Corporate Health-Care Costs Top Worries by Finance Chiefs

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NEW YORK—Optimism among U.S. chief financial officers has waned to its lowest level in nearly four years, according to a recent survey, and a large number of respondents said a weaker dollar will hurt their companies, rather than help.

Issues ranging from rising interest rates to heavy health-care burdens are weighing on the executives' minds, along with concerns about competition, increased regulation and high fuel prices.

In the Duke University/CFO Magazine Business Outlook survey of 293 CFOs, 46% said they are more optimistic this quarter about the economy than they were last quarter, down from 55% in each of the two preceding quarters and a marked slide from last June, when 70% were more optimistic than they had been the quarter before.

"This is the lowest ratio of optimists we've ever seen," said John Graham, professor of finance at Duke's Fuqua School of Business and director of the 3½-year-old survey. The number has never before dropped below 56%, he added.

The biggest cause for concern is high health-care costs, the survey respondents said, with 53% citing it among their top four concerns. Intense competition came in a close second, at 52%.

About a third of the CFOs surveyed put rising interest rates in their top four list. And 33% said that a federal-funds rate of 3% is the highest the benchmark rate can go without slowing growth—a level that's still on the low end of what's seen as a "neutral" funds rate, or one that will neither stimulate nor hamper growth.

"This is perhaps the most disturbing part of our survey," said Campbell Harvey, professor of finance at Duke and founding director of the survey. "While the federal-funds rate currently stands at 2.5%, the Wall Street consensus calls for a fed-funds rate of 3.75% by the end of the year. CFOs are telling us that a rate that high will damage the economy."

And while a declining dollar is intended to foster growth for U.S. companies, 47% of survey respondents said that a weaker dollar will hurt their companies, compared with 27% who said it will help.

That's partly because of rising costs for raw-material imports. "Many businesses cannot pass on the higher import costs and are being squeezed by the dollar," said Mr. Harvey. "And to make things worse, our exporters are seeing little or no action even after a substantial depreciation."