

Middle Market Indicator - Market Dynamics Outlook May 2021

Recovery Is Underway, But Risk Persists

Even as COVID-19 cases were surging, middle market companies were cautiously optimistic in the fourth quarter of 2020. Promising indicators suggesting a rebound from their depths in the second quarter included the percentage of middle market companies expressing confidence in the U.S. economy (67% versus 57% in Q2 2020) and an increased willingness among companies to invest revenue back into their businesses rather than save (57% versus 52% in Q2 2020).

Middle Market Performance: Declines in Revenue and Employment Are Less Pronounced as Middle Market Companies Begin Their Recovery



Year-Over-Year Rate of Revenue Growth/Decline



-1.2%

4Q'20

\$10M < \$50M in Revenue **-2.6%**
\$50M < \$100M in Revenue **0.4%**
\$100M < \$1B in Revenue **0.2%**

-3.7%

2Q'20

7.5%

4Q'19



Year-Over-Year Rate of Employment Growth/Decline



-2.2%

4Q'20

-4.4%

2Q'20

5%

4Q'19



Companies Reporting Confidence in the U.S. Economy



67%

4Q'20

57%

2Q'20

83%

4Q'19

30% of Middle Market Companies Considering International Expansion Report New International Business Opportunities Resulting from COVID-19

Past and Current Business Disruptions

However, even amid these signs of recovery, it is clear that COVID-19 has left its mark on the middle market. Overall, middle market companies' appetite for risk has decreased due to the pandemic, with 47% responding that they are more risk averse than before. Further, close to half of middle market companies believe that the pandemic will have a prolonged negative effect on their supply chains and nearly two-thirds have had to make extreme or significant changes to their workspace in order to ensure worker safety.

Non-COVID-19-Related Disruptions Over the Past 2 Years

24% of Middle Market Companies Report a Non-COVID-19-Related Strategic Disruption* in the Past 2 Years

Non-COVID-19-Related Disruptions Were More Common Among Larger Middle Market Companies

\$10M < \$50M in Revenue

21%

\$50M < \$100M in Revenue

21%

\$100M < \$1B in Revenue

31%

**Industry consolidation, regulations/economic conditions, customer/supplier going out of business, change in ownership, etc.*

44% of Disrupted Middle Market Companies Report Complete Recovery

COVID-19-Related Supply Chain Disruptions

43% of Middle Market Companies Predict a Long-Term Negative Impact on the Supply Chain Due to COVID-19

Workplace Disruptions

60% of Middle Market Companies Making Extreme or Significant Workspace Changes Due to COVID-19

Future Business Transitions Are Likely

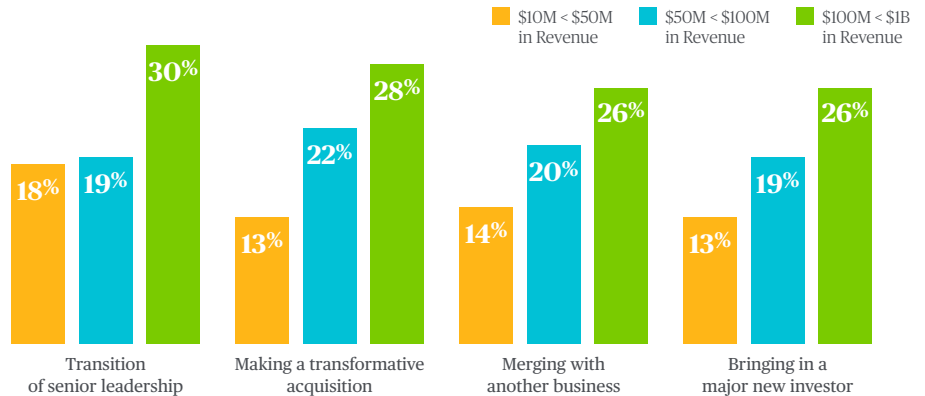
Many saw the pandemic as a likely catalyst for business restructurings, such as leadership transitions, mergers and acquisitions or bringing in new investors, which can impact everything from an organization's culture to operations and processes.

30% of Middle Market Companies Report a Greater Likelihood of Restructuring Due to COVID-19

Explore Chubb's [Business Income Consultation tool](#) to ensure your business has the insurance coverage needed to survive disruption.

Larger Middle Market Companies Are Most Likely to Expect Business Transition

% of Companies Reporting a Greater Likelihood of Business Transition Due to COVID-19



Supply Chain Risk Management

While middle market companies are quite aware of these changes and corresponding risks, many are not adequately prepared to manage them, even though failure to do so could be costly. For instance, even though 68% of these companies say that risk management is extremely or very important, only 15% have an enterprise risk management function. Similarly, 49% recognize the importance of managing supply chain risk, but just 38% are completely or very prepared to respond to a government shutdown and only 28% are prepared for civil unrest - both scenarios that can trigger supply chain disruption. When it comes to property risk, 47% of middle market companies perceive that they are completely or very prepared to respond to prolonged power outages or damage from water or fire.

Despite awareness of risk management shortfalls, only 20% of companies rely heavily on an insurance agent or broker to help them understand and manage risk, representing an easy opportunity to take a first step toward closing risk gaps.

Discover insights and resources to help businesses stay protected from [water damage](#), [hurricanes](#) and [wildfires](#).

Middle Market Companies Say Managing Risk Is Important

68% of Middle Market Companies Say Risk Management is Very or Extremely Important

49% of Middle Market Companies Say Managing Supply Chain Risk is Very or Extremely Important

Yet, Less Than Half of Middle Market Companies Are Fully Prepared to Respond to Potential Supply Chain and Property Risks

38% of Middle Market Companies Report Being Fully Prepared to Respond to Government Shutdown

28% of Middle Market Companies Report Being Fully Prepared to Respond to Civil Unrest

47% of Middle Market Companies Say They Are Fully Prepared to Respond to Prolonged Power Outages

47% of Middle Market Companies Say They Are Fully Prepared to Respond to Physical Damage from Water or Fire

Middle Market Companies Are Leaving Key Risk Management Resources Untapped

15% of Middle Market Companies Have an Enterprise Risk Management Function

20% of Middle Market Companies Relying Heavily on an Insurance Agent/Broker to Understand/Manage Risk

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