

**MetLife & U.S. Chamber of Commerce  
Small Business Index  
December 15, 2020**

## Index Summary

### Small Business Owners Still Feel Pain of Pandemic and Fear More to Come

*View of national economy continues to improve, but majority of businesses still need additional Federal help*

Small businesses anticipate the worst of the pandemic is still ahead and most say they need further government assistance to weather the storm according to the latest MetLife & U.S. Chamber of Commerce Small Business Index. They also see a somewhat improving national economy—but one still far from pre-pandemic levels.

The current Small Business Index score is 52.9 (a slight increase from 50.3 in Q3). However, the new score remains substantially below findings before the pandemic struck: the Index score was 71.7 in Q1 of 2020, based on data collected before the full economic impact of the coronavirus became apparent.<sup>1</sup>

The most likely driver of the increase in this quarter's score is a somewhat less negative outlook on the national economy. For context, this quarter 29% of small businesses said the U.S. economy was good, while 57% said the national economy was good in Q4 2019 (a drop of 28 points). Though 50% still feel the country's overall economic health is poor, things are starting to shift. The number of small business owners saying the U.S. economy is in very poor health continues to drop. This measure is down six points from September's Q3 report, and 16 points from late April. More small business owners say the country's economy is in somewhat good health (22% in Q4, compared to 15% in Q3). Also, 32% of small businesses rate their local economy as in good health, similar to last quarter's 28%.

However, most small businesses say the worst of the pandemic's economic impact lies ahead. More than three in five (62%) small business owners believe the worst of the COVID-19 pandemic is ahead of us. Just 44% say the worst is behind us.

Whether the worst is to come varies by region and small business ownership. The West is least likely to agree the worst has passed (36%) and the South (50%) is the most likely to say the worst is behind us (44% agree in the Midwest and 40% in the Northeast). 40% of female-owned and 46% of male-owned businesses agree. 59% of minority-owned small businesses versus 38% of non-minority-owned businesses, say the worst of the pandemic is behind us.

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<sup>1</sup> Beginning in Q2 2020, the MetLife/U.S. Chamber of Commerce Small Business Index survey has been conducted via a monthly online survey, in place of the typical phone-based approach used in Q1 and before. This methodological shift is in response to anticipated lower response rates in dialing business locations as a result of mandated closures related to the COVID-19 outbreak. While significant changes in data points can largely be attributed to the recent economic environment, switching from a phone to online approach may have also generated a mode effect. The Q3 Index was calculated based on 1,100 interviews from the July and September surveys. The Q4 Index was calculated based on a single survey of 600 interviews fielded in early November.

There is also widespread concern about the impact the pandemic will have on the economy, their business' finances and future, and their own mental health. A majority (56%) of small business owners continue to believe it will take six months to a year for the small business climate to return to normal, a number that has remained statistically unchanged since late May. A shift in plans from retaining to decreasing staff over the next year can be seen since the pandemic began. More this month plan to reduce staff (14%, up from 9% last quarter), reaching levels not seen since the beginning of the pandemic in late April (13%). However, a majority of small businesses (52%) still anticipate retaining the same size staff. Before the pandemic began, 64% reported plans to retain, 30% to increase, and 5% to reduce staff.

*“Crystal City’s economy has shifted for the worse for businesses that relied heavily on foot traffic during the quarantine’s early days. This forced businesses to either adapt or die. It also forced a level of ingenuity to arise that wasn’t seen before 2020. I believe the landscape has permanently shifted to these businesses relying on mobile technology to deliver their customers’ key services.”*

*Isaac Barnes  
President  
Eminent I.T.  
Crystal City, Virginia*



Most small businesses are concerned about their future. 75% of small businesses are concerned for their business's finances and 72% for their business's future. Adding to this, almost half (48%) report lower revenue this year when compared to the same time last year. Furthermore, half (50%) of small businesses see their operations continuing for a year or less before having to permanently shut down. Nonetheless, 40% (28% in late March) of small business owners believe their business can continue to operate indefinitely without having to shut down permanently. Two-thirds (67%) also say they have a business plan to adapt to a changing economy and a clear idea of how to change their business if they start to struggle. Some anticipate better times ahead: a majority (52%) anticipate revenue increases one year from now.

With many anticipating worse times, it's not surprising many small businesses see the need for temporary, targeted government assistance. Nearly three-quarters (74%) say additional federal relief funds would be important to their business' ability to succeed in 2021. When asked what the next president and Congress should prioritize in 2021, the economy (44%) and combatting COVID-19 (44%) rise to the top of the list and are viewed as equally important.

# SMALL BUSINESS INDEX

## 2020 Q4 – 52.9

The MetLife and U.S. Chamber of Commerce Small Business Index score for Q4 is 52.9. The Index score for Q3 was 50.3, for Q2 was 39.5, and for Q1 was 71.7.<sup>2</sup>

### Index Highlights

- **View of national economy continues to slowly improve.** 29% of small businesses describe the U.S. economy as good (up seven points from September). In Q4 2019, 57% said the national economy was good. 50% characterize the economy as poor (down from 58% in September).
- **Views of local economies remain steady.** Thirty-two percent of small businesses rate their local economy as in good health, similar to last quarter's 28%.
- **Minority-owned businesses more intensely concerned about impact of pandemic.** 41% of minority-owned small business are very concerned about the impact of the pandemic on their small business's future compared to 31% of non-minority-owned businesses.
- **When it comes to COVID, most say the worst is still to come.** 62% of small business owners believe the worst of the pandemic is ahead of us. There is widespread concern about the pandemic's impact on the economy, their own business's finances and future, and their own mental health.
- **Majority say it will take at least six months to return to normal.** A majority (56%) of small business owners continue to believe it will take six months to a year for the small business climate to return to normal. That number has remained statistically unchanged since May.
- **Many concerned about their future.** Half (50%) of small businesses see their operations continuing for a year or less in the current business climate before having to permanently close.
- **More federal relief is needed.** 74% of small businesses say additional federal government relief funds would be important to their business' ability to succeed in 2021.
- **COVID and the economy are the top policy issues for small business.** When asked what the next president and Congress should focus on in 2021, the economy (44%) and combatting COVID-19 (44%) are the two top priorities by a significant margin.

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<sup>2</sup> Since we moved to monthly (or near-monthly) tracking beginning in March 2020, the Index ratings for Q2 and Q3 are based on an average of responses from all surveys in that quarter. The Q3 Index was calculated based on 1,100 interviews from the July and September surveys. The Q2 Index was calculated based on 1,500 interviews from the April, May, and June surveys. The lower Index score in Q2 is driven by the sudden, major drop in business confidence regarding cash flow, overall health, and future expectations, in the wake of the COVID-19 pandemic. As sentiments have slowly begun to rebound or stabilize, the Q3 Index score responded accordingly. The Q1 Index was calculated based on 1,000 telephone interviews in December 2019 and January 2020. While significant changes in data points from Q1 to the proceeding quarters can largely be attributed to the recent economic environment, switching from a phone to online approach may have also generated a mode effect.

- **Manufacturers and services anticipate better revenues, retailers don't.** Since the end of May, manufacturers and services firms have become more optimistic about future revenues (up 11 and 16 points), while retailers have become more pessimistic (down 12 points).
- **Small businesses in the Northeast are most pessimistic.** Northeastern small businesses report drastically lower numbers in overall business health (38%) and comfort with cash flow (48%). These scores are at least 12 points lower than other regions.

## Spotlight: The Road to Recovery

### *MOST SMALL BUSINESSES SAY WORST IS YET TO COME AND SEE LONG RECOVERY*

Amid a new surge in cases across the nation which began while this survey was in field (October 30 – November 10), most (62%) small businesses fear that the worst is still to come with COVID-19's economic impact (31% disagree).

Most small businesses also foresee a months-long recovery, at least. Just a quarter of small businesses think the U.S. small business climate will return to normal in under six months, with a 56% predicting between six months to a year for a return to normalcy. This is in line with sentiments expressed last quarter and in May (six months ago).

Northeastern businesses, firms in the service sector, and smaller companies are more pessimistic about a fast return to normalcy. By region, Northeastern small businesses are most pessimistic about a speedy return: 65% believe it will take six months to a year to return to normal. Across sectors, service firms are most likely to predict a longer return to normal (66% see it taking six months to a year). This quarter, manufacturers are more optimistic than other sectors that the small business climate will return to normal in under six months (39% see a return to normal in under six months, only 44% say it will be six months to a year). The smallest businesses (with less than five employees) are far more negative concerning a return to normal. Just 18% predict it will take under six months, while 58% say six months to a year. In comparison, the largest small businesses are nearly split on whether a return to normal will take under six months (43%) or six months to a year (48%).

The biggest concern at the moment is how COVID-19 will impact the economy. A strong majority of small businesses are worried about its impact on the national and local economies, with almost half (49%) very concerned about its impact on the national economy. Across all subgroups—business size, region, sector, gender or ethnicity of the owner—80% or more are concerned about the virus' impact on America's economy.

All this indicates that small businesses are still on heightened alert due to the pandemic, despite modestly improving sentiment towards the national economy.

However, minority-owned small businesses report heightened concern about the pandemic's impact on the local economy, their businesses, and mental health. 51% of minority-owned small businesses are very concerned about the virus's impact on the local economy, compared to 35% of non-minority-owned small businesses who say the same (Overall, 80% of minority-owned businesses and 86% of non-minority-owned businesses are concerned about the pandemic's impact on the local economy). 41% of minority-owned small business are very concerned about the impact of the pandemic on their small business's future compared to 31% of non-minority-owned businesses who said the same. 44% of veteran-owned small business are very concerned about the pandemic's impact on their mental health (vs. 24% for non-

veteran-owned) and 39% of minority-owned businesses are very concerned about its impact on their mental health (vs. 23% for non-minority-owned).

### ***MOST CONCERNED ABOUT THEIR MENTAL HEALTH, EMPLOYEE MORALE***

A majority of small business owners have expressed concern about their own mental health and their workers' morale. Most (64%) small business owners are concerned about coronavirus's impact on their own mental health and 63% are concerned about employee morale. 56% are worried about how the pandemic could affect future staffing plans. More than half (55%) report working personally longer hours than before the pandemic and around a third report a worsening of their mental health (30%) and emotional well-being (35%) in the last month. At the sector level, manufacturers are especially worried about their employees, with 69% concerned about employee morale and 66% concerned about future staffing.

### ***HALF OF BUSINESSES CONCERNED ABOUT PERMANENTLY CLOSING, YET MAJORITY HAVE PLANS TO ADAPT***

Small businesses are somewhat less negative about their own future now, compared to the start of the pandemic. 40% now believe they can operate indefinitely in light of the current circumstances (was 28% in late March when the pandemic began to have a major impact). However, half (50%) of small businesses see their operations continuing for a year or less before having to permanently shut down.

### ***Compass Coffee Combats COVID-19 with their "Simple Sanitizer"***

*One dramatic case of adaptation during the pandemic has been Compass Coffee of Washington, D.C. With customers working from home amid stay-at-home orders, business was down nearly 80%, and the company closed half of their 12 locations for several months. Instead of folding their company, they changed the part of their business involved in bottling coffee flavoring to bottling hand sanitizer. By March 15, the company had shifted its bottling operations to start making hand sanitizer and had delivered 1,000 gallons of sanitizer for the D.C. government for their first big order.*

*Soon after that, Compass Coffee was producing and packaging about 2,400 bottles of hand sanitizer a day for local and national orders.*

*"Like so many other businesses, we've completely had to change our plans and we've completely had to modify the way that we think about what we do and the role that we play in the community," said Harrison Suarez, co-founder of Compass Coffee.*

67% of small businesses have a business plan to adapt to a changing economy and have a clear idea how to change to be more successful if their business starts to struggle. The smallest of businesses (1-4 employees) are least prepared for a changing economy and potential struggles



even though they are most likely to report an ability to operate indefinitely. 60% of these smallest businesses have a business plan for the fluctuating economy (compared to 77% with 5-19 employees, 76% with 20-499 employees), and 59% are clear on what must change to be successful (75% with 5-19 employees, 84% with 20-499 employees said the same).

## The Road to Recovery: Priorities for the New Administration and Congress

### *MOST SAY FEDERAL GOVERNMENT SUPPORT STILL NEEDED*

Most say that more targeted, temporary assistance from the federal government for small businesses is still needed. Seventy-four percent say additional federal relief funds would be important to their ability to succeed in 2021. Northeastern small businesses are most likely to say this (87%), along with manufacturers (82%), and small businesses with five or more employees (84% among businesses with 5-19 employees, 86% among businesses with 20+ employees).

*“The top priorities for the new Administration and Congress should be ensuring they are working across the aisle on items that assist small businesses to recover, so we can rehire and get our communities back to work. Another stimulus package, reduced health care costs, and creative incentives for the workforce to get the vaccine for a quicker rollout.”*

*CiCi Rojas  
President and Partner  
Tico Productions LLC & Tico Sports  
Kansas City, Missouri*



Most small businesses see the need for further government support to see it through the pandemic’s negative impact. A majority (56%) disagree that they have all the support they need from the federal government for their business to succeed. Minority-owned small businesses are more likely to report assistance being vital: 83% of minority-owned small businesses say that more federal small business relief funds are important versus 71% for non-minority-owned small businesses saying the same.

Services and professional services firms are most likely to say they need additional federal aid, across sectors (65% and 63% disagree they have all the support they need vs. 47% of manufacturers and 44% of retailers). Likewise, the smallest of businesses are also more likely want additional support from the federal government (60% disagree they have all the support they need vs. 49% of companies with more than five employees).

The main intended uses for a federal loan, or any cash flow, are paying for operation costs (26%), paying for rent/utilities (22%), and paying current employee salaries or benefits (19%).

*“Most small businesses have had a tough year and need immediate assistance from Congress. A legislative stimulus should be targeted towards the struggling businesses who need a financial bridge to survive the pandemic, be flexible enough to fund PPE, and provide legal protections for businesses that followed CDC guidance to shield their employees and customers from COVID-19. It’s the best way to ensure small businesses can get back on their feet and are there to help energize the economy when things start returning to normal.”*

*Tom Sullivan  
Vice President of Small Business Policy  
U.S. Chamber of Commerce*



Sixteen percent of small businesses would use the funds to pay for intermediate goods or services, and another 8% would hire back furloughed employees. Manufacturers, retailers, and professional services firms are most likely to use the fund to pay operations costs, while those in services are most likely to pay for rent or utilities.

### *COMBATING CORONAVIRUS AND THE ECONOMY SHOULD BE TOP POLICY ISSUES*

This survey was fielded during the 2020 presidential election and its immediate aftermath (October 30 - November 10). When asked about the priorities for the next Congress and the incoming presidential administration, small business owners say the economy (44%) and combatting COVID-19 (44%) should be the top priorities—far above any other issue. The next two most cited priorities are: financial assistance for small businesses (20%) and the future well-being of small businesses (20%). Furthermore, the economy and COVID-19 are among the top two priorities across regions, employee size, and sectors.

## KEY FINDINGS

### SMALL BUSINESS OPERATIONS

#### *SMALL BUSINESS OWNERS SPLIT ON HEALTH OF THEIR BUSINESSES*

Small business owners seem divided on the health of their businesses. 48% of small businesses say their businesses' health is average or poor. Half (50%) of small businesses say their business is in good overall health, in line with sentiments from April and onward this year (65% said the same in Q1, pre-pandemic). Across sectors, professional services rating their overall business health as good fell 16 points this quarter (46% vs. 62% in Q3).

*“Overall, the health of my business is good, but not as healthy as previous years. Automotive repairs and sales are down 20-30%. More commuters are driving less and teleworking, while some of our customers are temporarily unemployed. The key to remaining solvent during these uncertain times is to be flexible, closely watch sales and expenses, stay lean, become creative and prepare for the worst. I am revamping my business plan to reflect these changes.”*

*Charles Milam*

*Owner*

*Frosty Pony and St. Jacob Automotive*

*St. Jacob, Illinois*



Most small businesses are reporting steady cash flow. A majority (59%) report comfort with cash flow, a finding that has been generally stable since the end of May. The smallest business (less than five employees) are least likely to report comfort with their cash flow (52% say they are comfortable with their cash flow). However, 75% of businesses with 20-499 employees report comfort and 68% of businesses with 5-19 employees report comfort.

Across regions other than the Northeast, comfort with cash flow has rebounded close to levels seen in January. Manufacturers and retailers have experienced rebounds this quarter, while those in services and professional services remain relatively unchanged.

However, small businesses in the Northeast do not share the same outlook as other regions (South, Midwest and West) in terms of business health or cash flow. Northeastern small businesses experienced a sharp decline in reporting good overall business health, falling 13 points from last quarter to 38% reporting good health this quarter. They are now significantly less likely to report good health (51% in Midwest, 50% in South, and 56% in West report good business health). Businesses in the Northeast are also least likely to report comfort with cash flow (48% vs. 65% in Midwest, 61% in South, 63% in West) and have become increasingly so since last quarter.

## KEY FINDINGS

### SMALL BUSINESS ENVIRONMENT

#### *MORE SEE GOOD ECONOMY, BUT STILL FAR FROM PRE-PANDEMIC LEVELS*

Currently, 29% of small businesses describe the U.S. economy as good, up seven percentage points from September (and up eight points from May), but down 30 percentage points from Q1 when 60% of small businesses said the economy was good. It is also down 28 points year-on-year: in Q4 2019 57% said the national economy was good.

Overall, half (50%) of small businesses rate the overall health of the U.S. economy as poor (down eight points from September). This reflects a small, ongoing shift away from businesses saying the economy is in poor health since May (63% said economy was poor then, a total drop of 13 points).

Those in the South tend to feel better about the national economy (35%), nearing perceptions seen in July (38%) after a low point in September (21%). Across sectors, more professional services firms say the economy is in good health compared to others (35% for professional services versus 24-28% across other sectors).

However, the greatest differentiator on feelings toward America's economy is business size. Nearly half (47%) of small businesses with 20 or more employees rate the national economy as good. Those with five to 19 employees (36%) and less than five employees (23%) are much less optimistic.

Thirty-two percent of small businesses rate their local economy as being in good health, similar to last quarter's 28%. An equal percentage report poor local economic health. On a regional level, Southern small businesses are most likely to report good local economic health (35%), followed by Midwestern (34%) and Western (33%) small businesses. Northeastern small businesses are least likely to report good health at a national (23%) or local (22%) level.

The largest small businesses (those with at least 20 employees) show improving optimism toward their local economy this quarter, returning close to levels last seen in July (45% now, 50% in July), after falling to a low point of 37% in September. Those with less than 20 employees (28% with less than five employees, 35% with 5-19 employees) continue to express more pessimism towards their local economy in comparison.

Since the pandemic began, the number of small businesses reporting more competition has grown. However, this quarter small businesses report statistically similar local competition compared to six months ago (26% now said they face more local competition, was 29% last quarter). Almost half (49%) say the level of local competition has stayed the same. Manufacturers are now most likely across sectors to report higher levels of competition (40%, up 12 points from Q3), followed by retailers (33%).

## KEY FINDINGS

### SMALL BUSINESS EXPECTATIONS

#### *MOST SMALL BUSINESSES EXPECT REVENUE INCREASE IN COMING YEAR*

Most small businesses anticipate an increase in revenues in the coming year: 52% of small businesses anticipate an increase in their future revenues, on par with sentiments going back to May. Across employee size, the largest small businesses (20-499 employees) are more likely to expect increasing revenue (62%), with the smallest (1-4 employees) and mid-sized (5-19 employees) small businesses trailing at 50% and 52%, respectively.

Across regions, those in the Northeast are most likely to predict an increase in revenues over the next year (56%, up nine points from last quarter) even though they are least likely to report current good business health or comfortable cash flow.

While majorities of manufacturers (58%), services firms (57%), and retailers (54%) expect an increase in revenues, just 46% report the same in professional services. Since the end of May and amid widespread COVID-19 lockdowns, manufacturers and services firms have progressively become more optimistic about future revenues (up 11 and 16 points since late May), while retailers have become increasingly more pessimistic (down 12 points).

#### *MORE PLAN TO REDUCE STAFF, MOST PLAN TO KEEP SAME LEVEL*

Overall, there has been a shift away from increasing staff and towards decreasing staff since the pandemic began. More small businesses plan to reduce staff this quarter (14%, up from 9% last quarter), reaching levels not seen since the beginning of the pandemic in late April (13%). Twenty-seven percent of businesses plan to increase their number of employees in the next year. However, most (52%) anticipate retaining the same size staff.

Fluctuations in staffing plans can be seen across key groups. Southern small businesses are more likely than those in the Northeast, who trail the other regions, to plan to increase staff (31% in the South, 28% in the West, 25% in the Northeast, and 21% in the Midwest). Professional services firms are most likely, along with manufacturers, to anticipate hiring more staff in the coming year (32%, up eight points since last quarter). A quarter of retailers (24%) and 21% of services firms say the same. Perhaps unsurprisingly, larger small businesses are more likely to report plans to hire (49% with 20 or more employees, 45% with 5-19 employees) when compared to those with less than five employees (15%).

Small businesses have mixed investment plans for next year. 38% plan to invest as much as last year, 31% report plans to increase investment in the upcoming year, and 20% plan to reduce investments. This has not changed significantly compared to last quarter. For comparison, in Q4 2019, 58% planned to invest the same (20 points more), 26% planned to increase investments (five point less), and 10% planned to reduce investments (10 points less).



For small businesses in the Northeast and South, 37% and 36%, respectively, report an expected increase in investments. Manufacturers are more likely to report plans to increase investments in the coming year (up 11 points). Furthermore, Q4 marks the first time in six months that the service sector is not the least likely to report an increase in investments (currently, professional services are the least likely).

## INDEX SNAPSHOTS

1. Index rises, but remains far below pre-pandemic level. The MetLife & U.S. Chamber of Commerce Small Business Index rose to 52.9 this quarter, from 50.3 in Q3 and 39.5 in Q2. This new score remains substantially below findings before the pandemic: the score was 71.7 in Q1 of 2020.
2. View of economy improves slightly. 29% of small businesses describe the U.S. economy as good (up seven points from September). However, in Q4 2019 57% said the economy was good.
3. Most say worst of pandemic is still to come. 62% of small business owners believe the worst of the pandemic is ahead of us.
4. Majority say it will take months to return to normal. 56% of small business owners continue to believe it will take six months to a year for the small business climate to return to normal.
5. Minority-owned businesses see bigger pandemic impact. 41% of minority-owned small business are very concerned about the impact of the pandemic on their small business' future compared to 31% of non-minority-owned businesses.
6. Small businesses say more federal relief is needed. 74% of small businesses say additional federal government relief funds would be important to their success in 2021.
7. COVID and the economy are the top policy issues for small business. When asked what the next president and Congress should focus on in 2021, the economy (44%) and combatting COVID-19 (44%) are the two top priorities.
8. Manufacturers and services are now more likely to anticipate better revenues, retailers less likely. Since the end of May, manufacturers and services firms have become more optimistic about future revenues (up 11 and 16 points), while retailers have become more pessimistic (down 12 points).
9. Many have concerns about the future. Half (50%) of small businesses see their operations continuing for a year or less in the current business climate before having to permanently close.

## REGIONAL SCORES

### Q4 SMALL BUSINESS INDEX SCORES BY REGION

#### NORTHEAST IS MOST PESSIMISTIC, SOUTH MORE POSITIVE

##### NATIONAL SCORE 52.9

**Northeast (52.4):** Attitudes in the Northeast are the most pessimistic this quarter. Northeastern small businesses report drastically lower numbers in overall business health (38%) and comfort with cash flow (48%). These scores are at least 12 points lower than other regions, and overall business health decreased 13 percentage points from last quarter. However, more report plans to increase investments or expect an increase in revenue next year.

**Midwest (53.4):** Sentiments among small businesses in the Midwest are largely unchanged from the third quarter. A slim majority of Midwestern small businesses report good business health (51%), and nearly two-thirds feel comfortable about their cash flow situation (65%).

**South (53.1):** Compared to last quarter, views toward the country's economic health have improved more among Southern small businesses than in any other region. Half of Southern small businesses report good business health, on par with those in the Midwest and West, and significantly higher than those in the Northeast. Also, 36% plan to increase investments and 53% expect an increase in revenues (nationwide, 52% of small businesses anticipate revenue increases one year from now).

**West (52.7):** A majority of Western small business owners report good overall business health. Additionally, 63% report good cash flow. However, businesses in this region are more likely than those in the Midwest and South to say the U.S. economy is in poor health (53%). They are also more conservative when looking ahead to investments next year: Just 21% plan to increase investments (compared to 27-37% across other regions).

## **Methodology**

### *SURVEY METHODOLOGY*

These are the findings of an Ipsos poll conducted between October 30 - November 10, 2020. For this survey, a sample of roughly 600 small business owners and operators age 18+ from the continental U.S. Alaska and Hawaii was interviewed online in English.

The sample for this study was randomly drawn from Ipsos' online panel and partner online panel sources and does not rely on a population frame in the traditional sense. Ipsos uses fixed sample targets, unique to the study, in drawing sample. Small businesses are defined in this study as companies with fewer than 500 employees that are not sole proprietorships. Ipsos used fixed sample targets, unique to this study, in drawing 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 2016 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.

Statistical margins of error are not applicable to online non-probability polls. All sample surveys and polls may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding. The precision of Ipsos online polls is measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 4.6 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 credibility interval adjusted for design effect of the following (n=600, DEFF=1.5, adjusted Confidence Interval=+/-6.1 percentage points).

### *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 U.S. Census 2016 Statistics of U.S. Businesses dataset.

Percentage breakdowns for region, employee size, and sector:

<b>Manufacturing and Resources</b>	19%		<b>Employee Size: 1-4</b>	61%		<b>Northeast</b>	20%
<b>Services</b>	25%		<b>Employee Size: 5-19</b>	27%		<b>Midwest</b>	21%
<b>Retail</b>	24%		<b>Employee Size: 20-99</b>	10%		<b>South</b>	35%
<b>Professional services</b>	29%		<b>Employee Size: 100+</b>	3%		<b>West</b>	25%
<b>Other</b>	4%						