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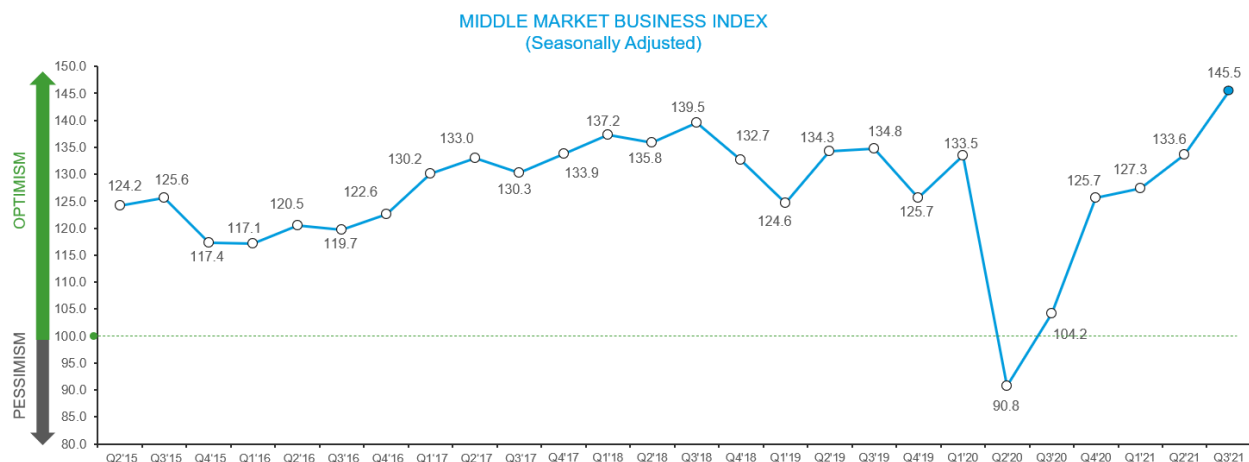
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RSM US Middle Market Business Index Reaches All-Time High

Survey shows strong economic and business performance, and forward-looking indicators point to continued expansion

CHICAGO (August 26, 2021) - The [RSM US Middle Market Business Index](#) (MMBI), presented by [RSM US LLP](#) (“RSM”) in partnership with the [U.S. Chamber of Commerce](#), increased from 133.6 in the second quarter to 145.5 in the third quarter of 2021. The data revealed that business conditions point to continued robust economic growth, rising revenues and net earnings during the third quarter and going forward over the next six months despite pricing pressures. This is the best reading for the index since its inception in 2015.

“Based on the current quarter and six-month forward-looking data in the MMBI survey, we’re expecting 2021 to be the best year of middle market growth in the past four decades,” said [Joe Brusuelas](#), RSM US LLP chief economist. “This is evidenced by increasing revenues and net earnings, as well as a willingness to increase compensation to attract and retain labor in order to meet growing demand. The U.S. economy also grew at an average of 6.4% through the first half of this year, which is the strongest pace of expansion since the 1980s, and further supports the optimistic forecast we’re seeing in the survey results. That said, the latest wave of coronavirus cases in the U.S. denotes a measure of risk in the otherwise encouraging outlook.”



The MMBI survey results have captured the economic boom underway in the middle market and the American economy, with 64% of respondents stating the broader U.S. economy improved in the current quarter and 65% expecting it to do so over the next six months. This is in line with the 59% of

respondents that indicated an improvement in gross revenues and the 74% that expect revenues to increase through the remainder of 2021. Similarly, 56% of survey respondents noted a third-quarter improvement in net earnings and 65% anticipate earnings growth in the six months ahead.

Businesses are Making Investments, Despite Pricing and Labor Challenges

The primary challenge for middle market businesses continues to be the pricing environment as global and domestic economies grapple with supply chain constraints. Seventy-four percent of survey respondents indicated that they paid higher prices for inputs and 76% stated they expect to do so over the next six months. Notably, the 76% figure marks a decline from 85% in the second quarter MMBI and is aligned with indications from the July U.S. consumer price index that price volatility is starting to moderate.

For the first time in the history of the MMBI survey, a majority of respondents, or 62%, reported an increase in prices received and 69% indicated they expect to continue charging higher prices through the end of 2021. RSM estimates the window to pass down price increases will be brief as pricing moderation is already observable as supply chains slowly start to normalize.

Despite pricing pressures, middle market firms continue to signal increased demand for labor and the ability to increase compensation to attract workers, with 58% of respondents stating they increased hiring in the current quarter and 67% noting they expect to do so through the end of the year. In another first for the MMBI survey and further underscoring the strength of middle market business conditions, zero respondents stated they expect to decrease hiring over the next six months. Additionally, labor conditions remain competitive, as 58% of respondents indicated they increased compensation to attract labor in the current quarter and 70% stated they expect to do so going forward.

“The economy has taken off this quarter with middle market business leaders seeing rising revenues, increased consumer demand, and better business conditions with loosened COVID-19 restrictions. But the surge comes with remaining supply chain issues and difficulty finding workers,” said U.S. Chamber Executive Vice President & Chief Policy Officer Neil Bradley. “To sustain our economic recovery, one of the U.S. Chamber’s top priorities right now is working to [remove barriers](#) to the workforce. That includes addressing childcare needs, rightsizing unemployment programs, skills training, and increasing legal immigration.”

Middle market firms are also taking advantage of low interest rates, as 47% of survey respondents indicated they increased capital expenditures in the recent quarter and 59% said they intend to do so in the months ahead.

Middle Market is Prioritizing ESG

Responses from this quarter’s MMBI also revealed that middle market businesses are elevating environmental, social and governance (ESG) measures as a priority, with 41% of respondents indicating their organizations have devised a formal plan around ESG issues, led by larger middle market businesses (those with annual revenue of \$50 million to \$1 billion). Nearly all of the midsize companies with a formal ESG plan indicated they have committed to a corporate structure and reporting that incorporates social responsibility or environmental initiatives. Additionally, 66% have a senior executive primarily focused on ESG issues.

How middle market businesses view and are responding to ESG and climate issues is the topic of RSM’s upcoming MMBI special report, which will be released in October.

The survey data that informs this index reading was gathered between July 8 and July 26, 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 asks 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 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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