

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

Results for 405 U.S. firms (own-firm changes expected during the next 12 months)

| | Jun 2014 | Mar 2014 | Dec 2013 | Sept 2013 | Jun 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* | 4.1% | 7.1% | 14.3% | 13.4% | 7.5% |
| Capital spending | 9.3% | 6.8% | 7.3% | 4.8% | 6.1% |
| Technology spending | 7.9% | 5.5% | 5.6% | 4.2% | 6.1% |
| R&D spending | 2.3% | 2.6% | 2.3% | 1.8% | 3.2% |
| Advertising and marketing spending | 4.0% | 4.0% | 4.1% | 3.7% | 3.2% |
| Employment – full-time | 1.9% | 1.2% | 1.4% | 1.8% | 0.8% |
| Employment – temporary | 1.2% | -0.2% | 1.6% | 0.1% | 0.4% |
| Outsourced Employment | 3.7% | 3.2% | 3.2% | 3.0% | 3.8% |
| Wages and Salaries | 3.0% | 2.7% | 2.7% | 2.3% | 2.5% |
| Productivity | 2.5% | 3.1% | 3.1% | 2.7% | 3.1% |
| Inflation (Chg in prices of own-firm products) | 2.6% | 2.5% | 2.0% | 2.2% | 1.5% |
| Health Care Costs | 7.9% | 8.3% | 10.2% | 8.9% | 7.4% |
| Dividends* | 2.8% | 6.1% | 11.2% | 4.1% | 9.4% |
| Share Repurchases* | 4.6% | 3.2% | 5.4% | 8.7% | 1.7% |
| Cash on balance sheet* | -3.1% | 3.8% | 7.4% | 2.5% | 8.3% |
| Mergers and Acquisitions | Not asked. | 27.3% plan to acquire; Foreign targets in 15.7% of acq. | Not asked. | Not asked. | Not asked. |
| Revenue | 5.7% | 5.9% | 6.8% | 5.7% | 5.0% |

* 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 2014 | Mar 2014 | Dec 2013 | Sept 2013 | Jun 2013 |
|--|---|---|---|---|---|
| | 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: 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% | More opt: 53.7% Less opt: 12.8% No chg: 33.5% |
| U. S. optimism level (0 to 100) | 61.1 | 60.0 | 57.2 | 58.2 | 60.8 |
| Optimism about own company | 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% | More opt: 42.3% Less opt: 24.1% No chg: 33.5% |
| Own company optimism level | 67.1 | 63.9 | 65.5 | 65 | 64.2 |

Other Key Results from June 2014

- 59% of US CFOs say that distrust by the public of governmental and business officials hurts the business environment moderately or a great deal.
 - The negative drag from mistrust is even greater in Africa (64%), Europe (68%), Asia (71%), and Latin America (79%)
- Because of public mistrust, 47% of US firms say they have altered business decisions, strengthened governance (52%) or transparency (52%), made organizational changes (14%), or increased marketing (21%)
- 36% of responding US companies say they have direct dealings with Russia. Among these firms, 53% say that the US economy will be negatively harmed if severe restrictions are imposed on Russia.
 - European (82%), African (78%), Latin American (62%), and Asian (about half) economies would also be harmed by severe Russian sanctions, according to CFOs from these regions.
- Among US and European firms that have a specific plan for cash holdings, 51% expect to start spending their cash reserves versus 49% who will not. Cash holdings will be spent primarily on capX, acquisitions, paying down debt, and payout.
 - 60% to 70% of emerging economy firms plan to unleash cash in the next year
- 75% of Latin American firms expect labor unrest (strikes, work stoppages) to harm their countries' economies over the next year, as do firms in Europe (22%), China (29%), and Africa (50%).
 - Key causes of labor unrest are slow economic growth, low wages, poor working conditions
 - Only 9% of US CFOs are worried about negative effects from labor unrest

Top Concerns for U.S. Businesses

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

- | | |
|--|---|
| <ul style="list-style-type: none"> • Government policy • Cost of benefits • Economic Uncertainty • Regulatory requirements • Attracting and retaining qualified employees | <ul style="list-style-type: none"> • Employee morale and productivity • Underlying demand for your product/services • Corporate tax code • Wages and salaries • Input or commodity costs |
|--|---|