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Strategies in Response to Economic Challenges

Rising inflation, labor shortages and ongoing disruptions to the supply chain are causing the leaders of U.S. public companies to adjust their strategic priorities...

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Rising inflation, labor shortages and ongoing disruptions to the supply chain are causing the leaders of U.S. public companies to adjust their strategic priorities, according to a survey of audit partners conducted by the [Center for Audit Quality \(CAQ\)](#). The Audit Partner Pulse report, a biannual survey of audit partners, provides independent and objective perspectives on a range of topics, including the overall health of the economy, and business transformation.

“With ongoing concerns about inflation and a potential recession, it’s no surprise that business leaders are re-examining their growth strategies,” said Julie Bell

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- 57% of auditor partners are pessimistic to very pessimistic on the outlook for the US economy, a 13-point increase since public company auditors were surveyed in the spring.
- Concerns over increasing costs have grown, with 75% of audit partners identifying inflation as the largest economic risk to public companies in their industry sector, followed by labor shortages and supply chain issues.

Public companies are shifting strategies to mitigate negative impact

- While public companies were focused on mergers and acquisitions (M&A) in the spring, M&A activity has declined according to audit partners.
- Rather, audit partners indicated that re-evaluating or decreasing spend, focusing on cash flow and liquidity and decreasing revenue and growth forecasts are the top mitigation strategies public company management is taking in response to economic challenges.
- Overwhelmingly, audit partners reported that public companies’ growth strategies are focused on the US (88%) vs. abroad (12%).

Human capital actions are also shifting

- While labor shortages are still a large risk for public companies, business leaders have migrated to focusing more on investing in existing talent than attracting new talent.
- Increasing flexibility in the workplace, increasing compensation and upskilling workers are the top actions audit partners surveyed have observed business leaders at US public companies are taking to retain their employees.
- Reducing headcount was another trend observed by survey respondents as an action taken by or being considered more frequently by public companies with a 14-percentage point increase since the spring survey (22% up from 8%).

Emerging risks:

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