LLOYD GREIF, JAMES LEE AND CHANG LIU SHARE INSIGHTS ON THE ECONOMY & BUSINESS PREDICTIONS FOR 2024

This panel is produced by the L.A. Times B2B Publishing team in conjunction with Cathay Bank; Greif & Co.; and Selby Jennings.

Chang M. Liu
President &
Chief Executive Officer
Cathay Bank
cathaybank.com

Lloyd Greif
President & CEO
Greif & Co.
greif@greifco.com
greifco.com

James Lee
Director
Selby Jennings Los Angeles
james.lee@selbyjennings.com
selbyjennings.com

The business landscape in 2023 continued to be punctuated by complex challenges. The lingering elements of change and management of post-pandemic assessments, conflicts overseas and economic uncertainties continued to force companies to recalculate and, in many cases, make permanent changes to their playbooks and how they approach relationships with clients, employees and service providers.

This Los Angeles Times B2B Publishing roundtable discussion is designed to provide unique perspectives and insights into forward-looking business strategies for 2024. What new best practices should business leaders be aware of this year? How is 2024 shaping up for international business? What supply chain management trends can we expect? How will the remote work trends continue to alter business norms? For the answers, we turned to a diverse assortment of three trusted advisors and thought leaders, who graciously weighed in for a discussion, shared predictions and forecasted what to expect.

Q: WHAT ADVICE WOULD YOU GIVE YOUR CLIENTS FOR THE COMING YEAR?

A: Liu

I think it's all about paying attention to the data because that will continue to drive the markets. The Fed has shown its hand, noting there will potentially be three rate cuts this year, but we don't know when. Clients must be prepared for the fact that rates could stay higher for a longer period but be ready to take advantage when they drop for things like capital investments. On the savings side, the minute the Fed takes action with a rate cut, there's a high probability that savings rates will start to decrease, so those who are considering CDs would be well served to lock in a rate sooner rather than later.

Q: WHAT TYPES OF BUSINESSES WILL THRIVE IN 2024?

A: Greif

With the exception of AI companies, the Technology, Media and Telecom (TMT) industry took a powder in 2023. Look for a resurgence in activity in TMT in 2024 as companies, newly confident in the outlook for economic stability if not outright growth this year, resume investing in new technologies, systems and equipment. Certain subsectors, such as technologies offering productivity and efficiency gains (e.g., industrial automation and decision intelligence platforms), should thrive. Software acquisitions in areas like data science, analytics, cybersecurity and essential spending should also outperform. Older TMT companies with stable recurring revenue, particularly in information technology and digital transformation services, should perform well, too. Consumer discretionary will remain challenging, but consumer staples will continue to thrive. If and when interest rates start their steady decline in the back half of 2024, all things construction-related should begin to rebound, along with renewed spending on durable goods.

Q: AS WE ARE BEGINNING TO UNDERSTAND THE RAMIFICATIONS OF AI, BOTH GOOD AND BAD, WHAT ROLE WILL AI PLAY IN BUSINESS MOVING FORWARD?

A: Lee

Many companies have already implemented AI into their business operations. From a recruitment standpoint, everything from writing job descriptions to screening candidate profiles can be automated. While this technology undoubtedly saves time and costs, there is still uncertainty around its level of efficacy. AI is only as good as the data it has. If a company is committed to using AI, it needs to be committed to data, both from the perspective of volume and how accurate, or "clean," it is. AI also removes the human element from the process, and that will always be a crucial piece of the recruitment puzzle. Everyone has a story, but AI cannot properly process them since it has the inability to relate to or empathize with humans. While AI can enhance certain steps along the way, it cannot be responsible for managing the entire process.

Q: WHAT MARKET RISKS DO YOU FORESEE FOR 2024 AND HOW DO YOU SUGGEST CLIENTS MITIGATE THEM?

A: Liu

Labor is still an issue in some segments, not as volatile as it was a few years ago, but it remains a hot topic, given unemployment is the lowest it's been for a long time. Hence, business owners need to be cognizant of employees' expectations with respect to hybrid and remote work arrangements. Shipping and logistics are areas to pay attention to, given the potential risk of wars that may affect shipping routes. Still, I hope business owners recall the lessons learned during the peak of COVID-19 to maintain inventory by diversifying or engaging multiple sources. Rates are still uncertain, so it would be wise to stay flexible and not assume where they might go and then be surprised and end up creating your own challenges. And, of course, I can't forget to mention politics, given that it's a presidential election year.

Q: WHAT ARE THE MAIN PROS AND CONS OF DOING BUSINESS IN CALIFORNIA TODAY COMPARED WITH OTHER STATES?

A: Greif

The Golden State: Love it or leave it. People and companies are leaving in droves. California's cons are beginning to outweigh the pros: the highest income tax rate, the second highest cost of living, the highest cost of doing business, the highest degree of business regulation. These are hardly positives, and they are beginning to weigh on the entrepreneurial infrastructure that has always been California's saving grace. It is as though Sacramento is determined to make it as difficult as possible to do business in the state – employees cost more, regulatory compliance costs more, housing costs more – and employers and employees alike get to keep less of the money they make. The pros are the weather, the environment, an entrepreneurial spirit that fosters startups, great universities, an open-minded attitude, a "melting-pot" population, culture and the arts. The fifth largest economy in the world can and should do better, but politicians need to facilitate, not impede.

A: Lee

California has always been one of the most employee-friendly states in the nation. This, coupled with the fact that it is heavily regulated and one of the most litigious states, can make it seem like a very daunting place to operate a business. Yet, California has the fifth largest global GDP and has the highest GDP of all the United States. Even with its high cost of living, California has one of the most skilled labor forces in the world. Home to several top-tier universities, California has a homegrown talent pipeline that sends graduates directly to businesses within the state. The extensive higher-education system has helped facilitate the growth of these well-established industries, like finance, life sciences, manufacturing, technology and entertainment, which has inevitably attracted talent from around the world. The stability of those industries in California, as a result, makes it a very attractive place to do business.

Q: WHAT EFFECTS DO YOU THINK THE HYBRID OFFICE MOVEMENT WILL HAVE ON BUSINESS IN THE NEXT YEAR AND BEYOND?

A: Liu

I think the hybrid office movement will continue to impact white-collar jobs and corporations significantly. For the most part, business owners and managers want more collaboration and the ability to build rapport in person. Still, with unemployment being so low, employers really don't have much leverage to mandate a five-day week in the office. Unfortunately, remote work can lead to a lack of engagement and low comradery, resulting in a higher rate of turnover – especially for the younger workforce since job tenure isn't as important as it's been for more experienced workers. The tables will turn eventually, but employees are often in the driver's seat.

A: Lee

Businesses that operate fully remote or hybrid will have an advantage in today's competitive talent market. The hybrid working model is here to stay, even as a small percentage of businesses pivot to a fully remote workforce. There are several considerations for candidates when they are looking for a new job, and expectations around being in the office are one of them. Businesses that operate full-time in the office will face an uphill battle and will need to make up for it in other areas, like more competitive compensation or accelerated promotion tracks, to name a few. In contrast, companies that operate fully remote or hybrid may be able to alleviate some pressure from a cost perspective, as many candidates have shown to be more flexible on compensation if they are pursuing a fully remote role.

Q: WHAT IS THE STATUS OF ACCESS TO TALENT FOR BUSINESSES NOW?

A: Lee

The best executives know that having top talent on your roster provides a significant advantage over competitors. The appetite for in-demand workers has turned into a necessity over the last couple of decades, and that reality becomes more absolute for businesses every year. Access to top talent, while not readily available, is becoming a higher priority for many businesses. It requires a deep network in the specific markets that your business operates in, and the best workers are often not actively looking to make a move. They are well compensated, challenged at work, and have future runway. There is, however, always a better opportunity out there. Businesses must adopt several strategies to prepare for this competition, the most popular being internal talent acquisition teams, partnerships with recruitment agencies, lucrative referral programs, and a dedicated focus on providing a positive interview experience.

Q: WHAT IS THE COMMERCIAL REAL ESTATE OUTLOOK FOR 2024?

A: Liu

Outside the office market, the commercial real estate sector will be relatively healthy this year, particularly if rates soften. Hospitality has rebounded since COVID-19 and will continue to do well. Retail is holding its own against the lingering threats of online shopping since plenty of services still draw out community members. Industrial, once the jewel of commercial real estate, is experiencing a bit of an oversupply, with some larger users giving back space. Multifamily housing is undersupplied, so there is an opportunity for growth, but if it's all Class A, that leads to affordability challenges. The office market valuation is down 40 to 50% since COVID-19. Still, most landlords survived because their tenants continued to pay their leases. The reckoning will come when those leases expire, and tenants stop renewing or significantly reduce their footprint.

Q: WHAT ARE THE CURRENT FACTORS DRIVING THE M&A MARKET?

A: Greif

As go the debt capital markets, so goes the M&A market. Private equity firms, which account for one-third of M&A volume, were mostly on the sidelines last year due to a rising interest rate environment, a tight loan market and concerns about a potential recession. With those clouds gradually clearing this year, the sun should start shining on increased M&A activity. With private equity buyers back in the hunt, corporate valuations should start rising, too – more buyers equal more competition for deals. That makes for a better market for sellers, since part of the issue last year was the downward pressure on price based on the one-two punch of less debt financing available and higher interest rates for the meager loans that were available, making it more difficult for a deal to pencil out for a buyer and for a seller to receive the price they desired.

Q: WHAT ARE SOME TRENDS OR CHANGES YOU ARE EXPECTING TO SEE IN THE LENDING MARKET?

A: Lee

We should absolutely expect to see an increase in lending activity in 2024. Interest rates have a direct impact on consumer lending such as mortgages, as well as institutional lending, such as fundraising and M&A. When interest rates are high, borrowing and lending slow down. We saw this in 2023 with the three interest rate hikes. Mortgage loans were down, M&A was stifled, and venture capital fundraising hit its lowest levels since 2017; all reactions that can be traced back to rising interest rates. 2024 will look different. There are already reports of the Feds planning to implement several interest rate cuts, which means we should expect to see an uptick in lending across the board.

A: Greif

Commercial banks retreated to the sidelines last year, creating a huge void in the lending market that is increasingly being filled by direct lenders. The rapid-fire failures of Silicon Valley Bank, Signature Bank and 1st Republic Bank, along with a slowing economy and rising interest rates that threw marginal borrowers into default, caused commercial banks to significantly tighten their loan guidelines and precipitated smaller regional banks like PacWest to merge. Commercial banks' exit "stage left" opened the door for direct lenders' entrance "stage right." Unregulated direct lenders – typically hedge funds and alternative investment vehicles – finance riskier credits and are more flexible in structuring loans, which typically bear higher interest rates but have more backend-weighted amortization. If the economy strengthens over the coming year and interest rates begin to recede, look for commercial banks to return to being more of a factor by the end of 2024.

A: Liu

I don't see many changes coming to the lending market this year, with the money supply remaining tight as the cost of funds for banks continues to be high and underwriting standards continuing to be conservative. With limited ability to price up, i.e., fewer competing loan offers, I think banks will focus on taking care of their existing and VIP clients, so there won't be a lot of client movement. The reality is that bank analysts aren't looking for growth but instead are focusing on credit quality, concerns and operating margins.

Q: WHAT ARE SOME TRENDS OR CHANGES YOU ARE EXPECTING TO SEE IN THE LABOR MARKET?

A: Lee

I anticipate a pickup in the activity levels within the labor market in 2024, with several interest rate cuts expected to occur in 2024. The cost of borrowing money will be cheaper, so all activities – ranging from M&A to funding – should pick back up, especially after a particularly uninspiring 2023. Presumptively, this will spur a noticeable uptick in activity in the labor market as businesses will be looking to grow and workers will be looking for new opportunities. If you look at the rebound after 2020 (although for different reasons), the labor market was highly active due to increased economic activity making up for lost time. We can expect to see the same, just on a slightly smaller scale.

Q: NOW THAT THE STRIKES ARE OVER, WHAT CHANGES WILL WE SEE IN THE ENTERTAINMENT INDUSTRY IN 2024?

A: Greif

Prices are going to go up across the board. The streaming wars have been a bloodbath for media companies, and the only way that's going to change is if they substantially increase subscription prices and create two-tier pricing models, one with ads and one without. Everybody got a raise – writers and actors – and are now getting a piece of the streaming pie, so those added costs will be pushed onto the consumer since streaming services were well in the red before these additional costs. The strikes halted any M&A talks last year, but the floodgates are wide open this year. Survival of the fittest usually means survival of the biggest, so there will be some blockbuster combinations in the entertainment & media industry in 2024. And, during an election year, look for President Biden's antitrust enforcers to be tested and on their back heels throughout the year.

Q: HOW CAN BUSINESSES IMPROVE THEIR FINANCIAL LITERACY?

A: Liu

There is no substitute for reading a lot about finance and the economy, whether it's the Fed's meeting notes, the Wall Street Journal or the L.A. Times business section. It's also important to talk to peers within and outside your industry – just keep looking for ways to learn. All the data points are out there, and current events will tie to any business. Networking events shouldn't be considered mundane; they may be just what you need to give you a different perspective. If you are knee-deep in your business and unaware of what's happening around you, you will miss opportunities or risks that are coming around the corner.

Q: WHAT IS THE OUTLOOK FOR VENTURE CAPITAL AND IPO DEALS IN 2024?

A: Greif

The IPO market was a veritable ghost town last year, and venture capital firms couldn't find the exits fast enough. The free-spending days of prior years were over, and many startups, without continuing access to VC equity, public investors or bank financing to prop them up, drowned in an ocean of their own red ink. With sanity restored to the equity markets this year, real businesses with real cash flow and profits, or a credible path to get there soon, can access venture capital again. Companies with solid business models and proven track records will also be able to complete IPOs. But both private and public markets will continue to be cautious and selective. Investors are no longer "throwing the baby out with the bath water," but it's a far cry from a bull market and some highly visible flops could cause the bad times to return with a vengeance.

Q: IN A NUTSHELL, WHAT ADVICE WOULD YOU OFFER A BRAND-NEW STARTUP LAUNCHING IN 2024?

A: Lee

Look for the most relevant candidates when hiring, not necessarily the best on paper (best education, big company names, etc.) The perfect candidate for you may not necessarily be the best candidate in the space. Focus on looking for the right career accomplishments and experiences. Start-up environments can often be fast-paced and unstructured, with many employees having to wear multiple hats and juggle several projects simultaneously – which isn't something you can gauge by spending five seconds looking at education and current employer. Having an open role can cost a business an average of $25,000 a month, and for start-ups, every penny matters. Choosing to not speak with relevant candidates based on pedigree could be costly. Just a quick 30-minute exploratory call with a candidate who has the right experience can go a long way.

Los Angeles Times B2B PUBLISHING

This supplement was produced by LA Times B2B Publishing. It did not involve the editorial or reporting staffs of the Los Angeles Times. Contact us with comments or questions at **b2bpublishing@latimes.com**.