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LOCAL ECONOMIC OUTLOOK PUSHES OPTIMISM TO RECORD HIGH

Small business sentiment rose for the fifth consecutive quarter as the MetLife & U.S. Chamber of Commerce Small Business Index climbed to 68.7. The rise comes amid the strongest local economic outlook in the history of the survey, a firmer hiring environment, and a stronger backdrop for investing that left nearly two out of every three small business owners feeling optimistic about their company and the small business environment in the United States.
Q2 INDEX HIGHLIGHTS

Entrepreneurship—it’s not just a job, it’s a lifestyle.
Small business owners spend on average more than 14 hours a day working on their business. That’s nearly double the 7.8 hour work day for the typical American worker.

Technology matters.
Companies that feel ahead of the technological curve are more likely to feel better about their business and cash flow and are planning to hire at a higher rate. But only a quarter of small business owners feel like they are ahead of the curve.

The Small Business Index score rose for the fifth quarter in a row.
Strong small business sentiment driven by the local economic outlook and a solid hiring and investment backdrop.

Small business earning expectations remain high.
A majority of small business owners expect higher earnings for the fourth consecutive quarter.

National economic outlook falls from Q1, but remains the second highest on Index record.
Small business owners’ positive perception of the national economy fell eight percentage points to 47% after jumping 17 percentage points in Q1.

Perception of local economic conditions on the rise.
The local economy continues to be the primary barometer for the experiences of small businesses. In Q2 2018, the number rating their local economic health as good increased to 48%, tied for the strongest mark in the history of the Index.
Small business owners spend on average more than 14 hours a day working on their business. That’s nearly double the 7.8 hour work day for the average American worker, according to the Department of Labor Statistics. When extrapolated across a typical five day work week, small business owners put in 70 hours a week compared to the 40 hours that the average American works.

The data confirms what is assumed to be true about small business owners – to own a small business it takes long hours and hard work, mixed with a solid dose of passion to help the business thrive. Business owners that report their business being in good health work even longer at 14.5 hours a day, while business owners that report their business being in poor health work 10.25 hours a day.

The average work day for a small business owner includes spending 5.6 hours working with clients or customers, about 4 hours on administrative tasks, and another 3.7 managing staff.

On average, small business owners surveyed sleep 6.7 hours a night, less than the recommended eight hours. When it comes to home life, small business owners with up to four employees spend 8.3 hours a day with friends and family or addressing home and family needs. Business owners with more than 100 employees report spending 6.7 hours a day with friends and family or addressing home and family needs.

As a former small business owner, the biggest wins came with the biggest challenges. I’m proud to work at the U.S. Chamber where every day we celebrate the tenacity and guts it takes to start something from nothing and to not give up when the going gets hard. Small business is the strong fiber that knits our nation together.”

**SUZANNE CLARK**
Senior Executive Vice President, U.S. Chamber of Commerce, Former Small Business Owner
…I went on a vacation last year. But, that was the first time in 7 years. Because we have never wanted to close the store. There’s always this fear that if you leave the business with the employees, they won’t care for the business in the way that you, the owner, will care for the business. So, we have always been hesitant about closing the store, or being away for too long.”

“…The store closes at 6pm. Sometimes we might be here until 8pm, and there are times we are here from 11pm-midnight filling custom orders.”

“…I don’t go to sleep with my laptop anymore. I have to make a conscious effort to do that.”

Entrepreneurship is not for the faint at heart. I work 18 hours a day and I love it – this is my life. I wake up knowing that I am more than a good dad, good husband, and good friend…. I want to make a solution that is helping millions of people in their daily lives. I want to build the best product that can attend to the financial needs of people, and I won’t stop.”

A typical day starts at 8am for me – the store opens at 10am – I go over orders for the week, paying bills, reviewing invoices… then it’s cleaning the store, working on social media, dealing with customers and special orders. I also plan for the week, and do cash flow analysis and event planning. Reading industry publications and legal cases concerning regulation and just the local news are also really important things I spend my time on.”

KIMBERLY AIGLE
Co-owner, Suds Bar Soap
Dover, DE

KATHRYN COUGHLIN
Owner, Sherborn Wine & Spirits
Sherborn, MA

ETIENNE GILLARD
CEO, Waleteros
Miami, FL
THE TECH EFFECT: ADOPTION LINKED TO STRONGER CONFIDENCE

Only one in four small business owners (25%) reports being ahead of the pack when comparing their technology use to other businesses in their sector. For the small businesses that report being in good health, technological adoption appears to be linked to stronger outcomes and increased confidence. Small businesses that report being in good health are more likely to say they are ahead of the curve (32%).

At the same time, businesses that feel they are behind the pack, technology-wise, are less comfortable with cash flow (62%, compared to 87% who say they are ahead of the pack) and less positive about their overall business health (39%, compared to 78% of those ahead of the pack). Businesses that report being ahead of the pack when it comes to technology are more likely to report increasing staff in the past year (26%) and are also more likely to say they are going to hire (41%) compared to just 21% who report being at the back of the pack.

Specifically, businesses that have adopted various tools or technologies like video conference services, smartphone apps, big data, cloud computing, computer accounting and CRM systems tend to feel significantly better about the health of their business than those that have not.

A majority (61%) of small business owners report being in line with other companies’ technology use, but 12% report feeling behind when it comes to adapting to new technology.

Some technological use is widespread among small business owners. Nearly all businesses surveyed (93%) use at least one form of technology. The majority of small businesses report using cloud-based services (53%), and 51% use smartphone apps for productivity and/or scheduling. Video conferencing (34%) and customer relationship management systems (31%) are used by one in three small businesses.

Notably lagging behind in technological adoption are Baby Boomer small business owners who are less likely to feel like they are ahead of the pack (22%) compared to Millennial and Gen X-owned businesses (30%).

WHO IS ADAPTING TO NEW TECHNOLOGY?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small businesses in good health</td>
<td>32%</td>
</tr>
<tr>
<td>Small businesses in poor health</td>
<td>13%</td>
</tr>
<tr>
<td>100+ Employees</td>
<td>46%</td>
</tr>
<tr>
<td>Millennial + Gen X</td>
<td>30%</td>
</tr>
<tr>
<td>Baby Boomer and older</td>
<td>22%</td>
</tr>
</tbody>
</table>
### THE TECH EFFECT: ADOPTION LINKED TO STRONGER CONFIDENCE

<table>
<thead>
<tr>
<th>Technology</th>
<th>Expect Revenue to Increase</th>
<th>Good Business Health</th>
<th>Comfortable Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
<tr>
<td>Video Conference</td>
<td>70%</td>
<td>59%</td>
<td>71%</td>
</tr>
<tr>
<td>Smartphone Apps</td>
<td>72%</td>
<td>52%</td>
<td>66%</td>
</tr>
<tr>
<td>Big Data</td>
<td>69%</td>
<td>60%</td>
<td>71%</td>
</tr>
<tr>
<td>Cloud Computing</td>
<td>68%</td>
<td>56%</td>
<td>66%</td>
</tr>
<tr>
<td>Computer Accounting</td>
<td>64%</td>
<td>50%</td>
<td>63%</td>
</tr>
<tr>
<td>CRM Systems</td>
<td>74%</td>
<td>57%</td>
<td>66%</td>
</tr>
</tbody>
</table>

The ability to be on the forefront of the current and emerging technology helps you solve business problems. If you know how to use technology, it creates a positive cycle and a company culture of innovation and problem solving.”

**WILLI AVENDANO**  
Co-owner of 01  
Miami, FL

Technology is enabling small businesses—regardless of geographic location and number of employees—to start, scale, and compete in a global economy. As more customers move online to purchase goods and services, small businesses that expand their market opportunities with new technologies stand to capitalize on higher demand for their product.”

**TIM DAY**  
Senior Vice President,  
U.S. Chamber Technology Engagement Center (C_TEC)
KEY FINDINGS

SMALL BUSINESS ENVIRONMENT

U.S. ECONOMIC OPTIMISM STEADIES AFTER Q1 JUMP

Optimism regarding the American economy steadies to 47% after jumping to 55% in Q1, amid tax reform. Small business owners’ perception of the U.S. economy in Q2 is still the second highest rating in the history of the survey.

While the perception of the national economy remains positive, local economic health continues to be the primary barometer for the experiences of small businesses. The number rating their local economy as good increased to 48%, tied for the strongest mark on Index record. Small business owners in the Midwest (50%) and Northeast (47%) are more confident in their local economies, with each region increasing by 10 points. Small business owners in the West are now the most confident (55%, up four points from last quarter), while confidence among those in the South has dropped 10 points from last quarter to 42%.

Those in the Northeast and West feel less confident in the national economy compared to last quarter and Southern small business owners’ confidence has dropped significantly (19 points to 43%). There has been no change in Midwesterners’ outlook of the national economy.

Male small business owners feel more confident in the national economy, with 49% rating the overall health of the national economy as good compared to 40% of female small business owners. Male business owners rate their local economy as good (49%) compared to female small business owners (45%).

Three-fourths (75%) report their level of local competition has stayed the same compared to six months ago (down from 77% last quarter). In terms of sectors, manufacturers are least likely to report an increase in local competition (9%), and retailers and professional service firms are most likely (17% and 18%, respectively).
Five straight quarters of business optimism shows that small business owners feel the wind at their back and not in their faces, but there is still plenty of work to do. When I’m traveling the country and meeting with small business owners, they’re expressing concerns around general national economic uncertainty and persistent workforce challenges. These are two issues we see across the board at the Chamber and could be affecting small business owners’ national economic sentiment.”
Female small business owners are more optimistic about the year ahead than their male counterparts with 65% of woman-owned small businesses expecting higher revenue in the next 12 months compared to 61% of male-owned small businesses. Women also anticipate more hiring growth (36%) compared to men (30%) and a greater increase in investment (30% to 28%, respectively).

A majority of small business owners expect higher earnings for the fourth quarter in a row, with 62% anticipating an increase in revenue one year from now. The increase was one percentage point from last quarter. Small businesses with more than 100 employees are the most optimistic, with 72% expecting higher earnings in the next year.

About one in three small business owners expect to increase headcount (tied for the highest in the history of the Index), the bulk of new hiring will come from larger small businesses, 61% of businesses with 100 or more employees expect to add staff (nearly double the 32% of all businesses that expect to hire).

More small businesses are expecting to keep investment activities stable. Only 10% of businesses report plans to reduce investment in the coming year, the lowest on Index record.

If their business starts to struggle, most small business owners feel ready to deal with the rocky road ahead. Nearly nine in 10 small business owners (87%) report they have clear metrics to indicate whether their business is struggling. Most (86%) have a clear idea of how to pivot to get back on track if they begin to struggle. About eight in 10 (81%) have a business plan to adapt to a changing economy.
LARGER BUSINESSES REPORT MORE PLANS TO INCREASE STAFF OVER THE NEXT YEAR

We have nearly six full-time staff members and about 20 part-time staff members, and I am so proud of that. We are all about building relationships here. We have low turnover, which is rare in our industry, and I attribute that to the fact that we invest in our people. And we plan for growth.”

PIA CARUSONE
Co-founder, Republic Restoratives
Washington D.C.
KEY FINDINGS

SMALL BUSINESS OPERATIONS

SMALL BUSINESSES ARE STRONG, BUT CONFIDENCE IS NOT EQUALLY SHARED

Small business health remains strong, with 61% reporting good overall health, unchanged for the fifth consecutive quarter. Nearly two in five (38%) small business owners report that their businesses are in very good health, consistent with last quarter (37%).

The overall business health sentiment gap between small businesses owned by men and women increased by two percentage points this quarter. Male-owned small businesses report good overall health (64%), versus 51% of female-owned small business owners. Those in manufacturing (66%) and professional services (62%) are the most confident about their business’ health, while retail continues to be the least confident sector (53%).

Nearly one in five small business owners (18%) reported increasing staff over the past year, up from 16% last quarter. The increase in hiring was concentrated in businesses with more than 100 employees, 56% of whom reported adding headcount in the past 12 months.

Generally, cash flow considerations have remained stable and strong, with more than three-quarters of small business owners (79%) feeling comfortable. Women-owned and male-owned small business owners report being comfortable with cash flow (70% and 83%, respectively).

About one in five small business owners (21%) say they are spending more time dealing with licensing, compliance, and other government requirements, up three percentage points from last quarter.

“Women small business owners may not be as confident in their current outlook, but they are optimistic for the year ahead. The U.S. Chamber is here to help them move forward by encouraging their engagement in business operations, enabling them to build their leadership capacity, and helping shape the future business landscape. More women in business ultimately leads to a stronger, more robust national economy.”

JONA VAN DEUN
Vice President, Small Business Coalitions and Engagement,
U.S. Chamber of Commerce
On average, small business owners spend more than 14 hours a day working on their business.

Companies that feel ahead of the technological curve are more likely to feel better about their business and cash flow and are planning to hire at a higher rate.

1/4 of small businesses feel ahead of the technology curve.

The majority of female and male-owned small businesses report being in good health.

47% of small businesses are optimistic about the health of the U.S. economy, down 8 percentage points from Q1, but still the second highest rating in the history of the survey.

The number of small businesses rating their local economic health as good increased to 48%, the strongest mark in the history of this Index.

A majority of small business owners expect higher, though tempered, earnings.

The manufacturing sector is the most confident in the health of their business (66%).

The retail sector continues to be the least confident in the health of their business (53%).

Small business owners in the West are now the most confident in their local economy (55%), up four points from Q1.

Confidence in the local economy among those in the South has dropped 10 points from last quarter to 42%.
The rise in the overall Small Business Index sentiment was led by entrepreneurs in the Midwest, which jumped to the top of the four regions surveyed after coming in third last quarter. The Midwest region was also the most likely to rate the health of the national economy as good (51%), and its small business owners are most likely to view their company’s cash flow as good (87%) compared to the national average (79%).

While Midwestern businesses had a stronger outlook on the U.S. economy, small business owners in the West were the most likely to view their local economy as good (55%) compared to the country average (48%). Western small business owners are also more likely to increase investment (33%) than the national average (28%) and are looking to increase staff (36%) at a greater rate than the rest of the country (32%).

Although small business owners’ sentiment in the South toward business health and the economy (both local and national) have softened since last quarter, Southern businesses still have a more positive economic outlook than they did a year ago. They also remain the most optimistic about their future revenue – seven in 10 (69%) small business owners in the South expect their revenue to increase over the next year.
METHODOLOGY

SURVEY METHODOLOGY

These are findings from an Ipsos poll conducted March 22 – April 23, 2018 via telephone in English. For the survey, a sample of 1,002 small business owners and operators were sourced from the continental U.S., Alaska, and Hawaii.

Small businesses are defined in this study as companies with fewer than 500 employees that are not sole proprietorships. The sample for this study is a listed business directory of all U.S. businesses obtained through Dun & Bradstreet. Ipsos used fixed sample targets, unique to this study, in drawing the sample. This sample calibrates respondent characteristics to be representative of the U.S. small business population using standard procedures such as raking-ratio adjustments. The source of these population targets is U.S. Census 2014 Statistics of U.S. Businesses dataset. The sample drawn for this study reflects fixed sample targets on firmographics. Post-hoc weights were made to the population characteristics on region, industry sector, and size of business.

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.

INDEX METHODOLOGY

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 our 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 BLS on job change by industry.

Next, to ensure that our model results are reflective of the small business population in the U.S., we adjust our estimates using the number of businesses in the over 5,000 possible combinations of state, industry, and firm-size categories to ensure that the model of business health represents the U.S. population of small businesses.

The process used is known as post-stratification, something which was not possible with the original sample due to sample-size limitations. The population estimates for employee size, industry, and location were obtained from the 2014 Census Survey of U.S. Businesses.
Survey MakeUp Of 1,002 Respondents

REGIONAL BREAKDOWN

INDUSTRY BREAKDOWN

MANUFACTURING AND RESOURCES 18%

EDUCATION, HEALTHCARE, AND RECREATION 13%

PROFESSIONAL SERVICES 27%

RETAIL 24%

OTHER INDUSTRIES 18%

COMPANY SIZE BREAKDOWN

0–4 employees 28%

5–19 employees 28%

20–99 employees 9%

100–500 employees 61%

20% SOUTH

31% MIDWEST

21% WEST

27% NORTHEAST
METHODOLOGY

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 EXPECTATIONS
4. In the next year, do you anticipate increasing staff, retaining the same size staff, or reducing staff?
5. 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?
6. Looking forward one year, do you expect next year’s revenues to increase, decrease, or stay the same?

SMALL BUSINESS ENVIRONMENT
7. How would you rate the overall health of the U.S. economy?
8. How would you rate the overall health of the economy in your local area?
9. 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?
10. 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?

2018 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 last four surveys, Q3 and Q4 of 2017, and Q1 and Q2 of 2018. 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 68.7—meaning 68.7% of small business owners have a positive outlook for their companies and the environment in which they operate.
ABOUT US

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.

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.

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.