



U.S. CHAMBER OF COMMERCE



[www.rsmus.com](http://www.rsmus.com)

CONTACT:  
Terri Andrews  
RSM US LLP  
980.233.4710  
[terri.andrews@rsmus.com](mailto:terri.andrews@rsmus.com)

## Middle Market Business Index Holds Steady in October, as U.S. Economy Remains on Track for Recovery

The RSM US Middle Market Business Index captures optimism among business leaders, but recent surges in COVID-19 cases point to continued challenges ahead

**CHICAGO (November 19, 2020)** –The [RSM US Middle Market Business Index](#) (MMBI), presented by [RSM US LLP](#) (“RSM”) in partnership with the [U.S. Chamber of Commerce](#), remained steady in October, indicating that the U.S. economy is continuing to emerge from the pandemic-induced recession. The Q4 2020 MMBI reading eased modestly to 127.5 in October from 127.8 in September, with middle market executives’ outlooks on the economy, revenues, net earnings and hiring remaining essentially unchanged. The data implies that while business leaders do not expect a V-shaped recovery, they do anticipate a continued improvement in business conditions through early 2021.

“The recent intensification of COVID-19 infections in the U.S. and Europe has yet to dampen sentiment, but the rapid rise in cases, coupled with volatility in equity markets, suggests limited upside as the pandemic rages on,” said [Joe Brusuelas](#), RSM US LLP chief economist. “Even without widespread shutdowns, consumers and businesses are likely to pull back if the pandemic worsens, resulting in significant economic damage. However, it is important to note that our survey was conducted before the U.S. presidential election and Pfizer and Moderna’s promising vaccine news, which may change the perception of current and future-looking business conditions well into next year.”

RSM US MIDDLE MARKET BUSINESS INDEX



Despite the ongoing pandemic, the October data suggest that the middle market remains on an upward trajectory, with executives’ confidence in economic and financial conditions holding relatively steady month-over-month. Fifty-one percent of respondents stated the economy improved in October, and for the second consecutive month, 68% expect continued growth through April 2021. While the percentage of executives who said revenues improved dipped slightly to 47% in October from 50% in September, the

future remains rosier, with 64% expecting an uptick by early spring. Accordingly, only 47% of respondents stated that net earnings improved in October, but 63% expect improvement by next April.

In addition, firms maintained a cautious position on hiring and compensation but saw modest improvements in capital expenditures. Only 38% of executives noted an improvement in hiring in October, and 56% intend to boost hiring over the next six months. Additionally, just 40% of respondents reported that they increased compensation in October, while 53% intend to do so by April 2021. In a positive turn, capital investments were up slightly in October, with 40% of executives stating they increased outlays on productivity-enhancing investments and 53% indicating they will do so over the next six months.

“As business leaders cautiously navigate an uncertain and uneven economic recovery, it is encouraging that the Middle Market Business Index holds steady. However, it’s clear that without additional support soon, the recovery could quickly backslide,” said Neil Bradley, executive vice president and chief policy officer at the U.S. Chamber of Commerce. “That’s why the U.S. Chamber is urging Congress and the White House to come together now on a much-needed relief package to support small and mid-sized businesses, and disproportionately impacted industries, during this precarious period.”

### **Reopening & Racial Equity Remain Top of Mind**

The Q4 MMBI also explored views on reopening businesses during COVID-19, which will be released as part of RSM’s second special report on the middle market’s response to the pandemic in February 2021, and the importance of advancing racial equity within their corporate culture amid the backdrop of social unrest in the U.S.

Regarding reopening, middle market businesses have differing views about how long the U.S. economy will remain partially shuttered by the coronavirus pandemic. Forty-one percent of respondents expect the ongoing pandemic to prevent full reopening for another six to nine months, with 19% anticipating nine months to a year. Meanwhile, roughly 30% of executives expect reopening to take less than six months, while 9% expect the process to take a year or more. Regardless, the development of a vaccine remains imperative, with more than 80% of respondents stating that a vaccine will be integral to successfully reopening the economy.

Additionally, the MMBI revealed that social unrest in the U.S. has reignited important conversations about racism and discrimination, and corporate America is being held to a new set of standards and expectations when it comes to addressing these urgent issues. A strong majority of executives said attending to issues around racial equity is good for business (82%) and that their organizations are taking the right actions to address racial tensions (87%). However, despite these sentiments, just 28% of respondents in the MMBI survey made a public statement in support of racial equity or facilitated discussions among their employees about the topic (27%).

The full analysis of how the middle market is addressing racial equity will be included in a separate RSM insight article in early 2021.

The survey data that informs the index reading was gathered between October 5 and October 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 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.

#### **ABOUT RSM US LLP**

RSM's purpose is to deliver the power of being understood to our clients, colleagues and communities through excellent 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 more than 43,000 people in 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](#).

###