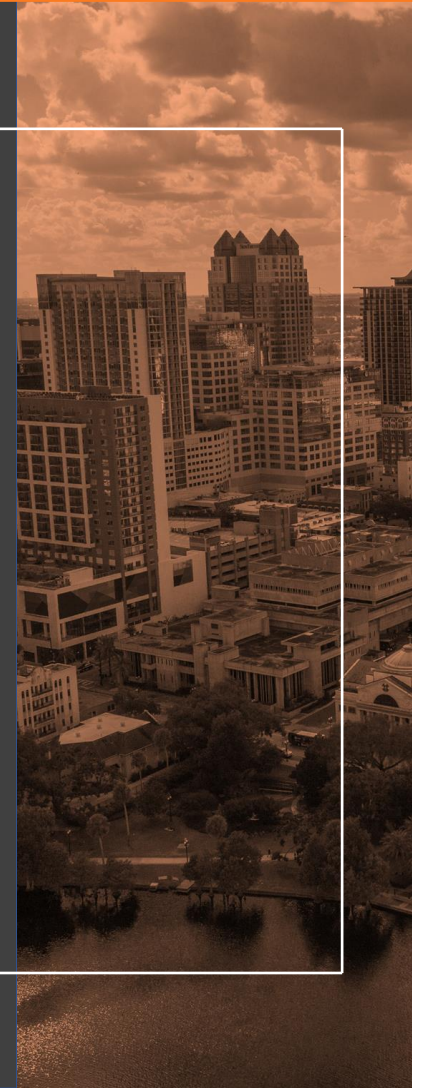


Orlando Business Conditions Survey



ORLANDO
ECONOMIC
PARTNERSHIP

NATIONAL
CHAMBER
OF THE YEAR



CALENDAR YEAR **Q4 2023**

SUMMARY

- Businesses in the Orlando region closed 2023 considerably more confident in their own prospects than those of the U.S. economy.
- This confidence reflects their recent strong performance, with 56% reporting increased revenue in the last 6 months.
- Expectations for future business activity are similarly robust, although hiring intentions are more muted.
- Staffing issues and cost pressures were the most common challenges facing area businesses in Q4 2023; making internal improvements and securing new clients were seen as key opportunities.
- Businesses are steadily making their way back to the office, but in a very thoughtful way. Staff wellbeing and talent retention are key considerations.



Neil Hamilton

Vice President, Market Intelligence
Orlando Economic Partnership

“ This quarter's results provide an excellent baseline from which to assess local market conditions moving forward. Area businesses were broadly optimistic about the economy entering 2024, but much of this confidence appears tied to the strong performance of their own businesses rather than the health of the wider economy. Concern about a sustained period of higher interest rates remains, while hiring difficulties and cost pressures persist, so it will be interesting to see the extent to which businesses feel sufficiently confident and able to act on their stated growth ambitions in the quarters ahead. Our questions on workplace practices suggest hybrid work is here to stay, with businesses acknowledging both its importance to employees and its potential role in attracting and retaining talent.”

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BUSINESS
CONFIDENCE

RECENT
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FUTURE
EXPECTATIONS

CHALLENGES

OPPORTUNITIES

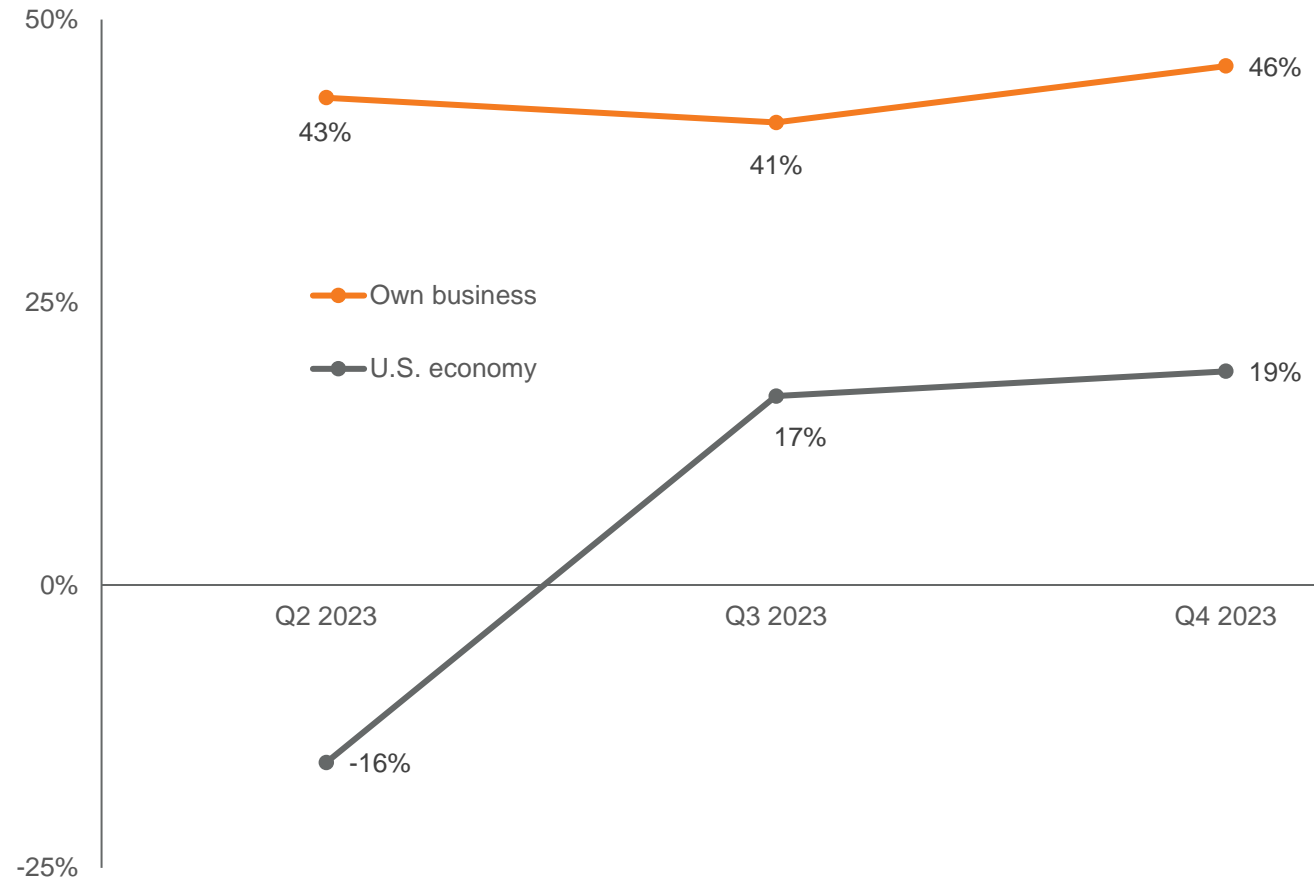
SPECIAL FOCUS
REMOTE WORK

METHODOLOGY

Businesses significantly more confident in their own prospects than those of U.S economy amid ongoing concern over inflation, interest rates.

- 57% of businesses in the region indicated they believe they will grow over the next 6 months, compared to 44% who believe the U.S. economy will grow.
- Measured as a net balance, businesses in Q4 were confident in both their own prospects (+46%) and the U.S. economy (+19%). Both confidence levels increased nominally from Q3 as hopes of a soft landing for the U.S. economy rose.
- The prospect of a period of higher interest rates and persistent inflation continues to cloud the national outlook, however. The share of businesses unsure about the direction of the U.S. economy over the next 6 months increased from 17% in Q3 to 30% in Q4.

Net balance*, businesses expecting growth in next 6 months



*percentage of businesses expecting growth minus percentage of businesses expecting contraction

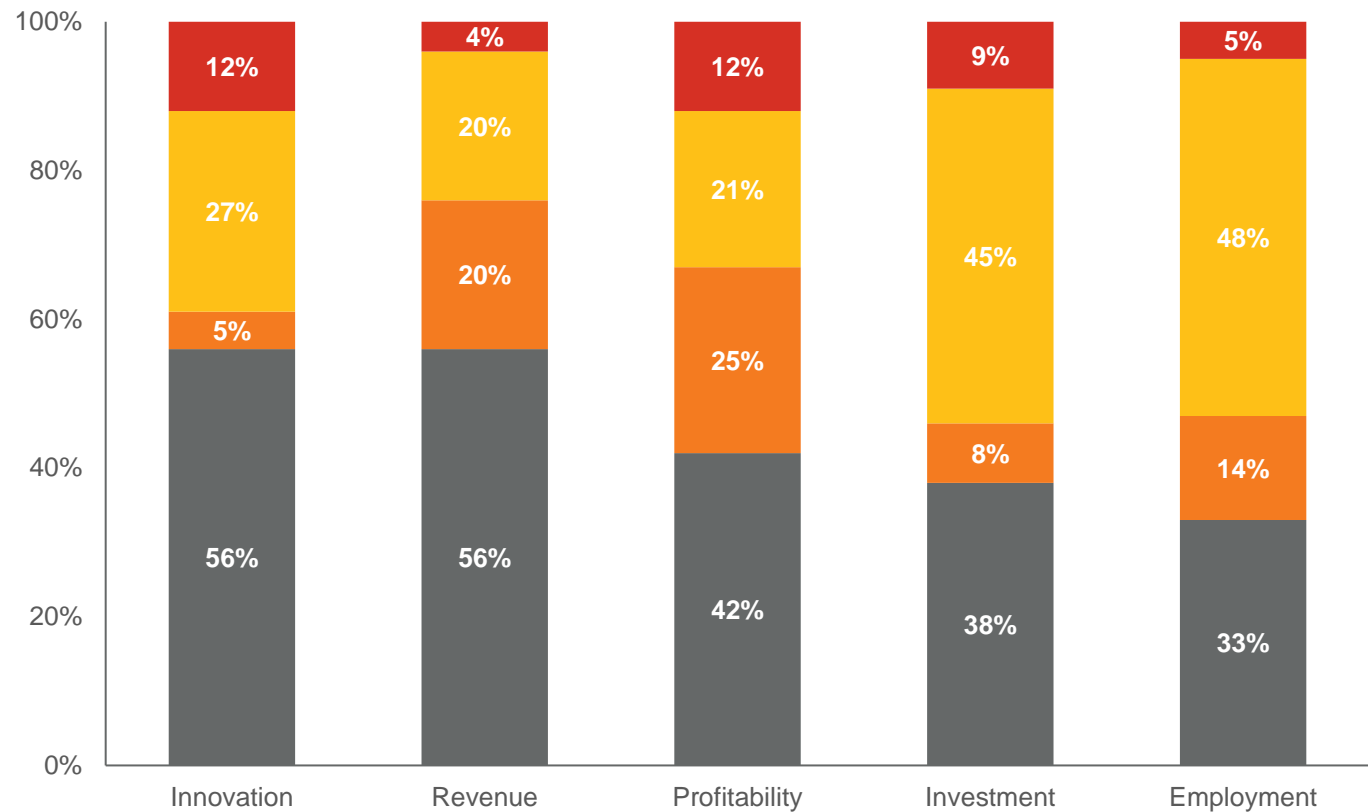
Businesses report strong performance on revenue, profitability impacted by higher costs.

- 56% of respondents reported increased revenue in the last 6 months, consistent with the strong performance reported in previous quarters.
- Respondents in Q4 were most likely to report decreased profitability. 1 in 4 businesses reported decreased profits as higher costs appeared to squeeze margins.
- Measured as a net balance, performance was positive across all metrics in Q4 but fell slightly from Q3 levels, except in the area of innovation.

In the last 6 months, how did your business perform in the following areas?

Q4 2023

■ Increased ■ Decreased ■ Stayed the Same ■ Not Applicable



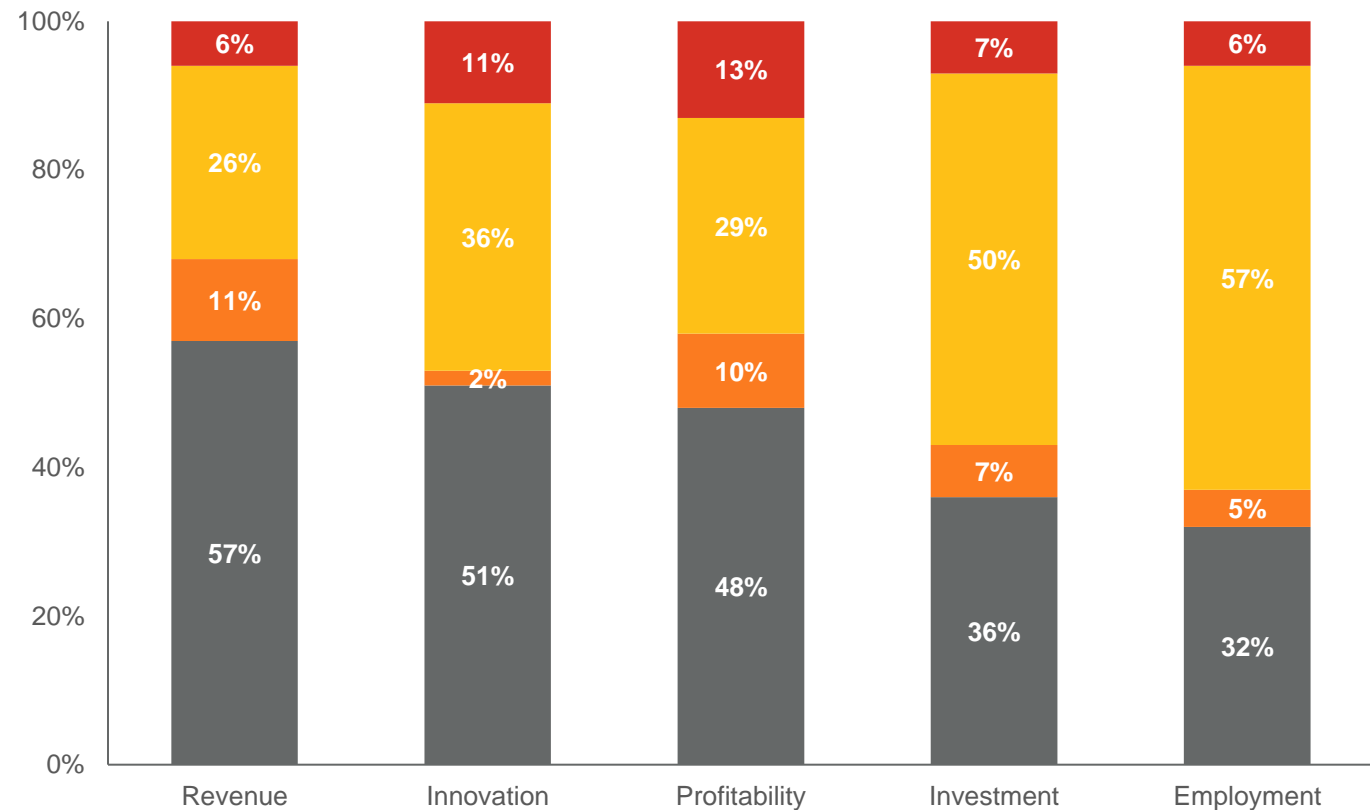
Over half of businesses expect to grow revenue, hiring intentions less robust.

- 57% of respondents in Q4 expected to increase revenue over the next 6 months, with just 11% expecting a decrease.
- Expectations around hiring were more subdued, with less than 1 in 3 businesses expecting to add staff. More than half (57%) projected no change in employment levels over the next 6 months as they take a wait-and-see approach to hiring.
- Measured as a net balance, expectations were most upbeat around innovation (+49%) and least upbeat around employment (+27%). This may reflect internal efforts to improve efficiency.

In the next 6 months, how does your business expect to perform in the following areas?

Q4 2023

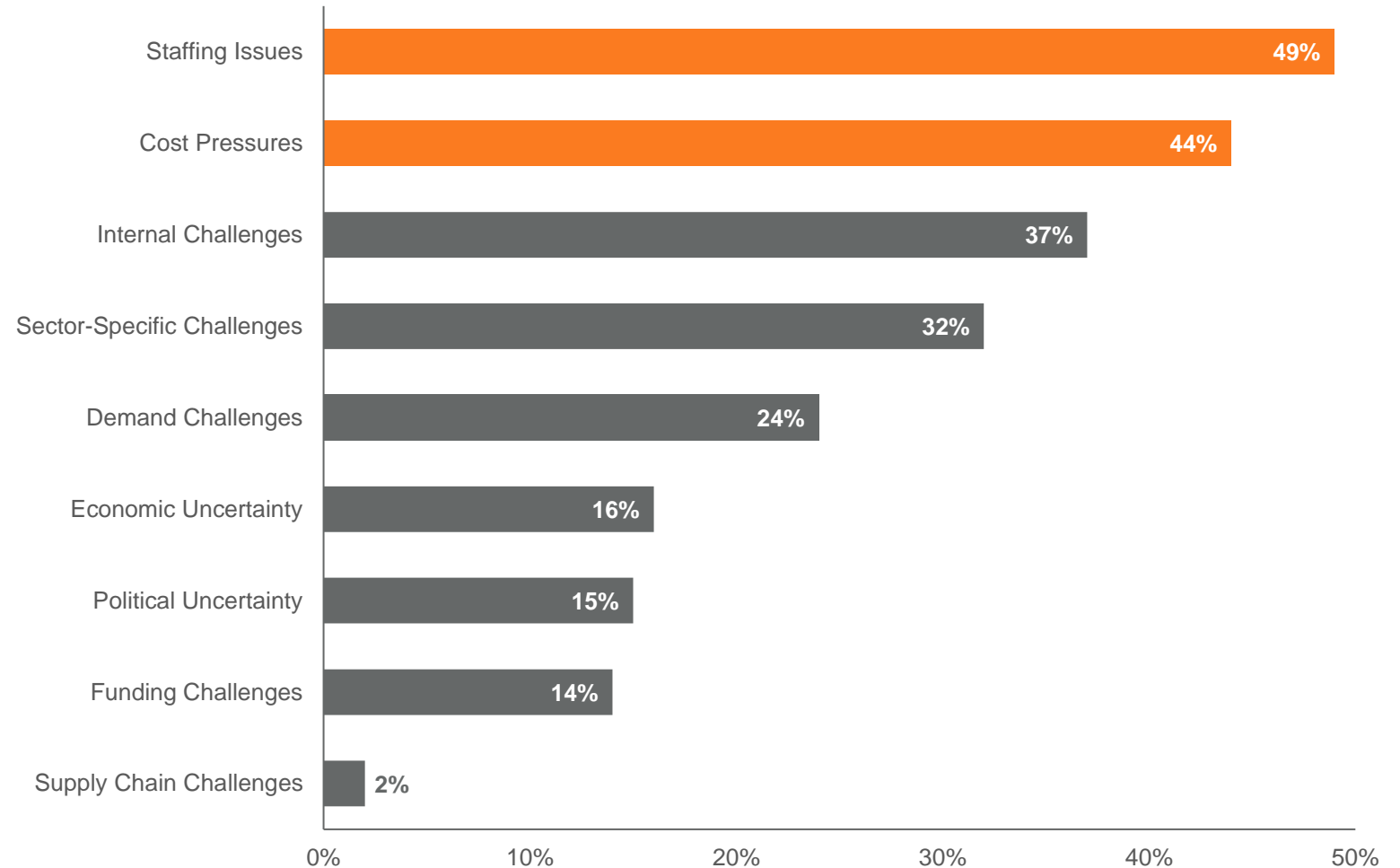
■ Increase ■ Decrease ■ Stay the Same ■ Not Applicable



Staffing issues most common challenge, cost pressures rising.

- Staffing issues were the most common challenge facing area businesses in Q4 2023, referenced by 49% of businesses. Difficulty recruiting talent was the dominant issue, although staff retention was also a concern.
- Cost pressures were also prevalent in Q4 2023, cited by 44% of businesses. Businesses reported higher wages, price increases from suppliers, and increased operating expenses.
- Staffing has been the dominant challenge reported by businesses since the survey's inception in early 2023; cost pressures have increased alongside inflation.

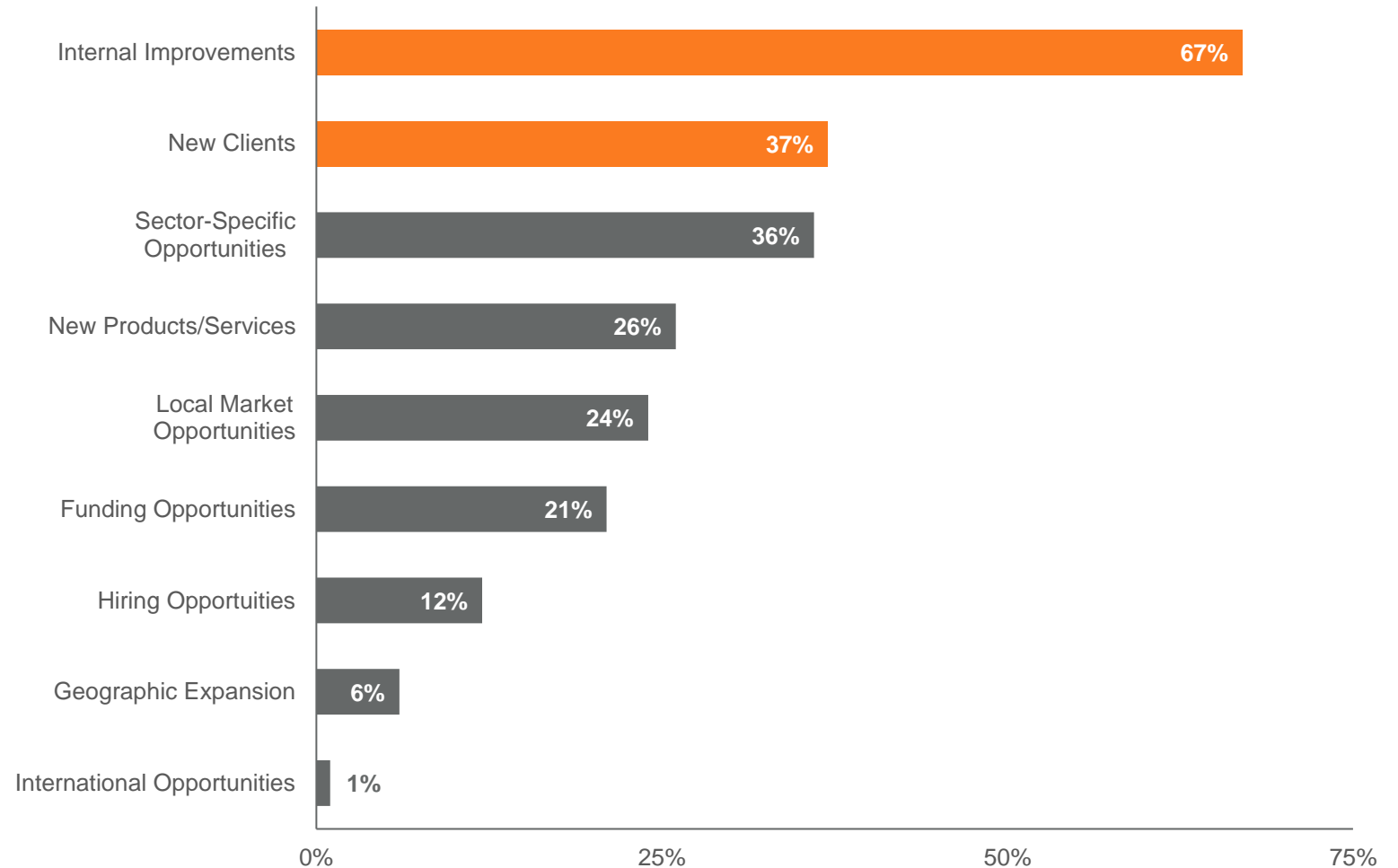
What would you say are your company's biggest challenges in the next 6 months?
% of businesses referencing challenge, Q4 2023



Businesses planning internal improvements in uncertain economy.

- Internal improvements were the most common opportunity identified in Q4 2023, referenced by 2 in 3 businesses. Businesses overwhelmingly indicated they are seeking to improve efficiency, often through process improvement or technology.
- Businesses also cited opportunity to add new clients, highlighted by 37% of businesses in Q4.
- Prioritizing internal improvements has increased alongside economic uncertainty; securing new clients has become less of a focus, with businesses indicating they are spending more time retaining and managing existing customers.

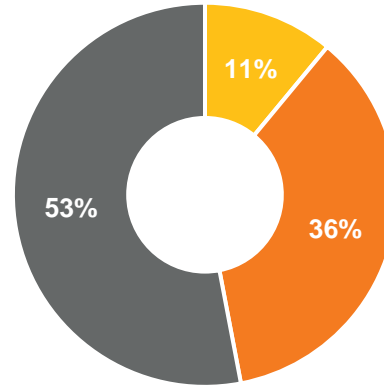
What would you say are your company's biggest opportunities in the next 6 months?
 % of businesses referencing opportunity, Q4 2023



Employees working more in office, businesses satisfied with workforce distribution.

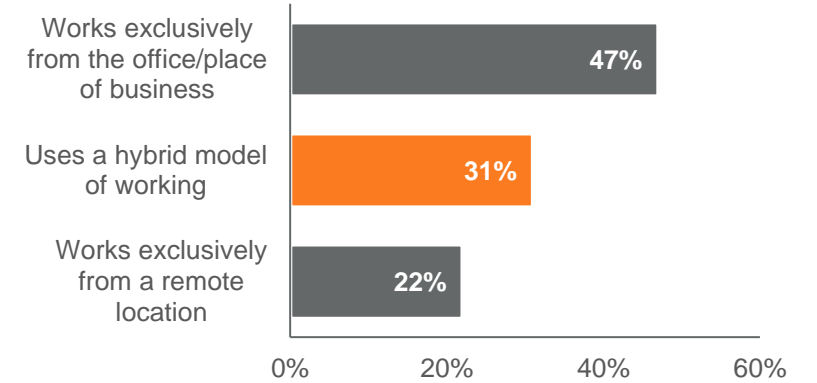
- Compared to a year ago, businesses reported 9 in 10 employees in Q4 2023 were spending either the same amount of time in the office or more.
- Almost a third of employees (31%) in Q4 2023 were using a hybrid model of working, with most of those (81%) spending an average of 3 or more days in the office.
- Employers indicated they are content with this distribution, with almost 7 in 10 indicating they were either somewhat satisfied or extremely satisfied with their current workforce distribution.

Employee time in office compared to one year ago

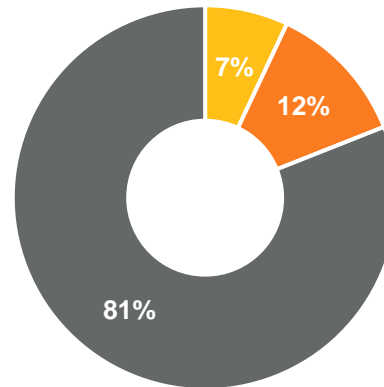


■ Less time in office ■ More time in office ■ Same amount of time in office

Percentage of workforce by work location



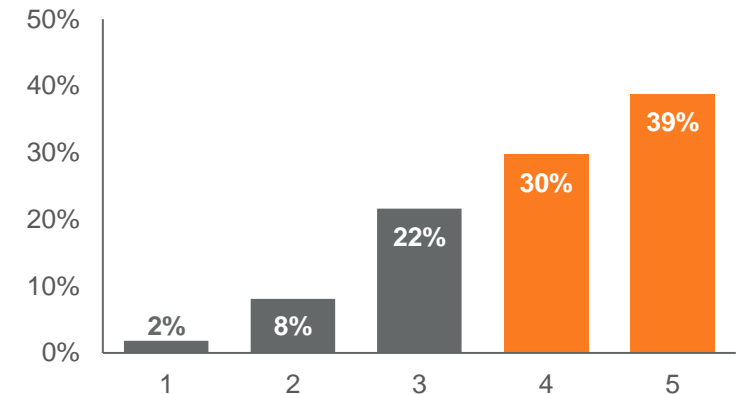
Average number of days per week hybrid employees spend in the office



■ 1 day ■ 2 days ■ 3 or more days

Satisfaction with current workforce distribution (home, office, and hybrid)

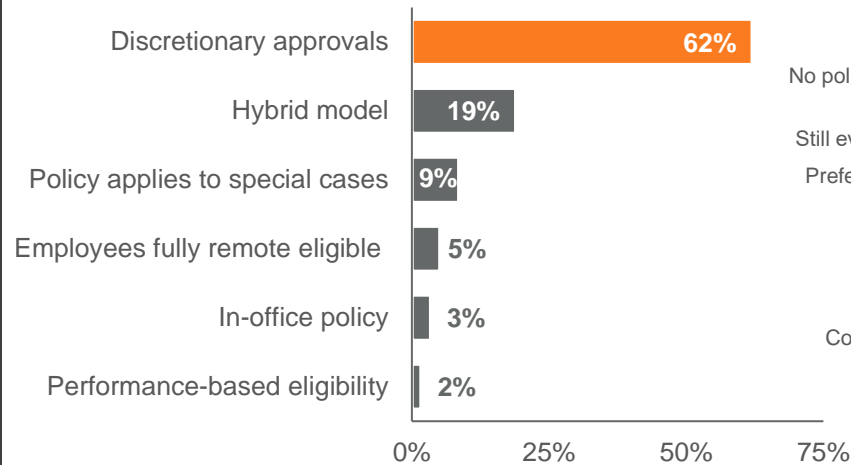
1 = extremely unsatisfied; 5 = extremely satisfied



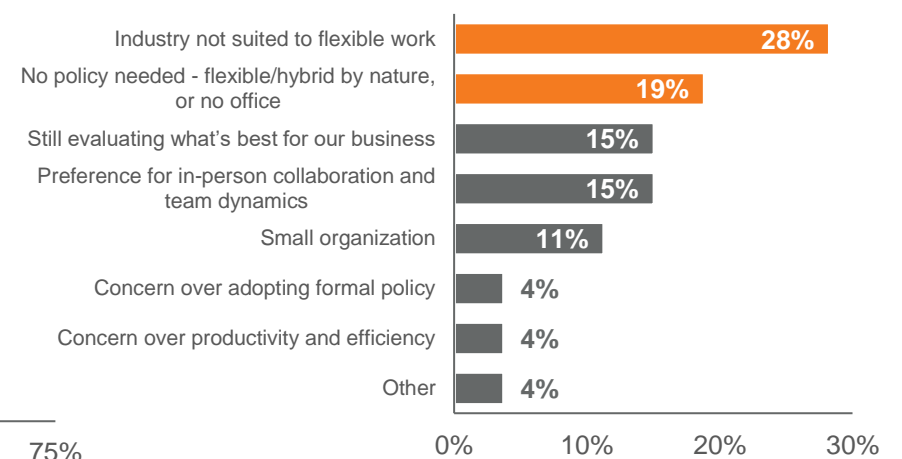
Businesses split on adopting formal workplace policy, employee considerations to the fore.

- Approximately half (52%) of businesses surveyed in Q4 2023 had adopted a formal policy concerning hybrid or remote work, with 3 in 5 of those opting for a policy of discretionary approvals.
- Operating in an industry unsuitable for hybrid or remote work and/or having no real need were the main reasons why some businesses had not adopted a formal policy. Just 15% of these businesses stated a preference for in-person collaboration, and 4% had concerns about productivity.
- Employee wellbeing was a key driver for businesses who had adopted a formal policy; attraction and retention of talent is the biggest consideration for those currently evaluating a potential future policy.

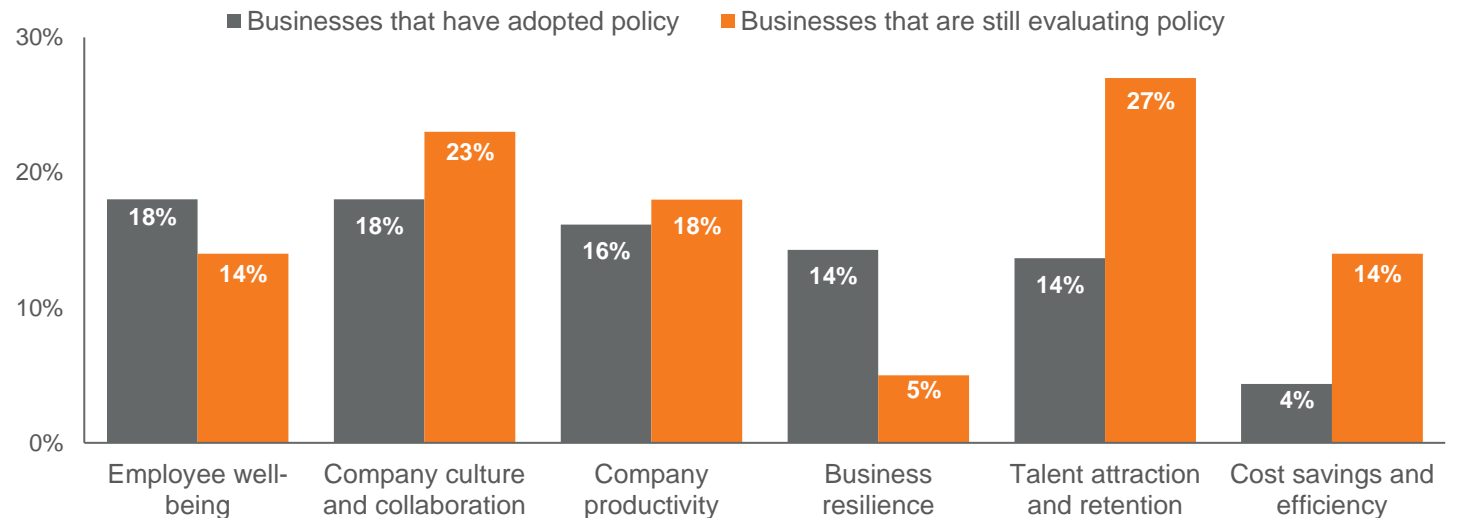
Nature of policy among businesses who have adopted formal work policy concerning hybrid or remote work



Reasons businesses have not adopted formal work policy concerning hybrid or remote work



Key factors when considering formal work policy concerning hybrid or remote work



ABOUT THE Q4 2023 ORLANDO BUSINESS CONDITIONS SURVEY

- 111 business responses collected between October 1, 2023 and December 31, 2023
- Responding businesses employ more than 100,000 people in the Orlando region
- Orange, Osceola, Seminole and Lake counties all represented
- 15 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
neil.hamilton@orlando.org