


# Global Business Outlook

A joint survey effort between

Duke University  
and  
*CFO* magazine

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# Global Business Outlook

- Quarterly Survey ([www.cfosurey.org](http://www.cfosurey.org))
  - 1000+ CFOs (financial execs) share their views on their firms and the overall economic outlook
  - Since July 1996 (78 consecutive quarters)
  - Joint between Duke University, *CFO*, FGV, IMEF, PyME, SAICA, ACCA, Tias, GEM, Laurier, Asian universities.
- Global: Africa, Asia, Europe, Latin America, and US
- 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

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## Survey Questions – 2015 Q3



**Business Optimism**

**1. Are you more or less optimistic about your country's economy compared to last quarter?**

More optimistic  
 Less optimistic  
 No change

Rate your optimism about your country's economy on a scale from 0-100, with 0 being the least optimistic and 100 being the most optimistic.

\_\_\_\_\_

**Top Concerns**

**2. Are you more or less optimistic about the financial prospects for your company compared to last quarter?**

More optimistic  
 Less optimistic  
 No change

Rate your optimism about the financial prospects for your own company on a scale from 0-100, with 0 being the least optimistic and 100 being the most optimistic.


\_\_\_\_\_

**3a. During the past quarter, which items have been the most pressing concerns for your company's top management team? (Choose up to 4)**

<input type="checkbox"/> Access to capital	<input type="checkbox"/> Employee productivity
<input type="checkbox"/> Corporate tax code (domestic)	<input type="checkbox"/> Geopolitical / health crises
<input type="checkbox"/> Cost of benefits	<input type="checkbox"/> Government policies
<input type="checkbox"/> Cost of borrowing	<input type="checkbox"/> Inflation
<input type="checkbox"/> Currency risk	<input type="checkbox"/> Regulatory requirements
<input type="checkbox"/> Data security	<input type="checkbox"/> Rising input or commodity costs
<input type="checkbox"/> Deflation	<input type="checkbox"/> Rising wages and salaries
<input type="checkbox"/> Difficulty attracting / retaining qualified employees	<input type="checkbox"/> Weak demand for your products/services
<input type="checkbox"/> Economic uncertainty	<input type="checkbox"/> Other _____
<input type="checkbox"/> Employee morale	

**3b. Write any emerging risks or new challenges that developed in the last six months:**

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**Business plans for the next 12 months**


- Hiring, Spending, Earnings, etc.

**4. Relative to the previous 12 months, what will be your company's PERCENTAGE CHANGE during the next 12 months? (e.g., +3%, -2%, etc.) [Leave blank if not applicable.]**

<input type="text"/>	<input type="text"/>
<input type="text"/> Capital spending	<input type="text"/> Number of offshore outsourced employees
<input type="text"/> Cash on the balance sheet	<input type="text"/> Prices of your products
<input type="text"/> Dividends	<input type="text"/> Productivity (output per hour worked)
<input type="text"/> Earnings	<input type="text"/> Research and development spending
<input type="text"/> Health care costs	<input type="text"/> Revenue
<input type="text"/> Marketing/advertising spending	<input type="text"/> Share repurchases
<input type="text"/> Number of domestic full-time employees	<input type="text"/> Technology spending
<input type="text"/> Number of domestic temporary employees	<input type="text"/> Wages/Salaries

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## Rotating Questions – 2015 Q3



**Acquisition plans**

**5. During the next year, does your company plan to: (Please make a selection in each column)**

Acquire another company or companies?  
 Acquire part of another company or companies?  
 Both  
 Neither

**Labor market conditions**


**6a. Has your firm recently increased (or plans to soon increase) your primary employees' real wages/salaries?**

Yes  
 No  
 Don't know

**6b. How difficult is it for your firm to fill your key job openings?**

Easy  
 Normal  
 Difficult  
 Don't know  
 We do not have job openings for key jobs

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**Stock market valuation, complacency for risk management, and 2016 presidency**

**7. Please choose one response to complete this sentence. I believe that the stock market in my country is:**

Overvalued  
 Correctly valued  
 Undervalued  
 Don't know


**8. The U.S. economy has now been in expansion for more than six years. Do you believe that firms in your industry have become complacent about the threat of, and potential negative effects of, future economic stress (for example, a recession or crisis)?**

No  
 Yes  
 Don't know

**9. Select the presidential candidate you think would be best for your business:**

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## Demographics




Please check one from each category that best describes your company:

<b>a. Industry</b>		
<input type="radio"/> Retail/Wholesale <input type="radio"/> Mining/Construction <input type="radio"/> Manufacturing <input type="radio"/> Transportation/Energy <input type="radio"/> Communications/Media	<input type="radio"/> Tech [Software/Biotech] <input type="radio"/> Banking/Finance/Insurance <input type="radio"/> Service/Consulting <input type="radio"/> Healthcare/Pharmaceutical <input type="radio"/> Other: _____	Standard Industrial Classification SIC: _____
<b>b. Sales Revenue</b>		
<input type="radio"/> Less than \$25 million <input type="radio"/> \$25-\$99 million <input type="radio"/> \$100-\$499 million <input type="radio"/> \$500-\$999 million <input type="radio"/> \$1-\$4.9 billion <input type="radio"/> \$5-\$9.9 billion <input type="radio"/> More than \$10 billion		
<b>c. Number of Employees</b>		
<input type="radio"/> Fewer than 100 <input type="radio"/> 100-499 <input type="radio"/> 500-999 <input type="radio"/> 1,000-2,499 <input type="radio"/> 2,500-4,999 <input type="radio"/> 5,000-9,999 <input type="radio"/> More than 10,000		
<b>d. Where are you personally located?</b>		
<input type="radio"/> Northeast U.S. <input type="radio"/> Mountain U.S. <input type="radio"/> Midwest U.S. <input type="radio"/> South Central U.S. <input type="radio"/> South Atlantic U.S. <input type="radio"/> Pacific U.S. <input type="radio"/> Canada <input type="radio"/> Latin America <input type="radio"/> Europe <input type="radio"/> Asia <input type="radio"/> Africa <input type="radio"/> Other: _____		
<b>e. Ownership</b>		
<input type="radio"/> Public, NYSE <input type="radio"/> Public, NASDAQ/AMEX <input type="radio"/> Private <input type="radio"/> Government <input type="radio"/> Nonprofit		
<b>f. Foreign Sales</b>		
<input type="radio"/> 0% <input type="radio"/> 1-24% <input type="radio"/> 25-50% <input type="radio"/> More than 50%		
<b>g. What is your company's credit rating?</b>		
<input style="width: 100%;" type="text"/> <input type="checkbox"/> Check here if you do not have a rating, and please estimate what your rating would be.		
<b>h. Return on assets (ROA=operating earnings/assets) (n.p., -5%, 5.2%)</b>		
<input style="width: 100%;" type="text"/> % Approximate ROA in 2014 <input style="width: 100%;" type="text"/> % Expected ROA in 2015		
<b>i. Your job title (e.g., CFO, Asst. Treasurer, etc.)</b>		
<input style="width: 100%;" type="text"/>		

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## Preview of US Results



- **Economic Outlook**
  - North America outlook strongest in world, though down from Q2
  - Europe weak but recovering.
  - Asia getting weaker, Latin America and Africa weak and getting weaker
- **Employment and Wages**
  - Moderate U.S. labor market growth
  - Wage growth due to labor market pressures (in some industries)
- **Strong Dollar**
  - Will temper U.S. growth, exporters reduce CapX
- **Economy Not Too Sensitive to Potential Interest Rate Hikes**
- **Minimum wage (in US)**
  - \$10-\$15 will accelerate shift towards “machines” or outside of US
- **Taxes: 13% of US companies have considered relocating**

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## Top US CFO Concerns

1. Economic uncertainty
2. Cost of benefits
3. Attracting and retaining qualified employees
4. Regulatory requirements
5. Government policy
6. Weak demand for product/services
7. Data security
8. Employee productivity
9. Access to capital
10. Employee morale

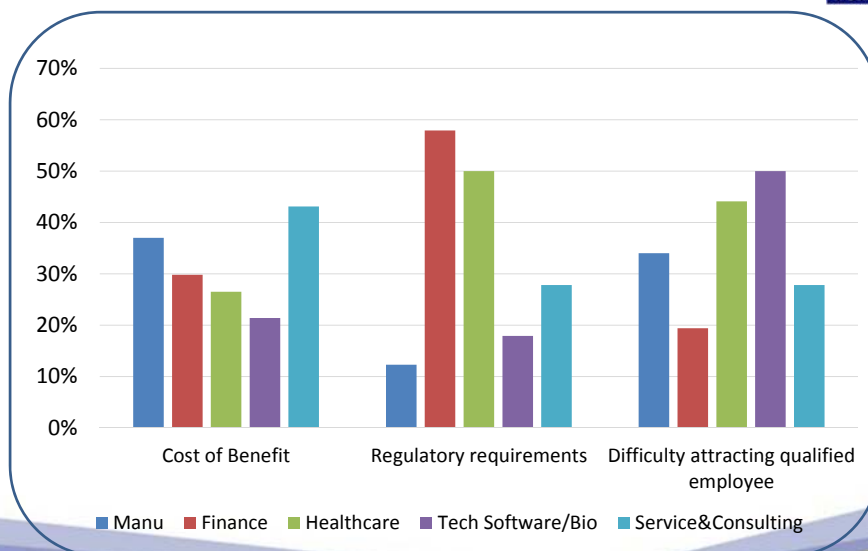
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## Top US CFO Concerns—by Industry

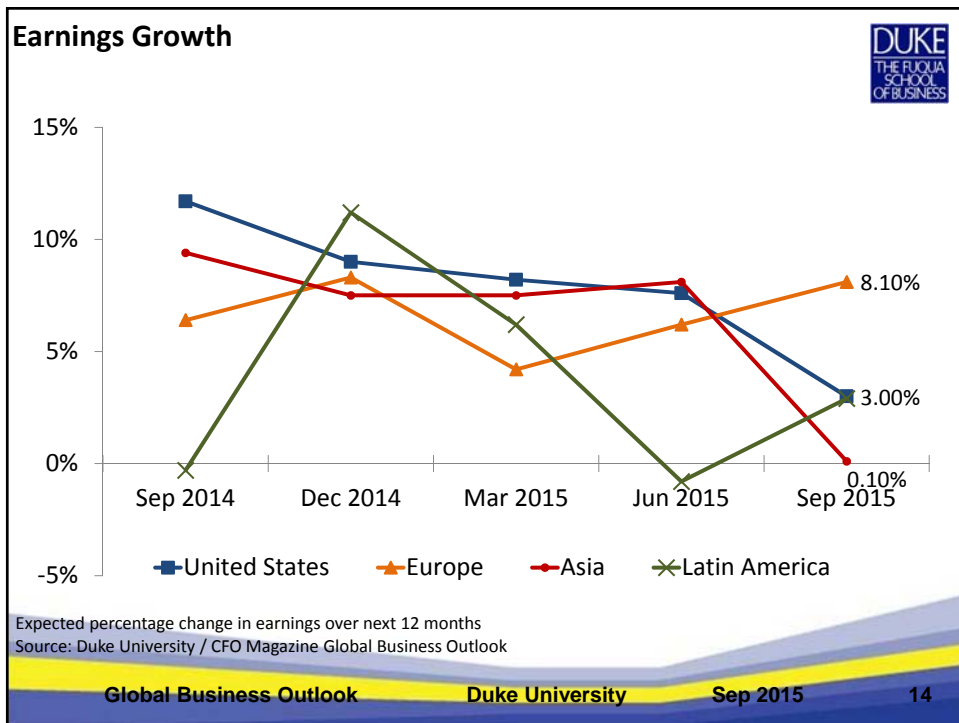
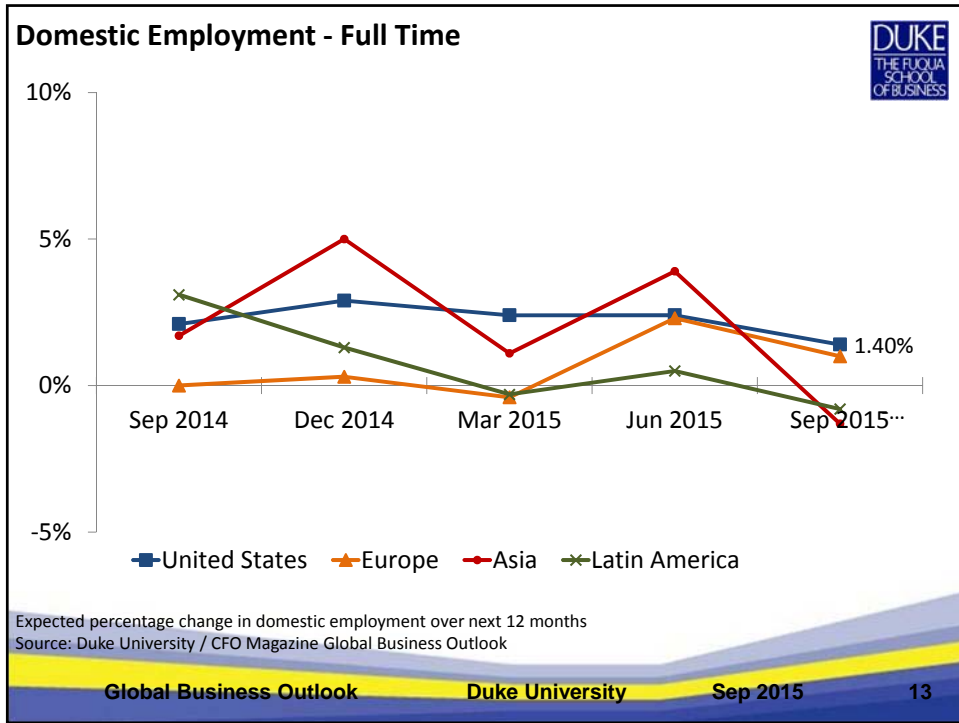


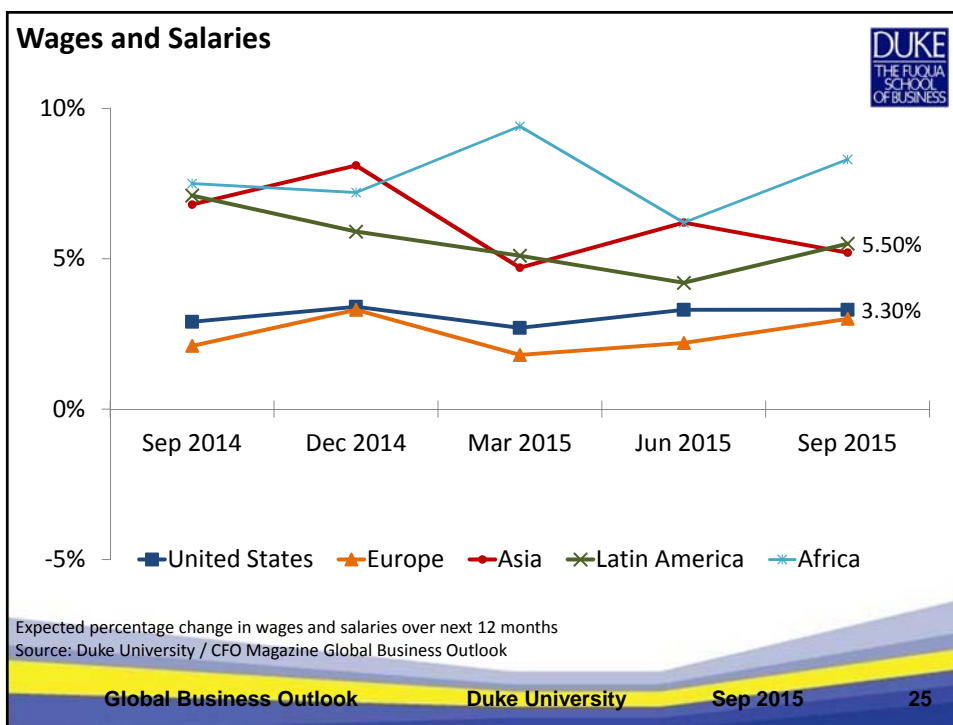
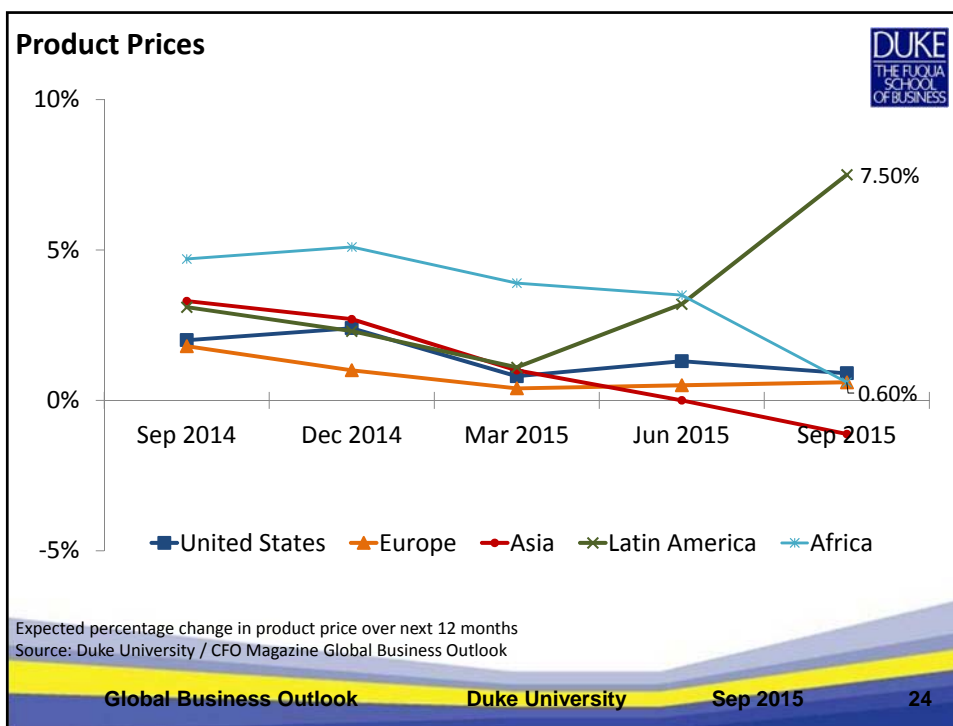
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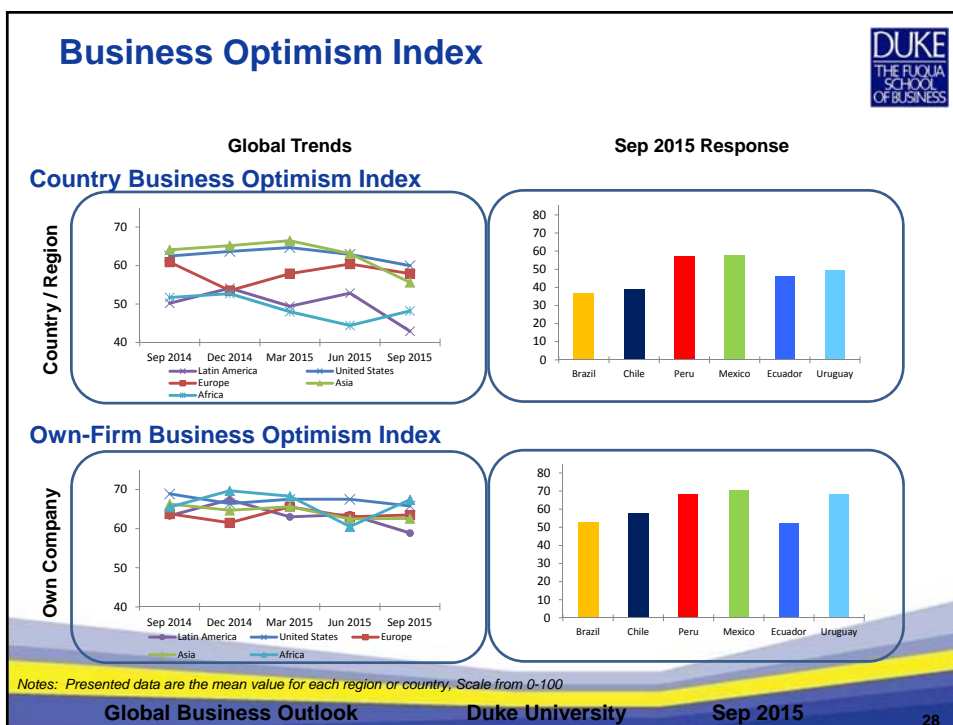
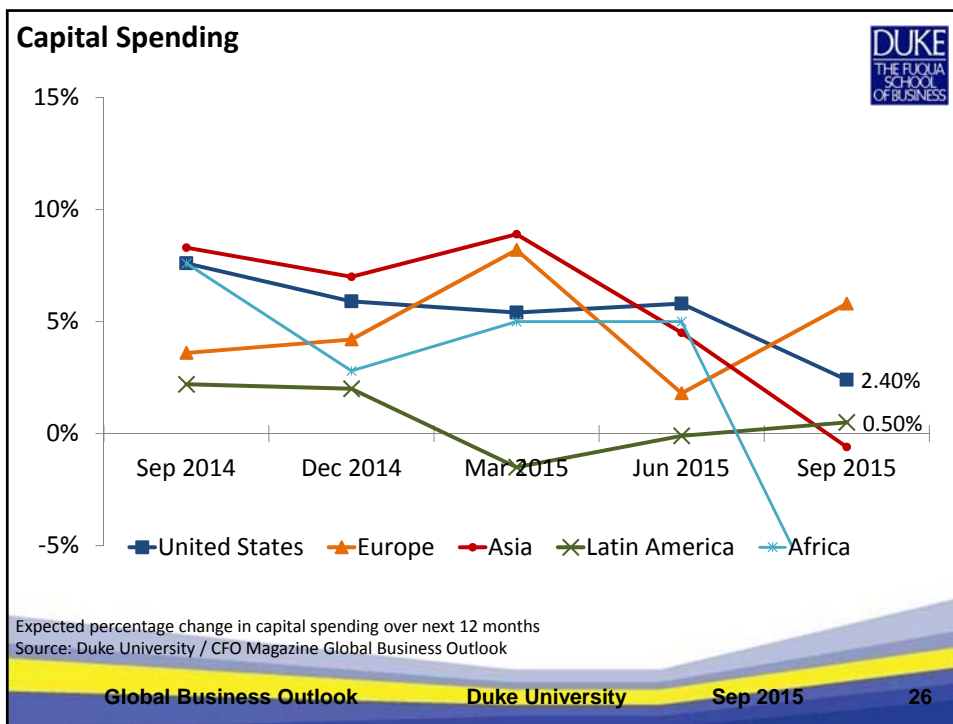
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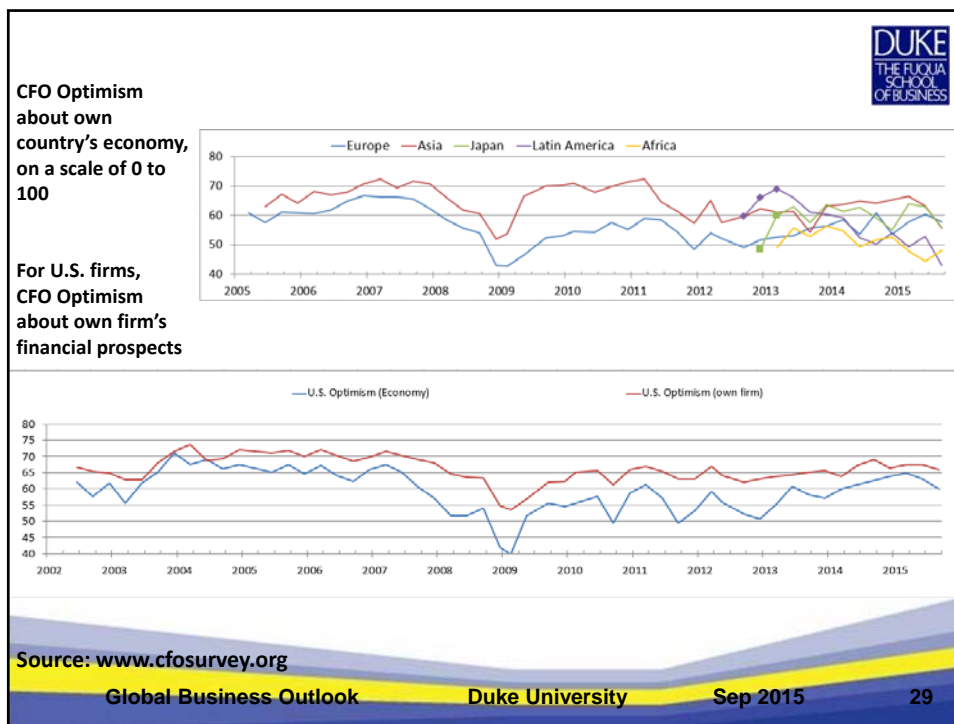
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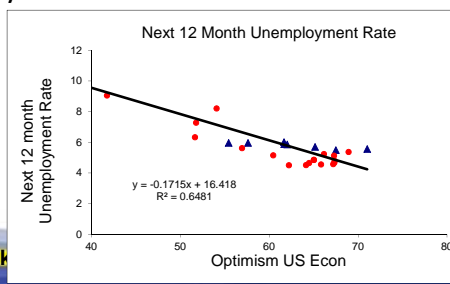


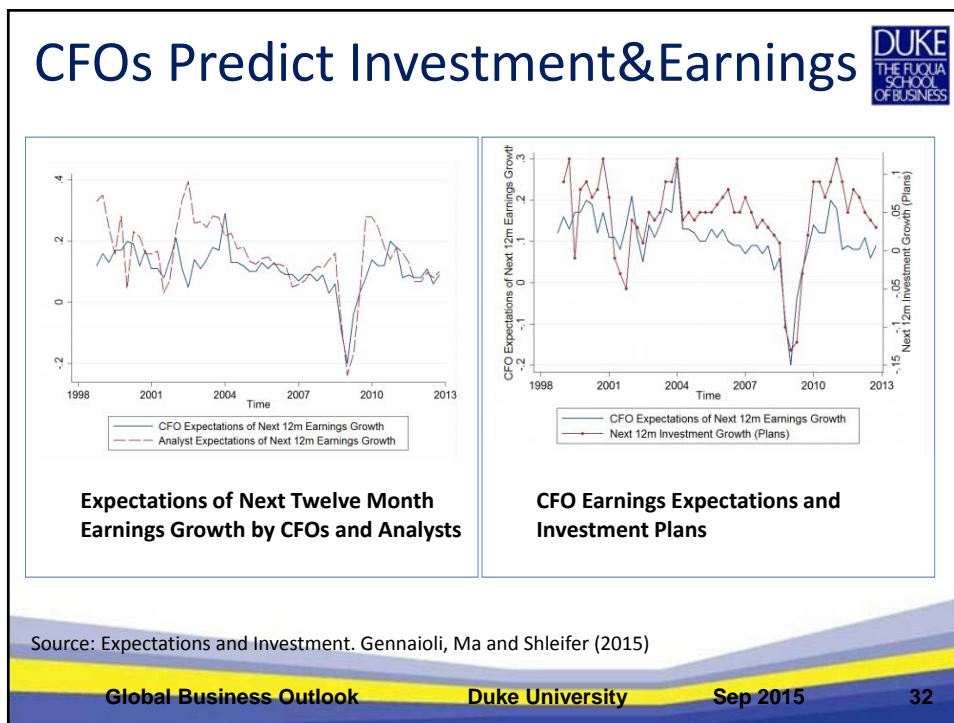
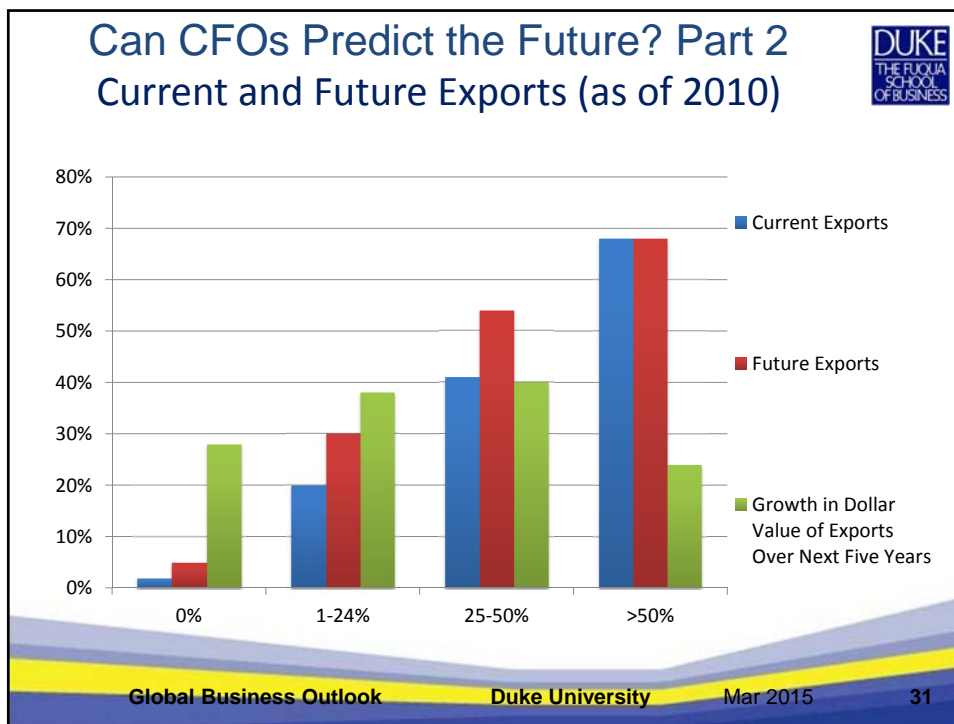




## Can CFOs Predict the Future?

- 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%)



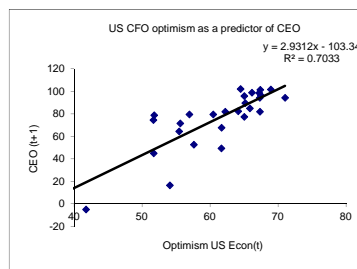




# Why CFOs?

## 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)



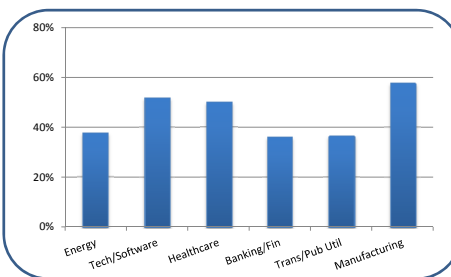
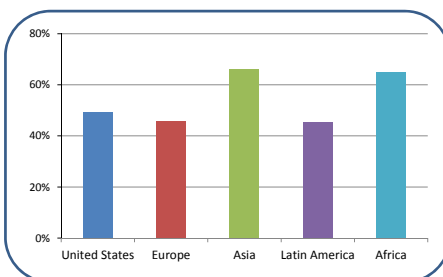
Source: [www.cfosurvey.org](http://www.cfosurvey.org)

# Difficulty in Filling Key Positions

How difficult is it for your firm to fill you key job opening?



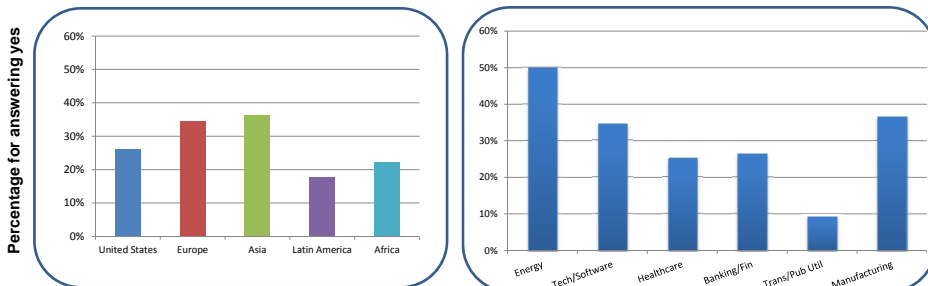
Percentage for finding it is difficult



## Merger and Acquisition Activity



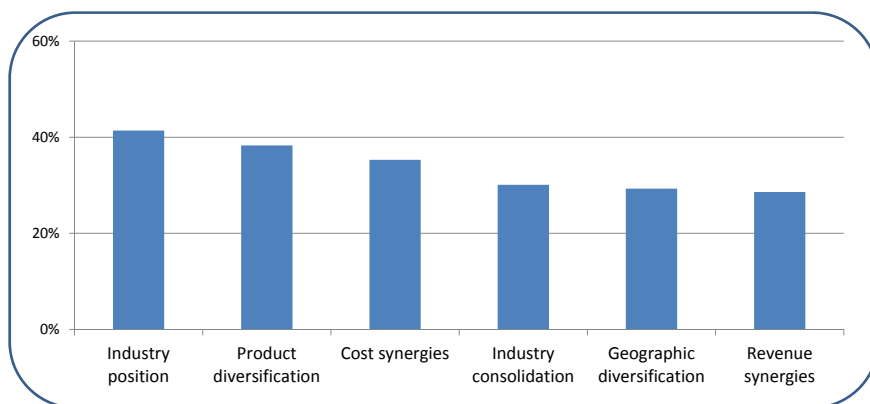
During the next year, does your company plan to acquire other companies or part of other companies?



## Reasons for Making Acquisitions



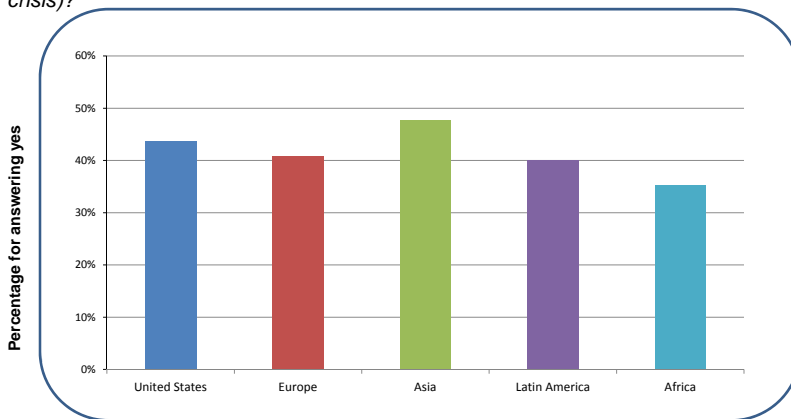
Why is your firm making acquisition(s)? (Choose 3)



### Has risk management become complacent?



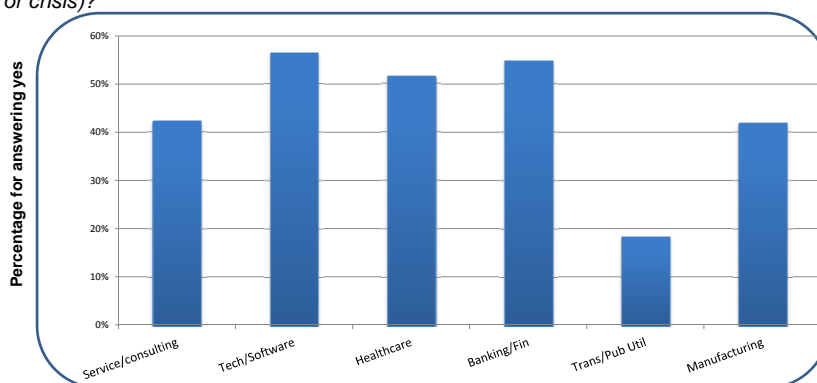
*Do you believe that firms in your industry have become complacent about the threat of, and potential negative effects of, future economic stress (for example, a recession or crisis)?*

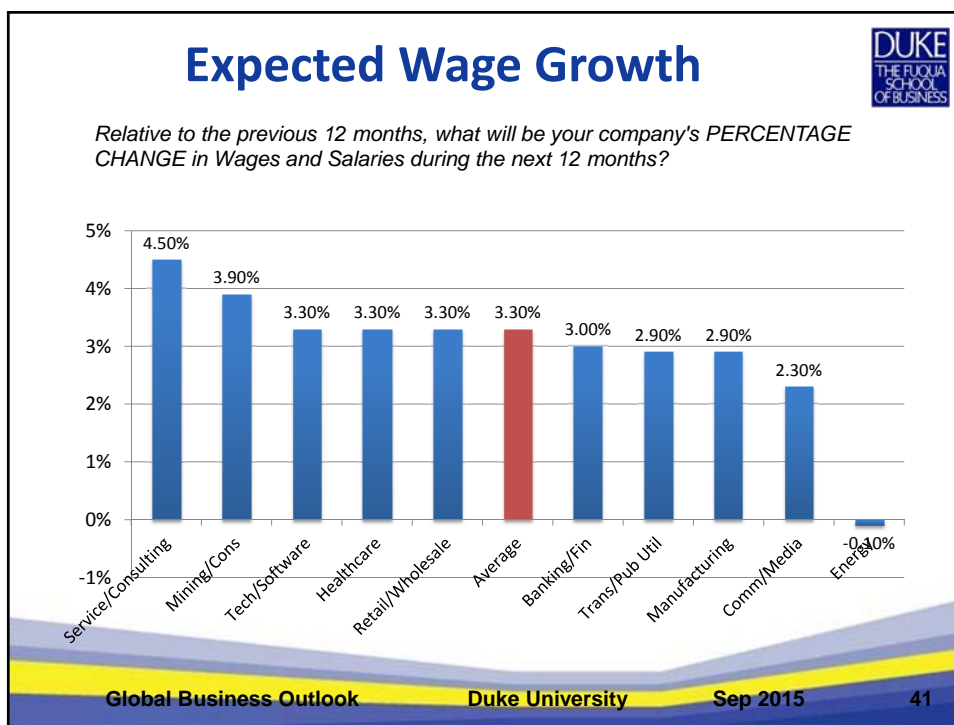
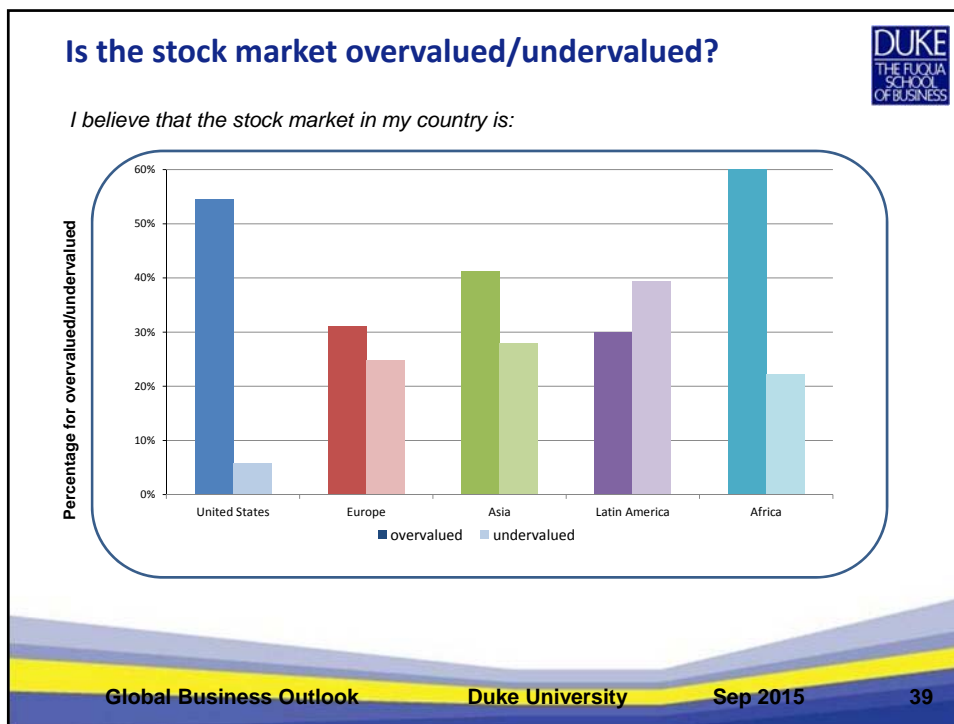


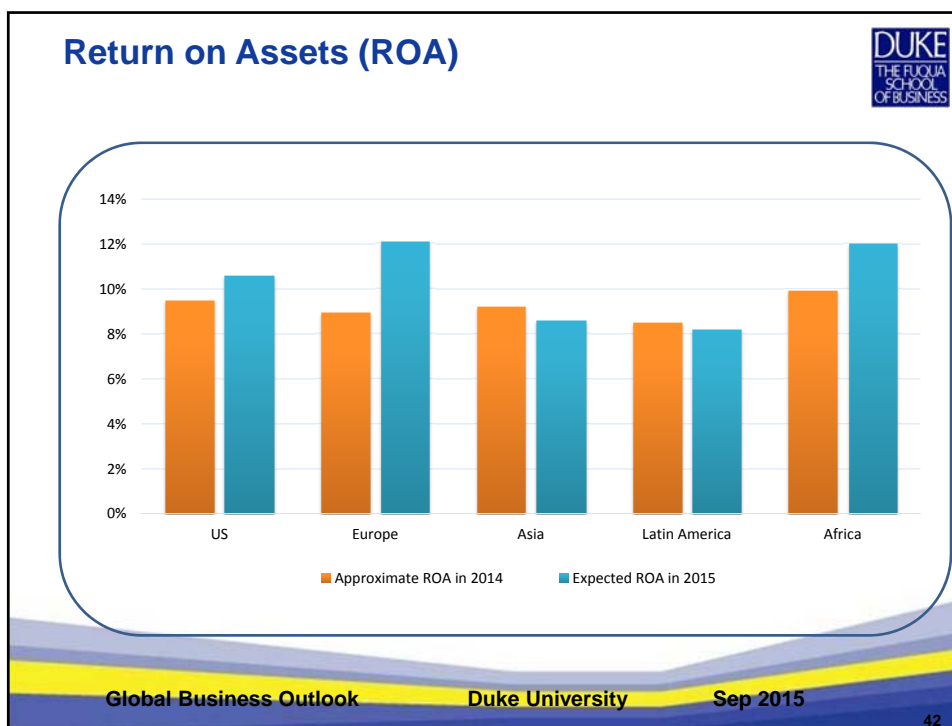
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### Takeaways

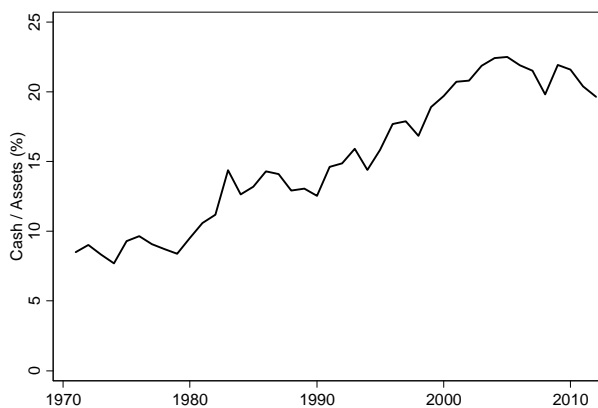
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## From 2014 Q2

## Average Cash/Assets (1970 – 2012) All firms on Compustat



Source: Graham and Leary, "Corporate Cash"



