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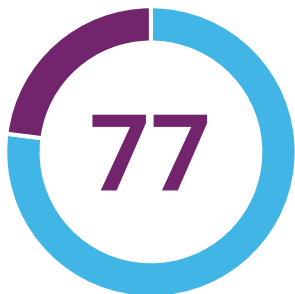
AICPA Business and Industry Economic Outlook Survey

Detailed Survey Results: 3Q 2017

Survey Background

- Conducted between August 1-16, 2017
- Quarterly Survey
- CPA decision makers (primarily CFO's, CEOs and Controllers)
- AICPA members in Business & Industry only
- 775 qualified responses

Survey Highlights



Overall index picks up two points

Highest total CPAOI since Q4 2014 peak at 78

Significant jumps in revenue and profit components

Employment constant with Q2
Other capital spending up 5 points over Q2

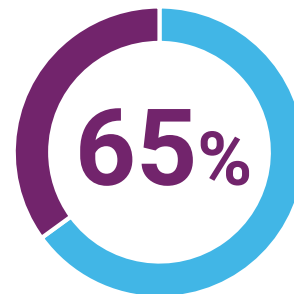


Now optimistic about U.S. Economy

Outlook for economy consistent with Q2

Retail trade, manufacturing and professional service sector optimism eases

Construction and real estate recover from Q2 easing



Have expansion plans, but size matters

Overall, expansion plans improve a point from 64% to 65%

Plans for smaller companies recover some of Q2 decline

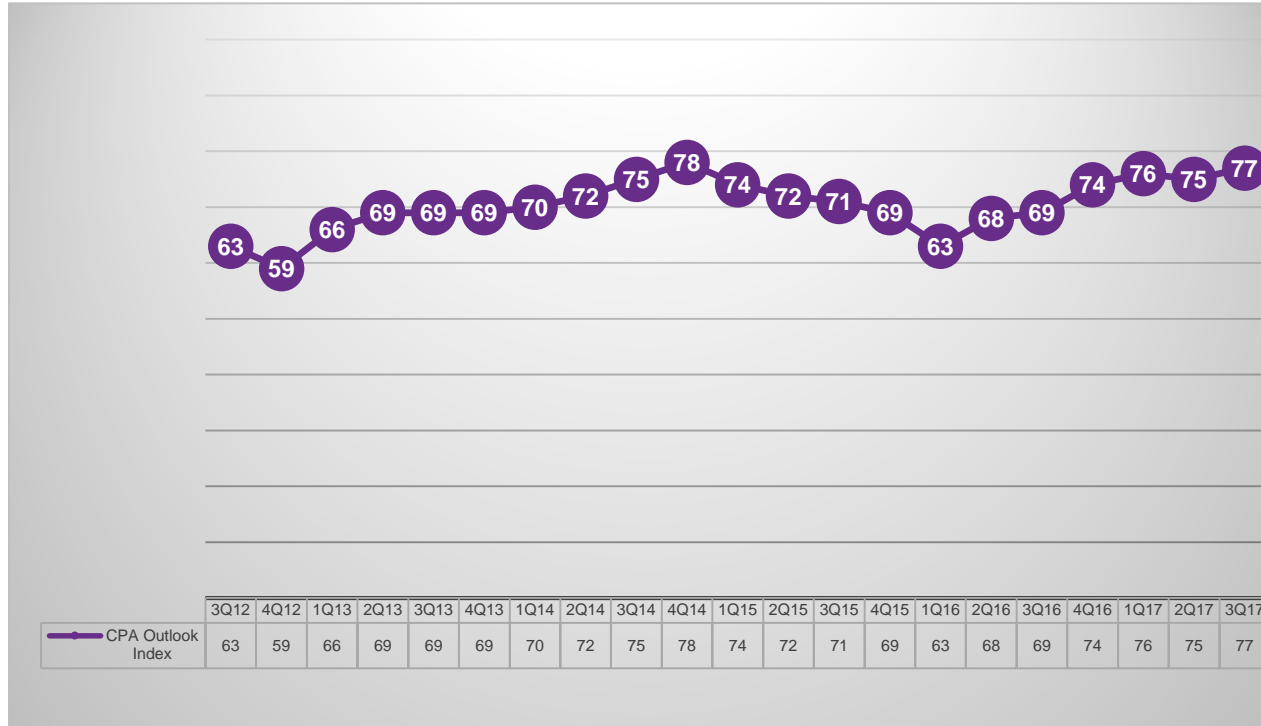
Plans for larger companies fall off slightly

CPA Outlook Index (CPAOI)

- The CPA Outlook Index is the composite of the following nine indicators at equal weights:
 - U.S. Economy Optimism - Respondent optimism about the U.S. economy
 - Organization Optimism - Respondent optimism about prospects for their own organization
 - Expansion Plans - Respondent expectations of whether their business will expand over the next 12 months
 - Revenue - Expectations for increases or decreases in revenue over the next 12 months
 - Profits - Expectations for increases or decreases in profits over the next 12 months
 - Employment - Expectations for increases or decreases in headcount over the next 12 months
 - IT Spending - Plans for IT spending over the next 12 months
 - Other Capital Spending - Plans for capital spending over the next 12 months
 - Training & Development - Plans for spending on employee training and development over the next 12 months
- A reading above 50 indicates a generally positive outlook with increasing activity. A reading below 50 indicates a generally negative outlook with decreasing activity.

The CPA Outlook Index is a robust measure of sentiment about the U.S. economy that is supported by the unique insight and knowledge that CEOs, CFOs, Controllers, and other CPA executives have about the prospects for their own organizations, their expectations for revenues and profits, and their plans for spending and employment.

CPA Outlook Index (CPAOI)



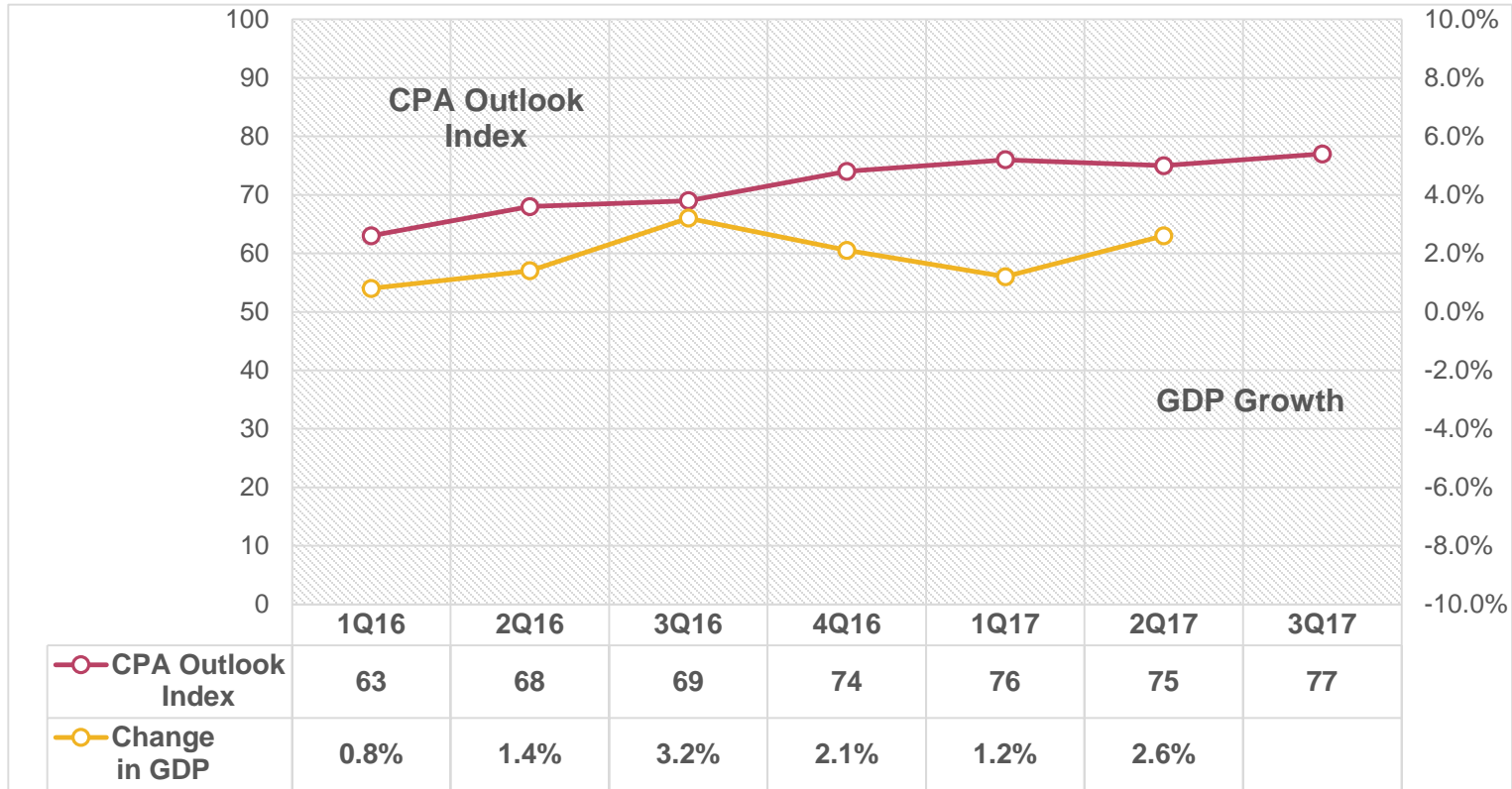
A reading above 50 indicates a generally positive outlook with increasing activity.

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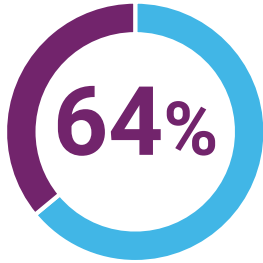
CPA Outlook Index (CPAOI)

Component	3Q16	4Q16	1Q17	2Q17	3Q17	ΔQ to Q	ΔY to Y
U.S. Economic Optimism	58	76	79	77	77	→00	↑19
Organization Optimism	68	74	77	76	78	↑02	↑10
Expansion Plans	72	74	77	76	76	→00	↑4
Revenue	75	78	81	79	83	↑04	↑8
Profits	69	74	74	72	77	↑05	↑8
Employment	66	68	71	72	72	→00	↑06
IT Spending	75	77	78	80	81	↑01	↑06
Other Capital Spending	71	73	71	72	77	↑05	↑06
Training & Development	70	71	73	73	74	↑01	↑04
Total CPAOI	69	74	76	75	77	↑02	↑8

CPA Outlook Index (CPAOI) vs. GDP



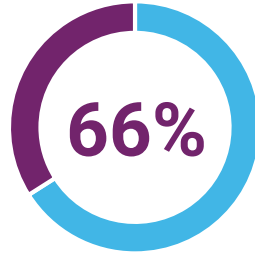
U.S. Economy, Organization and Inflation



Optimism for U.S. economy remains constant with Q2

Optimists cite general strength of many economic indicators – consumer spending, employment, low inflation, etc.

While both optimists and pessimists cite dysfunctional politics, hope for reduced regulation and tax reform continues



Organization optimism returns to Q1 level

Optimism for respondent's own organization recovers Q2 two point decline

The percentage of companies with expansion plans also up one point from 64% in Q2 to 65% in Q3

The percentage of companies expecting their businesses to contract remained constant at 13%



Now concerned about inflation; down 5%

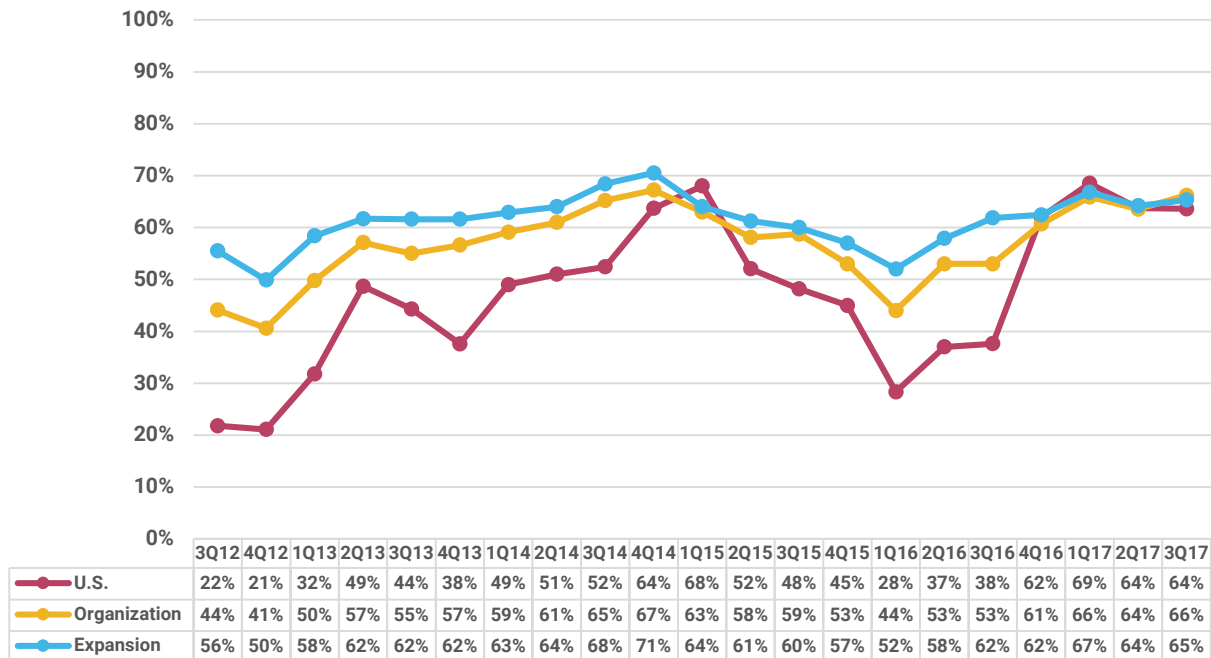
Concern about labor costs continues to be most significant, increasing another two points from 42% to 44%

Raw material cost increases also increase another two points from 25% to 27%

Interest rate concerns fall from 22% to only 15%

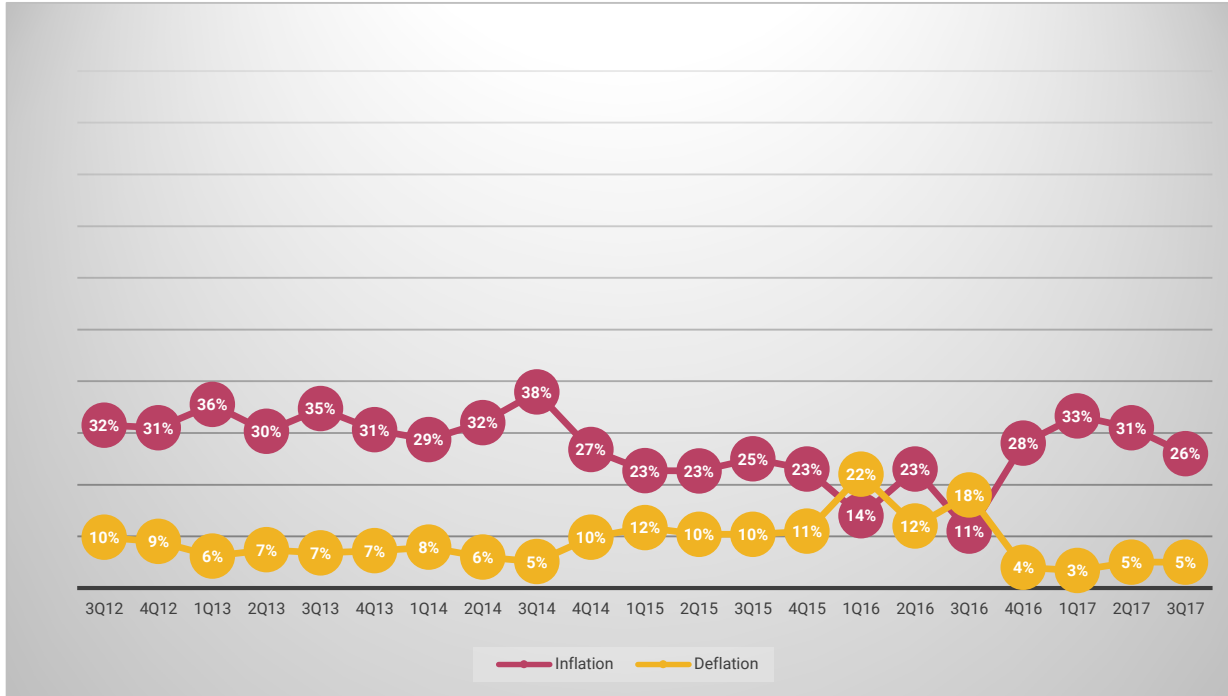
Energy cost risk eases another two points to only 6%

Optimism & Expansion



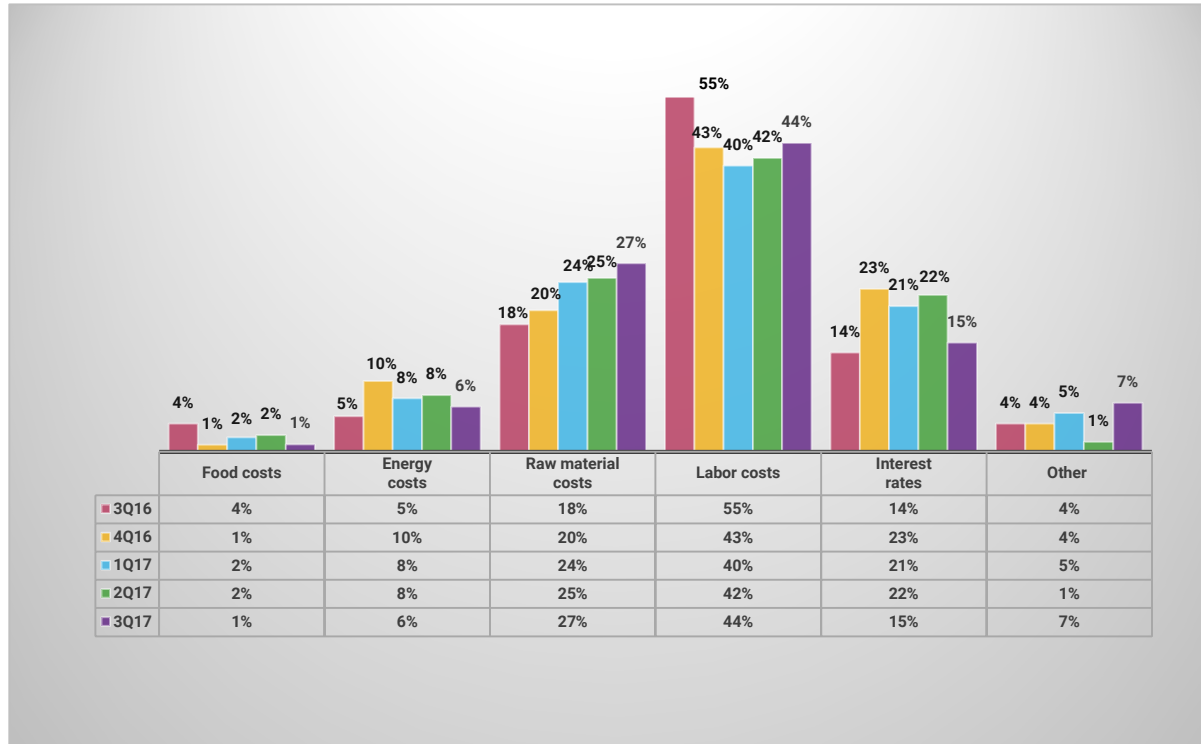
The economic outlook for the U.S. economy, your organization, and the expansion plans over the next 12 months

Inflation or Deflation



For your business, over the next 6 months, which are you more concerned about? Inflation or deflation?

Inflationary Risk Factors



Which of the following potential inflationary factors represents the most significant risk to your business?

Key Performance Indicators

Revenues and Profits

Revenue and Profit projections both show significant increases

Expected revenue increase for coming twelve months recovers to Q1 level of 4.3%

Profit projections also bounce back to Q1 level of 3.5% after falling to 3.2% in Q2

Hiring and Employment

Headcount plans improve slightly; cost projections up

Anticipated rate of headcount increase for the coming year increased from 1.8% to 1.9%; the highest level since Q4 2014

Salary and benefit costs projected to increase at a rate of 2.4%, up two tenths from 2.2% in Q2

Healthcare cost projections jump to 6.3%, up from 5.6% in Q1 and 5.5% in Q2

Spending Plans

IT, Other Capital and Training improve; Marketing and R&D ease slightly

Spending for IT improves to a 3.5% projected increase in Q3, up from 3.2% in Q2

Other capital spending rate increases from 2.8% to 3.3%

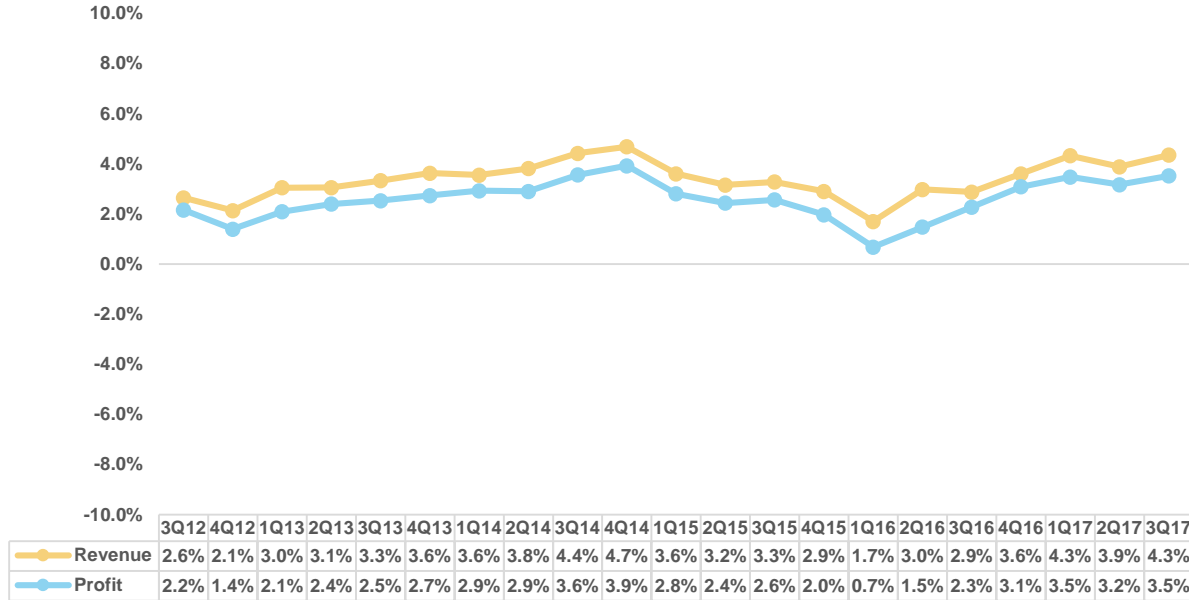
Training also ticks up another point to 2.1%

Marketing holds constant at 1.8%

R&D spending jumps to a 2.0% projected increase, a post-recession high

Key Performance Indicators

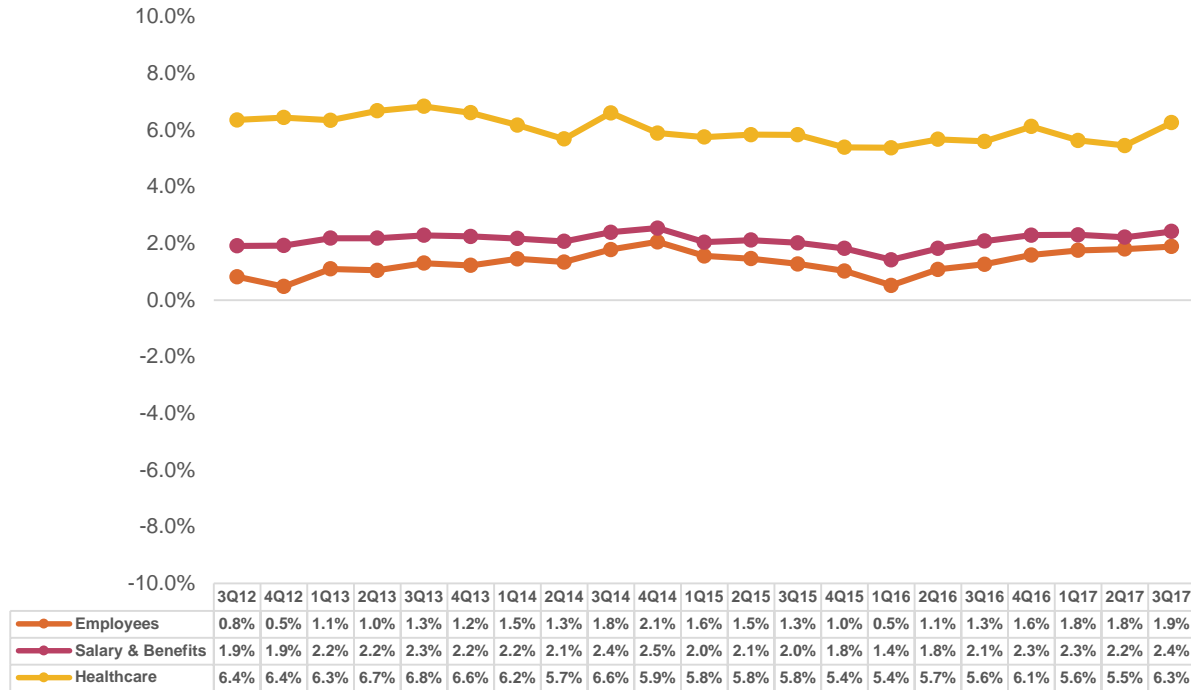
Expected Growth in Revenue and Profits



Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators: please select one growth rate for each item, from increasing by more than 10% to decreasing by more than 10%....

Key Performance Indicators

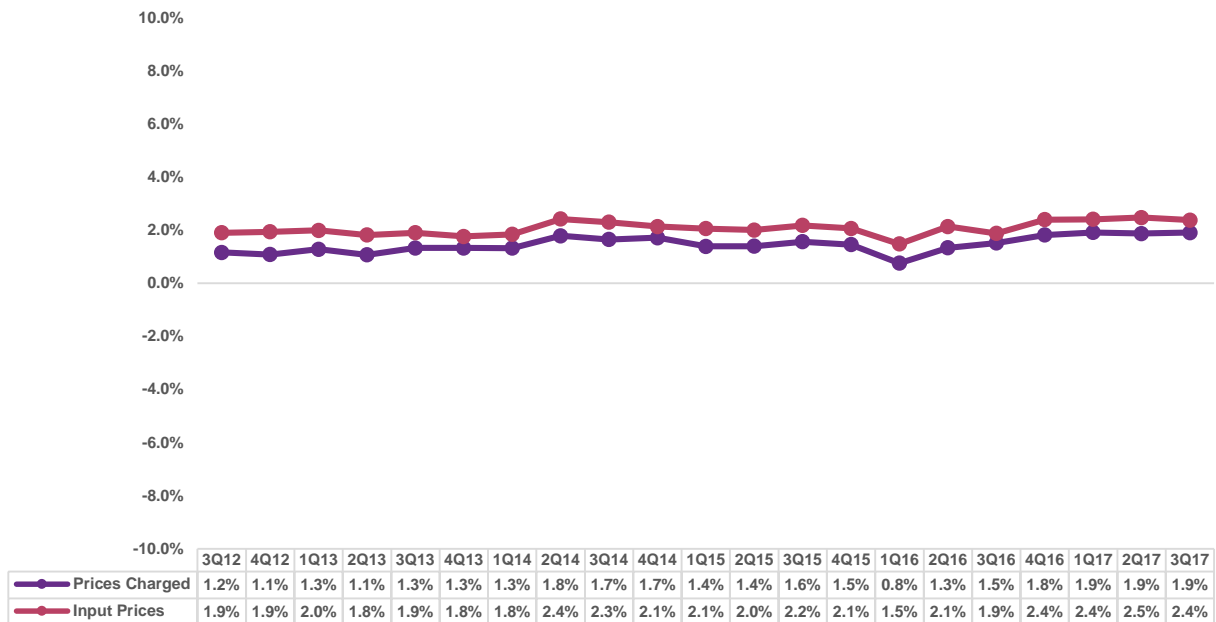
Employees, Salary & Benefits, and Healthcare Costs



Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators: please select one growth rate for each item, from increasing by more than 8% to decreasing by more than 8%....

Key Performance Indicators

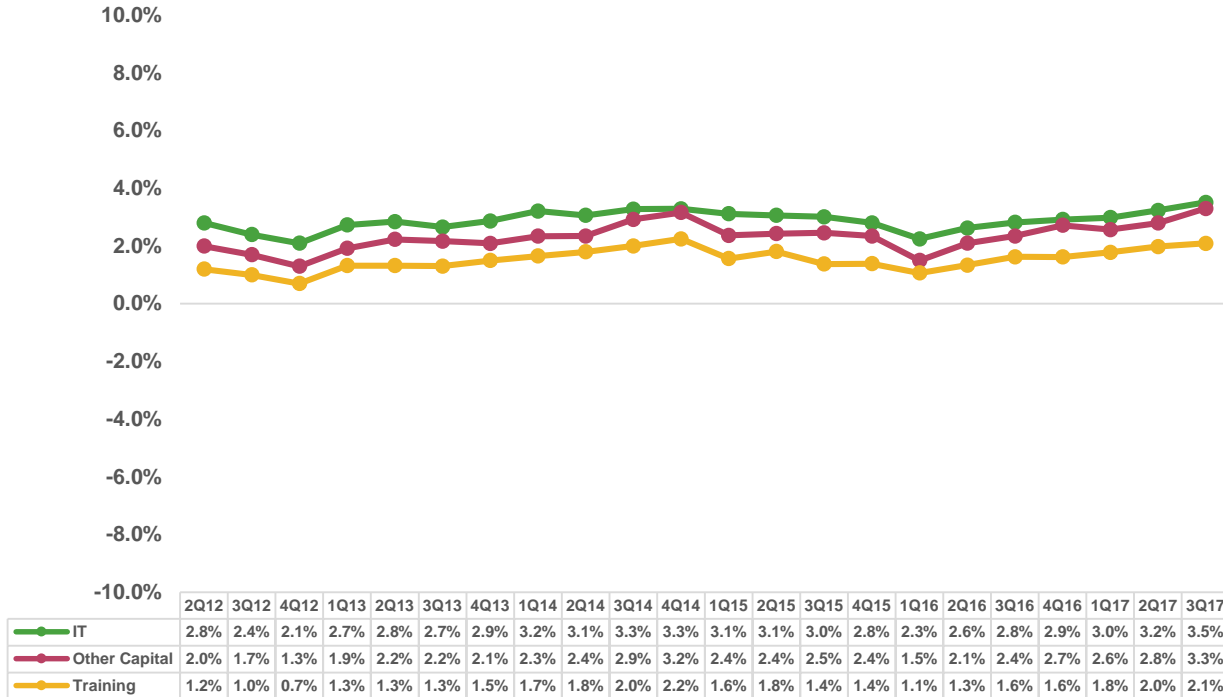
Pricing & Other Costs Average Change Expected



Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators: please select one growth rate for each item, from increasing by more than 8% to decreasing by more than 8%....

Key Performance Indicators

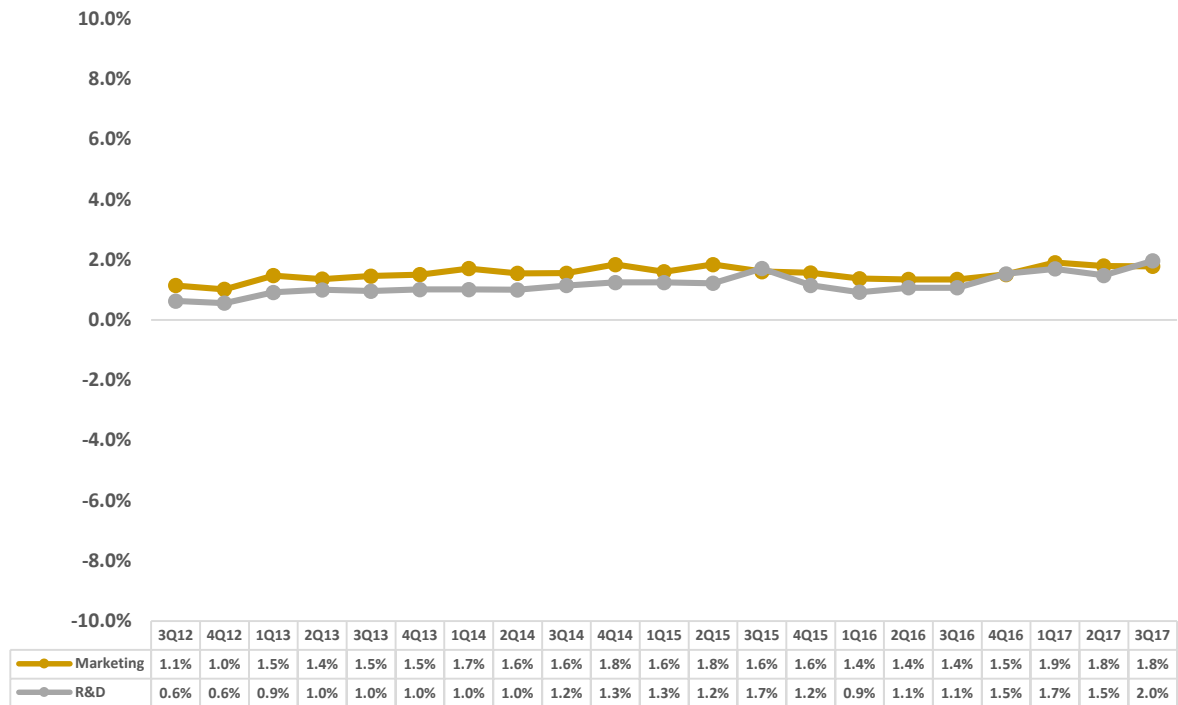
Spending Plans - IT, Other Capital & Training



Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators: please select one growth rate for each item, from increasing by more than 10% to decreasing by more than 10%....

Key Performance Indicators

Spending Plans Marketing & R&D



Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators: please select one growth rate for each item, from increasing by more than 10% to decreasing by more than 10%....

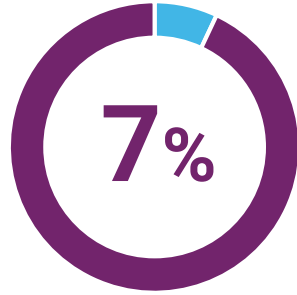
Hiring Plans

Continue to Improve



Have right
number of
employees

Consistent with Q1
level



Have an
excess of
employees

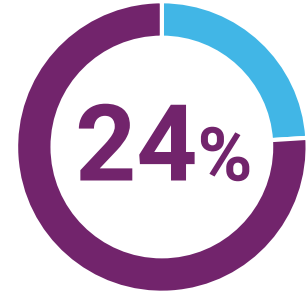
Down a point from
Q2, 2017

Down from 13% in
Q3, 2016



Have too few,
but hesitating
to hire

Down a point from
Q2, 2016



Have too few
and planning
to hire

Consistent with
Q2, 2017; up 5%
from Q2, 2016
level of 19%

Hiring Plans

Overall staff situation relative to your needs



Given current conditions, how would you characterize your overall staffing situation relative to your needs (i.e., do you have excess capacity or are employees stretched)?

Top Challenges Facing Organizations

- Availability of skilled personnel moved up another notch to the top of the list
- Regulatory requirements/changes regained the second slot
- Domestic competition jumped to third, and Domestic economic conditions maintained the fourth ranking
- Employee and benefit costs fell from the top slot to fifth; Staff turnover fell to tenth after jumping from ninth in Q1 to sixth in Q2
- Developing new products/services moved up another slot from the seventh to the sixth slot
- Changing customer preferences moved from tenth to eighth
- Stagnant/returning markets returned to the top ten at the seventh rank slot
- Domestic political leadership maintained its ninth place ranking

Please
indicate the
top three
challenges
for your
organization

Top Challenges

	3Q16	4Q16	1Q17	2Q17	3Q17
1	Regulatory requirements/changes	Regulatory requirements/changes	Employee and benefits costs	Employee and benefits costs	Availability of skilled personnel
2	Domestic economic conditions	Employee and benefits costs	Regulatory requirements/changes	Availability of skilled personnel	Regulatory requirements/changes
3	Availability of skilled personnel	Domestic economic conditions	Availability of skilled personnel	Regulatory requirements/changes	Domestic competition
4	Domestic competition	Availability of skilled personnel	Domestic economic conditions	Domestic economic conditions	Domestic economic conditions
5	Employee and benefits costs	Domestic competition	Domestic competition	Domestic competition	Employee and benefits costs
6	Stagnant/declining markets	Developing new products/services/markets	Changing customer preferences	Staff Turnover	Developing new products/services/markets
7	Domestic political leadership	Domestic political leadership	Domestic political leadership	Developing new products/services/markets	Stagnant/declining markets
8	Liquidity	Changing customer preferences	Developing new products/services/markets	Materials/supplies/equipment costs	Changing customer preferences
9	Developing new products/services/markets	Stagnant/declining markets	Staff Turnover	Domestic political leadership	Domestic political leadership
10	Financing (access/cost of capital)	Staff Turnover	Materials/supplies/equipment costs	Changing customer preferences	Staff Turnover

Industry, Region and Business-size Outlook - 1 of 3

Retail rebound eases

Retail trade optimism fell back to 52% after rebounding to 58% Q2

Hiring for retail continues to be soft at 1.0%

Wholesale trade however, recovered to 81% after falling off to 57% in Q2

Optimism for Manufacturing eases Technology recovers

Manufacturing optimism eases another 3 points from 66% in Q2 to 63% in Q3

Manufacturing hiring improved from 2.3% in Q2 to 2.6% in Q3

Technology optimism recovers from 56% optimistic in Q2 to 64% in Q3

Technology hiring continues to lead the pack at an expected rate of 3.5%

Construction and real estate also recovers some Q2 declines

Construction optimism recovered from 66% in Q2 to 69% in Q3

Construction hiring rebounded to 2.7% in Q3, after falling to 1.7% in Q2

Real Estate and Property also rebounded to 78% optimistic after falling to 63% in Q2

Real Estate hiring expectations also recovered slightly in Q3 to 1.7%, up from 1.4%

Industry, Region and Business-size Outlook - 2 of 3

Finance and Insurance holds ground

Professional Services declines

Finance and Insurance optimism improves a point from 64% to 65%

Professional service optimism declines another 12 points to only 50% in Q3

Finance and Insurance planned hiring declines slightly from 2.2% in Q2 to 1.8% in Q3

Professional service hiring also declines to only 1.7% in Q3, falling from 3.9% in Q1, and 2.9% in Q2

Healthcare providers and Healthcare – other both gain optimism

Healthcare provider optimism continues to improve to 56%, up from 43% in Q1 and 52% in Q2

Healthcare – other recovered to 67%, after falling from 80% optimistic in Q4 2016, and 70% optimistic in Q1, to 60% in Q2

Expected hiring by Healthcare providers eases further from 2.4% in Q2, to 1.8% in Q3

Industry, Region and Business-size Outlook - 3 of 3

Regional optimism shows mixed results

Midwest – optimism jumps to 74%, up from 65% in Q2

South – recovers 3 points in Q3 to 68% optimistic

West – optimism eases another point from 62% in Q2, to 61% in Q3

Northeast – also eases a point to 59% in Q3, from 60% in Q2

Employment projections by business size and expansion plans by size also show mixed results

For employers with > \$1 billion in revenues, 35% have too few employees. However, only 14% of the largest companies with too few employees have plans to hire; 21% are hesitant.

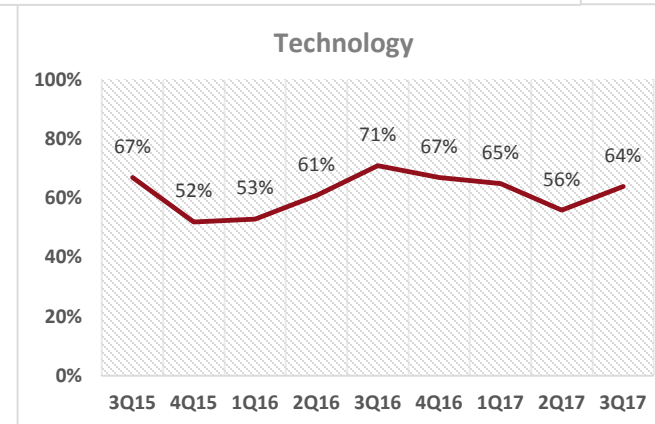
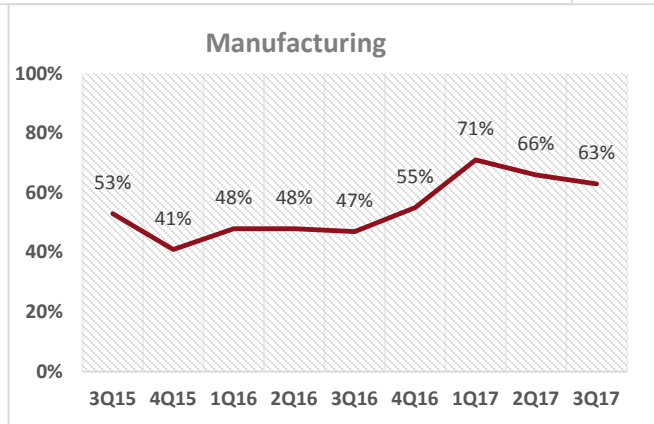
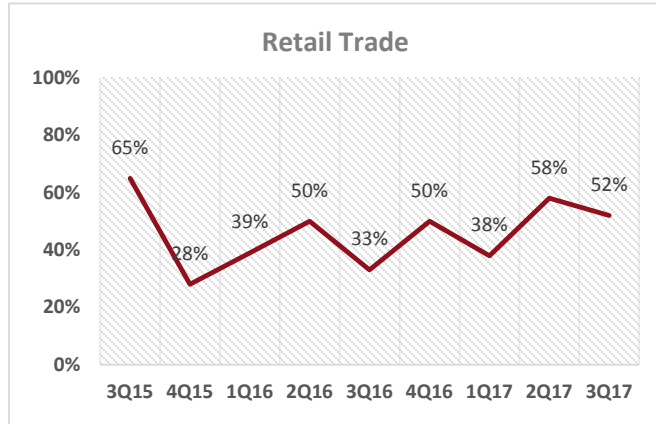
Employers with revenues < \$10 million are also mixed; while 35% have too few employees, only 18% are planning to hire; 17% are hesitant.

In the \$10 - \$100 million range, of the total of 44% with too few employees, 28% have plans to hire; 16% are hesitant.

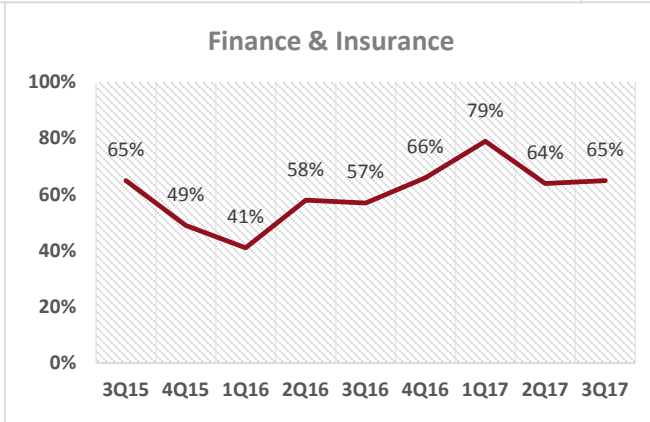
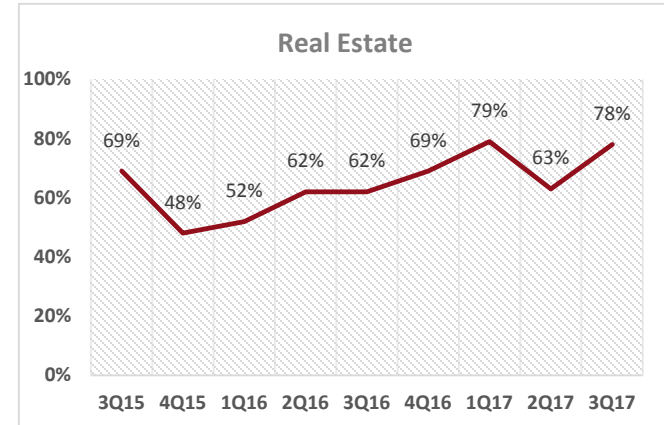
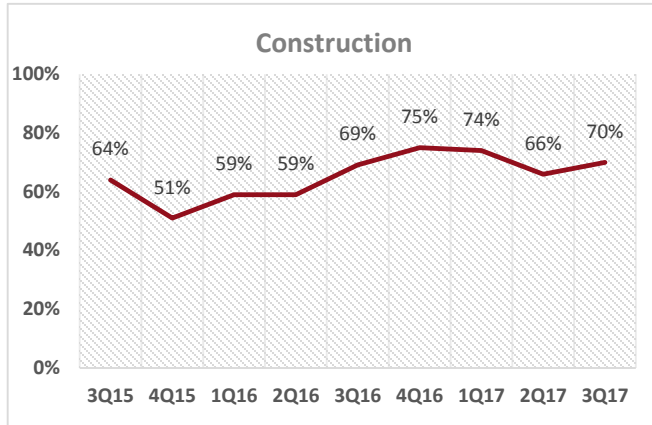
Of those in the \$100 million to \$1 billion category, 39% say they have too few employees and 28% are hiring; only 11% are hesitant.

Expansion plans for both of the smaller categories of SMEs improved; plans for both categories of larger companies eased from Q2 levels.

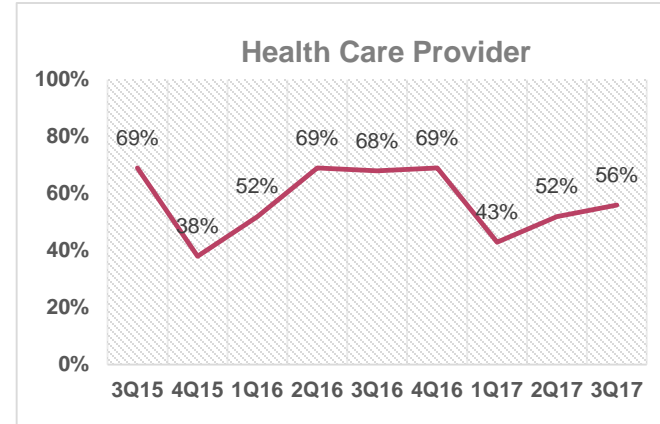
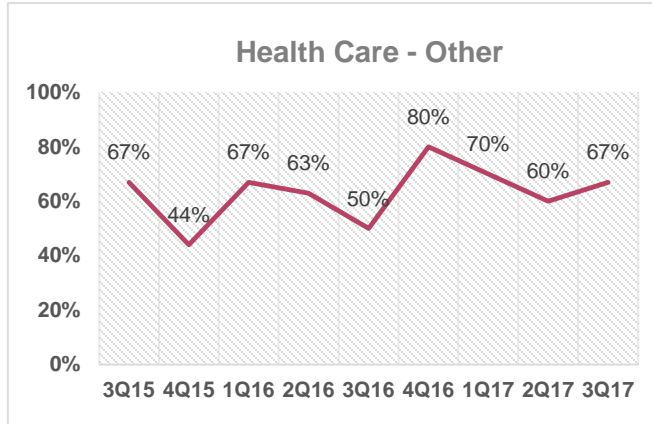
Organization Optimism by Industry



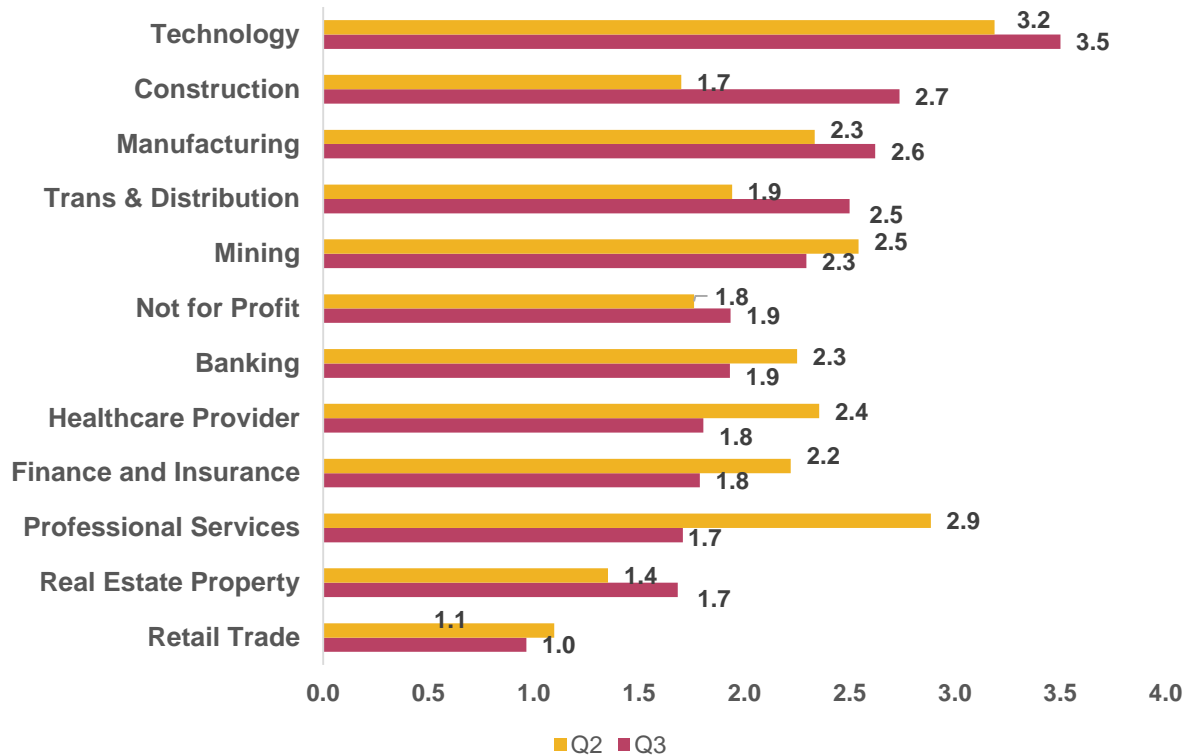
Organization Optimism by Industry



Organization Optimism by Industry

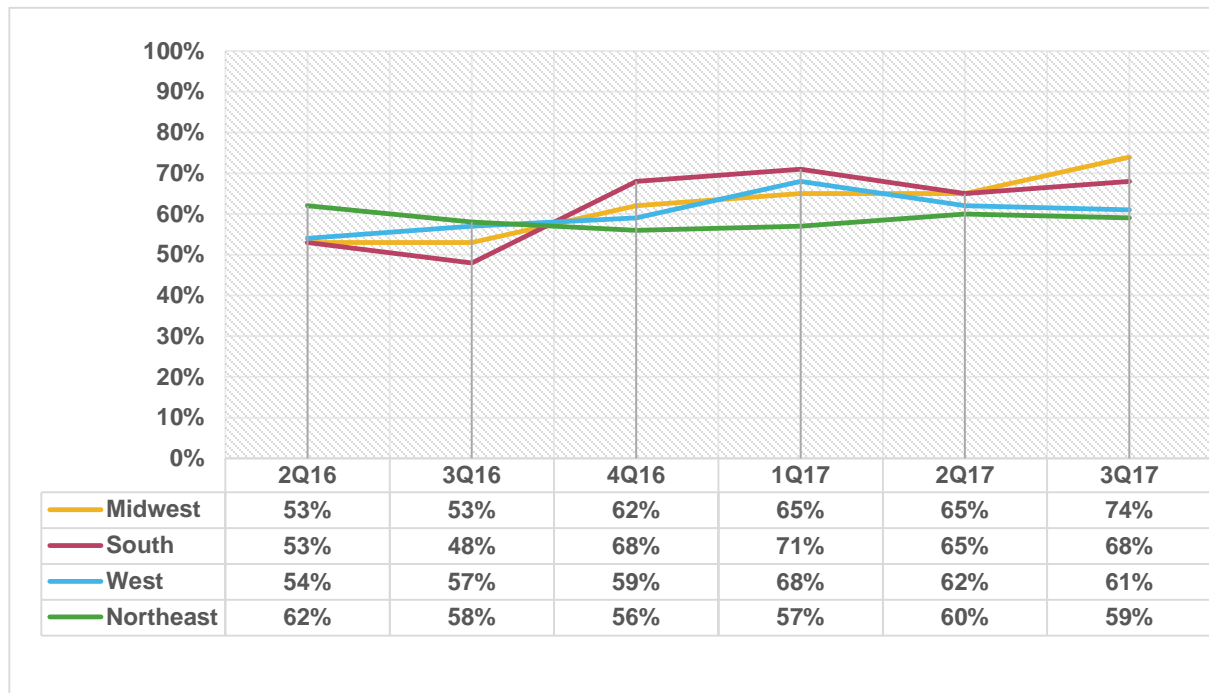


Expected Employment Change by Industry



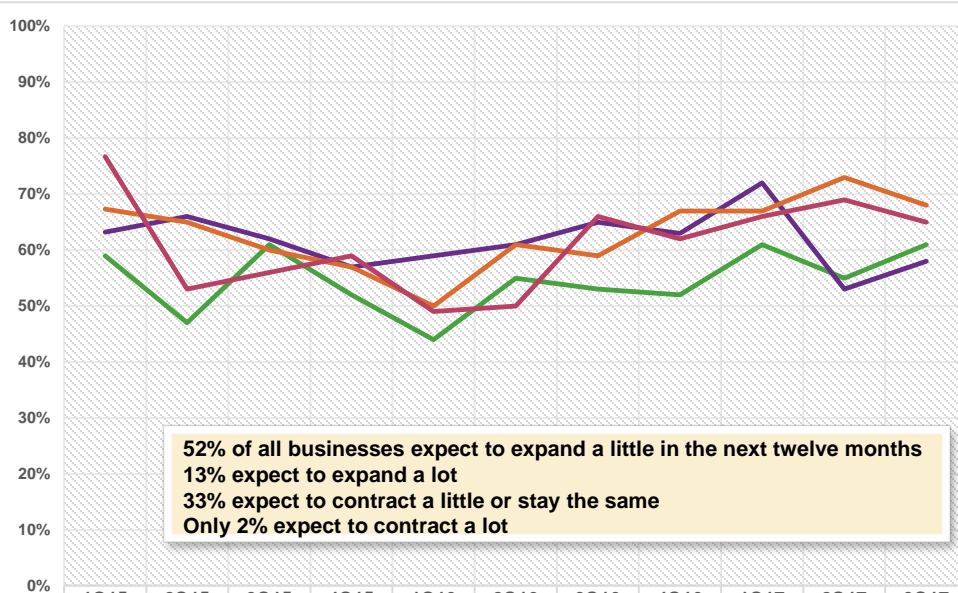
Thinking about the coming 12 months, please comment on the probable change for your organization for Number of Employees

Organization Optimism by Region



Please select the rating that best describes your view for the economic outlook for your own organization for the next 12 months.

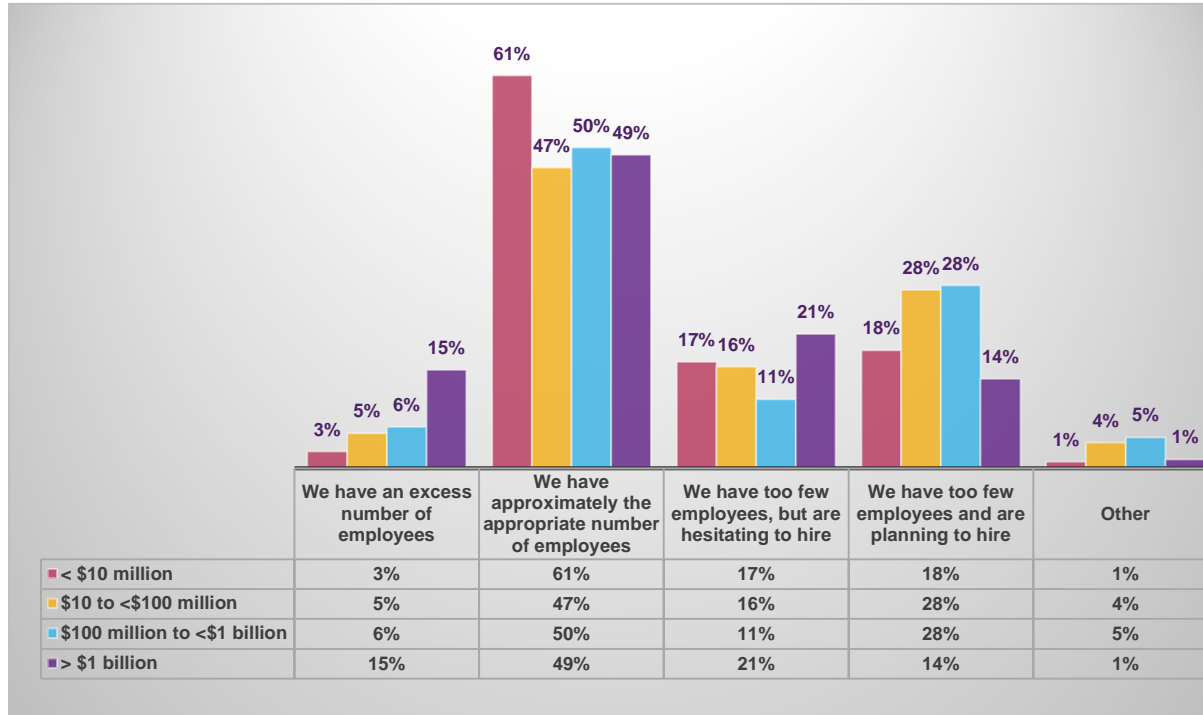
Expansion Plans by Business Size



	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17
< \$10 million	59%	47%	61%	52%	44%	55%	53%	52%	61%	55%	61%
\$10 to <\$100 million	63%	66%	62%	57%	59%	61%	65%	63%	72%	53%	58%
\$100 million to <\$1 billion	67%	65%	60%	57%	50%	61%	59%	67%	67%	73%	68%
> \$1 billion	77%	53%	56%	59%	49%	50%	66%	62%	66%	69%	65%

Please indicate whether you expect your business to expand or contract over the next 12 months

Businesses in the >\$1 billion range are most likely to have excess employees



Given current conditions, how would you characterize your overall staffing situation relative to your needs (i.e., do you have excess capacity or are employees stretched)?

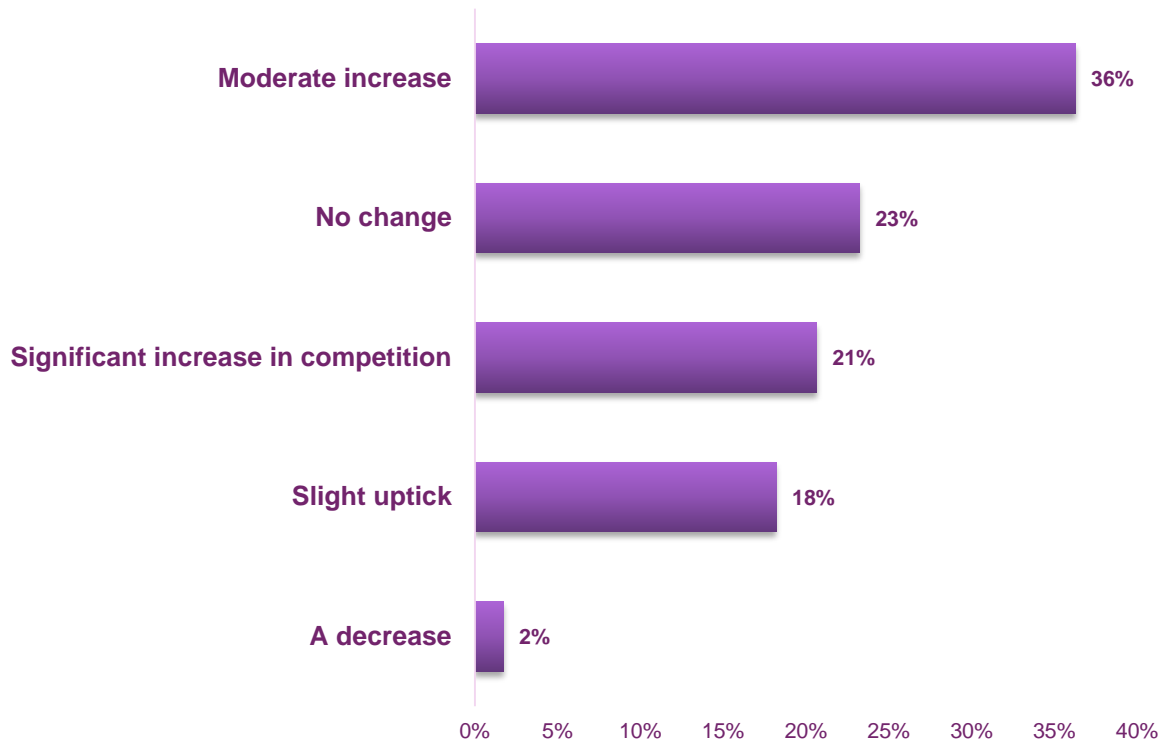
AICPA Economic Outlook Survey

Survey Within a Survey

Competition for Talent

Competition for Talent

Shortage of Skilled Positions



There is some evidence of a talent shortage at more skilled positions in recent quarters. In your recent recruiting efforts, what level of competition are you seeing for candidates?

Competition for Talent

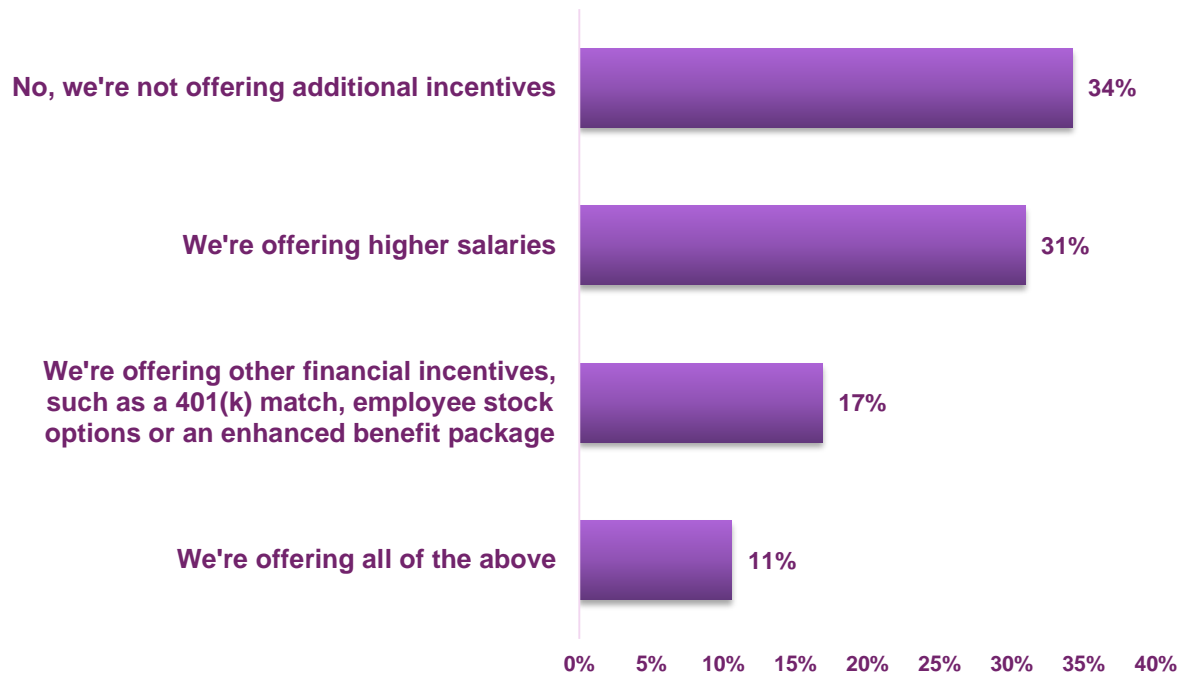
Quality of Job Candidates



What impact have changes to the talent pool had on the quality of job candidates you're able to hire?

Competition for Talent

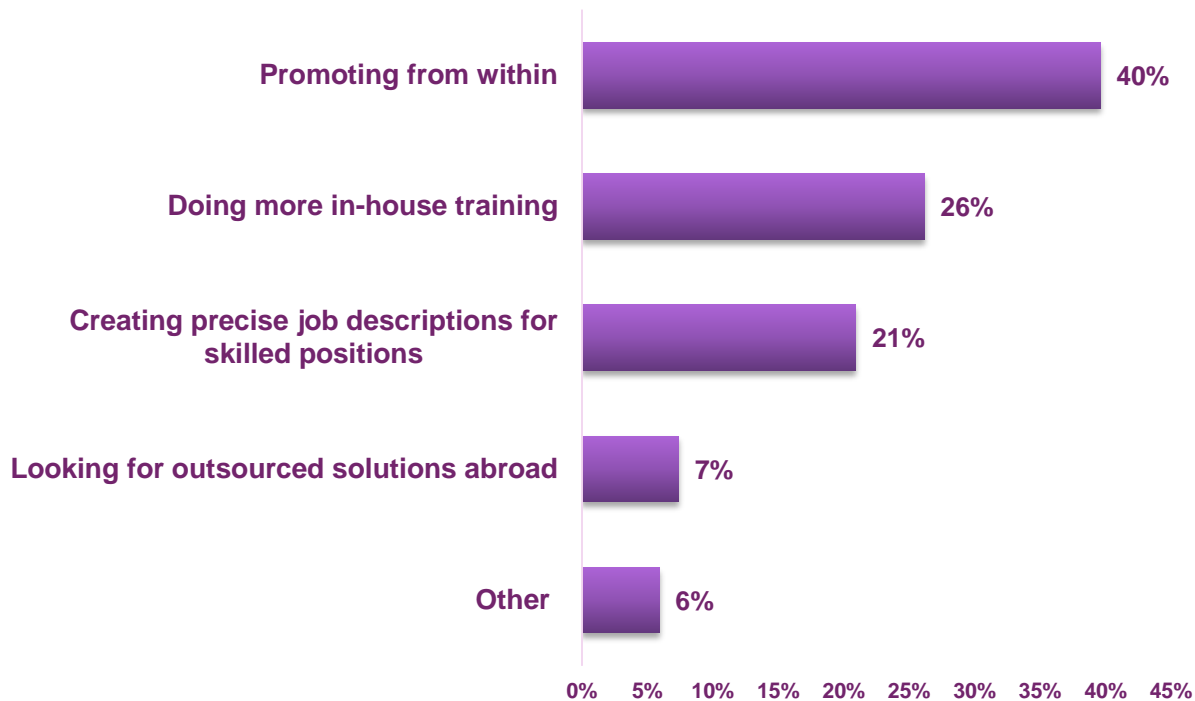
Recruitment and Incentives



Have you changed your financial incentives recently to help recruitment efforts?

Competition for Talent

Job Pool Methods



What other methods are you using to overcome a tighter job pool?

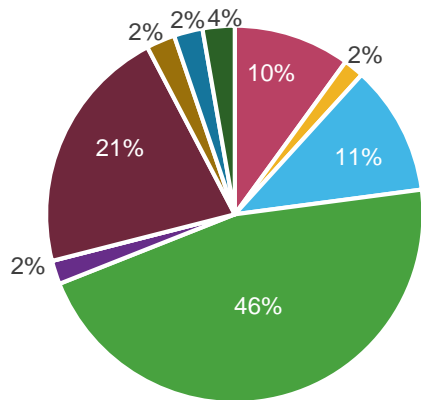
Competition for Talent

Other Job Pool Methods



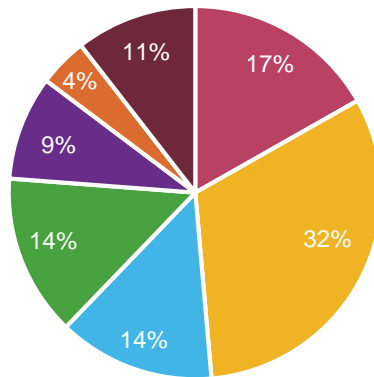
Demographics

Position



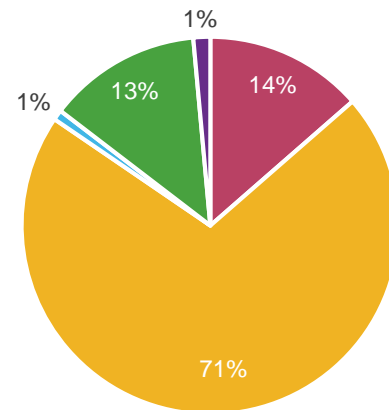
- CEO/President
- COO
- VP/SVP
- CFO
- CAO/CAE
- CIO
- Controller
- Director
- Accounting, Audit, Tax or Technology Manager
- Other

Size of Organization



- \$0 to under \$10 million
- \$10 million to under \$50 million
- \$50 million to under \$100 million
- \$100 million to under \$250 million
- \$250 million to under \$500 million
- \$500 million to under \$1 billion
- \$1 billion or more

Type of Organization



- Publicly Listed Company
- Privately Owned Entity
- Government
- Not for Profit
- Other



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