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Duke survey: CFO optimism wanes

Triangle Business Journal - by Monica Chen

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Optimism among chief financial officers in the U.S. fell in second quarter 2011, but spending plans indicate continued moderate growth over the next year, according to the results of Duke University's quarterly CFO survey released on Wednesday.

For the second quarter of 2011, CFO optimism about the economy fell to 57 on a 100-point scale, down from a 61 rating in the first quarter, but roughly even with a year ago.

Optimism about the CFO's own firms fell to 65 from last quarter's 67. The declining optimism may be due to concerns about the continued shaky economic outlook in the U.S., the ongoing sovereign debt crisis in Europe, the disaster in Japan and high oil prices, among other factors.

Projected growth in earnings is 8 percent, and capital spending is 9 percent – both down from last quarter, but still reasonably strong. Hiring will be minimal — less than 1 percent over the next year — though many companies plan to reinstitute some employee benefits.

Twenty-one percent of companies say they are actively hiring, with the strongest activity in the tech, retail/wholesale and energy sectors. Jobs in high demand include engineers, product development, sales force and finance/accounting.

However, U.S. companies expect domestic employment to increase by just 0.7 percent over the next year.

"CFOs are telling us we are stuck at 9 percent unemployment for the next year," said **Campbell Harvey**, a professor of finance at Duke's Fuqua School of Business and founding director of the survey. "One leg of the economy is shackled by extraordinarily high unemployment and the other by the housing market still in a free fall. Obviously, it is hard for the economy to move forward."

Duke and CFO Magazine's Global Business Outlook Survey concluded June 3, asked 806 CFOs from a broad range of global public and private companies about their expectations for the economy.