CFO SURVEY: STRONG HIRING AND WAGE GROWTH EXPECTED IN U.S.

DURHAM, N.C. -- U.S. chief financial officers expect continued growth in employment and wages even as the financial and energy sectors shrink, according to a new survey.

The latest Duke University/CFO Magazine Global Business Outlook Survey also explores the drag in the U.S. from an appreciated dollar, weak economic expectations in Brazil and Africa, and the high percentage of companies globally who say they have been hacked.

The survey, which ended June 5, has been conducted for 77 consecutive quarters, making it the world's longest-running and most comprehensive research on senior finance executives. Results are for U.S. firms unless otherwise noted.

U.S. companies expect wage hikes of more than 3 percent over the next year, with hiring increasing by more than 2 percent. Wage and employment growth is predicted to be strongest in tech, services and consulting, health care and construction.

"Wage growth expectations the past few quarters have been the highest in the survey since 2007," said John Graham, a finance professor at Duke's Fuqua School of Business and director of the survey. "In fact, CFOs indicate that difficulty in hiring and retaining qualified employees is a top three concern, especially in industries like tech and health care."

Employment is expected to shrink over the next year in the finance and energy industries.

"The downward trend in the finance industry will continue into next year, as financial institutions continue to adapt to new regulations and restrictions," Graham said. "The U.S. energy bubble also will continue to deflate due to the recent fall in the price of oil."

STRONG DOLLAR HURTS U.S. EXPORTERS

The strong U.S. dollar has significantly hurt exporters, with more than 80 percent of firms with at least one-fourth of their total sales overseas noting a negative impact. About 40 percent of these big exporters say they have reduced capital spending plans due to the strong U.S. dollar.

"Europe and Japan want to jump-start their economies by cheapening their currencies," said Fuqua professor Campbell R. Harvey, a founding director of the survey. "The implication is a transfer of U.S. growth to Europe and Japan. The dollar appreciation has already taken a bite out of U.S. GDP. The longer term implications are grim: both U.S. jobs and capital investment take a hit."

GLOBAL ECONOMIC OUTLOOK

U.S. CFOs remain optimistic about the U.S. economy's outlook. On a scale from zero to 100, they rate the outlook at 63, down from 65 last quarter but still the third highest since 2007. U.S. companies plan to increase capital spending six percent over the next year.

Asian CFOs are equally optimistic (63 on a scale from zero to 100), but this is a drop from the outlook of two or three years ago. Capital spending should average nearly 10 percent. Wages are expected to rise by 2 percent in Japan and by an average of more than 6 percent over the rest of Asia. Wage inflation is the top business concern in China.

European optimism has risen to 60, the second highest level since 2007. Capital spending growth will be modest (1.8 percent), but employment is expected to increase more than 2 percent for the first time since 2011. Wages should rise by about 2 percent.

The optimism index is very low in Africa -- 44 on a 100 point scale, down from 48 last quarter. Employment will increase modestly (2 percent), while wages are expected to rise by about 6 percent over the next 12 months. Median capital spending will increase 5 percent. African CFOs are worried about a host of issues, especially the reliability and cost of electricity, regulatory requirements, economic uncertainty and weak demand.

Latin American economic optimism remains low (53) overall but varies quite a bit by country. Brazil is the most pessimistic large economy in the world, with optimism of 36 on the index and no growth expected for the median firm in capital spending or hiring. Wages will increase by a little more than 5 percent.

Chile, Peru and Ecuador have moderate outlooks, with optimism in the low 50s. Mexican CFOs are optimistic (63) and plan to increase capital spending and employment by more than eight percent. Wage increases should average about 4 percent across the region. Top concerns include economic uncertainty, currency risk, governmental policies and regulations, and weak demand. Brazilian CFOs are also very worried about inflation.

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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 77th consecutive quarter the Duke University/CFO Global Business Outlook survey has been conducted. The survey concluded June 5, and generated responses from more than 1,000 CFOs, including 508 from the U.S. and Canada, 136 from Asia, 135 from Europe, 293 from Latin America and 35 from Africa. The survey of European CFOs was conducted jointly with TiasNimbas in the Netherlands (C.Koedijk@uvt.nl) and ACCA, based in the U.K. The survey of Latin America was conducted jointly with Fundação Getúlio Vargas (FGV) in Brazil (gledson.carvalho@fgv.br, klenio.barbosa@fgv.br) and with Universidad Andina Simon Bolivar in Ecuador. The Japanese survey was conducted jointly with Kobe University (cfosurveyjp@people.kobe-u.ac.j) and Tokyo Institute of Technology, among others. The African survey was conducted jointly with SAICA (kellym@saica.co.za).

The Duke University/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. 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.

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