Small Business Outlook Remains Strong

Entrepreneurs Split on Impact of Tax Reform, Trade Policies
Economic Outlook Conforms With Slower Economic Growth

CHARLOTTE, N.C.

U.S. entrepreneurs continued to project a strong business outlook this spring even as confidence in the national and local economy weakened, according to the spring 2019 Bank of America Business Advantage Small Business Owner Report. Health care costs and the political environment topped the list of small business owners’ concerns for the year ahead, while entrepreneurs reported a mixed view on the impact of last year's landmark tax reform and shifts in trade policy.

The report, based on a semiannual survey of more than 1,500 small business owners across the country, reveals that:

- Small business owners’ business outlook over the next 12 months remains strong and steady:
  - Sixty-seven percent of entrepreneurs plan to expand their business (steady from fall 2018).
  - Fifty-nine percent believe their revenue will increase (vs. 57 percent in fall 2018).
  - Twenty-four percent plan to hire (vs. 27 percent in fall 2018).
  - Twelve percent plan to apply for a loan (vs. 15 percent in fall 2018).

- While their economic outlook weakens slightly:
  - Forty-eight percent are confident the national economy will improve (vs. 55 percent in fall 2018).
  - Fifty-one percent express similar confidence in their local economies (vs. 54 percent in fall 2018).
  - Top economic concerns have all risen since fall 2018, including health care costs (66 percent), interest rates (48 percent), stock market and consumer spending (both 47 percent).
  - The political environment, a new concern measured this spring, ranks as business owners’ second-greatest concern (65 percent).
“Small business owners remain optimistic about the outlook for their own businesses and project revenue increases in the year ahead,” said Sharon Miller, head of Small Business, Bank of America. “However, these entrepreneurs are also feeling slightly less confident in the economy and are expressing more concern about a variety of economic factors.”

**Entrepreneurs split on effects of recent policy changes, contemplate impact of climate change**

Nearly two-thirds of entrepreneurs expressed concern about the current political environment, though they are divided over how major policy issues are directly impacting them. Half of small business owners say the new tax code has impacted their business — with 28 percent reporting that impact as positive. This is down from the 45 percent who anticipated a positive impact one year ago.

Regarding U.S. trade policy, 41 percent say they have been impacted by tariffs, with 18 percent reporting a negative impact, 9 percent reporting a positive impact and 14 percent reporting a mixed impact. Additionally, 33 percent of entrepreneurs say they’re concerned about climate change affecting their business.

**Most business owners preparing for the worst — but are they doing enough?**

Unexpected or major economic events can transform a business in the blink of an eye. While most entrepreneurs are taking steps to protect their business from potential threats, such as natural disasters, an economic downturn or a cyber-breach, a sizeable number are not. Additionally, most entrepreneurs do not have a plan to address reputational crises or challenges.

- Sixty-one percent have a business continuity plan in case of a flood, fire or other disaster, though 39 percent do not have such a plan.
- Sixty-nine percent have taken steps to prepare for an economic downturn, while 31 percent have not.
- Eighty percent of business owners have taken at least one step to protect customer data from a cyber-breach, while 20 percent have not taken any steps.
- Seventy-six percent do not have a plan to manage reputational issues and threats.

Perhaps a result of growing up in a time of greater economic turmoil, millennial business owners are more likely to have taken steps to prepare their business for an economic downturn (79 percent vs. national average of 69 percent) and are more likely to have a plan in place to address reputational issues (36 percent vs. national average of 24 percent).

**The power of posts — are online reviews more of a trust broker or breaker?**

Customer feedback holds tremendous sway in the digital era, with online reviews serving as a powerful channel for sharing both compliments and criticisms. While a majority of business owners have received a negative online review of their business (54 percent), more believe positive reviews have greater impact than negative ones (62 percent vs. 38 percent).

Furthermore, 63 percent say reviews are important to the success of
their business, with 80 percent reporting that positive reviews have helped generate business opportunities. However, recognizing that negative reviews also have an impact, 66 percent of business owners who have received one say they respond as soon as possible to limit the reputational damage.

For a complete, in-depth look at the insights of the nation’s small business owners, read the spring 2019 Bank of America Business Advantage Small Business Owner Report. For additional insights, download the Small Business Owner Report infographic.

Bank of America Business Advantage Small Business Owner Report Survey

Ipsos Public Affairs conducted the Bank of America Small Business Owner Report Survey for spring 2019 online between February 8 and February 24, 2019, using a pre-recruited online sample of small business owners. Ipsos contacted a national sample of 1,504 small business owners in the United States with annual revenue between $100,000 and $4,999,999 and employing between two and 99 employees. In addition, a total of approximately 300 small business owners were also surveyed in each of 10 target markets: Atlanta, Boston, Chicago, Dallas, Houston, Los Angeles, Miami, New York, San Francisco and Washington, D.C. The final results were weighted to national benchmark standards for size, revenue and region.

Prior to 2016, previous waves of the Small Business Owner Report Survey were conducted by telephone, and while best efforts were made to replicate processes, differences in sample, weighting and method suggests caution when making direct statistical comparisons of the results from pre-2016 and post-2016.

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