

2023 Midyear Business Leaders Outlook

Optimism is up from January—but it's far below pre-pandemic levels.

Despite an uptick in optimism over the past six months, midsize business leaders in the United States are far less optimistic about the national economy now than they were in the years before the pandemic.

According to our 2023 midyear Business Leaders Outlook survey, 29% of leaders have a positive outlook about the U.S. economy today, up from 22% in January. From 2012 to early 2020, however, the average level of optimism was 66%.

Attitudes about the global economy also remain low. Only 15% of leaders are optimistic about the global economy today. And while that is up from January (8%), it is much lower than before the pandemic, when the average level of optimism was almost 30%.

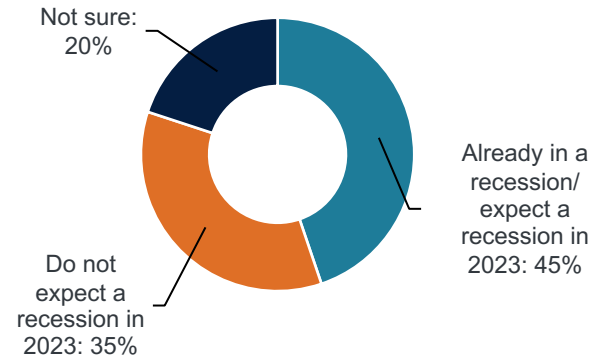
Concerns about a recession are mixed. Nearly half (45%) expect an economic downturn this year or believe we are already in one, while 20% are unsure about a recession.

But there are plenty of bright spots in the report. Most leaders (67%) are still optimistic about their own company's performance. More than half expect their sales and profits to increase this year. And 85% expect to add or keep staff.

On the policy front, two-thirds of leaders believe the Fed should pause rate hikes; only 16% believe the Fed should raise rates. Even fewer (11%) think rates should be cut.

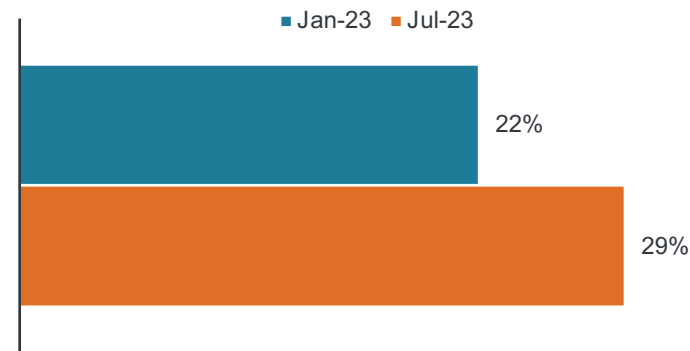
Executive summary

RECESSION CONCERNS



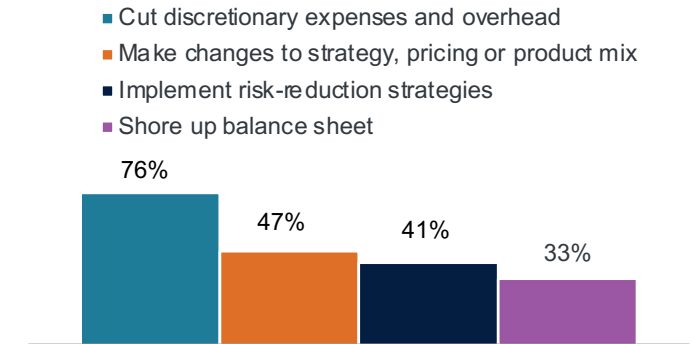
Almost half of U.S. business leaders expect a recession this year or believe we are already in one. An additional 20% are not sure about an economic downturn.

VIEWS ON ECONOMY



Leaders are more optimistic about the national economy now than they were in January. But they are far less optimistic than they were in the years before the pandemic.

RECESSION RESPONSE



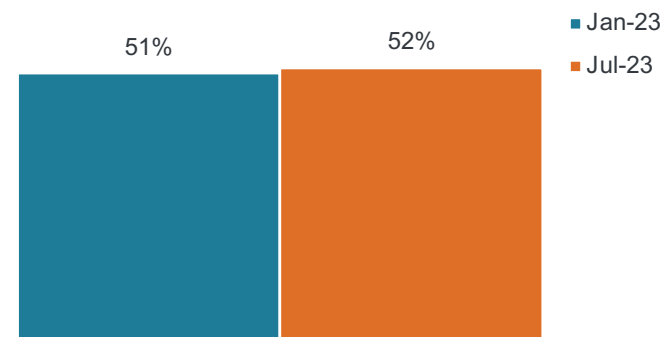
In the event of a recession, more than three-quarters of business leaders said they would cut discretionary expenses and overhead.

WORKFORCE OUTLOOK

85%

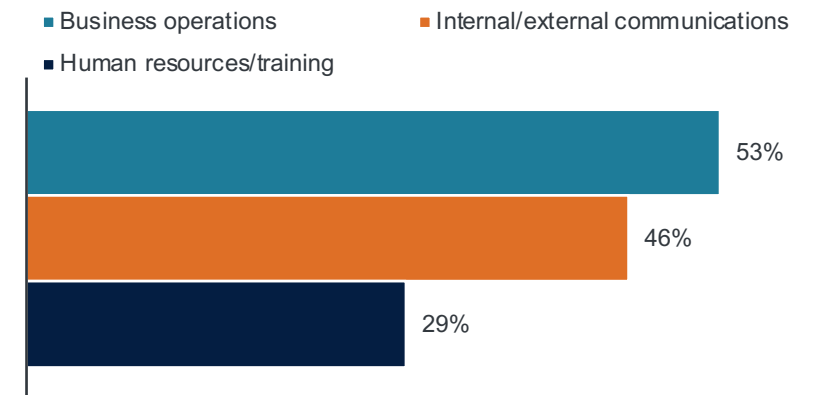
More than 8 in 10 businesses are planning to add or maintain headcount.

PROFIT EXPECTATIONS



More than half of leaders believe profits will increase in the next 12 months, nearly identical to January's expectations.

ARTIFICIAL INTELLIGENCE USE WITHIN BUSINESS

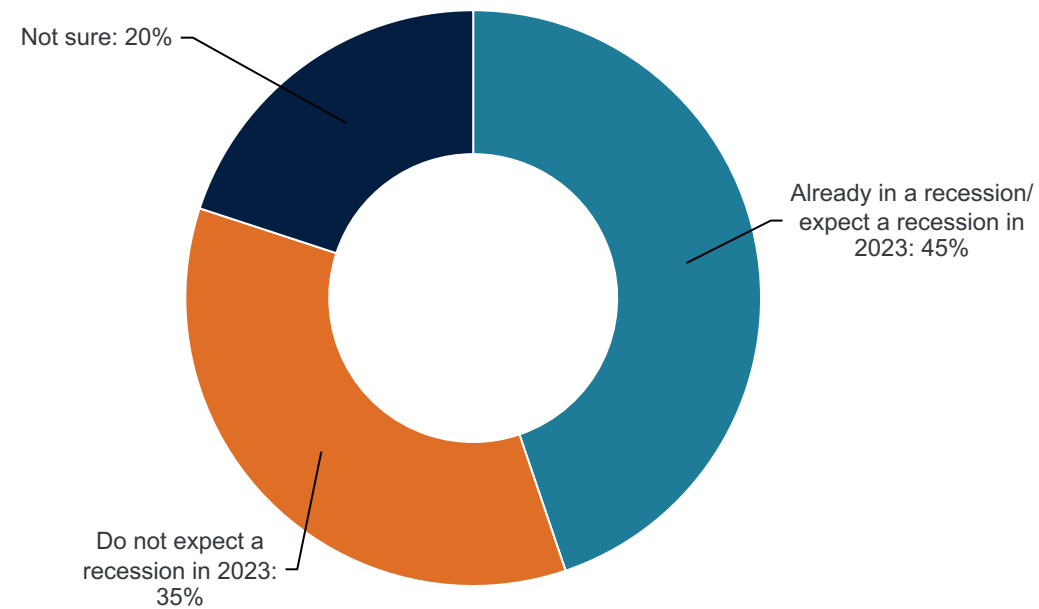


Roughly 4 out of 10 leaders plan to use AI tools in their companies, most commonly in business operations.

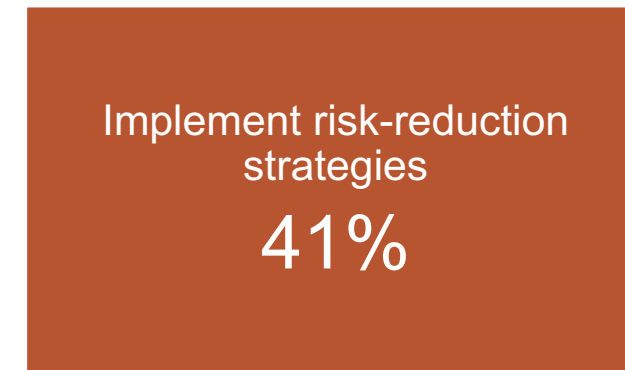
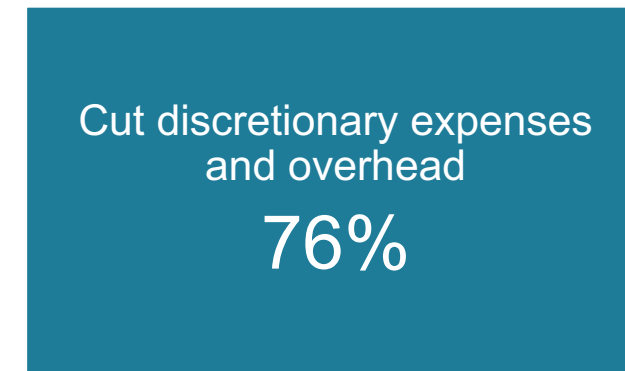
Recession expectations

Leaders are split over whether a recession is likely in 2023. But many are taking steps to protect their business in case there is a downturn.

RECESSION EXPECTATIONS



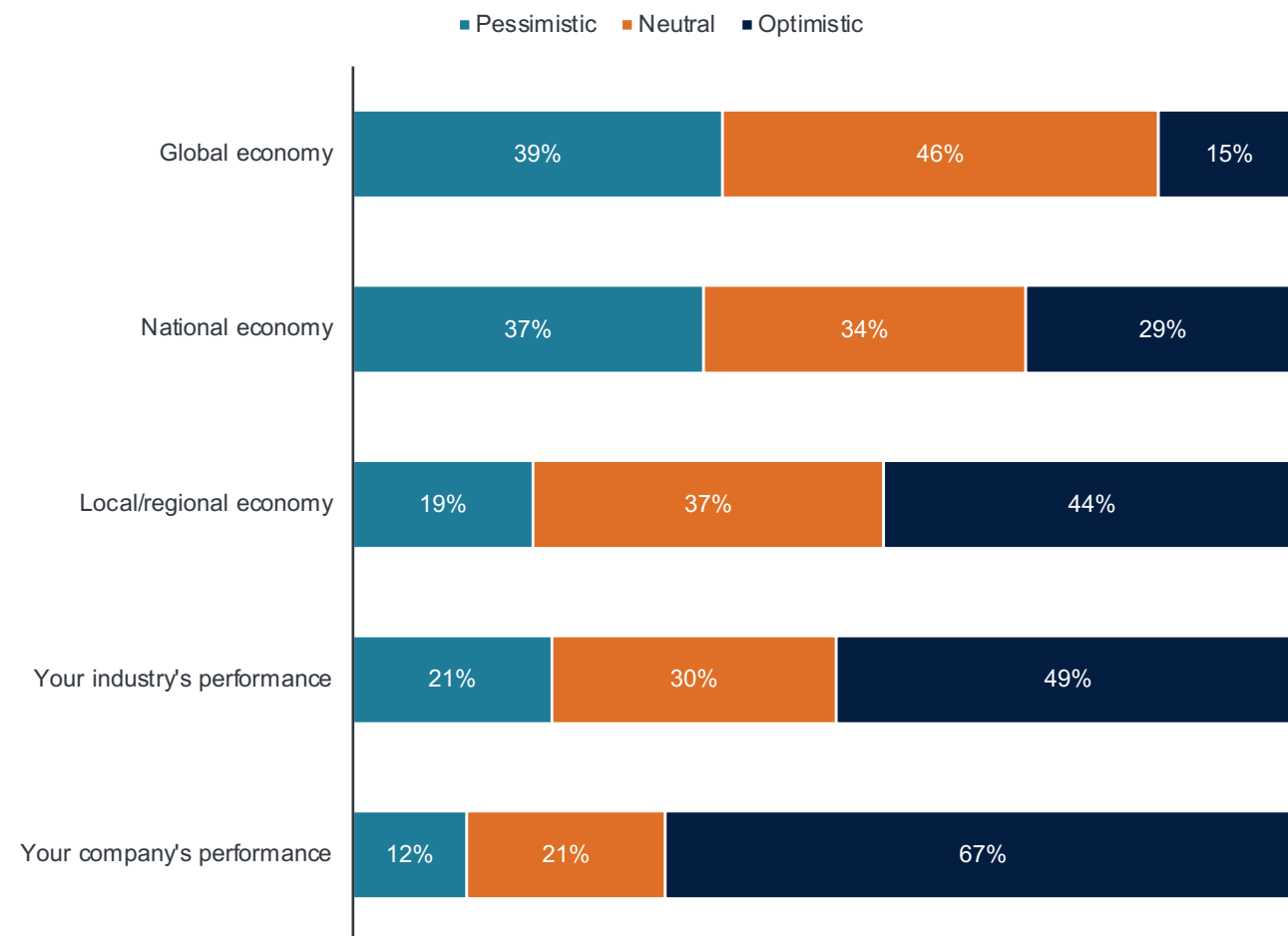
RECESSION RESPONSE



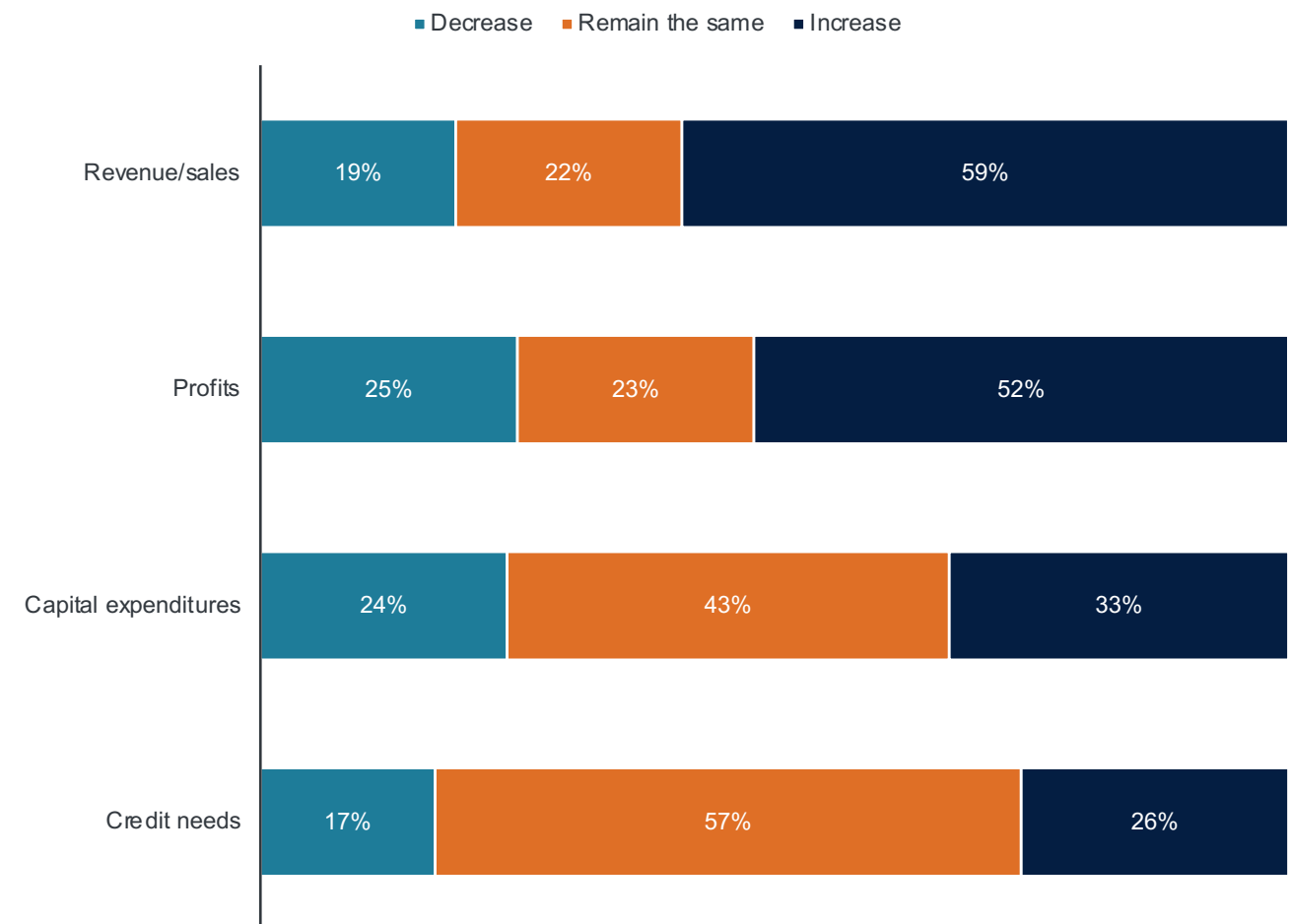
Economic outlook and expectations

Leaders have a more optimistic outlook about their company's performance than they do about the global and national economies. And most expect their sales and profits to increase this year.

ECONOMIC OUTLOOK



EXPECTATIONS FOR THE YEAR AHEAD

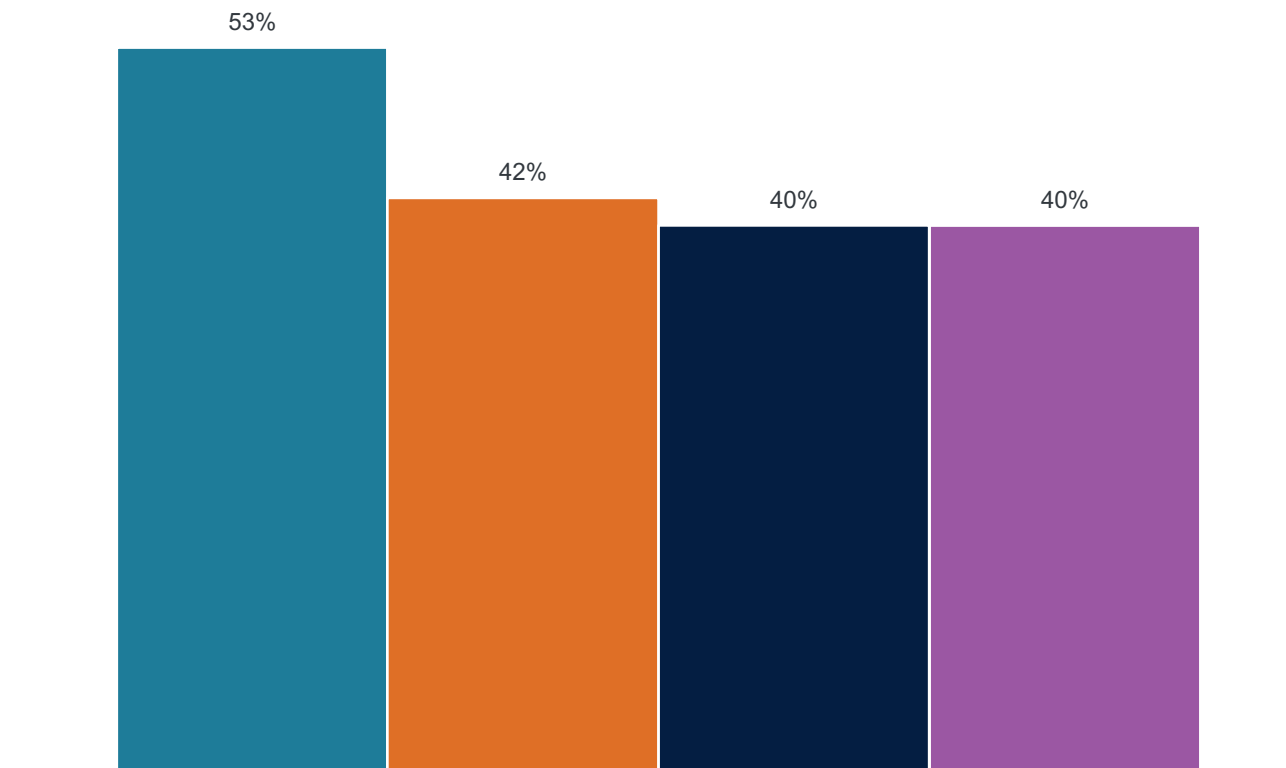


Business strategy

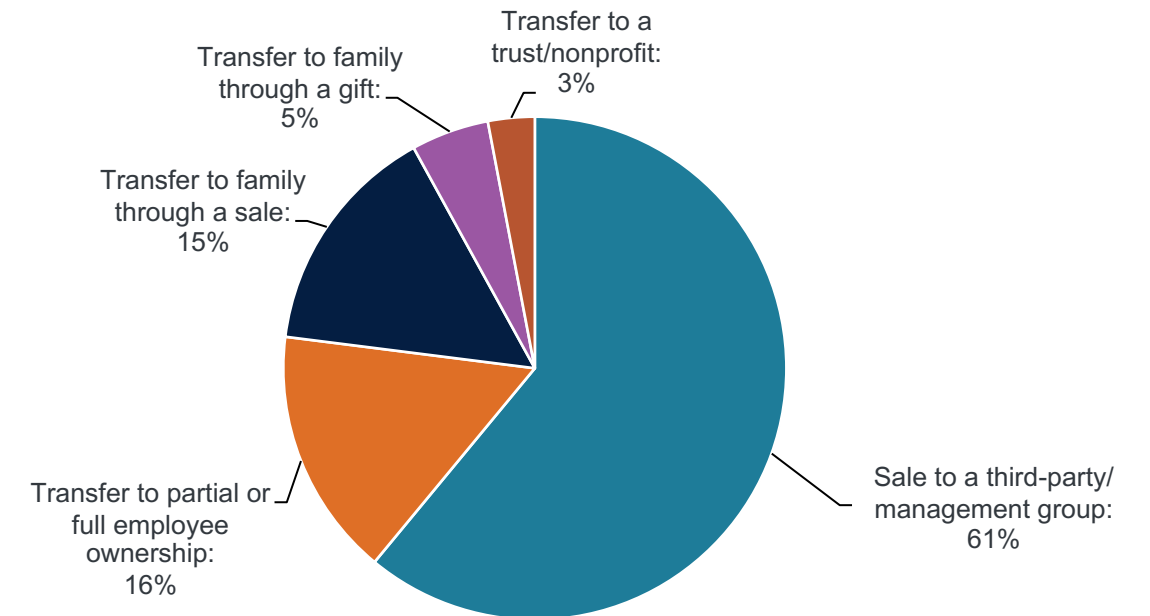
More than half of the leaders surveyed plan to introduce new products and services this year to help grow their business.

PLANNED GROWTH STRATEGIES

- Introduction of new products/services
- Prioritization of most profitable products
- Strategic partnerships/investments
- Expansion into new domestic markets



PLANS FOR OWNERSHIP TRANSITION¹

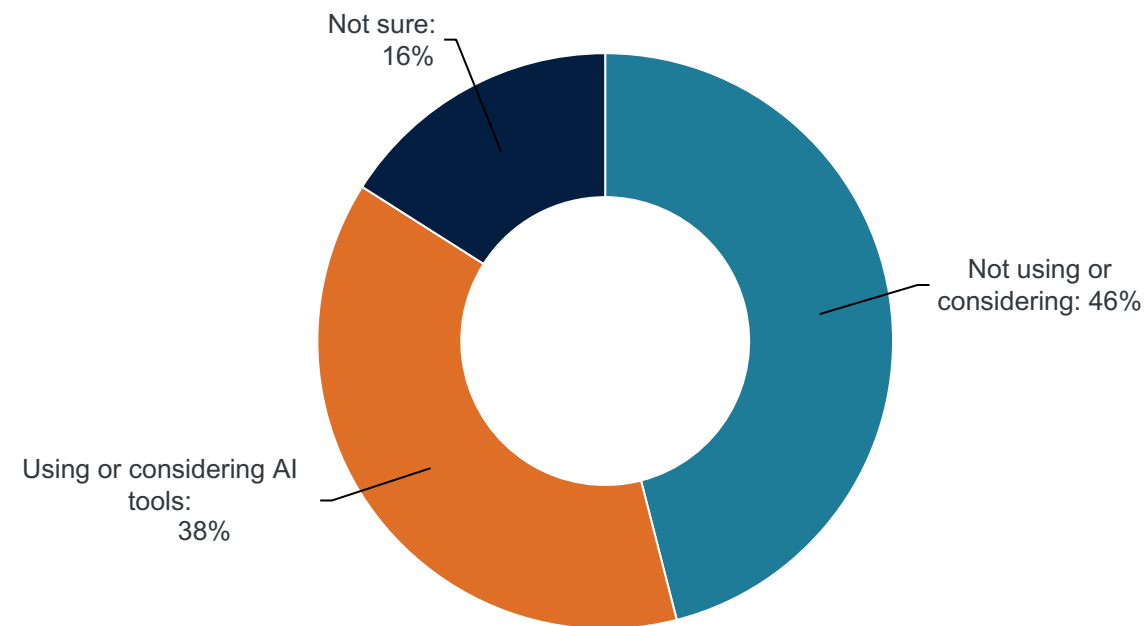


1. Among respondents who indicated they are planning an ownership transition in the next 12 months.

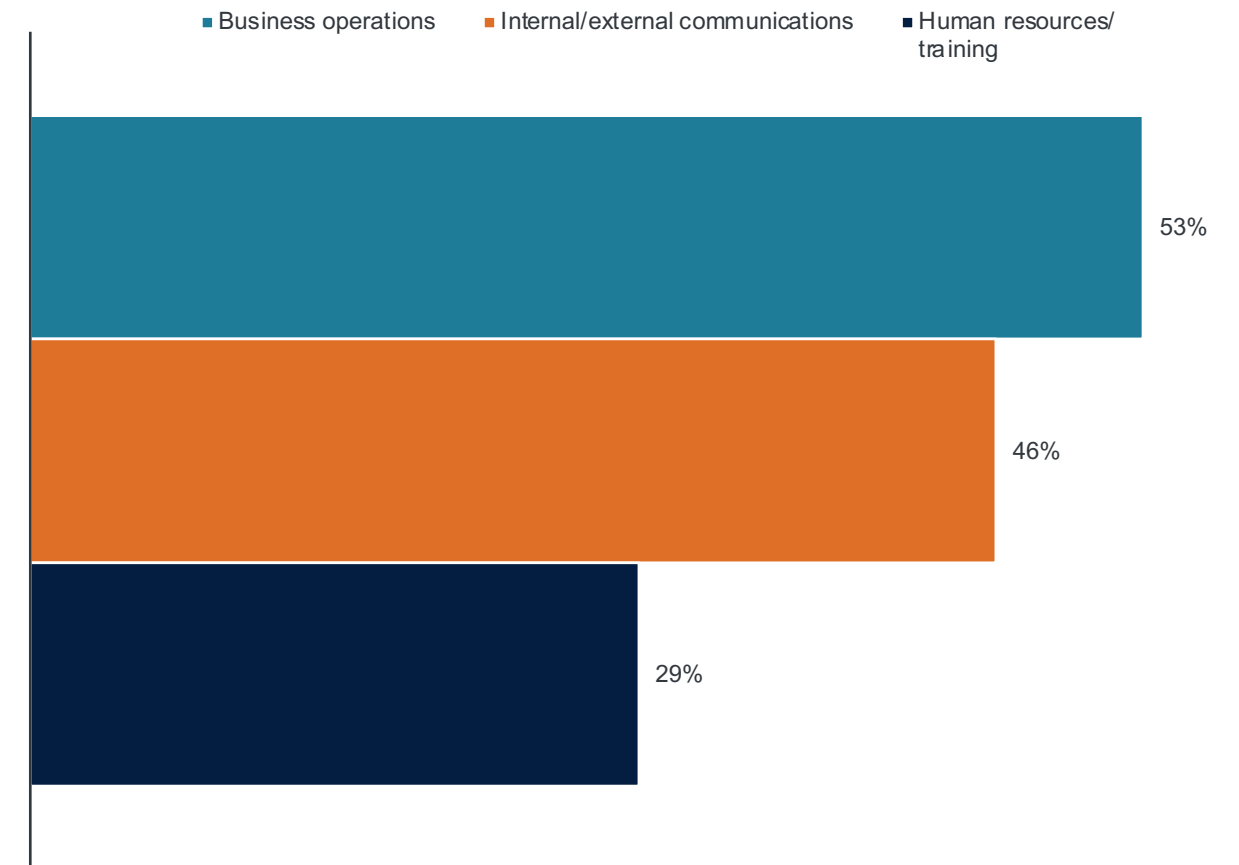
Artificial intelligence (AI) adoption

More than a third of business leaders are currently using or considering AI tools. The top applications include business operations and communications.

USING OR CONSIDERING AI TOOLS



TOP AI BUSINESS APPLICATIONS¹



1. Among respondents who are currently using or considering using AI, or who are not sure.

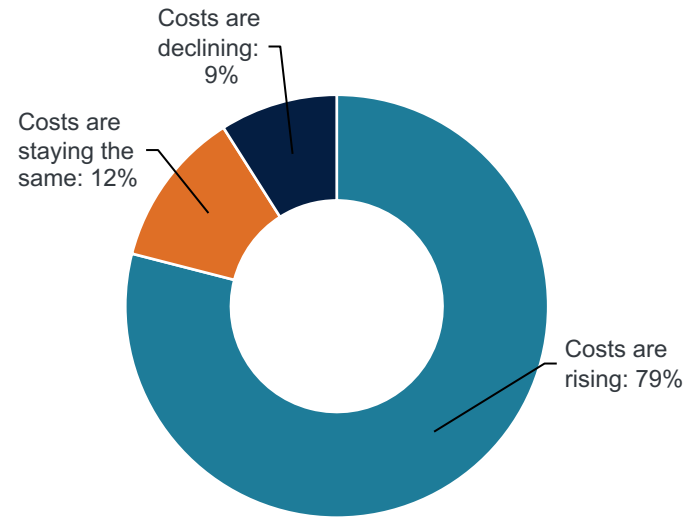
Business challenges

Costs continue to rise for more than three-fourths of businesses. In response, most companies plan to continue increasing prices for consumers and buyers.

85%

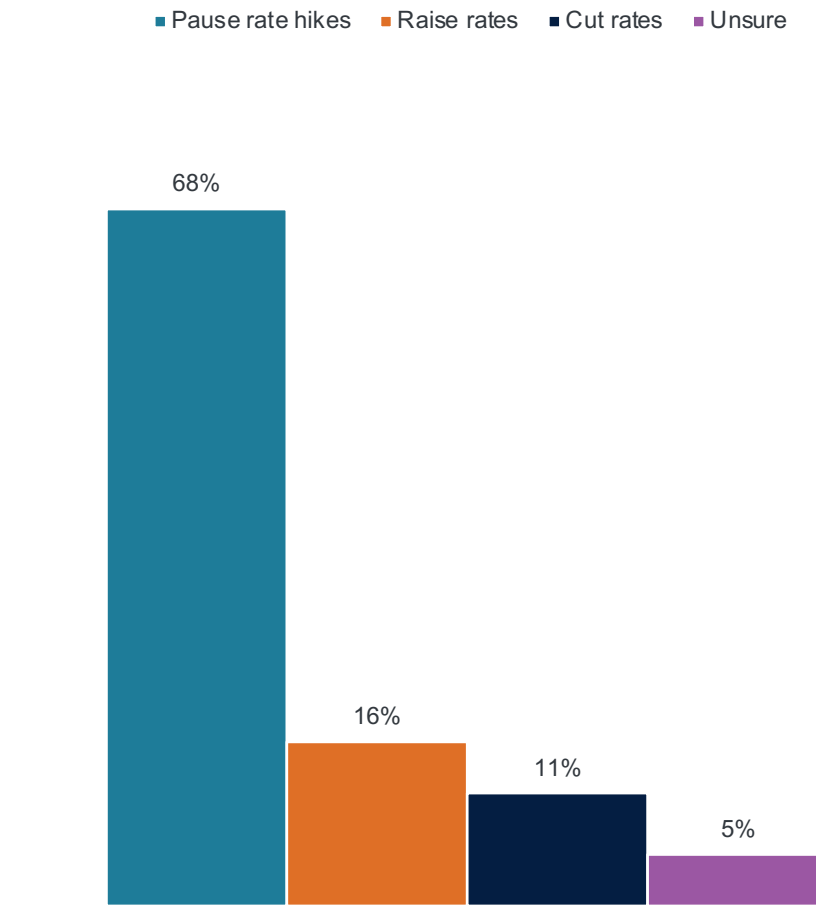
More than 8 in 10 businesses are planning to add or maintain headcount.

CHANGES IN COSTS OF BUSINESS OVER PAST 6 MONTHS



75% of those experiencing rising costs plan to continue increasing prices for consumers/buyers.

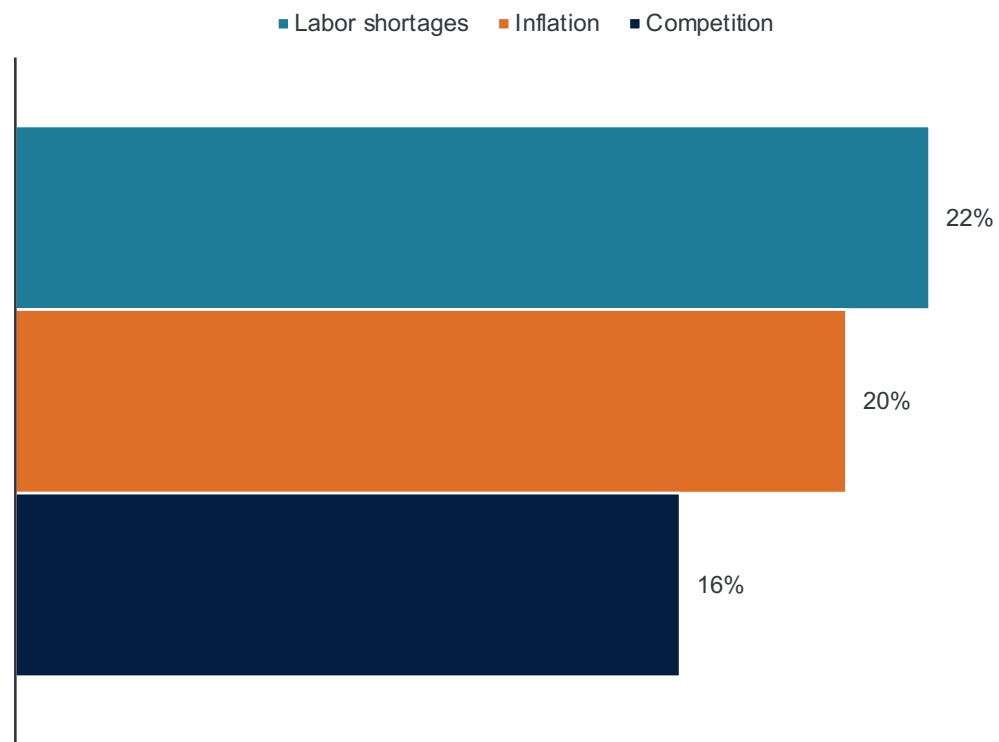
HOW LEADERS THINK THE FED SHOULD RESPOND TO THE CURRENT ECONOMIC LANDSCAPE



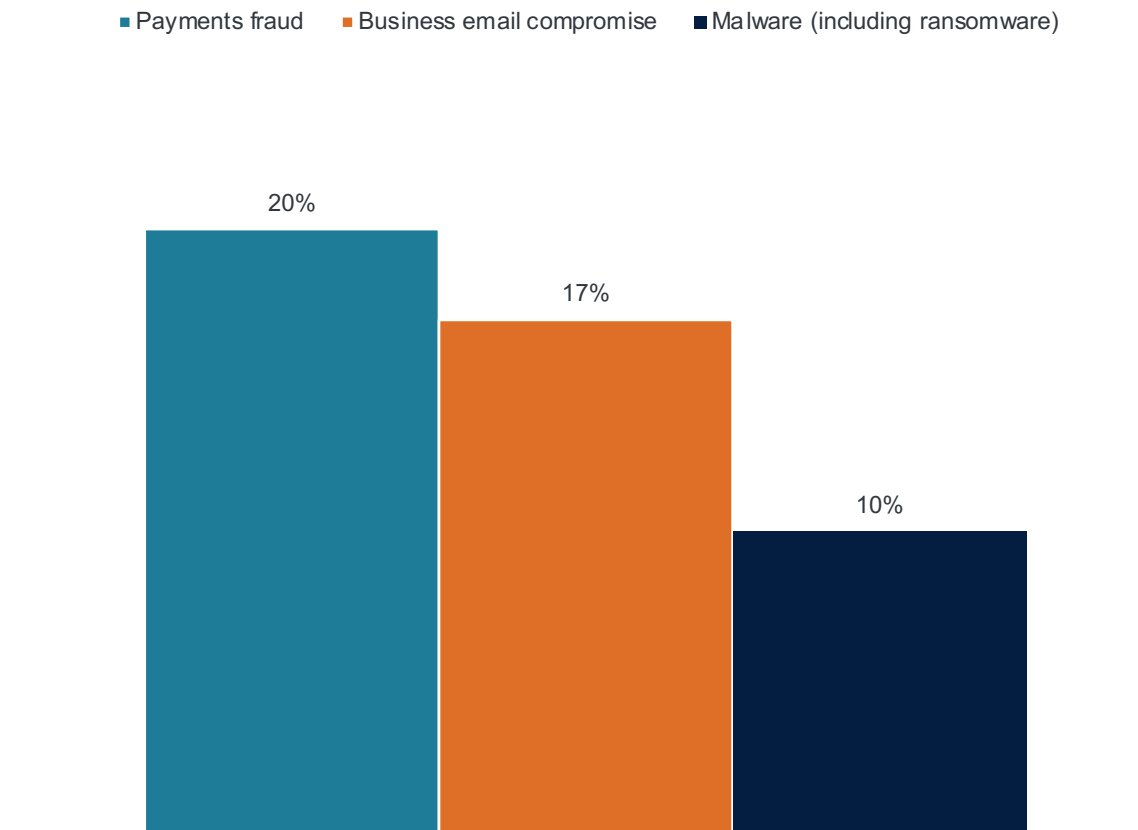
External threats

Companies are still struggling to find employees. More than 20% said a shortage of labor was their No. 1 external threat.

TOP EXTERNAL BUSINESS THREATS



TOP CYBERATTACKS IN THE LAST 6 MONTHS¹



1. Among respondents who were impacted by a cyberattack this year.

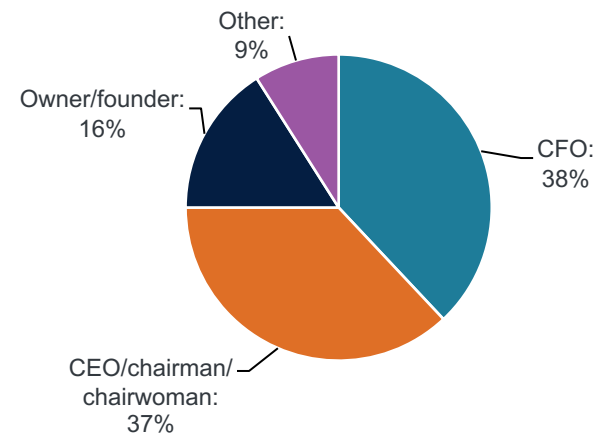
About the survey

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.

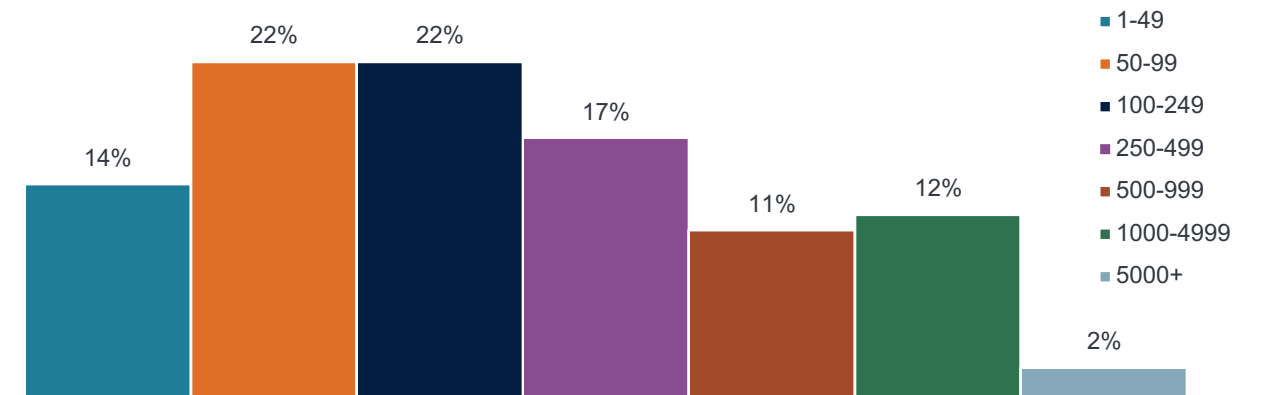
This year, 625 respondents completed the midyear online survey between June 14 and July 5, 2023. Results are within statistical parameters for validity; the error rate is plus or minus 3.9% at the 95% confidence interval.

Who took the survey

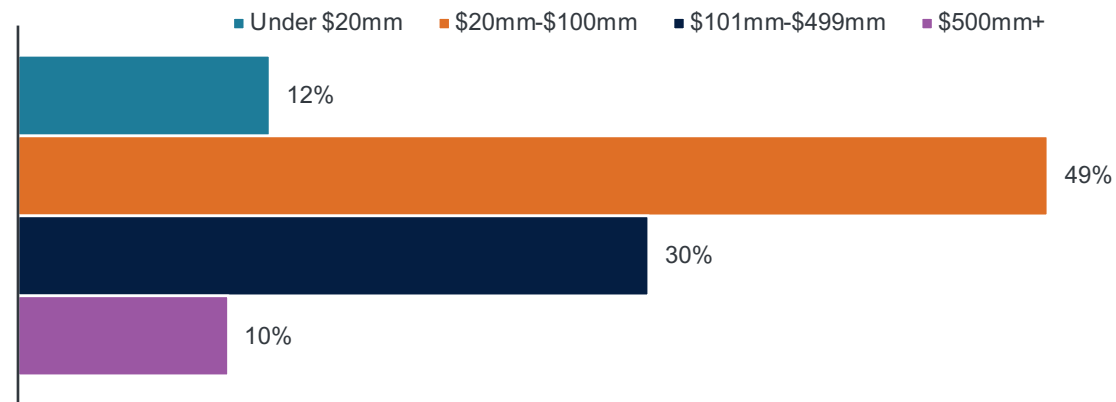
BY TITLE



BY NUMBER OF EMPLOYEES



BY ANNUAL REVENUE



BY INDUSTRY

Government	3%	Oil and gas	2%
Healthcare	3%	Other professional/business services (nonfinance)	8%
Higher education	1%	Real estate	1%
Home services	2%	Restaurants/food service	2%
Industrials	6%	Technology	5%
Manufacturing	32%	Transportation/logistics	5%
Media/entertainment	2%	Wholesale/retail	17%
Nonprofit	1%	Other	9%

Note: Some charts may not equal 100% because of rounding.

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