

Private Company Services

Trendsetter Barometer

**Business outlook report
October/November 2011**

Contents

1 Quarterly highlights	Page
1.1 International marketers outpace domestic-only peers	3
1.2 Key indicators for the business outlook	4
2 Economic views	
2.1 View of US economy, this quarter	6
2.2 View of US economy, next 12 months	7
2.3 View of world economy, this quarter	8
2.4 View of world economy, next 12 months	9
3 Company performance	
3.1 Company revenue growth, calendar year	11
3.2 Industry growth, calendar year	12
3.3 International sales	13
3.4 Changes in gross margins	14
3.5 Changes in costs and prices	15
3.6 Finished inventories as a percent of sales	16
3.7 Level of operating capacity	17
3.8 New bank loans, credit terms and financing	18
3.9 Change in credit availability	19
4 Business outlook, next 12 months	
4.1 Revenue growth, next 12 months	21
4.2 International sales, next 12 months	22
4.3 Percent planning to hire	23
4.4 Percent planning to hire by type of employee	24
4.5 Percent planning major new investments of capital	25
4.6 Percent planning to increase operational spending	26
4.7 Expected barriers to business growth	27
4.8 Plans for M&A and other business initiatives	28
5 Survey demographics and research methodology	29

Quarterly highlights

PwC commissioned independent research firm BSI Global Research Inc. to interview 247 chief executive officers (CEOs/CFOs) of leading privately held businesses in the United States in the third quarter of 2011. The interviewees were asked 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 responses with the prior quarter's results to see how the outlook has changed.

Key findings:

- Optimism drops sharply.** In the third quarter of 2011, optimism about the US economic outlook for the next 12 months dropped another 16 points to 27 percent (down from 43 percent) and is now lower than a year ago (when it was 39 percent). Nearly the same percentage of chief executives at private US businesses expressed pessimism about the US economy (24 percent, up 9 points). Roughly half (49 percent) are uncertain.

A similar pattern is found among private companies selling internationally, with only 21 percent optimistic about the prospects for the world economy over the next 12 months — down 17 points from the prior quarter and 22 points lower compared with a year ago (43 percent). Twenty-eight percent are pessimistic (up 18 points), and the majority are uncertain.

- Revenue projections still positive.** Although Trendsetter executives lowered their companies' 12-month average revenue growth forecast from 9.5 percent (last quarter's projection) to 7.2 percent, more than three-quarters of them (78 percent) expect their companies to continue growing over the next 12 months — 30 percent project double-digit growth and 48 percent anticipate single-digit growth. Only 6 percent anticipate negative growth and 13 percent zero growth (3 percent went unreported). International marketers forecast higher levels of growth than their domestic-only peers — 7.6 percent versus 6.8 percent.

- International sales stay on pace.** Although international marketers' confidence about the world economy over the next 12 months fell, 43 percent of them saw their third-quarter sales rise (up 2 points), and only 10 percent saw them dip. Roughly half (47 percent) reported little or no change. Trendsetter companies marketing abroad project that the average contribution of international sales to total revenue over the next 12 months will be 19 percent — the same as the prior quarter and a year ago.

- Costs continue to rise.** Gross margins essentially remained flat, with 21 percent reporting higher margins in third-quarter 2011 and 22 percent reporting lower margins, for a net minus 1 percent reporting lower margins. Costs increased for 28 percent, decreased for 11 percent, with a net 17 percent of Trendsetter companies reporting higher costs. Prices, meanwhile, lagged, with 19 percent of Trendsetter companies reporting price increases and 9 percent reporting decreases, with net 10 percent reporting higher prices. The percentage of Trendsetter executives concerned about profitability/decreasing margins over the next 12 months rose seven points to 37 percent.

- Spending plans hold steady.** Thirty-eight percent of Trendsetter companies are planning major new investments of capital over the next 12 months, down just slightly (4 points) from the prior quarter. They expect to spend at a lower rate than previously projected: 6.1 percent of sales versus a high 8.4 percent average forecast last quarter.

Nearly three-quarters (72 percent) of Trendsetter companies plan to increase operational spending over the next 12 months (down 1 point). Information technology leads the way (39 percent of

respondents plan increases), followed by new product or service introductions (34 percent). Additional areas targeted for increased spending include marketing & sales promotion (23 percent), geographic expansion (22 percent), and facilities expansion (21 percent). Operational spending on other business initiatives proved lower than it was the previous quarter, including spending on new strategic alliances, expansion to markets abroad, and purchase of another business.

- New hiring plans decrease.** The percentage of Trendsetter companies planning to hire over the next 12 months decreased 10 points to 48 percent. Only 3 percent expect net reductions, and 49 percent expect hiring to remain about the same, with an overall planned increase of 1.6 percent in the composite workforce.
- Concern about demand.** Lack of demand remained the leading potential barrier to business growth over the next 12 months, cited by 77 percent of Trendsetter executives (up 2 points). Next, 54 percent cited legislative/regulatory pressures. Those concerned about oil/energy prices dropped 12 points to a moderate 33 percent. The percentage concerned about profitability/decreasing margins rose 7 points to 37 percent due to rising costs, and 26 percent voiced concern about lack of capital (up 6 points). The percentage concerned about increased taxation remained static, at 34 percent.

Chart 1.1 International marketers outpace domestic-only peers

	International marketers (n=114)	Domestic-only peers (n=133)
Business outlook, next 12 months		
Optimistic about US economy	27%	27%
Optimistic about world economy	21%	–
Revenue growth rate	7.6%	6.8%
International sales (% of total)	19%	–
Planning major capital investments	51%	27%
Planning expansion to new markets abroad	33%	2%
Plans to increase spending (net)	83%	63%
• Information technology	44%	35%
• New products/services	43%	26%
• Sales promotion	25%	21%
• Business acquisitions	21%	11%
• R&D	24%	10%
Prior quarter's performance		
• Increased gross margins (net)	+4%	-4%
• Increased costs (net)	+22%	+11%
• Increased prices (net)	+13%	+6%

Note: International marketers have average revenue of \$314.3 million; their domestic-only peers have average revenue of \$244.7 million.

A quarter-by-quarter comparison of the key indicators shows the business outlook for the next 12 months and how the views of the survey panel have changed (see Chart 1.2). The pages that follow provide a detailed look at each question for the previous five quarterly surveys.

Key indicators for the business outlook

Chart 1.2 Key indicators for the business outlook

A quarter-over-quarter comparison of the key indicators shows how the 12-month outlook has changed. The change column indicates the movement of opinion from second-quarter 2011 to third-quarter 2011.

Business outlook, next 12 months	2010		2011			Change	Page
	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11	2Q – 3Q'11	
Optimistic about US economy	39%	63%	64%	43%	27%	↓	7
Optimistic about world economy ¹	43%	56%	54%	38%	21%	↓	9
Expect positive revenue growth	75%	83%	85%	88%	78%	↓	21
Average growth rate expected	9.7%	9.8%	10.2%	9.5%	7.2%	↓	21
Planning major new investments	33%	36%	37%	42%	38%	↓	25
New investments as a % of sales	5.9%	7.2%	7.5%	8.4%	6.1%	↓	25
Planning to hire	60%	57%	63%	58%	48%	↓	23
New workers as a % of workforce (net)	+2.0%	+1.8%	+2.4%	+2.0%	+1.6%	↓	23
Expected barriers to growth							
• Lack of demand	72%	67%	67%	75%	77%	=	27
• Legislative/regulatory pressures	54%	51%	50%	52%	54%	=	27
• Profitability/decreasing margins	37%	32%	31%	30%	37%	↑	27
• Increased taxation	45%	35%	30%	35%	34%	=	27
• Oil/energy prices	22%	32%	38%	45%	33%	↓	27
• Lack of capital for investment	20%	19%	17%	20%	26%	↑	27
• Lack of qualified workers	15%	18%	26%	23%	22%	=	27
• Strength of the US dollar	15%	18%	14%	23%	19%	↓	27
• Pressure for increased wages	12%	18%	15%	19%	18%	=	27
• Higher interest rates	9%	18%	14%	21%	12%	↓	27
• Competition from foreign markets	12%	9%	10%	10%	11%	=	27

1. Reflects responses from international marketers only.

Economic views

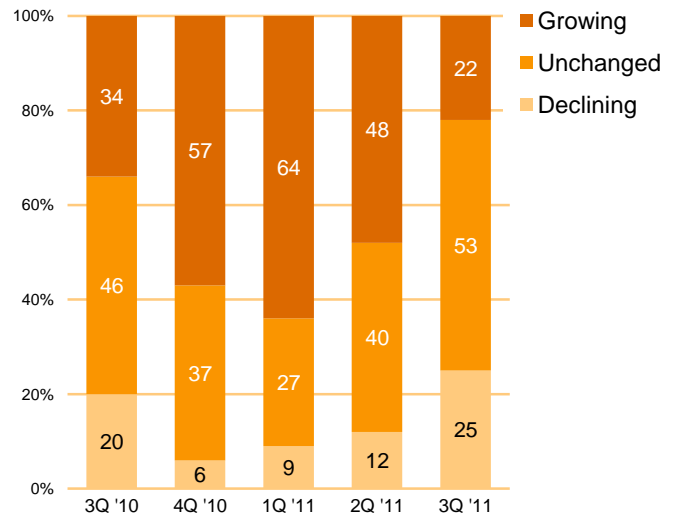
View of the US economy, this quarter

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

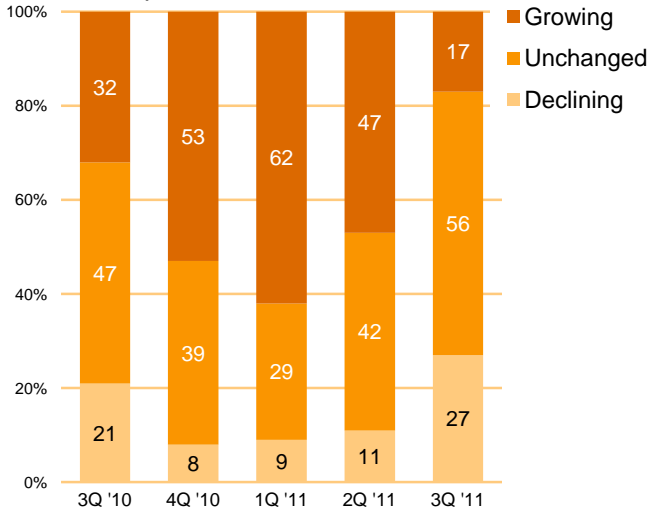
In third-quarter 2011, 22 percent of panelists said they believed the US economy was growing, down 26 points from the prior quarter. Twenty-five percent said the US economy was declining (up 13 points), and 53 percent felt it was about the same.

Chart 2.1 View of the US economy, this quarter

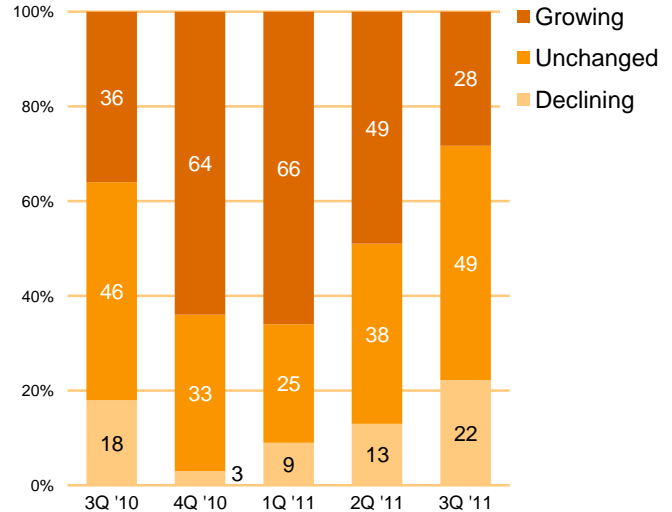
All respondents



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

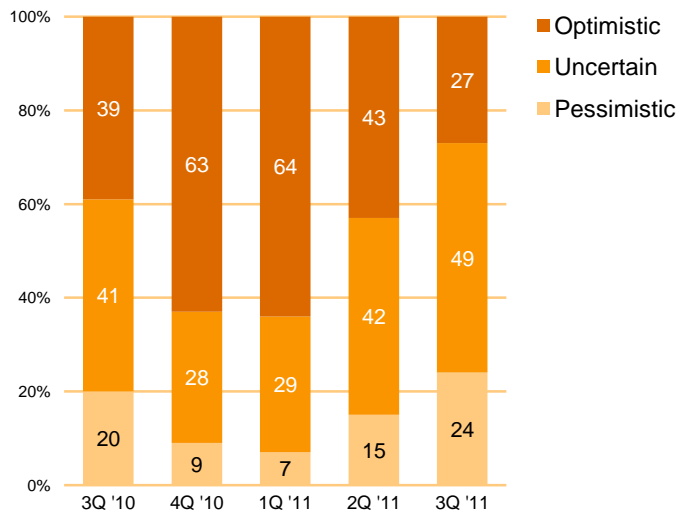
View of the US economy, next 12 months

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

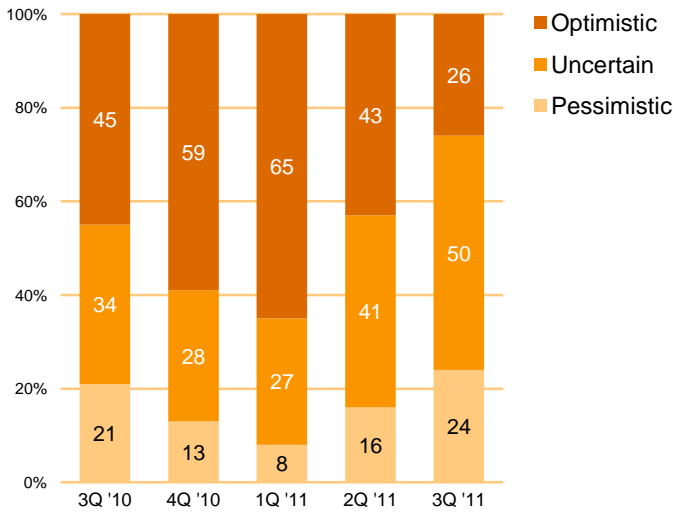
Looking ahead, the percentage of panelists who are optimistic about the US economy over the next 12 months dropped another 16 points to 27 percent. Those expressing pessimism increased 9 points to 24 percent, and 49 percent said they were uncertain.

Chart 2.2 View of the US economy, next 12 months

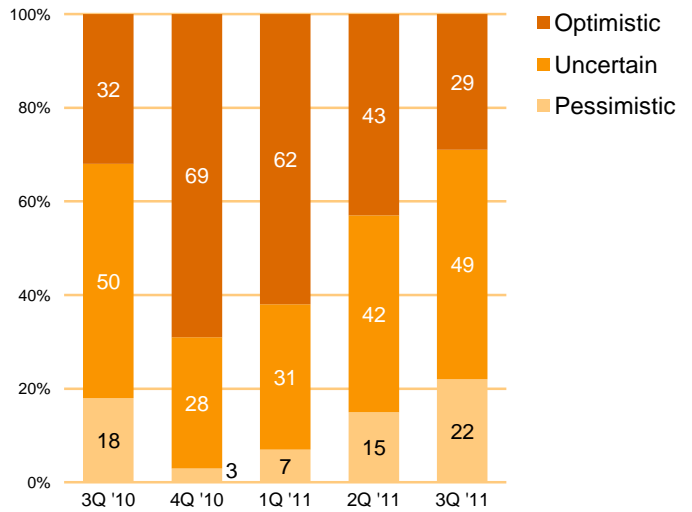
All respondents



Product companies



Service companies



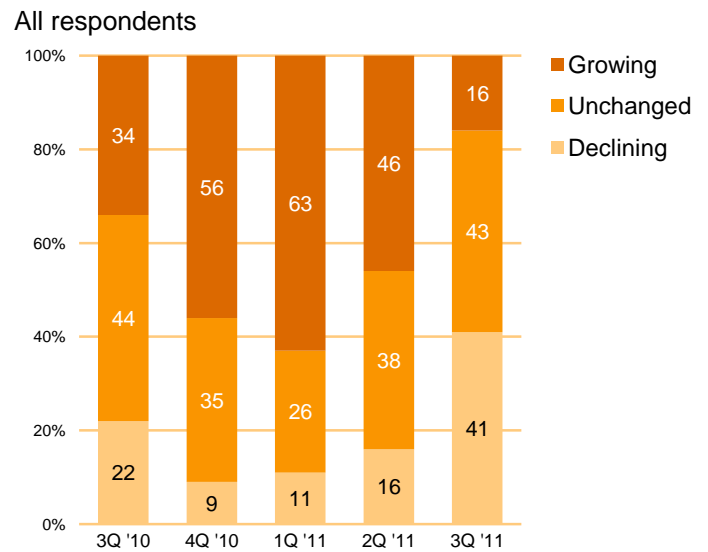
Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

View of the world economy, this quarter

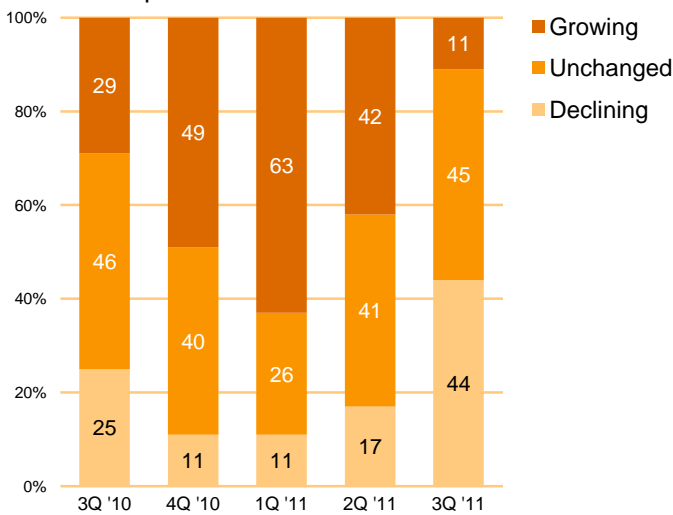
Which best describes your view of the world economy this quarter? (international marketers only)

In third-quarter 2011, only 16 percent of respondents who market abroad viewed the world economy as growing, down 30 points from the previous quarter. Forty-one percent viewed the world economy as declining (up 25 points), and 43 percent viewed it as unchanged.

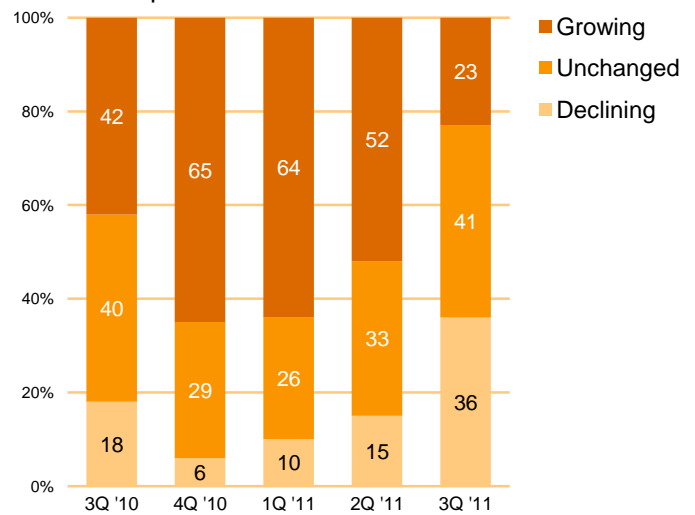
Chart 2.3 View of the world economy, this quarter



Product companies



Service companies



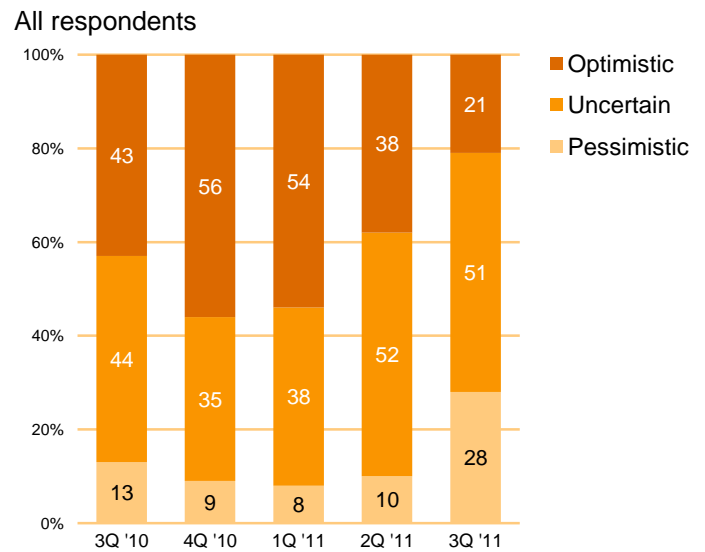
Note: In 3Q 2011 All international marketers, n=114, Product companies, n=70, Service companies, n=44

View of the world economy, next 12 months

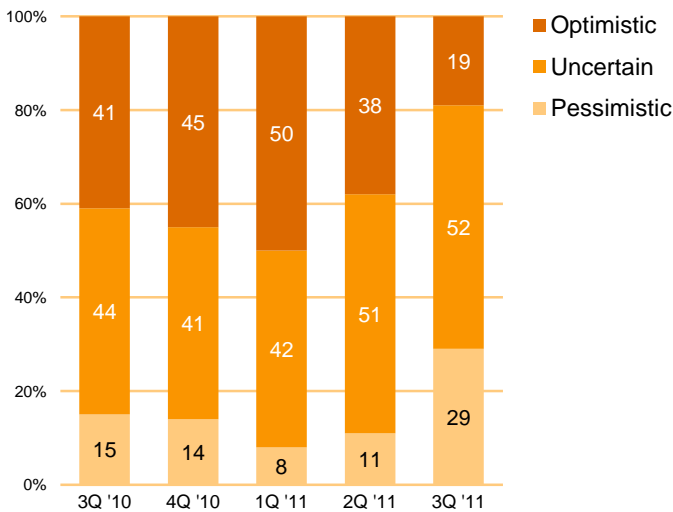
Looking ahead at the next 12 months, how do you feel about the prospects for the world economy? (international marketers only)

Of international marketers surveyed in the third quarter, only 21 percent expressed optimism about the world economy's prospects over the next 12 months, down 17 points from the prior quarter. The percentage expressing pessimism rose 18 points to 28 percent, while the majority (51 percent) was uncertain. More panelists were pessimistic than optimistic.

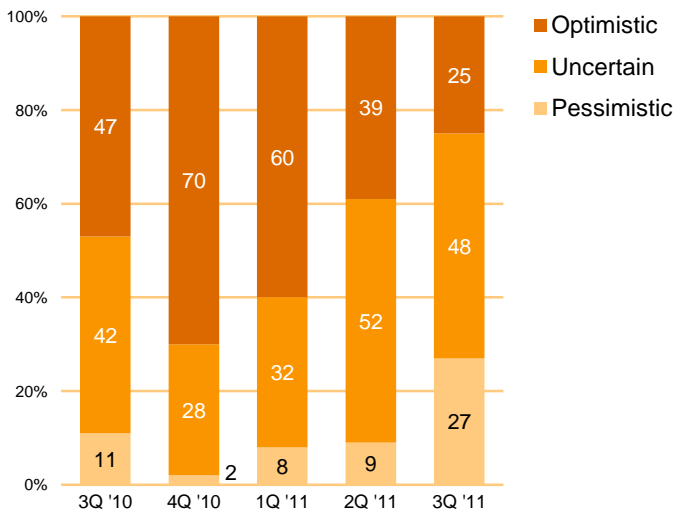
Chart 2.4 View of the world economy, next 12 months



Product companies



Service companies



Note: In 3Q 2011 All international marketers, n=114, Product companies, n=70, Service companies, n=44

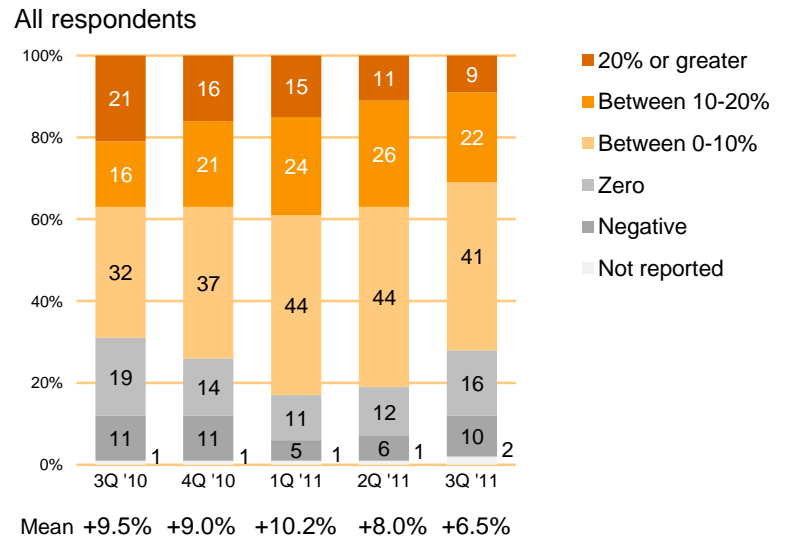
Company performance

Company revenue growth, calendar year

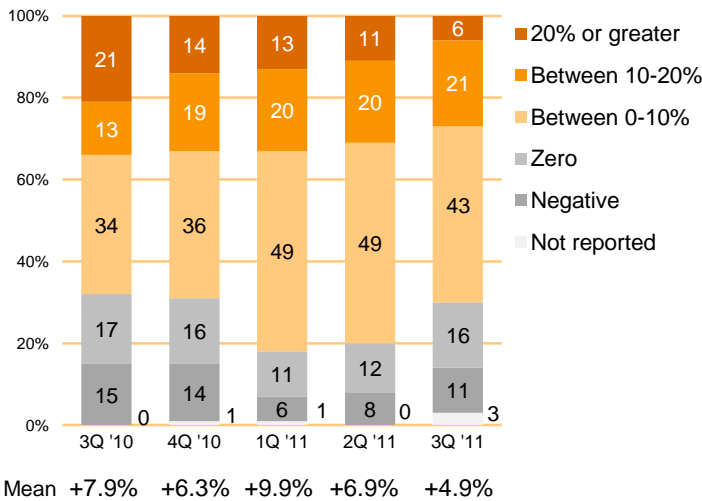
What is your company's estimated revenue growth rate for the calendar year?

For calendar-year 2011, the composite average own-company growth estimate dropped from 8.0 percent in the second quarter to 6.5 percent in the third quarter. Of executive officers interviewed, 72 percent expected positive revenue growth through the calendar year, with 31 percent expecting double-digit growth and 41 percent single-digit growth. Only 10 percent expected negative revenue growth, 16 percent forecasted zero growth, and 2 percent did not respond.

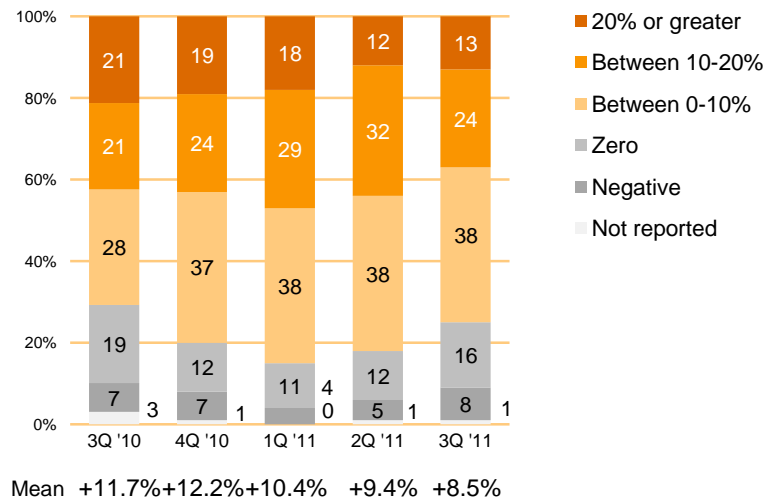
Chart 3.1 Company revenue growth, calendar year



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

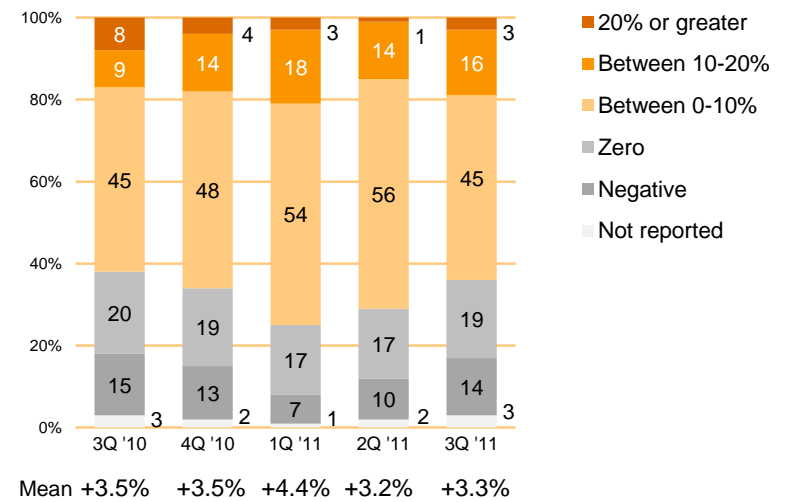
Industry growth, calendar year

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

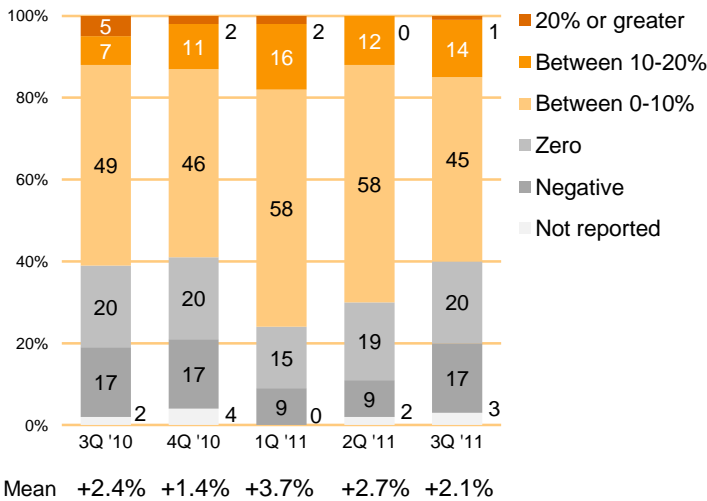
Industry sector growth projections for calendar-year 2011 averaged 3.3 percent in third-quarter 2011, on pace with an average 3.2 percent calendar-year projection in second-quarter 2011.

Chart 3.2 Industry growth, calendar year

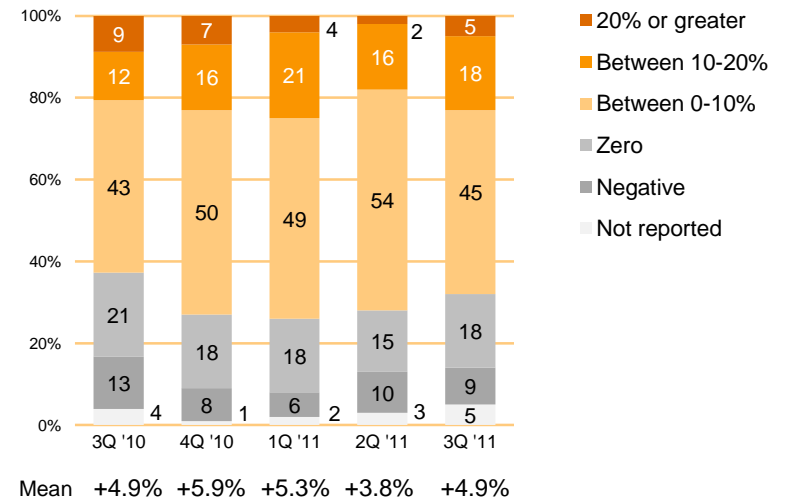
All respondents



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

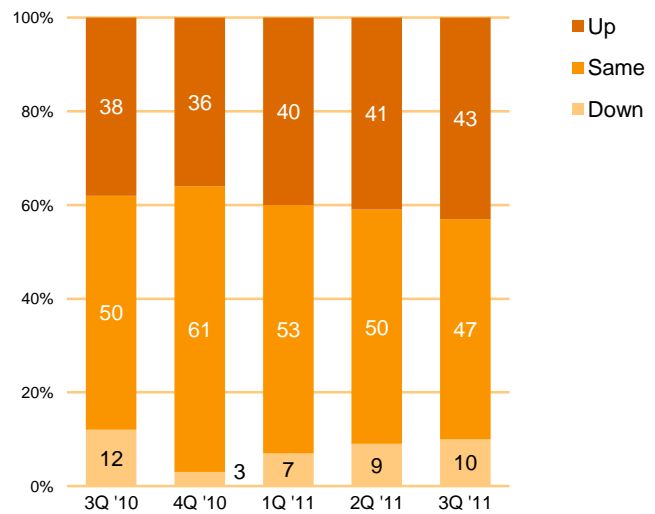
International sales

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

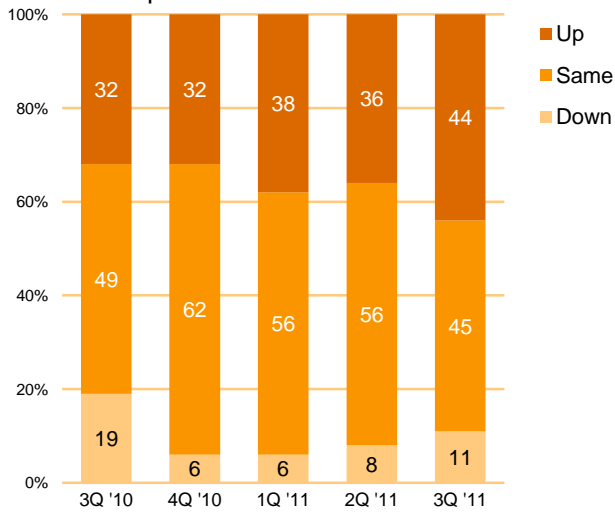
In the third quarter, 43 percent of international marketers increased sales abroad, up 2 points from the prior quarter and up 5 points from a year ago. Ten percent reported fewer sales, and 47 percent reported no change.

Chart 3.3 International sales

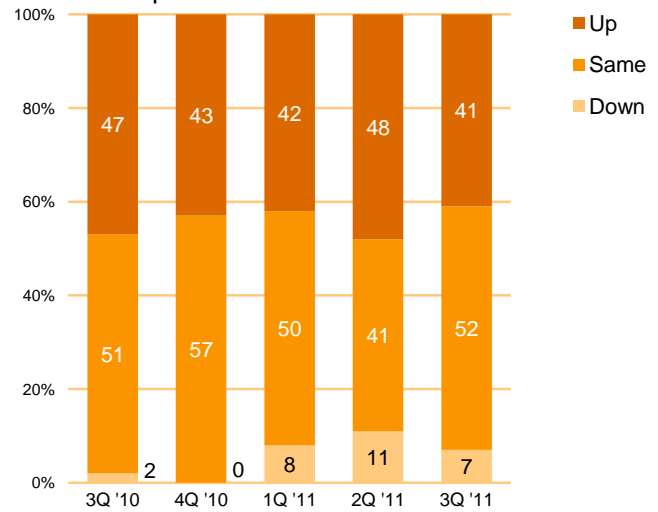
All respondents



Product companies



Service companies



Note: In 3Q 2011 All international marketers, n=114, Product companies, n=70, Service companies, n=44

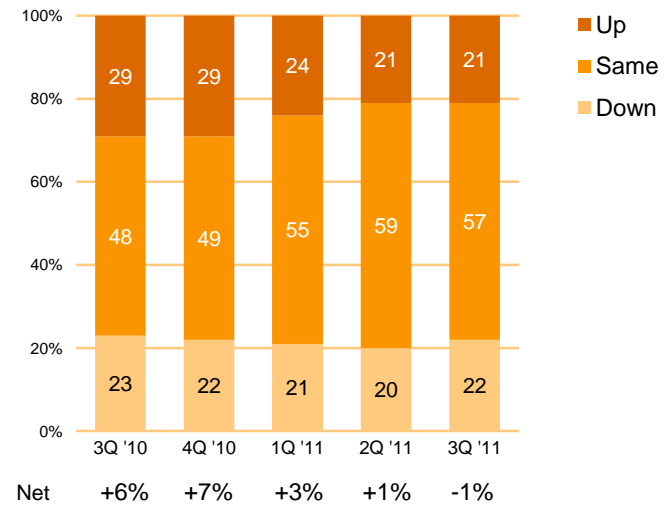
Changes in gross margins

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

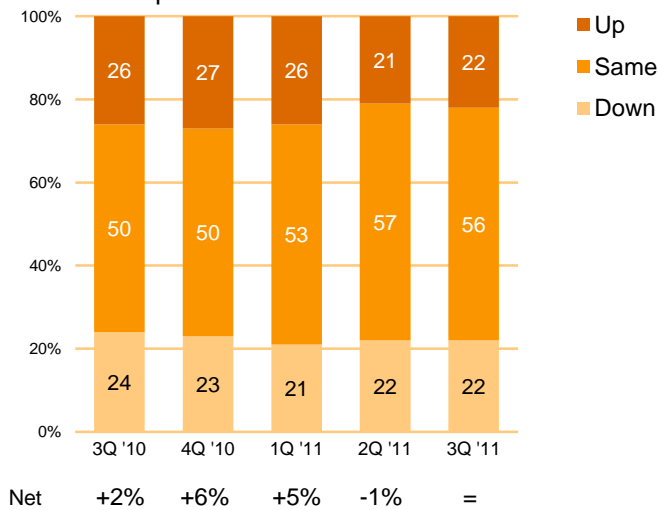
Gross margins were slightly negative in the third quarter, as 21 percent reported higher margins and 22 percent reported lower margins, for a minus one percent net change, down 2 points from the previous quarter.

Chart 3.4 Changes in gross margins

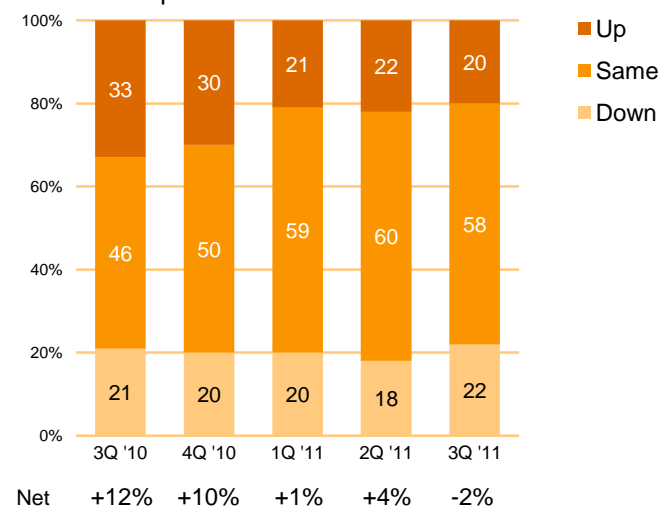
All respondents



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

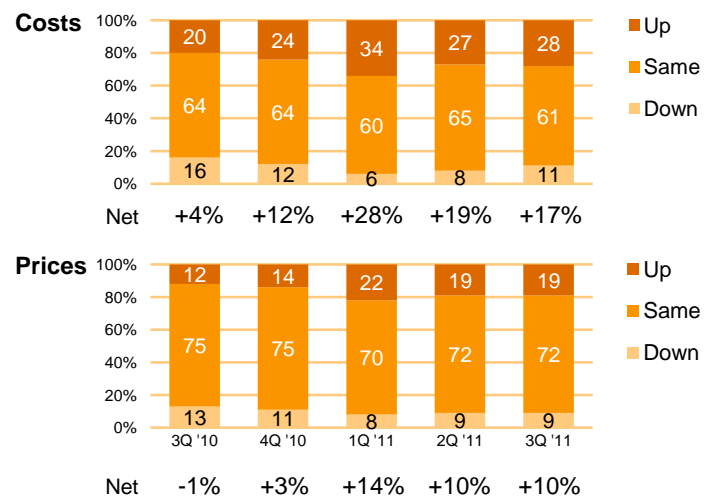
Changes in costs and prices

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

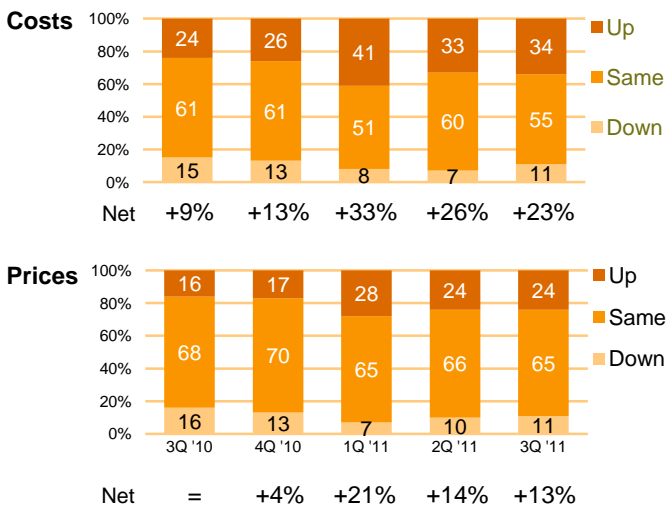
In third-quarter 2011, costs continued to rise. Costs increased for a net 17 percent, as 28 percent reported higher costs and 11 percent reported lower costs. Prices were up for a net 10 percent, as 19 percent reported higher prices and 9 percent said they were lower.

Chart 3.5 Changes in costs and prices

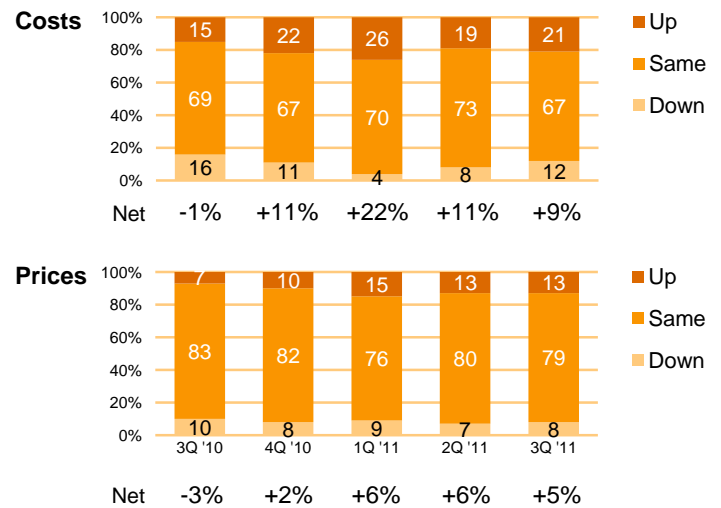
All respondents



Product companies



Service companies



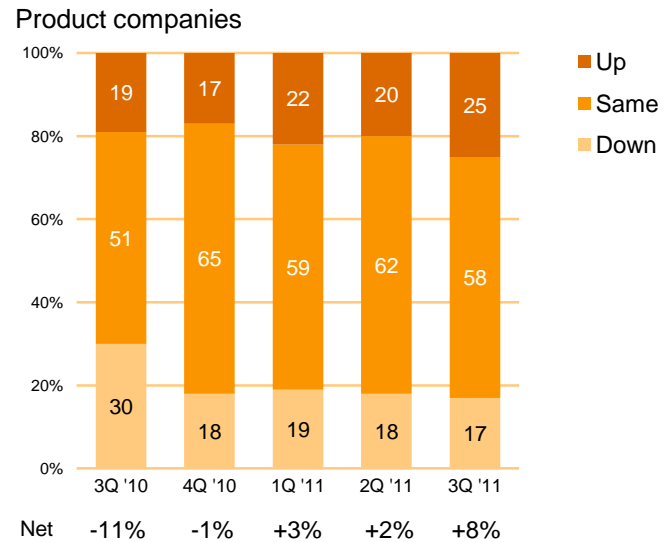
Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

Finished inventories as a percent of sales

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

Overall, finished inventories in the third quarter were somewhat higher: up for 25 percent of product companies and down for 17 percent, with a net plus 8 percent reporting higher inventories. The majority, 58 percent of respondents, said their inventories remained about the same.

Chart 3.6 Finished inventories as a percent of sales



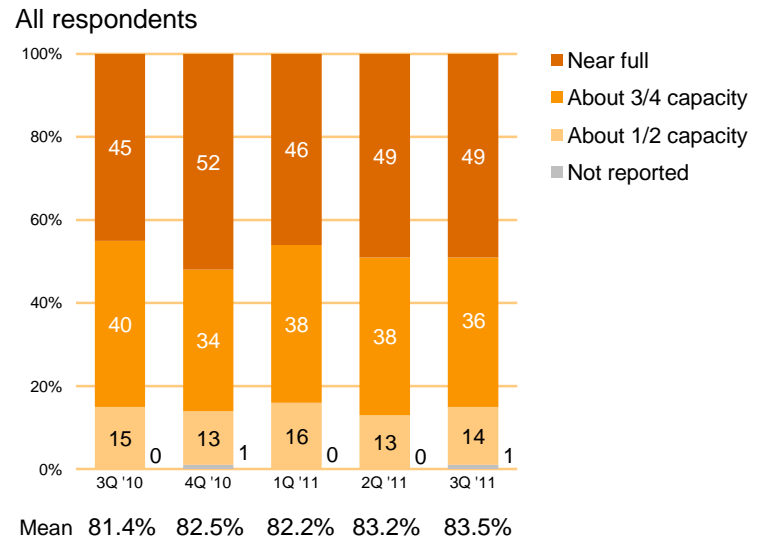
Note: In 3Q 2011 Product companies, n=140

Level of operating capacity

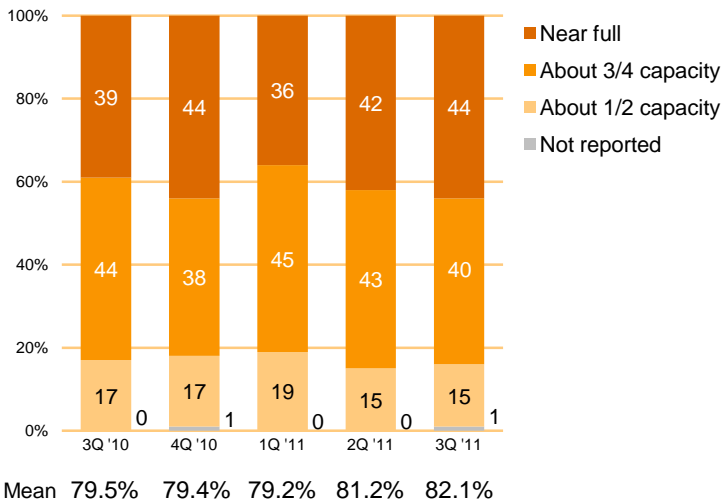
What is your organization's current operating capacity?

Operating capacity is an estimate of the current level of permanent staffing compared with what is needed for full-capacity output. In the third quarter, the average level of operating capacity for respondents was an estimated 83.5 percent, similar to the prior quarter. Forty-nine percent reported near full capacity (same as the prior quarter).

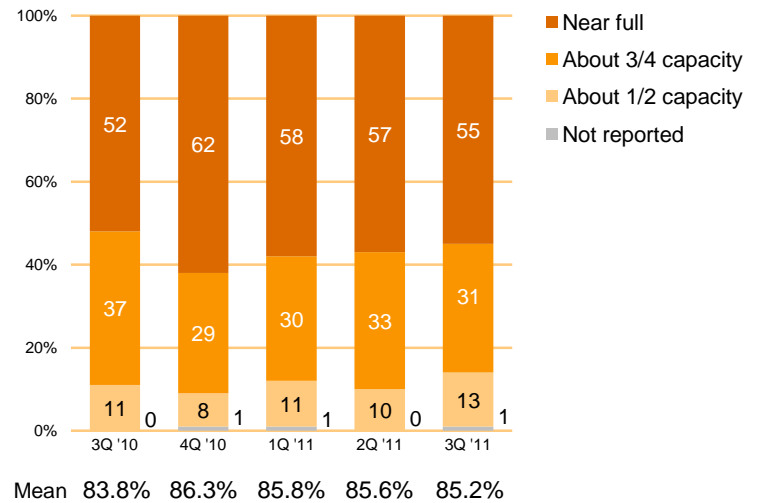
Chart 3.7 Level of operating capacity



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

New bank loans, credit terms and financing

In the past three months, has your organization initiated any new bank loans, longer credit terms from your suppliers, or other types of financing? What is the current interest rate you are paying for your bank financing?

Limited banking activity was reported in the third quarter, with only 5 percent of panelists reporting financing activity. All 5 percent reported new bank loans, two points below the prior quarter. The mean interest rate paid on loans by these companies was 3.89 percent, 19 basis points lower than a year ago.

Chart 3.8 New bank loans, credit terms and financing

All respondents

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Any activity	11%	8%	8%	8%	5%
• New bank loans	10%	7%	7%	7%	5%
• New credit terms (suppliers)	2%	1%	1%	1%	---
• All other new financing	1%	1%	1%	1%	---
• Mean interest rate (all bank loans)	4.08%	4.03%	3.81%	3.83%	3.89%

Product companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Any activity	12%	9%	8%	5%	5%
• New bank loans	10%	7%	6%	5%	5%
• New credit terms (suppliers)	3%	1%	1%	1%	---
• All other new financing	1%	2%	1%	---	---
• Mean interest rate (all bank loans)	4.07%	4.07%	3.67%	3.73%	3.66%

Service companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Any activity	10%	8%	8%	11%	5%
• New bank loans	10%	8%	7%	10%	5%
• New credit terms (suppliers)	---	1%	1%	1%	---
• All other new financing	---	---	---	1%	---
• Mean interest rate (all bank loans)	4.08%	4.00%	3.98%	3.94%	4.14%

Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

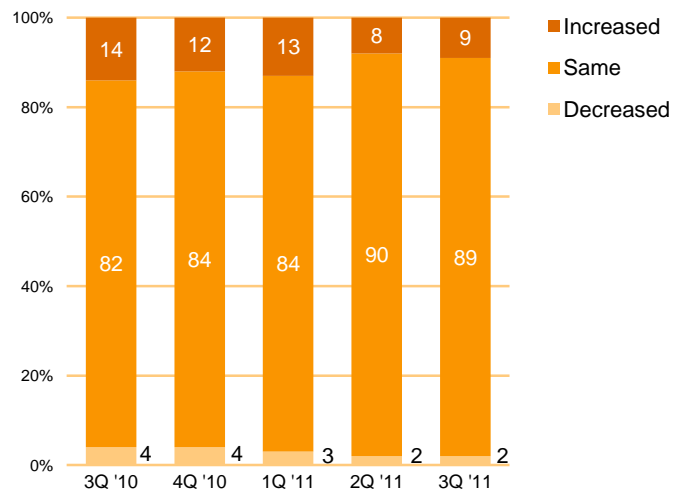
Change in credit availability

How has credit availability changed in the past three months for your organization? (based on current banking relationships)

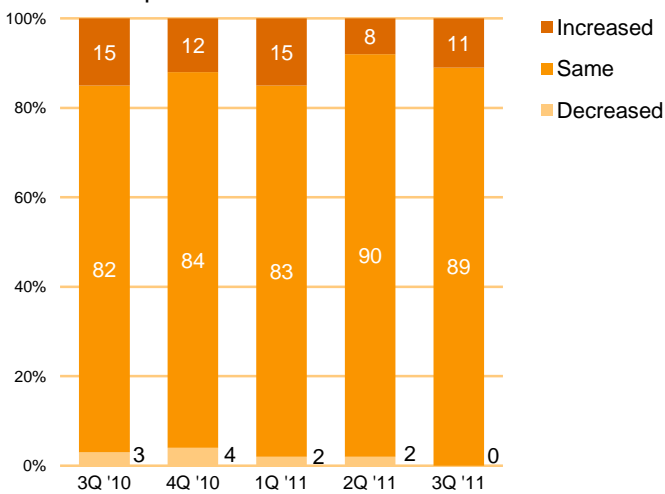
Credit availability was up slightly in the third quarter, with 9 percent of panelists reporting an increase. Only 2 percent reported a decrease, and 89 percent reported no change.

Chart 3.9 Change in credit availability

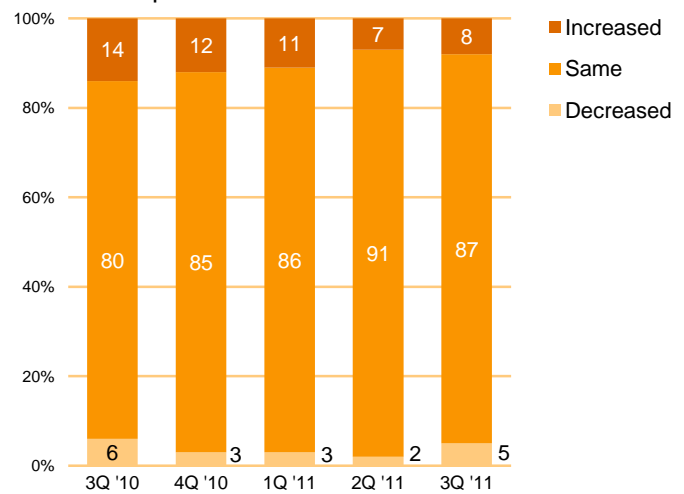
All respondents



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

Business outlook, next 12 months

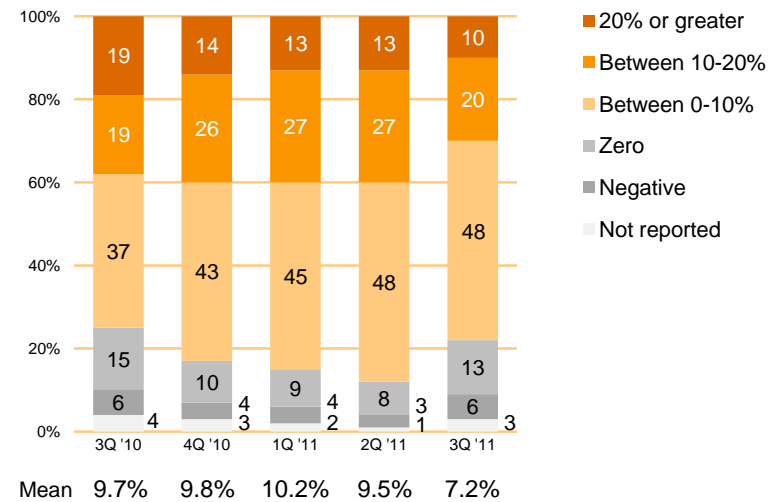
Revenue growth, next 12 months

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

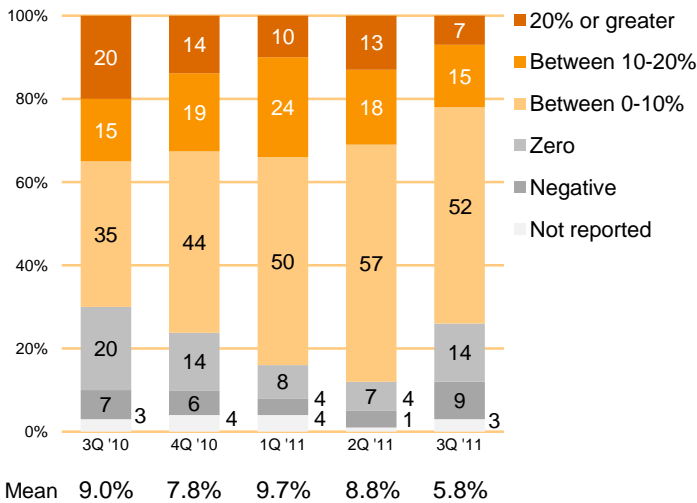
Respondents' projected average revenue growth rates for their own companies over the next 12 months decreased over two points in the third quarter, dropping from 9.5 percent to 7.2 percent. Seventy-eight percent said they expected positive own-company growth, with 30 percent projecting double-digit revenue growth and 48 percent single-digit growth. Only 6 percent expected negative growth over the next 12 months, 13 percent expected zero growth, and 3 percent did not respond.

Chart 4.1 Revenue growth, next 12 months

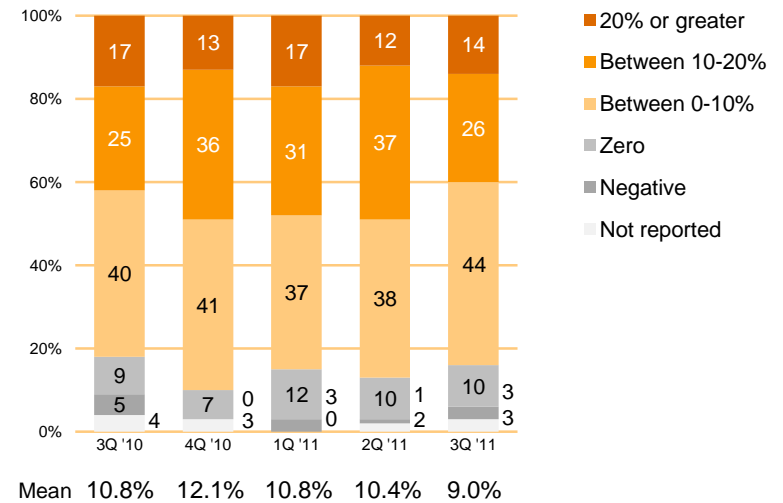
All respondents



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

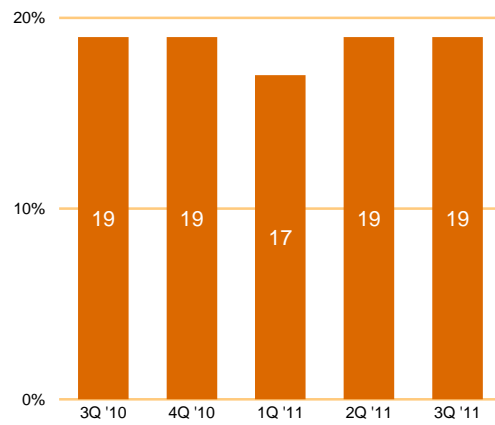
International sales, next 12 months

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

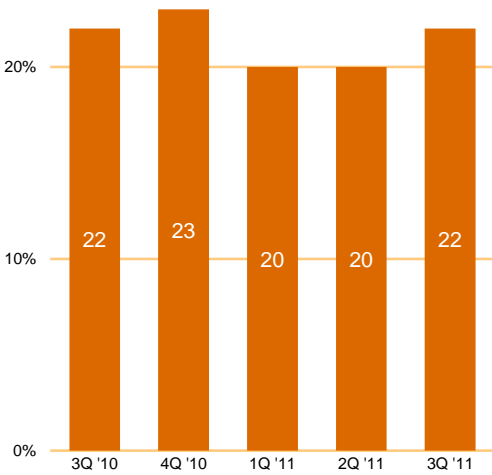
Panelists marketing abroad projected that the average contribution of international sales to total revenue over the next 12 months would be 19 percent, same as the prior quarter and a year ago.

Chart 4.2 International sales, next 12 months

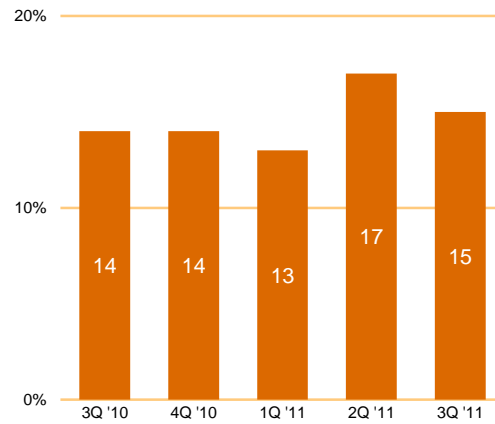
All respondents



Product companies



Service companies



Note: In 3Q 2011 All international marketers, n=114, Product companies, n=70, Service companies, n=44

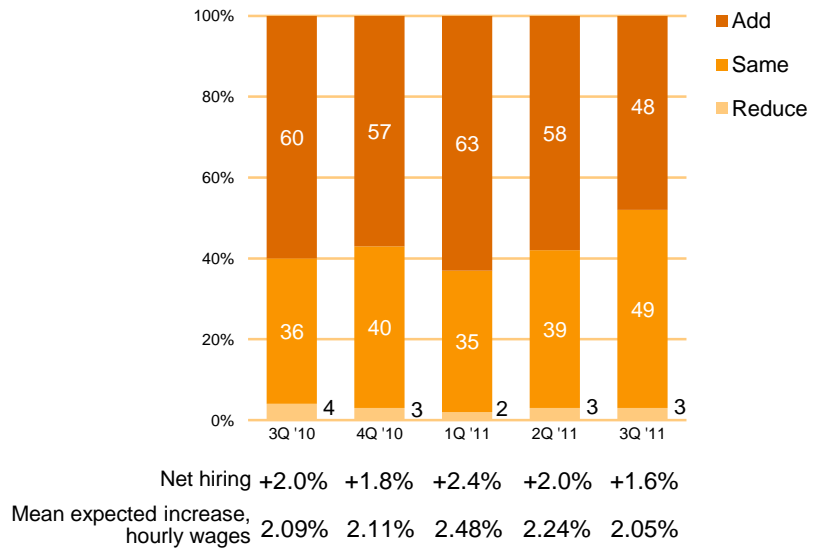
Percent planning to hire

Do you plan to add or reduce the number of fulltime equivalent employees over the next 12 months? If so, how many? Do you plan to increase hourly wages?

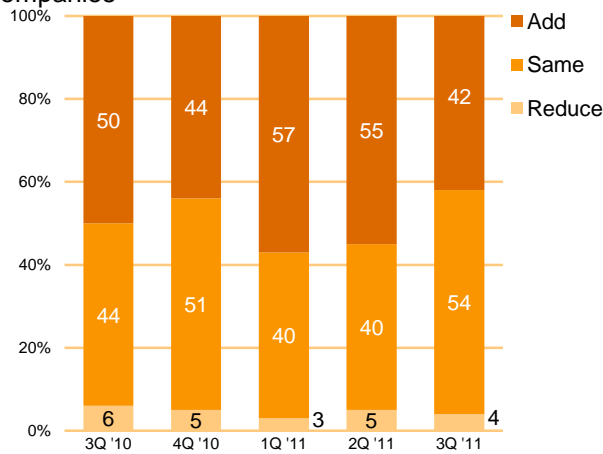
Looking ahead, 48 percent of panelists plan to add employees to their workforces over the next 12 months, down 10 points from 58 percent in the prior quarter, and off 12 points from a year ago. Only 3 percent plan to reduce workers, and 49 percent say their workforce will stay about the same. An overall increase of 1.6 percent is planned for the panel's average composite workforce, down from 2.0 percent last quarter.

Chart 4.3 Percent planning to hire

All respondents

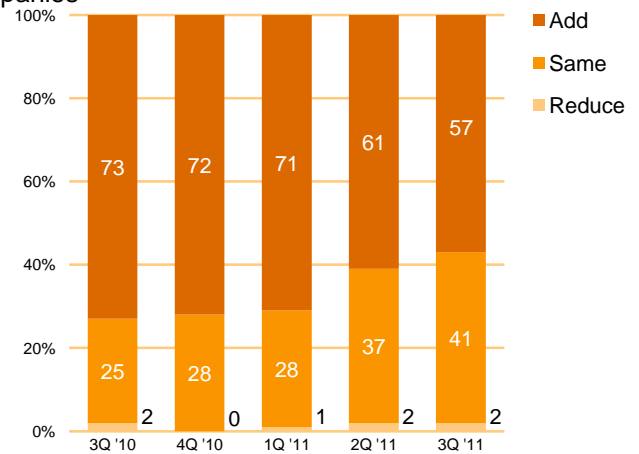


Product companies



Net hiring +1.6% +1.8% +1.1% +1.7% +1.5%
 Mean expected increase, hourly wages 2.03% 1.93% 2.58% 2.35% 2.00%

Service companies



Net hiring +2.3% +1.8% +5.5% +2.4% +1.9%
 Mean expected increase, hourly wages 2.18% 2.36% 2.35% 2.11% 2.11%

Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

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, 27 percent of those planning to hire will be looking primarily for professionals/technicians, down 4 points from last quarter. The percentage interested in hiring sales/marketing executives (18 percent) and white collar workers (13 percent) was also a bit lower this quarter, down 2 points each.

Chart 4.4 Percent planning to hire by type of employee

All respondents

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Planning to hire (net)	60%	57%	63%	58%	48%
• Professionals/technicians	29%	32%	38%	31%	27%
• Sales/marketing	21%	23%	24%	20%	18%
• White collar support	18%	15%	19%	15%	13%
• Production workers	13%	15%	20%	12%	11%
• Skilled labor	10%	9%	12%	10%	11%

Product companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Planning to hire (net)	50%	44%	57%	55%	42%
• Professionals/technicians	21%	21%	30%	26%	18%
• Sales/marketing	17%	14%	18%	14%	12%
• White collar support	18%	10%	20%	15%	11%
• Production workers	18%	23%	28%	20%	16%
• Skilled labor	12%	8%	14%	12%	11%

Service companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Planning to hire (net)	73%	72%	71%	61%	57%
• Professionals/technicians	40%	46%	47%	38%	38%
• Sales/marketing	26%	33%	30%	28%	25%
• White collar support	17%	21%	18%	15%	14%
• Production workers	7%	6%	10%	3%	5%
• Skilled labor	6%	10%	10%	8%	11%

Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

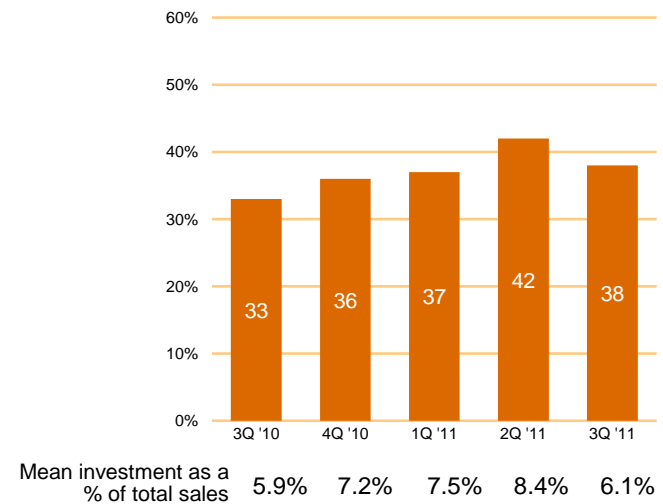
Percent planning major new investments of capital

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?

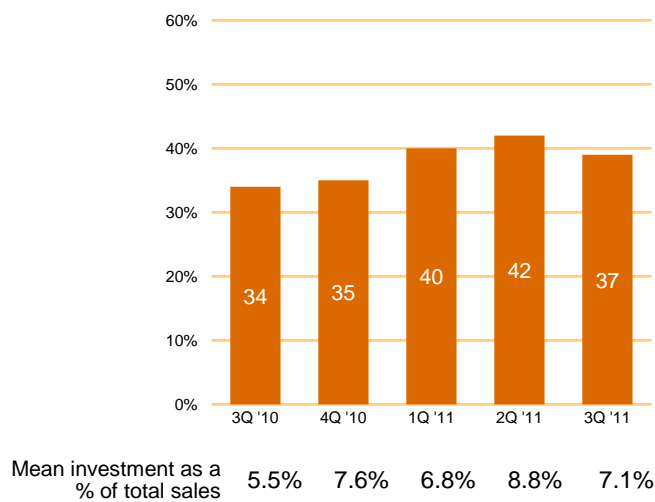
Over the next 12 months, 38 percent of those surveyed are planning for major new investments of capital for business growth, down 4 points from the prior quarter. But a year ago, only 33 percent were planning major new investments of capital (5 points less). The mean level of investment is notably lower than the previous three quarters, dropping from 8.4 percent in the prior quarter to 6.1 percent of sales.

Chart 4.5 Percent planning major new investments of capital

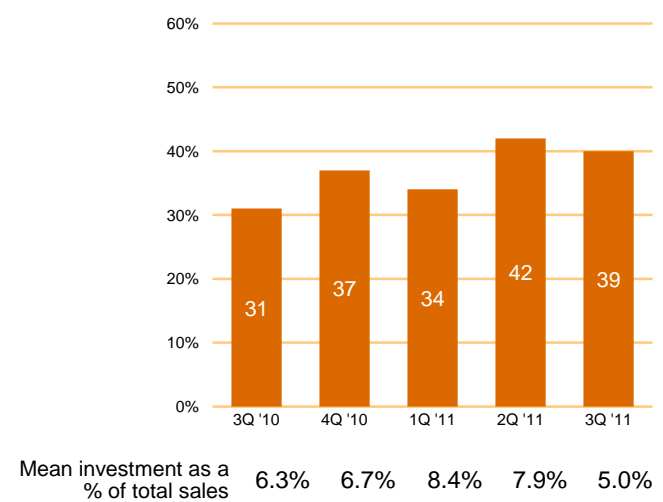
All respondents



Product companies



Service companies



Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

Percent planning to increase operational spending

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

In the third quarter, 72 percent of panelists were planning to increase operational spending over the next 12 months, similar to the previous quarter. Information technology (39 percent, up 3 points) and new product or service introductions (34 percent) lead the way in budget increases, followed by marketing & sales promotion (23 percent) and geographic expansion (22 percent). R&D spending rose 4 points from the prior quarter to 16 percent.

Product companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Percent planning to increase spending (net)	63%	74%	65%	70%	69%
• Information technology	24%	29%	37%	36%	36%
• New product or service introduction	28%	31%	29%	32%	33%
• Marketing & sales promotion	19%	26%	25%	27%	23%
• Geographic expansion	13%	21%	20%	21%	19%
• Facilities expansion	19%	26%	21%	25%	23%
• Advertising	19%	19%	25%	20%	16%
• Research and development	15%	14%	18%	14%	16%
• Business acquisition	12%	15%	18%	20%	15%
• Internet commerce	4%	4%	3%	6%	8%

Chart 4.6 Percent planning to increase operational spending

All respondents

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Percent planning to increase spending (net)	63%	74%	70%	73%	72%
• Information technology	25%	32%	40%	36%	39%
• New product or service introduction	26%	31%	32%	33%	34%
• Marketing & sales promotion	24%	27%	25%	28%	23%
• Geographic expansion	16%	23%	21%	24%	22%
• Facilities expansion	18%	25%	21%	23%	21%
• Advertising	15%	20%	23%	22%	17%
• Research and development	13%	11%	16%	12%	16%
• Business acquisition	13%	15%	19%	20%	15%
• Internet commerce	3%	6%	5%	6%	8%

Service companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
Percent planning to increase spending (net)	64%	74%	76%	76%	77%
• Information technology	27%	35%	43%	35%	43%
• New product or service introduction	25%	32%	35%	34%	35%
• Marketing & sales promotion	31%	28%	26%	29%	23%
• Geographic expansion	19%	27%	22%	28%	26%
• Facilities expansion	17%	23%	21%	20%	18%
• Advertising	11%	21%	21%	25%	18%
• Research and development	11%	7%	12%	9%	16%
• Business acquisition	14%	16%	20%	20%	16%
• Internet commerce	2%	7%	8%	6%	8%

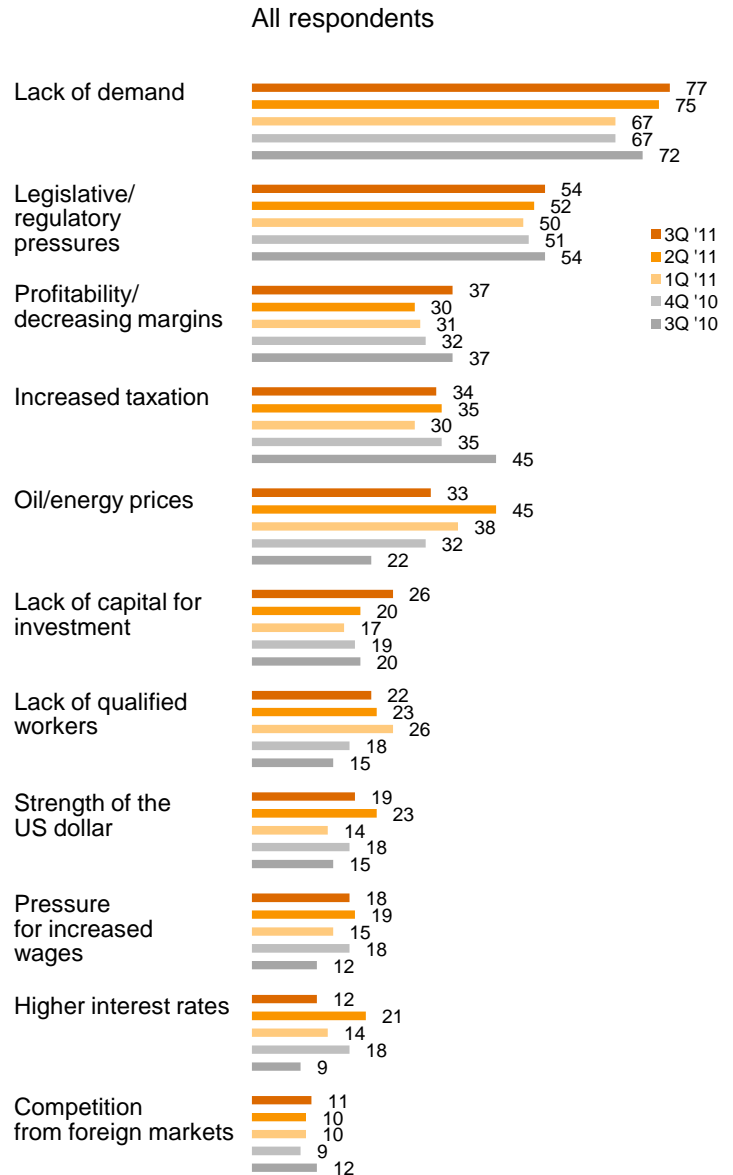
Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

Expected barriers to business growth

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

Lack of demand remained the most-cited hurdle to business growth over the next 12 months, up 2 points to 77 percent. Fifty-four percent of panelists said legislative/regulatory pressures might be a barrier. The percentage of those concerned about oil/energy prices dropped 12 points to 33 percent. Other perceived obstacles to growth included profitability/decreasing margins (37 percent) and concern about increased taxation (34 percent). Apprehension about higher interest rates decreased to 12 percent. Lack of capital for investment was up 6 points to 26 percent.

Chart 4.7 Expected barriers to business growth



Note: In 3Q 2011 All respondents, n=247

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?

Looking at the next 12 months, 49 percent of respondents said they expected to participate in new business initiatives, down 13 points from the prior quarter. Overall, the most prevalent expected initiatives were new strategic alliances (25 percent), new joint ventures (19 percent), expansion to new markets abroad (17 percent), and purchases of another business (15 percent).

Product companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
New business initiatives (net)	54%	55%	48%	59%	46%
• New strategic alliance	29%	22%	21%	34%	21%
• New joint venture	23%	20%	17%	26%	19%
• Expand to new markets abroad	15%	18%	14%	17%	17%
• Purchase of another business	15%	18%	14%	21%	14%
• Restructure debt	8%	11%	14%	13%	6%
• Bring in new partners	7%	10%	9%	7%	4%
• Sale part/all of own business	3%	4%	4%	2%	2%
• “Angel” investors	7%	5%	6%	6%	4%
• Private placement	---	---	---	2%	1%
• Venture capital	1%	4%	1%	1%	2%
• New facilities abroad	4%	8%	4%	7%	3%
• IPO offering	2%	1%	1%	---	1%

Chart 4.8 Plans for M&A and other business initiatives

All respondents

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
New business initiatives (net)	56%	59%	54%	62%	49%
• New strategic alliance	33%	28%	26%	36%	25%
• New joint venture	21%	20%	19%	23%	19%
• Expand to new markets abroad	15%	19%	15%	18%	17%
• Purchase of another business	16%	18%	17%	20%	15%
• Restructure debt	7%	10%	12%	13%	7%
• Bring in new partners	9%	11%	11%	11%	5%
• Sale part/all of own business	5%	6%	5%	6%	4%
• “Angel” investors	6%	5%	5%	5%	4%
• Private placement	1%	2%	3%	4%	2%
• Venture capital	2%	4%	1%	2%	2%
• New facilities abroad	2%	5%	3%	4%	2%
• IPO offering	2%	1%	1%	1%	1%

Service companies

	3Q '10	4Q '10	1Q '11	2Q '11	3Q '11
New business initiatives (net)	58%	63%	61%	66%	51%
• New strategic alliance	37%	34%	32%	38%	30%
• New joint venture	18%	21%	21%	20%	19%
• Expand to new markets abroad	15%	20%	17%	19%	16%
• Purchase of another business	18%	19%	21%	20%	16%
• Restructure debt	5%	9%	10%	12%	8%
• Bring in new partners	12%	13%	12%	16%	8%
• Sale part/all of own business	7%	8%	6%	10%	6%
• “Angel” investors	6%	5%	3%	5%	4%
• Private placement	2%	4%	6%	7%	3%
• Venture capital	5%	3%	---	3%	2%
• New facilities abroad	--	2%	1%	1%	---
• IPO offering	2%	1%	1%	1%	1%

Note: In 3Q 2011 All respondents, n=247, Product companies, n=140, Service companies, n=107

Survey demographics and research methodology

Demographics

Who	Leading privately held businesses in the US		
Interview dates	July 20, 2011 to October 21, 2011		
	All (247)	Product (140)	Service (107)
Average number of employees	885	1,001	732
Average business unit revenues	\$203.1 million	\$272.5 million	\$112.4 million
Average enterprise revenues	\$276.8 million	\$375.8 million	\$147.0 million
5-year growth rate	50%	36%	67%
Industry sectors	Products 57% Manufacturing 28% Trade/Distribution 15% All other 14% Services 43%		

Methodology

PwC's Private Company Trendsetter Barometer is a quarterly telephone survey conducted by the independent research firm BSI Global Research Inc.

The survey panel consists of CEOs and their designates from a geographically balanced sample of leading private companies in the United States, as identified in the business media.

Contacts:

Rich Stovsky
Private Company Services US Leader
+1 (216) 875-3111

Ken Esch
Private Company Services Partner
+1 (312) 298-3419

Amy O'Brien
Private Company Services Marketing Leader
+1 (312) 298-2878

About the research:

The Private Company Trendsetter Barometer is one in a series of quarterly business outlook surveys from PwC. 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.pwc.com/us/pcs and www.barometersurveys.com.

Visit: www.barometersurveys.com
Mobile: wap.barometersurveys.com
Email: barometer.surveys@us.pwc.com

PricewaterhouseCoopers has exercised reasonable professional care and diligence in the collection, processing, and reporting of this information. However, the data used is from third-party sources and PricewaterhouseCoopers has not independently verified, validated, or audited the data. PricewaterhouseCoopers makes no representations or warranties with respect to the accuracy of the information, nor whether it is suitable for the purposes to which it is put by users. PricewaterhouseCoopers shall not be liable to any user of this report or to any other person or entity for any inaccuracy of this information or any errors or omissions in its content, regardless of the cause of such inaccuracy, error or omission. Furthermore, in no event shall PricewaterhouseCoopers be liable for consequential, incidental or punitive damages to any person or entity for any matter relating to this information.