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 May 19-26, 2022.

June 1, 2022

Small Business Startup Sentiment Index™ (SSI)

Confidence Higher Among Business Buyers than Consumers in May

- 78% of aspiring business owners surveyed expect to start within the next 6 months
- 71.6% of respondents “more or much more likely to start a business now than three months ago

STARTUP SENTIMENT: OFF LAST MONTH HIGHS

While measures of consumer sentiment have been declining in recent months, optimism about starting a business remains solid. Despite war headlines, stock market declines and inflation woes, 78% of aspiring business owners surveyed in May were resolute about starting their businesses within the coming six months. Not surprisingly, 76.6% of these survey respondents see business conditions about the same or getting better in the next three months. Currently, 67.4% of would-be entrepreneurs agree or strongly agree that “now is a good time to start a business”, down from 69.2% in April.

FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale.

The survey was conducted May 19-26, 2022. The entrepreneurial optimism seen parallels the ongoing surge in new business applications which began in September.
2020 as reported by the US Census Bureau, and continues today. These optimistic views on conditions for business startup stand in contrast with declining 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.

OUTLOOK ON BUSINESS CONDITIONS SPLIT
Partly as a reflection of confidence in current conditions, only 29.1% 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. About 23.4% see conditions “worse or much worse” in the same time frame, while in stark contrast, 76.6% see conditions staying the same or getting better.

SENTIMENT ABOUT STARTING “NOW” VS. THREE MONTHS AGO
Despite headlines of war and inflation, respondents are more upbeat now about starting or buying their business than they were three months ago. In May, 71.6% of those responding indicated that they were “more or much more likely to start a business now than three months ago”, at the highest level since February 2020.

The percentage of survey respondents who were “less or much less likely to start a business than three months ago” came in at only 6.4%, a huge drop from the 12.1% average over the prior 12 months.
TIMING: OVER 78% EXPECT STARTUP WITHIN NEXT 6 MONTHS

In May 2022, entrepreneurs expressing intent to start or buy “this month” settled at 238% of responses (more than doubled) as indexed to January 2020, closer to the peaks seen a few months earlier. The index of aspiring business owners planning startups in the “next 2-3 months” dipped to 71% in May, as compared to the twelve-month high in November seen at 111% of January 2020.

In May, 56% 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 22%, bringing the total with intent to start within 6 months to 78%.

Startup Intent "This Month" Highest Since January 2022

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

44.7% See Funding Harder or Much Harder Over the Next 3 Months

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 44.7% seeing it getting “harder or much harder” three months from now. About 39% see access to funding in three months being “about the same” and only 16.3% see it getting “easier or much easier” with all the news about increasing interest rates and a potential economic slowdown.
With other factors mostly flat or declining over the last several months, two-thirds (66.7%) 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 at 37.6%, in somewhat of a downward to flat trend over the last two years, though up slightly from April’s 33.9% reading.

Despite the multi-month decline in stock market averages through the survey period in May, only 9.9% of entrepreneurs cited the stock market as having a significant impact on their business startup plans.

**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 41.8%.

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 rebounded to 19.9% in May after reaching an all-time low in March at 12.1% of respondents, significantly down from the spikes in December and January during the Omicron surge. The effectiveness of vaccines and decreasing deaths are clearly a factor in recent polls.

Similarly, in May, the percentage putting their plans on hold at 8.5% held near the record low of 5.1% in February. Those indicating that “this is an issue that will be resolved before starting” their businesses grew to 19.9%.
GEN-X AND GEN-Y REMAIN THE LARGEST STARTUP AGE COHORTS

Of the survey respondents, 50% are currently employed full-time, down from the recent high of 58.6% seen in October 2021. Current business owners made up 20.1% of respondents in May 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners reached 70.1% of respondents, the highest recorded since July 2021.

About 17.2% of respondents were working as freelancers or consultants. Less than 1% of the aspiring entrepreneurs in the May survey were on active military duty.
Gen-X (53.7%) and Millennials (26.1) accounted for the highest percentages of survey respondents, and Baby Boomers ticked back to 18.7% in April. This month, Gen-Z dropped to 1.5% down from the 5.8% high seen in March. 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.

Interested in more insights from our proprietary data set? Subscribe to our email newsletter, or follow us on LinkedIn.