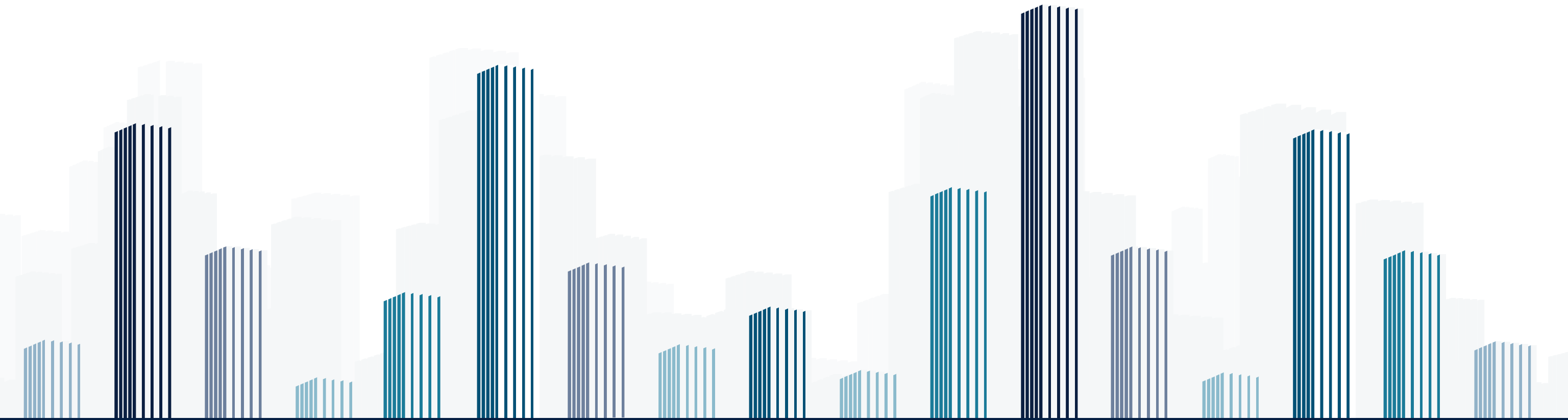


2022 BUSINESS LEADERS OUTLOOK PULSE SURVEY

Business leader optimism drops from six months ago



Introduction

We recently conducted our 2022 Business Leaders Outlook Pulse survey. Over 1,500 midsize business executives across a range of industries shared their current views on the economic outlook and business landscape.*

Not surprisingly, we saw a notable drop in optimism among survey respondents from six months ago. Momentum in the economy has downshifted more quickly than expected, due to several unforeseen developments. These include: the war in Ukraine, China's COVID-19 lockdowns in March and April, worsening inflation now running at 40-year highs, more aggressive tightening of monetary policy by the Federal Reserve and volatile stock and bond markets.

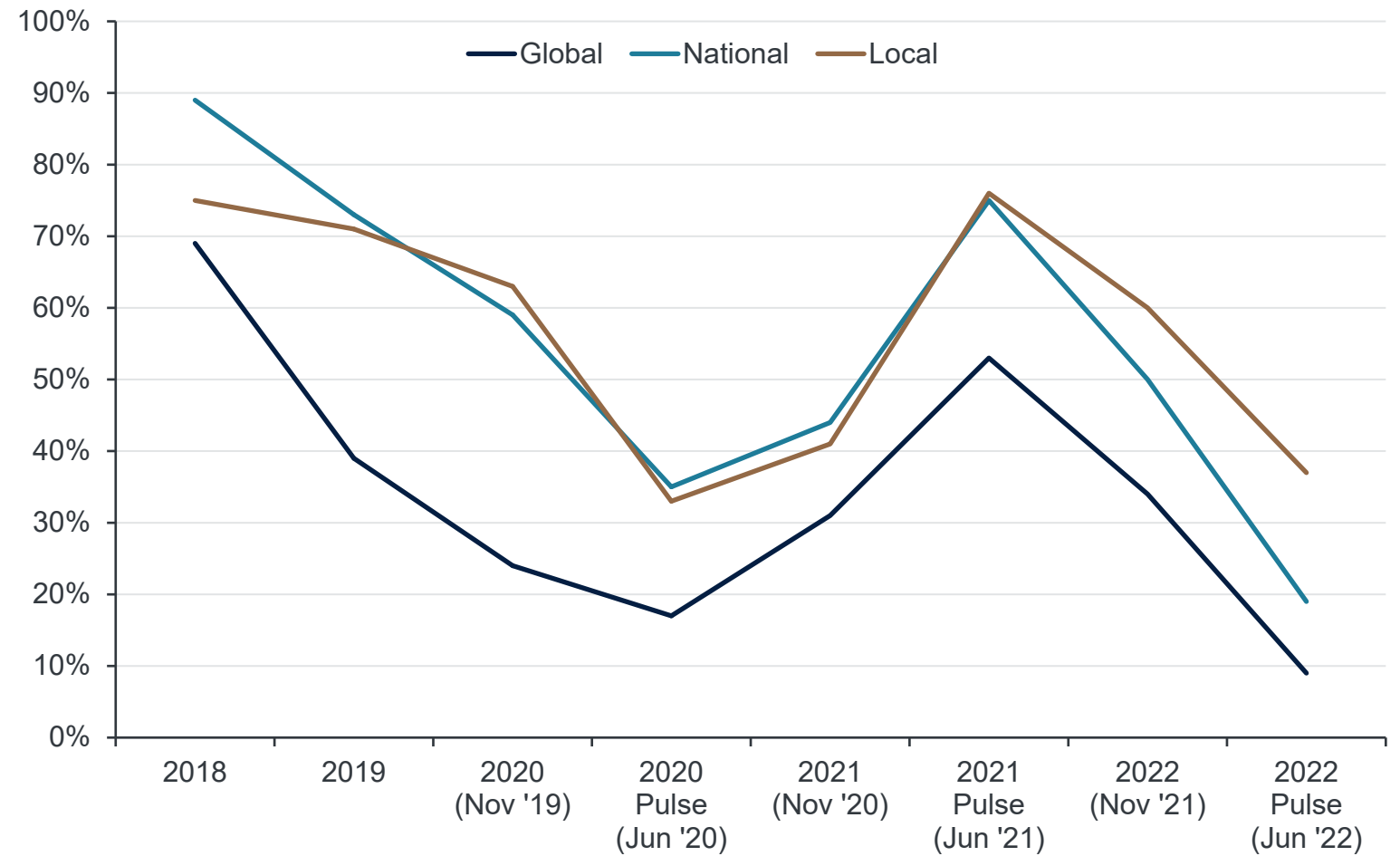
Here are our top 10 takeaways from the survey.

*Read more about the survey on page 9.

1 | Outlook for the economy wanes

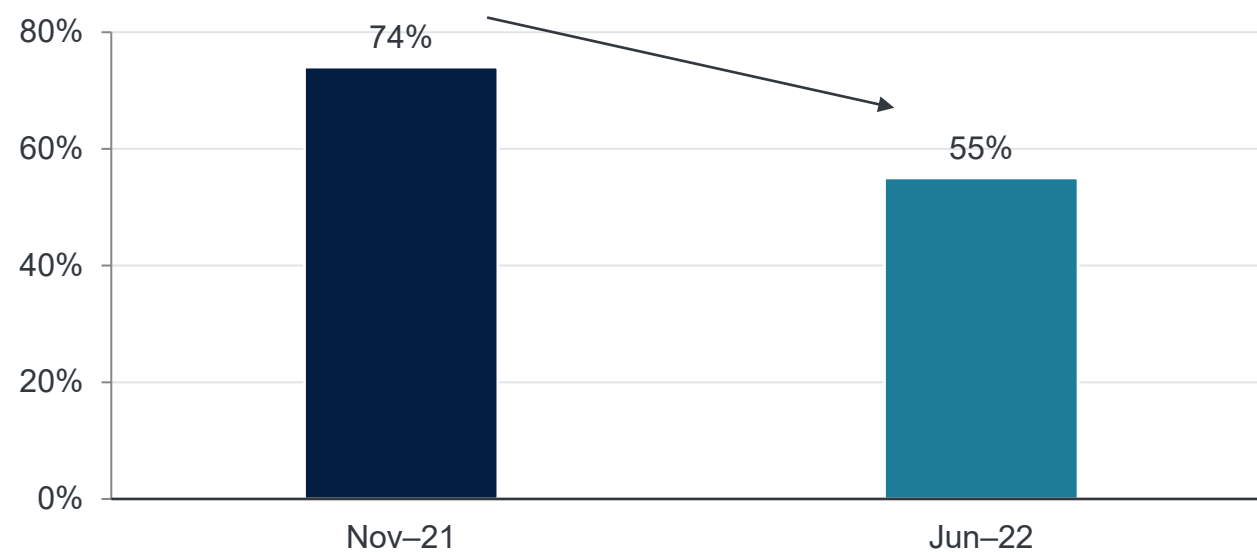
Optimism around the global, national and local economic outlooks dropped below levels during the worst of the pandemic in 2020. More than 90% of business leaders are neutral to pessimistic on the global economy while 81% are neutral to pessimistic on the national economy. Geopolitical concerns are likely weighing on the global outlook while rising costs, higher interest rates and turbulent markets are also dampening sentiment.

Business leader optimism on economic outlook hits new low



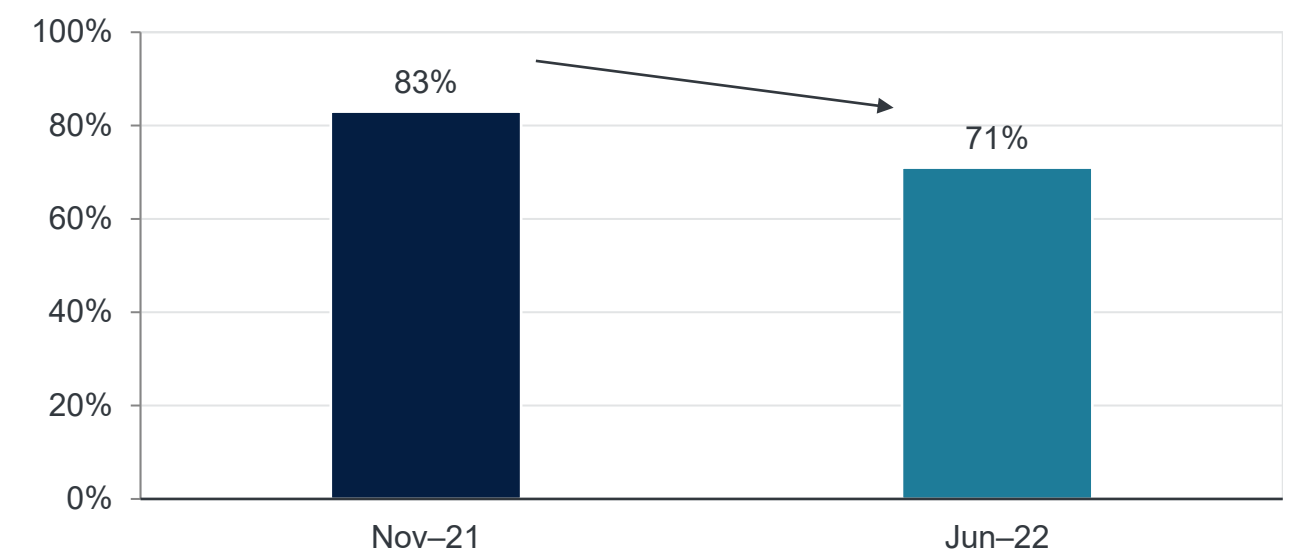
2 | Less concern about industry performance

Despite dim views on the economy, business leaders indicated they are less concerned about their industry's performance, though optimism has waned here, too. 55% of respondents are optimistic about their industry's prospects over the next year, which is down from 74% six months ago and towards the low end of the past five year's range of 45-82%.



3 | Optimism for company performance

Business leaders are more optimistic about their own company's performance, regardless of the external environment—and this is true now as well. 71% said they are optimistic about their own company's performance in the coming year. This compares with 83% six months ago and a five-year range of 56-88%.



4 | Decline in revenue growth outlook

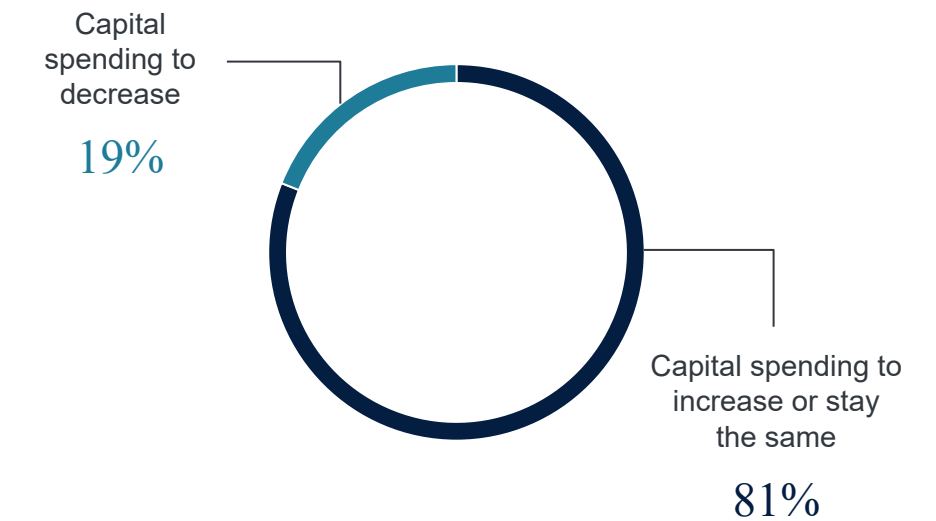
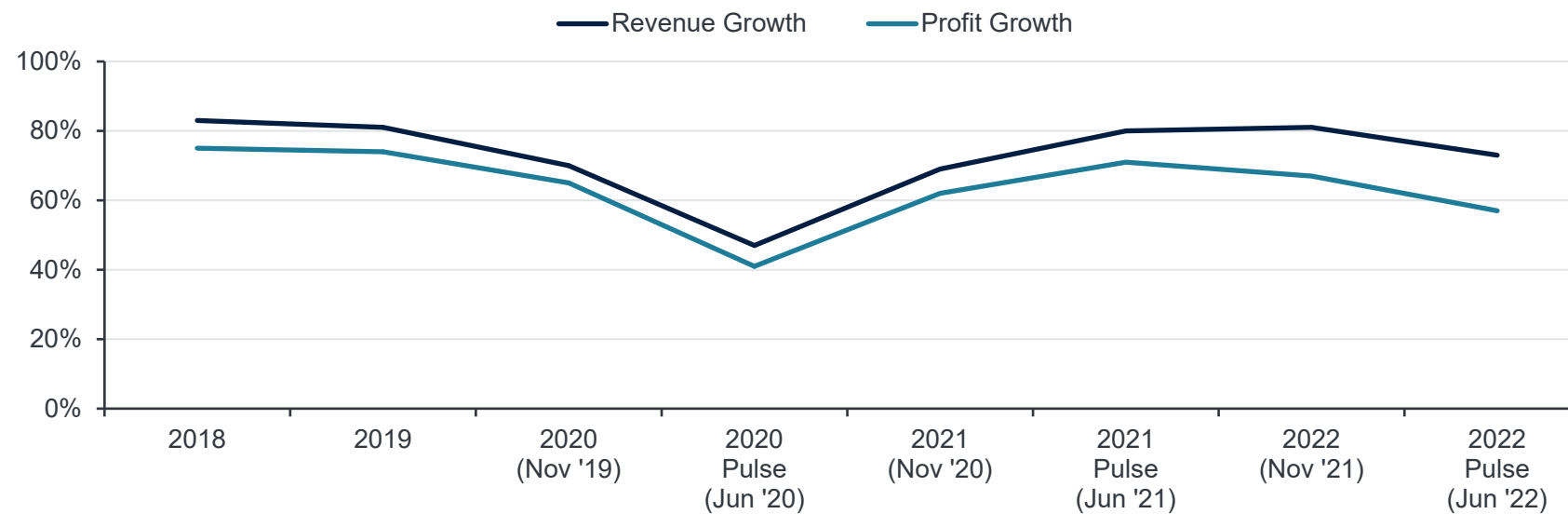
The outlook for revenue growth has dropped in the past six months from an elevated eight in 10 to a solid 73%. Only one in 10 business leaders expect revenues to decline in the coming year, though this is the highest reading outside of 2020.

5 | Profit growth outlook slows

The outlook for profit growth has undoubtedly been dented by higher input costs. While 67% of business leaders saw profit growth likely at the end of 2021, now only 57% expect that growth over the next year. 23% see profits holding steady while 20% anticipate a decline.

6 | Capital spending plans steady

Although capital spending plans and capital needs have moderated in the past six months as business leaders adjust to the less optimistic economic outlook, we are not seeing broad signs of retrenchment. 81% expect to grow or maintain capital spending in the next year. The percentage of leaders expecting capital needs to increase or stay the same remains elevated at 89%.



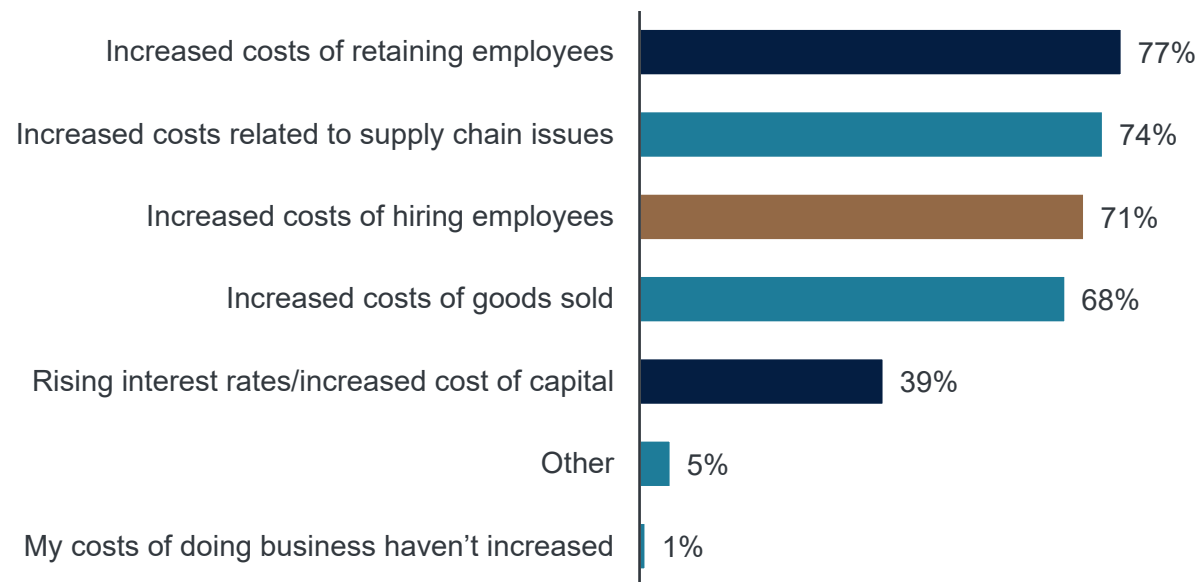
7 | Dramatic shift in business challenges

One of the most dramatic shifts in the survey responses was around business challenges. The higher cost of doing business was cited as the top challenge by 71% of leaders, up from 58% six months ago. 40% specifically cited inflation. The vast majority (86%) feel inflation is worse compared to six months ago. Labor issues are the second top challenge, cited by a similar 70%. Ongoing supply chain issues have eased, with less than half of leaders reporting it as a top challenge—down from two-thirds at the end of 2021.

Challenges business leaders are facing	Nov-21	Jun-22	
Higher cost of doing business	58%	71%	↑
• Inflation		40%	
Labor shortage	68%	70%	↑
Ongoing supply chain issues	62%	47%	↓
Uncertain economic conditions	17%	22%	↑
Revenue/sales growth	13%	12%	↓

8 | Higher costs span many key inputs

With broadening inflationary pressures spanning commodities and wages, business leaders are seeing higher costs across many key inputs. Increasing employee retention (indicated by 77%) and hiring costs (indicated by 71%) are among the top drivers. Higher costs related to supply chains was cited by 74%, while higher cost of goods sold was noted by 68%. Nearly 40% mentioned rising interest rates/increased cost of capital.



9 | Higher costs mostly being passed through

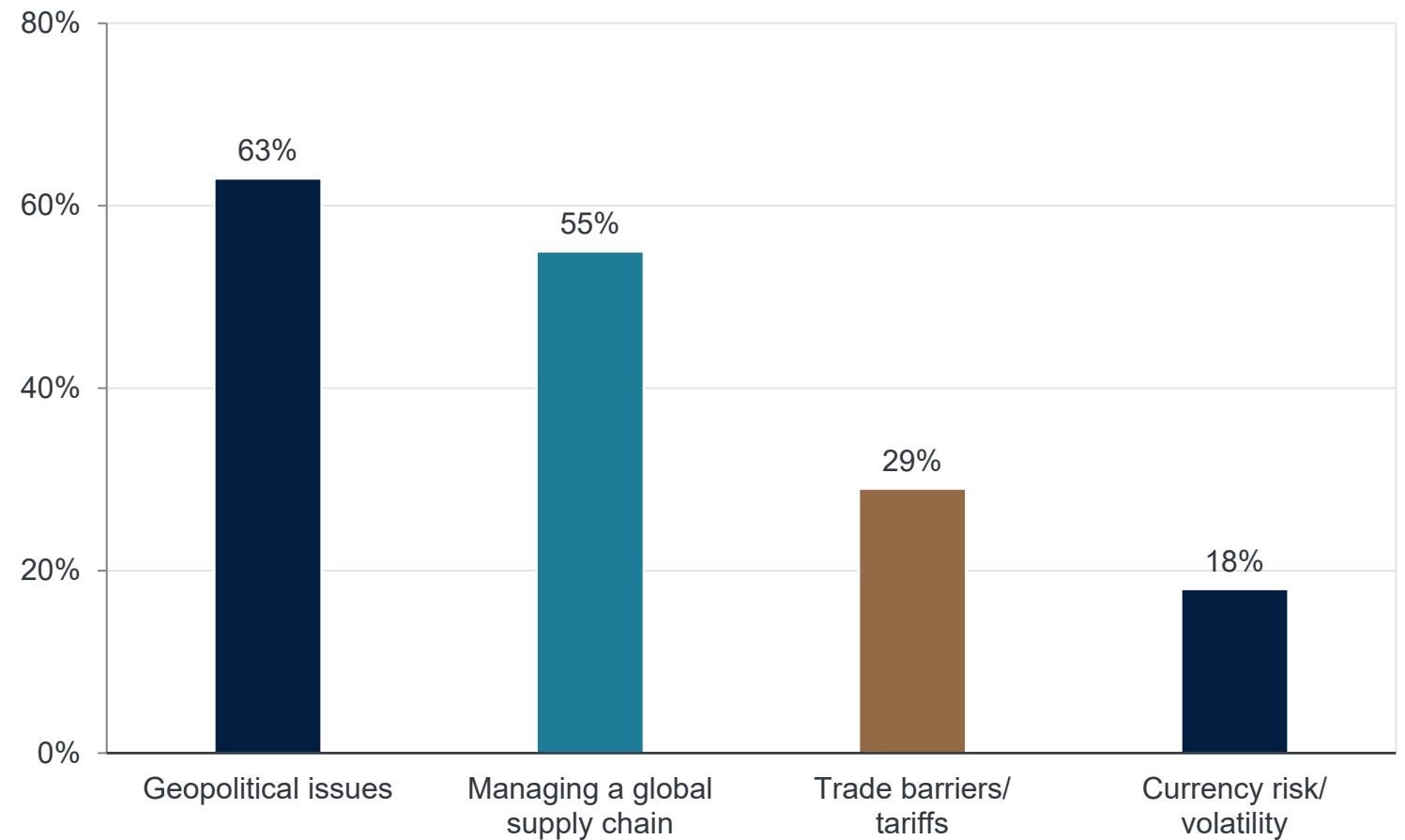
Higher costs of doing business are mostly being passed through. Eight in 10 business leaders said they are likely to continue to increase prices to consumers to mitigate their costs. At least half of increased costs are being passed along by 42% of businesses.

8 in 10

Business leaders report they will likely continue to increase prices
Compared to November 2021

10 | Geopolitical concerns

Geopolitical issues—including the war in Ukraine and U.S.-China relations—are the top international business concern, cited by 63% of leaders. Managing a global supply chain is also a top concern for 55%, while trade barriers/tariffs is a concern for 29% and currency risk/volatility is a concern for 18%.



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About the survey

The 2022 Business Leaders Outlook Pulse survey provides a six-month view of the current business environment from 1,536 senior executives from mid-sized U.S. companies with annual revenue between \$20 million and \$500 million. The survey was conducted from May 25 to June 10, 2022.

For year-over-year trends, current data is compared with data collected in June 2021; for six-month comparisons, current data is compared with data collected in November 2021.

Results are within statistical parameters for validity; the error rate is +/-2.5% at a 95% confidence rate.



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