

The background of the page is a blurred industrial scene, likely a factory or manufacturing plant. It features various mechanical parts, pipes, and lights, with a prominent blue overlay on the left side. The lighting is a mix of cool blues and warm oranges, creating a bokeh effect in the background.

CHUBB®

MIDDLE MARKET INDICATOR: MID-YEAR 2023

Manufacturing

Partnering with the National Center for the Middle Market (NCMM), we surveyed 1,000 executives from Middle Market companies. Enclosed are the results, showcasing the general business trends and evolving risks affecting the Manufacturing segment.

01 Strong performance continues for middle market manufacturing companies

While navigating several challenges, middle market manufacturers maintained strong growth in the first half of 2023

- Mean revenue growth reached an all-time high for the survey, and even with economic uncertainty the outlook is even brighter
- While mean employment growth fell back from its record pace at year-end (11.7%), companies expect double-digit growth in the coming year

Economic confidence rose from mid-2022

- Confidence in the economy at all levels improved from a year ago, when inflation was peaking
- Economic confidence at the local level jumped 10 points from mid-2022

Expansion outlook improves in key areas

- Companies planning to introduce a new product or service maintained the elevated level from year-end, while those looking to expand into new domestic markets continued to climb

Artificial intelligence (AI) was prominent in the business media

- While new technologies like AI are in their infancy, a solid majority of middle market manufacturers recognize AI as critical to their business and are taking some action to adopt new technologies

THE DATA BEHIND THE FINDINGS

Growth continues

Mean revenue growth



Projection (next 12 months): **11.9%**

71% of companies expect to increase revenue

Mean employment growth



Projection (next 12 months): **10.4%**

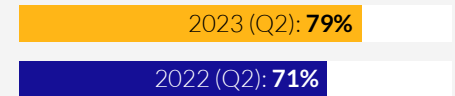
63% of companies expect to increase employment

Companies improving their performance over the past year

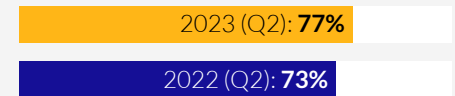


Confidence in the economy

Global economy



National economy



Local economy



Expansion plans in next year

Introduce a new product/service

74% +12 from Q2 2022

Expand into new domestic markets

71% +15 from Q2 2022

Trending topic

Artificial intelligence (AI)

Importance to organization

70% extremely/very

Adoption levels

- **38%** testing/using
- **36%** exploring/trying it out

02 Inflation, workforce and supply chain challenges are most concerning for middle market manufacturers

Inflation remained the top concern for these companies in the first half of 2023

- Inflation drives up replacement costs of assets covered by insurance—more than three-fourths of companies have experienced this and will consider increasing coverage amounts as a result
- Inflation is driving them to reassess cost-of-living and merit pay increases

Supply chain concerns continue to ease

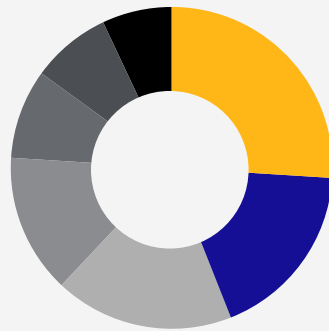
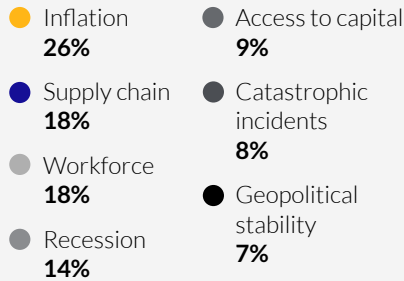
- While the worst supply chain fears have receded since mid-2022, when they were by far the top concern for middle market manufacturers, supply chain issues continue to negatively impact these companies' current revenues as well as their revenue outlook for 2024

Workforce issues have moved up to the second major concern

- Most middle market manufacturers are challenged by finding employees with the right skills and note that digital skills will be crucial to their success in the coming years
- As a result of workforce and hiring issues, these companies say that they are having employees work longer hours or more shifts

THE DATA BEHIND THE FINDINGS

Biggest concerns facing middle market manufacturers



Insurance impacts of inflation

77%

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

55%

say inflation has impacted their ability to replace covered assets with existing coverage

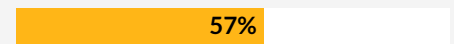
77%

+11 from Q2 2022

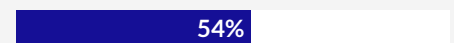
will consider increasing coverage amounts

Supply chain issues impact revenues

Current revenues negatively impacted



Expect negative revenue impact in 2024



Addressing workforce challenges

83%

challenged* by finding/hiring employees with the right skills

*Extremely/very/somewhat challenged

96%

Talent with digital skills will be critical/important to our success in next two to three years

Due to workforce/hiring issues, companies have experienced:

46%

Inflation driving reassessment of cost of living and merit increases

42%

Employees working longer hours/more shifts

03 Risk management challenges reflect major business concerns

Inflation, recession, and talent risks lead the risk management challenges for middle market manufacturers

Manufacturers' biggest business concern—inflation—is also their top risk management challenge, noted by half of these companies in the survey. Their most common responses to combat rising costs have included evaluating the adequacy of their insurance coverage or limits and extending contracts with suppliers.

Taking a proactive approach to reducing exposures and preventing losses can help control the risk from inflation and potential recession. For example, an investment in technology will help to prepare for future growth and assist in reducing the impact of a skilled labor shortage and inflationary cost concerns.

Innovative solutions can help control key risks

Infrastructure and often-related catastrophic incident concerns also weigh into insurance decisions for more than half of middle market manufacturers. With rising severe weather damages and construction costs, companies have to be prepared for rebuilding and keeping business operations running in the case of a catastrophic event or impacts from aging infrastructure.

Companies can benefit from IoT solutions, such as water shutoff valves, as well as risk assessments surrounding business continuity planning efforts to minimize exposures and rebound quicker from these types of climate-related events.

With many employees working longer hours due to the labor shortage, there is a heightened risk of injury or costly mistakes. Risk assessment and mitigation resources, such as ergonomic evaluations and proactive training, can help control the cost of employee injuries and lost productivity.

This dynamic risk environment makes it critical for middle market companies to review the adequacy of their insurance coverage and risk mitigation programs with their insurance agents and brokers.

THE DATA BEHIND THE FINDINGS

Companies finding risks extremely/very challenging to manage

Inflation risk

2023 (Q2): **51%**

2022 (Q2): **58%**

Recession risk*

2023 (Q2): **48%**

2022 (Q2): **60%**

*New response choice in Q4 2022

Talent shortage/retention**

2023 (Q2): **47%**

**New response choice in Q2 2023

Concerns factoring into insurance purchasing decisions

(sum of 1st, 2nd and 3rd concern rankings)

- **57%** Workforce
- **56%** Cybersecurity
- **54%** Infrastructure
- **51%** Catastrophic incidents (not cyber) or in some cases, natural disasters

Actions taken in response to inflation

Evaluating adequacy of insurance coverage or limits

54%

Extending contracts with suppliers to mitigate cost

46%

Delaying capital improvements

38%

RESOURCES TO STAY UP TO DATE ON KEY RISKS

[Protecting Businesses: Workers Compensation Services](#)

[Insurance for Manufacturers](#)

[Economic Forces Impact Commercial Property Replacement Costs](#)

[The Impact of Climate Change](#)

[Natural Hazards and Climate Change Preparedness Physical Risk Assessment](#)

[Sensing Risk: Internet of Things \(IoT\) Solutions to Prevent Losses](#)

More than ever, Middle Market companies need expert advice on how to manage evolving risks



Chubb, along with its agent and broker partners, can provide insights on the exposures surrounding these risks, as well as specialized risk engineering services to evaluate and mitigate exposures. Additionally, Chubb can offer solutions for managing these risks through customized insurance coverages that provide essential protection.

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

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. 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.