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 January 26-31, 2023.

Norfolk, Virginia – Released February 8, 2023

Small Business Startup Sentiment Index™ (SSI)

Over 58% of Aspiring Business Owners Say ‘Now is a Good Time’ to Launch Their Startups

- 67.5% “More or Much More Likely” to Start than 3 months ago
- 23.4% are putting their plans on hold

STARTUP SENTIMENT REBOUNDS: NOW STILL A GOOD TIME

As of January 2023, 76.6% of aspiring business owners are planning to launch their businesses within the next 12 months. And now, 58.4% of aspiring business owners 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% as recently as February 2022. FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale. While 20.8% see business conditions deteriorating in three months, 79.2% still see conditions for business startups “the same or better in three months.” In January 2023, 41.6% of entrepreneurs planned their startups within the next three months, down from August's recent high of 69.2%.

58.4% of Respondents Agree Now Still a Good Time for Startup

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

The survey was conducted January 26-31, 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 declining trends in consumer sentiment in the last several months 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.

FUTURE CONDITIONS “MORE OF THE SAME”

Despite the downward trend in optimism about future business conditions, in January 2023, 79.2% still see conditions no worse – staying the same or getting better – in three months with 55.8% seeing them “about the same.”

Only 23.4% 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. Another 20.8% see conditions “worse or much worse” in the same time frame.

RESPONDENT SENTIMENT MUCH BETTER THAN 3 MONTHS AGO

Despite continuing headlines of war, inflation, higher interest rates and a likely recession, over two thirds of respondents are more upbeat now about starting or buying their business than they were three months ago. In December, 67.5% of those responding indicated that they were “more or much more likely to start a business now than three months ago.” With 19.5% “about the same,” that means that 87% 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 13%, down from the 11.9% average over the prior 12 months.
STARTUP TIMELINES PUSHED BACK INCREMENTALLY

In January 2023, entrepreneurs expressing intent to start or buy “this month” dropped to 136% 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 71.75%, down from the January 2020 reference point. Now 23.4% of respondents expect to delay startup for more than 12 months.

In January, 41.6% of respondents expressed intent to start or buy their businesses within the next three months. This is below October’s 47.3%, the lowest percentage since the Omicron wave in October a year ago. Startup intentions in the “next four to six months” are at 26%, bringing the total with intent to start within 6 months to 67.5%.

Uptick in Startup Timelines Within Next 12 Months

Source: FranchiseInsights.com Startup Sentiment Index™ Jan 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 46.8% seeing it getting “harder or much harder” three months from now. Now 32.5% see access to funding in three months being “about the same” and 20.8% 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 74% 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 40.3% in January 2023.

Despite the overall decline in stock market indexes over the preceding thirteen months, only 18.2% 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 STILL IMPACTS BUSINESS PREFERENCES**

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 36.4%, 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 15.6% in January 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 January at 10.4% 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 23.7%.
FULL-TIME WORKERS, GEN-X AND GEN-X DOMINATE

Of the survey respondents, 49.4% are currently employed full-time, down from the high of 58.6% seen a year ago in October 2021. Current business owners made up 14.3% of respondents in January 2023, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stood at 63.6%, below the high of 78.6% seen in October 2021.

About 19.5% of respondents were working as freelancers or consultants, and this month 1.3% of the aspiring entrepreneurs in the survey were on active military duty.

49.4% of Aspiring Owners Say They Are Leaving a Full Time Job

Source: FranchiseInsights.com Startup Sentiment Index™ Jan 2023
Gen-X dominated with 46.1% of respondents, while Baby Boomers (19.7%) stayed in third place, as Millennials continued their number two position at 30.3% of respondents. This month, Gen-Z grew to 3.9% of respondents, down from the 10% peak seen in February 2022, but consistent with 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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