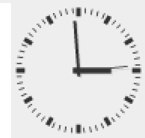

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Business Lifestyle

Global survey of CFOs reveals weak US optimism relative to Asia

By: Contributor Print this article

Asian CFO's plan to unleash cash reserves while US and Europe seek liquidity buffer. Half of the US CFOs surveyed say they will cling tightly to cash due to economic uncertainty, and as a liquidity buffer, while the other half will spend some cash reserves in the next year, primarily on investment, to pay down debt and to make acquisitions.

A survey of 937 Chief Financial Officers (CFOs) from a broad range of global public and private companies has shown declining optimism about expectations for the next few months. The survey was conducted by Duke University's Fuqua School of Business, in collaboration with CFO Magazine and Tilburg University in the Netherlands.

According to the survey, US based CFOs have the least optimism about economic conditions with a rating of 49 on a zero-to-100 scale. Pessimists outnumber optimists four-to-one. However, optimism by European CFOs was rated 58 while Asian CFOs had the highest at 70.

Julia Homer, executive vice president for content at CFO Publishing said, "This dramatic drop in optimism bodes poorly for the US economic outlook. Half of CFOs say there is only a six-month window during which they can maintain current levels of business activity without improvement in the overall economy; another one-fourth believe it's a 12-month window."

In addition to declining optimism, employment in the US is expected to be almost stagnant with companies expecting full-time domestic employment to inch up by only 0.7 percent over the next year. Temporary employment is forecast to grow by 0.8 per cent. The employment picture is about the same in Europe, but much positive in Asia - with expected growth of more than five per cent.

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"This rate of US employment growth will increase payrolls, but not put a dent in the unemployment rate due to growth in labor force participation," Homer said. "Another negative employment trend is the recent surge in hiring contract and temporary employees rather than permanent workers."

Credit conditions were also shown to be a significant challenge to CFO's as 30 per cent of companies surveyed say borrowing has become more difficult. "There has been no progress in fixing the credit problem over the last year," said Campbell Harvey, a professor of finance at Duke's Fuqua School and founding director of the survey. "Indeed, half of the small businesses say credit conditions are worse than in 2009."

"The math is simple. A) Banks are sitting on cash because of their poor health and general uncertainty. B) Small and medium-sized firms have employment-generating projects that they cannot get financed because banks will not extend credit. C) In usual circumstances, small and medium-sized businesses account for the majority of employment growth. A+B+C implies that the US is stuck at 9 or 10 per cent unemployment," Harvey added.

Half of the US CFOs surveyed say they will cling tightly to cash due to economic uncertainty, and as a liquidity buffer, while the other half will spend some cash reserves in the next year, primarily on investment, to pay down debt and to make acquisitions. However, Asian CFO's do not intend to hold too tightly to cash unlike their European US counterparts; about

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- Yes
- No

Vote

Poll Result

Yes	38%
No	62%

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