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CFOs grow more pessimistic about economy



By WRAL Tech Wire

DURHAM, N.C. — The latest CFO survey from Duke University and CFO magazine finds little positive feeling as executives look ahead to the last quarter of the year.

Even cuts in interest rates would likely have little effect, CFOs say.

The "Optimism Index" Of U.S. CFOs fell to 52 from 56 in the summer quarter, based on a scale of 0-100. In the spring, the

index was 59.

Twice the percentage of CFOs (44 percent) have "become more pessimistic" than are more optimistic, the survey found. That's not good news, warned one of the executives overseeing the survey,

As a result, little improvement is expected on the jobs front.

CFOs expect to increase hiring by 1.5 percent and capital spending by 3.7 percent while earnings are forecast to grow by 6 percent. All those percentages fell from the previous quarter.

"The drop in optimism is worrisome for the U.S. because historically it foretells slower economic activity over the next year," said Kate O'Sullivan, editorial director at CFO Magazine. "Optimism is also falling in Asia and Europe."

The survey included nearly 1,500 CFOs from public and private companies. Data was gathered through Sept. 7.

The CFOs also said that they believe the U.S. Federal Reserve can not do much "to stimulate investment at this time."

"The CFOs are saying that it is naïve for the Fed to think that dropping interest rates will spur investment in current economic conditions," said Campbell Harvey, a finance professor at Duke who is the founder of the survey. "I certainly hope the Fed gets the message for their Sept. 13 meeting.

"The survey's bottom line is that the Fed has run out of bullets," he added. "The best thing they can do is to foster stability."

CFOs are concerned about numerous factors, including healthcare costs, attracting and retaining

"qualified employees" and maintaining employee morale as well as product demand, federal government policies, price pressure, competition and the global economy.

"CFOs have become increasingly worried about Europe," O'Sullivan said. "Half of CFOs report that the economic climate in Europe is negatively affecting their firms, and 63 percent say that their firm would be negatively impacted if the Eurozone were to unravel."

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