Triangle Business Journal - September 16, 2009
/triangle/stories/2009/09/14/daily37.html

TRIANGLE BUSINESS JOURNAL

Wednesday, September 16, 2009

Duke survey finds CFOs slightly more upbeat

Triangle Business Journal - by James Gallagher Triangle Business Journal

The world's CFOs are becoming more optimistic about the state of the economy, although few foresee a quick recovery, according to the latest **Duke University**/*CFO Magazine* Global Business Outlook Survey.

Weak consumer demand, federal government policies and credit markets remain the top concerns regarding the overall economy for CFOs, while liquidity management and maintenance, employee morale and difficulty planning due to the uncertain economy remain their top concerns for their own businesses.

U.S. CFOs rated the economy at 56 out of 100, up from 52 during the second quarter. The outlook was better in China and Asia, where CFOs gave the economy ratings of 71 and 68, respectively, up from 70 and 63 in the second quarter.

Still, the economy will take several years to recover. Nearly half, 43 percent, of U.S. companies expect to cut jobs over the next year. And of those that already have cut jobs, only 13 percent say their work forces will return to 2007 levels next year.

“The good news is that employment losses are expected to moderate, with CFOs saying they expect to decrease their work forces by 3 percent on average over the next year, compared to an alarming 6 percent in last quarter's survey,” said Campbell Harvey, founding director of the survey and international business professor at Duke University's Fuqua School of Business. “But the bad news is two-fold: First, the outlook points to increased unemployment; second, there is an expected surge in outsourcing, suggesting many U.S. jobs could be lost forever.”

Capital spending also is expected to drop over the next 12 months, with U.S. companies cutting spending by 3 percent on average. This comes as 58 percent of corporate spending deferred since the start of 2008 has been delayed indefinitely and 25 percent has been canceled permanently.

John Graham, a finance professor at Fuqua, says for a full economic recovery, capital spending needs to increase by double digits rather than “simply treading water as we're seeing now.”

CFO's did report they expect modest growth in earnings, (up 3 percent), wages (1 percent) and productivity (2.5 percent) over the next year, as well as cash reserves to increase up to 4 percent.

Credit problems continue to dampen recovery efforts, with 56 percent of U.S. firms saying the credit market has proven detrimental to their business. High borrowing costs are the main problem, followed by lack of available credit and restrictive borrowing terms.

“If investment today means jobs tomorrow, we are likely headed toward a prolonged and painful period of lethargic growth,” says Harvey.

The quarterly CFO survey, which concluded Sept. 11, asked 1,537 CFOs from a range of global public and private companies about their expectations for the economy. The survey has been conducted for 54 consecutive quarters.

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