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BUSINESS

CFOs stay upbeat on 2011 business outlook

JEDDAH: A survey of Chief Financial Officers (CFOs) from a broad range of global public and private companies has shown planned increases in spending and employment as a result of optimistic outlook for 2011.

The CFO survey conducted quarterly by Duke University's Fuqua School of Business, in collaboration with CFO Magazine and Tilburg University in the Netherlands, showed that CFOs in the US are more optimistic about the economic outlook for 2011, raising expectations for continued growth in capital spending, earnings and improved job growth. Optimism in Asia (not including China) is also strong and while China is more restrained, it looks more optimistic than Europe which trails the rest of the world.

"The current level of optimism has increased notably from last quarter," said Kate O'Sullivan, senior editor at CFO Magazine. "US optimism still trails Asia, but this quarter surpasses Europe. Finance chiefs are acting on this improved outlook by boosting their budgets."

US firms expect to increase 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 to rise by about 5 percent in Asia, but only 0.2 percent in Europe. Wages are expected to rise 2.5 percent in the US, 2.2 percent in Europe, and about 7 percent in Asia.

"The US employment picture is improving," said John Graham, professor of finance at Duke's Fuqua School of Business and director of the survey.

"At a normal rate of labor force growth, employment expansion of 2 percent should reduce unemployment below 9 per cent by the end of 2011. At the same time, the US is still sending jobs overseas, with an expected 5 percent increase in outsourced jobs in 2011."

About two-thirds of European CFOs believe that the euro is threatened by the economic challenges of Ireland, although they agree that the country is in a better financial position than Greece was last year. In terms expectations on exchanges rates, thirty per cent of European CFOs believe their primary currency will depreciate relative to the US dollar, with an average decline of 9 percent.

Half of CFOs are more optimistic about the US economy this quarter, compared to 14 percent who are less optimistic, representing a marked improvement from the previous quarter.

The study said non-financial firms are sitting on \$1.93 trillion in cash. The ratio of cash to assets is the highest it has been since 1959, and many respondents are loath to part with much, if any, of their cash storages.

"Fifty percent of surveyed CFOs have no intention of putting their excess cash to work," said Campbell R. Harvey, a professor of finance at Fuqua and founding director of the survey.

CFOs said they plan to continue to hold cash because credit market as well as economy remain uncertain; and with few investment opportunities.

— Saudi Gazette

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