Small Business Startup Sentiment Index™ (SSI)

Uptrend Seen in Entrepreneur Sentiment Toward Future Startup Conditions

- 68.9% of survey respondents are more likely to launch their startups than three months ago

STARTUP SENTIMENT DIPS TO NOVEMBER LEVELS

In May 2023, almost 69% of entrepreneurs surveyed say they are “more likely to launch their startups than three months ago.” Over 60% of survey respondents either agree or strongly agree that “now is a good time to start a business”, up significantly from April, but inching back towards the record high of 76.9% in June 2021.

Franchiselnsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale. While 17.9% see business conditions deteriorating in three months, 82.1% still see conditions for business startups “the same or better in three months.” In May 2023, 46.2% of entrepreneurs planned their startups within the next three months, and 72.6% within six months.

60.4% of Respondents Agree Now a Is Good Time for Startup

Source: Franchiselnsights.com Startup Sentiment Index™, May 2023

The survey was conducted May 28-31 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 weaker 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 as seen on the St. Louis Federal Reserve’s FRED website, though both measures improved since June 2022.

SENTIMENT ABOUT FUTURE CONDITIONS IMPROVING

Reversing a multi-year downtrend in sentiment, **82.1% of respondents see conditions no worse – staying the same or getting better in three months–** with 56.6% seeing conditions “about the same.”

Only 25.5% 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, but improved over the prior month. On the other hand, only 17.9% see conditions “**worse or much worse**” in the same time frame.

**Entrepreneurs More Optimistic about Conditions 3 Months Out**

Source: FranchiseInsights.com Startup Sentiment Index™ May 2023

**RESPONDENT SENTIMENT BETTER THAN 3 MONTHS AGO**

Despite political wrangling about the debt ceiling, 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 May 2023, 68.9% of those responding indicated that they were **“more or much more likely to start a business now than three months ago.”** With 23.6% **“about the same,”** that means that 92.5% 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 7.4%, the lowest since May 2022, and down from the 11.5% average over the most recent 12 months.
FOUR TO SIX MONTH TIME FRAME IS MOST COMMON

In May 2023, entrepreneurs expressing intent to start or buy “this month” indexed to January 2020 dipped to 125% of responses (25% increase over 2020). The index of aspiring business owners planning startups in the “next 2-3 months” dipped to 92%, slightly down from the January 2020 reference point. Now 16% of respondents expect to delay startup for more than 12 months.

In May, 46.2% of respondents expressed intent to start or buy their businesses within the next three months, above January’s record low of 41.6% and 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 26.4%, bringing the total with intent to start within 6 months to 72.6% of respondents.
As access to funding remains a primary startup issue, prospective business owners are showing ongoing concerns about availability of startup financing in recent months, with 38.7% seeing it getting “harder or much harder” three months from now. Now 50.9% see access to funding in three months being “about the same” and 10.4% see it getting “easier or much easier” despite all the news about tightening credit and a potential economic slowdown..
With other factors returning slowly to the foreground over the last several months, 67.9% 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, but down significantly from the high seen in April 2021 at 87.6%. Beyond the funding concern, “economic climate” is next highest, and rising, at 49.1%.

Despite the overall decline in stock market indexes over the preceding fourteen months, only 9.4% of entrepreneurs cited the stock market as having a significant impact on their business startup plans. Perhaps more of their business startup assets are in home equity and ready sources of cash than equities or other long term assets.

**PANDEMIC WORRIES FADE**

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 FranchisesInsights.com Small Business Startup Sentiment Index™ most often cited the desire for “controlling my own destiny through business ownership.” That sentiment has fallen to a new low at 26.4%, as 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 17%, up from a record low 11.1% in March, and 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 Covid deaths are clearly factors in recent monthly polls.

The percentage putting their plans on hold in May at 10.4% was up from the September 2022 3.9% record low. Conversely, those indicating that “this is an issue that will be resolved before starting” their businesses stood at 25.5%.
Of the survey respondents, 54.7% are currently employed full-time, down only slightly from the high of 58.6% seen in October 2021. Current business owners made up 16.0% of respondents in May 2023, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stood at 70.8%, just below the high of 78.6% seen in October 2021.

About 13.2% 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.

54.7% of Aspiring Owners Leaving a Full Time Job; 16% are Biz Owners

Gen-X dominated with 50.0% of respondents, while Baby Boomers stayed in third place at 12.0%, while Millennials held the number two position at 35.2% of respondents. This
month, Gen-Z was 2.8% of respondents, down from the 10% peak seen in February 2022, and below 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.

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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