CFO optimism on rise again

Wednesday, December 15, 2010 4:14 AM

(Source: The Herald-Sun) By Monica Chen, The Herald-Sun, Durham, N.C.

Dec. 15--DURHAM -- Optimism among CFOs is on the upswing again, thanks largely to loosening credit for large firms.

Duke University and CFO Magazine released the 59th quarterly Global Business Outlook Survey on Tuesday, showing that U.S. chief financial officers reported on average 59 points on a zero-to-100 scale for optimism.

That's up substantially from 49 points in the previous quarter, the lowest level since first quarter 2009, when CFO optimism sank to 40. The long-range average level for the survey is 60.

John Graham, director of the survey and a professor of finance at Duke's Fuqua School of Business, said three factors are primarily responsible for the renewed confidence.

Strong demand from Asian countries has contributed to growth in exports. Companies have been getting better at accumulating cash and are eyeing strategic opportunities on the horizon.

And most importantly, the credit markets have eased up for some companies, according to respondents of the survey.

"Many companies tell us that it's easier to get credit now than one year ago, except for small companies that employ less than 100 people," said Graham.

Thirty-six percent of CFOs say borrowing is easier now compared to one year ago, compared to 21 percent reporting tighter credit.

"In a typical recovery, most job growth comes from small firms," Campbell Harvey, a professor of finance at Fuqua and founding director of the survey, said in the announcement. "Therefore, the difficulty in borrowing by small companies will continue to shackle economic growth and job creation going forward."

Earnings are expected to rise nearly 20 percent in the U.S., greater than the 14 percent jump expected in Europe and 10 percent in Asia.

U.S. finance chiefs also expect to step up their capital spending by 9 percent in 2011, research and development by 4 percent, and advertising by 2 percent. Half of U.S. companies say they will begin to spend accumulated cash, with two-thirds of these firms using the cash to increase capital spending.
and one-third saying it will go toward acquisitions.

U.S. firms also expect to increase their full-time workforce by 2 percent in 2011, the largest planned hiring increase since early 2006. Hiring will be particularly strong in the tech and service/consulting industries. Employment is expected by rise by about 5 percent in Asia, but only 0.2 percent in Europe.

"That would reduce unemployment rate probably by a percentage point," Graham said.

Top concerns for U.S. CFOs include weak consumer demand, the federal government's agenda, and intense price pressure. The cost of health care and the difficulty of attracting skilled employees are among the top company-specific concerns.

-----

To see more of The Herald-Sun, or to subscribe to the newspaper, go to http://www.herald-sun.com.

Copyright (c) 2010, The Herald-Sun, Durham, N.C.

Distributed by McClatchy-Tribune Information Services.

For more information about the content services offered by McClatchy-Tribune Information Services (MCT), visit www.mctinfoservices.com.

A service of YellowBrix, Inc.

Sponsored Link: The Most Important Day in America in 50 Years... It’s Coming in 2011. This day will change everything about our nation and your day-to-day life. Watch the eye-opening video presentation here...