FranchiseInsights.com has reported Business Startup Sentiment Trends data with monthly surveys since January 2020. 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. This survey was conducted February 23-28, 2023.

Norfolk, Virginia – Released March 8, 2023
Small Business Startup Sentiment Index™ (SSI)

Over 59% of Aspiring Business Owners are More Likely to Start Now than Three Months Ago

- Hard Enough? 20% Fewer Prospects See Funding “Getting Harder in 3 Months”
- Gen-X is the largest age cohort by more than 2X

STARTUP SENTIMENT CONSISTENT FOR THREE MONTHS

In February 2023, 59.1% of entrepreneurs surveyed say they are “more likely to launch their startups than three months ago.” Coincidentally, 59.1% of survey respondents either agree or strongly agree that “now is a good time to start a business”, consistent with the prior month, but down from the high of 73.5% in February 2022. FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale. While 28% see business conditions deteriorating in three months, 72% still see conditions for business startups “the same or better in three months.” On a more cautious note, in February 2023, 43% of entrepreneurs planned their startups within the next three months, down from August’s recent high of 69.2%.

59.1% of Respondents Agree Now Still a Good Time for Startup

Source: FranchiseInsights.com Startup Sentiment Index™, Feb 2023

The survey was conducted February 23-28, 2023. The continuing trend in entrepreneurial optimism parallels the ongoing surge in new business applications since
September 2020 as reported by the US Census Bureau. These relatively optimistic views on conditions for business startup stand in contrast with depressed consumer sentiment over the last year as seen in The Conference Board’s Survey of Consumer Confidence and The University of Michigan Consumer Sentiment Surveys reported on the St. Louis Federal Reserve’s FRED website, though both have been improving since June 2022.

FUTURE CONDITIONS MOSTLY “MORE OF THE SAME”

Despite the downward trend in optimism about future business conditions, in February 2023, 72% still see conditions no worse – staying the same or getting better – in three months with 53.8% seeing them “about the same.”

Only 18.3% of respondents believe that in three months, conditions will be “better or much better” than now, down from the 50-60% readings at the height of the pandemic, and a record low for this measure. On the other hand, now 28% see conditions “worse or much worse” in the same time frame.

RESPONDENT SENTIMENT BETTER THAN 3 MONTHS AGO

Despite continuing headlines of war, inflation, higher interest rates and a potential recession, most respondents are more upbeat now about starting or buying their business than they were three months ago. In February 2023, 59.1% of those responding indicated that they were “more or much more likely to start a business now than three months ago.” With 28% “about the same,” that means that 87.1% are as or more likely to launch their startups than they were three months ago.

The percentage of survey respondents who were “less or much less likely to start a business than three months ago” came in at 12.9%, down from the 11.9% average over the prior 12 months.
3-MONTH STARTUP TIME FRAMES PULLED BACK TO RECORD LOW

In February 2023, entrepreneurs expressing intent to start or buy “this month” rose slightly to 143% of responses (more than doubled) as indexed to January 2020 prior to the pandemic. The index of aspiring business owners planning startups in the “next 2-3 months” dipped to 73.4%, down from the January 2020 reference point. Now 19.4% of respondents expect to delay startup for more than 12 months.

In February, 43% of respondents expressed intent to start or buy their businesses within the next three months, slightly up from January’s record low of 41.6% and below the previous record low reading of 44.2% during the height of the Omicron wave in October 2021. Startup intentions in the “next four to six months” are at 21.5%, bringing the total with intent to start within 6 months to 64.5%.

Uptick in Startup Timelines Within Next 12 Months

How likely are you to start a business now compared to 3 months ago?

Source: FranchiseInsights.com Startup Sentiment Index™ Feb 2023

Small Business Startup Sentiment Index™ ©Franchise Ventures LLC, 2023
While access to funding remains a primary startup issue, prospective business owners are showing ongoing concerns about availability of startup financing in recent months, with 26.9% seeing it getting “harder or much harder” three months from now, down from 46.8% one month ago. Now 59.1% see access to funding in three months being “about the same” and 14% see it getting “easier or much easier” despite all the news about increasing interest rates and a potential economic slowdown..
Despite other factors returning slowly to the foreground over the last several months, still 69.9% 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, down significantly from the high seen in April 2021 at 87.6%. Beyond the funding concern, “economic climate” is next highest, rebounding from 27% in August to 39.8% in January 2023.

Despite the overall decline in stock market indexes over the preceding thirteen months, only 18.3% of entrepreneurs cited the stock market as having a significant impact on their business startup plans. A guess is that more of their business startup assets are in home equity and ready sources of cash than equities.

PANDEMIC FADES, BUT IMPACT LINGERS ON

For more than two years, when asked how the pandemic had affected their interest in starting a business or opening a franchise, respondents to the Franchiselnsights.com Small Business Startup Sentiment Index™ most often cited the desire for “controlling my own destiny through business ownership.” That sentiment stands now at 28%, even though the pandemic has receded from the news headlines.

A few months into the pandemic, more respondents began indicating a preference for “businesses that would be resistant” to shocks like Covid-19. This sentiment stood at 20.4% in February after reaching an all-time low in April 2022 at 12.1% of respondents, significantly down from the spikes in December 2021 and January 2022 during the Omicron variant surges. The effectiveness of vaccines and the fading headlines about deaths are clearly factors in recent monthly polls.

The percentage putting their plans on hold in February at 11.8% was up from September’s 3.9% record low. Those indicating that “this is an issue that will be resolved before starting” their businesses grew to 29%..
FULL-TIME WORKERS, GEN-X AND GEN-X DOMINATE

Of the survey respondents, 44.1% are currently employed full-time, down from the high of 58.6% seen a year ago in October 2021. Current business owners made up 20.5% of respondents in February 2023, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stood at 61.6%, below the high of 78.6% seen in October 2021.

About 20.4% of respondents were working as freelancers or consultants, and this month less than 1% of the aspiring entrepreneurs in the survey were on active military duty.

44.1% of Aspiring Owners Leaving a Full Time Job; 20.4% are Biz Owners

Source: FranchiseInsights.com Startup Sentiment Index™ Feb 2023
Gen-X dominated with 53.8% of respondents, while Baby Boomers (19.4%) stayed in third place, as Millennials continued their number two position at 21.5% of respondents. This month, Gen-Z grew to 5.4% of respondents, down from the 10% peak seen in February 2022, but growing substantially from the 3.29% share of all respondents seen in 2022. For the next several years, 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.

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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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