

Michigan Future Business Index

Q2 2024

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ROI  INSIGHT



Michigan Future Business Index Methodology

- Statewide survey of 691 small to medium-sized businesses; 580 completed the survey
 - **Mixed-mode survey, conducted online and by phone**
- Commissioned by Cinnaire & Michigan Business Network
- Conducted by ROI Insight
 - **Data Collection: Mid May through June, 2024**

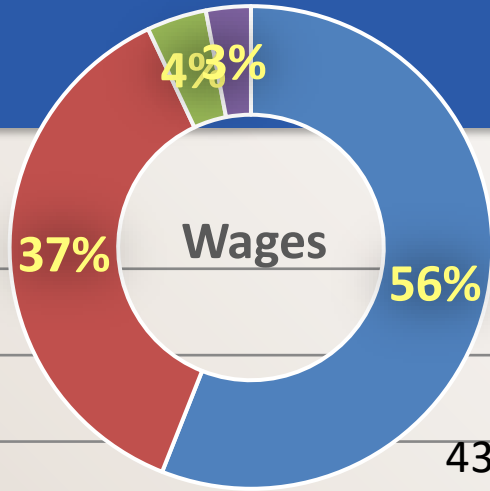
Key Takeaways

- Inflation is back in first place as the biggest small business challenge. Finding customers and talent acquisition are close behind.
- While reports of increased profits and new hires over the past six months have ticked up slightly since Q4 2023, reports of sales and wage increases are unchanged since then.
- A majority is satisfied with the business economy, continuing the trend back into positive territory.
- While more than half of businesses saying they have fully recovered from the pandemic, projections for sales, profits, hiring, and wages in the next six months are all now trending slightly downward.
- Customer demand, business growth, quality talent, and loyal customers are the main reasons for optimism.

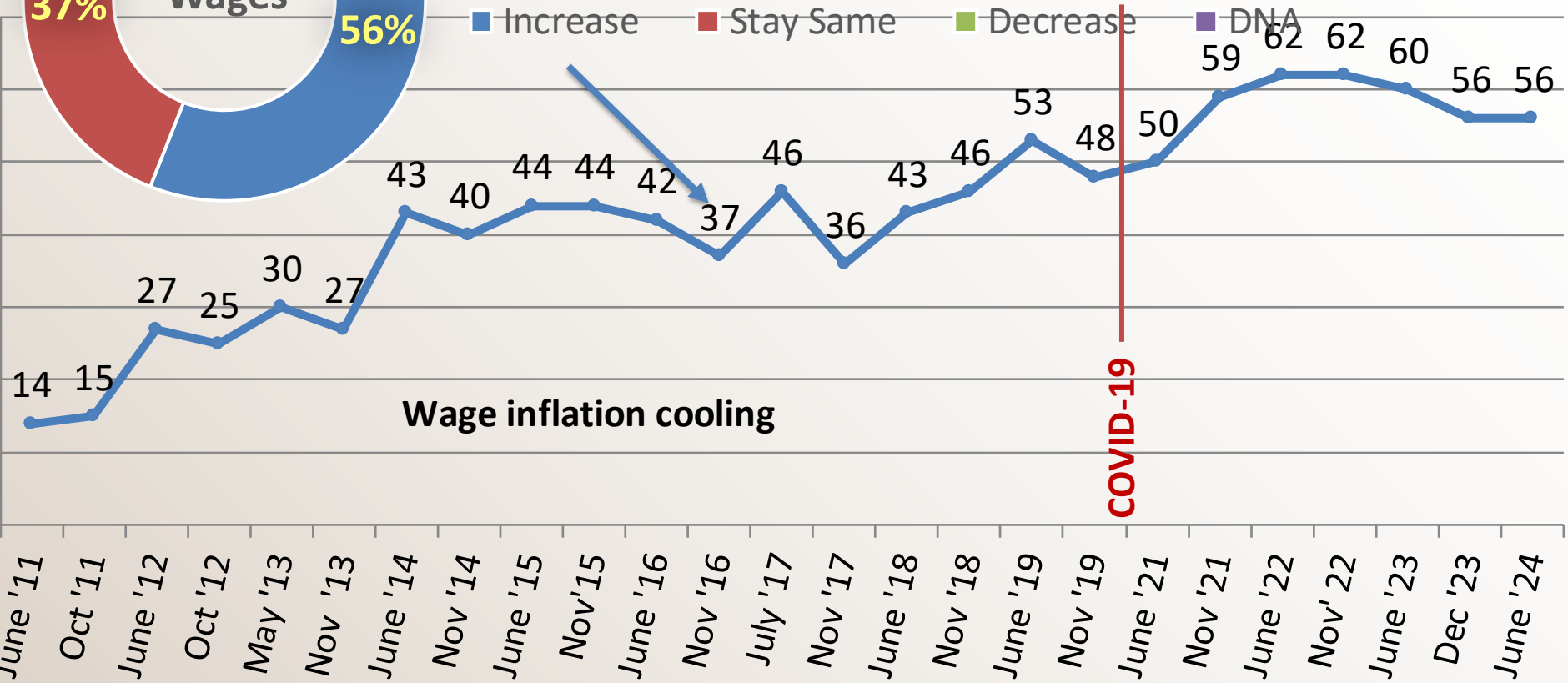
The Past Six Months

- As wage inflation continues to slow, so do reports of sales increases. Profits and hiring have ticked up, while there was a slight pull back in capital investments.
 - **Wage increases level off**
 - **Fifty-six percent (56%) say their employee wages have increased in last six month, the same as Q4 2023 and down four points from one year ago.**
 - **Sales increases also unchanged from Q4 2023**
 - **Thirty-three (33%) say sales have increased in the last six months, unchanged from Q4 2023 and down two points from one year ago.**
 - **Profit increases continue their slow climb**
 - **More than two in ten (22%) report profit increases, up three points from Q2 2023.**
 - **Hiring down slightly**
 - **Slightly more than two in ten (21%) say they have hired new employees, down one point from Q2 2023.**
 - **Investments down slightly**
 - **More than two in ten (21%) increased capital investments, which is down one point from Q2 2023.**

Trending The Indicators: Wages

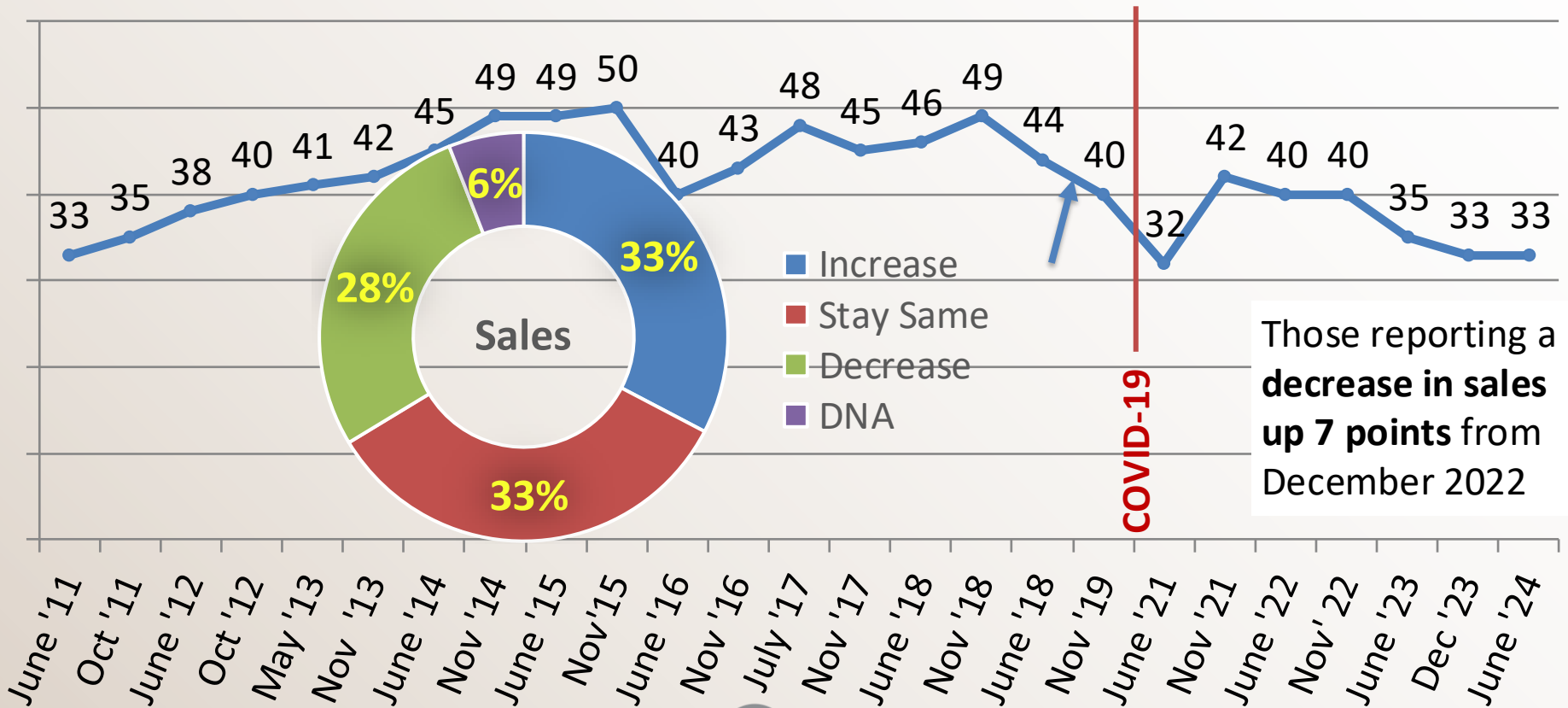


Past Six Months



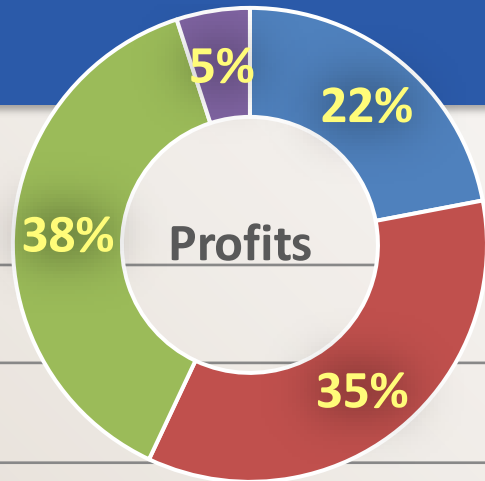
Trending The Indicators: Sales

Past Six Months

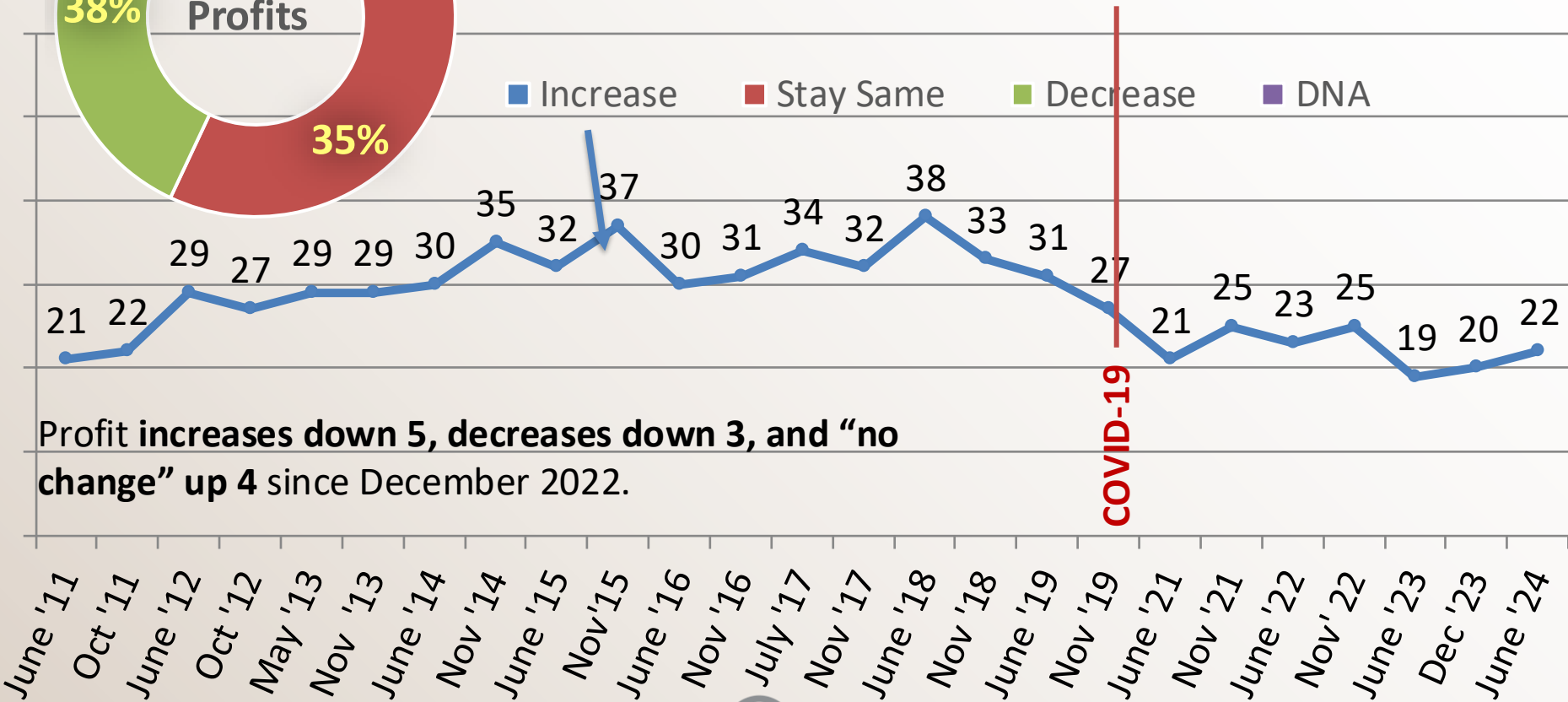


Those reporting a **decrease in sales up 7 points** from December 2022

Trending The Indicators: Profits



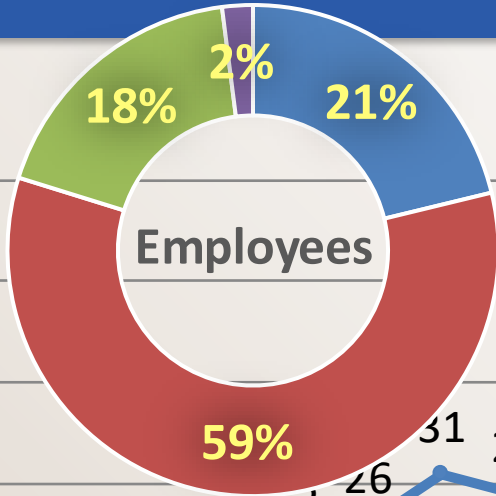
Past Six Months



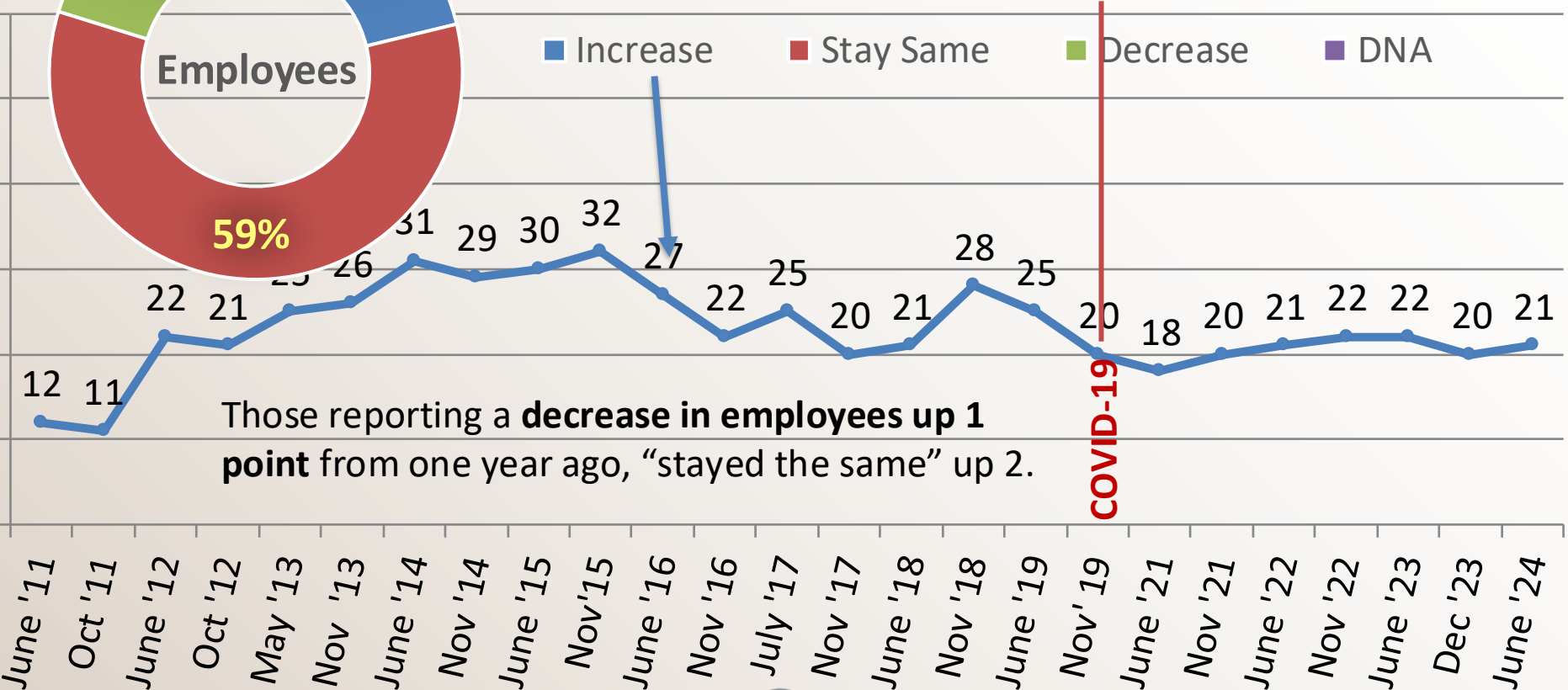
Profit increases down 5, decreases down 3, and “no change” up 4 since December 2022.

Trending The Indicators: Number of Employees

Past Six Months



■ Increase ■ Stay Same ■ Decrease ■ DNA

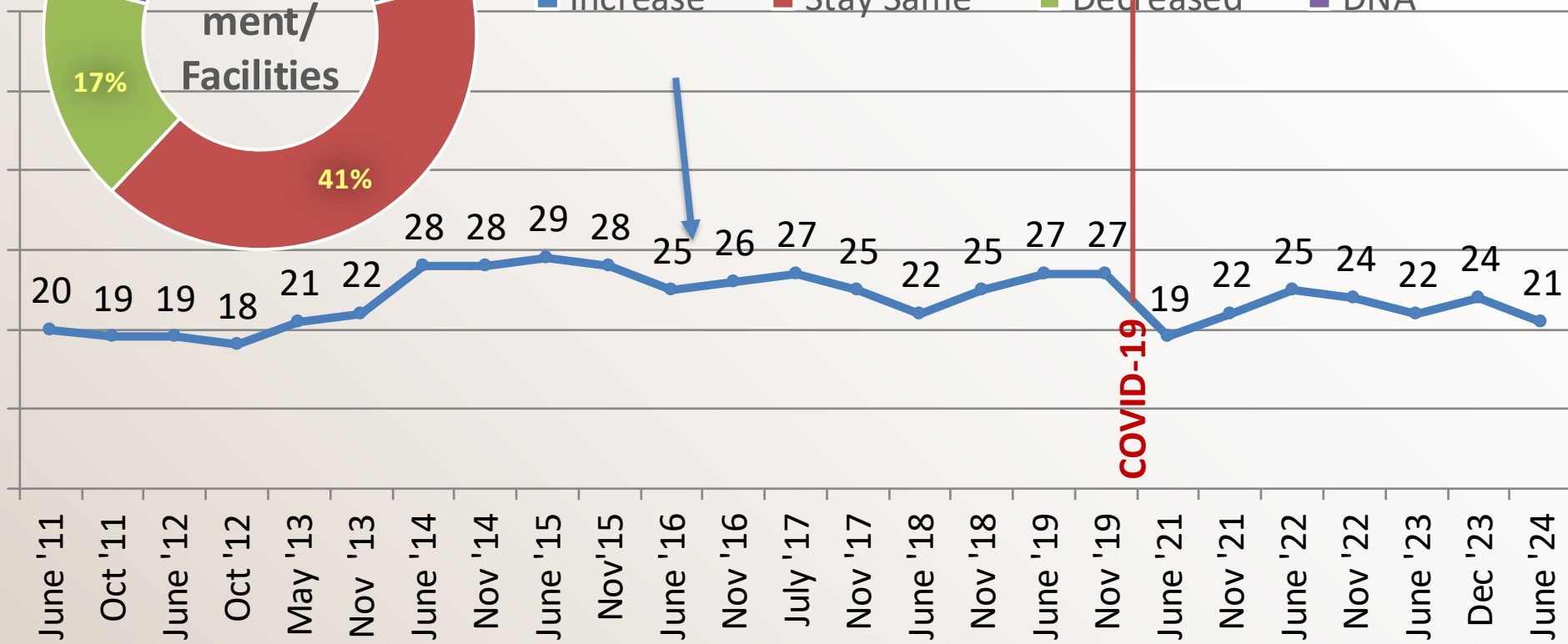
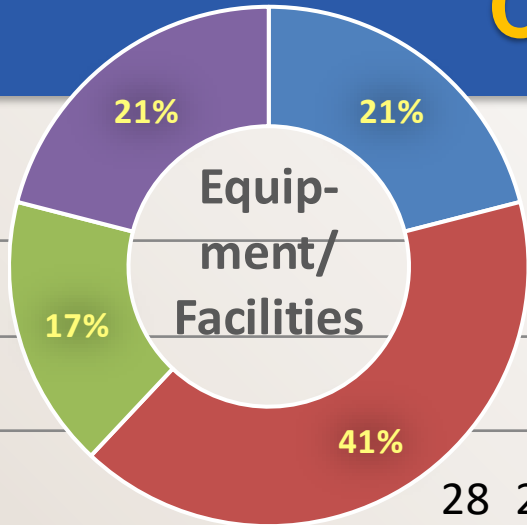


Those reporting a **decrease** in employees up **1 point** from one year ago, “stayed the same” up **2**.

Trending The Indicators: Capital Investments

Past Six Months

■ Increase ■ Stay Same ■ Decreased ■ DNA

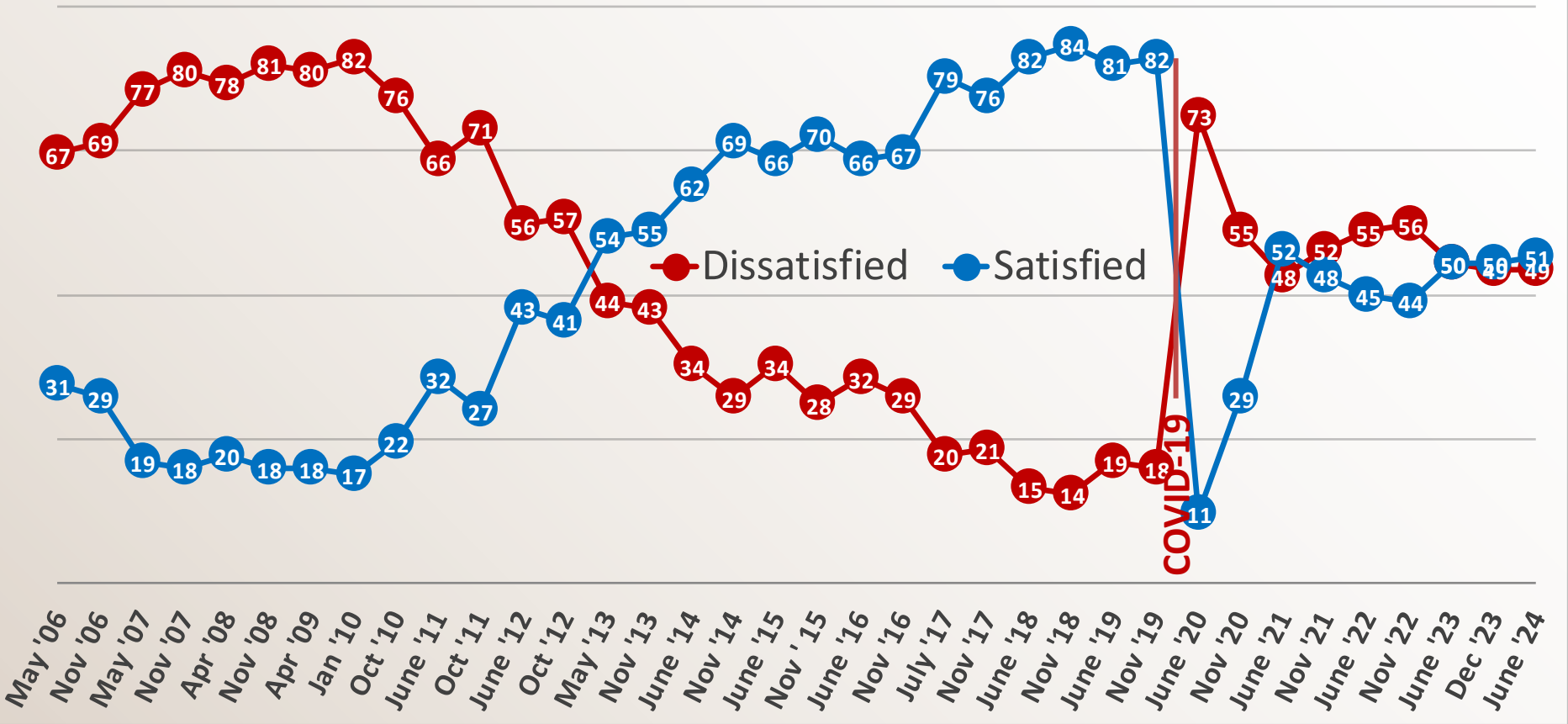


Satisfaction with Economy

- Satisfaction with the business economy continues to improve.
 - 51% say they are satisfied with the economy; 37% somewhat and 14% very satisfied
 - Up from 50% one year ago
 - The percentage of those saying they are dissatisfied with the economy has stayed at 49% in the last two surveys; 30% “somewhat dissatisfied” and 19% “very dissatisfied”
 - Intensity remains strongest among the dissatisfied.
 - Business & Professional Services sector (61%) remains most satisfied with the economy, while Manufacturing/Construction sector is most dissatisfied (41%).

Satisfaction with Economy Trends

As it Affects Your Business



Greatest Challenges To Doing Business

Inflation back to #1. Weak economy percentage drops two points since Q4 2023. Finding customers – impacted by inflation – moves into second place.

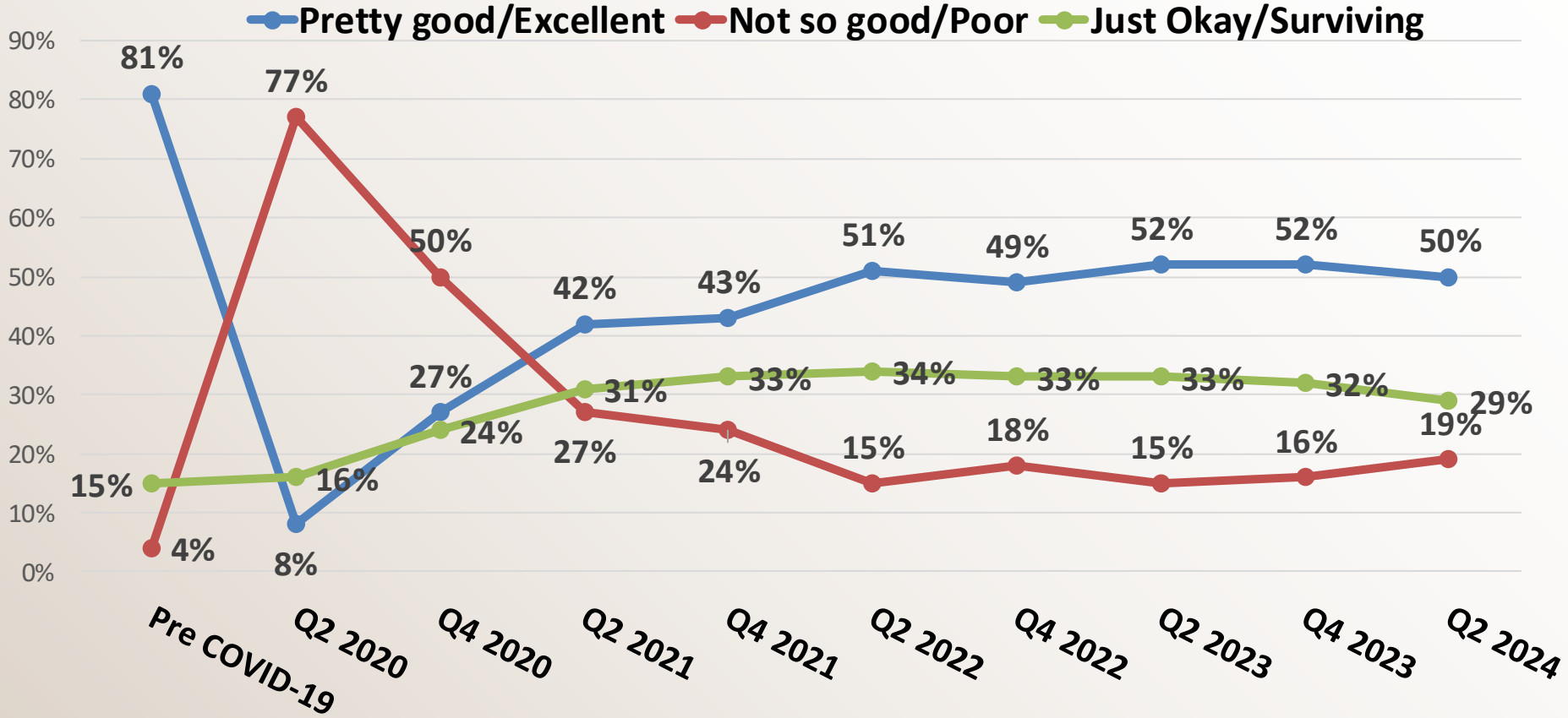
Inflation	15%
Finding/Retaining Customers	13%
Acquiring Talent	11%
Economy Weakening	10%
Interest Rates/Access to Capital	9%
Wage Inflation	6%
Cost of Health Insurance	6%
Government Regulations	5%
Retaining Talent	4%
Taxes	3%
Supply Chain Challenges	2%

Greatest Reasons for Optimism

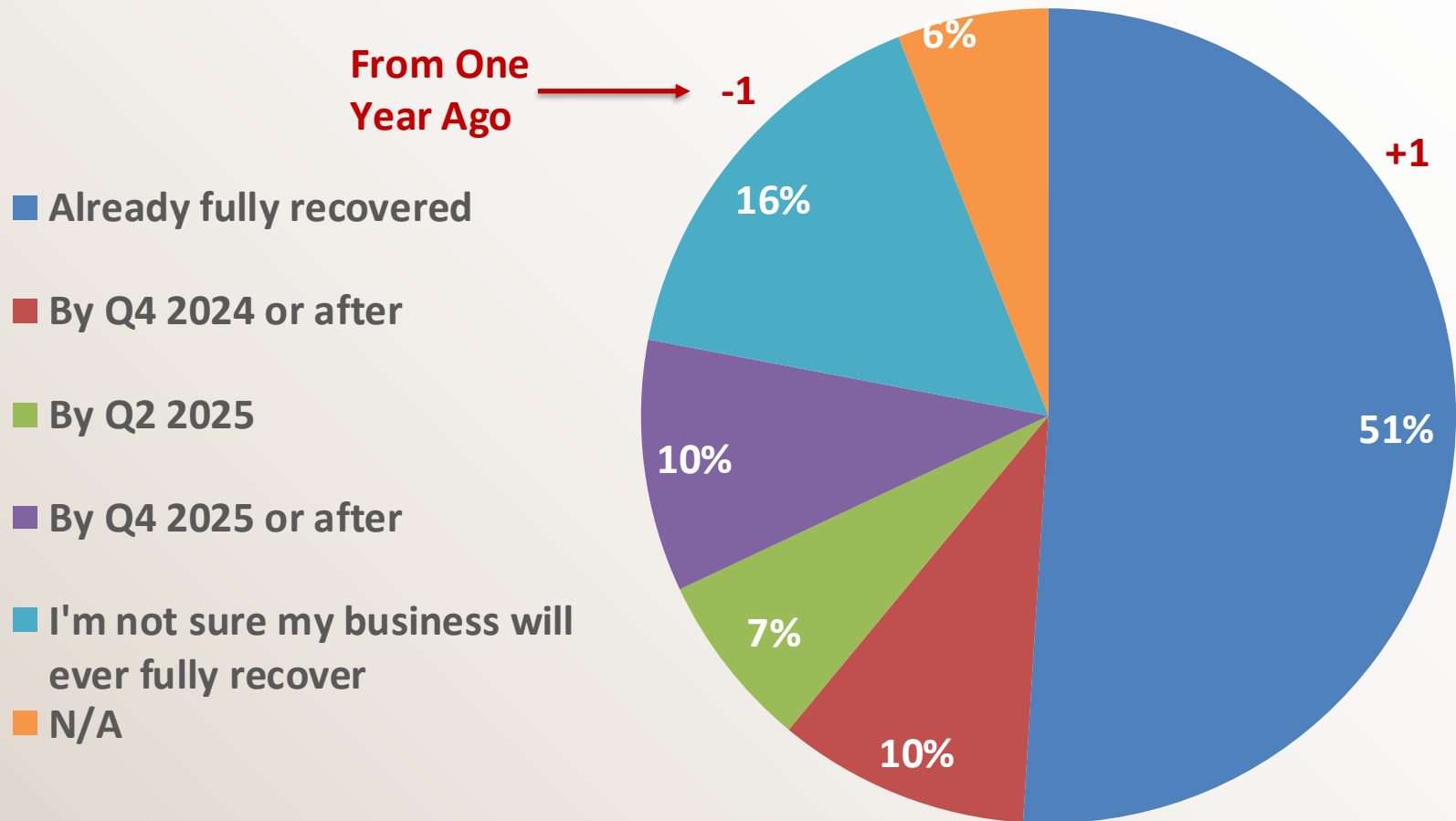
Demand, Growth, Quality Talent and Loyal Customers Lead

Demand For Products/Services	19%
Business Growth/Expansion	15%
My Staff/Team/Employees	15%
Great Customers	15%
More Opportunities	12%
Generally Positive, Business Is Good	10%
The Economy	6%
Longevity/Resilience/Still Going	5%
Politics/Hope For Reforms	5%
Flexible/Nimble/Innovative	3%
End of COVID-19 Pandemic	1%

How Is Your Business Doing Now?



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

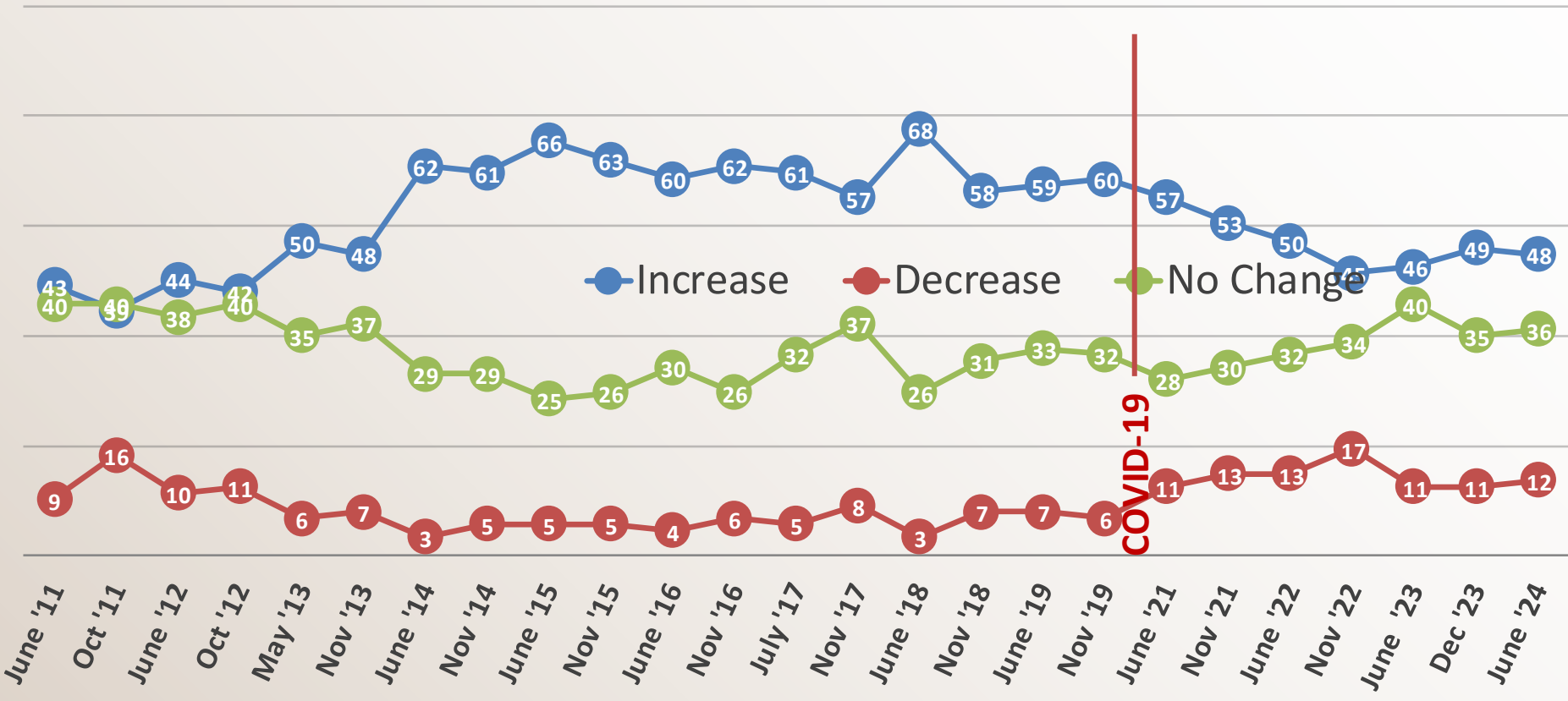


Sales & Profit Projections Stall

- Projections for sales and profits struggling to keep a positive trend. Projections for decreased profits have gone up four points since in Q4 2023.
 - **Projected sales growth at 48% — up two points from Q2 2023 but down one point from Q4 2024. Expectations for sales decreases increased one point (12%) since Q2 2023.**
 - **The percentage of those believing profits will increase is at 38%, two points lower than Q4 2023. Twenty percent (20%) expect profits to decline in the next six months, up four points since Q4 2023.**
- Expectations for sales growth is now highest in the Business/Professional Services sector (44%) and lowest in the Retail/Food Services sector (24%).
- Profit increases are most expected in the Business/Professional Services sector (28%) and lowest in the Non-Profit/Health Care sector (16%)

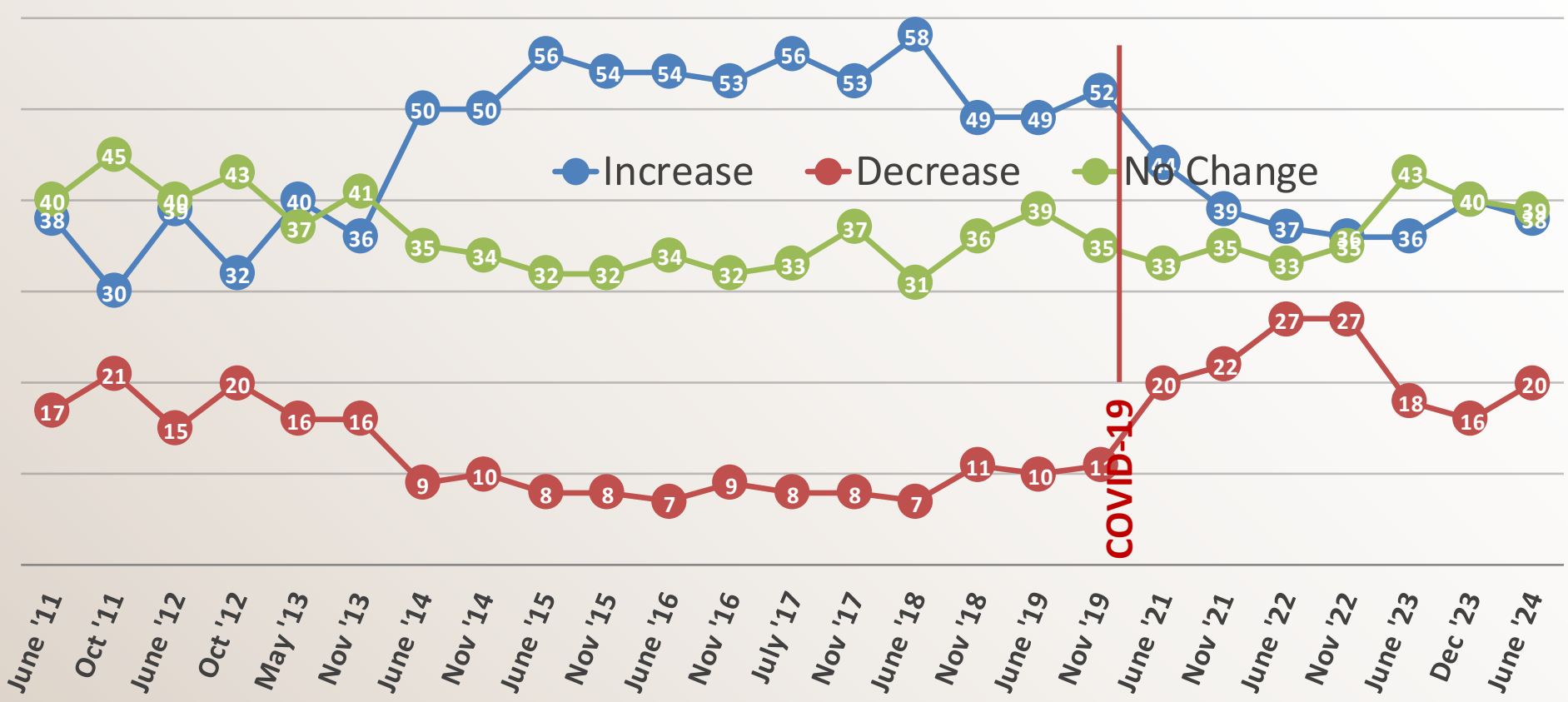
Projected Sales Trends

Over The Next Six Months ...



Projected Profit Trends

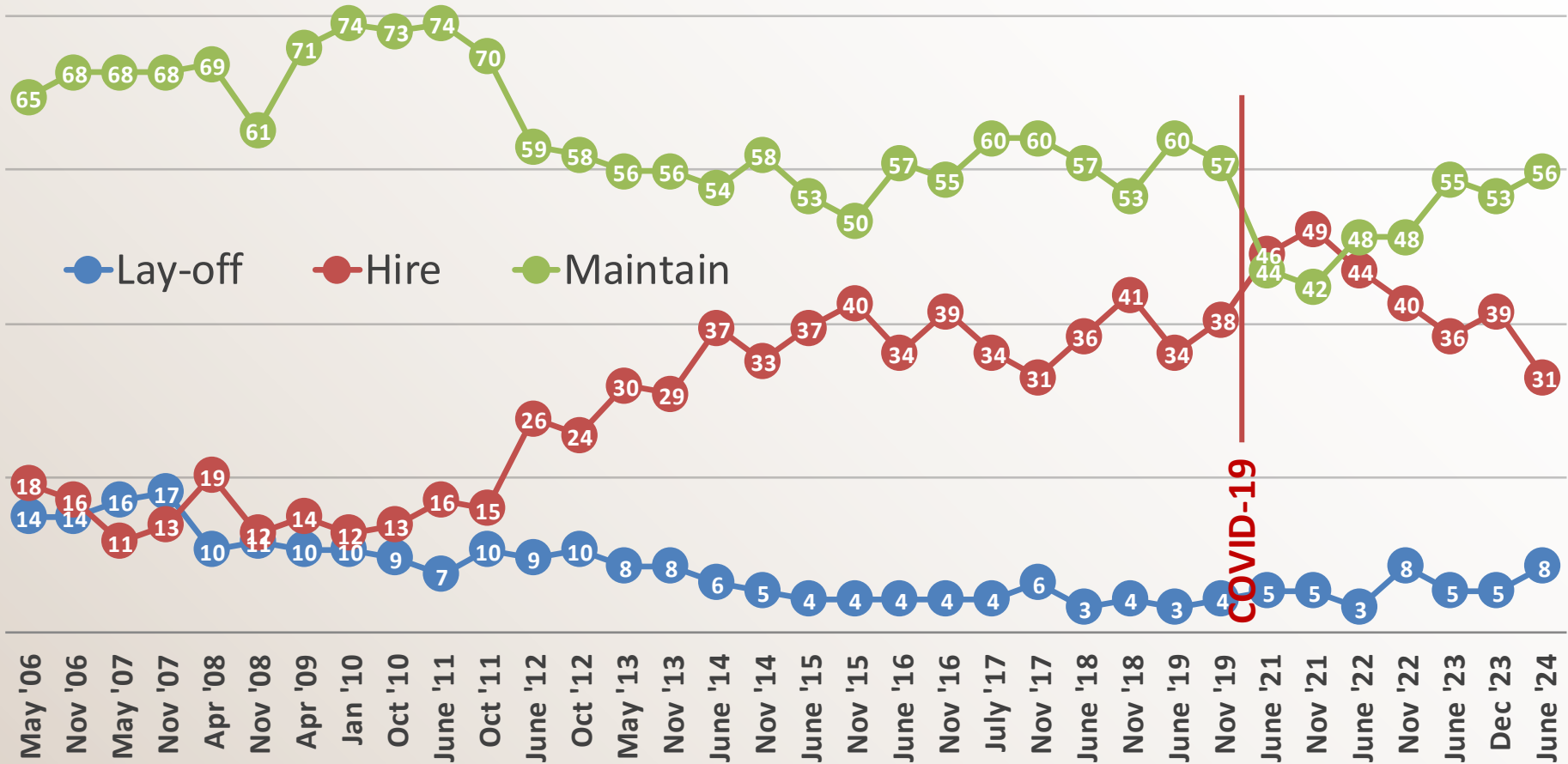
Over The Next Six Months ...



New Hire Projections Slump

- Even though most respondents say they will maintain current staffing levels, only about three in ten say they plan to hire more employees.
 - **Thirty-one percent (31%) say they plan to hire more employees over the next six months. That's an eight-point drop since Q4 2023, and five points lower than one year ago.**
 - **Fifty-six percent (56%) will maintain staff at current levels, up one points from one year ago.**
 - **Eight percent (8%) say they plan to lay off employees, up three points.**
- The Health Care/Non-Profit sector (30%) 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 (13%).

Projected Hiring Trends



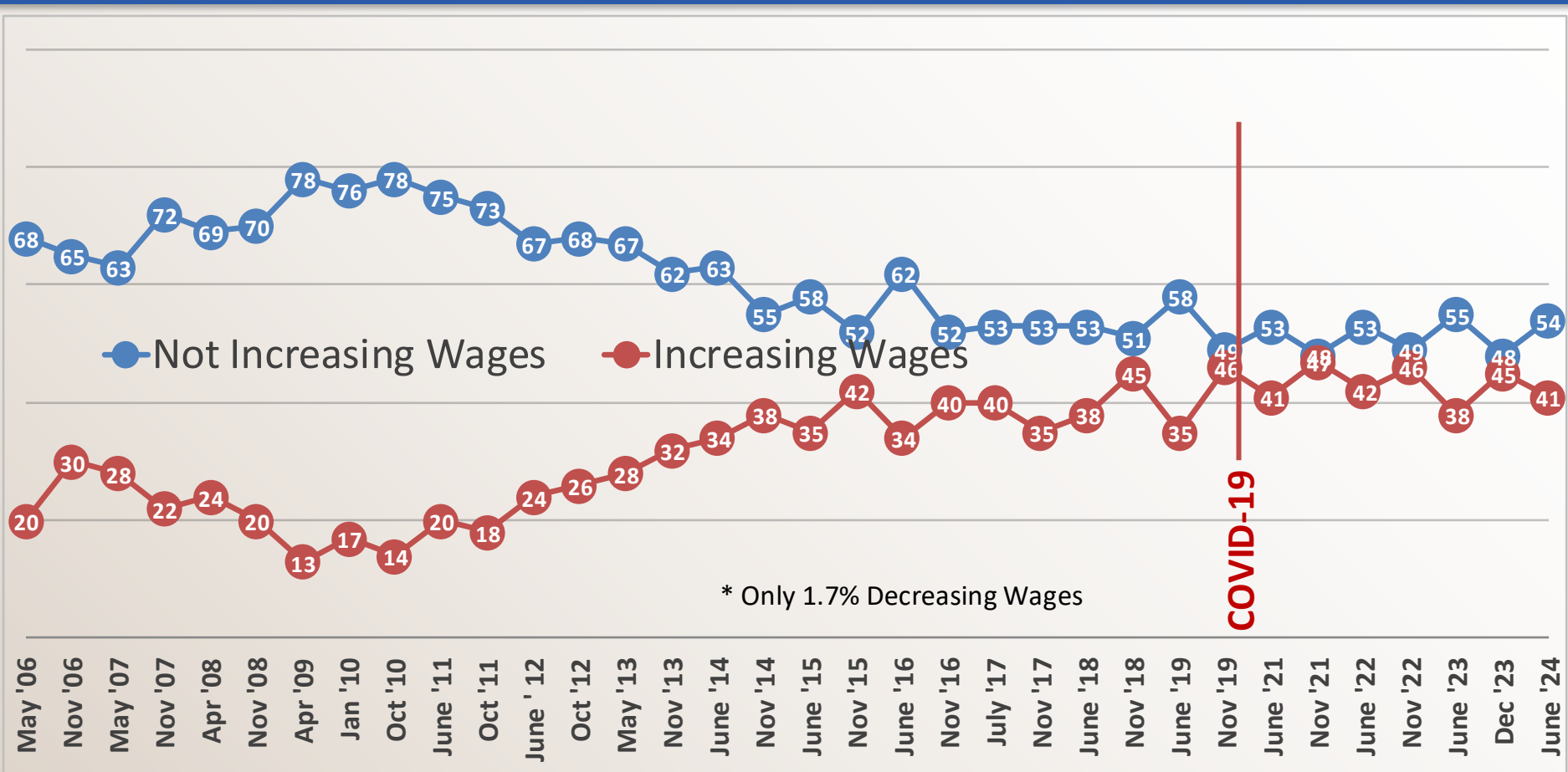
Talent Acquisition Challenges Remain

- Thirty-seven percent (37%) say their access to qualified talent is “pretty good” or “excellent” – up five points from one year ago. Forty-six percent (46%) rate their access to qualified talent as “only fair” or “poor” – down twelve points from one year ago.
- Fifty-seven percent (57%) are having difficulty filling open jobs – down two points from one year ago.
 - **Down three points from a year ago, 76% of those actively searching for talent are having difficulty.**
 - **55% attribute it to a lack of qualified applicants – up 8 points from one year ago.**
 - **34% attribute that difficulty to a lack of any applicants – down 5 points from one year ago.**

Wage Increase Projections Down

- Only six percent (6%) listed wage inflation as top challenge to doing business in this MFBI, which is 20 points lower than one year ago. Wage increases have slowed in the past six months and fewer say they will raise wages in the next six months.
- Forty-one percent (41%) say they expect to raise wages in the next six months, down four points from Q4 2023. Fifty-four (54%) say they will not raise wages.
- Projections for wage growth are strongest in the Manufacturing/Construction sector (63%) and weakest in the Business/Professional Services sector (48%).

Projected Wage Trends



Projected Investments & Growth

- More than six in ten (61%) plan to invest in **employee training** within the next 6 months – up six points from one year ago.
- More than half (55%) will invest in **advertising** – up two points from one year ago.
- More than two in ten (22%) plan to invest in **new equipment**.
- Nearly four in ten (38%) plan to expand their business with a **new product line or service** – up three points from one year ago.

Conclusions:

- Inflation regains first place as the greatest challenge to doing business, while wage inflation remains in single digits. Finding new customers is the second most significant challenge, while talent acquisition drops to third place.
- Satisfaction with the economy has now been in positive territory in three consecutive surveys.
- While the MFBI shows growth in sales and profits over the last six months, respondents are more bearish for the next six months.
- While profit projections slump, so do plans for new hires. Nearly two-thirds of businesses will invest in training and promotion from within.
- Inflation is still a significant byproduct of the COVID-19 pandemic, impacting profits, hiring, wages and investments. However, other pandemic challenges, such as supply chain issues, have dwindled.

Conclusions:

- Nearly two-thirds of respondents believe Michigan is a great place to do business.
 - 65% now believe Michigan remains a pretty good (47%) to excellent (18%) market for their business – no change from Q2 2023.
 - 59% say our state business taxes as mostly (54%) to very (5%) fair – no change from Q2 2023.

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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