

Small business uncertainty reigns

The WSJ/Vistage Small Business CEO Confidence Index has traced a volatile path during the past six months reflecting continued uncertainty about prospects for the national economy among small businesses. The Index fell to 77.7 in October, down from 81.4 in September but remaining above the recent lows in June (74.9) and July (73.9). Most of the October losses were concentrated in more negative views of the national economy, despite more favorable prospects CEOs had for their own firms. Indeed, when asked how concerned they were about a potential recession, just 17% of small businesses were extremely concerned about its impact, and 18% reported a slight or no concern while two-thirds reported being just moderately or somewhat concerned. That was not true for expected interest rate hikes: 43% of small businesses said they were already impacted and 24% expected additional rate hikes would negatively affect their business. The difference is that small businesses can proactively counter prospects for recession and inflation, while continued interest rate hikes will directly increase costs and lower demand, meaning less working capital and postponed investments. A good deal of the prevailing uncertainty can be attributed to interest rate policy, and small businesses can be expected to be more concerned about recession as domestic and global demand declines and unemployment increases.

Small business sentiment about the economy weakens

Two-thirds of all small businesses thought that conditions in the national economy had worsened in the October survey, while just one-in-seven respondents reported that the economy had improved. Although these judgments have wobbled sideward at low levels in the past six months, negative views about the economy have nearly tripled over the past year (65%, up from 23%). When asked about year-ahead prospects for the economy, 56% expected the economy to worsen in the year ahead, up from 47% last month, and well above last year's 32%. Firms' assessments of current and future economic prospects are likely to continue to wobble near recession lows given the unusual levels of uncertainty, including Fed policies, energy shortages and the invasion of Ukraine.

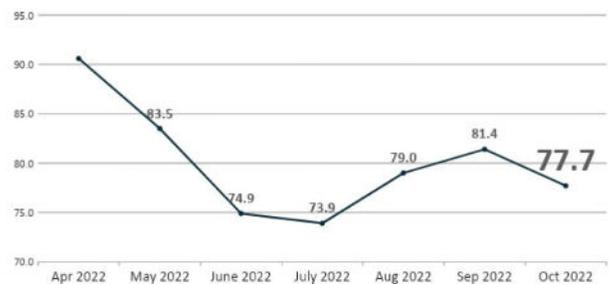
Revenue and profit expectations decline slightly

The proportion of small businesses that anticipate revenue increases was 53% in October, an insignificant change from last month's 57% or the low of 49% recorded three months ago. When asked about the impact of inflation, small businesses cited a wide range of rising cost pressures at nearly identical levels to last month's survey, including wages (90%), vendor costs (78%), raw materials (54%) and energy (51%). The sole difference was in references to changes in buyer behavior, which rose to 50% from last month's 43%, suggesting price increases have begun to trim demand. In contrast, expectations for increased profits were slightly more common in October than in the past six months, mainly benefiting from less frequent anticipated declines rather than expected gains: 22% of small businesses expect declining profits, down from 30% three months ago, while higher profits were cited by 40%, barely above last month's 39%. Avoiding losses during recessions is of greater importance to small businesses.

Hiring plans remain strong

There has been virtually no change in hiring plans in the past five months. Adding to their workforces was planned by 53% of small businesses in both the September and October surveys, which was just barely above the 52% recorded in the prior three months. As odd as it may seem, the difference between hiring plans and views of the overall economy may prove to be rational given that twice as many small businesses think hiring has become more difficult than easier since the start of the year (32% vs. 16%), and half of small firm CEOs (55%) noted that hiring constraints have impacted their ability to produce at full capacity. Competition for employees has meant that small businesses have increased wages (87%) and benefits packages (42%). More importantly, small businesses have heavily invested in employee training (57%) and leadership

WSJ/Vistage Small Business CEO Confidence Index: 6-Month Trend



The WSJ/Vistage Small Business CEO Confidence Index decreased to 77.7 in October 2022, a 4.6 percent drop from last month.

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development (52%). Small businesses are attempting to balance these increased costs and capacity constraints against future growth in sales. This is consistent if most small business CEOs expect the coming economic downturn to be mild and short rather than deep and long lasting.

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

Source: October 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=529

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	73	14%
	Remained about the same	111	21%
	Worsened	345	65%
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	61	12%
	About the same	168	32%
	Worse	295	56%
	Don't know/No opinion	5	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	281	53%
	Remain the same	178	34%
	Decrease	65	12%
	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	210	40%
	Remain the same	195	37%
	Worsen	119	22%
	Don't know/No opinion	5	1%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	181	34%
	Remain the same	252	48%
	Decrease	87	16%
	Don't know/No opinion	9	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	281	53%
	Remain the same	208	39%
	Decrease	38	7%
	Don't know/No opinion	2	0%
7. To what degree are you concerned about a potential recession affecting your business?	Extremely concerned	90	17%
	Moderately concerned	208	39%
	Somewhat concerned	136	26%
	Slightly concerned	75	14%
	Not at all concerned	20	4%
8. Are higher interest rates impacting your business?	Yes	227	43%
	No	172	33%
	Not yet, but anticipating they will	128	24%
9. Which inflationary effects is your business experiencing? <i>Select all that apply</i>	Higher costs for raw materials and other inputs	286	54%
	Increased prices from vendors	410	78%
	Increased wages and compensation	474	90%
	Increased energy prices	268	51%
	Change in buyer behaviors	263	50%
	Increased costs for business travel	216	41%
	Not experiencing effects from inflation	9	2%
	Other	9	2%

Question	Answer	Respondents	
		#	%
10. Which best describes your supply chain?	No problem	68	13%
	Getting worse	62	12%
	Slowly getting better	282	53%
	Not applicable	95	18%
	Other	22	4%
11. How do your current inventory levels compare to ideal levels for your business?	Higher than ideal	117	22%
	Lower than ideal	77	15%
	At ideal levels	86	16%
	Does not apply	249	47%
12. How will your hiring for the remainder of 2022 change compared to your plans at the start of the year?	Hiring more than planned	82	16%
	Hiring plans have not changed	363	69%
	Hiring less than planned	84	16%
13. Is your company finding it easier or more difficult to fill job openings than at the start of the year?	Easier	87	16%
	No change	273	52%
	More difficult	169	32%
14. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	290	55%
	No	238	45%
15. If you measure employee engagement, how has your engagement changed in the past year?	Improved	182	34%
	Remained the same	238	45%
	Worsened	46	9%
	Do not measure employee engagement	62	12%

Question	Responses				
16. How have you modified the following programs and benefits you offer employees to support retention and engagement?	Increased	Remained the same	Decreased	Uncertain at this time	
	Wages	87%	13%	0%	1%
	Employee benefits package	42%	56%	1%	1%
	Employee development & training	57%	41%	1%	1%
	Leadership development programs	52%	45%	1%	2%
	Remote work options	34%	56%	7%	4%
	Flexible hours/schedules	35%	59%	3%	3%
Parental leave policies	11%	76%	1%	11%	
17. Which best describes your current workforce model?	All-remote workforce			55	10%
	Hybrid workforce			248	47%
	Fully on-site workforce			203	38%
	Other, please specify			22	4%
18. How many days a week are your workers currently required to be in person?	1			6	2%
	2			18	7%
	3			24	10%
	4			12	5%
	5			10	4%
	Varies by department requirements or employee preference			153	62%
	Other			25	10%

Question	Answer	Respondents	
		#	%
19. How will the number of days your hybrid employees are required to be in the office change in the next 3 months?	Increase	29	12%
	Decrease	9	4%
	Remain the same	207	84%
20. During your company's last fiscal year, what was its total employment?	1-9 employees	44	8%
	10-19 employees	103	19%
	20-49 employees	211	40%
	50-99 employees	114	22%
	100-499 employees	53	10%
	500-999 employees	1	0%
	1000-4999 employees	1	0%
	5000-9999 employees	1	0%
	10000+ 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.