

# Management Barometer™

Business outlook report  
May 2009

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# Quarterly highlights

In the first quarter of 2009, PricewaterhouseCoopers interviewed a cross section of 130 US-based executives about their current business performance, the state of the economy, and their expectations for business growth over the next 12 months. We then compared their business outlook with the prior quarter's results to see how the 12-month outlook has changed. The results show the beginning of stabilization by early 2010. Own-company revenue targets, while sharply negative in the prior two quarters, have been reset for the next 12 months to a flat minus 0.1 percent. Pessimism toward the US and world economies appears to have topped out last quarter but remains high. Chief barriers to growth over the next 12 months will be lack of demand and decreasing profitability. Major spending is down, but workforce layoffs appear to be abating.

## Key findings:

- **Revenue projections level.** Although the average revenue projections for the calendar year remain low at minus 6 percent, most panelists expect some stability by early 2010. Own-company revenue projections for the next 12 months average minus 0.1 percent. Forty-six percent of panelists expect positive revenue growth over the next 12 months (up 11 points), with 10 percent forecasting in the double digits and 36 percent in the single digits. Twenty-four percent expect zero growth, and 26 percent negative growth, similar to the prior quarter.
- **Pessimism subsides.** Looking ahead, a few more panelists are optimistic about the US economy, up 10 points from the prior quarter to 19 percent. Pessimism dropped from a survey high of 66 percent last quarter to 45 percent. The remaining 36 percent are uncertain. A similar pattern is seen among panelists who market abroad: 15 percent are optimistic about the world economy, up 9 points, while pessimism dropped 15 points to 48 percent, and 37 percent remain uncertain about the world economy's prospects over the next 12 months.
- **International sales stall.** With overall revenue off, the contribution of international sales to total revenue among those marketing abroad held steady at 29 percent, same as the prior quarter and similar to 28 percent a year ago. Of those marketing abroad, only 22 percent reported an increase in international sales (down 7 points), while 47 percent reported a decrease (up 14 points). Thirty-one percent said sales were about the same. Overall, the decline of sales from abroad appears in sync with domestic sales.
- **Growth faces multiple barriers.** The chief barriers to own-company growth over the next 12 months will be lack of demand, up 7 points to 81 percent, and decreasing profitability, up 4 points to 61 percent. Three other potential barriers on the rise are capital constraints (up 13 points to 47 percent), legislative/regulatory pressures (up 8 points to 47 percent), and taxation policies (up 8 points to 39 percent).
- **Gross margins tighten.** In the first quarter, only 19 percent reported gross margins up while 42 percent said they decreased—for a net 23 percent lower. Costs and prices were down in the first quarter. Costs were up for 15 percent, down for 42 percent, for a net 27 percent with lower costs. Prices were up for 15 percent, down for 32 percent, for a net 17 percent with lower prices.
- **Capital spending slows.** Fewer panelists are planning major new investments of capital over the next 12 months—28 percent, down from the prior quarter's 31 percent and 51 percent a year ago. Operational spending increases over the next 12 months held at 56 percent, increasing for new product or service introductions and, to a lesser extent, research and development.
- **Layoffs tapering.** Only 12 percent plan to hire workers over the next 12 months, and 34 percent plan to reduce their staff. However, fewer composite workforce layoffs are expected, at minus 0.6 percent, down from minus 2.9 percent in the previous quarter.

A quarter-by-quarter comparison of the key indicators shows the business outlook for the next 12 months and how the views of the panel changed each quarter (see chart 1.1). The pages that follow provide a detailed look at each question for the previous five quarterly surveys.

# Key indicators for the business outlook

Chart 1.1 Key indicators for the business outlook

A quarter-over-quarter comparison of the key indicators shows how the 12-month outlook has changed each quarter. The change column indicates the movement of opinion from the last two quarters.

| Business outlook, next 12 months      | 2008   |        |        |        | 2009   | Change          | Page |
|---------------------------------------|--------|--------|--------|--------|--------|-----------------|------|
|                                       | 1Q '08 | 2Q '08 | 3Q '08 | 4Q '08 | 1Q '09 | 4Q '08 - 1Q '09 |      |
| Optimistic about US economy           | 19%    | 12%    | 8%     | 9%     | 19%    | ↑               | 7    |
| Optimistic about world economy        | 42%    | 30%    | 8%     | 6%     | 15%    | ↑               | 9    |
| Expect positive revenue growth        | 74%    | 71%    | 65%    | 35%    | 46%    | ↑               | 19   |
| Average growth rate expected          | 4.5%   | 4.5%   | 3.8%   | -0.6%  | -0.1%  | ↑               | 19   |
| Planning major new investments        | 51%    | 43%    | 35%    | 31%    | 28%    | ↓               | 23   |
| New investments as a % of sales       | 5.9%   | 8.1%   | 7.8%   | 6.7%   | 5.1%   | ↓               | 23   |
| Planning to hire                      | 34%    | 35%    | 22%    | 19%    | 12%    | ↓               | 21   |
| New workers as a % of workforce (net) | -0.1%  | -0.6%  | -0.3%  | -2.9%  | -0.6%  | ↑               | 21   |
| Expected barriers to growth           |        |        |        |        |        |                 |      |
| • Lack of demand                      | 62%    | 53%    | 72%    | 74%    | 81%    | ↑               | 25   |
| • Decreasing profitability            | 44%    | 47%    | 45%    | 57%    | 61%    | ↑               | 25   |
| • Legislative/ Regulatory pressures   | 35%    | 36%    | 36%    | 39%    | 47%    | ↑               | 25   |
| • Capital constraints                 | 34%    | 28%    | 27%    | 34%    | 47%    | ↑               | 25   |
| • Taxation policies                   | 18%    | 25%    | 24%    | 31%    | 39%    | ↑               | 25   |
| • Monetary exchange rate              | 47%    | 36%    | 36%    | 37%    | 31%    | ↓               | 25   |
| • Competition from foreign markets    | 23%    | 24%    | 18%    | 24%    | 26%    | =               | 25   |
| • Oil/energy prices                   | 62%    | 71%    | 53%    | 25%    | 22%    | ↓               | 25   |
| • Higher interest rates               | 18%    | 23%    | 33%    | 20%    | 15%    | ↓               | 25   |
| • Pressure for increased wages        | 30%    | 43%    | 20%    | 9%     | 8%     | =               | 25   |
| • Lack of qualified workers           | 23%    | 18%    | 18%    | 5%     | 5%     | =               | 25   |

# Economic views

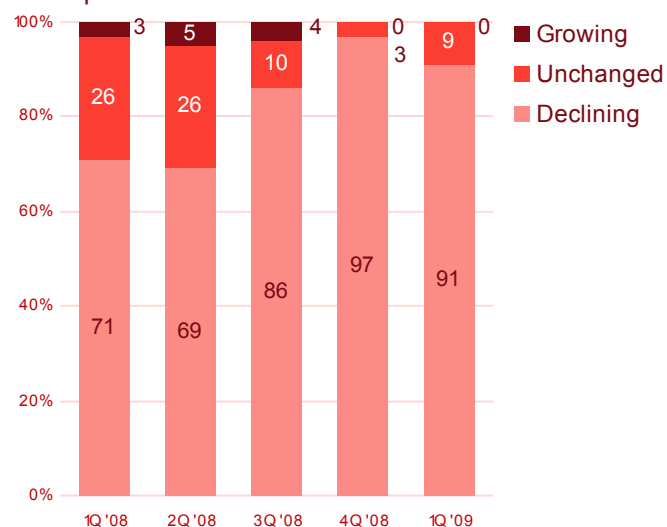
# View of the US economy, this quarter

## Which best describes your view of the US economy this quarter?

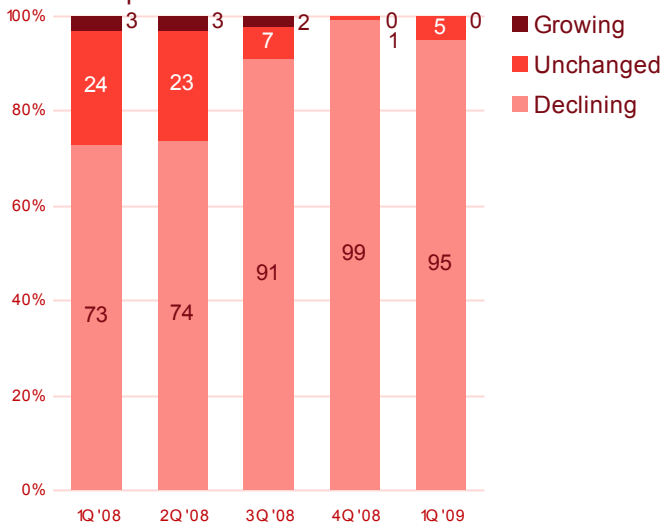
Most panelists agree the US economy continued to decline in first quarter 2009, 91 percent. Only 9 percent view it as unchanged, and none believes the US economy grew.

Chart 2.1 View of the US economy, this quarter

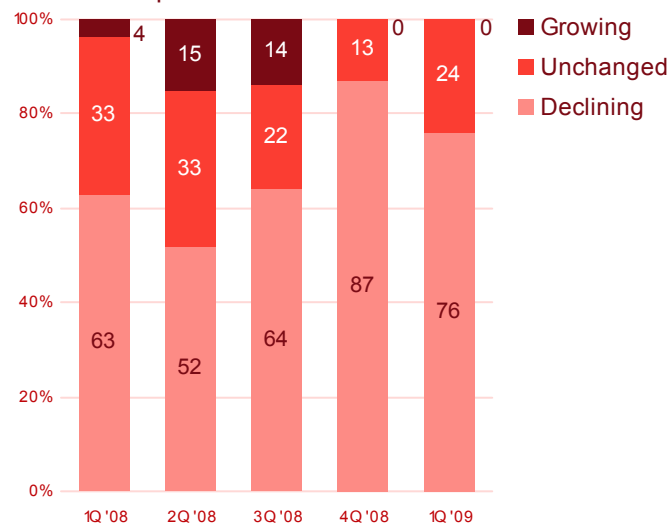
### All respondents



### Product companies



### Service companies



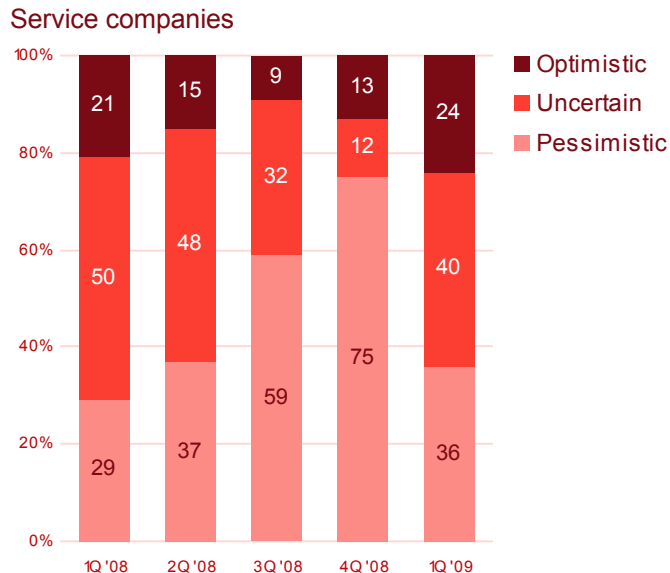
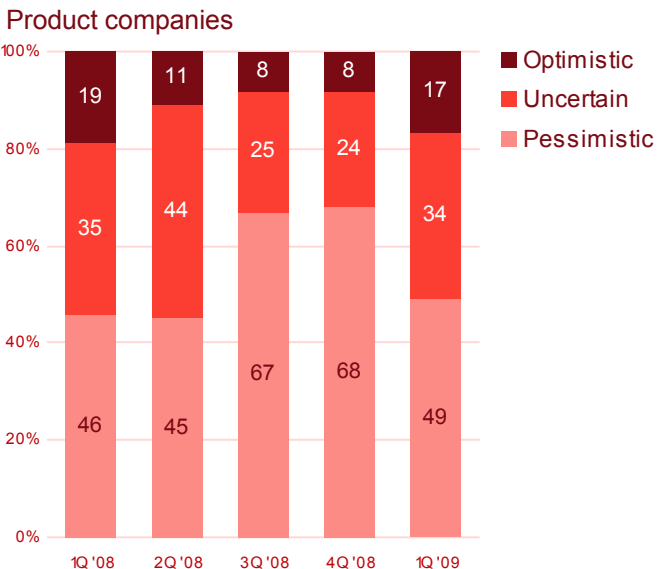
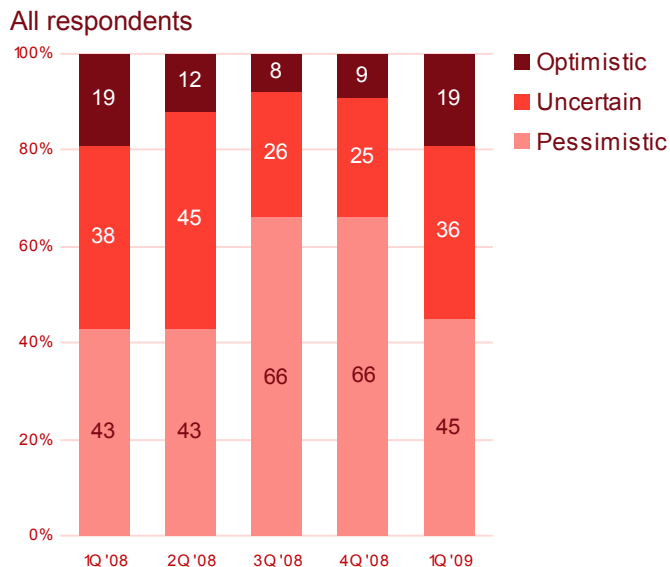
Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

# View of the US economy, next 12 months

Looking at the next 12 months, how do you feel about the prospects for the US economy?

Looking at the next 12 months, more panelists are optimistic and fewer are pessimistic about the US economy. Nineteen percent of those surveyed expressed optimism (up 10 points), and 45 percent are pessimistic (down 21 points). An additional 36 percent are uncertain.

Chart 2.2 View of the US economy, next 12 months



Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

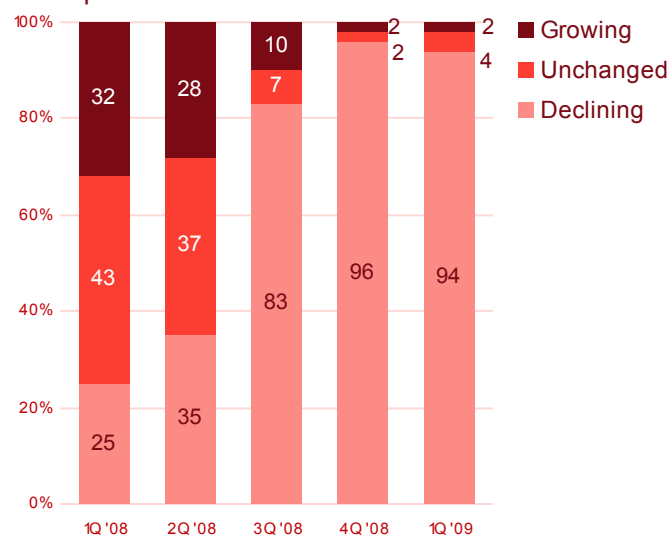
# View of the world economy, this quarter

## Which best describes your view of the world economy this quarter? (international marketers only)

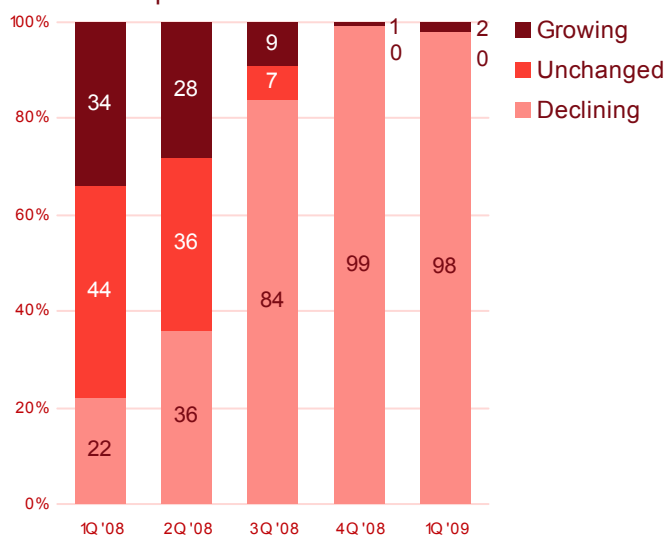
Of those marketing abroad, only 2 percent viewed the world economy as growing in the first quarter—same as the prior quarter but well below last year’s 32 percent. Virtually all panelists (94 percent) said it was still declining.

Chart 2.3 View of the world economy, this quarter

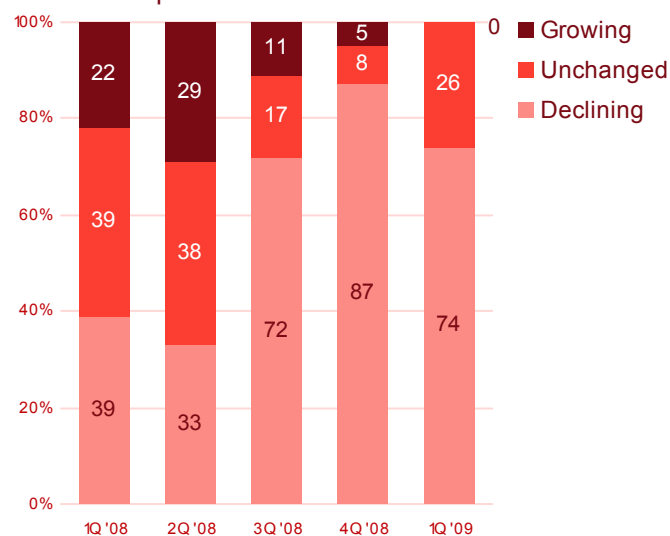
### All respondents



### Product companies



### Service companies



Note: In 1Q 2009 International marketers n=115, Product companies n=96, Service companies n=19

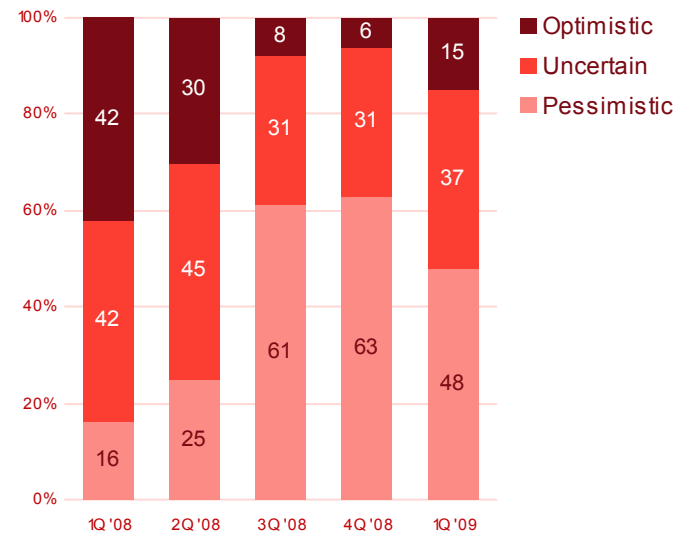
# View of the world economy, next 12 months

Looking at the next 12 months, how do you feel about the prospects for the world economy? (international marketers only)

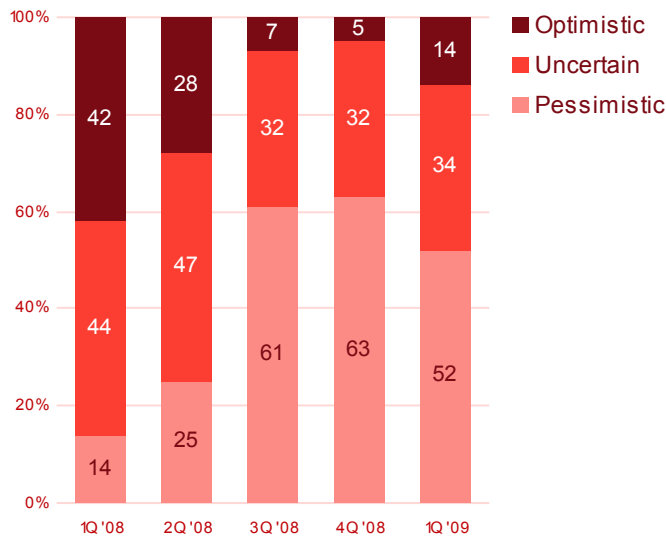
Looking ahead, 15 percent of panelists who market abroad are optimistic about the prospects for the world economy over the next 12 months. Pessimism has dropped but is still high, at 48 percent. A larger number (37 percent) have turned uncertain.

Chart 2.4 View of the world economy, next 12 months

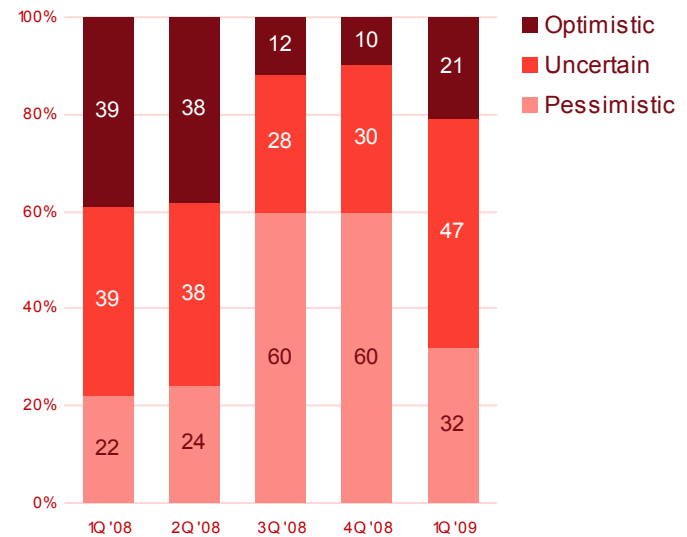
### All respondents



### Product companies



### Service companies



Note: In 1Q 2009 International marketers n=115, Product companies n=96, Service companies n=19

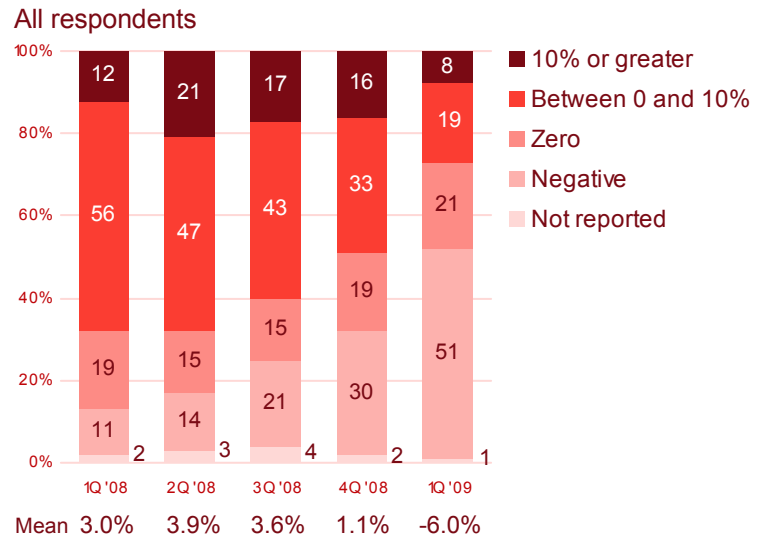
# Company performance

# Company revenue growth, calendar year

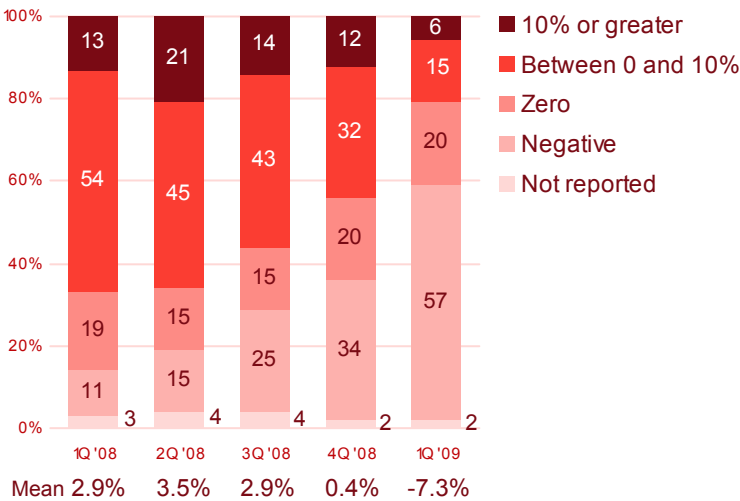
## What is your company's estimated revenue growth rate for the calendar year?

Overall, the average growth rate projected in the first quarter is a negative 6.0 percent, down from a flat 1.1 percent in fourth quarter 2008. Twenty-seven percent of respondents estimated positive growth in the calendar year, down from 49 percent in the fourth quarter. Only 8 percent expect double-digit growth, and 19 percent expect single-digit revenue growth, both down from the previous quarter.

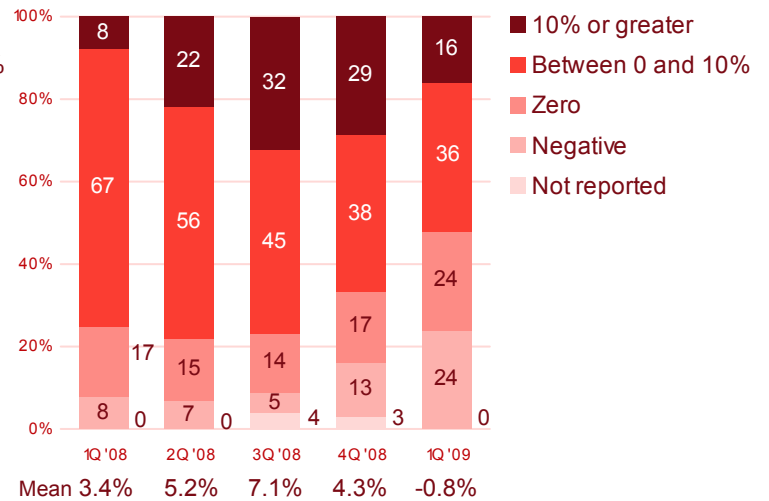
Chart 3.1 Company revenue growth, calendar year



## Product companies



## Service companies



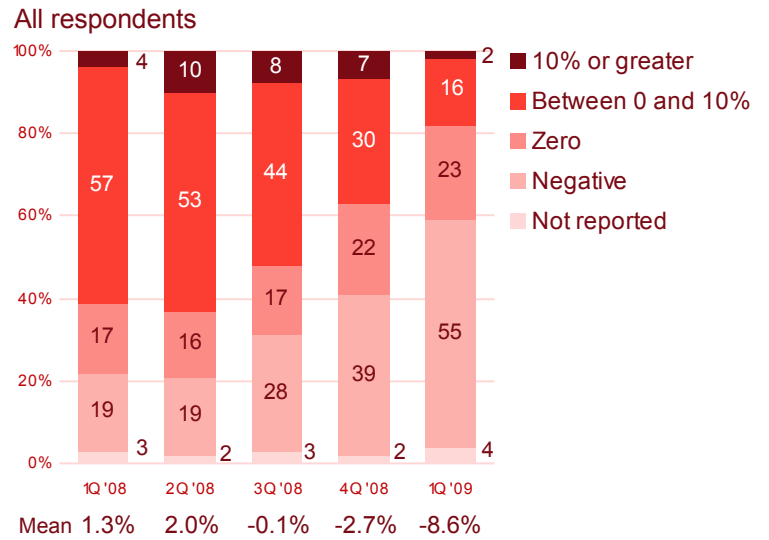
Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

# Industry growth, calendar year

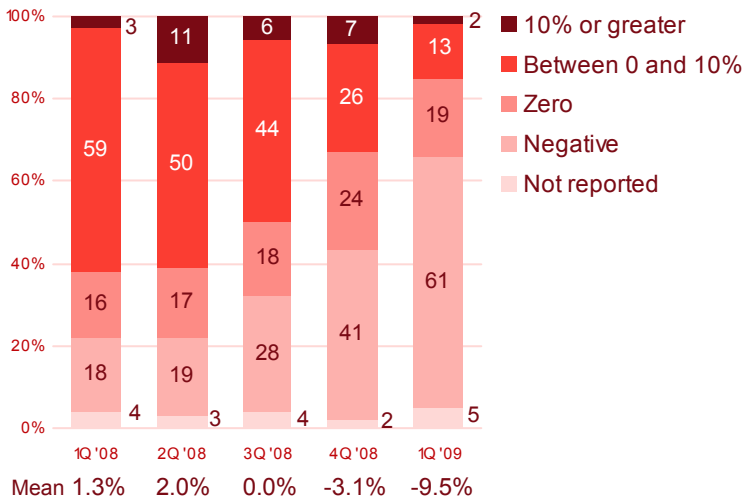
What is your industry's estimated growth rate for the calendar year?

Industry sector calendar year growth estimates dropped to minus 8.6 percent in the first quarter, down from minus 2.7 percent last quarter and well below last year's plus 1.3 percent.

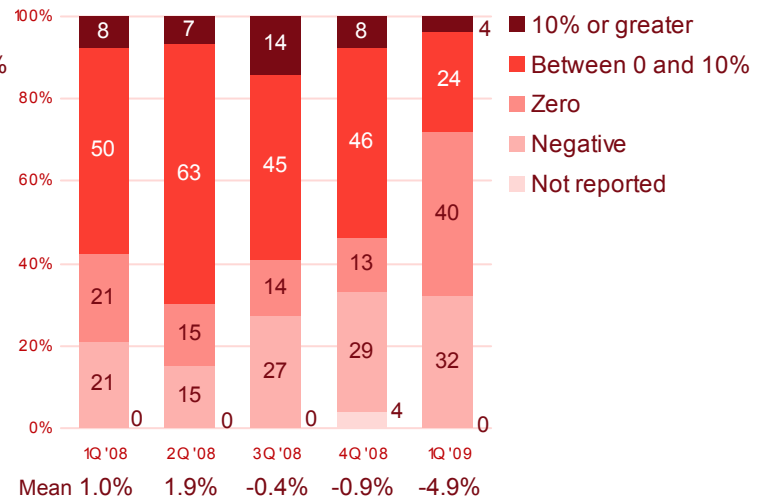
Chart 3.2 Industry growth, calendar year



## Product companies



## Service companies



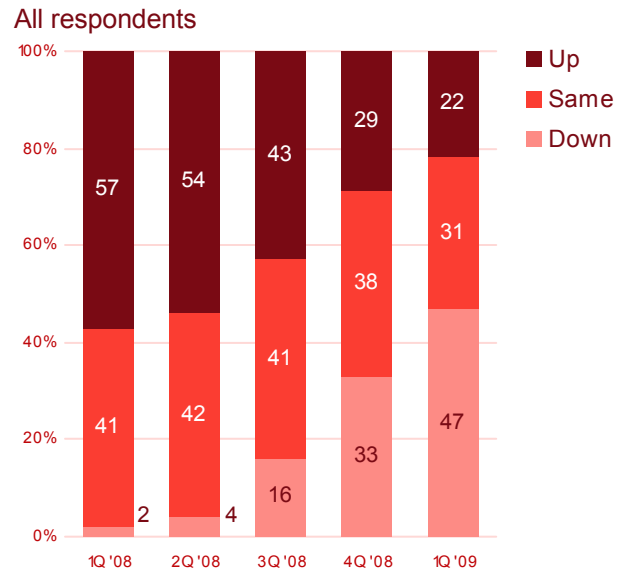
Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

# International sales

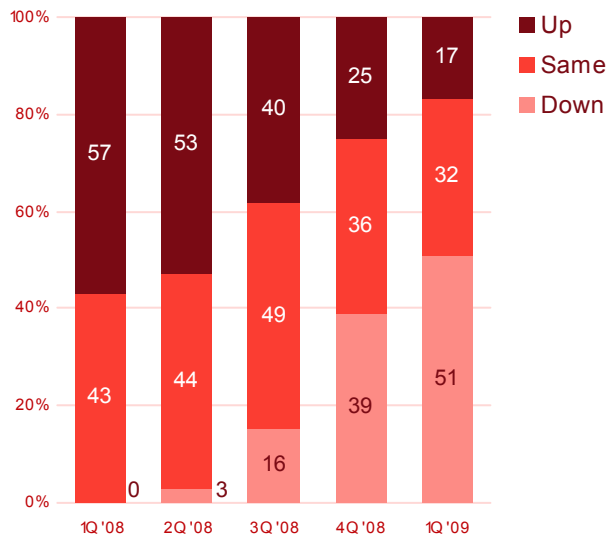
## Are international sales up, down, or the same compared with three months ago?

International markets continued to soften in the first quarter. Only 22 percent of those who market abroad reported increased sales, below the prior quarter's 29 percent and last year's 57 percent. The number of companies reporting a quarterly decrease rose 14 points to a survey high of 47 percent.

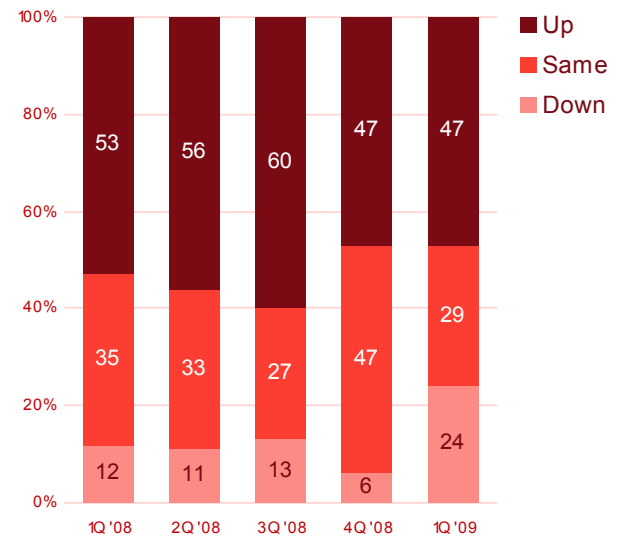
Chart 3.3 International sales



## Product companies



## Service companies



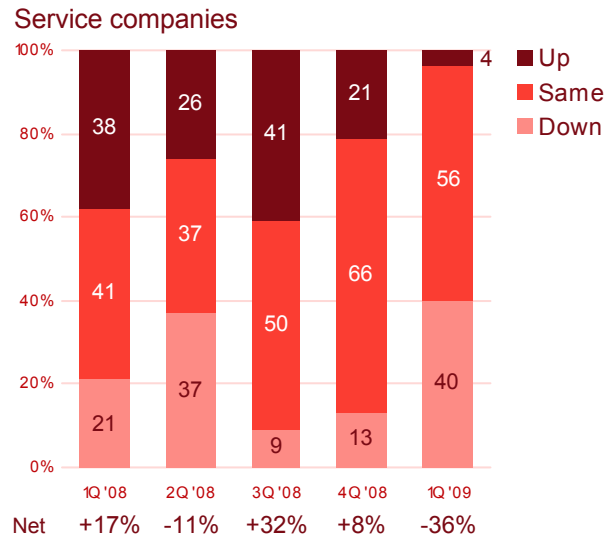
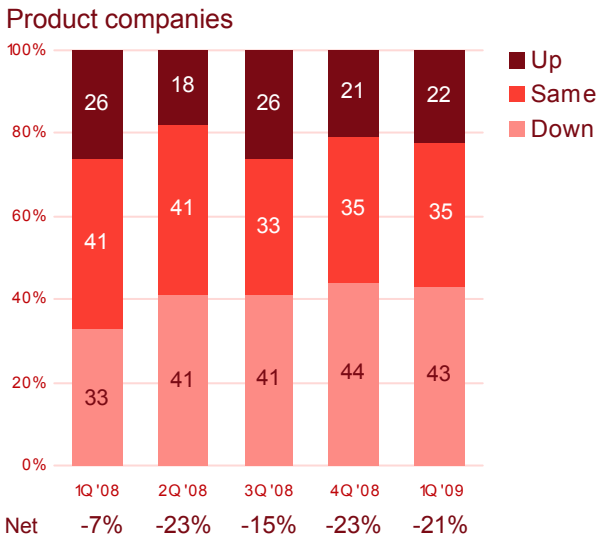
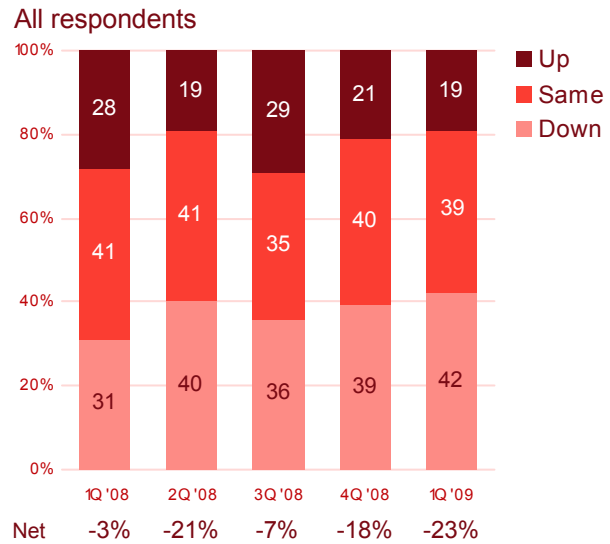
Note: In 1Q 2009 International marketers n=115, Product companies n=96, Service companies n=19

# Changes in gross margins

Are gross margins up, down, or the same compared with three months ago?

In the first quarter, net gross margins tightened. Of those surveyed, they were higher for 19 percent and lower for 42 percent. The net minus 23 percent was 5 points below last quarter and 20 points below last year.

Chart 3.4 Changes in gross margins



Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

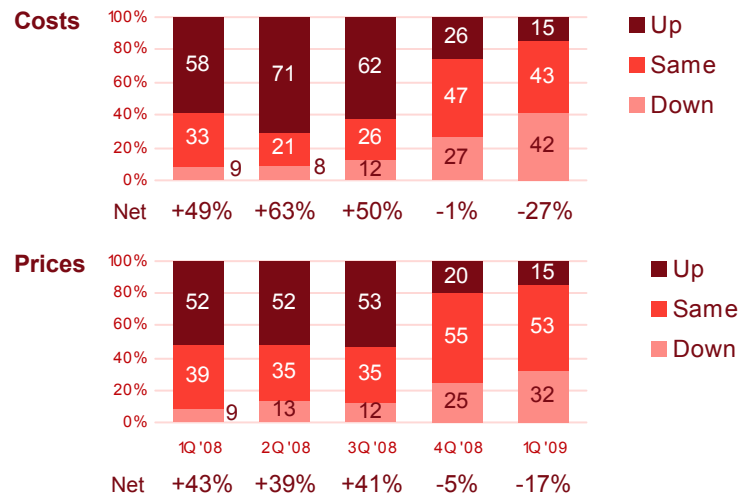
# Changes in costs and prices

Are costs up, down, or the same compared with three months ago? Prices?

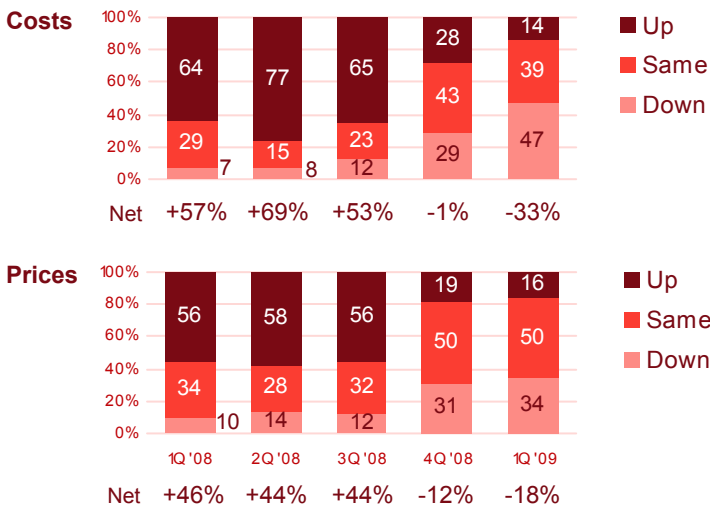
Costs and prices decreased sharply in the first quarter. Costs increased for only 15 percent of panelists but decreased for 42 percent, for a net 27 percent with lower costs. In turn, only 15 percent increased prices, and 32 percent decreased prices, for a net 17 percent decreasing prices.

Chart 3.5 Changes in costs and prices

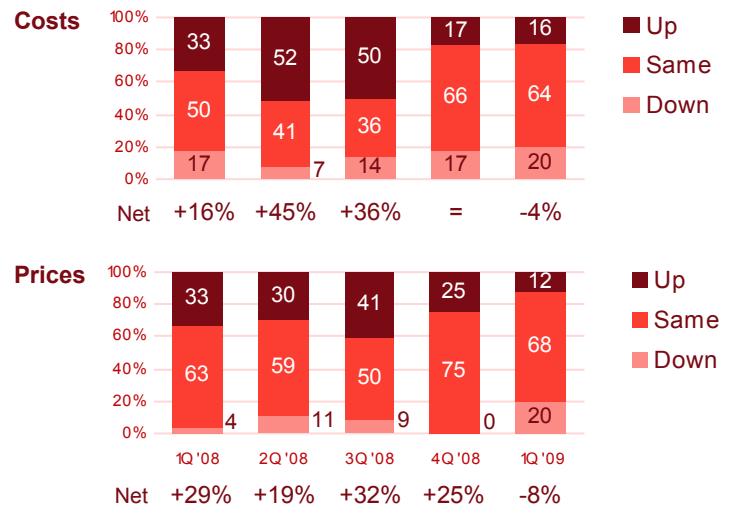
All respondents



Product companies



Service companies



Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

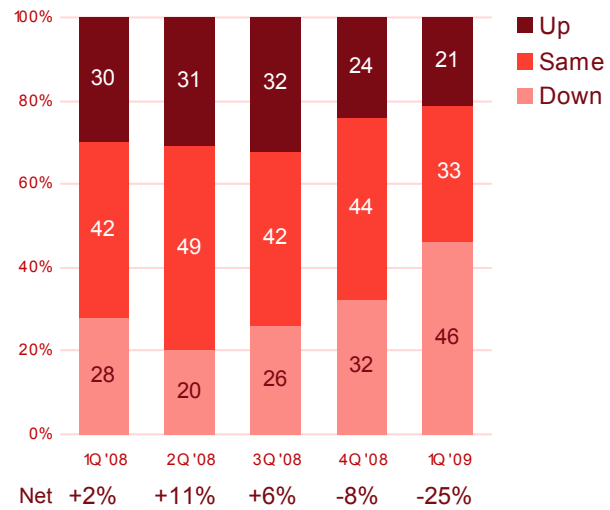
# Inventory movement

Are finished inventories as a percent of sales up, down, or the same compared with three months ago? (product companies only)

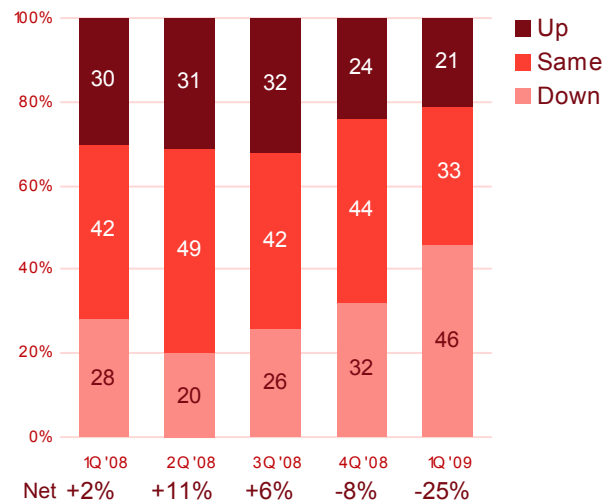
Inventories in the first quarter were down sharply: up for 21 percent of respondents but lower for 46 percent, for a net minus 25 percent, 17 points below the prior quarter's minus 8 percent.

Chart 3.6 Inventory movement

### All respondents



### Product companies



Note: In 1Q 2009 All respondents n=105, Product companies n=105

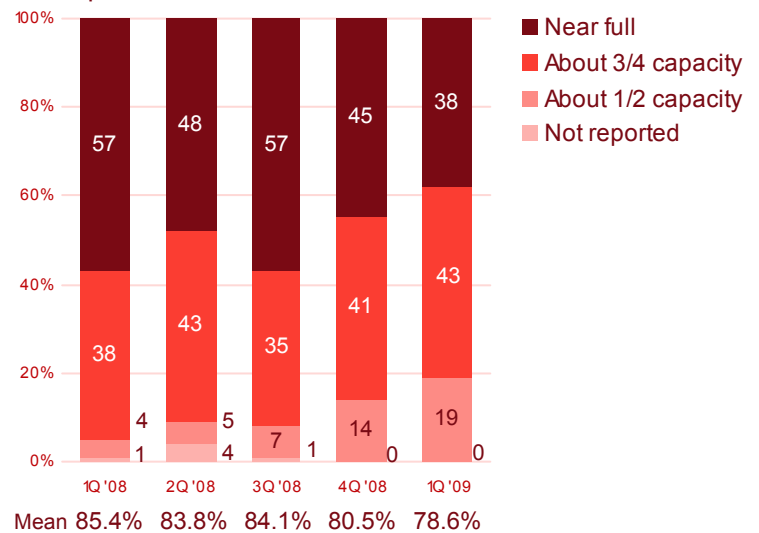
# Level of operating capacity

## What is your organization's current operating capacity?

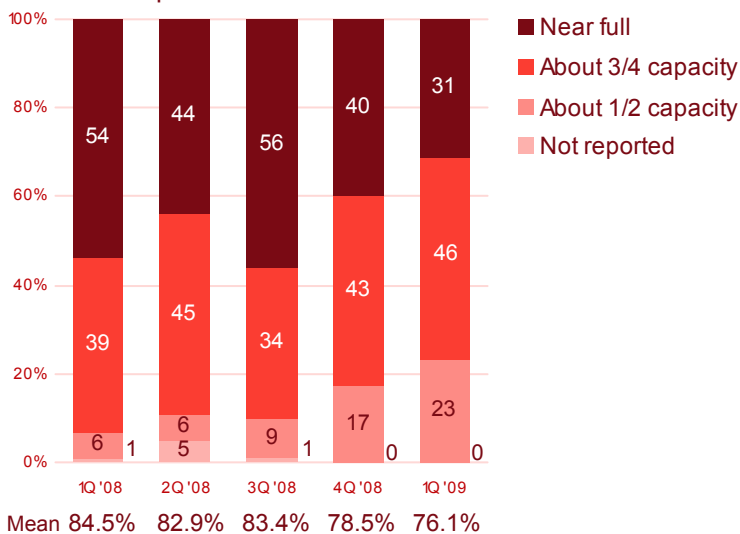
Operating capacity is an estimate of the current level of permanent staffing compared with what is needed for full-capacity output. In the first quarter, the level of operating capacity for those surveyed was an estimated 78.6 percent, below last quarter's 80.5 percent and last year's 85.4 percent. This quarter, only 38 percent said they are at or near full capacity, down 7 points from the prior quarter.

Chart 3.7 Level of operating capacity

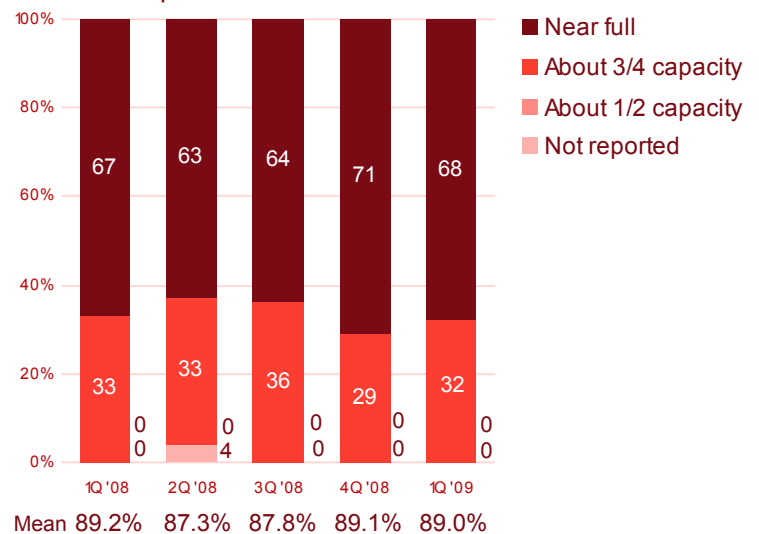
### All respondents



### Product companies



### Service companies



Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

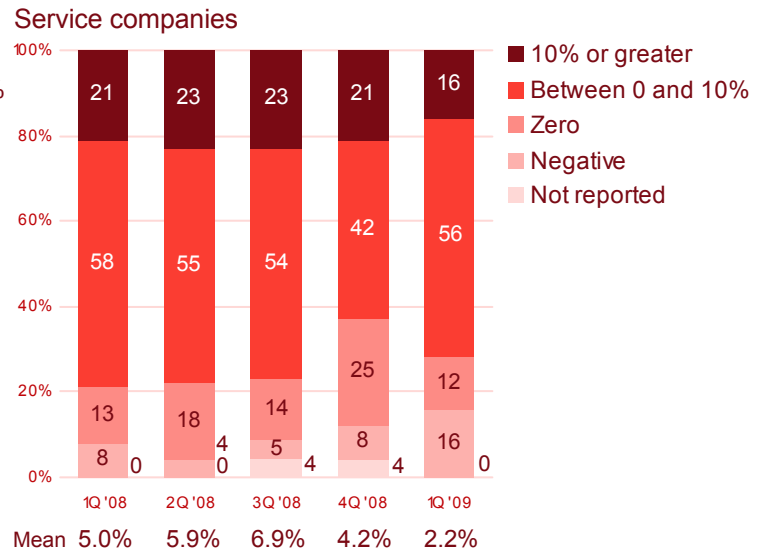
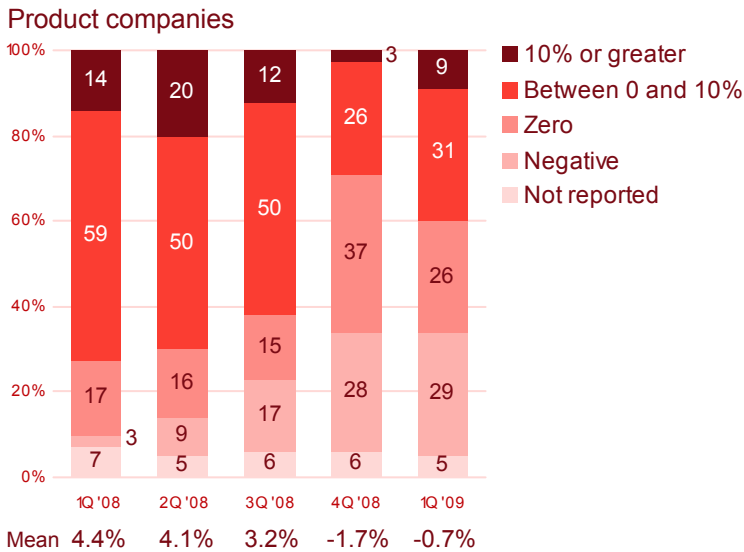
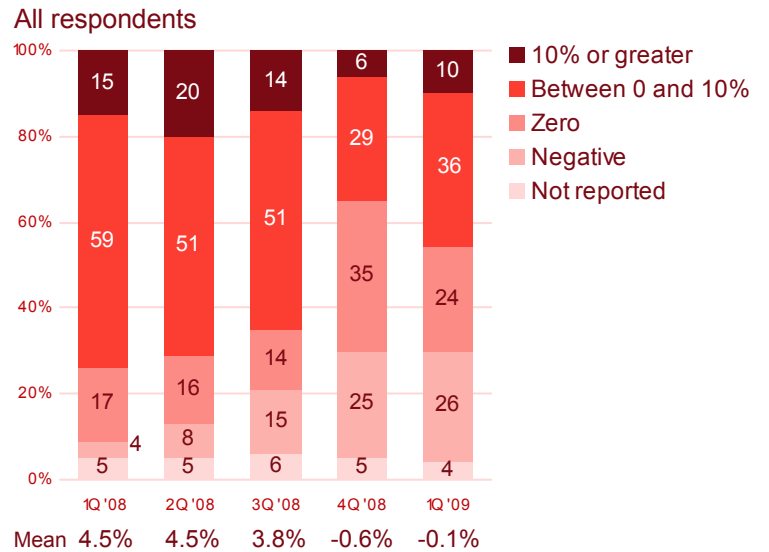
# Business outlook, next 12 months

# Revenue growth, next 12 months

What is your organization's estimated revenue growth rate for the next 12 months?

A turnaround is expected over the next 12 months into first quarter 2010 as panelists project a minus 0.1 percent average revenue growth rate for their companies. This is better than the prior quarter's minus 0.6 percent projection but far below last year's plus 4.5 percent. Forty-six percent forecast positive revenue growth, with 10 percent expecting double-digit growth and 36 percent expecting single-digit growth.

Chart 4.1 Revenue growth, next 12 months



Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

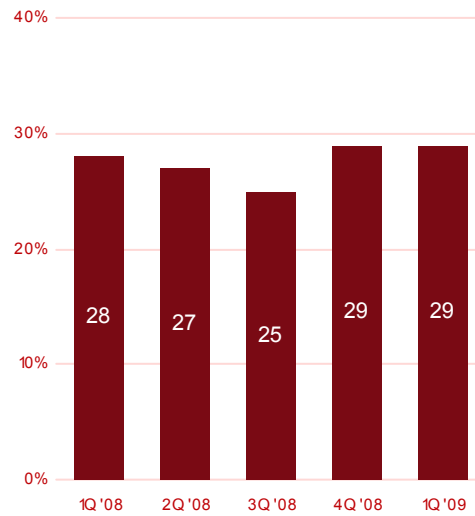
# International sales, next 12 months

What percent of your business's total revenue over the next 12 months do you expect to be derived from international sales?

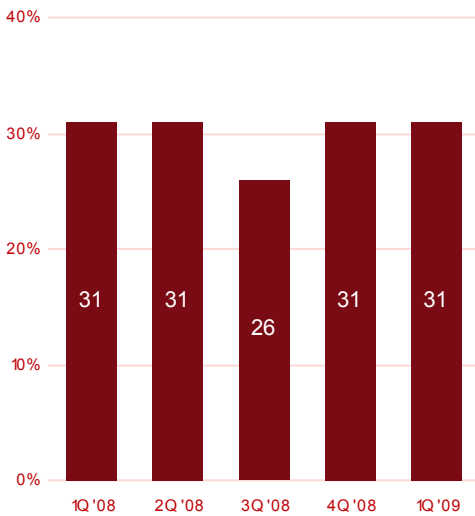
Over the next 12 months, those selling abroad projected international sales to contribute 29 percent of total revenue, same as the prior quarter's 29 percent and similar to last year's 28 percent. Although projections for total revenue are declining, the contribution of international sales to total revenue is holding steady at a lower overall level.

Chart 4.2 International sales, next 12 months

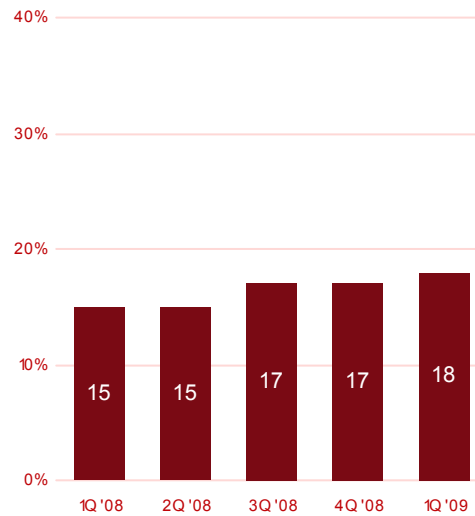
All respondents



Product companies



Service companies



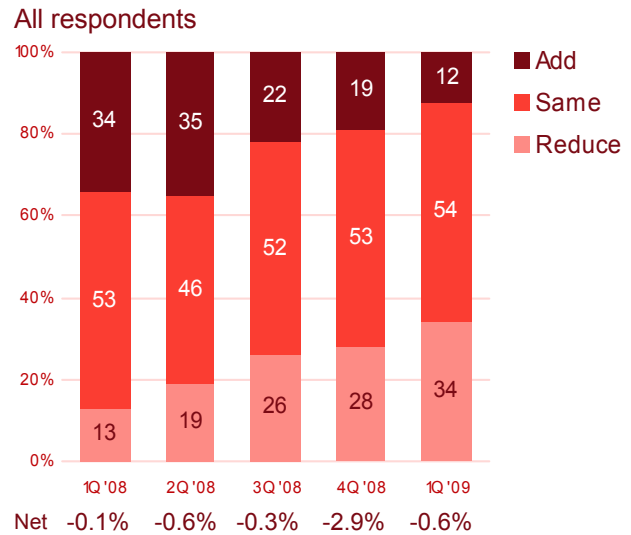
Note: In 1Q 2009 International marketers n=115, Product companies n=96, Service companies n=19

# Percent planning to hire

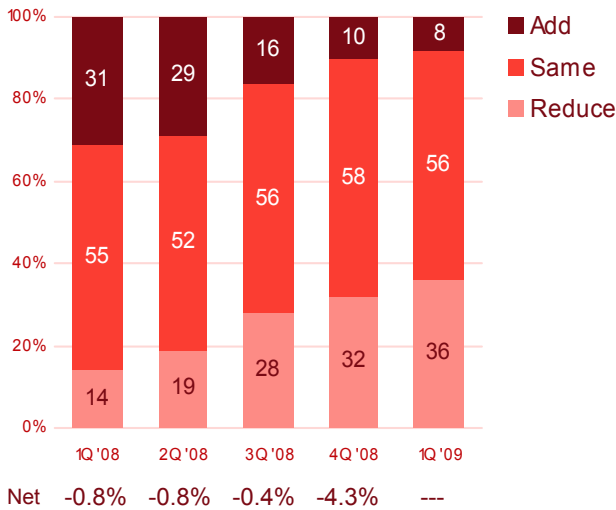
Do you plan to add or reduce the number of full-time equivalent employees over the next 12 months?

Looking ahead, the rate of prospective layoffs will slow considerably. Only 12 percent of respondents plan to add workers over the next 12 months, but only 34 percent expect to reduce their staff levels, resulting in a net minus 0.6 percent projected composite workforce over the next 12 months. This is better than the prior quarter's minus 2.9 percent.

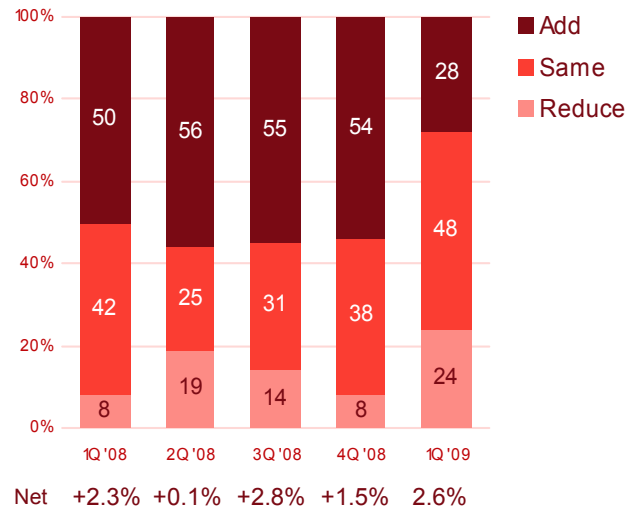
Chart 4.3 Percent planning to hire



## Product companies



## Service companies



Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

## Percent planning to hire by type of employee

What types of employees do you plan to add or reduce over the next 12 months?

Over the next 12 months, 12 percent of those surveyed are planning to hire, down 7 points from the previous quarter.

Chart 4.4 Percent planning to hire by type of employee

### All respondents

|                             | 1Q '08 | 2Q '08 | 3Q '08 | 4Q '08 | 1Q '09 |
|-----------------------------|--------|--------|--------|--------|--------|
| Planning to hire (net)      | 34%    | 35%    | 22%    | 19%    | 12%    |
| • Professionals/technicians | 23%    | 24%    | 15%    | 9%     | 8%     |
| • Sales/marketing           | 12%    | 16%    | 8%     | 5%     | 4%     |
| • Production workers        | 13%    | 9%     | 5%     | 7%     | 3%     |
| • Skilled labor             | 15%    | 9%     | 7%     | 5%     | 3%     |
| • White-collar support      | 15%    | 14%    | 8%     | 9%     | 2%     |

### Product companies

|                             | 1Q '08 | 2Q '08 | 3Q '08 | 4Q '08 | 1Q '09 |
|-----------------------------|--------|--------|--------|--------|--------|
| Planning to hire (net)      | 31%    | 29%    | 16%    | 10%    | 8%     |
| • Professionals/technicians | 18%    | 23%    | 9%     | 4%     | 4%     |
| • Sales/marketing           | 10%    | 15%    | 5%     | 2%     | 2%     |
| • Production workers        | 13%    | 10%    | 2%     | 4%     | 1%     |
| • Skilled labor             | 16%    | 9%     | 7%     | 4%     | 2%     |
| • White-collar support      | 14%    | 14%    | 6%     | 6%     | ---    |

### Service companies

|                             | 1Q '08 | 2Q '08 | 3Q '08 | 4Q '08 | 1Q '09 |
|-----------------------------|--------|--------|--------|--------|--------|
| Planning to hire (net)      | 50%    | 56%    | 55%    | 54%    | 28%    |
| • Professionals/technicians | 42%    | 30%    | 45%    | 33%    | 24%    |
| • Sales/marketing           | 21%    | 22%    | 27%    | 21%    | 12%    |
| • Production workers        | 8%     | 7%     | 18%    | 21%    | 12%    |
| • Skilled labor             | 8%     | 7%     | 5%     | 13%    | 8%     |
| • White-collar support      | 17%    | 15%    | 23%    | 25%    | 8%     |

Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

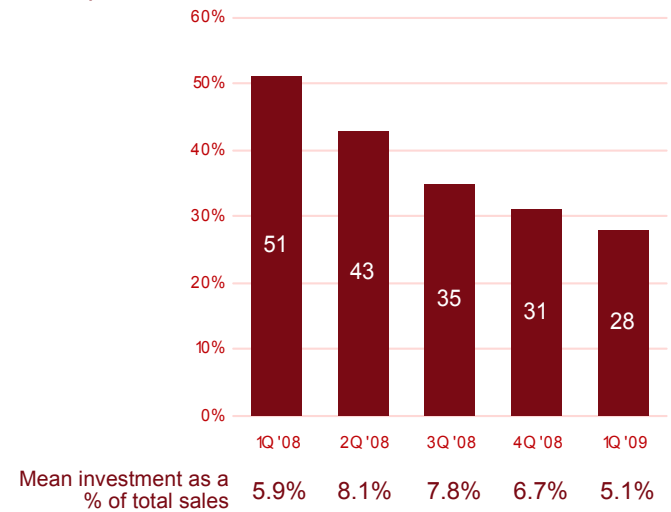
# Percent planning major new investments of capital

Are you actively planning any major new investments of capital over the next 12 months? If so, what percent of total sales do you expect to invest?

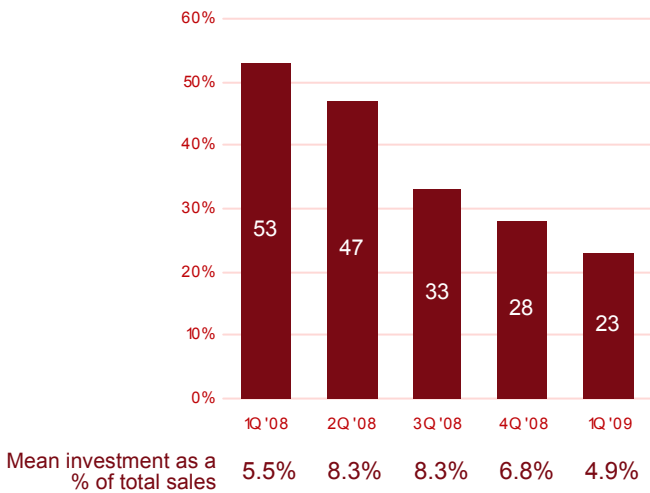
Quarter over quarter, far fewer respondents are planning major new investments of capital for business growth over the next 12 months, dropping from 31 percent in the prior quarter to 28 percent. A year ago, it was 51 percent. The mean investment also declined to 5.1 percent of total sales from 6.7 percent last quarter.

Chart 4.5 Percent planning major new investments of capital

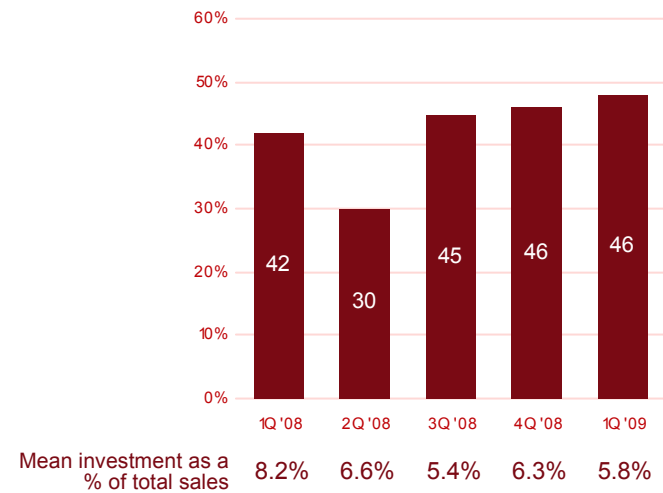
All respondents



Product companies



Service companies



Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

## Percent planning to increase operational spending

### Over the next 12 months, where do you expect to increase spending?

Over the next 12 months, 56 percent of panelists plan to increase spending in a wide range of operational areas, similar to the prior quarter but well below a year ago. Investments in new product and service introductions and research and development increased in prospective operational spending. Most other categories were lower.

#### Product companies

|   | 1Q '08 | 2Q '08 | 3Q '08 | 4Q '08 | 1Q '09 |
|---|--------|--------|--------|--------|--------|
| Percent planning to increase spending (net) | 80%    | 77%    | 65%    | 49%    | 52%    |
| • New product or service introduction       | 39%    | 48%    | 31%    | 22%    | 30%    |
| • Information technology                    | 39%    | 41%    | 24%    | 25%    | 16%    |
| • Geographic expansion                      | 22%    | 25%    | 16%    | 20%    | 10%    |
| • Research and development                  | 29%    | 31%    | 13%    | 11%    | 15%    |
| • Business acquisition                      | 32%    | 28%    | 23%    | 17%    | 8%     |
| • Facilities expansion                      | 26%    | 27%    | 21%    | 14%    | 11%    |
| • Marketing & sales promotion               | 21%    | 18%    | 18%    | 9%     | 9%     |
| • Advertising                               | 14%    | 15%    | 17%    | 7%     | 9%     |
| • Internet commerce                         | 13%    | 20%    | 14%    | 3%     | 7%     |

Chart 4.6 Percent planning to increase operational spending

#### All respondents

|   | 1Q '08 | 2Q '08 | 3Q '08 | 4Q '08 | 1Q '09 |
|---|--------|--------|--------|--------|--------|
| Percent planning to increase spending (net) | 84%    | 78%    | 68%    | 55%    | 56%    |
| • New product or service introduction       | 39%    | 49%    | 33%    | 21%    | 30%    |
| • Information technology                    | 42%    | 43%    | 28%    | 30%    | 19%    |
| • Geographic expansion                      | 26%    | 27%    | 22%    | 24%    | 15%    |
| • Research and development                  | 27%    | 29%    | 14%    | 13%    | 15%    |
| • Business acquisition                      | 34%    | 30%    | 24%    | 20%    | 13%    |
| • Facilities expansion                      | 27%    | 30%    | 22%    | 18%    | 13%    |
| • Marketing & sales promotion               | 23%    | 18%    | 20%    | 12%    | 12%    |
| • Advertising                               | 15%    | 13%    | 17%    | 9%     | 9%     |
| • Internet commerce                         | 16%    | 19%    | 13%    | 5%     | 7%     |

#### Service companies

|   | 1Q '08 | 2Q '08 | 3Q '08 | 4Q '08 | 1Q '09 |
|---|--------|--------|--------|--------|--------|
| Percent planning to increase spending (net) | 98%    | 82%    | 86%    | 83%    | 72%    |
| • New product or service introduction       | 38%    | 52%    | 46%    | 17%    | 32%    |
| • Information technology                    | 54%    | 48%    | 50%    | 54%    | 28%    |
| • Geographic expansion                      | 42%    | 37%    | 50%    | 42%    | 40%    |
| • Research and development                  | 17%    | 19%    | 18%    | 21%    | 12%    |
| • Business acquisition                      | 42%    | 37%    | 27%    | 33%    | 26%    |
| • Facilities expansion                      | 33%    | 44%    | 27%    | 33%    | 20%    |
| • Marketing & sales promotion               | 29%    | 19%    | 27%    | 29%    | 24%    |
| • Advertising                               | 17%    | 7%     | 18%    | 21%    | 12%    |
| • Internet commerce                         | 25%    | 15%    | 9%     | 17%    | 8%     |

Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

# Expected barriers to business growth

Over the next 12 months, will any of the following represent barriers to business growth?

Respondents predict the chief barrier to growth over the next 12 months will continue to be lack of demand, rising 7 points in the first quarter to 81 percent. Concern about decreasing profitability rose 4 points to 61 percent. Capital constraints and taxation policies concern more respondents, along with legislative/regulatory pressures, as potential barriers to growth.

Chart 4.7 Expected barriers to business growth



Note: In 1Q 2009 All respondents n=130

## Plans for M&A and other business initiatives

Over the next 12 months, do you expect to participate in any of the following new business initiatives?

Plans for M&A activity over the next 12 months among respondents dropped 8 points to 22 percent. The number planning to close/reduce facilities abroad (13 percent) or reduce activity in markets abroad (12 percent) is equal on a net basis to the number expecting to expand to new markets abroad (17 percent).

### Product companies

|                                     | 1Q<br>'08 | 2Q<br>'08 | 3Q<br>'08 | 4Q<br>'08 | 1Q<br>'09 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| New business initiatives (net)      | 57%       | 60%       | 59%       | 58%       | 51%       |
| • New strategic alliance            | 30%       | 24%       | 30%       | 26%       | 24%       |
| • M&A activity (net)                | 34%       | 37%       | 30%       | 26%       | 15%       |
| - Purchase another business         | 31%       | 32%       | 26%       | 22%       | 11%       |
| - Sell part/all own business        | 6%        | 9%        | 5%        | 9%        | 5%        |
| - Equity carve-out/spin-off         | 9%        | 7%        | 5%        | 4%        | 3%        |
| • New joint venture                 | 26%       | 26%       | 23%       | 23%       | 16%       |
| • Expand to new markets abroad      | 26%       | 26%       | 24%       | 28%       | 15%       |
| • Close/reduce facilities abroad    | 4%        | 5%        | 6%        | 9%        | 15%       |
| • Reduce activity in markets abroad | 7%        | 7%        | 14%       | 12%       | 12%       |
| • New facilities abroad             | 21%       | 15%       | 18%       | 20%       | 11%       |

Chart 4.8 Plans for M&A and other business initiatives

### All respondents

|                                     | 1Q<br>'08 | 2Q<br>'08 | 3Q<br>'08 | 4Q<br>'08 | 1Q<br>'09 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| New business initiatives (net)      | 60%       | 64%       | 61%       | 61%       | 54%       |
| • New strategic alliance            | 32%       | 25%       | 30%       | 26%       | 26%       |
| • M&A activity (net)                | 38%       | 40%       | 31%       | 30%       | 22%       |
| - Purchase another business         | 35%       | 33%       | 27%       | 25%       | 18%       |
| - Sell part/all own business        | 7%        | 10%       | 5%        | 9%        | 5%        |
| - Equity carve-out/spin-off         | 8%        | 7%        | 5%        | 4%        | 3%        |
| • New joint venture                 | 27%       | 29%       | 26%       | 23%       | 21%       |
| • Expand to new markets abroad      | 30%       | 29%       | 27%       | 32%       | 17%       |
| • Close/reduce facilities abroad    | 4%        | 4%        | 5%        | 7%        | 13%       |
| • Reduce activity in markets abroad | 9%        | 6%        | 13%       | 12%       | 12%       |
| • New facilities abroad             | 17%       | 12%       | 15%       | 17%       | 11%       |

### Service companies

|                                     | 1Q<br>'08 | 2Q<br>'08 | 3Q<br>'08 | 4Q<br>'08 | 1Q<br>'09 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| New business initiatives (net)      | 71%       | 78%       | 68%       | 75%       | 68%       |
| • New strategic alliance            | 42%       | 30%       | 32%       | 25%       | 36%       |
| • M&A activity (net)                | 54%       | 52%       | 36%       | 46%       | 52%       |
| - Purchase another business         | 50%       | 37%       | 32%       | 42%       | 48%       |
| - Sell part/all own business        | 13%       | 15%       | 5%        | 8%        | 4%        |
| - Equity carve-out/spin-off         | 4%        | 7%        | 5%        | 4%        | 4%        |
| • New joint venture                 | 33%       | 41%       | 41%       | 25%       | 40%       |
| • Expand to new markets abroad      | 46%       | 41%       | 41%       | 46%       | 24%       |
| • Close/reduce facilities abroad    | 4%        | ---       | ---       | ---       | 4%        |
| • Reduce activity in markets abroad | 17%       | 4%        | 9%        | 13%       | 8%        |
| • New facilities abroad             | ---       | 4%        | ---       | 4%        | 12%       |

Note: In 1Q 2009 All respondents n=130, Product companies n=105, Service companies n=25

# Survey demographics and research methodology

## Demographics

|                                |  |                         |   |
|--------------------------------|--|-------------------------|---|
| Who                            | Senior executives of large US-based multinational companies                                |                         |   |
| Interview dates                | January 30, 2009 to April 30, 2009   |                         |   |
|                                | All respondents (130)  | Product companies (105) | Service companies (25)  |
| Average number of employees    | 7,959  | 7,357                   | 10,566  |
| Average business unit revenues | \$3.43 billion   | \$3.78 billion          | \$2.00 billion  |
| Average enterprise revenues    | \$9.46 billion   | \$8.20 billion          | \$14.72 billion   |
| Average market capitalization  | \$9.32 billion   | \$7.93 billion          | \$14.67 billion   |
| Industry sectors               | Products 81%<br>Manufacturing 73%<br>Trade/Distribution 3%<br>All other 5%<br>Services 19% |                         | Caution: A small sample size is presented for service companies. Key differences between product and service companies are noted in the text. |

## Methodology

PricewaterhouseCoopers' Management Barometer is a quarterly telephone survey conducted by the independent research firm BSI Global Research Inc. Our regular survey panel consists of senior executives from a geographically balanced sample of large multinational companies based in the United States. Ninety-five percent of the panelists hold titles such as president, CEO, CFO, VP of finance, treasurer, controller, internal audit director or other related title.

# www.barometersurveys.com

## About the research:

The Management Barometer is one in a series of quarterly business outlook surveys from PricewaterhouseCoopers. The survey provides a view on the 12-month outlook for revenue growth, new investments, new hiring plans, emerging business barriers and more. In addition to the business outlook, we hear from our panelists about special issues they face as the business climate changes. Results of the quarterly business outlook surveys and special issue surveys are available from [www.barometersurveys.com](http://www.barometersurveys.com).

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