



NATIONAL CENTER FOR
THE MIDDLE MARKET

Mid-Year | 2024

MIDDLE MARKET INDICATOR

**Growth and Investment
Accelerate Despite Uncertainty**

IN COLLABORATION WITH



CHUBB®

VISA

Executive Summary

Despite predicting returns to a more moderated rate of growth, the middle market continues to sustain the double-digit year-over-year growth it has experienced since the pandemic. Through the first half of 2024, YOY revenue growth reached yet another pinnacle, climbing to 12.9%, while YOY employment growth bumped back up to 10.3%. Three-quarters of middle market companies continue to say overall performance is improving each year and economic confidence levels are healthy and higher than one year ago. Investment appetites are improving, too, as a larger proportion of middle market leaders express a willingness to invest an extra dollar in the business right away, indicating a desire to put more resources toward people, footprint, equipment, or technology to continue to move their businesses forward. The largest middle market companies with revenues between \$100 million and \$1 billion experienced the most rapid growth, reporting record-setting YOY revenue and employment growth rates of 15.1% and 13.3% respectively.

Throughout the post-pandemic era beginning Q4 2021, the U.S. middle market has experienced average YOY revenue growth of 12.3%, five points above the overall average middle market revenue growth rate of 7.3%. Similarly, average YOY employment growth post-pandemic is 10.5%, more than double the overall average rate of 4.9%. Consistently, middle market companies are operating at an elevated performance standard, with 58% of companies sustaining double-digit growth compared to just 36% of companies performing at this level at the close of 2019. Most middle market companies project continued strong revenue and employment growth into 2025, estimating growth rates of 8.8% and 9.5% respectively over the next 12 months.

Maintaining such aggressive expansion won't come without its challenges. While nearly a quarter of middle market companies say that the current size of the workforce is insufficient for market conditions and there is a clear need to hire, talent issues—including recruitment, acquisition, and retention—remain some of the most significant obstacles middle market companies face. Nearly half (46%) of companies continue to experience considerable difficulty finding

and hiring people with the right skill for the job. Digital skills are a key pain point, with nearly all companies saying such skills are important to success and 46% of businesses describing digital-savvy talent as critical. Among the 45% of middle market companies reporting a digital skills gap, nearly all (91%) say the gap results in a noticeable impact on company performance; 63% describe that impact as significant or substantial. The largest middle market companies are much more likely than their smaller peers to need more people, and the most likely to experience related challenges, including a digital skills gap that negatively affects company performance or slows growth.

As companies look to bring more people on board, they are paying more for both current and future employees. More than two-thirds (68%) of companies have increased salaries and wages compared to one year ago by an average of 5.6%. Inflationary pressure, not just related to wages but overall, including the cost of supplies, other expenses, and the collective impact on profit margins, joins talent as a frequently mentioned concern for the future.

Middle market executives acknowledge several other top-of-mind headwinds, including economic issues such as interest rates and the cost of borrowing, operations issues, and technology challenges, including how to finance and integrate emerging advancements such as artificial intelligence and how to best manage the associated risks, including data privacy and security, ethical concerns, and impact on the workforce. When asked specifically, nearly half of middle market leaders expressed a significant level of concern related to climate change and the potential impact for disruptions to their businesses.

The headwinds and challenges on the horizon affect some industries more than others. Retailers and manufacturers, for example, feel the brunt of inflation with special acuity. While these sectors continue to report and project revenue growth, their numbers lag those of other industries. Conversely, the construction and financial services sectors have the most optimistic prospects for the remainder of 2024 and the first half of 2025.

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) 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 found across almost all industries. The health of these businesses and their respective outlook serves as a solid indicator for the greater U.S. economy as a whole. (See 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?

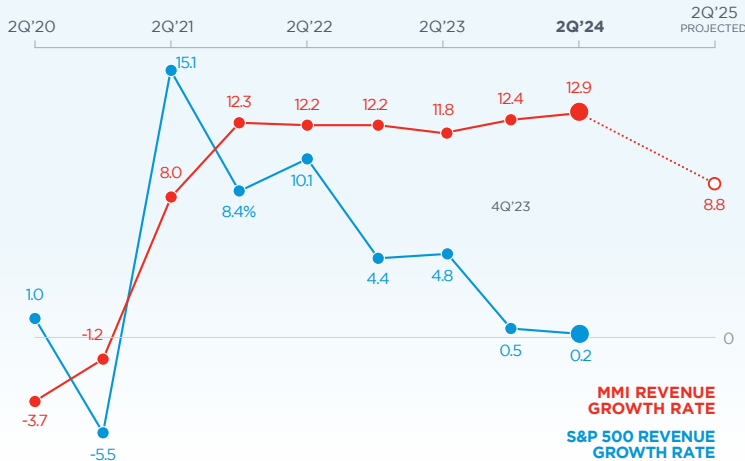
The MMI surveys 1,000 CEOs, CFOs, and other C-suite executives of America's middle market companies on key indicators of past and future performance in revenue, employment, and allocation of cash. The survey also reports middle market company confidence in the global, U.S., and local economies and identifies 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 2024.



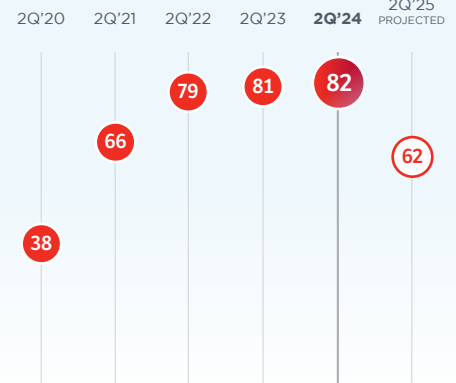
Revenue

Four out of five companies are growing, driving the year-over-year rate of growth to a new all-time high. Most businesses anticipate growth continuing into 2025, but at a less aggressive pace.

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



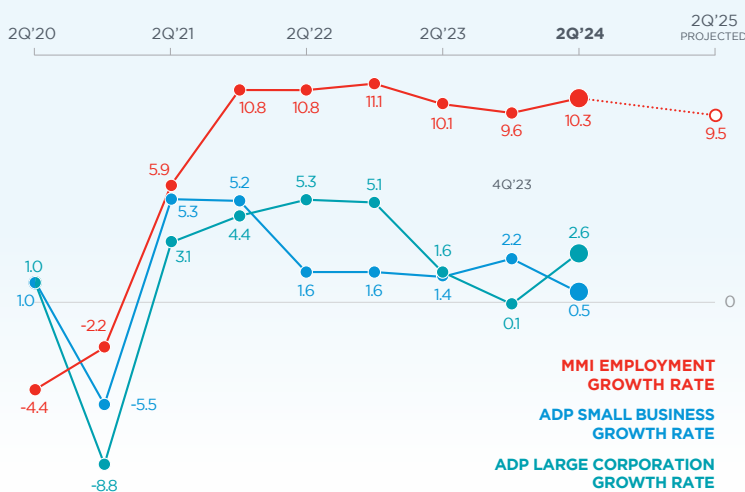
Percent of middle market companies reporting/projecting year-over-year revenue growth



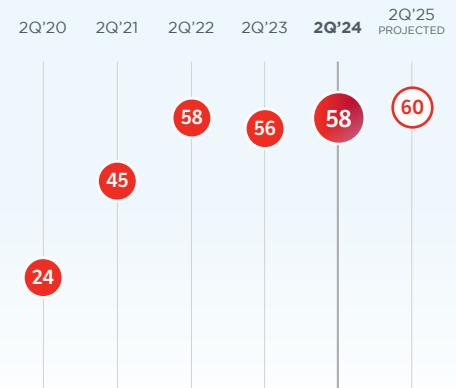
Employment

Year-over-year employment growth returns to double-digit levels after declining modestly over the past two reporting periods. Approximately three out of five companies continue to expand the size of the workforce.

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



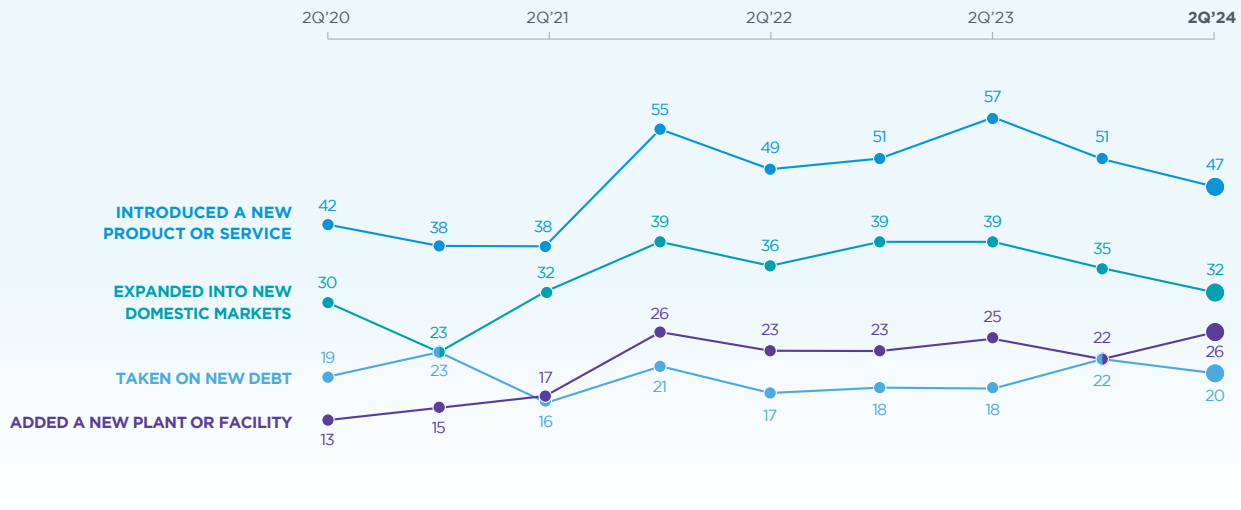
KEY FINDINGS



Expansion

Innovation slowed slightly with fewer companies introducing new offerings. Approximately a quarter of businesses added footprint while 20% borrowed to fuel expansion.

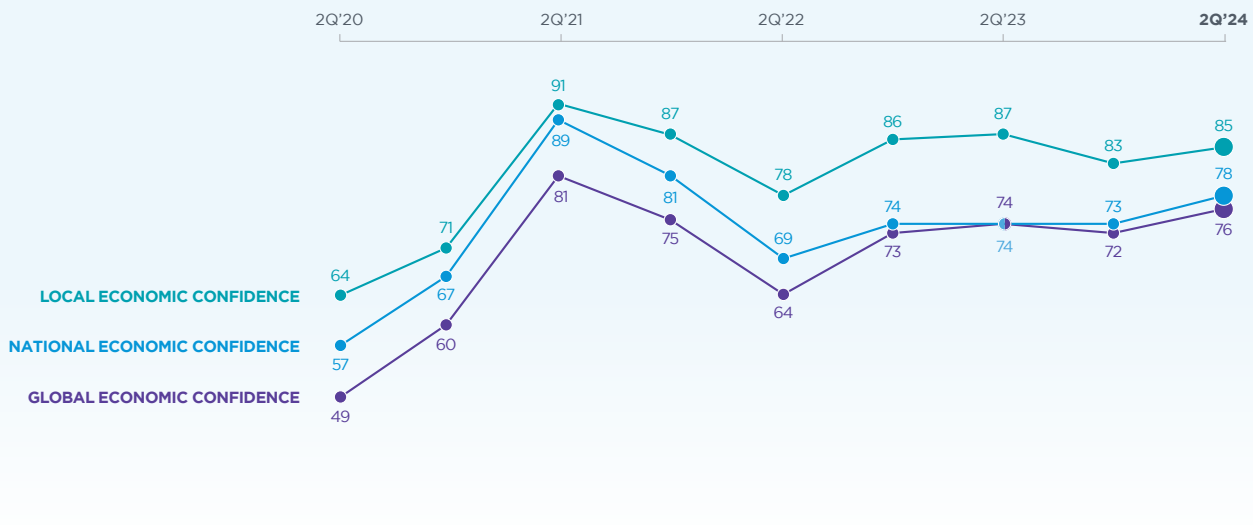
Percent of middle market companies engaging in expansion activities over the past 12 months



Economic Confidence

Economic confidence persists with all three indicators rising above 75% for the first time in since Q4 2021.

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

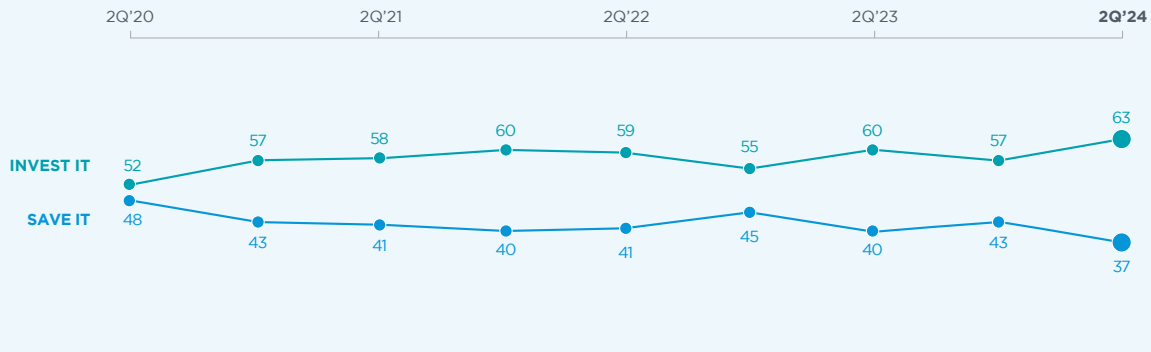




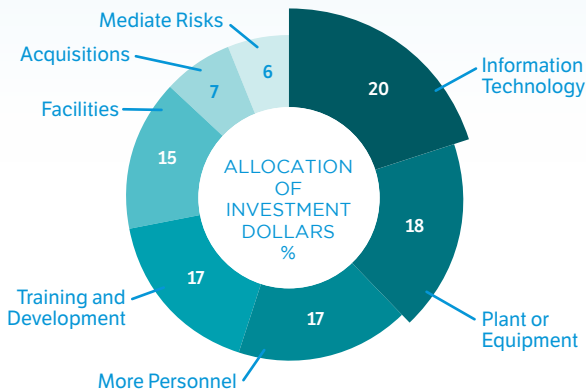
Capital Investment

Investment appetites increase, inching closer to pre-pandemic levels.

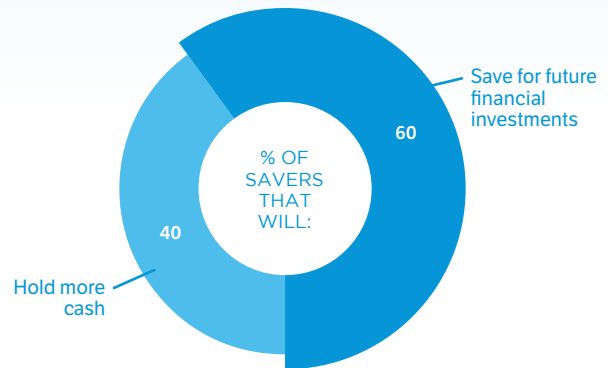
Percent of middle market executives who would invest vs. save an extra dollar



Technology, people, and capital expenditures are key areas for investment.



Most savers intend to put the dollars toward future investments.



Key Challenges

Inflation and talent shortages are expected to be the major headwinds over the next year.

INFLATION

- Impacting costs of supplies, salaries, overall expenses, profit margins

EMPLOYEE RETENTION AND RECRUITMENT/TALENT ACQUISITION

- Finding and retaining skilled talent
- Motivating employees

ECONOMIC CHALLENGES/UNCERTAINTIES AND FINANCIAL ISSUES

- Fluctuations in the economy
- Global events like wars and geopolitical tensions
- Interest rates, borrowing costs, cash flow

TECHNOLOGY

- Efficiently integrating new technologies such as AI
- Cybersecurity risks and data protection concerns

OPERATIONS

- Supply chain disruptions
- Inventory management and logistics

REGULATORY COMPLIANCE

- Environmental and sustainability requirements
- Handling data privacy regulations

COMPETITION/EXPANSION/STRATEGY

- Maintaining market share and profitability
- Expanding into new markets



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.



THE OHIO STATE
UNIVERSITY
FISHER COLLEGE
OF BUSINESS

The Ohio State University Max M. Fisher College of Business provides tomorrow's business leaders with the foundation needed to succeed in business today. Fisher students experience an academically rigorous learning environment, led by world-class faculty, which fosters their development as principled leaders who possess an entrepreneurial spirit, global awareness and a commitment to social responsibility. Organizations from around the globe thrive under the leadership of Fisher alumni, who positively impact their communities and the world. Learn more at fisher.osu.edu.

CHUBB®

Chubb is a world leader in insurance. 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, we assess, assume and manage risk with insight and discipline. We service and pay our claims fairly and promptly. The company is also defined by its extensive product and service offerings, broad distribution capabilities, exceptional financial strength and local operations globally. Parent company Chubb Limited is listed on the New York Stock Exchange (NYSE: CB) and is a component of the S&P 500 index. Chubb maintains executive offices in Zurich, New York, London, Paris and other locations, and employs approximately 40,000 people worldwide. Additional information can be found at chubb.com.

VISA

Visa (NYSE: V) is a world leader in digital payments, facilitating transactions between consumers, merchants, financial institutions and government entities across more than 200 countries and territories. Their mission is to connect the world through the most innovative, convenient, reliable and secure payments network, enabling individuals, businesses and economies to thrive. They believe that economies that include everyone everywhere, uplift everyone everywhere and see access as foundational to the future of money movement. Learn more at Visa.com.