

Trendsetter barometer

Business outlook

*What 2014 has in store
for private companies*



What's inside:

Economic sentiment

Corporate performance

Opportunities and barriers

Hiring

International expansion

Contents

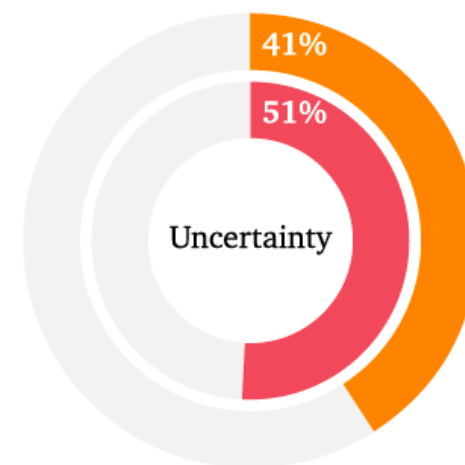
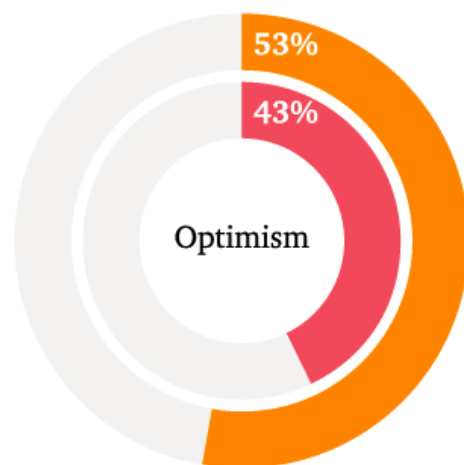
<u>Economic sentiment</u>	<u>3</u>
<u>Corporate performance</u>	<u>6</u>
<u>Opportunities and barriers</u>	<u>8</u>
<u>Hiring</u>	<u>10</u>
<u>International expansion</u>	<u>14</u>

Economic sentiment

Economic barometer – 12-month outlook

Private-company leaders feel far more optimistic than pessimistic about the US and world economies.

■ US economy ■ World economy*



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2013

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

Economic sentiment

Optimism snapshot – Today and a year ago

US economy – Optimism about the US economy's 12-month prospects is higher now than a year ago

A year ago

42%

Today

53%

World economy – Optimism about the world economy's 12-month prospects is markedly higher now than it was this time last year

A year ago

25%

Today

43%

Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2012 to 4Q 2013

Economic sentiment

The long view – Economic optimism over time

The gap between private companies' confidence in the US economy and their optimism about the world economy has begun to close again, after widening a couple of years ago.

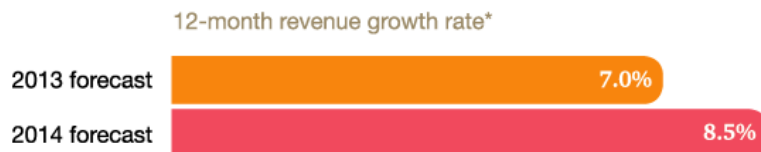
■ US economy ■ World economy*



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2012 to 4Q 2013

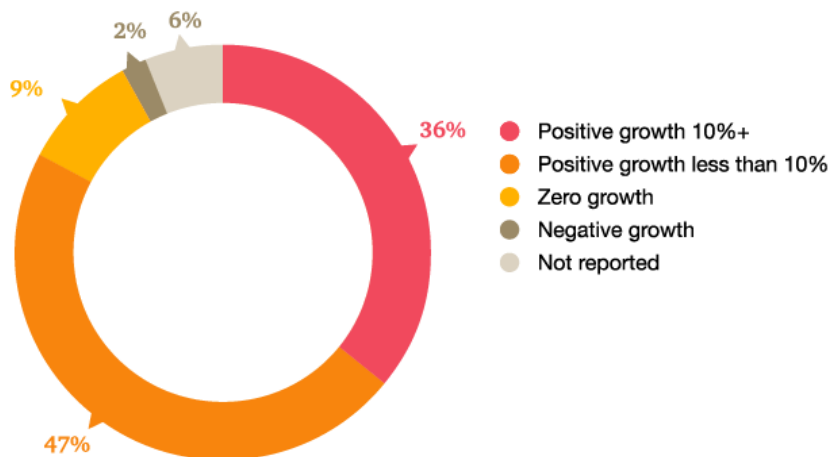
Corporate performance

Private companies forecast stronger revenue growth for 2014



Growth expectations

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



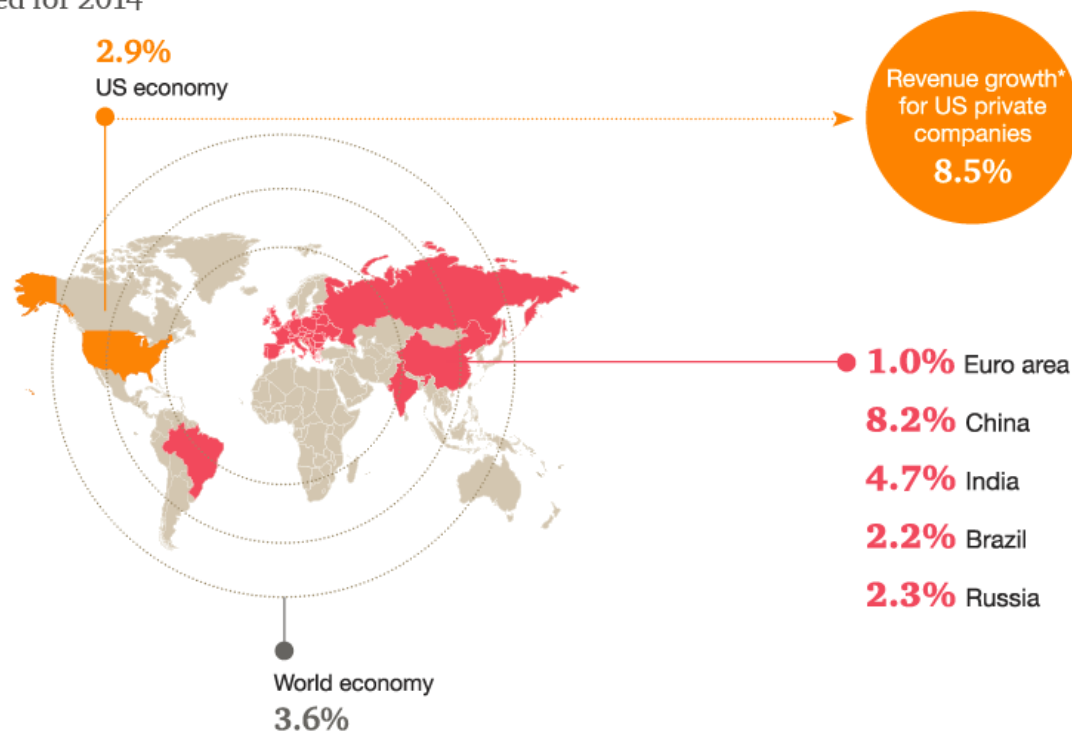
*Projected

Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2012 to 4Q 2013

Corporate performance

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

GDP growth forecasted for 2014



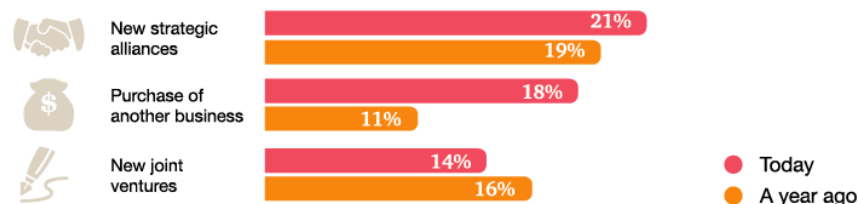
Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2013

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

Opportunities and barriers

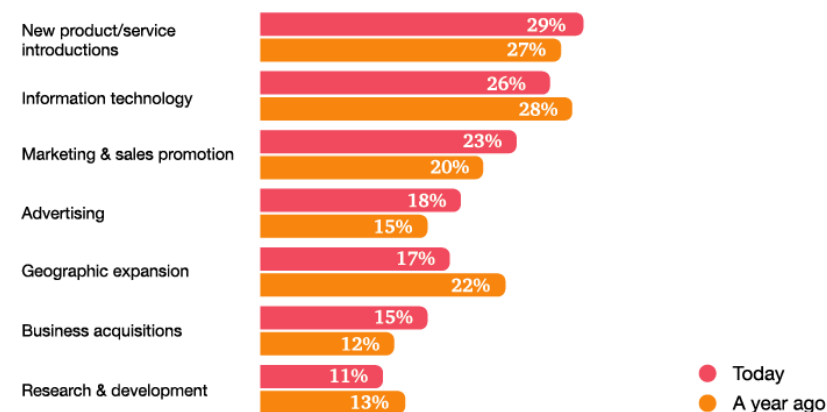
Top new growth initiatives private companies plan to pursue in 2014

Greater focus on acquisitions



Growth expectations

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



Opportunities and barriers

Growth barriers for 2014

Top barriers from 2013 loom less large in 2014

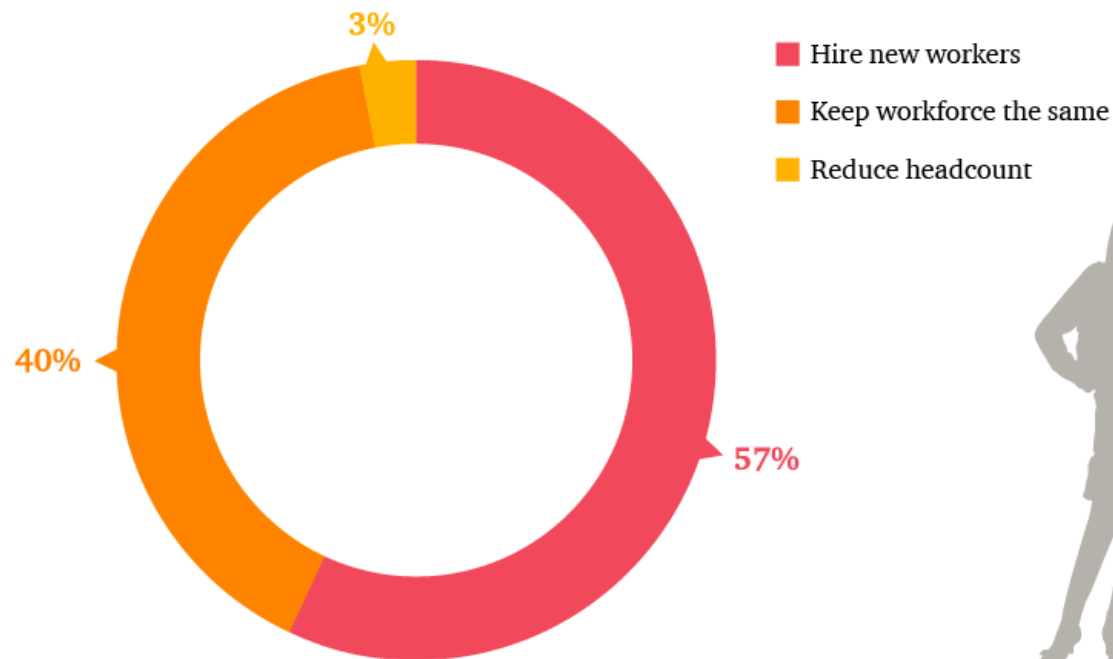
Legislation/regulatory pressures and increased taxation continued to rank high among private companies' anticipated barriers to growth. Lack of demand, however, remained the biggest concern, but markedly less so than a year ago, dropping 10 points. Concern about increased taxation dipped even further, dropping 15 points since a year ago.



Hiring

The majority of Trendsetter private companies plan new hiring

For the third consecutive quarter, 57% of private companies said they planned to hire.



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2013

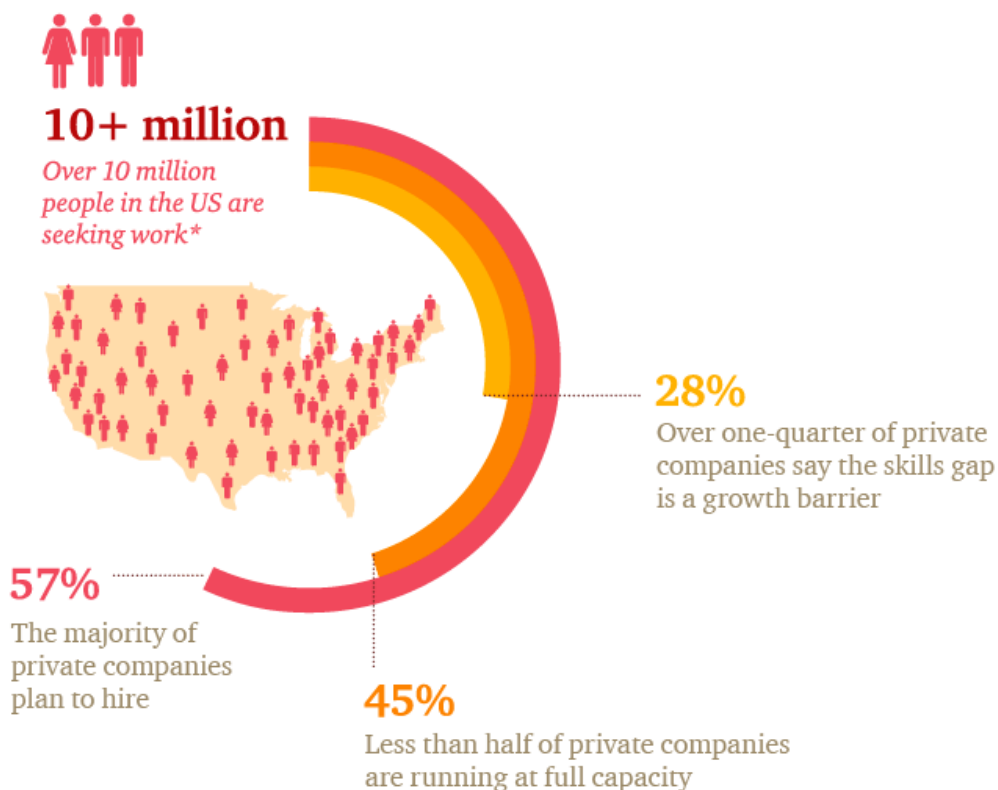
Hiring

Where are the workers who will power growth?

Many of them are filling the unemployment ranks when they might be filling the skills gap instead.

Despite persistently high unemployment, companies are still struggling to fill open positions with the right people – a difficulty that's impeding growth for some businesses.

Public-private partnerships aimed at retooling unemployed workers with much-needed skills could go far in helping to solve the problem.



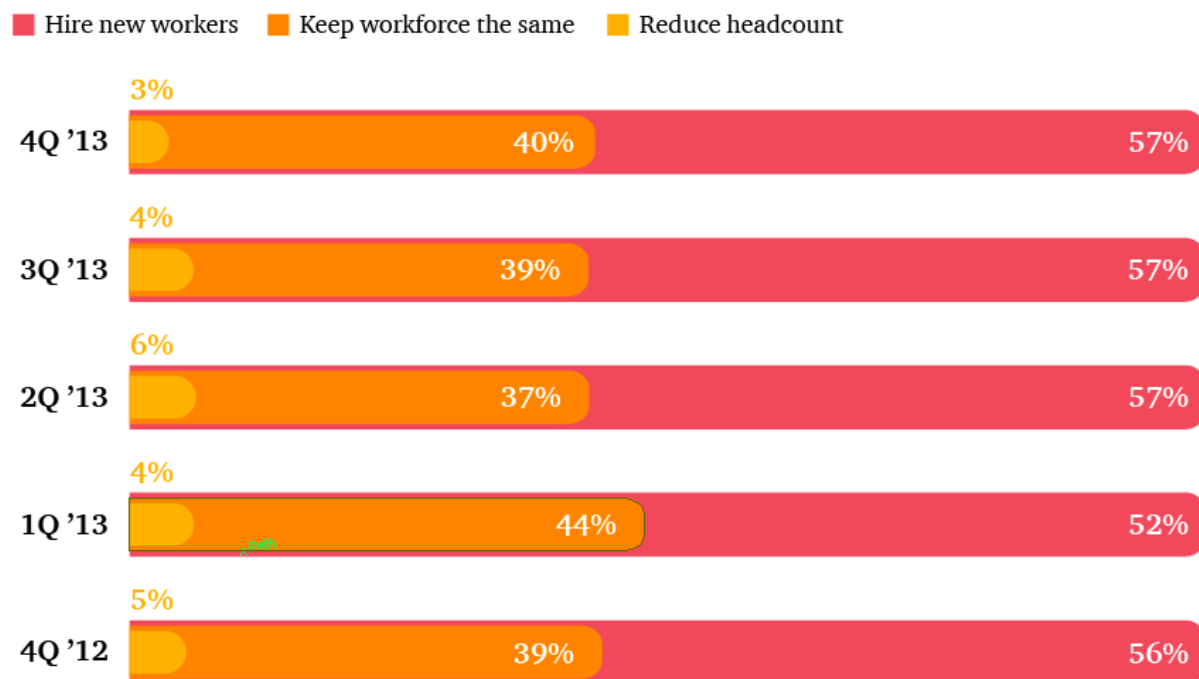
Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2013

*Bureau of Labor and Statistics

Hiring

Hiring trend for private companies over the past year*

While many companies planned to keep their headcount flat over the past year, more intended to raise it. Planned headcount additions were far greater than planned reductions.



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2007 to 4Q 2013

*Data reflects hiring intentions (looking out 12 months), not actual hiring

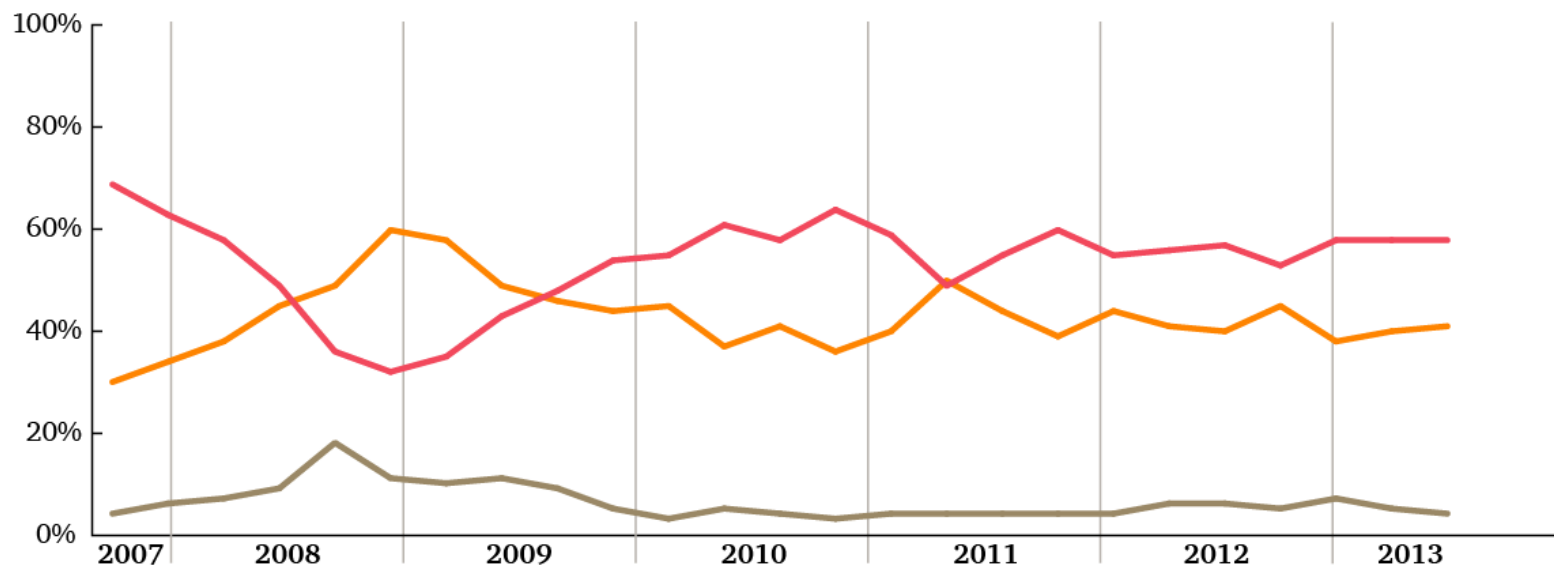
Hiring

Hiring trend for private companies over the past several years*

Post-recession, the percentage of *Trendsetter* companies planning to hire new workers has consistently stayed above 50 percent in all but one quarter.

■ Plan to hire new workers ■ Plan to keep workforce the same ■ Plan to reduce headcount

Percent of respondents



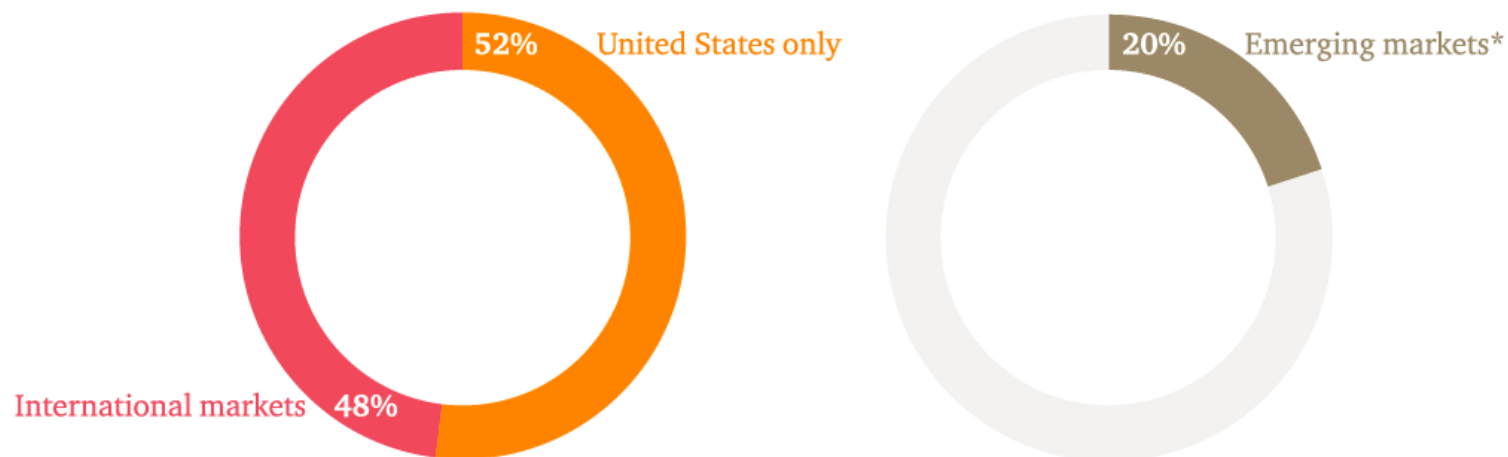
Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2007 to 4Q 2013

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International expansion

Nearly half of Trendsetter private companies sell internationally

One-fifth of *Trendsetter* companies are selling in the emerging markets of Brazil, China, and/or India.



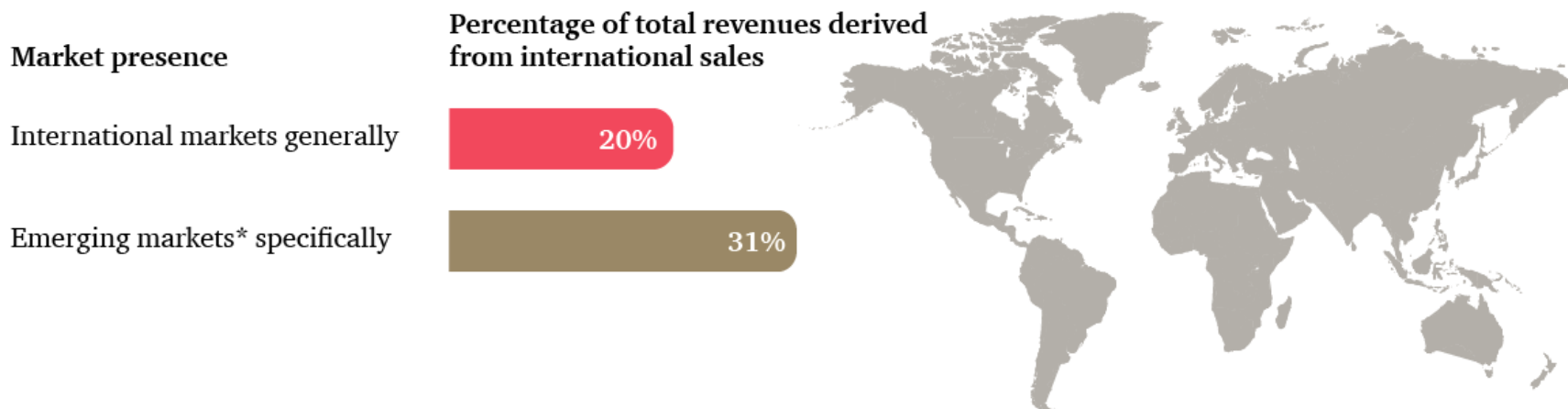
Percentages reflect the number of private companies selling in each market
Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2013

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

International expansion

Private-company revenue from international sales

Trendsetter private companies that sell abroad expect to derive 20% of their total revenue from international sales over the next 12 months. Within this group of internationally active companies, those selling in Brazil, China, and/or India expect to generate almost one-third of their revenue from international sales.

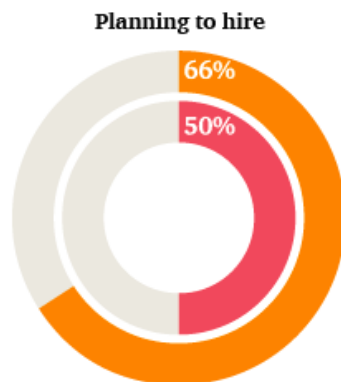
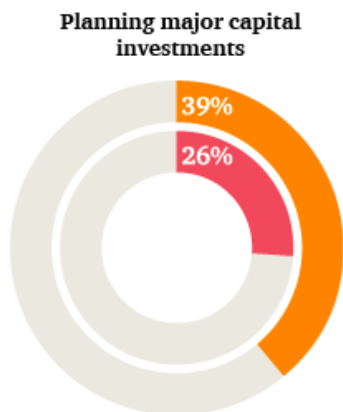


Percentages reflect the number of private companies selling in each market
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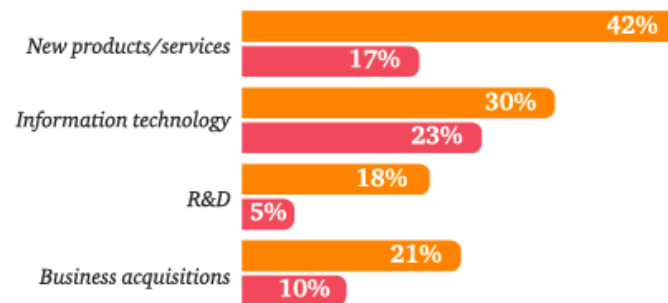
*Here, the term *emerging markets* refers to Brazil, China, and India only.

International expansion

International companies are more growth-focused than their peers



Plan to increase spending in the following areas:



■ International marketers ■ Domestic only

Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2013

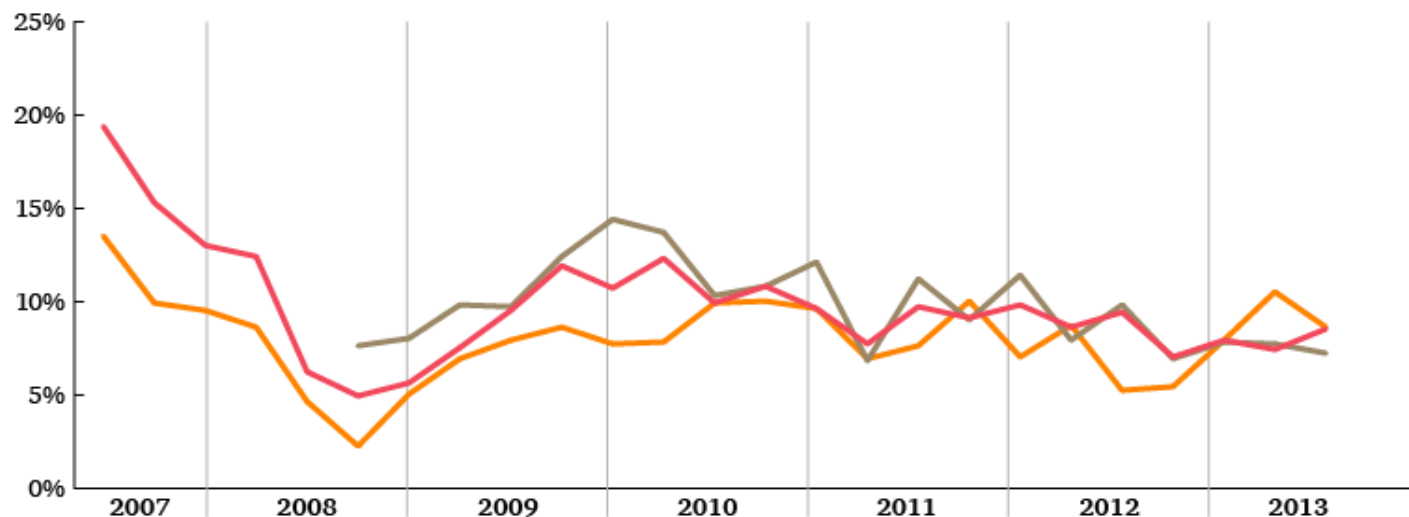
International expansion

Trendsetter private companies that sell abroad tend to project higher revenue growth, compared with their domestic-only peers

However, the gap closes periodically, as it did in the second half of 2013, when domestic-only companies projected higher revenue growth than their international peers.

■ Domestic-only companies ■ International ■ Emerging markets*

12-month growth rate



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

Period covered: 4Q 2007 to 4Q 2013

*Here, the term *emerging markets* refers to Brazil, China, and India only. Revenue data on Trendsetter companies selling in these markets began to be collected in 2009.

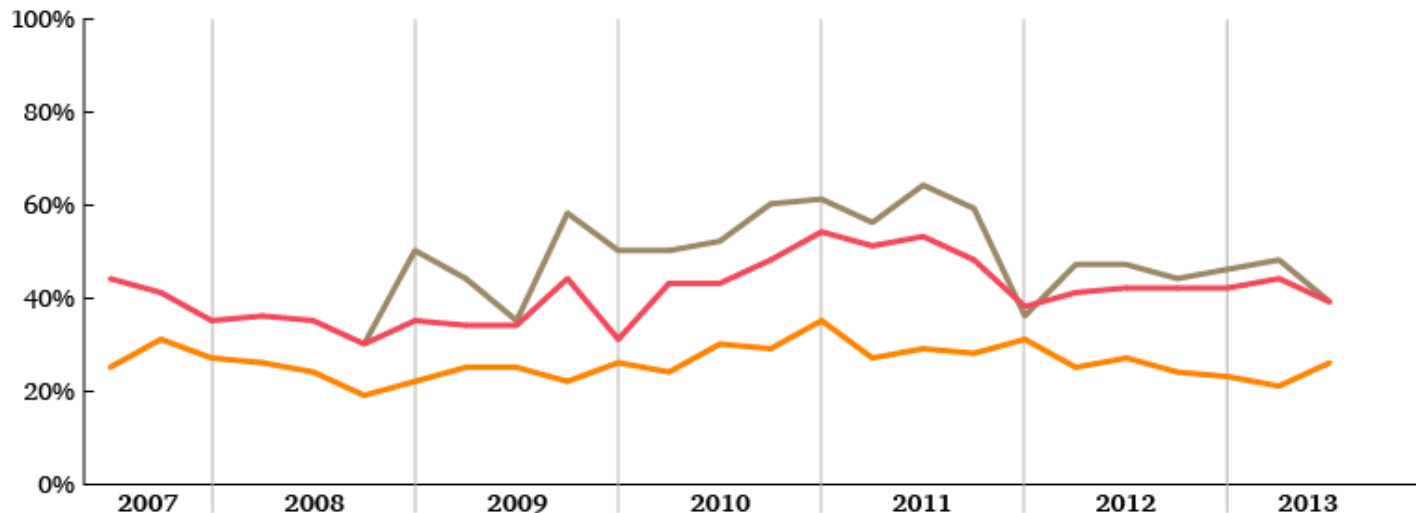
International expansion

Private companies that sell abroad consistently show a greater tendency to make new major capital investments and increase their operational spending, compared with their domestic-only peers

New major investments of capital
12-month projections

Domestic-only companies International Emerging markets*

12-month growth rate



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2007 to 4Q 2013

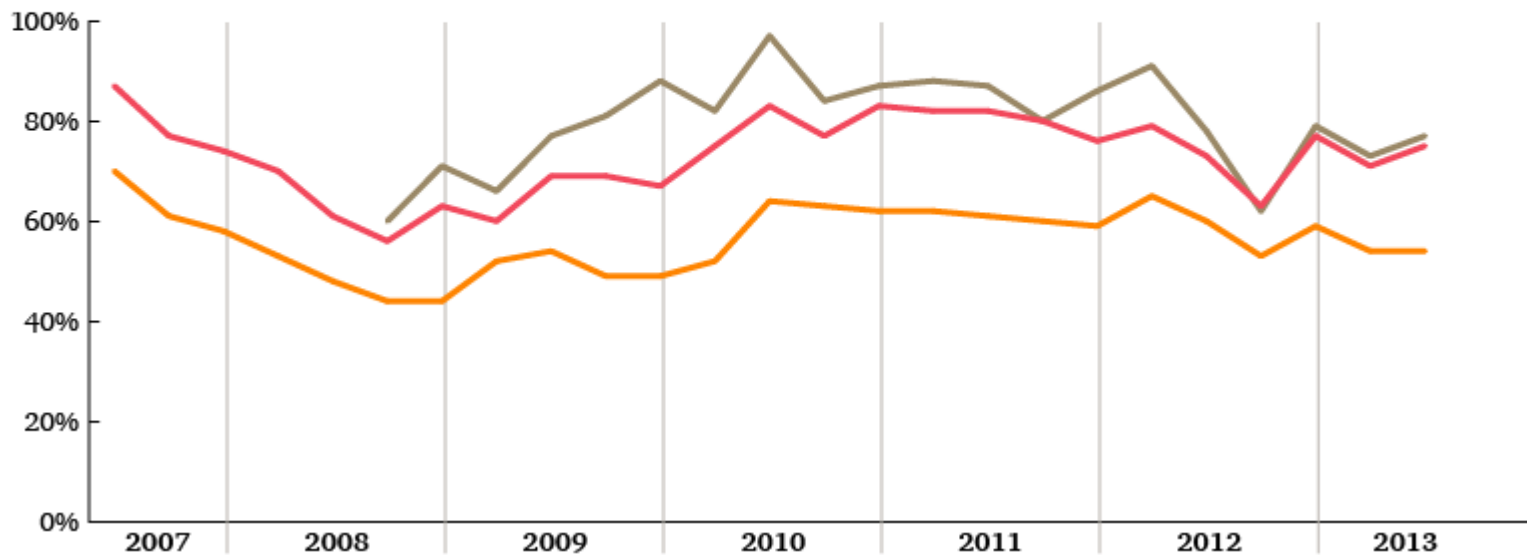
*Here, the term *emerging markets* refers to Brazil, China, and India only. Revenue data on Trendsetter companies selling in these markets began to be collected in 2009.

International expansion

Increased operational spending 12-month projections

Domestic-only companies International Emerging markets*

12-month growth rate



Source: *Trendsetter Barometer Business Outlook*, PwC, 2014
Period covered: 4Q 2007 to 4Q 2013

*Here, the term *emerging markets* refers to Brazil, China, and India only. Revenue data on Trendsetter companies selling in these markets began to be collected in 2009.

Survey demographics and research methodology

PwC's Trendsetter Barometer Business Outlook incorporates the views of 208 chief executive officers (CEOs/CFOs) at privately held US businesses, including 119 from companies in the product sector and 89 in the service sector.

How the Trendsetter companies break down

- Products 57%
 - Manufacturing 32%
 - Trade/Distribution 14%
 - All other 11%
- Services 43%

Survey demographics and research methodology

Demographics

Who Leading privately held businesses in the United States

Interview dates October 7, 2013 to January 9, 2014

	All (208)	Product (119)	Service (89)
Average number of employees	1,288	1,305	1,266
Average enterprise revenues	\$348.1 million	\$446.5 million	\$216.5 million
Five-year growth rate	50%	48%	53%

Survey interviews were conducted by the independent research firm BSI Global Research, Inc. by phone between October 7, 2013 and January 9, 2014.

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

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 Main menu