



# **African Business Outlook**

*Part of the Global Business Outlook*

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A joint survey effort between  
**Duke University**  
**The South African Institute of Chartered Accountants**  
***CFO Magazine***

**CFO**



# CFO Global and African Business Outlook – Overview

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## Global Business Outlook

**Duke University has surveyed CFOs around the world every quarter since 1996, most of those years jointly with CFO magazine. The survey takes the pulse of the business community and has a strong record of predicting future economic activity. The results are relied upon by Central Bankers, Analysts, Investors, and are widely reported in the press.**

## SAICA, AIA, and the African Business Outlook

**SAICA joined the survey in 2013, helping to found the African Business Outlook, with an initial focus on the South African economy. Nigeria was added to the survey sample in 2015.**

**The analysis in this report will enable participating firms to make important business decisions as they can benchmark themselves against their global peers and also aid investors interested in Africa.**

## Key Survey Facts

- Survey Respondents: 33
  - Of which, 10 from Nigeria, 22 from South Africa, and 1 from other parts of Africa.
  - Unless otherwise stated, the analysis represents responses from across Africa.
- Sample includes CFOs from both public and private companies representing a broad range of industries, including:
  - Retail/Wholesale, Mining/Construction, Manufacturing, Transportation/Energy, Communications/Media, Technology, and Banking/Finance/Insurance.
- Certain questions are constant each quarter, to capture trends in corporate optimism, expected hiring and capital investment plans, inflation, wages, and many other categories.
- Other questions change each quarter to examine topical economic issues and newsworthy business or political events that may affect the corporate finance landscape.

# Top Concerns of African CFOs

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1.	Economic Uncertainty
2.	Weak demand for product/services
3.	Government policies
4.	Currency risk
5.	Difficulty attracting/retaining qualified employees
6.	Unrest in general population
7.	Access to capital
8.	Reliability and cost of electricity
9.	Raising input or commodity costs
10.	Data Security

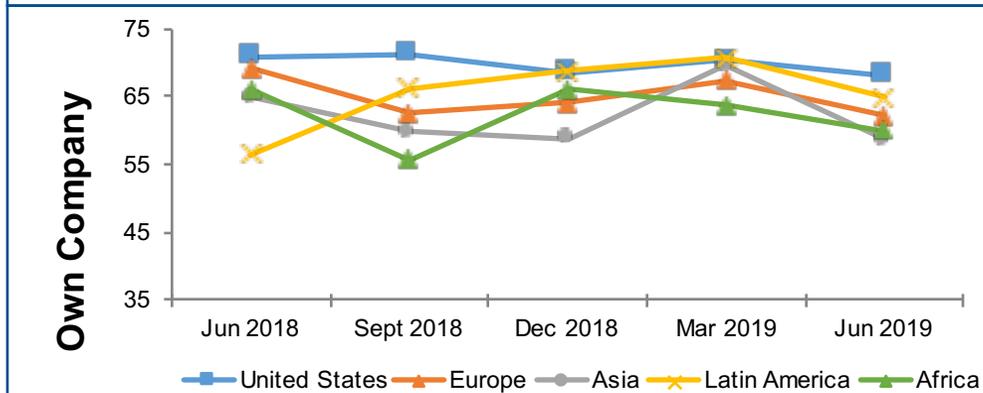
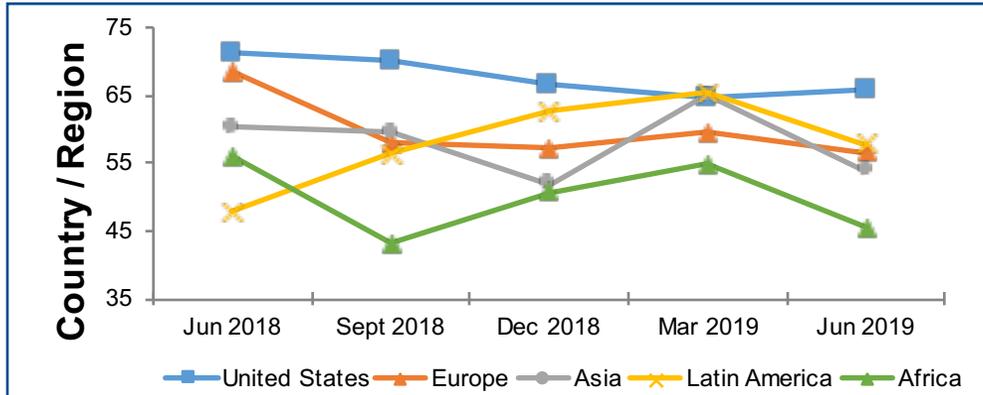
# Business Optimism Index

African CFO optimism decreases from last quarter.

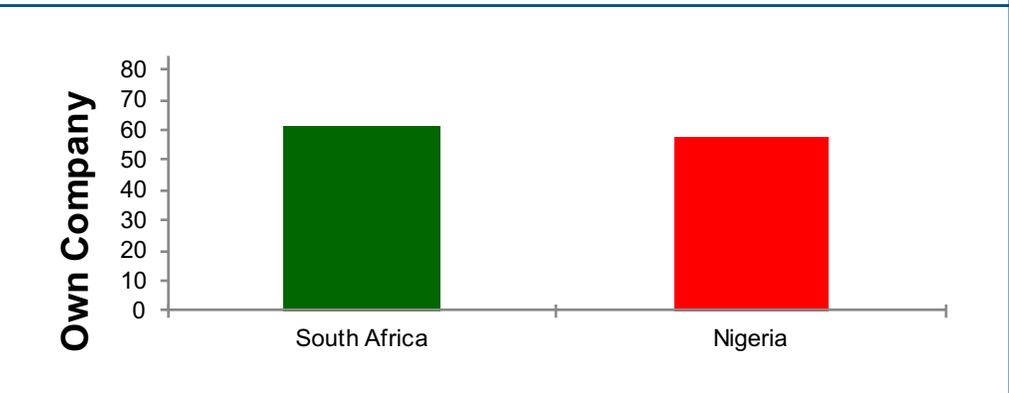
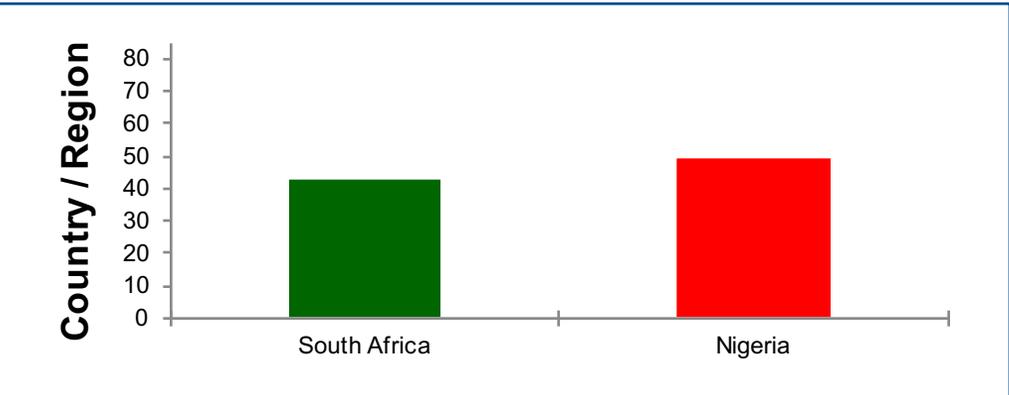
Country Business Optimism Index

Own-Firm Business Optimism Index

## Global Trends



## June 2019 Outlook

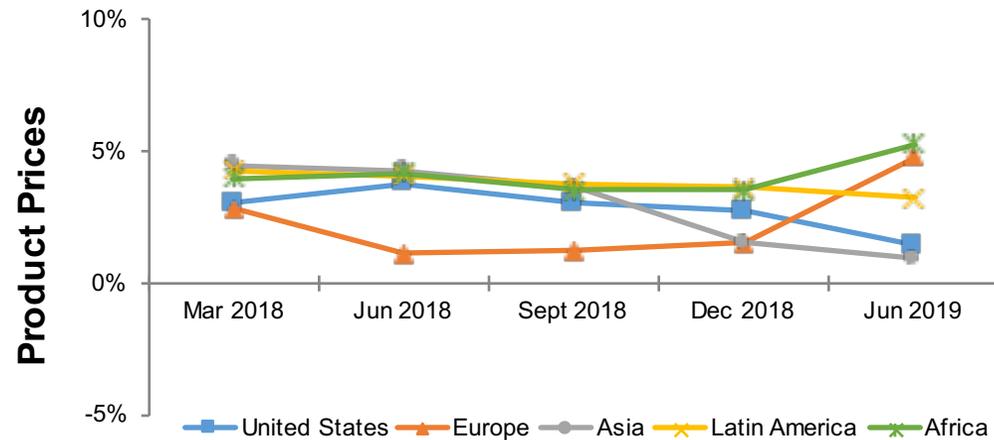


Notes: Presented data are the mean value for each region or country, Scale from 0-100

# Expected Product Price Inflation

African companies expect moderate price increases, higher than in many regions of the world

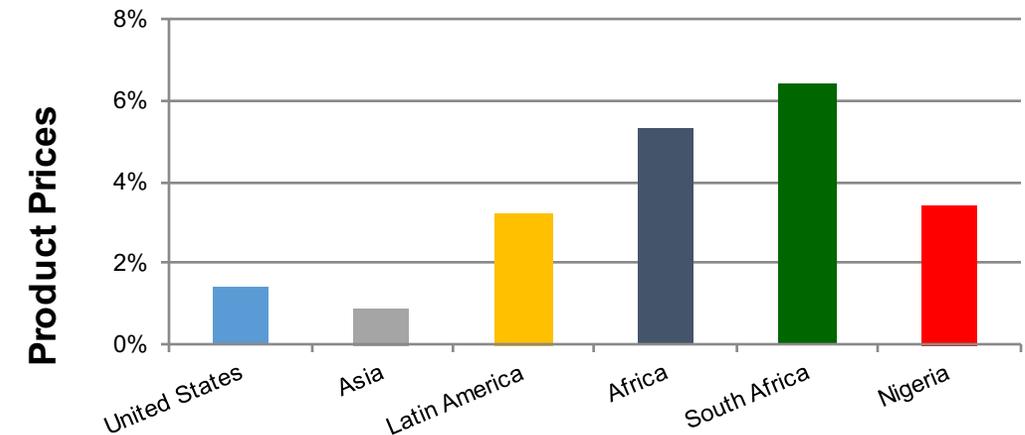
## Global Trends



### Inflationary 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 South Africa

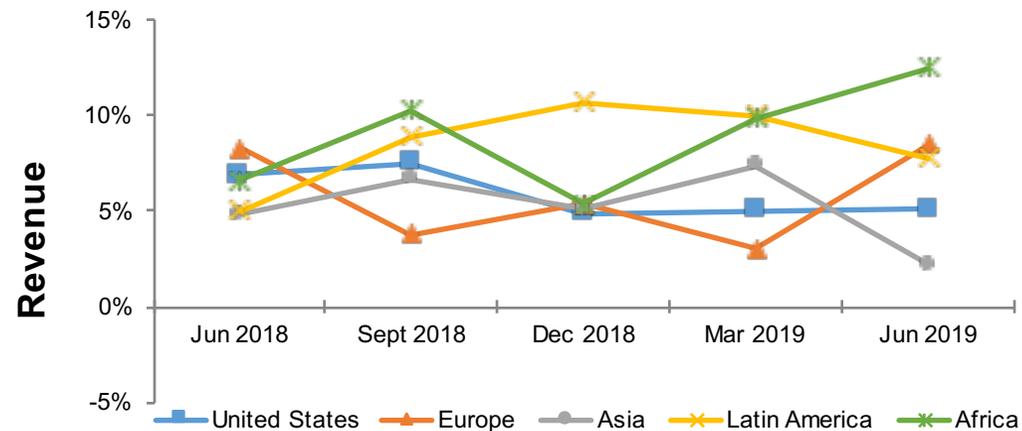
- Price increases expected to be relatively moderate in Nigeria

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

# Expected Growth in Sales Revenue

## African revenue growth expectations increase

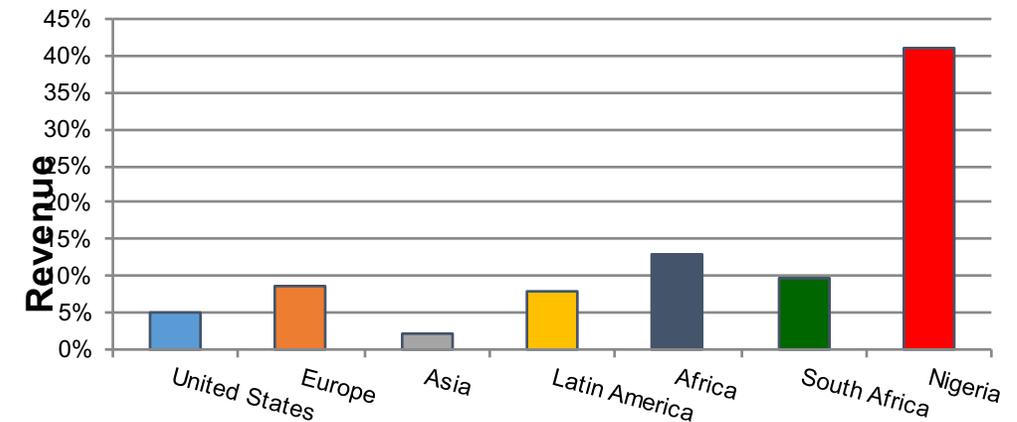
### Global Trends



### African revenue growth plan lead the world

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

### June 2019 Outlook



### Africa expect rapid revenue growth

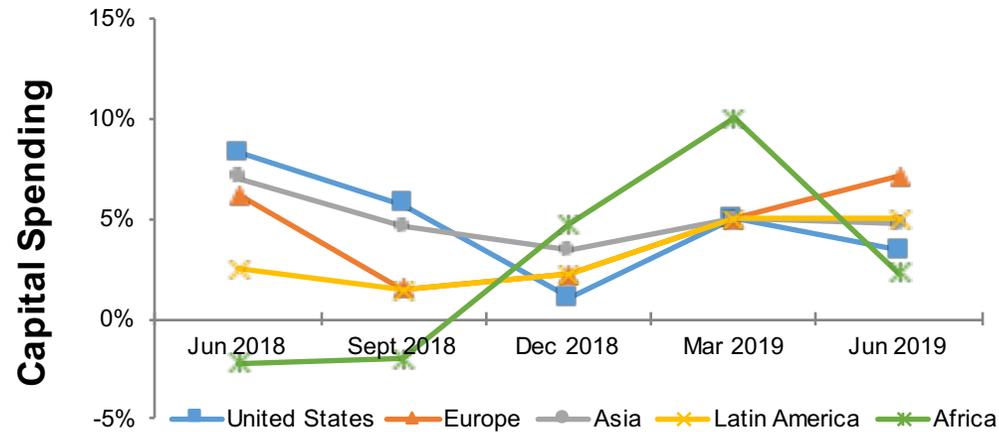
- Overall African revenue is expected to growth at an average of 27%.
- Nigeria expects 41% growth in revenue over the past year's low base

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

# Capital Spending Plans

## Africa capital spending expectations moderate significantly

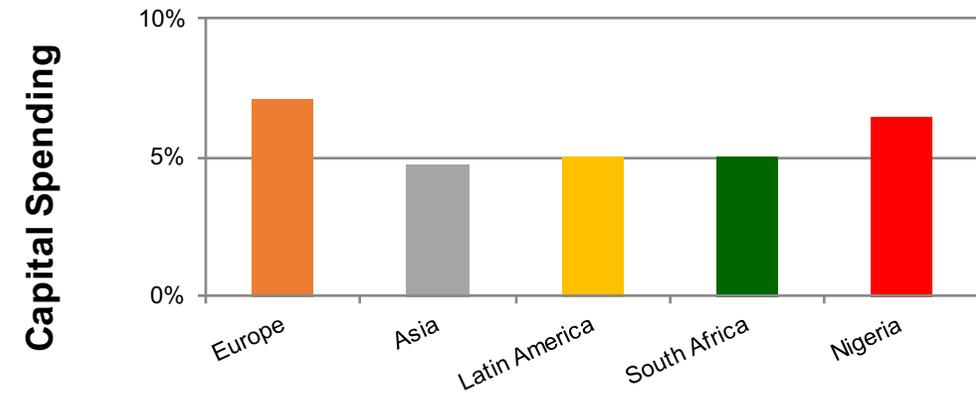
### Global Trends



### Capital spending plans remain moderate

- Business spending expected to grow at a slower rate, except in Europe

### June 2019 Outlook



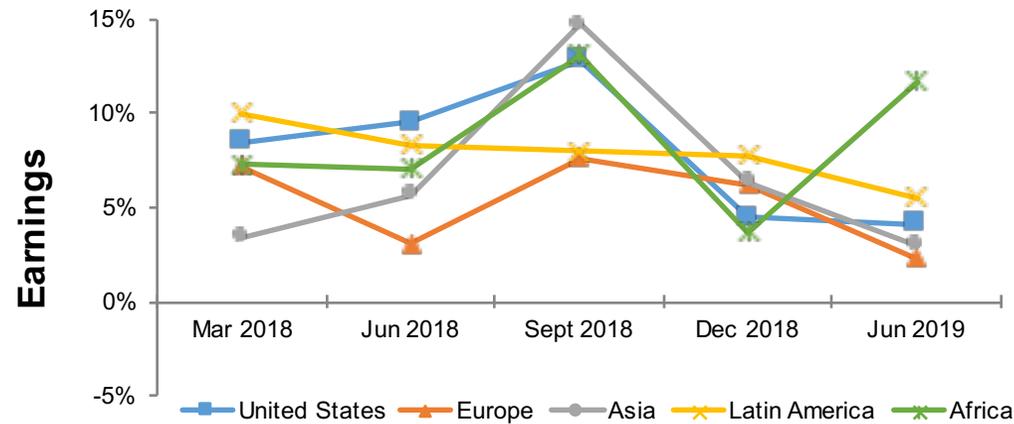
### Business spending varies within Africa

- Nigeria anticipates capital spending of approximately 7%.
- 5% spending growth expected in South Africa

# Expected Change in Earnings

Earnings expectations increased from last quarter

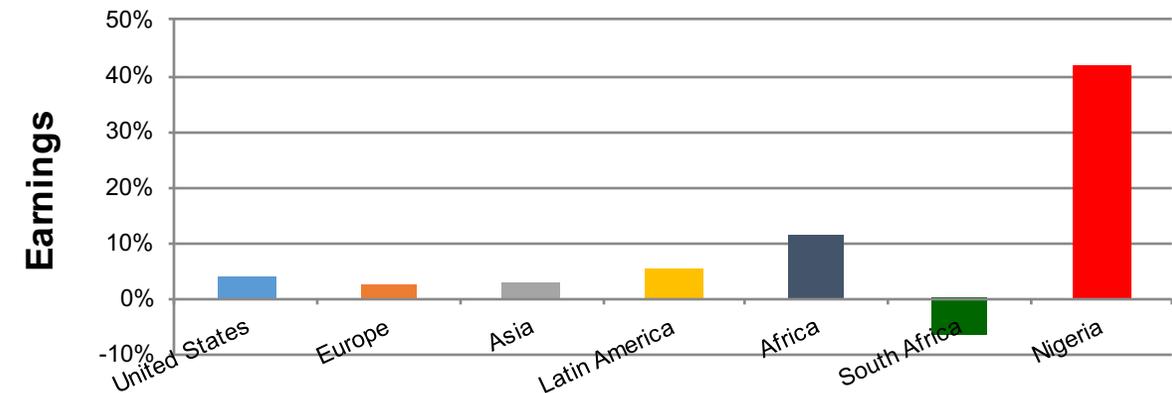
## Global Trends



### Asia and US expect weak earnings

- Europe decreases earnings expectations moderately from last quarter; earnings outlook weak in US
- Africa expects large earnings growth, recovering somewhat from low historic levels, and in part reflecting inflation

## June 2019 Outlook



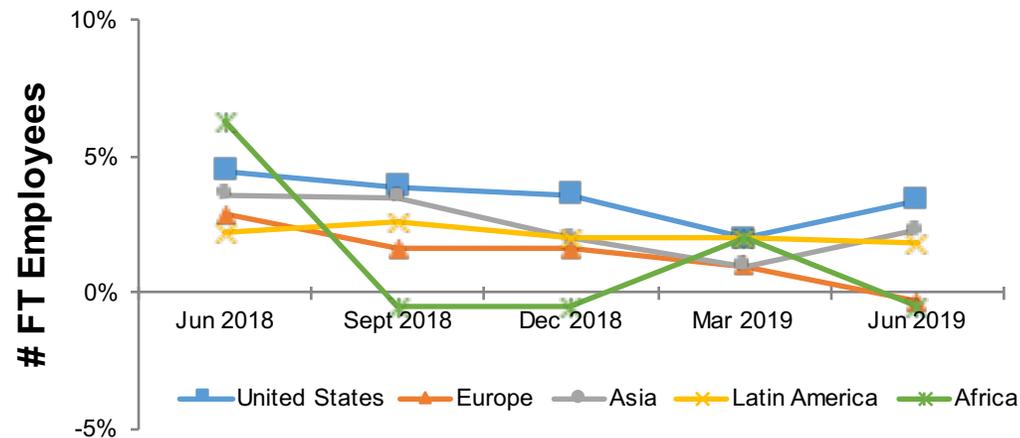
### Large variation in earnings growth in Africa

- Nigeria expects strongest earnings growth of 42%
- South Africa expects negative growth of 7%

# Fulltime Employment Outlook

## African CFOs expect decreased fulltime employment growth in 2019

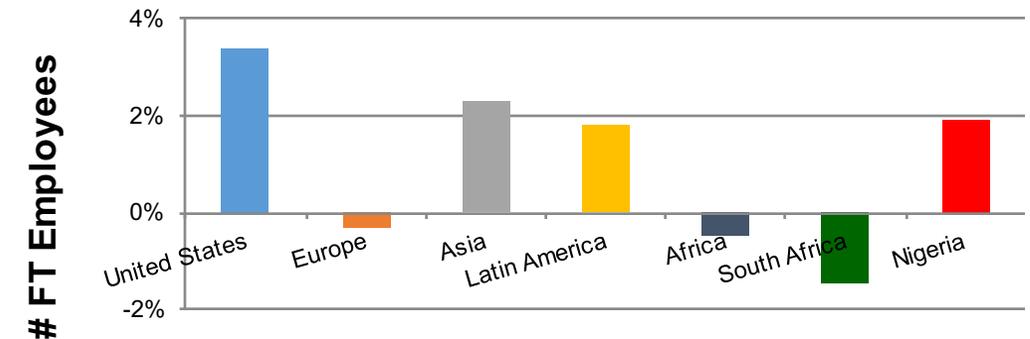
### Global Trends



### Slightly decreased employment outlook in Latin America

- Employment growth plans flat in Europe and Africa
- US and Asia CFOs expect moderate employment growth in 2019.

### June 2019 Outlook



### Employment growth remains low across Africa

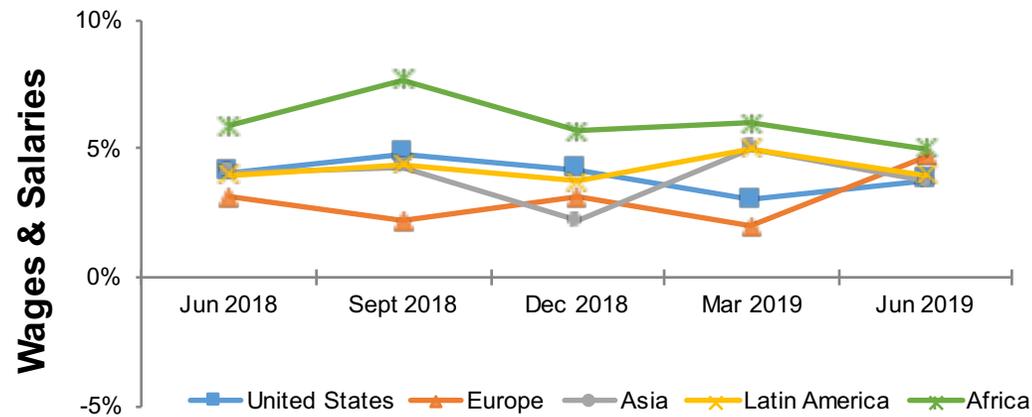
- Employment outlook in Nigeria expected to grow at an average of 2%
- South African expects headcount reduction.

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

# Expected Wage and Salary Increases

African wages and salaries are projected to increase by 5% in the next 12 months

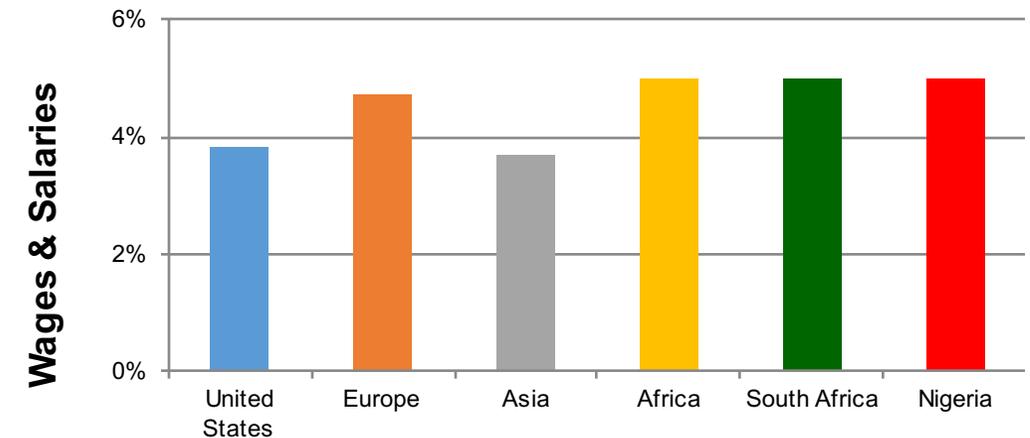
## Global Trends



### Wage growth expectations vary across regions

- Africa expects wages to grow 5% in this quarter, which is driven in part by inflation
- Europe wage growth jumps to the second highest

## June 2019 Outlook



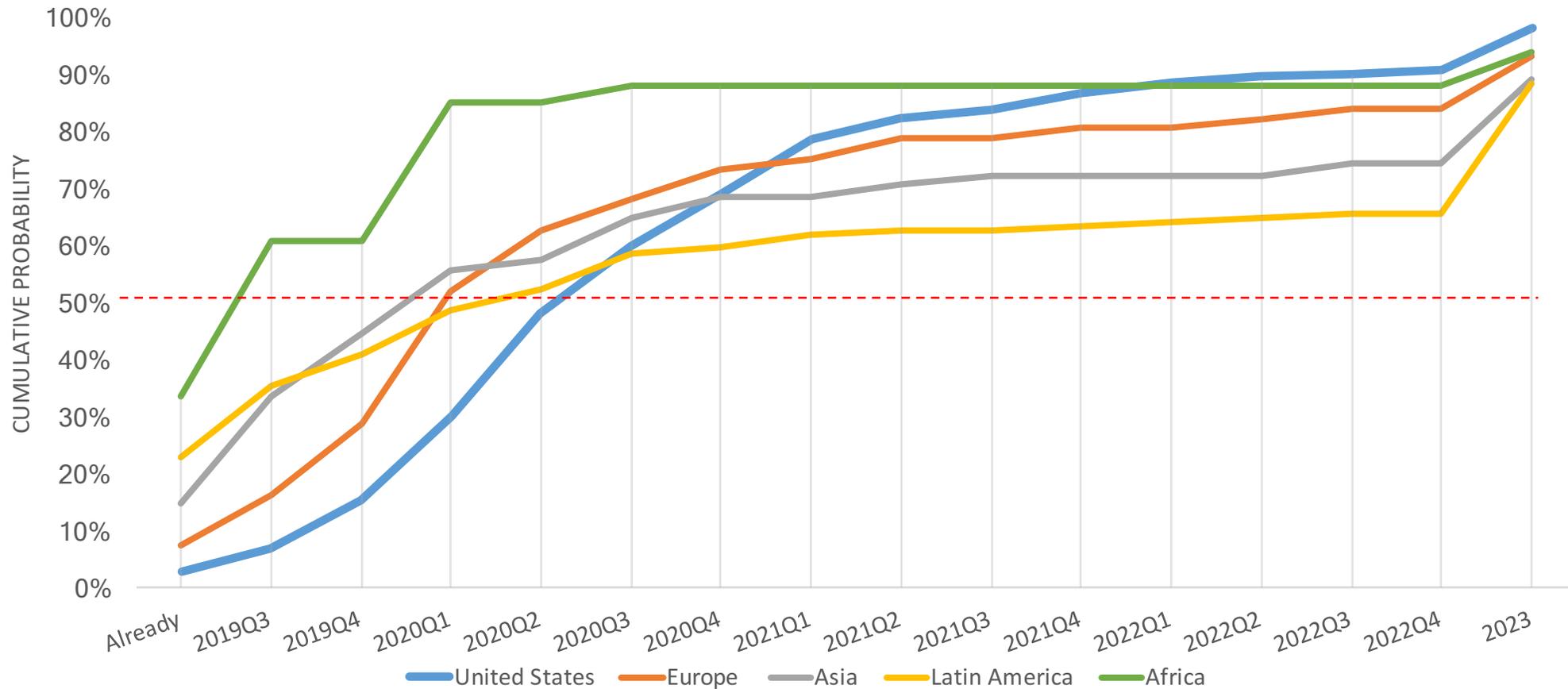
### African wages to increase 5%

- Rising wages and salaries is a pressing concern for South Africa

# When Will a Recession Occur?

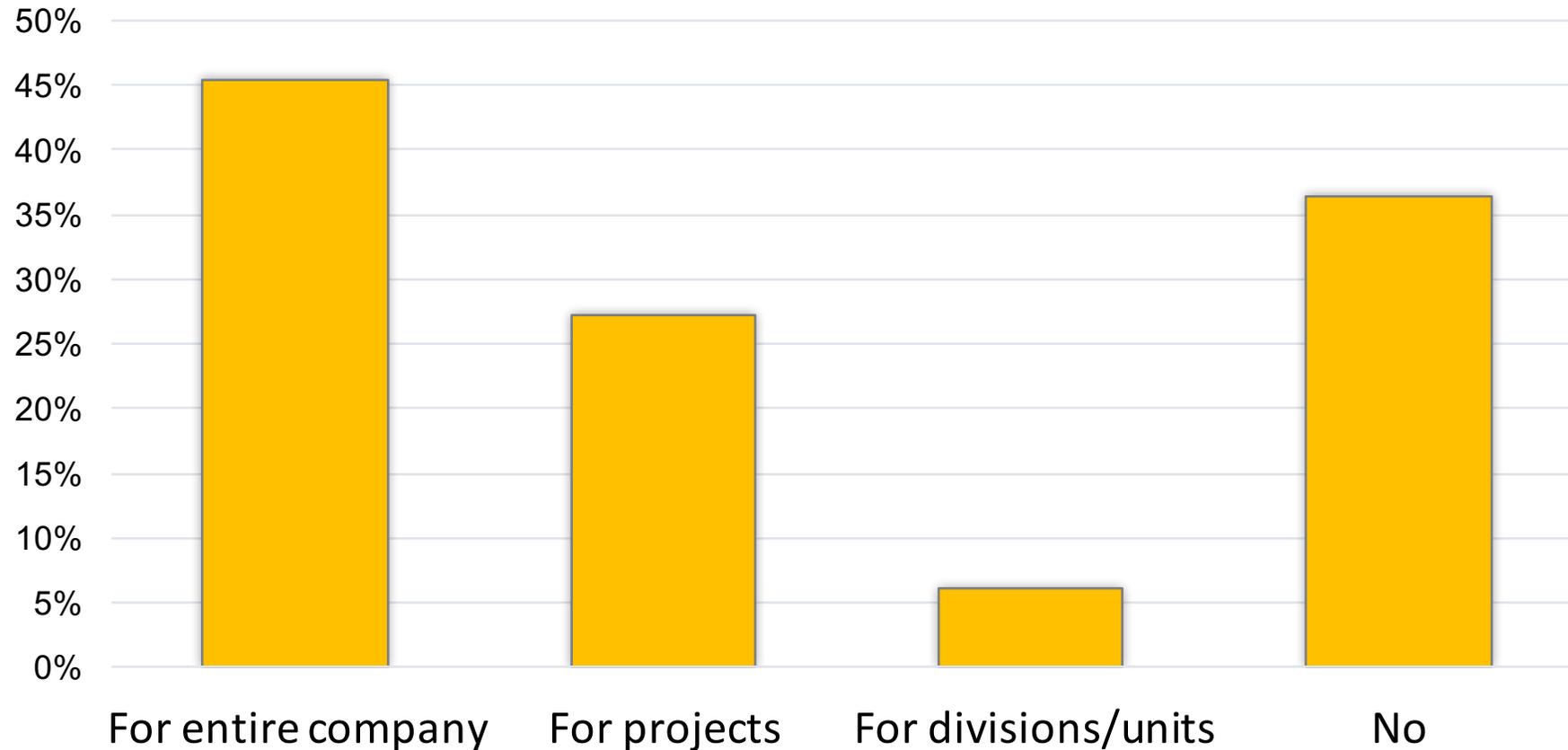
***For your country: In which quarter do you expect a downturn (recession) will occur?***

African CFOs have higher recessionary expectations than CFOs in other regions of the world.

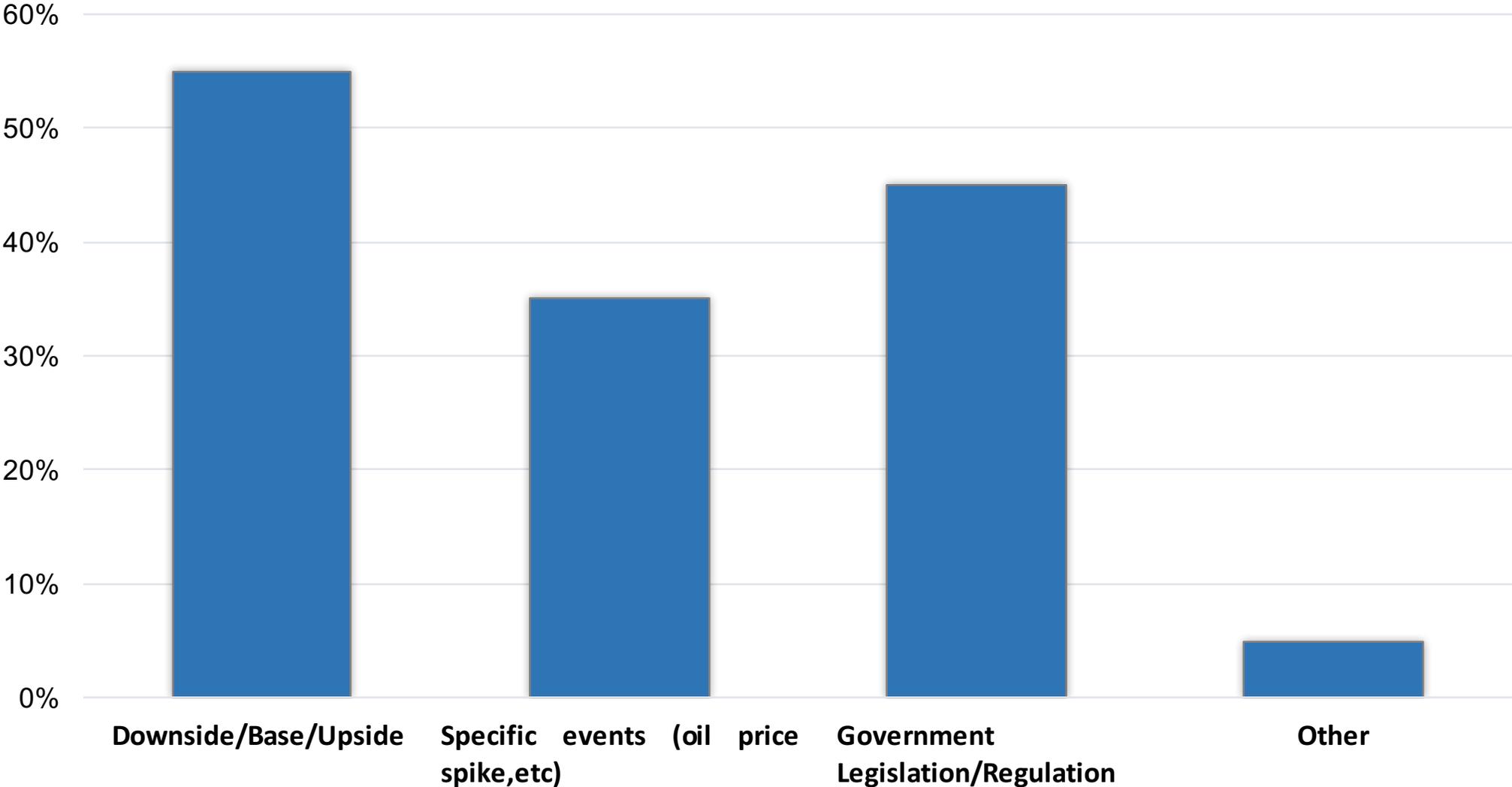


# Does Your Firm Use Scenario Planning?

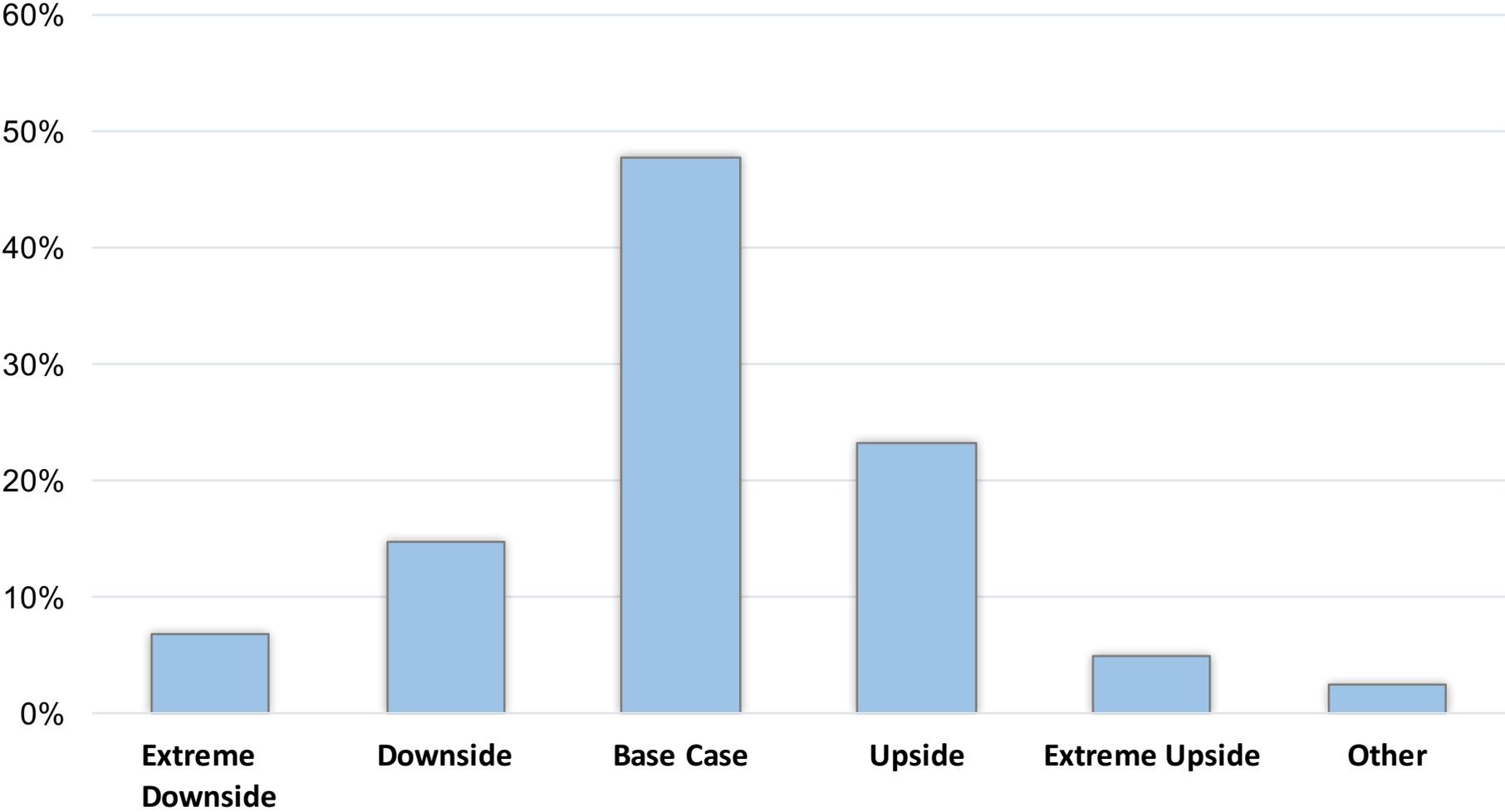
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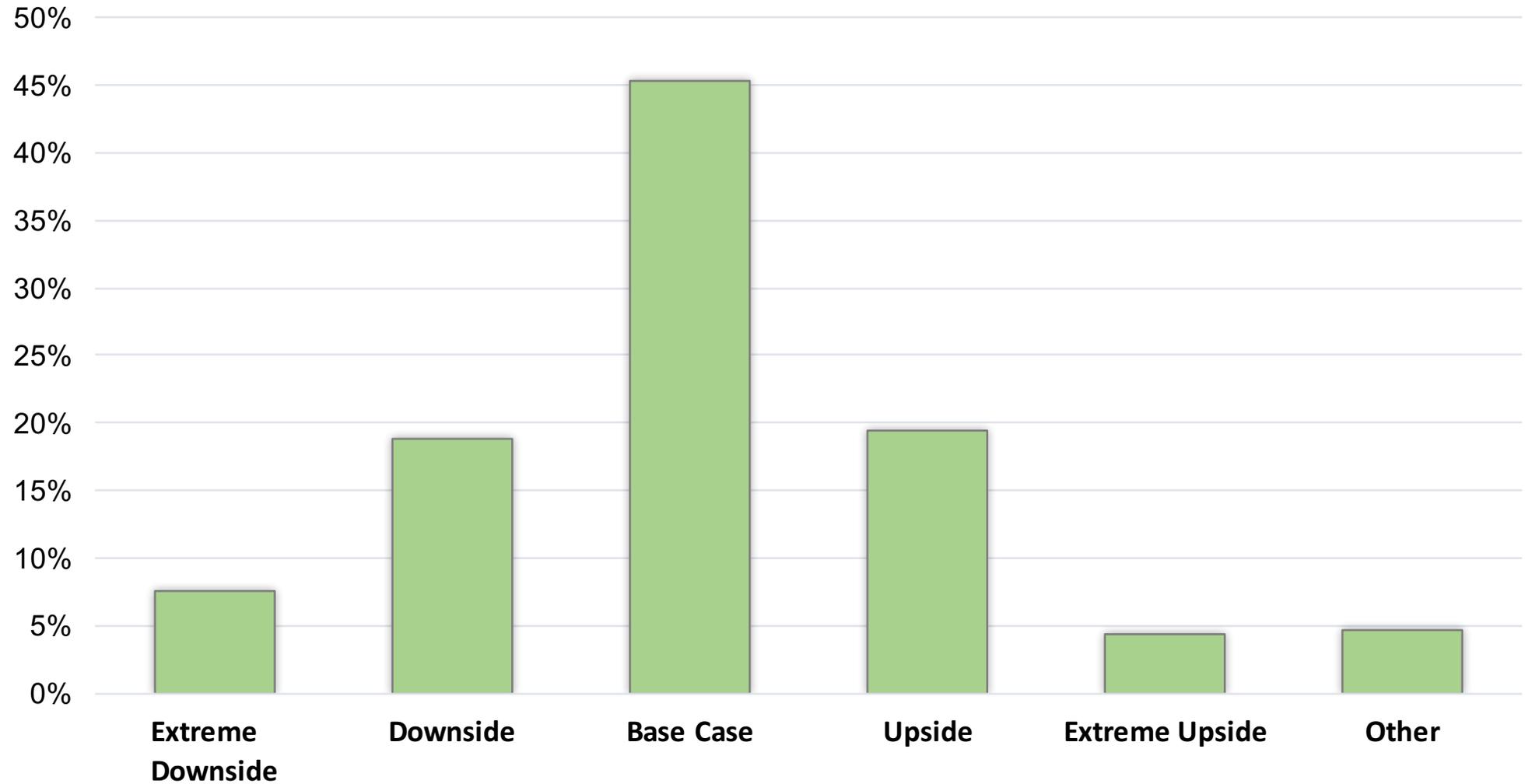
# What Types of Scenarios Do You Use?



# Allocation of Time and Attention in Scenario Planning

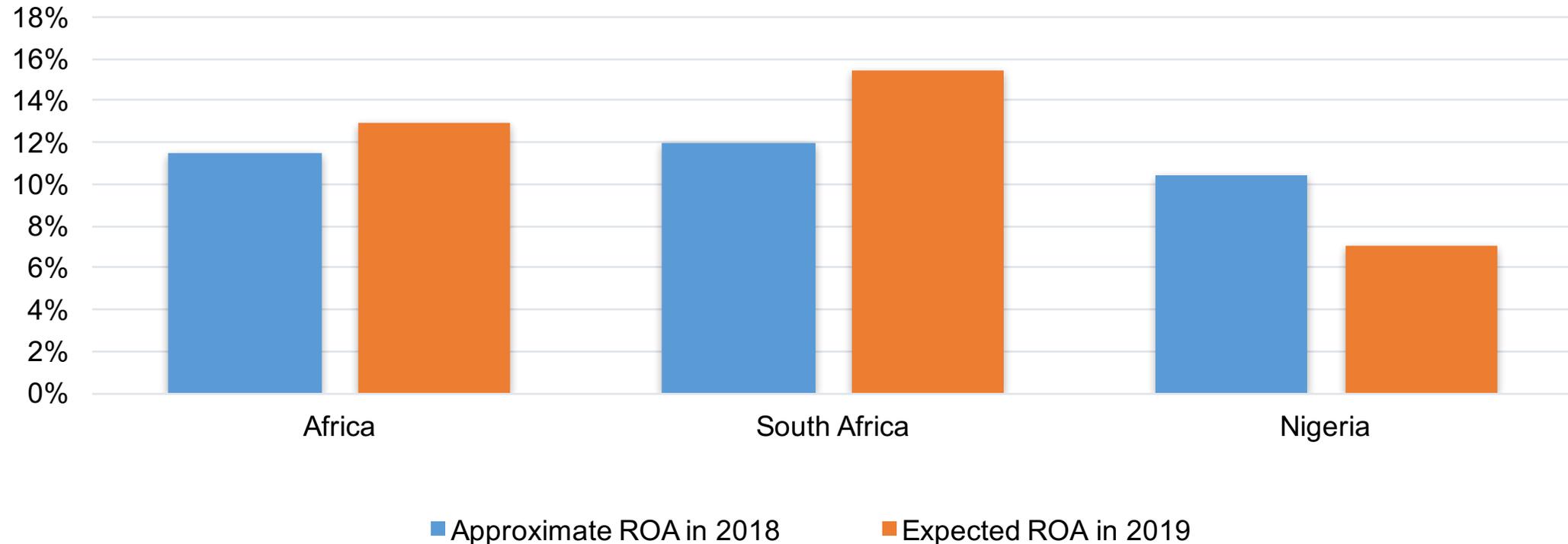


# How Likely Is Each Scenario?



# Return on Assets (ROA)

## Profit growth in Africa is marginal



## Profit margins are expected to increase in all regions

- CFOs in Africa expect profits to grow marginally as measured by ROA increase of over 14bp
- CFOs in Nigeria are less optimistic about profit in 2019 as measure by decline by over 300bp

# Summary

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## **Economic Outlook**

- Negative change in optimism about the domestic economy in South Africa this quarter. Nigerian CFOs are slightly more optimistic about the domestic economy relative to the rest of Africa.
- African CFOs becoming less optimistic about their own companies.

## **Economic uncertainty keeps African CFOs awake at night**

- South African and Nigerian CFOs are worried about economic uncertainty, weak demand for products/services and weak government policies.

**African CFOs expect to see significant growth in Revenue. Growth in capital spending is lower**

**Recession is expected in the next 4 quarters.**

**Nigeria expects strongest earnings growth of 30%, South Africa expects ROA of 15.5% in 2019**