Despite an uptick in optimism over the past six months, midsize business leaders in the United States are far less optimistic about the national economy now than they were in the years before the pandemic.

According to our 2023 midyear Business Leaders Outlook survey, 29% of leaders have a positive outlook about the U.S. economy today, up from 22% in January. From 2012 to early 2020, however, the average level of optimism was 66%.

Attitudes about the global economy also remain low. Only 15% of leaders are optimistic about the global economy today. And while that is up from January (8%), it is much lower than before the pandemic, when the average level of optimism was almost 30%.

Concerns about a recession are mixed. Nearly half (45%) expect an economic downturn this year or believe we are already in one, while 20% are unsure about a recession.

But there are plenty of bright spots in the report. Most leaders (67%) are still optimistic about their own company’s performance. More than half expect their sales and profits to increase this year. And 85% expect to add or keep staff.

On the policy front, two-thirds of leaders believe the Fed should pause rate hikes; only 16% believe the Fed should raise rates. Even fewer (11%) think rates should be cut.
Almost half of U.S. business leaders expect a recession this year or believe we are already in one. An additional 20% are not sure about an economic downturn.

Leaders are more optimistic about the national economy now than they were in January. But they are far less optimistic than they were in the years before the pandemic.

In the event of a recession, more than three-quarters of business leaders said they would cut discretionary expenses and overhead.

More than half of leaders believe profits will increase in the next 12 months, nearly identical to January’s expectations.

Roughly 4 out of 10 leaders plan to use AI tools in their companies, most commonly in business operations.
Recession expectations

Leaders are split over whether a recession is likely in 2023. But many are taking steps to protect their business in case there is a downturn.

**Recession Expectations**

- Not sure: 20%
- Already in a recession/expect a recession in 2023: 45%
- Do not expect a recession in 2023: 35%

**Recession Response**

- Cut discretionary expenses and overhead: 76%
- Make changes to strategy, pricing or product mix: 47%
- Implement risk-reduction strategies: 41%
- Shore up balance sheet: 33%
Economic outlook and expectations

Leaders have a more optimistic outlook about their company’s performance than they do about the global and national economies. And most expect their sales and profits to increase this year.

**ECONOMIC OUTLOOK**

- **Global economy**
  - Pessimistic: 39%
  - Neutral: 46%
  - Optimistic: 15%

- **National economy**
  - Pessimistic: 37%
  - Neutral: 34%
  - Optimistic: 29%

- **Local/regional economy**
  - Pessimistic: 19%
  - Neutral: 37%
  - Optimistic: 44%

- **Your industry’s performance**
  - Pessimistic: 21%
  - Neutral: 30%
  - Optimistic: 49%

- **Your company’s performance**
  - Pessimistic: 12%
  - Neutral: 21%
  - Optimistic: 67%

**EXPECTATIONS FOR THE YEAR AHEAD**

- **Revenue/sales**
  - Decrease: 19%
  - Remain the same: 22%
  - Increase: 59%

- **Profits**
  - Decrease: 25%
  - Remain the same: 23%
  - Increase: 52%

- **Capital expenditures**
  - Decrease: 24%
  - Remain the same: 43%
  - Increase: 33%

- **Credit needs**
  - Decrease: 17%
  - Remain the same: 57%
  - Increase: 26%
More than half of the leaders surveyed plan to introduce new products and services this year to help grow their business.

### PLANNED GROWTH STRATEGIES

- Introduction of new products/services: 53%
- Prioritization of most profitable products: 42%
- Strategic partnerships/investments: 40%
- Expansion into new domestic markets: 40%

### PLANS FOR OWNERSHIP TRANSITION

- Sale to a third-party/full employee ownership: 61%
- Transfer to family through a sale: 15%
- Transfer to family through a gift: 5%
- Transfer to a trust/nonprofit: 3%

1. Among respondents who indicated they are planning an ownership transition in the next 12 months.
Artificial intelligence (AI) adoption

More than a third of business leaders are currently using or considering AI tools. The top applications include business operations and communications.

**USING OR CONSIDERING AI TOOLS**

- Using or considering AI tools: 38%
- Not using or considering: 46%
- Not sure: 16%

**TOP AI BUSINESS APPLICATIONS**

- Business operations: 53%
- Internal/external communications: 48%
- Human resources/training: 29%

1. Among respondents who are currently using or considering using AI, or who are not sure.
Business challenges

Costs continue to rise for more than three-fourths of businesses. In response, most companies plan to continue increasing prices for consumers and buyers.

More than 8 in 10 businesses are planning to add or maintain headcount.

75% of those experiencing rising costs plan to continue increasing prices for consumers/buyers.

CHANGES IN COSTS OF BUSINESS OVER PAST 6 MONTHS

- Costs are declining: 9%
- Costs are staying the same: 12%
- Costs are rising: 79%

HOW LEADERS THINK THE FED SHOULD RESPOND TO THE CURRENT ECONOMIC LANDSCAPE

- Pause rate hikes: 68%
- Raise rates: 16%
- Cut rates: 11%
- Unsure: 5%
External threats

Companies are still struggling to find employees. More than 20% said a shortage of labor was their No. 1 external threat.

**TOP EXTERNAL BUSINESS THREATS**

- Labor shortages: 22%
- Inflation: 20%
- Competition: 16%

**TOP CYBERATTACKS IN THE LAST 6 MONTHS**

- Payments fraud: 20%
- Business email compromise: 17%
- Malware (including ransomware): 10%

1. Among respondents who were impacted by a cyberattack this year.
Started in 2011, the annual and midyear Business Leaders Outlook survey series provides snapshots of the challenges and opportunities facing executives of midsize companies in the United States.

This year, 625 respondents completed the midyear online survey between June 14 and July 5, 2023. Results are within statistical parameters for validity; the error rate is plus or minus 3.9% at the 95% confidence interval.
Who took the survey

BY TITLE
- Owner/founder: 16%
- CFO: 38%
- CEO/chairman/chairwoman: 37%
- Other: 9%

BY ANNUAL REVENUE
- Under $20mm: 12%
- $20mm-$100mm: 49%
- $101mm-$499mm: 30%
- $500mm+: 10%

BY NUMBER OF EMPLOYEES
- 1-49: 14%
- 50-99: 22%
- 100-249: 22%
- 250-499: 17%
- 500-999: 11%
- 1000-4999: 12%
- 5000+: 2%

BY INDUSTRY
- Government: 3%
- Oil and gas: 2%
- Healthcare: 3%
- Other professional/business services (nonfinance): 8%
- Higher education: 1%
- Real estate: 1%
- Home services: 2%
- Restaurants/food service: 2%
- Industrials: 6%
- Technology: 5%
- Manufacturing: 32%
- Transportation/logistics: 5%
- Media/entertainment: 2%
- Wholesale/retail: 17%
- Nonprofit: 1%
- Other: 9%

Note: Some charts may not equal 100% because of rounding.