

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

Results for 626 U.S. firms (own-firm changes expected during the next 12 months)

	Jun 2016	Mar 2016	Dec 2015	Sept 2015	Jun 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*	4.3%	1.6%	9.5%	3.0%	7.6%
Capital spending	1.1%	2.0%	2.6%	2.4%	5.8%
Technology spending	3.7%	4.3%	6.0%	4.3%	3.5%
R&D spending	1.8%	1.2%	3.3%	1.6%	2.7%
Advertising and marketing spending	3.0%	2.8%	3.7%	3.6%	4.3%
Employment – full-time	1.7%	2.0%	2.4%	1.4%	2.4%
Employment – temporary	1.6%	-0.3%	0.8%	-1.0%	0.5%
Outsourced Employment	1.5%	1.1%	2.3%	0.5%	1.1%
Wages and Salaries	3.2%	3.2%	2.9%	3.3%	3.3%
Productivity	2.3%	2.6%	2.6%	3.2%	2.3%
Inflation (Chg in prices of own-firm products)	1.5%	0.8%	0.8%	0.9%	1.3%
Health Care Costs	7.0%	7.1%	7.1%	7.5%	7.7%
Dividends*	3.0%	0.4%	5.4%	3.5%	3.9%
Share Repurchases*	3.0%	2.1%	0.0%	2.2%	1.5%
Cash on balance sheet*	1.2%	3.2%	6.3%	0.3%	-6.3%
Mergers and Acquisitions	Not asked.	Not asked.	Not asked.	26.1% plan to acquire. To improve industry position&product diversification.	Not asked.
Revenue	4.8%	3.7%	4.2%	3.5%	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

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

	Jun 2016	Mar 2016	Dec 2015	Sept 2015	Jun 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: 26.7% Less opt: 35.9% No chg: 37.5%	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%
U. S. optimism level (0 to 100)	59.4	58.6	60.3	60.0	62.9
Optimism about own company	More opt: 40.7% Less opt: 28.6% No chg: 30.7%	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%
Own company optimism level	66.3	66.0	65.9	65.8	67.5

Other Key Results for June 2016

- 45% of US CFOs say there is moderate political risk in the US, plus another 34% say the risk is large
 - Compared to the nearly 80% of US CFOs who rate political risk as moderate-to-large, European (69%) and Asian (55%) CFOs don't rate it as high, while 93% of African and 90% of Latin American CFOs rate political risk as moderate-to-high.
- Due to political risk, US CFOs say their firm is holding back on business spending (45% of those polled), making acquisitions (37%), and hiring (34%).
- 38% of US CFOs believe that foreign companies are wary about doing business with US firms due to US political risks, which is roughly twice as large as the proportion of foreign CFOs who actually say that US political risk is causing their firms to be wary of dealing with US firms
- Political uncertainty in the US stems from upcoming elections, Washington gridlock and dysfunction, proposed regulations including minimum wage, and the potential for tax reform. Only 13% rate social policies as a source of political risk-related caution.
- 54% of US firms believe that trade alliances help the overall economy, smaller than the advantage of alliances seen in Europe (63%), Asia (65%), Africa (71%), and Latin America (83%)
- 75% of US firms believe that trade alliances have no effect on US domestic employment, compared to 16% who think they increase US employment and 9% who think the opposite
 - 30% to 70% of non-US CFOs think alliances increase their own-country employment
- Among firms that have a specific plan for cash holdings, 53 percent of US expect to start spending their cash reserves. Cash holdings will be spent primarily on capX, paying down debt, acquisitions, and increasing hiring. Only 13% will use cash to increase payout.
 - About 60% of European, African, and Asian CFOs will tap cash reserves vs. 70% in LatAm

Top Concerns for U.S. Businesses

- Economic Uncertainty
- Attracting and retaining qualified employees
- Regulatory requirements
- Cost of benefits
- Weak demand for product/services

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

- Government policy
- Data Security
- Employee productivity
- Access to capital
- Rising wages and salaries