

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

Results for 379 U.S. firms (own-firm changes expected during the next 12 months)

	Mar 2014	Dec 2013	Sept 2013	Jun 2013	Mar 2013
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*	7.1%	14.3%	13.4%	7.5%	9.6%
Capital spending	6.8%	7.3%	4.8%	6.1%	5.3%
Technology spending	5.5%	5.6%	4.2%	6.1%	7.8%
R&D spending	2.6%	2.3%	1.8%	3.2%	1.0%
Advertising and marketing spending	4.0%	4.1%	3.7%	3.2%	4.3%
Employment – full-time	1.2%	1.4%	1.8%	0.8%	2.2%
Employment – temporary	-0.2%	1.6%	0.1%	0.4%	0.4%
Outsourced Employment	3.2%	3.2%	3.0%	3.8%	1.2%
Wages and Salaries	2.7%	2.7%	2.3%	2.5%	3.1%
Productivity	3.1%	3.1%	2.7%	3.1%	3.2%
Inflation (Chg in prices of own-firm products)	2.5%	2.0%	2.2%	1.5%	1.9%
Health Care Costs	8.3%	10.2%	8.9%	7.4%	8.0%
Dividends*	6.1%	11.2%	4.1%	9.4%	8.5%
Share Repurchases*	3.2%	5.4%	8.7%	1.7%	14.9%
Cash on balance sheet*	3.8%	7.4%	2.5%	8.3%	6.7%
Mergers and Acquisitions	27.3% plan to acquire; Foreign targets in 15.7% of acq.	Not asked.	Not asked.	Not asked.	36.8% plan to acquire; Foreign targets in 24.6% of acq.
Revenue	5.9%	6.8%	5.7%	5.0%	6.9%

* 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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	Mar 2014	Dec 2013	Sept 2013	Jun 2013	Mar 2013
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
Optimism about the U.S. economy	More opt: 39.5% Less opt: 22.9% No chg: 37.6%	More opt: 33.3% Less opt: 28.0% No chg: 38.8%	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%
U. S. optimism level (0 to 100)	60.0	57.2	58.2	60.8	55.3
Optimism about own company	More opt: 47.5% Less opt: 25.7% No chg: 26.8%	More opt: 38.5% Less opt: 27.2% No chg: 34.3%	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%
Own company optimism level	63.9	65.5	65	64.2	63.8

Other Key Results from March 2014

- Overall, 56.7% of the CFOs of US retail firms say that they hiring plans will be reduced if minimum wage is increased, as do 44.1% of service firms.
 - If minimum wage increases to \$8.50, the effects will be tempered, with only about 10% of retail and service firms reducing hiring.
 - Among firms that would be affected by a change in minimum wage, if minimum wage were to increase to \$10 per hour, 93% of service, 82% of retail, and 81% of manufacturing firms would reduce hiring.
- On average, US CFOs expect that their borrowing costs will increase by 1.12% by year-end 2014. Fortunately, the operational effects of such an increase would be minimal. Fewer than 15% of CFOs say that their companies would reduce hiring, capital spending, or borrowing if interest rates were to increase by 1%.
- 88% of US firms say that uncertainty about the economy is causing their firms to reduce hiring, reduce spending, or accumulate more cash at their firms. About 2/3 say that uncertainty about government economic policy and regulatory implementation are having similar negative effects.
- Only 16% of US CFOs think that there is a real estate bubble in the US. In stark contrast, 90% of Chinese CFOs think there is a Chinese bubble, as do about half of Latin American executives.
- US acquisition activity will be greatest in the communications/media, mining/construction, healthcare/pharmaceutical, and retail sectors.
- US companies state that their top 5 cultural traits focus on consumer orientation, integrity, adaptability, collaboration, and short-term results.

Top Concerns for U.S. Businesses

MACRO CONCERNS

- Consumer Demand
- Price pressure from competitors
- Federal Government Policies
- National employment outlook

INTERNAL TO OWN FIRM

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