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COVID-19 AND THE MIDDLE MARKET

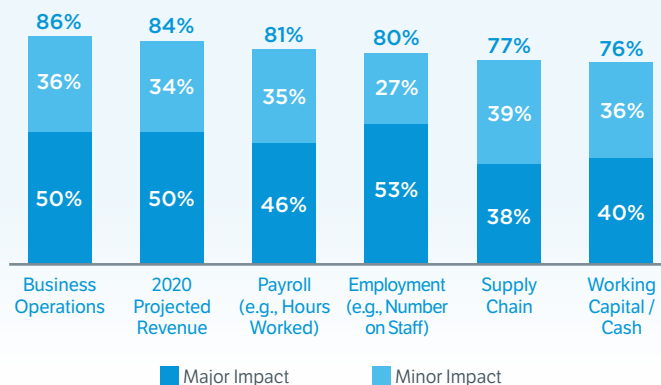
4 WAYS THE CORONAVIRUS IS CHANGING THE BUSINESS LANDSCAPE

Between March 23 and 25, two weeks after the World Health Organization declared COVID-19 a pandemic, the National Center for the Middle Market surveyed 260 executives of U.S. middle market companies to take the pulse of the most critical segment of the American economy. We learned that middle market leaders who were confident investment-minded, and anticipating growth at the close of 2019, are now preparing for what will be their most challenging period in more than a decade—a time that could prove catastrophic for some. They see diving sales, rising layoffs, and delayed investment plans; yet they also are signaling resiliency moving forward: Most believe their businesses can fully recover in six months or less once the crisis abates.

1. The immediate impact of COVID-19 is negative for most—and catastrophic for some—middle market businesses.

More than four out of five companies report at least some immediate negative consequences for operations, revenue, and employment. Nearly as many say their supply chains and cash flow will take a hit in the near term.

Percent of respondents stating Covid-19 will have an immediate negative impact on their business in the following areas:



25%

BELIEVE COVID-19 WILL PROVE CATASTROPHIC FOR THEIR BUSINESS

51%

STATE "ONGOING UNCERTAINTY" IS THE MOST DIFFICULT ASPECT OF THE CURRENT ENVIRONMENT

2. Growth projections have plummeted.

Compared to December 2019, the trajectory of middle market growth has changed dramatically and will affect key business decisions in 2020. While sales will be hardest hit, demand will decline to a lesser extent. Leaders believe the negative impact on the business climate will be less severe.

SHORT TERM EXPECTATIONS

Sales performance has dropped by a net percentage point change of **46%**

Demand is down by a net percentage point change of **25%**

Perceptions of the business climate have dropped by a net percentage point change of **9%**

LONG TERM EXPECTATIONS

DECEMBER 2019

4.9% was the 12-month projected revenue growth rate

3.5% was the 12-month projected employment growth rate

50% planned to enter new domestic or international markets

24% expected to build a new plant or facility

MARCH 2020

78% say growth will decline

64% say employment will shrink

70% will pull back on growth initiatives

66% will delay capital spending

3. Supply chains and access to cash are the most difficult challenges to manage.

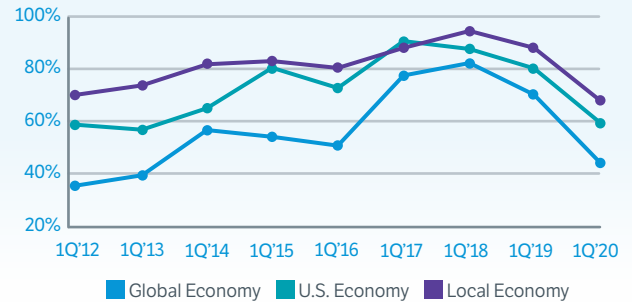
Leaders struggle most with disruptions to supply chains (both upstream and downstream) and the need to find cash and preserve working capital. Less difficult but still challenging are managing customer experience and operations. Most leaders are doing well at maintaining communications and keeping up with IT demands, including supporting a remote workforce.



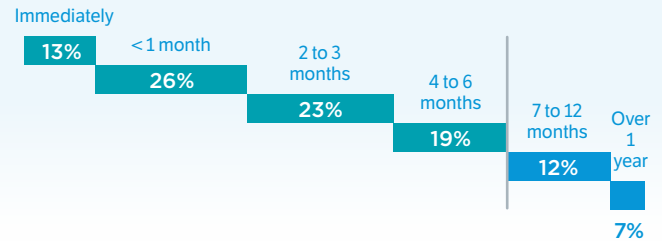
4. Despite challenges, most middle market companies are confident in their resilience.

Economic confidence has plunged since three months ago, but remains above levels seen coming out of the 2007-2009 Great Recession. Most middle market companies believe that, when the time comes, their recovery will be swift.

A majority of middle market business leaders remain at least somewhat confident in their local and national economies.



Four out of five companies believe they will be able to operate at full capacity in six months or less.



NATIONAL CENTER FOR THE MIDDLE MARKET

The National Center for the Middle Market is a collaboration between The Ohio State University Fisher College of Business and Chubb. The Center is the leading source of knowledge, leadership, and innovative research focused on the U.S. Middle Market economy. It provides critical data, analysis, insights, and perspectives to help accelerate growth, increase competitiveness, and create jobs for companies, policymakers, and other key stakeholders in this sector. To learn more visit: www.middlemarketcenter.org.

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