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Global CFOs exude optimism about 2011 economic outlook

International

Times News Service
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Business

MUSCAT: A survey of chief financial officers (CFOs) from a broad range of global public and private companies has shown planned increases in spending and employment as a result of optimistic outlook for 2011.

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The CFO survey conducted quarterly by Duke University's Fuqua School of Business, in collaboration with CFO Magazine and Tilburg University in the Netherlands, provides useful insights into global business trends.

SERVICES

According the survey findings, CFOs in the United States are more optimistic about the economic outlook for 2011, raising expectations for continued growth in capital spending, earnings and improved job growth. Optimism in Asia (not including China) is also strong and while China is more restrained, it looks more optimistic than Europe which trails the rest of the world.

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Discuss

"The current level of optimism has increased notably from last quarter," said Kate O'Sullivan, senior editor at CFO Magazine'.

Classifieds

"United States optimism still trails Asia, but this quarter surpasses Europe. Finance chiefs are acting on this improved outlook by boosting their budgets."

City Guide

US firms expect to increase full-time workforce by two per cent in 2011, the largest planned hiring increase since early 2006. Hiring will be particularly strong in the tech and service/consulting industries.

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Employment is expected to rise by about five per cent in Asia, but only 0.2 per cent in Europe. Wages are expected to rise 2.5 per cent in the US, 2.2 per cent in Europe, and about 7 per cent in Asia.

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"The US employment picture is improving," said John Graham, professor of finance at Duke's Fuqua School of Business and director of the survey. "At a normal rate of labour force growth, employment expansion of two per cent should reduce unemployment below nine per cent by the end of 2011. At the same time, the US is still sending jobs overseas, with an expected five per cent increase in outsourced jobs in 2011."

eGreetings

OPINION

Viewpoint

About two-thirds of European CFOs believe that the euro is threatened by the economic challenges of Ireland, although they agree that the country is in a better financial position than Greece was last year.

Columns

Altogether 848 CFOs from global private and public entities responded to the survey, which concluded in December 2010.

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"In a typical recovery, most job growth comes from small firms," said Campbell R. Harvey, a professor of finance at Fuqua and founding director of the survey. "Therefore, the difficulty in borrowing by small companies will continue to shackle economic growth and job creation going forward."

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Companies around the world say low interest rates have encouraged them to borrow slightly more. The borrowing mix has changed notably, with companies shifting toward long-term, fixed-rate borrowing to lock in low long-term rates.

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One exception is China, where half of all firms say borrowing has become more difficult, as the Chinese central bank attempts to slow economic growth and dampen potential inflationary pressures.

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