

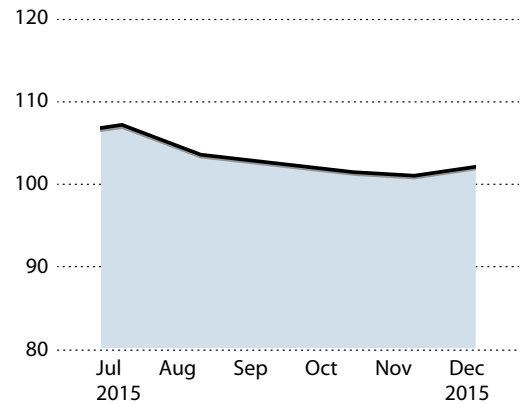
Confidence sees first increase since July.

According to the latest survey of 769 small business CEOs and owners, confidence among small firms increased for the first time in six months, although the size of the gain was quite small. The WSJ/Vistage Small Business Confidence Index was 102.7 in the December 2015 survey, up from 101.9 in the two prior months, but well below last December's 115.0. Most of the losses from last year's peak involved weakened assessments of the national economy. While small firms have also scaled back their own hiring and investment plans compared with a year ago, the declines were much smaller compared with the sharp declines in optimism about the overall economy.

To be sure, there are growing uncertainties about international and domestic economic conditions, as well as renewed concerns about increased geopolitical risks. While it is likely that these factors have played a role in weakening the overall economic outlook, it is just as likely that CEOs have adapted their firms and strategies to the "new normal" of a slower pace of economic growth. Importantly, just 14% of all small firms expected the economy to actually worsen in 2016. Indeed, seven-in-ten small firms still expect advancing revenues in the year ahead, more than half anticipate higher profits, and half plan on adding employees to their payrolls. This hardly constitutes a weak business outlook, although it does indicate a more cautious view than they expressed at the start of 2015.

Analysis by Dr. Richard Curtin, University of Michigan

WSJ/Vistage Small Business CEO Confidence Index



Visit 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 U.S. improved, remained the same, or worsened? | Improved | 285 | 37% |
| | About the same | 370 | 48% |
| | Worsened | 111 | 14% |
| | Don't know/No opinion | 3 | 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 | 202 | 26% |
| | About the same | 451 | 59% |
| | Worse | 111 | 14% |
| | Don't know/No opinion | 5 | 1% |

| Question | Answer | Respondents | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------|-----|
| | | # | % |
| 3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months? | Increase | 344 | 45% |
| | About the same | 313 | 41% |
| | Decrease | 107 | 14% |
| | Don't know/No opinion | 5 | 1% |
| 4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months | Increase | 555 | 72% |
| | About the same | 171 | 22% |
| | Decrease | 41 | 5% |
| | Don't know/No opinion | 2 | 0% |
| 5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months? | Improve | 442 | 57% |
| | About the same | 248 | 32% |
| | Worsen | 74 | 10% |
| | Don't know/No opinion | 5 | 1% |
| 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 | 438 | 57% |
| | About the same | 277 | 36% |
| | Decrease | 52 | 7% |
| | Don't know/No opinion | 2 | 0% |
| 7. In the last three months, has the amount of inventory you maintain: | Increased | 104 | 14% |
| | Decreased | 95 | 12% |
| | Remained roughly the same | 247 | 32% |
| | Not applicable | 318 | 41% |
| | Skipped | 5 | 1% |

| Question | Answer | Respondents | |
|----------------------------------------------------------------------------------|--------------------------------------------------------------|-------------|-----|
| | | # | % |
| 8. Compared with a year ago, do you think your customers are: | More optimistic about the short-term outlook for the economy | 232 | 30% |
| | Less optimistic about the short-term outlook for the economy | 199 | 26% |
| | Unchanged in their opinion | 325 | 42% |
| | Other | 9 | 1% |
| | Skipped | 4 | 1% |
| 9. During your company's last fiscal year, what was its total employment? | 1-9 employees | 65 | 8% |
| | 10-19 employees | 154 | 20% |
| | 20-49 employees | 296 | 38% |
| | 50-99 employees | 165 | 21% |
| | 100-499 employees | 87 | 11% |
| | 500-999 employees | 1 | 0% |
| | 1000-4999 employees | 1 | 0% |
| 10. During your company's last fiscal year, what were its total revenues? | 1-4 Million | 247 | 32% |
| | 5-9 Million | 232 | 30% |
| | 10-20 Million | 290 | 38% |

WSJ | VISTAGE
Small Business CEO Survey