

2024

Business Leaders Outlook

UNITED KINGDOM

J.P.Morgan

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EXECUTIVE SUMMARY

Certain of uncertainty, leaders take balanced approach

Despite mixed economic views, U.K. businesses expect growth in 2024

Business leaders broadly are optimistic in the global economy, as they were 12 months ago. Our annual Business Leaders Outlook survey indicates that 43% of leaders are upbeat about the U.K. economy, while 32% are pessimistic—and another 25% hold neutral views.

Strong majorities of respondents are more optimistic about their own industry's performance, and their company's performance. Most companies expect to increase revenue and profits this year, yet most leaders are not as optimistic as in previous years.

How do these seemingly conflicting sentiments piece together? After several years of economic turbulence, a gradual recovery and growing geopolitical conflicts worldwide, the responses—and lack of consensus—suggest executives are positioning their organisations to pivot in response to continued mixed market signals. Rising rates, uncertain economic conditions and geopolitical concerns are top of mind for local business leaders.

And as artificial intelligence and machine learning have entered the mainstream, midsize companies suggest they are already exploring the powerful new technology. A resounding 79% of companies are using or considering AI tools.

Economic outlook for 2024

Optimistic Neutral Pessimistic

Global economy



Optimistic - 48%, Neutral - 27%, Pessimistic - 26%

National economy



Optimistic - 43%, Neutral - 25%, Pessimistic - 32%

Industry performance



Optimistic - 75%, Neutral - 16%, Pessimistic - 9%

Company performance

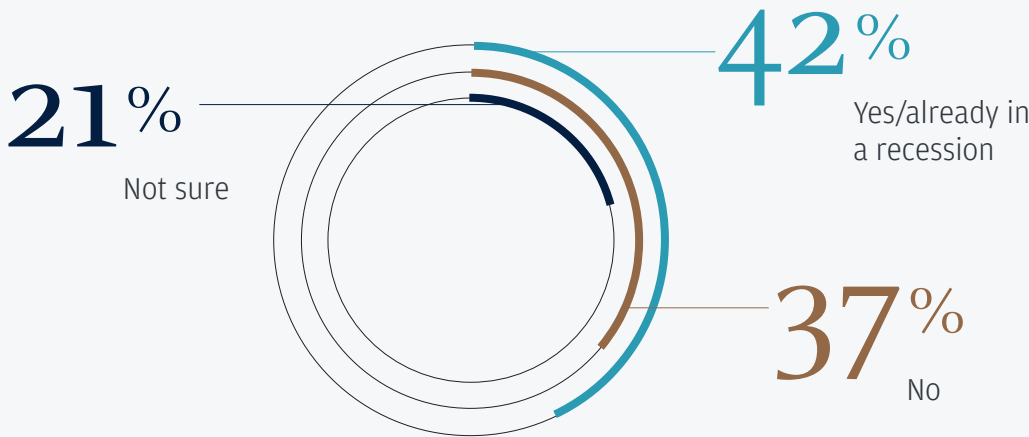


Optimistic - 82%, Neutral - 11%, Pessimistic - 7%

Economic outlook and expectations

As the Bank of England and other central banks worldwide aim for a soft landing in 2024, U.K. respondents are split on expectations of a recession—a shift from last year, when a strong majority of leaders (69%) predicted a recession would happen in 2023. Forty-two percent of leaders say they believe we’re already in a recession or one is coming in 2024.

Recession expectations

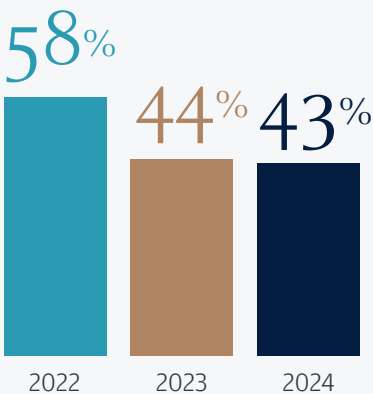


Pessimism softens, but optimism not climbing

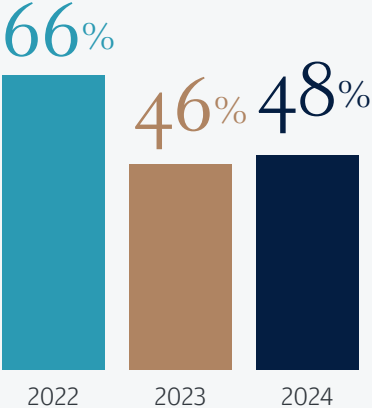
The mix of perspectives toward the national and global economies may hint business leaders are taking a more grounded view of affairs. While optimism levels have held stable in the three years since we began surveying U.K. leaders, this year's results suggest that some leaders have shifted away from pessimism and into neutral. At the global level, neutral sentiment rose 10 points (17% in 2023 to 27% in 2024). And at the national level, neutrality climbed 7 points (18% in 2023 to 25% in 2024).

National and global optimism

National economy



Global economy

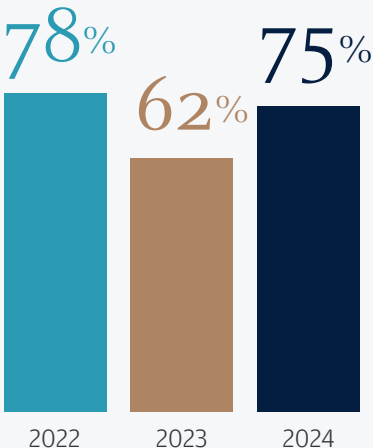


Beating the macroeconomic environment

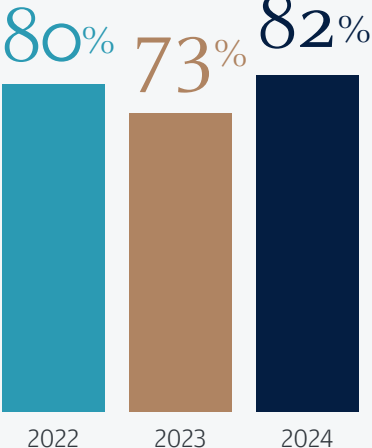
U.K. business leaders were more positive about their industries and companies than the broader economy. It is an empirical phenomenon we have seen across the years of Business Leaders Outlook surveys in every country we survey. Optimism for industry performance and company performance both bounced back this year to levels similar to our 2022 survey after they dropped last year.

Optimism toward industry performance and company performance

Industry performance



Company performance



Primed to perform

Most respondents expect revenue/sales, profits and capital expenditures to increase in 2024. However, credit needs may be starting to shift. This year, 38% of leaders anticipate their credit needs will stay level from 2023—a 15-point increase year over year (23%). As the Bank of England implements quantitative tightening, higher interest rates have put a dent in the availability of and demand for credit for businesses.

Business expectations

■ Increase ■ Remain the same ■ Decrease

Revenue/sales



Increase - 78%, Remain the same - 13%, Decrease - 9%

Profits



Increase - 68%, Remain the same - 22%, Decrease - 10%

Capital expenditures



Increase - 60%, Remain the same - 31%, Decrease - 9%

Credit needs



Increase - 58%, Remain the same - 38%, Decrease - 5%

Delivering growth

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.

To help counteract the effects of an uncertain economy, 58% of U.K. respondents expect their credit needs to increase in the year ahead. Only 5% expect their credit needs to decrease, down 10 points from 2023.

The most popular type of financing currently in use is bank lines of credit (52%), though just over a quarter (27%) plan to use this in the year ahead.

Beyond bank lines of credit, the top financing options that leaders reported currently using included commercial real estate (46%), equipment financing (46%) and asset-based financing (41%).

Growth strategies for the next 12 months

Introduction of new products/services



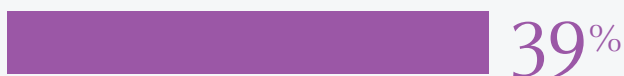
Prioritization of most profitable products



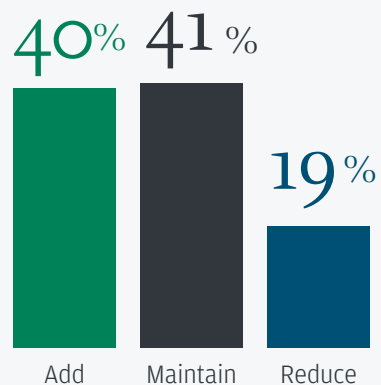
Strategic partnerships and/or investments



Expansion into new distribution channels



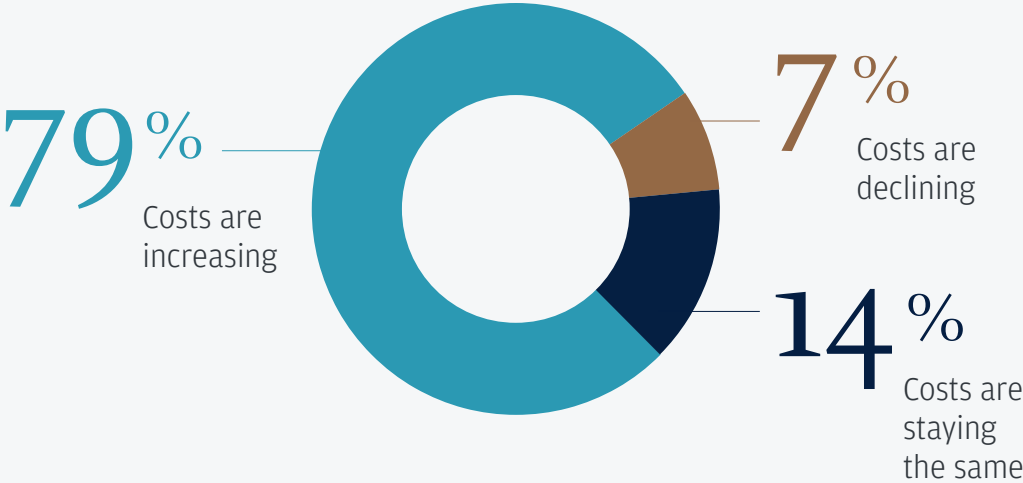
Employee headcount plans



But market challenges remain

Inflation expectations are one of the areas where U.K. business leaders are near a consensus. Additionally, 4 in 5 (79%) said costs will continue to rise for their business. Lastly, a tight labour market and a competitive environment are also defining factors for many businesses as they assess challenges in 2024. About 4 in 10 respondents cited rising interest rates (40%) and uncertain economic conditions (38%) other key concerns in 2024.

How costs of business are changing



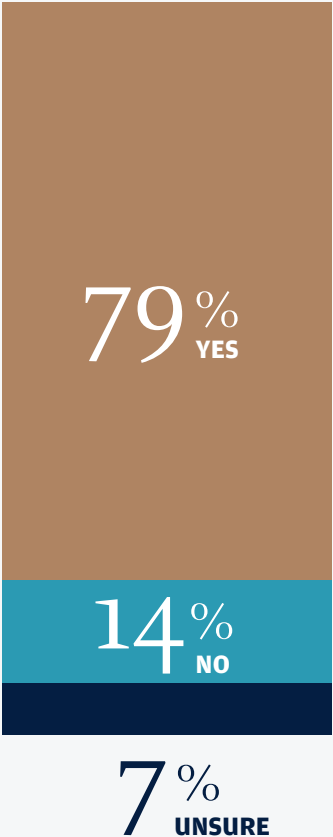
Largest challenges for companies



The importance of embracing AI

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, with 79% of U.K. leaders stating they already use or plan to use artificial intelligence (AI) tools. Even as the full powers associated with AI are being discovered, companies are already well underway in exploring ways to apply these technological advances in their organisations.

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

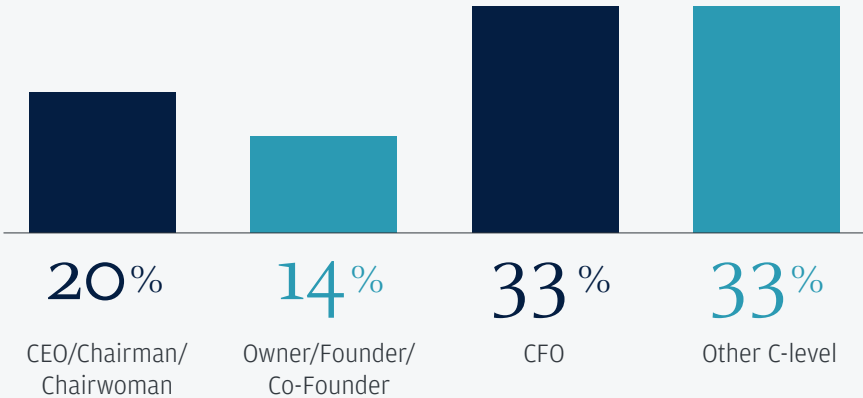
About the survey

In its third year, the annual U.K. Business Leaders Outlook survey is a snapshot capturing the concerns and expectations of senior business leaders at midsize companies with annual revenues generally ranging from £20 million and £2 billion.

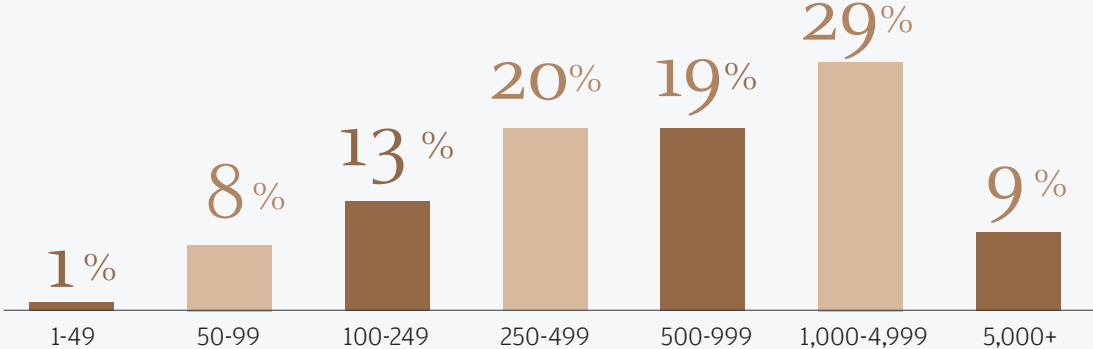
This year, 279 respondents completed the online survey between 16 November and 13 December 2023. Results are within statistical parameters for validity; the error rate is plus or minus 5.6% at the 95% confidence interval.

Note: Some survey questions may not add to 100% due to rounding.

Who took the survey



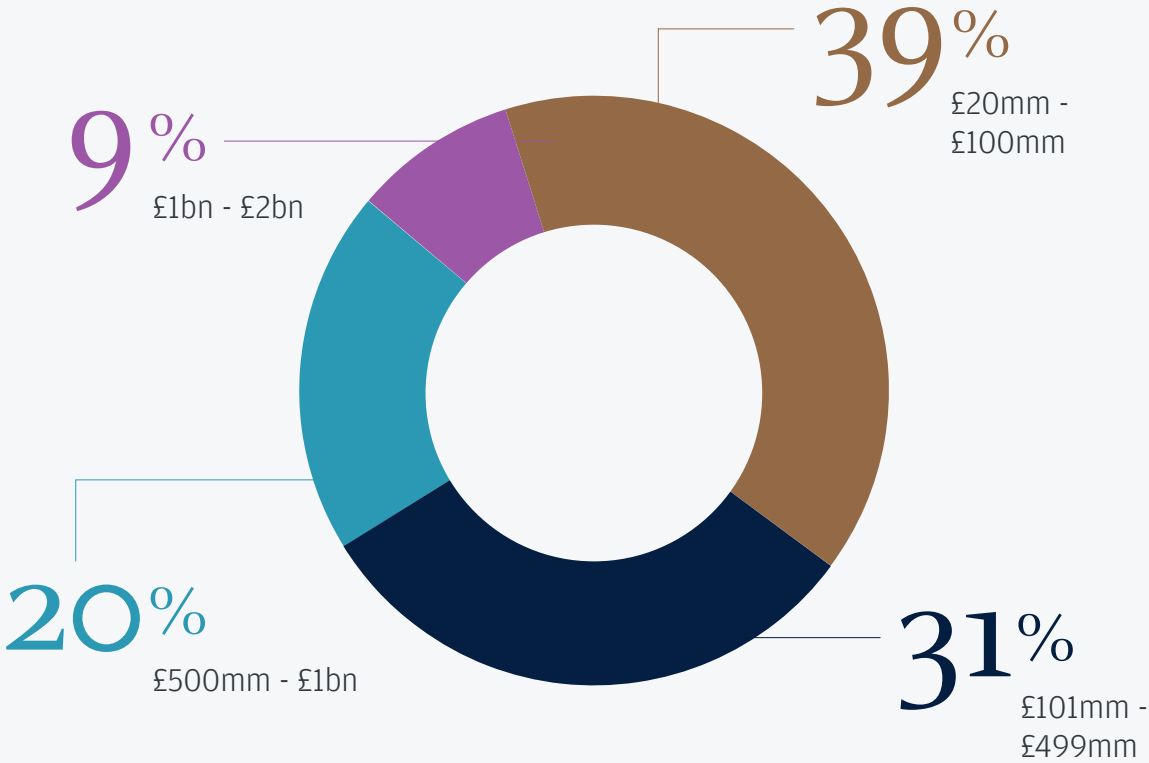
Company size by number of employees



About the survey

(Continued from the previous page)

Company size by annual revenue



Our experts



Vis Raghavan
Chief Executive Officer, EMEA



Charlie Jacobs
Co-Head of Investment Banking, U.K.



Richard Sheppard
Co-Head of Investment Banking, U.K.



Catherine Pierre
Head of Commercial Banking, U.K.



Jack Counterman
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Pierre Maman
Vice Chairman, Head of Debt Financing,
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