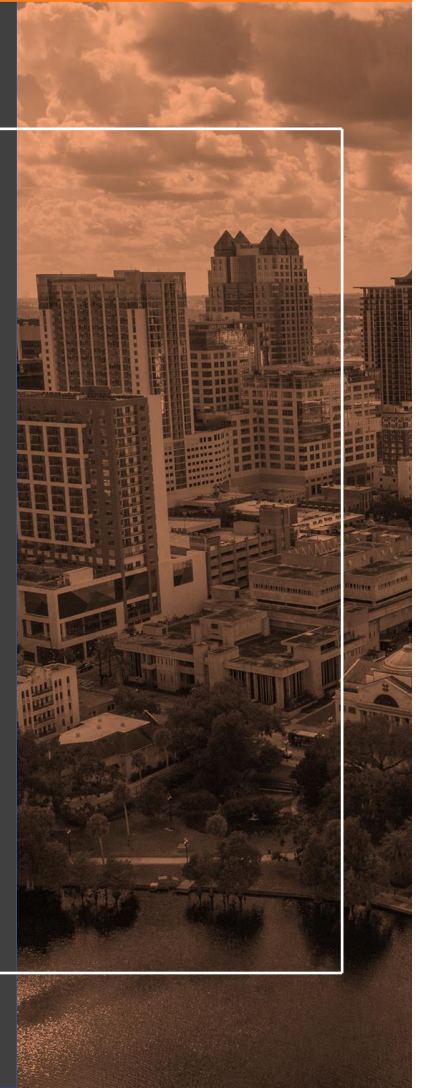# Orlando Business Conditions Survey

ORLANDO ECONOMIC PARTNERSHIP

NATIONAL CHAMBER OF THE YEAR
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SUMMARY

Local business confidence surged in the first quarter of 2024, despite declining optimism in the national economy.

Strong performance across all metrics is behind the surge, driving future revenue expectations to a survey high.

Cost pressures displaced staffing issues as the most common challenge facing area businesses in Q1 2024 following a lengthy period of inflation.

Securing new clients was seen as a key opportunity as optimism prompted businesses to transition from defensive to proactive strategies.

Most businesses are already using Artificial Intelligence and are likely to increase their investment in the next year.

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Neil Hamilton
Vice President, Market Intelligence
Orlando Economic Partnership

"   This quarter's results serve as a reminder that all economics is local. Area businesses became increasingly bullish about their prospects in the first quarter of 2024 after a period of robust performance, even as inflation and uncertainty weighed on their outlook for the national economy. It will be interesting to see how this disconnect plays out as 2024 progresses, with local ambitions to grow clients and revenue in conflict with the national uncertainty that typically accompanies an election year.

Results from our special topic suggest adoption of Artificial Intelligence is already widespread in the Orlando business community and confirm its disruptive potential, with businesses overwhelmingly reporting a positive impact to date."

CONTENTS

Orlando Business Conditions **Q1 2024**

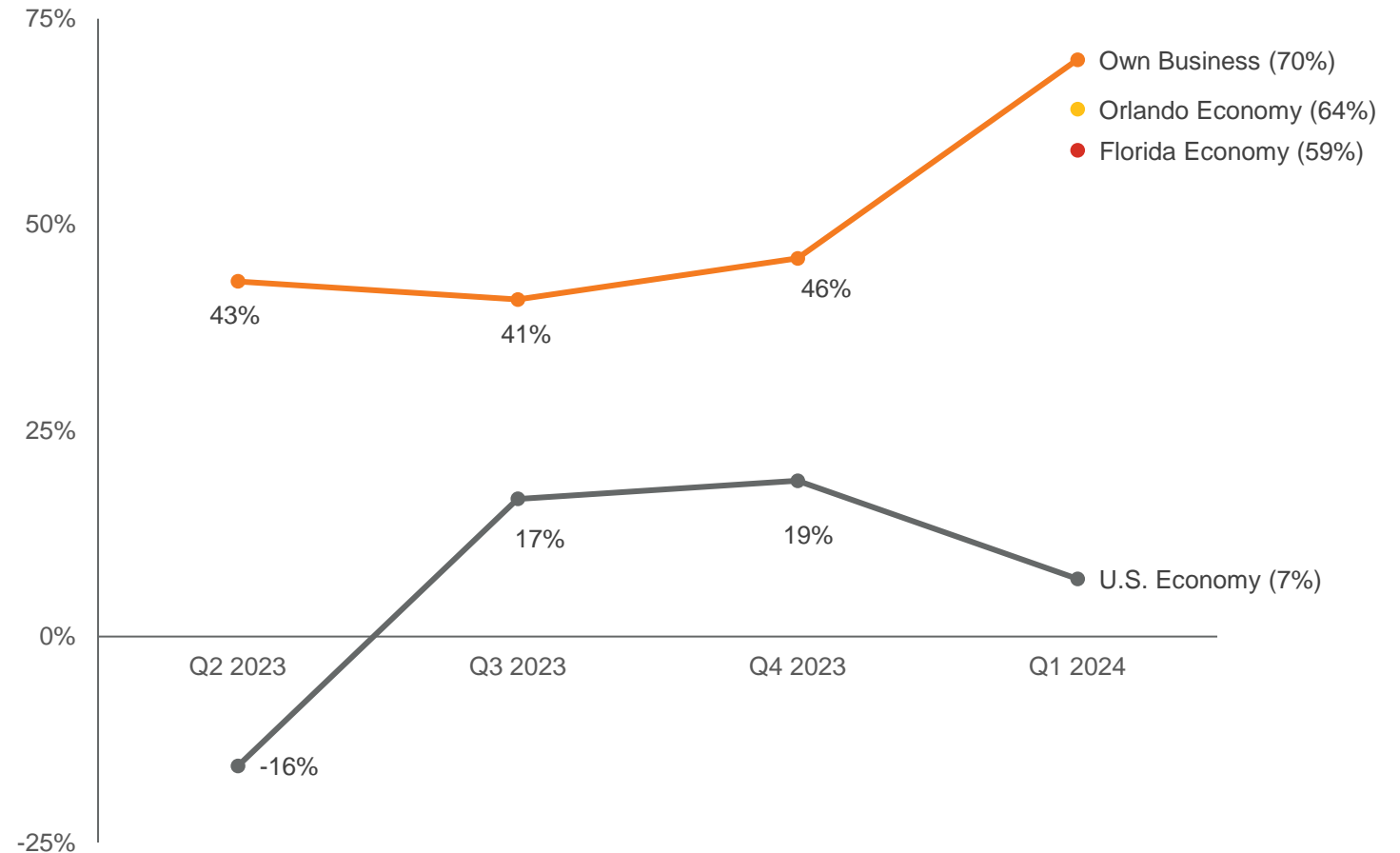**BUSINESS CONFIDENCE** | RECENT PERFORMANCE | FUTURE EXPECTATIONS | CHALLENGES | OPPORTUNITIES | SPECIAL FOCUS ARTIFICIAL INTELLIGENCE | METHODOLOGY

Local business confidence surges despite drop in national outlook.

- 77% of businesses indicated they believe their business will strengthen over the next 3 months, compared to 38% who believe the U.S. economy will strengthen.

- Measured as a net balance, confidence in their own prospects increased significantly from Q4 2023. Confidence in the national economy dropped amid stubborn inflation and growing political uncertainty.

- Recent business performance was the biggest reason highlighted by companies as the source of their own outlook, cited by 1 in 4 respondents in Q1 2024.

- Businesses were most optimistic about the outlook for their own performance, followed by that of the Orlando economy, and then the Florida economy. Optimism about the U.S economy was lowest by a wide margin, and barely positive.

Net balance*, outlook for next 3 months

Own Business (70%)
Orlando Economy (64%)
Florida Economy (59%)
U.S. Economy (7%)

43% 41% 46%
17% 19%
-16%

Q2 2023 Q3 2023 Q4 2023 Q1 2024

*percentage of businesses expecting to strengthen less percentage expecting to weaken.
Time series unavailable for Orlando and Florida economies as question first asked in Q1 2024.

Orlando Business Conditions **Q1 2024**

| BUSINESS CONFIDENCE | **RECENT PERFORMANCE** | FUTURE EXPECTATIONS | CHALLENGES | OPPORTUNITIES | SPECIAL FOCUS ARTIFICIAL INTELLIGENCE | METHODOLOGY |

Performance strengthens across all metrics, employment and profitability see biggest gains.

- 54% of respondents reported increased revenue in the last 3 months, consistent with the strong performance reported in previous quarters.

- Measured as net balances, performance increased from Q4 2023 across all metrics. There was a notable shift in employment (+9%), suggesting businesses felt sufficiently confident to hire in Q4.

- Respondents in Q1 were again most likely to report decreased profitability (20%). However, an overall increase from Q4 2023 (+10%) points to some businesses having worked to restore margins last quarter.

In the last 3 months, how did your business perform in the following areas?
Q1 2024

■ Increased ■ Decreased ■ Stayed the Same ■ Not Applicable
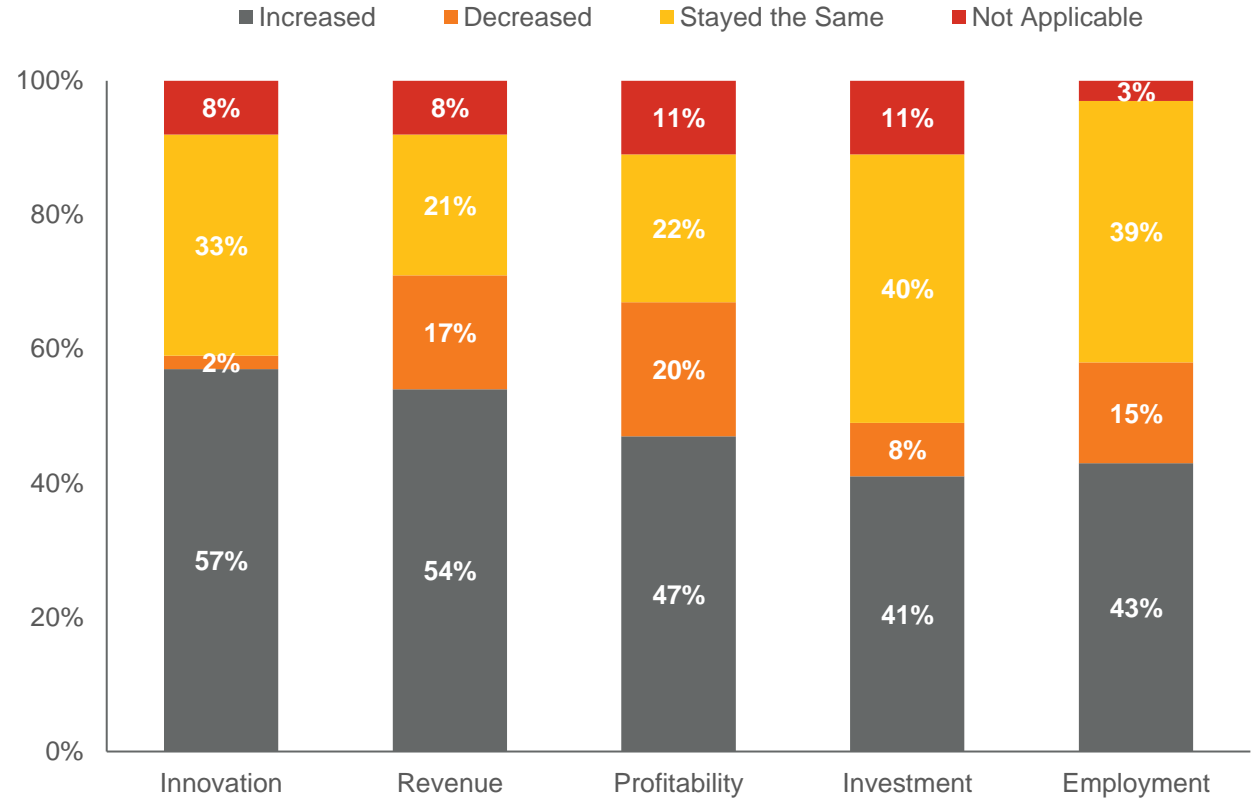
Net balances

	Innovation	Revenue	Profitability	Investment	Employment
Q1 2024	**56%**	**38%**	**27%**	**33%**	**28%**
Q4 2023	51%	36%	17%	30%	19%
Change	**5%**	**2%**	**10%**	**3%**	**9%**

Orlando Business Conditions **Q1 2024**

| BUSINESS CONFIDENCE | RECENT PERFORMANCE | **FUTURE EXPECTATIONS** | CHALLENGES | OPPORTUNITIES | SPECIAL FOCUS ARTIFICIAL INTELLIGENCE | METHODOLOGY |

Revenue expectations hit record high, investment intentions more subdued.

- 68% of respondents in Q1 expected to increase revenue over the next 3 months, with just 5% expecting a decrease.

- Expectations around investment were more subdued, with just 39% of businesses expecting to increase investment. This likely reflects the current interest rate environment.

- Measured as net balances, expectations strengthened in Q1 across all metrics. Revenue expectations rose to their highest level (62%) since the survey's inception over a year ago, consistent with growing confidence among businesses.

In the next 3 months, how does your business expect to perform in the following areas?
Q1 2024

■ Increase   ■ Decrease   ■ Stay the Same   ■ Not Applicable
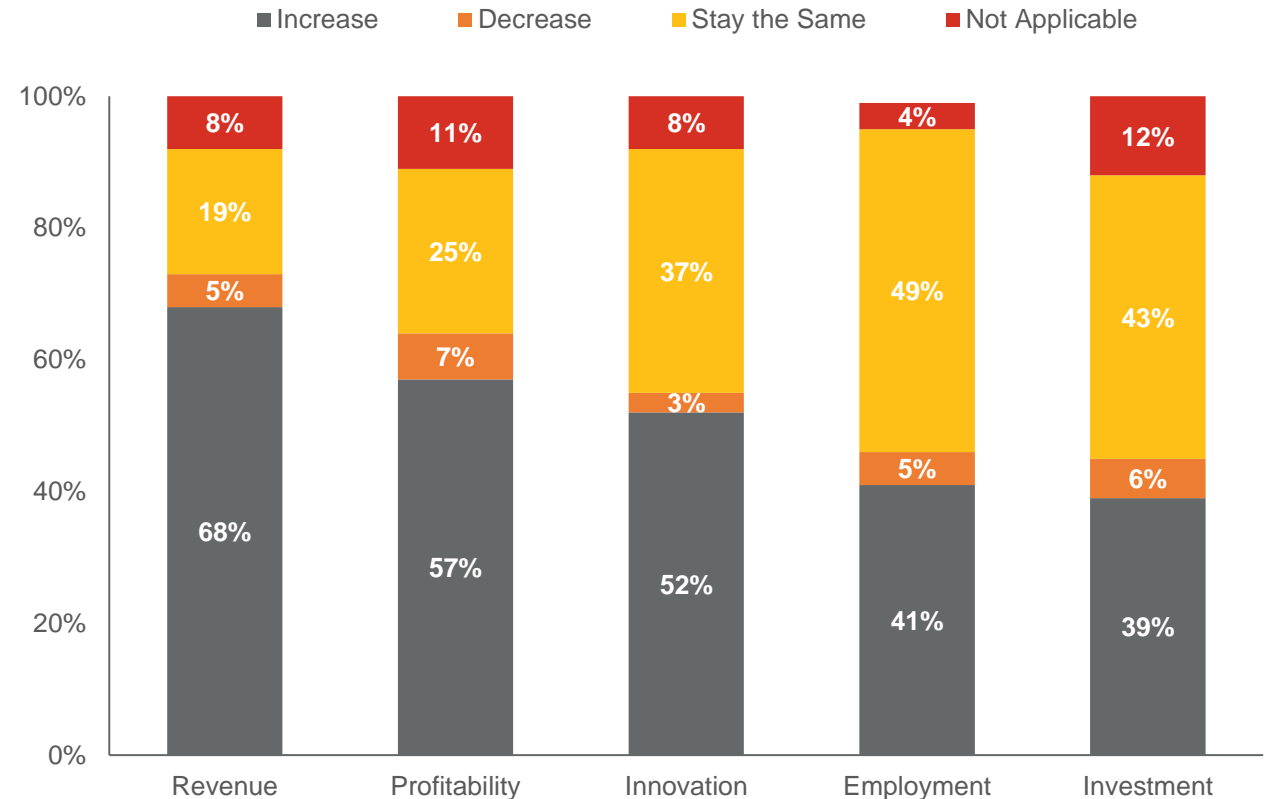
Net balances

	Revenue	Profitability	Innovation	Employment	Investment
Q1 2024	**62%**	**49%**	**49%**	**36%**	**34%**
Q4 2023	46%	38%	48%	27%	29%
Change	**16%**	**11%**	**1%**	**9%**	**5%**

Orlando Business Conditions **Q1 2024**

BUSINESS CONFIDENCE | RECENT PERFORMANCE | FUTURE EXPECTATIONS | **CHALLENGES** | OPPORTUNITIES | SPECIAL FOCUS ARTIFICIAL INTELLIGENCE | METHODOLOGY

Cost pressures most common challenge, national uncertainty rising.

- Cost pressures were the most common challenge facing area businesses in Q1 2024, referenced by 56% of businesses. Small businesses and businesses in the manufacturing sector were more likely to highlight cost pressures.

- There was a notable increase in businesses highlighting economic and/or political uncertainty in Q1 2024. This is consistent with stubborn inflation and growing uncertainty in an election year.

- Although displaced by cost pressures as the most common challenge, staffing issues remain acute. 16% of business cited staffing issues as their single biggest challenge, comparable to the 17% that selected cost pressures.

What would you say are your company's biggest challenges in the next 3 months?
Q1 2024

Challenge	% referencing	% biggest challenge
Cost Pressures	56%	17%
Economic Uncertainty	48%	16%
Political Uncertainty	38%	15%
Staffing Issues	37%	16%
Sector-Specific Challenges	30%	9%
Funding Challenges	26%	11%
Demand Challenges	22%	8%
Internal Challenges	14%	4%
Supply Chain Challenges	12%	4%

■ % of businesses referencing challenge
■ % of businesses referencing challenge as biggest challenge

Orlando Business Conditions **Q1 2024**

BUSINESS CONFIDENCE | RECENT PERFORMANCE | FUTURE EXPECTATIONS | CHALLENGES | **OPPORTUNITIES** | SPECIAL FOCUS ARTIFICIAL INTELLIGENCE | METHODOLOGY
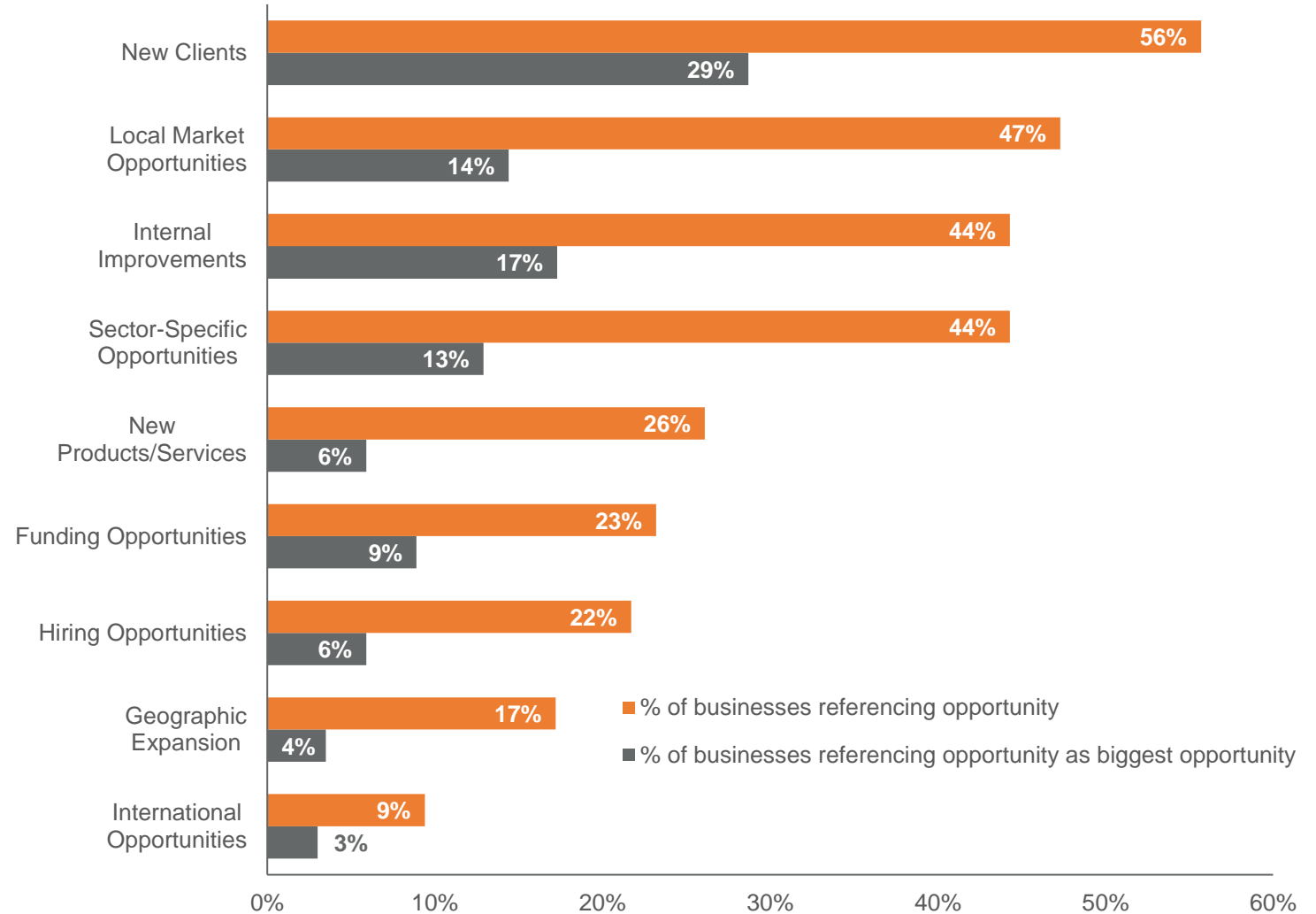
Businesses targeting new clients in growing local economy.

- Securing new clients was the most common opportunity identified in Q1 2024, referenced by 56% of businesses.

- Some of this new work may logically come from growth in the local Orlando market, highlighted by businesses as another major opportunity in Q1.

- Making internal adjustments to improve efficiency has decreased as a priority since Q4 2023. This may suggest businesses implemented any necessary changes last quarter or reflect greater confidence in their ability to grow revenue.

### What would you say are your company's biggest opportunities in the next 3 months?
Q1 2024

Opportunity	% of businesses referencing opportunity	% of businesses referencing opportunity as biggest opportunity
New Clients	56%	29%
Local Market Opportunities	47%	14%
Internal Improvements	44%	17%
Sector-Specific Opportunities	44%	13%
New Products/Services	26%	6%
Funding Opportunities	23%	9%
Hiring Opportunities	22%	6%
Geographic Expansion	17%	4%
International Opportunities	9%	3%

Orlando Business Conditions **Q1 2024**

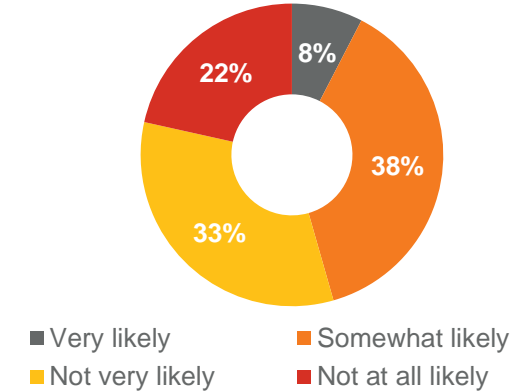| BUSINESS CONFIDENCE | RECENT PERFORMANCE | FUTURE EXPECTATIONS | CHALLENGES | OPPORTUNITIES | **SPECIAL FOCUS ARTIFICIAL INTELLIGENCE** | METHODOLOGY |

Most businesses already using Artificial Intelligence (AI), non-adopters open to future use.

- 82% of businesses surveyed in Q1 2024 indicated AI has the potential to transform their industry over the next 5 years.

- 61% of respondents have already adopted AI technology, with the greatest levels of adoption among large businesses and in the financial sector.

- Operating in an industry they consider unsuitable for AI was the main reason why some businesses have not adopted AI technology, although uncertainty around potential benefits was also cited.

- Almost half (47%) of businesses who have not adopted AI have explored AI solutions and 46% reported it is likely they will consider adopting AI in the next year.
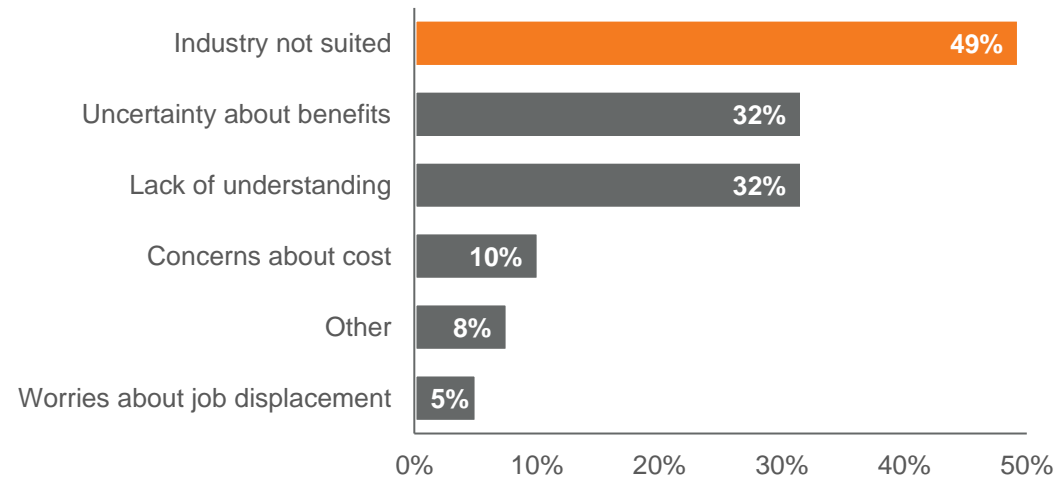
Has your business adopted any AI technology into your business?

- **39%**
- **61%**

■ Yes ■ No
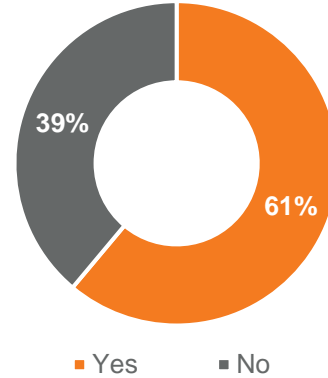
Likelihood of non-adopters considering adopting AI technology in the next 12 months

- **8%**
- **38%**
- **33%**
- **22%**

■ Very likely ■ Somewhat likely
■ Not very likely ■ Not at all likely

Primary reasons for not adopting AI technology

Industry not suited	49%
Uncertainty about benefits	32%
Lack of understanding	32%
Concerns about cost	10%
Other	8%
Worries about job displacement	5%

0%   10%   20%   30%   40%   50%

Orlando Business Conditions **Q1 2024**

BUSINESS CONFIDENCE | RECENT PERFORMANCE | FUTURE EXPECTATIONS | CHALLENGES | OPPORTUNITIES | **SPECIAL FOCUS ARTIFICIAL INTELLIGENCE** | METHODOLOGY
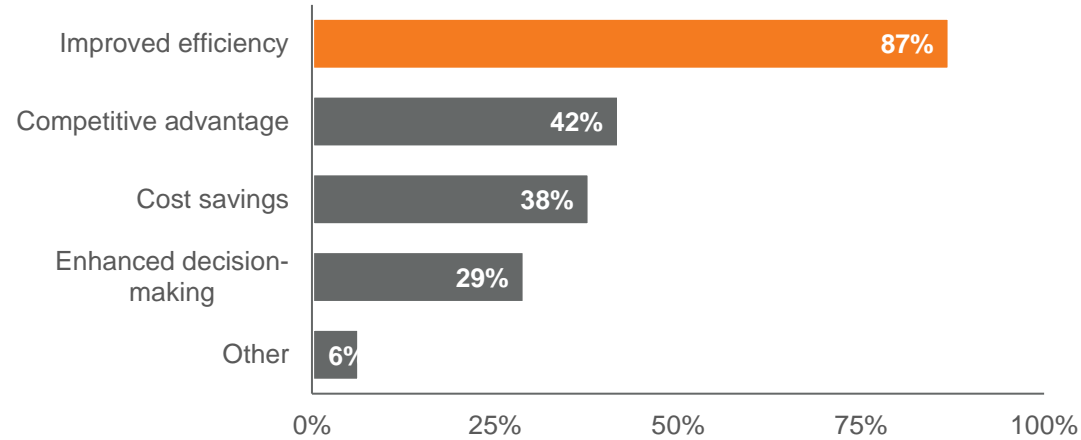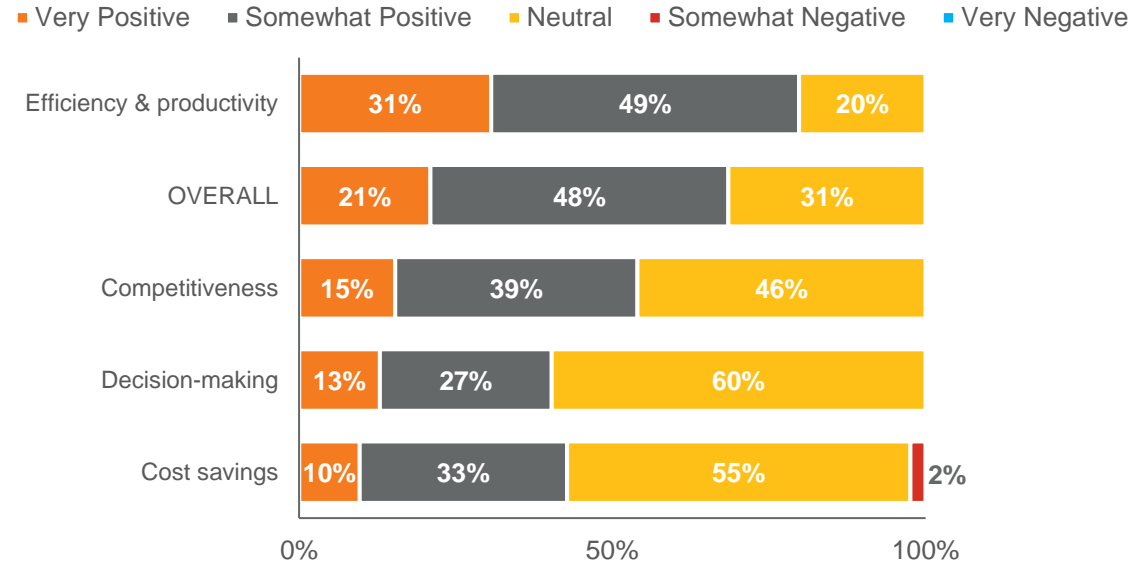
AI experience overwhelmingly positive, workforce impact negligible.

- Improving efficiency was the primary driver among businesses that have adopted AI, cited by 87% of businesses.

- Businesses that have adopted AI said its overall impact has been positive, with virtually no negative experiences reported. The greatest impact has been on efficiency, with almost a third (31%) reporting a very positive impact.

- 87% of business that have adopted AI indicated they are either very likely or somewhat likely to increase their investment in AI in the next year.

- Businesses that have adopted AI reported little to no impact on their workforce to date. Just 3% said their workforce has decreased because of AI.

Primary reasons for adopting AI technology

Improved efficiency	87%
Competitive advantage	42%
Cost savings	38%
Enhanced decision-making	29%
Other	6%

0%   25%   50%   75%   100%

Impact of Adopting AI in desired areas

■ Very Positive   ■ Somewhat Positive   ■ Neutral   ■ Somewhat Negative   ■ Very Negative

	Very Positive	Somewhat Positive	Neutral	Somewhat Negative
Efficiency & productivity	31%	49%	20%	
OVERALL	21%	48%	31%	
Competitiveness	15%	39%	46%	
Decision-making	13%	27%	60%	
Cost savings	10%	33%	55%	2%

0%   50%   100%

ABOUT THE Q1 2024 ORLANDO BUSINESS CONDITIONS SURVEY

■ 202 business responses collected between January 1, 2024, and March 31, 2024

■ Responding businesses employ more than 200,000 people in the Orlando region

■ Orange, Osceola, Seminole and Lake counties all represented

■ 16 different industries represented

METHODOLOGY

The Orlando Business Condition Survey asks businesses in Orange, Osceola, Seminole and Lake counties a series of questions relating to their confidence, recent and expected business performance, challenges, and opportunities. The survey is administered by Stetson University's Center for Public Opinion Research (CPOR), with responses collected throughout the quarter. Each quarter, businesses are also asked a series of questions on a topical issue of regional significance.

Survey results are often presented as a **net balance** - the percentage of businesses who report an increase in any given measure minus the percentage who report a decrease. For example, if 50% of businesses indicate their revenue increased and 18% said their revenue decreased, the net balance for the quarter would be +32% (an overall expansion). If 32% indicate revenue increased and 33% said revenue decreased, the net balance would be -1% (an overall contraction).

ADD YOUR VOICE

Improve your understanding of the Orlando economy while helping to shape the region's economic future.
www.orlando.org/survey

For more information on the Orlando Business Conditions Survey, contact Neil Hamilton, Vice President of Market Intelligence
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