Small Business Startup Sentiment Index™ (SSI)

Slim Majority Agrees ‘Now’ is Good for Business Startups, But 83% See Conditions ‘Same or Better’ In Three Months

- Near-record 58.1% are leaving full time jobs
- Gen-X Soars to the largest age cohort at 61.8%
- Only 4.1% putting their plans ‘on hold’

STARTUP SENTIMENT: NOW STILL A GOOD TIME, BY SLIM MARGIN

A record low percentage of aspiring business owners see “now” as ideal for launching their businesses. Only 50.6% of aspiring business owners either agree or strongly agree that “now is a good time to start a business”, 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 17.1% see business conditions deteriorating in three months, 82.9% still see conditions for business startups “the same or better in three months.” In November, 53.4% of entrepreneurs planned their startups within the next three months, closer to August’s recent high of 69.2%.

The survey was conducted November 24-30, 2022. 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 sharp drops 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 BUSINESS CONDITIONS “MORE OF THE SAME”

Partly a reflection of the degree of confidence in current conditions, only 23.7% 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. Correspondingly, another 17.1% see conditions “worse or much worse” in the same time frame.

Despite the obvious downward trend in optimism about future business conditions, in November, 82.9% still see conditions no worse – staying the same or getting better – in three months.

3-Month Outlook Softening, but 82.9% See Conditions the Same or Better

RESPONDENT SENTIMENT VS. THREE MONTHS AGO

Despite continuing headlines of war, inflation, soaring interest rates and a likely recession, a majority of respondents are more upbeat now about starting or buying their business than they were three months ago. In November, 62.3% of those responding indicated that they were “more or much more likely to start a business now than three months ago.” With 24.7% “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 13.0%, up from the 12.1% 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™ Nov 2022

**TIMING: NOW 53.4% EXPECT STARTUP WITHIN NEXT 3 MONTHS**

In November 2022, entrepreneurs expressing intent to start or buy “this month” edged up to 204% 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” grew to 78.7%, but down from the January 2020 baseline.

In November, 53.4% of respondents expressed intend to start or buy their businesses within the next three months. This is up from 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 16.8%, bringing the total with intent to start within 6 months to 70.2%.

Uptick in Startups Scheduled For Next Three Months Approaches

Source: FranchiseInsights.com Startup Sentiment Index™ Nov 2022

Indexed to January 2020
While access to funding remains a primary startup issue, prospective business owners are showing increasing concerns about availability of startup financing in recent months, with 23.4% seeing it getting “harder or much harder” three months from now. Now 63.6% see access to funding in three months being “about the same” and 11.7% 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 over two thirds (69.3%) 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% in November 2022.

Despite the overall decline in stock market indexes this year through the survey period in November, only 17.3% 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 STILL IMPACTS 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 stands at 24.7%, 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 24.7% in November 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 November at 4.1% was slightly up from September’s 3.9% which was the lowest ever recorded. Those indicating that “this is an issue that will be resolved before starting” their businesses dipped to 24.7%.
FULL-TIME WORKERS AND GEN-X BLAST AHEAD

Of the survey respondents, 58.1% are currently employed full-time, down slightly from the high of 58.6% seen a year ago in October 2021. Current business owners made up 20.3% of respondents in November 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stood at 78.4%, almost reaching the recent high of 78.6% seen in October 2021.

About 13.5% 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.

58.1% of Aspiring Owners Say They Are Leaving a Full Time Job

Gen-X set a new record at 61.8% of respondents, while Baby Boomers (18.4%) rose to second place, ahead of Millennials who shrank to 17.1% This month, Gen-Z
represented 2.6%, down from 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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