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
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)

- 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.
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)

<table>
<thead>
<tr>
<th>Component</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
<th>ΔQ to Q</th>
<th>ΔY to Y</th>
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</thead>
<tbody>
<tr>
<td>U.S. Economic Optimism</td>
<td>58</td>
<td>76</td>
<td>79</td>
<td>77</td>
<td>77</td>
<td>00</td>
<td>19</td>
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<td>Organization Optimism</td>
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<td>74</td>
<td>77</td>
<td>76</td>
<td>78</td>
<td>02</td>
<td>10</td>
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<td>Expansion Plans</td>
<td>72</td>
<td>74</td>
<td>77</td>
<td>76</td>
<td>76</td>
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<td>04</td>
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<tr>
<td>Revenue</td>
<td>75</td>
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<td>81</td>
<td>79</td>
<td>83</td>
<td>04</td>
<td>08</td>
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<tr>
<td>Profits</td>
<td>69</td>
<td>74</td>
<td>74</td>
<td>72</td>
<td>77</td>
<td>05</td>
<td>08</td>
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<tr>
<td>Employment</td>
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<td>68</td>
<td>71</td>
<td>72</td>
<td>72</td>
<td>00</td>
<td>06</td>
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<td>IT Spending</td>
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<td>77</td>
<td>78</td>
<td>80</td>
<td>81</td>
<td>01</td>
<td>06</td>
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<tr>
<td>Other Capital Spending</td>
<td>71</td>
<td>73</td>
<td>71</td>
<td>72</td>
<td>77</td>
<td>05</td>
<td>06</td>
</tr>
<tr>
<td>Training &amp; Development</td>
<td>70</td>
<td>71</td>
<td>73</td>
<td>73</td>
<td>74</td>
<td>01</td>
<td>04</td>
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<tr>
<td>Total CPAOI</td>
<td>69</td>
<td>74</td>
<td>76</td>
<td>75</td>
<td>77</td>
<td>02</td>
<td>08</td>
</tr>
</tbody>
</table>
CPA Outlook Index (CPAOI) vs. GDP

**Graph:**
- CPA Outlook Index
- GDP Growth

**Table:**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>CPAO Index</th>
<th>Change in GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q16</td>
<td>63</td>
<td>0.8%</td>
</tr>
<tr>
<td>2Q16</td>
<td>68</td>
<td>1.4%</td>
</tr>
<tr>
<td>3Q16</td>
<td>69</td>
<td>3.2%</td>
</tr>
<tr>
<td>4Q16</td>
<td>74</td>
<td>2.1%</td>
</tr>
<tr>
<td>1Q17</td>
<td>76</td>
<td>1.2%</td>
</tr>
<tr>
<td>2Q17</td>
<td>75</td>
<td>2.6%</td>
</tr>
<tr>
<td>3Q17</td>
<td>77</td>
<td>-10.0%</td>
</tr>
</tbody>
</table>

**Notes:**
- CPAO Index values range from 36 to 77.
- GDP growth percentages range from -10.0% to 10.0%.

**Source:**
3Q 2017 Economic Outlook Survey
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%
The economic outlook for the U.S. economy, your organization, and the expansion plans over the next 12 months.
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?

<table>
<thead>
<tr>
<th></th>
<th>3Q17</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q16</th>
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</thead>
<tbody>
<tr>
<td>Food costs</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>Energy costs</td>
<td>6%</td>
<td>8%</td>
<td>8%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Raw material costs</td>
<td>18%</td>
<td>20%</td>
<td>24%</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Labor costs</td>
<td>55%</td>
<td>43%</td>
<td>40%</td>
<td>42%</td>
<td>55%</td>
</tr>
<tr>
<td>Interest rates</td>
<td>14%</td>
<td>23%</td>
<td>21%</td>
<td>22%</td>
<td>14%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>1%</td>
</tr>
</tbody>
</table>
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%...
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 80% to decreasing by more than 8%....
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%....

### 3Q 2017 Economic Outlook Survey

<table>
<thead>
<tr>
<th>Quarter</th>
<th>IT</th>
<th>Other Capital</th>
<th>Training</th>
</tr>
</thead>
<tbody>
<tr>
<td>2Q12</td>
<td>2.8%</td>
<td>2.0%</td>
<td>1.2%</td>
</tr>
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<td>3Q12</td>
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<td>1.7%</td>
<td>1.0%</td>
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<tr>
<td>4Q12</td>
<td>2.1%</td>
<td>1.3%</td>
<td>0.7%</td>
</tr>
<tr>
<td>1Q13</td>
<td>2.7%</td>
<td>1.9%</td>
<td>1.3%</td>
</tr>
<tr>
<td>2Q13</td>
<td>2.2%</td>
<td>2.2%</td>
<td>1.1%</td>
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<tr>
<td>3Q13</td>
<td>2.7%</td>
<td>2.1%</td>
<td>1.4%</td>
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<tr>
<td>4Q13</td>
<td>2.7%</td>
<td>2.9%</td>
<td>1.5%</td>
</tr>
<tr>
<td>1Q14</td>
<td>2.9%</td>
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<td>3Q15</td>
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</tr>
<tr>
<td>3Q17</td>
<td>3.5%</td>
<td>3.3%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

**IT Spending Plans**
- 2Q12: 2.8%
- 3Q12: 2.1%
- 4Q12: 2.7%
- 1Q13: 3.1%
- 2Q13: 3.3%
- 3Q13: 3.3%
- 4Q13: 3.3%
- 1Q14: 3.1%
- 2Q14: 2.8%
- 3Q14: 2.7%
- 4Q14: 2.1%
- 1Q15: 2.2%
- 2Q15: 2.4%
- 3Q15: 2.9%
- 4Q15: 2.9%
- 1Q16: 3.1%
- 2Q16: 3.2%
- 3Q16: 3.1%
- 4Q16: 3.3%
- 1Q17: 3.0%
- 2Q17: 3.2%
- 3Q17: 3.5%

**Other Capital Spending Plans**
- 2Q12: 2.0%
- 3Q12: 1.7%
- 4Q12: 1.3%
- 1Q13: 2.2%
- 2Q13: 2.1%
- 3Q13: 2.9%
- 4Q13: 2.3%
- 1Q14: 2.4%
- 2Q14: 2.1%
- 3Q14: 3.2%
- 4Q14: 2.4%
- 1Q15: 2.9%
- 2Q15: 2.5%
- 3Q15: 3.2%
- 4Q15: 2.4%
- 1Q16: 3.3%
- 2Q16: 2.7%
- 3Q16: 2.6%
- 4Q16: 3.0%
- 1Q17: 2.4%
- 2Q17: 2.8%
- 3Q17: 3.3%

**Training Spending Plans**
- 2Q12: 1.2%
- 3Q12: 1.0%
- 4Q12: 0.7%
- 1Q13: 1.3%
- 2Q13: 1.3%
- 3Q13: 1.3%
- 4Q13: 1.3%
- 1Q14: 1.5%
- 2Q14: 1.8%
- 3Q14: 2.0%
- 4Q14: 2.2%
- 1Q15: 1.6%
- 2Q15: 1.8%
- 3Q15: 2.2%
- 4Q15: 1.8%
- 1Q16: 1.4%
- 2Q16: 1.4%
- 3Q16: 1.4%
- 4Q16: 1.6%
- 1Q17: 1.6%
- 2Q17: 1.6%
- 3Q17: 2.0%
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

- **50%**
  - Have the right number of employees
  - Consistent with Q1 level

- **7%**
  - Have an excess of employees
  - Down a point from Q2, 2017
  - Down from 13% in Q3, 2016

- **15%**
  - Have too few, but hesitating to hire
  - Down a point from Q2, 2016

- **24%**
  - Have too few and planning to hire
  - Consistent with Q2, 2017; up 5% from Q2, 2016 level of 19%

3Q 2017 Economic Outlook Survey
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)?

<table>
<thead>
<tr>
<th></th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have an excess number of employees</td>
<td>13%</td>
<td>9%</td>
<td>8%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>We have approximately the appropriate number of employees</td>
<td>48%</td>
<td>55%</td>
<td>52%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>We have too few employees, but are hesitating to hire</td>
<td>17%</td>
<td>15%</td>
<td>16%</td>
<td>16%</td>
<td>15%</td>
</tr>
<tr>
<td>We have too few employees and are planning to hire</td>
<td>21%</td>
<td>20%</td>
<td>22%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>1%</td>
<td>2%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

3Q 2017 Economic Outlook Survey
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
### Top Challenges

<table>
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<tr>
<th></th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
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<tr>
<td>1</td>
<td>Regulatory requirements/changes</td>
<td>Regulatory requirements/changes</td>
<td>Employee and benefits costs</td>
<td>Employee and benefits costs</td>
<td>Availability of skilled personnel</td>
</tr>
<tr>
<td>2</td>
<td>Domestic economic conditions</td>
<td>Employee and benefits costs</td>
<td>Regulatory requirements/changes</td>
<td>Availability of skilled personnel</td>
<td>Regulatory requirements/changes</td>
</tr>
<tr>
<td>3</td>
<td>Availability of skilled personnel</td>
<td>Domestic economic conditions</td>
<td>Availability of skilled personnel</td>
<td>Regulatory requirements/changes</td>
<td>Domestic competition</td>
</tr>
<tr>
<td>4</td>
<td>Domestic competition</td>
<td>Availability of skilled personnel</td>
<td>Domestic economic conditions</td>
<td>Domestic economic conditions</td>
<td>Domestic economic conditions</td>
</tr>
<tr>
<td>5</td>
<td>Employee and benefits costs</td>
<td>Domestic competition</td>
<td>Domestic competition</td>
<td>Domestic competition</td>
<td>Employee and benefits costs</td>
</tr>
<tr>
<td>6</td>
<td>Stagnant/declining markets</td>
<td>Developing new products/services/markets</td>
<td>Changing customer preferences</td>
<td>Staff Turnover</td>
<td>Developing new products/services/markets</td>
</tr>
<tr>
<td>7</td>
<td>Domestic political leadership</td>
<td>Domestic political leadership</td>
<td>Domestic political leadership</td>
<td>Developing new products/services/markets</td>
<td>Stagnant/declining markets</td>
</tr>
<tr>
<td>8</td>
<td>Liquidity</td>
<td>Changing customer preferences</td>
<td>Developing new products/services/markets</td>
<td>Materials/supplies/equipment costs</td>
<td>Changing customer preferences</td>
</tr>
<tr>
<td>9</td>
<td>Developing new products/services/markets</td>
<td>Stagnant/declining markets</td>
<td>Staff Turnover</td>
<td>Domestic political leadership</td>
<td>Domestic political leadership</td>
</tr>
<tr>
<td>10</td>
<td>Financing (access/cost of capital)</td>
<td>Staff Turnover</td>
<td>Materials/supplies/equipment costs</td>
<td>Changing customer preferences</td>
<td>Staff Turnover</td>
</tr>
</tbody>
</table>
### Industry, Region and Business-size Outlook - 1 of 3

<table>
<thead>
<tr>
<th>Retail rebound eases</th>
<th>Optimism for Manufacturing eases</th>
<th>Technology recovers</th>
<th>Construction and real estate also recovers some Q2 declines</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retail trade</strong> optimism fell back to 52% after rebounding to 58% Q2</td>
<td><strong>Manufacturing</strong> optimism eases another 3 points from 66% in Q2 to 63% in Q3</td>
<td><strong>Technology</strong> optimism recovers from 56% optimistic in Q2 to 64% in Q3</td>
<td><strong>Construction</strong> optimism recovered from 66% in Q2 to 69% in Q3</td>
</tr>
<tr>
<td><strong>Wholesale trade</strong> however, recovered to 81% after falling off to 57% in Q2</td>
<td><strong>Manufacturing</strong> hiring improved from 2.3% in Q2 to 2.6% in Q3</td>
<td><strong>Technology</strong> hiring continues to lead the pack at an expected rate of 3.5%</td>
<td><strong>Real Estate and Property</strong> also rebounded to 78% optimistic after falling to 63% in Q2</td>
</tr>
<tr>
<td>Hiring for retail continues to be soft at 1.0%</td>
<td></td>
<td></td>
<td><strong>Construction</strong> hiring rebounded to 2.7% in Q3, after falling to 1.7% in Q2</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>Real Estate</strong> hiring expectations also recovered slightly in Q3 to 1.7%, up from 1.4%</td>
</tr>
<tr>
<td>Industry</td>
<td>Overview</td>
<td>Details</td>
<td></td>
</tr>
<tr>
<td>----------</td>
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<td></td>
</tr>
<tr>
<td><strong>Finance and Insurance</strong></td>
<td>optimism improves a point from 64% to 65%</td>
<td>Finance and Insurance planned hiring declines slightly from 2.2% in Q2 to 1.8% in Q3</td>
<td></td>
</tr>
<tr>
<td><strong>Professional service</strong></td>
<td>optimism declines another 12 points to only 50% in Q3</td>
<td>Professional service hiring also declines to only 1.7% in Q3, falling from 3.9% in Q1, and 2.9% in Q2</td>
<td></td>
</tr>
<tr>
<td><strong>Healthcare provider</strong></td>
<td>optimism continues to improve to 56%, up from 43% in Q1 and 52% in Q2</td>
<td>Expected hiring by Healthcare providers eases further from 2.4% in Q2, to 1.8% in Q3</td>
<td></td>
</tr>
<tr>
<td><strong>Healthcare – other</strong></td>
<td>recovered to 67%, after falling from 80% optimistic in Q4 2016, and 70% optimistic in Q1, to 60% in Q2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*3Q 2017 Economic Outlook Survey*
Reginal 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

Retail Trade

- Q1 2015: 65%
- Q4 2015: 41%
- Q1 2016: 50%
- Q2 2016: 50%
- Q3 2016: 58%
- Q4 2016: 52%
- Q1 2017: 39%
- Q2 2017: 33%
- Q3 2017: 50%

Wholesale Trade

- Q1 2015: 54%
- Q4 2015: 42%
- Q1 2016: 50%
- Q2 2016: 45%
- Q3 2016: 48%
- Q4 2016: 57%
- Q1 2017: 79%
- Q2 2017: 81%
- Q3 2017: 64%

Manufacturing

- Q1 2015: 53%
- Q4 2015: 41%
- Q1 2016: 48%
- Q2 2016: 47%
- Q3 2016: 55%
- Q4 2016: 66%
- Q1 2017: 63%

Technology

- Q1 2015: 67%
- Q4 2015: 52%
- Q1 2016: 53%
- Q2 2016: 61%
- Q3 2016: 71%
- Q4 2016: 67%
- Q1 2017: 65%
- Q2 2017: 56%
- Q3 2017: 64%
Organization Optimism by Industry

Construction

Finance & Insurance

Real Estate

Professional Service

3Q 2017 Economic Outlook Survey
Organization Optimism by Industry

Health Care - Other

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

### Expected Employment Change by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>Q2</th>
<th>Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Trade</td>
<td>1.1</td>
<td>1.0</td>
</tr>
<tr>
<td>Trans &amp; Distribution</td>
<td>1.9</td>
<td>2.6</td>
</tr>
<tr>
<td>Mining</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Not for Profit</td>
<td>1.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Banking</td>
<td>1.9</td>
<td>2.5</td>
</tr>
<tr>
<td>Healthcare Provider</td>
<td>1.8</td>
<td>2.4</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>1.8</td>
<td>2.2</td>
</tr>
<tr>
<td>Professional Services</td>
<td>1.7</td>
<td>2.9</td>
</tr>
<tr>
<td>Real Estate Property</td>
<td>1.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Construction</td>
<td>1.7</td>
<td>2.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Technology</td>
<td>3.2</td>
<td>3.5</td>
</tr>
</tbody>
</table>

---

3Q 2017 Economic Outlook Survey
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.

<table>
<thead>
<tr>
<th>Region</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>53%</td>
<td>53%</td>
<td>62%</td>
<td>65%</td>
<td>65%</td>
<td>74%</td>
</tr>
<tr>
<td>South</td>
<td>53%</td>
<td>48%</td>
<td>68%</td>
<td>71%</td>
<td>65%</td>
<td>68%</td>
</tr>
<tr>
<td>West</td>
<td>54%</td>
<td>57%</td>
<td>59%</td>
<td>68%</td>
<td>62%</td>
<td>61%</td>
</tr>
<tr>
<td>Northeast</td>
<td>62%</td>
<td>58%</td>
<td>56%</td>
<td>57%</td>
<td>60%</td>
<td>59%</td>
</tr>
</tbody>
</table>
Expansion Plans by Business Size

<table>
<thead>
<tr>
<th></th>
<th>1Q15</th>
<th>2Q15</th>
<th>3Q15</th>
<th>4Q15</th>
<th>1Q16</th>
<th>2Q16</th>
<th>3Q16</th>
<th>4Q16</th>
<th>1Q17</th>
<th>2Q17</th>
<th>3Q17</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; $10 million</td>
<td>59%</td>
<td>47%</td>
<td>61%</td>
<td>52%</td>
<td>44%</td>
<td>55%</td>
<td>53%</td>
<td>52%</td>
<td>61%</td>
<td>55%</td>
<td>61%</td>
</tr>
<tr>
<td>$10 to &lt;$100 million</td>
<td>63%</td>
<td>66%</td>
<td>62%</td>
<td>57%</td>
<td>59%</td>
<td>61%</td>
<td>65%</td>
<td>63%</td>
<td>72%</td>
<td>53%</td>
<td>58%</td>
</tr>
<tr>
<td>$100 million to &lt;$1 billion</td>
<td>67%</td>
<td>65%</td>
<td>60%</td>
<td>57%</td>
<td>50%</td>
<td>61%</td>
<td>59%</td>
<td>67%</td>
<td>67%</td>
<td>73%</td>
<td>68%</td>
</tr>
<tr>
<td>&gt; $1 billion</td>
<td>77%</td>
<td>53%</td>
<td>56%</td>
<td>59%</td>
<td>49%</td>
<td>50%</td>
<td>66%</td>
<td>62%</td>
<td>66%</td>
<td>69%</td>
<td>65%</td>
</tr>
</tbody>
</table>

52% of all businesses expect to expand a little in the next twelve months
13% expect to expand a lot
33% expect to contract a little or stay the same
Only 2% expect to contract a lot
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)?

<table>
<thead>
<tr>
<th></th>
<th>&lt; $10 million</th>
<th>$10 to &lt;$100 million</th>
<th>$100 million to &lt;$1 billion</th>
<th>&gt; $1 billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have an excess number of employees</td>
<td>3%</td>
<td>5%</td>
<td>6%</td>
<td>15%</td>
</tr>
<tr>
<td>We have approximately the appropriate number of employees</td>
<td>61%</td>
<td>47%</td>
<td>50%</td>
<td>49%</td>
</tr>
<tr>
<td>We have too few employees, but are hesitating to hire</td>
<td>17%</td>
<td>16%</td>
<td>11%</td>
<td>14%</td>
</tr>
<tr>
<td>We have too few employees and are planning to hire</td>
<td>18%</td>
<td>21%</td>
<td>28%</td>
<td>28%</td>
</tr>
<tr>
<td>Other</td>
<td>1%</td>
<td>1%</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

3Q 2017 Economic Outlook Survey
AICPA Economic Outlook Survey
Survey Within a Survey

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

- 52% have had difficulty finding the right candidate
- 20% have lost out on some top candidates
- 20% have had no impact
- 7% have been involved in bidding wars, raising costs
Have you changed your financial incentives recently to help recruitment efforts?

- No, we're not offering additional incentives: 34%
- We're offering higher salaries: 31%
- We're offering other financial incentives, such as a 401(k) match, employee stock options or an enhanced benefit package: 17%
- We're offering all of the above: 11%
What other methods are you using to overcome a tighter job pool?

- Promoting from within: 40%
- Doing more in-house training: 26%
- Creating precise job descriptions for skilled positions: 21%
- Looking for outsourced solutions abroad: 7%
- Other: 6%

3Q 2017 Economic Outlook Survey Within A Survey
Competition for Talent

Other Job Pool Methods

- Use of external recruiters/hiring agencies
- Coordination with local universities and business colleges
- Temporary to permanent hiring
- Increasing efficiency of existing employees
- Responding to employee needs
Demographics

Position
- CEO/President: 10%
- COO: 11%
- VP/SVP: 4%
- CFO: 2%
- CAO/CAE: 2%
- CIO: 2%
- Controller: 2%
- Director: 2%
- Accounting, Audit, Tax or Technology Manager: 21%
- Other: 46%

Size of Organization
- $0 to under $10 million: 14%
- $10 million to under $50 million: 11%
- $50 million to under $100 million: 14%
- $100 million to under $250 million: 14%
- $250 million to under $500 million: 4%
- $500 million to under $1 billion: 9%
- $1 billion or more: 2%

Type of Organization
- Publicly Listed Company: 1%
- Privately Owned Entity: 13%
- Government: 14%
- Not for Profit: 1%
- Other: 71%
AICPA Business and Industry Economic Outlook Survey 3Q 2017

For additional information contact:

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