

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

Results for 580 U.S. firms (own-firm changes expected during the next 12 months)

	Sep 2007	June 2007	March 2007	Nov/Dec 2006
Weighted Averages for Earnings growth*	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*	+8.8%	+8.6%	+7.4%	+9.3%
Capital spending	+3.2%	+5.2%	+6.7%	+4.9%
Technology spending	+4.1%	+3.9%	+5.2%	+5.6%
Advertising and marketing spending	+2.5%	+2.7%	+3.4%	+4.5%
Employment	0.0%	+0.4%	+1.6%	+1.0%
Outsourced Employment	+5.9%	+7.1%	+4.0%	+6.8%
Wages and Salaries	+3.2%	+4.2%	+3.7%	+3.6%
Productivity	+3.1%	+3.6%	+3.2%	+3.6%
Inflation (Chg in prices of own-firm products)	+2.0%	+2.3%	+1.7%	+1.7%
Health Care Costs	+6.5%	+7.3%	+6.6%	+6.8%
Dividends*	+3.8%	+4.9%	+4.4%	+7.0%
Share Repurchases*	+5.8%	+5.7%	Not asked	Not asked
Cash on balance sheet*	+1.1%	+2.9%	+0.5%	0.3%
Inventory	-0.2%	-0.6%	+0.5%	-0.6%
Mergers and Acquisitions	35.2% increasing 9.4% decreasing	36.3% increasing 7.4% decreasing	40.0% increasing 6.8% decreasing	33.8% increasing 10.3% decreasing
Business Terrorism Index (out of 100)	Index: 16.5  Hurting bottom line: 17.8	Not asked	Not asked	Not asked

\* indicates public firms only. All other numbers for all survey respondents (including private)

## U.S. BUSINESS OPTIMISM

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	Sept 2007	June 2007	March 2007	Nov/Dec 2006
	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 optimistic: 13.6% Less optimistic: 61.7% No change: 24.7%	More optimistic: 26.3% Less optimistic: 29.8% No change: 44.0%	More optimistic: 35.0% Less optimistic: 27.4% No change: 37.6%	More optimistic: 30.3% Less optimistic: 34.8% No change: 34.8%
<b>Optimism about own company</b>	More optimistic: 39.5% Less optimistic: 30.1% No change: 30.4%	More optimistic: 44.1% Less optimistic: 24.5% No change: 31.4%	More optimistic: 48.5% Less optimistic: 21.5% No change: 30.1%	More optimistic: 47.0% Less optimistic: 27.4% No change: 25.6%

#### Other Key Results from September 2007 survey

- 31% of CFOs say their firm has been affected by recent credit market turmoil.  
Among these firms
  - 58% have experienced a higher cost of borrowing (72 basis points)
  - 33% have experienced decreased availability of credit
  - 31% are reducing capital spending plans in response
  - 18% are reducing M&A plans in response
  - 16% are reducing hiring plans in response
- If the Fed were to lower the Fed Funds rate by 50 basis points
  - 44.5% of firms say it would not help their ability to borrow
  - 37.4% say it would help only a little
  - 18.1% say it would help a moderate amount or a lot
- 68.7% of firms say M&A has slowed or will slow this year. Among these firms,
  - 86% say slowing will be due to tighter credit markets
  - 63% say due to increased cost of borrowing
  - 34% say due to weak economic growth
- 75% of firms expect acquisitions to shift away from private equity buyers towards corporate acquisitions
- 92% of companies say that their firms are not affected by concern about Chinese product safety
- Giuliani has the greatest support for President among CFOs, followed by Mitt Romney and Hilary Clinton.

#### Top Concerns for U.S. Businesses

- Cost of Labor (Wages, Salary, Bonus)
- Consumer Demand
- Credit Markets/Interest Rates
- Health Care Costs
- Skilled Labor Shortage