



Trump Win Boosts U.S. Business Optimism

The fourth-quarter Duke/CFO Business Outlook survey reflects what researchers call the "Trump Jump."

Chris Schmidt

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U.S. CFOs are much more optimistic about the U.S. economy following the election of Donald Trump, particularly with respect to regulatory and tax reform, according to the latest Duke University/CFO Global Business Outlook. But many companies are still waiting to see the details before taking specific actions.

The post-election survey's U.S. Optimism Index jumped to 66 (on a 100-point scale), rising from last quarter's 60 and reaching the highest level in nearly a decade. The proportion of CFOs becoming more optimistic outweighs those becoming more pessimistic by 4 to 1. In contrast to the "Trump Jump" in economy-wide optimism, own-firm optimism only increased slightly this quarter.

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"We've seen this pattern before," said Fuqua professor John Graham, "such as when Prime Minister Abe was elected in Japan and when Dilma Rousseff was forced out in Brazil. The CFOs are telling us that they anticipate pro-business policies to be enacted in the near future – but until specific policy details are known, many are waiting to see how their own firms will navigate the new terrain."

In the survey, CFOs list regulatory requirements as a top business concern. Hopes for regulatory reform, as well as corporate tax reform, are two prominent sources for increased business optimism. Companies in the financial, health care, transportation, and retail/wholesale industries are most optimistic. Concerns in the U.S. include regulatory requirements, economic uncertainty, difficulty finding and retaining skilled employees, and the cost of benefits.

The survey also found that most U.S. companies support an interest rate hike by the Fed but don't expect it to affect their spending plans. CFOs supporting a rate hike outnumber those opposed by a 2-to-1 margin.

"CFOs are supportive of the need to return to normal interest rates," said Fuqua professor Campbell R. Harvey, a founding director of the survey. "Though Fed hikes are widely anticipated over the next year, over half of CFOs do not believe that their borrowing costs will increase in 2017. Overall, they expect average interest expense to increase by only 30 basis points. This relatively minor increase should not deter capital investment or hiring plans. Indeed, rates have already increased. The Fed is following the market – not leading."

U.S. firms plan to increase their payrolls by 2 percent in 2017 and expect a median increase in capital spending of 2 percent. While modest, spending is up from last quarter's prediction of no growth.

While the election of Donald Trump increased business optimism in the U.S., it had the opposite effect in Mexico, where optimism fell 16 points to 47 out of 100. Canadian optimism fell one point to 63 this quarter. The optimism index in Europe increased one point to 57 this quarter, and Asian optimism declined six points to 59. African optimism remained at 46 this quarter, and Latin American economic optimism declined thirteen points to 37 this quarter.

Detailed results, including tabular summaries of the numbers in this release and results from previous surveys are available at www.cfosurvey.org. This is the 83rd consecutive quarter the Duke University/CFO Global Business Outlook survey has been conducted. The survey concluded December 2, and generated responses from nearly 1,000 CFOs around the world.





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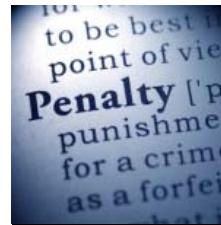
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