

Michigan Future Business Index

Q4 2023

Mike Witt

Senior Vice President, Asset Management
Cinnaire

ROI  INSIGHT



Michigan Future Business Index Methodology

- Statewide survey of 745 small to medium-sized businesses; 609 completed the survey
 - **Mixed-mode survey, conducted online and by phone**
- Commissioned by Cinnaire & Michigan Business Network
- Conducted by ROI Insight
 - **Data Collection: Mid November through December, 2023**

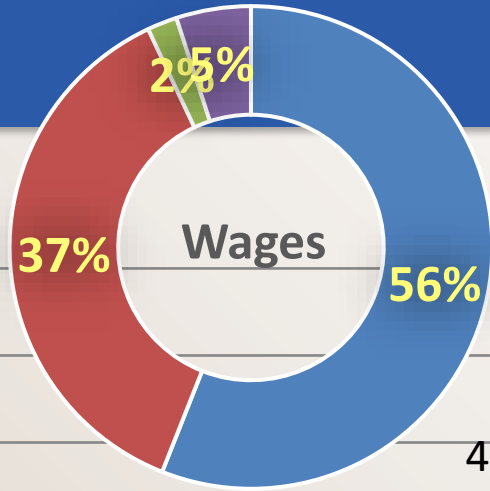
Key Takeaways

- Concerns over wage inflation, supply chain issues, and overall inflation continue to shrink.
- While sales and profits hit record lows over the past year, data indicates there are brighter days ahead, based on small business expectations.
- Overall satisfaction with the business economy remains in positive territory after recovering from the negative in Q2. A plurality say they are satisfied with the business economy in Michigan.
- With nearly half of businesses saying they have fully recovered from the pandemic, projections for sales, profits, and hiring are trending upward.
- Nearly half of respondents are optimistic about demand, growth or opportunity in the next six months.

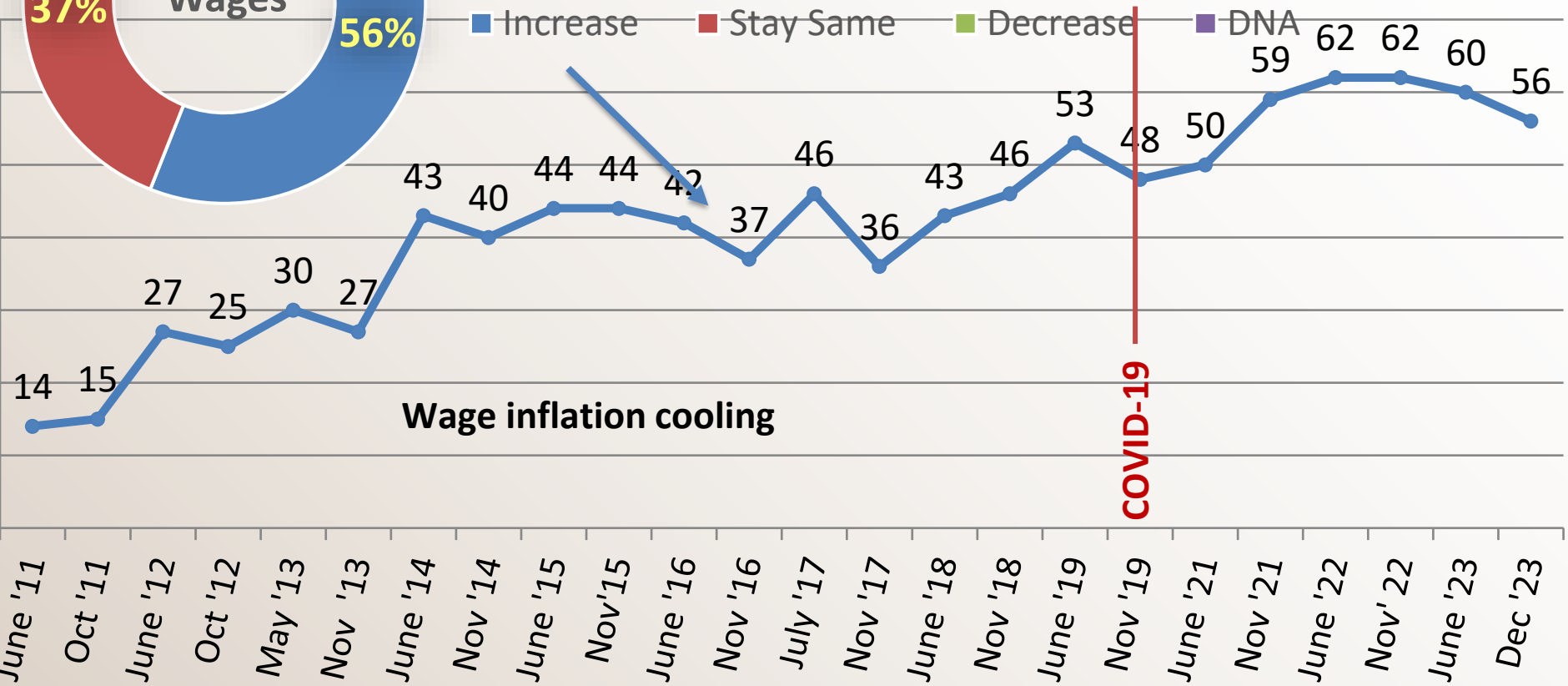
The Past Six Months

- As wage inflation continues its downward trajectory, so do reports of sales increases profits, hiring and investments over the past six months.
 - **Wage increases continue to drop from record level**
 - **Fifty-six percent (56%) say their employee wages have increased in last six months, down six points from one year ago.**
 - **Sales increases down significantly from Q4 2022**
 - **Thirty-three (33%) say sales have increased in the last six months, down seven points from one year ago.**
 - **Profit increases essentially remain low**
 - **Two in ten (20%) report profit increases, down five points from Q4 2022.**
 - **Hiring dropped slightly**
 - **Two in ten (20%) say they have hired new employees, down two points from Q4 2022.**
 - **Investments holding steady, compared to Q4 2022**
 - **Nearly one quarter (24%) increased capital investments, which is the same percentage as Q4 2022.**

Trending The Indicators: Wages

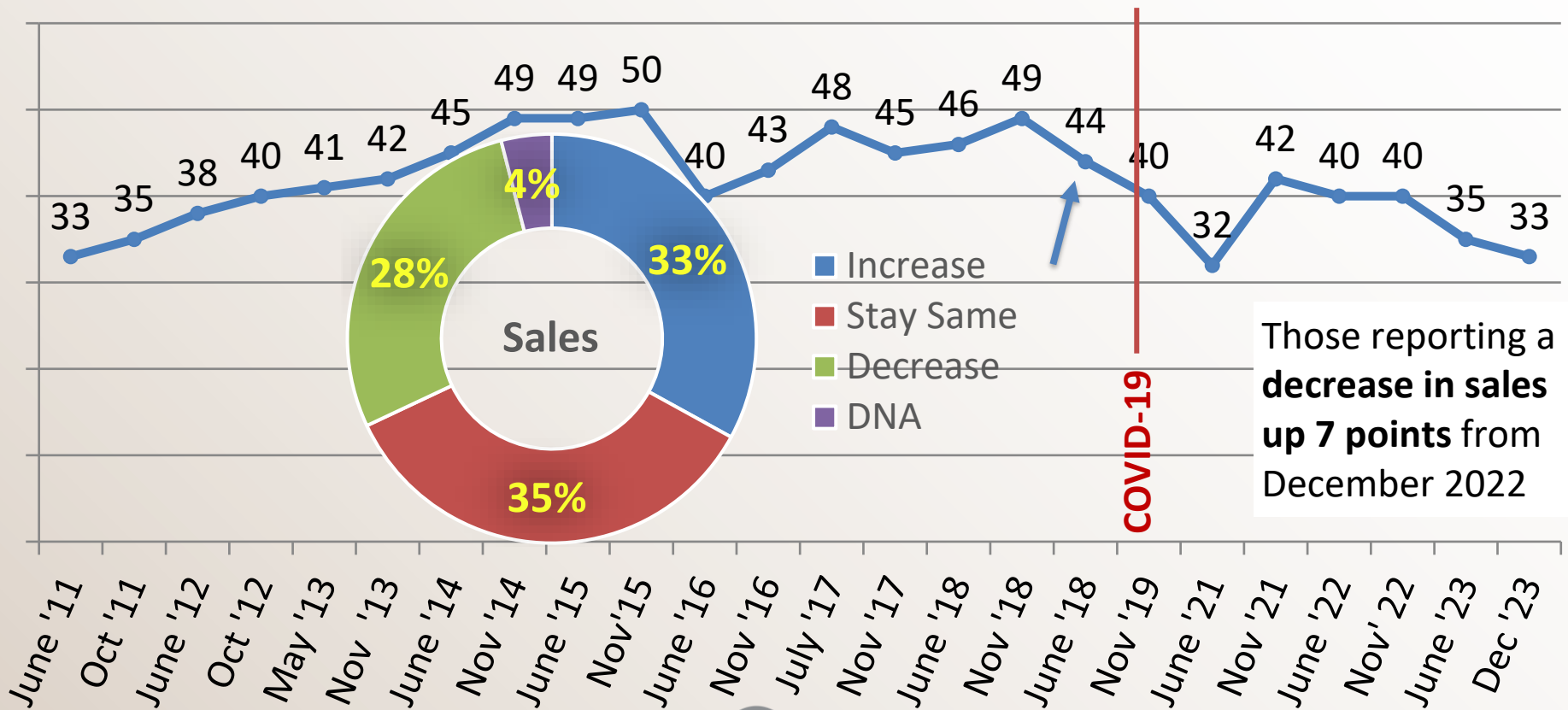


Past Six Months

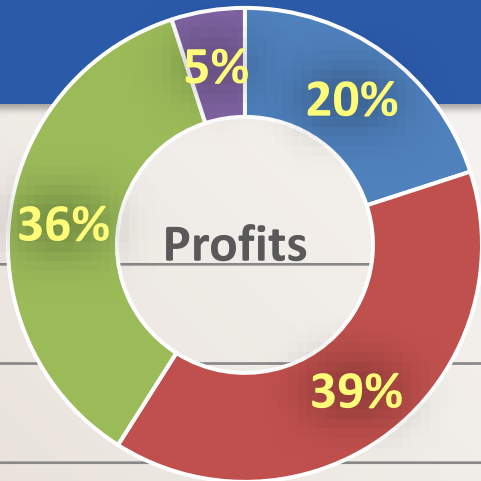


Trending The Indicators: Sales

Past Six Months

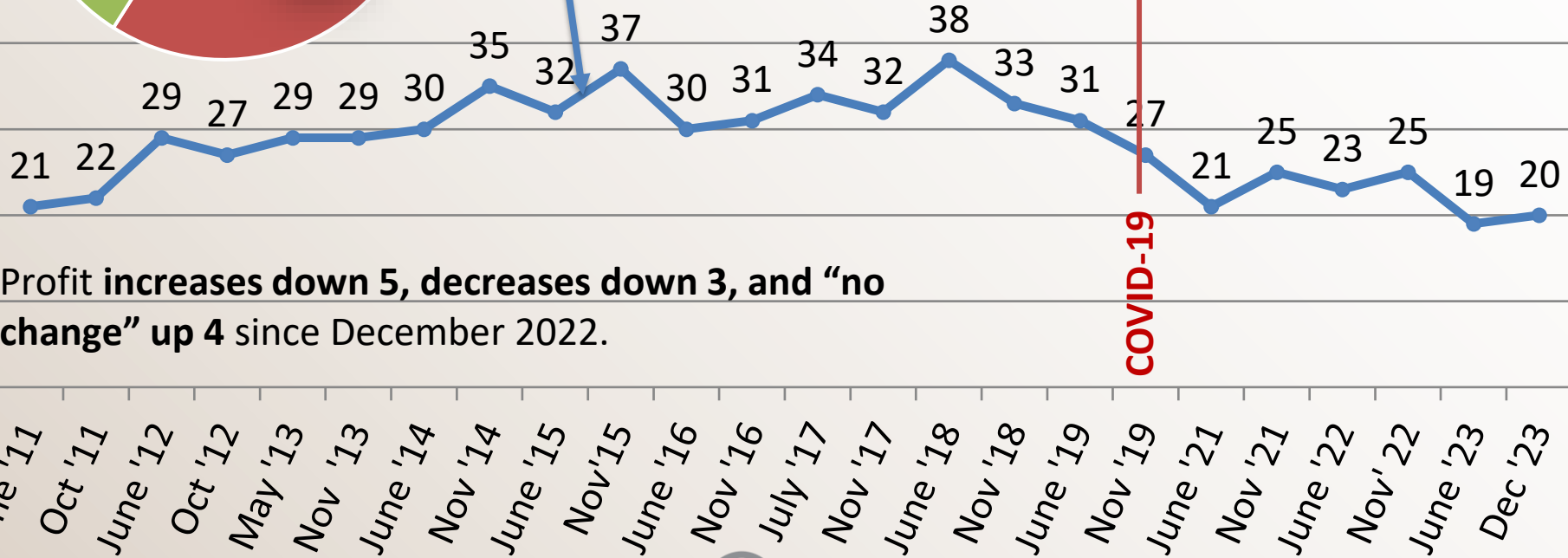


Trending The Indicators: Profits



Past Six Months

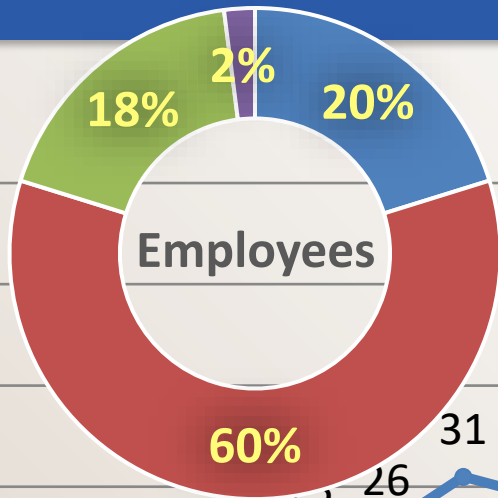
■ Increase ■ Stay Same ■ Decrease ■ DNA



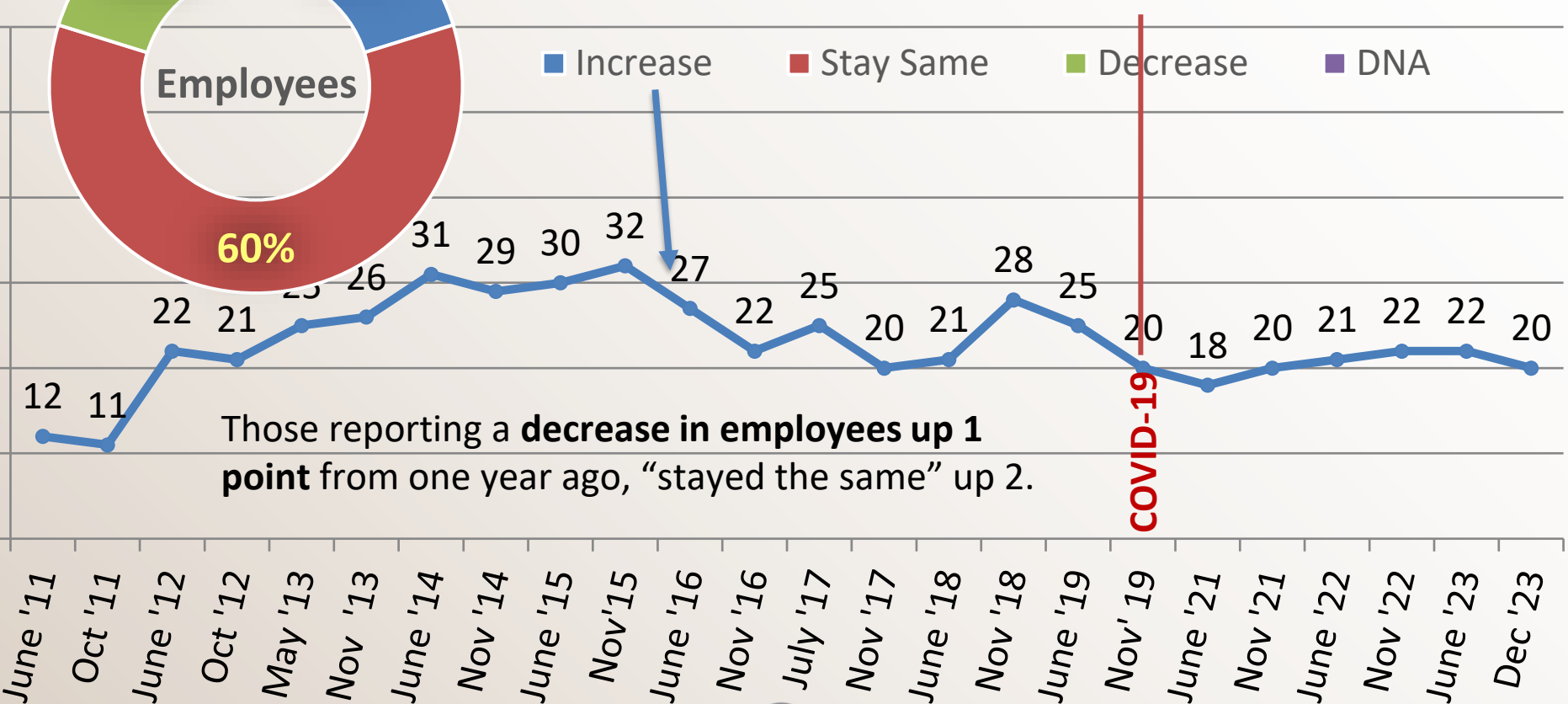
Profit increases down 5, decreases down 3, and “no change” up 4 since December 2022.

COVID-19

Trending The Indicators: Number of Employees



Past Six Months

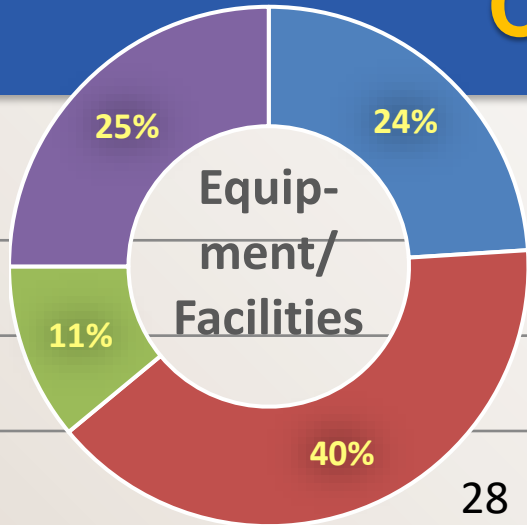


Those reporting a **decrease** in employees up 1 point from one year ago, “stayed the same” up 2.

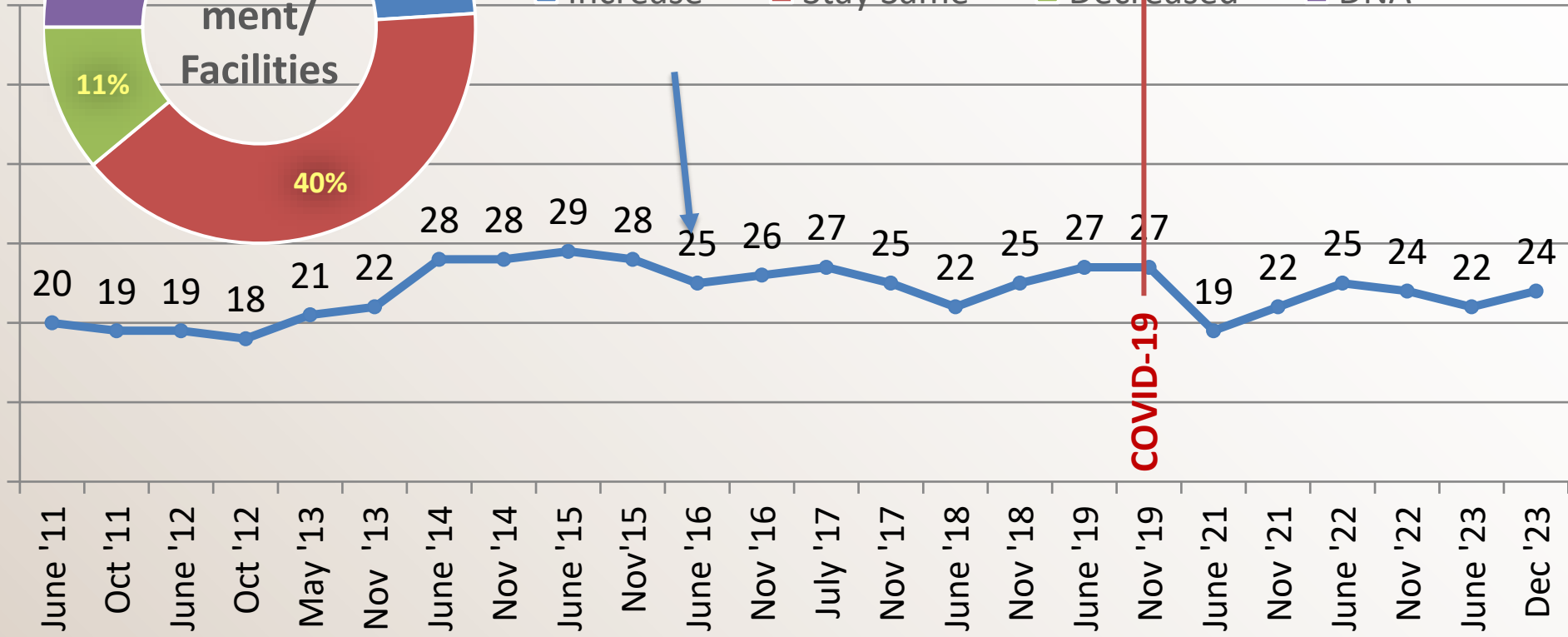
Trending The Indicators: Capital Investments

Past Six Months

■ Increase
 ■ Stay Same
 ■ Decreased
 ■ DNA



Equip-
ment/
Facilities

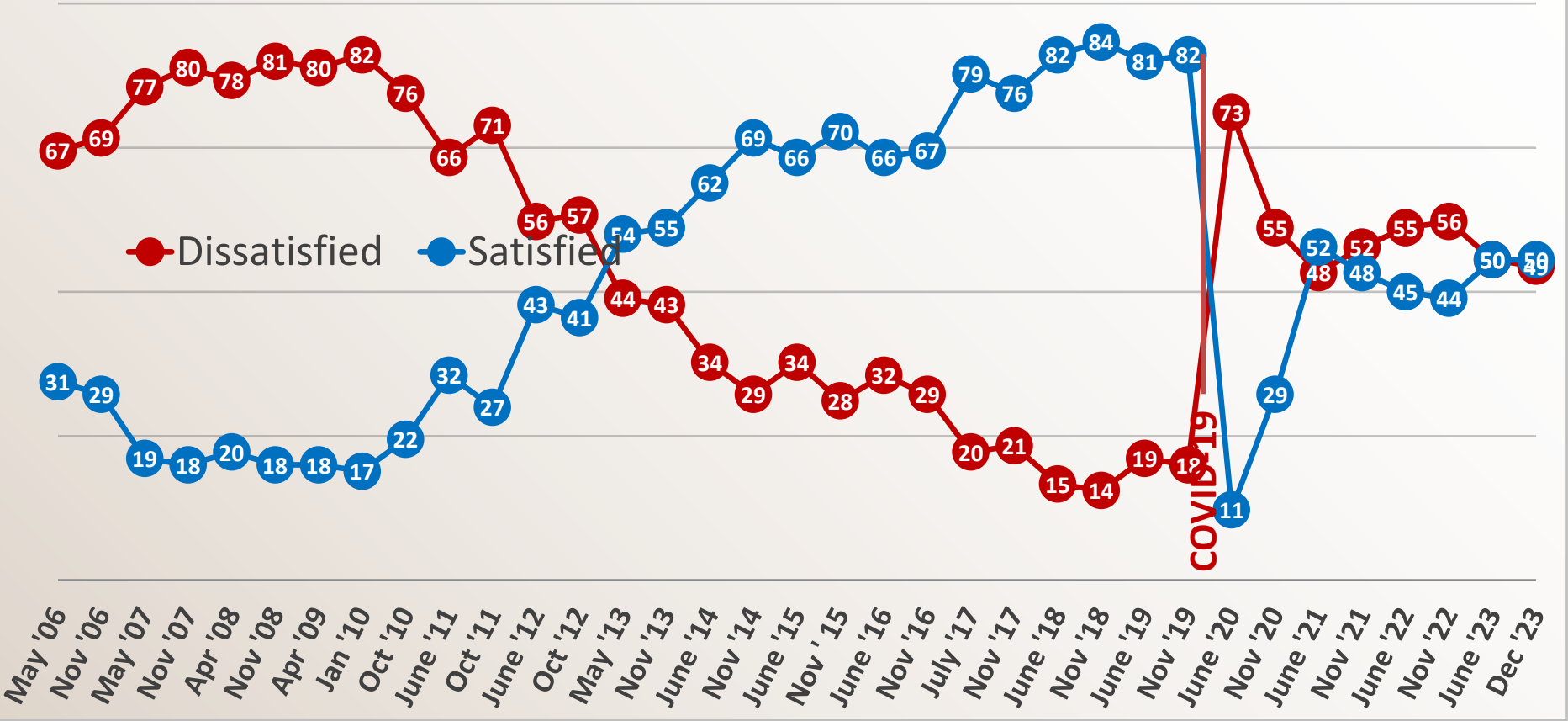


Satisfaction with Economy

- Satisfaction with the business economy holds positive at 50%.
 - 50% say they are satisfied with the economy; 39% somewhat and 11% very satisfied
 - **Up from 44% one year ago**
 - The percentage of those saying they are dissatisfied with the economy dropped seven points since Q4 2022 to 49%; 33% “somewhat dissatisfied” and 17% “very dissatisfied”
 - **Down from 56% dissatisfied one year ago**
 - Intensity remains strongest among the dissatisfied.
 - Business & Professional Services sector (58%) remains most satisfied with the economy, while Manufacturing/Construction sector is most dissatisfied (58%).

Satisfaction with Economy Trends

As it Affects Your Business



Greatest Challenges To Doing Business

Acquiring talent back to #1. Supply chain drops to bottom of list.

Weakening economy now in top three.

Access to capital/interest rates now tied for fourth.

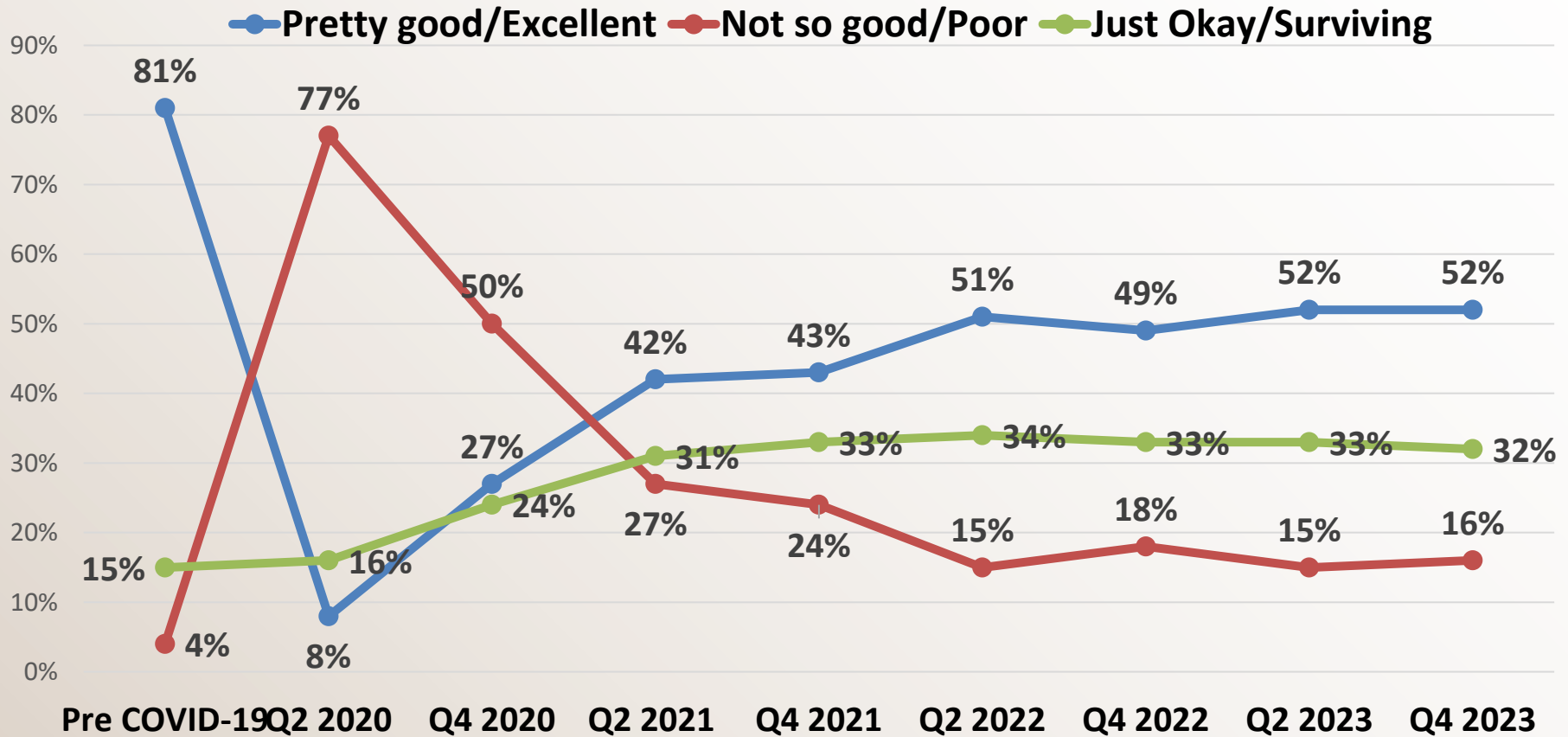
Acquiring Talent	16%
Inflation	15%
Economy Weakening	12%
Finding Customers	8%
Interest Rates/Access to Capital	8%
Government Regulations	6%
Retaining Talent	6%
Wage Inflation	6%
Cost of Health Insurance	4%
Retaining Customers	4%
Taxes	3%
Supply Chain Challenges	2%

Greatest Reasons for Optimism

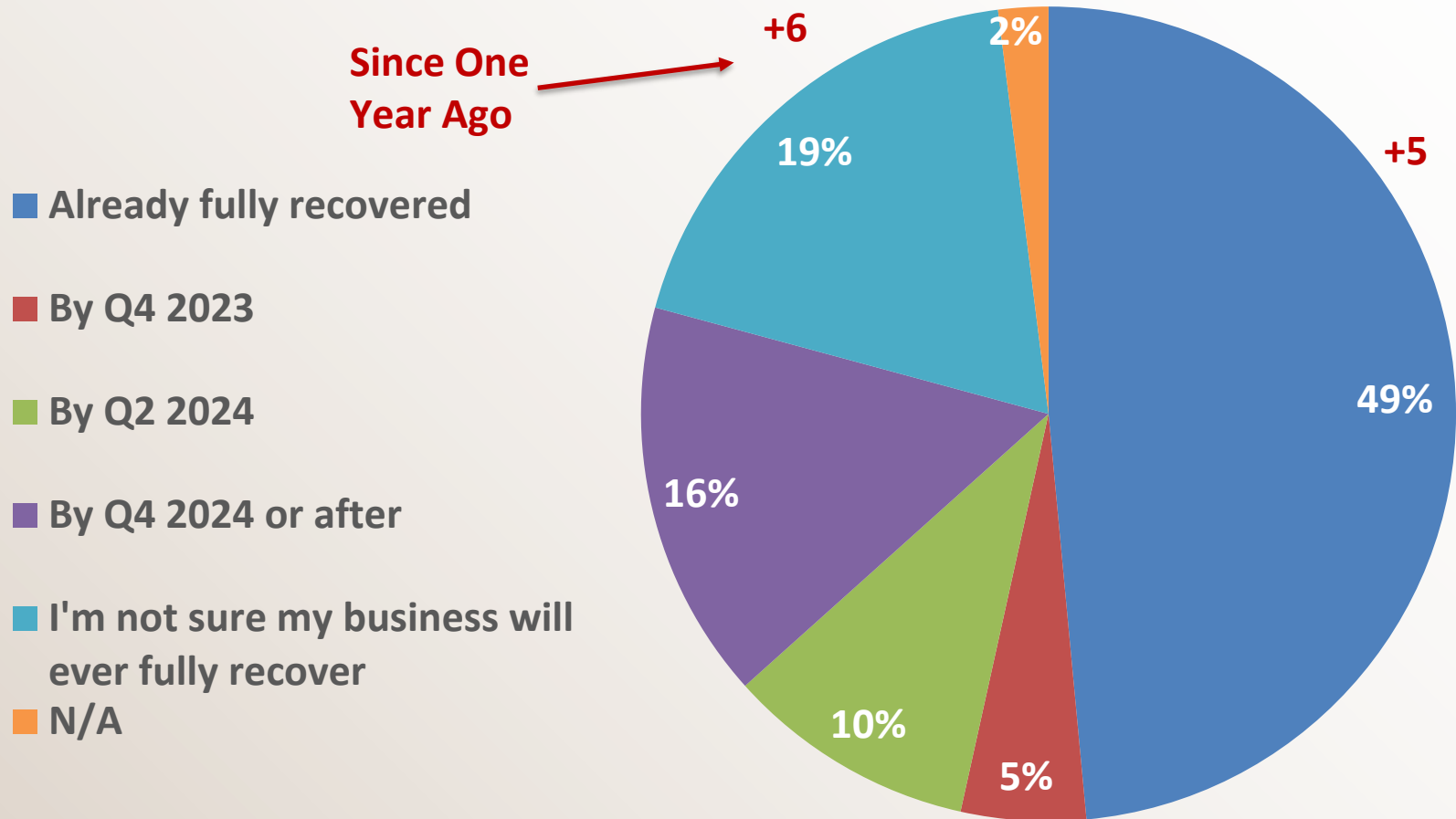
Demand, Growth and Opportunity Rule!

Demand For Products/Services	17%
Business Growth/Expansion	16%
More Opportunities	14%
My Staff/Team/Employees	13%
Great Customers	11%
The Economy	6%
Longevity/Resilience/Still Going	6%
Politics/Hope For Reforms	3%
Flexible/Nimble/Innovative	2%
Business Is Good	1%
End of COVID-19 Pandemic	1%

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



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

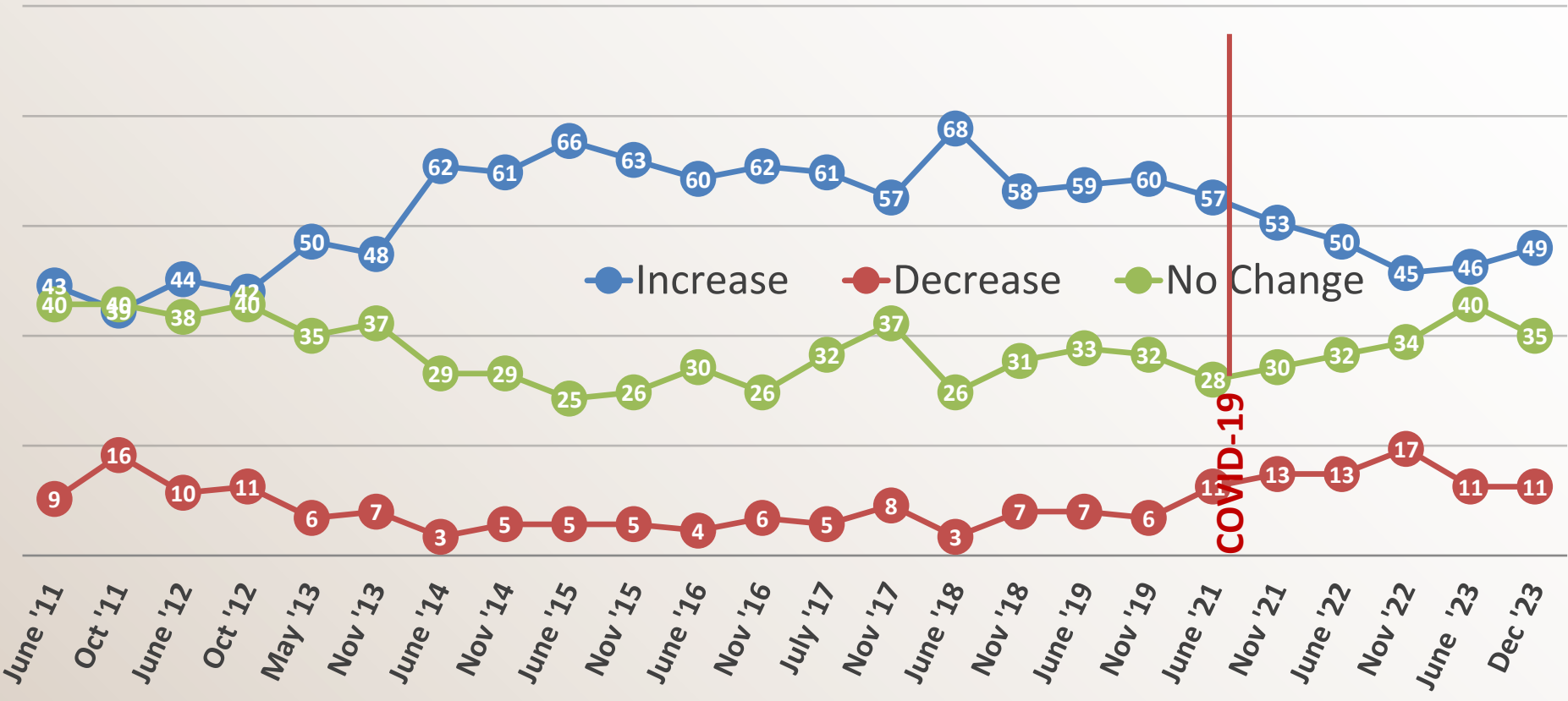


Sales & Profit Projections Improving

- Projections for sales and profits continue to improve. Projections for decreased profits continue to fall from a record level in Q4 2022.
 - Projected sales growth at 49% — up four points from Q4 2022. Expectations for sales decreases remain unchanged (11%) since Q2 2023, but down six points from Q4 2022.
 - The percentage of those believing profits will increase ticked up to 36%, four points higher than Q4 2022. Sixteen percent (16%) expect profits to decline in the next six months, dropping eleven points since Q4 2022.
- Expectations for sales growth is now highest in the Insurance/Finance/Real Estate sector (70%) and lowest in the Non-Profit/Health Care sector (33%).
- Profit increases are most expected in the Insurance/Finance/Real Estate (54%) and lowest in the Non-Profit/Health Care sector (25%)

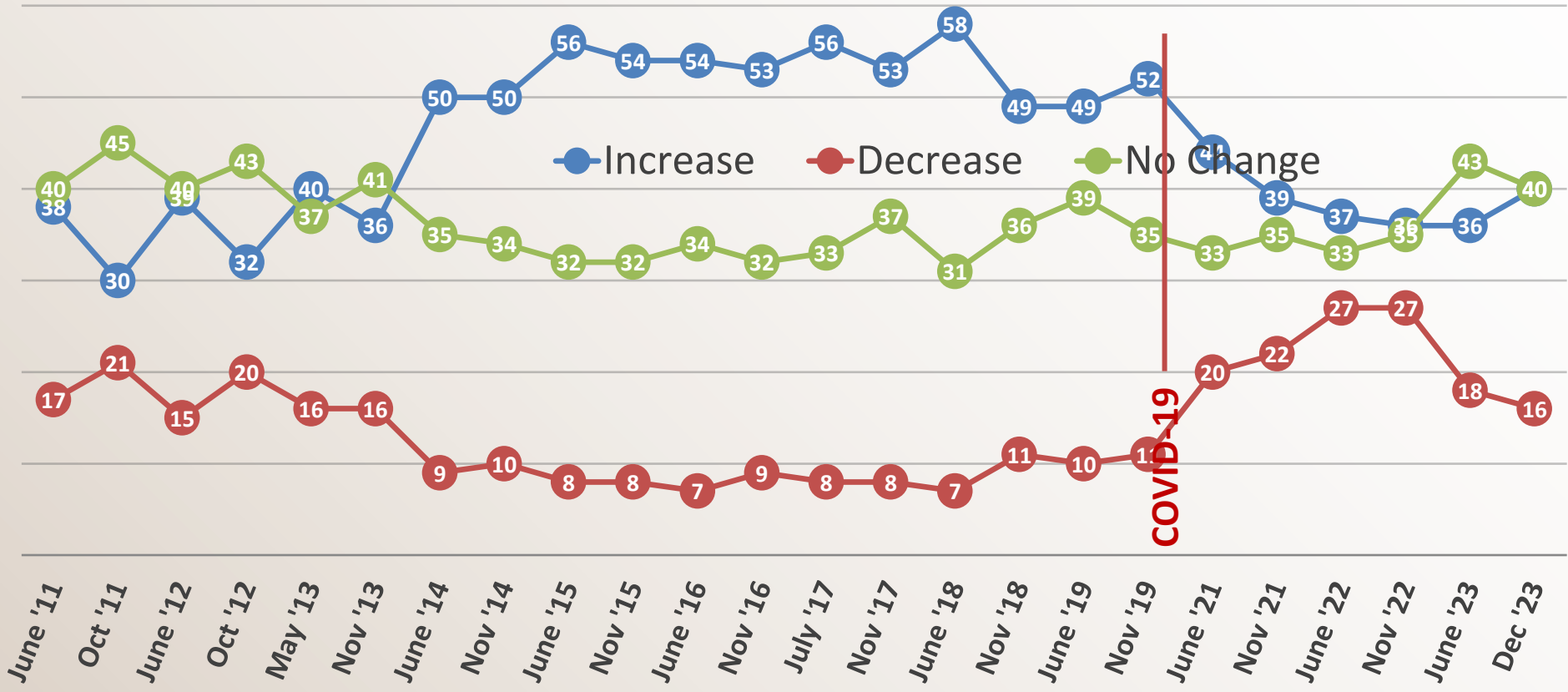
Projected Sales Trends

Over The Next Six Months ...



Projected Profit Trends

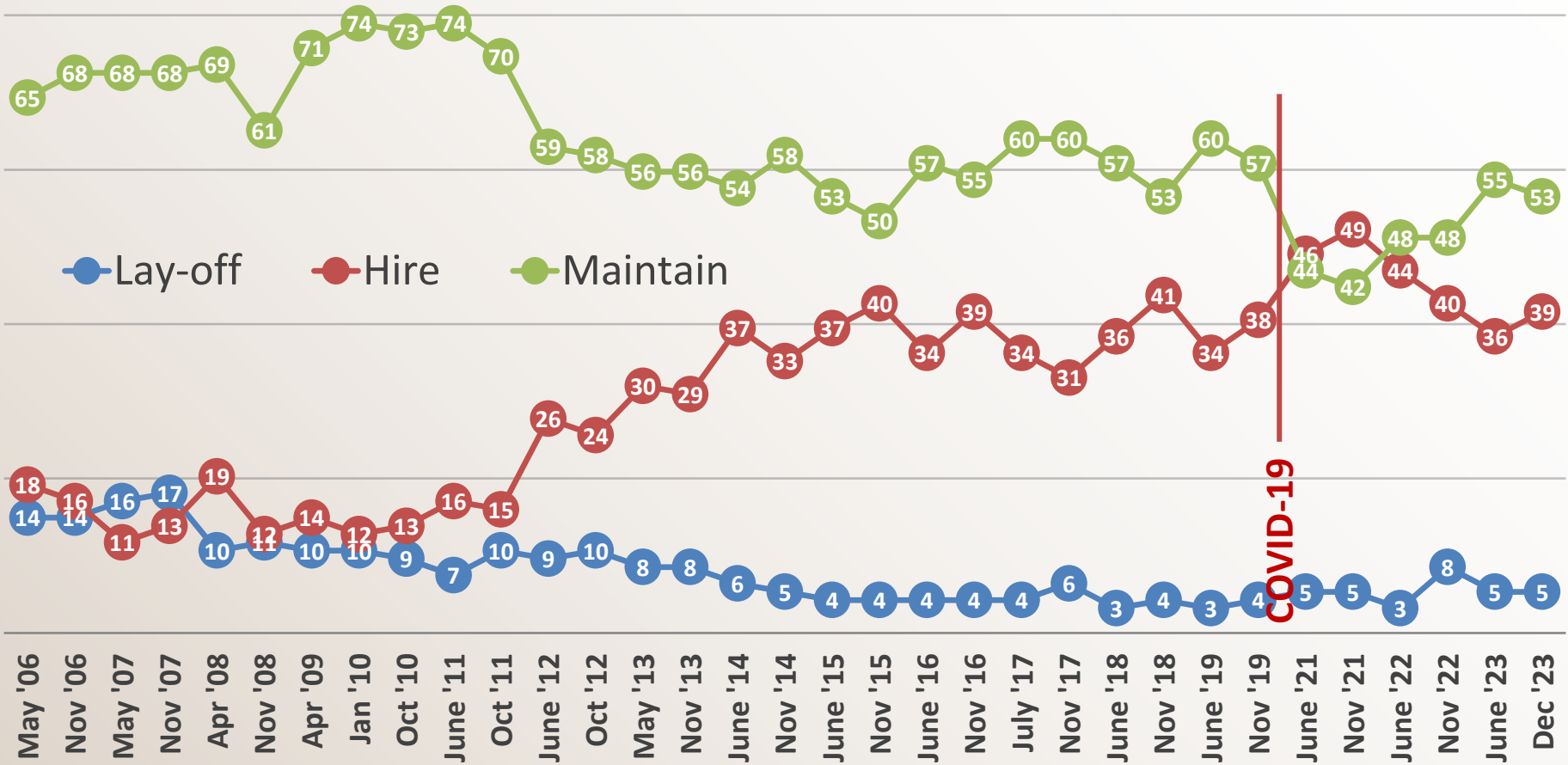
Over The Next Six Months ...



Hiring Rebounding Slightly

- Even though most respondents say they will maintain current staffing levels, nearly four in ten say they plan to hire more employees.
 - **Thirty-nine percent (39%) say they plan to hire more employees over the next six months. A three-point rebound since Q2 2023, but down one point since Q4 2022.**
 - **Fifty-three percent (53%) will maintain staff at current levels, up five points from one year ago.**
 - **Only five percent (5%) say they plan to lay off employees.**
- The Manufacturing/Construction sector (44%) is most likely to be hiring in the next six months, while the Retail/Food Service sector is least likely to be hiring in the next six months (33%).

Projected Hiring Trends



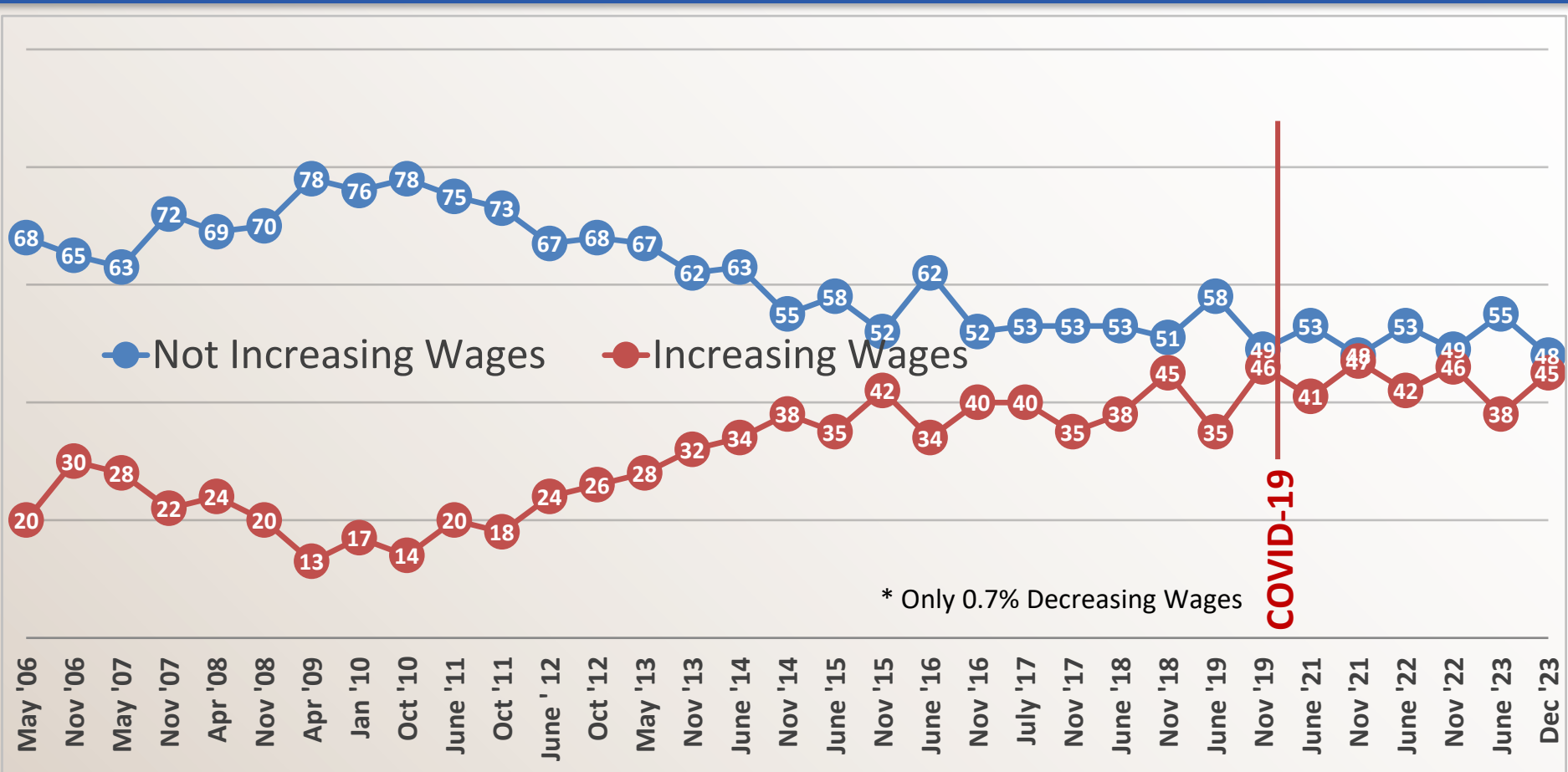
Data Indicates Talent Acquisition Continues to Improve

- Thirty-five percent (35%) say their access to qualified talent is “pretty good” or “excellent” – up six points from Q4 2022. Fifty-six percent (56%) rate their access to qualified talent as “only fair” or “poor” – down seven points from Q4 2022.
- Nearly six in ten (58%) are having difficulty filling open jobs – down six points from Q4 2022.
 - Down seven points from a year ago, 75% of those actively searching for talent are having difficulty.
 - 55% attribute it to a lack of qualified applicants – up 7 points from Q4 2022.
 - 34% attribute that difficulty to a lack of any applicants – down 8 points from Q4 2022.

Wage Increase Projections Down

- Data indicates that concerns over wage inflation continue to wane. Wage inflation has significantly fallen down the list of challenges, while fewer say they have increased wages in the past six months. Still fewer say they will raise wages in the next six months.
- Forty-five percent (45%) say they expect to raise wages in the next six months, down one point from Q4 2022. Forty-eight (48%) say they will not raise wages.
- Projections for wage growth are strongest in the Insurance/Finance/Real Estate sector (57%).

Projected Wage Trends



Projected Investments & Growth

- A majority (60%) plan to invest in **employee training** within the next 6 months.
- More than half (51%) will invest in **advertising**.
- One quarter (23%) plan to invest in **new equipment**.
- Over one-third (35%) plan to expand their business with a **new product line or service**.

Conclusions:

- Inflation worries continue to subside, as wage inflation has also started a downward trend.
- Satisfaction with the economy has held positive in two surveys now.
- While sales over the last six months are back in record low territory, projections for future sales and profits are on an upward trend.
- As plans for new hiring tick up, businesses remain focused on improving their teams through training and promotion.
- Recovery from the COVID-19 pandemic is either complete or nearly complete for most businesses, while few say they are still challenged by supply chain issues.

Conclusions:

- Michigan continues to be a great place for small business!
 - 62% now believe Michigan remains a pretty good (46%) to excellent (16%) market for their business – no change from Q4 2022.
 - 59% say our state business taxes as mostly (53%) to very (6%) fair – down 3 from Q4 2022.

Thank you!

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

<http://www.michiganbusinessnetwork.com>

P.O. Box 15279

Lansing, MI 48906

(517) 755-9649

ROI  INSIGHT

