

Uncertainty persists for small businesses

Small business confidence remained mired in uncertainty over the prospect of global and domestic economies declining further. The April WSJ/Vistage Small Business CEO Confidence Index remained virtually unchanged from last month, as did most of the component questions. Sharp increases in inflation have spurred the Federal Reserve to lift interest rates slightly above zero, and more importantly, prompted greater uncertainty about the size of the next rate hike and the pace of future increases. The Fed reacted to firms' widespread actions to boost wages to attract employees and simultaneously pass those higher costs to customers without dampening demand. Moreover, upward pricing pressures due to worsening supply lines were reported by over one-third (35%) of small businesses, and one-third said that the Russia-Ukraine war has impacted their businesses.

The April WSJ/Vistage Small Business CEO Confidence Index of 90.6 represented a fall of 22.1% from a year ago, the largest year-to-year decline since the first few months of the pandemic. In more normal times, one might have anticipated a rapid tightening of monetary policies, even if accompanied by a significant jump in unemployment. These are hardly normal times, however. At present, there is little appetite for such policies, especially given the persistent domestic and global uncertainty. While the Federal Reserve will raise rates, those hikes may not end inflation anytime soon as customers have already become less resistant to paying higher prices and firms have become less resistant to offering higher wages. These behaviors could create a self-perpetuating wage-price spiral that is difficult to subdue without creating a "hard landing." Small businesses with greater market power to pass along cost increases will perform best.

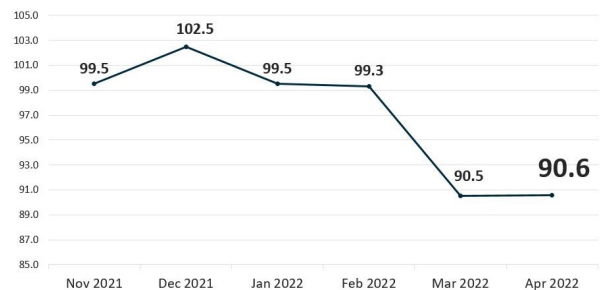
Decline in economic growth

About half of small businesses reported that the economy had already worsened and the slowdown was expected to continue during the year ahead. While these judgments are slightly less severe than last month, 45% of small businesses reported negative evaluations of the current pace of economic growth, just below last month's 48%, but more than three times the 13% recorded last April. Economic prospects for the year ahead remained quite negative, with 42% of small businesses holding a negative outlook. While down from last month's 48%, the proportion of those expecting the economy to worsen is nearly four-times last year's 11%. Small declines in gas prices from March's peaks and easing energy regulations may be responsible for the recent small gains. Energy prices will remain volatile, especially if the European Union ends all Russian oil and gas imports, and interruptions in Chinese supply lines will negatively impact prices.

Hiring challenges impact operations

Plans to increase employment were voiced by 61% of small businesses surveyed in April, below last month's 64% and last April's 71%. This decline was recorded despite the fact that two-thirds of small businesses cited their inability to operate at full capacity due to hiring challenges for the third month in a row. This suggests that some small businesses have adopted more realistic hiring goals in response to a more competitive labor market. While two-thirds of small businesses surveyed report unchanged retention rates, declines were more frequently reported than increases (20% vs. 13%). Half of small businesses said they lost workers to larger firms (21%) or lost candidates to higher salary bids from larger firms (33%).

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



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

Revenues and profits decline

66% of respondents expected their total sales revenue to increase, barely below last month's 67%, but well below last year's 78% — and was the largest annual decline since August 2020. Given the large increase in inflation, the decline would be greater if it were inflation-adjusted. Moreover, profits were also adversely affected. 43% of small businesses anticipated increased profits in the year ahead, off slightly from last month's 46%, but a significant drop from last year's 59%. Once again, an inflation-adjusted decline would be higher.

Investment plans impacted by interest rates

Increases in fixed investments expenditures are planned by 46% of small businesses surveyed in April, comparable to last year's 47%. Importantly, 26% reported that rising interest rates would negatively influence their spending in fixed investments over the next year. Market rates have already risen faster than interest rates, and those increases can be expected to continue to advance at a quicker pace in the year ahead.

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

Source: April 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=576

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same or worsened?	Improved	152	26%
	Remained about the same	165	29%
	Worsened	258	45%
	Don't know/No opinion	1	0%
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	89	15%
	About the same	232	40%
	Worse	244	42%
	Don't know/No opinion	11	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	380	66%
	Remain the same	151	26%
	Decrease	39	7%
	Don't know/No opinion	6	1%
4. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	250	43%
	Remain the same	214	37%
	Worsen	106	18%
	Don't know/No opinion	6	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	263	46%
	Remain the same	245	43%
	Decrease	57	10%
	Don't know/No opinion	11	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	350	61%
	Remain the same	201	35%
	Decrease	20	3%
	Don't know/No opinion	5	1%
7. Have rising interest rates impacted your plans for fixed investments in the next 12 months?	Yes	147	26%
	No	375	65%
	Don't know/No opinion	54	9%
8. How did your IT spending last year compare to what you spent before the pandemic?	Increased 25% or more	118	20%
	Increased less than 25%	207	36%
	Remained the same	236	41%
	Decreased less than 25%	13	2%
	Decreased more than 25%	2	0%
9. How does your IT spending planned for this year compare to last year's spending?	Increasing 25% or more	83	14%
	Increasing less than 25%	201	35%
	Remaining the same	278	48%
	Decreasing less than 25%	12	2%
	Decreasing more than 25%	1	0%

Question	Answer	Respondents	
		#	%
10. Over the last 90 days, how have your employee retention rates changed?	Increased	74	13%
	Remained the same	383	66%
	Decreased	117	20%
	Don't know/uncertain	2	0%
11. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	370	64%
	No	204	36%
12. How well are you able to compete with larger companies for talent in the current job market?	We have been able to recruit employees from larger companies	234	44%
	We have lost qualified candidates to offers from larger companies	174	33%
	We are losing employees to larger companies	110	21%
	We have re-hired employees that left to go to larger companies	57	11%
	Other	104	19%
13. Which best describes your supply chain?	No problem	149	26%
	Getting worse	201	35%
	Slowly getting better	164	29%
	Other	59	10%
14. Is the war in Ukraine impacting your business?	Yes	183	32%
	No	242	42%
	Don't know/uncertain	150	26%

Question	Answer	Respondents	
		#	%
15. During your company's last fiscal year, what was its total employment?	1-9 employees	53	9%
	10-19 employees	112	19%
	20-49 employees	216	38%
	50-99 employees	129	22%
	100-499 employees	61	11%
	500-999 employees	3	1%
	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.