

## Small business uncertainty persists

The WSJ/Vistage Small Business CEO Confidence Index remained largely unchanged from last month's reading; the Index was recorded at 76.7 in November, just below October's 77.7. There have been only minor shifts in confidence since the June 2022 survey, with the Small Business Index showing small shifts every two months, displaying insignificant differences from the six-month average of 77.3. This stability at low levels reflects persistent economic uncertainty. The two core elements of this uncertainty involve judgments about the strength of the labor market and assessments of how high the Federal Reserve will push interest rates.

The vast increase in personal savings from pandemic transfers has resulted in an extended period of unusual strength in consumer demand. While inflation is the primary source of discontent, cutbacks in aggregate demand have been muted by savings and a strong labor market. The debates about whether the next increase in interest rates should be 75 or 50 basis points contribute marginally to uncertainty. Still, the main source of uncertainty among small businesses is the expected continued increases in interest rates. When asked about the potential damage to their own firms, 46% of small businesses said that rising rates have already impacted their firms, and another 25% expected additional rate hikes to affect their business negatively. Net new planned investment expenditures have declined, reaching the lowest level in two years. Overall, concerns about the potential impact of a recession on their business have remained largely unchanged in November from last month, as 19% of small businesses were extremely concerned (17% last month), 38% were moderately concerned (39% last month), 26% were somewhat concerned (26% last month), and just 16% were slightly or not at all concerned (18% last month).

### Small business sentiment about the economy weakens

Nearly two-thirds (64%) of small businesses thought that conditions in the economy had worsened in both the October and November surveys, and just 10% of all small businesses expected any improvement in the economy during the year ahead. The majority of small businesses surveyed in November (54%) anticipate that the economy will continue to worsen, and one-third (34%) expect the economy to remain the same as the current negative conditions.

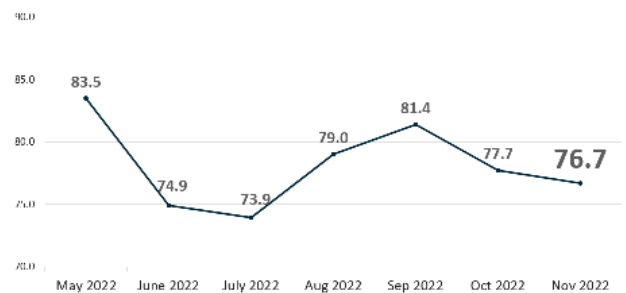
### Revenue and profit expectations decline due to rising costs

Anticipated profitability posted the largest decline of any Index component. Just 37% of small businesses expected improved profitability in the year ahead, down from last month's 40% and last year's 48%. Most of the decline was associated with increased costs of materials and wages. While health care costs have sharply increased, those benefits have been crucial for attracting and maintaining employees. When asked about changes in their health care programs, 43% of small businesses expect cost increases of less than 10%, 44% expect cost increases of 10% to 25%, and 4% anticipate cost increases of more than 25%. While most small businesses do not anticipate any changes in their health care benefits, increasing health care benefits were more common than decreases (18% vs. 8%). When it comes to employee contributions, increases are more frequent than lessening the employee share (33% vs. 7%). Revenue expectations were also a drag on profits, as the proportion of small businesses anticipating revenue gains was 53% according to the November survey, which is the same as in October but well below last November's 69%.

### Small businesses hiring plans remain unchanged

There has been virtually no change in hiring plans during the past six months among small businesses. Net employee additions are planned by 54% of small businesses surveyed in November, barely above the 52% to 53% recorded in the prior five months. In contrast, steeper declines in planned hiring were already in place in early 2022, as the all-time peak of 75% was last recorded in December 2021. While this indicates that small businesses had begun planning a slower pace of hiring in early 2022, that process was put on hold by rising uncertainty about the pace of the Federal Reserve's rate hikes. Applause for a 50-basis-point hike will be short-lived as rate hikes will continue as long as inflation remains high.

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



The WSJ/Vistage Small Business CEO Confidence Index decreased to 76.7 in November 2022, a marginal change from last month.

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

This means that small businesses must plan for cost-of-living adjustments, whether differential or applied to all employees. Small businesses are focused on compensation in the form of merit increases (54%), cost-of-living formula adjustments (54%), one-time bonuses (33%), annual year-end bonuses (30%) or benefit increases (10%), or some combination of these methods.

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

Source: November 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=601

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	74	12%
	Remained about the same	145	24%
	Worsened	382	64%
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	63	10%
	About the same	205	34%
	Worse	325	54%
	Don't know/No opinion	8	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	321	53%
	Remain the same	181	30%
	Decrease	91	15%
	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	225	37%
	Remain the same	216	36%
	Worsen	152	25%
	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	215	36%
	Remain the same	265	44%
	Decrease	103	17%
	Don't know/No opinion	18	3%

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	324	54%
	Remain the same	224	37%
	Decrease	43	7%
	Don't know/No opinion	10	2%
<b>7. Are hiring challenges impacting your ability to operate your business at full capacity?</b>	Yes	354	59%
	No	245	41%
<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	94	16%
	Hiring plans have not changed	419	70%
	Hiring less than planned	88	15%
<b>9. If you hire seasonal workers, how do you expect your seasonal hiring to change compared to last year?</b>	Hiring more than last year	11	2%
	Hiring same as last year	46	8%
	Hiring less than last year	18	3%
	We do not hire seasonal workers	522	87%
<b>10. Is your company finding it easier or more difficult to fill job openings than it was at the start of the year?</b>	Easier	107	18%
	No change	345	57%
	More difficult	149	25%
<b>11. To what degree are you concerned about a potential recession affecting your business?</b>	Extremely concerned	114	19%
	Moderately concerned	230	38%
	Somewhat concerned	158	26%
	Slightly concerned	81	13%
	Not at all concerned	18	3%

Question	Answer	Respondents	
		#	%
<b>12. Are higher interest rates impacting your business?</b>	Yes	275	46%
	No	175	29%
	Not yet, but anticipating they will	151	25%
<b>11. Is your business onshoring or nearshoring — moving or expanding production in the U.S., Mexico or other nearby areas?</b>	Yes, have already made changes	40	7%
	Yes, are in the midst of changing	21	4%
	No, but considering	51	9%
	No, not planning or considering	101	17%
	Not applicable	385	64%
<b>12. Which of the following statements best describes the health insurance your company offers to employees?</b>	We pay for employee health benefits as part of overall compensation	312	52%
	We offer health insurance to employees	72	12%
	We offer health insurance to employees and dependents	169	28%
	We do not offer coverage	23	4%
	We do not offer coverage but are considering adding it	4	1%
	Other	20	3%
<b>13. How much will your costs for employee health care change next year?</b>	No change	42	8%
	Increase less than 10%	234	43%
	Increase between 10% and 25%	238	44%
	Increase more than 25%	21	4%
	Decrease more than 10%	6	1%
	Decrease between 10-25%	4	1%
	Decrease more than 25%	1	0%

Question	Answer	Respondents	
		#	%
<b>14. What changes are you planning to make to your employee health insurance programs next year?</b> <i>Select all that apply</i>	Increasing benefits	83	18%
	Decreasing benefits	39	8%
	Increasing amount workers must pay	155	33%
	Reducing amount workers must pay	34	7%
	Other	199	42%
<b>15. Are you impacted by pay-transparency laws - such as a requirement to post salary ranges in job ads?</b>	Yes	93	16%
	No	476	81%
	Other	20	3%
<b>16. How are you planning to adjust compensation to accommodate for inflation?</b> <i>Select all that apply</i>	Merit increases	320	54%
	Cost of living adjustments	322	54%
	Bonus	195	33%
	Annual year end bonus	179	30%
	Increased benefits	60	10%
	I don't plan to adjust compensation	51	9%
	Not applicable	4	1%
	Other	40	7%
<b>17. How has your company's business travel changed over the past year?</b>	Increased	215	36%
	Remained the same	244	41%
	Decreased	78	13%
	N/A (We do not generally travel for business)	63	11%

Question	Answer	Respondents	
<b>18. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	54	9%
	10-19 employees	113	19%
	20-49 employees	226	38%
	50-99 employees	147	24%
	100-499 employees	56	9%
	500-999 employees	2	0%
	1000-4999 employees	2	0%
	5000-9999 employees	1	0%
<b>19. During your company's last fiscal year, what were its total revenues?</b>	Less than 500k	1	0%
	500-999k	2	0%
	1-4 Million	154	26%
	5-9 Million	184	31%
	10-20 Million	229	38%
	21-49 Million	26	4%
	50-99 Million	2	0%
	100-249 Million	1	0%
	500-999 Million	1	0%
	1+ Billion	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.