

**AICPA  
Business and Industry  
Economic Outlook Survey  
January 2007**

*Summary of Survey Results*

# Survey Background

- Conducted in January 2007
- Done semi-annually in 2005 and 2006; will be done quarterly in 2007
- CPA decision makers (primarily CFOs, CEOs & Controllers)
- AICPA members in Business & Industry only
- 2001 respondents

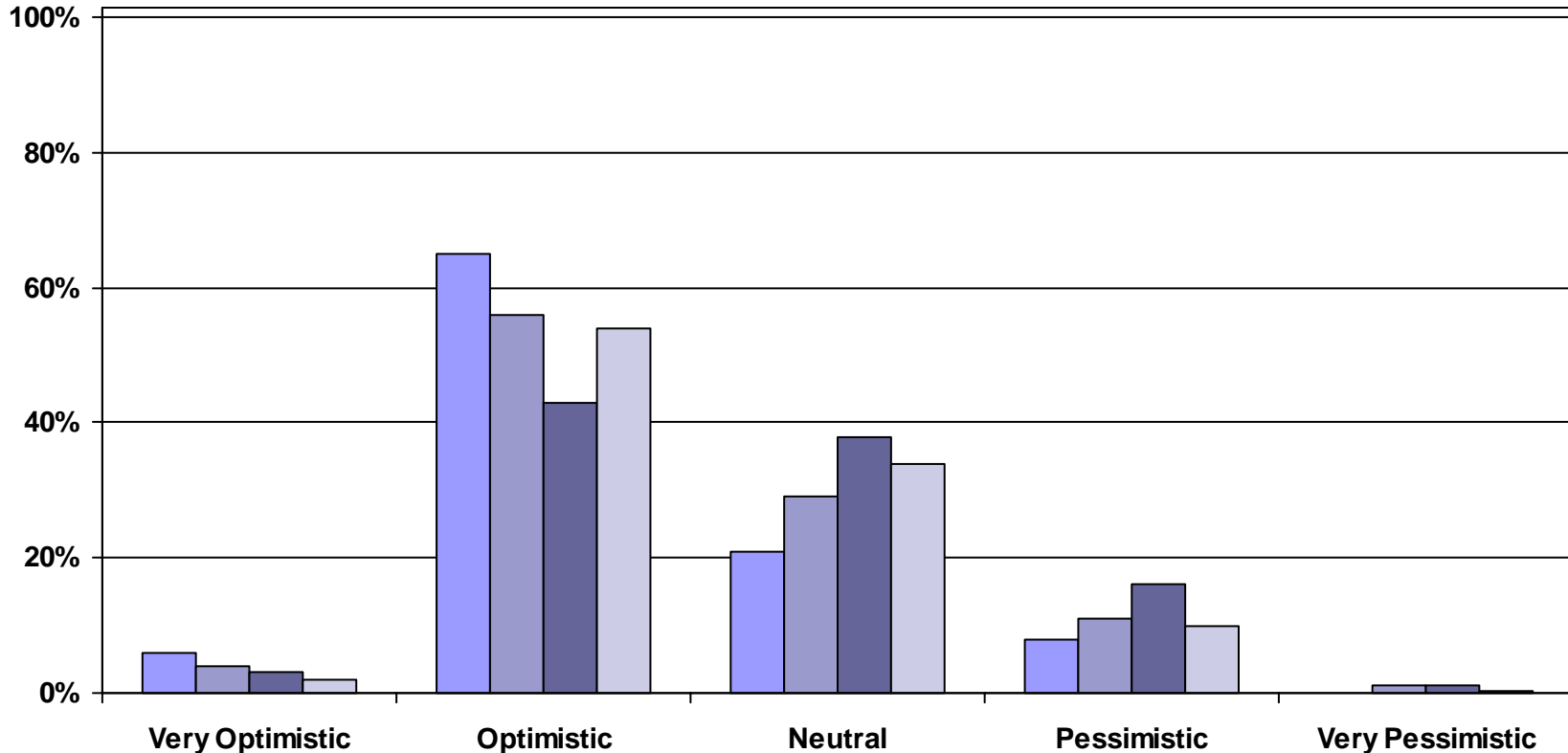
# Executive Summary

- Optimism for the US Economy improves after steady decline since June 2005
  - 56% of respondents are optimistic or very optimistic
- Respondents are even more optimistic about the prospects for their own organization
  - 67% of respondents are optimistic or very optimistic
  - 68% of respondents expect business to expand over the next 12 months (only 14% expect a contraction)
- Optimism was generally consistent across public, private and not-for-profit organizations and across organizations of various sizes
- Some variation existed across industries
  - Respondents from the construction, real estate and manufacturing sectors were slightly less optimistic
  - Respondents from technical, professional and scientific services organizations were slightly more optimistic
- Increased optimism comes despite the fact that 41% of the respondents felt the November election had a negative impact on their outlook vs only 17% who felt it had a positive impact

# Economic Outlook

Please select the rating that best describes your view for the economic outlook for the US for the next 12 months.

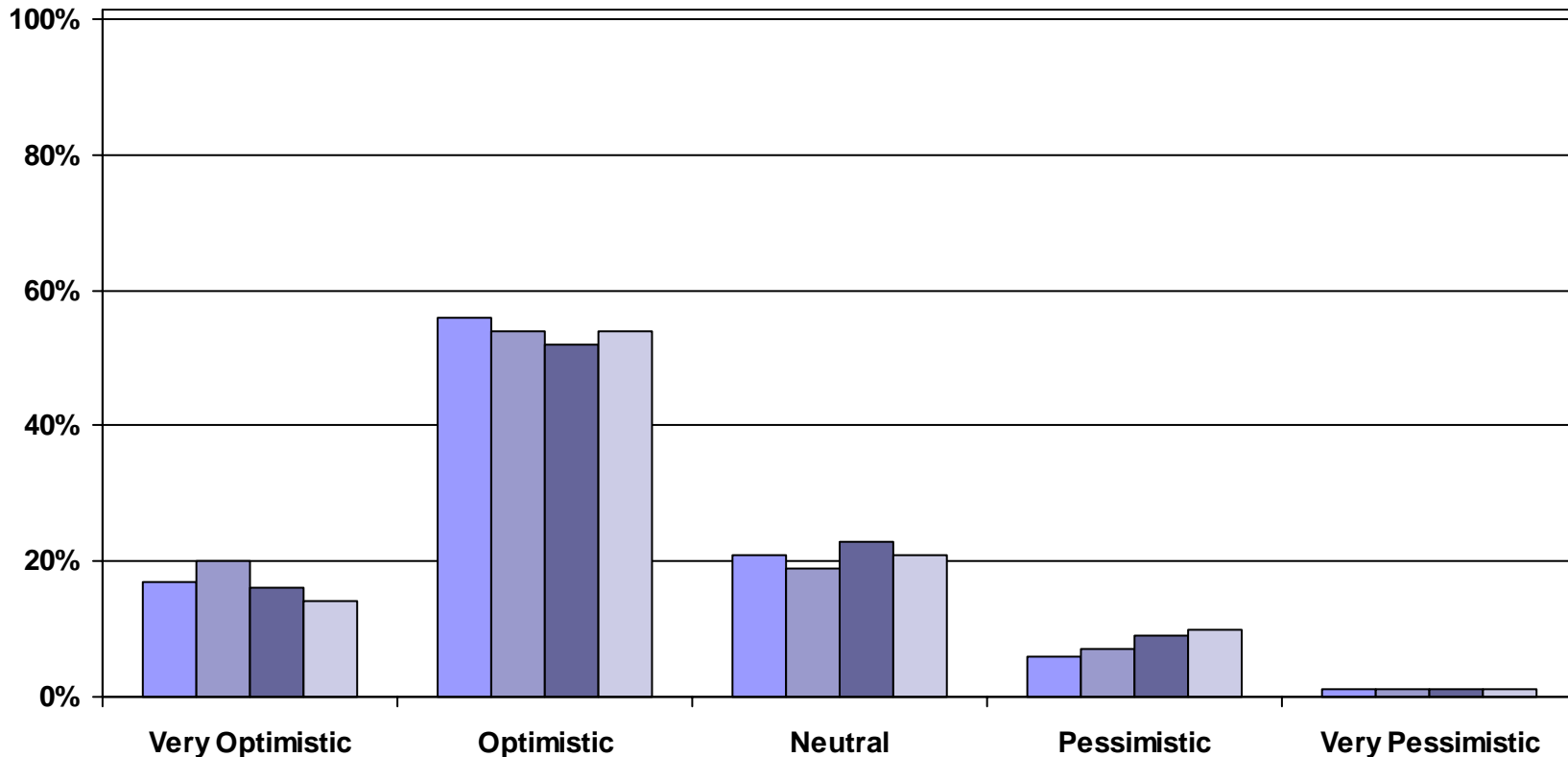
Dec 04 Dec 05 June 06 Jan 07



# Outlook for Your Own Organization

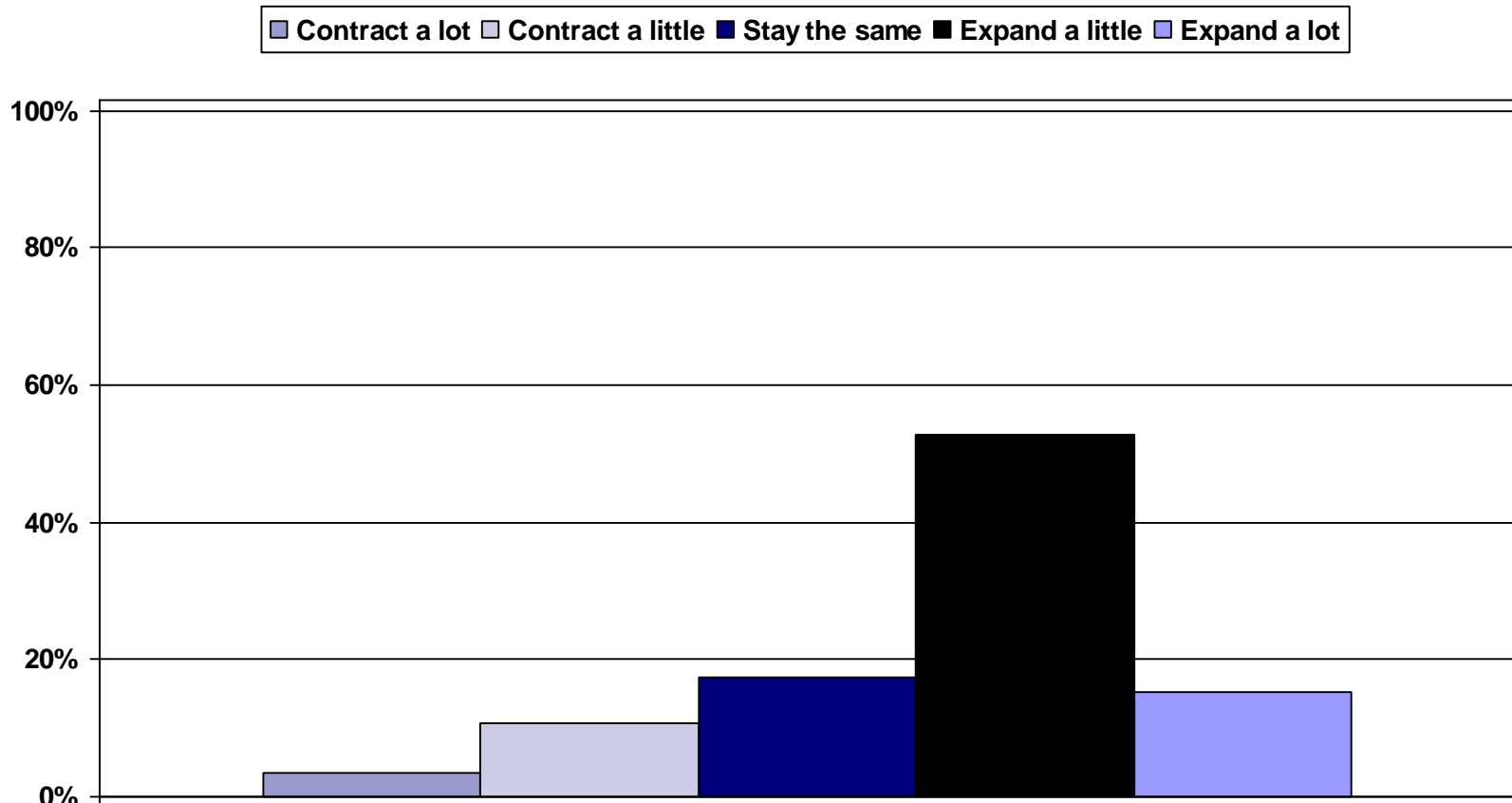
Please select the rating that best describes your view for the economic outlook for your own organization for the next 12 months.

4-Dec 5-Dec 6-Jun 7-Jan



# Expansion/Contraction of Your Own Organization

Please indicate whether you expect your business to expand or contract over the next 12 months.

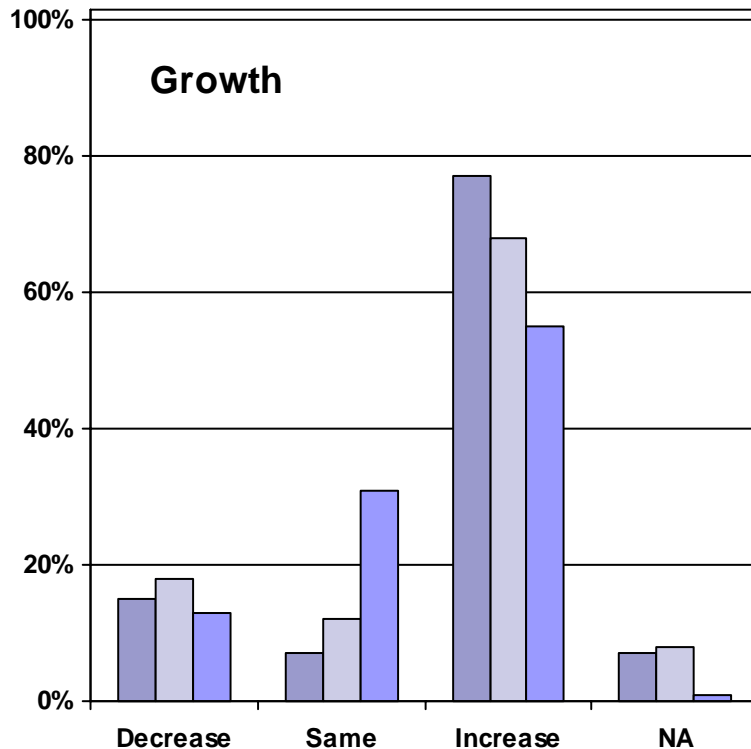


# Growth Outlook for Organizations for next 12 months

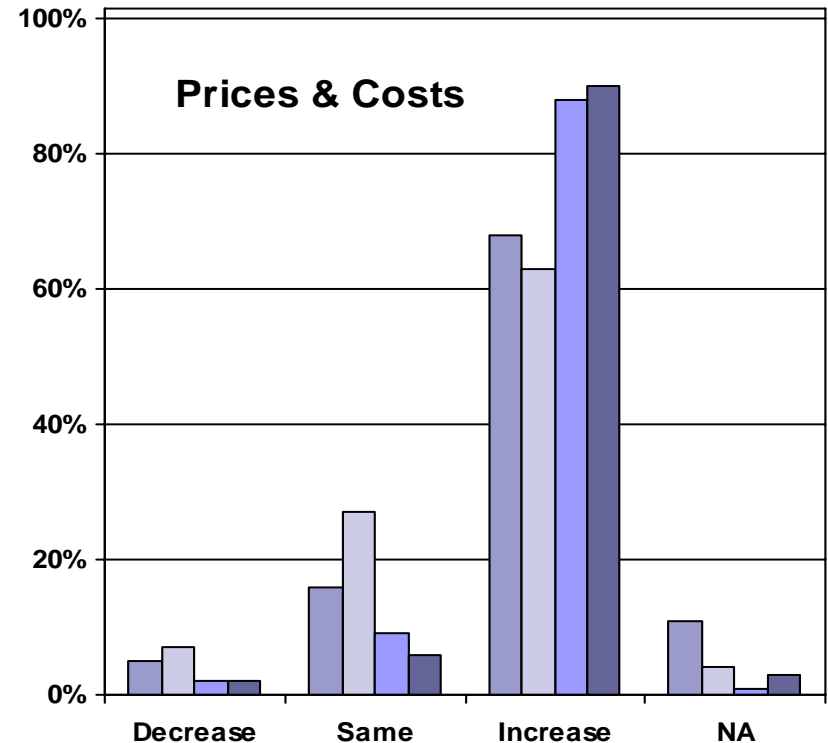
- Respondents back up their optimism with growth expectations for their organizations
  - Most expect increases in revenues, profits and number of employees
  - More are expecting revenue increases than profit increases
- Reduced expectations for profit increases appear to be driven by a combination of expected increased costs paired with a reduced expectation of being able to raise prices
  - Cost increases are most associated with employees – salaries, benefits and healthcare.

# Growth Outlook for Organizations for next 12 months

■ Revenue   ■ Profit   ■ Employees



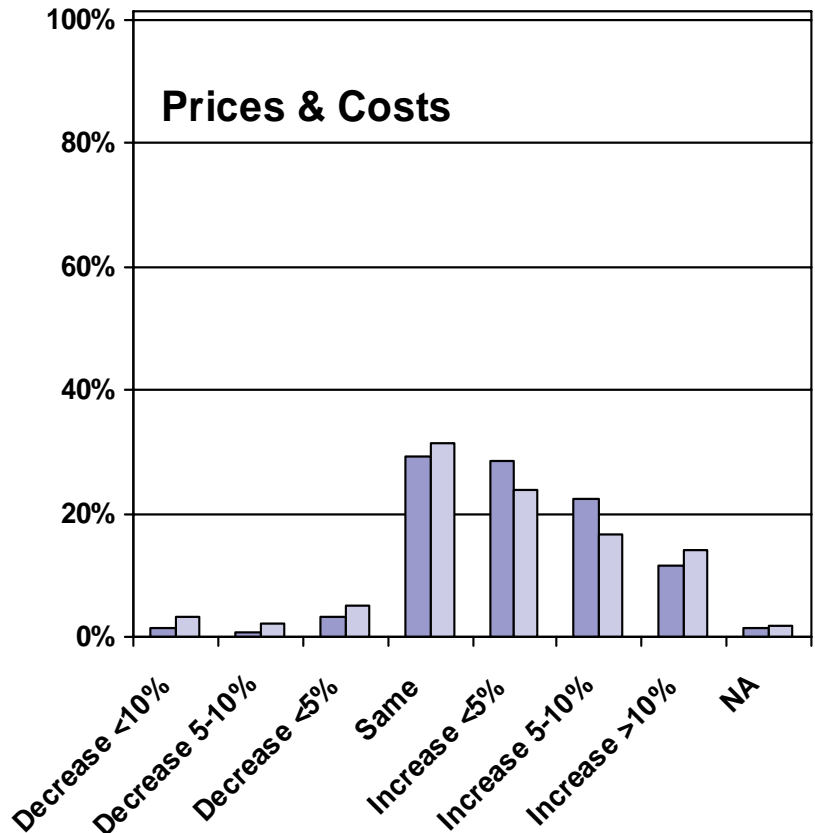
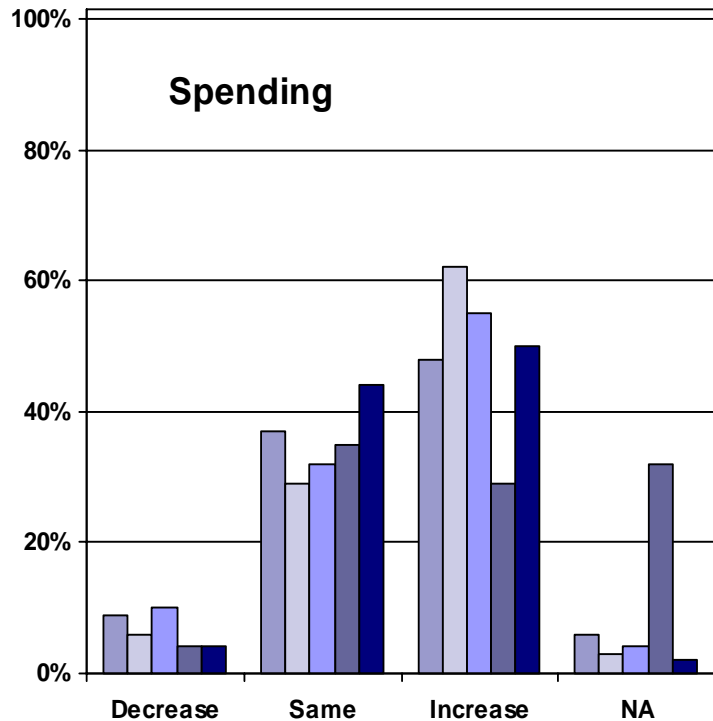
■ Input Prices   ■ Prices Charged  
■ Salary & Benefits w/o Health   ■ Healthcare



# Spending Plans for Organizations for next 12 months

- Spending plans are also up with most organizations planning to increase spending across the board, particularly in IT and Training & Development
  - IT spending will increase the most with 1/3 of organizations planning to increase IT spending by over 5%
  - Other capital expenditures are also expected to increase significantly

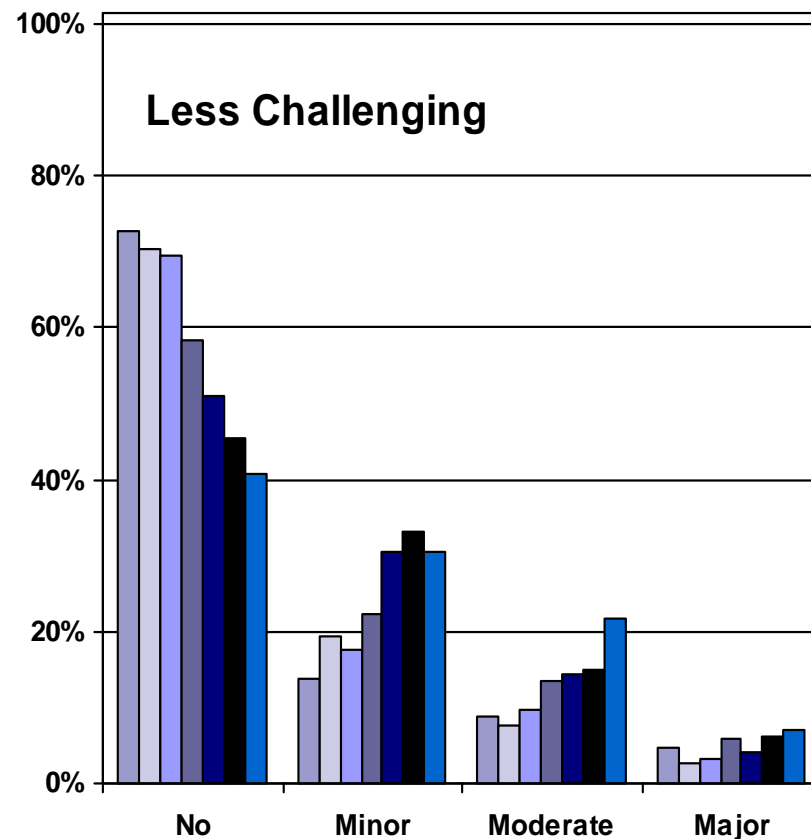
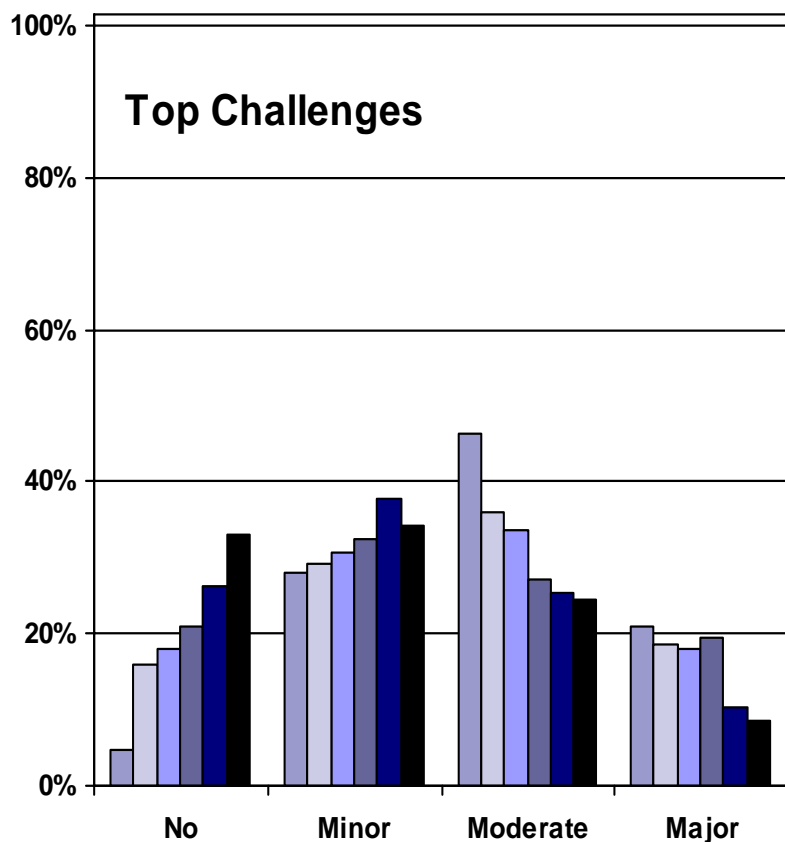
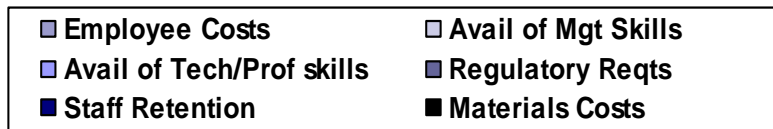
# Spending Plans for Organizations for next 12 months



# Challenges for Organizations for next 12 months

- When asked to rate the challenges faced over 95% of organizations saw employee and benefit costs as a challenge of some type
  - 21% see it as a major challenge
- Staff related issues – cost, availability and retention accounted for 4 of the top 5 challenges organizations faced
  - Regulatory challenges rounded out the top 5
- US Trade policy and foreign competition whether from China or elsewhere was generally not seen as a challenge by respondents.

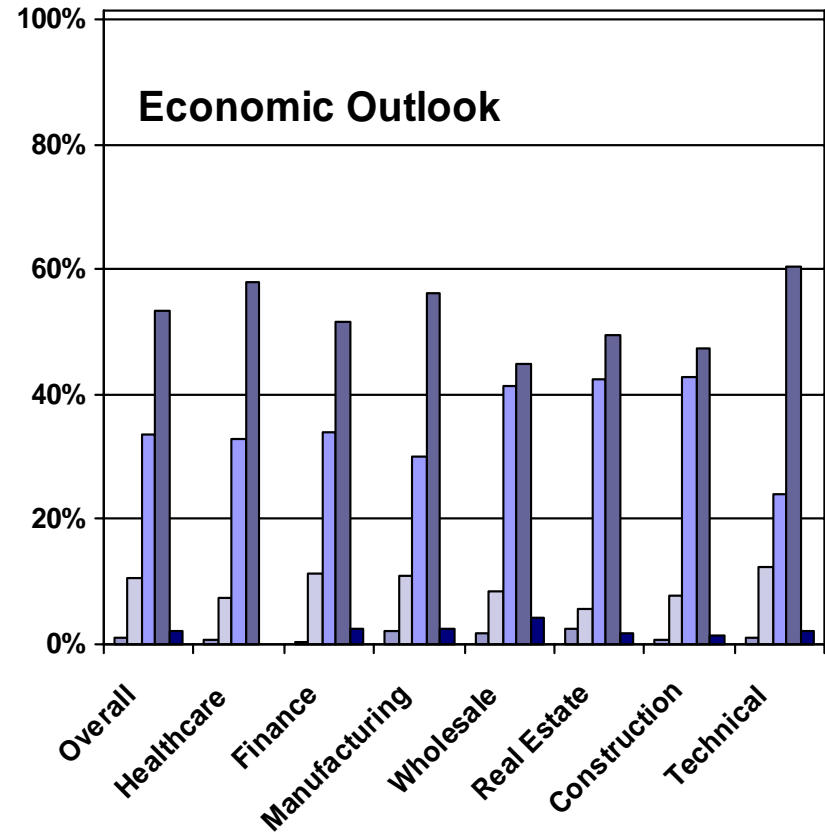
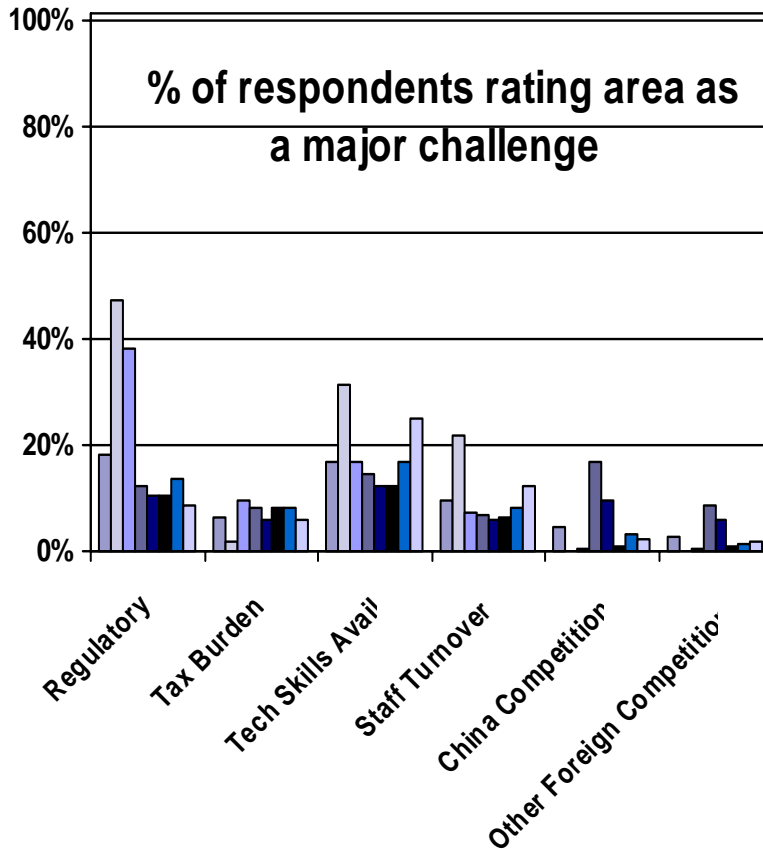
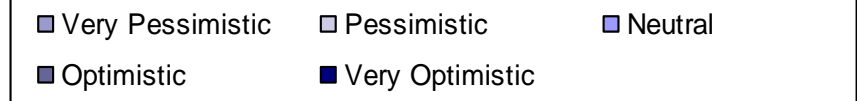
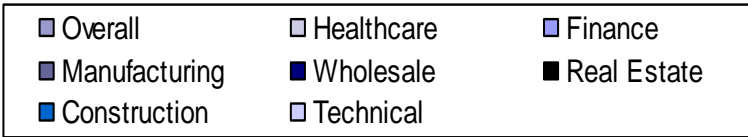
# Challenges for Organizations for next 12 months



# Industry Variations

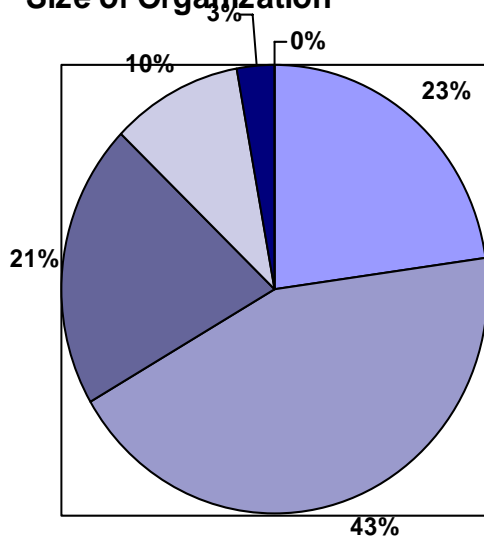
- Healthcare and Financial Industries are most concerned about regulatory and staff related issues
- Manufacturing and wholesale are most concerned about foreign competition
- Construction, Real Estate and Manufacturing organization were slightly less optimistic about their outlook
- Technical, Scientific and Professional Services are most optimistic

# Industry Variations

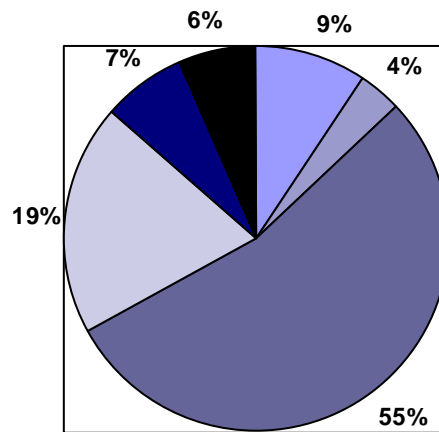


# Survey Respondents

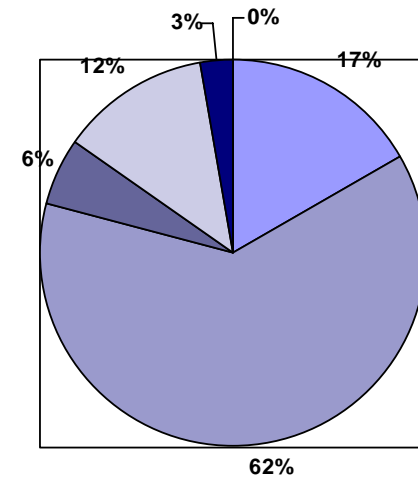
Size of Organization

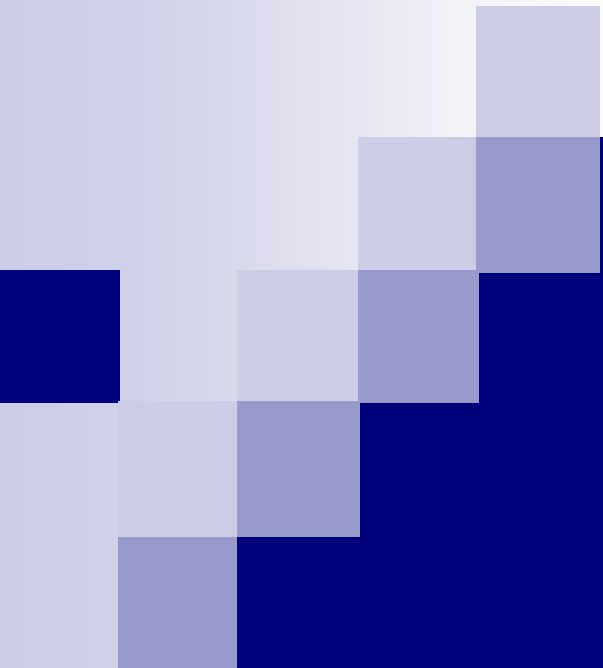


Position



Type of Organization





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