

# [***Why CEOs Are So Optimistic About The Economy***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BT7-1YM1-JBCM-F004-00000-00&context=1516831)

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**Highlight:** The published version of Forbes CEO newsletter delivers the latest news for today's and tomorrow's business leaders and decision makers, delivered to inboxes Sundays.

**Body**

**This is the published version of Forbes CEO newsletter, which offers the latest news for today's and tomorrow's business leaders and decision makers. Click here to get it delivered to your inbox every Sunday.**

It seems like there s been a massive waiting game with the economy for the past six months. Many investors, analysts and companies have been sure that inflation is slowing down and interest rate cuts are around the corner.**The optimism has sent markets and company valuations sky high**.

Actual data has been deflating that optimism and making America realize that**interest rate cuts may truly be farther down the road**. In March,inflation was higher than anticipatedfor a fifth straight month, as higher prices continue to linger. According to the consumer price index, prices last month were 3.5% higher than a year before, above both February s 3.2% inflation rate and economists estimate of 3.4%. Markets reacted as expected, with the Dow Jones Industrial Averagedropping 500 pointsto a two-month low after the CPI report was released last Wednesday morning. And most economists now think interest rates will remain unchanged until the July Federal Reserve Board meeting at the earliest, according toCME FedWatch.

Even before the latest CPI report was released,**there were some who cautioned that the economic picture wasn t quite so sunny**. JPMorgan Chase CEOJamie Dimon said last week in his latest letter to shareholdersthere is no guarantee of an economic soft landing, and interest rates of 8% or more as well as a potential recession with lingering high inflation are still possible. Persistent inflationary pressures could keep those price increases in place, including the rise in military conflict globally and the lingering effects of aggressive policy from central banks coming out of the pandemic.

What is a business to do?**Forbes**senior contributorJack Kelly has this advice:**Be transparent with your employees**. One of the ways persistent inflation hurts businesses is through labor costs: Businesses increase wages to ensure that employees maintain buying power. Instead of runaway raises, lump sums and stipends might be in the company s best interest now. Also, make sure employees are engaged with work, and listen to their concerns. The economic situation is hitting everyone, and some are having a harder time coping with it.

However,**many CEOs are confident in the growth prospects of the economy and of their companies in the next year**, according to KPMG s 2024 CEO Outlook Pulse Survey. I talked to KPMG U.S. Chair and CEO Paul Knopp about the findings and what it means for businesses in the next year. An excerpt from our interview is included later in this newsletter.

**STOCK MARKET NEWS**

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An Amazon employee passes by the company logo in a distribution center.

SEBASTIEN BOZON/AFP via Getty Images

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Last week was not the best for the markets on the whole, but there were pockets of resounding success.**Both Amazon and Google parent Alphabet saw all-time stock market highs**last week as tech stocks rallied. On Thursday,Amazon s stock peaked at $189.77 per share, and its valuation inched closer to $2 trillion. So far this year, Amazon has seen its share price grow more than 26%. Driving Thursday s rally was CEO Andy Jassy s annual letter to shareholders, which not only touted growth in revenue and operating income, but also went into the company s efficiency and technological upgrades and future potential. Jassy wrote about Amazon s efforts in making generative AI chips and applications for further AI development in its Amazon Web Services business. Amazon, Jassy wrote, is**laying the groundwork for many to be able to customize generative AI and transform their business**. We re optimistic that much of this world-changing AI will be built on top of AWS, he wrote.

Google parent company Alphabet broke several market records last week, firsthitting $159.89 per shareon Tuesday, then shattering that by exceeding $161 on Friday. The bump came after the company unveiled a CPU chip for AI processing at its Google Cloud Next 2024 convention in Las Vegas. Friday s rally boosted the company s market value to $1.99 trillion, and**analysts expect the company will exceed $2 trillion in the near future**. Alphabet had reached a $2 trillion valuation for a few minutes in 2021, but not since. The only other companies to have reached this peak are Apple, Microsoft, Nvidia and Saudi Aramco.

**POLICY + REGULATIONS**

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While we certainly have some data that suggests top executives are interested in reading an email featuring business news on a Sunday, there are many people who don t want to be bothered by work during their time off. California Assembly member Matt Haneyproposed a state billearlier this month that would**guarantee workers the right to disconnect on days and hours off**, meaning they would not be expected to respond to calls, emails and text messages when not working. Haney told**Forbes**senior contributor Jack Kelly the bill was necessary because the line has been blurred between work and personal lives thanks to cell phones and working from home. The bill would help give employees the chance to switch off, Haney said.

**TECHNOLOGY + INNOVATION**

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Millions of people use streaming services to get the bulk of their entertainment, but many of the companies behind those services are still posting large losses.**Disney, which created its Disney+ service in 2019, has posted $11.4 billion of operating losses**on the service so far. (Disney also is the majority owner of streaming services Hulu and ESPN+.) And while anoptimistic analyst notefrom UBS last month suggested that Disney s streaming services are the company s biggest source of near term upside and likely to break even this year only then potentially closing in on profits posted by segment leader Netflix it s been rough for the service since its inception.**Forbes**senior contributor Caroline Reidtakes a deep diveinto why Disney has suffered such great losses. Essentially,**the company focused on creating expensive exclusive content for the service**, especially for its Marvel franchise. The company didn t get the viewers, the ad revenues and the subscription dollars that it hoped. CEO Bob Iger, whoadmitted to CNBCthat the company lost more money than anticipated on Disney+, has cut down the options coming directly to Disney+. Reid suggests Disney+ might have been profitable from the start if it released exclusive content in theaters first, or licensed some of the more expensive-to-make shows to another streaming service for its first run.

**TOMORROW S TRENDS**

**KPMG U.S. Chair And CEO Paul Knopp On Why CEOs Are So Optimistic**

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Paul Knopp, KPMG U.S. chair and CEO.

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**Optimism reigns supreme in . The survey, released last week, shows nearly nine in 10 CEOs are confident the U.S. economy will grow in the next year, and nearly four in five expect that same growth for their companies. I talked with KPMG U.S. Chair and CEO Paul Knopp about the business optimism, employee growth expectations of CEOs for this year and hybrid work. The full interview . This transcript has been edited for brevity, clarity and continuity.**

**What is fueling this optimism?**

**Knopp:** Many of us have been wrong [when making predictions in the past], but I think what we ve been right about, generally speaking, is the resiliency of the economy. We ve been right about the velocity and speed of innovation. We ve been right about the momentum behind technologies like generative AI and technologies that will make our economy more circular and sustainable for the long term.

Give us those data points, combined with more clarity around interest rates. Yes, interest rates are not coming down like we thought they would yet. But there seems to be a lot more clarity around [the fact that] they re at least going to stay higher for longer, or not dramatically increase. And more clarity around inflation being in the 2% to 4% range.

With that additional clarity, I think we feel more confident about the next two to five years. While yes, we have some clouds on the horizon when it comes to the economy, around geopolitics, around ***politics***, around inflation rates still being a little higher than we want and interest rates still being higher than we desire, there s a lot of optimism about the next two to five years. We have to be preparing for that. We have to be hiring now, we have to be preparing for that stronger economy in the longer term.

**Nearly three quarters of respondents said they expect their workforces to grow this year, but we have seen major layoffs across businesses in the first part of 2024. How does this response square with the numbers?**

It s complicated. There are many industries that are benefiting from the layoffs, and other industries that are keeping the workforce balanced and leading to the absorption of the layoffs that have been happening. There are certain industries that have been needing more talent for a long time that are taking advantage of some of the reductions in force in other industries. It s keeping the overall multi-sector, multi-industry workforce and hiring statistics pretty strong. And you see that in the monthly labor reports that are coming out. Just a few months ago, a year ago, 18 months ago, technology companies were laying off employees, reducing force, and now they re hiring again because of generative AI.

I think it s more volatility internally within sectors that you re observing. On balance, you re seeing strength, and that strength is not just because of the resiliency of the economy and sectors needing talent. It s also because the structural imbalances that we ve been talking about in the workforce for three or four years are not going to go away. The workforce is aging, full stop. The birth rate in the country has gone down. Less people are going to college and graduating. Our immigration policies are still not optimal.

**More CEOs said that they envision employees roles to be hybrid 46% see a hybrid setup this year, as opposed to 34% last year and only 34% predict all employees in the office full time within three years, which is about half of the CEOs who wanted a full-time return to office last year. What drove this change?**

As business leaders, we should take a step back and realize that our employees have been right all along. Our thinking as a business leadership community that there might be a shift with a more difficult economy to more people coming back to the office, some of those predictions were wrong. There needs to be a recognition that the way our employees have been thinking is what is really important. Employees have been thinking that they love the flexibility that they get with hybrid work, that in their belief it makes them more productive because there s less commuting, there s more time dedicated to work on their own terms. That s all real. What also is real is that there s been a movement back to the office and numbers that are higher than two to three years ago.

We re getting this calibrated to the right balance. As business leaders were saying, Yes, we d love for our people to have more in-person interaction. Employees are saying, I am starting to get the right balance between working remotely and working at the office. I think it s all coming into view in a more clear way that hybrid environments are not optimal, but we re, over the course of time, starting to move them toward a more optimal state. We re all getting to more balance, more consistency, more recognition of what works for organizations. That s sort of a natural outcome of the experimentation that we ve been doing over the last two or three years and the pivoting we ve been doing around those experiments, to make sure that we get hybrid right for the future.

**FACTS + COMMENTS**

Toyota s Silicon Valley-based venture capital arm, Toyota Ventures,unveiled two fundslast week for**early stage startups in fields including AI, robotics and renewable energy**.

**$150 million:** Amount in each of the two new funds, bringing the venture arm s assets under management to more than $800 million

**75:** Companies currently in Toyota Ventures funding portfolio

**At a time when some investors have scaled back, we re scaling up :**Toyota Ventures founder and general partner Jim Adler said

**VIDEO**

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Forbes

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**STRATEGIES + ADVICE**

**Leaders need to click with their employees**and others they do business with. Here are some ways toimprove your alignment with workers.

The**movement to quickly restore business activities in Baltimore** following the collapse of Baltimore s Francis Scott Key Bridge provides an example of how leaders can come together as a team andmanage a crisis.

**QUIZ**

Last week, the Biden Administration**increased the amount for a lease for gas and oil companies to drill on federally owned lands**for the first time since it was set at $10,000 in 1960. What s the new price?

A. $15,000

B. $200,000

C. $75,000

D. $150,000

See if you got the answer righthere.

**Load-Date:** April 17, 2024

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