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Recovery: American CFOs more optimistic than Europeans

American chief financial officers expect the recession will last 10 more months, survey says. Europe's lag could hurt global bounceback.

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June 3, 2009: 10:56 AM ET

NEW YORK (CNNMoney.com) -- As bleak as the U.S. economic situation may be, American chief financial officers are more optimistic about recovery than their European counterparts.

The global recession will continue for the remainder of 2009, executives expect, but U.S. and Asian CFOs predict a turnaround earlier than those in Europe, according to a Duke University/CFO Magazine survey released Wednesday. Optimism in all three regions inched up from the record lows recorded in the quarterly survey's previous report.

American CFOs expect the recession to last another 10 months, while European respondents said they don't expect economic recovery to begin in Europe for 12 months.

"The weak European outlook could dampen the recovery in the rest of the world," warned Kate O'Sullivan, senior writer at *CFO Magazine*, in a written statement.

"The rest of 2009 will remain challenging, but 2010 looks better for the U.S. and Asia," she added.

In other surveys, some economists have predicted a turnaround in the second half of 2009. "Main Street America" typically doesn't feel a bounceback until a quarter or two after a recession officially ends, as job and wage growth remain lagged.

Optimism rebounds from lows: Overall, CFO optimism is rebounding from recent all-time lows, the report said. While 54% of U.S. and 63% of Asian CFOs are more optimistic than they were last quarter, only 30% of Europeans said the same. And 31% of European CFOs were less optimistic.

On a scale of 0-100, rating their own national economies during the last quarter, U.S. CFOs gave the American economy a 52 (from a record-low 40 last quarter), Asian financial executives (excluding China) scored theirs a 63 and European CFOs tallied a 47.

The top two "external concerns" for American CFOs remain weak consumer demand and credit markets.

Their top "internal concerns" about their own firms were their inability to plan due to economic uncertainty, raising capital and liquidity, and boosting employee morale.

Weak fundamentals and employment: While the survey results show increasing optimism, levels are still historically low, the report said.

"Don't put too much weight on the 'soft' data like consumer confidence," said Campbell Harvey, founding director of the survey, in a written statement. "Recovery requires sustained confidence, and such confidence is forged by stronger economic fundamentals."

Harvey named employment, capital spending, and the cost of credit as "still fundamentally troubling," pointing to survey data forecasting that U.S. employment will fall 5.5% over the next 12 months. That could push the overall unemployment rate up to near 12%.

Capital spending: The report predicted capital spending will fall more than 10% in the U.S. and Europe, and by 3% in Asia.

Frozen credit continues to punish lower-rated firms struggling for liquidity, and when they find the means to secure credit, it comes at a high cost. But credit condition "have stabilized at companies with strong credit ratings," the report said. ■