

**AICPA
Business and Industry
Economic Outlook Survey
2Q 2007**

Detailed Survey Results



Survey Background

- Conducted between April 10 and May 9, 2007
- Done semi-annually in 2005 and 2006; quarterly in 2007
- CPA decision makers (primarily CFOs, CEOs & Controllers)
- AICPA members in Business & Industry only
- 1354 completed responses



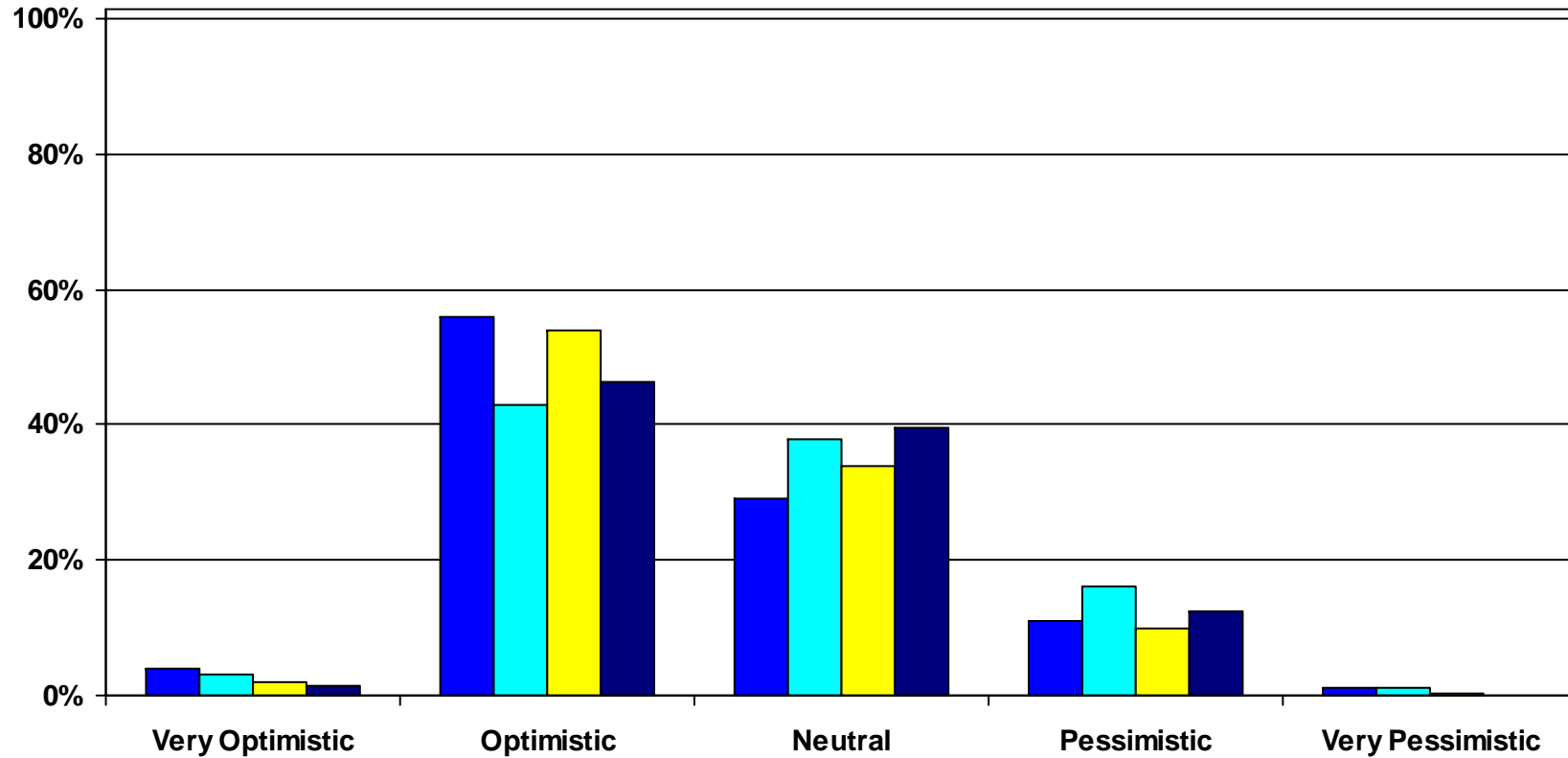
Executive Summary

- While optimism concerning the US Economy is still high, it is down from 1Q
 - 48% of respondents are optimistic or very optimistic vs 56% in 1Q
 - Optimism concerning state economies dropped in step with the US Outlook
- Organizational factors do not appear to be driving this drop as optimism for organizations remained fairly stable
 - 66% of respondents are optimistic or very optimistic vs 67% in 1Q
 - 66% of respondents expect business to expand over the next 12 months vs 68% in 1Q
- 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 mining, oil & gas and utilities sectors were more likely to be optimistic about both the US economy and their own organizations
 - Respondents from the Retail Trade and Information & Media sectors were less optimistic about the US economy while Retail Trade and Wholesale Trade respondents were most pessimistic about their own organizations
- Fuel prices and concerns about the housing and real estate market were the most often cited reasons for decreased optimism this quarter

Economic Outlook for the US

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

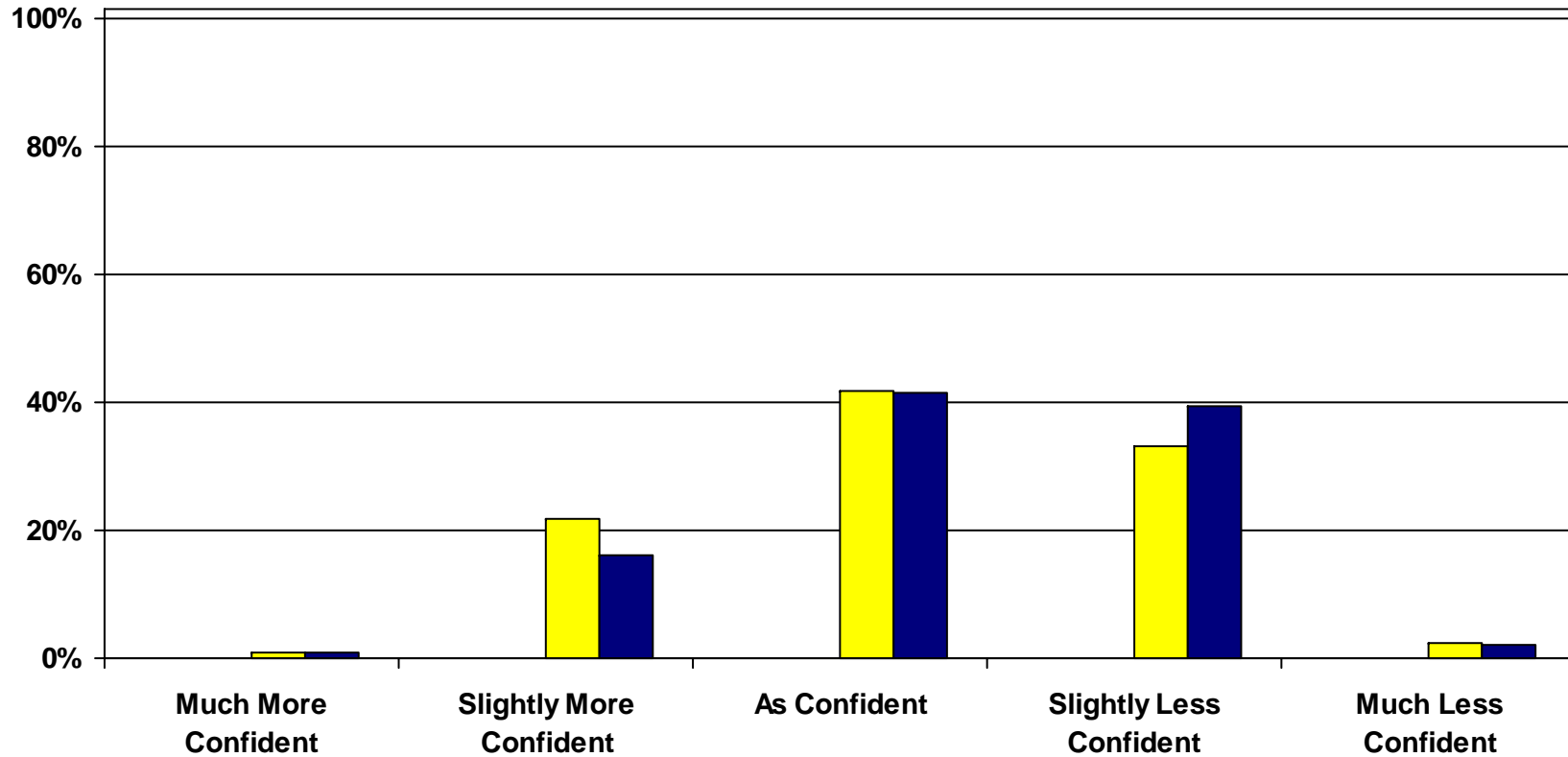
■ Dec 05 ■ June 06 ■ Jan 07 ■ Apr 07



Change in View US Economic Outlook

Please how your view has changed from the previous twelve month period for the economic outlook for the US for the next 12 months.

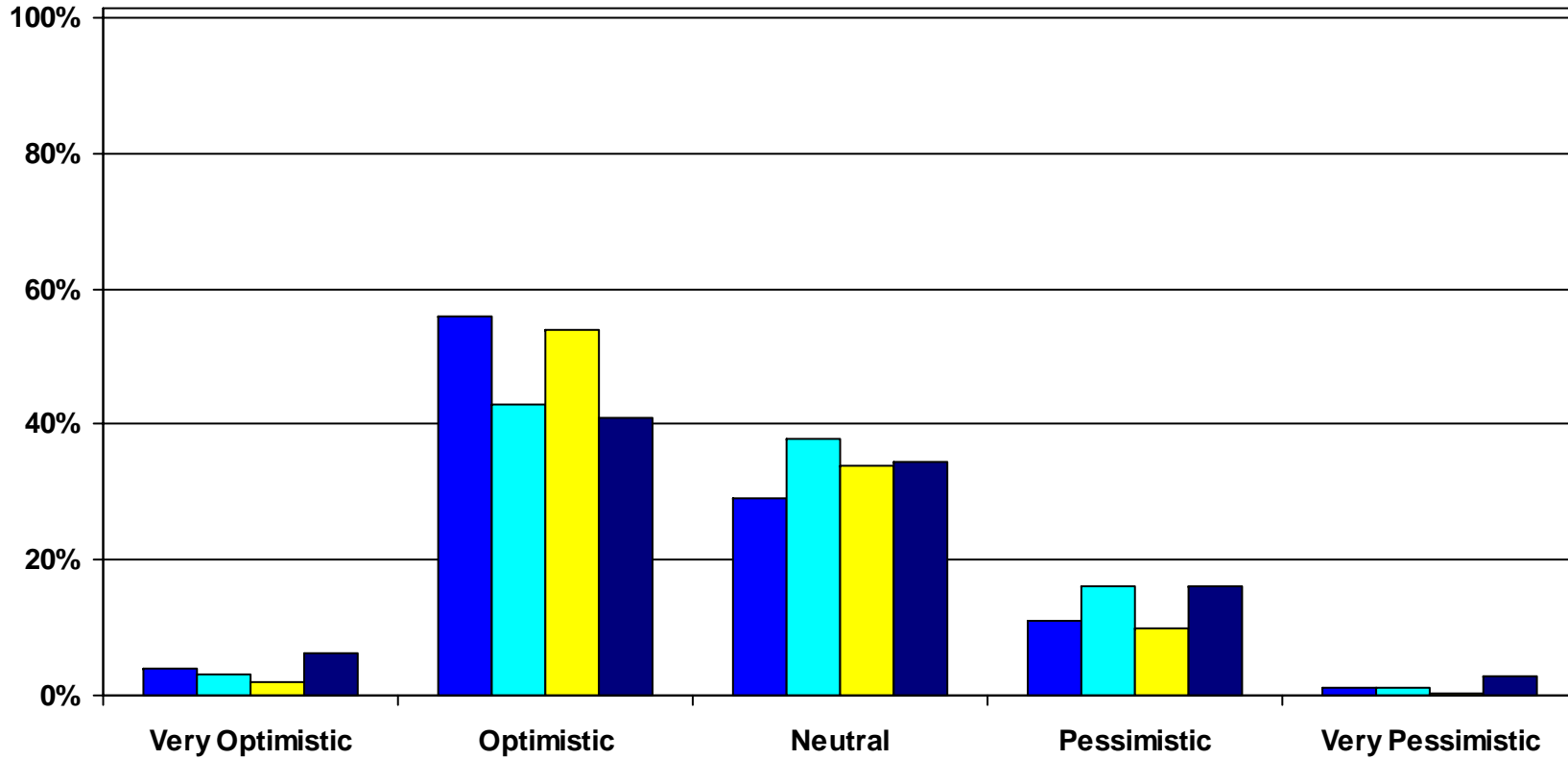
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Economic Outlook for Your State

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

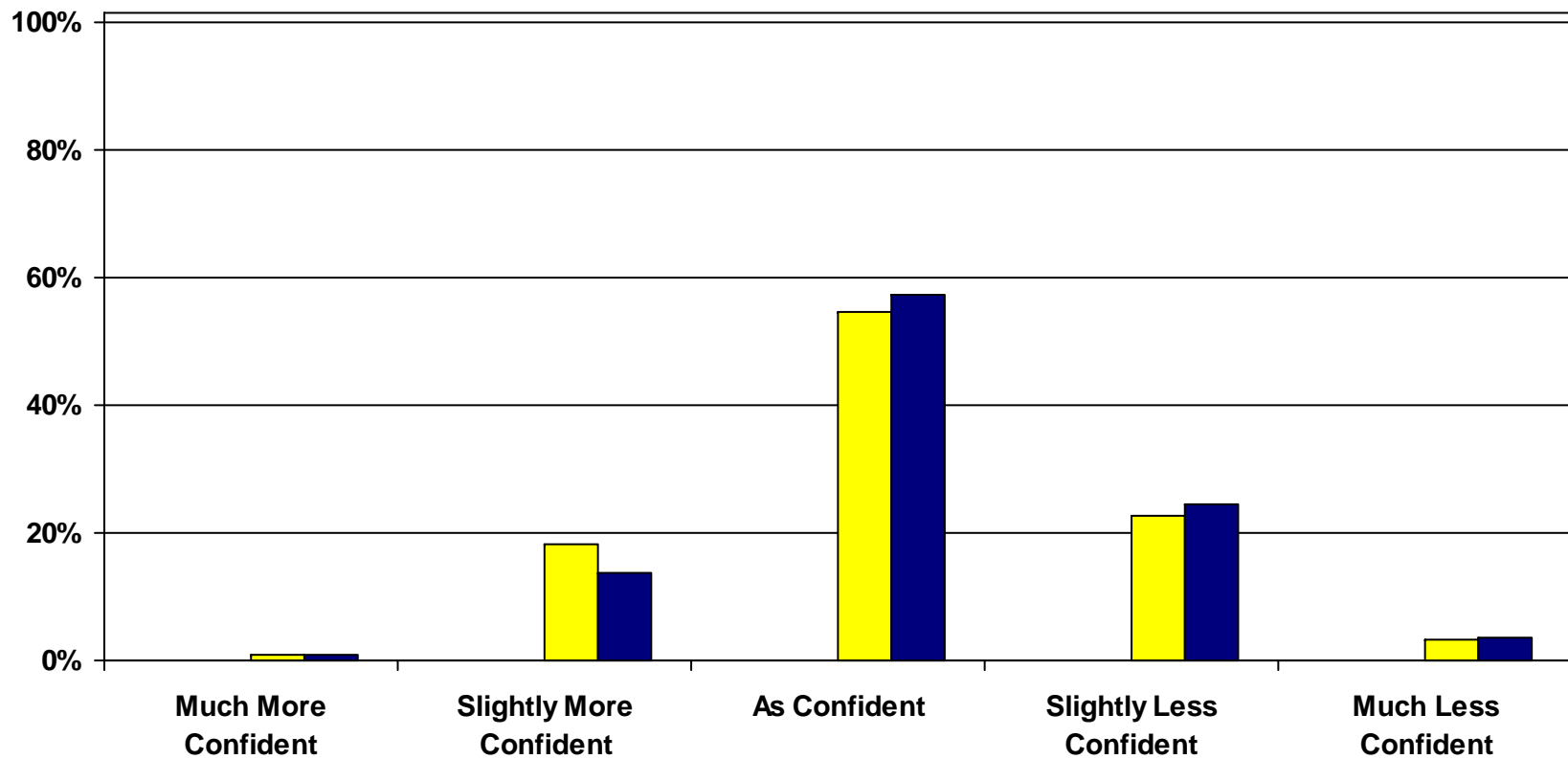
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Change in View State Economic Outlook

Please how your view has changed from the previous twelve month period for the economic outlook for your state for the next 12 months.

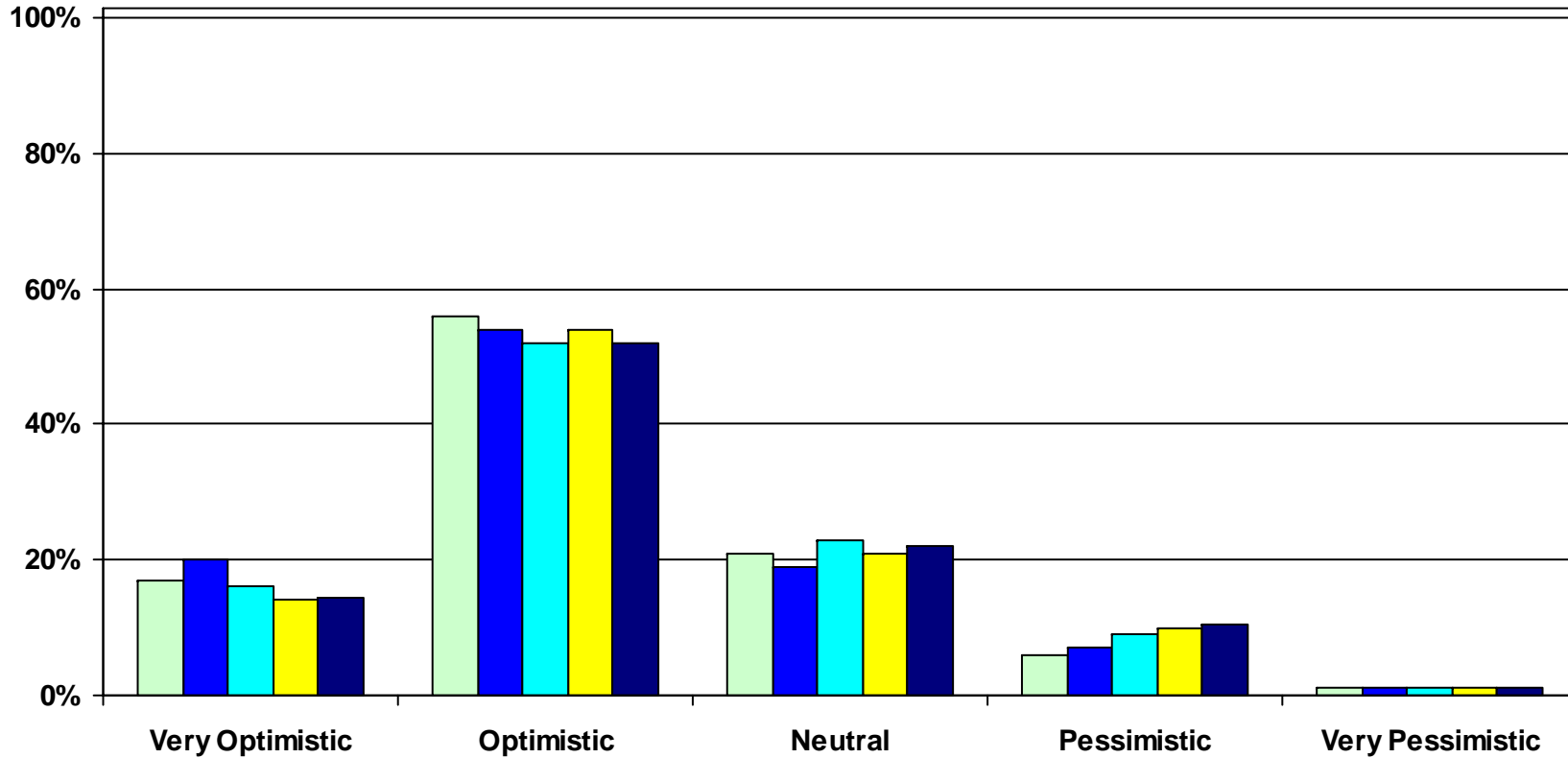
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Economic Outlook for Your Own Organization

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

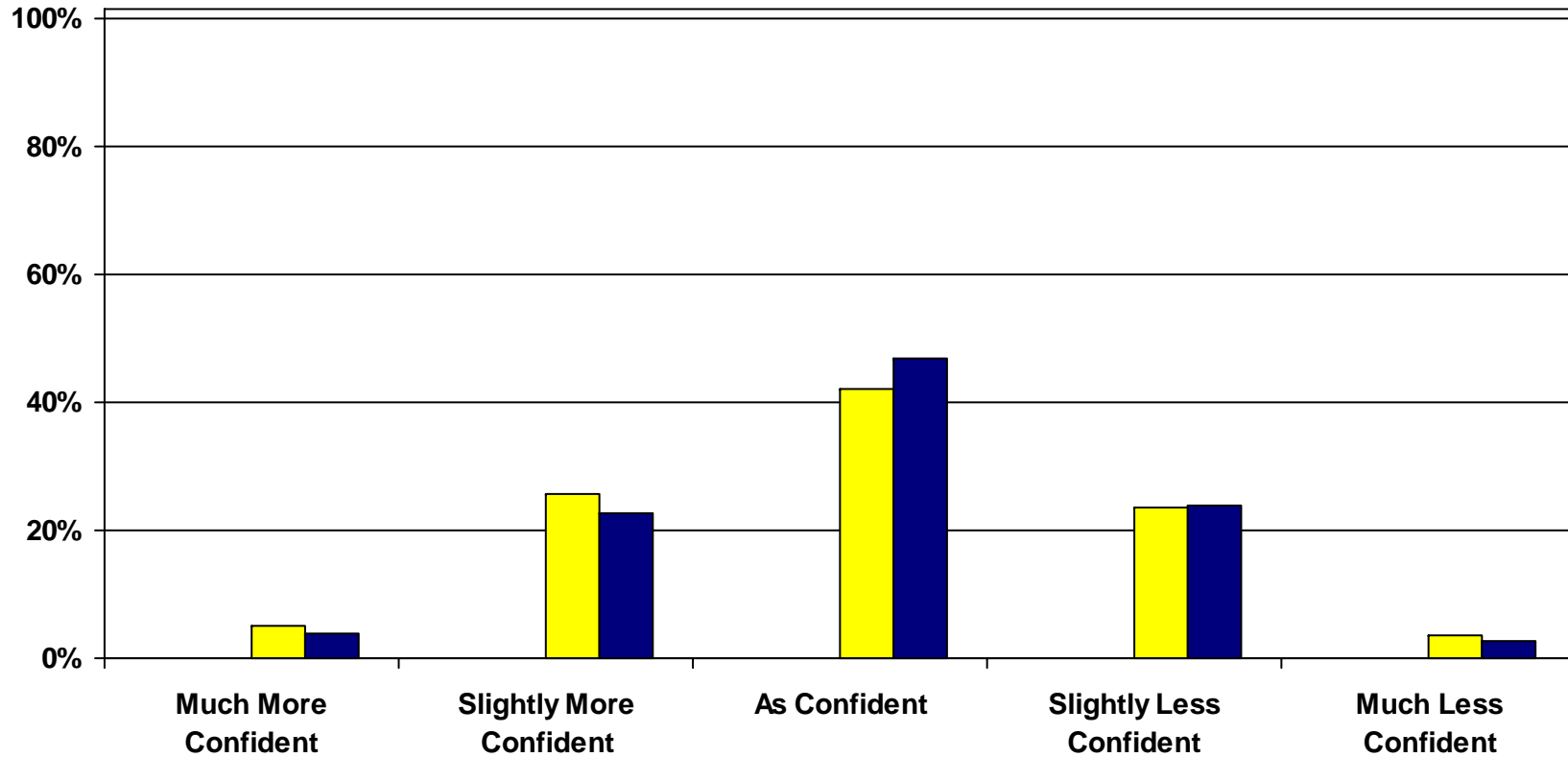
Dec 04 Dec 05 June 06 Jan 07 Apr 07



Change in View Outlook for your Organization

Please how your view has changed from the previous twelve month period for the economic outlook for your organization for the next 12 months.

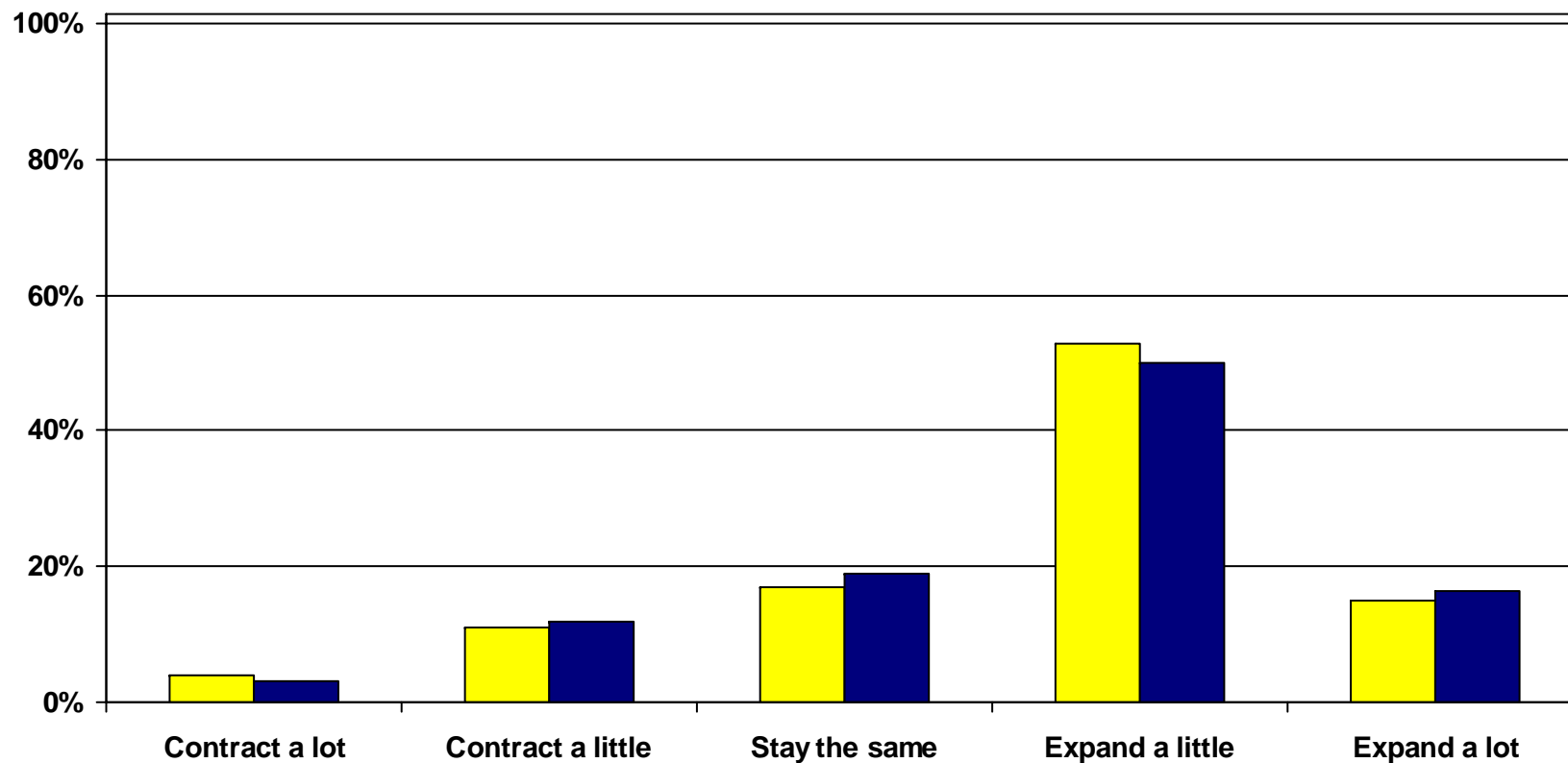
■ Dec 05 ■ June 06 ■ Jan 07 ■ Apr 07



Expansion/Contraction of Your Own Organization

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

Jan 07 Apr 07



Growth Outlook for Organizations for next 12 months

Revenues, Profits, Employees, Costs, Prices and Spending Plans

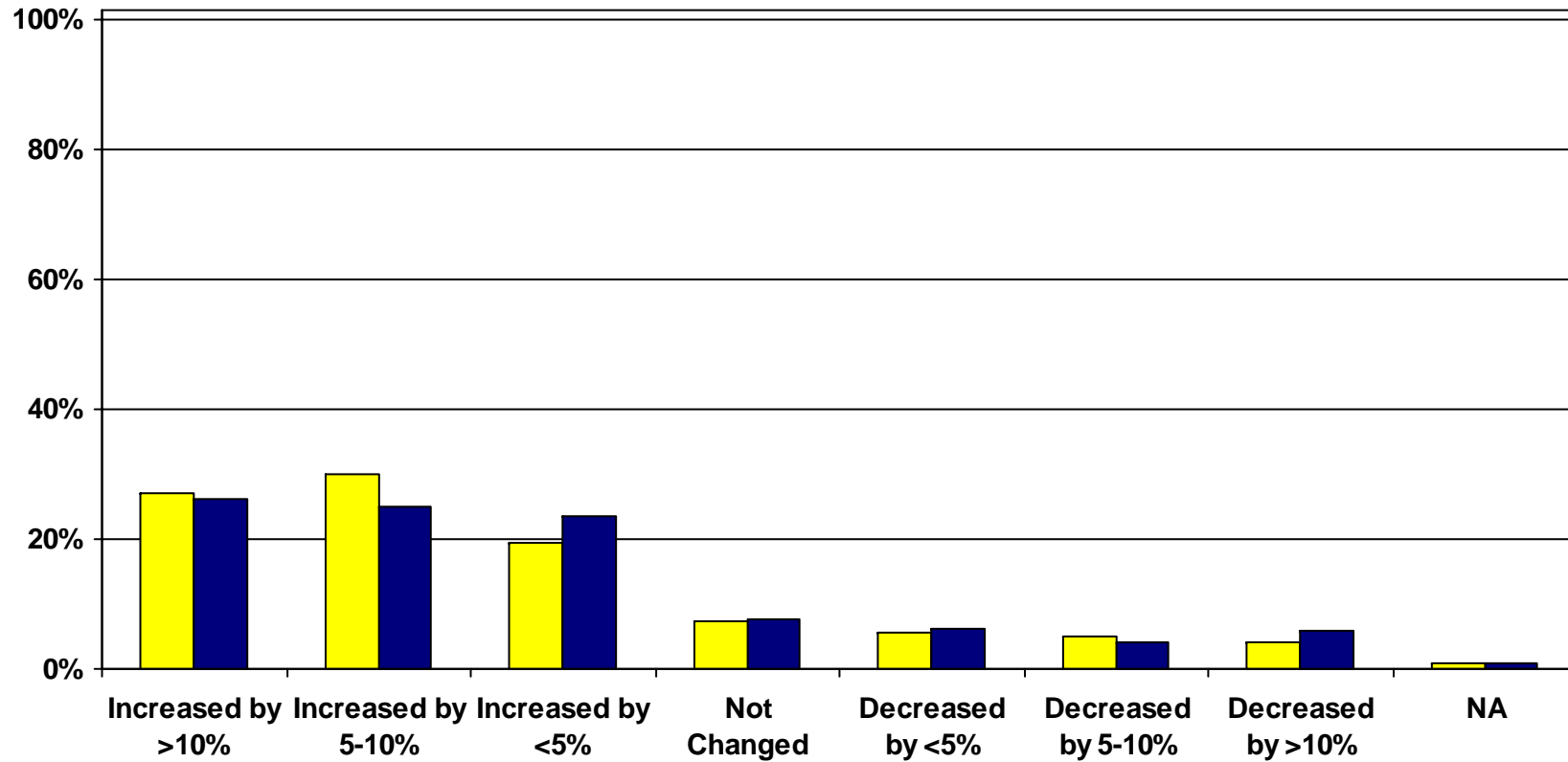
- Continued optimism concerning organization outlooks is backed by expectations of growth
 - Most continue expect increases in revenues, profits and number of employees although a slightly smaller percentage expect growth in the 5-10% range
 - As with 1Q, more are expecting revenue increases than profit 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.
 - Materials cost increases combined with an inability to raise prices was specifically mentioned by a number of manufacturing industry respondents in open-ended comments.
- Spending Plans remain stable

Key Performance Indicators

Total Revenue (Sales)

Thinking about the coming 12 months, please comment on the probably change for your organization for Total Revenue (Sales)

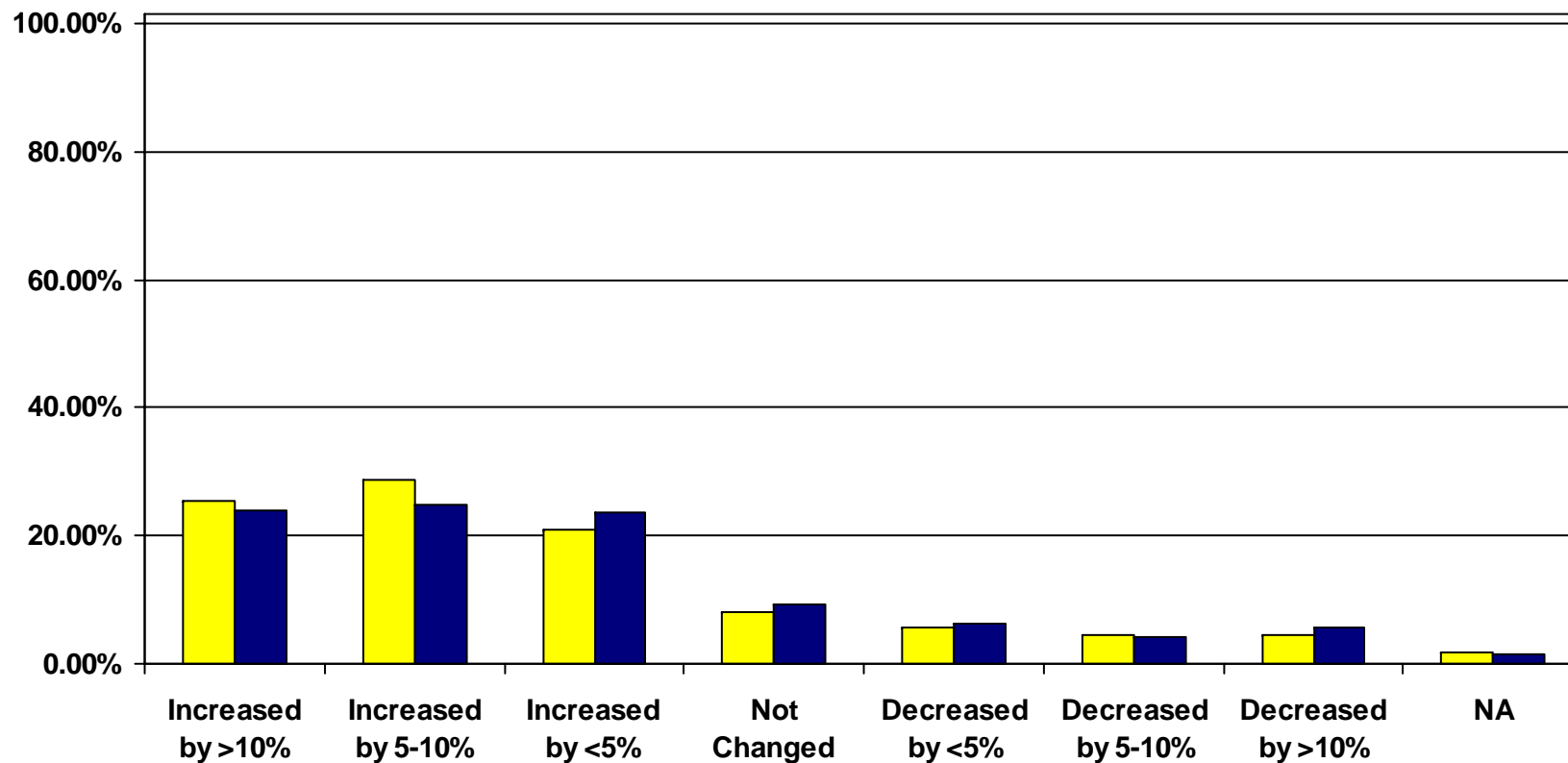
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Key Performance Indicators Revenue (Sales) in US

Thinking about the coming 12 months, please comment on the probable change for your organization for Revenue (Sales) in US

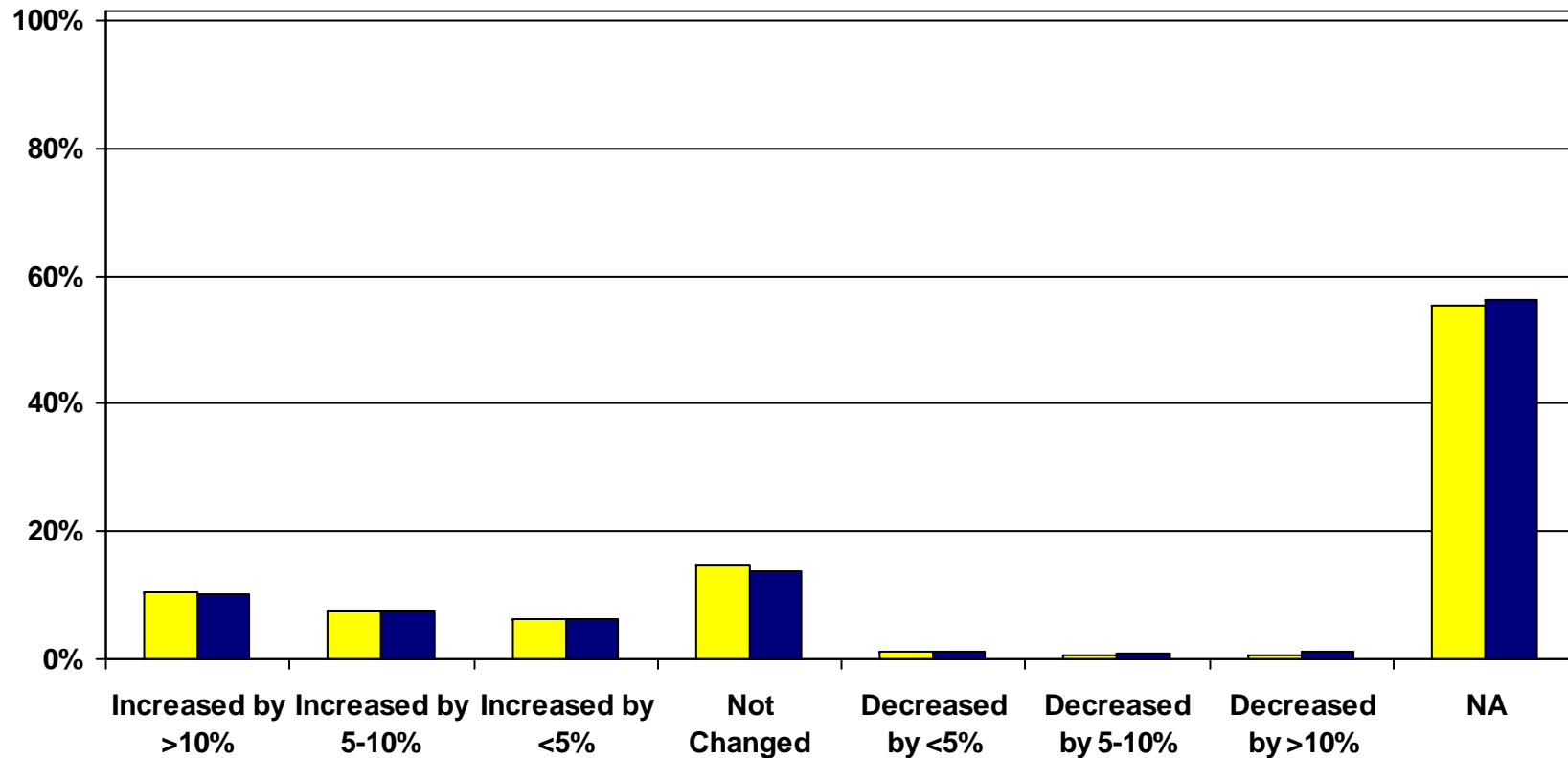
Jan 07 Apr 07



Key Performance Indicators Revenue (Sales) outside of US

Thinking about the coming 12 months, please comment on the probable change for your organization for Revenue (Sales) outside of US

Jan 07 Apr 07

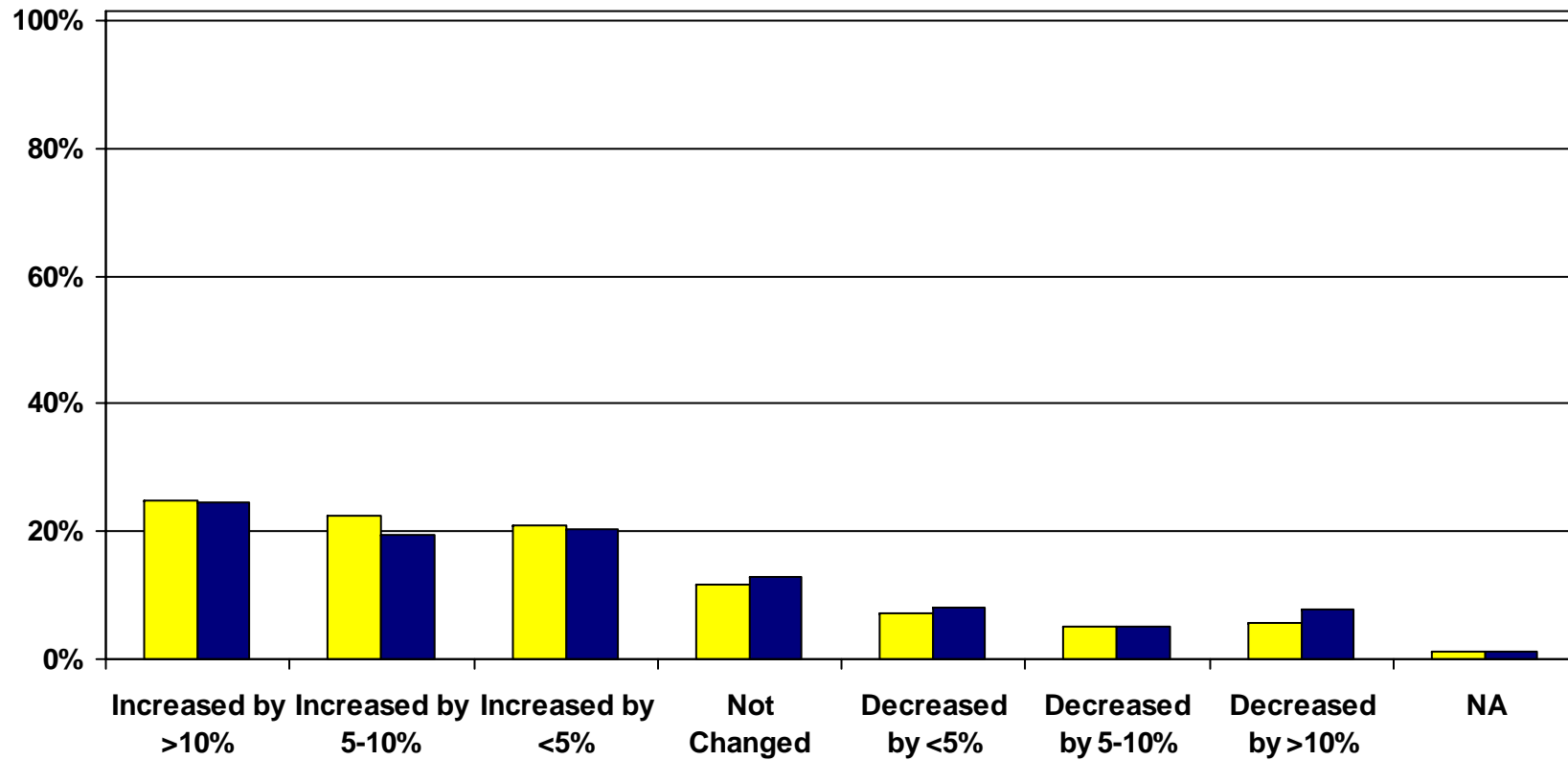


Key Performance Indicators

Total Profits (Net Income)

Thinking about the coming 12 months, please comment on the probable change for your organization for Total Profits (Net Income)

Jan 07 Apr 07

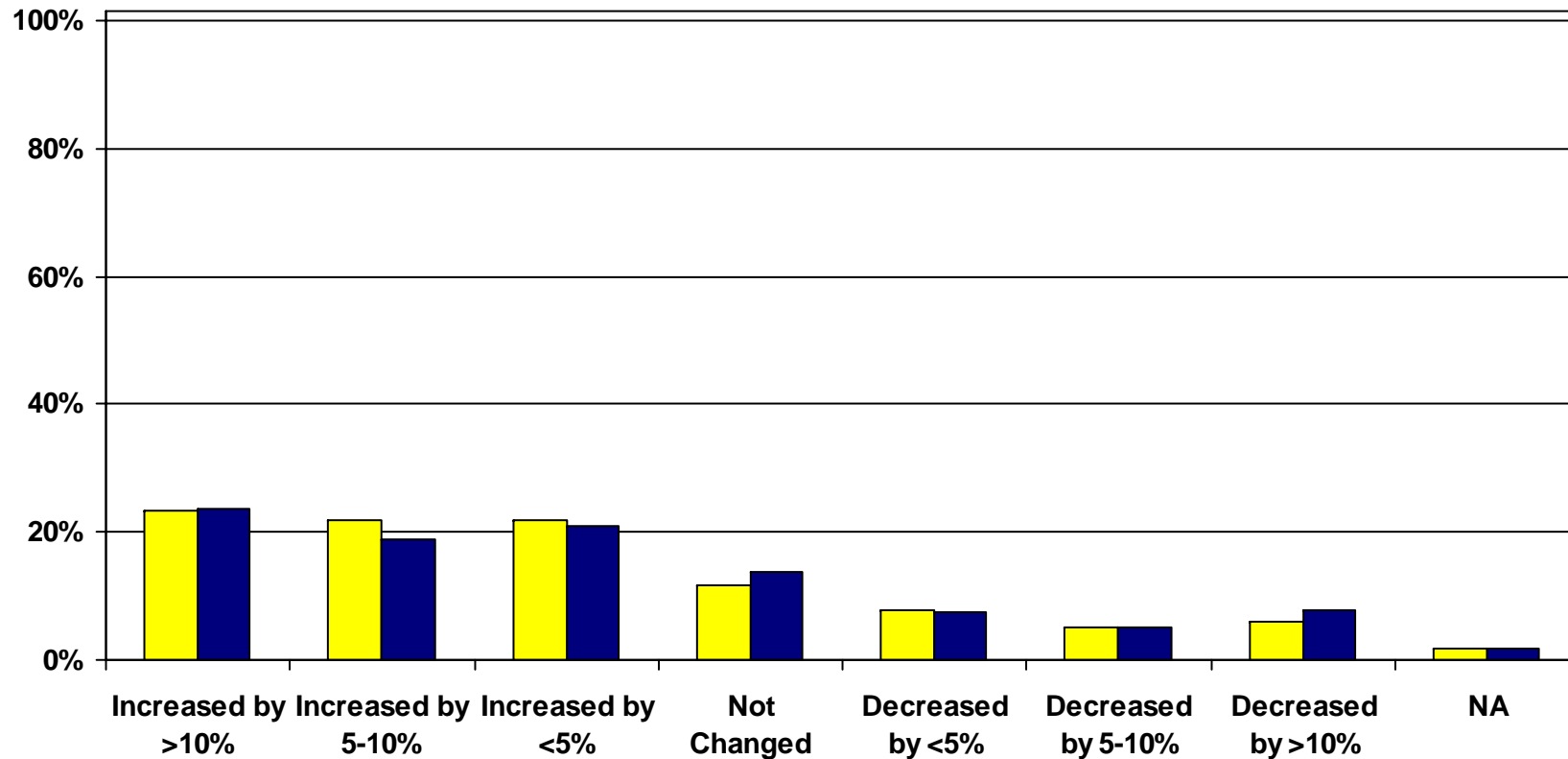


Key Performance Indicators

Total Profits from US

Thinking about the coming 12 months, please comment on the probable change for your organization for Total Profits (Net Income) from US

Jan 07 Apr 07

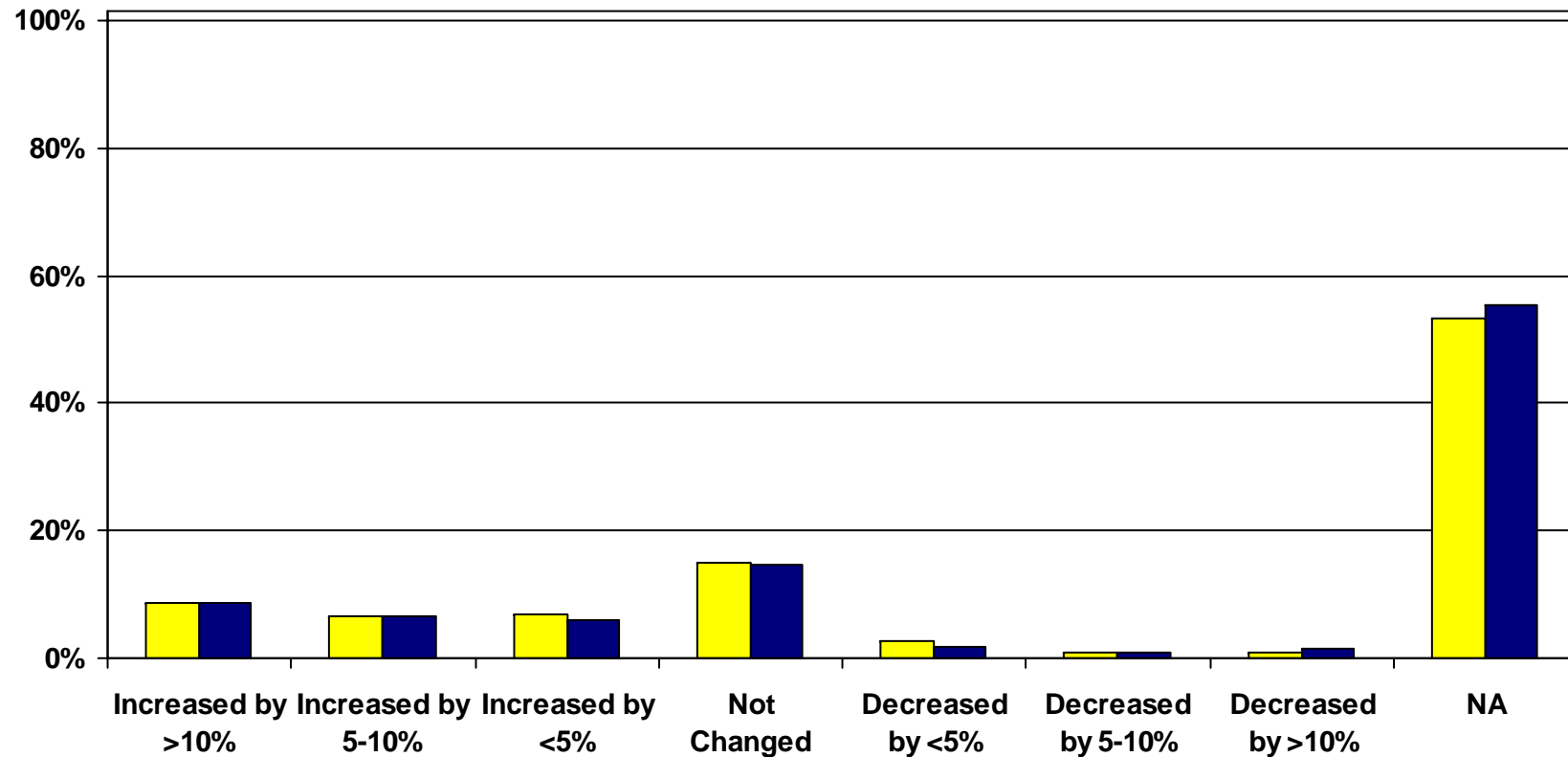


Key Performance Indicators

Total Profits from outside of US

Thinking about the coming 12 months, please comment on the probable change for your organization for Total Profits (Net Income) from outside of US

Jan 07 Apr 07

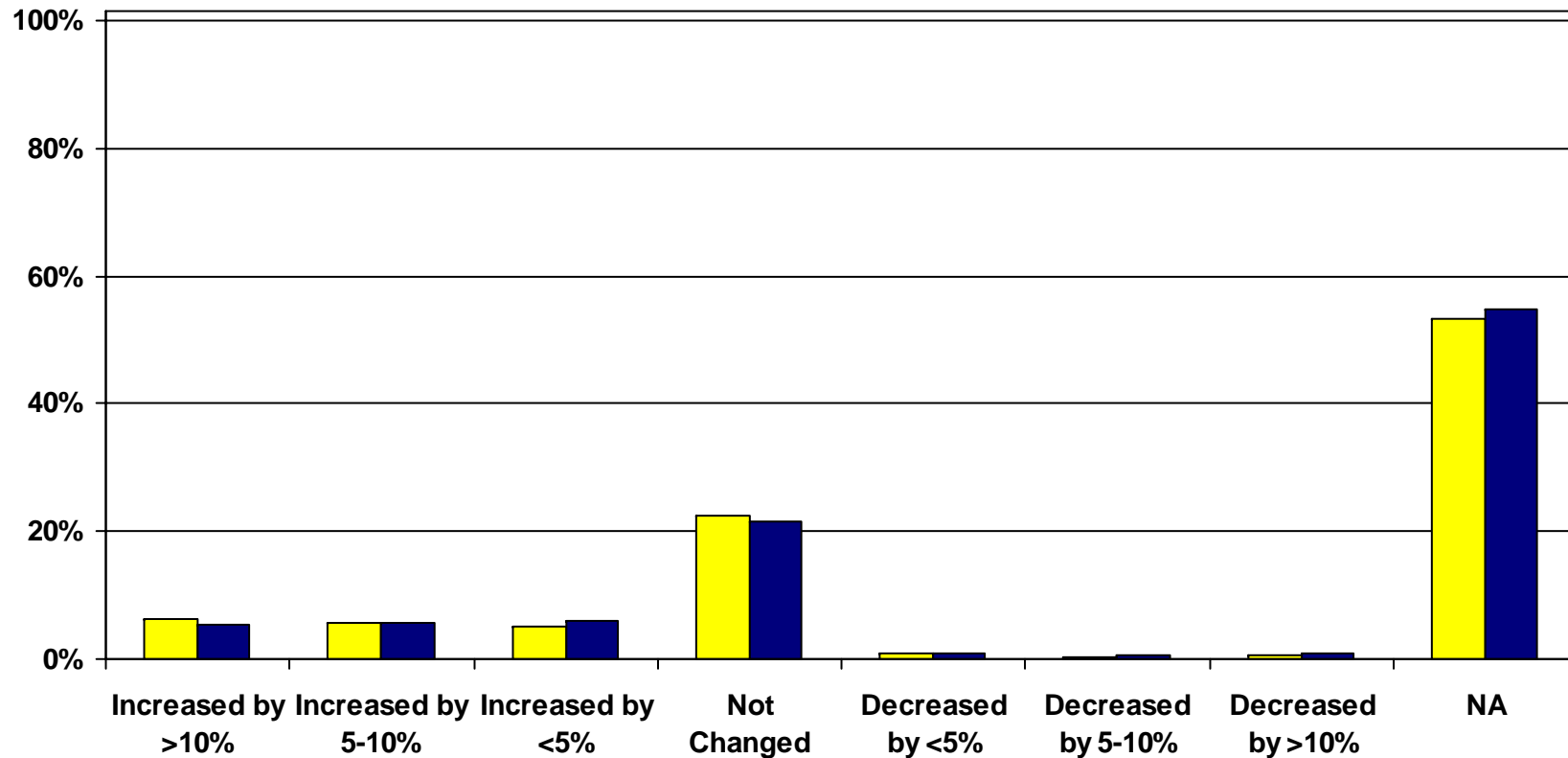


Key Performance Indicators

Import of goods/services from outside of the US

Thinking about the coming 12 months, please comment on the probable change for your organization for Import of Goods/Services from outside of the US

Jan 07 Apr 07

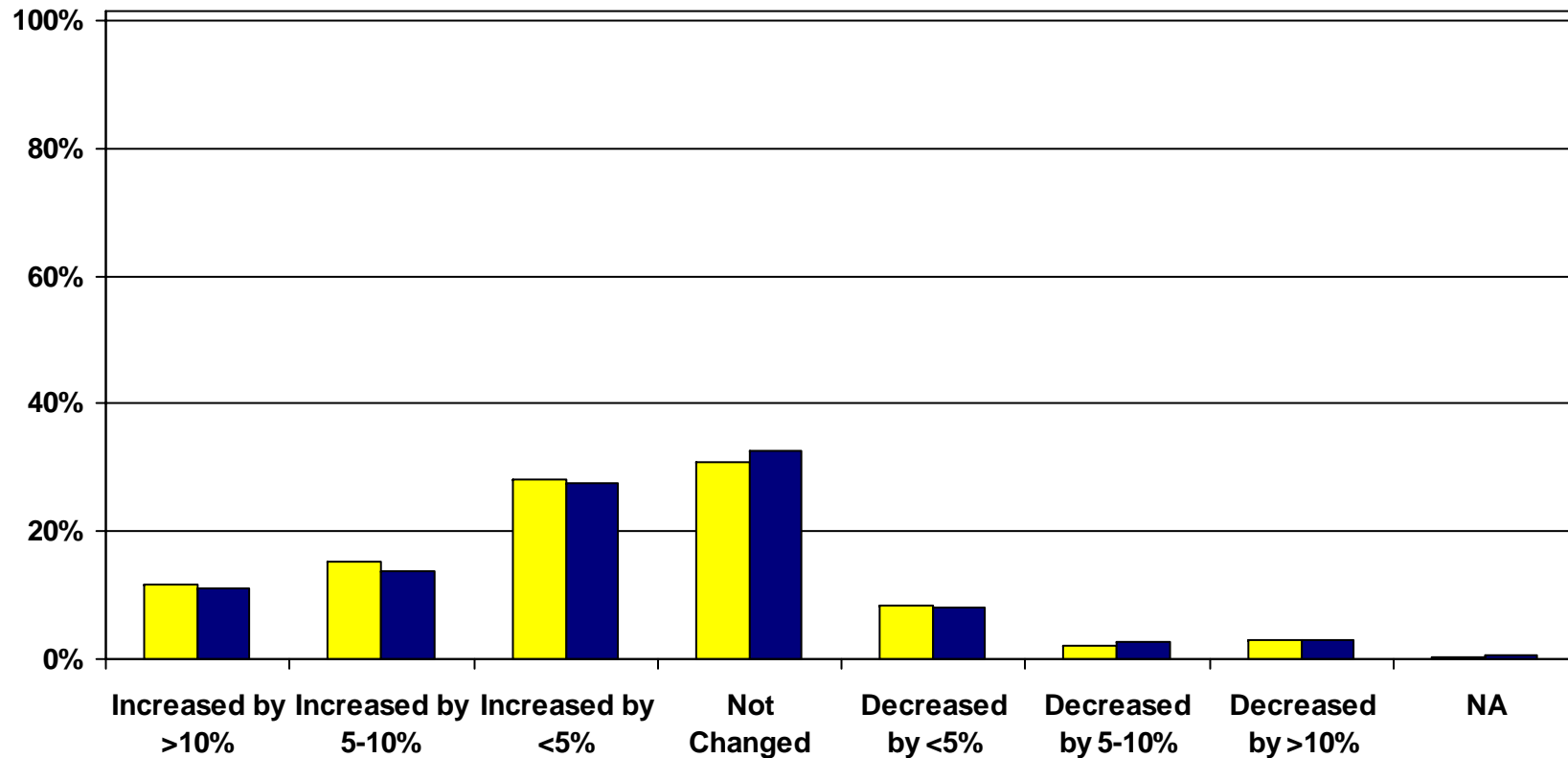


Key Performance Indicators

Number of Employees

Thinking about the coming 12 months, please comment on the probable change for your organization for Number of Employees

Jan 07 Apr 07

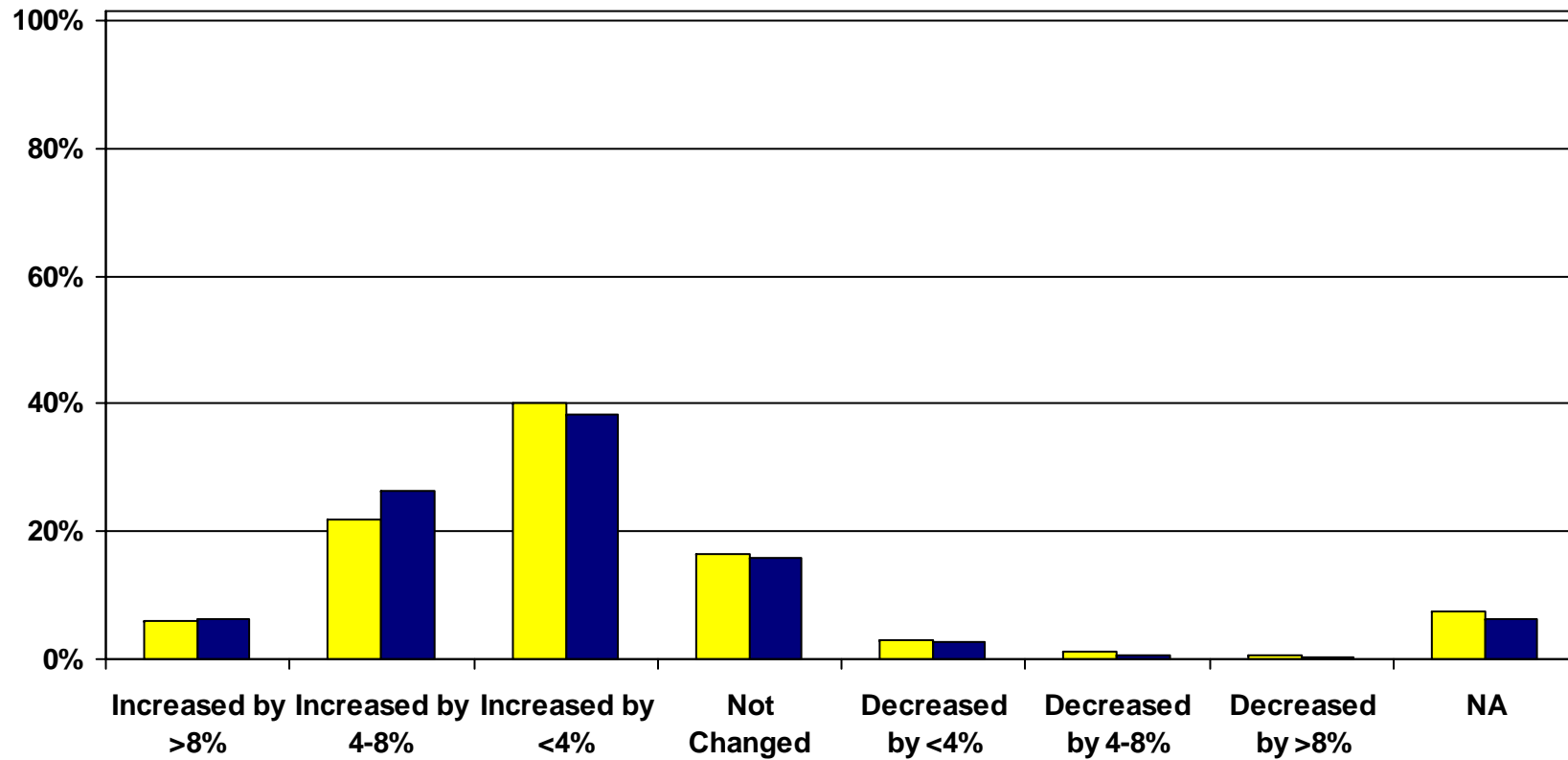


Pricing & Costs

Input Prices

Thinking about the coming 12 months, please comment on the probable change for your organization for Input Prices

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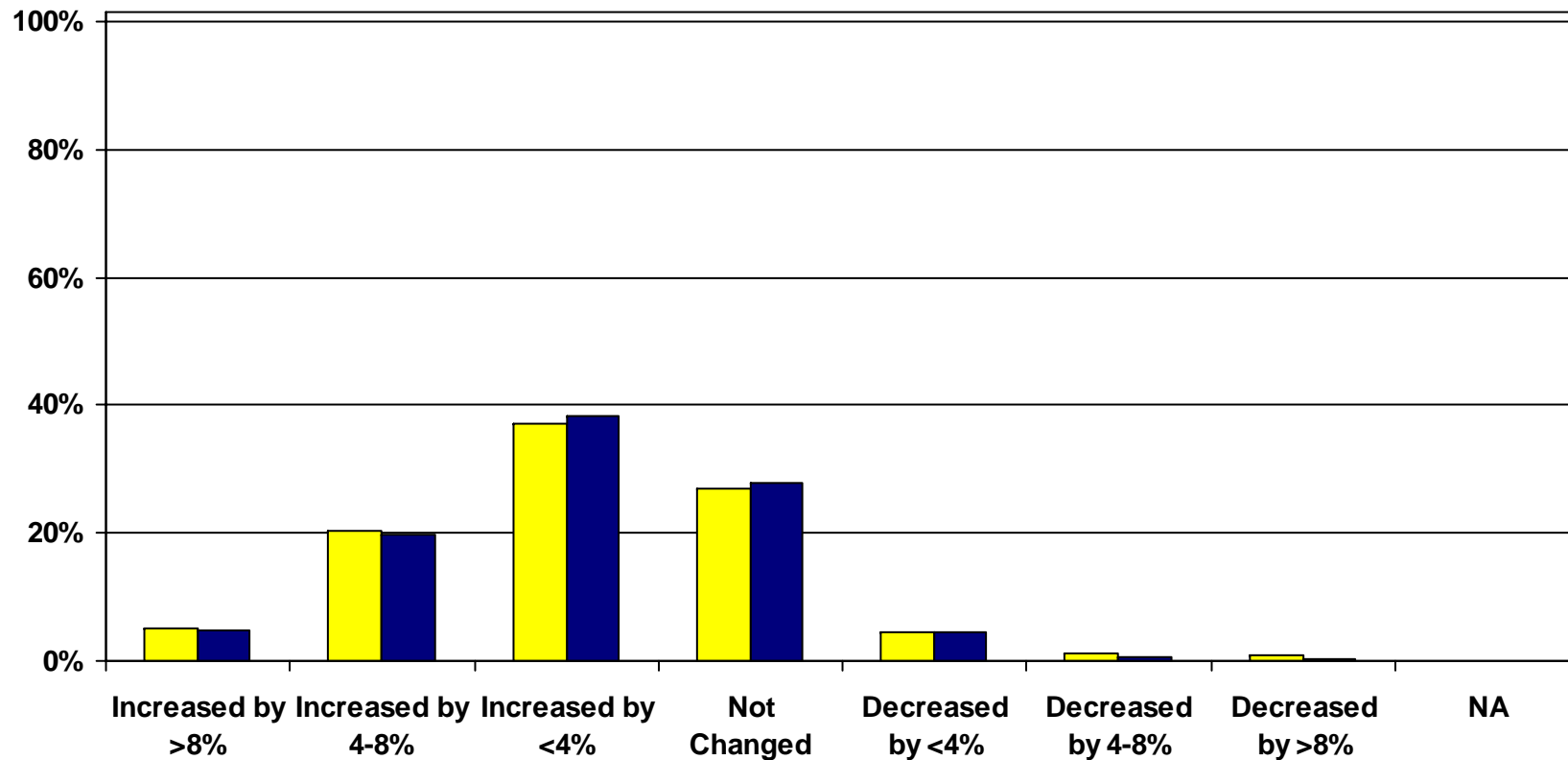


Pricing & Costs

Prices your Organization Charges

Thinking about the coming 12 months, please comment on the probable change for your organization for Prices your organization charges

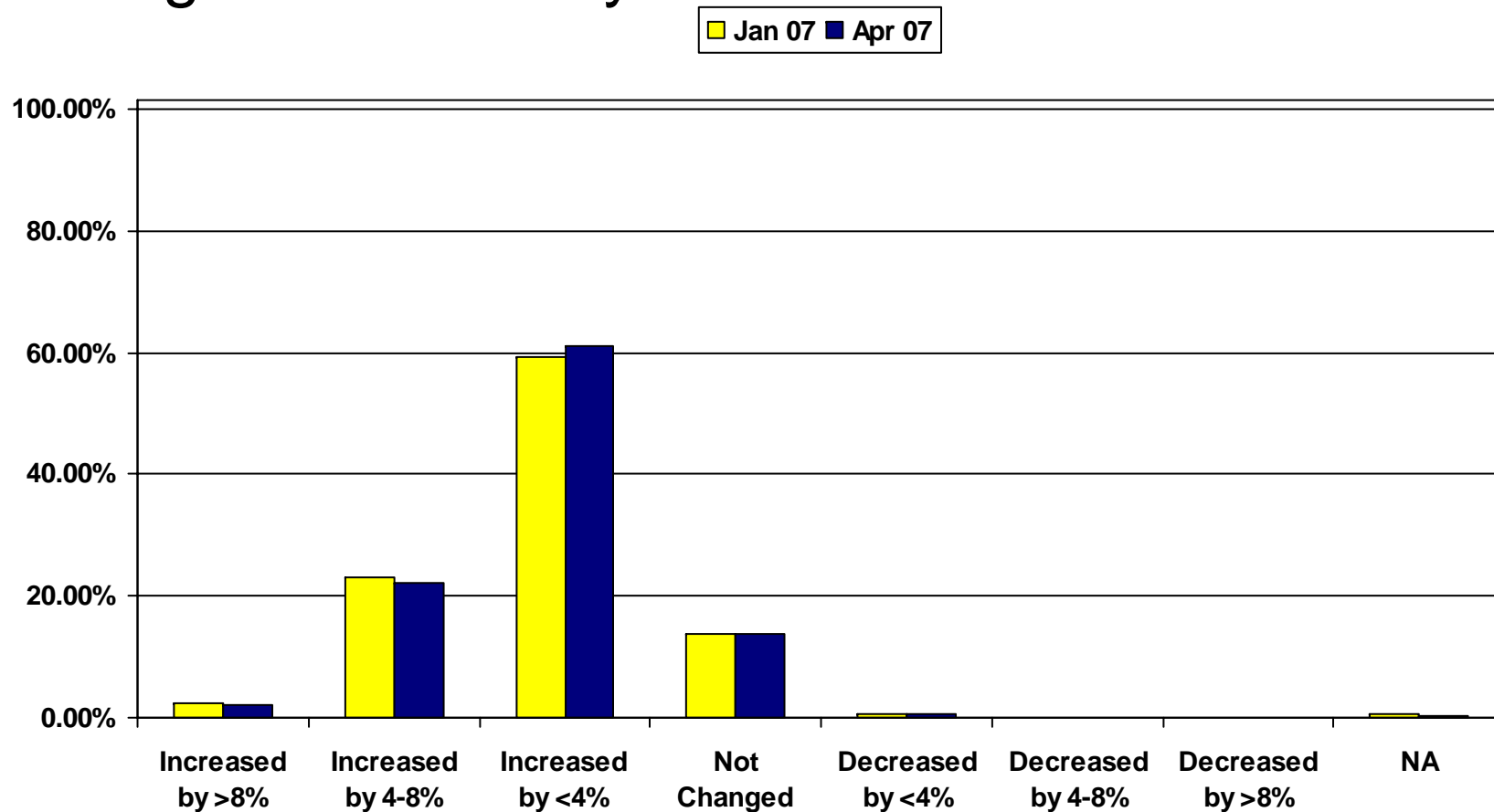
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Pricing & Costs

Average Basic Salary

Thinking about the coming 12 months, please comment on the probable change for your organization for Average Basic Salary

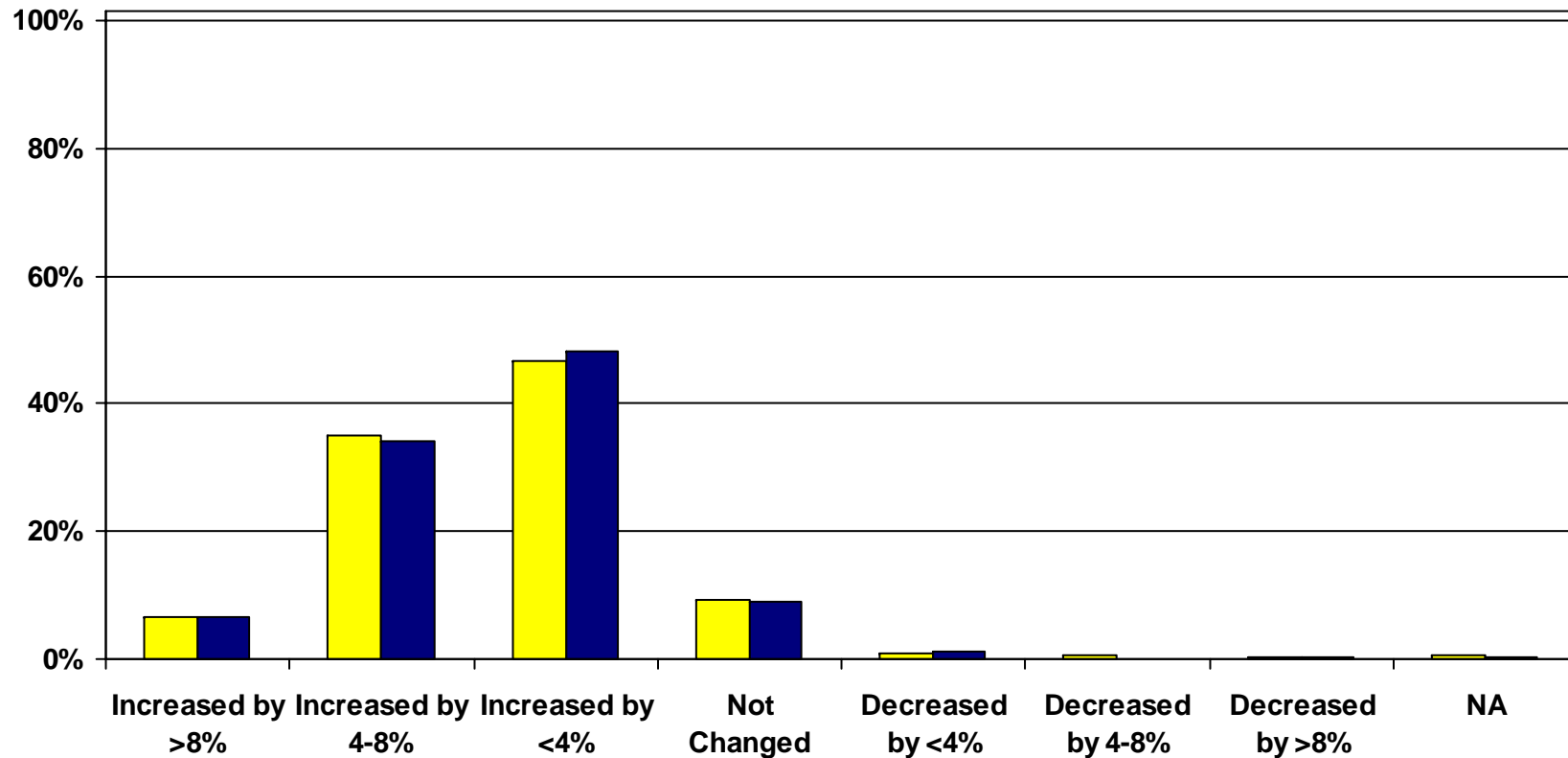


Pricing & Costs

Average total salary & benefit package (excluding healthcare)

Thinking about the coming 12 months, please comment on the probable change for your organization for the average total salary & benefit package (excluding healthcare)

Jan 07 Apr 07

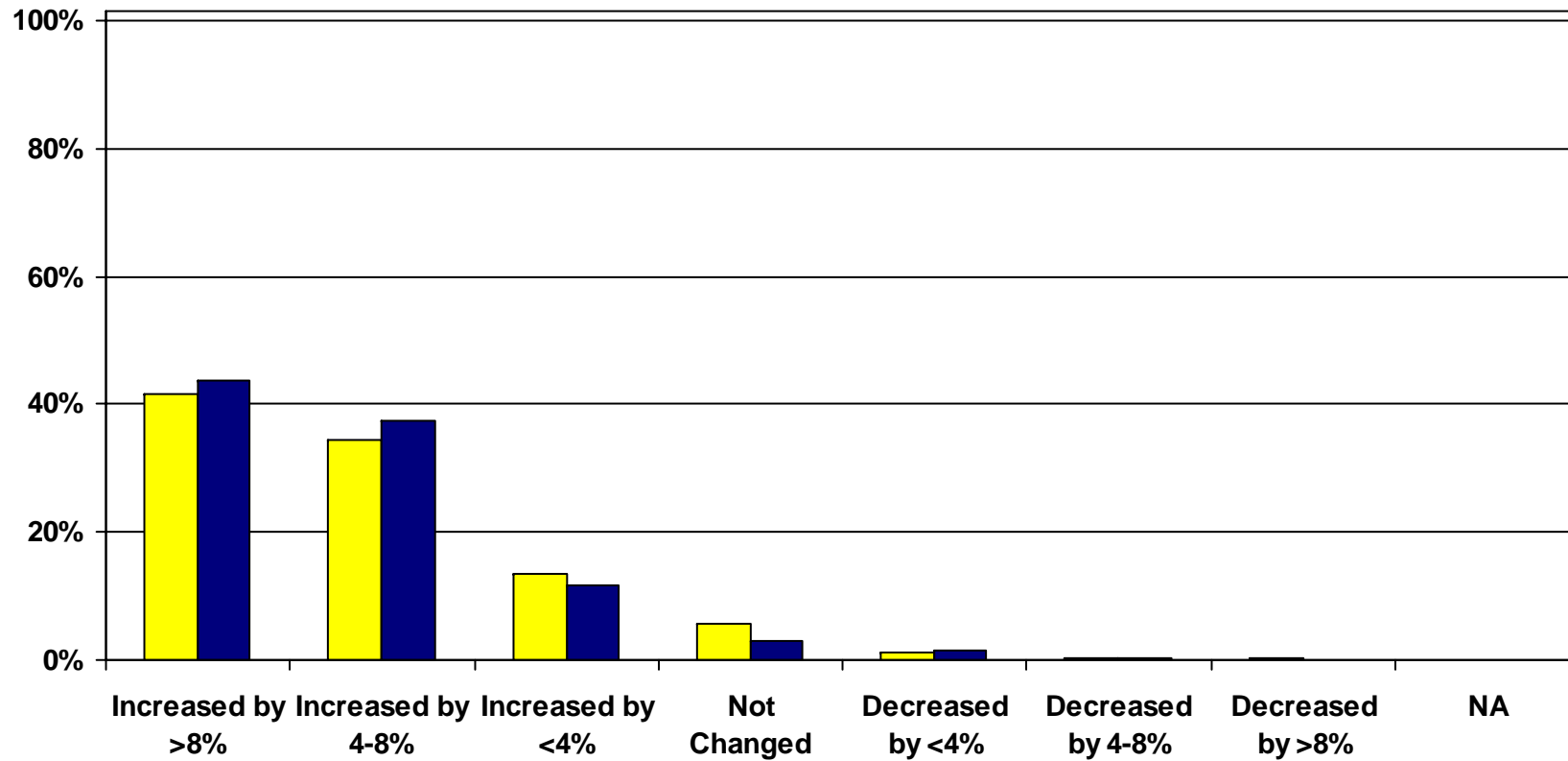


Pricing & Costs

Healthcare Costs

Thinking about the coming 12 months, please comment on the probable change for your organization for Healthcare Costs

Jan 07 Apr 07

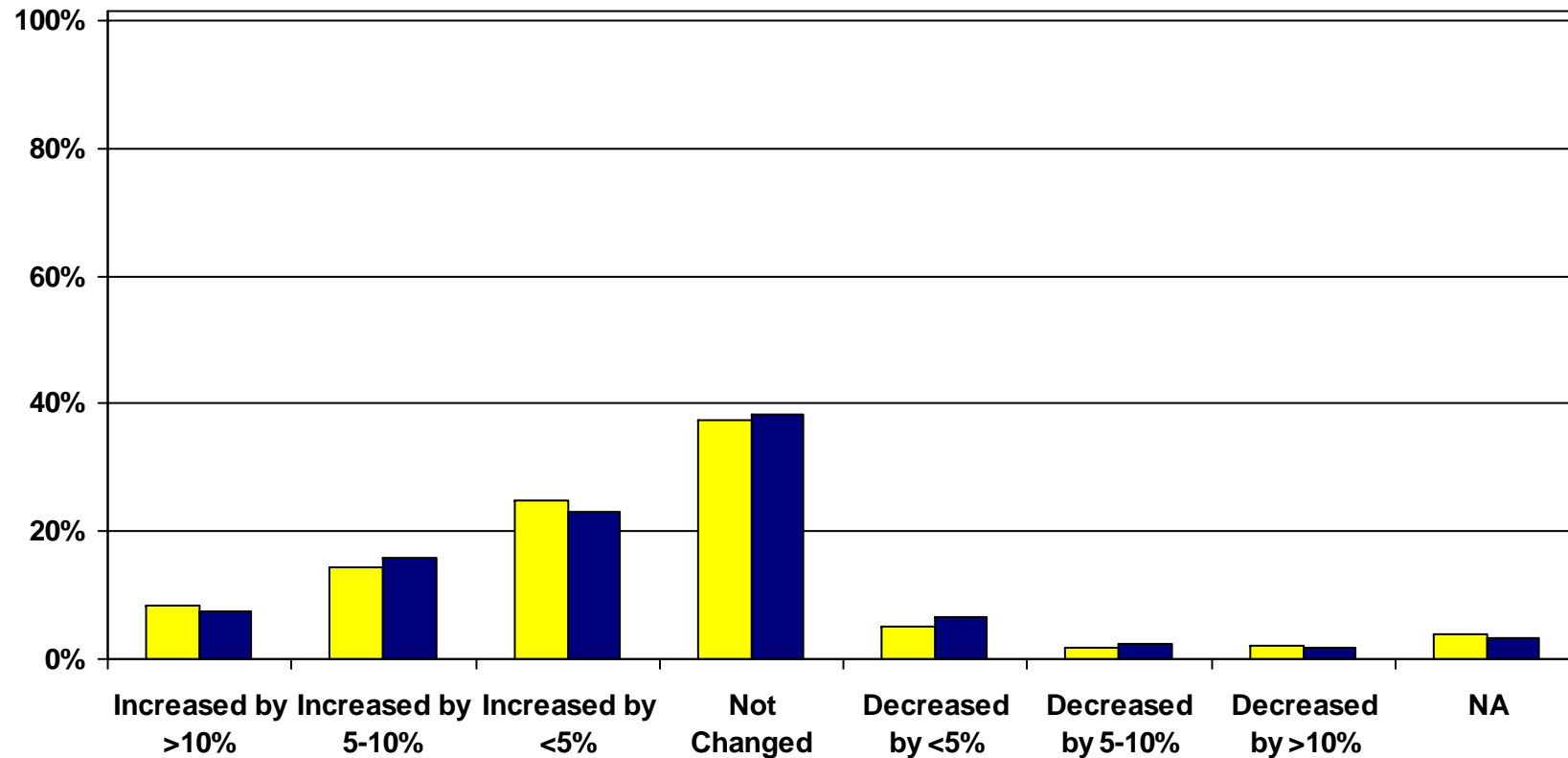


Spending & Financing Plans

Advertising, Sales & Marketing

Thinking about the coming 12 months, please comment on the probable change for your organization for advertising, sales & marketing

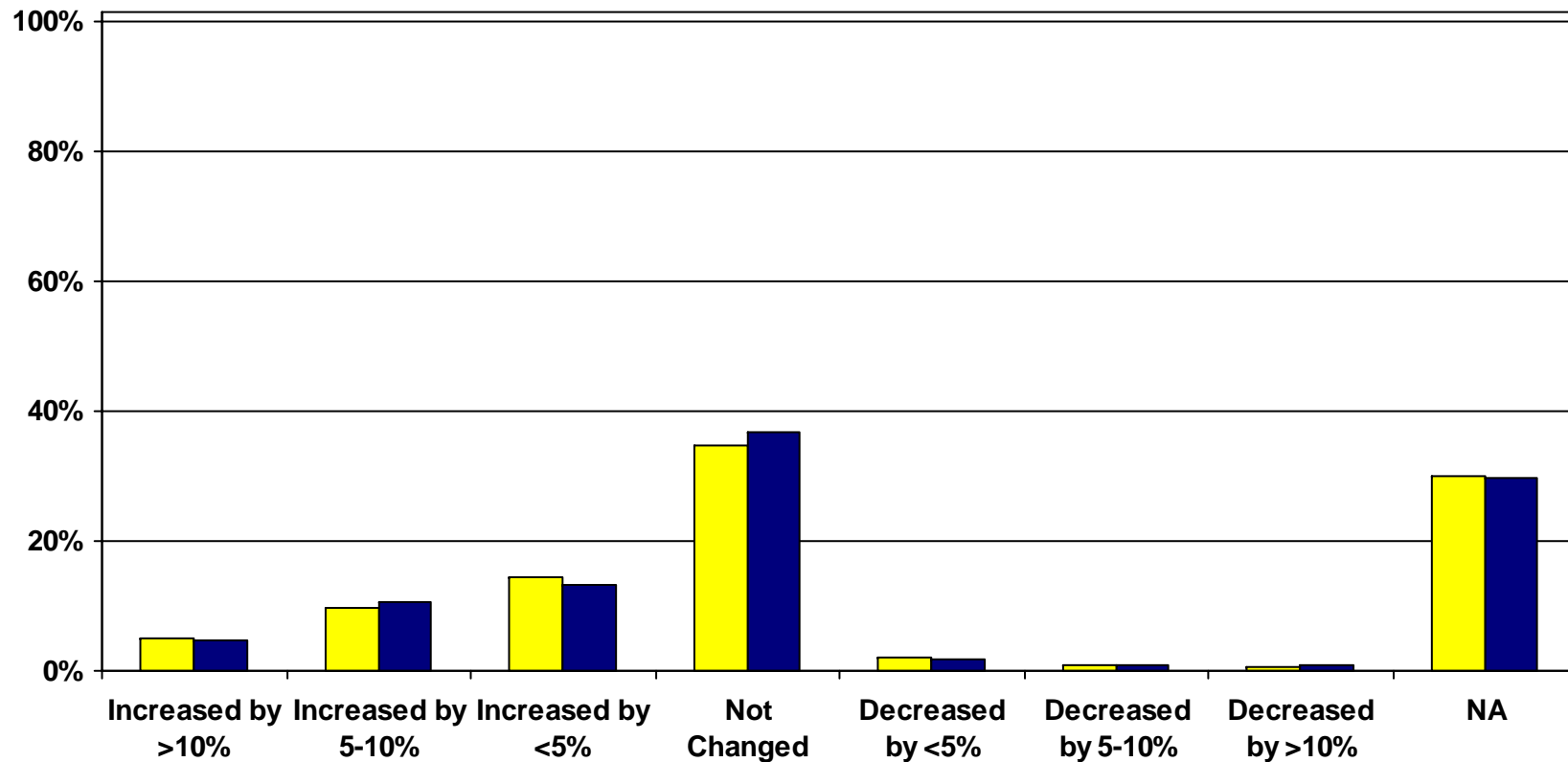
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Spending & Financing Plans Research & New Product Development

Thinking about the coming 12 months, please comment on the probable change for your organization for research and new product development budget

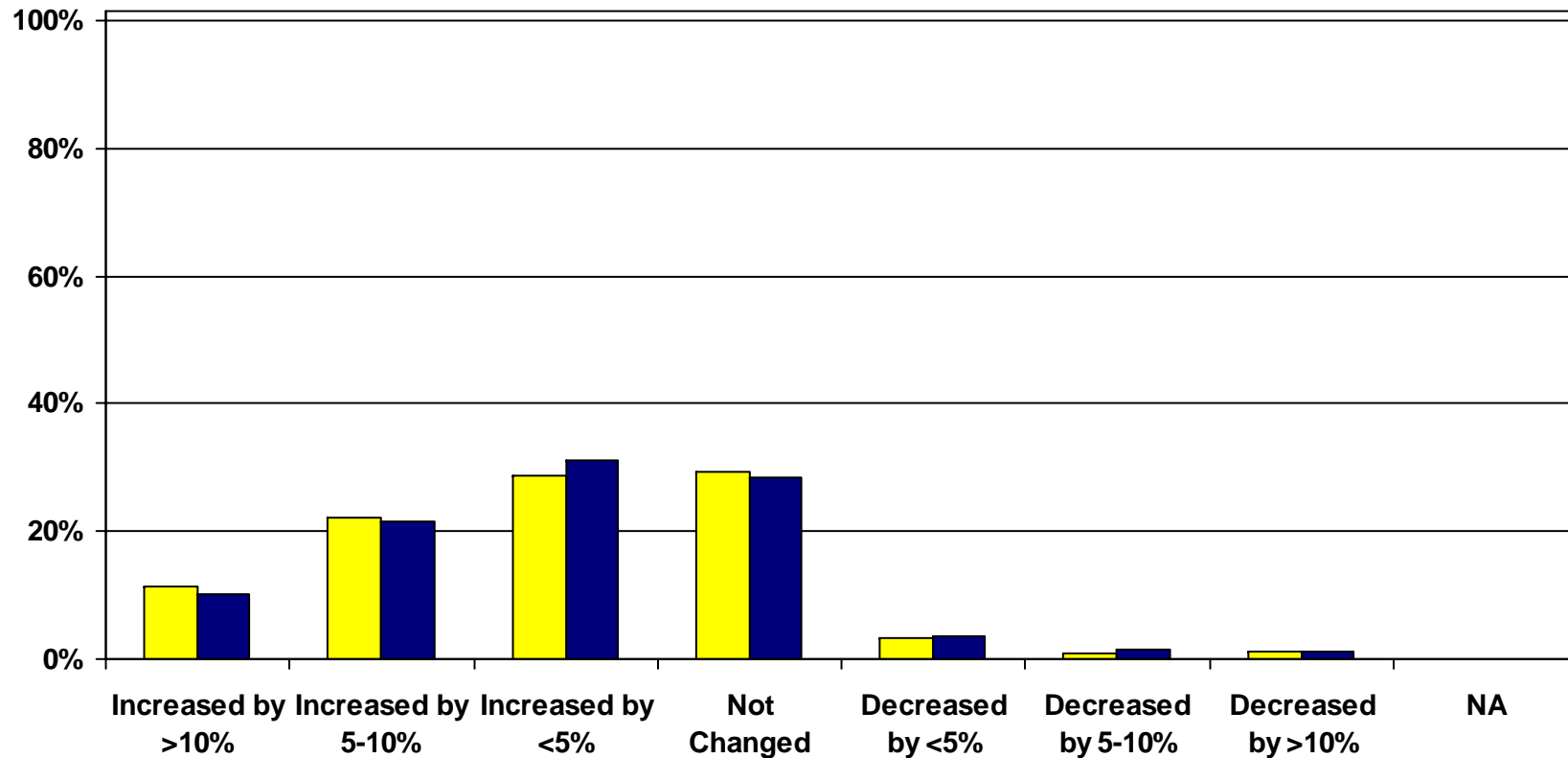
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Spending & Financing Plans Information Technology

Thinking about the coming 12 months, please comment on the probable change for your organization for information technology budget

Jan 07 Apr 07

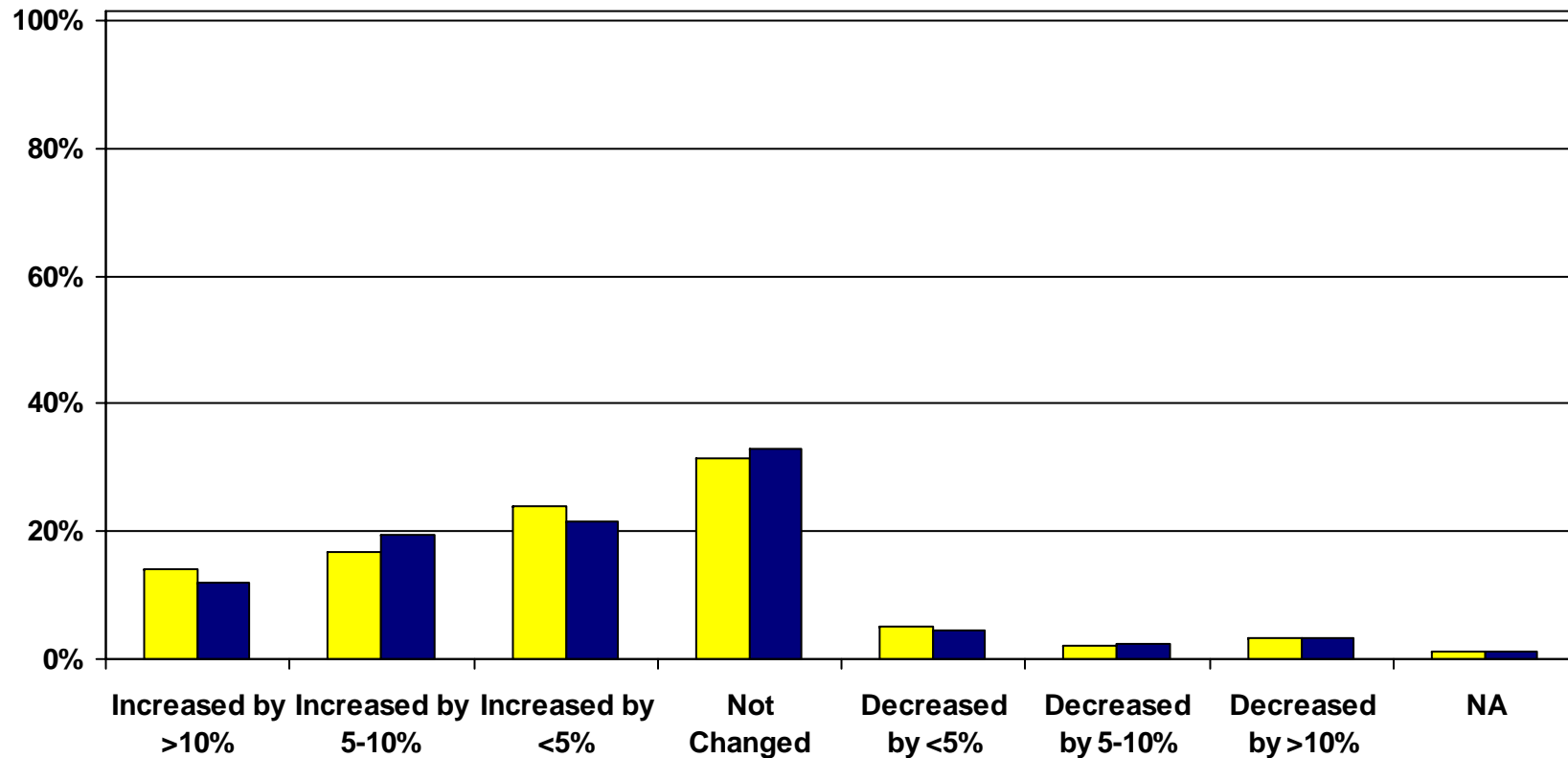


Spending & Financing Plans

Other capital investment

Thinking about the coming 12 months, please comment on the probable change for your organization for other capital investment

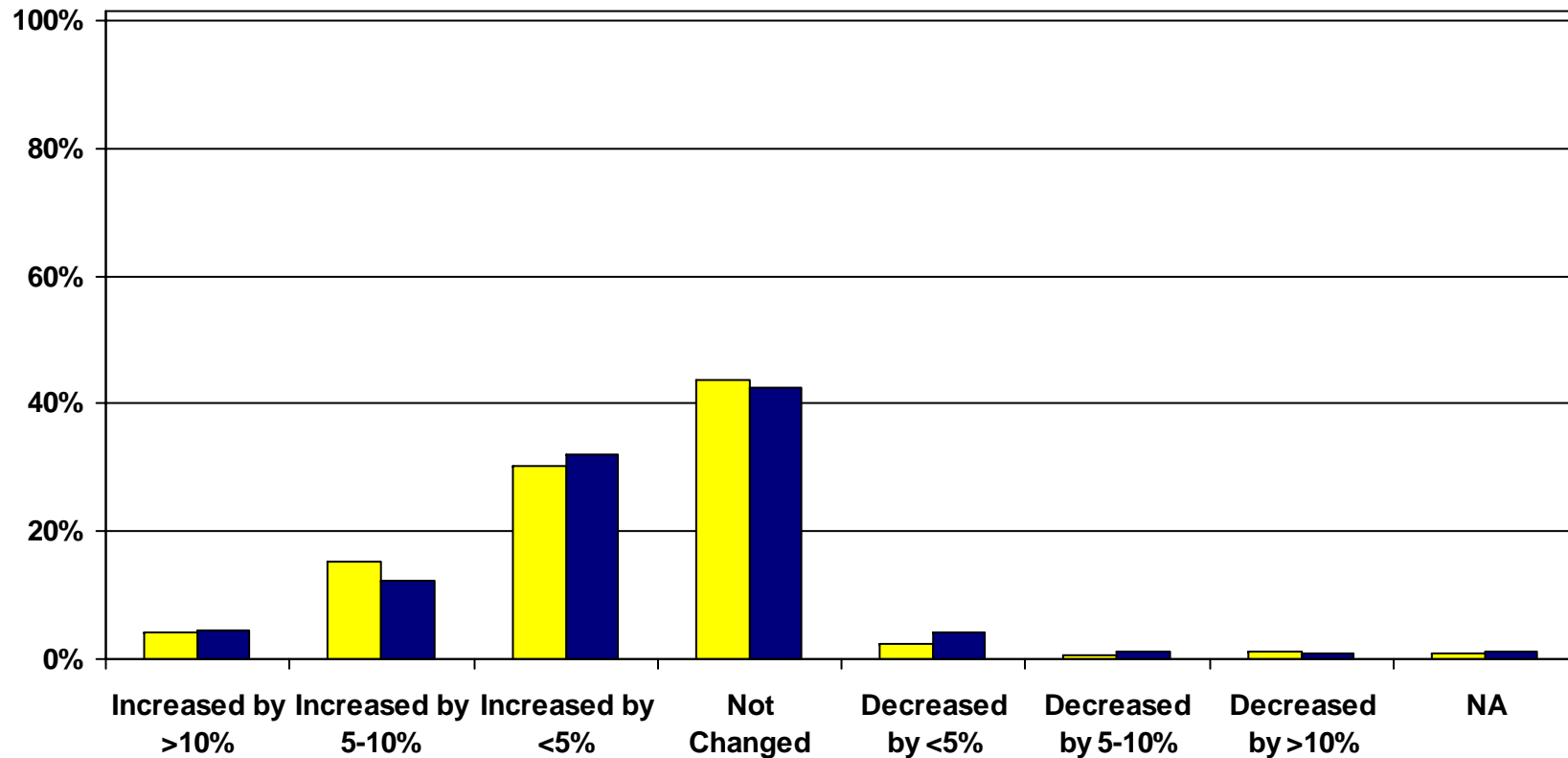
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Spending & Financing Plans Skills, Training & Staff Development

Thinking about the coming 12 months, please comment on the probable change for your organization for skills, training & staff development budget

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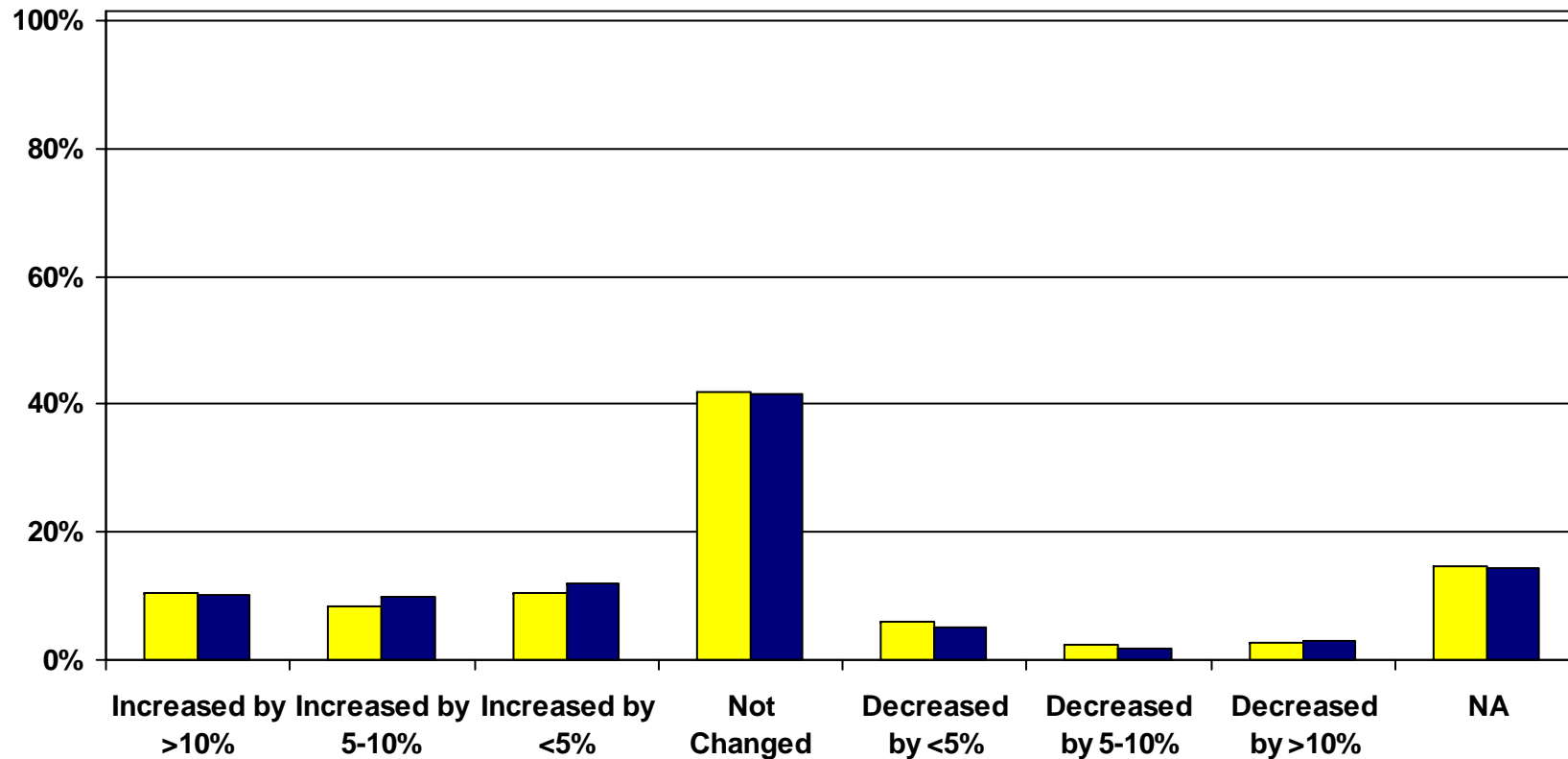


Spending & Financing Plans

Funding from Bank Borrowing

Thinking about the coming 12 months, please comment on the probable change for your organization for funding from bank borrowing

Jan 07 Apr 07

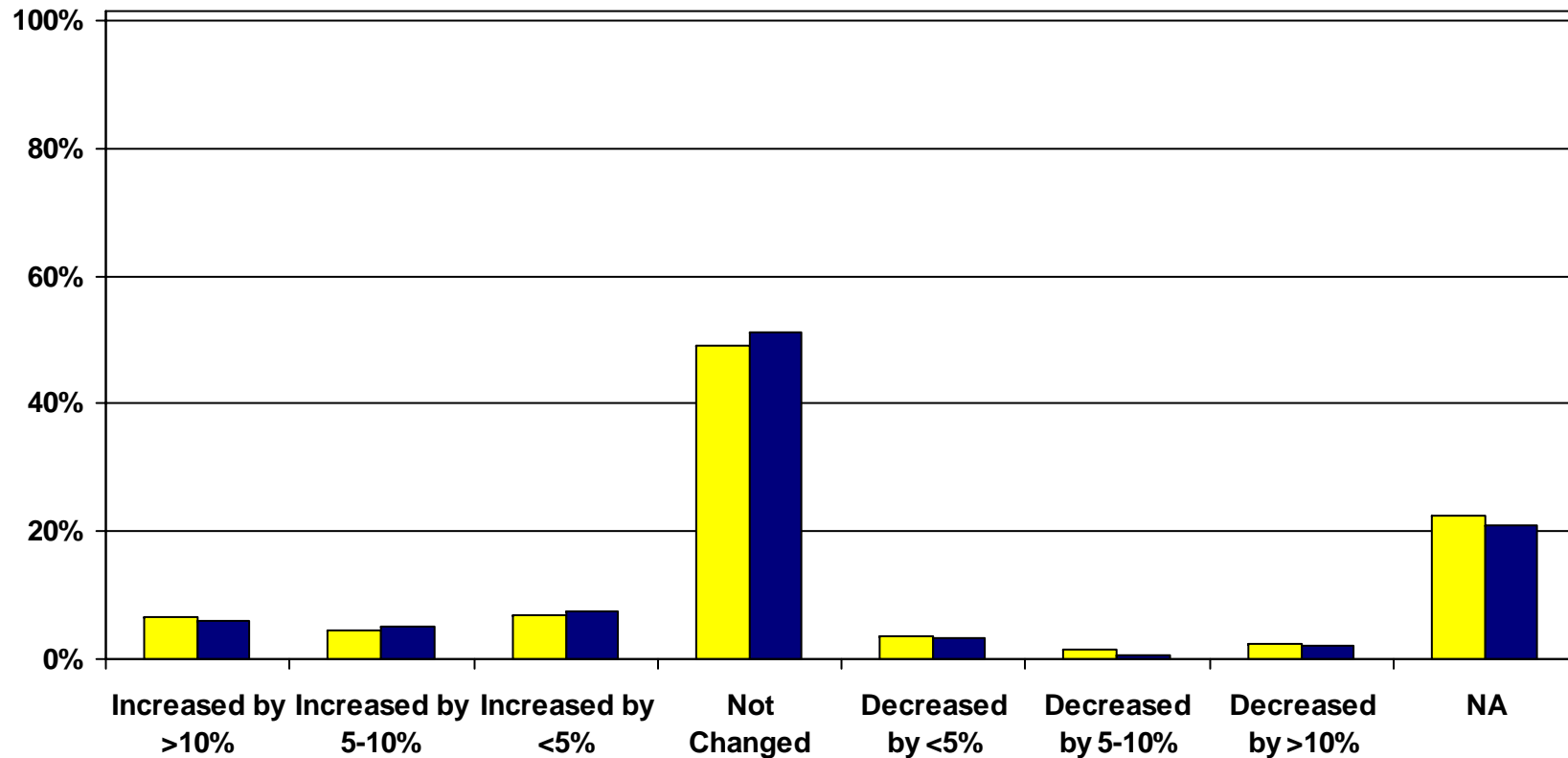


Spending & Financing Plans

Total Funding from Other Debt

Thinking about the coming 12 months, please comment on the probable change for your organization for total funding from other debt

Jan 07 Apr 07

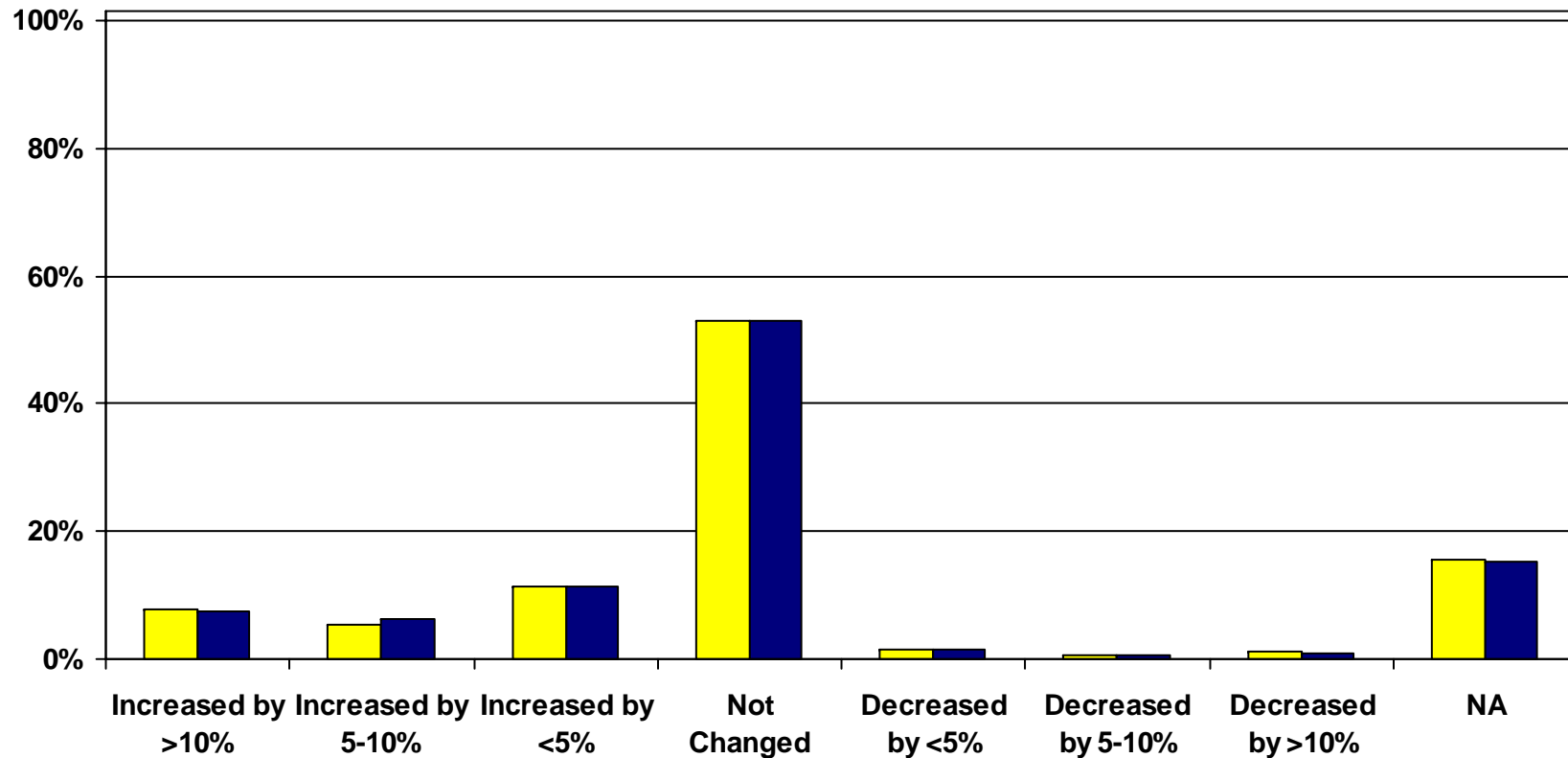


Spending & Financing Plans

Total Funding from Equity

Thinking about the coming 12 months, please comment on the probable change for your organization for total funding from equity

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Challenges for Organizations for next 12 months

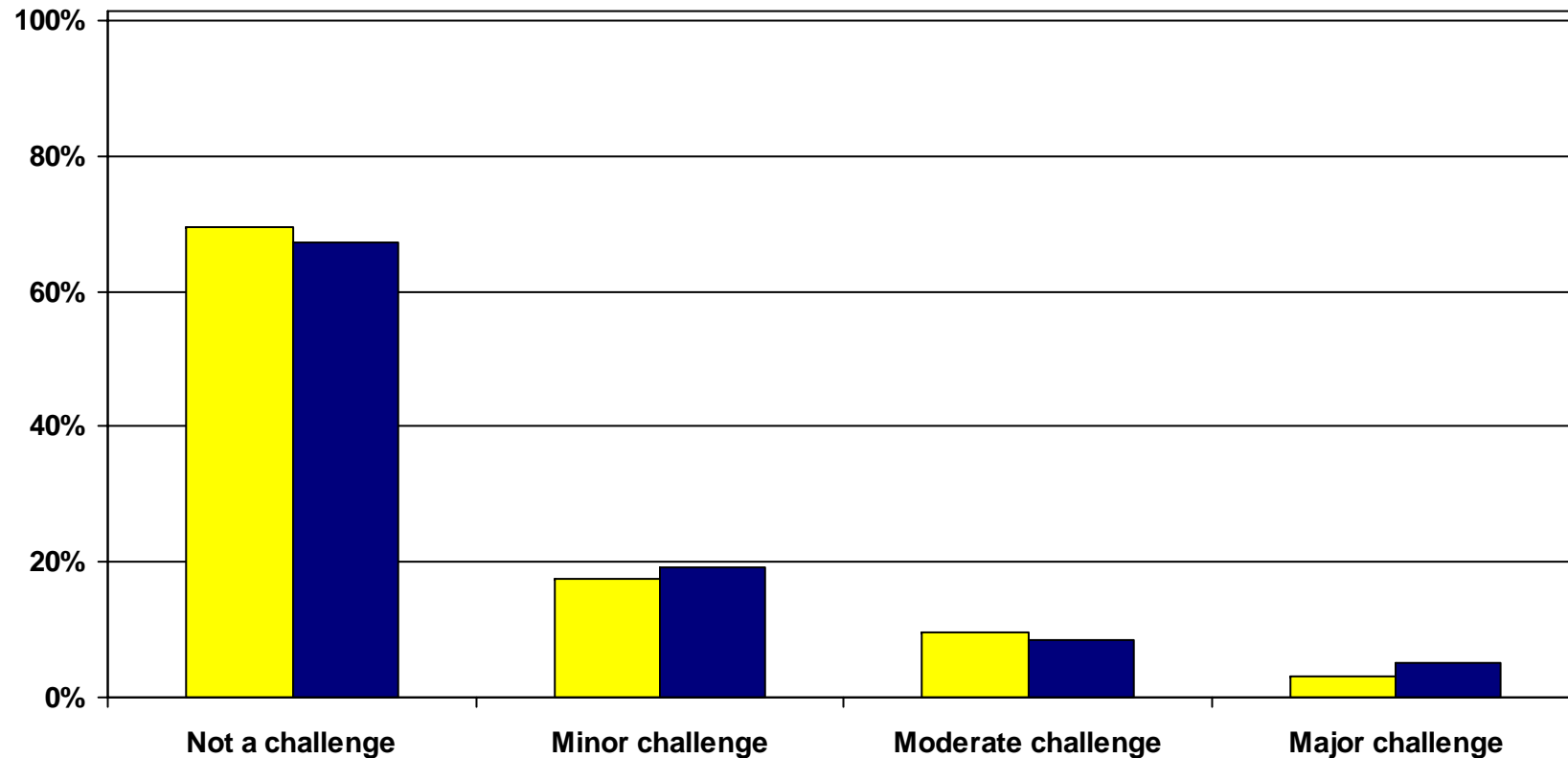
- When asked to rate the challenges faced over 95% of organizations saw employee and benefit costs as a challenge of some type
 - 25% see it as a major challenge
- Again this quarter staff related issues – cost, availability and retention accounted for 4 of the top 5 challenges organizations faced
 - Regulatory challenges rounded out the top 5 with materials, supplies and equipment costs close behind
 - Based on open-ended comments concerns about labor availability were most prevalent in the Construction industry
- US Trade policy, international instability and foreign competition whether from China or elsewhere continue not seen as a challenges by most respondents.
- Energy costs were seen as a challenge by more respondents this quarter

Challenges

Other foreign competition

Please indicate the extent to which the following is a challenge to your organization: Other foreign competition

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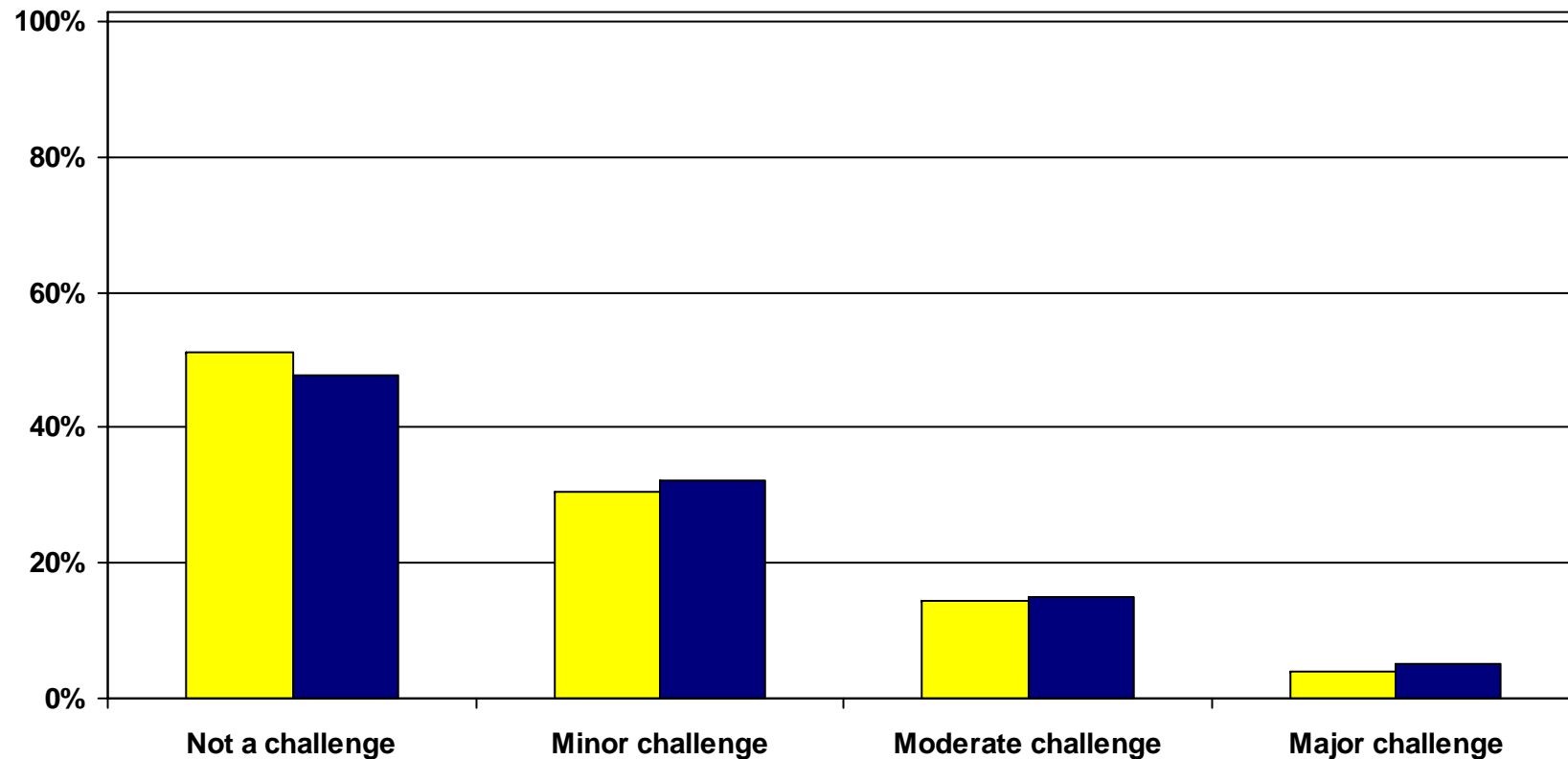


Challenges

International instability

Please indicate the extent to which the following is a challenge to your organization: International instability

Jan 07 Apr 07

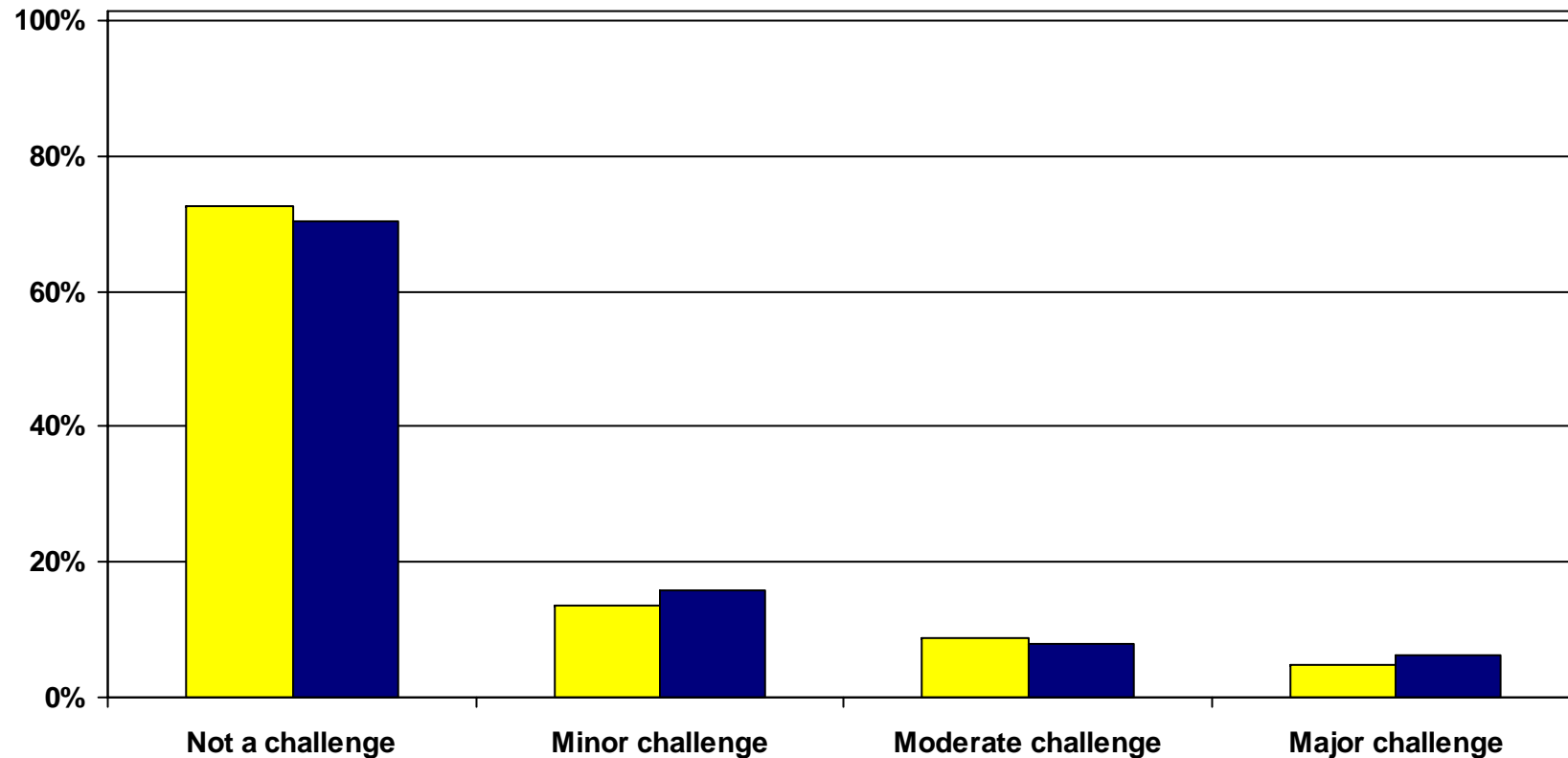


Challenges

Competition from China

Please indicate the extent to which the following is a challenge to your organization: Competition from China

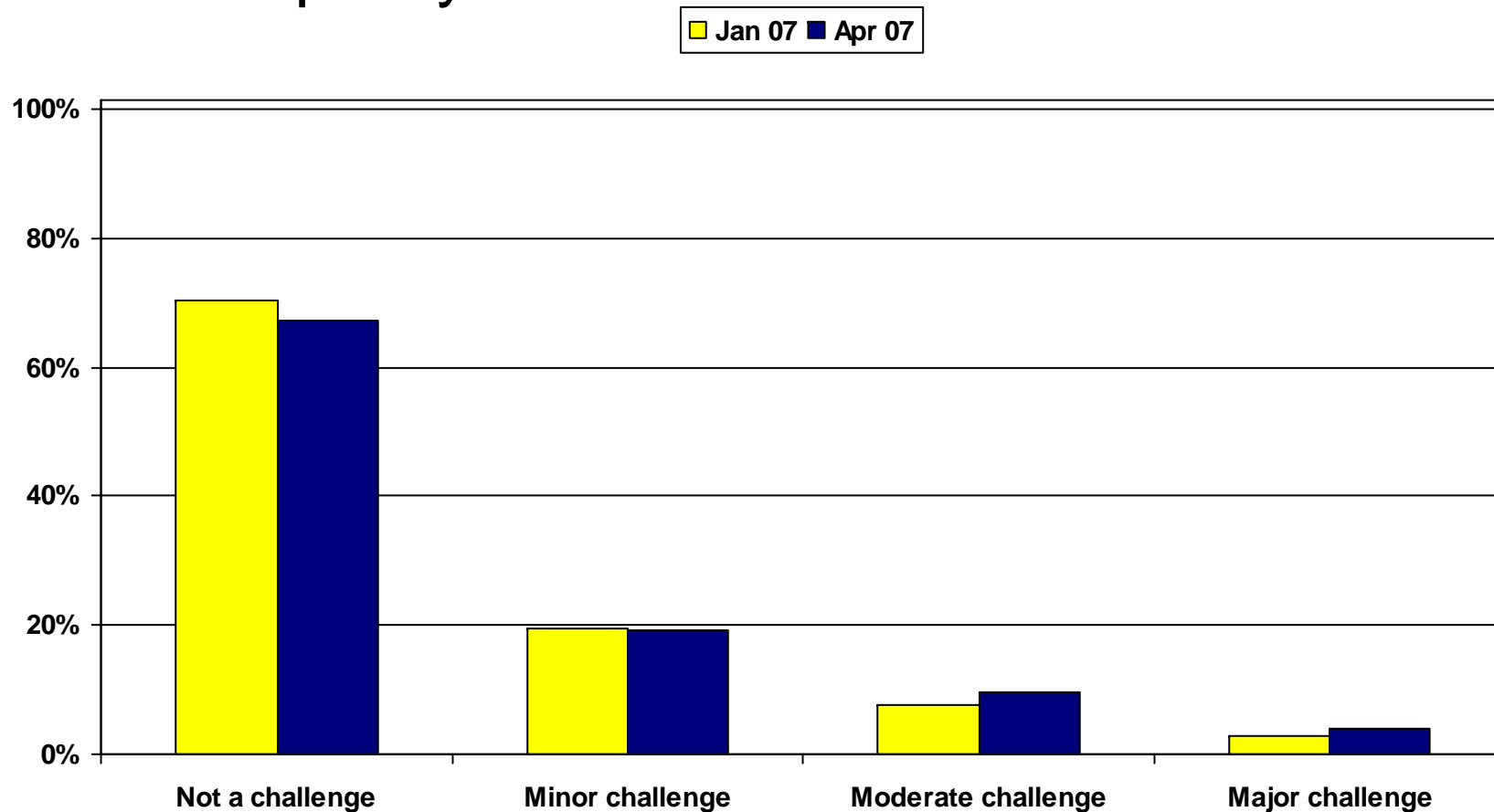
Jan 07 Apr 07



Challenges

US Trade policy

Please indicate the extent to which the following is a challenge to your organization: US Trade policy

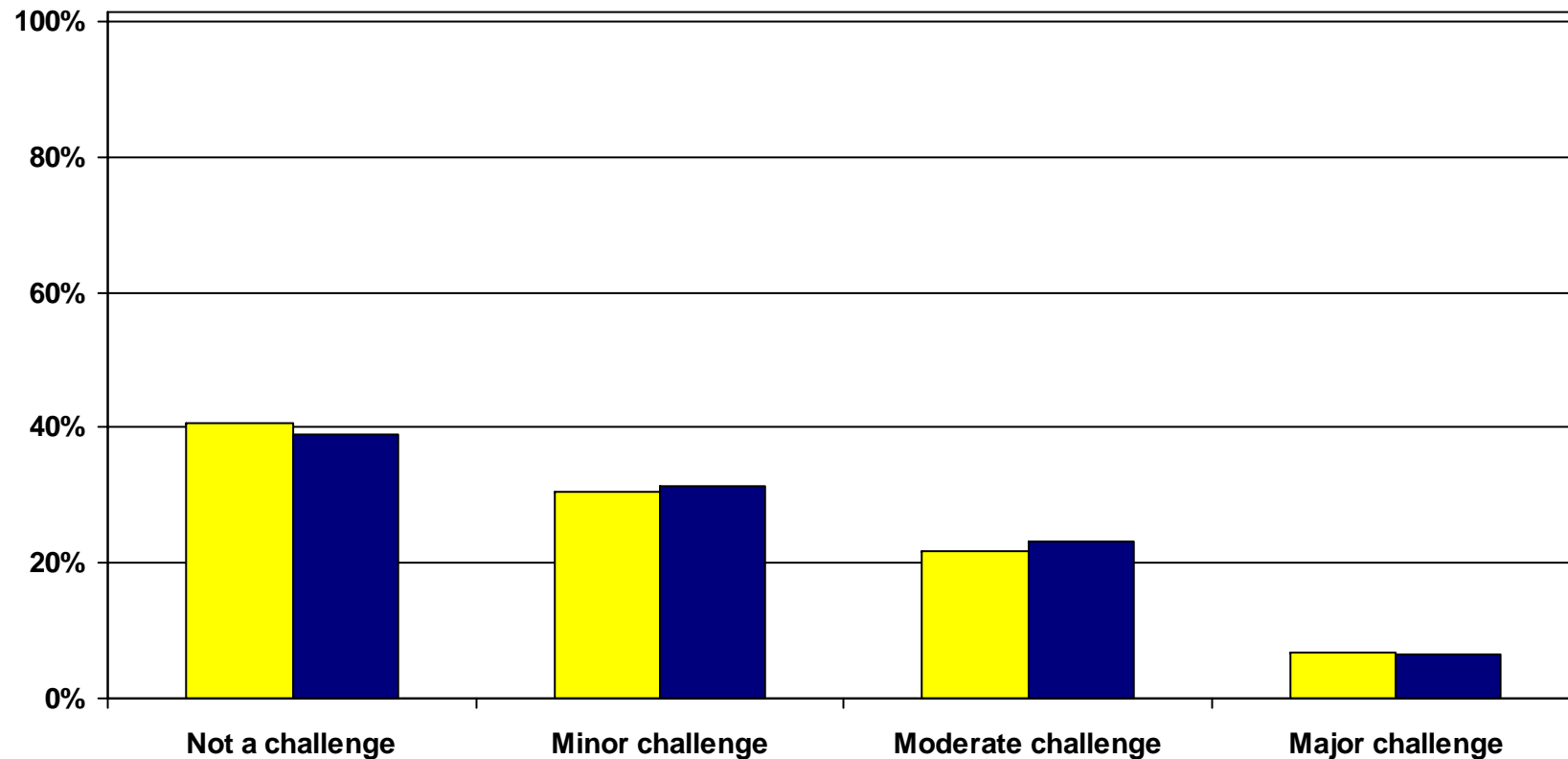


Challenges

Corporate tax burden

Please indicate the extent to which the following is a challenge to your organization: Corporate tax burden

Jan 07 Apr 07

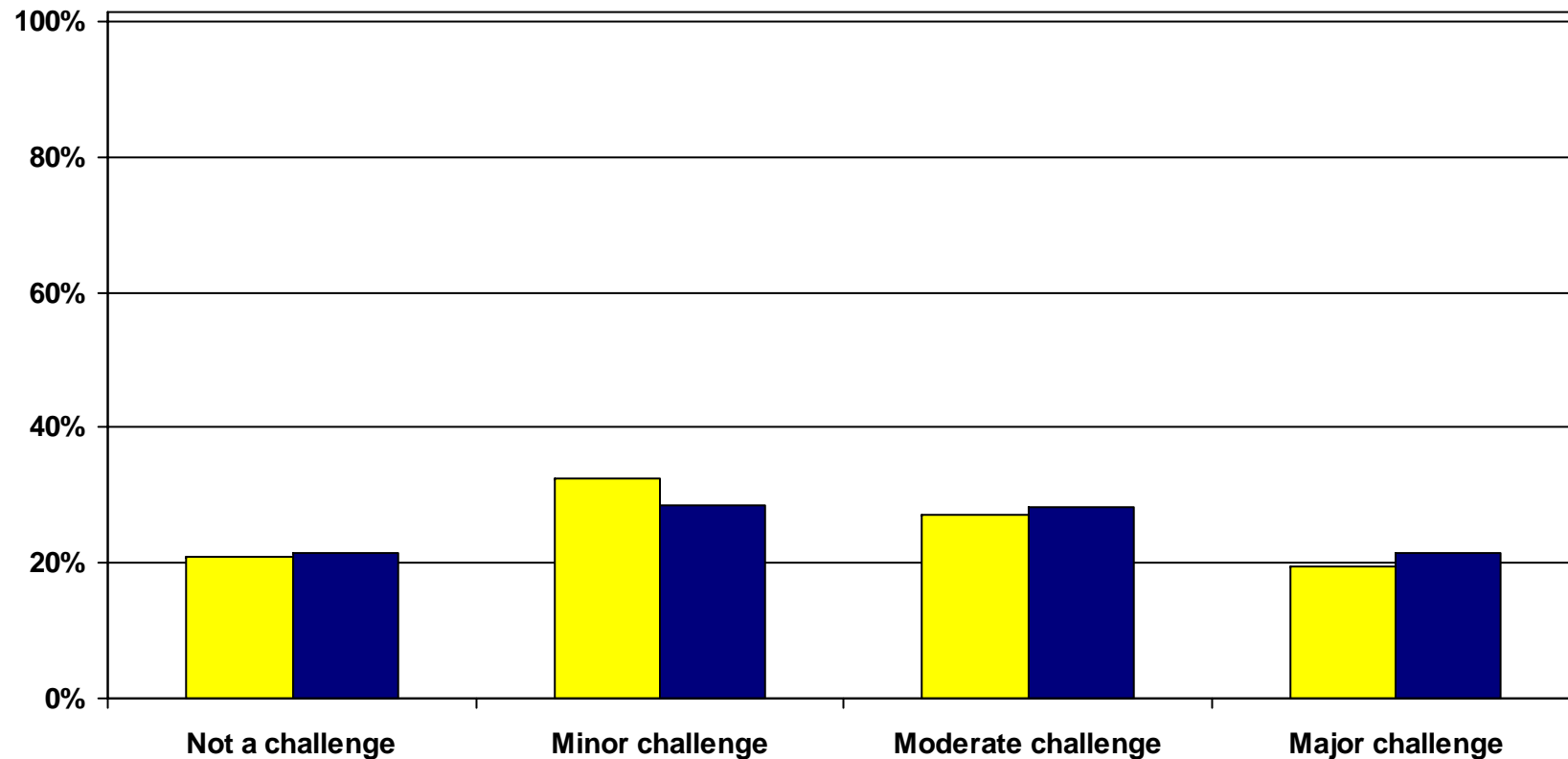


Challenges

Regulatory requirements

Please indicate the extent to which the following is a challenge to your organization: Regulatory Requirements

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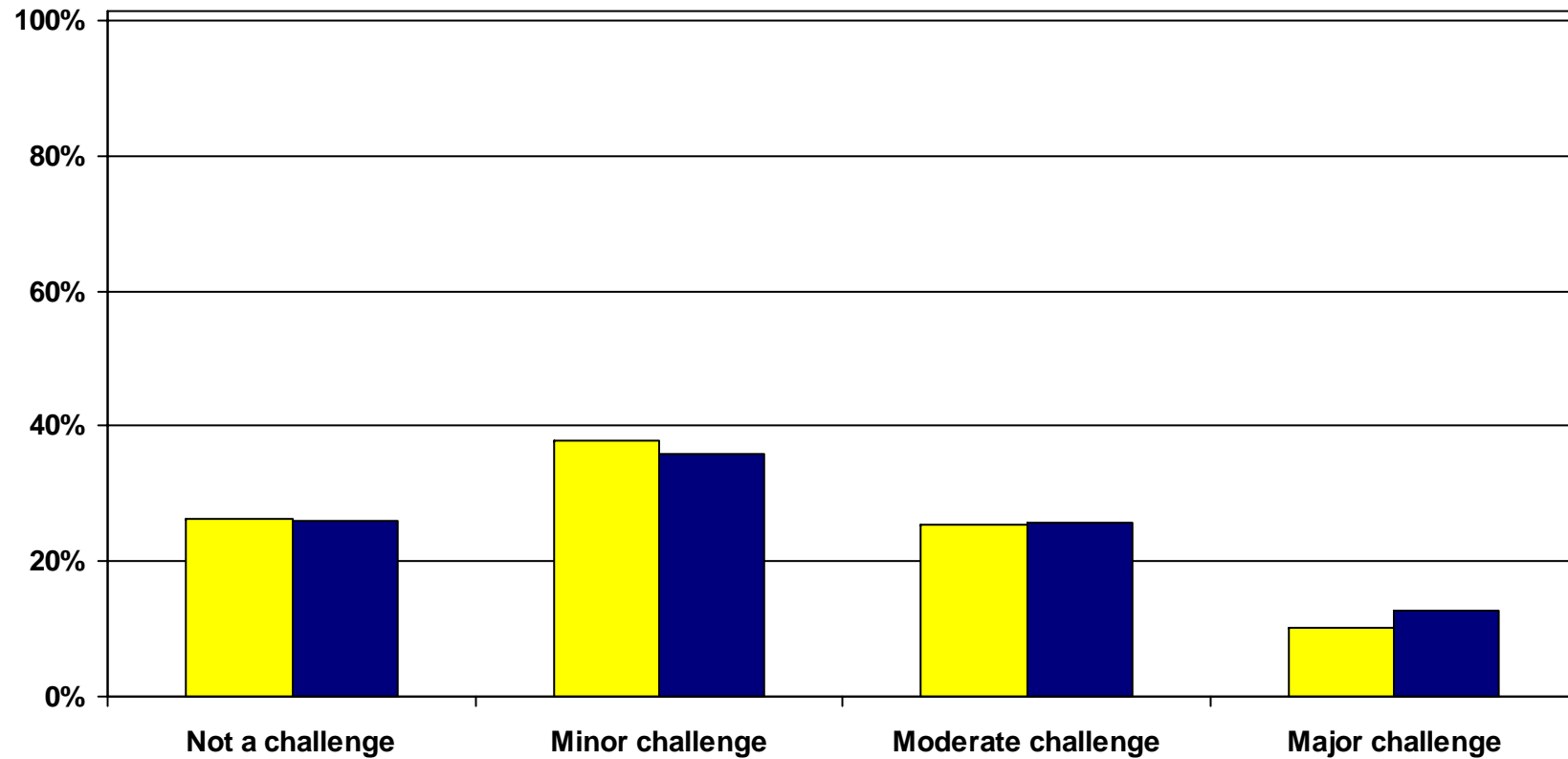


Challenges

Staff turnover/retention

Please indicate the extent to which the following is a challenge to your organization: Staff turnover/retention

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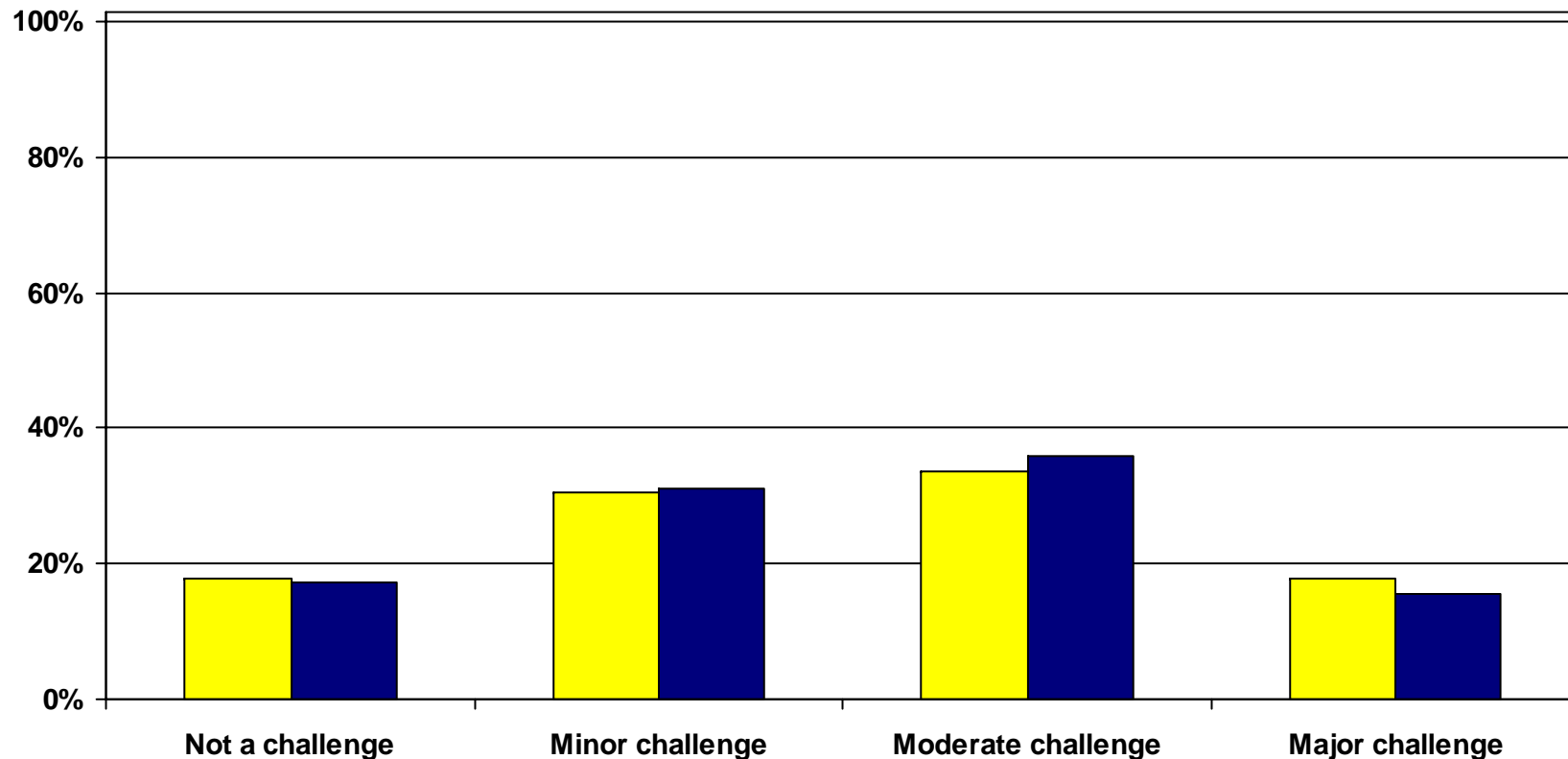


Challenges

Availability of other professional & technical skills

Please indicate the extent to which the following is a challenge to your organization: Availability of other professional and technical skills

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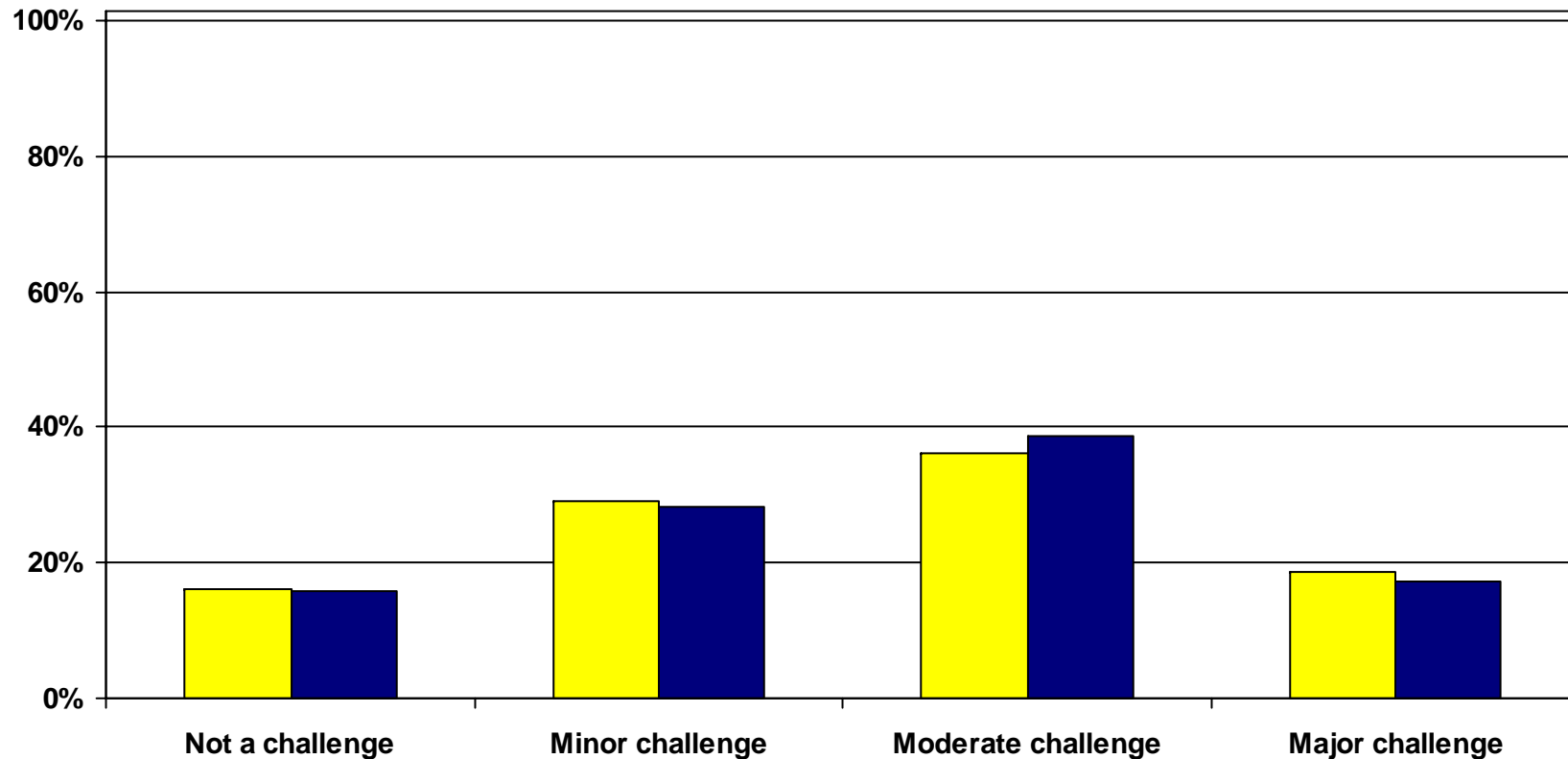


Challenges

Availability of management skills

Please indicate the extent to which the following is a challenge to your organization: Availability of management skills

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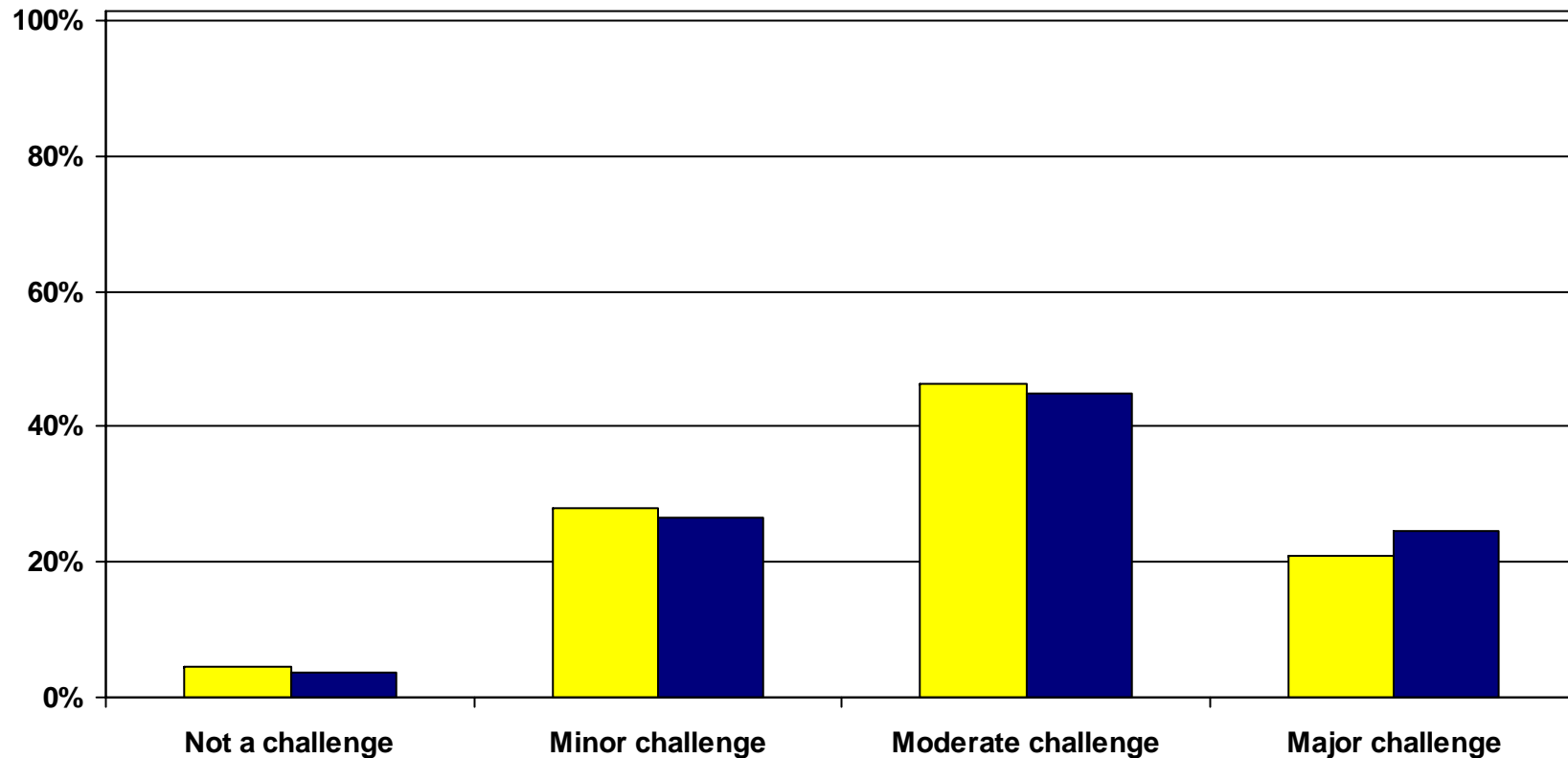


Challenges

Employee and benefit costs

Please indicate the extent to which the following is a challenge to your organization: Employee and benefit costs

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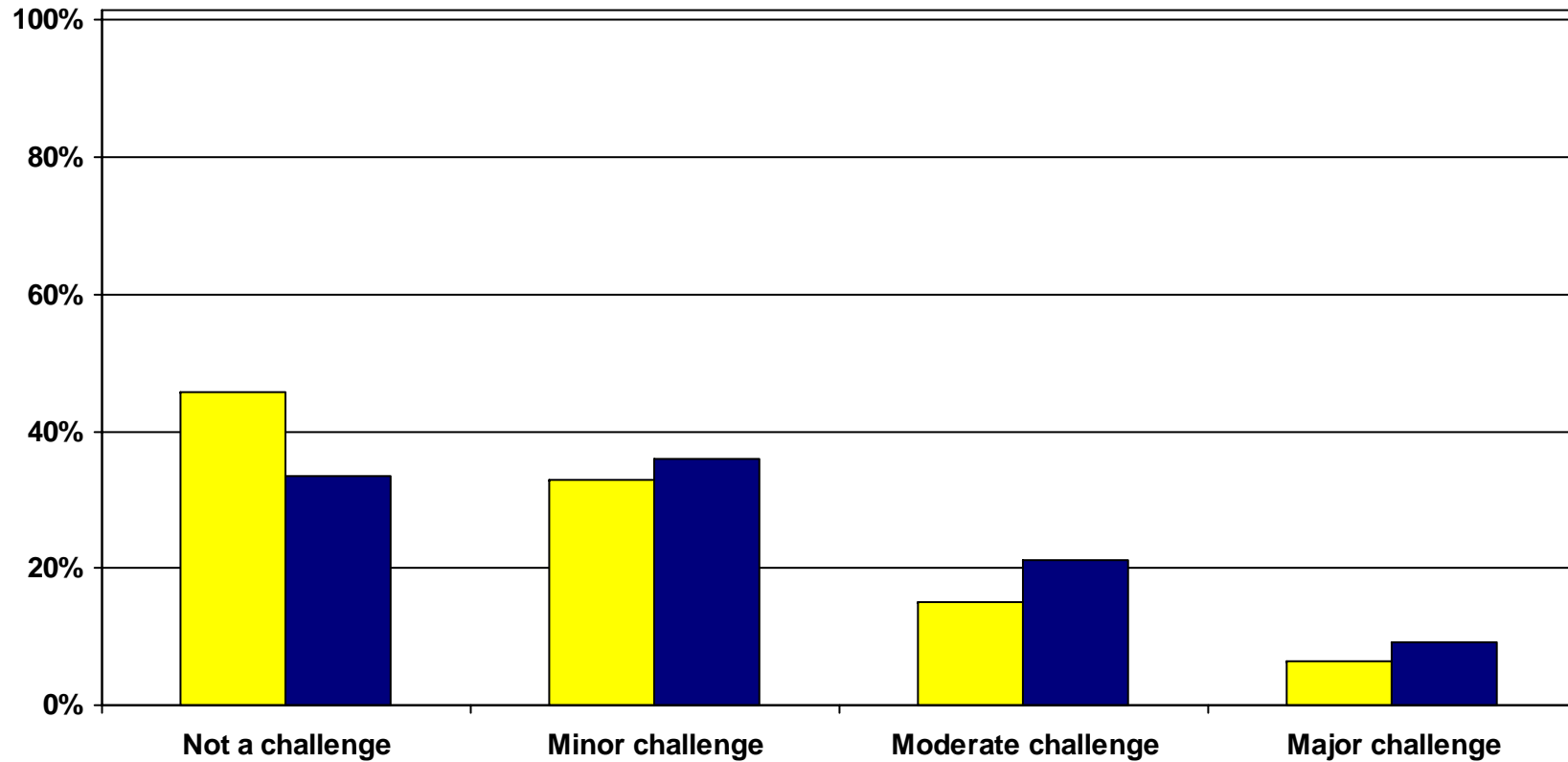


Challenges

Energy cost or availability

Please indicate the extent to which the following is a challenge to your organization: Energy cost or availability

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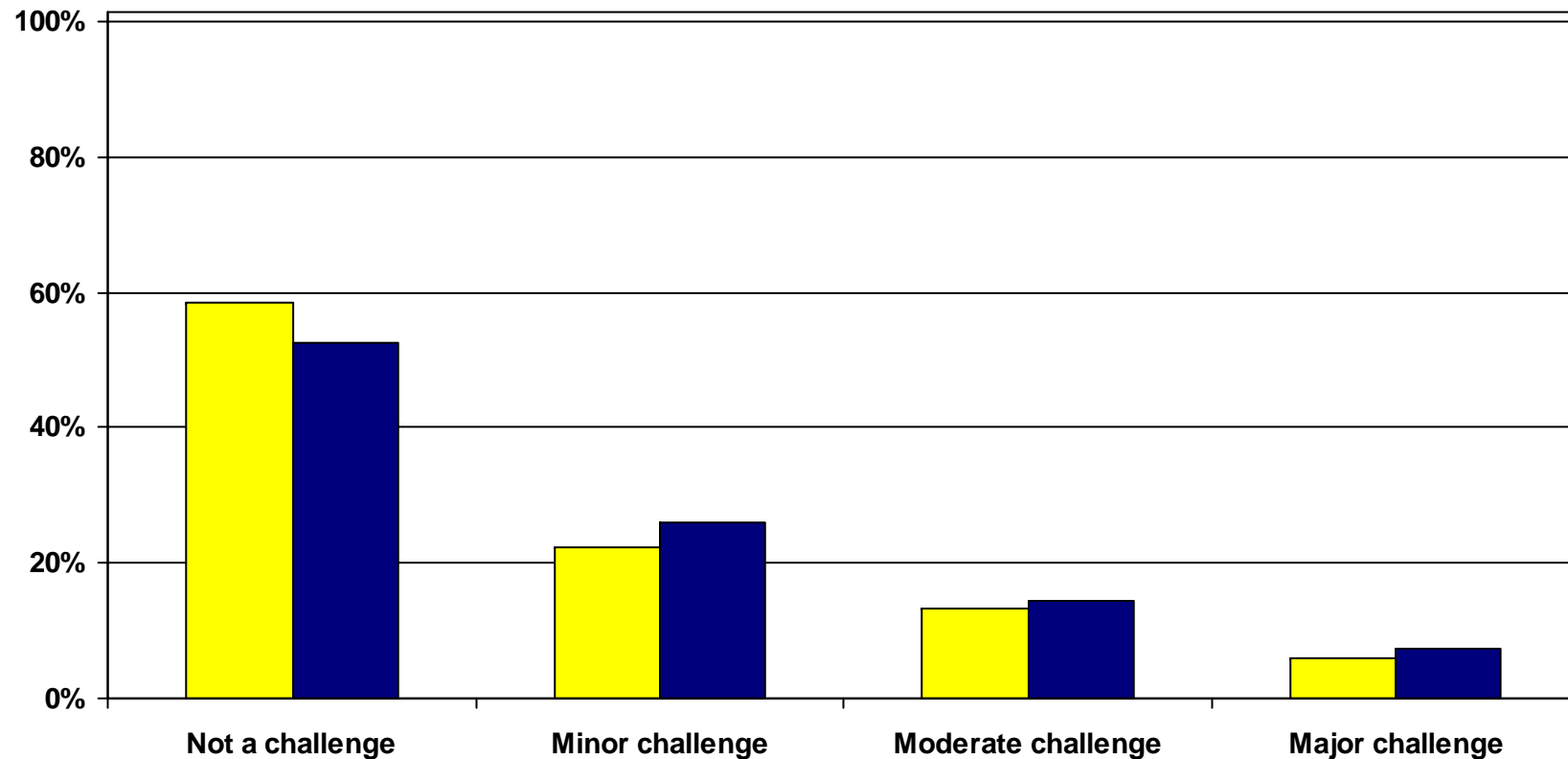


Challenges

Credit Cost or Availability

Please indicate the extent to which the following is a challenge to your organization: Credit cost or availability

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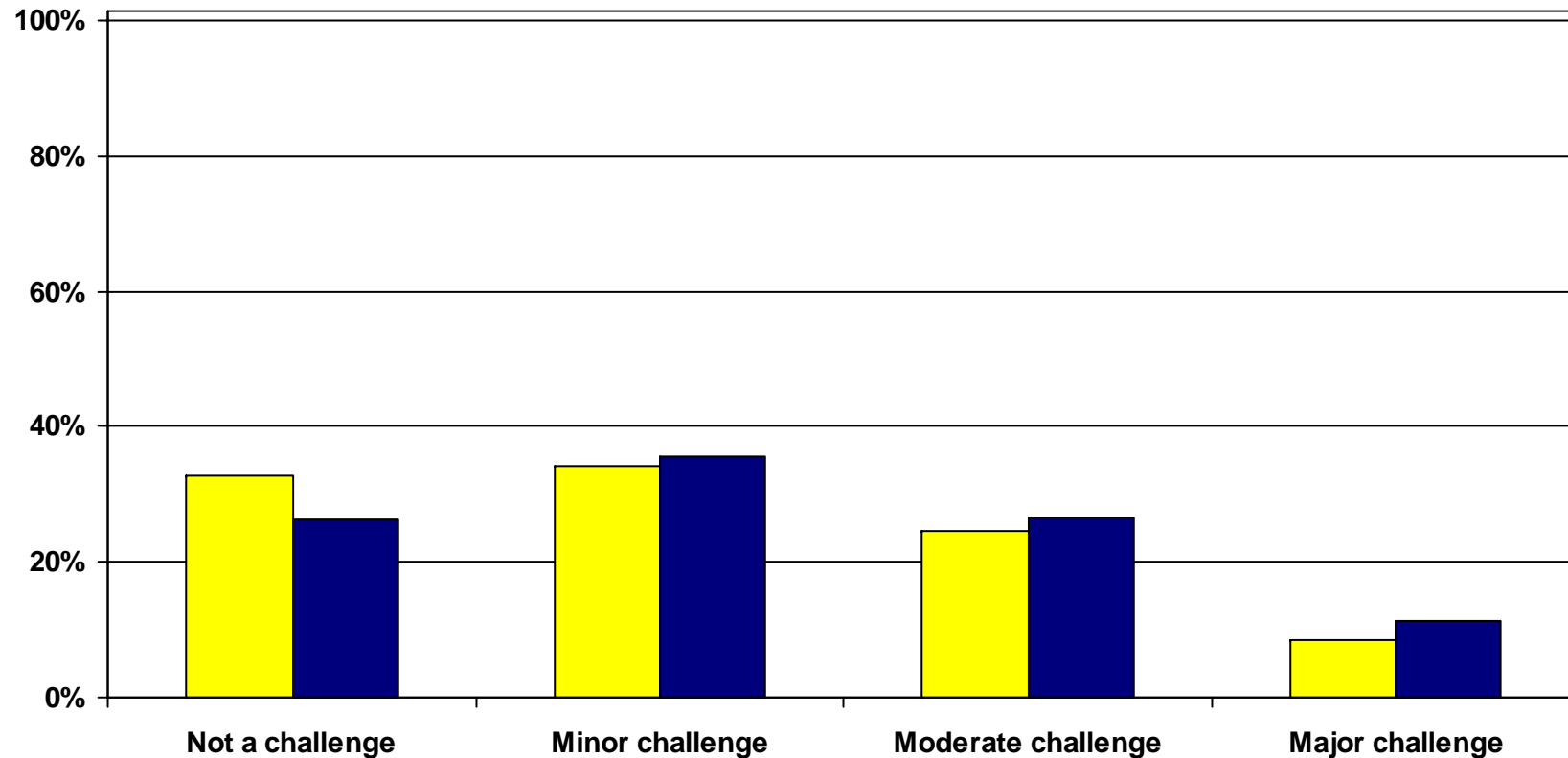


Challenges

Materials, supplies or equipment costs

Please indicate the extent to which the following is a challenge to your organization: Materials, supplies or equipment costs

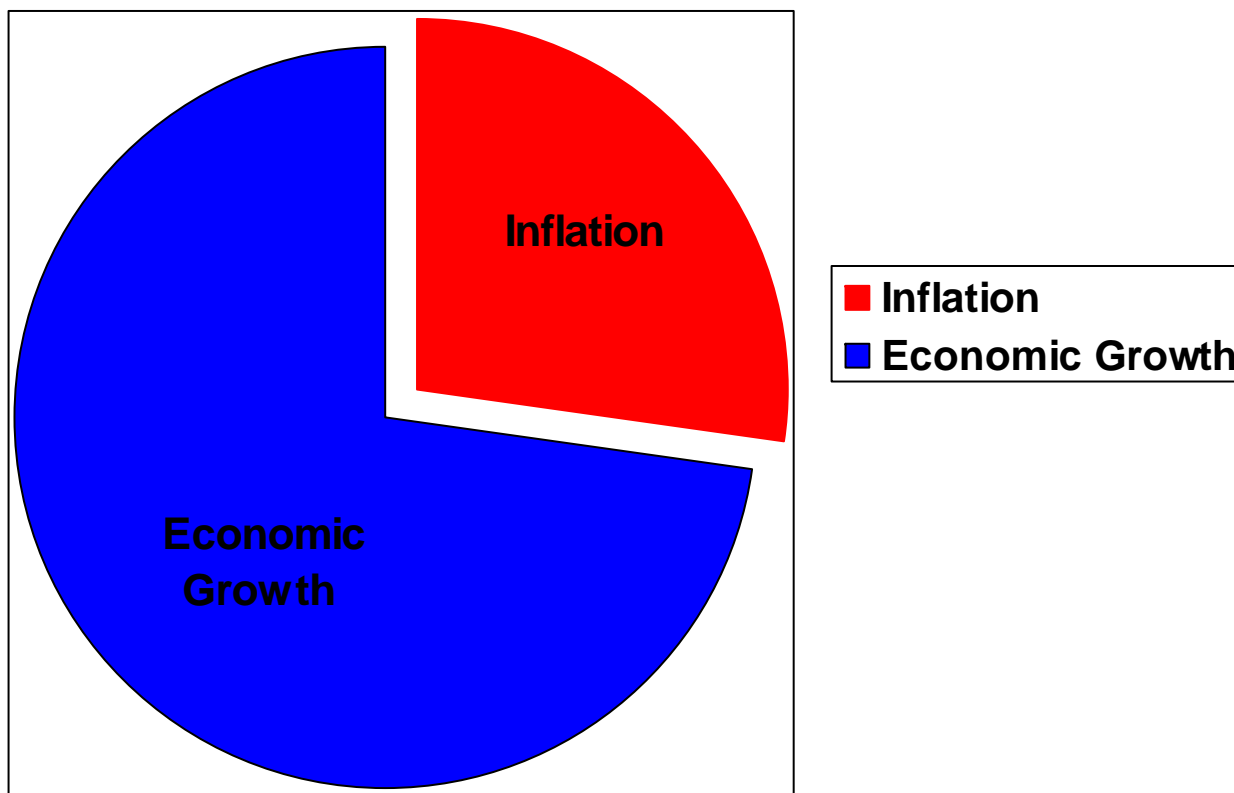
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Concerns about Interest Rates

With respect to monetary policy and weighing between the two factors listed below, what are you more concerned about?

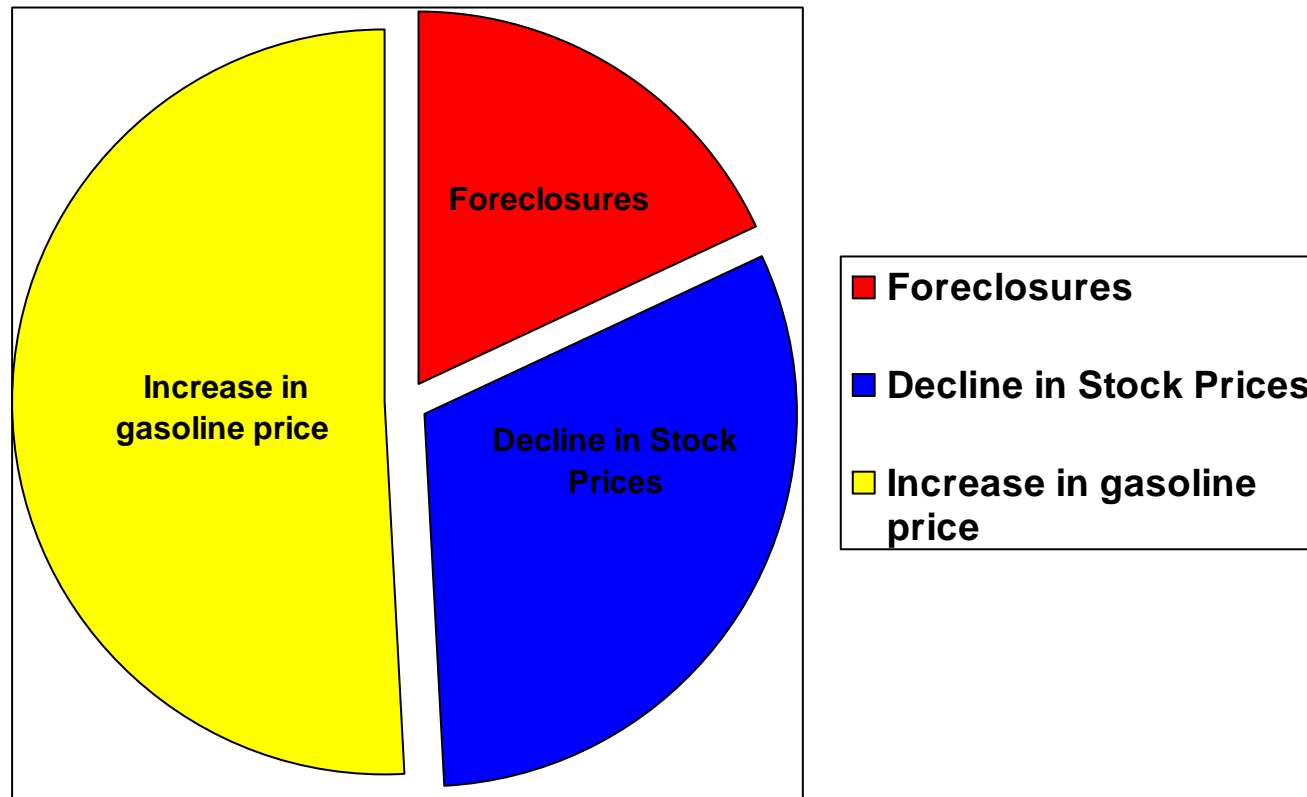
- The impact of changes in short-term interest rates on inflation
- The impact of changes in short-term interest rates on economic growth



Doomsayer Predictions

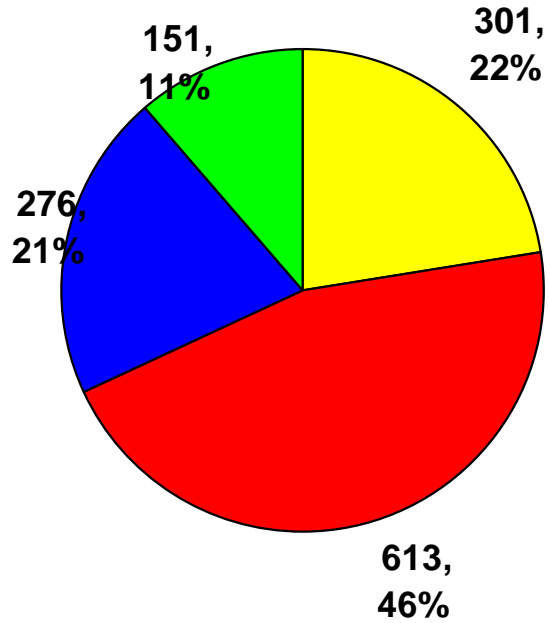
Which of the following “doomsayer” predictions would have the most adverse impact on your business?

- Significant number of sub-prime mortgage loans ending up in foreclosure
- Significant decline in stock prices
- Significant increase in the price of gasoline

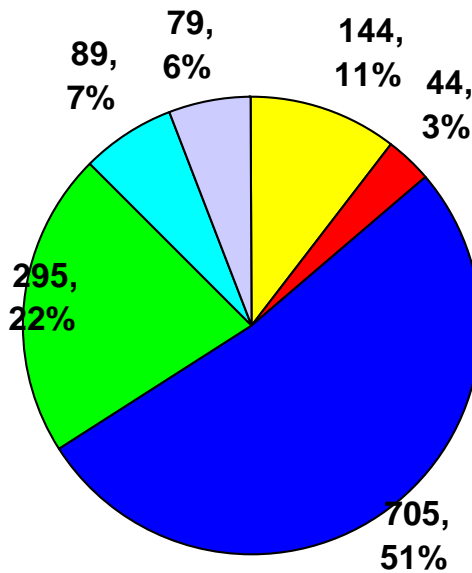
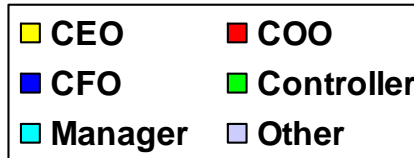


Survey Respondents

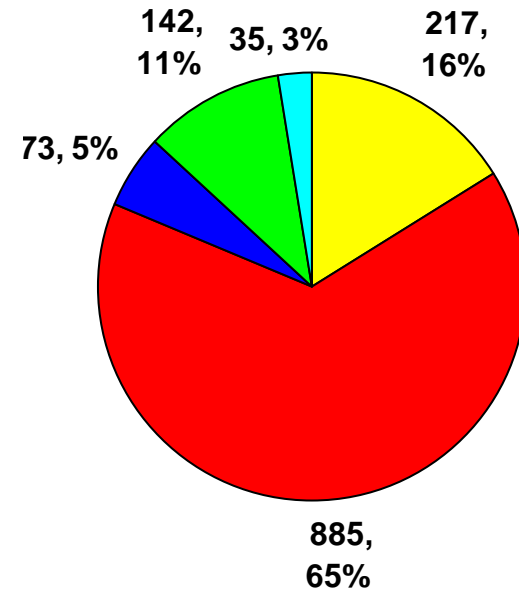
Size of Organization



Position



Type of Organization



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Economic Outlook Survey
April 2007**

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Project Manager
npotts@aicpa.org**

