

## Optimism among small businesses improves

The WSJ/Vistage Small Business CEO Confidence Index rose by 6.9% to reach 79.0 in August, the largest monthly gain in the past eighteen months. The gain reflected improvements in all six components of the Index. The majority of the improvement was driven by sentiment about the performance of the economy, with small businesses' views of current economic conditions improving by 23% from July, and expectations for continued gains jumping 33% from last month. While the gains signal a shift toward more economic optimism, the road back will still be long. Indeed, the ratings of current and expected economic conditions were significantly below last August's levels.

While the ratings of the overall economy remain near the pandemic lows, planned hiring and new fixed investment expenditures have remained well above the pandemic lows, as have expected revenues and profits. Small businesses are fully aware of the economic challenges they still face. The Federal Reserve is likely to continue to increase interest rates, and currently 41% of small businesses report that rising interest rates have already affected their organizations, and an additional 30% anticipate a negative impact in the future. Given persistent high inflation and rising interest rates, a strong job market is critical for keeping the economy out of recession. The recent data indicate, however, that small businesses have begun to recognize that a slowdown in hiring is now more likely to occur.

### Economic sentiment improves

The August data indicate that small businesses hold less negative views about the national economy; 63% thought the economy had worsened, which is down from 69% last month, and 50% expected the national economy to deteriorate in the year ahead, a 12-point improvement from 62% in July. However, these large shifts were not toward renewed growth but instead a belief that the national economy would remain largely unchanged in the year ahead. Just 16% of small businesses thought the economy had already improved, and only 14% anticipate improved conditions in the year ahead. Presumably, small businesses thought that the economic downturn would be shorter and less severe, rather than expecting a faster pace of economic growth in the year ahead.

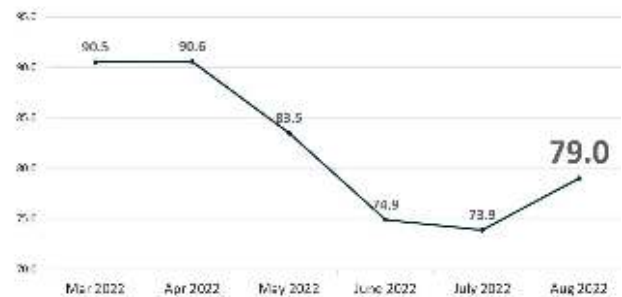
### Uptick in revenue and profit expectations

The proportion of small businesses anticipating revenue increases was 55% in August, up from last month's 49% but well below last year's 73%. The small monthly rise represents a combination of rising revenues due to higher prices and falling revenues due to sales declines. Expected increases in profits were voiced by 36% of small businesses, slightly above last month's 34%, but well below last year's 53%. Indeed, other than during the shutdown of the economy in early 2000, the last three months have recorded the lowest net profit expectations in the survey's 10-year history. Profits have eroded due to surging wages (88%), increased vendor prices (82%), higher costs for raw material inputs (64%), and increased energy costs (57%). These profit shortfalls will lead small businesses to increase their selling prices in the year ahead to cover the permanent increases in wages and prices.

### Hiring boom stalled

When asked about planned net additions to their workforce, the proportion of small businesses expected to increase the size of their total workforce held at 52% for the third consecutive month, the smallest proportion since the start of the pandemic. Economic conditions have led one-in-five small businesses to slow their pace of hiring, and just 8% have instituted a hiring freeze, layoffs, or rescinded job offers. Compared to their hiring plans at the start of 2022, the plans of most small businesses (70%) have not changed, and among the 30% who had changed hiring plans, sentiment was divided with 17% planning fewer additions and 13% planning to hire more workers. A sizable number of new hires since the start of the pandemic were to replace those who left, as 31% of small businesses cited job turnover rates of more than 15%, 5% and 15%.

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



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

Nearly one-third (32%) cited job turnover rates of 5% or less. To fill their ranks in a hot job market, small businesses have found that higher wages (77%), added benefits (39%), and bonuses (29%) were necessary. In a slowing economy, small businesses are likely to lessen turnover by developing the existing workforce (68%), flexible hours (62%), remote work options (60%), and leadership training (48%).

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

Source: August 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=566

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	90	16%
	Remained about the same	120	21%
	Worsened	355	63%
	Don't know/No opinion	1	0%
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	80	14%
	About the same	190	34%
	Worse	285	50%
	Don't know/No opinion	11	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	311	55%
	Remain the same	179	32%
	Decrease	73	13%
	Don't know/No opinion	3	1%
4. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	206	36%
	Remain the same	200	35%
	Worsen	152	27%
	Don't know/No opinion	8	1%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	222	39%
	Remain the same	256	45%
	Decrease	81	14%
	Don't know/No opinion	7	1%

Question	Answer	Respondents	
		#	%
<b>6. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?</b>	Increase	292	52%
	Remain the same	227	40%
	Decrease	39	7%
	Don't know/No opinion	8	1%
<b>7. Are higher interest rates impacting your business?</b>	Yes	233	41%
	No	163	29%
	Not yet, but anticipating they will	170	30%
<b>8. How will your hiring for the remainder of 2022 change compared to your plans at the start of the year?</b>	Hiring more than planned	71	13%
	Hiring plans have not changed	396	70%
	Hiring less than planned	99	17%
<b>9. Is your company finding it easier or more difficult to fill job openings than at the start of the year?</b>	Easier	95	17%
	No change	316	56%
	More difficult	153	27%
<b>10. Are hiring challenges impacting your ability to operate your business at full capacity?</b>	Yes	323	57%
	No	239	43%

Question	Answer	Respondents			
		Have implemented	Planning to implement	No plans to implement	Uncertain at this time
11. In response to hiring challenges, what changes have you recently implemented, are planning to implement or have no plans to implement?	Boosting wages	77%	11%	9%	3%
	Offering flexible hours/schedules	62%	5%	30%	3%
	Offering hiring bonuses	29%	5%	60%	6%
	Leveraging apprenticeship or internship programs	33%	19%	39%	9%
	Increasing overtime	28%	2%	64%	7%
	Refining recruitment strategies	56%	20%	20%	3%
	Adding employee benefits	39%	15%	41%	5%
	Developing existing workforce	68%	22%	7%	2%
	Leadership development programs	48%	31%	17%	5%
	Reorganizing the workforce	35%	21%	38%	6%
	Investing in automation and labor-saving devices	32%	22%	41%	5%
Allowing remote work options	60%	3%	35%	3%	

Question	Answer	Increased	Remained the same	Decreased	N/A
		12. In the last three months, how have the following components of your workforce model changed?	Remote work	16%	56%
On-site work	15%		69%	8%	8%
Flexible scheduling (hours and days on site)	18%		63%	1%	18%

Question	Answer	Respondents			
		#	%		
<b>13. How much employee turnover have you seen since the start of the pandemic?</b>	Less than 5%	182	32%		
	Between 5% and 15%	204	36%		
	More than 15% but less than 25%	90	16%		
	Between 25% and 50%	62	11%		
	More than 50%	25	4%		
<b>14. Which of the following actions have you taken as a result of current economic conditions?</b>	<b>Have implemented</b>	<b>Planning to implement</b>	<b>No plans to implement</b>	<b>Uncertain at this time</b>	
	Hiring freeze	5%	6%	83%	6%
	Slowed hiring	20%	7%	67%	6%
	Rescind job offers	1%	0%	95%	4%
	Layoff or furlough workers	2%	3%	87%	8%
<b>15. Which effects of inflation are impacting your business?</b> <i>Select all that apply</i>	Higher costs for raw materials and other inputs	356	64%		
	Increased prices from vendors	456	82%		
	Increased wages and compensation	490	88%		
	Increased energy prices	316	57%		
	Change in buyer behaviors	271	48%		
	Not experiencing effects from inflation	12	2%		
	Other	16	3%		
<b>16. Which best describes your supply chain?</b>	No problem	87	16%		
	Getting worse	74	13%		
	Slowly getting better	282	50%		
	Not applicable	88	16%		
	Other	30	5%		

Question	Answer	Respondents	
		#	%
<b>17. Has your company added any safety measures or taken other steps to protect against potential shootings or other workplace violence?</b>	Yes	71	13%
	No, but considering	107	19%
	No	382	68%
<b>18. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	52	9%
	10-19 employees	100	18%
	20-49 employees	221	39%
	50-99 employees	133	23%
	100-499 employees	57	10%
	500-999 employees	1	0%
	5000-9999 employees	1	0%
	10000+ 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.

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