

**December 2022**

December 5-12 | 666 respondents

## Small business confidence improves in season of good economic tidings

The WSJ/Vistage Small Business CEO Confidence Index improved in December by the largest amount in 21 months — since March of 2021 — with every Index component posting gains. Overall, the Confidence Index was 83.4 in December 2022, well above November’s 76.7. The largest monthly gains were in small businesses’ assessments of the national economy, with double-digit monthly percentage gains also recorded in expected profitability. The smallest positive gain was in planned investment spending, just 1.7%. It’s worth noting that the survey was completed prior to the Federal Reserve announcing a slowdown in interest rate hikes, although it still plans to continue raising rates throughout 2023. The December gains are likely due to easing inflation in the past few months, with 49% of all small businesses reporting a slower pace of price increases charged for the goods and services and other inputs that they need. The slowdown in inflation, however, has not yet resulted in a significant slowdown in wage gains and employment. The Fed has been disappointed that their aggressive pace of increases in interest rates during 2022 has done little to slow inflation and dilute the strength of the labor market. Overall, the December data provided hopeful economic tidings despite being beset by widespread uncertainty about the timing and extent of a potential recession, especially if the rate hikes reestablish 2% inflation.

### Small business sentiment about the economy strengthens

The net proportion of small businesses who judged that the economy had recently worsened fell by 27.1% from last month. While this was the greatest change recorded since April 2021, it still indicates that 55% of small businesses reported that the economy had worsened during the past year. The net outlook for the economy in the year ahead rose by 16.1% from last month, the largest improvement since August 2022. It still indicates that 47% expect the economy to worsen next year, while just 12% anticipate the economy to improve. While steep declines have in the past generated steep recoveries, the current situation is unique due to persistently high inflation and the Fed’s intention to raise interest rates in 2023.

### Small business hiring plans strengthen

Net hiring plans were the most expansive in the past nine months in the December 2022 survey. Net employee additions were planned by 63% in December, up from 54% in November. Just 24% reported that it was easier to fill job openings than at the start of the year, while 56% reported that hiring challenges prevented them from operating their business at full capacity. Most small businesses have already implemented wage increases (81%), benefit expansions (51%), and hiring and retention bonuses (37%). Small businesses also allowed flexible work schedules (69%) and remote work options (58%). Actual and planned reductions in required labor were also mentioned, with labor-saving devices already used by 38% of all small businesses, and another 28% planned to make those changes in the future. These expansive hiring plans suggest that most small businesses anticipate that the economy is likely to strengthen in late 2023, perhaps with only a shallow and short downturn. Needless to say, there remains a considerable degree of uncertainty about such a benign economic outlook.

### Revenue and profit expectations improve

Higher revenues were anticipated by 60% of small businesses surveyed in December, the highest proportion in seven months. Higher profits were also expected in the year ahead by 44% in December, the highest proportion in eight months. Profits are generally defined as the difference between revenues and costs. Given that the pace of higher input costs has slowed, and customer resistance to price increases has been reduced by the pandemic’s buildup of excess savings, profit projections have markedly improved in December. Those higher savings have been thinned and the sense of financial discretion may now be turning those remaining balances into precautionary savings. This is the core of the uncertainty about future demand faced by small businesses.

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

Source: December 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=666

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



The WSJ/Vistage Small Business CEO Confidence Index increased to 83.4 in December 2022, the largest monthly gain in 21 months.

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

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	105	16%
	Remained about the same	190	29%
	Worsened	365	55%
	Don't know/No opinion	6	1%
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	78	12%
	About the same	266	40%
	Worse	310	47%
	Don't know/No opinion	12	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	398	60%
	Remain the same	168	25%
	Decrease	92	14%
	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	295	44%
	Remain the same	232	35%
	Worsen	133	20%
	Don't know/No opinion	6	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	245	37%
	Remain the same	292	44%
	Decrease	108	16%
	Don't know/No opinion	21	3%
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	418	63%
	Remain the same	207	31%
	Decrease	38	6%
	Don't know/No opinion	3	0%

Question	Answer	Respondents	
		#	%
7. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	418	63%
	No	207	31%

8. Is your company finding it easier or more difficult to fill job openings than it was at the start of the year?	Easier	158	24%
	No change	373	56%
	More difficult	133	20%

9. If hiring employees has become more difficult, what are you doing in response? <i>Select all that apply</i>	Have implemented	Planning to implement	No plans to implement	Uncertain at this time
	Boosting wages	81%	9%	7%
Reorganizing the workforce	38%	26%	29%	8%
Investing in automation and labor-saving devices	38%	28%	25%	8%
Allowing remote work options	58%	5%	33%	4%
Offering flexible hours/schedules	69%	4%	23%	4%
Offering hiring or retention bonuses	37%	7%	48%	8%
Creating apprenticeship or internship programs	36%	20%	33%	11%
Increasing overtime	31%	3%	59%	7%
Refining recruitment strategies	55%	29%	12%	4%
Adding employee benefits	51%	14%	28%	7%
Developing existing workforce	69%	25%	4%	2%
Leadership development programs	57%	30%	9%	5%

Question	Answer	Respondents	
		#	%
<b>10. Which effects of inflation are impacting your business?</b> <i>Select all that apply</i>	Higher costs for raw materials and other inputs	383	58%
	Increased prices from vendors	523	79%
	Increased wages and compensation	604	92%
	Increased energy prices	340	52%
	Change in buyer behaviors	299	45%
	Increased costs for business travel	307	47%
	Not experiencing effects from inflation	11	2%
	Other	18	3%
<b>11. How does the pay you are offering new hires today compare to wages offered to new hires in similar roles a year ago?</b>	Higher	562	85%
	Same	92	14%
	Lower	2	0%
	Other	3	0%
<b>12. How have the prices you are charged for goods, services and other inputs changed over the last 90 days?</b>	Prices increased more rapidly	132	20%
	Prices increased but at a slower pace	321	49%
	No change in prices	185	28%
	Prices have decreased	17	3%
<b>13. Which best describes your supply chain?</b>	No problem	125	19%
	Getting worse	55	8%
	Slowly getting better	355	54%
	Not applicable	103	16%
	Other	19	3%

Question	Answer	Respondents	
		#	%
14. During your company's last fiscal year, what were its total revenues?	1-4 Million	188	28%
	5-9 Million	230	35%
	10-20 Million	248	37%
15. During your company's last fiscal year, what was its total employment?	1-9 employees	71	11%
	10-19 employees	126	19%
	20-49 employees	262	39%
	50-99 employees	150	23%
	100-499 employees	55	8%
	500-999 employees	2	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](https://vistageindex.com) to view an interactive tool with full results from previous months.