

2024

Business Leaders Outlook

UNITED STATES

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EXECUTIVE SUMMARY

Balanced perspectives amid uncertainty

Despite mixed economic signals, leaders remain steady, nimble and primed for opportunities

After more than three years of economic turbulence, midsize business leaders appear measured in their outlooks for 2024. Our annual Business Leaders Outlook survey indicates that more than a third of leaders view prospects for the global and U.S. economies as neutral.

Attitudes about the national economy are nearly evenly split between optimism (31%), pessimism (34%) and neutrality (36%). The responses could suggest executives are positioning their organizations for a range of economic environments. Uncertainty has been a hallmark of the markets in the post-pandemic era.

Lingering challenges around inflation and hiring remain top of mind. At the beginning of 2024, 40% of midsize business leaders said they expect a recession in the coming year, compared to 65% at the start of 2023.

And as artificial intelligence and machine learning have entered the mainstream, middle market leaders suggest they are increasingly exploring ways to adopt the powerful new technology. Nearly half (46%) of companies are using or considering AI tools, an 8-point increase since our 2023 midyear report. But only 6% identified AI/machine learning as one of their business's primary challenges.

Business leaders remain bullish on growth, with over half planning to introduce new products or services in the next 12 months, and more than one-third planning expansion into new geographic markets. Other leaders will grow through inorganic means; 43% and 36% say they're planning strategic partnerships or investments and M&A, respectively.

Economic outlook for 2024

Optimistic Neutral Pessimistic

Global economy



Optimistic - 10%, Neutral - 48%, Pessimistic - 42%

National economy



Optimistic - 31%, Neutral - 36%, Pessimistic - 34%

Local economy



Optimistic - 44%, Neutral - 35%, Pessimistic - 20%

Industry performance



Optimistic - 50%, Neutral - 31%, Pessimistic - 19%

Company performance

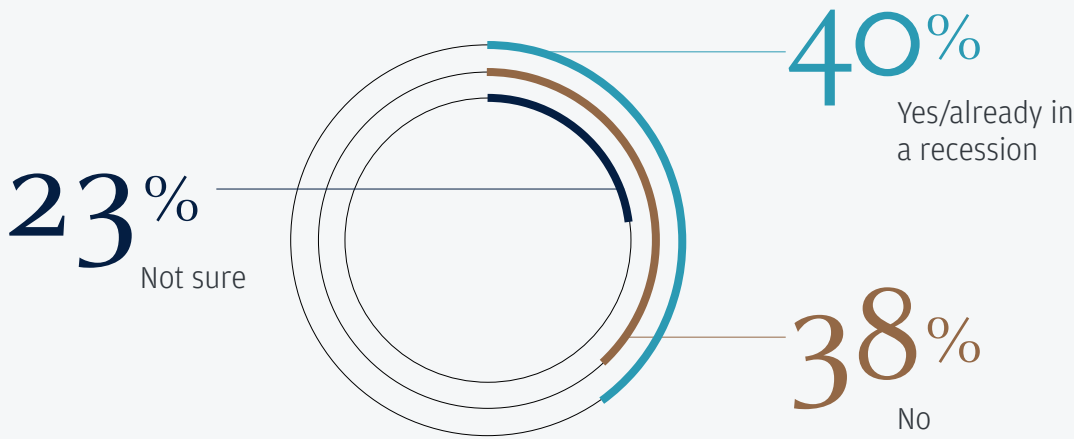


Optimistic - 67%, Neutral - 24%, Pessimistic - 10%

Economic outlook and expectations

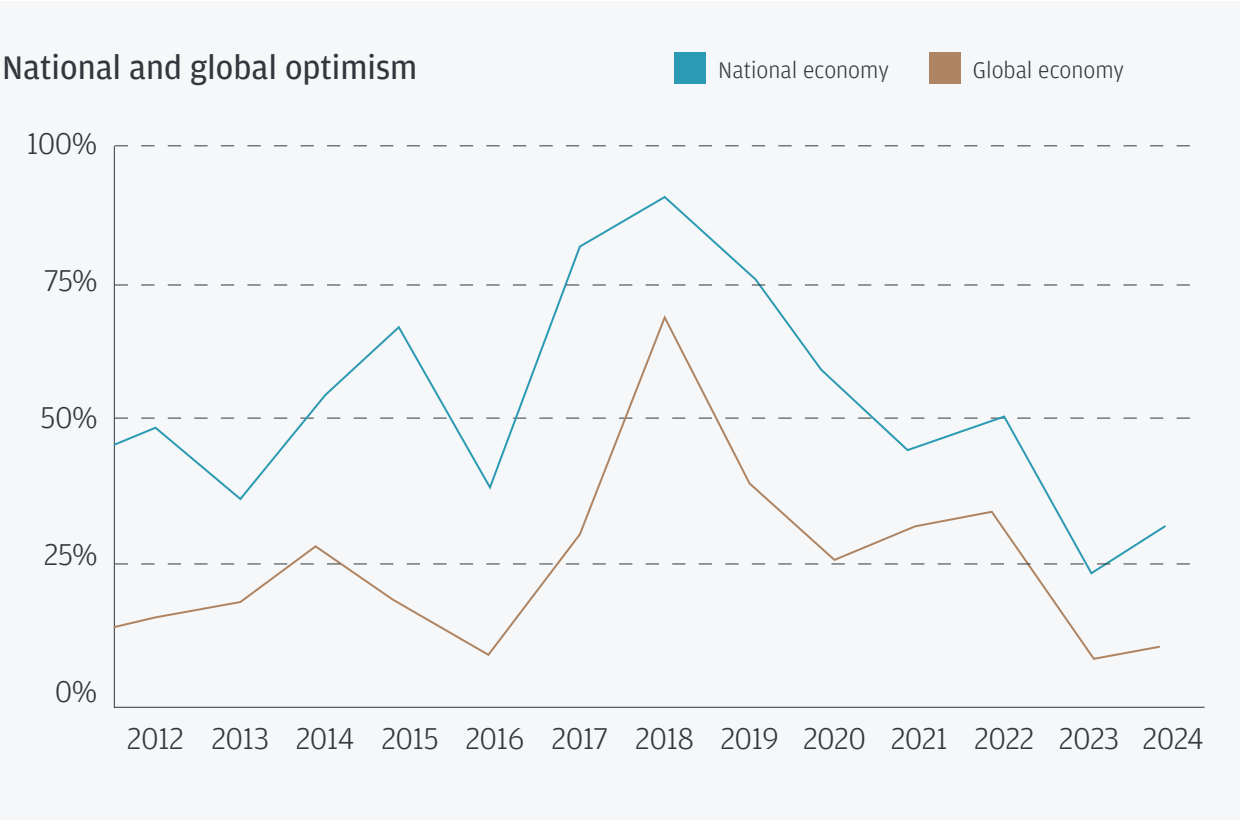
With Fed policymakers aiming for a soft landing in 2024, respondents were split about expectations of a recession. Forty percent of leaders say they believe we're already in a recession or expect one in 2024. Almost as many said they don't anticipate a recession in the year ahead. Economists forecast that real GDP growth will decelerate in 2024. The economy may thread the needle between slight expansion and slight contraction for most of the year.

Recession expectations



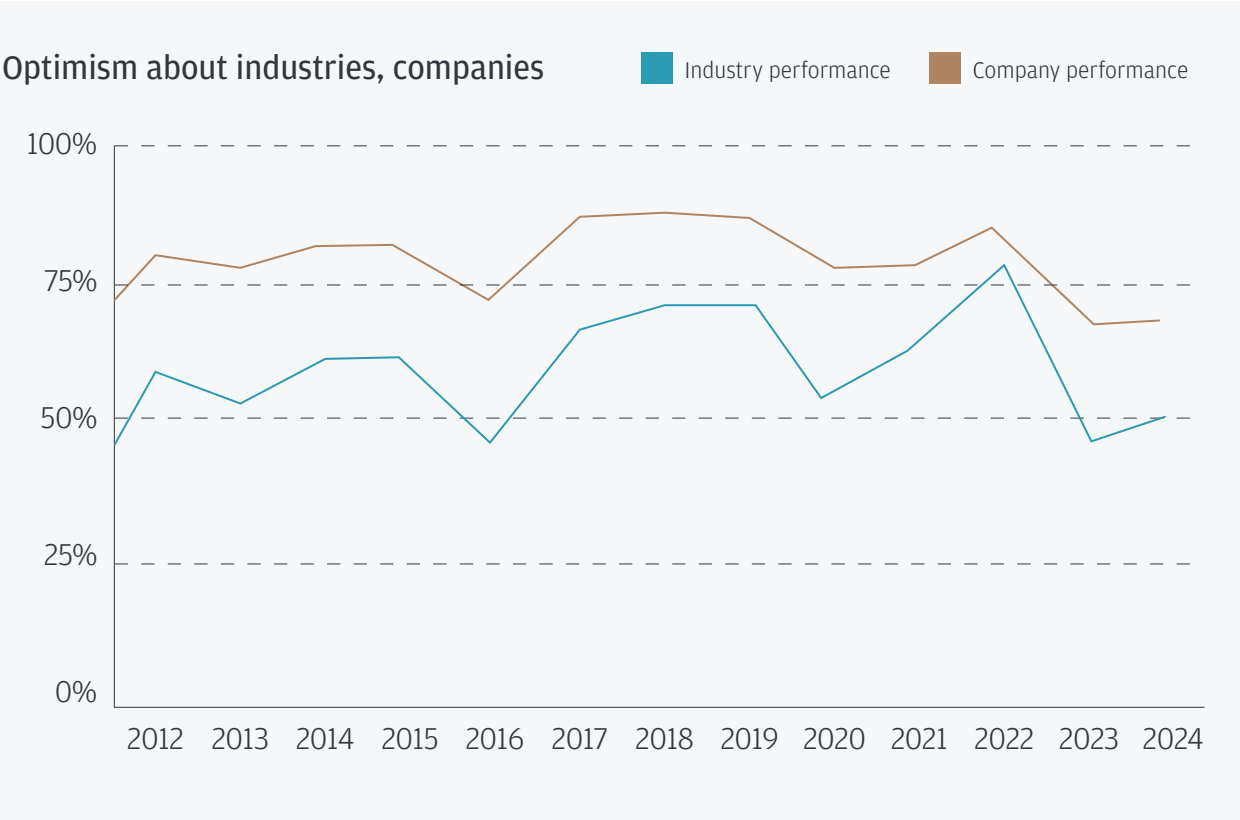
Optimism still historically low, but steadying

Attitudes about the national economy are nearly evenly balanced between optimism (31%), pessimism (34%) and neutrality (36%). The balanced perspectives may signal business leaders are taking a more grounded view of the economy. The survey results suggest that some leaders have shifted away from optimism and into neutral or negative territory, both of which are slightly higher compared to previous years' surveys.



Home field advantage

Business leaders hold rosier views of their industries and companies than the broader economy. It's an empirical phenomenon we've seen across the years of Business Leaders Outlook surveys. Still, optimism for industry performance and company is towards the lower end of the historical range, indicating leaders hold a more measured view of their prospects in the current economic environment.



Leaders upbeat on revenue, profits

Most respondents expect revenue/sales and profits to increase. While capital expenditures expectations are somewhat even, we've seen a shift in ideas around credit needs. This year, 57% of leaders anticipate those needs to stay the same, up 6% from this time last year (51%). Summarily, 17% of respondents say credit needs will decrease. Summarily, 17% is a trending increase in the respondents who say credit needs will decrease. In 2022, that number sat at 9%, and in 2023 it was 15%. The survey results reflect the Fed's quantitative tightening goals, as higher interest rates have put a dent in the availability of and demand for credit for midsize

Business expectations

■ Increase ■ Remain the same ■ Decrease

Revenue/sales



Increase - 61%, Remain the same - 25%, Decrease - 13%

Profits



Increase - 55%, Remain the same - 28%, Decrease - 17%

Capital expenditures



Increase - 31%, Remain the same - 44%, Decrease - 25%

Credit needs



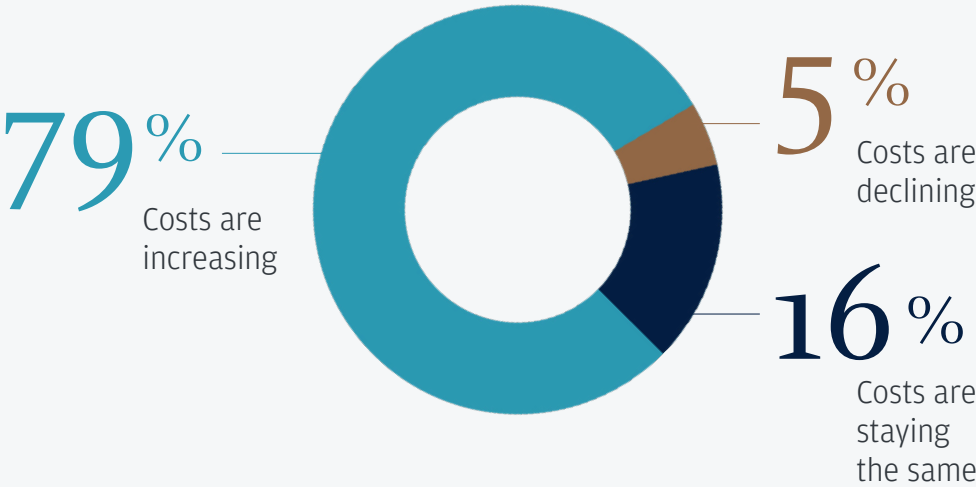
Increase - 25%, Remain the same - 57%, Decrease - 17%



But market challenges remain

Inflation expectations are one of the few areas of consensus among midsize business leaders. Nearly 4 in 5 (79%) said costs are rising for their business. Historically low unemployment and lingering inflation are also defining factors for many midsize businesses as they assess challenges in 2024. More than half cited labor as one of their top three challenges in the year ahead. And about a third said rising interest rates are a top concern.

How costs of business are changing



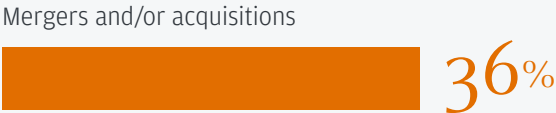
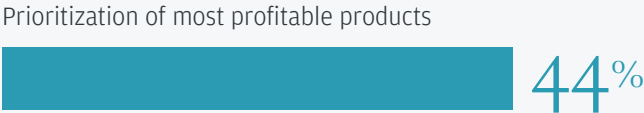
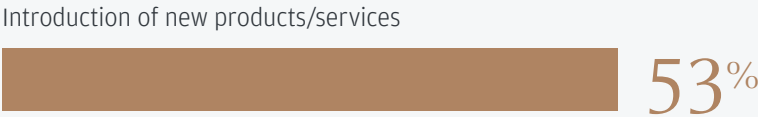
Largest challenges for companies



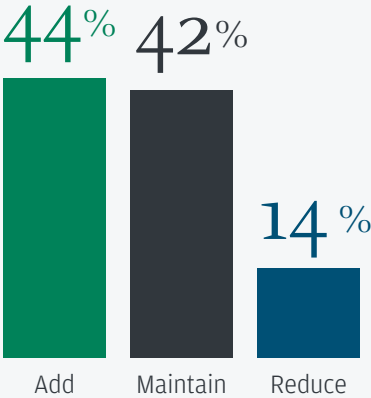
Future plans may mitigate challenges

As leaders enter 2024 mindful of the competing market dynamics that could impact their businesses, their plans reflect the variety of levers they can pull to support sustained growth.

Growth strategies for the next 12 months



Employee headcount plans



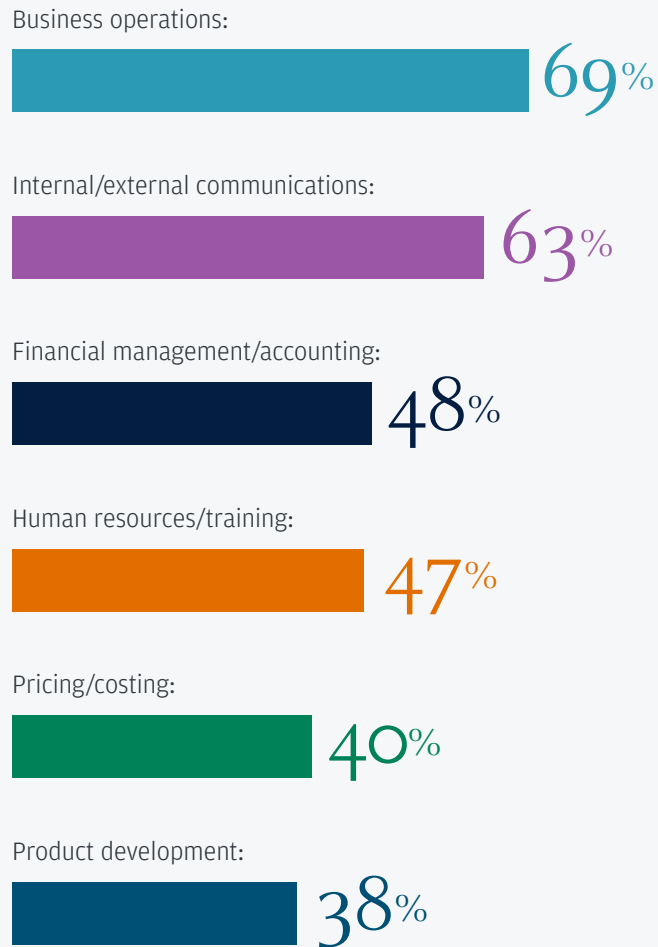
Robots going beyond ‘beep boop’

With the public debut of ChatGPT and other similar large language models, we’ve witnessed one of the fastest mass adoptions of new technology ever. The survey data makes that clear—46% of leaders say they are already using or plan to use artificial intelligence (AI) tools. Even as the full powers—and risks—associated with AI are being discovered, companies are already well underway in exploring ways to apply these technological advances in their organizations.

Use of AI tools like ChatGPT, virtual assistants and chatbots



Areas of AI applications



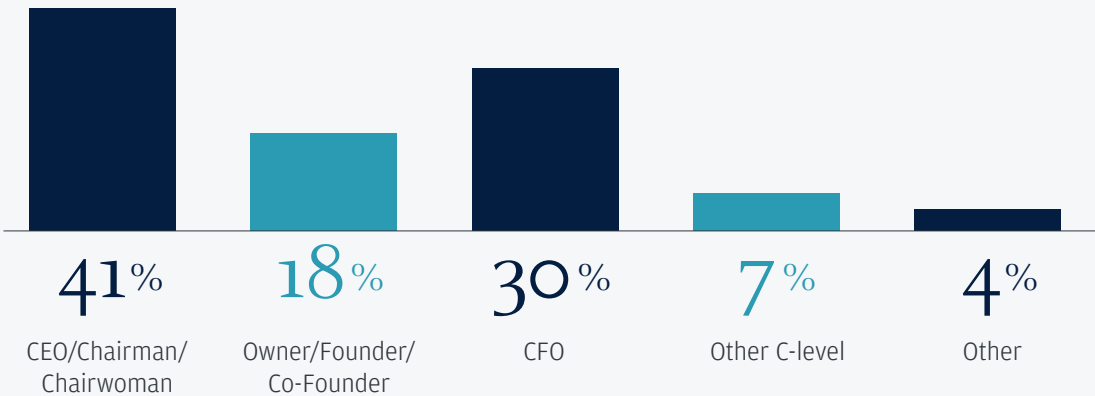
*Among companies who said they currently use or plan to use AI tools

About the survey

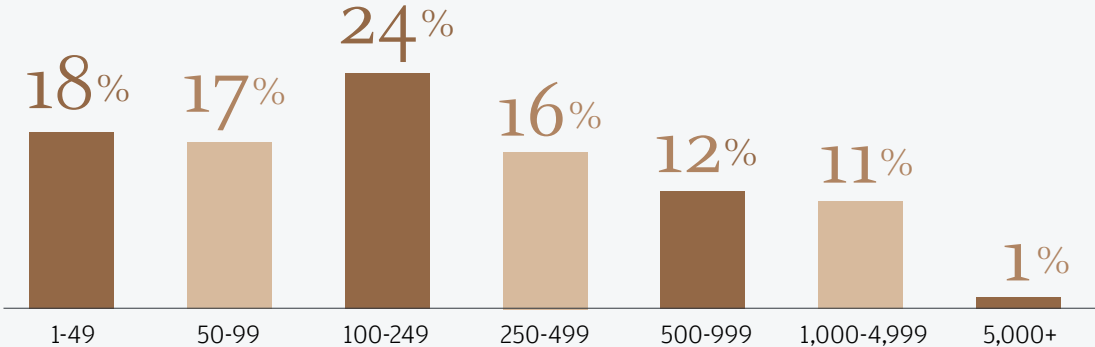
Started in 2011, the annual and midyear Business Leaders Outlook survey series provides snapshots of the challenges and opportunities facing executives of midsize companies in the United States. This year, 817 respondents completed the online survey between Nov. 16 and Dec. 7, 2023. Results are within statistical parameters for validity; the error rate is plus or minus 3.4% at the 95% confidence interval.

Note: Some numbers may not equal 100% due to rounding.

Who took the survey



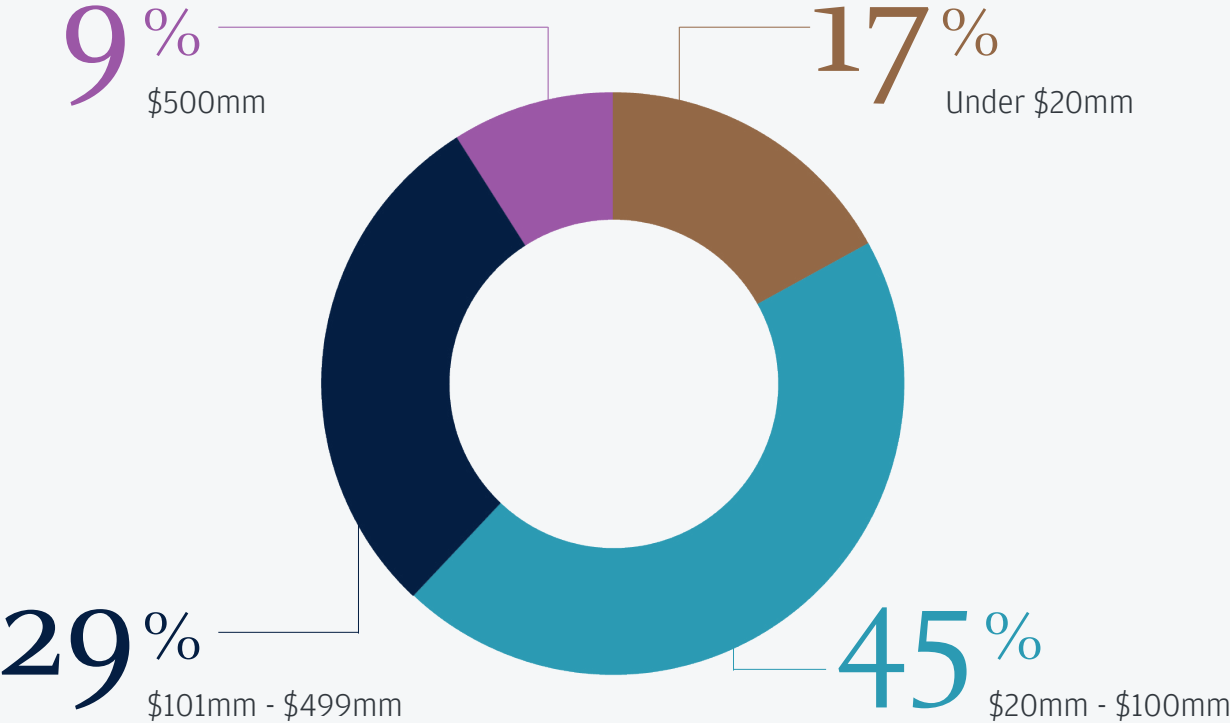
Company size by number of employees



About the survey

(Continued from the previous page)

Company size by annual revenue



Our experts



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