

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

Results for 245 U.S. firms (own-firm changes expected during the next 12 months)

	Mar 2018	Dec 2017	Sept 2017	Jun 2017	Mar 2017
Weighted Averages for	Expected growth in next 12 months				
Earnings growth*	8.5%	5.6%	4.6%	8.2%	8.6%
Capital spending	11.0%	3.2%	4.2%	2.2%	5.8%
Advertising and marketing spending	3.5%	3.0%	1.7%	1.8%	3.8%
Technology spending	9.0%	4.8%	5.2%	4.1%	5.3%
R&D spending	3.0%	3.3%	1.3%	2.3%	4.0%
Employment – full-time	3.0%	3.2%	3.4%	3.8%	3.5%
Wages and Salaries	3.9%	4.4%	3.9%	4.1%	3.9%
Inflation (Chg in prices of own-firm products)	3.0%	2.7%	1.2%	2.5%	3.0%
Health Care Costs	7.2%	8.3%	8.6%	7.8%	6.8%
Revenue	7.0%	5.9%	4.3%	6.2%	8.1%

\* 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 2018	Dec 2017	Sept 2017	Jun 2017	Mar 2017
	Compared to last qtr.				
<b>Optimism about the U.S. economy</b>	More opt: 53.3% Less opt: 16.4% No chg: 30.3%	More opt: 49.4% Less opt: 17.8% No chg: 32.8%	More opt: 32.7% Less opt: 29.2% No chg: 38.1%	More opt: 41.8% Less opt: 23.4% No chg: 34.7%	More opt: 62.0% Less opt: 15.0% No chg: 23.0%
<b>U. S. optimism level (0 to 100)</b>	71.2	68.6	65.9	67.4	68.5
<b>Optimism about own company</b>	More opt: 55.9% Less opt: 16.3% No chg: 27.8%	More opt: 53.9% Less opt: 16.3% No chg: 29.8%	More opt: 47.7% Less opt: 22.2% No chg: 30.1%	More opt: 49.6% Less opt: 20.7% No chg: 29.7%	More opt: 58.1% Less opt: 17.9% No chg: 24.0%
<b>Own company optimism level</b>	70.1	71.3	70.2	69.2	69.0

## Other Key Results for January 2018

- CFO Optimism among US CFOs is the highest ever recorded in the history of the survey
- Two-thirds of US firms say that tax reform will be beneficial for their firms, while 36% say that the benefit will be medium or large.
- CFOs indicate that the following items will be higher in 2018 than they would have been if not for tax reform: wages/salaries (44% say higher due to tax reform), hiring (38%), domestic investment (36%), cash holdings (31%), defined benefit pension contributions (28%)
  - These positive effects will also be felt in 2019
- Among those planning increased investment due to tax reform, 53% of firms say the increase is due to the lower US income tax rate and 44% say it is due to the ability to immediately expense investment. The immediate expensing expires after 5 years, however. Due to this expiration, 37% of firms say their companies are front-end loading investment into the next five years, and therefore are 'stealing investment from the future'
- Effective tax rates are expected to fall from 24% to 18.8% due to tax reform.
- Only 17% of US CFOs indicate that they understand blockchain technology well, and 13% understand smart contracts well. A larger percentage understand well machine learning (41%), advanced analytics (52%), and artificial intelligence (48%)
- 28% say the fintech disruption will lead to reduced finance employment within 5 years.
- The degree to which attracting and retaining qualified employees is a top concern is at an all-time high, with 45% of US firms listing it as a top 4 concern.
- Outside the US: four-fifths of Latin American CFOs indicate that business corruption is a significant or very significant problem, as do three-fourths in Africa and half in Asia.
  
- We've all heard that the Fintech Revolution is at hand. What exactly does this mean, and where will we see its effects?
- We surveyed CFOs around the globe and learned that about half of CFOs are very familiar with and working on Big Data, machine learning, advanced analytics, and AI, and this is where the Fintech Revolution is progressing rapidly
- But what about Blockchain, the technology expected to disrupt many business models as it provides a cheap, secure, near-instant way to conduct transactions and keep records? Perhaps surprisingly, only about 1-in-5 CFOs say that they understand Blockchain well, indicating that established businesses have not fully begun to experience the changes that Blockchain will bring.
- We also asked CFOs about US tax reform. Two-thirds of companies say tax reform will benefit them, and as a result they will spend more, hire more, and increase employee wages.
- Because of tax reform, US Business Optimism is at an all-time high. In fact, CFO optimism is up around the globe, indicating that 2018 should be a strong economic year.

## Top Concerns for U.S. Businesses

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

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| <ul style="list-style-type: none"><li>• Attracting and retaining qualified employees</li><li>• Cost of benefits</li><li>• Regulatory requirements</li><li>• Government policies</li><li>• Data Security</li></ul> | <ul style="list-style-type: none"><li>• Employee productivity</li><li>• Rising wages and salaries</li><li>• Corporate tax code</li><li>• Access to capital</li><li>• Weak demand for products/services</li></ul> |
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