

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

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

	Nov/Dec 2006	Sept. 2006	June 2006	March 2006
<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>
	+9.3%	+9.4%	+10.4%	+13.1%
<b>Capital spending</b>	+4.9%	+5.1%	+7.5%	+6.5%
<b>Advertising and marketing spending</b>	+4.5%	+3.2%	Not asked	+3.6%
<b>Technology spending</b>	+5.6%	+5.0%	+5.1%	+8.4%
<b>Employment</b>	+1.0%	+0.8%	+1.3%	+2.0%
<b>Outsourced Employment</b>	+6.8%	+4.3%	+4.7%	+6.5%
<b>Wages and Salaries</b>	+3.6%	+3.6%	+3.7%	+4.2%
<b>Productivity</b>	+3.6%	+3.2%	+3.4%	+3.8%
<b>Inflation (Chg in prices of own-firm products)</b>	+1.7%	+2.2%	+3.1%	+3.3%
<b>Health Care Costs</b>	+6.8%	+7.0%	+7.8%	+8.4%
<b>Dividends*</b>	+7.0%	+4.2%	+2.8%	+6.1%
<b>Cash on balance sheet*</b>	0.3%	+3.3%	+2.1%	+2.6%
<b>Inventory</b>	-0.6%	-0.2%	+1.7%	+0.3%
<b>Mergers and Acquisitions</b>	33.8% increasing 10.3% decreasing	35.5% increasing 8.1% decreasing	33.3% increasing 11.4% decreasing	36.8% increasing 10.3% decreasing
<b>Business Terrorism Index (out of 100)</b>	Not asked	Index: 15.3  Hurting Bottom line: 33.0%	Index: 21.4  Hurting Bottom line: 28.2%	Not asked

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

## U.S. BUSINESS OPTIMISM

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	Nov/Dec 2006	Sept 2006	June 2006	March 2006
	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: 30.3% Less optimistic: 34.8% No change: 34.8%	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%
<b>Optimism about own company</b>	More optimistic: 47.0% Less optimistic: 27.4% No change: 25.6%	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%

### Other Key Results for November/December 2006 survey

- CFOs think that Congress should focus on
  - Resolving the war in Iraq, Health care costs, the Budget deficit, and Reducing US dependence on foreign oil
- On average, CFOs predict a 26% chance of U.S. recession within one year
- Half of firms say that private equity investors have pushed up cost of acquisitions to unacceptable levels
- 24% of public firms have been targeted by activist investors. Among these firms
  - 35% say interactions with activists have been friendly, 17% say hostile
  - 26% say firm is better off for having dealt with activist, 15% say worse off
  - 30% altered a corporate policy in response to activist intervention. Among these firms, the policies most often adjusted are
    - strategic decisions, M&A, and board representation
- 2007 profits expected to be driven by
  - Greater sales of existing products, sales from new products/services, cost cutting, price increases, domestic demand, and IT efficiency/productivity gains

### Top Concerns for U.S. Businesses

- Consumer demand
- Cost of labor (wages, salary, bonus)
- Health Care Costs
- Skilled Labor Shortage
- Interest Rates