

**March 2022**

March 7-14 | 793 respondents

## Uncertainty escalates among small businesses

Small businesses have developed the skills and experiences to deal with many challenges during the pandemic, including supply shortages, higher input prices and boosting wages in a tight labor market. Although most businesses quickly rose to the challenge, the size and speed of these changes seemed unprecedented and unfamiliar. While uncertainty about the ultimate course of inflation had already weakened confidence, small businesses were caught unprepared for the substantial rise in uncertainty caused by the invasion of Ukraine. The war has ignited a rise in economic uncertainty, with prospects for the overall economy posting a 27% drop from last month. Small businesses are also less optimistic about prospects for their own businesses, although those declines were more muted, falling between 3% and 5% from last month.

As a result, the overall WSJ/Vistage Small Business CEO Confidence Index fell by 8.9% to 90.5, its lowest benchmark since the end of 2020; it has now fallen 24.6% from the peak reached in May 2021. In response to a direct question about how their business was impacted by Russia's invasion of Ukraine, just 15% didn't expect any impact at all, while 41% expected an impact on their business, and most telling, 44% were uncertain about the war's impact on their business. Uncertainty may evaporate as suddenly as it has appeared, or uncertainty can turn into greater pessimism over Russia's war on Ukraine and its impact on the economy, both globally and locally.

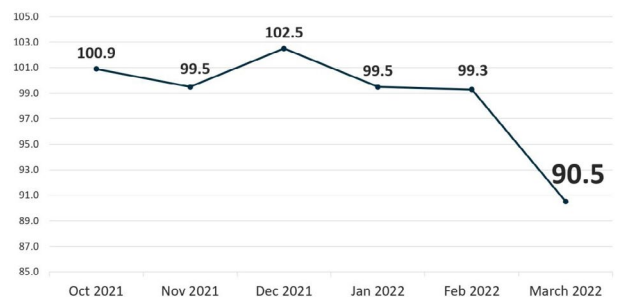
### Decline in economic growth

About half (48%) of small businesses reported that the economy had already worsened and expected the slowdown to continue throughout the next 12 months. The initial cause of the decline was due to uncertainty about the future course of inflation; that level of uncertainty was significantly heightened by Russia's invasion of Ukraine. Uncertainty now encompasses a greater range of future developments due to an expanding conflict that could have a substantial impact on the economy. The proportion of small businesses that thought the economy had already worsened reached 48% in March, up from 32% last month. Just 16% of small businesses anticipated the national economy to improve in the year ahead, down from 25% last month and 67% last year. Importantly, the size of the decline cannot be solely attributed to the Russia-Ukraine war as small businesses had already become more pessimistic about the outlook for the national economy due to ongoing challenges, including supply chain disruptions, higher costs and an inability to find qualified workers in sufficient numbers to operate at full capacity.

### Hiring challenges persist

Nearly two-thirds (64%) of small businesses surveyed in March plan to increase their workforce, down from last month's 69% and the lowest level in the past year. Hiring continues to impact operations; 68% of small businesses have been unable to hire enough workers to operate at full capacity, up 3 percentage points from last month. The labor shortfall comes despite offering higher wages (76%), enhanced benefits (36%) and signing bonuses (21%) to new hires. Businesses also aimed to reduce turnover by developing the existing workforce (62%), reorganization (40%), remote work schedules (41%), and increasing overtime pay (22%). The lack of satisfactory results caused 48% of small businesses to refine their recruitment strategies.

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



In March the WSJ/Vistage Small Business CEO Confidence Index dropped to 90.5.

Visit [vistageindex.com](https://vistageindex.com) to see the interactive tool and view results from previous months.

**Revenue and profit expectations decline slightly**

Over two-thirds (67%) of small business CEOs surveyed expect total sales revenues to increase in the year ahead, just below last month's 71%. Profits were anticipated to increase by 46% of small businesses, down from last month's 50%. The slight falloff in expected revenues and profits was reported despite 81% of small businesses who plan to raise the prices for their products or services in the year ahead. Cost increases still dominated to cover higher wages (84%), vendor prices (75%), raw materials (55%), and energy prices (52%).

**Investment plans**

Increases in fixed investments expenditures are planned by 45% of all small businesses. Interestingly, 34% of small businesses report plans to invest in automation and labor-saving devices, which might reduce labor costs while increasing production.

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

Source: March 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=793

Question	Answer	Respondents	
		#	%
<b>1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?</b>	Improved	220	28%
	Remained about the same	190	24%
	Worsened	379	48%
	Don't know/No opinion	4	1%
<b>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?</b>	Better	128	16%
	About the same	260	33%
	Worse	377	48%
	Don't know/No opinion	28	4%
<b>3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	533	67%
	Remain the same	197	25%
	Decrease	55	7%
	Don't know/No opinion	8	1%
<b>4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?</b>	Improve	362	46%
	Remain the same	262	33%
	Worsen	157	20%
	Don't know/No opinion	12	2%

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	355	45%
	Remain the same	349	44%
	Decrease	70	9%
	Don't know/No opinion	19	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	510	64%
	Remain the same	256	32%
	Decrease	22	3%
	Don't know/No opinion	5	1%
7. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	637	81%
	Remain the same	143	18%
	Decrease	5	1%
	Don't know/No opinion	6	1%
8. How have your employee retention rates changed since the beginning of the year?	Increased	89	11%
	Remained the same	569	72%
	Decreased	129	16%
	Don't know/no opinion	8	1%
9. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	537	68%
	No	252	32%

Question	Answer	Respondents	
		#	%
<b>10. If hiring employees has become more difficult, what are you doing in response?</b>	Boosting wages	574	76%
	Developing existing workforce	474	62%
	Refining recruitment strategies	368	48%
	Allowing employees to work remotely	309	41%
	Reorganizing the existing workforce	301	40%
	Adding employee benefits	274	36%
	Investing in automation and labor-saving devices	258	34%
	Slowing or delaying growth	171	23%
	Increasing overtime for existing employees	170	22%
	Creating apprenticeship or internship programs	158	21%
	Offering hiring bonuses	157	21%
	Does not apply	76	10%
	Other	21	3%
<b>11. Which best describes your supply chain?</b>	No problem	196	25%
	Getting worse	279	35%
	Slowly getting better	247	31%
	Other	66	8%
<b>12. Are transportation issues a challenge for your company?</b>	Yes	335	42%
	No	335	42%
	Not applicable	120	15%

Question	Answer	Respondents	
		#	%
<b>13. Which aspects of transportation are presenting challenges for your business?</b>	Shipping	228	68%
	Loading/unloading times for shipments	63	19%
	Trucking or ground transportation	204	61%
	Increased transportation costs	293	88%
	Favorable treatment of large companies by shipping/transportation companies	45	13%
	Other	30	9%
<b>14. Which effects from inflation are impacting your business?</b>	Higher costs for raw materials and other inputs	432	55%
	Increased prices from vendors	591	75%
	Increased wages and compensation	658	84%
	Increased energy prices	408	52%
	Not experiencing effects from inflation	35	4%
	Other	16	2%
<b>15. Will Russia's invasion of Ukraine have any impact on your business?</b>	Yes	323	41%
	No	122	15%
	Don't know/uncertain	346	44%
<b>16. Have you increased your cybersecurity measures due to Russia's invasion of Ukraine?</b>	Yes	231	29%
	No	557	71%
<b>17. Which best describes your current workforce model?</b>	All-remote workforce	63	8%
	Hybrid workforce	383	48%
	Fully onsite workforce	318	40%
	Other	27	3%

Question	Answer	Respondents	
		#	%
<b>18. Which best describes your future workforce model?</b>	Workers will be required to fully return to the office	19	4%
	Workers will be required to return to the office at least some days per week	236	53%
	We will continue remote work	139	31%
	Other	49	11%
<b>19. During your company's last fiscal year, what were its total revenues?</b>	1-4 Million	237	30%
	5-9 Million	248	31%
	10-20 Million	308	39%
<b>20. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	83	10%
	10-19 employees	161	20%
	20-49 employees	310	39%
	50-99 employees	164	21%
	100-499 employees	71	9%
	500-999 employees	3	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](https://vistageindex.com) to view an interactive tool with full results from previous months.