

# *Manufacturing Barometer*

**Business outlook report  
July 2012**

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# Quarterly highlights

## Key findings:

In the second quarter of 2012, PwC interviewed 60 US-based industrial manufacturing executives about their current business performance, the state of the economy, and their expectations for business growth over the next 12 months. We then compared their responses with results from prior quarters to see how the panel's 12-month outlook has changed. Overall, optimism toward the US economy's prospects remain positive, but attitudes toward the world economy's prospects have deteriorated and two-thirds of the industrial manufacturing executives marketing abroad are now uncertain (67 percent). Yet own-company revenue growth forecasts remain at an average 5.6 percent pace for the next 12 months. International sales stayed about the same in the face of attitudinal concerns. New hiring stayed about the same, but more spending is planned, particularly for IT and new products/services. But more headwinds to prospective growth are reported, focusing on legislative/regulatory pressures (which rose sharply), along with demand concerns and oil/energy prices. Margins tightened in 2Q 2012, and there were fewer cost and price increases reported. Looking ahead, 28 percent now view decreased profitability as a barrier over the next 12 months.

- **Optimism toward US economy positive, but worldwide economy uncertain.** Attitudes about the US economy's prospects over the next 12 months remained largely positive, although it slipped back from the prior quarter's highs: the majority, 52 percent, expressed optimism, off 18 points from the prior quarter's 70 percent. But only 7 percent were pessimistic, with 41 percent on the fence or uncertain.

In sharp contrast, only 13 percent of those selling abroad are optimistic about the world economy (off 31 points), and more, 20 percent, are pessimistic (up 9 points). Two-thirds of international marketers, 67 percent, are uncertain about the world economy's prospects.

- **Revenue projections remain moderately good.** The projected average growth rate for own-company revenue over the next 12 months continued at 5.6 percent, same as the prior quarter but well below a year ago (6.5 percent). Looking ahead, 88 percent expect positive revenue growth for their own companies, with 13 percent forecasting double-digit growth and most, 75 percent, forecasting single-digit growth. Only 5 percent forecast negative revenue growth for their companies, and 7 percent zero growth. It is noteworthy that the decline in US optimism and uncertainty about the world economy appear not to have impacted own-company revenue prospects.
- **International sales staying the same.** Industrial manufacturers marketing abroad expect their international sales to contribute 37 percent of their total revenue over the next 12 months, up slightly from 35 percent forecasts last quarter and in line with forecasts a year ago (36

percent). However, in second quarter 2012, only 26 percent of these panelists reported increases in international sales (off 22 points), and 18 percent reported a decrease (up 10 points). Most, 56 percent, said international sales remained about the same.

- **Barriers to growth heightened.** Three chief headwinds to growth over the next 12 months are legislative/regulatory pressures (58 percent, up 18 points), lack of demand (48 percent), and oil/energy prices (48 percent). Also higher were monetary exchange rates (35 percent), decreasing profitability (28 percent), and taxation policies (30 percent, up 10 points). Remaining on the low side are capital constraints, lack of qualified workers, and higher interest rates.
- **New hiring mixed but fairly stable.** Somewhat fewer industrial manufacturers are planning net new hiring over the next 12 months (42 percent, off 8 points from last quarter's 50 percent). However, the next 12-month workforce projection is a slightly higher 0.9 percent, a sign that some of these panelists' firms will be adding at slightly higher rates.
- **Spending plans strengthen.** The majority, 55 percent, of US industrial products manufacturers surveyed plan major new investments of capital over the next 12 months, up 2 points from the prior quarter and above the 52 percent a year ago. The mean investment as a percentage of total sales remained at a moderately high 5.3 percent, below last quarter's 6.0 percent. Operational spending increases by 87 percent of those surveyed will focus on new products or service introductions (52 percent) and information technology (50 percent). Plans for marketing and sales promotion rose to 20 percent. Plans for M&A activity over the next 12 months continued at 40 percent and plans for new strategic alliances were up 7 points to 42 percent. Expansion to new markets abroad rose to 37 percent and new facilities abroad is at 32 percent. On the debit side, reduced activities in markets abroad rose to 15 percent.
- **Margins tighten.** Gross margins tightened considerably in 2Q 2012 as only 27 percent reported higher gross margins (off 18 points) and 17 percent said their margins were down (up 4 points), for a net 10 percent higher (off 22 points). Fewer cost increases were reported (30 percent, off 20 points), and fewer price increases as well (18 percent, off 25 points). Looking ahead, 28 percent now view decreased profitability as a barrier over the next 12 months (up 6 points).

A quarter-over-quarter comparison of key indicators shows the business outlook for the next 12 months and how the views of the panel have changed each quarter (see chart 1.1). The pages that follow provide a detailed look at each question for the past five quarterly surveys.

## Special topic: Company's tax function

- **Where do these statistics come from?** PwC performs surveys within the manufacturing industry to attain a comprehensive outlook on the industry as a whole. The subsequent information on tax function effectiveness provides results from the second quarter 2012 as well as the results from the same survey conducted in 2008.
  - **Integration of tax function with accounting and finance.** Overall, 74 percent of industrial manufacturing panelists surveyed believe their company's tax function is fully integrated (42 percent) or nearly fully integrated (32 percent) with their accounting and finance function. When compared to the results obtained in 2008, there has been a 9 percent increase in panelists who believe that their company's tax function is fully integrated. Eighteen percent are less well integrated and 8 percent were not reported (down 2 percent from 2008). Mean integration was 4.2 percent (1-5 scale).
  - **Documented strategic plan for integration with business objectives.** Fifty-two percent have a documented strategic plan that outlines objectives and how it integrates with the objectives of the business (a 20% increase from 2008). Twenty-three percent do not, 17 percent are not sure, and 8 percent were not reported.
  - **Tax controls integration with accounting and finance controls.** Overall, 73 percent report that their tax controls are tightly integrated with their accounting and finance controls (an 11 percent increase from 2008). In contrast, 18 percent report that they are separate and distinct, and 9 percent were not reported.
  - **CEO and CFO meet with tax function head.** It is noteworthy that 38 percent of CEO/CFOs meet with the head of the tax function weekly or monthly. Most, 50 percent, meet quarterly. Few meet less often, 5 percent.
- These statistics are fairly different from the survey taken in 2008 with weekly and monthly meetings being down 12 and 14 percent respectively, and quarterly meetings being up 33 percent. Seven percent were not reported.
- **Does tax function understand business challenges?** Overall, 67 percent of these panelists believe that their company's tax function understands the challenges facing the business units "very" or "extremely" well (up 7 percent from 2008). Twenty-five percent believes the tax function understands the challenges less, and 8 percent were not reported.
  - **Measuring the company's tax function.** Compliance (78 percent) and effective tax rate (70 percent) lead the way in how these company's tax function is measured. And cash taxes (58 percent) and risk management (55 percent) are also important to a majority of these industrial manufacturing businesses surveyed. This remained fairly consistent with the 2008 survey results, rising between 6 and 8 percent in every category except risk management (which fell 2 percent).
  - **Is tax accounting process hindering close-to-report cycle?** Fifteen percent of these panelists believe their tax accounting process is hindering their ability to accelerate their quarterly and annual close-to-report cycle (down 8 percent from 2008). Not so, according to 70 percent. And 15 percent were not certain or not reported.
  - **Percent of tax function activities outsourced.** Overall, 60 percent reported that a portion of their company's tax function activities is currently outsourced (up 22 percent from 2008). The mean percent outsourced was found to be 23.7 percent, including total answering (80 percent).

# Key indicators for the business outlook

**Chart 1.1 Key indicators for the business outlook**

A quarter-over-quarter comparison of the survey's key indicators shows how the 12-month outlook has changed each quarter. The change column indicates the movement of opinion over the past two quarters.

Business outlook, next 12 months among industrial manufacturers	2011			2012		Change	Page
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12	1Q'12 – 2Q'12	
Optimistic about US economy	48%	5%	30%	70%	52%	↓	8
Optimistic about world economy	38%	7%	16%	44%	13%	↓	10
Expect positive revenue growth	90%	75%	83%	92%	88%	↓	20
Average growth rate expected	6.5%	5.0%	4.4%	5.6%	5.6%	=	20
Planning major new investments	52%	55%	67%	53%	55%	=	24
New investments as a % of sales	7.0%	5.9%	4.2%	6.0%	5.3%	↓	24
Planning to hire	52%	38%	37%	50%	42%	↓	22
New workers as a % of workforce (net)	0.3%	-0.2%	0.7%	0.8%	0.9%	=	22
Expected barriers to growth							
• Legislative/regulatory pressures	60%	55%	50%	40%	58%	↑	26
• Oil/energy prices	70%	55%	47%	53%	48%	↓	26
• Lack of demand	40%	57%	47%	47%	48%	=	26
• Monetary exchange rate	38%	33%	37%	32%	35%	↑	26
• Competition from foreign markets	37%	33%	37%	33%	30%	↓	26
• Taxation policies	53%	40%	33%	20%	30%	↑	26
• Decreasing profitability	33%	35%	18%	22%	28%	↑	26
• Lack of qualified workers	17%	17%	20%	17%	18%	=	26
• Capital constraints	10%	13%	15%	20%	15%	↓	26
• Pressure for increased wages	32%	22%	22%	17%	15%	=	26
• Higher interest rates	13%	10%	18%	13%	12%	=	26

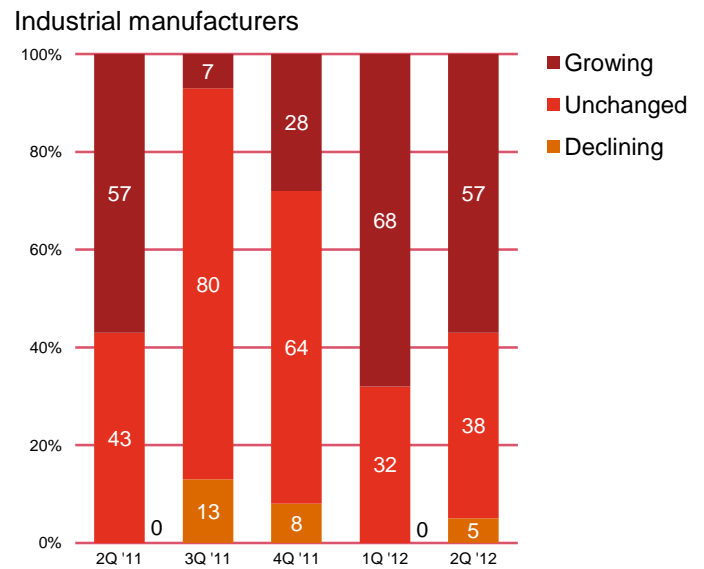
# *Economic views*

## View of the US economy, this quarter

### Which best describes your view of the US economy this quarter?

In second-quarter 2012, 57 percent of US industrial manufacturers surveyed believed the US economy was growing, off 11 points from the prior quarter's 68 percent. Five percent believed it was declining, and 38 percent saw no change from first-quarter 2012.

Chart 2.1 View of the US economy, this quarter



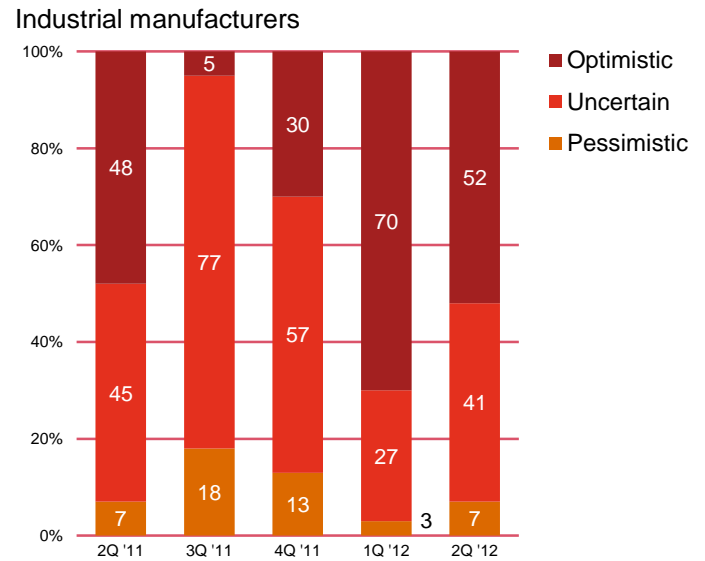
Note: In 2Q 2012 total respondents = 60

## View of the US economy, next 12 months

Looking at the next 12 months, how do you feel about the prospects for the US economy?

Looking ahead, 52 percent of respondents expressed optimism about the 12-month outlook for the US economy, off 18 points from the prior quarter's 70 percent. Only 7 percent were pessimistic (up 4 points), while 41 percent were uncertain.

Chart 2.2 View of the US economy, next 12 months



Note: In 2Q 2012 total respondents = 60

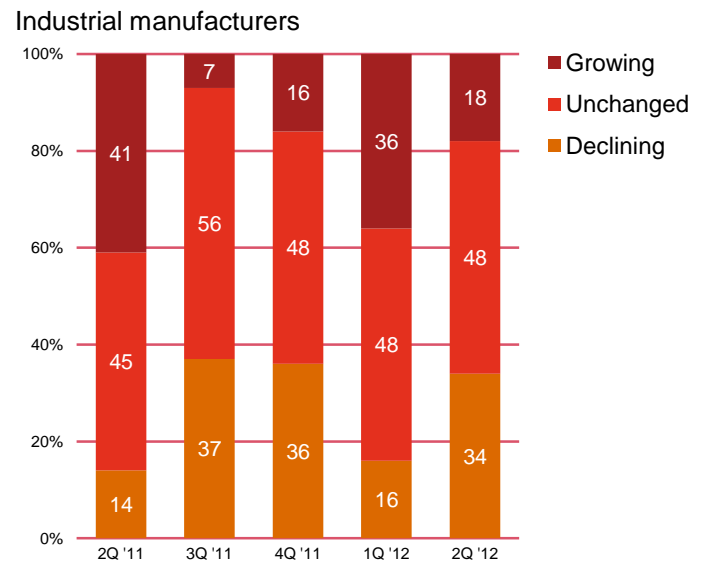


## View of the world economy, this quarter

### Which best describes your view of the world economy this quarter? (international marketers only)

In second-quarter 2012, 18 percent of the panelists marketing abroad viewed the world economy as growing, off 18 points from the prior quarter. Thirty-four percent believed it was declining, up 18 points from the first quarter, and 48 percent said they saw no change.

Chart 2.3 View of the world economy, this quarter



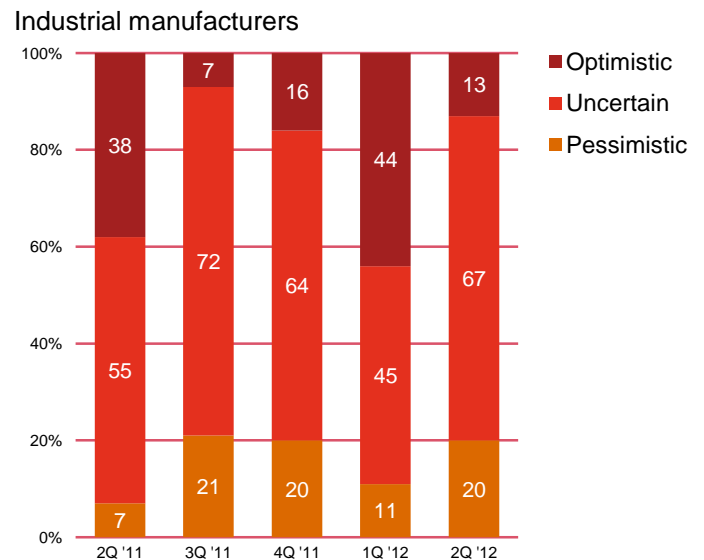
Note: In 2Q 2012 those marketing abroad = 56

## View of the world economy, next 12 months

Looking at the next 12 months, how do you feel about the prospects for the world economy? (international marketers only)

Looking ahead, only 13 percent of US-based industrial manufacturers who market abroad are optimistic about the prospects for the world economy over the next 12 months, off 31 points from the prior quarter. Twenty percent are pessimistic (up 9 points), while two-thirds, 67 percent, are uncertain.

Chart 2.4 View of the world economy, next 12 months



Note: In 2Q 2012 those marketing abroad = 56

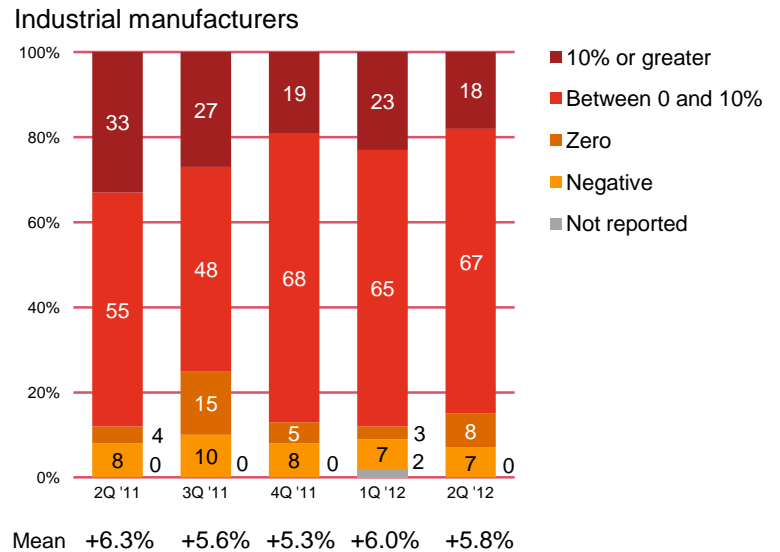
# *Company performance*

## Company revenue growth, calendar year

### What is your company's estimated revenue growth rate for the calendar year?

The composite average growth estimate for own-company revenue in the calendar year 2012 decreased slightly from 6.0 percent in first-quarter 2012 to 5.8 percent in the second quarter. Eighty-five percent of respondents said they had positive own-company growth, with 18 percent with double digit growth and 67 percent single-digit growth. Only seven percent were on the negative side, while 8 percent had zero growth.

Chart 3.1 Company revenue growth, calendar year



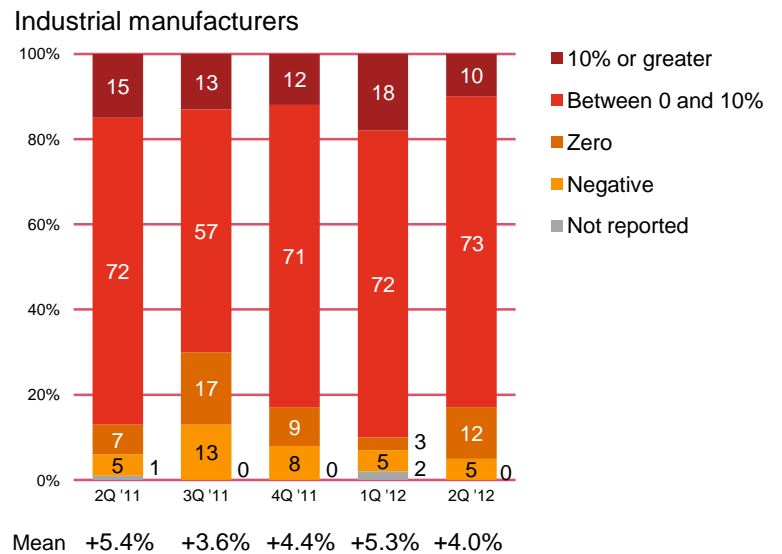
Note: In 2Q 2012 total respondents = 60

# Industry growth, calendar year

What is your industry’s estimated growth rate for the calendar year?

Industry growth estimates for calendar-year 2012 declined from 5.3 percent in the first quarter to 4.0 percent in the second quarter. Eighty-three percent of panelists reported positive industry growth for 2012, 5 percent are on the negative side, 12 percent reported zero growth this year.

Chart 3.2 Industry growth, calendar year



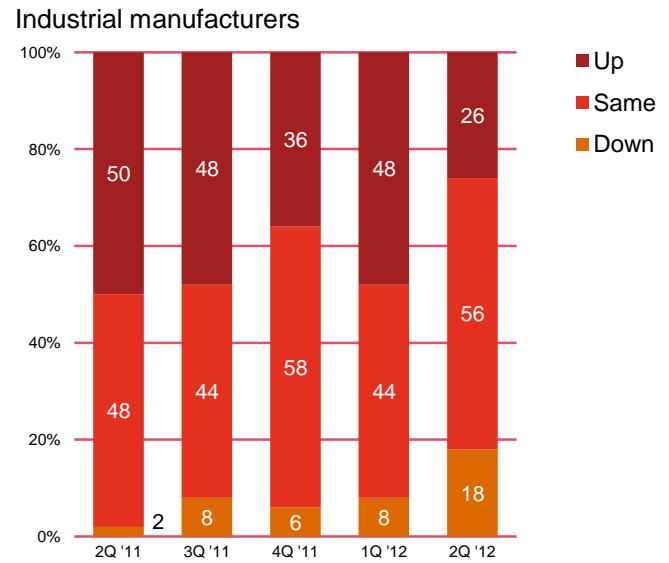
Note: In 2Q 2012 total respondents = 60

## International sales

Are international sales up, down, or the same compared with three months ago? (international marketers only)

US-based industrial manufacturers that sell abroad reported slightly positive movement in international revenue in second-quarter 2012, with 26 percent reporting an increase in sales (off 22 points), and 18 percent reporting a decrease. The majority, 56 percent, said sales remained about the same.

Chart 3.3 International sales



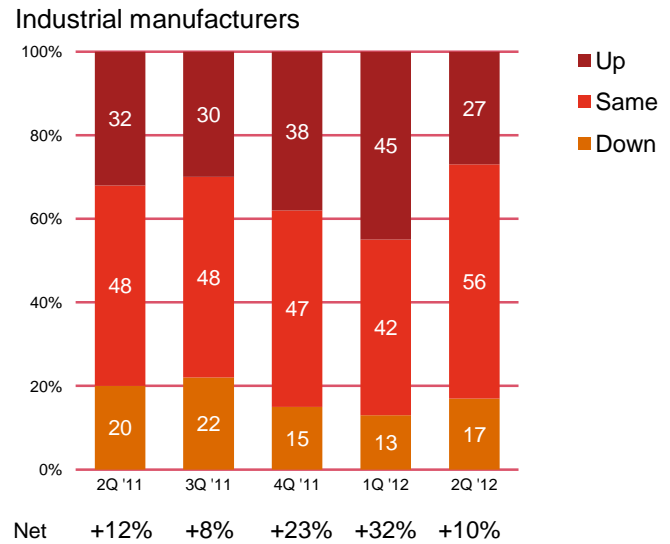
Note: In 2Q 2012 those marketing abroad = 56

## Changes in gross margins

Are gross margins up, down, or the same compared with three months ago?

In second-quarter 2012, gross margins tightened. They were higher for 27 percent of panelists (off 18 points) and lower for 17 percent, for a net plus 10 percent, 22 points lower than the prior quarter's plus 32 percent.

Chart 3.4 Changes in gross margins



Note: In 2Q 2012 total respondents = 60

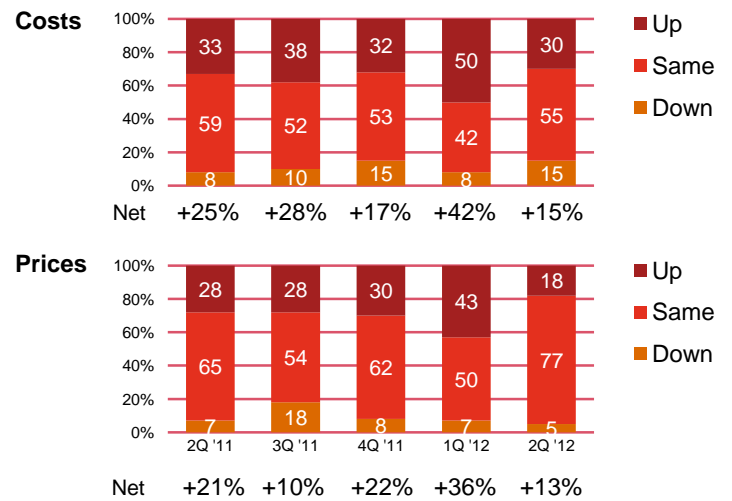
## Changes in costs and prices

### Are costs up, down, or the same compared with three months ago? prices?

In second-quarter 2012, cost and price increases declined. Thirty percent of US-based industrial manufacturers reported higher costs (off 20 points), and 15 percent reported lower costs, for a net plus 15 percent higher, 27 points below the prior quarter's 42 percent. Only 18 percent raised prices (off 25 points) but 5 percent lowered them, for a net plus 13 percent reporting higher prices (off 23 points).

Chart 3.5 Changes in costs and prices

#### Industrial manufacturers



Note: In 2Q 2012 total respondents = 60



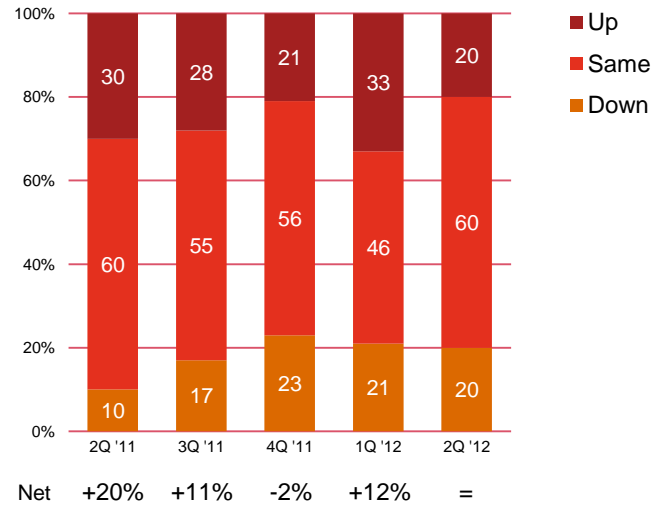
# Inventory movement

Are finished inventories as a percent of sales up, down, or the same compared with three months ago?

Inventories as a percentage of sales grew for 20 percent of US-based industrial manufacturers in the second quarter, off 13 points from the prior quarter. Levels were down for 20 percent, for a net zero percent (off 12 points), indicating flat inventories in second-quarter 2012.

Chart 3.6 Inventory movement

### Industrial manufacturers



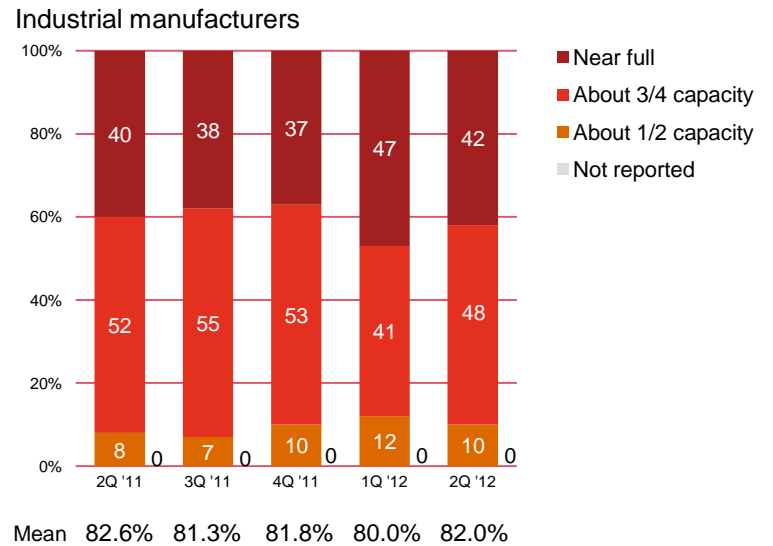
Note: In 2Q 2012 total respondents = 60

## Level of operating capacity

### What is your organization's current operating capacity?

Operating capacity is an estimate of the current level of permanent staffing and operations compared with what is needed for full-capacity output. In the second quarter, the mean was 82.0 percent of capacity, slightly above the previous quarter's 80.0 percent, with 42 percent of industrial manufacturers surveyed claiming to be at or near full capacity (off 5 points).

Chart 3.7 Level of operating capacity



Note: In 2Q 2012 total respondents = 60

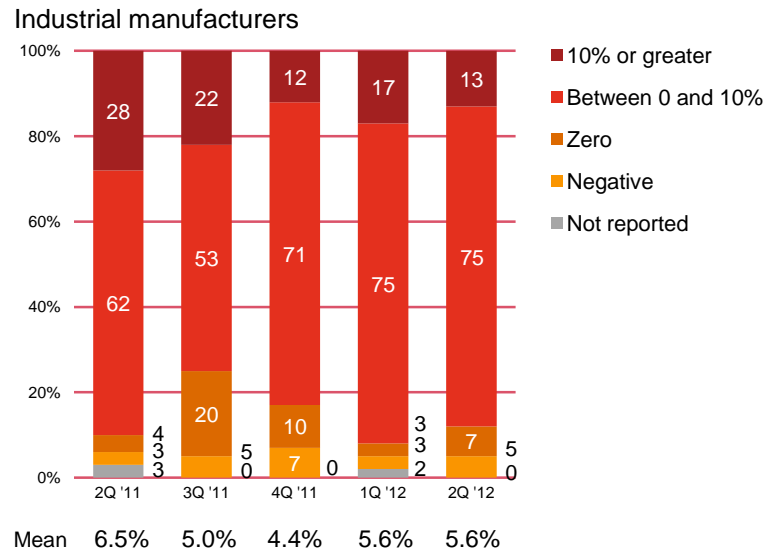
# *Business outlook, next 12 months*

# Revenue growth, next 12 months

## What is your organization’s estimated revenue growth rate for the next 12 months?

The projected average revenue growth rate over the next 12 months among respondents stayed the same: 5.6 percent, same as the prior quarter, but well below last year’s 6.5 percent estimate. Eighty-eight percent expect positive revenue growth for their own companies, with 13 percent forecasting double-digit growth (off 4 points) and 75 percent forecasting single-digit growth. Only 5 percent forecast negative growth, and 7 percent now forecast zero growth.

Chart 4.1 Revenue growth, next 12 months



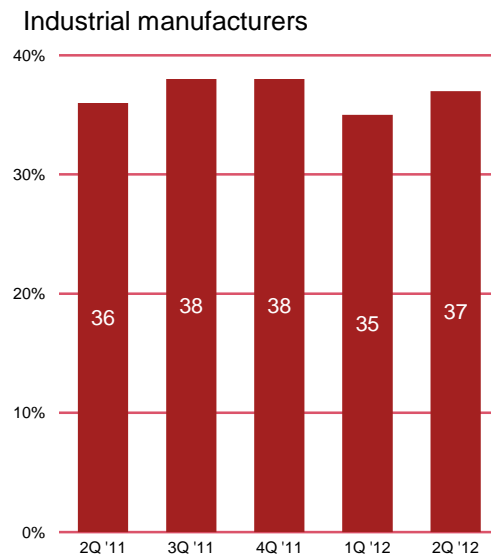
Note: In 2Q 2012 total respondents = 60

## International sales, next 12 months

What percent of your business's total revenue over the next 12 months do you expect to be derived from international sales? (international marketers only)

Of respondents selling abroad, the projected contribution of international sales to total revenue over the next 12 months continued at a 37 percent level. A year ago, it was at a similar 36 percent level.

Chart 4.2 International sales, next 12 months



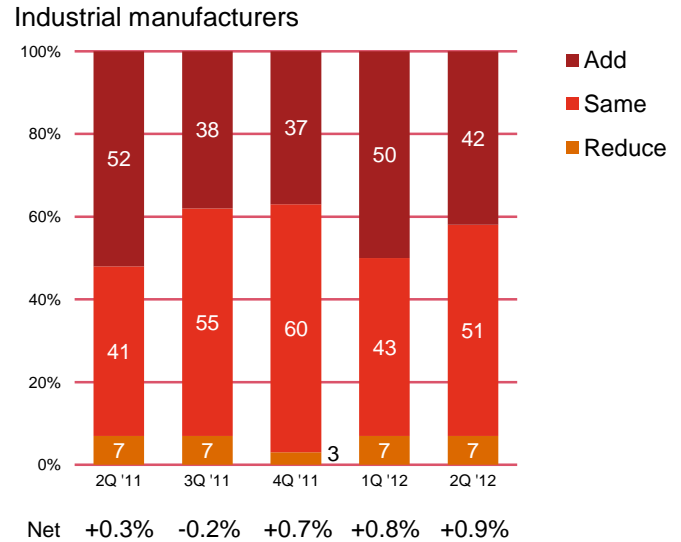
Note: In 2Q 2012 those marketing abroad = 56

## Percent planning to hire

### Do you plan to add or reduce the number of full-time equivalent employees over the next 12 months?

Forty-two percent of industrial manufacturers surveyed plan to add employees to their workforce over the next 12 months, off 8 points from first-quarter 2012 estimates. Only 7 percent plan to reduce the number of full-time equivalent employees, and 51 percent will stay about the same. The net workforce projection is plus 0.9 percent, up slightly from last quarter's plus 0.8 percent, a sign of still limited new hiring in the manufacturing sector.

Chart 4.3 Percent planning to hire



Note: In 2Q 2012 total respondents = 60

## Percent planning to hire by type of employee

### What types of employees do you plan to add over the next 12 months?

Among the 42 percent of respondents planning to hire within the next 12 months, the most sought-after employees will be professionals/technicians (30 percent), and production workers (28 percent).

Chart 4.4 Percent planning to hire by type of employee

#### Industrial manufacturers

	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Planning to hire (net)	52%	38%	37%	50%	42%
• Professionals/technicians	40%	28%	28%	32%	30%
• Production workers	32%	27%	13%	37%	28%
• Skilled labor	33%	23%	23%	32%	18%
• White collar support	22%	18%	12%	18%	17%
• Sales/marketing	17%	10%	10%	15%	10%

Note: In 2Q 2012 total respondents = 60

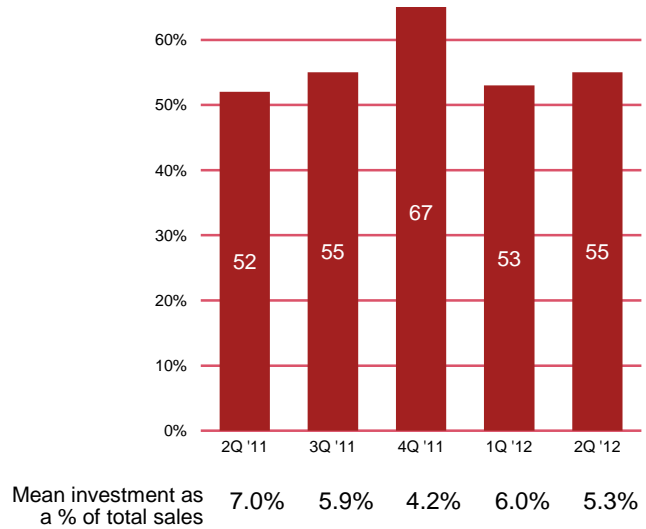
# Percent planning major new investments of capital

Are you actively planning any major new investments of capital over the next 12 months? If so, what percentage of total sales do you expect to invest?

The majority (55 percent) of US industrial products manufacturers surveyed plan major new investments of capital during the next 12 months, up 2 points from the prior quarter's 53 percent, and 3 points above a year ago. The mean investment as a percentage of total sales was somewhat below the prior quarter's robust 6.0 percent, at 5.3 percent – indicative of continued spending among the majority of panelists' businesses.

Chart 4.5 Percent planning major new investments of capital

Industrial manufacturers



Note: In 2Q 2012 total respondents = 60



## Percent planning to increase operational spending

### Over the next 12 months, where do you expect to increase spending?

Looking at the next 12 months, 87 percent of respondents plan to increase operational spending, up 5 points from last quarter. Leading increased expenditures were new product or service introductions (52 percent), information technology (50 percent), facilities expansion (38 percent), and business acquisitions (37 percent). R&D was off 2 points to 35 percent, and geographic expansion was off 9 points to 33 percent. Plans for increased marketing and sales promotion increased to 20 percent, and Internet commerce increased to 7 percent.

Chart 4.6 Percent planning to increase operational spending

Industrial manufacturers					
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
Percent planning to increase spending (net)	88%	85%	90%	82%	87%
• New product or service introduction	60%	43%	57%	52%	52%
• Information technology	48%	42%	50%	47%	50%
• Facilities expansion	38%	30%	38%	42%	38%
• Business acquisition	45%	37%	40%	37%	37%
• Research and development	40%	48%	40%	37%	35%
• Geographic expansion	43%	37%	38%	42%	33%
• Marketing and sales promotion	30%	27%	15%	18%	20%
• Internet commerce	7%	5%	3%	3%	7%
• Advertising	20%	15%	5%	8%	7%

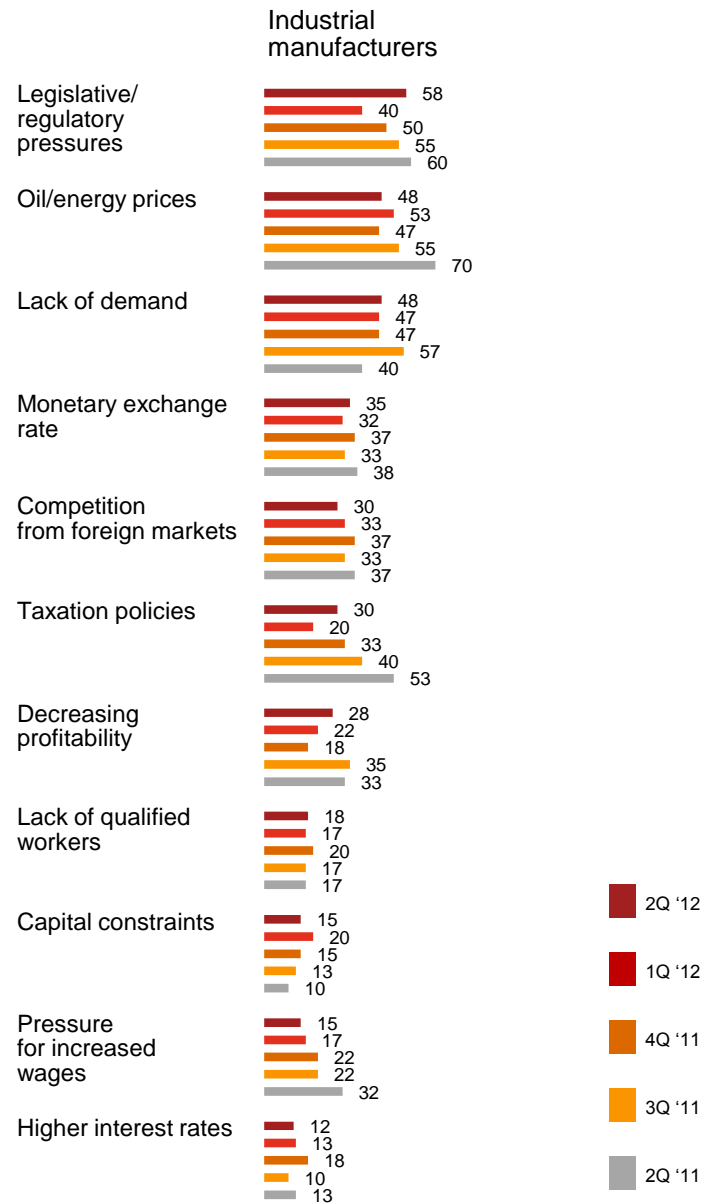
Note: In 2Q 2012 total respondents = 60

# Expected barriers to business growth

Over the next 12 months, will any of the following represent barriers to business growth?

Three barriers – legislative/regulatory pressures (58 percent), oil/energy prices (48 percent), and lack of demand (48 percent) – were the leading potential barriers to growth over the next 12 months. Legislative/regulatory pressures rose the greatest, up 18 points. Taxation concerns rose 10 points to 30 percent. And concern about decreasing profitability rose 6 points to 28 percent this quarter. Monetary exchange rates also rose, up 3 points to 35 percent.

Chart 4.7 Expected barriers to business growth



Note: In 2Q 2012 total respondents = 60

## Plans for M&A and other business initiatives

Over the next 12 months, do you expect to participate in any of the following new business initiatives?

The number of respondents planning M&A activity over the next 12 months continued at 40 percent. Of that number, all, 40 percent are looking at purchasing another business. Plans for expansion to new markets abroad remained at 37 percent, and new strategic alliances rose to 42 percent. The number planning new facilities abroad was at 32 percent, and new joint ventures rose 5 points to 33 percent. On the debit side, more reduced activity in selected markets abroad, 15 percent.

Chart 4.8 Plans for M&A and other business initiatives

Industrial manufacturers					
	2Q '11	3Q '11	4Q '11	1Q '12	2Q '12
New business initiatives (net)	73%	62%	70%	65%	73%
• New strategic alliance	37%	32%	35%	35%	42%
• M&A activity (net)	45%	35%	38%	43%	40%
- Purchase another business	45%	35%	38%	42%	40%
- Sell part/all own business	5%	3%	7%	8%	8%
- Equity carve-out/spin-off	---	2%	3%	3%	2%
• Expand to new markets abroad	45%	40%	40%	35%	37%
• New joint venture	38%	30%	40%	28%	33%
• New facilities abroad	35%	28%	32%	33%	32%
• Reduce activity in markets abroad	10%	7%	8%	10%	15%
• Close/reduce facilities abroad	8%	10%	8%	8%	8%

Note: In 2Q 2012 total respondents = 60

*Special topic:*  
*Company's tax function*

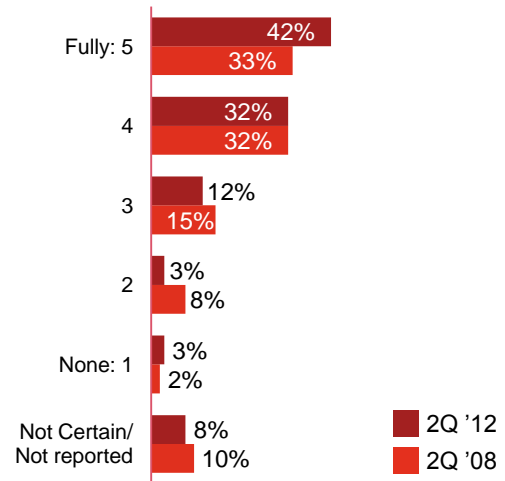
# Tax function integration

How integrated is your company's tax function with your accounting and finance function? Using a scale of 1 to 5, with 1 being no integration and 5 being fully integrated.

Overall, 74 percent of industrial manufacturing panelists surveyed believe their company's tax function is fully integrated (42 percent) or nearly fully integrated (32 percent) with their accounting and finance function. Eighteen percent are less well integrated and 8 percent were not reported. Mean integration was 4.2 (1-5 scale).

More believe their company's tax function is fully/nearly fully integrated today: 74 percent versus 65 percent in 2Q 2008, a 9-point improvement. And 42 percent give their company top marks today (5 rating) versus 33 percent in 2Q 2008, accounting for the 9-point improvement.

Chart 5.1 Integration of tax function with accounting/finance

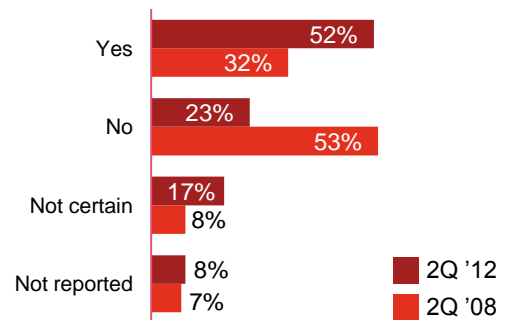


Does your company's tax function have a documented strategic plan that outlines the function's objectives and how it integrates with the objectives of the business?

Fifty-two percent have a documented strategic plan that outlines objectives and how it integrates with the objectives of the business. Twenty-three percent do not, 17 percent are not sure, and 8 percent were not reported.

There are more documented strategic plans that outline integration with business objectives today: 52 percent versus 32 percent in 2Q 2008, a notable gain of 20 points.

Chart 5.2 Have documented strategic plan for integration with business objectives



Note: In 2Q 2012 total respondents = 60  
In 2Q 2008 total respondents = 60

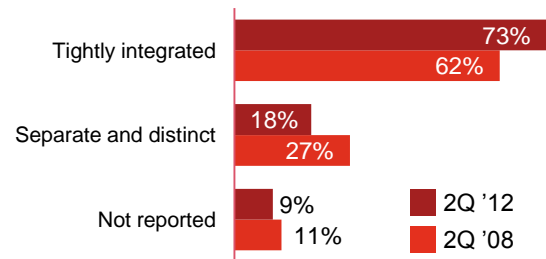
# Tax function integration

Which best describes your organization's tax controls? "Our tax controls are tightly integrated with our accounting and finance controls" or "Our tax controls are separate and distinct from our accounting and finance controls."

Overall, 73 percent report that their tax controls are tightly integrated with their accounting and finance controls. In contrast, 18 percent report that they are separate and distinct, and 9 percent were not reported.

More panelists report that their tax controls are tightly integrated with their accounting and finance controls today: 73 percent versus 62 percent in 2Q 2008, an increase of 11 points.

Chart 5.3 Tax controls integration with accounting and finance controls

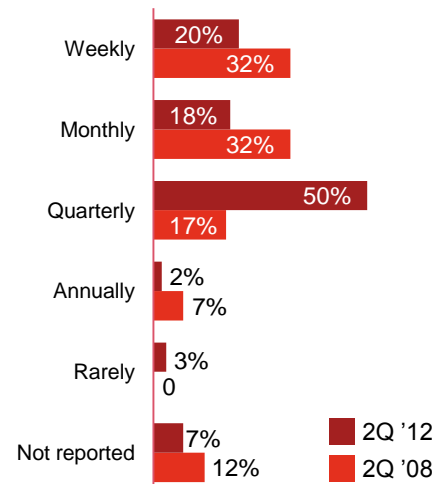


How often does the CEO or CFO meet with the head of your tax function?

It is noteworthy that 38 percent of CEO/CFOs meet with the head of the tax function weekly or monthly. Most (50 percent) meet quarterly. Few meet less often (5 percent).

In contrast to the improvement findings, CEOs/CFOs are reportedly meeting with their tax function heads less often than quarterly today: 38 percent meeting weekly or monthly versus 64 percent in 2Q 2008, a decrease of 26 points. Many more are meeting quarterly today.

Chart 5.4 CEO/CFO meets with tax function head



Note: In 2Q 2012 total respondents = 60  
In 2Q 2008 total respondents = 60

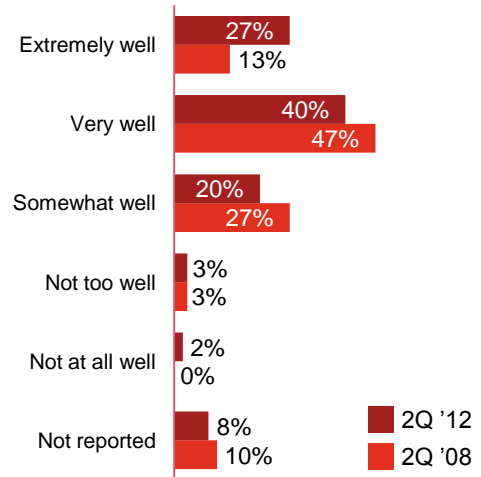
# Tax function integration

## How well do you believe your company's tax function understands the challenges facing the business units?

Overall, 67 percent of these panelists believe that their company's tax function understands the challenges facing the business units "very" or "extremely" well. Twenty-five percent have doubts, and 8 percent were not reported.

There is similar belief that their company's tax function understands the challenges of their business units: 67 percent today versus 60 percent in 2Q 2008. However, the top cluster "Extremely Well" has increased and is now 27 percent versus 13 percent for 2Q 2008, more than doubling.

Chart 5.5 Does tax function understand business challenges?



## How is your company's tax function measured?

Compliance (78 percent) and effective tax rate (70 percent) lead the way in how these companies' tax functions are measured. And cash taxes (58 percent) and risk management (55 percent) are also important to a majority of these industrial manufacturing businesses surveyed.

Companies' tax function measurement today focus more on compliance (78 percent, 16 points higher), effective tax rate (70 percent, 7 points higher), and cash taxes (58 percent, 8 points higher). Risk management stayed about the same (55 percent, off 2 points).

Chart 5.6 Tax function measured by:



Note: In 2Q 2012 total respondents = 60  
In 2Q 2008 total respondents = 60

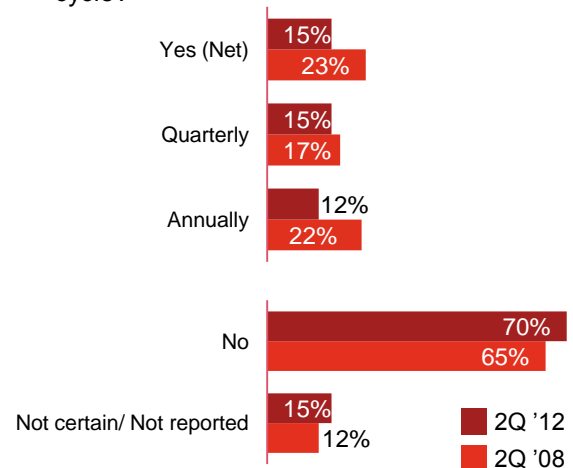
## Tax function integration

**Is your tax accounting process hindering your ability to accelerate your quarterly or annual close-to-report cycle?**

Fifteen percent of these panelists believe their tax accounting process is hindering their ability to accelerate their quarterly and annual close-to-report cycle. Not so, according to 70 percent. And 15 percent were not certain or not reported.

Fewer panelists believe that their tax accounting function is hindering their ability to accelerate quarterly or annual close-to-report cycle: 15 percent today versus 23 percent in 2Q 2008, an 8-point improvement.

Chart 5.7 Is tax accounting process hindering close-to-report cycle?

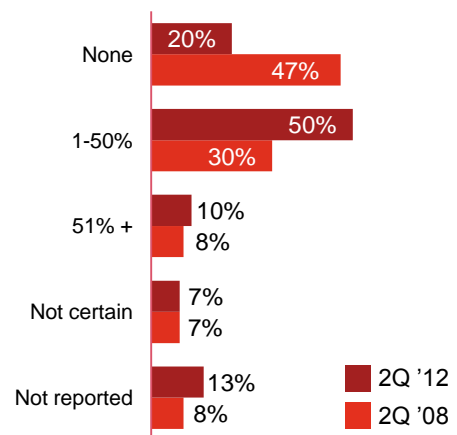


**What percentage of your company's tax function activities are currently outsourced?**

Overall, 60 percent reported that a portion of their company's tax function activities is currently outsourced. The mean percentage outsourced was found to be 23.7 percent, including total answering (80 percent).

More of these businesses are outsourcing tax functions today: 60 percent versus 38 percent in 2Q 2008, a 22 point increase. The mean percent of outsourcing activity among all answering (including "nones") is 23.7 percent versus 14.6 percent back in 2Q 2008, or about 10 points higher today.

Chart 5.8 Percentage of tax function activities outsourced



Note: In 2Q 2012 total respondents = 60  
In 2Q 2008 total respondents = 60



# Survey demographics and research methodology

## Demographics

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Who	Senior executives of US-based, industrial manufacturing organizations
Interview dates	April 25, 2012 to July 10, 2012
	<b>Industrial manufacturers (60)</b>
Average number of employees	9,997
Average business unit revenue	\$3.41 billion
Average enterprise revenue	\$9.92 billion
Market capitalization	\$9.32 billion
Industry sectors	Products 100% Manufacturing 100%

## Methodology

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PwC's Manufacturing Barometer is a quarterly telephone survey conducted by the independent research firm BSI Global Research Inc. Our regular survey panel consists of senior executives from a geographically balanced sample of large companies in the United States. Ninety-five percent of the panelists hold titles such as president, CEO, CFO, VP of finance, treasurer, controller, internal audit director, or other related title.

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## About the research:

The Manufacturing Barometer is one in a series of quarterly business outlook surveys from PwC. The survey provides a view on the 12-month outlook for revenue growth, new investments, new hiring plans, emerging business barriers and more. In addition to the business outlook, we hear from our panelists about special issues they face as the business climate changes. Results of the quarterly business outlook surveys and special issue surveys are available at [www.barometersurveys.com](http://www.barometersurveys.com).

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