



NATIONAL CENTER FOR  
THE MIDDLE MARKET

# Year-End | 2021

MIDDLE MARKET INDICATOR

**Growth Surges and Predictions  
Remain Strong as Recovery  
Becomes More Universal**

IN COLLABORATION WITH



THE OHIO STATE UNIVERSITY  
FISHER COLLEGE OF BUSINESS

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# Executive Summary

Fully two-thirds of middle market businesses (67%) believe that their companies are currently in a better position than they were before the pandemic began. This sentiment is fueled by strong performance throughout 2021. By mid-year, many middle market companies were showing signs of significant recovery from the setbacks experienced in 2020, and by the close of 2021, nearly all middle market businesses have joined in the recovery. Approximately three-quarters (73%) of companies say business has improved compared to one year ago while just 7% report a decline in overall company performance over the past 12 months. Collectively, middle market companies posted their highest ever year-over-year revenue and employment growth rates. The year closed with strong economic confidence levels (albeit somewhat off their all-time highs) coupled with predictions for continued robust growth in 2022.

Between December 2020 and December 2021, the middle market experienced revenue growth of 12.3%, nearly double the historical average. These strong numbers result from more than three-quarters of companies reporting year-over-year revenue increases with more than half (56%) of these growing businesses reporting growth of 10% or more while just one in 10 companies reported declining revenues for the year. Renewed expansionary activity, including a surge in the introduction of new products and services as well as increased entry into new domestic markets, have been key to the growth story. While companies across all revenue bands and in all industries experienced growth, those in the financial services and retail trade sectors posted the strongest numbers.

To support the rapid increase in business activity in 2021, middle market companies have needed more people. Overall year-over-year middle market employment surged by 10.8%, well above the historical average annual employment growth rate of 4.1%. More than half (57%) of companies increased the size of their workforces with most growing employment by 10% or more. However, nearly three in 10 companies say they still do not have enough people to respond to current market conditions. Healthcare and construction businesses have the greatest employment needs with half of all healthcare companies saying they

do not currently have enough staff. Regardless of industry, virtually every middle market company (96%) reports experiencing at least some degree of difficulty finding and hiring people with the right skills for their available jobs—and half of companies describe these challenges as significant.

Nevertheless, executives foresee even more expansion on the horizon with both revenue and employment growth expected to remain high throughout 2022. Two-thirds of companies believe revenue will continue to increase in 2022, however at the slightly slower pace of 9.9%. Well over half (58%) of businesses have plans to continue aggressively hiring at nearly the same pace (10.3%) as they did in 2021.

To realize these forecasts, leaders will need to navigate through the labor shortage, skills gaps, and the need for a more digitally savvy workforce. Currently, companies are relying more heavily on the employees they do have, asking staff to work more hours and more shifts. Some businesses are also outsourcing or bringing in outside consultants to help manage the workload. IT and technology challenges present formidable headwinds to growth as well with 40% of companies reporting a digital skills gap and 66% of these companies saying that the gap is affecting performance either by slowing growth or leaving improvement opportunities untapped.

Even as talent and technology concerns mount, concerns related to the government and economy diminish. While confidence levels have cooled some from this significant spike seen six months ago, they remain strong and above five-year averages. Investment appetites continue their gradual rebound as well with IT and more personnel cited as the leading destinations for investments dollars as companies look to grow their teams and technical capabilities to keep up with demand. While two out of five executives continue to say they would hold onto an extra dollar as opposed to put it to work immediately, most of these savers have future investments in mind. The inclination to stockpile cash, which spiked during the pandemic, continues to lessen.

## Middle Market Indicator

*from the National Center for the Middle Market*

**THE MIDDLE MARKET INDICATOR (MMI) FROM THE NATIONAL CENTER FOR THE MIDDLE MARKET IS A BUSINESS PERFORMANCE UPDATE AND ECONOMIC OUTLOOK SURVEY CONDUCTED AMONG 1,000 C-SUITE EXECUTIVES OF COMPANIES WITH ANNUAL REVENUES BETWEEN \$10MM AND \$1B.**

There are nearly 200,000 U.S. middle market businesses that represent one-third of private sector GDP, employing approximately 48 million people. These businesses outperformed through the last financial crisis (2007–2010 period) by adding 2.2 million jobs across major industry sectors and U.S. geographies, demonstrating their importance to the overall health of the U.S. economy. They are private and public, family owned, and sole proprietorships, geographically diverse, and span almost all industries. The health of these businesses and their respective outlook serve as a solid indicator for the greater U.S. economy as a whole. (See [www.middlemarketcenter.org](http://www.middlemarketcenter.org): “The Market that Moves America,” seminal research on the definition, significance, and role of the middle market, Oct. 2011.)

### *How is the research conducted?*

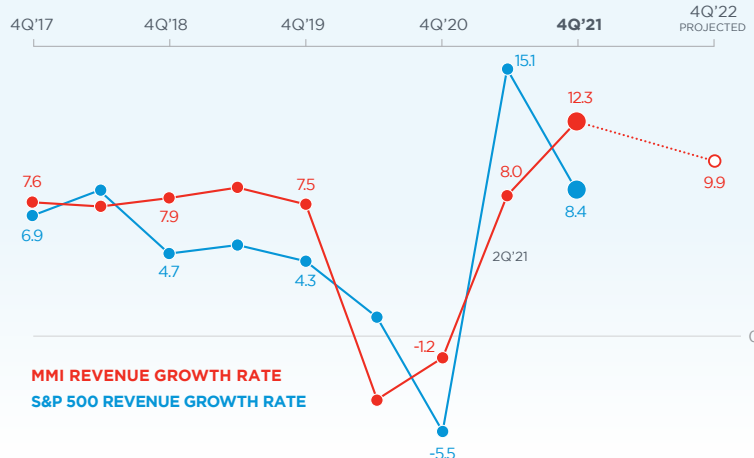
The MMI surveys 1,000 CEOs, CFOs, and other C-suite executives of America’s middle market companies on key indicators of past and future performance in revenues, employment, and allocation of cash. The survey also reports middle market company confidence in the global, U.S., and local economies and identifies key business challenge areas. The survey was designed to accurately reflect the nearly 200,000 U.S. businesses with revenues between \$10MM and \$1B, the lower and upper limits on middle market annual revenue. The survey is designed and managed by the National Center for the Middle Market. The most recent survey reflected in this report was fielded in December 2021.



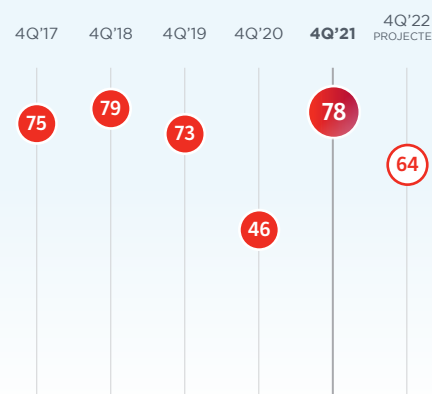
## Revenue

More than three-quarters of middle market companies reported positive revenue growth in 2021 compared to 2020. With year-over-year growth rates reaching an all-time high of 12.3%, the middle market is thriving, and most companies are sharing in the success. A positive outlook for 2022 suggests the growth is sustainable and will continue for most companies.

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



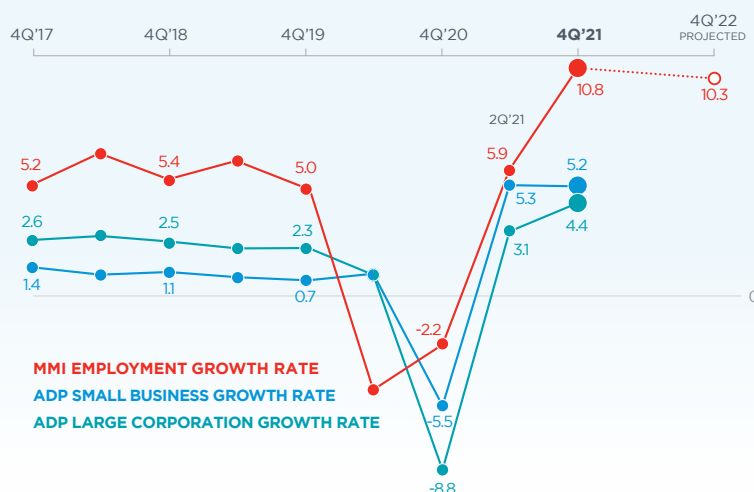
% of middle market companies reporting/projecting year-over-year revenue growth



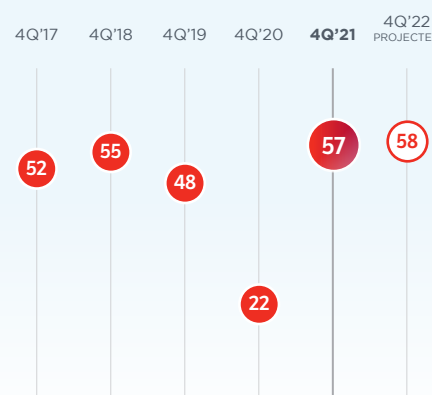
## Employment

Throughout 2021, middle market companies grew employment by 10.8%, far surpassing average year-over-year employment growth rates. A majority of mid-sized companies increased the size of their workforces over the past 12 months, and a similar percentage predict adding additional in jobs in 2022 with another record year for employment expansion on the horizon.

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



% of middle market companies reporting/projecting year-over-year employment growth



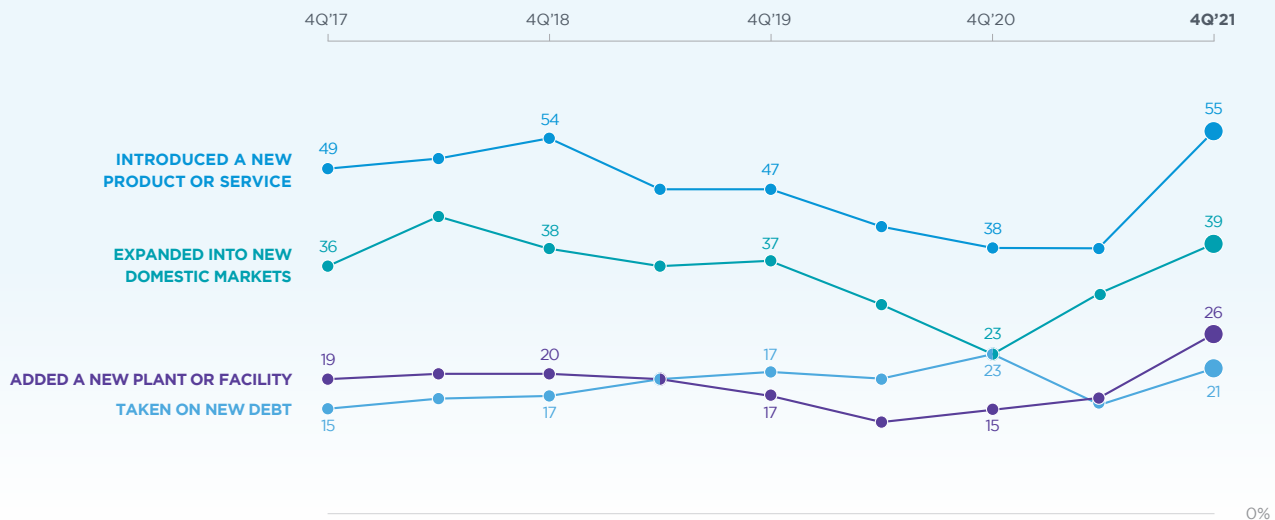
## KEY FINDINGS



## Expansion

*Expansionary activity has surged back above pre-pandemic levels with one out of five companies taking on new debt to help fuel growth.*

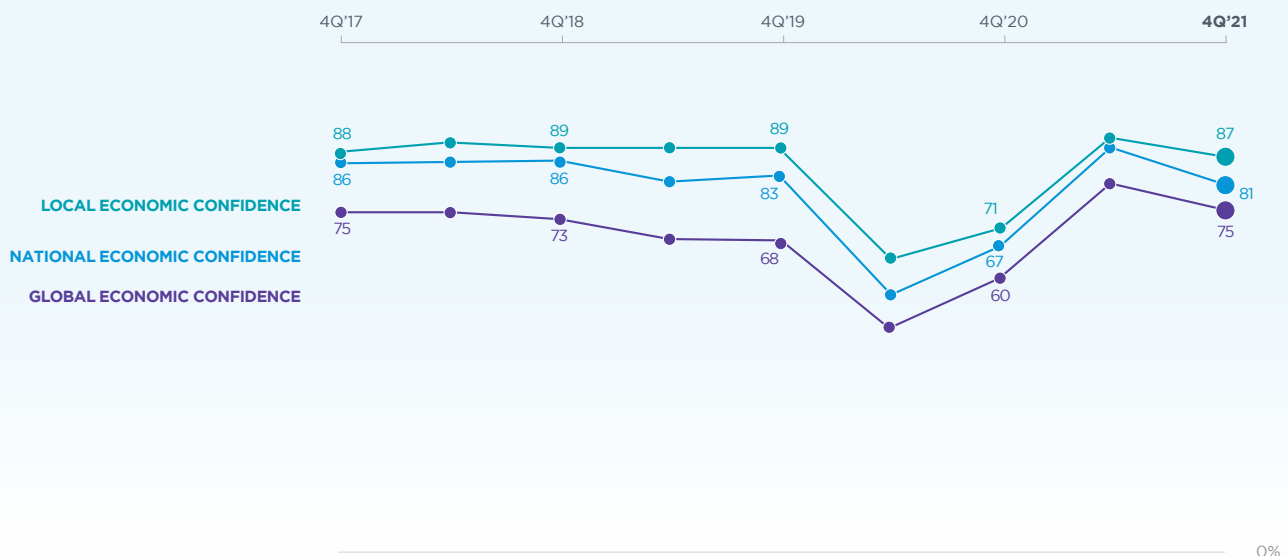
% of middle market companies engaging in expansion activities over the past 12 months



## Economic Confidence

*Confidence levels cool slightly after peaking mid year.*

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

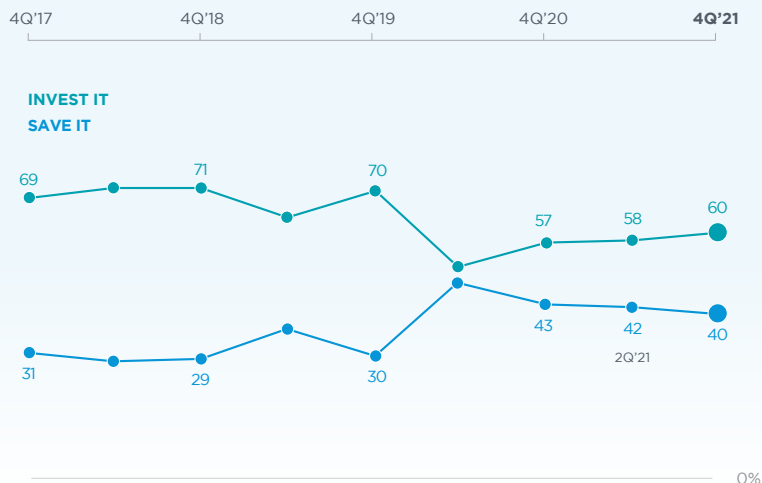




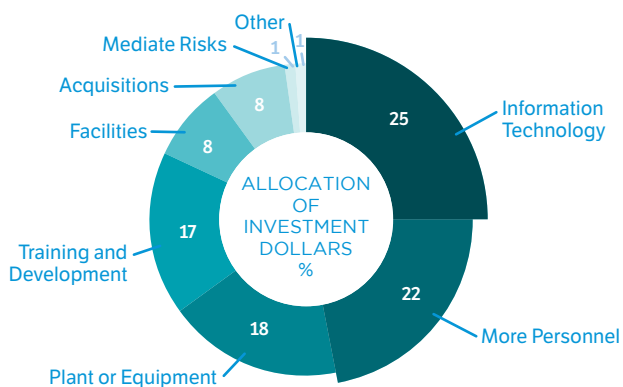
## Capital Investment

*Investment appetites continue their gradual rebound.*

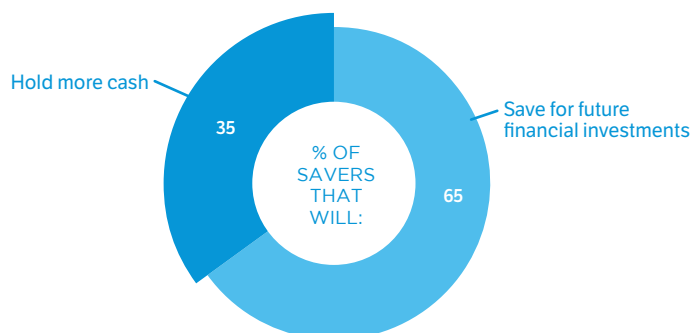
% of middle market executives that would invest vs. save an extra dollar



Information technology has become the leading destination for extra investment dollars, followed by building up the workforce



Most savers have future investments in mind



## Key Challenges

*Maintaining growth and keeping positions filled remain top challenges as COVID-19 concerns linger on.*

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

### INTERNAL CHALLENGES

- |                          |     |
|--------------------------|-----|
| 1. CORE BUSINESS ISSUES* | 59% |
| 2. TALENT MANAGEMENT     | 49% |
| 3. COVID-19              | 18% |
| 4. COSTS                 | 12% |

### EXTERNAL CHALLENGES

- |                          |     |
|--------------------------|-----|
| 1. CORE BUSINESS ISSUES* | 35% |
| 2. COVID-19              | 16% |
| 3. TALENT                | 15% |
| 4. ECONOMY               | 11% |

\*Core business issues include maintaining revenue and sales growth, ensuring customer satisfaction/retention, and IT/technology challenges.



NATIONAL CENTER FOR  
THE MIDDLE MARKET

The National Center for the Middle Market is the leading source of knowledge, leadership, and innovative research focused on the U.S. Middle Market economy. The Center 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. Stay connected to the Center by contacting [middlemarketcenter@fisher.osu.edu](mailto:middlemarketcenter@fisher.osu.edu).



THE OHIO STATE UNIVERSITY  
FISHER COLLEGE OF BUSINESS

From business as usual to business unusual, Fisher College of Business prepares students to go beyond and make an immediate impact in their careers through top-ranked programs, distinguished faculty and a vast network of partnerships that reaches from the surrounding business community to multinationals, nonprofits and startups across the globe. Our students are uniquely prepared and highly sought, leveraging Fisher's rigorous, experiential learning environment with the resources of Ohio State, a premiere research university with 500,000 proud Buckeye alumni.

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VISA

Visa is the world's leader in digital payments. Our mission is to connect the world through the most innovative, reliable and secure payment network – enabling individuals, businesses and economies to thrive. Our advanced global processing network, VisaNet, provides secure and reliable payments around the world, and is capable of handling more than 65,000 transaction messages a second. The company's relentless focus on innovation is a catalyst for the rapid growth of connected commerce on any device. As the world moves from analogue to digital, Visa is applying our brand, products, people, network and scale to reshape the future of commerce. For more information visit [usa.visa.com/about-visa.html](http://usa.visa.com/about-visa.html), [usa.visa.com/visa-everywhere/blog.html](http://usa.visa.com/visa-everywhere/blog.html) and @VisaNews.



NATIONAL CENTER FOR  
THE MIDDLE MARKET

# 2Q | 2021

## MIDDLE MARKET INDICATOR

**An Uneven Recovery as  
Some Companies Excel While  
Others Continue to Struggle**

IN COLLABORATION WITH



THE OHIO STATE UNIVERSITY  
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# Executive Summary

After a year of stagnant or declining revenue and employment growth rates for the majority of middle market companies, the U.S. middle market has returned to strong year-over-year growth with two-third of companies reporting that company performance is better today compared to one year ago. Economic confidence is above pre-pandemic levels and expansion into new markets has resumed for many businesses. However, while fewer than one out of 10 middle market companies indicate that overall performance continues to deteriorate, a third of businesses have yet to fully join in the recovery.

On average, middle market gross revenues have grown 8% since June 2020. Yet revenue growth is not universal within the middle market. While nearly half (45%) of companies report robust revenue growth of 10% or more since June 2020, a significant proportion (21%, or one out of five companies) report that revenues continue to decrease. Similarly, overall employment growth in the middle market increased by 5.9% compared to a year ago with a third of businesses expanding the size of their staff by 10% or more since last summer. However, 18% of middle market companies continue to see employment decrease while 37% report no change in the size of the workforce.

Whether companies are in full-fledged recovery mode or still contending with pandemic-related issues, nearly all middle market leaders report renewed confidence in economic conditions both close to home and around the world as vaccines continue to roll out, and restrictions are lifted across much of the nation. Confidence levels have soared with global, national, and local economic confidence exceeding pre-pandemic levels. Business leaders are slower to put their money where their mouths or minds are, however: overall expansionary activity still lags and investment appetites, while increasingly modestly, remain

decidedly below pre-pandemic levels. Savers, however, are much more likely to be considering future investments as the destination for their dollars than they were six months ago and less likely to simply hold cash, indicating that investment numbers may improve as the recovery from the pandemic continues.

Overall, the middle market expects to sustain its recovery well into 2022. A solid 65% of leaders (up from 44% six months ago) say revenues will continue to increase while 57% (up from 33% six months ago) project continued workforce expansion. The anticipated rates of 12-month revenue growth and employment growth are extremely strong at 9.8% and 8.9% respectively.

Companies in all industries are playing a part in the recovery story with the financial services sector reporting some of the strongest 12-month revenue growth and projected revenue growth numbers (13.4% and 13.2%, respectively). Business services and manufacturing services have experienced strong growth as well. Retailers, while growing, are recovering at a slower pace than their peers in other industries (6.6% year-over-year revenue growth), but leaders in the retail sector have strong projections for the industry in the 12 months ahead.

Achieving these projections will be the biggest challenge middle market companies face over the next 12 months as leaders look for ways to drive the top line and keep pace with the technology needed to successfully operate their businesses. Talent management will be an issue as well, especially acquisition and recruitment. Approximately a quarter of firms in all industries report having insufficient workforce to meet current market conditions. That number jumps to 39% for the healthcare sector.

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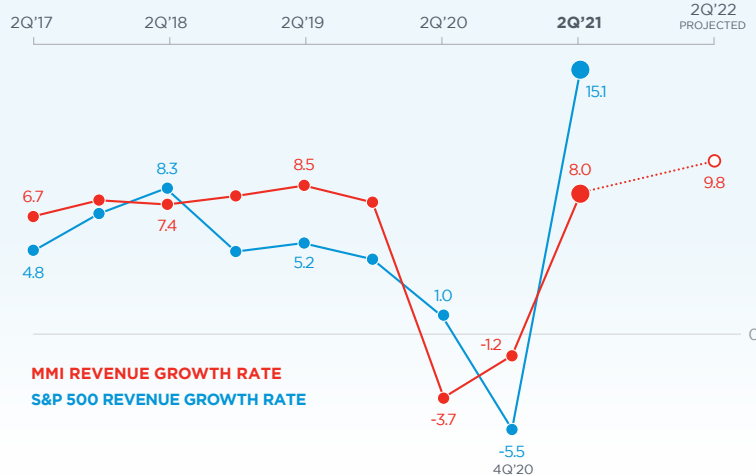




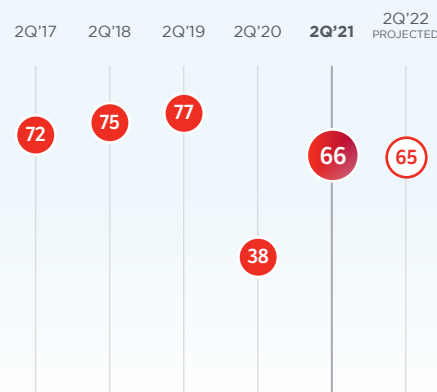
## Revenue

Year-over-year U.S. middle market top line revenue growth surged to 8.0%, indicating a healthy recovery underway for the segment as a whole. However, a third of middle market businesses continue to struggle with stagnant or declining revenue growth. Two-third of companies anticipate continued robust revenue growth into 2022.

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



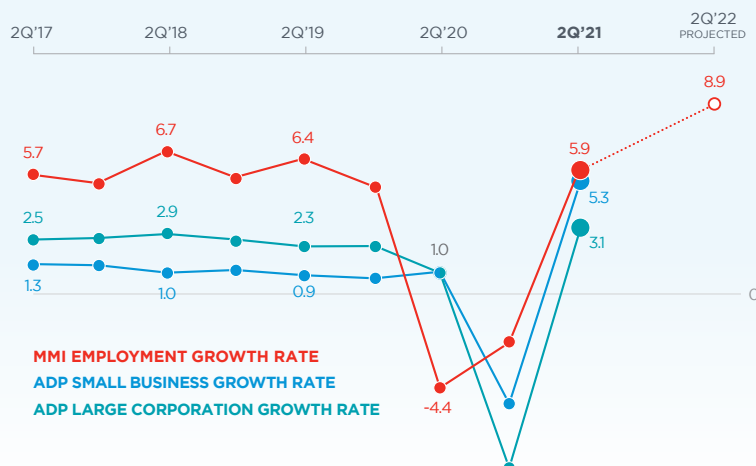
% of middle market companies reporting/projecting year-over-year revenue growth



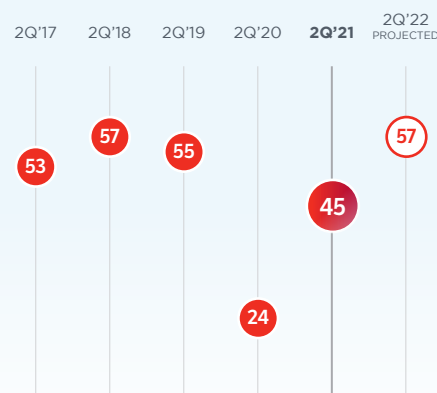
## Employment

Since June 2020, middle market employment has increased by almost 6% with nearly half of businesses reporting employment growth over the past 12 months. A majority of middle market companies project that they will increase the size of the workforce over the next 12 months, pushing the year-over-year projected employment growth rate to nearly 9%.

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



% of middle market companies reporting/projecting year-over-year employment growth



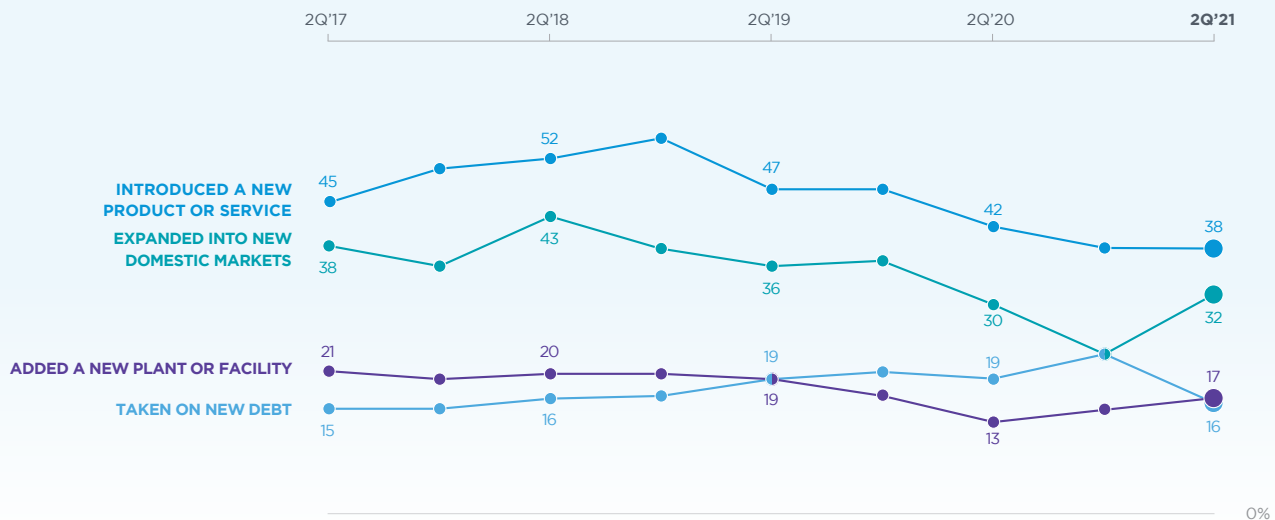
## KEY FINDINGS



## Expansion

Expansion into new markets as well as adding physical assets increased while the proportion of companies taking on new debt declined.

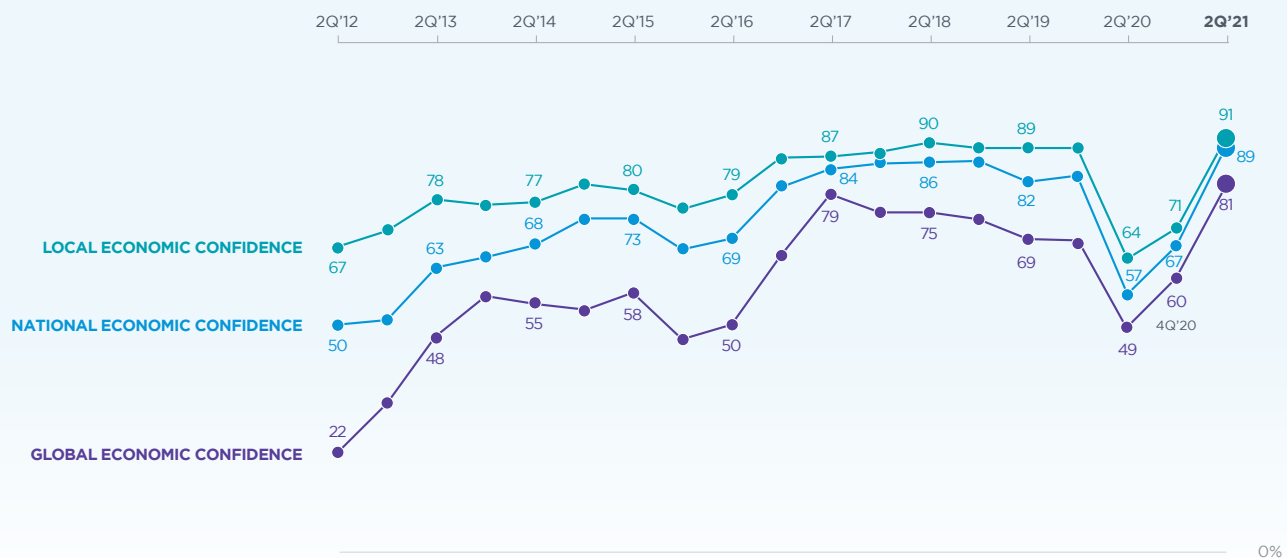
% of middle market companies engaging in expansion activities over the past 12 months



## Economic Confidence

Global, national, and local confidence rise to record high levels.

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





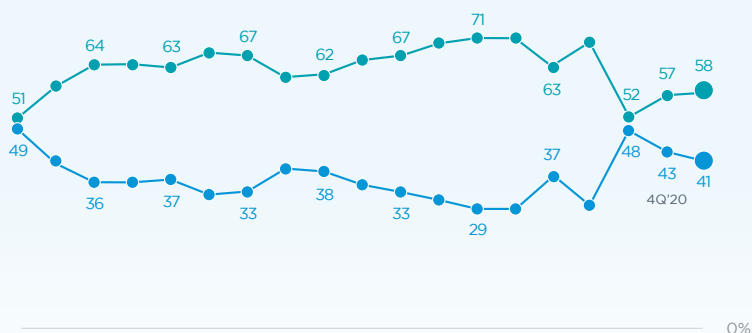
## Capital Investment

*Appetite for investment continues to slowly increase.*

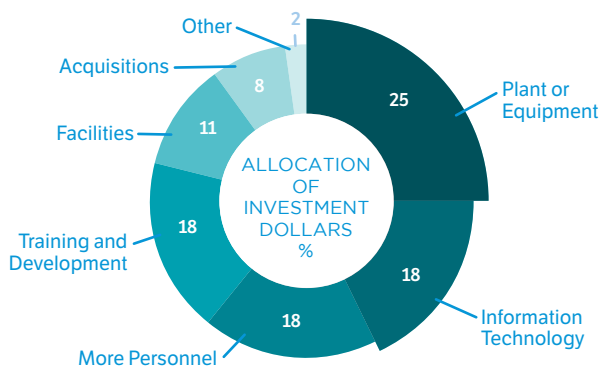
% of middle market executives that would invest vs. save an extra dollar

2Q'12 2Q'13 2Q'14 2Q'15 2Q'16 2Q'17 2Q'18 2Q'19 2Q'20 2Q'21

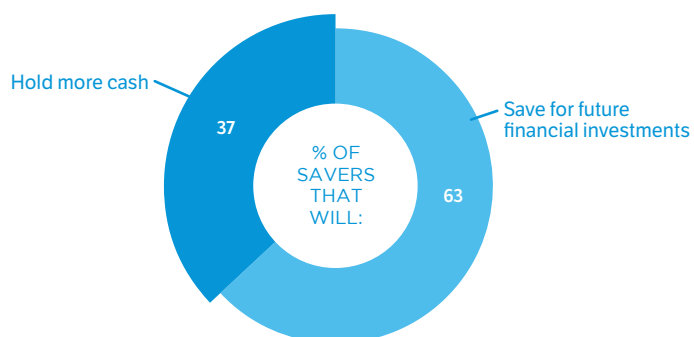
INVEST IT  
SAVE IT



New plant or equipment is the top destination for investment dollars followed by human resource focused initiatives and information technology



Savers are planning for future investments



## Key Challenges

*Executives focus on growth and staffing as COVID-19-related concerns diminish.*

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

### INTERNAL CHALLENGES

- |                          |     |
|--------------------------|-----|
| 1. CORE BUSINESS ISSUES* | 54% |
| 2. TALENT MANAGEMENT     | 46% |
| 3. COVID-19              | 18% |
| 4. COSTS                 | 13% |

### EXTERNAL CHALLENGES

- |                          |     |
|--------------------------|-----|
| 1. CORE BUSINESS ISSUES* | 32% |
| 2. GOVERNMENT            | 14% |
| 3. ECONOMY               | 13% |
| 4. COVID-19              | 12% |

\*Core business issues include maintaining revenue and sales growth, ensuring customer satisfaction/retention, and IT/technology challenges.



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From business as usual to business unusual, Fisher College of Business prepares students to go beyond and make an immediate impact in their careers through top-ranked programs, distinguished faculty and a vast network of partnerships that reaches from the surrounding business community to multinationals, nonprofits and startups across the globe. Our students are uniquely prepared and highly sought, leveraging Fisher's rigorous, experiential learning environment with the resources of Ohio State, a premiere research university with 500,000 proud Buckeye alumni.

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Solutions  
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