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SURVEY: European optimism surpasses Asian optimism and begins to approach US optimism. Expect to see increased spending on capital, technology and R&D next year

DURHAM, N.C. -- The latest results of the global Duke University Fuqua School of Business quarterly CFO survey, show that over 50% of European CFOs are growing more optimistic about the economy – an increase of 7.5% over last quarter. CFOs expressed a similar increase in optimism about the financial performance of their own companies. By contrast, only 30% of chief financial officers in the US say their optimism about the economy has increased.

European CFOs believe earnings, return on assets and capital spending will increase in the next year by 8%, 10% and 3.1%, respectively. Additionally, the region's CFOs expect to see increases in spending of 5.1% and 4.5% respectively on technology and R&D. These figures in particular indicate increased focus on innovation, a key building block of economic growth and recovery.

However, despite greater optimism in the region, CFOs still have concerns about weak consumer demand, price pressure from competitors and attracting and retaining the right employees.

Attracting and retaining the right employees is an important internal concern for over 40% of companies, however access to employees is not always possible. In Europe, the survey also reveals that levels of full-time domestic employment are expected to continue to fall. Economic uncertainty has led to a shift towards employing more temporary and part-time workers at 55% of companies. These seemingly dichotomous trends point to companies focusing on hiring experienced, high-performing full-time employees in high value roles core to their business, and outsourcing more non-core roles to temporary contractors and part-time employees. Adding weight to this view is the fact that half of European companies have full-time employees outside of their home country and at half of these organisations, hiring of non-domestic employees is expected to accelerate.

OTHER RESULTS FOR EUROPE

- Earnings are expected to rise nearly eight percent across all companies (including private).

- The return on assets is expected to jump from about eight percent over the past two years to more than 10 percent by year-end 2014.
- Manufacturing capacity is expected to increase to 79 percent over the next year.
- 48% of European CFOs expect the contribution to profit margins from exports and overseas operations to increase over the next year

US RESULTS THAT COULD IMPACT EUROPE

STOCK MARKET CORRECTION, INTEREST RATES, AND CAPITAL SPENDING

Forty percent of US CFOs say they believe the stock market is overvalued and will experience a downward correction. Eighty percent believe that long-term interest rates will rise by year-end, increasing by 70 basis points.

"The CFOs are telling us that the stock market is overvalued," said Campbell Harvey, a Fuqua finance professor and a founding director of the survey. "This is extraordinary because usually they argue that their own stock is undervalued. CFOs expect a correction and this correction is one of the major risk factors they face in the short-term."

In spite of interest rate risks, capital expenditures are expected to rise by nearly five percent over the next year. This indicates that near-term capital spending plans are fairly immune to interest rate levels. CFOs say if interest rates were to increase by 100 basis points by year-end, only seven percent of U.S. companies would reduce spending plans. It would take a 200 basis point increase in rates for spending plans to be curtailed at 30 percent of companies.

"The fact is that rates are still at historic low levels," Harvey noted. "Even if the benchmark bond yield increased to four percent, it would have a minimal effect on the CFOs' spending and employment plans. This type of information bodes well for the Fed's tapering strategy."

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Note to editors:
These are some of the findings from the latest Duke University/CFO Magazine Global Business Outlook Survey, which concluded Sept. 6. The survey has been conducted for 70 consecutive quarters and spans the globe, making it the world's longest running and most comprehensive research on senior finance executives.

For additional insights, watch professor John Graham discuss the results (or use this link http://youtu.be/MlBl0myzu9A). The video can be posted on your website. Names of CFOs who took part in the survey and agreed to speak with media are available by request.

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 70th consecutive quarter the Duke University/CFO Global Business Outlook survey has been conducted. The survey concluded September 6, and generated responses from 1,212 CFOs, including 530 from the U.S., 205 from Asia, 175 from Europe, 248 from Latin America, and 54 from Africa.

The survey of European CFOs was conducted jointly with TiasNimbas in the Netherlands. The survey of Latin America was conducted jointly with Fundação Getúlio Vargas (FGV) in Brazil. The Japanese survey was conducted jointly with Takashi Yamasaki at Kobe University and Kotaro Inoue at Tokyo Institute of Technology. This is the second quarter for the African survey, which was conducted jointly with SAICA in South Africa.

The Duke University/CFO 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 4.8 percent with a 95 percent confidence range of 4.4 percent to 5.2 percent, which is a 0.8 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 10 $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.

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