

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

Results for 228 U.S. firms (own-firm changes expected during the next 12 months)

	Jun 2018	Mar 2018	Dec 2017	Sept 2017	Jun 2017
Weighted Averages for	Expected growth in next 12 months				
Earnings growth*	9.5%	8.5%	5.6%	4.6%	8.2%
Capital spending	8.3% Median=5%	11.0%	3.2%	4.2%	2.2%
Advertising and marketing spending	1.9%	3.5%	3.0%	1.7%	1.8%
Technology spending	7.2%	9.0%	4.8%	5.2%	4.1%
R&D spending	3.1%	3.0%	3.3%	1.3%	2.3%
Employment – full-time	4.5% Median=3%	3.0%	3.2%	3.4%	3.8%
Wages and Salaries	4.1% Median=3%	3.9%	4.4%	3.9%	4.1%
Inflation (Chg in prices of own-firm products)	3.8%	3.0%	2.7%	1.2%	2.5%
Health Care Costs	7.6%	7.2%	8.3%	8.6%	7.8%
Revenue	6.9%	7.0%	5.9%	4.3%	6.2%

\* 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 2018	Mar 2018	Dec 2017	Sept 2017	Jun 2017
	Compared to last qtr.				
Optimism about the U.S. economy	More opt: 47.1% Less opt: 21.3% No chg: 31.6%	More opt: 53.3% Less opt: 16.4% No chg: 30.3%	More opt: 49.4% Less opt: 17.8% No chg: 32.8%	More opt: 32.7% Less opt: 29.2% No chg: 38.1%	More opt: 41.8% Less opt: 23.4% No chg: 34.7%
U. S. optimism level (0 to 100)	71.1	71.2	68.6	65.9	67.4
Optimism about own company	More opt: 54.0% Less opt: 17.3% No chg: 28.8%	More opt: 55.9% Less opt: 16.3% No chg: 27.8%	More opt: 53.9% Less opt: 16.3% No chg: 29.8%	More opt: 47.7% Less opt: 22.2% No chg: 30.1%	More opt: 49.6% Less opt: 20.7% No chg: 29.7%
Own company optimism level	71.0	70.1	71.3	70.2	69.2

## Other Key Results for June 2018

- CFO Optimism among US CFOs is nearly the highest ever recorded in the history of the survey (71.1 this quarter, 71.2 last quarter).
- Data security concerns are at an all-time high
- 18.6% of US firms say that hackers have successfully penetrated their computer systems.
- Most companies are taking preventive cybersecurity steps. To list a few,
  - 71% of U.S. companies have installed new software or changed procedures, 71% have implemented anti-penetration steps like two-factor authentication or shorter password expirations, 54% require employee training on best practices, 44% have hired a cybersecurity firm to review protocols, 37% have moved to cloud servers, and 35% have purchased new hardware.
- The typical firm in the sample currently faces a 5.19% interest rate on long-term borrowing, has a 30.5% debt-to assets ratio, and plans capital spending growth of 8.3%. These firms expect that in 1 year
  - Best Guess: interest rates will be 5.83%, debt ratios 31.8%, and 7.1% spending growth
  - Low interest rate (the one-chance-in-ten lowest interest rate planning scenario): interest rates will be 4.53%, debt ratios 31.1%, and 9.0% spending growth
  - High interest rate (the one-chance-in-ten highest interest rate planning scenario): interest rates will be 7.66%, debt ratios 28.3%, and 5.8% spending growth
- Over the next five years, CFOs expect the corporate finance function to pivot with increased focus on analytics and business support; data security threats; tax, legal, and political change; cost-control mandates; M&A activity
- Access to funding is generally favorable, with
  - 41% saying equity conditions are attractive vs. 38% saying tight conditions
  - 38% saying corporate bond conditions are attractive vs. 22% saying tight
  - 55% saying bank borrowing conditions are attractive vs. 18% saying tight
- M&A activity should pick up over the next year, with
  - 74% of CFOs predicting increased M&A at the U.S. country-wide level
  - 72% predicting increased M&A in their industry

## Top Concerns for U.S. Businesses

- Attracting and retaining qualified employees
- Government policies
- Data Security
- Regulatory requirements
- Rising wages and salaries

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

- Cost of benefits
- Rising input or commodity price
- Employee productivity
- Employee morale
- Economic uncertainty