Franchiselnsights.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 October 20-31, 2022.

Norfolk, Virginia – November 2, 2022

Small Business Startup Sentiment Index™ (SSI)

Worst Business Startup Sentiment in Two Years, But Most See Conditions Same or Better In Three Months

- At 53.8%, this is the lowest percentage since November 2020 before vaccinations began
- Nonetheless, a decisive 72.5% see conditions “the same or better” three months from now

STARTUP SENTIMENT: MOST SAY NOW IS A GOOD TIME, BARELY

A lower percentage of entrepreneurs see “now” as ideal for launching their businesses than any time since November 2020. Nonetheless, 53.8% of aspiring business owners either agree or strongly agree that "now is a good time to start a business", down from the recent high of 73.5% in February, 2022. Franchiselnsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale. An increasing share (now 27.5%) see business conditions deteriorating in three months, but still 72.5% see conditions for business startups “the same or better in three months.” In October, 47.3% of entrepreneurs planned their startups within the next three months, down from August’s recent high of 69.2%.

Most Respondents Agree Now Still a Good Time for Startup

The survey was conducted October 20-31, 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 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 27.5% of respondents believe that in three months, conditions will be “better or much better” than now, improving slightly from September, and down from the 50-60% readings at the height of the pandemic. Coincidentally, another 27.5% see conditions “worse or much worse” in the same time frame.

Despite the obvious downward trend in optimism about future business conditions, in October, 72.5% still see conditions no worse – staying the same or getting better – in three months.
Despite 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 October, 66.7% of those responding indicated that they were “more or much more likely to start a business now than three months ago.” With 24.4% “about the same,” that means mathematically that 91.1% 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 8.9%, down from the 11.85% average over the prior 12 months.
TIMING: ONLY 47.3% EXPECT STARTUP WITHIN NEXT 3 MONTHS

In October 2022, entrepreneurs expressing intent to start or buy “this month” eased to 185% of responses (less 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” slipped to 68% compared to the January 2020 baseline.

In October, 47.3% of respondents expressed intent to start or buy their businesses within the next three months. This is the lowest percentage since the Omicron wave in October a year ago. Startup intentions in the “next four to six months” are at 18.7%, bringing the total with intent to start within 6 months to 65.9%.

Startup Schedules Pushed Back as Year End Approaches

Source: FranchiseInsights.com Startup Sentiment Index™ Oct 2022
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 46.7% seeing it getting “harder or much harder” three months from now. Now one third see access to funding in three months being “about the same” and 20.0% 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 (70.3%) 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 37.4% in October 2022.

Despite the overall decline in stock market indexes this year through the survey period in October, only 18.7% 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.

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 29.7%, even though the pandemic has faded 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 17.6% in October 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 October at 5.5% 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 grew further to 29.7%.

GEN-X AND GEN-Y REMAIN THE LARGEST STARTUP AGE COHORTS

Of the survey respondents, 45.1% are currently employed full-time, down from the high of 58.6% seen a year ago in October 2021. Current business owners made up 17.6% of respondents in October 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stand at 62.6%, down from a recent high of 70.5% in July 2022.

About 15.4% of respondents were working as freelancers or consultants, and this month 3.3% of the aspiring entrepreneurs in the survey were on active military duty.
Gen-X (51.1%) and Millennials (25.0%) accounted for the highest percentages of survey respondents, and Baby Boomers comprised 18.2%. This month, Gen-Z grew to 5.7%, back towards the 10.0% 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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