

Balancing Growth, Geopolitical Risks, and Market Dynamics:

Economic and Supplier Outlook 2024



Introduction

As we moved through the first quarter of 2024, the global economic landscape displayed both resilience and a deceleration in growth. According to the International Monetary Fund (IMF), the global economy expanded by 3.2% in 2023, with projections holding steady for 2024 and 2025. This growth, however, is expected to be uneven. The U.S., China, and other major emerging markets will likely see stronger economic activity, whereas Europe may experience weaker growth.¹

Guarded optimism prevails as we look forward to the second and third quarters of 2024. Inflation, a major concern, is starting to ease and is anticipated to decline further over the year. This downturn in inflation may lead central banks to lower interest rates, possibly as soon as this summer. Such monetary easing could reinvigorate economic activity, accelerating growth as the year progresses.

Nonetheless, the economic outlook is not without challenges. A series of escalating geopolitical tensions threatens to disrupt this growth trajectory. These tensions include expanding conflict in the Middle East, the war in Ukraine, Houthi attacks near the Suez Canal, rising disputes between China and Taiwan, and uncertainties surrounding the 2024 U.S. presidential election. Any of these could suppress growth or, in grimmer scenarios, tip the economy into recession.

¹ <https://www.imf.org/en/News/Articles/2024/04/16/tr041624-transcript-of-april-2024-weo-press-briefing>



Key findings

To better understand how suppliers expect their businesses to perform during the second and third quarters of 2024, suppliers trading on the PrimeRevenue platform were recently surveyed on business demand, their most significant business challenges, market outlook, and the state of supply chain payments. Respondents included approximately 730 users representing nearly 300 companies. Key findings include:

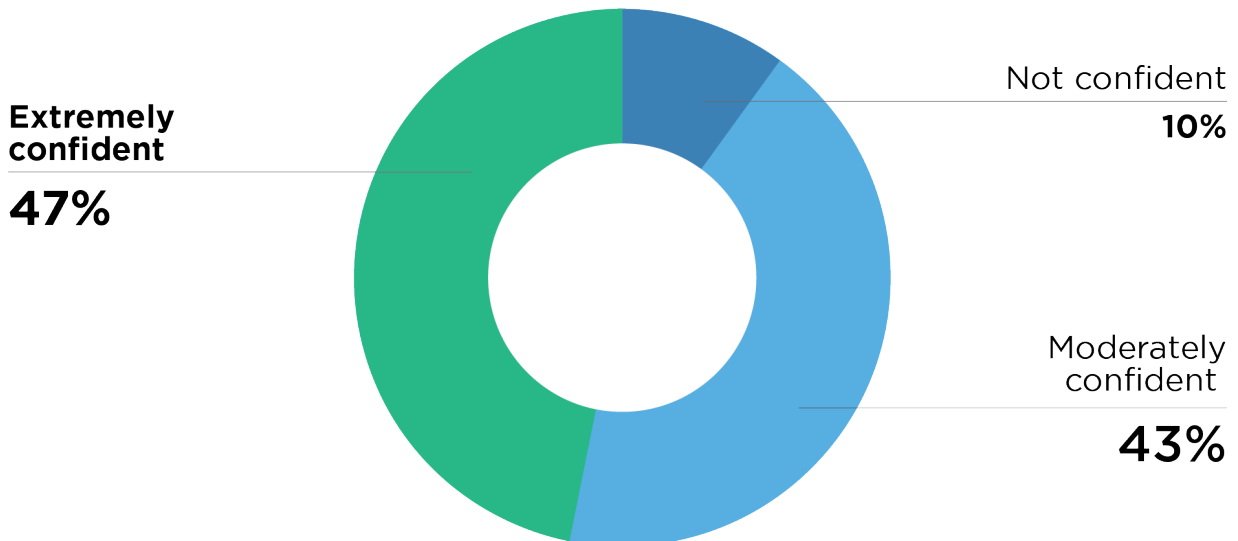
- **Confidence in business demand is rising sharply.** Nearly half of suppliers (47%) are extremely confident their customers will maintain their current purchasing volumes over the next six months. When surveyed at the end of 2023, only 32% of suppliers indicated they were extremely confident. Only 10% of suppliers reported they were not confident their customers would maintain purchasing volumes over the next six months, compared to 17% at the end of 2023.
- **Cash flow and decreased market demand remain the top business challenges for suppliers.** Of the business challenges specified, 33% of suppliers reported cash flow was their biggest anticipated challenge over the next six months, while 20% cited decreased market demand as their top concern. Interestingly, 18% of suppliers reported increased market demand to be their biggest anticipated business challenge.
- **Overall, most suppliers believe market conditions will not negatively impact their businesses in the immediate future.** Supplier optimism is growing as fears of economic instability wane. When asked what impact market conditions are expected to have on business over the next six months, nearly half of suppliers (49%) say their business will be positively impacted, while 33% expect they will not be impacted at all. Only 18% of suppliers anticipate a negative impact compared to 32% when surveyed in the fourth quarter of 2024.
- **Suppliers greatly value improvements to the accounts receivable processes.** Suppliers place high importance on improving the efficacy of their AR processes. Improvements in three particular areas would be “very valuable” according to supplier feedback: visibility into customer invoice approvals (59%), certainty of on-time payment (67%), and reconciliation of payments to invoices and credit memos (60%).



DEMAND FORECAST:

How Confident Are You that Customers Will Maintain Current Purchasing Volumes Over the Next Six Months?

Compared to the fourth quarter of 2023, suppliers are increasingly confident their customers will maintain current purchasing volumes over the next six months. The number of suppliers that are extremely confident their customers will maintain current purchasing volumes increased to 47% compared to 32%. Suppliers that reported moderate confidence dropped from 51% in Q4 2023 to 43% in Q1 2024. Only 10% of suppliers reported they were not confident their customers would maintain purchasing volumes over the next six months, compared to 17% at the end of 2023.

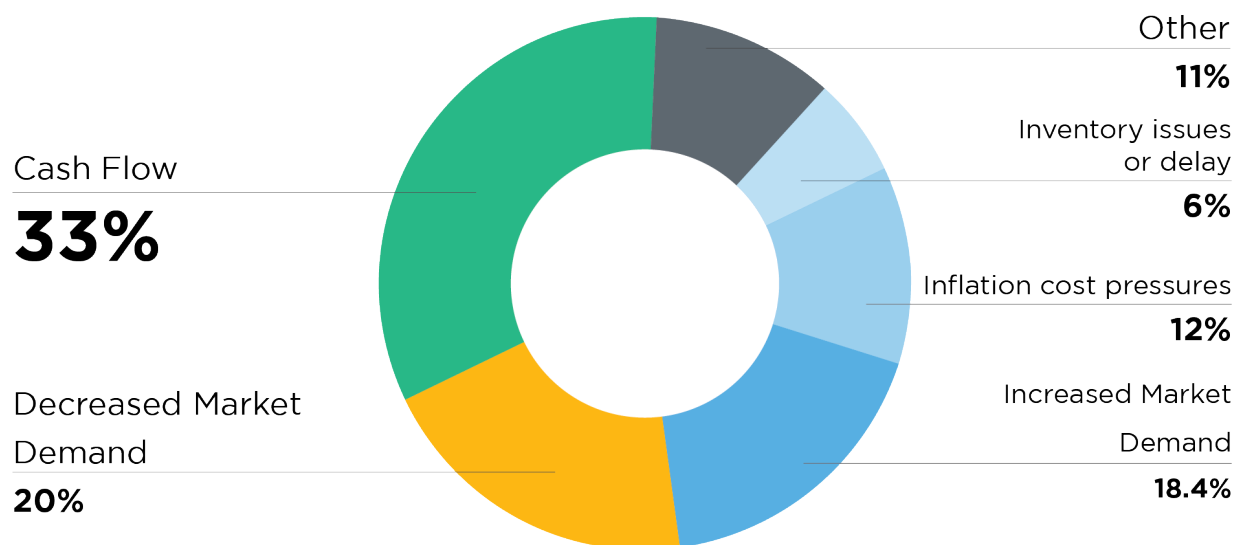




BUSINESS CHALLENGES:

What is your biggest anticipated business challenge over the next six months?

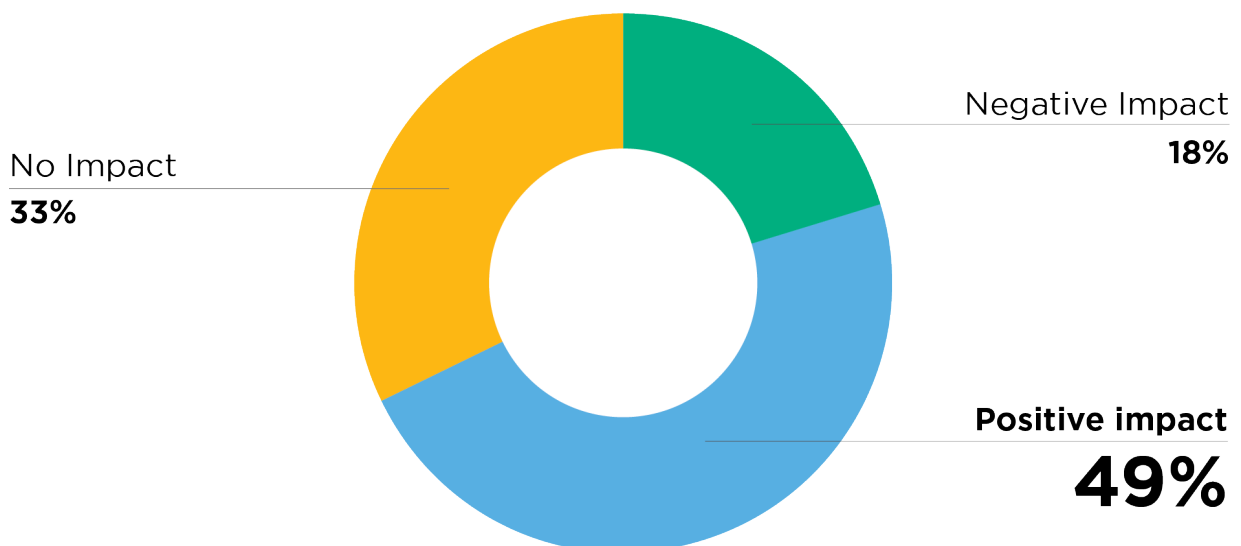
At the end of 2023, suppliers cited cash flow (43%) and decreased business demand (31%) as their top business challenges – and this remains true as suppliers navigate the better part of 2024. To understand supplier concerns at a more granular level, suppliers were given more answer options in this survey. However, cash flow again ranked first, with 33% of suppliers citing it as their biggest challenge. Decreased market demand ranked second, with 20% of suppliers naming it their most pressing business challenge, followed closely by increasing market demand at 18%. Only 12% of suppliers cited inflationary cost pressures as their biggest anticipated business challenge over the next six months, despite it being a dominating economic theme globally for the last two years. Only 6% of suppliers reported inventory issues or delays as a top challenge – a downward trend from 8% at the end of 2023.



MARKET CONDITIONS:

What Impact Do You Expect Market Conditions to Have on Your Business Over the Next Six Months?

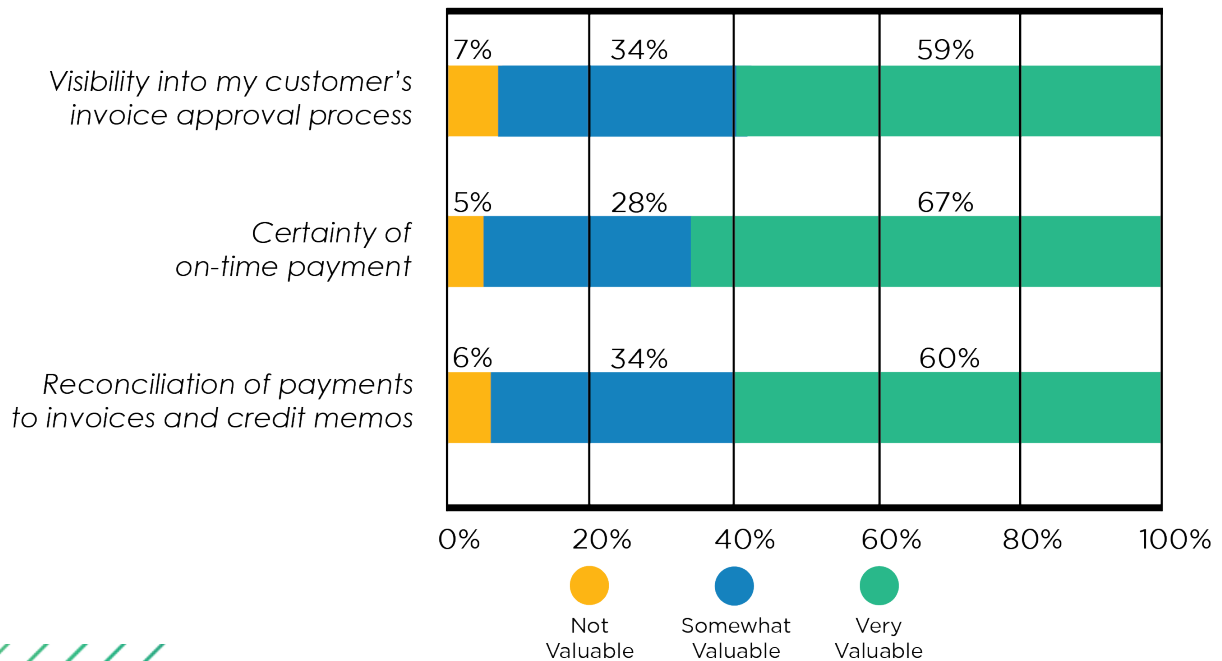
Despite protracted economic uncertainty, suppliers are leaning into optimism as some key economic indicators suggest improvement is on the horizon. Nearly half of suppliers (49%) say market conditions will positively impact their business over the next six months, while 33% expect they will not be impacted at all. Only 18% of suppliers anticipate a negative impact compared to 32% when surveyed in the fourth quarter of 2024.



SUPPLY CHAIN PAYMENTS:

How Valuable Would Improvements Be in These Areas of Your Accounts Receivable Process?

With cash flow being a top business challenge, we surveyed suppliers to understand what improvements in supply chain (B2B) payments would be most valuable to their operations – specifically, accounts receivables. Improvements in three particular areas would be “very valuable” according to supplier feedback: visibility into customer invoice approvals (59%), certainty of on-time payment (67%), and reconciliation of payments to invoices and credit memos (60%).





Navigating 2024 with Strategic Optimism and Enhanced Financial Resilience

Supplier confidence is rising, buoyed by resilient business demand, subsiding inflation, and increasing adaptability to ongoing uncertainties. Despite persistent geopolitical risks, a sense of optimism prevails among business leaders. According to the Conference Board Measure of CEO Confidence, CEO optimism now outweighs pessimism for the first time in two years.² Deloitte reports that 80% of business leaders are optimistic about their company performance, an increase from 69% in October 2023.³

This positive sentiment is catalyzing a more robust investment in growth, transformation, and competitive positioning. M&A activity is rebounding.⁴ Concurrently, businesses are honing their operational efficiencies to enhance agility and cost-effectiveness.

Cash flow remains a critical concern as businesses recalibrate strategies and refine focus areas. Although the commercial lending landscape has eased from its early 2023 peak, access to liquidity poses challenges, particularly for small to mid-sized enterprises. In this climate, suppliers should concentrate on two pivotal strategies to bolster financial flexibility and optimize cash flow:

- **Diversification of Liquidity Sources:** Suppliers must broaden their liquidity avenues, creating robust financial buffers against market fluctuations and supporting investment in growth-driven endeavors. Innovations in working capital solutions, such as supply chain finance, receivables finance, and dynamic discounting, offer viable alternatives to traditional commercial lending, facilitating more accessible and cost-effective liquidity.
- **Optimization of Supply Chain Payment Processes:** Investing in tools and strategies that enhance the accounts receivable processes can lead to significant gains. Enhancements in tracking customer invoice approvals, ensuring timely payments, and streamlining payment reconciliation improve operational efficiency and strengthen financial forecasting and cash flow management. These improvements empower businesses to operate with greater agility and confidence.

While the prevailing sentiment among suppliers is optimistic, a growing number of risks could threaten economic gains in 2024. Suppliers should remain vigilant and adaptable, given the unpredictability of future economic conditions. PrimeRevenue advises maintaining a focus on liquidity and resilience – a strategy we uphold for ourselves and advocate for all stakeholders in the supply chain ecosystem.

About PrimeRevenue As one of the leading providers of financial supply chain payments platform, we help organizations in 90+ countries optimize their cash flow to efficiently fund strategic initiatives, gain a competitive advantage and strengthen relationships throughout the supply chain. Headquartered in Atlanta, with offices in London, Prague, Hong Kong and Melbourne, PrimeRevenue’s diverse multi-funder platform processes more than \$300 billion in payment transactions per year. For more information, visit www.primerevenue.com.

² <https://www.conference-board.org/topics/CEO-Confidence/press/CEO-confidence-Q1-2024#:~:text=The%20Conference%20Board%20Measure%20of,what's%20ahead%20for%20the%20economy>

³ <https://www2.deloitte.com/us/en/pages/chief-executive-officer/articles/ceo-survey.html>

⁴ https://www.ey.com/en_us/insights/mergers-acquisitions/m-and-a-outlook#:~:text=We%20see%20M%26A%20activity%20gradually,lower%20than%20the%202021%20peak