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Small business owners are overwhelmingly optimistic about the financial outlook of their businesses and the national economy, but many are facing challenges with hiring. That's according to the latest quarterly [Wells Fargo/Gallup Small Business Index](#).

Eighty percent of business owners said they are optimistic about the financial outlook of their businesses over the next 12 months, and 71 percent of business owners said their businesses had improved over the last year.

"Small business optimism and overall confidence in the economy remains high, largely due to an increase in sales and revenues, which suggest demand is strong," said Mark Vitner, Wells Fargo managing director and senior economist. "We continue to see a large number of business owners struggle to find the workers they need, however, and that may ultimately squeeze profit margins."

In the most recent [survey](#), which measures small business optimism, the overall Index score was 106, almost unchanged from January when it was 107 – its highest level in more than a decade. The current Index score was driven by high readings from small business owners on their financial situation and business revenues.

Challenges in hiring

A tight labor market is proving challenging for the 43 percent of survey respondents who said they plan to hire new employees in the next 12 months. Sixty-four percent said finding well-qualified employees will be a challenge for the growth of their business.

In addition, when asked to name their top challenge as a business owner, hiring and

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of small business owners said the economy is on the right track for their businesses to grow, and 83 percent said their businesses are positioned to take advantage of a strong economy in the next year.

More than half (57 percent) said the national economy has improved over the last year, and about a quarter of business owners said their businesses had benefited a great deal from the improved national economy over the past year.

Small business owners' positive view of the economy also may prompt increased investments in their businesses. Fifty-nine percent of small business owners said they are very likely or somewhat likely to provide salary or wage increases to their employees over the next 12 months, and 52 percent said they are very likely or somewhat likely to provide bonuses or other benefits to employees. Sixty-two percent said they are very likely or somewhat likely to purchase new equipment, and another 60 percent said they are very or somewhat likely to invest in new products or services to expand their businesses.

Tax reform impacts on small businesses

What's less clear to small business owners, however, is how the American Tax Cuts and Jobs Act, passed in December, will impact their businesses. Thirty-nine percent said they still don't know how the tax bill will affect their businesses, and 27 percent said they do not expect tax reform to benefit their businesses. Twelve percent of respondents said tax reform has already helped their businesses, and 21 percent said they expect it will benefit their businesses in the future.

Wells Fargo/Gallup Small Business Index Scores: Q2 2017 – Q2 2018

	Overall Index Score	Present Situation	Future Expectations
Q2 2018 (surveyed April	106	45	61

2018)

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