<table>
<thead>
<tr>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>INDEX SUMMARY .................................................................</td>
</tr>
</tbody>
</table>
| IN THE SPOTLIGHT
  Workforce and Education .................................................. | 2 |
| KEY FINDINGS
  Small Business Operations
    Financial Health .......................................................... | 3 |
  Small Business Environment
    Economic Outlook .......................................................... | 4 |
    Regulatory Compliance ......................................................... | 5 |
  Small Business Expectations
    Hiring ................................................................................ | 6 |
| EMERGING TOPIC
  Cybersecurity ........................................................................ | 7 |
| INDEX SNAPSHOTS ........................................................................ | 8 |
| METHODOLOGY
  Survey Methodology .......................................................... | 9 |
  Index Methodology .................................................................... | 9 |
  Core Index Questions ........................................................... | 10 |
  Survey Makeup .......................................................................... | 11 |
| ABOUT US .................................................................................. | 12 |
ECONOMIC OUTLOOK BRIGHTENS FOR SMALL BUSINESS OWNERS, BUT CHALLENGES REMAIN

A more bullish outlook on the economy and increasing confidence in the health of their businesses led to a 1.7 point increase in the MetLife & U.S. Chamber of Commerce Small Business Index, which rose from 60.6 in the second quarter of 2017 to 62.3 in the third quarter. That means 62.3% of small business owners have a positive outlook for their companies and the environment in which they operate.

Q3 INDEX HIGHLIGHTS:

- **Companies’ financial health is strong.** Almost two-thirds (61%) of all small businesses report being in good financial health. More than half of small businesses with more than 20 employees report that they are in very good health.

- **Economic outlook is brightening.** Many small businesses are optimistic about the overall trajectory of the economy, which corresponds with a surging stock market, higher second quarter GDP, and declining unemployment rates. However, plans to increase hiring or reinvestment in their businesses dropped slightly from the second quarter.

- **Time spent on regulatory compliance is increasing for a quarter of small businesses.** Nearly one in four small businesses report spending more time on licensing, compliance, and regulations over the last six months.

- **Lack of qualified workers could be impacting hiring.** An inability to find appropriately skilled or trained workers appears to be impacting small businesses’ plans to increase staff over the coming year. (See “In the Spotlight” on page 2.)

- **Almost 60% of small businesses are concerned about cybersecurity.** In addition, small businesses with 20–99 employees are more likely to be concerned (62%)—with one in five (18%) feeling very concerned—than companies with fewer than 20 employees.

INDEX METHODOLOGY

The MetLife & U.S. Chamber of Commerce Small Business Index is the product of 1,000 telephone interviews among small business owners and decision-makers conducted June 20–July 21, 2017. Each respondent was asked the same set of 10 core questions that compose the Index. The survey findings have been calibrated to match the U.S. Census data on small business to better ensure the data is representative of the small business sector at large. The interviews were conducted by Ipsos, an independent global market research company. Please see the methodology on pages 9–11 for more details.
The breakout headline of this quarter’s Index is that half of small business owners think job candidates are not properly prepared for the workforce. It is the second time in as many quarters that finding skilled workers has emerged as a concern for small businesses, with fewer than half (39%) of respondents describing the quality of potential hires as “good.”

Small businesses with a negative impression of job candidates are 25% less likely to increase staff over the next 12 months. Many small business owners believe that workers lack fundamental qualifications—such as grammar and mathematical skills. Others emphasized a strong need for workers with vocational training. The difficulty employers have in filling jobs due to a lack of necessary education and training is what is commonly referred to as the skills gap.

The Q3 Index results help to demonstrate how America is becoming a nation of jobs without people. Recent government data bolster this contention. In June, the Labor Department reported that the number of job openings rose to a record high of 6.2 million.

Solving the skills gap will require a coordinated effort among business, civic, and education leaders at the federal, state, and local levels. With a larger pool of well-educated and trained workers, small businesses will be able to hire more people, increase revenues, better serve customers, and improve the economy.

“I believe a barrier to industry is the slowly deteriorating pool of skilled laborers. College is not for everyone. We need more vocational and tech training. Our society feels a college degree should be obtained by everyone, and it shouldn’t. [We’re] all different, and we all have different talents.”

ELLIE SCHRODER
Owner, Maison de Reve Builders
Covington, Louisiana

“I am noticing that grammar and written communication skills are not very good. I would like to think that people coming out of school would have fundamental math and English skills.”

ROBERT JOLSON
CFO, The Northwest Company
Roslyn, New York

“Business and education have to work together. If we could work together with the academic community, we’d get a lot more done.”

CHUCK DARDAS
President, AlphaUSA
Livonia, Michigan
Almost two-thirds (61%) of small businesses report being in good financial health; more than half of small businesses with more than 20 employees are in very good health. A majority of small business owners (56%) believe next year’s revenues will increase. However, 58% of small businesses will only invest about the same as they did last year. A majority of businesses are basically comfortable with their cash flow situation (81%) and are maintaining staff levels. Small businesses in the South and West report being in better financial health than those in the Midwest and Northeast.

“Our business has increased. Our clients have increased. Our prospects have definitely increased.”
SMALL BUSINESS PRESIDENT
Professional Services Industry, Oregon

“There’s been a tremendous increase in the amount of work we have on the books.”
SMALL BUSINESS PRESIDENT
Professional Services Industry, New York

“Our business volume has been strong the first six months of the year.”
SMALL BUSINESS CEO
Professional Services Industry, Ohio

Almost two-thirds of small businesses report being in good financial health (61%).
Small business owners are feeling the positive impact of a strengthened economy, which includes a rising stock market, higher rates of economic growth, and declining unemployment. They are more optimistic about the national economy in the third quarter (41%) than they were last quarter (33%). Nearly half of small business owners (46%) say their local economy is good. The manufacturing and agriculture sectors are the most optimistic, while firms with more than 20 employees have a brighter outlook than their counterparts.

“In my area I see more job opportunity, lower unemployment, an increase in wages, and more businesses opening. Real estate has increased in value. And people are enjoying higher income levels.”

SMALL BUSINESS OWNER
Retail Trade Industry, Massachusetts

“I am optimistic because of the current economic trends and the lower national unemployment rate.”

SMALL BUSINESS OWNER
Arts, Entertainment, and Recreation Industry, Colorado

“The overall economy has gotten its engine going again and is moving forward.”

SMALL BUSINESS PRESIDENT
Scientific and Technical Services Industry, Oregon
Small businesses do not have the dedicated resources to monitor and plan for unclear and changing regulations. If [the rules] were smarter and simplified, then I could focus on growing my business and employing more people with increased wages and benefits.

KIM GILLIAM
Co-Owner, Frolick Dogs LLC
Alexandria, Virginia

We are a third-generation business, and we would like to continue to keep it in the family as long as we can. But that is proving more and more difficult. New regulations on the brick industry have hit us hard.

DAVIS HENRY
Owner, Henry Brick
Selma, Alabama
Small businesses may be reaching the limits of their payroll expansion for the near future. In the last 12 months, nearly 1 in 5 small business owners (18%) report having increased staff. Fewer businesses plan to increase staff over the next 12 months compared to Q2. Many small businesses report that they have a hard time finding qualified workers to fill positions (see “In the Spotlight” on page 2). Businesses in the West expect to add more staff than those in the rest of the country.

There is a skilled labor shortage across the country, so we are always trying to find new talent. We are looking for the best of the best to be part of our team.

— RYAN SULLIVAN
President, Xenith
Detroit, Michigan

The biggest challenge in growing my business is finding highly trained, highly skilled workers. I’d like to see our leaders in Washington help us build a more educated workforce.

— LUCI MILLER
President and Owner
Miller Imaging and Digital Solutions
Austin, Texas

Our biggest challenge in this industry—and around the country—is staffing, finding skilled trades. I don’t see young plumbers anymore. I don’t see young electricians. We look for them. It is becoming a little bit of an epidemic.

— JOE CIPRIANO
Founder and President
Constructeam
Fraser, Michigan

Percentage of small businesses planning to increase hiring in the next year

<table>
<thead>
<tr>
<th></th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>29%</td>
<td>24%</td>
</tr>
<tr>
<td>5%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>10%</td>
<td>20%</td>
<td>15%</td>
</tr>
<tr>
<td>15%</td>
<td>25%</td>
<td>20%</td>
</tr>
<tr>
<td>20%</td>
<td>30%</td>
<td></td>
</tr>
</tbody>
</table>
EXPERT POINT OF VIEW

Small business owners understand that they must manage their risks every day, including threats in cyberspace. Through awareness, education, and public-private partnerships, we can turn cyber challenges into opportunities to innovate, create jobs, and grow the economy. Each business, regardless of size, should have a plan to guard against threats and seek resources.

ANN M. BEAUCHESNE
Senior Vice President, National Security and Emergency Preparedness Department, U.S. Chamber of Commerce

SMALL BUSINESS INDEX | EMERGING TOPIC | Q3 | 2017
Almost two-thirds of small business owners (61%) evaluate their business’ overall health as good.

In the last year, nearly one in five small business owners (18%) report having increased staff.

Eight in ten (81%) small business owners are comfortable with their current cash flow.

Small business owners are more optimistic on their outlook of the U.S. economy this quarter (41%) compared to last quarter (33%).

Nearly half of small business owners (46%) say their local economy is good.

Complying with government regulations is demanding more time from nearly one in four small businesses.

Looking ahead for the next year, two-thirds of small business owners (68%) say they will be maintaining staffing levels.

A majority of small business owners (56%) believe next year’s revenue will increase.

Half of small business owners (50%) believe that job candidates are not properly prepared for the workforce.

A majority of small business owners (58%) will invest about the same as they did last year in their businesses.

Almost 60% of all small business owners are concerned about cybersecurity threats. In addition, small businesses with 20–99 employees are more likely to be concerned.

Optimism concerning business prospects remains unchanged since the beginning of 2017 for half of small business owners (51%).
To construct national, regional, employee size, and broad industry group level estimates of the health of small businesses in the U.S., a sequence of statistical techniques were applied to the survey results, including elastic net for variable selection and multilevel regression with post stratification (MRP) from the survey data.

Since each business may report the state of its health by different standards, Ipsos uses the core survey questions to construct a stable, consistent definition of small business status. Each business is then classified into one of three categories: poor, neutral, or good. Once each business is measured on a consistent scale, the survey results are fed into a multilevel regression model to generalize results to a broader set of businesses enabling us to measure the health of businesses not just nationally but also at the level of state, industry, and business size. The model uses employee size, industry type, and location as individual level predictors, as well as data from the U.S. Bureau of Labor Statistics on job change by industry.

All sample surveys and polls may be subject to other sources of error, including, but not limited to, coverage error and measurement error. The poll has a margin of error of plus or minus 3.5 percentage points for all respondents. Ipsos calculates a design effect (DEFF) for each study based on the variation of the weights, following the formula of Kish (1965). This study had a confidence interval adjusted for design effect of the following: (n=1,000, DEFF=1.5) adjusted Confidence Interval=±5 percentage points. Where figures do not sum to 100, this is due to the effects of rounding.
CORE INDEX QUESTIONS

Small Business Operations
1. How would you rate the overall health of your business?
2. Over the past year, would you say you have increased staff, retained the same size staff, or reduced staff?
3. How comfortable are you with your company’s current cash flow situation?

Small Business Environment
4. How would you rate the overall health of the U.S. economy?
5. How would you rate the overall health of the economy in your local area?
6. Compared to six months ago, does your business see more competition, less competition, or about the same level of competition from smaller or local companies?
7. Compared to six months ago, has the time or resources you spend completing licensing, compliance, or other government requirements increased, decreased, or stayed the same?

Small Business Expectations
8. In the next year, do you anticipate increasing staff, retaining the same size staff, or reducing staff?
9. For the upcoming year, do you plan to increase investment, invest about as much in the business as you did last year, or reduce investment?
10. Looking forward one year, do you expect next year’s revenues to increase, decrease, or stay the same?

2017 CORE INDEX TRENDS

The infographic below charts responses—in percentages—to each of the Index’s 10 core questions and will provide insights into the changing attitudes and expectations of small business owners over time. This infographic reflects responses to the first two surveys, Q2 and Q3 of 2017. Responses to the 10 core questions are used to calculate the MetLife & U.S. Chamber of Commerce Small Business Index number, which currently stands at 62.3—meaning 62.3% of small business owners have a positive outlook for their companies and the environment in which they operate.
The U.S. Chamber of Commerce is the world’s largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. Its International Affairs Division includes more than 70 regional and policy experts and 25 country- and region-specific business councils and initiatives. The U.S. Chamber also works closely with 117 American Chambers of Commerce abroad. For more information, visit [www.uschamber.com](http://www.uschamber.com).

MetLife, Inc. (NYSE: MET), through its subsidiaries and affiliates (“MetLife”), is one of the world’s leading financial services companies, providing insurance, annuities, employee benefits, and asset management to help its individual and institutional customers navigate their changing world. Founded in 1868, MetLife has operations in more than 40 countries and holds leading market positions in the United States, Japan, Latin America, Asia, Europe, and the Middle East. For more information, visit [www.MetLife.com](http://www.MetLife.com).

**PRESS CONTACT:**

BRIDGETT HEBERT  
U.S. Chamber of Commerce  
bhebert@USChamber.com  
202-463-5682

DAVID HAMMARSTROM  
MetLife  
dhammarstrom@MetLife.com  
212-578-2736

For more information on this Index, visit [www.sbindex.us](http://www.sbindex.us).

The data and statements herein provide preliminary findings based upon an Ipsos poll conducted June 20–July 21, 2017. All sample surveys and polls may be subject to error.