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U.S. economy over the coming year, according to the American Institute of CPAs' (AICPA) fourth quarter Economic Outlook Survey, which polls chief executive officers, chief ...

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Business executives reported a strong surge in optimism about prospects for the U.S.

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Business executives' optimism about the outlook for their own organizations also rose to its highest level (61 percent, up 8 percentage points from last quarter) since early 2015, as did expectations for profit and revenue over the coming year. Three out of four respondents said the presidential election outcome would have some impact on their planning, budgeting and forecasting over the next year, with 15 percent saying it would have a significant impact. But most said the election would either have no impact on their hiring and capital spending, or that they merely planned to continue addressing those categories at their current pace for now.

Optimists about the U.S. economy who specifically cited the election outcome in comments said they were encouraged about the possibility of reduced regulation, lower income taxes and the repeal of the Affordable Care Act.

"We're seeing renewed confidence in the U.S. economy, building on the encouraging signals on the outlook for revenue, profit and business expansion we saw in the third quarter," [said Arleen R. Thomas, CPA, CGMA, AICPA Managing Director Americas and Global Offerings](#). "The removal of the uncertainty that the presidential election cycle represented appears to be a driving factor in this significant increase in optimism."

The AICPA survey is a forward-looking indicator that tracks hiring and business-related expectations for the next 12 months. As a point of comparison, the U.S. Department of Labor's November employment report, released last week, looks back on the previous month's hiring trends.

The CPA Outlook Index—a comprehensive gauge of executive sentiment within the AICPA survey—rose five points in the fourth quarter to 74, driven largely by an increase in the U.S. economic optimism category. The index is a composite of nine,

equally weighted survey measures set on a scale of 0 to 100, with 50 considered

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quarter to 3.6 percent. Profit expectations rose from 2.3 percent to 3.1 percent. Both categories have shown a strong recovery from the first quarter this year.

- Some 62 percent of business executives said their companies planned to expand in the coming year, the same as last quarter.
- There was a slight improvement in plans to add headcount over the next 12 months, from an expected 1.3 percent increase last quarter to 1.6 percent. One out of five business executives said they planned to hire new employees immediately, down slightly from 21 percent last quarter. But 55 percent said they currently had the right amount of employees.
- Some 28 percent of business executives said inflation was a concern, the highest level since 2014.
- Regulatory requirements and changes continued to be the top challenge listed by survey takers. Employee benefit costs came in at No. 2, a jump of two spots from last quarter. Domestic economic conditions rounded out the top three.

The fourth quarter AICPA Business and Industry Economic Outlook Survey was conducted Nov. 9-30, 2016, and included 600 qualified responses from CPAs who hold leadership positions, such as chief financial officer or controller, in their companies. The overall margin of error is less than 3 percentage points. A [copy of the report](#) can be found on [aicpa.org](#).

Small Business

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