The Economy

CFOs to Trump: Stop Tweeting, Keep H1-Bs

U.S. optimism Index jumps to 14-year high in Duke University/CFO Global Business Outlook survey.

March 15, 2017 | CFO.com | US

The latest Duke University/*CFO* Global Business Outlook survey has found that CFOs in the U.S are concerned about how President Trump's off-the-cuff Twitter posts and public comments affect business. Results also show that CFOs are feeling more confident about economic growth than they have in more than a dozen years, and they support several of the president's policy initiatives.

"CFOs don't like the fluctuations and uncertainty that result from how President Trump communicates to the public," said John Graham, a finance professor at Duke's Fuqua School of Business and director of the survey. "But they say many of his ideas will be good for business, even some of the more controversial ones."

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The Duke/*CFO* survey is the world's longest-running and most comprehensive research program on senior finance executives. This quarter, nearly 900 CFOs responded to the survey, which ended March 10.

Advice for the New President

The survey asked CFOs what advice they would give President Trump for the good of the business community.

- 67% said the president should stop using Twitter
- 70% said he should stick to prepared remarks during speeches
- 85% oppose reducing H1-B visas for highly skilled workers
- 64% are against building a wall along the Mexican border
- 68% favor retaining the current leadership at the Federal Reserve Bank
- 58% support the president's plan to restrict immigration from specific countries

Mixed Results on Tax Reform Proposals

The survey also asked CFOs for their opinion of tax reform proposals advanced by the administration.

- 86% indicate that reducing the corporate income tax rate to as low as 20% would be good or very good for the economy
- 75% say easing the repatriation of foreign profits will give the U.S. economy a boost
- 75% say allowing companies to immediately deduct new investment will be beneficial
- 74% say reducing the top personal income tax rate to 30% will be good or very good for business prospects
- 57% say a substantial tariff on Chinese and Mexican goods would be bad or very bad for the U.S. economy
- 58% say the elimination of the debt interest deduction would be bad or very bad for the U.S. economy
- 55% say a border tax would be bad for business

Retaliation Against Trade Proposals

Among Mexican CFOs, 25% say the Mexican government should retaliate in kind against any trade penalties imposed by the U.S., and another 50% say the country should resist the U.S. policy but not retaliate. Also, 65% of Mexican CFOs believe their own firms should remain neutral.

Strong Optimism, Hiring, and Spending

The survey's optimism Index for the U.S. jumped this quarter to 69 (on a 100-point scale), the highest level in 14 years and much higher than the long-run average of 60.

Sixty-one percent of U.S. firms plan to increase their payrolls in 2017, with an average increase of about 3% (median 1%). Wage hikes are expected to average nearly 4%. Capital spending is expected to increase 6% on average (median 3%), a notable improvement from flat or negative spending plans for most of 2016.

"There's a disconnect here," said Duke finance professor Campbell R. Harvey, founding director of the survey. "Despite the optimism, the high rate of employment growth and wages, and the substantial possibility of both corporate and individual tax cuts, CFOs have very pessimistic growth forecasts, where only 16.8% believe we can hit 3% [GDP] growth in 2017. That is surprising."

A video discussing the survey findings, as well as detailed survey results from around the globe (including links to tabular summaries of the survey findings and results from previous surveys), are available at www.cfosurvey.org.

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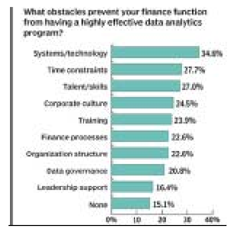

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