



Contact:

Margaret Towers
TowersGroup
212.354.5020

margarettowers@towerspr.com

Chris Allen
FEI
973.765.1058

callen@fei.org

Jim Gray
Duke-Fuqua
919.660.2935

jjgray@mail.duke.edu

CFO SURVEY: GDP TO INCREASE 1.7%

Employment to increase overall, though 47% predict layoffs

Health care costs expected to rise 12%

DURHAM, N.C. and MORRISTOWN, N.J., March 26, 2003 — Chief Financial Officers of U.S. companies predict that GDP will increase modestly in the coming year, according to the March 2003 “CFO Outlook Survey,” conducted by Financial Executives International (FEI) and Duke University’s Fuqua School of Business. The CFOs also predict modest employment growth and wage increases, while expecting double-digit increases in their health care costs.

Gross Domestic Product

Nearly nine out of 10 CFOs expect GDP to grow during the next 12 months, with an average expected growth of 1.7%. This is a reduction in the 2.4% annual GDP growth predicted in the December 2002 survey.

“We believe this tempered but still positive expectation for the U.S. economy reflects the uncertainty surrounding war with Iraq,” said Dr. John Graham, finance professor at Fuqua and director of the survey. “As announced last week, CFOs expect revenues will grow robustly if the Iraqi conflict is short and decisive, and we expect that GNP would increase proportionally in this scenario.”

Employment, Overtime and Wages

The survey indicates that employment will finally start to grow again in the coming year; however, employment plans vary widely. Forty-seven percent of companies expect to reduce

the number of their employees in the next 12 months, while 32% expect to hire more employees; 21% plan no net change. While the percentage of companies expecting to reduce the number of employees is the highest figure, expected overall gains will outweigh expected reductions, bringing a predicted increase in employees to 1% in the coming year.

CFOs say that their companies will continue to cut overtime during the coming year, by an average of 1%. Finally, wages are expected to rise by only 2.8% during the next 12 months.

Health Care Costs

Health care costs are expected to increase a startling 12.3% during the next 12 months.

Editor's Note: More information about earnings, tech spending, capital spending, expenditures, dividends, audit committees, merger activity, productivity, executive confidence, and the effects of the war in Iraq are available at

<http://www.duke.edu/~jgraham/fei.html> or www.duke.edu/%7ejgraham.

About the Survey

The CFO Outlook Survey, conducted by Financial Executives International and Duke University's Fuqua School of Business, interviewed the CFOs of U.S. companies electronically the third week of March. 205 CFOs from both public and private companies from a broad range of industries, geographic areas and revenues responded. Among the industries represented are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, and banking/finance/insurance. Revenue-weighted means were provided for earnings, capital spending, technology spending, advertising spending, inventory and prices of products. Employee-weighted means were used for productivity (output per hours worked), wages, number of employees and overtime.

FEI and Fuqua have conducted surveys gauging the country's economic outlook from the perspective of corporate CFOs for the past seven years. Detailed results of this survey as well as other "CFO Outlook" surveys are available at <http://www.duke.edu/~jgraham/fei.html> or www.duke.edu/%7ejgraham.

Financial Executives International (FEI) is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers, and controllers. FEI enhances member professional development through peer networking, career planning services, conferences, publications, and special

reports and research. Members participate in the activities of 86 chapters, 75 of which are in the United States and 11 in Canada. For more information about FEI, visit www.fei.org.

The Fuqua School of Business at Duke University was founded in 1970. Fuqua's mission is to educate thoughtful business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.

#