

Michigan Future Business Index

Q2 2026

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Michigan Future Business Index

Methodology

- Statewide survey of 450 small to medium-sized businesses; 400 completed the survey
 - **Mixed-mode survey, conducted online and by phone**
- Commissioned by Cinnaire & Michigan Business Network
- Conducted by ROI Insight
 - **Data Collection: May 19, 2026 – July 13, 2026**

Key Takeaways

- Michigan's small businesses have seen growth in sales over the past six months, and they are planning for more, despite the challenges they face from inflation, uncertainty, tariffs, rising healthcare costs, and the added costs associated with the war in Iran.
- While sales have improved sharply in this MFBI, profits have not because of the added costs of doing business.
- Inflation again climbs to second place on the list of challenges for small business, after dropping to fifth place on the last MFBI. Also climbing the list is "uncertainty," from sixth place in December to fourth place now.
- Optimism is starting to rebuild, with projections for future sales climbing back into majority territory. However, there is little optimism for a reduction of inflation (healthcare, supplies, gas/energy, etc.). Subsequently, there are expectations for only minimal profit increases.
- Projections for hiring and wage increases retract.

Key Takeaways

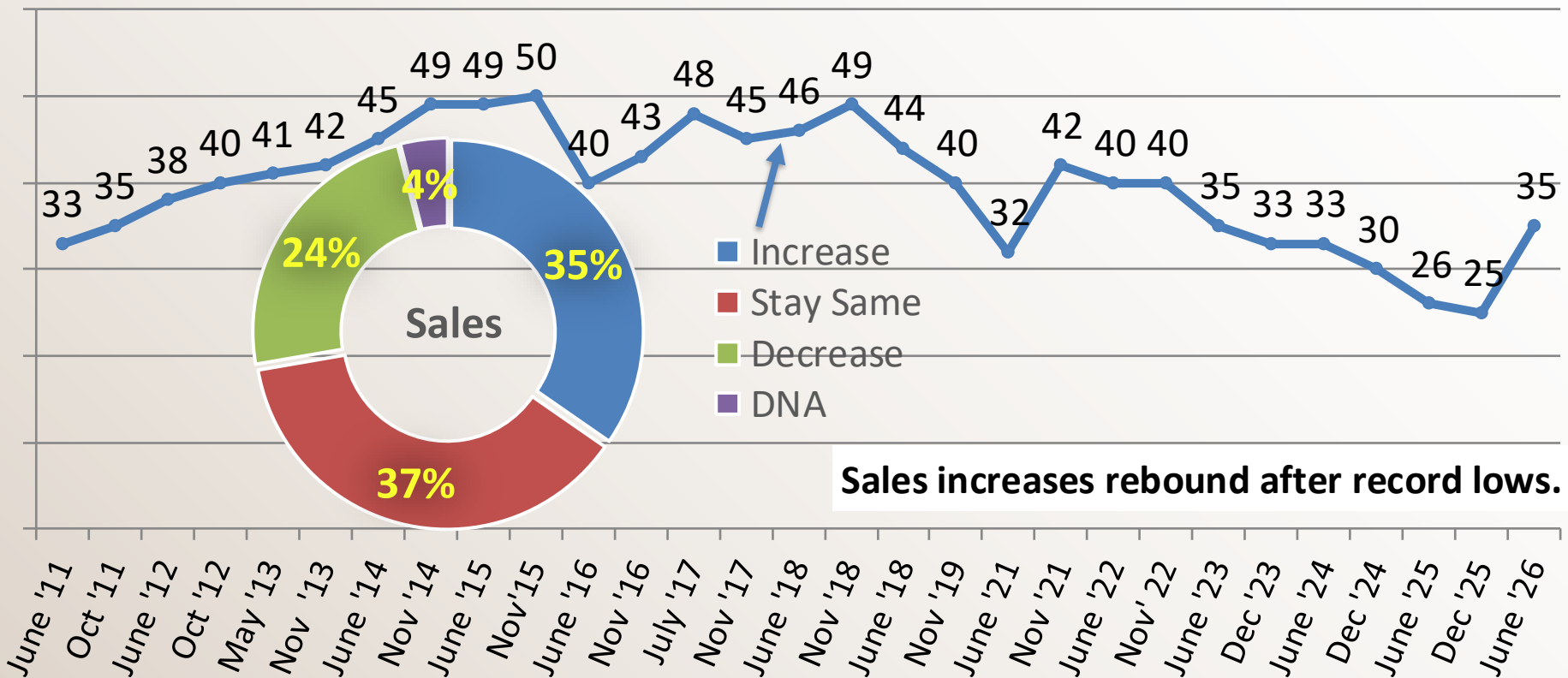
- Healthcare costs continue to be a drag on potential growth. Nearly two-thirds of small businesses expect their healthcare costs to increase in the next six months. More than a quarter say costs will increase significantly. Four in ten say they will absorb those increased costs.
- Additional costs creating havoc are those associated with international tariffs and the war in Iran. Both are eating into profits and adding a drag on growth.
- A now plurality believes the policies coming out this federal government are not beneficial to their business. This is a significant deterioration of support for the policies expected from Washington DC after the 2024 elections.

The Past Six Months

- Most indicators from the past six months are mixed after reaching record lows in the last MFBI. Only sales show a significant bounce.
 - **Sales increases up sharply**
 - Now thirty-five percent (35%) say sales have increased in the last six months. That is up nine points from one year ago.
 - **Profits increases do not keep pace with sales**
 - Nineteen percent of respondents (19%) report profit increases, which is three points higher than one year ago.
 - **Wage increases going back up slightly**
 - Forty-seven percent (47%) say their employee wages have increased in last six month. That's one points higher than this time last year.
 - **Hiring increases**
 - More than two in ten (21%) say they have hired new employees, up four points from one year ago.
 - **Investments hold at record low**
 - Fewer than twenty percent (17%) increased capital investments. That is unchanged from the record low set six months ago and down three points from one year ago.

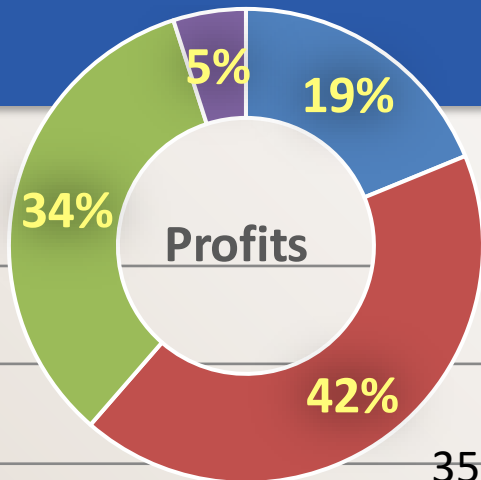
Trending The Indicators: Sales

Past Six Months



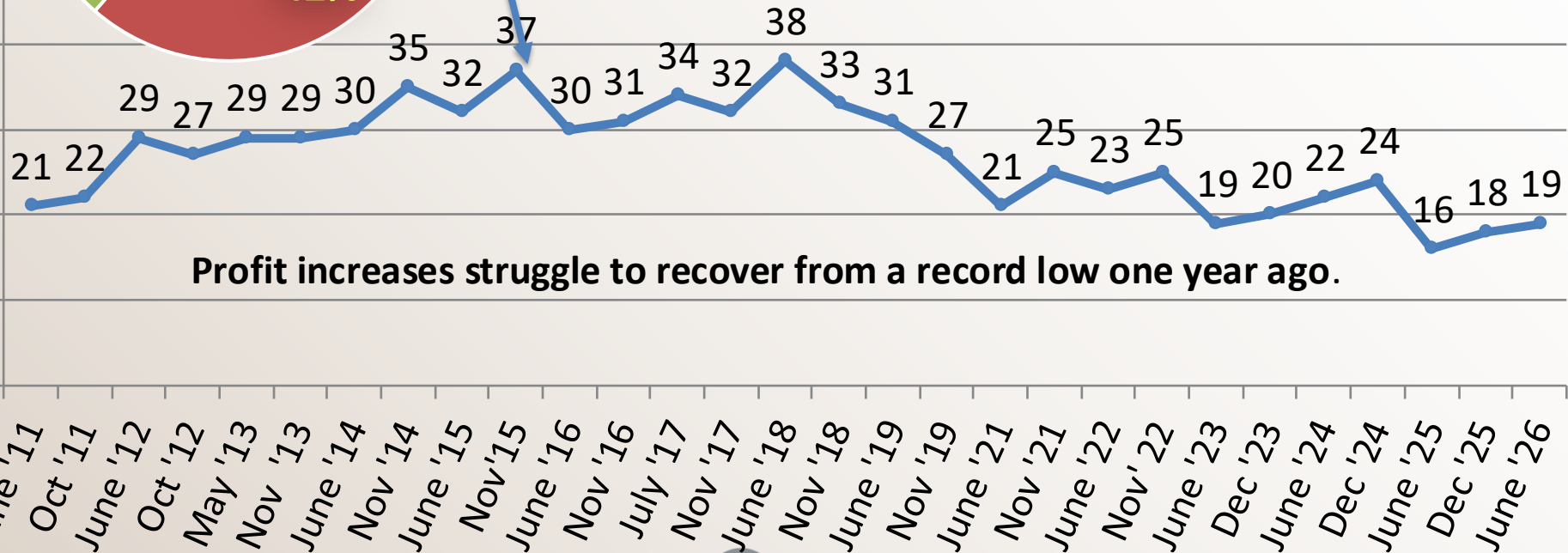
Trending The Indicators:

Profits



Past Six Months

■ Increase
 ■ Stay Same
 ■ Decrease
 ■ DNA

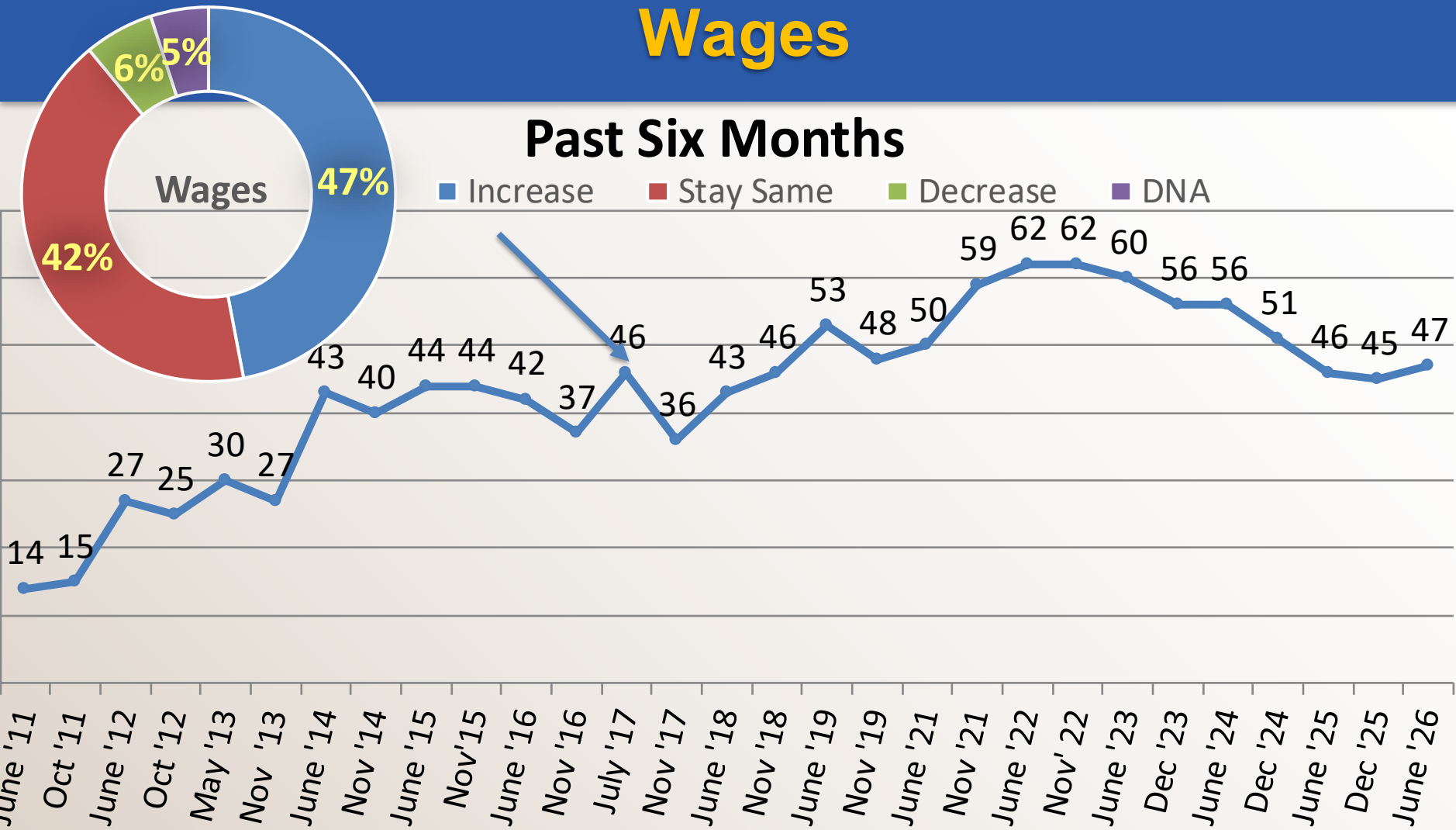


Profit increases struggle to recover from a record low one year ago.

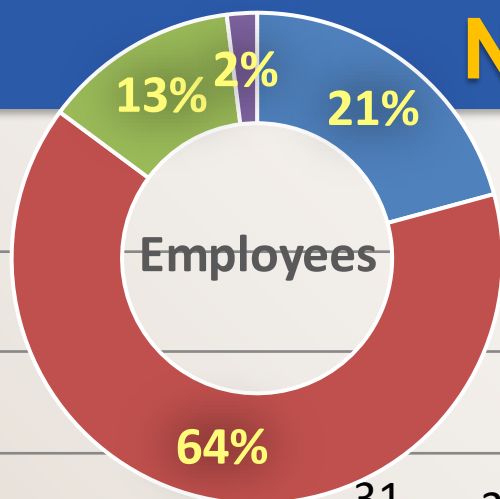
Trending The Indicators:

Wages

Past Six Months

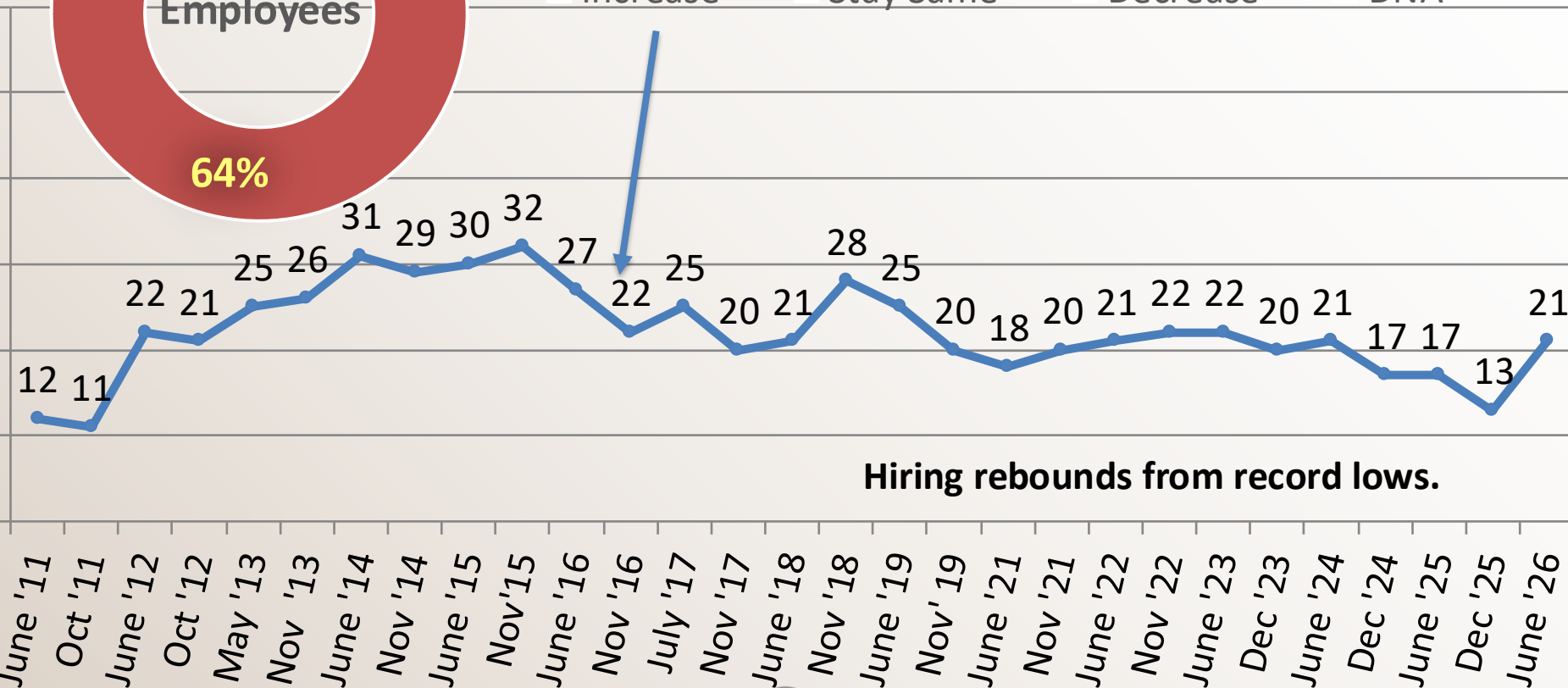


Trending The Indicators: Number of Employees



Past Six Months

■ Increase
 ■ Stay Same
 ■ Decrease
 ■ DNA



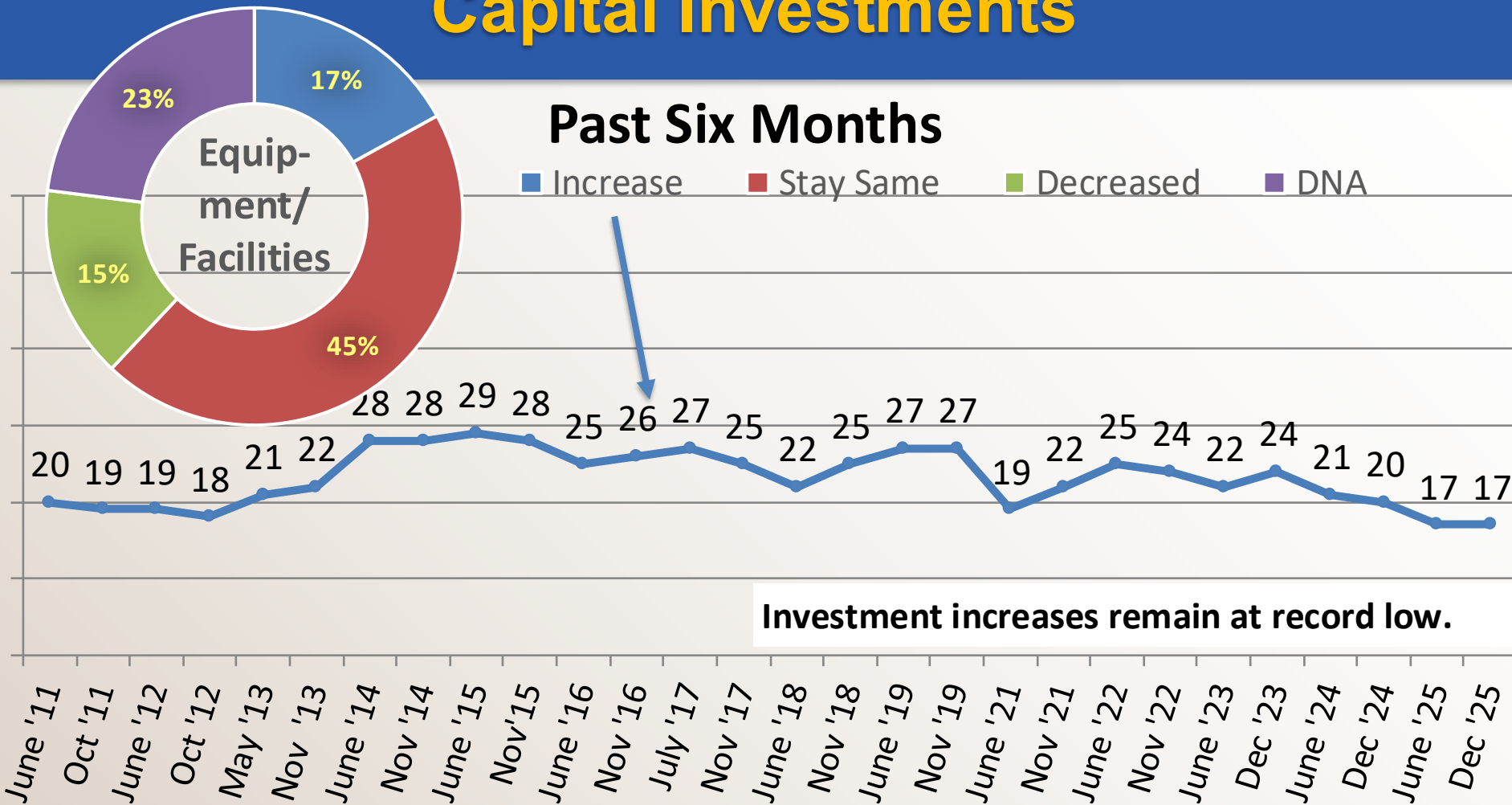
Hiring rebounds from record lows.

Trending The Indicators:

Capital Investments

Past Six Months

■ Increase
 ■ Stay Same
 ■ Decreased
 ■ DNA



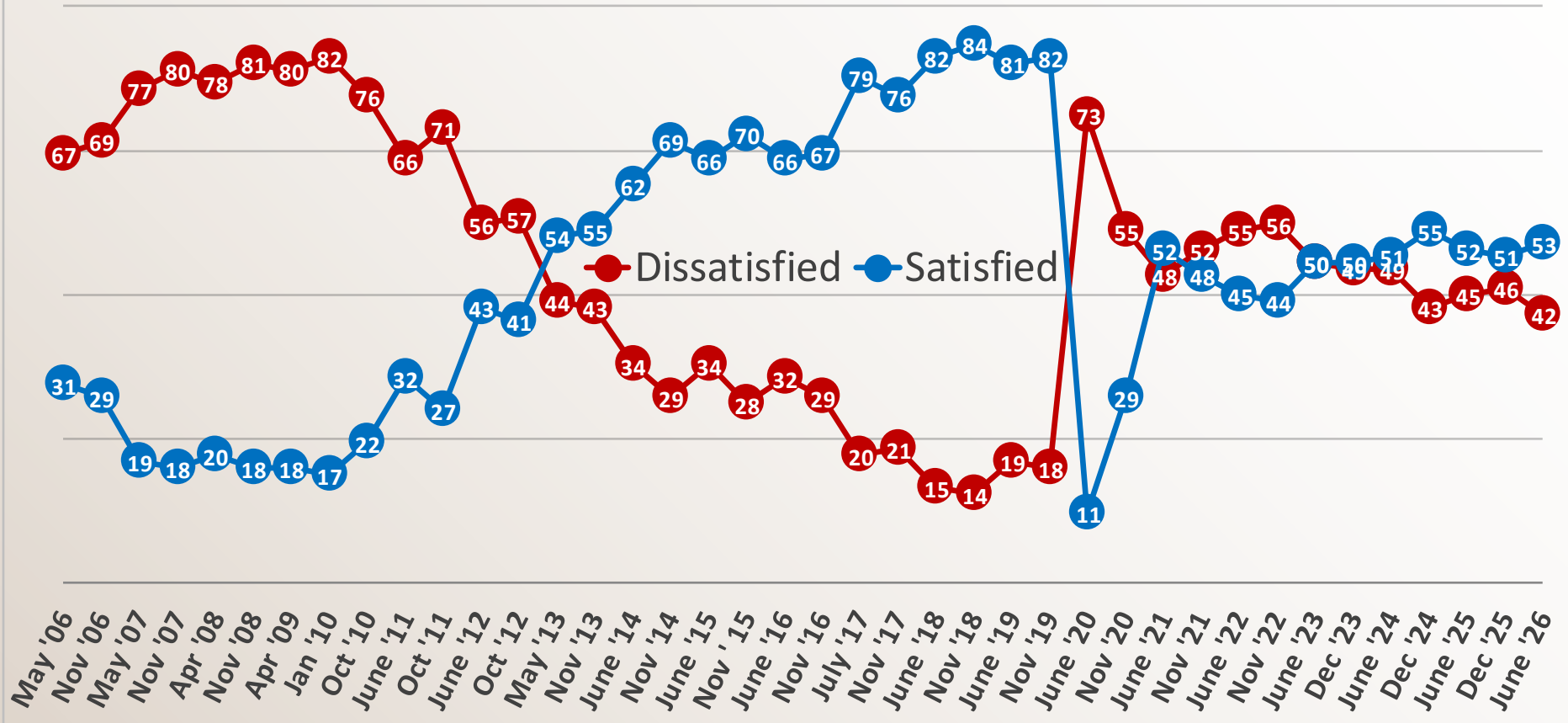
Investment increases remain at record low.

Satisfaction with Economy

- Satisfaction with the business economy rebounds a bit, with a slight majority (53%) saying they are satisfied with the economy. The margin between satisfied and dissatisfied widens to 11 points, up from seven points one year ago.
 - **53% say they are satisfied with the economy; 42% somewhat and 11% very satisfied**
 - **Up one from 52% one year ago**
 - **The percentage of those saying they are dissatisfied with the economy dropped to 42%; 28% somewhat and 14% very dissatisfied**
 - **Down three from 45% one year ago**
 - Business/Professional Services sectors (64%) are most satisfied with the economy, while Retail/Food Service sectors are most dissatisfied (50%).

Satisfaction with Economy Trends

As it Affects Your Business



Greatest Challenges To Doing Business

“Talent” still #1, while “Inflation” and “Uncertainty” continue to climb

Since Q2 2025

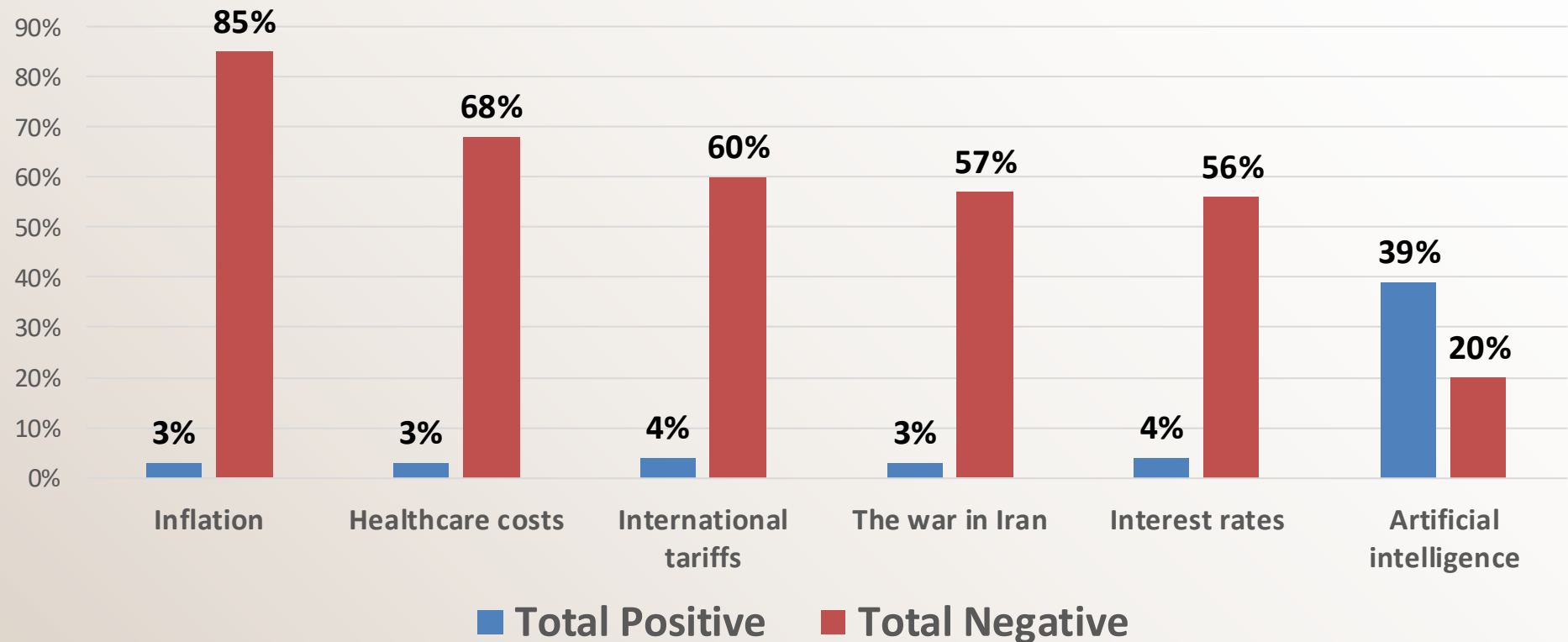
Acquiring/Retaining Talent	16%	+2
Inflation	13%	+3
Finding/Retaining Customers	11%	-1
Uncertainty	11%	+2
Cost of Health Insurance	8%	-2
Economy Weakening	7%	-3
Government Regulations	6%	No Change
Interest Rates/Access to Capital	4%	No Change
International Trade/Tariffs	3%	-2
Taxes	3%	-2
Wage Inflation	3%	No Change

Issues Impacting Small Business: A Deep Dive

- Most of the major issues in the news are making a significantly negative impact on Michigan's small businesses.
 - Nearly nine in ten (85%) say inflation is harming their business. More than two-thirds (68%) cite healthcare costs, six in ten (60%) cite tariffs, and a majority (56%) blame interest rates for harming their business. All these issues have gotten worse for small business over the past year, according to respondents. New to this MFBI, nearly six in ten (57%) say the war in Iran is having a negative impact on their business.
 - Positive impacts of Artificial Intelligence are growing. Nearly four in ten (39%) of respondents report A.I. as having a positive impact on their small business, which is six points higher than one year ago.

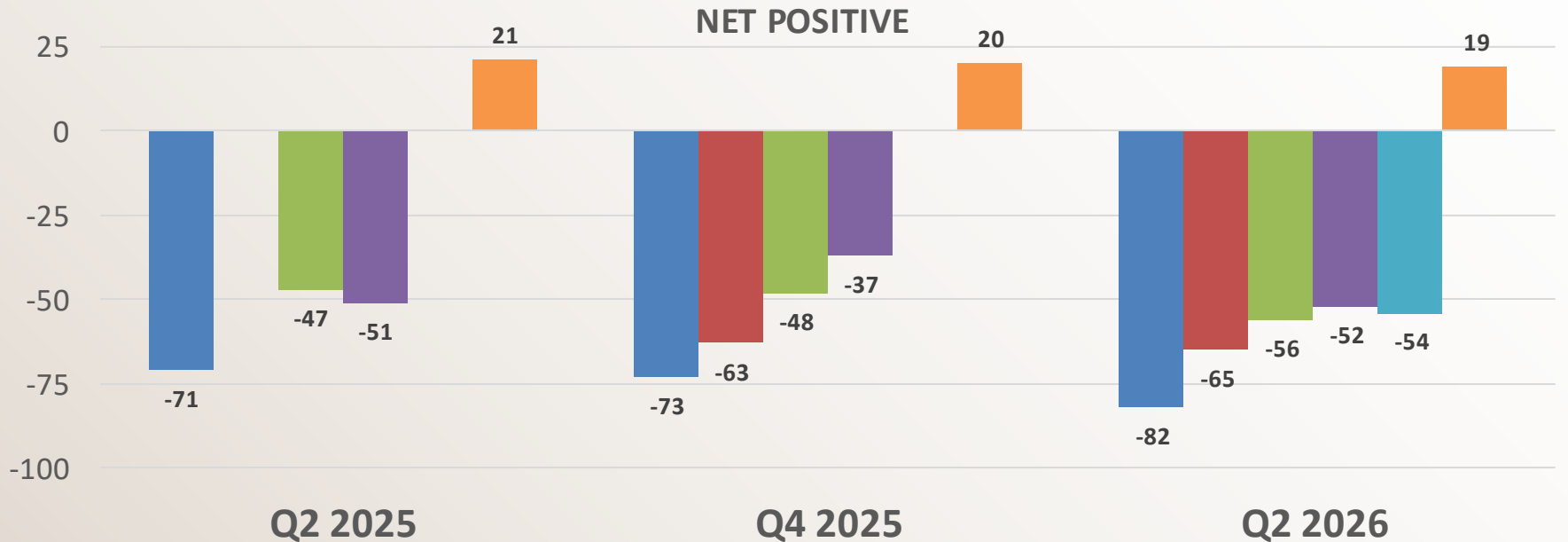
Issues Impacting Small Business:

How are the following issues currently impacting your business:



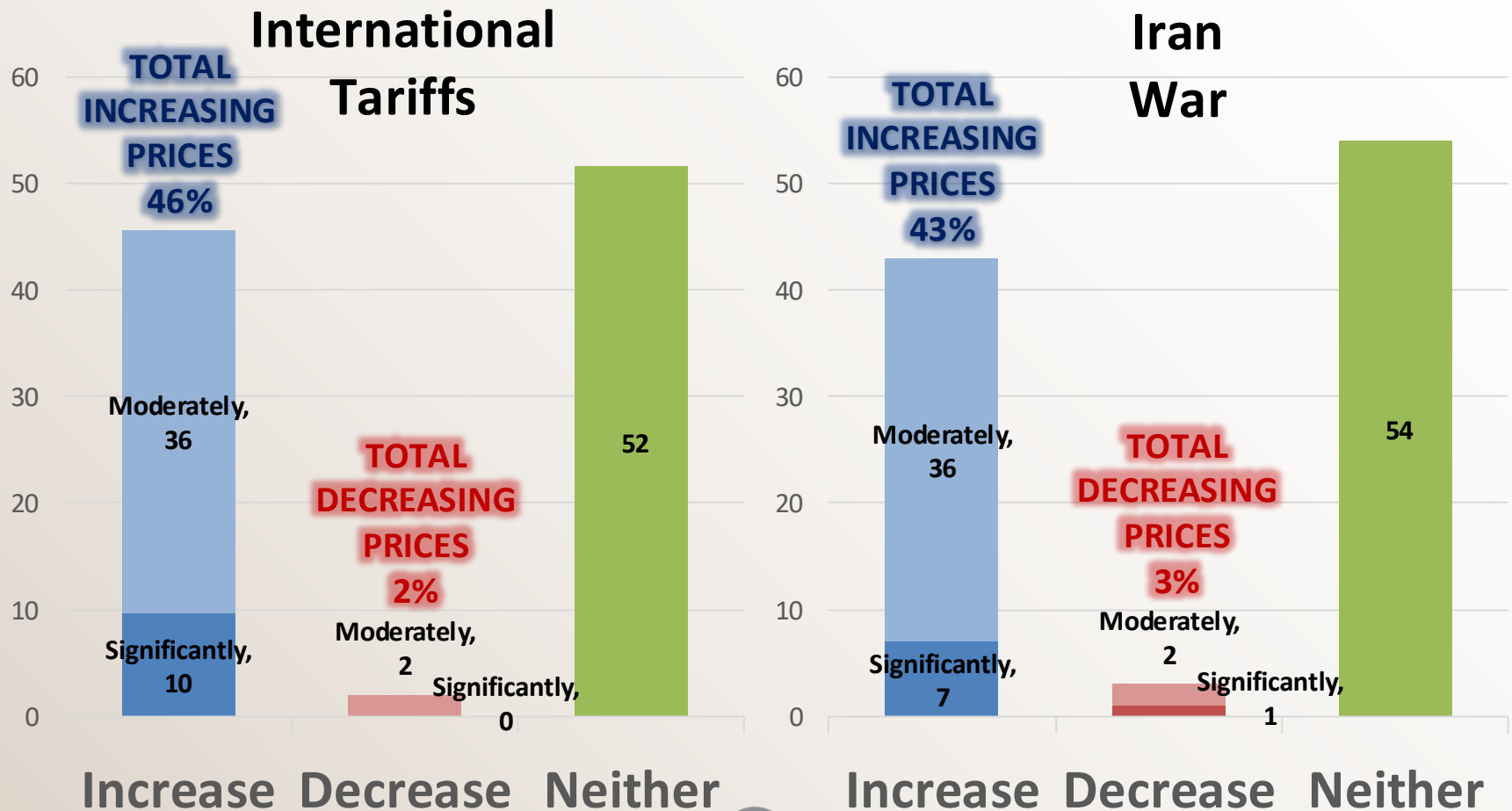
Issues Impacting Small Business: Net Trends

How are the following issues currently impacting your business:



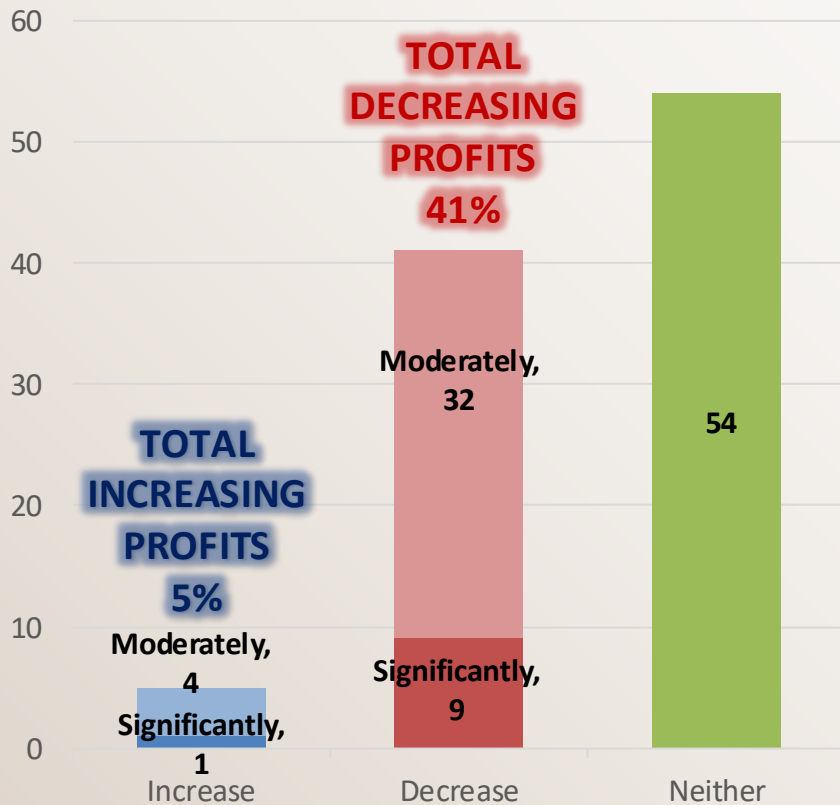
■ Inflation ■ Healthcare ■ Tariffs ■ Interest Rates ■ The war in Iran ■ A.I./Automation

Tariffs and Iran War: Their Impact on Prices to Customers

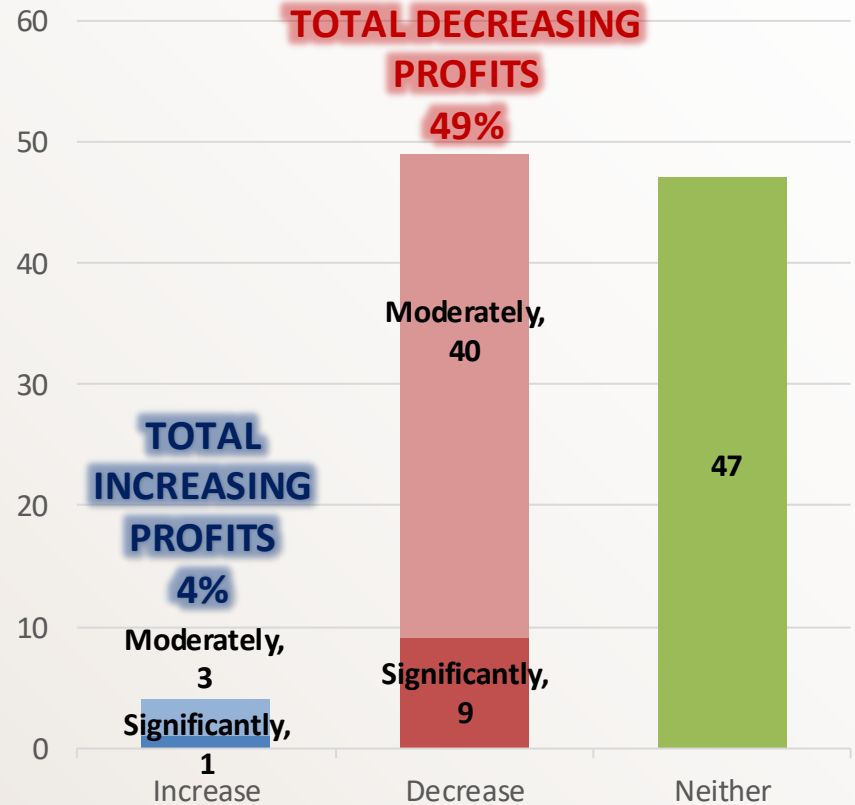


Tariffs and Iran War: Their Impact on Profit Margins

International Tariffs



Iran War

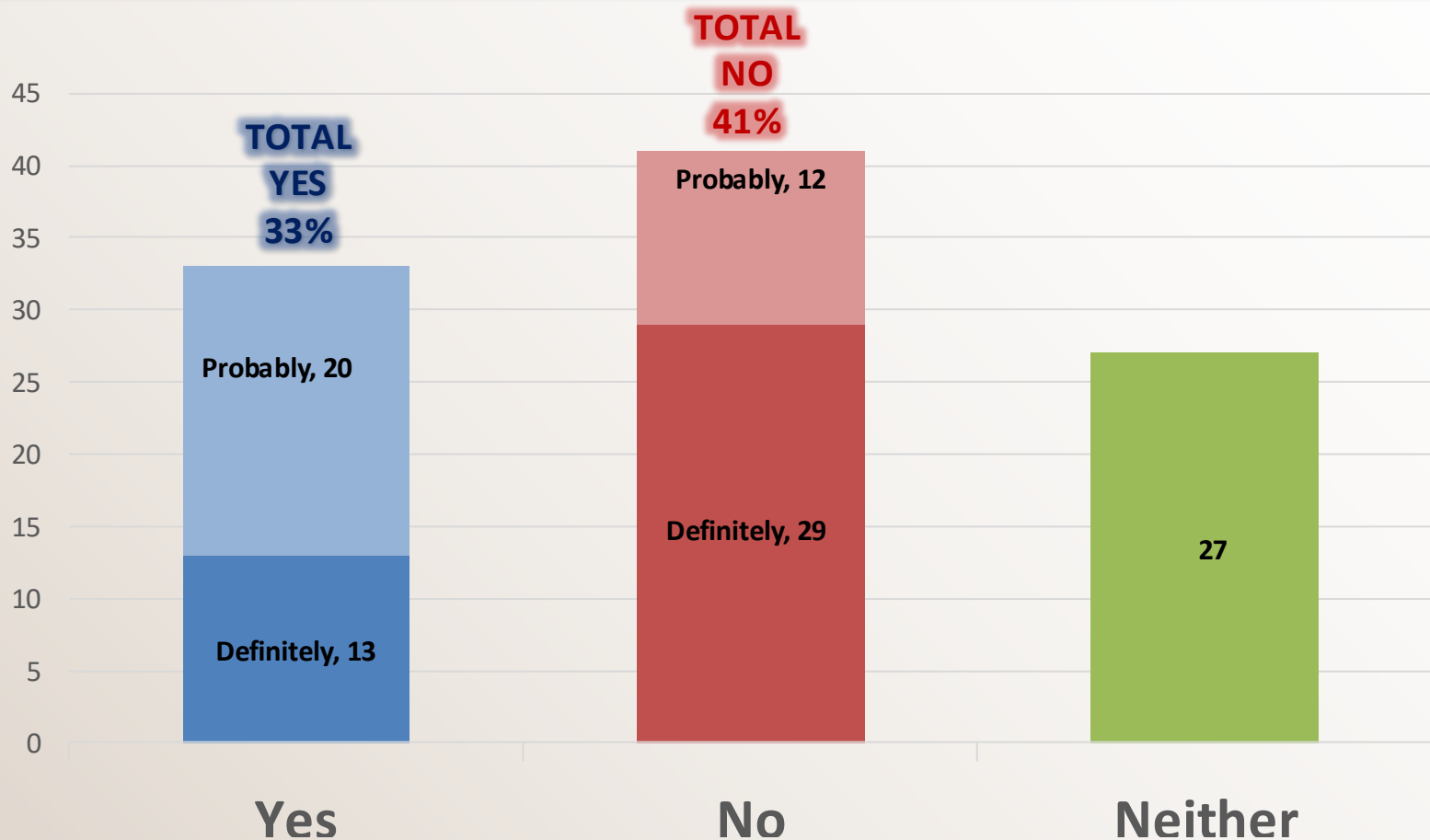


The Impact of the Current Federal Administration on Small Business

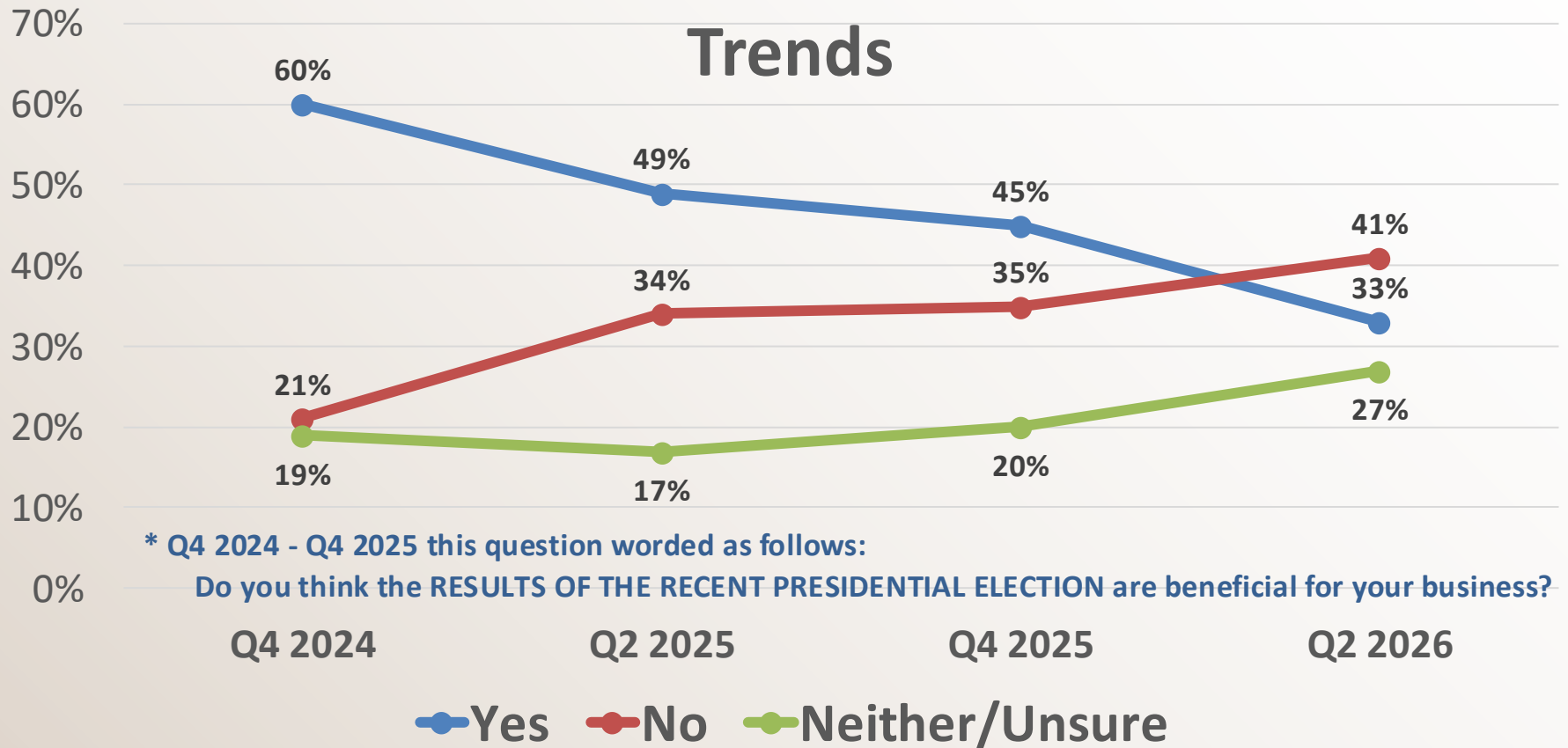
- For the first time since the 2024 election, a plurality (41%) of respondents now say the policies of the current federal administration do not benefit their business. That is up from thirty-four percent (34%) one year ago.
 - Only one third (33%) say federal policies are beneficial to their business, which is down from forty-nine percent (49%) one year ago and sixty percent (60%) immediately after the 2024 election.

* Important note: responses were decidedly more negative prior to the negotiated cease fire between the US and Iran at the end of June.

Do you think the policies of the current federal administration are beneficial to your business?



Do you think the policies of the current federal administration are beneficial to your business?



Greatest Reasons for Optimism

Demand, Growth, and Resilience

Since Q4 2025

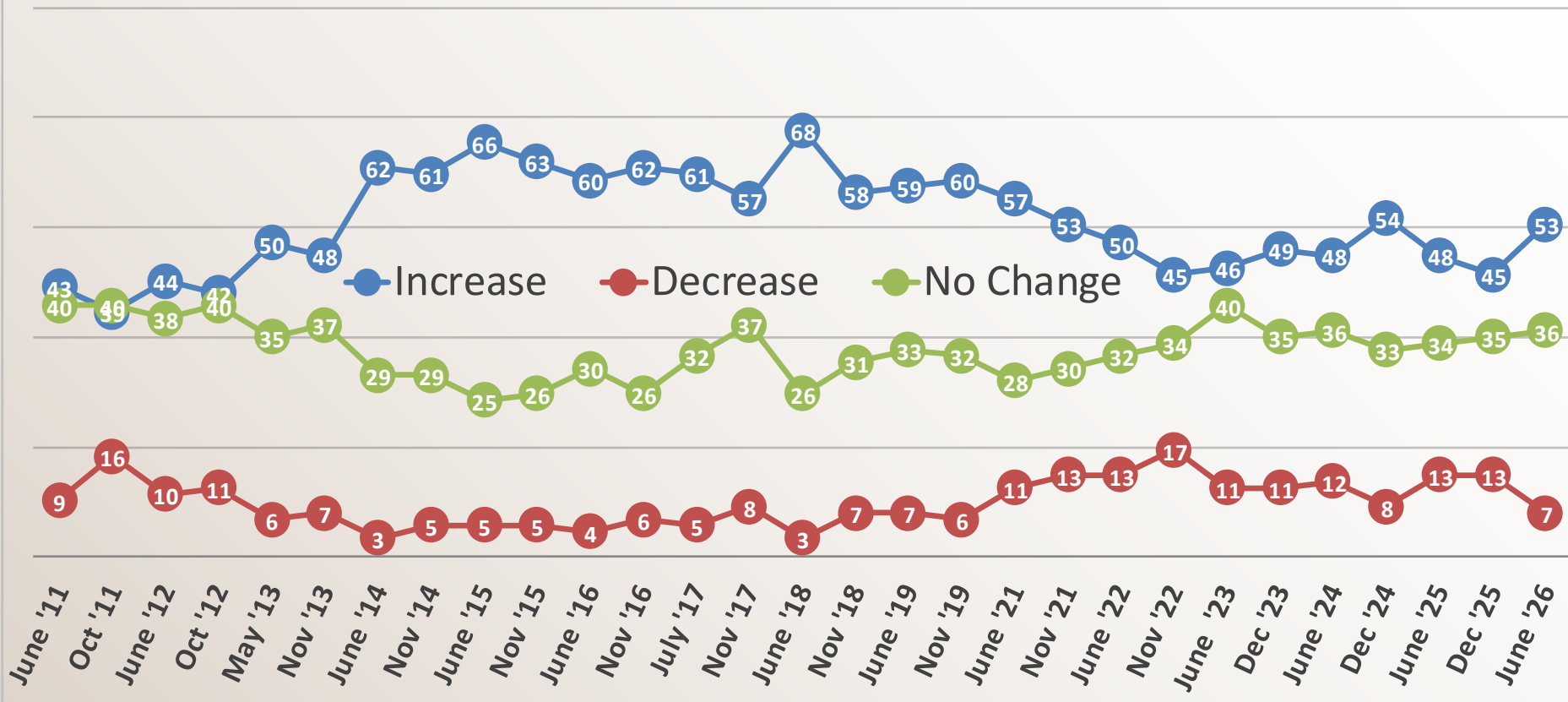
Demand For Our Quality Products/Services	19%	+1
Business Growth/Expansion	15%	+2
Longevity/Resilience/Nimble/Still Going	14%	-1
Our Great Staff/Team/Employees	12%	-2
Great/Loyal Customers	12%	+5
Elections/Politics/Hope For Political Change	10%	+2
More/New Opportunities	8%	-1
The Economy	6%	-5
Retiring/Selling or Closing Business	1%	-2

Sales & Profit Increase Projections Rebound Slightly

- Projections for increased sales and profits have improved slightly, while expectations for decreases are down from one year ago.
 - Those projecting sales growth are up to 53%, up five points from one year ago. Expectations for sales decreases are at 7%, six points lower than one year ago.
 - Those projecting profit growth are up to 41%, up three points from one year ago. Fourteen percent (14%) expect profits to decline in the next six months, down six points from one year ago.
- Expectations for sales growth are highest in the Retail/Food Service sectors (64%) and lowest in the Health Care/Non-Profit sectors (42%).
- Profit increases are most expected in the Retail/Food Service sectors (48%) and least expected in the Health Care/Non-Profit sectors (33%).

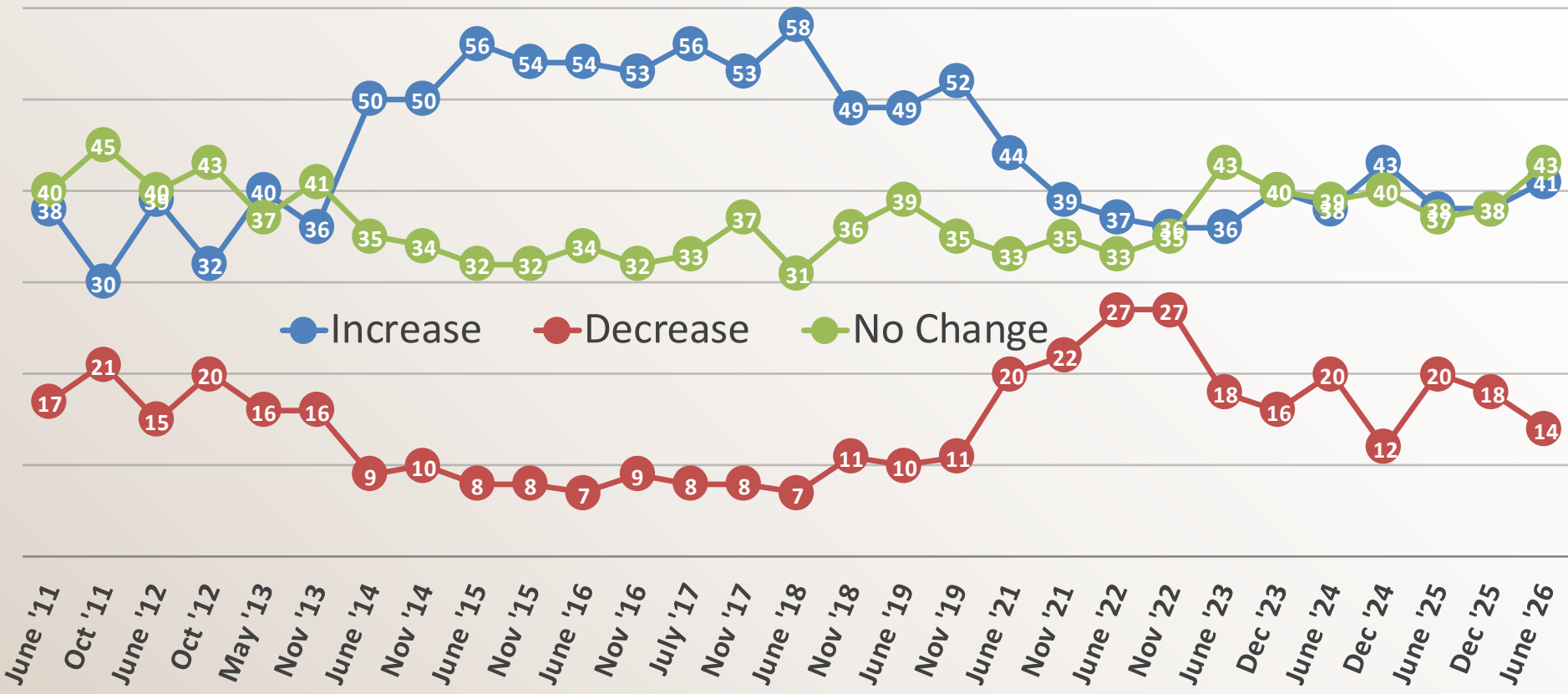
Projected Sales Trends

Over The Next Six Months ...



Projected Profit Trends

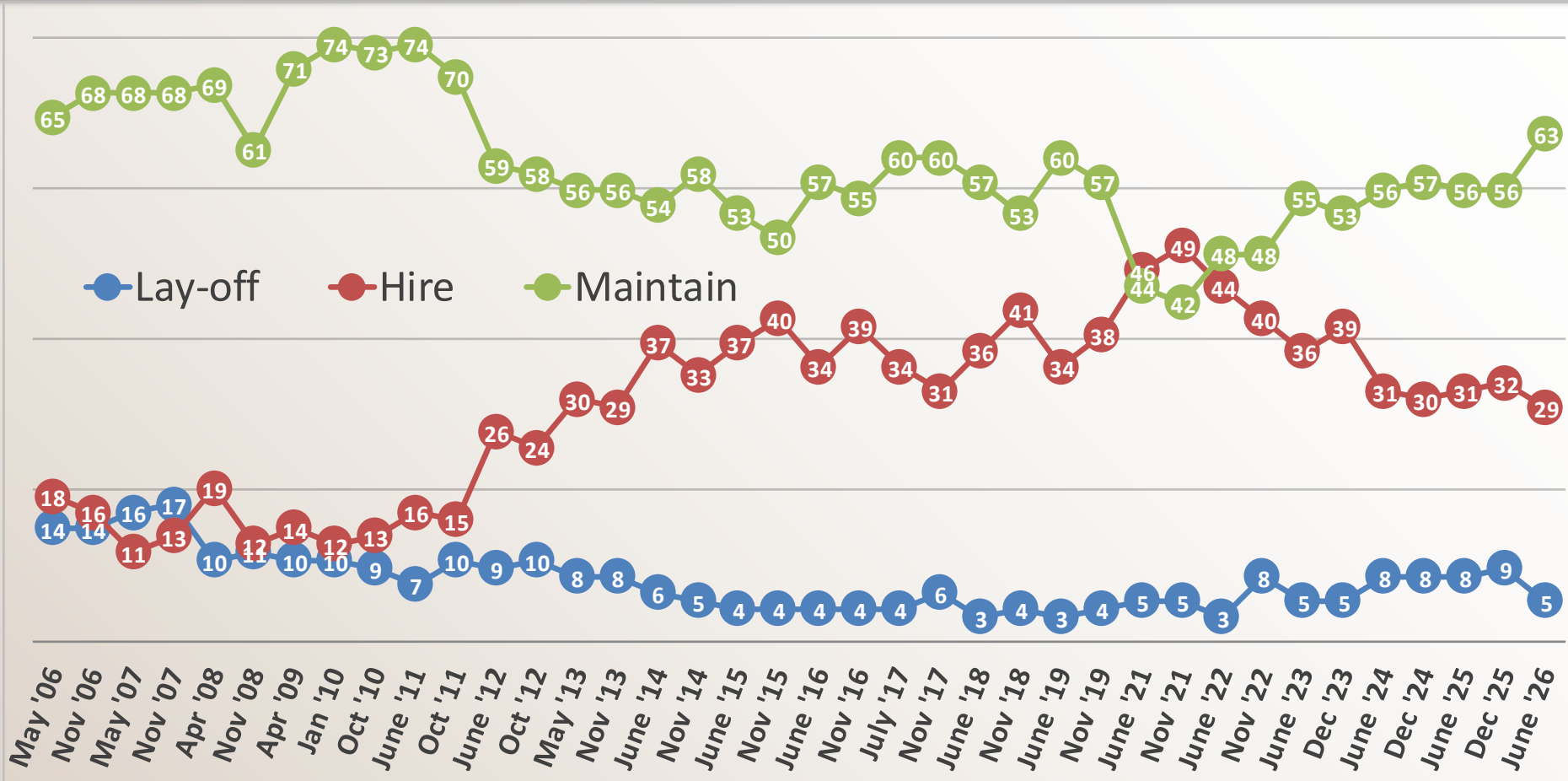
Over The Next Six Months ...



Hiring Projections

- A strong majority says they will maintain current staffing levels.
 - **Twenty-nine percent (29%) say they plan to hire more employees over the next six months, down two points from one year ago.**
 - **Nearly two-thirds (63%) will maintain staff at current levels, up seven points from one year ago.**
 - **Five percent (5%) say they plan to lay off employees, down three points from one year ago.**
- The Manufacturing/Construction sectors (36%) are most likely to hire, while the Healthcare/Non-Profit sectors (11%) are most likely to lay off employees in the next six months.

Projected Hiring Trends



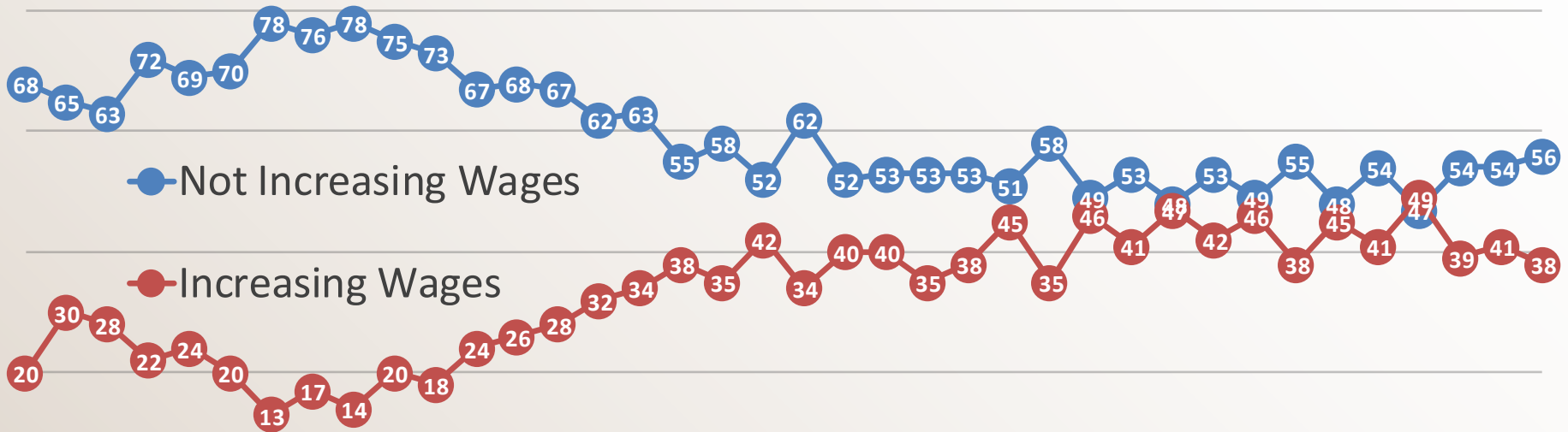
Talent Acquisition Continues to Improve

- Forty-six percent (46%) rate their access to qualified talent as “only fair” or “poor,” down eight points from one year ago. Forty-four percent (44%) say their access to qualified talent is “pretty good” or “excellent,” up six points from one year ago.
- Forty-nine percent (45%) are having difficulty filling open jobs, down 12 points from one year ago.
 - 56% attribute it to a lack of qualified applicants, down one point from one year ago.
 - 31% attribute that difficulty to a lack of any applicants, up three points from one year ago.

Wage Inflation Remains Tamed, For Now

- Wage inflation remains at the bottom of the list of top challenges to doing business at three percent in this MFBI, unchanged for three MFBI cycles now.
- An increasing majority (56%) say they do not expect to raise wages in the next six months, up two points from one year ago. Thirty-eight percent (38%) say they will raise wages, down three points from one year ago.
- Projections for wage growth are strongest in the Manufacturing/Construction sectors (41%), and weakest in the Healthcare/Non-Profit sectors (33%).

Projected Wage Trends



* Only 1.75% Decreasing Wages

Healthcare Costs Are a Major Concern

- Sixty-five percent (65%) expect healthcare costs to increase over the next six months, which is down four points from Q4 2025. Nearly one third (26%) say they expect them to rise significantly, down six points from Q4.
 - Those in the Manufacturing/Construction sectors (73%) are most likely to say their healthcare costs will increase.
- Four in ten (40%) say they will absorb the cost increases and won't cut benefits or increase employee contributions.

Investments & Business Growth Plans Continue To Contract

- A slight majority (52%) plans to invest in **employee training** within the next 6 months – down nine points from one year ago.
- Fewer than half (47%) will invest in **advertising** – down four points from one year ago.
- Nineteen percent (19%) plan to invest in **new equipment** – unchanged from one year ago.
- Thirty percent (30%) plan to expand their business with a **new product line or service** – down three points from one year ago.
- Four percent (4%) plan to open a **new business location** – down one point from one year ago.

Conclusions:

- Inflation and uncertainty have settled in as expected, at least for the short term, drags on business growth.
- Sales have bounced back in the past six months and are expected to continue to climb. Nevertheless, the costs associated with inflation -- exacerbated by tariffs, the war in Iran, and rising healthcare costs -- are also climbing.
- Hiring and wage increases continue to slow. This reflects their spending and investment cuts to offset added overhead.
- Expectations for growth have returned to second place on the list of reasons for optimism, just behind their optimism regarding accelerating demand. This shows their belief in potential growth, if only the added costs for doing business would slow.

Conclusions:

- A strong majority of respondents continue to believe Michigan is a great place to do business, and these numbers have improved since the last MFBI in December.
 - 65% now believe Michigan remains a pretty good (49%) or excellent (16%) market for their business – up three points from one year ago.
 - A majority (55%) continue to say our state business tax system is mostly (50%) or very (5%) fair – no change 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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ROI  INSIGHT

