

November 2019

Decline in economic uncertainty buoys confidence of small business CEOs.

Pessimism among small businesses about prospects for national economy declined by the largest amount in three years in the November 2019 survey. The shift in the outlook for the overall economy pushed the WSJ/Vistage CEO Confidence Index to 97.8 in November, up from 89.9 in October, and the highest level recorded since July's 99.8. It is of some importance to note that this increase is due to a decline in pessimism about the national economy rather than a rise in optimism. Pessimistic views about the outlook for the economy fell in November 2019 to 29% from last month's 43%. In contrast, the last time such a sudden change in prospects for the national economy occurred was exactly three years ago, in the November 2016 survey; at that time, it was optimism that doubled to 46% from 23% from the prior month. Needless to say, a decline in pessimism is not the same as an increase in optimism. A decline in pessimism is usually driven by a reduction in uncertainty, whereas an increase in optimism is typically accompanied by greater certainty. The most likely source of declining uncertainty emanates from the notion that a trade deal is near. About one-third of small businesses reported a negative impact on their business from tariffs. Importantly, the sense of potential tariff relief led to small businesses reporting more positive investment and hiring plans as well as higher revenue and profit expectations than in the past few months, but they remained well below the previous year's levels. Since there is nothing certain about being near a trade deal with China, the November gains may be reversed.

Pessimism about U.S. economy lessens.

The November survey recorded minor gains in how small businesses judged the current performance of the national economy. The proportion that reported better economic conditions rose to 28% from last month's 22%, which is still half of the 55% that reported improved conditions in last November's survey. The biggest change was in how small businesses viewed prospects for the national economy during the year ahead. The proportion that expected a worsening economy fell to 29% from last month's 43%, while those expecting the economy to strengthen rose to just 15% from last month's 11%. Most of the shift was toward the view that the economy would remain largely unchanged, which is expected by 55% of CEOs in the November survey, up from last month's 44%. The data thus suggests that small businesses have expectations of very slow economic growth, just strong enough to avoid a recession.

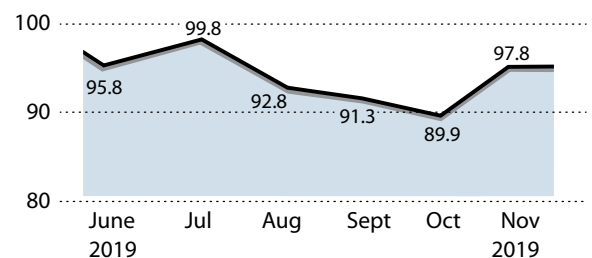
Investment and hiring plans post incremental improvements.

Investment and hiring plans improved in the November 2019 survey, although each remained below last year's readings, especially investment plans. Increases in planned investments were voiced by 39% of CEOs in November's survey, between last month's 35% and last year's 45%. Importantly, small businesses were slightly more likely to have increased their investments in the past three months (27%) rather than to have reduced or delayed investments (15%). Workforce expansion is planned by 60% of small businesses, up from 55% last month and very close to last year's 62%. The levels of investment and hiring plans are consistent with a slower overall pace of economic growth as well as continued modest gains in employment during the year ahead. The data hardly indicate that small businesses are concerned about an impending recession, as just 9% plan to decrease investment spending and just 4% plan cutbacks in their workforce during the year ahead.

Revenue and profit expectations rise slightly.

Revenue and profit expectations each posted gains compared with last month, but those gains were not sufficient to put these expectations ahead of last year's levels. Increased revenues are expected by 68% of all small businesses according to November's survey, between last month's 62% and last year's 75%. Increased profits were expected by 57% of small businesses in November, up from October's 51% and below last year's 63%. Few CEOs reported expectations for declines in revenues or profitability in November's survey; just 5% expect declines in revenues and 10% expect declining profitability, both on par with last year's projections. Overall, the revenue and profits data indicate a modest rebound with small businesses still holding relatively cautious expectations.

WSJ/Vistage Small Business CEO Confidence Index



The WSJ/Vistage Small Business CEO Confidence Index rose to 97.8 in November 2019, a near 8-point improvement from last month.

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

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

Source: November 2019 WSJ/Vistage Small Business CEO Confidence Index survey, n= 654

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained about the same, or worsened?	Improved	183	28%
	Remained about the same	333	51%
	Worsened	132	20%
	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	97	15%
	About the same	361	55%
	Worse	187	29%
	Don't know/No opinion	9	1%
3. Do you anticipate that your company's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	446	68%
	Remain about the same	165	25%
	Decrease	35	5%
	Don't know/No opinion	8	1%
4. Do you expect your company's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	376	57%
	Remain about the same	208	32%
	Worsen	64	10%
	Don't know/No opinion	6	1%
5. Are your company's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	258	39%
	Remain about the same	327	50%
	Decrease	58	9%
	Don't know/No opinion	11	2%

Question	Answer	Respondents	
		#	%
6. Do you expect your company's total number of employees will increase, remain about the same, or decrease during the next 12 months?*	Increase	390	60%
	Remain about the same	235	36%
	Decrease	25	4%
	Don't know/No opinion	4	1%
7. Has your business made any changes in investment expenditures in the past three months?	Yes, investments have increased	176	27%
	Yes, investments have decreased	42	6%
	Yes, we are delaying investment decisions	59	9%
	No, investments have stayed the same as planned	375	58%
8. How are tariffs impacting your business?	Positively impacting my business	24	4%
	No impact on my business	395	61%
	Negatively impacting my business	232	36%
9. Has the Trump administration changed prospects for your business?	It has improved prospects for my business	282	44%
	It has worsened prospects for my business	154	24%
	It has had no impact on prospects for my business	206	32%
10. During your company's last fiscal year, what was its total employment?	1-9 employees	65	10%
	10-19 employees	137	21%
	20-49 employees	238	36%
	50-99 employees	151	23%
	100-499 employees	59	9%
	500-999 employees	4	1%

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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.