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Asian Business Outlook

Part of the Global Business Outlook

A joint survey effort between
Duke University and **CFO Magazine**

CFO

Top Concerns of Asian CFOs

1.	Economic uncertainty
2.	Difficulty attracting/retaining qualified employees
3.	Currency risk
4.	Government policies
5.	Employee productivity
6.	Weak demand for products/services
7.	Rising wages and salaries
8.	Regulatory requirement
9.	Access to capital
10.	Cost of borrowing

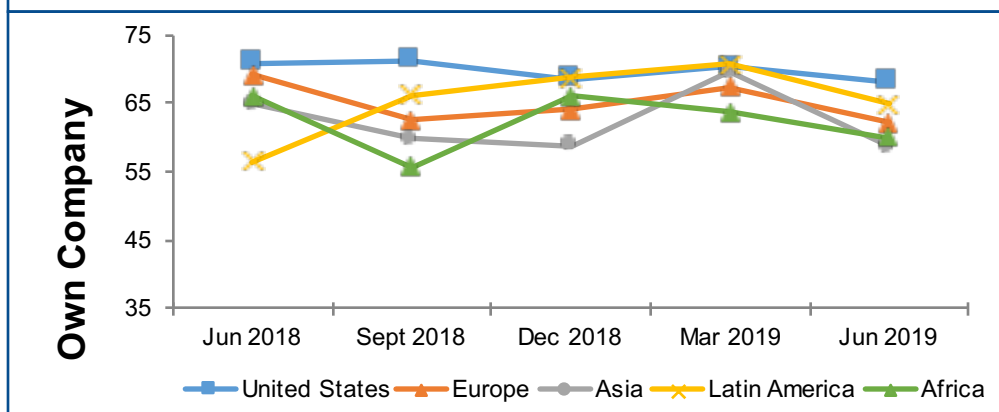
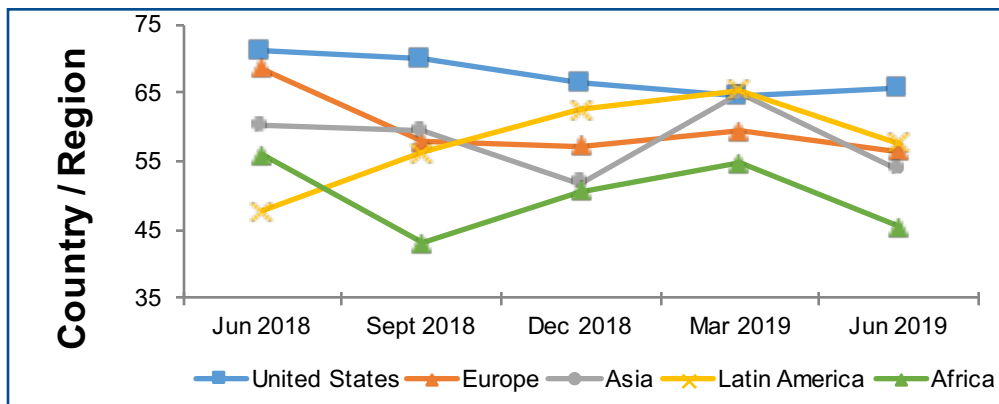
Business Optimism Index

Both the Asian Country Index and the Own-Firm Optimism Index decreased relative to the previous quarter, led by a decrease in business optimism in China and Japan.

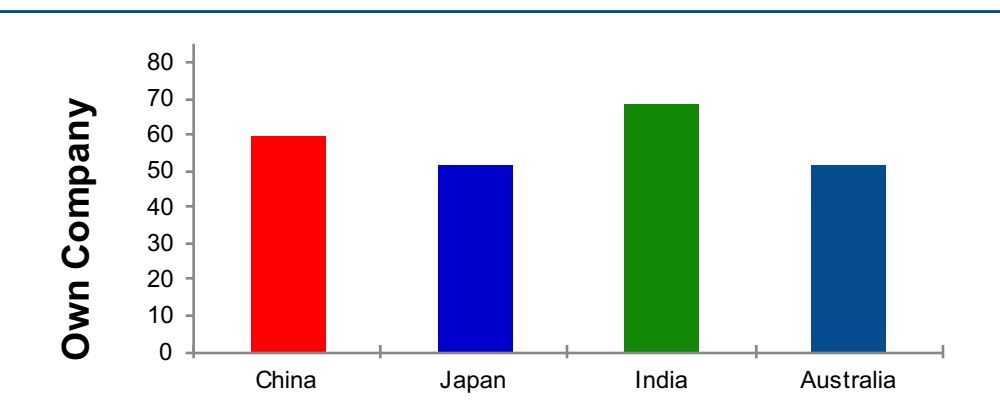
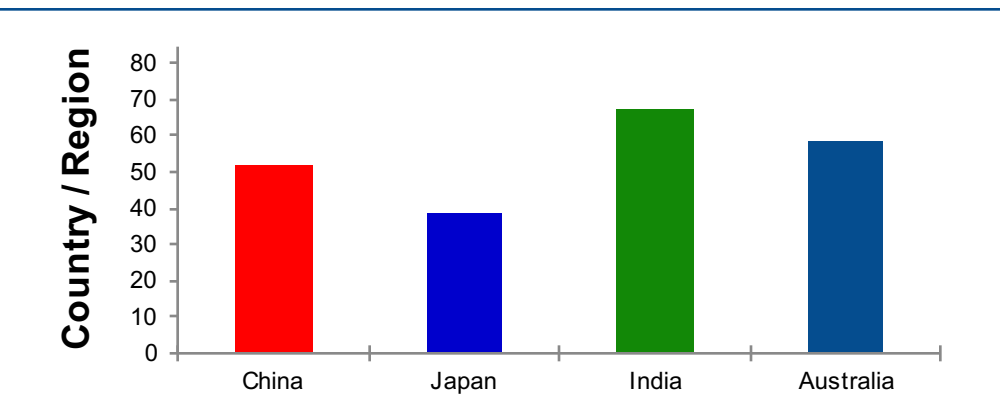
Country Business Optimism Index

Own-Firm Business Optimism Index

Global Trends



June 2019 Outlook

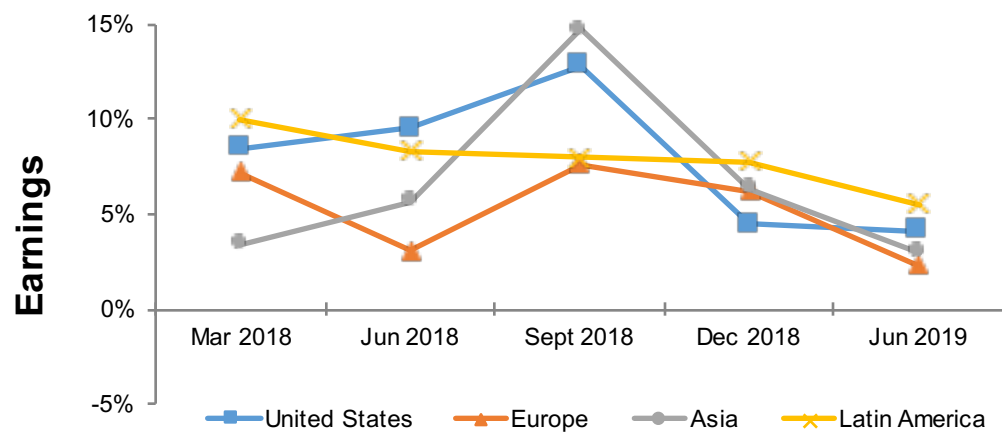


Notes: Presented data are the mean value for each region or country, Scale from 0-100

Expected Change in Earnings

CFOs in Asia and Europe expect a significant decrease in earnings growth, primarily driven by large declines in expectations for China, Japan and Singapore

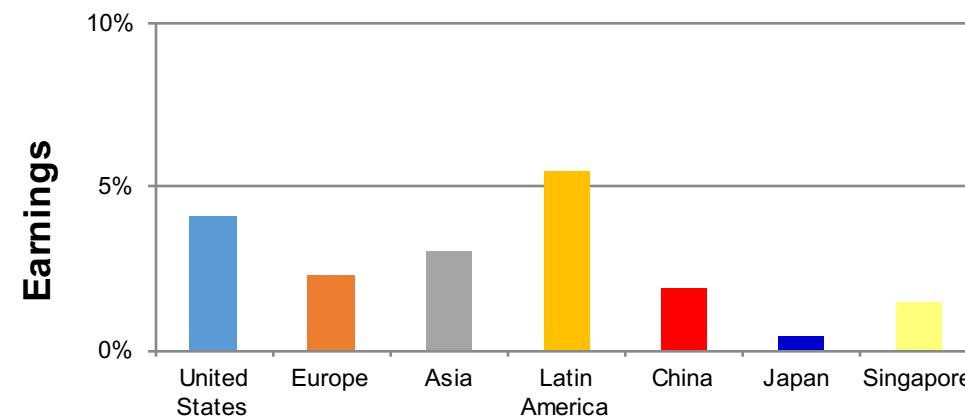
Global Trends



Earnings expectations have generally decreased in all regions

- CFOs in Asia, Europe, and Latin America continue to report significant declines in expected earnings growth.

June 2019 Outlook



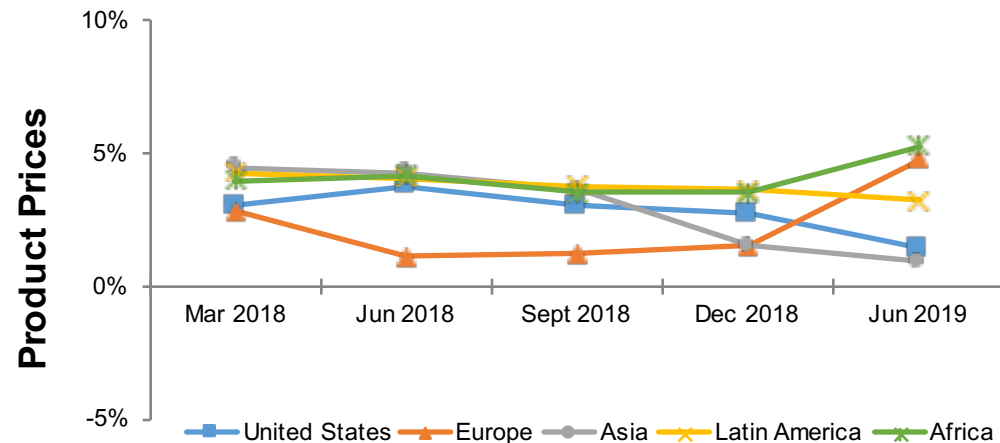
The significant decrease in earnings expectations for Asia is largely driven by the low expectations reported by CFOs in China, Japan and Singapore

- In contrast, CFOs in the USA have stable expectations about expected earnings.

Expected Product Price Inflation

The inflation outlook for Asia and United States has fallen from the previous quarter, in contrast to an increase observed for Europe and Africa

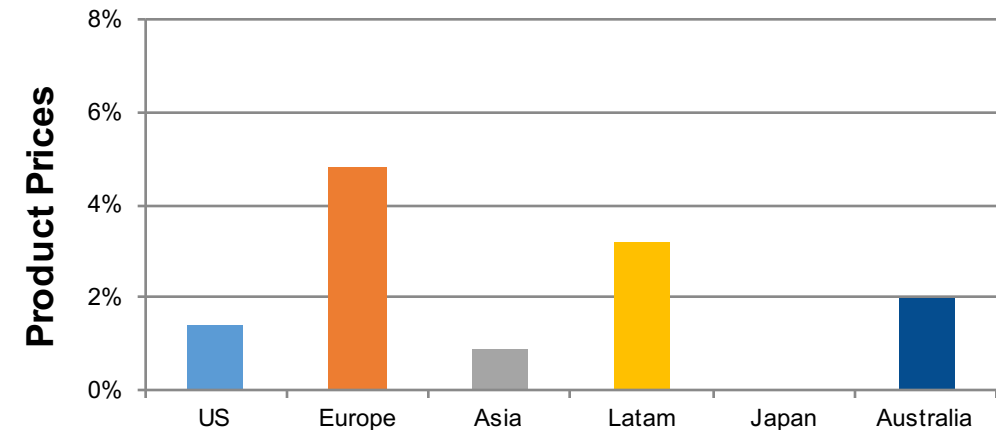
Global Trends



Inflation expectations have declined for Asia and the United States

- Asia's inflation outlook declined to 0.9%, while inflation expectations for Africa and Latin America increased to about 5%

June 2019 Outlook



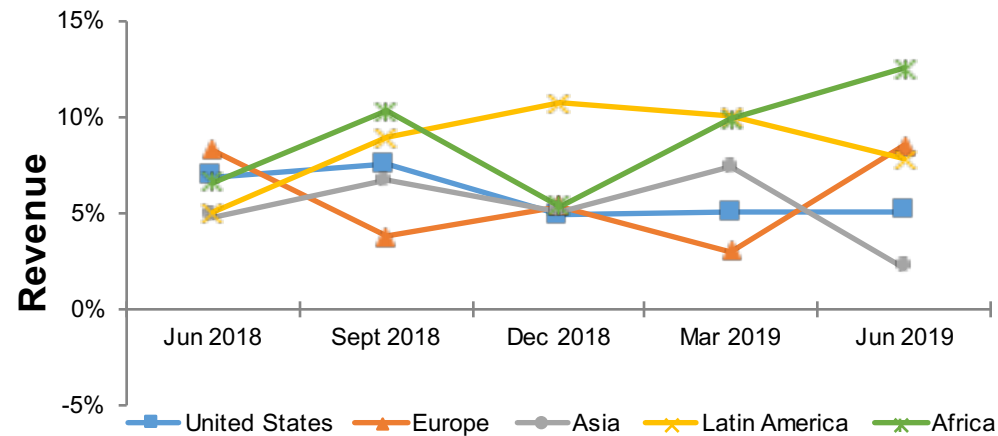
Inflation expectations for Europe shot up to 4.8% this quarter

- Among responding Asian countries, only CFOs in Australia expect prices to increase as much as 2%.

Expected Growth in Sales Revenue

The Asian revenue growth outlook decreased by more than 5% from last quarter, while the revenue growth outlook for Europe increased by more than 5%

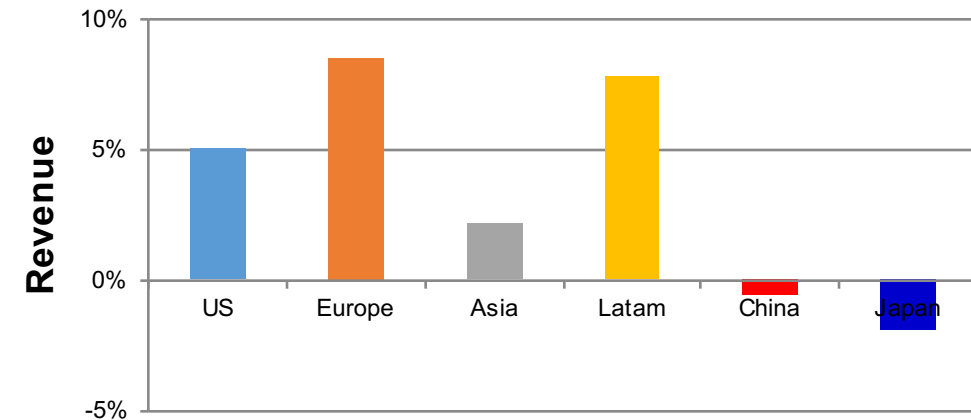
Global Trends



Except Asia and Latin America, which saw decreases, revenue growth expectations have increased for other regions

- African CFOs' revenue growth outlook increased to 12.5%, partially in reflection of higher African inflation

June 2019 Outlook



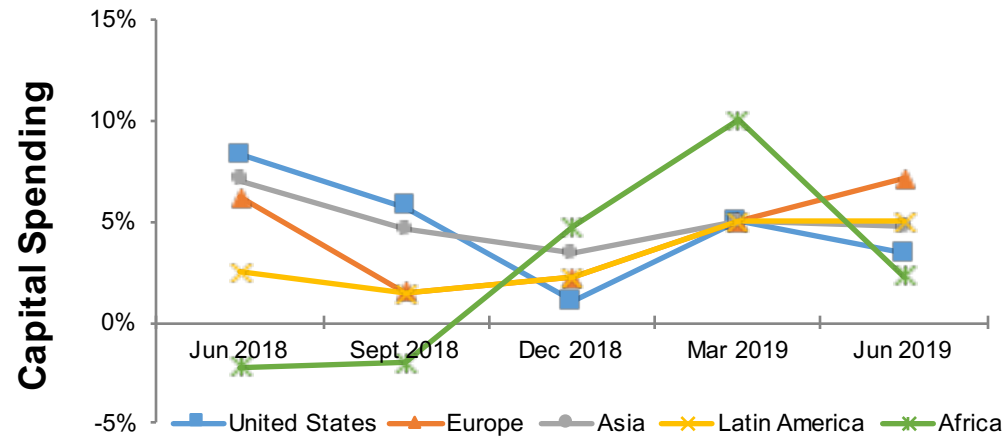
China and Japan expect revenues to fall over the next year

- The overall revenue growth outlook for Asian CFOs (2.2%) fell this quarter, due to decreased CFO optimism in both China and Japan

Capital Spending Plans

Capital spending plans among Asian CFOs has slightly decreased, after a significant increase during the previous quarter

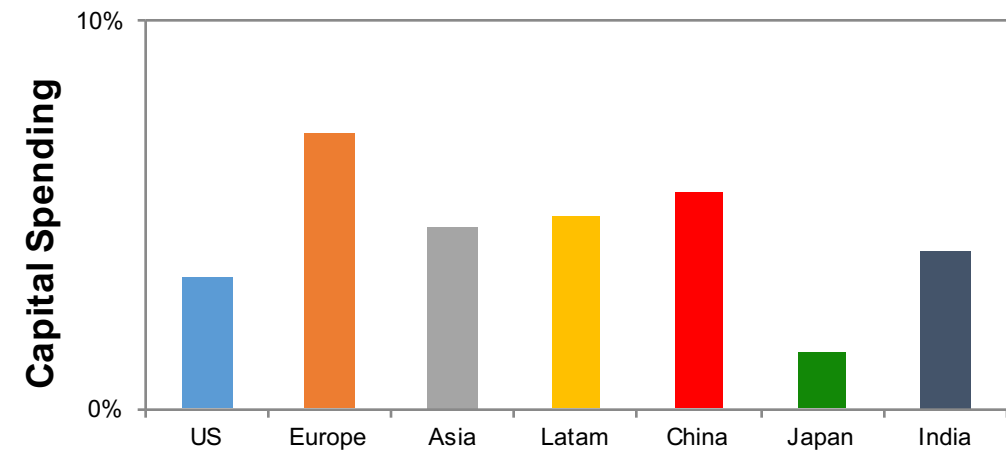
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Capital spending plans vary by region

- Capital spending plans in Europe increased to nearly 7%; the outlooks for other regions either remained the same or decreased
- Capital spending for Asia and Latin America are roughly at 5% while US and Africa are currently in the 2-3% range

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Capital spending plans soften for most major Asian economies

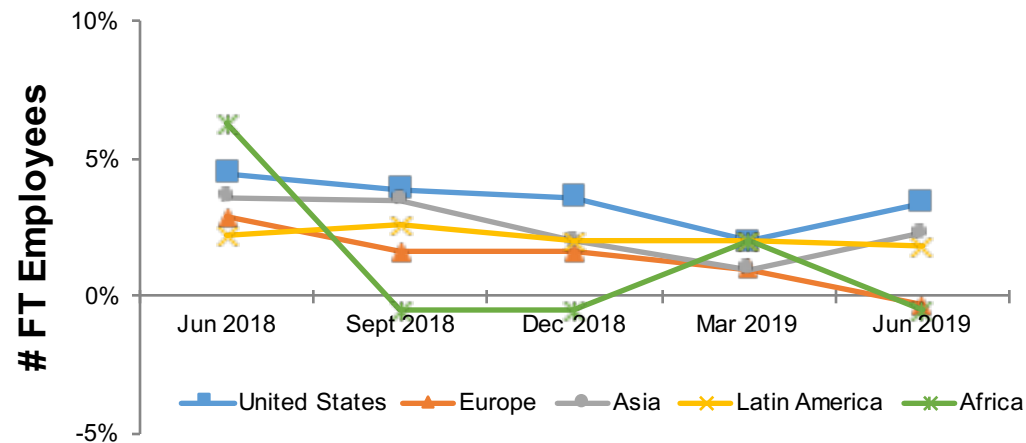
- The overall outlook for Asia is lower than the country-level expectations of European CFOs in Europe and Latin America but slightly higher than the expectations of US CFOs
- CFOs in China anticipate capital spending growth of 5-6%, which is slightly higher than expectations of the CFOs of the overall Asian region

Notes: Presented data are the mean or median values for each region or country.

Fulltime Employment Outlook

While the Asian and American employment outlooks increased moderately, the outlooks for Europe and Africa both have decreased from the previous quarter

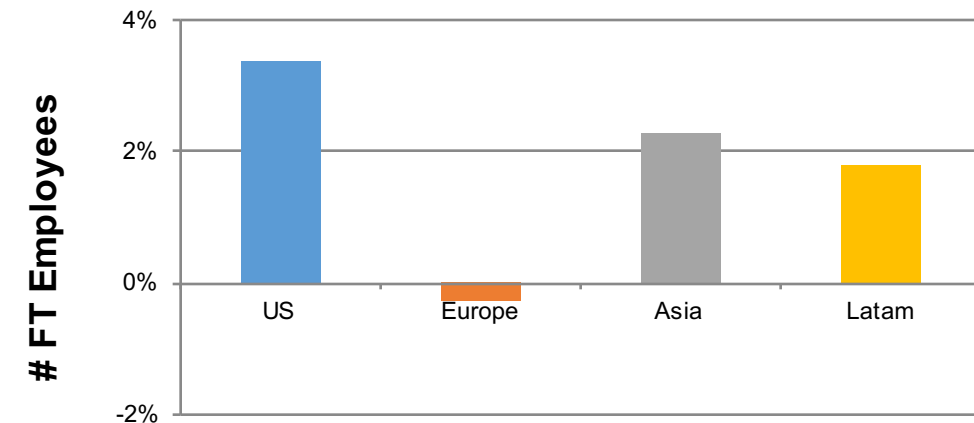
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The employment outlook is in the range of 1-2% for all regions

- Outlooks in the US and Asia rose to 2-3% from the previous quarter's results, but are still lower than Q2 of last year
- Both Europe and Africa witnessed a modest decline in employment outlook, while the Latin American outlook remained stable

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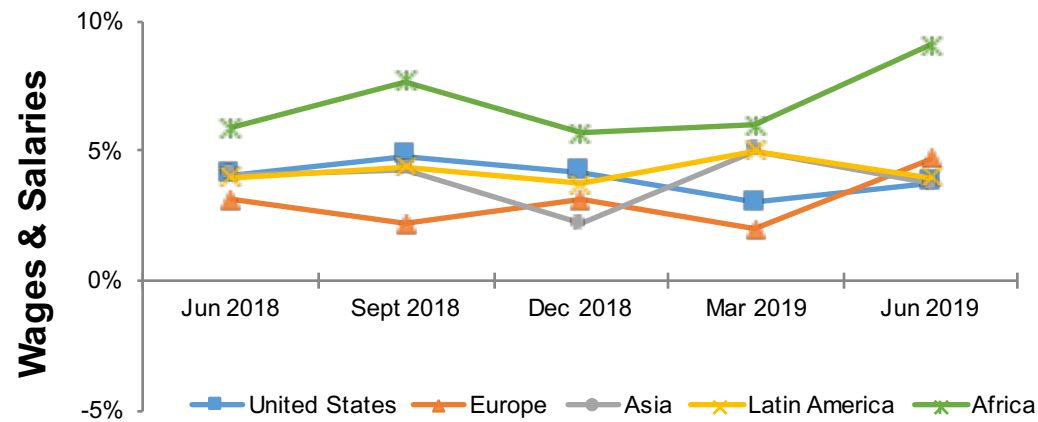


The Asian employment outlook has overall increased despite a decline in the Chinese employment outlook, relative to last quarter

Expected Wage and Salary Increases

Apart from Asia and Latin America, wage expectations have risen around the world. Asian CFOs expect moderate wage and salary growth.

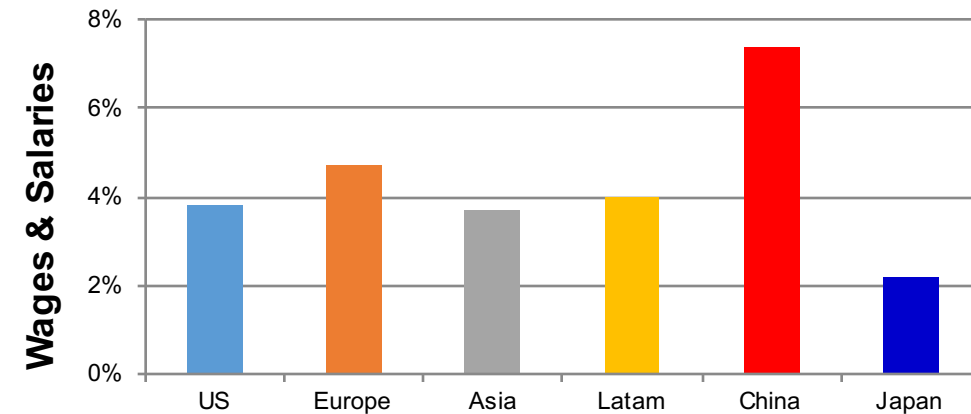
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Wage growth outlook differs by region

- Wage growth continues to be the highest among African CFOs, reflecting in part higher price inflation
- Employment should grow in the US and in Europe at around 3-5%
- Expected Asian wage growth decline from last quarter and is slightly lower than the forecast from Q1 of last year

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Asian CFOs are less optimistic about wage outlook

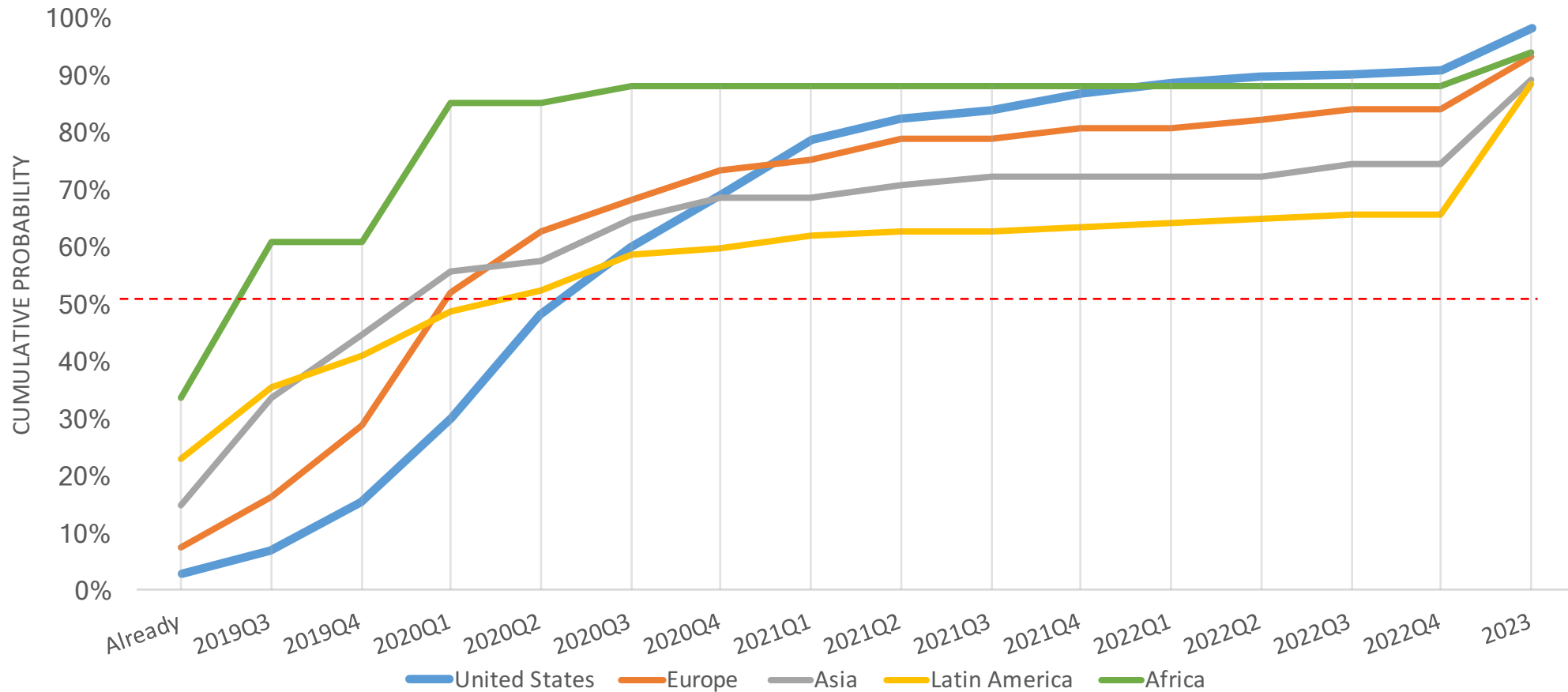
- CFOs in China have higher wage expectations than the overall Asian region
- Meanwhile, CFOs in Japan have low wage expectations of roughly 2% growth, offsetting the bullish outlook of the Asian region

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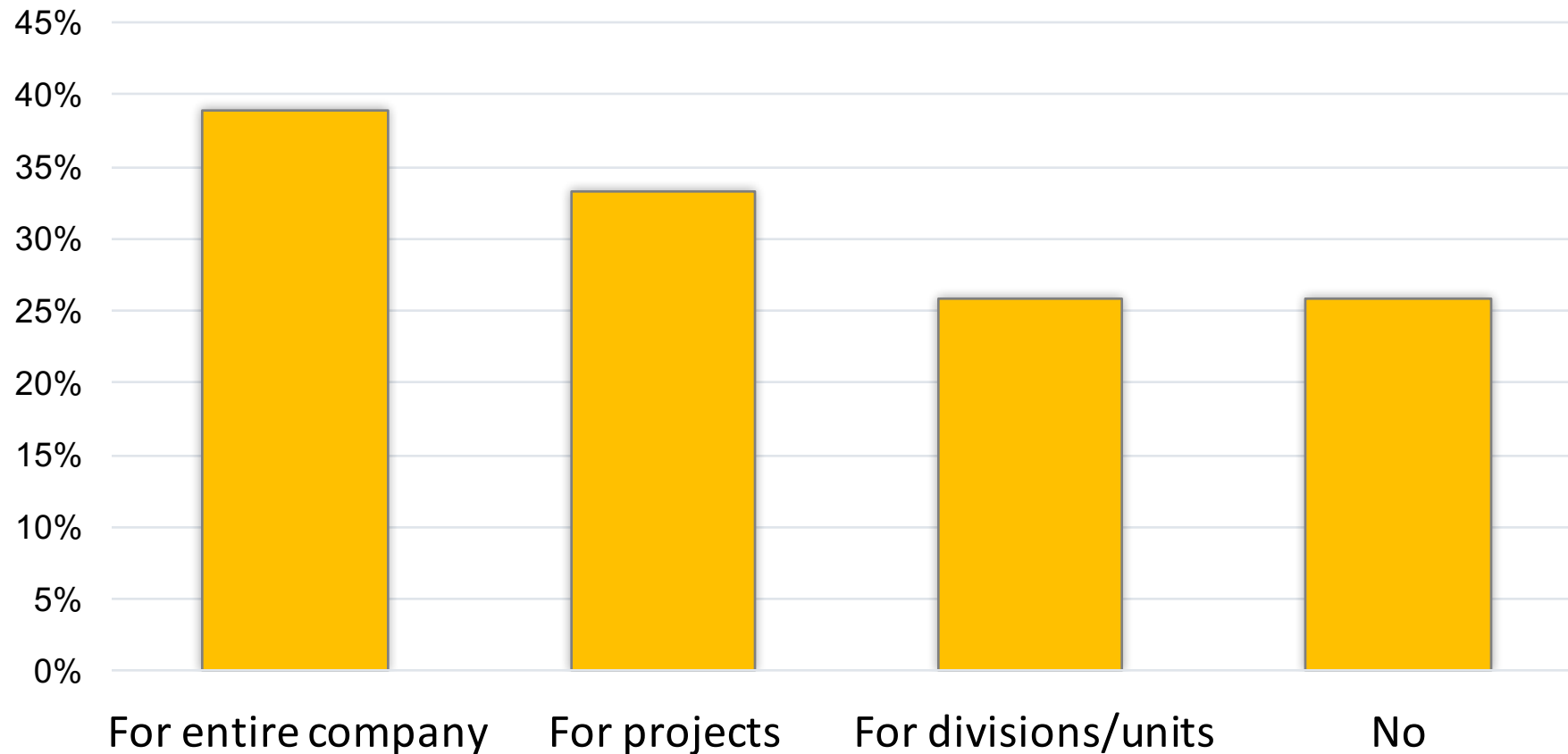
Recession Estimate

For your country: In which quarter do you expect a downturn (recession) will occur?

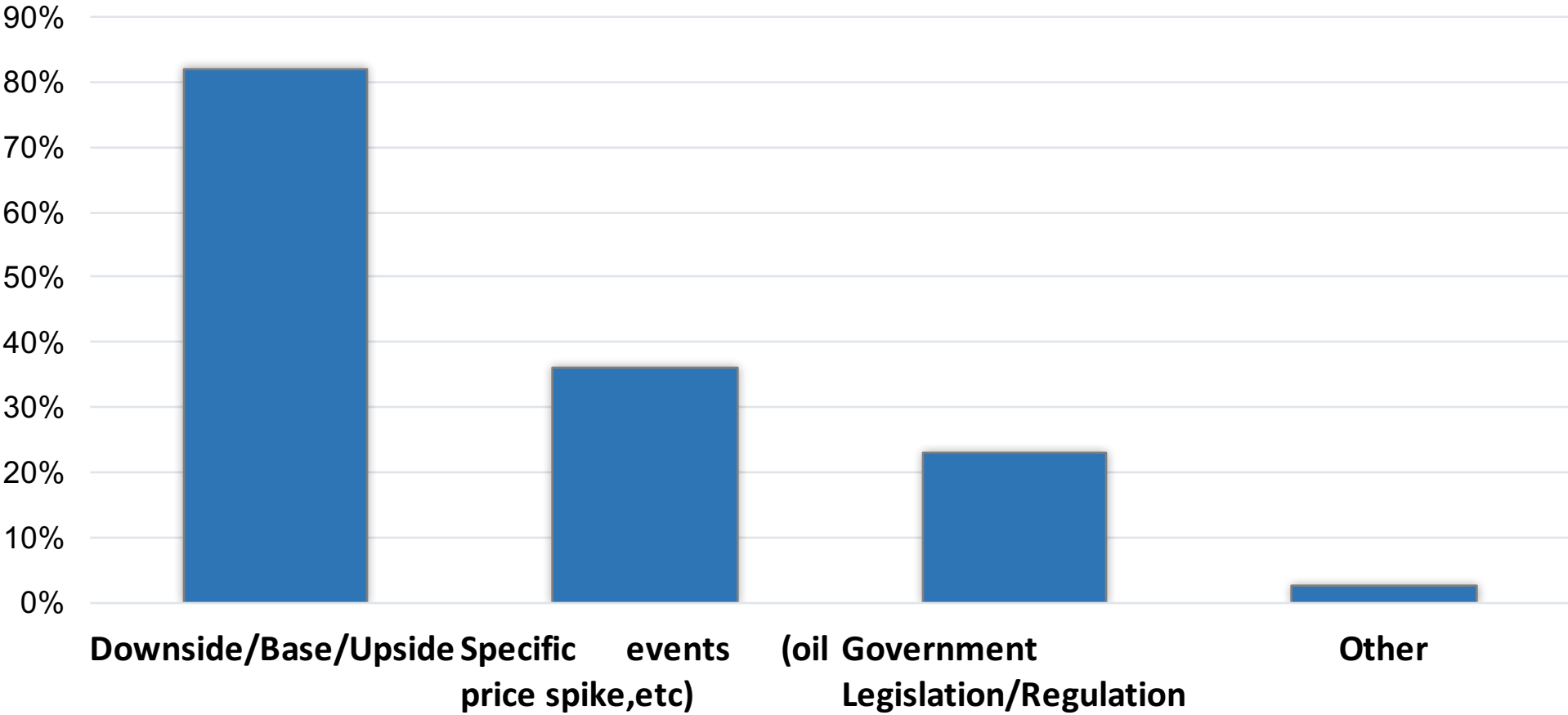
The majority of Asian CFOs expect a recession to start in the first half of 2020.



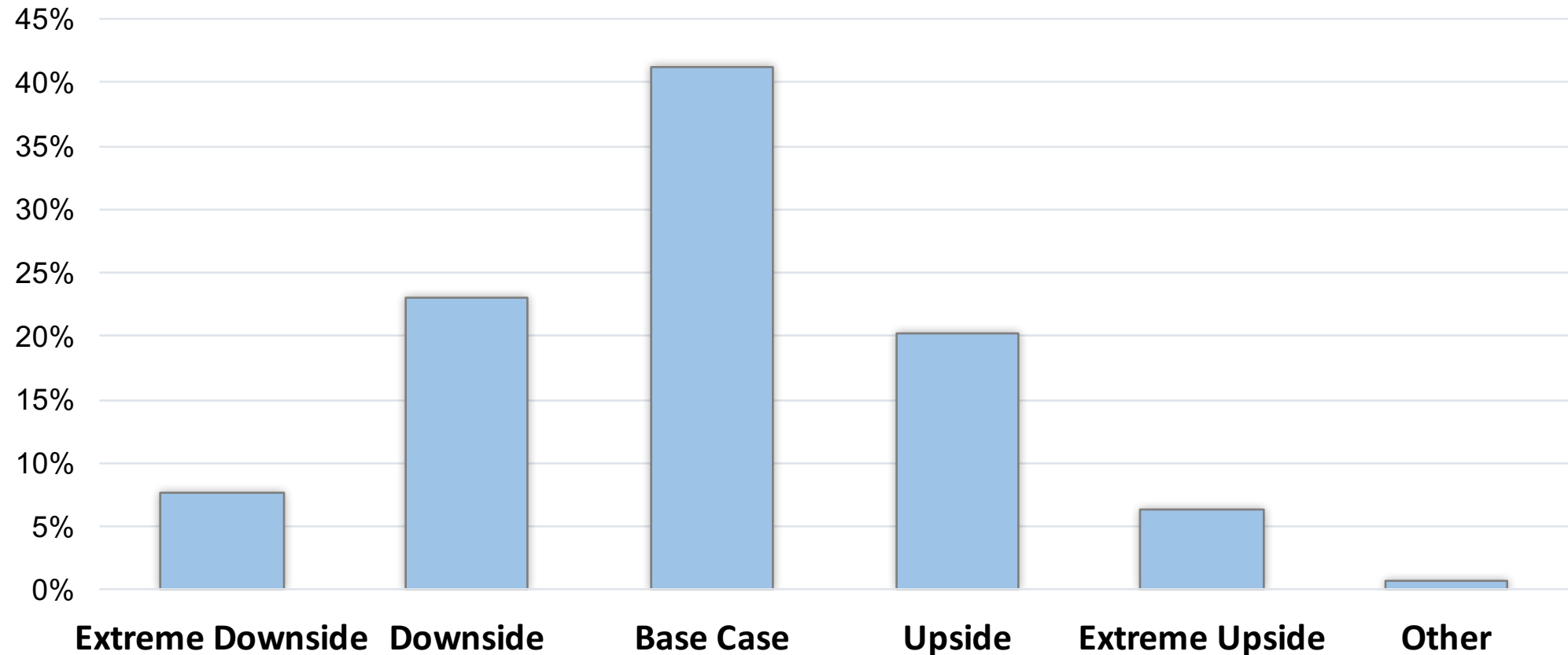
Does Your Firm Use Scenario Planning?



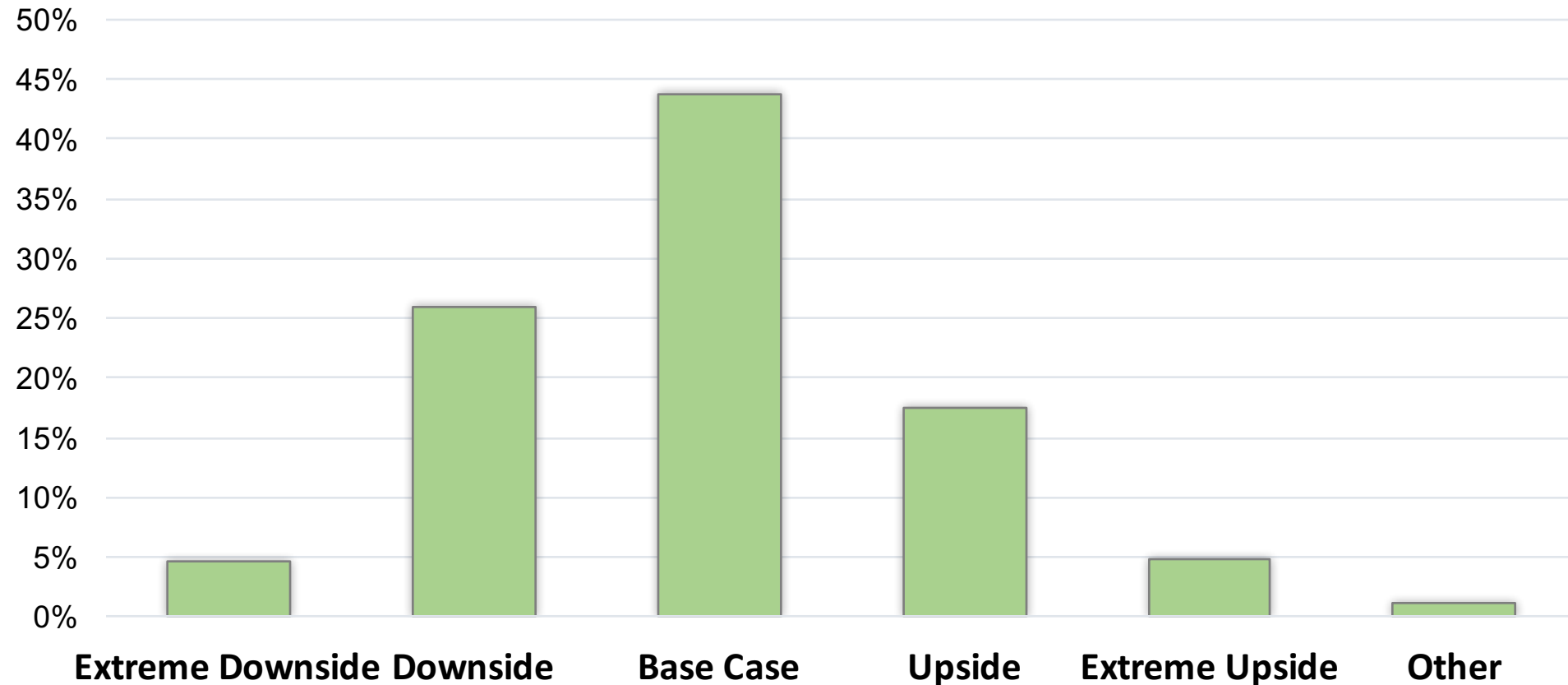
What Types of Scenarios Do You Use?



How Much Time Do Spend On Each Scenario?



How Likely Is Each Scenario?



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