



U.S. CHAMBER OF COMMERCE



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## Middle Market Business Index Captures Severe Shocks to Economy

RSM US Middle Market Business Index dropped to historic lows in the second quarter following COVID-19 outbreak

**CHICAGO (May 15, 2020)** –The [RSM US Middle Market Business Index](#) (MMBI), presented by [RSM US LLP](#) (“RSM”) in partnership with the [U.S. Chamber of Commerce](#), dramatically decreased by more than 21 points to 88.4 in the second quarter 2020, capturing the severe shocks to the economy resulting from the COVID-19 pandemic. The April reading is a drop from March’s 109.8 and the first quarter final reading of 131.4 (RSM began measuring the MMBI monthly in March 2020 to capture the impact of the COVID-19 pandemic). Middle market business conditions have suffered significant declines since the onset of the pandemic as the economy has effectively shut down following the combination of self-imposed social distancing by the public and shelter-in-place guidance issued by governments at the federal, state and local levels.

The decline indicates middle market executives see these economic shocks as large and pervasive, and they do not anticipate significant improvement in the economy, earnings or revenues over the next six months. At the time of the survey, approximately 83% of respondents indicated a general decline in economic conditions, with 61% noting a decline in gross revenues, and 59% reporting a decline in net earnings during that time. The future outlooks are similarly grim, with 51% of respondents expecting a continued decline in the overall economy during the next six months and 50% expecting to see a decline in revenue and net earnings.

“The shocks that cascaded through the American economy due to the COVID-19 pandemic struck a blow to the heart of the real economy in April,” said [Joe Brusuelas](#), RSM US LLP chief economist. “Our current baseline forecast of ‘Depression-Like Shock, No Depression’ indicates the economy is likely to avoid the major risk of the moment: deflation eating away at individual wages, increasing the U.S. household and commercial debt overhang and causing large declines in industrial output and economic activity. However, should wages decline over the next six months, the risks of a much more pronounced decline in the economy increase.”

“Businesses have justifiable concerns over what the next few months will look like,” said Neil Bradley, U.S. Chamber of Commerce executive vice president and chief policy officer. “It’s fair to say that expectations for a rebound in 2020 will differ based on the unprecedented challenges each business has faced because of the economic crisis caused by the coronavirus pandemic. This makes finding a path to returning to work and reopening even more important to getting our economy back on track. Providing consistent public health guidance and a liability safe harbor for businesses is necessary as they look to reopen and operate in a way that is safe and sustainable for their employees and customers.”

## **COVID-19's Disproportionate Impact on Small Middle Market Companies**

The COVID-19 pandemic has had an outsized impact on the middle market, with smaller midsize companies bearing the brunt of the pressure while experiencing declining revenue and having to adjust to new ways of operating.

Smaller middle market businesses sought significantly higher rates of lending relief than their larger counterparts with more than half of executives at companies with annual sales of \$10 million to \$50 million indicating they sought special financing to ensure liquidity during the pandemic, and 43% say they plan to do so in the next six months. Comparatively, 34% of larger middle market companies (with revenues of \$50 million to \$1 billion) sought this type of financing during the same time period, and only 25% expect to do so in the next six months. Middle market businesses reported that access to capital has become more difficult with 33% sharing that borrowing conditions had tightened, perhaps reflecting difficulty in accessing the Small Business Administration's Paycheck Protection Program and the delayed launch of the Treasury/Fed's Main Street Lending Program.

The pandemic has also changed the way middle market businesses operate, requiring them to expand remote working capabilities, close locations, reduce hours or employees and make tactical moves to prevent the spread of the virus. Ninety percent of middle market executives reported some employees were working off-site as a result of the pandemic. Additionally, at least a third of respondents said they had reduced the hours of hourly and salaried employees, and had furloughed at least some hourly workers. However, they were able to keep the majority of jobs, as only 19% of middle market businesses laid off hourly employees and just 15% reduced salaried staff.

The survey data that informs the index reading was gathered between April 8 and April 23, 2020.

To learn more about the middle market and the MMBI, visit the RSM website. 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](#).

## **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. In March 2020, RSM began measuring the MMBI monthly to track the impact of the COVID-19 crisis.

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 The U.S. Chamber of Commerce**

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. For more information, visit [uschamber.com](http://uschamber.com).

The U.S. Chamber of Commerce is committed to helping American businesses respond to the coronavirus so they can support their employees, customers, and communities. Our members and the state and local chambers, who are on the front lines of this pandemic, need us now more than ever to help them through this significant disruption. We will continue working every day to help our country's people, businesses, and economy weather this storm and emerge stronger—just as we have at other challenging times in our nation's history. Visit [uschamber.com/Coronavirus](http://uschamber.com/Coronavirus) for more information.

#### **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.

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