

**AICPA  
Business and Industry  
Economic Outlook Survey  
4Q 2007**

*Detailed Survey Results*

# Survey Background

- Conducted between October 10 and October 28, 2007
- Done semi-annually in 2005 and 2006; quarterly in 2007
- CPA decision makers (primarily CFOs, CEOs & Controllers)
- AICPA members in Business & Industry only
- 1242 total responses; 1171 qualified responses

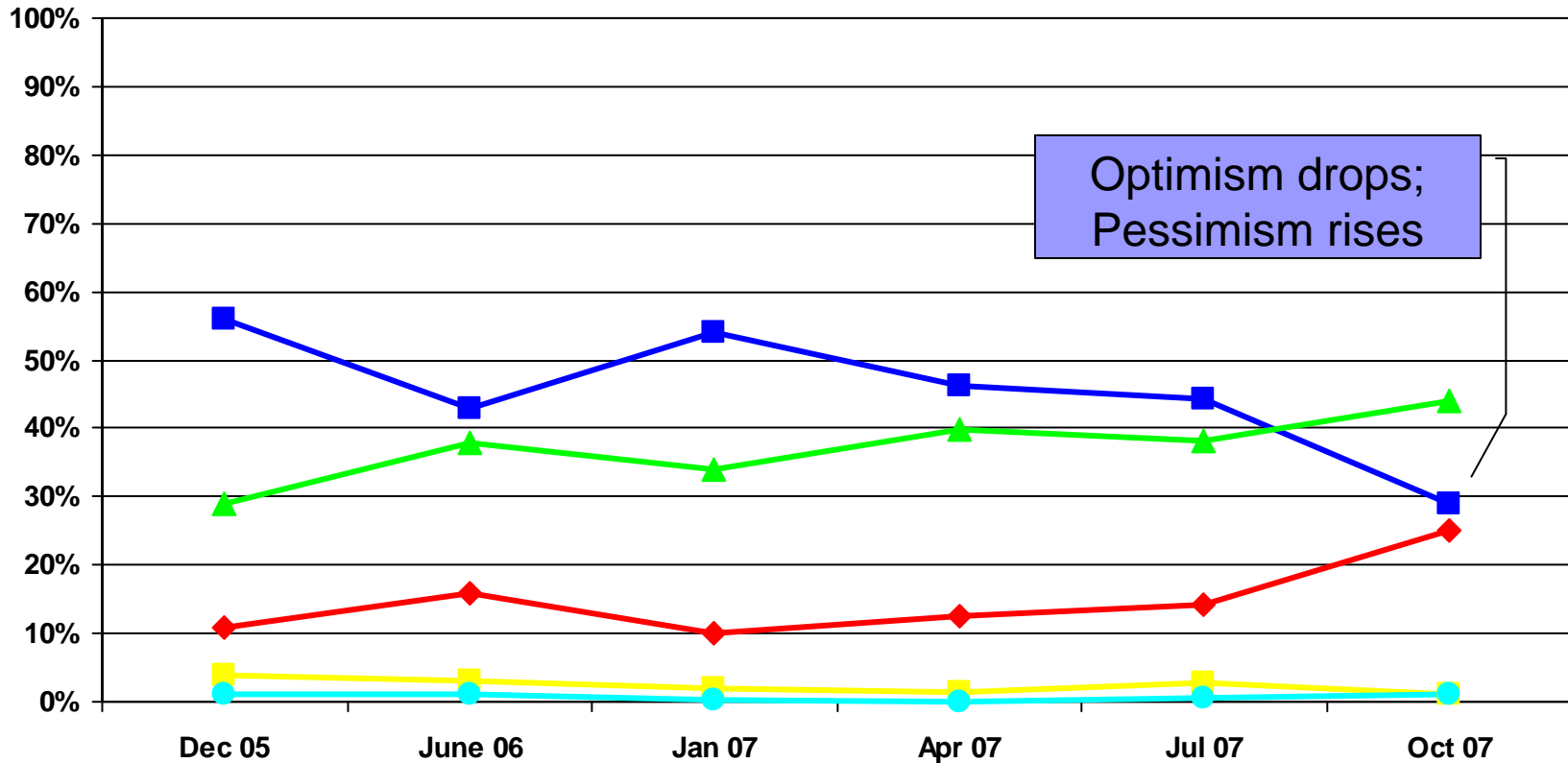
# Executive Summary

- **Optimism plunged in 4Q for both US and states**
  - Continues downward trend that began earlier in the year
  - Organizational optimism dropped some but not as sharply as US and state optimism
- **Optimism varied somewhat across industries**
  - Surprisingly the Construction Industry which has been hit by the housing slump was most optimistic about the US economy.
  - Least optimistic were respondents from the Real Estate and Finance industries
  - Organizational optimism was different with respondents from Professional Services most optimistic and Construction Industry respondents most pessimistic.
- **Concerns about the housing, credit and mortgage markets dominated the open-ended comments**

# 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.

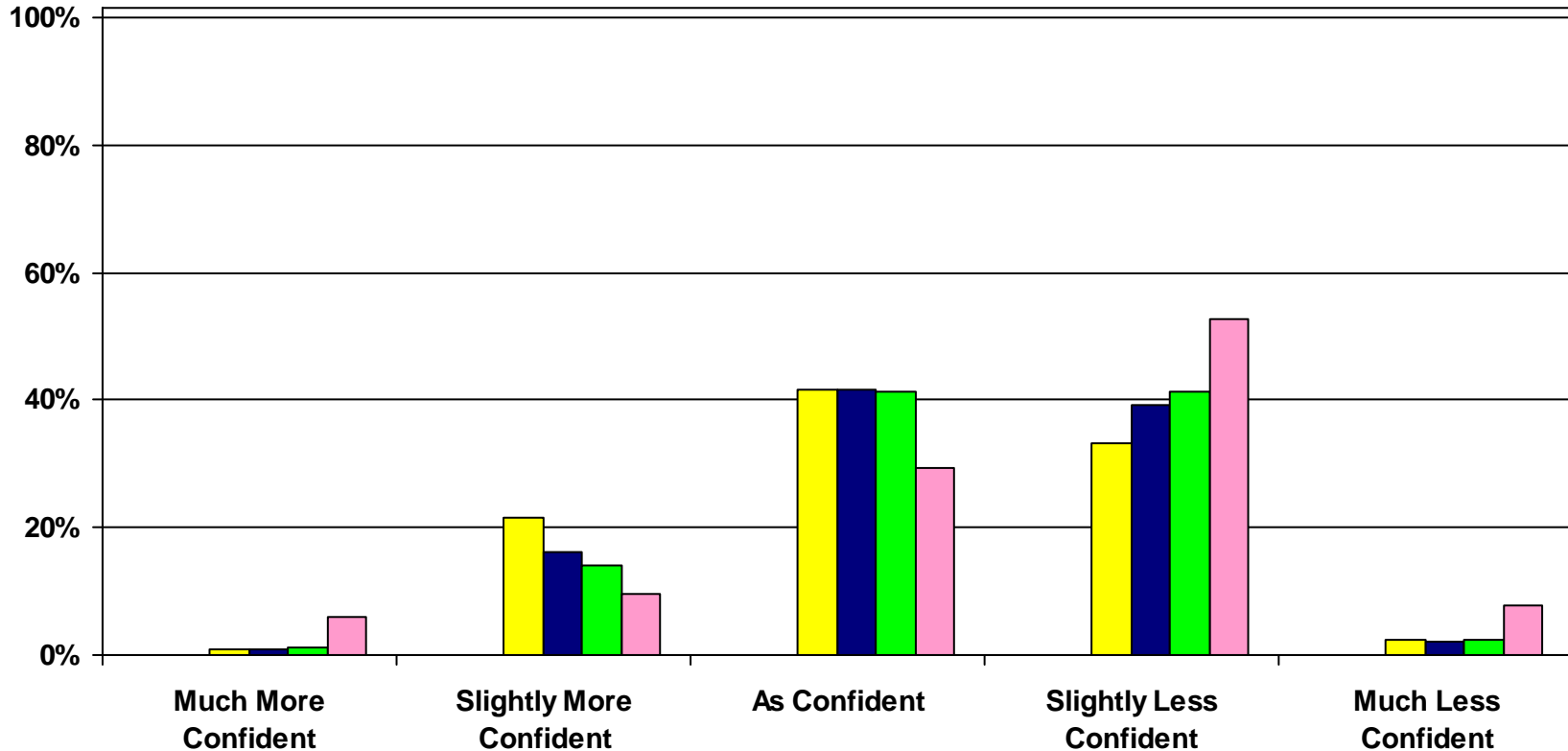
Very Optimistic Optimistic Neutral Pessimistic Very Pessimistic



# 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.

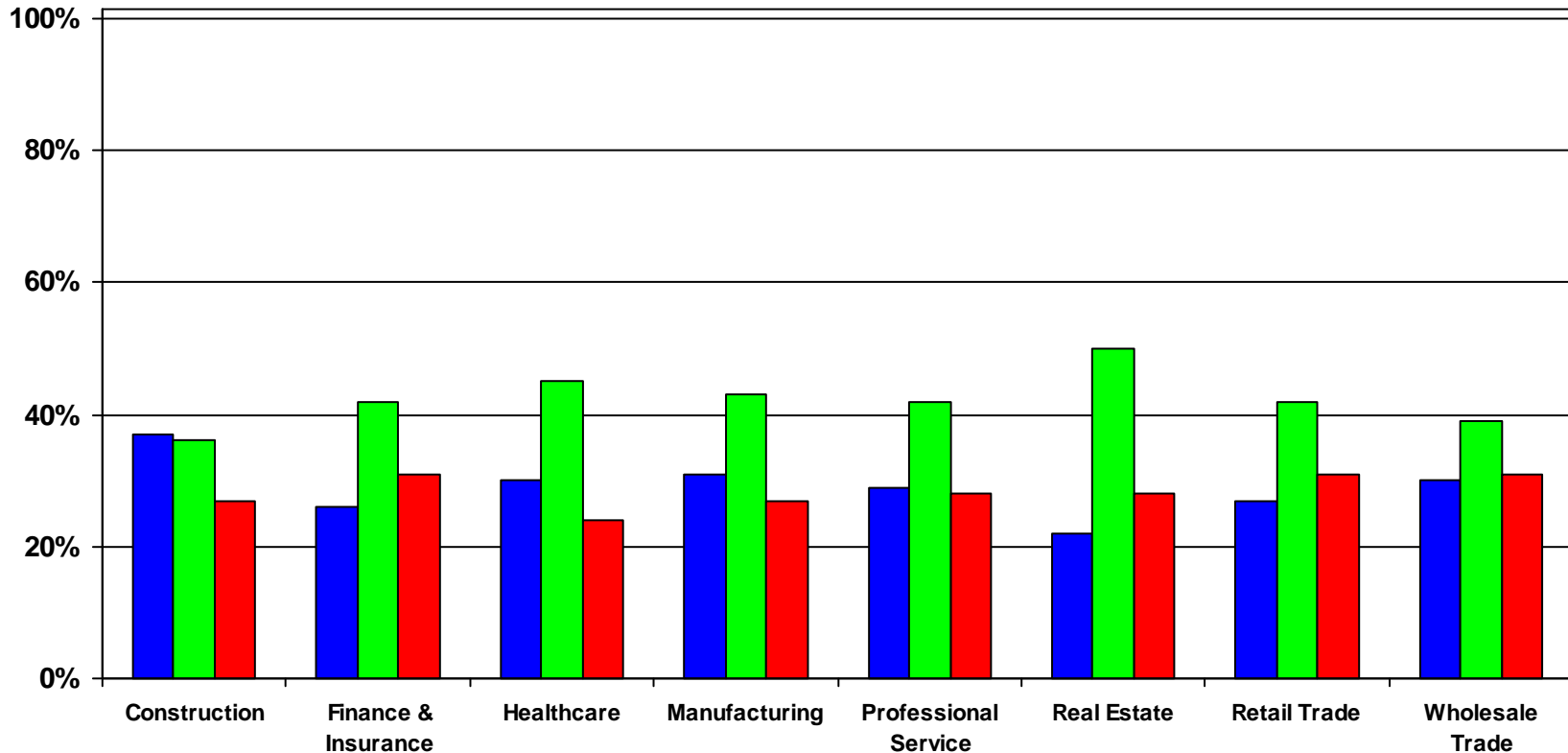
■ Dec 05 ■ June 06 ■ Jan 07 ■ Apr 07 ■ Jul 07 ■ Oct 07



# Economic Outlook for the US by Industry

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

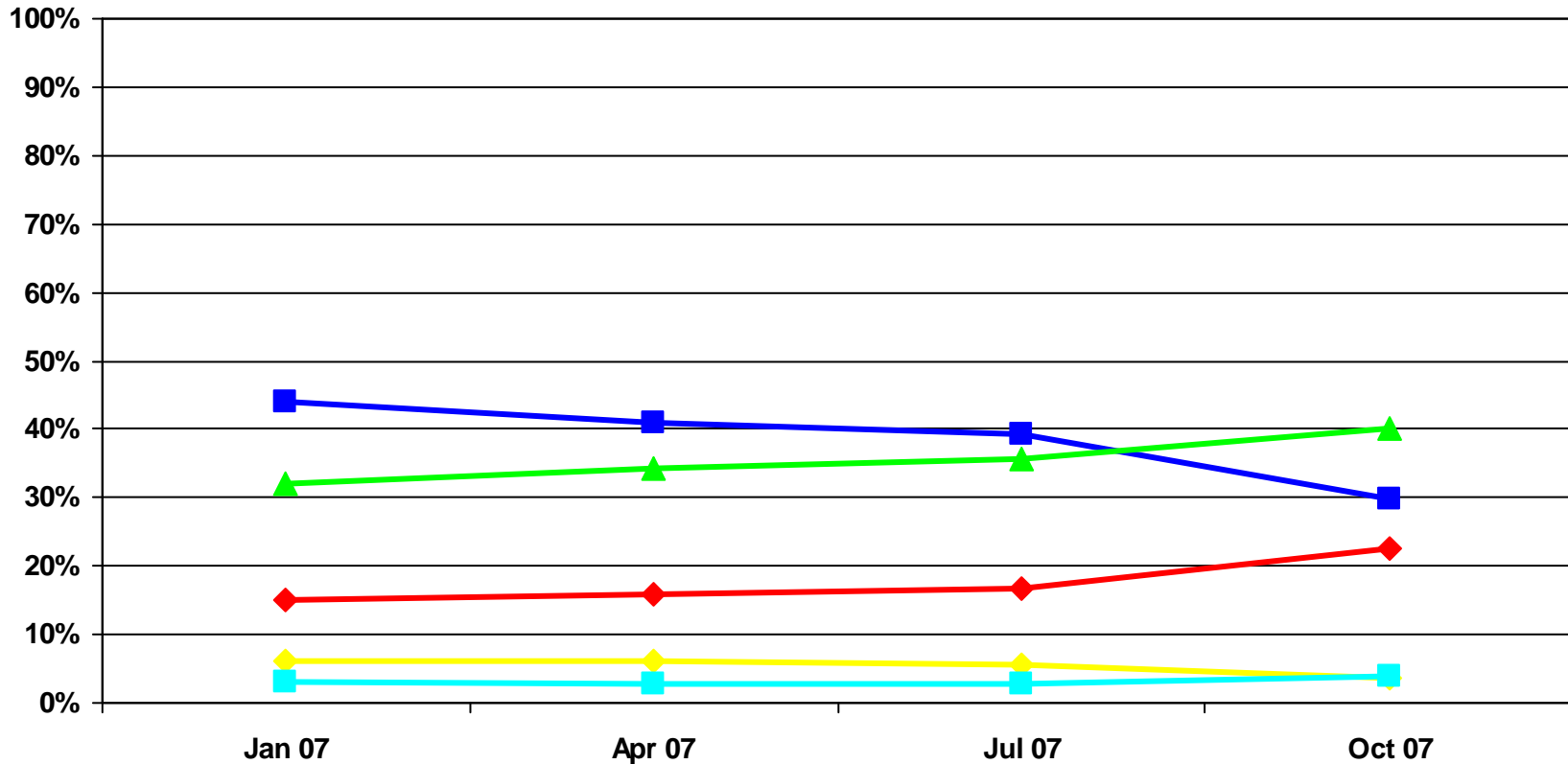
■ Optimistic ■ Neutral ■ Pessimistic



# 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.

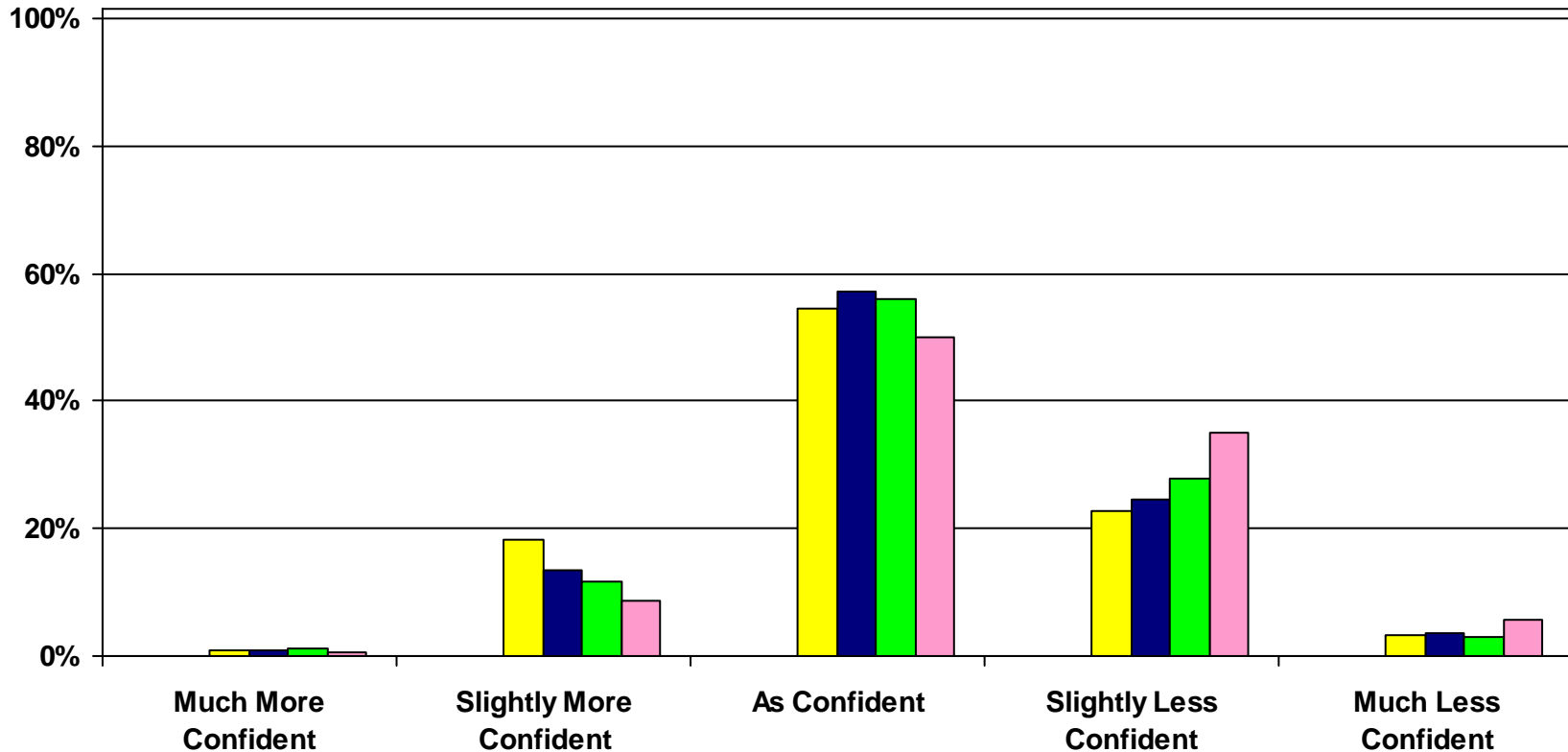
Very Optimistic Optimistic Neutral Pessimistic Very Pessimistic



# 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.

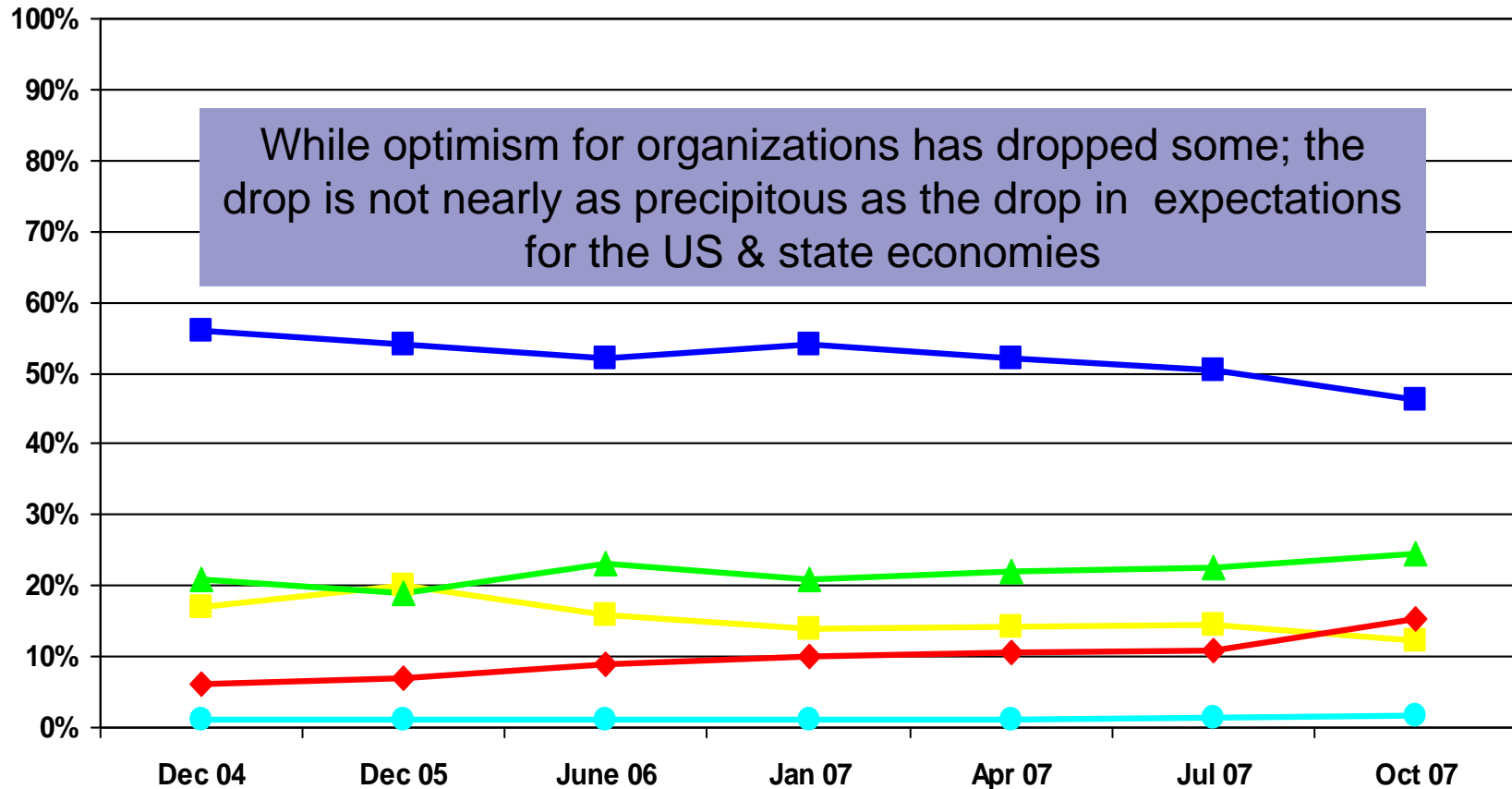
■ Dec 05 ■ June 06 ■ Jan 07 ■ Apr 07 ■ Jul 07 ■ Oct 07



# 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..

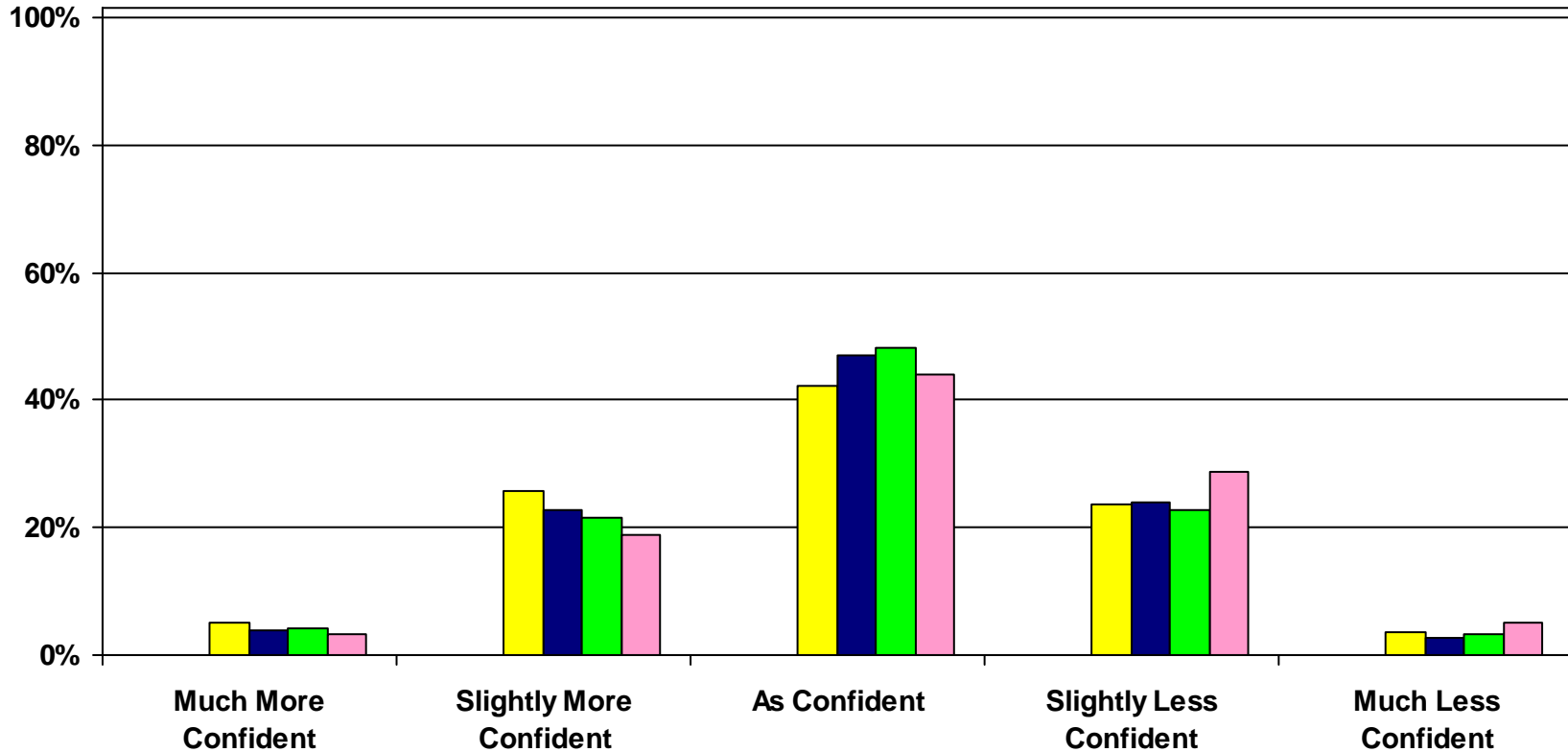
Very Optimistic Optimistic Neutral Pessimistic Very Pessimistic



# 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.

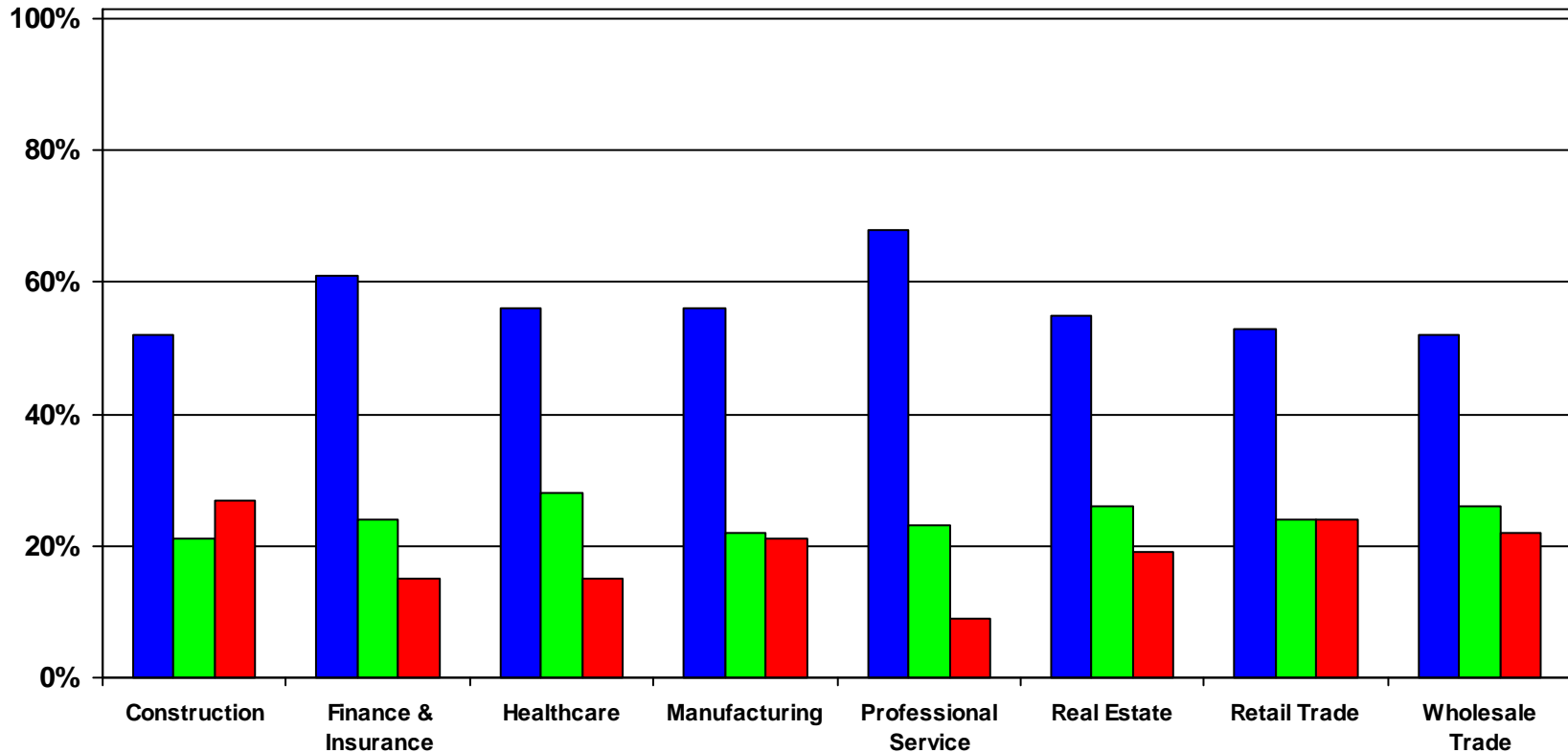
■ Dec 05 ■ June 06 ■ Jan 07 ■ Apr 07 ■ Jul 07 ■ Oct 07



# Economic Outlook for Your Own Organization by Industry

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

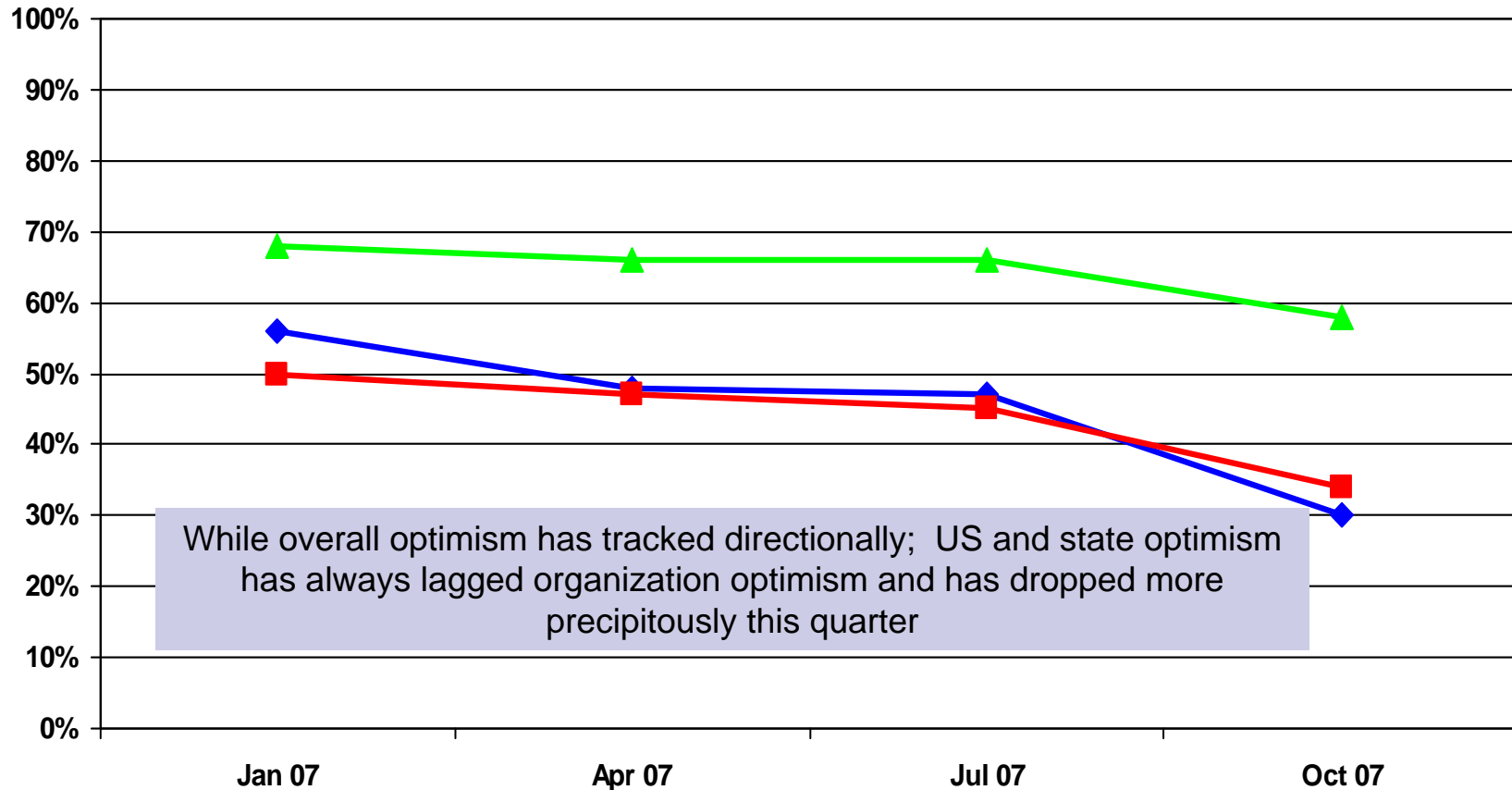
■ Optimistic ■ Neutral ■ Pessimistic



# Economic Outlook Comparison US, State, Organization

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

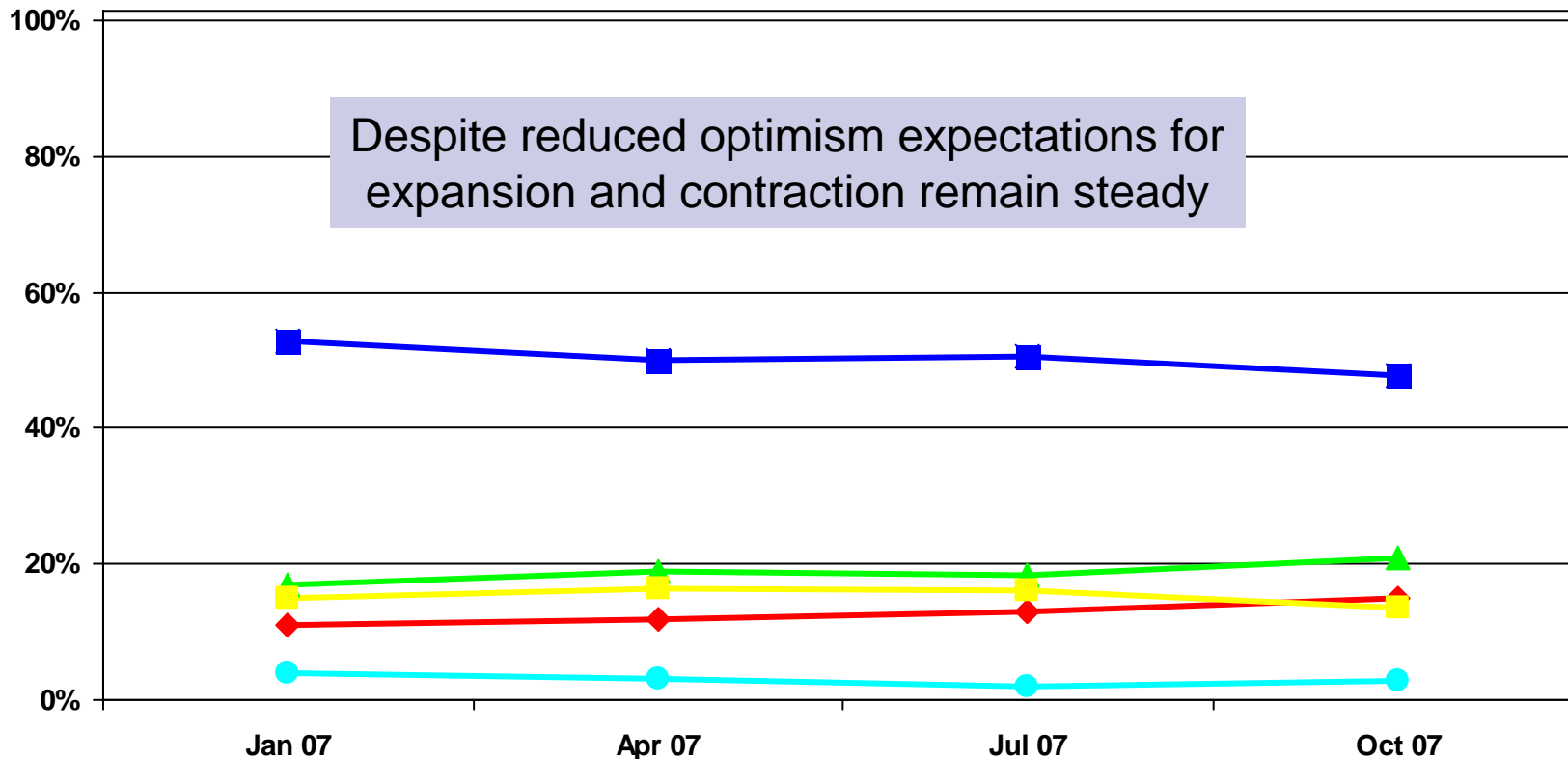
US State Organization



# Expansion/Contraction of Your Own Organization

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

Contract a lot Contract a little Stay the same Expand a little Expand a lot



# Growth Outlook for Organizations for next 12 months

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

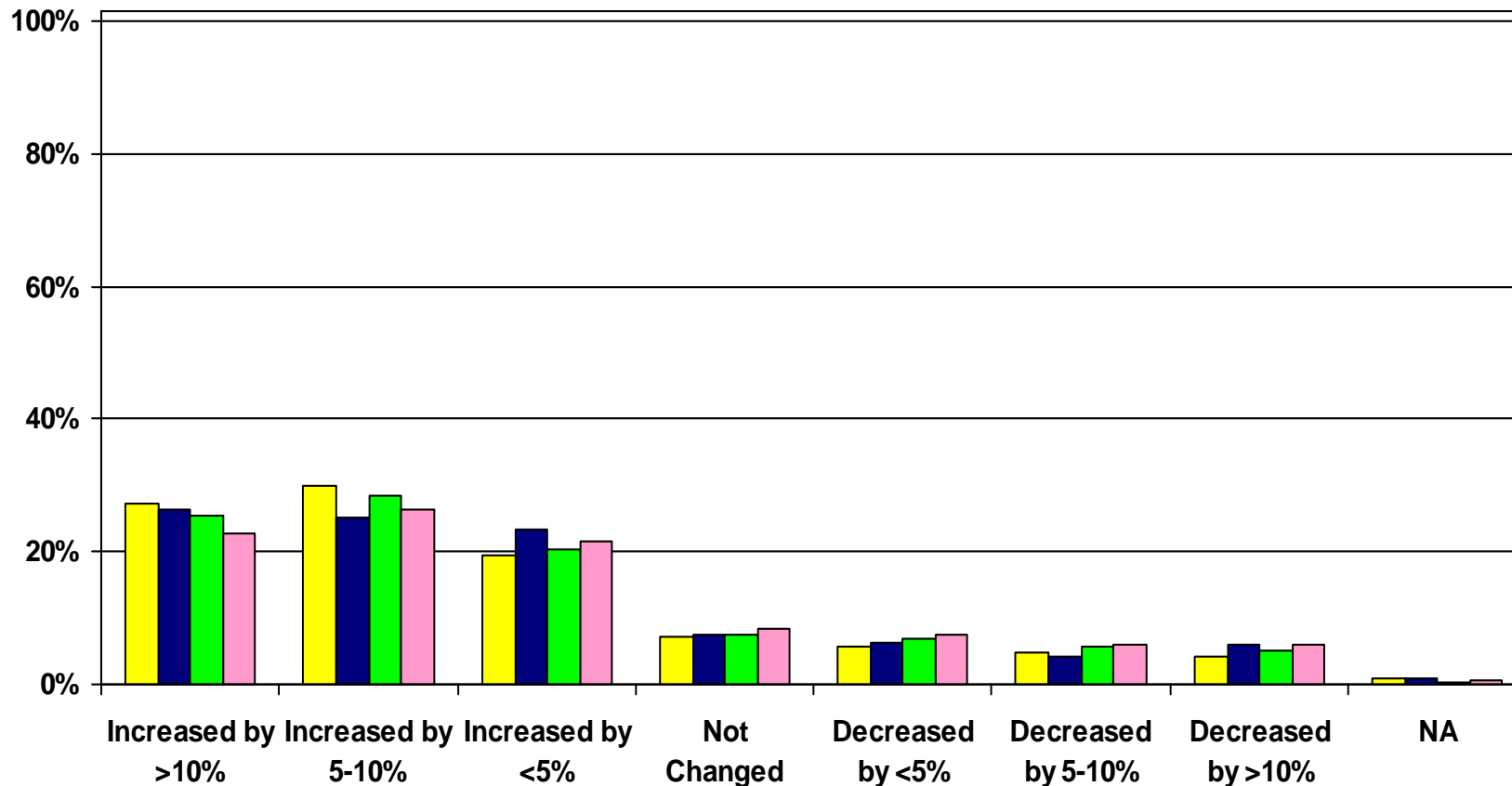
- Expectations remain relatively stable
  - Sixty percent of organizations expect to see growth in outlooks is backed by in revenue and profits,
  - Expectations for employee growth are down slightly
- Healthcare costs are expected to increase markedly with 41% of respondents expecting increases of over 8%
  - Salaries are also expected to increase with most organizations expecting increases of less than 4%
  - Respondents from the Healthcare and Professional Services industries expect the most growth in number of employees, salaries and healthcare costs.
- Spending Plans remain fairly stable although some slight declines in some spending categories are emerging, they are not yet large enough to be considered significant.

# 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)

■ Jan 07 
 ■ Apr 07 
 ■ Jul 07 
 ■ Oct 07

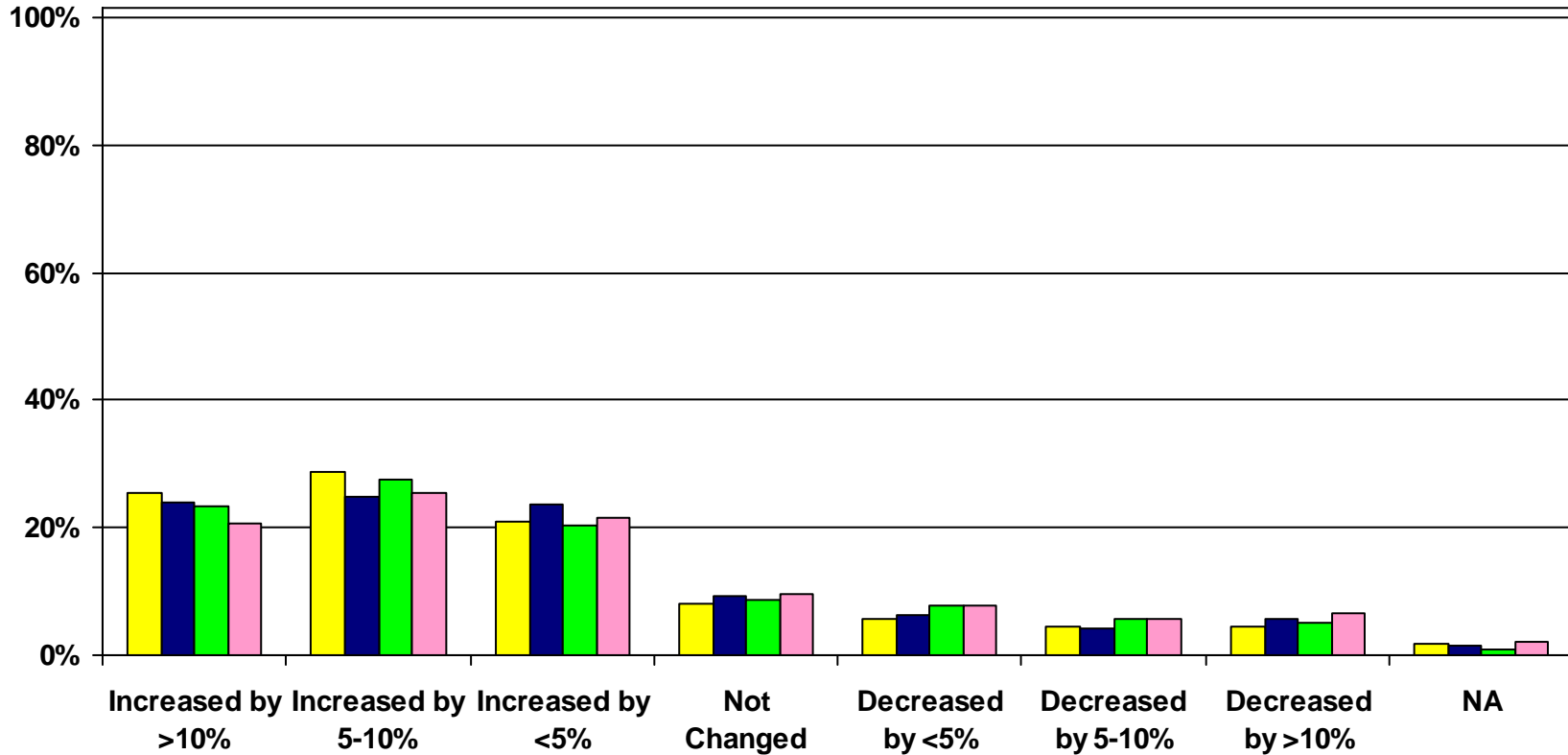


# Key Performance Indicators

## 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 
 ■ Jul 07 
 ■ Oct 07

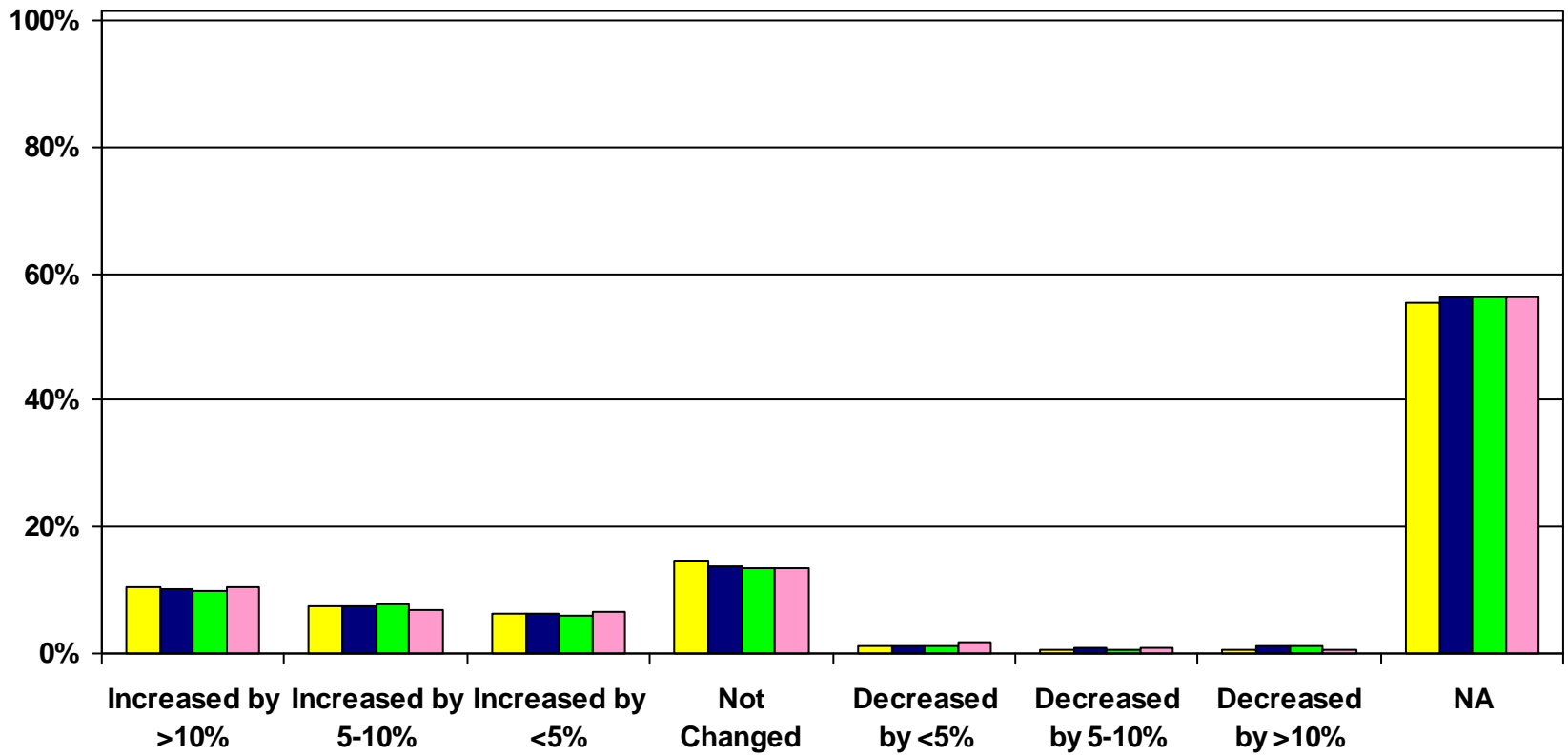


# Key Performance Indicators

## 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 Jul 07 Oct 07

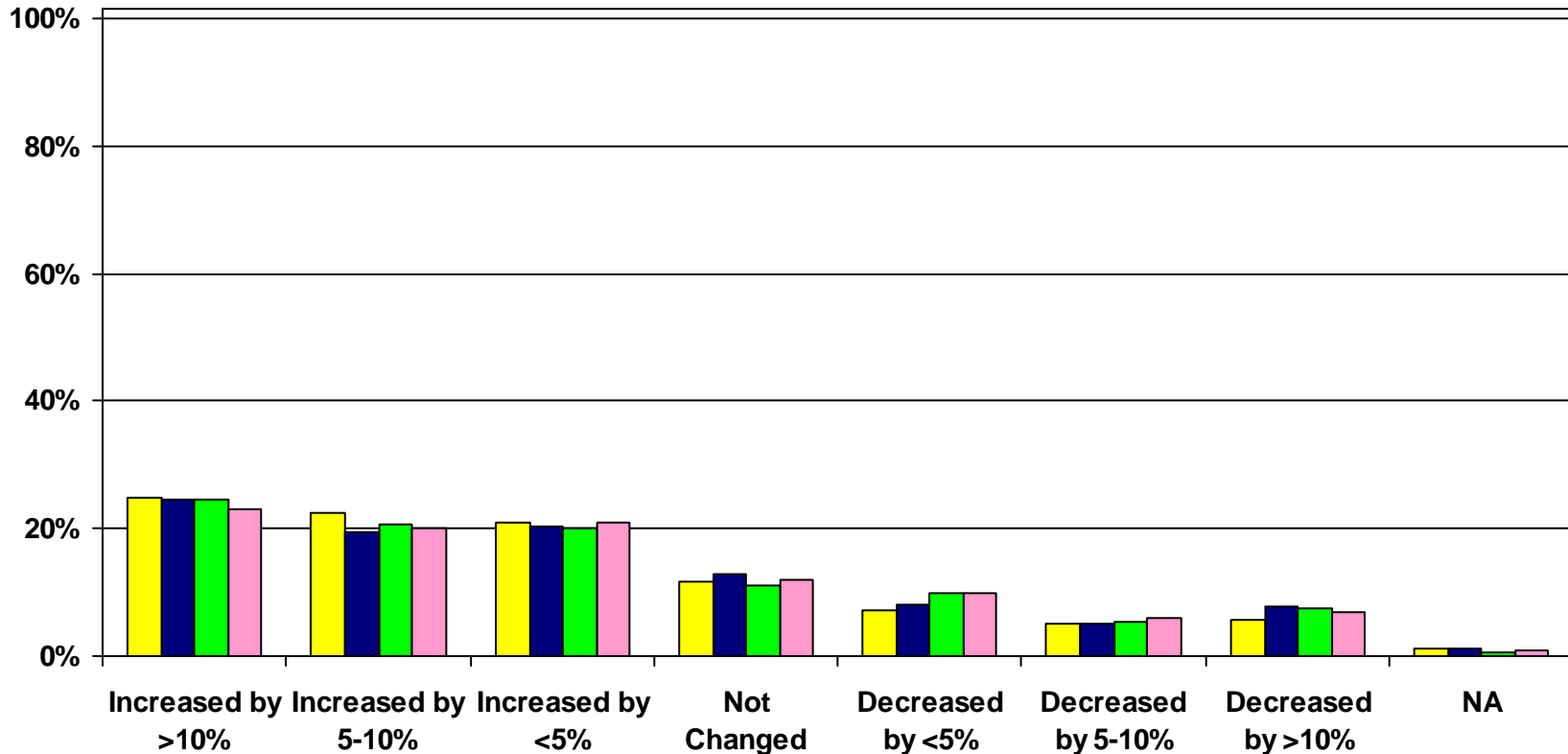


# Key Performance Indicators

## 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 Jul 07 Oct 07

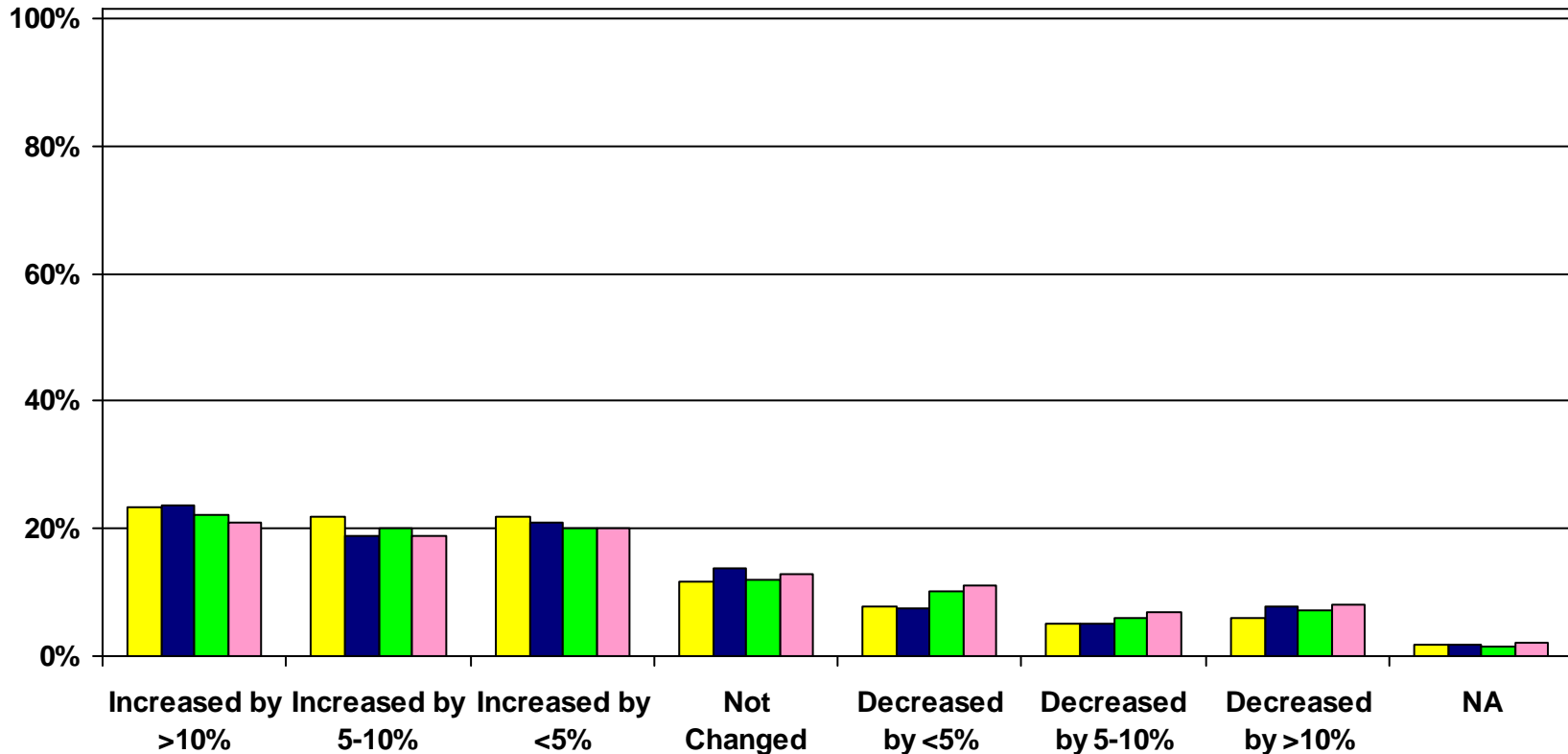


# Key Performance Indicators

## 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 Jul 07 Oct 07

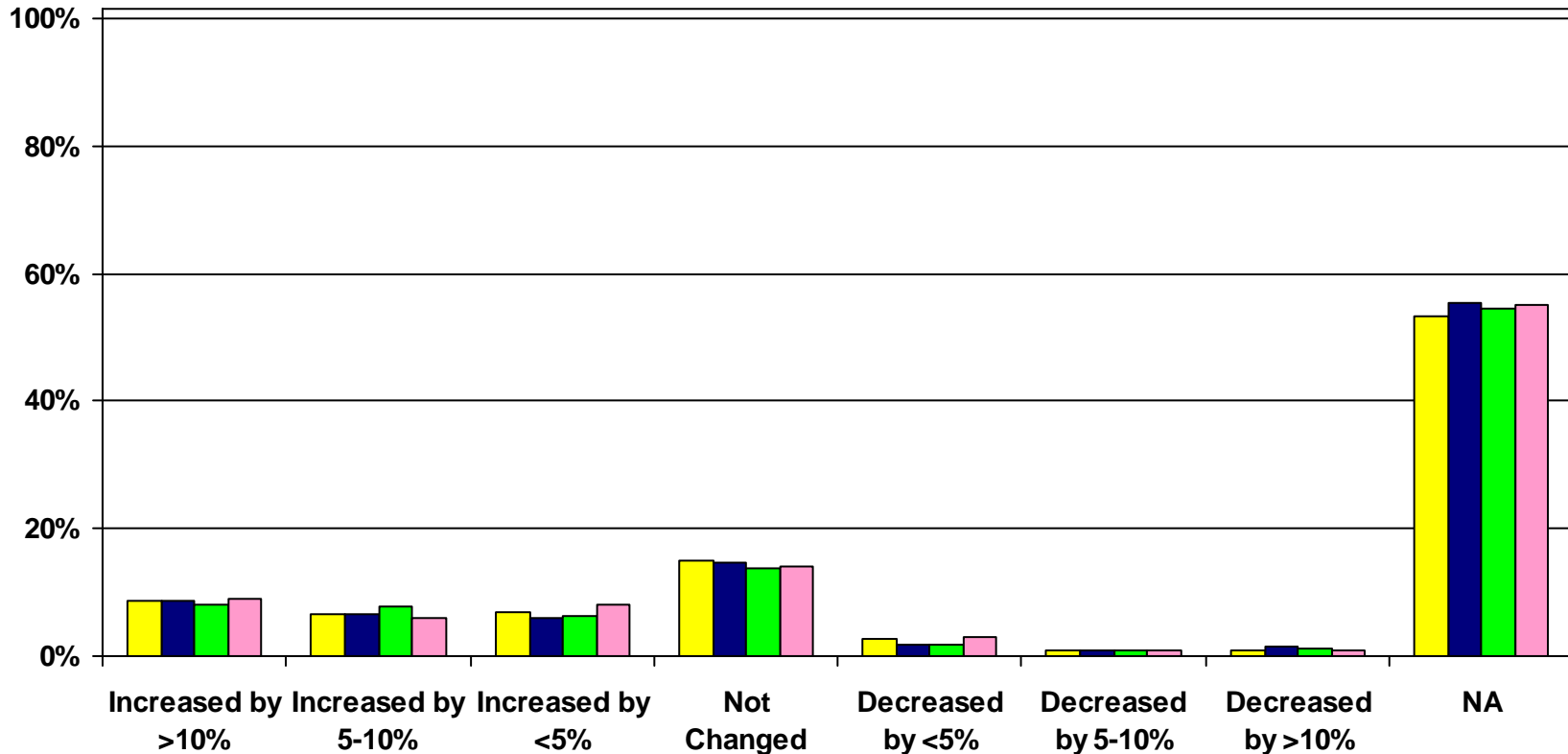


# Key Performance Indicators

## 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 Jul 07 Oct 07

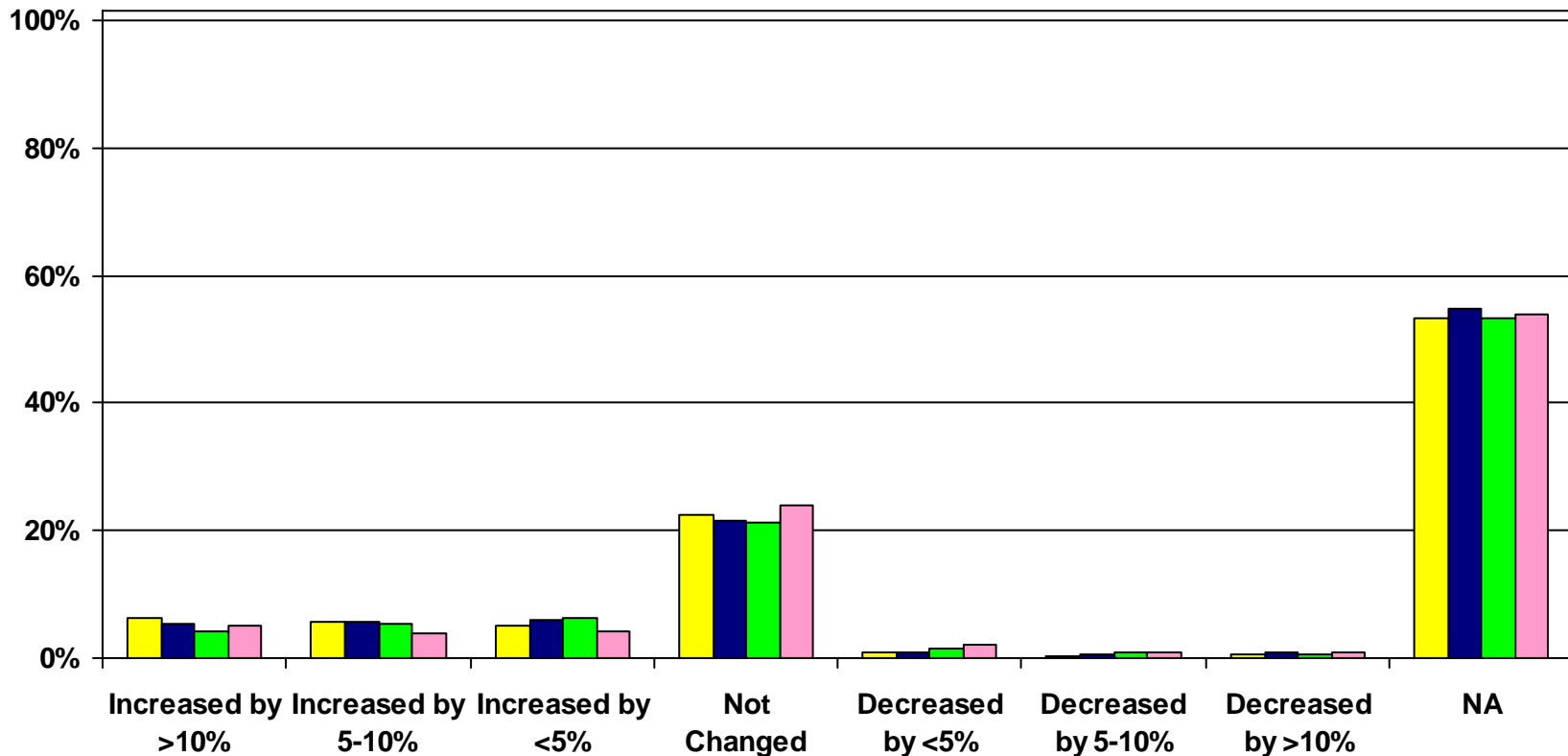


# Key Performance Indicators

## 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 Jul 07 Oct 07

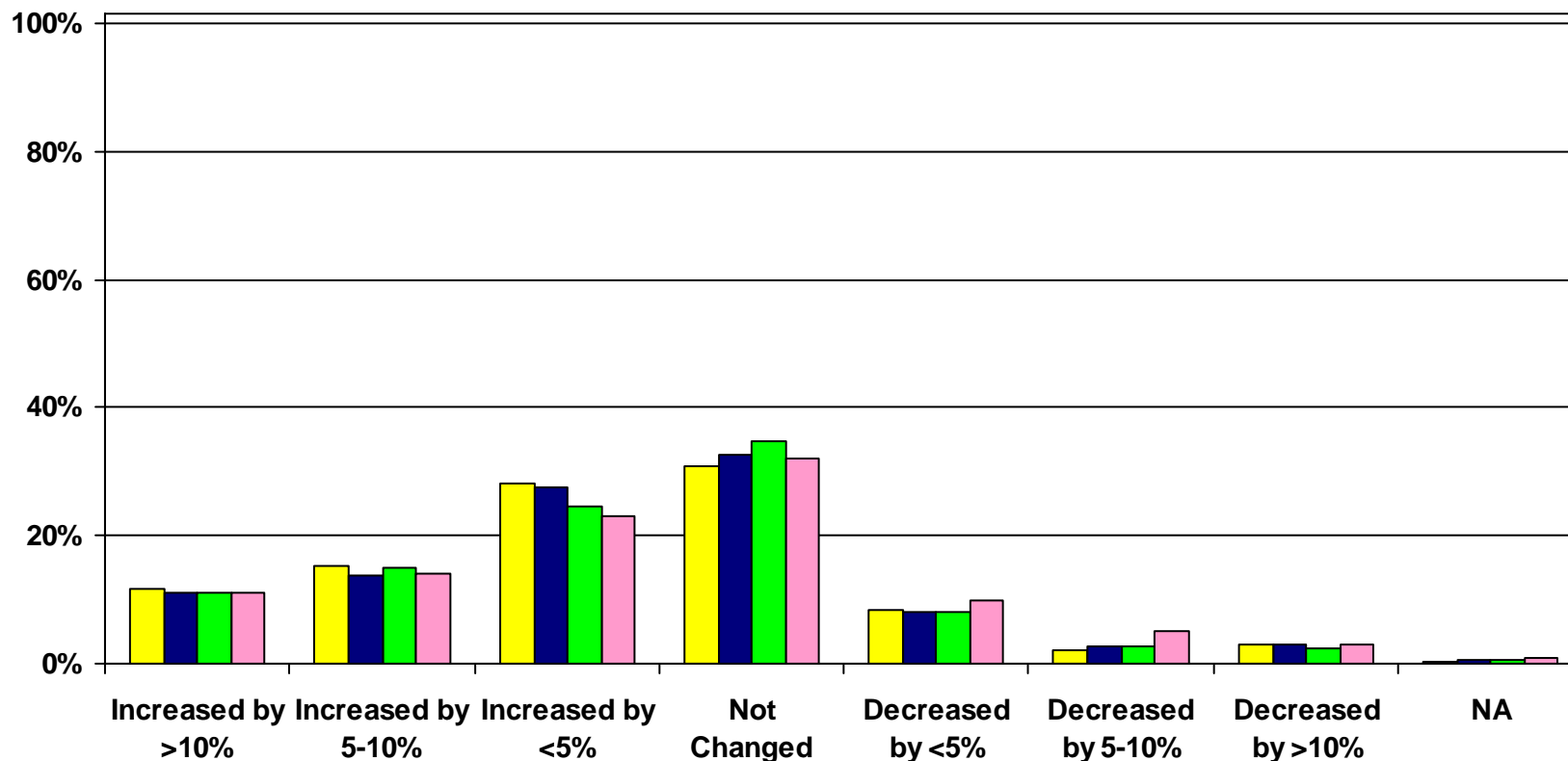


# Key Performance Indicators

## 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 Jul 07 Oct 07



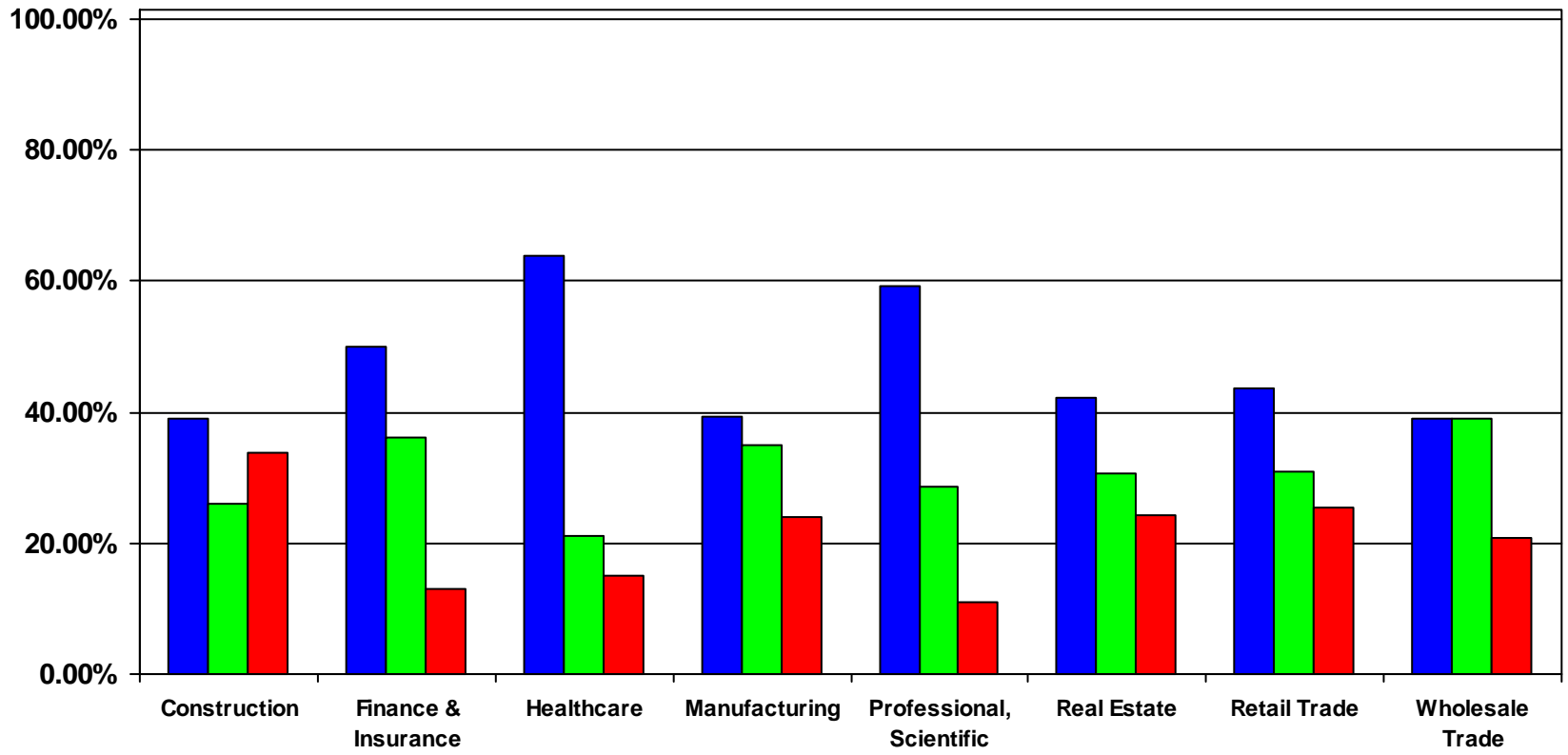
# Key Performance Indicators

## Number of Employees

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

by industry

■ Increase ■ Stay the Same ■ Decrease

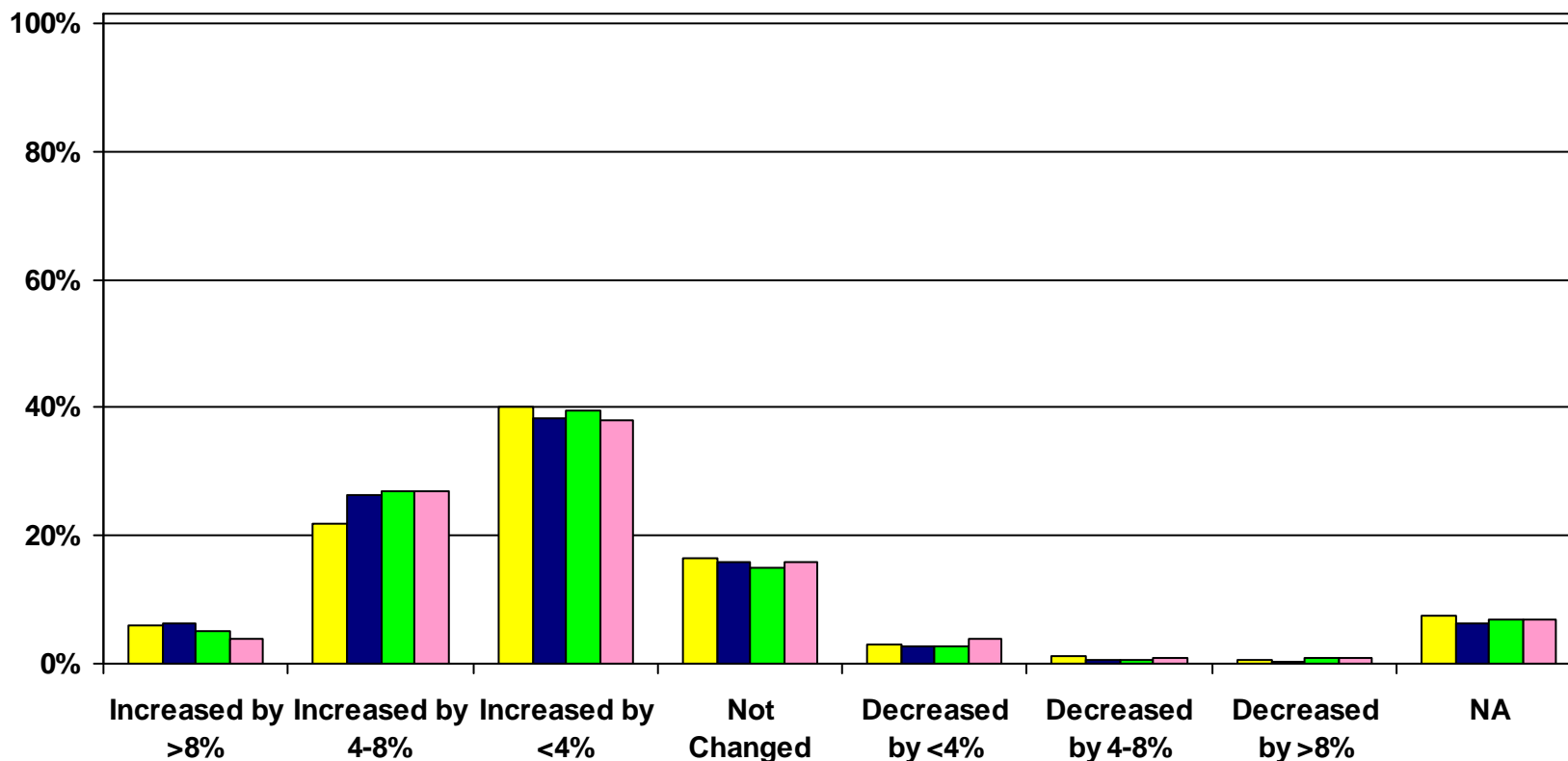


# Pricing & Costs

## Input Prices

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

Jan 07 Apr 07 Jul 07 Oct 07

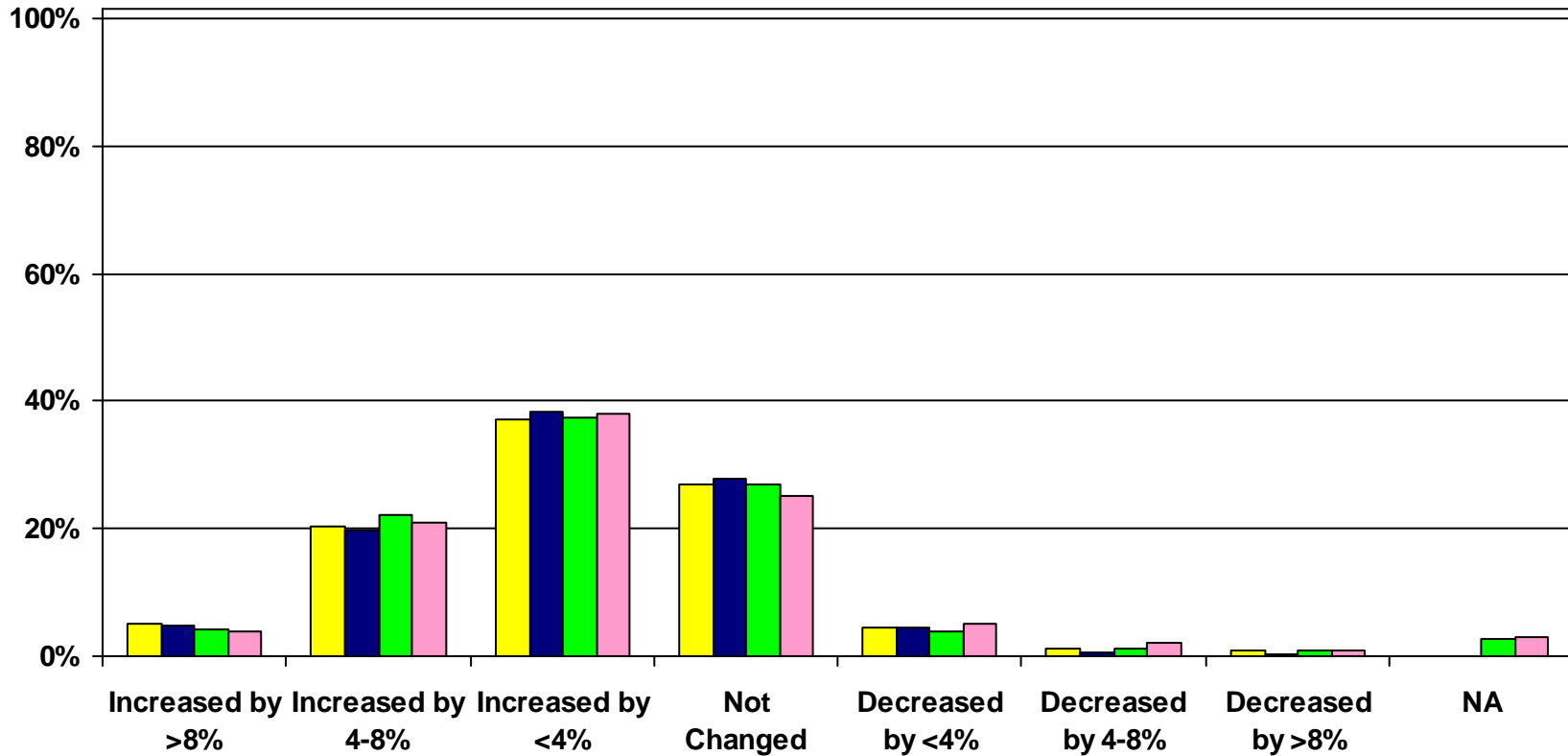


# Pricing & Costs

## Prices your Organization Charges

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

Jan 07 Apr 07 Jul 07 Oct 07

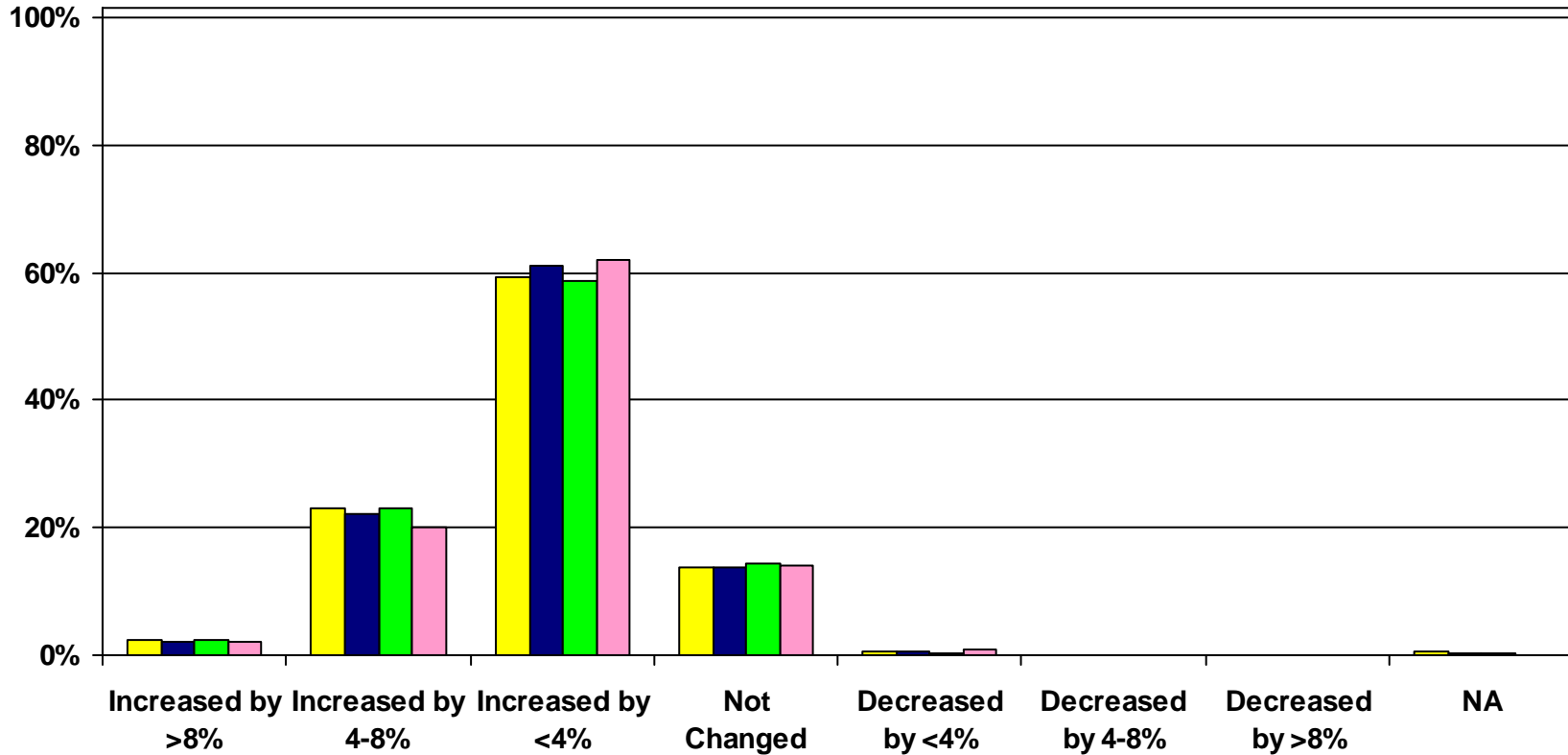


# Pricing & Costs

## Average Basic Salary

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

Jan 07 Apr 07 Jul 07 Oct 07

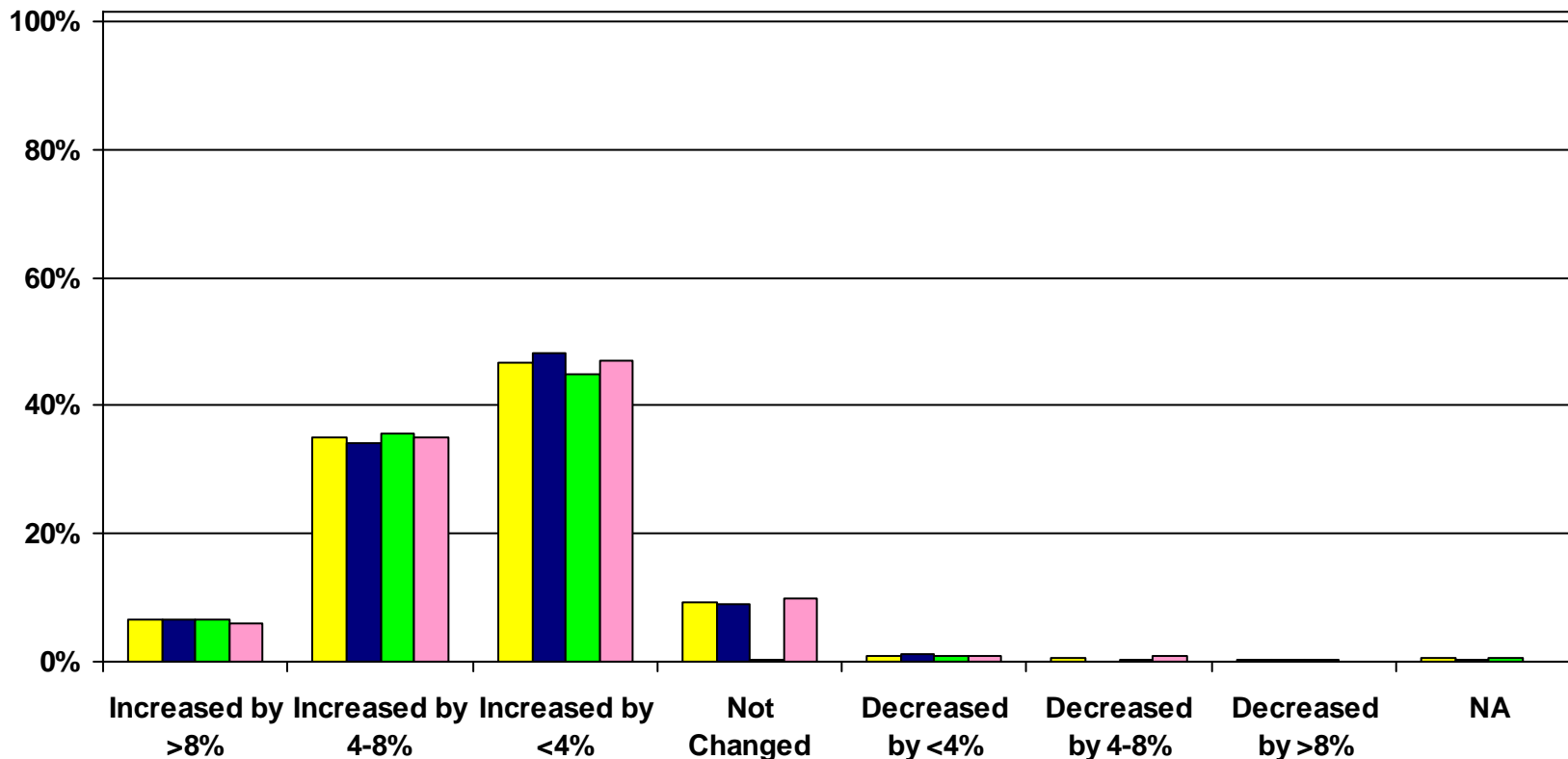


# Pricing & Costs

## 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 Jul 07 Oct 07

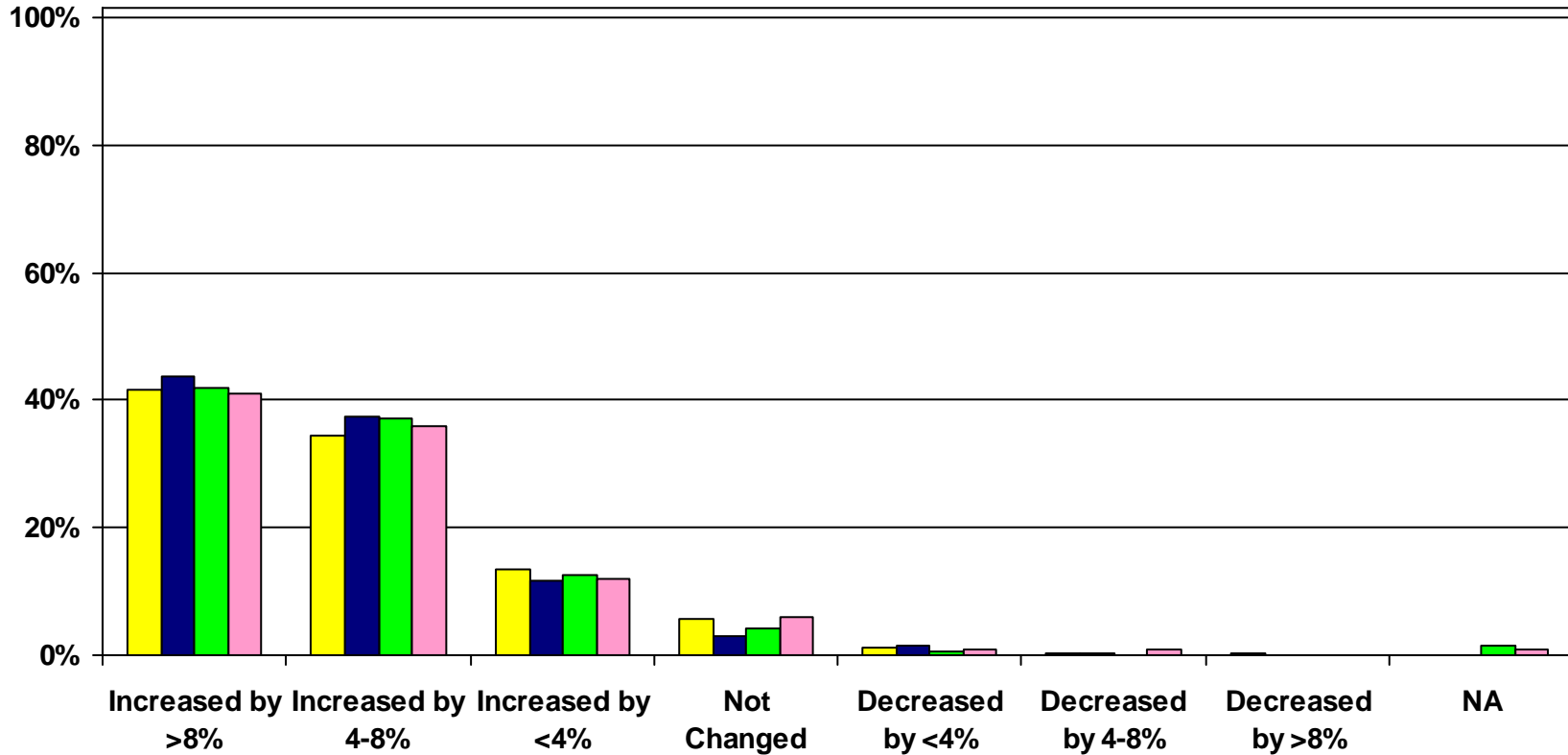


# Pricing & Costs

## Healthcare Costs

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

Jan 07 Apr 07 Jul 07 Oct 07

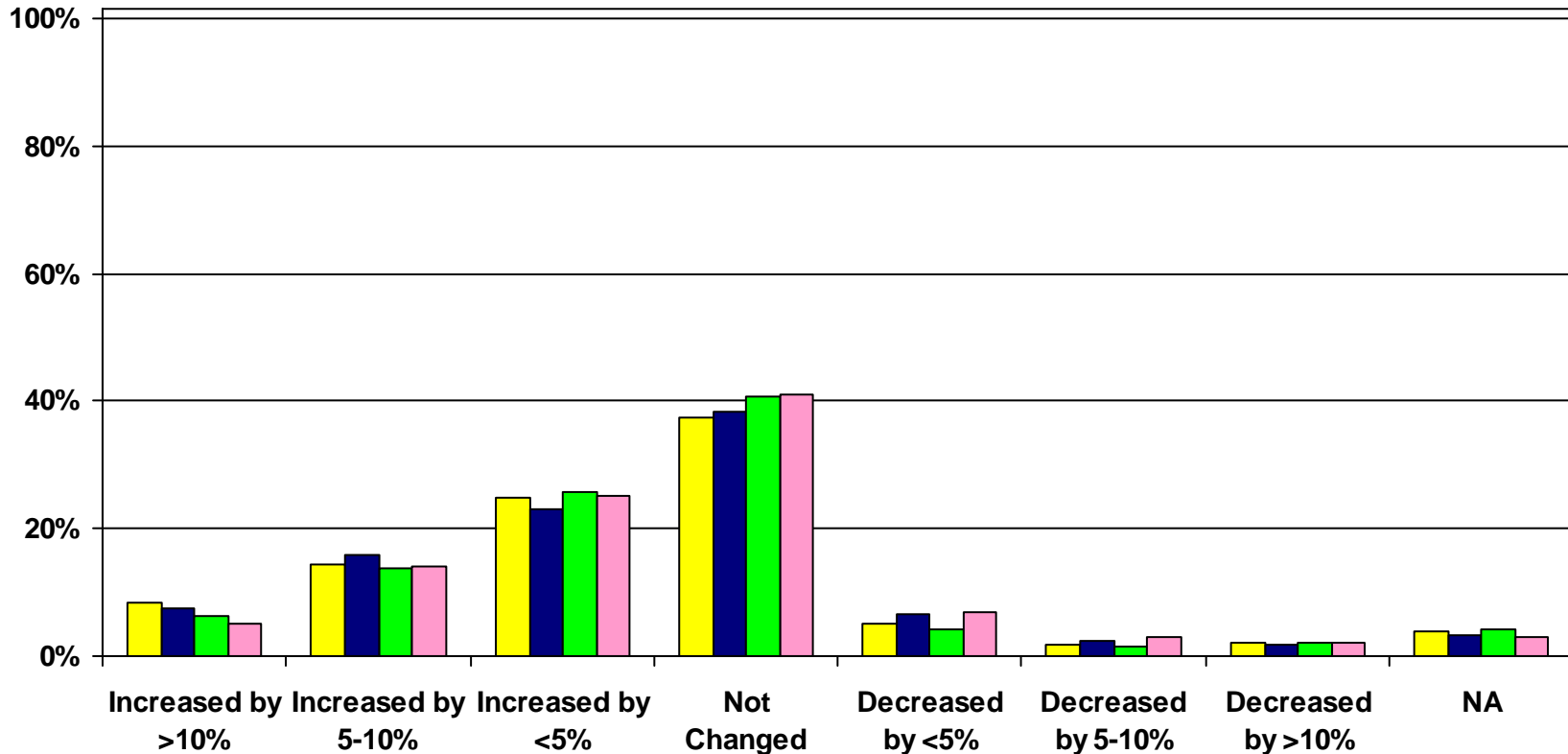


# Spending & Financing Plans

## Advertising, Sales & Marketing

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

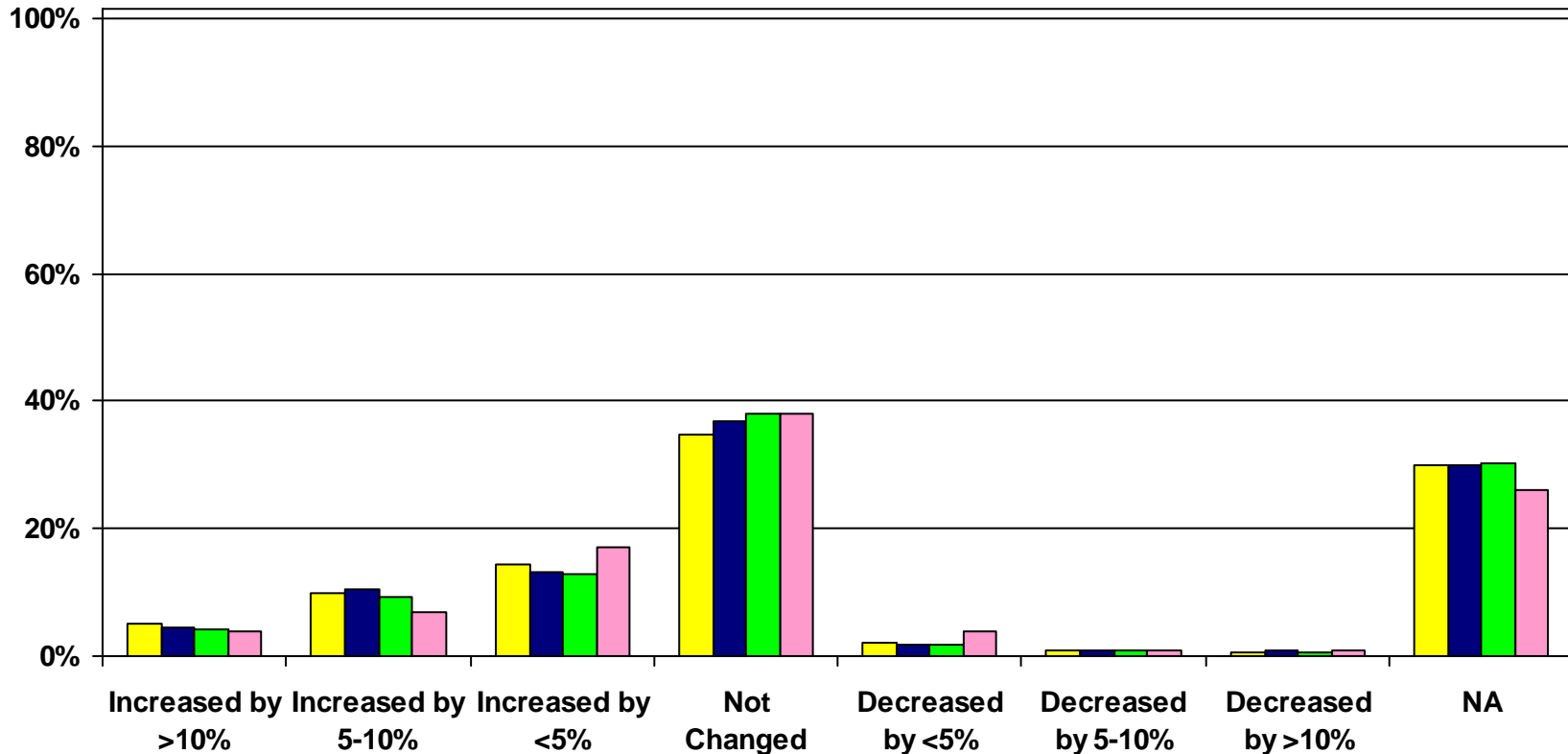
Jan 07 Apr 07 Jul 07 Oct 07



# 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

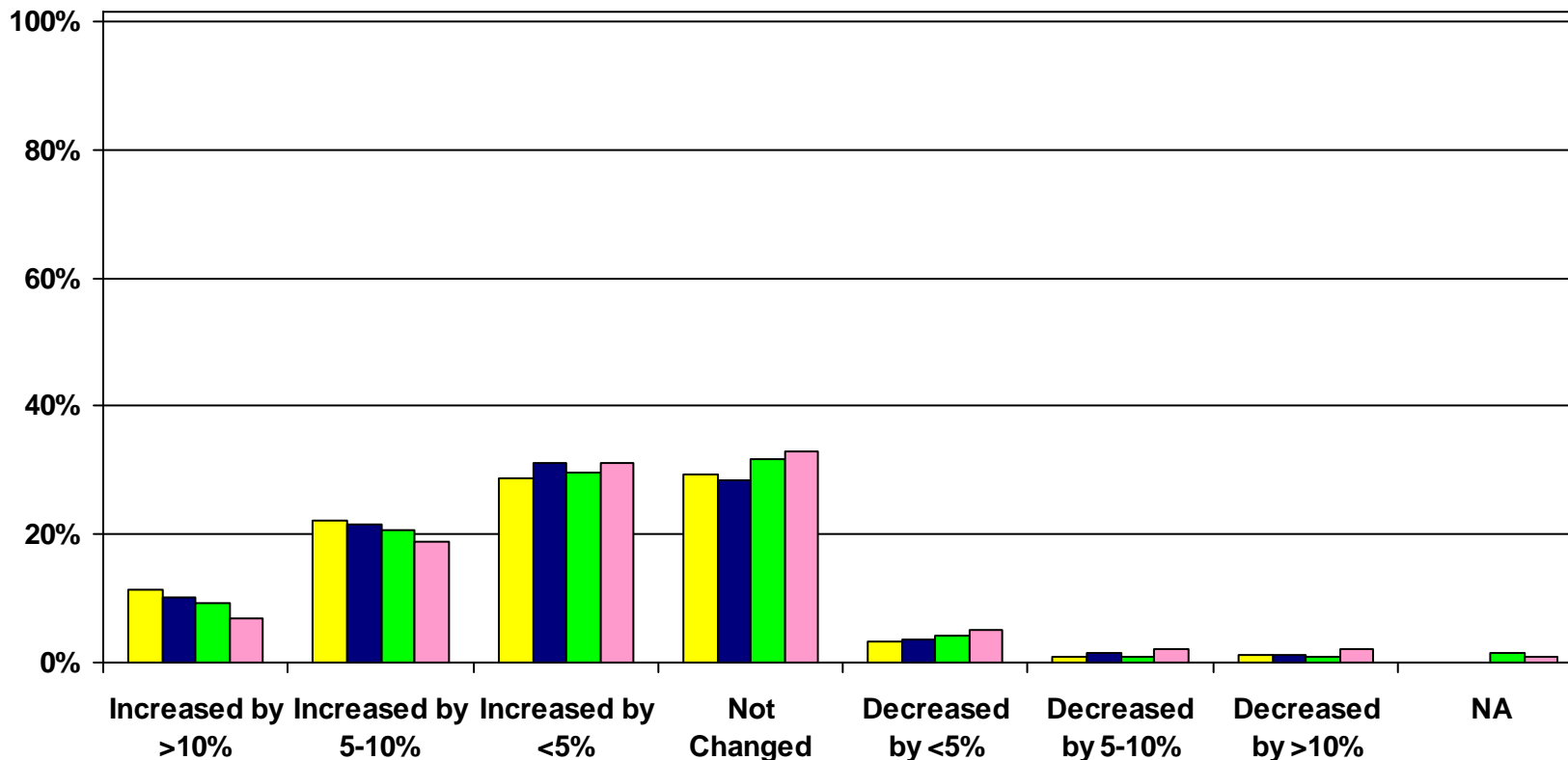
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# Spending & Financing Plans Information Technology

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

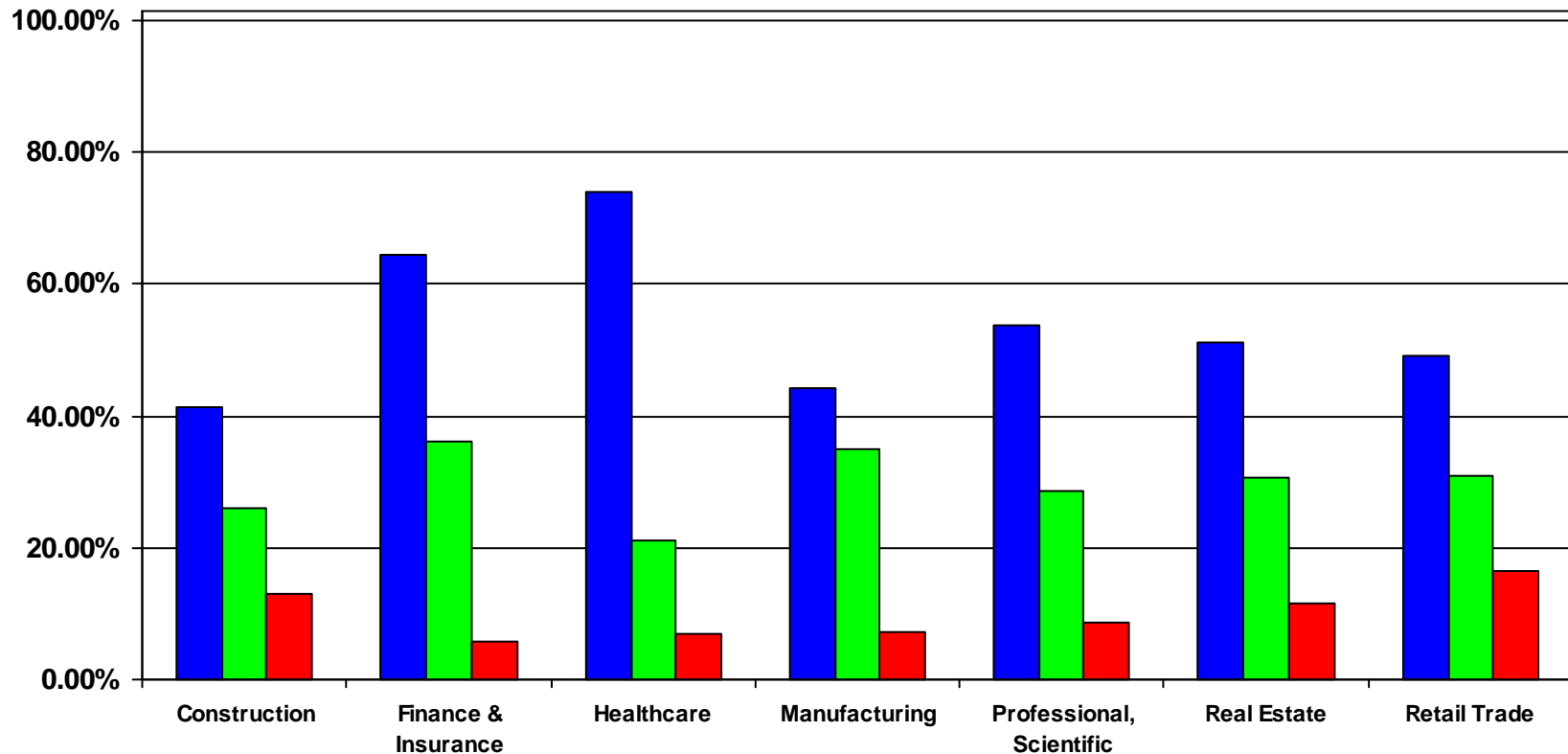
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# Spending & Financing Plans Information Technology by industry

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

■ Increase ■ Stay the Same ■ Decrease

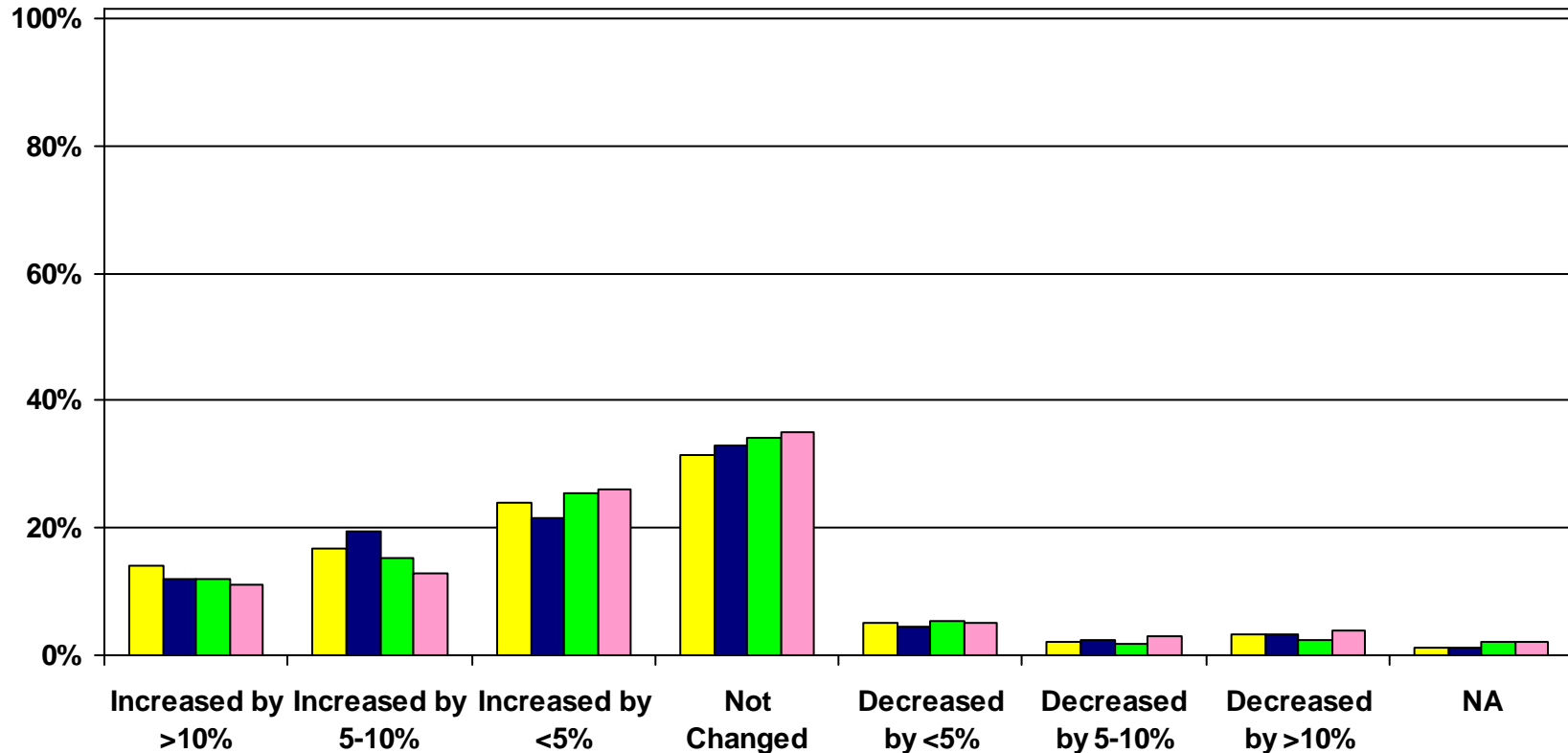


# Spending & Financing Plans

## Other capital investment

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

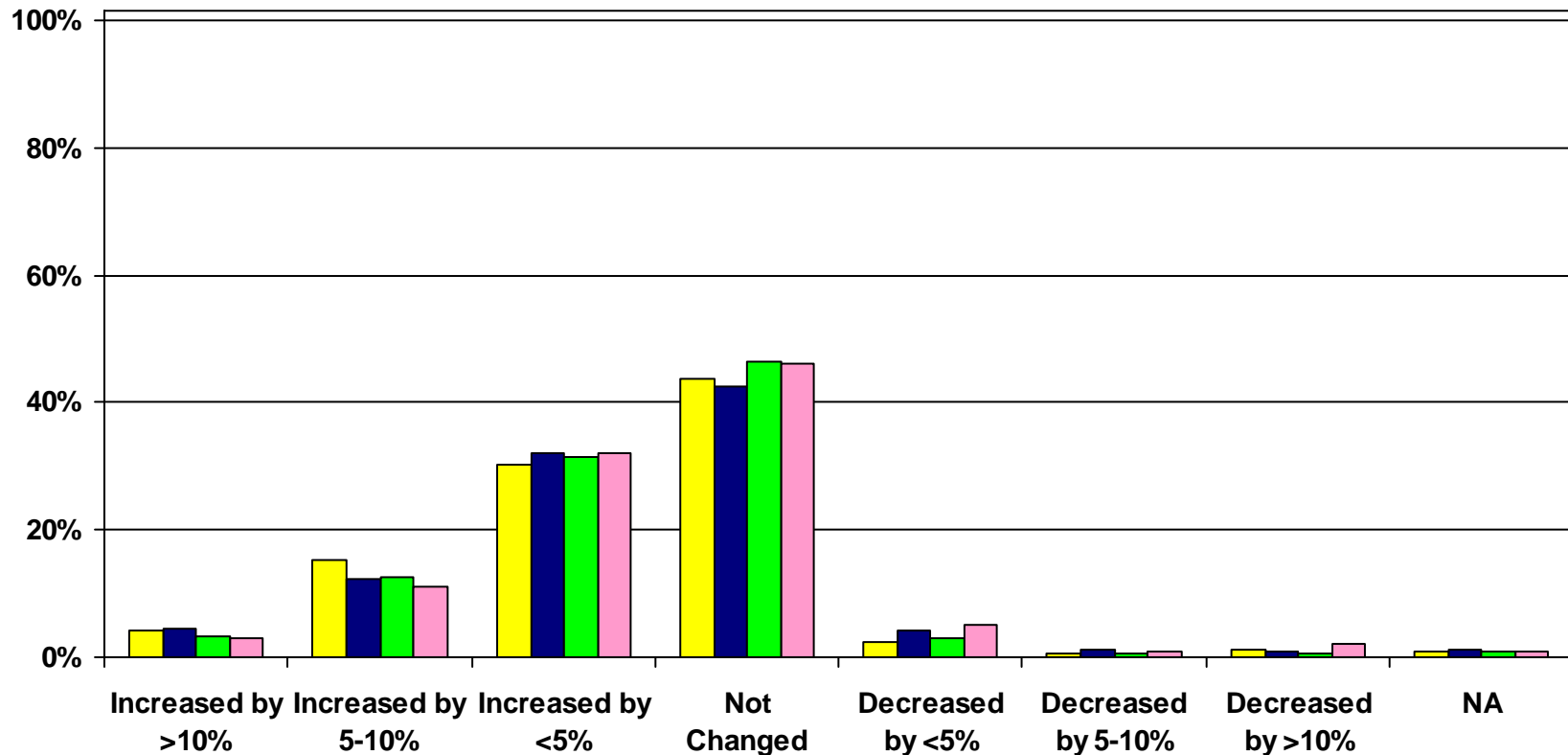
Jan 07 Apr 07 Jul 07 Oct 07



# 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

Jan 07 Apr 07 Jul 07 Oct 07

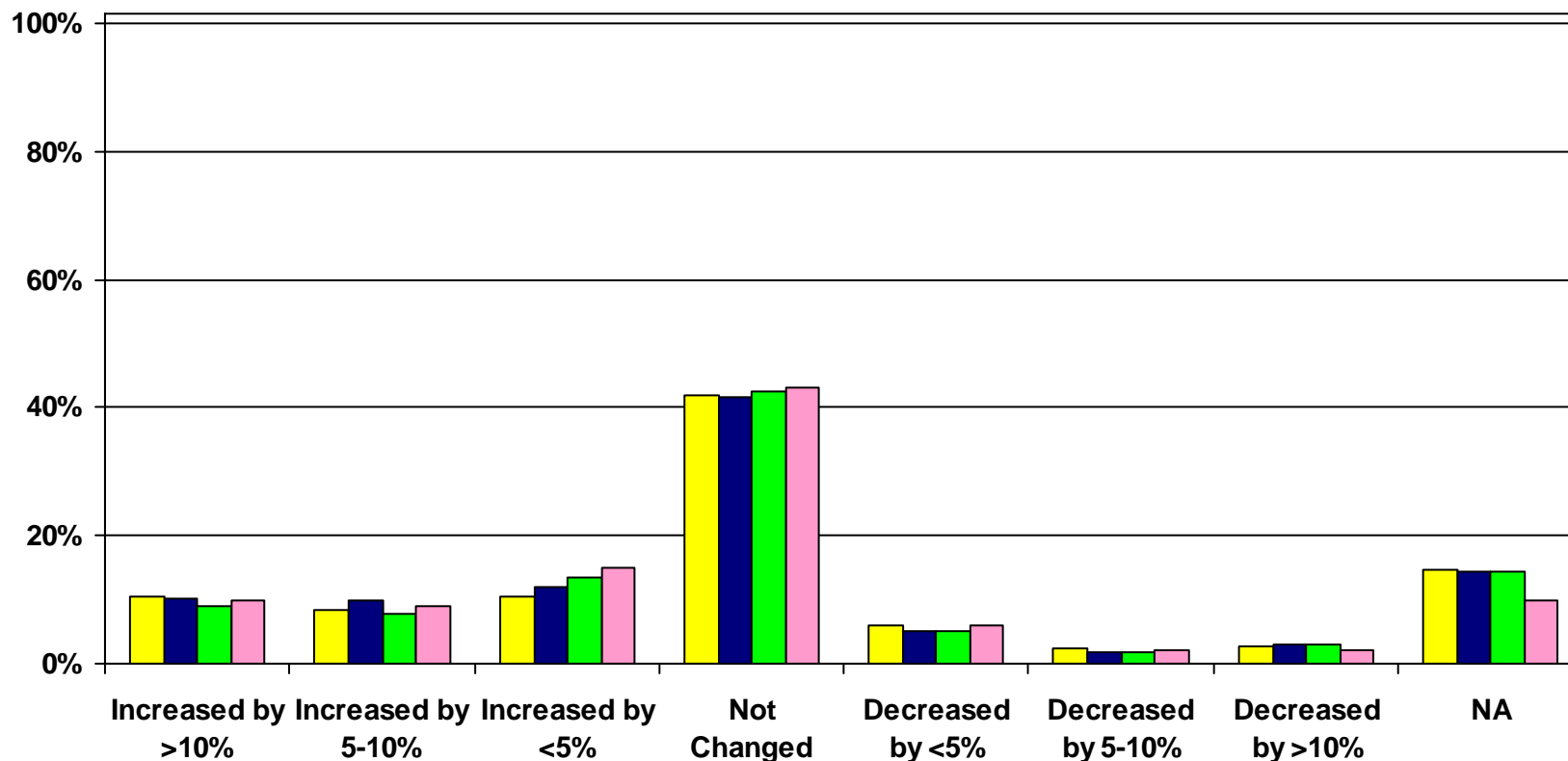


# Spending & Financing Plans

## 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 Jul 07 Oct 07

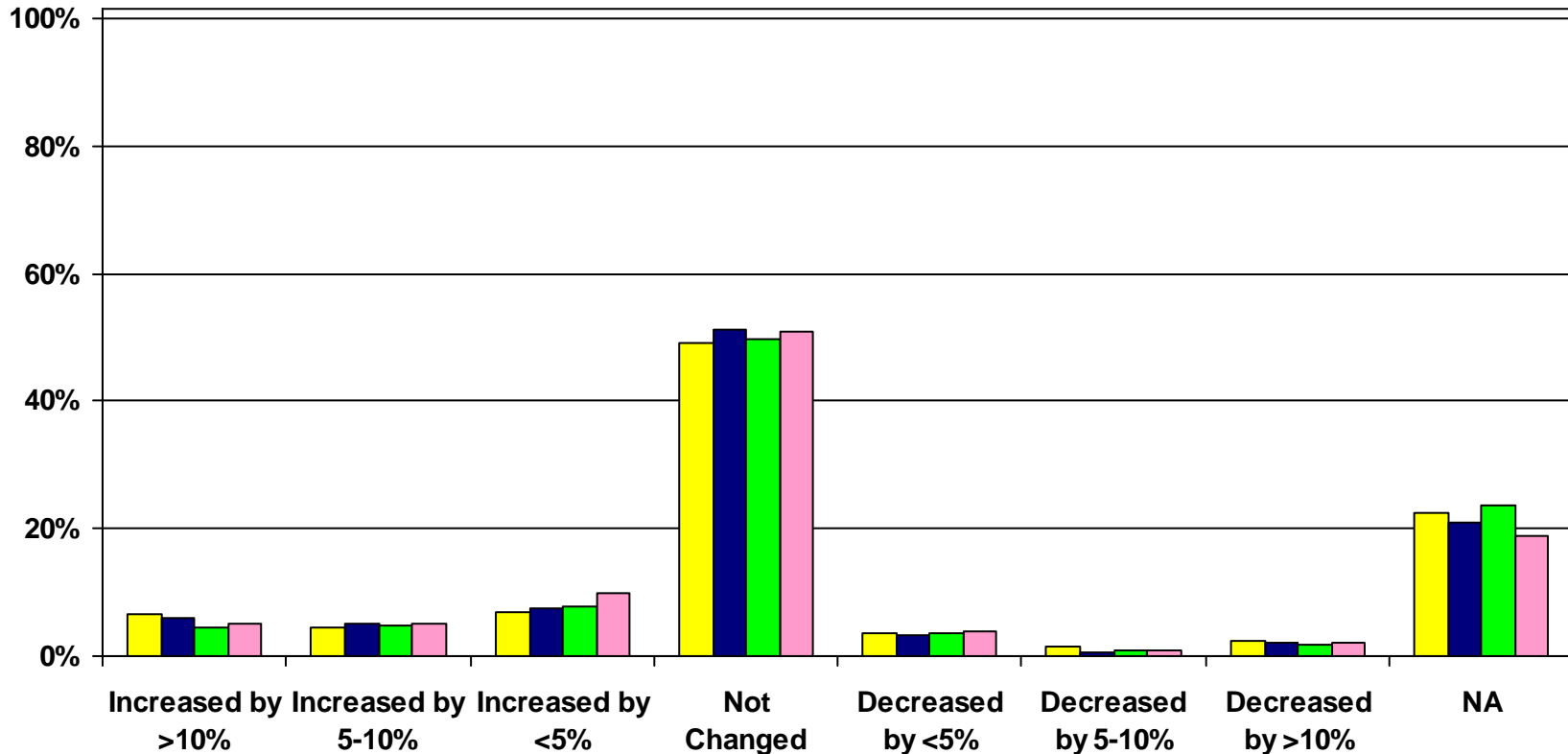


# Spending & Financing Plans

## 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 Jul 07 Oct 07

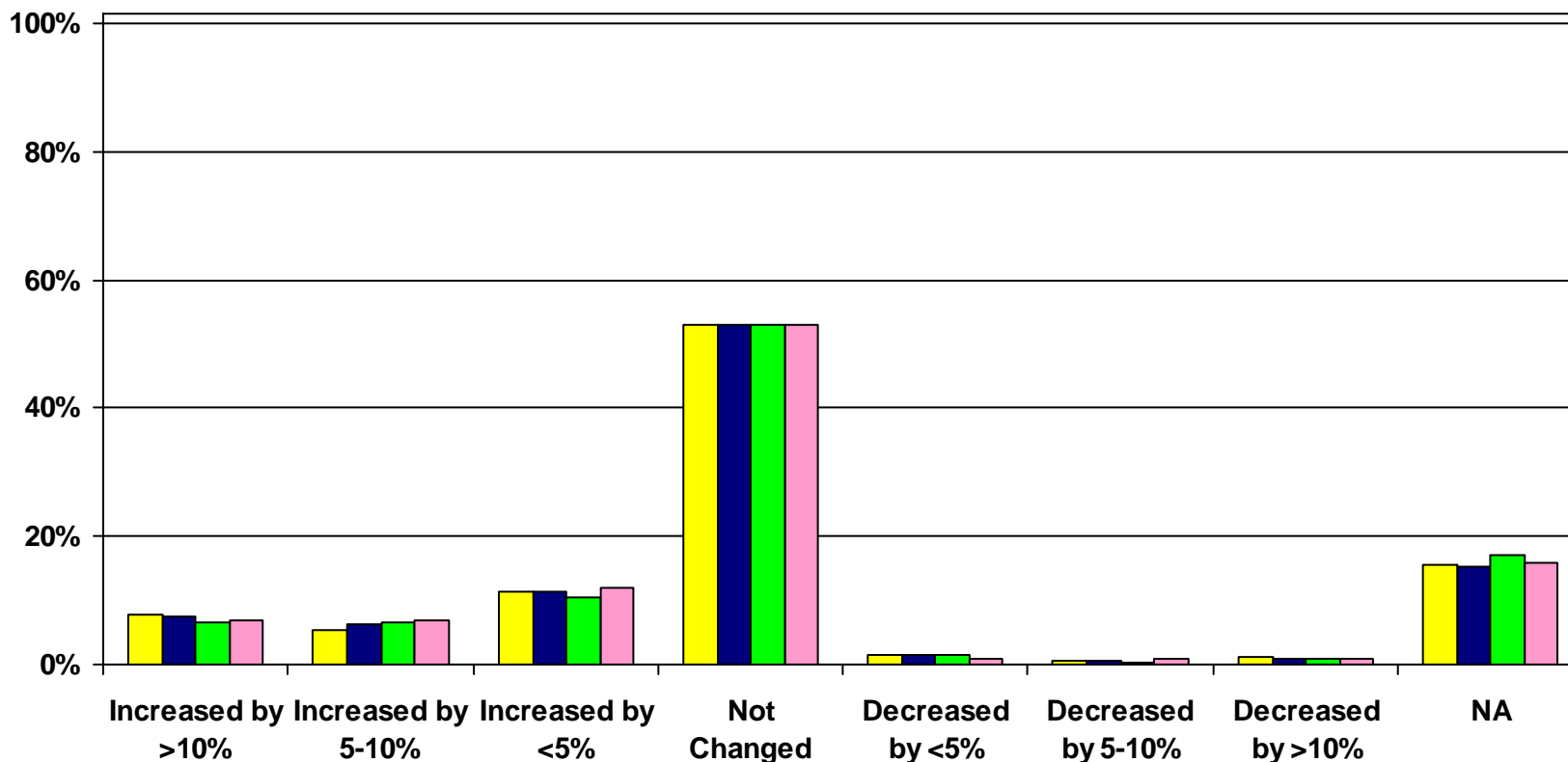


# Spending & Financing Plans

## Total Funding from Equity

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

Jan 07 Apr 07 Jul 07 Oct 07



# Challenges for Organizations for next 12 months

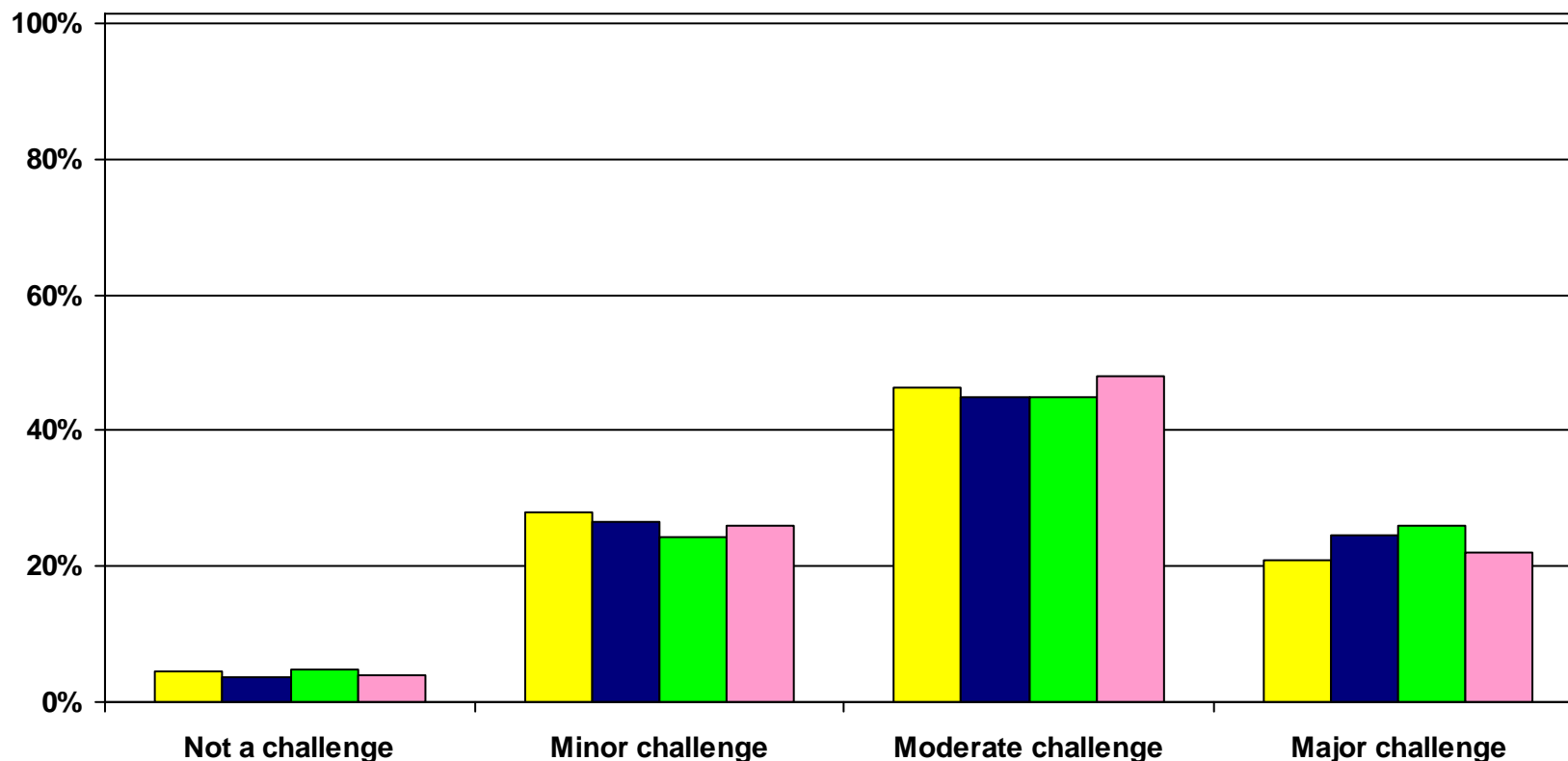
- Overall employee and benefit costs remain the top challenge with 96% of organizations seeing it as a challenge
  - 22% see it as a major challenge; 48% as a moderate challenge and 26% as a minor challenge
- Again this quarter staff related issues – cost, availability and retention accounted for 4 of the top 5 challenges organizations faced with regulatory challenges rounding out the top 5
- US Trade policy, international instability and foreign competition whether from China or elsewhere continue not seen as a challenges by most respondents.

# Challenges

## Employee and benefit costs

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

Jan 07 Apr 07 Jul 07 Oct 07

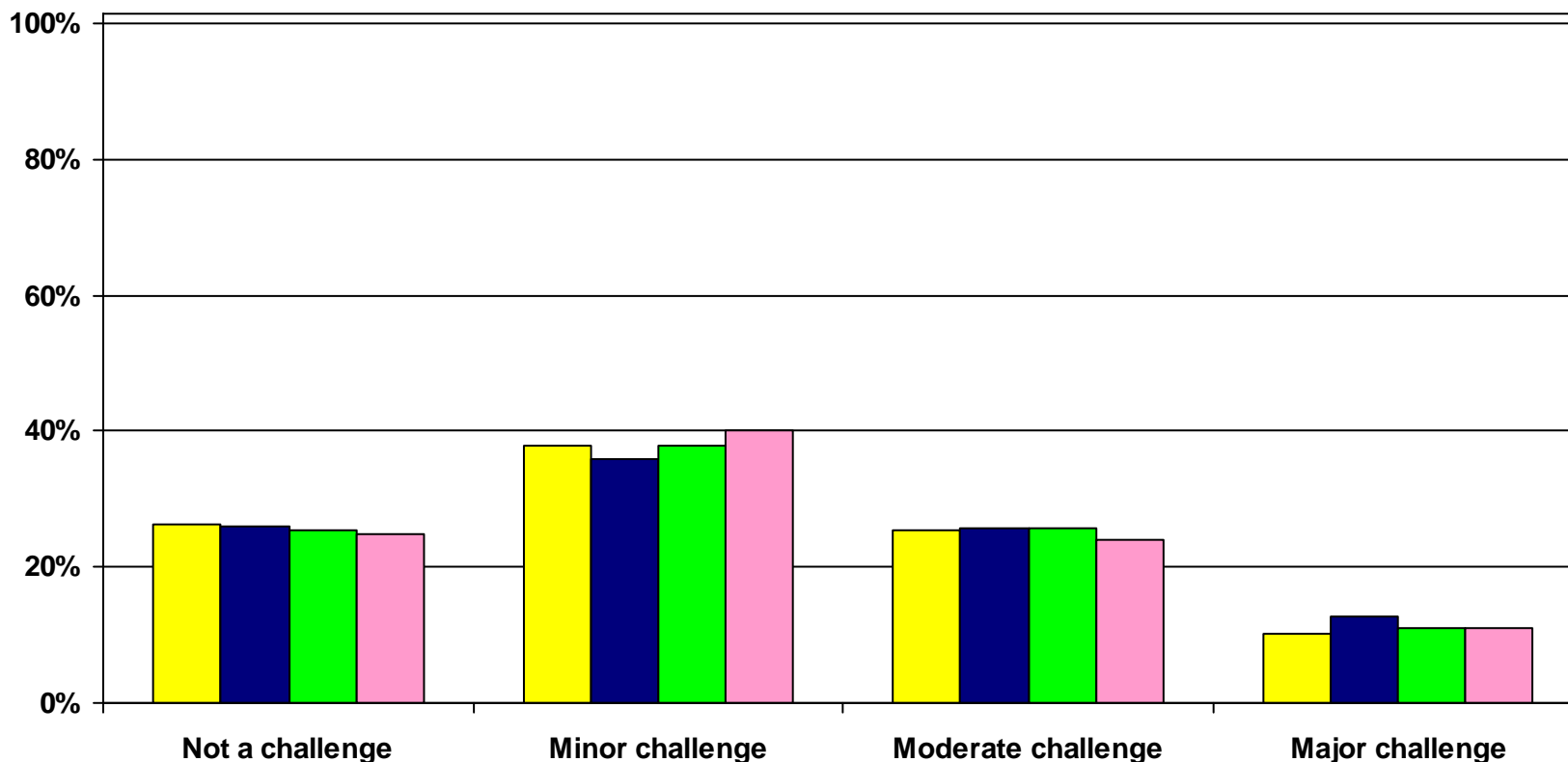


# Challenges

## Staff turnover/retention

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

Jan 07 Apr 07 Jul 07 Oct 07

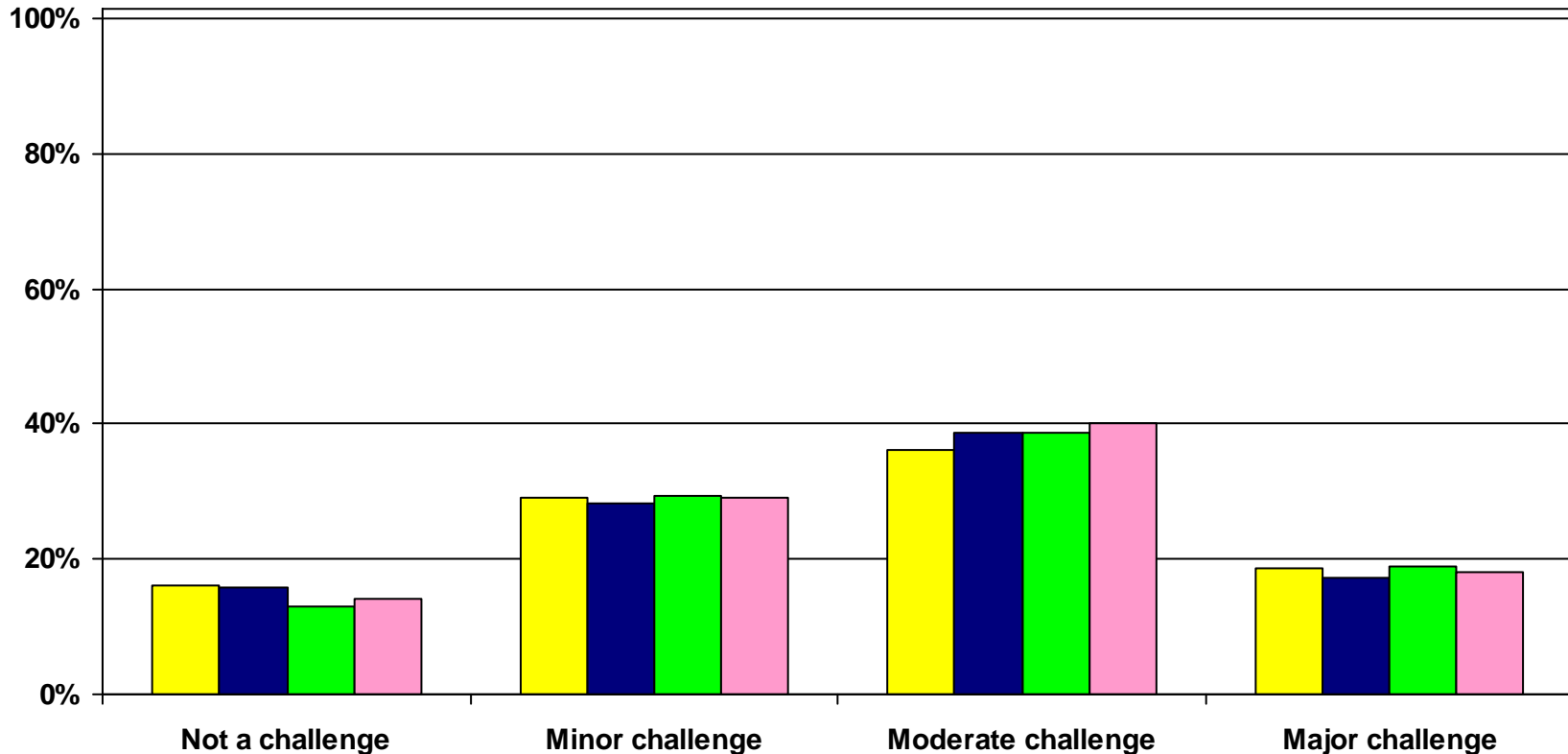


# Challenges

## Availability of management skills

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

Jan 07 Apr 07 Jul 07 Oct 07

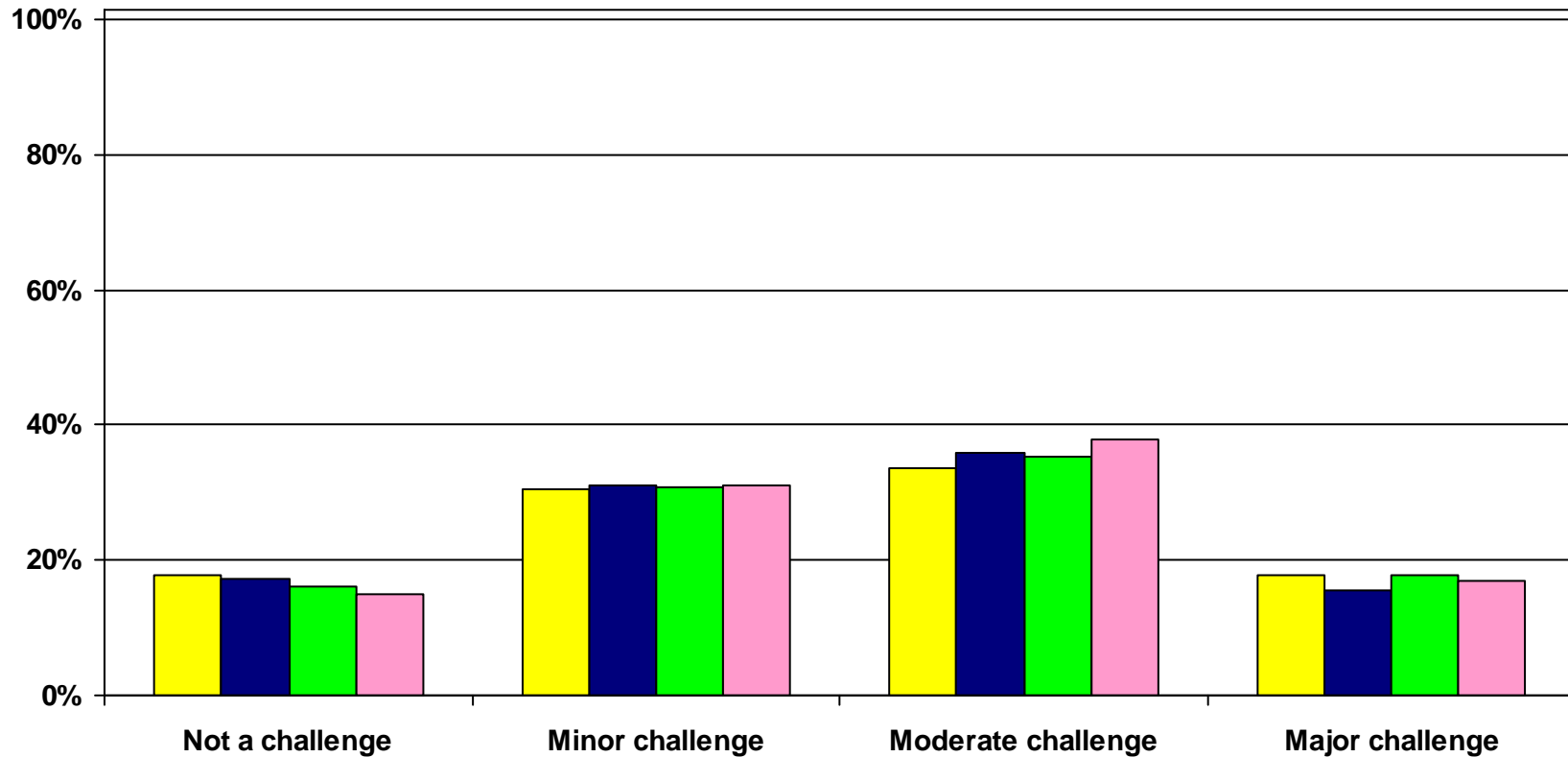


# Challenges

## 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

Jan 07 Apr 07 Jul 07 Oct 07

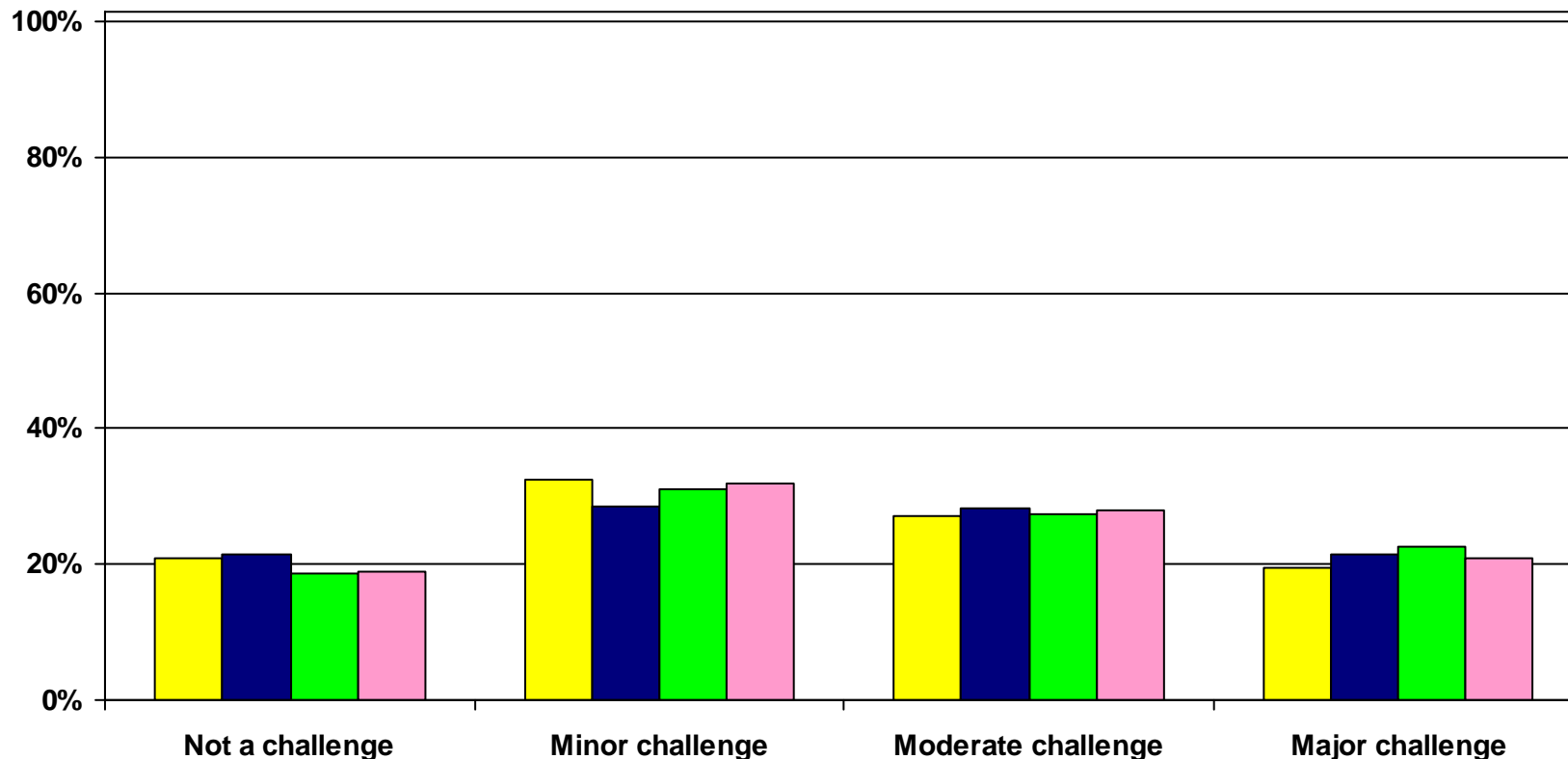


# Challenges

## Regulatory requirements

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

Jan 07 Apr 07 Jul 07 Oct 07

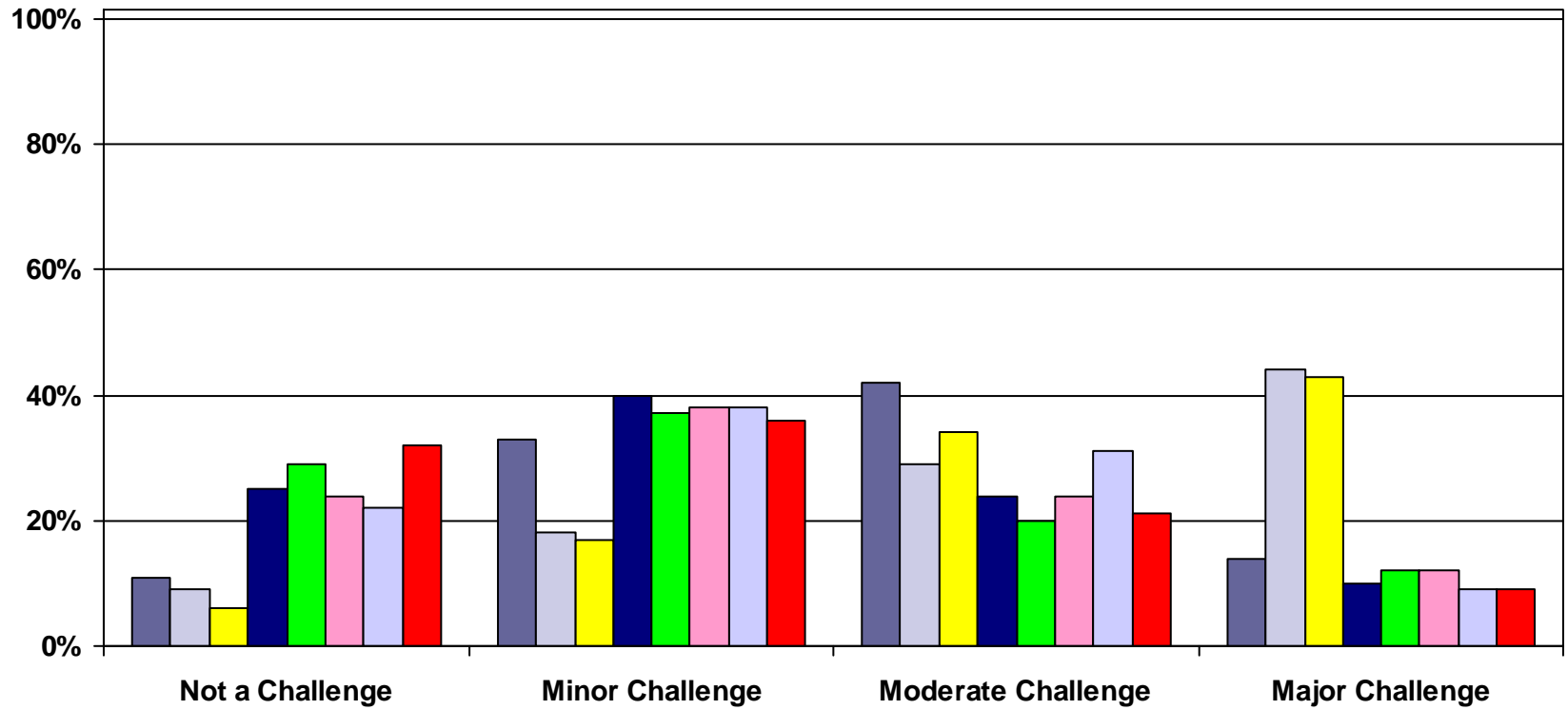


# Challenges

## Regulatory requirements

### by Industry

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

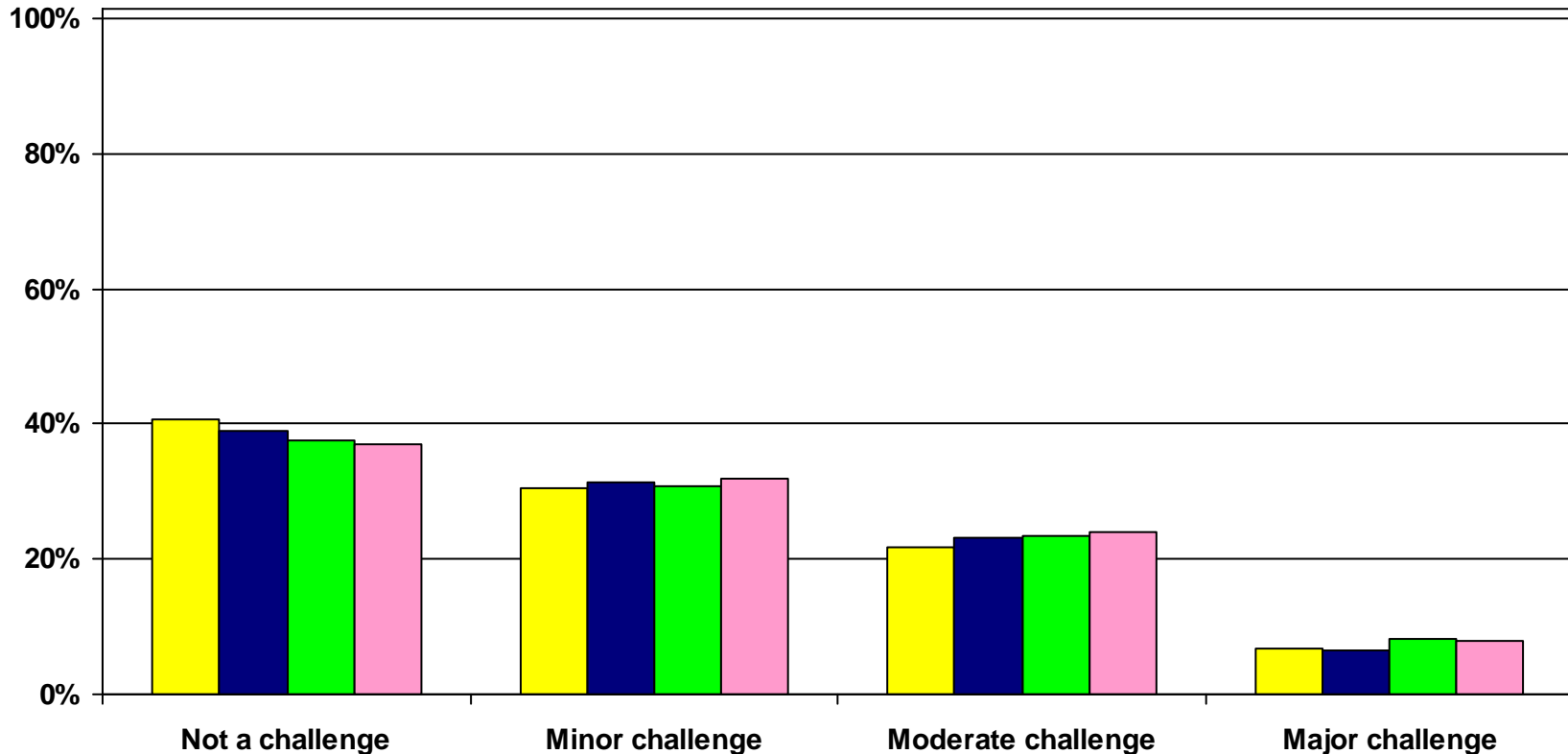


# Challenges

## Corporate tax burden

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

Jan 07 Apr 07 Jul 07 Oct 07

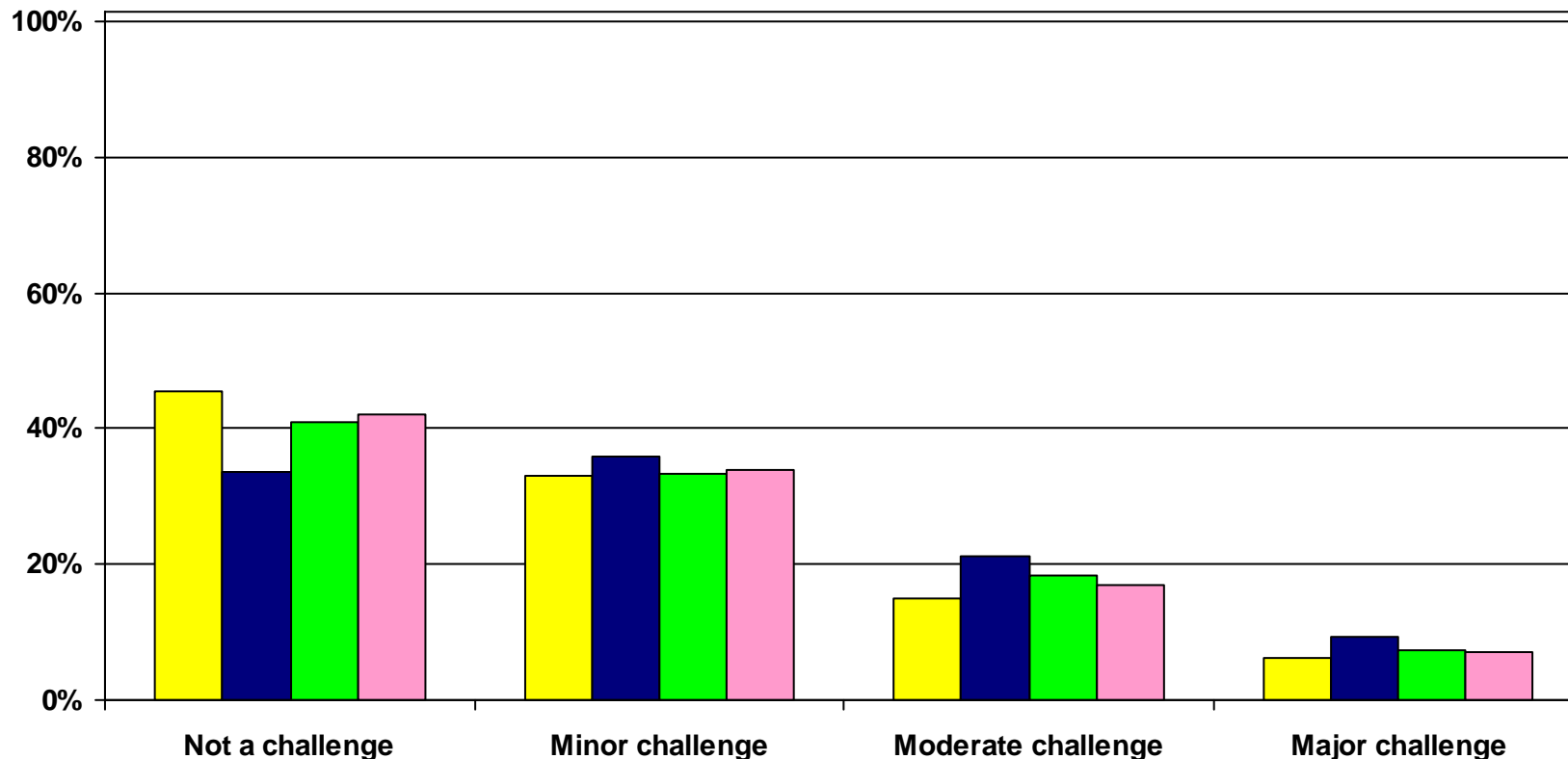


# Challenges

## Energy cost or availability

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

Jan 07 Apr 07 Jul 07 Oct 07

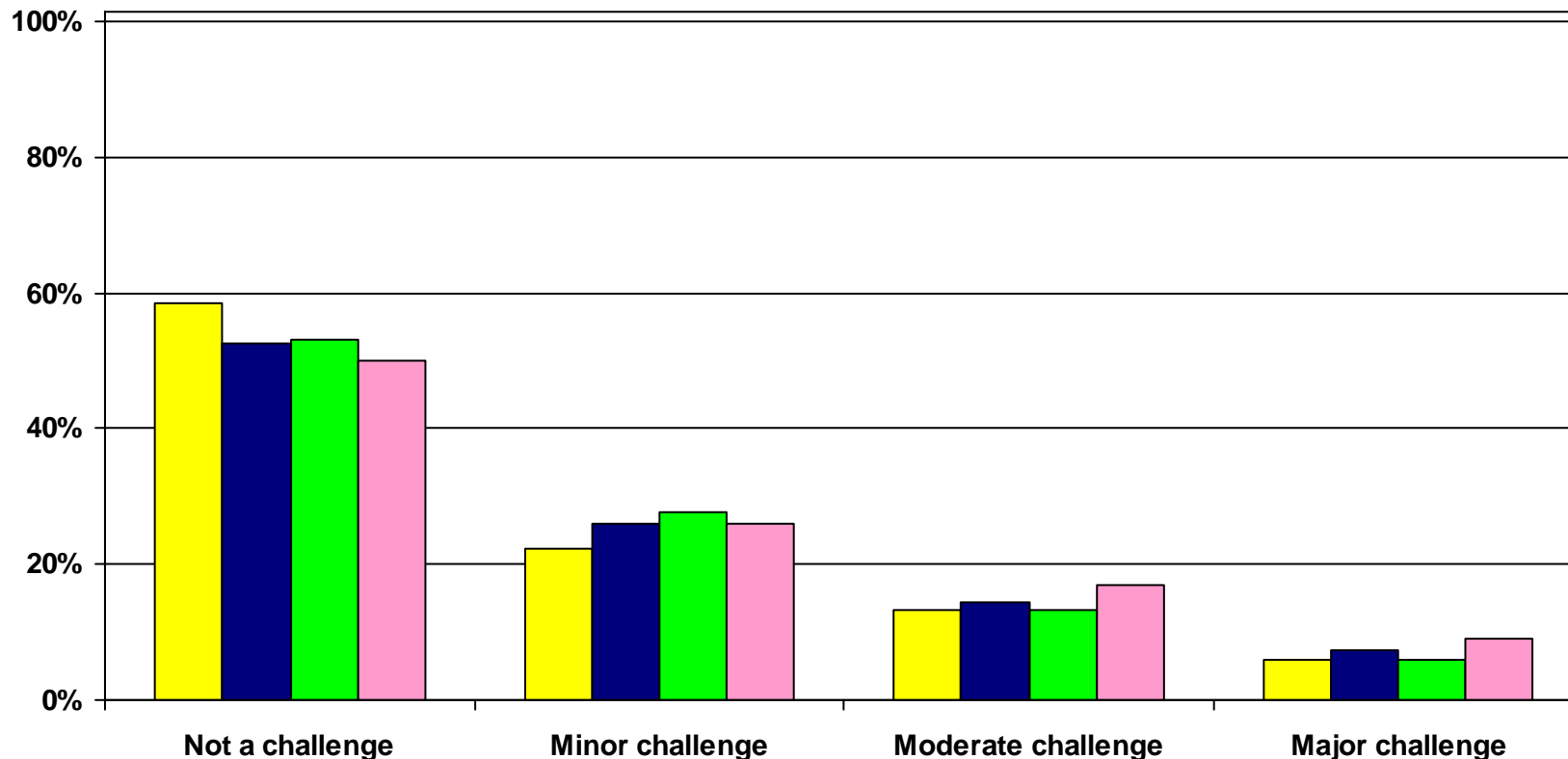


# Challenges

## Credit Cost or Availability

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

Jan 07 Apr 07 Jul 07 Oct 07

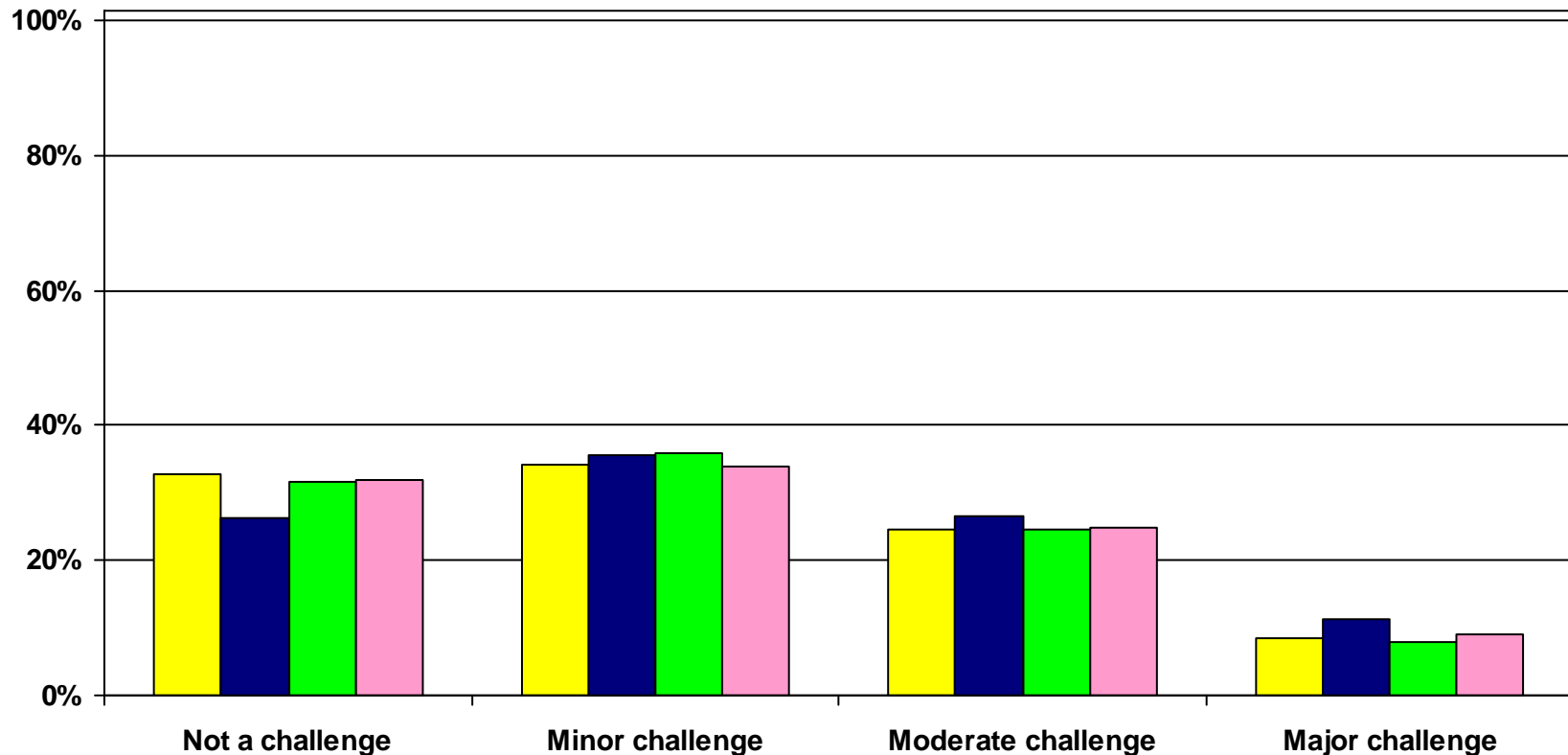


# Challenges

## Materials, supplies or equipment costs

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

Jan 07 Apr 07 Jul 07 Oct 07

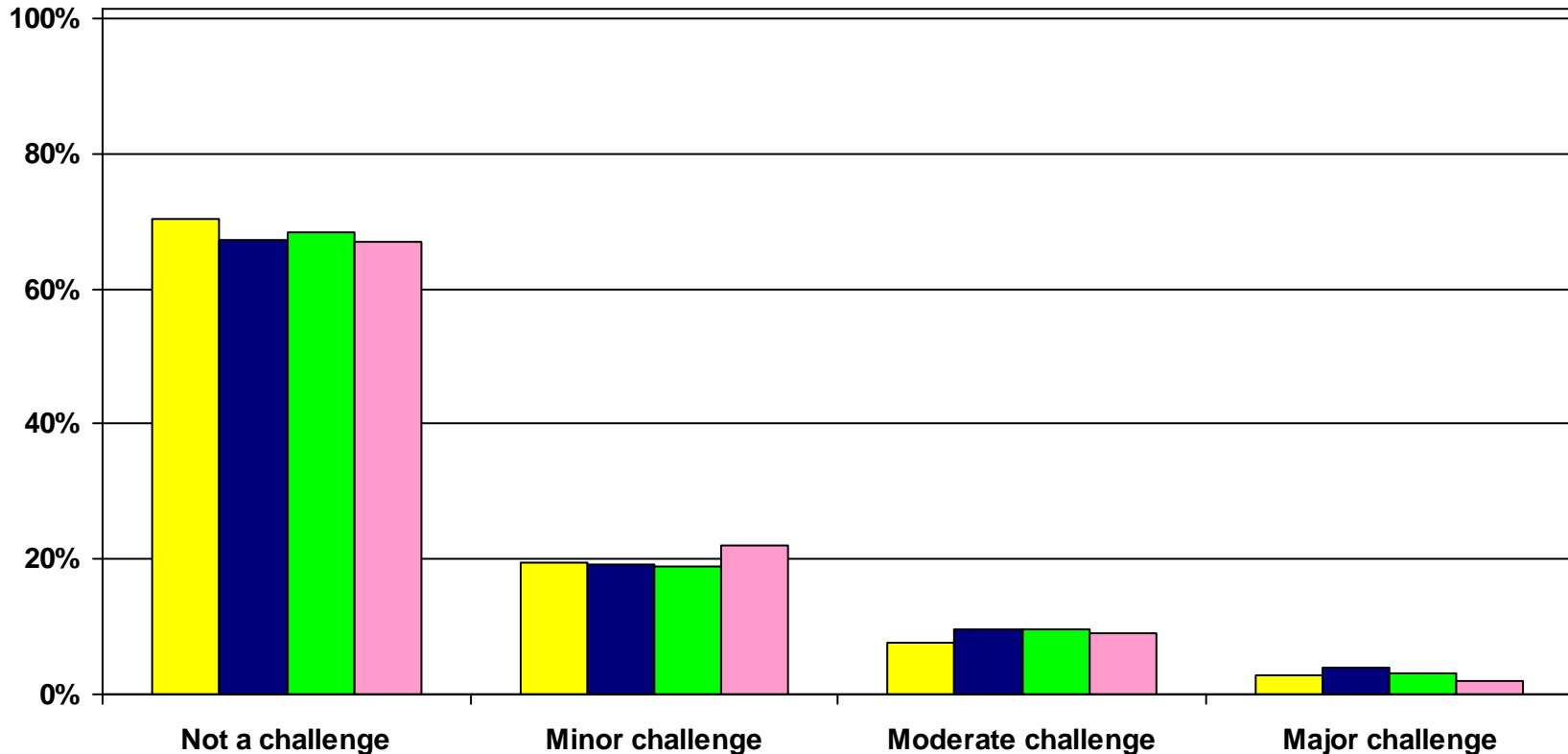


# Challenges

## US Trade policy

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

Jan 07 Apr 07 Jul 07 Oct 07

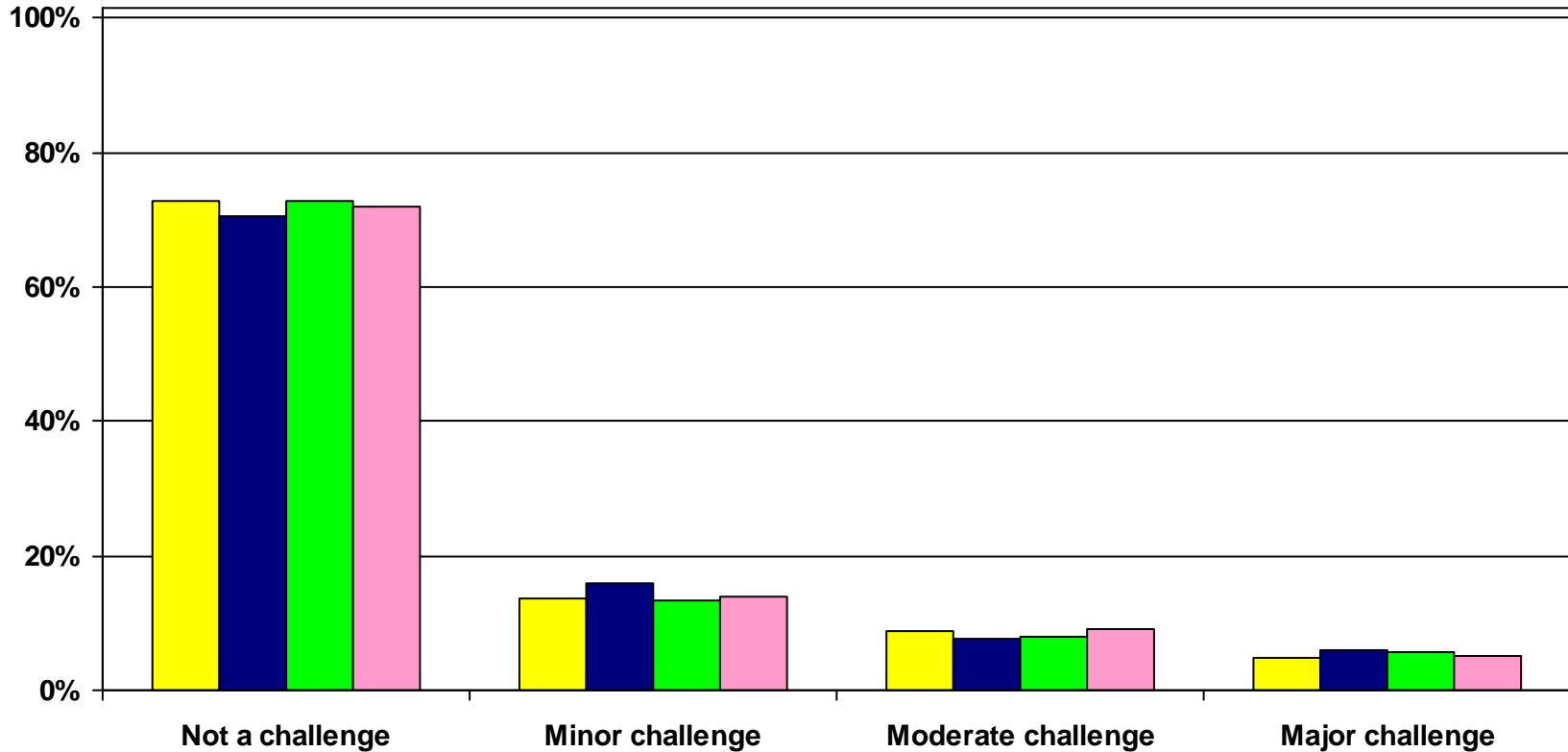


# Challenges

## Competition from China

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

Jan 07 Apr 07 Jul 07 Oct 07

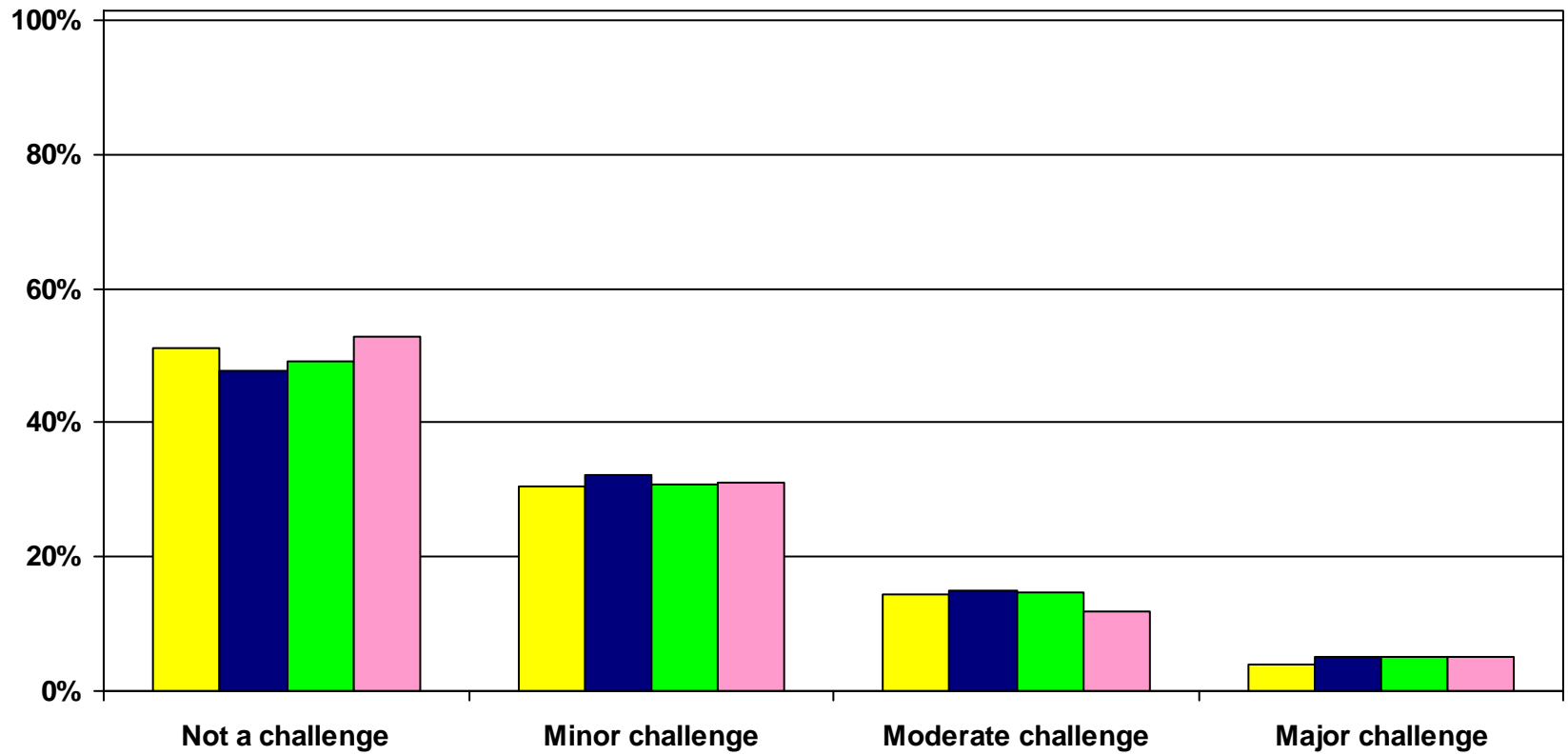


# Challenges

## International instability

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

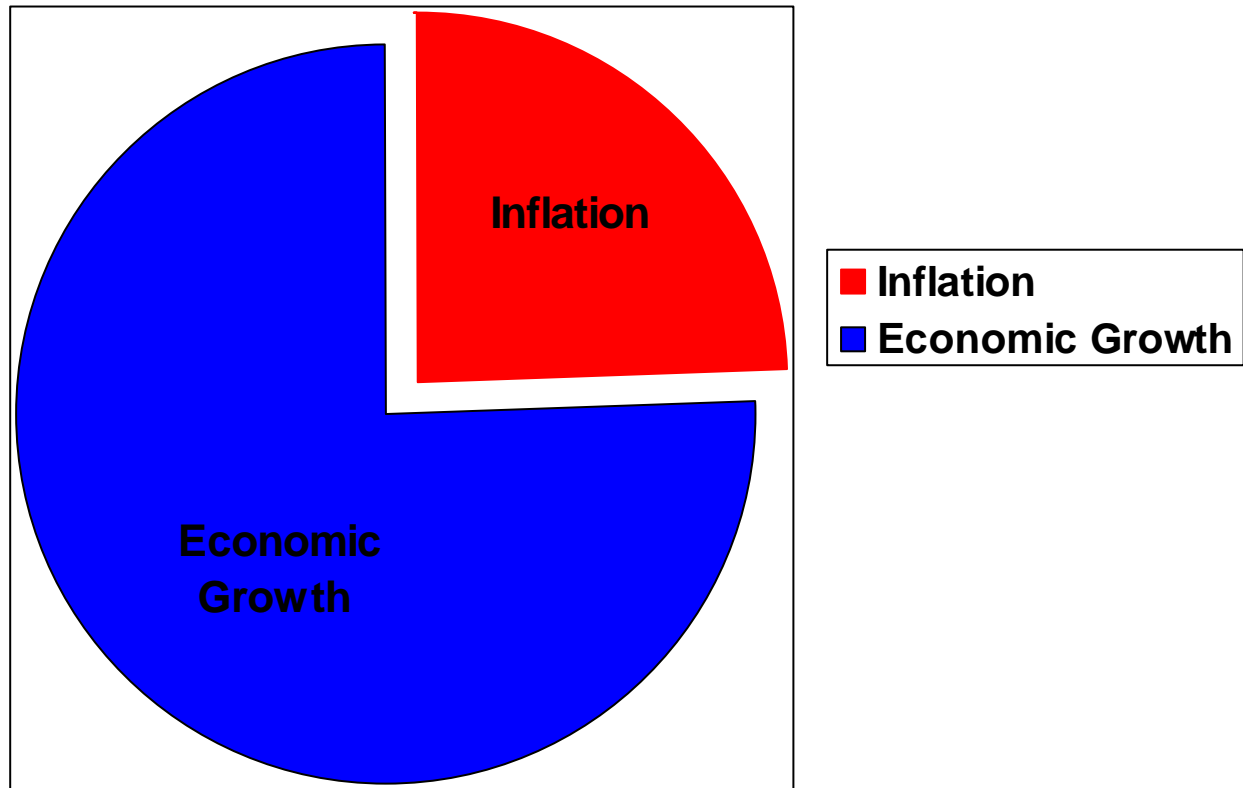
Jan 07 Apr 07 Jul 07 Oct 07



# Concerns about Interest Rates

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

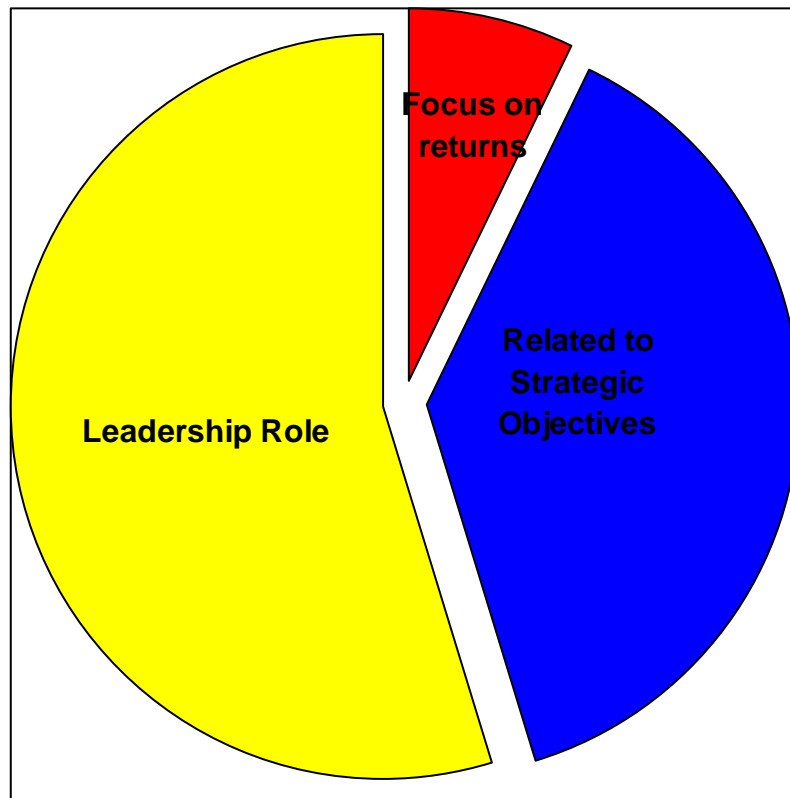
- The impact of changes in short-term interest rates on inflation
- The impact of changes in short-term interest rates on economic growth



# Role of Businesses & their Executives Should Play in Social/Public Policy Issues

Which statement best describes your view of the role that businesses and their executives should play in public/social policy issues such as healthcare, social security and the environment:

- Companies and their executives should focus solely on providing returns to their shareholders
- Companies and their executives should be involved in public policy issues only to the extent that they relate to the strategic objectives of their company.
- Companies and their executives should take a leadership role in helping shape public policy.

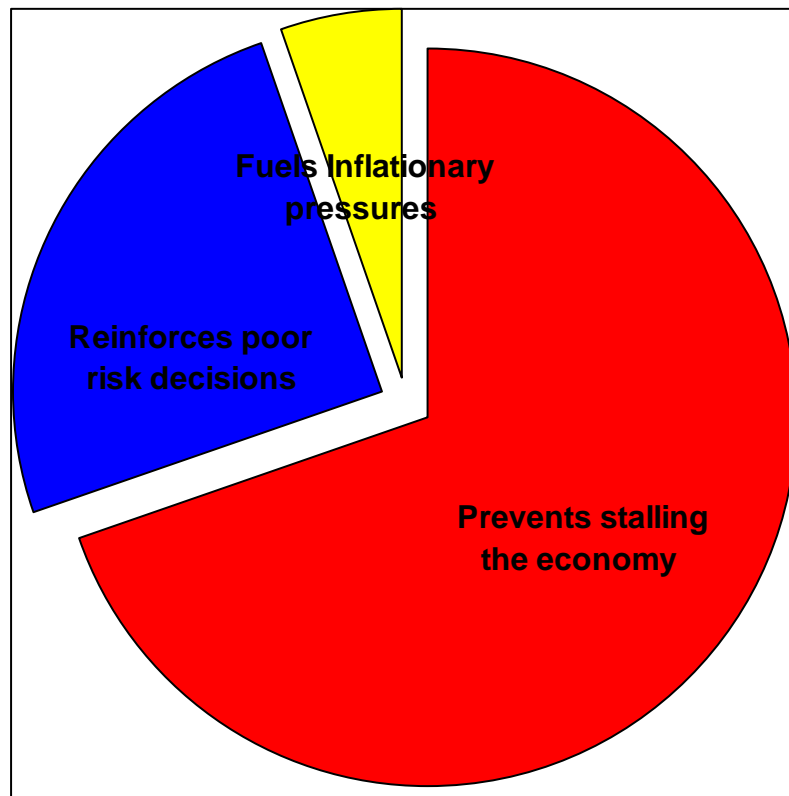


- Focus solely on returns
- Involved only when related to strategic objectives
- Take a leadership role

# Reaction to the recent Federal Reserve rate reduction

More specifically, which of the following statements best characterizes your reaction to the recent Federal Reserve rate reduction?

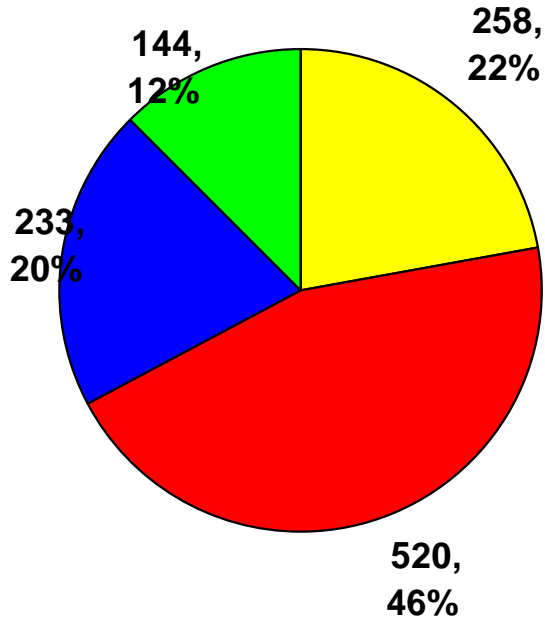
- Reducing rates was necessary to prevent the credit crunch from stalling the economy
- Reducing rates was not necessary, and will only serve to reinforce poor risk decisions by shielding investors and lenders from market losses
- Reducing rates was not necessary, adding fuel to already existing inflationary pressures.



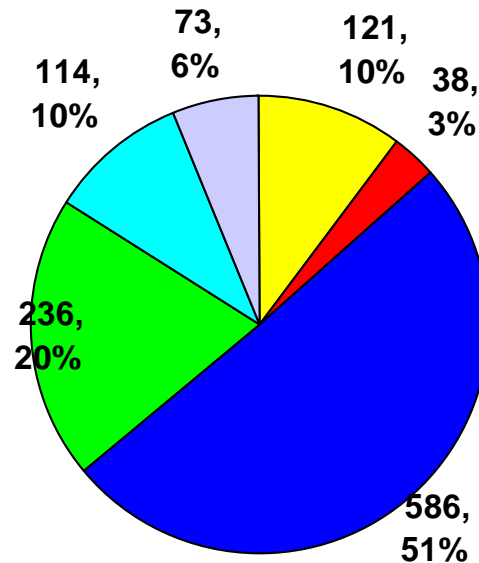
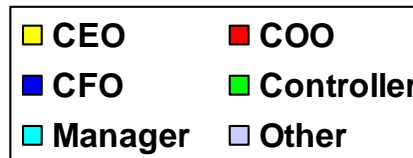
- Necessary to prevent stalling the economy**
- Not necessary and will reinforce poor risk decisions**
- Not necessary, adds fuel to inflationary pressures**

# Survey Respondents

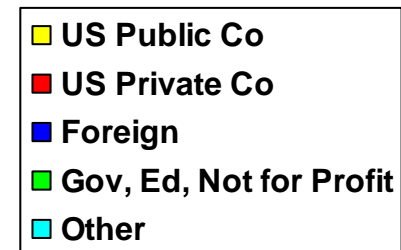
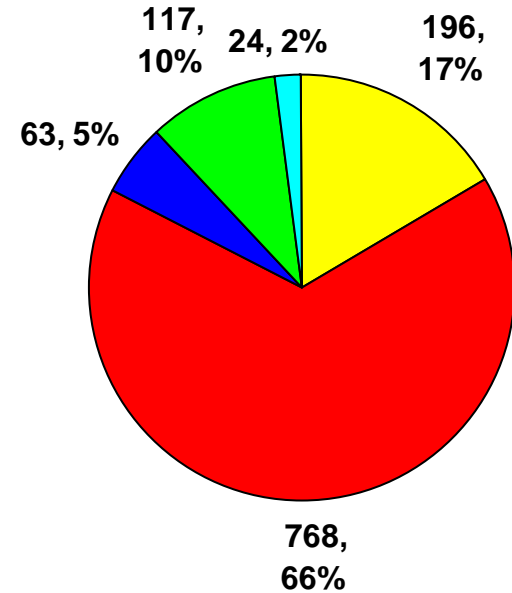
## Size of Organization

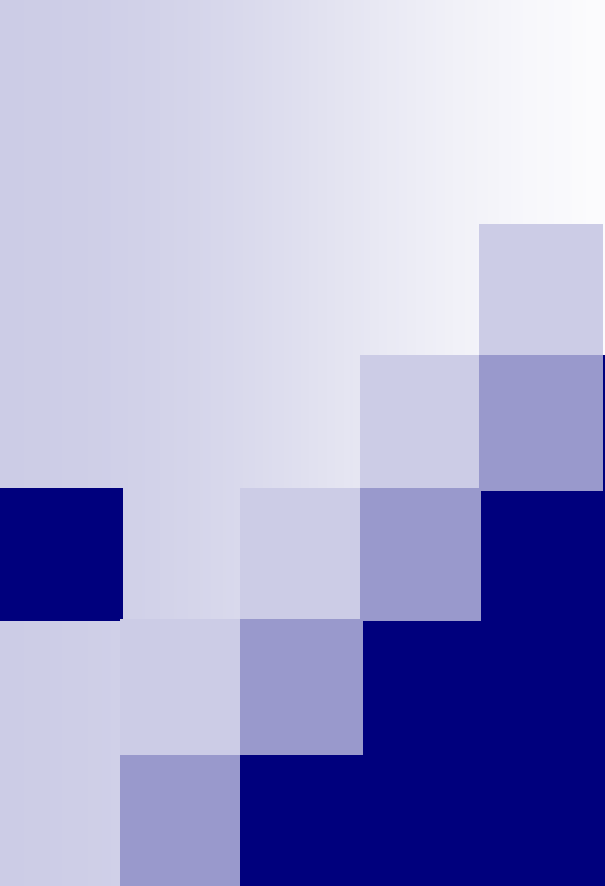


## Position



## Type of Organization





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

**For additional information contact:**

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**Nancy-Anne Potts  
Project Manager  
[npotts@aicpa.org](mailto:npotts@aicpa.org)**



# Challenges

## Other foreign competition

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

Jan 07 Apr 07 Jul 07 Oct 07

