Global CFO Survey: Optimism Rebounds, Employment Outlook Strengthens in U.S.

DUKE UNIVERSITY NEWS

Duke University Office of News & Communications

http://www.dukenews.duke.edu

FOR IMMEDIATE RELEASE: Wednesday, March 7, 2012

CONTACTS: Kate O'Sullivan (CFO Magazine) (617) 345-9700 ext. 3214 kateosullivan@cfo.com and Chris Privett (Duke) (919) 660-8090 chris.privett@duke.edu

CFOs: OUTLOOK IMPROVES, U.S. EMPLOYMENT GROWTH TO ACCELERATE

Note to editors: For additional comment, see contact information at the end of this release.

DURHAM, N.C. -- Optimism among U.S. and Asian chief financial officers jumped this quarter and the hiring outlook is strong for 2012. European CFOs also say 2012 will be an improvement over a difficult 2011.

These are some of the findings of the most recent <u>Duke University</u>/<u>CFO Magazine</u> Global Business Outlook <u>Survey</u>. The quarterly survey, which concluded March1, asked 873 CFOs from a broad range of global public and private companies about their expectations for the economy. (See end of release for survey methodology.)

The survey has been conducted for 64 consecutive quarters, making it the world's longest running research on senior finance executives and one of the most comprehensivesurveys of its kind. Presented results are for U.S. firms unless otherwise noted.

SUMMARY OF FINDINGS

- -- Earnings and capital spending are both expected to rise more than 7 percent.
- -- U.S. finance chiefs plan to expand their workforces by slightly more than 2 percent on average over the next 12 months, a staffing increase that would bring the unemployment rate below 8 percent.
- -- Sixty-eight percent of U.S. CFOs say they are actively trying to fill vacant job positions, and many firms are recruiting more aggressively to fill the slots.
- -- Nearly 40 percent of U.S. CFOs say their firms will be active in mergers and acquisitions this year.

STRONG EMPLOYMENT OUTLOOK

The employment outlook has brightened, with U.S. finance executives expecting to increase their number of domestic full-time employees by 2.1 percent.

"The expected increase in employment is a welcome improvement over last quarter's 1.5 percent forecast growth rate," said Kate O'Sullivan, director of content development at CFO Magazine. "It indicates that national unemployment should fall below 8 percent in 2012."

More than two-thirds of U.S. CFOs say their companies are currently trying to fill vacant positions. Among these firms, nearly half say they have had difficulty filling some jobs. In an effort to fill their vacancies, 60 percent of CFOs say their companies are recruiting more actively, 55 percent have expanded their search areas, 35 percent say they plan to hire workers who are "too junior" and train them for the job, and 34 percent say they will increase wages to attact more job candidates. Fewer than four percent of companies plan to offer better benefits as an enticement.

OPTIMISM AND TOP CONCERNS

The U.S. CFO Optimism Index, in which CFOs rate their confidence in the economy on a scale of 0 to 100, increased from 53 last quarter to 59 this quarter, equaling the index's long-term average.

"This rebound is encouraging because increases in CFO optimism have historically preceded improvements in the overall economy, "said <u>John Graham</u>, a professor of finance at <u>Duke's Fuqua School of Business</u> and director of the survey. "Optimism also rebounded in Europe and Asia, suggesting that 2012 should be a better year than 2011. Still, European optimism lags behind the rest of the world."

CFOs cite weak consumer demand, intense pressure on profit margins, and the difficulty in attracting and retaining qualified employees among the top concerns for their companies.

CAPITAL SPENDING, ACQUISITIONS AND EARNINGS

U.S. finance chiefs plan to increase capital spending by slightly more than 7 percent and expect to boost tech spending by 6 percent over the next year. Capital spending growth will be especially strong in the energy and manufacturing sectors.

Nearly 40 percent of U.S. CFOs say their companies plan to be active in mergers and acquisitions this year, acquiring all or part of another firm. Tech, communications/media, and health care should be especially active sectors, with more than half of companies in those industries expected to make acquisitions.

Earnings at public companies are expected to rise by more than 7 percent.

RECOVERY STILL FRAGILE

"The recovery is still very fragile. More than half of the largest firms see a significant threat to their businesses if there are bank failures in Europe," said Campbell Harvey, a Fuqua finance professor and founding director of the survey. "The high-tech industry is particularly worried about how Europe in disarray will impact their profits."

DIVIDEND PAYOUT

The Obama Administration has announced its desire to increase the tax rate on dividend income to nearly 40 percent for people earning more than \$250,000. Thirty-six percent of CFOs at dividend-paying companies say this increase in taxation would lead them to reduce the amount they pay out as dividends (relative to their dividends if the tax rate were to remain at its current level). Nearly 11 percent of dividend-payers say they would pay their shareholders a large special dividend before the end of 2012, ahead of the scheduled increase in 2013.

ADDITIONAL EUROPEAN RESULTS

Unlike their U.S. counterparts, European CFOs plan further layoffs in the year ahead, saying they expect to reduce their domestic fulltime workforce by 1.5 percent over the next year. Capital spending (3 percent) and earnings (5 percent) growth will be modest.

European optmism increased from December lows and is on par with early Fall 2011 optimism levels.

Nearly half of European finance executives believe 2012 will be a better year for their firms than 2011. Fewer than 20 percent think it will be worse.

Thirty-six percent of European finance chiefs plan to make an acquisition in the next 12 months.

ADDITIONAL ASIAN RESULTS

Optimism about the regional economy in Asia surged to approximately 65 on a scale of 100. Nearly 60 percent of Asian CFOs say 2012 will be a better year for their firms than 2011, compared with 16 percent who say it will be worse.

Wage growth in Asia is expected to be 8 percent over the next 12 months, while full-time domestic employment in Asian countries should increase nearly 4 percent.

Three-fourths of Asian CFOs say the European debt crisis is negatively affecting their businesses, with 23 percent saying the negative effect is significant.

Asian CFOs are concerned about intense price pressure, global finanical instability and uncertainty, and low employee productivity and morale.

For additional comment, contact CFO Magazine's Kate O'Sullivan at (617) 345-9700 (x3214) or kateosullivan@cfo.com, or Duke's John Graham at (919) 660-7857 or john.graham@duke.edu. For commentary about European results, contact Tilburg's Kees Koedijk at +31-6-55186755 or C.Koedijk@uvt.nl.

Detailed results, including tabular summaries of the numbers in this release and results from previous surveys, are available at www.cfosurvey.org.

About the survey: This is the 64thconsecutive quarter the Duke University/CFOMagazine Global Business Outlook survey has been conducted. The survey concluded March 1, 2012, and generated responses from 847 CFOs, including 477 from the U.S., 160 from Europe,

and 236 from Asia. The survey of European CFOs was conducted jointly with Tilburg University in the Netherlands. Results in this release are for U.S. companies, unless otherwise noted.

The Global Business Outlook Survey polls a wide range of companies (public and private, small and large, many industries, etc.), with the distribution of responding firm characteristics presented in online tables. The responses are representative of the population of CFOs that are surveyed. Confidence ranges are reported in the online top line and banner tables for most of the numeric variables. A typical confidence range is less than one percentage point (e.g., capital spending is expected to increase by 7.3 percent with a 95 percent confidence range of 7 percent to 7.7 percent, which is a 0.7 percent confidence interval). Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance. The average growth rates are weighted by revenues or number of employees; for example, one \$5 billion company affects an average as much as ten \$500-million firms would. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending and prices of products. Employee-weighted mean growth rates are used for health-care costs, productivity, number of employees and outsourced employment. The earnings, dividends, share repurchases and cash on balance sheet are for public companies only. Unless noted, all other numbers are for all companies, including private companies.

CFO Publishing LLC, a portfolio company of Seguin Partners, is a business-to-business media brand focused on the information needs of senior finance executives. The business consists of *CFO* magazine, CFO.com, CFO Research Services, CFO Metrix and CFO Conferences. CFO has long-standing relationships with more than a half million financial executives.

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

Graphs reflect survey data through March 2012



