

Michigan Future Business Index

Q4 2024

Mike Witt

Senior Vice President, Asset Management
Cinnaire

ROI  INSIGHT



Michigan Future Business Index Methodology

- Statewide survey of 485 small to medium-sized businesses; 406 completed the survey
 - **Mixed-mode survey, conducted online and by phone**
- Commissioned by Cinnaire & Michigan Business Network
- Conducted by ROI Insight
 - **Data Collection: November through December 2024**

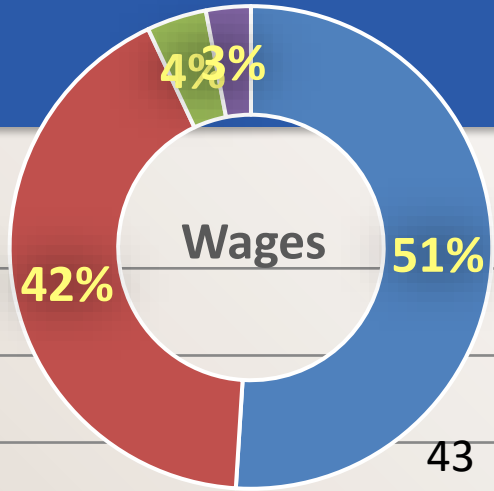
Key Takeaways

- Concerns over inflation, interest rates, and a weak economy are softening as small business assess their challenges to doing business in Michigan.
 - Acquiring and retaining talent is once again the top challenge, by a significant margin.
- The results of the recent election are now the primary reason for optimism for future gains. Six in ten (60%) say the election results will be beneficial to their business.
- Reports of profit increases over the past six months continue to rise, on a steady upward trend since June of last year. Meanwhile, all other indicators for the past six months (sales, wages, hiring) have dropped since June.
- Satisfaction with the business economy continues its upward climb, hitting a post-pandemic high point.
- Optimism for future business continues to gain strength, with sales and profit projections on an upward trajectory.

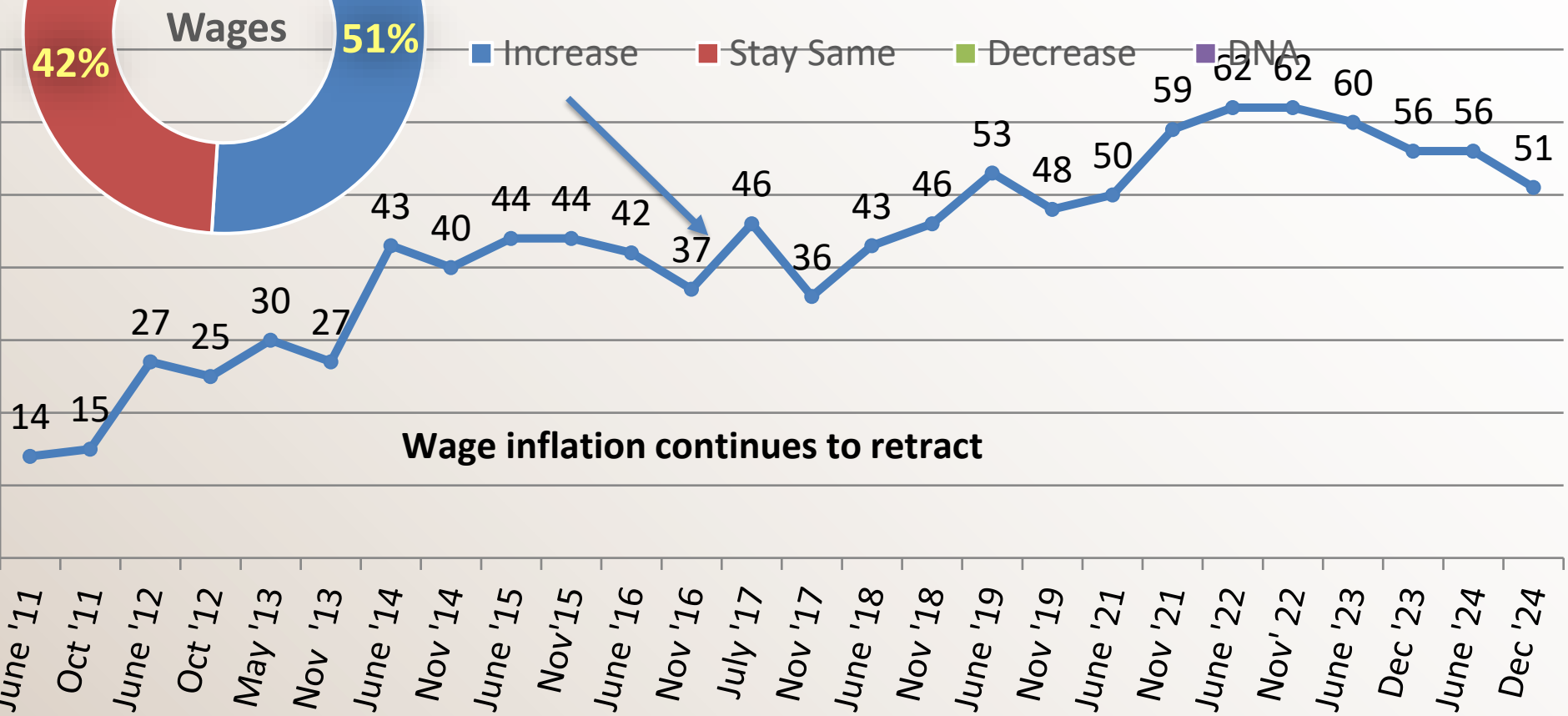
The Past Six Months

- Profits climb as wages, hiring, and investments continue to retract. Sales have also slowed in the past six months.
 - **Profit increases gaining speed**
 - Nearly one quarter of respondents (24%) report profit increases, up four points from Q4 2023.
 - **Wage increases continue their decline**
 - Fifty-one percent (51%) say their employee wages have increased in last six month, five points lower than Q4 2023 and 11 points lower than two years ago.
 - **Sales increases down from Q4 2023**
 - Thirty percent (30%) say sales have increased in the last six months, down three points from one year ago.
 - **Hiring down to its lowest point in the past dozen years**
 - Fewer than two in ten (17%) say they have hired new employees, down three points from Q4 2023.
 - **Investments down again**
 - Two in ten (20%) increased capital investments, which is down four points from Q4 2023.

Trending The Indicators: Wages



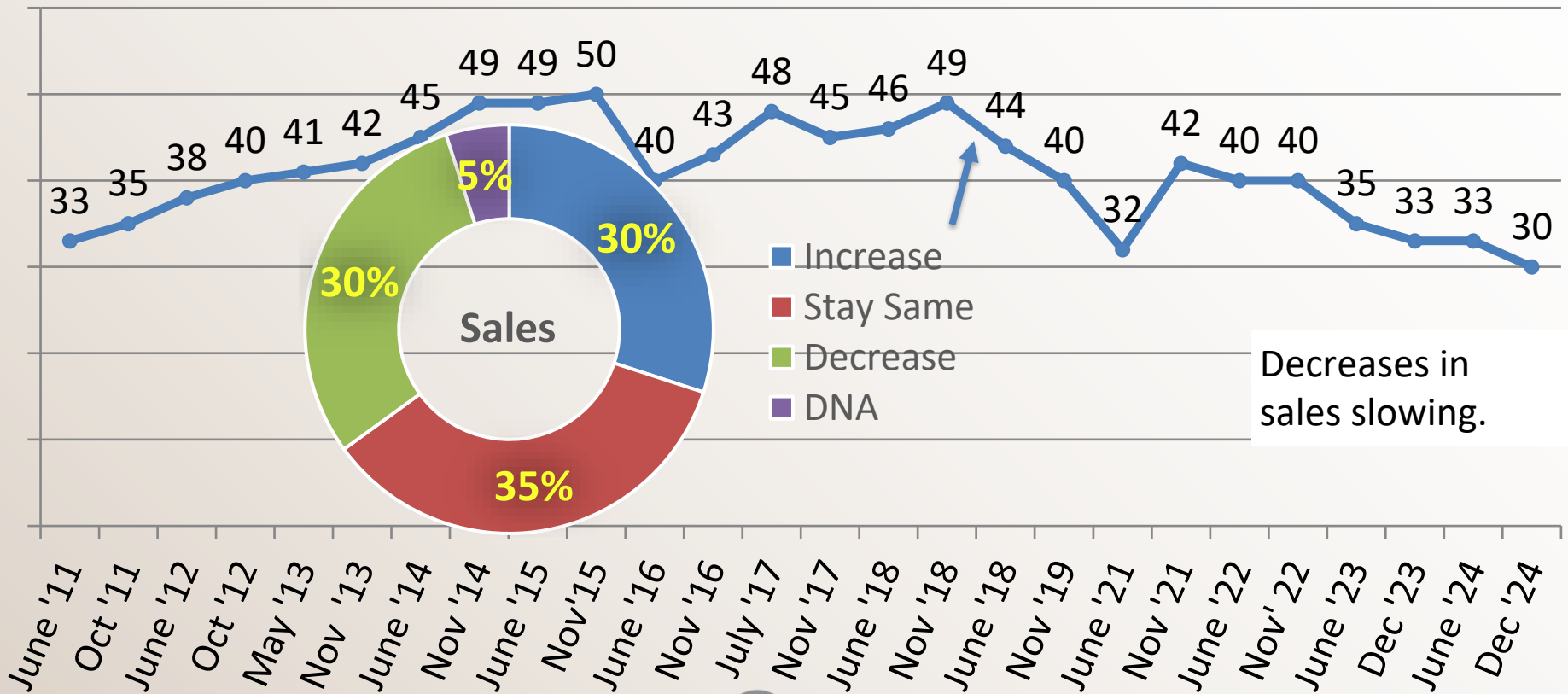
Past Six Months



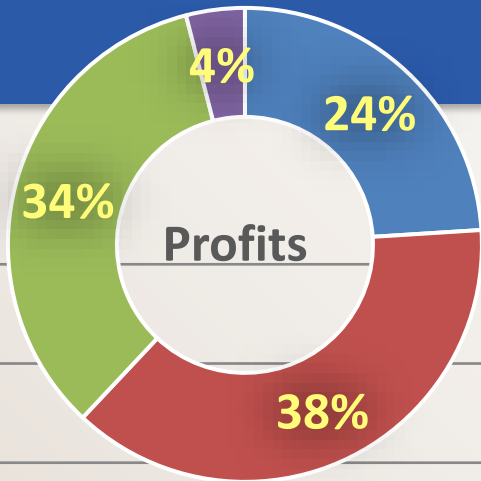
Wage inflation continues to retract

Trending The Indicators: Sales

Past Six Months

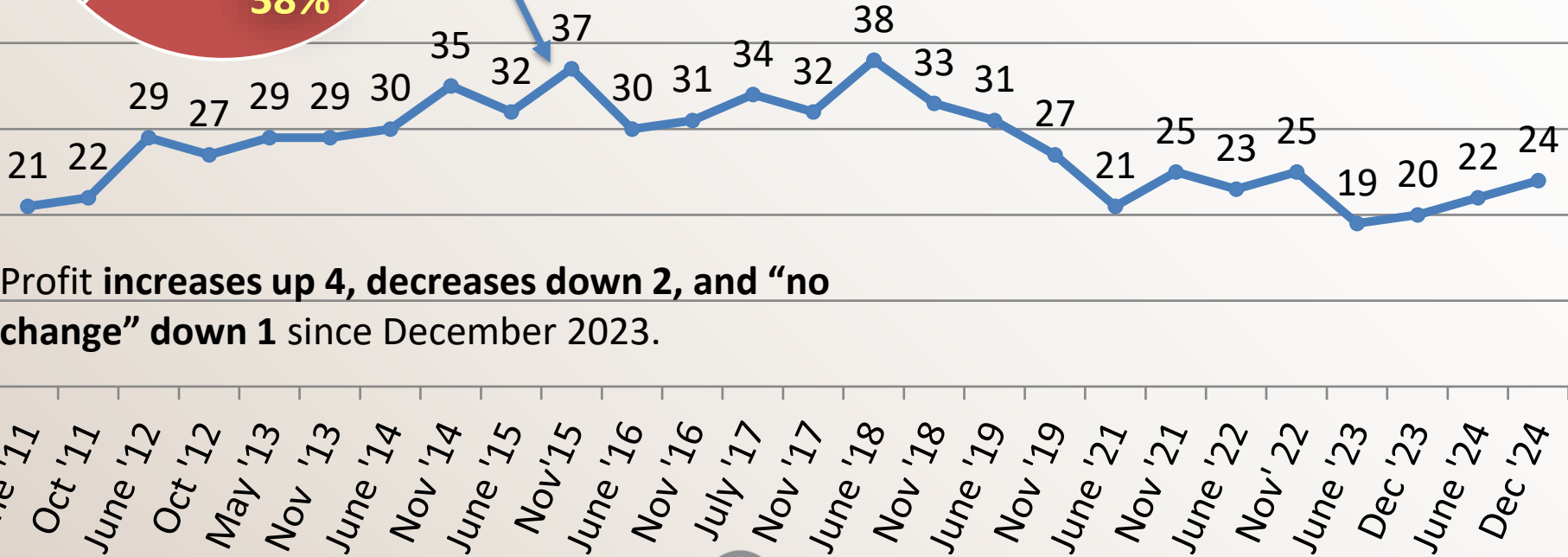


Trending The Indicators: Profits



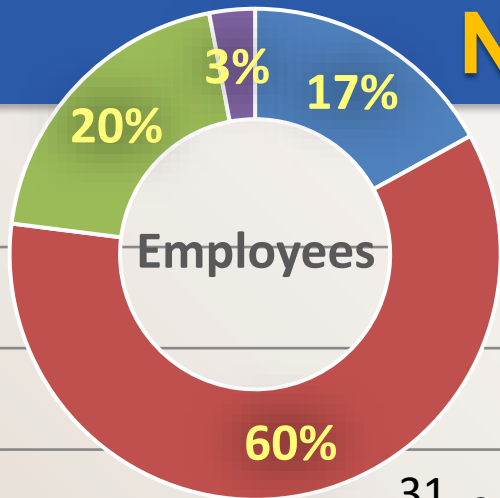
Past Six Months

■ Increase
 ■ Stay Same
 ■ Decrease
 ■ DNA



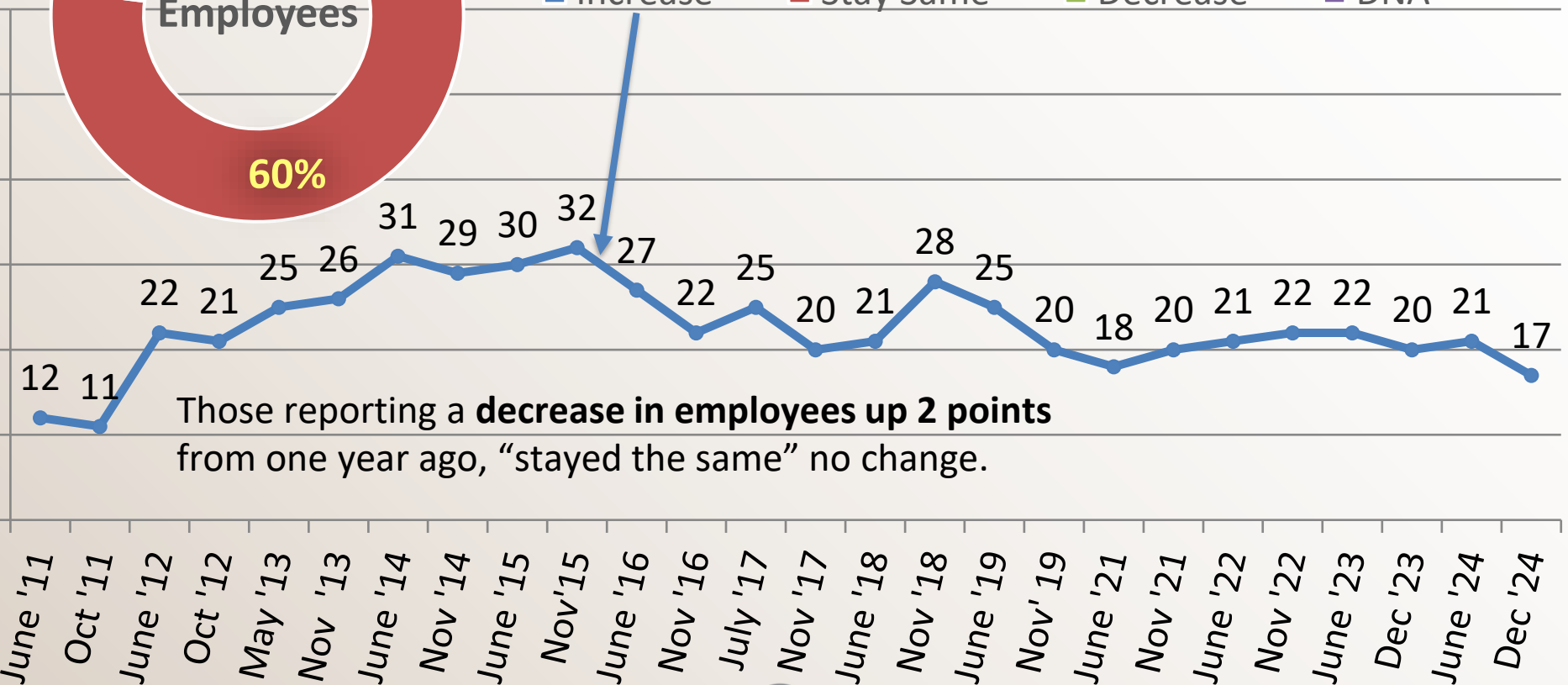
Profit increases up 4, decreases down 2, and “no change” down 1 since December 2023.

Trending The Indicators: Number of Employees



Past Six Months

■ Increase ■ Stay Same ■ Decrease ■ DNA

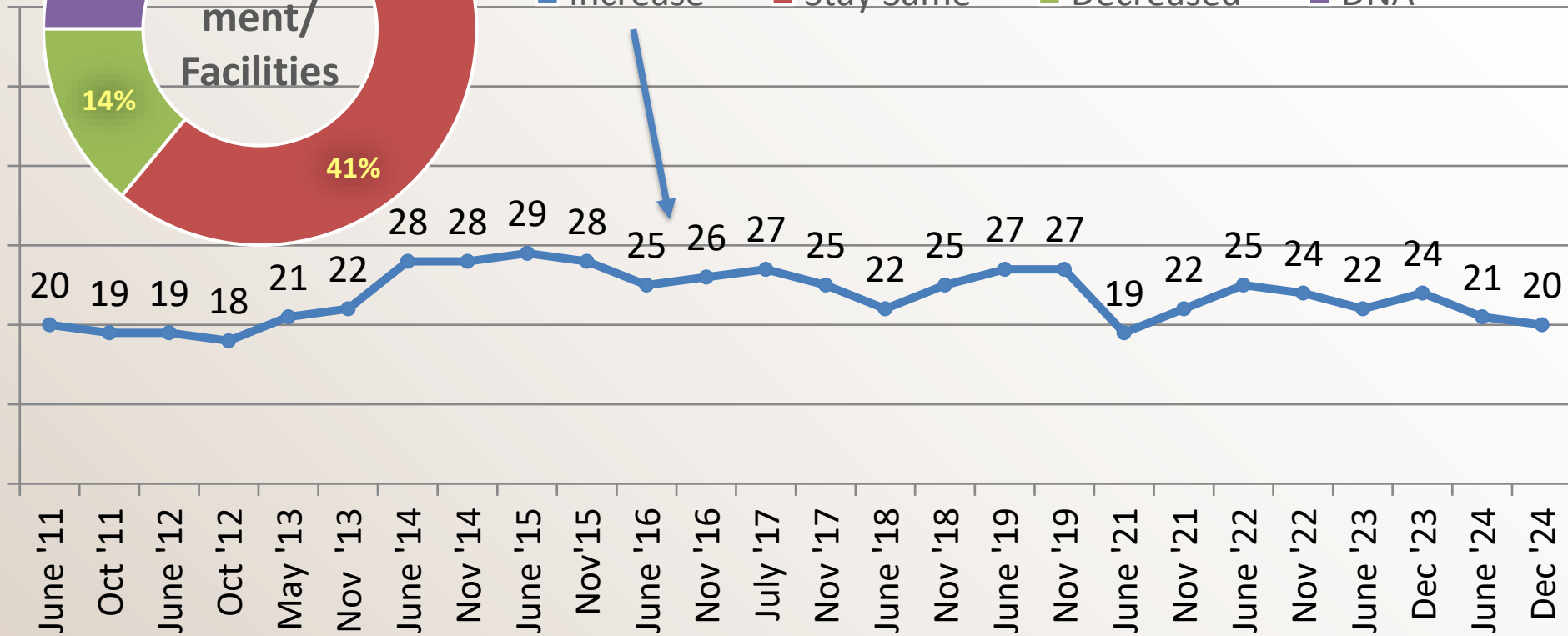
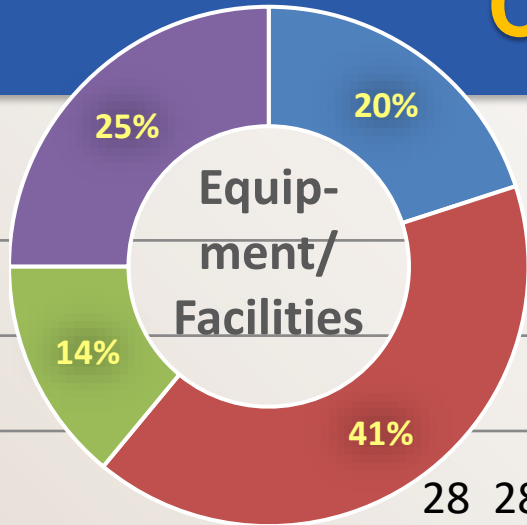


Those reporting a **decrease in employees up 2 points** from one year ago, “stayed the same” no change.

Trending The Indicators: Capital Investments

Past Six Months

■ Increase
 ■ Stay Same
 ■ Decreased
 ■ DNA

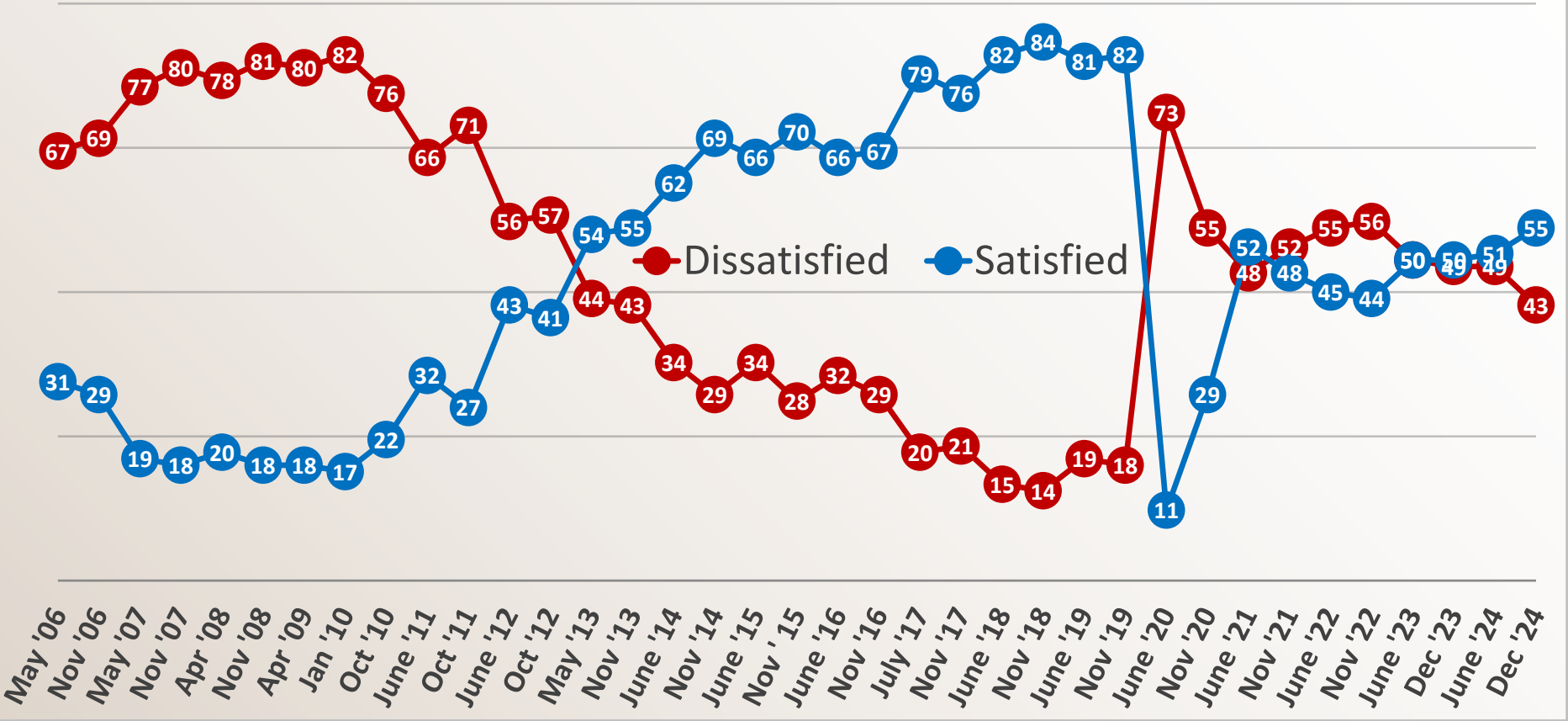


Satisfaction with Economy

- Satisfaction with the business economy is now the highest it's been since before the pandemic, opening a twelve-point margin ahead of dissatisfaction.
 - **55% say they are satisfied with the economy; 43% somewhat and 12% very satisfied**
 - **Up from 50% one year ago**
 - **The percentage of those saying they are dissatisfied with the economy is down to 43%; 28% somewhat and 15% very dissatisfied**
 - Finance/Insurance/Real Estate sectors (61%) are most satisfied with the economy, while Manufacturing/Construction sectors are once again most dissatisfied (50%).

Satisfaction with Economy Trends

As it Affects Your Business



Greatest Challenges To Doing Business

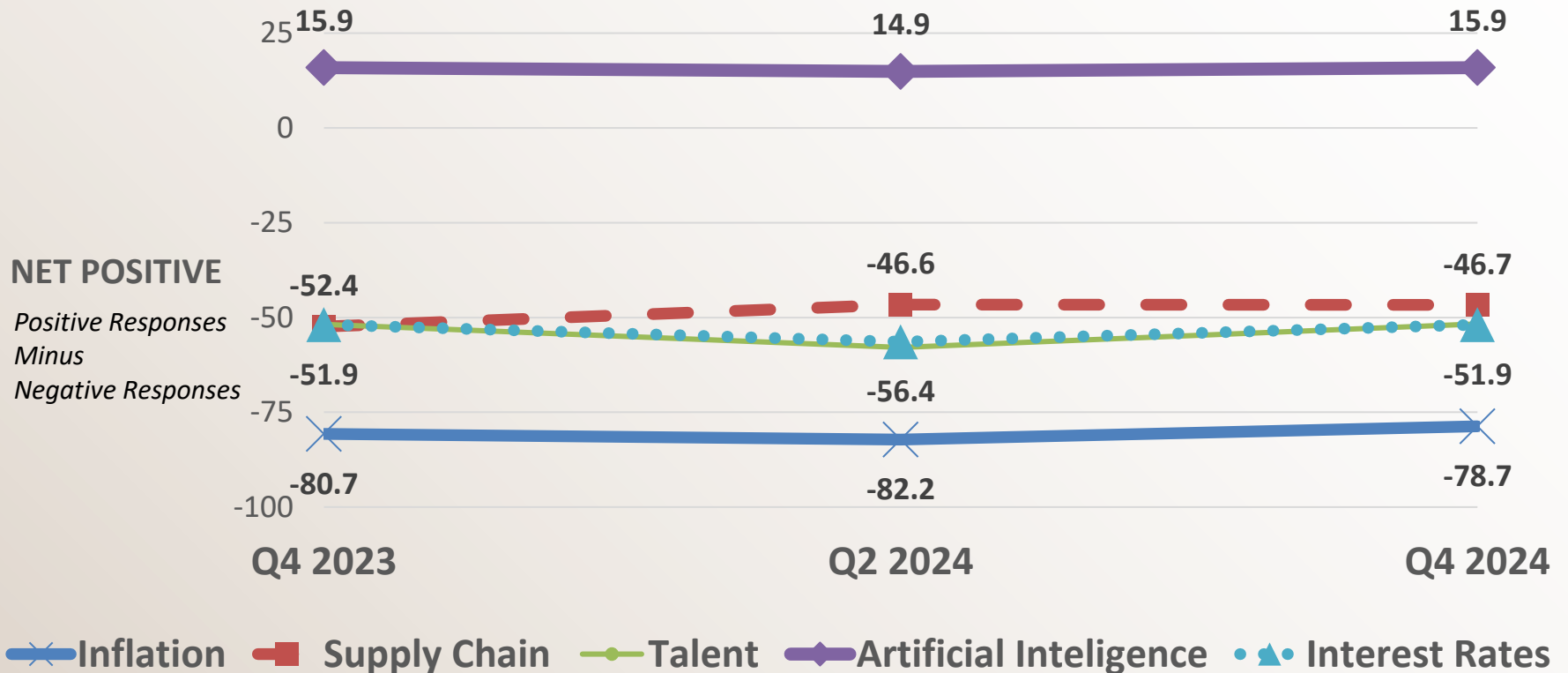
“Talent” back to #1. “Inflation” drops four points.

“Finding customers” now tied with “Inflation” for second place.

		Since Q2
Acquiring/Retaining Talent	20%	+1
Inflation	11%	-4
Finding/Retaining Customers	11%	-2
Government Regulations	10%	+5
Economy Weakening	9%	-1
Cost of Health Insurance	7%	+2
Interest Rates/Access to Capital	6%	-3
Wage Inflation	5%	No Change
Taxes	5%	+2
Keeping Up With Technology	3%	No Change
International Trade/Tariffs	3%	+2

Issues Impacting Small Business: A Closer Look

How are the following issues currently impacting your business:



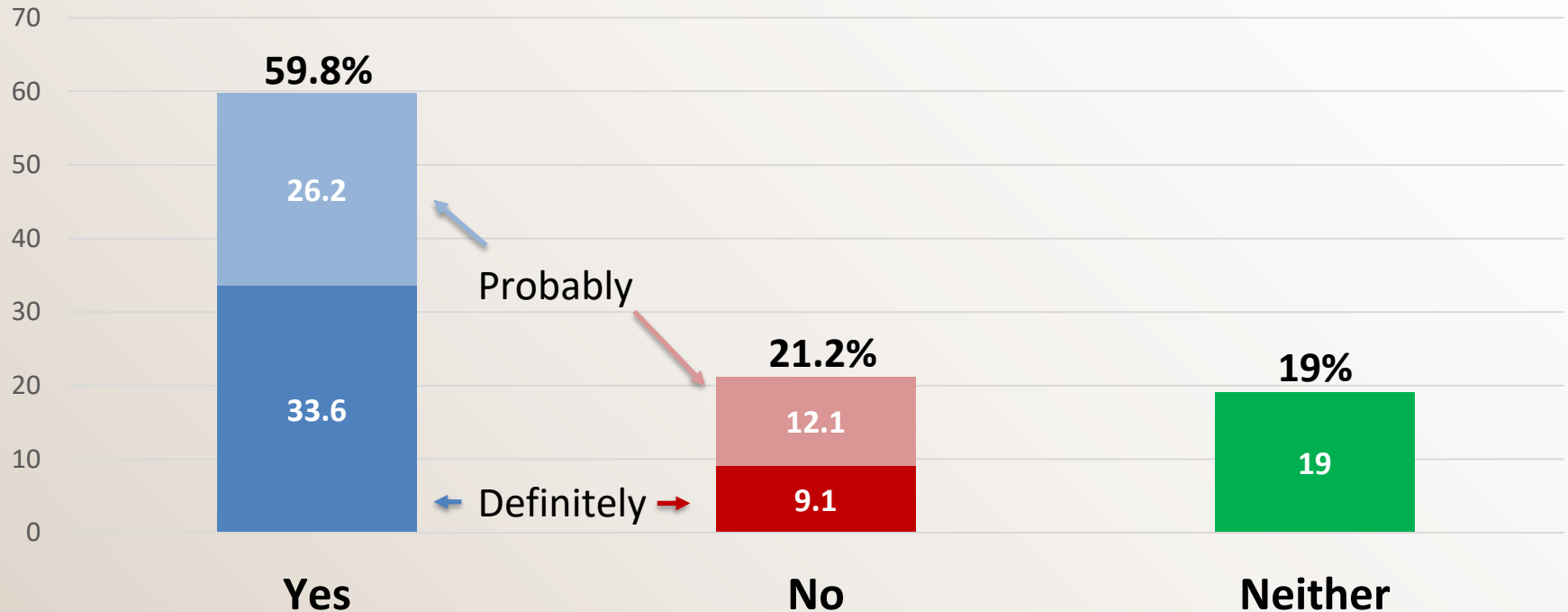
Greatest Reasons for Optimism

The Election, Demand, Growth, and Loyal Customers Lead

		Since Q2
Elections/Politics/Hope For Reforms	18%	+13
Demand For Our Quality Products/Services	15%	-6
Business Growth/Expansion	15%	No Change
Great/Loyal Customers	12%	-3
Generally Optimistic/Well Positioned	12%	+3
The Economy	12%	+4
My Staff/Team/Employees	11%	-7
More/New Opportunities	9%	-3
Longevity/Resilience/Nimble/Still Going	9%	No Change
End of COVID-19 Pandemic	0%	-1

Impact of Election: A Closer Look

Do you think the results of the recent election will be beneficial for your business?

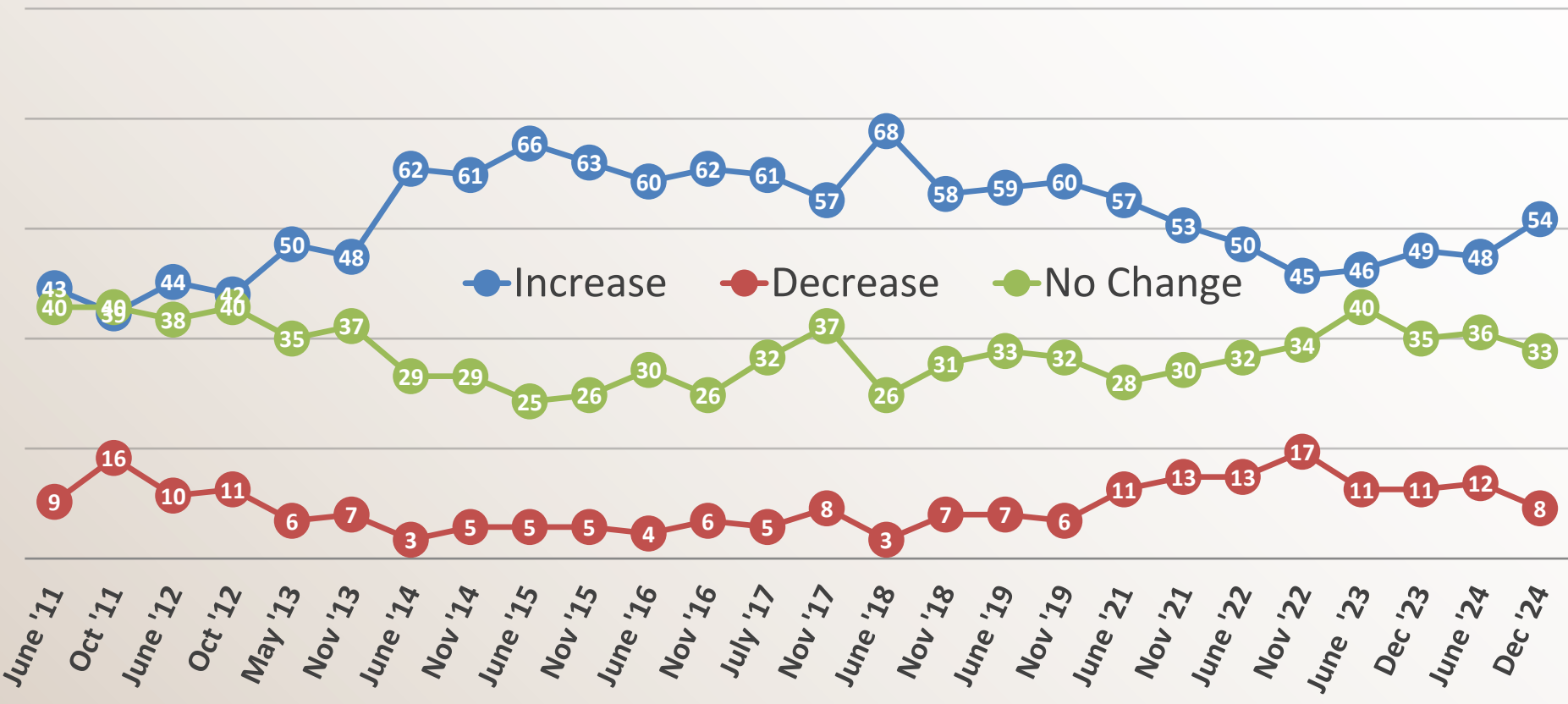


Sales & Profit Projections Stall

- Projections for sales and profits trending significantly positive. Projections for decreased profits and sales both down sharply.
 - Projected sales growth is at 54% — up five points from Q4 2023. Expectations for sales decreases are down four points (to 8%) since Q4 2023.
 - Projected profit growth is at 43%, five points higher than Q4 2023. Twelve percent (12%) expect profits to decline in the next six months, down four points since Q4 2023.
- Expectations for sales growth is again highest in the Business/Professional Services sectors (61%) and lowest in the Health Care/Non-Profit sectors (47%).
- Profit increases are most expected in the Finance/Insurance/Real Estate sectors (57%) and least expected in the Non-Profit/Health Care sector (38%)

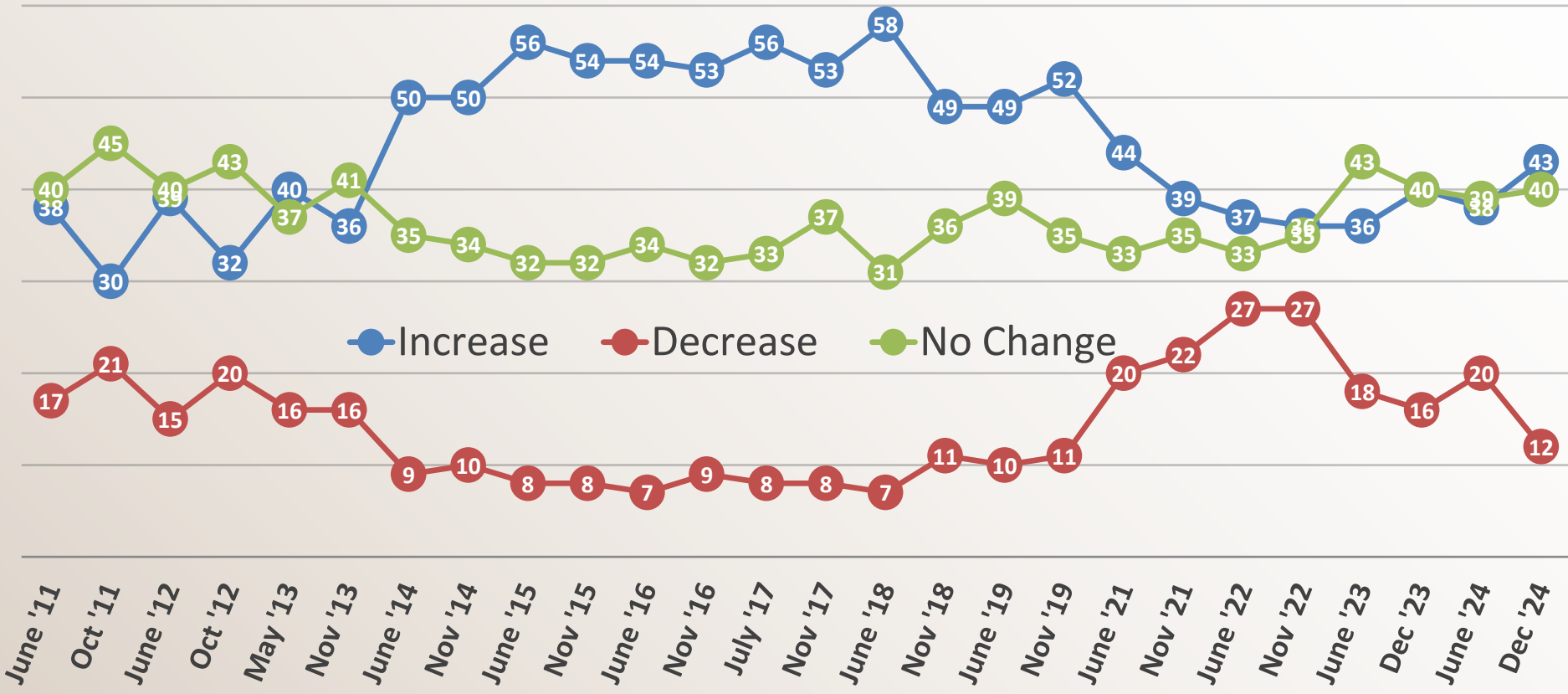
Projected Sales Trends

Over The Next Six Months ...



Projected Profit Trends

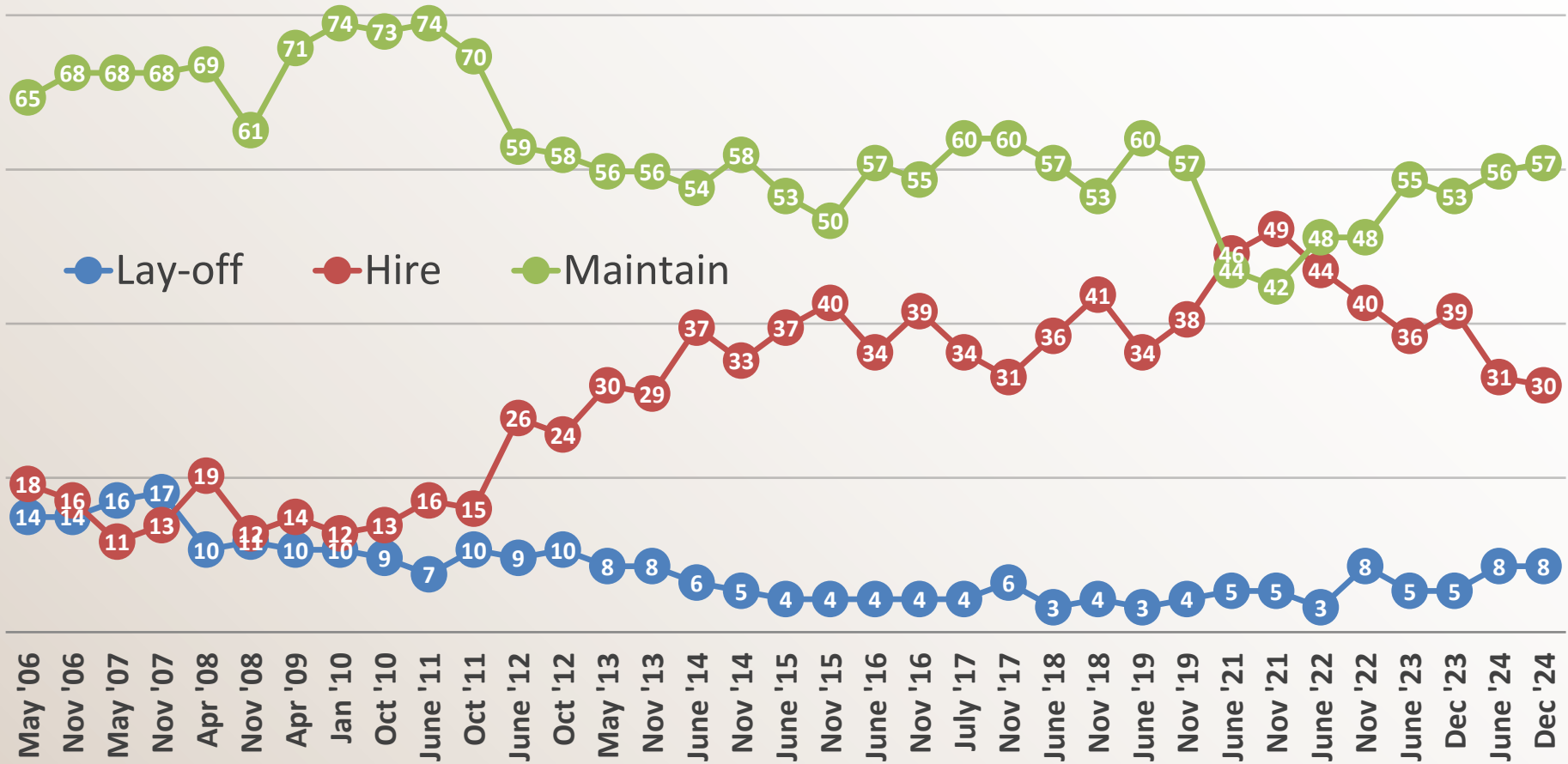
Over The Next Six Months ...



Job Market Continues to Cool

- While the percentage of respondents saying they will maintain current staffing levels climbs, only three in ten say they plan to hire more employees.
 - **Thirty percent (30%) say they plan to hire more employees over the next six months. That's a nine-point drop since Q4 2023.**
 - **Fifty-seven percent (57%) will maintain staff at current levels, up four points from one year ago.**
 - **Eight percent (8%) say they plan to lay off employees, up three points from one year ago.**
- The Finance/Insurance/Real Estate sectors (41%) are most likely to be hiring in the next six months, while the Retail/Food Service sectors are least likely to be hiring (23%).

Projected Hiring Trends



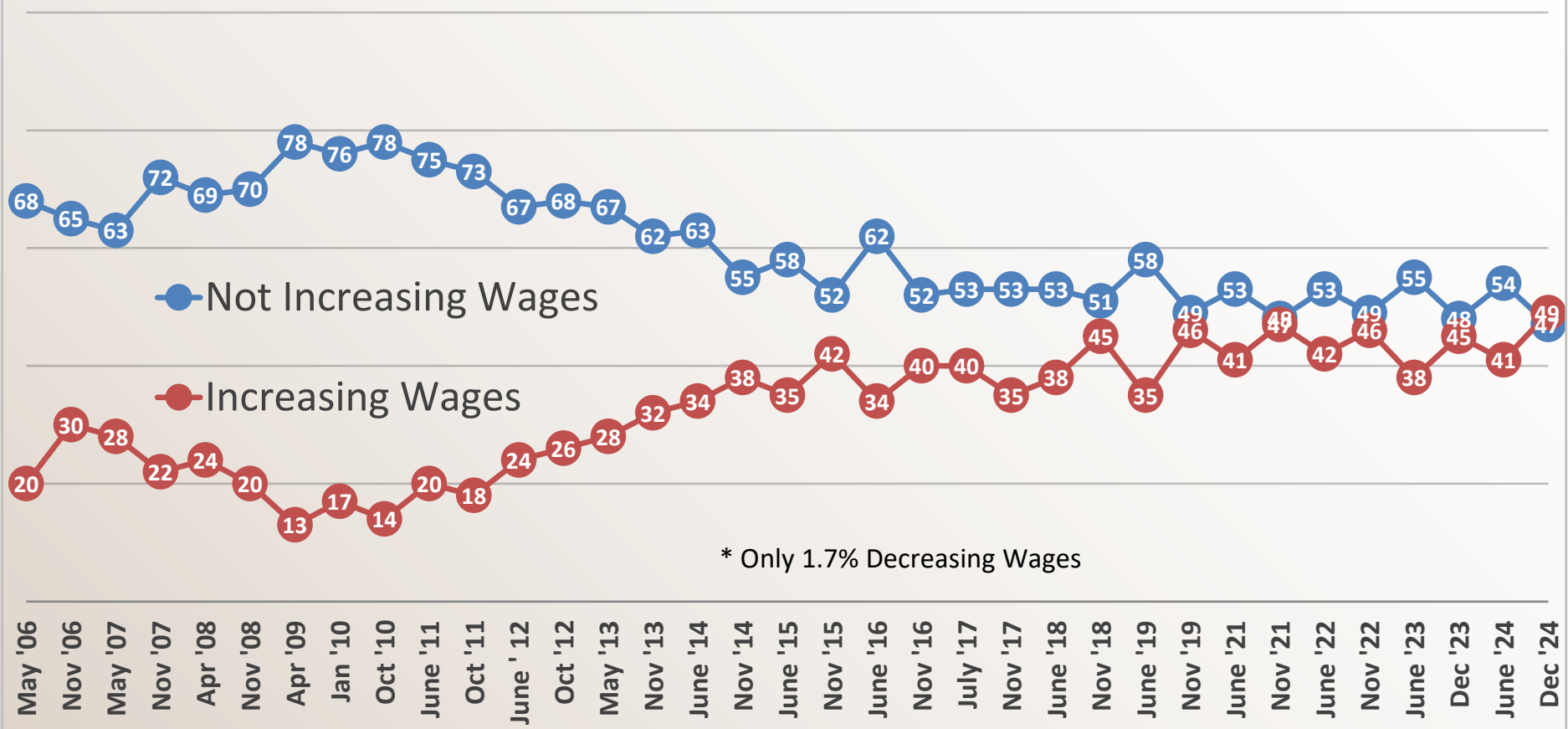
Talent Acquisition Improving Slightly

- Thirty-seven percent (37%) say their access to qualified talent is “pretty good” or “excellent” – up two points from one year ago. Forty-six percent (56%) rate their access to qualified talent as “only fair” or “poor” – down one point from one year ago.
- Fifty-seven percent (52%) are having difficulty filling open jobs – down six points from one year ago.
 - Down five points from a year ago, 70% of those actively searching for talent are having difficulty.
 - 57% attribute it to a lack of qualified applicants – up 2 points from one year ago.
 - 31% attribute that difficulty to a lack of any applicants – down 3 points from one year ago.

Wage Increase Projections Are Mixed

- Only five percent (5%) listed wage inflation as top challenge to doing business in this MFBI, continuing its decline. And once again, fewer are reporting wage increases in the past six months.
- However, Forty-nine percent (49%) say they expect to raise wages in the next six months, up four points from Q4 2023. Forty-seven percent (47%) say they will not raise wages.
- Projections for wage growth are strongest in the Finance/Insurance/Real Estate (64%) and Health Care/Non-Profit (60%) sectors, and weakest in the Retail/Food Service sectors (38%).

Projected Wage Trends



Projected Investments & Growth

- Nearly six in ten (58%) plan to invest in **employee training** within the next 6 months – down two points from one year ago.
- Slightly more than half (52%) will invest in **advertising** – up one point from one year ago.
- Nearly one quarter (23%) plan to invest in **new equipment**.
- Nearly four in ten (36%) plan to expand their business with a **new product line or service** – up one point from one year ago.

Conclusions:

- While concerns over inflation, cash availability and a weakening economy remain, they continue to soften according to this latest MFBI. In addition, it indicates a continued cooling of wage inflation. Government regulations and the cost of health care are again climbing the list of significant concerns.
- A strong majority now say they are satisfied with the economy, continuing the long climb out of the dismal territory reported during the pandemic.
- While profits continue to gain traction, business owners indicate they've begun a period of fiscal austerity.
- They also indicate some exuberance regarding the next six months, projecting continued increases in profits and sales while remaining prudent with wage hikes and hiring.
- This MFBI indicates that much of optimism about the future stems from the result of the last election, with many expecting changes in government regulations and taxation.

Conclusions:

- Nearly two-thirds of respondents believe Michigan is a great place to do business.
 - 62% now believe Michigan remains a pretty good (47%) to excellent (15%) market for their business – no change from Q4 2023.
 - 59% say our state business taxes as mostly (52%) to very (7%) fair – no change from Q4 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>

P.O. Box 15279

Lansing, MI 48906

(517) 755-9649

ROI  INSIGHT

