

Small Business Index

Q2 2021

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The Voice of Small Business Owners

PRESENTED BY



U.S. CHAMBER OF COMMERCE

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Small Business Views of Future Improve

‘Hopeful’ business owners see better economy, expect rising revenue

As more Americans get vaccinated and communities reopen, small businesses are becoming more hopeful about the future—especially when it comes to their views about the potential for rising revenue—according to the latest MetLife & U.S. Chamber of Commerce Small Business Index. Also, concerns about COVID-19 are declining with a majority of small business owners believing the worst of the pandemic is behind us and describing their dominant emotion as “hopeful.”



This quarter, the current Small Business Index score is 60.0 (an increase of 4.1 points from 55.9 in Q1).¹ Nevertheless, the new score remains 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. The Index reached an all-time low of 39.5 in Q2 2020 and the Index is now up a substantial 20.5 points since then.

The survey—fielded between April 21 – May 6, 2021—revealed rosier sentiments among small business owners toward the economy driven by improving revenue expectations for the coming year. Over half (57%) of small businesses anticipate their revenue increasing this year, up 10 percentage points compared to last quarter. This marks the most positive outlook on this metric to date during the pandemic.

In fact, the percentage of small businesses anticipating higher revenue is edging close to pre-pandemic levels (60% expected revenue to increase in Q1 2020). By region, small businesses in the Northeast and West are most likely to expect their revenue to increase.



Fewer small businesses see a poor national economy. Overall, 27% of small businesses rate the U.S. economy as good, up from 21% who said the same in Q1 2021. Additionally, fewer small businesses see a weak national economy: 46% rate the economy as poor, the first time this measure has fallen below 50% during the pandemic.

There are improvements in perceptions of local economic health as well. Currently, 33% rate their local economy as good, 28% said their local economy was good in Q1 of this year. There is also a transition away from more pessimistic views about local economies: fewer (29%) say their local economy is in poor health (down 14 points from Q1). The shift away from a pessimistic outlook is consistent across regions. Those rating their local economic health as poor fell at least 10 points since last quarter in each region. Women-owned businesses, and businesses owned by people of color, are slightly more likely than small businesses overall to see poor local economies. One third of women-owned small businesses say their local economies are poor (27% of male-owned say the same). Thirty-four percent of minority-owned small businesses² say their local economies are poor (28% of businesses not owned by racial/ethnic minorities say the same; a slight, but not significant, difference).

57%

of small businesses anticipate their revenue increasing this year.

Overall, other small business views toward their current operations are largely unchanged. Fifty-two percent of small businesses rate their overall business health as good, unchanged from last quarter. This measure has stayed consistent since May 2020. More than six in ten small businesses are comfortable with their current cash flow (64% now, similar to Q1’s 62%). Currently, 33% of small businesses plan to increase investment in the upcoming year, on par with last quarter’s 35%. As for staffing plans, most small businesses continue to anticipate retaining the same staffing level (52% now, 49% in Q1 2021), and 32% plan to increase staffing (same as last quarter). Around one in ten (11%) plan to decrease staffing over the next year.

Small Businesses Get More Optimistic, But Don’t See Full Pandemic Recovery Yet

Overall, nearly two-thirds (64%) of small businesses remain concerned about the impact of the novel coronavirus on their business. However, this represents a 12-percentage point decline from last quarter and 21 points from this time last year. Most of this change is due to the fact that fewer business owners now say they are very concerned about COVID-19 (this quarter 24% said they are very concerned, in April of last year 53% said they were very concerned).

Moreover, a majority (65%) now believe that the worst is behind us when it comes to the pandemic, up a staggering 21 points from Q4 2020 (when we first asked). Significantly, the dominant emotion small business owners are feeling about their current operating or reopening strategy is “hopeful” (44%) followed by “comfortable” at 31%.



A majority of small businesses support proof of vaccination for customers and their own workers. Nearly two-thirds (64%) support requiring customers to show proof of vaccination for entry or service to shops, restaurants, offices, and other businesses in their area. Support is strongest among small businesses that are minority-owned (78%), in the Northeast (76%), and millennial-owned (74%).

Fifty-nine percent are likely to support requiring their employees get the COVID-19 vaccine once it’s available to them. Regionally there is variation: the highest support for this is among businesses in the Northeast (67%) and lowest with businesses in the Midwest (49%).

All businesses, regardless of operating status are eager to get back to normal. Around eight in ten report they either opened their business fully as soon as their state allowed it (if already open), or plan to do so as soon as it is allowed (if partially open or temporarily closed). Still, most (54%) see six months to a year before the small business climate returns to normal, and this is up eight points from March 2020 with now more expecting a longer timeframe for a return to normalcy. Three-quarters (76%) intend to keep all COVID-19 safety precautions in place until the coronavirus pandemic ends.

Small businesses say that easing COVID-19 restrictions and ramping up vaccinations are the keys to their success in 2021. Twenty-nine percent say decreases in current COVID-19 restrictions from state or local governments is critical to their success and 28% say the same about widespread distribution of COVID-19 vaccinations in their area.

INDEX HIGHLIGHTS

Small Business Index

2021 Q2 – 60.0

The MetLife and U.S. Chamber of Commerce Small Business Index score for Q2 is 60.0. The Index score for Q1 2021 was 55.9 and a year ago in Q2 2020 it reached an all-time low of 39.5.³

View of economy improves.

27% of small businesses rate the overall U.S. economy as good, up from 21% who said the same in Q1 2021. But this is still far below pre-pandemic levels: 60% saw the national economy as good in Q1 of 2020.

Perceptions of local economies look up.

A growing number of small businesses rate their local economy’s health as good: 33% say the local economy is good, up from 28% who said the same last quarter.

Revenue expectations jump.

Over half (57%) of small businesses anticipate their revenue increasing this year, up 10 percentage points compared to last quarter. This marks the most positive outlook on this metric to date during the pandemic. Also, it is back to the normal range: 60% expected a revenue increase in Q1 2020.

Business health and hiring plans stay consistent.

52% of small businesses rate their overall business health as good, unchanged from last quarter. Most anticipate retaining the same staffing level (52% now, 49% in Q1) and 32% plan to increase staffing (same as Q1).

More see worst of pandemic as behind us.

A majority (65%) now believe that the worst of the pandemic is behind us, up 21 points from Q4 2020.

Small businesses say they feel hope.

Significantly, the dominant emotion small business owners are feeling about their current operating or reopening strategy is “hopeful” (44%). “Comfortable” at 31% and “concerned” at 24% round out the top three current feelings.



COVID habits may be here to stay.

76% of small businesses intend to keep all COVID-19 safety precautions in place until the coronavirus pandemic ends.

Retailers more likely to say worst isn’t behind us.

Over half (57%) of retailers say the worst of the pandemic is behind us, making them relatively less optimistic compared to all small businesses at 65%. Still, in Q4 2020 only 49% of retailers agreed the worst was behind us, meaning more now see the worst has passed.

South reports best local economy, hiring.

Across regions, Southern small businesses are most likely to report an increase in staffing levels (23%) and good local economic health (36%). More Southern businesses foresee an increase in revenues (53% now, 40% in Q1).

Minority-owned businesses more likely to support requiring employee vaccines and customer proof of vaccines.

59% of minority small business owners are likely to get the COVID vaccine as soon as it is available to them, compared to 43% of non-minority owners. Likewise, 71% of minority owners are likely to support requiring their employees get vaccinated, compared to 56% of non-minority owners who say the same. Also, 78% of minority owners agree customers should have to provide proof of vaccination to enter a business, compared to 59% of non-minority owners.

Most support proof of vaccination for customers.

64% support requiring customers to show proof of vaccination for entry or service in businesses. Also, 59% likely support requiring their employees get the COVID-19 vaccine once it’s available.

Easing COVID restrictions and vaccine rollouts are keys to success.

Small businesses say that easing COVID-19 restrictions (29%) and ramping up vaccinations in their area (28%) are the two biggest keys to their success in 2021.

Small Businesses ‘Hopeful’ as Reopenings Increase

Optimism grows, but many still see a long path ahead

As more Americans receive a COVID-19 vaccination and states lift restrictions, small business owners are more optimistic that the worst of the pandemic is over, but many still see some time before things return fully to normal.

Crucially, more small businesses say they are open: the majority (72%) of small businesses say they are now fully reopened. 24% say they are partially open and only 3% say they are temporarily closed. The dominant emotion small businesses are reporting is “hopeful” (44%), followed by “comfortable.” More negative emotions are rarer with 24% “concerned” and 21% “nervous.” In contrast, 23% are “excited.”

Fully opened businesses are more likely to say they are “comfortable,” while partially opened businesses are more likely to list negative emotions, including “concerned,” “nervous,” “worried,” and “uncomfortable.”

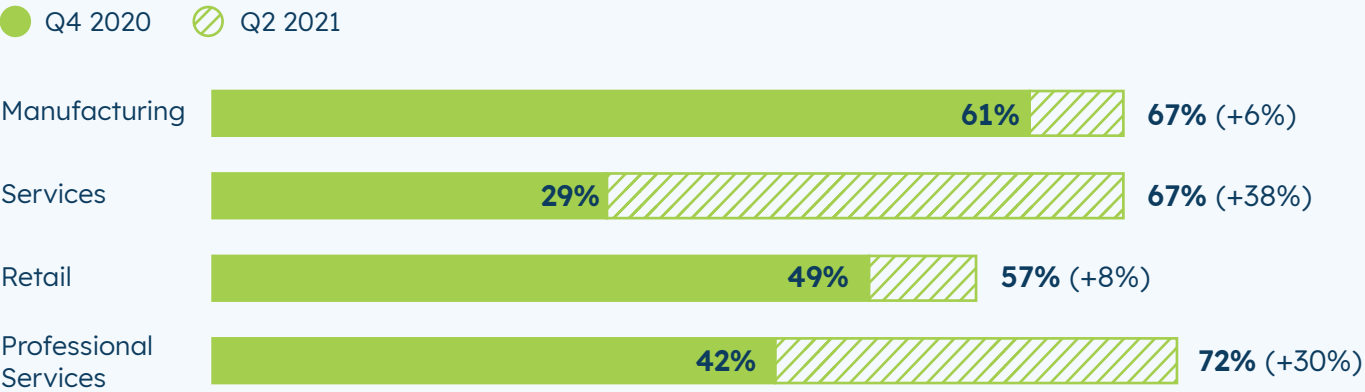
A majority (65%) agree that the worst of COVID-19 is behind us, up a huge 21 points from Q4 2020. Strong majorities across sectors agree with this, but retailers are least likely to agree the worst is behind us.

Regardless of your business’ current operating status, how do you feel today about your business’ operating or reopening strategy?



Small businesses in the service sector experienced the greatest improvement in this worst-is-behind-us sentiment, jumping a staggering 38 points from Q4. They are followed by professional services which jumped 30 points since then. Retailers lagged in overall sentiment with 57% agreeing the worst is over.

When it comes to COVID-19, I believe the worst is behind us Agree (Net)



Concerns about the coronavirus’s impact are also dropping swiftly. This quarter, 64% are concerned about the impact of the coronavirus on their business, down 12 points from last quarter.

Notably, just 24% say they are very concerned, a quarter-on-quarter decline of 18 points. Concerns varies by part of the country, business size, and by sector—but all are showing consistent declines. Key drivers of the overall 12-point drop in concern are small businesses in the Midwest (down 16 points) and West (down 16 points), and those in retail (down 22 points).

Still, a majority of small businesses see months before the business climate returns to normal. 54% of small businesses think it will take between six months and a year to return to normal. Overall, around one in three small businesses (31%) think the environment will be back to normal in six months or less, up six points from last quarter.



Most would like customers to carry proof of vaccination, employees to get vaccinated

America’s small businesses support proof of COVID-19 vaccination for customers, and most would likely support requiring employees get vaccinated.

Nearly two-thirds (64%) support requiring customers to show proof of vaccination for entry or service in shops, restaurants, offices, and other businesses in their area. Support is strongest among small businesses in the Northeast (76%) , but lowest in the Midwest (55%), although in all regions a majority support customers showing proof of vaccination. Also, 78% of minority owners agree customers should have to provide proof of vaccination to enter a business, compared to 59% of non-minority owners. Support for proof of vaccination for customers also varies based on generation. Millennial-owned small businesses are most likely to support it (74%), though majorities of Gen X-owned businesses (66%) and baby boomer or older generations (55%) support it in smaller numbers.

Also, a majority (59%) likely support requiring their employees get the COVID-19 vaccine once it’s available. Northeastern small businesses are most likely to support requiring their employees get vaccinated (67%), while Midwestern small businesses are least likely (49%) to do so. Likewise, 71% of minority-owned small businesses are likely to support requiring their employees get vaccinated, compared to 56% of non-minority owners who say the same. There is an interesting generational divide here: Gen X business owners are most likely to support requiring employee vaccinations at 66%, followed by Millennials (56%) and Baby Boomers (54%).

Overall, a majority of small business owners report either already being vaccinated or very likely to get the vaccine as soon as it is available. 27% say they have had at least one shot of the vaccine and 47% say they are likely to get the shot once it’s available to them. Minority small business owners are more likely to quickly get a COVID vaccine. 59% of minority small business owners are likely to get the COVID vaccine as soon as it is available to them, compared to 43% of non-minority owners.

65%

of small businesses agree that the worst of COVID-19 is behind us, up 21 points from Q4 2020.

64%

of small businesses support requiring customers to show proof of vaccination for entry or service.



Most Believe Less Restrictions, More Vaccines Are Key to Success

Most have already made adaptations in response to reopening

Small businesses say they know what will lead to success in 2021: less government pandemic restrictions and greater rollout and uptake of COVID vaccinations. Most also report having made—or continuing to make—adaptations to how they conduct business in order to cope with the pandemic.

All businesses, regardless of operating status, are eager to get back to normal. Around eight in ten report they either opened their business fully as soon as their state allowed it (if already open), or plan to do so as soon as it is allowed (if partially open or temporarily closed).

Small businesses say that easing COVID-19 restrictions (29%) and ramping up vaccinations in their area (28%) are the two biggest keys to their success in 2021. 24% say help in growing their business's digital presence and 19% say federal small business relief funds are critical to success this year.



28%

of small businesses say that ramping up vaccinations is critical to their success in 2021.

Around eight in ten small businesses have made, or plan to make, adaptations at their business in response to post-pandemic reopenings. The most common are expanding in-person services and offerings (24%), increasing hours of operation (24%), and returning to full capacity in the workplace for employees and customers (23%).⁴ However, few plan to relax restrictions for customers (19%) or employees (17%) in the next six months.

However, small businesses are not in any rush to ditch new COVID safety protocols. 76% of small businesses intend to keep all COVID-19 safety precautions in place until the coronavirus pandemic ends.

76%

of small businesses intend to keep all COVID-19 safety precautions until the pandemic ends.

“The Charlottesville economy is quickly recovering, with restaurants beginning to open. It seems the biggest issue for local businesses is bringing back a strong workforce as they re-open their doors, but that is based on anecdotal data of seeing countless help wanted signs.”

**Kevin Hubbard, Co-Founder, Rhoback
Charlottesville, Virginia**

KEY FINDINGS

Small Business Operations

After tumultuous year, most see steady business health, cash flow

Over a year since the pandemic's full impact was felt, most small businesses say their business health, cash flow, and headcount are now steady, with little change from last quarter.

Fifty-two percent of small businesses rate their overall business health as good, unchanged from last quarter. This measure has stayed consistent since May 2020. There is some difference based on the gender of business owners: 55% of male-owned small businesses say their business health is good, but 48% of women-owned business owners say the same. Across regions, small businesses in the Midwest are least likely to report good business health (45% vs. 53-55% in other regions). Similar to trends throughout the pandemic, professional services are generally more optimistic about business health, while retailers and manufacturers are less optimistic. A slim majority of service businesses (53%) and professional services (58%) firms say their business is in good health, while fewer than half of retailers (45%) and manufacturers (48%) agree.

52%

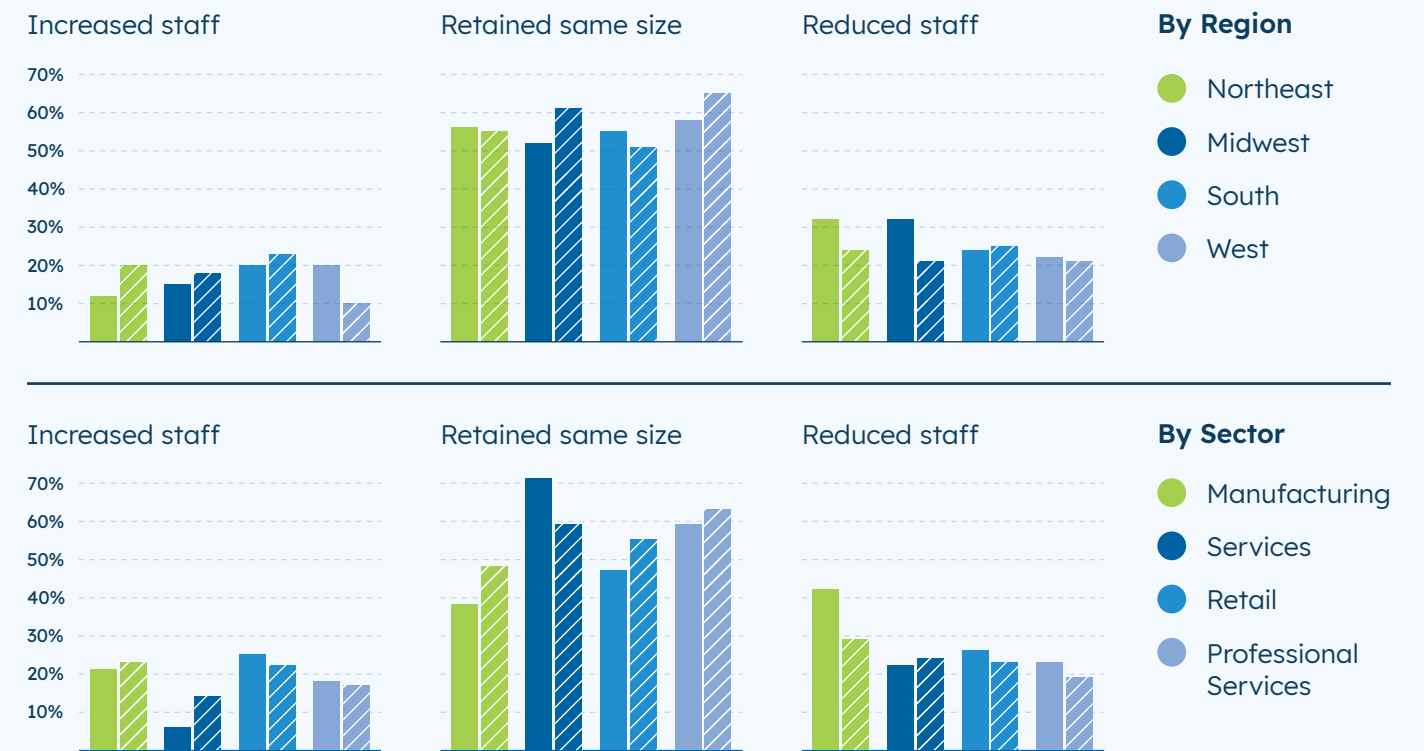
of small businesses rate their overall business health as good, unchanged from last quarter.

"I believe many employers are nervous, but hopeful. Since we are coming out of the pandemic and restrictions are beginning to lift, there seems to be an optimism we have not seen for some time."

Larry Kidd, President & CEO, Hire Jackson, Ohio

Over the past year, would you say you have:

● Q1 2021 ● Q2 2021



More than six in ten small businesses are comfortable with their current cash flow (64% now, similar to Q1's 62%). As we see with overall business health, the smallest businesses are least likely to report comfort with cash flow. Overall, most small businesses continue to report they have retained the same size staff over the past year (57%), while 18% have increased staff and 23% have reduced staff. Interestingly, the number of small businesses who say they have reduced staff remains higher than in 2020, a shift first noticed last quarter.

Though reported headcount has not changed overall since earlier this year, there are some subtle shifts under the surface. For example, Midwestern businesses are more likely now to say they have retained the same size staff than last quarter (up nine points). Across sectors, those in the service industry say in larger numbers (up eight points this quarter) that they have increased staff, while manufacturers report being less likely to reduce staff, with 29% reporting they reduced staff (compared to 42% who said the same in Q1).

64%

of small businesses are comfortable with their current cash flow.

KEY FINDINGS

Small Business Environment

Small businesses see improving national, local economies

Small businesses are seeing slightly improved national and local economies which may be helping to drive their more hopeful views.

Currently, 27% of small businesses rate the overall U.S. economy as good, up from 21% who said the same in Q1. But this is far below pre-pandemic levels: 60% saw the national economy as good in Q1 of 2020. However, what is really driving things is that fewer small businesses are seeing the economy as poor. While 46% continue to say the national economy is poor, this is the first time this measure has fallen below 50% during the pandemic. Just last quarter, fully 59% of small businesses said the economy was poor (a drop of 13 points in one quarter).

Small businesses in the South and Northeast are more likely to feel positively toward the national economy than those in the Midwest and West, though Midwestern small businesses feel more positive than last quarter.

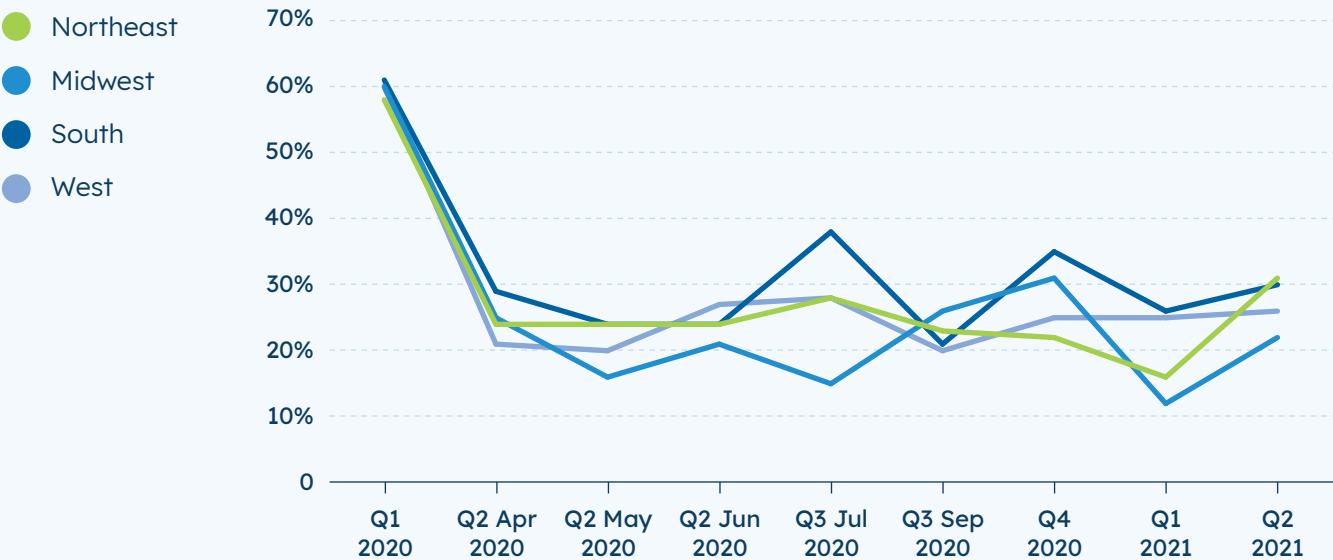
In Q1 2021, just 6% of those in the services industry said the U.S. economy was in good health; this sentiment has more than tripled, now at 21%. Despite this gain, a majority of service-related small businesses rate the U.S. economy as poor (54%), more than any other sector.



27%

of small businesses rate the overall U.S. economy as good, up from 21% in Q1.

How would you rate the overall health of the United States economy? Net (Good)



A growing number of small businesses rate their local economy’s health as good. Currently, 33% rate their local economy as good, 36% rate it as average, and 29% rate it as poor. This marks a transition away from predominantly pessimistic views about local economic conditions, as fewer now say their local economy is poor (down 13 points from Q1).

This shift away from a pessimistic outlook is consistent across regions: those rating their local economic health as poor fell at least 10 points across each region (down 10-18 points this quarter). Across sectors, the same can be seen among manufacturers, retailers and professional services firms. Small businesses aren’t yet feeling bullish about their local economy—not all of the movement is from poor to good—but they are less pessimistic this quarter.

Finally, a majority of small businesses say that local competition (51%) and time spent on compliance (57%) remains the same compared to six months ago.

“In Washington, D.C., we have been living amidst stringent restrictions and I have seen it negatively impact many businesses. Since we are reopening in a few weeks, businesses are beginning to rebuild, but are experiencing challenges in filling open positions.”

Caroline Westerman
CEO, Lion Brand Consultancy
Washington, D.C.

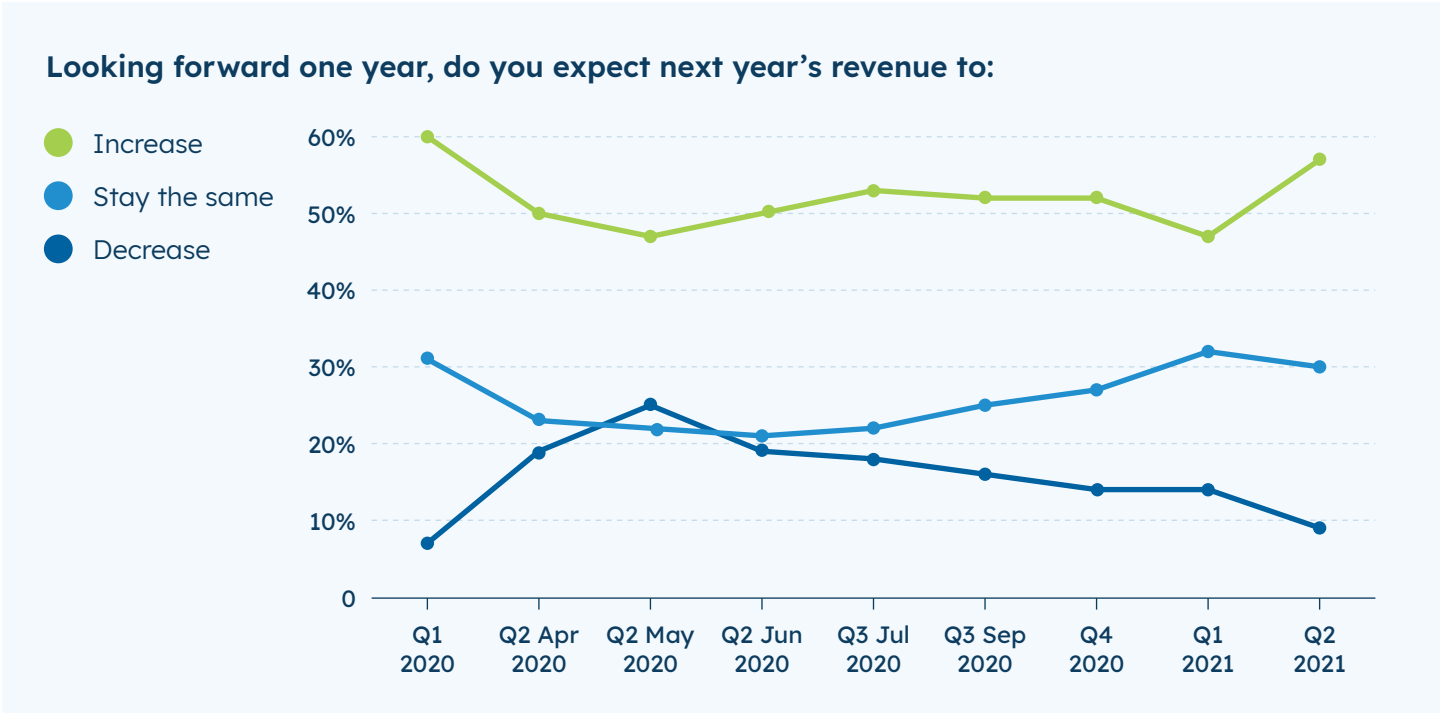
KEY FINDINGS

Small Business Expectations

Revenue expectations improve, reaching pre-pandemic range

Small businesses revenue expectations improved significantly this quarter, driven upward by a large bump in revenue expectations. Currently, 57% of small businesses anticipate their revenue increasing this year, a 10-point increase in revenue expectations from last quarter. Only 9% expect a decline in revenue (25% expected a decline in May 2020). Furthermore, the current reading is just three points shy of revenue expectations before the pandemic struck (60% in Q1 2020).

This marks the most positive outlook to date during the pandemic for revenue expectations—indicating small businesses see good times ahead over the next year.



The most significant positive shifts from last quarter at the regional level come from small businesses in the West (an 18-point gain in those expecting next year's revenues to increase) and the South (a 13-point increase). Across sectors, a majority of services (at 60%), professional services (an 11-point increase, at 56%), retail (56%), and manufacturers (a 13-point increase at 52%), expect a boost in next year's revenues.

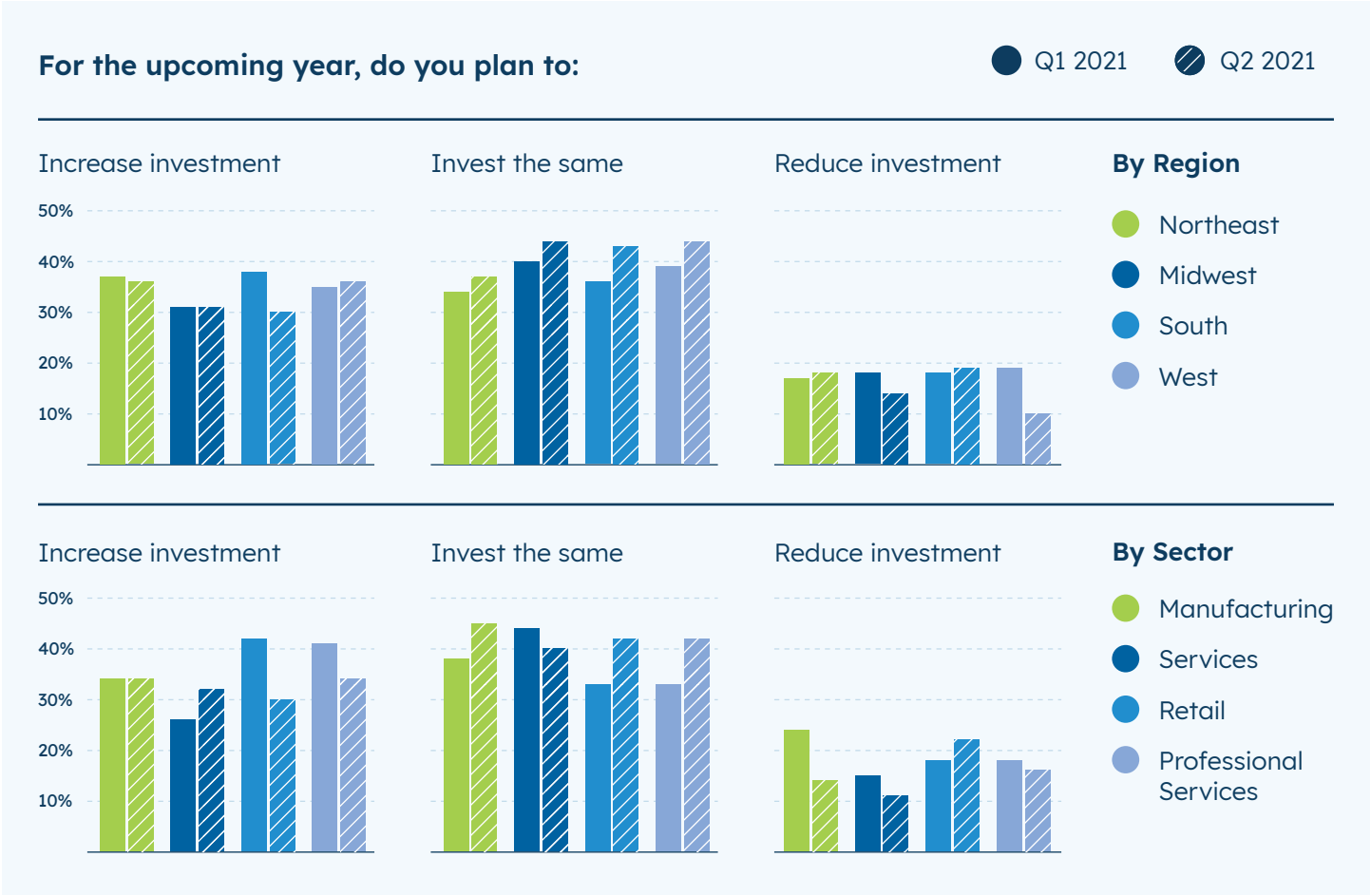
Currently, 33% of small businesses plan to increase investment in the upcoming year, on par with last quarter's 35%. Another 16% expect to reduce investments, while 42% plan to maintain the same investment level.

Similar to reported headcount changes, plans to increase investment have shifted at the sector level. Most strikingly this quarter, fewer retailers are planning to increase investment (30% plan to increase, down from 42% in Q1) and manufacturers are less likely to reduce investment (only 14% plan to reduce investment, compared to 24% who planned to do so in Q1). Across regions, the Northeast and West are slightly more likely, but not significantly, to plan to increase investment (36% each). The South is the least likely to plan to increase investment (30%) and most likely to plan to reduce investment (19%).

57%

of small businesses anticipate their revenue increasing this year.

The largest small businesses (with 20 or more employees) are the most likely to plan an investment increase over the coming year. Forty-three percent of the largest firms think they will increase investment over the next year, compared to just 30% of the smallest firms with less than five employees and 34% of mid-sized firms with 5-19 employees.



Most small businesses continue to anticipate retaining the same staffing level (52% now, 49% in Q1 2021) this quarter. 32% plan to increase staffing (same as Q1) and around one in ten (11%) plan to decrease staffing over the next year.

The largest small businesses are most likely to report plans to increase their headcount (51%), while smaller businesses are more likely to say their staffing levels will stay the same. Across regions, staffing intentions are relatively consistent. In each region, most say they plan to retain the same staffing level (49-59%), with around a third reporting plans to hire (28-35%). Northeastern small businesses are most likely to say they plan to reduce staff (18%), while those in the West are least likely (5%).

Sector-based staffing plans are relatively in line with plans overall. This quarter, a majority of retailers (54%) plan to retain the same size staff (a 12-point increase from Q1) and those in the services industry have moved from retaining staff, reporting more plans to increase and decrease staff. These trends illustrate the remaining uncertainty small businesses face as the country’s collective reemergence gathers momentum.

SNAPSHOTS

Index Snapshots



Index rises again, but remains below pre-pandemic levels.
The MetLife & U.S. Chamber of Commerce Small Business Index rose to 60.0 this quarter. This new score remains below findings before the pandemic began: the score was 71.7 in Q1 of 2020.



View of economy improves.
27% of small businesses rate the overall U.S. economy as good, up from 21% who said the same in Q1 2021. But this is still far below pre-pandemic levels: 60% saw the national economy as good in Q1 of 2020.



Perceptions of local economies look up.
A growing number of small businesses rate their local economy’s health as good: 33% say the local economy is good, up from 28% who said the same last quarter.



Revenue expectations jump.
Over half (57%) of small businesses anticipate their revenue increasing this year, up 10 percentage points compared to last quarter. This marks the most positive outlook on this metric to date during the pandemic. Also, it is back to the normal range: 60% expected a revenue increase in Q1 2020.



Business health and hiring plans steady.
52% of small businesses rate their overall business health as good, unchanged from last quarter. Most anticipate retaining the same staffing level (52% now, 49% in Q1) and 32% plan to increase staffing (same as Q1).



Small businesses say they feel hope.
Significantly, the dominant emotion small business owners are feeling about their current operating or reopening strategy is “hopeful” (44%). “Comfortable” at 31% and “concerned” at 24% round out the top three current feelings.



Most support proof of vaccination for customers, requiring employee vaccinations.

64% support requiring customers to show proof of vaccination for entry or service in businesses. 59% likely support requiring their employees get the COVID-19 vaccine once it's available.



Easing COVID restrictions and vaccine rollouts are keys to success.

Small businesses say that easing government COVID-19 restrictions (29%) and ramping up vaccinations in their area (28%) are the two biggest keys to their success in 2021.



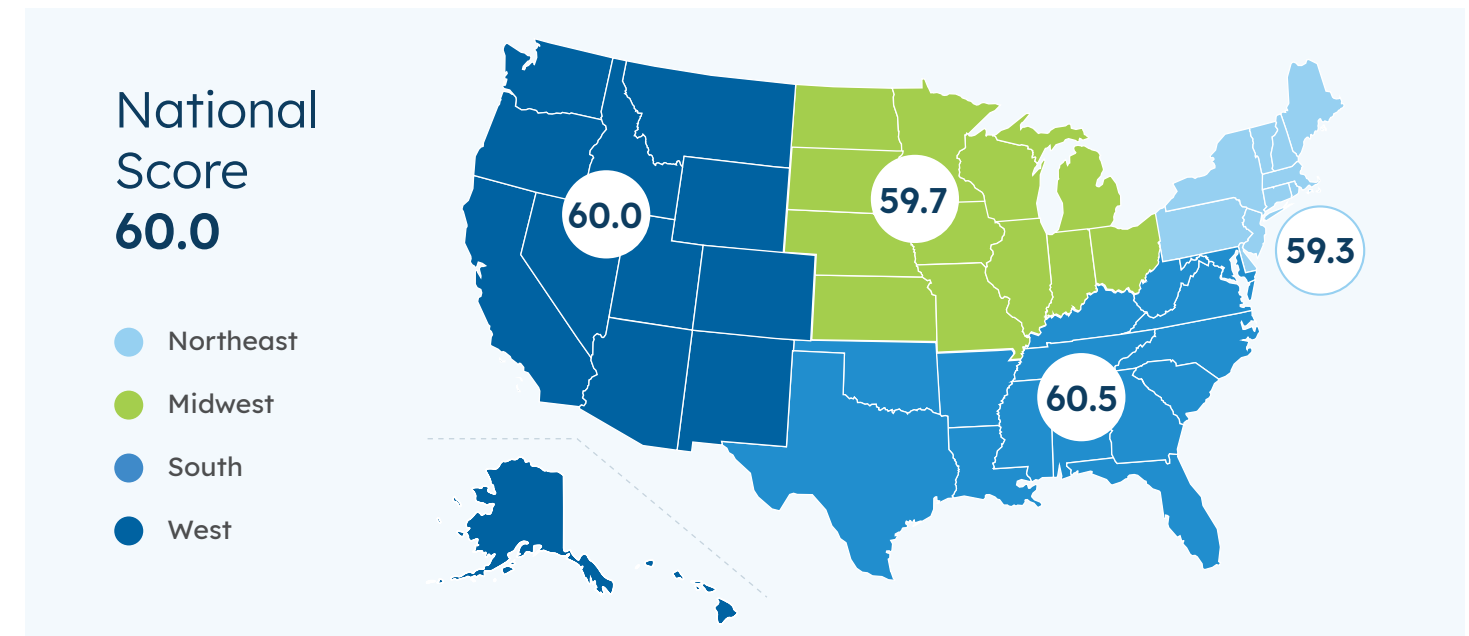
Minority-owned businesses more likely to get COVID vaccine, support requiring employee vaccination.

59% of minority small business owners are likely to get the COVID vaccine as soon as it is available to them, compared to 43% of non-minority owners. Likewise, 71% of minority owners are likely to require their employees get vaccinated, compared to 56% of non-minority owners saying the same.

REGIONAL SCORES

Q2 Small Business Index Scores by Region

The South and West lead, as all regional scores improve



Northeast (59.3): This quarter, a majority of Northeastern small businesses report good overall business health (54%) and comfort with cash flow (64%), retaining the significant gains seen earlier this year. At the same time, those in the Northeast are most likely across regions to anticipate reducing staff in the next year (18% vs. 5-12% across other regions). Nonetheless, a strong majority continue to expect their revenue to increase in the coming year (61%).

Midwest (59.7): Midwestern small businesses report less confidence about their overall business health, yet their Index score is bolstered by growing confidence in other metrics. 45% of Midwestern small businesses report good business health, the lowest percentage across regions. At the same time, more than three in five report being comfortable with their cash flow (up eight points from Q1). National economic outlooks in this region are also more positive than last quarter (a 10-point increase).

South (60.5): 55% of small businesses in the South report good business health and 64% are comfortable with their current cash flow. Across regions, Southern small businesses are most likely to report an increase in staffing levels (23%) and good local economic health (36%). While fewer plan to increase investments when compared to last quarter (30% now, 38% in Q1), more now foresee an increase in revenues (53% now, 40% in Q1).

West (60.0): Western small business health (53%) and comfort with cashflow (64%) are on par with small businesses across the country. Western small businesses are more likely than those in the Northeast or South to have retained the same size staff over the past year and a majority plan to do so over the next year. 62% of Western small businesses predict higher revenue over the next year, compared to 44% in Q1.



Small Business Index Methodology



Survey Methodology

These are the findings of an Ipsos poll conducted between April 21–May 6, 2021. For this survey, a sample of roughly 754 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=754, DEFF=1.5, adjusted Confidence Interval=+/-5.6 percentage points).

Index Methodology

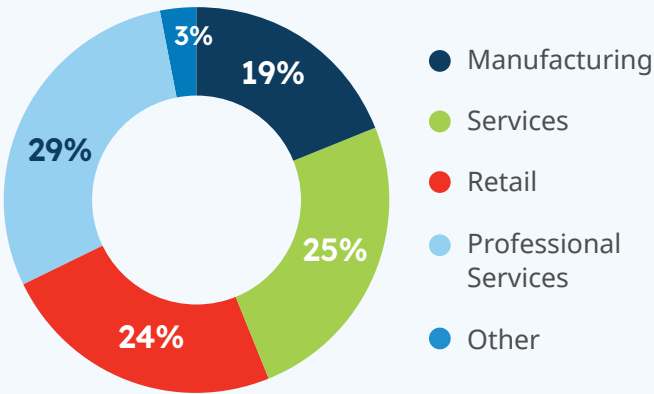
To construct national, regional, employee size, and broad industry group level estimates of the health of small businesses in the U.S., a sequence of statistical techniques were applied to the survey results, including elastic net for variable selection and multilevel regression with post stratification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

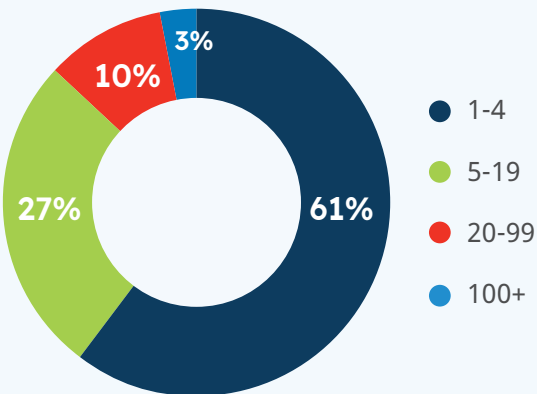
Next, to ensure that our model results are reflective of the small business population in the U.S., we adjust our estimates using the number of businesses in the over 5,000 possible combinations of state, industry, and firm-size categories to ensure that the model of business health represents the U.S.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

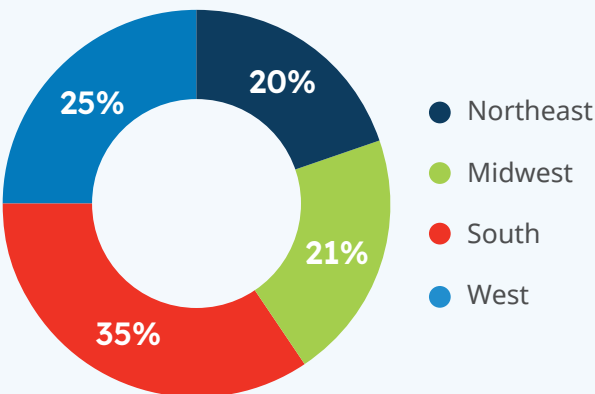
Breakdown by Sector



Breakdown by Employee Size



Breakdown by Region



About Us



U.S. CHAMBER OF COMMERCE



MetLife

U.S. Chamber of Commerce

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

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.

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Notes

1. Beginning in Q2 2020, the MetLife/U.S. Chamber of Commerce Small Business Index survey has been conducted via online surveys, in place of the typical phone-based approach. 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.

2. Minority-owned businesses are defined as those owned by a person of color.

3. 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.

4. Question asked only of those whose business is not permanently closed (N=750).



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