

April 2020

Small business confidence plunges in midst of economic shutdown.

Confidence among small business CEOs plunged in April due to the coronavirus and the consequent shutdown of the national economy. The free-fall in small business confidence was unprecedented, with the WSJ/Vistage Small Business CEO Confidence Index falling to just 44.7 in April, down more than 50% from 91.7 in March.

While the April falloff appears too steep to believe, it is likely that Q2 GDP will reflect the same off-the-chart decline. Given that the national economy is now near a standstill, it is reasonable to believe that small businesses may not expect any further sharp declines. However, it is still difficult to gauge how quickly the economic revival will proceed across all small businesses. It is more likely to be a gradual reopening across regions and industries, and an even slower revival in the willingness to spend among the customers of these small businesses.

In the recovery, the heightened importance of precautionary measures will mean a slower pace of investment expenditures and hiring. Small businesses will first aim to bolster retained earnings in order to provide greater financial security for their businesses.

Impact of coronavirus on small businesses.

Nearly three-in-four small business CEOs experienced some level of revenue declines in the past month due to the coronavirus;

- 20% had revenue declines of up to 10%
- 24% had declines of 10%–24%,
- 15% had declines of 25%–49%
- 15% had declines of greater than 50%.

CEO sentiments on revenues are as follows:

- Nearly 1 in 4 CEOs reported stable or increasing revenues
- 18% reported no change in revenues
- 5% reported increases in revenues

Given current business conditions CEO sentiments on cash reserves are as follows: one-third of CEOs reported they were able to support their businesses with current cash reserves for two months or less, one-third for three to five months, and one-third for six months or longer. Cost-saving measures were also introduced. Although 60% of small businesses did not reduce their overall workforce, 17% reported staff reductions of less than 10%, 10% reported reductions of 10%–24% and 12% reported reductions of 25% or more. Overall, the sudden and extensive damage to small businesses has been unprecedented, with many businesses needing aid to survive. Nine-in-ten small businesses reported interest in Federal Paycheck Protection Programs under the CARES act. Other sources of relief CEOs plan to seek out include lines of credit from local banks (46%), SBA disaster loans (38%), loan restructuring or deferred payments to creditors (29%), and assistance from state or local programs (15%).

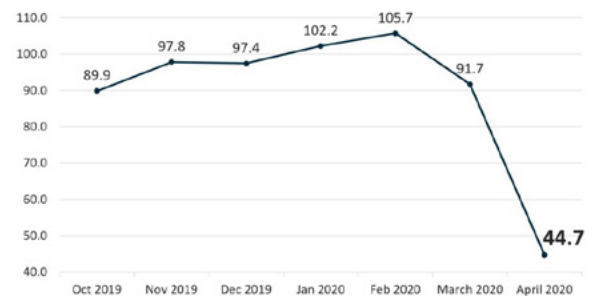
Economy expected to improve from the bottom reached in April.

There was a virtual consensus among small business CEOs about the collapse of the economy, as 94% of CEOs reported that economic conditions had worsened. When asked about future prospects, however, 33% of CEOs anticipated improving economic conditions in April, up from just 19% last month.

Overall, small businesses have judged the underlying vitality of the economy, based in large part on the anticipation that the virus threat would soon ebb. Nonetheless, one indicator of their entrepreneurial survival instinct is that 39% of all small businesses have already introduced new products or services in response to changes caused by the pandemic.

When asked about how their businesses would fare over the next six months, 38% of CEOs expect their business to be back to normal or even better than before the virus struck, 48% anticipate their businesses will be weakened but regaining momentum, and 14% expect their businesses will be significantly weakened and fighting to rebuild.

WSJ/Vistage Small Business CEO Confidence Index, October 2019 - April 2020



The WSJ/Vistage Small Business CEO Confidence Index dropped more than 50%, falling to a record low of 44.7 in April.

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

New investments canceled.

Another means to cut costs is to eliminate new spending on investments in plants and equipment. Just 14% planned new investment spending in April and 52% reported cuts; both figures were survey records. There was nearly a complete turnaround from February, when 44% planned increases and just 8% planned declines. While such sizable cutbacks reflect significant declines in current sales revenues, those declines also represent losses in future productivity and will lower capability to expand future production.

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

Source: April 2020 WSJ/Vistage Small Business CEO Confidence Index survey, n= 860

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	22	3%
	Remained about the same	23	3%
	Worsened	810	94%
	Don't know/No opinion	5	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	282	33%
	About the same	61	7%
	Worse	492	57%
	Don't know/No opinion	25	3%
3. Do you anticipate that your company's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	186	22%
	Remain about the same	148	17%
	Decrease	505	59%
	Don't know/No opinion	21	2%
4. Do you expect your company's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	178	21%
	Remain about the same	155	18%
	Worsen	508	59%
	Don't know/No opinion	19	2%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	124	14%
	Remain the same	266	31%
	Decrease	451	52%
	Don't know/No opinion	19	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	178	21%
	Remain the same	380	44%
	Decrease	274	32%
	Don't know/No opinion	28	3%
7. In which areas have you or your business been directly or indirectly impacted by the coronavirus? (Select all that apply)	Disruption to supply chain	334	39%
	Declining revenues	657	76%
	Cancellation of travel and events/conferences	693	81%
	Delays in ability to serve customers	428	50%
	Factories or office locations in affected areas	300	35%
	Employee productivity	488	57%
	Market impact	519	60%
	Increase in business/new opportunities	246	29%
	Other	51	6%
8. To what degree have your revenues been impacted by the coronavirus pandemic in the last month?	Increased	47	5%
	Decreased <10%	169	20%
	Decreased 10-24%	203	24%
	Decreased 25-49%	125	15%
	Decreased 50-74%	63	7%
	Decreased 75-89%	35	4%
	Decreased 90+%	35	4%
	No change in revenues	154	18%
	Other	28	3%

Question	Answer	Respondents	
		%	
9. How long will your cash reserves support your business during the current economic conditions?	Less than 1 month	48	6%
	1-2 months	212	25%
	3-5 months	288	34%
	6-12 months	179	21%
	More than a year	106	12%
	Other	25	3%
	10. Which options have you implemented for your workforce in the LAST 30 days? (Select all that apply)	Remote working	764
Reduced staff		259	30%
Reduced hours		233	27%
Mandatory/extra PTO		77	9%
Layoffs/reduction in force		175	20%
Furloughs		127	15%
None of the above		50	6%
Other, please specify		68	8%
11. How has the size of your total workforce changed as a result of the pandemic?	Increased	26	3%
	Decreased <10%	146	17%
	Decreased 10-24%	87	10%
	Decreased 25-49%	47	5%
	Decreased 50-74%	22	3%
	Decreased 75-89%	27	3%
	Decreased 90+%	11	1%
	No change in workforce	494	57%

Question	Answer	Respondents	
		#	%
12. Which options are you considering for your workforce in the NEXT 30 days? (Select all that apply)	Remote working	529	62%
	Reduced staff	242	28%
	Reduced hours	326	38%
	Mandatory/extra PTO	85	10%
	Layoffs/Reduction in force	199	23%
	Furloughs	187	22%
	None of the above	149	17%
	Other	81	9%
13. Which forms of government aid or other financial assistance from banks or creditors are you planning to leverage? (Select all that apply)	SBA disaster loans	315	38%
	Federal Paycheck Protection Program (CARES Act SBA 7a relief loan)	744	90%
	State or local programs	128	15%
	Line of credit from local bank	379	46%
	Restructure or defer payments to creditors	239	29%
	Other	45	5%
14. When do you expect economic conditions in the U.S. will begin to improve?	Less than 1 month	3	0%
	1-2 months	99	12%
	3-5 months	353	41%
	6-12 months	303	35%
	More than one year	94	11%
	Other	7	1%

Question	Answer	Respondents	
		#	%
15. Which statement describes where you expect your business to be 6 months from now?	Stronger than before	189	22%
	Back to normal	136	16%
	Moderately weakened but regaining momentum	417	48%
	Significantly weakened and fighting to rebuild	118	14%
16. Have you made any changes in the products or services you offer as a result of the pandemic?	Yes	335	39%
	No	523	61%
17. Has the Trump administration changed prospects for your business?	It has improved prospects for my firm	337	39%
	It has worsened prospects for my firm	228	27%
	It has had no impact on prospects for my firm	293	34%
18. During your company's last fiscal year, what was its total employment?	1-9 employees	71	8%
	10-19 employees	169	20%
	20-49 employees	349	41%
	50-99 employees	187	22%
	100-499 employees	83	10%
	500-999 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.