CFOs not concerned about inflation, according to survey

The Associated Press
CHARLOTTE, N.C.
More than 40 percent of American chief financial officers are more optimistic now about the U.S. economy than they were in the previous quarter, bringing their confidence to its highest level in a year, according to a survey released Tuesday.

But their optimism is still lower than it was two years ago, according to a study by researchers at Duke University and RSM Erasmus University in the Netherlands.

In all, 42 percent of the CFOs said they were more optimistic than they were last quarter, while one-fourth said they were less optimistic.

"Increased business optimism bodes well for the economy," said John Graham, a finance professor at Duke's Fuqua School of Business and director of the survey. "After several quarters of falling expectations, CFOs now see fewer reasons to hold back spending."

The survey was concluded March 5 and generated responses from 573 CFOs, including 323 from the U.S., 96 from Asia and 154 from Europe. The survey of European CFOs was conducted jointly with RSM Erasmus University.

CFOs for U.S. firms said higher prices will not hurt their businesses and recommended that the Federal Reserve not raise interest rates anytime soon, according to the study.

Historically, the survey's measure of CFO optimism has been closely tied to future increases in capital spending.

"This is a sign that we can expect the economy to pick up over the rest of the year," Graham said.

Two-thirds of the American CFOs reported that even a jump in the inflation rate to 3.5 percent would not hurt their firms' prospects.

"The CFOs say inflation in the 3 percent range is not a big deal for their firms. In contrast, such a breach would set off alarms at the Fed," said Campbell R. Harvey, a professor of international business at Duke's Fuqua School of Business and founding director of the survey. Ninety percent of the CFOs oppose a rate increase at the end of March, he added.