



Association
of International
Certified Professional
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The unified voice of AICPA and CIMA

AICPA Business and Industry Economic Outlook Survey

Detailed Survey Results: 2Q 2020

Management Accounting & Finance



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Survey Background

- Conducted between May 5-27, 2020
- Quarterly survey
- CPA decision makers
 - primarily CFO's, CEOs and Controllers
- AICPA members in Business & Industry
- 1198 qualified responses

Survey Highlights

CPAOI

Overall Index drops from 76 to a level of 38

- US Economy component falls from 74 to 29
- All components down including US Economic and Organization Optimism
- Expansion plans, revenue and profit expectations all down significantly

Economy and Organization

Optimism about the economy, organization prospects and expansion plans plummet

- Optimism about US Economy falls from 61% in Q1 to only 20% optimistic in Q2
- Global economy outlook also bleak with only 11% optimistic and 71% pessimistic
- Organization optimism falls from 66% to 30%. Only 24% of companies have plans to expand in the coming year; 18% expect to say the same, while 58% say they will contract

Expansion Employment Challenges

Expansion plans fall to only 24% overall; essentially consistent across business size

Employment plans decline for all but healthcare-other sector; hospitality, retail and natural resources sector show biggest declines

Domestic and global economic conditions, along with stagnant/declining markets lead the list of top challenges, along with the return of liquidity concerns, now the third ranked challenge.

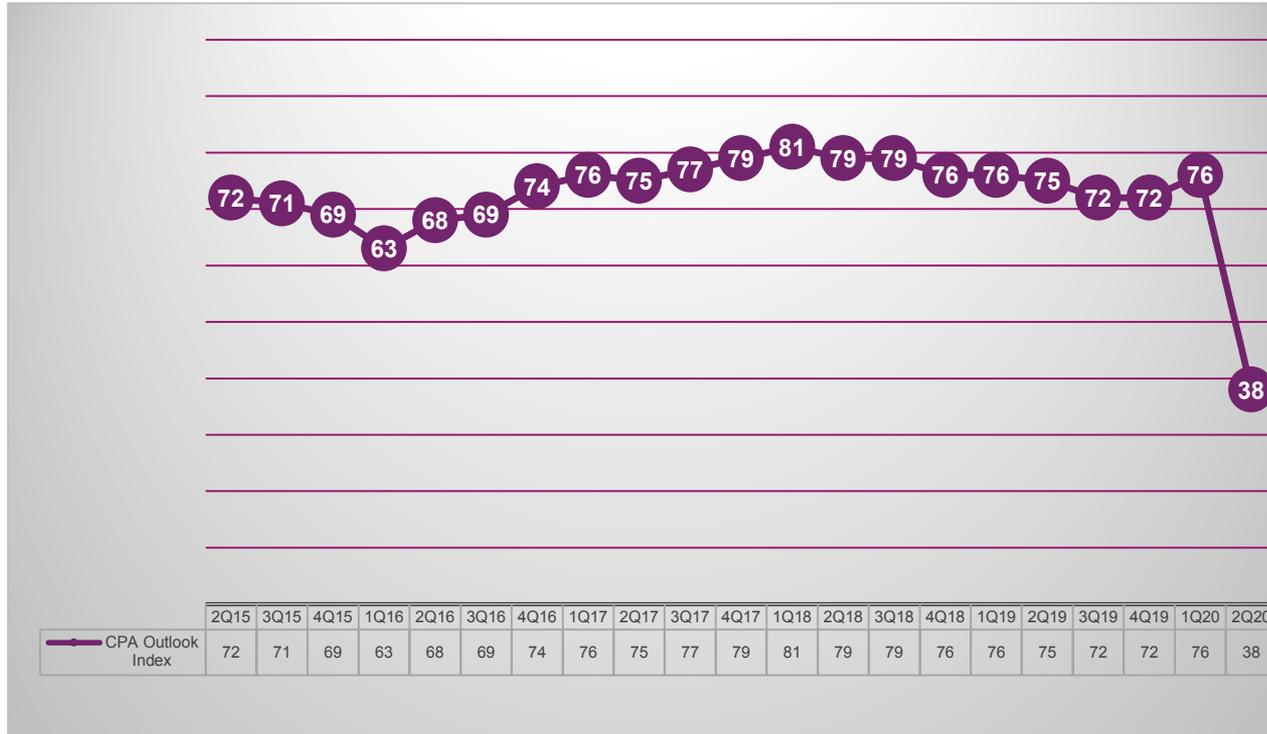
CPA Outlook Index (CPAOI)

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)



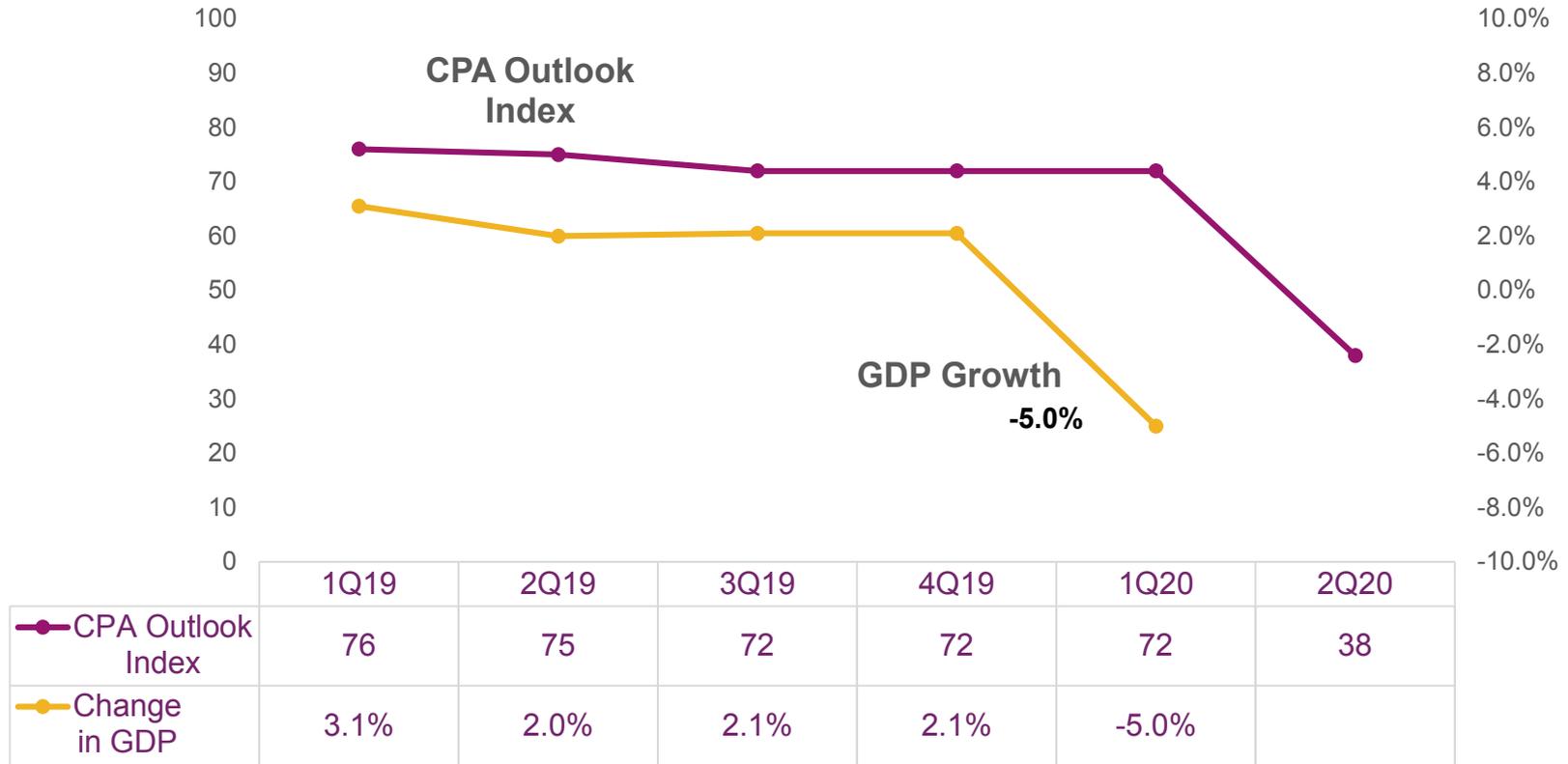
A reading above 50 indicates a generally positive outlook with increasing activity.

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

CPA Outlook Index (CPAOI)

Component	2Q19	3Q19	4Q19	1Q20	2Q20	ΔQ to Q	ΔY to Y
U.S. Economic Optimism	70	60	64	74	29	↓45	↓41
Organization Optimism	75	72	73	78	46	↓32	↓29
Expansion Plans	75	72	71	75	33	↓42	↓42
Revenue	81	76	76	81	27	↓54	↓54
Profits	72	70	71	73	26	↓47	↓46
Employment	71	68	70	71	38	↓33	↓33
IT Spending	80	80	80	81	59	↓22	↓21
Other Capital Spending	74	74	71	74	43	↓31	↓31
Training & Development	73	72	72	73	45	↓28	↓28
Total CPAOI	75	72	72	76	38	↓37	↓36

CPA Outlook Index (CPAOI) vs. GDP



U.S. Economy, Organization and Inflation



Optimism for U.S. economy plummets 41 points

Pessimists obviously cite the COVID-19 disruption impact on the economy, consumer demand and government spending

Optimists cite the possibility of pent-up demand and lower energy costs, along with resilience and innovation



Organization optimism also drops from 58% to 30%

Expansion plans fall 40 points, from 64% to only 24% of respondents having plans to expand their business.

Of the balance -18% expect to stay the same, 25% expect to contract a little, 23% expect to contract a lot



Concern about inflation increased from 17% to 20%; concern about deflation jumped to 18%

Concern about labor costs as most significant risk fell to only 29%

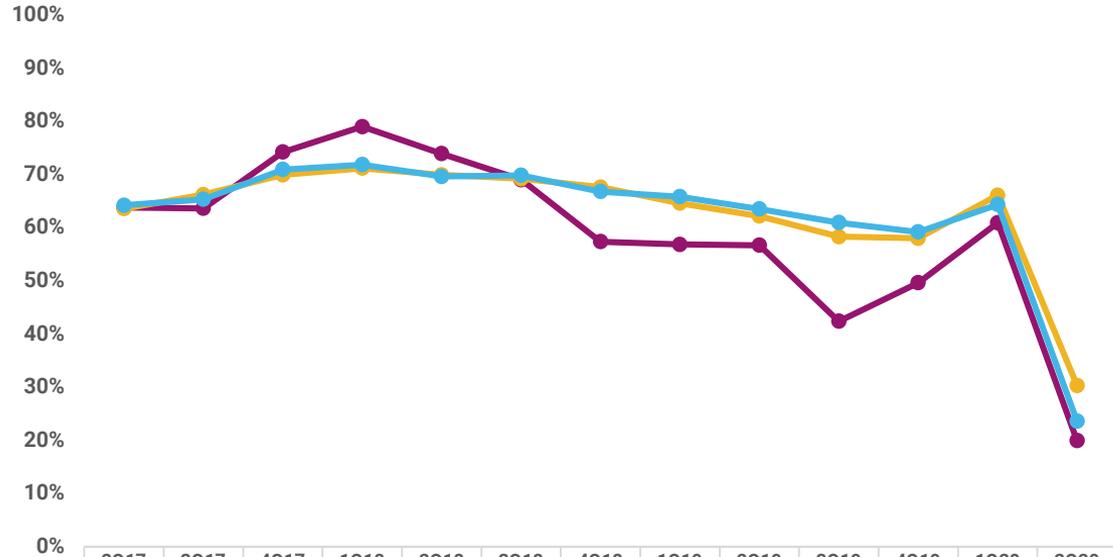
Raw materials cost concerns ticked up to 28%.

Interest rate concerns increased from 12% to 13%.

Energy cost concerns remained constant at 6%

Food cost concerns as most significant jumped from only 1% to now 12%

Optimism & Expansion

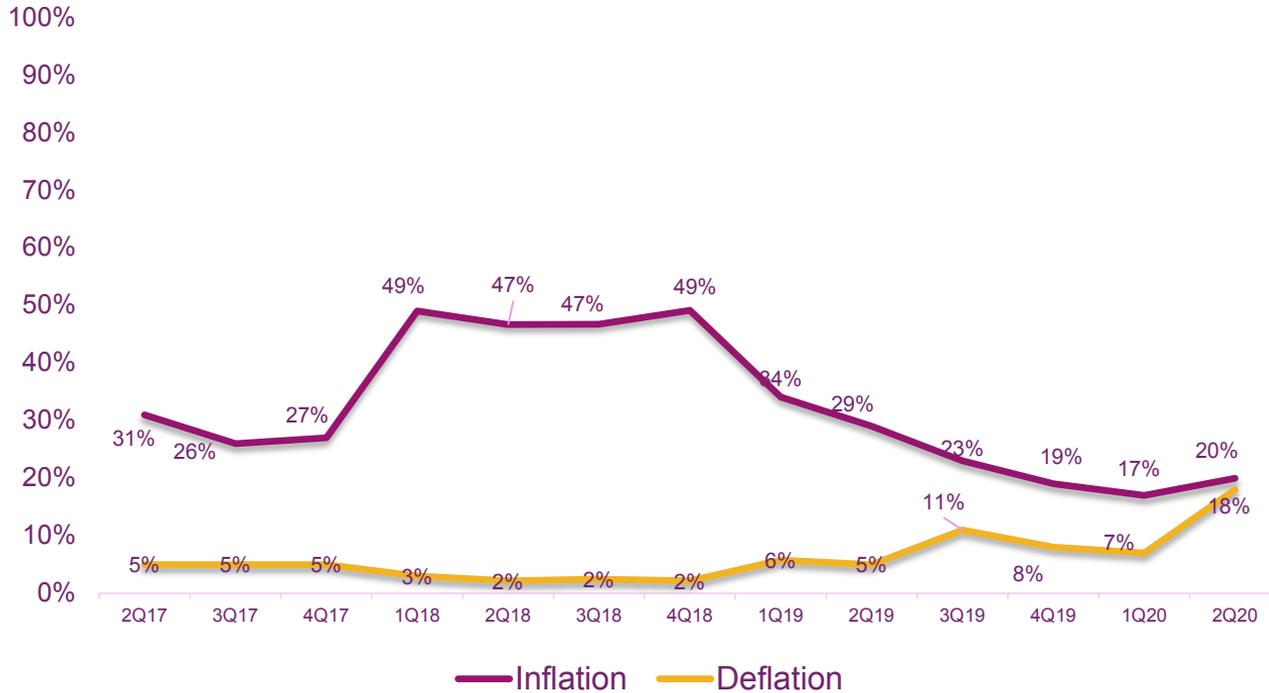


	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
U.S.	64%	64%	74%	79%	74%	69%	57%	57%	57%	42%	50%	61%	20%
Organization	64%	66%	70%	71%	70%	69%	68%	65%	62%	58%	58%	66%	30%
Expansion	64%	65%	71%	72%	70%	70%	67%	66%	63%	61%	59%	64%	24%

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



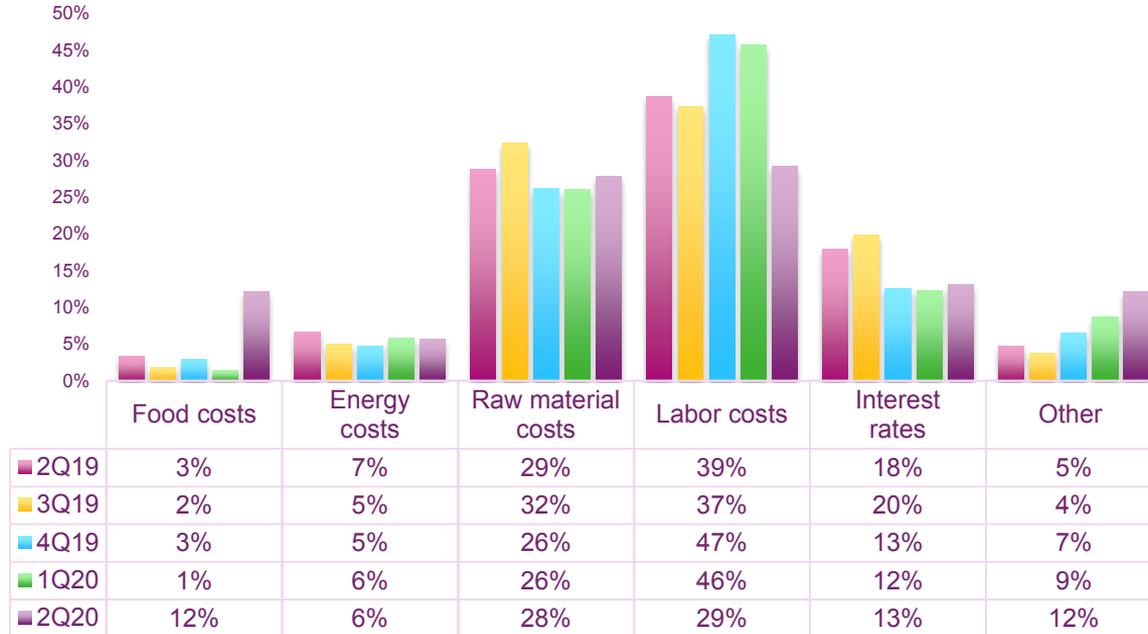
Inflation or Deflation?



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 Indicator Summary



Revenues and Profits

Revenue and profit projections both drop significantly

Expected revenue for coming twelve months dropped from an expected increase of 4.3% in Q1 to an expected decrease of -5.0% going forward from Q2

Profit projections also dropped from 3.3% in Q1 to -5.5% in Q2

Hiring and Employment

Headcount plans also show decreases; spending plans plummet

Anticipated rate of headcount change dropped from 2.0% to -1.1%

Salary and benefit expected costs decline from an increase of 2.6% to a decrease of -0.7%

Healthcare cost projections also dropped from an expected rate of increase of 5.1% in Q1 to 3.5% in Q2

Spending Plans

Spending plans also decline

Expected rate for IT spending increase falls from 3.6% to only 0.4%

Other capital spending now projected to decrease -2.0%

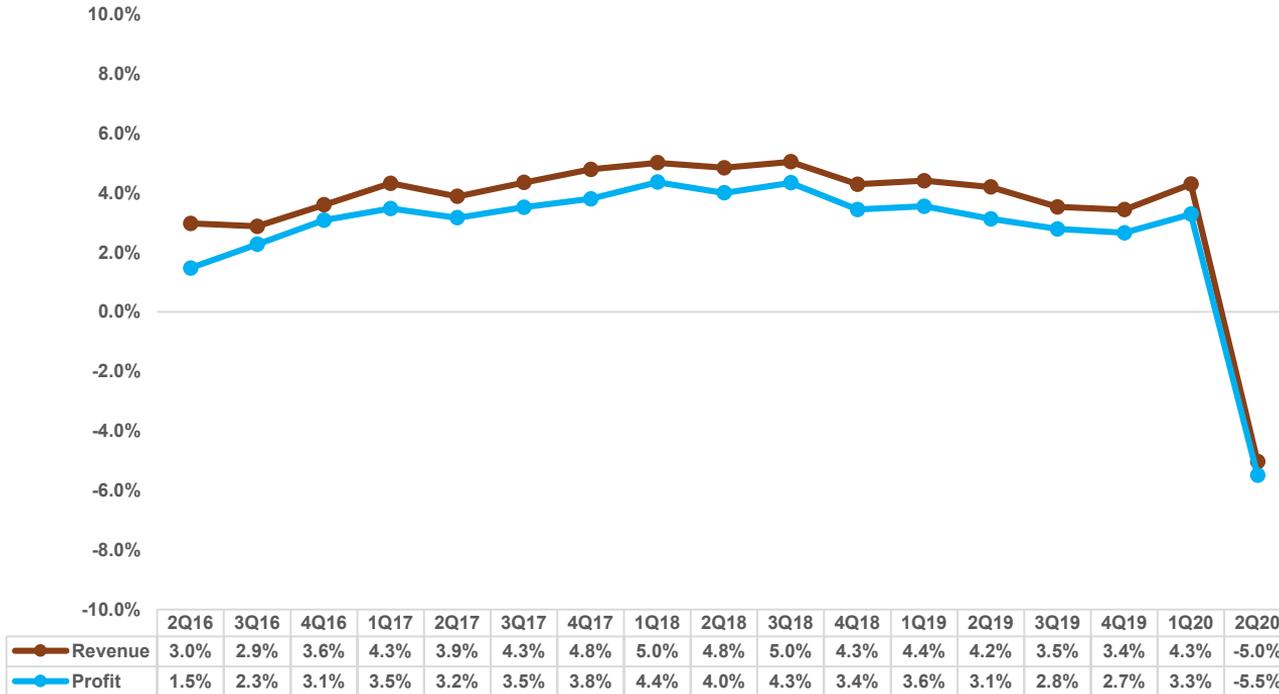
Training spend also expected to decrease by -1.7%

Marketing spending plans are being cut -2.4%

R&D spending also being cut, expected to decline -1.6%

Key Performance Indicators

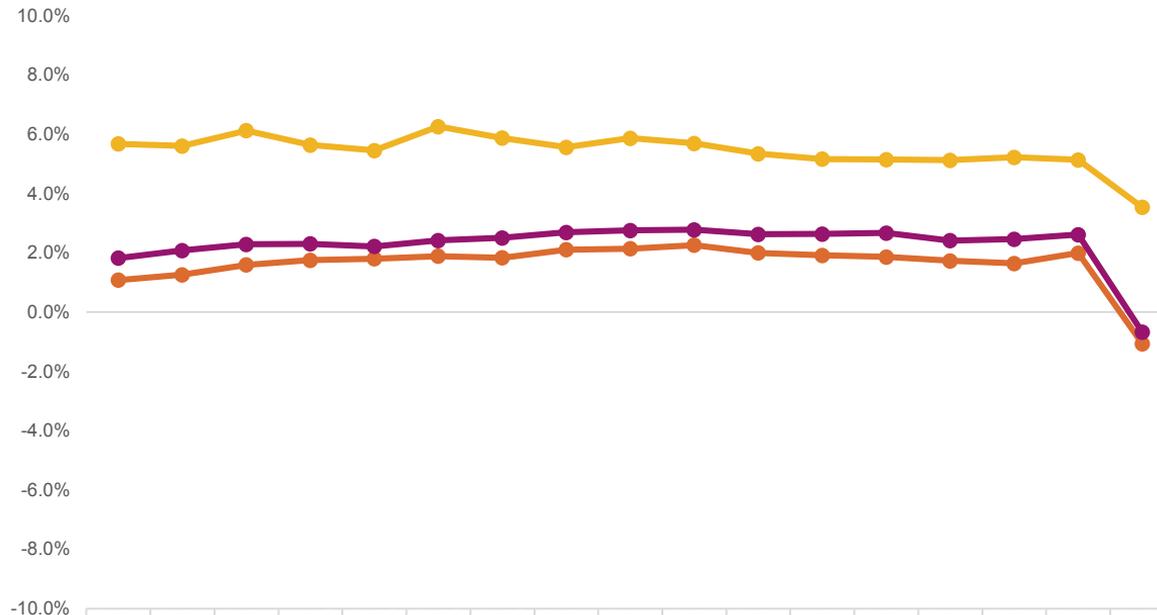
Expected Growth in Revenue and Profits



Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators

Key Performance Indicators

Employees, Salary & Benefits, and Healthcare Costs

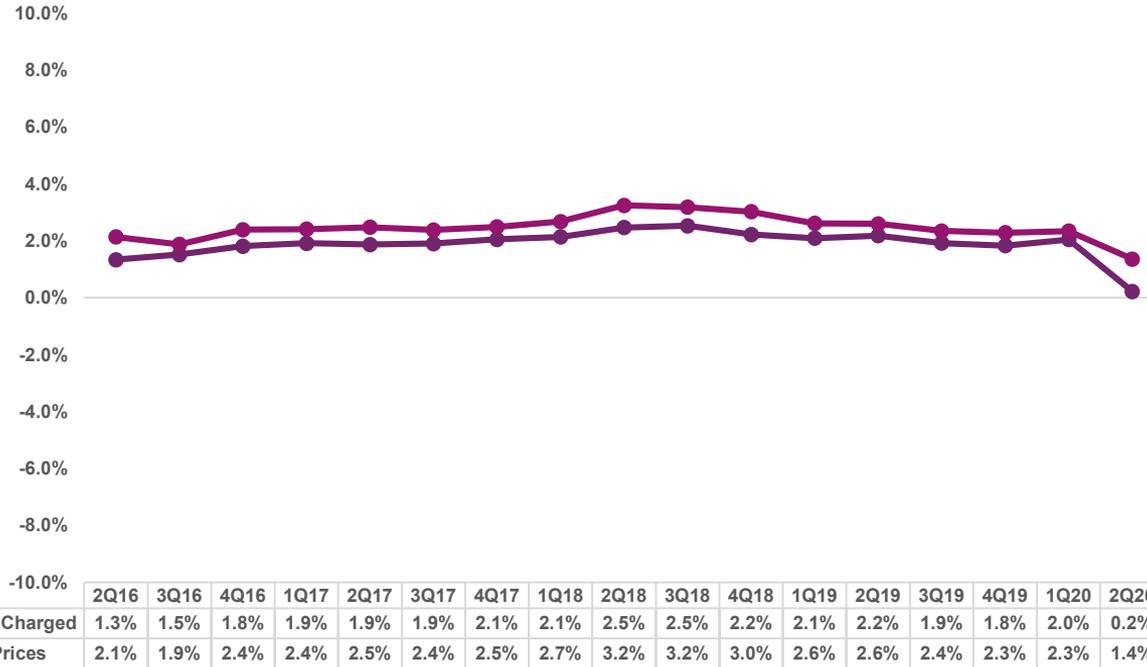


	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Employees	1.1%	1.3%	1.6%	1.8%	1.8%	1.9%	1.8%	2.1%	2.1%	2.3%	2.0%	1.9%	1.9%	1.7%	1.6%	2.0%	-1.1%
Salary & Benefits	1.8%	2.1%	2.3%	2.3%	2.2%	2.4%	2.5%	2.7%	2.8%	2.8%	2.6%	2.6%	2.7%	2.4%	2.5%	2.6%	-0.7%
Healthcare	5.7%	5.6%	6.1%	5.6%	5.5%	6.3%	5.9%	5.6%	5.9%	5.7%	5.3%	5.2%	5.1%	5.1%	5.2%	5.1%	3.5%

Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators

Key Performance Indicators

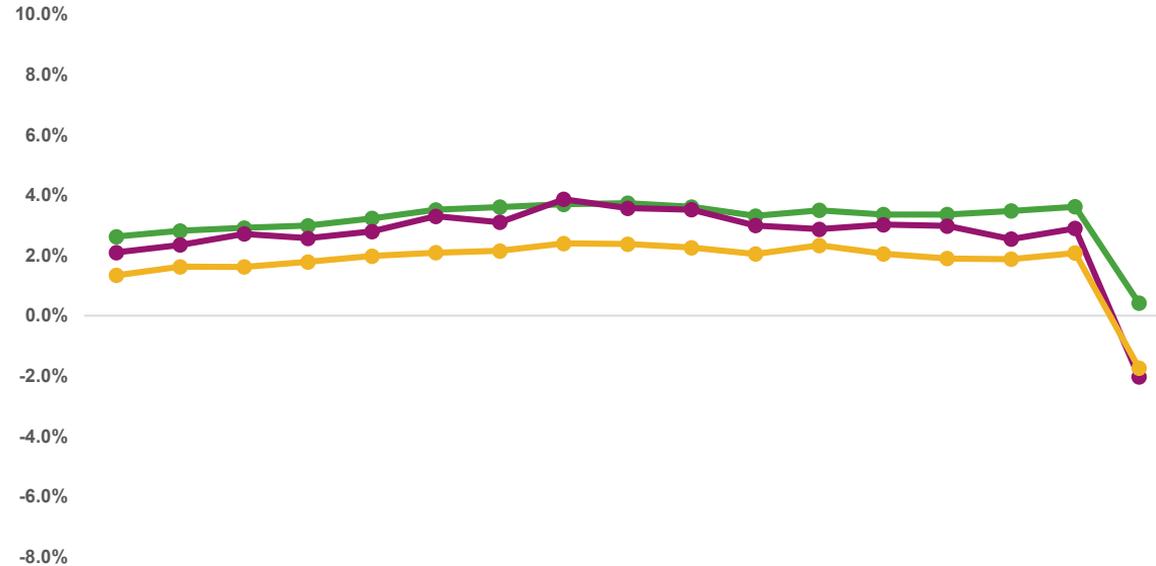
Pricing & Other Costs Average Change Expected



Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators

Key Performance Indicators

Spending Plans - IT, Other Capital & Training

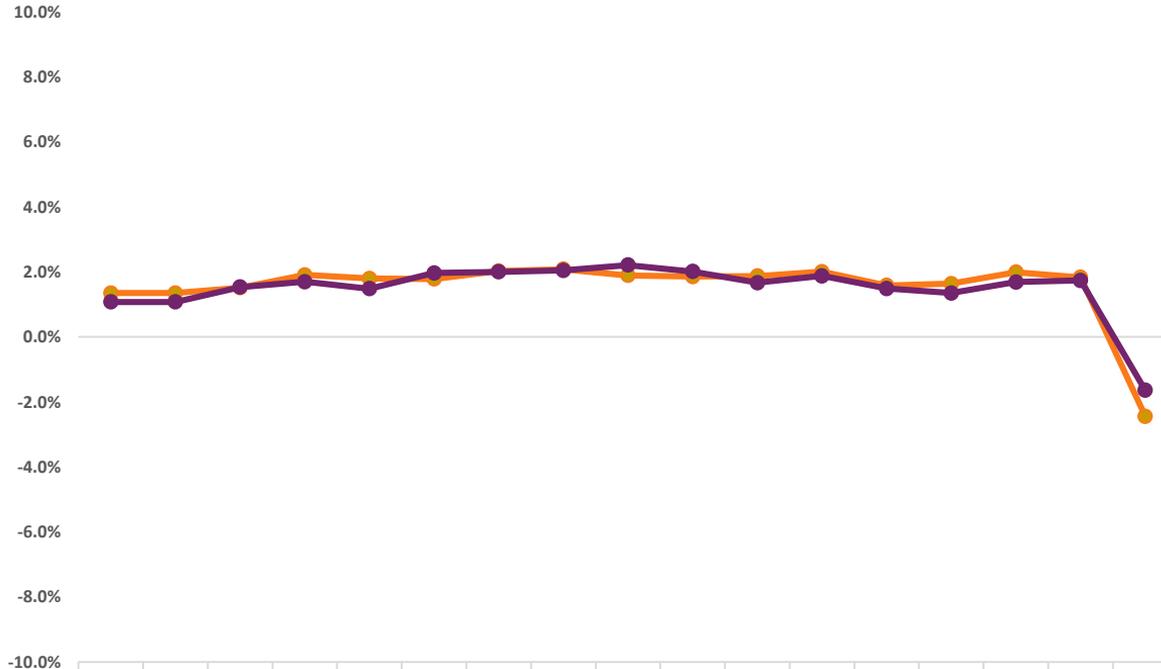


	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
IT	2.6%	2.8%	2.9%	3.0%	3.2%	3.5%	3.6%	3.7%	3.7%	3.6%	3.3%	3.5%	3.4%	3.4%	3.5%	3.6%	0.4%
Other Capital	2.1%	2.4%	2.7%	2.6%	2.8%	3.3%	3.1%	3.9%	3.6%	3.5%	3.0%	2.9%	3.0%	3.0%	2.5%	2.9%	-2.0%
Training	1.3%	1.6%	1.6%	1.8%	2.0%	2.1%	2.2%	2.4%	2.4%	2.3%	2.0%	2.3%	2.1%	1.9%	1.9%	2.1%	-1.7%

Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators

Key Performance Indicators

Spending Plans Marketing & R&D



	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Marketing	1.4%	1.4%	1.5%	1.9%	1.8%	1.8%	2.0%	2.1%	1.9%	1.9%	1.9%	2.0%	1.6%	1.6%	2.0%	1.8%	-2.4%
R&D	1.1%	1.1%	1.5%	1.7%	1.5%	2.0%	2.0%	2.0%	2.2%	2.0%	1.7%	1.9%	1.5%	1.4%	1.7%	1.7%	-1.6%

Thinking about the coming 12 months, please comment on the probable change for your organization for each of the following key performance indicators

Hiring Plans Summary

Remain relatively strong

51%

Have right number of employees

Maintained Q1 levels

25%

Have an excess of employees

Up from 7% in Q1

13%

Have too few, but hesitating to hire

Down 1 point from Q1

7%

Have too few and planning to hire

Down 19 points from Q1

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)?

10

Top

Challenges Facing Organizations

- Domestic economic conditions move up 3 spots to #1 challenge
- Stagnant/declining markets following at #2
- Liquidity, last seen in top ten in 2Q16, now at #3
- Global economic conditions jump 5 spots to #4
- Regulatory requirements maintain #5 spot
- Domestic political leadership drops 2 spots to #6
- Financing (access/cost of capital) returns from 1Q19 to #7
- Availability of skilled personnel drops from #1 spot to 8th place
- Employee and benefit costs drop 2 down to #9
- Changing customer preferences comes in at #10

Indication of the
top three
challenges for
your organization

10 Challenges YTD

Top

	2Q19	3Q19	4Q19	1Q20	2Q20
1	Availability of skilled personnel	Domestic economic conditions			
2	Employee and benefits costs	Domestic economic conditions	Domestic economic conditions	Domestic competition	Stagnant/declining markets
3	Domestic competition	Domestic political leadership	Domestic competition	Domestic economic conditions	Liquidity
4	Regulatory requirements/changes	Domestic competition	Employee and benefits costs	Domestic political leadership	Global economic conditions
5	Staff Turnover	Employee and benefits costs	Regulatory requirements/changes	Regulatory requirements/changes	Regulatory requirements/changes
6	Domestic economic conditions	Regulatory requirements/changes	Domestic political leadership	Employee and benefits costs	Domestic political leadership
7	Materials/supplies/equipment costs	Staff Turnover	Staff Turnover	Developing new products/services/markets	Financing (access/cost of capital)
8	Domestic political leadership	Stagnant/declining markets	Developing new products/services/markets	Staff Turnover	Availability of skilled personnel
9	Developing new products/services/markets	Developing new products/services/markets	Stagnant/declining markets	Global economic conditions	Employee and benefits costs
10	Changing customer preferences	Changing customer preferences	Changing customer preferences	Materials/supplies/equipment costs	Changing customer preferences

Industry, Region and Business-size Outlook



↓ Retail and wholesale trade drop significantly	Retail trade drops further from 57% to only 29% optimistic Wholesale trade also falls from 68% to 26% optimistic	Hiring for retail is projected to decline for the coming 12 months by 4.12% after projecting an increase of 1.9% in Q1
↓ Manufacturing declines; ↓ Technology also falls dramatically	Manufacturing optimism declines from 59% to 31% optimistic Technology falls to only 35% optimistic after rebounding to 76% optimistic in Q1	Manufacturing hiring plans also declined from a 2.9% expected increase to now a decrease of 2.2% Technology hiring, which had been somewhat soft, is projected to decline by 1.2%
↓ Construction plummets; ↓ Real Estate follows suit	Construction optimism also plummets to 29% after rebounding to 83% optimistic in Q1 Real Estate and Property declined from 68% optimistic in Q1 to now only 38% optimistic	Construction hiring plans which had been strong in Q1 are now expected to decline by 1.3% Real Estate hiring eased from Q1 as well, now expected to decline 1.2%

Industry, Region and Business-size Outlook



- ↓ Finance & Insurance declines;
- ↓ Professional Services also drops sharply

Finance and Insurance optimism declined from a high of 74% in Q1 to now only 40% optimistic

Professional Services also had a sharp drop from 68% optimistic in Q1 to now only 27%

Finance and insurance hiring is now projected to decline as well by 1.0%

Professional services hiring is also expected to decrease by 2.1%

- ↓ Healthcare providers optimism drops;
- ↓ Healthcare – others declines in optimism, increases hiring

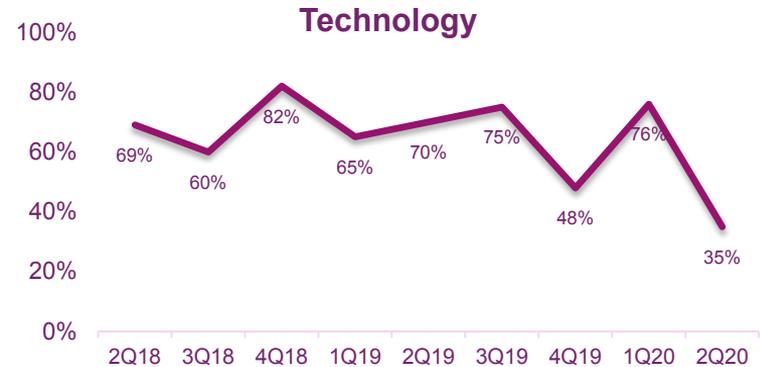
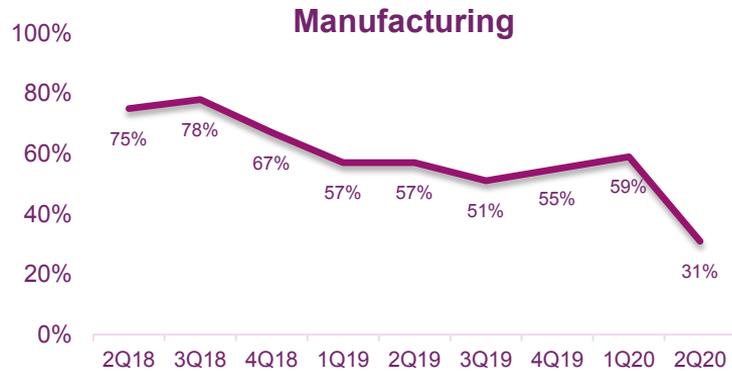
Healthcare provider fell from 54% optimistic in Q1 to now only 24% optimistic

Healthcare–other declined from 71% to now only 48% optimistic

Expected hiring by Healthcare providers, which has been particularly strong, is expected to decline by 1.8%

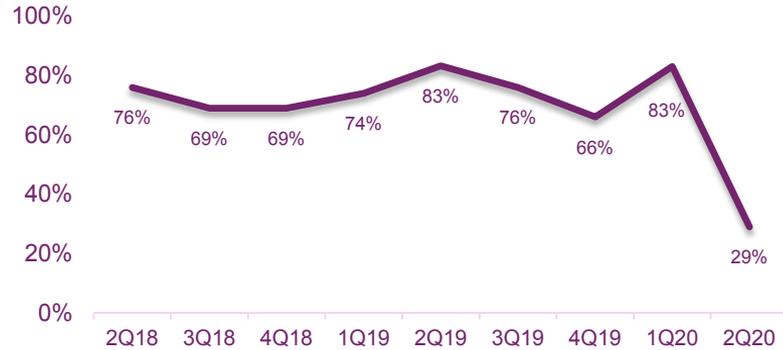
Healthcare –other is the only sector showing an expected increase in hiring at a rate of 1.8%

Organization Optimism by Industry



Organization Optimism by Industry

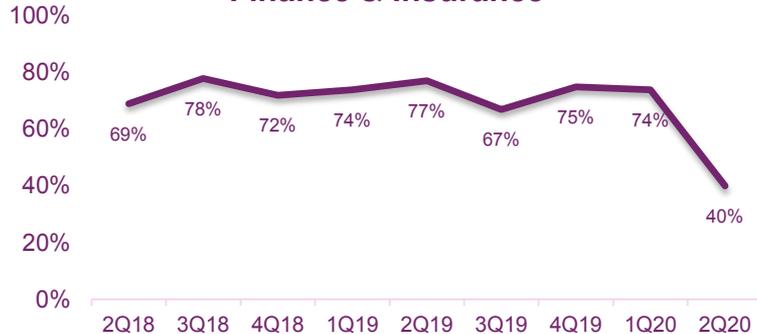
Construction



Real Estate & Property



Finance & Insurance

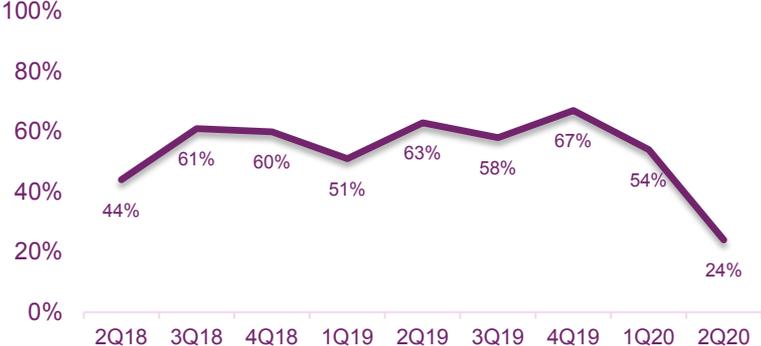


Professional Service

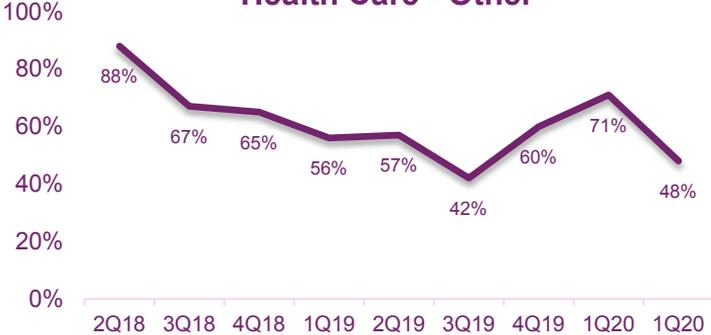


Organization Optimism by Industry

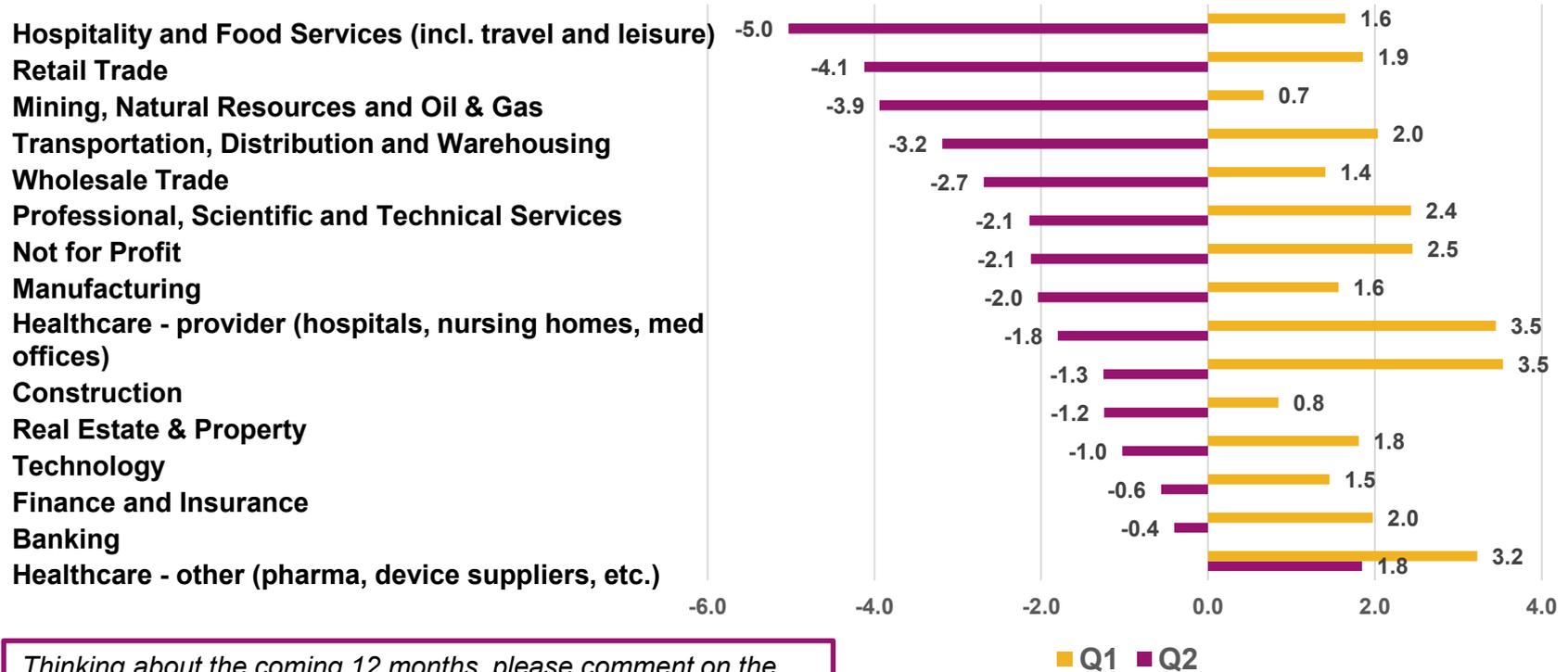
Health Care Provider



Health Care - Other



Expected Employment Change by Industry



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

Note: Q1 calculations revised from previously published presentations

Industry, Region and Business-size Outlook

Midwest – optimism dropped 40 points from 67% to 27%

West – optimism fell 37 points from 67% to 30%

South – dropped 34 points, decreasing to 34%

Northeast – declined from 61% in Q1 to only 26% optimistic in Q2

For employers with > \$1 billion in revenues, 23% now have excess employees, while 30% have too few. Of those with too few employees, 23% remain hesitant while 7% are planning to hire.

Of those in the \$100 million to \$1 billion category, 19% say they have too few employees; 13% are hesitant; while 6% are hiring.

In the \$10 - \$100 million range, 20% now have too few employees; of those with too few, 12% are hesitant; only 8% are hiring

Of employers with revenues < \$10 million 18% have too few employees; 10% are hesitant; 8% are hiring.

Expectations for expansion by businesses with revenues < \$10 million dropped 38 points to 24%. Plans for companies in the \$10 - \$100 million category dropped 40 points to 24%. Companies in the \$100 million to \$1 billion range lost 42 points to 23%; those with revenues in excess of \$1 billion dropped 37 points to 26% having plans to expand.

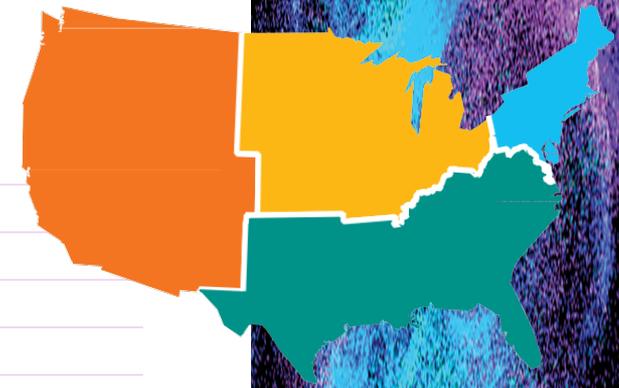
Regional optimism shows big drops across regions

Employment projections by business size and expansion plans by size also reflecting lower optimism

Organization Optimism by Region

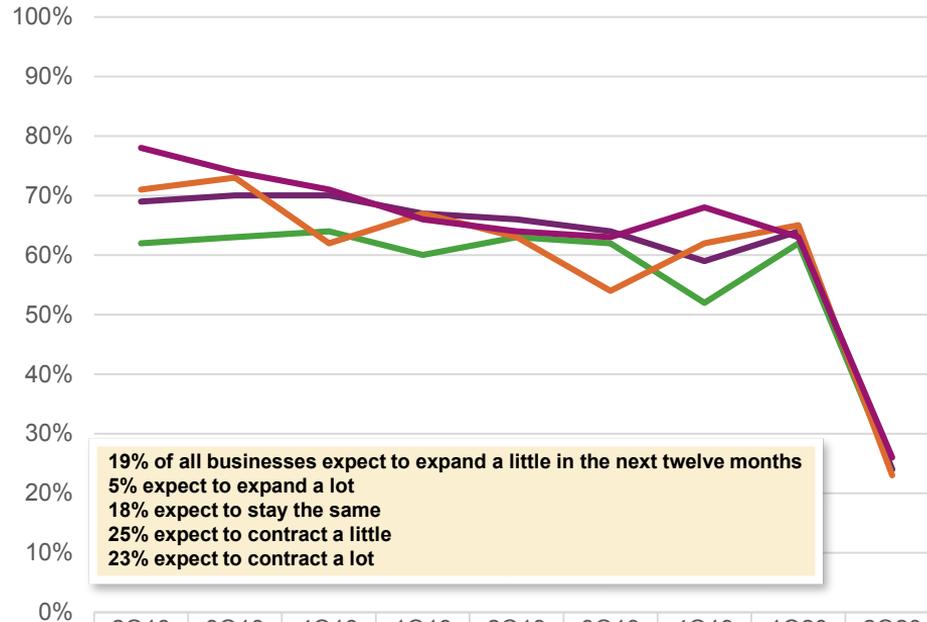


	2Q19	3Q19	4Q19	1Q20	2Q20
Midwest	60%	54%	58%	67%	27%
West	61%	60%	63%	67%	30%
South	72%	61%	61%	68%	34%
Northeast	53%	59%	55%	61%	26%



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



	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
< \$10 million	62%	63%	64%	60%	63%	62%	52%	62%	24%
\$10 to <\$100 million	69%	70%	70%	67%	66%	64%	59%	64%	24%
\$100 million to <\$1 billion	71%	73%	62%	67%	63%	54%	62%	65%	23%
> \$1 billion	78%	74%	71%	66%	64%	63%	68%	63%	26%

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

Percentage expected to expand is consistent across business size

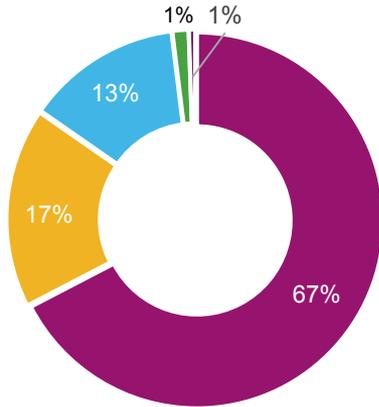
Business hiring plans by company size



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)?

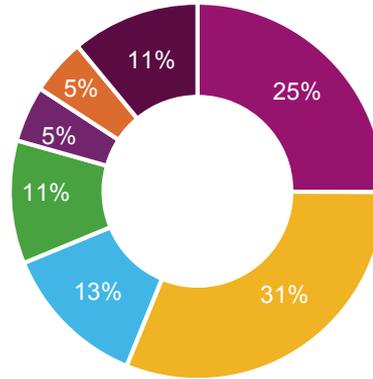
Demographics

Type of Organization



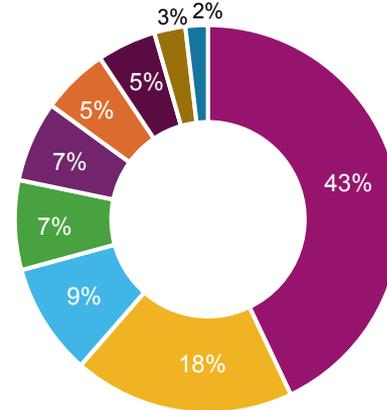
- Privately Owned Entity
- Not for Profit
- Publicly Listed Company
- Other
- Government

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



- CFO
- Controller/Comptroller
- Vice-President/SVP
- Director/Managing Director
- President
- CEO/COO
- Accounting, Audit, Tax or Technology Manager
- Chief Officers (CAO/CIO/CTO/CRO/KMO)
- Other (please specify)

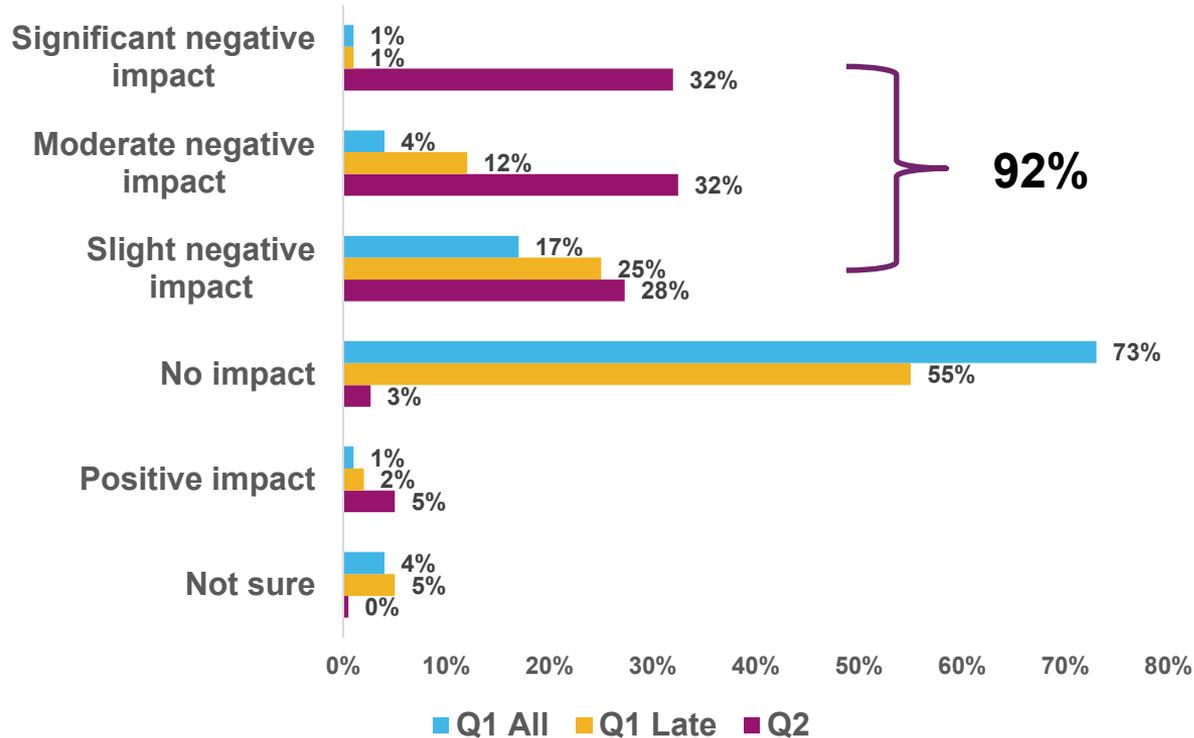
AICPA Economic Outlook Survey

Survey within a Survey

Coronavirus pandemic (COVID-19)

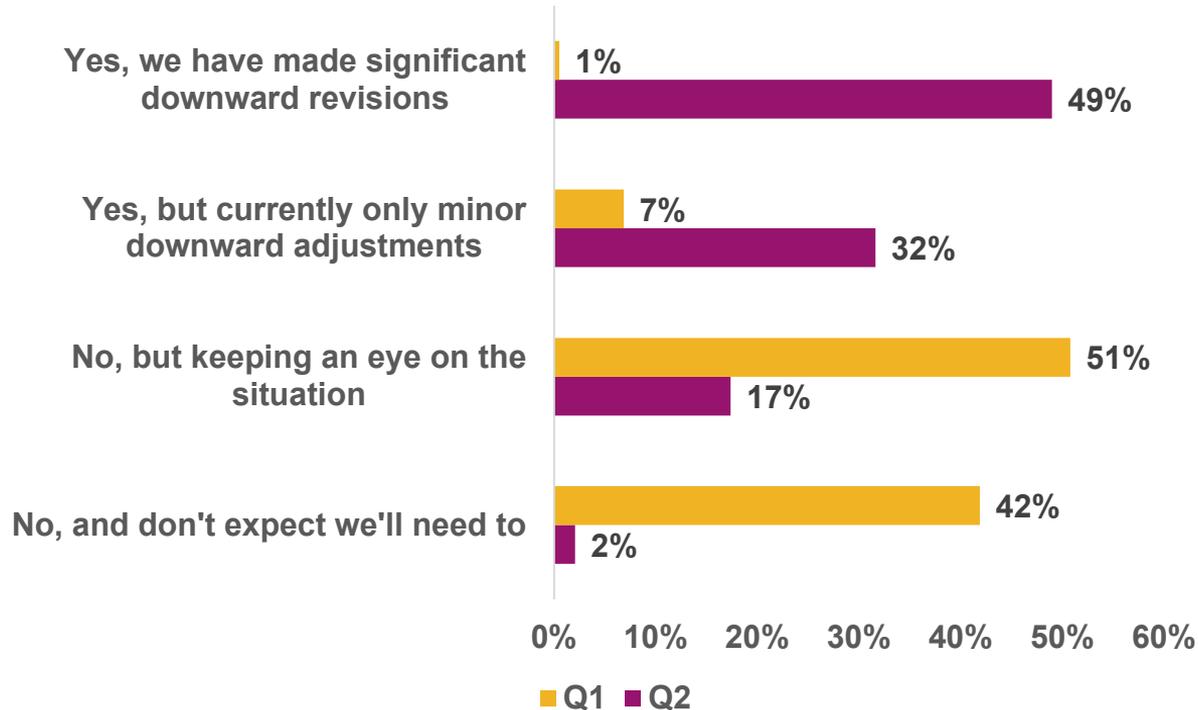
Q2 2020

Pandemic business impact



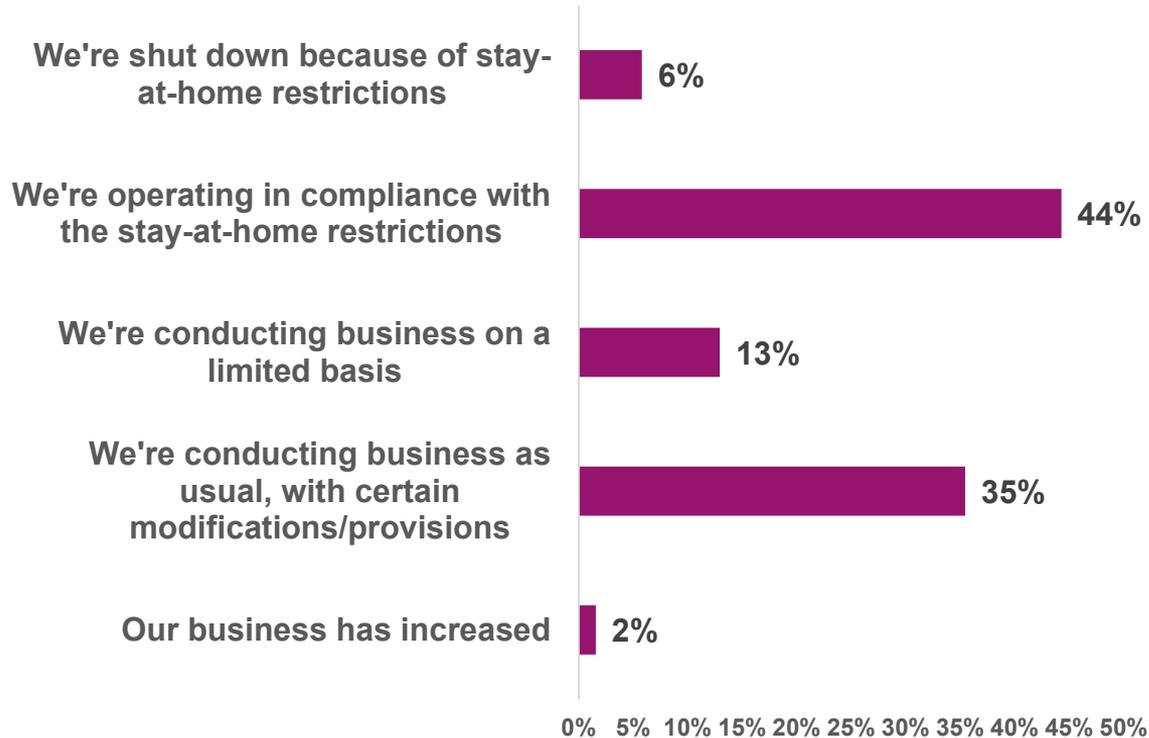
How has your business been impacted by the COVID-19 pandemic?

Pandemic – business forecast adjustments



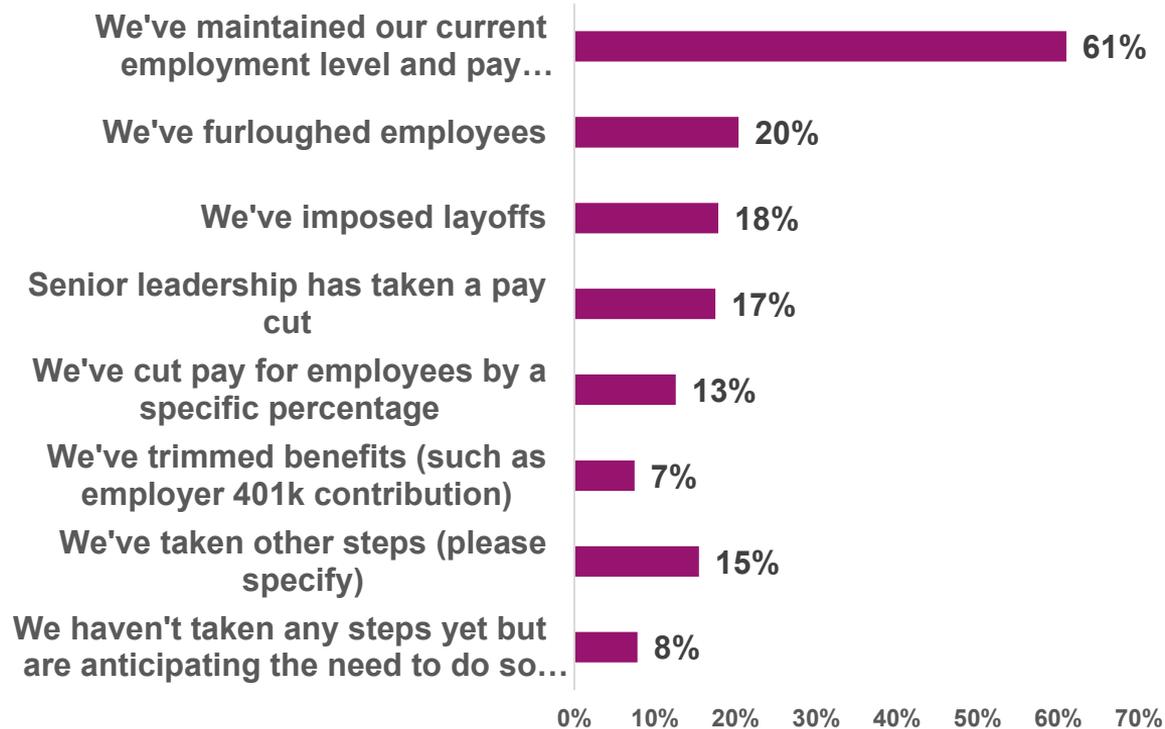
Have you adjusted your profit and sales outlook because of the pandemic?

Pandemic effect on operations



How is the COVID-19 pandemic affecting your company's operations?

Pandemic-related impacts to workforce



Describe any pandemic-related impacts to your workforce (check all that apply)

Workforce Impacts – Other steps taken

Reduction in force for indirect and support areas

Reduced hours, OT hours, 4 day workweeks

Merit increases, bonuses, profit-sharing eliminated

Salary freeze, hiring freeze

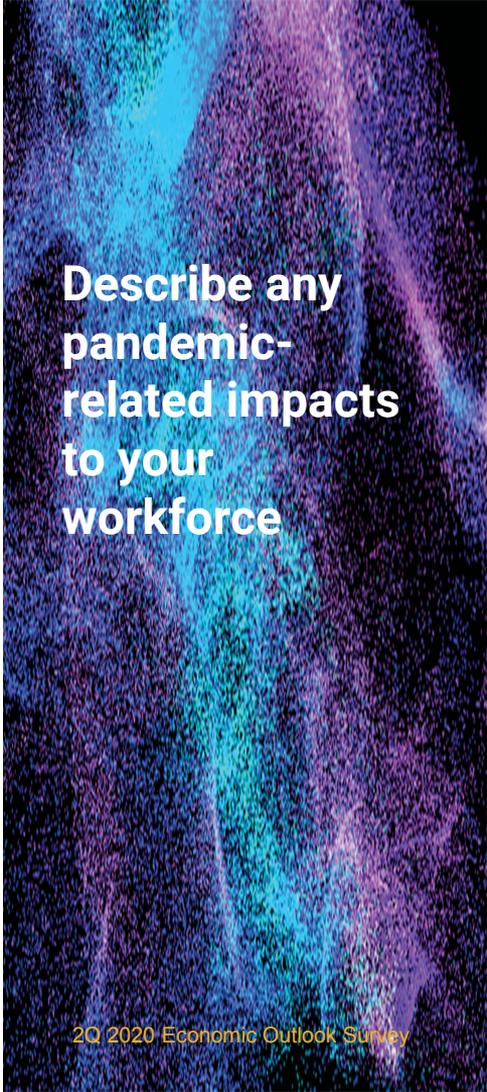
Eliminated contractors, offered early retirement

Bonuses, hazard pay, premium pay, thank you bonus, stay bonus

Product offerings revised

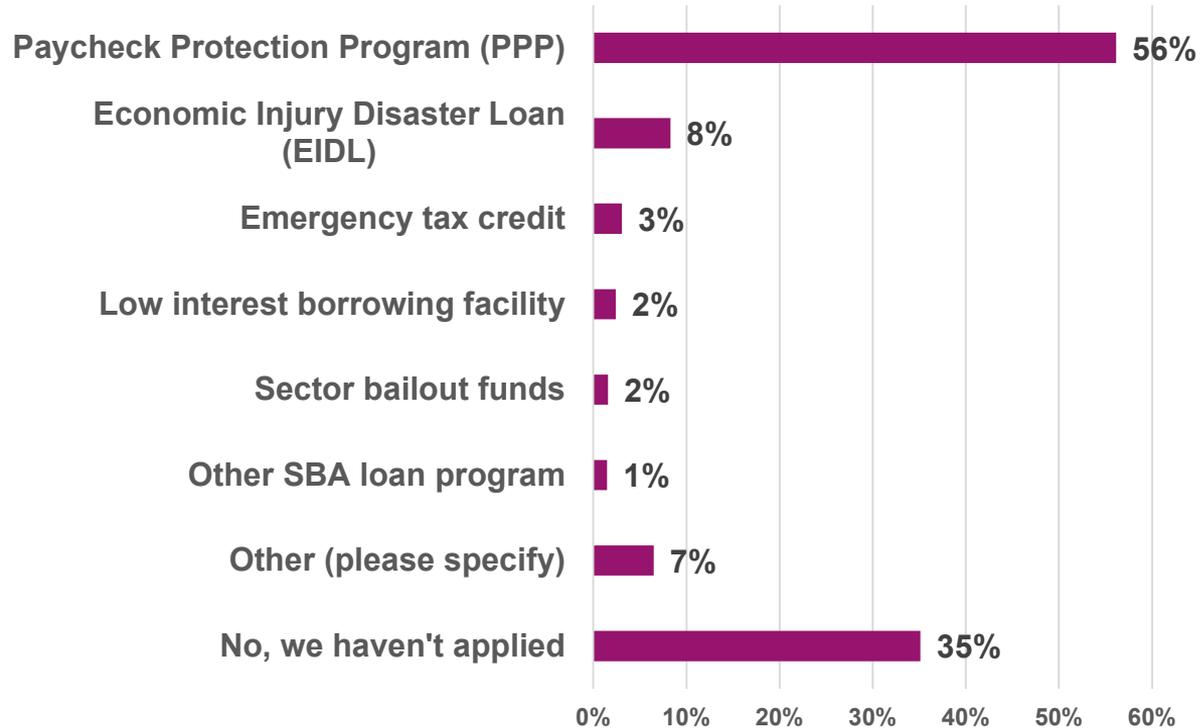
Safety measures at factories

Changes to production lines, processes



**Describe any
pandemic-
related impacts
to your
workforce**

Pandemic –government relief?



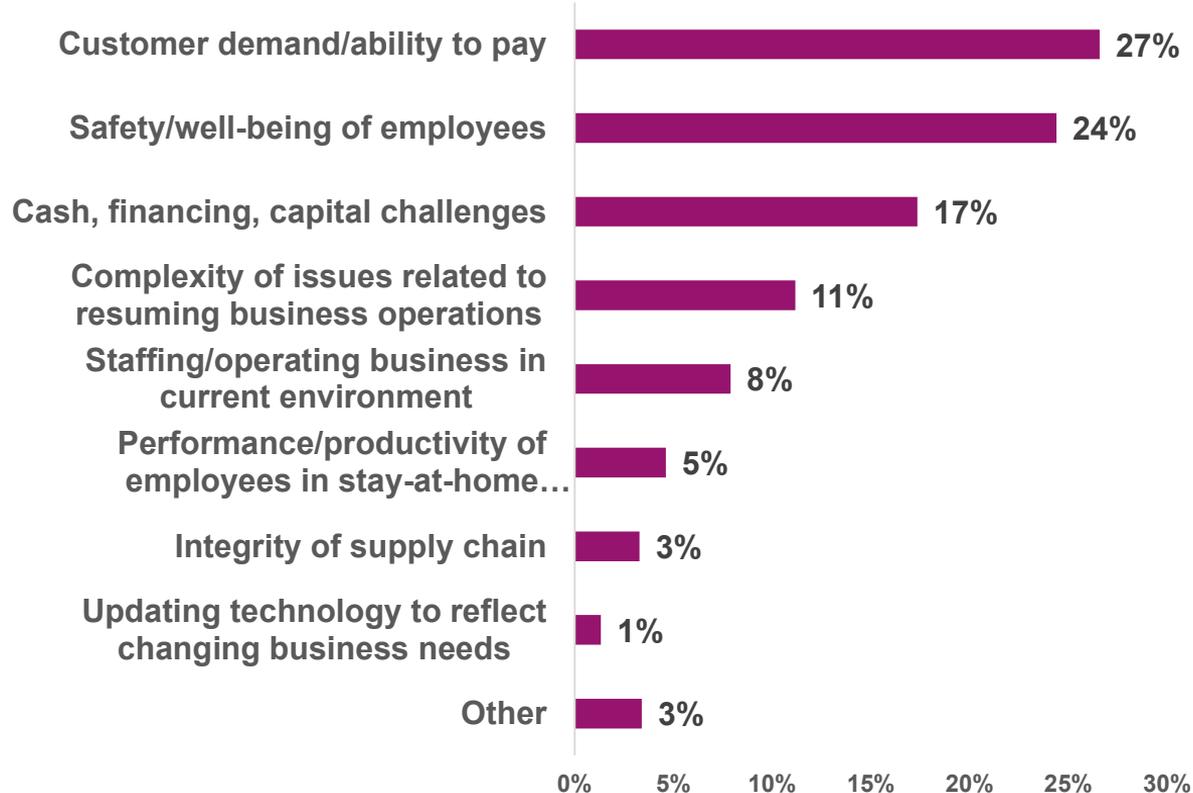
Has your company applied for any government relief due to the impact of the COVID-19 pandemic? If so, what kind (all that apply)?

Government relief – other

- Health and Human Service (HHS) provider relief funds
- Advance Medicare Payments
- Family First Programs and Shared Work with State Unemployment
- Employer payroll tax deferral and employee retention credit
- Bank deferred loan payments for 6 months per government request to help
- Investigating Main Street Loan Program
- Evaluating participating in the PPPLF (Federal Reserve Paycheck Protection Program Loan Fund)
- Nonprofit Grants supporting ARTS

Has your company applied for any government relief due to the impact of the COVID-19 pandemic? If so, what kind (all that apply)?

COVID-19 pandemic –greatest concern?



What is your
greatest concern
about the
COVID-19
pandemic right
now?

Greatest concern right now – other

- Second wave of outbreaks, future consequences
- Impact of travel restrictions on business
- Safety and health of employees, residents, patients
- Market and economic dislocation
- Government intervention, regulatory environment
- Legal liability mitigation

**What is your
greatest concern
about the
COVID-19
pandemic right
now?**

COVID-19 risk oversight responsibilities



Has your organization's finance team gained additional risk oversight in light of COVID-19?



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The unified voice of AICPA and CIMA

AICPA Business and Industry Economic Outlook Survey 2Q 2020

Thank you!

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