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Duke survey: Exec optimism at 14-year high, 'strong' hiring plans but ...

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DURHAM, N.C. — Chief financial officers and finance execs see plenty of positive benefits coming in the on-going "Trump Bump," but they do express worries in a new survey, such as President Trump's often provocative tweets on Twitter and lack of public trust in government.

Optimism among US financial executives is at a 14-year high with companies planning "strong hiring and spending" this year, says the new Duke University/CFO Global Business Outlook survey

However, they also have some concerns, such as telling Trump to stop using Twitter..

The Duke/CFO survey's Optimism Index rose to 69 on a 100-point scale in the latest quarterly survey released Wednesday. That's the highest score in 14 years.

Conversely, the index of CFOs for Europe, Asia, Latin America and Africa were all below 60.

The findings mirror the American Institute for Certified Public Accountants forecast released last week. It also reflects optimism shown in the major Wall Street markets, which have set records since the election of Trump last November, and a myriad of other surveys taken among consumers as well as small businesses.

In a Q&A, Duke finance professor and economist John Graham spelled out several reasons for the optimism as well as concerns..

"There are a lot of new ideas, and they may not all work. For example, the border tax, would it evoke retaliations from trading partners? So, one downside is we'd be entering the unknown in some dimensions," Graham explained.

"Reduced regulation and red tape sounds good to a business. But, sometimes the regulations exist for a reason (e.g., to try to avoid a financial crisis; or because of environmental risks). One downside therefore is that the US has a higher probability of encountering another financial crisis, for example."

However, Graham stressed that "I'm not saying that tinkering with current regulations is necessarily bad, just that if we go too far, that can come at a cost, or at least a higher risk."

Duke finance professor Campbell Harvey, founding director of the CFO Survey, also found what he calls a "disconnect" after he reviewed the survey's data.

""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 percent believe we can hit 3 percent growth in 2017," he said. "That is surprising."

Increased GDP growth at 3 percent or more has been touted by Trump in pitching his tax cut and deregulation proposals.

CFOs also spoke out strongly against the President's use of Twitter, citing potential harm.

But overall the report is very positive.

“The jump in business optimism is leading to strong hiring and spending plans for 2017,” Graham said. “Our analysis of past forecasts shows that the Optimism Index is an accurate predictor of GDP growth and employment over the next year.”

For example:

- 61 percent of companies surveyed plan to boost hiring
- Average payrolls are expected to increase 3 percent
- Wages are likely to increase almost 4 percent
- Capital spending is forecast to grow at 6 percent.

The spending, the report notes, is "a notable improvement from flat or negative spending plans for most of 2016.

Concerns include:

- Trump administration policies and uncertainty
- Lack of trust in government and business, with more than 80 percent saying this impacts business
- Attracting and retaining employees in a tightening labor market
- Rising health insurance costs, which are expected to surge nearly 7 percent

“Continued strong growth in employment is putting upward pressure on wages and in some sectors, there is a scarcity of skilled workers,” said Christopher Schmidt, senior editor at CFO Research, in the report. “In particular, firms in the tech and construction industries are showing signs of a tight labor market.”

Trump policy reactions

On other issues:

- 86 percent of CFOS say proposed corporate tax cuts would be "very good" for the economy.
- 75 percent say lower taxes on repatriated profits would "give the economy a boost."
- 74 percent say a cut in the top personal income tax rate would "be good or very good" for business.
- However, 55 percent oppose a possible "border tax"
- And a "substantial tariff" on goods from China and Mexico would be "bad or very bad" for the U.S. economy

The Duke-CFO survey has been conducted for 84 consecutive quarters. Findings are based on responses from nearly 900 CFOS who were surveyed through March 10.

- **VIDEO:** Watch a video overview of the survey at: https://www.youtube.com/watch?v=H5TeElDu_18

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