

UNITED KINGDOM

2022 Business Leaders Outlook

Optimism shines above uncertainty

Supply chain snags, Brexit and shifting consumer demands can't dampen expectations for growth at midsize U.K. businesses, survey finds.



Introduction

2020 brought the pandemic; 2021 navigated the dawn of the post-Brexit era; now executives at midsize businesses across the U.K. believe that 2022 will bring growth. The J.P. Morgan Business Leaders Outlook: U.K. survey finds a confident business community, especially on matters close to home. Large majorities are optimistic about revenues, profits and the overall performance of their own companies and industries in the year ahead. But a significantly smaller consensus is confident in the European and national economies.

These high expectations come despite 63% of the 277 businesses surveyed sharing that Brexit had impacted their business either “immensely” or “largely”. For these companies, with annual revenues between £20 million and £2 billion, supply chain disruption was the most often mentioned impact of leaving the European Union. And it remains the most common worry about conducting business in 2022. COVID-19, business transfers and environmental, social and governance (ESG) issues were other key areas of interest.

The survey reveals the top expectations and concerns among business leaders just as the coronavirus omicron variant arrived in the U.K. Conducted between late November and early December 2021, it spotlights a resilient business community that knows how to bounce back from disruption. More than three-quarters (77%) have seen profits meet or exceed pre-pandemic levels, and 81% are either “confident” or “very confident” in the post-Brexit era. Uncertainty is not currently an impediment to optimism.

Explore the top takeaways from executives at midsize U.K. businesses in 2022:

BUSINESS EXPECTATIONS

BREXIT SENTIMENT

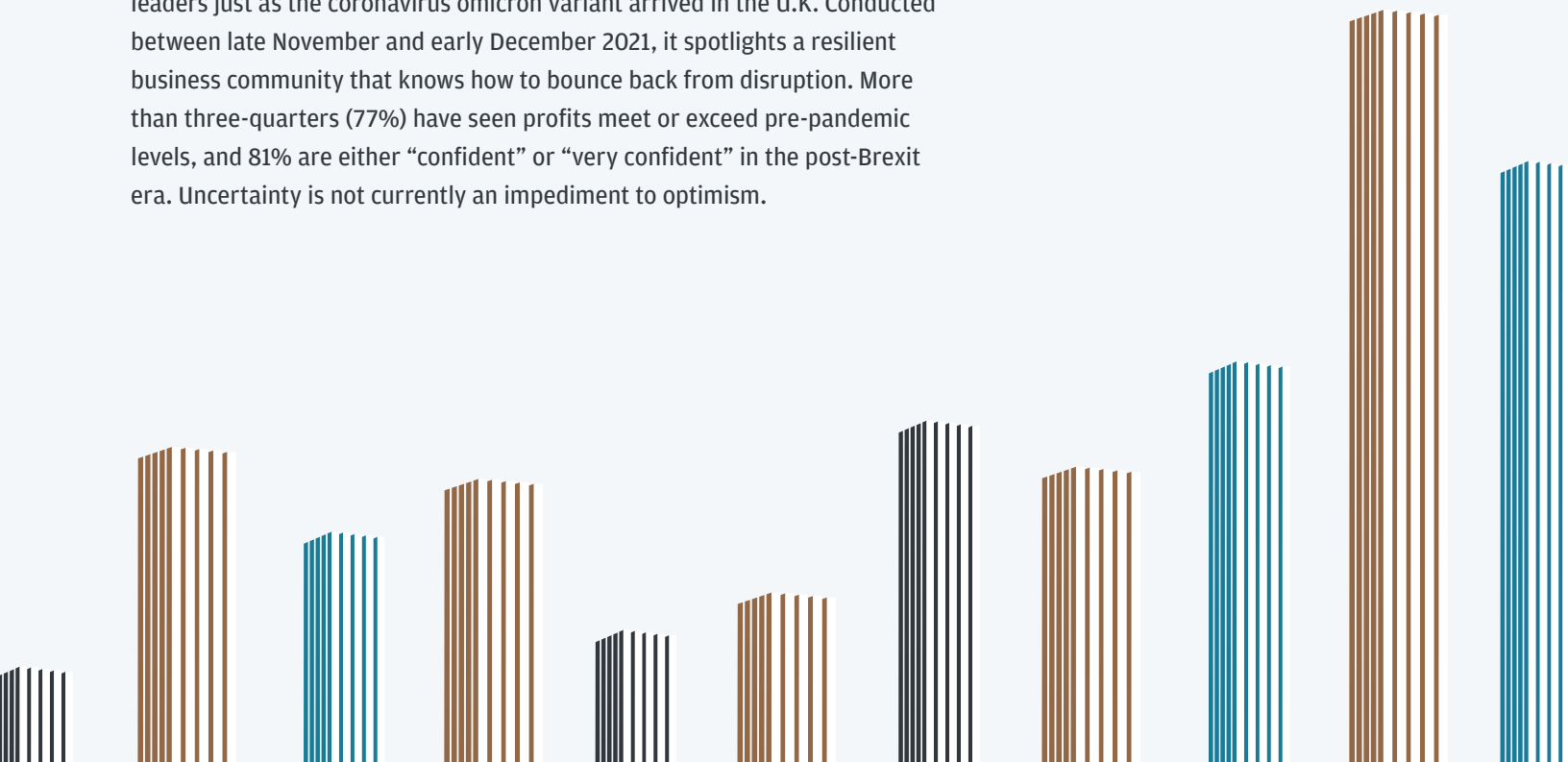
SUPPLY CHAIN

COVID-19

CYBERSECURITY

BUSINESS TRANSFERS

ESG



Economic outlook

Global economy

Optimistic 66%, Neutral 15%, Pessimistic 19%



European economy

Optimistic 61%, Neutral 22%, Pessimistic 17%



National economy

Optimistic 57%, Neutral 25%, Pessimistic 18%



Industry performance

Optimistic 78%, Neutral 16%, Pessimistic 6%



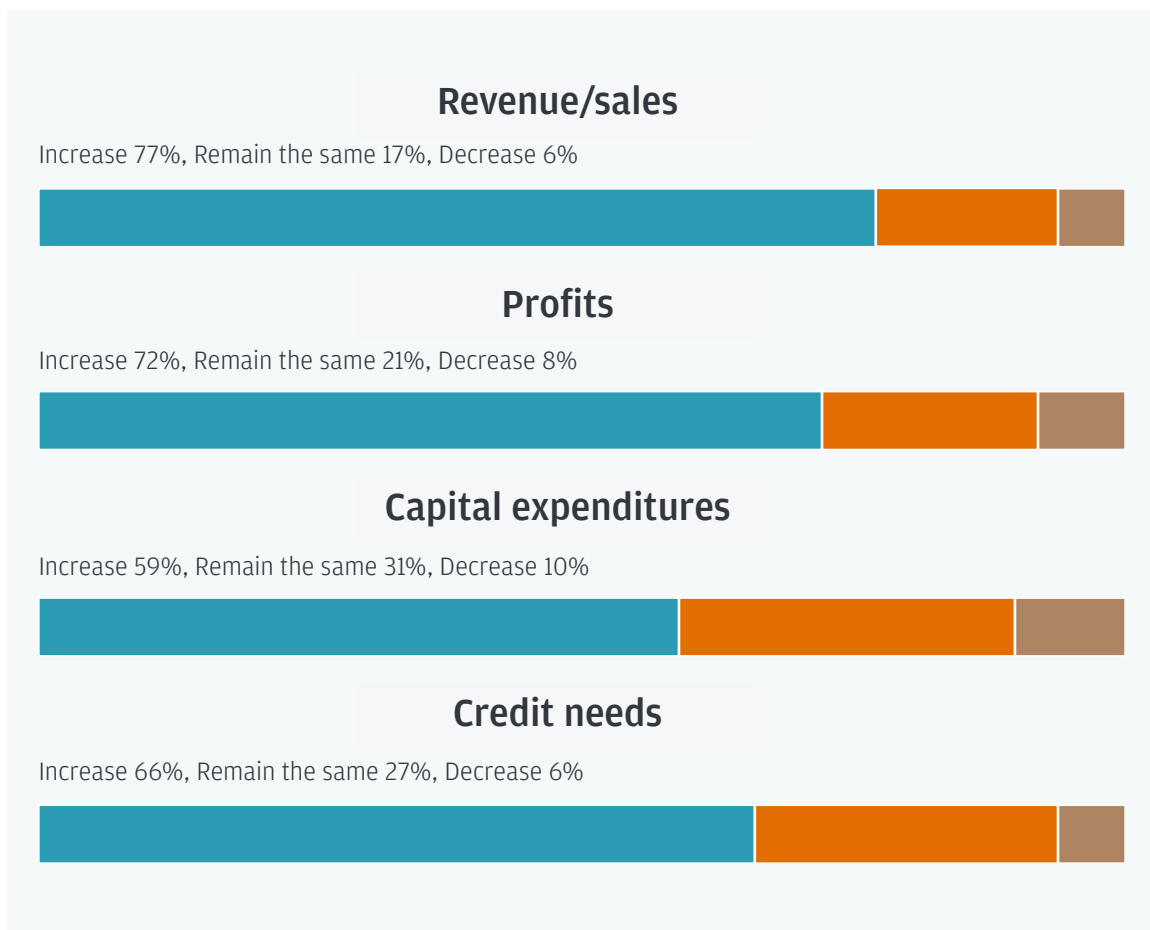
Company performance

Optimistic 81%, Neutral 15%, Pessimistic 5%



| Business expectations

While more business leaders are optimistic about the global economy (66%) than the European (61%) or national economies (57%), wide majorities of executives are bullish on the future of their companies (81%) and industries (78%). Three-quarters of business leaders expect their revenues and profits to rise in the year ahead.



Business expectations cont.

With two-thirds of executives expecting an increase in their credit needs, large numbers are planning on adopting a new form of financing. For each of the most common financing plans, the number of leaders who expect to start using the strategy is nearly as large as the number who already use it for their businesses.

Most common financing plans

Overdraft/unsecured line of credit

Currently using 43%, Not currently using but plan to use in the year ahead 36%, No plans to use 21%



Line of credit

Currently using 44%, Not currently using but plan to use in the year ahead 38%, No plans to use 17%



Asset-based financing/equipment financing

Currently using 42%, Not currently using but plan to use in the year ahead 39%, No plans to use 18%



Business expectations cont.

“The past two years have helped midsize business leaders learn how to adapt and prepare for any crisis, and as a result, they’re entering the new year with renewed confidence and high growth expectations”.

Viswas Raghavan, Chief Executive Officer EMEA
J.P. Morgan

Three out of 4 executives anticipate their businesses will thrive in 2022, while only 1% fear their companies may not survive the year. Nearly 9 in 10 expect business growth due largely to digital channels, automation technologies, rising consumer demand, product innovation and organic market growth.



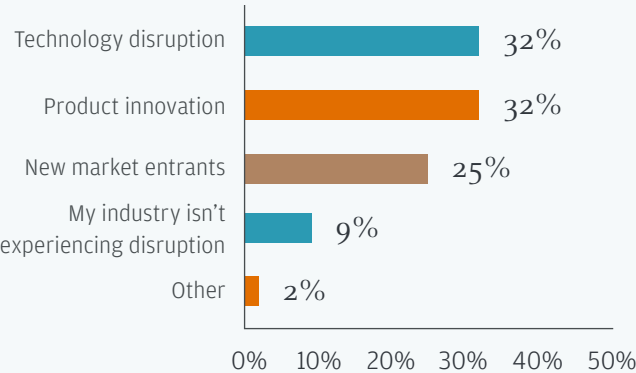
Business expectations cont.

Expecting business growth in the next 12 months



On the flip side, technology and product innovation are the biggest drivers of industry-wide disruption related to COVID-19. And supply chain snags continue to be the most common (35%) growing pain felt in businesses across the country, followed by increased energy costs (30%) and rising workforce costs (29%).

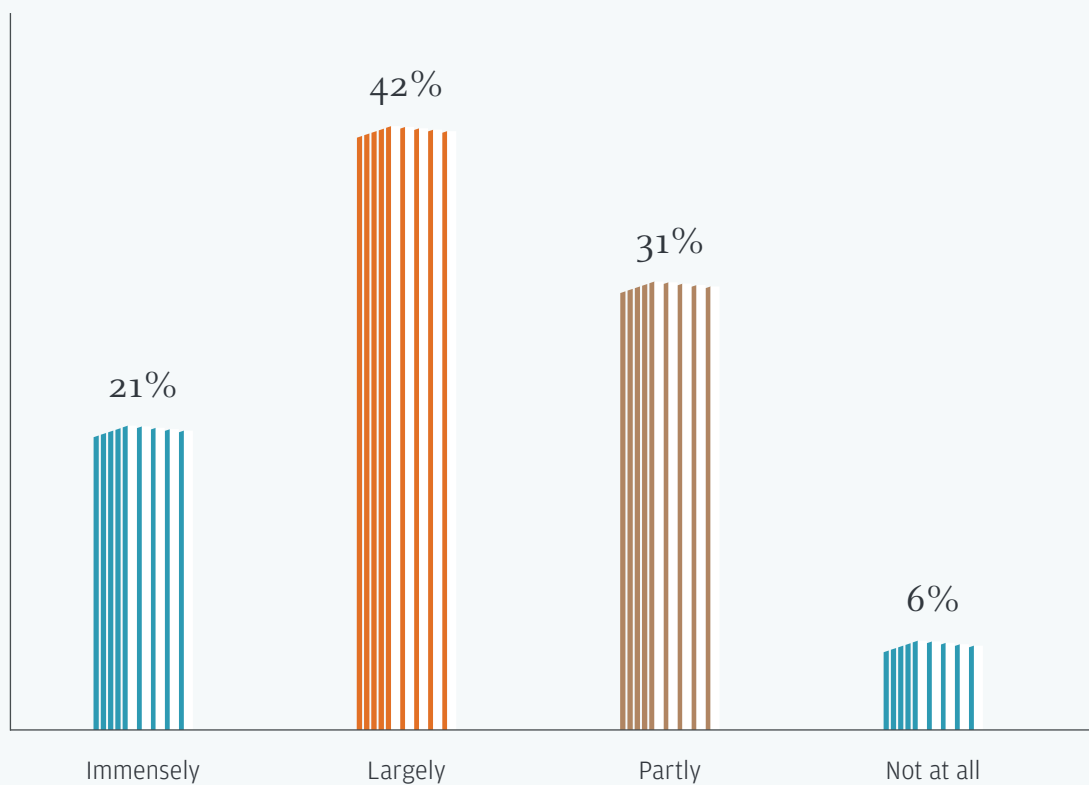
Biggest driver of industry disruption related to COVID-19



Brexit sentiment

There's no question the impacts of Brexit have had a significant effect on the business community: 63% of executives surveyed say leaving the European Union impacted their business either "immensely" or "largely". Only 6% say the move has had no impact on their business.

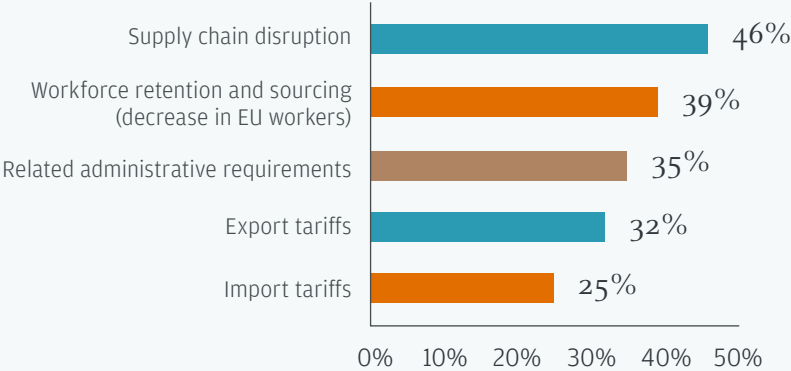
Brexit impact on business



Brexit sentiment cont.

Leaders report stability and improvement across a wide range of metrics, including employee productivity, company culture and top-line revenues. Meanwhile, supply chain issues are clearly the most common (46%) disruption related to Brexit. But a third of business leaders report issues with workforce retention (39%), administrative requirements (35%) and export tariffs (32%).

Main impacts of leaving European Union



Business changes due to Brexit



Employee productivity



Company culture/
employee engagement



Top-line revenues



Operating costs



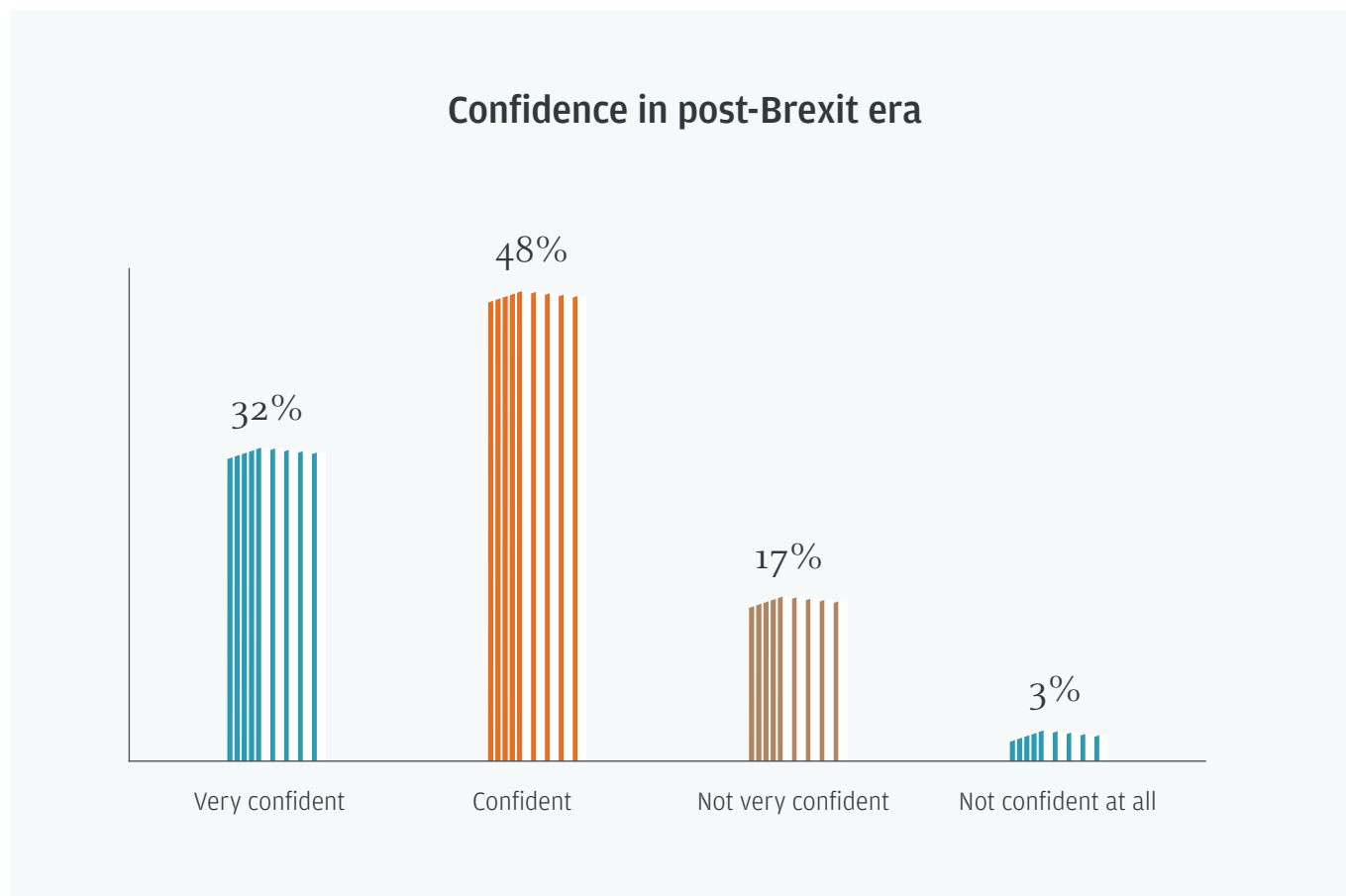
Trade bureaucracy



Supply chain

Brexit sentiment cont.

With much of the business disruption already behind us, 4 out of 5 executives are either “confident” (48%) or “very confident” (32%) in the post-Brexit future. Only 3% report having no confidence at all.



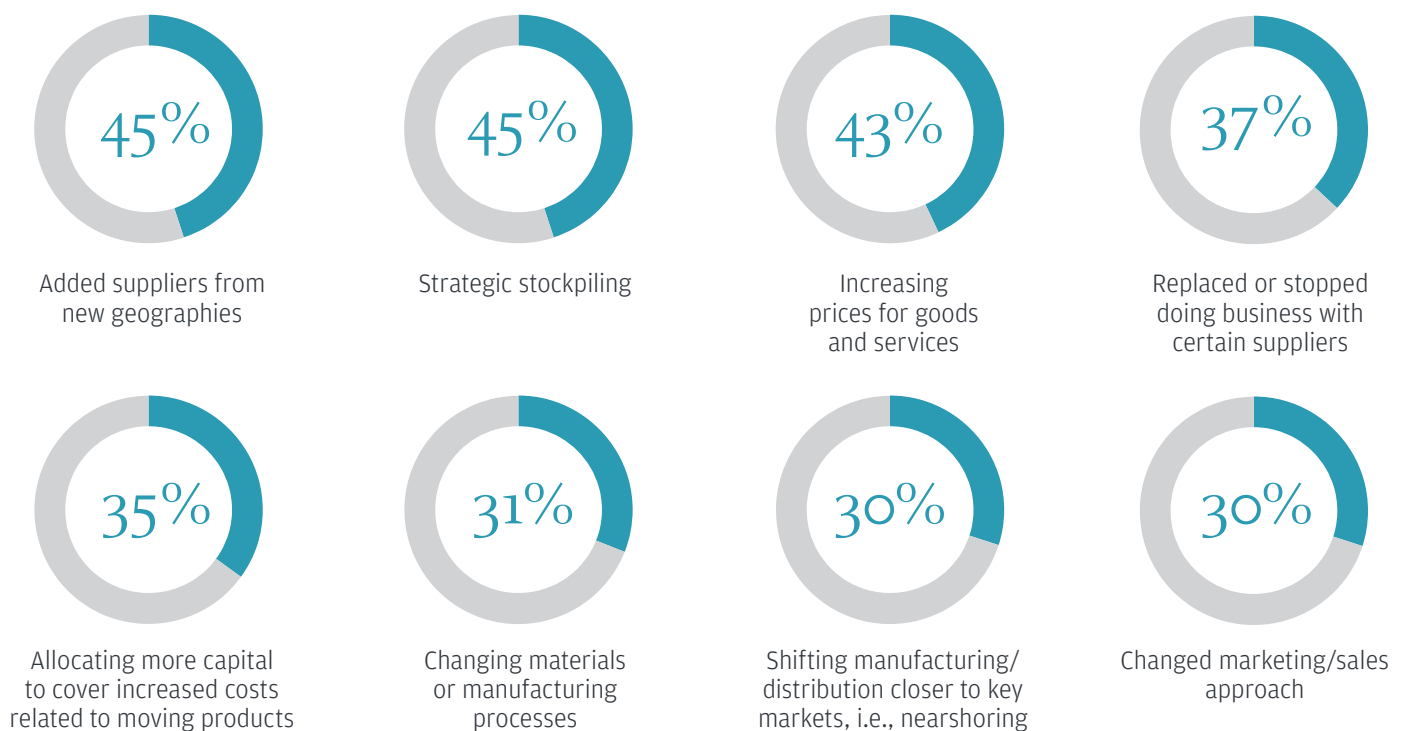
“Despite impacts brought on by both Brexit and Covid, business leaders are increasingly optimistic and confident for their futures”.

David Lomer, Co-Head of Investment Banking, U.K.
J.P. Morgan

| Supply chain

Between the pandemic, Brexit and even a grounded ship blocking the Suez Canal, the supply chain was a consistent disruption for midsize businesses across the U.K. in 2021. There was no single solution to the problem. Instead, executives responded with a wide variety of tactics, such as adding suppliers from new locations (45%), strategic stockpiling of inventory (45%) and raising prices (43%).

Adjustments made due to supply chain issues



“Supply chain issues are impacting businesses around the globe, and midsize U.K. businesses are no different. But these businesses are finding unique ways to overcome these challenges while maintaining an optimistic view for their company’s future”.

Catherine Pierre, Head of Corporate Client Banking, U.K.
J.P. Morgan

COVID-19

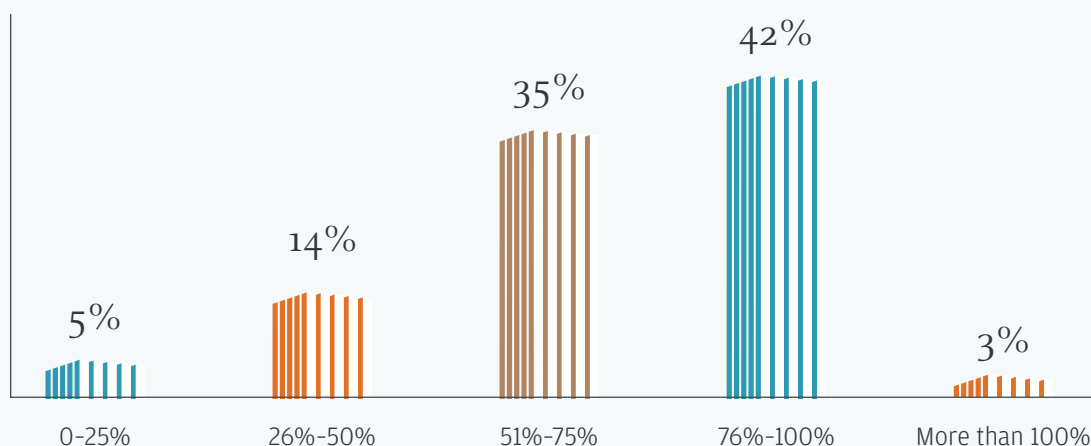
Even as vaccine optimism gave way to the stress of new variants, the U.K. business community continued to bounce back in a big way. Nearly half (47%) report that profits have returned to pre-pandemic levels, and another third (30%) have actually exceeded those levels. But 23% remain behind where they were before the pandemic.

While profits have returned, business capacity has lagged behind pre-pandemic levels. About 4 in 10 businesses are running between 51% and 75% of the capacity they had prior to COVID-19. Only 3% report adding capacity during the pandemic.

Profitability since the pandemic



Business capacity since the pandemic



COVID-19 cont.

The business community isn't ready to start travelling again at pre-pandemic levels. Only 35% say they're likely to increase travel in 2022. Meanwhile, 27% expect no change in their travel habits, and a combined 35% say they plan to either decrease their travel or stop it entirely due to COVID-19 concerns.

About 70% of the businesses surveyed have adopted new practices to help manage stress in the workplace. The most common adaptations centre on flexibility – where and when employees work.

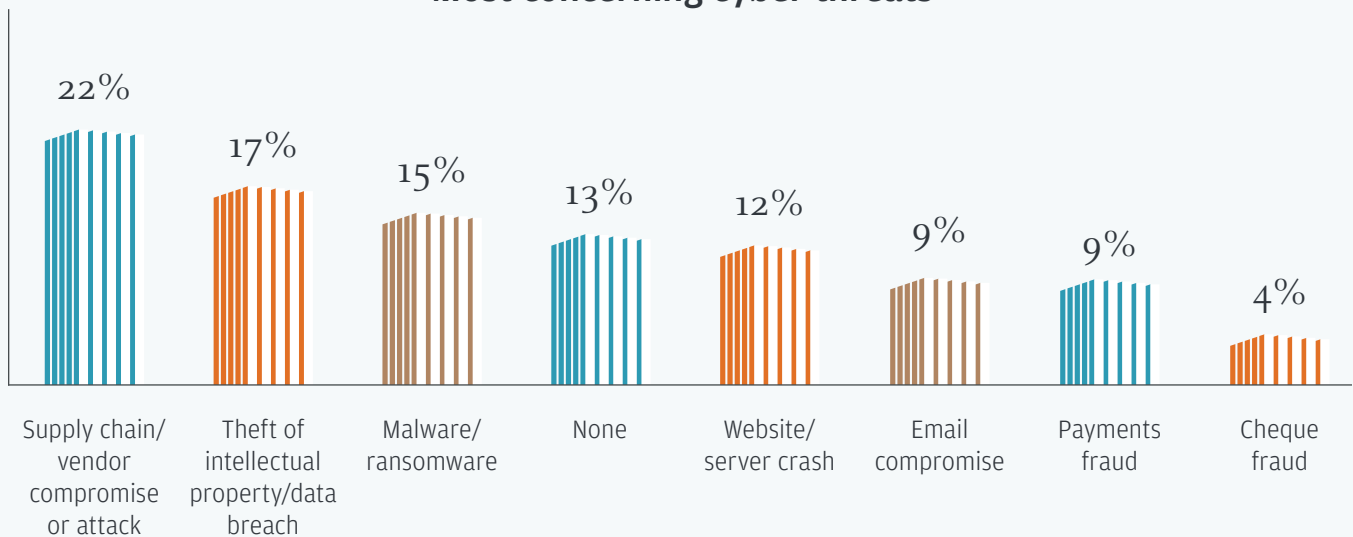
“Two years into the pandemic, midsize businesses have continued to adapt and offer flexible options for employees, which is helping many businesses rise to or even above pre-pandemic profits”.

Charlie Jacobs, Co-Head of Investment Banking, Senior Country Officer, U.K.
J.P. Morgan

Cybersecurity

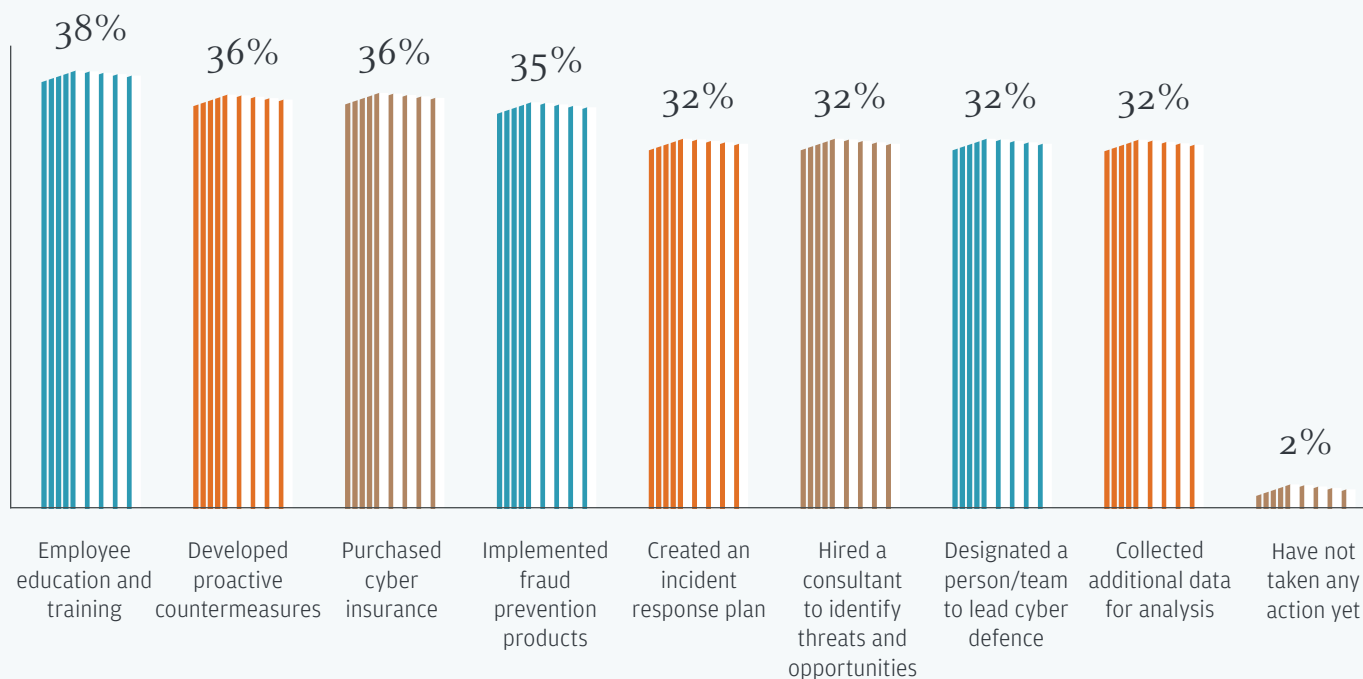
Digital tools are at the heart of many changes to life and work during the pandemic. Nearly every industry has experienced a rapid adoption of new technologies and practices in the last two years. And with these tools have come new threats: 87% of businesses are concerned about some type of cyber threat, and nearly all (98%) of these companies are taking action. Employee training is the most common (38%) way to prepare for an attack.

Most concerning cyber threats



Cybersecurity cont.

Cyber attack preparation



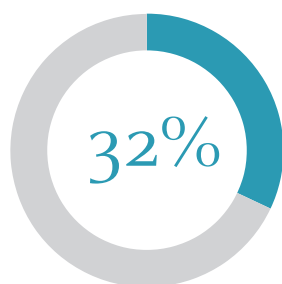
“Cyber threats aren’t going away anytime soon, so it’s encouraging to see so many midsize business leaders taking the threats seriously and preparing their companies and payments systems”.

Jack Counterman, Head of Treasury Services, U.K.
J.P. Morgan

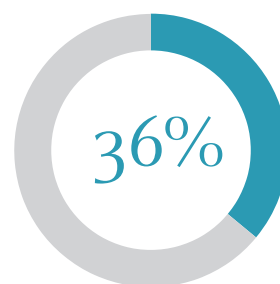
| Business transfers

The steady stream of disruptions at the personal, societal, political and business levels have contributed to a large number of businesses planning transfers in ownership. More than two-thirds are currently planning a full or partial transfer of their businesses. Half expect the transfer to happen in the next two years, and another 43% project it to happen in two to five years.

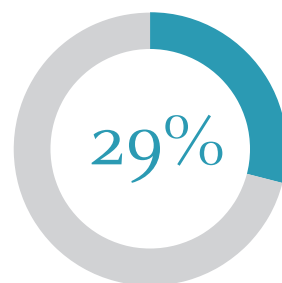
Business transition plans



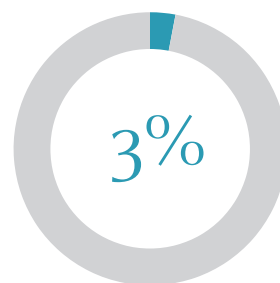
Yes, we are planning or considering a full transfer



Yes, we are planning or considering a partial transfer



No, we are not planning to sell or transfer ownership at this time



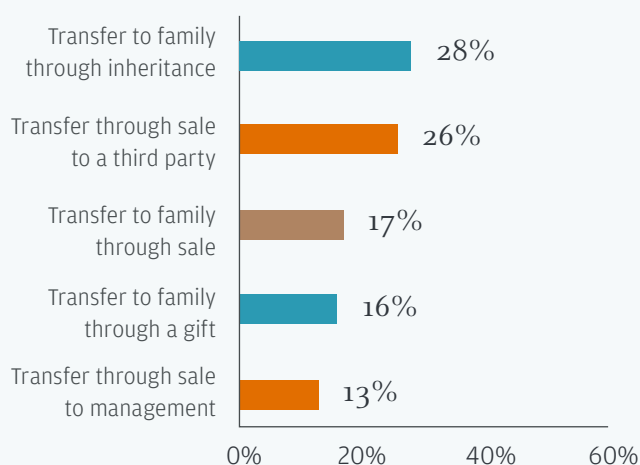
I don't know/NA

Business transfers cont.

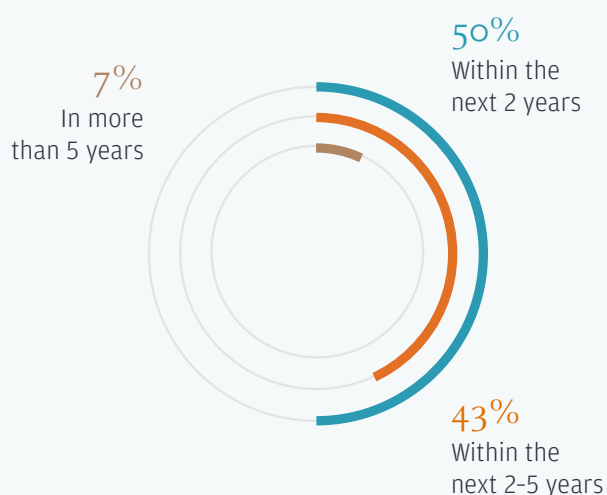
“As the economy continues to rebound post-pandemic, many business leaders are taking advantage of the ripe environment for business transfers”.

Celia Murray, Head of M&A, U.K.
J.P. Morgan

Expected business transition



Transition timing



Environmental, social and governance (ESG)

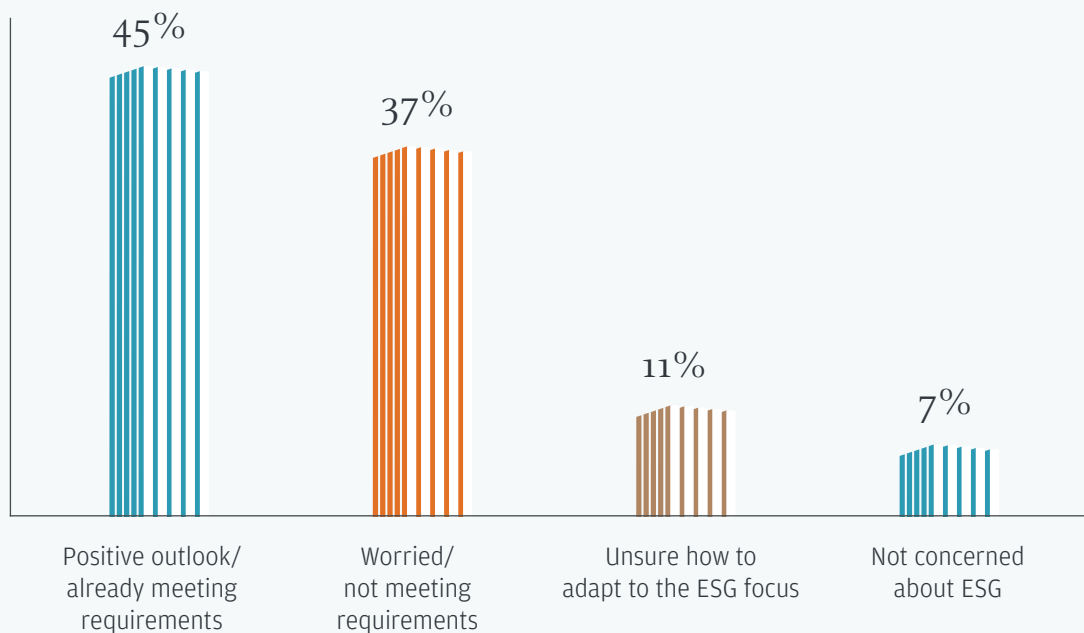
A wide majority (83%) of executives see ESG as an area of increasing focus. And for many, it's a source of optimism. Nearly half (45%) hold a positive outlook on the topic because they are already meeting ESG requirements.

Level of focus on corporate responsibility factors in 2022

Increased focus 83%, Similar focus 17%



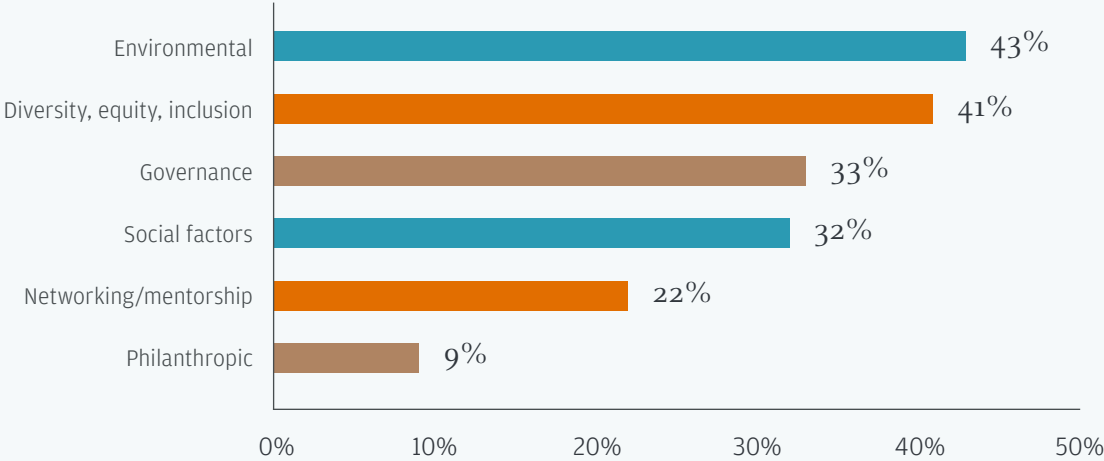
Impact of global focus on ESG



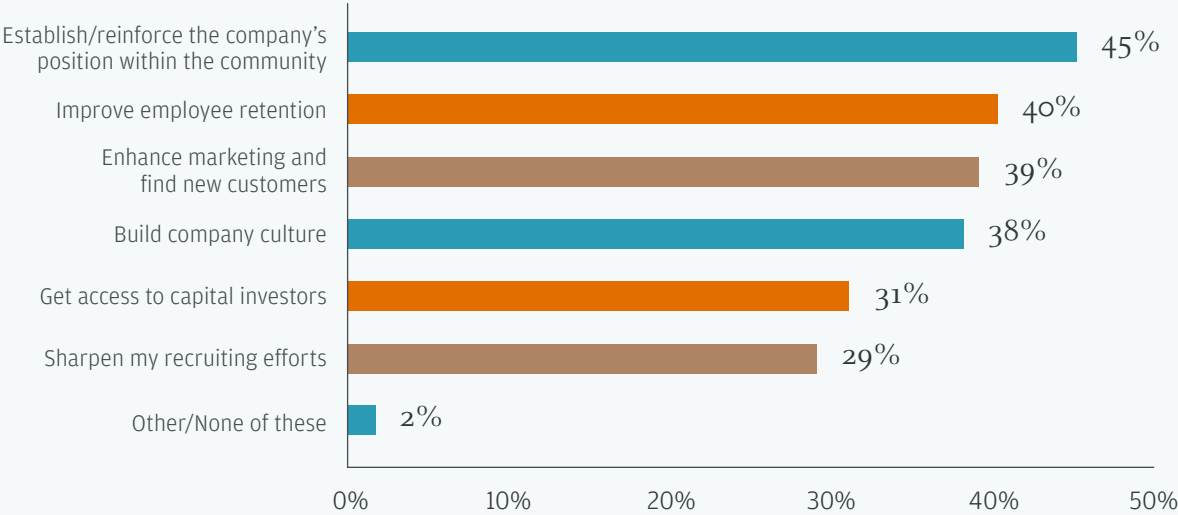
ESG cont.

The most common ESG priorities are environmental factors (43%) and diversity, equity and inclusion (41%). And the main benefit executives see from corporate responsibility is enhancing their company's reputation in the community.

Most important corporate responsibility factors



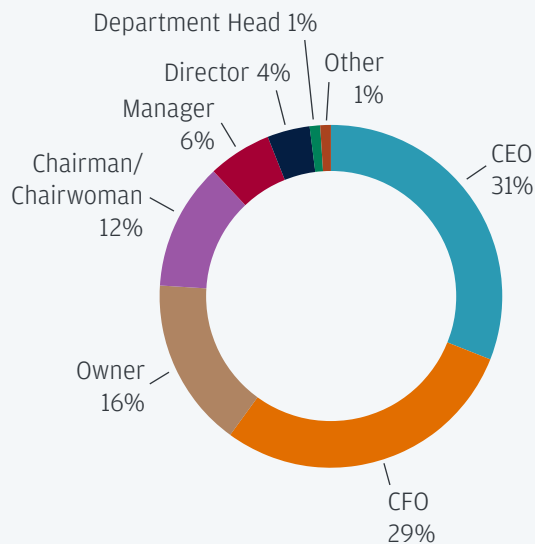
Benefits of corporate responsibility strategy



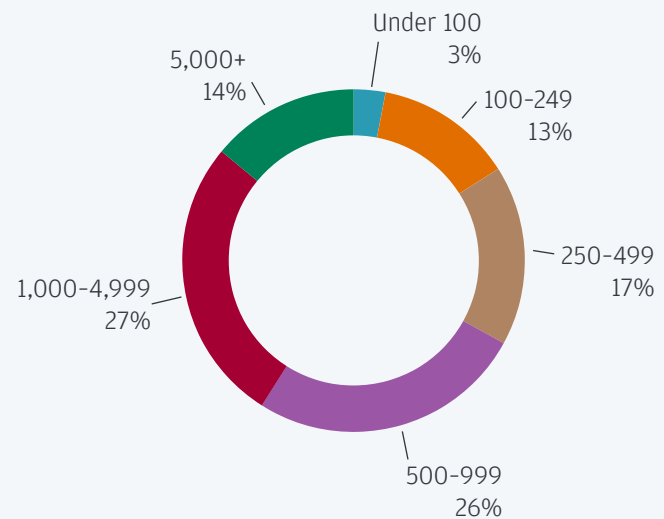
About the survey

The 2022 J.P. Morgan Business Leaders Outlook: U.K. survey is the first of its kind. Conducted between 23 November and 6 December 2021, the survey is a snapshot of the concerns and expectations of 277 senior business leaders whose companies have annual revenues between £20 million and £2 billion.

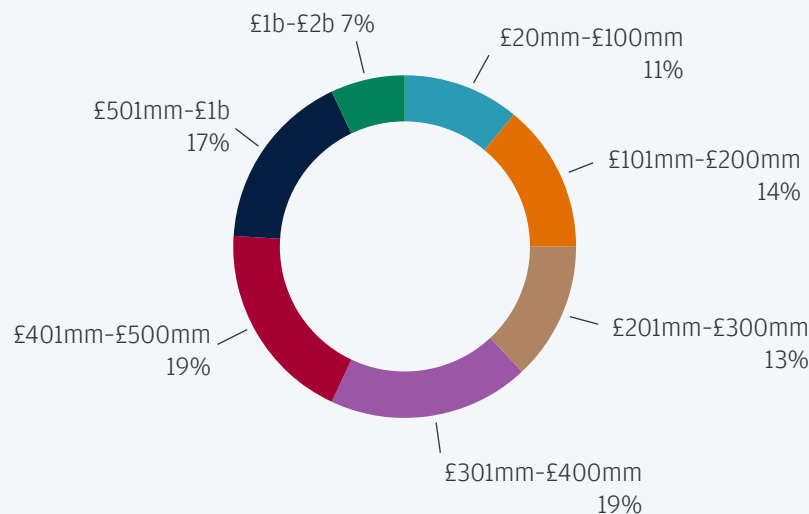
Who took the survey



Company size by number of employees



Company size by annual revenue



J.P.Morgan

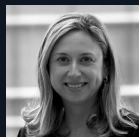
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