Table of contents

Executive summary .................................................. 3
Economic outlook and expectations .................................. 4
Leaders upbeat on revenue, profits ................................... 6
A shield against declining valuations ............................... 8
Capital raising paused, rethinking funds ........................... 10
Artificial intelligence’s time to shine ............................... 12
About the survey ....................................................... 14
Our experts ............................................................... 17
Innovation Economy Banking at J.P. Morgan ...................... 18
EXECUTIVE SUMMARY

Leading with optimism, tackling challenges

Leaders are hopeful about their industries—and plan to make the most of the year ahead amid continued uncertainty

In the Innovation Economy, a segment representing early stage, venture-backed, high-growth companies in disruptive industries, more than 8 in 10 business leaders are confident about their company’s and industry’s performance in the year ahead (82%). While their upbeat outlook is refreshing after a shaky 2023, it’s balanced with realism, as executives know challenges are ahead. Leaders are most concerned about cybersecurity and fraud (29%), the adoption of artificial intelligence (AI) and rising interest rates (both 27%).

Despite several years of economic turbulence, leaders surveyed from innovation hubs around the world (Australia, France, Germany, India and the U.K.) reported confidence about the global (70%) and national (63%) economies heading into 2024. The results paint a stark contrast to sentiment in the U.S., where only 15% of Innovation Economy leaders said they’re optimistic about the global economy.

Tied to their optimism, a majority (94%) of Innovation Economy leaders from innovation hubs around the world expect their revenue and sales to increase or hold steady in 2024. Similarly, 95% expect increasing or steady profits; 93% also plan to increase or maintain their capital expenditures. Approaching 2024 with a growth mindset, nearly three-quarters (74%) expect an increase in credit needs, and 86% plan to either add or maintain headcount in the year ahead.

Despite ambitious plans, these leaders indicated they’re also prepared to ride ongoing waves of uncertainty. More than half (52%) are bracing for a recession in 2024, and more than three-quarters (78%) reported costs are rising for their business due to inflation. Additionally, 47% reported having raised enough capital to hold for the next year, and fewer plan to raise new equity (27%) or debt (20%).
Economic outlook and expectations

Despite their wider market optimism, more than half (52%) of Innovation Economy leaders around the world expect a recession. In contrast, only 25% of their U.S. counterparts expect a recession this year. Economists have forecast that growth is set to slow for the third straight year in 2024, as a result of weak global trade and the impact of rate hikes. While many economies are expected to cut rates this year, the prospect of soft landings may still be possible.

Recession expectations

- **52%** Yes
- **35%** No
- **11%** Not sure
Economic outlook and expectations

Insights from our Innovation Economy leaders

“The largest European countries are resilient, and GDP has continued to grow despite the triple shock of war, inflation and higher interest rates. Corporates and consumers remain buyers of startup products—meaning the best innovation companies continue to grow revenue and receive investment to support further growth. In addition, European innovation companies tend to have more reasonable valuations and expectations, which facilitates follow-on funding.”

Alex McCracken
Innovation Economy
EMEA Tech Sector

“With rate hikes, there appears to be overhang of U.S. recession fears, coupled with a tough funding environment for the Innovation Economy. Macro conditions in home markets are encouraging, with healthy consumer demand, resulting in a divergent view of the global economy.”

Dhaval Shah
Innovation Economy
India
Leaders upbeat on revenue, profits

Most Innovation Economy leaders (94%) expect revenue and sales to remain the same or increase in 2024. Similarly, 95% expect steady or increasing profits. Innovation Economy executives are also bullish about capital expenditures, with 93% planning on increasing or maintaining their spend in 2024. Most business leaders plan to focus on expansion into new distribution channels and new products and services.

Business expectations

<table>
<thead>
<tr>
<th>Category</th>
<th>Increase</th>
<th>Remain the same</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue/sales</td>
<td>89%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Increase - 89%, Remain the same - 5%, Decrease - 6%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profits</td>
<td>84%</td>
<td>11%</td>
<td>5%</td>
</tr>
<tr>
<td>Increase - 84%, Remain the same - 11%, Decrease - 5%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>70%</td>
<td>23%</td>
<td>8%</td>
</tr>
<tr>
<td>Increase - 70%, Remain the same - 23%, Decrease - 8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit needs</td>
<td>74%</td>
<td>19%</td>
<td>7%</td>
</tr>
<tr>
<td>Increase - 74%, Remain the same - 19%, Decrease - 7%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Leaders upbeat on revenue, profits

Insights from our Innovation Economy leaders

“...We are seeing companies in the Innovation Economy sector globally continue to grow their business despite headwinds, such as high interest rates, geopolitical environment and valuation downgrades. As a result, confidence remains high, leading to continued investment and companies seeking alternative capital outside of equity, like credit, to assist with this growth.”

Peter Bairaktaridis
Innovation Economy
Australia
A shield against declining valuations

Even as tech valuations have softened, innovation economy leaders in global innovation hubs state that growth projections, new product development and hiring/talent management have had a positive impact on their company. Only 9% believe declining tech valuations have stalled new product development and innovation, 12% state the decline has negatively impacted current liquidity and runway projections, and only 15% say it has significantly mired fundraising—a stark contrast with the U.S., where 67% reported a major impact. Though many of these factors are often impacted by valuations, it seems leaders have prepared well for that inevitability.

**Effects from declining tech valuations**

- **Hiring/talent management**
  - Negative impact: 16%
  - No impact: 31%
  - Positive impact: 52%

- **Growth projections**
  - Negative impact: 15%
  - No impact: 37%
  - Positive impact: 49%

- **New product development/innovation**
  - Negative impact: 9%
  - No impact: 34%
  - Positive impact: 57%

- **Current liquidity/runway projections**
  - Negative impact: 12%
  - No impact: 43%
  - Positive impact: 45%

- **Fundraising/capital raising**
  - Negative impact: 15%
  - No impact: 39%
  - Positive impact: 46%
A shield against declining valuations

Insights from our Innovation Economy leaders

“
It’s encouraging to see the focus companies are placing on developing their core products. In unpredictable capital environments, it’s paramount that companies focus on what they can control, and building the best possible product they can will help them be prepared when market certainty returns.”

Rosh Wijayarathna
Innovation Economy
U.K. & Ireland
Capital raising paused, rethinking funds

Innovation Economy leaders around the world are taking a measured view on the year ahead as they navigate historical shifts in capital markets and rising interest rates. Almost half said they have raised enough capital for the year, and only 6% said they would look to current investors to extend a fundraising round. Of those looking for sources of capital, more would turn to equity over debt finance. However, 20% of survey respondents were still open to raising debt compared to 3% of their U.S. counterparts.

Effects from declining tech valuations

- **6%** We will look to our current investors to extend a round
- **20%** We will raise debt
- **27%** We will raise new equity
- **47%** We have raised enough capital to hold off for the next year

Long-term goal for startups

- **33%** Be acquired
- **35%** Remain private
- **28%** Go public via IPO

Largest challenges for startups

- **29%** Cybersecurity and fraud concerns
- **27%** Adoption of artificial intelligence (AI)/ generative AI
- **27%** Rising interest rates
- **25%** Competitive environment
We’ll probably see two main trends in 2024: The most innovative and well-performing companies have raised enough capital to pursue their growth and hold off for the next year, while the others will probably need to consider alternative options, such as debt or acquisition at lower values than before. While cybersecurity and fraud concerns remain in the top list of challenges for CEOs, adoption of AI and accelerating generative AI are now in all minds, with the function of chief AI officer becoming more and more popular.”

Dorothée Stik
Innovation Economy
France, Benelux & Southern Europe
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 sector in these markets is leading the charge, with almost all respondents (94%) saying they’re already using or plan to use AI tools, with business operations (64%) and product development (60%) being the most popular areas of deployment.

<table>
<thead>
<tr>
<th>Use of AI tools like ChatGPT, virtual assistants and chatbots</th>
<th>Areas of AI applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>94% YES</td>
<td>Business operations 64%</td>
</tr>
<tr>
<td>5% NO</td>
<td>Product development 60%</td>
</tr>
<tr>
<td>1% UNSURE</td>
<td>Human resources/training 50%</td>
</tr>
<tr>
<td></td>
<td>Internal/external communications 49%</td>
</tr>
</tbody>
</table>

*Among companies who said they currently use or plan to use AI tools*
Artificial intelligence’s time to shine

Insights from our Innovation Economy leaders

While 2023 will be remembered as the year of AI attention, 2024 is expected to become the year of AI adoption. How can you incorporate AI into your product? What does it mean for your operations and human resources? Investors expect answers to these and similar questions as part of their due diligence.”

Max Hauer
Innovation Economy
DACH
About the survey

In its first year, the Business Leaders Outlook Innovation Economy Around the World survey includes highlights capturing the concerns and expectations of senior business leaders at early stage, venture-backed, high-growth companies from major global innovation hubs.

This year, 236 respondents completed the online survey between November 16 and December 13, 2023 in Australia, France, Germany, India and the U.K. Results are within statistical parameters for validity; the error rate is plus or minus 6.4% at the 95% confidence interval. Note: Some numbers may not equal 100% due to rounding.

Who took the survey

- CEO/chairman/chairwoman: 42%
- Owner-founder/co-founder: 16%
- CFO: 24%
- Other C-level: 18%

Company size by number of employees

- 1-49: 1%
- 50-99: 4%
- 100-249: 12%
- 250-499: 18%
- 500-999: 32%
- 1,000-4,999: 33%
About the survey

(Continued from the previous page)

Types of past funding and investment received

- Pre-seed: 37%
- Seed: 62%
- Series A: 73%
- Series B: 43%
- Series C or later: 18%

Age of company

- 2-4 years: 7%
- 5-10 years: 35%
- 11-25 years: 58%
About the survey

(Continued from the previous page)

Innovation Economy companies by offering:

- **56%** Software (e.g., enterprise applications, business intelligence, enterprise infrastructure, HR tech, cyber, AI/ML)
- **21%** Fintech (e.g., payments, fintech infrastructure, insurance tech, blockchain, alternative lending)
- **5%** Internet and disruptive commerce (e.g., commerce, ad tech, digital content and media, ed tech, gaming, marketplaces)
- **5%** Applied tech (e.g., semiconductors, robotics, aerospace, hardware infrastructure, consumer electronics)
- **3%** Climate (or clean) tech (e.g., renewable energy, EV/clean mobility, energy tech, efficiency tech, ag/food tech)
- **10%** Other
Our experts

Alex McCracken
Innovation Economy
EMEA Tech Sector

Rosh Wijayarathna
Innovation Economy
U.K. & Ireland

Dorothée Stik
Innovation Economy
France, Benelux & Southern Europe

Max Hauer
Innovation Economy
DACH Region

Dhaval Shah
Innovation Economy
India

Peter Bairaktaris
Innovation Economy
Australia
Innovation Economy Banking at J.P. Morgan

J.P. Morgan Commercial Banking has Innovation Economy specialists on the ground in nearly 20 countries, serving companies in this sector in more than 30 countries around the world. Our major presence includes:

**Americas**
- Brazil
- Canada
- Mexico
- U.S.

**EMEA**
- France
- Germany
- Ireland
- Israel
- Italy
- Sweden
- Switzerland
- U.K.

**Asia Pacific**
- Australia
- China
- Hong Kong
- India
- Japan
- Singapore
- South Korea
United Kingdom:
JPMorgan Chase Bank, N.A. at its London Branch is a bank authorised and subject to supervision and regulation by the Office of the Comptroller of the Currency and is also supervised and regulated with respect to certain matters by the Board of Governors of the Federal Reserve System, each in the jurisdiction of the United States of America. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. (Firm Reference Number: 124491).

Germany:
J.P. Morgan SE is authorised as a credit institution by the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) and jointly supervised by the BaFin, the German Central Bank (Deutsche Bundesbank) and the European Central Bank (ECB). For additional information on J.P. Morgan SE and its branches see: EMEA Regulatory Disclosures.

Regulatory disclosures of JPMorgan Chase Bank, N.A. branches in France, Spain, Italy and Belgium, and other JPMC legal entities in EMEA:
Please see EMEA Regulatory Disclosures.

Regulatory Disclosures of JPMC legal entities in APAC:
Please see APAC Regulatory Disclosures.