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Small Business Optimism Hits New Highs

By Isaac M. O'Bannon, Managing Editor

Small business optimism is at an all-time high in a new study.

The latest quarterly [Wells Fargo/Gallup Small Business Index](#), which measures small business optimism, had an overall Index score of 118, 12 percentage points higher than last quarter and the highest level in the survey's 15-year history. The current Index score was driven by high indicators from small business owners on their overall financial situation, cash flow and ability to obtain credit. The news comes as the U.S. economy grew 4.1 percent in the second quarter, according to the U.S. Department of Commerce, outperforming an average growth rate of 2.3 percent from the fourth quarter of 2012 to the first quarter of 2018.

"Small business owners continue to feel confident about their business' current and future financial situation as the economy continues to show positive growth," said Andy Rowe, Wells Fargo head of Customer Segments. "We are hopeful the unprecedented optimism among business owners will translate into an increase in business investments, and more Main Street small business growth."

Positive financial outlook

Confidence in the economy was reflected in small business owner attitudes about their current and future financial situation. In the July Wells Fargo/Gallup Small Business Index, 78 percent of small business owners reported their financial situation today is very or somewhat good, and 84 percent of business owners said they expect their financial situation will be very or somewhat good a year from now.

In addition, both current and projected future cash flow were key drivers of small business optimism, with 69 percent classifying their cash flow over the past 12

months as very or somewhat or good, an increase of 6 percentage points from the

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revenues remained relatively consistent with the previous quarter. About half of respondents said their revenues increased over the last 12 months, and 61 percent said they expect company revenues will increase over the next 12 months.

Challenges in hiring and retaining staff remain

For the second consecutive quarter, survey respondents said hiring and retaining staff was their top challenge, at 18 percent. It could remain a challenge in the year ahead, as 35 percent of firms said they expect an increase in the number of jobs at their company in the next year. Other top challenges cited by business owners include taxes (9 percent) and attracting new business (9 percent), which have been consistently reported among the top issues of small business owners.

Companies see limited competition from online retailers

The vast majority of small business owners (80 percent) noted that their business did not currently compete with large e-commerce companies and retailers. Additionally, about two-thirds of business owners said the shift from brick-and-mortar stores to online retailers does not impact their business.

Some small business owners, however, are continuing to increase their digital presence to compete in an increasingly digital marketplace. While only one quarter of business owners said they currently conduct 25 percent or more of their business online, the number of respondents who expect to conduct at least this much business online in the next five years was 37 percent. Additionally, 54 percent of respondents said they are at least somewhat likely to increase their online and social media marketing efforts over the next 12 months.

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