

2024

Business Leaders Outlook

AUSTRALIA

J.P.Morgan

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EXECUTIVE SUMMARY

Cautiously optimistic for the year ahead

Although most leaders anticipate a recession, they're confident in the global and national economy—and their companies' performance.

While economists forecast a soft landing, Australian business leaders anticipate a 2024 recession or believe one is already underway—59% compared to 46% in 2023.

In contrast, business leaders also expressed widespread economic optimism. Nearly 7 in 10 respondents expressed confidence in the global (69%) and national economies (68%), notably higher than respondents in the U.S. and U.K.

Leaders' confidence extends to their industries (73%), companies (80%) and the global economy (69%). Most survey respondents expect to see increases in their revenue/sales (82%), profits (78%), credit needs (77%) and capital expenditures (73%). Likewise, more than half of Australian business leaders are looking to expand into new distribution channels (54%) and geographical markets (53%).

Australian business leaders know there are obstacles ahead. The competitive environment and cybersecurity and fraud concerns topped the list of business concerns at 28%, as the country has seen several high-profile data breaches in the last 12 months. And amid rising interest rates and headlines about reduced holiday spending, lack of consumer confidence (26%) rounded out leaders' biggest business concerns. Plus, nearly three-quarters of companies report costs rising as a result of inflation.

Artificial intelligence may help leaders achieve tackle obstacles ahead; 86% of Australian business leaders are currently using or considering using AI tools for their business. Financial management and accounting was the top area where Australian leaders use or plan to use AI.

Economic outlook for 2024

Optimistic Neutral Pessimistic

Global economy



Optimistic - 69%, Neutral - 17%, Pessimistic - 14%

National economy



Optimistic - 69%, Neutral - 21%, Pessimistic - 11%

Industry performance



Optimistic - 73%, Neutral - 19%, Pessimistic - 8%

Company performance

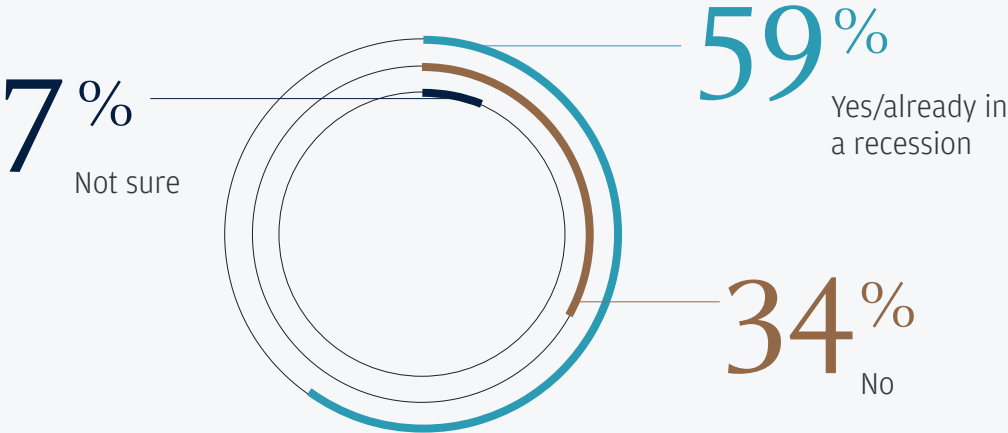


Optimistic - 80%, Neutral - 13%, Pessimistic - 7%

Economic outlook and expectations

Most Australian business leaders expressed confidence in the global and national economies (both 69%), up 10 points from 2023. Leaders' confidence also extends to their own industries (73%) and companies (80%). Despite their overall economic optimism, nearly 6 in 10 Australian business leaders expect a recession in 2024. That's up from 46% a year ago and 16 or more points higher than the U.S. (40%) and U.K. (42%).

Recession expectations



Businesses anticipate higher revenue, profits

In line with their business optimism, Australian business leaders have high expectations for the coming year. More than 7 in 10 survey respondents expect to see increases across key business indicators: revenue/sales (82%), profits (78%), credit needs (77%) and capital expenditures (73%). Bank lines of credit remain the most common source for financing (66%). And nearly half (47%) of leaders plan to add direct lending or private credit to their financing mix in the year ahead, significantly higher than their counterparts in other markets.

Business expectations

■ Increase ■ Remain the same ■ Decrease

Revenue/sales



Increase - 82%, Remain the same - 11%, Decrease - 7%

Profits



Increase - 78%, Remain the same - 14%, Decrease - 8%

Capital expenditures



Increase - 73%, Remain the same - 23%, Decrease - 4%

Credit needs

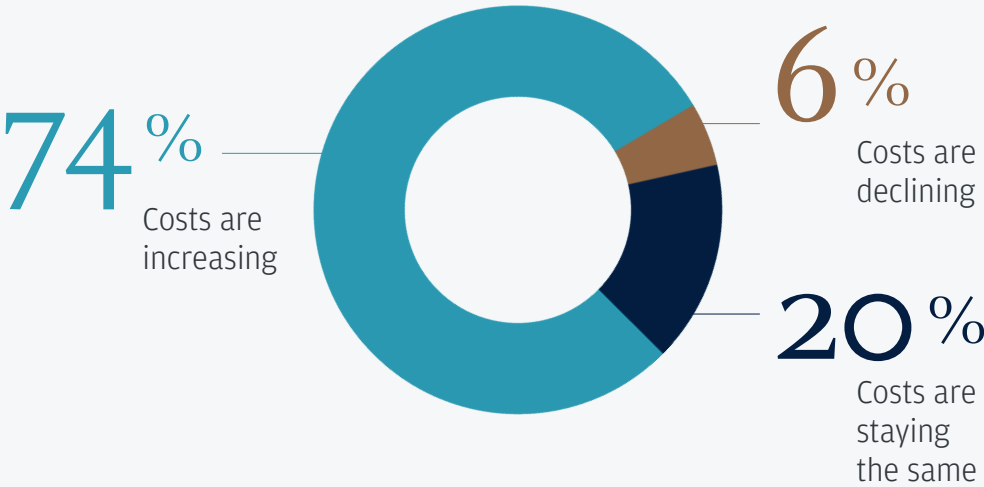


Increase - 77%, Remain the same - 21%, Decrease - 2%

But market challenges remain

Almost three-quarters of Australian businesses have seen inflation drive costs up. Aside from rising costs, Australian leaders are nearly evenly divided on their top business concerns. Almost a third of the executives named cybersecurity/fraud and the competitive environment (both 28%) and lack of consumer confidence (26%) among their top three concerns. Revenue and sales growth (25%) and cash flow issues and rising interest rates (both 24%) weren't far behind. Labour concerns and global unrest and geopolitical concerns followed at 23%.

How costs of business are changing



Largest challenges for companies



Most plan to grow headcount and business

More than half of businesses plan to expand into new international geographic markets and distribution channels. Domestic expansion (47%) and prioritisation of most profitable products aren't far behind (45%). Expansion often requires more employees, and 56% of Australian business leaders expect to add to their headcount in 2024.

Growth strategies for the next 12 months

Expansion into new distribution channels



Expansion into new geographical markets (international)



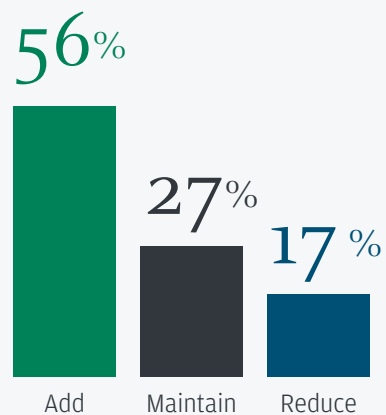
Expansion into new geographical markets (domestic)



Prioritisation of most profitable products



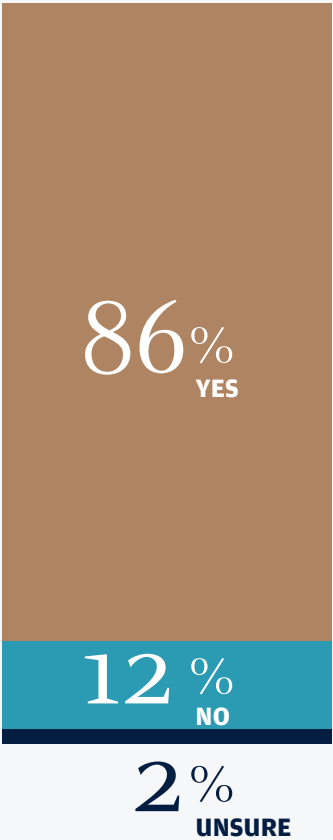
Employee headcount plans



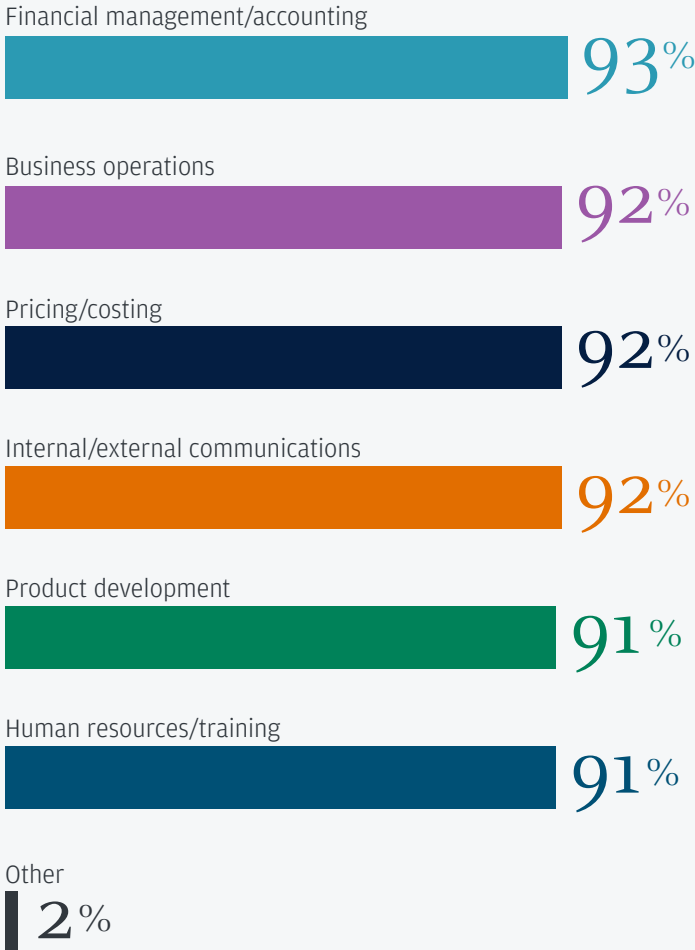
Artificial intelligence's growing role in business

The majority (86%) of Australian businesses are using or considering using artificial intelligence (AI) tools, with the percentage of users slightly higher than the percentage of businesses considering use. Notably, only 17% of leaders consider AI adoption a top concern. Most respondents are using AI and other tech tools, such as machine learning (ML) across their business functions, from financial management and accounting (93%) to product development and human resources/training (both 91%). Companies with larger revenues were well represented in the survey, which could explain the high use of AI.

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

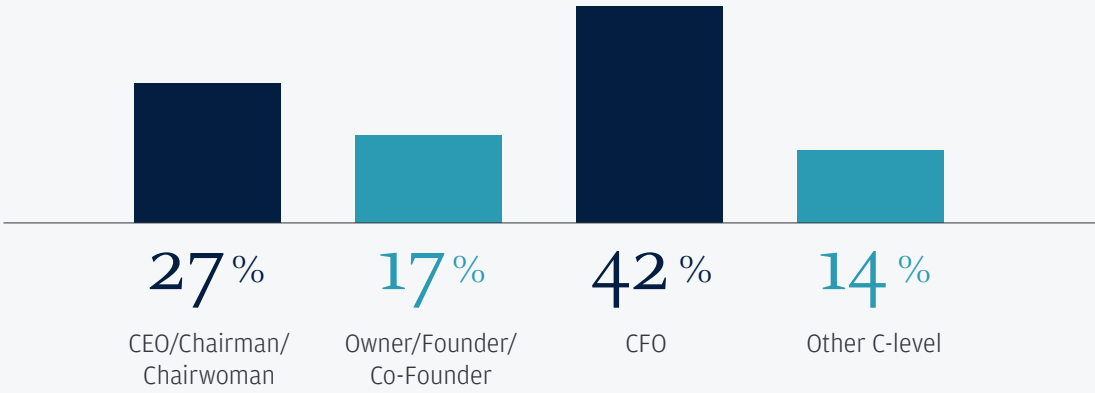
About the survey

In its third year, the annual Australia 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 AU\$20 million and AU\$2 billion.

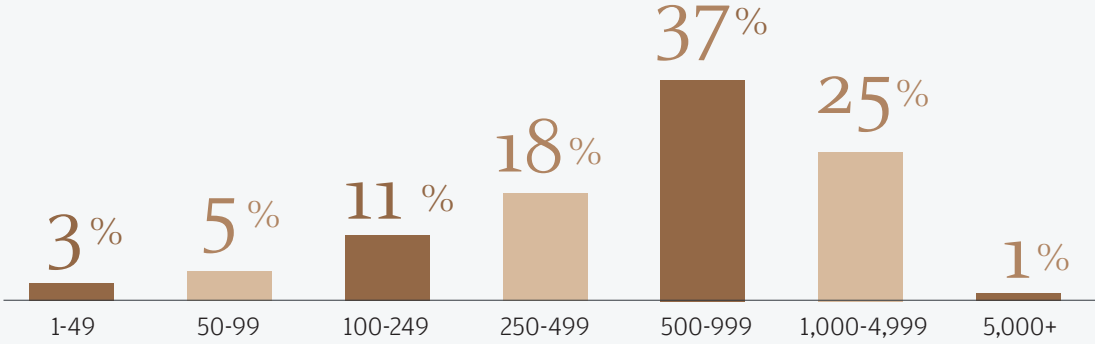
This year, 209 respondents completed the online survey between 16 November and 13 December 2023. Results are within statistical parameters for validity; the error rate is plus or minus 6.6% at the 95% confidence interval.

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

Who took the survey



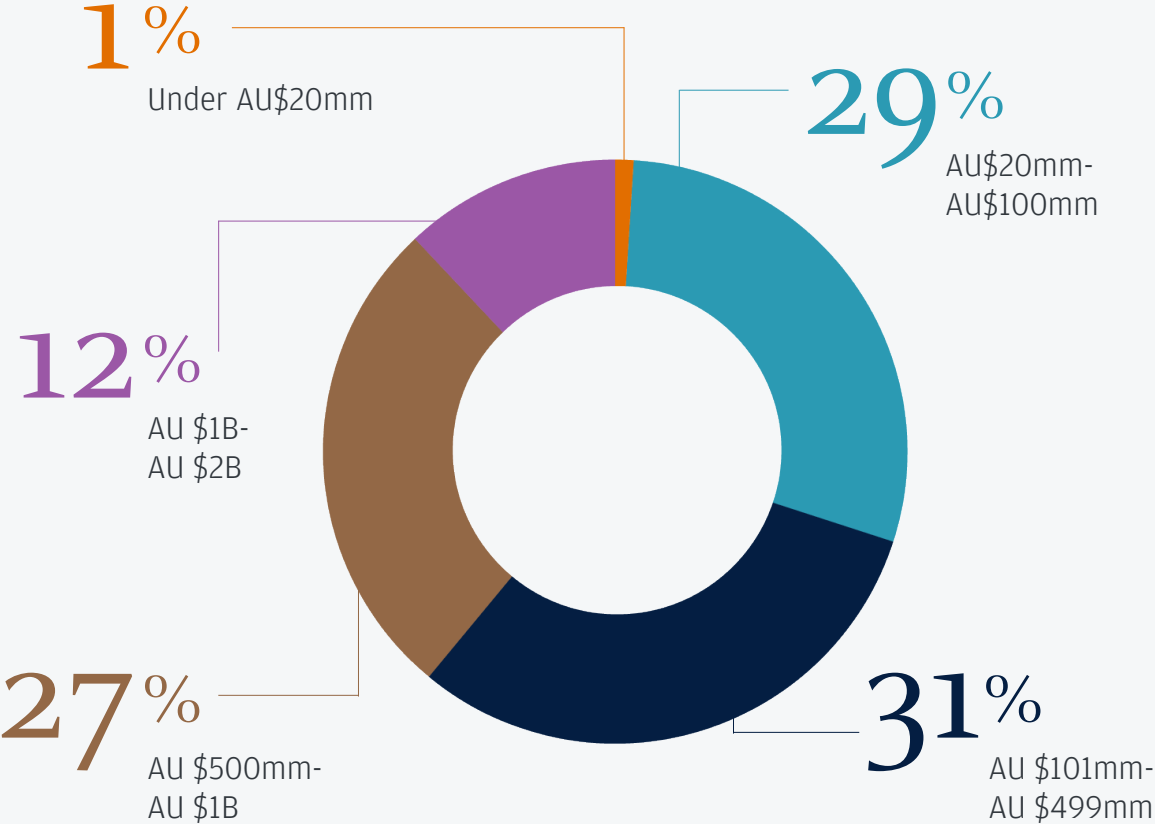
Company size by number of employees



About the survey

(Continued from the previous page)

Company size by annual revenue



Our experts



Robert Bedwell

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