

March 2023

March 6-13 | 655 respondents

Small business confidence drops amid renewed recession fears

The WSJ/Vistage Small Business CEO Confidence Index fell from 85.0 last month to 79.8 in March, reaching its lowest level since November 2022. Of the components that make up the Index, the largest monthly declines were in small businesses' assessments of current economic conditions and the year-ahead economic outlook. However, the weakness in the economy does not have much impact on respondents' net expected growth in revenues or profits.

The news of the failure of Silicon Valley Bank (SVB) did not initially have a strong negative impact on the data, especially considering that four-in-ten responses were collected from Friday, March 10th — the day SVB collapsed — to the close of the survey on Monday, March 13th. The banking crisis adds to uncertainty as additional bank failures have already occurred and others may occur in the future. Moreover, some of the ultimate direct and indirect costs of the actions of the Federal Deposit Insurance Corporation (FDIC) will fall on small businesses. Interest rates on loans to small businesses are likely to increase due to higher overall risk assessments by banks and higher FDIC insurance costs. Ongoing interest rate hikes by the Federal Reserve have already diminished small businesses' planned investment expenditures to the lowest level since the height of the pandemic in June 2020. While many expect the Fed to temporarily ease the pace of those hikes, such actions would only prolong the time needed for the Fed to achieve its goal of 2% inflation. The upcoming economic policy debates have barely begun, including discussions regarding the debt ceiling and appropriate levels of federal spending and taxes. Based on historical data, small businesses are now more likely to anticipate a recession than renewed growth in the overall economy over the next 6 months.

Economic sentiment weakens

Five times as many small businesses assessed both present and future economic conditions negatively compared to those that had optimistic outlooks. Just 11% of small businesses judged that the economy had improved in the past year, while 55% reported that the economy had continued to weaken. Small businesses were just as negative about prospects for the economy during the year ahead. Just 10% expected any gains compared with 51% who anticipated that the national economy would further worsen. When asked directly, 46% of small businesses are moderately-to-extremely concerned that a recession would negatively affect their business in the year ahead.

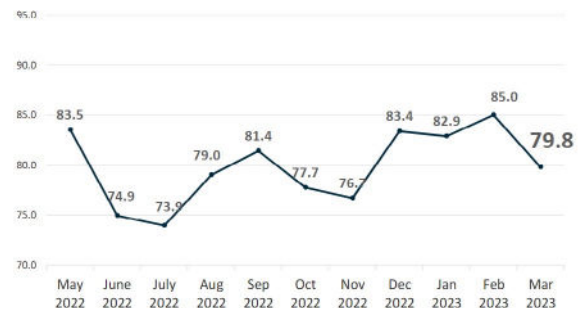
Investment plans decrease to the lowest level since June 2020

Planned increases in fixed investment expenditures were reported by just 28% of small businesses surveyed in March, down from 45% last March - the month of the Fed's first rate hike - and well below the post-pandemic peak of 61% in March 2021. Net investment intentions among small businesses are the lowest since June 2020. Rising interest rates are the primary cause as 47% reported them having a negative impact on their businesses last month, and another 20% anticipate they would in the future. As a result, 29% of small businesses reported that they decreased or delayed capital investments in the past six months.

Revenue and profit expectations post marginal declines

Higher revenues are anticipated by 57% of small businesses surveyed in March, just below the 60% recorded in the prior three months and in between last July's low of 49% and last March's high of 67%. Improved profitability is expected by 44% in March, just below last month's 45% and last year's 46%. Importantly, profit gains were the result of savings by reducing capital investments (53%), reducing workforce or delayed hiring (47%), or sourcing new vendors and suppliers (47%). These cutbacks signal preparations for a slowdown.

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



The WSJ/Vistage Small Business CEO Confidence Index dropped to 79.8 in March, a 6.1% decrease from the prior month and to the lowest level since last November.

Visit vistageindex.com to see the interactive tool and view results from previous months.

Majority of small businesses plan workforce increases

Despite their plans to save costs by a cutback in their workforce and to delay hiring, the proportion of businesses that expect to increase their total workforce rose to 58% in March, landing between last month's 52% and last March's 64%. The planned addition of workers may be an anomaly, as it was the only component to post a March gain. Alternatively, it may be due to differences across industries in the expected pace of sales, or simply reflect a desire to avoid falling victim to labor shortages, especially if the downturn is short and shallow.

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

Source: March 2023 WSJ/Vistage Small Business CEO Confidence Index Survey n=655

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	71	11%
	Remained about the same	222	34%
	Worsened	361	55%
	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	67	10%
	About the same	238	36%
	Worse	333	51%
	Don't know/No opinion	17	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	375	57%
	Remain the same	178	27%
	Decrease	99	15%
	Don't know/No opinion	4	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	290	44%
	Remain the same	225	34%
	Worsen	136	21%
	Don't know/No opinion	5	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	181	28%
	Remain the same	355	54%
	Decrease	107	16%
	Don't know/No opinion	13	2%

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	378	58%
	Remain the same	235	36%
	Decrease	35	5%
	Don't know/No opinion	8	1%
7. To what degree are you concerned about a potential recession affecting your business?	Extremely concerned	75	11%
	Moderately concerned	229	35%
	Somewhat concerned	202	31%
	Slightly concerned	120	18%
	Not at all concerned	29	4%
8. Are higher interest rates impacting your business?	Yes	304	47%
	No	220	34%
	Not yet, but anticipating they will	130	20%
9. How have your company plans for capital investments changed over the last six months?	Increased capital investments	75	11%
	Decreased capital investments	65	10%
	Delayed capital investments	124	19%
	No changes	385	59%
	Other, please specify	5	1%
10. Which best describes your approach to cost management over the next 6 months?	Have already implemented cost-cutting measures	180	28%
	Planning to reduce costs	169	26%
	No plans to reduce costs	269	41%
	Other	37	6%

Question	Answer	Respondents	
		#	%
11. In which areas do you plan to find cost savings? <i>Select all that apply</i>	Reduce workforce or delay hiring	164	47%
	Workforce benefits and employee development	41	12%
	Source new vendors and suppliers	164	47%
	Delay or reduce capital expenses	184	53%
	Decrease sales and marketing	35	10%
	Sunset unprofitable products or services	137	40%
	Other, please specify	51	15%
12. Is your company finding it easier or more difficult to fill job openings than it was at the start of the year?	Easier	151	23%
	No change	404	62%
	More difficult	100	15%
13. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	304	47%
	No	348	53%
14. How has the size of your workforce changed since the beginning of the year?	Increased	264	40%
	Remained the same	289	44%
	Decreased	102	16%
	Don't know/No opinion	1	0%
15. How have your employee retention rates changed since the beginning of the year?	Increased	83	13%
	Remained the same	496	76%
	Decreased	67	10%
	Don't know/No opinion	8	1%

Question	Responses			
		Have implemented improvements	Planning to improve	No plans to change
16. What improvements have you made to increase employee retention in the past 12 months? <i>Select all that apply</i>	Adjust base compensation	79%	7%	14%
	Employee engagement surveys/NPS	22%	22%	56%
	Company culture	57%	21%	22%
	Remote work options/flexible scheduling	38%	6%	55%
	Stay interviews	11%	21%	68%
	Bonus and incentive programs	50%	18%	32%
	Reward and recognition programs	41%	23%	36%
	Employee benefits	38%	12%	50%
	New hire onboarding	47%	19%	34%
	Workforce development	42%	29%	29%
	Leadership development	50%	30%	20%
	Pulse surveys	16%	18%	66%
	Mentorship programs	20%	25%	55%

17. Which statement best describes how you feel about Open and Regenerative AI such as ChatGPT?	It presents an opportunity to my business	288	44%
	I don't understand how it works	120	18%
	It presents a risk to my business	24	4%
	It is not relevant at this time	222	34%

Question	Answer	Respondents	
		#	%
18. During your company's last fiscal year, what was its total employment?	1-9 employees	59	9%
	10-19 employees	134	20%
	20-49 employees	274	42%
	50-99 employees	140	21%
	100-499 employees	47	7%
	500-999 employees	2	0%
19. During your company's last fiscal year, what were its total revenues?	1-4 Million	184	28%
	5-9 Million	213	33%
	10-20 Million	258	39%

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 to view an interactive tool with full results from previous months.