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the fourth quarter, according to the latest Wells Fargo/Gallup Small Business Index.

Nov. 20, 2017

Following the largest increase in a decade, small business optimism held steady in the fourth quarter, according to the latest [Wells Fargo/Gallup Small Business Index](#).

In the [quarterly survey](#), which measures the optimism of small business owners, the overall Index score dipped slightly to 103 in October – down from 106 in July when it was the highest Index reading in a decade. A contributing factor to the three-point decrease was how business owners evaluated their current finances. Seventy-one percent rated their financial situation today as very or somewhat good in October, down five percentage points from 76 in July. Despite this slight decline, business owners' financial situation remains at pre-recession levels.

Hiring Remains a Top Challenge

In October, business owners were asked to identify the most important challenge facing their businesses today. Sixteen percent of small business owners said hiring and retaining quality staff is their top concern, up from 13 percent last quarter and the highest reading on this measure since the question was added to the survey in 2013. While hiring is a top challenge, 32 percent of business owners reported plans to increase the number of jobs at their business in the next year – the second highest percentage in the 14-year history of the survey. Other top concerns this quarter included attracting customers and finding new business (11 percent), taxes (11 percent), government regulations (11 percent), and financial stability/cash flow (8 percent).

“Hiring the workers they need has clearly become a more pressing issue for small business owners,” noted Mark Vitner, Senior Economist at Wells Fargo. “Labor

markets have tightened around the country and many workers that had been

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- **Healthy Cash Flow** – Continuing an upward trend, 65 percent of small business owners rated their company's cash flow as very or somewhat good over the past 12 months, up from 63 percent from the previous two quarters and from 55 percent a year ago.
- **Ease of obtaining credit** – Again this quarter, 39 percent said credit was very or somewhat easy to obtain over the past 12 months, up from 34 percent a year ago.
- **Plans to hire** – About a third (32 percent) reported plans to hire in the next 12 months, compared to 27 percent in July.

“It's promising to see that, in general, business owners are maintaining a positive outlook as we move toward the end of the year,” said Andy Rowe, Wells Fargo head of Customer Segments. “Despite this quarter's modest decline, business owner optimism has improved 23 points year-over-year and is still holding steady at post-recession highs. As we look ahead to 2018, it's a positive sign that business owners continue to report capital spending plans at the stronger levels achieved at the end of 2016, and that one in three are looking to add new staff.”

Small Business Marketing and Payment Trends

The latest survey also asked business owners about their technology use, and found that only about half are making changes to the way they market and operate their businesses. When asked how they use social media in their business, more business owners reported an active presence on Facebook (53 percent) than any other social media platform. In addition, 53 percent said social media is very or somewhat important for marketing to new and existing customers, followed closely by advertising (52 percent). The latest survey also shows that business owners are making small strides to update their online and e-commerce presence. In the next 12 months, 53 percent of business owners plan to update their websites and 51 percent plan to increase their online presence through online marketing and social media

sites. About a third plan to increase efforts to interact with customers via online or

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from 20 percent in January 2016. Twelve percent of business owners said they accept digital wallet payments, compared to 5 percent in January 2016.

Small Business Index Key Drivers

In October, the “present situation” score – how business owners gauge their perceptions over the past 12 months – decreased slightly to 43, down from 45 in July when it was at the highest point in a decade. The “future expectations” score – how business owners expect their businesses to perform over the next 12 months – remained relatively unchanged at 60.

Wells Fargo/Gallup Small Business Index Scores: Q4 2016– Q4 2017

	Overall Index	Present	Future
	Score	Situation	Expectations
Q4 2017 (surveyed October 2017)	103	43	60
Q3 2017 (surveyed July 2017)	106	45	61
Q2 2017 (surveyed April 2017)	95	36	59
Q1 2017 (surveyed February 2017)	100	40	60
			56
Q4 2016 (surveyed November 2016)	80	24	

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