



NATIONAL CENTER FOR
THE MIDDLE MARKET

COVID-19 AND THE MIDDLE MARKET: 2Q 2021

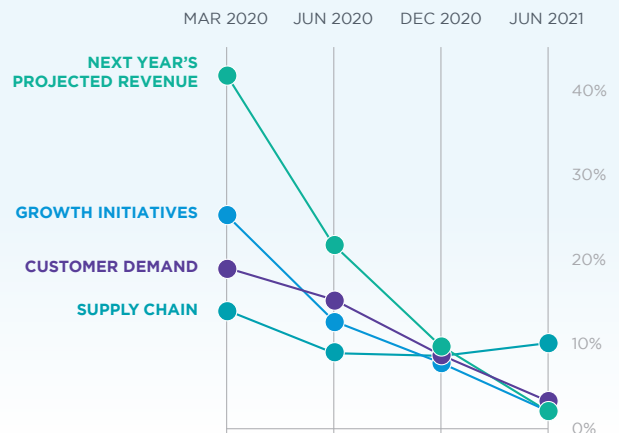
With the pandemic appearing to come under control and the United States moving towards a post-pandemic era, the National Center for the Middle Market surveyed 1,000 financial decision-makers in conjunction with its 2Q 2021 Middle Market Indicator (MMI) survey. We compared the data, collected in June 2021, with findings from our 4Q and 2Q 2020 MMI surveys, our March 2020 COVID-19 pulse survey of 260 companies, and our 4Q 2019 MMI survey.

1. The pandemic's long-term negative impact on supply chains remains a lingering concern for some.

Very few middle market business leaders feel that the pandemic will continue to have a major negative influence on most business activities into 2022. Indeed, only one out of five business executives believe there will be any lingering pandemic-related consequences at all for revenues, growth initiatives, and customer demand by the midpoint of next year.

Supply chain is the one area where middle market leaders continue to struggle with various issues. A third of decision makers anticipate at least some ongoing negative impact will persist in this area 12 months from now, and 10% of those leaders believe the ongoing supply chain implications will continue to be significant during the coming year.

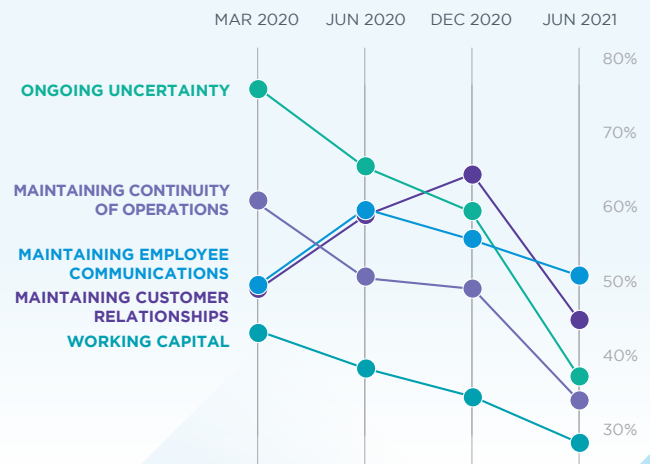
PERCENT OF EXECUTIVES EXPECTING A MAJOR NEGATIVE LONG-TERM IMPACT TO THEIR BUSINESS IN THE FOLLOWING AREAS:



2. As uncertainty abates, employee communications continue to be difficult.

Running a business during the pandemic has not been easy for middle market leaders, but most of the challenges, including the ongoing uncertainty, continue to become significantly less pronounced. However, maintaining employee communications continues to be difficult for half of middle market companies and is now the leading pandemic-related hurdle leaders face, followed by challenges associated with maintaining customer relationships.

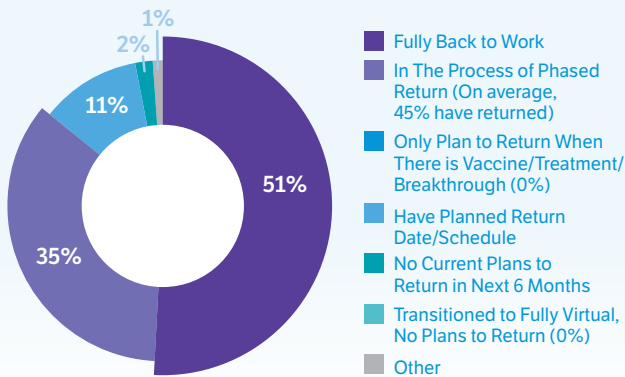
MOST DIFFICULT ASPECT OF RUNNING A BUSINESS IN THE CURRENT ENVIRONMENT



3. The majority of middle market employees are back to their work sites.

People are back at their desks and workstations in nearly all middle market businesses across the country. Half of companies have fully completed the return to work while an additional 35% are in the process and another 11% have set the date for employee return. Compared to six months ago, when more than a quarter of middle market businesses were unsure of their strategies for bringing people back in person, currently just 2% of companies continue to lack plans to return to in-person work within the next six months.

STATUS OF THE MIDDLE MARKET WORKFORCE



4. Growth projections surge.

With much of the workforce back in place and executives feeling confident in the future, growth projections have experienced a major uptick. Expected revenue growth for the year ahead is double what it was prior to the onset of the pandemic, perhaps because companies are well-positioned to make up for the ground lost during the last 16 months. To support this growth, plans for expansionary activity have escalated as companies may now be greenlighting capital projects and plans for entry into new markets that were put on hold during the heart of the pandemic.

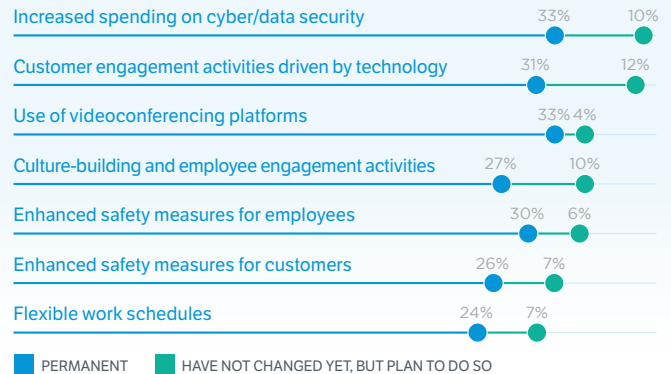
REVENUE, EMPLOYMENT, AND INVESTMENT OUTLOOK PRE AND DURING PANDEMIC

	DEC 2019 PRE PANDEMIC	JUN 2020 3 MONTHS INTO PANDEMIC	DEC 2020 9 MONTHS INTO PANDEMIC	JUN 2021 15 MONTHS INTO PANDEMIC
Projected 12-month revenue growth rate	4.9%	2.0%	4.1%	9.8%
Projected 12-month employment growth rate	3.5%	-0.2%	2.2%	8.9%
Plan to enter new markets in the next 12 months	50%	37%	43%	58%
Expect to build a new facility in the next 12 months	24%	13%	25%	43%

5. Technology and safety-related upgrades will remain in place.

Over the past 16 months, virtually every middle market business has made policy, process, and physical changes in response to the pandemic. Some of those changes were mandated by federal and local policies that have since been relaxed. Others were made at executives' discretion as they considered the best ways to maintain operations and customer and employee relationships. But which of those changes will stay in place long term? For approximately a third of middle market businesses, technology upgrades such as videoconferencing and increased cybersecurity spending have become permanent adaptations. An additional quarter of companies will continue with enhanced safety measures and flexible work schedules.

PERMANENT AND PLANNED CHANGES MADE IN RESPONSE TO THE PANDEMIC



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