

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

Results for 353 U.S. firms (own-firm changes expected during the next 12 months)

	Jun 2013	Mar 2013	Dec 2012	Sept 2012	Jun 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*	7.5%	9.6%	8.8%	6.0%	10.9%
Capital spending	6.1%	5.3%	2.5%	3.7%	4.9%
Technology spending	6.1%	7.8%	2.3%	4.2%	8.0%
R&D spending	3.2%	1.0%	-0.8%	2.6%	3.1%
Advertising and marketing spending	3.2%	4.3%	2.2%	3.2%	3.3%
Employment – full-time	0.8%	2.2%	0.1%	1.5%	2.5%
Employment – temporary	0.4%	0.4%	-1.6%	0.9%	0.6%
Outsourced Employment	3.8%	1.2%	0.5%	2.9%	3.8%
Wages and Salaries	2.5%	3.1%	2.6%	2.6%	2.6%
Productivity	3.1%	3.2%	2.5%	2.9%	3.2%
Inflation (Chg in prices of own-firm products)	1.5%	1.9%	1.9%	2.1%	1.8%
Health Care Costs	7.4%	8.0%	7.7%	7.3%	7.0%
Dividends*	9.4%	8.5%	11.9%	2.0%	5.5%
Share Repurchases*	1.7%	14.9%	-3.5%	5.3%	3.9%
Cash on balance sheet*	8.3%	6.7%	0.6%	1.6%	8.8%
Mergers and Acquisitions	Not asked.	36.8% plan to acquire; Foreign targets in 24.6% of acq.	Not asked.	Not asked.	Not asked.
Revenue	5.0%	6.9%	3.6%	6.1%	6.3%

\* 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

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	Jun 2013	Mar 2013	Dec 2012	Sept 2012	Jun 2012
	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: 53.7% Less opt: 12.8% No chg: 33.5%	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%
<b>U. S. optimism level (0 to 100)</b>	60.8	55.3	50.7	52.1	55.7
<b>Optimism about own company</b>	More opt: 42.3% Less opt: 24.1% No chg: 33.5%	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%
<b>Own company optimism level</b>	64.2	63.8	63.0	62.0	64.1

### Other Key Results from June 2013

- US firms lag other regions in prioritizing corporate social responsibility (CSR) and sustainability.
  - Though 49% of US firms list CSR as an imptr or very imptr corporate objective, this is below levels in Europe (63%), Asia (67%), Latin America (76%) and Africa (83%)
  - The primary reasons that U.S. firms say they engage in CSR are because “it’s the right thing to do” (66%), to improve the company’s external reputation (61%), and to improve employee morale and hiring (49 percent). 27% of companies feel compelled to engage in CSR in response to legal or regulatory requirements.
- CFO optimism about the overall US economy bounced back above the long-run mean for only the 2<sup>nd</sup> time since 2007. However, own-firm optimism and specific corporate plans improved only modestly.
- U.S. CFOs split nearly evenly between those who say that their companies will begin to deploy cash holdings in the next year (48%) and those who remain reluctant to do so (52%).
  - Companies holding onto cash are likely to be doing so as a hedge against continuing economic uncertainty and a perceived lack of adequate investment opportunities.
  - Of the firms planning to deploy cash, most will spend on capital investment (63%), followed by acquisitions, paying down debt, increasing dividends, hiring, and advertising.
- Business corruption (fraud, bribes) is not viewed as a problem in the United States, with only 6% of CFOs saying corruption is a significant risk factor. This is lower than the percentage of CFOs that list business corruption as a significant risk factor in Europe (16%), and much lower than those in Latin America (33%), Asia (36%), and Africa (50%).
  - 25% of US firms (33% of those that primarily export) say that they have refrained from doing business in a foreign country due to concerns about business corruption in that country.
  - In the region where corruption is said to be most significant (Africa), the main negative effects of corruption are increased prices, reduced govt tax collection, reduced product quality, reduced competition, and reduced company reputation and employee morale
- Only 9% of US firms say they have felt pressure to reduce executive pay. Most of that pressure has come from companies’ own shareholders and boards of directors.

### 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

