

## Small business confidence remains stable

The WSJ/Vistage Small Business CEO Confidence Index remained largely unchanged in January, staying at its highest two-month average since the Federal Reserve began hiking interest rates in early 2022. While most Index components recorded insignificant changes of  $\pm 2$  points or less, small businesses expect the economy to face a somewhat milder downturn in the year ahead. Although the future economic sentiment is stable, the proportion of small businesses planning workforce expansion has eased slightly. Small businesses are giving the classic early signals of nearing a trough before the upturn: The year-over-year change in the Small Business Index was the smallest since last February, although the annual decline was still 16.7%.

More importantly, small businesses have shifted their focus from pandemic disruptions to more familiar barriers to growth, such as interest rate hikes, stubbornly high inflation, and the growing potential for rising unemployment. There is ample ground for small businesses to hold these cautious economic expectations and ample ground to anticipate that continued small declines in inflation and only minor increases in unemployment will act to re-energize economic growth. As always, timing is the key ingredient of good economic forecasts. The current uncertainties facing the economy are substantial and diverse, including an extraordinary array of global issues.

### Small business sentiment about the economy strengthens

Fifty-five percent of small businesses thought that the economy had worsened during the past year in January, the same as last month, and between the 2022 peak of 69% recorded six months ago and the 31% recorded 12 months ago. Small businesses also hold more optimistic views about economic conditions during the year ahead. In the January survey, just 42% expected worsening conditions, midway between the 2022 peak of 62% six months ago and the 28% recorded 12 months ago. However, sizeable gains are still needed before optimism is fully restored. The full restoration of optimism may not be required for renewed strength in the domestic economy since the array of global issues can't be easily resolved.

### Small businesses decrease their investment plans

Planned increases in fixed investment expenditures have marginally declined since the Fed started raising interest rates in early 2022. To be sure, initially, some businesses wanted to initiate investment plans before the Fed had a chance to raise interest rates too high. In the January survey, just 35% plan to increase investment expenditures in the year ahead, well below last January's 47%; planned investments have fallen below 40% from June 2022 to the present. It should be noted that just 16% plan to cut investment spending in the latest survey, an indicator that small businesses believe that investments are still warranted to better position themselves for the future rebound in business as well as to update their technology.

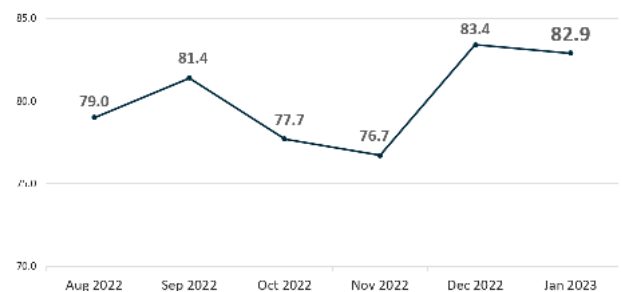
### More small businesses decreasing workforce than last year

While net hiring plans fell by 5.7% from last month, the proportion of small businesses planning to expand their workforce — 56% — was the second highest level recorded in the last 8 months. Compared with several years ago, the data on hiring has developed a weak seasonal trend, with the unadjusted data showing a December bump in 2021 and 2022. Just 8% of all small businesses in the January survey plan to reduce their payrolls during 2023, up marginally from 3% at the start of 2022.

### Small businesses report higher revenues and profits expectations

Higher revenues are anticipated by 60% of small businesses surveyed in January, unchanged from December, and the highest proportion since May 2022. On the other end of the spectrum, revenue declines were reported by 15% in the January survey, one of the highest readings since the early stages of the pandemic in 2020. Higher profits are anticipated by 47% of small businesses surveyed in January, well above the 33% in June and nearly returning to the 50% recorded in February 2022. Notably, 21% of small businesses surveyed in January expect annual declines

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



The WSJ/Vistage Small Business CEO Confidence Index decreased slightly to 82.9 in January 2023, largely unchanged from December.

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in profits; indeed, in the past nine months, 20% or more of small businesses reported expectations for profit declines. Some small businesses may have found greater resistance to the higher selling prices that they needed to offset the inflationary increases in costs.

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

Source: January 2023 WSJ/Vistage Small Business CEO Confidence Index Survey n=534

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	83	16%
	Remained about the same	155	29%
	Worsened	293	55%
	Don't know/No opinion	3	1%
<b>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?</b>	Better	71	13%
	About the same	230	43%
	Worse	226	42%
	Don't know/No opinion	7	1%
<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	318	60%
	Remain the same	132	25%
	Decrease	81	15%
	Don't know/No opinion	3	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	249	47%
	Remain the same	171	32%
	Worsen	112	21%
	Don't know/No opinion	2	0%
<b>5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?</b>	Increase	186	35%
	Remain the same	255	48%
	Decrease	86	16%
	Don't know/No opinion	7	1%

Question	Answer	Respondents	
		#	%
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	298	56%
	Remain the same	190	36%
	Decrease	41	8%
	Don't know/no opinion	5	1%
7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 90 days?	Increase	236	44%
	Remain the same	260	49%
	Decrease	35	7%
	Don't know/No opinion	3	1%
8. Compared to a year ago, how has employee engagement changed?	Increased	200	38%
	Remained the same	285	53%
	Decreased	32	6%
	Don't know/No opinion	16	3%
9. Is your company finding it easier or more difficult to fill job openings than it was at the start of the year?	Easier	122	23%
	No change	322	60%
	More difficult	89	17%
10. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	233	44%
	No	300	56%
11. Which best describes your supply chain?	No problem	106	20%
	Getting worse	26	5%
	Slowly getting better	275	52%
	Not applicable	108	20%
	Other, please specify	18	3%

Question	Answer	Respondents	
		#	%
<b>12. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	54	10%
	10-19 employees	99	19%
	20-49 employees	219	41%
	50-99 employees	127	24%
	100-499 employees	31	6%
	500-999 employees	3	1%
	1000-4999 employees	0	0%
<b>13. During your company's last fiscal year, what were its total revenues?</b>	1-4 Million	155	29%
	5-9 Million	170	32%
	10-20 Million	209	39%

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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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