

Commercial Business Sentiment Report

Fourth Quarter, 2024



**WELLS
FARGO**

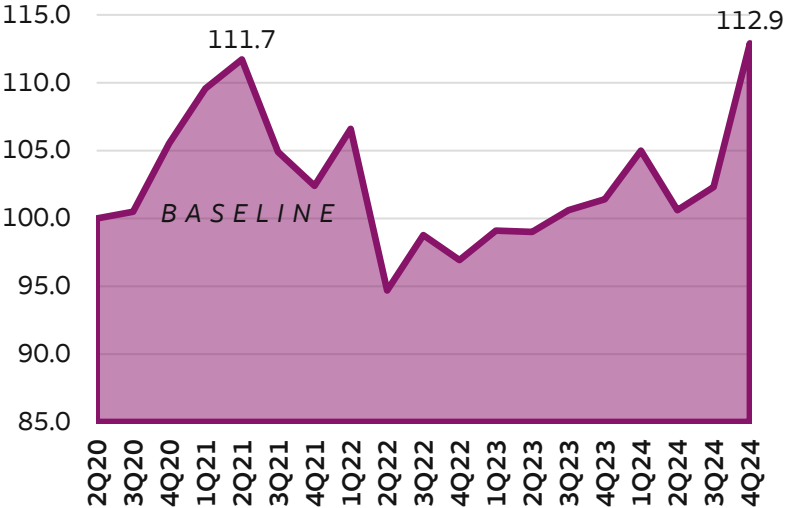
Commercial businesses with annual revenues between \$10 million and \$500 million have become substantially more optimistic in the fourth quarter of 2024 following the results of the presidential election and rate reductions. In our recent Commercial Business Sentiment Report, conducted from November 15 to November 22, 2024, among 307 commercial companies, we find that while many are hopeful about the future, concerns persist over the elevated cost of doing business. The majority of commercial companies are likely to increase their prices over the next three to six months. Nevertheless, only a small fraction expect a decline in demand for their products and services.

IN COLLABORATION WITH

BARLOW RESEARCH ASSOCIATES

Trends in Commercial Sentiment and Outlook

SENTIMENT INDEX^a

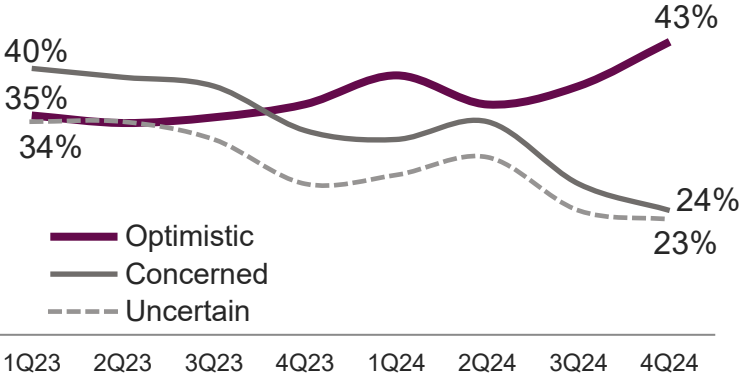


Commercial businesses are increasingly optimistic about the future of the U.S. economy, pushing their sentiment index to its highest level since tracking began in the second quarter of 2020. While many have become more confident in their financial outlook for the next 12 months, a smaller proportion report significant improvements in their business performance during 2024.

Uncertainty wanes and optimism grows following the 2024 election

When asked what words most accurately describe how businesses feel about the future of their business, fewer are concerned and uncertain.

WORDS THAT BEST DESCRIBE HOW COMPANIES CURRENTLY FEEL ABOUT THEIR FUTURE



“We’re optimistic that there will be a more pro-business environment in Washington. Extension of tax cuts, more stable labor market, higher interest rates on excess cash.”
\$10MM-<\$25MM Machinery packaging manufacturing

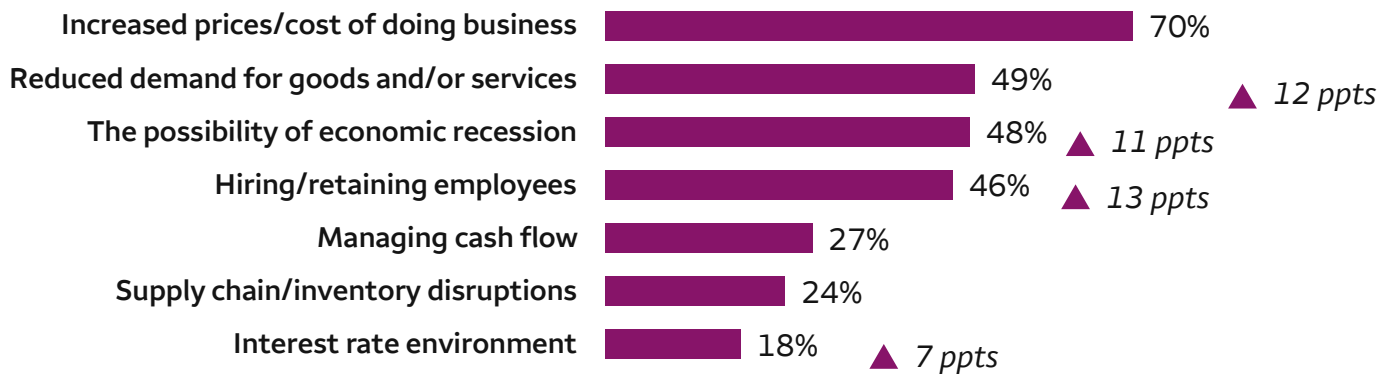
a: BUSINESS SENTIMENT INDEX: The business sentiment index is a composite score derived from businesses’ perceptions about their companies’ overall health and the health of the U.S. economy. The index is anchored to a “baseline” that was set based on measurements taken in June 2020. Each subsequent wave of the Commercial Business Sentiment Study tracks how responses to input questions deviate from the baseline.



Concerns and Headwinds

Inflation has been the most significant challenge facing businesses, with 57% reporting that rising operational costs have posed a serious issue for their companies. Additionally, 70% of commercial firms identified price increases as one of their top three concerns. However, with three rate cuts implemented in 2024, only 18% of businesses expressed concerns about the interest rate environment. In fact, a growing number of companies indicated that the recent stabilization of interest rates has positively impacted their financial condition.

TOP CONCERNS



▼▲ Change from the third quarter 2024



“Higher prices have definitely impacted sales. **Clientele are not moving forward at higher prices**, so margins need to be cut to get projects to go.”

\$10MM-<\$25MM Plumbing, heating and air conditioning company



“Increased **material/supply costs have impacted our organization's overall cost of providing services to our customers**. The loss of employees/turnover has impacted the organization's delivery of services and has required flexibility in the organization in the use of available staff.” *\$100MM-<\$500MM General medical and surgical hospital*



“Employees need **higher paying jobs, and customers can't afford the increased prices** of our products.”

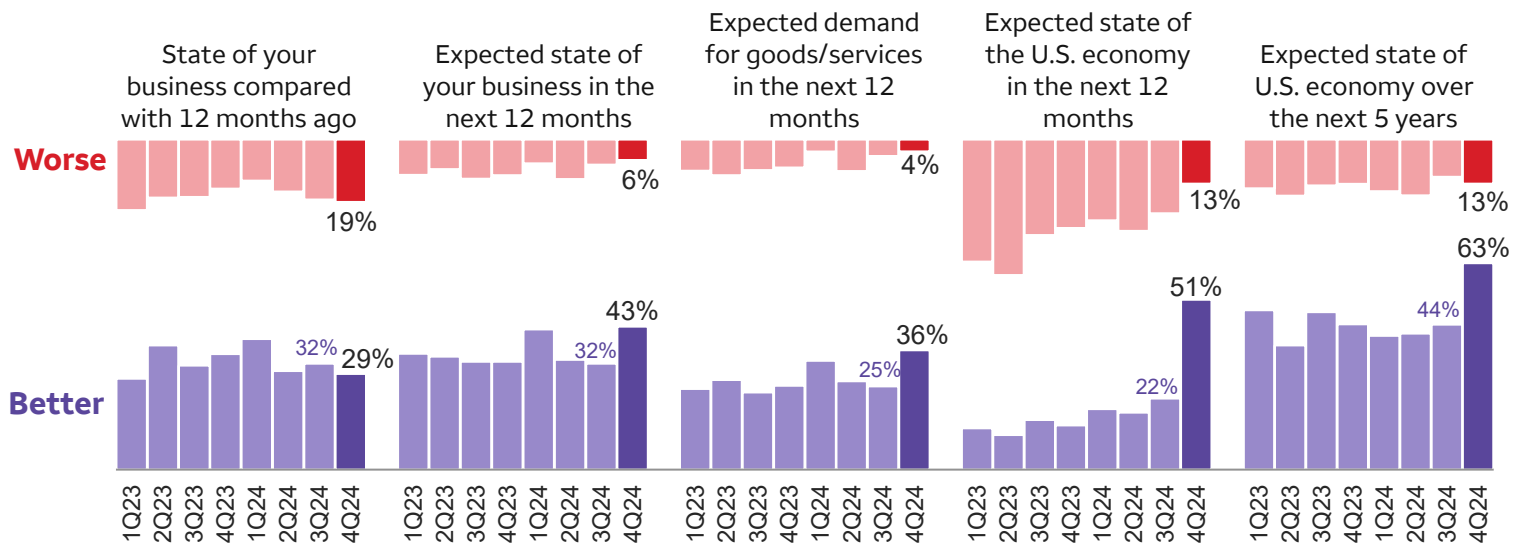
\$10MM-<\$25MM Fixtures and fittings manufacturing company

WELLS FARGO

Outlook on the Future

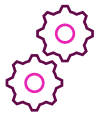
Sixty-three percent of commercial companies expect the U.S. economy to improve over the next 12 months. This represents a 19-point increase from the previous quarter. There was also a substantial jump in positivity about the next 12 months. Slightly over half of companies anticipate the economy will improve in 2025, an increase of 29 points since the third quarter of 2024.

SENTIMENT DRIVER TREND



FACTORS SUPPORTING IMPROVED FINANCIAL CONDITIONS

Improved efficiencies, growing customer bases, lower fuel prices, and interest rate stabilization were the four most common factors that have helped commercial companies over the last three to six months.



35%

Have improved efficiencies – done more with less



29%

Have experienced a growing customer base



27%

Have benefitted from fuel prices coming down



27%

have seen improvements related to interest rate stabilization

“Improved efficiency has been the most beneficial. **Even though our sales are down, we have been very focused on keeping our costs down as well.** And the sales we do make, we are focused on maintaining our profit margin at a consistent [profitable] level rather than hoping to break even.”
 \$10MM-<\$25MM Concrete construction company

WELLS FARGO

ABOUT THE COMMERCIAL BUSINESS SENTIMENT STUDY

The Wells Fargo Commercial Business Sentiment Study began in the summer of 2020 in collaboration with Barlow Research Associates to monitor the evolving impact on businesses from the pandemic, their most pressing challenges and the types of support they need from their bank. Given the continued fluid economic climate, the study has continued quarterly to understand evolving sentiment and needs of commercial companies.

An online survey was administered to collect data from senior, high-level executives (i.e., CFOs, treasurers, presidents, directors of finance, credit managers) at commercial companies. The fourth quarter 2024 study was conducted from November 15 to November 22 among 307 commercial companies.

ABOUT BARLOW RESEARCH

Barlow Research Associates, Inc., based in Minneapolis, MN, is a market research firm specializing in the financial services industry. Founded in 1980, Barlow Research focuses on executing in-depth, complex studies that help financial institutions integrate the voice of businesses into their decision-making processes.

Commercial Banking products and services are provided by Wells Fargo Bank, N.A. and its subsidiaries and affiliates. Wells Fargo Bank, N.A., a bank affiliate of Wells Fargo & Company, is not liable or responsible for obligations of its affiliates. Deposits held in non-U.S. branches are not FDIC insured. Products and services require credit approval.

© 2025 Wells Fargo Bank, N.A. Member FDIC.

The Wells Fargo logo, consisting of the words "WELLS" and "FARGO" stacked vertically in a white, bold, sans-serif font, set against a red square background.