



Association
of International
Certified Professional
Accountants®

The unified voice of AICPA and CIMA

AICPA Business and Industry Economic Outlook Survey

Detailed Survey Results: 4Q 2020

Management Accounting & Finance



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of International
Certified Professional
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Survey Background

- Conducted between November 10-December 2, 2020
- Quarterly survey
- CPA decision makers
 - primarily CFO's, CEOs and Controllers
- AICPA members in Business & Industry
- 740 qualified responses

Survey Highlights

CPAOI

Overall Index improves from 54 to a level of 62

- US Economy optimism up from 37 to 50
- All components up including US Economic, Organization Optimism, and Employment
- Expansion plans, revenue and profit expectations all trending upward

Economy and Organization

Optimism about the economy, organization prospects and expansion plans rebound

- U.S. Economy rebounds from 24% in Q3 to 37% in Q4
- Organization optimism rebounds 8 points to 49%
- Global economy outlook also improves 10 points from only 17% to 27% optimistic

Expansion Employment Challenges

Expansion plans rebound to 47% having plans to expand

Overall levels of employment are now expected to be up slightly; many sectors expecting improvement, but retail expecting to decline, along with hospitality and extractive sector

Domestic economic conditions and domestic political leadership continue in the #1 and #2 position; availability of skilled personnel moved up another spot to #3

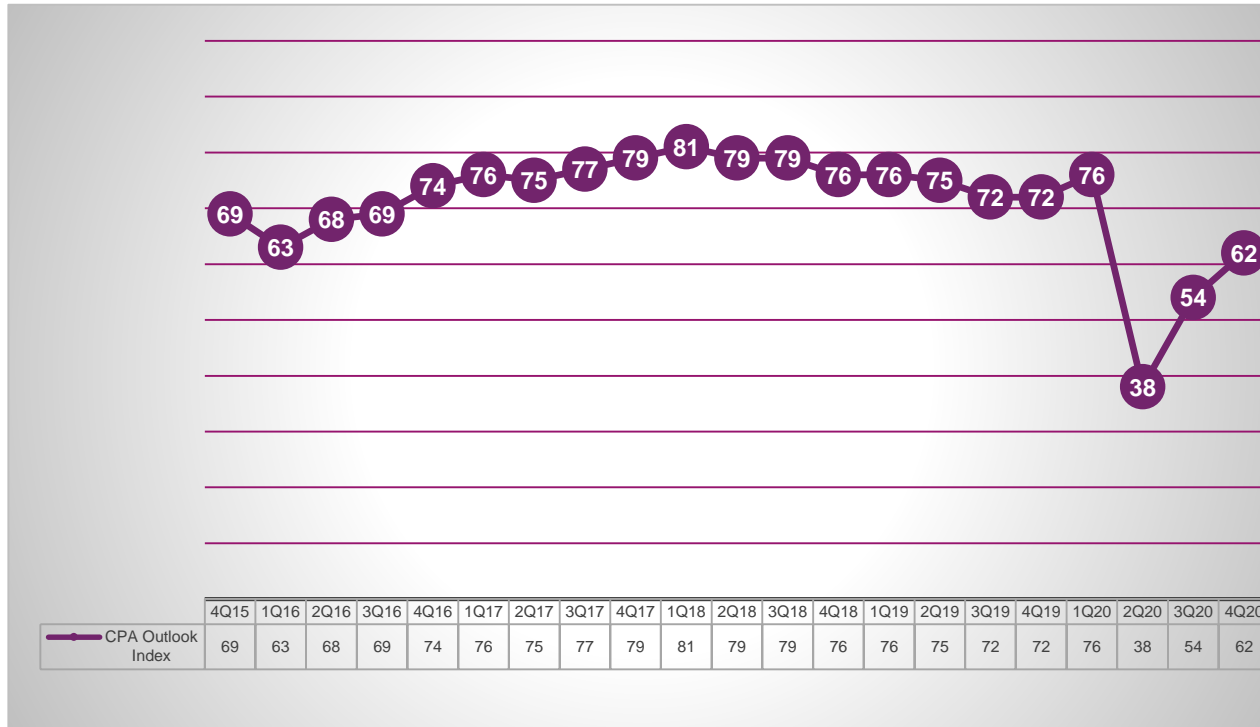
CPA Outlook Index (CPAOI)

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)



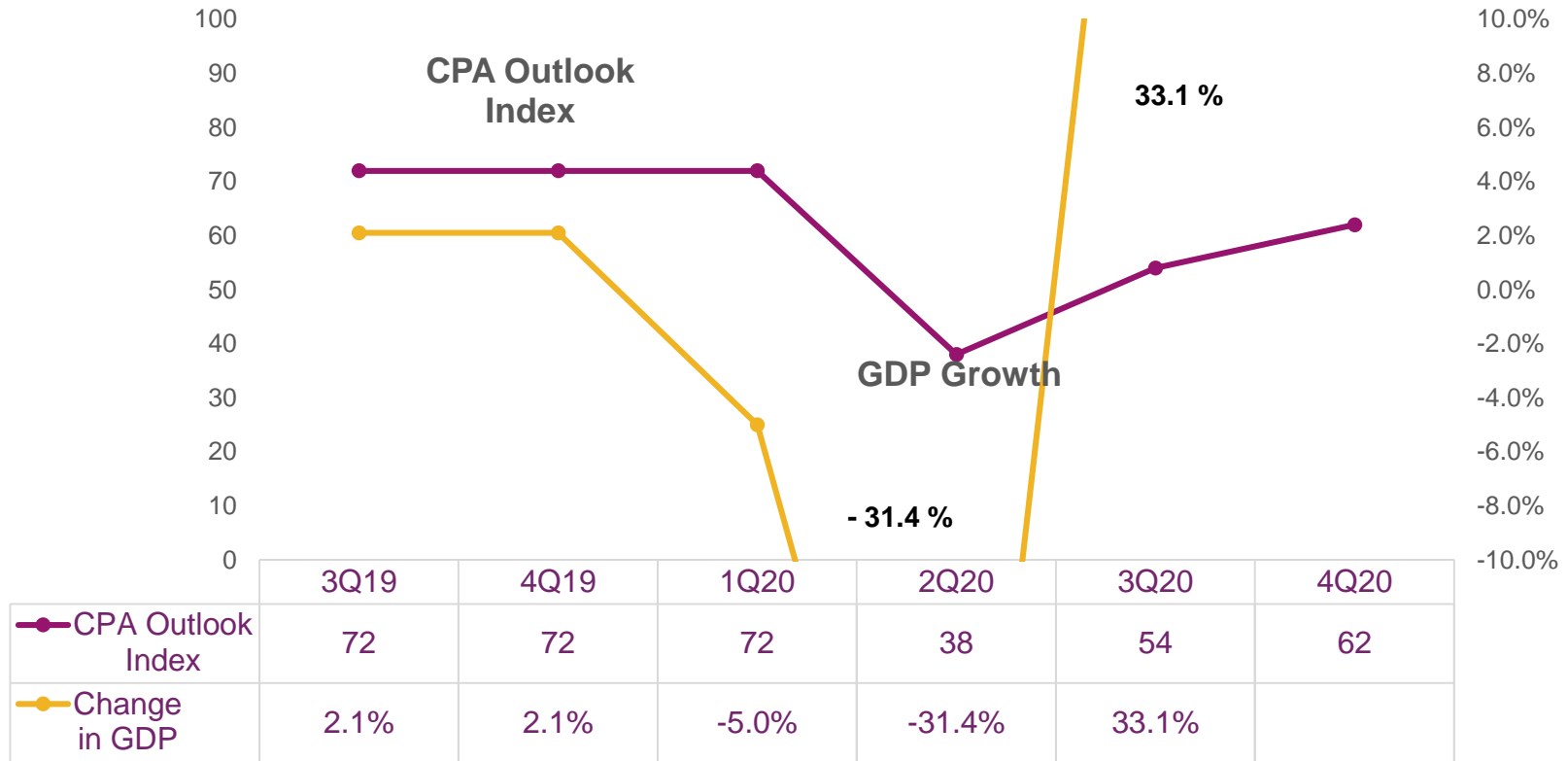
A reading above 50 indicates a generally positive outlook with increasing activity.

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

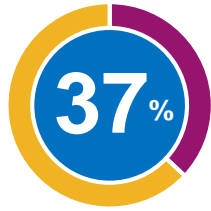
CPA Outlook Index (CPAOI)

Component	4Q19	1Q20	2Q20	3Q20	4Q20	ΔQ to Q	ΔY to Y
U.S. Economic Optimism	64	74	29	37	50	↑13	↓14
Organization Optimism	73	78	46	58	66	↑08	↓07
Expansion Plans	71	75	33	54	61	↑07	↓10
Revenue	76	81	27	51	62	↑11	↓14
Profits	71	73	26	47	53	↑06	↓18
Employment	70	71	38	54	63	↑09	↓07
IT Spending	80	81	59	71	76	↑05	↓04
Other Capital Spending	71	74	43	56	66	↑10	↓05
Training & Development	72	73	45	56	63	↑07	↓09
Total CPAOI	72	76	38	54	62	↑08	↓10

CPA Outlook Index (CPAOI) vs. GDP



U.S. Economy, Organization and Inflation

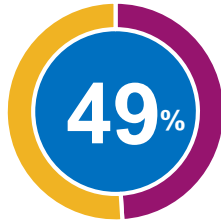


Optimism for U.S. economy gains 13 points

Both optimists and pessimists cite the outcome of the election as part of their rationale.

On the positive side, consumer demand, stock market rebound, and the possibility of a 2nd stimulus were noted, along with the news about vaccines

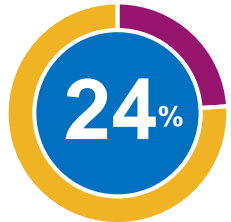
Negative concerns included a second Covid wave, non-compliance, and possible additional shut-downs



Organization optimism recovers 8 points from 41% in Q3 to 49% in Q4

Expansion plans rebound from 43% of with plans to expand their business in Q3 to now 47% having plans to expand.

Of the balance, 28% expect to stay the same, 19% expect to contract a little, now only 6% expect to contract a lot



Concern about inflation rebounded to 24%; concern about deflation dropped to 7%

Raw materials cost concerns as most significant risk ticked up to 31%

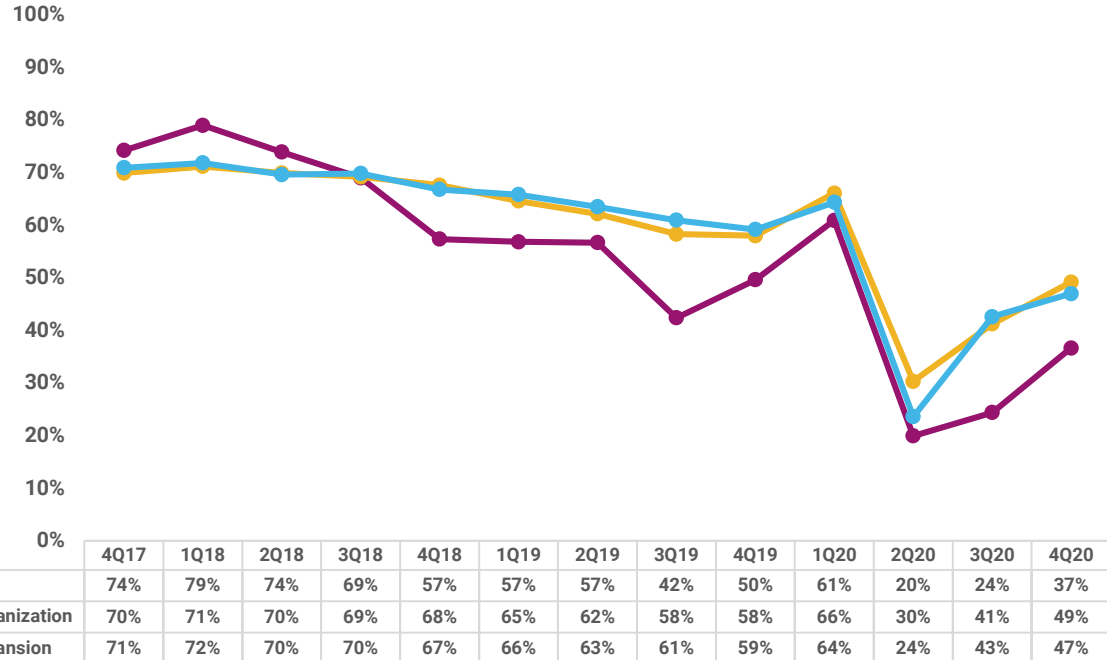
Concern about labor costs dropped to 31%

Interest rate concerns remained constant at 12%

Energy cost concerns ticked up to 11%

Food cost concerns as most significant eased from 5% in Q3 to 2%

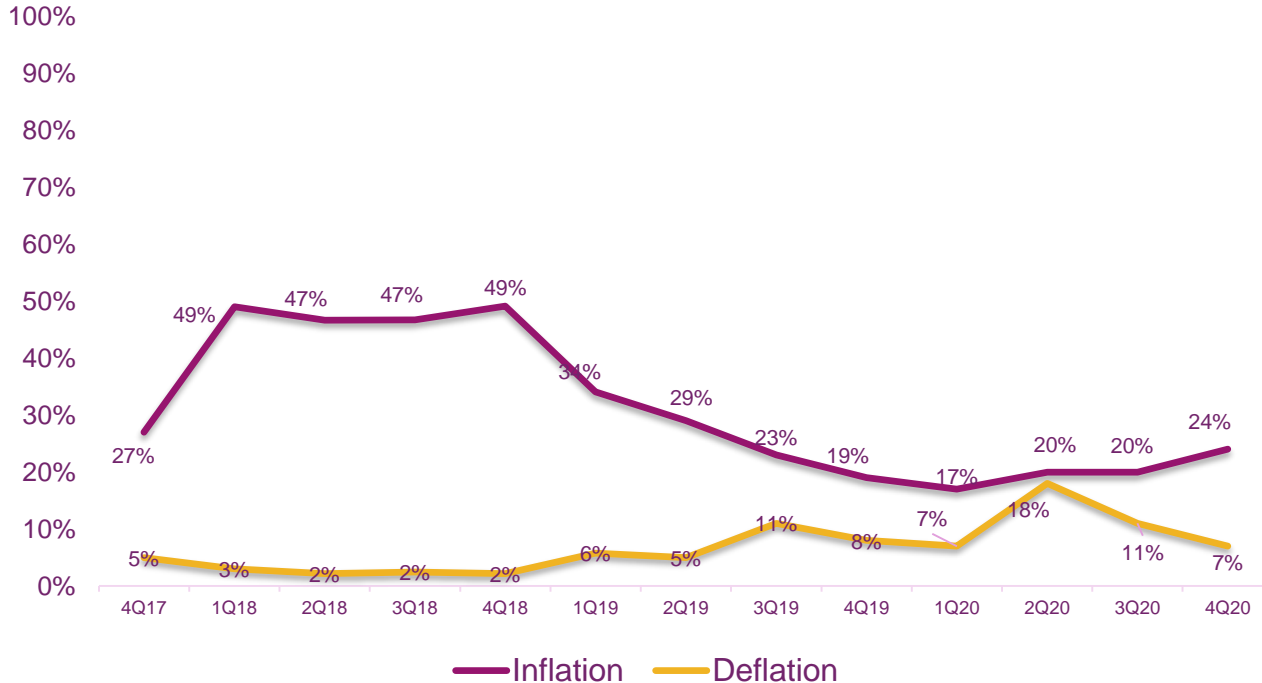
Optimism & Expansion



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



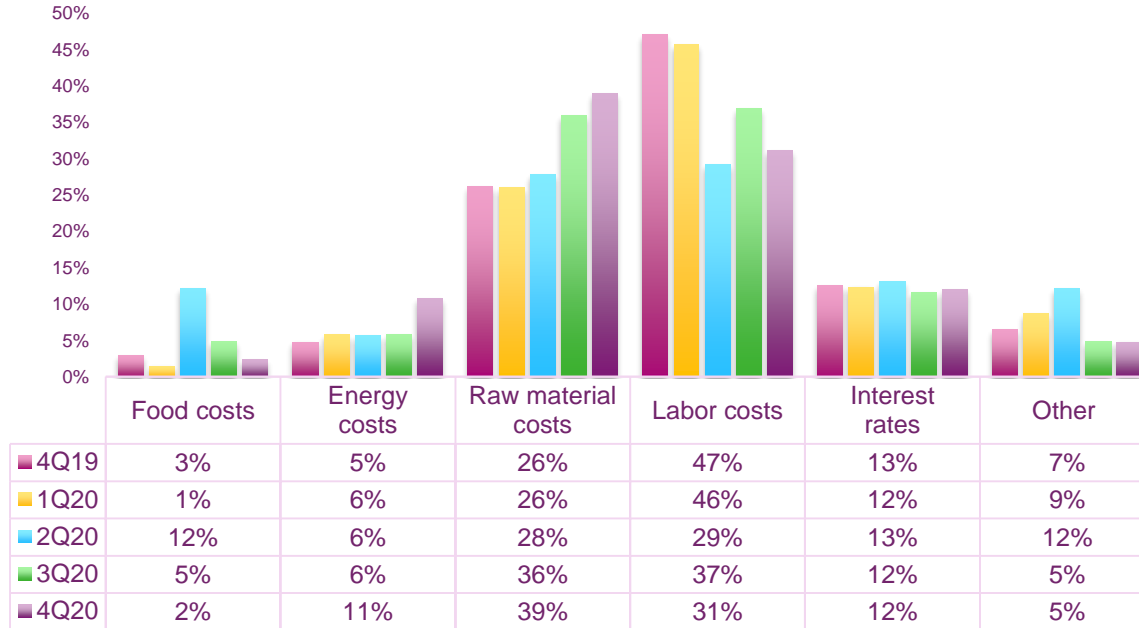
Inflation or Deflation?



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 Indicator Summary



Revenues and Profits

Revenue and profit expectations move back into positive territory

Expected revenue for coming twelve months improve from an expected decrease of -0.6% in Q3 to 1.2% going forward from Q4

Profit projections also improved from -1.2% in Q3 to 0.2 in Q4

Hiring and Employment

Headcount plans also show some recovery

Anticipated rate of headcount change improved from 0.0% in Q3 to 0.8% in Q4

Salary and benefit expected costs are now expected to decrease at a rate of -3.2% going forward from Q4 rather than the expected Q3 increase of 0.9%

Healthcare costs are now expected to increase at a rate of 4.3%, constant with the expected rate of increase from Q3

Spending Plans

Spending plans improve

Expected rate of increase for IT spending improves from 1.9%, 2.8%

Other capital spending now projected to increase by 1.7%, up from 0.7. expected in Q3

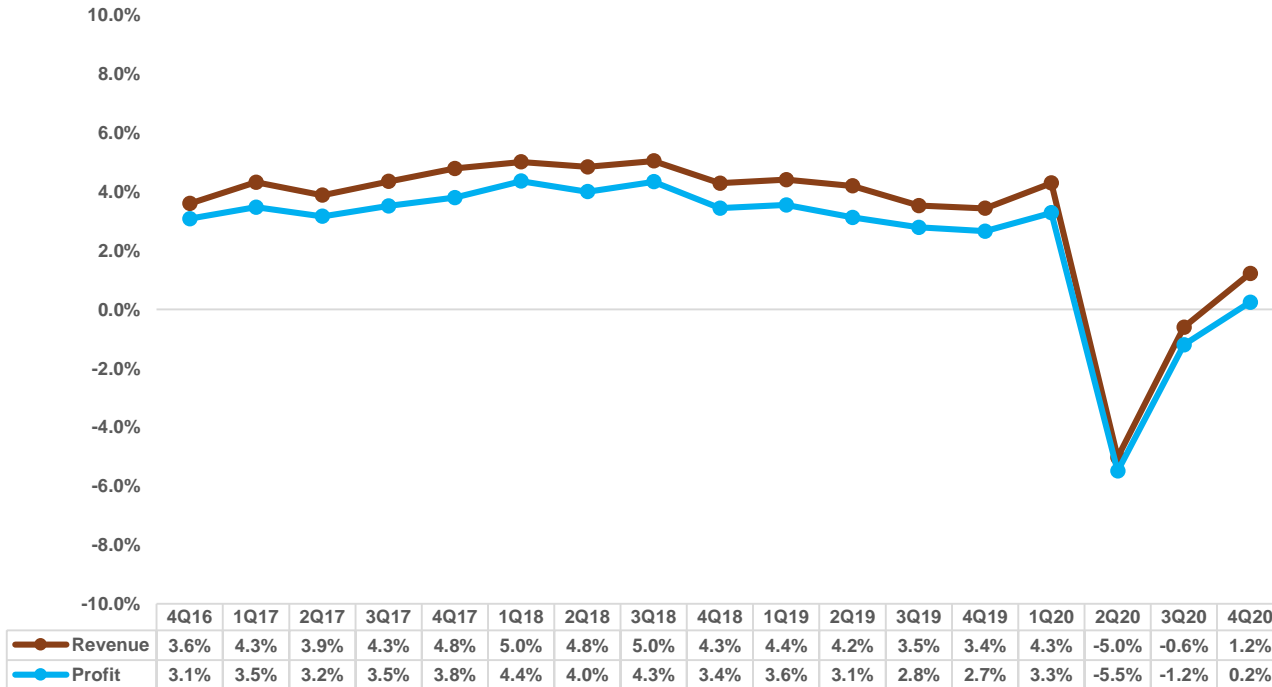
Training spend now expected to increase by 0.7%, rather than decline by -0.2% last quarter

Marketing spending also recovers from -0.5% in Q3 to 0.7% in Q4

R&D spending plans also ticked up from 0.1% to 0.9%

Key Performance Indicators

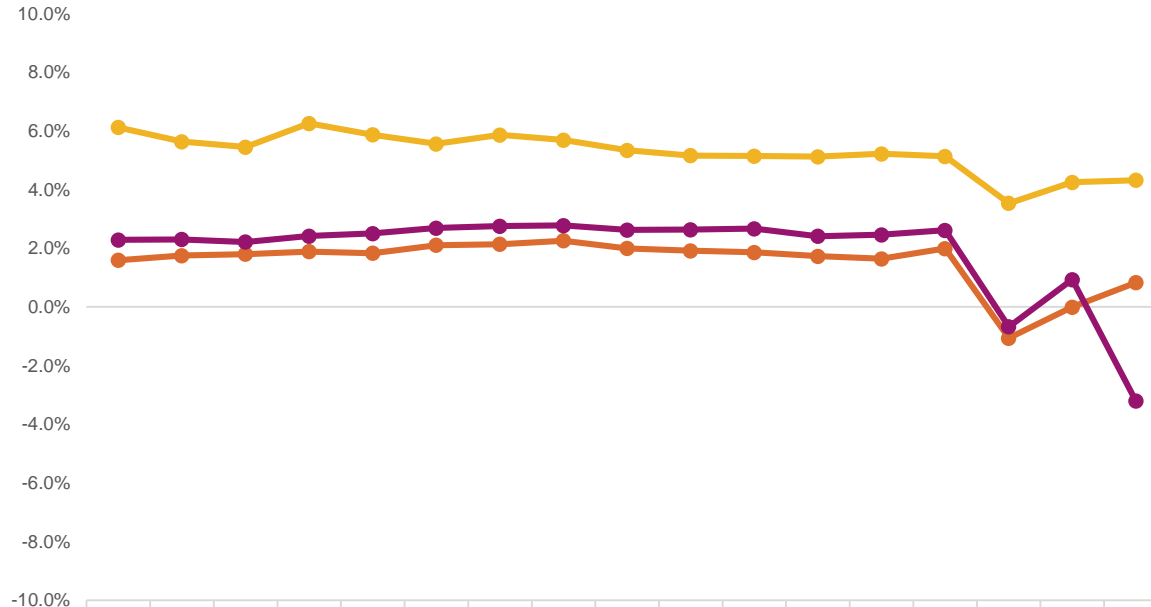
Expected Growth in Revenue and Profits



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

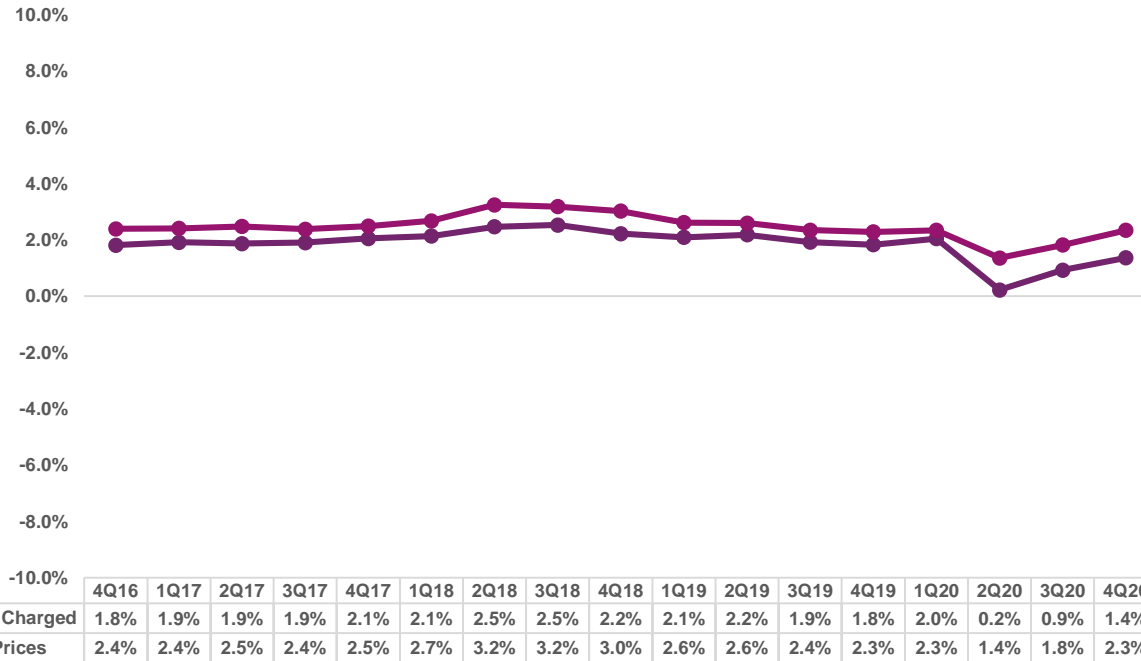


	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Employees	1.6%	1.8%	1.8%	1.9%	1.8%	2.1%	2.1%	2.3%	2.0%	1.9%	1.9%	1.7%	1.6%	2.0%	-1.1%	0.0%	0.8%
Salary & Benefits	2.3%	2.3%	2.2%	2.4%	2.5%	2.7%	2.8%	2.8%	2.6%	2.6%	2.7%	2.4%	2.5%	2.6%	-0.7%	0.9%	-3.2%
Healthcare	6.1%	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%	4.3%	4.3%

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

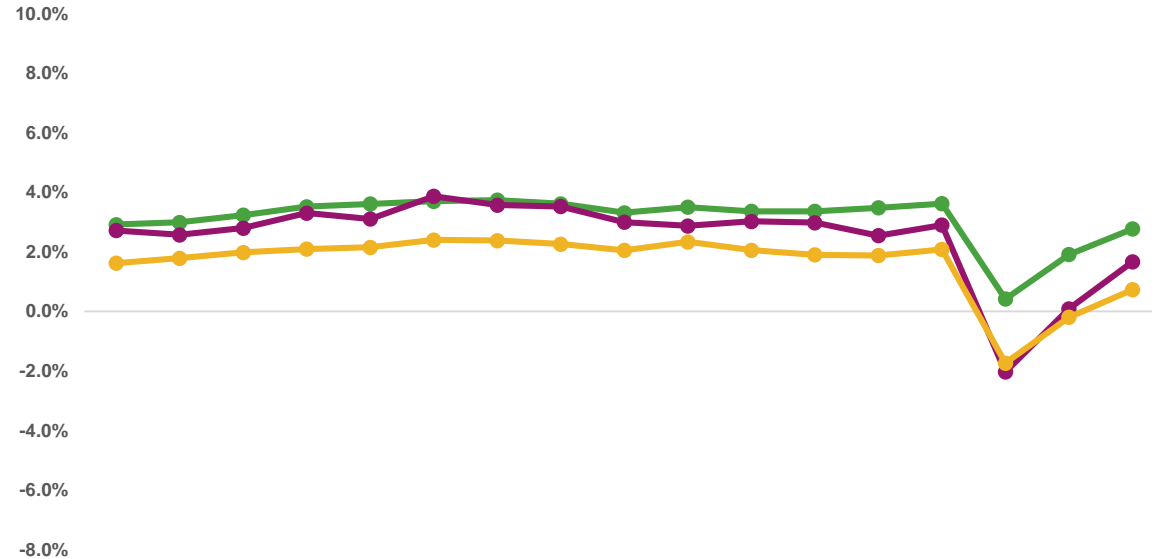
Pricing & Other Costs Average Change Expected



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

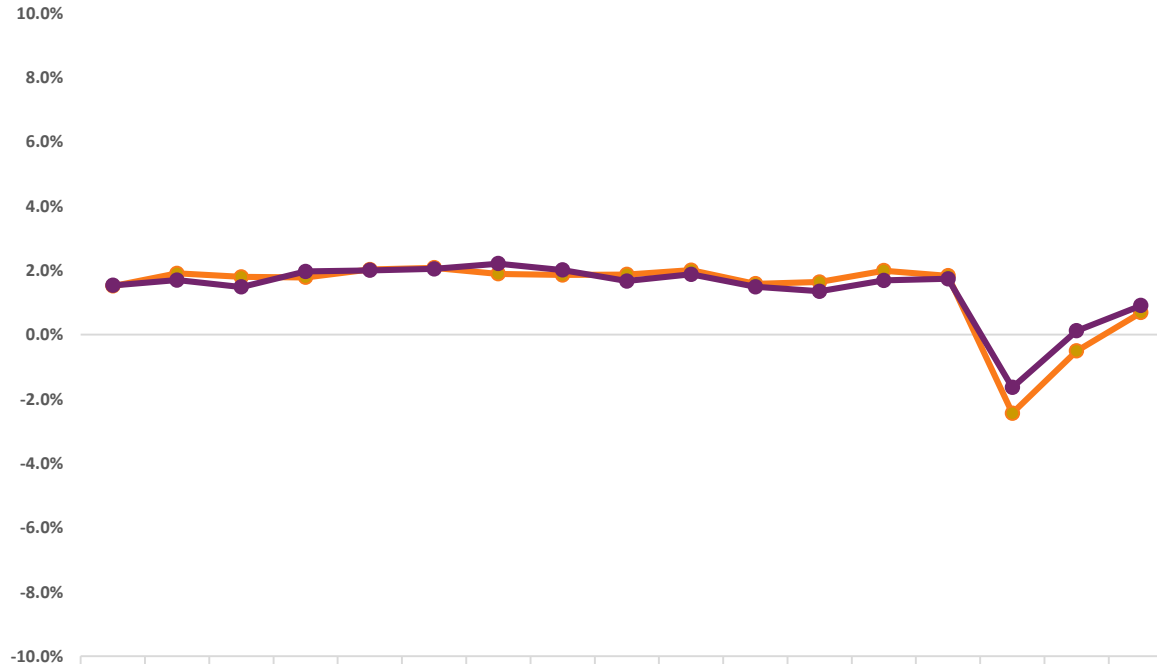


	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
IT	2.9%	3.0%	3.2%	3.5%	3.6%	3.7%	3.7%	3.6%	3.3%	3.5%	3.4%	3.4%	3.5%	3.6%	0.4%	1.9%	2.8%
Other Capital	2.7%	2.6%	2.8%	3.3%	3.1%	3.9%	3.6%	3.5%	3.0%	2.9%	3.0%	3.0%	2.5%	2.9%	-2.0%	0.1%	1.7%
Training	1.6%	1.8%	2.0%	2.1%	2.2%	2.4%	2.4%	2.3%	2.0%	2.3%	2.1%	1.9%	1.9%	2.1%	-1.7%	-0.2%	0.7%

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



	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Marketing	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%	-0.5%	0.7%
R&D	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%	0.1%	0.9%

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 Summary

Remain relatively strong

51%

Have right number of employees

Down 4% from Q3

11%

Have an excess of employees

Down 5% from Q3

17%

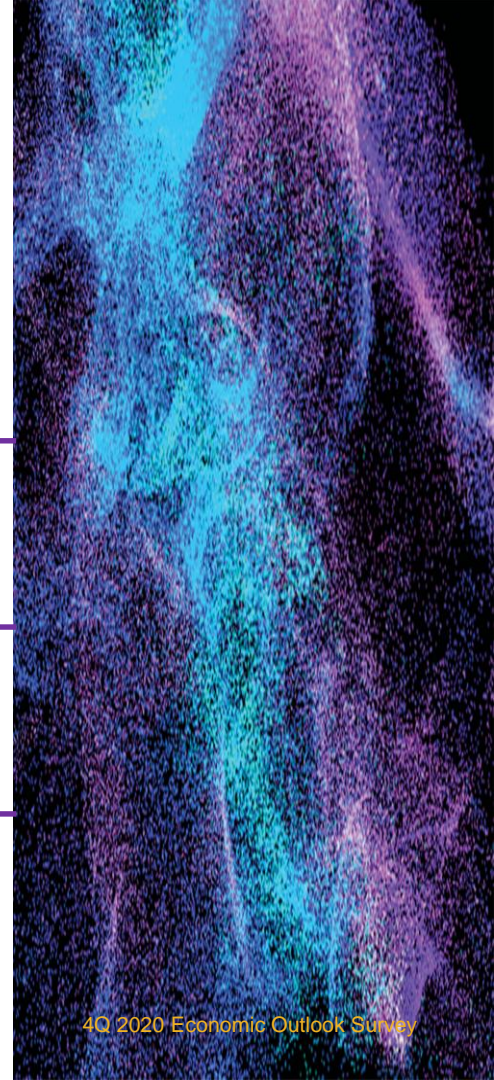
Have too few, but hesitating to hire

Up 3 points from Q3

17%

Have too few and planning to hire

Up 4 points from Q3



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 Challenges Facing Organizations

Top

- Domestic economic conditions remained as #1 challenge
- Domestic political leadership remained solid as #2
- Availability of skilled personnel moves up 1 spot to #3
- Regulatory requirements jump up 2 spots to #4
- Stagnant/declining markets remained in the #5 spot
- Global economic conditions move up 1 spot to #6
- Domestic competition jumps up 2 spots to #7
- Developing new products/services/markets last seen 1Q20 returns to 8th place
- Employee and benefit costs drops 6 spots to #9
- Materials/supplies/equipment costs remained solid as 10th position

Indication of the top three challenges for your organization

10 Challenges YTD

Top

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

Industry, Region and Business-size Outlook



Retail down while
wholesale trade
rebounds

Retail trade optimism declined from 48% optimistic in Q3 to only 42% optimistic in Q4

Hiring for retail also fell of from an expected increase of 1.0% going forward from Q3, to now a decline of -1.3% in 2021

Wholesale trade rebounded to 66% optimistic



Manufacturing
and eases
slightly;

Manufacturing optimism eased from 54% to 52% optimistic

Manufacturing hiring plans improved slightly from an expected increase of 0.7% in Q3 to 1.3% in Q4



Technology also

Technology gave back some Q3 gains, falling from 55% optimistic in Q3 to only 48% in Q4

Technology hiring expectations eased from 1.5% to 1.1%



Construction
rebound holds;

Construction optimism held its Q3 gains adding a point to now 50% optimistic

Construction hiring plans are expected to be flat in 2021



Real estate
bounces back

Real Estate and Property recovered from only 31% to 45% optimistic

Real Estate hiring is expected to follow suit with the gain in optimism, increasing at a rate of 1.1%

Industry, Region and Business-size Outlook



Finance & Insurance improves;

Finance and Insurance optimism improves from 49% to 65% optimistic

Finance and insurance hiring is expected to improve from 0.6% in Q3 to 1.0% in Q4



Professional Services also improve

Professional Services also continued its recovery to now 50% optimistic

Professional services hiring is now expected to increase at a rate of 1.4%



Healthcare-providers optimism improves;

Healthcare provider optimism improves to 56% optimistic

Expected hiring by Healthcare providers, is now expected to increase by 0.8%

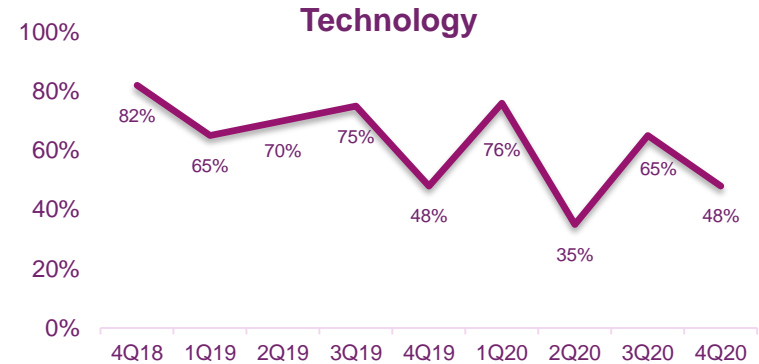
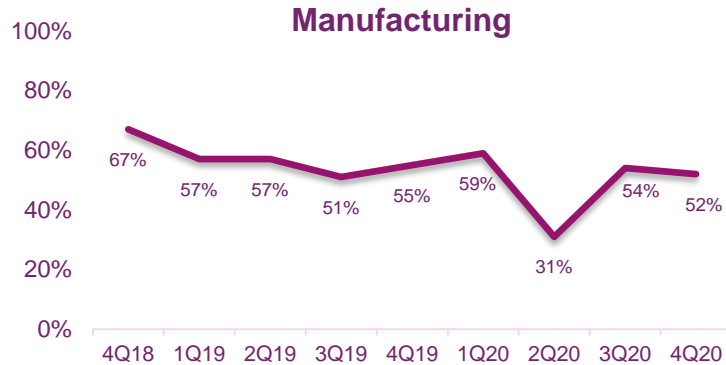
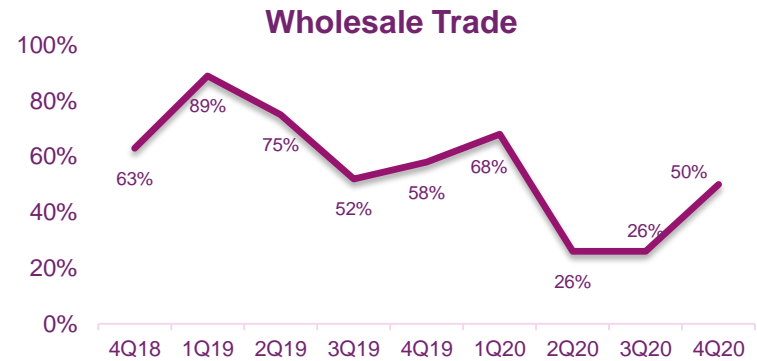
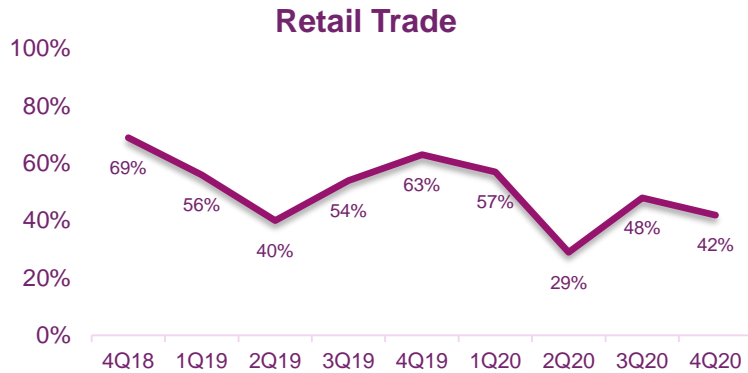


Healthcare – others optimism rebounds

Healthcare–other rebounded from 38% in Q3 to now 65% in Q4

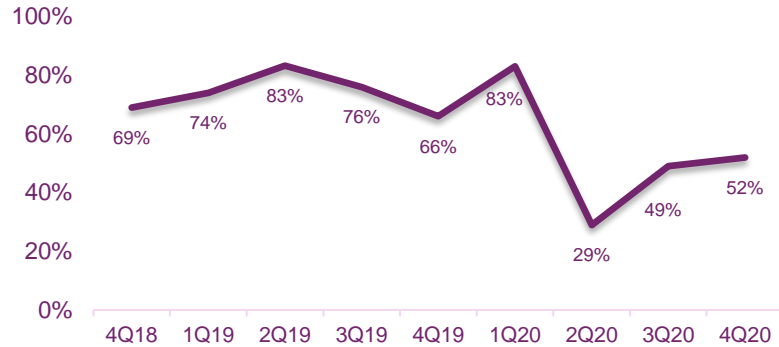
Healthcare – other hiring is also expected to increase at a rate of 1.3% from Q4

Organization Optimism by Industry

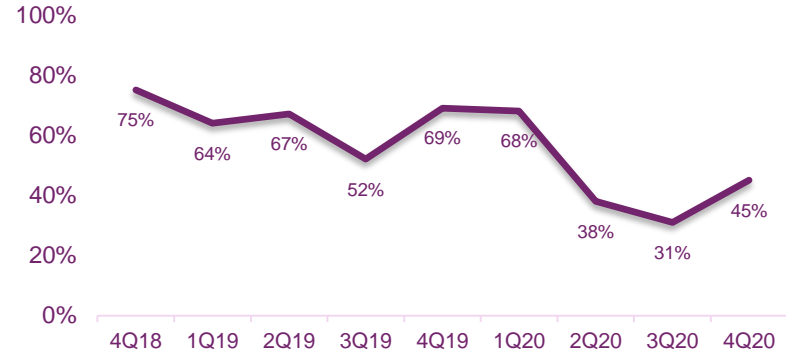


Organization Optimism by Industry

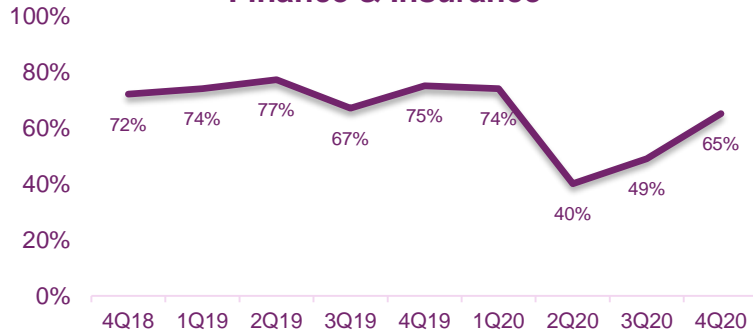
Construction



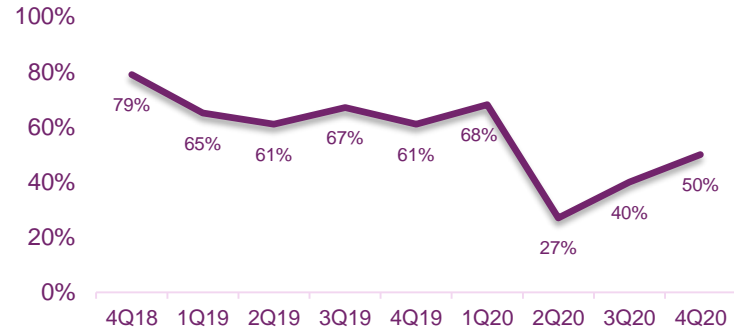
Real Estate & Property



Finance & Insurance

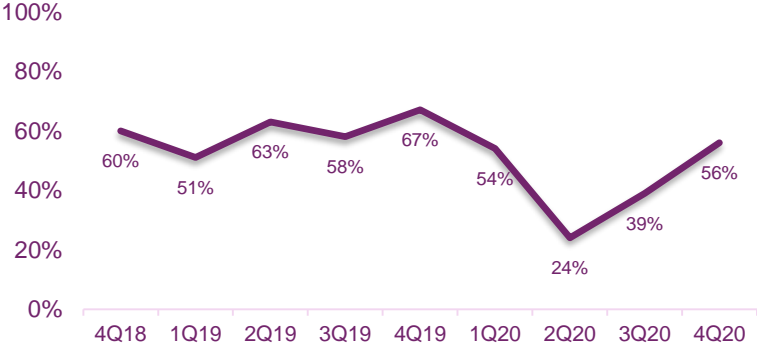


Professional Service

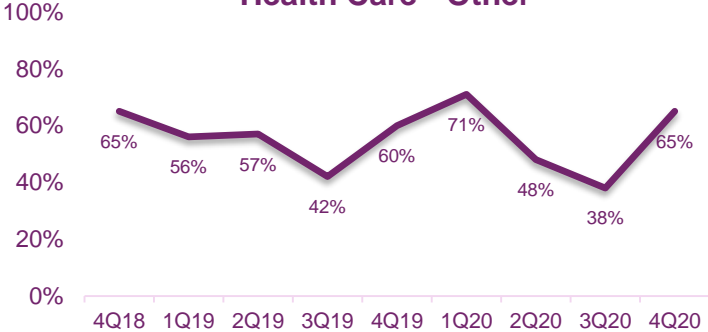


Organization Optimism by Industry

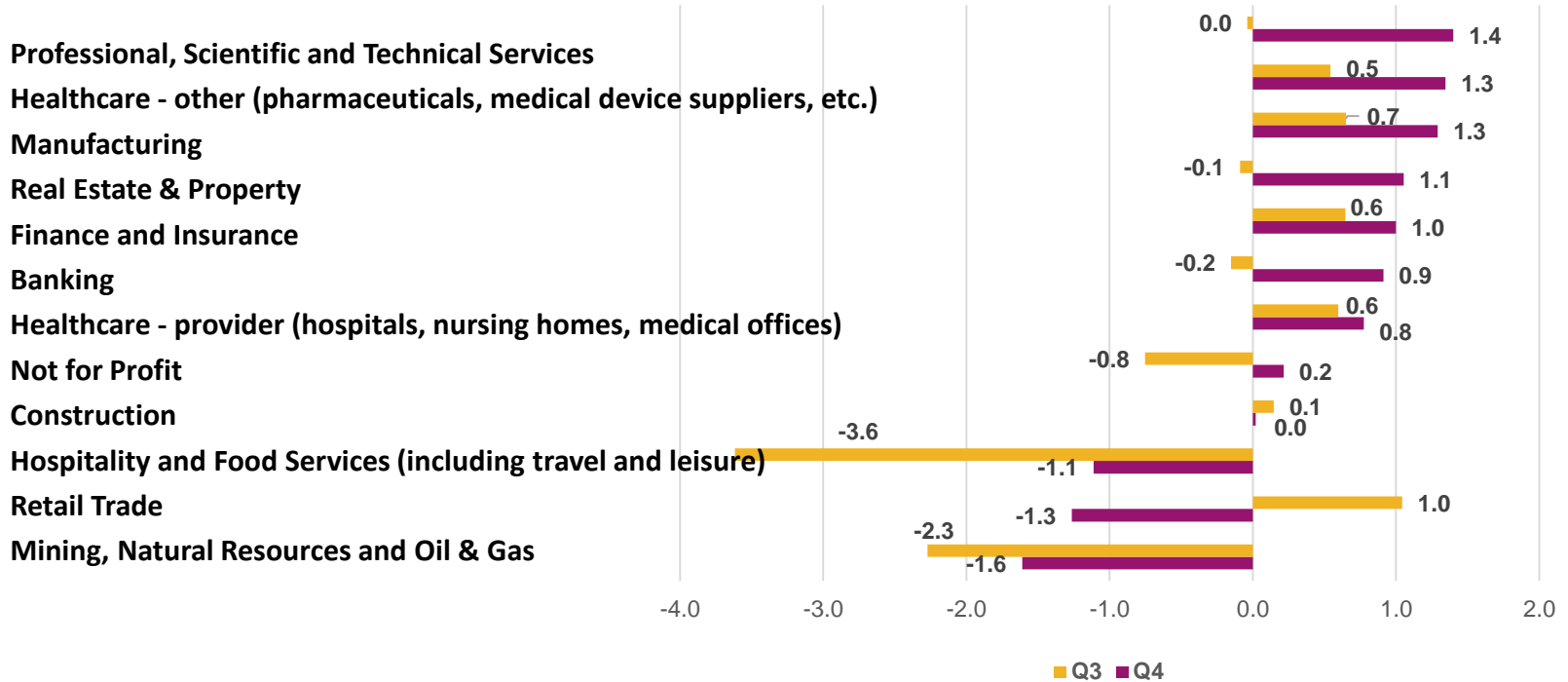
Health Care Provider



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

Midwest – optimism improved from 37% to 46%

West – optimism improved from 42% to 50%

South – improved from 46% to 52%

Northeast – improved another 13 points from only 38% in Q3 to 51%

For employers with > \$1 billion in revenues, 16% have excess employees, while 39% have too few. Of those with too few employees, 25% remain hesitant while 14% are planning to hire.

Of those in the \$100 million to \$1 billion category, 36% say they have too few employees; 12% are hesitant; while 24% are hiring.

In the \$10 - \$100 million range, 37% now have too few employees; of those with too few, 18% are hesitant; 19% are hiring.

Of employers with revenues < \$10 million 30% have too few employees; 17% are hesitant; 13% are hiring.

Expectations for expansion by businesses with revenues < \$10 million improved 1 point to 41%. Plans for companies in the \$10 - \$100 million category improved 3 points to 44%. Companies in the \$100 million to \$1 billion range recovered 9 points to 57%; those with revenues in excess of \$1 billion gained also gained 9 points to 53% having plans to expand.

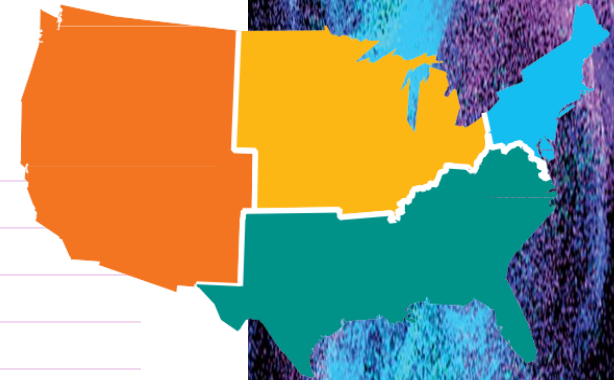
Regional optimism shows big drops across regions

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

Organization Optimism by Region

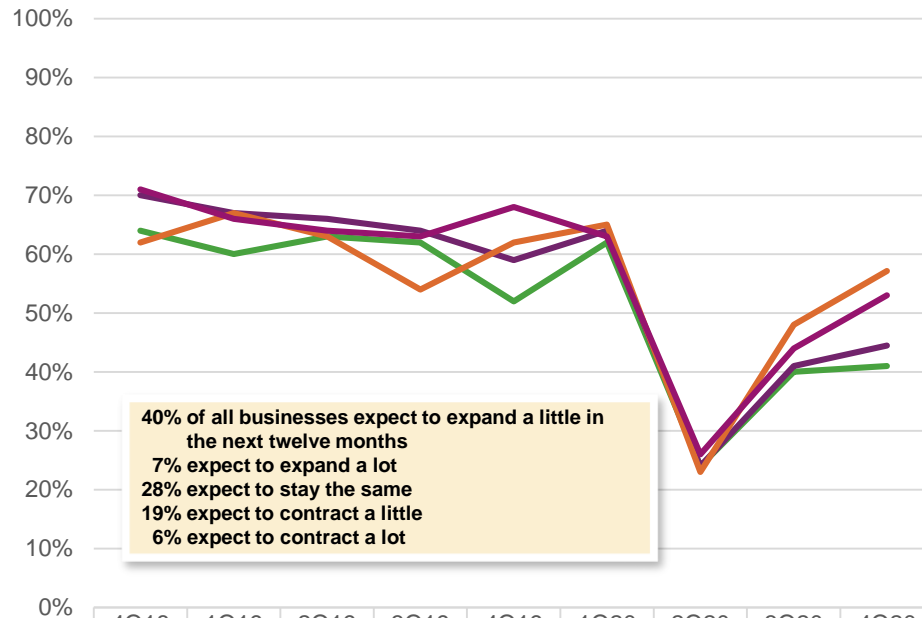


	4Q19	1Q20	2Q20	3Q20	4Q20
Midwest	58%	67%	27%	37%	46%
West	63%	67%	30%	42%	50%
South	61%	68%	34%	46%	52%
Northeast	55%	61%	26%	38%	51%



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



	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
< \$10 million	64%	60%	63%	62%	52%	62%	24%	40%	41%
\$10 to <\$100 million	70%	67%	66%	64%	59%	64%	24%	41%	44%
\$100 million to <\$1 billion	62%	67%	63%	54%	62%	65%	23%	48%	57%
> \$1 billion	71%	66%	64%	63%	68%	63%	26%	44%	53%

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

Percentage expected to expand is consistent across business size

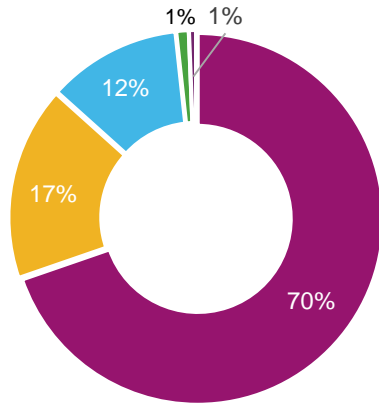
Business hiring plans by company size



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)?

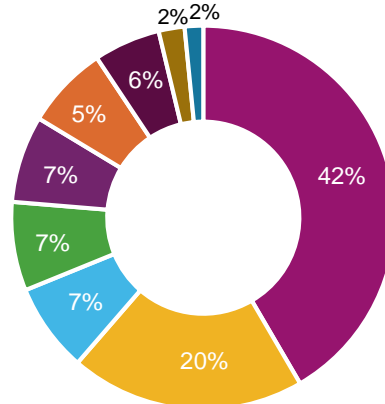
Demographics

Type of Organization



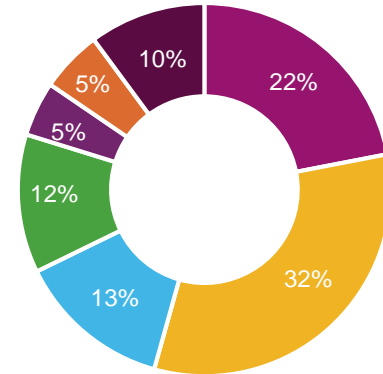
- Privately Owned Entity
- Not for Profit
- Publicly Listed Company
- Other
- Government

Position



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

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

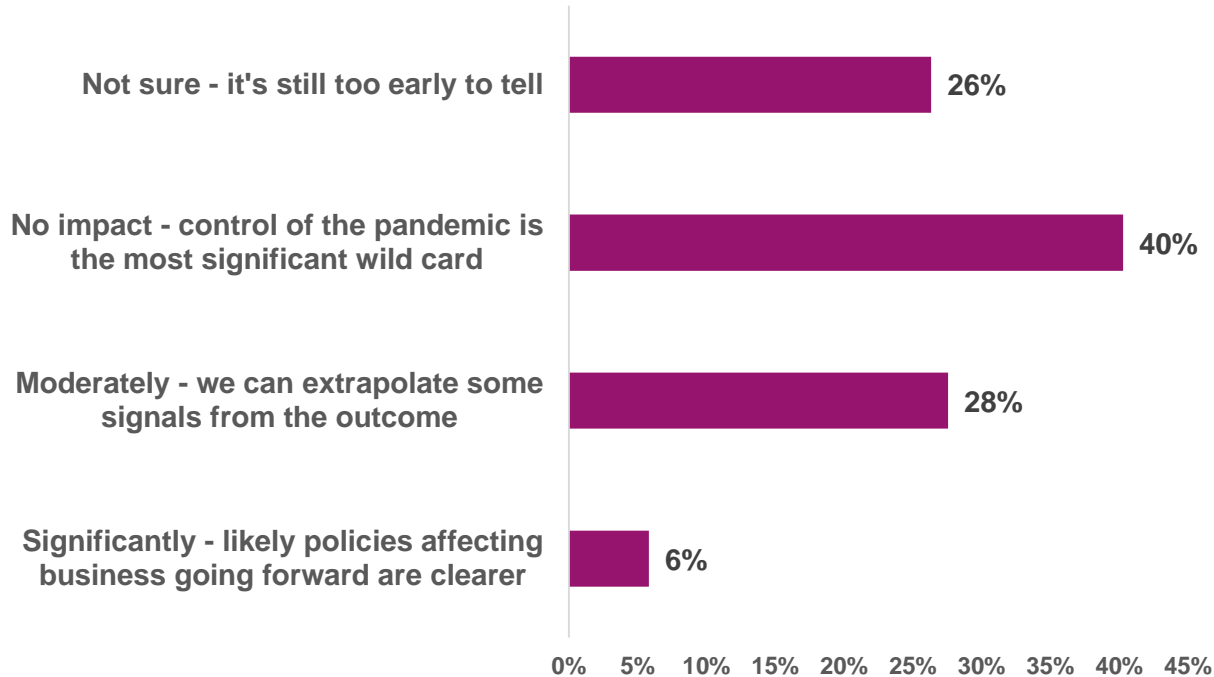
AICPA Economic Outlook Survey

Survey within a Survey

Pandemic recovery issues

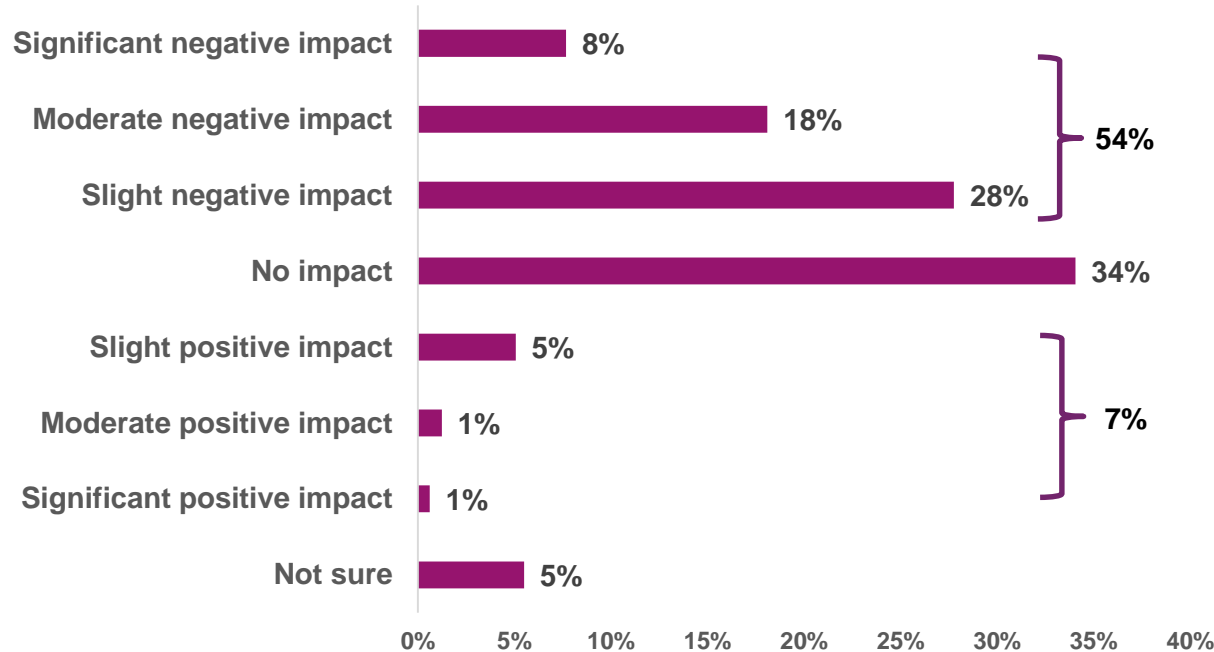
Q4 2020

Election impact on business forecasting uncertainty



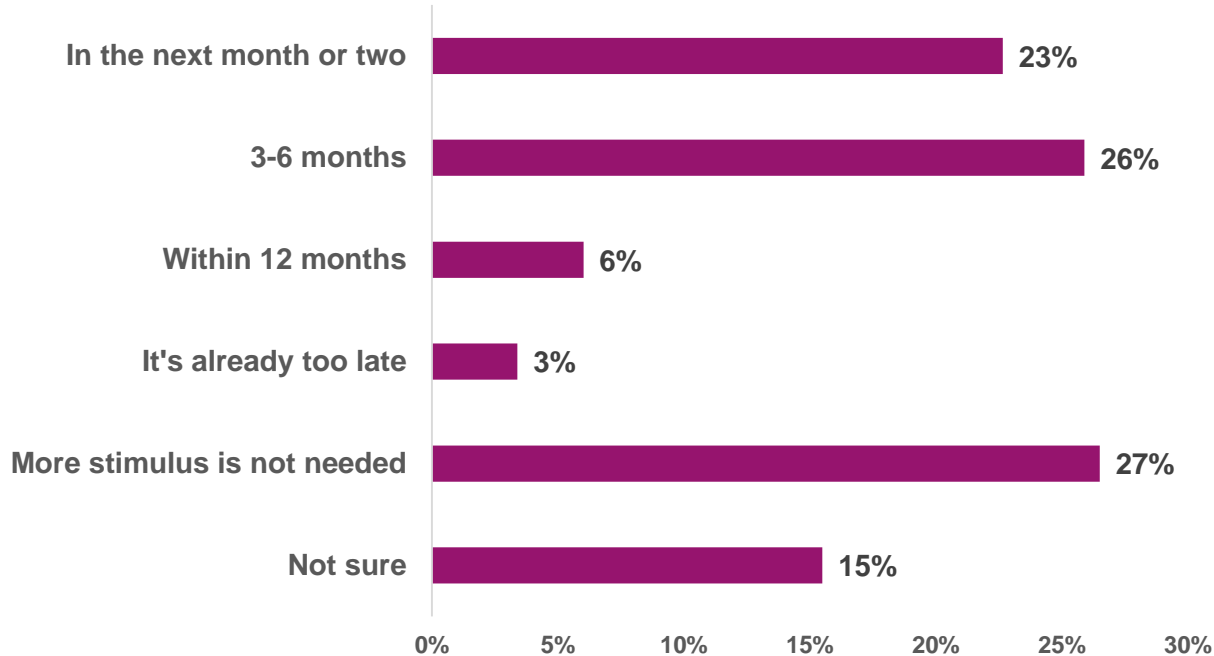
With balloting concluded for the 2020 elections, how much does that help lift the fog around business forecasting?

Need for additional federal economic stimulus - impact on businesses



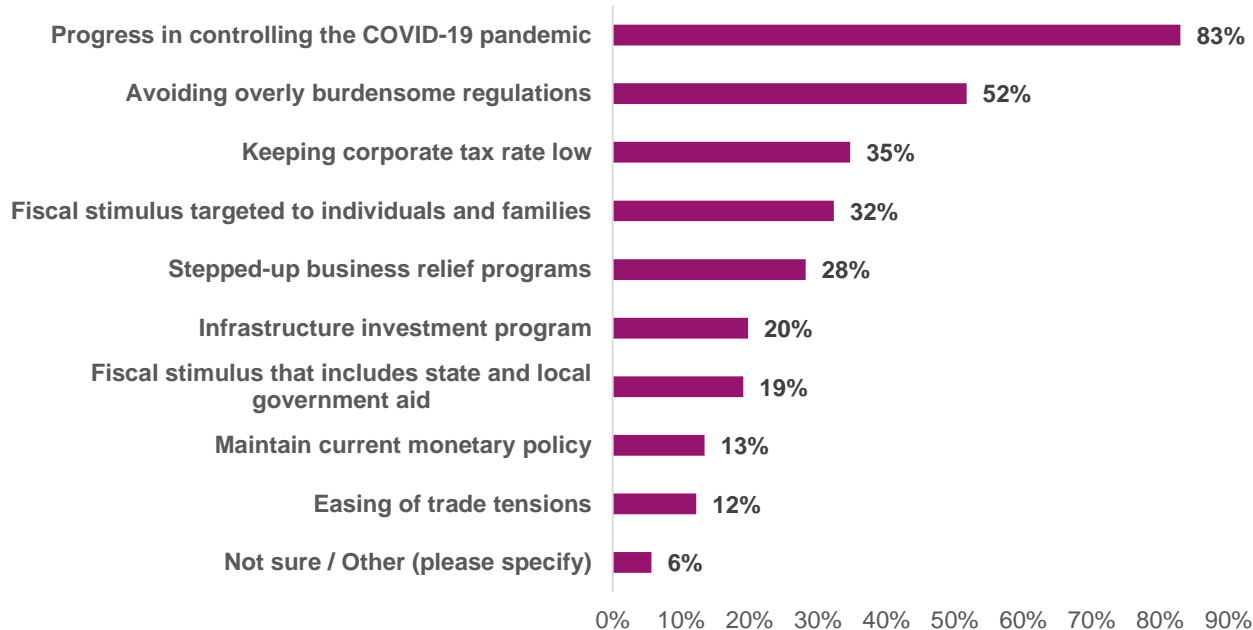
If another major package of federal economic stimulus doesn't materialize later this year or in early 2021, how would that impact your company?

Additional federal economic stimulus – timing requirements



In what timeframe would federal economic stimulus have to be delivered to be effective for your organization?

Most helpful governmental steps for business in coming 12 months



Percentages indicate the percentage of respondents that picked that selection as one of their top three.

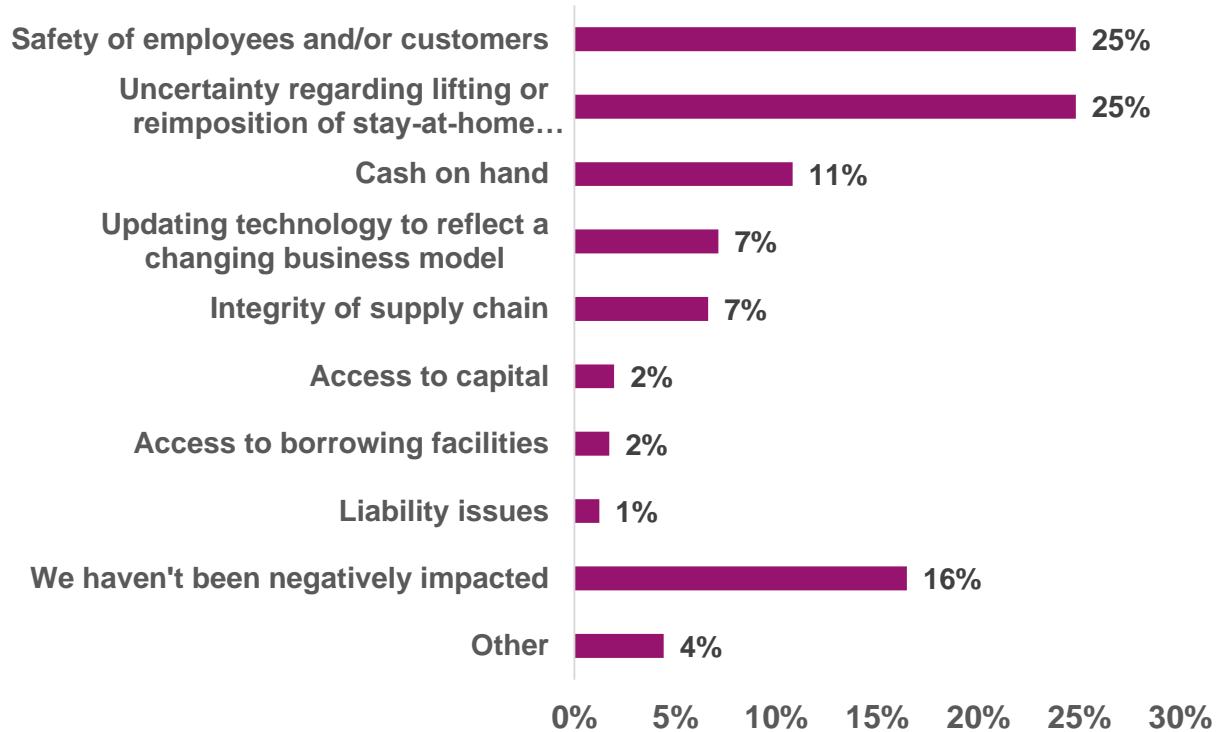
What would be the most helpful governmental steps for your business over the next 12 months? (pick the THREE that are most significant)

Most helpful governmental steps for business in coming 12 months - other

Other steps
▪ Avoid shutdown
▪ PPP Forgiveness and tax deductibility of the expense
▪ Avoid Medicare cuts
▪ Control governmental spending and debt
▪ No tax increases
▪ Increasing the corporate tax rate to ~27%; increasing federal rate on income over \$500k to 55%
▪ Incentives for green/solar capital improvements
▪ Reversing deregulatory actions taken during the past 4 years

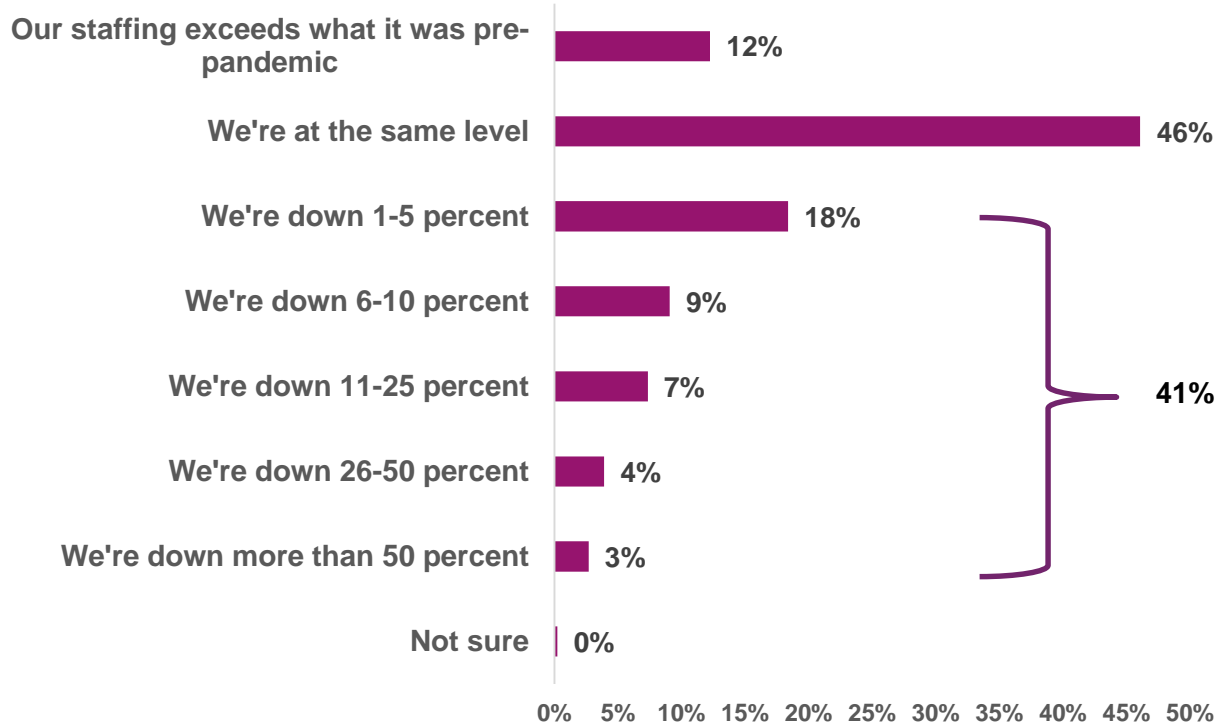
What would be the most helpful governmental steps for your business over the next 12 months? (pick the THREE that are most significant)

Pandemic greatest concern



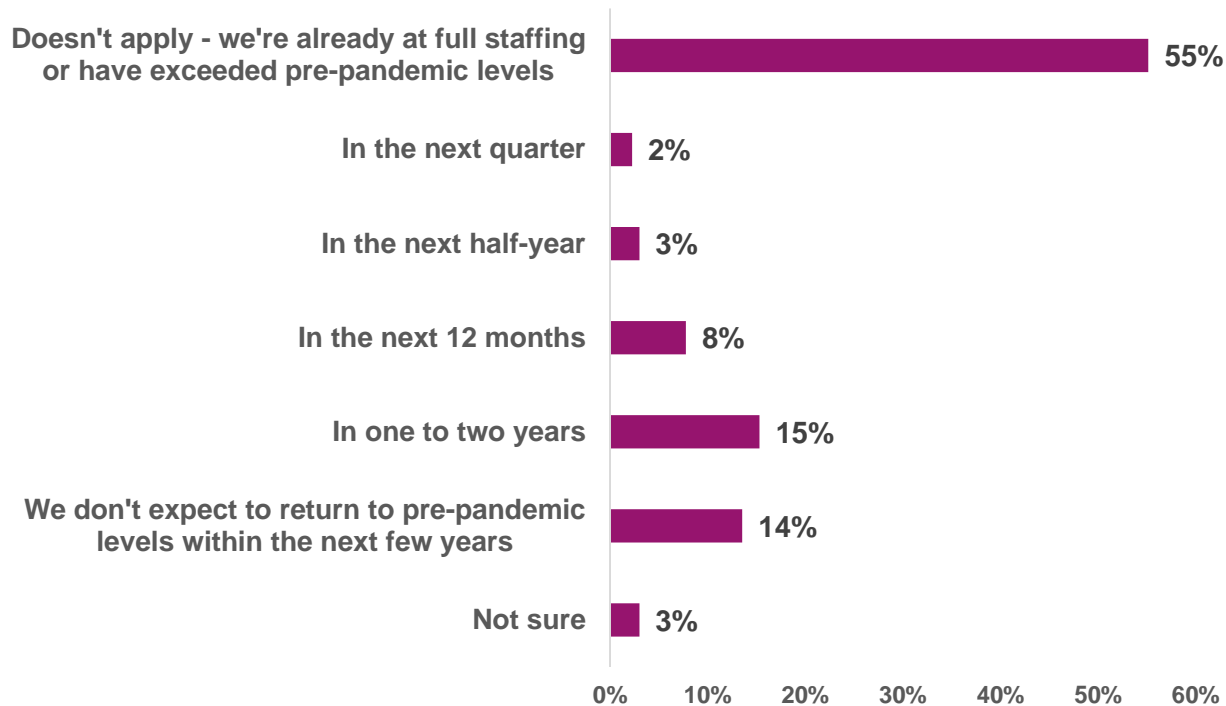
If your business has been negatively impacted by the COVID-19 pandemic, what is your greatest concern right now?

Staffing – current vs. pre-pandemic levels



How do your current staffing levels compare to the pre-pandemic period?

Staffing – timing of return to pre-pandemic levels



If your staffing is currently reduced, when do you think you will be back to pre-pandemic levels?



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Thank you!

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