



CRI CARR
RIGGS &
INGRAM

CRI – The State of the Economy 2009

**Certified Public Accountants
& Business Consultants**



Background & Participation

- Online polling – over 200 completed responses
 - Verbatim quotes and open-ended responses captured
 - Confidentiality of individual responses assured
- Polled CRI clients, business associates and opinion leaders, primarily across the Greater Atlanta Metro Area
- Probe areas included:
 - Economic outlook for 2009 and 2010
 - Drivers of economic conditions
 - Desired economic stimulus initiatives
 - Staffing plans and growth expectations
 - Challenges facing their organization
 - IFRS awareness and compliance





Executive Summary

- One third of survey participants are *pessimistic* and see *continued problems* with the economy
 - Nonetheless, more than 70% plan to maintain current staffing levels in 2010, and 16% plan to add staff
 - Still, 1 in 4 expects revenue *declines* in 2010
- The *credit crisis, housing market contraction* and *rising unemployment* have had particularly adverse impact on business in the region
 - Respondents want Congress to maintain low interest rates, “ride storm out” to reignite business investment



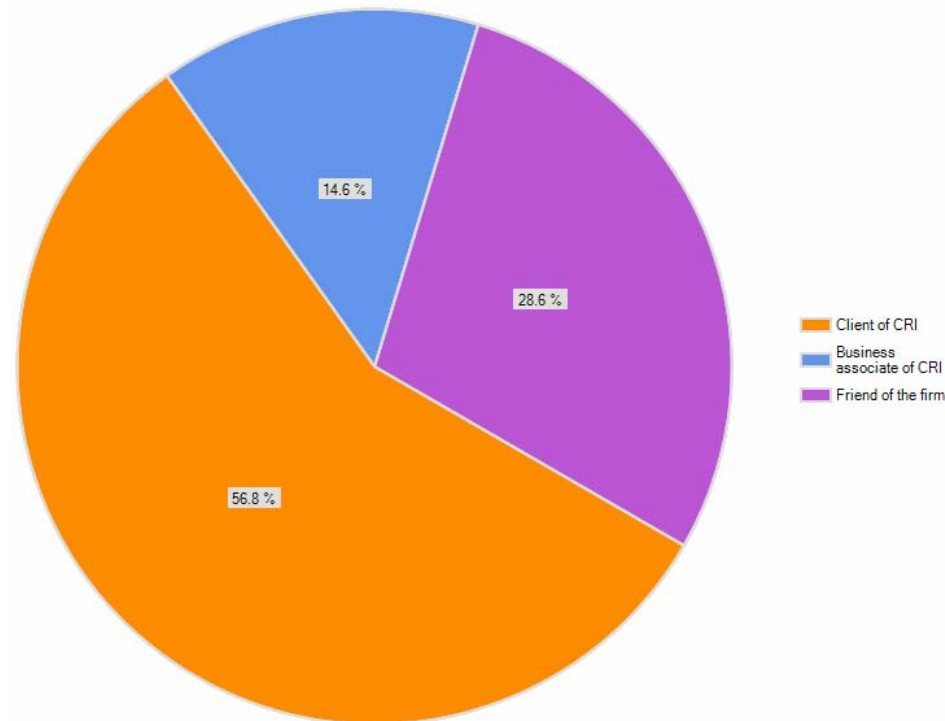
Executive Summary *continued*

- *Cuts in capital spending, travel restrictions and hiring freezes* continue to be key strategies in dealing with the economic malaise
- Top challenges facing businesses today are the need to *increase customer demand, tightened credit and rising employee costs*
- Only 5% are preparing for new international financial reporting standards (IFRS) in their organization
 - 70% are either unfamiliar with IFRS or believe it is not applicable to them



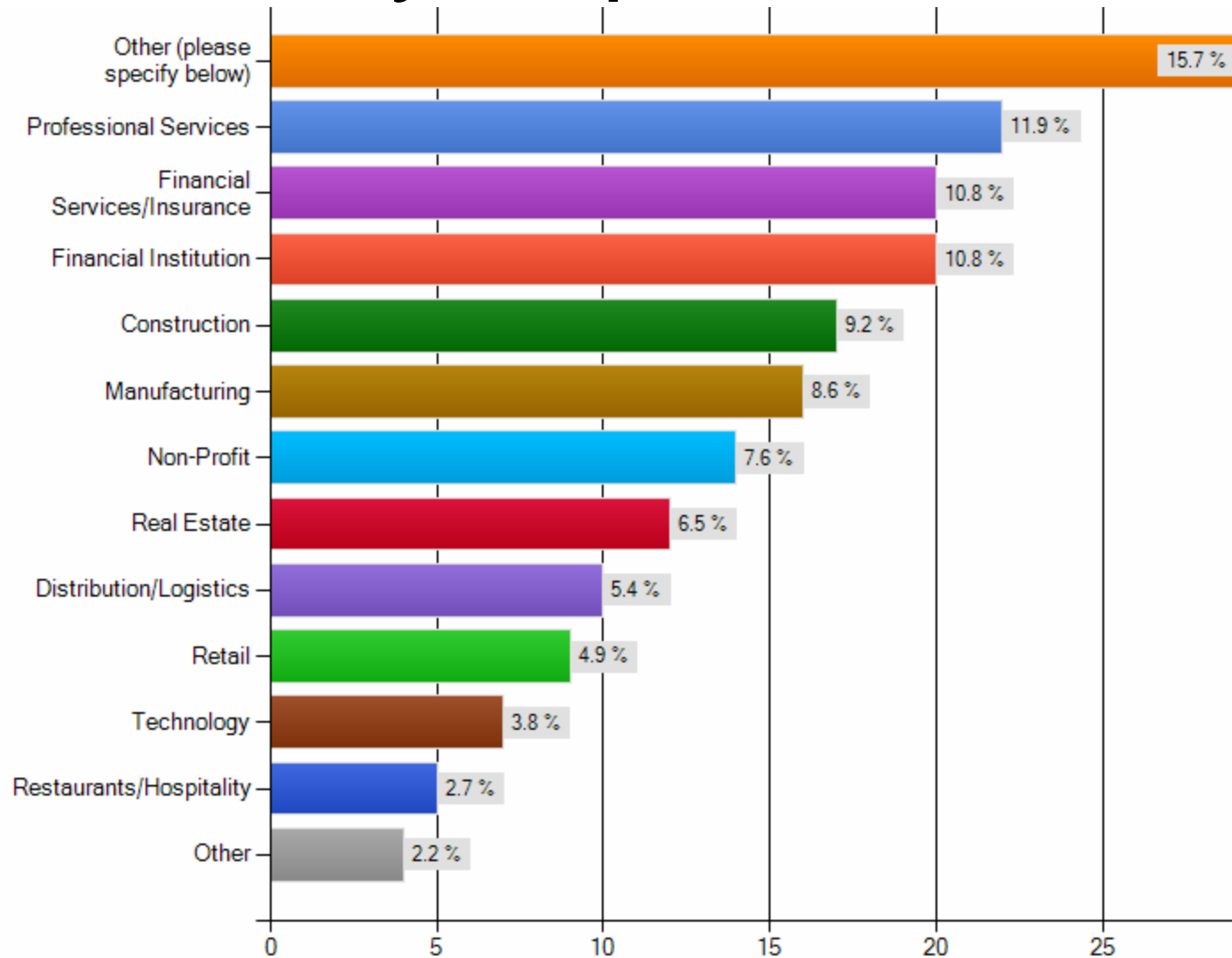
Survey Participation

- Participants in the survey were roughly 56% clients of CRI and 44% business associates or other professional acquaintances; participants are primarily spread across the Greater Atlanta Metro





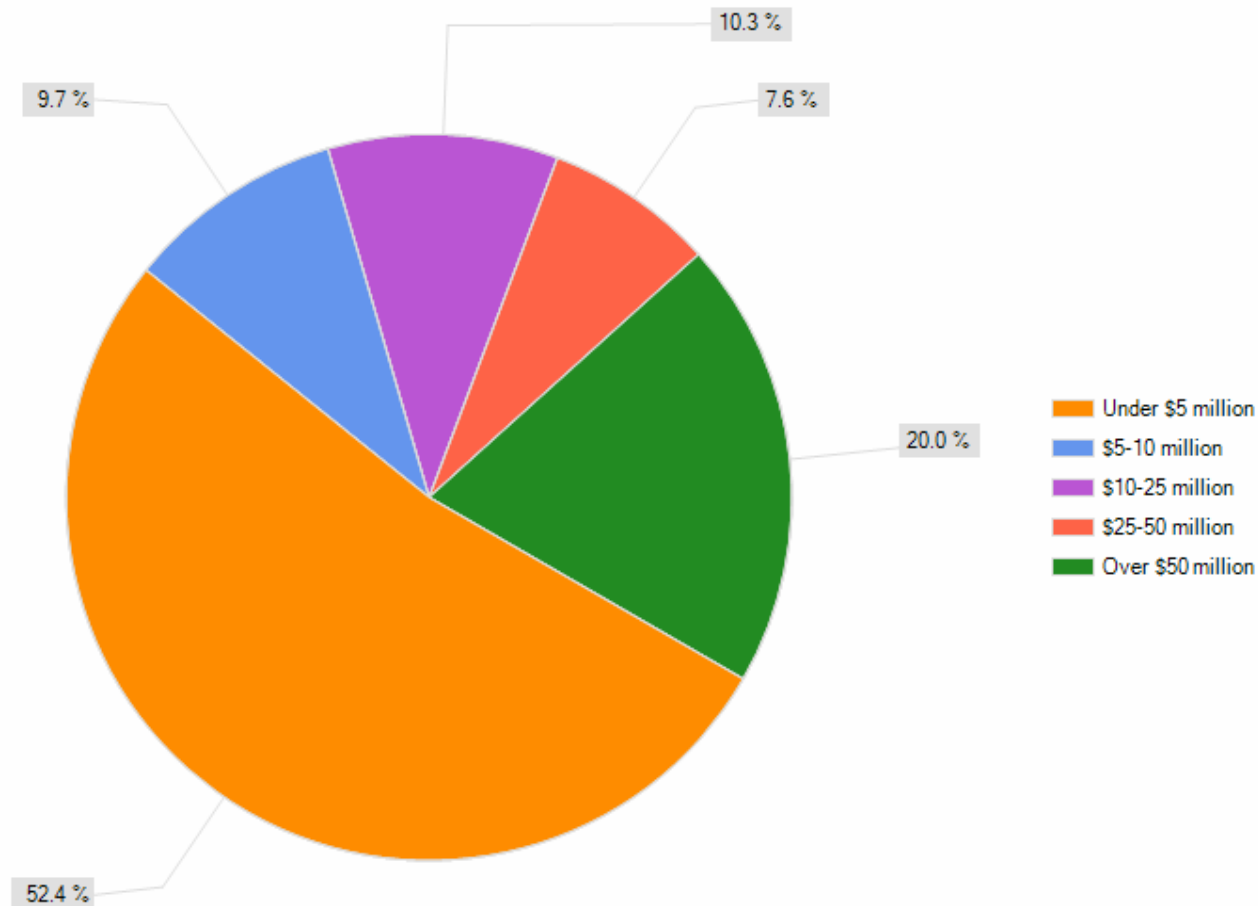
Industry Representation





Organization Size

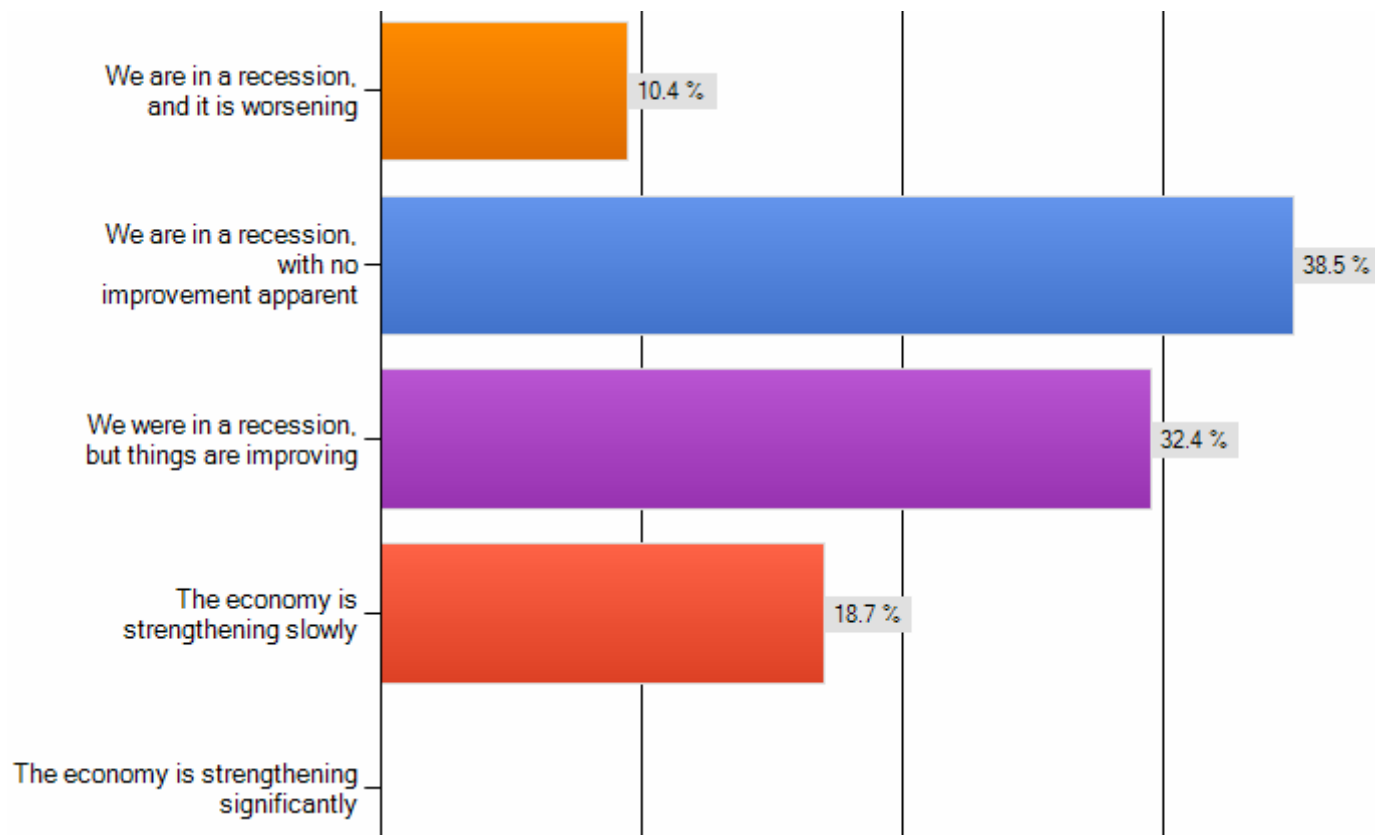
Businesses of all sizes are represented, with 80% under \$50 million in annual revenues





State of the U.S. Economy

Slightly over 51% believe economy is *improving*, up from 21% in 2008; 10% worsening (down from 52% in '08)





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Your Thoughts: *Our Economy*

*“...Continuing business failures, layoffs, foreclosures, downsizing and other negative signs lead me to believe that there is **little if any improvement...**”*

*“**Atlanta economy will lag behind any US turnaround...**”*

*“If the economy is improving, **we are not seeing signs of it yet...**”*

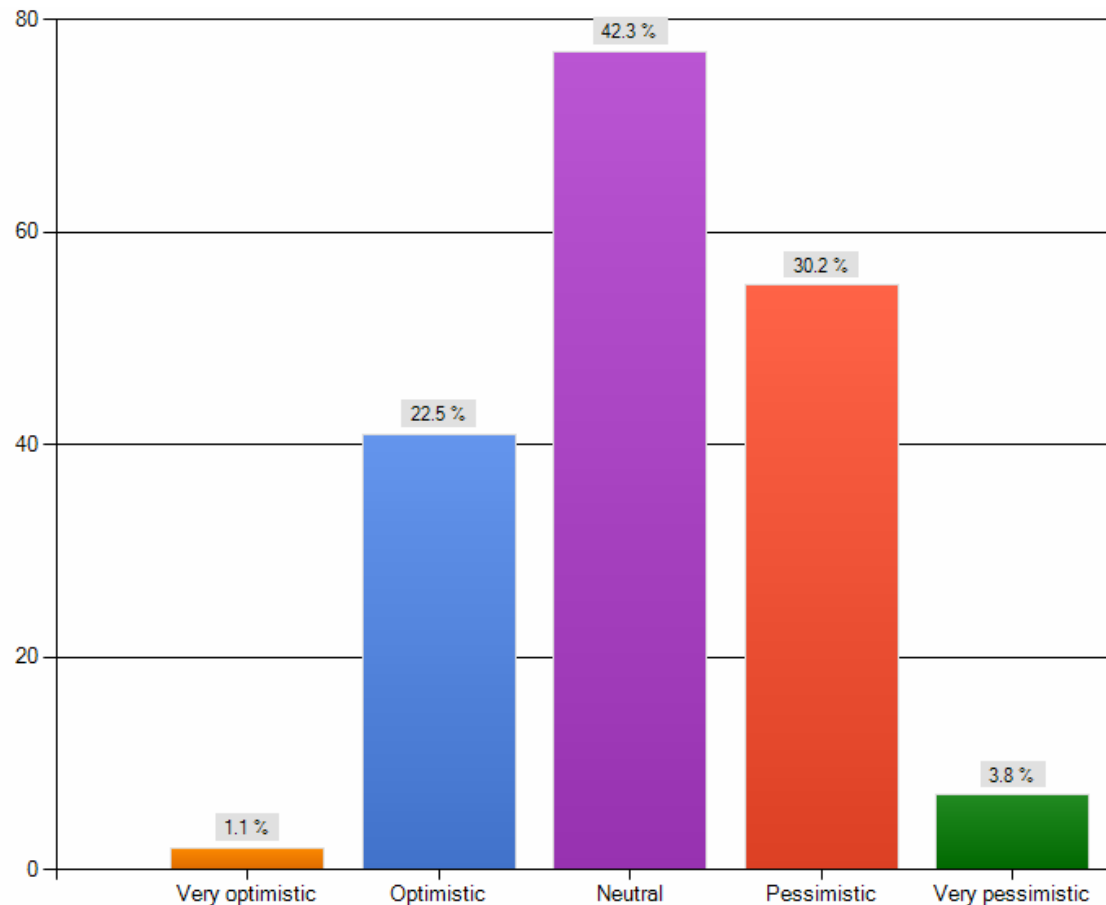
*“Government stimulus is skewing the data. I regret that we may regress **unless the credit markets reopen in a meaningful way...**”*

*“Difficult for small businesses such as ours to add staff in an uncertain market especially when faced with increased tax burden ... **too much government spending...**”*



Outlook of Participants

- 34% are pessimistic, 23% optimistic about the economic outlook; 40%+ are taking a “wait-and-see” approach – very comparable to ‘08





Your Thoughts: *The U.S. Outlook*

“Continuing lack of job opportunities will lead to a hardening perception of an economy mired in trouble...”

“This administration does not have a clue on improving the economy. They are only making it worse...”

“Sooner or later, government spending will catch up with us...”

“More pain for banks beginning in 2010 and peaking in 2012 with commercial debt maturities...”

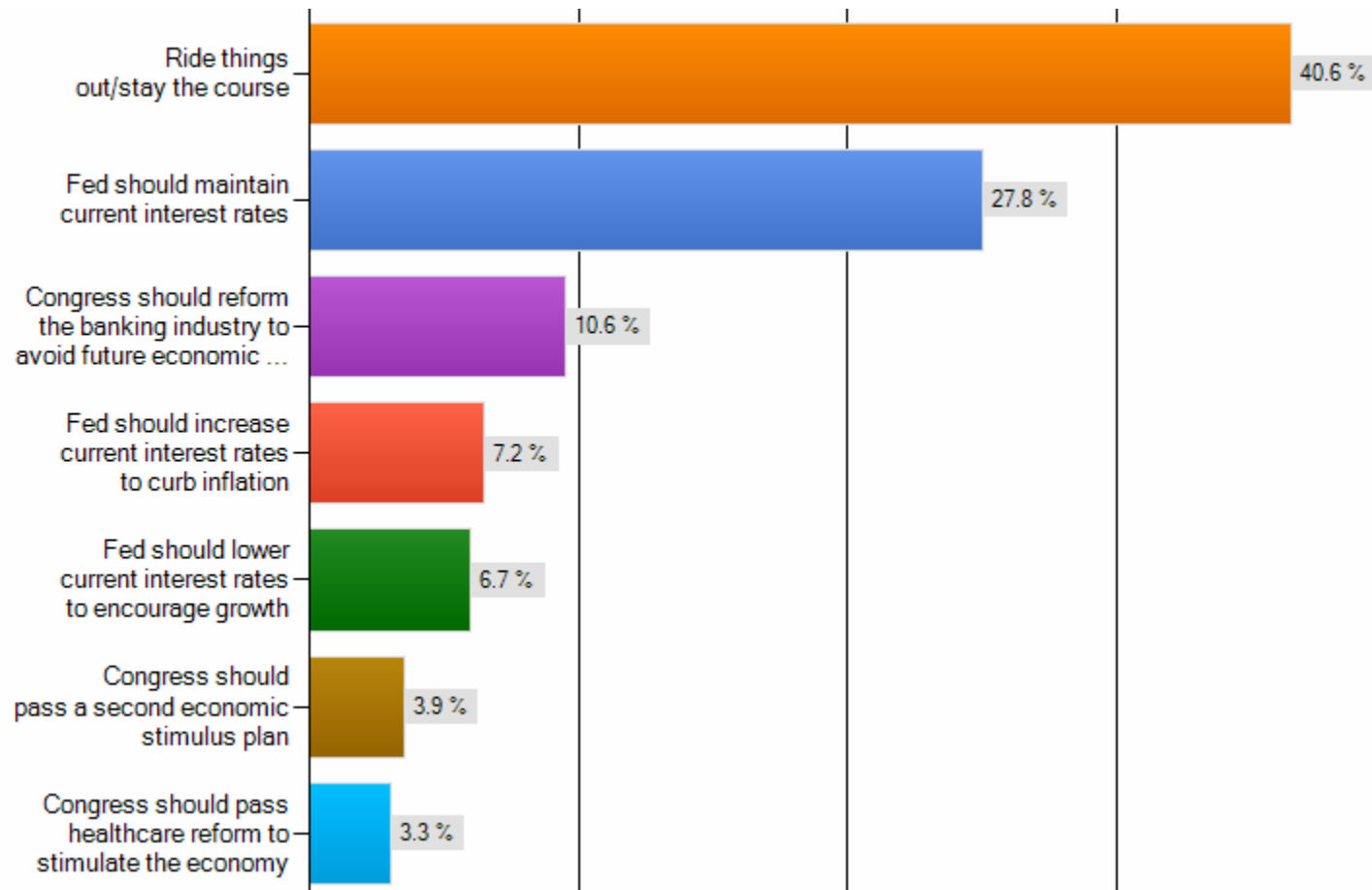
“Nobody seems like they want to lead, just waiting to see how everyone else does which is slowing progress .”

“I expect 2010 to be a difficult year for small business and job growth will not be significant. The good thing is perhaps some of these businesses are ‘right sizing’ so they can grow more efficiently in the future .”



Helping the Economy Recover

- Maintaining low interest rates, “riding it out” remain the preferred courses of action vs. 2008





Your Thoughts: *Aiding Recovery*

“We need to defend the dollar...”

“Cut taxes....send Congress home...”

*“Feds should mandate a 2nd economic stimulus plan for infrastructure:
roads & bridges, communications.”*

*“Corporate income tax rates should be cut to incentivize companies to
relocate to the U.S. and bring operations back to the U.S ...”*

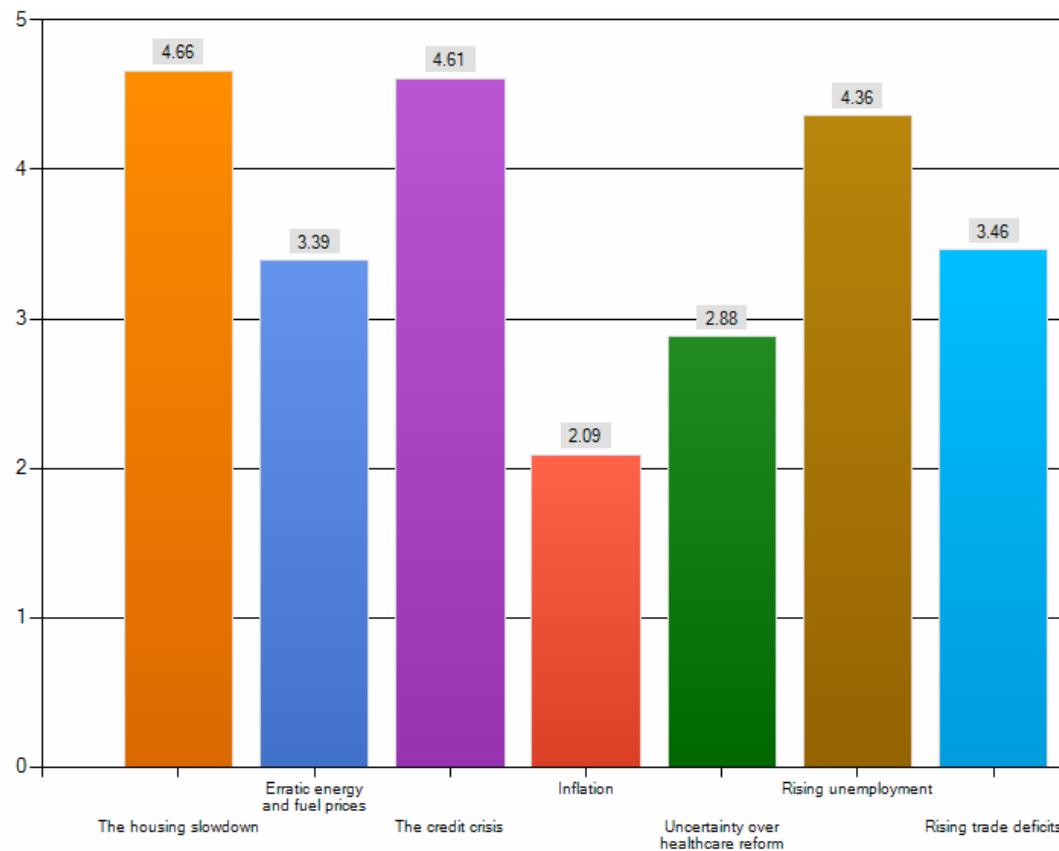
*“We've got to curb the bailouts, stop government spending, and stop the way
healthcare reform is heading ...”*

*“I am in favor of a employment tax break as opposed to a ‘stimulus’ package.
Put the money in the hands of the employers to reinvest in their
companies ...”*



Top Issues Impacting Economy

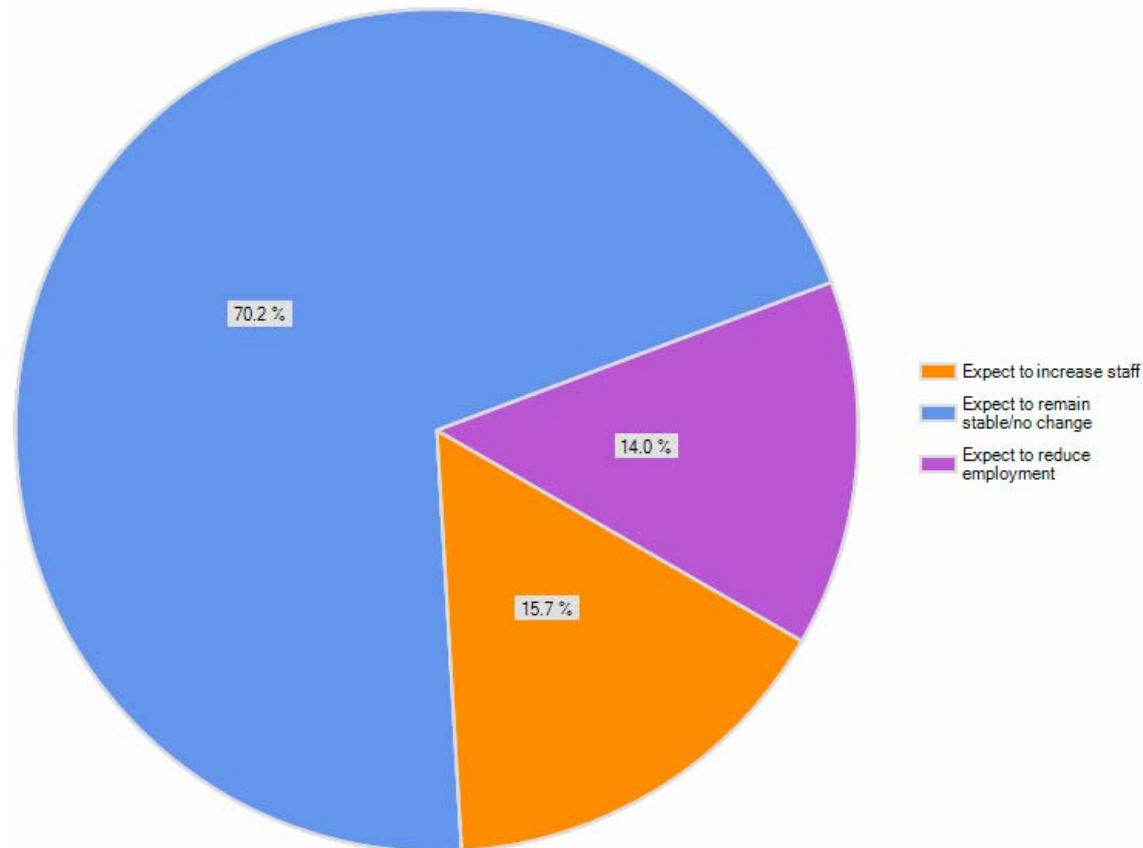
- The housing slowdown, credit crisis, rising unemployment are issues of greatest impact (*scale of 1-5 with 5 of greatest impact*); energy cost has dropped to a secondary concern





Employment Expectations

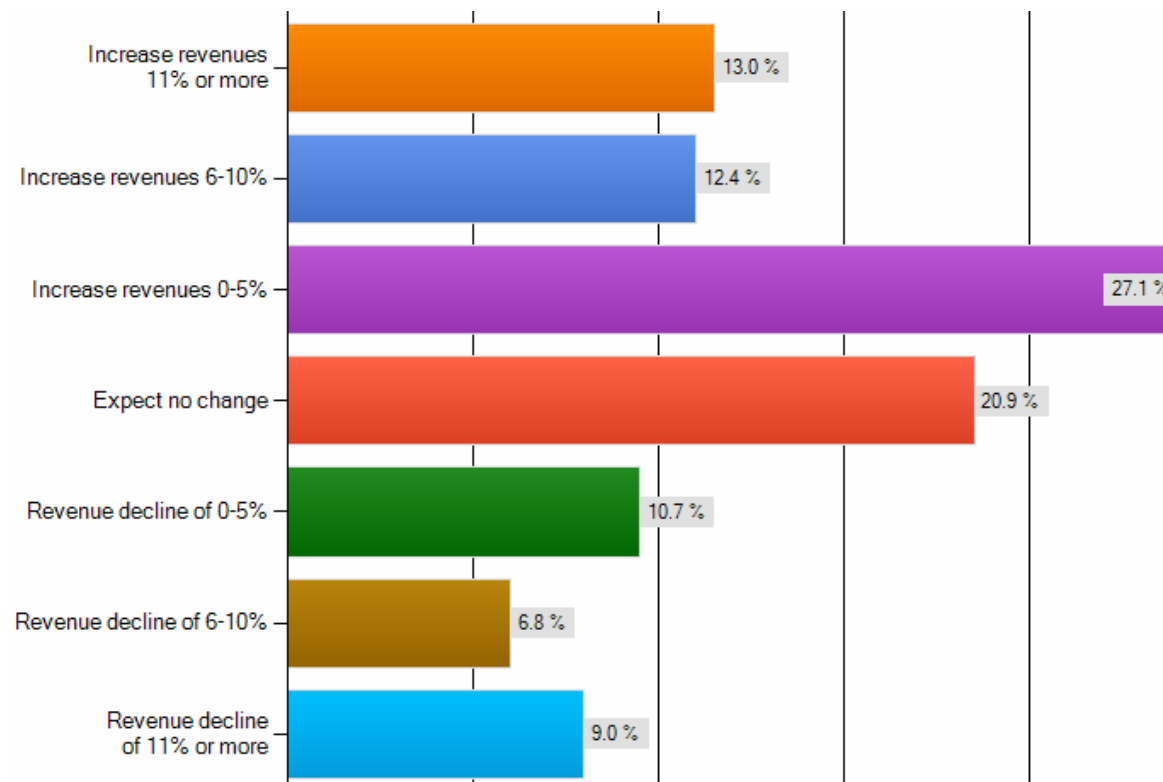
- 70% expect to maintain current staffing levels; of those expecting change, those planning to add or decrease staffing are virtually equal and similar to '08





Sales/Revenue Expectations

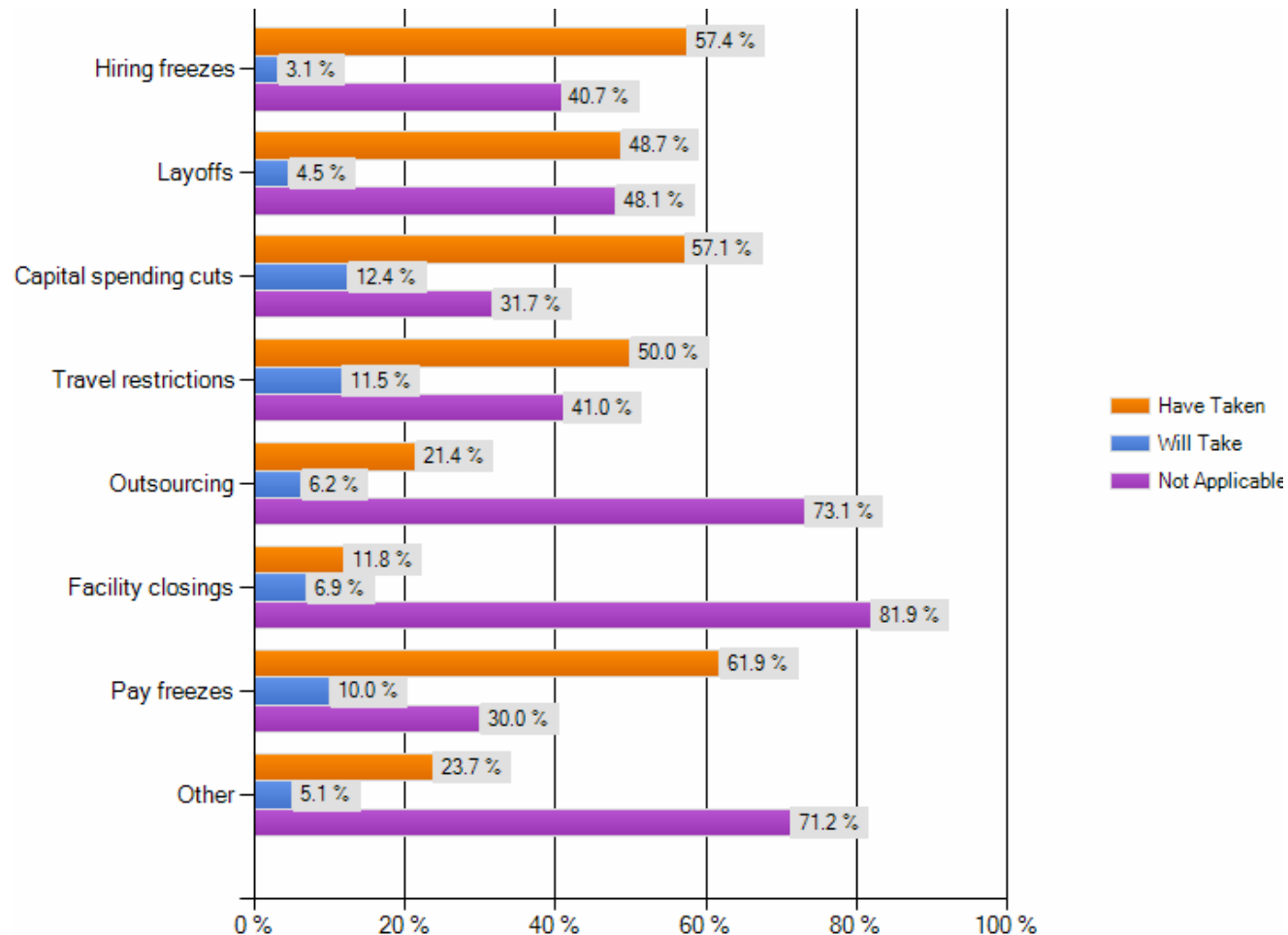
- 52.5% of respondents expect revenues will increase in 2010; 1 in 4 expect a decline – both similar to 2008
 - 25.6% of respondents expect sales *increases* of >6%
 - 15.9% predict a sales *decline* of >6%





Responses to the Downturn

- Actions taken to deal with the economic slowdown include cuts in spending, travel, hiring freezes





Your Thoughts: *Dealing with the Downturn*

“Controlling all cash outlays - doing more ourselves...”

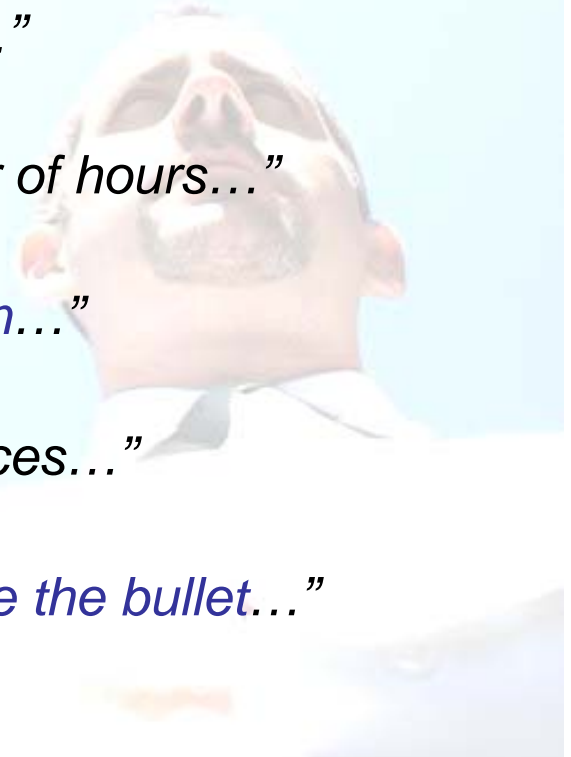
“Withdrew from certain sectors...”

“Reduce hourly employees’ weekly number of hours...”

“Increasing advertising & promotion...”

“Negotiate with Vendors for lower prices...”

“Pay cuts, no bonuses, reduce expenses, bite the bullet...”





Most Significant Challenges

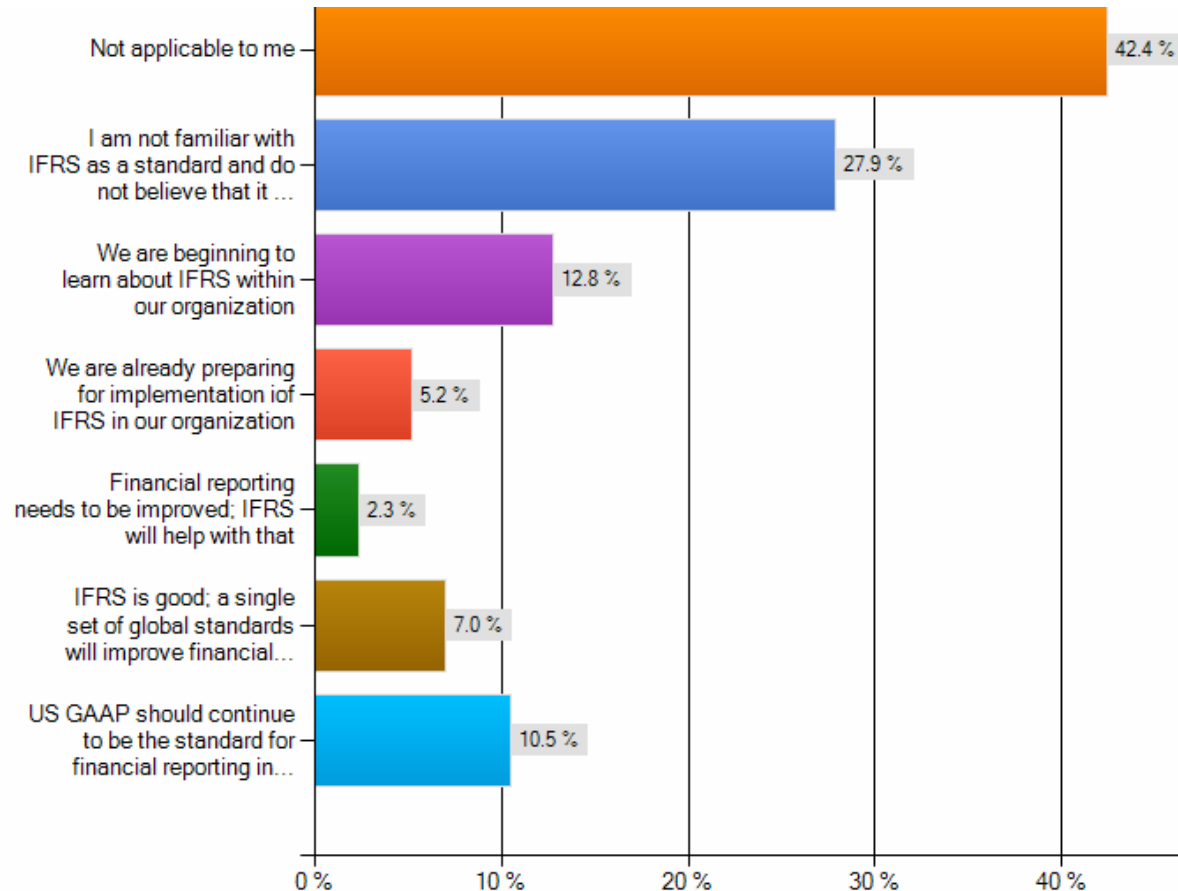
- When asked to rank the 3 most significant challenges facing their organization today, respondents cited customer demand, collections, credit:

<i>Customer demand</i>	52% (39% in '08)
<i>Tightened credit</i>	40% (18% in '08)
<i>Employee and benefit costs</i>	34%
<i>Receivables/collections</i>	31%
<i>Access to capital</i>	27% (15% in '08)
<i>Energy/fuel costs</i>	6% (26% in '08)
Liquidity	17%
Corporate tax burden	17%
Material costs	13% (24% in '08)
Weak U.S. dollar	15%



Implications of IFRS

- Few are preparing for new International Financial Reporting Standards (IFRS); most are not familiar with it or do not believe it applicable to their organization





Your Final Thoughts...

*“There must be a **coordinated, calculated approach** to put people to work, ease credit without making credit so easy that another disaster looms, and inflation is not fueled and rockets out of control...”*

*“Things **will get rougher** for many, many companies...”*

*“We have been through stressful economic times in the past and returned each time to a **growing economy**...”*

*“Our government has **lost their collective minds**.”*

*“The Federal Government needs to get out of the way. Additional burdens on businesses, small, medium, or large will **weaken any recovery**...”*



In Summary

- While participants are pessimistic in many respects, ***most have confidence*** in the resiliency of the American business economy
- Most indicate the likelihood that they will refrain from hiring in 2010
- *Increasing customer demand, loosening of credit, and managing escalating employee costs* are the most critical challenges voiced by participants



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Introducing CRI

- Founded 1997, with roots extending to 1976
- 16 offices in GA, FL, AL, MS and TN
- Accounting, audit, tax, consulting, SEC services
- "Top 40" firm nationally, top 4 southeast
- More than 500 talented, creative associates



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Our Services

- Accounting and Auditing
- Tax Strategy and Preparation
- Business Consulting, M&A
- Financial Planning
- Asset and Business Valuation
- Litigation Support
- Information Technology
- SEC/Sarbanes-Oxley Compliance
- Forensic Accounting



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Our Industries of Focus

- Architecture & Engineering
- Construction
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- Healthcare
- Manufacturing & Distribution
- Non-Profits
- Professional Services
- Real Estate
- Restaurants/Hospitality
- Retail
- Technology



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