

2025 State of Business Report

By Valley Bank





U.S. businesses are focused on technology and efficiency to win customers but also prepared to navigate potential troubles on the horizon.

Executive Summary

The 2025 Valley State of Business Report highlights the need for strategic planning among U.S. middle market businesses in order to best maintain positive momentum they felt in 2024. To combat potential challenges on the horizon, these businesses are focusing on technology, efficiency, and customer retention to drive growth. This report, based on a survey of nearly 500 financial decision-makers, provides key insights and actionable recommendations for business owners.



Introduction

U.S. businesses with \$25 million - \$249 million in annual revenue reported a strong 2024 with gains in revenue, productivity, customer retention, and profitability. Are they expecting those trends to continue in 2025? To answer this, Valley Bank commissioned an online survey of nearly 500 financial decision-makers from companies across various industries, sizes, and locations to compile the 2025 Valley State of Business Report.

In this report, we explored four key insights driving the strategic planning of businesses in 2025 and beyond. While the outlook is positive, challenges remain that could pose significant obstacles for companies to achieve their goals.

Editor's Note

Data for this survey was gathered between October 11, 2024, and January 7, 2025. While opinions in this report anticipate general uncertainty caused by potential adjustments to economic policies, they do not take into account any specific policies announced or enacted following the end of the data gathering period on January 7, 2025. A deeper look into the general uncertainty captured in the data can be found under Insight 4: Navigating Challenges like Inflation, Hiring, and Geopolitical Unrest.





Insight 1: U.S. Businesses are making strategic adjustments to remain successful in 2025

Survey quotes

- 01 **“Achieving success in 2025** will require us to empower our team, invest in advanced solutions and continuously improve customer experiences.”
- 02 **“The biggest contributor to my success** in 2025 will be proper budgeting, clear set out goals, being optimistic and leveling up.”
- 03 **“In the coming year,** I believe that setting clear, achievable goals and devising a well-thought-out plan to reach them will be crucial.”

Summary

The Valley State of Business survey highlights a positive outlook among U.S. middle market businesses, driven largely by solid revenue performance and strategic financial management practices that were established in 2024.

To prolong this success into 2025 as much as possible, companies must continue to prioritize risk management, optimize working capital, and effectively manage expenses is essential to ensure this growth and profitability continues.

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Companies are not only reacting to market conditions. They are proactively investing in sales and technology, which is essential for sustaining positive momentum.”

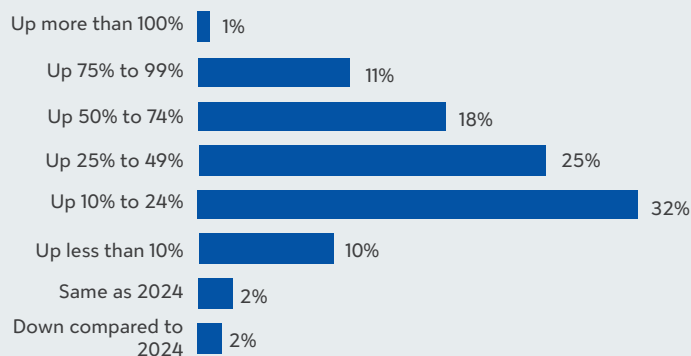
– Doug Meyer, Regional President, NYC Commercial Banking

Key findings

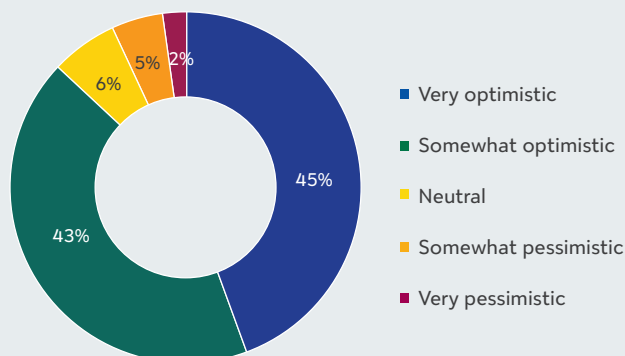
Revenue is expected to go up in 2025: 86% of businesses expect their revenue to increase by 10% or more in 2025. Of those, 30% anticipate a substantial revenue increase of 50% this year.

There's optimism for prolonged success: Companies are confident in prolonged growth, as 9 in 10 respondents expressed optimism about the three-year outlook of their business.

BUSINESS OUTLOOK: 2025 REVENUE



3-YEAR OPTIMISM



Insight 2: Industry snapshots highlight specific variations in strategy that mimic changes seen across the U.S. economy

Respondents in the Manufacturing & Construction and Professional & Executive industries anticipate growth through investments in sales, marketing, technology, and employee development. Given their substantial contributions to the U.S. GDP, this positive outlook for 2025 is a promising indicator for other industries as well.

Industry snapshot: Manufacturing & Construction

The manufacturing and construction sectors contribute 15.1% to the U.S. GDP and employ 10.3% of the workforce. These sectors drive significant economic activity through their extensive supply chains and innovative practices, creating a multiplier effect that benefits other industries.

Despite supply chain and regulatory compliance challenges, the sectors are nonetheless poised for

growth, with expectations of a projected compound annual growth rate of 5.58% from 2025 to 2029.

2025 Growth Initiatives

Top priorities for these sectors include investing in sales and marketing, customer retention, and cross-selling. To drive growth and adapt to market demands, businesses can expand their product and service offerings, utilize new technology to improve efficiency, and continue investing in employee development and training.

A continued focus on effective financial management is also critical, with strong emphasis on cash flow management and financing solutions.

2025 Challenges

These sectors are still likely to encounter challenges in 2025 that may include supply chain and inventory management issues, regulatory compliance adjustments, and difficulty retaining skilled employees amidst labor market pressures. Additional economic factors like inflation, rising interest rates, and high raw material costs may contribute to increased volatility as well.

To best offset these challenges, companies may diversify income streams and manage interest rates by securing fixed-rate loans. Other methods to offset higher material costs include exploring alternative suppliers, negotiating bulk purchase discounts, and implementing cost-saving initiatives and operational efficiencies.

3-YEAR OUTLOOK, MANUFACTURING & CONSTRUCTION BUSINESSES



88% have an optimistic 3-year outlook



Banks play several crucial roles in providing customized support, financing, and advisory services to help businesses in this sector effectively manage their cash flow. In addition to assisting in optimizing cash flow through strategic planning and financial analysis, they provide detailed insights into market trends and economic conditions, enabling businesses to make informed decisions. Furthermore, they can facilitate access to capital for expansion and innovation, ensuring businesses have the resources needed to thrive.

2025 Challenges

Challenges facing this sector in 2025 include keeping current with technological advances and continued digital transformation to maintain competitiveness. Navigating ongoing changes in regulatory standards, inflation, and interest rates will also likely impact financial planning and stability. These challenges will require businesses to be agile and proactive to ensure continued operational stability.



Industry Snapshot: Professional & Executive

The professional and executive sector accounts for 6.9% of the U.S. GDP, 8.6% of employment, and 12% of the country's business landscape. It's poised for strong performance in 2025 and beyond, with high expectations for productivity, customer retention, and profitability.

2025 Growth Initiatives

To drive growth in 2025, businesses in the professional and executive sector are focusing on investments in sales and marketing to expand market presence and drive continued business growth. Maintaining and enhancing customer satisfaction and loyalty is vital to achieving their goals.

Reducing costs and improving processes remains critical, as well. To do this, businesses in this sector cite budgeting, forecasting, and risk management as methods to mitigate costs and plan to leverage technology to enhance operational efficiencies.

3-YEAR OUTLOOK, PROFESSIONAL & EXECUTIVE BUSINESSES



96% have an optimistic 3-year outlook



Insight 3: Investments in technology aim to enhance efficiency and grow customer base

Survey quotes

01 “**Embracing innovation and collaboration** will fuel my success in 2025.”

02 “**I believe continuing** our implementation of new technologies and providing the needed employee training so everyone can use these tools to their advantage is essential to ultimately driving stronger metrics and increased revenues for our company and our customers/partners.”

03 “**I believe that through continuous** innovation and efficient execution, improving the company’s market competitiveness will help our company succeed.”

Businesses are increasing their investments in technology to enhance efficiency and sustain their growth momentum in 2025. Specifically, they’re looking to expand product or service offerings, diversify sales channels, and increase sales and marketing initiatives to drive growth. The goal is to continue to streamline operations, reduce costs, and improve overall performance across key indicators.

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More than ever, technology is playing a pivotal role in business success. Companies that anticipate the greatest growth are prioritizing technology to boost efficiency and keep a step ahead.”

– Jeff Watts, Chief Banking Officer
Florida East

Key Findings

96% of companies are prioritizing improvements in efficiency

82% of companies will increase their investment in technology in 2025

85% of companies are seeking to enhance employee productivity

82% of companies are seeking better options for fraud protection

82% of companies are pursuing digital innovation in banking

Technology Investment

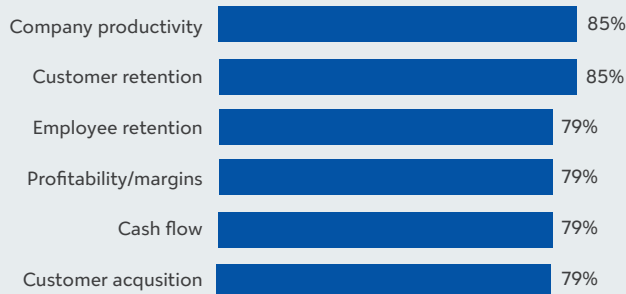
Approximately four in five fast-growing companies plan to increase their investment in advanced technologies like AI, automation, data analytics, and digital financial services in 2025. These investments aim to improve efficiency, scalability, and operational excellence.

Marketing Investment

To remain competitive, U.S. businesses are focusing on expanding their product or service offerings and diversifying sales channels. Nearly 90% of businesses are prioritizing investments in sales and marketing, customer retention, and cross-selling and upselling.

The key to success in 2024 included adaptability, strong relationships, perseverance, a focus on customers, and continuous learning. Consistently delivering high-quality work and service helped businesses retain customers and build a positive reputation.

GOOD 2024 PERFORMANCE



Financial Management

Effective and efficient management of collections and accounts receivable ensures timely cash inflows, which is vital for fast-growing companies to maintain liquidity. Utilizing advancements in financial tools will help businesses monitor and optimize profit margins, mitigate risk, and sustain profitability by making informed pricing decisions.

Maintaining healthy cash flow is essential for covering operational expenses and investing in growth opportunities. Automated cash flow forecasting and real-time financial analytics tools can enhance accuracy and efficiency. Businesses will continue to invest in advanced data analytics so they can accurately predict potential risks and implement strategies to minimize the negative impact on their bottom line.



Strategies for success in 2025

- **Sales prioritization:** Fast-growing companies are focusing on expanding their product or service offerings, diversifying sales channels, and investing in marketing to drive growth.
- **Informed decision making:** These companies rely on up-to-date financial information to make strategic decisions. Key factors include risk management, working capital optimization, and cost control.
- **Operational efficiency:** Investing in technology for fraud protection, digital banking innovations, and employee productivity is a top priority for most fast-growth companies.



Insight 4: Navigating challenges like inflation, hiring, and geopolitical unrest

Survey quotes

- 01

“2025 is going to be a tough year, and I think we should further stabilize the existing resources.”
- 02

“The biggest contributor to my success will be adaptability. The ability to pivot, learn, and grow in response to new circumstances.”
- 03

“I think hiring and maintaining good talent and keeping employees happy and well taken care of will contribute the most to company success.”

U.S. businesses continue to face significant headwinds. Inflation, hiring difficulties, and geopolitical unrest are among the top concerns. Companies are adopting various strategies to mitigate these challenges, such as hedging interest rates and ensuring access to working capital.

Difficulties remain for companies to reach their goals

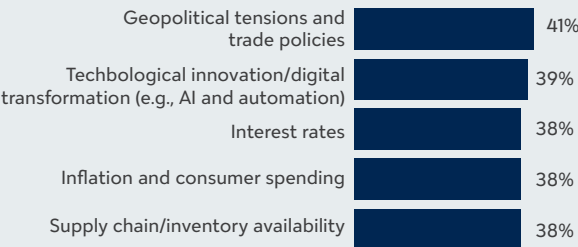
More than 40% of businesses cite inflation, interest rates, and hiring as major challenges. Inflation and rising interest rates increase operational costs and reduce profit margins, making it difficult for businesses to maintain financial health. Hiring difficulties, on the other hand, may stem from a competitive labor market where it becomes increasingly difficult to attract skilled employees.

Businesses also face challenges related to geopolitical tensions, trade policies, technological innovation, supply chain issues, and wage pressure. These factors collectively create a complex landscape that requires strategic planning and adaptability.



Economic challenges pose problems that can't be ignored

Geopolitical tensions and trade policies are the main concern for 41% of businesses. These issues can disrupt international trade and create uncertainty in global markets, affecting business operations and profitability. Technological innovations and digital transformation, which concern 39% of businesses, require significant investment and adaptation to stay competitive. Interest rates, inflation, consumer spending, and supply chain/inventory availability each concern 38% of businesses.



Effectively navigating these challenges

Businesses are focusing on utilizing financial products like working capital lines of credit to manage cash flow and mitigate financial risks in 2025. These products provide the necessary liquidity to handle unexpected expenses and invest in growth opportunities.

Additionally, leveraging the expertise of business bankers can provide valuable insights and support for strategic financial decisions. Business bankers can offer tailored advice on managing financial risks, optimizing cash flow, and planning for long-term success. By adopting these strategies, businesses can better position themselves to thrive in a challenging economic landscape.

Conclusion

The state of business in 2025 highlights a need for strategic optimization through customer retention, technology investment, and efficient financial management. Both the manufacturing & construction and professional & executive industries face unique challenges but share common goals of improving efficiency, expanding offerings, and leveraging technology.

Banks play a vital role in helping businesses thrive by providing the resources needed to make informed decisions and develop plans to offset economic uncertainty. Their customized financial solutions and advisory services are pivotal for businesses to effectively manage cash flow, leverage insights detailing changing market trends and economic conditions, and gain access to capital for expansion and innovation.

About this survey

The 2025 State of Business Report by Valley Bank draws from an online survey of 437 financial decision-makers at U.S. companies in selected industries with annual revenue of \$25 million to \$249 million. The

data in this report focuses only on businesses that reported between \$25 million and \$249 million in annual revenue. All data was gathered by a third-party market research firm, Bredin, between October 11, 2024, and January 7, 2025.

About Valley Bank

At Valley Bank, we don't just invest in your business. We power your ambitions: how to focus them, grow them, and most importantly, make them resilient for the future. We're the leading commercial bank built for growth—with over \$62 billion in assets and more than 200 consumer branches and commercial banking offices in communities across the U.S. With more than 3,800 employees across real estate, commercial & industrial, healthcare, nonprofit, government contracting and more, we help you focus your vision and then prioritize the solutions you need to achieve it. It's how we've been working since 1927, and what makes us the partner you can turn to confidently, to power your tomorrow.



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