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Graham sees 'a super cautiousness, even among solid firms.'

Bottom line for CFOs: '09 looks bad

Job No. 1 is to stay afloat

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At a time when each day brings gloomy reports of layoffs and bankruptcies, a survey showing that chief financial officers' outlook on the economy has reached a new low isn't exactly a surprise.

But it does reinforce the widely held belief that 2009 will be a rocky year.

For starters, nearly 60 percent of the 1,275 CFOs surveyed by Duke University and CFO Magazine say the economy won't begin to recover until late next year or 2010. Most expect their companies will cut jobs and capital spending in 2009. And 62 percent said they can't access credit they need.

In addition, 81 percent of CFOs are pessimistic about the economy. That's the gloomiest outlook in the 12 years that Duke and CFO Magazine have been querying CFOs -- executives who handle financial duties for corporations, giving them a solid perspective on fiscal health.

"Throughout the history of our survey, CFOs have shown remarkable ability to predict future economic conditions," said John Graham, director of the survey and a Duke finance professor. "I'm sorry to say that; I want things to get better as much as anybody."

The survey is the latest to reflect the grim mood in corporate America as the country's recession worsens. Companies cut 533,000 jobs in November, the most since 1974, and economists expect the pace of layoffs to quicken.

A similar survey of financial officials released last month by the American Institute of Certified Public Accountants and the University of North Carolina's Kenan-Flagler Business School showed that 48 percent saw no improvement in the economy until 2010 or later.

In the Duke survey, a common theme was that the financial market turmoil is hurting business. Three-quarters of the CFOs said they have fundamental concerns about the health of the financial institutions with which they do business. And more than 75 percent said that financial constraints have limited their ability to invest in profitable projects.

"Right now, job No. 1 for CFOs is to make sure the firm survives -- and they're taking drastic actions," Duke professor Campbell Harvey said in a prepared statement.

There are a few bright spots: Inflation is low, and although unemployment will continue to climb, it's not likely to reach levels seen in the early 1980s, Graham said.

And there are many companies that will survive the downturn, he added. "They've stockpiled cash, and they're trying to manage their business through this difficult time," he said.

Federal efforts to boost economic growth, including a possible infrastructure stimulus package, should begin to help at some point. The problem is that many companies are slashing costs and jobs with a "just in case" attitude as they look ahead to a bleak 2009, Graham said.

"There is a super cautiousness, even among solid firms," he said. "They can always rehire people later if they have to."

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CFO SURVEY HIGHLIGHTS

- * Nearly 60 percent of CFOs said the U.S. economic recovery will be delayed until the fourth quarter of 2009 or later.
- * 62 percent said they can't access credit they need.
- * In 2009, employment is expected to fall 5 percent.
- * Capital spending is expected to fall 10 percent.
- * Earnings are expected to decline 9 percent.

SOURCE: DUKE UNIVERSITY/CFO MAGAZINE SURVEY OF 1,275 CHIEF FINANCIAL OFFICERS COMPLETED DEC. 5. NO MARGIN OF SAMPLING ERROR WAS PROVIDED.

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