DUKE CFO GLOBAL BUSINESS OUTLOOK

RECESSION EXPECTED BY LATE 2020

IAFEI AND A GROUP OF PARTNERS AMONG WHICH DUKE UNIVERSITY AND GRENOBLE EM SURVEY CFOS ACROSS THE WORLD. FOR THE FIRST QUARTER 2019, THE SURVEY WAS RUNNING FROM 5TH MARCH TO 29TH MARCH 2019.

BY JOHN GRAHAM AND PHILIPPE DUPUY

- Two-thirds of CFOs predict a recession by the third quarter of 2020, according to the latest Duke University/CFO Global Business Outlook.
- Despite that prediction, CFOs expect capital spending and revenue to increase moderately this year.

The Global Business Outlook CFO survey has been conducted for 92 consecutive quarters and spans the globe, making it the world's longest-running and most comprehensive research on senior finance executives.

Recession Likely Next Year

Sixty-seven percent of U.S. CFOs believe that the U.S. will be in recession by the third quarter of 2020, and 84 percent believe that a recession will have begun by the first quarter of 2021. The survey found 38 percent of CFOs predicting recession by the first quarter of 2020.

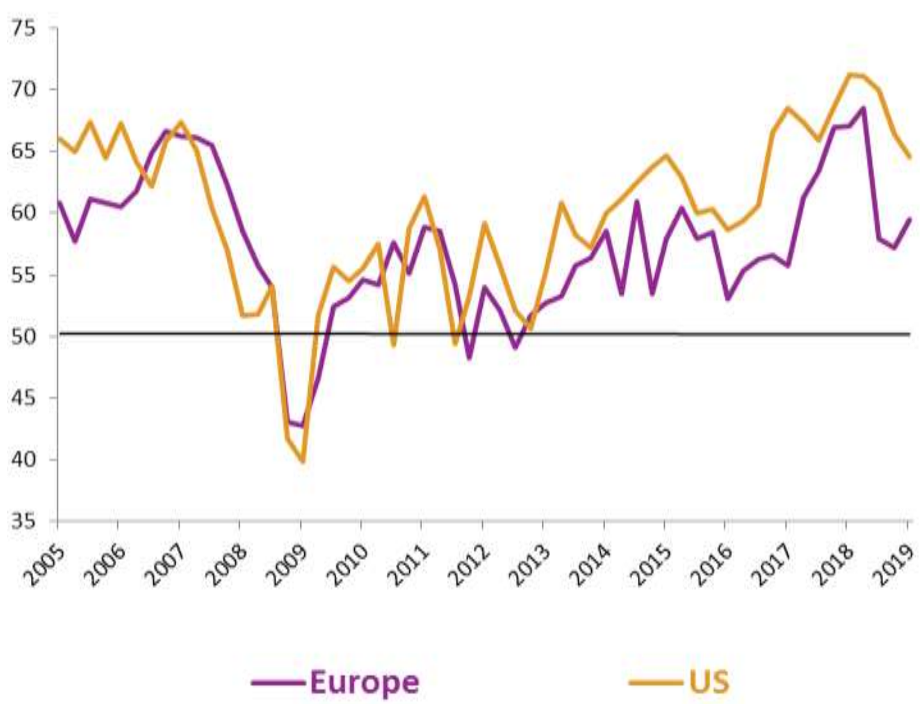
A recession is on the horizon, but the expected start date for the next recession has been pushed back by 6 to 9 months, relative to what we heard in our previous survey. This likely reflects substantial economic uncertainty about the risks inherent in the global economy.

We asked the CFOs which economic variables will provide the most accurate indication that their own firms are experiencing a slow-down. Almost half (47 percent) of CFOs said they consider GDP growth to be one of the three most important indicators of their own firm's fortunes. Consumer spending (39 percent), commodity prices (31 percent) and interest rates (29 percent) were also highly-ranked indicators.

Outlook for 2019
CFOs expect their capital spending and revenue to increase by 5 percent over the next 12 months. CFOs predict hiring to increase by 2 percent and wages to grow by 3 percent. Wage inflation has picked up due to the tight labor market.

Optimism Falls
The Optimism Index for the U.S. Economy continued its downward trend, falling to 65 this quarter, down one point from December's 66 and down five points from the value in September 2018. Over the past 20 years, CFO optimism has averaged 60 on a 100-point scale.
The survey's CFO Optimism Index has historically been an accurate predictor of future hiring and overall GDP growth.

CFO survey: Optimism index



Global Results

Optimism outside the U.S. rebounded this quarter in many parts of the world. Optimism in Europe climbed two points to 59, on a scale of 0 to 100. Capital spending is expected to grow by about 3 percent and employment about 2 percent over the next year.
Optimism in Asia climbed sharply to 65 this quarter. Capital spending is expected to grow about 5 percent, and employment 3 percent, over the next 12 months.
Overall Latin American optimism is 65 this quarter. The Optimism Index is highest in Brazil, at 66, though it dipped three points since December. Optimism is 55 in Mexico, 65 in Chile, 66 in Peru, and 63 in Ecuador.
Business optimism in Africa climbed this quarter, though remains somewhat low at 55. Employment is expected to increase by 2 percent in Africa over the next 12 months.

CFO survey: Optimism index

GDP weighted Average Global Business Outlook
(World Bank GDP constant prices in USD)

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The survey generated responses from almost 1,500 CFOs, including 469 from North America, 145 from Asia, 261 from Europe, 590 from Latin America and 42 from Africa.
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Duke's Fuqua School of Business / CFO Magazine Global Business Outlook

Results for 261 European firms (own-firm changes expected during the next 12 months)

	Mar 2019	Dec 2018	Sept 2018	Jun 2018	Mar 2018
Weighted Averages for	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**
Earnings growth*		6.2%	7.6%	3.1%	7.2%
Capital spending	8.5% Median=5.0%	2.2% Median=0%	1.5% Median=2.0%	6.2% Median=3.0%	7.0%
Advertising and marketing spending		0.7%	1.0%	4.5%	2.5%
Technology spending		3.5%	4.8%	6.6%	4.0%
R&D spending		1.7%	2.9%	1.4%	2.4%
Employment – full-time	1.8% Median=1.0%	1.6% Median=1.0%	1.6% Median=1.0%	2.9% Median=1.0%	-0.1% Median = 2%
Wages and Salaries	2.9% Median=2.0%	3.1% Median=2.0%	2.2% Median=2.0%	3.1% Median=2.0%	2.4%
Inflation (Chg in prices of own-firm products)		1.5%	1.2%	1.1%	2.8%
Health Care Costs		1.8%	0.7%	2.1%	1.1%
Revenue	3.5% Median=3.0%	5.4%	3.8%	8.3%	4.5%

* indicates public firms only. All other numbers for all survey respondents (including private)

European BUSINESS OPTIMISM

	Mar 2019	Dec 2018	Sept 2018	Jun 2018	Mar 2018
	Compared to last qtr.	**Compared to last qtr.**	**Compared to last qtr.**	**Compared to last qtr.**	**Compared to last qtr.**
Optimism about the country's economy	More opt: 26.2% Less opt: 38.3% No chg: 35.5%	More opt: 11.0% Less opt: 54.9% No chg: 34.1%	More opt: 23.6% Less opt: 37.8% No chg: 38.6%	More opt: 38.4% Less opt: 22.2% No chg: 39.4%	More opt: 60.0% Less opt: 10.5% No chg: 29.5%
Country optimism level	59.5	57.2	57.9	68.5	67.0
Optimism about own company	More opt: 42.4% Less opt: 25.1% No chg: 32.5%	More opt: 32.1% Less opt: 33.3% No chg: 34.6%	More opt: 32.3% Less opt: 26.0% No chg: 41.7%	More opt: 45.9% Less opt: 24.5% No chg: 29.6%	More opt: 52.0% Less opt: 21.0% No chg: 27.0%
Own company optimism level	67.5	64.1	62.5	69.1	65.9

Results for 469 U.S. firms (own-firm changes expected during the next 12 months)

	Mar 2019	Dec 2018	Sept 2018	Jun 2018	Mar 2018
Weighted Averages for	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**
Earnings growth*		4.5%	12.8%	9.5%	8.5%
Capital spending	8.2% Median=5.0%	1.0% Median=2.0%	5.7% Median=5.0%	8.3% Median=5%	11.0%
Advertising and marketing spending		1.3%	3.6%	1.9%	3.5%
Technology spending		4.3%	6.3%	7.2%	9.0%
R&D spending		1.4%	2.7%	3.1%	3.0%
Employment – full-time	4.6% Median=2.0%	3.6% Median=3.0%	3.9% Median=2.0%	4.5% Median=3.0%	3.0%
Wages and Salaries	5.1% Median=3.0%	4.2% Median=3.0%	4.8% Median=3.0%	4.1% Median=3.0%	3.9%
Inflation (Chg in prices of own-firm products)		2.7%	3.0%	3.8%	3.0%
Health Care Costs		6.0%	7.8%	7.6%	7.2%
Revenue	6.3% Median=5.0%	4.9%	7.5%	6.9%	7.0%

* indicates public firms only. All other numbers are for all survey respondents (including private). The reported averages are weighted by revenue or number of employees, so that large firms are weighted more heavily.

U.S. BUSINESS OPTIMISM
Duke's Fuqua School of Business / CFO Magazine Global Business Outlook

	Mar 2019	Dec 2018	Sept 2018	Jun 2018	Mar 2018
	Compared to last qtr.	**Compared to last qtr.**	**Compared to last qtr.**	**Compared to last qtr.**	**Compared to last qtr.**
Optimism about the U.S. economy	More opt: 24.1% Less opt: 36.8% No chg: 39.1%	More opt: 16.6% Less opt: 45.0% No chg: 38.4%	More opt: 43.6% Less opt: 23.0% No chg: 33.3%	More opt: 47.1% Less opt: 21.3% No chg: 31.6%	More opt: 53.3% Less opt: 16.4% No chg: 30.3%
U. S. optimism level (0 to 100)	64.6	66.4	70.0	71.1	71.2
Optimism about own company	More opt: 48.3% Less opt: 21.9% No chg: 29.9%	More opt: 35.1% Less opt: 32.7% No chg: 32.2%	More opt: 48.6% Less opt: 21.4% No chg: 30.0%	More opt: 54.0% Less opt: 17.3% No chg: 28.8%	More opt: 55.9% Less opt: 16.3% No chg: 27.8%
Own company optimism level	70.4	68.5	71.4	71.0	70.1

Results for 145 Asian firms (own-firm changes expected during the next 12 months)

	Mar 2019	Dec 2018	Sept 2018	Jun 2018	Mar 2018
Weighted Averages for	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**	**Expected growth in next 12 months**
Earnings growth*		6.4%	14.7% Median=5.0%	5.7%	3.4%
Capital spending	11.0% Median=5.0%	10.0% Median=3.4%	4.6% Median=0%	7.0% Median=5.0%	11.9%
Advertising and marketing spending		3.0%	2.5%	3.9%	10.5%
Technology spending		4.6%	4.1%	6.0%	8.5%
R&D spending		3.2%	3.8%	4.7%	8.0%
Employment – full-time	3.0% Median=1.0%	2.0% Median=3.0%	3.5% Median=2.7%	3.6% Median=5.0%	3.0%
Wages and Salaries	6.1% Median=5.0%	2.2% Median=2.0%	4.3% Median=3.0%	4.1% Median=3.0%	5.3%
Inflation (Chg in prices of own-firm products)		1.5%	3.6%	4.3%	4.5%
Health Care Costs		2.1%	2.4%	2.0%	6.0%
Revenue	10.4% Median=7.4%	5.1%	6.7%	4.8%	9.5%

* indicates public firms only. All other numbers for all survey respondents (including private)
** numbers in the bracket are GDP-weighted results

ASIA BUSINESS OPTIMISM

	Mar 2019	Dec 2018	Sept 2018	Jun 2018	Mar 2018
	Compared to last qtr.	**Compared to last qtr.**	**Compared to last qtr.**	**Compared to last qtr.**	**Compared to last qtr.**
Optimism about the country's economy	More opt: 47.4% Less opt: 29.6% No chg: 23.0%	More opt: 16.2% Less opt: 64.3% No chg: 19.5%	More opt: 21.8% Less opt: 43.4% No chg: 34.7%	More opt: 36.5% Less opt: 36.6% No chg: 26.9%	More opt: 40.9% Less opt: 26.3% No chg: 32.8%
Country optimism level	64.9	51.9	59.5	60.3	61.0
Optimism about own company	More opt: 60.7% Less opt: 19.3% No chg: 20.0%	More opt: 20.6% Less opt: 50.2% No chg: 29.1%	More opt: 20.4% Less opt: 35.7% No chg: 43.9%	More opt: 38.0% Less opt: 25.4% No chg: 36.5%	More opt: 39.8% Less opt: 29.6% No chg: 30.6%
Own company optimism level	69.6	58.8	59.8	64.8	61.2