

Michigan Future Business Index

Q4 2025

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Michigan Future Business Index

Methodology

- Statewide survey of 580 small to medium-sized businesses; 500 completed the survey
 - **Mixed-mode survey, conducted online and by phone**
- Commissioned by Cinnaire & Michigan Business Network
- Conducted by ROI Insight
 - **Data Collection: November 18, 2025 – January 5, 2026**

Key Takeaways

- Michigan's small business economy is at a crossroads.
 - Inflation, tariffs, healthcare costs, and a reduction in demand are all creating significant drag on growth and sustainability.
- Lagging indicators continue their downward slopes toward record lows. Sales, wages, hiring and investments for the past six months are all trending down, with sales and investments hitting new bottoms.
- Rapidly climbing the list of challenges for small business: finding and retaining customers, cost of health insurance, a weakening economy and uncertainty.
- While optimism is diminishing for the most part, pride in the resilience of their business and their team is holding strong.
- Leading indicators also show weakness, with projections for increased sales continuing to slump. Profit, hiring, and wage projections are in a holding pattern.

Key Takeaways

- While the debates in Washington D.C. over a solution to the high cost of healthcare are in a stalemate, Michigan's small businesses are feeling a significant pinch. Seven in ten expect their healthcare costs to increase in the next six months, nearly half of those respondents say it will be a significant increase. And while more than a third say they will absorb those increased costs and take the hit, fewer are now offering health insurance to their employees, compared to a year ago.
- Investments in advertising and expectations for growth of new product lines, services or business locations are all significantly down from one year ago.
- While a plurality still believe the results of the last presidential election will benefit their business, that number has dropped significantly from one year ago.

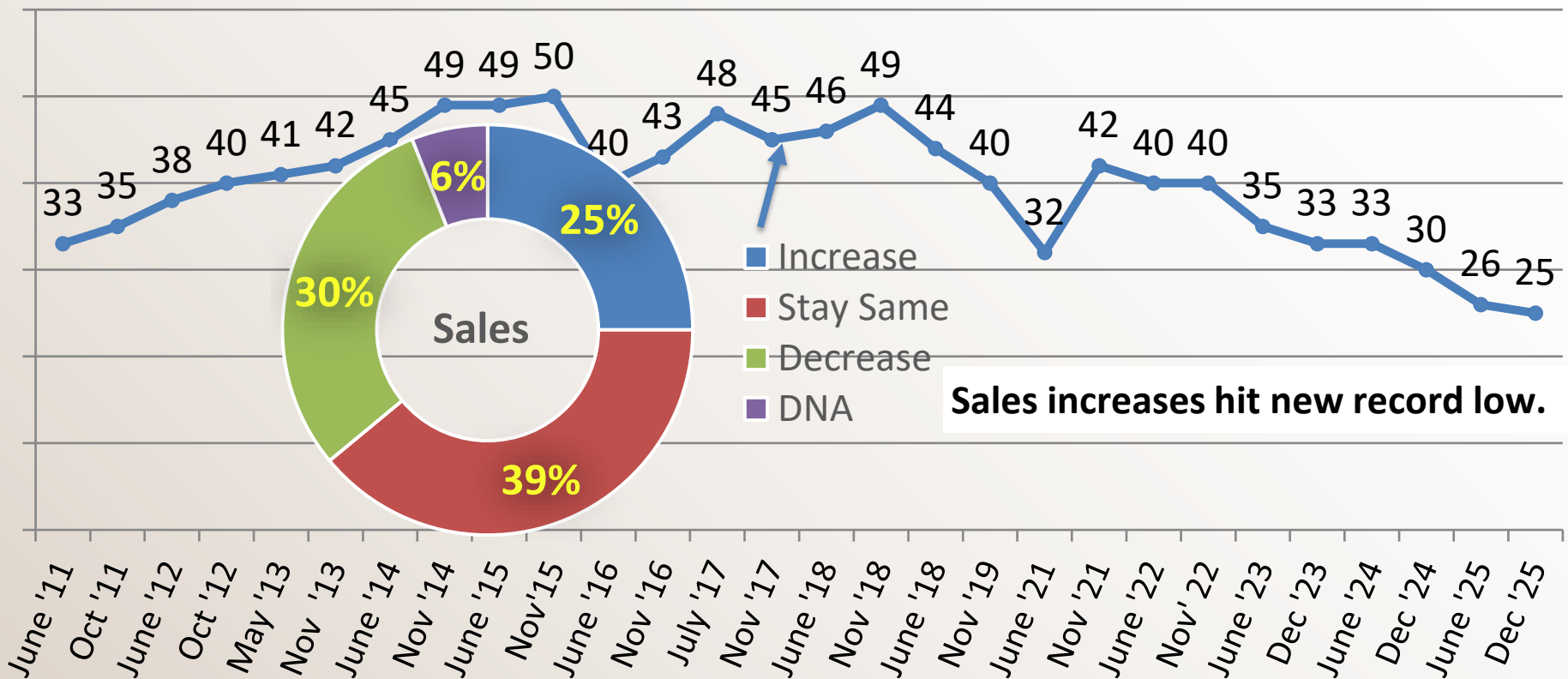
The Past Six Months

- All indicators continued to slump over the past six months.
 - Sales increases continue to fall to a new record low
 - Now only one quarter (25%) say sales have increased in the last six months. That is a new record low for the MFBI – falling below the last record low in Q2 2025.
 - Profits ticked up slightly since Q2, but only two points higher than record low
 - Only eighteen percent of respondents (18%) report profit increases, which is six points lower from a year ago.
 - Wage increases continue a downward trend
 - Fewer than half (45%) say their employee wages have increased in last six month. That's six points lower than this time last year.
 - Hiring slumps again, falling close to a record low
 - Fewer than two in ten (13%) say they have hired new employees, down four points from one year ago and only two points higher than the record low in 2011.
 - Investments drop to record low
 - Fewer than twenty percent (17%) increased capital investments. That is a record low for the MFBI.

Trending The Indicators:

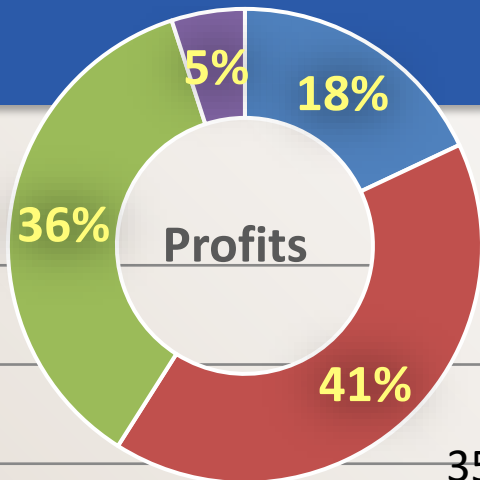
Sales

Past Six Months



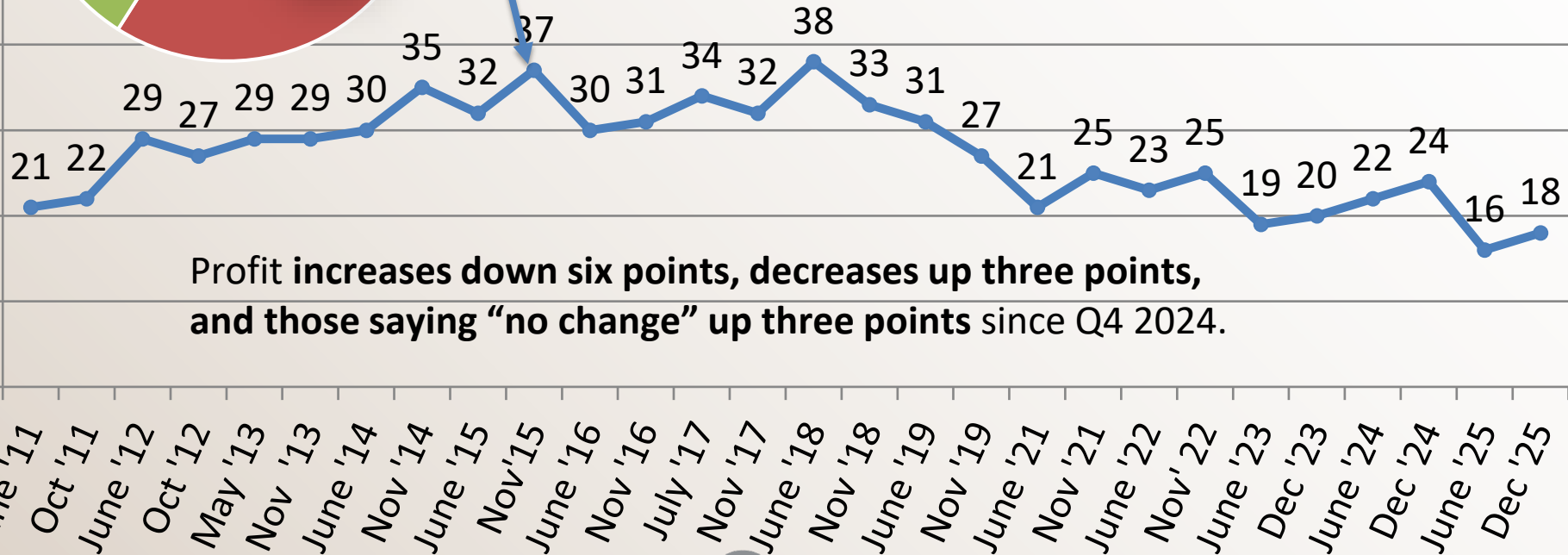
Trending The Indicators:

Profits



Past Six Months

■ Increase ■ Stay Same ■ Decrease ■ DNA

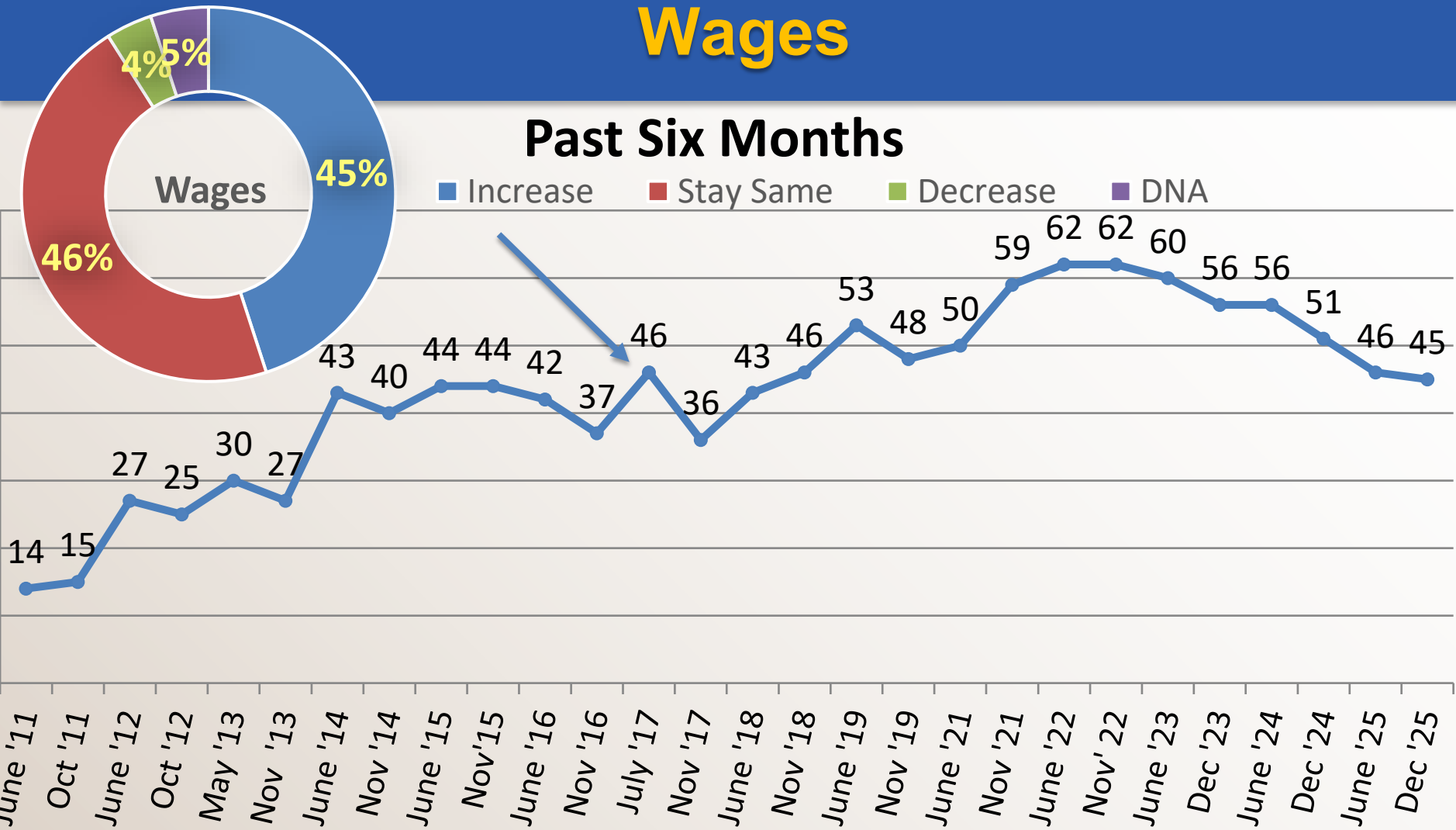


Profit increases down six points, decreases up three points, and those saying “no change” up three points since Q4 2024.

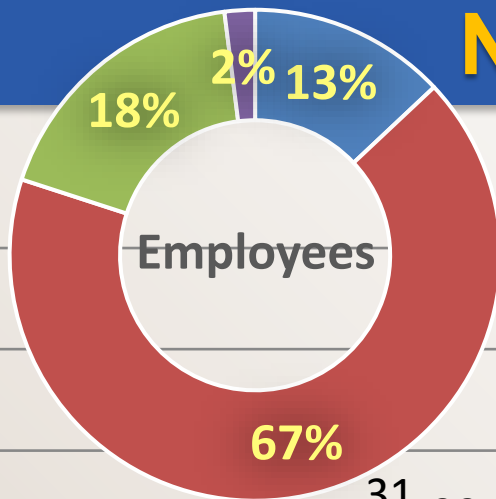
Trending The Indicators:

Wages

Past Six Months

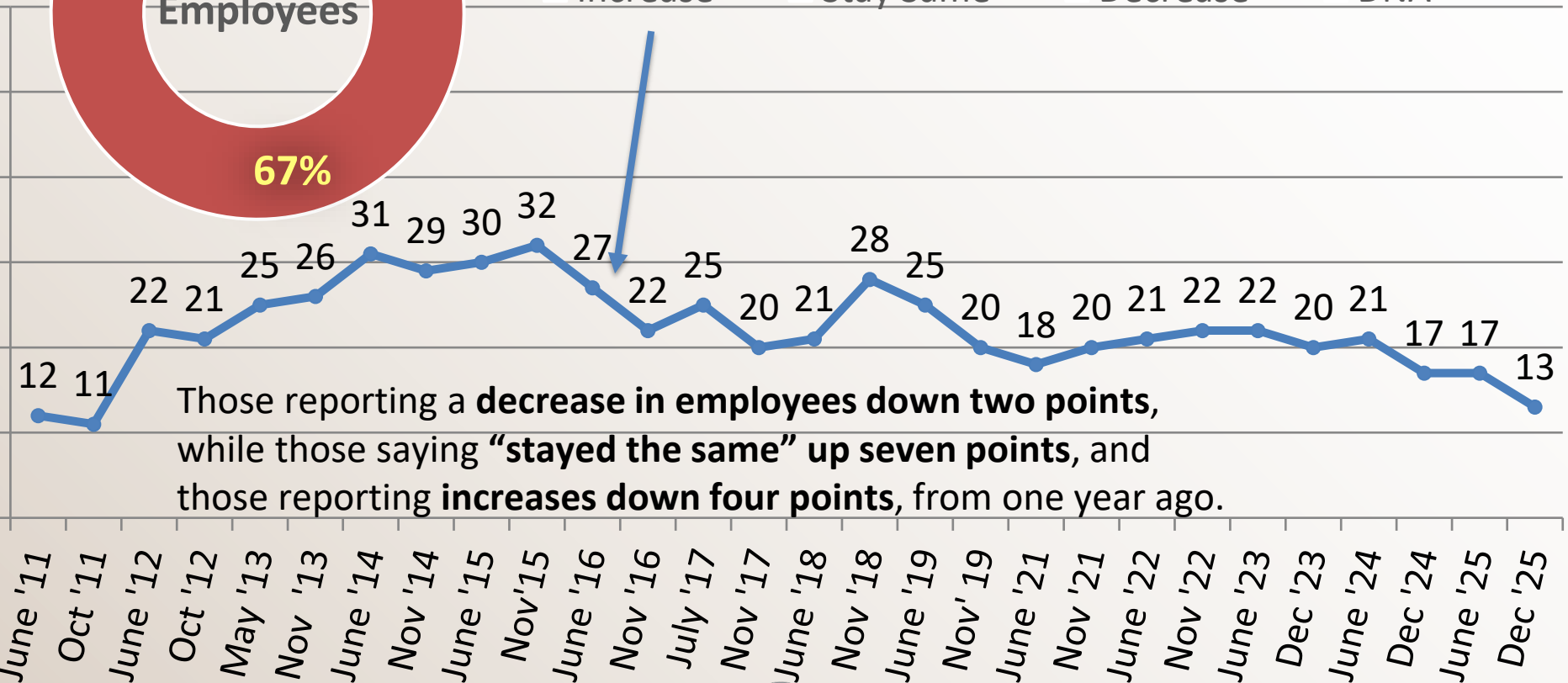


Trending The Indicators: Number of Employees



Past Six Months

■ Increase
 ■ Stay Same
 ■ Decrease
 ■ DNA



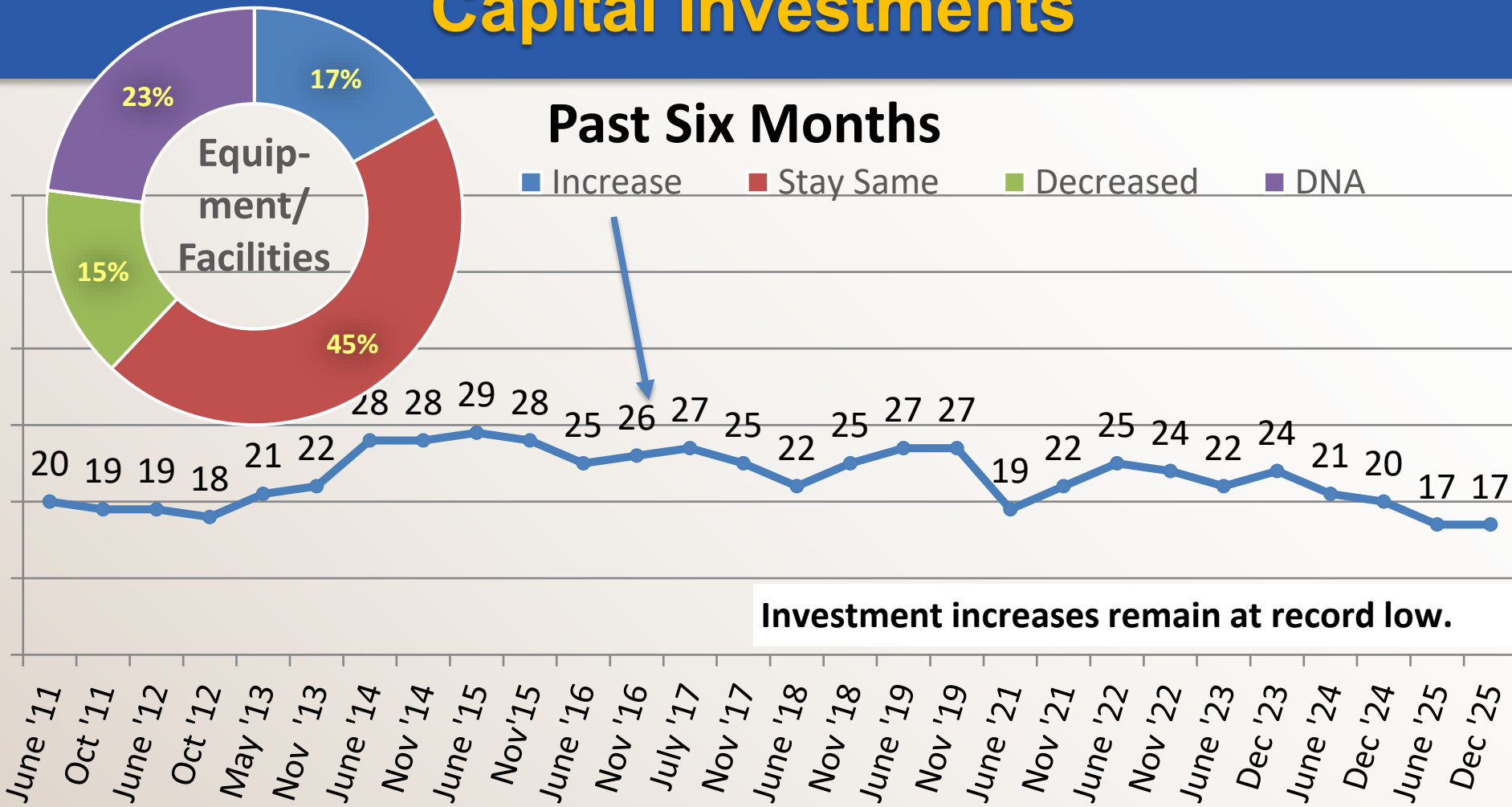
Those reporting a **decrease** in employees down two points, while those saying “**stayed the same**” up seven points, and those reporting **increases** down four points, from one year ago.

Trending The Indicators:

Capital Investments

Past Six Months

■ Increase ■ Stay Same ■ Decreased ■ DNA

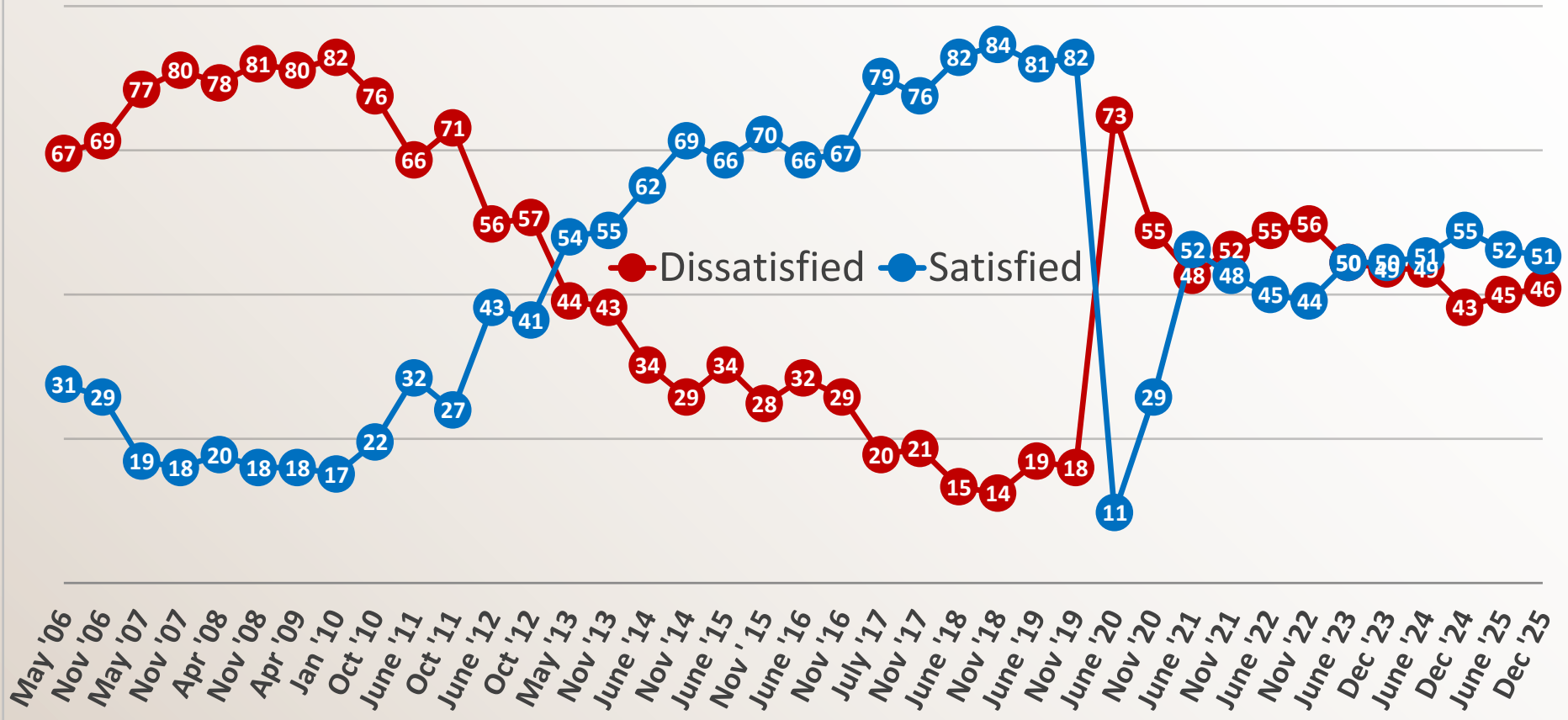


Satisfaction with Economy

- Satisfaction with the business economy continues its slump with a slight majority (51%) saying they are satisfied with the economy. The margin between satisfied and dissatisfied also continues to shrink from 12 points one year ago to 5 points now.
 - **51% say they are satisfied with the economy; 39% somewhat and 12% very satisfied**
 - **Down from 55% one year ago**
 - **The percentage of those saying they are dissatisfied with the economy rose slightly to 46%; 32% somewhat and 14% very dissatisfied**
 - Finance/Insurance/Real Estate sectors (57%) are most satisfied with the economy, while Healthcare/Non-profit sectors are most dissatisfied (58%).

Satisfaction with Economy Trends

As it Affects Your Business



Greatest Challenges To Doing Business

“Talent” holds onto the #1 position. “Health Insurance” up five points. “Uncertainty” rejoins the chat. “Tariffs” drop four points.

Since Q2 2025

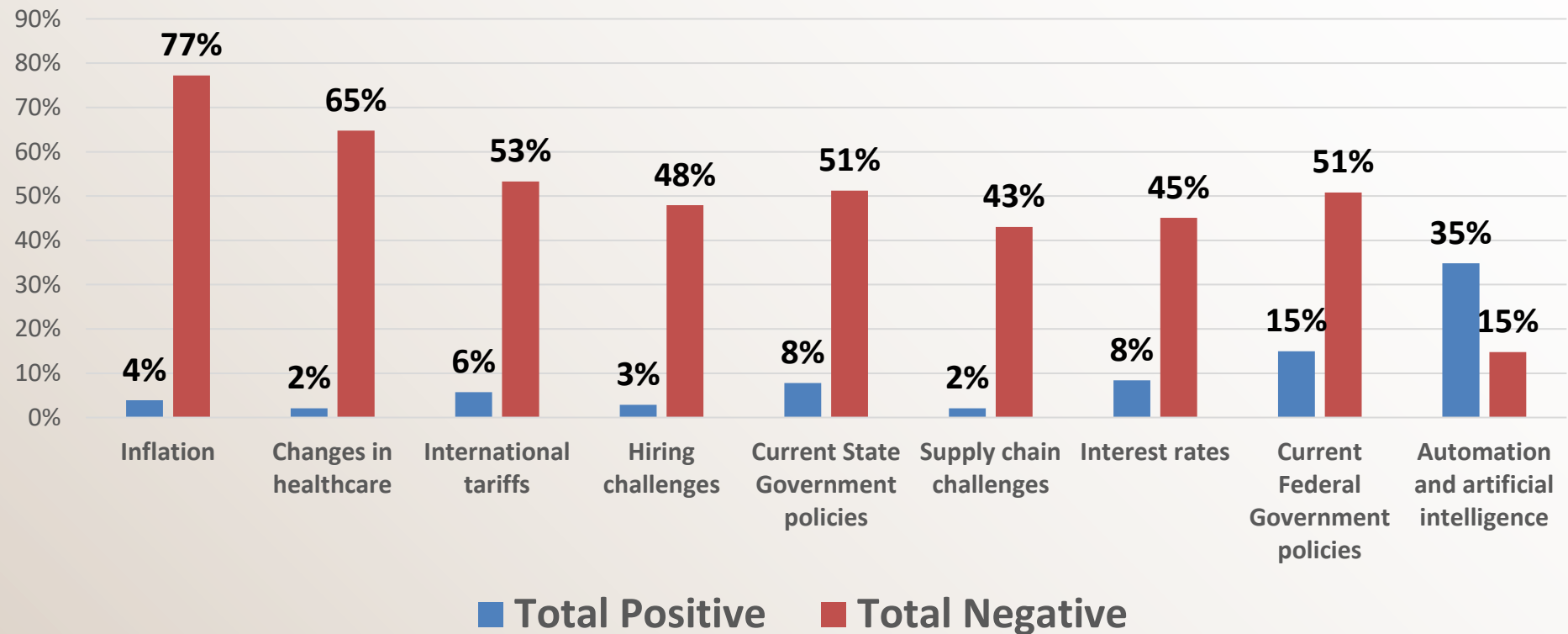
Acquiring/Retaining Talent	14%	-5
Finding/Retaining Customers	12%	+1
Cost of Health Insurance	10%	+5
Economy Weakening	10%	+1
Inflation	10%	-2
Uncertainty	9%	New
Government Regulations	6%	-1
International Trade/Tariffs	5%	-4
Taxes	5%	+1
Interest Rates/Access to Capital	4%	-1
Wage Inflation	3%	No Change

Issues Impacting Small Business: A Deep Dive

- Nearly all major issues and policy initiatives in the news are negatively impacting Michigan's small businesses.
 - Most respondents say inflation (77%), healthcare changes (65%), tariffs (53%), state government policies (51%), and federal government policies (51%) are impacting small business negatively.
 - A plurality of respondents say attaining and retaining talent (48%), interest rates (45%), and supply chain issues (43%) are impacting small business negatively. The impact of these three topics has become significantly less negative since Q4 2023.
 - Artificial Intelligence and Automation are the only issues tested that show a growing plurality (35%) of respondents reporting a positive impact on their small business.

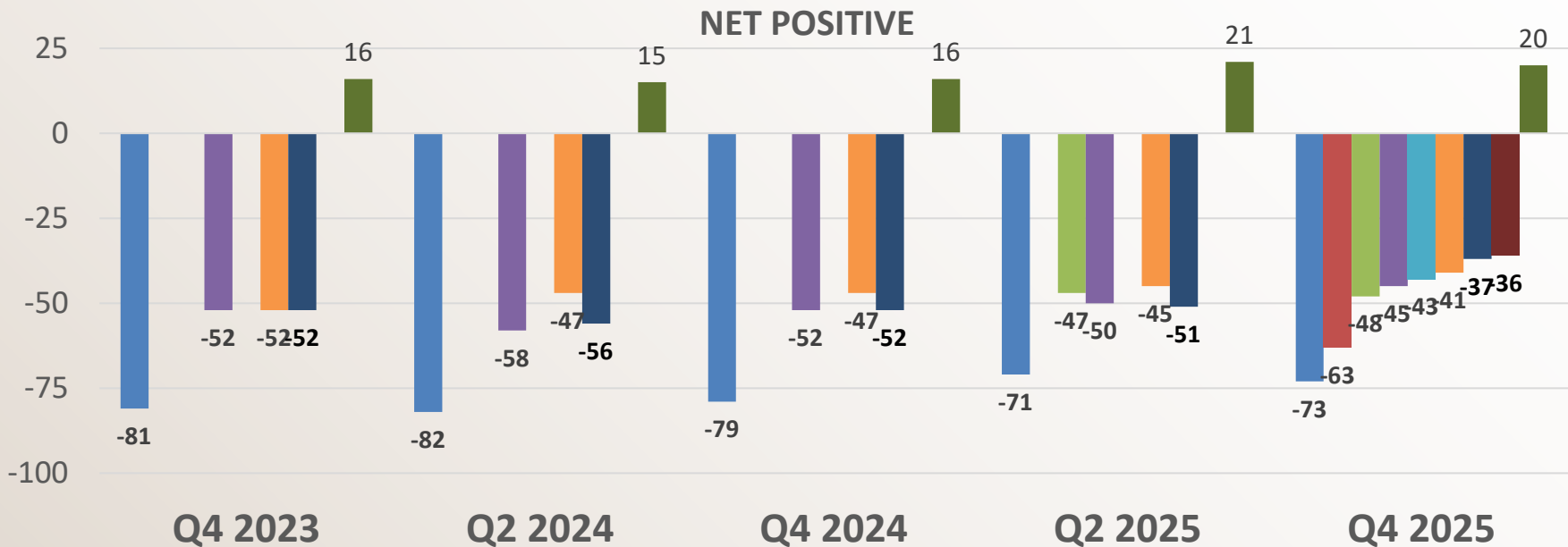
Issues Impacting Small Business:

How are the following issues currently impacting your business:



Issues Impacting Small Business: Net Trends

How are the following issues currently impacting your business:

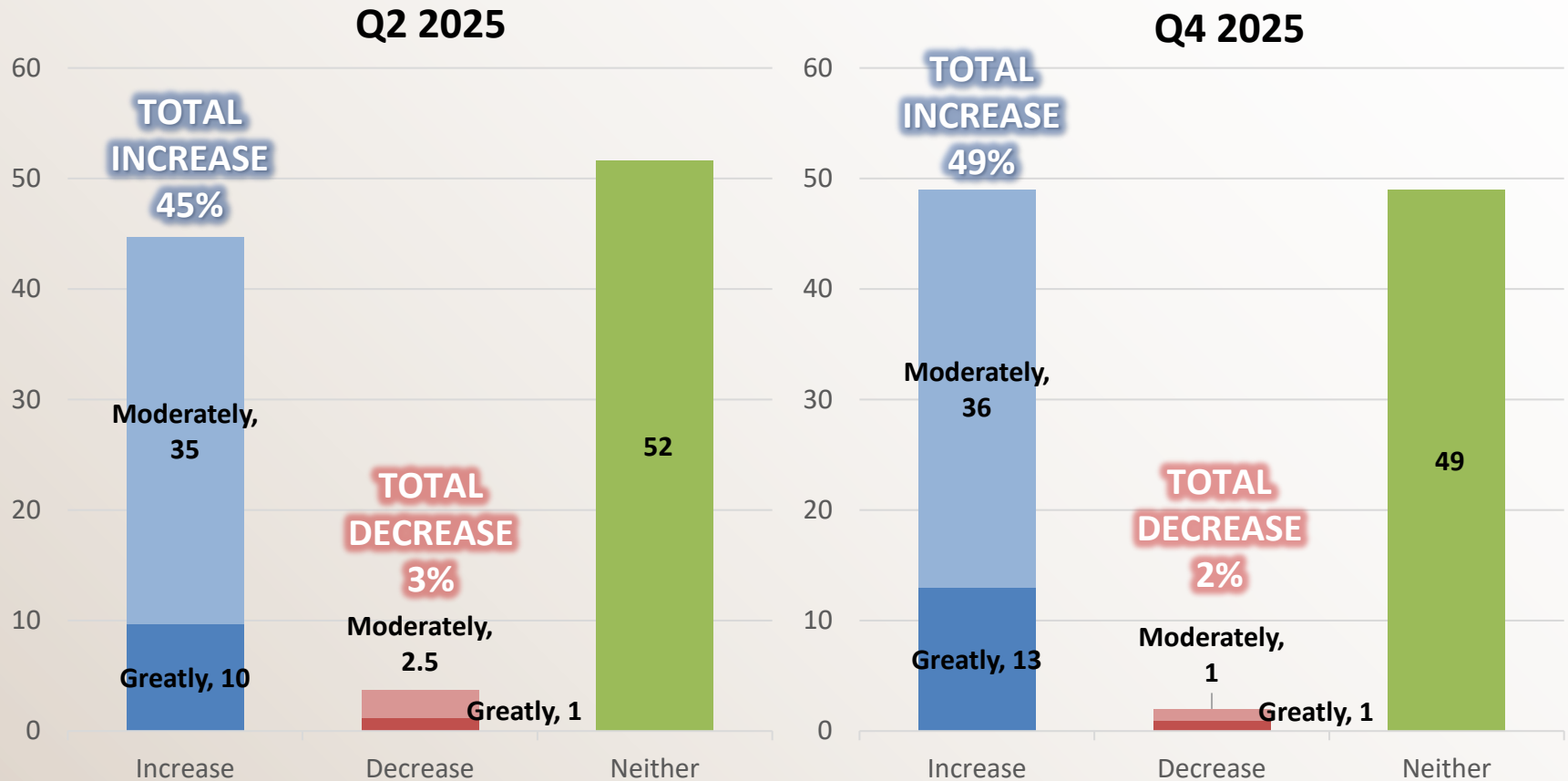


■ Inflation
■ Talent
■ Interest Rates

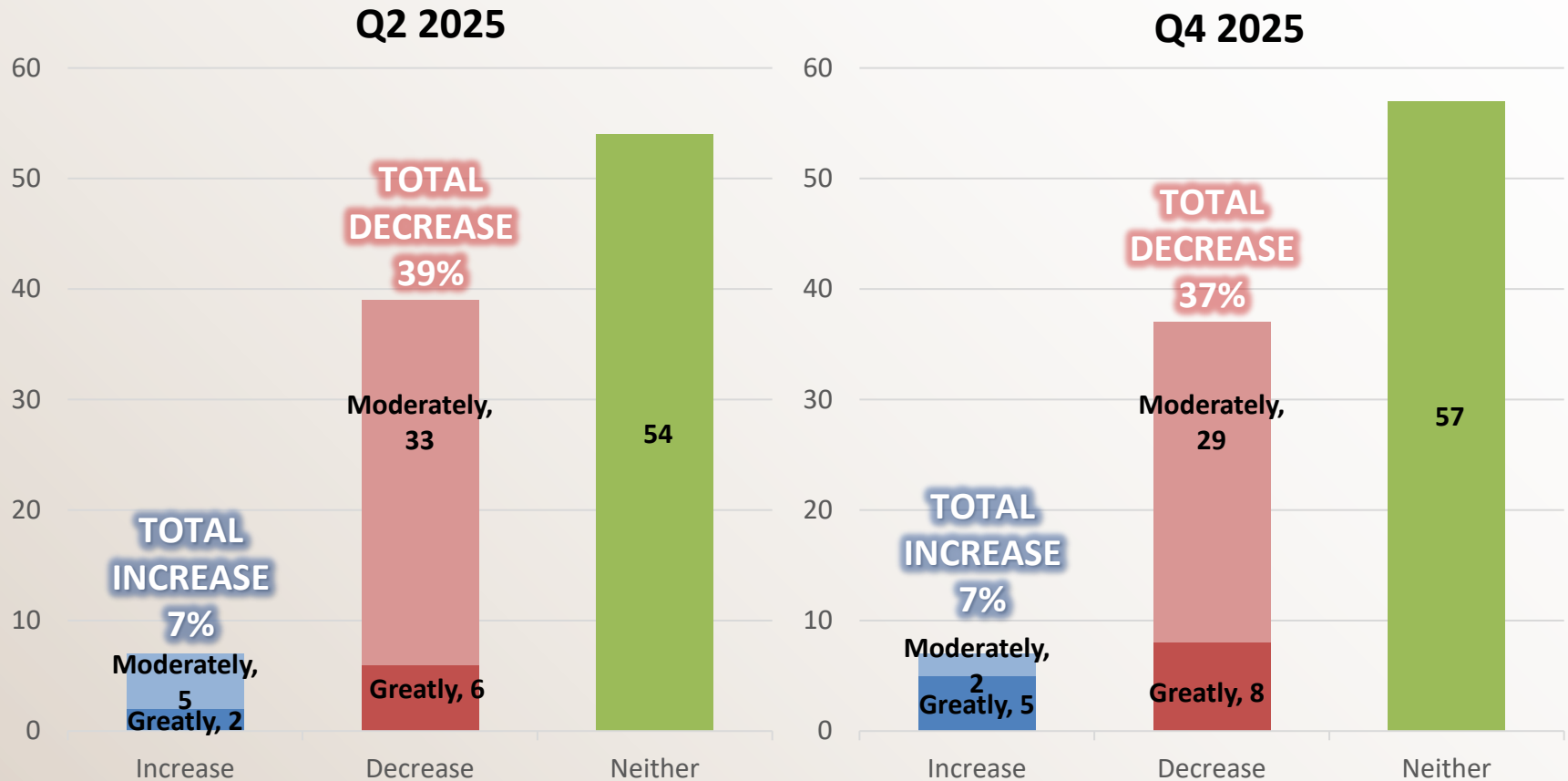
■ Healthcare
■ State Policies
■ Federal Policies

■ Tariffs
■ Supply Chain
■ A.I./Automation

The Perceived Impact of Tariffs On ... Customer Pricing



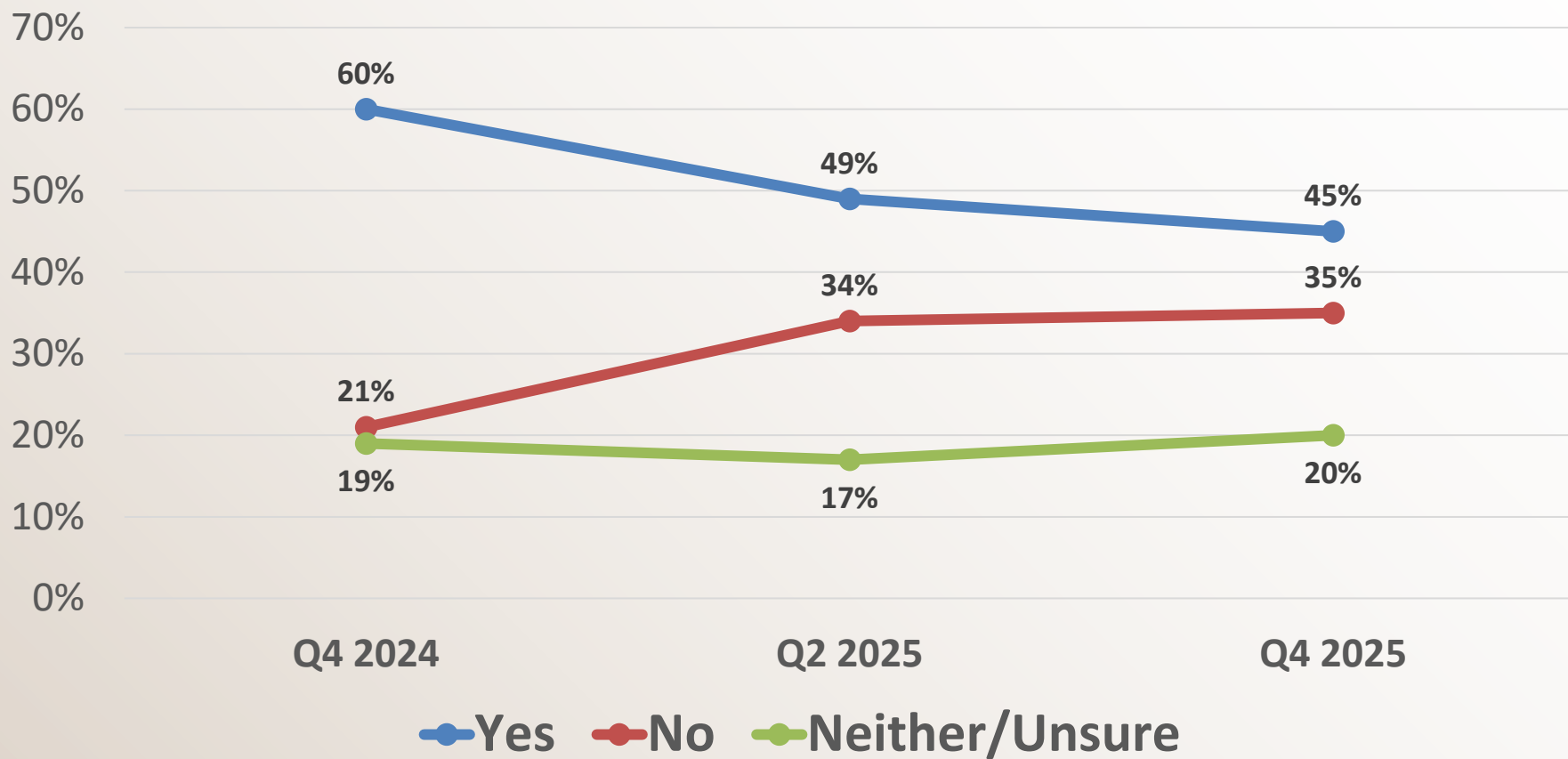
The Perceived Impact of Tariffs On ... Profit Margins



The Impact of the Last Presidential Election on Small Business

- Even though most say the policies of the current administration are negatively impacting their business, a plurality (45%) still say the results of the recent presidential election are beneficial for their business.
 - However, that number has shrunk significantly from a significant majority (60%) one year ago to a simple plurality (45%) today.

Do you think the results of the recent presidential election are beneficial for your business?



Greatest Reasons for Optimism

Demand, Their Resilience, and Their Staff

Since Q2 2025

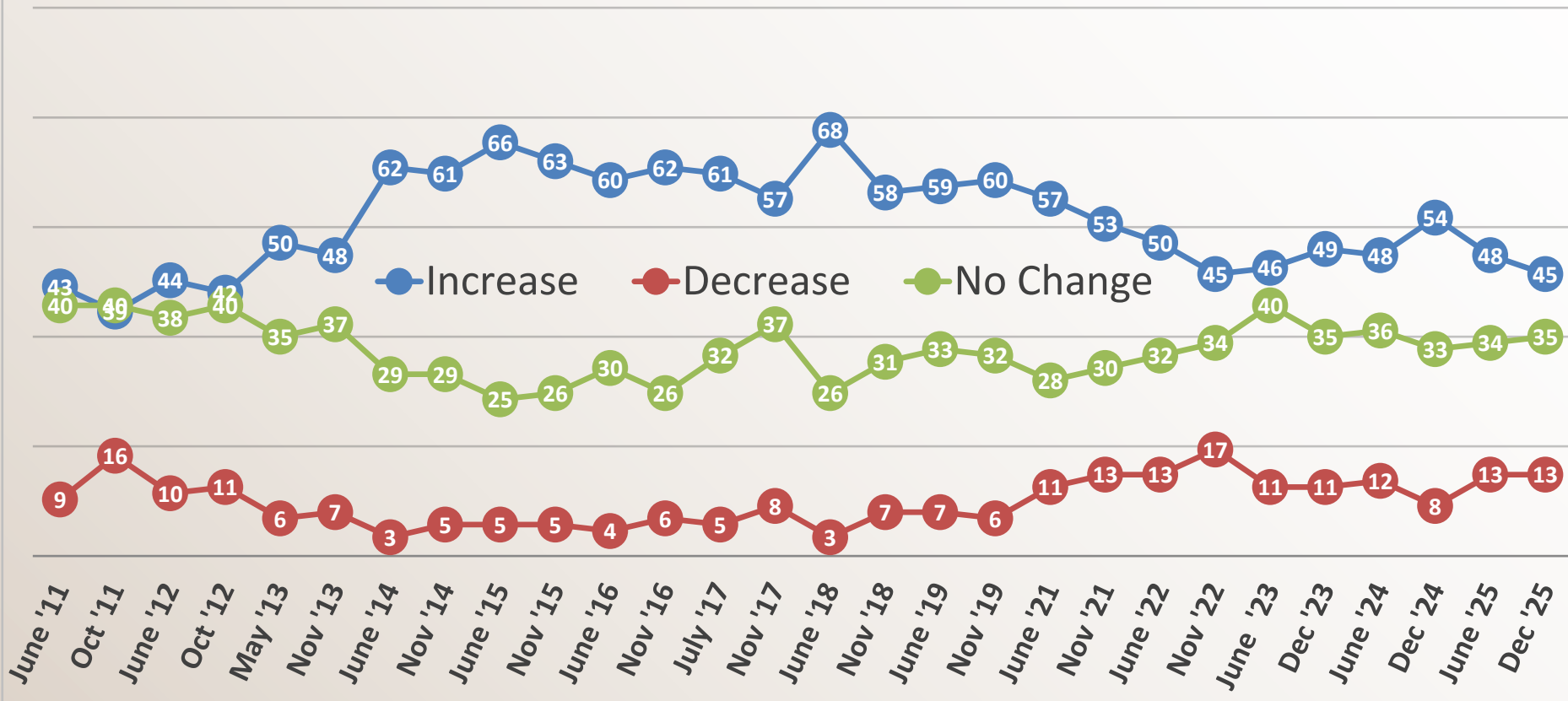
Demand For Our Quality Products/Services	18%	-4
Longevity/Resilience/Nimble/Still Going	15%	+4
My Staff/Team/Employees	14%	+3
Business Growth/Expansion	13%	-3
The Economy	11%	-1
More/New Opportunities	9%	-4
Elections/Politics/Hope For Reforms	8%	-3
Great/Loyal Customers	7%	-3
Retiring/Selling or Closing Business	3%	No Change

Sales & Profit Increase Projections Continue Their Slump

- Projections for increased sales and profits are both down, while expectations for decreases are up from one year ago.
 - Projected sales growth is back down to 45% – nearing the historical bottom. Expectations for sales decreases is at 13% – five points higher than one year ago.
 - Projected profit growth remains at 38%, down five points from one year ago. Eighteen percent (18%) expect profits to decline in the next six months, up six points from one year ago.
- Expectations for sales growth are again highest in the Finance/Insurance/Real Estate sectors (54%) and lowest in the Health Care/Non-Profit sectors (30%).
- Profit increases are most expected in the Finance/Insurance/Real Estate sectors (51%) and least expected in the Health Care/Non-Profit sectors (22%).

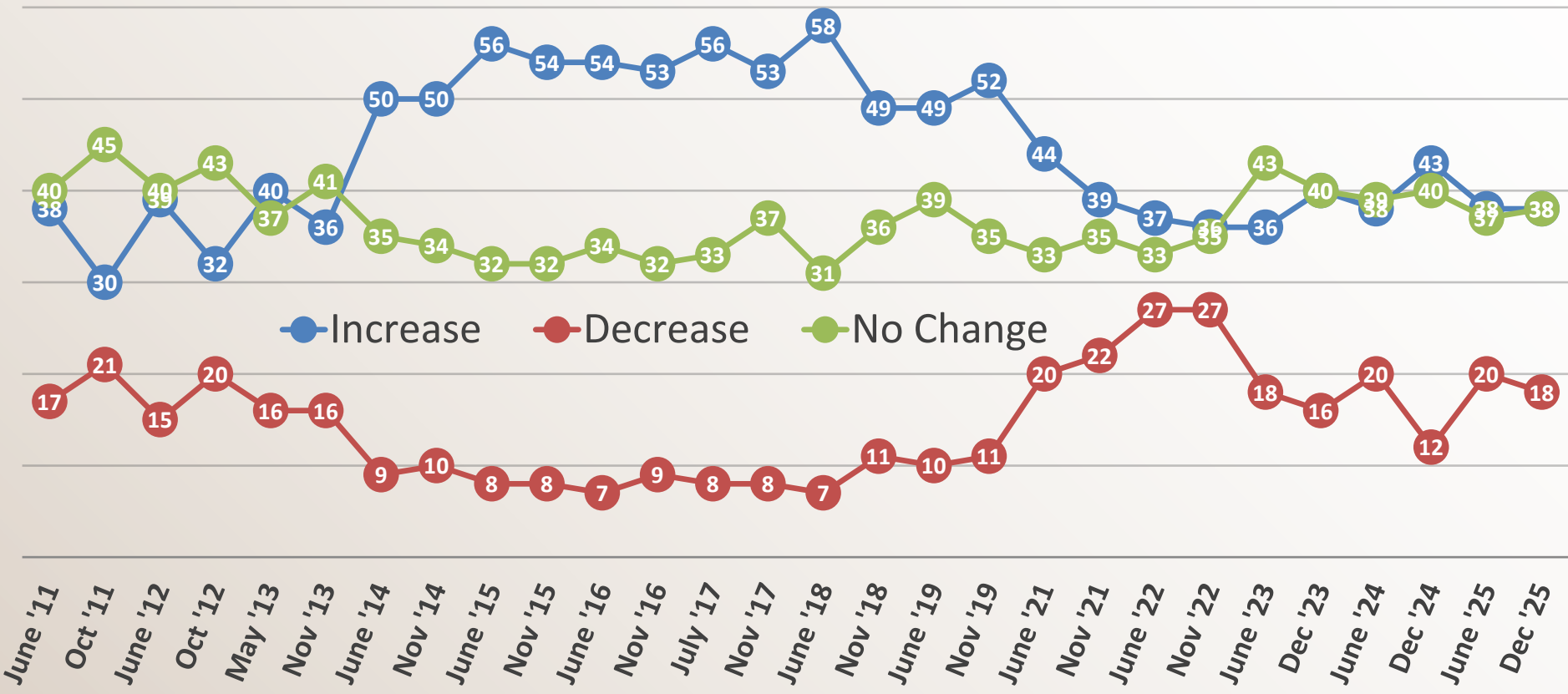
Projected Sales Trends

Over The Next Six Months ...



Projected Profit Trends

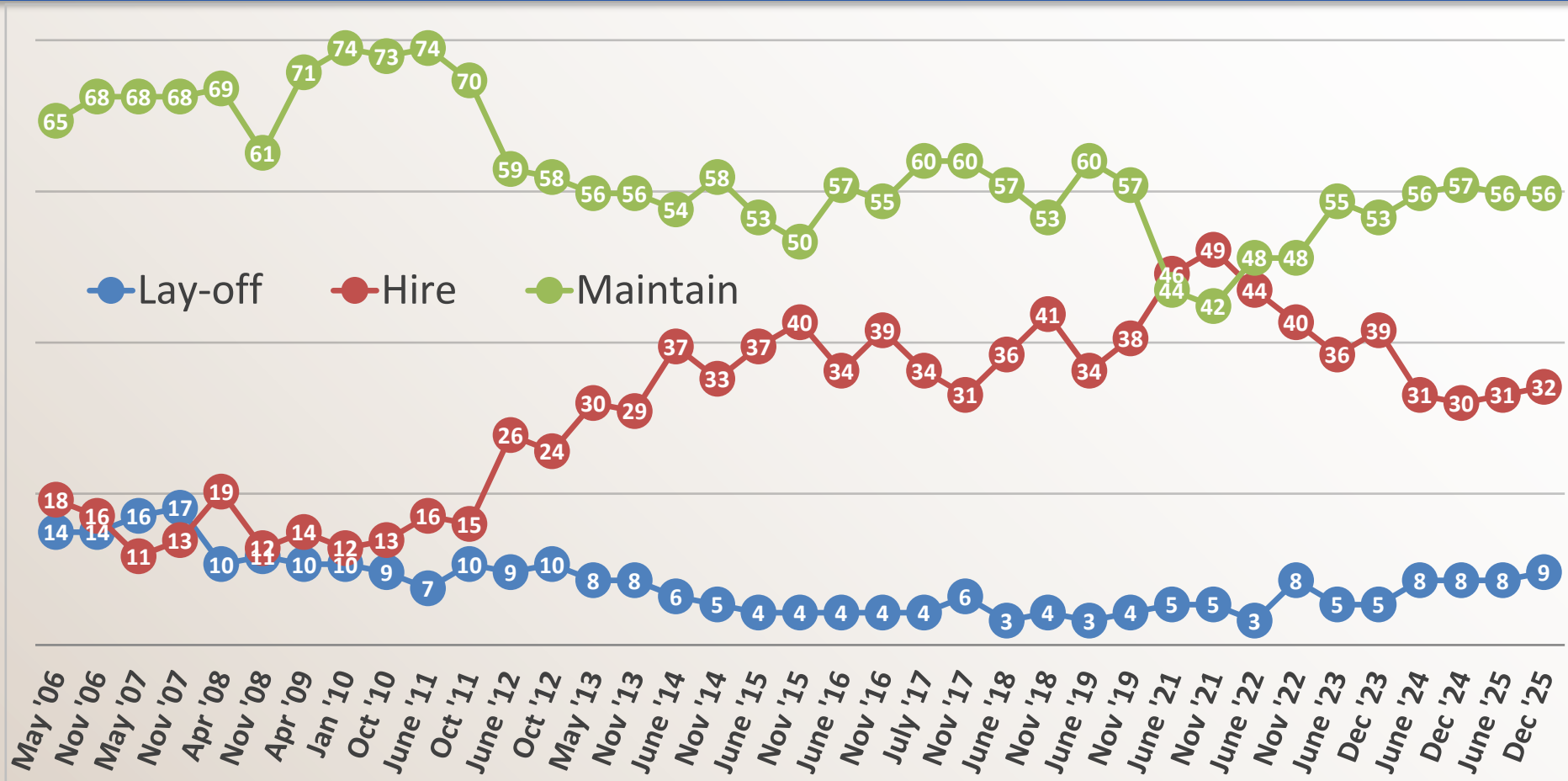
Over The Next Six Months ...



Hiring Projections Practically Unchanged

- While the percentage of respondents reporting expecting increased hiring ticked up, so has the number of respondents expecting future lay-offs.
 - **Thirty-one percent (32%) say they plan to hire more employees over the next six months, up two from one year ago.**
 - **Fifty-six percent (56%) will maintain staff at current levels, down one point from one year ago.**
 - **Nine percent (9%) say they plan to lay off employees, up one point from one year ago.**
- The Finance/Insurance/Real Estate sectors (44%) are most likely to be hiring in the next six months, while the Retail/Food Service are least likely (25%). Manufacturing/Construction sectors (11%) are most likely to lay off employees.

Projected Hiring Trends



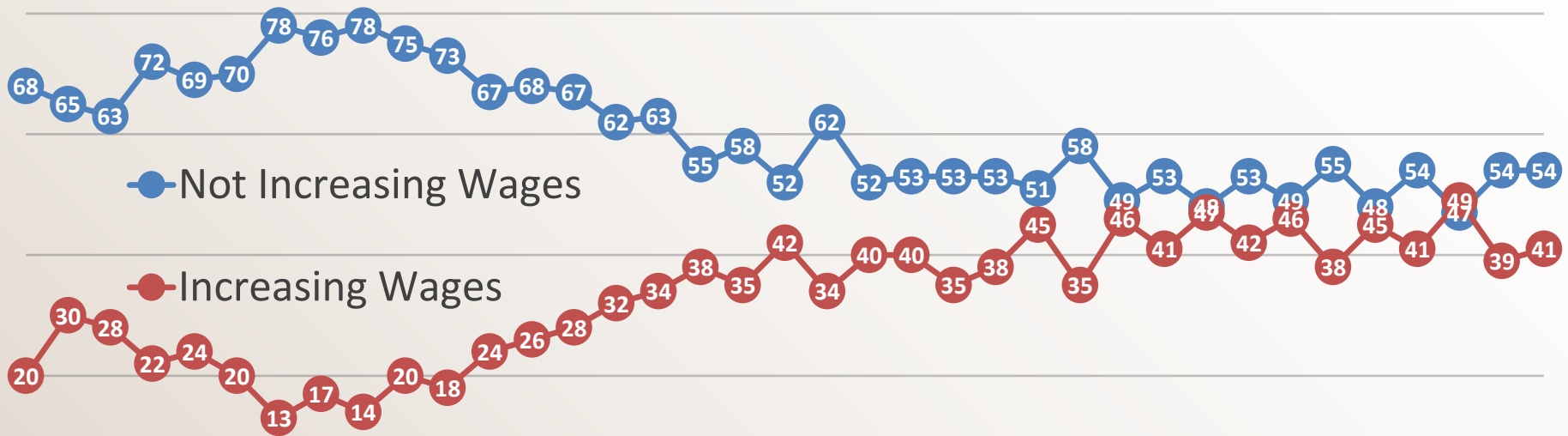
A Bright Spot: Talent Acquisition Improves Slightly

- Fifty-one percent (51%) rate their access to qualified talent as “only fair” or “poor” – down five points from one year ago. Forty percent (40%) say their access to qualified talent is “pretty good” or “excellent” – up three points from one year ago.
- Forty-nine percent (49%) are having difficulty filling open jobs – down three points from one year ago.
 - 61% attribute it to a lack of qualified applicants – up 3 points from one year ago.
 - 28% attribute that difficulty to a lack of any applicants – down 3 points from one year ago.

Wage Inflation Seems to Be Tamed, For Now

- Only three percent (3%) list wage inflation as top challenge to doing business in this MFBI, a twenty-nine-point decline since Q4 2022. And once again, fewer are reporting wage increases in the past six months.
- A majority (54%) say they do not expect to raise wages in the next six months, up five from one year ago. Forty-one percent (41%) say they will raise wages, down eight points from one year ago.
- Projections for wage growth are strongest in the Finance/Insurance/Real Estate sectors (54%), and weakest in the Retail/Food Service sectors (31%).

Projected Wage Trends



* Only 1.4% Decreasing Wages

Healthcare Cost Projections Register as a Seven on the Pain Scale

- Seven in ten (70%) expect healthcare costs to increase over the next six months. Nearly one third (32%) say they expect them to rise significantly.
 - Those in the Manufacturing/Construction sectors (78%) are most likely to say their healthcare costs will increase.
- A plurality (36%) say they will absorb the cost increases and won't cut benefits or increase employee contributions.
- However, twenty six percent (26%) say they are currently not offering health insurance to their employees, which is two points higher than one year ago.

Projected Investments & Business Growth Are Bearish

- Nearly six in ten (58%) plan to invest in **employee training** within the next 6 months – no change from one year ago.
- Fewer than half (48%) will invest in **advertising** – down four points from one year ago.
- Twenty-two percent (22%) plan to invest in **new equipment** – down one point from one year ago.
- Twenty-nine percent (29%) plan to expand their business with a **new product line or service** – down seven points from one year ago.
- Only three percent (3%) plan to open a **new business location** – down four points from one year ago.

Conclusions:

- Michigan's small business owners are known for their resiliency, typically snatching victory from the jaws of defeat. That said, they seem to be feeling like Sisyphus since the pandemic; who in Greek mythology was forced to push a boulder up a hill, only to see it roll back to the bottom.
- They cite policies coming from Washington D.C. and Lansing for feeding discontent with their bottom line and the overall stalled business economy.
- Inflation, healthcare costs, tariffs, and regulatory policies diminish their profit margins, forcing a pullback in investment and hiring.
- Uncharacteristic for this audience, optimism for a rebound in the next six months is waning, raising fears of a steeper, more significant downturn. As stated earlier, we are at a crossroads.

Conclusions:

- While a strong majority of respondents continue to believe Michigan is a great place to do business, their perceptions have slightly soured since Q4 2024.
 - 59% now believe Michigan remains a pretty good (46%) to excellent (13%) market for their business – down three points from one year ago.
 - 55% say our state business taxes are mostly (50%) to very (5%) fair – down four points from one year ago.

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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