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CORPORATE STRATEGY

March 2008

## TOP 10 CONCERNS OF CFOs

**The top ten worries of CFOs in Asia, Europe, and the U.S.**

By Kate O'Sullivan

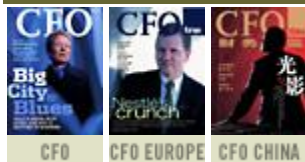
CFOs expressed concern about a wide range of issues in the most recent Duke University/*CFO* magazine Global Business Outlook Survey, but one concern is moving higher on CFOs' worry list: consumer demand. In particular, finance chiefs fear that an array of intensifying economic pressures will finally affect U.S. consumers and their demand for goods and services. Will the once-indefatigable U.S. consumer stop buying Asia's exports?

"Most employees' paychecks are not going to increase at the same rate that fuel and fuel-related spending are going to increase," says Michael Herbert, CFO of Delta Dental Kansas. "Consumers are going to have to make decisions about where they're going to spend their shrinking dollars."

Holiday spending trends bear out CFOs' concerns about consumer demand. U.S. holiday sales rose just 3 percent, below the 4 percent expected by the National Retail Federation. It was the slowest holiday-season growth since 2002.

The decline in consumer spending also puts pressure on industries far away from the mall. Robert Coleman, finance chief at Ohio Valley Aluminum Co., a provider of aluminum to manufacturers that supply the construction and automotive industries, says he expects a weak 2008. "Our customers' business is down 15 to 20 percent or so, which obviously has an impact on us," he says. Coleman says that raw-materials costs have been "all over the place," adding further uncertainty to the outlook for the year.

For Asian CFOs, two familiar and linked problems top the list: the cost of labor and a skilled labor shortage. These, of course, are problems stemming from economic success. Asian economies have been growing fast for years now, and that growth is running up against the limits of the region's labor pool. But if slipping growth rates in the United States and Europe become a downright slump, this may be one pair of troubles that fall lower on CFOs' tally of trouble. **CFO**



## A World of Worries

The cost and availability of labor troubles CFOs around the world.

### Asia

Rank	Concern	Average importance score
1	Cost of labor (wages, salaries, bonuses)	1.04
2	Skilled-labor shortage	0.80
3	Consumer demand	0.77
4	Currency values	0.74
5	Cost of fuel	0.59
6	Regulation	0.54
7	Credit markets/ Interest rates	0.46
8	Cost of nonfuel commodities	0.37
9	Political stability	0.30
10	Health of the U.S. economy	0.28

### United States

Rank	Concern	Average importance score
1	Consumer demand	0.82
2	Cost of labor (wages, salaries, bonuses)	0.73
3	Credit markets/ Interest rate	0.59
4	Cost of fuel	0.58
5	Cost of health care	0.56
6	Housing-market fallout	0.50
7	Skilled-labor shortage	0.48
8	Regulation	0.39
9	Cost of nonfuel commodities	0.30
10	Currency values	0.27

**Europe**

<b>Rank</b>	<b>Concern</b>	<b>Average importance score</b>
1	Cost of labor (wages, salaries, bonuses)	1.01
2	Skilled-labor shortage	0.93
3	Consumer demand	0.87
4	Cost of fuel	0.52
5	Currency values	0.50
	Cost of nonfuel commodities	0.50
6	Credit markets/ Interest rate	0.39
7	Foreign competition	0.34
8	Regulation	0.29
9	Political stability	0.21
10	Other	0.17

\* Excludes China

Source: Duke University/*CFO* magazine Global Business Outlook Survey