A joint survey effort between
Duke University
Fundação Getúlio Vargas
CFO Magazine
El IMEF
PyME
# Top Concerns of Latin American CFOs

<table>
<thead>
<tr>
<th></th>
<th>Concern</th>
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<tbody>
<tr>
<td>1.</td>
<td>Economic Uncertainty</td>
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<td>2.</td>
<td>Government policies</td>
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<td>3.</td>
<td>Weak demand for product/services</td>
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<td>4.</td>
<td>Currency risk</td>
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<td>5.</td>
<td>Employee productivity</td>
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<td>6.</td>
<td>Access to capital</td>
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<td>7.</td>
<td>Corporate tax code</td>
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<td>8.</td>
<td>Regulatory requirements</td>
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<td>9.</td>
<td>Raising input or commodity costs</td>
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<td>10.</td>
<td>Attracting and retaining qualified employee</td>
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</tbody>
</table>
Latin American CFO optimism decreases from last quarter. Brazil optimism fell from 65 to 56.

Notes: Presented data are the mean value for each region or country, Scale from 0-100
Latin American companies expect moderate price increases

Global Trends

Inflationaly expectations moderate in Latin America
- Latam CFO’s price expectations decline slightly
- CFOs in US and Asia expect the lowest inflation

June 2019 Outlook

Inflation expectations highest in Brazil
- Prices expected to moderate in Peru
- Import prices drive some of the Latin American price inflation

Notes: Presented data are the mean or median values for each region or country.
Latin America sales revenue expectation slightly decreases

**Global Trends**

- Revenue expectation decrease from last quarter
- US, Europe and Africa sales revenue expectations increase

**June 2019 Outlook**

- Peru and Colombia expect rapid revenue growth
  - Overall Latin American revenue growth pulled down by Ecuador, Mexico and Chile

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

Latin American capital spending expectations remain the same this quarter

**Capital spending plans remain moderate**
- Latin American CFOs expect slow spending growth
- Business spending recovers somewhat but still fairly weak

**Business spending varies within Latin America**
- Mexico, Ecuador and Chile anticipate little growth in capital expenditures
- 7% spending growth expected in Brazil

Notes: Presented data are the mean or median values for each region or country.
Expected Change in Earnings

Earnings expectations decreased from last quarter

Global Trends

Asia and US expect weak earnings
- Europe decreases earnings expectations moderately from last quarter, earnings weak in US
- Africa expects large earnings growth, recovering somewhat from lost historic levels

June 2019 Outlook

Large variation in earnings growth in Latin America
- Peru and Brazil expect strongest earnings growth
- Earnings are expected to grow moderately in Chile and Ecuador
- Mexico has negative earning growth

Notes: Presented data are the mean or median values for each region or country.
Latin American CFOs expect moderate fulltime employment growth in 2019

### Global Trends

Slightly decreased employment outlook in Latin America
- Employment growth slows down in Europe and Africa

### June 2019 Outlook

Employment growth varies across L.A.
- Employment outlook in Chile and Brazil pulls down the average for overall Latin America

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

Latin American Business Outlook | Duke University / FGV / CFO Magazine | June 2019
Expected Wage and Salary Increases

Latin American wages and salaries are projected to increase by 4% in 2019

Global Trends

Wage growth expectations vary across regions
- Africa expects wages to grow 9.1% in this quarter, which is driven in part by high inflation
- Europe wage growth jumps to the second highest

June 2019 Outlook

Latin American wages to increase 4%
- All participating Latam countries expect moderate wage growth, lowest in Chile
- Wage growth in Brazil marginally beats inflation

Notes: Presented data are the mean or median values for each region or country.
When Will a Recession Occur?

For your country: In which quarter do you expect a downturn (recession) will occur?
Does Your Firm Use Scenario Planning?

- For entire company: 60%
- For projects: 20%
- For divisions/units: 10%
- No: 10%
What Types of Scenarios Do You Use?

- Downside/Base/Upside: 80%
- Specific events (oil price spike, etc): 20%
- Government Legislation/Regulation: 10%
- Other: 0%
Allocation of Time and Attention in Scenario Planning

<table>
<thead>
<tr>
<th>Scenario Type</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Extreme Downside</td>
<td>5%</td>
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<tr>
<td>Downside</td>
<td>10%</td>
</tr>
<tr>
<td>Base Case</td>
<td>45%</td>
</tr>
<tr>
<td>Upside</td>
<td>15%</td>
</tr>
<tr>
<td>Extreme Upside</td>
<td>5%</td>
</tr>
<tr>
<td>Other</td>
<td>0%</td>
</tr>
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</table>
How Likely Is Each Scenario?

- Extreme Downside: 40%
- Downside: 20%
- Base Case: 50%
- Upside: 20%
- Extreme Upside: 5%
- Other: 0%
The Latin American Business Outlook is frequently reported in the press.
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Latin American Business Outlook
Part of the Global Business Outlook

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