

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

Results for 383 U.S. firms (own-firm changes expected during the next 12 months)

	Sept 2014	Jun 2014	Mar 2014	Dec 2013	Sept 2013
Weighted Averages for	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months
Earnings growth*	11.7%	4.1%	7.1%	14.3%	13.4%
Capital spending	7.6%	9.3%	6.8%	7.3%	4.8%
Technology spending	5.2%	7.9%	5.5%	5.6%	4.2%
R&D spending	4.4%	2.3%	2.6%	2.3%	1.8%
Advertising and marketing spending	3.0%	4.0%	4.0%	4.1%	3.7%
Employment – full-time	2.1%	1.9%	1.2%	1.4%	1.8%
Employment – temporary	0.1%	1.2%	-0.2%	1.6%	0.1%
Outsourced Employment	3.1%	3.7%	3.2%	3.2%	3.0%
Wages and Salaries	2.9%	3.0%	2.7%	2.7%	2.3%
Productivity	3.0%	2.5%	3.1%	3.1%	2.7%
Inflation (Chg in prices of own-firm products)	2.0%	2.6%	2.5%	2.0%	2.2%
Health Care Costs	7.5%	7.9%	8.3%	10.2%	8.9%
Dividends*	5.9%	2.8%	6.1%	11.2%	4.1%
Share Repurchases*	0.4%	4.6%	3.2%	5.4%	8.7%
Cash on balance sheet*	3%	-3.1%	3.8%	7.4%	2.5%
Mergers and Acquisitions	Not asked.	Not asked.	27.3% plan to acquire; Foreign targets in 15.7% of acq.	Not asked.	Not asked.
Revenue	7.3%	5.7%	5.9%	6.8%	5.7%

\* indicates public firms only. All other numbers are for all survey respondents (including private). The reported averages are weighted by revenue or number of employees, so that large firms are weighted more heavily.

## U.S. BUSINESS OPTIMISM

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

	Sept 2014	Jun 2014	Mar 2014	Dec 2013	Sept 2013
	Compared to last qtr.	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 opt: 43.0% Less opt: 19.0% No chg: 38.0%	More opt: 37.5% Less opt: 19.0% No chg: 43.5%	More opt: 39.5% Less opt: 22.9% No chg: 37.6%	More opt: 33.3% Less opt: 28.0% No chg: 38.8%	More opt: 32.8% Less opt: 25.8% No chg: 41.5%
<b>U. S. optimism level (0 to 100)</b>	62.5	61.1	60.0	57.2	58.2
<b>Optimism about own company</b>	More opt: 49.5% Less opt: 19.5% No chg: 31.5%	More opt: 46.5% Less opt: 21.0% No chg: 32.5%	More opt: 47.5% Less opt: 25.7% No chg: 26.8%	More opt: 38.5% Less opt: 27.2% No chg: 34.3%	More opt: 42.2% Less opt: 25.6% No chg: 32.2%
<b>Own company optimism level</b>	68.9	67.1	63.9	65.5	65

### Other Key Results for September 2014

- Substantial unintended consequences would occur if the US minimum wage were increased to \$10 or \$15 per hour. In contrast, CFOs indicate that their firms could reasonably absorb a hike to \$8.75
- If the minimum wage were increased to \$8.75/\$10/\$15, the following percentages of affected US firms (i.e., the firms that currently pay the given wage) would take the following actions
  - reduce current/future employment: 42/60/74%
  - shift towards labor saving technology: 39/60/77%
  - reduce benefits: 17/37/44%
  - raise product prices: 19/49/56%
- Raising minimum wage to \$8.75/\$10/\$15 would result in positive outcomes at this % of affected firms:
  - Reduce employee turnover: 8/29/33%
  - Increase productivity: 25/34/47%
  - Attract higher-quality workers: 17/26/42%
- 47% of companies say they have or will soon implement labor-saving technologies. Among these firms, this will result on average in a 10% reduction in workforce over the next 5 years
  - The shift from people to machines/robots will be greatest among low-wage workers
- 31% of US firms say they make political contributions. Among these firms, the primary reasons are to strengthen relations with policy-makers and to make sure their corporate views are heard.
- 76% of US CFOs say that other countries have tax policies that are more favorable to business than the US tax code is, and 47% say they aggressively tax-manage where their profits are realized.
  - 13% of companies have considered reincorporating in another state or country as a result

### Top Concerns for U.S. Businesses

(1-5 on left, 6-10 on right)

- |  |                                    |
|--|------------------------------------|
| • Government policy                            | • Data Security                    |
| • Regulatory requirements                      | • Weak demand for product/services |
| • Cost of benefits                             | • Rising wages and salaries        |
| • Economic Uncertainty                         | • Rising input or commodity costs  |
| • Attracting and retaining qualified employees | • Employee morale and productivity |