

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

Results for 506 U.S. firms (own-firm changes expected during the next 12 months)

	Mar 2013	Dec 2012	Sept 2012	Jun 2012	Mar 2012
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*	9.6%	8.8%	6.0%	10.9%	7.5%
Capital spending	5.3%	2.5%	3.7%	4.9%	7.3%
Technology spending	7.8%	2.3%	4.2%	8.0%	6.0%
R&D spending	1.0%	-0.8%	2.6%	3.1%	3.4%
Advertising and marketing spending	4.3%	2.2%	3.2%	3.3%	3.3%
Employment – full-time	2.2%	0.1%	1.5%	2.5%	2.1%
Employment – temporary	0.4%	-1.6%	0.9%	0.6%	1.0%
Outsourced Employment	1.2%	0.5%	2.9%	3.8%	3.0%
Wages and Salaries	3.1%	2.6%	2.6%	2.6%	2.9%
Productivity	3.2%	2.5%	2.9%	3.2%	3.4%
Inflation (Chg in prices of own-firm products)	1.9%	1.9%	2.1%	1.8%	2.5%
Health Care Costs	8.0%	7.7%	7.3%	7.0%	6.1%
Dividends*	8.5%	11.9%	2.0%	5.5%	3.2%
Share Repurchases*	14.9%	-3.5%	5.3%	3.9%	0.8%
Cash on balance sheet*	6.7%	0.6%	1.6%	8.8%	2.2%
Mergers and Acquisitions	36.8% plan to acquire; Foreign targets in 24.6% of acq.	Not asked.	Not asked.	Not asked.	38.9% plan to acquire. 13.6% plan to sell part or all of firm.
Revenue	6.9%	3.6%	6.1%	6.3%	6.6%

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

U.S. BUSINESS OPTIMISM

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	Mar 2013	Dec 2012	Sept 2012	Jun 2012	Mar 2012
	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: 31.4% Less opt: 35.4% No chg: 33.2%	More opt: 21.2% Less opt: 52.0% No chg: 26.8%	More opt: 22.1% Less opt: 43.5% No chg: 34.4%	More opt: 25.1% Less opt: 34.8% No chg: 40.2%	More opt: 53.5% Less opt: 15.3% No chg: 31.2%
U. S. optimism level (0 to 100)	55.3	50.7	52.1	55.7	59.2
Optimism about own company	More opt: 42.4% Less opt: 27.7% No chg: 29.9%	More opt: 27.7% Less opt: 38.7% No chg: 33.6%	More opt: 36.6% Less opt: 34.5% No chg: 28.9%	More opt: 37.5% Less opt: 28.9% No chg: 33.6%	More opt: 48.2% Less opt: 18.0% No chg: 33.8%
Own company optimism level	63.8	63.0	62.0	64.1	66.8

Other Key Results from March 2013 U.S. survey

- CFOs believe that the U.S. should make significant changes to immigration policy, particularly to attract STEM (Science, Technology, Engineering, Math) workers
 - 88% believe that the US should drop the 'lottery system' and adopt a merit-based immigration policy
 - 81% think that foreign undergraduate students acquiring STEM degrees should have easy access to routine (H1B) work permits.
 - 78% think that STEM foreign graduate students should have easy access to Green Cards
- CFOs say that the Federal Reserve policy of low interest rates is having a modest effect
 - 17.8% (10.4%) say low interest rates have increased total borrowing somewhat (a lot)
 - Of those that have increased borrowing, 50% are using the extra funds to increase capital spending, 27% to increase M&A, 25% to expand current domestic operations, 13% to increase repurchases, 12% to increase dividends, and only 10% to increase hiring.
 - 12.5% (10.5%) say that they have restructured debt payments to reduce coupon payments somewhat (a lot)
 - However, 30% say that the low interest rate policy has increased their fears somewhat that annual inflation will rise to greater than 3%, and 23% say their fears have risen a lot
 - Likewise, 40% say their fears that we are in a credit or asset price bubble have increased
- CFOs believe that the U.S. dollar is more or less fairly valued.
 - 23% think that the dollar should depreciate vs. 17% think it should appreciate in value.
- CFOs think that real economic growth will be 1.8% in the US over the next 12 months.
 - CFOs assign a one-third chance of a recession occurring in the coming year.
 - If the US were to enter recession, CFOs in other regions of the world think it would reduce global economic growth by about 2%.

Top Concerns for U.S. Businesses

MACRO CONCERNS

- Consumer Demand
- Federal Government Agenda/Policies
- Price pressure from competitors
- Federal budget deficit

INTERNAL TO OWN FIRM

- Ability to Maintain Margins
- Cost of health care
- Attracting and retaining qualified employees
- Ability to forecast results