

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

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

	June 2006	March 2006	Nov/Dec 2005	Sept 2005
Weighted Averages for Earnings growth*	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months
Weighted Averages for Earnings growth*	+10.4%	+13.1%	+11.4%	+12.7%
Capital spending	+7.5%	+6.5%	+5.7%	+4.7%
Advertising and marketing spending	Not asked	+3.6%	+2.8%	+4.8%
Technology spending	+5.1%	+8.4%	+4.6%	+4.7%
Employment	+1.3%	+2.0%	+0.6%	+1.6%
Outsourced Employment	+4.7%	+6.5%	+4.8%	+4.0%
Wages and Salaries	+3.7%	+4.2%	+3.5%	+3.6%
Productivity	+3.4%	+3.8%	+2.7%	+3.2%
Inflation (Chg in prices of own-firm products)	+3.1%	+3.3%	+3.0%	+2.8%
Health Care Costs	+7.8%	+8.4%	+7.8%	+8.1%
Dividends*	+2.8%	+6.1%	+4.2%	+5.8%
Cash on balance sheet*	+2.1%	+2.6%	+4.6%	+3.9%
Inventory	+1.7%	+0.3%	+1.1%	+0.4%
Mergers and Acquisitions	33.3% increasing 11.4% decreasing	36.8% increasing 10.3% decreasing	35.8% increasing 10.9% decreasing	49.6% increasing 8.4% decreasing
Business Terrorism Index (out of 100)	Index: 21.4 Hurting Bottom line: 28.2%	Not asked	Not asked	Index: 22.6 Hurting Bottom line: 33.3%

* indicates public firms only. All other numbers for all survey respondents (including private)

U.S. BUSINESS OPTIMISM

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	June 2006	March 2006	Nov/Dec 2005	Sept 2005
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
Optimism about the U.S. economy	More optimistic: 24.0% Less optimistic: 45.9% No change: 30.2%	More optimistic: 42.4% Less optimistic: 25.1% No change: 32.5%	More optimistic: 32.1% Less optimistic: 38.8% No change: 29.1%	More optimistic: 28.6% Less optimistic: 36.9% No change: 34.5%
Optimism about own company	More optimistic: 48.5% Less optimistic: 28.0% No change: 23.5%	More optimistic: 54.7% Less optimistic: 22.5% No change: 22.8%	More optimistic: 45.7% Less optimistic: 28.9% No change: 25.4%	More optimistic: 51.5% Less optimistic: 27.3% No change: 21.2%

Other Key Results for June 2006 survey

- U.S. Business Optimism about US economy decreases ...
 - 24% more optimistic about US economy relative to last qtr, 46% less optimistic
- ... But, optimism about their own firms holds steady
 - 49% more optimistic about own firm relative to last qtr, 28% less optimistic
- Inflation becoming a concern
 - Core Inflation expected to rise to 3%
 - Most firms say that pass on to consumers less than ½ of input price increases
- Bottom line for typical firm moderately hurt with
 - Oil at \$73 / barrel, Fed funds above 5.5%, core inflation at 3.5%
- Bottom line for typical firm greatly hurt with
 - Oil at \$83 / barrel, Fed funds at 6.5%, core inflation at 4.5%

Top Concerns for U.S. Businesses

- Cost of labor (wages, salary, bonus) – 1st time as #1 concern
- Consumer demand
- Fuel Costs
- Interest Rates
- Skilled Labor Shortage
- Health Care Costs