

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

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

	Sept. 2006	June 2006	March 2006	Nov/Dec 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
Capital spending	+5.1%	+7.5%	+6.5%	+5.7%
Advertising and marketing spending	+3.2%	Not asked	+3.6%	+2.8%
Technology spending	+5.0%	+5.1%	+8.4%	+4.6%
Employment	+0.8%	+1.3%	+2.0%	+0.6%
Outsourced Employment	+4.3%	+4.7%	+6.5%	+4.8%
Wages and Salaries	+3.6%	+3.7%	+4.2%	+3.5%
Productivity	+3.2%	+3.4%	+3.8%	+2.7%
Inflation (Chg in prices of own-firm products)	+2.2%	+3.1%	+3.3%	+3.0%
Health Care Costs	+7.0%	+7.8%	+8.4%	+7.8%
Dividends*	+4.2%	+2.8%	+6.1%	+4.2%
Cash on balance sheet*	+3.3%	+2.1%	+2.6%	+4.6%
Inventory	-0.2%	+1.7%	+0.3%	+1.1%
Mergers and Acquisitions	35.5% increasing 8.1% decreasing	33.3% increasing 11.4% decreasing	36.8% increasing 10.3% decreasing	35.8% increasing 10.9% decreasing
Business Terrorism Index (out of 100)	Index: 15.3  Hurting Bottom line: 33.0%	Index: 21.4  Hurting Bottom line: 28.2%	Not asked	Not asked

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

## U.S. BUSINESS OPTIMISM

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	Sept 2006	June 2006	March 2006	Nov/Dec 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: 19.8% Less optimistic: 47.4% No change: 32.8%	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%
<b>Optimism about own company</b>	More optimistic: 45.8% Less optimistic: 30% No change: 24.2%	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%

### Other Key Results for September 2006 survey

- If consumer demand continues to weaken, among consumer-driven companies
  - 29% will cut capital spending, 34% will reduce hiring, and 19% will scale back on orders
- One-third of CFOs predict a U.S. recession within one year
- 54.2% of CFOs think that Federal Reserve tightening will head off inflation
  - 24.2% say it will not head off inflation, 21.6% not sure
  - 91.5% say no more tightening is needed, and 21% say cut interest rates
  - 42% say that Fed already went too far, 45% say not too far.

### Top Concerns for U.S. Businesses

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