



AICPA

Business and Industry Economic Outlook Survey

Detailed Survey Results — 4Q 2015

Survey Background

- **Conducted between November 3-23, 2015**
- **Quarterly Survey**
- **CPA decision makers (primarily CFOs, CEOs and Controllers)**
- **AICPA members in Business & Industry only**
- **852 qualified responses**

Survey Highlights

- **CPA Outlook Index declines two points overall, easing slightly across most measures**
 - Overall index decreased from 71 to 69
 - US economy optimism index component declined three points from 67 to 64 in Q4 continuing the decline from a peak of 80 in Q1 2015
 - The organization optimism index declined three points and expansion plan index declined two points; both now stand at 70
- **Revenue and profit indicators decrease; spending and employment plans maintain**
 - Revenue index decreases two points to 74 and profits index decreases 4 points to 67
 - Hiring component continues to be soft at 67, but improves a point from 66 at Q3
 - Spending continues to be strong, although training spending eased another point from 69 to 68
- **Optimism down across sectors;**
 - **Retail trade** optimism fell sharply from 65% to only 28%, after topping the charts at 85% optimistic in Q2. Retail hiring also fell to a projected rate of less than 1%
 - **Manufacturing** hiring projections also fell sharply from a 3.8% increase in Q3 to only .9% for the coming twelve months; however, construction hiring rebounded in Q4 to 2.5% after falling back to only 1.2% in Q3

CPA Outlook Index (CPAOI)

CPA Outlook Index

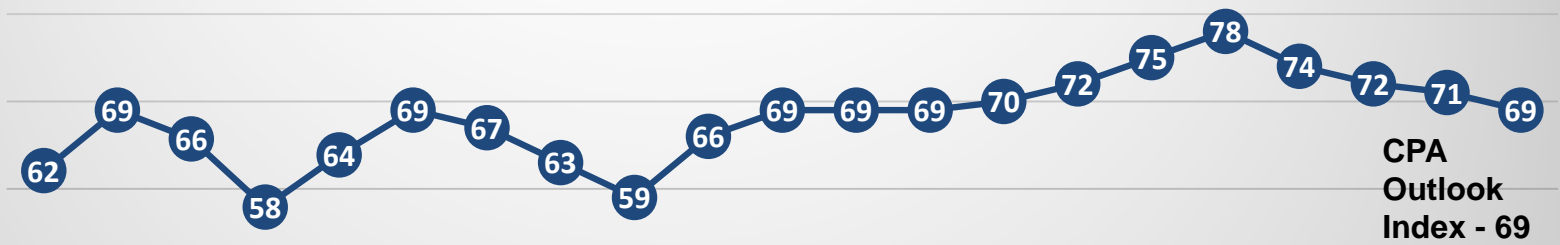
The CPA Outlook Index is a robust measure of sentiment about the U.S. economy that is supported by the unique insight and knowledge that CEOs, CFOs, Controllers, and other CPA executives have about the prospects for their own organizations, their expectations for revenues and profits, and their plans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

■ 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.

CPA Outlook Index (CPAOI)

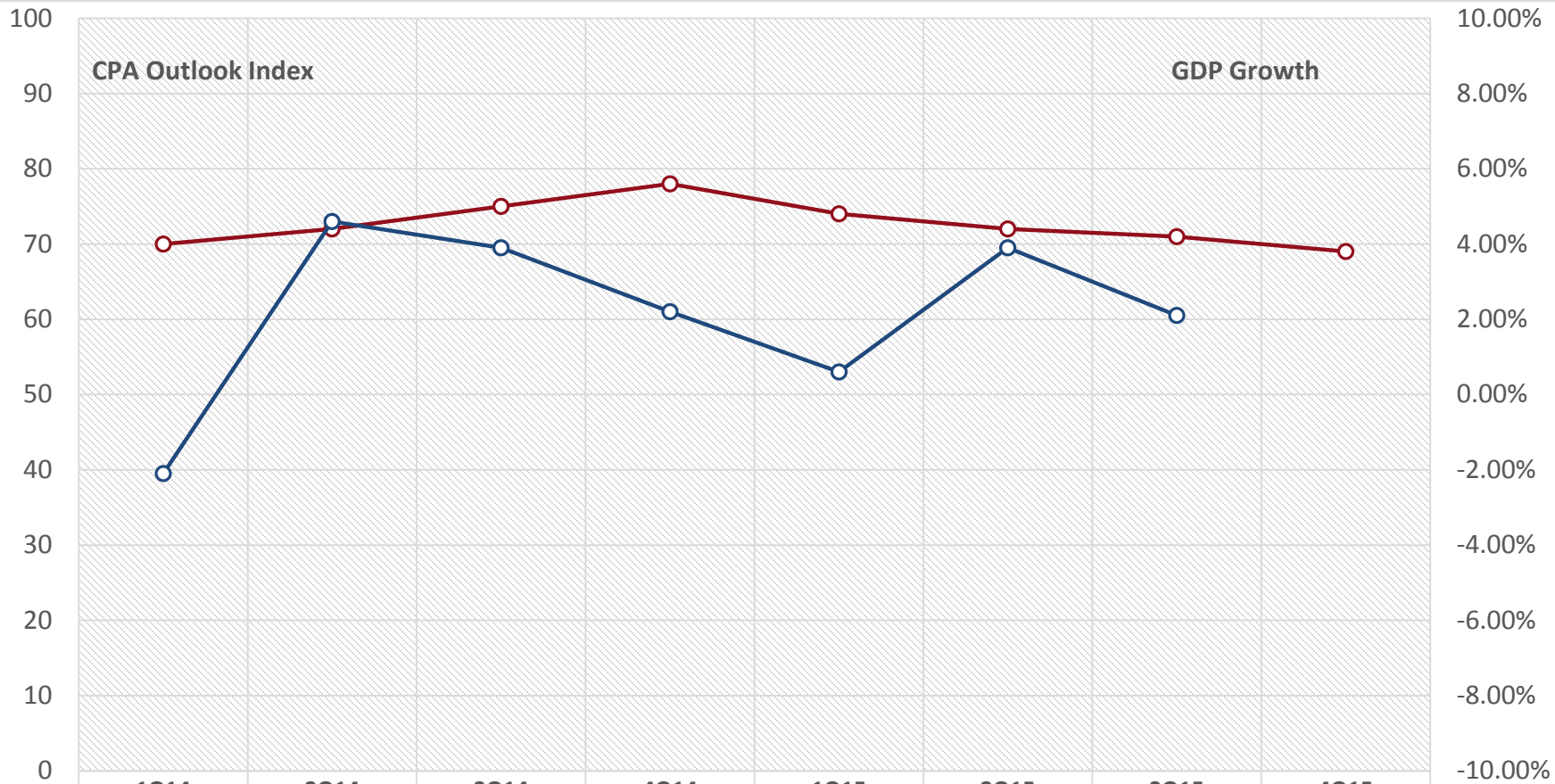


	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
CPA Outlook Index	62	69	66	58	64	69	67	63	59	66	69	69	69	70	72	75	78	74	72	71	69

CPA Outlook Index Component Indicators

Component	4Q14	1Q15	2Q15	3Q15	4Q15	ΔQ to Q	ΔY to Y
U.S. Economic Optimism	78	80	68	67	64	↓03	↓14
Organization Optimism	80	76	73	73	70	↓03	↓10
Expansion Plans	81	74	72	72	70	↓02	↓11
Revenue	85	78	75	76	74	↓02	↓11
Profits	79	72	69	71	67	↓04	↓12
Employment	73	68	67	66	67	↑01	↓06
IT Spending	80	76	77	77	77	→00	↓03
Other Capital Spending	75	71	72	72	72	→00	↓03
Training & Development	75	70	71	69	68	↓01	↓07
Total CPAOI	78	74	72	71	69	↓02	↓09

CPA Outlook Index (CPAOI) vs GDP



—○— CPA Outlook Index	70	72	75	78	74	72	71	69
—○— Change in GDP	-2.10%	4.60%	3.90%	2.20%	0.60%	3.90%	2.1%	

U.S. & Organization Outlook

Outlook for the U.S. and Organizations

■ Optimism for the U.S. Economy continues to soften

- The percentage of executives optimistic about the US Economy declined further from 48% in Q3 to 45% in Q4, down from highs of 64% in Q4, 2014, and 68% in Q1, 2015
- Continued, albeit slow, growth of U.S. economy, strength of dollar and low oil prices were cited by optimists
- Global economic concerns about China and Europe, along with ongoing concerns about regulation/leadership/political gridlock cited as the primary reasons for those with pessimistic views

■ Organizational optimism and expansion plans also decline

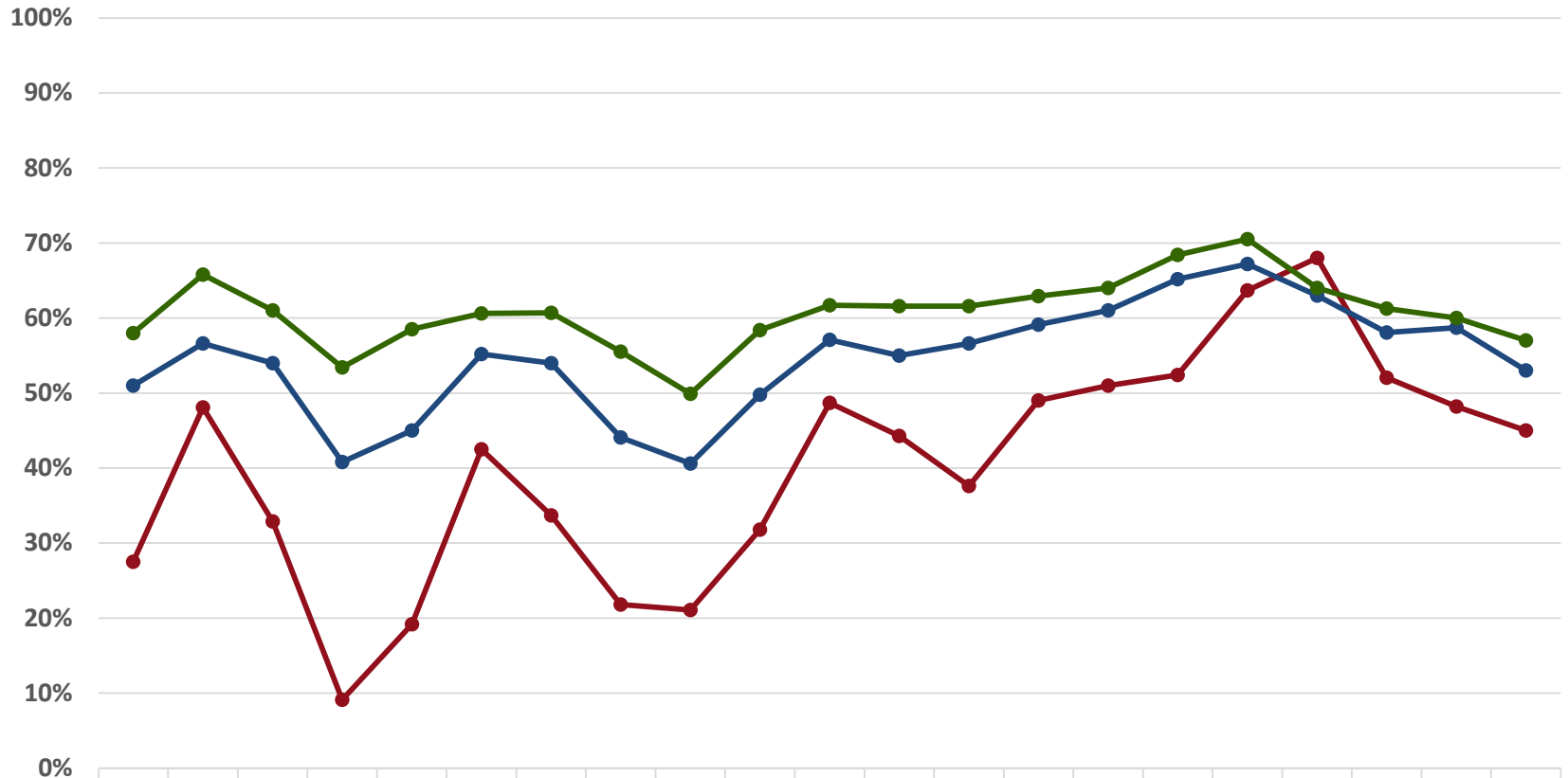
- Optimism about own company prospects fell six points from 59% to 53%, down from a peak of 67% in Q4, 2014
- The percentage of companies expecting their business to expand decreased another 3 points from 60% in Q3 to 57% in Q4
- The percentage of companies expecting their businesses to contract significantly remained relatively low at 4%

■ Inflation concerns remain low

- Only 23% are concerned about inflation, slightly lower than 25% at Q3
- Concern about labor costs continued as the most pressing concern for 37% of respondents, followed by raw materials costs cited by 23%
- Concern about energy costs declined by 5 points in Q3 and remain low at 12%
- Concern about interest rates eased another 2 points to 22%

Optimism & Expansion

US, Organization, Expansion

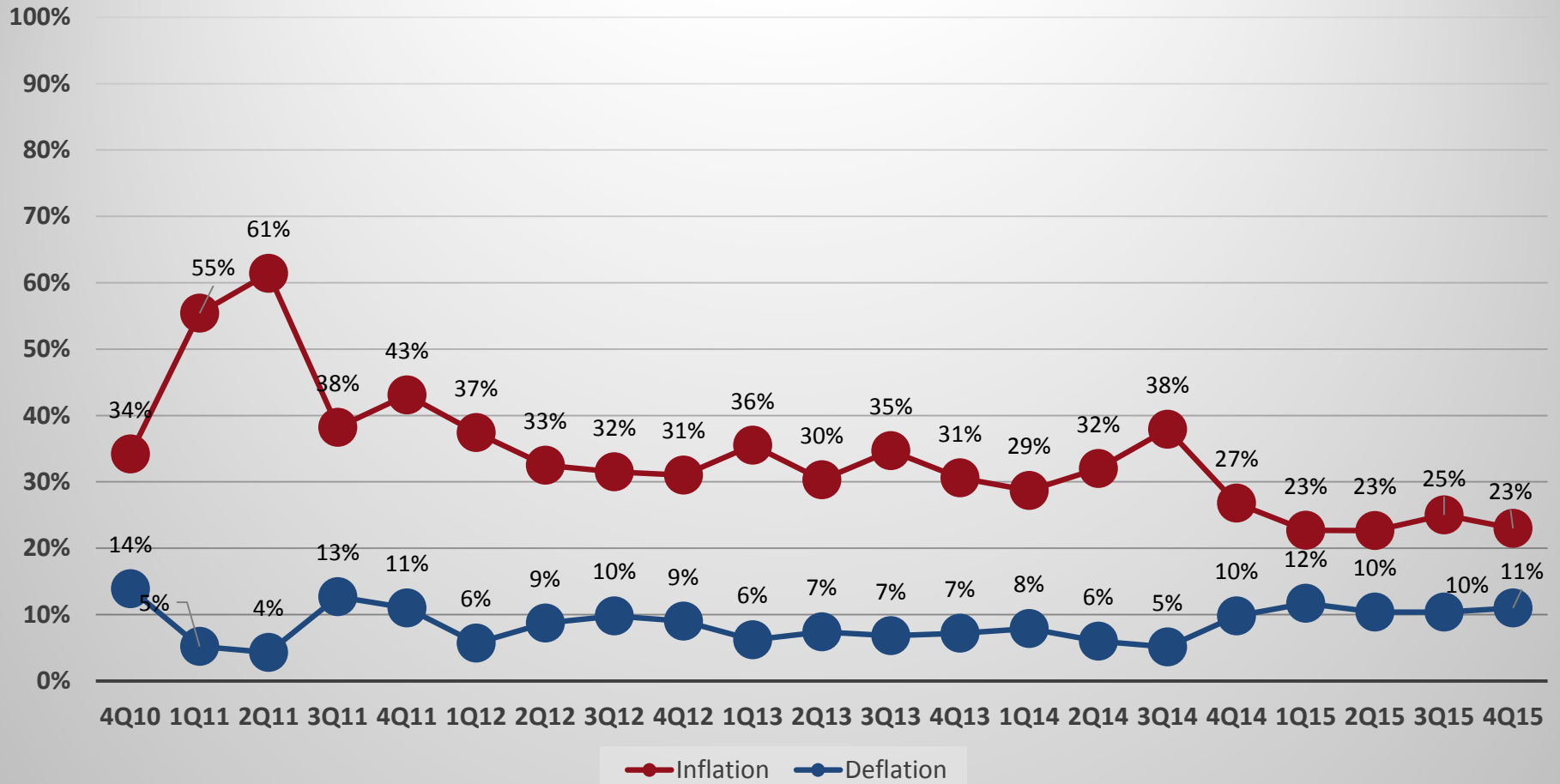


—●— US	28%	48%	33%	9%	19%	43%	34%	22%	21%	32%	49%	44%	38%	49%	51%	52%	64%	68%	52%	48%	45%
—●— Organization	51%	57%	54%	41%	45%	55%	54%	44%	41%	50%	57%	55%	57%	59%	61%	65%	67%	63%	58%	59%	53%
—●— Expansion	58%	66%	61%	53%	59%	61%	61%	56%	50%	58%	62%	62%	62%	63%	64%	68%	71%	64%	61%	60%	57%

For your business, are you more concerned about inflation or deflation?

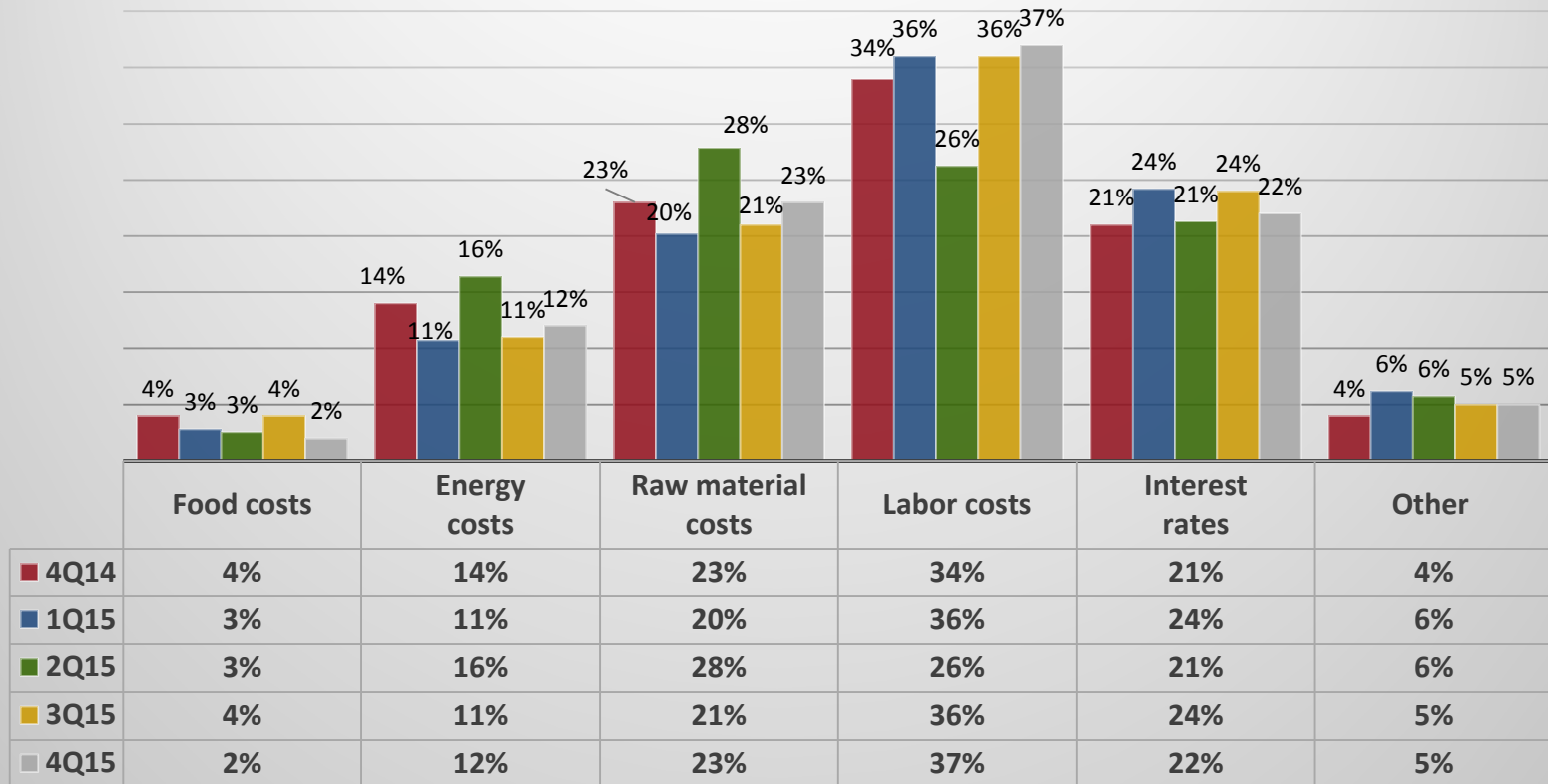
For your business, over the next 6 months, are you more concerned about the possibility of ...?

Inflation or Deflation?



Inflationary Risks and Costs

Inflationary Factor Representing the Most Significant Risk to your Business



Key Performance Indicators

Key Performance Indicators

■ Outlooks for revenue and profits both fall off

- Expected revenue increase declines from 3.3% to 2.9% ; expected profit increase also declines from 2.6% to 2.0%

■ Headcount plans ease slightly; salary and benefit, and healthcare costs remained essentially constant

- Headcounts are now expected to increase by 1.0% over the next twelve months, easing another three tenths this quarter from the post-recession high projection of 2.1% projection at Q4, 2014
- Expected increases in salary and benefit costs eased two tenths to 1.8% in Q4
- Anticipated healthcare cost eased from 5.8% in the previous three quarters to 5.4%
- Expected “other input prices” decreased another 1 tenth to 2.1%, and the expected ability to increase “prices charged” also eased a point from 1.6% to 1.5% in Q4

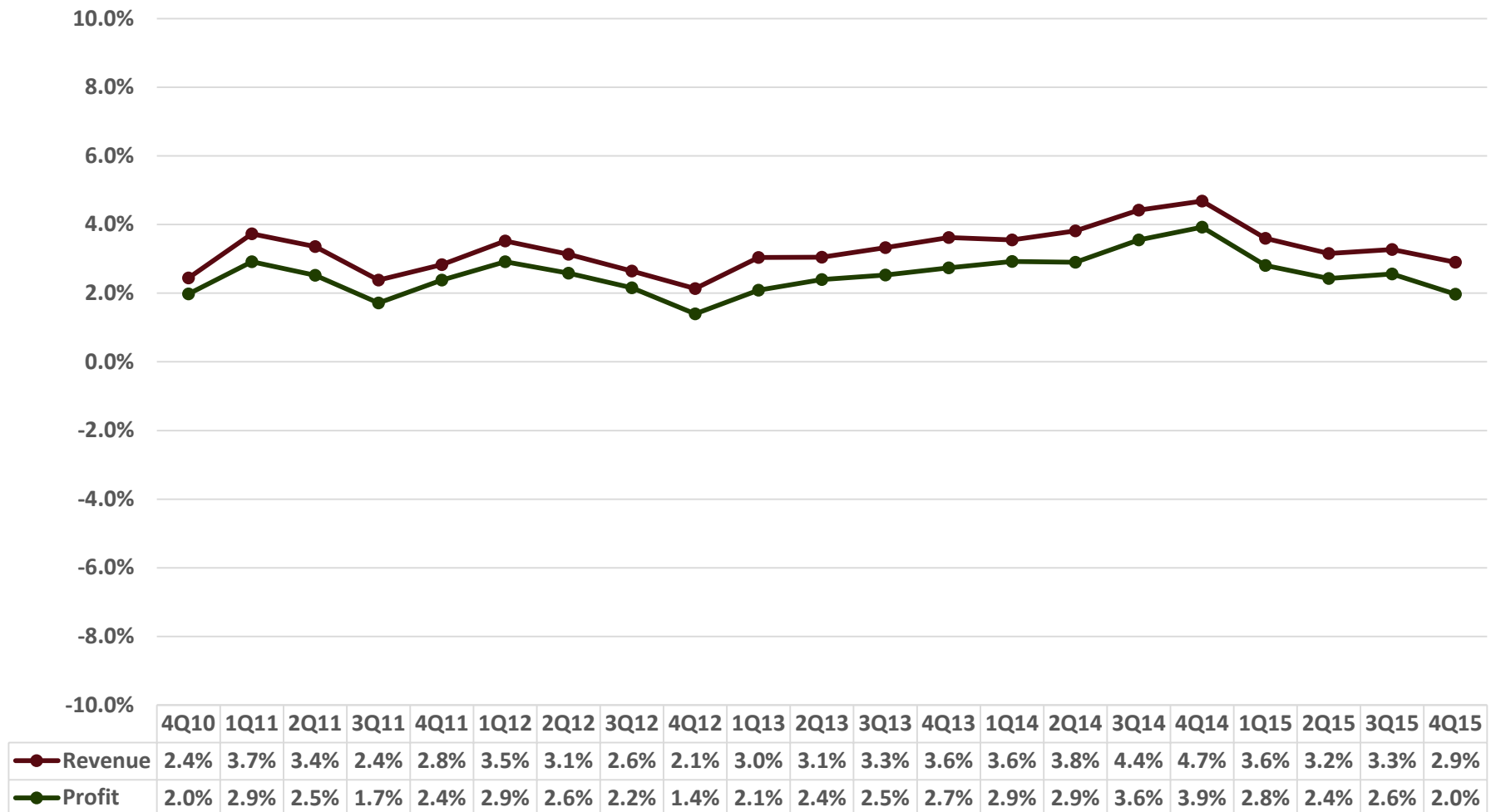
■ Key spending plans mixed

- Increased spending for IT continues to be the strongest category, but declined slightly from 3.0% in Q3 to 2.8% in Q4
- Other capital spending plans also eased a tenth over from 2.5% to 2.4%
- Expected increase in training spending remained constant at 1.4% after recovering to 1.8% in Q2
- Marketing spending remained constant at 1.6%; R&D spending gave back the full half point gain seen in Q3, returning to 1.2% in Q4

Key Performance Indicators

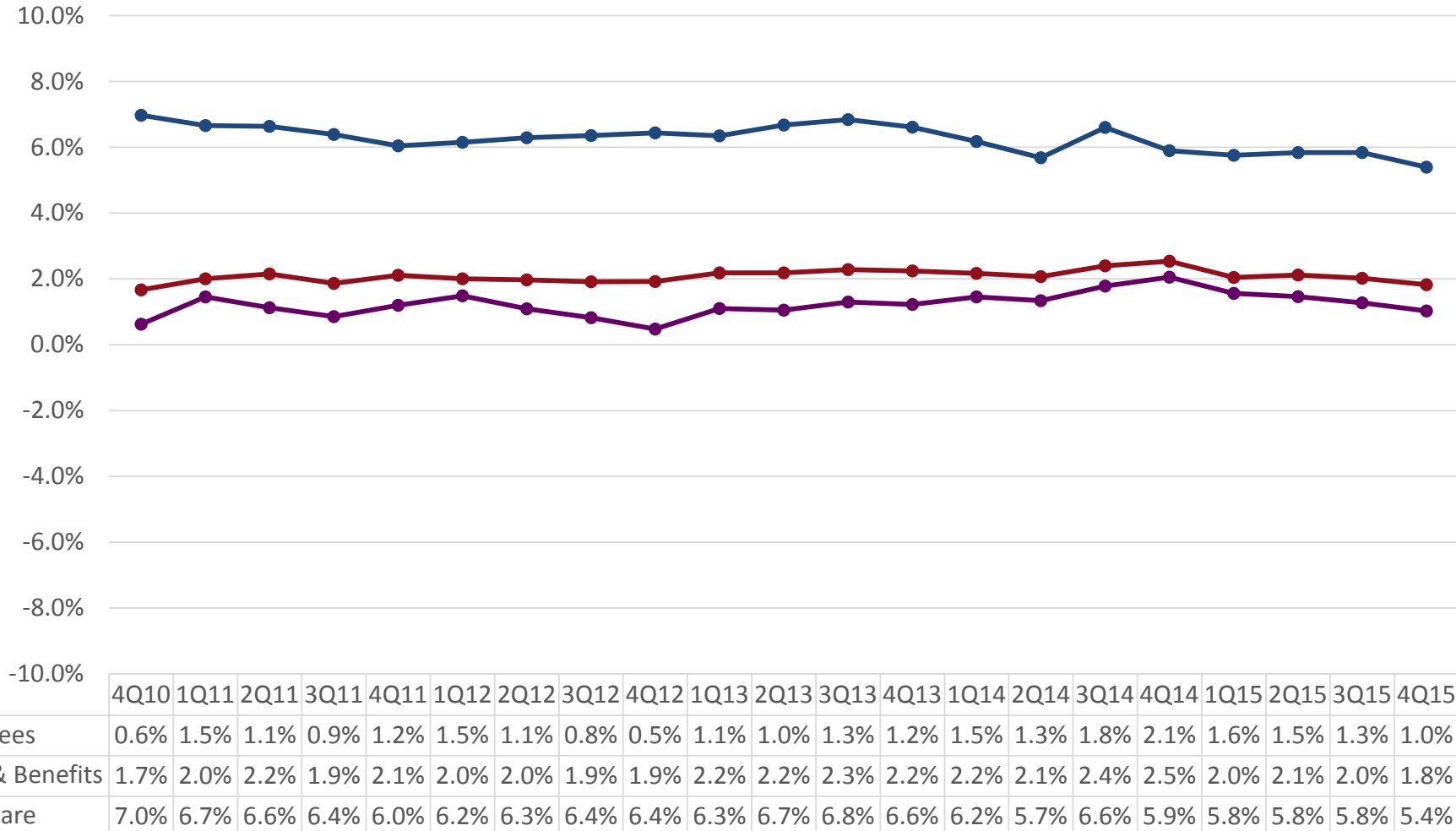
Expected Growth in Revenue and Profits

Thinking about the coming 12 months, please comment on the probable change for your organization for ...



Employees, Salary & Benefits and Healthcare Costs

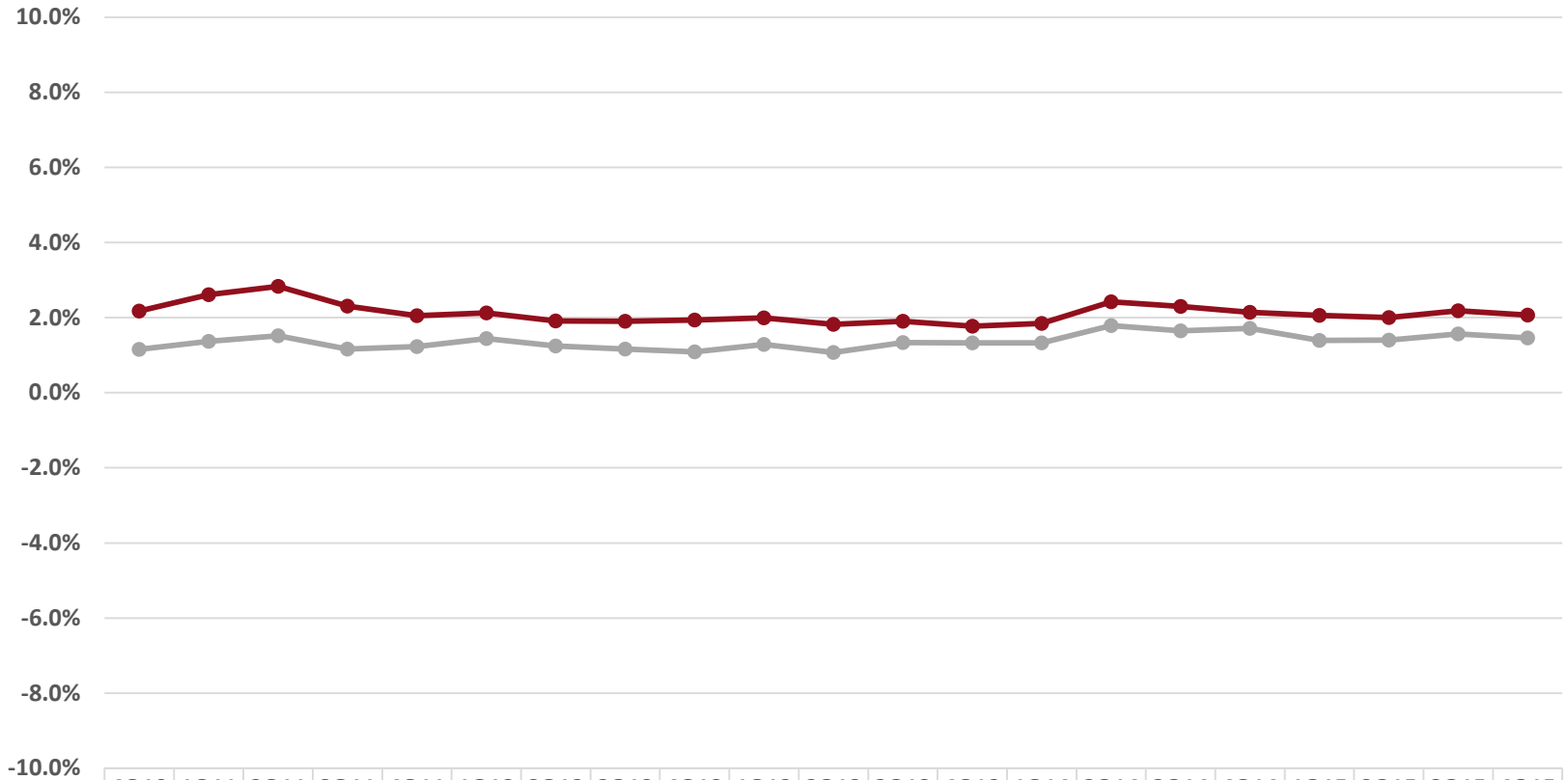
Thinking about the coming 12 months, please comment on the probable change for your organization ...



Pricing & Other Costs

Average Change Expected

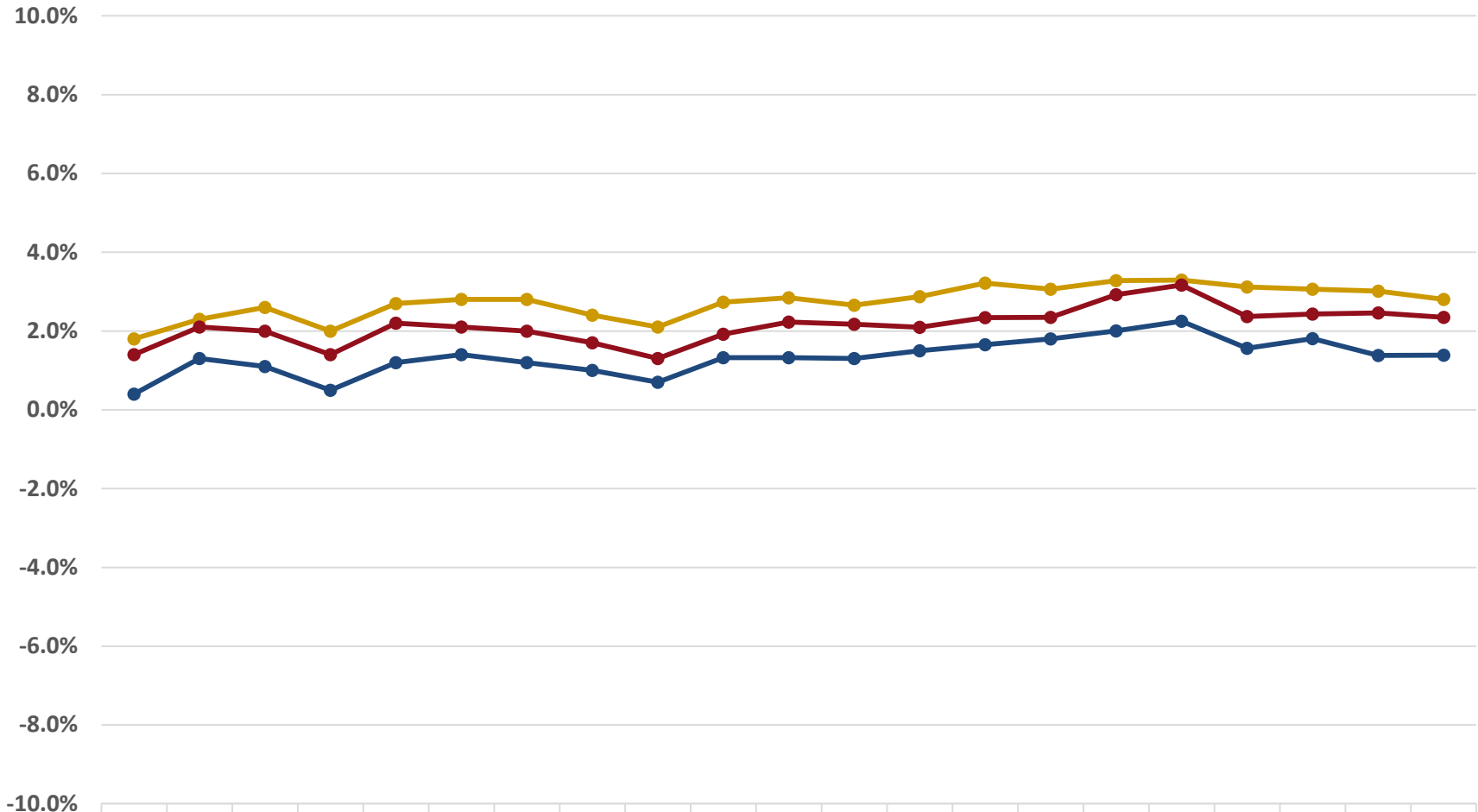
Thinking about the coming 12 months, please comment on the probable change for your organization ...



	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Prices Charged	1.2%	1.4%	1.5%	1.2%	1.2%	1.4%	1.2%	1.2%	1.1%	1.3%	1.1%	1.3%	1.3%	1.3%	1.8%	1.7%	1.7%	1.4%	1.4%	1.6%	1.5%
Input Prices	2.2%	2.6%	2.8%	2.3%	2.1%	2.1%	1.9%	1.9%	1.9%	2.0%	1.8%	1.9%	1.8%	1.8%	2.4%	2.3%	2.1%	2.1%	2.0%	2.2%	2.1%

Spending Plans IT, Other Capital & Training

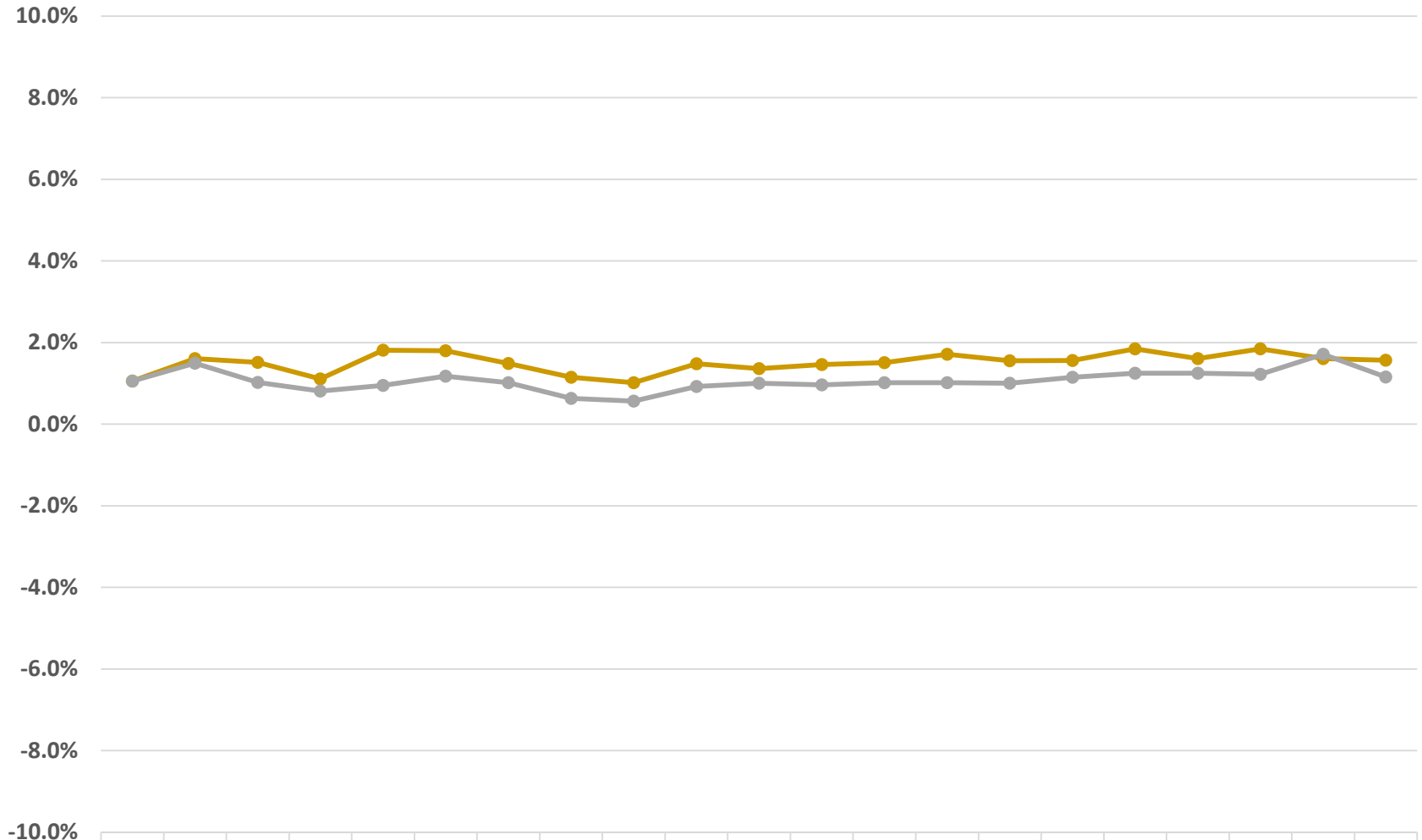
Thinking about the coming 12 months, please comment on the probable change for your organization for ...



IT	1.8%	2.3%	2.6%	2.0%	2.7%	2.8%	2.8%	2.4%	2.1%	2.7%	2.8%	2.7%	2.9%	3.2%	3.1%	3.3%	3.3%	3.1%	3.1%	3.0%	2.8%
Other Capital	1.4%	2.1%	2.0%	1.4%	2.2%	2.1%	2.0%	1.7%	1.3%	1.9%	2.2%	2.2%	2.1%	2.3%	2.4%	2.9%	3.2%	2.4%	2.4%	2.5%	2.4%
Training	0.4%	1.3%	1.1%	0.5%	1.2%	1.4%	1.2%	1.0%	0.7%	1.3%	1.3%	1.3%	1.5%	1.7%	1.8%	2.0%	2.2%	1.6%	1.8%	1.4%	1.4%

Spending Plans Marketing & R&D

Thinking about the coming 12 months, please comment on the probable change for your organization for ...



Hiring Plans

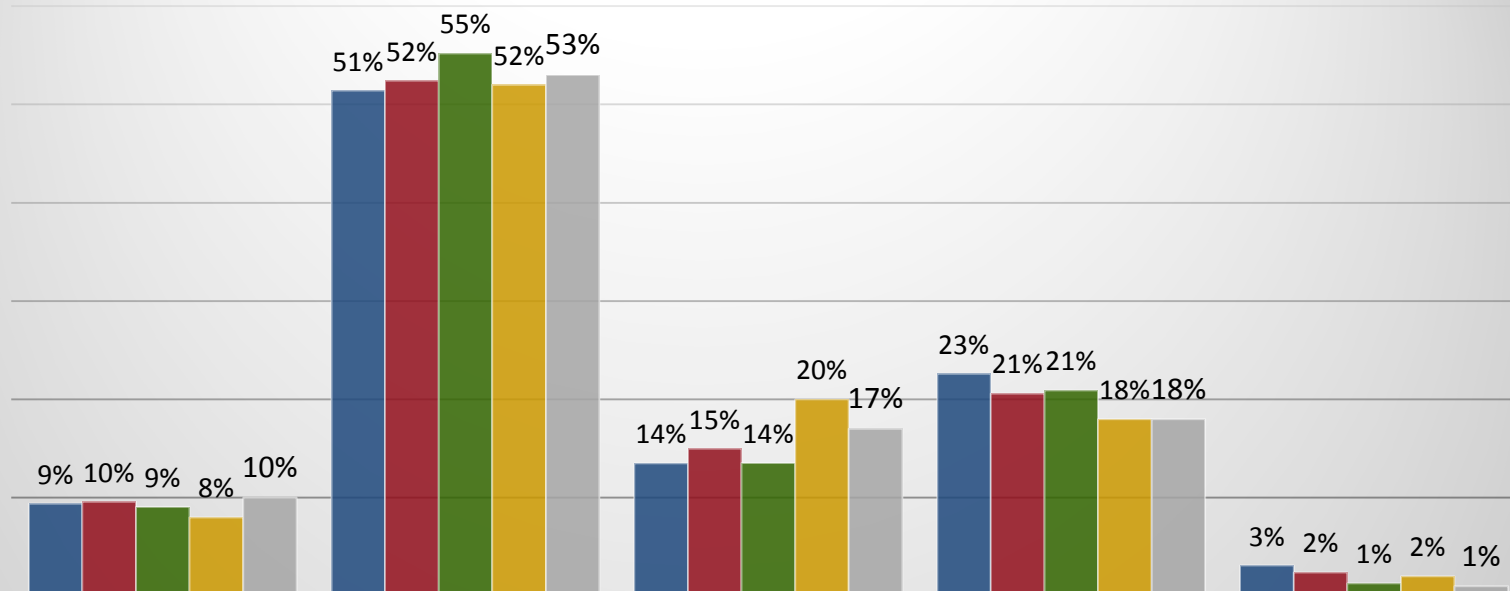
Hiring Plans

■ Hiring concerns ease slightly from Q3 levels

- 53% of all companies say they have the appropriate number of employees, which is up 1% from Q3, 2015
- The number of companies now saying they have an excess of employees increased two points from 8% to 10%
- Roughly a third (35%) have too few employees
 - The percentage of companies with too few who are reluctant to hire decreased to 17% in Q4, after jumping to 20% in Q3.
 - The number of companies planning to hire new employees remained constant at 18%

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)?



	We have an excess number of employees	We have approximately the appropriate number of employees	We have too few employees, but are hesitating to hire	We have too few employees and are planning to hire	Other
■ 4Q14	9%	51%	14%	23%	3%
■ 1Q15	10%	52%	15%	21%	2%
■ 2Q15	9%	55%	14%	21%	1%
■ 3Q15	8%	52%	20%	18%	2%
■ 4Q15	10%	53%	17%	18%	1%

Top Challenges

Top Challenges Facing Organizations

- Regulatory requirements/changes maintains its place at the top of the chart, but is joined by domestic economic conditions which moved from #4 to #2, and domestic competition which also jumped two slots from #5 to #3
- Global economic conditions is once again a greater concern, moving from the 10th slot in Q3 to #7 in Q4
- Concern about stagnant/declining markets also increased, moving from #6 to #5
- Employee and benefits costs fell from the #2 slot to #6 and the availability of skilled personnel eased from #3 to #4
- Financing (access, cost of capital) returned to the “top ten”, now in the #8 slot
- Developing new products/services/markets eased from #7 to #9
- Domestic political leadership also eased from #9 to #10

Top Challenges for Organizations

Please indicate the top three challenges for your organization

	4Q 14	1Q 15	2Q 15	3Q 15	4Q 15
1	Regulatory requirements/changes	Regulatory requirements/changes	Regulatory requirements/changes	Regulatory requirements/changes	Regulatory requirements/changes
2	Availability of skilled personnel	Domestic competition	Employee and benefits costs	Employee and benefits costs	Domestic economic conditions
3	Employee and benefits costs	Employee and benefits costs	Domestic economic conditions	Availability of skilled personnel	Domestic competition
4	Domestic competition	Availability of skilled personnel	Availability of skilled personnel	Domestic economic conditions	Availability of skilled personnel
5	Domestic economic conditions	Domestic economic conditions	Domestic competition	Domestic competition	Stagnant/declining markets
6	Developing new products/services/markets	Domestic political leadership	Developing new products/services/markets	Stagnant/declining markets	Employee and benefits costs
7	Domestic political leadership	Developing new products/services/markets	Domestic political leadership	Developing new products/services/markets	Global economic conditions
8	Changing customer preferences	Changing customer preferences	Materials/supplies/equipment costs	Changing customer preferences	Financing (access/cost of capital)
9	Materials/supplies/equipment costs	Stagnant/declining markets	Financing (access/cost of capital)	Domestic political leadership	Developing new products/services/markets
10	Staff turnover	Materials/supplies/equipment costs	Changing customer preferences	Global economic conditions	Domestic political leadership

Outlook by *Industry, Region and Business Size*

Industry, Region and Business-size Outlook - 1 of 2

■ Optimism down across all sectors

- **Retail trade** optimism fell sharply from 65% to only 28%, after topping the charts at 85% optimistic in Q2. Retail hiring also fell to a projected rate of less than 1%, now ranked only above the mining and natural resources sector which is projecting a decline of 2.6%
- **Wholesale trade** optimism also declined in Q4 to 23%
- **Manufacturing** fell from 53% optimistic in Q3, to only 41% in Q4; manufacturing hiring projections also fell sharply from a 3.8% increase in Q3 to only .9% for the coming twelve months
- **Construction** optimism fell from 64% in Q3 to only 51% optimistic in Q4. However, the expected increase in headcount in construction rebounded in Q4 to 2.5% after falling back to only 1.2% in Q3
- **Professional Services and Technology** also eased off somewhat in optimism, but employment is projected to be stronger for both sectors than seen in Q3
- **Banking** is also expecting to see a headcount recovery – now projecting a 1.4% increase vs. the .9% decline projected in Q3, 2015

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

■ Other Sectors

- **Finance and Insurance** optimism declined from 65% to 49%. However, the expected headcount improved slightly from 1.8% in Q3 to 2.1% in Q4.
- **Healthcare providers and Healthcare-other** sectors both fell off sharply in their optimism in Q4 after showing some strength in Q3

■ Optimism declines across regions

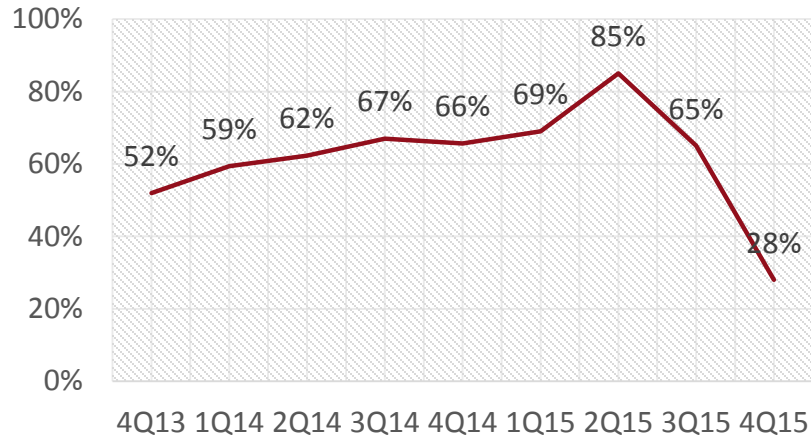
- Northeast replaces West as most optimistic, now at 58%
- South falls below 50% optimistic to 48%
- Midwest and West also less optimistic than Q3, both now at 55%

■ Expansion plans fall off for smallest of companies, increase for bigs

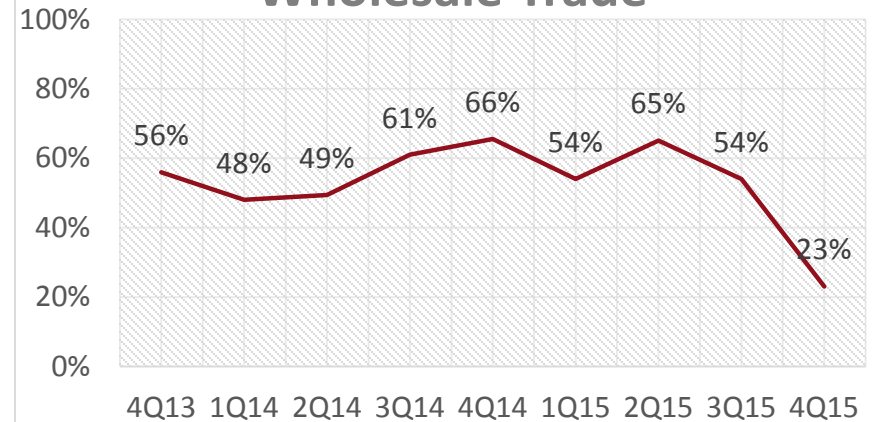
- The number of companies with revenues < \$10 million having expansion plans declined from 61% in Q3 to 52% in Q4
- The percentage of companies with revenues > \$1 billion recovered another 3 points in Q4, improving from 56% to 59%
- The \$10-\$100 million range of companies eased from 62% to 57%, and the \$100 billion to \$1 billion range of companies also eased from 60% to 57% in Q4

Organization Optimism by Industry

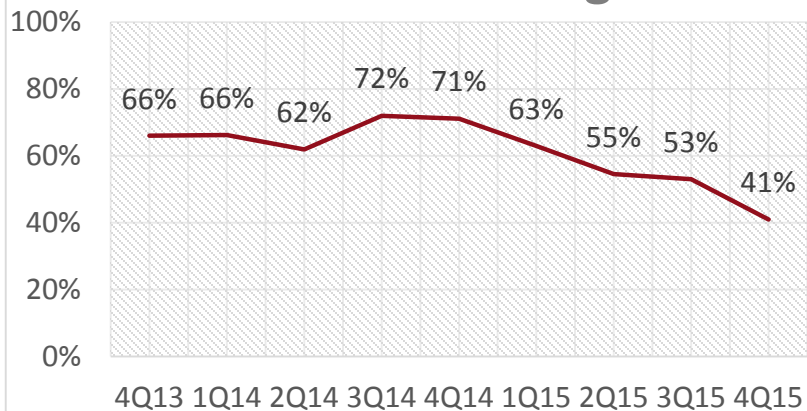
Retail Trade



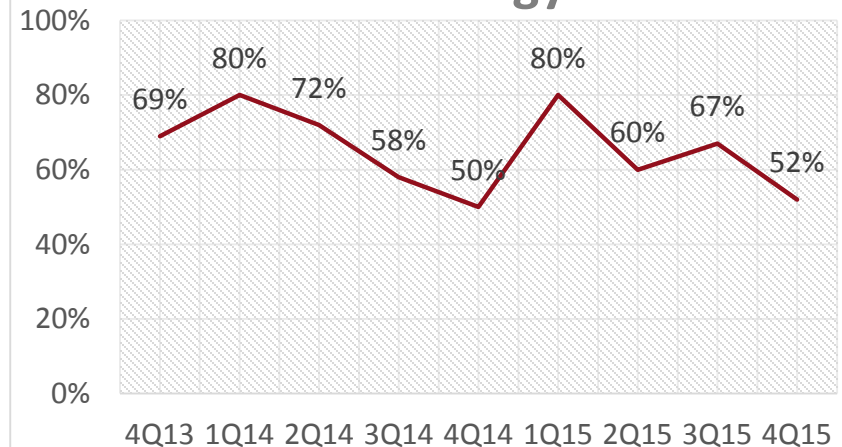
Wholesale Trade



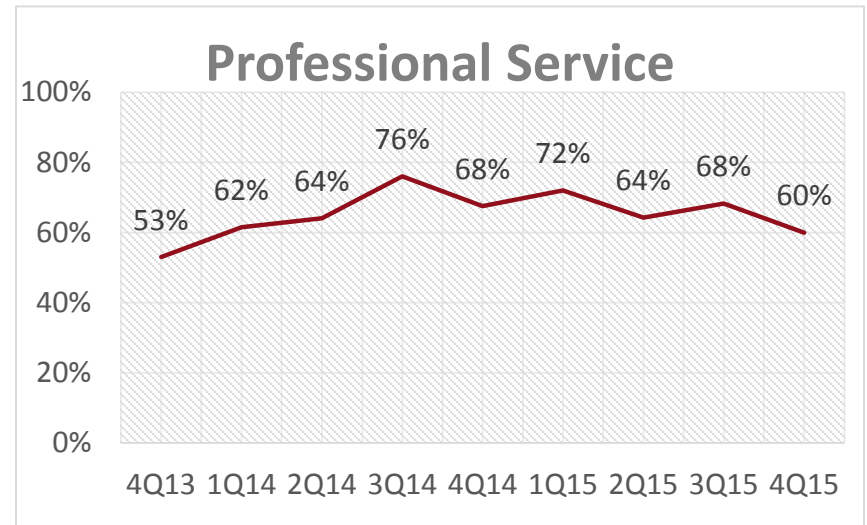
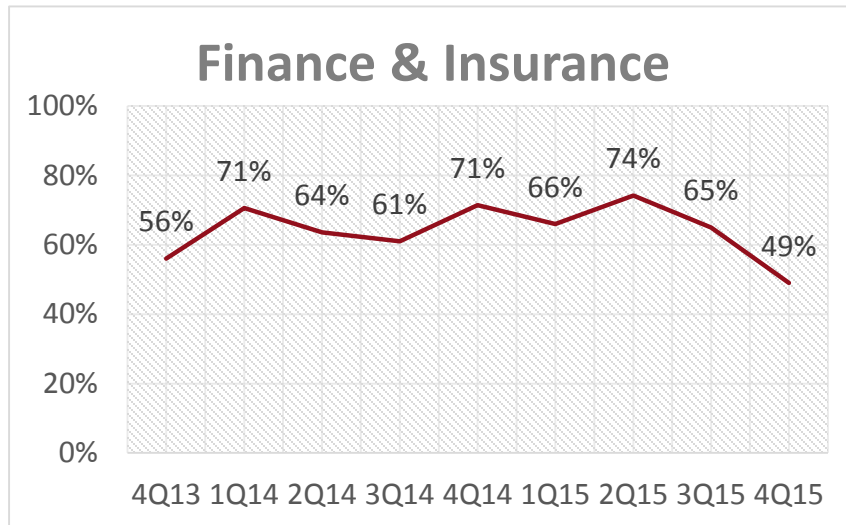
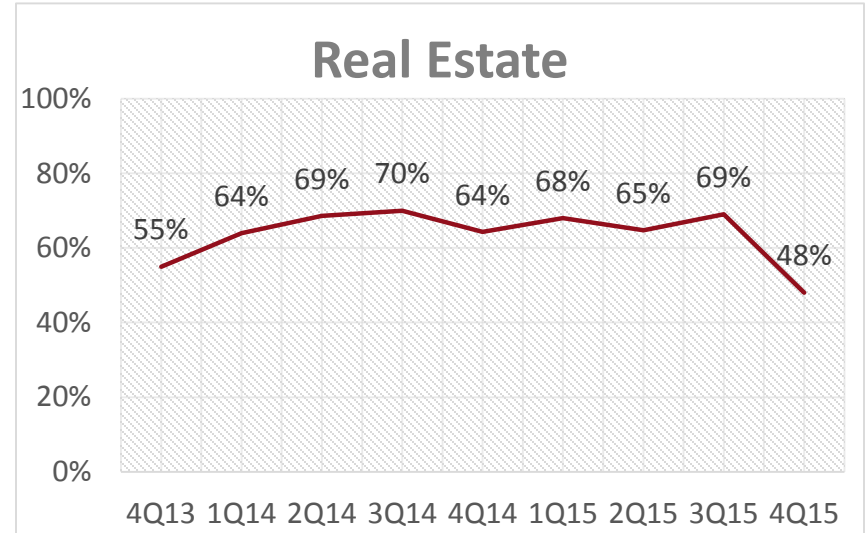
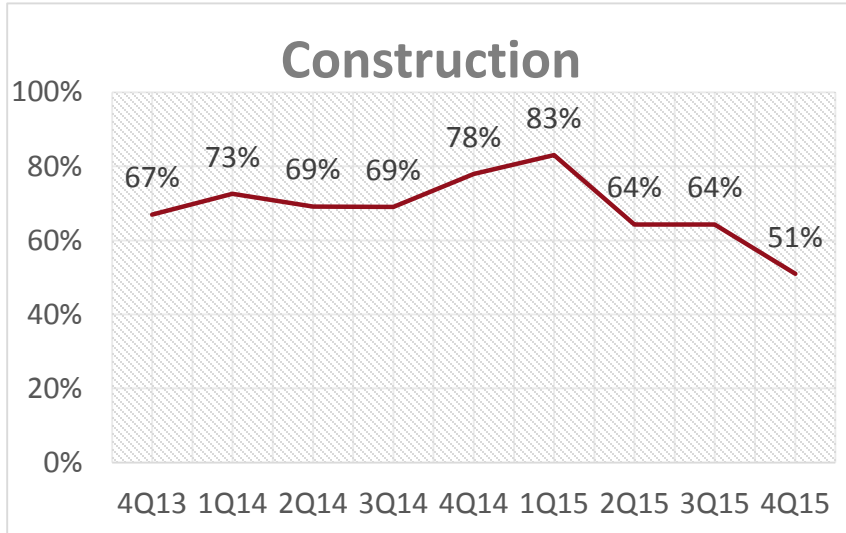
Manufacturing



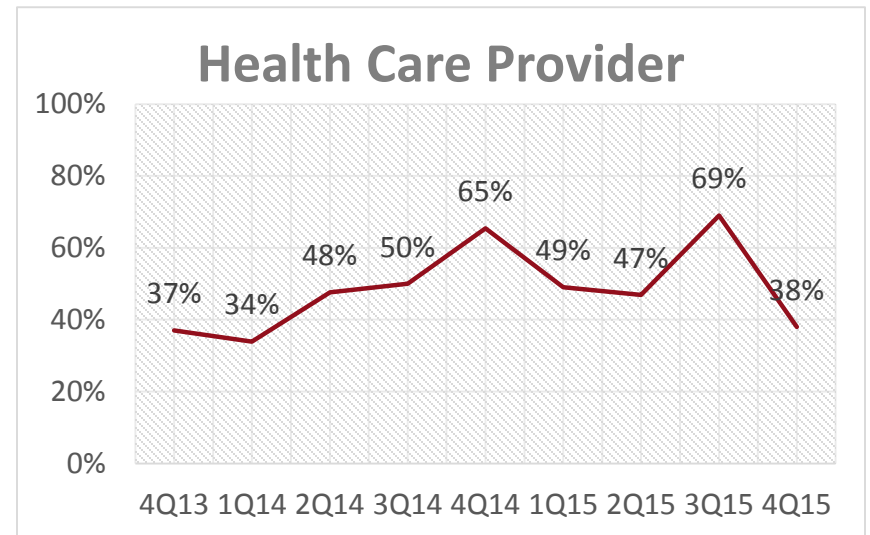
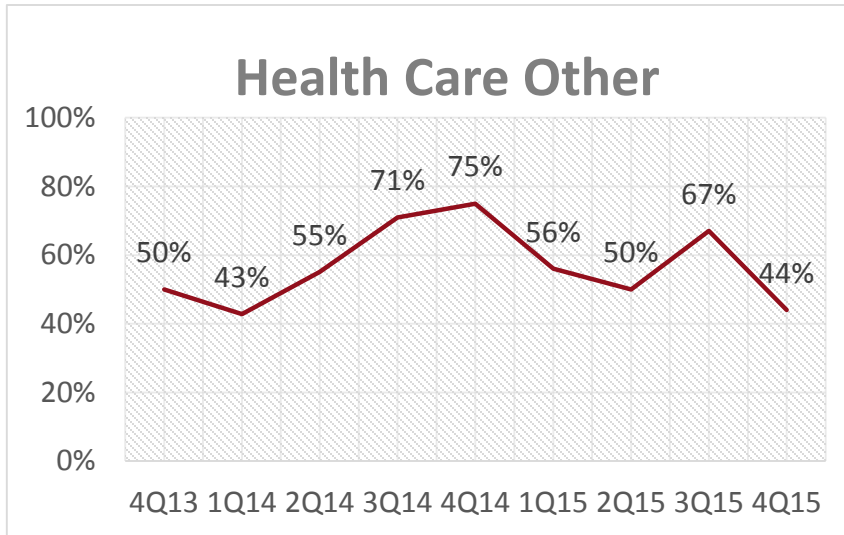
Technology



Organization Optimism by Industry

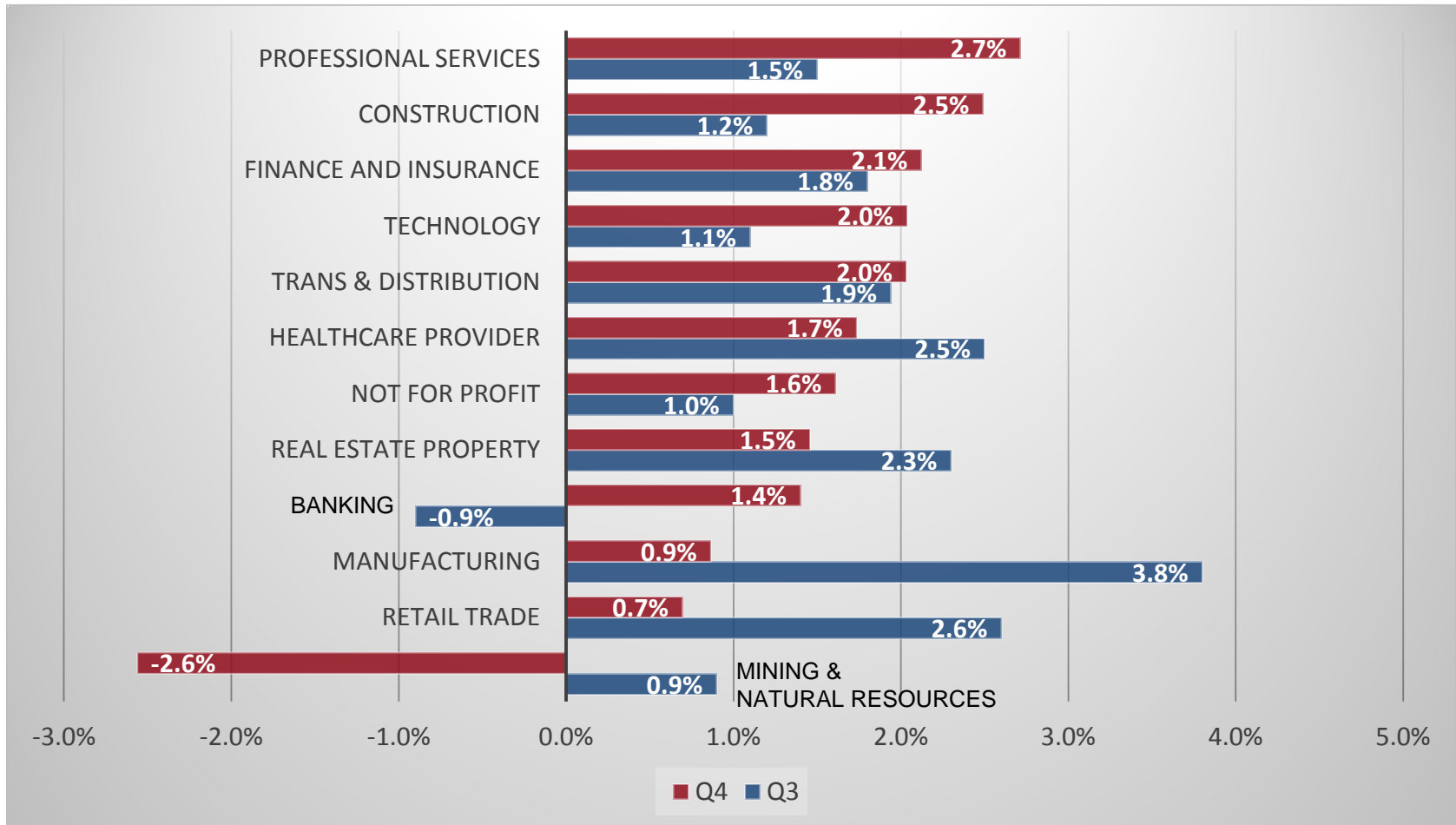


Organization Optimism by Industry



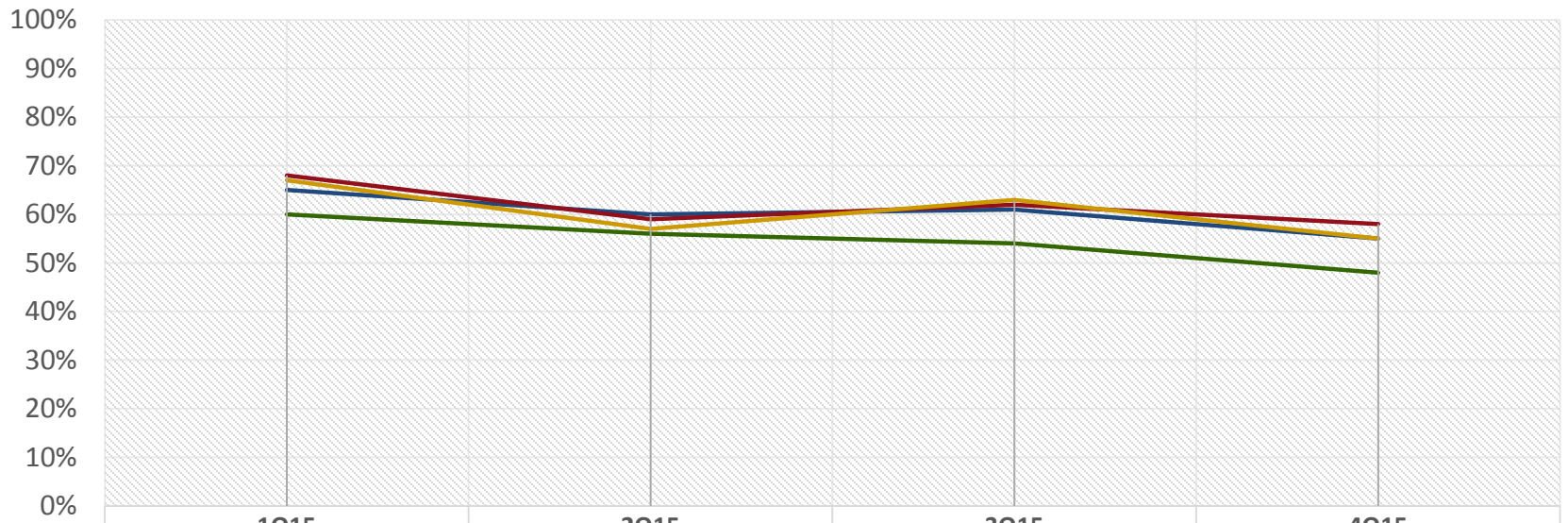
Expected Employment Change by industry

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



Organization Optimism by Region

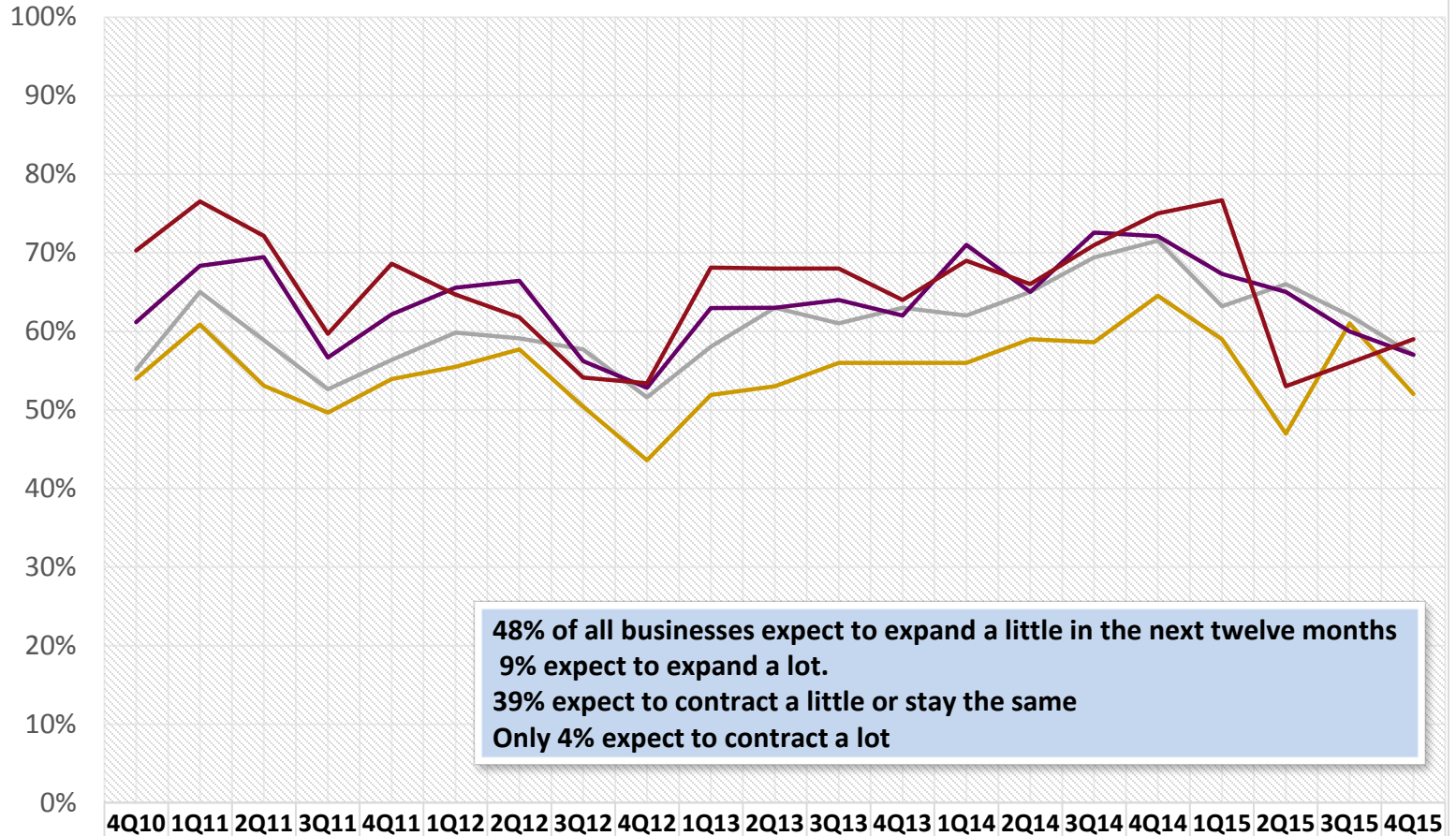
Please select the rating that best describes your view for the economic outlook for your own organization for the next 12 months.



	1Q15	2Q15	3Q15	4Q15
— Midwest	65%	60%	61%	55%
— Northeast	68%	59%	62%	58%
— South	60%	56%	54%	48%
— West	67%	57%	63%	55%

Expansion Plans by Business Size

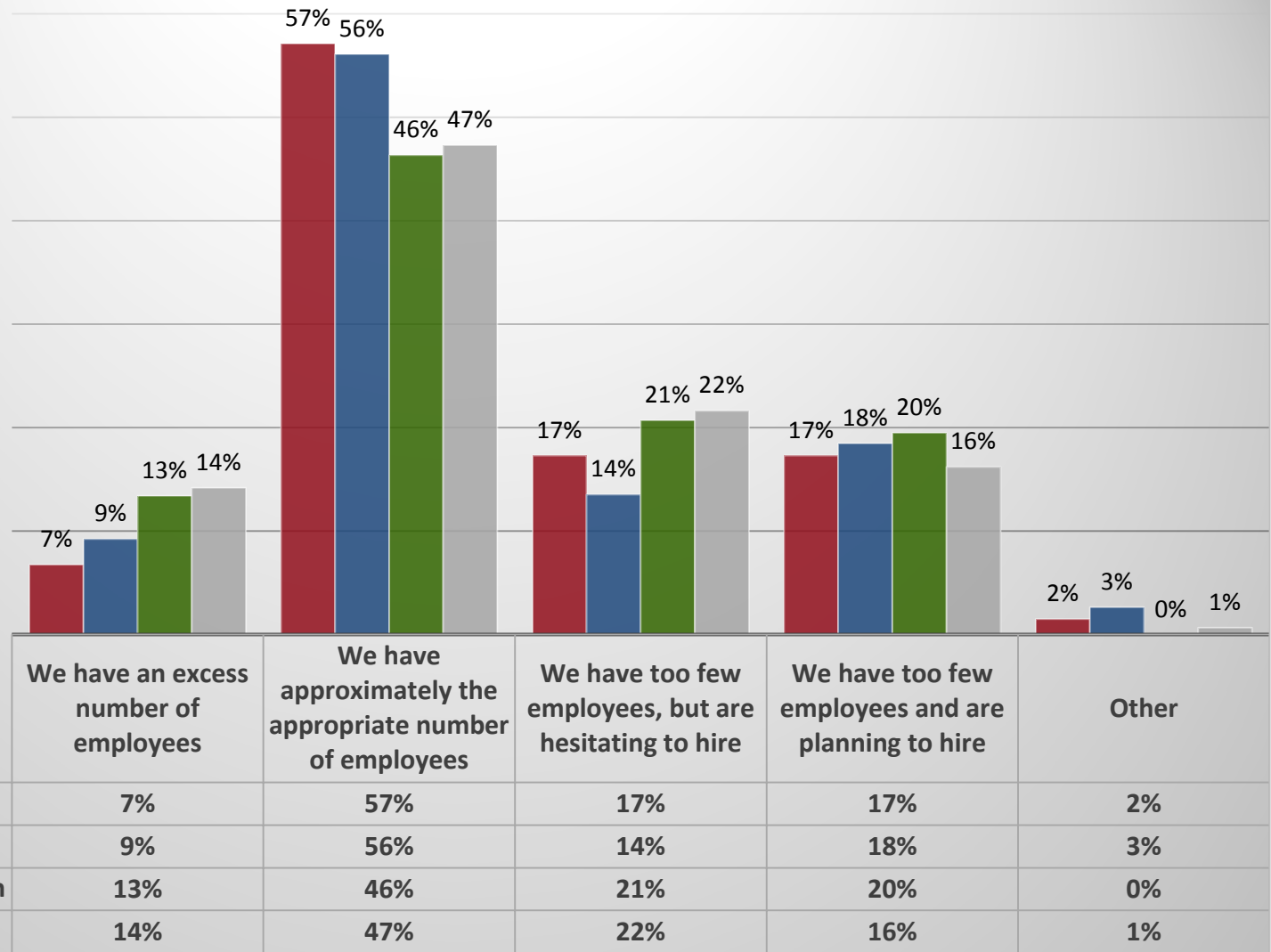
Please indicate whether you expect your business to expand or contract over the next 12 months



	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
< \$10 million	54%	61%	53%	50%	54%	55%	58%	50%	44%	52%	53%	56%	56%	56%	59%	59%	65%	59%	47%	61%	52%
\$10 to <\$100 million	55%	65%	59%	53%	56%	60%	59%	58%	52%	58%	63%	61%	63%	62%	65%	69%	72%	63%	66%	62%	57%
\$100 million to <\$1 billion	61%	68%	69%	57%	62%	66%	66%	56%	53%	63%	63%	64%	62%	71%	65%	73%	72%	67%	65%	60%	57%
> \$1 billion	70%	77%	72%	60%	69%	65%	62%	54%	53%	68%	68%	68%	64%	69%	66%	71%	75%	77%	53%	56%	59%

Large businesses are most likely to have excess employees and most hesitant to hire

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)?



Survey Within a Survey

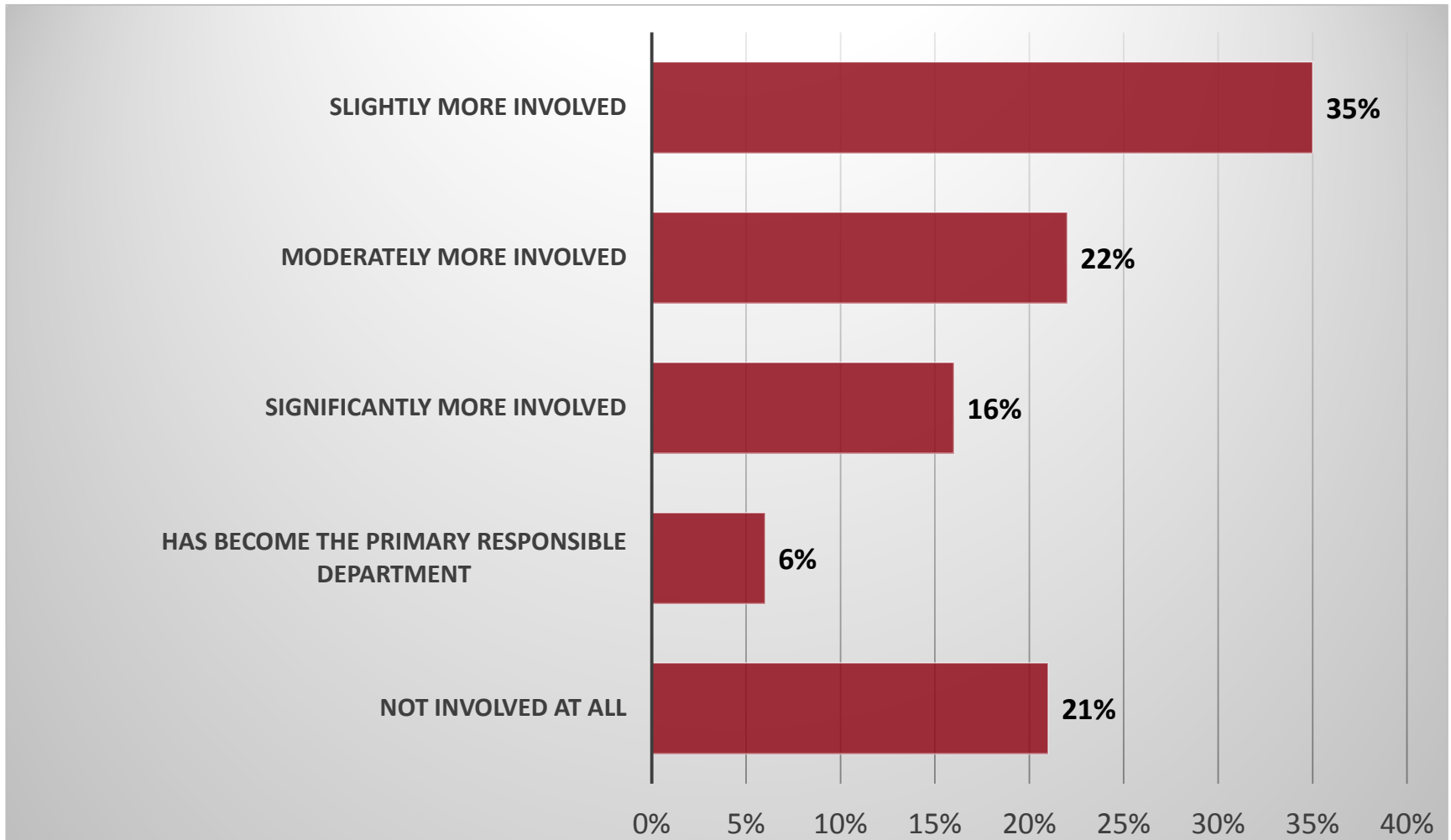
Cyber Security

Based on 389 CGMA responses in the U.S.



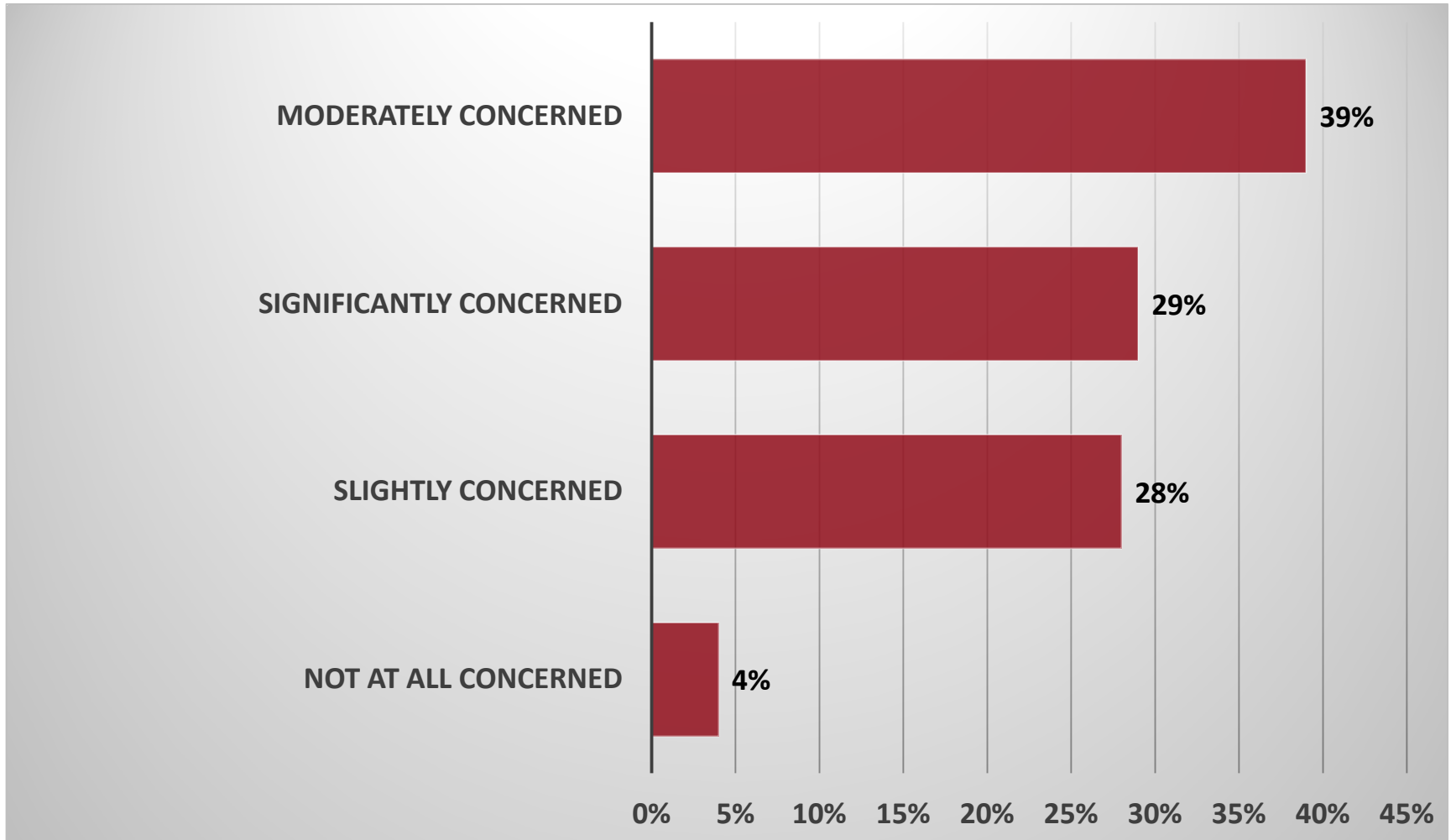
Cyber Security – Finance Involvement

Given the rise in credit card breaches at major retailers and the threat of database breaches, phishing scams and other forms of cyber attacks, to what extent has the CFO and / or finance functions at your company been asked to take on more oversight or take responsibility for mitigating these risks?



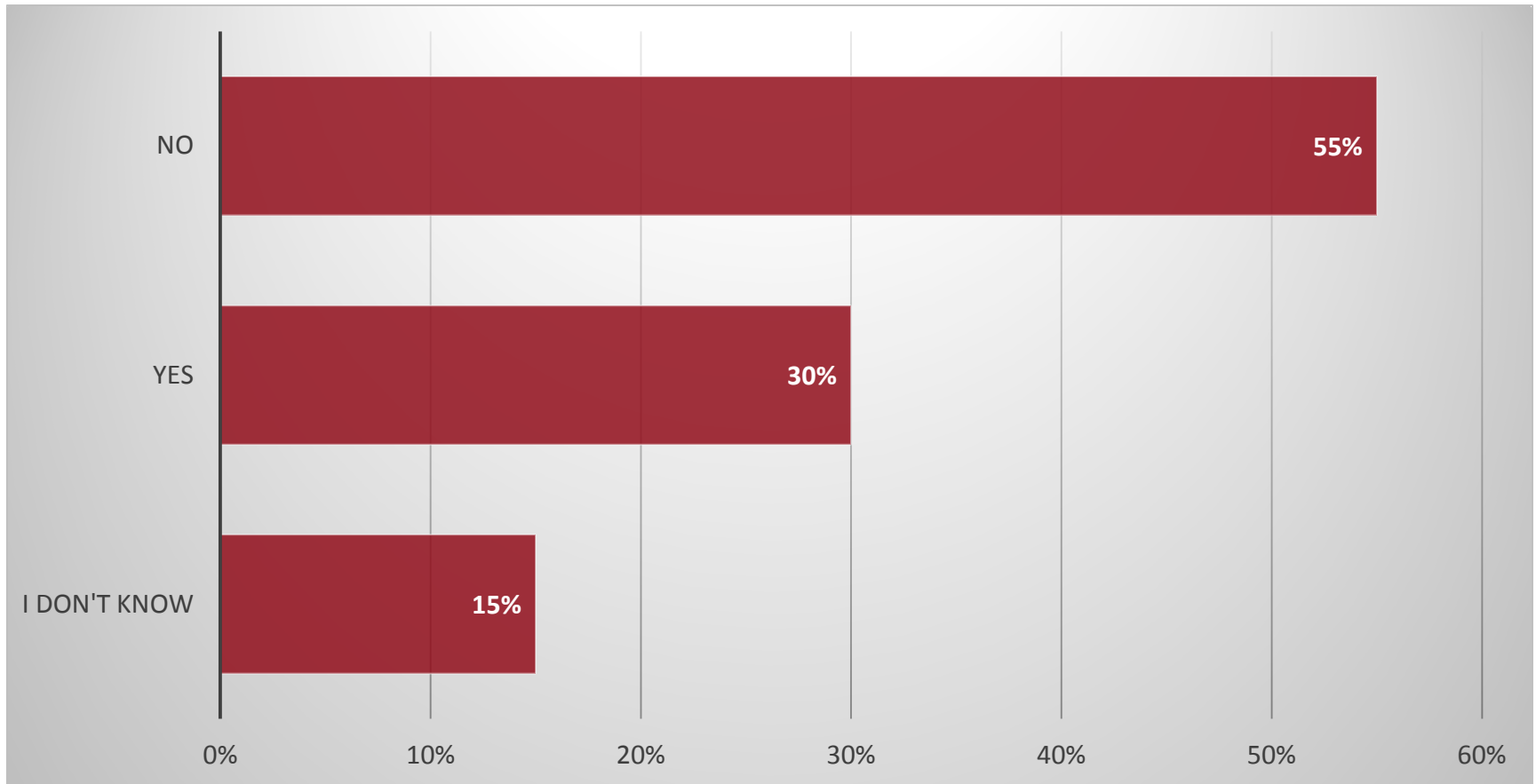
Cyber Security – Overall Concern

Thinking about your operations overall, how concerned is your business currently about the threat of database breaches, phishing scams and other forms of cyber attacks?



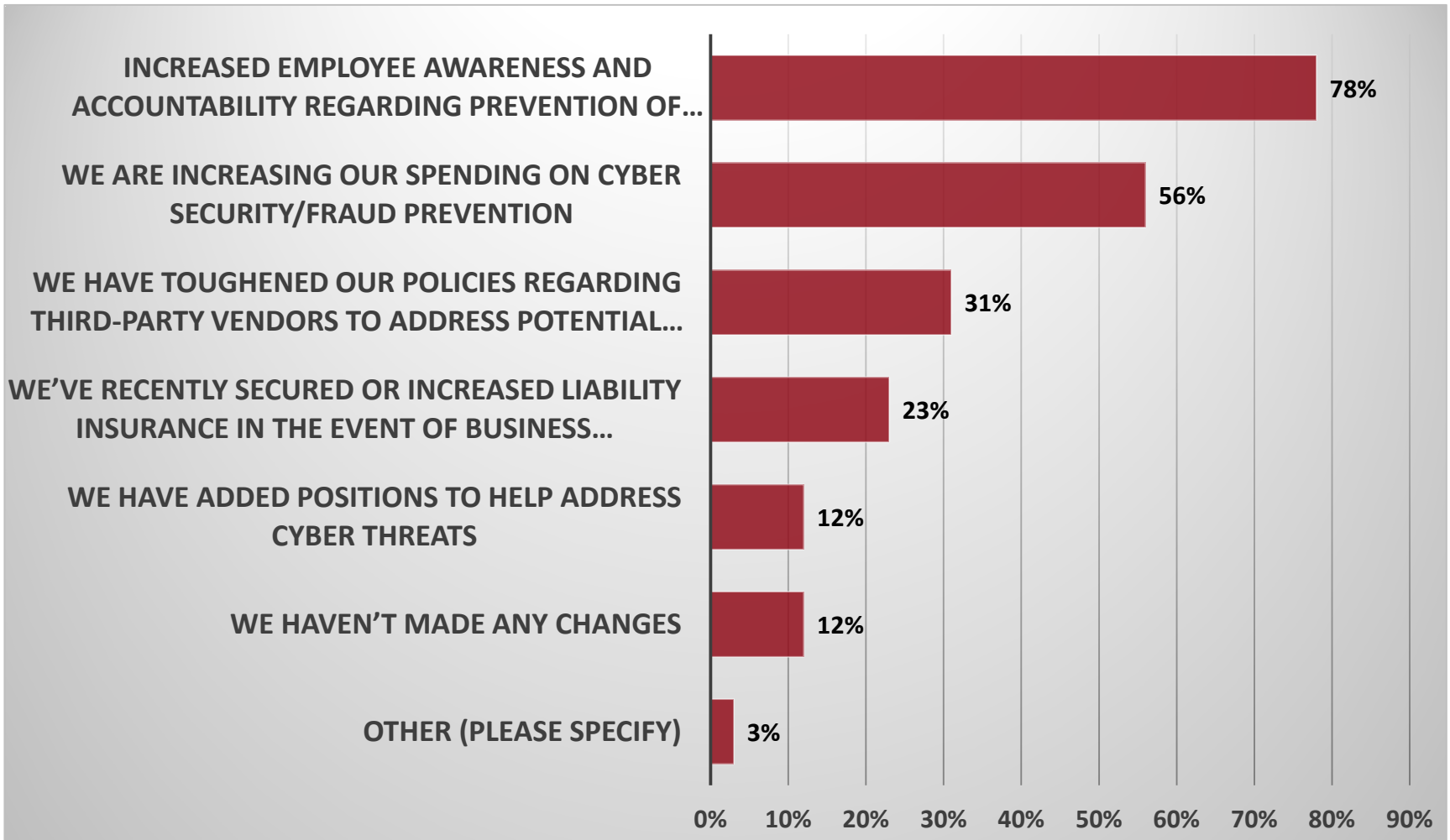
Cyber Security – Frequency of Attack

In the past two years, has your business been victim of a cyber attack of any kind?



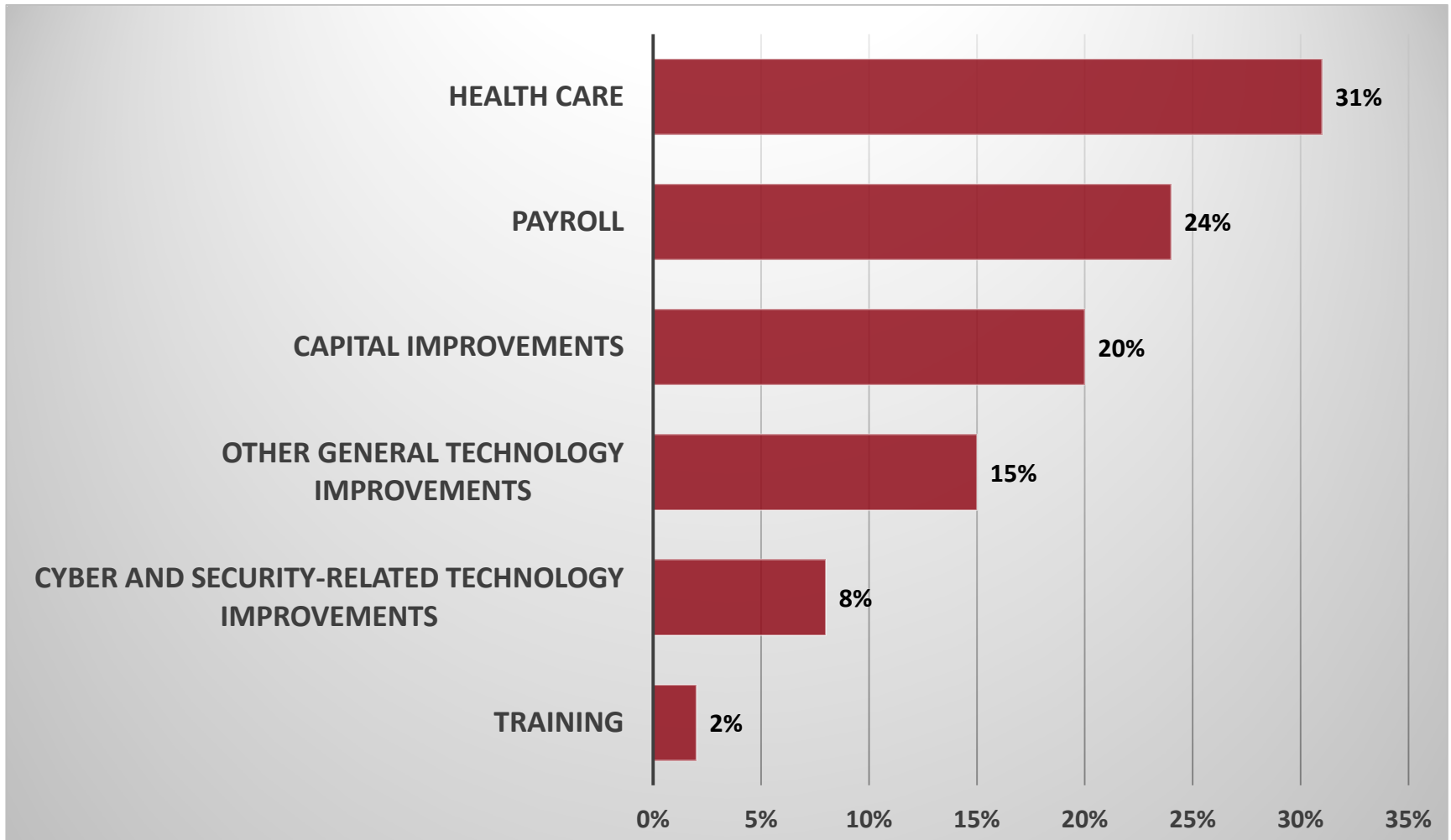
Cyber Security – Company Initiatives

How is your company responding to the increased threat of data breaches?



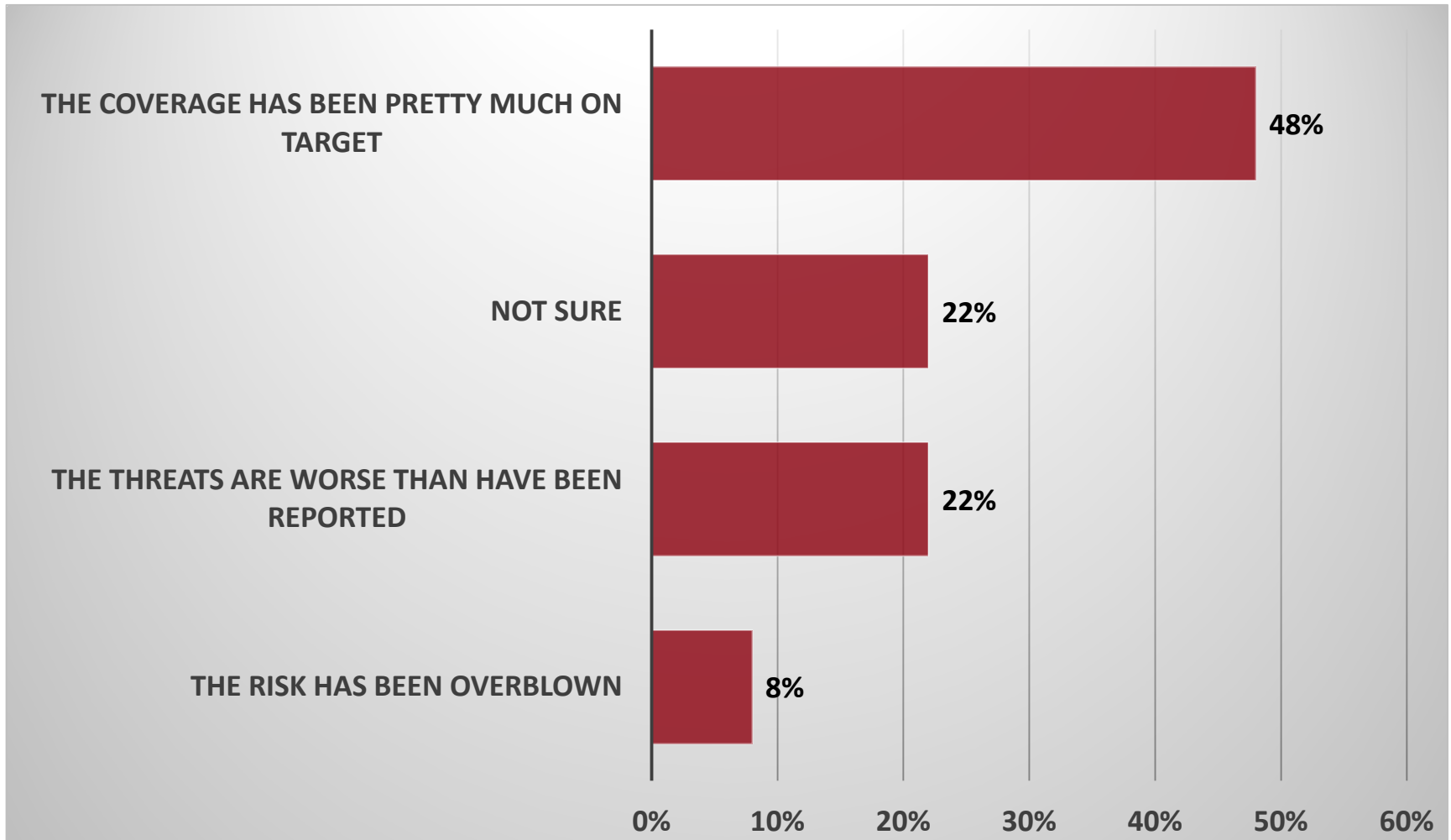
Cyber Security – Spending Increases

In which category did your business record the greatest percentage increase in spending over the past year?



Cyber Security – Media Coverage

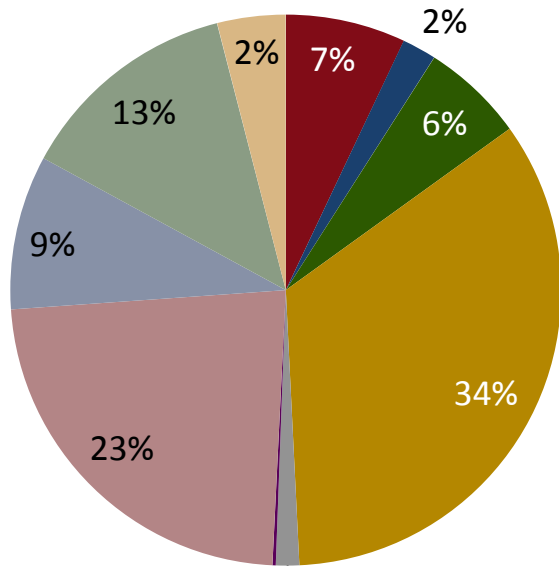
There has been substantial media coverage of cyber threats recently. How accurately has the risk to businesses been portrayed?



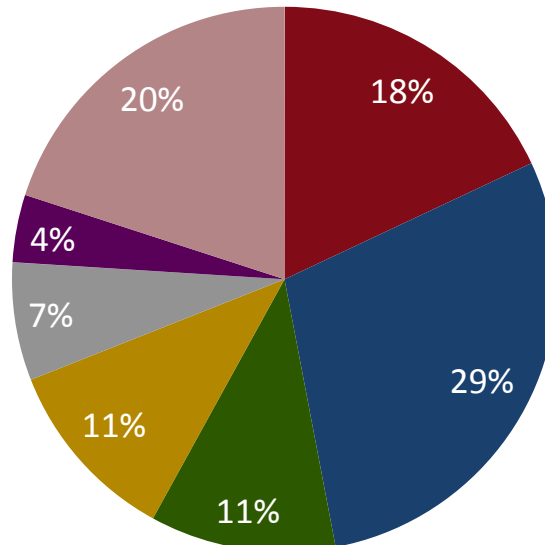
Demographics

Demographics

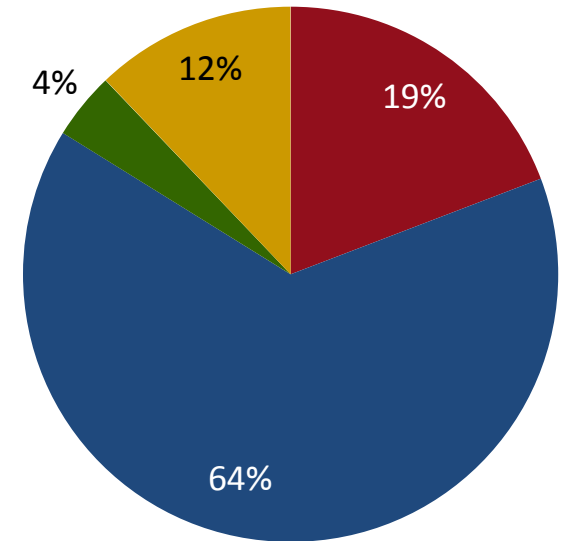
Position



Size of Organization



Type of Organization



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

- \$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

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



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