

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

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

	March 2006	Nov/Dec 2005	Sept 2005	June 2005
<b>Weighted Averages for Earnings growth*</b>	<b>Expected growth in next 12 months</b>	<b>Expected growth in next 12 months</b>	<b>Expected growth in next 12 months</b>	<b>Expected growth in next 12 months</b>
	+13.1%	+11.4%	+12.7%	+10.1%
<b>Capital spending</b>	+6.5%	+5.7%	+4.7%	+4.5%
<b>Advertising and marketing spending</b>	+3.6%	+2.8%	+4.8%	+2.9%
<b>Technology spending</b>	+8.4%	+4.6%	+4.7%	+5.8%
<b>Employment</b>	+2.0%	+0.6%	+1.6%	+1.4%
<b>Outsourced Employment</b>	+6.5%	+4.8%	+4.0%	+6.5%
<b>Wages and Salaries</b>	+4.2%	+3.5%	+3.6%	+3.4%
<b>Productivity</b>	+3.8%	+2.7%	+3.2%	+3.6%
<b>Inflation (Chg in prices of own-firm products)</b>	+3.3%	+3.0%	+2.8%	+2.1%
<b>Health Care Costs</b>	+8.4%	+7.8%	+8.1%	+8.9%
<b>Dividends*</b>	+6.1%	+4.2%	+5.8%	+6.5%
<b>Cash on balance sheet*</b>	+2.6%	+4.6%	+3.9%	
<b>Inventory</b>	+0.3%	+1.1%	+0.4%	
<b>Mergers and Acquisitions</b>	36.8% increasing 10.3% decreasing	35.8% increasing 10.9% decreasing	49.6% increasing 8.4% decreasing	41.7% increasing 11% decreasing
<b>Business Terrorism Index (out of 100)</b>	Not asked	Not asked	Index: 22.6  Hurting Bottom line: 33.3%	Not asked

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

## U.S. BUSINESS OPTIMISM

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	March 2006	Nov/Dec 2005	Sept 2005	June 2005
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
<b>Optimism about the U.S. economy</b>	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%	More optimistic: 40.1% Less optimistic: 25.9% No change: 34.0%
<b>Optimism about own company</b>	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%	More optimistic: 53.7% Less optimistic: 22.2% No change: 24.2%

### Other Key Results for March 2006 survey

- U.S. Business Optimism increases to highest level in one year
  - Duke/CFO optimism predicts future earnings and capX growth with greater than 70% correlation
  - Duke/CFO survey predicts changes in economy sooner than other major surveys
- CFOs expect inflation to increase but they are not worried about it
  - 90% want Fed to stop raising interest rates
- Cash hoarding to continue
  - Biggest use of cash is save it for a rainy day
  - Secondly, use to increase investment and M&A
  - Thirdly, increase payout to investors and pay down debt
- CFOs willing to pay \$70 per barrel to reduce dependency on Mid-East oil

### Top Concerns for U.S. Businesses

- Intense global competition
- Health Care Costs
- Fuel Costs and Interest Rates
- World economic stability and declining consumer demand
- Notable portion list shortage of skilled labor