

Management Barometer™

U.S.–based multinationals predict slower revenue growth rates, fewer optimistic about the U.S. economy

But optimism about the global economy continues to strengthen

PricewaterhouseCoopers' Management Barometer is a quarterly survey of top executives in large, multinational businesses spanning technology (including information communication, and entertainment), financial services, and consumer and industrial products/services. One hundred and thirty CFOs and Managing Directors of U.S. multi-national firms participated in this survey by telephone between February 5, 2007 and April 27, 2007.

Web exclusive, May 21, 2007

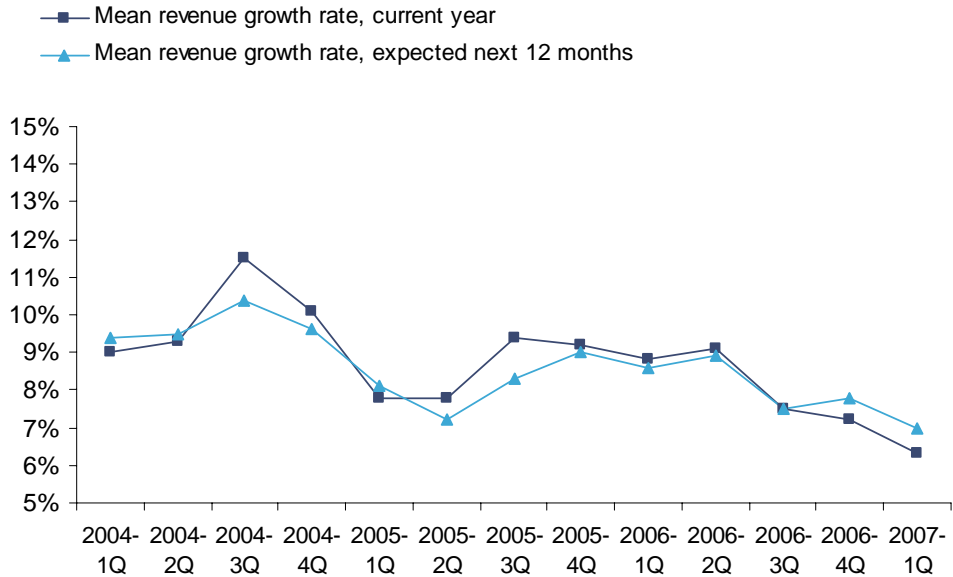
This quarter's highlights:

- Senior executives are projecting slower revenue growth over the next 12 months.
- Fewer are optimistic that the U.S. economy will grow; more believe the global economy will grow.
- Major concerns include oil/energy prices, regulatory and legislative pressures, and a lack of qualified workers.

Business outlook

Senior executives of U.S.-based multinationals are projecting slower revenue growth for the next 12 months. The average growth rate is projected at 7.0 percent, below the prior quarter's 7.8 percent, and well below the 8.6 percent projected a year ago, according to the PricewaterhouseCoopers Management Barometer Survey released today.

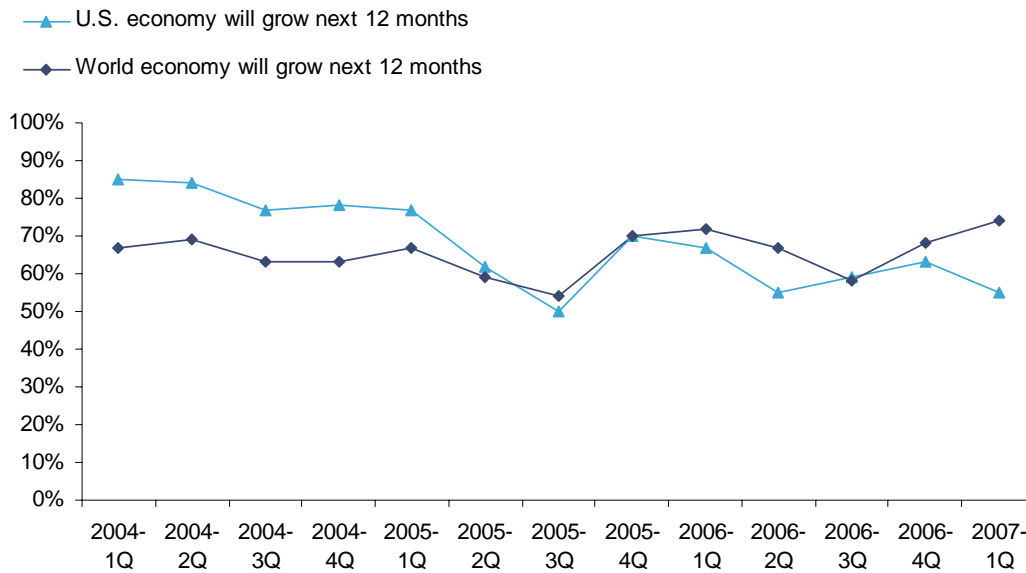
Chart 1:
Mean revenue
growth rate



Source: PricewaterhouseCoopers Management Barometer Survey, April 2007

Slightly more than half of those surveyed remain optimistic that the U.S. economy will grow over the next 12 months, but this number fell eight points from the prior quarter (63 percent) and 12 points from a year ago (67 percent). The response is consistent with other macroeconomic forecasts that project a slowing of the U.S. real GDP growth from 2006 to 2007 before a slight upturn again in 2008.¹ In marked contrast, optimism about the future of the world economy rose six points this quarter to 74 percent.

Chart 2:
Prospects for
World and U.S.
economy next
12 months



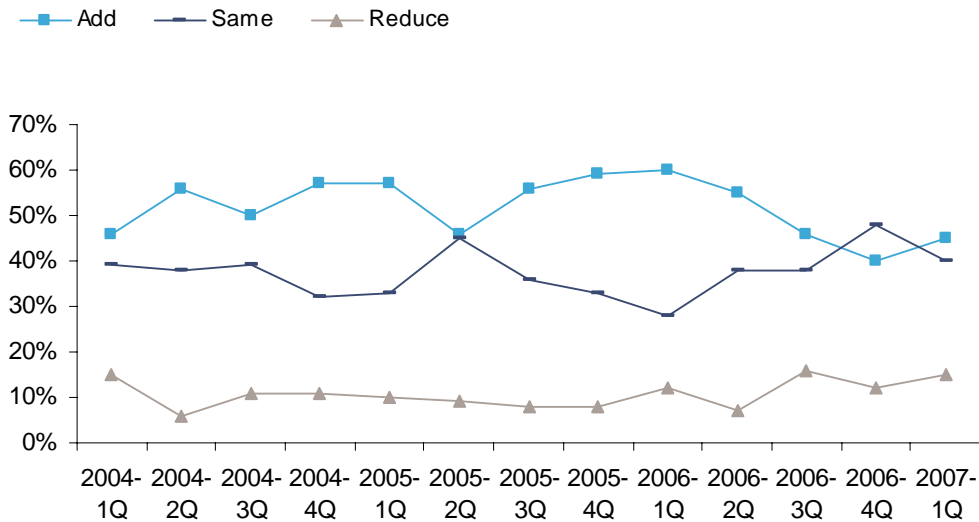
Source: PricewaterhouseCoopers Management Barometer Survey, April 2007

¹ PricewaterhouseCoopers U.K. Macro Consulting group, *North American Economic Focus*, April 20, 2007.

New hiring continues to lag

New hiring continues to lag, as 45 percent expect to add workers, up from 40 percent last quarter, but down from 60 percent who said so a year ago. At the other end, 15 percent report they will reduce their workforce, compared with 12 percent this same time last quarter and last year. Those planning to hire expect above-average revenue growth for the next 12 months – targeting a prospective 9.5 percent compared to 5.1 percent for all others.

Chart 3: Hiring plans, next 12 months



Source: PricewaterhouseCoopers Management Barometer Survey, April 2007

Oil/energy prices remain a top concern

Nearly half of those surveyed are concerned about oil and energy prices and are less optimistic about their prospects for growth. Although lower than a year ago, oil prices remain high by historic standards and controlled capacity could quickly change availability and lead to price spikes.²

Table 1: Those concerned about oil and energy costs are less optimistic compared to all others.

	Concerned about oil and energy prices (45%)	All others (55%)
Projected revenue growth	5.9%	7.9%
Plan to add workers	35%	53%
Considering M&A	35%	53%
Increasing IT budgets	35%	54%

² PricewaterhouseCoopers U.K. Macro Consulting group, *Global Economic Focus*, April 20, 2007.

	Concerned about oil and energy prices (45%)	All others (55%)
Reporting:		
Lower gross margins	28%	21%
Higher net costs	53%	50%
Show greater concern for:		
Declining demand	47%	24%
Legislative/regulatory pressures	45%	37%
Competition from foreign market	43%	25%
Taxation policies	36%	15%
Decreasing profitability	26%	17%

In addition to oil/energy costs, our respondent group remains concerned about legislative and regulatory pressures (up 9 points from the prior quarter to 41 percent), the lack of qualified workers (up 7 points at 36 percent) and competition from foreign markets (up 7 points at 33 percent).

With a 5-year record low unemployment rate of 4.5 percent, the number of companies concerned about the lack of qualified workers is near its 5-year high of 39 percent for the Management Barometer Survey.

Top barriers to growth include:

- Oil/energy prices 45% (Off 6 point from the prior quarter)
- Legislative/regulatory pressures 41% (Up 9 points)
- Lack of qualified workers..... 36% (Up 7 points)
- Weaker demand..... 34% (Off 2 points)
- Competition from foreign markets..... 33% (Up 7 points)
- Taxation policies 25% (Up 6 points)
- Decreasing profitability..... 21% (Up 4 points)

Yet new investments remain solid

Despite lower revenue growth targets, 53 percent are planning major new investments to the tune of 7.8 percent of sales. This is up from 6.5 percent last quarter and 6.8 percent a year ago.

Participants report they are planning to increase spending in the following seven areas:

- New product/service introductions 47% (Up 3 points from the prior quarter)
- Information technology..... 46% (Off 4 points)
- Business acquisitions..... 38% (same)
- Geographic expansion 37% (Off 2 points)
- Marketing/sales promotion 35% (Up 3 points)
- Facilities expansion..... 35% (Off 5 points)
- Research & development..... 30% (Up 4 points)

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About this survey

The PricewaterhouseCoopers' Management Barometer Survey is compiled with assistance BSI Global Research, Inc. One hundred and thirty CFOs and Managing Directors of U.S. multi-national firms participated in this survey by telephone between February 5, 2007 and April 27, 2007.

Demographic profile:

- Number of participants..... 130
- Average # Employee.....9,313
- Average Revenues.....\$2.71B
- Enterprise Revenues.....\$7.52B
- Market Capitalization.....\$13.13B
- Average 5-year growth.....28%

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