

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

Results for 357 U.S. firms (own-firm changes expected during the next 12 months)

	Jun 2017	Mar 2017	Dec 2016	Sept 2016	Jun 2016
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*	8.2%	8.6%	8.4%	7.3%	4.3%
Capital spending	2.2%	5.8%	1.4%	-0.4% Median=0%	1.1%
Advertising and marketing spending	1.8%	3.8%	1.9%	2.5%	3.0%
Technology spending	4.1%	5.3%	3.5%	4.8%	3.7%
R&D spending	2.3%	4.0%	0.9%	1.4%	1.8%
Employment – full-time	3.8%	3.5%	2.2%	1.4%	1.7%
Wages and Salaries	4.1%	3.9%	3.2%	2.9%	3.2%
Inflation (Chg in prices of own-firm products)	2.5%	3.0%	1.7%	1.6%	1.5%
Health Care Costs	7.8%	6.8%	6.8%	6.8%	7.0%
Revenue	6.2%	8.1%	4.4%	4.4%	4.8%

* 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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	Jun 2017	Mar 2017	Dec 2016	Sept 2016	Jun 2016
	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: 41.8% Less opt: 23.4% No chg: 34.7%	More opt: 62.0% Less opt: 15.0% No chg: 23.0%	More opt: 64.1% Less opt: 16.3% No chg: 19.6%	More opt: 26.7% Less opt: 33.3% No chg: 40.0%	More opt: 26.7% Less opt: 35.9% No chg: 37.5%
U. S. optimism level (0 to 100)	67.4	68.5	66.5	60.6	59.4
Optimism about own company	More opt: 49.6% Less opt: 20.7% No chg: 29.7%	More opt: 58.1% Less opt: 17.9% No chg: 24.0%	More opt: 51.1% Less opt: 18.3% No chg: 30.6%	More opt: 40.2% Less opt: 31.2% No chg: 28.7%	More opt: 40.7% Less opt: 28.6% No chg: 30.7%
Own company optimism level	69.2	69.0	67.4	65.3	66.3

Other Key Results for June 2017

- 36% of CFOs say their firm currently faces more uncertainty than normal about the economic outlook and governmental policies. 58% say the level of uncertainty is normal.
- Among the 36%, about 60% say that they are delaying or proceeding more slowly on expansion plans in response.
- The top four items about which uncertainty is causing firms to proceed slowly or delay are listed next (with the most common action taken in response in parentheses):
 - Health care policy (delay hiring new employees in general, except perhaps to deal with specifics of health regulations)
 - Regulatory policy (wait and see, delay until dust settles)
 - Economic growth (delay investment, reduce hiring)
 - Tax policy (delay investment)
- Best practices for running a firm in the face of heightened uncertainty.
 - The most common strategy is to “stay the course”. By this companies mean not to become frozen into inaction, but to continue to pursue core strategies built on the companies’ strengths, focusing on what is under their control. For the most part, when uncertainty is high, this also means don’t expand into new projects that stretch the firm in new directions
 - Focus on getting through the short-term, remaining flexible, without losing sight of long-run objectives
 - Many firms pull back and operate very cautiously, making changes slowly ... some cut existing or cancel new projects but this is the exception rather than the rule
 - Reduce costs, though continue to take care of the core
 - Study high quality economic and scenario analysis. Understand the economic outlook of various scenarios very well and how to react to each. Hire experts to help you understand issues. Be more active in risk mgmt. and hedging.
 - Many firms highlight the need to reduce financial risk by accumulating liquid assets, especially cash. Try not to increase debt loads
 - Increase communication with, and take extra care of, customers
 - Get involved in the process, lobby
- A “hurdle rate” is the cutoff rate of return above which an investment must be expected to earn in order to be approved. Most companies set their hurdle rate about 4% above their WACC (weighted average cost of capital).
- 77% of companies say that they do not pursue all projects that are expected to out earn the hurdle rate, even though these projects would add value to the firm.
- The primary reasons that firms say they do not pursue these projects include
 - Shortage of mgmt. time and expertise
 - Project is not consistent with the firm’s core strategy
 - The risk of the project is too high
 - Shortage of funding

Top Concerns for U.S. Businesses

- Attracting and retaining qualified employees
- Government policies
- Cost of benefits
- Economic Uncertainty
- Data Security

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

- Regulatory requirements
- Employee productivity
- Weak demand for product/services
- Corporate tax code
- Rising wages and salaries