

Duke's Fuqua School of Business / CFO Magazine Business Outlook

Results for 530 U.S. firms (own-firm changes expected during the next 12 months)

	Sept 2013	Jun 2013	Mar 2013	Dec 2012	Sept 2012
Weighted Averages for	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months
Earnings growth*	13.4%	7.5%	9.6%	8.8%	6.0%
Capital spending	4.8%	6.1%	5.3%	2.5%	3.7%
Technology spending	4.2%	6.1%	7.8%	2.3%	4.2%
R&D spending	1.8%	3.2%	1.0%	-0.8%	2.6%
Advertising and marketing spending	3.7%	3.2%	4.3%	2.2%	3.2%
Employment – full-time	1.8%	0.8%	2.2%	0.1%	1.5%
Employment – temporary	0.1%	0.4%	0.4%	-1.6%	0.9%
Outsourced Employment	3.0%	3.8%	1.2%	0.5%	2.9%
Wages and Salaries	2.3%	2.5%	3.1%	2.6%	2.6%
Productivity	2.7%	3.1%	3.2%	2.5%	2.9%
Inflation (Chg in prices of own-firm products)	2.2%	1.5%	1.9%	1.9%	2.1%
Health Care Costs	8.9%	7.4%	8.0%	7.7%	7.3%
Dividends*	4.1%	9.4%	8.5%	11.9%	2.0%
Share Repurchases*	8.7%	1.7%	14.9%	-3.5%	5.3%
Cash on balance sheet*	2.5%	8.3%	6.7%	0.6%	1.6%
Mergers and Acquisitions	Not asked.	Not asked.	36.8% plan to acquire; Foreign targets in 24.6% of acq.	Not asked.	Not asked.
Revenue	5.7%	5.0%	6.9%	3.6%	6.1%

\* indicates public firms only. All other numbers are for all survey respondents (including private). The reported averages are weighted by revenue or number of employees, so that large firms are weighted more heavily.

## U.S. BUSINESS OPTIMISM

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	Sept 2013	Jun 2013	Mar 2013	Dec 2012	Sept 2012
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
<b>Optimism about the U.S. economy</b>	More opt: 32.8% Less opt: 25.8% No chg: 41.5%	More opt: 53.7% Less opt: 12.8% No chg: 33.5%	More opt: 31.4% Less opt: 35.4% No chg: 33.2%	More opt: 21.2% Less opt: 52.0% No chg: 26.8%	More opt: 22.1% Less opt: 43.5% No chg: 34.4%
<b>U. S. optimism level (0 to 100)</b>	58.2	60.8	55.3	50.7	52.1
<b>Optimism about own company</b>	More opt: 42.2% Less opt: 25.6% No chg: 32.2%	More opt: 42.3% Less opt: 24.1% No chg: 33.5%	More opt: 42.4% Less opt: 27.7% No chg: 29.9%	More opt: 27.7% Less opt: 38.7% No chg: 33.6%	More opt: 36.6% Less opt: 34.5% No chg: 28.9%
<b>Own company optimism level</b>	65	64.2	63.8	63.0	62.0

### Other Key Results from September 2013

- 41% of US CFOs think that the stock market is overvalued and will correct downward
  - Half say that even if overvalued, the market is still a better investment than many alternatives (Europe, bonds, etc).
- 80% of US CFOs believe that interest rates will increase by year-end 2013
  - On average, they think rates will be 70 basis points higher than today.
- Spending and hiring plans are not very sensitive to changes in interest rates.
  - A 100 (200) bp increase in rates would decrease capital spending at 7% (30%) of firms
  - A 100 bp decrease in rates would increase capital spending at 12% of firms
  - Borrowing is a bit more sensitive than spending; hiring plans are less interest rate sensitive
- 58.5% of companies have decreased the proportion of employees who work fulltime
  - 32% have increased temporary and contract employment, 20% have increased part-time, and 19% have increased the use of outside advisors and consultants
  - Among the 58.5% that have decreased the fulltime proportion, 44% say they did so because of economic uncertainty, 38% due to new healthcare regulations (Affordable Care Act), and 24% because hourly wages are higher for fulltime workers
- 28% of firms have fulltime employees (not outsourced) working outside of the US and this trend will accelerate
- Return on assets will increase to over 10% for the two-year period 2013-2014, the highest level since 2007.
  - Companies expect exports and overseas operations to continue to fuel increased profitability

### Top Concerns for U.S. Businesses

#### MACRO CONCERNS

- Consumer Demand
- Price pressure from competitors
- Federal Government Agenda/Policies
- Global financial instability

#### INTERNAL TO OWN FIRM

- Ability to Maintain Margins
- Cost of health care
- Attracting and retaining qualified employees
- Ability to forecast results