

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

Results for 444 U.S. firms (own-firm changes expected during the next 12 months)

	May 2012	Mar 2012	Dec 2011	Sept 2011	Jun 2011
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*	10.9%	7.5%	7.7%	9.4%	8.1%
Capital spending	4.9%	7.3%	7.8%	4.5%	8.7%
Technology spending	8.0%	6.0%	6.0%	4.3%	6.0%
R&D spending	3.1%	3.4%	2.9%	2.8%	2.0%
Advertising and marketing spending	3.3%	3.3%	2.3%	2.1%	2.5%
Employment – full-time	2.5%	2.1%	1.5%	0.9%	0.7%
Employment – temporary	0.6%	1.0%	0.2%	-0.4%	-0.3%
Outsourced Employment	3.8%	3.0%	1.8%	2.2%	3.2%
Wages and Salaries	2.6%	2.9%	2.4%	2.3%	2.8%
Productivity	3.2%	3.4%	2.7%	3.0%	3.9%
Inflation (Chg in prices of own-firm products)	1.8%	2.5%	1.8%	2.5%	2.9%
Health Care Costs	7.0%	6.1%	8.2%	7.8%	8.3%
Dividends*	5.5%	3.2%	3.6%	12.4%	9.8%
Share Repurchases*	3.9%	0.8%	9.0%	3.4%	2.6%
Cash on balance sheet*	8.8%	2.2%	4.4%	-1.8%	-0.4%
Mergers and Acquisitions	Not asked.	38.9% plan to acquire. 13.6% plan to sell part or all of firm.	Not asked.	Not asked.	Not asked.
Revenue	6.3%	6.6%	5.5%	5.8%	6.7%

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

U.S. BUSINESS OPTIMISM

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	May 2012	Mar 2012	Dec 2011	Sept 2011	Jun 2011
	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: 25.1% Less opt: 34.8% No chg: 40.2%	More opt: 53.5% Less opt: 15.3% No chg: 31.2%	More opt: 34.4% Less opt: 31.6% No chg: 34.0%	More opt: 12.2% Less opt: 64.8% No chg: 23.0%	More opt: 26.8% Less opt: 36.3% No chg: 36.9%
U. S. optimism level (0 to 100)	55.7	59.2	53.3	49.4	57.1
Optimism about own company	More opt: 37.5% Less opt: 28.9 % No chg: 33.6%	More opt: 48.2% Less opt: 18.0% No chg: 33.8%	More opt: 38.5% Less opt: 28.0% No chg: 33.5%	More opt: 29.4% Less opt: 36.4% No chg: 34.2%	More opt: 38.6% Less opt: 31.1% No chg: 30.3%
Own company optimism level	64.1	66.8	63.1	63.1	65.4

Other Key Results from June 2012 survey

- 38.5% of firms say that they dedicate budget to pursue major innovation.
 - For these firms, 3.4% of total budget is dedicated towards transformational projects and 6.4% towards moderate risk/ moderate reward projects.
- 7.9% of CFOs think business corruption is a significant risk factor in the U.S.
 - 40% say the major effects of corruption are increased prices, reduce quality, reduced competition, and slower growth.
- 28% of firms say that their employees are “maxed out”, compared to 31 percent that say their employees are underutilized.
 - 12% say they max out their physical assets, compared to 47% underutilize assets.
- 34% of firms say a 1% increase in interest rates might or will cause them to delay or stop an investment project. This number increases to 58% for a 2% increase in interest rates.
- 52% say that they will not begin to deploy cash holdings in the next year. Chief among the reasons to hold on to cash are the need for a liquidity buffer, waiting until economic uncertainty declines, or not having attractive investment opportunities
 - Of the 48% that plan to deploy cash, most will spend on business investment, making acquisitions, paying down debt, increasing hiring, or marketing / advertising.
- The typical company determines its hurdle rate (above which a project must earn to justify investment) by adding 4% to its WACC (weighted ave cost of capital).
 - Hurdle rates are set higher for highly innovative but risky projects.
 - 2/3 of firms say they do not pursue all projects that top the hurdle rate, due to limited management time, funding constraints, or desire to focus on top priorities.

Top Concerns for U.S. Businesses

MACRO CONCERNS

- Consumer Demand
- Federal Government Agenda/Policies
- Price pressure from competitors
- Global financial instability

INTERNAL TO OWN FIRM

- Ability to Maintain Margins
- Ability to forecast results
- Attracting and retaining qualified employees
- Cost of health care