



NATIONAL CENTER FOR  
THE MIDDLE MARKET

February 2, 2023

# Middle Market Update

Latest Data and Insights from the NCMM

Doug Farren, Managing Director

IN COLLABORATION WITH



CHUBB<sup>®</sup>

VISA

# Today's Plan

- I. About – NCMM, Middle Market, and the MMI Report
- II. What's New - Performance and Sentiment 2022
- III. What's Next –Projections
- IV. Issues – Economy, Talent
- V. Wrap-Up and Q&A

# The National Center for the Middle Market

The National Center for the Middle Market is a collaboration between The Ohio State University's Fisher College of Business, Chubb, and Visa. It exists for a single purpose: to ensure that the vitality and robustness of Middle Market companies are fully realized as fundamental to our nation's economic outlook and prosperity.

The Center is the leading source of knowledge, leadership, and innovative research on the middle market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders, to help accelerate growth, increase competitiveness and create jobs in this sector.

## Middle Market Research & Data



Quarterly Middle Market Indicator



Research and Expert Perspectives



Interactive Benchmarking Tools

## Expertise & Outreach



Share Research & Discuss Trends

## Education



Executive Programs



Webinars and Podcasts

# The Mighty Middle Market

## U.S. MIDDLE MARKET DEFINED



Annual Revenues Range from  
**\$10MM - \$1B**



Accounts for  
**60%** of All New  
Private-Sector  
Jobs



Nearly  
**200,000** in All Industry  
Businesses Segments and  
Geographies

Equivalent to the  
**5<sup>th</sup> LARGEST**  
global economy



Represents  
**1/3** of Private Sector  
GDP and Employment



**85%**  
of Companies  
Are Privately Held



More than  
**\$10 trillion** in annual revenue

# Middle Market Indicator

## What...

- National Survey of C-Level Executives

## How...

- Self Administered Online Survey

## Insight Areas

- Past year growth
- Current state of the business
- Short term outlook and challenges (3 months)
- Long term outlook and challenges (1 year)
- Confidence in the economy
- Attitudes toward Risk Management and IT spending
- Detailed corporate profiling

## Who...

- Financial decision makers
- Private and Public Organizations
- \$10 million-<\$1 billion in Gross Revenue

## When...

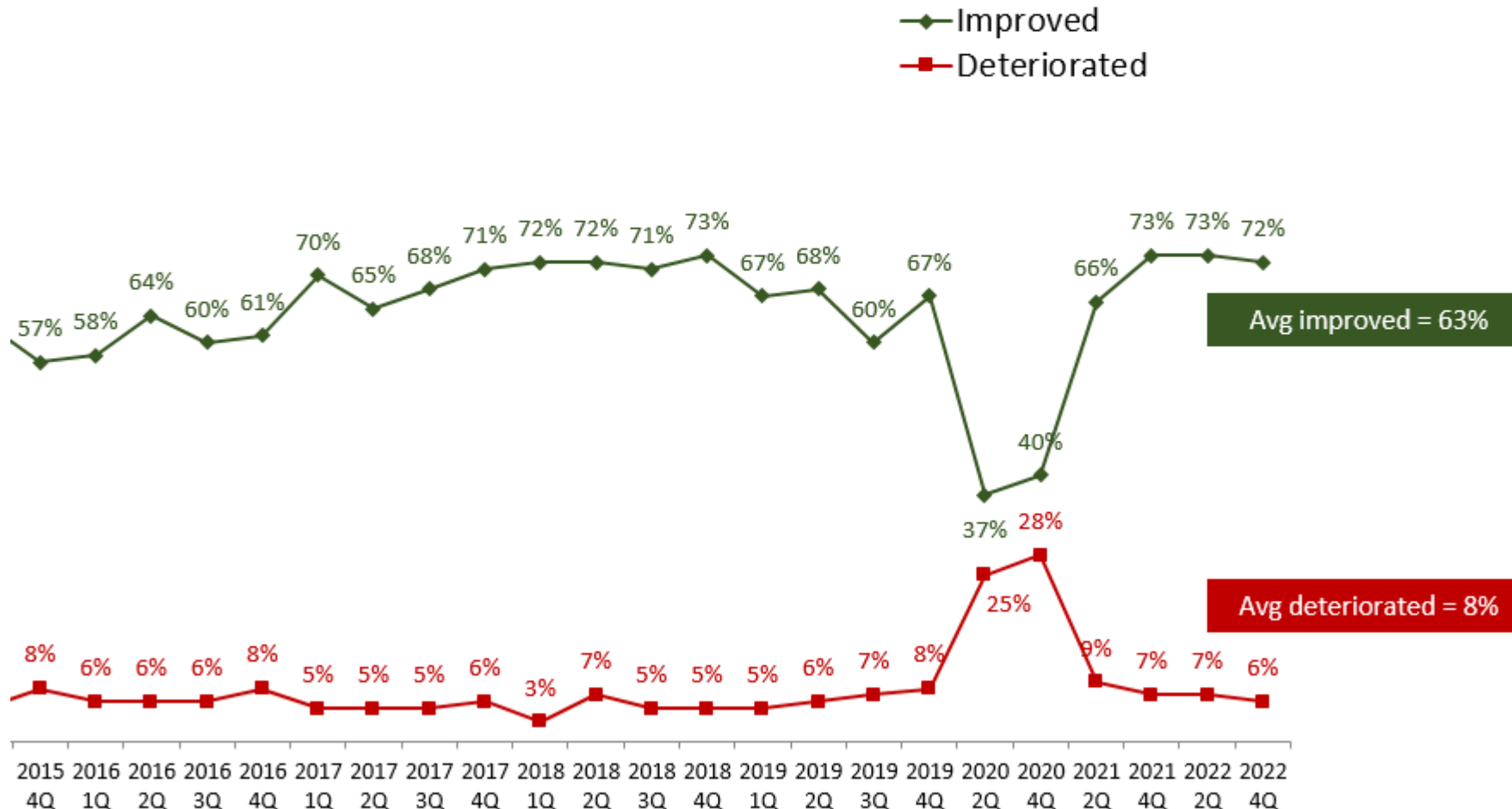
Mid-year MMI was fielded during the first 3 weeks of December 2022  
The mid-year MMI is fielded during June 2023

# What's New?

---

# Overall Sense of Performance

## Overall Company Performance



Middle Market Company performance remains strong

Over 70% of the middle market say their business is performing better than a year ago...nearly 10% higher than the historical average

Headwinds – inflation, potential recession, supply chain, talent – creating uncertainty

# Overview—Past Performance and Forecasts

REVENUE GROWTH  
**12.2%**  
PAST 12 MONTHS

4.4%  
S&P 500

**10.0%**  
NEXT 12 MONTHS



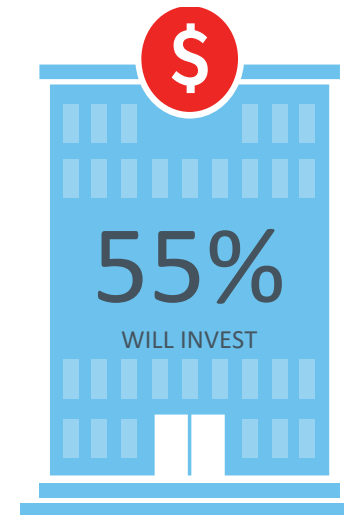
EMPLOYMENT GROWTH  
**11.1%**  
PAST 12 MONTHS

1.6% SMALL BUSINESS  
5.1% LARGE BUSINESS

**10.0%**  
NEXT 12 MONTHS



CAPITAL INVESTMENT



CONFIDENCE  
**73%**  
GLOBAL ECONOMY



**74%**  
NATIONAL ECONOMY



**86%**  
LOCAL ECONOMY





# Year-End MMI: Revenue Growth Trend

PAST 12 MONTHS

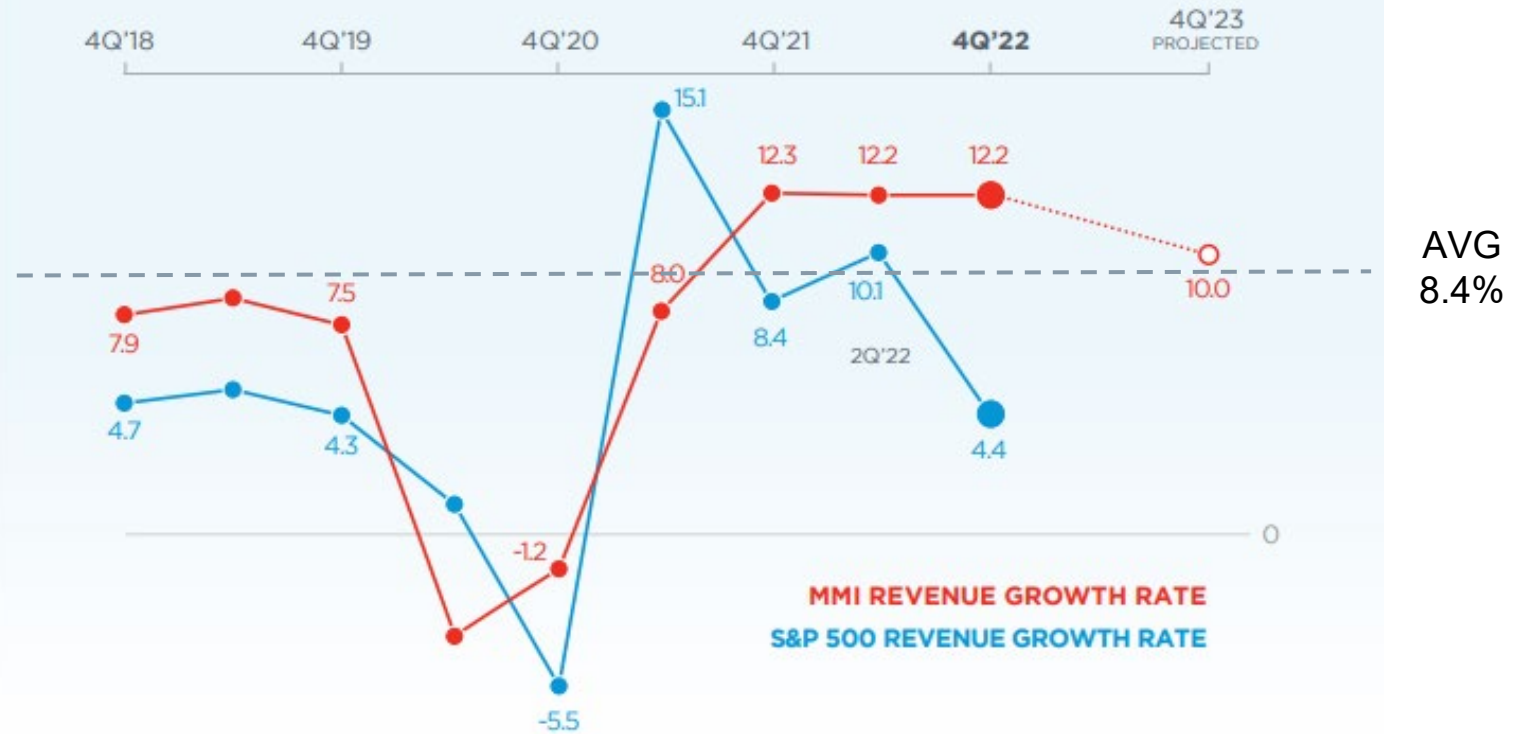
12.2%

U.S. MIDDLE MARKET

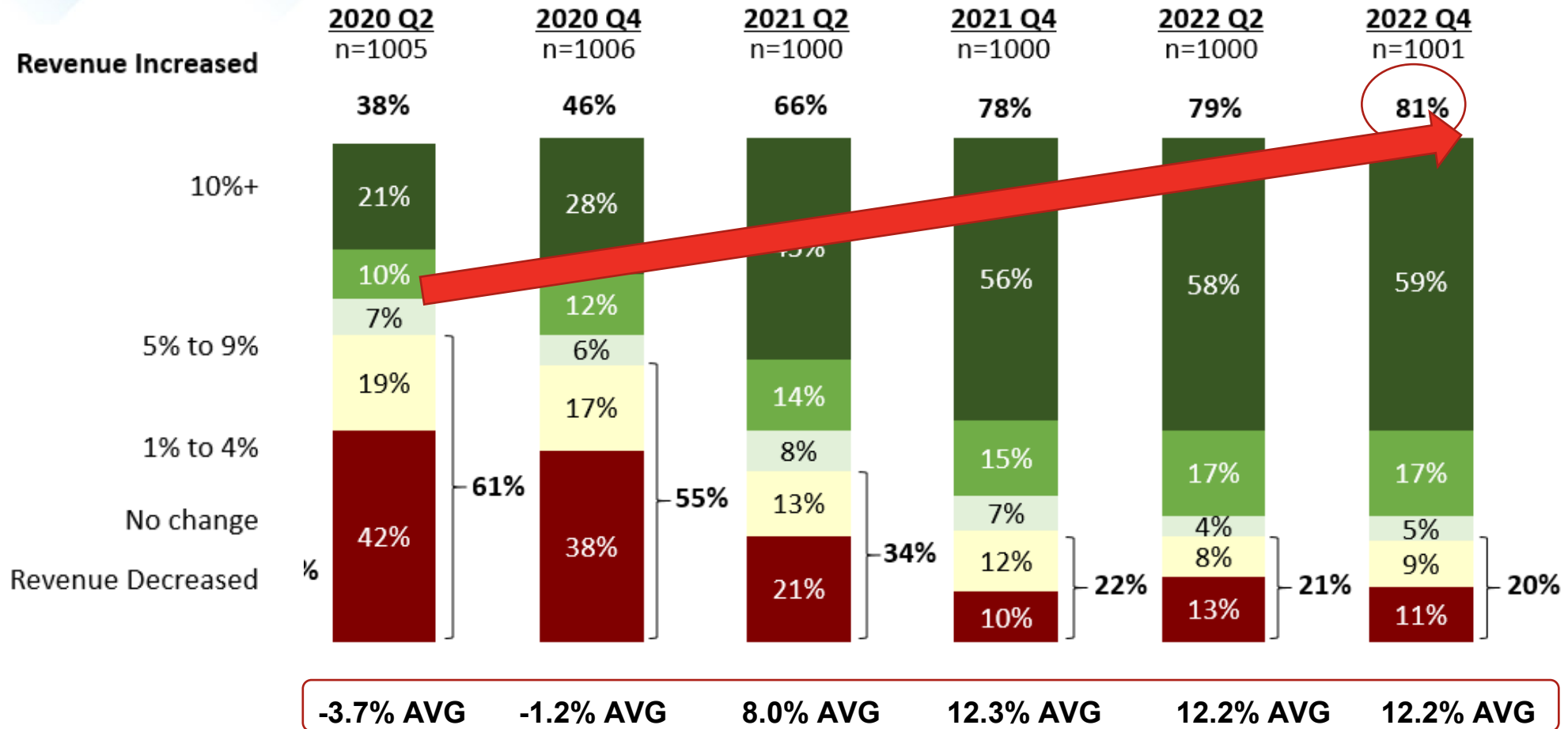
4.4%

S&P 500\*

Past, current, and projected revenue growth rates for the middle market and the S&P 500 (%)



# Year-End MMI: Growth Remains Strong



**Growth Leaders**  
**(10% or higher)**

+3 PP vs. 2022

**Struggling**  
**(Flat or Declining)**

-2 PP vs. 2022

# Year-End MMI: Revenue by Industry



# Year-End MMI: Expansionary Activity Holds Firm

% of middle market companies engaging in expansion activities over the past 12 months



# Year-End MMI: Employment

PAST 12 MONTHS

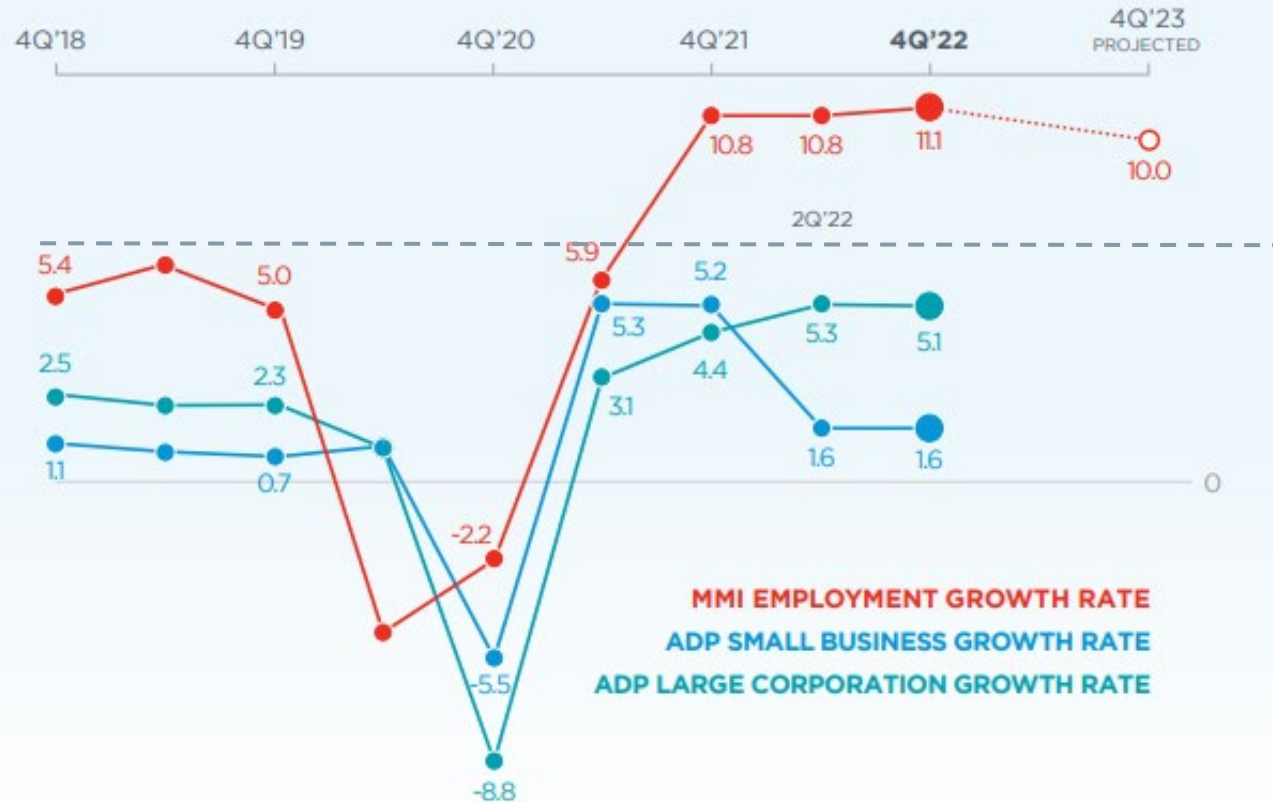
11.1%

U.S. MIDDLE MARKET

1.6%  
SMALL  
BUSINESS

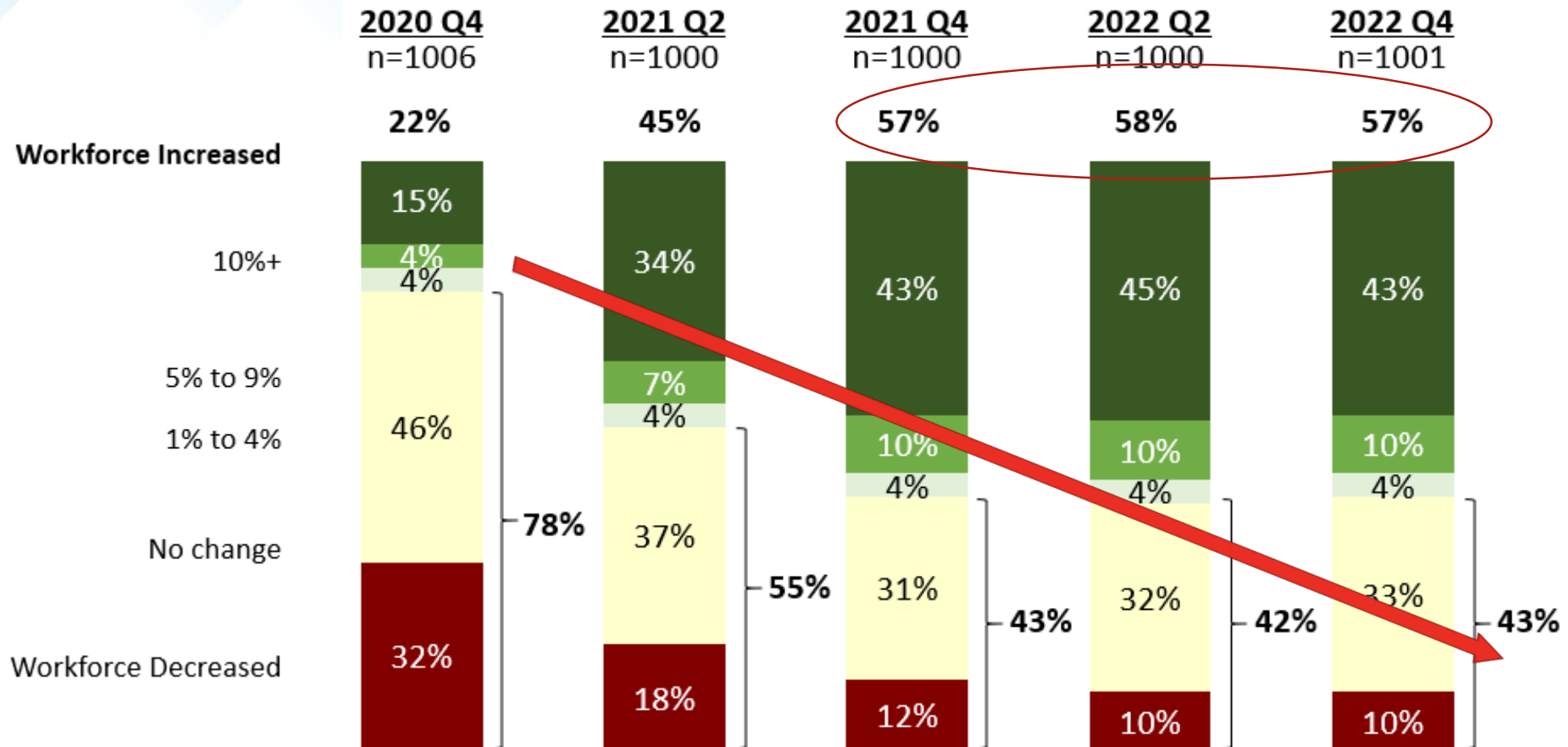
5.1%  
LARGE  
BUSINESS

Past, current, and projected employment growth rates for middle market, small, and large companies (%)



AVG  
6.7%

# Employment Growth Remains Steady for 3 Waves





# Year-End MMI: Employment by Industry

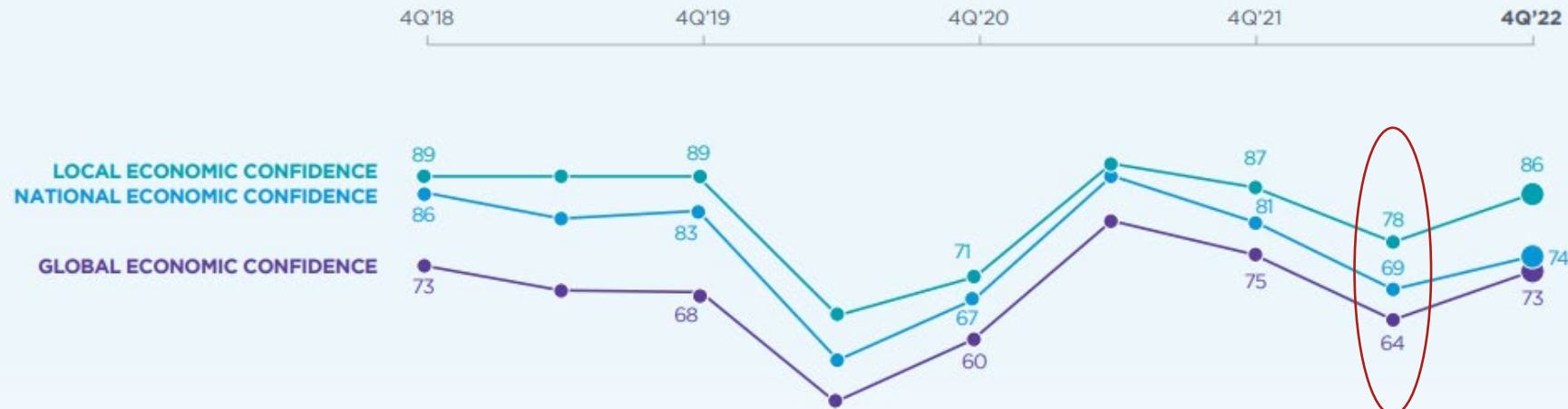


Source: Year end Middle Market Indicator Report

# Economic Confidence Returns to “Normal”

## Confidence in Economy

% of middle market leaders expressing confidence in the global, national, and local economies



GLOBAL ECONOMY

73%

-2% vs. 2021



NATIONAL ECONOMY

74%

-7% vs. 2021



LOCAL ECONOMY

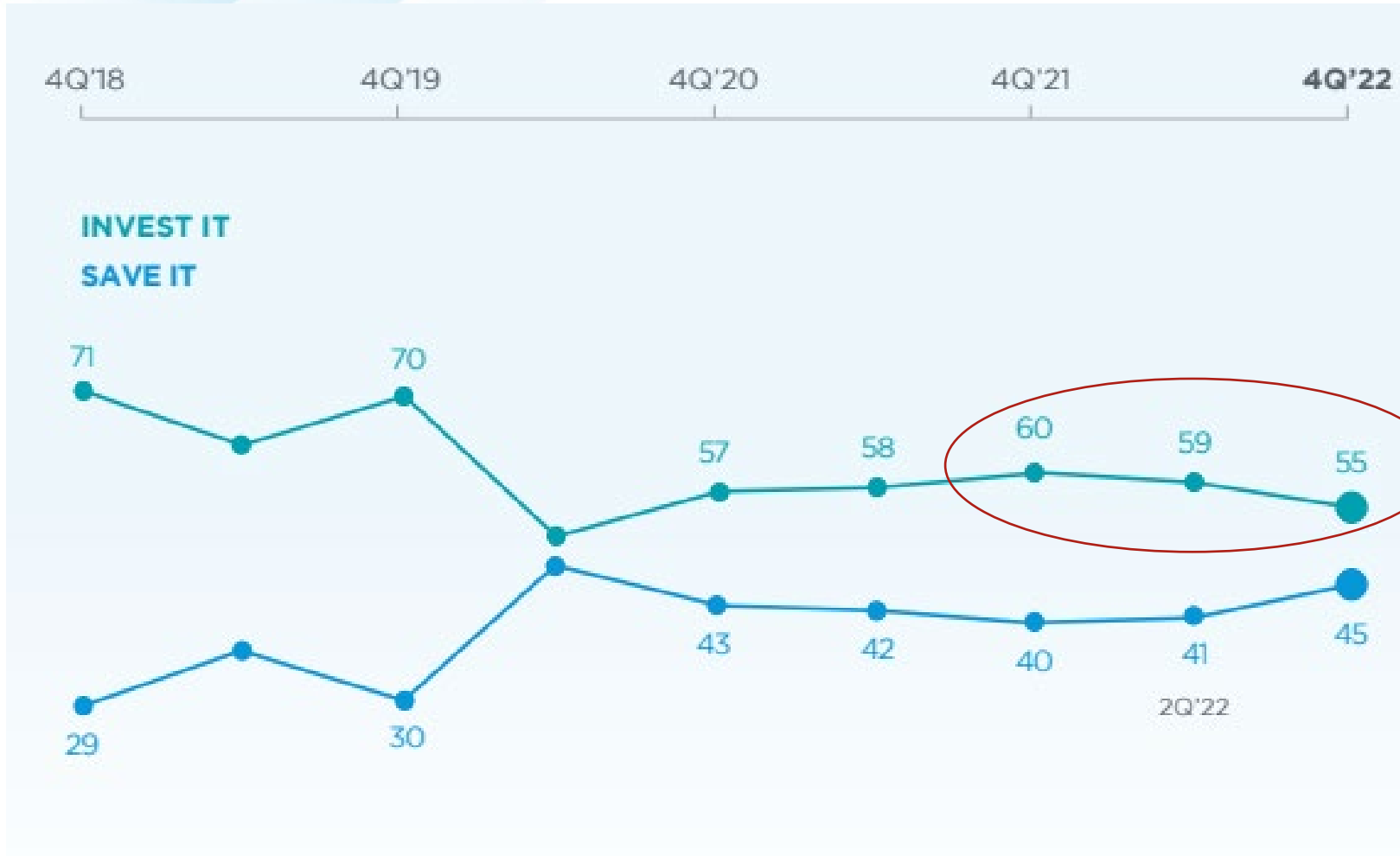
86%

-1% vs. 2021

Lowest in  
6 years!

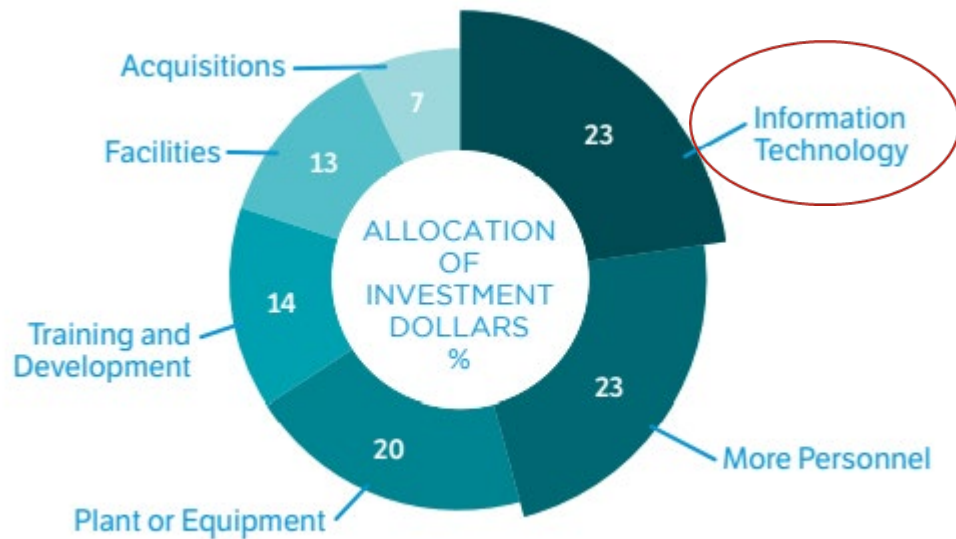


# Investment Plans Continue to Lag....

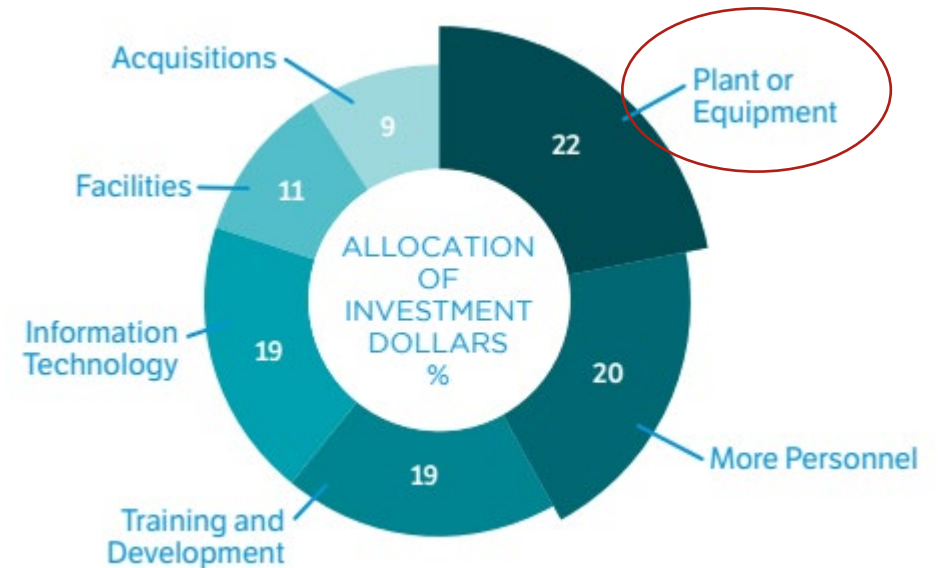


# Plant/Equipment and People are Top Targets for Investment Dollars

WHAT WOULD YOU DO WITH AN EXTRA DOLLAR TO INVEST?



U.S. MIDDLE MARKET, JUNE 2022



U.S. MIDDLE MARKET, DECEMBER 2022

# What's Next?

---

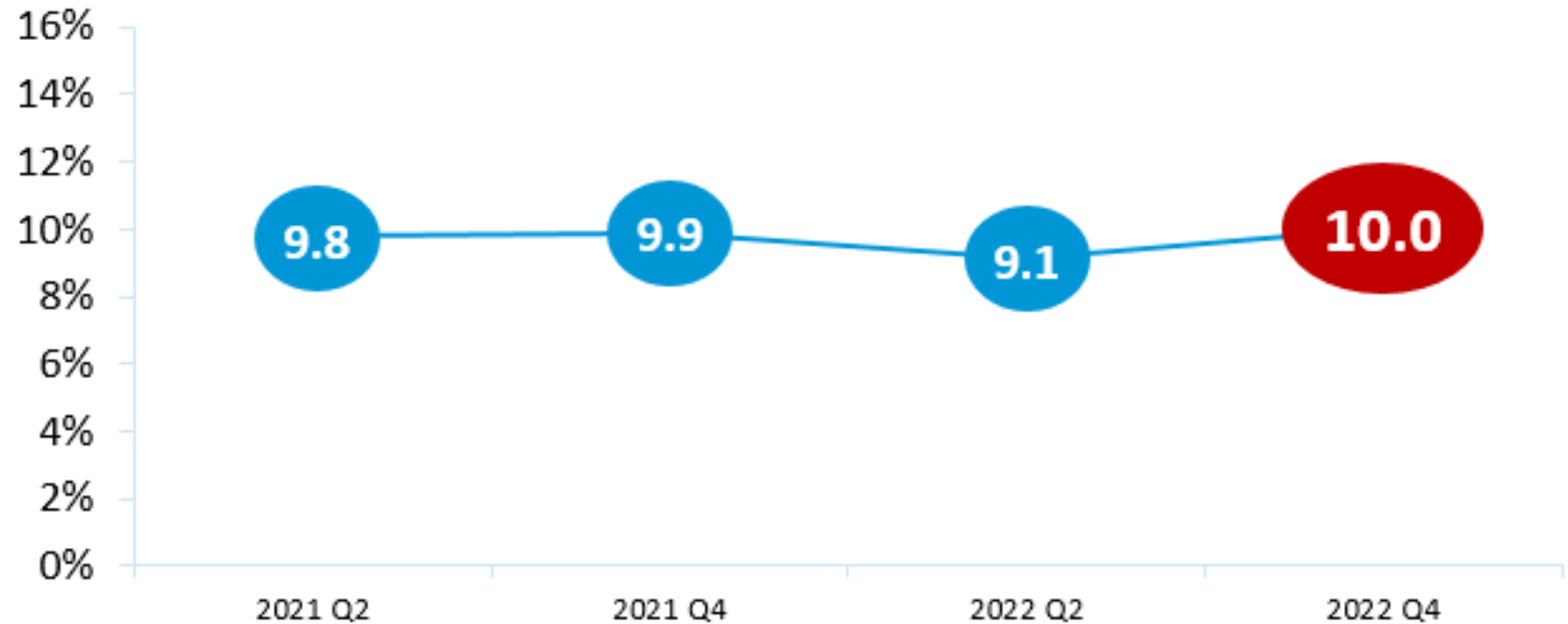
# Year End: Long Term Revenue Growth *Forecast*

FORECASTED REVENUE GROWTH FOR TWELVE MONTHS FROM ...

# 10.0%

U.S. MIDDLE MARKET

## Firms expect revenue to continue to grow

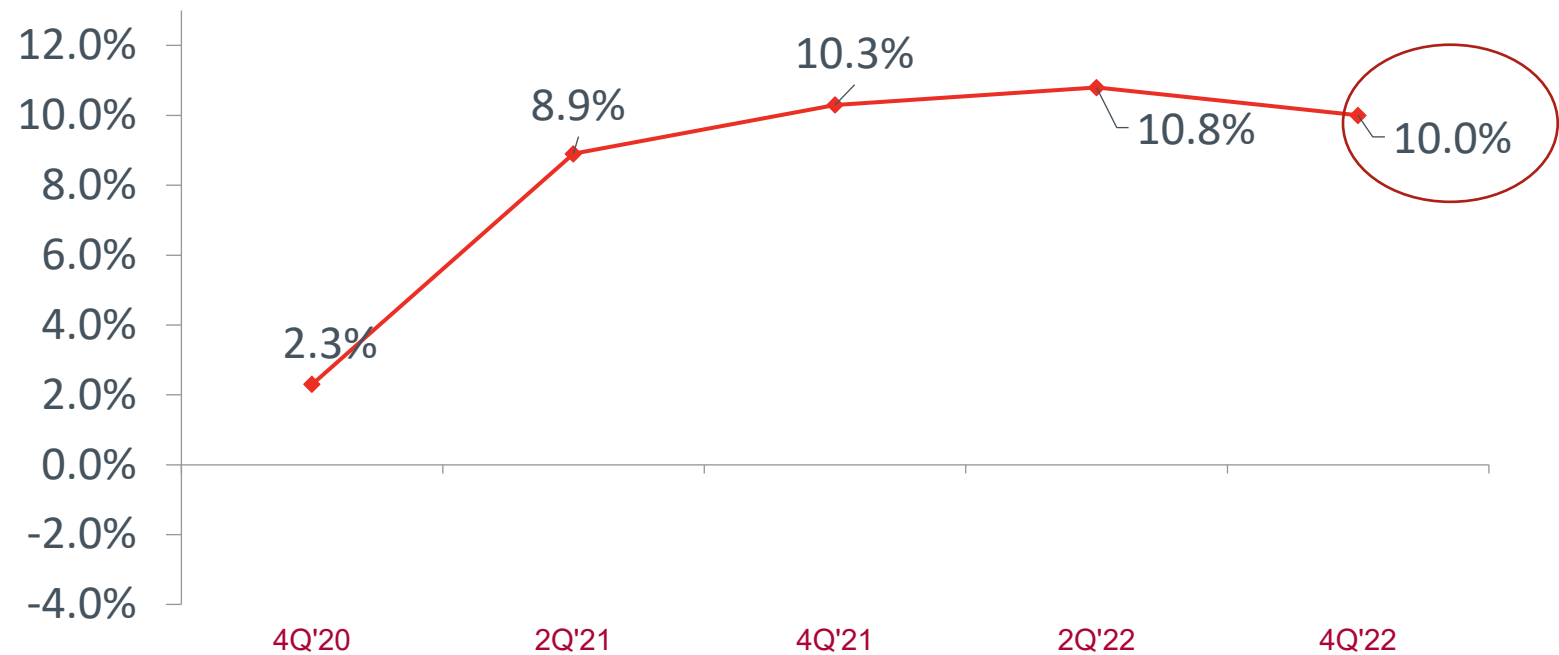


# Mid Year: Long Term Employment Growth Forecast

FORECASTED EMPLOYMENT GROWTH FOR 12 MONTHS FROM ...

# 10.0%

U.S. MIDDLE MARKET



Source: Mid Year Middle Market Indicator Report

—◆— U.S. MIDDLE MARKET

# Managing Business and Talent Challenges

% of middle market leaders citing an issue as a key challenge over the next 12 months

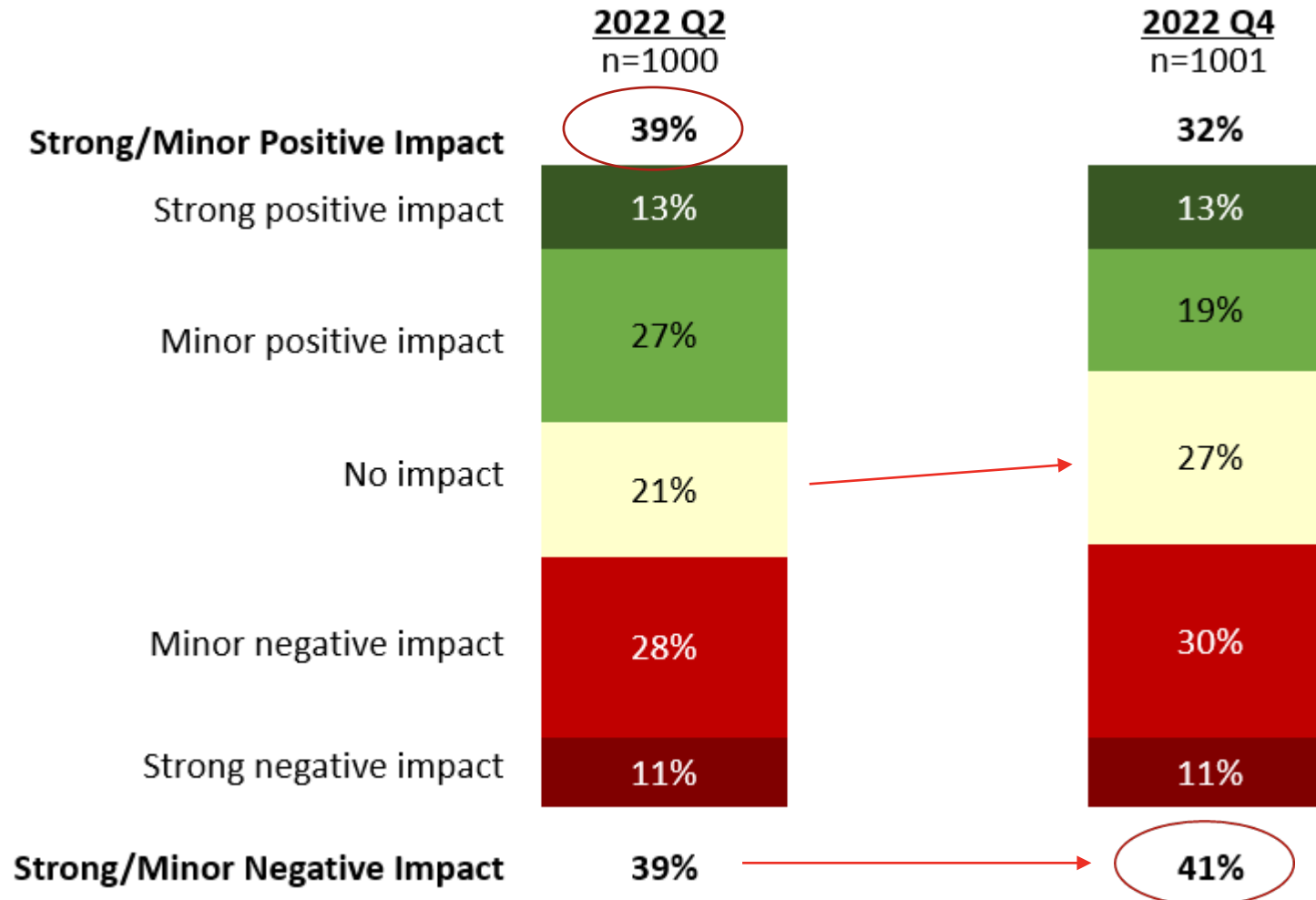
## INTERNAL CHALLENGES

1. CORE BUSINESS ISSUES*	51%
2. TALENT MANAGEMENT	48%
3. COSTS	16%
4. ECONOMY	14%

# Core Business Issues

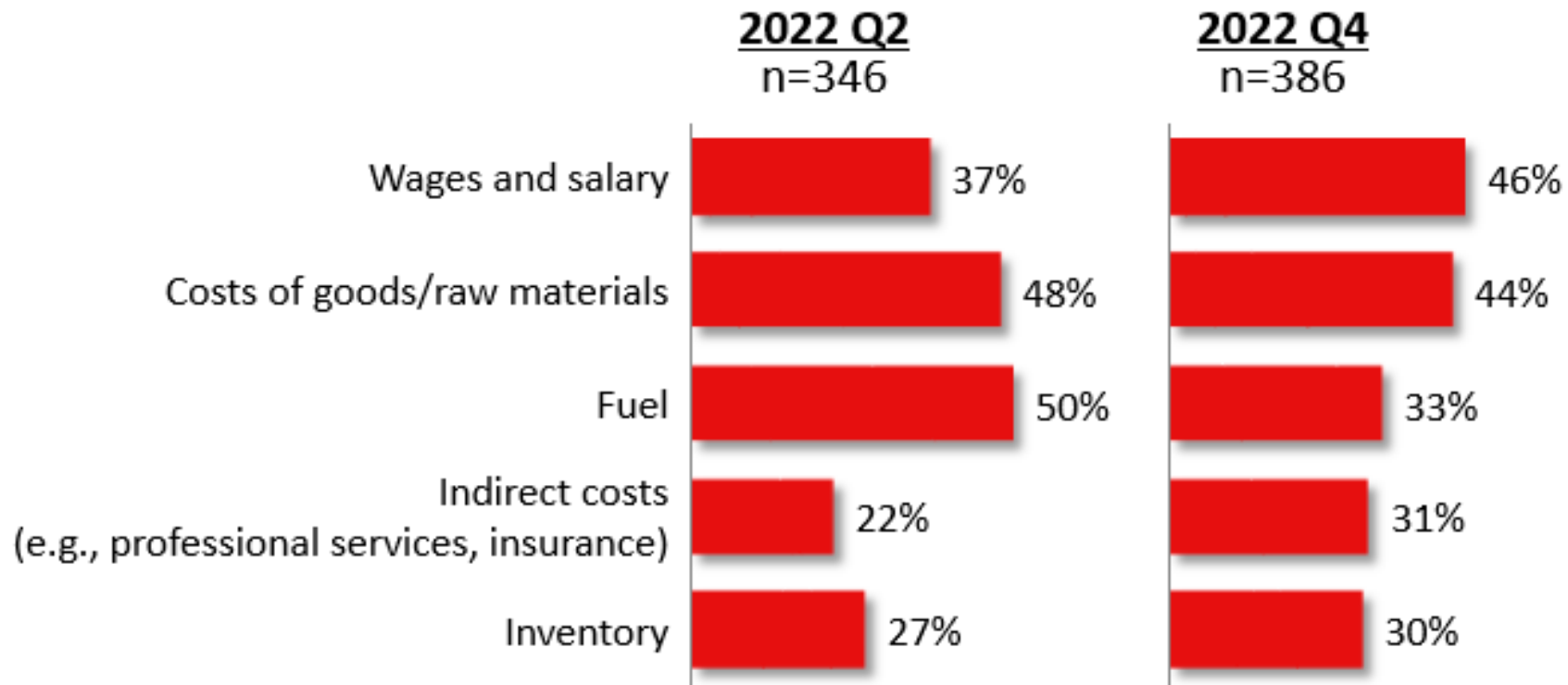
---

# Inflation impact becoming more negative.....

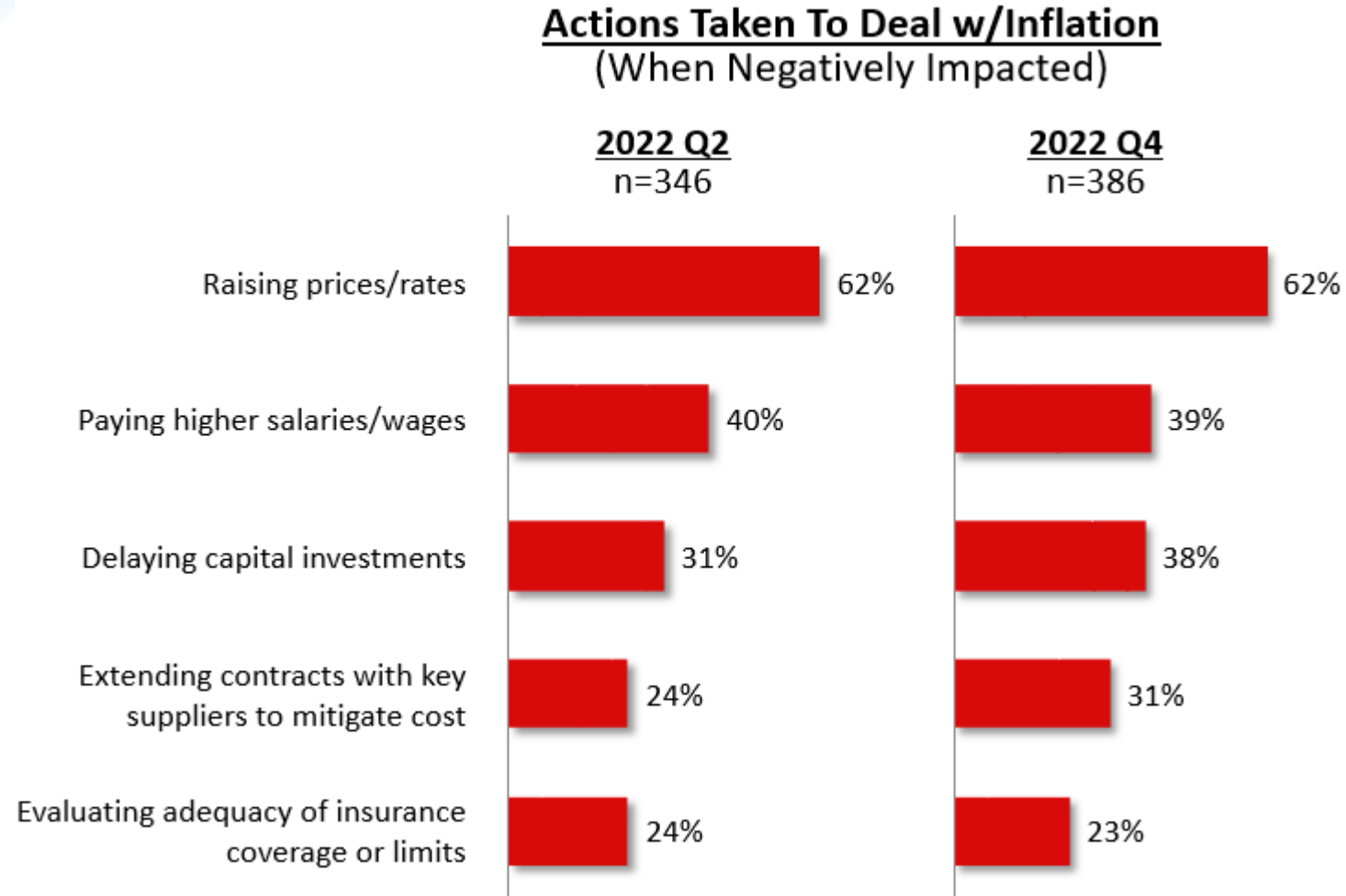




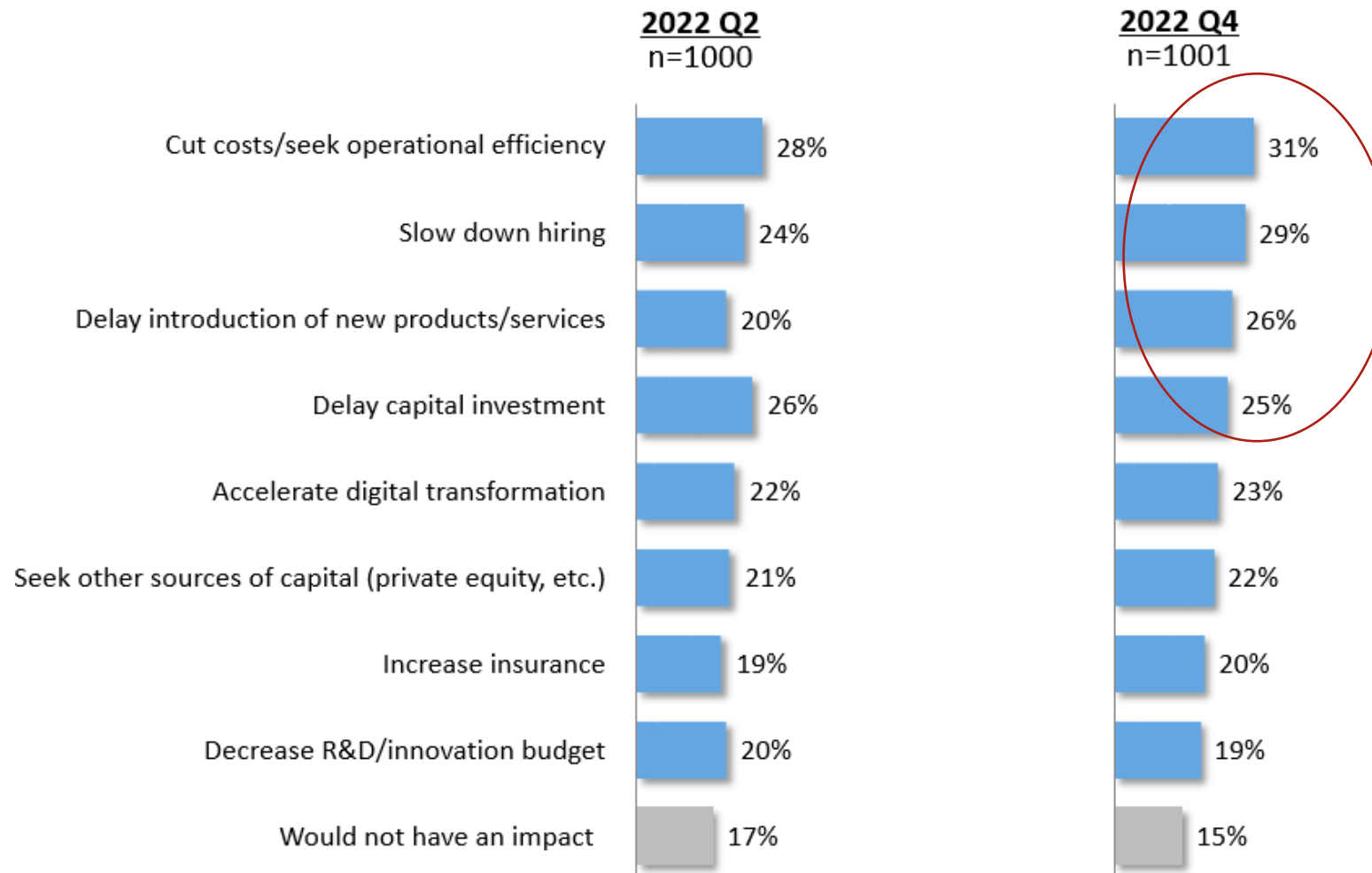
# Wages now the most significant impact, with raw materials costs not far behind



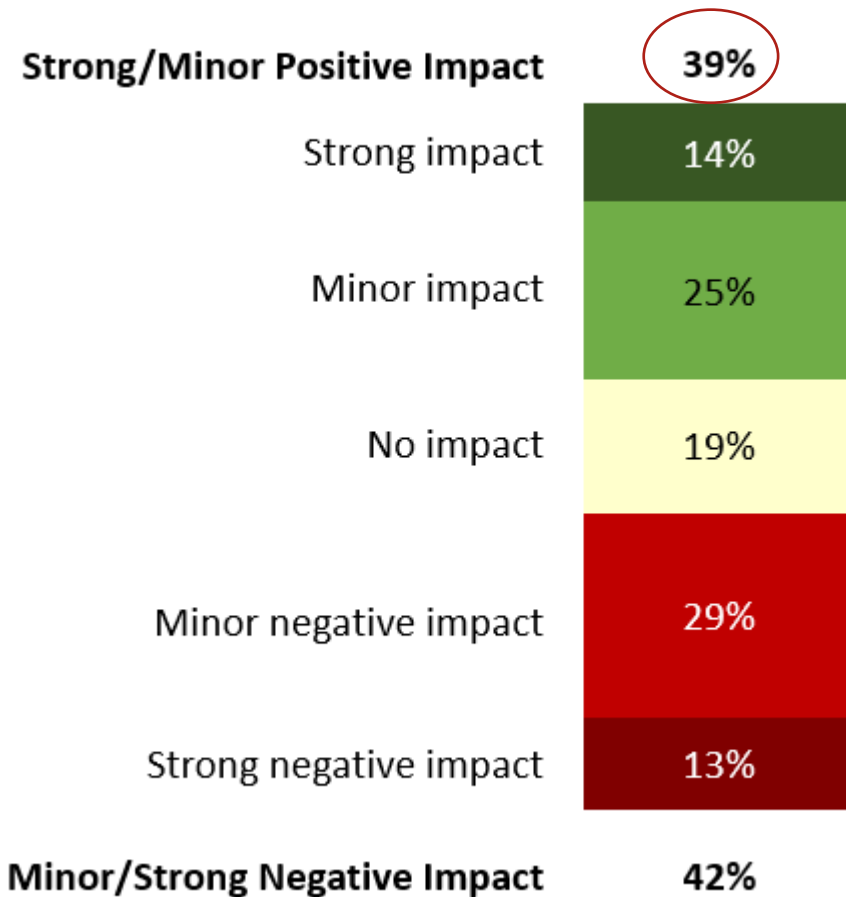
# Tactics in response have remained the same....



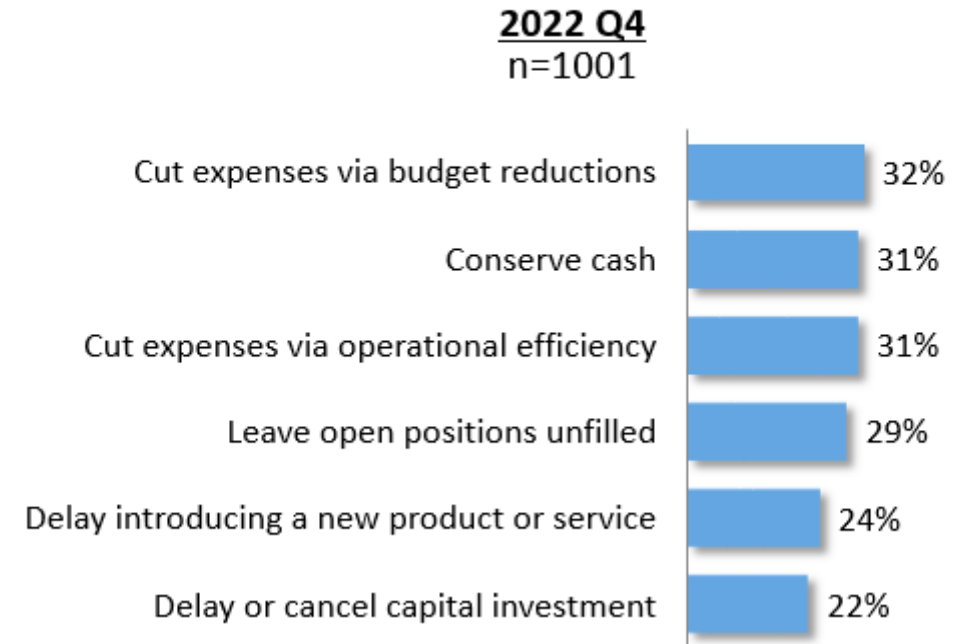
# Cost seeking efficiency is still likely reaction



# Potential Recession also polarizing – good/bad

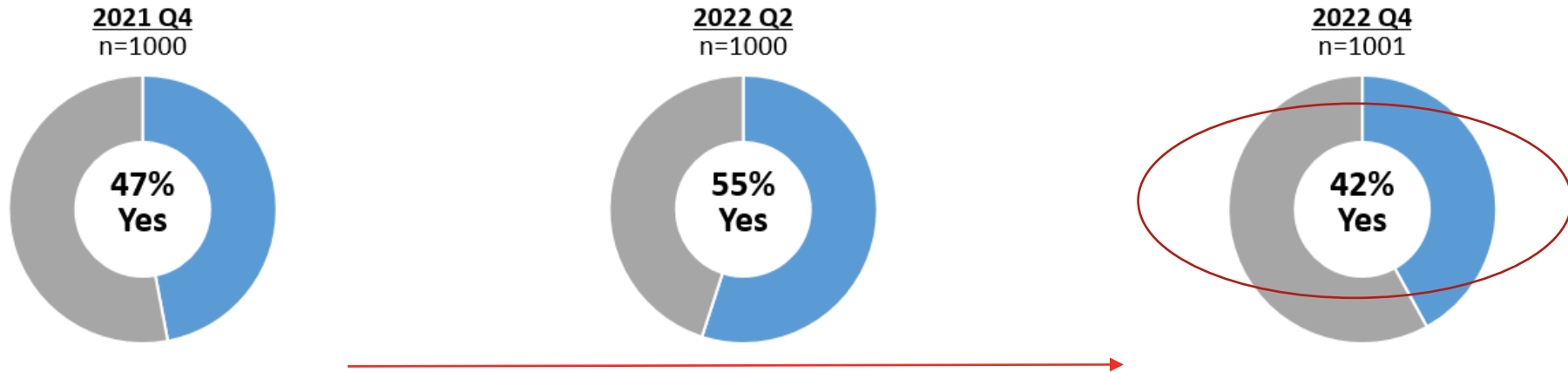


## Actions Would Take In Case Of Recession



# Supply Chain appears to be improving

## Company Has Been Impacted By Supply Chain Disruptions/Constraints In The Past Six Months



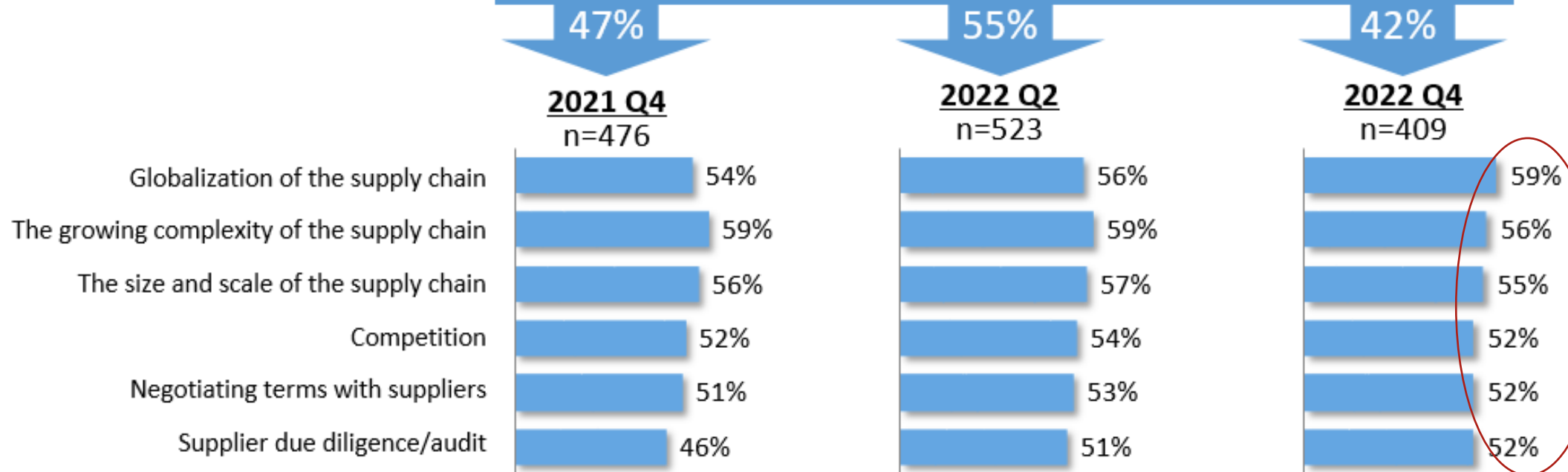
## Company Has Been Impacted By Supply Chain Disruptions/Constraints In The Past Six Months

2021 Q4			2022 Q2			2022 Q4		
Manufacturing (143) %	Retail (99) %	Construction (53) %	Manufacturing (163) %	Retail (118) %	Construction (55) %	Manufacturing (128) %	Retail (112) %	Construction (88) %
59	47	65	45	61	56	41	41	57

# Most Challenging Aspects Largely Unchanged

## Challenging Aspects of the Supply Chain Management (Extremely/Very Challenging)

Have Been Impacted By Supply Chain Disruptions/Constraints In The Past Six Months



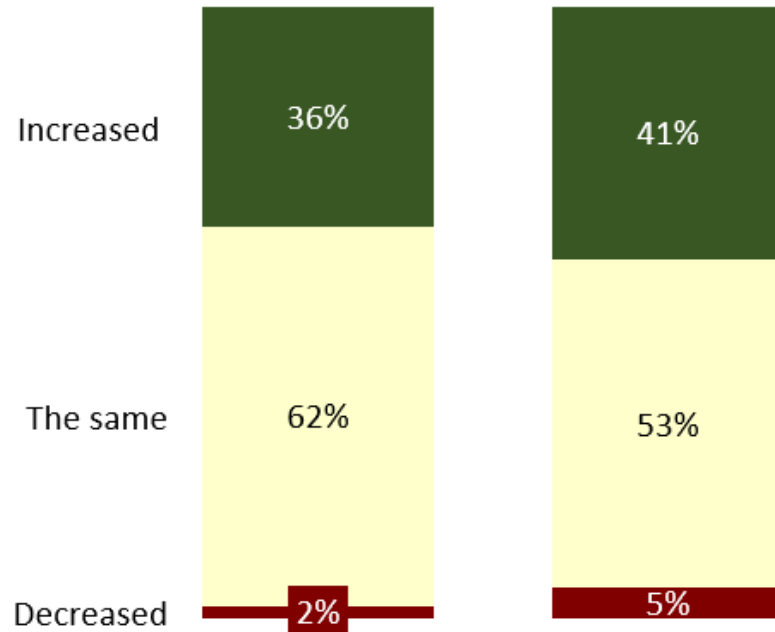
# Connectivity and Re-Shoring are Growing

## Change in Connectivity in The Past 12 Months With...

**2022 Q4**  
n=1001

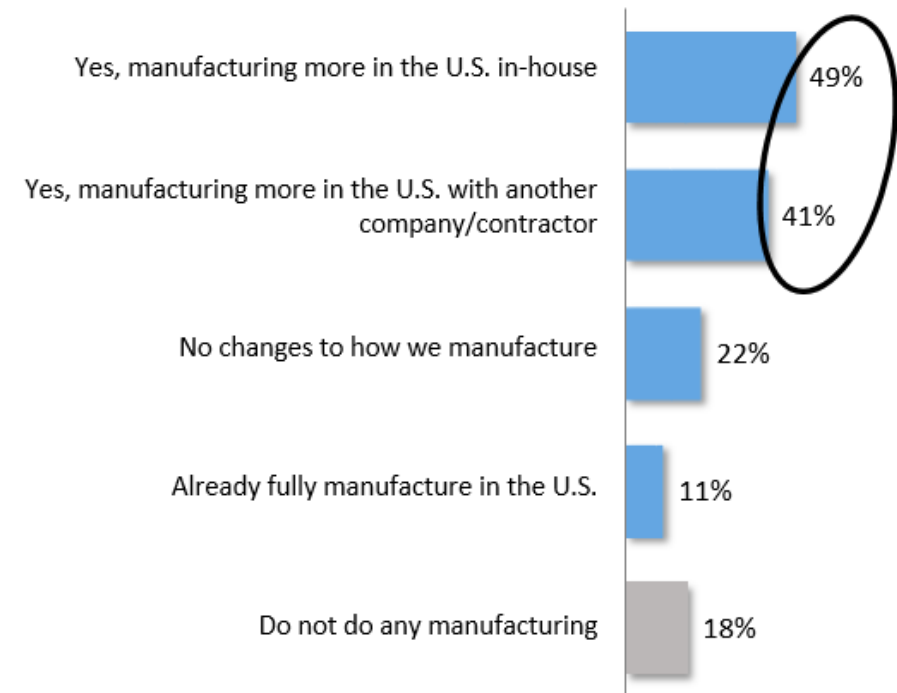
### Suppliers

### Customers



## Change in US Manufacturing In The Past 12 Months

**2022 Q4**  
n=1001

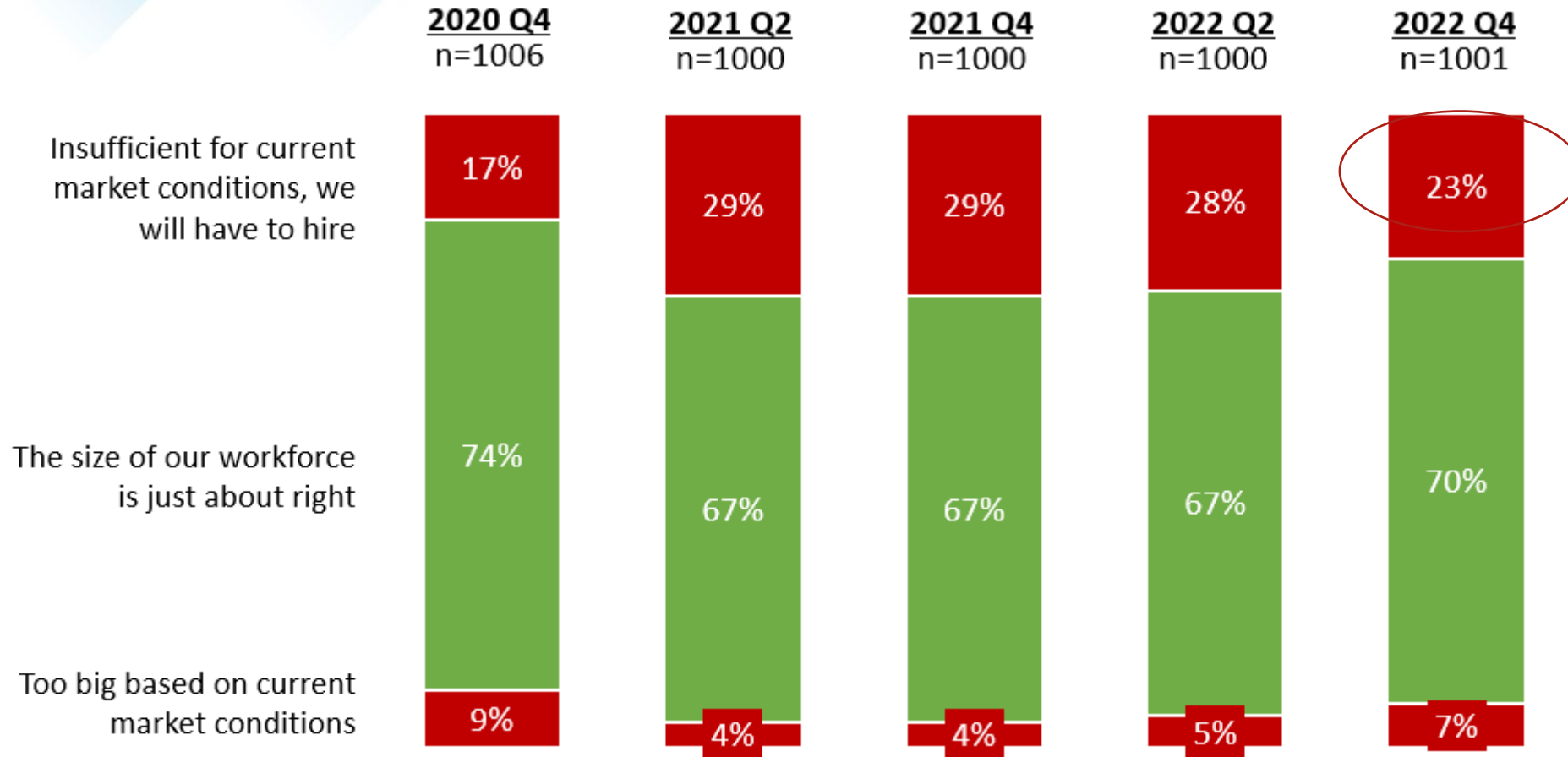


# Talent Issues

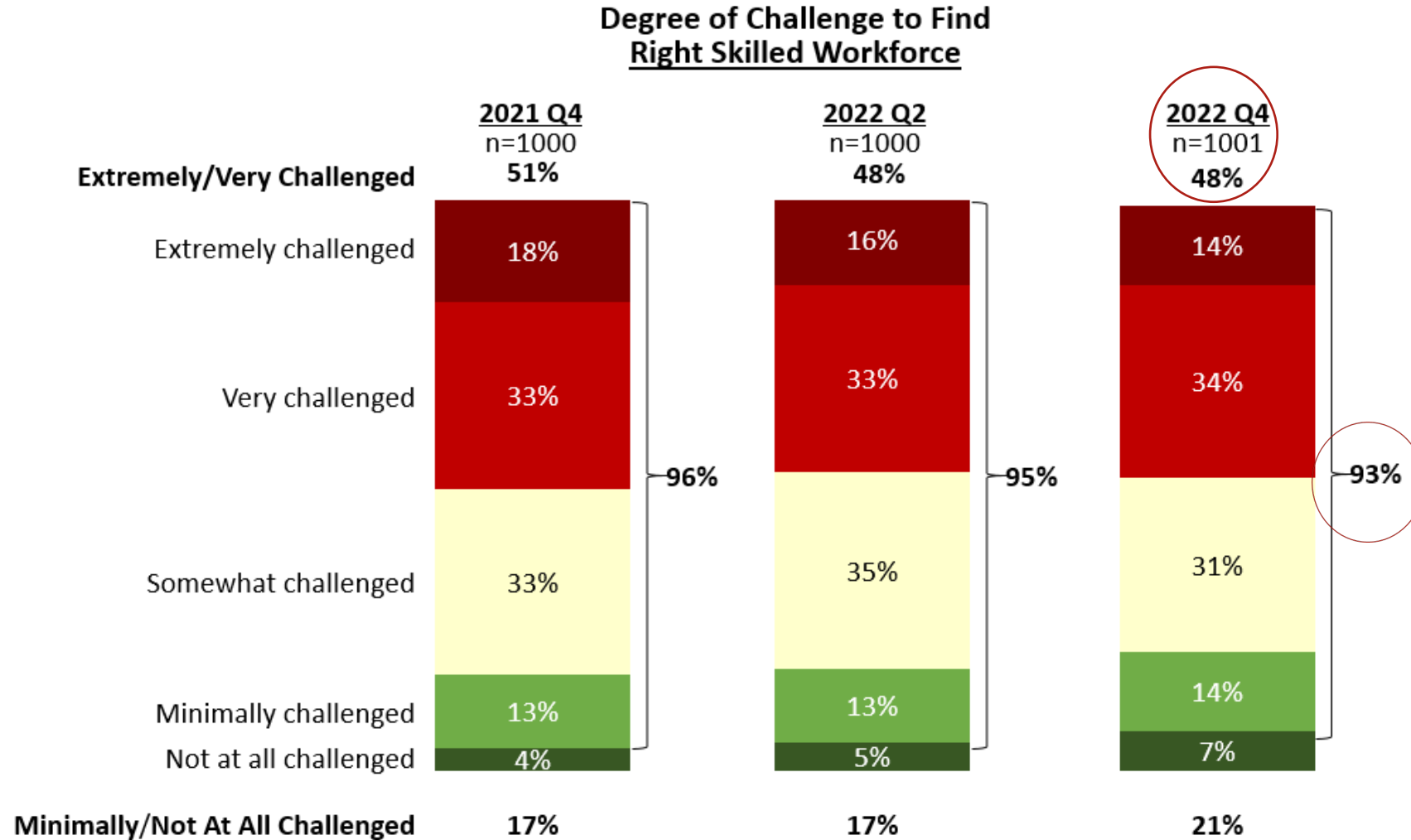
---



# One Quarter of the MM needs more workers.....

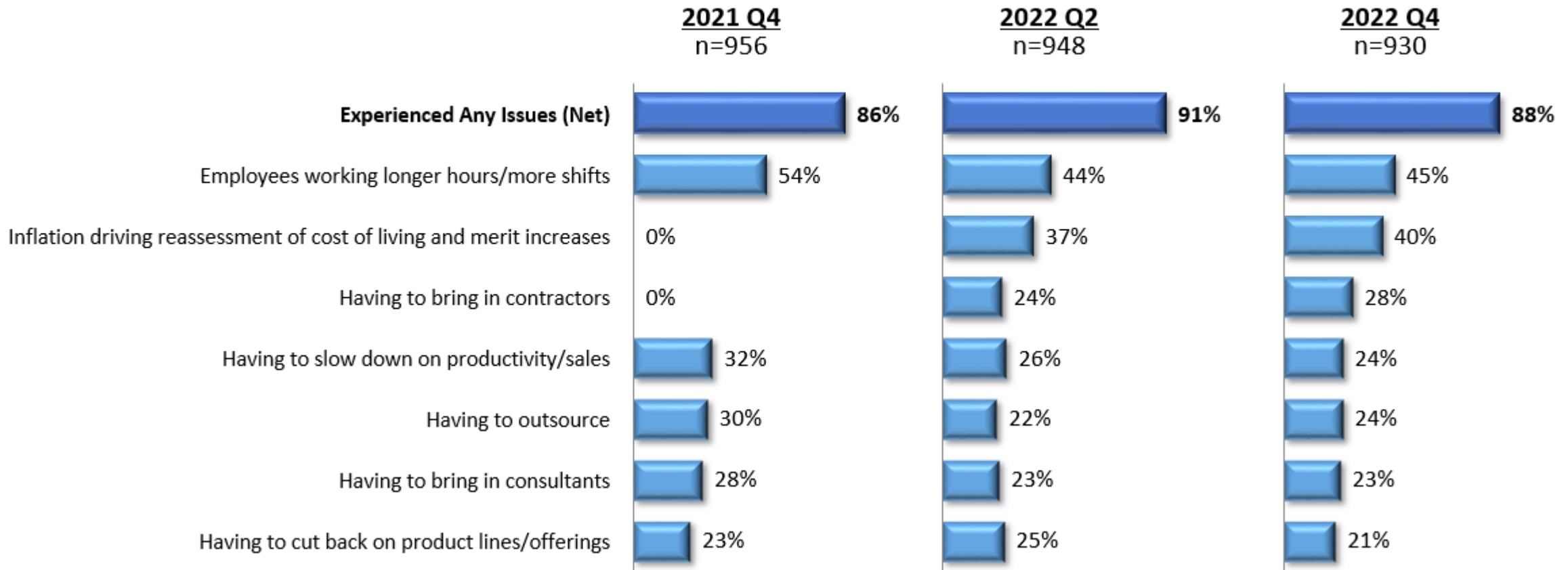


# Right skill sets remain challenging to find.....

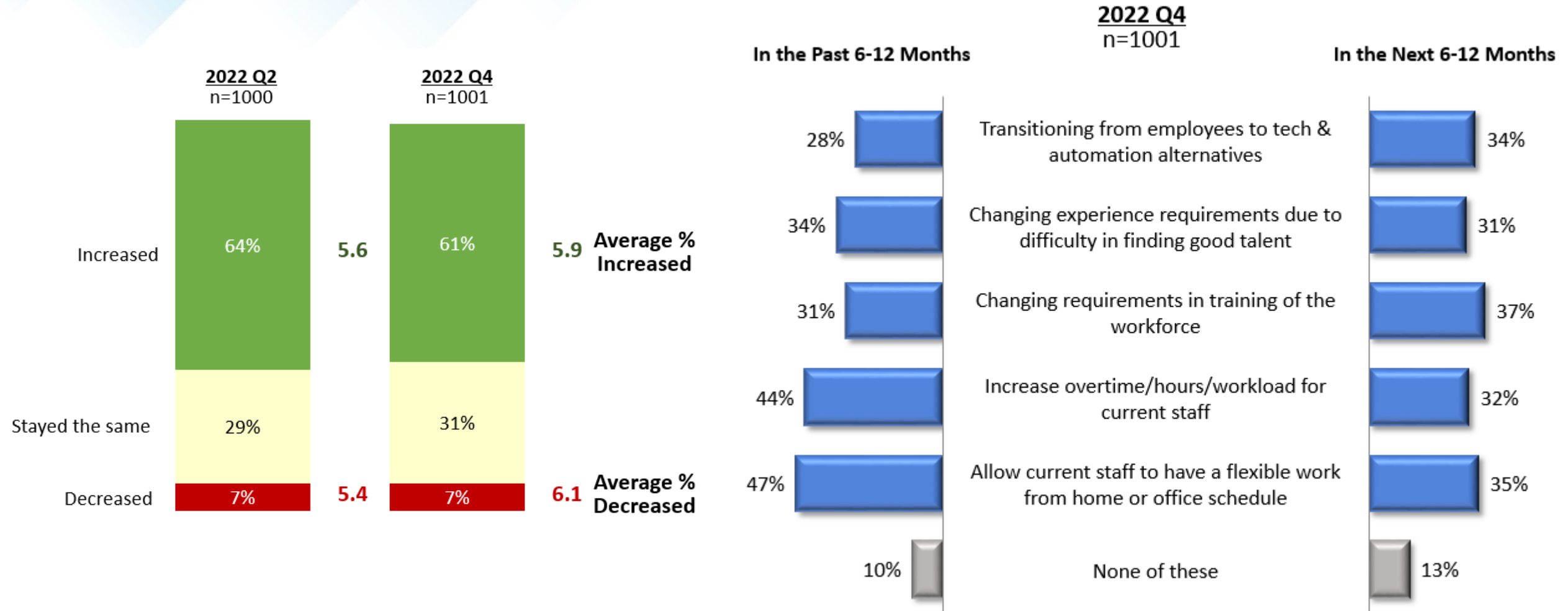


# Impacts are widespread – more hours/higher wages

## Impact of Workforce/Hiring Issues



# Wages continue to rise with evolving workplaces



# Summary

- The middle market is a consistent engine of growth:
  - Revenue and employment growth remain at high levels from the summer
  - Confidence has made a sharp rebound – but uncertainty clouding future investment
  - Strong projections for 2023 – dependent on macroeconomic conditions, using technology to drive efficiency and manage costs, and attracting/retaining talent
- Inflation and potential recession are keeping leaders up at night – while supply chain disruptions appear to be diminishing (at least for some industries)
- Digital transformation continues to be a long-term strategy to address current challenges while also supporting future growth

# Membership



NATIONAL CENTER FOR  
THE MIDDLE MARKET

## MEMBERSHIP OPPORTUNITIES AND ADVANTAGES

NATIONAL CENTER FOR THE MIDDLE MARKET

- Launched in late-summer 2022
- Designed for middle market companies looking to get involved with NCMM
- Access to more detailed data, NCMM programs, Fisher/OSU students, and more
- To learn more, visit [www.middlemarketcenter.org/work-with-us](http://www.middlemarketcenter.org/work-with-us)



NATIONAL CENTER FOR  
THE MIDDLE MARKET

[www.middlemarketcenter.org](http://www.middlemarketcenter.org)