



**SENTIMENT
REPORT
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SECOND HALF
NORTHEAST
REGION**

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Northeast leaders: Confident in economic and company outlook

A majority of business leaders in the Northeastern United States are confident about their company outlooks — and the overall U.S. economic outlook — heading into the third quarter of 2024. Notably, this confidence has grown significantly among Northeastern middle market business leaders since 2022. The region is seeing a renewed focus on business growth through operational efficiencies and staying ahead of economic and other business challenges.

In June, KeyBank surveyed owners and executives of middle market businesses across the U.S., defined as those with \$10 million to \$1 billion in revenue. Over 700 business owners responded. Specifically, 80% of the 150 Northeastern middle market business leader respondents have an “excellent” or “very good” outlook for their company. This level of confidence is only 2 percentage points behind Southern U.S. middle market business leaders and on par with Western U.S. counterparts.

Additionally, the percentage of Northeastern leaders with a positive company outlook grew 13 percentage points from this same time frame in 2022, and 11 percentage points from Q4 of 2023.

The overall U.S. economic outlook over the next year was lower, yet still positive, with 57% of Northeastern middle market business leaders reporting an “excellent” or “very good” outlook for the U.S. economy over the next 12 months. This number is the highest among all regions, and noticeably higher than the Midwest at only 40%. The Northeastern middle market economic outlook sentiment is a 14 percentage point jump from this same time frame in 2022.

Business leaders in the Western U.S. middle market are optimistic about growth, despite facing challenges like talent retention, cybersecurity threats, and inflation. They plan to overcome these issues by using new technology to improve their operations and security. Among middle market business owners nationwide, overall company outlook significantly increased — the highest increase since late 2022.

So, how are middle market companies gaining efficiencies and growing their businesses?

Regional breakdown

Percentage of companies with an excellent/very good outlook

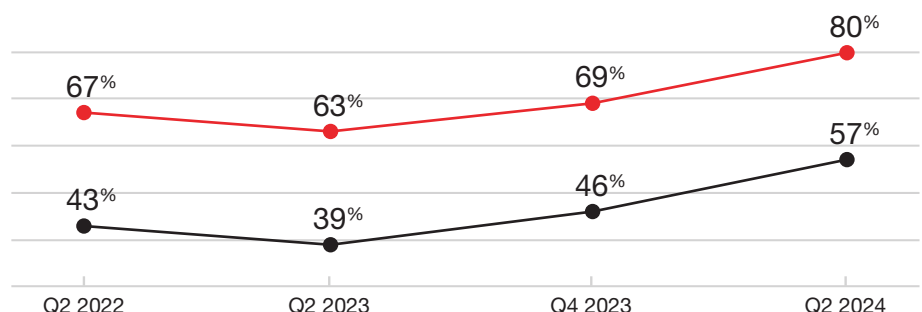
	U.S. Economic Outlook	Company Outlook
Northeast	57%	80%
Midwest	40%	71%
South	46%	82%
West	56%	80%

Northeast respondents:

Percentage of Northeastern leaders with a positive company outlook

● Positive company outlook

● Positive U.S. economic outlook



Reasons for a positive company outlook

Dialing into the specific factors that contributed to a positive company outlook, 63% of Northeastern middle market business owners who feel “very good” or “excellent” about their company outlook credit improved efficiency in business operations, while 60% cited technology improvements.

Across all regions, middle market business leader expansion plans reflect a deep commitment not just to surviving, but thriving, by exploring new opportunities, investing in their future and adapting to the changing landscape. Expansion plans include entering new product markets, scaling operations, or implementing new technology and automation. The old adage, “you have to spend money to make money” rings true with operational efficiencies, since they often come with upfront costs.

Of all technologies available to business owners today, AI is one of the most prevalent. In fact, AI adoption tops the list of methods U.S. middle market business leaders have for expanding operations, as 54% of leaders plan to implement AI before the end of 2024. This is a 10% increase since Q4 2023.



Middle market expansion plans reflect a continued resiliency of this sector, demonstrating an ability to adapt to the changing landscape, explore new opportunities, and invest in their future. Whether it’s adding new product lines, expanding markets, scaling their operations, or implementing new technology and automation, these businesses are setting the stage for a robust and sustainable future.

Ken Gavriety
President
KeyBank Commercial

Factors contributing to high company outlook

Among businesses with excellent/very good company outlook

Base: East respondents

	Top factors contributing to a positive company outlook	Rank among four regions
Improved efficiency in business operations	63%	3 rd
Improvements in technology	60%	2 nd
Ability to attract and/or retain talent	48%	1 st
Improved cybersecurity	42%	2 nd
Better timeliness of materials/commodities	35%	2 nd
Ability to raise prices	33%	3 rd
Anticipated decrease in overall inflation	32%	1 st

Top 5 methods for expanding scope of operations

Base: Total business owners/executives

54%	Implementing AI
48%	Expanding the use of AI/Technology
46%	Adding employees
44%	Introducing new products
42%	Implementing process improvements

Concerns holding back Northeastern middle market businesses

Regardless of their outlook on the U.S. economy, businesses across the country indicate concerns of being able to offset unexpected expenses and financial emergencies as potential threats to overall company outlook. The ability to invest in growth and increase employee compensation are also concerns.

Northeastern middle market leaders had the highest outlook – or one of the top three highest – of all US respondents on a number of factors related to business growth, including their continued ability to attract and retain talent, improved cybersecurity, and anticipation of a decrease in overall inflation.

Not surprisingly, inflation remained a top concern in the middle market at mid-year. More than one-third of survey respondents (38%) reported that overall increases in inflation are negatively impacting business operations.

For nationwide middle market business leaders with a less optimistic outlook, the primary strategy for fighting inflation is passing increased costs onto customers, with 37% reporting this approach.

In contrast, leaders who feel more confident about their company’s future are countering inflation by streamlining processes, improving efficiencies, adopting automation, and boosting sales and marketing efforts.

Effects of rising energy/oil/gas

Among businesses currently impacted by higher energy/oil/gas costs
Base: Northeast respondents

60% Smaller Profit Margins

43% Increased renewable energy/energy efficiency efforts

31% Decreased revenues

The top five actions leaders plan to take because of inflation

Those with at least some inflation impact
Base: Business owners/executives

Excellent/very good company outlook

- 37%** Increase sales/marketing efforts
- 36%** Improve processes/create efficiencies
- 36%** Increase automation to improve productivity
- 33%** Implement changes to the supply chain
- 30%** Identify alternative suppliers/sources

Good/fair/poor company outlook

- 37%** Pass increased costs to customers through higher prices
- 33%** Increase sales/marketing efforts
- 32%** Improve processes/create efficiencies
- 30%** Increase automation to improve productivity
- 25%** Identify alternative suppliers/sources

Growth opportunities and access to needed capital are available

Overall, U.S. middle market business leaders are seeking improvements through technology investments designed to increase operational efficiencies, reduce cybersecurity risk, and decrease the overall cost of doing business.

Middle market business leaders expecting moderate revenue increases in the next 12 months are much more likely this quarter to view implementing AI as a top method of expansion, along with continued focus on additional process improvements.

Despite U.S. economic uncertainty, optimism about their own companies' futures is abundant with Northeastern middle market business leaders. Many are investing in growth and uncovering new opportunities to strengthen their organizations.

Whether you're seeking access to capital to consider investing in AI or technologies to scale your business and/or reduce your cybersecurity risk, KeyBank's middle market experts have a deep understanding of the unique challenges Northeast middle market business leaders face, and we can provide customized insights and real-time counsel to power growth to meet your business objectives.

Read the full [Second Half 2024 Middle Market Sentiment report](#) for more national survey results and insights.



"KeyBank Middle Market Business Sentiment Survey," May 14 – June 12, 2024. KeyBank's Middle Market Sentiment survey asked more than 700 owners and executives of businesses with \$10 million to \$1 billion in annual revenue about their outlook for the year, the challenges currently affecting their businesses, and their growth plans for 2024.

The data presented for the Northeast region is based on survey responses from companies headquartered in the following states: Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

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Our banking teams offer integrated solutions and strategic expertise to help your business raise capital and manage payments, liquidity, and cash flow. To learn more about KeyBank's middle market capabilities, [contact a KeyBank Relationship Manager](#).



Brandon Nowac is KeyBank's East Region Commercial Executive with various responsibilities for the company. This includes overseeing Payments for Key's Institutional Bank, Foreign Exchange & International Services as well as being Head of the East Region for Key's Commercial Bank. Through teams across the U.S., he is responsible for delivering lending, payments, foreign exchange, and other banking solutions to over 6,000 customers nationally.