

CEO Confidence remains strong.

Economic optimism edged upward in April due to a more favorable assessment of expected growth in profits as well as a small uptick in anticipated revenues. The WSJ/Vistage Small Business CEO Confidence Index was 113.6 in April, just above last month's 112.6 and last year's 112.3. While the current level of confidence was below its six-year peak of 120.5, which was sparked by the passage of the tax reform legislation, confidence remained near the top of the range since the survey began in mid-2012.

Small businesses were more apprehensive about the future pace of growth in the overall economy, although firms still expected continued improvement rather than deterioration. Small firms continued to report that the Trump administration has improved prospects for their own business, despite the fact that evolving international trade policies have raised concerns among small businesses. Although 60% reported that the new tariffs would not impact their business, among the balance of firms a negative impact clearly dominated: 34% thought it would have a negative impact on their businesses, while just 5% of all firms thought the new tariffs would have a positive impact on their firms. While the survey clearly found that small firms perceived the new tariffs to be harmful, the extent of the perceived harm, judging from its impact on profits and revenues, remained quite small.

Profit expectations hit six-year peak; revenue expectations robust.

The unrelenting strength in confidence among small firms was due to improved financial prospects, which regained its six-year peak in April. Profits were expected to increase by 70% of all small firms, the highest proportion recorded since the survey first began in mid-2012. Presumably, this favorable evaluation was due to the tax reforms as well as increasing sales revenues. Higher revenues were anticipated by 82% of all small firms, just below the six-year peak of 83% last recorded at the start of 2018. Although the potential impact of higher tariffs had one-third of firms concerned about their future prospects, it would appear that the passage of tax-reform legislation dominated those concerns and acted to improve the overall financial prospects of small firms. Indeed, just 4% of firms anticipated lower profits, the lowest percentage recorded in the six-year history of the survey.

Businesses plan expansion.

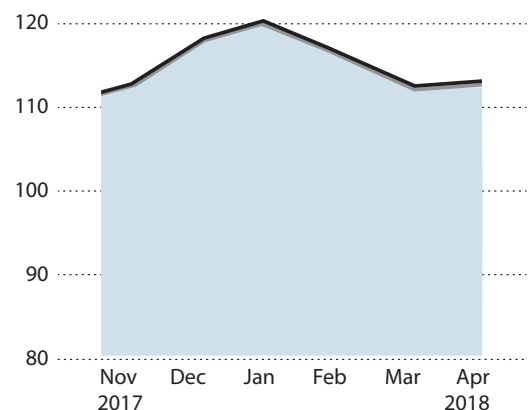
Small firms continued to expand their investments in new plant and equipment and to increase the size of their workforce. Plans to expand investment expenditures were voiced by 48% in April, just below the 52% at the start of the year (which was the highest since mid-2012). Expansion of their workforce was planned by 65% of all firms, between the peak of 72% set four months ago and last April's 61%. In response to the tight labor market, accommodations for an aging workforce were made by six-in-ten firms. The most common were: 42% offering more flexible hours, 35% shifting employees to new roles and 13% providing retraining programs.

Outlook for economy weakens.

The pace of economic growth has recently weakened and is expected to soften somewhat more in the year ahead. Recent gains in the economy were cited by 58%, down from the six-year peak of 70% three months ago, while continued gains in the year ahead were anticipated by 36% of all firms, down from 54% three months ago and the peak of 60% when Trump first entered office. Presumably, some of the decline was due to the expectation of repeated interest rate hikes in the year ahead as well as the temporary weakness in the economy during the Q1 2018; the economic outlook should bounce back in the months ahead.

– Analysis provided 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 United States improved, remained the same or worsened?	Improved	593	58%
	Remained about the same	344	34%
	Worsened	64	6%
	Don't know/No opinion	21	2%
2. During the next 12 months, do you expect the overall economic conditions in the United States will be better, about the same or worse than now?	Better	367	36%
	About the same	425	42%
	Worse	200	20%
	Don't know/No opinion	30	3%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same or decrease during the next 12 months?	Increase	493	48%
	Remain the same	467	46%
	Decrease	46	5%
	Don't know/No opinion	16	2%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same or decrease during the next 12 months?	Increase	843	82%
	Remain the same	135	13%
	Decrease	32	3%
	Don't know/No opinion	12	1%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	711	70%
	Remain the same	262	26%
	Worsen	43	4%
	Don't know/No opinion	6	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	664	65%
	Remain the same	320	31%
	Decrease	31	3%
	Don't know/No opinion	7	1%
7. Has the new Trump administration changed prospects for your business?	It has improved prospects for my firm.	451	45%
	It has worsened prospects for my firm.	160	16%
	It has had no impact on prospects for my firm.	397	39%
8. How will the new U.S tariffs impact your business?	Positively impact my business	54	5%
	No impact on my business	592	60%
	Negatively impact my business	340	34%
9. Please select the number of employees of your organization/company for the last fiscal year.	1-9 employees	86	8%
	10-19 employees	180	18%
	20-49 employees	348	34%
	50-99 employees	219	21%
	100-499 employees	104	10%
	500-999 employees	3	0%
	1000-4999 employees	1	0%
	None	31	3%

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