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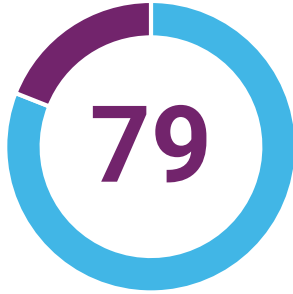
AICPA Business and Industry Economic Outlook Survey

Detailed Survey Results: 2Q 2018

Survey Background

- Conducted between May 8-23, 2018
- Quarterly Survey
- CPA decision makers (primarily CFO's, CEOs and Controllers)
- AICPA members in Business & Industry only
- 831 qualified responses

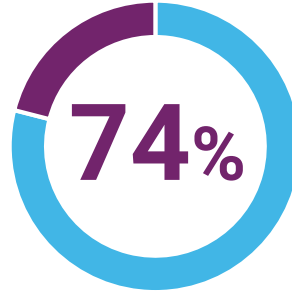
Survey Highlights



Overall index gives up two points

CPAOI still above Q4 2014 peak of 78

Employment plans add another point

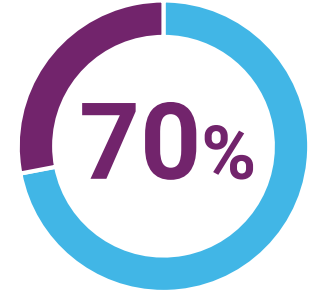


Optimism about U.S. Economy eases 5 points

Retail trade, finance & insurance and technology give back some gains

Manufacturing, construction and real estate continue strong

Professional services optimism now at 82%



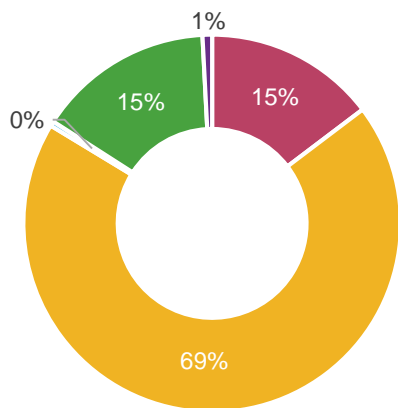
Expansion and employment plans reflect slight ease in optimism

Overall, expansion plans declined from 72% to 70%

Expansion plans for large companies continue strong; smaller companies ease

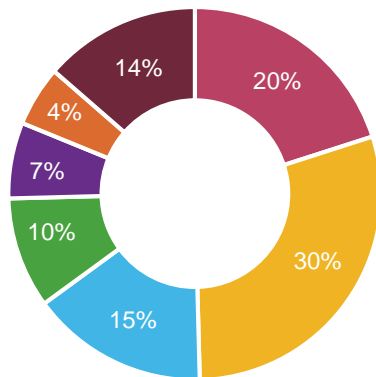
Demographics

Type of Organization



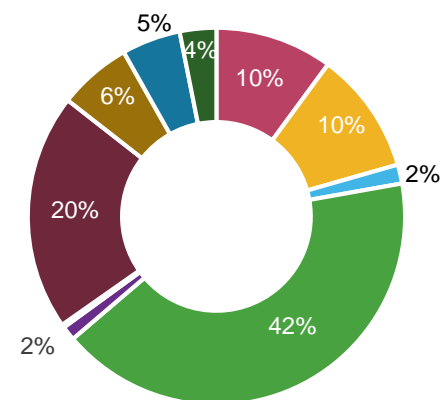
- Publicly Listed Company
- Privately Owned Entity
- Government
- Not for Profit
- Other

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



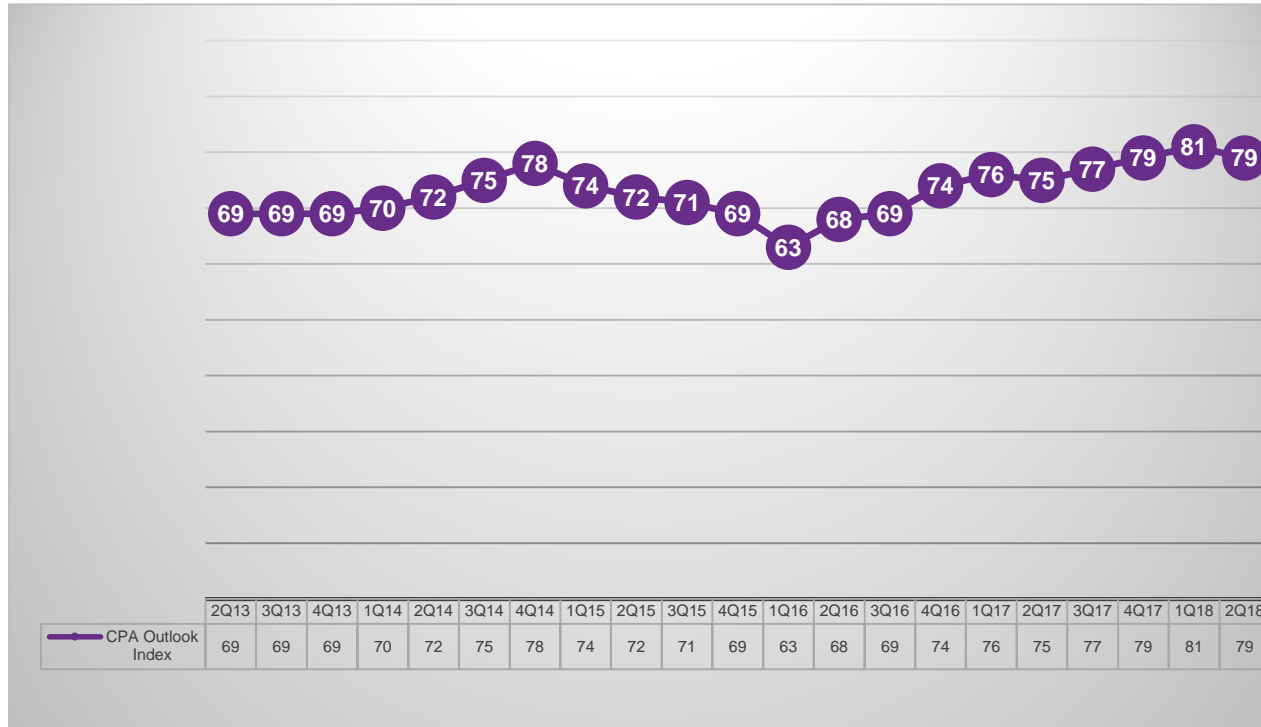
- CEO/President
- VP/SVP
- COO
- CFO
- CAO/CAE
- CIO/CTO/KMO
- Controller
- Director
- Accounting, Audit, Tax or Technology Manager
- Other

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

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)



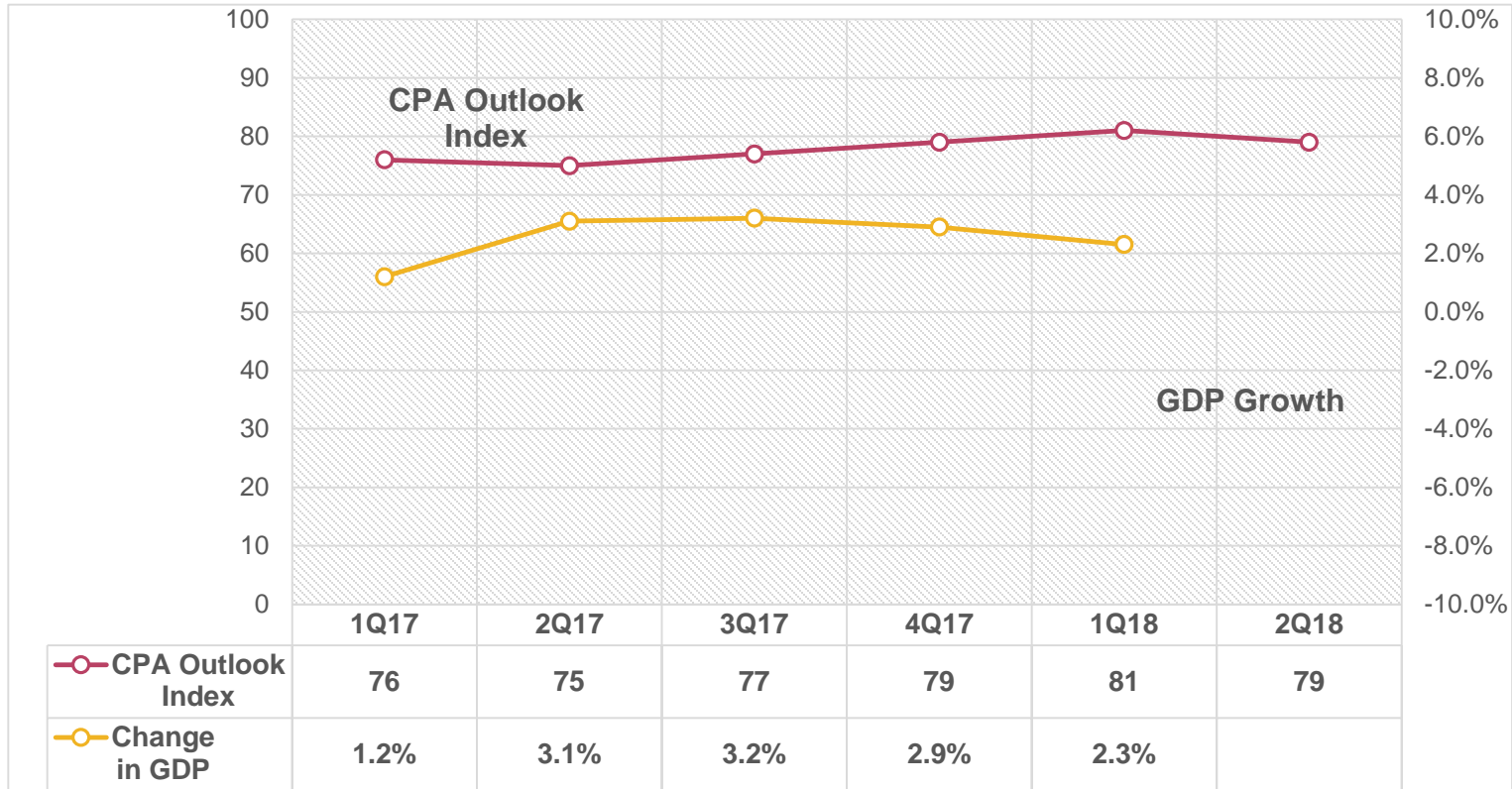
A reading above 50 indicates a generally positive outlook with increasing activity.

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

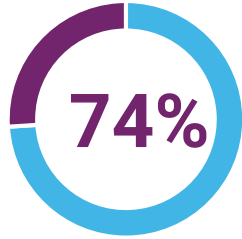
CPA Outlook Index (CPAOI)

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

CPA Outlook Index (CPAOI) vs. GDP



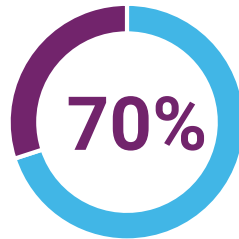
U.S. Economy, Organization and Inflation



Optimism for U.S. economy gives back Q1 gain

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 trade relations and potential for market correction

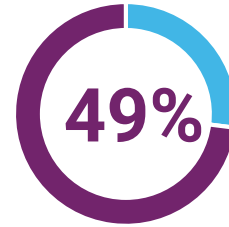


Organization optimism eases a point

Optimism for respondent's own organization eases a point from 71% to 70% optimistic

Expansion plans also at 70%

The percentage of companies expecting their businesses to contract increased from 9% in Q1 to 11% in Q2



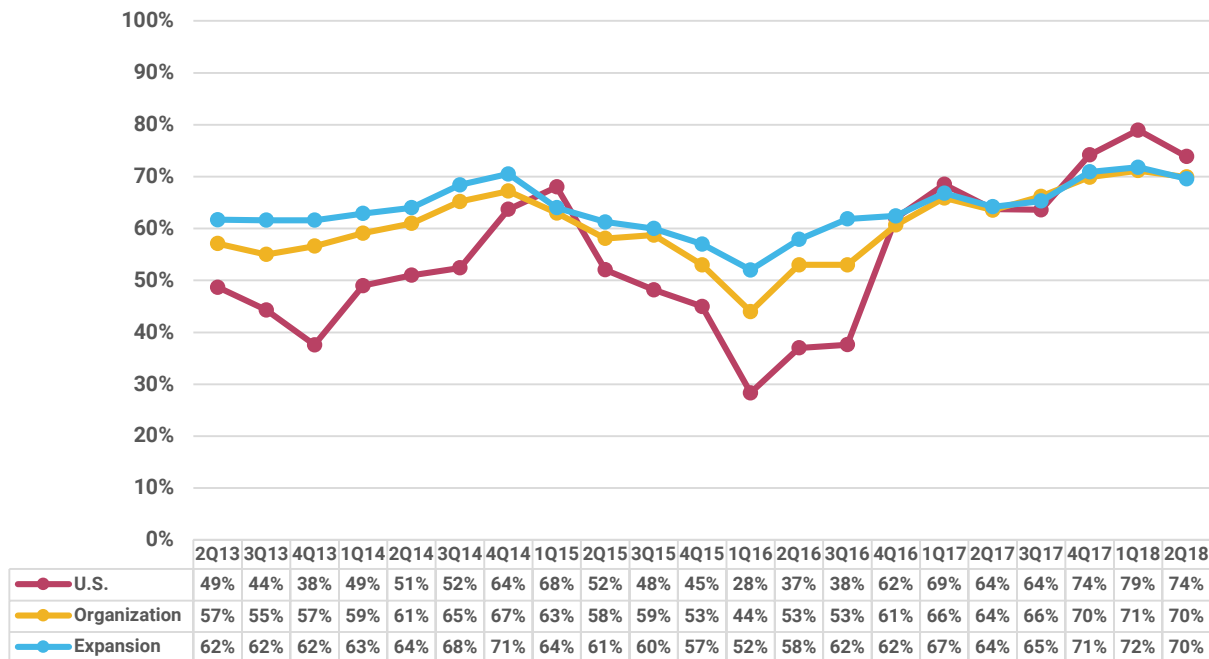
Concern about inflation by 49% remains constant

Concern about labor costs continues to be most significant at 39%

Raw materials cost concerns jumped from 25% to 31%

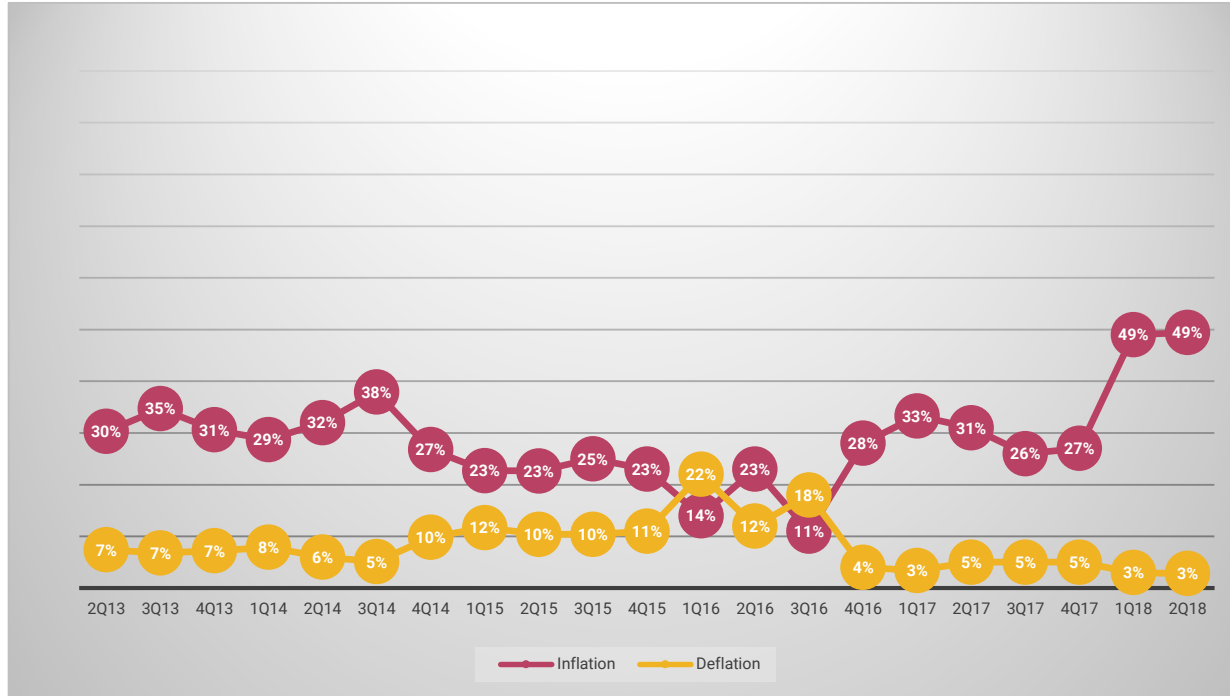
Interest rate concerns eased from 22% to 18%

Optimism & Expansion



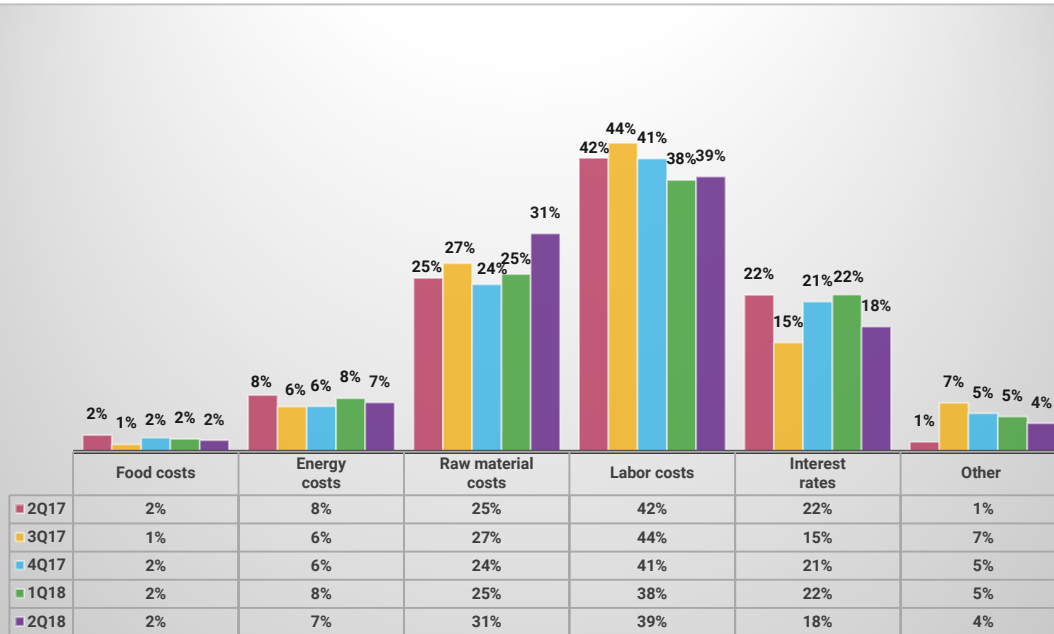
The economic outlook for the U.S. economy, your organization, and the expansion plans over the next 12 months

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 give back some Q1 gains, but continue strong

Expected revenue increase for coming twelve months eases 2 tenths to 4.8% from Q1 high of 5%

Profit projections give back 4 tenths of Q1 high of 4.4%; still strong at 4%

Hiring and Employment

Headcount plans constant; employee and healthcare cost projections up

Anticipated rate of headcount increase for the coming year remained constant at 2.1%

Salary and benefit costs projected to increase at a rate of 2.8%, up from 2.7% in Q1

Healthcare cost projections jump another three tenths to 5.9%, after easing to 5.6% in Q1

Spending Plans

Spending plans continue to be strong

Expected rate for IT spending constant at 3.7%

Other capital spending plans ease to 3.6% after jump to 3.9%

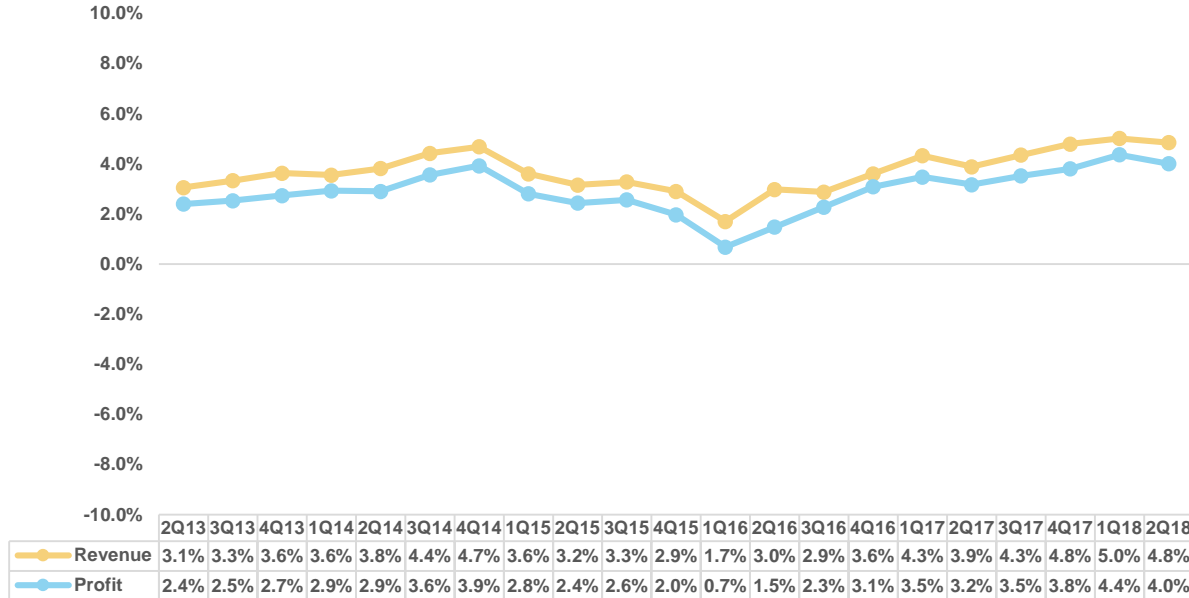
Training plans also constant at 2.4%

Marketing spending plans ease from 2.1% to 1.9%

R&D spending plans improve further on post-recession high to 2.2%

Key Performance Indicators

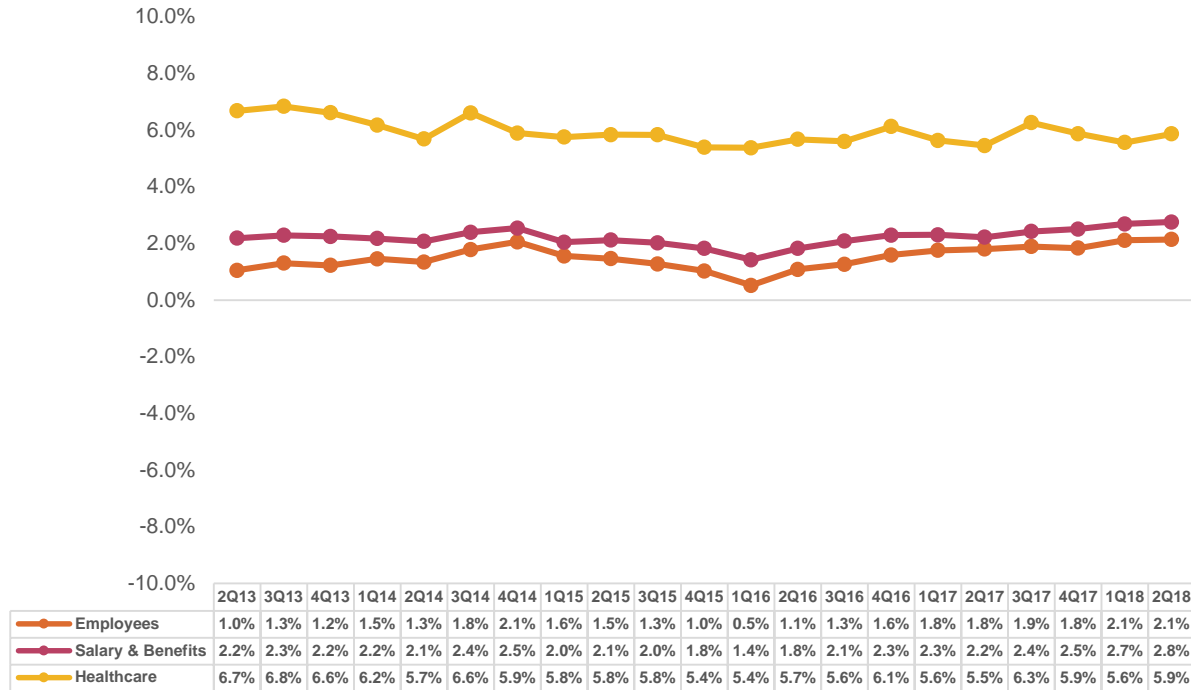
Expected Growth in Revenue and Profits



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

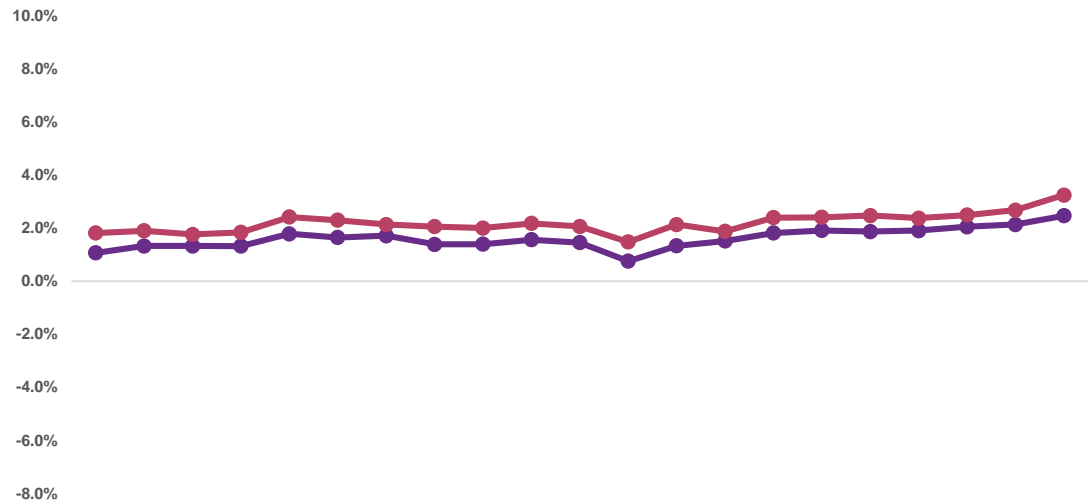
Employees, Salary & Benefits, and Healthcare Costs



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

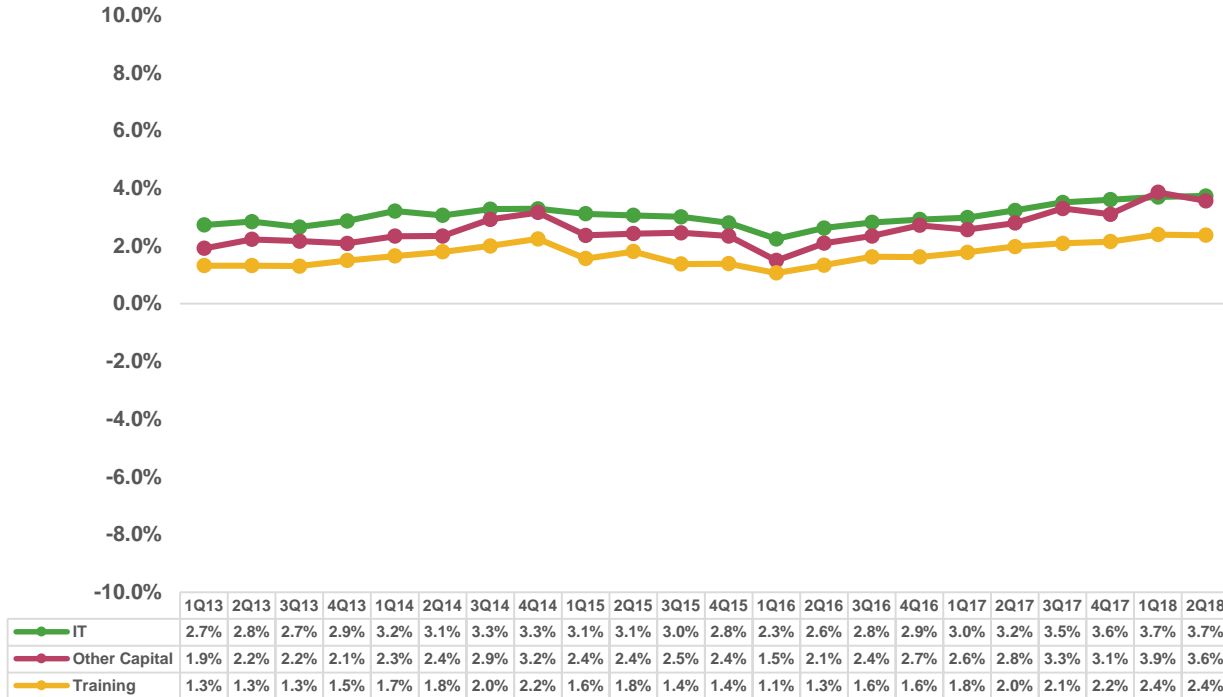


	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
Prices Charged	1.1%	1.3%	1.3%	1.3%	1.8%	1.7%	1.7%	1.4%	1.4%	1.6%	1.5%	0.8%	1.3%	1.5%	1.8%	1.9%	1.9%	1.9%	2.1%	2.1%	2.5%
Input Prices	1.8%	1.9%	1.8%	1.8%	2.4%	2.3%	2.1%	2.1%	2.0%	2.2%	2.1%	1.5%	2.1%	1.9%	2.4%	2.4%	2.5%	2.4%	2.5%	2.7%	3.2%

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

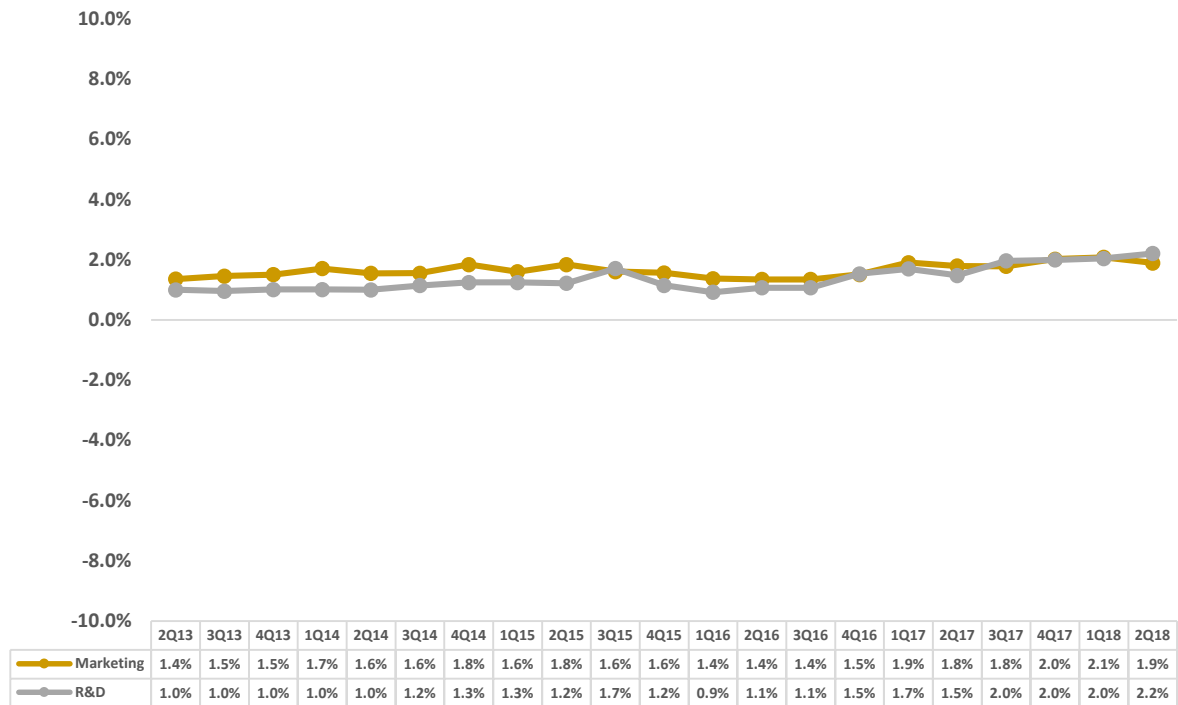
Spending Plans - IT, Other Capital & Training



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

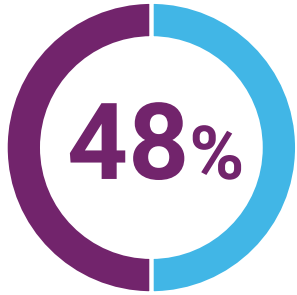
Spending Plans Marketing & R&D



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%....

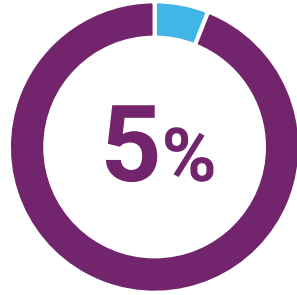
Hiring Plans

Continue to Improve



Have right
number of
employees

Down 2 points
from Q1, 2018



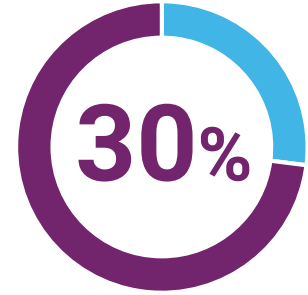
Have an
excess of
employees

Down 1 point from
Q1, 2018



Have too few,
but hesitating
to hire

Down 1 point from
Q1, 2018

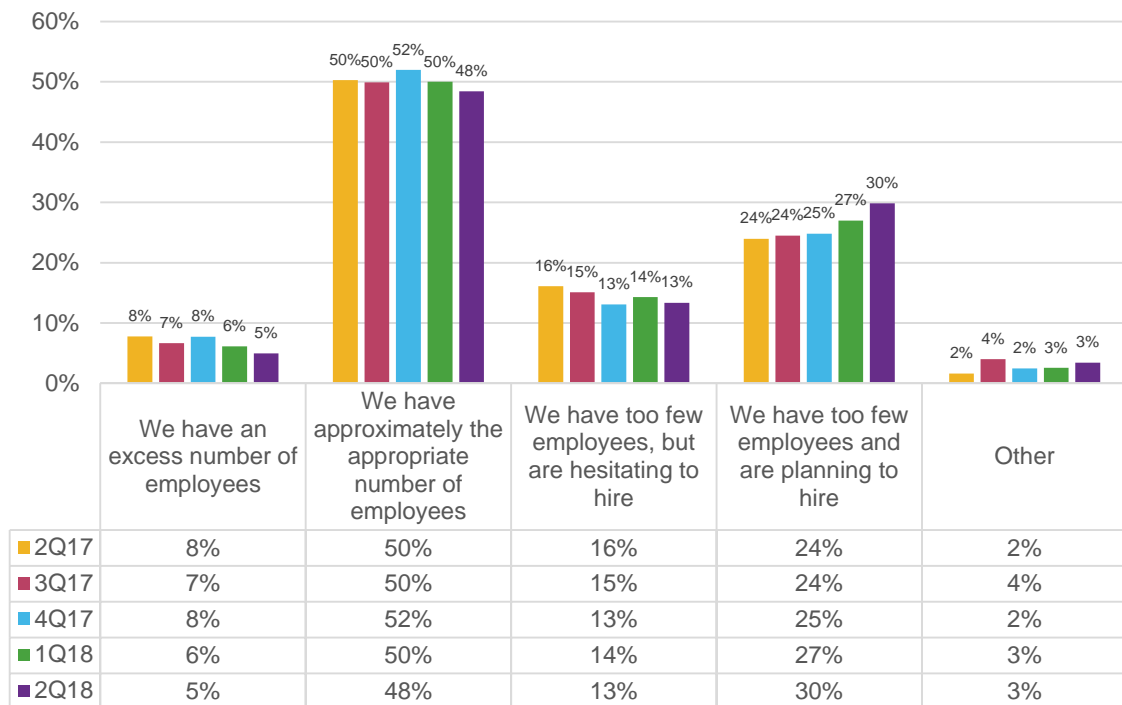


Have too few
and planning
to hire

Up 3 points from
Q1, 2018

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 continues as the top challenge;
- Regulatory requirements/changes jumped from #4 to #2, while domestic competition dropped from #2 to #4
- Employee and benefit costs maintained its third place ranking and staff turnover maintained its top ten ranking at #7
- Materials/supplies/equipment costs jumped from 10th to 5th place this quarter, followed by domestic economic conditions, maintaining its 6th place spot
- Changing customer preferences maintained the 8th place ranking, followed by developing new products/services/markets, which fell to 9th place after moving to 5th place in early 2018
- Domestic political leadership returned to the top ten challenge list after a brief respite in Q1, 2018

Please
indicate the
top three
challenges
for your
organization

Top Challenges

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

Retail gives back some gains; wholesale trade rebounds

Retail trade optimism eased back to 61%, after improving to 66% in Q1

Wholesale trade regained some lost ground, recovering to 76% optimistic

Hiring for retail also eased from an expected rate of increase of 2.5% in Q1, to a 2.2% increase in Q2, 2018

Optimism for Manufacturing and Construction continue strong

Manufacturing optimism gave back 2 points, easing to 75% after its rebound to 77% in Q1

Construction eased another point to 76%, from 80% in Q4 and 77% in Q1

Manufacturing hiring remained constant with Q1 at a 3.1% expected increase

Construction hiring eased from 3.3% in Q1, to 2.8% in Q2

Real estate and Professional service optimism also continue to improve

Real Estate and Property also maintained its high level of optimism, improving another two points to 78%

Professional service optimism continued its rebound, improving from 78% to 82% optimistic

Real Estate hiring expectations recovered further, from 2.3% in Q1 to 3.2% in Q2

Professional services hiring also jumped from on 1.5% in Q1 to 2.7% in Q2, 2018

Technology and Finance & Insurance give back gains in optimism

Technology optimism declines from a high of 80% optimistic in Q1 to only 69% optimistic in Q2

Technology sector planned hiring also declined from 2.5% in Q1, to 2.1% in Q2

Finance and Insurance optimism also falls off from 79% in Q1 to 69% in Q2

Finance and insurance hiring improved from 1.3% to 1.8%

Healthcare providers falls off sharply Healthcare – others jumps

Healthcare provider optimism declined sharply from 61% in Q1 to only 44% optimistic in Q2

Expected hiring by Healthcare providers improved from 1.3% in the first quarter to 1.8% in the second quarter.

Healthcare – other optimism also jumped from 76% optimistic in Q1 to 88% optimistic in Q2

Industry, Region and Business-size Outlook

3 of 3

Regional
optimism mixed

Midwest – optimism declined from 71% in Q1 to 70% in Q2

West – optimism fell off from 75% in Q1 to only 68% in Q2

South – picks up another two points, improving to 74% optimistic

Northeast – continues to be least optimistic, falling back to only 59% in Q2

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

For employers with > \$1 billion in revenues, only 9% now have excess employees, while 44% have too few employees. Of those with too few employees, 20% remain hesitant while 24% are planning to hire.

Of those in the \$100 million to \$1 billion category, 44% now say they have too few employees and 31% are hiring; only 13% are hesitant.

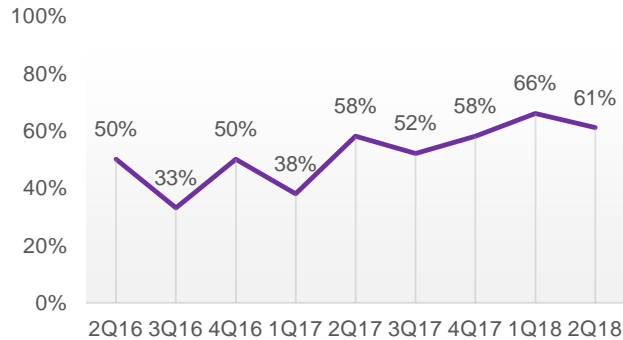
In the \$10 - \$100 million range, 43% now have too few employees; of those with too few, 33% have plans to hire; only 10% are hesitant

Of employers with revenues < \$10 million 40% now have too few employees, up from 33% in Q1; 24% are planning to hire; 16% are hesitant.

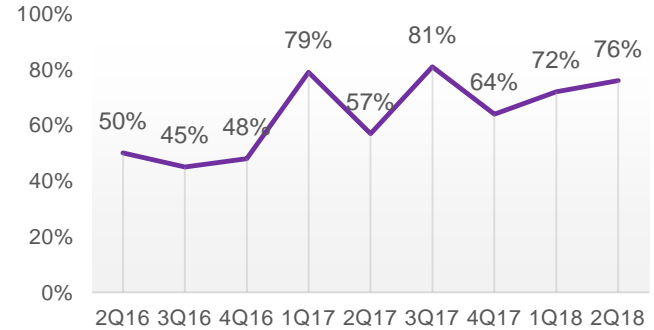
Expectations for expansion by businesses with revenues < \$10 million fell back to 62%, down from the Q1 high of 67%. Plans for companies in the \$10 - \$100 million category declined from 74% to 69%; Companies with revenues in excess of \$1 billion remain strongest, improving from 76% to 78%.

Organization Optimism by Industry

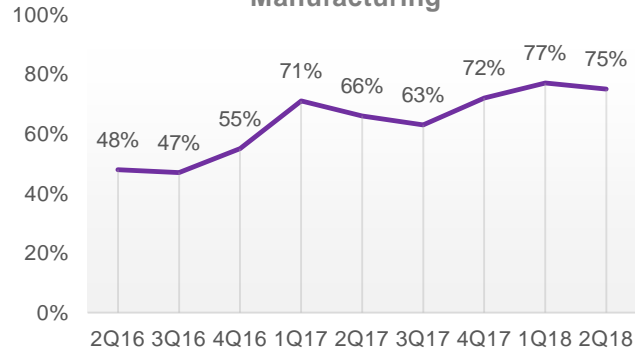
Retail Trade



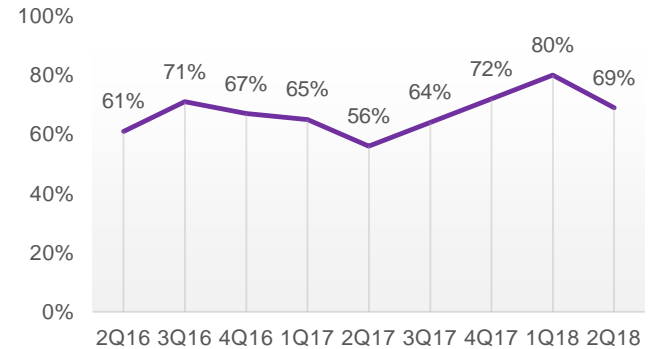
Wholesale Trade



Manufacturing

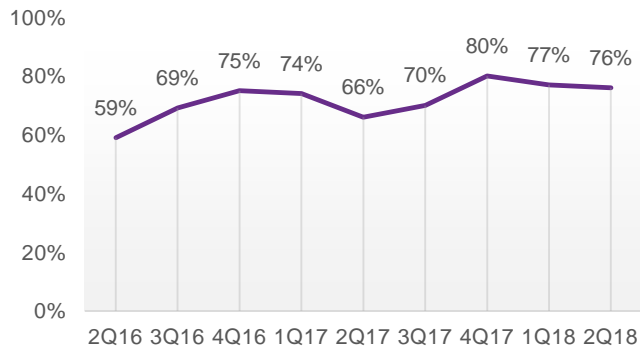


Technology

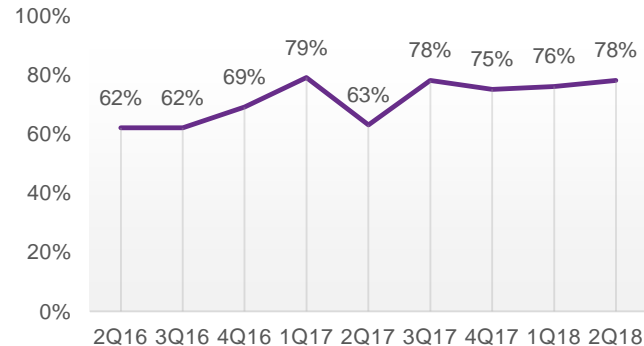


Organization Optimism by Industry

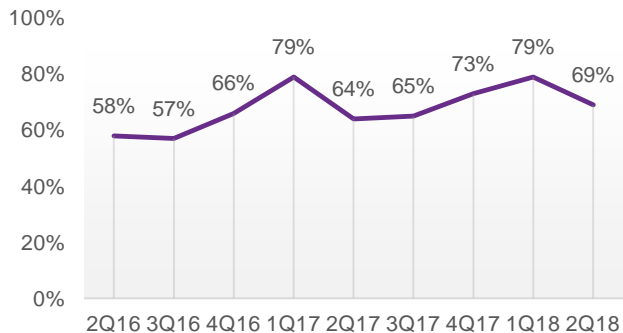
Construction



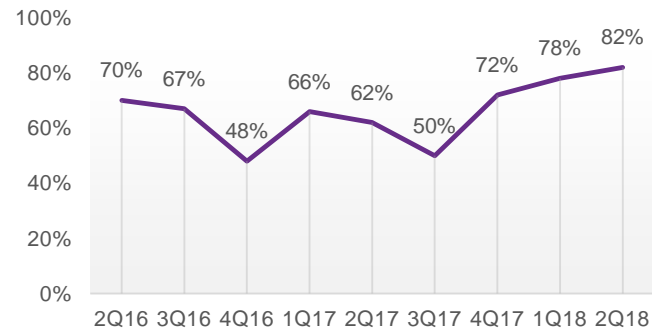
Real Estate



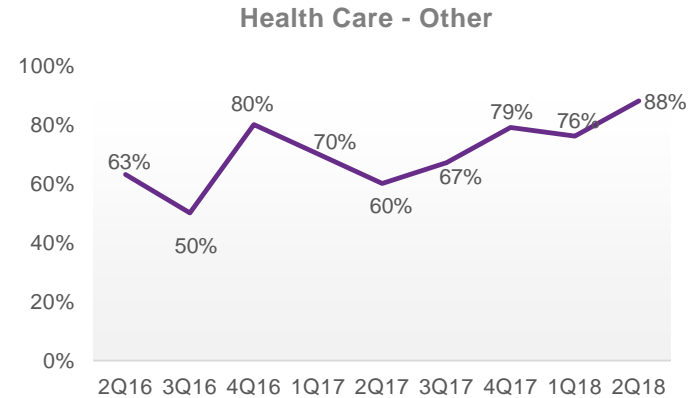
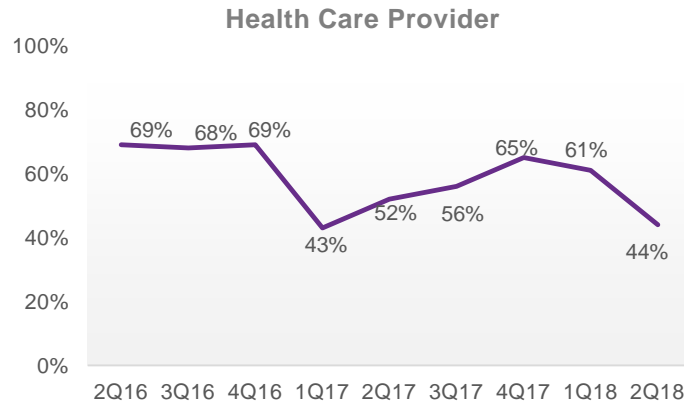
Finance & Insurance



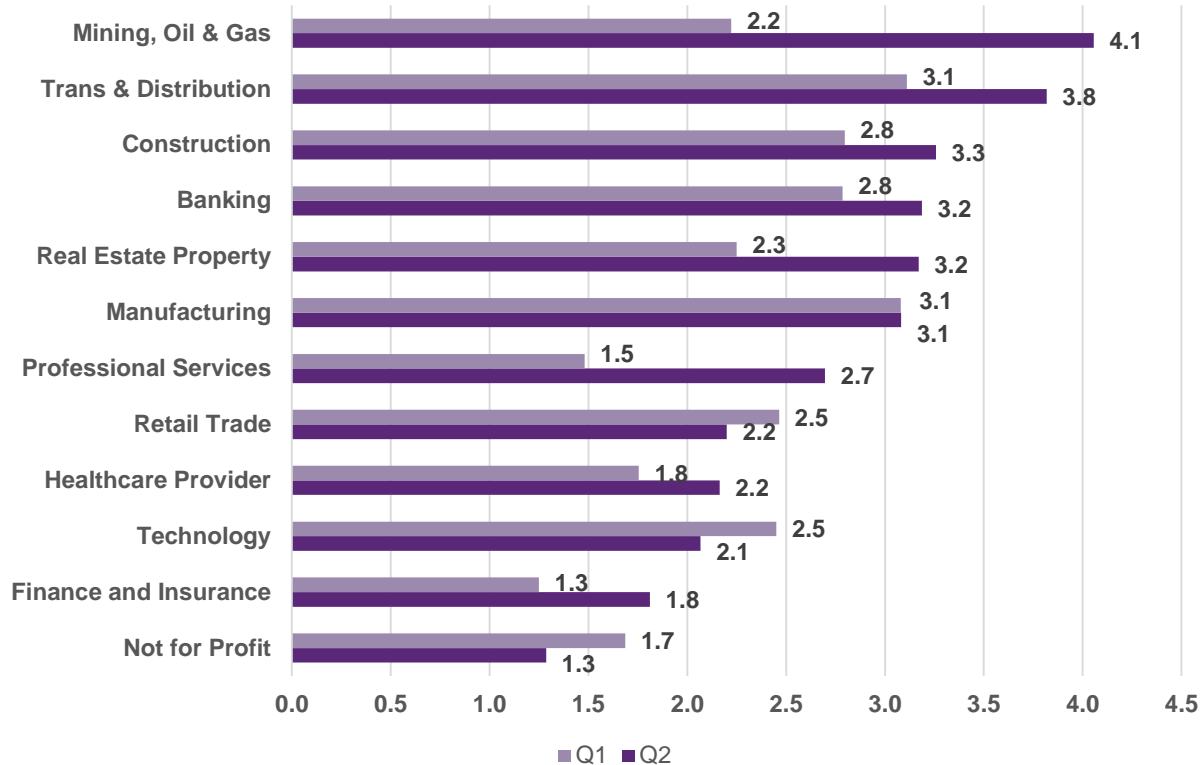
Professional Service



Organization Optimism by Industry

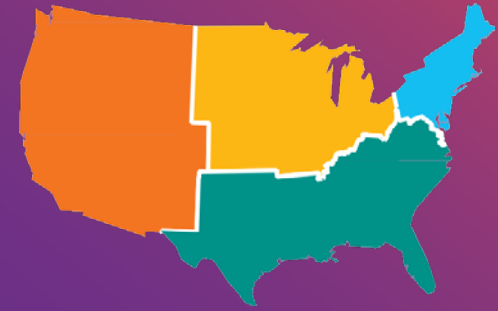
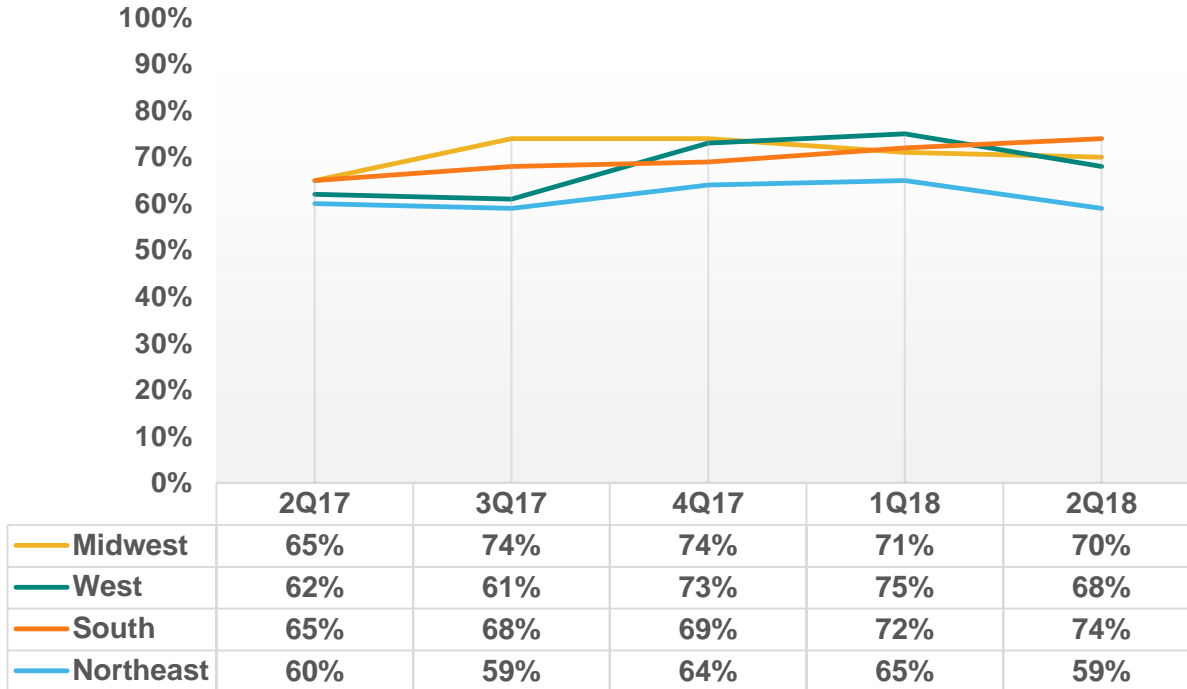


Expected Employment Change by Industry



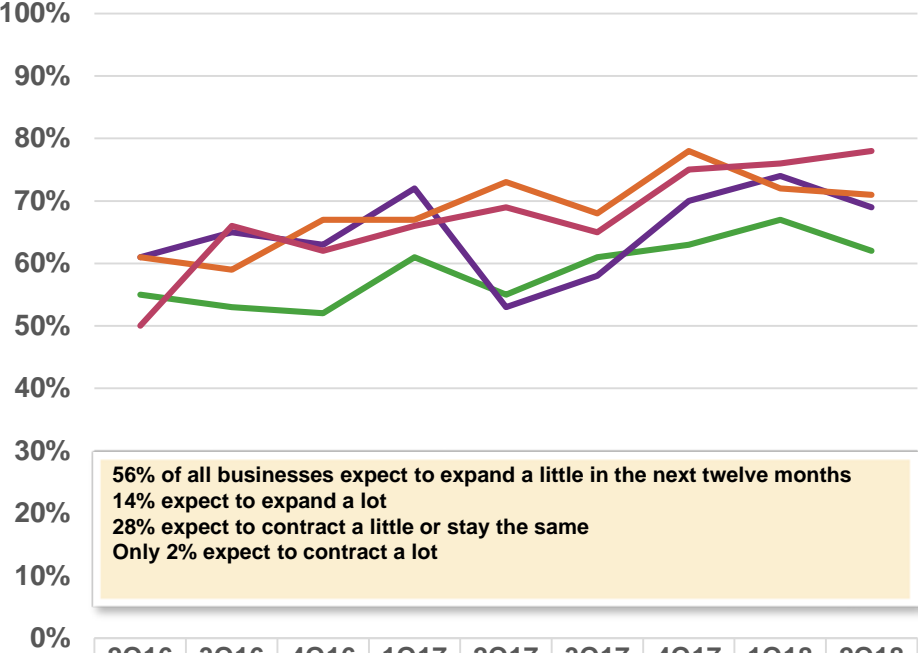
Thinking about the coming 12 months, please comment on the probable change for your organization for Number of Employees

Organization Optimism by Region



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

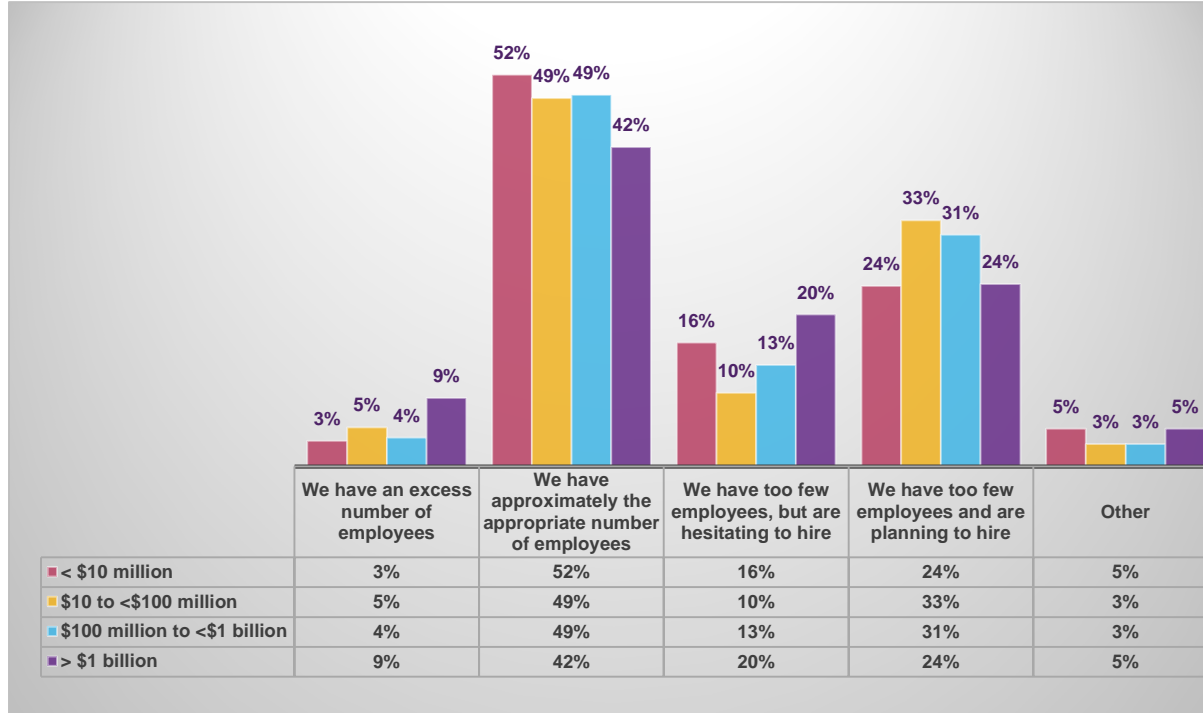


56% of all businesses expect to expand a little in the next twelve months
14% expect to expand a lot
28% expect to contract a little or stay the same
Only 2% expect to contract a lot

	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18
< \$10 million	55%	53%	52%	61%	55%	61%	63%	67%	62%
\$10 to <\$100 million	61%	65%	63%	72%	53%	58%	70%	74%	69%
\$100 million to <\$1 billion	61%	59%	67%	67%	73%	68%	78%	72%	71%
> \$1 billion	50%	66%	62%	66%	69%	65%	75%	76%	78%

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



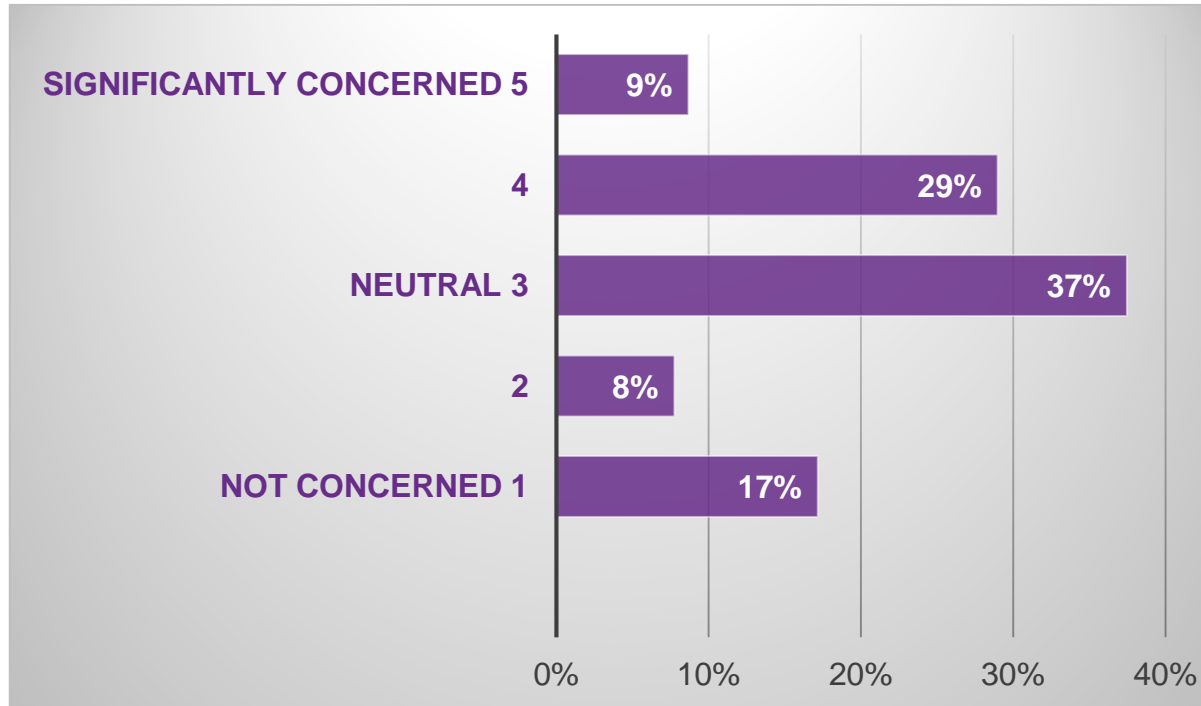
Given current conditions, how would you characterize your overall staffing situation relative to your needs (i.e., do you have excess capacity or are employees stretched)?

AICPA Economic Outlook Survey

Survey within a Survey

Trade – Conflicts/Risks

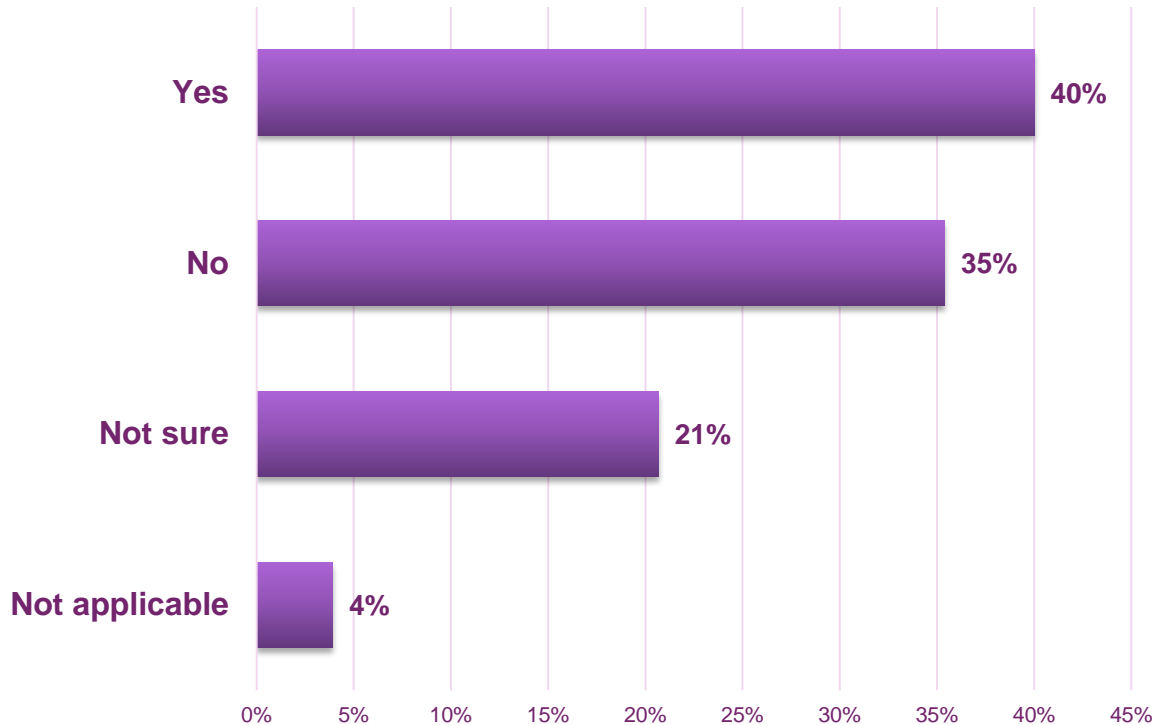
Trade Conflicts and Partners



How concerned are you about potential trade conflicts between the United States and major trade partners such as China or the European Union?

On a scale of 1-5 where
1 is not concerned
3 is neutral and
5 is significantly concerned

Trade Tariffs and Partners



Would your business be impacted by the imposition of tariffs or by potential retaliation by trading partners?

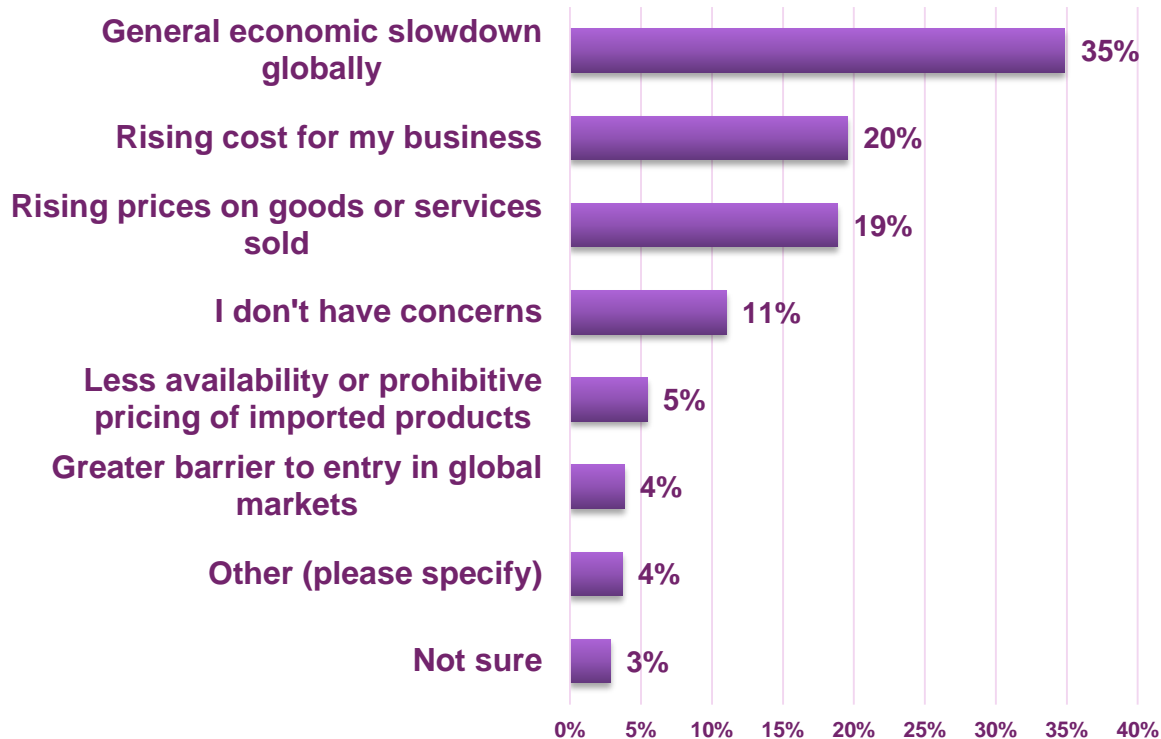
For those who said yes:

22% Significant impact

57% Moderate impact

21% Slight impact

Rising Trade Tensions



What is your greatest concern about rising trade tensions?

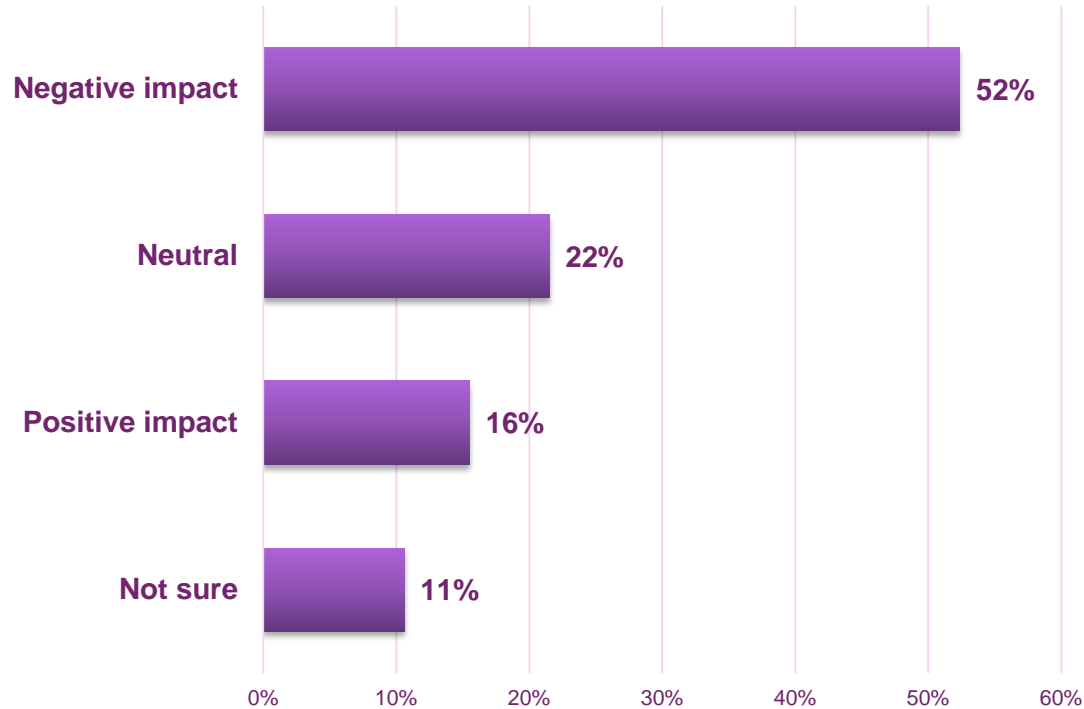
Trade Tariffs and Partners

'Other' concerns about rising trade tensions

- General economic slowdown in the US; perceived lack of financial security
- Impact on customers
- Competition and pricing pressure
- Unexpected impacts from deteriorated relations
- Used as a reason to raise prices for goods, whether they are impacted or not
- Loss of business to foreign competitors

What potential impact would the tariffs have on your business?

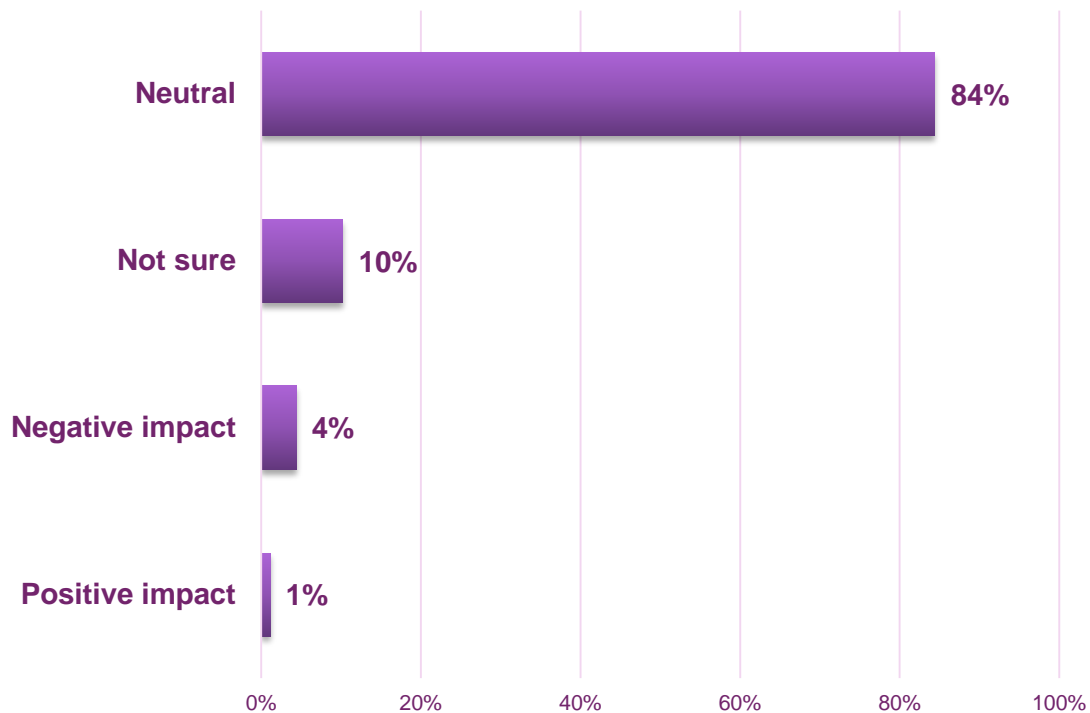
Trade Policy



What is your view of the impact of a more protectionist (i.e. higher tariffs) approach to trade policy on the U.S. economy?

Impact from Brexit/EU Withdrawal

Impact on your company



Does your company expect any impact to its bottom line from Brexit, the United Kingdom's withdrawal from the European Union?



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