

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

Results for 629 U.S. firms (own-firm changes expected during the next 12 months)

	Mar 2016	Dec 2015	Sept 2015	Jun 2015	Mar 2015
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*	1.6%	9.5%	3.0%	7.6%	8.2%
Capital spending	2.0%	2.6%	2.4%	5.8%	5.2%
Technology spending	4.3%	6.0%	4.3%	3.5%	3.8%
R&D spending	1.2%	3.3%	1.6%	2.7%	3.6%
Advertising and marketing spending	2.8%	3.7%	3.6%	4.3%	3.2%
Employment – full-time	2.0%	2.4%	1.4%	2.4%	2.4%
Employment – temporary	-0.3%	0.8%	-1.0%	0.5%	-0.3%
Outsourced Employment	1.1%	2.3%	0.5%	1.1%	3.2%
Wages and Salaries	3.2%	2.9%	3.3%	3.3%	2.7%
Productivity	2.6%	2.6%	3.2%	2.3%	2.3%
Inflation (Chg in prices of own-firm products)	0.8%	0.8%	0.9%	1.3%	0.8%
Health Care Costs	7.1%	7.1%	7.5%	7.7%	7.2%
Dividends*	0.4%	5.4%	3.5%	3.9%	10.3%
Share Repurchases*	2.1%	0.0%	2.2%	1.5%	1.9%
Cash on balance sheet*	3.2%	6.3%	0.3%	-6.3%	-3.3%
Mergers and Acquisitions	Not asked.	Not asked.	26.1% plan to acquire. To improve industry position&product diversification.	Not asked.	26.5% plan to acquire; Foreign targets in 17.6% of acq.
Revenue	3.7%	4.2%	3.5%	4.2%	4.2%

* 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 2016	Dec 2015	Sept 2015	Jun 2015	Mar 2015
	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: 22.8% Less opt: 47.3% No chg: 29.9%	More opt: 26.1% Less opt: 40.9% No chg: 33.0%	More opt: 23.1% Less opt: 41.6% No chg: 35.3%	More opt: 37.0% Less opt: 22.1% No chg: 40.9%	More opt: 46.5% Less opt: 16.5% No chg: 36.9%
U. S. optimism level (0 to 100)	58.6	60.3	60.0	62.9	64.7
Optimism about own company	More opt: 41.8% Less opt: 30.2% No chg: 28.0%	More opt: 41.0% Less opt: 30.4% No chg: 28.6%	More opt: 39.3% Less opt: 32.4% No chg: 28.3%	More opt: 46.3% Less opt: 25.0% No chg: 28.7%	More opt: 48.4% Less opt: 21.3% No chg: 30.3%
Own company optimism level	66.0	65.9	65.8	67.5	67.5

Other Key Results for March 2016

- 31% of CFOs expect the US economy to be in recession by year-end 2016, up from 16% that felt a recession was imminent last June.
- 59% of CFOs say that the slowdown in China is a key risk that might lead to a US recession, followed by political risk in the U.S. (53%), a stock market decline (50%), and the price of oil (40%)
- Substantial unintended consequences would occur if the US minimum wage were increased to \$10 or \$15 per hour. In contrast, CFOs indicate that their firms could reasonably absorb a hike to \$8.75
- If the minimum wage were increased to \$8.75/\$10/\$15, the following percentages of affected US firms (i.e., the firms that currently pay less than the given wage) would take the following actions
 - reduce current/future employment: 39/47/73%
 - shift towards labor saving technology: 31/44/72%
 - reduce benefits: 11/28/48%
 - raise product prices: 22/43/49%
- Hiking min wage to \$8.75/\$10/\$15 would result in positive outcomes at this % of affected firms:
 - Reduce employee turnover: 22/22/26%
 - Increase productivity: 17/35/41%
 - Attract higher-quality workers: 17/14/33%
- 27% of firms view a very low (0%-1%) inflation world negatively vs. 35% who view it positively
- 1/3 of firms say a low inflation world would substantially diminish their ability to meet profit targets and 15% say it would disrupt the competitive environment in their industries. To remain competitive, firms would need to increase productivity and reduce costs including employee raises and benefits.
- 60% of US firms plan to increase employees in 2016 (vs. 17% that will reduce workforce)
- 2/3 of firms say that interest rate hikes of 1.5% or less would hinder spending, hiring, or borrowing
- Employment / wage growth will be strongest in services/consulting, tech, retail/wholesale, and construction. Manufacturing and energy firms will reduce fulltime employment in 2016.

Top Concerns for U.S. Businesses

(1-5 on left, 6-10 on right)

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| • Economic Uncertainty | • Weak demand for product/services |
| • Cost of benefits | • Data Security |
| • Attracting and retaining qualified employees | • Employee productivity |
| • Regulatory requirements | • Access to capital |
| • Government policy | • Employee morale |