

Small business optimism improves

The WSJ/Vistage Small Business CEO Confidence Index continued to post gains above the lows recorded in the prior three months. The Index increased to 81.4 in September, up from 79.0 in August and the two-year lows set in June (74.9) and July (73.9). Most of the increase was due to improved expectations for the national economy; the September gain was also due to improved profit expectations. While most Index components have recently inched upward, it does not mean that a recession will be avoided; it does suggest that businesses have adjusted to a prolonged period of high inflation and rising interest rates. Although two-thirds of businesses expected to raise their selling prices in the year ahead, nine-in-ten respondents reported the need to pay higher wages, and the majority reported higher vendor costs and increased costs for raw materials and energy.

Uncertainty about the extent that the Federal Reserve will increase interest rates has led to small businesses putting fixed investment expenditures on hold. Plans for increased investments dropped in September to the same two-year low first recorded in June. Importantly, inventories of finished goods rose above normal levels. Of the 60% of small businesses that held inventories, twice as many reported holding higher-than-usual inventories than those holding lower-than-usual inventories. It is likely that these higher inventories are a precautionary measure, not an unintended accumulation, and will be addressed by a diminished future pace of production. Also supporting a cautious outlook were the 43% of small businesses that expected slowing customer demand. The critical issue is how much will the Federal Reserve's policies curtail demand and raise unemployment in late 2022 and 2023.

Small business sentiment about the economy improves

Small businesses continued to expect declining growth in the national economy to moderate in the year ahead. The proportion that expected declines fell to 47% in September, down from the ten-year peak of 62% in June and July. While few anticipated improved economic conditions (14%, unchanged from last month), the shift was primarily toward the stabilization of the economy (37%, up from 27% in June and July). Assessments of current economic conditions also improved, with negative judgments falling to 58% (from the July peak of 69%). While the recent shifts are welcome news, it should be noted that compared with last year's survey, evaluations of current economic conditions were lower on balance by 56.6%, and expected conditions fell by 36.2%. One common interpretation is that businesses now anticipate a shorter and less severe recession: high inflation and rising unemployment, what is commonly called stagflation.

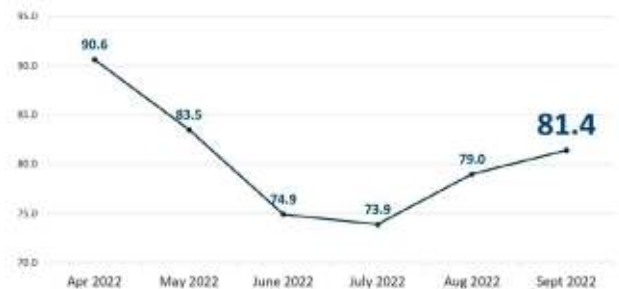
Revenue and profit expectations rise marginally

The proportion of small businesses that anticipated revenue increases was 57% in September, marginally higher than the July low of 49%. Indeed, the proportion expecting higher revenues from June to September was lower than any time during the past two years. The September assessment came despite 67% of small businesses anticipating they would have to raise selling prices for their products or services. Profit expectations were judged more favorably in September. The proportion of small businesses that expect rising profits were only marginally higher than last month (39% versus 36%). More significant is that the proportion of small businesses that expect profit declines dropped 7 percentage points, with just 20% expecting declines, down from last month's 27%.

Hiring plans remain strong

There has been virtually no change in hiring plans during the past four months. Adding to their workforces was planned by 53% of small businesses in September, barely above the 52% recorded in the prior three months, with all four months at the lowest level since the start of the pandemic. Compared with their hiring plans at the start of 2022, businesses were less likely to report no change in their plans in September (62% down from 70% last month). Among those who had changed hiring plans, businesses planned to hire more workers than last month

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



The WSJ/Vistage Small Business CEO Confidence Index increased to 81.4 in September 2022, a slight increase from last month.

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

(29% up from 13%) and fewer planned workforce reductions (9% down from 17%). When asked about the challenges of filling job openings compared to the start of 2022, 30% said it was more difficult now compared with 18% replying it was now much easier. More than half of all small businesses (59%, just above last month's 57%) reported that unfilled jobs meant that they were unable to operate at full capacity.

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

Source: September 2022 WSJ/Vistage Small Business CEO Confidence Index Survey n=752

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	129	17%
	Remained about the same	179	24%
	Worsened	439	58%
	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	102	14%
	About the same	279	37%
	Worse	351	47%
	Don't know/No opinion	20	3%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	428	57%
	Remain the same	230	31%
	Decrease	87	12%
	Don't know/No opinion	7	1%
4. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	293	39%
	Remain the same	298	40%
	Worsen	153	20%
	Don't know/No opinion	8	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	278	37%
	Remain the same	343	46%
	Decrease	114	15%
	Don't know/No opinion	17	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	401	53%
	Remain the same	297	39%
	Decrease	51	7%
	Don't know/No opinion	3	0%
7. How do you expect prices for your product or service to change during the next 12 months?	Increase	500	67%
	Remain the same	221	29%
	Decrease	21	3%
	Don't know/No opinion	9	1%
8. Which effects of inflation are you experiencing for your business? <i>Select all that apply</i>	Higher costs for raw materials and other inputs	426	57%
	Increased prices from vendors	572	76%
	Increased wages and compensation	678	90%
	Increased energy prices	384	51%
	Change in buyer behaviors (slowing demand, smaller budgets, increased rigor, longer sales cycles)	323	43%
	Increased costs for business travel	291	39%
	Not experiencing effects from inflation	12	2%
	Other	20	3%
9. Which best describes your supply chain?	No problem	94	13%
	Getting worse	106	14%
	Slowly getting better	379	51%
	Does not apply	134	18%
	Other	37	5%

Question	Answer	Respondents	
		#	%
10. How do your current inventory levels compare to historical levels?	Higher	187	25%
	About the same	177	24%
	Lower	76	10%
	Does not apply	302	40%
	Other	6	1%
11. Since the beginning of the year, how has the size of your workforce changed?	Increased	52	9%
	Remained the same	100	18%
	Decreased	221	39%
	Don't know	133	23%
12. Since the beginning of the year, how have your employee retention rates changed?	Increased	97	13%
	Remained the same	491	65%
	Decreased	160	21%
	Don't know	3	0%
13. How will your hiring for the remainder of 2022 change compared to your plans at the start of the year?	Hiring more than planned	215	29%
	No change to hiring plans	467	62%
	Hiring less than planned	69	9%
14. Are hiring challenges impacting your ability to operate your business at full capacity?	Yes	442	59%
	No	309	41%

Question	Responses								
15. If hiring employees has become more difficult, what are you doing in response? <i>Select all that apply</i>	<table border="1"> <thead> <tr> <th></th> <th>Have implemented</th> <th>Planning to implement</th> <th>No plans to implement</th> <th>Uncertain at this time</th> </tr> </thead> </table>					Have implemented	Planning to implement	No plans to implement	Uncertain at this time
		Have implemented	Planning to implement	No plans to implement	Uncertain at this time				
	Boosting wages	79%	11%	8%	2%				
	Offering flexible hours/schedules	63%	4%	28%	5%				
	Offering hiring bonuses	35%	7%	51%	7%				
	Creating apprenticeship or internship programs	34%	19%	39%	8%				
	Leveraging assessments	24%	12%	46%	17%				
	Increasing overtime	30%	4%	60%	7%				
	Refining recruitment strategies	60%	20%	17%	3%				
	Adding employee benefits	46%	13%	36%	5%				
	Developing existing workforce	71%	22%	5%	2%				
	Leadership development programs	52%	29%	14%	4%				
	Reorganizing the workforce	39%	19%	37%	6%				
Investing in automation and labor-saving devices	33%	25%	35%	6%					
Offering remote work options	56%	2%	37%	5%					

16. Is your company finding it easier or more difficult to fill job openings than at the start of the year?	Easier	136	18%
	No change	386	52%
	More difficult	224	30%

Question	Answer	Respondents	
		#	%
17. Which best describes your current workforce model?	All-remote workforce	69	9%
	Hybrid workforce	348	46%
	Fully onsite workforce	305	41%
	Other	27	4%

18. In the next three months, how do you expect the following components of your workforce model to change?	Decrease	Remain the same	Increase
	Remote work	12%	81%
On-site work	2%	79%	19%
Flexible scheduling (hours and days on site)	3%	85%	12%

19. During your company's last fiscal year, what was its total employment?	1-9 employees	71	9%
	10-19 employees	131	17%
	20-49 employees	305	41%
	50-99 employees	181	24%
	100-499 employees	63	8%
	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.