



Association
of International
Certified Professional
Accountants®

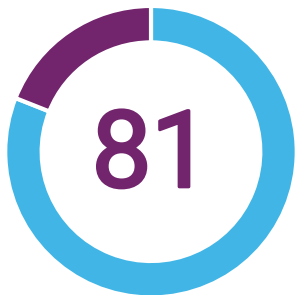
AICPA Business and Industry Economic Outlook Survey

Detailed Survey Results: 1Q 2018

Survey Background

- Conducted between February 6-21, 2018
- Quarterly Survey
- CPA decision makers (primarily CFO's, CEOs and Controllers)
- AICPA members in Business & Industry only
- 818 qualified responses

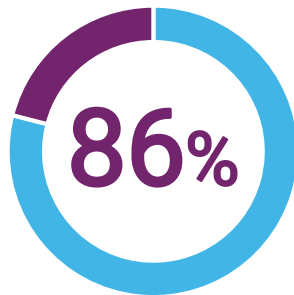
Survey Highlights



Overall index picks up two points

Highest total CPAOI since Q4 2014 peak at 78

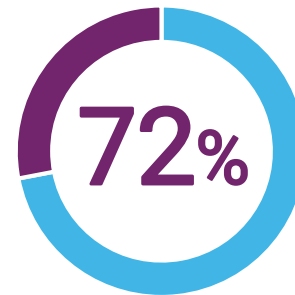
Employment plans jump 3 points



Highest optimism about U.S. Economy

Retail trade, manufacturing and technology optimism continue to improve

Construction optimism eases a bit from 80% optimistic in Q4 to 77%



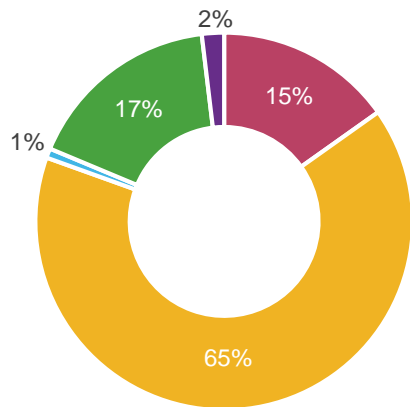
Expansion and employment plans reflect optimism

Overall, expansion plans improved from 71% to 72%

Expansion plans for companies of all sizes continue to be strong

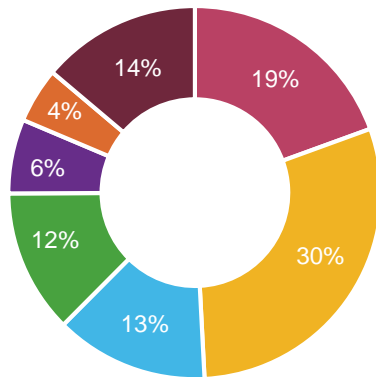
Demographics

Type of Organization



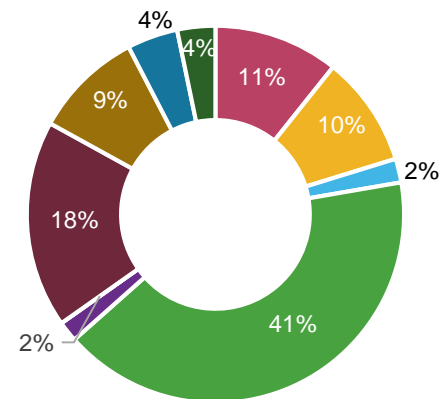
- Publicly Listed Company
- Privately Owned Entity
- Government
- Not for Profit
- Other

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

Position



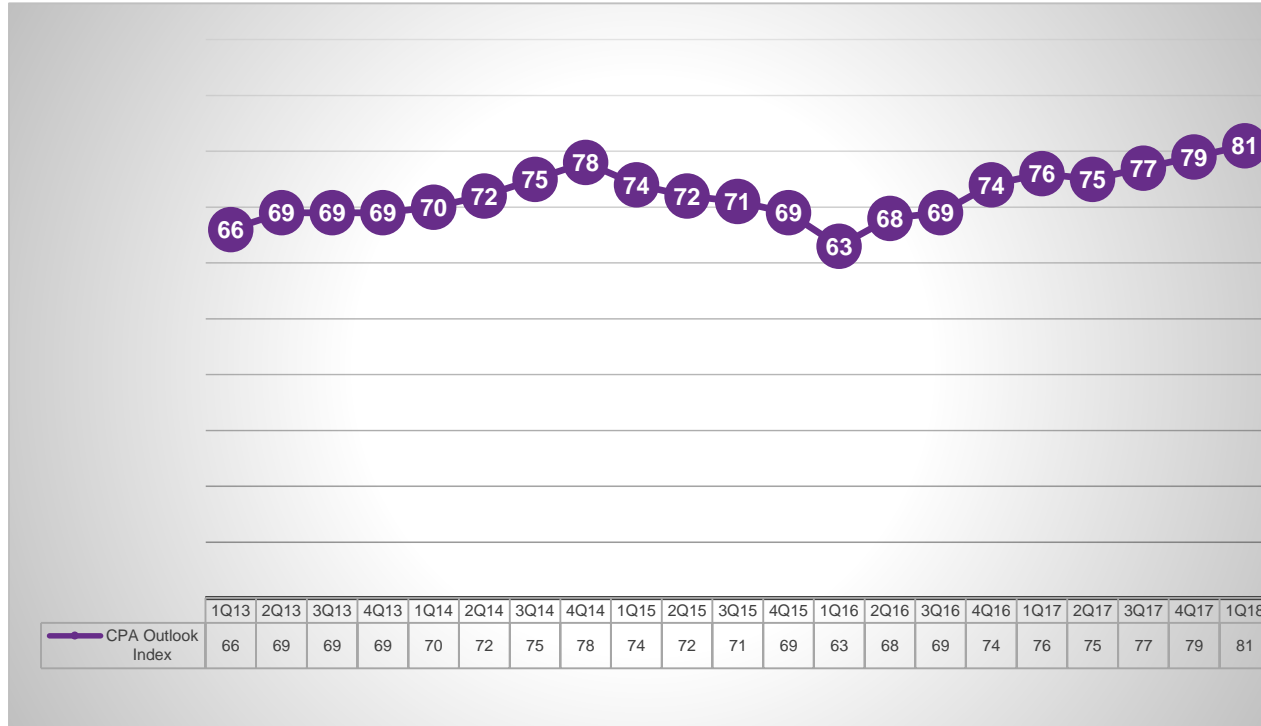
- CEO/President
- VP/SVP
- COO
- CFO
- CAO/CAE
- CIO/CTO/KMO
- Controller
- Director
- Accounting, Audit, Tax or Technology Manager
- Other

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)



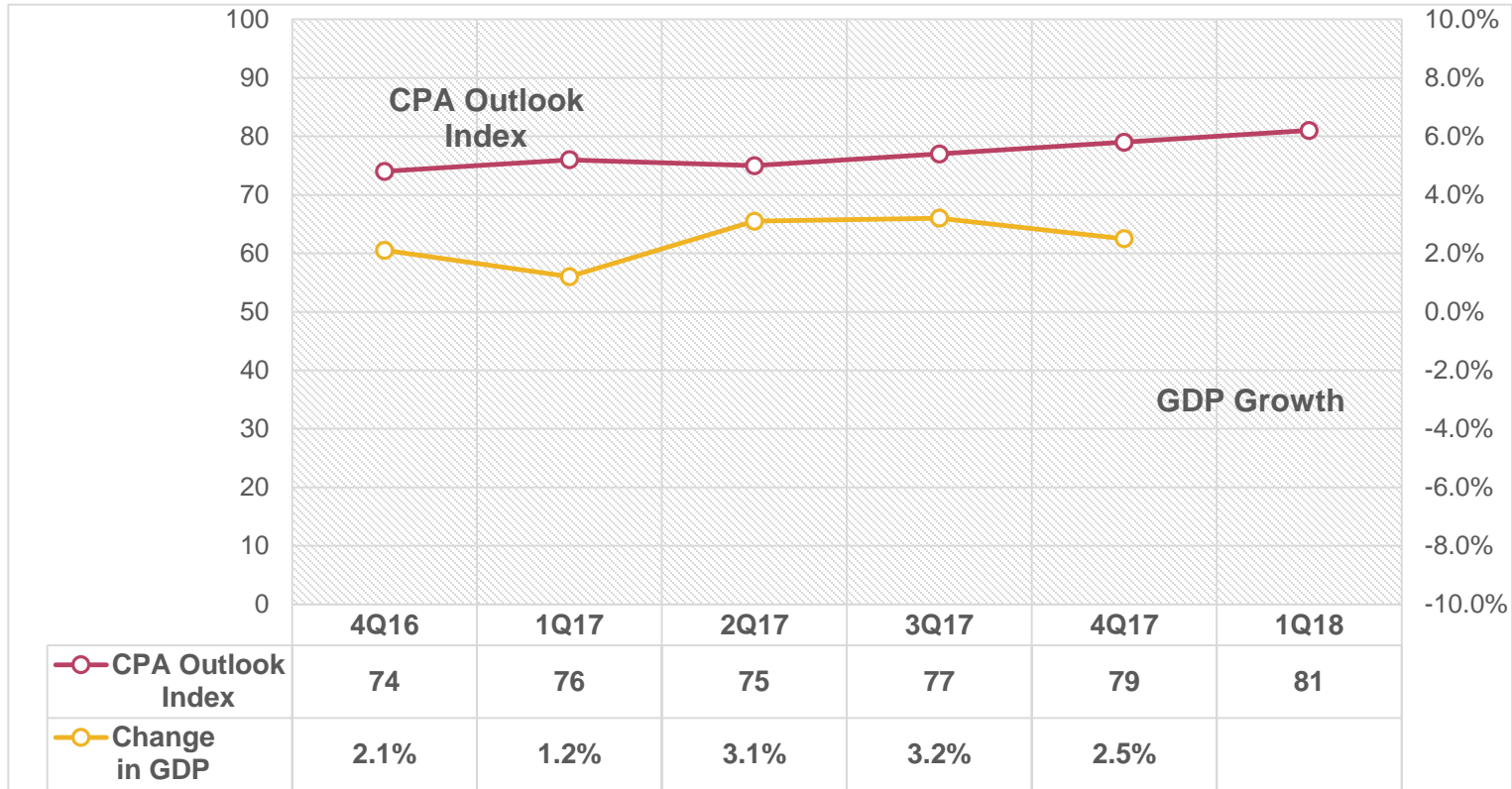
A reading above 50 indicates a generally positive outlook with increasing activity.

A reading below 50 indicates a generally negative outlook with decreasing activity.

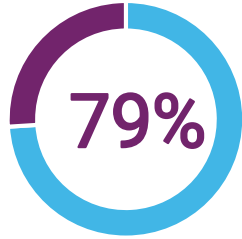
CPA Outlook Index (CPAOI)

Component	1Q17	2Q17	3Q17	4Q17	1Q18	ΔQ to Q	ΔY to Y
U.S. Economic Optimism	79	77	77	84	86	↑02	↑07
Organization Optimism	77	76	78	80	81	↑01	↑04
Expansion Plans	77	76	76	80	81	↑01	↑06
Revenue	81	79	83	85	86	↑01	↑05
Profits	74	72	77	78	80	↑02	↑06
Employment	71	72	72	71	74	↑03	↑03
IT Spending	78	80	81	82	83	↑01	↑05
Other Capital Spending	71	72	77	76	79	↑03	↑08
Training & Development	73	73	74	76	76	→00	↑03
Total CPAOI	76	75	77	79	81	↑02	↑05

CPA Outlook Index (CPAOI) vs. GDP



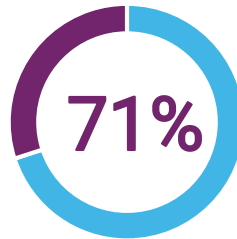
U.S. Economy, Organization and Inflation



Optimism for U.S. economy jumps

Optimists cite general strength of many economic indicators – along with corporate tax cuts and deregulation

Both optimists and pessimists cite ongoing concerns about political environment along with comments about inflation, interest rates, and market unease.

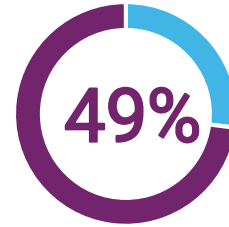


Organization optimism still on upward trend

Optimism for respondent's own organization improves another point to 71%

The percentage of companies also up a point from Q4

The percentage of companies expecting their businesses to contract dropped another point from 10% to only 9%

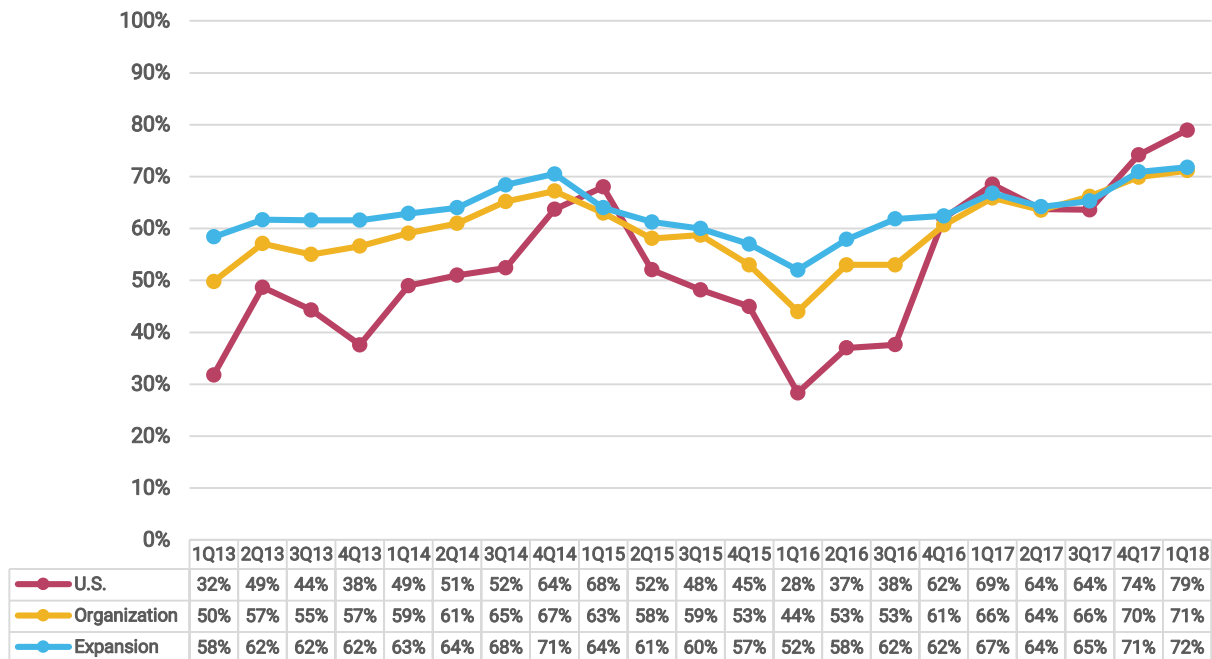


Now concerned about inflation; up from only 27% in Q4, 2017

Concern about labor costs continues to be most significant, but eased another 3 points from 41% to 38%

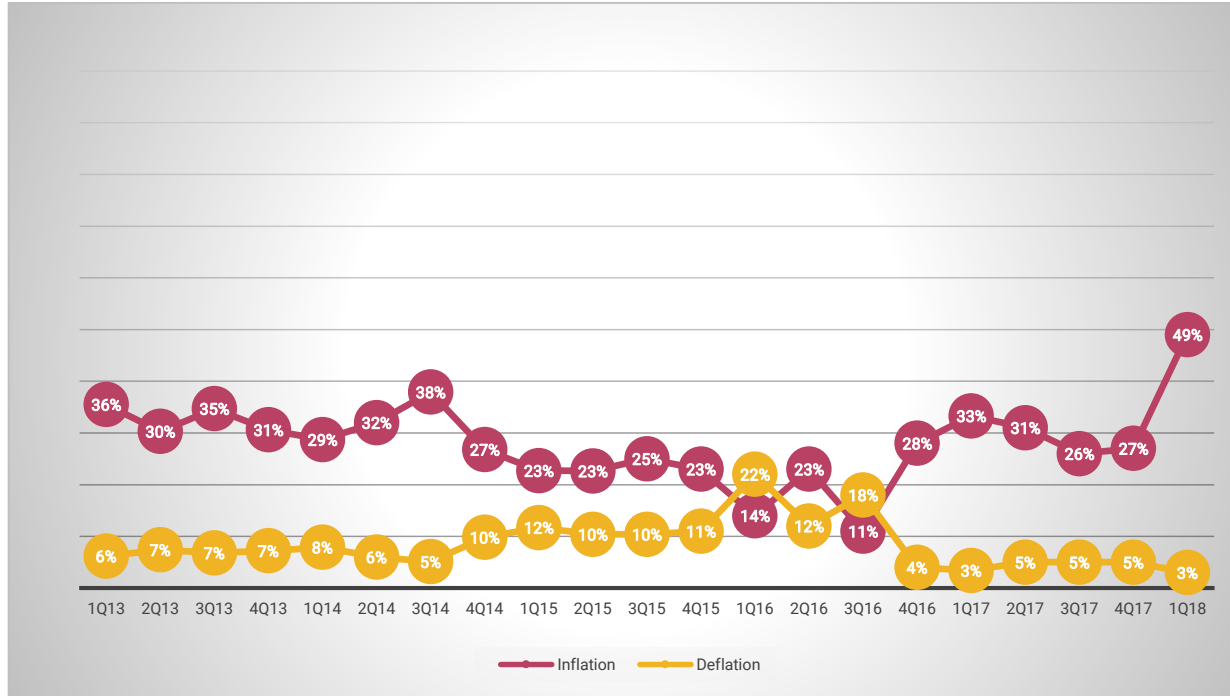
Interest rate concerns inched up another point from 21% in Q4 to 22%

Optimism & Expansion



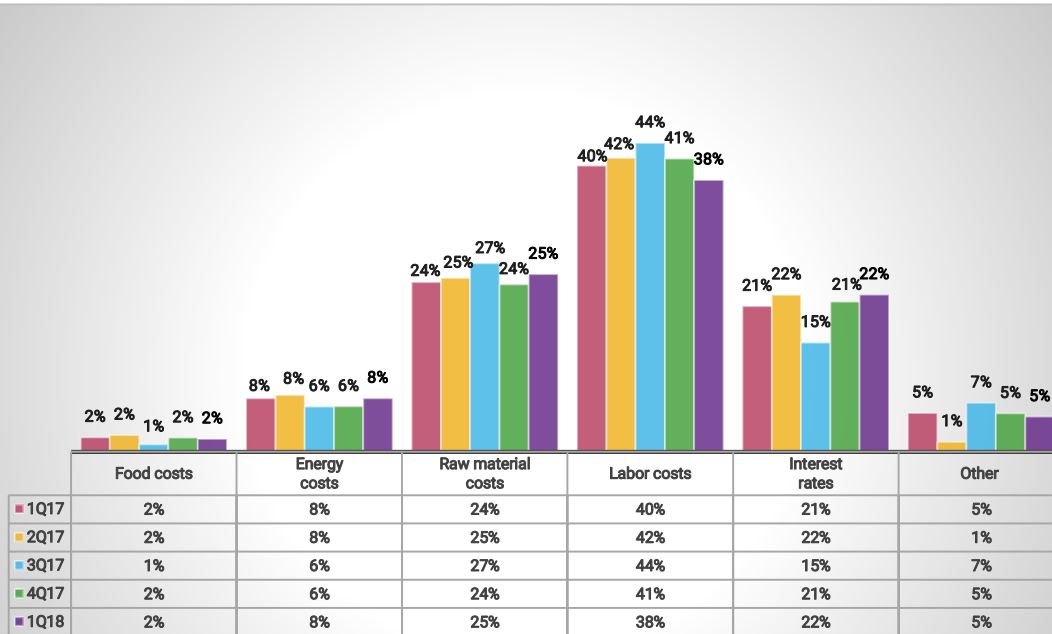
The economic outlook for the U.S. economy, your organization, and the expansion plans over the next 12 months

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 new highs

Expected revenue increase for coming twelve months improves to 5%, a new high

Profit projections also jumps from 3.8% to 4.4%, also a new high expectation

Hiring and Employment

Headcount plans improve; employee cost projections up; healthcare costs ease

Anticipated rate of headcount increase for the coming year increased from 1.8% to 2.1%

Salary and benefit costs projected to increase at a rate of 2.7%, up from 2.5% in Q4

Healthcare cost projections decline another three tenths from 5.9%, to 5.6%

Spending Plans

Spending plans continue to be strong across board

Expected rate for IT spending now at 3.7%

Other capital spending plans jump from 3.1% to 3.9%

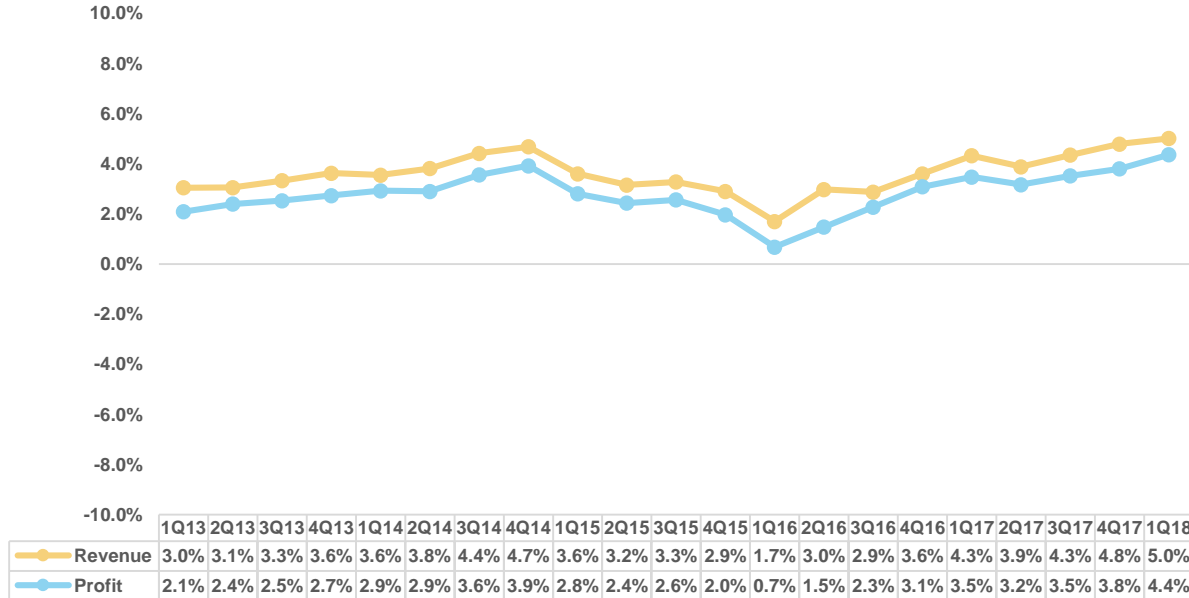
Training ticks up another two tenths from 2.2% to 2.4%

Marketing spending plans improve from 2.0% to 2.1%

R&D spending remains constant at 2.0%, maintaining the Q3 and Q4 post-recession high

Key Performance Indicators

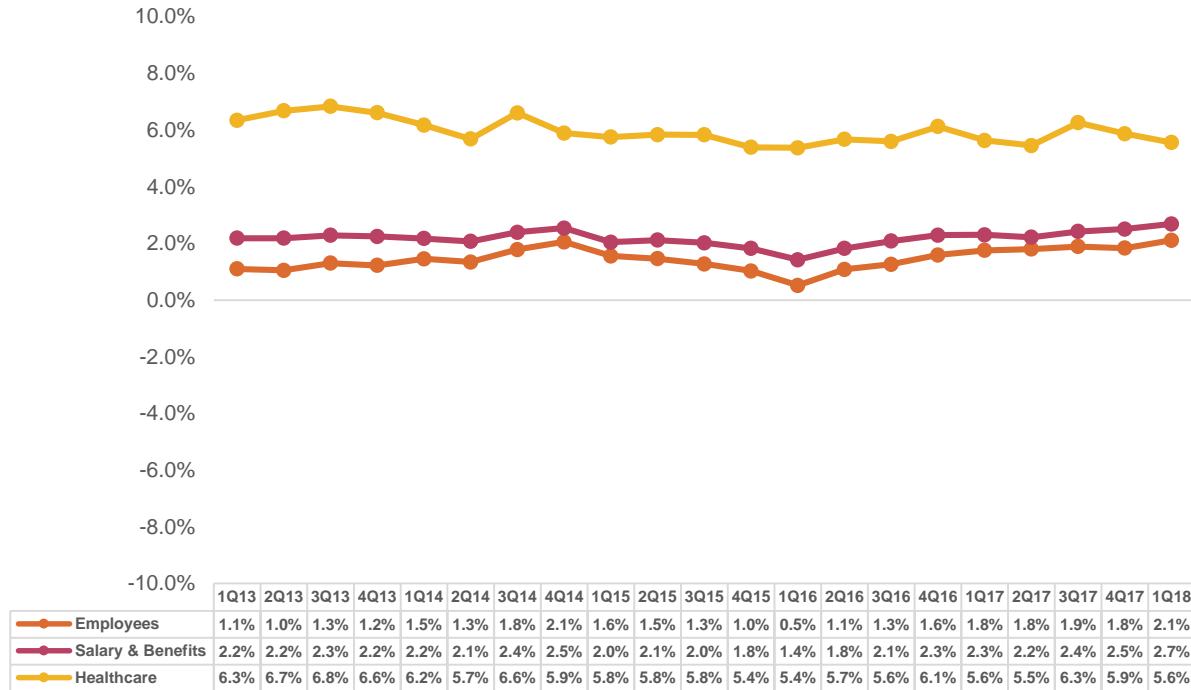
Expected Growth in Revenue and Profits



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

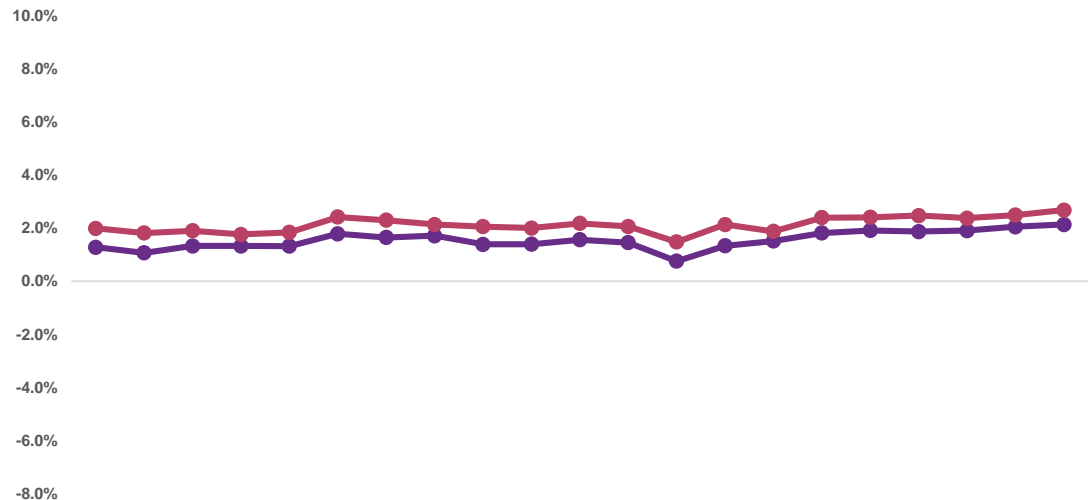
Employees, Salary & Benefits, and Healthcare Costs



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

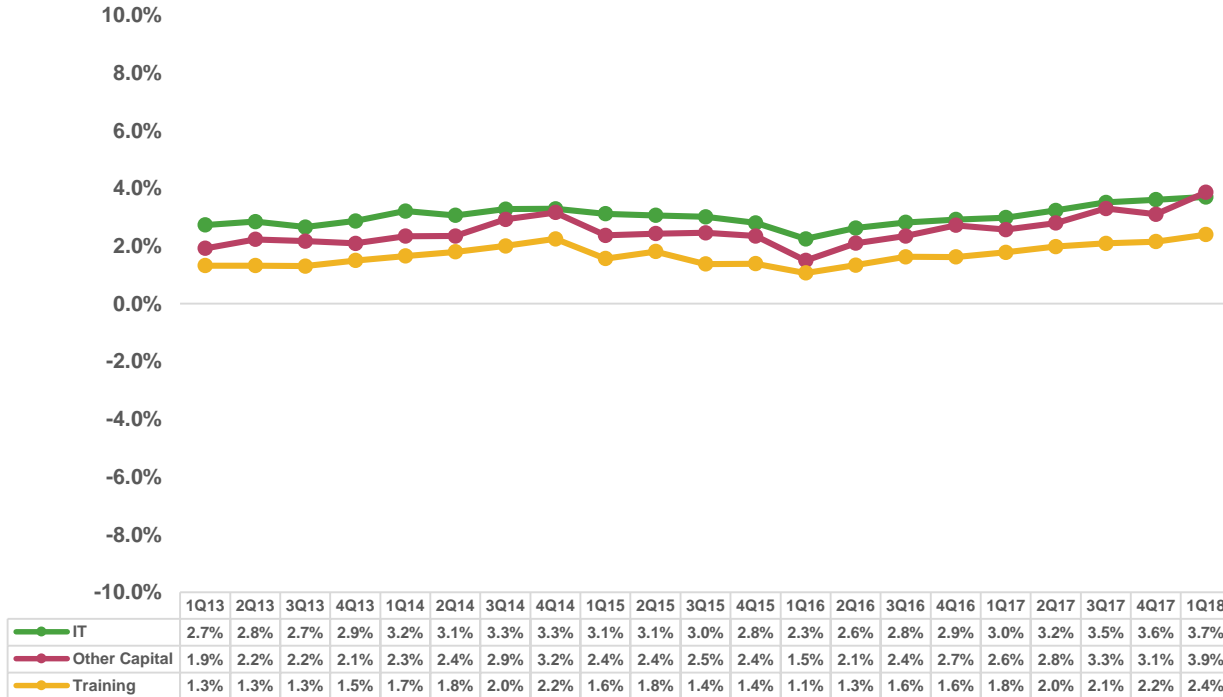


	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
Prices Charged	1.3%	1.1%	1.3%	1.3%	1.3%	1.8%	1.7%	1.7%	1.4%	1.4%	1.6%	1.5%	0.8%	1.3%	1.5%	1.8%	1.9%	1.9%	1.9%	2.1%	2.1%
Input Prices	2.0%	1.8%	1.9%	1.8%	1.8%	2.4%	2.3%	2.1%	2.1%	2.0%	2.2%	2.1%	1.5%	2.1%	1.9%	2.4%	2.4%	2.5%	2.4%	2.5%	2.7%

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

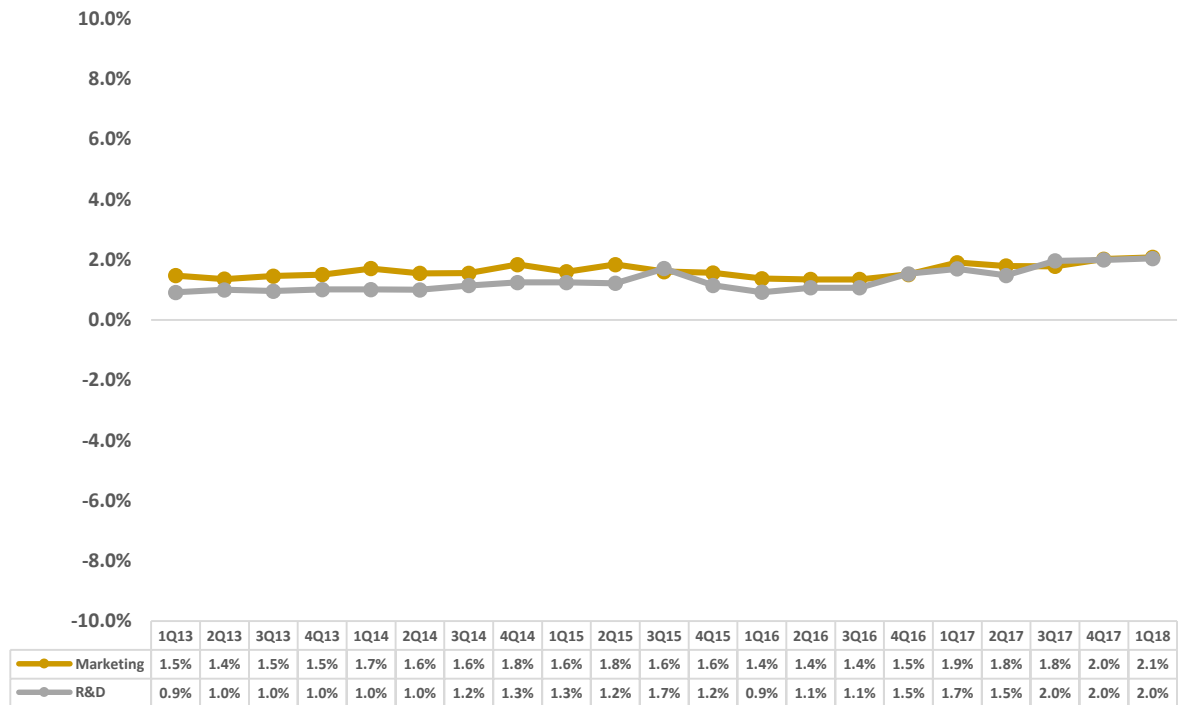
Spending Plans - IT, Other Capital & Training



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%....

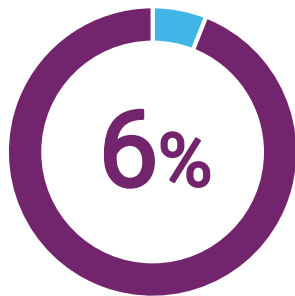
Hiring Plans

Continue to Improve



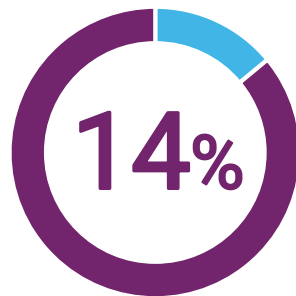
Have right
number of
employees

Down 2 points
from Q4, 2017



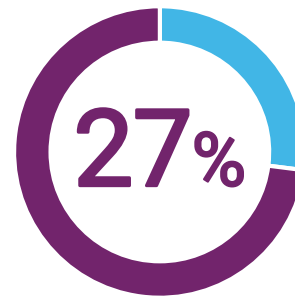
Have an
excess of
employees

Down 2 points
from Q4, 2017



Have too few,
but hesitating
to hire

Up 1 point from Q4,
2017



Have too few
and planning
to hire

Up 2 points from
Q4, 2017

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 and Domestic competition remained the #1 and #2 challenges
- Employee and benefit costs moved up to the third ranking
- Regulatory requirements/changes dropped to the fourth ranking
- Developing new products/services and Domestic economic conditions remained in the fifth and sixth slot
- Staff turnover moved from ninth to seventh
- Changing customer preferences dropped to eighth
- Financing (access/cost of capital) moved to ninth – last seen in the top ten 3Q16
- Materials/supplies/equipment costs remained in the tenth slot

Please
indicate the
top three
challenges
for your
organization

Top Challenges

	1Q17	2Q17	3Q17	4Q17	1Q18
1	Employee and benefits costs	Employee and benefits costs	Availability of skilled personnel	Availability of skilled personnel	Availability of skilled personnel
2	Regulatory requirements/changes	Availability of skilled personnel	Regulatory requirements/changes	Domestic competition	Domestic competition
3	Availability of skilled personnel	Regulatory requirements/changes	Domestic competition	Regulatory requirements/changes	Employee and benefits costs
4	Domestic economic conditions	Domestic economic conditions	Domestic economic conditions	Employee and benefits costs	Regulatory requirements/changes
5	Domestic competition	Domestic competition	Employee and benefits costs	Developing new products/services/markets	Developing new products/services/markets
6	Changing customer preferences	Staff Turnover	Developing new products/services/markets	Domestic economic conditions	Domestic economic conditions
7	Domestic political leadership	Developing new products/services/markets	Stagnant/declining markets	Changing customer preferences	Staff Turnover
8	Developing new products/services/markets	Materials/supplies/equipment costs	Changing customer preferences	Domestic political leadership	Changing customer preferences
9	Staff Turnover	Domestic political leadership	Domestic political leadership	Staff Turnover	Financing (access/cost of capital)
10	Materials/supplies/equipment costs	Changing customer preferences	Staff Turnover	Materials/supplies/equipment costs	Materials/supplies/equipment costs

Retail rebound continues

Retail trade optimism continued its recovery, improving to 66% after falling off to 52% in Q3

Hiring for retail also improves from an expected rate of increase of 1.9% in Q4 to 2.5% in Q1, 2018

Wholesale trade gives back most of its 3rd quarter gain, falling from 81% to 64%

Optimism for Manufacturing and Technology both improve

Manufacturing optimism also continued its rebound to 77% after falling to 63% in Q3

Manufacturing hiring also improved from 2.6% to 3.0%

Technology optimism continued its climb; now 80% being optimistic

Technology hiring recovered from a dip to 1.4% in Q4, to 2.5% in Q1

Construction and real estate optimism also remain strong

Construction eased a bit from 80% in Q4 to 77% in Q1

Construction hiring eased from 3.0% in Q4, to 2.8% in Q1

Real Estate and Property also maintained its high level of optimism, improving a point to 76%

Real Estate hiring expectations recovered to 2.3% after dipping to 1.4% in Q4

Finance and Insurance and Professional Services both improve

Finance and Insurance optimism improves from 73% to 79%

Professional service optimism continued its rebound, improving to 78% optimistic after declining to only 50% in Q3, 2017

Finance and Insurance planned hiring falls, from 1.8% in Q4 to only 1.3% in Q1

Professional service hiring also falls again from 2.7% to only 1.5%

Healthcare providers and Healthcare – others ease in both optimism and hiring

Healthcare provider optimism continues declined from 65% in Q4, to 61% in Q1

Healthcare – other optimism also eased slightly from 79% in Q4 to 76% optimistic in Q1

Expected hiring by Healthcare providers declined to previous levels after topping the list in Q4, falling from 3.0% to an expected hiring rate of 1.8% in Q1, 2018

Industry, Region and Business-size Outlook

3 of 3

Regional
optimism mixed

Midwest – optimism declined from its high level of 74% in Q4 to 71% in Q1

West – optimism improves another two points to 75% in Q1

South – picks up three points, improving to 72% optimistic

Northeast – continues to be least optimistic, but improves to 65% in Q1

Employment
projections by
business size
and expansion
plans by size
also reflecting
level of
optimism

For employers with > \$1 billion in revenues, 15% now have excess employees, while 39% have too few employees. Of those with too few employees, only 15% remain hesitant while 24% are planning to hire.

Of those in the \$100 million to \$1 billion category, 45% now say they have too few employees and 31% are hiring; only 14% are hesitant.

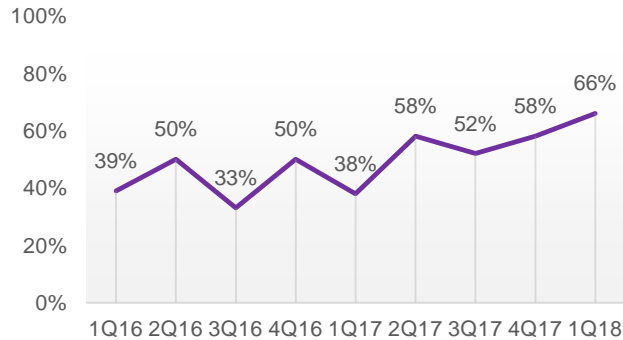
In the \$10 - \$100 million range, 46% now have too few employees, up from 34% in Q4; of those with too few, 32% have plans to hire; but 14% are hesitant

Employers with revenues < \$10 million also remain mixed; while 33% have too few employees, 18% are planning to hire; 15% are hesitant.

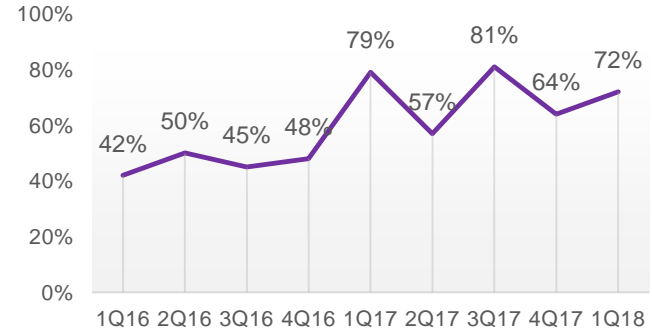
Expectations for expansion by businesses with revenues < \$10 million hit another post-recession high of 67%. In all three of the larger size categories, more than 70% of businesses say they have plans to expand over the course of the next year

Organization Optimism by Industry

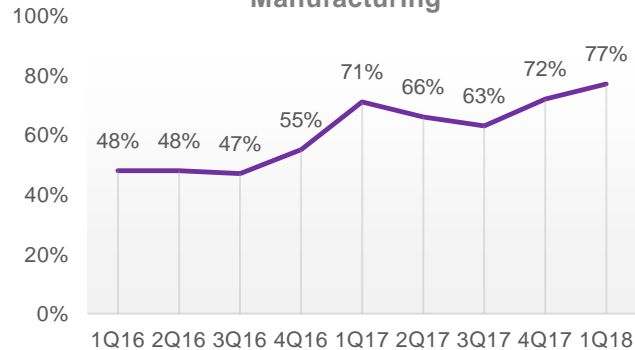
Retail Trade



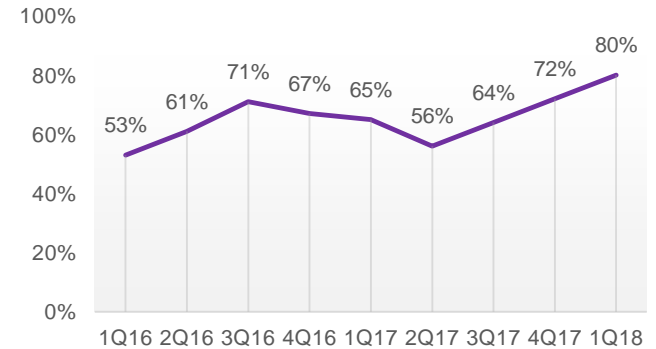
Wholesale Trade



Manufacturing

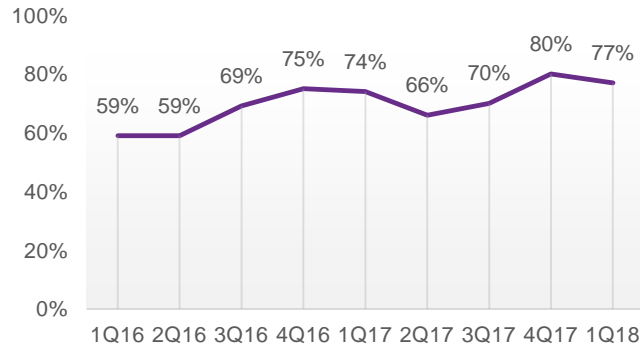


Technology

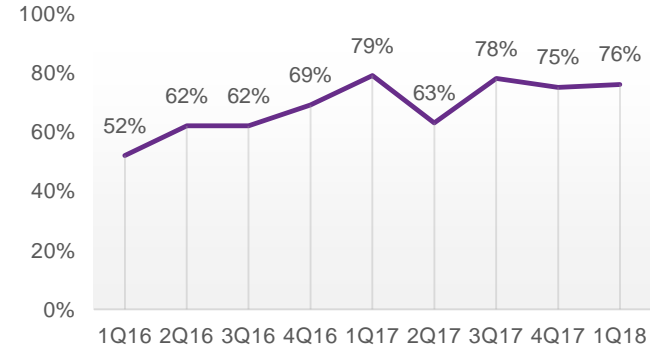


Organization Optimism by Industry

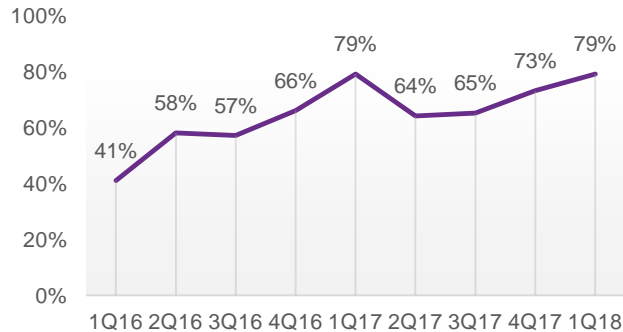
Construction



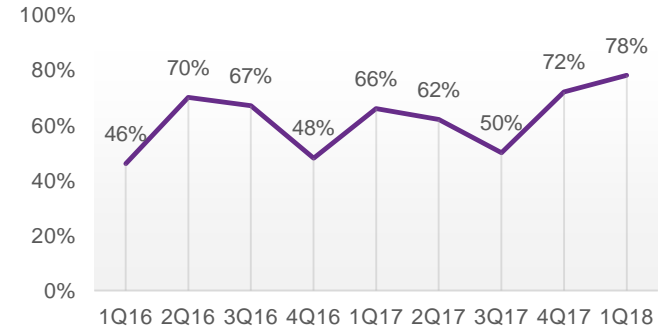
Real Estate



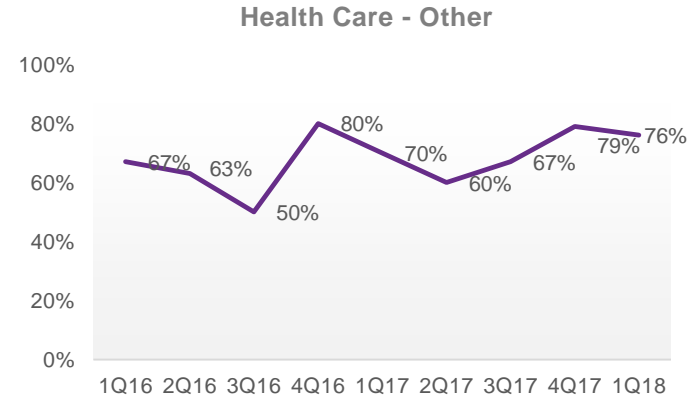
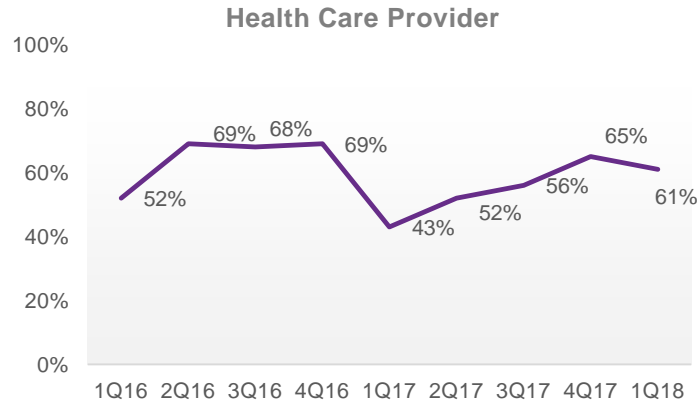
Finance & Insurance



Professional Service



Organization Optimism by Industry

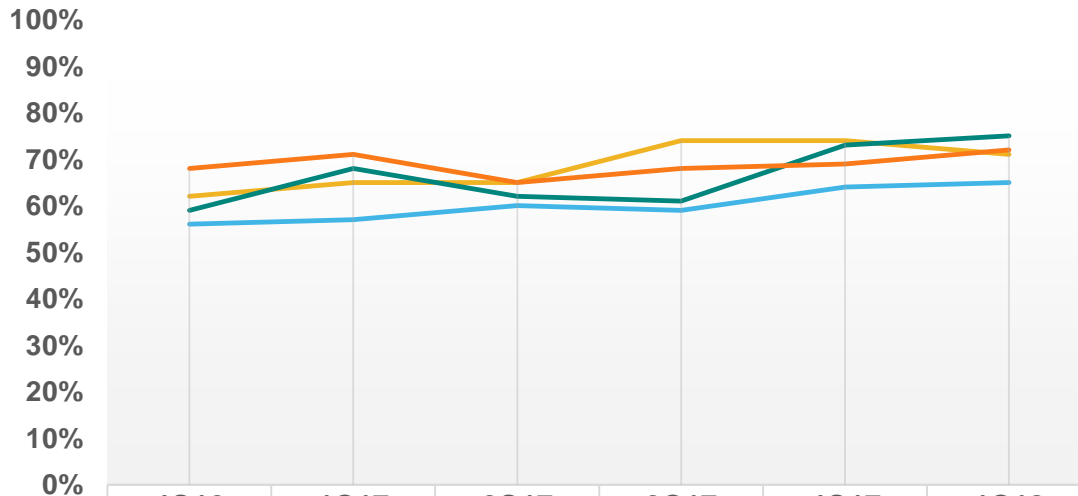


Expected Employment Change by Industry

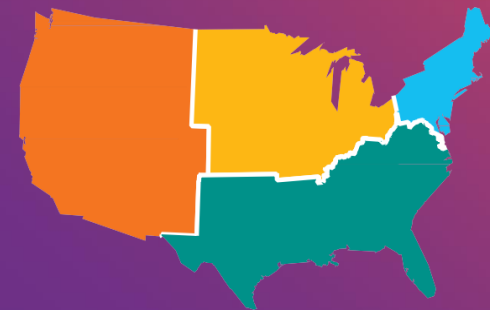


Thinking about the coming 12 months, please comment on the probable change for your organization for Number of Employees

Organization Optimism by Region

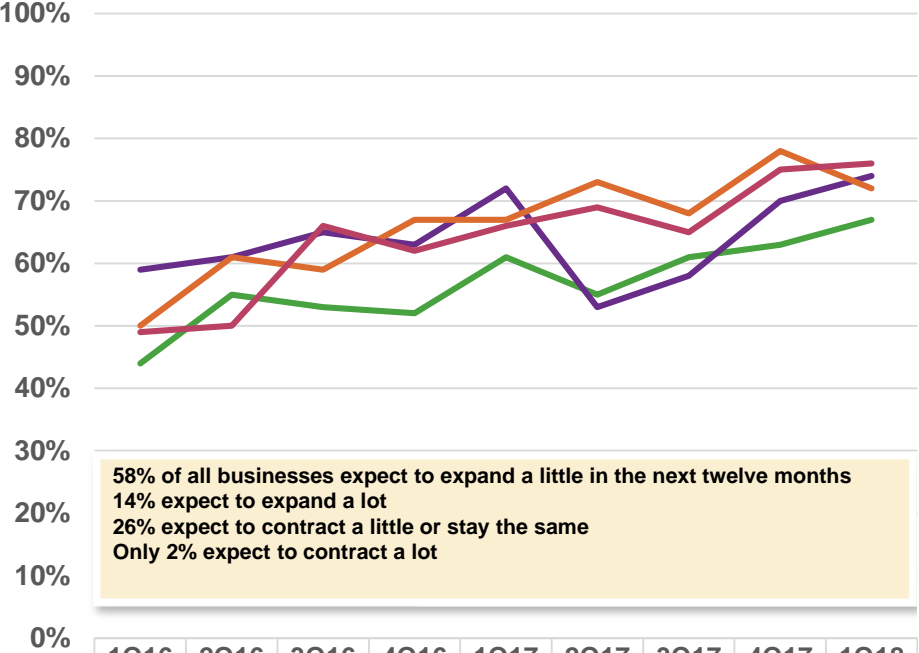


	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
— Midwest	62%	65%	65%	74%	74%	71%
— West	59%	68%	62%	61%	73%	75%
— South	68%	71%	65%	68%	69%	72%
— Northeast	56%	57%	60%	59%	64%	65%



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

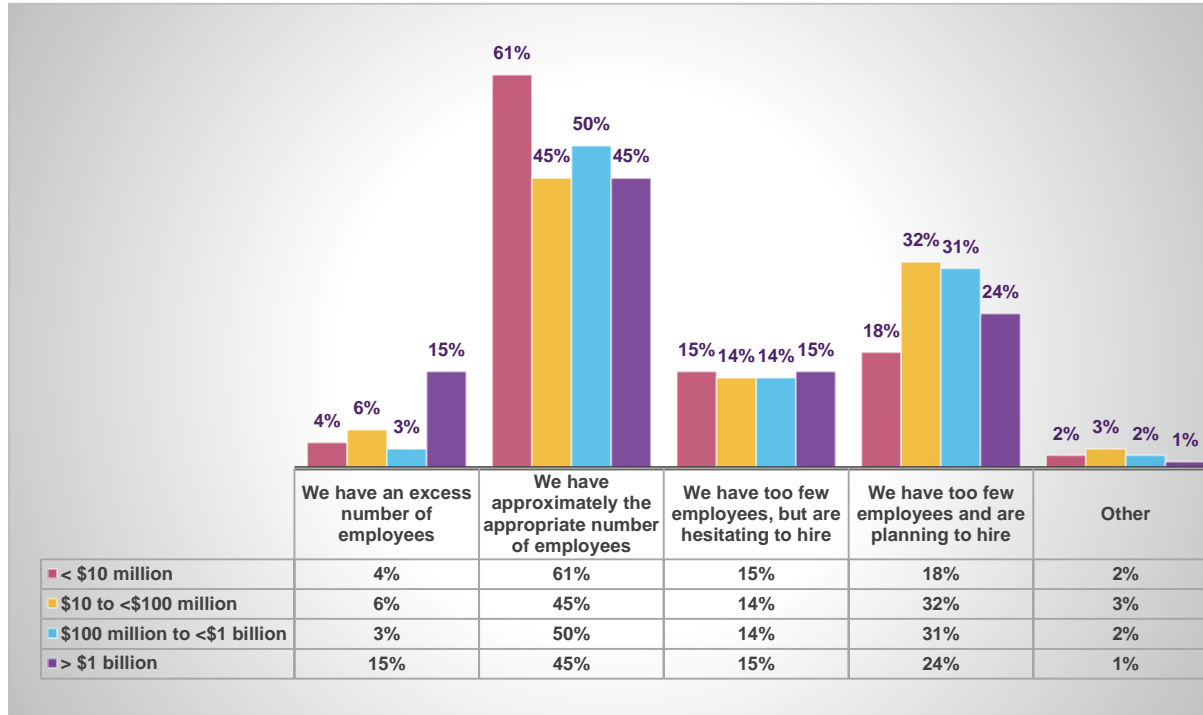
Expansion Plans by Business Size



	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18
< \$10 million	44%	55%	53%	52%	61%	55%	61%	63%	67%
\$10 to <\$100 million	59%	61%	65%	63%	72%	53%	58%	70%	74%
\$100 million to <\$1 billion	50%	61%	59%	67%	67%	73%	68%	78%	72%
> \$1 billion	49%	50%	66%	62%	66%	69%	65%	75%	76%

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)?

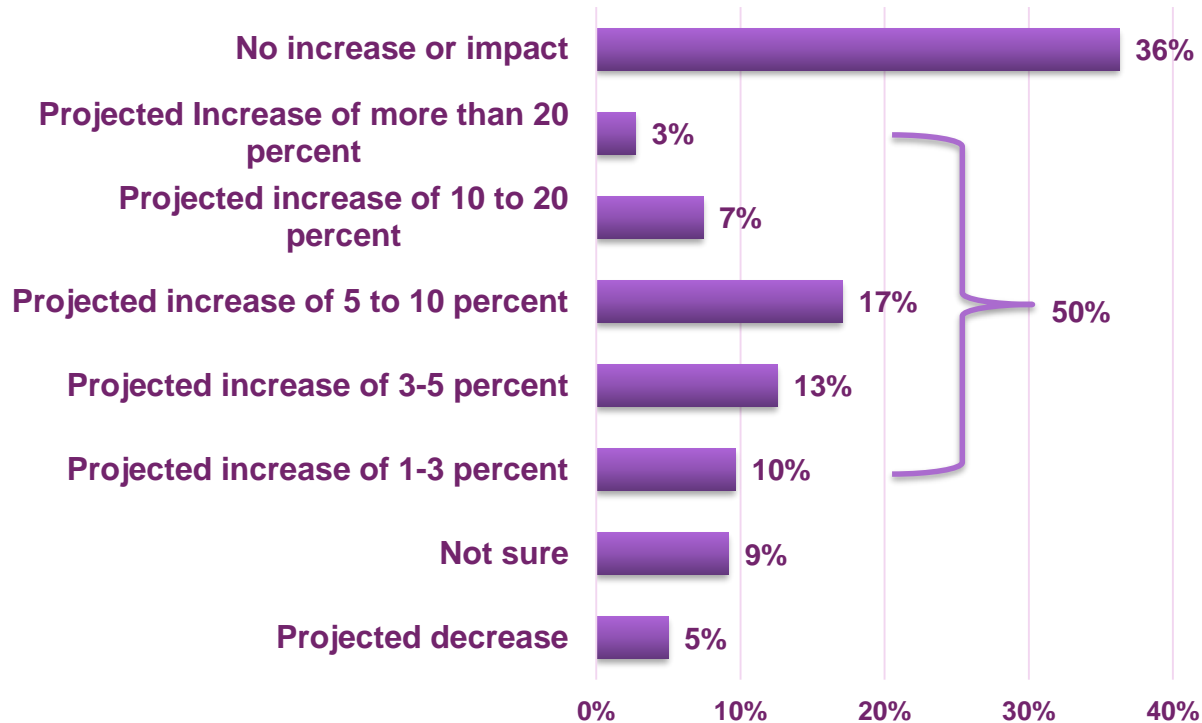
AICPA Economic Outlook Survey

Survey within a Survey

Federal Tax Reform and Potential Interest Rate Hikes

Federal Tax Reform

Impact on your earnings

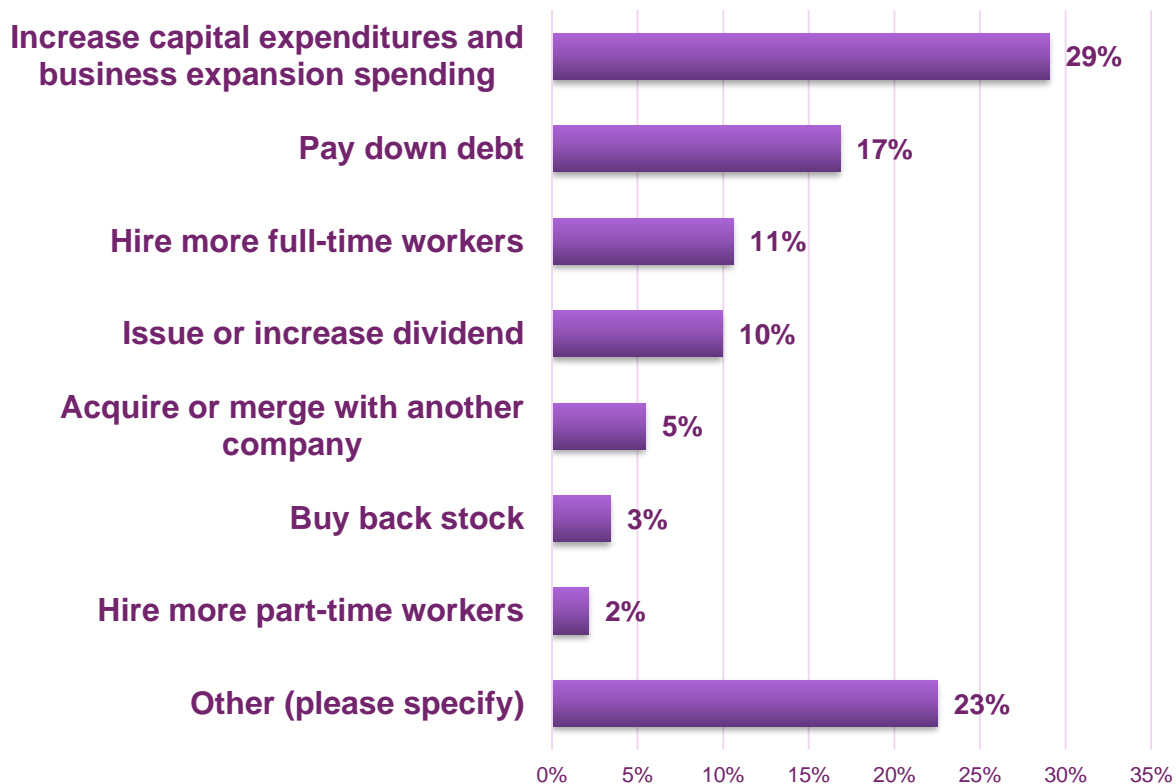


How do you expect the changes to corporate taxes under the recently enacted federal tax reform legislation will impact your company's earnings this year?

Excludes "not-for-profit" entities

Federal Tax Reform

Deployment of tax savings



What are the likeliest ways your company will deploy any tax savings from federal tax reform?

Deployment of tax savings

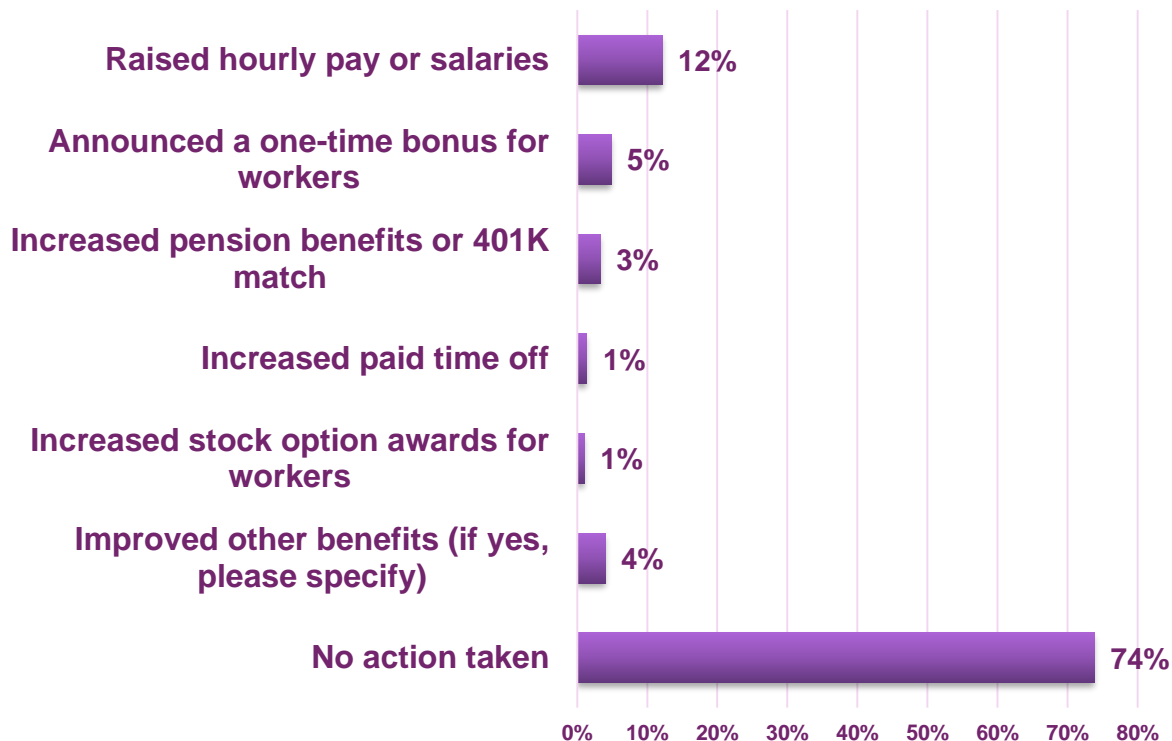
'Other' plans for deploying tax savings

- Increase compensation and benefits
- Build cash, capital, reserves
- Increase distributions to owners, members
- Product development and new product offerings
- Invest in technology
- Increase philanthropy

In addition to several companies not experiencing tax savings due to their entity type – not-for-profit, credit union, S-Corps, other pass-throughs, “other” plans for deploying tax savings are summarized here.

Federal Tax Reform

Steps already taken to benefit workers

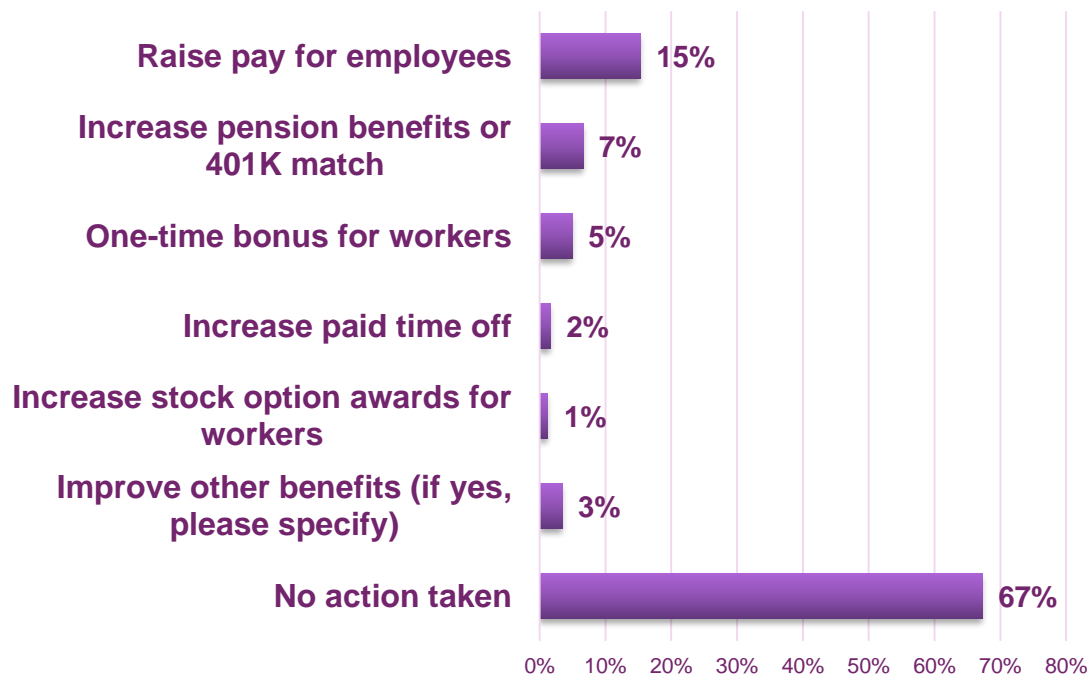


What steps has your company already taken to benefit workers as a direct result of any tax savings under federal tax reform?

Other benefit improvements primarily healthcare related

Federal Tax Reform

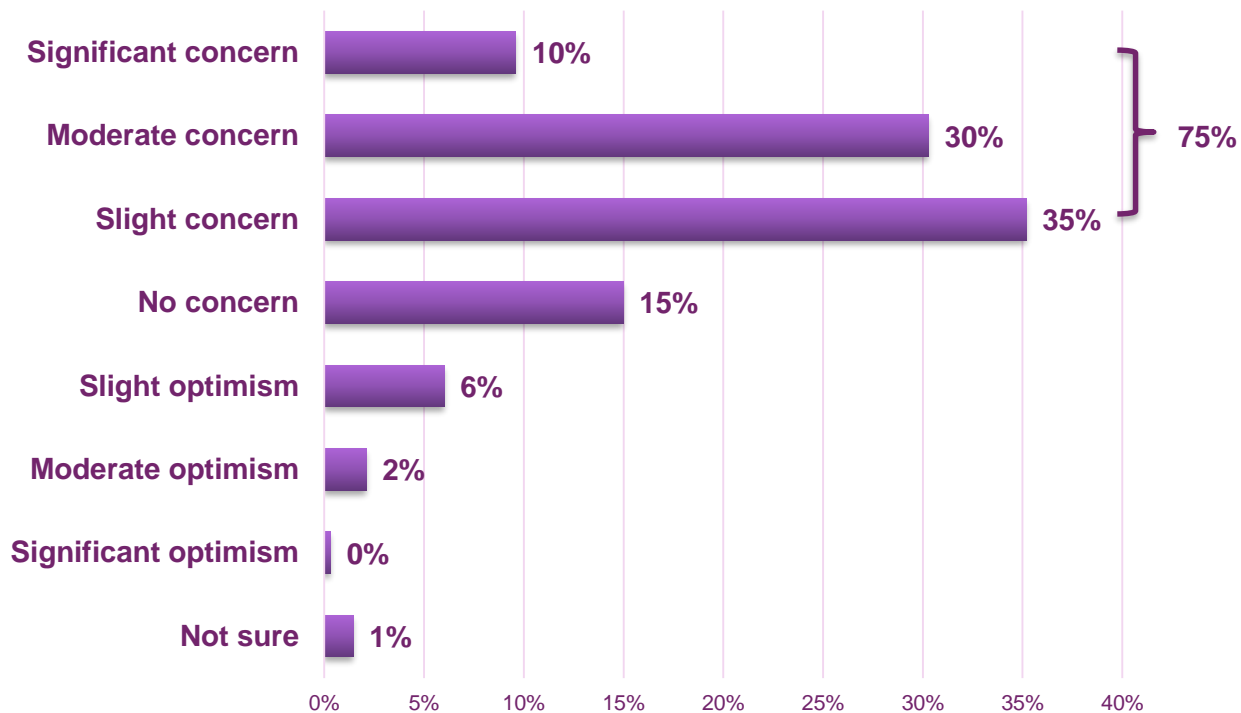
Anticipated additional benefits to employees



What additional, anticipated benefits does your company plan to pass on to workers over the next 12 months because of tax savings under federal tax reform?

Potential Interest Rate Hikes

Impact on your company



How do you view the impact of potential interest rate hikes on your company in the next 12 months?

Excludes “not-for-profit” entities



Association
of International
Certified Professional
Accountants®

AICPA Business and Industry Economic Outlook Survey 1Q 2018

For additional information contact:

Kenneth W. Witt, CPA, CGMA

Lead Manager

MA Research & Member Engagement - Americas

Ken.Witt@aicpa-cima.com

Cary Jones

Associate Manager

Business, Industry & Government Team

Cary.Jones@aicpa-cima.com