



Business Roundtable™

# NEWS RELEASE

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Contacts: Kirk Monroe (202) 496-3269

Joe Crea (202) 496-3288

## **Business Roundtable Releases Fourth Quarter 2007 CEO Economic Outlook Survey**

*New CEO Survey Forecasts steady Economic Conditions in the Next Six Months; U.S. Chief Executives Cite Energy and Health Care as Greatest Cost Pressures They Face*

**Washington, DC** – Despite a relatively uncertain economic cycle, the leaders of America's top companies showed a slight uptick in their expectations for the economy over the next six months, according to Business Roundtable's fourth quarter 2007 CEO Economic Outlook Survey, released today.

The CEO Economic Outlook Index, which indicates how CEOs believe the economy will perform in the six months ahead, improved moderately, rising more than two points from last quarter's 77.4 to 79.5 today.

"This quarter's survey suggests that CEOs, as a whole, still see the economy as steady and that the vast majority expect their sales, capital spending and employment levels to either increase or remain steady in the first half of 2008," said Harold McGraw III, chairman of Business Roundtable and chairman, president and CEO of The McGraw-Hill Companies. "These latest results demonstrate tempered CEO confidence with a slight rebounding of expectations since last quarter."

In response to the annual question on cost pressures facing their businesses, a majority of CEOs cited energy and health care expenditures, equally, as their greatest fiscal pressures.

Business Roundtable, an association of chief executive officers of leading corporations, represents a combined workforce of more than 10 million employees and \$4.5 trillion in annual revenues.

The survey's key findings for the next six months include:

	Increase	No Change	Decrease
<b>1. How do you expect your company's sales to change in the next six months?</b>	70%	17%	13%
<b>2. How do you expect your company's U.S. capital spending to change in the next six months?</b>	35%	51%	14%
<b>3. How do you expect your company's U.S. employment to change in the next six months</b>	33%	45%	22%

*Note: Totals may not equal 100 due to rounding.*

## ***Health Care and Energy Are Now Top Cost Pressures***

This year's survey marked the first in which health care and energy were equally identified as the top cost pressures for CEOs with 32 percent of respondents identifying health care and 32 percent identifying energy. The concern over energy costs has doubled from last year, when 16 percent of CEOs cited energy expenditures as the top cost.

"For the last four consecutive years, health care costs, which impact virtually all Roundtable companies, have been cited as the top pressure. But now, with oil approaching \$100 a barrel, energy costs have risen to the top concern in CEOs' minds," noted McGraw.

Following energy and health care, other CEO cost pressures in this year's survey were material costs (17 percent), litigation costs (10 percent), labor costs (5 percent), and capital costs (1 percent).

## ***CEO Economic Outlook Index for Fourth Quarter***

On overall economic growth, the CEOs offered their first estimate of GDP growth in 2008, and on average they are assuming GDP growth of 2.1 percent in their business plans.

The CEO Economic Outlook Index combines the responses on projected sales, capital spending and employment into an overall index that shows how the CEOs believe the U.S. economy will perform in the six months ahead. It is a diffusion index centered on 50, which means anything above 50 is expansion and anything below 50 is contraction.

### **CEO ECONOMIC OUTLOOK INDEX**

<b>Survey Date</b>	<b>CEO Economic Outlook Index</b>
2007 Q4	79.5
2007 Q3	77.4
2007 Q2	81.9
2007 Q1	84.9
2006 Q4	81.9
2006 Q3	82.4

"While this quarter's index represents only a slight expansion, it confirms the CEOs' belief in the underlying strength of the economy, which has endured increased energy costs and credit concerns," concluded McGraw.

The Roundtable's CEO Economic Outlook Survey, which has been conducted quarterly since the fourth quarter of 2002, provides a forward-looking view of the economic assumptions and outlooks of Roundtable companies.

The survey was completed between November 5th and November 20th by 105 of the Roundtable's 160 member companies. The percentages in some categories may not add up to 100 due to rounding.

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*Business Roundtable ([www.businessroundtable.org](http://www.businessroundtable.org)) is an association of chief executive officers of leading U.S. companies with \$4.5 trillion in annual revenues and more than 10 million employees. Member companies comprise nearly a third of the total value of the U.S. stock markets and represent over 40 percent of all corporate income taxes paid. Collectively, they returned \$112 billion in dividends to shareholders and the economy in 2005.*

*Roundtable companies give more than \$7 billion a year in combined charitable contributions, representing nearly 60 percent of total corporate giving. They are technology innovation leaders, with \$90 billion in annual research and development spending - nearly half of the total private R&D spending in the U.S.*