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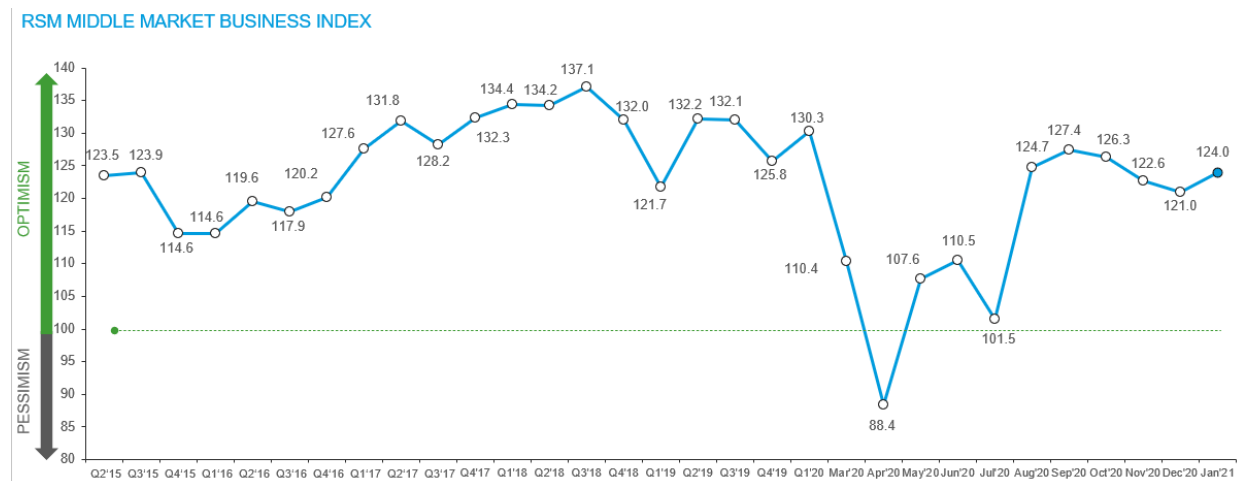
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## The RSM US Middle Market Business Index Improves as Post-Pandemic Optimism Lifts Outlook

January’s most forward-looking indicators point toward a rapid reflation with the return of constructive revenues and net earnings as the economy reopens, following mass vaccinations

CHICAGO (March 2, 2021) - The [RSM US Middle Market Business Index](#) (MMBI), presented by [RSM US LLP](#) (“RSM”) in partnership with the [U.S. Chamber of Commerce](#), rose slightly in January 2021 to 124 from 121 in December 2020, indicating that while the U.S. economy continues to see pandemic-induced challenges, businesses are optimistic about future economic activity in 2021. This is the best reading for the index since October 2020, though it is still 7% below its pre-pandemic level. The index is part of the MMBI for the first quarter.

“While concerns around COVID-19 infections in the U.S. and Europe continue, causing a somewhat bleak immediate outlook, 56% of respondents expect significant improvement in the second half of the year,” said [Joe Brusuelas](#), RSM US LLP chief economist. “American consumers are holding on to approximately \$1.5 trillion in savings, and as vaccination rates accelerate, businesses are preparing for what could be rapid reflation of strong consumer behavior toward the second half of the year. This data confirms that optimistic sentiment.”



### **MMBI Data Shows a Clear Economic Deceleration into the First Quarter of 2021**

While there is long-term optimism over the next six months, it is important to note that only 29% of respondents indicated an improvement in current economic conditions, 39% noted a deterioration in current economic conditions and 28% implied no change.

However, a plurality of respondents, or 44%, noted a current improvement in gross revenues, and 43% indicated an improvement in net earnings. Similar to their forward view on the economy, 60% of the executives indicated they expect an improvement in gross revenues over the next six months, and 59% anticipate growth in net earnings.

### **Businesses Expect to Grow and Hire, Returning to Normal Levels of Inflation**

The ongoing vaccination efforts, coupled with strong rates of savings, are giving cause for optimism in future employment. Over the next six months, 56% of respondents state that they expect to increase hiring, 55% will increase compensation and 48% are going to increase outlays on productivity enhancing capital expenditures.

The evolving sentiment on inflation in the middle market is also notable. Currently, 66% of respondents noted an increase in prices paid, but only 41% of survey participants reported passing those prices downstream to customers. Looking forward, 67% expect prices paid to rise, and 60% state that they intend to pass along those price increases to customers both above their respective levels of 62% and 52%.

“Businesses are still navigating the challenges of the COVID-19 pandemic, and the Middle Market Business Index continues to provide intelligent insight,” said Neil Bradley, executive vice president and chief policy officer at the U.S. Chamber of commerce. “While challenges persist, people are seeing a clearer finish to the pandemic-economy. The U.S. Chamber will keep supporting businesses as they prepare for the post-pandemic period and lay the groundwork for future success.”

### **Cyberthreats Continue to Increase**

Responses from this quarter's MMBI also revealed near exponential increases in perceptions of cyber threats. However, while 74% of respondents reported a higher number of cyber incidents compared to 2019, and more than a quarter reported data breaches, 93% are confident in current measures to safeguard their data.

Data and privacy issues for middle market businesses is the topic of RSM's upcoming MMBI special report on cybersecurity. Those findings will be released in a special report later this year.

RSM will continue to publish monthly installments of the MMBI for the extent of the COVID-19 pandemic. To stay informed with the latest insights, ideas and countermeasures to minimize the outbreak's negative effects as well as prepare for future emergency events, visit [RSM's COVID-19 Resource Center](#).

The survey data that informs this index reading was gathered between January 11 and January 29, 2021.

### **About the RSM US Middle Market Business Index**

RSM US LLP and the U.S. Chamber of Commerce have partnered to present the RSM US Middle Market Business Index (MMBI). It is based on research of middle market firms conducted by Harris Poll, which began in the first quarter of 2015. The survey is conducted four times a year, in the first month of each quarter: January, April, July and October. The survey panel consists of 700 middle market executives and is designed to accurately reflect conditions in the middle market.

Built in collaboration with Moody's Analytics, the MMBI is borne out of the subset of questions in the survey that ask respondents to report the change in a variety of indicators. Respondents are asked a total of 20 questions patterned after those in other qualitative business surveys, such as those from the Institute of Supply Management and National Federation of Independent Businesses.

The 20 questions relate to changes in various measures of their business, such as revenues, profits, capital expenditures, hiring, employee compensation, prices paid, prices received and inventories. There are also questions that pertain to the economy and outlook, as well as to credit availability and borrowing. For 10 of the questions, respondents are asked to report the change from the previous quarter; for the other 10 they are asked to state the likely direction of these same indicators six months ahead.

The responses to each question are reported as diffusion indexes. The MMBI is a composite index computed as an equal weighted sum of the diffusion indexes for 10 survey questions plus 100 to keep the MMBI from becoming negative. A reading above 100 for the MMBI indicates that the middle market is generally expanding; below 100 indicates that it is generally contracting. The distance from 100 is indicative of the strength of the expansion or contraction.

#### **About RSM US LLP**

RSM's purpose is to deliver the power of being understood to our clients, colleagues and communities through world-class audit, tax and consulting services focused on middle market businesses. The clients we serve are the engine of global commerce and economic growth, and we are focused on developing leading professionals and services to meet their evolving needs in today's ever-changing business environment.

RSM US LLP is the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with 48,000 people across 120 countries. For more information, visit [rsmus.com](http://rsmus.com), like us on [Facebook](#), follow us on [Twitter](#) and/or connect with us on [LinkedIn](#).

#### **About The 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. 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.

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