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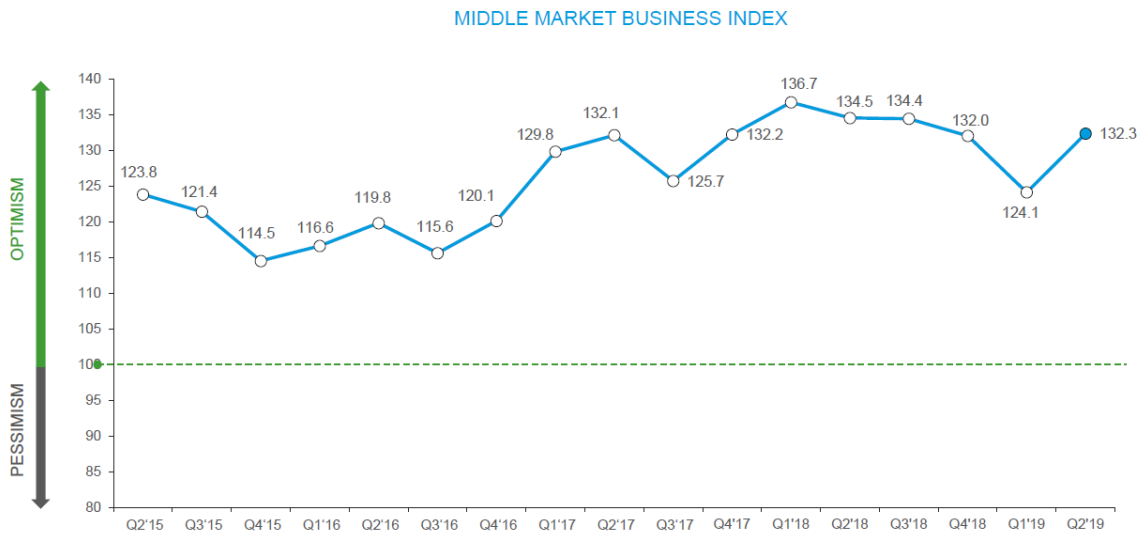
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Middle Market Leaders' Outlook Soars Due to Robust Economic Performance

RSM US Middle Market Business Index reflects a strong 2nd quarter, although leaders have concerns about the ongoing trade war and labor shortage

CHICAGO (June 19, 2019) –The [RSM US Middle Market Business Index](#) (MMBI), presented by [RSM US LLP](#) (“RSM”) in partnership with the [U.S. Chamber of Commerce](#), rebounded significantly from the 2019 first quarter following robust revenue and earnings results and expectations that those trends will continue throughout the rest of the year.

In the second quarter of 2019, the MMBI experienced an impressive recovery, posting a composite score of 132.3, an 8.2-point increase from last quarter’s 124.1. Nearly half (47 percent), of business leaders indicated the economy improved, while 48 percent expect it to improve in the second half of 2019. Additionally, 59 percent of leaders reported improvement in gross revenues and 69 percent expect improvement in the second half. Views on net earnings were equally positive with 55 percent indicating improvement in the current quarter.



“The second quarter index staged an impressive recovery from the previous quarter due in part to favorable economic conditions, strong demand as well as full employment. However, when comparing this quarter’s large increase to the spike in positive sentiment in the first quarter of 2018 following the 2017 Tax Cuts and Jobs Act, the index’s level posted this quarter is still down compared to that record high,” said Joe Brusuelas, RSM US LLP chief economist. “This is due to executives being somewhat cautious due to the ongoing trade war and labor shortage.”

Learning to Navigate Through The Tough Business Environment As Trade War Continues

As the trade war still signals frustration among business leaders, 28 percent of respondents report tariffs continue to have a negative impact to their business, specifically to their supply chains and associated costs. Thus, 46 percent of executives found alternative sources in their supply chain, while 67 percent chose to pass associated cost increases on to customers. However, capital investments and inventory levels remain unchanged with 39 percent indicating they increased aggregate capital investments and 30 percent reporting they increased inventory accumulation in the current quarter.

“Middle market companies play a critical role in driving economic growth, so we are encouraged by this quarter’s sharp rebound in confidence,” said Neil Bradley, executive vice president and chief policy officer with the U.S. Chamber of Commerce. “Now as much as ever, it’s important that Washington leaders take steps to help address the qualified labor shortage, which four in five survey respondents say has become a real problem for their companies. In addition, policymakers must avoid further tariffs or other actions that could halt the middle market’s momentum.”

Staffing Challenges Increase Amid Labor Shortage

Despite the index indicating an impressive recovery in the second quarter, executives are still reluctant to engage in aggressive hiring for their businesses, partly due to the reduced supply of willing and available workers. This quarter, only 47 percent of respondents said they added jobs while 54 percent indicate they would consider doing so during the remainder of 2019. Additionally, nearly two-thirds (62 percent) of leaders claimed moderate or significant hiring needs over the last twelve months and roughly half of those respondents noted staffing open positions as very or extremely challenging.

Among those organizations experiencing staffing challenges, the reasons indicated most often included: lack of available qualified workers (79 percent), competition for employees with other employers in geographic area (74 percent), and finding people who want to work in your industry (67 percent).

The survey data that informs the index reading was gathered between Apr. 10 and Apr. 29, 2019. To learn more about the middle market and the MMBI, visit the [RSM website](#).

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.

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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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