

2019 Business Leaders Outlook

OPTIMISM CONTINUES, WITH SIGNS OF CAUTION

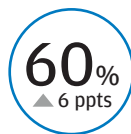
As the current economic expansion stretches to a full decade and companies feel the benefits provided by last year's corporate tax cut, our ninth annual survey of middle market executives reveals the majority have a firmly positive outlook for their own businesses and the US economy in 2019.

However, trade policy worries, coupled with softer economic trends outside the US, appear to be causing a decidedly more subdued outlook for the global economy as compared to the national and local economies.

As businesses look to expand, international trade policy is joined by the limited supply of talent and disruptive technologies as potential obstacles to overcome on their path to growth in 2019.

TENSION IN THE TALENT GAP

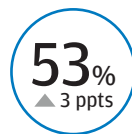
For the first time in our survey, the limited supply of talent ranks as the top business challenge for the year ahead—surpassing even the perennial No. 1 concern of growing revenue and sales.



Limited supply of talent



Revenue/sales growth



Managing labor costs

Indeed, as executives plan to increase hiring to keep up with growth expectations, 54 percent are extremely or very concerned about finding employees with the right skills, citing fewer applicants as the leading reason for the shortage.

54% Lack of applicants

48% Unique skills needed

41% Work ethic of applicants



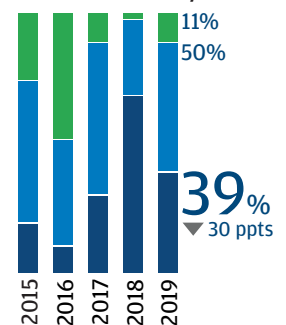
66% ▲ 2 pts
Plan to increase full-time personnel

▲ This arrow compares year-over-year figures

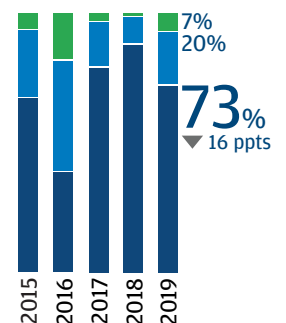
OUTLOOK FOR 2019

■ Optimistic ■ Neutral ■ Pessimistic

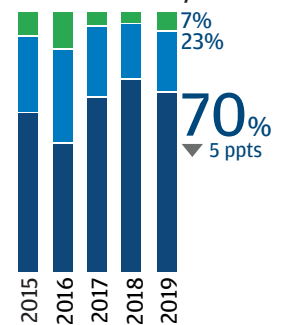
Global economy



National economy



Local economy



“Businesses continue to feel positively about growth opportunities, but there’s some caution growing.”

John Simmons, Head of Middle Market Banking & Specialized Industries, Commercial Banking

UNCERTAINTY OVER TRADE POLICY

When asked about the impact of governmental policies and regulations, executives cited trade policy as second-most concerning after healthcare regulation—a notable change from previous years of our survey when it didn't make the top three concerns.



47%
▼ 3 pts

Healthcare regulation



35%
▲ 14 pts

International trade policy



32%
▲ 2 pts

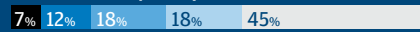
Fiscal policy

More than a third of middle market executives are extremely or very concerned over trade policy's impact on business growth, and that concern is significantly higher among globally active respondents.

Globally active companies



Domestic-only companies

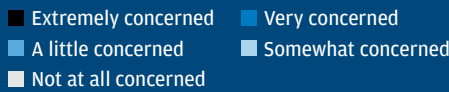


65%

Are concerned about the impact of tariffs

25%

Are concerned about issues related to business with China



“Trade tensions are likely influencing the outlook on the global economy. It's a fear of the unknown—and that can quickly fade if both the US and China decide to dial down the noise around trade.”

Jim Glassman, Head Economist, Commercial Banking

About the Survey

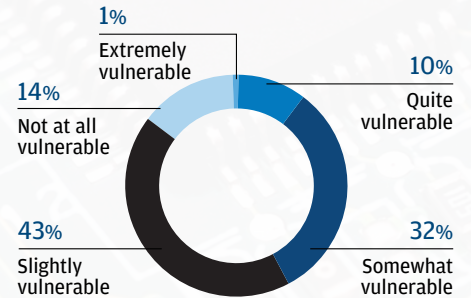
In its ninth year, the Business Leaders Outlook survey provides a snapshot of the current business environment.

The results are based on the responses of 817 senior executives from middle market companies with annual revenues between \$20 million and \$500 million in various industries across the country. This year's survey was conducted from November 8 to 21, 2018. For year-over-year trends, current data is compared to data collected in the first quarter of previous years.

For more about this year's findings, visit jpmorganchase.com/businessleadersoutlook

ADAPTING TO EMERGING TECHNOLOGY

As innovation changes the way business is done, 43 percent of executives say their companies are at least somewhat vulnerable to disruptive technology. Among businesses that feel susceptible to disruption, three-quarters have already taken action to prepare themselves.



38% Designated in-house team to identify threats and opportunities

30% Developed proactive countermeasures

27% Collected additional data for analysis

17% Created a contingency plan

10% Hired external consultant(s) to identify threats and opportunities

“While emerging technologies can remake industries, we're also hearing from middle market companies that are cognizant of the ways in which technology can make them more efficient and better prepared for future challenges.”

Melissa Smith, Head of Specialized Industries, Commercial Banking

CHASE  for BUSINESSSM

The results of this online survey are within statistical parameters for validity, and the error rate is plus or minus 3.36 percent at the 95 percent confidence interval.

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