

2024

Business Leaders Outlook

INNOVATION ECONOMY

J.P.Morgan

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EXECUTIVE SUMMARY

Measured mindsets amid a mixed market

Startup leaders hold cautious optimism amid challenges

In the Innovation Economy, a segment representing early stage startups, venture-backed and high-growth companies, about 3 in 4 leaders surveyed are confident about their company's performance heading into 2024. But after several years of a business environment filled with mixed signals, their business plans are understandably mixed, too.

U.S. startup leaders differ in their views on the outlook for the national economy in 2024. Roughly 4 in 10 startup executives surveyed said they're optimistic about the national economy, while 30% said they're pessimistic and 27% hold a neutral view.

Perspectives were more upbeat as the survey asks about leaders' outlooks closer to home. Half of startup respondents are optimistic about their local and regional economies, and the majority (74%) are optimistic about their company's performance. Almost half of respondents (46%) don't think the U.S. will experience a recession in 2024, while 37% believe a recession is coming—or it's already here.

Innovation Economy business leaders' top challenges stand out from middle market executives. Roughly half of respondents (52%) cited the availability of capital or credit as a top concern, compared to 13% of U.S. midsize businesses. And 48% cited revenue and sales growth as a key concern, compared to 39% of the broader middle market.

Leaders' responses suggest they're prepared for whatever the market may bring. While 67% say declining tech valuations have had a negative impact on their ability to raise capital, 54% are confident they have enough capital to hold off raising additional funds in 2024.

Economic outlook for 2024

Optimistic Neutral Pessimistic

Global economy



Optimistic - 15%, Neutral - 42%, Pessimistic - 43%

National economy



Optimistic - 43%, Neutral - 27%, Pessimistic - 30%

Local economy



Optimistic - 50%, Neutral - 35%, Pessimistic - 15%

Industry performance



Optimistic - 49%, Neutral - 35%, Pessimistic - 16%

Company performance

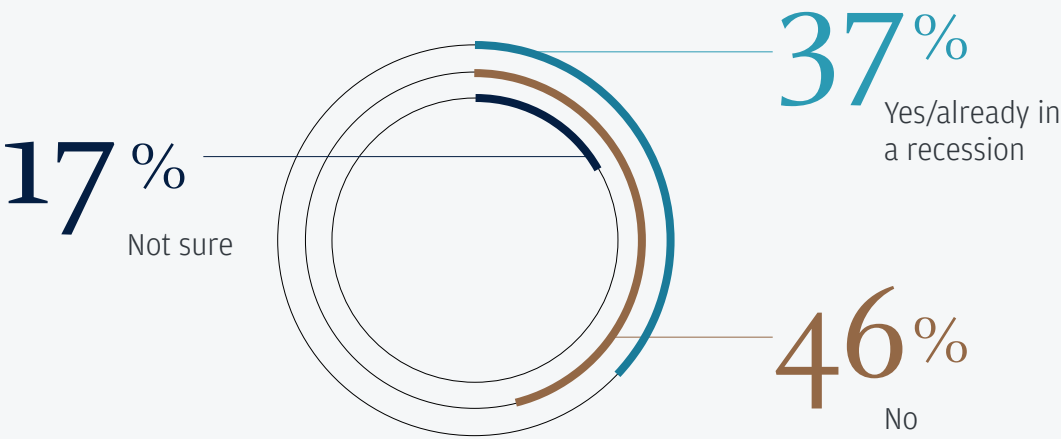


Optimistic - 74%, Neutral - 17%, Pessimistic - 9%

Economic outlook and expectations

With Fed policymakers' aim for a soft landing in 2024, there's no consensus among innovation economy leaders when it comes to the prospects of a recession. Thirty seven percent of startup executives said we're already in a recession or they expect one sometime in 2024, while 46% said they don't anticipate a recession in the year ahead. Economists have forecasted that real GDP growth will decelerate in 2024; it may be a matter of whether the market maintains its slight expansion or enters a slight contraction.

Recession expectations



Leaders upbeat on revenue, profits

A commanding 98% of startups said they expect revenue and sales to hold steady or increase in 2024, and 95% expect steady or increasing profits. Leaders are more evenly split on capital expenditures. About 1 in 3 executives said capex will increase, while just under 1 in 4 said they'll decrease this year.

Business expectations

■ Increase ■ Remain the same ■ Decrease

Revenue/sales



Increase - 75%, Remain the same - 23%, Decrease - 2%

Profits



Increase - 57%, Remain the same - 38%, Decrease - 5%

Capital expenditures



Increase - 33%, Remain the same - 45%, Decrease - 23%

But valuation-driven challenges remain

Even as tech valuations have softened, most startup leaders indicated the trend is not a factor driving hiring, growth, innovation or liquidity. Though access to capital is clearly impacted by valuation, it seems leaders have prepared for that inevitability.

Effects from declining tech valuations:

■ Negative impact ■ No impact ■ Positive impact

Hiring/talent management



Negative impact - 19%, No impact - 58%, Positive impact - 23%

Growth projections



Negative impact - 42%, No impact - 54%, Positive impact - 4%

New product development/innovation



Negative impact - 23%, No impact - 66%, Positive impact - 11%

Current liquidity/runway projections



Negative impact - 41%, No impact - 54%, Positive impact - 5%

Fundraising/capital raising

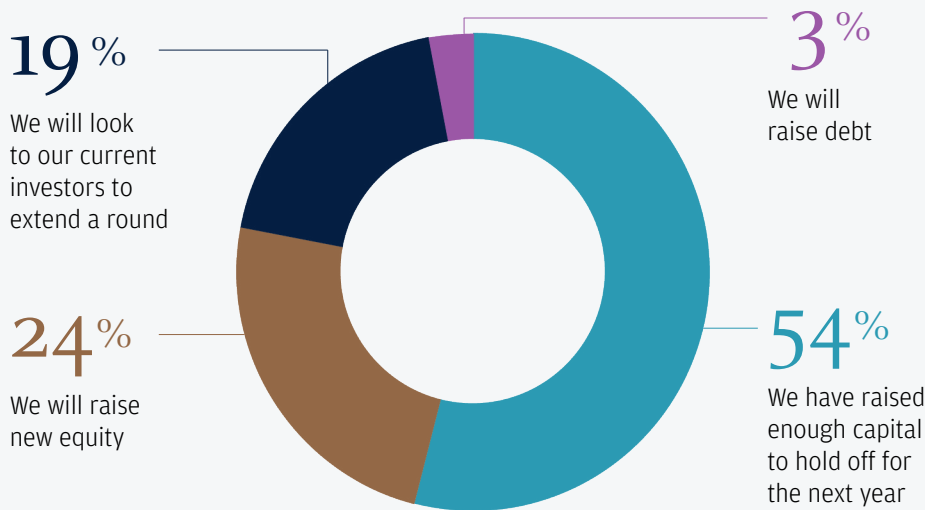


Negative impact - 67%, No impact - 30%, Positive impact - 3%

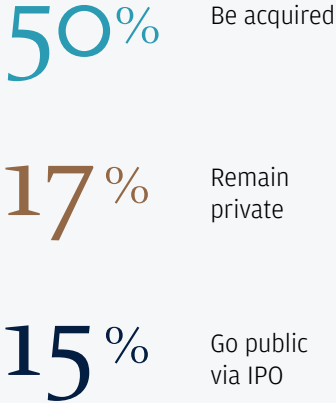
Capital is tight, but many can ride it out

Startup leaders are taking a measured view on the year ahead as they navigate historical shifts in capital markets and rising interest rates. Half of startups said that they have raised enough capital for the year, and only 3% plan to raise debt.

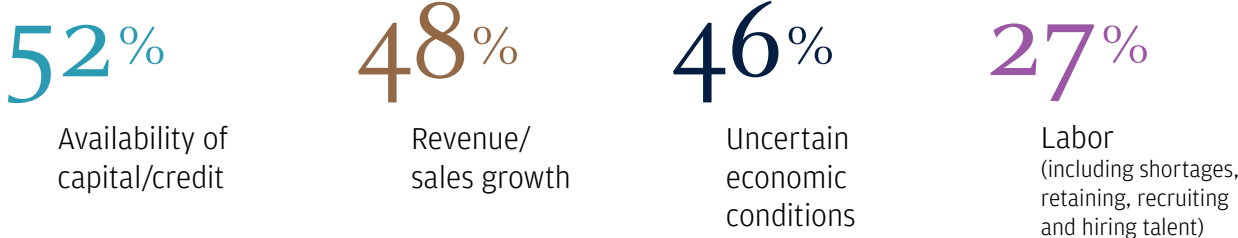
Effects from declining tech valuations



Long-term goal for startups



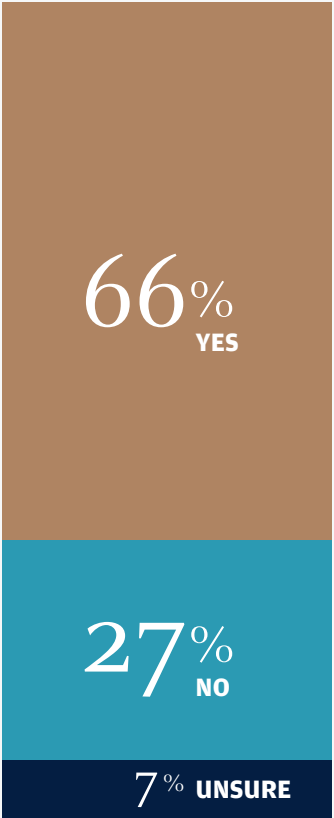
Largest challenges for startups



Artificial intelligence's time to shine

With the public debut of ChatGPT and other large language models, we've witnessed one of the fastest mass adoptions of new technology ever. Perhaps unsurprisingly, the innovation economy is leading the charge, with two-thirds of leaders saying they're already using or plan to use AI tools.

Use of AI tools like ChatGPT, virtual assistants and chatbots



Areas of AI applications



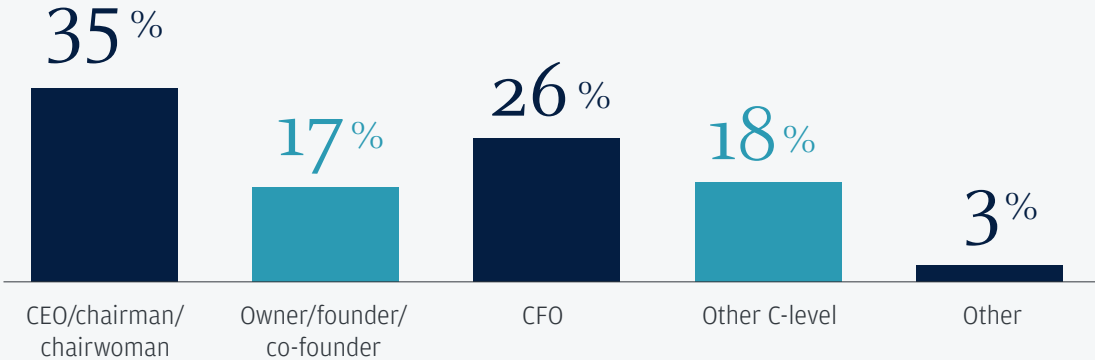
*Among companies who said they currently use or plan to use AI tools

About the survey

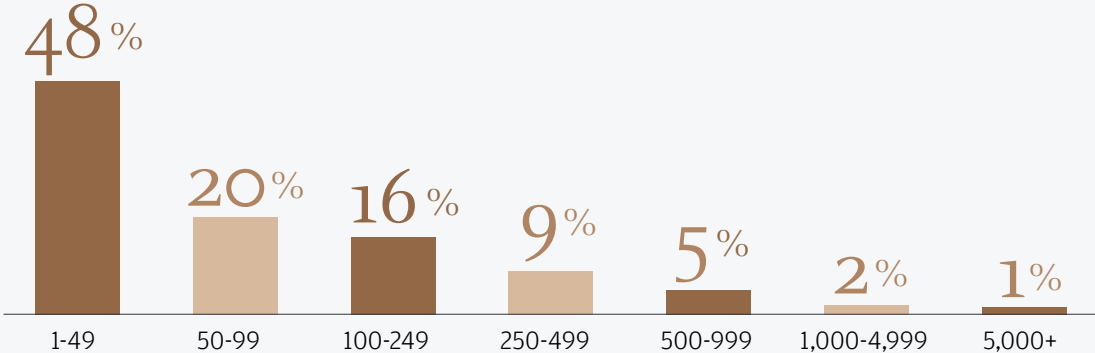
Started in 2011, the annual and midyear Business Leaders Outlook survey series provides snapshots of the challenges and opportunities facing executives of midsize companies in the United States. This year, 155 respondents completed the online survey between Nov. 16 and Dec. 7, 2023. Results are within statistical parameters for validity; the error rate is plus or minus 7.9% at the 95% confidence interval.

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

Who took the survey



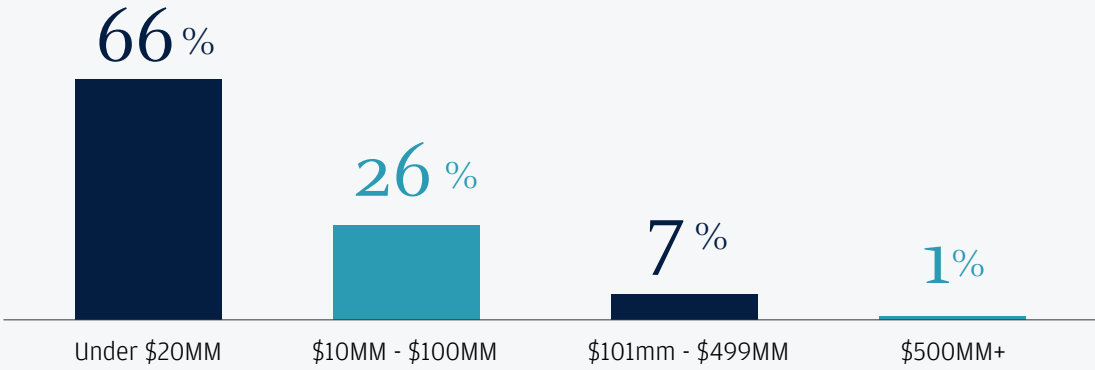
Company size by number of employees



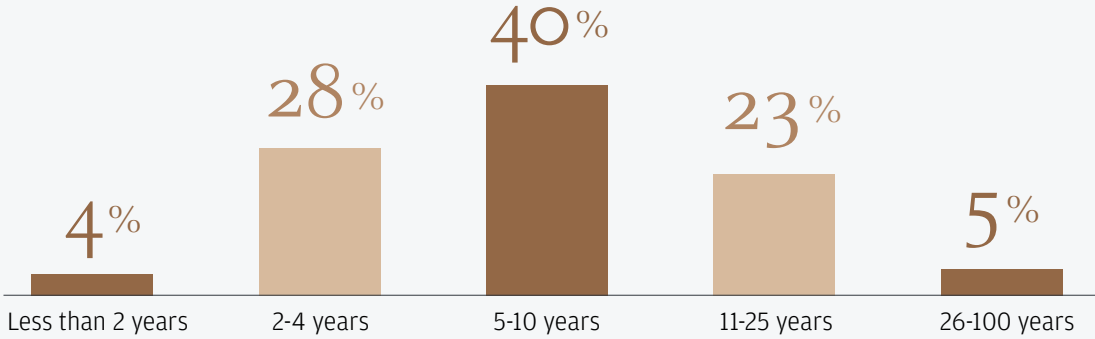
About the survey

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Company revenue



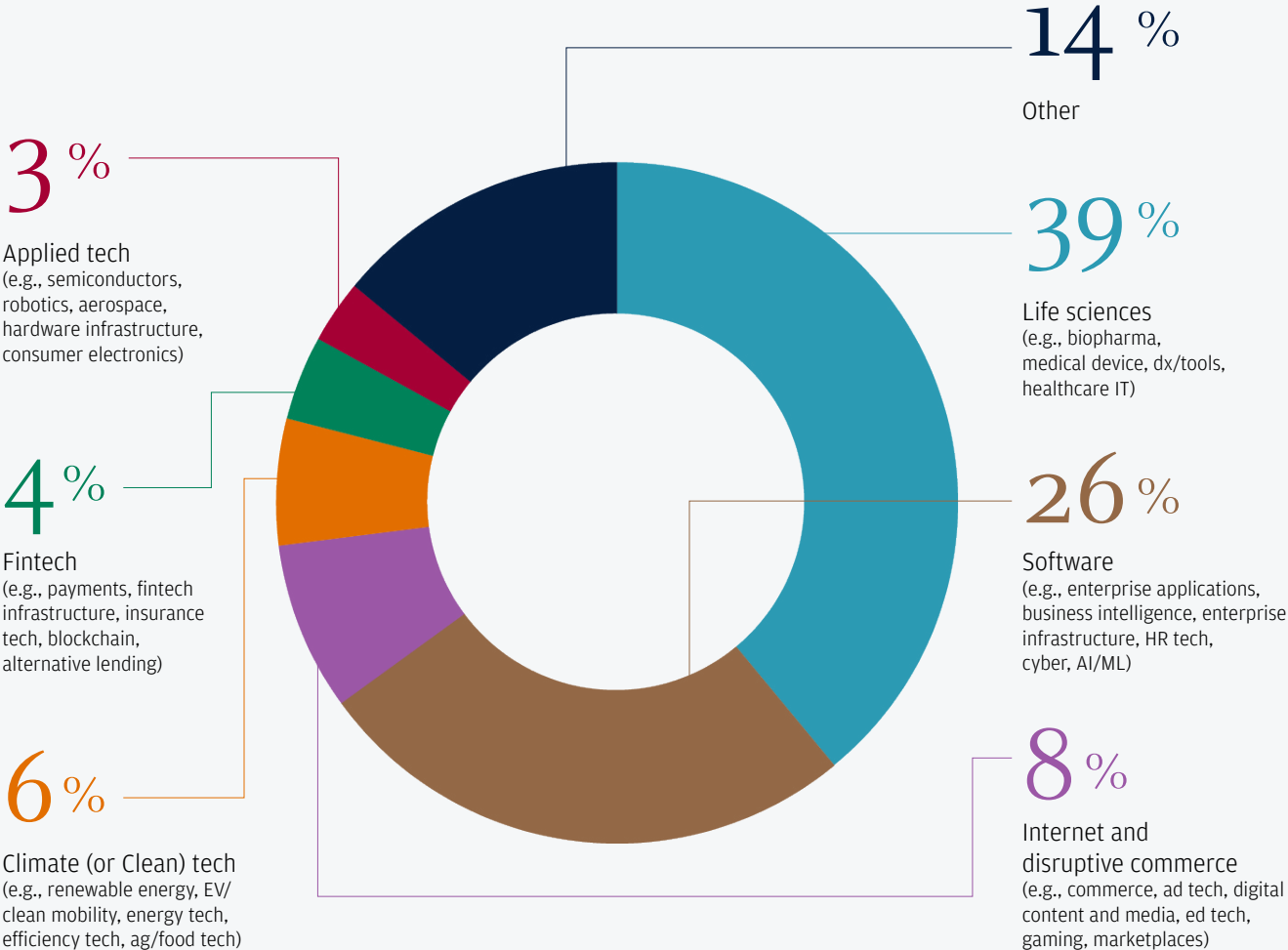
Age of company



About the survey

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Innovation Economy companies by offering:



Our experts



John Simmons

Head of Middle Market Banking
and Specialized Industries,
JPMorgan Chase Commercial Banking



Ginger Chambless

Head of Research
JPMorgan Chase Commercial Banking



John China

Co-head of Innovation Economy
and Specialized Industries
JPMorgan Chase



Melissa Smith

Co-Head of Innovation Economy
and Head of Specialized Industries
JPMorgan Chase

J.P.Morgan

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