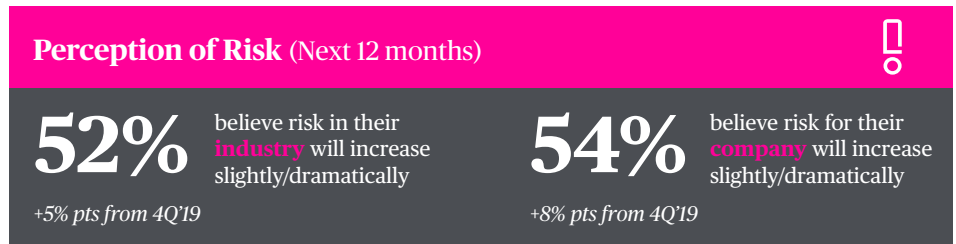
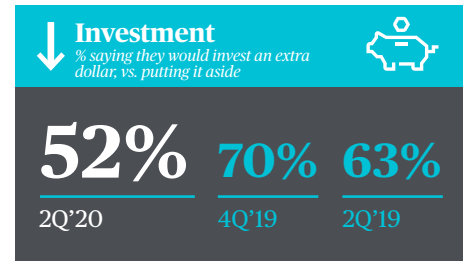
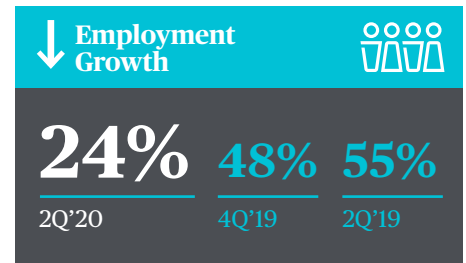
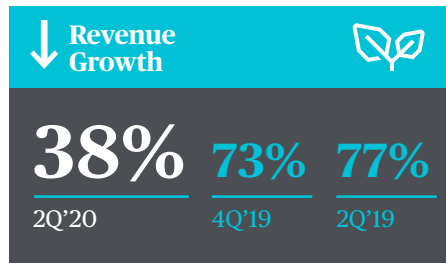


Market Dynamics – Q2 2020 Outlook

Middle Market Outlook Dimmed by COVID-19; Perception of Risk Rises

After three months of impacts from the coronavirus, middle market companies are facing up to the realities of a prolonged pandemic. Across the board, key indicators dove sharply from 4Q'19. Middle market companies reporting revenue and employment growth were roughly halved from those in 4Q'19. Economic confidence, which stood at a healthy 83% previously, fell back to 57%, while those saying they would invest versus save an extra dollar dropped to 52% from 70% at year-end.

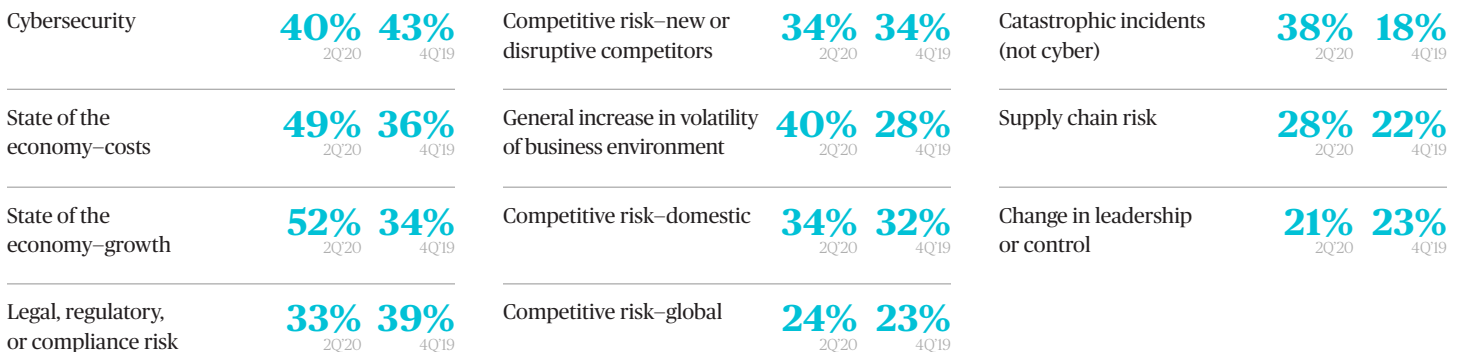
As you might expect, perception of risk has risen for middle market companies, with 54% of these leaders believing that risk will increase for their company, up from 46% in 4Q'19. The pandemic has fueled strong upward shifts in how middle market leaders view the challenge of managing risks, from catastrophic incidents to the state of the economy to general volatility of the business environment. For more specific risks, perceptions of difficulty managing supply chain risks increased while they decreased for legal, regulatory and compliance risks. Interestingly, while cybersecurity risk remains a high concern, leaders viewed it as slightly less challenging to manage, although experts warn that these risks have only increased during the pandemic.



Perception of Risk Across the Total Middle Market



Challenge of Managing Risk (Extremely/Very Challenging)



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