

## Small business confidence reaches highest level since last April

The WSJ/Vistage Small Business CEO Confidence Index posted a significant gain compared with three months ago, increasing 10.8% since November to reach 85.0, its highest level since last April. The overall gain was due to recent strength in the economy, which is expected to continue in the year ahead.

To be sure, small businesses have been negatively affected by rising interest rates, with the prime bank interest rate more than doubling in the past year from 3.25% to 7.75%. Just 33% of small businesses surveyed in February plan to increase fixed investment expenditures in the next 12 months, the lowest proportion since the depths of the pandemic in November 2020. Interestingly, other than during the pandemic in 2020, the last time investment plans were less favorable than at present was during the “fiscal cliff” debt episode in late 2012 and early 2013.

Although inflation has recently cooled, pressures from rising employee costs have continued, and both inflation and wage gains can be expected to remain elevated well into 2024. Just as future large jumps in interest rates are unlikely, the Federal Reserve is also unlikely to implement a series of declines in the short term. Perhaps the most surprising aspect is that the interest rate hikes have not weakened employment gains, one of the most critical indicators of the health of the national economy. In the months ahead, the debates about the debt ceiling and the appropriate levels of spending and taxes are likely to further increase uncertainty among small businesses.

### Sentiment about the economy strengthens among small businesses

The proportion of small businesses that thought the economy had worsened during the past year was 44% in February, down from 55% last month and 64% three months ago. Small businesses also are less pessimistic about prospects for the national economy during the year ahead. Just 38% of respondents in February expect the economy to worsen in the next 12 months, down from 42% last month and 54% three months ago. Few small businesses reported favorable or improving assessments of current (17%) or expected economic conditions (16%). The significant find is the proportion of small businesses that anticipate no significant change in the pace of economic growth, which is remarkable given the substantial rise in interest rates during the past year.

### Small business investment plans decrease

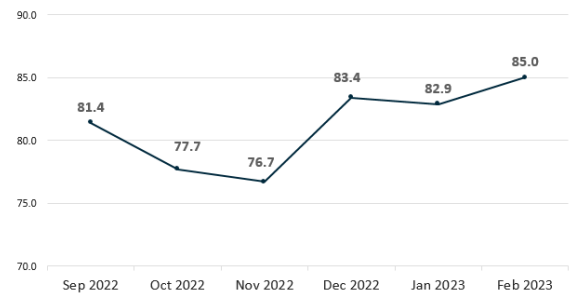
Planned increases in fixed investment expenditures were reported by just 33% of small businesses in the February 2023 survey, down from 48% last February, the month before the Fed’s first rate hike. When asked about the impact of rising rates, 48% reported high interest rates were impacting their businesses.

The last time planned investment spending was this low was in 2020 when an all-time low of 14% for planned increases in investments was recorded during the April shutdown of the economy. The only other time in the last 10 years that planned increases in investments were lower than at present was in late 2012 and early 2013 during the “fiscal cliff” standoff on how to resolve the debt limit by adjusting spending and taxes. Unless there is a settlement to this “game of chicken,” it is likely that the brinkmanship will result in delayed investment spending.

### Small business hiring plans remain stable

Net hiring plans were unchanged from the average during the past nine months; over that time the proportion that planned additions ranged from 52% to 56%, with the single exception of the more positive December reading of 63% (in advance of January’s 517 thousand net job gains). Among small businesses surveyed, 52% anticipate increasing their total workforce, while just 6% expect to reduce total payrolls. When asked about the potential impact on their businesses from a recession, 48% were “very” or “moderately” concerned, while 51% were only “somewhat,” “slightly” or “not at all” concerned.

**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.

### Small business revenues and profits remain largely unchanged

Higher revenues are anticipated by 60% of small businesses surveyed for the third consecutive month, although still below the 71% recorded last February. Improved profitability for the year ahead is expected by 45% of small businesses surveyed in February, only marginally below last month's 47% and last year's 50%. The impact of inflation is reflected by the larger difference in YTD revenues (48% up versus 27% down) than in sales/customer volume (37% versus 27%).

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

Source: February 2023 WSJ/Vistage Small Business CEO Confidence Index Survey n=541

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	93	17%
	Remained about the same	203	38%
	Worsened	238	44%
	Don't know/No opinion	7	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	86	16%
	About the same	237	44%
	Worse	203	38%
	Don't know/No opinion	15	3%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	324	60%
	Remain the same	131	24%
	Decrease	83	15%
	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	246	45%
	Remain the same	194	36%
	Worsen	98	18%
	Don't know/No opinion	3	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	179	33%
	Remain the same	269	50%
	Decrease	80	15%
	Don't know/No opinion	13	2%

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	282	52%
	Remain the same	219	40%
	Decrease	35	6%
	Don't know/No opinion	5	1%
<b>7. To what degree are you concerned about a potential recession affecting your business?</b>	Extremely concerned	59	11%
	Moderately concerned	199	37%
	Somewhat concerned	147	27%
	Slightly concerned	109	20%
	Not at all concerned	24	4%
<b>8. Are higher interest rates impacting your business?</b>	Yes	260	48%
	No	176	33%
	Not yet, but anticipating they will	102	19%
<b>9. Which best describes your supply chain?</b>	No problem	96	18%
	Getting worse	25	5%
	Slowly getting better	276	51%
	Not applicable	118	22%
	Other	22	4%
<b>10. How do you plan to adjust your hiring and employment plans for this year?</b>	Hiring more than planned	68	13%
	Hiring plans have not changed	407	76%
	Hiring less than planned	62	12%

Question	Answer	Respondents	
		#	%
<b>11. Is your company finding it easier or more difficult to fill job openings than it was at the start of the year?</b>	Easier	131	24%
	No change	322	60%
	More difficult	84	16%
<b>12. Are hiring challenges impacting your ability to operate your business at full capacity?</b>	Yes	235	44%
	No	303	56%
<b>13. How does your current order or customer volume compare to a year ago?</b>	Higher than a year ago	200	37%
	Lower than a year ago	145	27%
	No change	189	35%
<b>14. How do your current YTD sales revenues compare to last year?</b>	Higher than a year ago	260	48%
	Lower than a year ago	143	27%
	No change	136	25%
<b>15. Which statement best describes your current use of cash reserves:</b>	Actively building cash reserves	147	27%
	Holding cash reserves	227	42%
	Expecting to use cash reserves to cover expenses this year	75	14%
	Currently using cash reserves to cover expenses	69	13%
	Other	20	4%

Question	Answer	Respondents	
		#	%
<b>16. During your company's last fiscal year, what was its total employment?</b>	1-9 employees	46	9%
	10-19 employees	114	21%
	20-49 employees	217	40%
	50-99 employees	117	22%
	100-499 employees	43	8%
	500-999 employees	3	1%
<b>17. During your company's last fiscal year, what were its total revenues?</b>	1-4 Million	150	28%
	5-9 Million	187	35%
	10-20 Million	204	38%

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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.