



NATIONAL CENTER FOR  
THE MIDDLE MARKET

# Mid-Year | 2022

MIDDLE MARKET INDICATOR

**Robust Growth Continues  
Even as Confidence Falters**

IN COLLABORATION WITH



THE OHIO STATE UNIVERSITY  
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# Executive Summary

As the MMI enters its 11th year, the U.S. middle market continues its strong performance, despite new and ongoing challenges. Nearly three quarters (73%) of middle market companies continue to report that overall company performance is better today than compared to one year ago; fewer than one in 10 companies (7%) report an overall decline in company performance. While the rapid surge in year-over-year revenue and employment growth rates experienced since mid-2020 has leveled off, companies across all middle market revenue segments and industries are sustaining extremely high growth in both areas.

Most businesses anticipate strong growth into 2023. However, economic confidence levels, which showed signs of faltering six months ago, continue to deteriorate. More companies are signaling an inclination to build up cash reserves, and plans for expansion and investment in the business are tapering off. Overall, middle market business leaders appear optimistic about their own growth as they head into the second half of 2022, but leaders clearly have an eye on mounting headwinds related to inflation and ongoing supply chain challenges.

During the first half of 2022, middle market companies sustained a year-over-year revenue growth rate of 12.2%, just below the all-time-high of 12.3% reported at the end of 2021. While this represents a stabilization in the rate of growth, that stabilization is occurring at a rate well above the average year-over-year revenue growth rate of 6.8%. Furthermore, while nearly four out of five companies experienced revenue growth between mid-2021 and mid-2022, 58% of businesses reported growth of 10% or more. Prior to the pandemic, just 36% of companies were growing their revenues at this strong pace.

Year-over-year employment growth rates have stabilized as well, but also at a rate significantly above the historical average. For the second straight reporting period, a majority of middle market companies cite employment growth with most of these growing organizations adding to the size of the workforce at a rate of 10% or more. The result is an average year-over-year employment growth rate of 10.8%, more than double the 5.0%

year-over-year employment growth rate reported in December 2019 prior to the onset of the COVID-19 pandemic. Even with this ongoing growth in workforce size, more than a quarter (28%) of middle market companies continue to say that the size of their workforce is insufficient for current market conditions and that they will need to continue to hire. Healthcare remains the segment most likely to report a need for additional people.

Most middle market companies continue to project rapid revenue and employment growth into 2023. While the rate of revenue growth will taper off slightly, companies expect to keep adding jobs at the same accelerated pace. For many businesses, however, this may be easier said than done. Almost every middle market business reports experiencing at least some degree of difficulty with finding skilled employees. This challenge manifests in a variety of ways, including greater demands on current employees, increases in pay rates, and a slowdown in sales.

Growth and talent management remain top challenges for middle market leaders. Even as COVID-related concerns continue to diminish, companies continue to contend with the pandemic's fallout, particularly supply chain disruptions. Costs are also increasingly becoming an issue. Most companies report an increase in salaries and wages. However, the middle market is split on the impact of inflation: while 39% report negative effects, the same percentage of companies say inflation is having a positive impact for their businesses.

Nevertheless, compared to six months ago, a larger proportion of companies say they would hold an extra dollar in reserve as opposed to immediately investing it or earmarking it for a future investment, reversing the trend seen over the past several reporting periods. In addition, fewer companies have plans for expansion over the next year, compared to six months ago as the cost of capital continues to rise. The most telling sign of headwinds on the horizon is waning economic confidence. Despite strong, continued growth projections, economic confidence has dropped sharply since the close of 2021. National and global economic confidence have both dipped below their 5-year historic averages.

## 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 \$10 MILLION AND \$1 BILLION.**

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?*

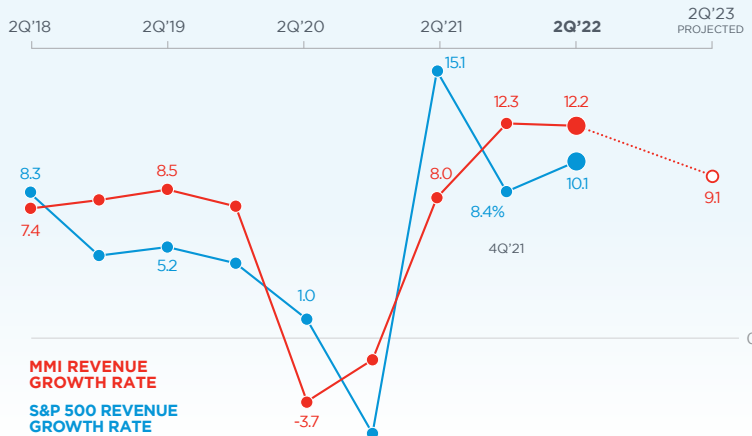
The MMI surveys 1,000 CEOs, CFOs, and other C-suite executives of America's middle market companies on key indicators of past and future performance in revenue, employment, and allocation of cash. The survey also reports middle market company confidence in the global, U.S., and local economies and identifies key business challenge areas. The survey was designed to accurately reflect the nearly 200,000 U.S. businesses with revenues between \$10 million and \$1 billion, the lower and upper limits of 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 June 2022.



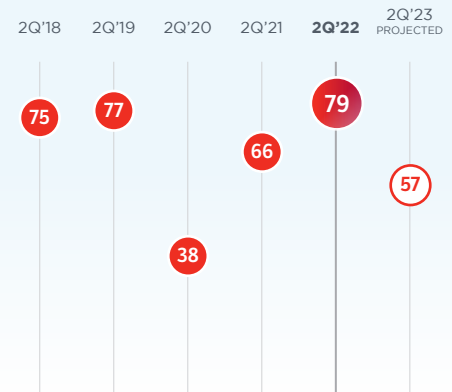
## Revenue

Strong year-over-year revenue growth persists in the middle market. Nearly four out of five companies report increases from a year ago with over half of these firms experiencing growth of 10% or more. The average year-over-year revenue growth rate of 12.2% is on par with the all-time high of 12.3% reported six months ago. Most businesses expect robust growth into 2023.

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



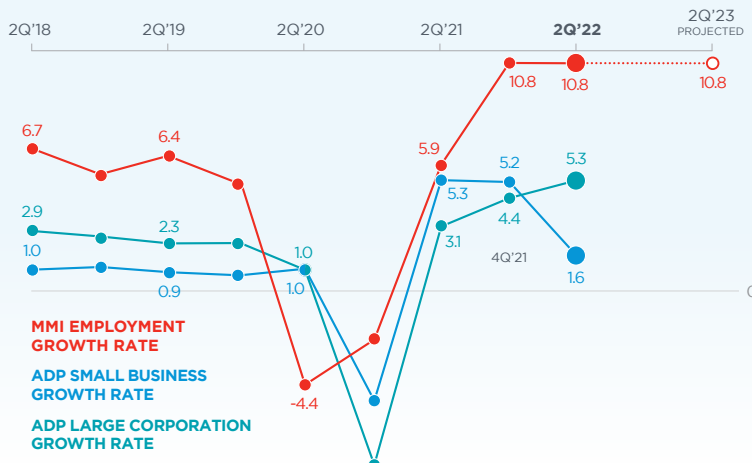
Percent of middle market companies reporting/projecting year-over-year revenue growth



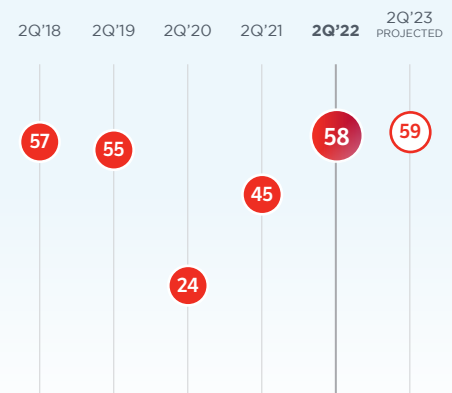
## Employment

The record high employment growth experienced in 2021 continues in 2022 with 58% of middle market companies increasing the size of their workforce by an average year-over-year employment growth rate of nearly 11%. Most companies expect to continue adding new jobs at the same high rate into 2023.

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



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



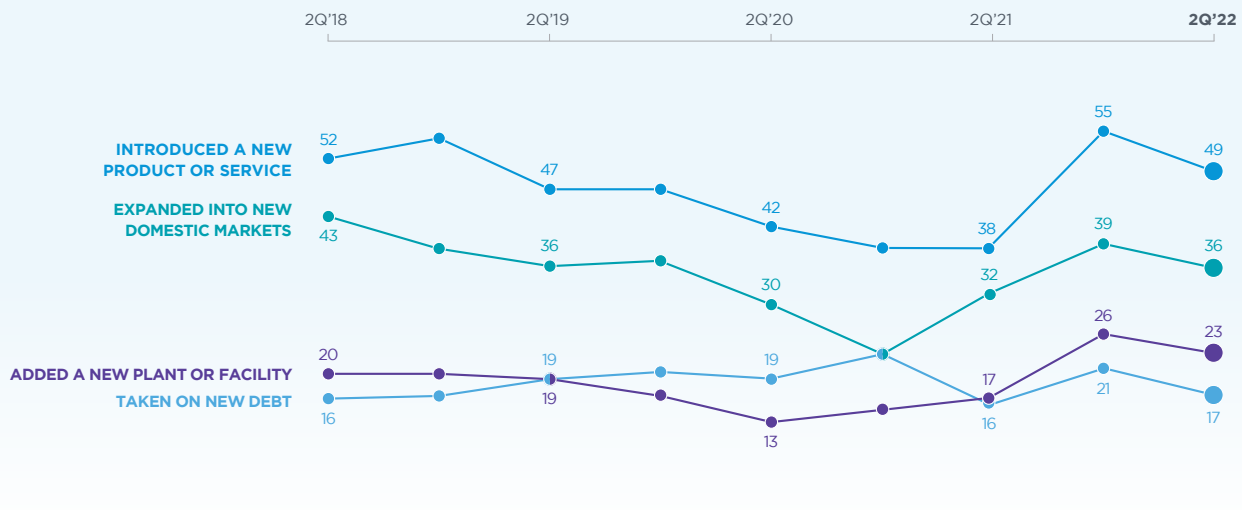
## KEY FINDINGS



## Expansion

*After surging in 2021, expansionary activity has moderated slightly but remains well above levels seen during the height of the pandemic.*

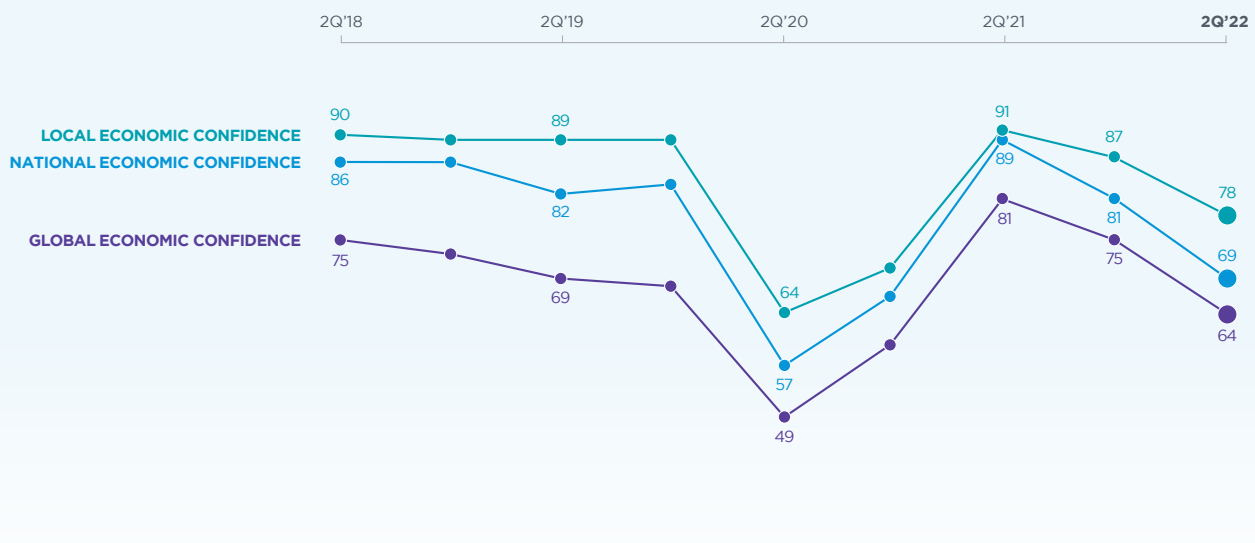
Percent of middle market companies engaging in expansion activities over the past 12 months



## Economic Confidence

*Confidence plunges but remains above the lows reported in 2020.*

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

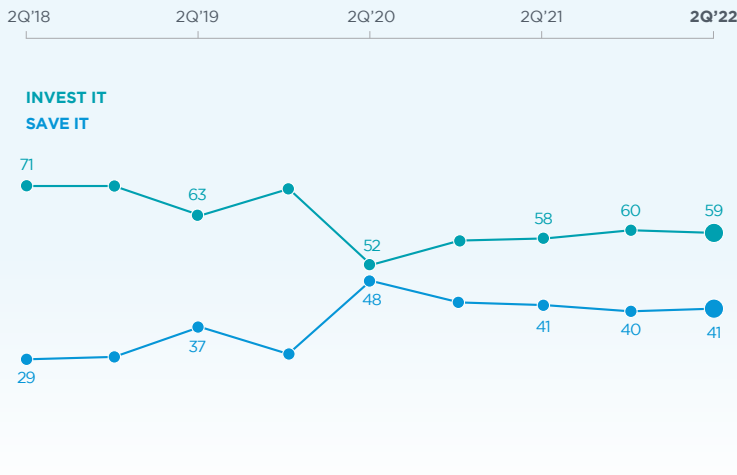




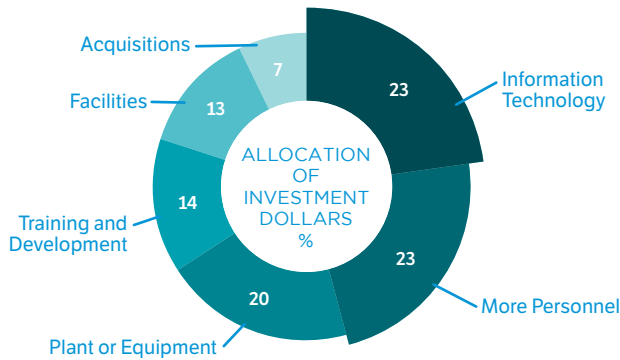
## Capital Investment

*Appetites for investment plateau as a larger number of companies report a desire to hold cash.*

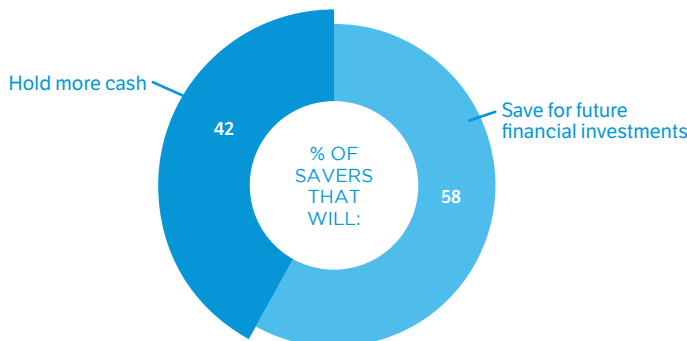
Percent of middle market executives that would invest vs. save an extra dollar



Technology and people are the leading investment targets as companies anticipate continued rapid growth.



The proportion of companies inclined to build cash reserves increased from 36% to 42%.



## Key Challenges

*Cost concerns mount as COVID fears continue to dissipate. Growing and staffing the business remain top challenges.*

Percent 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     | 50% |
| 3. COSTS                 | 21% |
| 4. COVID-19              | 7%  |

### EXTERNAL CHALLENGES

- |                          |     |
|--------------------------|-----|
| 1. CORE BUSINESS ISSUES* | 37% |
| 2. COSTS                 | 16% |
| 3. ECONOMY               | 19% |
| 4. COVID-19              | 7%  |

\*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  
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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.

CHUBB®

Chubb is the world's largest publicly traded P&C insurance company and the largest commercial insurer in the U.S. With operations in 54 countries and territories, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients. As an underwriting company, Chubb assesses, assumes, and manages risk with insight and discipline. Learn more at [chubb.com](http://chubb.com).

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](https://twitter.com/VisaNews).



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Continue with Few Signs of Slowing**

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# Executive Summary

The U.S. middle market continues to sustain double-digit year-over-year revenue and employment growth for the third straight reporting period. Overall, 72% of companies say performance has improved compared to one year ago while just 6% say performance deteriorated in 2022. Middle market companies of all sizes and across all industry segments are sharing in the success and growth story with historically high proportions of businesses reporting growth of 10% or more for both revenue and employment. Furthermore, most companies anticipate ongoing strong growth in 2023. Overall economic confidence levels are rebounding after dipping in 2022 and recent concerns related to supply chains and inflation appear to be abating to some degree. Yet at the same time, twice as many middle market leaders voice concerns related to the economy compared to one year ago. Investment plans also appear to lag behind despite sustained growth rates and strong prospects for the future.

Throughout 2022, middle market companies experienced year-over-year revenue growth of 12.2%. Four out of five companies reported revenue growth for this period and most of these growers reported growth of 10% or more. While the largest middle market businesses (those with annual revenues between \$100M and \$1B) report the strongest growth (13.2%), lower middle market companies (annual revenues between \$10M and \$50M) and core middle market companies (annual revenues between \$50M and \$100M) are keeping pace with year-over-year growth rates of 11.6% and 11.9% respectively.

Similarly, middle market companies of all sizes report strong year-over-year employment growth, propelling the rate of employment growth to 11.1% for the entire middle market, a new high in the history of the MMI. In 2022, 57% of middle market companies increased the size of the workforce and most made significant expansions for the second straight year. Nevertheless, nearly a quarter (23%) of middle market companies say that the current size of the workforce remains insufficient for market conditions; they still have significant hiring to do. Healthcare and manufacturing companies report the greatest need for people, but companies across industries continue to have unmet human resources requirements.

Across industries, most middle market businesses see the strong growth continuing in 2023. Companies are calling for 10% year-over-year growth in both revenue and employment over the next 12 months with 58% of businesses expecting revenues to increase and 55% saying they will expand the size of the workforce. As companies pursue these forecasts, core business issues and talent management will remain the most pressing challenges overall. For nearly half (48%) of middle market businesses, finding and hiring employees with the right skill sets remains a significant challenge. Two out of four companies point to a digital skills gap. To address these issues, a growing proportion of businesses will make changes to training requirements. A third of companies will begin transitioning from employees to technology and automation alternatives.

While talent is a formidable challenge, when asked specifically about the top areas of concern for the business right now, inflation still tops the list, followed by the potential of a recession. Approximately two out of five businesses report negative impacts from inflation over the past six months. With gas prices dropping, the negative effect of inflation on fuel is more subtle now compared to mid 2022 and companies are feeling the biggest impact when it comes to wages and salaries followed by the costs of goods and raw materials. Compared to one year ago, 61% of middle market companies have increased wages and salaries with an average increase of 5.9%. Nearly the same proportion (62%) of businesses report raising prices to mitigate the effects of inflation.

Inflation, higher interest rates, and the lingering threat of recession may be factoring into slowing investment appetites. Approximately two out of five companies say they have delayed capital investments as an outcome of inflation. Overall, the proportion of companies that would invest an extra dollar immediately (55%) remains higher than those who would save it (45%), but the gap between the two has narrowed. Among the investors, companies would put the money toward resources to fuel growth, including new plants and equipment, more people, better training, and additional IT resources.

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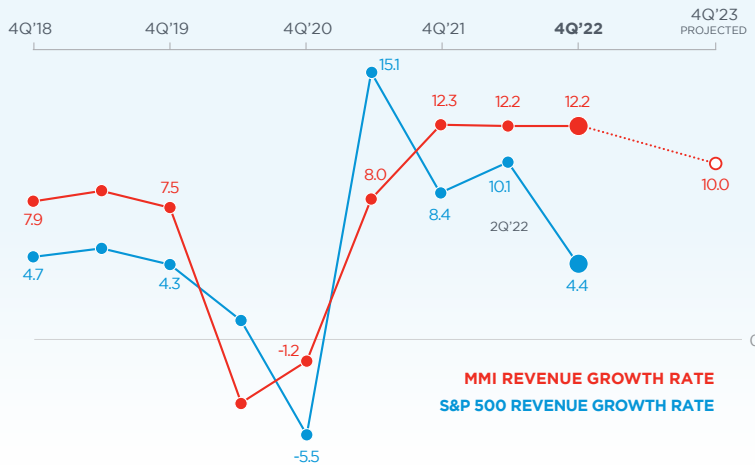




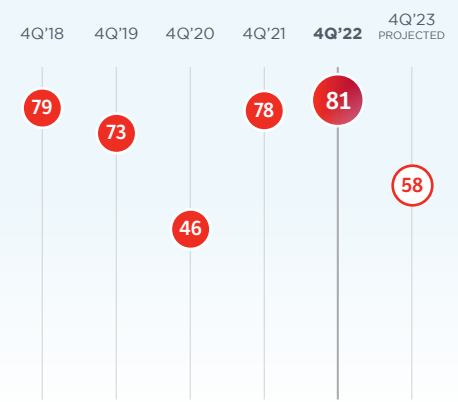
## Revenue

Middle market companies report continued strong year-over-year revenue growth with the average rate of growth holding steady at 12.2%. Four out of five companies reported gains compared to 2022. Most companies expect 2023 to be another year of solid growth.

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



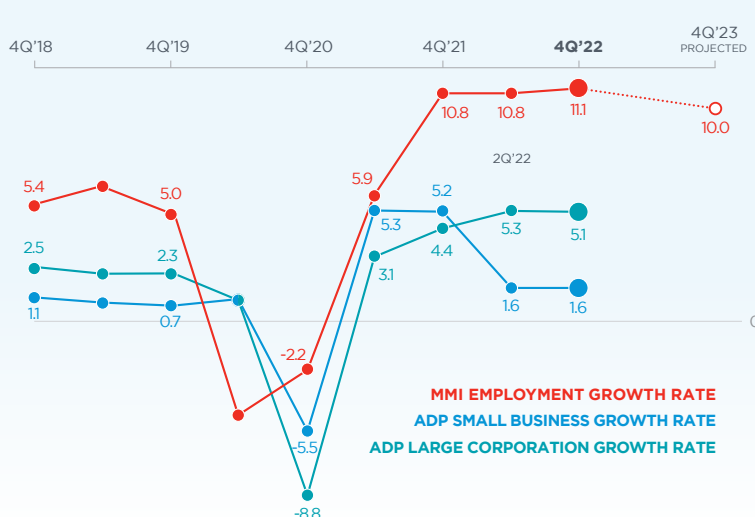
% of middle market companies reporting/projecting year-over-year revenue growth



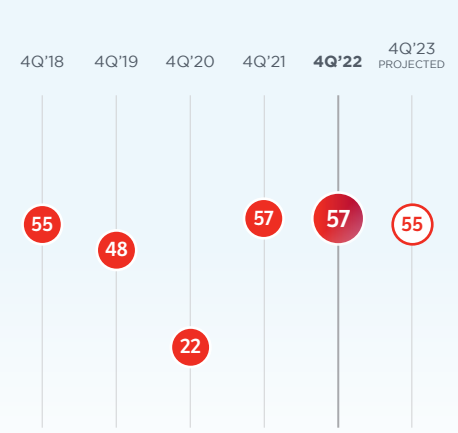
## Employment

In 2022, the rate of year-over-year employment growth in the middle market jumped to an all-time high of 11.1% with 57% of companies expanding the size of their workforce. Nearly as many businesses say they will continue to aggressively expand the workforce in 2023.

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



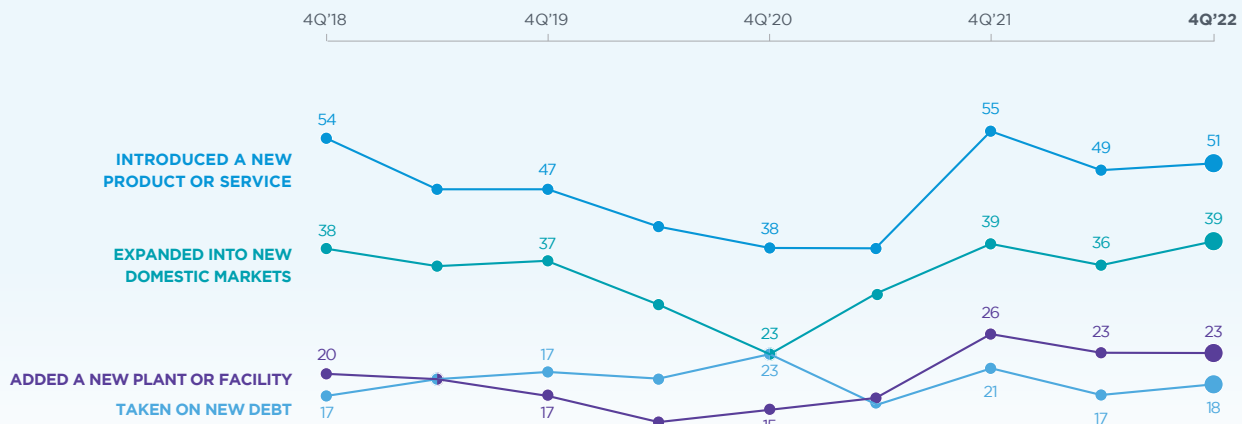
## KEY FINDINGS



## Expansion

Expansionary activity remains steady with half of middle market companies bringing new offerings to market in 2022 and two out of five entering new domestic markets.

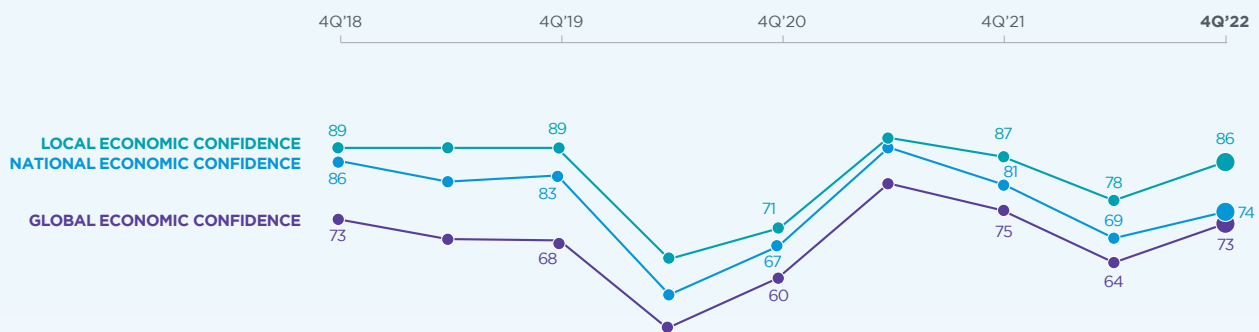
% of middle market companies engaging in expansion activities over the past 12 months



## Economic Confidence

Confidence levels, especially global confidence, rebound after declining for 12 straight months.

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

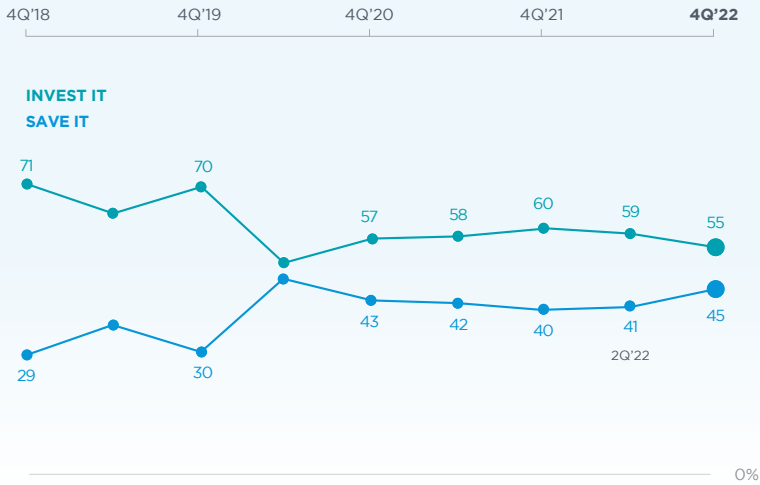




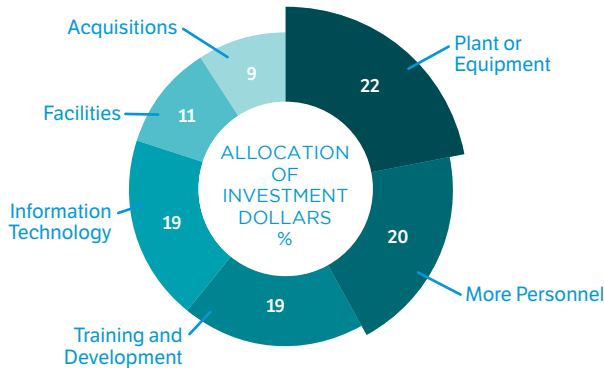
## Capital Investment

The proportion of companies inclined to save an extra dollar increases.

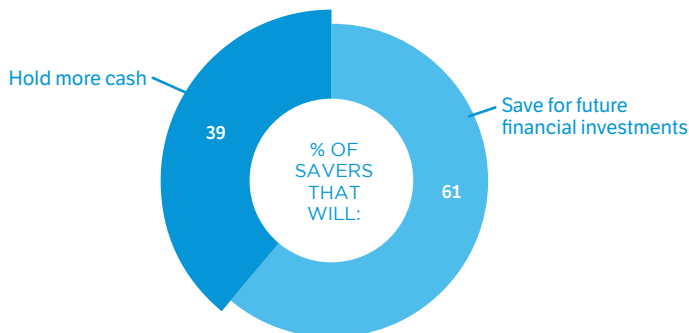
% of middle market executives that would invest vs. save an extra dollar



People and equipment move ahead of IT as top destinations for extra investment dollars.



Even as the proportion of savers increases overall, most of these companies are saving for future investment.



## Key Challenges

Cost and economy concerns mount.

% 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%

### EXTERNAL CHALLENGES

- 1. CORE BUSINESS ISSUES\* 32%
- 2. ECONOMY 22%
- 3. TALENT 11%
- 4. COSTS 9%

\*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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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](https://twitter.com/VisaNews).