

Michigan Future Business Index

Q2 2021

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ROI  INSIGHT



Michigan Future Business Index

- Statewide survey of 617 small to medium-sized businesses
 - **More than 700 started the survey; 617 completed it**
 - **Mixed-mode survey, conducted online and by phone**
- Commissioned by Cinnaire & Michigan Business Network
- Conducted by ROI Insight
 - **Field Dates: June 2 through July 13, 2021**
- Credibility Interval: $\pm 4.5\%$ or less
 - **95% Degree of Confidence**

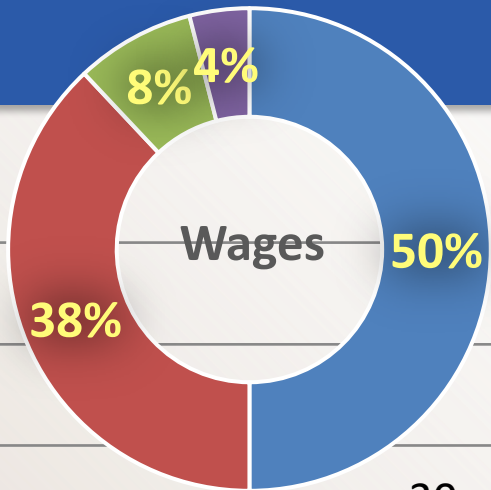
Key Takeaways

- Business is on the rebound with optimism for the future, but it will be next year before most are fully recovered.
- Small business leaders are bullish on sales for the next six months, but they expect profit shortfalls to continue. COVID-19 stressors, wage inflation and hiring incentives are slimming margins.
- Inflation is now a significant concern among small business owners.
- Acquiring talent remains the top challenge to doing business, but respondents say it is now more significant given the pandemic and unemployment benefits provided to those choosing not to return to the workforce.
- While remote work is here to stay for white-collar sectors, fewer than one in five businesses will require employees to receive COVID-19 vaccinations before returning to work.

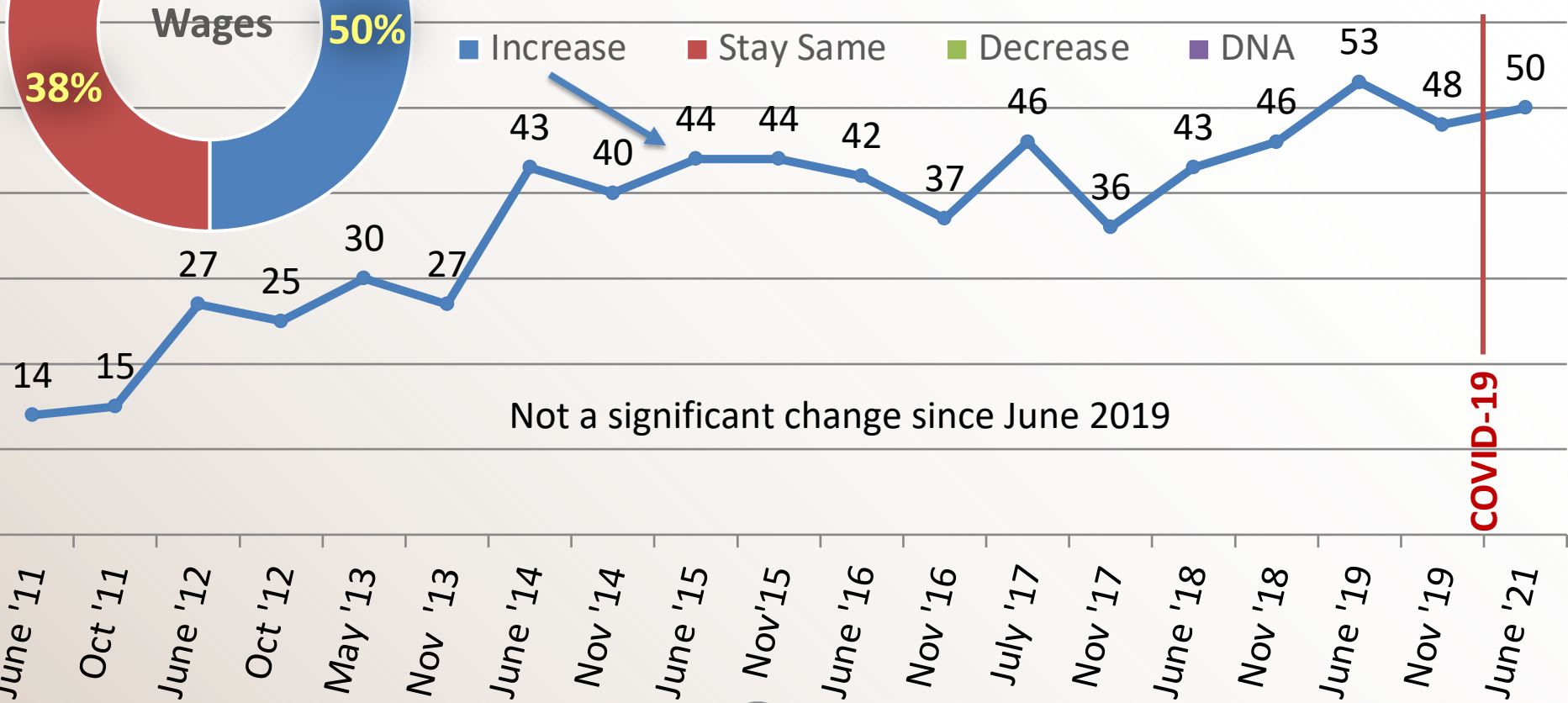
The Past Six Months

- Most indicators are hitting record lows. Only wages show record increases, the rest show record decreases.
 - **Wage increases near record levels**
 - **Half (50%) say their employee wages have increased in last six months.**
 - **Investment decreases also hit record levels**
 - **More than two in ten (21%) say capital investments have decreased in the last six months.**
 - **Employee decreases hit record levels**
 - **Nearly three in ten (29%) say their number of employees has decreased in the last six months.**
 - **Sales decreases hit record levels**
 - **Nearly four in ten (38%) say sales have decreased in the last six months.**
 - **Profit decreases hit record levels**
 - **Nearly half (49%) say profits have decreased in the last six months.**

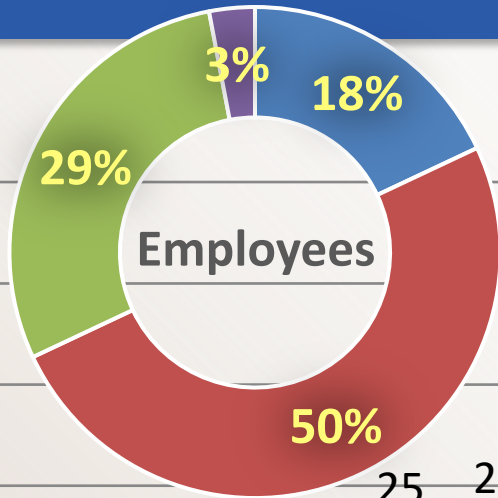
Trending The Indicators: Wages



Past Six Months

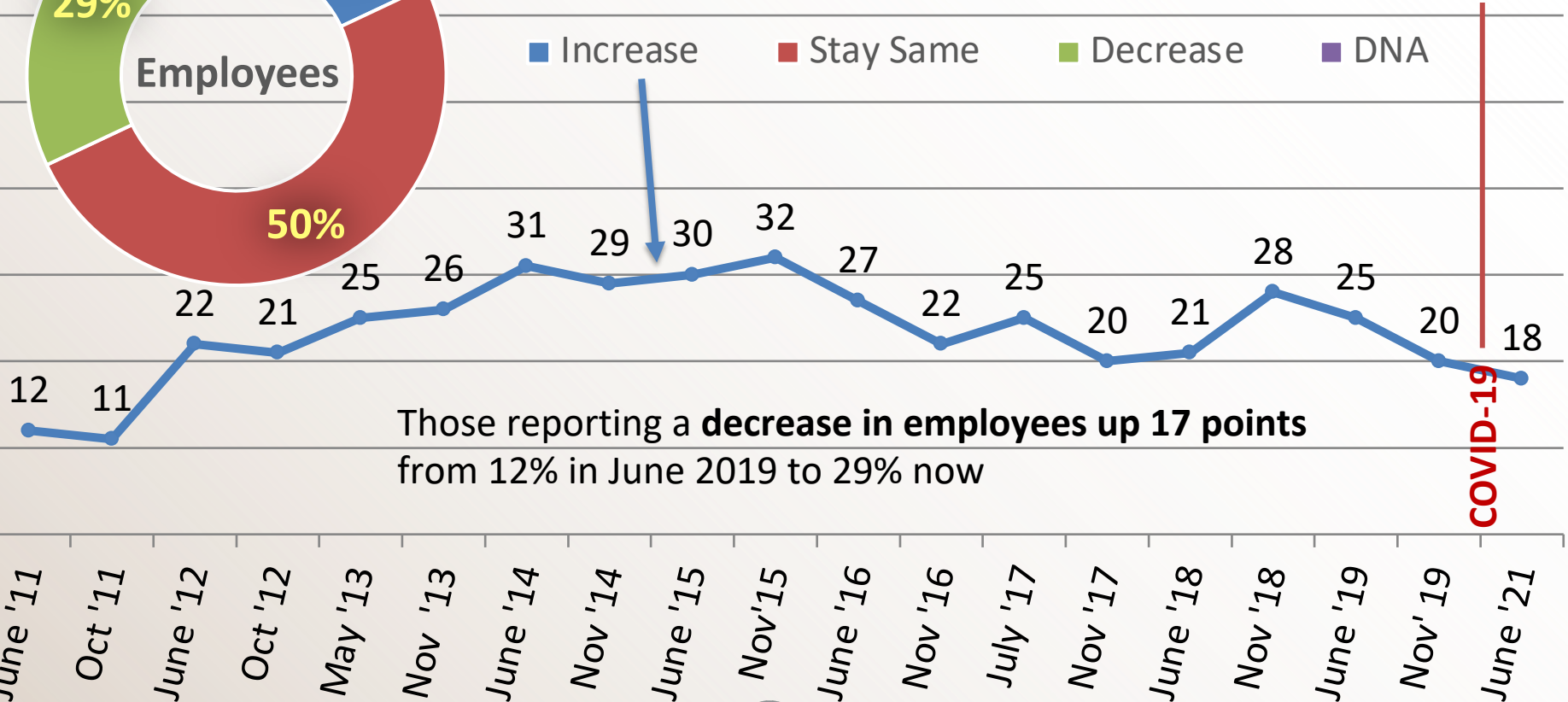


Trending The Indicators: Number of Employees



Past Six Months

■ Increase
 ■ Stay Same
 ■ Decrease
 ■ DNA

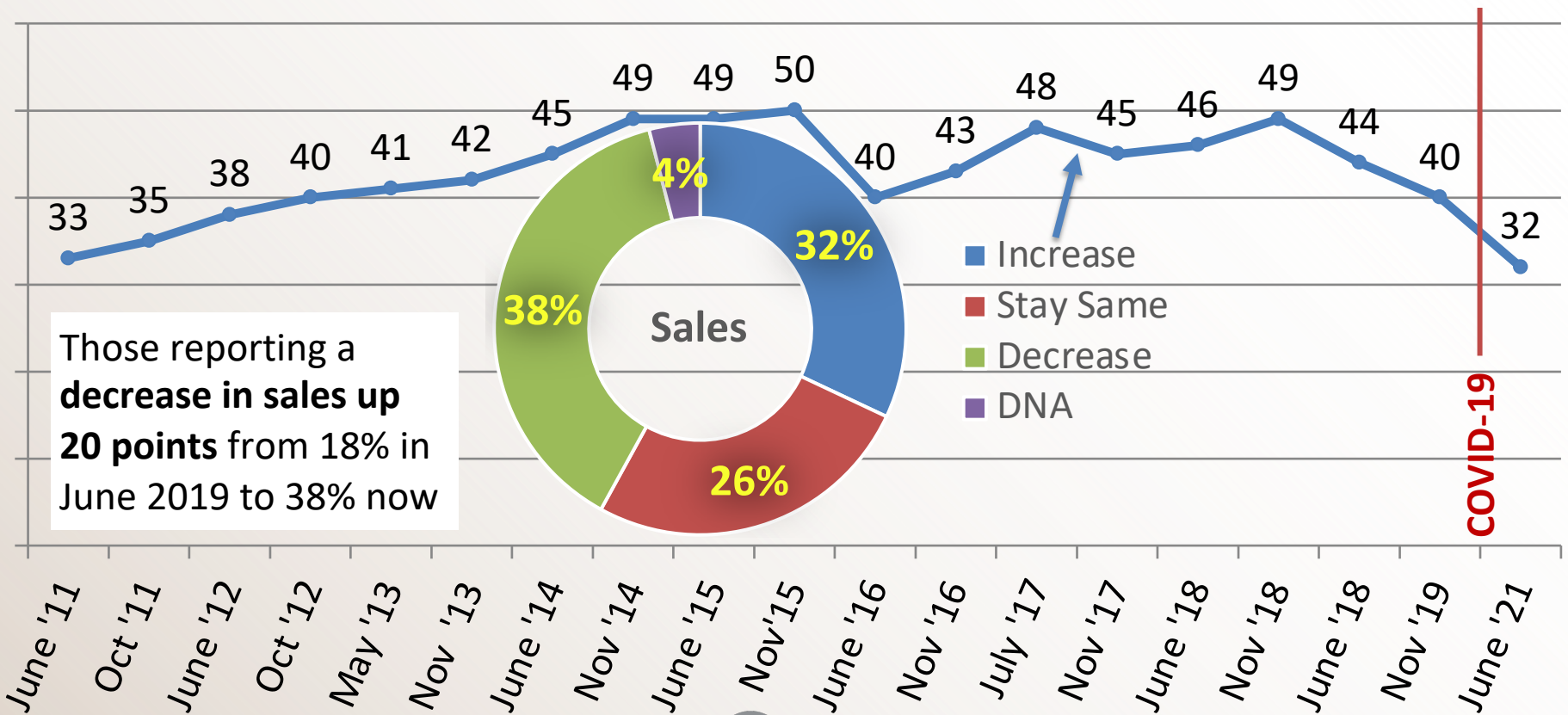


Those reporting a **decrease in employees up 17 points** from 12% in June 2019 to 29% now

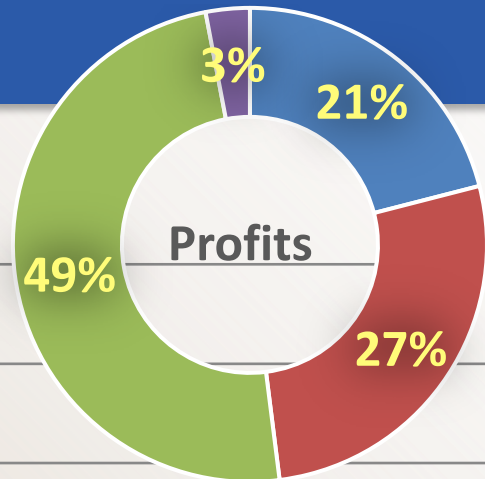
COVID-19

Trending The Indicators: Sales

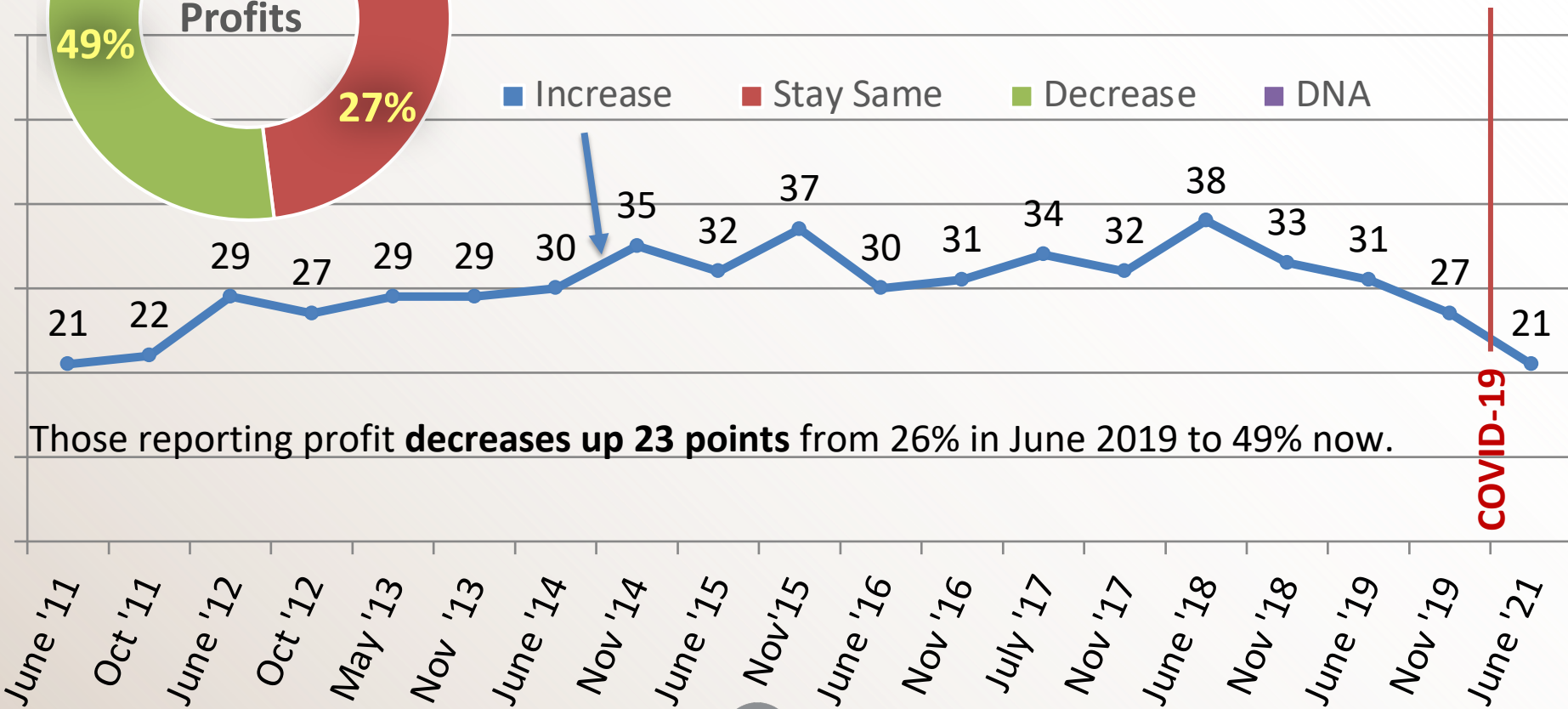
Past Six Months



Trending The Indicators: Profits



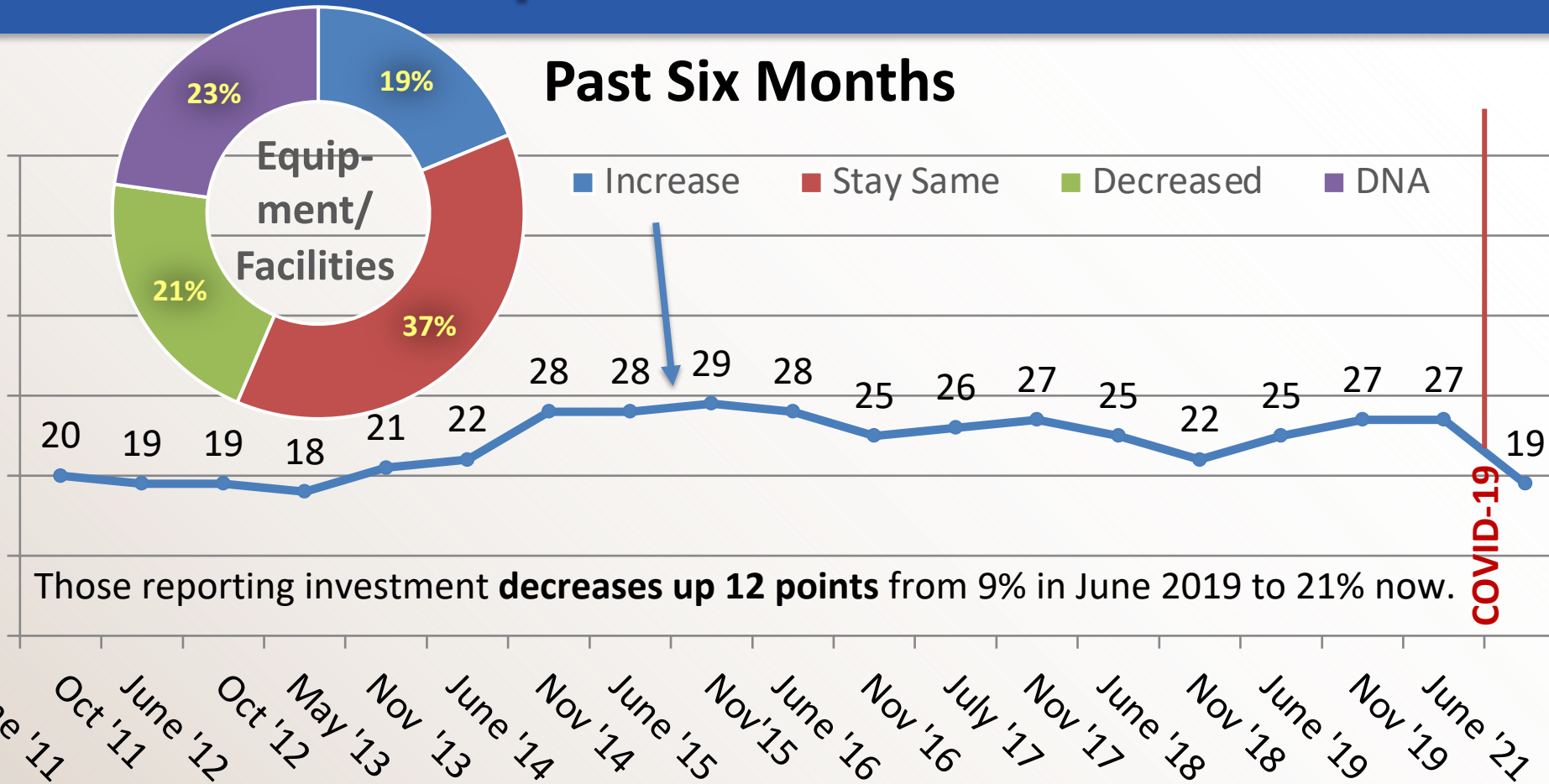
Past Six Months



Those reporting profit **decreases up 23 points** from 26% in June 2019 to 49% now.

Trending The Indicators: Capital Investments

Past Six Months

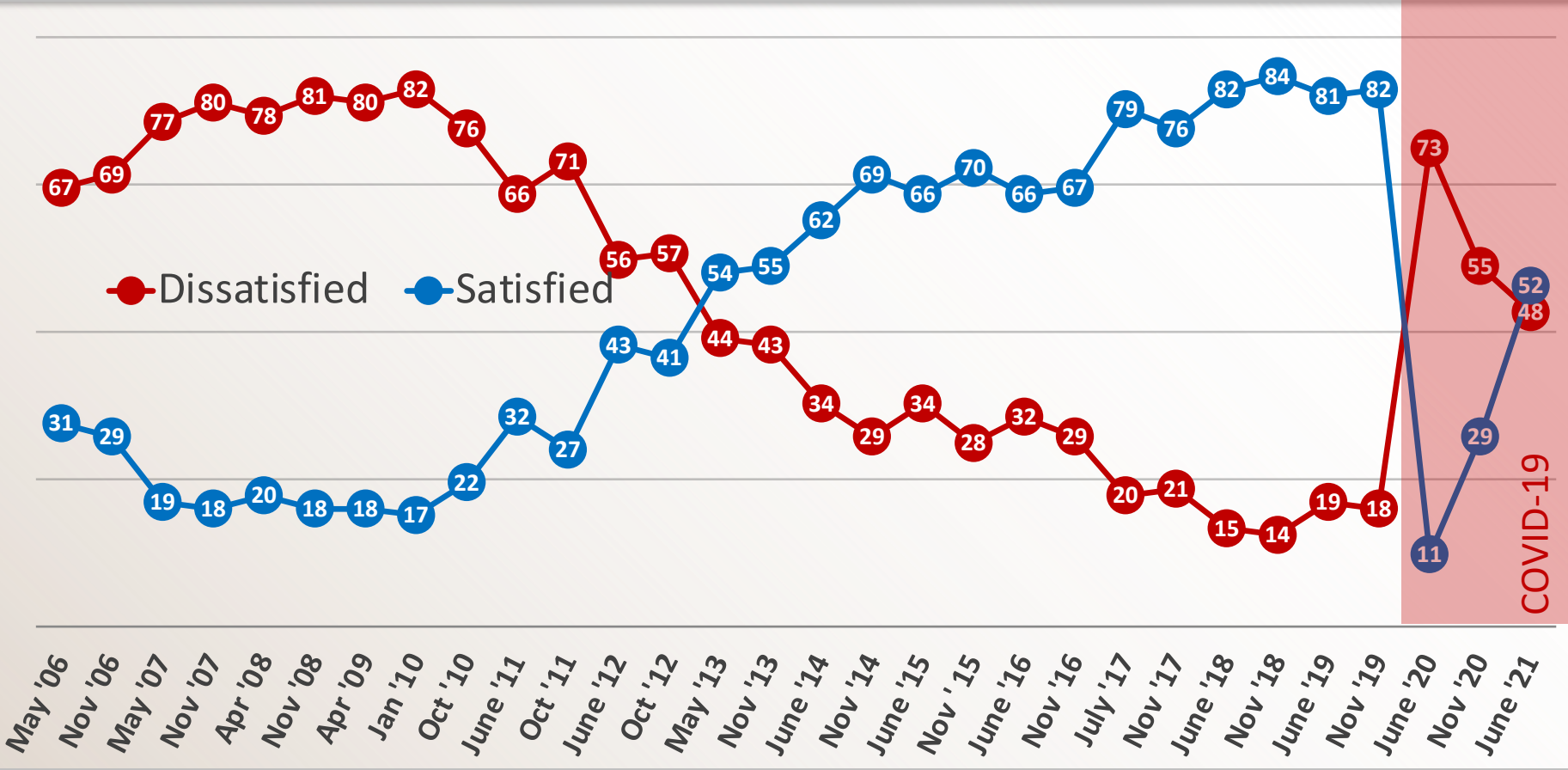


Satisfaction with Economy

- Satisfaction with the business economy has rebounded sharply since June of last year – in the height of the pandemic. However, it’s still far below pre-pandemic results.
 - **A majority (52%) is now satisfied: 38% “somewhat satisfied” and 14% “very satisfied”**
 - **Up from a record low of 11% satisfied one year ago.**
 - 48% say they are dissatisfied with the economy – down from 73% one year ago.
 - Satisfaction is strongest in the Real Estate/Insurance/Finance sector (72%).

Satisfaction with Economy Trends

As it Affects Your Business



COVID-19

Greatest Challenges To Doing Business

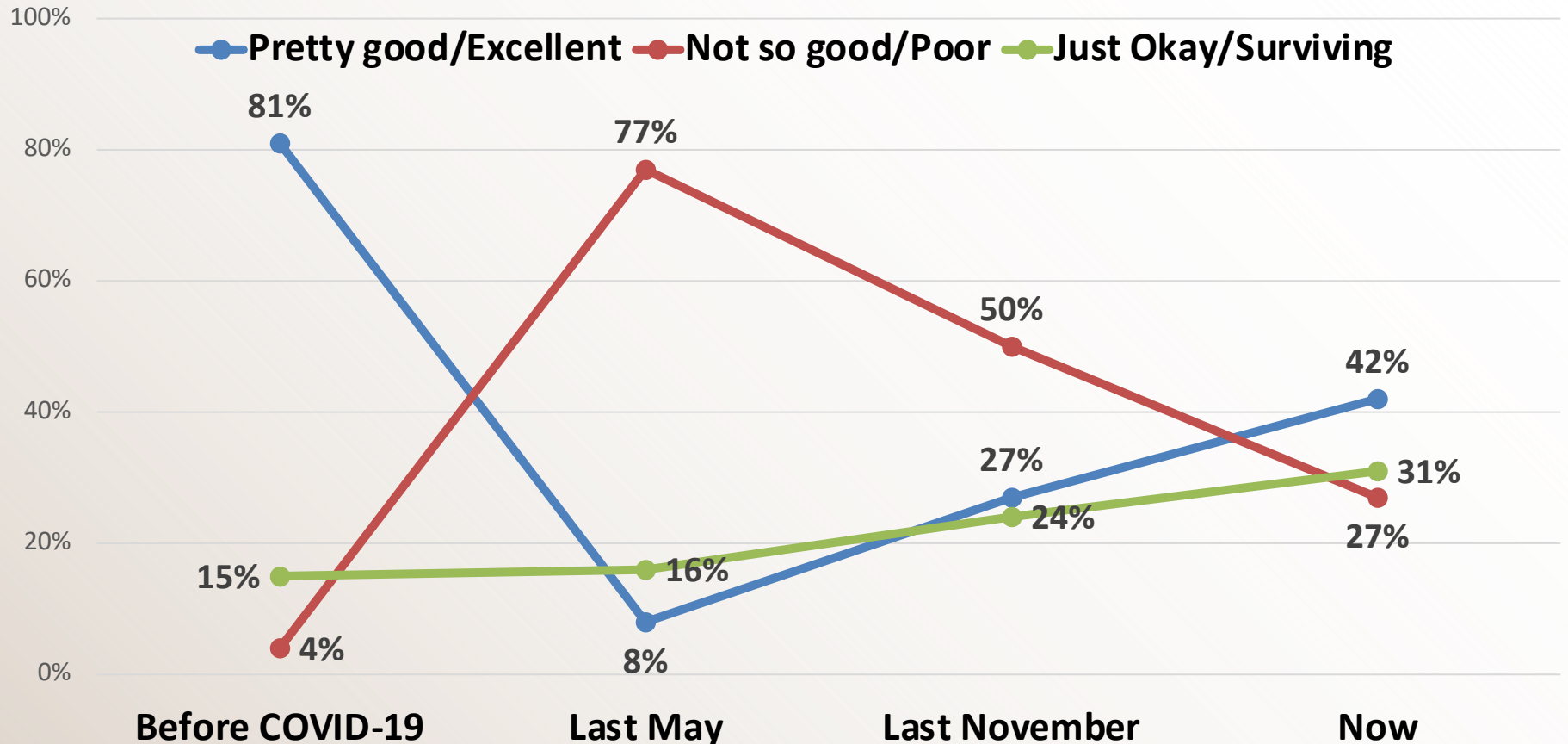
	June 2019	Now	
Acquiring Talent	46%	49%	+3
Wage Inflation	19%	27%	+8
Retaining Talent	25%	26%	+1
Cost of Health Insurance	40%	25%	-15
NEW Inflation		23%	
Finding Customers	28%	22%	-6
NEW COVID-19 Regulations		19%	
NEW Other Government Regulations		19%	
Taxes	23%	17%	-6
Retaining Customers	16%	14%	-2
Poor Infrastructure (roads, bridges, etc)	20%	6%	-14

Multiple responses were accepted. Percentages add up to more than 100%.

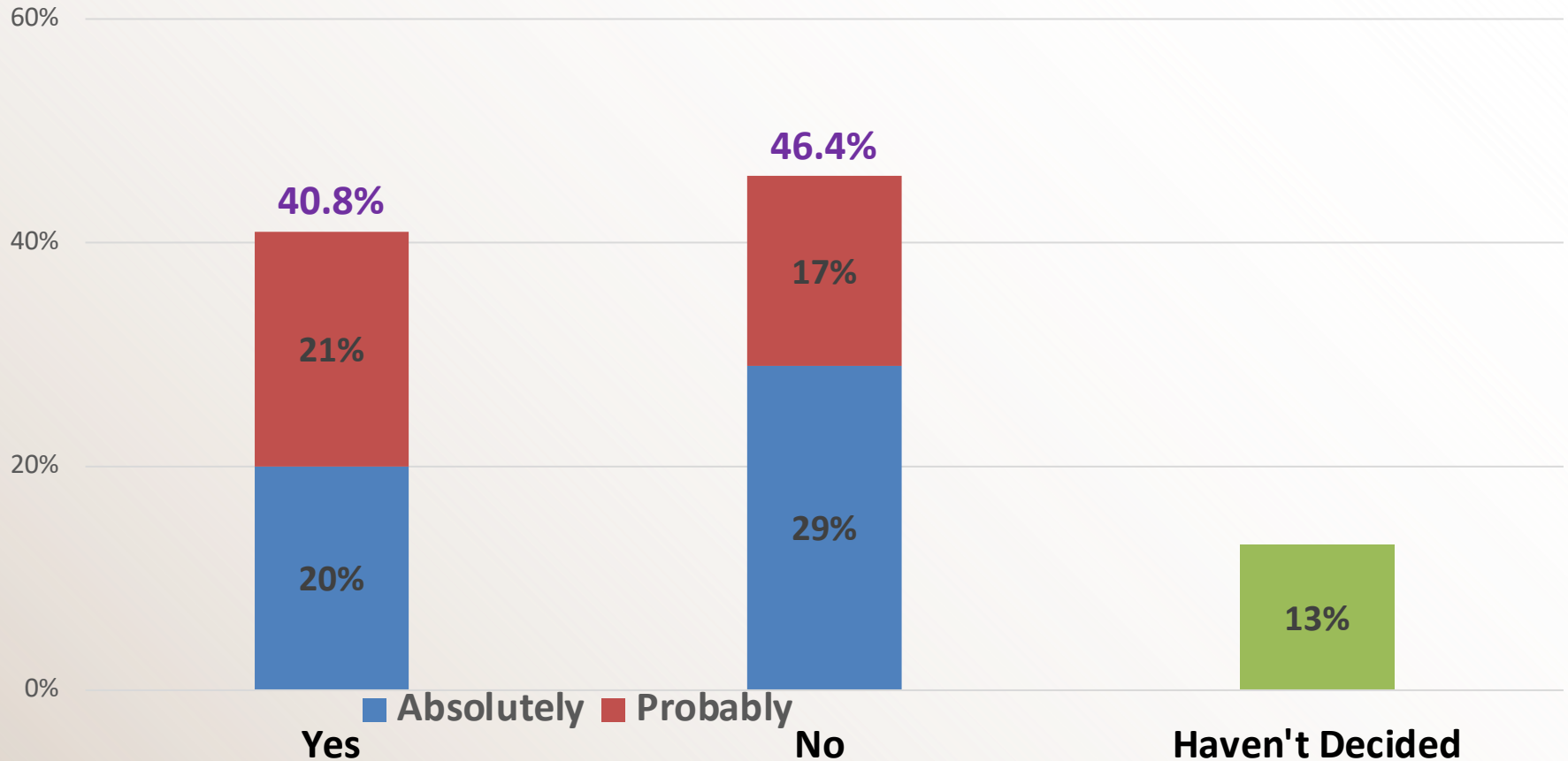
Greatest Reasons for Optimism

	June 2019	Now	
Business Growth/Expansion	14%	17%	+3
Demand For Products/Services	12%	15%	+3
Great Customers	11%	10%	-1
NEW End of COVID-19 Pandemic		9%	
The Economy	8%	8%	
More Opportunities	5%	8%	+3
NEW We Survived/Resilient/Longevity		7%	
My Staff/Team/Employees	4%	7%	+3
Business Is Good	6%	7%	+1
Our Ability to be Flexible/Nimble/Innovative	3%	5%	+2
Politics/Hope For Reforms	6%	4%	-2

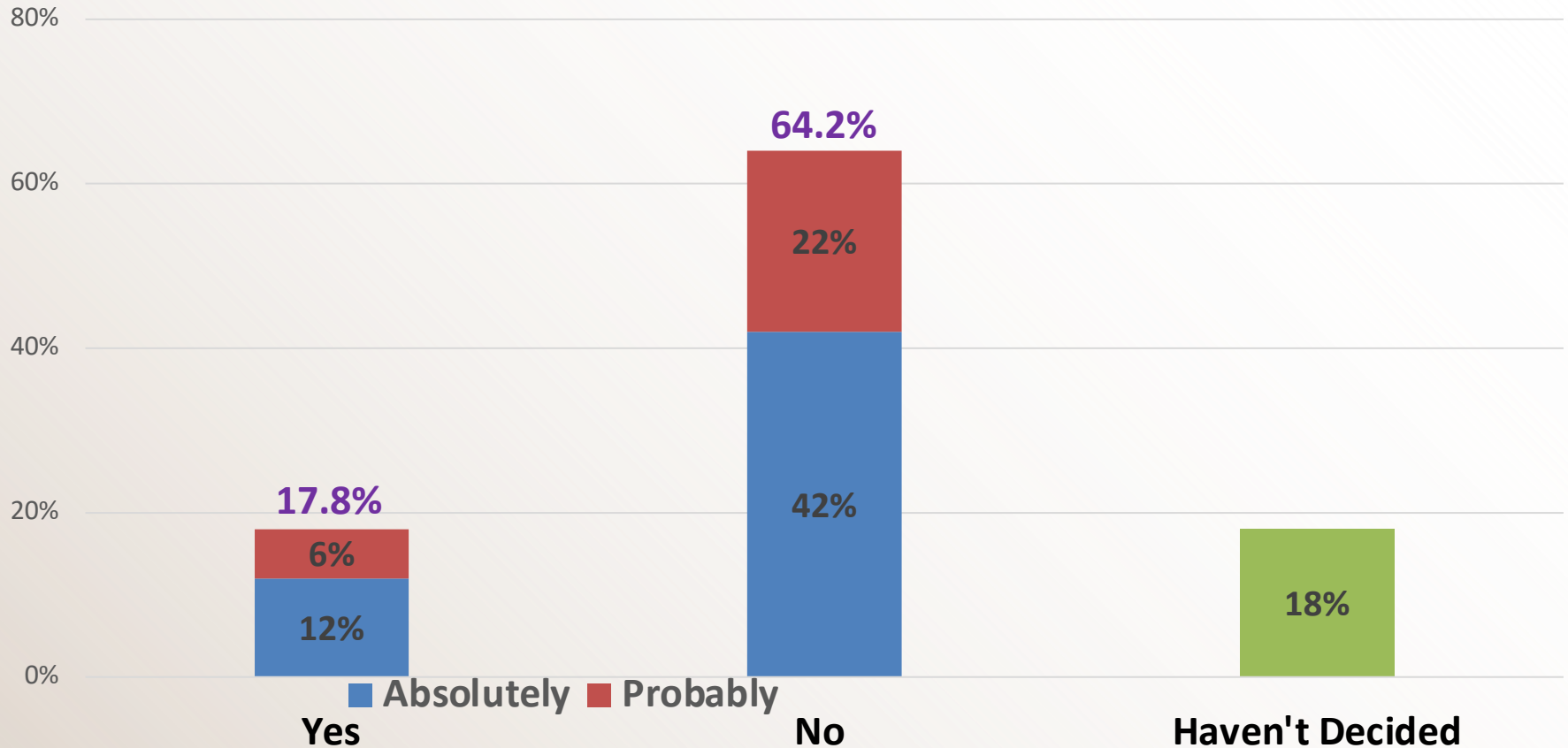
Emerging From Covid ... How Is Your Business Doing Now?



Emerging From COVID-19 ... Will You Offer Remote Work Options?

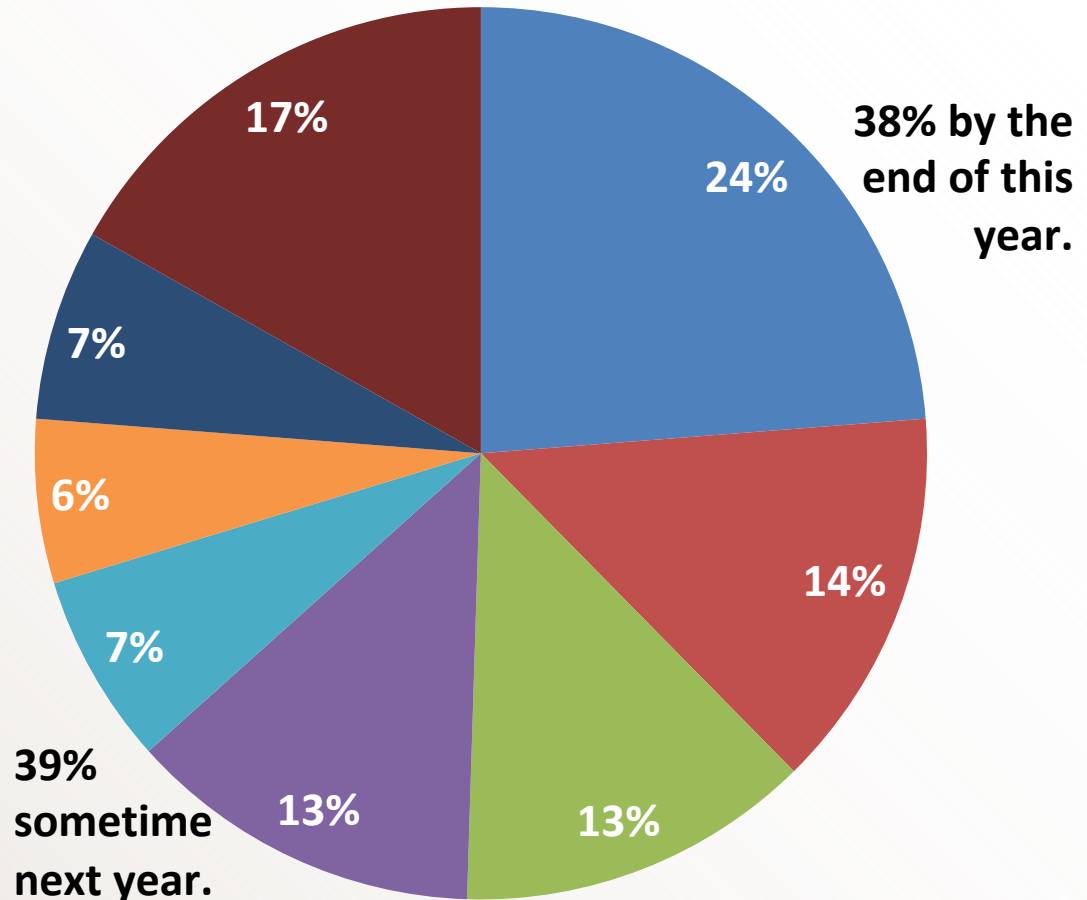


Emerging From COVID-19 ... Will You Require Vaccinations?



Emerging From COVID-19 ... When do you expect to fully recover?

- Already Fully Recovered
- By Q4 2021
- By Q1 2022
- By Q2 2022
- By Q3 2022
- By Q4 2022
- 2023 or later
- Not Sure I Will Ever Recover

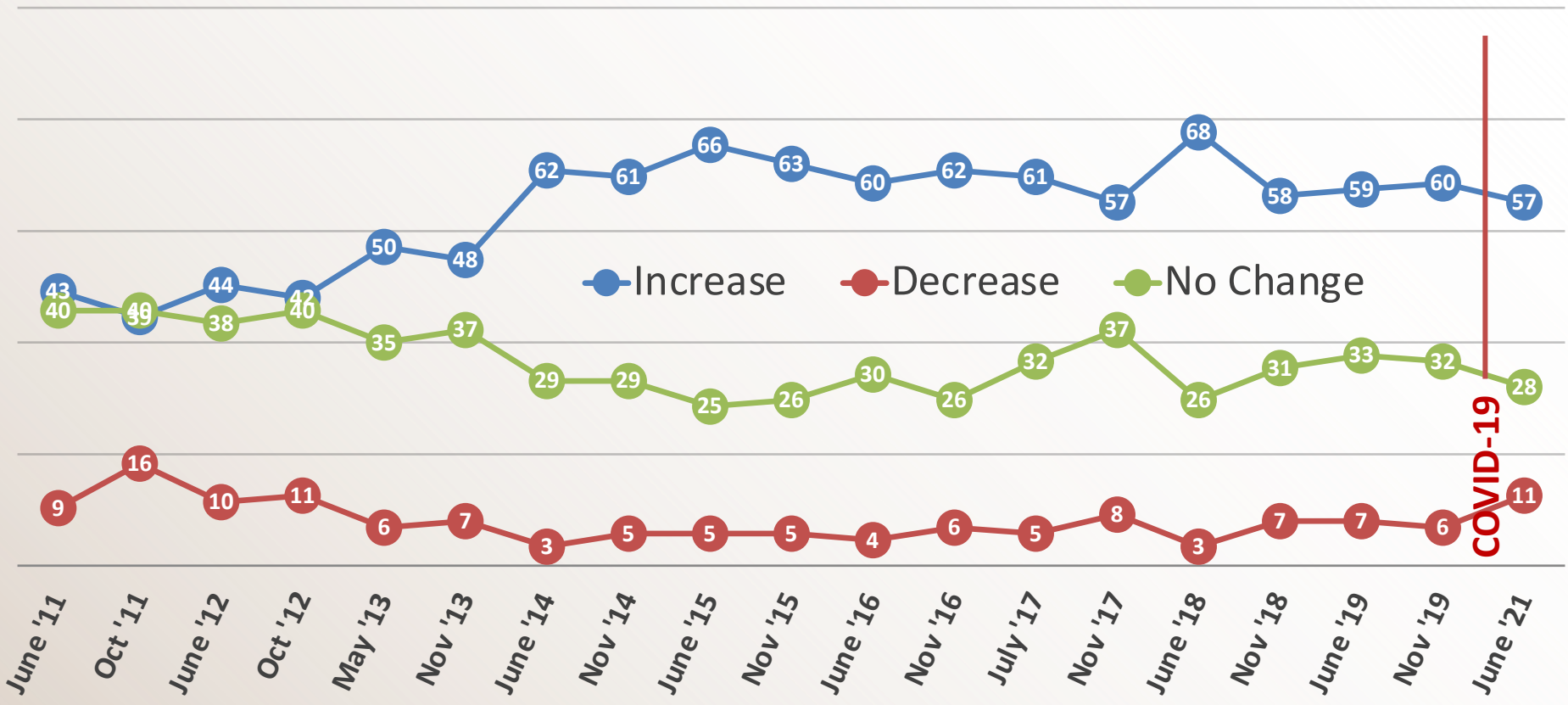


Sales Projections Bullish Profits Not So Much

- Projections for increased sales are back to near pre-pandemic numbers, while projections for decreased profits are in near-record territory.
 - Projected sales growth at 57% — down only three points from June 2019
 - Twenty percent (20%) expect profits to continue to decline in the next six months — up nine points from June 2019. A plurality (44%) believes profits will increase, but that is fourteen points lower than its peak in June of 2018.
- Expectations for sales growth is highest in Manufacturing/Distribution/Construction sectors, while profit decline expectations are highest in Retail/Food Service and Manufacturing/Distribution/Construction sectors.

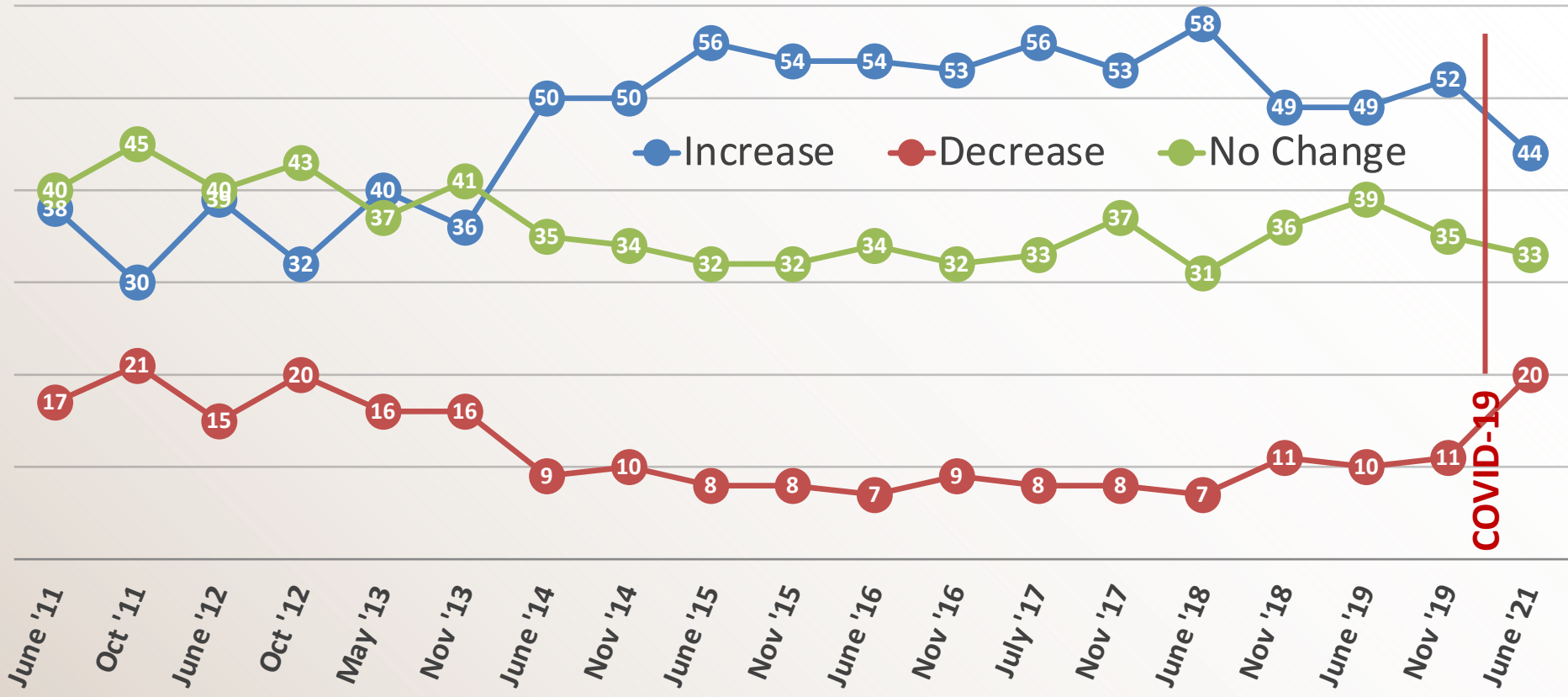
Projected Sales Trends

Over The Next Six Months ...



Projected Profit Trends

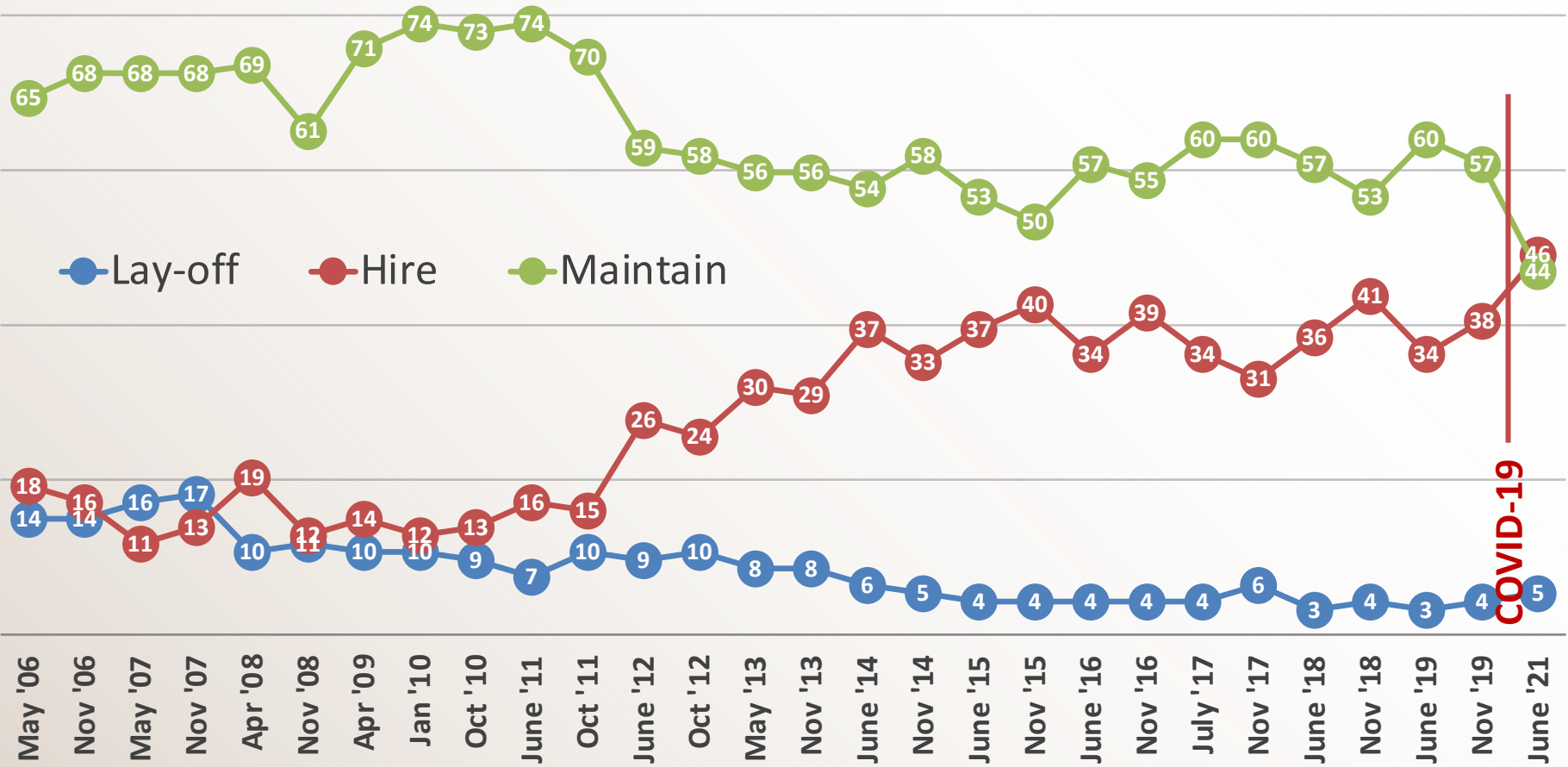
Over The Next Six Months ...



Talent Demand at Record Level

- A new MFBI record: nearly half of all respondents say they will be hiring in the next six months.
 - **Forty-six percent (46%) say they plan to hire more employees over the next six months, up twelve points from June 2019.**
 - **Slightly fewer (44%) will maintain staff at current levels, down sixteen points from June 2019.**
 - **Only 5% say they plan to lay off employees, two points higher than June 2019.**
- The Manufacturing/Distribution/Construction sectors are most significantly likely to be hiring (60%).

Projected Hiring Trends



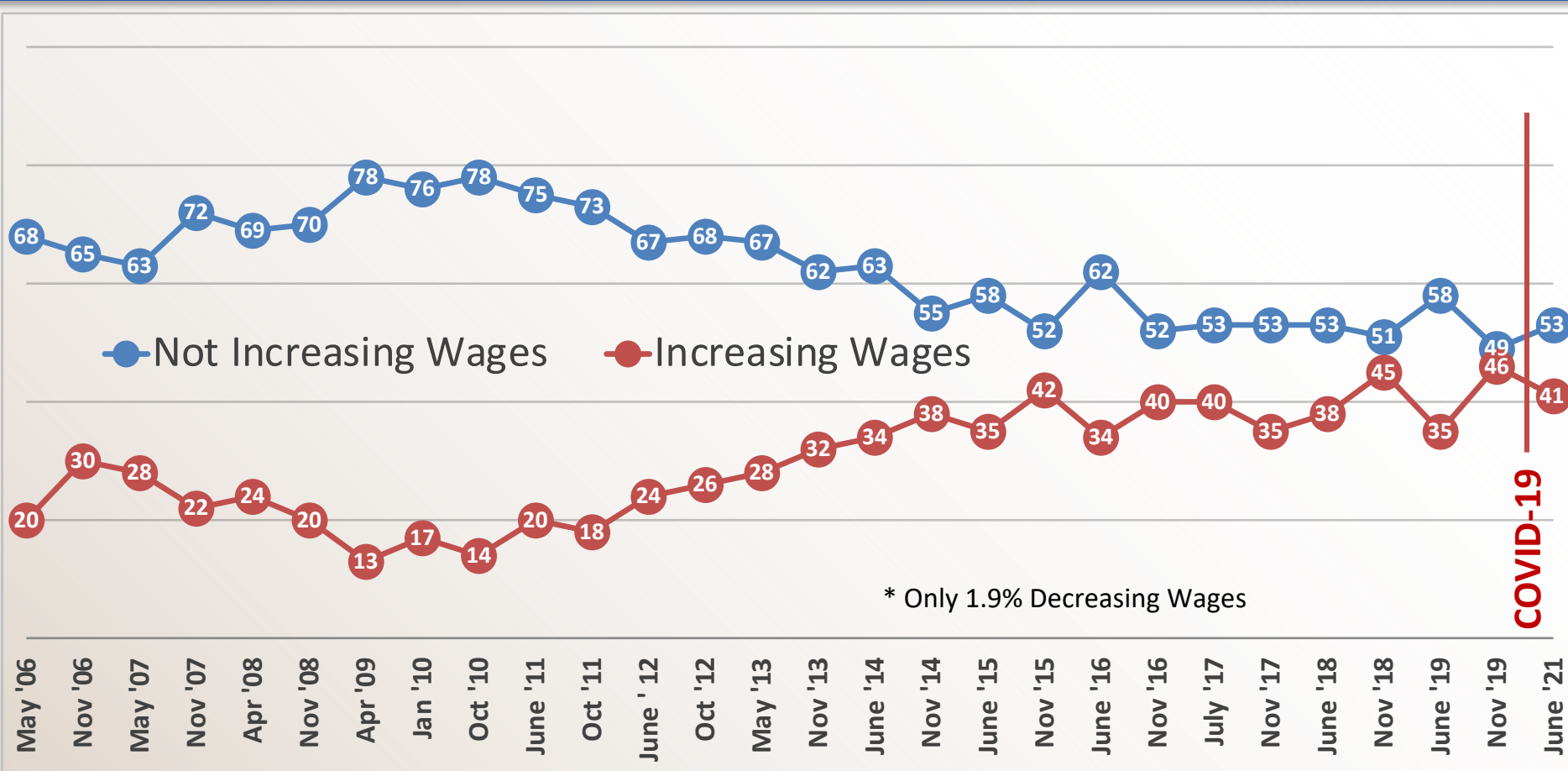
Talent Acquisition is a Significant Challenge For Most Employers

- Six in ten (60%) are have difficulty filling open jobs, up ten points since June 2019.
 - 80% of those actively searching for talent are having difficulty — up eight points (72%) since June 2019.
 - 57% attribute that difficulty to a lack of qualified applicants — unchanged since June 2019.
 - 32% cite lack of interest/applicants in the open positions — down three points since June 2019.
 - A majority (52%) say positions remain open, 11% say they work harder and have patience, 5% say they are spreading the work across existing staff, 5% are using social media or online jobs boards, 4% are increasing wages and signing bonuses, 3% are taking on extra work themselves or with friends and family, 3% are using referrals, 3% say “word of mouth,” and 3% say they are using recruiters

Wage Inflation Has Taken Hold

- Reminder: earlier in the survey, a near-record half of all respondents said they've already raised wages in the past six months. Now 41% say they will continue to raise wages in the next six months—up six points from June 2019
- Projections for wage growth are strongest in the Manufacturing/Distribution/Construction and Real Estate/Insurance/Finance sectors

Projected Wage Trends

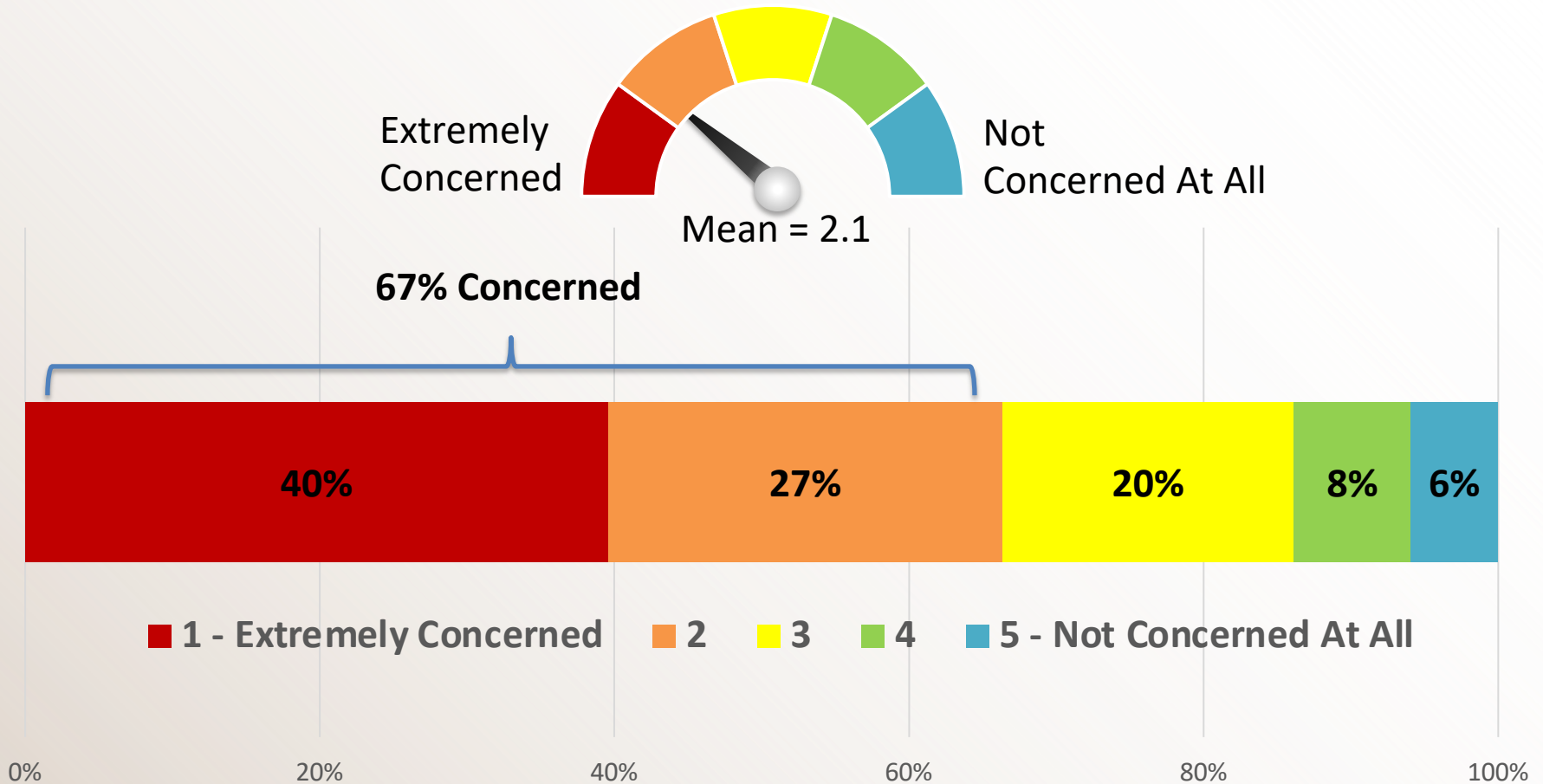


Projected Investments & Growth

Employee Training is Key

- A majority (56%) plan to invest in **employee training** within the next 6 months – up four points since June 2019
- A slight majority (52%) will invest in **advertising** – down four points since June 2019
- Just over one quarter (23%) plan to invest in **new equipment** – down three points since June 2019
- Nearly four in ten (37%) plan to add a new product line or service — up four points since June 2019

Level of Concern About Inflation



Conclusions:

- Satisfaction with the economy is rebounding, but still fragile.
- Sales projections are bullish, but profits remain soft as business owners navigate the labor shortage, wage inflation and remaining COVID-19 stressors.
- Similar to pre-pandemic surveys, acquiring talent remains the most significant challenge to doing business, but the steps taken by government to mitigate COVID-19's impact on the economy have added even more pressure on the labor market.
- In addition to wage inflation, we are keeping our eyes on the effects of price inflation, as two-thirds of small business owners consider it a significant concern right now.

Conclusions:

- Overall, perceptions of the Michigan small business market remain optimistic:
 - Seven in ten (70%) still believe Michigan is a pretty good (52%) or excellent (17%) market for their business, but that is down 9 points from June 2019.
 - More than 6 in 10 (62%) believe state taxes here are mostly (48%) to very (14%) fair, but that is down 15 points since June 2019.

Thank you!

We appreciate your interest in the MFBI. For more information or detailed findings, please contact Michigan Business Network.

<http://www.michiganbusinessnetwork.com>

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