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 September 22-29, 2022.

October 5, 2022

Small Business Startup Sentiment Index™ (SSI)

Sentiment Dips, But the Majority of Prospective Business Buyers Still See Now as a Good Time to Start

- Record low percentage of 3.9% say they are “putting their plans on hold”
- 22.5% of respondents are already business owners – the highest percentage in more than a year

STARTUP SENTIMENT: NOW IS A GOOD TIME

A lower percentage of entrepreneurs see “now” as ideal for launching their businesses than any time in the past year. Nonetheless, 62.2% 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. FranchiseInsights.com compiles monthly the Small Business Startup Sentiment Index™ (SSI) of individuals who have recently inquired about businesses for sale. Fewer see business conditions improving in three months. Nonetheless, 81.4% see conditions for business startups “the same or better in three months” and only 18.6% expect conditions to worsen. In September, 51.9% of entrepreneurs planned their startups within the next three months, down from August’s recent high of 69.2%.

Survey Respondents Agree Now Still a Good Time for Startup

Source: FranchiseInsights.com Startup Sentiment Index™, Sep 2022
The survey was conducted September 22-29, 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 (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, though both ticked up some in August 2022.

**FUTURE BUSINESS CONDITIONS “MORE OF THE SAME”**

Partly a reflection of the degree of confidence in current conditions, only 22.3% of respondents believe that in three months, conditions will be “better or much better” than now, a new low for this measurement, and down from the 50-60% readings at the height of the pandemic. Only 18.6% see conditions “worse or much worse” in the same time frame. In total, **72.6% see conditions staying the same or getting better.**

<table>
<thead>
<tr>
<th>Softening Outlook on Business Conditions 3 Months From Now</th>
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<tr>
<td>©FranchiseVentures, LLC</td>
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<td>Better or Much Better</td>
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**SENTIMENT IMPROVED FROM THREE MONTHS AGO**

Despite headlines of war, inflation, soaring interest rates and likely recession, a majority of respondents are more upbeat now about starting or buying their business than they were three months ago. In September, 59.2% 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 15.4%, up from the 11.7% average over the prior 12 months.
TIMING: 51.9% EXPECT STARTUP WITHIN NEXT 3 MONTHS

In September 2022, entrepreneurs expressing intent to start or buy “this month” eased to 203% 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” slipped to 74%.

In September, 51.9% 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 20.6%, bringing the total with intent to start within 6 months to 72.5%.

Startup Schedules Shift to Within Three Months

Source: FranchiseInsights.com Startup Sentiment Index™ Sep 2022

Indexed to January 2020
CONCERNS OVER FUNDING STILL PARAMOUNT

42.3% 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 somewhat consistent concern about availability of startup financing in recent months, with 42.3% seeing it getting “harder or much harder” three months from now. About 41.5% see access to funding in three months being “about the same” and 14.6% see it getting “easier or much easier” with 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 (74.2%) 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, rebounding from 27% in August to 39.8% in September 2022.

Despite the multi-month decline in stock market averages through the survey period in September, only 14.1% 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 34.4%, 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 23.4% in September after reaching an all-time low in April at 12.1% of respondents, significantly down from the spikes in December 2021 and January 2022 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 September at 3.9% was the lowest ever recorded. Those indicating that “this is an issue that will be resolved before starting” their businesses grew further to 28.9%.
GEN-X AND GEN-Y REMAIN THE LARGEST STARTUP AGE COHORTS

Of the survey respondents, 42.6% are currently employed full-time, down from the high of 58.6% seen almost a year ago in October 2021. Current business owners made up 22.5% of respondents in September 2022, suggesting a desire to upgrade or complement their existing businesses. Combined, full-time workers and current business owners stand at 65.1%, down from 69.6% in August 2022.

About 24.8% of respondents were working as freelancers or consultants, and less than 1% of the aspiring entrepreneurs in the survey were on active military duty.

42.6% of Aspiring Owners Say They Are Leaving a Full Time Job

Source: FranchiseInsights.com Startup Sentiment Index™ Sep 2022
Gen-X (53.9%) and Millennials (26.6%) accounted for the highest percentages of survey respondents, and Baby Boomers comprised 16.4%. This month, Gen-Z stood at 3.1%, 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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