

AICPA
Business and Industry
Economic Outlook Survey
June 2005

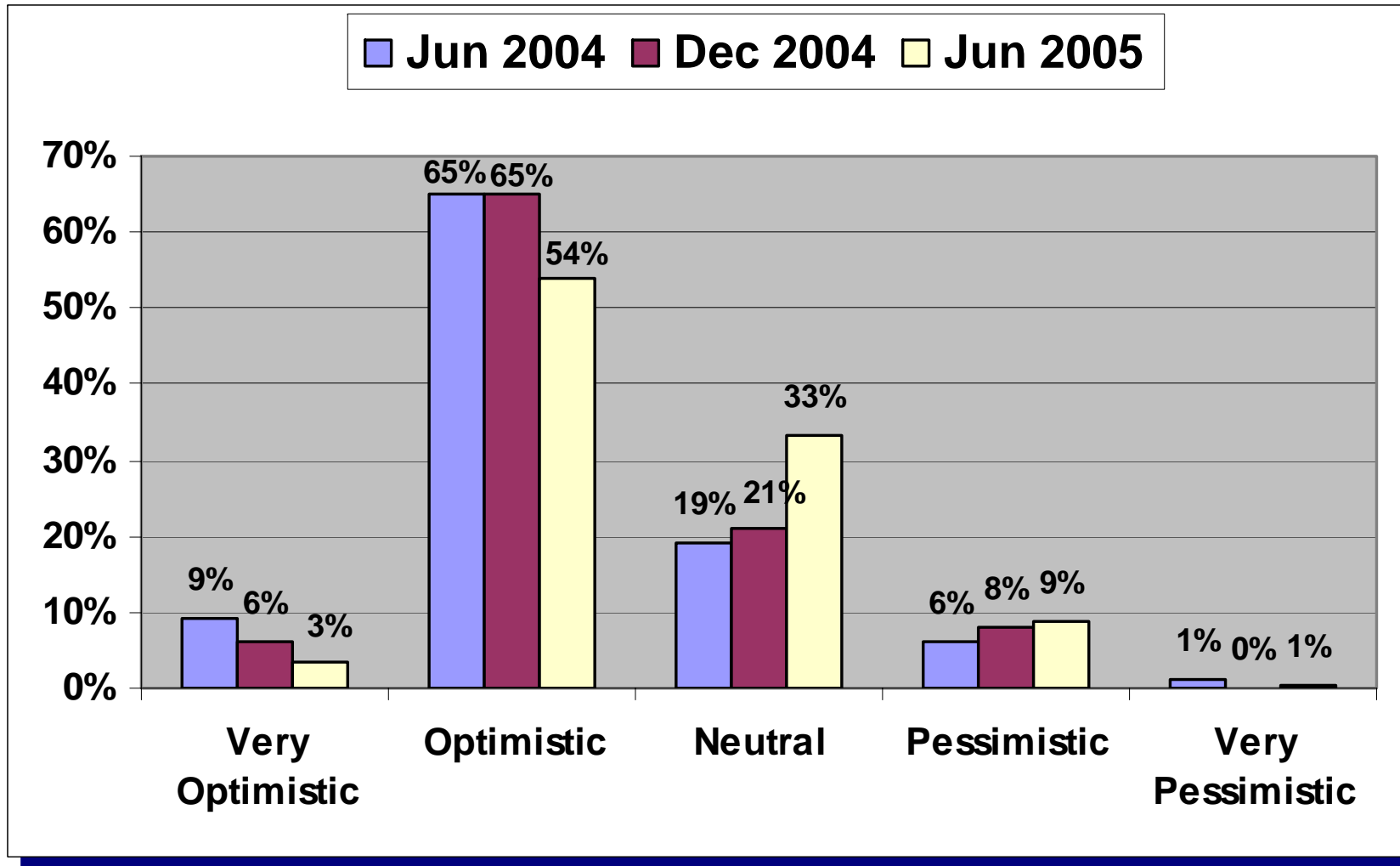
Summary of Survey Results



Outlook for the Economy

- June results indicate a decline in the optimism of CPA decision makers about the economy for the upcoming six months compared with previous surveys.
- Only 57% continue to be *optimistic*, or *very optimistic*, down from 71% in December 2004, and 75% in June 2004.

Outlook for Economy



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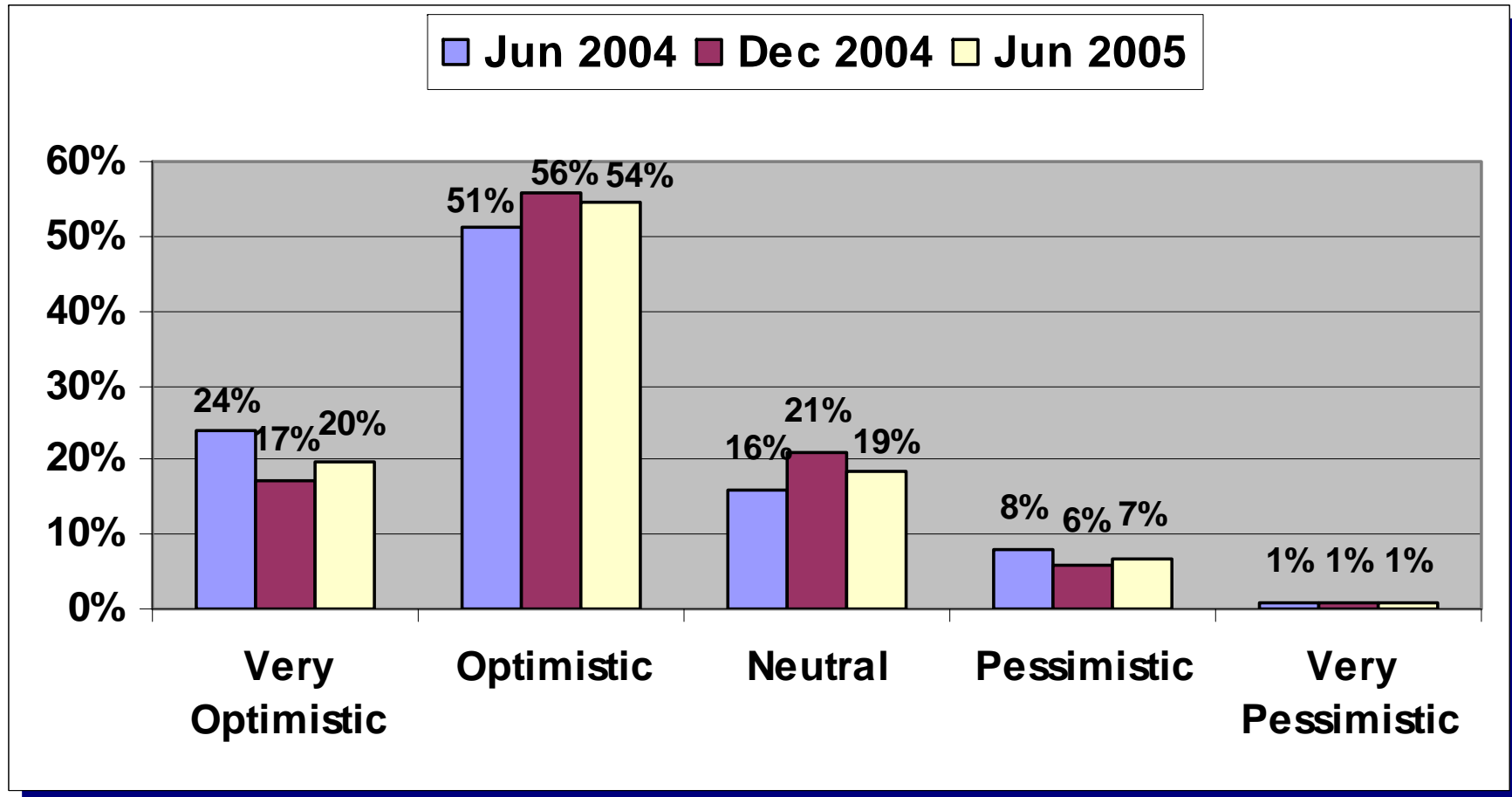




Individual Company Prospects

- However, CPA optimism about the prospects for their own companies continues to be strong.
- 74% continue to be *optimistic*, or *very optimistic* about the prospects for their own organization, up from 73% in December 2004 and down from 75% in June 2004.

Outlook for Own Organization

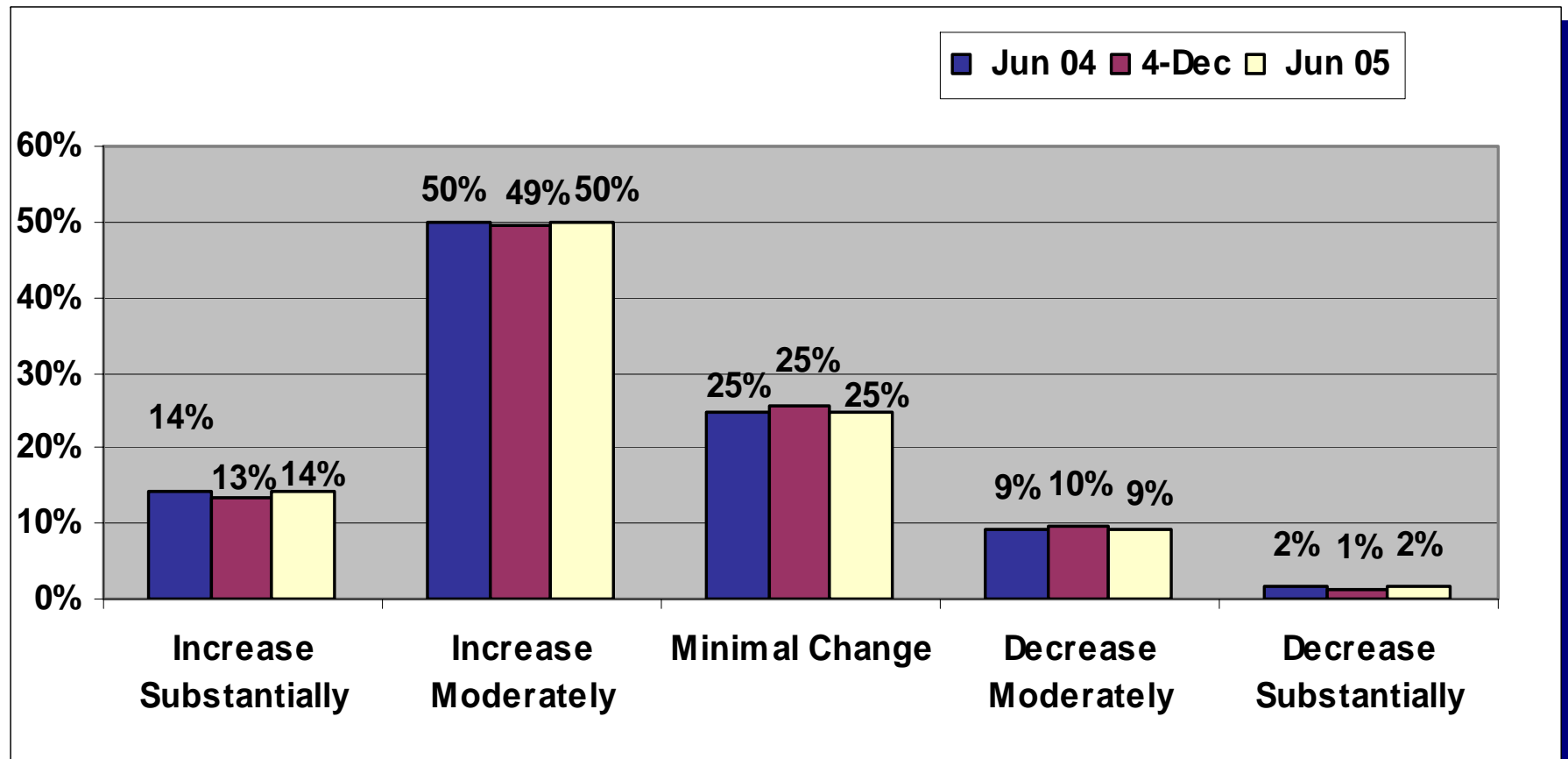




Growth

- Growth projections as of June 2005 remain relatively unchanged compared to December 2004 and June 2004 surveys.
- 64% expect *moderate to substantial* growth over the next six months; 11% expect declines.

Total Growth Expected

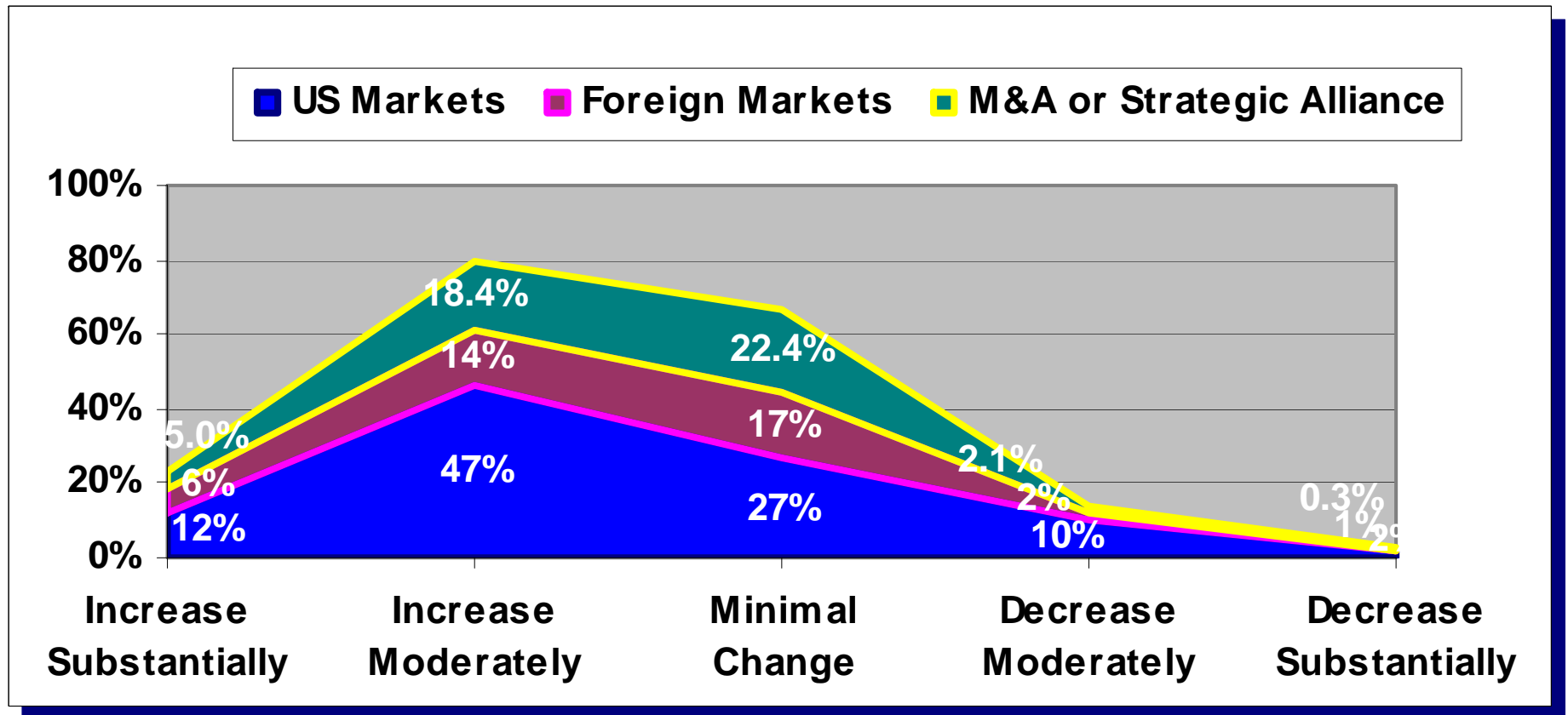




Sources of Growth

- Expectations remained consistent for growth from each of the following sources:
 - US Markets
 - Foreign Markets
 - M&A or Other Strategic Alliance

Anticipated Sources of Growth

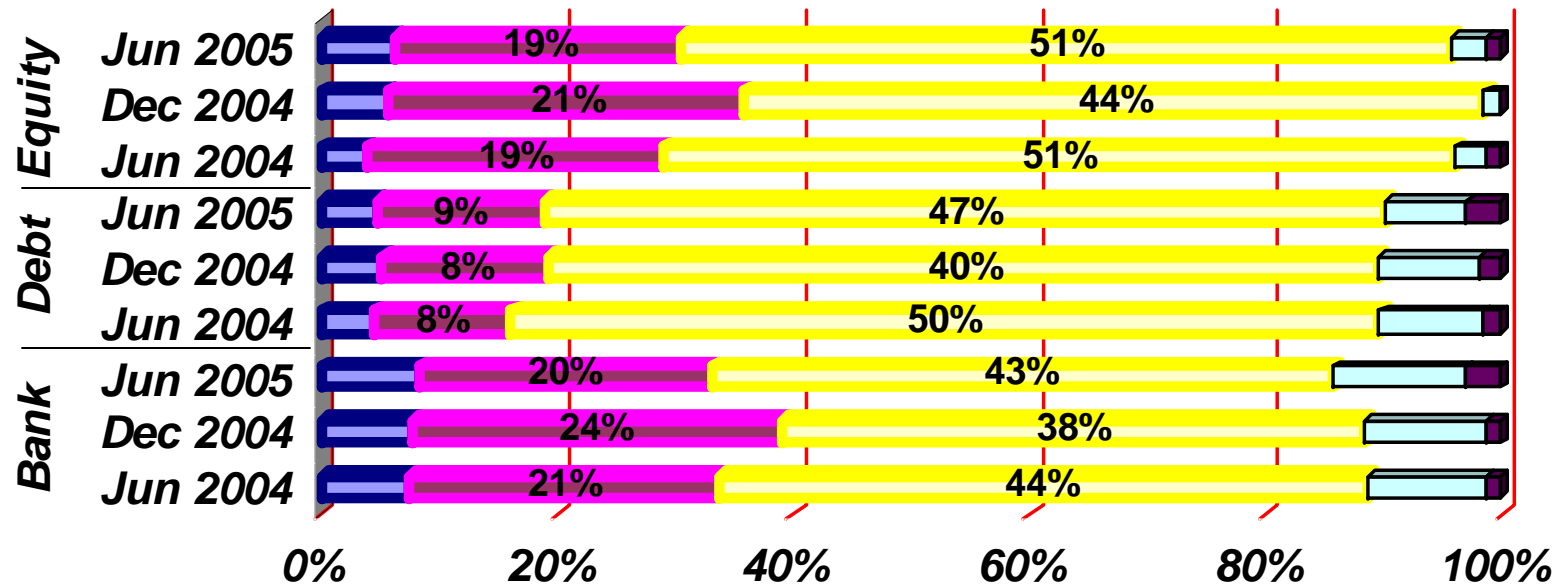




Financing

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

Financing Plans



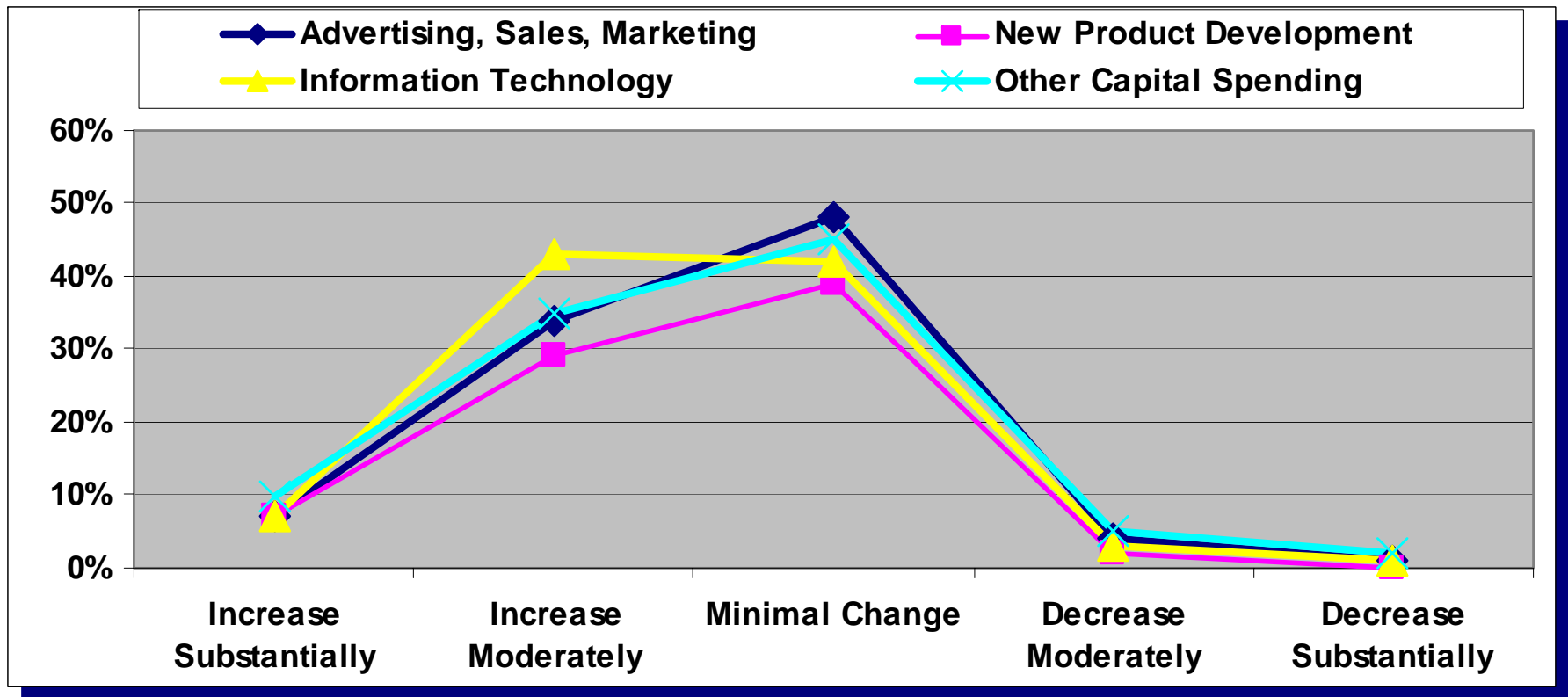
■ *Increase Substantially*
 ■ *Increase Moderately*
 ■ *Minimal Change*
■ *Decrease Moderately*
 ■ *Decrease Substantially*



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

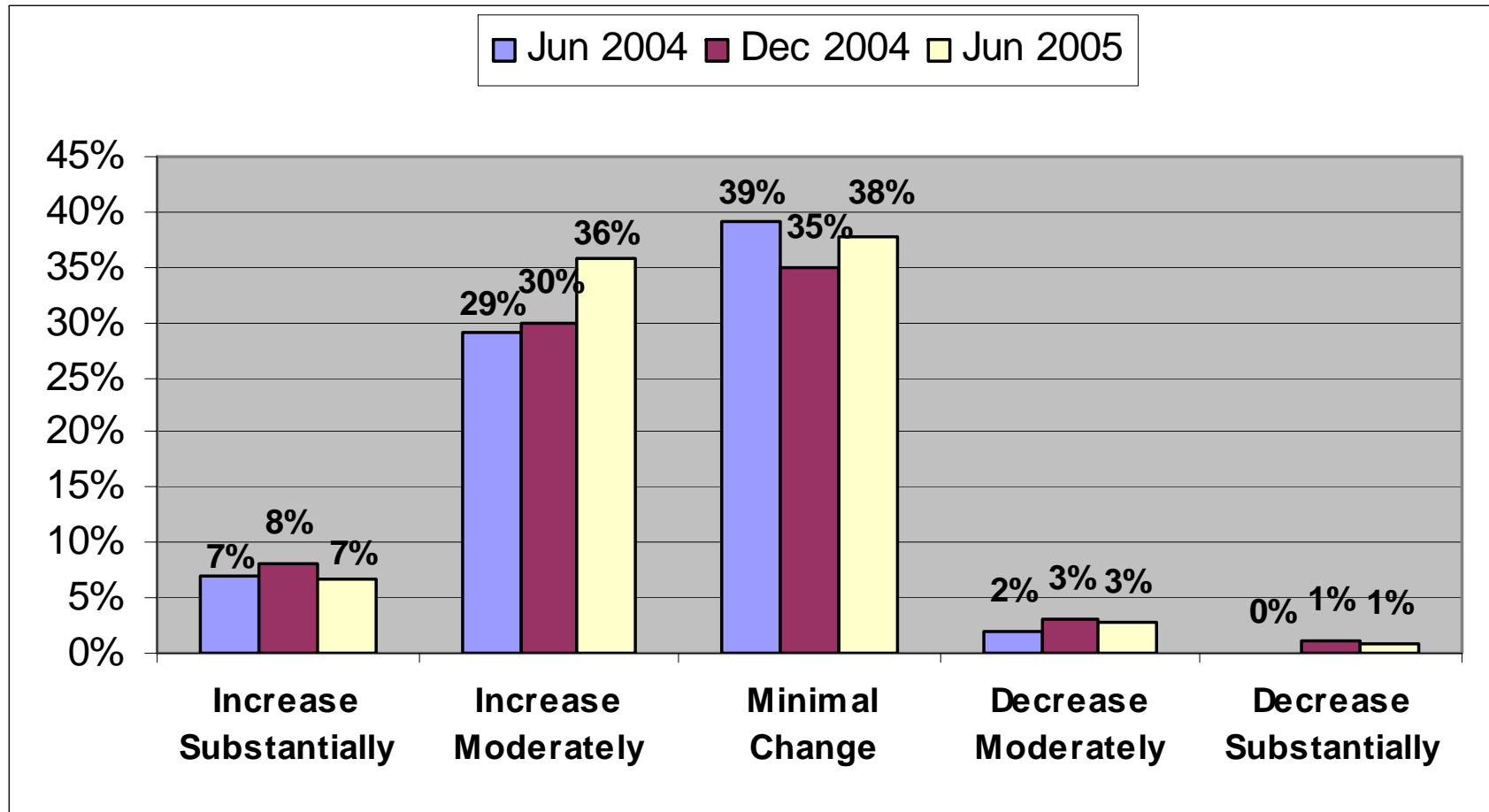




New Product Spending

- Spending for New Product Development is expected to be strong over the next six months.
- 43% expect spending on new products to increase *moderately* or *substantially*, up from 38% in December 2004, and 36% in June 2004

New Product Development

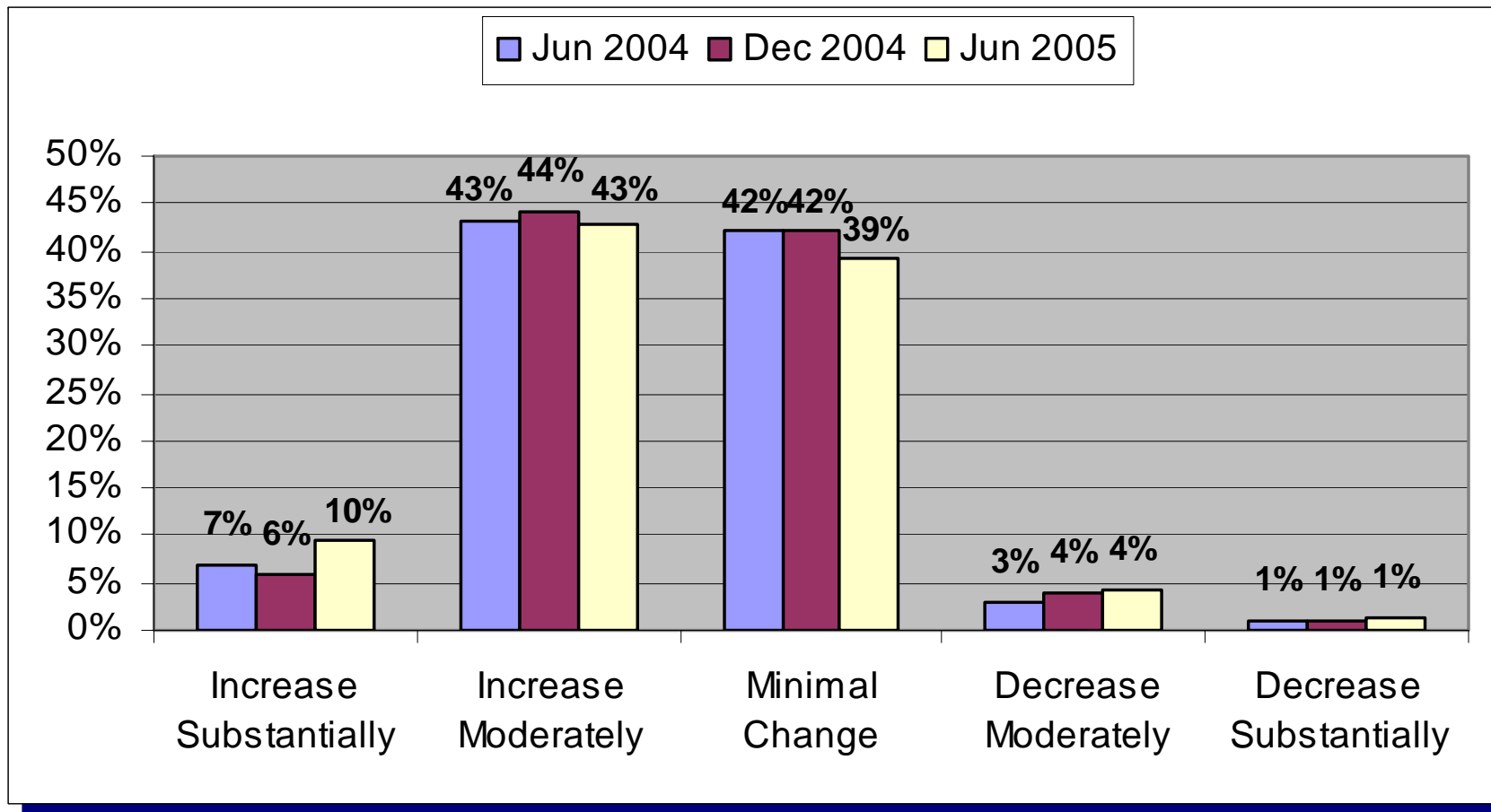




IT Spending

- Spending for Information Technology is also expected to be strong over the next six months.
- 53% expect increased IT spending; only 5% expect decreased IT spending.
- 10% expect their IT spending to *increase substantially*, compared to 6% and 7% in the prior surveys

IT Spending

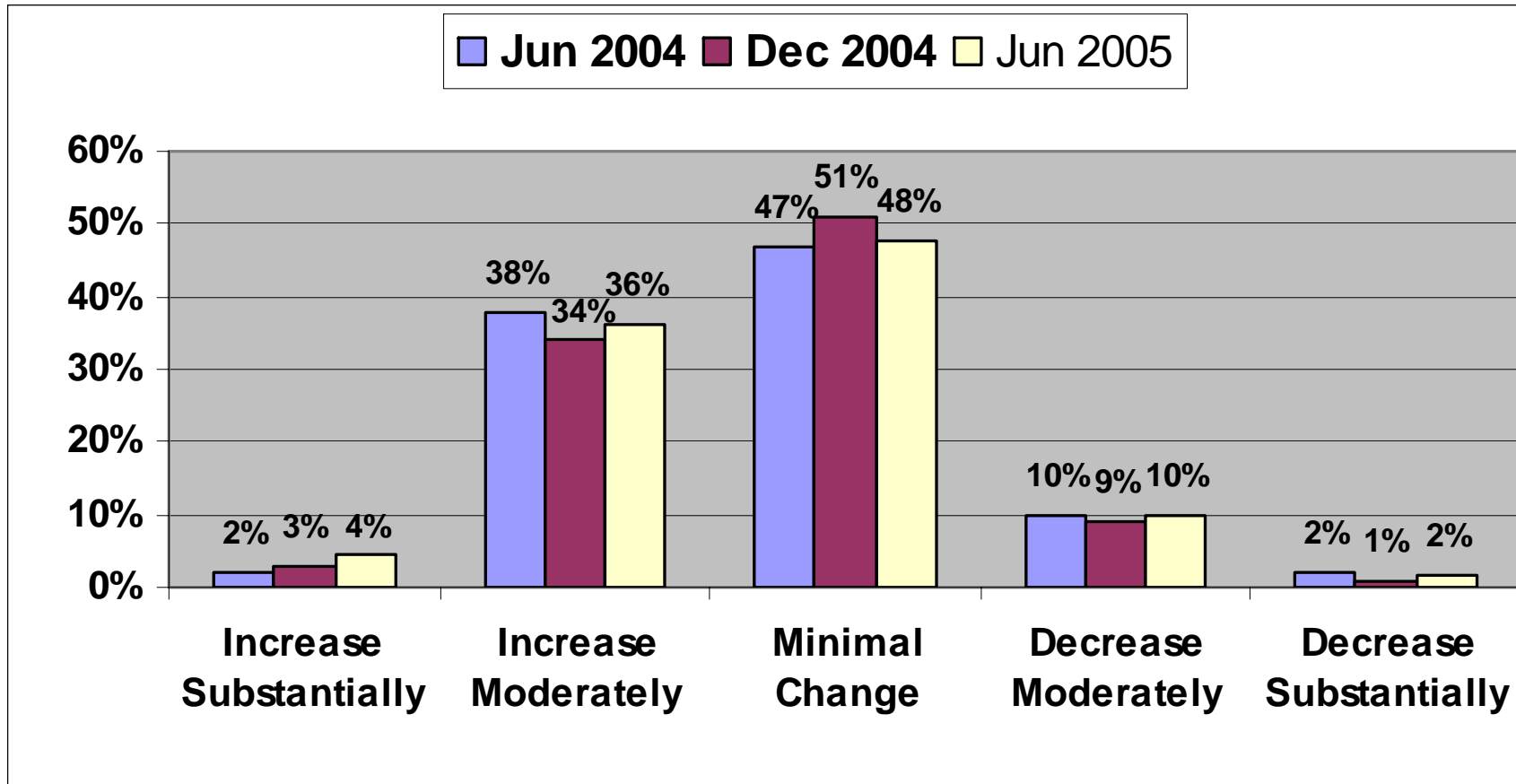




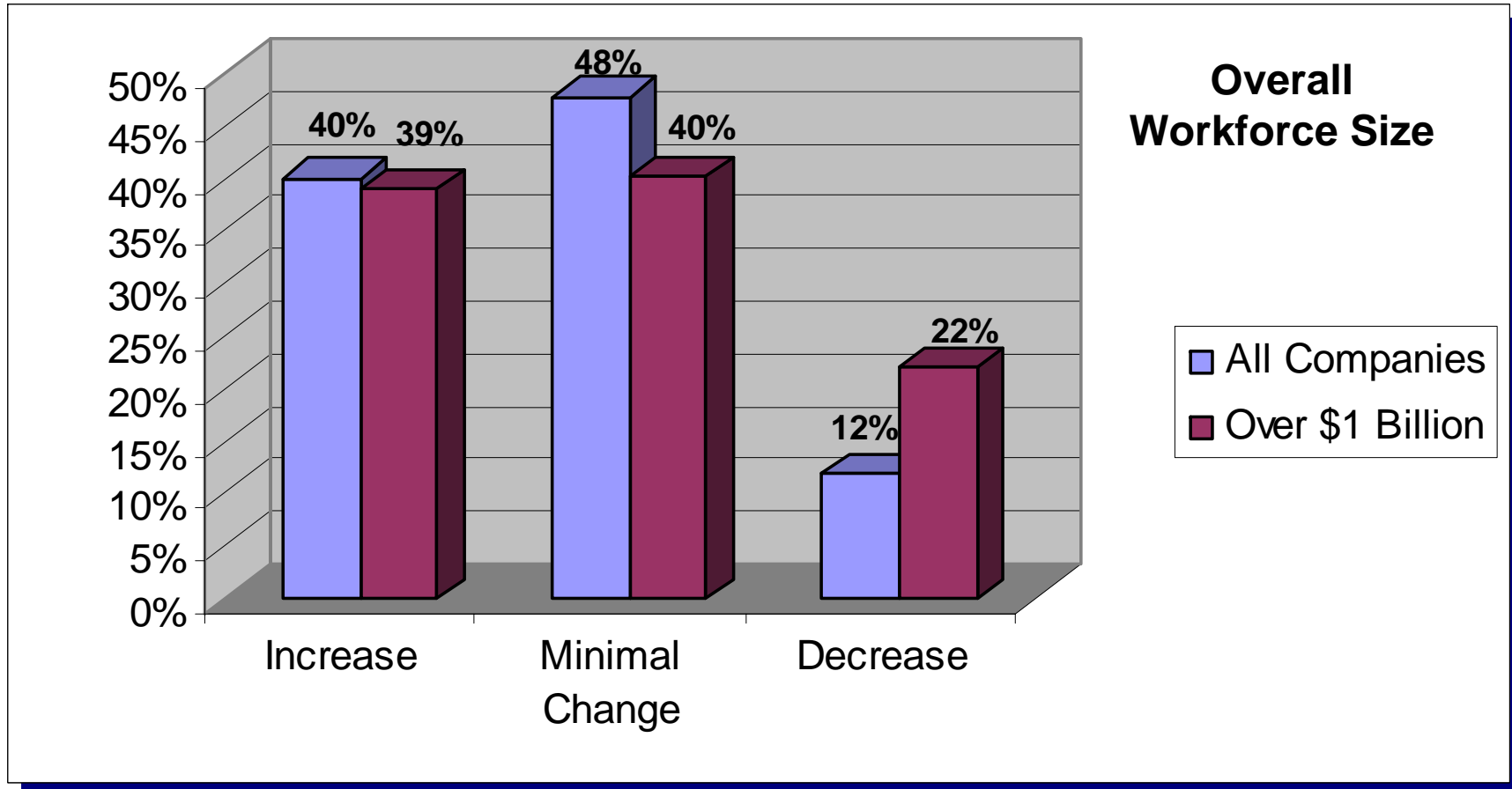
Workforce Size

- Workforce increases are expected to continue; only 12% of all companies surveyed anticipate reductions in the next six months.
- However, 22% of companies over \$1B indicate plans for decreases in total workforce size.

Total Workforce Size



Large Company Workforce Plans

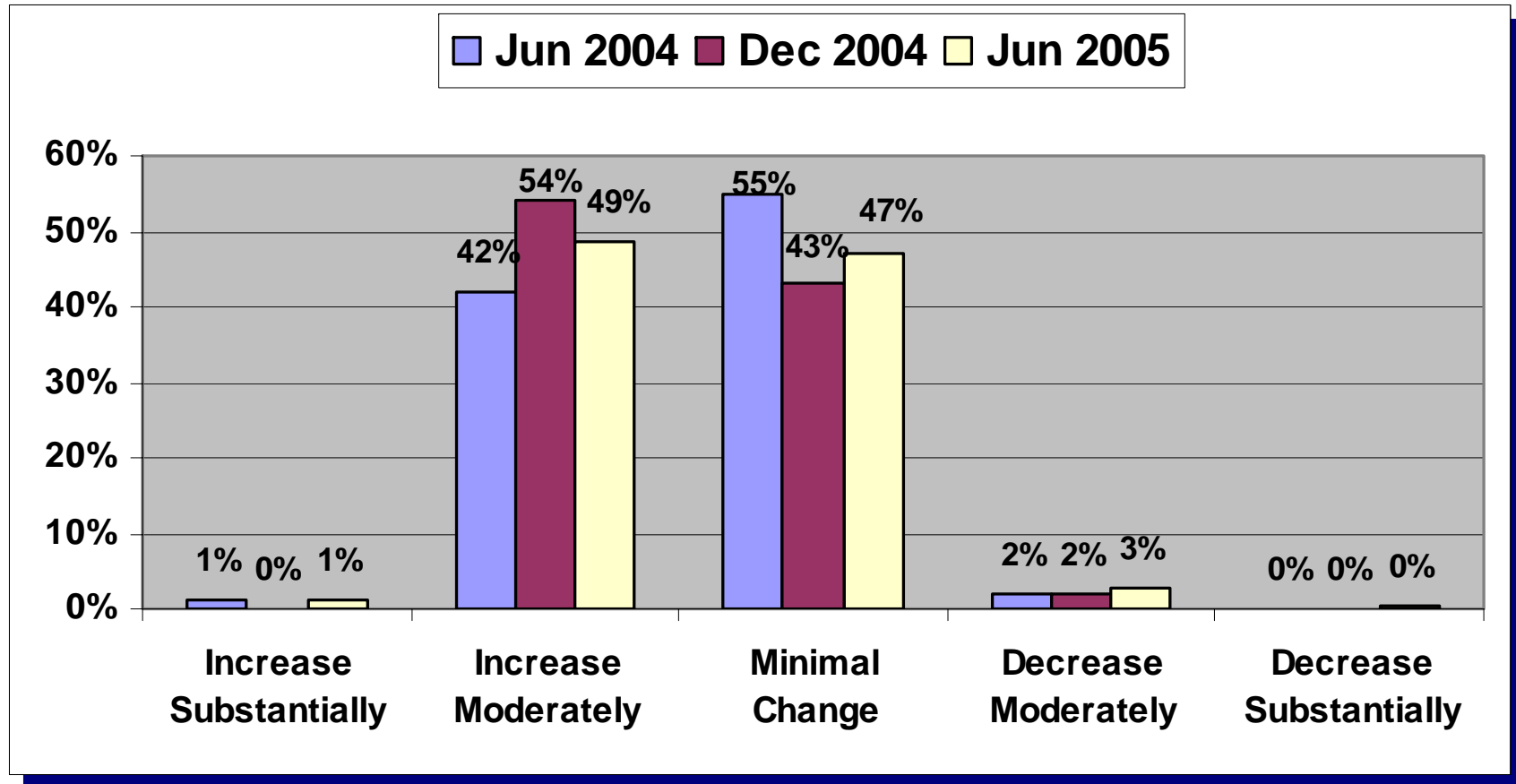




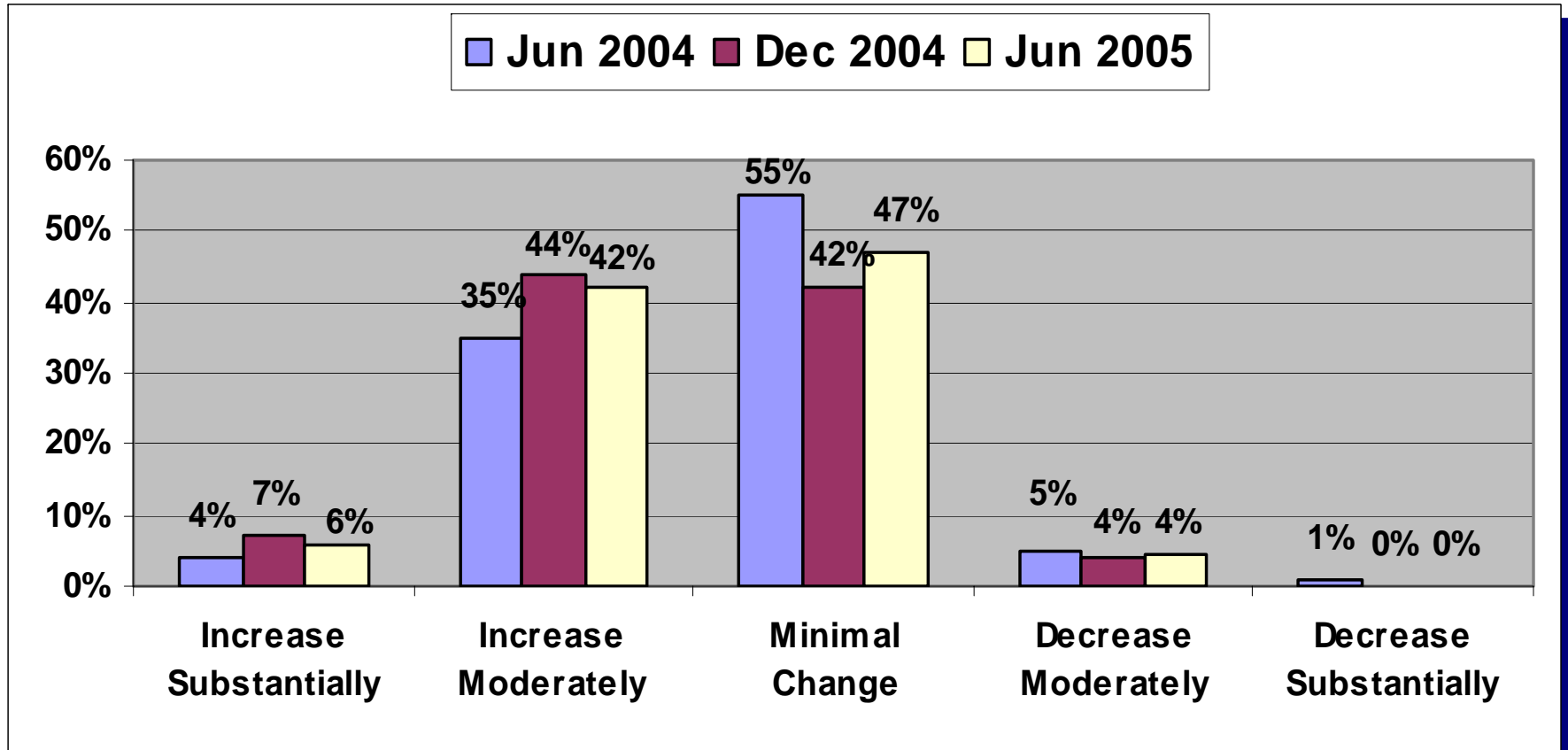
Employee and Benefit Costs

- Increases in wages and salaries expense are expected by slightly fewer companies compared with December 2004 and June 2005.
- Similarly, while the majority of companies expect increases in benefits costs, 47% are expecting minimal change and 4% expect a slight decrease.

Wages and Salaries (per employee)



Benefits Expense (Incl. Healthcare)

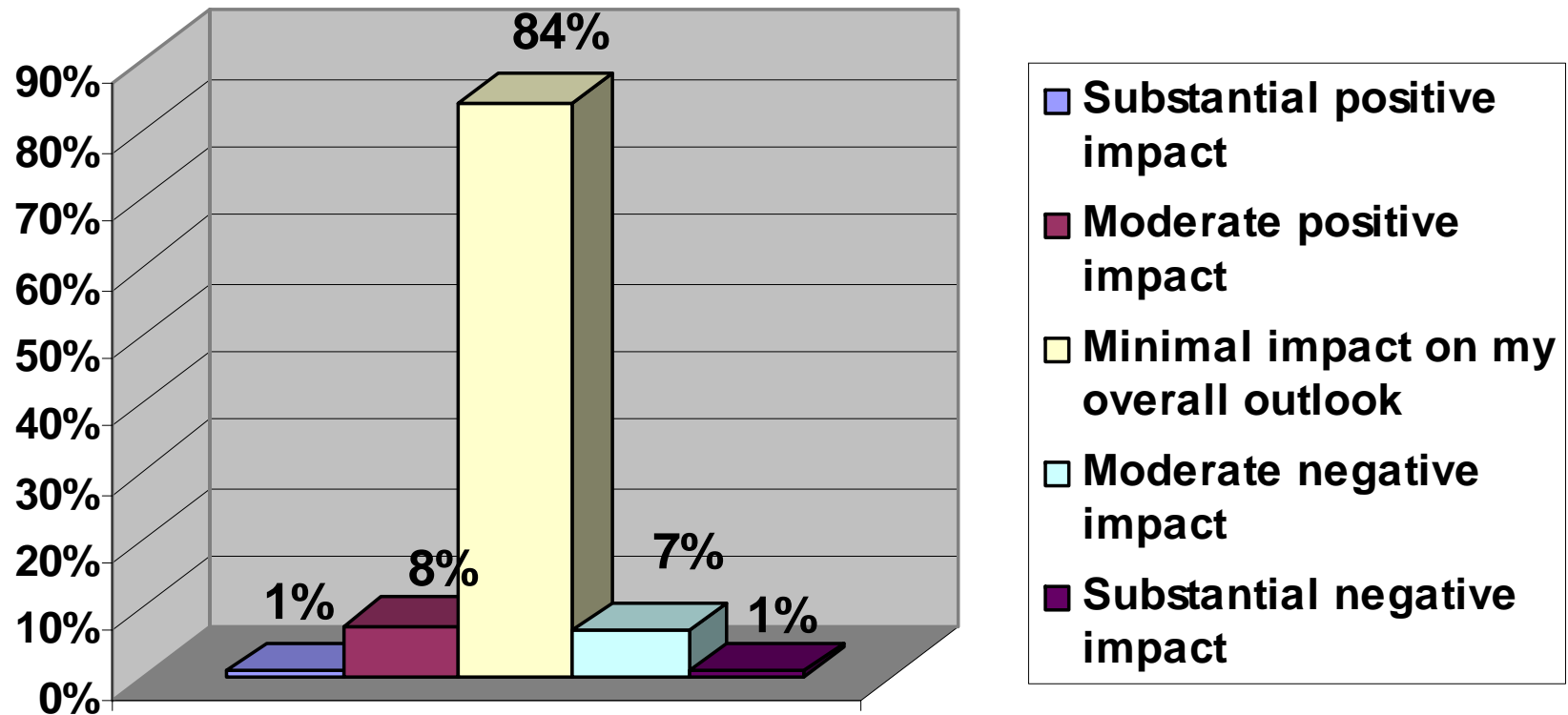




Chinese Currency Revaluation

- 84% indicated that a 10% revaluation of the Chinese Yuan vis-à-vis the US dollar would have a minimal impact on their pre-tax profit.
- For those that would be impacted, the split between positive impact and negative impact was nearly equal.

Revaluation of Chinese Yuan





Policy Issues

- *On Monetary Policy*

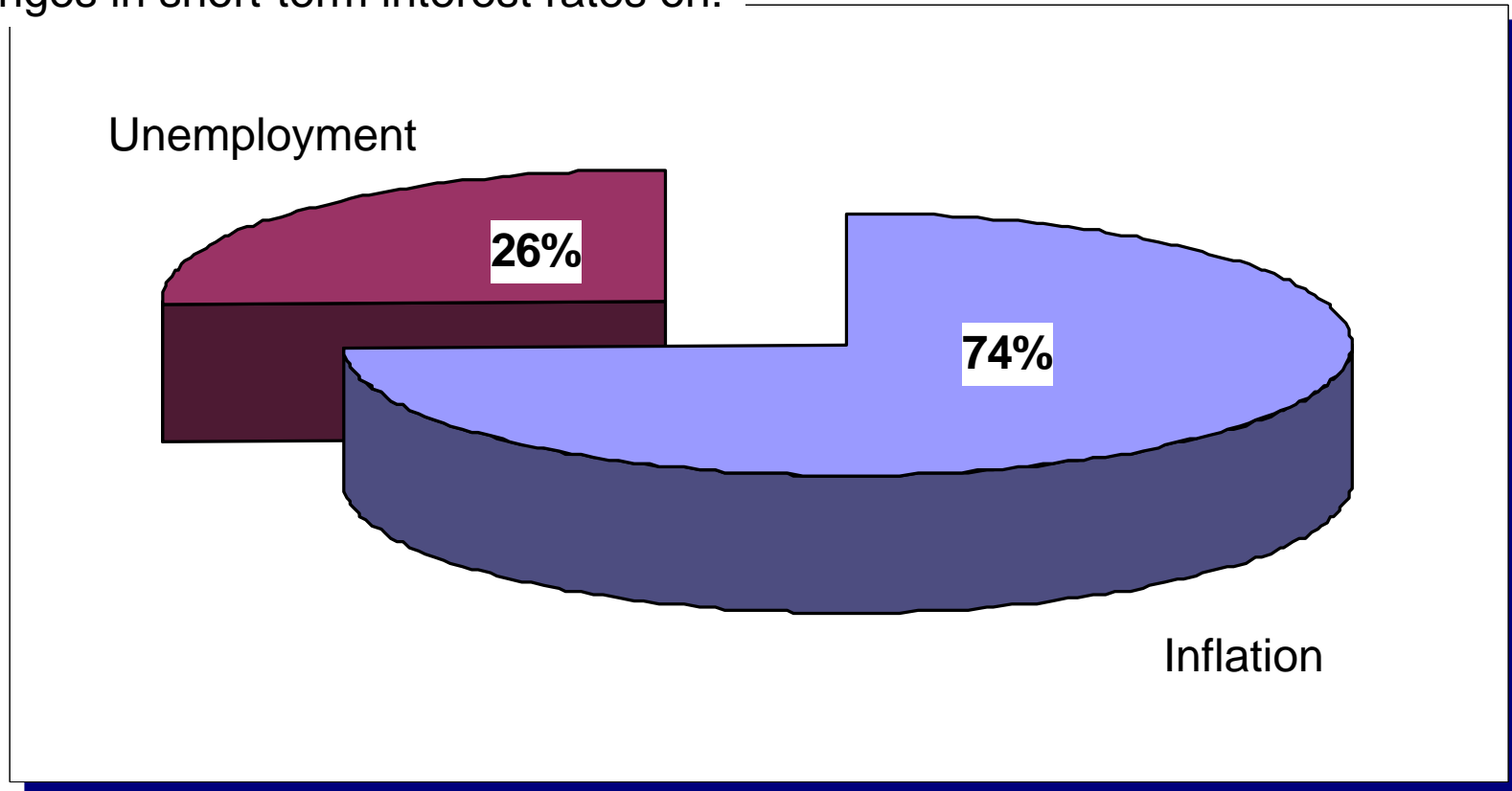
- CPAs are more concerned about the impact of changes in short-term interest rates on inflation than unemployment.

- *On Social Security Reform*

- CPAs are more concerned about maintaining current tax rates than current benefit levels.

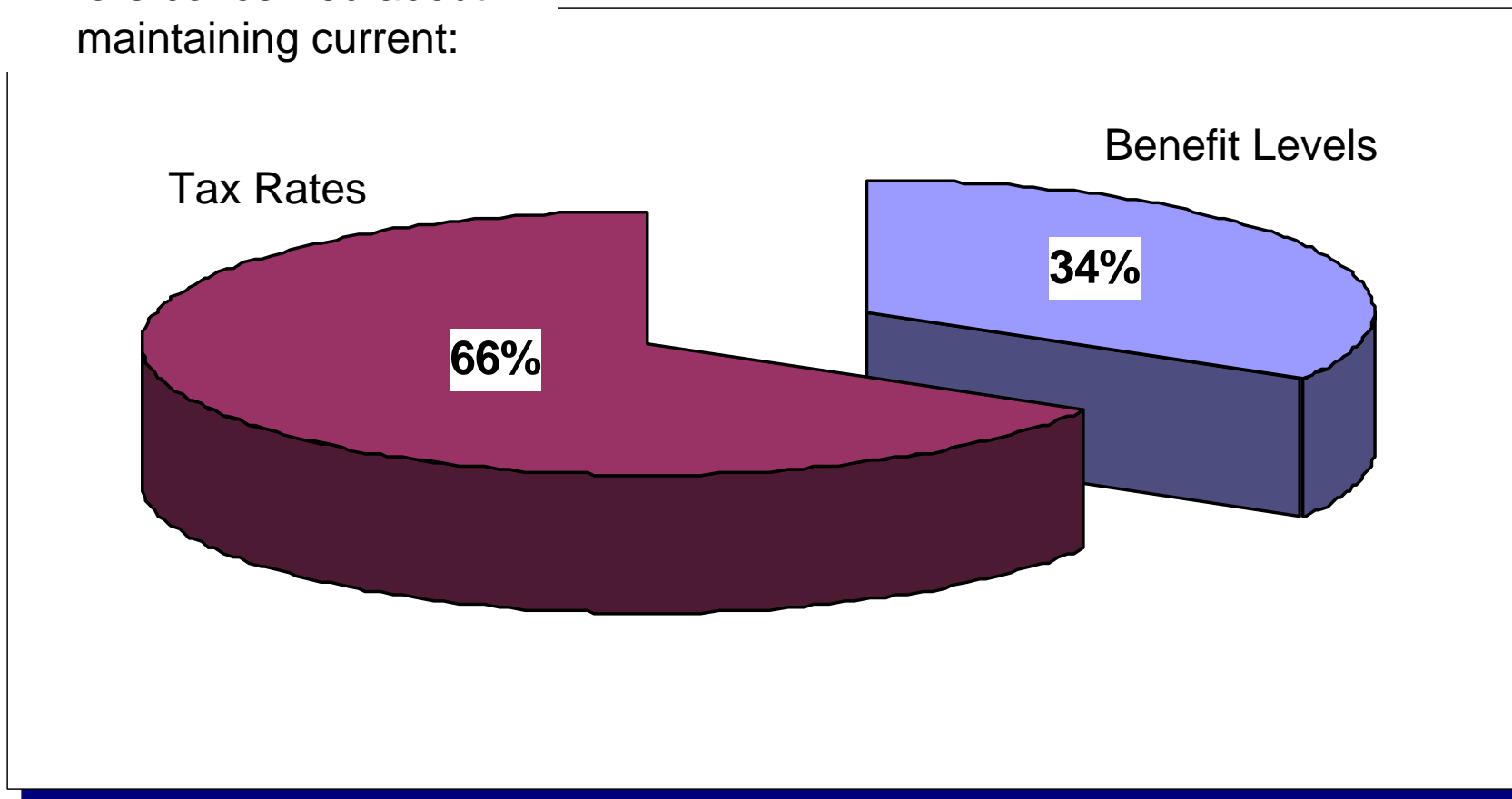
Monetary Policy

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



Social Security Reform

More concerned about
maintaining current:

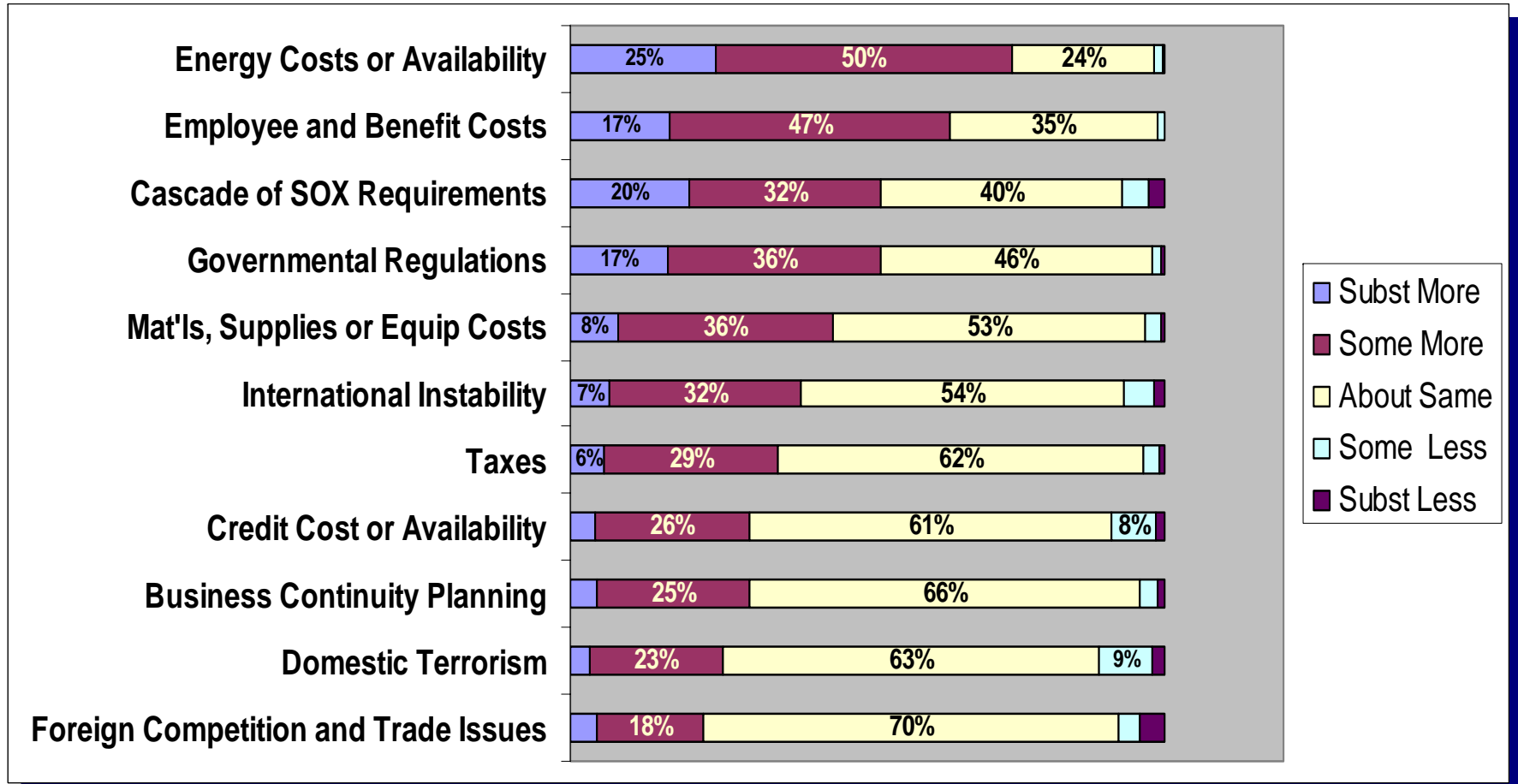




Issues and Concerns

- Areas of concern which more than 50% of respondents indicate being more worried about as of June than six months earlier include:
 - Energy costs
 - Employee costs
 - Cascade of SOX requirement
 - Increased regulation

More than Less Concerned

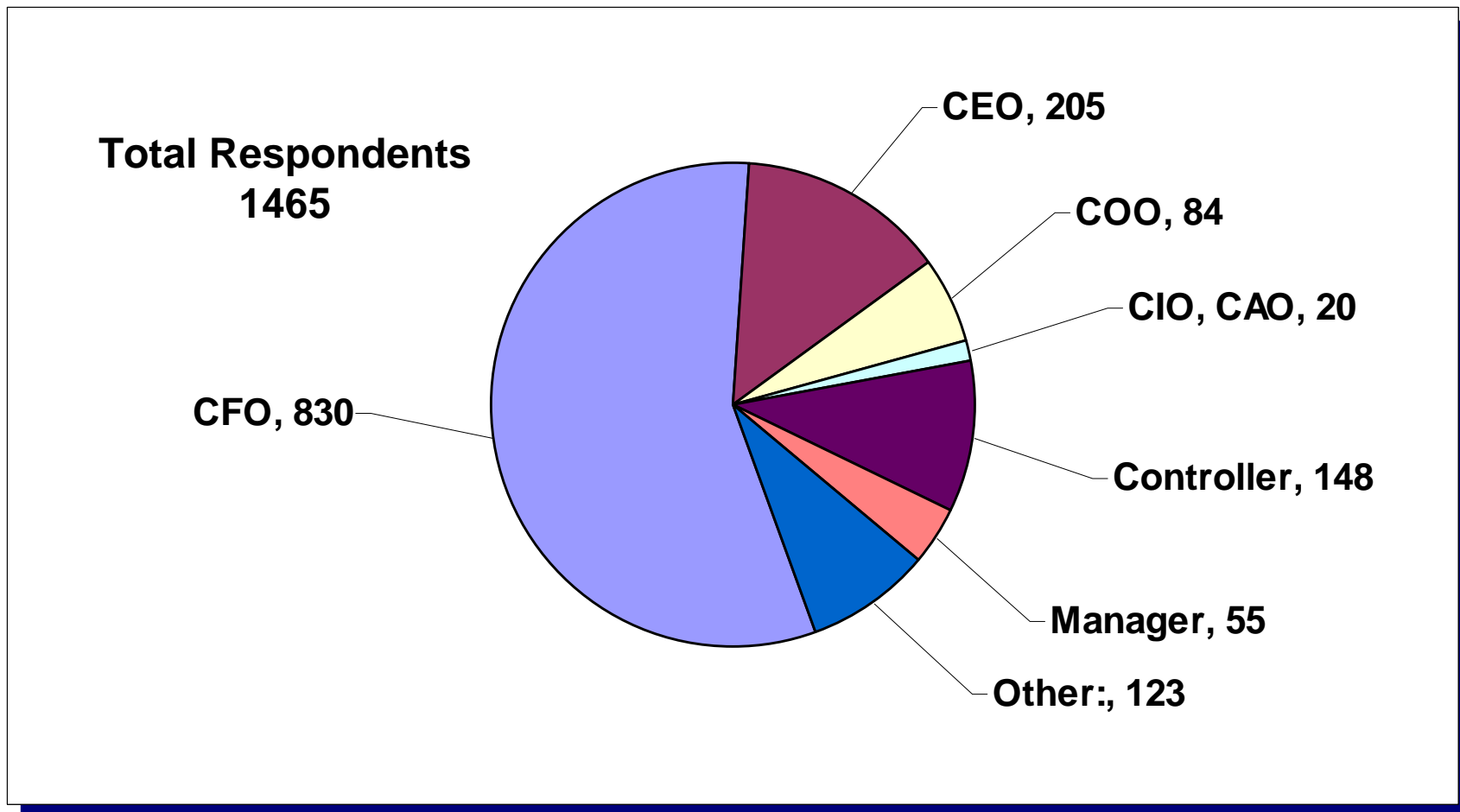




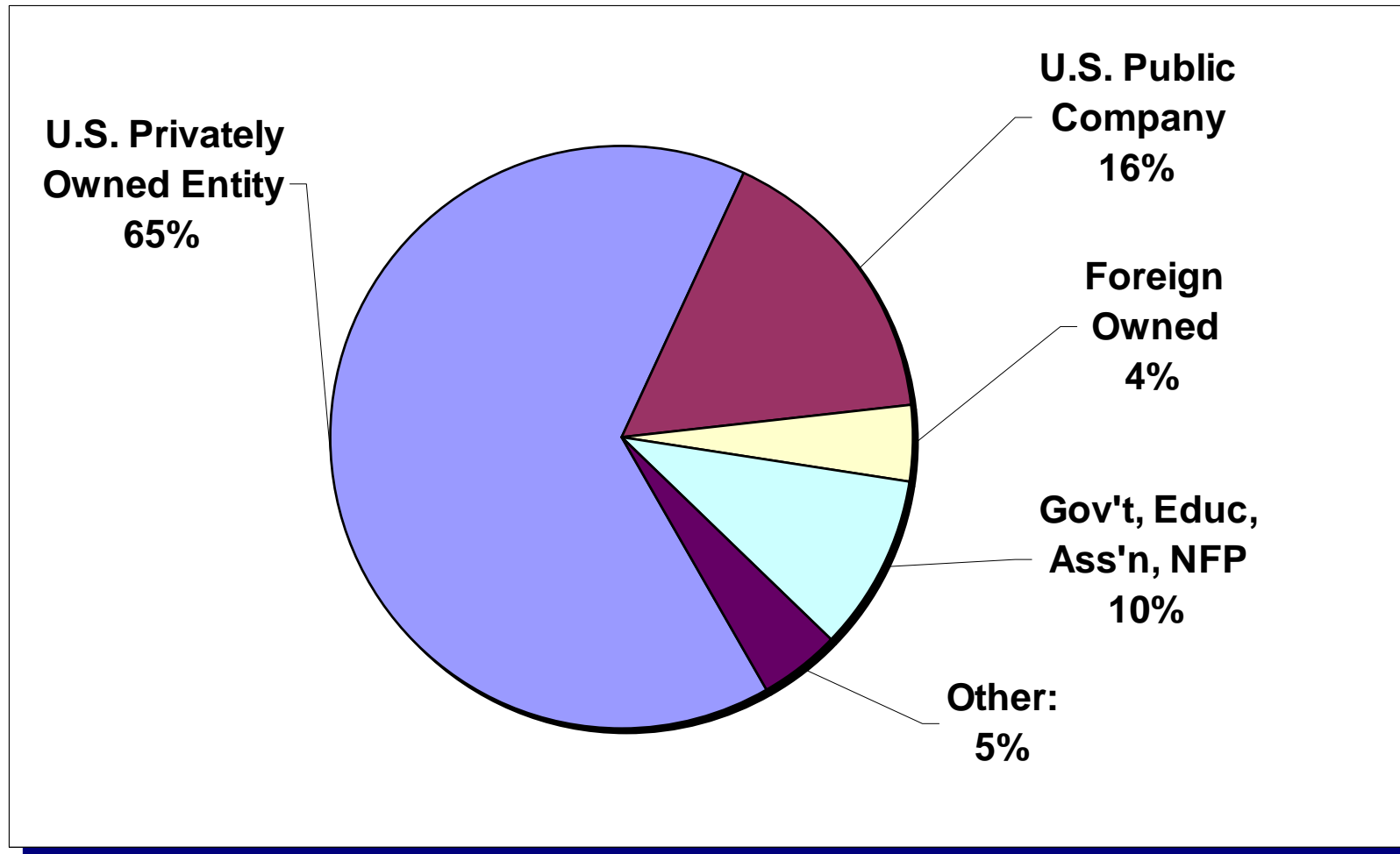
The Survey

- Third semi-annual survey targeted at CPA decision makers in executive functions in:
 - Public and privately held companies
 - Government, not-for-profit, and
 - Other organizations
- 1465 respondents, including 830 CFOs and 205 CEOs

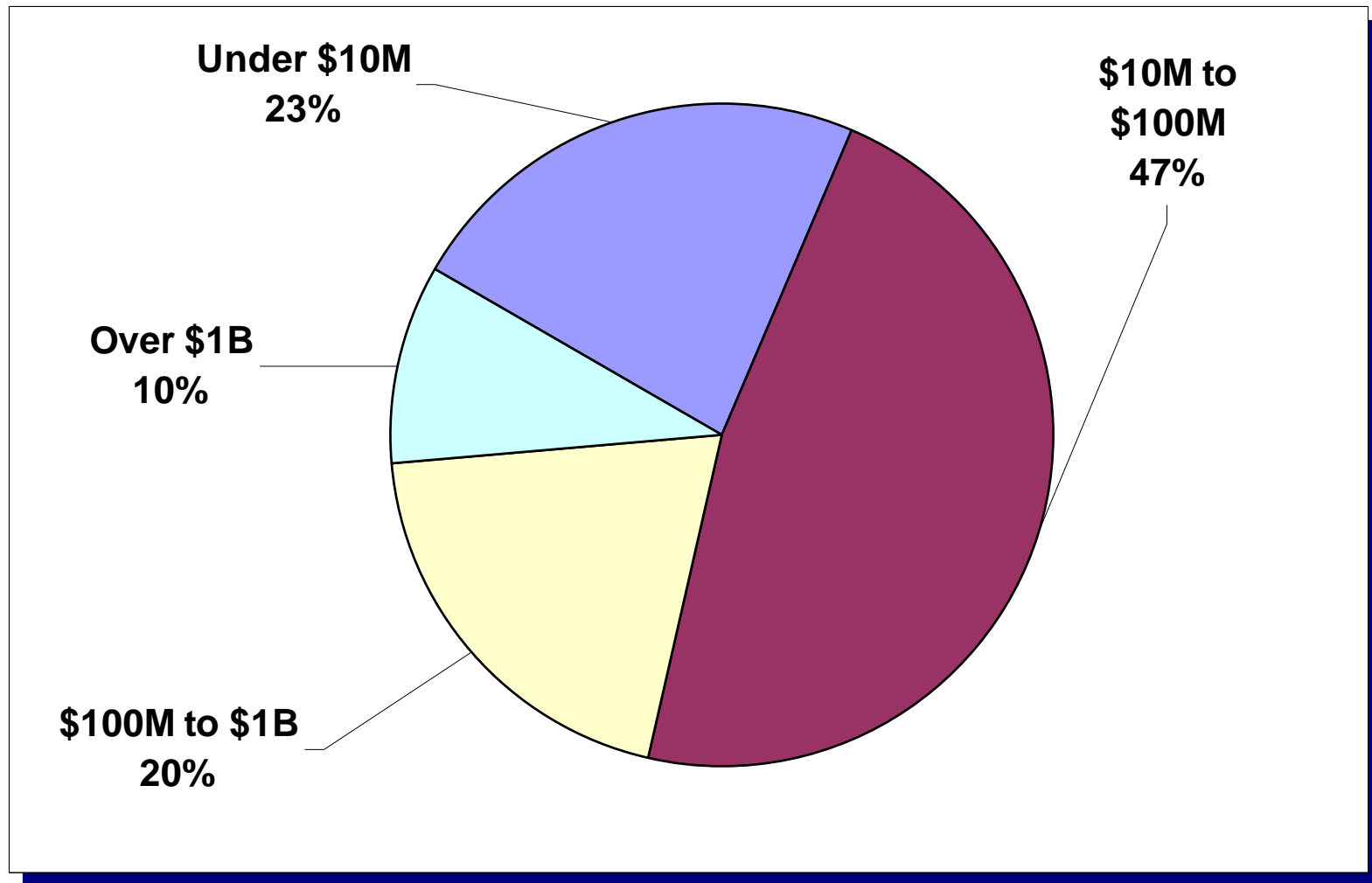
Respondents by Title



Respondents by Entity Type

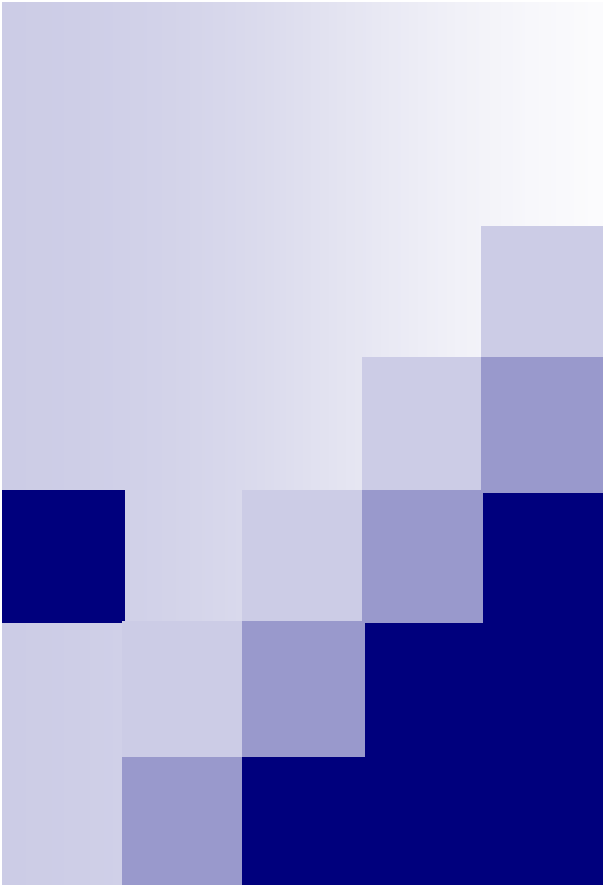


Respondents by Revenue Size



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