

May 2021
May 3-10 | 611 respondents

Economic boom expected by small businesses

Optimism among small businesses doubled during the past year, rising from an all-time low in April to nearly equal to the nine-year peak of 120.5 reached in January 2018. Substantial reductions in COVID-19 infections, as well as record fiscal and monetary stimulus, enabled the surge in economic confidence among small businesses. Importantly, the jobs and family plans announced by the Biden administration have led many to anticipate that the economy will boom in the years ahead. However, no economic turnaround of this speed and magnitude expected is without supply bottlenecks that boost input prices. Nor can small businesses expect expanding their workforce to be an easy task due to hesitancy induced by pandemic concerns, let alone extended benefits to lower wage workers.

Indeed, nearly seven-in-ten small businesses responding to the May survey reported trouble finding qualified employees. In order to take advantage of the coming economic boom, those small businesses challenged with hiring are offering higher wages (62%), benefits (26%) and hiring bonuses (22%) as well as remote work (32%). In addition, those small businesses are actively developing the skills of their existing workforce (62%) or investing in automation and other labor saving devices (28%). In contrast, less than one-in-five those firms who are having trouble finding talent are purposely slowing their growth (19%) in response to hiring challenges. Small businesses recognize the need to pay higher input prices and wages in anticipation of higher sales revenues and higher profits. Higher inflation as well as higher employment are common features of a booming economy. Small businesses may well be concerned about Biden's proposed business taxes, but those concerns will not deter them from making the most of the coming boom in economic activity.

Resurgent economy

Three quarters of all small businesses — the highest proportion in the nine-year history of the survey — reported that the economy had recently improved. The shutdown plunge was steep, occurring in just two months, and the rebound has been equally rapid, with the proportion of small businesses reporting gains in the economy rising to 77% in May from just 17% in February 2021. When asked about prospects for the national economy during the year ahead, the outlook reached a nine-year record in March, with 67% of small businesses anticipating an improved economy; that very positive expectation remained unchanged in April and May. Combined, the current and expected outlooks for the economy have never been better in the last nine years.

Revenue and profit expectations improve

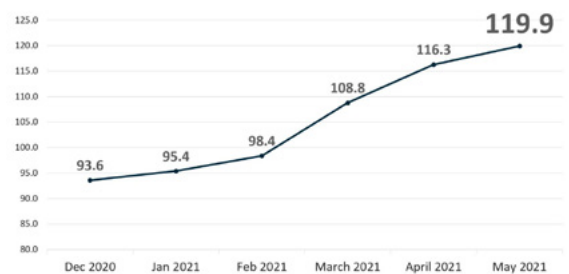
Increased revenues were anticipated by 79% of all small businesses in May, reaching its highest level since early 2018. While improved revenue expectations fell sharply in early 2020, the subsequent gains occurred throughout late 2020 and early 2021. The year-long gradual increase in revenue expectations was due to 81% of small businesses who said that they never shutdown their operations, with lower projections for revenues reflecting pandemic constraints on demand. Profitability expectations also gradually increased in the past year to near pre-pandemic levels in May.

Increased investment spending

Plans to increase fixed investment spending were voiced by 47% of all small businesses in April, up from 43% in March and well above the 37% set in January 2021. Increased investment spending will allow businesses to expand output or produce output more efficiently. Importantly, two-thirds of all small businesses plan to continue to create new products or services generated in response to the pandemic.

Plans to increase their fixed investment spending were voiced by 50% of all small businesses in May, the highest level since 2018 and only marginally below the nine-year peak of 52%. In the April survey, two-thirds of small businesses reported offering new products or services, and in the May survey, over half of small businesses indicated plans to increase funding for advertising, with digital marketing (86%) dominating all other media and sales supporting efforts.

WSJ/Vistage Small Business CEO Confidence Index – 6 month trend



The WSJ/Vistage CEO Confidence Index climbed to 119.9 in May, up from 116.3 in April and last April's record low of 44.7

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

Challenges to hiring

Planned net increases in hiring were voiced by 75% of all small businesses in May, the highest level recorded in the nine-year history of the survey. Peak hiring plans attest to the confidence that small businesses have in the very positive outlook for the economy. Many CEOs are increasing wages and benefits in response to the competitive talent landscape. In addition, six-in-ten firms are refining recruitment strategies and one-in-five firms are establishing or seeking partnerships to create apprenticeship or internship programs. Company run training programs of existing employees have the advantage of a longer and more comprehensive assessment of talent.

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

Source: May 2021 WSJ/Vistage Small Business CEO Confidence Index Survey n=611

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	471	77%
	Remained about the same	81	13%
	Worsened	57	9%
	Don't know/No opinion	2	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	403	66%
	About the same	133	22%
	Worse	67	11%
	Don't know/No opinion	8	1%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	485	79%
	Remain the same	99	16%
	Decrease	22	4%
	Don't know/No opinion	5	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	381	62%
	Remain the same	178	29%
	Worsen	50	8%
	Don't know/No opinion	2	0%

Question	Answer	Respondents	
		#	%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	308	50%
	Remain the same	254	42%
	Decrease	35	6%
	Don't know/No opinion	14	2%
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	459	75%
	Remain the same	139	23%
	Decrease	10	2%
	Don't know/No opinion	3	0%
7. How do you expect your investment in marketing to change this year compared to pre-pandemic levels?	Increase	332	54%
	Remain the same	246	40%
	Decrease	22	4%
	Don't know/No opinion	10	2%
8. Which areas of marketing are you investing in this year? Select all that apply:	Branding	277	46%
	Digital marketing; website, social, ecommerce	518	86%
	Marketing automation	145	24%
	Direct or targeted marketing	297	49%
	Demand and/or lead generation	201	33%
	Traditional media; print, radio, TV	65	11%
	Sales support; collateral, case studies, messaging	233	39%
	Other	27	4%
9. Is your business having trouble finding qualified employees?	Yes	421	69%
	No	187	31%

Question	Answer	Respondents	
		#	%
10. If hiring has become more difficult, what are you doing in response? Select all that apply:	Boosting wages	259	62%
	Adding employee benefits	110	26%
	Developing existing workforce	259	62%
	Slowing or delaying growth	80	19%
	Allowing employees to work remotely	133	32%
	Offering hiring bonuses	91	22%
	Refining recruitment strategies	247	59%
	Investing in automation and labor saving devices	119	28%
	Seeking partners to create apprenticeship or internship programs	85	20%
	Does not apply	9	2%
	Other	21	5%
11. Did your business partially or fully close during the pandemic?	Yes, fully closed	19	3%
	Yes, partially closed with reduced hours or days of operation	96	16%
	No, did not close	496	81%
12. Did your landlord, bank or other creditor provide your business with any special payment arrangements during the pandemic, such as reducing or deferring amounts owed?	Yes	114	19%
	No	494	81%

Question	Answer	Respondents	
		#	%
13. During your company's last fiscal year, what was its total employment?	1-9 employees	57	9%
	10-19 employees	110	18%
	20-49 employees	234	38%
	50-99 employees	145	24%
	100-499 employees	61	10%
	500-999 employees	2	0%
	1000-4999 employees	1	0%
	None	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.