

CEOs gain confidence as a result of the presidential election results

The post-election November survey of small business CEOs recorded a 5.9% gain in economic confidence from October, and the first year-to-year gain in the Confidence Index since July of 2015. CEOs provided more favorable assessments on all Index components, with the largest improvement in the year-ahead outlook for the U.S. economy. The WSJ/Vistage Small Business CEO Confidence Index was 102.4 in the November 2016 survey, up from 96.7 in October and just above last year's 101.9.

When asked about the impact of the election, 55% of CEOs said Trump's election would result in an improved economy, 40% said it improved prospects for their own firm, and 20% said it would cause them to increase their hiring and planned investments.

To be sure, some CEOs expected Trump's election to have a negative impact on the economy (28%) and their own firm's business prospects (20%). After taking into account the net impact, the gains exceeded the declines on all potential areas. As might be anticipated, the initial impact was largest on overall economic and business prospects, and much smaller, but still positive, on hiring and investment plans. Presumably, small firms like most others were surprised by Trump's victory, and more importantly, do not know the specific economic proposals and regulatory changes his administration would actually propose and implement. The initial reaction was quite positive, like any honeymoon, but a successful partnership will take time to develop and require hard work and compromise.

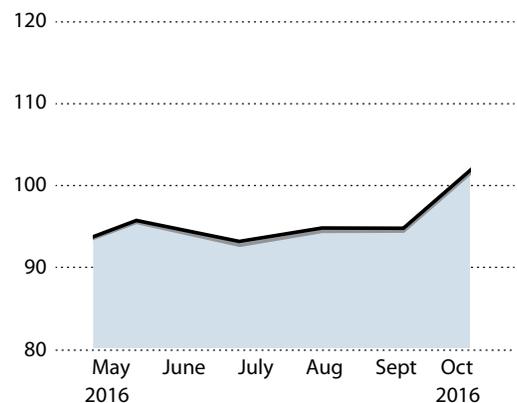
Growth Rate Expected to Improve. Among all small business CEOs, 46% expected the economy to improve in the November survey, double last month's 23%, and just below the peak of 48% recorded in late 2014. Nearly all of this gain can be attributed to the impact of the election, since when asked about current conditions in the economy, just 28% of all CEOs reported recent improvement, barely above last month's 25% and still well below last year's 36%. The rapid rise in favorable expectations for the economy is based on anticipated changes in economic policies and regulations, and those favorable expectations need to be repeatedly reconfirmed by ongoing progress toward those goals. An administration can expect no greater benefit than having favorable expectations speed up desired change, and no worse nightmare than having policy initiatives be greeted by negative outcome expectations.

Investment Plans. Expansionary investment plans were reported by 44% of CEOs in November, between last month's 37% and last year's 46%. The small gain from last month is consistent with the reported small net impact of the presidential election: 20% of CEOs said they would increase investments versus 13% reporting decreases in capital spending.

Revenues & Profits. Growing revenues were expected by 72% of CEOs in November, just ahead of last month's 69% and last year's 71%. Profits were expected to increase by 58% of CEOs in November, up from 55% last month and last year's survey. While CEOs may be comfortable with expecting stronger economic growth in the overall economy due to the election, they need more positive evidence to adjust their revenue forecasts.

Hiring Plans. Plans to hire additional employees were reported by 58% of CEOs in November, just below the 52% recorded last month, and regaining the level recorded in April 2016. The presidential election recorded the second-smallest impact on net hiring plans. While the surprise election of Trump was immediately reflected in more favorable expectations for the economy, it will take more evidence of the size and timing of the anticipated policy changes before small business CEOs are confident enough to undertake the risks of ramping up hiring or investments.

WSJ/Vistage Small Business CEO Confidence Index



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Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?	Improved	273	28%
	Worsened	169	17%
	About the same	529	54%
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	451	46%
	Worse	206	21%
	About the same	279	29%
	Don't know/No opinion	37	4%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	429	44%
	Decrease	117	12%
	Remain the same	409	42%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months?	Increase	704	72%
	Decrease	74	8%
	Remain the same	182	19%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	565	58%
	Worsen	124	13%
	Remain the same	272	28%
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	562	58%
	Decrease	81	8%
	Remain the same	317	33%
7. Has the outcome of the presidential election changed your expectations for the economy?	It improved my outlook for the economy.	530	55%
	It worsened my outlook for the economy.	265	28%
	It had no impact on my outlook for the economy.	164	17%

Question	Answer	Respondents	
		#	%
8. Has the outcome of the presidential election changed business prospects for your business?	It has improved prospects for my firm.	382	40%
	It has worsened prospects for my firm.	189	20%
	It has had no impact on prospects for my firm.	384	40%
	Skipped	5	1%
9. Has the outcome of the presidential election influenced your firm's hiring plans?	I plan to increase hiring based on the outcome of the election.	188	20%
	I plan to decrease hiring based on the outcome of the election.	129	13%
	The outcome of the election will have no impact on my hiring plans.	645	67%
10. Has the outcome of the presidential election influenced your plans for capital investments?	I plan to increase my capital investments based on the outcome of the election.	193	20%
	I plan to decrease my capital investments based on the outcome of the election.	132	14%
	The outcome of the presidential election will have no impact on my capital investments.	634	66%
11. During your company's last fiscal year, what was its total employment?	1-9 employees	72	7%
	10-19 employees	153	16%
	20-49 employees	336	35%
	50-99 employees	215	22%
	100-499 employees	178	18%
	500-999 employees	14	1%
	1000-4999 employees	3	0%

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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.