

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

Results for 481 U.S. firms (own-firm changes expected during the next 12 months)

	Dec 2010	Sep 2010	Jun 2010	Feb 2010	Dec 2009
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*	19.8%	11.8%	12.1%	14.3%	8.0%
Capital spending	8.9%	6.6%	9.0%	8.9%	1.5%
Technology spending	4.8%	4.1%	5.9%	4.1%	0.1%
R&D spending	3.8%	3.8%	3.9%	3.7%	1.3%
Advertising and marketing spending	2.0%	3.3%	4.0%	3.4%	1.4%
Employment – full-time	2.0%	0.7%	0.7%	0.2%	-1.4%
Employment – temporary	0.5%	0.8%	-0.2%	0.5%	-1.5%
Outsourced Employment	4.5%	3.1%	5.5%	4.0%	2.6%
Wages and Salaries	2.5%	2.4%	2.6%	2.6%	1.9%
Productivity	3.4%	3.6%	3.7%	3.2%	3.6%
Inflation (Chg in prices of own-firm products)	2.1%	1.4%	1.5%	1.1%	0.3%
Health Care Costs	8.9%	9.6%	8.0%	7.4%	6.8%
Dividends*	4.4%	4.9%	2.8%	6.3%	1.2%
Share Repurchases*	4.2%	4.4%	1.4%	6.1%	2.4%
Cash on balance sheet*	5.9%	5.9%	2.1%	6.5%	4.3%
Mergers and Acquisitions	Not asked.	Not asked.	Not asked.	31.0% plan to acquire. 11.0% plan to sell part or all of firm.	Not asked.

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

U.S. BUSINESS OPTIMISM

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	Dec 2010	Sep 2010	Jun 2010	Feb 2010	Dec 2009
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
Optimism about the U.S. economy	More opt: 49.7% Less opt: 14.0% No chg: 36.3%	More opt: 14.2% Less opt: 52.5% No chg: 33.2%	More opt: 40.4% Less opt: 25.0% No chg: 34.6%	More opt: 47.3% Less opt: 14.1% No chg: 38.6%	More opt: 48.4% Less opt: 17.7% No chg: 33.9%
U.S. optimism level (0 to 100)	58.7	49.3	57.5	55.5	54.5
Optimism about own company	More opt: 50.1% Less opt: 17.7% No chg: 32.2%	More opt: 34.0% Less opt: 34.4% No chg: 31.6%	More opt: 45.7% Less opt: 24.2% No chg: 30.1%	More opt: 52.3% Less opt: 17.3% No chg: 30.5%	More opt: 46.8% Less opt: 22.3% No chg: 30.9%
Own company optimism level	65.9	61.2	65.6	65.2	62.2

Other Key Results from December 2010 survey

- Employment growth of 2% is highest since March 2006. Should push the unemployment rate below 9% during 2011
- Half of U.S. firms will continue to accumulate cash, the other half will begin to deploy it
 - Among those continuing to accumulate cash, 50% say they do not have “excess” cash to spend, 37% say it is to buffer liquidity needs, 32% say due to economic uncertainty, and 21% say they have no attractive investments
 - Among those that will start to spend cash, 65% say they will use cash on capital spending, 34% percent to make acquisitions, 33% to pay down debt, and 20% to pay dividends or repurchase shares.
- Borrowing conditions improved for 36% of firms, got worse for 21%, since Fall 2009
 - Among firms with <100 employees, borrowing conditions worsened
- Exports will increase by 10 percentage points as a proportion of total sales
 - Export share will double for firms currently exporting 20-39% of sales
- 54% of US firms say they would be worse off if world governments adopted protectionist policies, compared to 8% who say that protectionism would help.
- Within 3-to-5 years, 83% of companies will rely on cloud computing
 - Of these companies, 7% will rely exclusively on cloud computing
- The recent US election reduced uncertainty about the future, helping firms plan, but by only a little.
- Fed’s quantitative easing to reduce interest rates will have at most a modest impact on capital spending
- Due to low market interest rates, companies shifting towards fixed and long-term borrowing, to lock in low rates.

Top Concerns for U.S. Businesses

MACRO CONCERNS

- Consumer Demand
- Federal Government Agenda/Policies
- Price Pressure from Competitors
- Credit Markets/Interest Rates

INTERNAL TO OWN FIRM

- Ability to Maintain Margins
- Cost of Health Care
- Ability to Forecast Results
- Attracting and Retaining Qualified Employees