

Trendsetter barometer®

Business outlook

Q2 2014



What's inside:

At-a-glance

Economic sentiment

Corporate performance

Opportunities and barriers

Hiring

International expansion

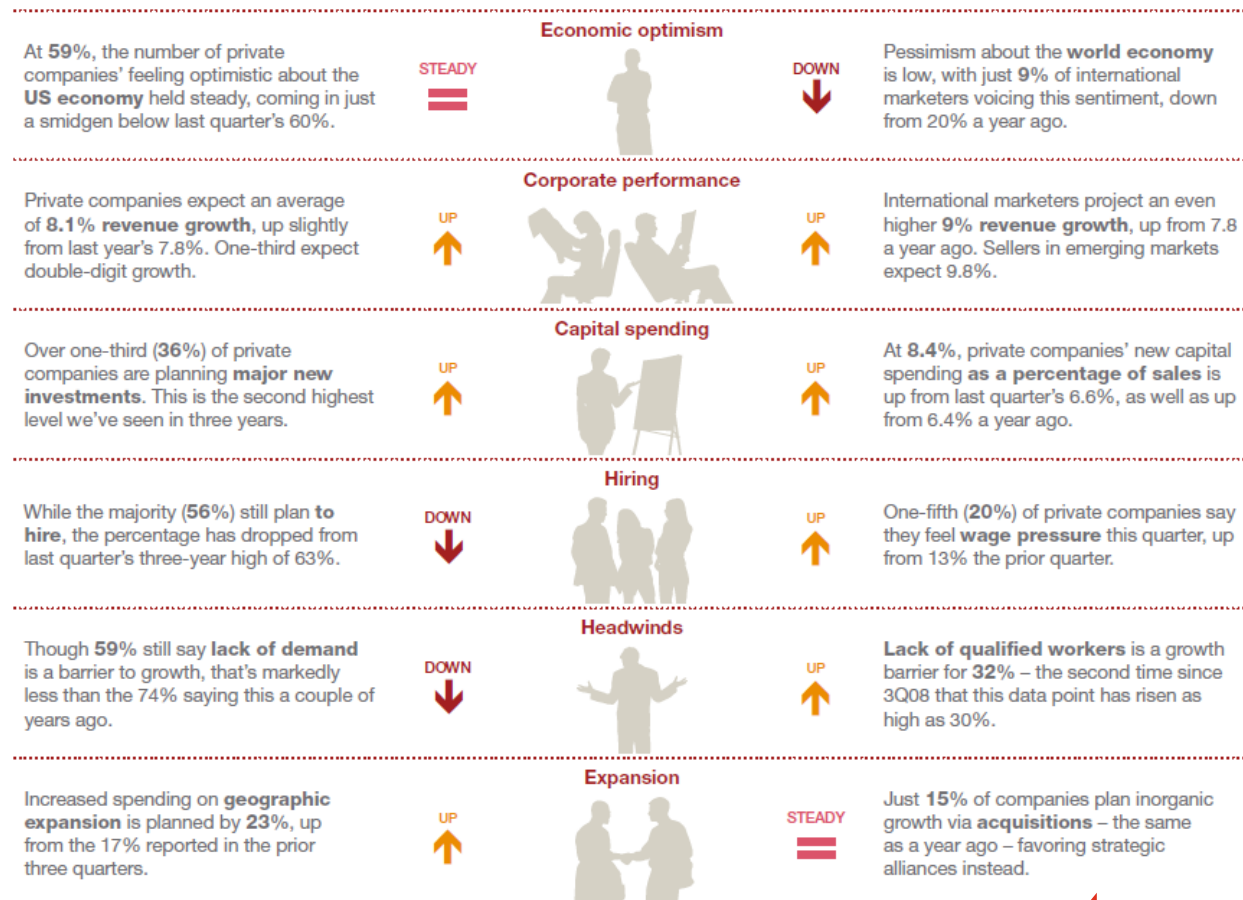
Contents

<u>At-a-glance</u>	<u>3</u>
<u>Economic sentiment</u>	<u>4</u>
<u>Corporate performance</u>	<u>7</u>
<u>Opportunities and barriers</u>	<u>10</u>
<u>Hiring</u>	<u>12</u>
<u>International expansion</u>	<u>14</u>

At a glance

Cruising into summer, private companies told us they felt optimistic about the economy and their revenue prospects. Our survey shows that capital spending is up among these businesses, while their concern about headwinds is down. But it's not all blue skies – headcount increases remain low as companies struggle to find workers with the right skills and contend with rising wage pressure.

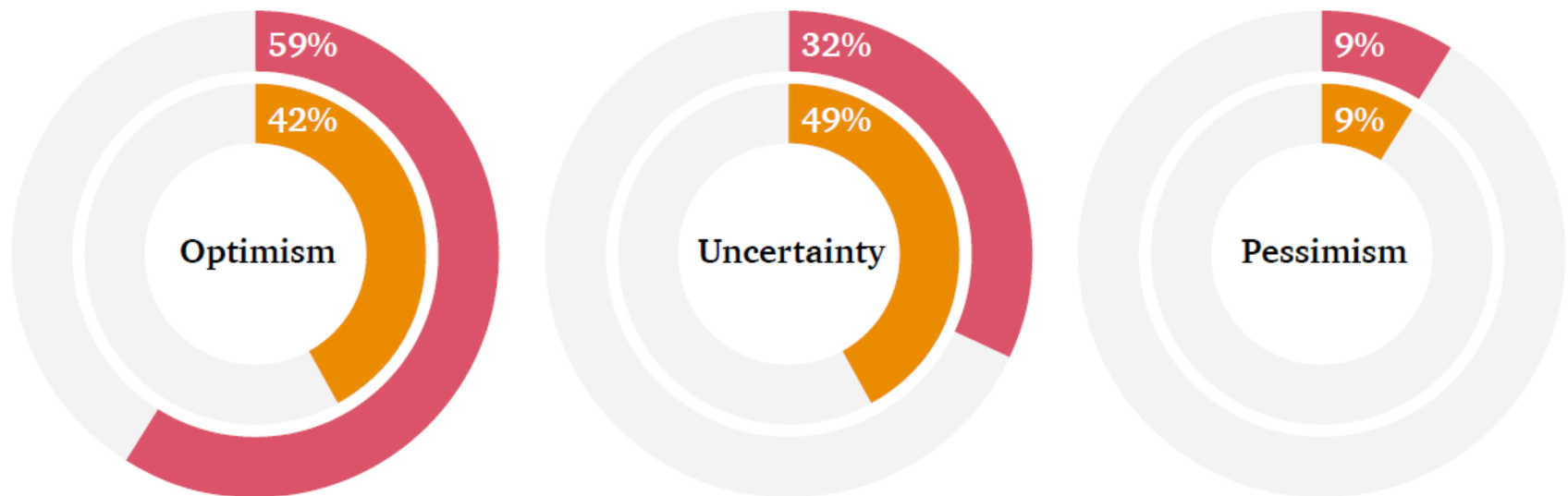
Private-company sentiment has gone up (↑), down (↓) or held steady (=) across a variety of areas.



Economic sentiment

Economic barometer – 12-month outlook

● US economy ● World economy*



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

*Optimism about the world economy reflects responses only from companies selling internationally

◀ Main menu ▶

Economic sentiment

Optimism snapshot – Today and a year ago

US economy



World economy



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2013 & 2Q 2014

* World optimism reflects responses only from private companies selling internationally

Economic sentiment

The long view – Economic optimism over time

Percentage of respondents



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014

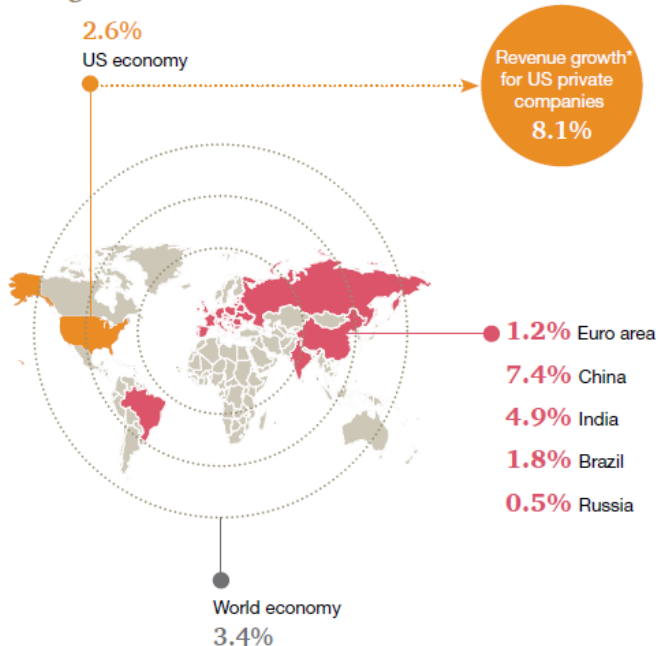
Period covered: 2Q 2008 to 2Q 2014

* World optimism reflects responses only from private companies selling internationally

Corporate performance

Revenue forecasts for private companies continue to outstrip GDP projections for the US and world economies

GDP growth forecasted for 2014



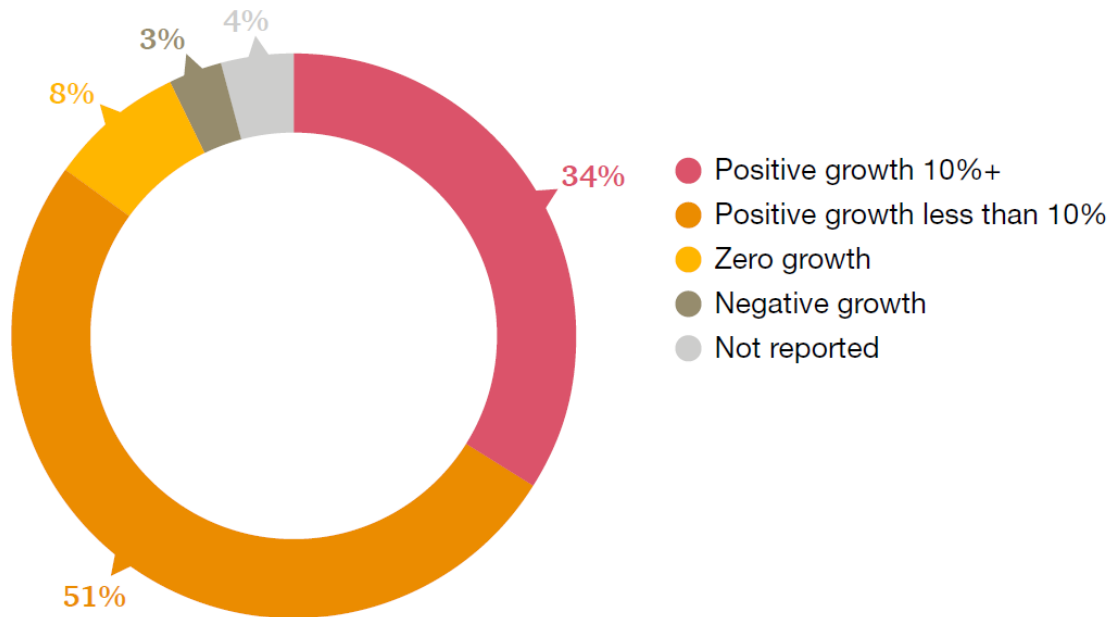
Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

**Trendsetter* private companies' projected revenue growth for the next 12 months
GDP figures sourced from the OECD

Corporate performance

Growth expectations

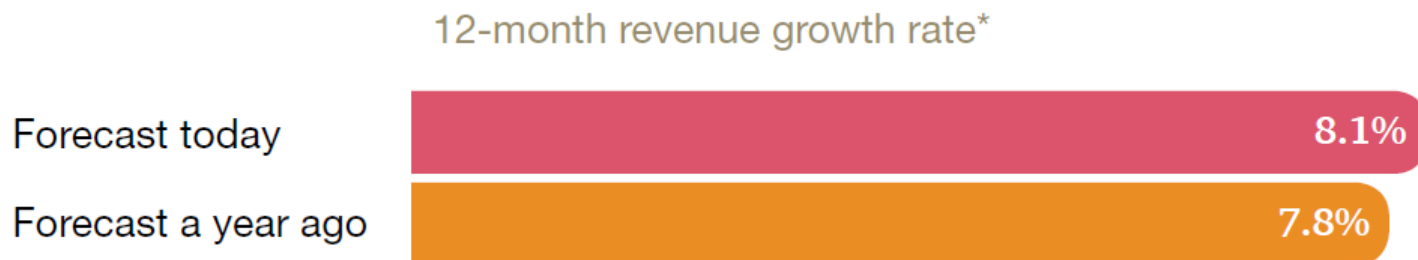
Most private companies project revenue growth for the next 12 months. Over one-third expect double-digit growth.



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

Corporate performance

Private companies forecast stronger revenue growth today than a year ago

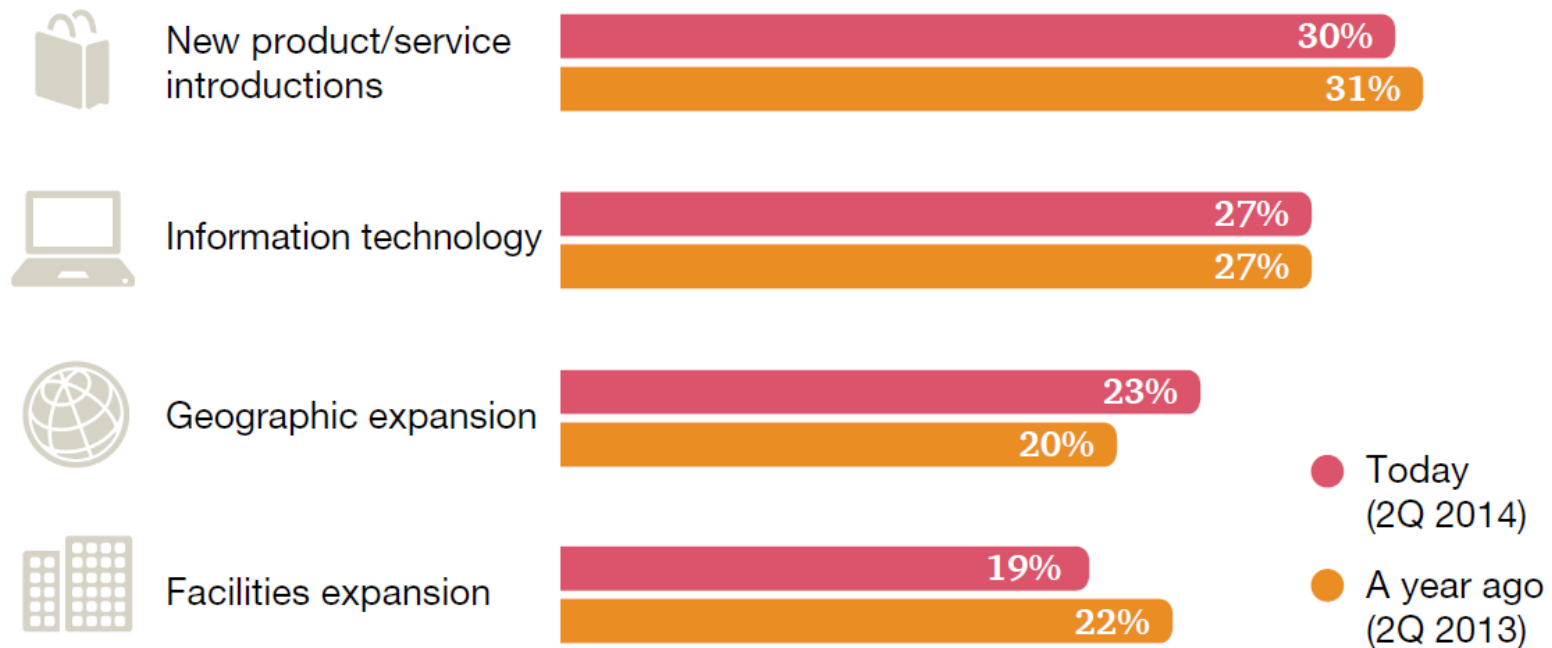


Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2013 & 2Q 2014

*Projected

Opportunities and barriers

Top areas where private companies plan to increase their spending over the next 12 months



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014

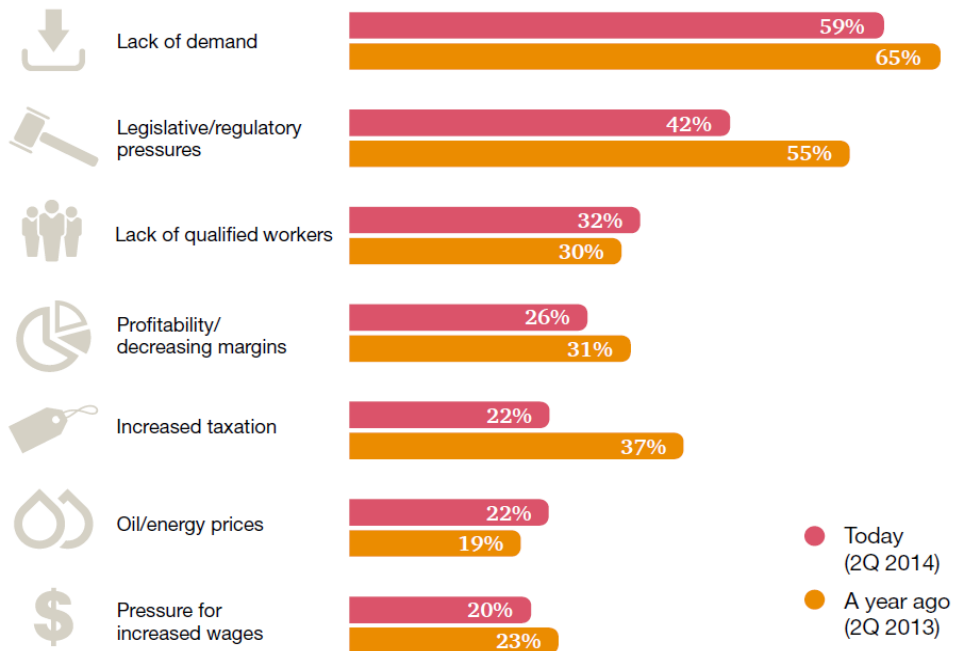
Period covered: 2Q 2013 & 2Q 2014

Percentages denote the number of companies who plan increases

Opportunities and barriers

Growth barriers in the next 12 months

Top barriers loom less large than a year ago



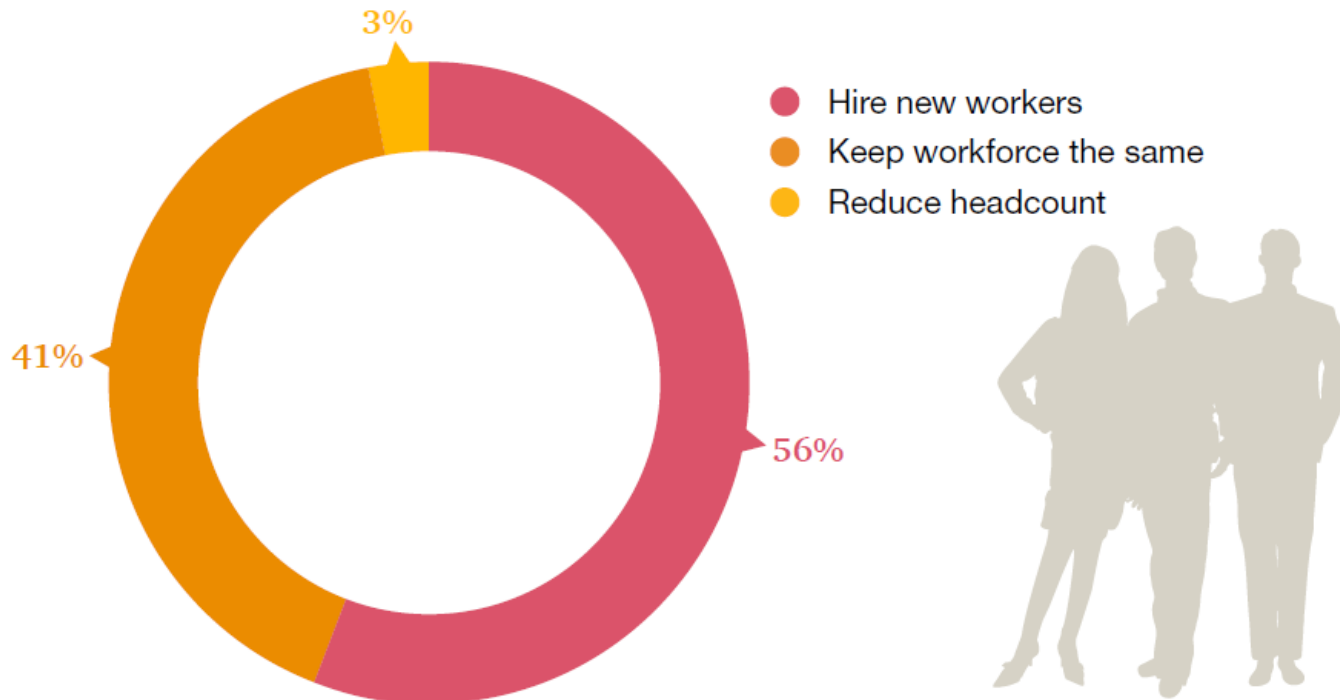
Source: *Trendsetter Barometer Business Outlook*, PwC, 2014

Period covered: 2Q 2013 & 2Q 2014

Percentages denote the number of companies who cited these factors as growth barriers.

Hiring

The majority of private companies plan to hire in the next 12 months

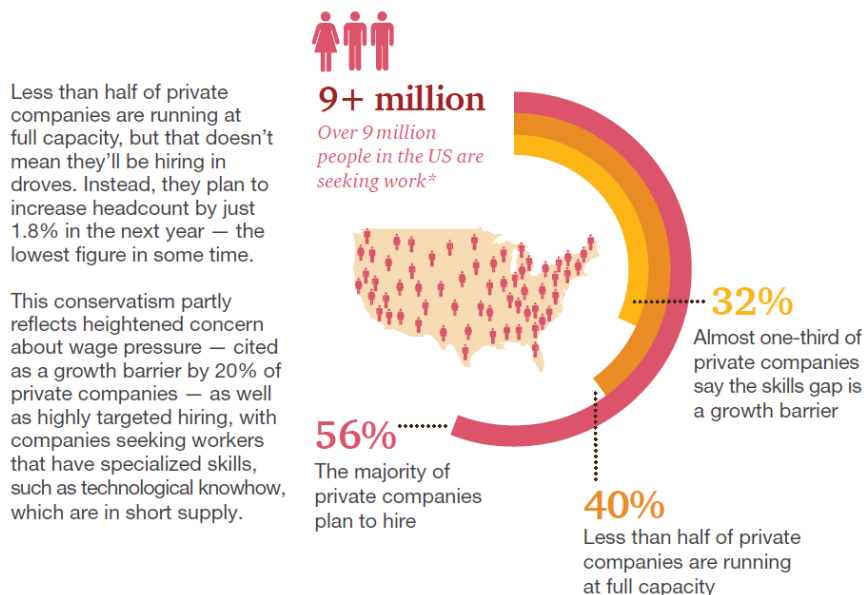


Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

Hiring

Hiring riddle

Despite running below capacity, companies are increasing headcount just slightly. Why?

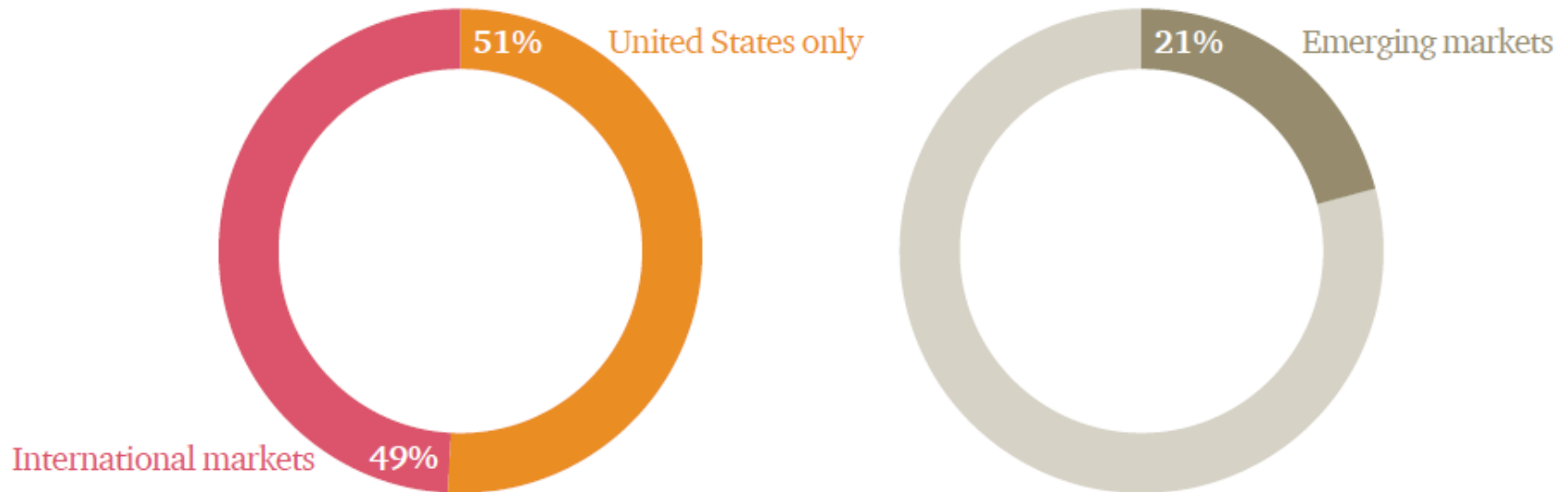


Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

* Bureau of Labor Statistics

International expansion

Nearly half of Trendsetter private companies sell internationally

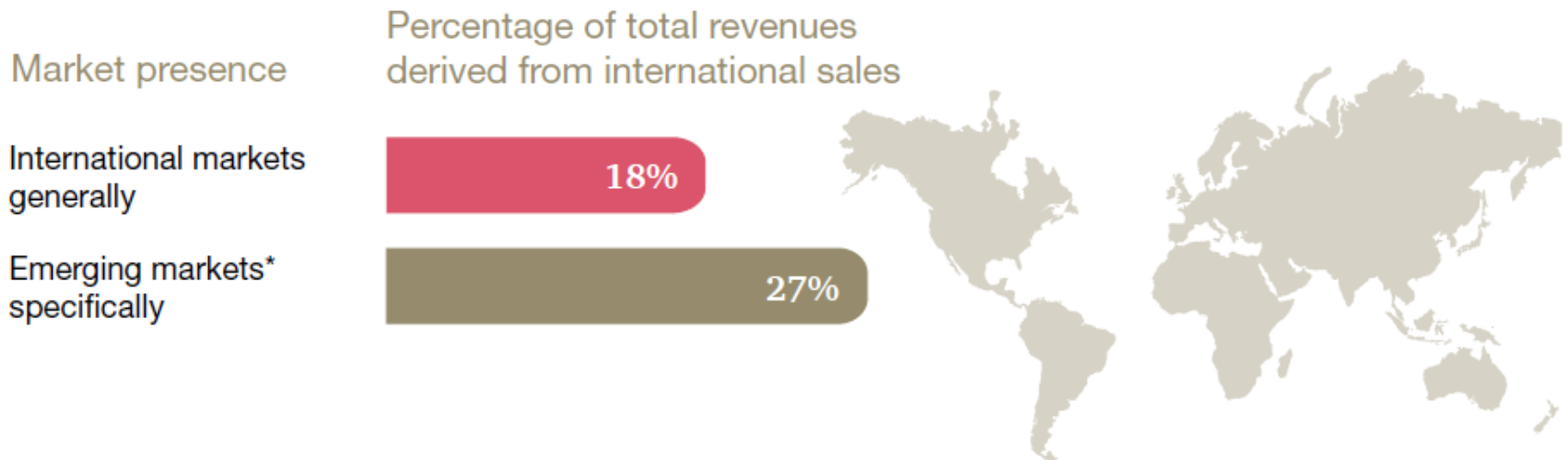


Percentages reflect the number of private companies selling in each market
Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

*Here, the term *emerging markets* refers to Brazil, China, and India only.

International expansion

Private-company revenue from international sales

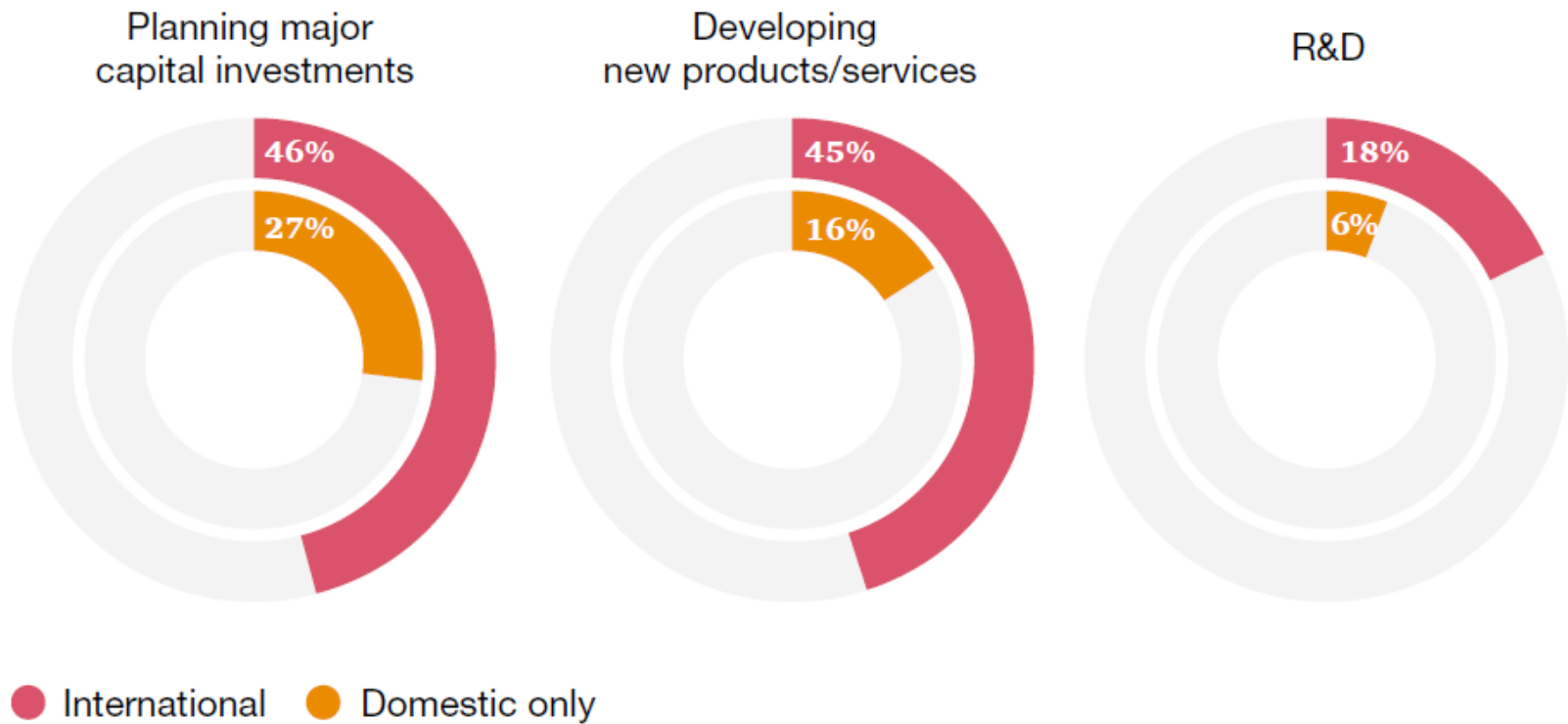


Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

*Here, the term *emerging markets* refers to Brazil, China, and India only.

International expansion

International companies plan to be more growth-focused than their peers over the next 12 months



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 2Q 2014

Survey demographics and research methodology

Since 1995, PwC's *Trendsetter Barometer Business Outlook* has tracked the views of top executive officers at privately held US businesses and the trends these reveal. This quarter, we spoke with 205 private company leaders, including 118 from companies in the product sector and 87 in the service sector.

How the *Trendsetter* companies break down

- Products 58%
 - Manufacturing 30%
 - Trade/Distribution 14%
 - All other 14%
- Services 42%

Demographics

Who Leading privately held businesses in the United States

Interview dates October 7, 2013 to January 9, 2014

	<i>All (205)</i>	<i>Product (118)</i>	<i>Service (87)</i>
Average number of employees	1,330	1,596	968
Average enterprise revenues	\$355 million	\$500 million	\$160 million
Five-year growth rate	42%	42%	42%

Survey interviews were conducted by the independent research firm BSI Global Research, Inc. by phone between April 4, 2014 and July 1, 2014. The same companies are interviewed and tracked from quarter to quarter, with occasional changes made to the survey population due to turnover.

To see the corresponding survey report, please download it on our [website](#) or read the report on our *365 app*.

To find out more about private-company trends and discuss the survey findings, please contact:

Rich Stovsky

US Leader
Private Company Services
rich.stovsky@us.pwc.com

Ken Esch

Trendsetter Partner Sponsor
Private Company Services
ken.esch@us.pwc.com