Chief Financial Officers Name Energy Costs as No. 1 Concern

By Leah McGrath Goodman

The people whose job it is to sign the really big checks have joined the rank and file in worrying about prices at the pump.

Chief financial officers surveyed by Duke University and CFO Magazine cite the rising cost of energy as their top concern about an economy they now expect to grow more slowly over the next 12 months, with marginal gains in employment and corporate spending.

“In light of the recent events in the Gulf, energy costs are certainly a heightened concern for us,” said Peter Adamski, finance chief of privately held BarrierSafe Solutions International Inc. Transatlantic shipping costs for the Reno, Nev., manufacturer of disposable gloves have “risen steadily,” he added.

The feared slowdown in capital spending suggests executives on the front lines harbor greater fears of an economic slowdown than Wall Street analysts, said Campbell Harvey, a finance professor at Duke University in Durham, N.C.

Of the 374 finance chiefs polled in the Duke/CFO Magazine survey, about 64% plan to increase capital spending by 4.7% on average over the next 12 months, down from an increase of 5.4% six months ago, the survey said. The latest results marked the first time in the survey’s four-year history that finance chiefs have put energy-cost concerns ahead of worries about interest rates and health-care expenses.

Certainly, skyrocketing energy costs are squeezing corporate budgets, Prof. Harvey said, just as they have pilfered from consumers’ pockets.

Energy expenditures in 2005, exacerbated by last week’s hurricane, are expected to account for a larger percentage of overall economic activity than they have in 18 years, and will weigh heavily on consumers this winter, the federal Energy Information Administration said in a report. The EIA is the statistics and analysis arm of the U.S. Department of Energy.