

**SENTIMENT
REPORT
2024
SECOND HALF
WEST
REGION**

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Western leaders: Confident in economic and company outlook

A majority of business leaders in the West are confident about their company outlooks — as well as the overall U.S. economic outlook — in the second half of 2024, illustrating 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 nearly 150 Western middle market business leader respondents have an “excellent” or “very good” outlook for their companies. This level of confidence is only 2 percentage points behind middle market business leaders in the South, and on par with Northeastern counterparts.

The overall U.S. economic outlook over the next year was lower, yet still positive, with 56% of Western 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 second-highest region, behind the Northeast at 57%, and noticeably higher than the Midwest at only 40%.

One reason for the positive company outlook growing faster than economic outlook is the perception that businesses have a certain level of controllability within company walls, even amid challenging economic times.

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 efficiency and growing their businesses?

Regional breakdown

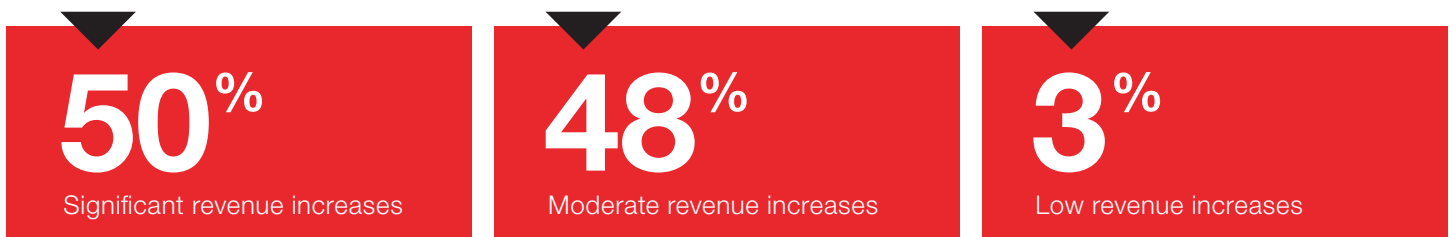
Percentage of companies with an excellent/very good outlook

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

Increased revenue expectations

Among businesses with excellent/very good company outlook

Base: Midwest respondents



Reasons for a positive company outlook

Dialing into the specific factors that contributed to a positive company outlook, 67% of Western middle market business owners who feel “very good” or “excellent” about their company outlooks credit improved efficiency in business operations, while 63% cited technology improvements — both of those numbers were the highest among all regions

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

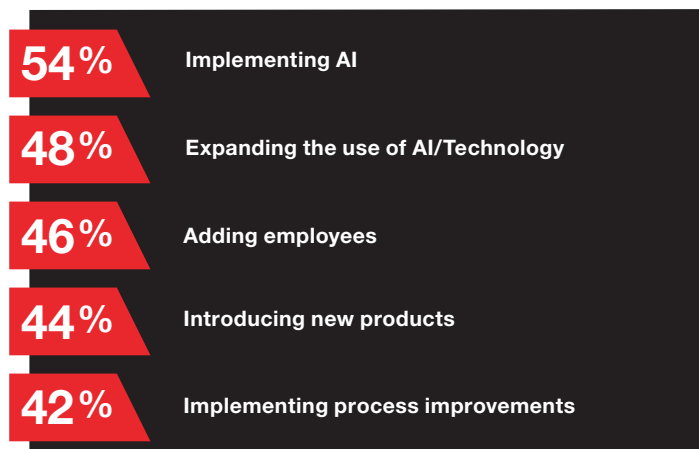
Among businesses with excellent/very good company outlook

Base: West respondents



Top 5 methods for expanding scope of operations

Base: Total business owners/executives



Concerns holding back Western 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.

Overall Western middle market leaders had the highest or second-highest outlook of all U.S. respondents on a number of factors related to business growth.

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 on to customers, with 37% reporting this approach.

In contrast, leaders who feel more confident about their companies' 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: West respondents

63% Smaller profit margins

37% Increased renewable energy/energy efficiency efforts

52% 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 Western 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 West 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 has the industry expertise, insights, and solutions to help your business manage growth and identify opportunities in an uncertain economic environment.

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](#).



Laurie Muller-Girard is KeyBank's West Region Commercial Executive with responsibility for growth and success in the Alaska, California, Colorado, Idaho, Kansas, Oregon, Utah, and Washington markets, Key's Agribusiness and Commercial Healthcare verticals, and Dealer Finance. In this role, Laurie is responsible for delivering on Key's relationship-based strategy, and is proud to hire, develop, and retain best-in-class banking professionals who care deeply about helping Key's clients and communities thrive.

"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 West region is based on survey responses from companies headquartered in the following states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

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