
DUKE UNIVERSITY NEWS and FGV News
Duke University Office of News & Communications
<http://www.dukenews.duke.edu>

CONTACTS: Luana Magalhães (FGV) at +55 11 3284 6147/ 3262 4426 or
luana.magalhaes@insightnet.com.br

Erin Medlyn (Duke University's Fuqua School of Business) 011 919 660-8090
erin.medlyn@duke.edu

SURVEY: LATIN AMERICAN CFOs CALL FOR CURRENCY DEVALUATION

*Note to editors: For additional comment, see contact information at the end of this release.
[Watch](#) Professor John Graham talk about the survey results from across the world. You may use this link on your organization's website.*

DURHAM, N.C. – Forty-two percent of chief financial officers in Latin America say their local currencies are overvalued and should be depreciated (by an average of 16 percent.) These CFOs are very optimistic about future economic prospects, more optimistic than CFOs anywhere else in the world. Revenue, hiring, capital expenditures, and earnings should all experience robust growth. Thirty percent of Latin American companies plan to make an acquisition in the next year.

These are some of the findings of the most recent [Duke University/Fundação Getúlio Vargas/CFO Magazine Latin America Business Outlook survey](#). The quarterly survey, which concluded March 8, asked 1143 CFOs around the world, including 204 from Latin America, about their firm's expectations and the economy. (See end of release for survey methodology.) The Latin American edition is a part of the Global Business Outlook Survey which has been conducted for 68 consecutive quarters. It spans the U.S., Asia, Europe and Latin America, making it the world's longest running and most comprehensive research on senior finance executives. Presented results are for Latin American firms unless otherwise noted.

CURRENCY VALUATION

Growth is expected to be strong in the next 12 months, with topline growth in sales revenues averaging 11 percent and growth in earnings, 18 percent. Still, to spur growth, nearly half of Latin American CFOs believe that the currency of their home country is overvalued and should be depreciated.

"When a currency devalues, this makes the products produced in that country cheaper relative to goods produced elsewhere," said [John Graham](#), a professor of finance at [Duke University's Fuqua School of Business](#) and director of the Global Business Outlook survey. "If Latin American CFOs have their way, regional currencies will depreciate in average by 16 percent, which should increase Latin American exports, spurring even stronger growth."

In comparison to the 42 percent of Latin American CFOs who favor currency depreciation, only five percent believe that their local currency should appreciate in value.

OPTIMISM

Latin American CFOs are the most optimistic in the world. The Latin American business optimism index jumped to 69 out of 100, up from 66 last quarter. Executives in Mexico (82), Peru (79) and Chile (72) are the most optimistic. Brazilian CFOs present median optimism (64), while Argentinians are the most pessimistic, with an optimism ranking of only 33.

"The overall optimism in South America foresees a bright future and strong growth prospects for the region," said Gledson de Carvalho, a finance professor at Fundação Getúlio Vargas (FGV) in Brazil and co-director of the Latin American Business Outlook survey. "Latin American optimism is notably higher than in Europe (53), the U.S. (55), and even in Asia (60.) Only in China (69) are executives as optimistic as in Latin America."

STRONG GROWTH IN EARNINGS, BUSINESS SPENDING, AND EMPLOYMENT

Revenues should grow by 11.2 percent in the next year and earnings are projected to increase by 18 percent. Forty-five percent of the companies surveyed expect to increase its number of employees. On average firms expect to grow their number of fulltime employees by six percent.

"This is evidence of strong fundamentals in Latin America," said Klenio Barbosa, an economics professor at FGV and co-director of the Latin American Business Outlook survey. "Fortunately, this growth is expected to occur with only moderate pressure on inflation and wages, both of which are expected to rise by about five percent."

Business spending is also expected to rise. Capital spending should increase by 7.4 percent, with most of that growth concentrated in expansion as opposed to replacement expenditures. Tech spending is expected to rise by almost nine percent.

"Executives in the region expect real economic growth, above and beyond the effects of inflation, to average just more than four percent," added Barbosa. "This strong growth is expected even though two-thirds of firms believe that slow growth in the U.S. and in Europe is dampening Latin American growth. Should the United States fall into recession, growth in Latin America is expected to fall to 2.7 percent."

MERGERS AND ACQUISITIONS

Nearly one third (31 percent) of the firms in our sample expect to make an acquisition this year. About 30 percent of those acquisitions will be cross-border, with the bulk of these foreign deals being in other Latin and North American countries.

TOP CONCERNS

Top external concerns in Latin America include consumer demand, price pressure from competitors, governmental policies, the corporate tax code, and currency risk. Top internal concerns include maintaining profit margins, attracting and retaining skilled workers, and maintaining employee productivity and morale.

RESULTS SPECIFIC TO THE U.S., ASIA, AND EUROPE

Please visit www.cfosurvey.org for global results.

For additional comment, contact

- Luana Magalhães (FGV) +55 11 3284 6147/ 3262 4426 / luana.magalhaes@insightnet.com.br
- Gledson de Carvalho (FGV): +55 11 3799 7767 or gledson.carvalho@fgv.br
- Klenio Barbosa (FGV): +55 11 3799 3565 or klenio.barbosa@fgv.br
- CFO Magazine's Kate O'Sullivan: 011 617 345-9700 (x3214) or kateosullivan@cfo.com
- Duke University's John Graham: 011 919 660-7857 or john.graham@duke.edu.

Detailed results, including tabular summaries of the numbers in this release and results from previous surveys are available at www.cfosurvey.org.

About the survey: The Latin American Business Outlook is a quarterly survey of financial executives that is part of the Global Business Outlook survey. The survey concluded March 8, 2013, and generated responses from 1143 CFOs, including 506 from the U.S., 256 from Asia, 177 from Europe, and 204 from Latin America. The Global Business Outlook has been conducted 68 consecutive quarters by Duke University and CFO Magazine. Duke, CFO, and Fundação Getúlio Vargas (FGV) jointly conduct the Latin American Business Outlook. This is the 4th quarter the survey has included Latin America. The survey of European CFOs is conducted jointly with Tias Nimbas Business School in the Netherlands. Results in this release are for Latin companies, unless otherwise noted.

A wide range of companies (public and private, small and large, many industries, etc.) are polled, with the distribution of responding firm characteristics presented in online tables. Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance. The average growth rates are weighted by revenues or number of employees; for example, one \$5 billion company affects an average as much as ten \$500-million firms. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending and prices of products. Employee-weighted mean growth rates are used for health-care costs, productivity, number of employees, and outsourced employment. The earnings, dividends, share repurchases and cash on balance sheet are for public companies only. Unless noted, all other numbers are for all companies, including private companies.

Duke's Fuqua School of Business was founded in 1970. Fuqua's mission is to educate business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.

Fundação Getúlio Vargas (FGV) was founded in 1944. FGV is an educational center of quality and excellence that dedicates its forces to the intellectual development in Brazil. Its mission is to push the boundaries of knowledge in social sciences and related fields through the production and dissemination of ideas, data and information, as well as their preservation and systematic organization; to contribute to the country's social and economic development, improving the nation's ethical standards, promoting a responsible and shared

government, and inserting the country into the international stage. For more information, visit www.fgv.br.

CFO Publishing LLC, a portfolio company of Seguin Partners, is a business-to-business media brand focused on the information needs of senior finance executives. The business consists of *CFO* magazine, CFO.com, CFO Research Services, CFO Metrix and CFO Conferences. CFO has long-standing relationships with more than a half million financial executives.