Finance Chiefs in U.S. See Limited Hiring, Pickup in Spending

By Carlos Torres

June 9 (Bloomberg) -- Companies in the U.S. are poised to increase investment in new equipment over the next 12 months as profits recover, while keeping a tight rein on hiring, according to a quarterly survey of chief financial officers released today.

Capital spending will rise 9 percent though the first half of 2011, the most in seven years, according to the average estimate of officers surveyed by Duke University/CFO Magazine. Earnings will rise as much as 12 percent, and payrolls will climb 0.7 percent, the report showed.

The company leaders’ top concerns included a lack of consumer spending, which accounts for 70 percent of the economy, federal government policies and competitive pressure on prices. Six out of every 10 executives polled said employment will not return to pre-recession levels until 2012 at the earliest.

"U.S. companies plan very little domestic hiring over the next year," John Graham, director of the survey and a finance professor at Duke University's Fuqua School of Business, said in a statement. "The rate of improvement is slow and should put only a small dent in the unemployment rate by year-end."

A June report from the Labor Department showed companies added 41,000 workers to payrolls in May, less than the 180,000 gain projected by the median estimate of economists surveyed by Bloomberg News. The jobless rate fell to 9.7 percent from 9.9 percent in April as discouraged jobseekers left the labor force.

Credit Constraint

A lack of credit was one reason the finance chiefs project hiring will be slow to recover. About three out of every 10 leaders at small companies, those with 100 or fewer employees, said borrowing conditions were worse now than in 2009.

"Small- and medium-sized firms are the drivers of employment growth in the economy, and they are being squeezed," Campbell R. Harvey, founding director of the survey and a finance professor at the Fuqua School, said in a statement. "The continued credit problem makes it inevitable that we will see very high levels of unemployment not just in 2010, but well beyond."

Unemployment will average more than 9 percent through 2011, according to the median estimate of economists surveyed by Bloomberg this month.

The report also signaled inflation will not intensify. The financial executives anticipated raising prices by 1.5 percent over the next 12 months, and said they were concerned competition would inhibit their ability to push through increases.

The results are based on responses from 535 U.S. CFOs in a survey taken from May 25 through June 4.

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