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Fast growing companies rely on overseas growth

Earnings season is displaying on consistent pattern: companies that are growing are relying on sales overseas for that growth. Ron McNeil has more.



A money exchange teller counts rupiah and US dollar notes in Jakarta on October 21, 2010. Asia is leading the global recovery but must beware of inflation and 'excessively easy' domestic finance fuelled by foreign capital inflows, the International Monetary Fund said. (BAY ISMOYO/AFP/Getty Images)

TEXT OF INTERVIEW

JEREMY HOBSON: Earnings season continues this morning with quarterly reports from Beazer Homes, and Dish Network. If there's been one pattern this earnings season, it's this: companies that are growing are relying on sales overseas for that growth.

We're going to dig into that now with Ron McNeil. He heads the College of Business and Management at the University of Illinois-Springfield. Ron, thanks for joining us.

RON MCNEIL: Thank you Jeremy.

HOBSON: Well, we've seen earnings in the last couple weeks. Merck says it now gets 18 percent of revenue from emerging markets. Dow Chemical, Proctor and Gamble, this is obviously a trend by why is there such growth in emerging countries and not here in the U.S.?

MCNEIL: Well, emerging markets are coming out of very little. So their consumer markets are great. Any growth is big growth but when you're talking about populations of a billion in India, 1.3 billion in China, even 300- or 400 million people in China buying more makes a huge impact.

HOBSON: So this is really the only way to be at this point. You've got to be a global company.

MCNEIL: Right now the U.S. is about, and Europe and Japan, 51 percent of the world's market. By 2040 it's going to be India and China is 51 percent. That's the prediction. Those are emerging markets to build infrastructure, bridges, highways, and a consumer market as that comes along. So you have to think globally.

HOBSON: Do you think it's good for us as Americans that our big companies are making their big money over seas and not here at home?

MCNEIL: Well, they need to do both, but what if they didn't make any money abroad? And only depended on the U.S. market? Think about the stock market itself. It would go down, and retirees and pension funds would lose money.

HOBSON: Can you survive as a small business that's just doing business in your local community anymore?

MCNEIL: Absolutely. There's still a need for those small businesses. And the little companies find their niche. And what they're good at is being very close to the local markets. And if they're very successful and keep adapting, they become bigger companies.

HOBSON: Ron McNeil, Dean of the College of Business and Management at the University of Illinois, Springfield, thanks so much for your time.

MCNEIL: Thank you, Jeremy.

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