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CFO Survey reports Canadian and U.S. optimism remains strongest in the world; Hillary Clinton viewed as best presidential candidate for Canadian businesses

WATERLOO – Chief Financial Officer (CFO) optimism about the Canadian and U.S. economies has weakened, but remains the strongest in the world; while nearly half of Canadian firms say they plan to increase wages more than three per cent in the coming year to try to fill vacant job openings in key positions, according to the latest survey results of the Global Business Outlook Survey.

The survey, which concluded Sept. 4, has been conducted for 78 consecutive quarters and spans the globe, making it the world's longest-running and most comprehensive research on senior finance executives.

Canada has been included in the survey since January 2015, with support from the Financial Services Research Centre (FSRC) at Wilfrid Laurier University's Lazaridis School of Business & Economics.

"The survey helps us to get new insights into the business climate in Canada and compare them to the rest of the world," said M. Fabricio Perez, coordinator of the Canadian survey and Finance professor at the Lazaridis School.

The survey also explores the view of Canadian CFOs about U.S. Presidential Candidates. Results show that the majority (54.3 per cent) of Canadian CFOs believe that Hillary Clinton is the candidate that would be best for their business.

Employment and Wages

Most Canadian companies (88.9 per cent) say they have job openings in key positions and 44.6 per cent of them find it difficult to fill these slots. Canadian firms expect to hike wages by 3.1 per cent over the next 12 months, with wage growth strongest in the tech, manufacturing and banking industries. In fact, 41.2 per cent of the CFOs surveyed have recently increased, or are planning to increase, the real wages of their primary employees. The number of full-time employees is expected to increase by 4.7 per cent next year, particularly in the tech and banking sectors. These results are very similar to the U.S.

"CFOs say they are increasing wages in response to labor market pressures and difficulty finding key workers," said John Graham, a finance professor at Duke University's Fuqua School of Business, director of the survey.

CFO Economic Outlook

CFO optimism about the Canadian economy has weakened as executives rate the outlook at 59.6 – down from 62.3 in the Spring and 63.0 at the beginning of the year – on a 100-point scale. Similarly, U.S. CFO economic optimism has also declined but remains the strongest of all the countries surveyed.

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When it comes to their own company's financial prospects, compared with the last quarter, Canadian financial executives are also feeling less optimistic. Nevertheless, their business plans seem to be strengthened. Capital spending is expected to increase by 26.1 per cent during the next 12 months, along with earnings (7.2 per cent) and revenues (8.2 per cent).

"The expected growth in capital spending could be attributed to two reasons. First, Corporate Canada is continuing to take advantage of a global economic recovery. Second, a weak Canadian dollar will help Canadian companies to export to the U.S.," said Si Li, finance professor at the Lazardis School, and coordinator of the Canadian survey.

Mergers and acquisitions (M&As) are expected to continue, as 22.2 per cent of the companies are planning to make an acquisition during the next year. M&As will be performed mainly by companies in the banking industry and service consulting. Deals will be funded primarily by cash and debt. Investment strategies will have the purpose of diversifying the product portfolio across geographic regions and will attempt to improve strategic positions within their respective industries.

In Europe, economic optimism slipped to 58 on a 100-point scale, down from 60 last quarter, but Europe continues to solidify. For the first time in at least a decade, optimism is lower in all emerging regions than in North America and Europe. Asian optimism fell to 56, down from 63 last quarter. African optimism increased to 48 this quarter, up from 43 last quarter. Latin American economic optimism plummeted to 43 on a 100-point scale.

Canadian Stock Market is not Overvalued

More than 50 per cent of Canadian CFOs think that the Canadian stock market is correctly valued. This differs from the U.S., where even after the recent correction more than half of CFOs believe that the market is still overvalued.

U.S. Presidential Election

More than half (54.3 per cent) of Canadian CFOs believe that Hillary Clinton is the U.S. presidential candidate that would be best for their business. Meanwhile, 19.6 per cent of the financial executives believe Jeb Bush would be best for their business, while 15.2 per cent chose Donald Trump.

Among U.S. CFOs surveyed, no single candidate received majority support. Donald Trump leads the list of presidential candidates selected by CFOs, followed by Carly Fiorina. Jeb Bush follows closely. "This is not a survey of the average voter. These are our business leaders," said John Graham. "It appears U.S. CFOs believe that presidential candidates with business experience would be best for their own businesses, given the backgrounds of Donald Trump and Carly Fiorina."

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

About the survey: This is the 78th consecutive quarter the Duke University/CFO Global Business Outlook survey has been conducted. The survey concluded Sept. 4 and generated responses from more than 1,200 CFOs, including 510 from the U.S., 64 from Canada, 130 from Asia, 150 from Europe, 303 from Latin America, and 18 from Africa. The survey of European CFOs was conducted jointly with TiasNimbas in the Netherlands (C.Koedijk@uvt.nl) and ACCA, based in the U.K. The survey of Latin America was conducted jointly with Fundação Getúlio Vargas (FGV) in Brazil (gledson.carvalho@fgv.br, klenio.barbosa@fgv.br) and with Universidad Andina Simon Bolivar in Ecuador. The Japanese survey was conducted jointly with Kobe University (cfosurveyjp@people.kobe-u.ac.jp) and Tokyo Institute of Technology, among others. The African survey was conducted jointly with SAICA (kellym@saica.co.za).

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The Duke University/Global Business Outlook survey polls a wide range of companies (public and private, small and large, many industries, etc.), with the distribution of responding firm characteristics presented in online tables. The responses are representative of the population of CFOs that are surveyed. 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 10 \$500-million firms would. 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.