-------------------------------------------
DUKE UNIVERSITY NEWS
Duke University Office of News & Communications
http://www.dukenews.duke.edu
-------------------------------------------

FOR IMMEDIATE RELEASE: Wednesday, March 13, 2013

CONTACTS: Kate O'Sullivan (CFO Magazine)
(617) 345-9700 ext. 3214
kateosullivan@cfo.com
or
Erin Medlyn (Duke University's Fuqua School of Business)
(919) 660-8090
erin.medlyn@duke.edu

SURVEY: CFOs SUPPORT DRAMATIC IMMIGRATION REFORM, DISCUSS PLANS FOR SPENDING AND HIRING

Note to editors: For additional comment, see contact information at the end of this release. Watch Professor John Graham discuss the results. You may use this link on your website - http://youtu.be/OxlkuxTRiqU Names of CFOs who took part in the survey and agreed to speak with media are available by request.

DURHAM, N.C. -- Chief financial officers are calling for dramatic immigration reform that will allow highly skilled workers to enter and remain in the country.

In the latest Duke University/CFO Magazine Global Business Outlook quarterly survey of 1,143 CFOs, more than 88 percent of CFOs say the U.S. should drop the current 'lottery system' and instead adopt a merit-based system to determine who can immigrate to the United States. More than 81 percent believe the U.S. should make it easy for foreign science and technology undergraduate students studying in the U.S. to obtain standard H1B work visas. And 78 percent approve of routine awarding of green cards to foreign graduate students who are pursuing advanced science and technology degrees.

"The collective opinion of corporate America is that the United States needs to become more welcoming to highly skilled and educated workers," said Kate O'Sullivan, editorial director at CFO Magazine. "Otherwise, the U.S. risks a train-then-drain scenario, in which skilled workers are educated in the United States but then leave due to the difficulty in finding permanent employment. During the recession and recent recovery, CFOs have consistently told us that they struggle to hire and retain qualified employees for certain high-skill tasks."

The survey, which concluded March 8, also revealed significant concerns about the U.S. economy. Despite improvements in confidence, CFOs consider there to be a 33 percent chance the U.S. will slip back into recession in the next 12 months.

The Global Business Outlook survey has been conducted for 68 consecutive quarters, and spans the U.S., Asia, Europe and Latin America, making it the world's longest running and most comprehensive research on senior finance executives. Presented results are for U.S. firms unless otherwise noted.

## MERGERS and ACQUISITIONS

Nearly 40 percent of U.S companies plan to make an acquisition in the next 12 months. Merger and acquisition activity should be especially robust among manufacturing and finance firms.

"One-fourth of U.S. company acquisitions will involve the purchase of foreign assets," said John Graham, a professor of finance at Duke's Fuqua School of Business and director of the survey. "Foreign targets are primarily located in Europe and Asia."

## OPTIMISM, SPENDING, AND HIRING

The U.S. Business Optimism Index rebounded this quarter to 55 on a scale from 0 to 100, above last quarter's reading of 51 but still below the long-run average optimism of 59. U.S. optimism is above Europe's reading of 53 but trails optimism in Asia (62.) Latin American CFOs are the most optimistic in the world (69, up from 66 last quarter.)

U.S. companies plan to increase business spending by 5.3 percent this year, double the projection from last quarter. About half of this spending will be to replace existing assets and about half for net new investment.

Full-time domestic employment is expected to rise 2.2 percent in the next 12 months. If all else held constant, this would lead to a meaningful reduction in the U.S. unemployment rate, said Graham.

## CURRENCY VALUES

Many CFOs in Latin America and Europe believe their currencies are overvalued and favor aggressive depreciation of the local currency. In contrast, fewer U.S. and Asian CFOs, including those in Japan, believe that currency depreciation is needed.

"A lot of attention has been paid to the value of the Japanese yen versus the U.S. dollar since Prime Minister Shinzo Abe took office in December," said Graham. "A depreciating yen concerns U.S. companies because it makes Japanese products less expensive and ultimately hurts the sale of U.S. products. Despite this hype, we find that U.S. and Japanese CFOs are relatively content with the current valuation of their respective currencies. European and Latin American CFOs have more extreme currency views."

About 23 percent of U.S. CFOs believe the dollar is overvalued, somewhat greater than the 17 percent who believe it is undervalued. The balance is even closer in Japan, where only 19 percent of executives say the yen should depreciate versus 14 percent who say the yen should appreciate in value.

In contrast, 42 percent of Latin American CFOs believe their currency is overvalued and therefore should be depreciated. Similarly, one-third of European CFOs believe their currency needs to depreciate.

## ADDITIONAL ASIAN RESULTS

The Asian Business Optimism Index rose to 62 out of 100, up from 58 last quarter. The increased optimism is primarily due to rising Japanese optimism, which jumped to 60 from 49 last quarter, and to very high Chinese optimism (69.)

Nearly 30 percent of Asian firms expect to make an acquisition this year, and about 40 percent of those will involve foreign targets. Almost all of the cross-border activity will involve acquiring another Asian firm or assets.

Revenues should grow rapidly in 2013 (10 percent), except in Japan where revenues will be flat. Earnings growth will vary widely, from -10 percent in Japan, to +4 percent in China, to +9 percent in the rest of Asia. Capital spending and employment growth will be robust (about 6 percent) outside of Japan.

Employment will increase a more modest 1.6 percent and business spending a robust 19 percent in Japan. Wages are expected to rise 8 percent outside of Japan, but by only 1 percent in Japan.

Top external concerns in Asia include price pressure from competitors, governmental policies, global financial stability and (except in Japan) inflation. Japanese CFOs are also very worried about currency risk. Top internal concerns include maintaining profit margins, attracting and retaining skilled workers, and maintaining employee productivity and morale.

On average Asian firms believe that real economic growth in their country will average 5 percent (1.5 percent in Japan; 6 percent in China) -- but if the U.S. should happen to fall into recession, Asian growth would fall to about 2 percent.

In Japan, CFOs are less optimistic about their own firms than they are about their country overall, a reversal of the usual trend observed in most countries. Improved optimism about the Japanese economy is most likely in response to a positive reaction in the business community to the policies of the new prime minister. Nearly 80 percent of Japanese CFOs say that monetary easing and fiscal spending will help the overall economy, and 90 percent say the recent depreciation of the yen will help. In contrast, fewer than 40 percent believe these policies will directly help their own firms.

ADDITIONAL LATIN AMERICAN RESULTS

Thirty-one percent of Latin firms expect to make an acquisition this year. About 30 percent of those acquisitions will be cross-border, with the bulk of these foreign deals targeting firms in other Latin and North American countries.

Revenues are expected to grow rapidly in 2013 (11.2 percent), as should capital spending (7.4 percent) and earnings (18 percent), say Latin American CFOs. Full-time employment should grow by 5.9 percent, while inflation and wages will rise by about 5 percent.

Top external concerns in Latin America include price pressure from competitors, governmental policies, the tax code and currency risk. Top internal concerns include maintaining profit margins, attracting and retaining skilled workers, and maintaining employee productivity and morale.

More than 60 percent of Latin American CFOs say that weak economic growth in the U.S. and Europe is negatively affecting growth for their own firms. On average, Latin American firms believe that real economic growth in their country will average 4.1 percent -- but if the U.S. were to experience a recession, Latin American growth would fall to 2.7 percent .

ADDITIONAL EUROPEAN RESULTS

Layoffs will continue in Europe, with 45 percent of companies expecting to reduce full-time employment. Capital spending is expected to increase 1.5 percent and tech spending by 4.2 percent.

Top external concerns for European CFOs include weak demand, intense pressure on profit margins and continent-wide financial instability. Internal concerns are highlighted by difficulty maintaining employee morale and productvity and liquidity concerns.

Thirty percent of European firms expect to make an acquisition this year, with half of that activity involving cross-border deals. Most foreign acquisition targets are located in other European countries, followed by assets in Asia. European acquisition strategy is primarily aimed to increase market share in existing markets, with geographic expansion the second most popular objective.

On average European firms believe that real economic growth in their country will increase slightly (0.4 percent) over the next year -- but if the U.S. should happen to fall into recession, real European growth would fall by more than one percent.

– – – – – –

For additional comment, contact CFO Magazine's Kate O'Sullivan at (617) 345-9700 (x3214) or kateosullivan@cfo.com, or Duke's John Graham at (919) 660-7857 or john.graham@duke.edu. For commentary about European results, contact TiasNimbas Business School's Kees Koedijk at +31-6-55186755 or C.Koedijk@uvt.nl. For commentary on the Latin American results, contact Gledson de Carvalho at +55-11-3799-7767 or gledson.carvalho@fgv.br; or Klenio Barbosa at +55-11-3799-3565 or klenio.barbosa@fgv.br. For commentary about Japanese results, contact Kobe University's Takashi Yamasaki at cfosurveyjp@people.kobe-u.ac.jp.

Detailed results, including tabular summaries of the numbers in this release and results from previous surveys, are available at www.cfosurvey.org.

About the survey: This is the 68$^{th}$ consecutive quarter the Duke University/*CFO* Global Business Outlook survey has been conducted. The survey concluded March 8, and generated responses from 1,143 CFOs, including 506 from the U.S., 256 from Asia, 177 from Europe, and 204 from Latin America. The survey of European CFOs was conducted jointly with TiasNimbas in the Netherlands. The survey of Latin America was conducted jointly with Fundação Getúlio Vargas (FGV) in Brazil. The Japanese survey was conducted jointly with Takashi Yamasaki at Kobe University and Kotaro Inoue at Tokyo Institute of Technology. Results in this release are for U.S. companies, unless otherwise noted.

The Duke University/*CFO* Global Business Outlook survey polls a wide range of companies (public and private, small and large, many industries, etc.), with the distribution of responding firm characteristics presented in online tables. The responses are representative of the population of CFOs that are surveyed. Confidence ranges are reported in the online top line and banner tables for most of the numeric variables. A typical confidence range is less than one percentage point (e.g., capital spending is expected to increase by 4.9 percent with a 95 percent confidence range of 4.5 percent to 5.4 percent, which is a 0.9 percent confidence interval).

Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance. The average growth rates are weighted by revenues or number of employees. For example, one $5 billion company affects an average as much as 10 $500-million firms would. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending and prices of products. Employee-weighted mean growth rates are used for health care costs, productivity, number of employees and outsourced employment. The earnings, dividends, share repurchases and cash on balance sheet are for public companies only. Unless noted, all other numbers are for all companies, including private companies.

CFO Publishing LLC, a portfolio company of Seguin Partners, is a business-to-business media brand focused on the information needs of senior finance executives. The business consists of *CFO* magazine, CFO.com, CFO Research Services, and CFO Conferences. *CFO* has long-standing relationships with more than a half-million financial executives.

Duke's Fuqua School of Business was founded in 1970. Fuqua's mission is to educate business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.

###