



CHUBB®



MARKET DYNAMICS OUTLOOK 2022 MID-YEAR

# Manufacturing

Partnering with the National Center for the Middle Market, we surveyed 1,000 executives from middle market companies in June 2022. Here are the highlights, which show the key general business trends and evolving risks affecting this segment.

## KEY FINDINGS

# 01 Middle market manufacturers' performance remained strong

Middle market manufacturers maintained their strong recovery in the first half of 2022, with revenue growth near the survey's all-time high at year-end:

- Roughly two-thirds of these companies still note that their overall performance has improved from a year ago and that they are doing better than before the pandemic
- More than 50% expect to introduce a new product or service and expand into new domestic and international markets in the next year

However, the outlook has dimmed in some areas:

- In the first half of the year, employment growth again fell far short of expectations, which are projected to decline
- Economic confidence held steady after falling sharply in the second half of 2021
- Although nearly two-thirds of these companies expect revenue to grow over the next year, that's down 10 points from a year ago

## The data behind the findings

### STRONG PERFORMANCE CONTINUES

Mean revenue growth

8.8% → 10.3%  
2021 (Q2) 2022 (Q2)

Companies who say their performance has improved over the past year

73% → 71%  
2021 (Q2) 2022 (Q2)

Fewer expect gross revenue to grow

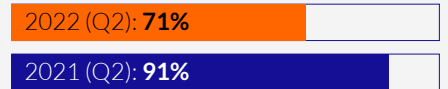
73% → 63%  
2021 (Q2) 2022 (Q2)

Expected employment growth

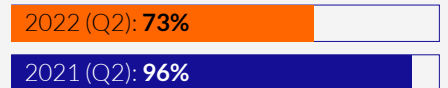
10% → 8.9%  
2021 (Q2) 2022 (Q2)

### CONFIDENCE IN THE ECONOMY

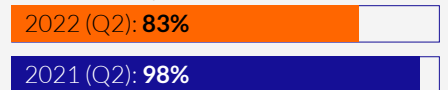
Global economy



National economy



Local economy



### IN THE NEXT YEAR, MIDDLE MARKET MANUFACTURERS EXPECT TO:

Introduce a new product or service

62%

Expand into new domestic markets

56%

Expand into new international markets

52%

Add a new plant or facility

50%

## KEY FINDINGS

# 02 Middle market manufacturers feel the pinch from supply disruption, inflation

Supply chain issues remained the top concern for middle market manufacturers in the first half, with inflation a distant second, flipping the ranking for middle market companies overall.

- Although companies affected by supply disruptions fell, it had a negative impact on their revenue
- More than half were challenged by managing the globalization and overall scope of their supply chains

To reduce the effects of supply chain disruptions many of these manufacturers have taken steps such as:

- Purchasing from alternative sources
- Finding suppliers in multiple geographic regions

Middle market manufacturers may be able to offset some supply chain impacts through business income coverage in their commercial package policy.

Inflation drives up replacement costs of assets covered by insurance, a reality noted by more than three-quarters of middle market manufacturers. As a result, nearly two-thirds of them will consider increasing coverage amounts to compensate for inflation.

## The data behind the findings

### BIGGEST CONCERNS FACING MIDDLE MARKET MANUFACTURERS

- Supply chain **38%**
- Inflation **25%**
- Workforce **21%**
- Geopolitical stability **9%**
- Climate change **7%**



### MIDDLE MARKET MANUFACTURERS DIRECTLY IMPACTED BY SUPPLY DISRUPTION/ CONSTRAINTS:

# 84%

reported a negative impact on their 2022 revenue projections

### MOST CHALLENGING ASPECTS OF SUPPLY CHAIN MANAGEMENT

Globalization of supply chain



Size and scale of supply chain



### INSURANCE IMPACTS OF INFLATION



of companies say the replacement value of covered assets has changed due to inflation



of companies say they will consider increasing coverage amounts

### RESPONDED BY:

Purchasing from an alternative source

# 36%

Having a secondary "standby" source

# 33%

Purchasing from multiple geographic regions

# 29%

## KEY FINDINGS

# 03 Risk management still challenges middle market manufacturers

As middle market manufacturers continue to face a range of risks, placing a heightened emphasis on risk management is key.

For certain disruptions their companies experienced, about 30% of respondents acknowledged that they could have been covered if they had purchased available insurance.

More than half of middle market manufacturers report that they are not well prepared to respond to their biggest business concerns – supply chain disruptions and inflation – while more than 40% are not ready to manage other more established risks, such as hazardous weather and prolonged power outages.

Today's dynamic risk landscape provides an important opportunity for middle market manufacturers to review their insurance programs with their agents and brokers. For example, nearly half of these companies have already evaluated their coverage in light of rising replacement costs of covered assets.

Middle market companies and their insurance partners can rely on us to provide specialized risk engineering services and helpful tools to evaluate and mitigate exposures.

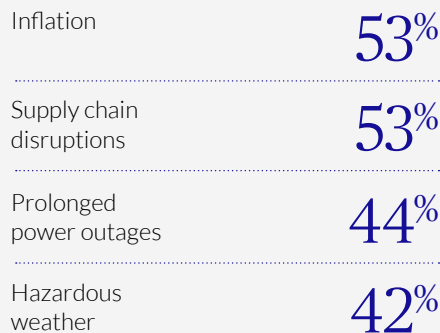
We can also develop customized insurance coverages that offer essential protection.

## The data behind the findings

### COMPANIES FINDING RISKS EXTREMELY/VERY CHALLENGING TO MANAGE:



### SOMEWHAT OR NOT PREPARED TO RESPOND TO:



### ROLE OF INSURANCE IN DISRUPTIONS

67%

experienced non-pandemic business disruptions in the past two years.

Key losses covered or could have been covered:

#### Operational risk

Covered

42%

Coverage available but not purchased

31%

#### Strategic risk

Covered

43%

Coverage available but not purchased

28%

### RESOURCES TO STAY UP TO DATE ON THESE RISKS

[Protecting businesses from supply chain disruption](#)

[Cyber risk management information](#)

[Insurance solutions for manufacturers](#)

Statistical data contained herein is provided by the National Center for the Middle Market unless otherwise stated. The material presented herein is not intended to provide legal or other expert advice as to any of the subjects mentioned, but rather is presented for general information only. You should consult knowledgeable experts as to any legal or technical questions you may have. Chubb is the marketing name used to refer to subsidiaries of Chubb Limited providing insurance and related services. For a list of these subsidiaries, please visit our website at [www.chubb.com](http://www.chubb.com). Insurance provided by ACE American Insurance Company and its U.S.-based Chubb underwriting company affiliates. All products may not be available in all states. Coverage is subject to the language of the policies as actually issued. Surplus lines insurance sold only through licensed surplus lines producers. Chubb, 202 Hall's Mill Rd., Whitehouse Station, NJ 08889-1600.

**CHUBB®**

More than ever, middle market companies need expert advice on how to manage evolving risks



Working with an insurance agent or broker is the best way to create tailored insurance strategies that help protect a company's operations and business performance.

For more information about these or other topics, visit [chubb.com](http://chubb.com).