

# Michigan Future Business Index

## Q4 2021

**Quentin L. Messer, Jr.**

CEO

Michigan Economic Development Corporation

ROI  INSIGHT



# Michigan Future Business Index Methodology

- Statewide survey of 609 small to medium-sized businesses
  - **Mixed-mode survey, conducted online and by phone**
- Commissioned by Cinnaire & Michigan Business Network
- Conducted by ROI Insight
  - **Field Dates: November 3 through December 3, 2021**
- Credibility Interval:  $\pm 4.5\%$  or less
  - **95% Degree of Confidence**

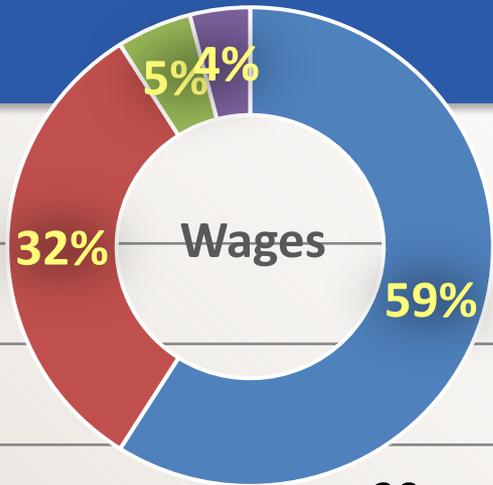
# Key Takeaways

- While we are seeing a rebound in sales and profits from our June survey; talent shortages, supply chain challenges and inflation are creating uncertainty for future projections.
- Wage inflation continues to provide a drag on profits.
- While past surveys showed that talent acquisition challenges stemmed primarily from a lack of qualified candidates applying for open positions, most respondents now say they are having difficulty attracting any applicants, whether qualified or not.
- Businesses continue to warm to the idea of providing remote work opportunities, especially in the white-collar sectors. More are also considering vaccine requirements, though most still say they will not require employees to get the COVID-19 vaccine.

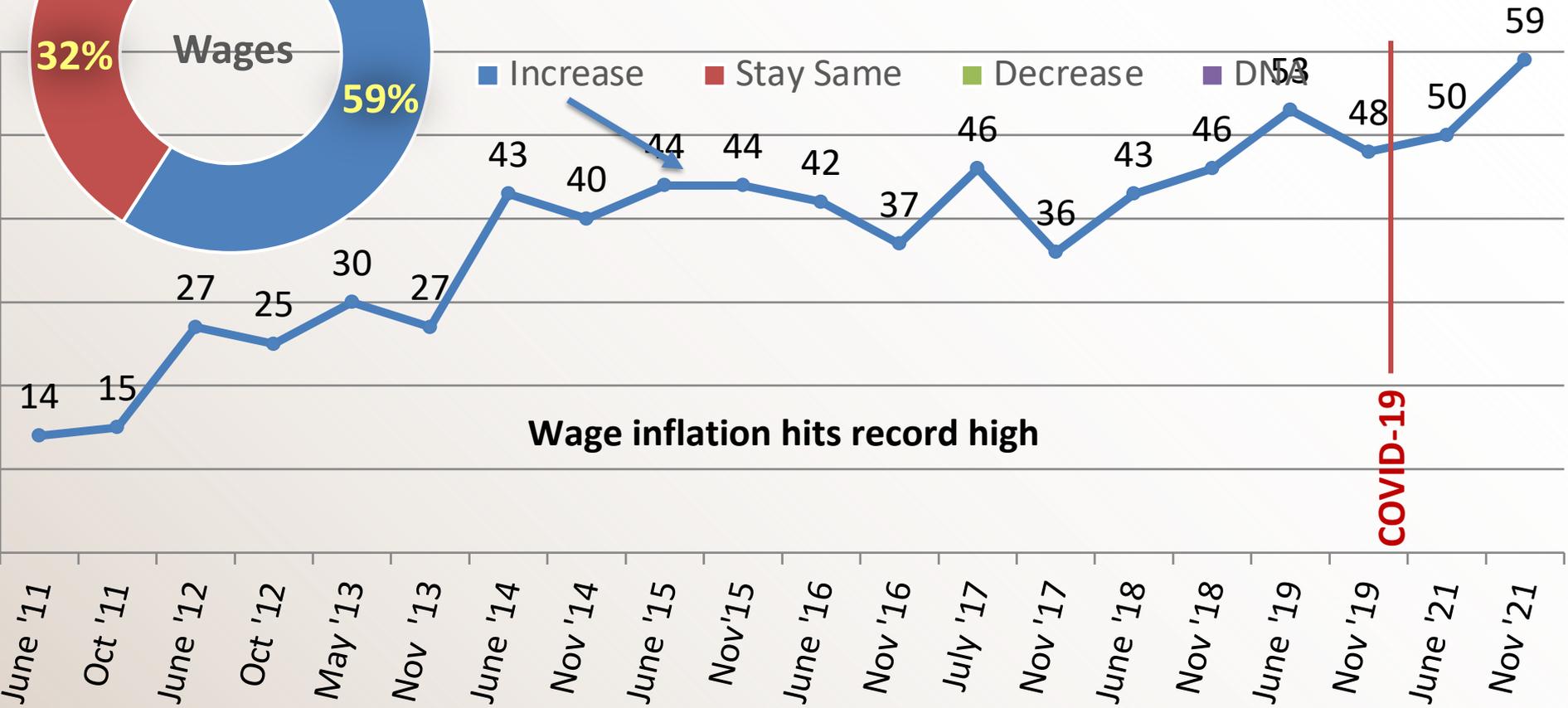
# The Past Six Months

- After hitting record lows in June, most indicators are on the rebound.
- Wage inflation continues to set records.
  - **Wage increases hit record level**
    - **Nearly six in ten (59%) say their employee wages have increased in last six months.**
  - **Sales rebounding significantly since June to pre-pandemic levels**
    - **More than four in ten (42%) say sales have increased in the last six months.**
  - **Uptick in hiring, while employee decreases drop from record level in June**
    - **Those reporting new hires back to pre-pandemic level of 20%.**
  - **Profits rising, while decreases dropped 10 points since June**
    - **One quarter (25%) report profit increases, up four points since June.**
  - **Investments increasing after cutbacks hit record high in June**
    - **Increased capital investments (22%) now outpacing decreases (15%).**

# Trending The Indicators: Wages

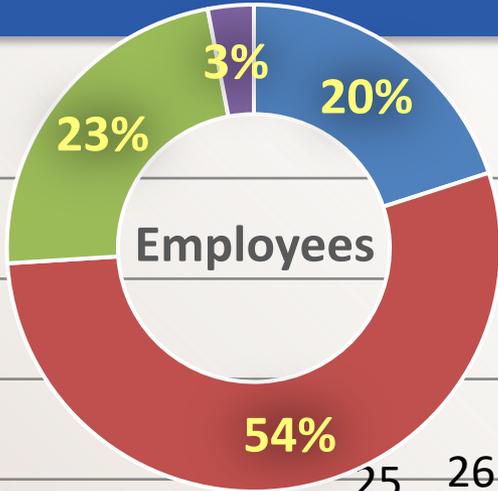


## Past Six Months



# Trending The Indicators: Number of Employees

## Past Six Months



■ Increase   ■ Stay Same   ■ Decrease   ■ DNA

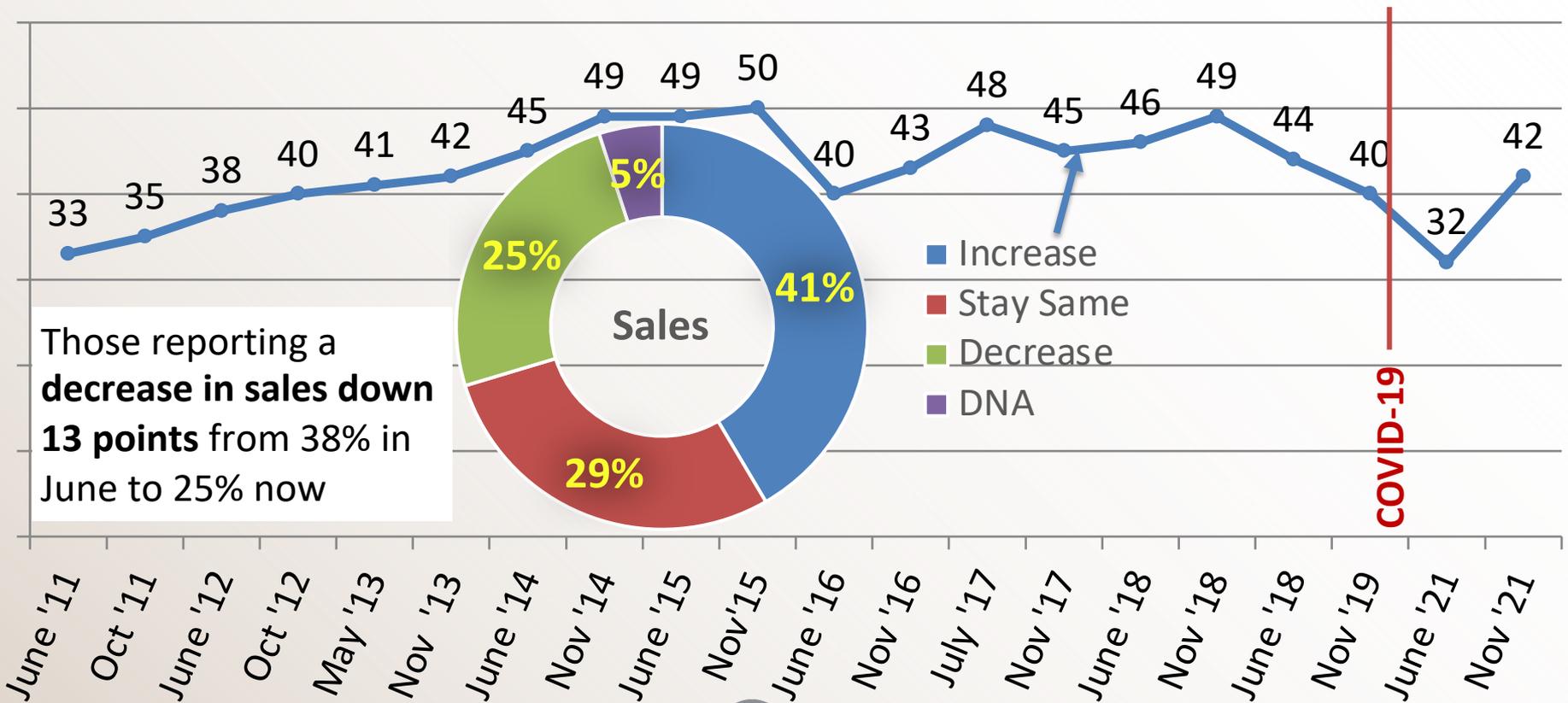


Those reporting a **decrease in employees down 6 points** from 29% in June to 23% now

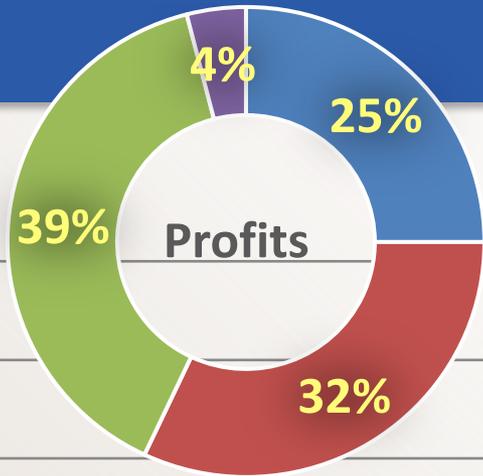
**COVID-19**

# Trending The Indicators: Sales

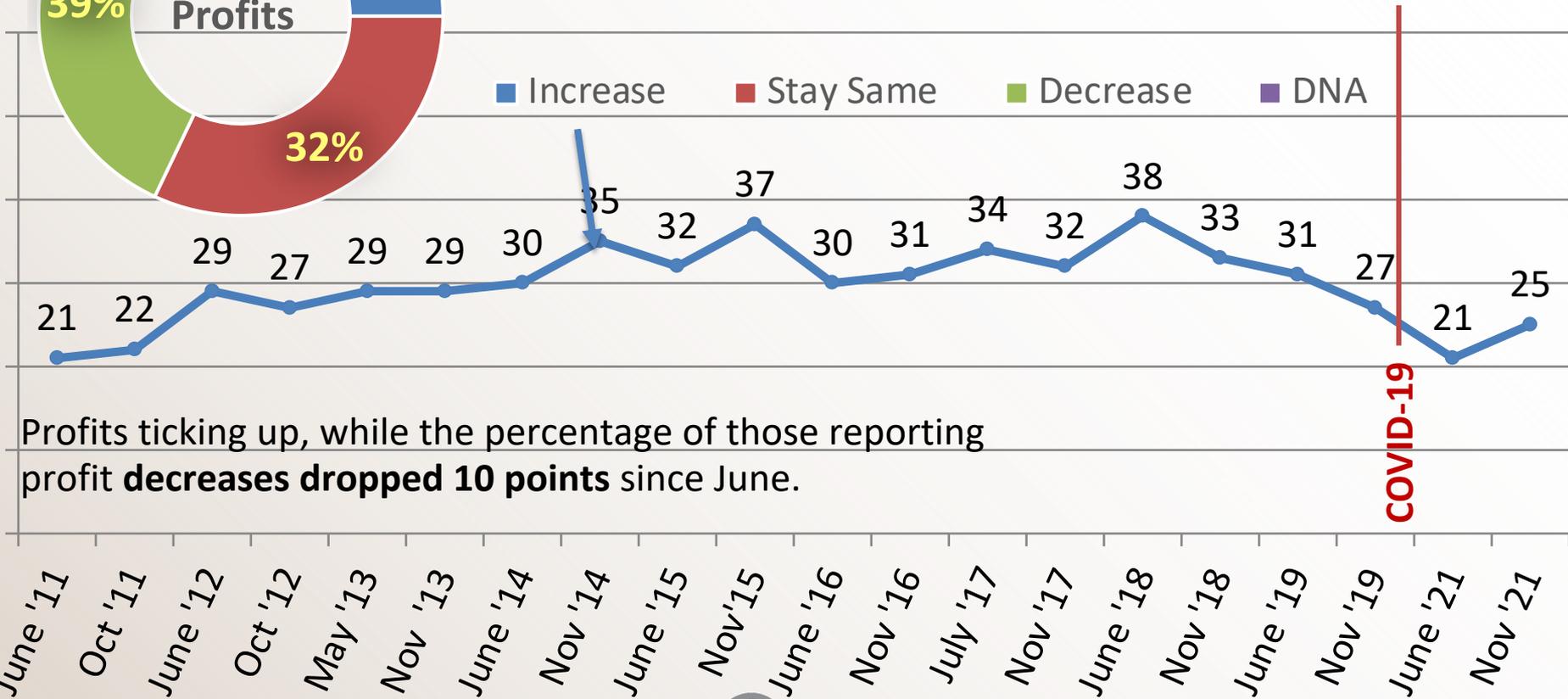
## Past Six Months



# Trending The Indicators: Profits



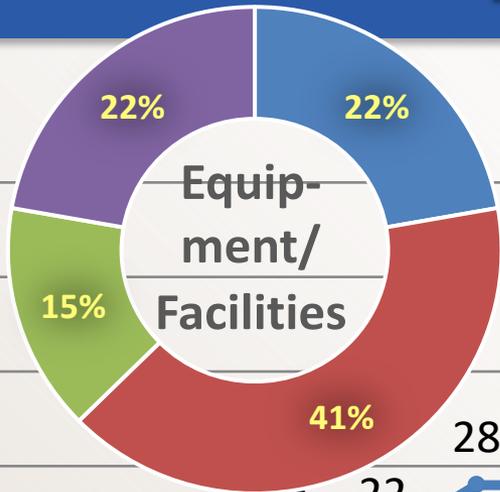
## Past Six Months



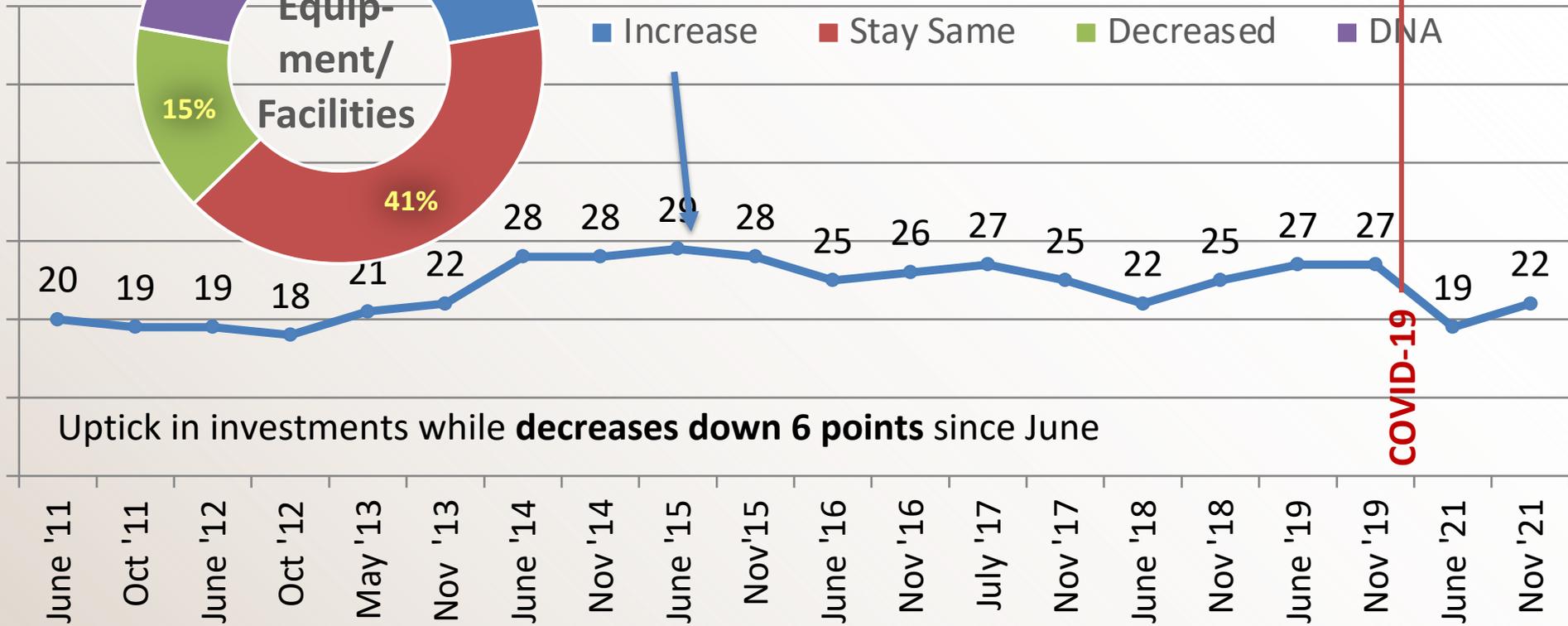
Profits ticking up, while the percentage of those reporting profit **decreases** **dropped 10 points** since June.

# Trending The Indicators: Capital Investments

## Past Six Months



■ Increase   
 ■ Stay Same   
 ■ Decreased   
 ■ DNA



Uptick in investments while **decreases down 6 points** since June

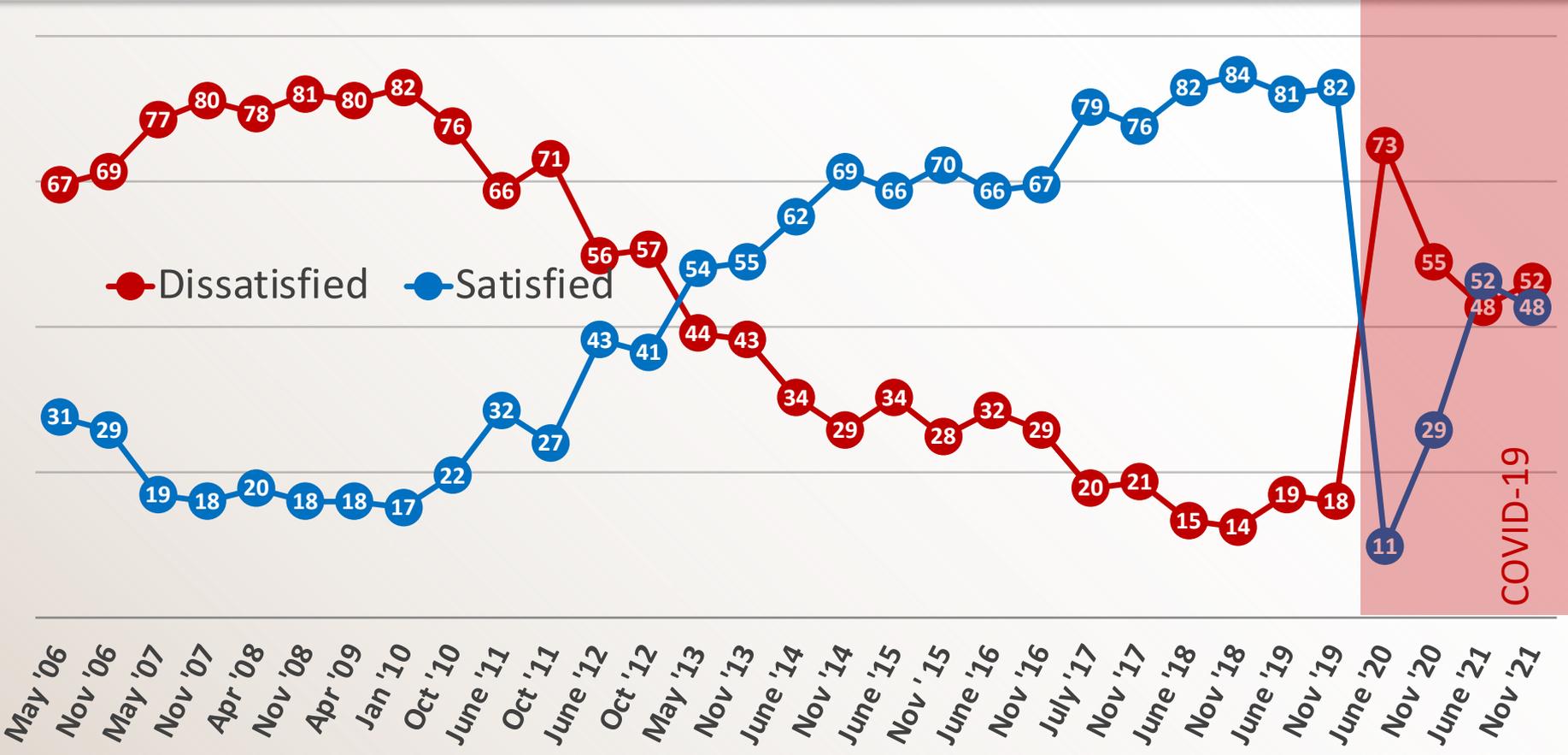
COVID-19

# Satisfaction with Economy

- Satisfaction with the business economy has slipped slightly since June.
  - A majority (52%) is again dissatisfied: 30% “somewhat dissatisfied” and 22% “very dissatisfied”
    - Up from 48% dissatisfied in June.
  - 48% say they are satisfied with the economy (37% somewhat and 11% very satisfied) – down from 52% in June.
  - “Very dissatisfied” outpacing “very satisfied” two to one.
  - Satisfaction is strongest in the Real Estate/Insurance/Finance sector (66%), while dissatisfaction is highest in Retail/Food Service (62%) and Manufacturing/Construction (57%).

# Satisfaction with Economy Trends

## As it Affects Your Business

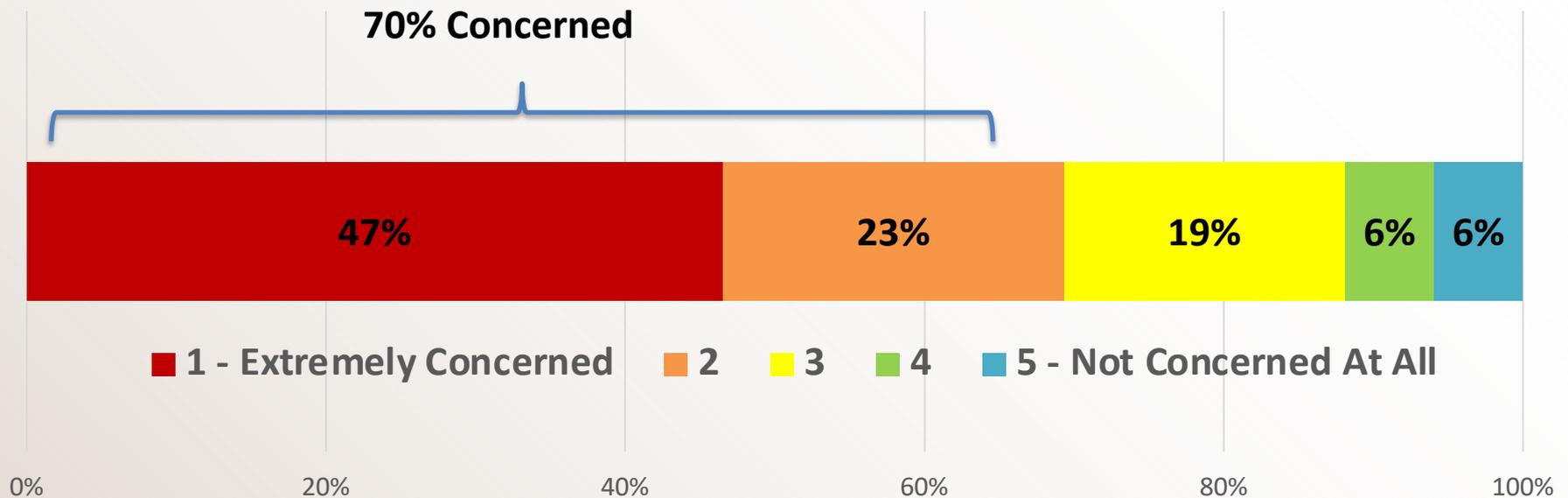


# Greatest Challenges To Doing Business

	Nov 2019	June 2021	Now	Since June
Acquiring Talent	46%	49%	45%	-4
<b>*New*</b> Supply Chain Challenges			34%	
Inflation		23%	29%	+6
Cost of Health Insurance	40%	25%	25%	No Change
Wage Inflation	19%	27%	23%	-4
Retaining Talent	25%	26%	23%	-3
COVID-19 Regulations		19%	23%	+4
Finding Customers	28%	22%	17%	-5
Other Government Regulations		19%	17%	-2
Taxes	23%	17%	17%	No Change
Retaining Customers	16%	14%	8%	-6
Access to Capital	10%	3%	5%	+2

Multiple responses were accepted. Percentages add up to more than 100%.

# Significant Concern About Inflation



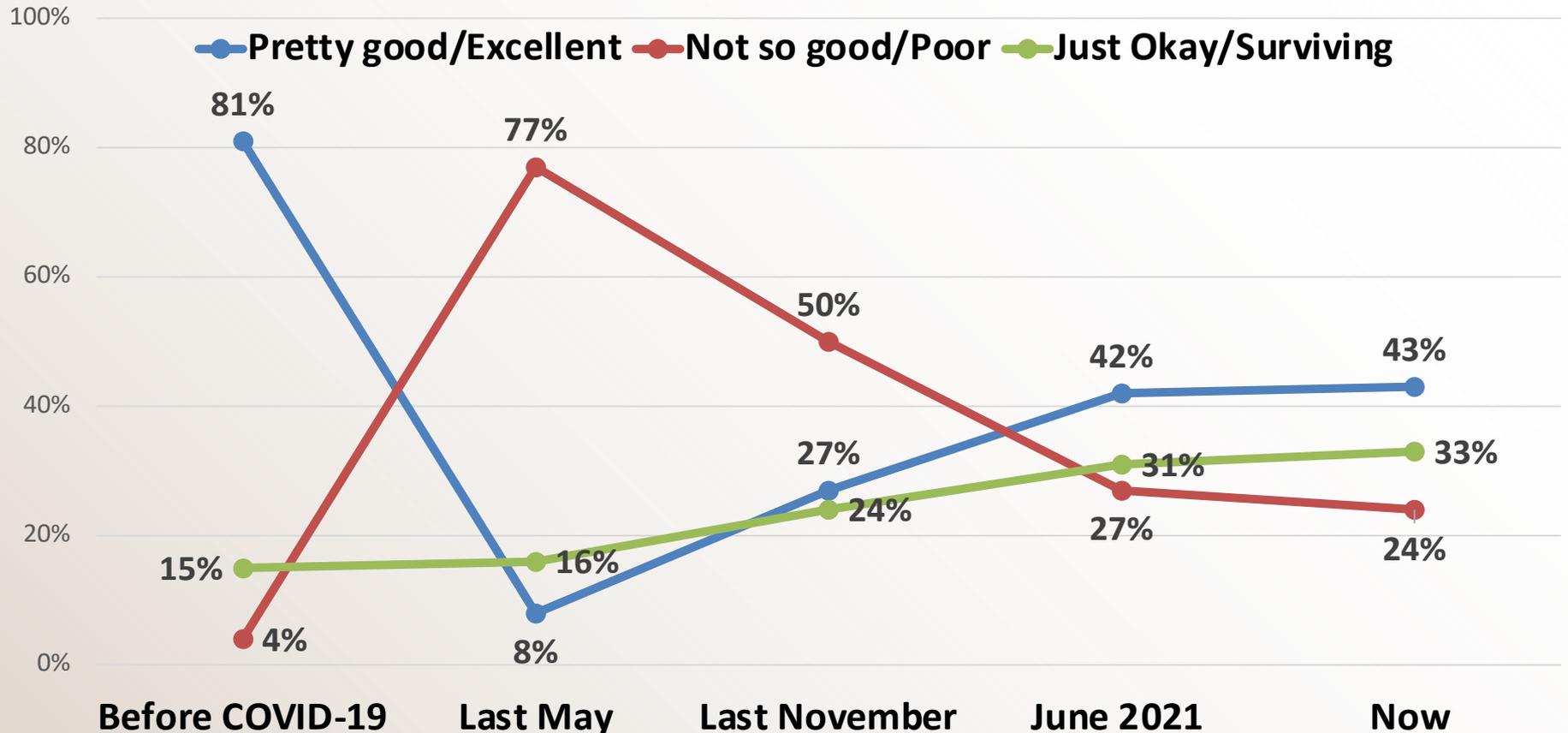
■ 1 - Extremely Concerned   ■ 2   ■ 3   ■ 4   ■ 5 - Not Concerned At All

**Mean = 2.0**

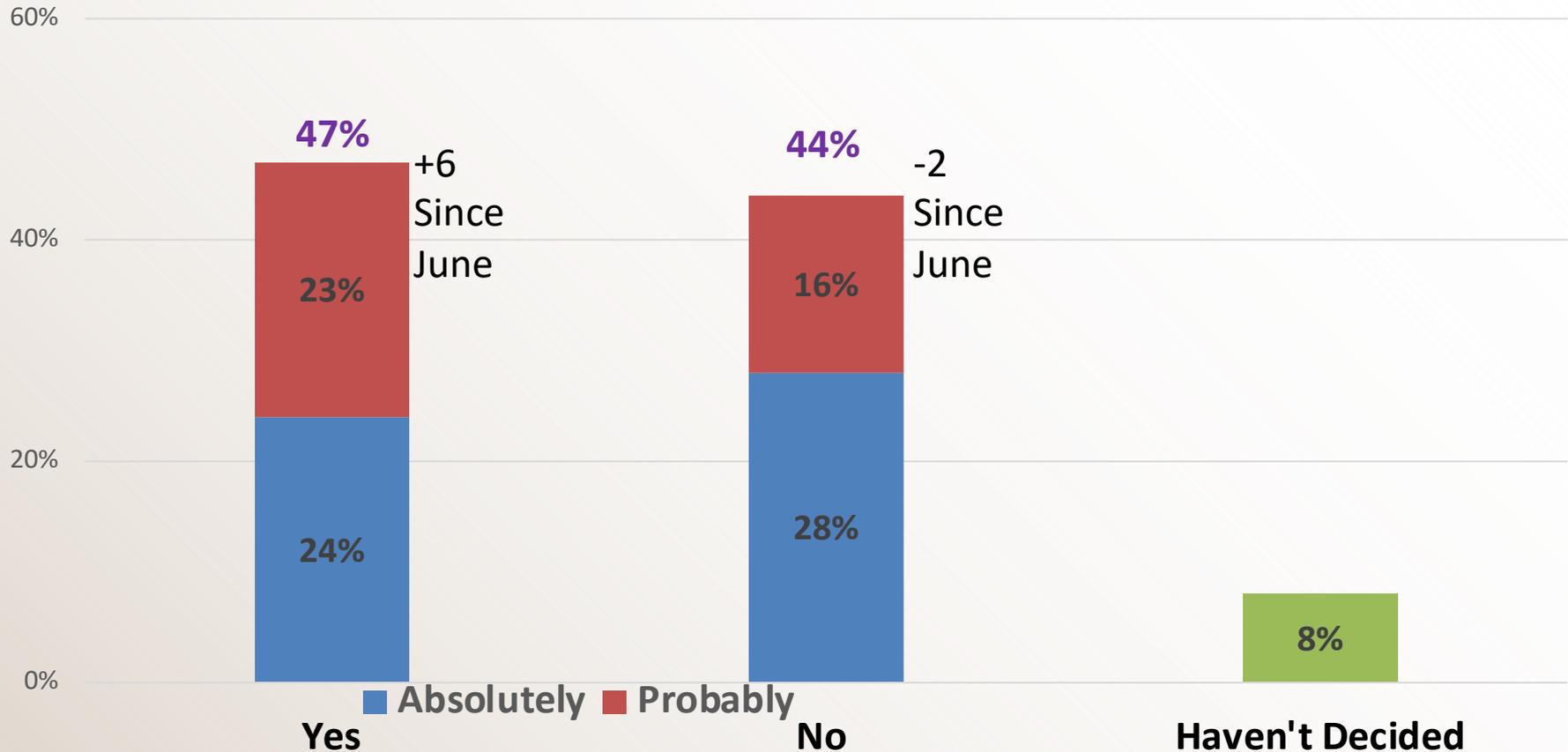
# Greatest Reasons for Optimism

	Nov 2019	June 2021	Now	Since June
Business Growth/Expansion	11%	17%	17%	+1
Demand For Products/Services	17%	15%	18%	+3
Great Customers	13%	10%	11%	+1
End of COVID-19 Pandemic		9%	7%	-2
My Staff/Team/Employees	7%	7%	6%	-1
More Opportunities	6%	8%	5%	-3
We Survived/Resilient/Longevity		7%	5%	-2
Our Ability to be Flexible/Nimble/Innovative	1%	5%	5%	No Change
Politics/Hope For Reforms	5%	4%	5%	+1
The Economy	10%	8%	3%	-5
Business Is Good	4%	7%	2%	-5

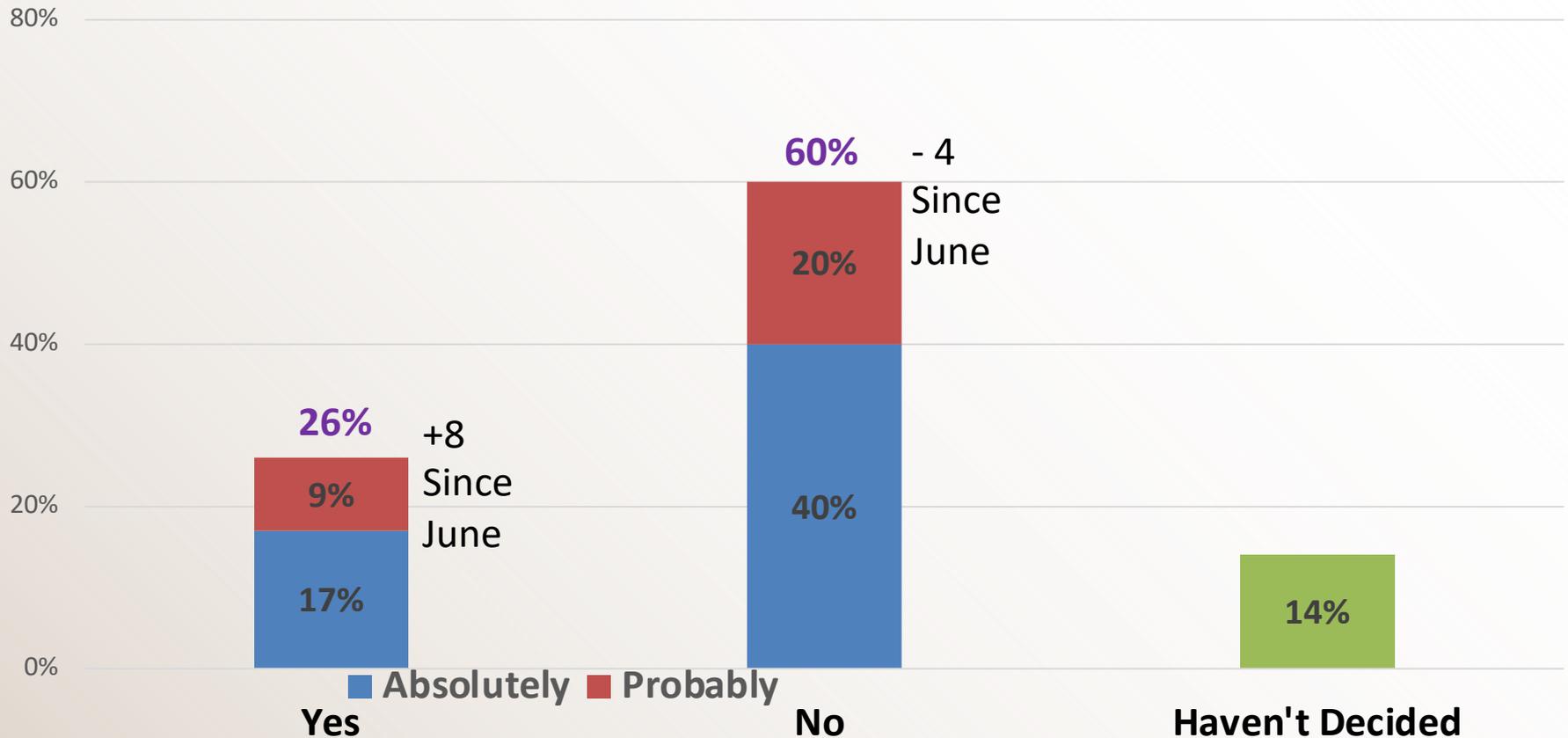
# Emerging From Covid ... How Is Your Business Doing Now?



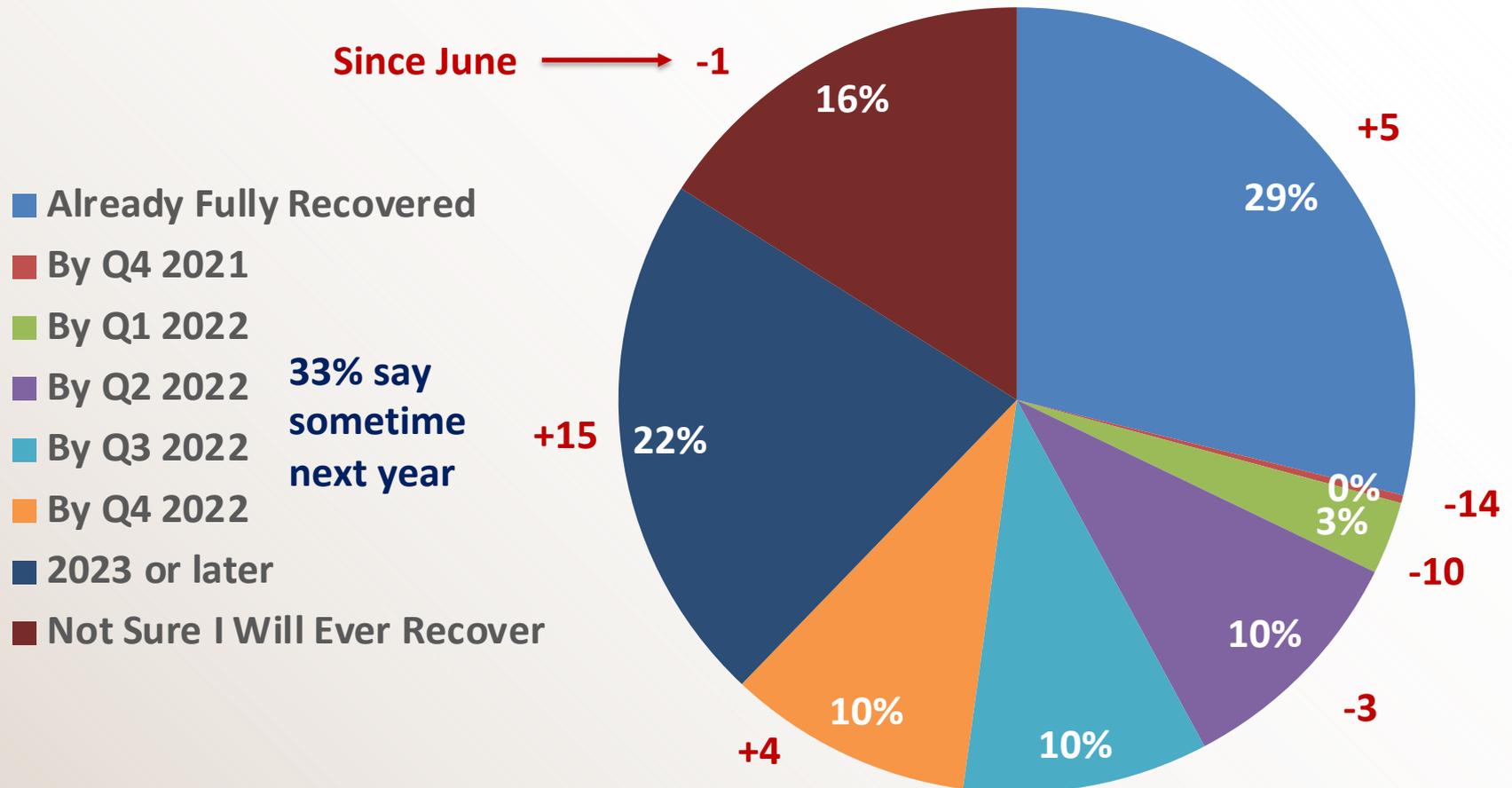
# Emerging From COVID-19 ... Will You Offer Remote Work Options?



# Emerging From COVID-19 ... Will You Require Vaccinations?



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

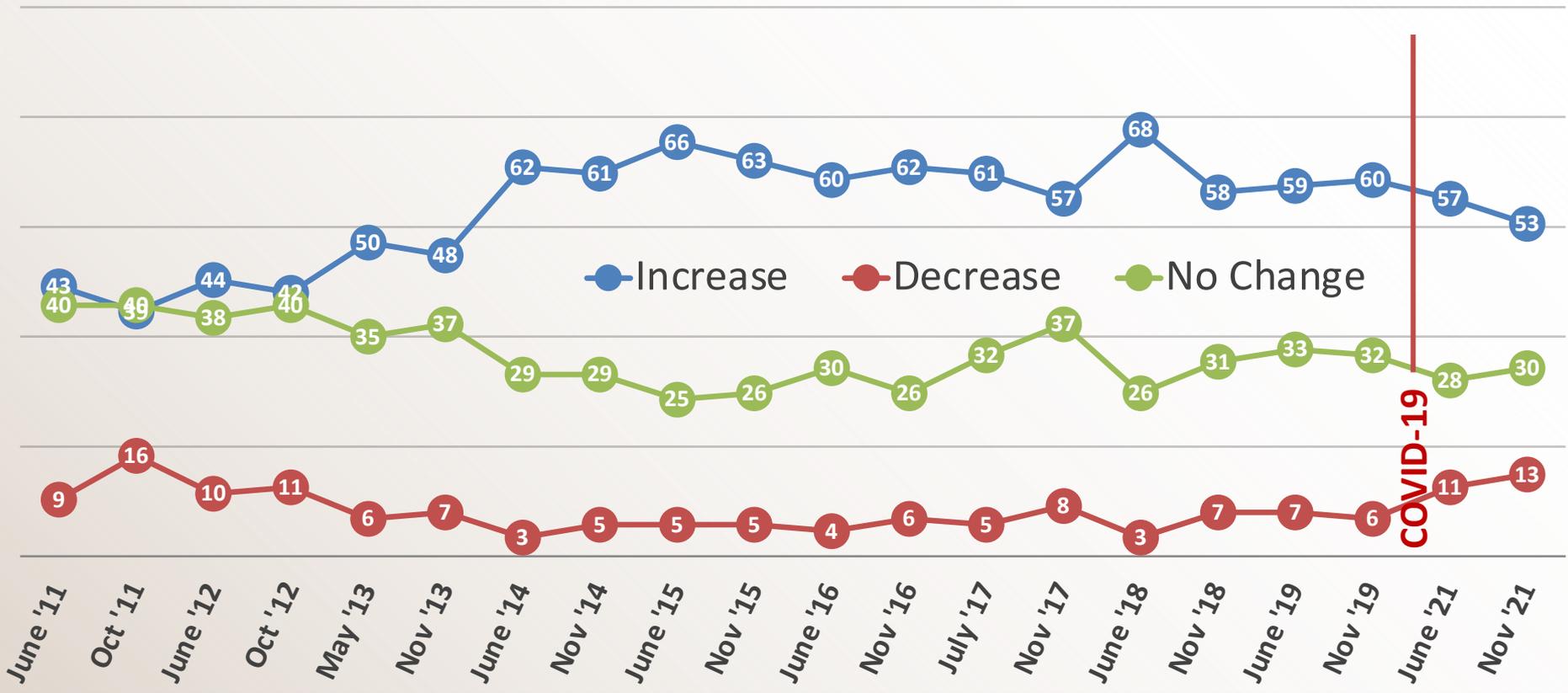


# Slump in Sales & Profit Projections

- Percentages of those projecting sales and profits decreases have both increased since June. Projections for decreased profits have now hit a new MFBI record (22%).
  - Projected sales growth at 53% — down four points from June and down seven points from November 2019
  - Twenty two percent (22%) expect profits to continue to decline in the next six months — up two points from June. A plurality (39%) believes profits will increase, but that is five points lower than June and thirteen points lower than November 2019.
- Expectations for sales growth is highest in the Insurance/ Finance/Real Estate sector (63%), while profit declines are most expected in the Retail/Food Service (32%)and Manufacturing/Distribution/Construction sectors (27%).

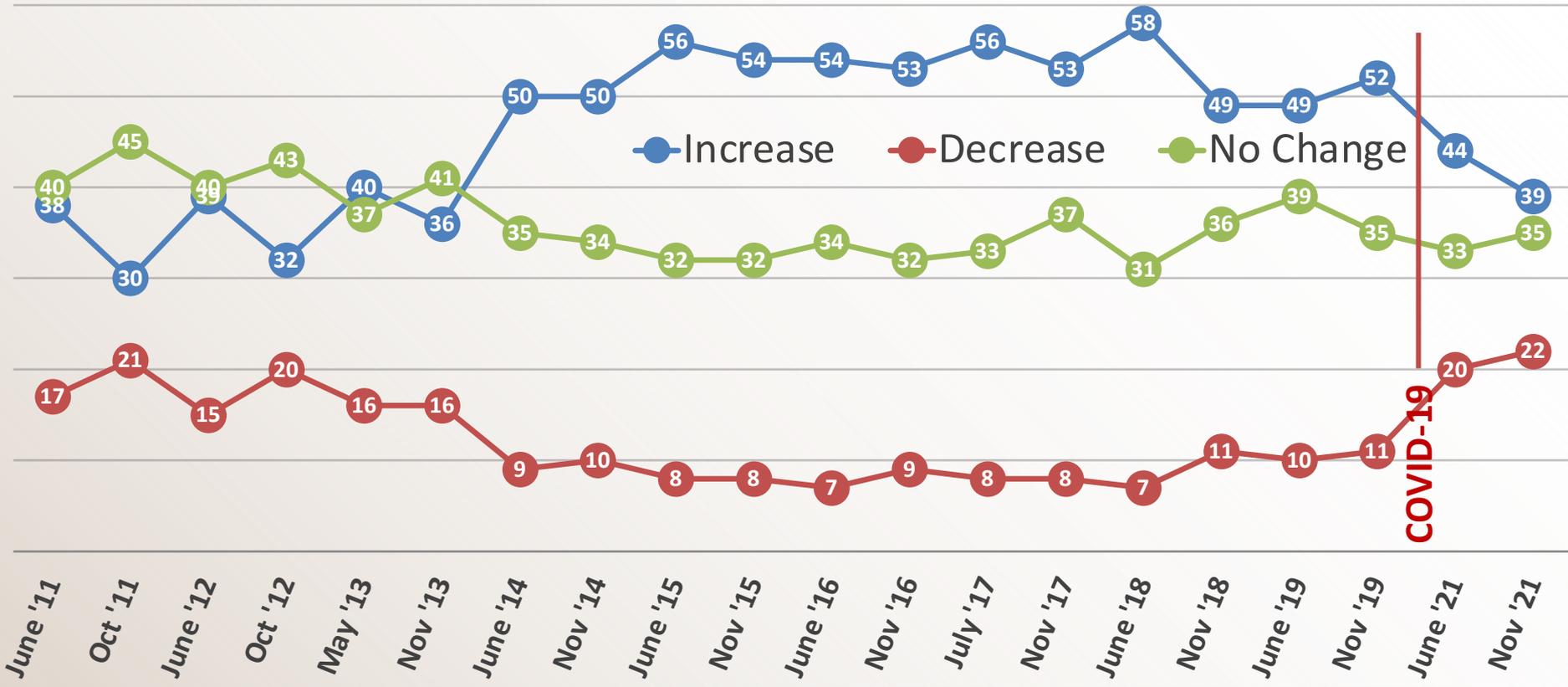
# Projected Sales Trends

Over The Next Six Months ...



# Projected Profit Trends

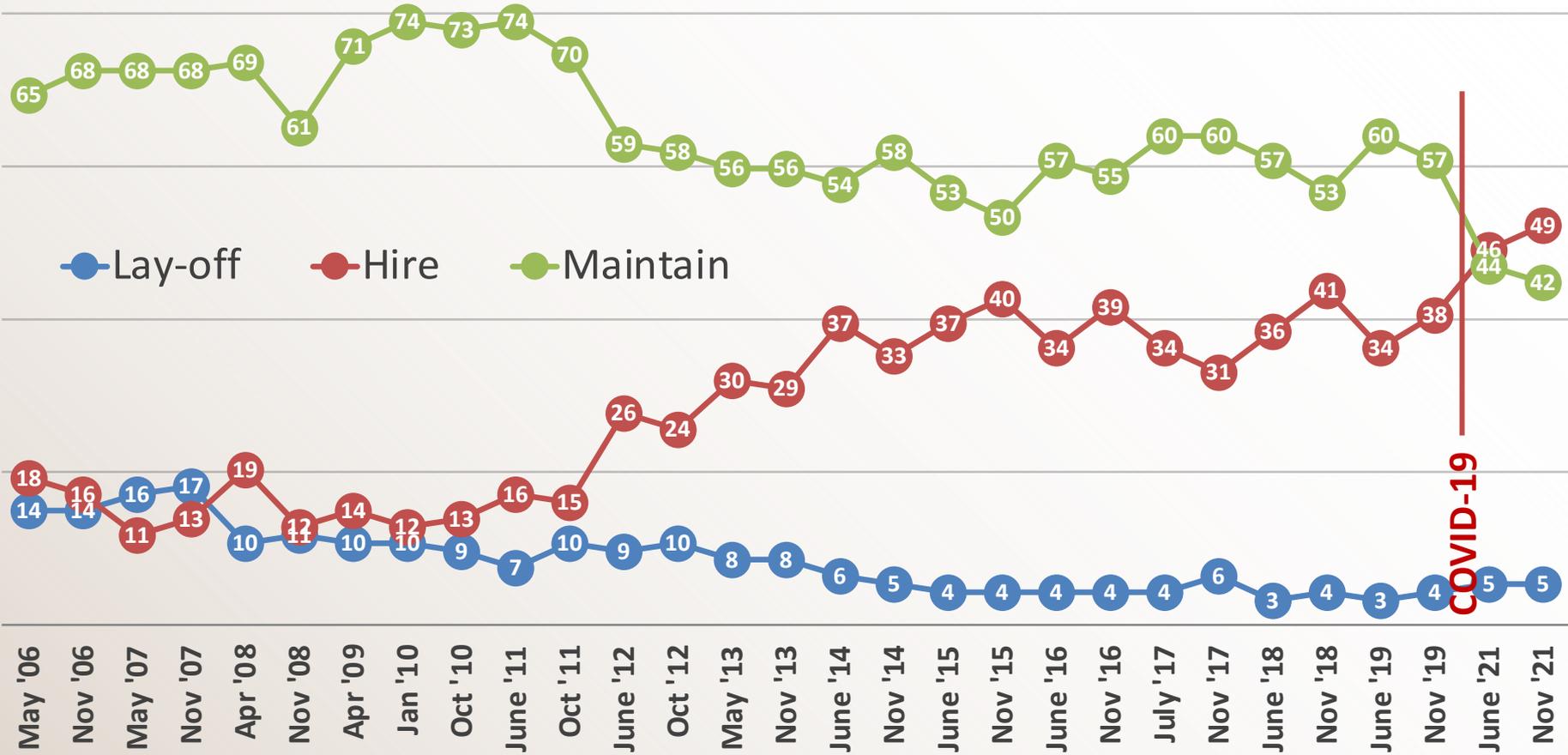
Over The Next Six Months ...



# Talent Demand Continues to Set New Records

- Besting the record set in June, nearly half of all respondents again say they will be hiring in the next six months.
  - **Forty-nine percent (49%) say they plan to hire more employees over the next six months, up three points from June of this year and up 11 points from November of 2019.**
  - **Forty-two percent (42%) will maintain staff at current levels, down two points from June.**
  - **Only 5% say they plan to lay off employees, no change since June.**
- The Retail/Food Service (57%), Manufacturing/Distribution/Construction (54%) and Non-Profit (54%) sectors are significantly most likely to be hiring.

# Projected Hiring Trends



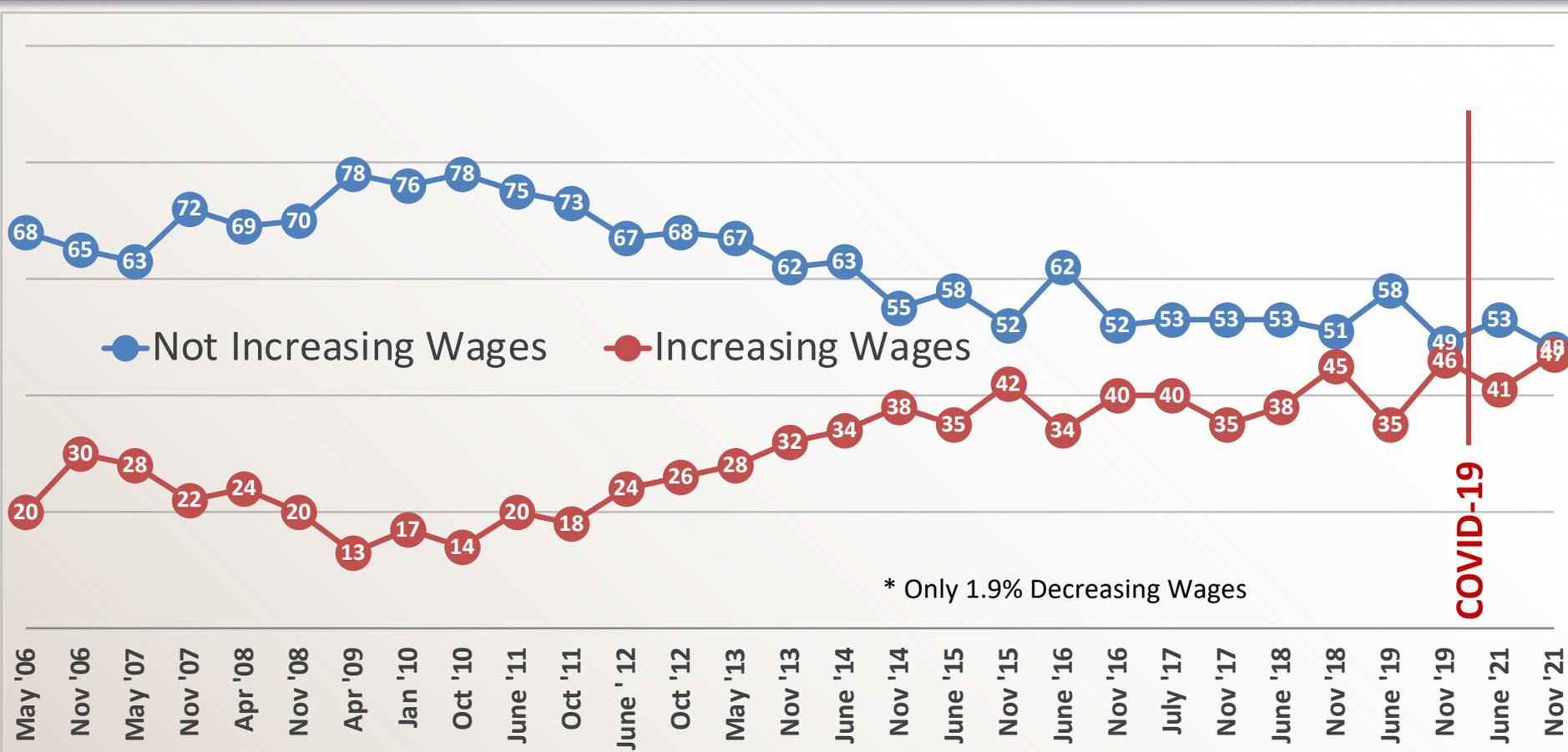
# New Record Set For Those Reporting a Lack of Job Applicants

- Setting a new **MFBI record**, nearly two-thirds (64%) rate their access to qualified talent as “only fair” or “poor.” Only 26% say is “pretty good” or “excellent.”
- Six in ten (61%) are having difficulty filling open jobs, up eight points since November 2019.
  - No change since June, 80% of those actively searching for talent are having difficulty — up eight points since November 2019.
  - 57% attribute that difficulty to a lack of any applicants – up 22 points since November 2019 and setting a new MFBI record.
  - 29% attribute it to a lack of qualified applicants — down 28% since November 2019.
    - A majority (51%) say the positions remain open. Others are training less qualified applicants, using temp agencies or doing the work themselves.

# Wage Inflation Continues to Set Records

- **Reminder:** earlier in the survey, nearly six in ten (59%) said they've raised wages in the past six months, a new MFBI record.
- Nearly half (47%) also say they will continue to raise wages in the next six months—up six points from June 2019 and another new MFBI record
- Projections for wage growth are strongest in the Retail/Food Service and Childcare/Recreation sectors

# Projected Wage Trends



# Projected Investments & Growth

## Employee Training Remains Key

- A majority (59%) plan to invest in **employee training** within the next 6 months – up three points since June and one point since November 2019.
- Half (50%) will invest in **advertising** – down seven points since November 2019.
- Just over one quarter (26%) plan to invest in **new equipment** – no change since June 2019.
- Over one-third (34%) plan to add a **new product line or service** — down one point since November 2019

# Conclusions:

- Satisfaction with the economy has stalled since June.
- While sales and profits have rebounded since June, optimism for future sales and profits has softened as business owners navigate labor shortages, supply chain challenges, wage inflation and overall inflation.
- Even as employers continue to increase wages at record levels, they are still experiencing significant challenges with attracting applicants for open positions.
- Price inflation for goods and services continues to cause increased anxiety, as seven in ten small business owners consider it a significant concern right now.

# Conclusions:

- While strong majority still believes Michigan is a great place to do business, this survey shows a slight softening of positive perceptions since June:
  - Nearly two-thirds (64%) still believe Michigan is a pretty good (47%) or excellent (17%) market for their business, but that's down 6 points since June.
  - Two-thirds (66%) rate our state taxes as mostly (60%) to very (6%) fair, down three points since June.

# Thank you!

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

<http://www.michiganbusinessnetwork.com>

109 E. Oakland Ave.

P.O. Box 15279

Lansing, MI 48906

(517) 755-9649

ROI  INSIGHT

