March 3, 2022

Small Business Startup Sentiment Index™ (SSI)

Startup Sentiment Tested by Geopolitical and Market Turmoil, But Remains Strong

- Now 76% of aspiring owners see business conditions as the same or getting better for startups in coming months
- Record 30.6% say that the pandemic is no longer a factor, but 42.9% say that it reduced the amount of capital they have to invest

STARTUP SENTIMENT: MOST POSITIVE IN EIGHT MONTHS

On February 24th, the day the survey launched, news headlines of the invasion of Ukraine stunned the world and roiled financial markets. Despite the uncertainty, 57.4% of aspiring business owners were resolute about starting their businesses within the next three months. Further, 76% of these survey respondents see business conditions about the same or getting better in the next three months. Over 73% of would-be entrepreneurs agree or strongly agree that "now is a good time to start a business", up from 63% in January. FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale.

Is NOW is a good time to start a business?

Source: FranchiseInsights.com Startup Sentiment Index™, Feb 2022

The survey was conducted February 24-28, 2022. This entrepreneurial optimism parallels the ongoing surge in new business applications which began in September.
2020 as reported by the US Census Bureau. These optimistic views on conditions for business startup persist despite two months of decreasing sentiment seen in The Conference Board’s Survey of Consumer Confidence.

OUTLOOK ON BUSINESS CONDITIONS BIFURCATED

Partly as a reflection of confidence in current conditions, only 34% of respondents believe that in three months, conditions will be “better or much better” than now, compared to the 50-60% readings at the height of the pandemic. A larger minority see conditions “worse or much worse” in the same time frame, at a record 24%, while in stark contrast, 76% see conditions staying the same or getting better.

SENTIMENT ABOUT STARTING “NOW” VS. THREE MONTHS AGO

Positive sentiment means slightly fewer respondents are more upbeat now about starting or buying their business than they were three months ago. In February, 59.8% of those responding indicated that they were “more or much more likely to start a business now than three months ago” compared with the recent high of 68.9% in October 2021.

The percentage of survey respondents who were “less or much less likely to start a business than three months ago” came in at 13.7%, just above the 11.9% average over the prior 12 months.
STARTUP TIMING: ENTREPRENEURS READY NEAR-TERM

In February 2022, entrepreneurs expressing intent to start or buy “this month” settled back to 194% of responses indexed to January 2020 from the peaks of the previous two months. The index of aspiring business owners planning startups in the “next 2-3 months” almost doubled from January to 97%, approaching the twelve-month high in November seen at 111% of January 2020. The data doesn’t reveal “why”, but a similar increase was observed in the first few months of 2021, suggesting seasonality.

In summary, 57.4% of respondents expressed intent to start or buy their businesses “within the next three months.” Startup intentions in the “next four to six months” shrank to 12.9%, bringing the total with intent to start within 6 months to 70.3%.

Starts “This Month” at 4-Month High

Source: FranchiseInsights.com Startup Sentiment Index™ Feb 2022
While access to funding remains an oft-cited startup issue, prospective business owners have shown decreasing concern about availability of startup financing in recent months, with 38.2% seeing it getting “harder or much harder” three months from now. Over 43% see access to funding in three months being “about the same” and 18.6% see it getting “easier or much easier.”
With other factors mostly flat or declining over the last several months, 73.5% of prospective business buyers cited “funding or access to credit” as the factor having the biggest impact on their decisions to buy or start a business, with the highest seen in April 2021 at 87.6%. Beyond the funding concern, “economic climate” is next highest at 35.7%, in somewhat of a downward to flat trend for several months.

Despite a significant drop in the stock markets during the week of the survey, only 10.2% of entrepreneurs cited the stock market as having a significant impact on their business startup plans.

ONGOING PANDEMIC DRIVES BUSINESS PREFERENCES

For two years, when asked how Covid-19 had affected their interest in starting a business or opening a franchise, respondents to the FranchiseInsights.com Small Business Startup Sentiment Index™ most often cited the desire for “controlling my own destiny through business ownership.” A few months into the pandemic, more began indicating a preference for “businesses that would be resistant” to shocks like Covid-19. This sentiment reached an all-time low in February at 19.4% of respondents, significantly down from December and January during the Omicron surge. The effectiveness of vaccines and decreasing deaths are clearly a factor in the latest poll.

Similarly, in February, the percentage putting their plans on hold dropped to a record low of 5.1%, and the percentage indicating that “this is an issue that will be resolved” before starting their businesses rose to 30.6%, the highest ever recorded.
GEN-Z REACHES RECORD 10% OF RESPONDENTS

Of the survey respondents, 47.9% are currently employed full-time, down from the recent high of 58.6% seen in October 2021. Current business owners made up 17.7% of respondents in February 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners reached 65.6% of respondents, almost flat to that seen in the prior month.

About 18.8% of respondents were working for themselves as freelancers or consultants. None in the aspiring entrepreneurs in the February survey were on active duty in the military.

47.9% of Aspiring Owners Leaving a Full Time Job

Gen-X (48%) and Millennials (29%) accounted for the highest percentages of survey respondents, and Baby Boomers dropped further to 13% in February. The most
An interesting demographic note was the 10% of respondents from Gen-Z which is the highest on record. For the next several years though, **millennials and Gen-X will drive business startups as they reach peak business startup ages** and Boomers age out of the workplace.

See also a complete profile of the [generational demographics of aspiring business buyers](#) from a large demographic sample spanning 2018-2021. Further, analysis of **gender demographics of business buyers shows women making up an increasing percentage** of aspiring business owners, particularly in the post-Boomer age cohorts.

The Small Business **Startup Sentiment Index™** is derived from a monthly survey of individuals who have recently inquired about businesses or franchises for sale on the digital assets of FranchiseVentures.

FranchiseVentures is the leading demand- and lead-generation platform for potential franchisees to thousands of growing franchise systems in the United States and Canada. Its franchise directory brands include Franchise.com, Franchise Solutions, Franchise Gator, Franchise Opportunities, Franchise For Sale, SmallBusinessStartup.com and BusinessBroker.net, and together they provide the largest aggregation of prospective franchise buyers in the U.S.

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