

Small business CEO confidence rebounds in the new year.

The economic confidence of small businesses posted a year-to-year gain of 7.4% in January 2020, the first positive annual gain since September 2018. Most of the recent gain was concentrated in more favorable opinions about the economy. Current economic conditions were judged more favorably, posting the largest monthly gain since the month following Trump's election, and businesses viewed year-ahead prospects for the economy more favorably in January than any other time since May 2019. These gains substantially reversed the earlier concerns about the strength of the expansion over the past several months. The WSJ/Vistage Small Business CEO Confidence Index rose to 102.2 in January 2020, up from 97.4 in December and 95.2 in last January's survey. While the January gain was certainly a welcome development, small businesses can only be described as cautiously optimistic, expecting modest overall growth in the economy and in their business. To reestablish optimism, small businesses would need to record cumulative gains in the months ahead. Those gains may be difficult given the long expansion, the likely dominance of tax and spending proposals in the elections, persistent uncertainty about future trade and tariff policies, and an assortment of geopolitical risks.

Economic sentiment posts renewed strength.

The turnaround in how small business leaders judge the national economy during the past three months has been remarkable. In the January 2020 survey, three times as many small business CEOs reported that the economy had improved rather than worsened (36% improved vs. 11% worsened); in contrast to October 2019 when more CEOs reported the economy had worsened rather than improved (27% worsened vs. 22% improved). When asked about economic prospects for the year ahead, 27% of small business leaders anticipated a worsening economy, down from the seven year high of 43% three months ago. Although an improved economy during the year ahead is expected by nearly twice as many as three months ago (21% vs. 11%), the pace of anticipated growth is slow. The prime takeaway is not that small business CEOs expect a resurgent pace of growth, but that they believe the record economic expansion will continue for another year due to a reasonably strong job market as well as continued strength in consumer spending.

Investment and hiring plans stable.

Investment and hiring plans changed by modest amounts in the January survey. Plans to increase fixed investments were voiced by 43%, up from 40% last month and 39% last year. Planned decreases in fixed investments were voiced by just 11% in January, down from 14% last month and just below last year's 12%. Planned additions to their workforce were voiced by 61% in January, between last month's 64% and last year's 58%. When asked about actual changes in employment during the past year, 60% of small business CEOs responded that they had increased employment, nearly equal to last year's workforce expansion projections (58%). Although the percentage of CEOs that expect to increase their workforce may seem to be high, the small businesses included in this survey have apparently faced stronger growth prospects than most businesses.

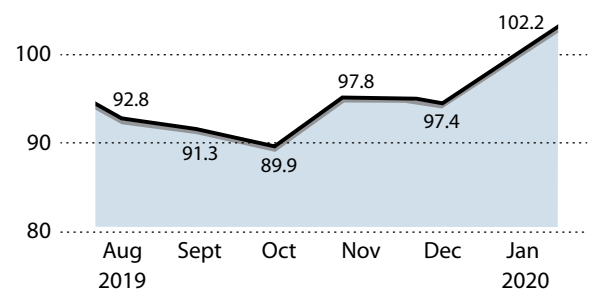
Revenue and profit expectations increase.

Revenue gains were expected by the largest proportion of CEOs in more than a year. Increases in revenues are expected by 74% of all small business CEOs, up from last month's 69% and last year's 66%. Just 6% of CEOs anticipate revenue declines. Profitability was also at the highest level since September 2018. Increased profitability is anticipated by 62%, up from last month's 58% and last year's 57%. It should be noted that when asked about the impact of tariffs, 31% of small businesses said that the tariffs had a negative impact on their business. Fully passing the added costs of tariffs to customers would increase expected revenues, while fully absorbing those added costs would decrease profits. The data suggest more businesses are passing along costs, rather than absorbing them.

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

Source: January 2020 WSJ/Vistage Small Business CEO Confidence Index survey, n= 711

WSJ/Vistage Small Business CEO Confidence Index



The WSJ/Vistage Small Business CEO Confidence Index increased to 102.2 in January 2020, a 7.4% gain from January 2019.

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 about the same, or worsened?	Improved	257	36%
	Remained about the same	356	51%
	Worsened	78	11%
	Don't know/No opinion	11	2%
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	147	21%
	About the same	349	49%
	Worse	190	27%
	Don't know/No opinion	25	4%
3. Do you anticipate that your company's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	525	74%
	Remain about the same	137	19%
	Decrease	42	6%
	Don't know/No opinion	7	1%
4. Do you expect your company's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	438	62%
	Remain about the same	196	28%
	Worsen	76	11%
	Don't know/No opinion	1	0%
5. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	431	61%
	Remain the same	243	34%
	Decrease	36	5%
	Don't know/No opinion	1	0%

Question	Answer	Respondents	
		#	%
6. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	307	43%
	Remain the same	327	46%
	Decrease	76	11%
	Don't know/No opinion	1	0%
7. Looking back at 2019, how did your total number of employees change over the course of the year?	Increased by 10% or more	221	31%
	Increased by less than 10%	203	29%
	No change	174	25%
	Decreased by less than 10%	70	10%
	Decreased by 10% or more	42	6%
8. Have you changed how you operate your business, what you sell or where you are located because of climate change or extreme weather events?	Yes	61	9%
	No	642	91%
	Don't know/No opinion	6	1%
9. How are tariffs impacting your business?	Positively impacting my business	22	3%
	Not impacting my business	465	65%
	Negatively impacting my business	223	31%
10. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	327	46%
	It has worsened prospects for my firm	159	23%
	It has had no impact on prospects for my firm	220	31%

Question	Answer	Respondents	
		#	%
11. During your company's last fiscal year, what was its total employment?	1-9 employees	65	9%
	10-19 employees	145	20%
	20-49 employees	249	35%
	50-99 employees	166	23%
	100-499 employees	78	11%
	500-999 employees	4	1%
	1000-4999 employees	3	0%
	5000+ employees	1	0%

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.