	62	10%
	500-999 employees	2	0%
	5000-9999 employees	1	0%

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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.