



Umpqua Bank Business Barometer 2024

A nationwide survey of
business leaders assessing
their strategic plans and
mindsets on the economy.

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We are pleased to share Umpqua Bank’s 2024 Business Barometer Report. Since 2019, this annual assessment of the mood and priorities of U.S. business leaders has given the bank valuable insight to support the continued success and growth of our customers.

This year’s report is one of noteworthy contrasts. According to our national survey, there is a significant and growing divide between the sentiment of small and middle market businesses.

Middle market companies are feeling more optimistic and poised for growth. Their optimism reached the highest levels we’ve seen in the six years we’ve conducted the study. After a season of caution, it’s clear that the middle market has made significant

progress navigating the inflationary pressures of the post-Covid economy. Expectations for increased demand, revenue and profitability are higher than ever.

Small businesses, by contrast, are in a wait-and-see mode due to the prolonged pressure of inflation and interest rates, as well as its impact on demand. They are feeling less optimistic about the economy and their prospects for growth, with economic optimism falling to 2020 levels.

With fewer resources and tighter margins, these enterprises plan to proceed cautiously over the next year. They are diligently focused on managing risks and becoming more efficient.

This year’s study also measured the impact of key issues for decision makers, such as the application of AI, cybersecurity and fraud protection, and shifts in supply chain. Middle market companies in particular are prioritizing, implementing and expecting positive impacts on a range

of strategic investments and technology to advance their businesses.

Time and again we have learned that regardless of how they’re faring at any one point in time, businesses find a way to adapt and move forward.

We hope you find our report valuable, and we wish you and your business continued success in the year ahead.



Tory Nixon
Commercial Bank President



Chris Merrywell
Consumer Bank President

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Economy

Overall, 41% of business leaders polled are optimistic about the current economy. That is consistent with last year's results. There is little differentiation by industry or region.

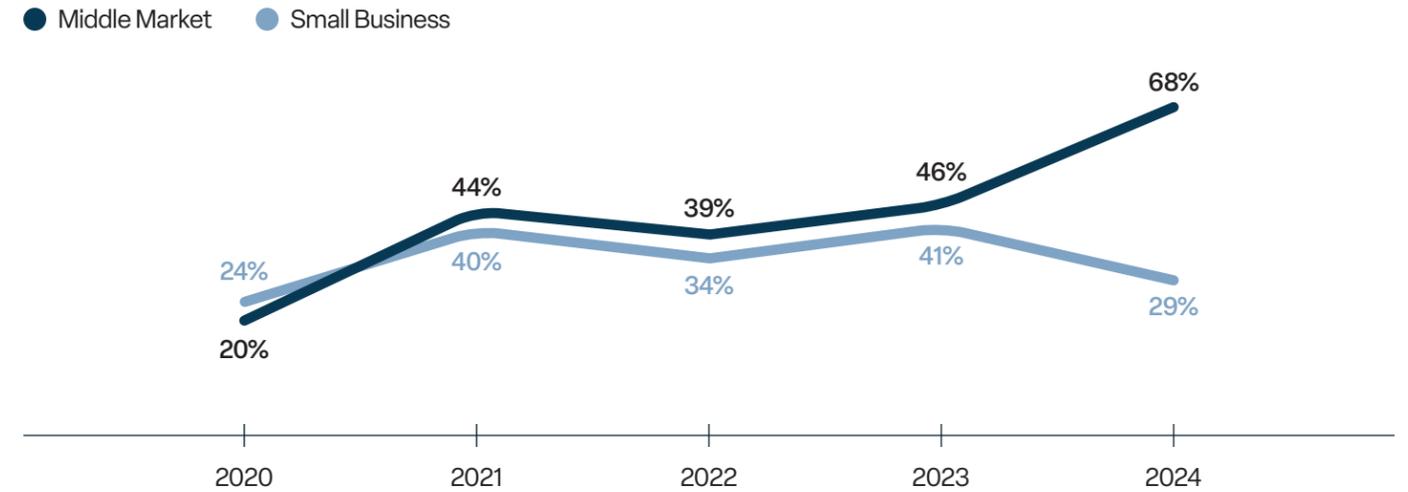
However, for the first time, there is a marked and widening divide between small and middle market business leaders' takes on the economy.

Middle market leaders are more upbeat in their assessment of today's economy and its outlook for the year, with views of current conditions hitting a post-pandemic

high point. Small business leaders, by comparison, are notably more negative, falling to near or below pandemic-levels of pessimism.

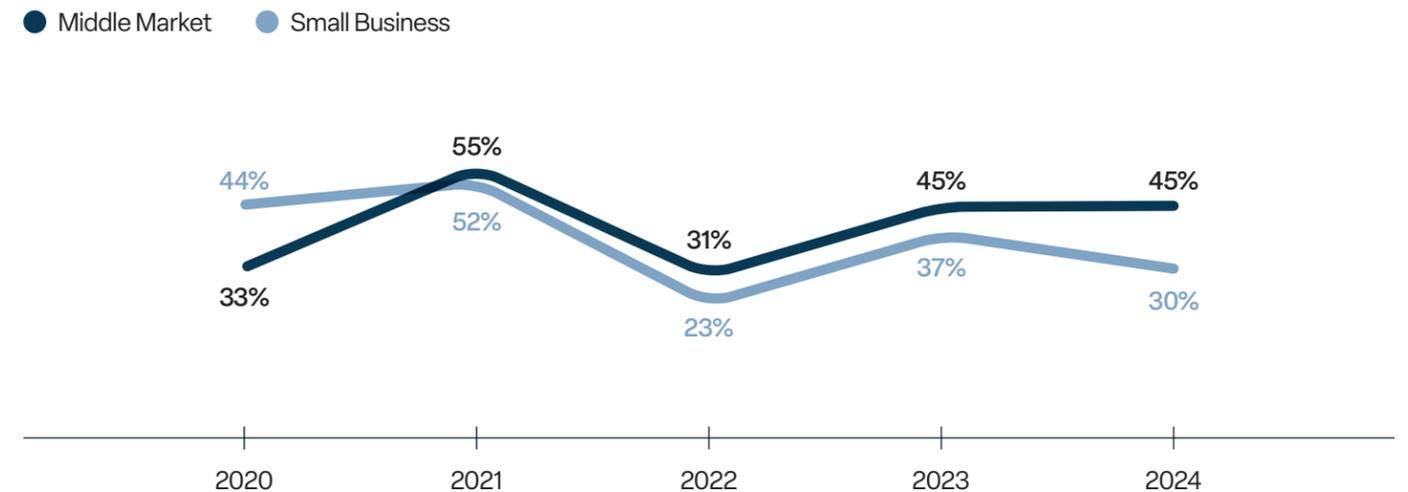
Positive view on economy over time

How would you rate the economic conditions of the United States today?



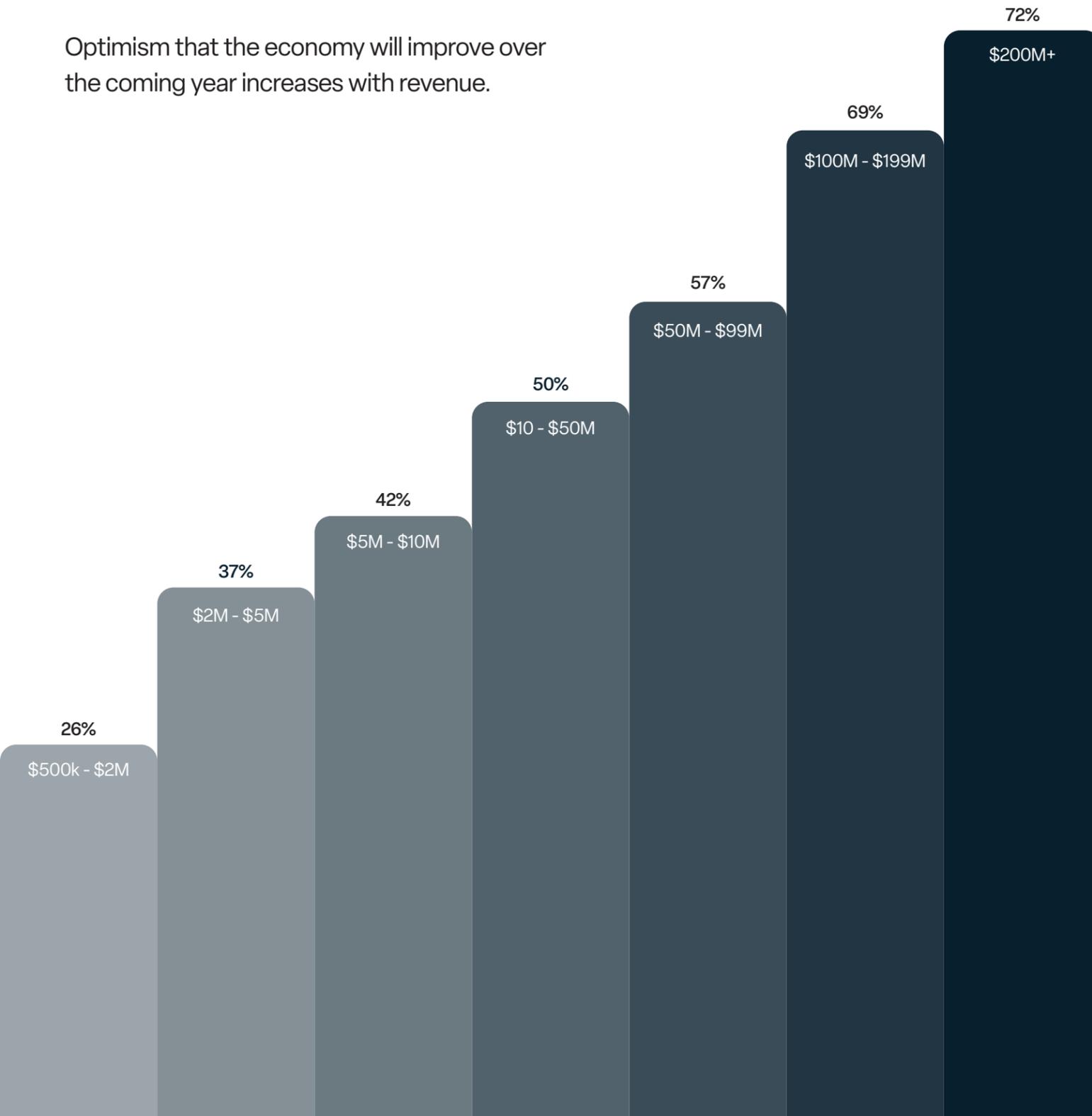
Anticipate economic conditions will improve

In the next 12 months, do you anticipate that overall economic conditions in the United States will improve?



Economic optimism

Optimism that the economy will improve over the coming year increases with revenue.



“Businesses of all sizes have been tremendously resilient for several years. But it’s a tale of two economies now.”

Richard Cabrera
Head of Commercial Banking at Umpqua Bank



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Priorities

In our survey and our conversations with business leaders, macroeconomic pressures—particularly inflation and interest rates—top the list of current concerns.

These continued pressures are leading to caution from some when it comes to decisions on investments, hiring and pricing.

While there is a consensus on the larger pressures, the divide between small and middle market businesses becomes evident when looking at plans for the year ahead. Small businesses are less confident in their financial prospects and current economic

conditions, leaving them more likely to stay the course. On the other hand, middle market leaders are more confident about their financial outlook and are ready to activate their plans.

Leaders on the year ahead

As part of the Barometer research, we held multiple focus groups to dig in on the mood and mindset of business leaders. Here's a glimpse at what they said.

“I think every industry has their specific headwinds. There are ways around it. A couple of years ago, you were in a lot less control. I think there's a better path to success that we now, as business leaders, control.”

——— Software industry leader

“Our company, last year, had a pretty bad year, in the sense that a lot of people were let go. We've changed headquarters. There have been a lot of changes in upper management. Really, there's only one way to go from here, up.”

——— Manufacturing industry leader

“We can only get better from a business perspective.”

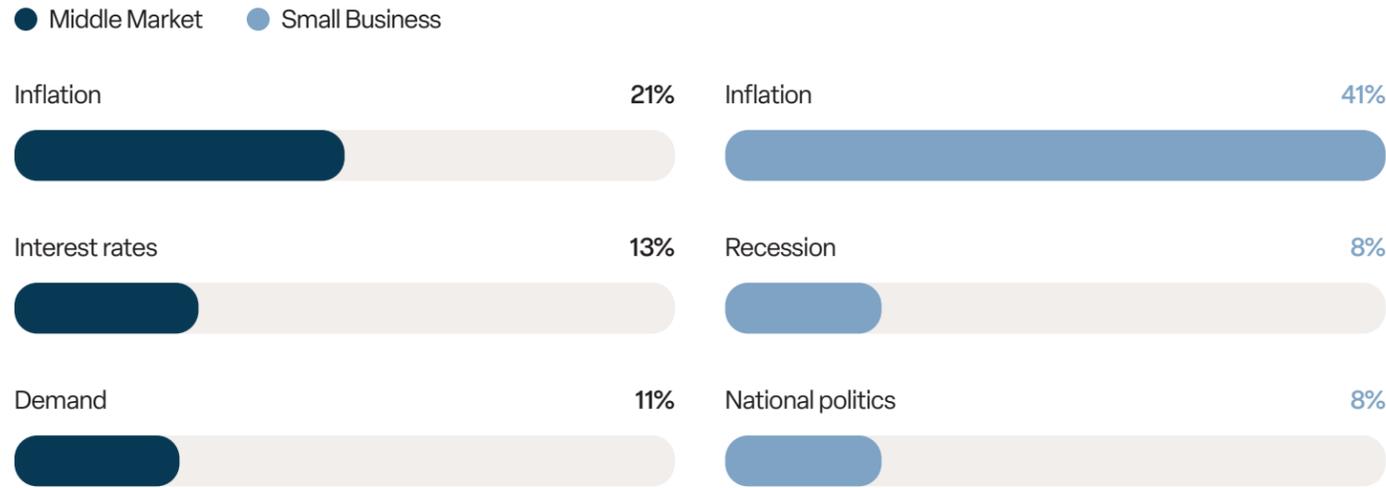
——— Nonprofit/NGO leader

“I do think we'll see growth. ... (We are) reinvesting and looking to expand in some new categories. So I am hoping to see growth for us in the next few years.”

——— Retail industry leader

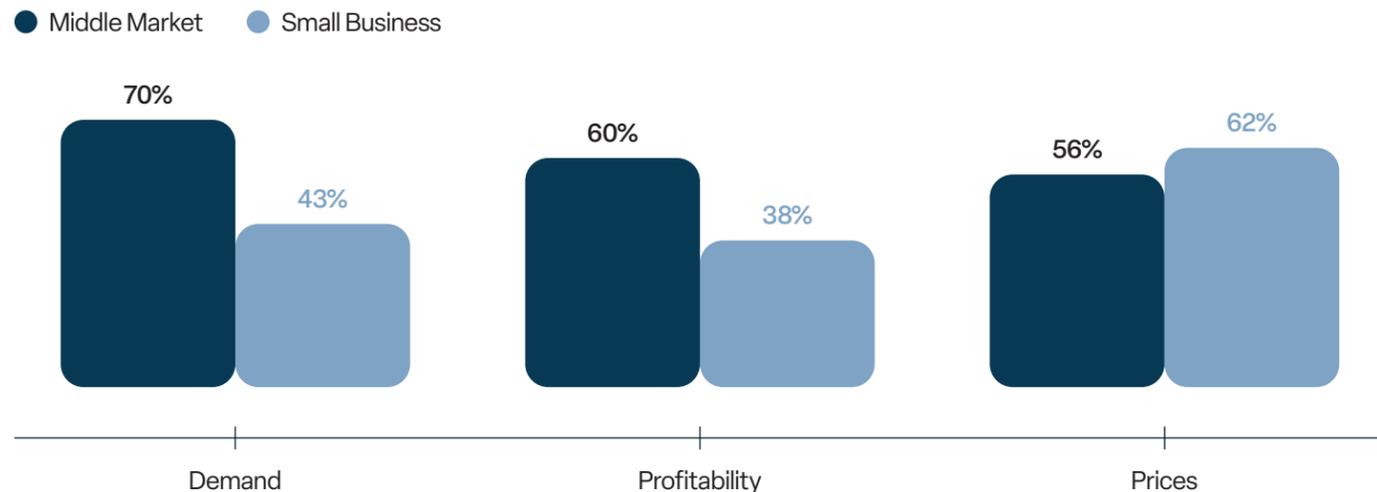
Top concerns ranked

What are your top three worries right now?



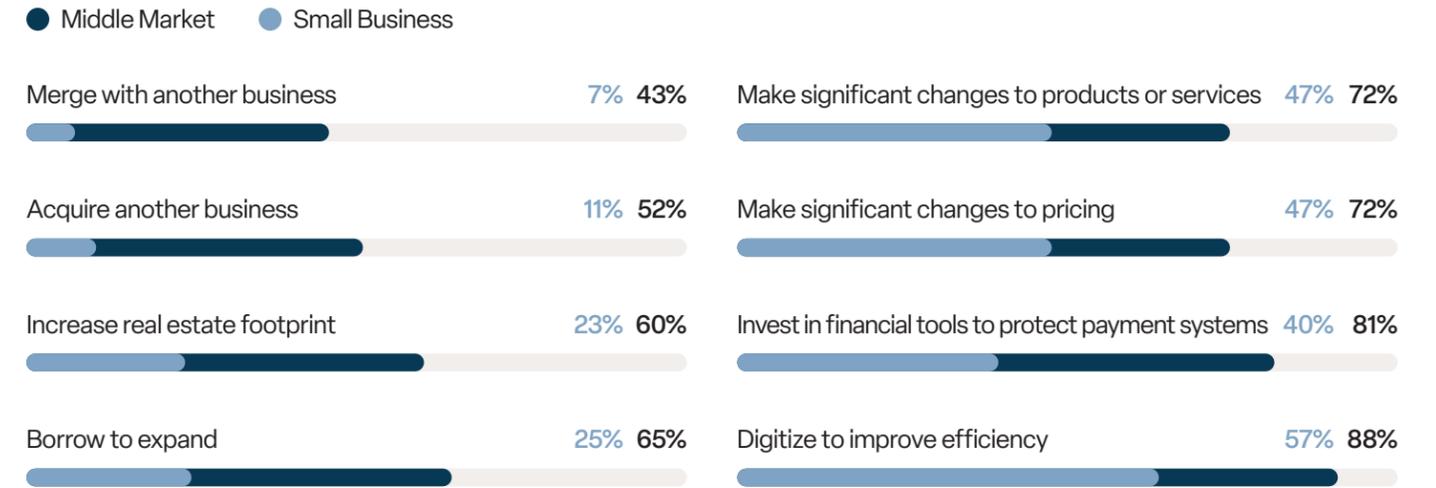
Financial expectations

More middle market companies expect to see increased demand and profitability, while more small businesses expect to see price increases.



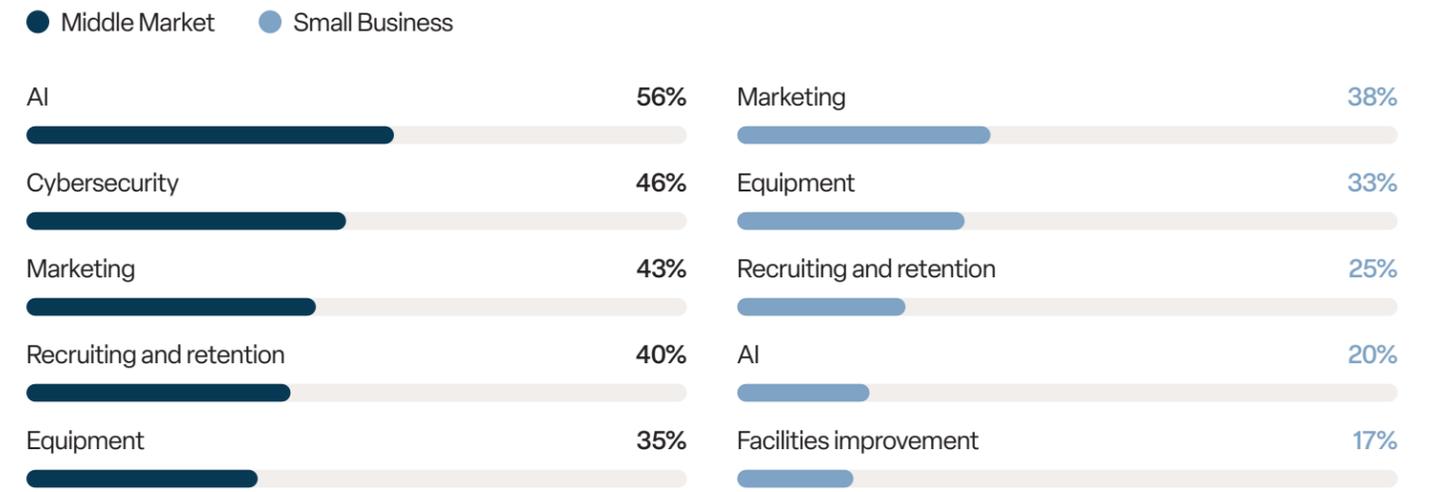
Plans for the year ahead

Middle market companies are more likely than small businesses to take action.



Top investments for the year ahead

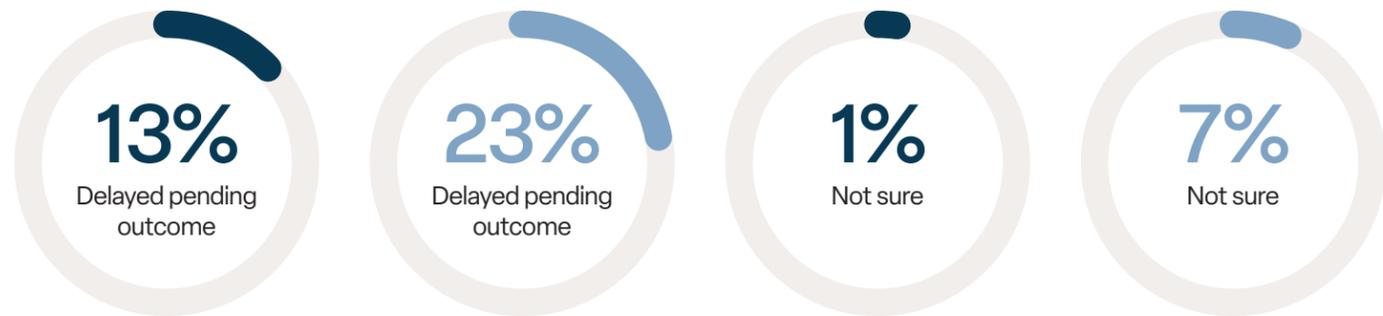
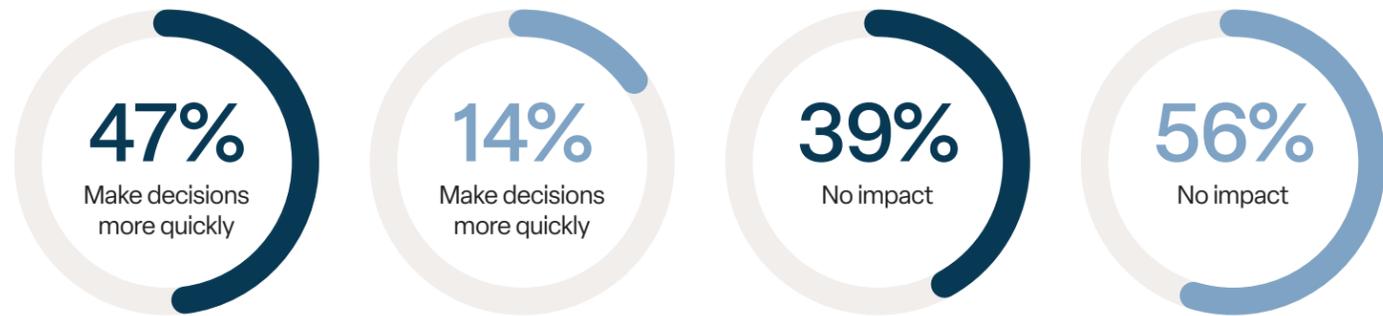
Middle market companies are eager to invest in AI and cybersecurity, while small businesses are focused on marketing and equipment spending.



Election impact

The 2024 election is having a mixed impact on decision making. Nearly half of middle market companies say they are making key decisions more quickly ahead of the election. But more than half of small businesses say it has no impact. Of those delaying decisions, it is most often around strategy, hiring and expansion.

● Middle Market ● Small Business



“There are so many influences on a business, from the global economy to day-to-day operations. A good financial partner will take that all in, and we do, to create an informed solution to achieve customer goals and navigate any economy.”

Amy Davis
Retail Business Banking Director at Umpqua Bank



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Opportunities

Business leaders are increasingly interested in the opportunities created by generative artificial intelligence.

Middle market companies are further ahead in adopting generative AI than their small business counterparts.

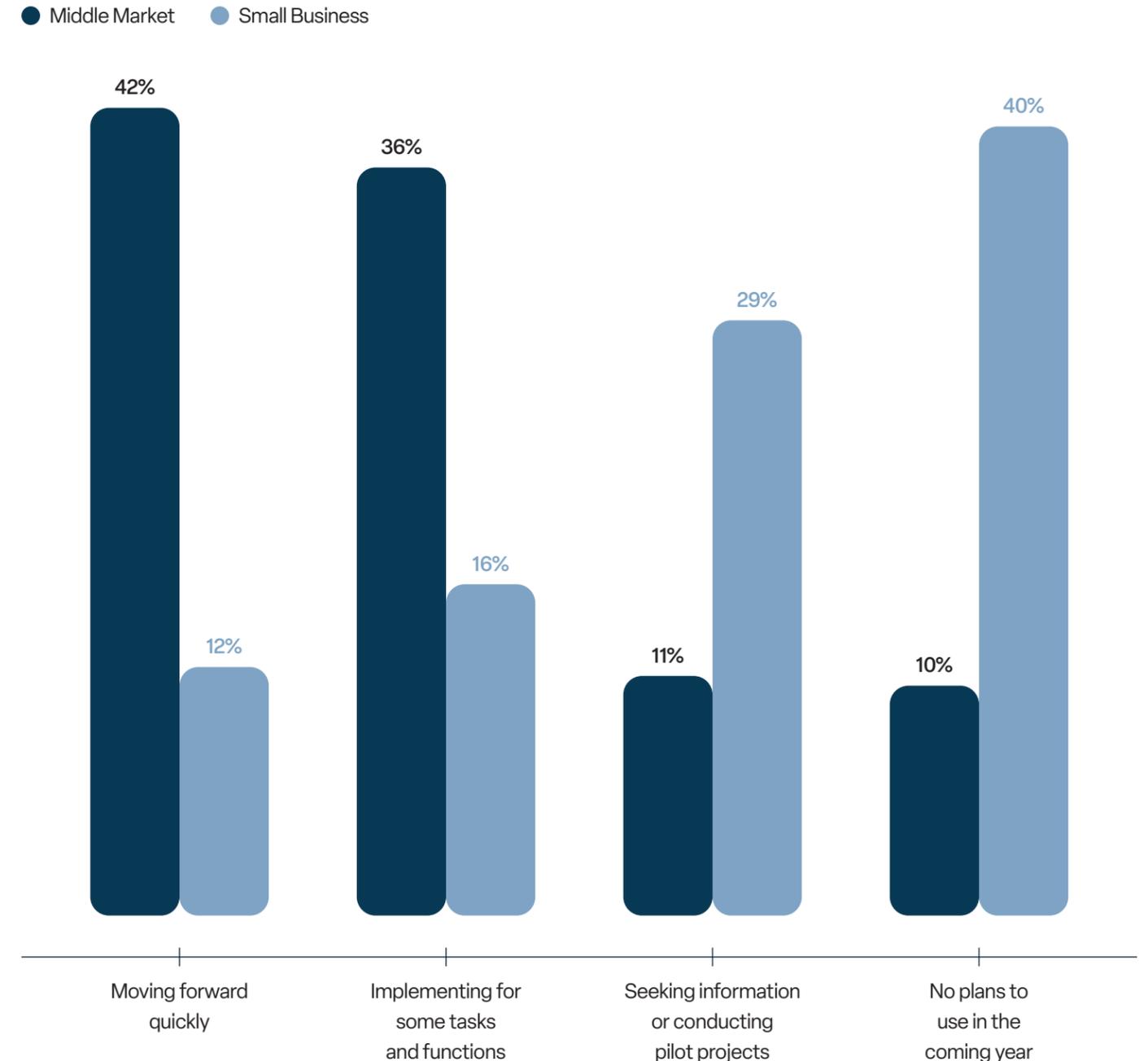
Most middle market companies are either moving forward quickly to use generative AI or are implementing AI for at least a few tasks or functions. They are already seeing an impact: 43% say it is improving the time it takes to do their work, and 38% say it is improving their competitive advantage.

Many small businesses, on the other hand, have no plans to use generative AI in the

coming year or are seeking information. They do not see opportunities for immediate or even short-term impact on their business. In fact, about one in five say they are unsure when AI will make a significant impact on their business. Another one in five indicate that AI will never have a significant impact on their business.

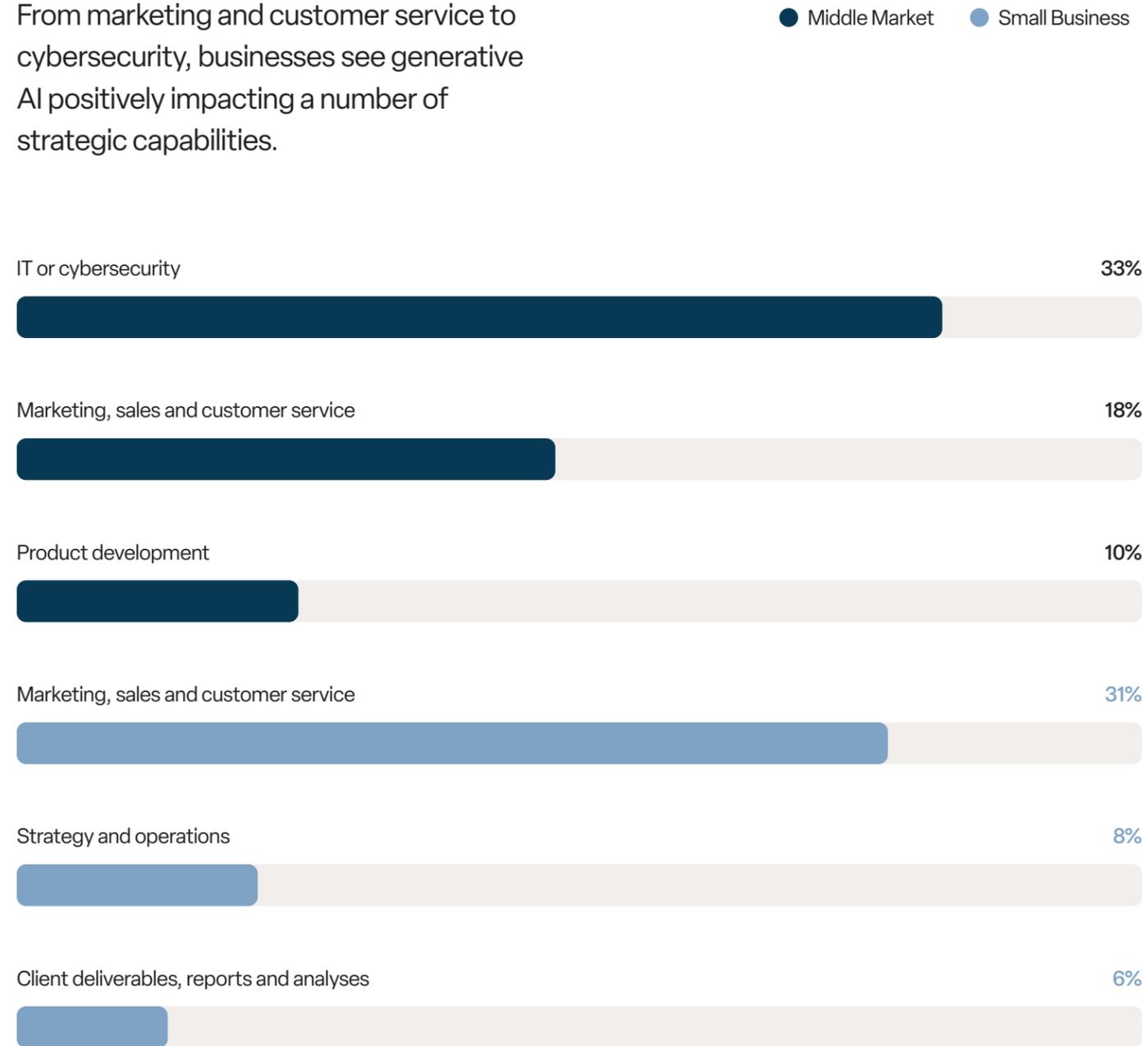
AI plans in action

Middle market companies are more likely than small businesses to take action.



Top AI opportunities

From marketing and customer service to cybersecurity, businesses see generative AI positively impacting a number of strategic capabilities.



“We opened up our own (AI-focused) department here for the very first time...The key heading into that was for everyone to understand the why; how it can benefit us internally, but also, how it can benefit our customers.”

Software industry leader

“(The goal) is to make things more efficient and quicker in decision making. I don’t think that the goal is to replace any job. No one wants to do that, at least at my company. It can help alleviate some time constraints.”

Marketing and advertising industry leader

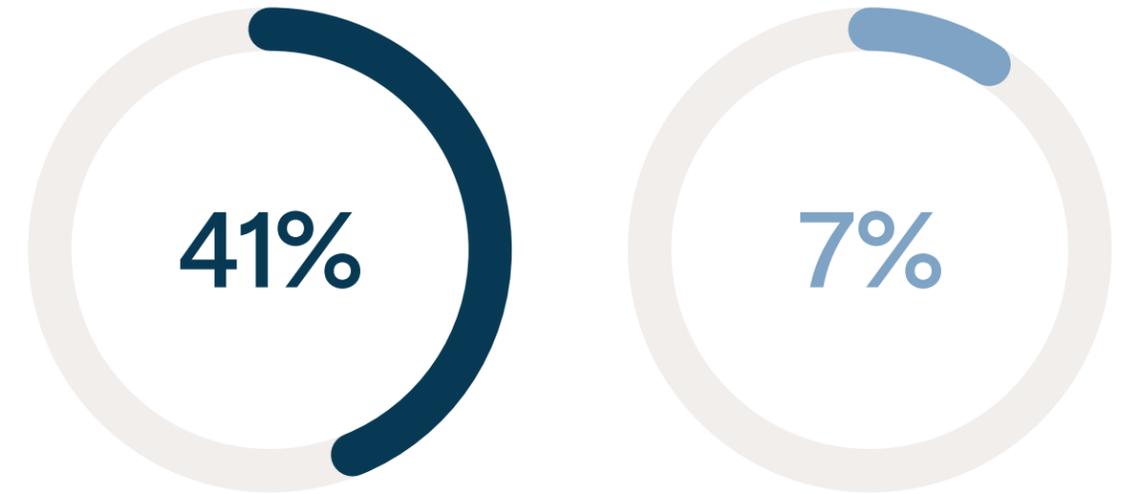
Cybersecurity and fraud remain significant concerns for businesses. Middle market companies were about four times as likely as small businesses to be the victim of a cyberattack in the past year.

To combat fraud, more middle market companies have taken preventative actions: 83% have implemented fraud prevention solutions offered by their bank compared to 56% of small businesses.

Cyberattacks

Victim or target of a cyberattack in the past year.

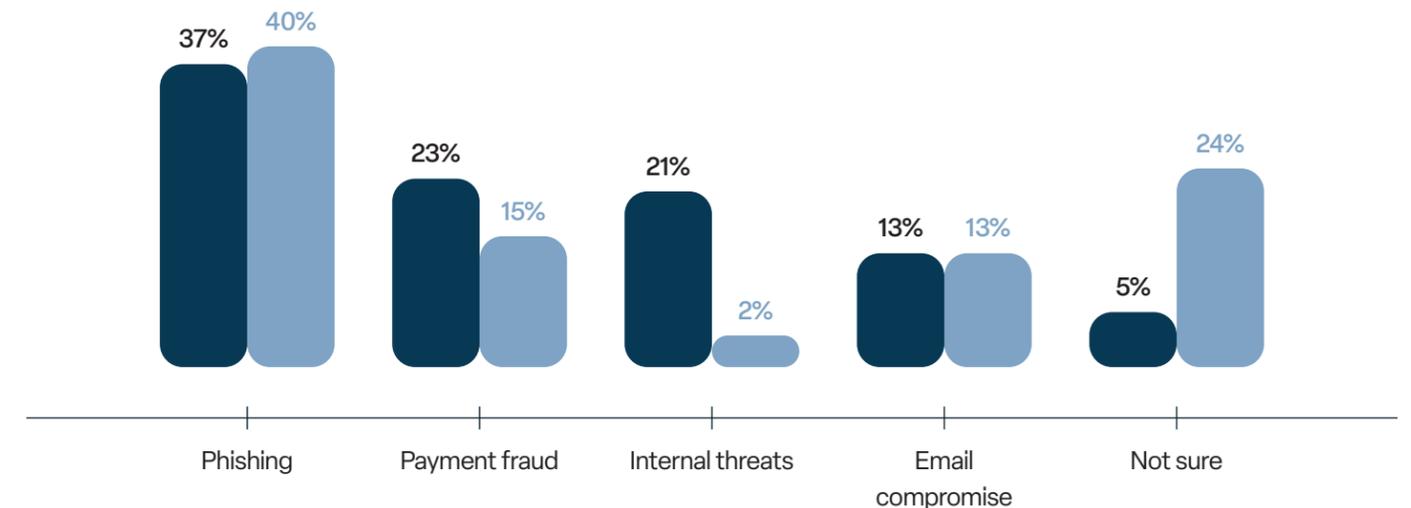
- Middle Market
- Small Business



Fraud attempts

Businesses said these were the most common types of fraud they experienced.

- Middle Market
- Small Business



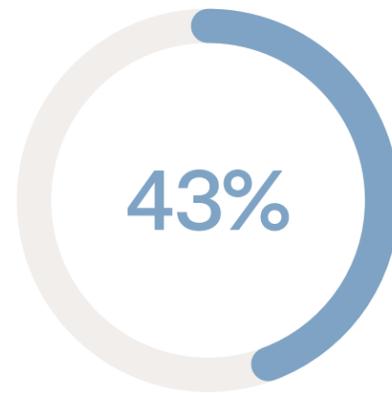
Payment protections

The industry shift toward faster payments has led to an increased need for real-time fraud protection. Middle market leaders have moved more quickly to implement instant payment technology and are also more likely to have put important safeguards in place.

Implemented instant payments

Businesses that currently use instant payment technology.

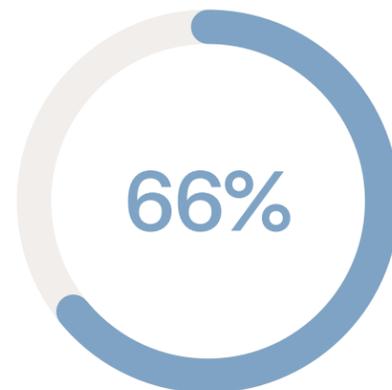
- Middle Market
- Small Business



Fraud protections

Businesses that have added, or will add, strengthened fraud protection.

- Middle Market
- Small Business



“We cannot stress enough that businesses must be proactive in protecting themselves. Fraud attempts and cyberattacks grow more sophisticated every year, and the results can be devastating.”

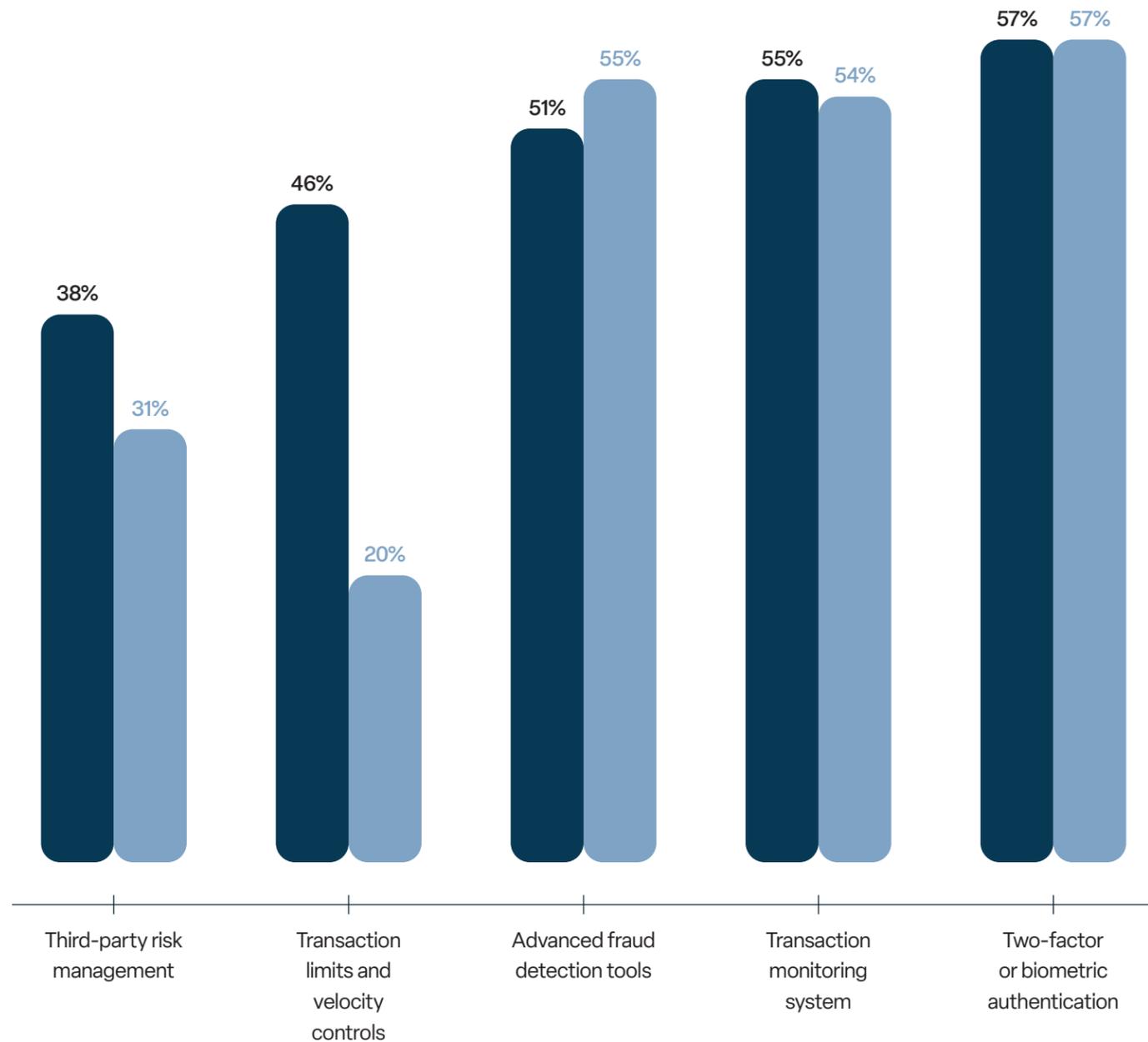
Kathryn Albright
Head of Global Payments and Deposits at Umpqua Bank



Control measures

Controls businesses have in place to manage risk associated with instant payments.

● Middle Market ● Small Business



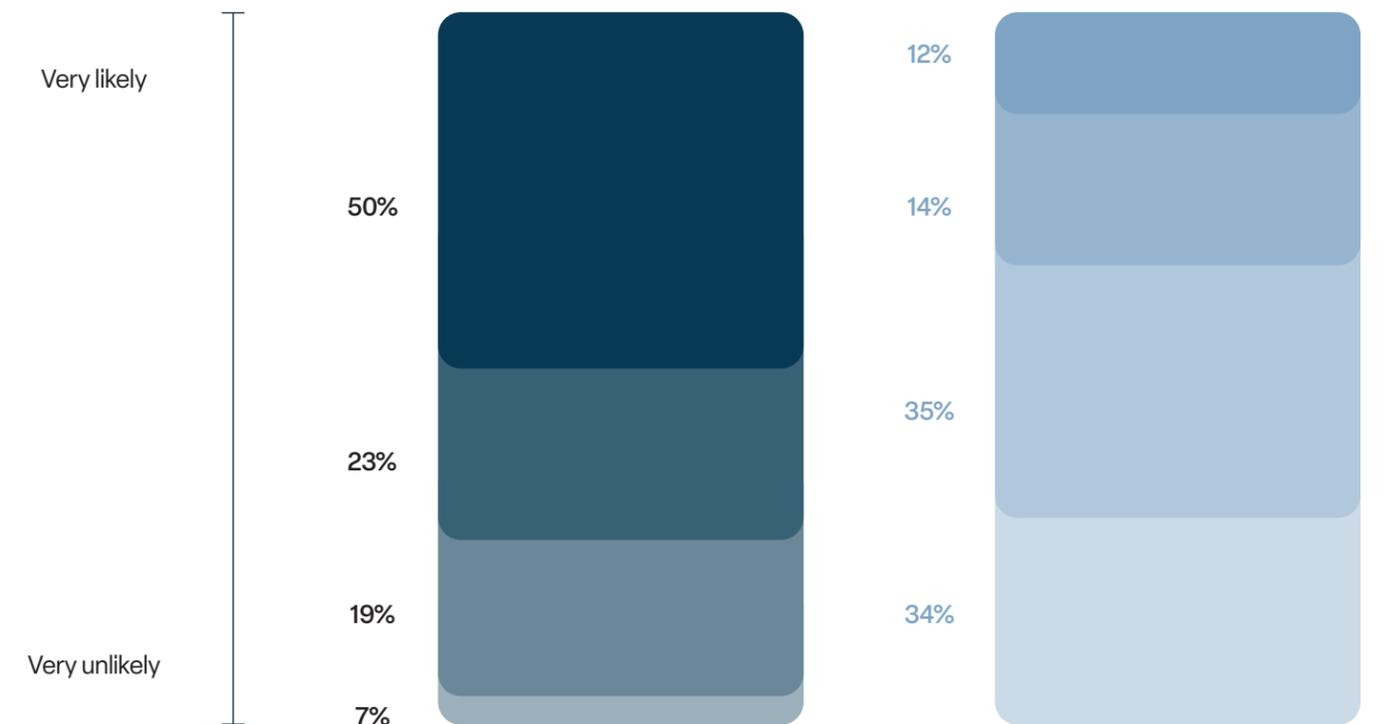
Supply chains

The supply chain issues of the past have waned; 92% of businesses have been able to purchase the goods they need. Still, most middle market companies continue to evaluate their routes and partners. In the last 12 months, 51% have moved manufacturing or supply chains back to the U.S., continuing the onshoring acceleration noted last year. And 73% with operations abroad are likely to move or shift them to other locations in the year ahead.

Supply chain shifts

Most middle market companies anticipate shifting manufacturing or supply chain locations in the next 12 months.

● Middle Market ● Small Business



Methodology

On behalf of Umpqua Bank, DHM Research conducted an online survey of 1,200 owners, executives, and financial decision makers at U.S. small and middle market businesses during April 22—May 2, 2024. Of middle market respondents, 22% are minority-owned businesses, while 19% of small business respondents are certified woman-owned and 15% minority-owned. The margin of error is: $\pm 2.8\%$.

Umpqua Bank offers a premier banking experience for customers across the West. Our team of expert bankers act as financial partners, working closely to understand business customers' needs, goals and opportunities. We craft solutions and build relationships that last.



Find out how Umpqua Bank can help your business

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