3Q 2012

MIDDLE MARKET INDICATOR

NATIONAL CENTER FOR
THE MIDDLE MARKET

In Collaboration With

THE OHIO STATE UNIVERSITY FISHER COLLEGE OF BUSINESS

GE Capital

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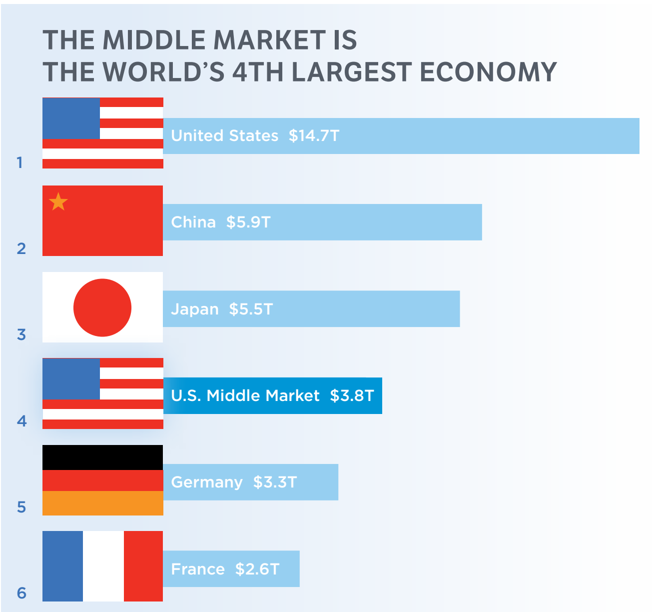
Middle Market Indicator
from The National Center for the Middle Market



Source: CIA World Fact Book, BEA, U.S. Census, National Center for the Middle Market survey

The Middle Market Indicator (MMI) from The National Center for the Middle Market is a quarterly 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 approximately 197,000 U.S. middle market businesses that represent one-third of private sector GDP, employing approximately 43 million people. These businesses outperformed through the 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: "Leading from the Middle," 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 197,000 U.S. businesses with revenues between $10MM and $1B, the upper and lower limits on middle market annual revenue. The quarterly survey is designed and managed by The National Center for the Middle Market.

ABOUT THE NATIONAL CENTER FOR THE MIDDLE MARKET

Founded in 2011 in partnership with GE Capital, and located at The Ohio State University Fisher College of Business, The National Center for the Middle Market is the leading source of knowledge, leadership, and innovative research 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. The Center's website, which offers a range of tools and resources for middle market companies, can be visited at www.middlemarketcenter.org.

Executive Summary

Middle market companies plan to expand payrolls over the next 12 months, even as revenue expectations weaken and broad economic concerns persist. In a September survey, middle market executives said they added jobs during the previous 12-months at a 2.2% rate – translating into 950,000 new jobs and outpacing the national average of about 1.7%[1] – and expect to continue to create jobs going forward albeit at a decelerating rate, underscoring the group's resiliency. In the next 12-months middle market companies expect to expand payrolls at a rate of 1.3%, down from 1.8% in the previous quarter but still committed to growth in a very uncertain economic environment.

As a group, middle market company executives continue to express widespread concern for the global and domestic economies, citing uncertainties about regulations, taxes and their ability to maintain margins. Healthcare costs are on the top of their concerns. The dim outlook was especially prevalent in larger middle-market companies – those with revenues from $100 million - $1 billion in revenue – which account for more than half of all middle market company employment. The weak confidence is taking a toll; middle market companies expect to slow down their hiring in the coming year.

The middle market posted 5.5% revenue growth in the third quarter compared with the year earlier period. This outperforms the corresponding rate of 1.6% for the S&P 500. However, the 5.5% growth rate extends a deceleration from the first two quarters of the year. Going forward, the middle market anticipates annual revenue growth to slow by a third to 3.7%, still more than double the anticipated 1.5% growth of the S&P[2].

Slowing revenue and employment growth bodes poorly for the overall U.S. economy, as the middle market contributes almost one third of all private sector employment and GDP.

"There is real concern as to the condition of the economy today due to the uncertainties. The potential for substantial tax changes after Jan 1st is effecting everyone's attitude toward positive business growth. As a result hiring and capital expenditures are on hold by many in the mid market."

— CEO, Manufacturing, $40 million annual revenues, 250 employees, privately owned

[1] U.S. Bureau of Labor Statistics, Employment Situation, September, 2012

[2] S&P/Case-Schiller Home Price Index, September 25, 2012; National Association of Realtors, September

Key Findings:

GLOBAL AND U.S. CONFIDENCE REMAINS MUTED:

The middle market overall continues to show a lack of confidence in the global and U.S. economies – highly concerned about health care costs, the ability to maintain margins, the cost of doing business and uncertainty regarding government actions. More than 70% of the middle market said they were not confident or somewhat not confident about global economic prospects. Concerns about the U.S. economy worsened slightly in the quarter; 52% of respondents said they were not confident or somewhat not confident about the domestic economic outlook, compared with 50% in the previous quarter.

FUTURE INVESTMENT OUTLOOK REMAINS CAUTIOUS:

Middle market companies remain hesitant to invest additional cash, extending their habit of postponing investment opportunities. The number of companies who said they would hold cash dropped in the third quarter from 49% to 44%, providing a glimmer of hope that the middle market may start investing in capital expenditures, expansion or other areas that could fuel growth. However, that number lags first-quarter results when 41% said they would hold excess cash.

NEXT 12-MONTH REVENUE GROWTH EXPECTED TO SOFTEN:

Middle market companies expect gross revenue to gain 3.7% in the next 12 months, a decline from second quarter expectations of 4.8% and 5.2% for 1Q expected growth. All revenue segments expect some decline and there was a sharp drop off in the number of firms expecting to grow more than 10%. Only 17% of all respondents in the survey said they expect double-digit revenue growth compared with 23% in the prior quarter, and 28% in Q1.

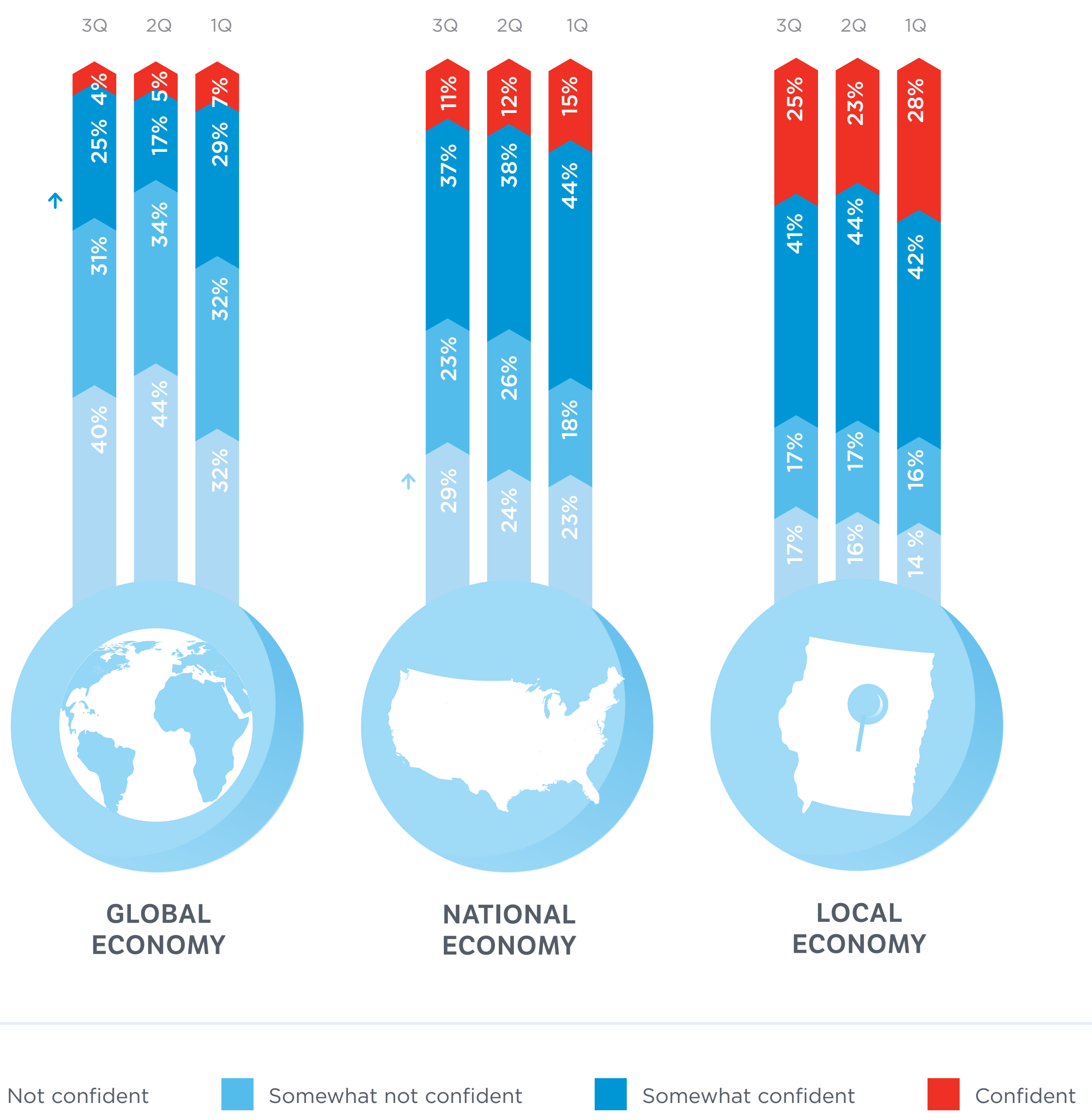
HIRING EXPECTED TO CONTINUE, BUT AT LOWER LEVELS:

Despite macroeconomic headwinds and related business challenges threatening growth, middle market companies intend to continue to increase payrolls across all revenue segments and most industry sectors in the next-12 months. Only retail trade is forecasting a small contraction (-0.2%).

CHALLENGES PERSIST:

A large majority of leaders at middle market companies cited uncertainty about healthcare costs as their major challenge, a persisting concern as healthcare and other regulations remain in flux. The same concerns were highlighted in Q1 and Q2 surveys. In addition, middle market company leaders expressed a rising concern with their ability to maintain margins and the cost of doing business, indicating that they are having trouble and foresee difficulties in rising prices and passing on increased costs to customers.

Economic Confidence Indicators



Growth Indicators

Revenue Growth

MIDDLE MARKET

	PAST 12 MO.	NEXT 12 MO.
3Q	5.5%	3.7%
2Q	6.1%	4.8%
1Q	6.9%	5.2%

S&P 500

	PAST 12 MO.	NEXT 12 MO.
3Q	1.6%	1.5%
2Q	4.8%	4.0%
1Q	9.4%	4.7%

Employment Growth

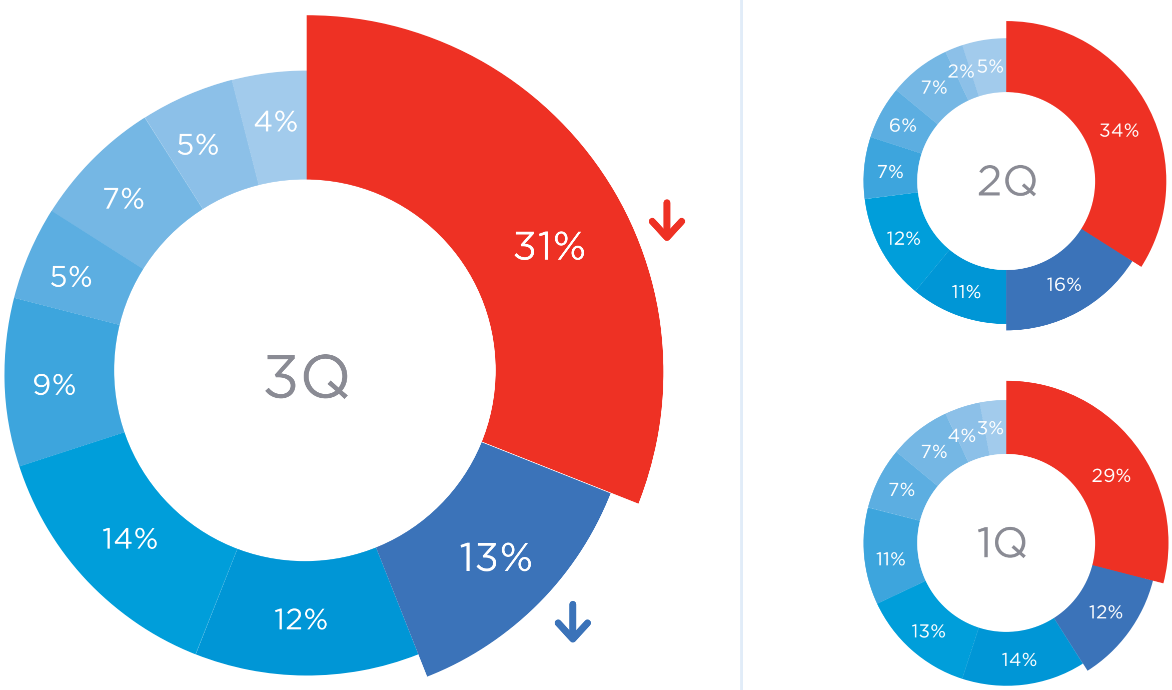
MIDDLE MARKET

	PAST 12 MO.	NEXT 12 MO.
3Q	2.2%	1.3%
2Q	2.0%	1.8%
1Q	1.5%	N/A

S&P 500 (PAST 12 MO.)

	LARGE CORP.	SMALL BUS.
3Q	3.4%	1.2%
2Q	1.0%	1.0%
1Q	1.7%	1.9%

Incremental Investment Allocation



- Hold Cash
- Hold It for Investing
- Information Technology
- Capital Expenditures — Plant or Equipment
- Acquisitions
- Capital Expenditures — Facilities
- HR — More Personnel
- HR — Training & Development
- Other

Recent & Expected Growth

Past 12 Mo. Revenue

BY REVENUE SEGMENT	3Q		2Q	1Q
10MM–<$50MM	5.4%	=	5.8%	6.0%
$50MM–<$100MM	6.5%	↑	5.3%	6.5%
$100MM–$1B	5.3%	↓	7.0%	8.3%

Next 12 Mo. Revenue

BY REVENUE SEGMENT	3Q		2Q	1Q
10MM–<$50MM	3.8%	↓	4.4%	5.4%
$50MM–<$100MM	3.5%	↓	4.4%	4.8%
$100MM–$1B	3.7%	↓	5.5%	5.0%

Revenue growth, while still outpacing the overall economy, continues to decelerate, dropping to 5.5% from 6.1% and 6.9% in the first three quarters of 2012. Slightly more than half (51%) of middle market companies indicated that their business performance improved versus a year ago; that proportion is down markedly from 58% in the second quarter and 62% in the first quarter.

Larger businesses, those with revenues between $100 million – $1 billion, showed the largest decline, with revenue growth falling to 5.3%, down from 8.3% in 1Q. This is the group that accounts for half of all middle-market employment.

There also was a sharp decline in the revenue growth for the fastest-growing middle market companies—those that forecast revenue gains of 10% or higher. The number of companies reporting double-digit increases in revenue for the past 12 months dropped to 26% in the third quarter from 32% in the second quarter and 38% in the first quarter.

Looking at the data by industry shows largely stable results in the services, wholesale trade and construction sectors. There were sharper declines in manufacturing and healthcare. Only financial services saw a notable gain. The decline in manufacturing also mirrors a recent 3-month contraction as reported by The Institute for Supply Management PMI that tracks and reports monthly on 18 manufacturing industries. The August figure was 49.6%. Any reading below 50 indicates contraction in the sector.

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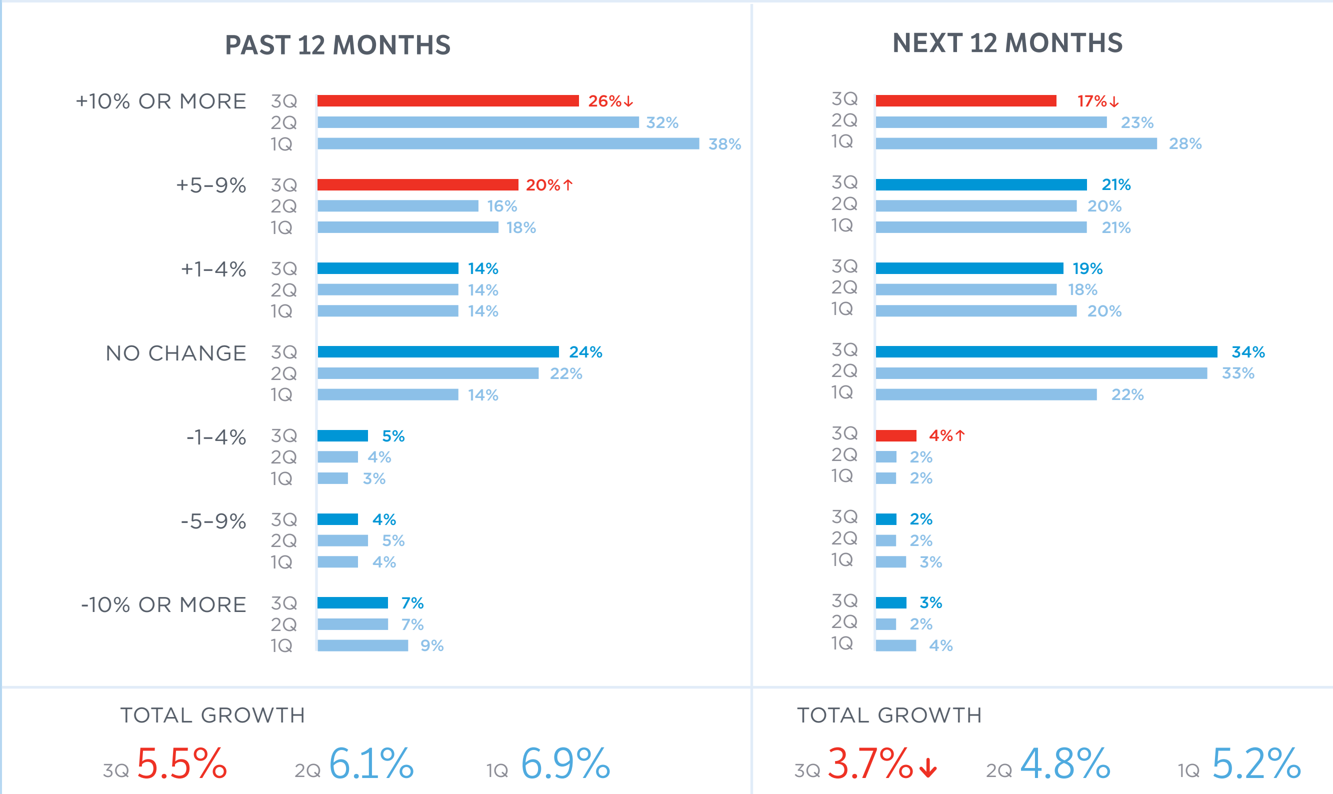
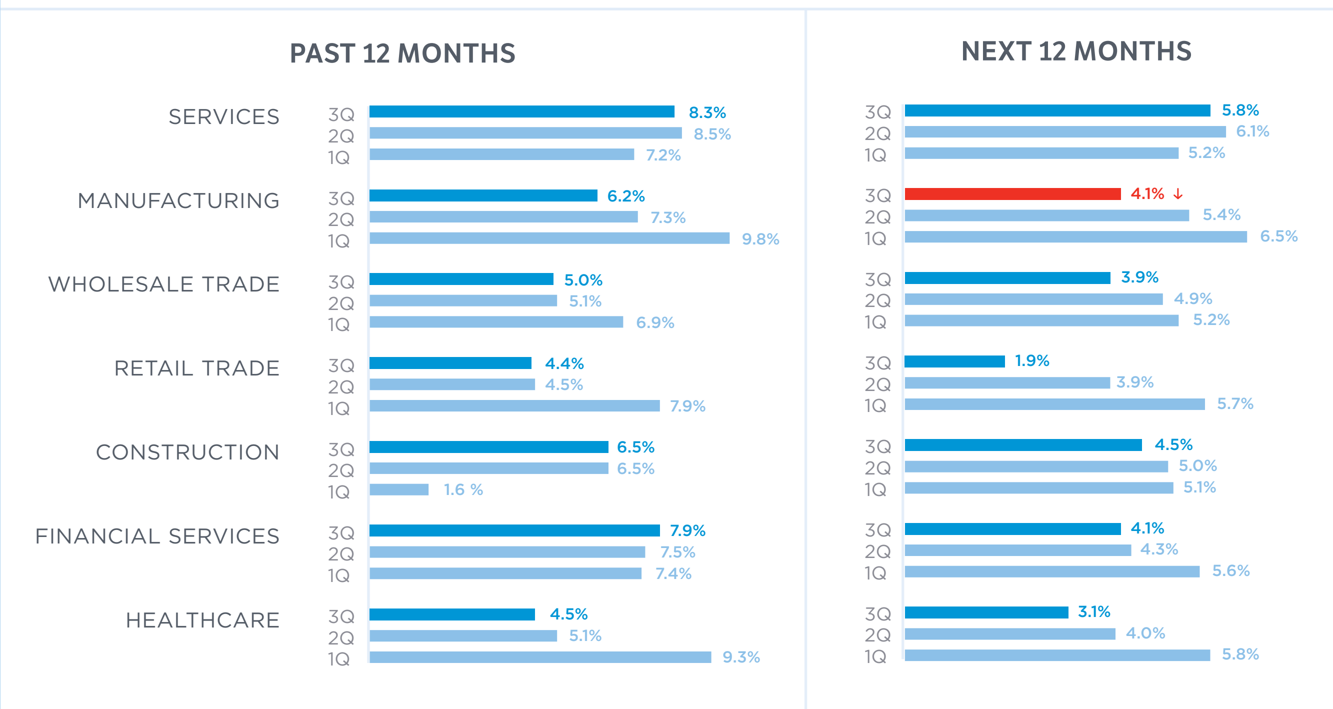
Revenue Performance

Revenue growth continues to slow (vs. the same time period a year ago) and is significantly lower in the 3rd Quarter than in either preceding time period.



Revenue Performance by Industry

Overall revenue growth is stable in services and construction, but weakness (to one degree or another) is seen in all remaining sectors.



Recent & Expected Growth

Past 12 Mo. Employment

BY REVENUE SEGMENT	3Q	2Q	1Q
10MM–<$50MM	2.3% ↑	1.7%	1.2%
$50MM–<$100MM	2.2% ↓	2.5%	0.7%
$100MM–$1B	2.0% ↓	2.2%	2.3%

Next 12 Mo. Employment

BY REVENUE SEGMENT	3Q	2Q	1Q
10MM–<$50MM	1.6% ↓	1.8%	N/A
$50MM–<$100MM	1.6% ↓	1.5%	N/A
$100MM–$1B	0.7% ↓	1.8%	N/A

Continued from previous page...

In the next 12 months, revenue growth is expected to continue to soften, with survey respondents forecasting gains of 3.7% down from 4.8% in the second quarter and 5.2% in the first. That marks a substantial slowdown, but still is more than double the forecasted 1.5% gain for the S&P 500.

The deceleration in revenue growth likely will come from middle market companies of all sizes and cuts across all industry sectors, particularly manufacturers, retailers and healthcare providers. The number of middle market companies expecting revenues to increase 10% or more in the next 12 months dropped to 17% of the middle market, compared with 28% in the first quarter and 23% in the second quarter.

Despite the moderation in revenue growth, the middle market continues to add jobs. Employment grew at a 2.2% clip in the third quarter, ramping up from 2.0% in the second and 1.5% in the first period of 2012. That equates to about 950,000 new jobs.

Smaller middle market companies, those with revenue from $10 million to $50 million added jobs at a 2.3% rate, almost double the 1.2% rate posted in the first quarter. Construction led the way in terms of employment growth.

Going forward, one in three middle market businesses expect to add jobs over the next 12 months, roughly the same number as the previous quarter, reflecting the ongoing role of the middle market in jobs creation despite slowing revenue and challenges in the economy.

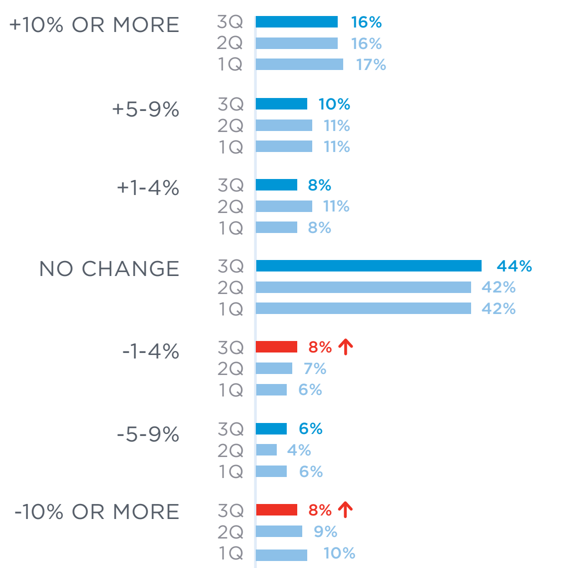
Fewer of the largest middle-market companies expect to add jobs, with only 33% of survey respondents from this group saying they expect to add jobs, down from 39% in the second quarter. Expected employment growth will vary by industry. Employment growth expectations are strongest among services, construction and healthcare firms, as a larger number of companies in each of these industries said they expect to ramp up hiring in the next 12 months.

S&P/Case-Schiller Home Price Index, September 25, 2012; National Association of Realtors, September 2012 report

Employment Performance

Despite headwinds, the middle market continues to add jobs at the same rate at the same rate as the previous two quarters.

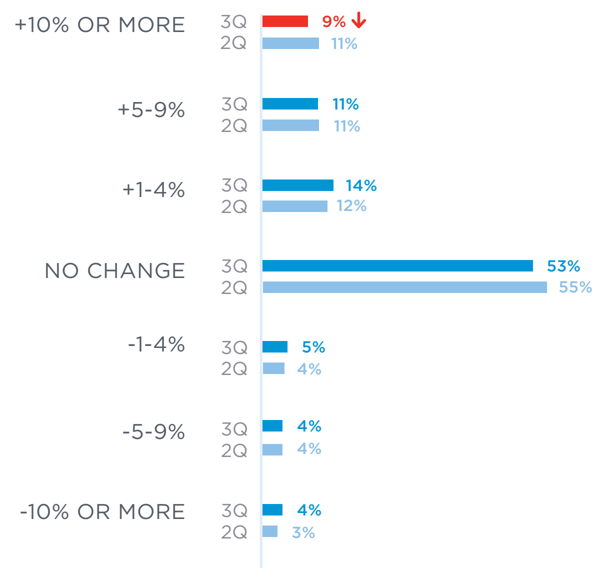
PAST 12 MONTHS



TOTAL GROWTH

3Q 2.2% 2Q 2.0% 1Q 1.5%

NEXT 12 MONTHS



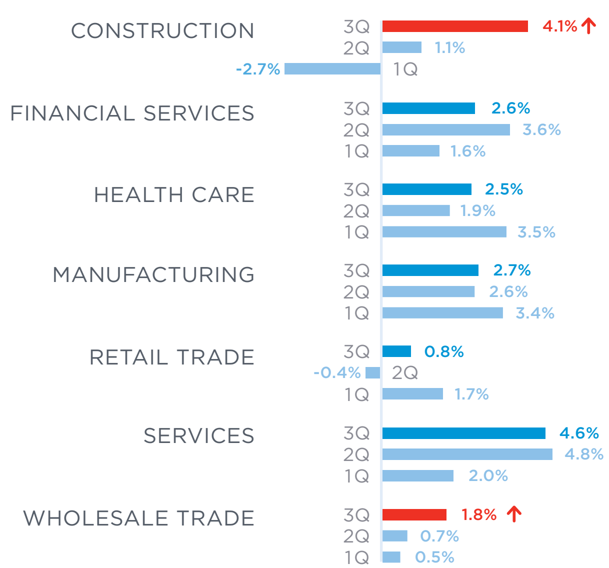
TOTAL GROWTH

3Q 1.3% 2Q 1.8% 1Q N/A

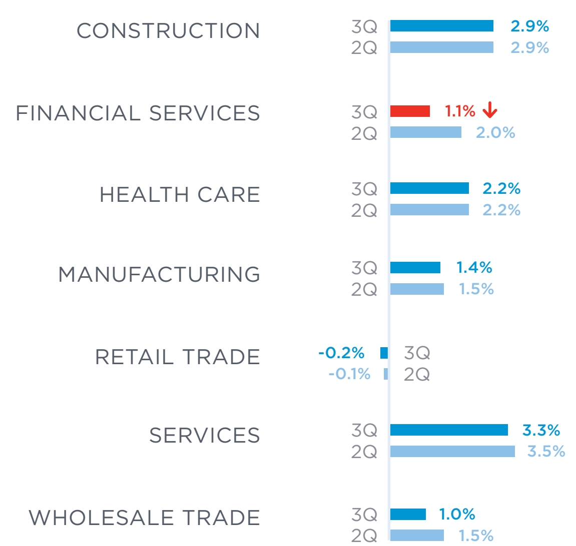
Employment Performance by Industry

Relative to the 1st Quarter, employment growth is significantly higher in both services and construction.

PAST 12 MONTHS



NEXT 12 MONTHS



Confidence & Future Outlook

On whole, middle market companies remain largely pessimistic about the global economic outlook with 71% of respondents saying they are not confident or somewhat not confident about global prospects. Confidence in the U.S. economy is better, but remains largely bleak with 52% of respondents not confident or somewhat confident in the domestic economy. Sentiments are better for local economies, as 66% of respondents expressed at least some confidence in local prospects, down slightly from 67% in the prior three months.

No specific sector displays overwhelming confidence either in the U.S. or global economy. However, across the board each sector displayed a nominal increase in mild confidence about the global economy.

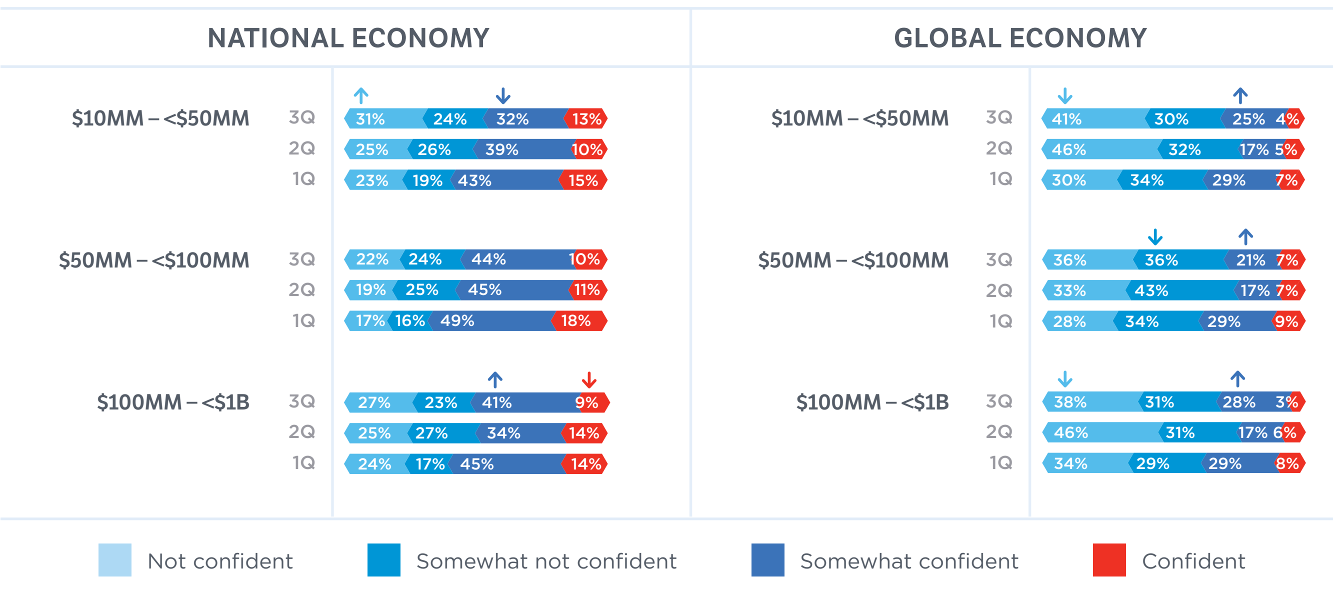
As for the U.S. economy, all sectors also showed increases in mild confidence – with the two notable exceptions of construction and financial services where there were large increases in the lack of confidence in both sectors.

Middle market companies increasingly expect moderating future growth across the board from local to global levels, a continuing trend from last quarter. Executives anticipate declining growth of -0.3% on the global level and flat growth of 0.7% and 1.7% growth on the national and local levels, respectively.

The middle market remains cautious on spending excess cash, though there is an indication that the group may be more willing to invest. The percentage of respondents willing to invest excess cash rose in the third quarter to 56% from 51% but still lags the 59% results of the first quarter survey. Only 19% of respondents said they would spend excess cash on capital expenditures and 12% on information technology upgrades. The number of manufacturers and construction companies which said they would hold cash dropped sharply in the third quarter, indicating potential strength for these sectors.

Confidence by Revenue Segment

Confidence in the US remains relatively muted across the board.

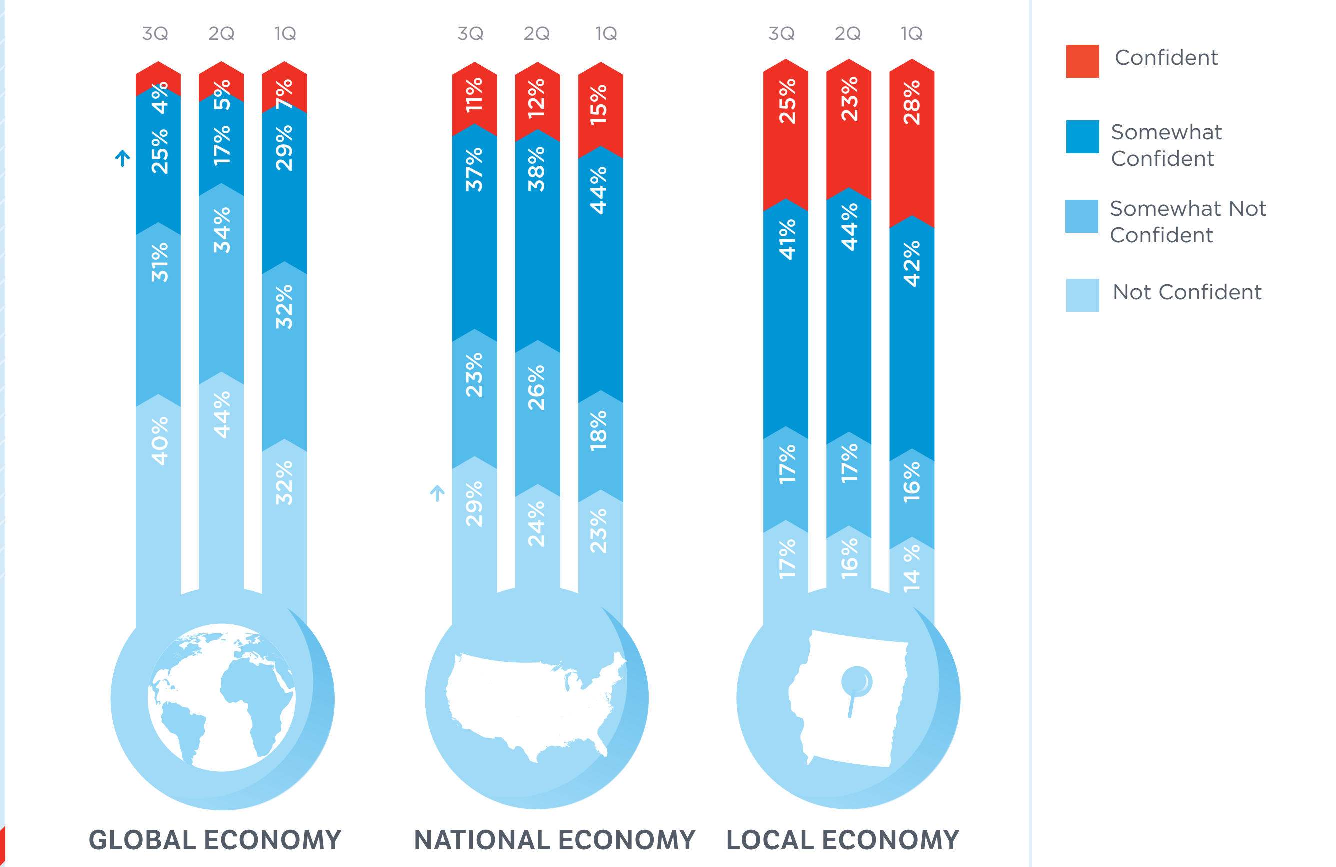


Base: Total Respondents: 3Q=1000; 2Q=1000; 1Q=1002.

Note: Arrows indicate significant difference compared to immediate previous time period

Q7. How confident are you in each of the following?

Economic Confidence Indicators



Confidence by Industry

No one sector displays an overwhelming confidence in either the Global or US economies.

NATIONAL ECONOMY

Industry	Quarter	Not confident	Somewhat not confident	Somewhat confident	Confident
CONSTRUCTION	3Q	29%	28%	31% ↓	13% ↑
	2Q	20%	26%	45%	9%
	1Q	30%	26%	35%	9%
FINANCIAL SERVICES	3Q	33% ↑	19% ↓	33% ↓	15%
	2Q	19%	28%	37%	16%
	1Q	17%	15%	51%	17%
HEALTH CARE	3Q	22%	22%	39% ↑	17% ↑
	2Q	28%	30%	31%	11%
	1Q	26%	22%	43%	9%
MANUFACTURING	3Q	26% ↑	22%	41%	11% ↓
	2Q	24%	25%	37%	14%
	1Q	16%	18%	40%	26%
RETAIL TRADE	3Q	30%	23%	39%	8%
	2Q	25%	24%	45%	6%
	1Q	23%	20%	47%	10%
SERVICES	3Q	25% ↑	14% ↓	46%	15%
	2Q	18%	25%	42%	15%
	1Q	21%	12%	45%	22%
WHOLESALE TRADE	3Q	35% ↑	29%	26%	10%
	2Q	32%	30%	32%	6%
	1Q	27%	18%	44%	11%

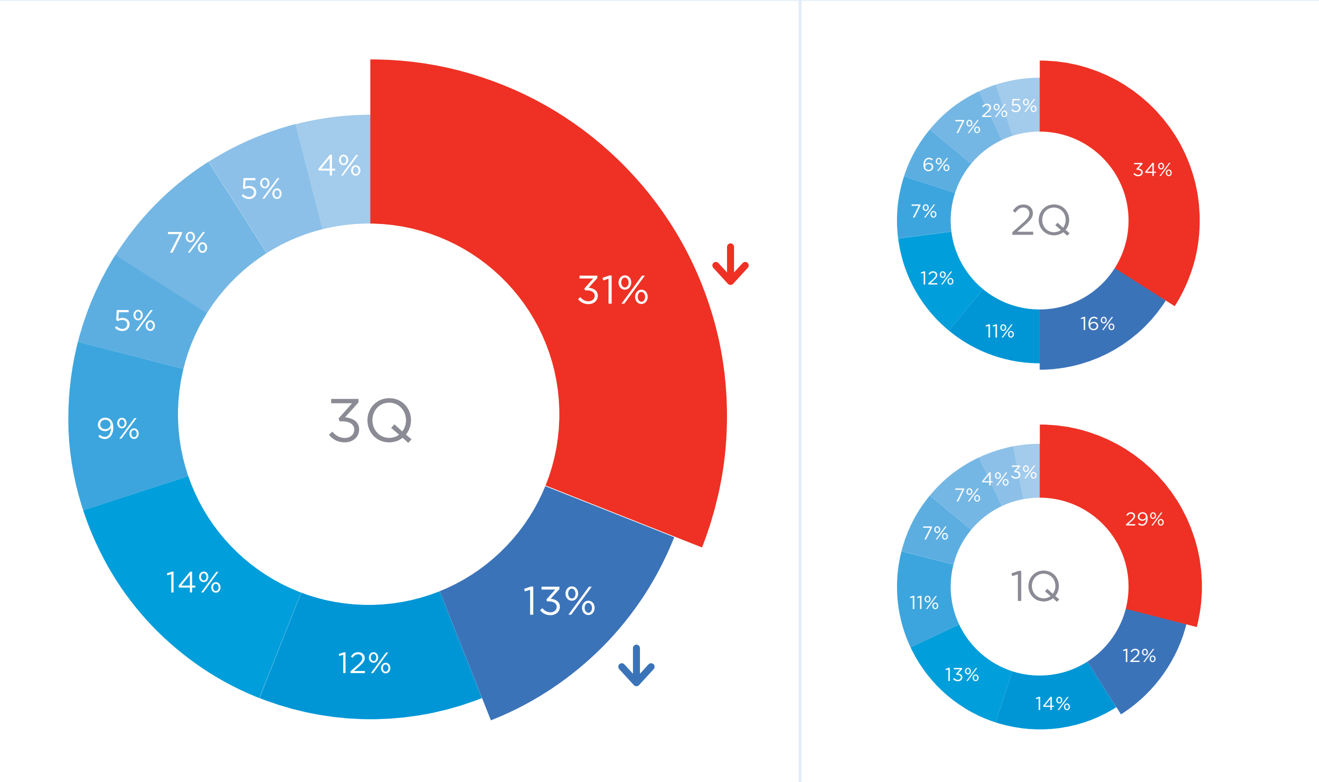
GLOBAL ECONOMY

Industry	Quarter	Not confident	Somewhat not confident	Somewhat confident	Confident
CONSTRUCTION	3Q	43%	32%	23% ↑	2%
	2Q	39%	38%	16%	7%
	1Q	40%	37%	23%	
FINANCIAL SERVICES	3Q	39%	29%	25% ↑	7%
	2Q	39%	34%	19%	8%
	1Q	27%	32%	32%	9%
HEALTH CARE	3Q	33%	31%	29% ↑	7%
	2Q	47%	31%	16%	6%
	1Q	46%	36%	16%	2%
MANUFACTURING	3Q	30%	36%	30% ↑	4%
	2Q	40%	35%	20%	5%
	1Q	20%	36%	35%	9%
RETAIL TRADE	3Q	41%	34%	21%	4%
	2Q	44%	36%	18%	2%
	1Q	36%	34%	24%	6%
SERVICES	3Q	32%	33%	31% ↑	4%
	2Q	38%	33%	21%	8%
	1Q	24%	29%	38%	9%
WHOLESALE TRADE	3Q	51%	25%	24% ↑	
	2Q	55%	31%	12%	2%
	1Q	40%	28%	25%	7%

Not confident | Somewhat not confident | Somewhat confident | Confident

Base: Total Respondents: 3Q=1000; 2Q=1000; 1Q=1002. Q7. How confident are you in each of the following?

Incremental Investment Allocation



Hold Cash
Hold It for Investing
Information Technology
Capital Expenditures — Plant or Equipment
Acquisitions
Capital Expenditures — Facilities
HR — More Personnel
HR — Training & Development
Other

Economic Growth Outlook by Revenue Segment

Though improved over 2nd Quarter, pessimism is evident across revenue segments.

NATIONAL ECONOMY

$10MM – <$50MM	3Q	11%	39%	50%
	2Q	11%	44%	45%
	1Q	10%	29%	61%
$50MM – <$100MM	3Q	13%	30%	57%
	2Q	12%	43%	45%
	1Q	5%	29%	66%
$100MM – <$1B	3Q	11%	37%	52%
	2Q	11%	33%	56%
	1Q	7%	24%	69%

GLOBAL ECONOMY

$10MM – <$50MM	3Q	25%	44%	31%
	2Q	32%	46%	22%
	1Q	23%	44%	33%
$50MM – <$100MM	3Q	21%	49%	30%
	2Q	29%	46%	25%
	1Q	23%	32%	45%
$100MM – <$1B	3Q	22%	47%	31%
	2Q	34%	37%	29%
	1Q	25%	33%	42%

Will Contract | No Change | Will Grow

Economic Growth Outlook

Pessimistic assessments about positive growth in the US economy abound. However, firm level growth projections far outstrip anticipated GDP growth.

		LOCAL ECONOMY	NATIONAL ECONOMY	GLOBAL ECONOMY
WILL GROW	3Q	53%	52%	31% ↑
	2Q	54%	48%	25%
	1Q	62%	65%	38%
+5% OR MORE	3Q	17%	5%	3%
	2Q	18%	5%	3%
	1Q	23%	12%	8%
+1-4%	3Q	37%	46%	28% ↑
	2Q	36%	43%	22%
	1Q	39%	53%	30%
NO CHANGE	3Q	40%	37%	45%
	2Q	39%	40%	43%
	1Q	31%	27%	39%
WILL CONTRACT	3Q	7%	11%	24% ↓
	2Q	7%	12%	32%
	1Q	7%	8%	23%
-1-4%	3Q	3%	6%	14% ↓
	2Q	3%	7%	19%
	1Q	3%	4%	12%
-5% OR MORE	3Q	4%	5%	10% ↓
	2Q	4%	5%	13%
	1Q	4%	4%	11%
TOTAL GROWTH	3Q	1.7%	0.7%	↑ -0.3%
	2Q	1.7%	0.7%	-1.0%
	1Q	2.2%	1.6%	0.2%

Economic Growth Outlook by Industry

And most sectors of the middle market.

		NATIONAL ECONOMY: Will Contract	NATIONAL ECONOMY: No Change	NATIONAL ECONOMY: Will Grow	GLOBAL ECONOMY: Will Contract	GLOBAL ECONOMY: No Change	GLOBAL ECONOMY: Will Grow
CONSTRUCTION	3Q	10%	30%	60%	15% ↓	54% ↑	31%
	2Q	9%	36%	55%	35%	34%	31%
	1Q	14%	27%	59%	21%	45%	34%
FINANCIAL SERVICES	3Q	14%	31%	55%	25%	41%	34%
	2Q	13%	33%	54%	29%	38%	33%
	1Q	6%	24%	70%	18%	42%	40%
HEALTH CARE	3Q	21%	30% ↓	49%	32%	36%	32%
	2Q	13%	45%	42%	32%	47%	21%
	1Q	15%	25%	60%	44%	24%	32%
MANUFACTURING	3Q	8%	39%	53%	22% ↓	43%	35%
	2Q	10%	31%	59%	31%	34%	35%
	1Q	9%	19%	72%	18%	33%	49%
RETAIL TRADE	3Q	9%	50%	41%	26%	51%	23%
	2Q	11%	34%	55%	38%	45%	17%
	1Q	5%	30%	65%	27%	35%	38%
SERVICES	3Q	9%	28%	63%	25%	37%	38%
	2Q	8%	32%	60%	29%	39%	32%
	1Q	11%	24%	65%	23%	37%	40%
WHOLESALE TRADE	3Q	12%	32%	56%	23% ↓	47%	30%
	2Q	12%	47%	41%	40%	39%	21%
	1Q	5%	31%	64%	24%	45%	31%

Will Contract | No Change | Will Grow

Challenges

"We are assessing alternative employee healthcare options. This is not our preference. We want to offer superior health care benefits to attract better employees but the competitive marketplace may not allow us to do so."

— CEO, Communications,
$20 million annual revenues, 75 employees, privately held

Many of the stiffest challenges cited by middle market companies of all sizes were regulatory, factors that remain largely out of their control. Uncertainty about how government actions will impact their business was cited by 84% of companies as either highly or somewhat challenging. The biggest challenge for middle market companies remains the cost of healthcare, with 91% considering it either highly or somewhat challenging, a slight increase from the previous quarter. This concern remained prominent across company size and industry.

Closely following healthcare are concerns surrounding the cost of doing business with 89% of executives deeming their ability to maintain margins as highly or very challenging. Larger middle-market companies expressed the most significant increase in concerns about margin pressure.

There also is mounting concern on corporate taxes, with 67% of respondents citing this challenge as a highly or very challenging, up from 59%, at the beginning of the year.

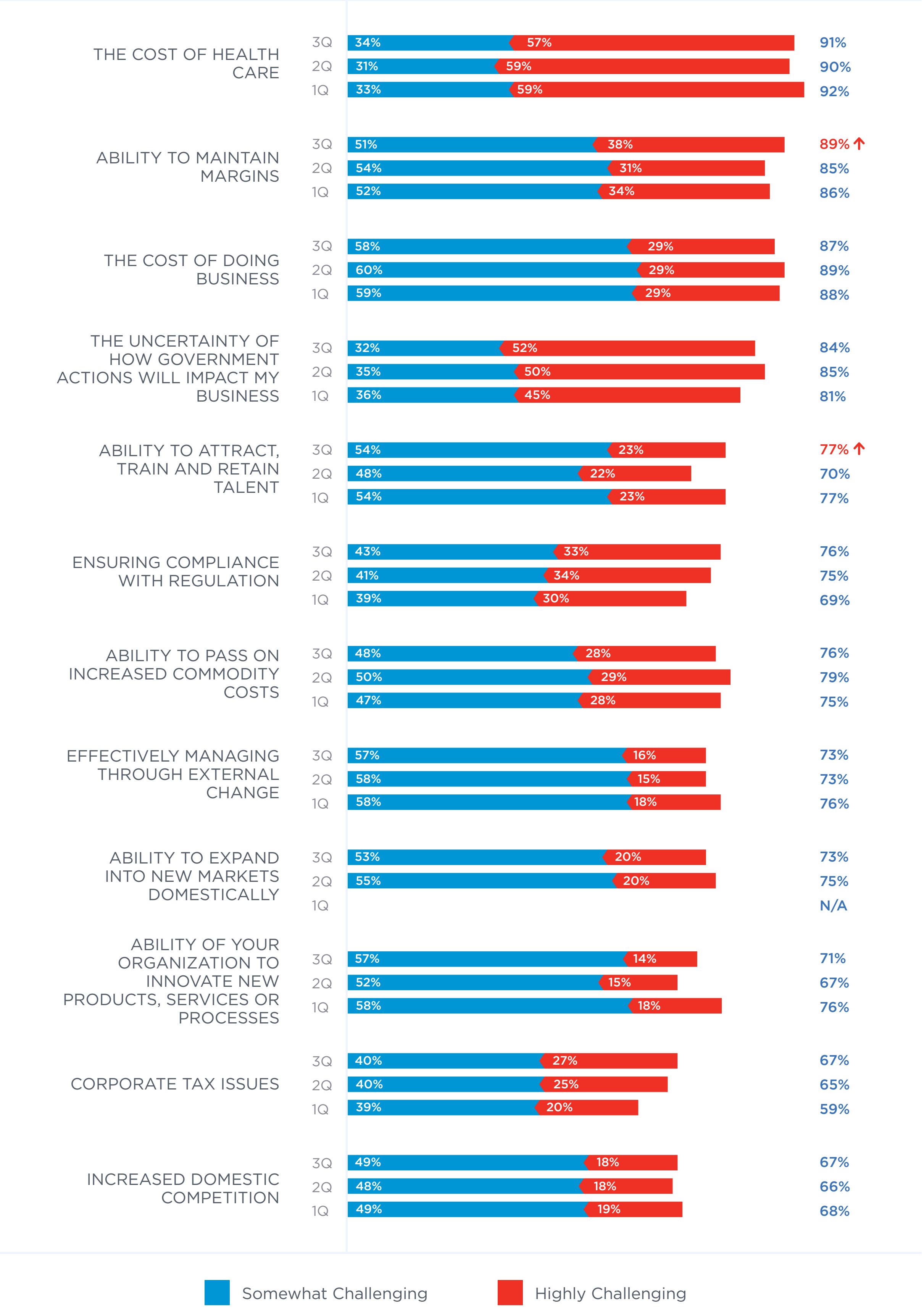
Base: Total Respondents: 3Q=1000; 2Q=1000; 1Q=1002.

Note: Arrows indicate significant difference compared to immediate previous time period.

Q11b. Shown below are different confronting businesses. Please indicate how much of a challenge each is for your business.

Key Challenges

Healthcare costs and other margin pressures are most challenging to middle market leaders. Regulation and uncertainty of government actions are also key issues.



Perspective

Third quarter data for the middle market show its continuing resilience as an engine of growth in employment and revenue. This is remarkable since confidence in the U. S. and global economies is weak, and middle market executives also report several daunting challenges. But, this weak confidence and the serious challenges are taking a toll; forward-looking employment and revenue growth are slowing substantially over the next 12 months. This does not bode well for the overall economy since the middle market contributes nearly one-third of the private sector GDP and employment.

MIDDLE MARKET CONTINUES TO CREATE JOBS AND GROW REVENUE

According to BEA data, U.S. GDP growth has been tepid. The economy grew at 2.0% in the first quarter, and at a revised estimate of 1.3% in the second quarter. The forecast is equally subdued. UCLA Anderson predicts a GDP growth rate of 1.3% for the third quarter and 1.5% in the fourth. In this environment of anemic growth, the middle market continues to show robust growth. In the crucial area of job creation, based on our survey, in the third quarter middle market firms have shown resilience with job growth of 2.2% over the last 12 months, which translates into nearly 950,000 additional jobs. This significantly outpaces job creation by the economy as a whole (1.8%, based on BLS data).

For Q3, middle market executives reported a mean growth rate of 5.5% in revenues for the previous 12 months, which may compare well with the performance of large firms given the recent reports of downturn in S&P 500 revenues. This would then be a part of a continuing pattern from the first two quarters of 2012 in which middle markets have exhibited an ability to outstrip large firms in revenue growth.

All this, even as confidence in the global, national or local economy is abysmal.

This ability to outperform in difficult times is a testament to the structural and operational advantages of middle market firms. As mostly privately-held organizations, they are more autonomous and can take a longer-term focus, instead of fixating on the next quarterly earnings. With their limited exposure abroad, they are also less exposed to global pressures, a fortunate circumstance at this moment. Another factor contributing to the resilience of this segment is its diversified presence across many industries and regions of the country.

BUT A MODERATING OUTLOOK FOR THE MIDDLE MARKET

There are reasons to worry about the ability of middle market firms to outperform in the future. In all three surveys —first, second, and third quarter-- middle market executives have been noting some serious headwinds. They are concerned about health care costs, ability to maintain margins, costs of doing business, uncertainty of government action, etc. Much of this is beyond their control, and unlikely to go away soon. These problems likely affect smaller and larger firms too, and may well be holding back the economy as a whole. There are also global influences, such as the European crisis and the slowdown in China. The sum weight of these ongoing problems means that the outlook for middle market firms is not as rosy any more.

Middle market executives are now predicting a revenue growth of just 3.7% for the upcoming year. The corresponding rate of growth for the S&P 500 is a mere 1.5%. They forecast an annual job growth rate of only 1.3%. These numbers should be a wake-up call for policy-makers. After all, many of the headwinds faced by this engine of the U.S. economy arise out of government policies.

A GLIMMER OF A MORE HOPEFUL CHANGE

When asked in the first and second quarter surveys where they would put an extra dollar of cash, 41% and 49%, respectively, of the middle market executives chose to hold it in cash or put it in marketable securities. The environment was apparently too uncertain to put it in investments, which may explain the lowered forecasts for jobs and revenues. Now, in the Q3 survey, that figure has dropped to 44%, with more going into various investments. One quarterly change surely does not constitute a trend. Nevertheless, it is difficult not to notice such a hopeful change.

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