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 July 21-28, 2022.

August 3, 2022
Small Business Startup Sentiment Index™ (SSI)

Startup Intent ‘Within Three Months’ Hits All-Time High Despite Concerns

- 61.7% of aspiring business owners expect to start within the next 3 months; 76.7% within the next 6 months

STARTUP SENTIMENT: BOUNCES OFF JANUARY DIP

Aspiring business owners have adjusted to financial and geopolitical headwinds, and never-ending epidemiological headlines, with 81.6% seeing conditions for business startups “the same or better in three months” and only 18.4% expecting conditions to worsen. In July, a record 61.7% of entrepreneurs planned their startups within the next three months. Currently, 68.1% of would-be entrepreneurs agree or strongly agree that “now is a good time to start a business”, down from the recent high of 73.5% in February. FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale.

Survey Respondents Agree Now Still a Good Time for Startup

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

The survey was conducted July 21-28, 2022. This continuing 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 sharp drops in consumer sentiment in recent
months (compared to post-pandemic highs in mid-2021) 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 site.

FUTURE BUSINESS CONDITIONS “MORE OF THE SAME”
As a reflection of the degree of confidence in current conditions, only 29.5% 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. Rebounding from June 2022, only 18.4% see conditions “worse or much worse” in the same time frame. In total, 81.6% see conditions staying the same or getting better.

SENTIMENT IMPROVED FROM THREE MONTHS AGO
Despite headlines of war, inflation, and possible recession, respondents are more upbeat now about starting or buying their business than they were three months ago. In July, 65.2% of those responding indicated that they were “more or much more likely to start a business now than 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 only 9.9%, consistent with the 11.8% average over the prior 12 months.
How likely are you to start a business now compared to 3 months ago?

Source: FranchiseInsights.com Startup Sentiment Index™ July 2022

TIMING: RECORD 61.7% EXPECT STARTUP WITHIN NEXT 3 MONTHS

In July 2022, entrepreneurs expressing intent to start or buy “this month” settled at 209% of responses (more than doubled) as indexed to January 2020. The index of aspiring business owners planning startups in the “next 2-3 months” rose to 103.7%, close to the twelve-month high in November seen at 111% of January 2020.

In July, 61.7% of respondents expressed intent to start or buy their businesses within the next three months. Startup intentions in the “next four to six months” were at 14.9%, bringing the total with intent to start within 6 months to 76.6%.

Startup Schedules Shift to Within Three Months

Source: FranchiseInsights.com Startup Sentiment Index™ July 2022
CONCERNS OVER FUNDING STILL PARAMOUNT

41.1% See Funding Harder or Much Harder Over the Next 3 Months

While access to funding remains a primary startup issue, prospective business owners have shown decreasing concern about availability of startup financing in recent months, with 41.1% seeing it getting “harder or much harder” three months from now. About 40.4% see access to funding in three months being “about the same” and only 18.4% see it getting “easier or much easier” with all the news about increasing interest rates and a potential economic slowdown.
With other factors returning slowly to the foreground over the last several months, still about two thirds (66.2%) 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 – and rising – at 38.9%, substantially up from the 24.7% reading a year ago in July 2021.

Despite the multi-month decline in stock market averages through the survey period in June, only 11.5% of entrepreneurs cited the stock market as having a significant impact on their business startup plans. A guess is that more of their assets are in home equity and ready sources of cash as opposed to equities.

**ONGOING PANDEMIC DRIVES BUSINESS PREFERENCES**

For more than 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.” That sentiment now stands at 41%, as concerns about the pandemic recede.

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 15.8% in June after reaching an all-time low in April 12.1% of respondents, significantly down from the spikes in December and January during the Omicron surge. The effectiveness of vaccines and the decreasing deaths are clearly factors in recent monthly polls.

The percentage putting their plans on hold in July at 10.1% increased slightly over the lows of recent months. Those indicating that “this is an issue that will be resolved before starting” their businesses grew further to 23.7%.
GEN-X AND GEN-Y REMAIN THE LARGEST STARTUP AGE COHORTS

Of the survey respondents, 52.5% are currently employed full-time, down from the recent high of 58.6% seen in October 2021. Current business owners made up 18% of respondents in July 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stand at 70.5%, the highest since July 2021.

About 9.4% of respondents were working as freelancers or consultants, and less than 1% of the aspiring entrepreneurs in the survey were on active military duty.

52.5% of Aspiring Owners Say They Are Leaving a Full Time Job

[Graph showing the percentage of aspiring owners by employment status from January to July 2022]
Gen-X (56.8%) and Millennials (28.1%) accounted for the highest percentages of survey respondents, and Baby Boomers shrank to 12.2%, the lowest percentage since November 2020. This month, Gen-Z comprised 2.2%, versus the 10% peak seen in February 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.

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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