

SMALL BUSINESS INDEX

THE VOICE OF SMALL BUSINESS OWNERS



U.S. CHAMBER OF COMMERCE

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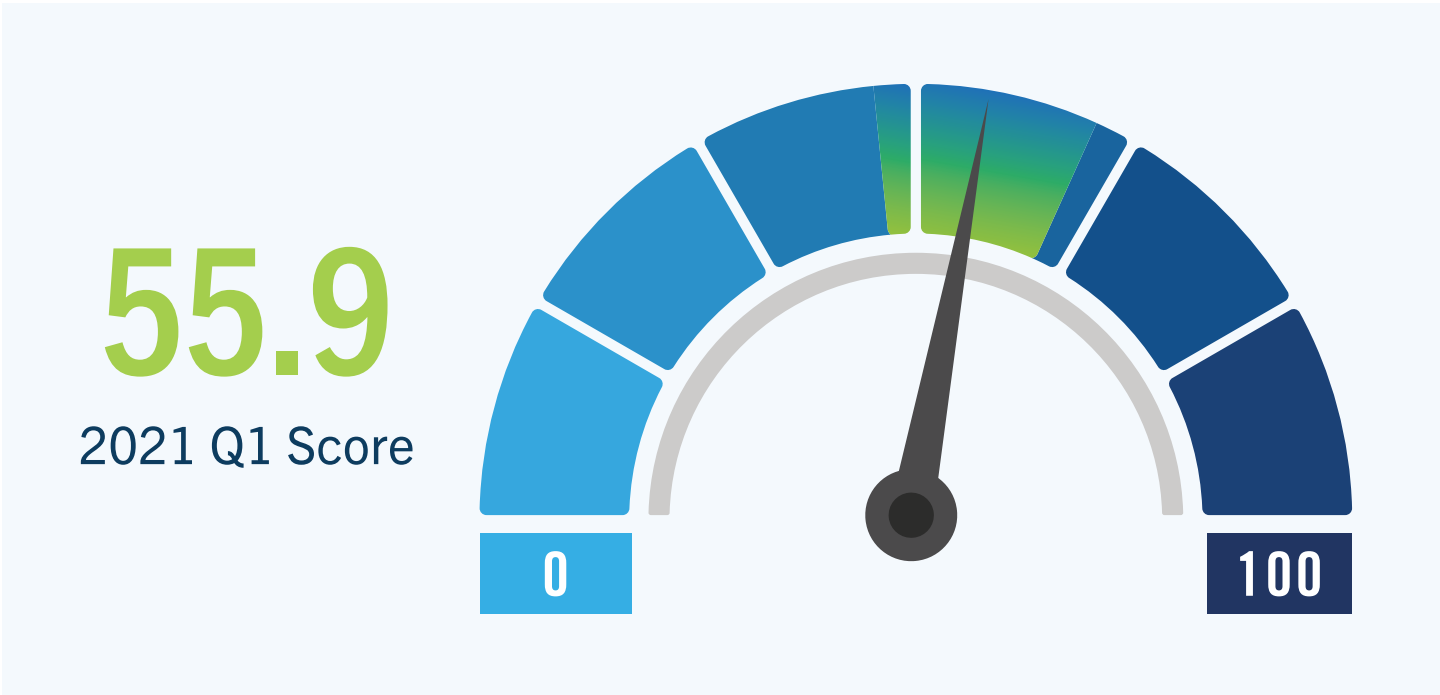
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SMALL BUSINESSES’ HEALTH IMPROVES AS ECONOMIC CONCERNS LINGER

DESPITE VACCINES, MAJORITY SEE LONG PATH BACK TO NORMAL

Most small businesses see their own business health as good despite seeing a worsening economy according to the latest MetLife & U.S. Chamber of Commerce Small Business Index. A majority also see the distribution of coronavirus vaccines as a positive step for the business climate, but see six months to a year before the business climate returns to normal.



The current Small Business Index score is 55.9 (a slight increase of three points from 52.9 in Q4 2020). However, the new score remains substantially below findings before the pandemic: the Index score was 71.7 in Q1 of 2020 based on data collected before the full economic impact of the coronavirus became apparent.¹ The Index reached an all-time low of 39.5 in Q2 2020.

The survey—fielded between January 14 -27, 2021—found that small businesses have subdued views of the future despite the promise of new vaccines and recently-passed coronavirus stimulus measures. As more

¹ 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. Since we moved to online 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 Q2 Index was calculated based on 1,500 interviews from the April, May, and June surveys. 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. This quarter, Q1 2021, was calculated based on a single survey of 750 interviews fielded in January 2021.



Americans receive their COVID-19 vaccines, a majority of small business owners remain just as concerned as in Q4 2020 about the pandemic’s impact on their business, their health, and the economy. Three-quarters of small businesses are concerned about the virus’s impact on their business (75% said the same in Q4 2020 vs. 76% this quarter). Despite this, the distribution of the vaccine does appear to be lifting spirits. More than half of small business owners say that the vaccine makes them more optimistic about the future of their business (54%) and the business climate across the country and in their state (59% each).

Minority-owned businesses continue to appear harder hit by the pandemic. 86% of minority-owned small businesses are concerned about the impact of the pandemic on their business’s future (versus 72% of non-minority-owned small businesses who are concerned). This is consistent with previous quarterly findings.

As the pandemic continues, small businesses are paying attention to their employees’ mental health. With 67% of small business owners concerned about employee morale and another 70% concerned about employees’ mental health, a majority (60%) say their business is actively addressing employee mental health as a priority right now. Minority-owned small businesses are more likely to be concerned about employee morale and mental health (76% and 82%, respectively) and, in turn, are more likely to be prioritizing employee mental health (70% vs. 57% non-minority-owned). Minority business owners are also nearly three times more likely to provide employees with mental health and wellbeing resources.

67%

of small business owners are concerned about employee morale

70%

are concerned about their employees’ mental health



The survey also found that half of small business owners are likely to require employee vaccination when they become widely available. As a firm’s employee size increases, so too does the likelihood that the business will require them to be vaccinated. Of those that plan to require employee vaccination, many say they will do so because they want their staff to be healthy (53%) or because it’s the right thing to do (43%). Personally for themselves, seven in ten small business owners plan to get the COVID-19 vaccine as soon as it is made available to them. Northeastern small business owners are most likely to plan to get the vaccine (81%) and those in the Midwest are least likely (65%).

Economically, small business owners are a mixed bag this quarter with half seeing their business health as good amid a backdrop of a worsening economy. Half of small businesses (52%) say their business is in good overall

52%

of small businesses say their business is in good overall health, down 14 points from Q1 2020

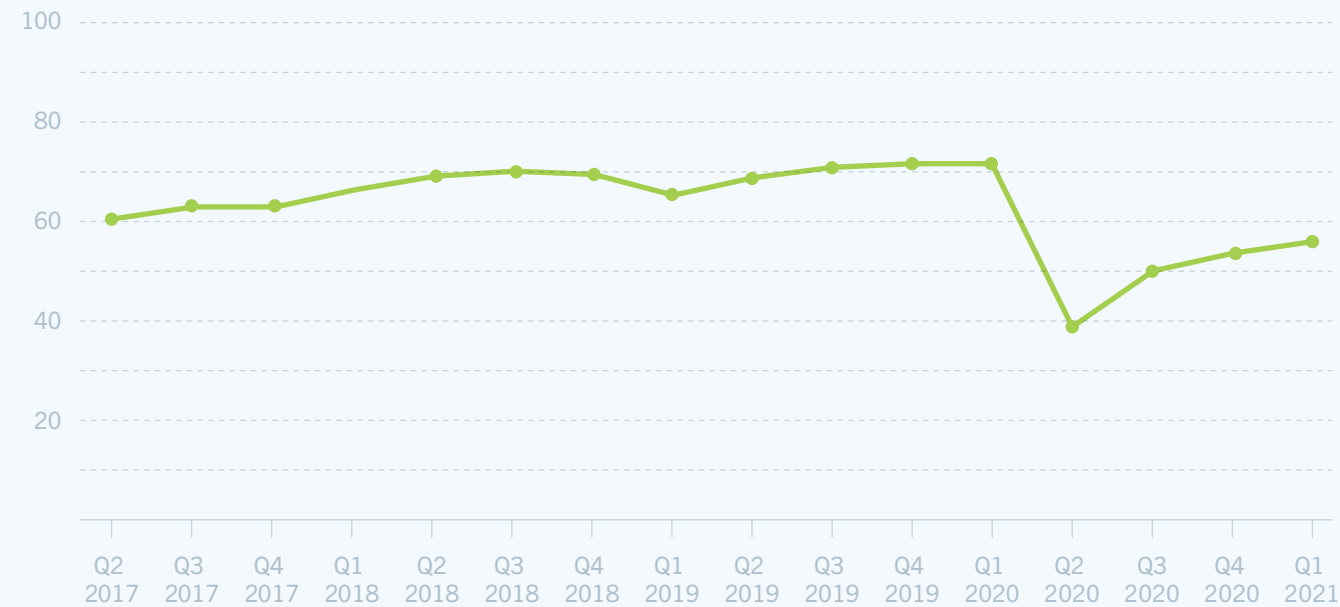
health, in line with sentiments across the last ten months, but down 14 points from Q1 2020 before the impacts of the pandemic had been felt. In contrast, fewer small business owners rate the U.S. economy as “somewhat good,” down nine points from Q4 2020 and the percentage saying the country’s economy is in poor health is up nine points from Q4.

It is important to note that the survey was fielded from January 14-27, 2021, during which national unrest surged and a presidential inauguration occurred. Adding to this, there was uncertainty around future federal stimulus packages, all of which could have contributed to pessimistic outlooks about the economy. Year over year, those calling the U.S. economy poor has increased 47 points from 12% in Q1 2020 to 59% in Q1 2021.

Perceptions of the local economy fell in lockstep with those of the national economy: those who believe their local economy is somewhat good is down seven points, while more say their local economy is in poor health (up 11 points). Year over year, those calling their local economy poor has increased 26 points from 17% in Q1 2020 to 43% in Q1 2021.

Other economic measures hold relatively steady this quarter. There has been little overall change in business operations, competition, and future expectations.

Small Business Index Score 2017 Q2 - 2021 Q1



SMALL BUSINESS INDEX 2021 Q1 – 55.9

The MetLife and U.S. Chamber of Commerce Small Business Index score for Q1 is 55.9.
The Index score for Q4 was 52.9, in Q2 2020 it was an all-time low of 39.5, and for Q1 2020 it was 71.7.²



View of national economy declines.
A majority (59%) rate the overall health of the U.S. economy as poor, bringing views down to those seen last summer (58% saw the economy as poor in August). In the Q4 2020 survey [October-early November], 50% saw the national economy as poor.

Views of local economies go down.
A growing number of small businesses rate their local economy’s health as poor, up 11 points from 32% in Q4 2020 to 43% now.

Hiring expectations tick up.
32% of small businesses plan to increase hiring over the next year, up five points this quarter (27% planned to increase staff in Q4 2020). Meanwhile, 14% plan to decrease headcount (same as last quarter). Just 5% planned a decrease in Q1 2020.

Most small businesses are focused on employee mental health.
70% of small businesses say they are concerned about employees’ mental health and a majority (60%) say their business is actively addressing employee mental health as a priority now.

Most still concerned about virus’s impact.
Three-quarters of small businesses remain concerned about the virus’s impact on their business (75% in Q4 2020 vs. 76% this quarter). 76% are concerned about their business’s finances (75% in Q4 2020).

Majority say it will take at least six months to return to normal.
Fifty-nine percent of small businesses this quarter predict it will take six months to a year to get back to normal. In Q4 2020, 56% said the same.

Minority-owned businesses more concerned about impact of pandemic.
86% of minority-owned small businesses are concerned about the impact of the pandemic on their business’s future (versus 72% of non-minority-owned small businesses who are concerned).

Almost half of businesses say they can operate indefinitely.
45% of small businesses say they can operate indefinitely without shutting down in the current environment, up five points from last quarter, 17 points from July, and 22 points from late April 2020.

Fewer small businesses see just months of survival. In Q1 2021, 21% of small businesses said they can operate six months or less without having to shut down permanently. In April of last year 45% said the same, representing a 24 percentage-point-shift.

Half of small businesses plan to require staff vaccinations.
Around half (52%) of small businesses are likely to require employee vaccinations, but 20% say they are not at all likely to do so. Owners said their top reason for requiring the vaccine is because they want staff to be healthy.

Retailers concerned about the future and morale.
Across sectors, retailers are most likely to be concerned about their business’s future (80%, up eight points from Q4 2020) and employee morale (76%, up eight points from Q4 2020).

Northeast looks up.
At the regional level, small businesses report roughly equivalent index scores. However, Northeastern small businesses report significant improvement in overall business health (50% in Q1 2021 vs. 38% in Q4 2020) and comfort with cash flow (67% in Q1 2021 vs. 48% in Q4 2020).

² 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.

SPOTLIGHT: THE ROAD TO RECOVERY

AS VACCINES ROLL OUT, SMALL BUSINESSES SEE GLINT OF OPTIMISM, BUT PREPARE FOR LONG HAUL.

The distribution of coronavirus vaccines is providing small business owners with signs of optimism, but most see a long road ahead before the business climate returns to normal.

A majority (54%) of small businesses say the availability of vaccines has made them feel more optimistic about their own business’s future. However, a third (32%) say it has made no impact on their outlook.

59% of small retailers said the vaccines made them feel more optimistic, while 52% of professional services firms said the same. Among regions, 61% of Northeastern small businesses said the vaccines made them feel more optimistic while 48% of Southern small businesses said it made them feel more optimistic (59% in the Midwest and 54% in the West said vaccines made them more optimistic). Larger small businesses tend to be more positive about the effect of the vaccines. 63% of small businesses with more than 20 employees say they are feeling more positive due to vaccine distributions, while small businesses with fewer employees are less likely to share the sentiment (52% with less than five employees, 55% with 5-19 employees).

However, despite the growing availability of vaccines most small business owners do not anticipate returning to normal anytime soon, a view that’s held over the last eight months. Fifty-nine percent of small businesses this quarter predict it will take six months to a year to get back to normal. This is the highest percent who have said this since the survey started asking this question in March of 2020. 56% said it would take six months-year to return to normal in Q4 2020 and 46% said it would take six months-year to return to normal in March of last year as the full impact of the pandemic first hit.

In light of the current circumstances, how long do you think it will be before the U.S. small business climate returns to normal?	Total %
Less than a month	1
1-2 months	10
3-6 months	14
6 months - 1 year	59
Never	7
Don’t know	9

Across regions, those in the West are the most optimistic about returning to normal in under six months, up eight points from Q4 2020. In contrast, those in the Midwest are the least optimistic about this, falling 11 points quarter-over-quarter. Additionally, larger small businesses with at least 20 employees are the most optimistic about getting back to normal, while those with less employees are more likely to predict a longer return or say they are uncertain. Divisions can be seen across sectors, as well, with services firms drastically less likely to expect normalcy in under six months and more likely to say between six months to a year.

54%

of small businesses say the availability of vaccines has made them feel more optimistic

SMALL BUSINESSES ADAPT TO A NEW NORMAL

American’s small businesses are masters at adapting to new, difficult situations. Due to the pandemic, many businesses (especially in the retail and service sectors) saw their business models change overnight.

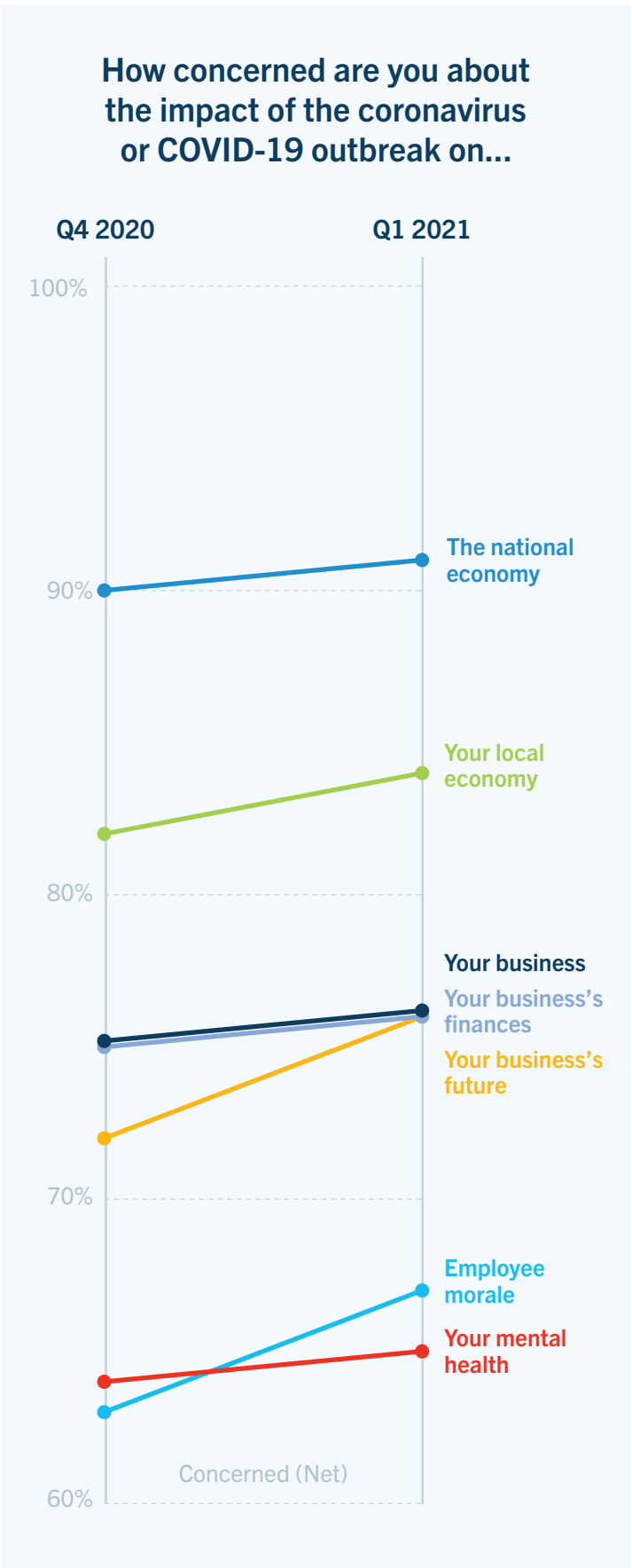
The latest survey shows almost half of small businesses now feel they can operate in this difficult, new environment indefinitely—just under a year since the full scale of the pandemic hit. 45% of small businesses say they can operate indefinitely without shutting down in the current environment, up five points from last quarter, 17 points from July, and 22 points from late April 2020 when only 23% said they could operate indefinitely.

Fewer small businesses see having to shut down in the next few months. In Q1 2021, 21% of small businesses said they can operate six months or less without having to shut down permanently. In April of last year 45% said the same, a 24 percentage-point-shift. The coronavirus stimulus package passed in December may be helping here: 39% of small business owners say the stimulus checks made them more confident about their ability to operate.

PANDEMIC’S EFFECT ON THE ECONOMY SEEN AS BIGGEST IMPACT

Despite the rollout of the COVID-19 vaccines, most small business owners remain worried about how the virus will affect the economy and their business’s future and finances.

Three-quarters of small businesses are concerned about the virus’s impact on their business (75% in Q4 2020 vs. 76% this quarter). Worries regarding their business’s finances are nearly unchanged from last quarter as well: 76% are concerned for their business’s finances (75% in Q4 2020).





Across sectors, retailers are most likely to be concerned about their business's future (80%, up eight points from Q4 2020) and employee morale (76%, up eight points from Q4 2020). Last quarter retailers were among the least likely to be concerned across these measures, presenting a stark change in attitudes and outlook.

The smallest businesses (with less than five employees) are least likely to be concerned about the impact of the pandemic on their business when compared to larger small businesses (74% with less than five employees, 77% with 5-19 employees, 84% with more than 20 employees). Adding to this, the smallest businesses are also least likely to be worried about its impact on their business's future, employee mental health, and morale.

Still, the overwhelming concern this quarter remains COVID-19's impact on the economy. Similar to findings last quarter, nearly all small businesses are concerned about the pandemic's effect on the national economy (91%), with a clear majority expressing the same about the local economy (84%).

91%

of small businesses are concerned about the pandemic's effect on the national economy

"I would rate the overall health of my business as a 7 out of 10. Given the current business climate, we are still open and we primarily serve grocery stores, bars, restaurants, etc. When they do well, we do well. When they have to close it affects us severely."

Karen Olson Beenken
President & CEO, Blue Rock Companies
Sidney, Montana

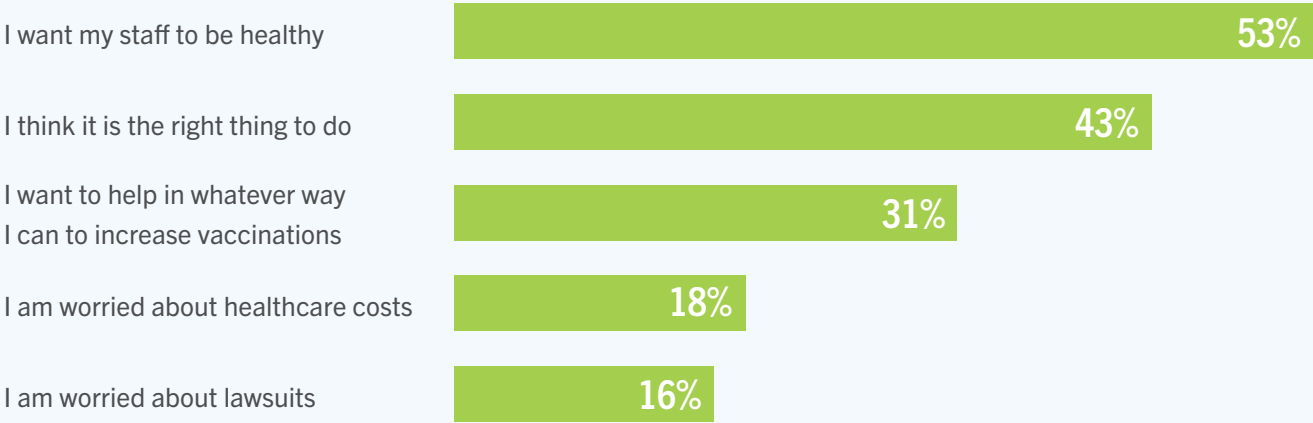
SPOTLIGHT: THE ROAD TO RECOVERY

MOST SMALL BUSINESSES PLAN TO REQUIRE STAFF VACCINATIONS

The survey also found that a majority of small businesses are likely to plan to require that their employees get vaccinated against COVID-19. Around half (52%) of small businesses are likely to require employee vaccinations, but 20% say they are not at all likely to do so.

For those that did not say they are “not at all likely” to require it, their main reasoning for requiring it is wanting staff to be healthy (53%). Another 43% say they would do so because it is the right thing to do.

Why would you require your employees to get the COVID-19 vaccine once it’s readily available?



The majority of small business owners intend to get a coronavirus vaccine. Overall, 70% of small business owners say they are likely to get the COVID-19 vaccine as soon as it is made available to them, 28% say they are unlikely to do so. Getting a vaccine is most prevalent with small business owners in the Northeast (81%), veteran-owned small businesses (81%), those very concerned about COVID-19’s impact on their business (80%), and those in operation for 11 to 20 years (79%).

Retailers are the most likely to require employee vaccinations (63%), with more than a third (37%) saying they are very likely to do so. In comparison, 55% of manufacturers and professional services firms are likely to require it, while just 40% of services firms say the same.

Perhaps unsurprisingly, the greater the number of employees, the more likely the business is to require employee vaccinations: 60% among those with 20 or more employees, 53% among those with 5-19 employees, and 50% among those with fewer than five employees plan to require the vaccine.

Small businesses are poised to make changes to their operations once vaccines are more widely distributed. The most commonly cited changes small businesses plan to make are:

- 24% will expand in-person offerings for customers
- 24% will increase hours of operations
- 21% will change safety requirements (i.e., mask requirements, temperature checks)
- 20% say they will change their business occupancy or capacity limits

52%

of small businesses are likely to require employee vaccinations

SMALL BUSINESSES STEP FORWARD ON MENTAL HEALTH, EMPLOYEE MORALE

Adapting to a starkly different economic reality has had an impact on individuals, families, and workers. One consequence of the pandemic has been that small business employers are increasingly preoccupied with the mental health of their staff—and their own mental health. What’s more, small businesses are taking concrete steps to help employees improve their mental health and navigate these difficult times.

With 67% of small business owners saying they are concerned about employee morale and another 70% concerned about employees’ mental health, a majority (60%) say their business is actively addressing employee mental health as a priority.

Minority-owned and veteran-owned small businesses are more likely to be concerned about employee mental health (67% for non-minority-owned and 82% for minority-owned; 68% for non-veteran-owned and 81% for veteran-owned). Younger generations are also more likely to be concerned about this: 77% of Millennials and Generation X say they are concerned about employees’ mental health compared to just 58% of Baby Boomers and older generations. Minority-owned small businesses are also more likely to be actively

prioritizing employee mental health right now (70% for minority-owned vs. 57% non-minority-owned).

Across all small businesses, most (67%) say employees have talked openly about financial and personal struggles. Most (73%) offer at least some kind of mental health or wellbeing resource. The most common mental health resources on offer from small businesses surveyed include:

- Encouraging mental health breaks during work hours (28%)
- Offering mental health days/flexible paid time off (24%)
- Having discussions about mental health, self-care, or stress management (22%)
- Organizing check-in meetings with employees to discuss mental health and wellbeing (22%).

Minority-owned small businesses (88%) are more likely than non-minority-owned small businesses (68%) to provide employees with some sort of mental health and wellbeing resources.

SMALL BUSINESS OPERATIONS

CASH FLOW COMFORT APPROACHES PRE-PANDEMIC LEVELS

Small business operations are statistically similar to last quarter, but small changes are adding up: small business comfort with cash flow is a few points off levels seen before the pandemic began.

Comfort with cash flow sits at 62% overall, statistically in line with last quarter’s 59%. Comfort with cash flow is close across all small business sectors (60-65%) and all are nearing or above their pre-pandemic readings in Q1 2020 (was 65% total then). Significantly, retailers (65%) experienced a significant eight-point increase from Q4 2020 and are the only sector to surpass its reading one year ago (58% in Q1 2020).

Across generations, Millennial business owners report the highest degree of comfort with cash flow at 74%, compared to 56% among Generation X and 59% among Baby Boomers.

Over half of small businesses (52%) say their business is in good overall health, in line with sentiments through the last ten months. Regionally, Northeastern small businesses saw a notable upward trend this quarter, with those rating their business’s overall health as good up 12 points from Q4. This quarter, 50% of small businesses in the Northeast are comfortable with the health of their business. In the West, small businesses reported a seven-point drop in overall business health, falling from 56% in Q4 2020 to 49% now. Small businesses across the Northeast, Midwest and West are now approximately on par (ranging from 48% to 50%), while Southern small businesses are most likely to report their business in good health (56%).

How comfortable are you with your company’s current cash flow situation? (Comfortable, Net)	Total %
Q1 (12/19/19-1/31/20)	65
Q2 April (3/25-28, 2020)	59
Q2 May (4/21-22, 2020)	48
Q2 June (5/21-27, 2020)	56
Q3 July (7/9-16, 2020)	55
Q3 Sept (8/21-27,2020)	57
Q4 (10/30-11/10, 2020)	59
Q1 (1/14-27, 2021)	62

52%

of small businesses say their business is in good overall health

Despite a tough 2020, most small businesses report retaining the same size staff over the last year. However, more report reducing staff than increasing staff numbers.

This quarter, fewer small businesses report retaining the same level of staff over the past year (55% in Q1 2021 vs. 64% Q4 2020). More say they reduced staff over the past year this quarter (27% in Q1 2021 vs. 18% in Q4 2020). However, only 16% said they had reduced staff over the past year in Q1 2020. This change in sentiment may reflect small businesses taking stock of the impact



of the virus as we come up to the one-year mark and thinking more about changes to their business.

This quarter’s shift in having retained staff to having reduced staff over the last year can be seen across most regions and sectors, particularly across the Midwest and among manufacturers. This quarter, 17% of small businesses report increasing staff over the past year (exactly the same number who reported they had increased staff in Q1 2020).

17%

of small businesses report increasing staff over the past year (the same number who reported they had increased staff in Q1 2020)

“I’m hopeful, and I think, that we’ll be back to a new normal by this summer, assuming the glide path remains as predicted with the vaccine. It’ll be a new normal because people will be more remote than before and we won’t return to complete business as usual prior to the virus, but we’ll have adapted and implemented risk mitigating measures and also figured out ways to become even more efficient.”

Paul Huszar
President & CEO, VetCor
Tampa, Florida

SMALL BUSINESS ENVIRONMENT

SMALL BUSINESSES SEE WORSENING NATIONAL, LOCAL ECONOMIES

Currently, a majority of small businesses (59%) rate the overall U.S. economy as poor, bringing overall views down nine points from the optimism of Q4 2020 when 50% saw the national economy as poor. For comparison, before the pandemic (in Q1 2020) only 12% of small businesses said the national economy was poor, representing a 47-point increase from then compared to this quarter.



This more pessimistic view of the national economy is generally true across regions and sectors. Overall, most regions' views of the U.S. economy fell back, except in the West (25% view the overall health of the economy as good, same as Q4 2020.) The sharpest drop occurred in the Midwest (12% vs. 31% in Q4 2020). Manufacturers, retailers and professional services firms all have roughly equivalent views on the economy (between 25% and 27% believe that it is in good health). However, just 6% of those in the services industry say the U.S. economy is in good health, down from 24% in Q4 2020. In contrast, minority-owned firms are more likely to see a good national economy: 29% characterize the national economy as good (compared to 19% of non-minority-owned businesses).

A growing number of small businesses also rate their local economy's overall health as poor (up from 32% in Q4 2020 to 43% now). While views on the local economy look fairly similar across regions (40-46% say it is poor), pessimistic outlooks grew most noticeably in the

59%

of small businesses rate the overall U.S. economy as poor

40%+

also rate their local economy's overall health as poor

“I’d say that the overall health of our business is good, especially given the past year that we’ve had. The help that we’ve gotten from the SBA Payroll Protection Plan, EIDL and various local grants have financially helped us out tremendously. When we had to shut down (twice), we made extra effort in connecting with our customers and especially our staff. So when we reopened both times, we were able to do so relatively seamlessly.”

Brenda Nolby
CEO, Jam Hops Gymnastics
Ham Lake, Minnesota

Midwest and South (up 14 and 16 points, respectively) from last quarter. In comparison, those saying their local economy is poor in the Northeast and West increased just three and five points, respectively. Meanwhile, minority-owned small businesses tend to see better local economies: 38% say their local economy is good while 24% of non-minority-owned small businesses say their local economy is good.

Currently, manufacturers are more likely than last quarter to say their local economy is in poor health (41%, up 10 points), rather than good (31%, down 8 points). Half of services firms say their local economy is in poor health (up 10 points), and just 10% believe it is good (down 16 points). In addition, retailers and professional services firms experienced spikes in those saying their local economy is poor when compared to last quarter, but these increases are due to fewer rating their local economic health as about average.

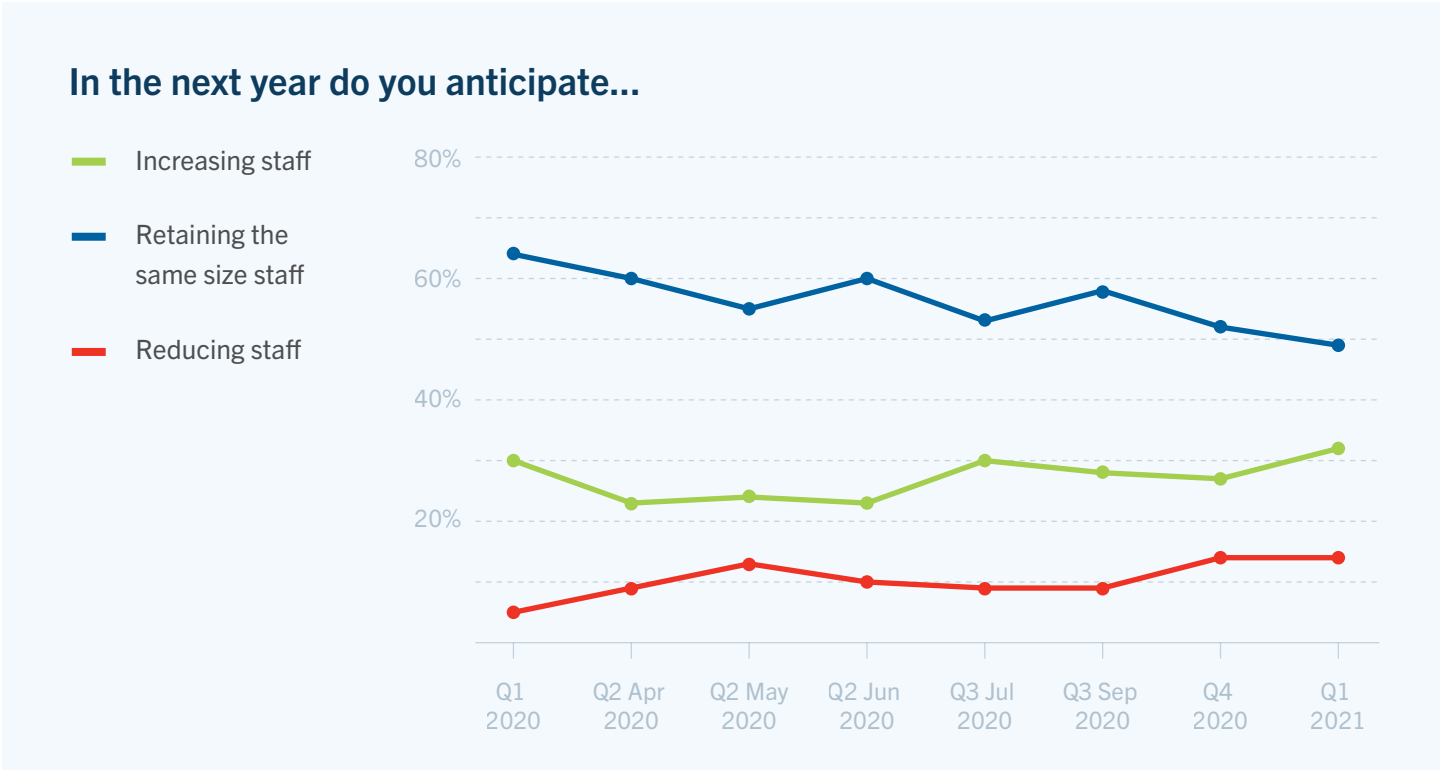
The pandemic has also brought on a heightened sense of competition for many small businesses. In total, around one in four (24% of) small businesses report a sense of more competition from local companies compared to six months ago. This is 10 points higher than levels seen in Q1 2020 (14%).

SMALL BUSINESS EXPECTATIONS

MORE SMALL BUSINESSES EXPECT TO INCREASE STAFF

This quarter, more small businesses expect to increase staff in the coming year, but investment and revenue expectations hold mostly steady.

While almost half (49%) of small businesses plan on retaining their current staff size over the next year, 32% plan to increase staff (up from 27% saying they would do so in Q4). 14% of small businesses plan to decrease headcount over the coming year (unchanged from Q4). Even as the share of small businesses growing their teams returns to pre-pandemic levels (30% planned a staff increase in Q1 2020), the number of companies reducing their staff remains significantly higher than before the pandemic (14% this quarter vs. 5% in Q1 2020).



Staffing intentions across sectors remain in line with the overall findings this quarter. Small businesses in services are least likely to increase headcount (24% vs. 33-38% across other sectors), but are more likely to retain the same size staff (66% vs. 37-48% across other sectors). Fewer small businesses in services (4%) and professional services (13%) report plans to reduce staff over the next year when compared to manufacturing (22%) and retail (20%).

Thirty-five percent of small businesses report plans to increase investment in the upcoming year, statistically similar to last quarter's 31%. Eighteen percent plan to reduce their investment, and another 37% plan to maintain their same investment level.



Across sectors, retailers (42%) and professional services (41%) firms are far more likely than manufacturers (34%) and services (26%) firms to plan an increase in investments this year.

Nearly twice as many small businesses in professional services (41%) now say they will increase investments in the upcoming year when compared to Q4 2020 (22%). In contrast, manufacturing companies are less optimistic about investments. This quarter, there was a nine-point drop in the share of manufacturers planning on increasing their investment this year (34% in Q1 2021 vs. 43% in Q4 2020). Firms in this sector are now more likely to plan to reduce their investments (25% in Q1 2021 vs. 17% in Q4 2020).

Overall, 47% of small businesses anticipate their revenue increasing this year, on par with sentiments during the pandemic. Another 14% expect it to decrease, while 32% think their revenues will stay the same.

Manufacturing small businesses are revising their revenue expectations this quarter. In Q4 2020, 58% of manufacturing small businesses expected their revenues to increase by the end of 2021. This quarter, that number dropped by 19 points to just 39%. On the other hand, those in retail (51%), services (55%), and professional services (45%) sectors express unchanged revenue expectations when compared to Q4 2020.










35%

of small businesses report plans to increase investment in the upcoming year

47%

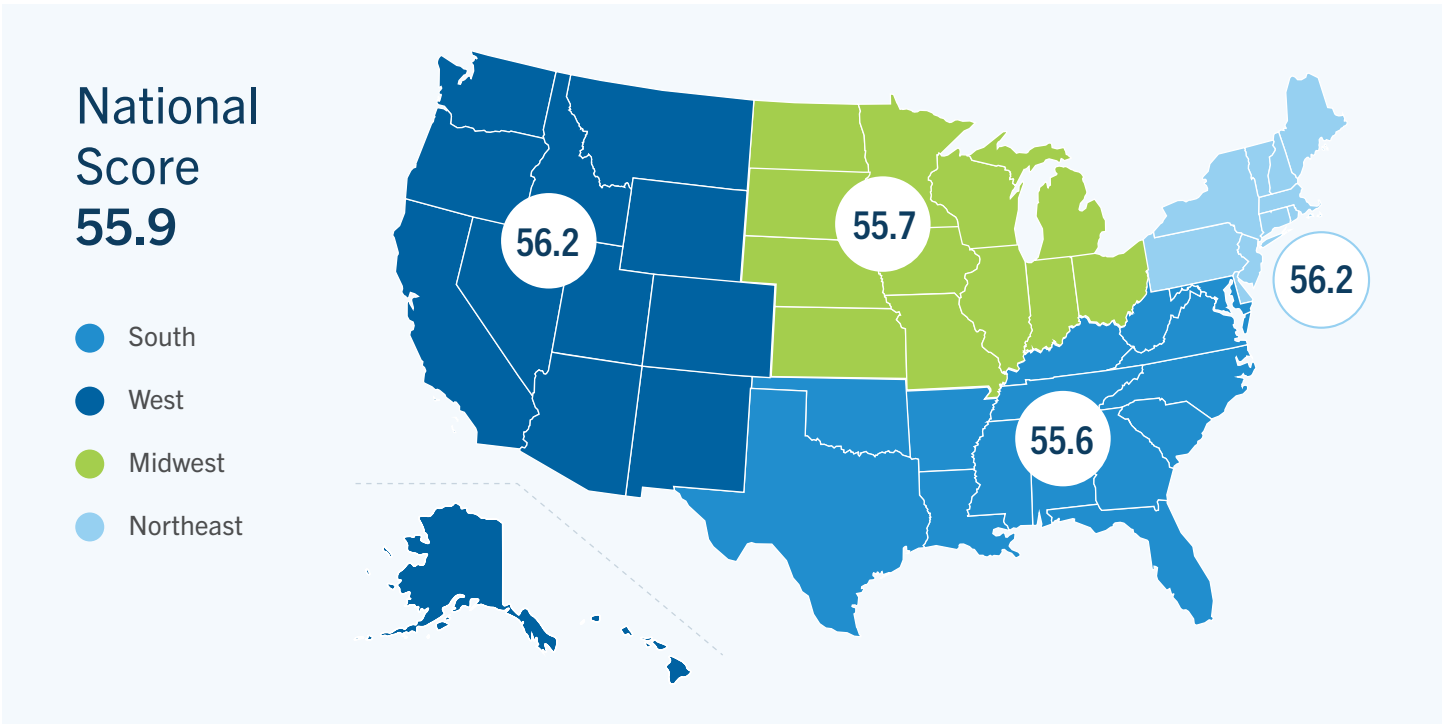
anticipate their revenue increasing this year

INDEX SNAPSHOTS

	Index rises again, but remains below pre-pandemic level. The MetLife & U.S. Chamber of Commerce Small Business Index rose to 55.9 this quarter. This new score remains significantly below findings before the pandemic began: the score was 71.7 in Q1 of 2020.
	View of economy declines. A majority (59%) of small businesses rate the overall health of the U.S. economy as poor, bringing views down near those seen last summer (58% saw the economy as poor in August). In Q4 2020, 50% saw the national economy as poor.
	Views of local economies go down. A growing number of small businesses rate their local economy's health as poor, up from 32% in Q4 2020 to 43% now.
	Hiring expectations tick up. 32% of small businesses plan to increase hiring over the next year, up five points this quarter (27% planned to increase staff in Q4 2020). Meanwhile, 14% plan to decrease headcount (same as last quarter). Just 5% planned a decrease in Q1 2020.
	Majority say it will take at least six months to return to normal. In the face of the pandemic, 59% of small businesses predict it will take six months to a year to get back to a normal business climate. In Q4 2020, 56% said the same.
	Almost half of businesses say they can operate indefinitely. 45% of small businesses say they can operate indefinitely without shutting down in the current environment. This is up five points from last quarter, 17 points from July, and 22 points from late April 2020.
	Majority of small businesses plan to require staff vaccinations. Around half (52%) are likely to require employee vaccinations, but 20% say they are not at all likely to do so. Owners said their top reason for requiring the vaccine is because they want staff to be healthy.
	Minority-owned businesses more concerned about impact of pandemic. 86% of minority-owned small businesses are concerned about the impact of the pandemic on their business's future (versus 72% of non-minority-owned small businesses).
	Retailers concerned about the future and morale. Across sectors, retailers are most likely to be concerned about their business's future (80%, up eight points from Q4 2020) and employee morale (76%, up eight points from Q4 2020).

Q1 SMALL BUSINESS INDEX SCORES BY REGION

NORTHEAST BUSINESS HEALTH UP, AS SOUTH SEES DIMMER ECONOMY



Northeast (56.2): This quarter, Northeastern small businesses report significant improvement across two major indicators: overall business health (50% vs. 38% Q4) and comfort with cash flow (67% vs. 48% Q4). Revenue expectations outpace other regions this quarter, with 62% foreseeing an increase in revenues (40-50% across other regions). These help push the region to a tie for highest regional score this quarter. However, fewer rate the national economy as good (17% vs. 23% in Q4).

Midwest (55.7): Half of (48%) Midwestern small businesses report good business health. Yet, just over half of companies (55%) feel comfortable about their cash flow, a 10-point drop from Q4. Also, 67% of Midwestern small businesses say the national economy is in poor health, a sharp increase from the 44% in Q4 2020. But more plan to expand their staff over the next year (36% vs. 21% in Q4 2020).

South (55.6): Over half (56%) of Southern small businesses report good business health, a six-point increase from Q4. A majority (60%) of small businesses in the region are comfortable with their cash flow. However, expectations for higher revenues are dimmer: 40% of Southern small businesses anticipate beating their 2020 revenue figures, the least likely to predict an increase across regions and a steep decline from last quarter (down 13 points).

West (56.2): Half (49%) of Western small business owners report good overall business health, a seven-point drop from last quarter. Also, under half (44%) of businesses in the region expect their revenue to improve over 2020's performance, significantly behind companies in the Northeast (62%). However, more plan to invest soon: 35% of Western small businesses plan on investing in their companies in the next year, up 14 points compared to Q4.

SMALL BUSINESS INDEX METHODOLOGY

SURVEY METHODOLOGY

These are the findings of an Ipsos poll conducted between January 14-27, 2021. For this survey, a sample of roughly 750 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 4.1 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=750, DEFF=1.5, adjusted Confidence Interval=+/-5.6 percentage points).



INDEX METHODOLOGY

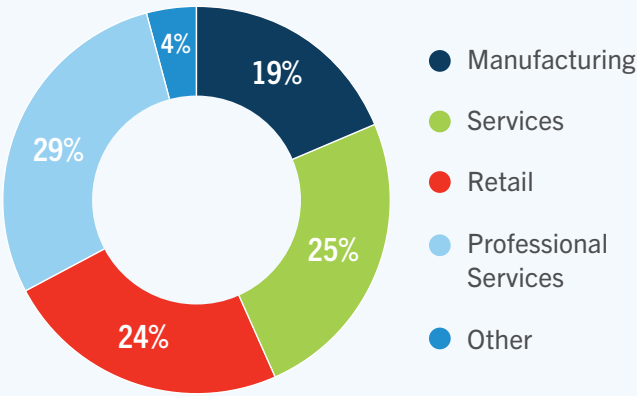
To construct national, regional, employee size, and broad industry group level estimates of the health of small businesses in the U.S., a sequence of statistical techniques were applied to the survey results, including elastic net for variable selection and multilevel regression with post stratification (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.

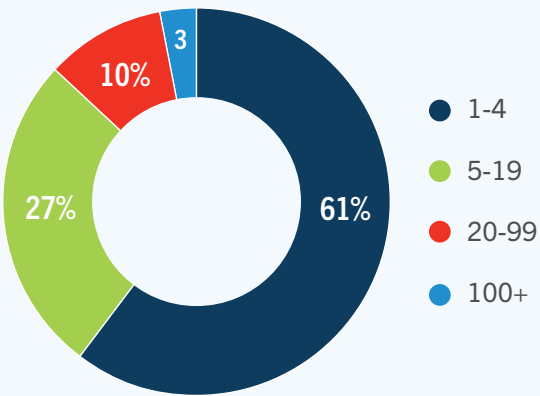
Next, to ensure that our model results are reflective of the small business population in the U.S., we adjust our estimates using the number of businesses in the over 5,000 possible combinations of state, industry, and firm-size categories to ensure that the model of business health represents the U.S.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

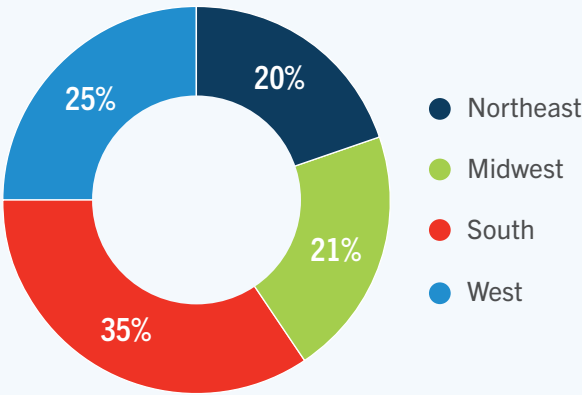
Breakdown by Sector



Breakdown by Employee Size



Breakdown by Region



ABOUT US



U.S. CHAMBER OF COMMERCE

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The U.S. Chamber of Commerce is the world's largest business organization representing companies of all sizes across every sector of the economy. Our members range from the small businesses and local chambers of commerce that line the Main Streets of America to leading industry associations and large corporations. They all share one thing: They count on the U.S. Chamber to be their voice in Washington, across the country, and around the world. For more than 100 years, we have advocated for pro-business policies that help businesses create jobs and grow our economy. For more information, visit www.uschamber.com.

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METLIFE

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