

Global Business Outlook

A joint survey effort between

Duke University

and

CFO magazine

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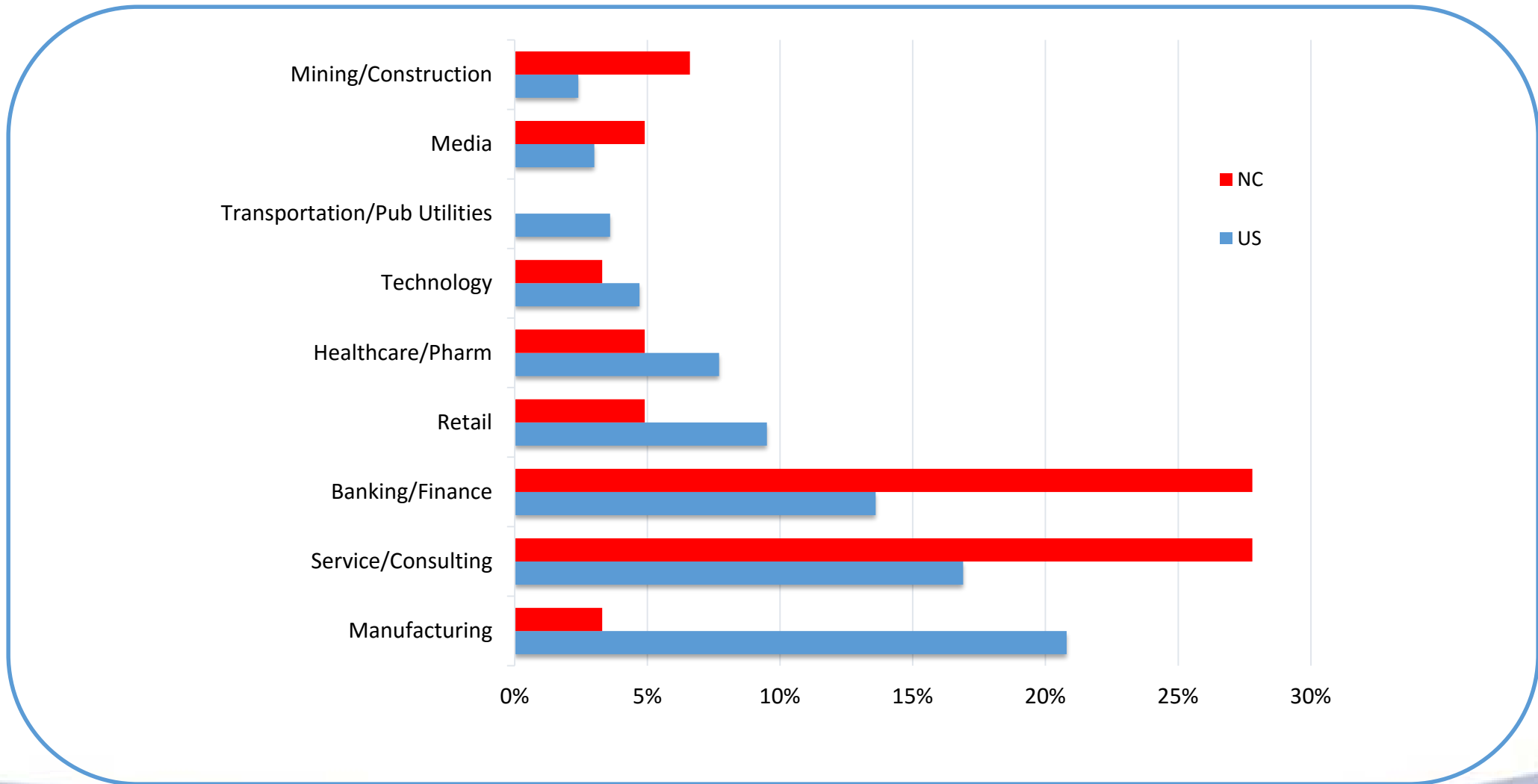
Director, Global Business Outlook Survey

Fuqua School of Business

Global Business Outlook

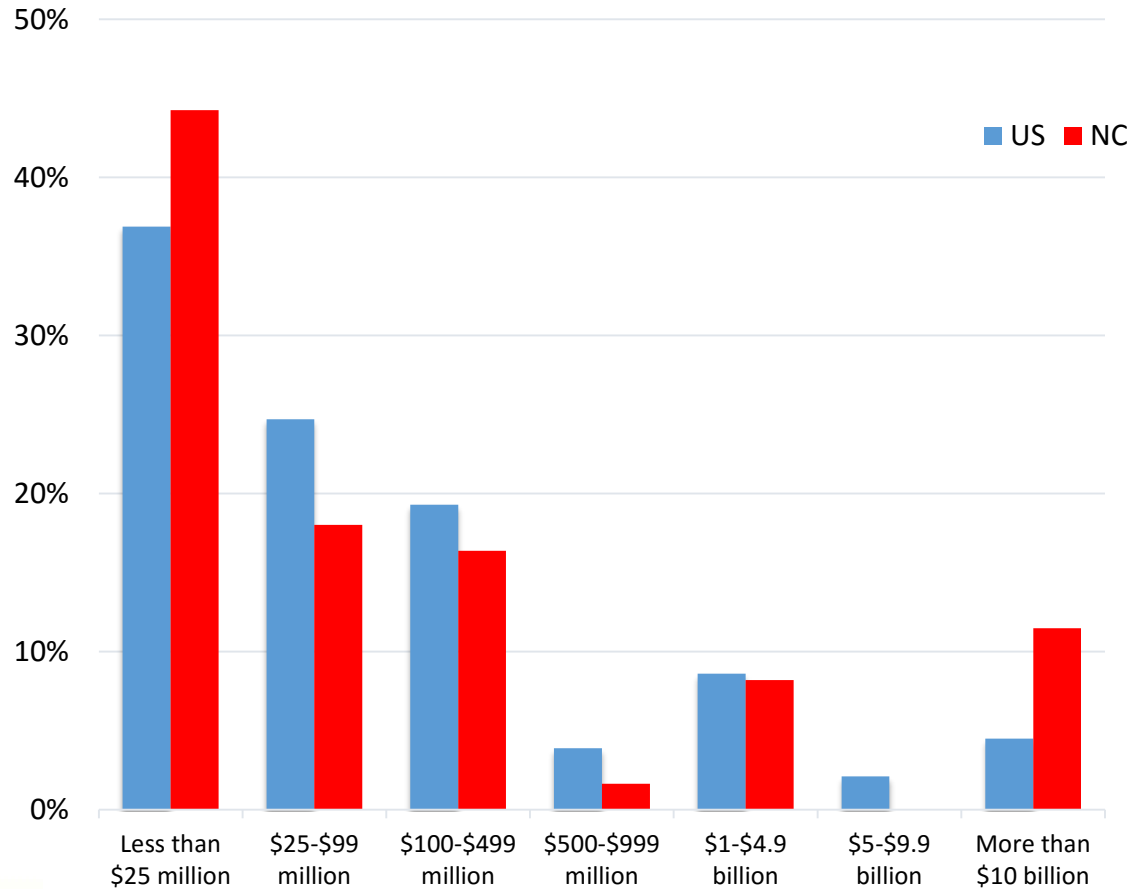
- Quarterly Survey (www.cfosurvey.org)
 - 1000+ CFOs (financial execs) share their views on their firms and the overall economic outlook (61 responses from NC)
 - Since July 1996 (83 consecutive quarters)
- Global: Africa, Asia, Europe, Latin America, US
 - Joint between Duke University, CFO, FGV, IMEF, PyME, SAICA, ACCA, Tias, GEM, Laurier, Pulso, Semana Economica, Beijing Accounting Institute, Japanese universities, Raleigh Chamber
- Disseminated widely
 - Policy-makers: Fed, European Central Bank, Council of Economic Advisors, Bank of England, etc.
 - Press: TV, WSJ, FT, BW, NPR, regional press, etc.
- Connect Ivory Tower with the Practice of Finance
 - Research, Teaching, Global Connection

US vs NC Respondents - Industry

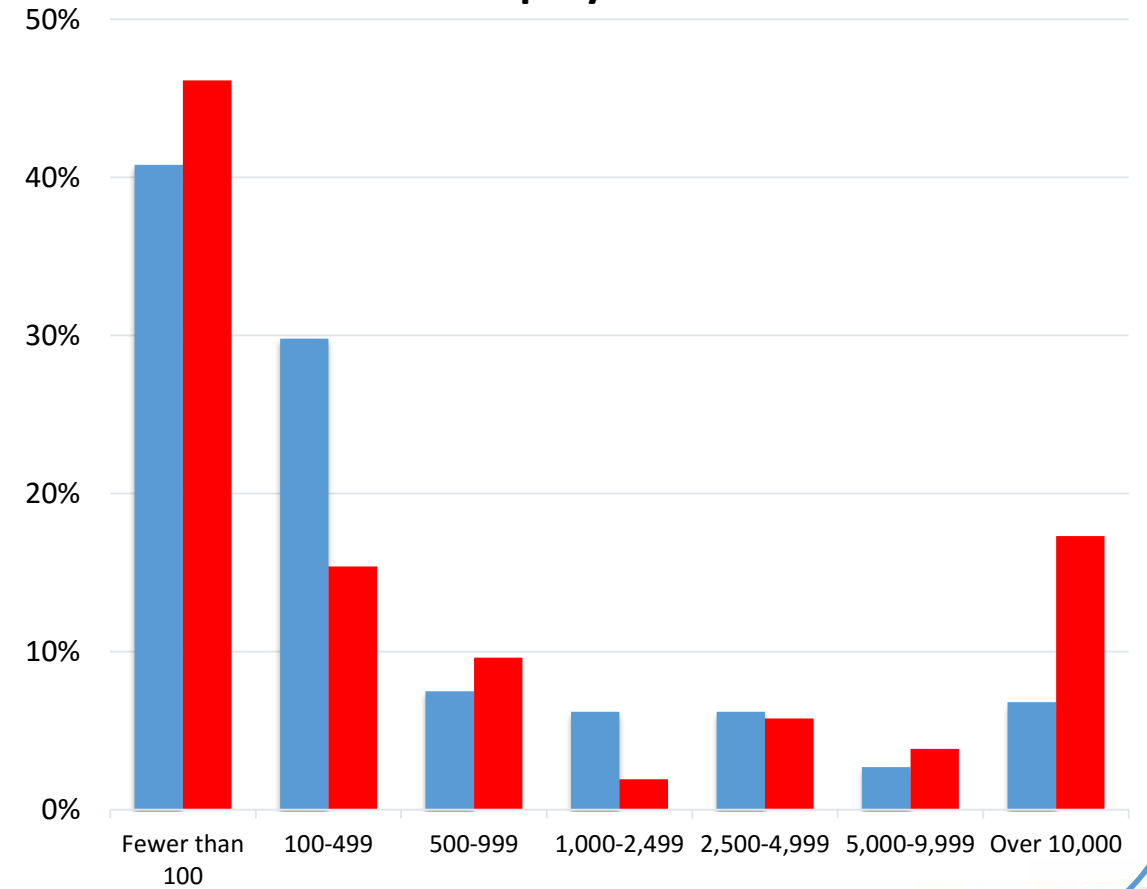


US vs NC Respondents – Firm Size

Sale Revenue



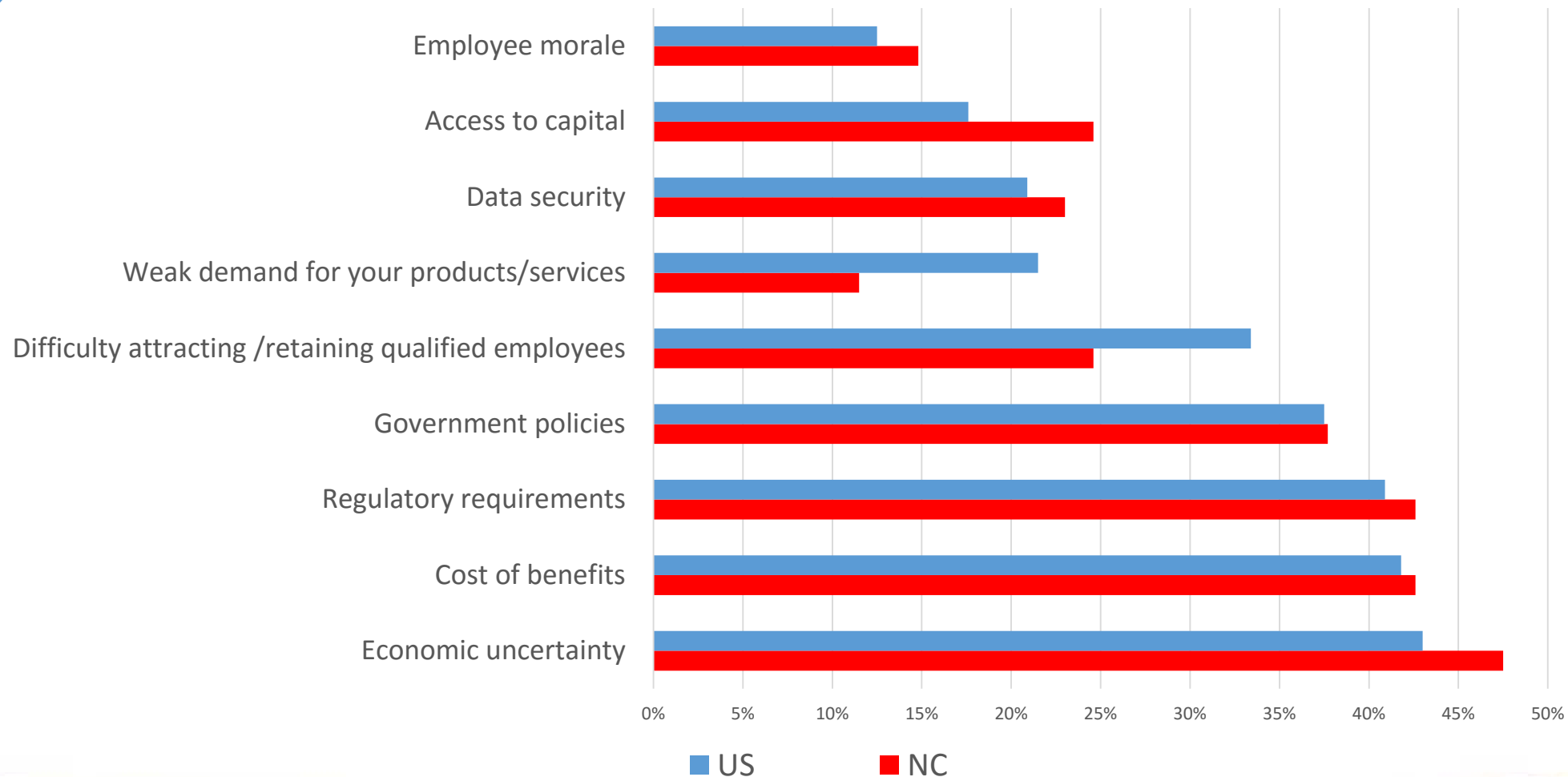
Employment



Preview of Results

- **Economic Outlook**
 - U.S. Business Optimism Index jumps due to expectations that President-elect Donald Trump and Congress will cut corporate taxes and regulations
 - Optimism rebounds in Asia, Brazil; plummets in Mexico; weak in Africa
 - **NC firms very optimistic, in part due to industry composition of respondents**
 - Capital spending weak but improved, employment moderately strong
 - **Solid NC employment growth expected**
- **Corporate Sector Debt Burden likely to dampen future spending**
- **CFOs assign 1-in-5 chance of becoming CEO in 5 years**
- **Corporate Culture has First-order Impact on Value**
 - Culture #1 factor in U.S. and Africa, Top 3 around the globe
- **Political Risk**
 - Dampens spending plans around the globe

1. Top US and NC CFO Concerns

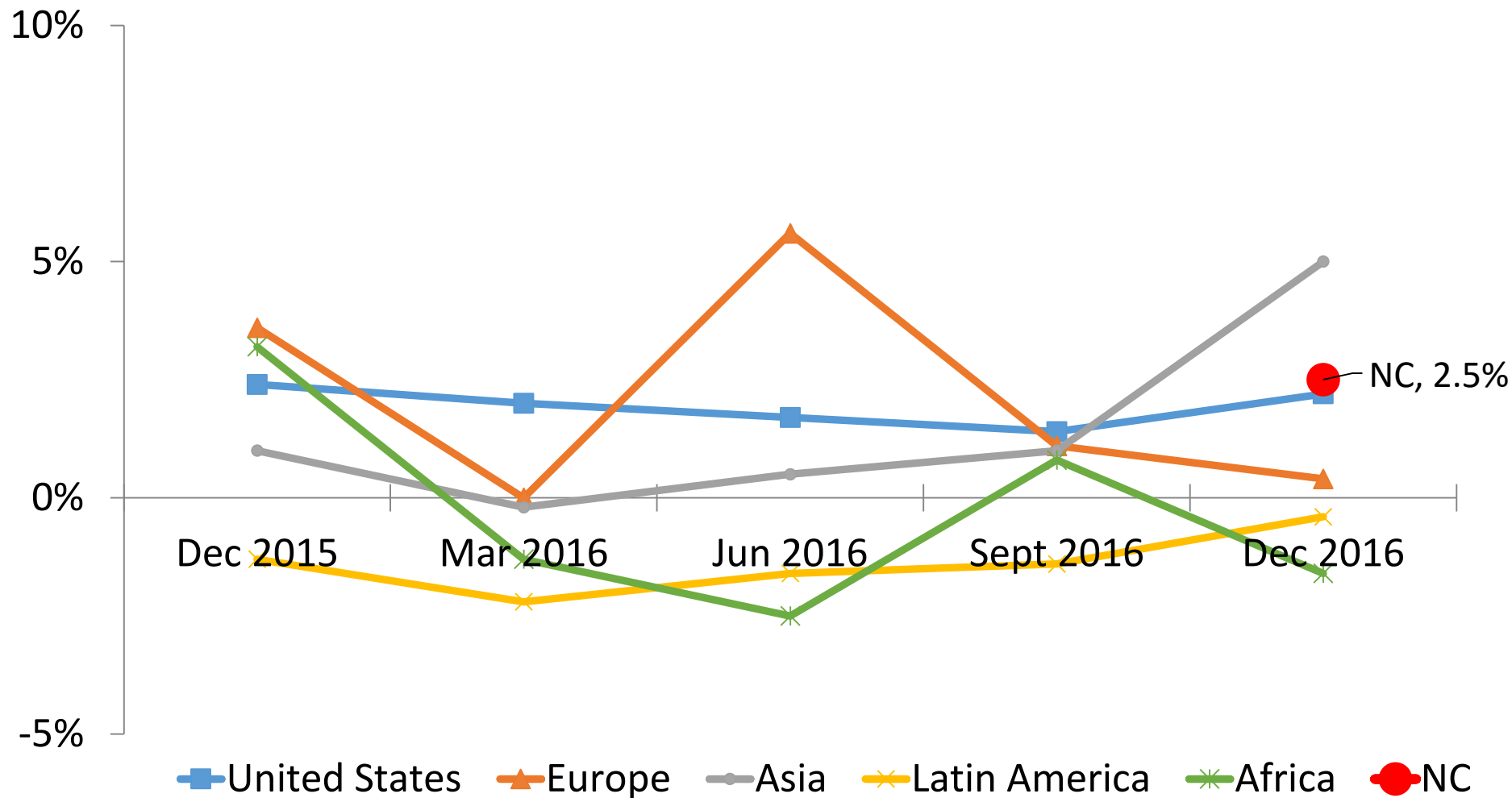


Most pressing concerns – Africa

Nigerian CFOs rank economic uncertainty, inflation and Government policies as the top 3 most pressing concerns for their team, while South African CFOs rank currency risk, government policies and economic policies as their top 3 most pressing concerns.



2. Domestic Employment - Full Time

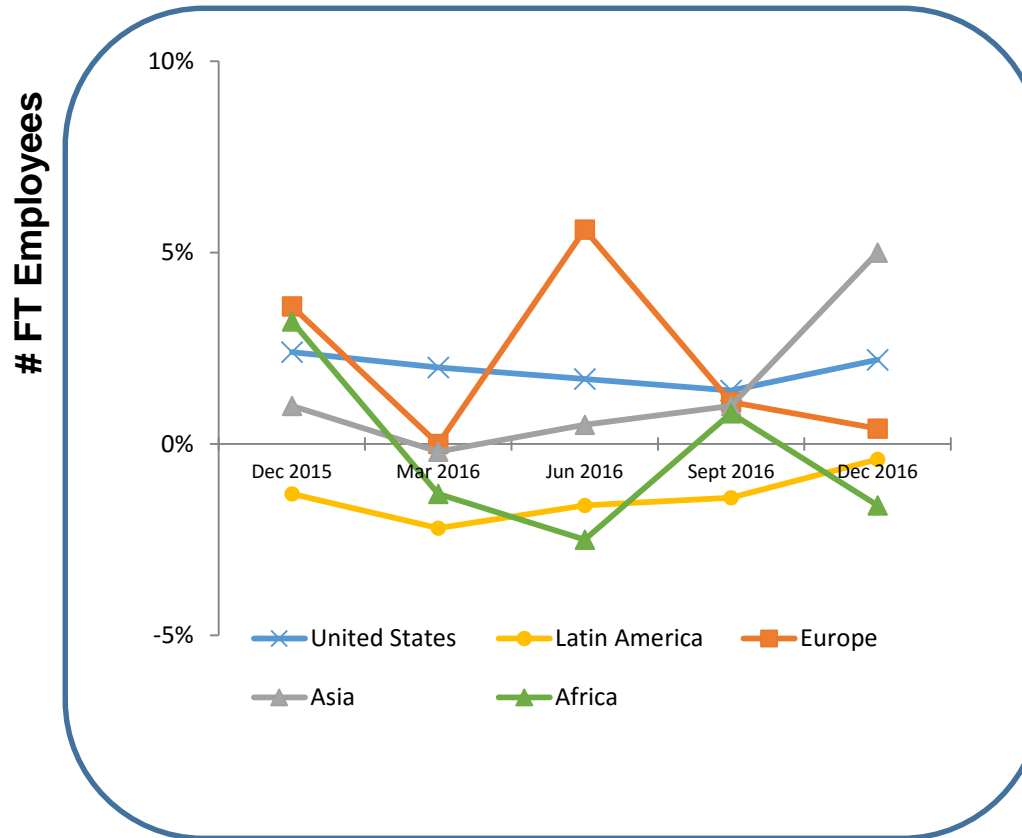


Expected percentage change in domestic employment over next 12 months

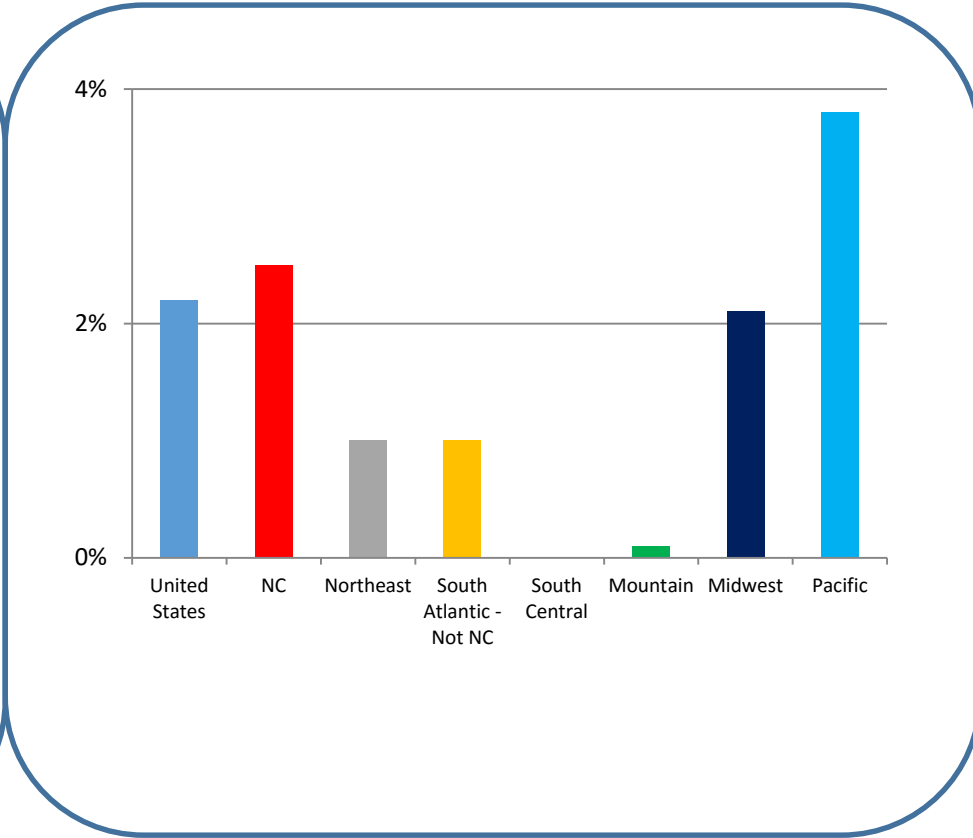
Source: Duke University / CFO Magazine Global Business Outlook

Fulltime Employment Outlook

Global Trends

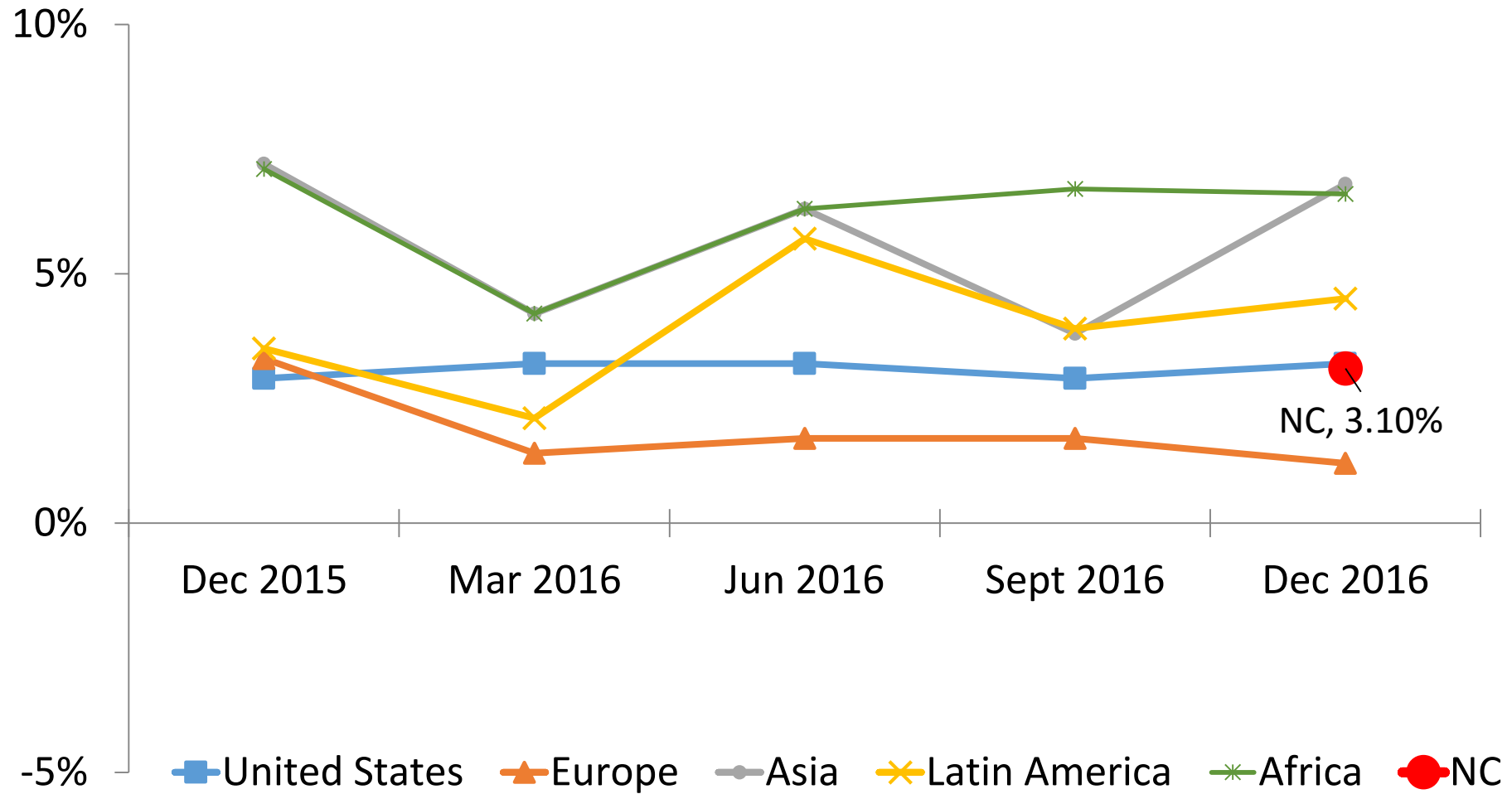


Dec 2016 Outlook



Notes: Presented data are the mean value for each region or country
 #FT=Number of Fulltime Employees

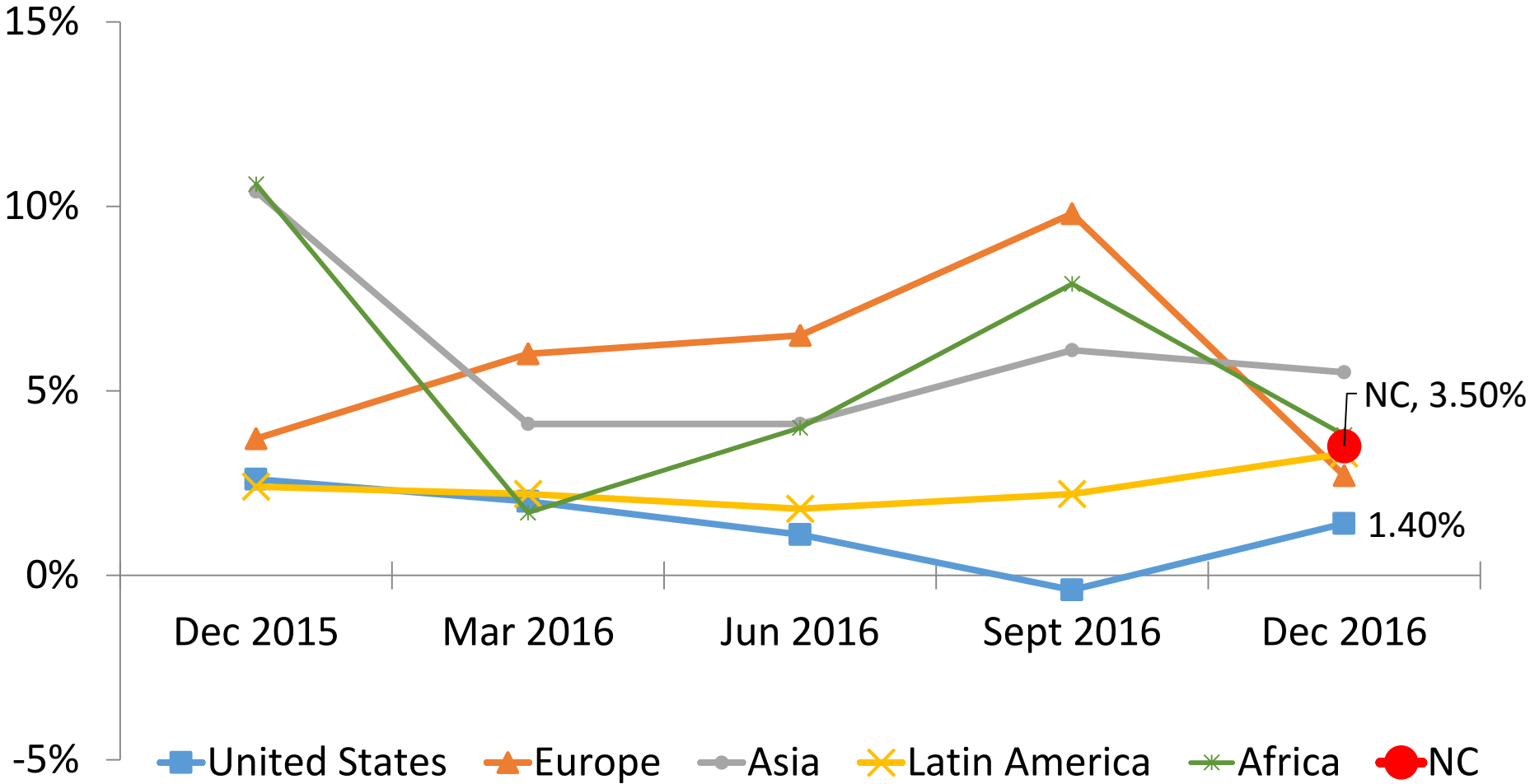
Wages and Salaries



Expected percentage change in wages and salaries over next 12 months

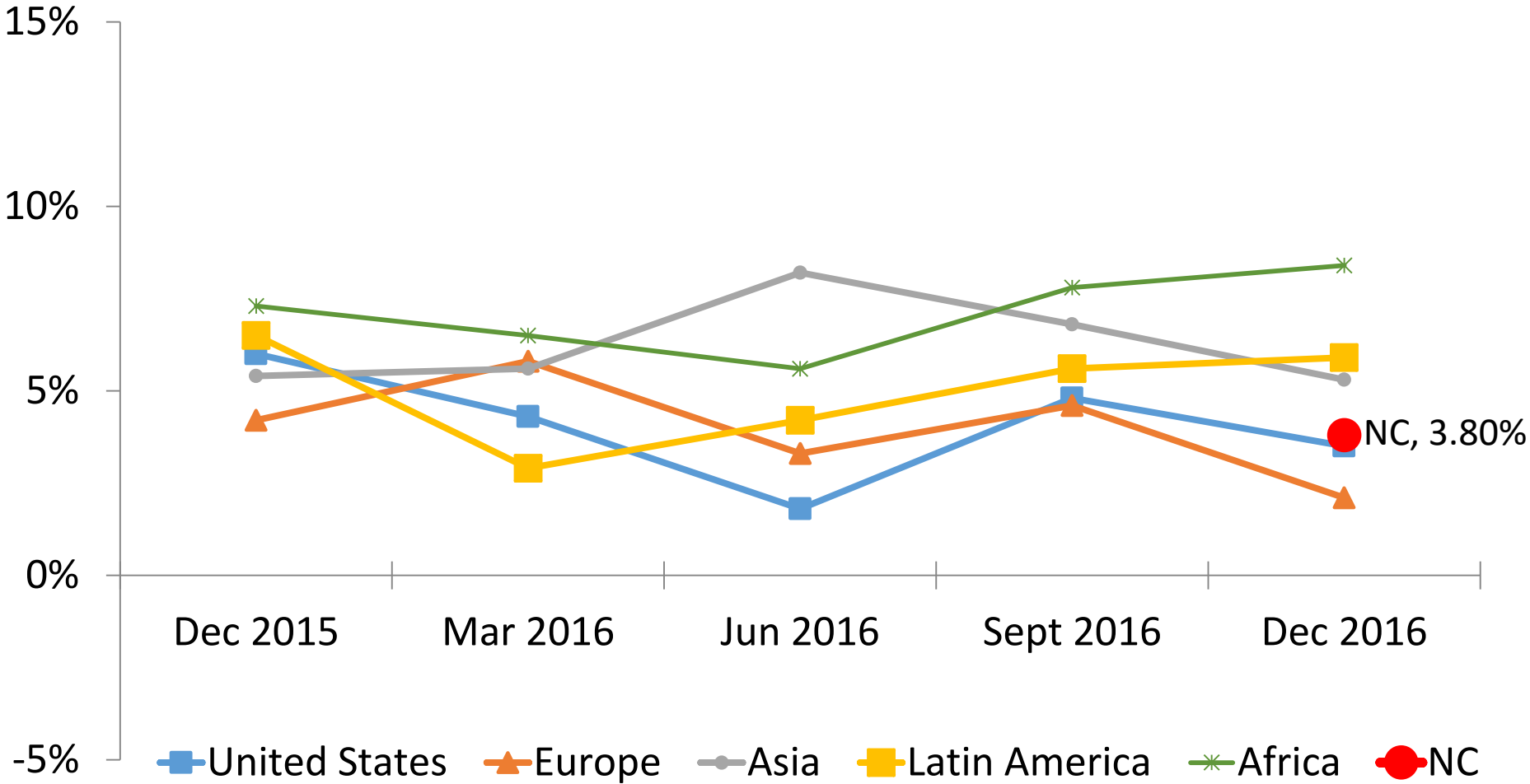
Source: Duke University / CFO Magazine Global Business Outlook

Capital Spending

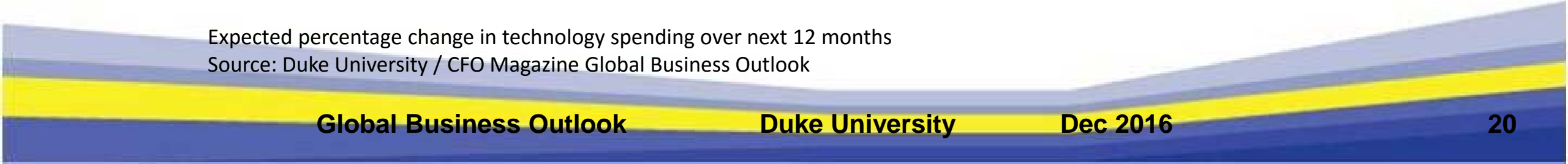


Expected percentage change in capital spending over next 12 months
 Source: Duke University / CFO Magazine Global Business Outlook

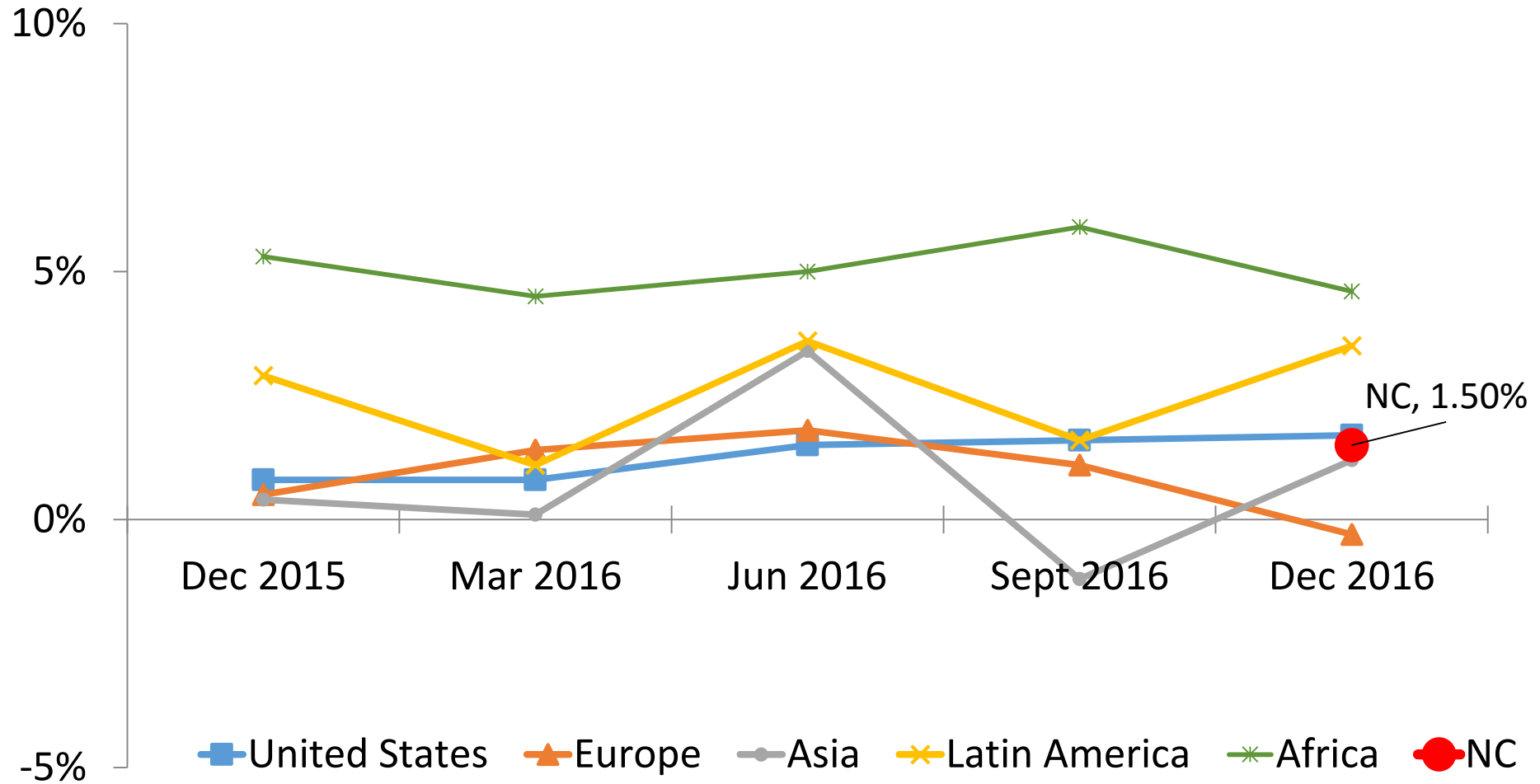
Technology Spending



Expected percentage change in technology spending over next 12 months
 Source: Duke University / CFO Magazine Global Business Outlook



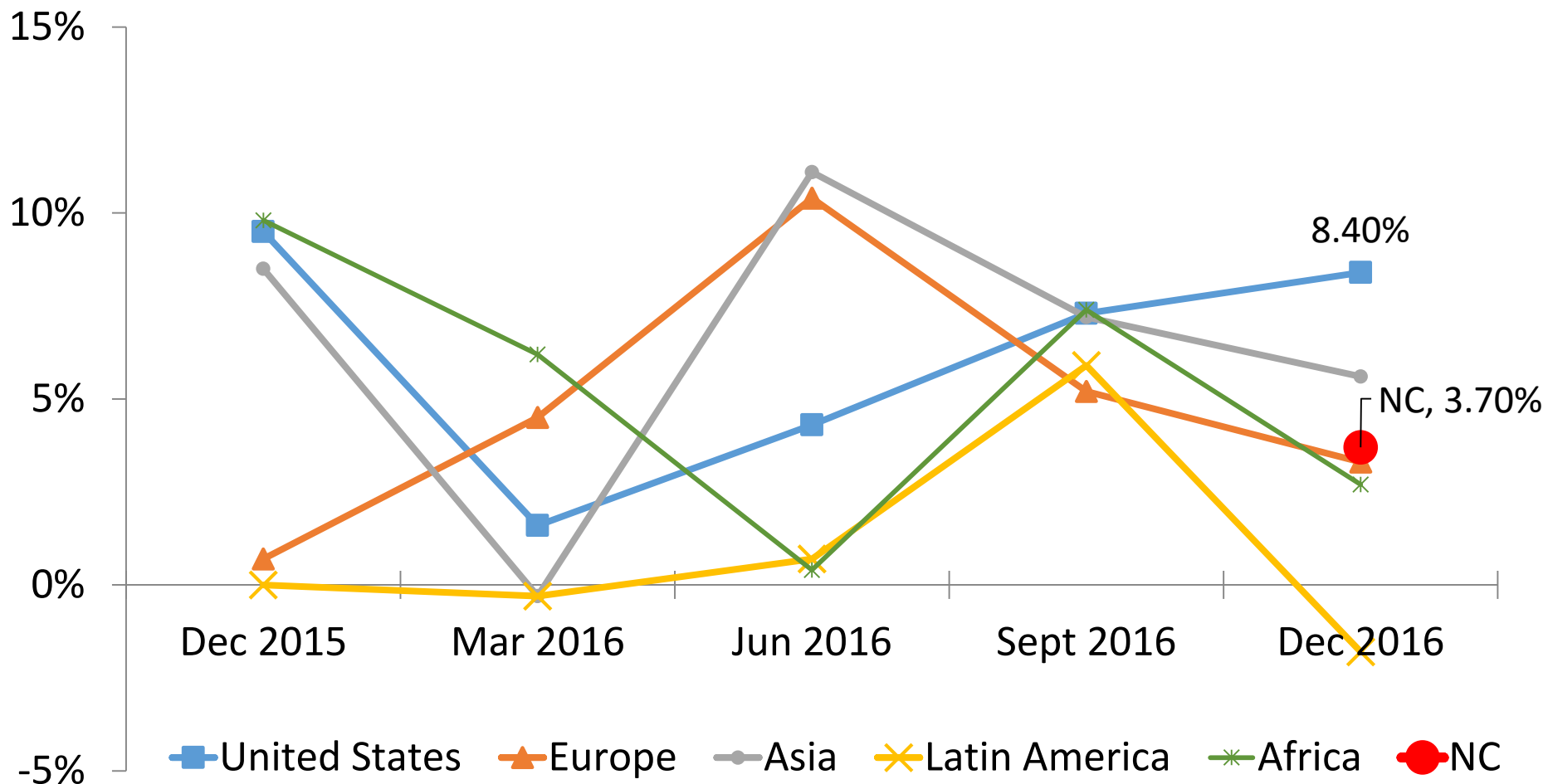
Product Prices



Expected percentage change in product price over next 12 months

Source: Duke University / CFO Magazine Global Business Outlook

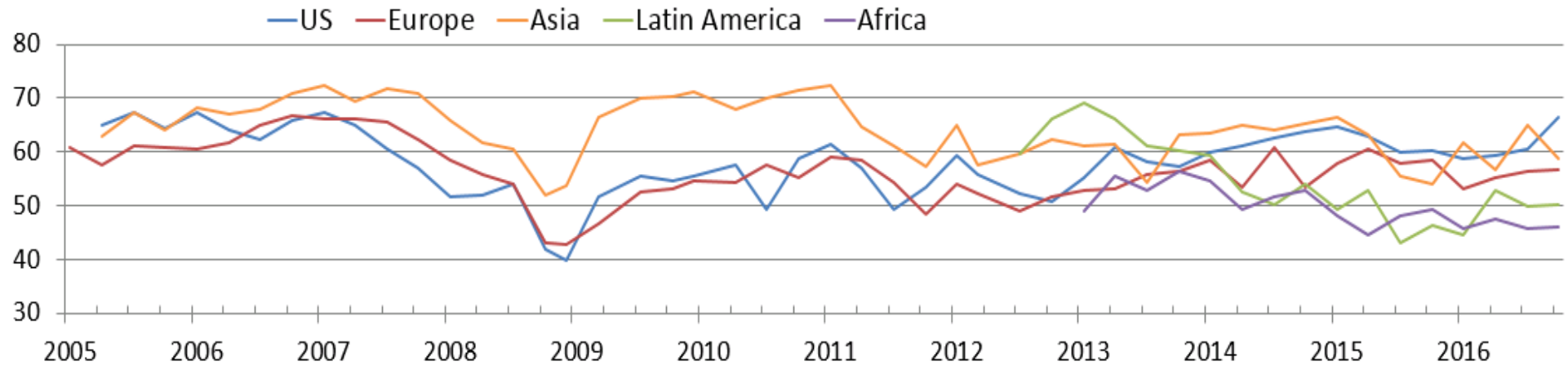
Earnings Growth



Expected percentage change in earnings over next 12 months
 Source: Duke University / CFO Magazine Global Business Outlook

CFO Optimism about own country's economy, on a scale of 0 to 100

For U.S. firms, CFO Optimism about own firm's financial prospects



— U.S. Optimism (Economy) — U.S. Optimism (own firm)



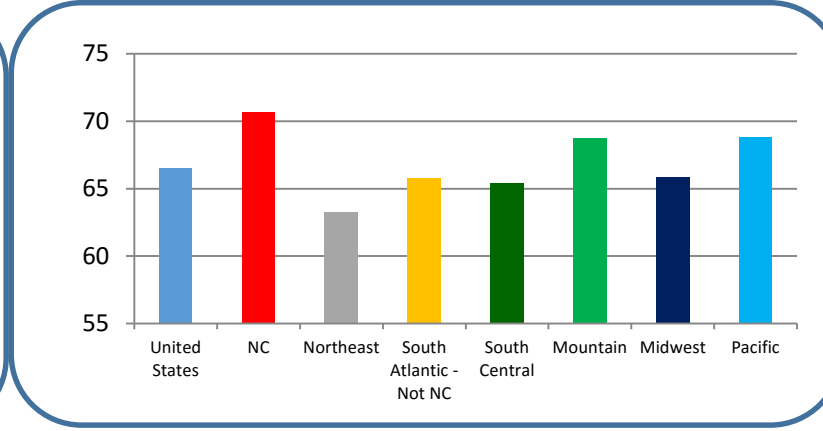
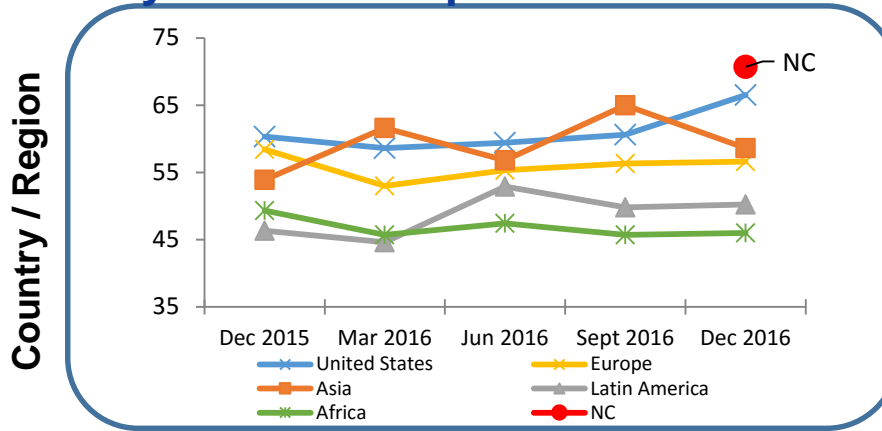
Source: www.cfosurvey.org

3. Business Optimism Index

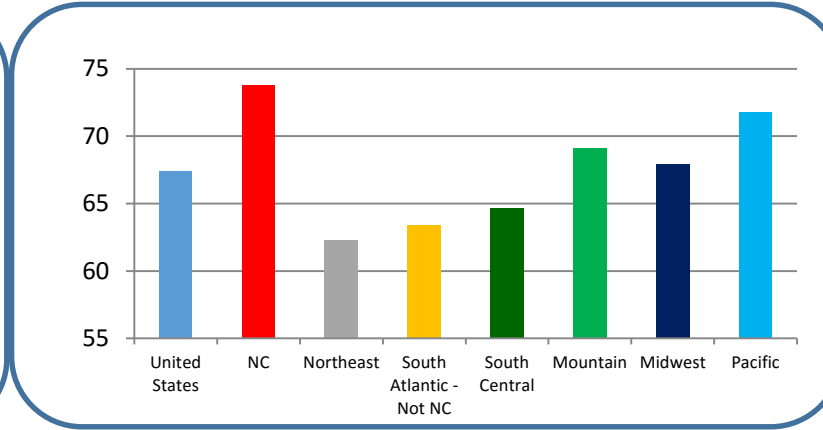
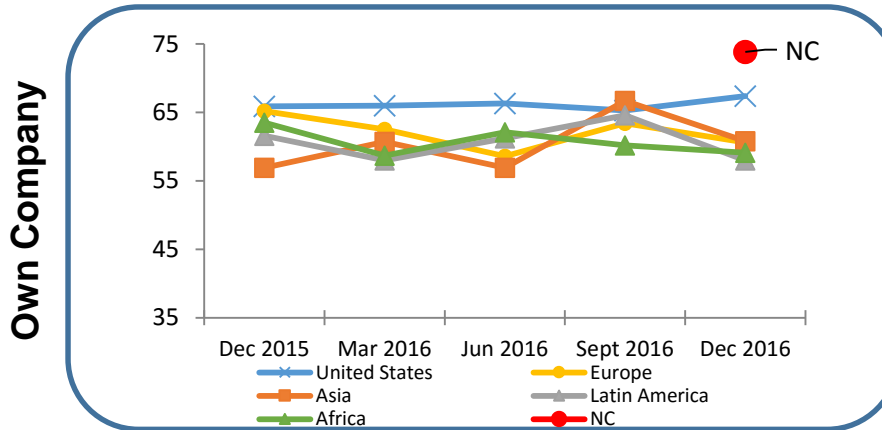
Global Trends

Dec 2016 Response

Country Business Optimism Index

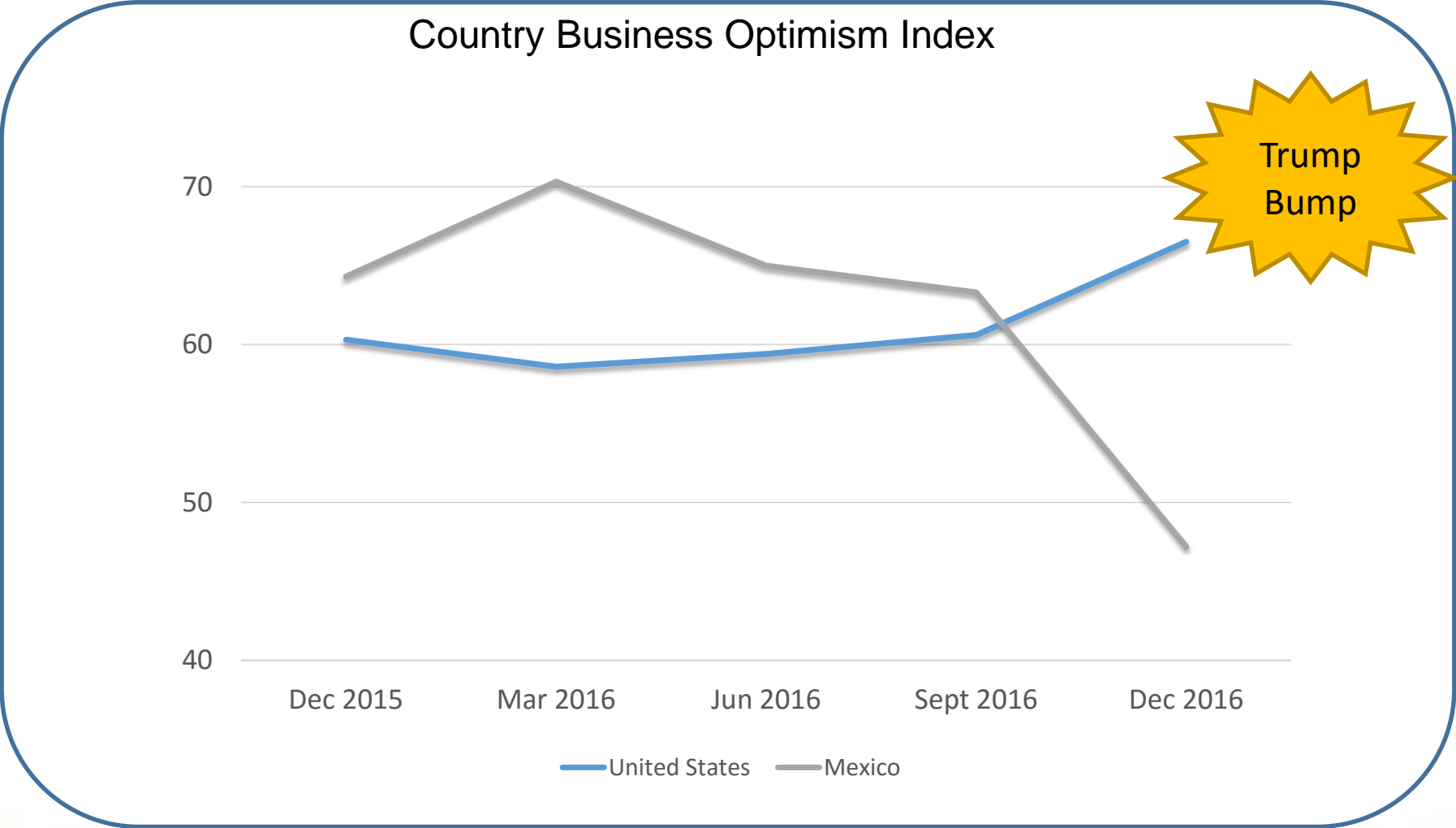


Own-Firm Business Optimism Index



Notes: Presented data are the mean value for each region or country, Scale from 0-100

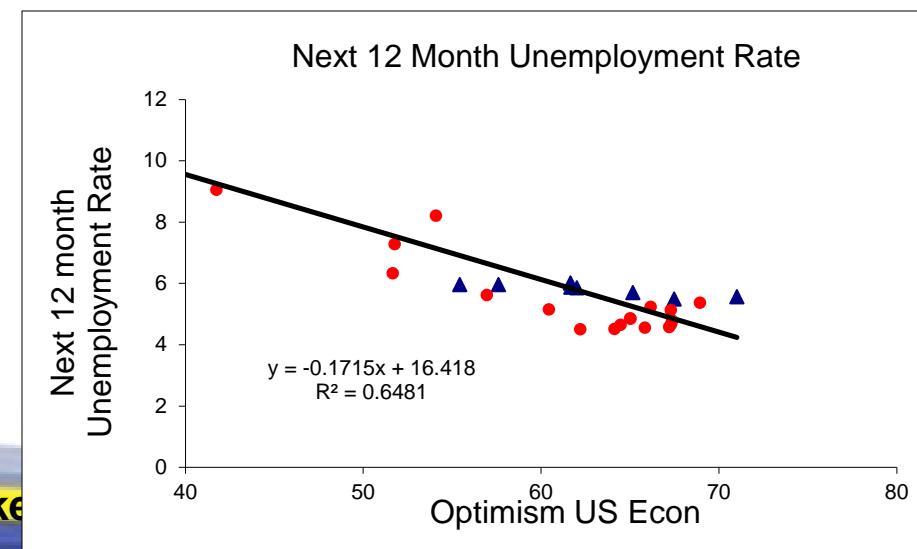
Effects from the election of Donald Trump



Can CFOs Predict the Future?

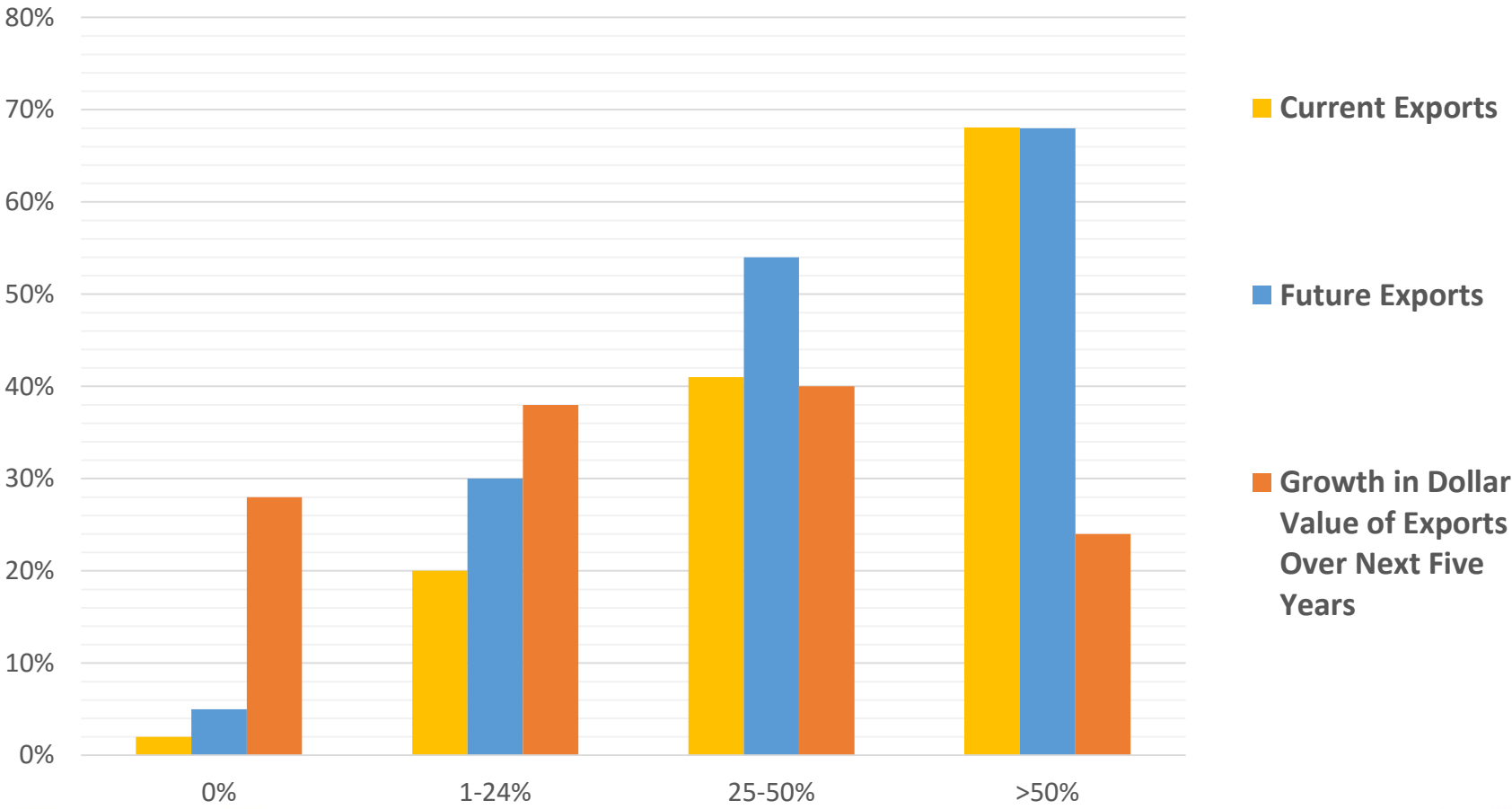
- No, but CFOs know their business plans.
- CFOs tell us their plans anonymously, we aggregate across a region or industry.
- As long as business plans more or less hold for next 6-12 months, CFOs predict the future reasonably well
- CFO own-firm optimism highly correlated with 12-month ahead national actuals:
 - Earnings (43% correlation)
 - Employment (81%) – see chart
 - GDP (78%)

Source: www.cfosurvey.org



Can CFOs Predict the Future? Part 2

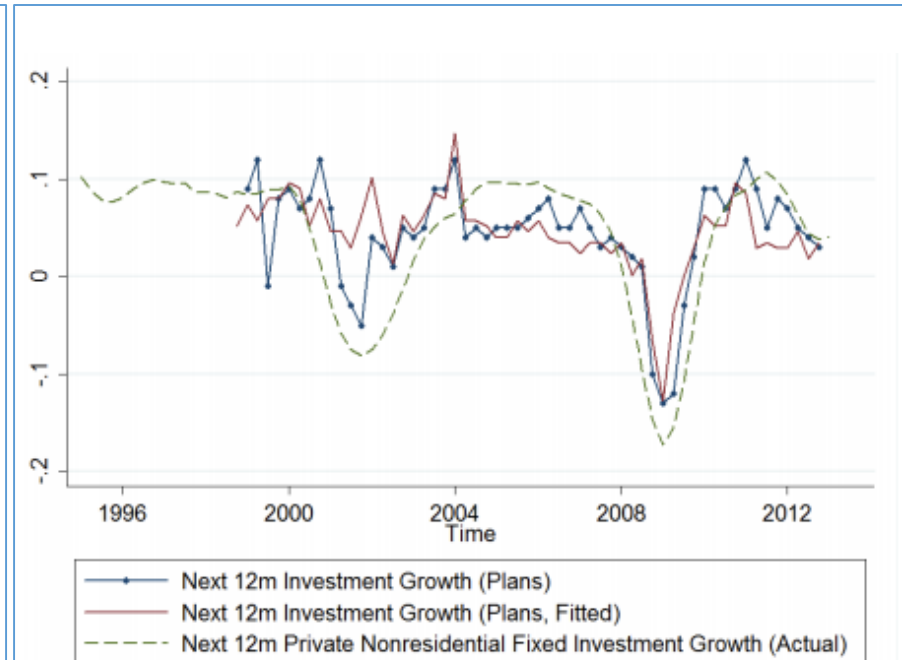
Current and Future Exports (as of 2010)



CFOs Predict Investment&Earnings



Expectations of Next Twelve Month Earnings Growth by CFOs and Analysts



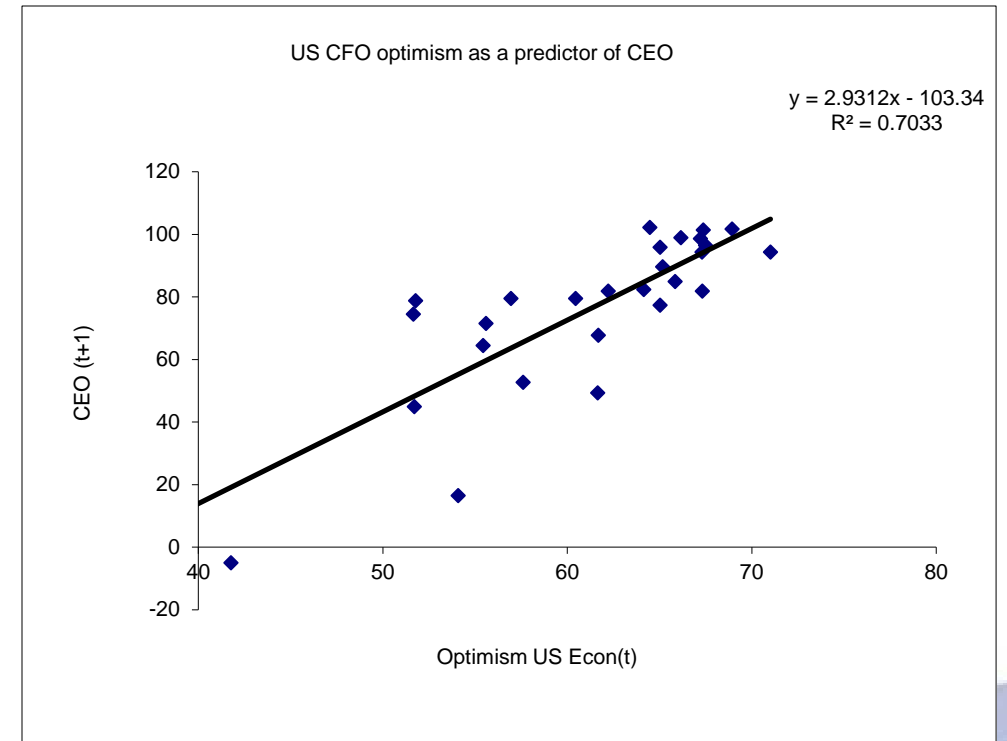
CFO Earnings Expectations and Investment Plans

Source: Expectations and Investment. Gennaioli, Ma and Shleifer (2015)

Why CFOs?

4) CFOs say it first

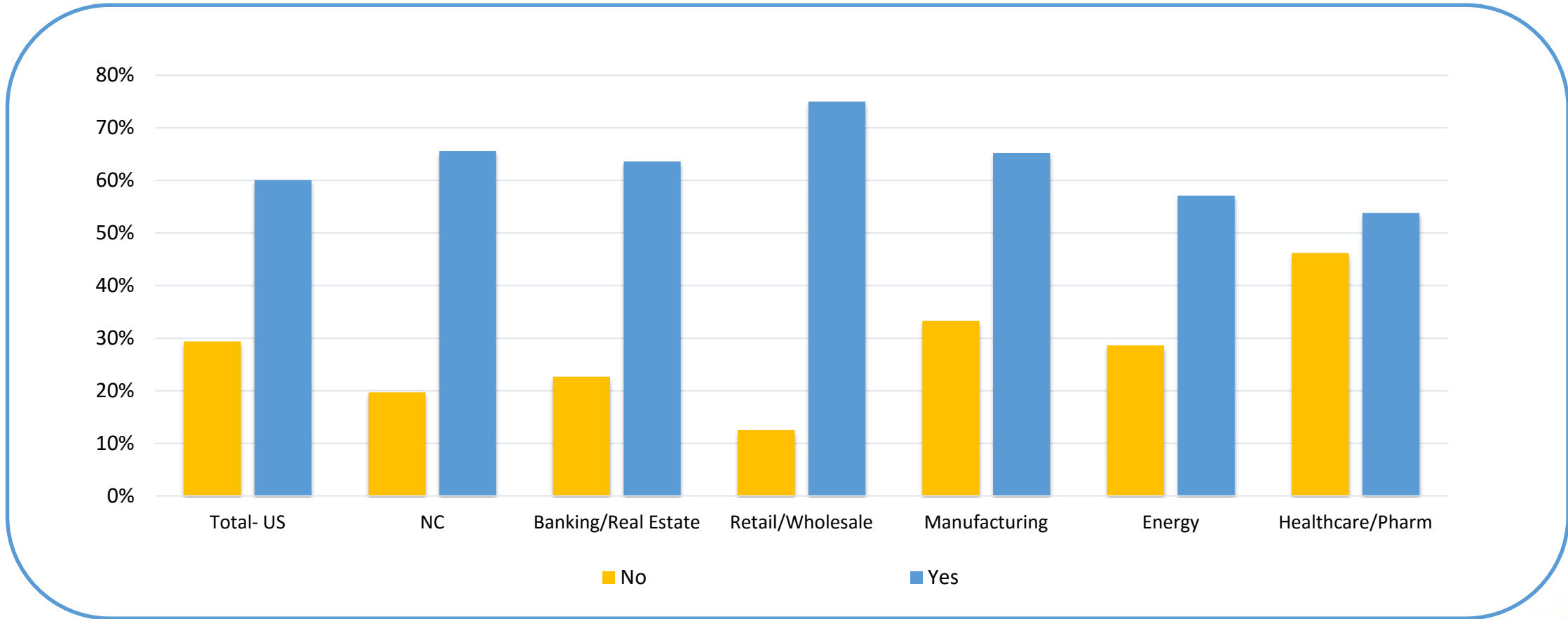
- Correlation with future quarter's value for
 - CEO optimism (84%, 1 qtr ahead) – see chart
 - ISM (75%, 1)
 - Conf Board consumer confidence (86%, 2)
 - Michigan consumer confidence (81%, 1)
 - UBS/Gallup Investor confidence (49%, 2)



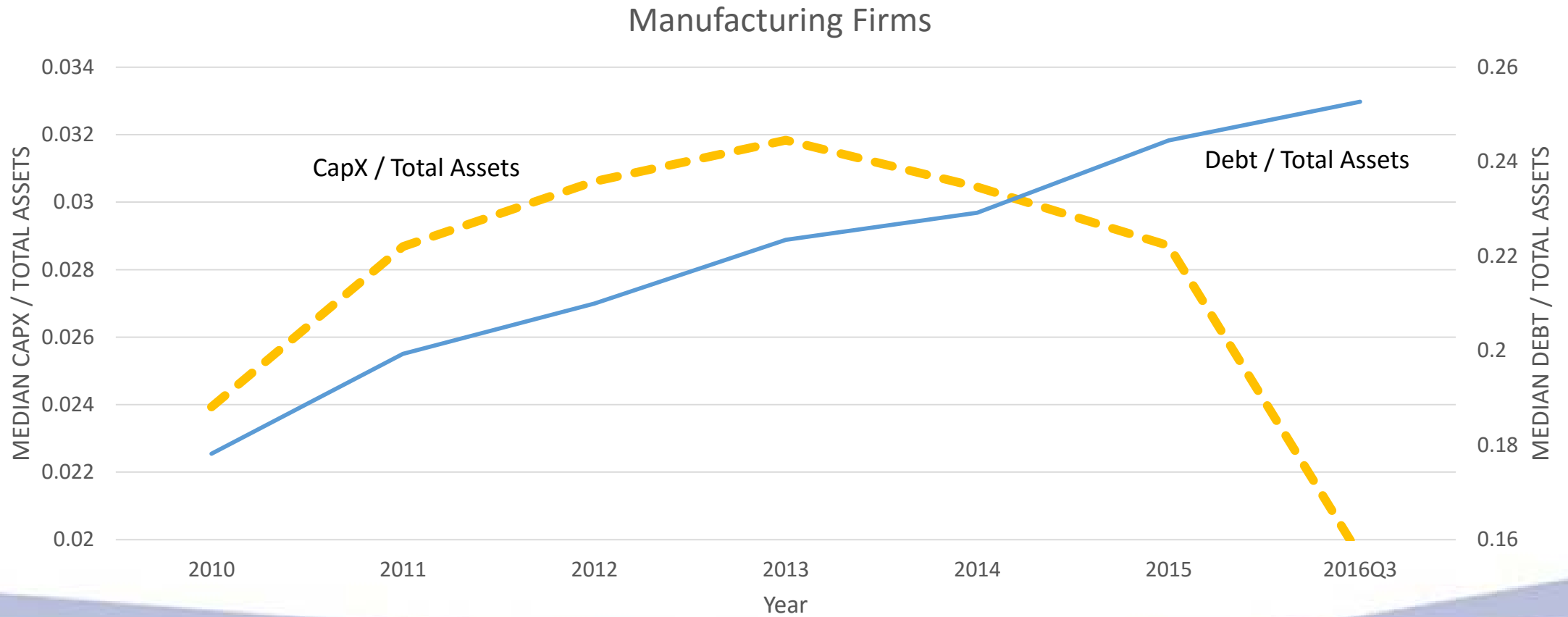
Source: www.cfosurvey.org

4. Interest rates

Do you support the Fed raising interest rates in mid-December 2016?

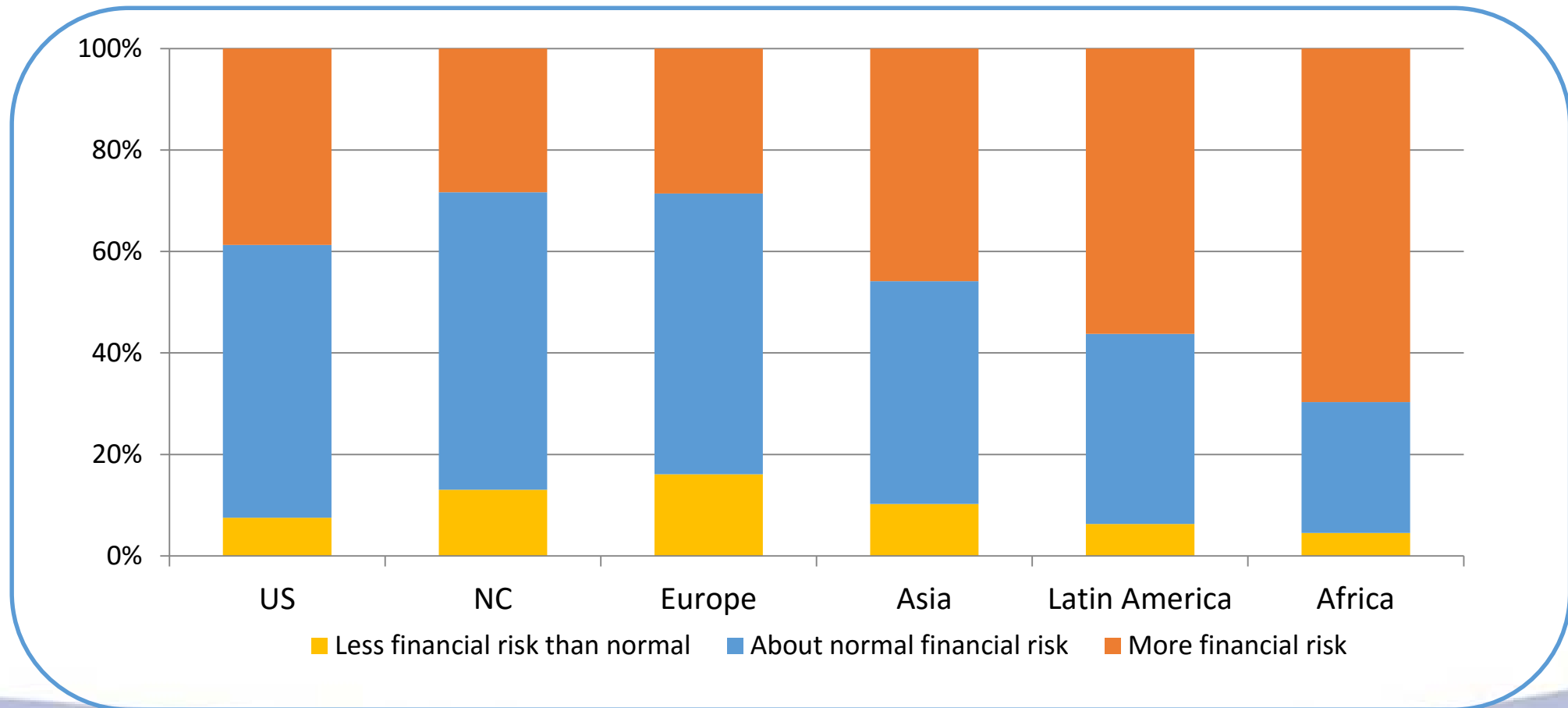


Among US manufacturing firms, from 2010 to 2013 debt loads and capital spending increased in parallel. After 2013, debt usage continued to increase while capital spending declined significantly.



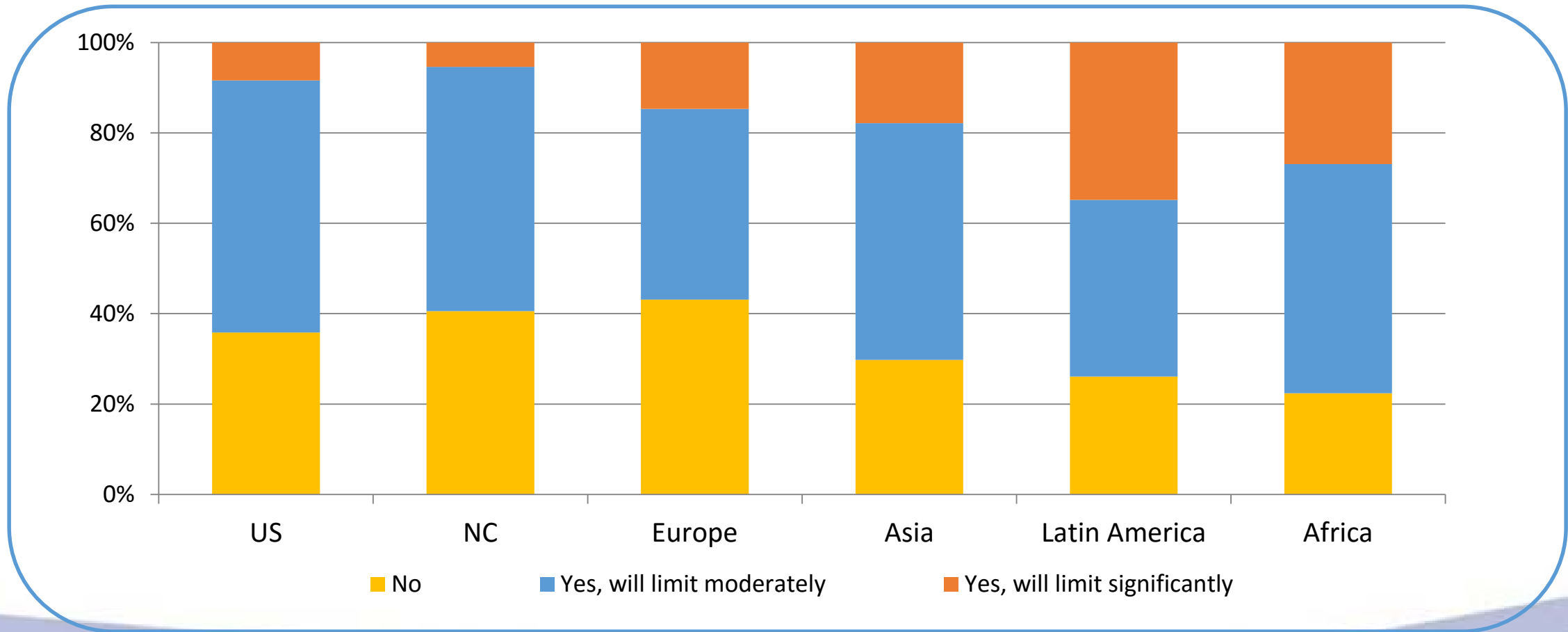
Does current debt load expose firms to greater financial risks?

Please consider the amount of debt taken on by other firms in your industry over the past three years...



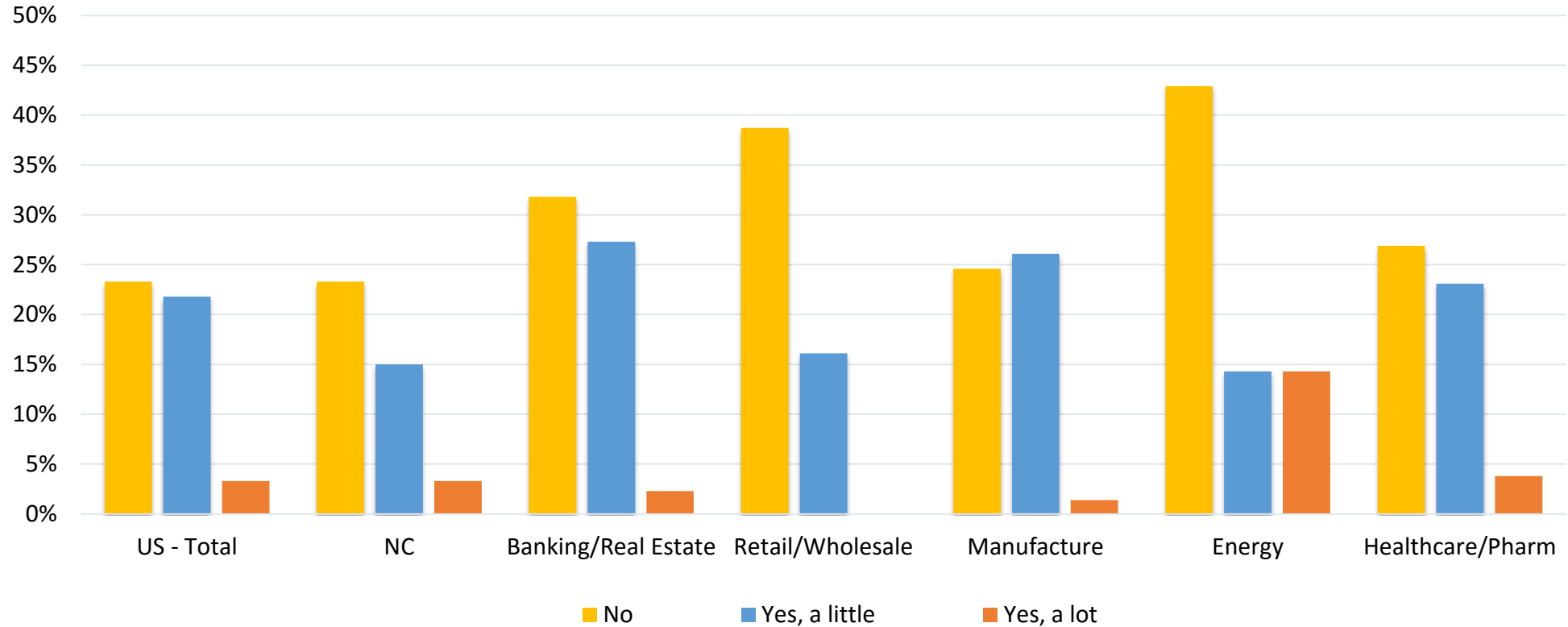
Will debt burden limit future investment opportunities?

Will the debt burden of these firms limit their ability to pursue future investment opportunities?



Share Repurchases

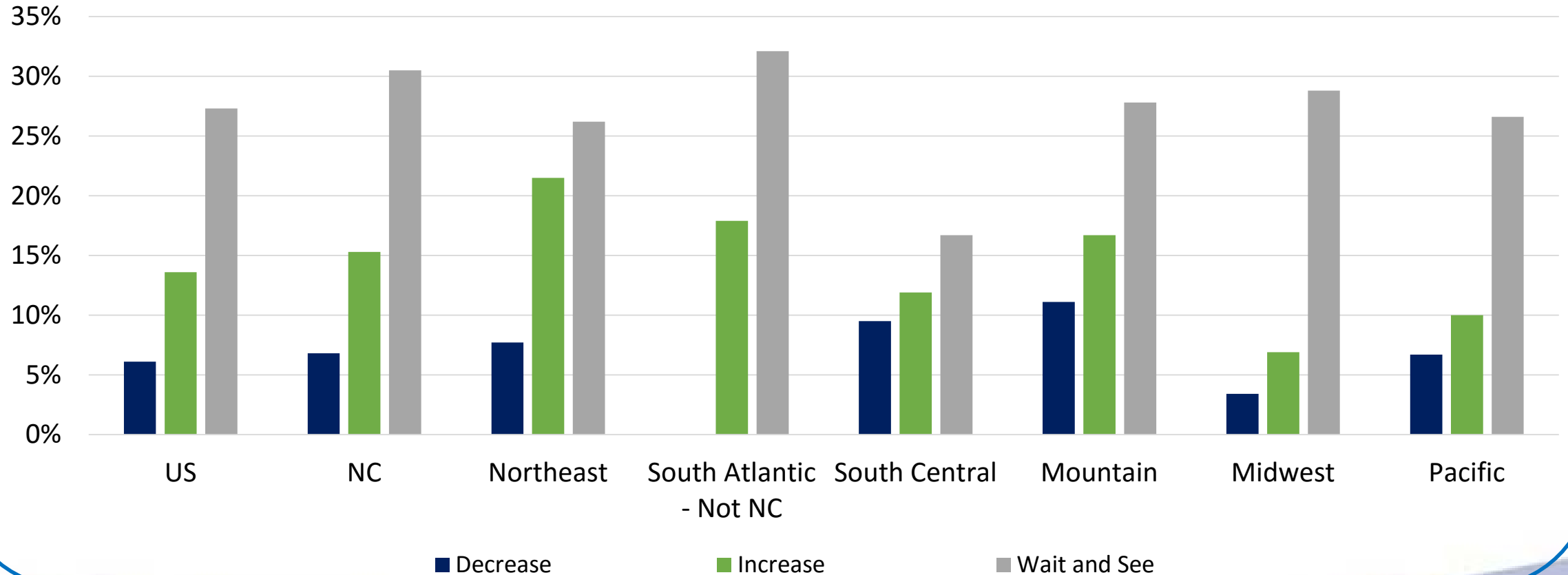
Have the amount of share repurchases by other firms in your industry over the past three years limited their ability to spend on capital expenditures or R&D?



Effect of Election - Regulatory Policy

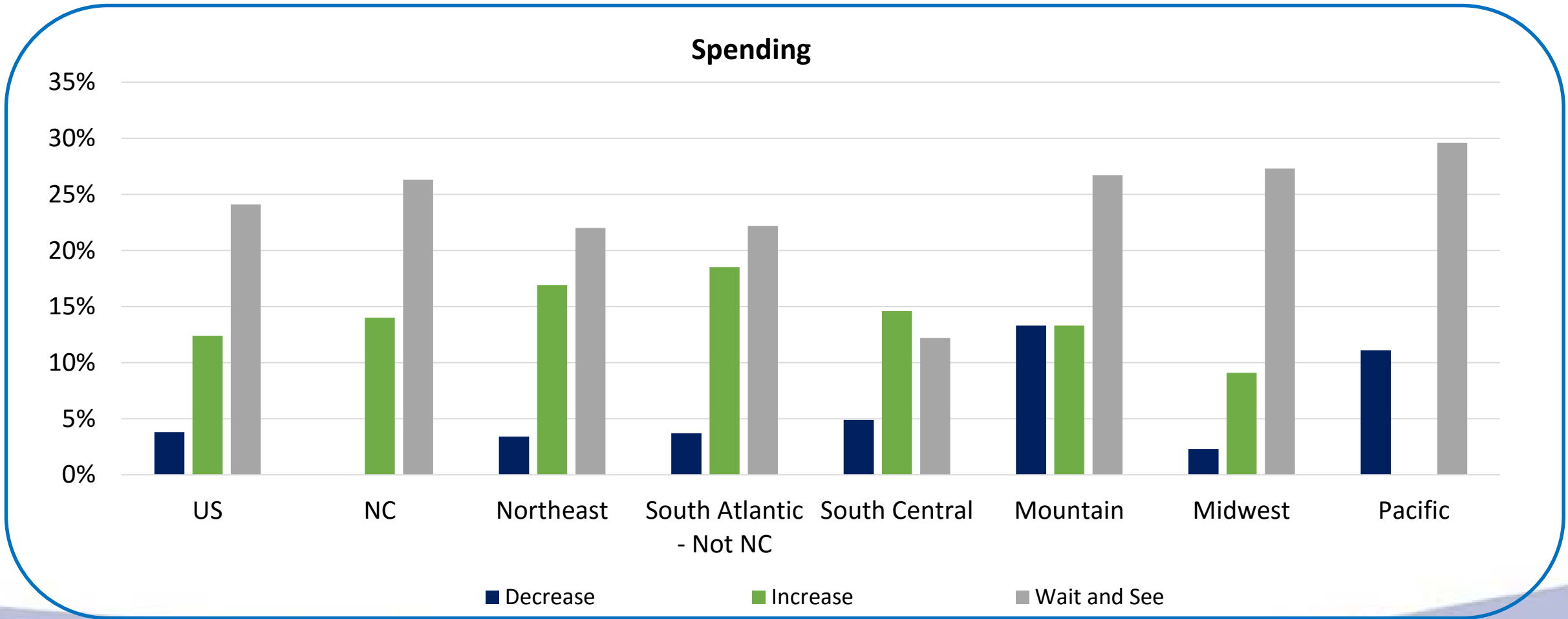
We'd like to learn about any effects of the election on your company's plans. Have your company's 2017 plans changed because of likely changes to US....

Hiring



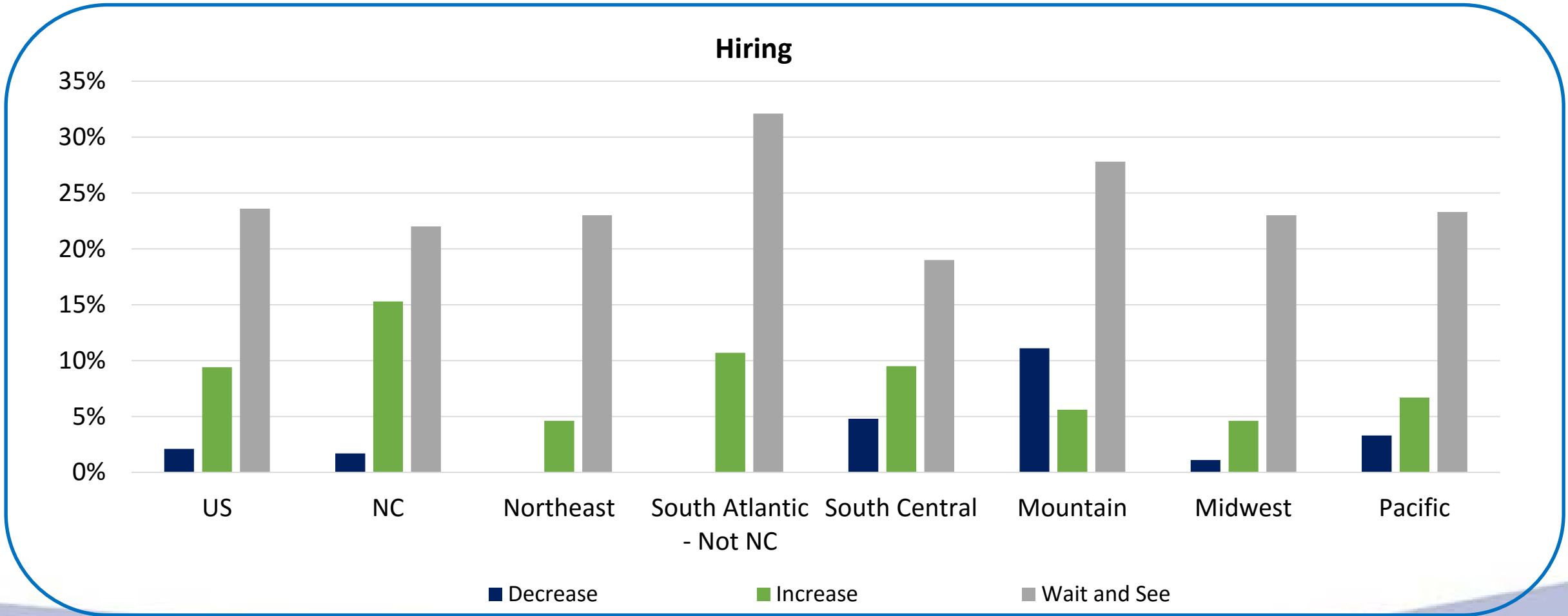
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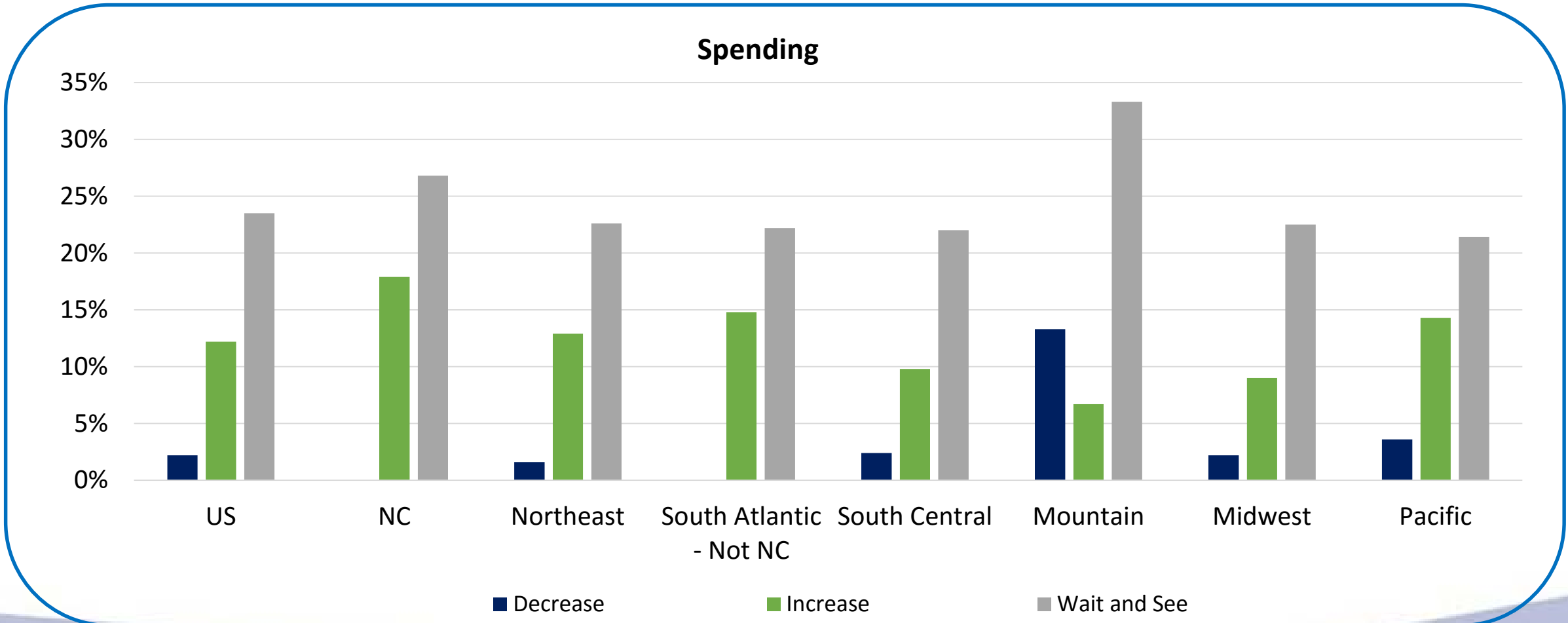
Effect of Election – Corporate Tax Policy

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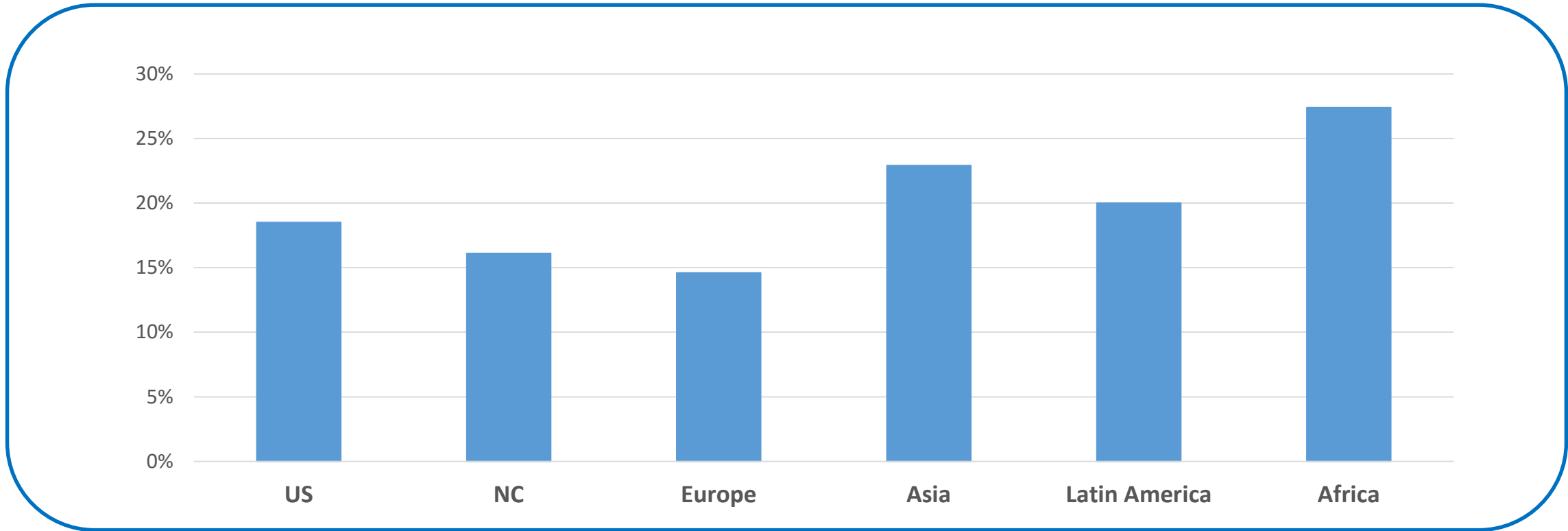
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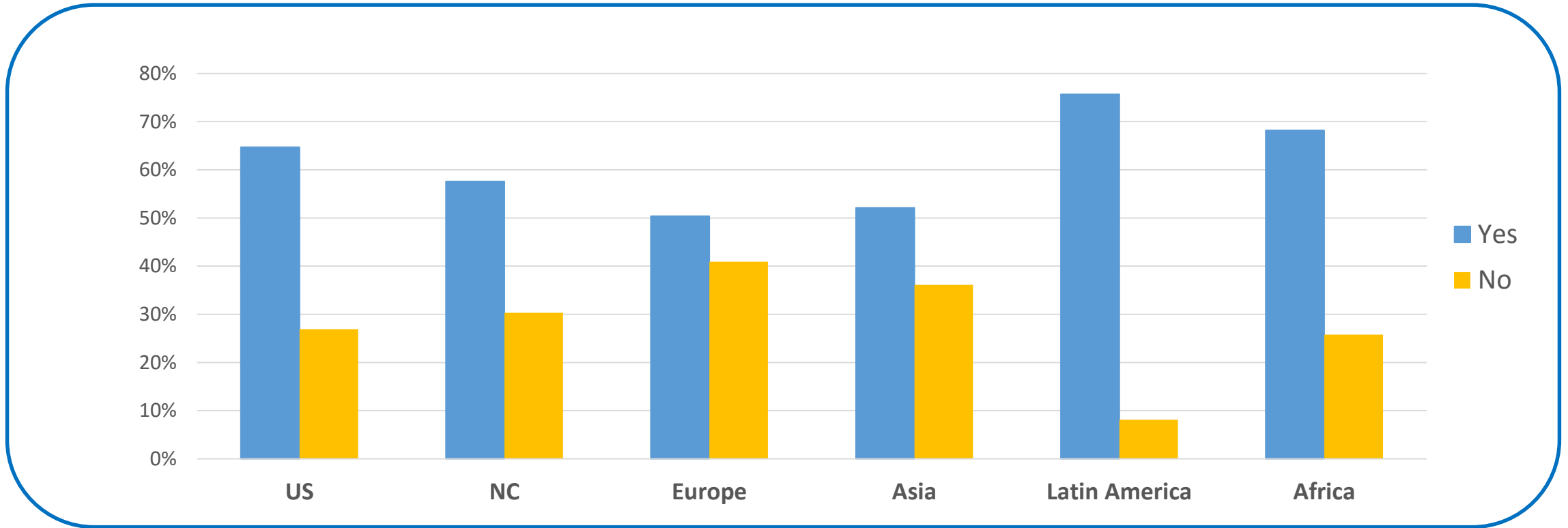
Career Paths of CFOs

What is the probability that you will be a CEO in 5 years?



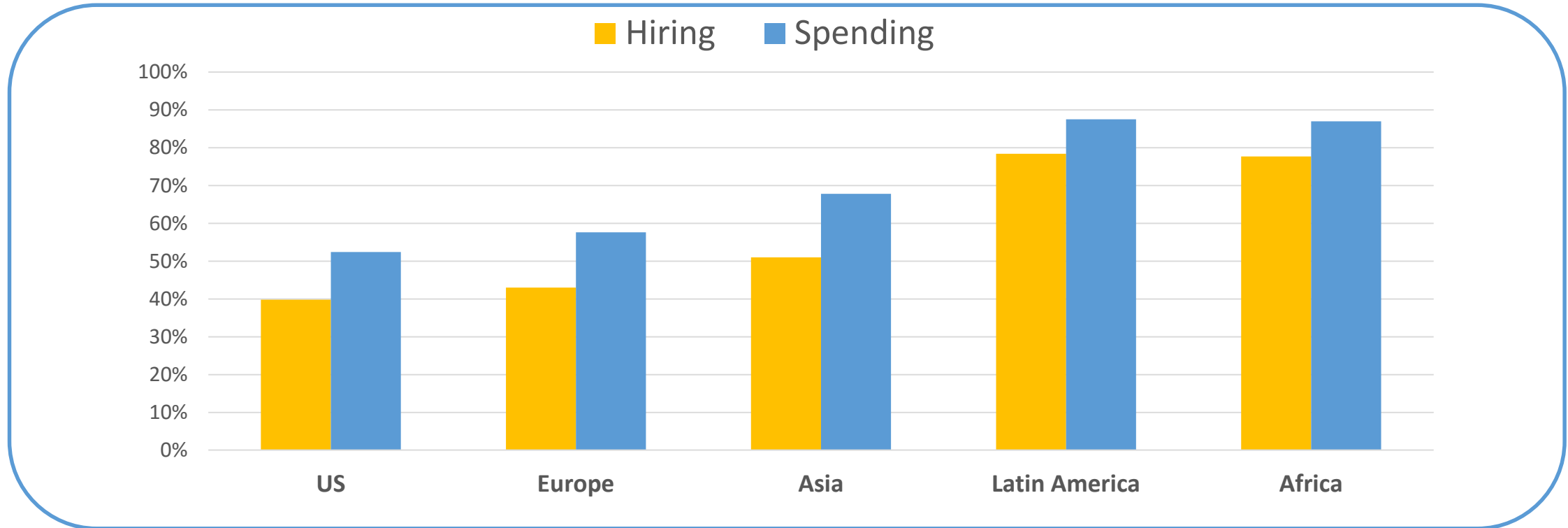
Career Paths of CFOs

Do your current job tasks adequately prepare you to be a CEO at some point in the future?



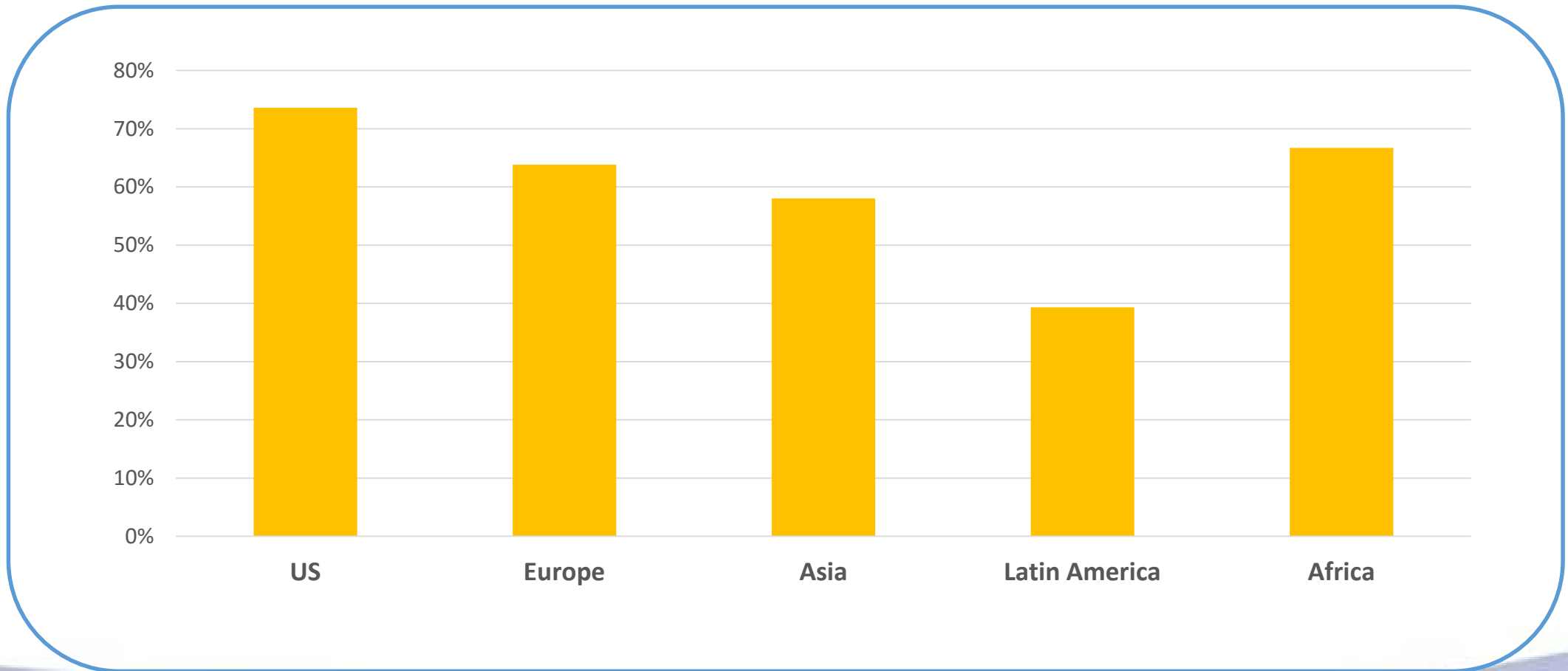
Political uncertainty

Has political uncertainty or political risk in your country led your company to be more cautious in...?



Corporate Culture

% of firms that listed Culture as Top 5 value driver



Takeaways

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