AICPA
Business and Industry Economic Outlook Survey
June 2006

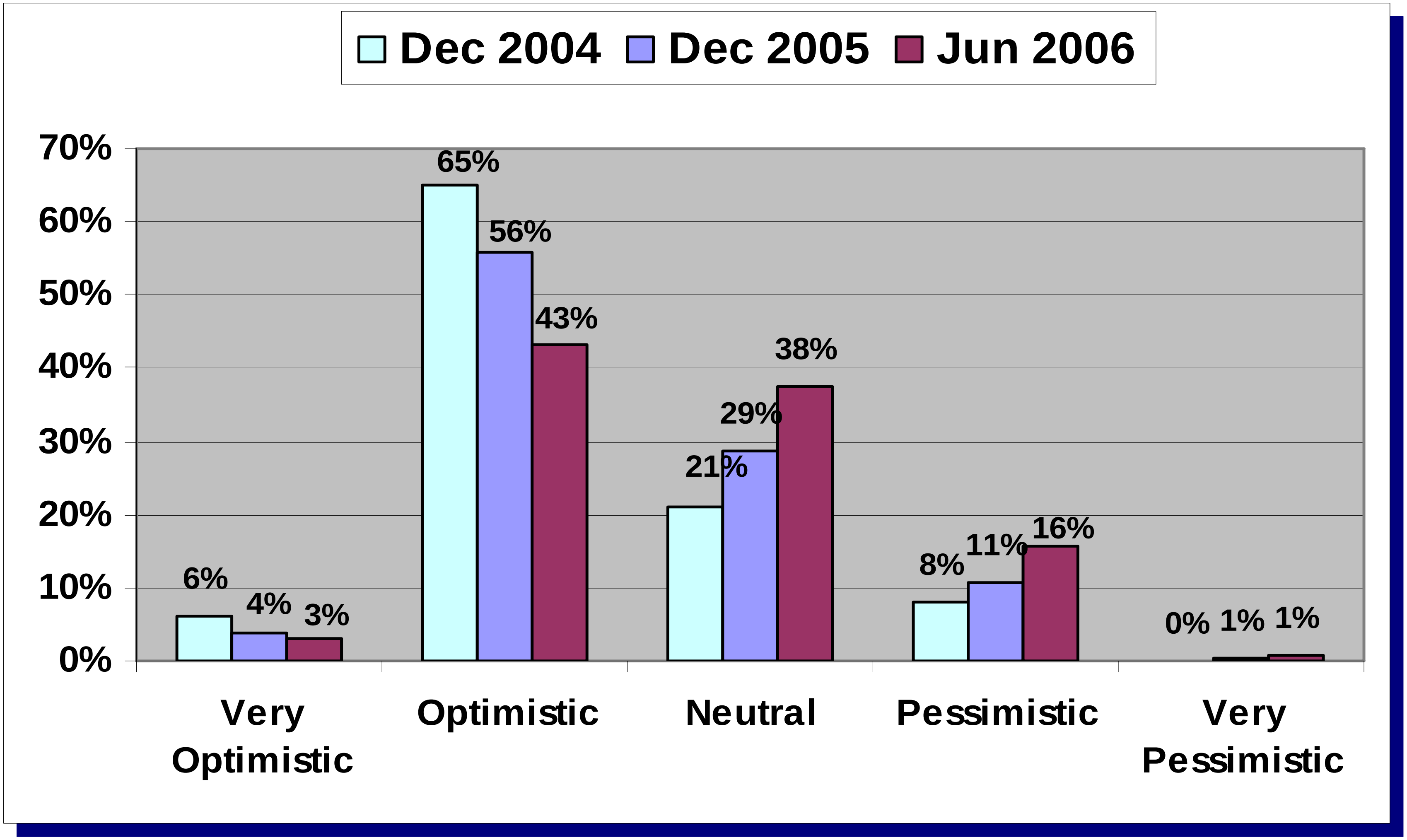
Summary of Survey Results

Outlook for the Economy

- June 2006 results continue to show further erosion of optimism about the economy as a whole.

- Only 46% of CPA decision makers continue to be *optimistic* or *very optimistic* as of June 2006, compared to 60% in Dec 2005 and 71% in Dec 2004.

Outlook for Economy



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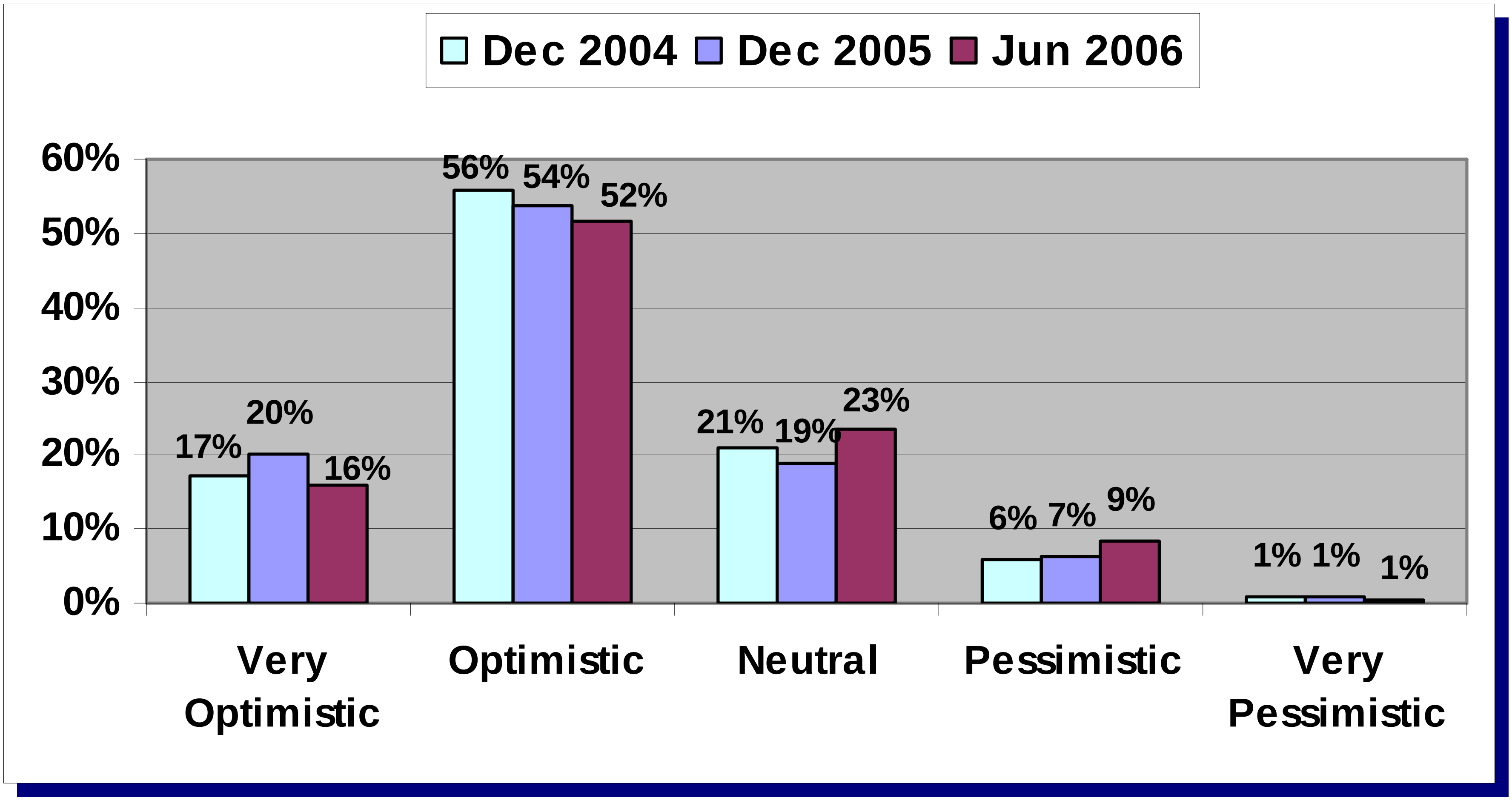
Economic Outlook Survey

Individual Company Prospects

- However, CPA optimism about the prospects for their own companies continues to be strong.

- 68% continue to be *optimistic* or *very optimistic* about the prospects of their own organization over the next six months, a decline of only 6% from 74% in Dec 2005.

Outlook for Own Organization



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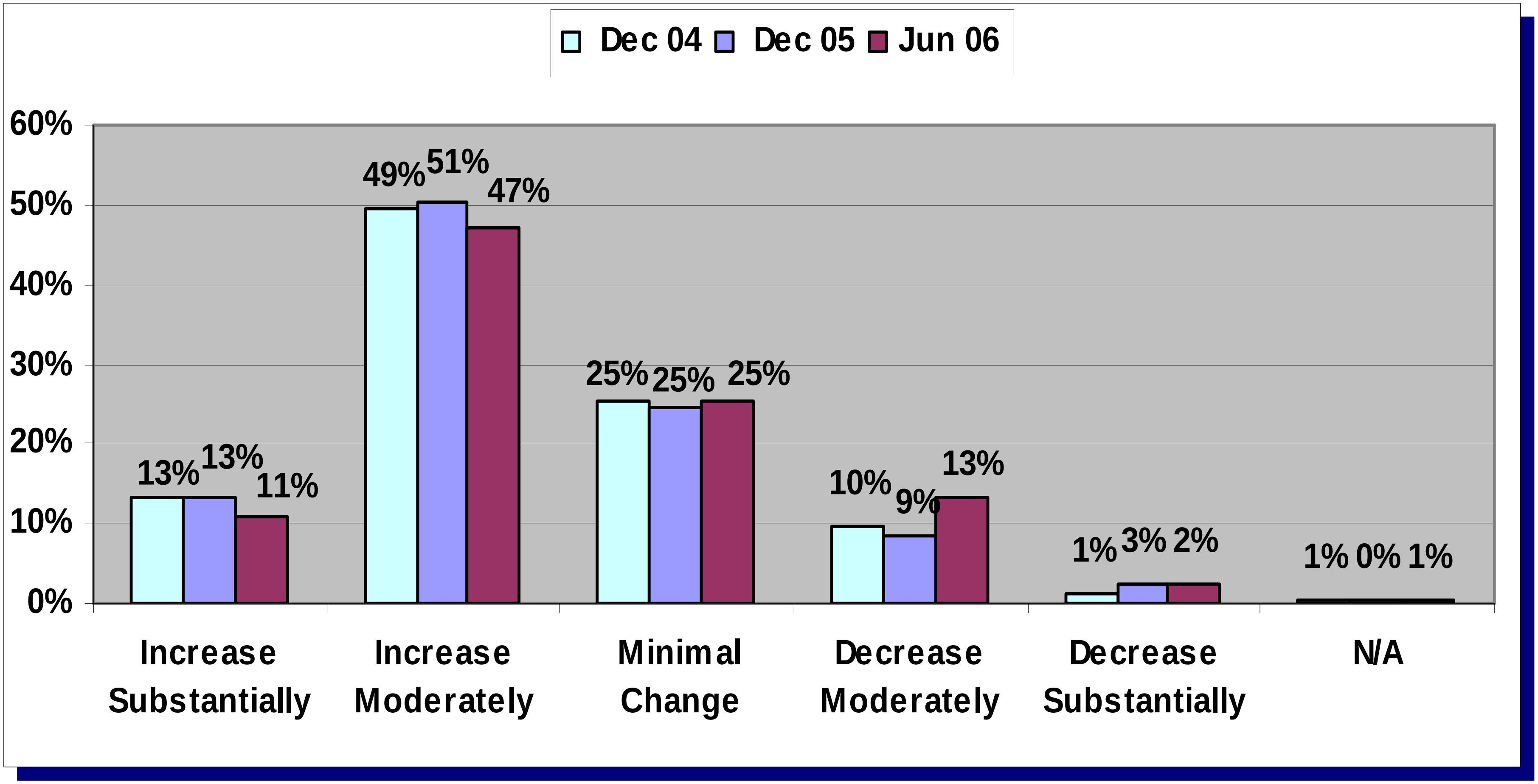
Growth

- Projections for overall business growth for the second half of 2006 are down only slightly from the six month projections of Dec 2005.

- 58% expect *moderate* to *substantial* growth over the next six months, compared with 64% at Dec 05; 15% expect declines, up from 12% in Dec 05.

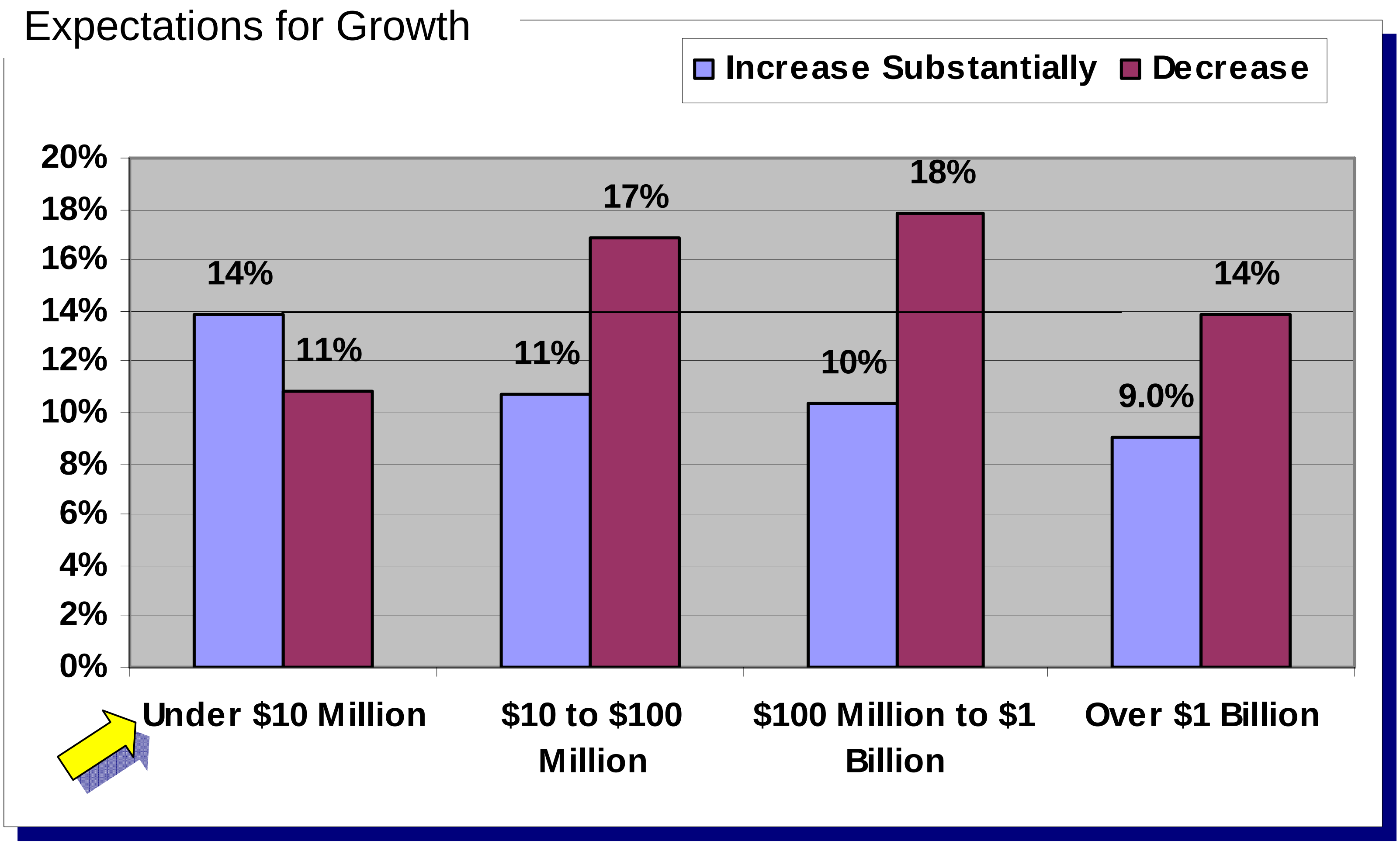
Total Growth Expected



Growth by Size of Company

- Expectations for growth continue to be strong across all size categories.
- Few companies of any size are anticipating *substantial decreases* in their business growth.
- Small companies report the highest frequency of expectation for *substantial increased growth* and the lowest frequency of expectation for either *moderate or substantially decreased* growth.

Growth by Size of Company



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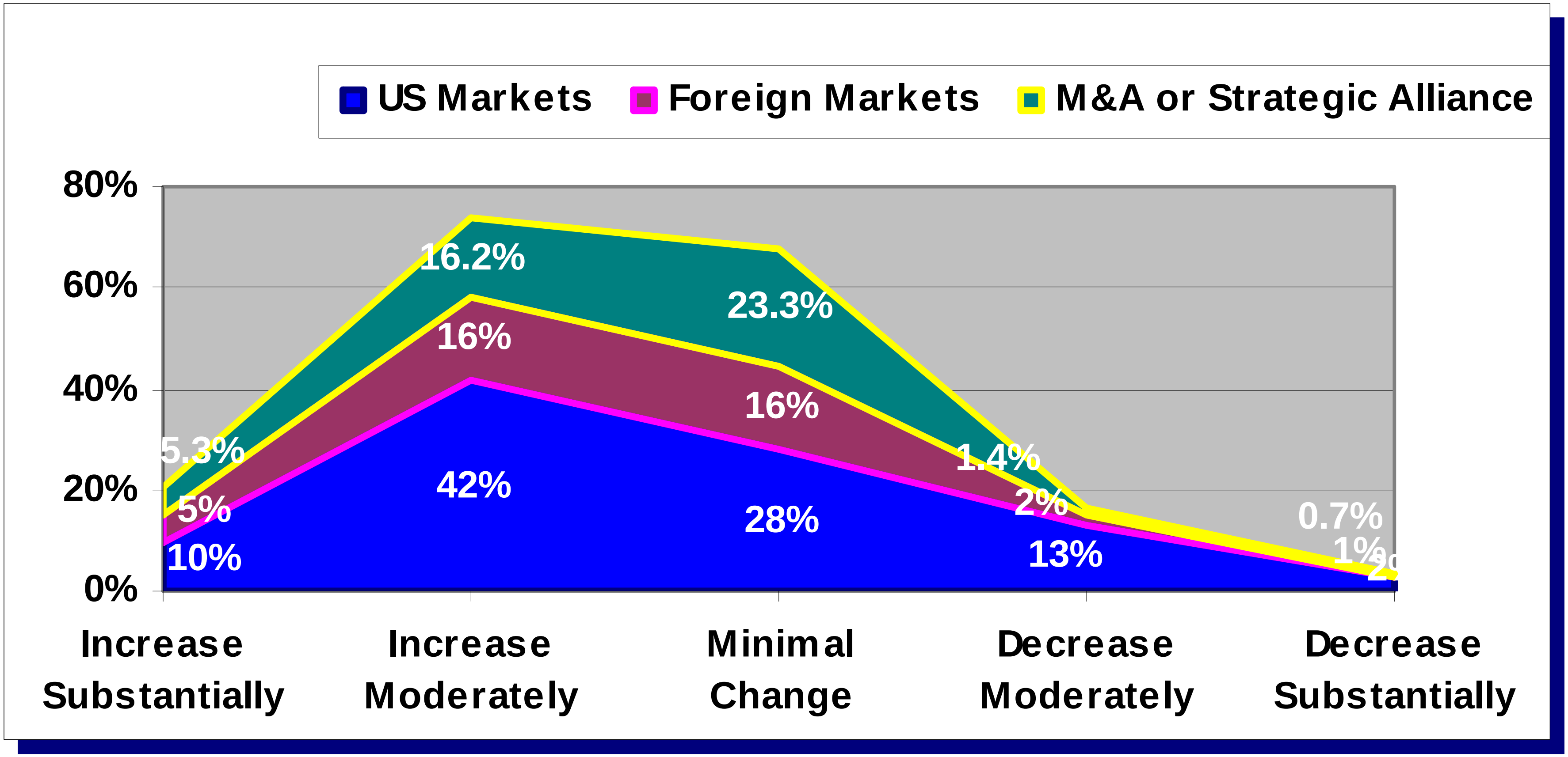
Sources of Growth

- Expectations for growth from each of the following sources remain relatively strong:
    - US Markets
    - Foreign Markets
    - M&A or Other Strategic Alliance
- However, growth from US markets appears to be softening somewhat, especially for larger companies.

Anticipated Sources of Growth



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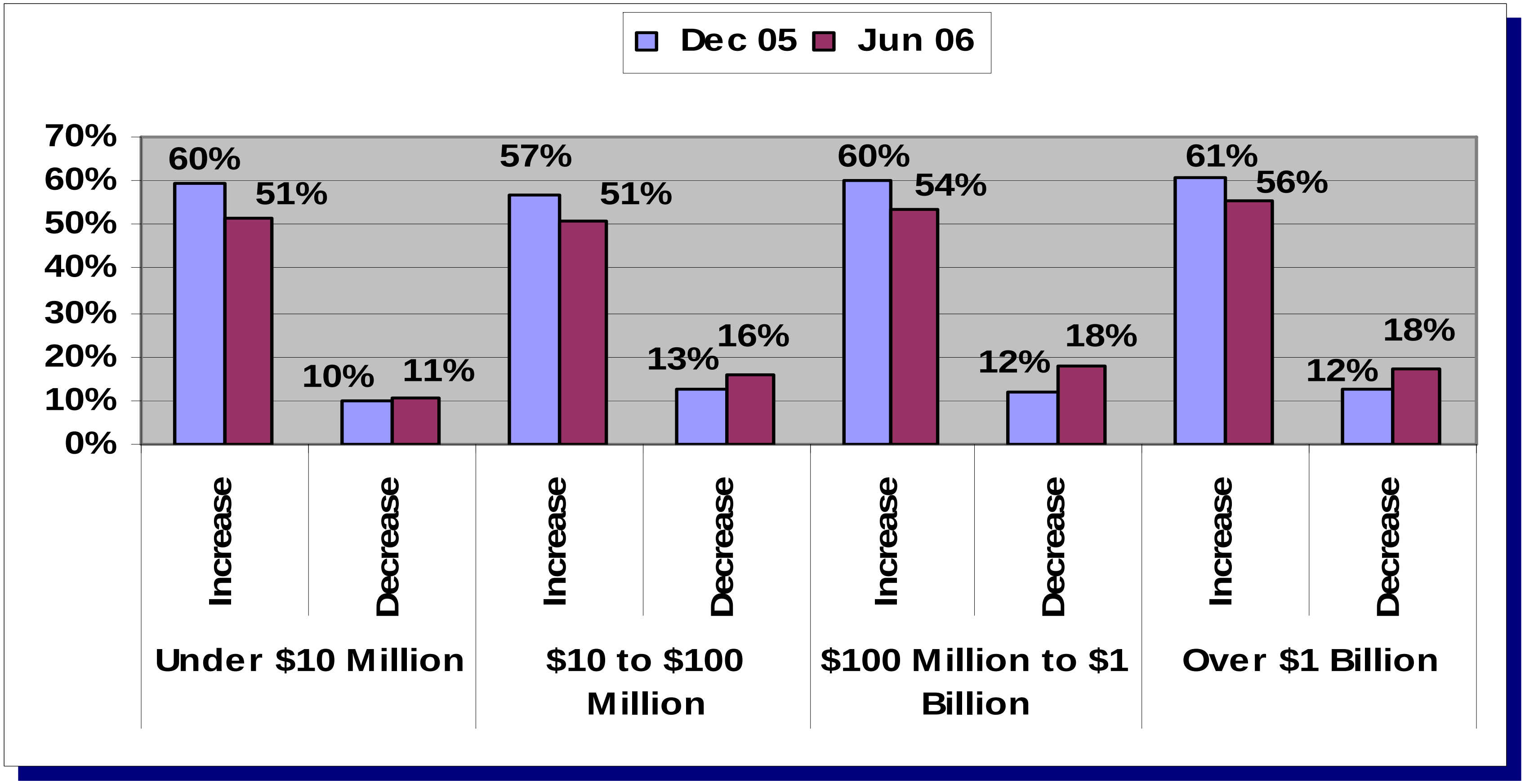
US Growth by Size of Company

- More than half of companies in all size groups continue to expect either *substantial* or *moderate* increases in growth from US markets.
  - ***However,*** **the percentage of companies in all size categories expecting increased growth from US markets continues to decline.**
  - ***Also,*** **the percentage of companies expecting slower growth from US market sources has begun to trend up, especially for larger companies.**

Growth from US Market Sources

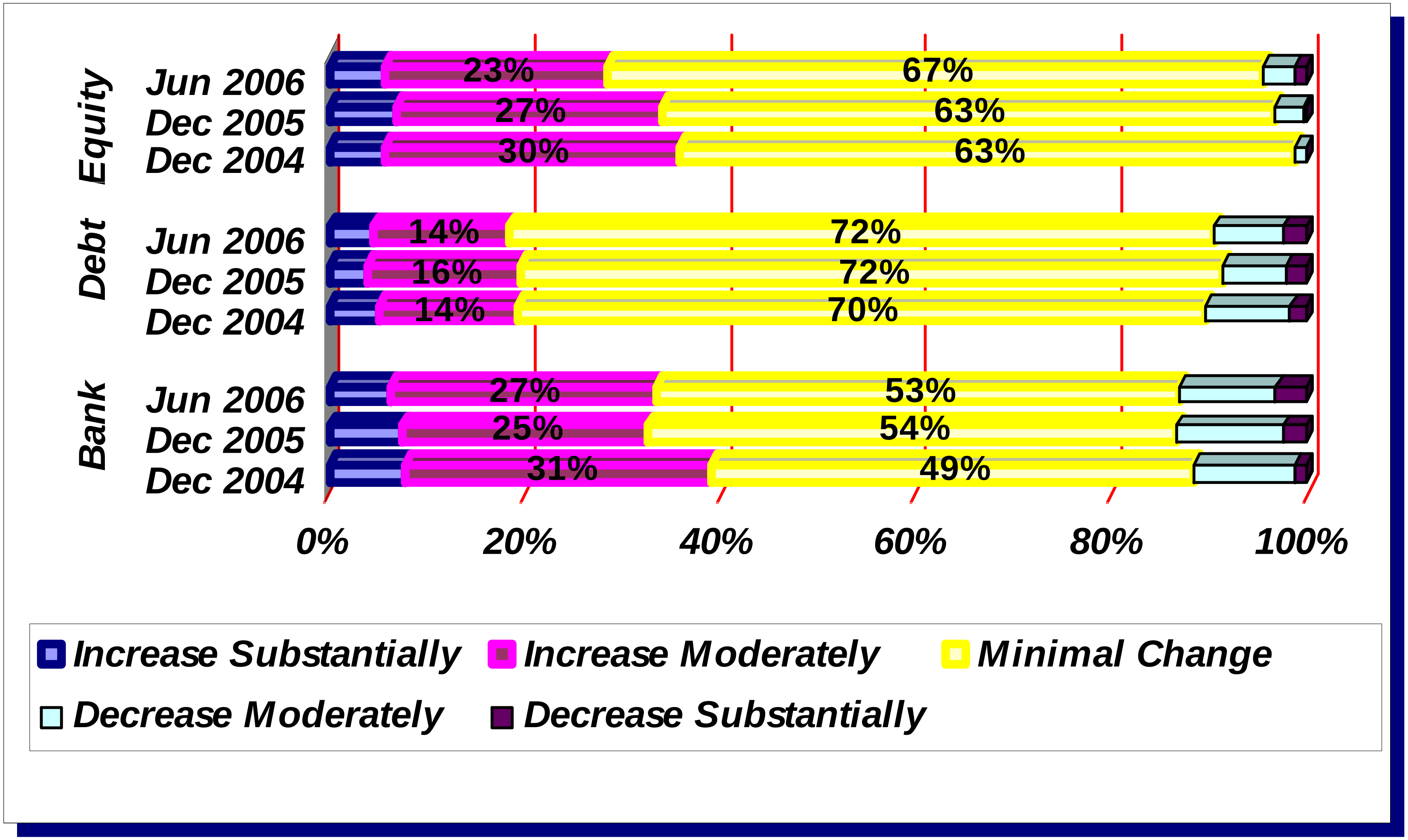


Note: Percentages indicate frequency of response regarding expectations for growth, not rates of growth. The balance of companies in each period and category reported an expectation of minimal change in growth.

Financing

- Financing plans remain relatively constant with more increases than decreases expected in:
  - Bank Borrowings
  - Other Debt
  - Equity Financing

Financing Plans



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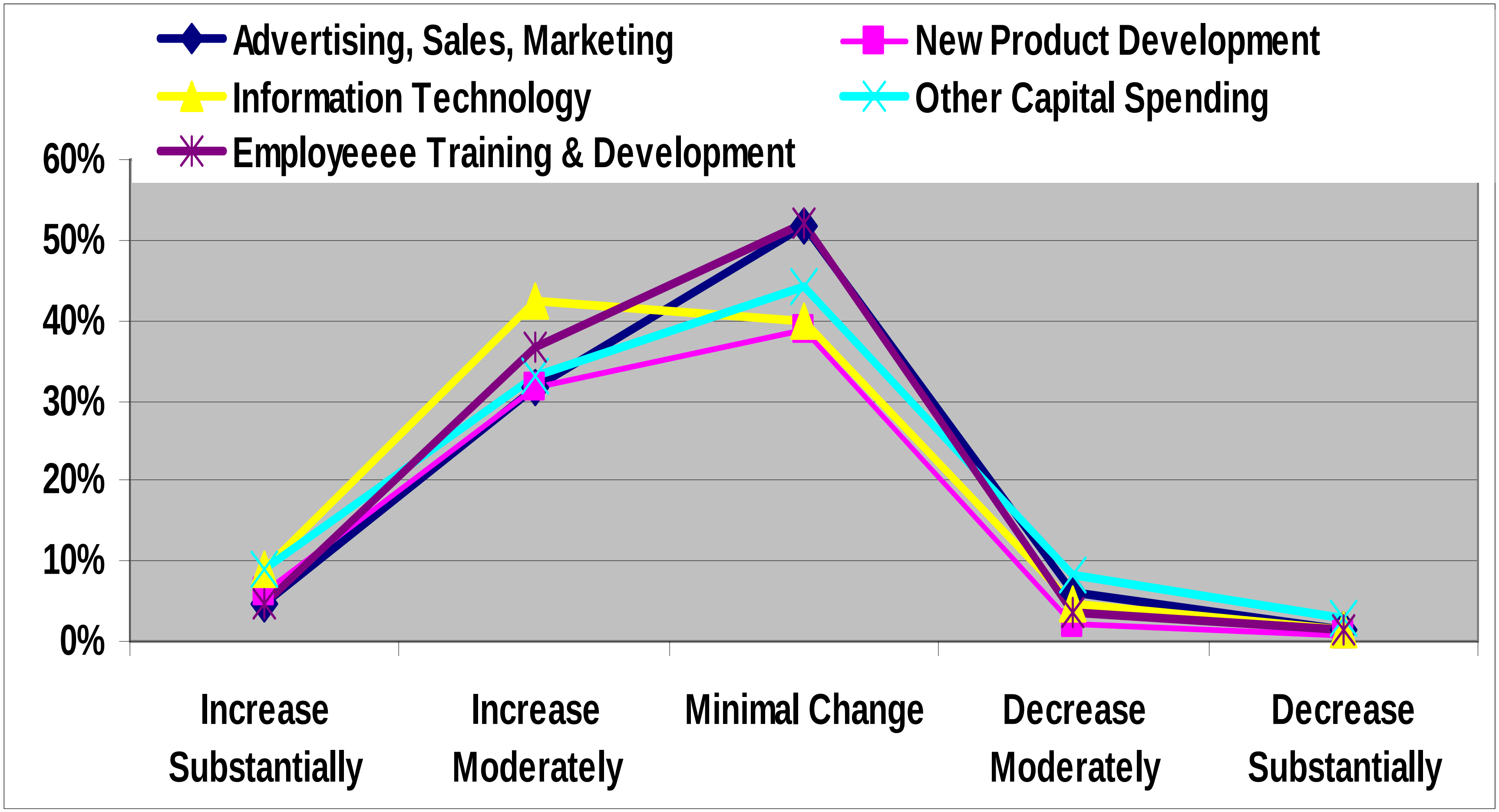
Economic Outlook Survey

Spending

- Companies with plans for increased spending continue to outnumber those with plans for decreased spending in all four categories surveyed:
  - Advertising, Sales and Marketing
  - New Product Development
  - Information Technology
  - Other Capital Spending

Spending



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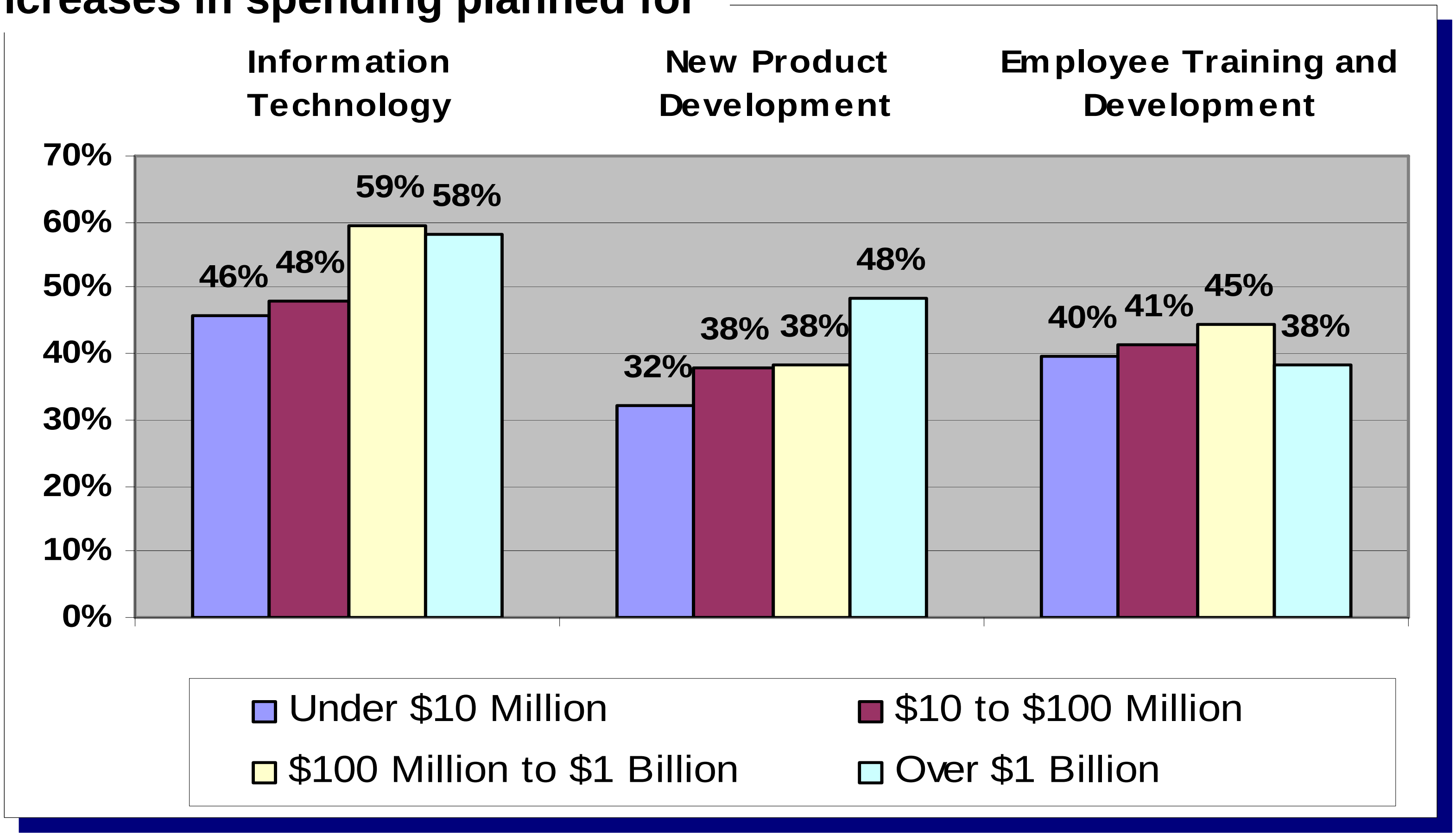
Spending Plans by Company Size

- Plans for spending by larger companies is particularly strong for
  - Information Technology *and*
  - New Product Development

- Employee training and development spending by the largest companies (> $1b) is expected to be slightly weaker than other companies:
  - Increases are expected by only 38%
  - Decreases are expected by 7%

Spending Plans by Size of Company

Increases in spending planned for



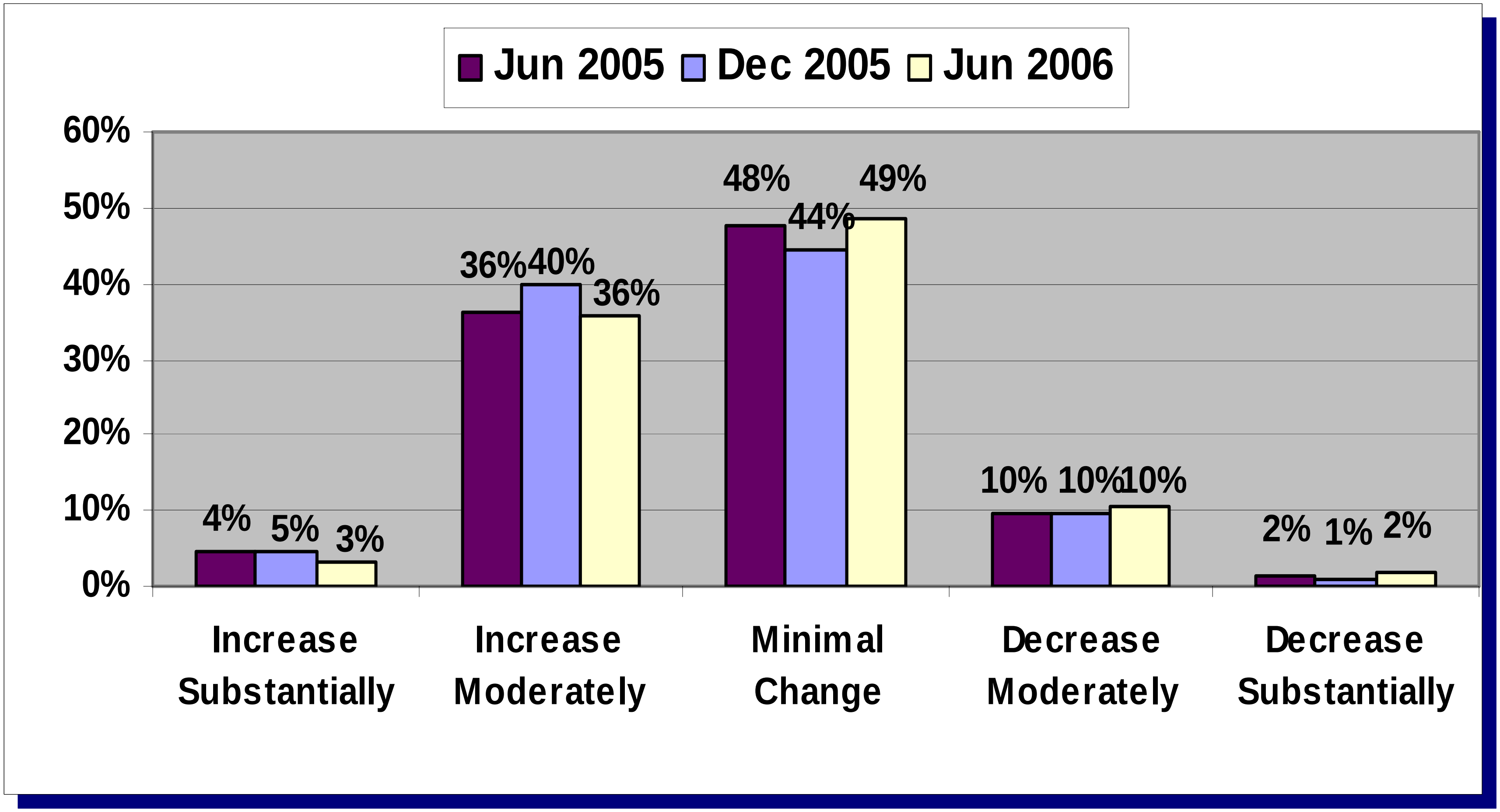
Note: **Percentages represent frequency of companies reporting plans for *substantial or moderate increases* in spending in the respective categories.**

Workforce Size

- Workforce increases are also expected to continue, although the rate of increase is down slightly from Dec 2005.

- 39% of all companies anticipate increases in total workforce size in the next six months, compared to 45% who were anticipating increases as of Dec 2005.

Total Workforce Size



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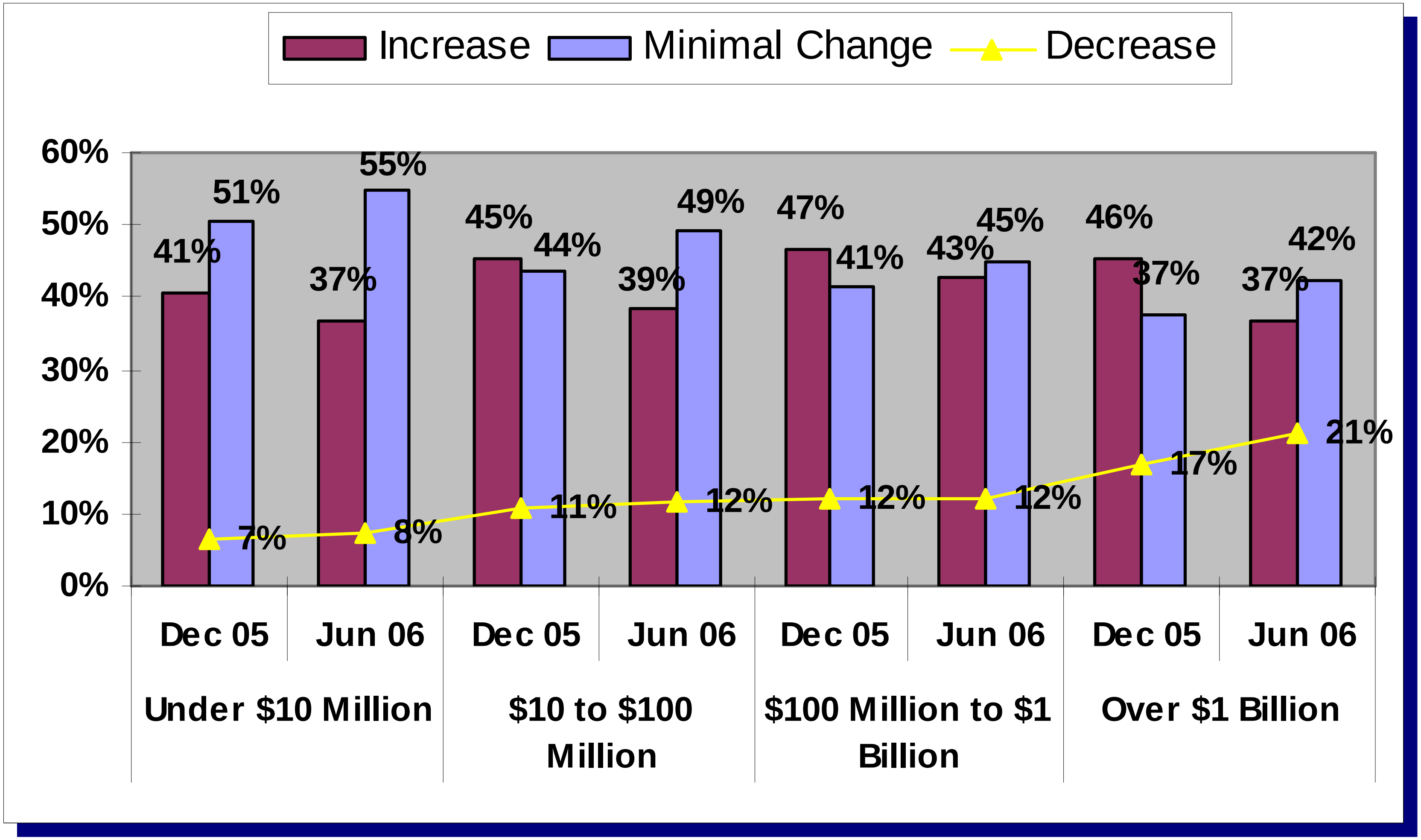
Workforce by Size of Company

- Fewer companies in each size category are expecting to increase the size of their workforce as compared to Dec 2005.

- Workforce reductions are expected by more of the largest companies with 21% expecting to downsize at Jun 2006, compared with 17% at Dec 2005.

Workforce by Company Size



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Employee and Benefit Costs

- *Moderate increases* or *minimal changes* in per employee salary and wage expenses are expected by >95% of companies in each size category at Jun 2006.
- Very few companies of any size expect to incur *substantial increases* in per employee wage costs.
- Expectations for benefit cost increases at mid year are lower than Dec 2005 across all size categories.

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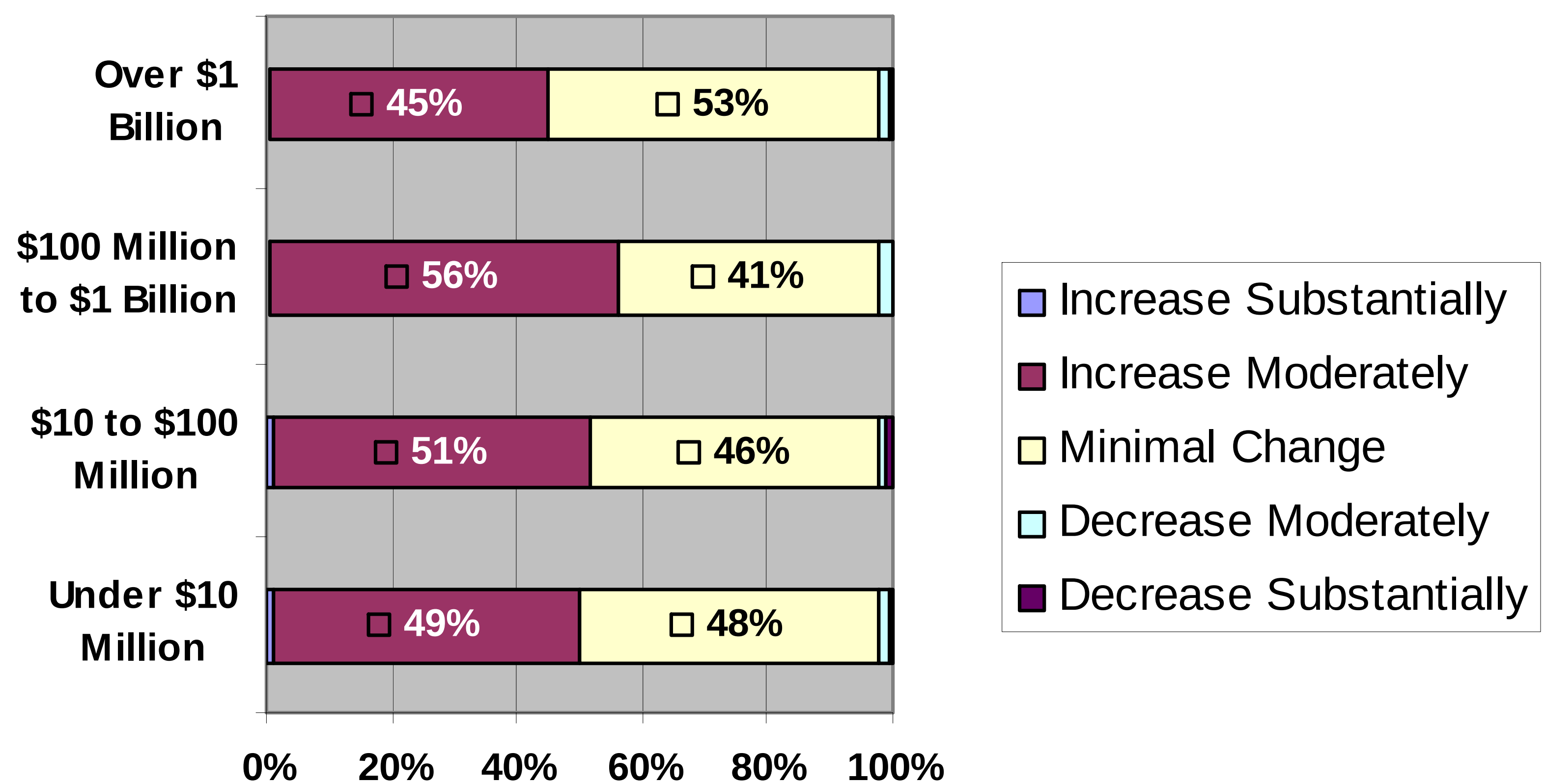
Wages and Salaries (per employee)



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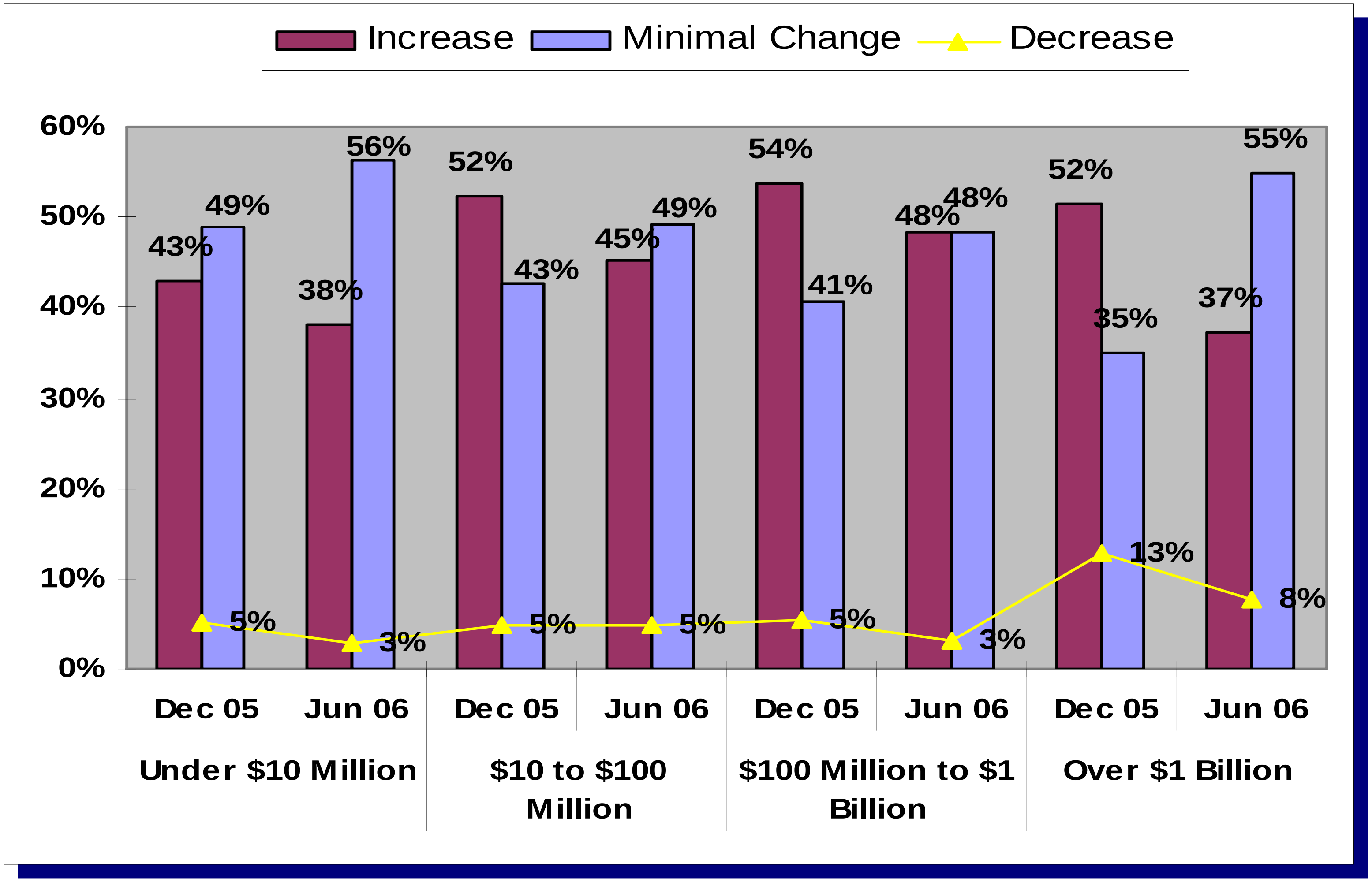
Benefits Expense by Size of Company



Includes Healthcare

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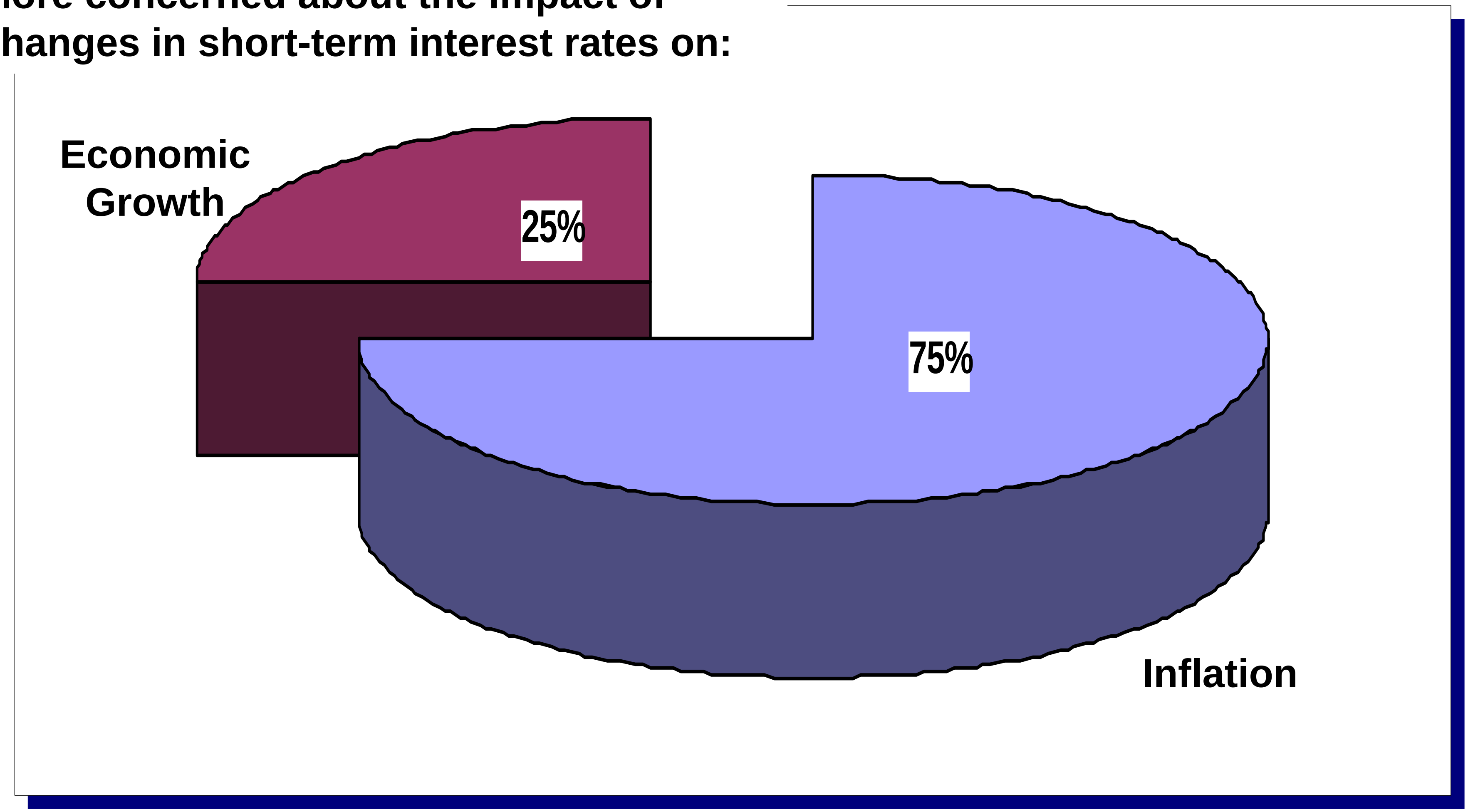
Policy Issues

- *On Monetary Policy*
  - CPAs continue to be more concerned about the impact of changes in short-term interest rates on inflation than economic growth.

Monetary Policy

More concerned about the impact of changes in short-term interest rates on:



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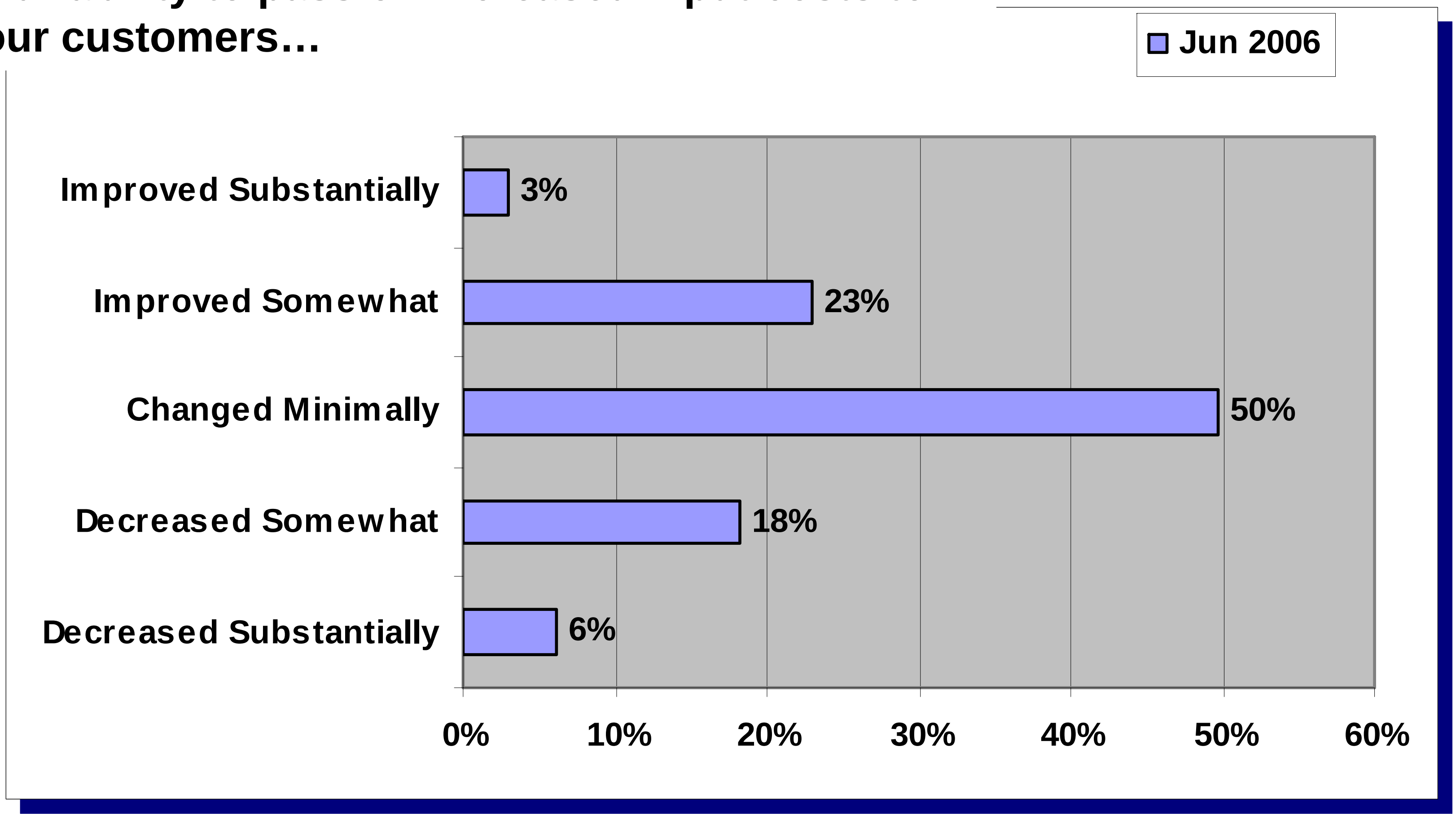
Pricing Power

- When asked about their ability to pass increased input costs on to customers in the price of products or services:
  - 26% indicated improved ability
  - 50% indicated minimal change
  - 24% indicated decreased ability

Pricing Power

Our ability to pass on increased input costs to our customers…

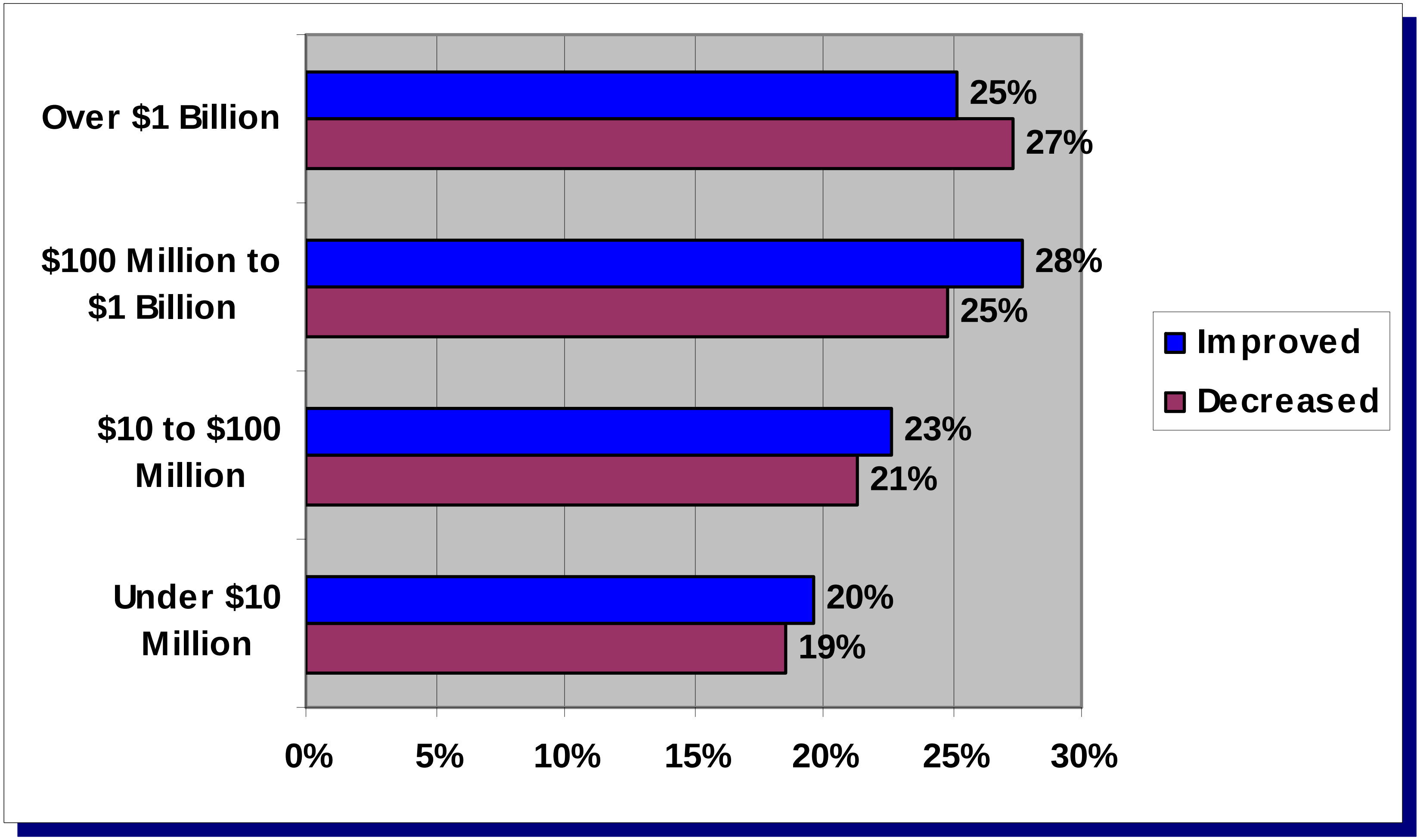


Pricing Power by Size of Company

- 27% of companies in the >$1b category reported decreased pricing power compared to 25% reporting improved pricing power at Jun 2005.

- Greater frequencies of improved pricing power than decreased pricing power were reported for all other size categories.

Pricing Power by Size of Company



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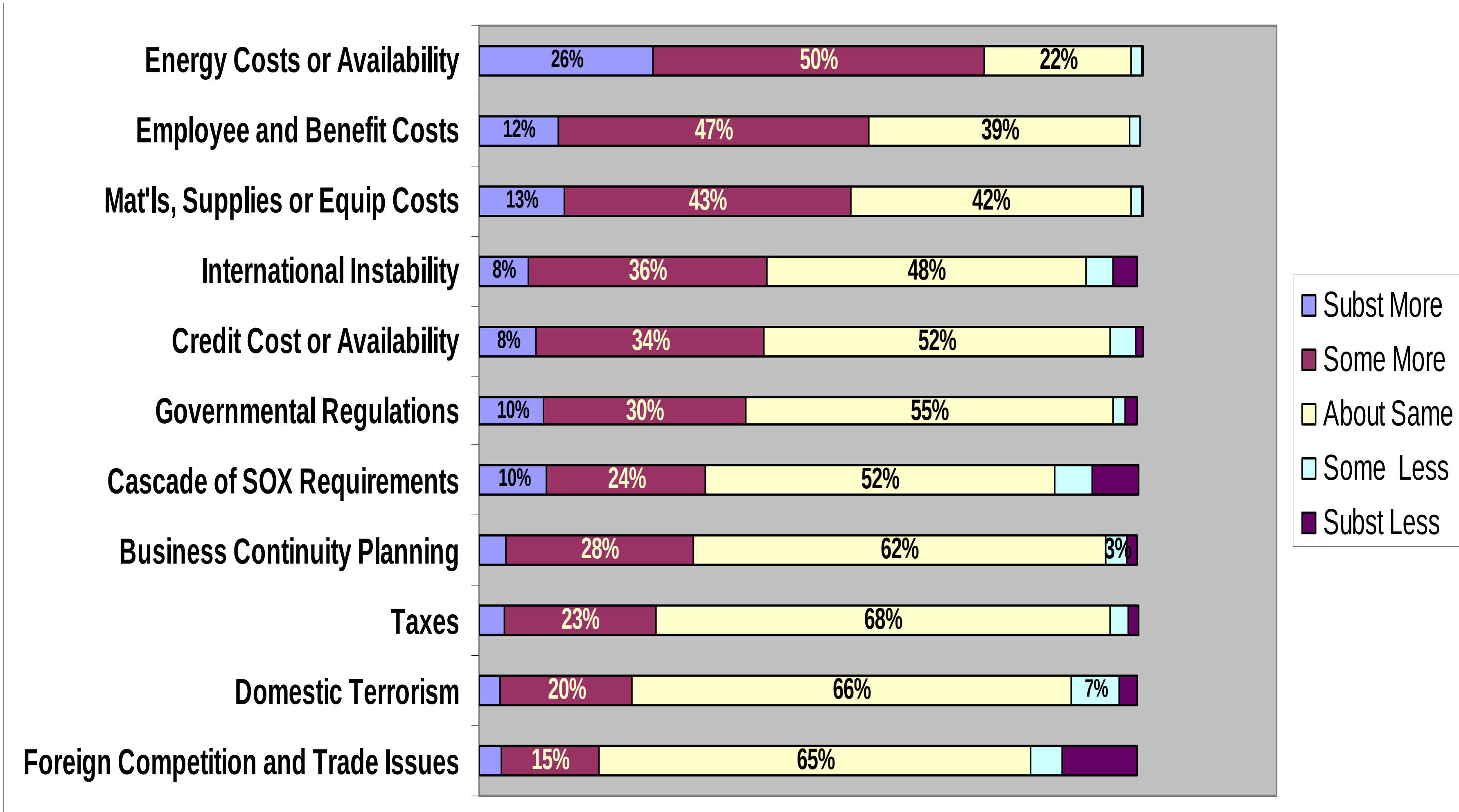
Issues and Concerns

- Areas of concern which more than 50% of respondents indicate being more worried about as of June 2006 than at mid-year:
  - Energy costs
  - Employee costs
  - Materials, supplies or equipment costs

- 16% report being less concerned about foreign competition and trade issues.

More than Less Concerned



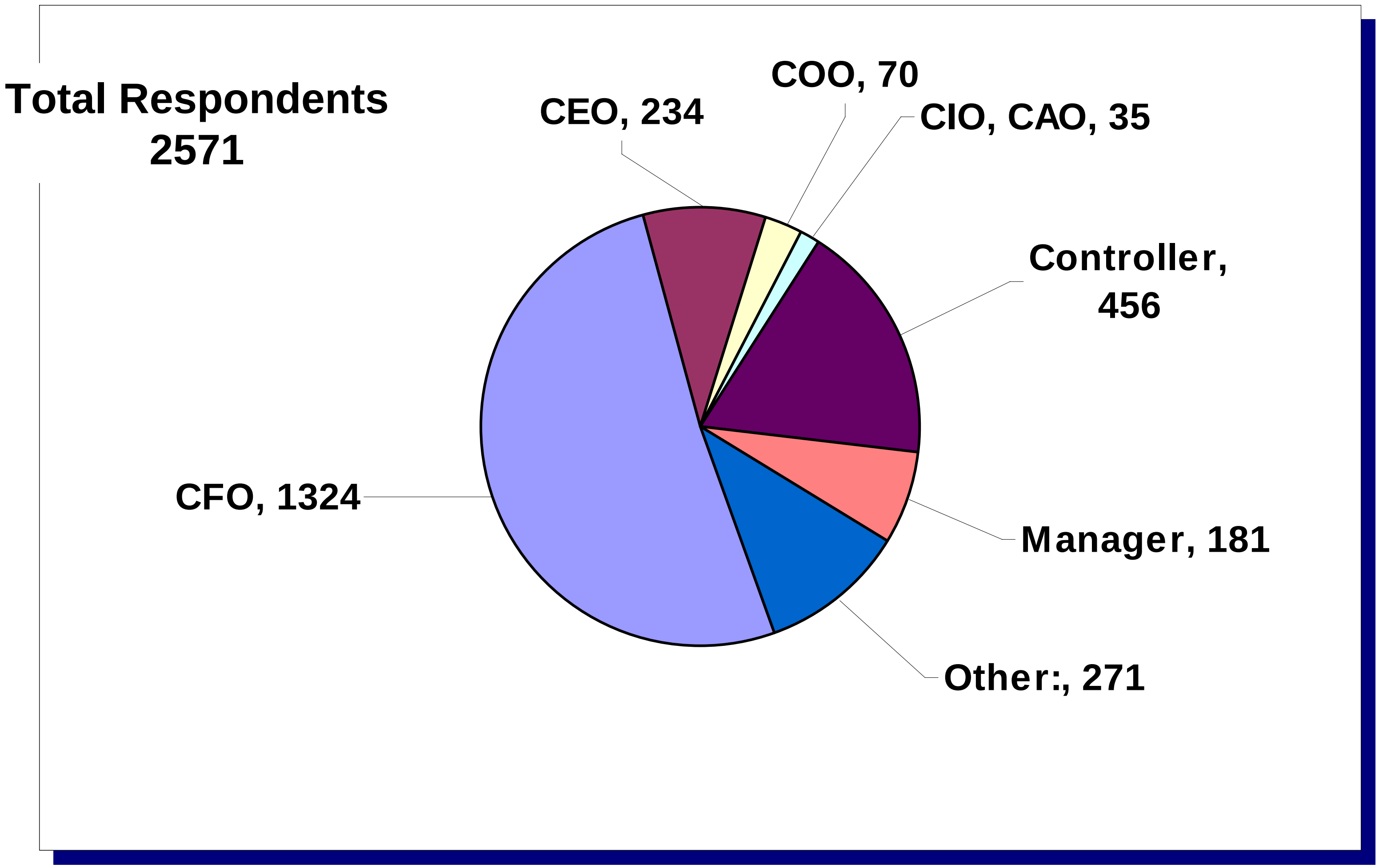
June 2006 Business and Industry
Economic Outlook Survey

The Survey

- Fifth semi-annual survey targeted at CPA decision makers in executive functions in:
  - Public and privately held companies
  - Government, not-for-profit, and
  - Other organizations

- 2571 respondents, including 1324 CFOs and 234 CEOs

Respondents by Title



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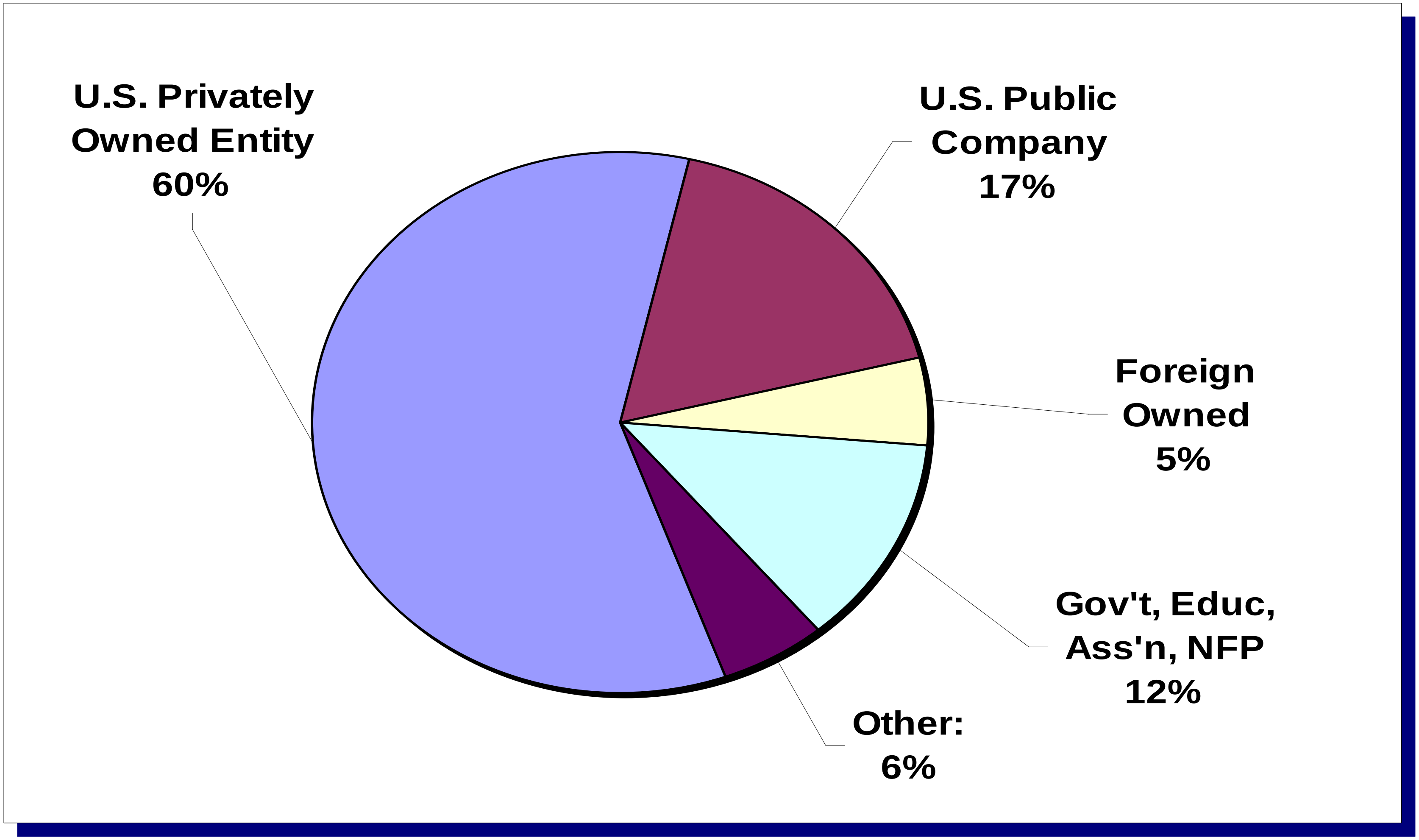
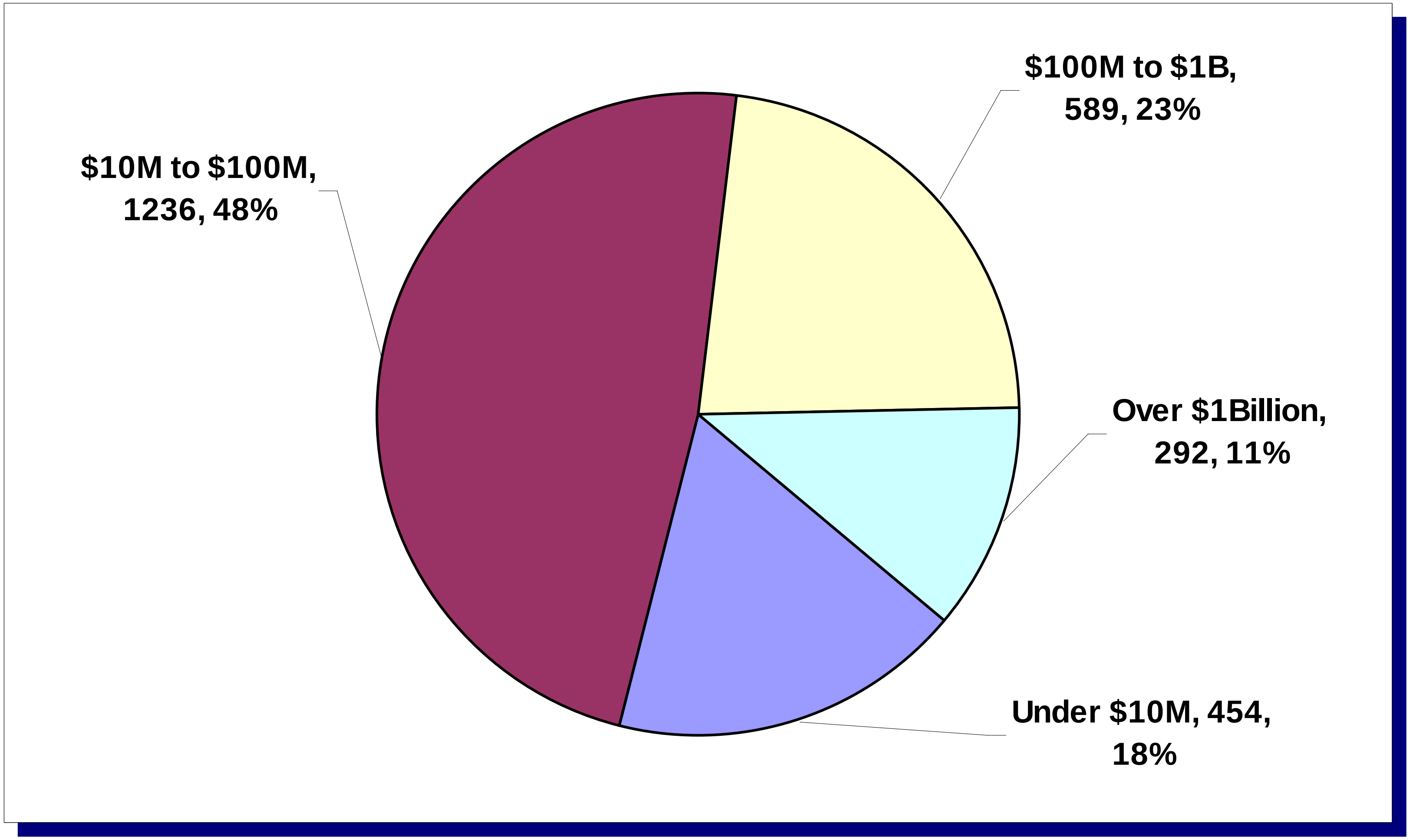
Respondents by Entity Type



Respondents by Revenue Size



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Economic Outlook Survey
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For additional information contact:

Kenneth W. Witt, CPA

Technical Manager

kwitt@aicpa.org