

Michigan Future Business Index

Q4 2025

Mark McDaniel
President & CEO
Cinnaire

ROI[®]INSIGHT



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

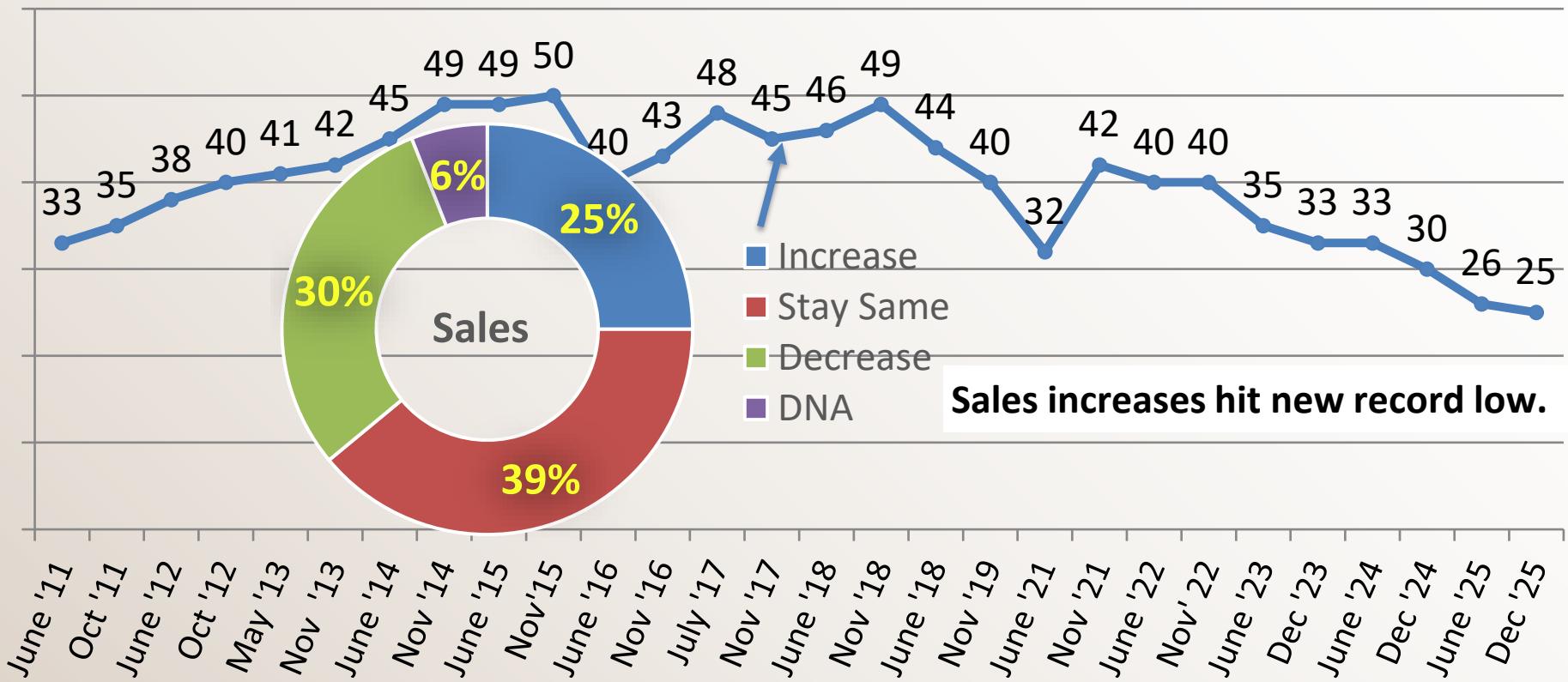
- While the debates in Washington D.C. over a solution to the high cost of healthcare are in a stalemate, Michigan's small businesses are feeling a significant pinch. Seven in ten expect their healthcare costs to increase in the next six months, nearly half of those respondents say it will be a significant 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 employers, 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

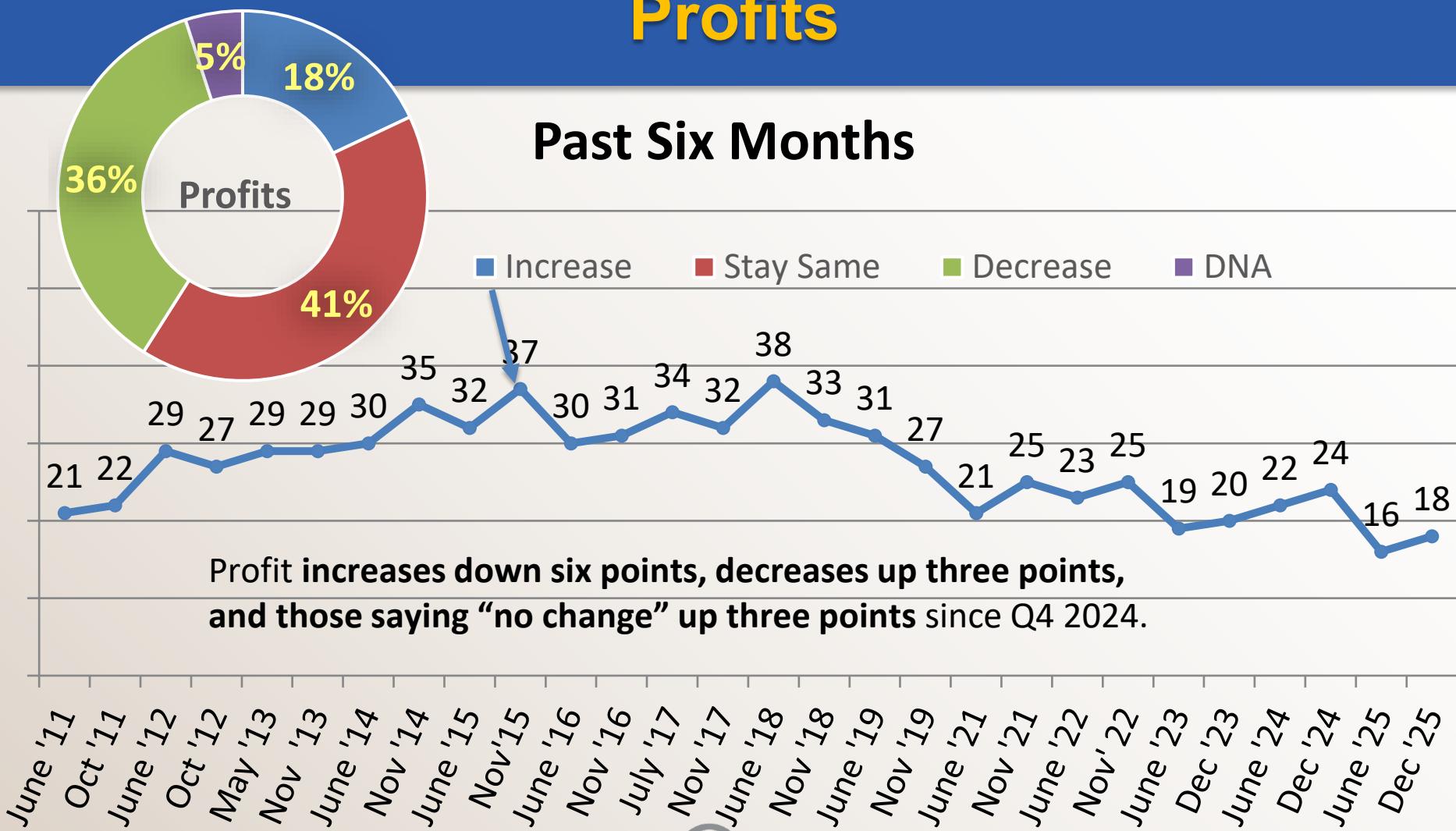
- All indicators continued to slump over the past six months.
 - **Sales increases continue to fall to a new record low**
 - Now only one quarter (25%) say sales have increased in the last six months. That is a new record low for the MFBI – falling below the last record low in Q2 2025.
 - Profits ticked 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

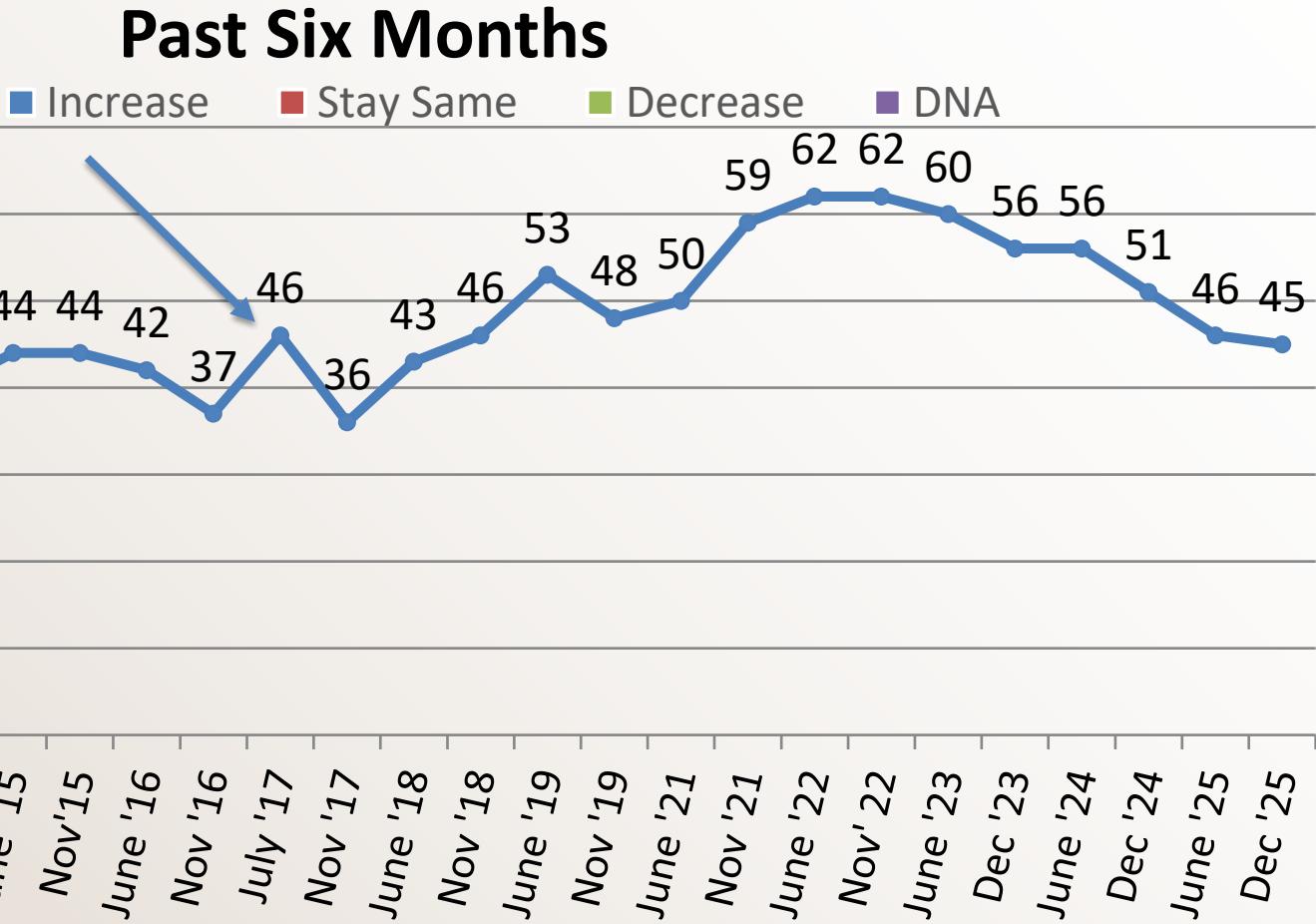
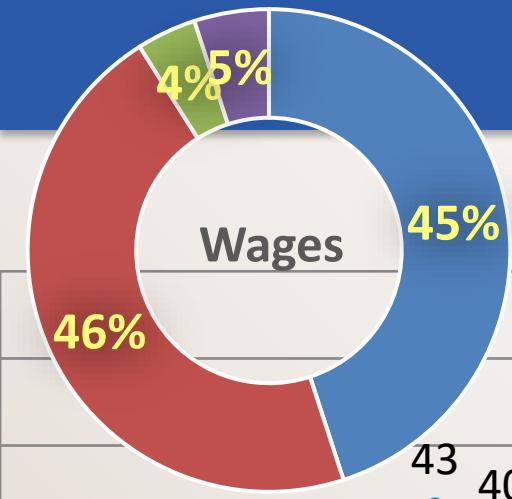
Past Six Months



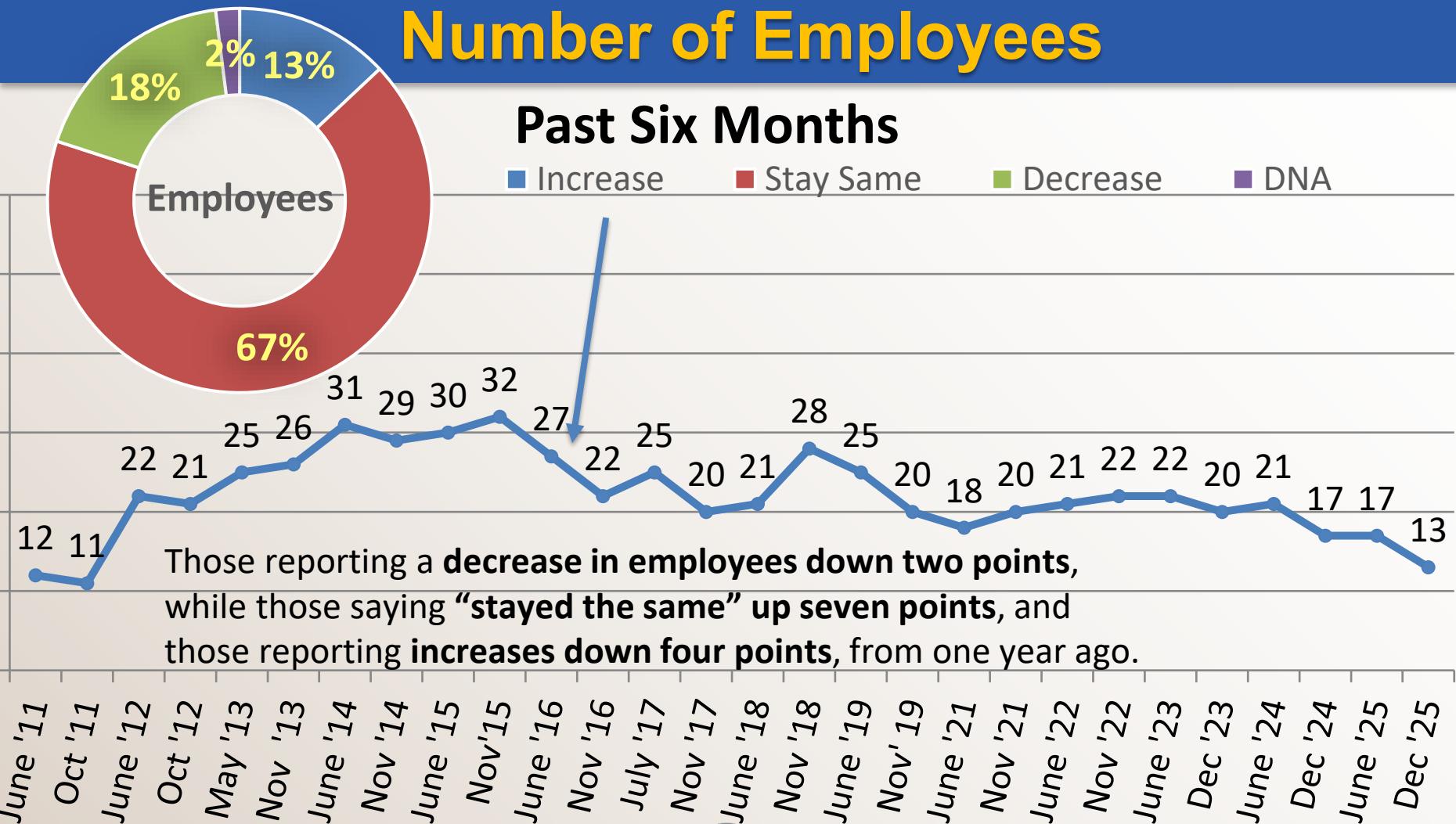
Trending The Indicators: Profits



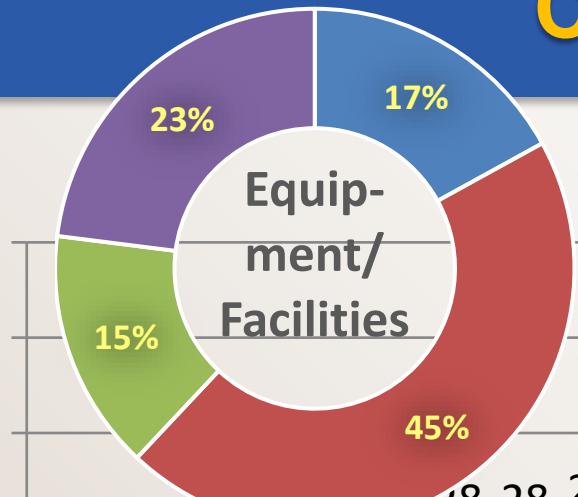
Trending The Indicators: Wages



Trending The Indicators: Number of Employees

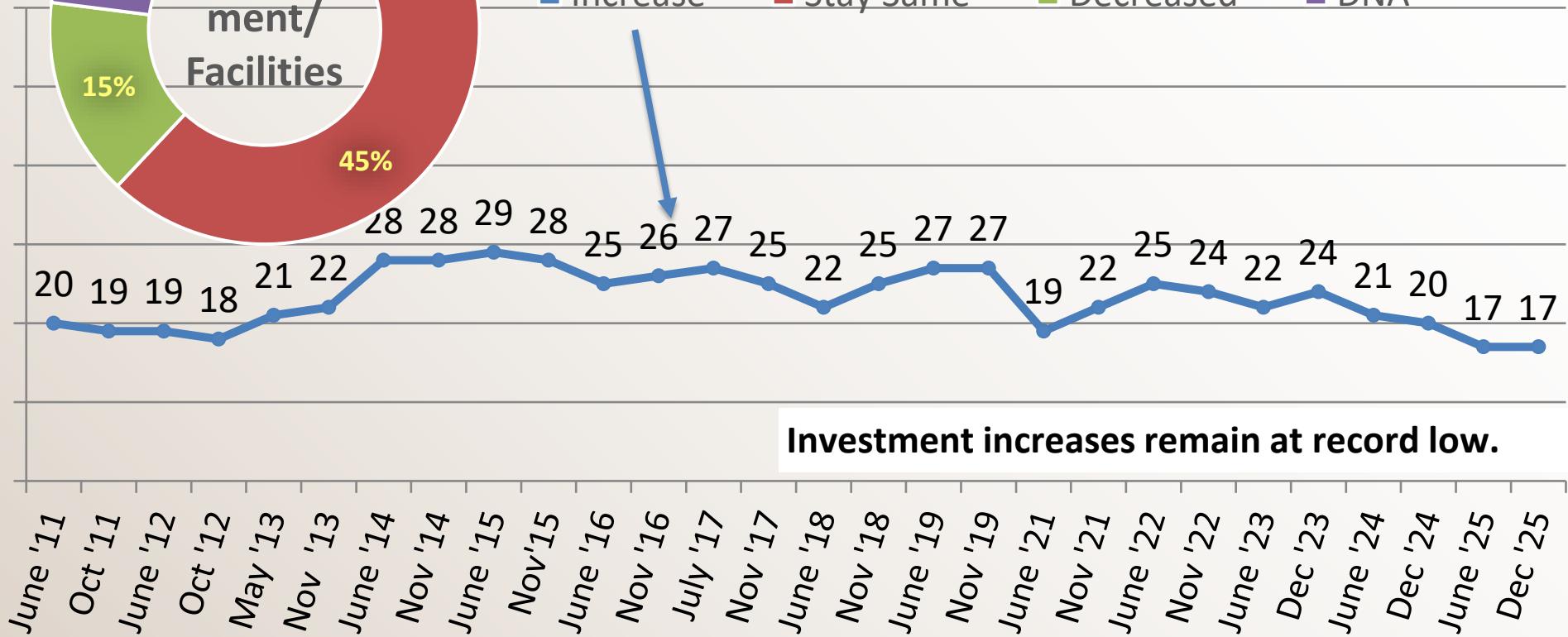


Trending The Indicators: Capital Investments



Past Six Months

■ Increase ■ Stay Same ■ Decreased ■ DNA



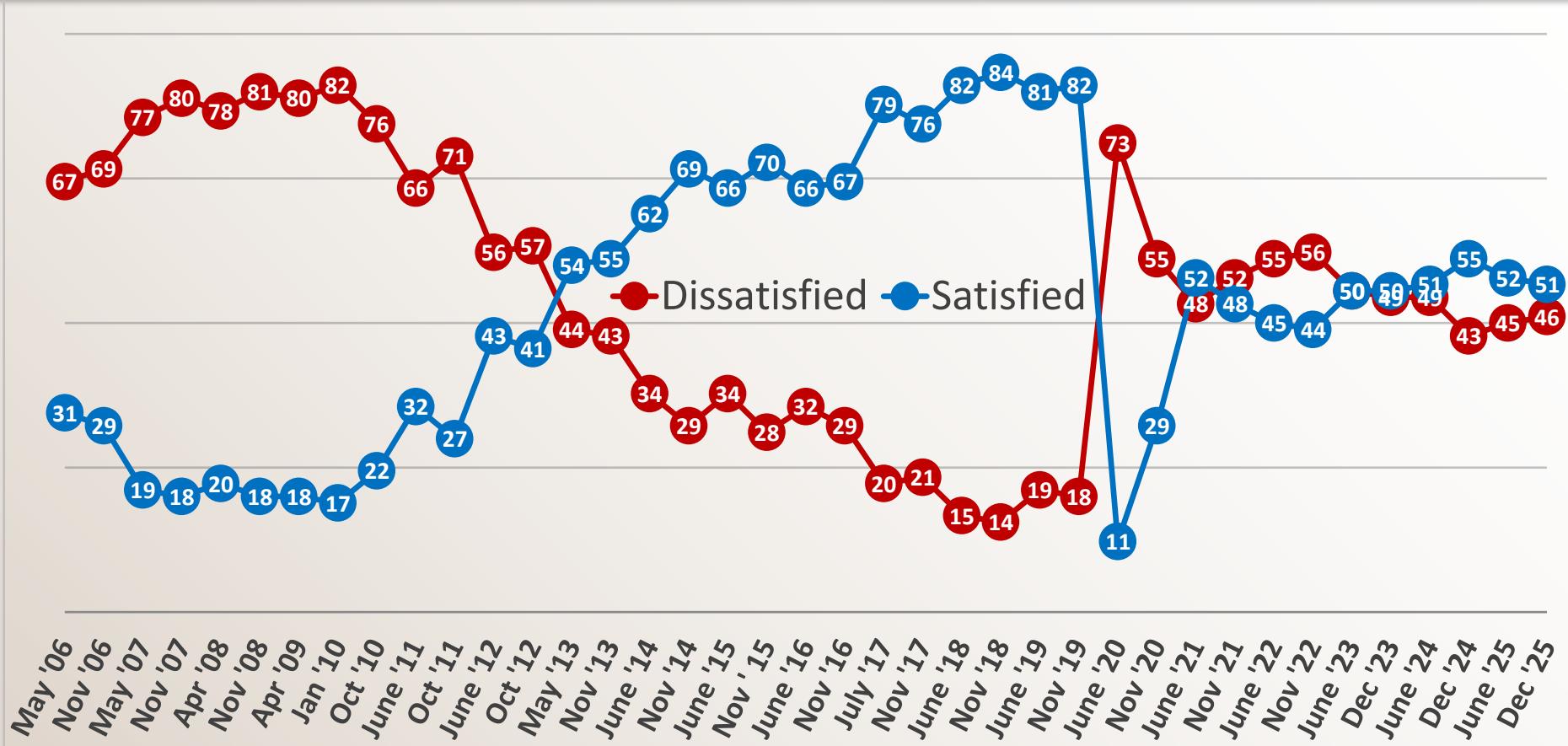
Investment increases remain at record low.

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

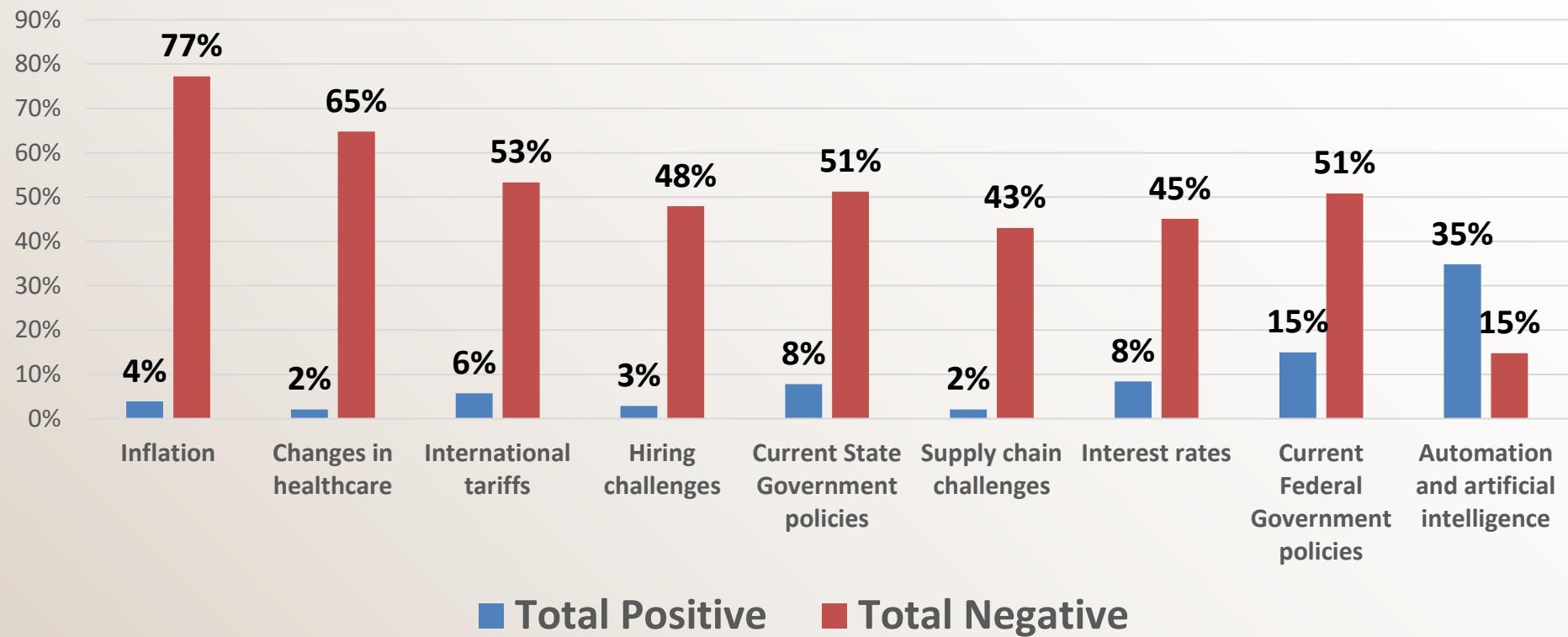
| Challenge | Percentage | Change |
|----------------------------------|------------|-----------|
| Acquiring/Retaining Talent | 14% | -5 |
| Finding/Retaining Customers | 12% | +1 |
| Cost of Health Insurance | 10% | +5 |
| Economy Weakening | 10% | +1 |
| Inflation | 10% | -2 |
| Uncertainty | 9% | 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.

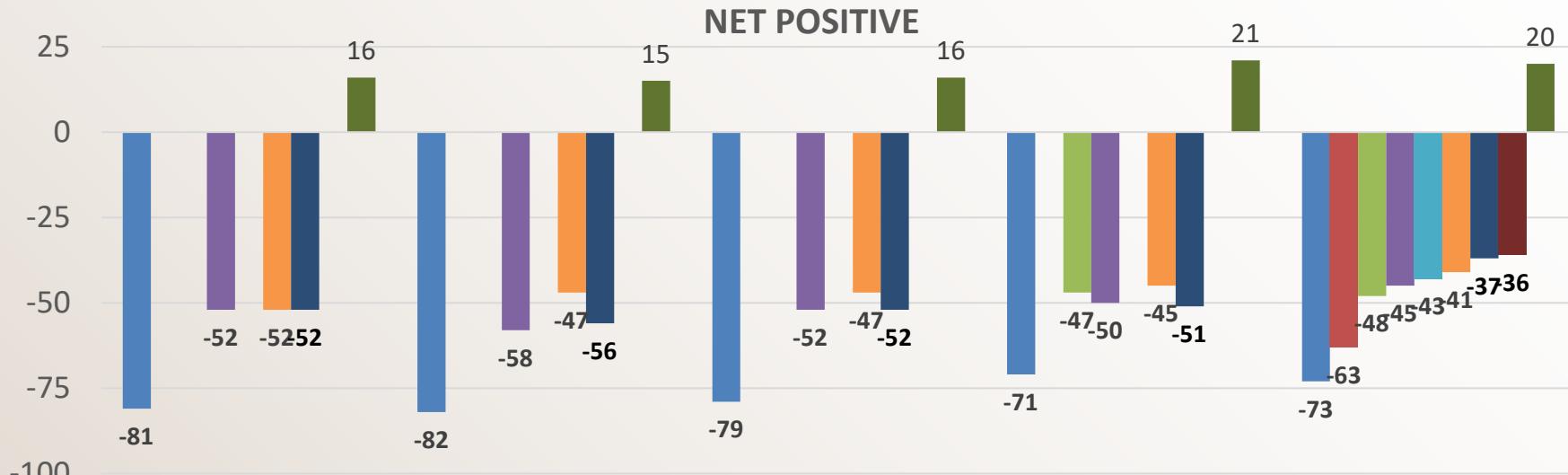
Issues Impacting Small Business:

How are the following issues currently impacting your business:



Issues Impacting Small Business: Net Trends

How are the following issues currently impacting your business:



Q4 2023

Q2 2024

Q4 2024

Q2 2025

Q4 2025

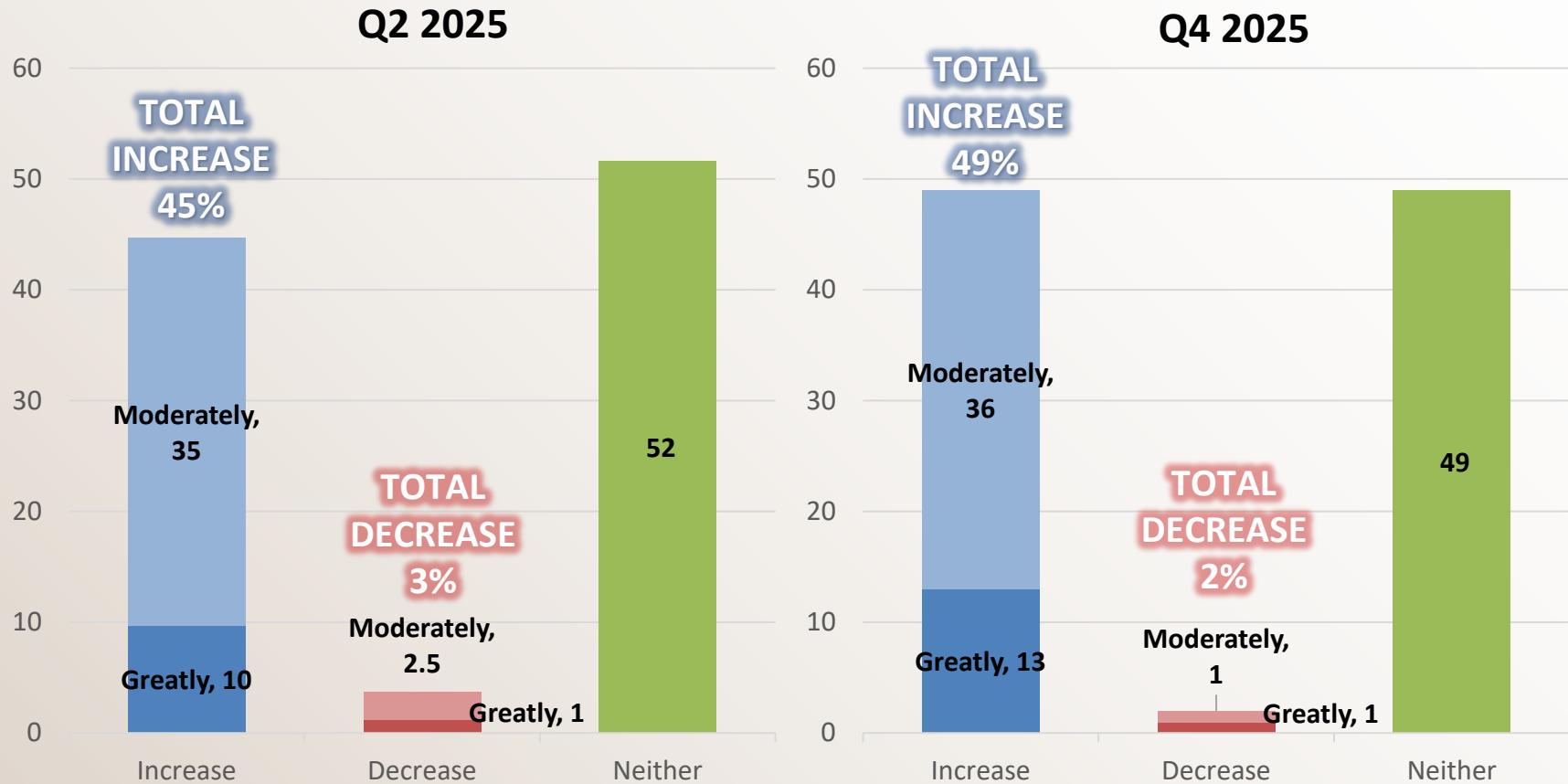
- Inflation
- Talent
- Interest Rates

- Healthcare
- State Policies
- Federal Policies

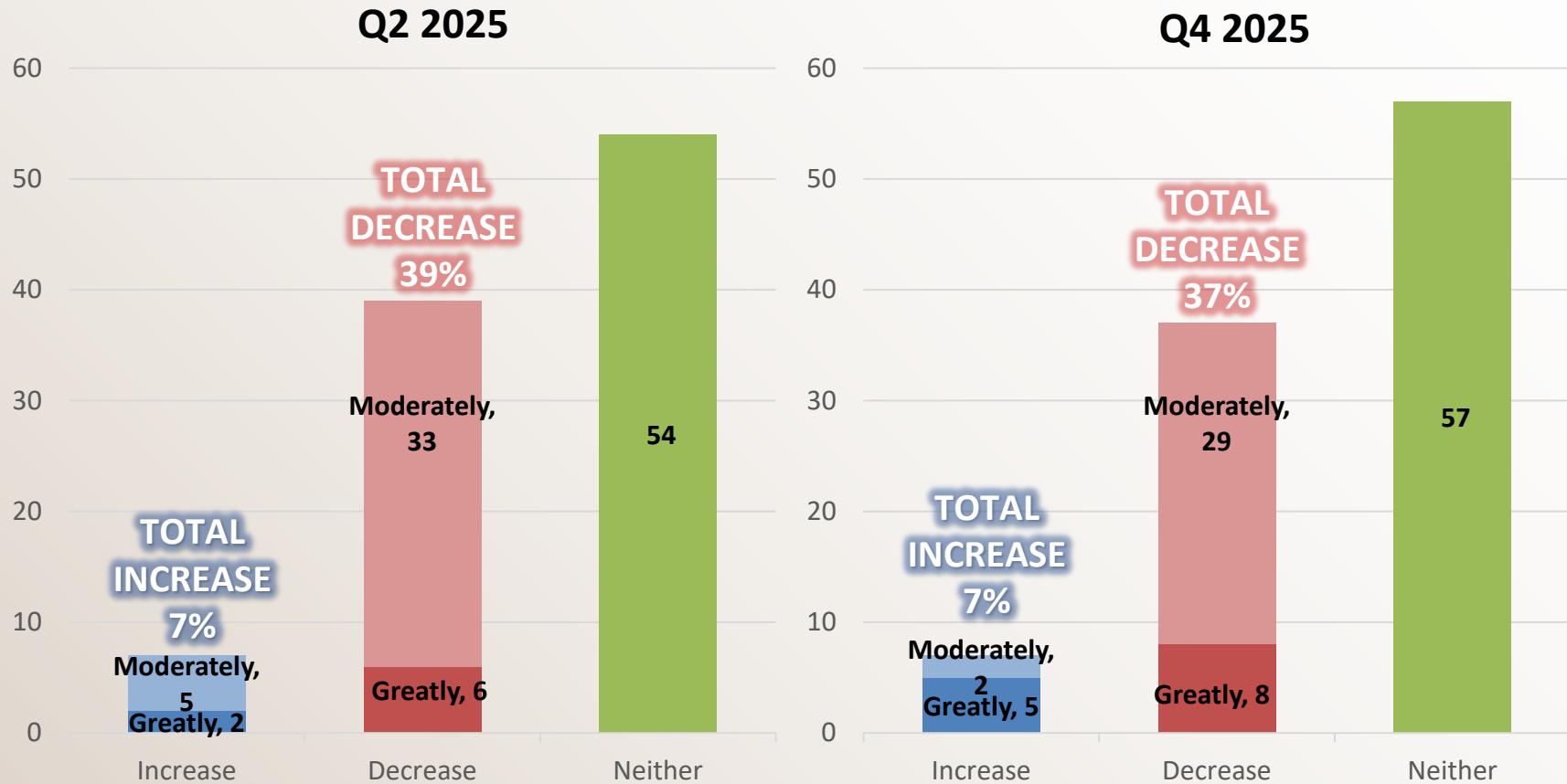
- Tariffs
- Supply Chain
- A.I./Automation

The Perceived Impact of Tariffs On ...

Customer Pricing



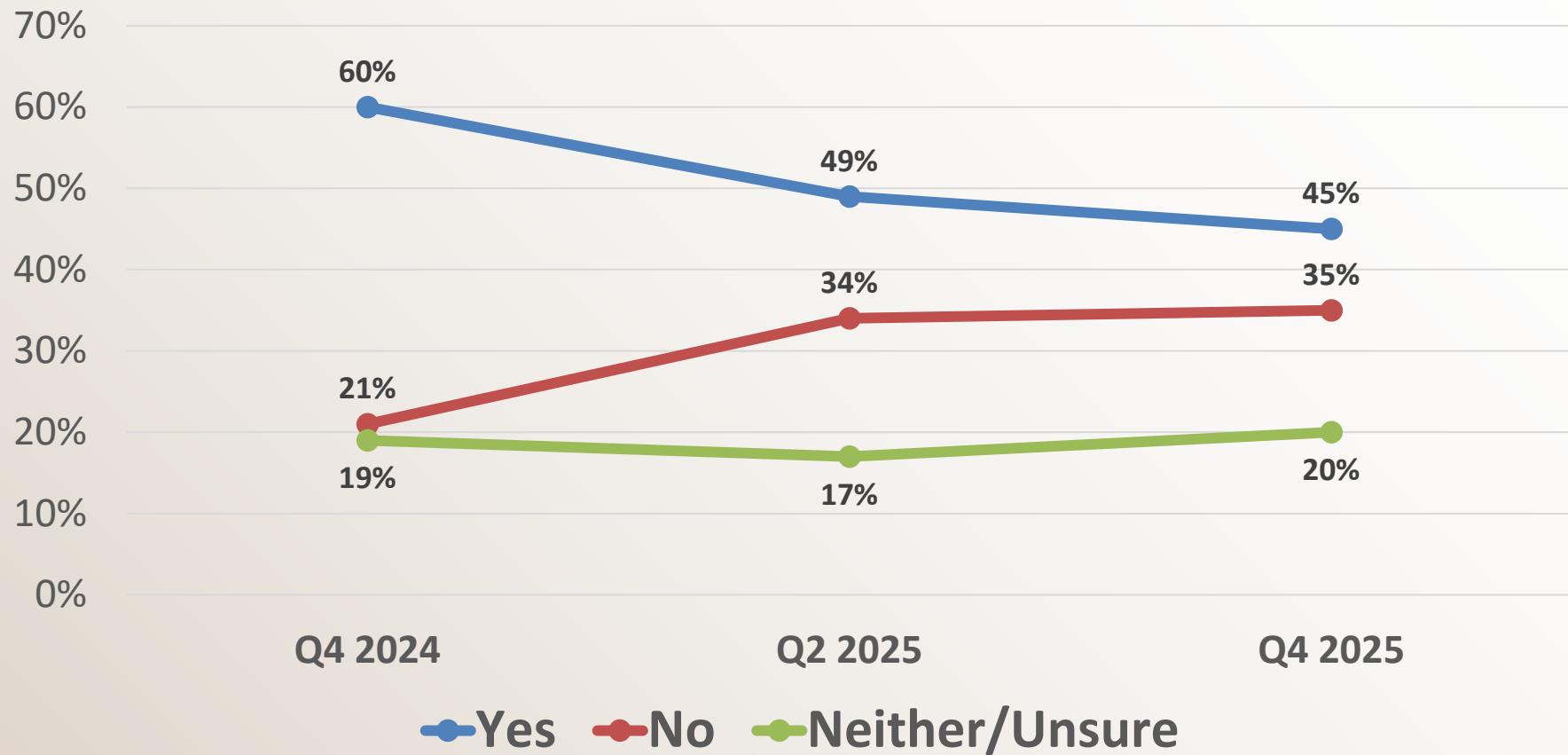
The Perceived Impact of Tariffs On ... Profit Margins



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

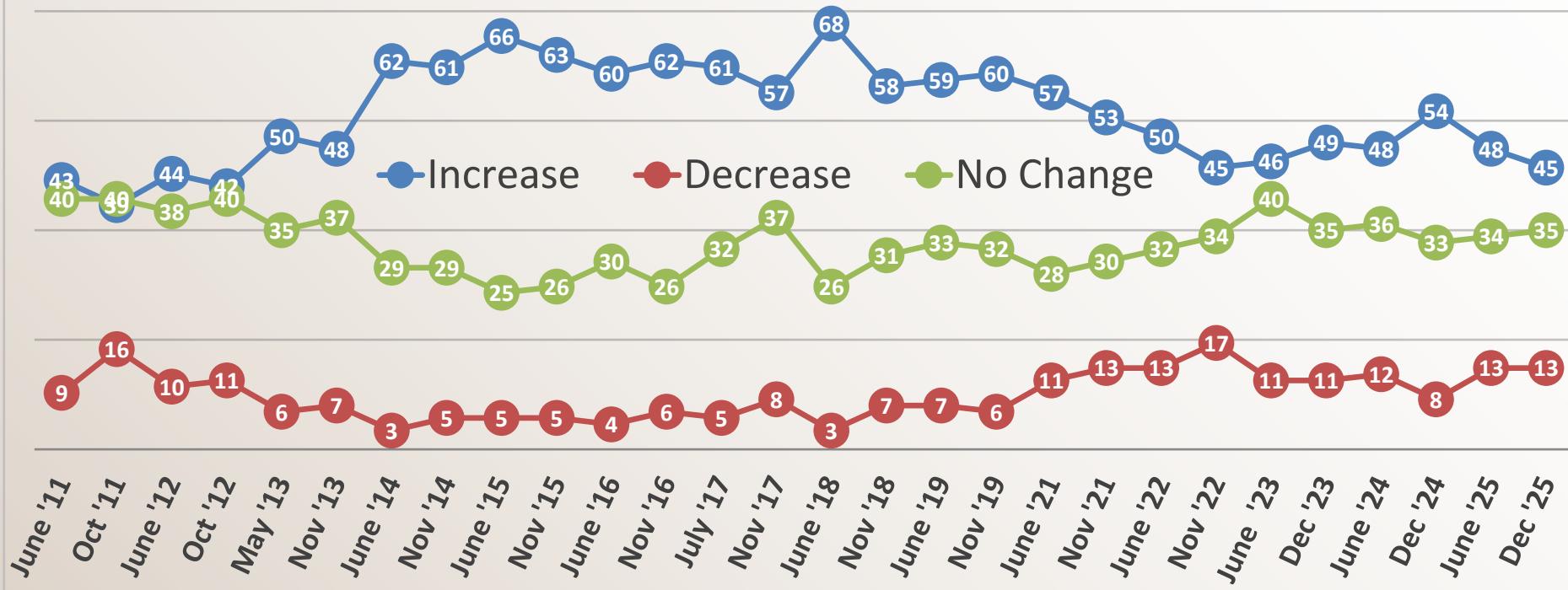
| | | |
|--|-----|-----------|
| Demand For Our Quality Products/Services | 18% | -4 |
| Longevity/Resilience/Nimble/Still Going | 15% | +4 |
| My Staff/Team/Employees | 14% | +3 |
| Business Growth/Expansion | 13% | -3 |
| The Economy | 11% | -1 |
| More/New Opportunities | 9% | -4 |
| Elections/Politics/Hope 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%).

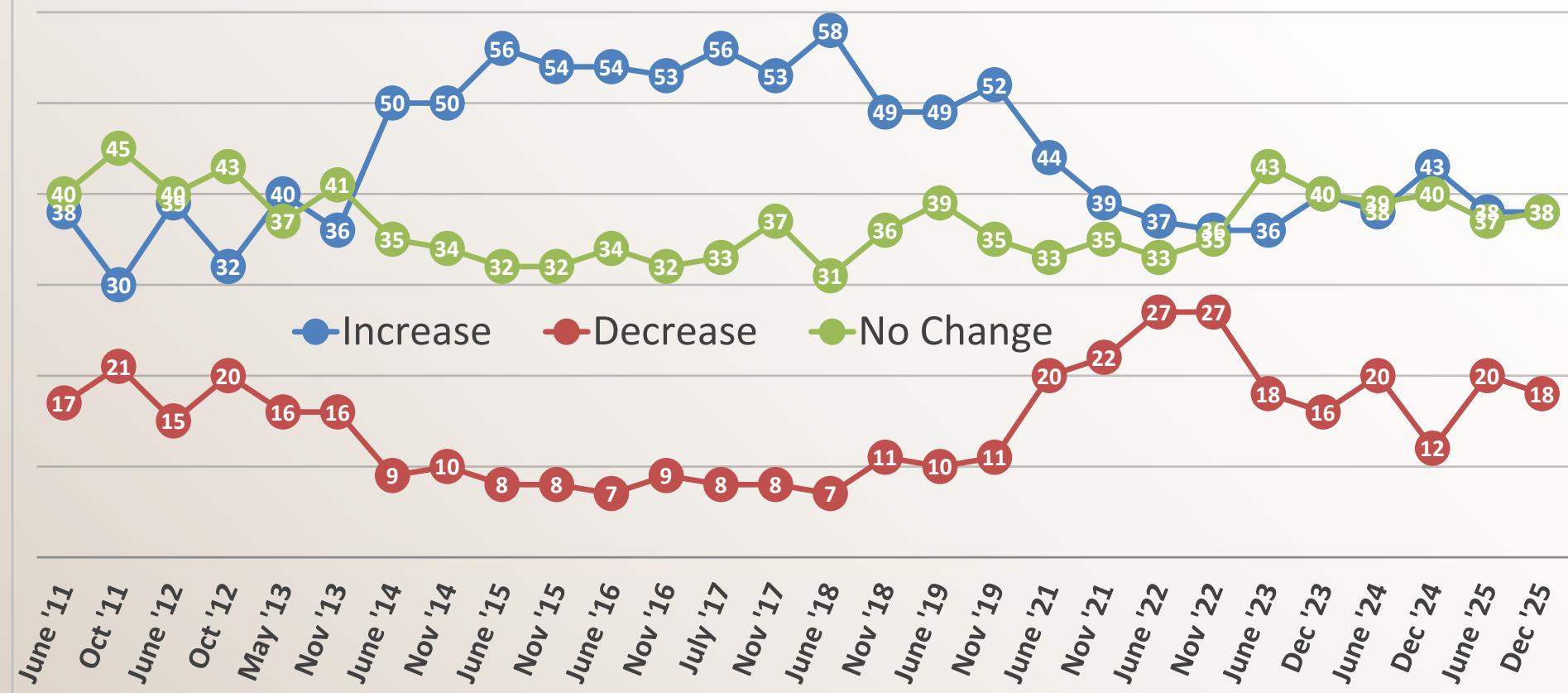
Projected Sales Trends

Over The Next Six Months ...



Projected Profit Trends

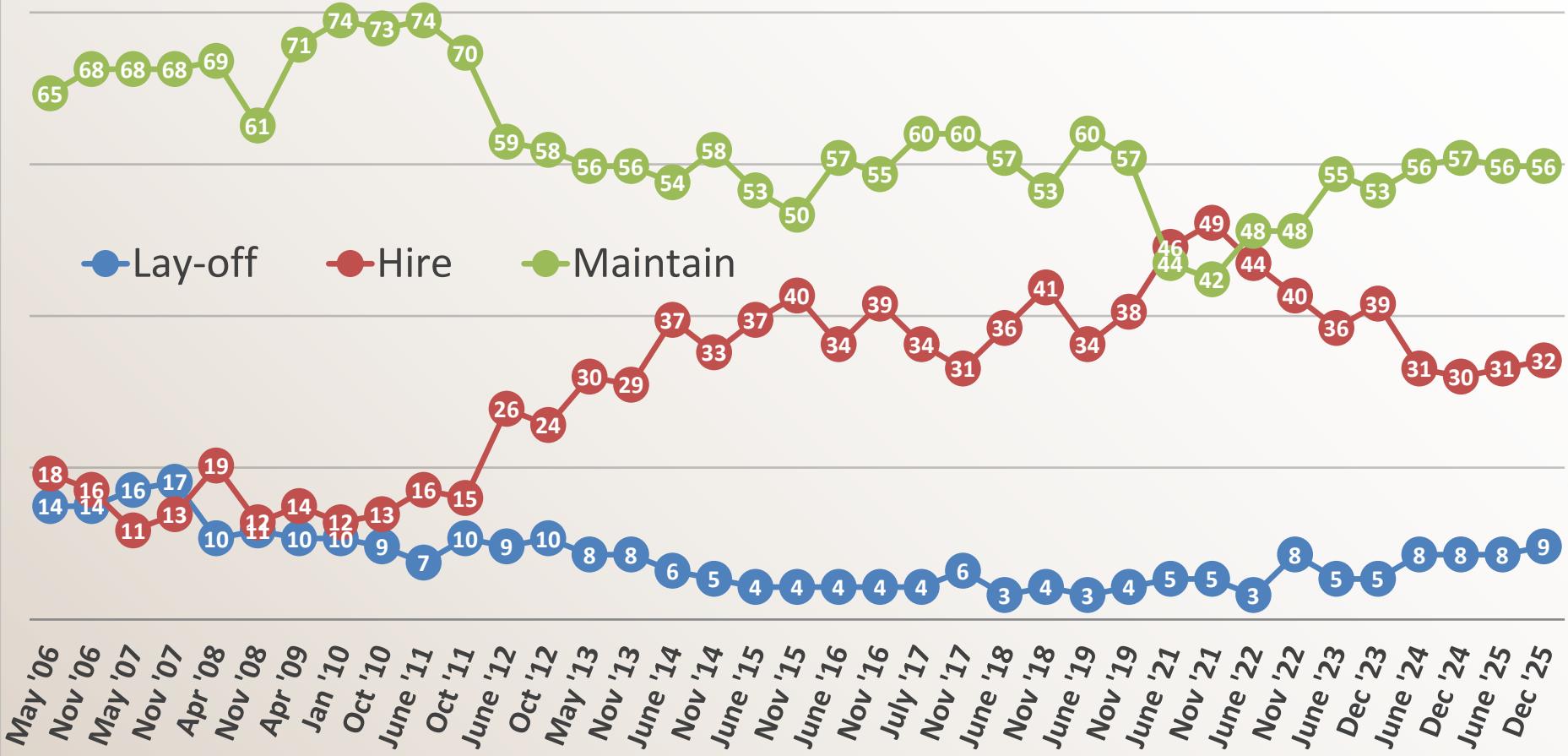
Over The Next Six Months ...



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



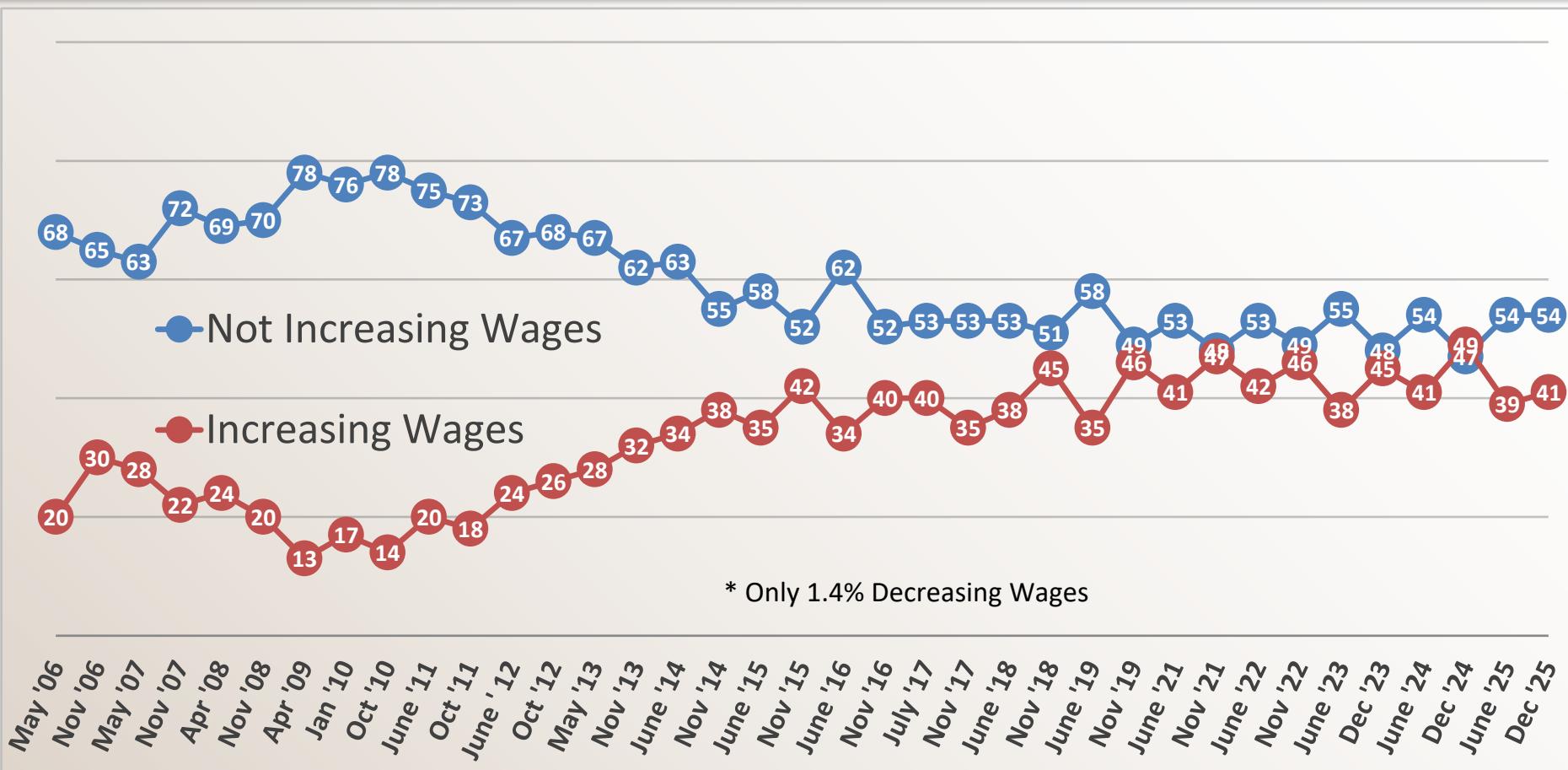
A Bright Spot: Talent Acquisition Improves Slightly

- 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 MFB, 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



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>

P.O. Box 15279
Lansing, MI 48906
517-243-9616

ROI[®] INSIGHT

