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Management Accounting

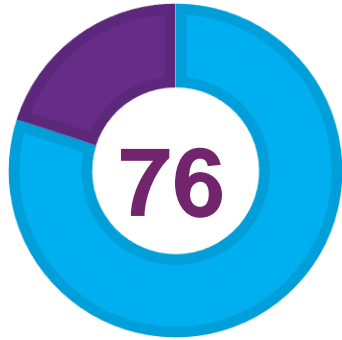
AICPA Business and Industry Economic Outlook Survey

Detailed Survey Results: 1Q 2019

Survey Background

- Conducted between February 5-27, 2019
- Quarterly survey
- CPA decision makers
 - primarily CFO's, CEOs and Controllers
- AICPA members in Business & Industry
- 844 qualified responses

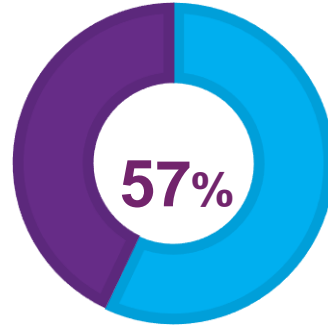
Survey Highlights



Overall index maintains level of 76

Optimism about US Economy gains a point to 72, but down 14 points from Q1 2018

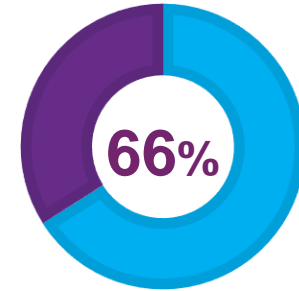
Capital spending and training up one point; all other components down 1-2 points



Optimism about U.S. Economy also constant at 57%

Global optimism declines to 34%, down from 71% first quarte 2018.

Retail optimism improves; manufacturing and technology declines; construction optimism flat.



Expansion and employment plans both soften

Overall expansion plans decline from 67% to 66%.

Employment plans also ease slightly, although availability of skilled personnel remains a challenge.

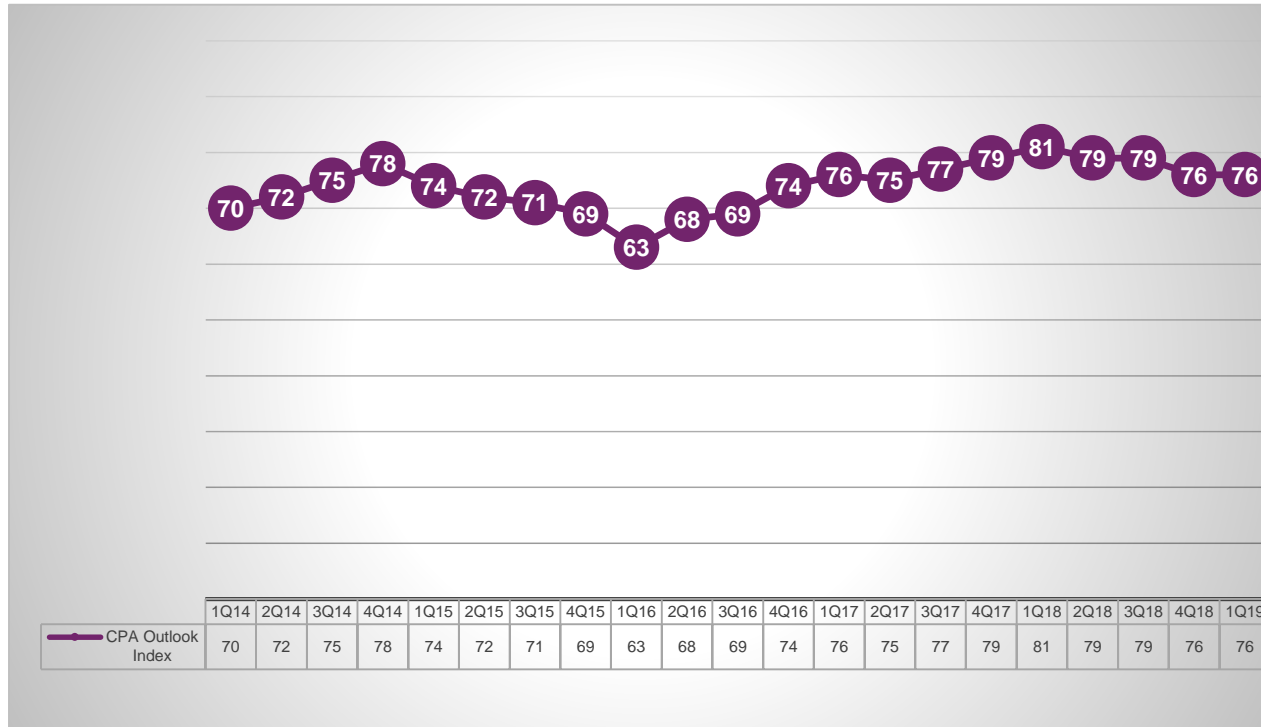
CPA Outlook Index (CPAOI)

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)



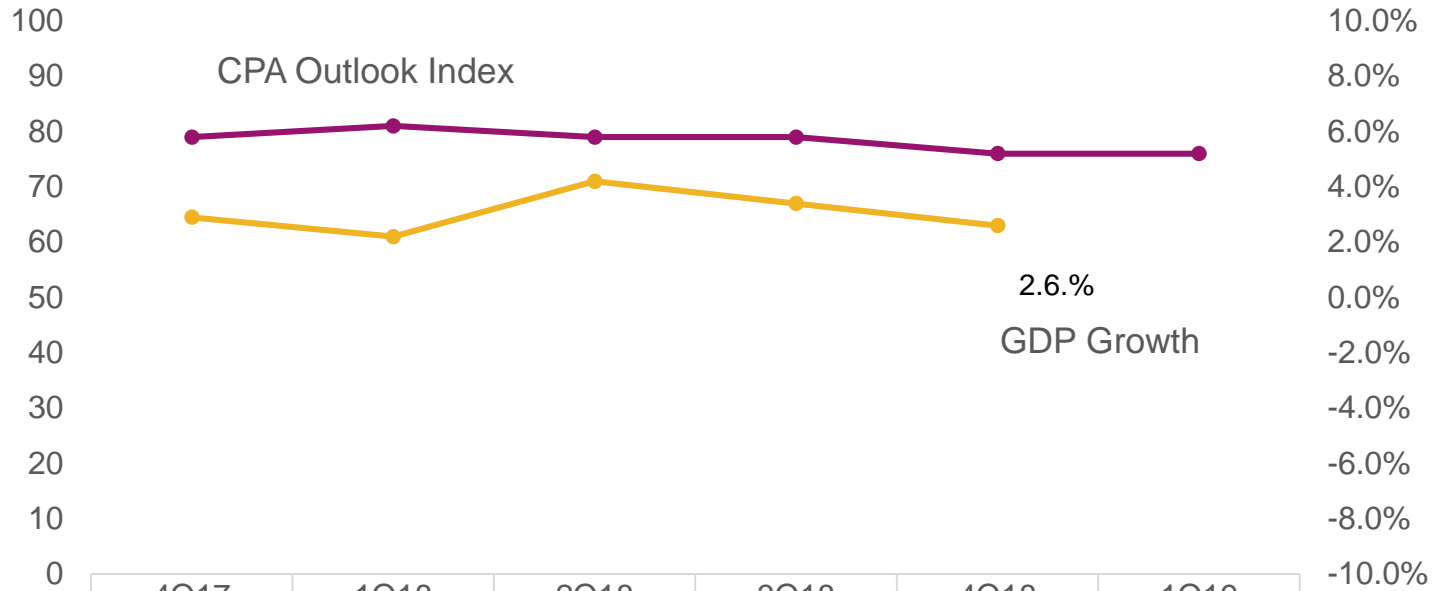
A reading above 50 indicates a generally positive outlook with increasing activity.

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

CPA Outlook Index (CPAOI)

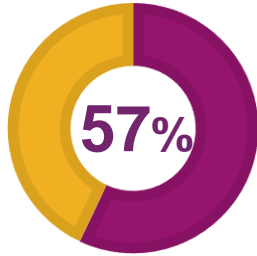
Component	1Q18	2Q18	3Q18	4Q18	1Q19	ΔQ to Q	ΔY to Y
U.S. Economic Optimism	86	83	79	71	72	↑01	↓14
Organization Optimism	81	80	81	79	77	↓02	↓04
Expansion Plans	81	79	80	77	76	↓01	↓05
Revenue	86	83	85	83	82	↓01	↓04
Profits	80	77	79	77	75	↓02	↓05
Employment	74	75	76	73	71	↓02	↓03
IT Spending	83	82	82	81	80	↓01	↓03
Other Capital Spending	79	78	78	73	74	↑01	↓05
Training & Development	77	77	75	74	75	↑01	↓02
Total CPAOI	81	79	79	76	76	→00	↓05

CPA Outlook Index (CPAOI) vs. GDP



	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
● CPA Outlook Index	79	81	79	79	76	76
● Change in GDP	2.9%	2.2%	4.2%	3.4%	2.6%	

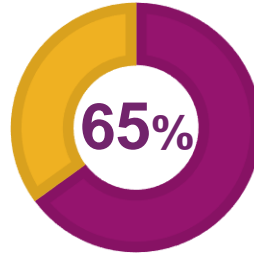
U.S. Economy, Organization and Inflation



Optimism for U.S. economy consistent with Q4

Optimists cite continued strength of broad range of economic indicators.

Pessimists cite trade and tariffs, global economy, concerns about impact of midterm elections on policy, and length of current economic cycle starting to wind down.

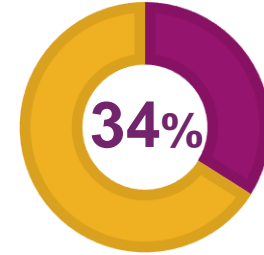


Organization optimism eases 3 points

Optimism for respondent's own organization eases another three points from 68% to 65% optimistic.

Expansion plans ease from 67% having plans to 66%.

The percentage of companies expecting their businesses to contract also increased from 12% to 14%.



Concern about inflation dropped to 34%

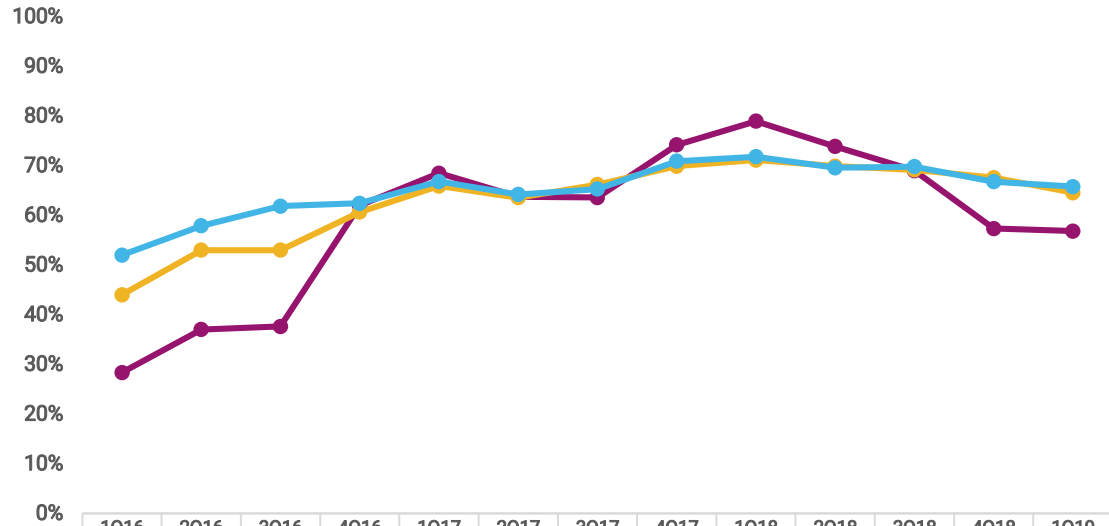
Concern about labor costs continues to be most significant, but eases from 41% to 38%

Raw materials cost concerns remains constant at 28%

Interest rate concerns increased from 19% to 20%.

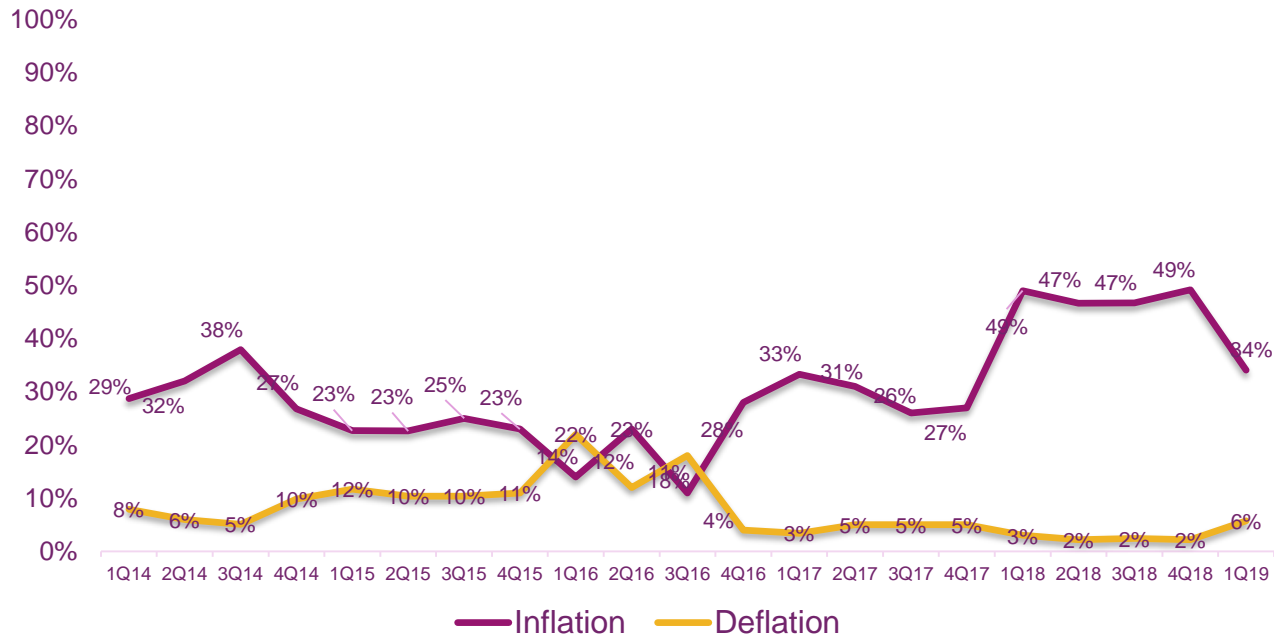
Energy cost concerns also increased a point from 6% to 7%

Optimism & Expansion



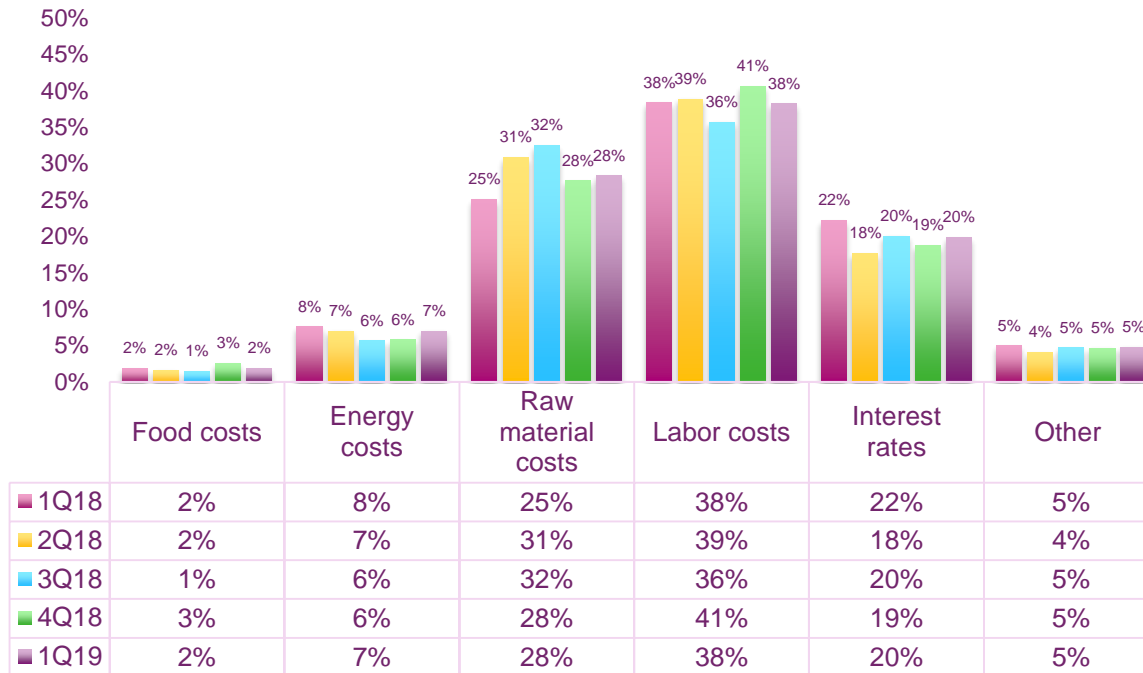
The economic outlook for the U.S. economy, your organization, and the expansion plans over the next 12 months

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 continue strong with both showing gains

Expected revenue for coming twelve months increased another point from 4.3% in Q4 to 4.4% in Q1

Profit projections also increased from 3.4% in Q4 to 3.6% in Q1

Hiring and Employment

Headcount plans ease a point; healthcare cost projections decline another tenth

Anticipated rate of headcount eased another point from 2.0% to 1.9%

Salary and benefit expected cost increases remained constant at 2.6%

Healthcare cost projections dropped another tenth to a new low of 5.2%

Spending Plans

Spending plans mixed

Expected rate for IT spending up from 3.3% to 3.5%

Other capital spending down from 3.0% to 2.9%

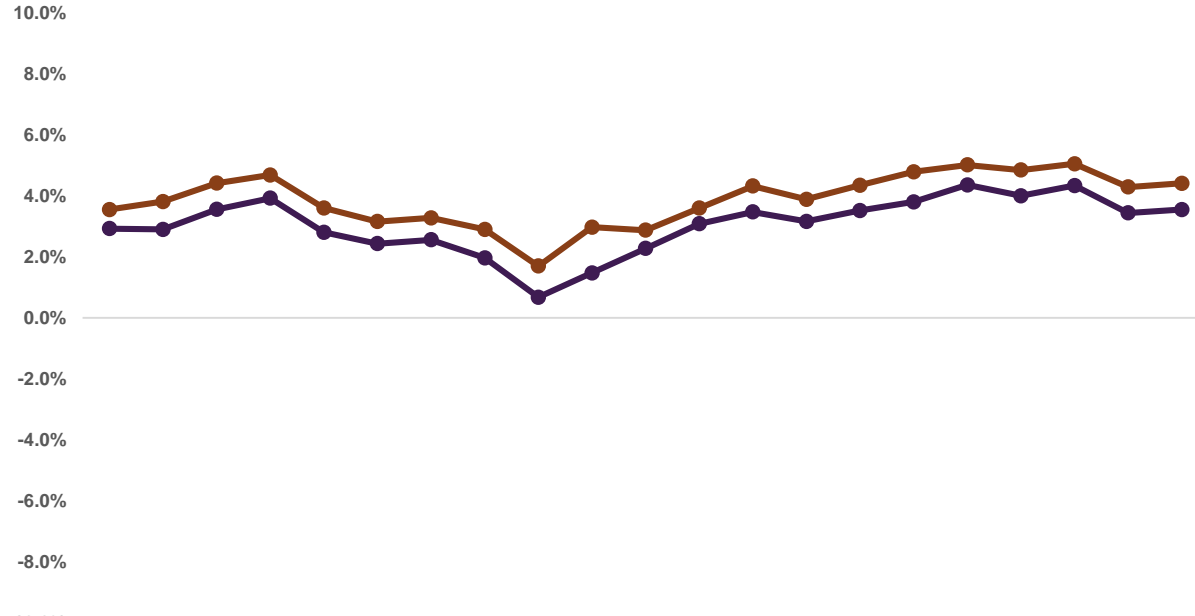
Expected rate of increase for training spend recovers from 2.0% to 2.3%

Marketing spending plans up from 1.9% to 2.0%

R&D spending plans recover two tenths from a 1.7% rate of increase to 1.9%

Key Performance Indicators

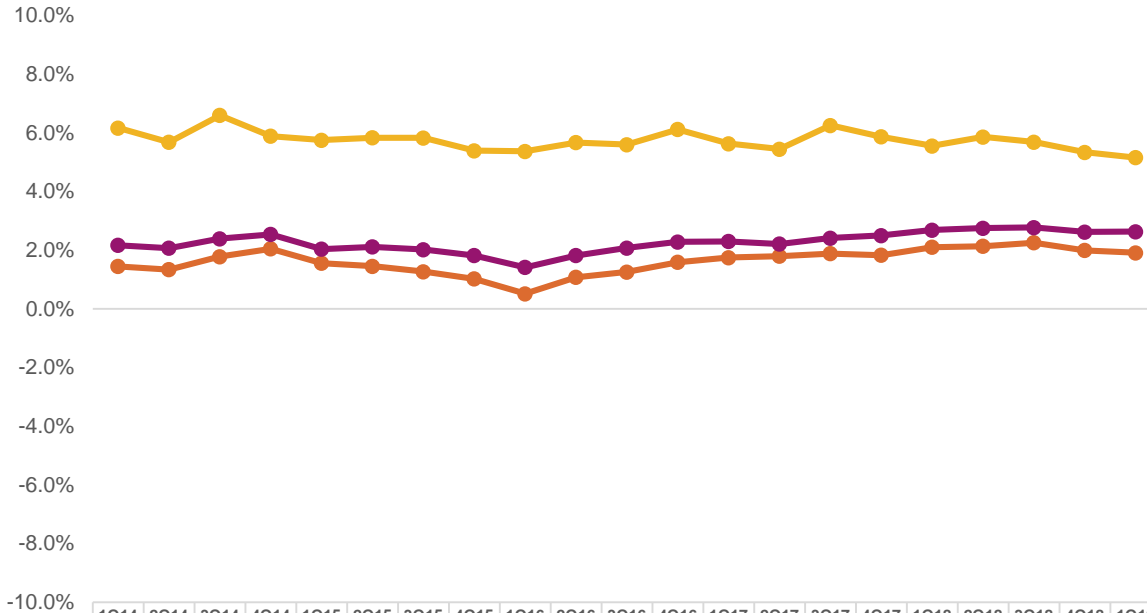
Expected Growth in Revenue and Profits



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

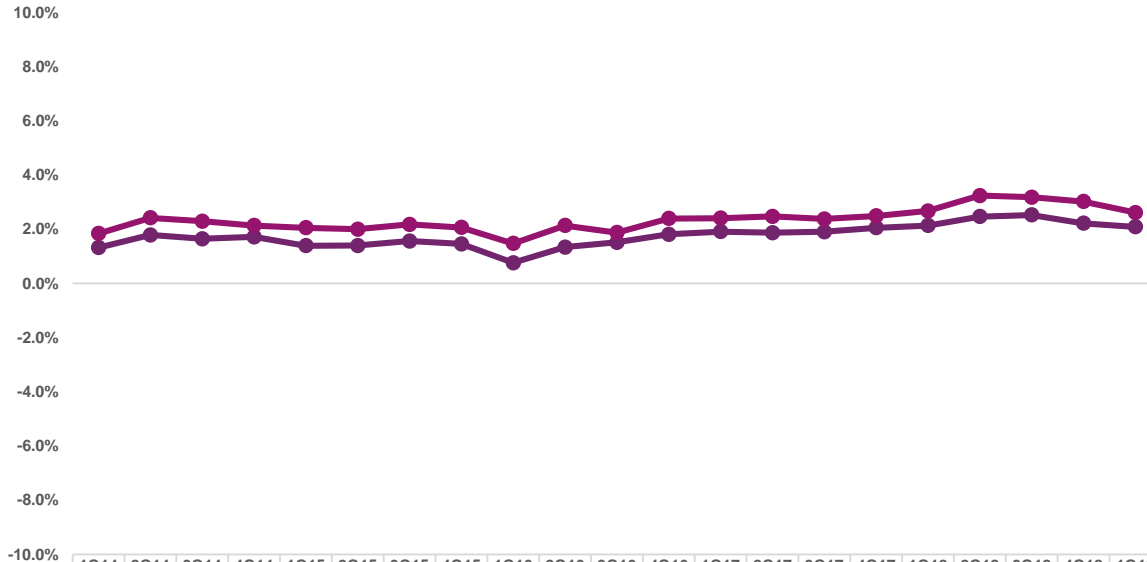
Employees, Salary & Benefits, and Healthcare Costs



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

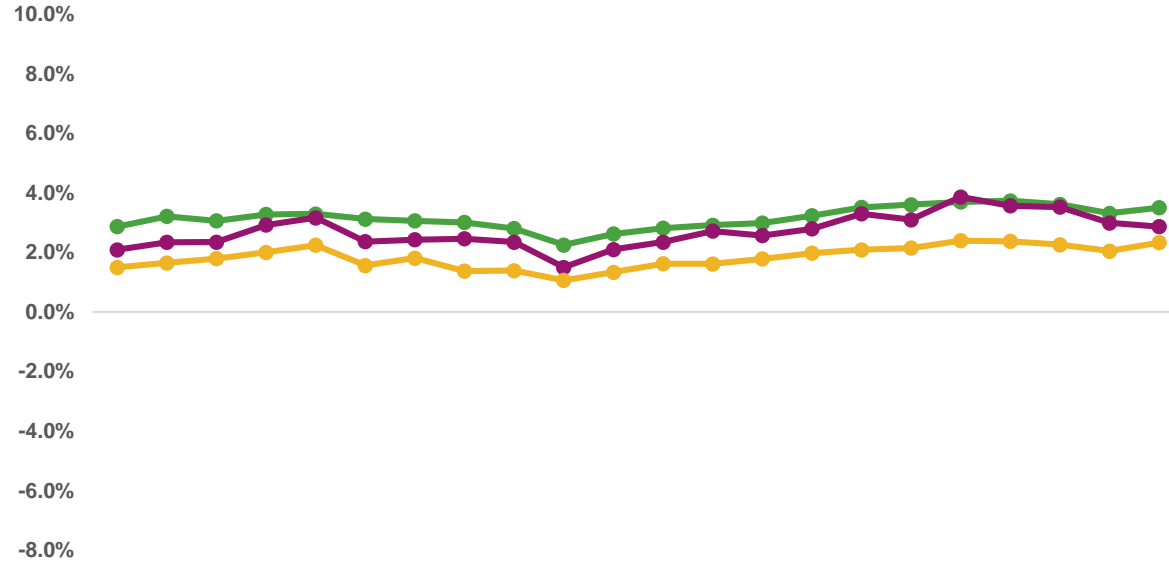


	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Prices Charged	1.3%	1.8%	1.7%	1.7%	1.4%	1.4%	1.6%	1.5%	0.8%	1.3%	1.5%	1.8%	1.9%	1.9%	1.9%	2.1%	2.1%	2.5%	2.5%	2.2%	2.1%
Input Prices	1.8%	2.4%	2.3%	2.1%	2.1%	2.0%	2.2%	2.1%	1.5%	2.1%	1.9%	2.4%	2.4%	2.5%	2.4%	2.5%	2.7%	3.2%	3.2%	3.0%	2.6%

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

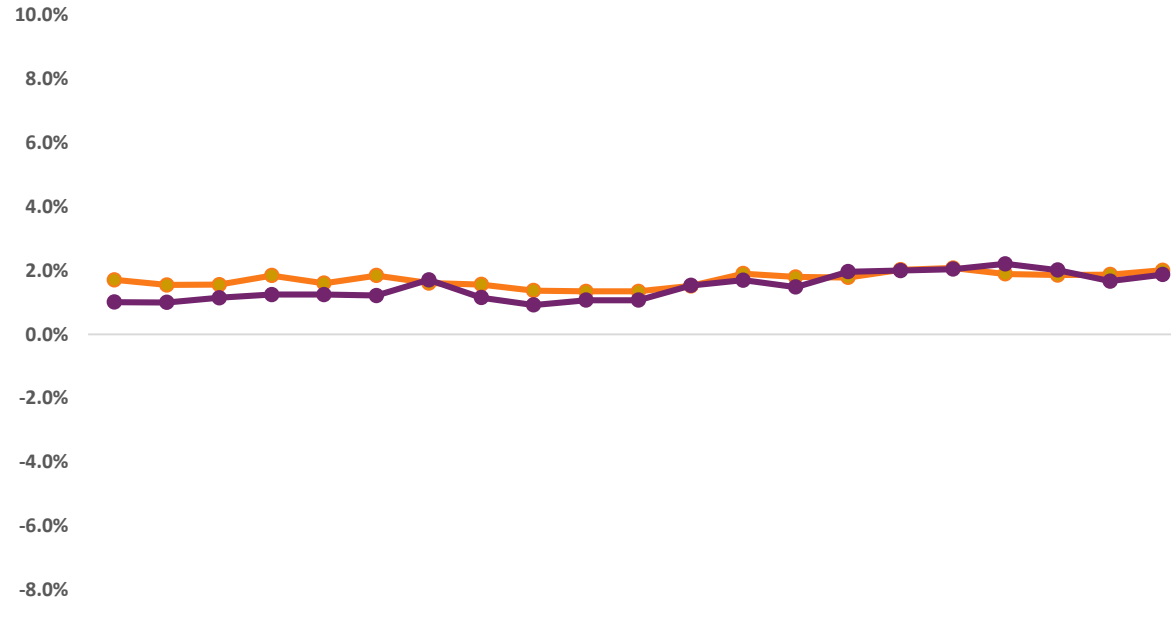
Key Performance Indicators

Spending Plans - IT, Other Capital & Training



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

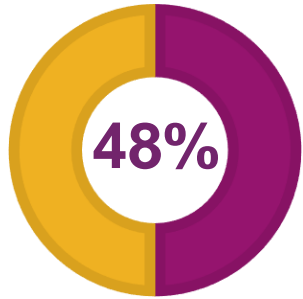


Marketing	1.7%	1.6%	1.6%	1.8%	1.6%	1.8%	1.6%	1.6%	1.4%	1.4%	1.4%	1.5%	1.9%	1.8%	1.8%	2.0%	2.1%	1.9%	1.9%	1.9%	2.0%
R&D	1.0%	1.0%	1.2%	1.3%	1.3%	1.2%	1.7%	1.2%	0.9%	1.1%	1.1%	1.5%	1.7%	1.5%	2.0%	2.0%	2.0%	2.2%	2.0%	1.7%	1.9%

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

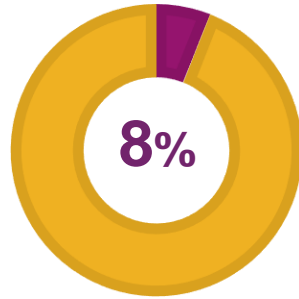
Hiring Plans

Remain relatively strong



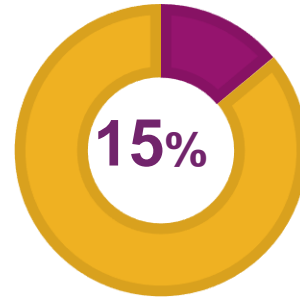
Have right number of employees

Down two points from Q4



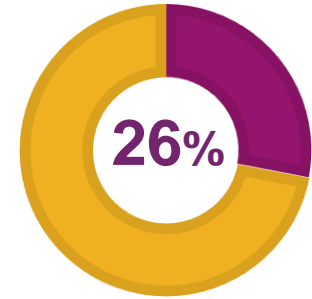
Have an excess of employees

Up two points from Q4, 2018



Have too few, but hesitating to hire

Up 1 point from Q4

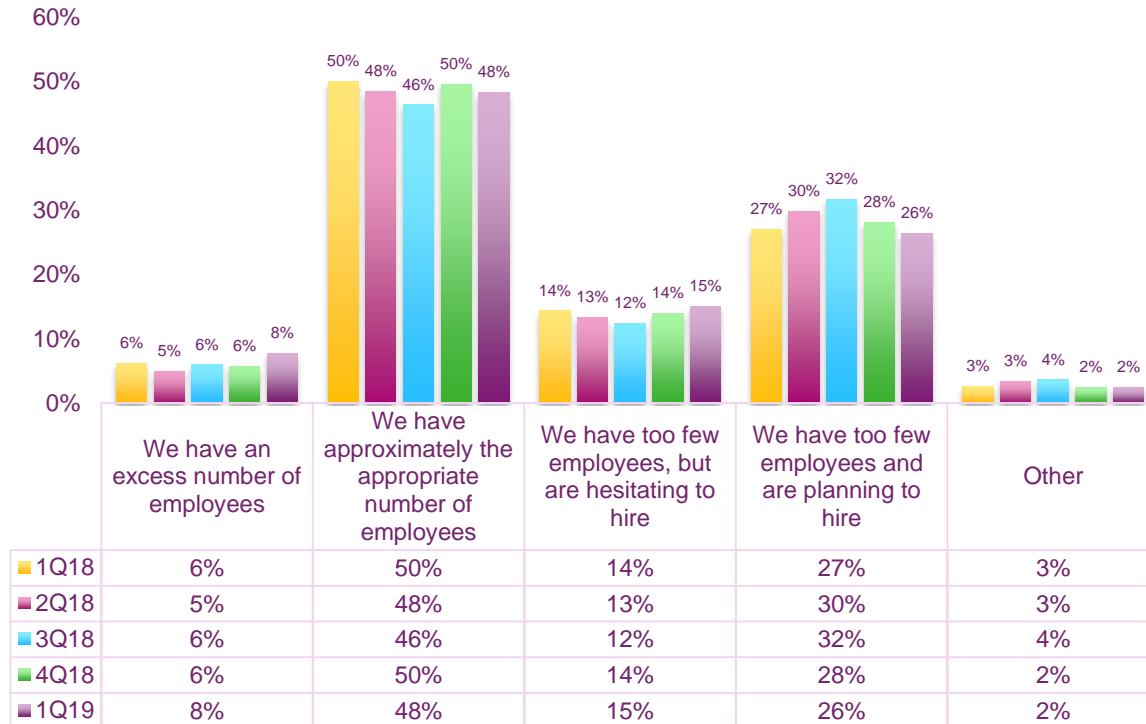


Have too few and planning to hire

Down 2 points from Q4

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
- Domestic competition and employee and benefit costs switch places in the 2nd and 3rd spots
- Regulatory requirements maintains its ranking at #4
- Domestic political leadership returned to the middle of the ranking at #5; followed by domestic economic conditions at #6
- Materials/supplies/equipment costs maintained the 7th spot
- Changing customer preferences gained another spot, moving from the 9th to the 8th spot
- Developing new products and services fell out of the top ten for the first time since Q4 2015
- Staff turnover fell from 5th place to 9th place, last seen in Q4 2017
- Financing (access/cost of capital) maintained the 10th spot

Indication of the top three challenges for your organization

Top Challenges

	1Q18	2Q18	3Q18	4Q18	1Q19
1	Availability of skilled personnel	Availability of skilled personnel	Availability of skilled personnel	Availability of skilled personnel	Availability of skilled personnel
2	Domestic competition	Regulatory requirements/changes	Regulatory requirements/changes	Employee and benefits costs	Domestic competition
3	Employee and benefits costs	Employee and benefits costs	Domestic competition	Domestic competition	Employee and benefits costs
4	Regulatory requirements/changes	Domestic competition	Employee and benefits costs	Regulatory requirements/changes	Regulatory requirements/changes
5	Developing new products/services/markets	Materials/supplies/equipment costs	Materials/supplies/equipment costs	Staff Turnover	Domestic political leadership
6	Domestic economic conditions	Domestic economic conditions	Developing new products/services/markets	Domestic economic conditions	Domestic economic conditions
7	Staff Turnover	Staff Turnover	Staff Turnover	Materials/supplies/equipment costs	Materials/supplies/equipment costs
8	Changing customer preferences	Changing customer preferences	Domestic economic conditions	Developing new products/services/markets	Changing customer preferences
9	Financing (access/cost of capital)	Developing new products/services/markets	Domestic political leadership	Changing customer preferences	Staff Turnover
10	Materials/supplies/equipment costs	Domestic political leadership	Financing (access/cost of capital)	Financing (access/cost of capital)	Financing (access/cost of capital)

Other issues currently looming large for business

Costs of integrating new technology into our production systems.

Significant technological changes - direct to consumer.

Cyber security risks

Impact of moving to more mobile delivery, trying to stay ahead of the curve.

Digital conversion

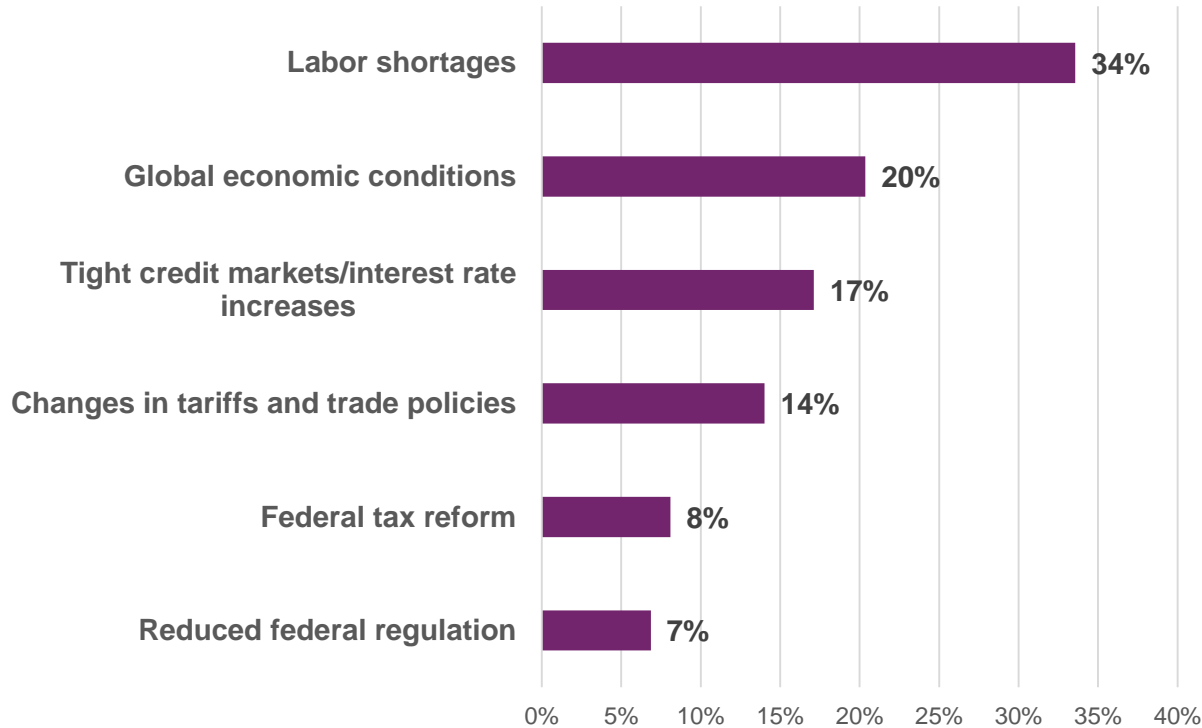
Keeping ahead of the technology curve with upgrades and wholesale changes to tech approach.

Implementing new technology solutions.

The consumer shift to online purchasing is our greatest challenge!!

Rapid changes in technology (particularly in automation, AI) force us to expend considerable effort and resource.

Factor likely to have most impact on your business



What factor is likely to have the most impact on your business over the next 12 months?

Industry, Region and Business-size Outlook



Retail trade declines;
Wholesale trade jumps

Retail trade declines from 69% to 56% optimistic

Wholesale trade bounces from 63% to 89% optimistic

Hiring for retail, however is expected to increase at a 1.9% rate in the coming 12 months, up from only a 0.8% rate expected our Q4 survey

Manufacturing declines;
Technology gives back gains

Manufacturing optimism falls off further from post-recession high to now only 57% optimistic in Q1

Technology eased back to 65% optimistic after rebound to 82% in Q4

Manufacturing hiring however improved from a 2.2% expected rate of increase in Q4 to a 2.6% increase in Q1

Technology hiring also eased from a 4.1% expected increase to 2.6%

Construction improves;
Real Estate eases

Construction optimism rebounded from 69% to 74% optimistic

Real Estate and Property gave back some Q4 gains, now 64% optimistic

Construction hiring eases from a 3.6% rate in Q4 to only 2.7% in Q1

Real Estate hiring expectations improved from 1.4% in Q4 to 2.1%.

Industry, Region and Business-size Outlook



Finance &
Insurance and
Professional
Services hiring
eases

Finance and Insurance optimism increased from 72% in Q4 to 74% optimistic

Professional Services gave back another 14 points from its Q3 high to 65% optimistic in Q1, 2019

Finance and insurance hiring, however, declined from 2.7% to 2.0%

Professional services hiring also fell off from an expected rate of increase of 4.9%, to only 2.4% going forward from Q1

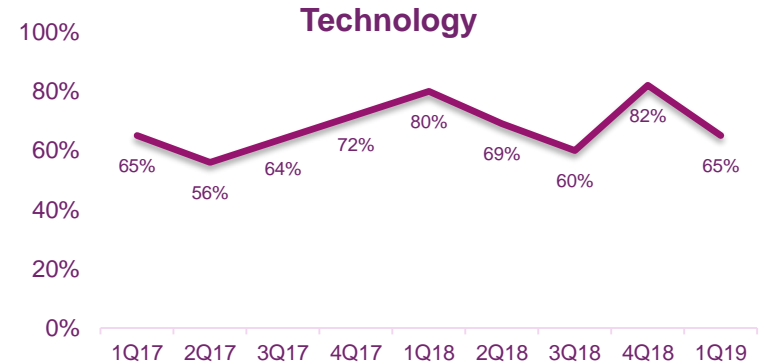
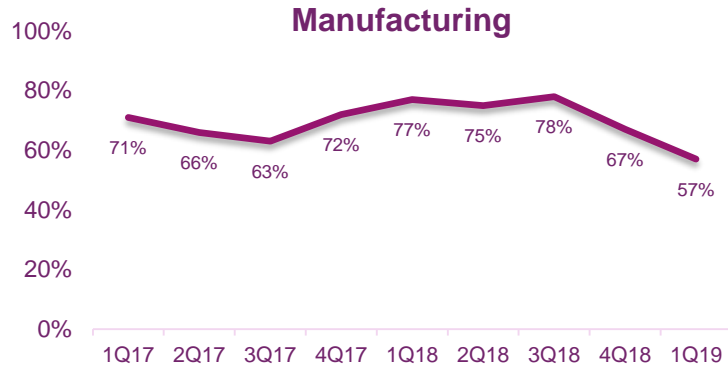
Healthcare
providers and
Healthcare –
others both
decline

Healthcare provider optimism fell back to 51% after rebounding in the second half of 2018

Healthcare – other optimism also declined from 65% optimistic to only 56% in Q1

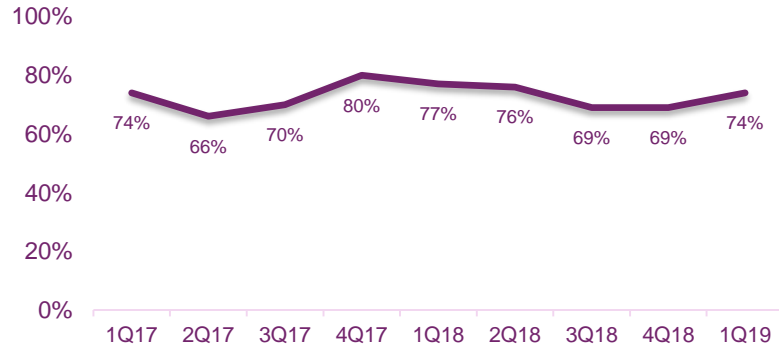
Expected hiring by Healthcare providers declined four tenths from 2.3% in Q4 to 1.9% in the first quarter

Organization Optimism by Industry

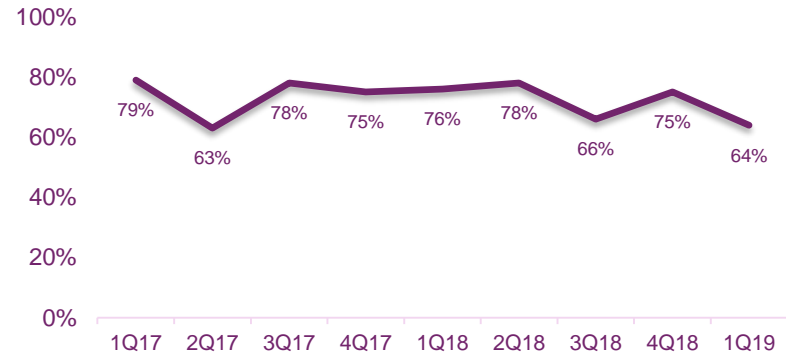


Organization Optimism by Industry

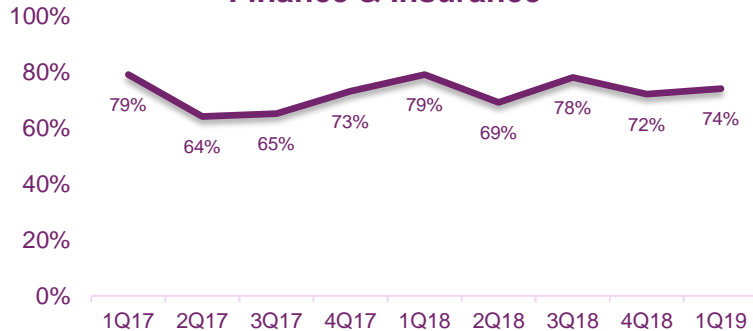
Construction



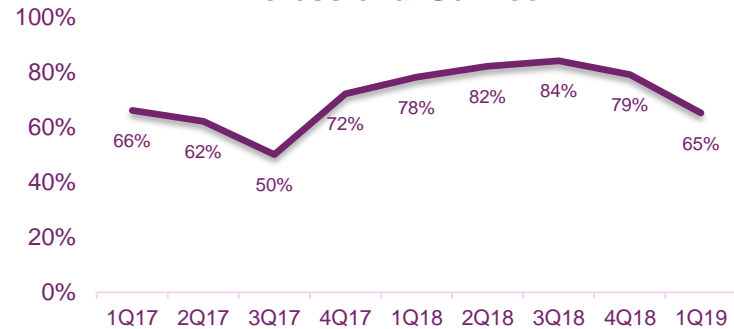
Real Estate & Property



Finance & Insurance

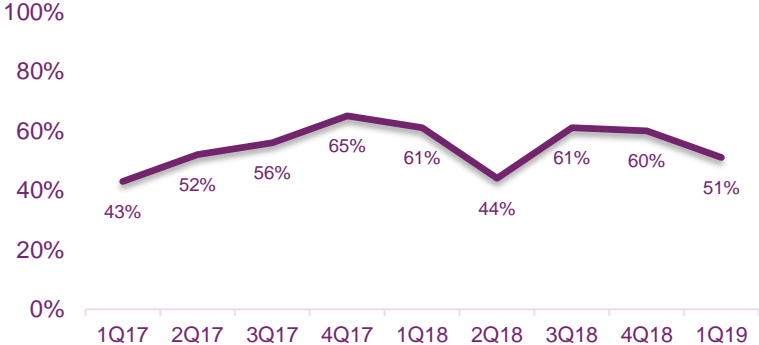


Professional Service

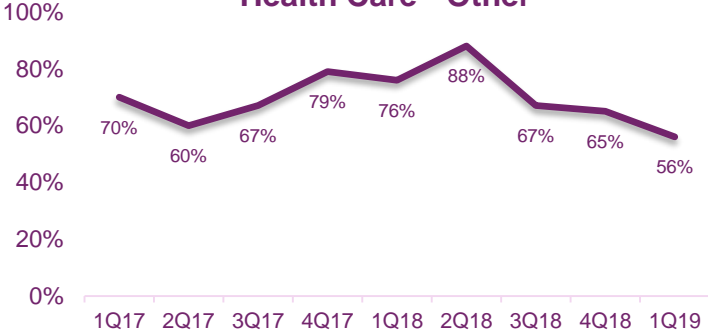


Organization Optimism by Industry

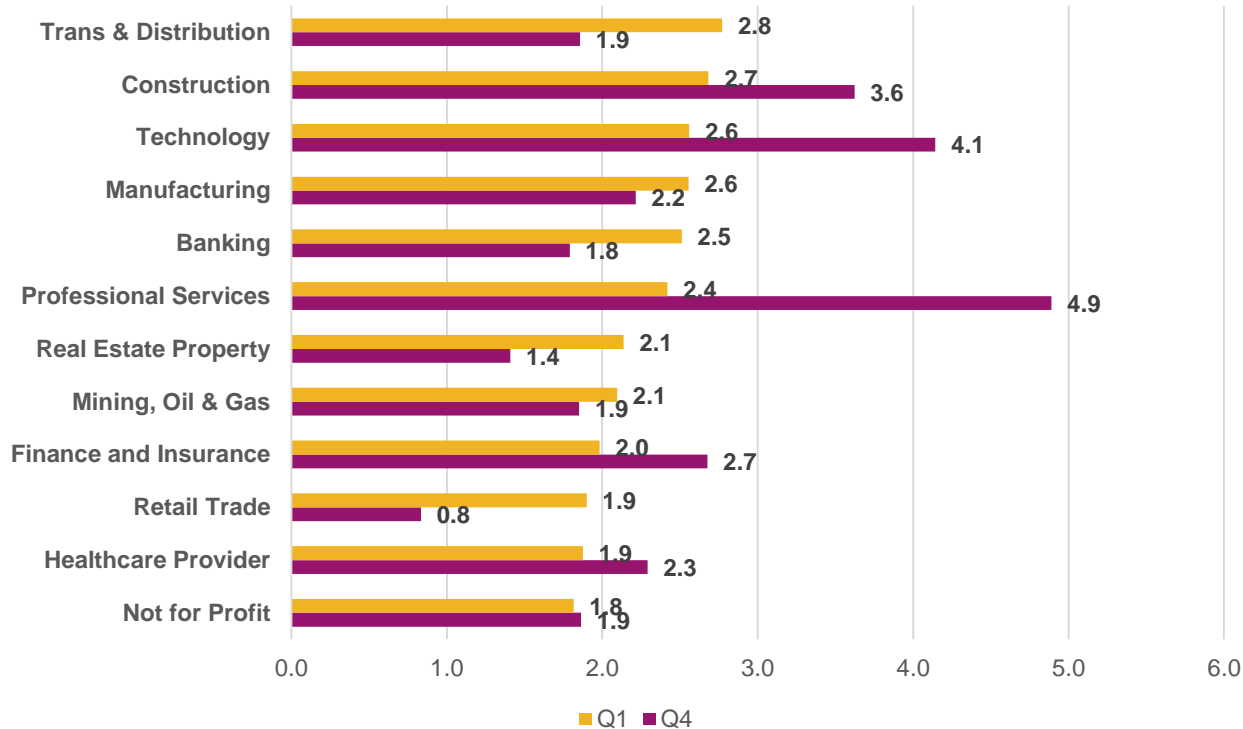
Health Care Provider



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

Industry, Region and Business-size Outlook

Regional optimism shows mixed results

Midwest – optimism dropped 9% from Q4 at 73% to 64%

West – optimism gained 9% from Q4 level at 65% to 74%

South – dropped 4% to 67%

Northeast – optimism fell to 50%, giving back 14

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

For employers with > \$1 billion in revenues, only 11% now have excess employees, while 39% have too few. Of those with too few employees, 23% remain hesitant while 16% are planning to hire.

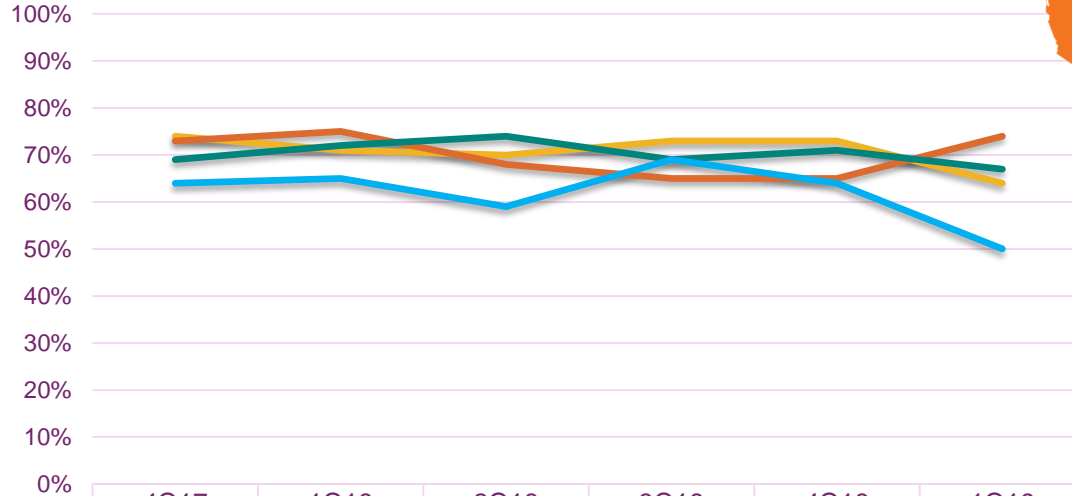
Of those in the \$100 million to \$1 billion category, 42% say they have too few employees; only 29% are hiring; while 13% are hesitant.

In the \$10 - \$100 million range, 40% now have too few employees; of those with too few, 27% have plans to hire; only 13% are hesitant

Of employers with revenues < \$10 million 47% have too few employees, up from 33% in Q1, 2018; 29% are planning to hire; 18% are hesitant.

Expectations for expansion by businesses with revenues < \$10 million eased 4 points to 60%. Plans for companies in the \$10 - \$100 million category eased 3 points to 67%. Companies in the \$100 million to \$1 billion range recovered to 67% from only 62% with expansion plans in Q4; those with revenues in excess of \$1 billion fell another 5 points from 71% to 66%.

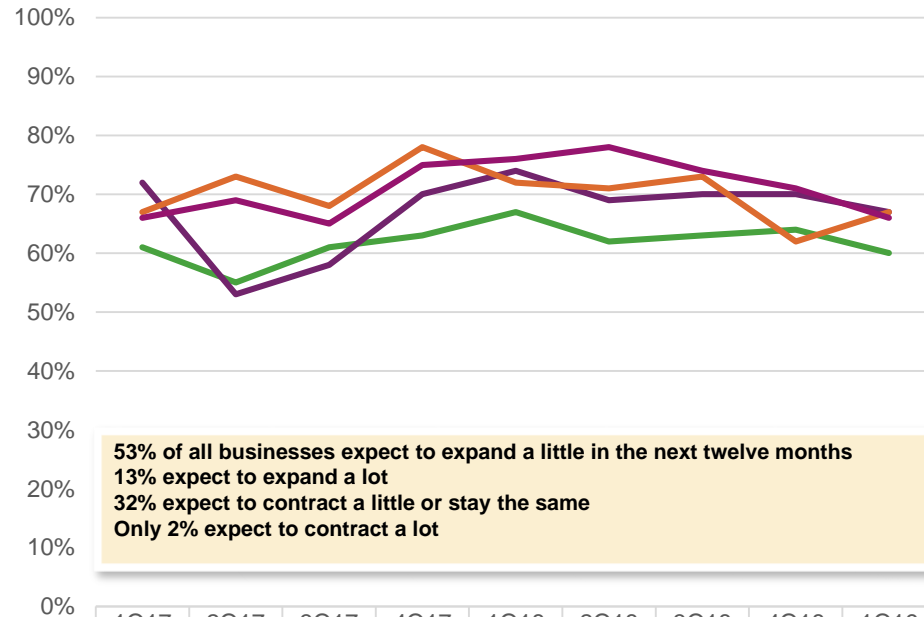
Organization Optimism by Region



	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
Midwest	74%	71%	70%	73%	73%	64%
West	73%	75%	68%	65%	65%	74%
South	69%	72%	74%	69%	71%	67%
Northeast	64%	65%	59%	69%	64%	50%

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

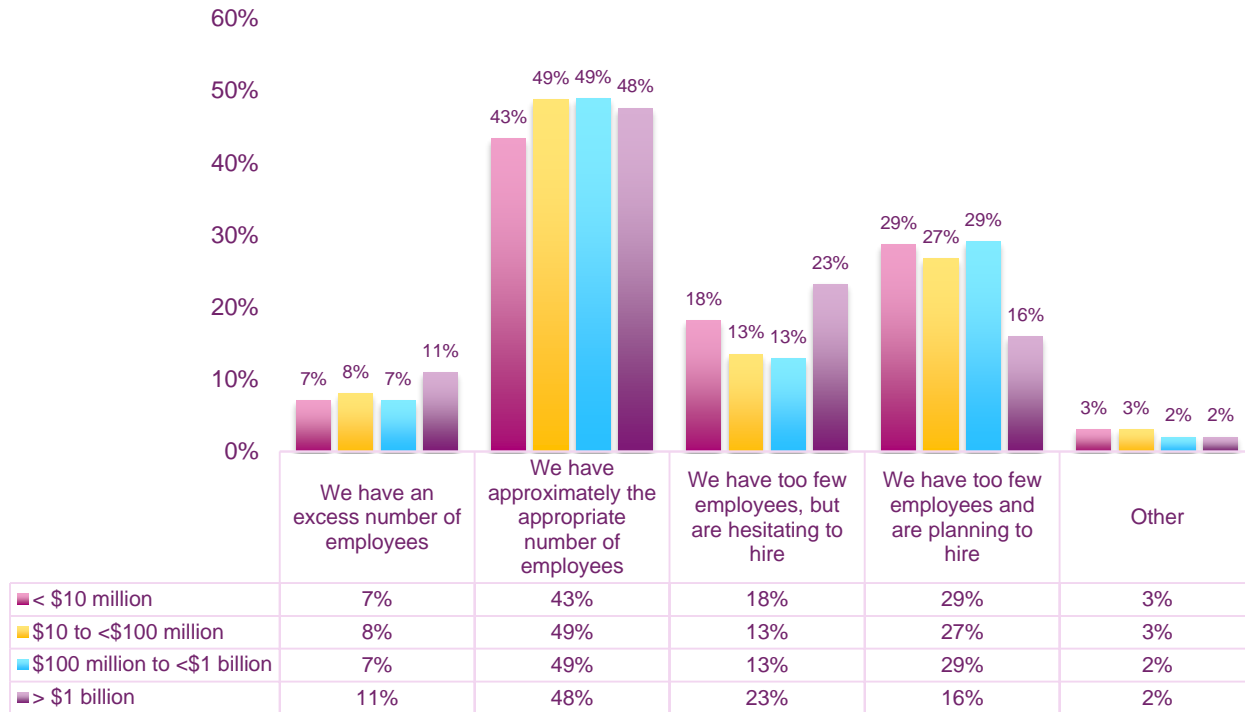
Expansion Plans by Business Size



	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19
< \$10 million	61%	55%	61%	63%	67%	62%	63%	64%	60%
\$10 to <\$100 million	72%	53%	58%	70%	74%	69%	70%	70%	67%
\$100 million to <\$1 billion	67%	73%	68%	78%	72%	71%	73%	62%	67%
> \$1 billion	66%	69%	65%	75%	76%	78%	74%	71%	66%

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



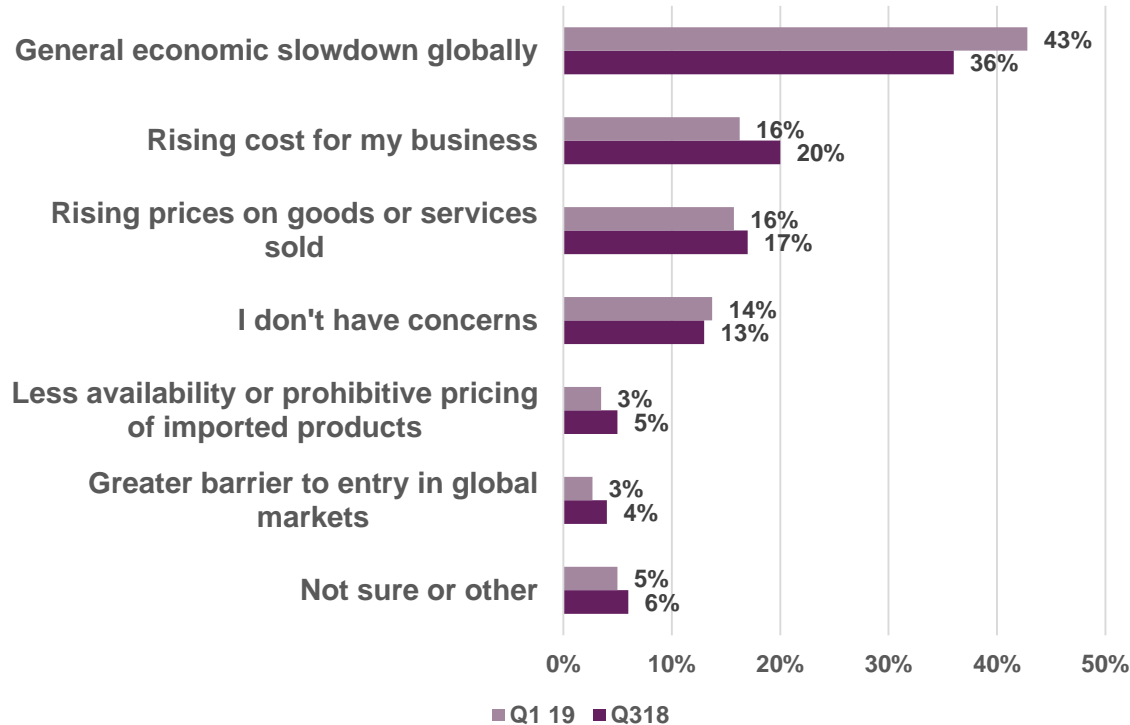
Given current conditions, how would you characterize your overall staffing situation relative to your needs (i.e., do you have excess capacity or are employees stretched)?

AICPA Economic Outlook Survey

Survey within a Survey

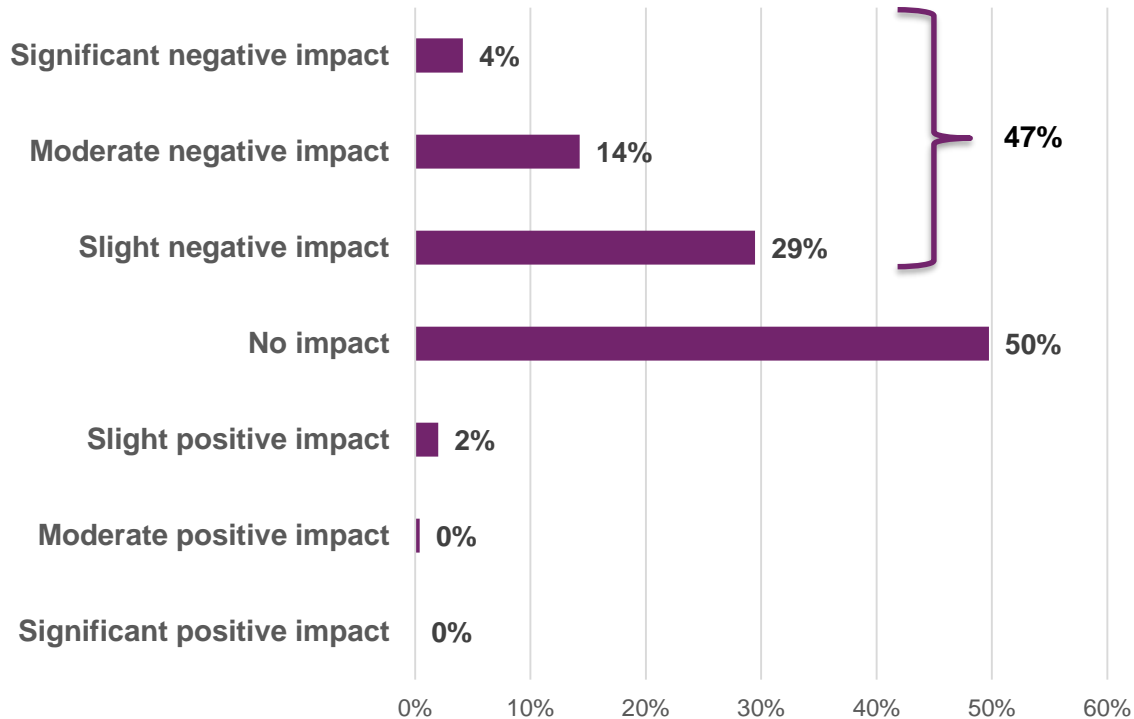
**Trade Tensions &
Brexit**

Trade Tensions – Greatest Concern



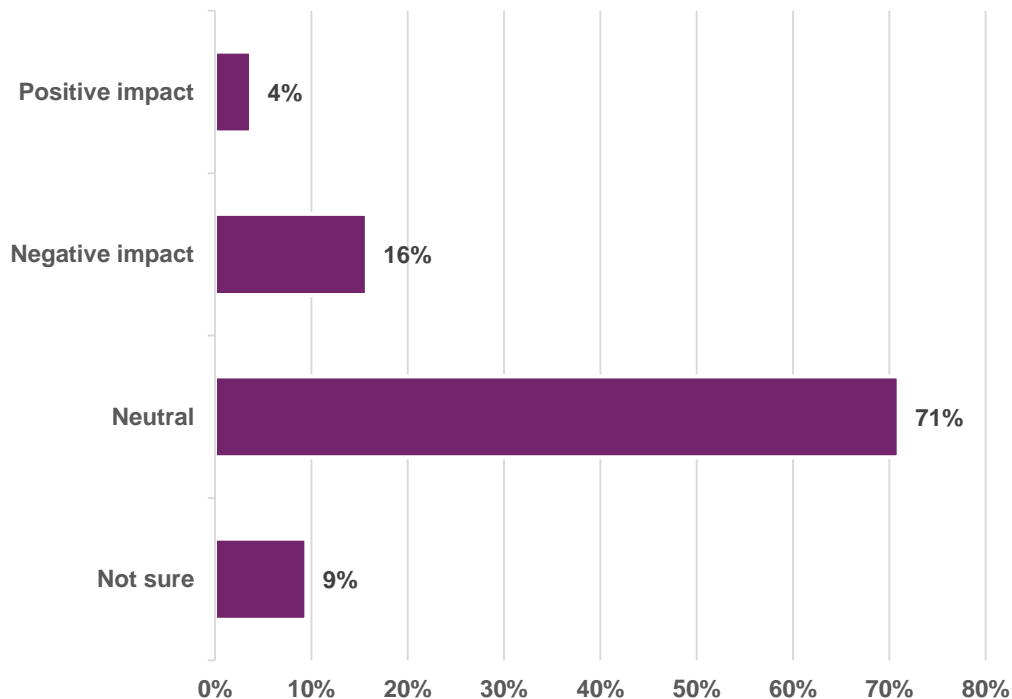
What is your greatest concern about rising trade tensions?

Trade Tensions – Impact on Business



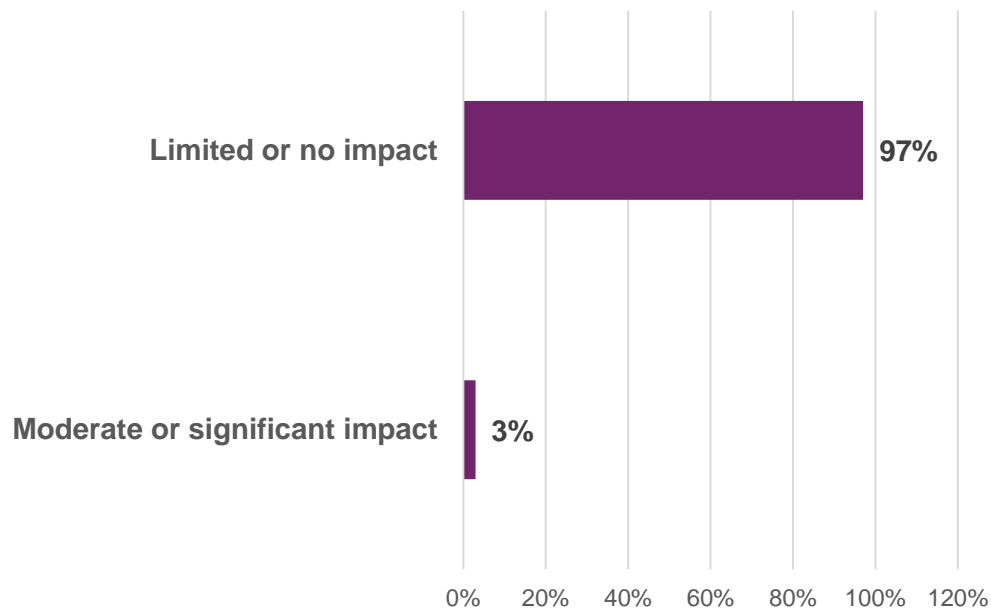
Has your business seen any impact from trade conflicts or tariffs in the past 12 months?

Brexit – Bottom line impact



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

Brexit – Strategic Planning Impact



To what extent has uncertainty about the ultimate Brexit outcome impacted your strategic planning?

Brexit – Strategic Planning Impact

Comments re: Brexit impact on strategic planning

We have been planning for scenarios for our European operations, but are waiting to see where the dust settles before finalizing our strategic plan.

UK partner still not clear on impact, so impossible for us to plan until they have identified their impact

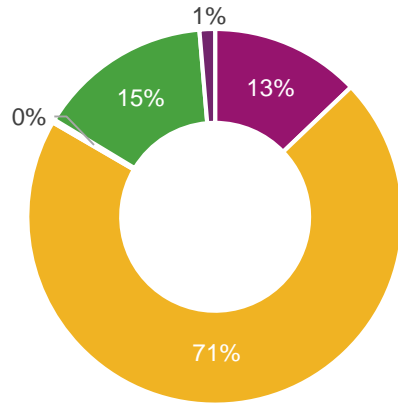
Fewer sales in the UK Also, our European Office is in the UK so unclear if we'll keep it there or move to continental Europe.

Operations located in UK that source all throughout Europe

To what extent has uncertainty about the ultimate Brexit outcome impacted your strategic planning?

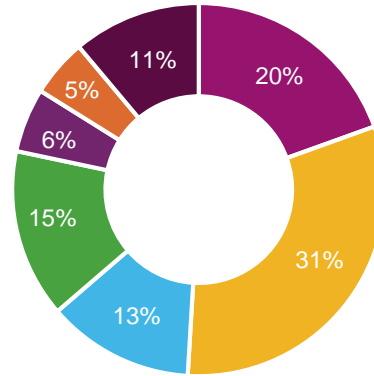
Demographics

Type of Organization



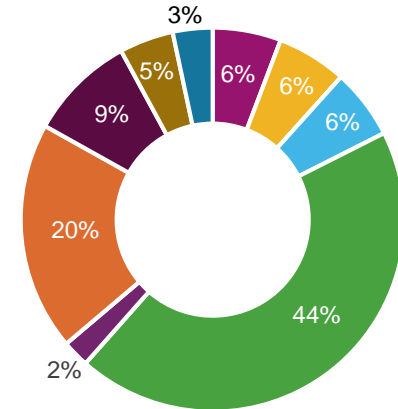
- Publicly Listed Company
- Privately Owned Entity
- Government
- Not for Profit
- Other

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



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



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