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

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

	June 2007	**March 2007**	**Nov/Dec 2006**	**Sept. 2006**
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**
Earnings growth*	+8.6%	+7.4%	+9.3%	+9.4%
Capital spending	+5.2%	+6.7%	+4.9%	+5.1%
Advertising and marketing spending	+2.7%	+3.4%	+4.5%	+3.2%
Technology spending	+3.9%	+5.2%	+5.6%	+5.0%
Employment	+0.4%	+1.6%	+1.0%	+0.8%
Outsourced Employment	+7.1%	+4.0%	+6.8%	+4.3%
Wages and Salaries	+4.2%	+3.7%	+3.6%	+3.6%
Productivity	+3.6%	+3.2%	+3.6%	+3.2%
Inflation (Chg in prices of own-firm products)	+2.3%	+1.7%	+1.7%	+2.2%
Health Care Costs	+7.3%	+6.6%	+6.8%	+7.0%
Dividends*	+4.9%	+4.4%	+7.0%	+4.2%
Cash on balance sheet*	+2.9%	+0.5%	0.3%	+3.3%
Share Repurchases*	+5.7%	Not asked	Not asked	Not asked
Inventory	-0.6%	+0.5%	-0.6%	-0.2%
Mergers and Acquisitions	36.3% increasing 7.4% decreasing	40.0% increasing 6.8% decreasing	33.8% increasing 10.3% decreasing	35.5% increasing 8.1% decreasing
Business Terrorism Index (out of 100)	Not asked	Not asked	Not asked	Index: 15.3 Hurting Bottom line: 33.0%

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

U.S. BUSINESS OPTIMISM
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	June 2007	**March 2007**	**Nov/Dec 2006**	**Sept 2006**
	Compared to last qtr.	**Compared to last qtr.**	**Compared to last qtr.**	**Compared to last qtr.**
Optimism about the U.S. economy	More optimistic: 26.3% Less optimistic: 29.8% No change: 44.0%	More optimistic: 35.0% Less optimistic: 27.4% No change: 37.6%	More optimistic: 30.3% Less optimistic: 34.8% No change: 34.8%	More optimistic: 19.8% Less optimistic: 47.4% No change: 32.8%
Optimism about own company	More optimistic: 44.1% Less optimistic: 24.5% No change: 31.4%	More optimistic: 48.5% Less optimistic: 21.5% No change: 30.1%	More optimistic: 47.0% Less optimistic: 27.4% No change: 25.6%	More optimistic: 45.8% Less optimistic: 30% No change: 24.2%

<u>Main reasons optimism about US economy has declined</u>

- Fuel costs and inflation more generally
- Consumer demand
- Housing

<u>Other Key Results for June 2007 survey</u>

- 75% of CFOs say that the Sarbanes-Oxley needs to be repealed or reformed
  - 68% say that the compliance costs outweigh the benefits of S-Ox.
  - 30% of companies say that compliance costs have fallen since 2003 (by an average of 27%)
  - 11% say compliance costs have risen (by 32%)
- M&A will stay hot for the rest of 2007
  - 55% say that M&A will remain hot for at least 12 months
  - Another 32% say M&A will stay hot until the start of 2008
- When M&A cools off, it will be because
  - Private Equity investors have significantly pushed up the prices of acquisitions targets, making further acquisitions unattractive (60% of respondents)
  - The best deals will have already been done (33%)
  - Weak economic growth (32%)
- 56% of CFOs say that hedge funds should be more tightly regulated

<u>Top Concerns for U.S. Businesses</u>

- Cost of Labor (wages, salary, bonus)
- Consumer Demand
- Skilled Labor Shortage
- Health Care Costs
- Regulation
- Cost of Fuel