Many U.S. Financial Officers Think a Recession Will Hit Next Year

Almost half of U.S. chief financial officers believe a recession will strike the U.S. economy by the end of 2019.

WASHINGTON—Almost half of U.S. chief financial officers believe a recession will strike the U.S. economy by the end of 2019, with the tight labor market and growing trade tensions driving economic jitters among corporate America.

Additionally, more than 80% of U.S. CFOs think a recession will strike by the end of 2020, according to the Duke University/CFO Global Business Outlook survey released Wednesday.

“All of the ingredients are in place: a waning expansion that began in June 2009—almost a decade ago—heightened market volatility, the impact of growth-reducing protectionism, and the ominous flattening of the yield curve which has predicted recessions accurately over the past 50 years,” said Campbell Harvey, a director of the survey.

Trouble finding and keeping qualified employees was the executives’ most-cited concern. The U.S. unemployment rate and layoffs have hovered at historic lows this year, shrinking the number of skilled workers available to hire, leading many business owners to lift wages and go to extremes to put people on payrolls.

The CFOs also were concerned about recent international trade disputes. The Trump administration’s growing trade frictions with foreign countries, particularly China, have led many firms to put investments and other business moves on hold until tensions clear up.

On top of that, CFOs from around the world are pessimistic, too. Almost all executives surveyed in Africa think their countries will be in recession by the end of next year, as do 86% of CFOs in Canada. Sixty-seven percent of executives thought the same in Europe.
"The U.S. outlook has declined, and moreover the outlook is even worse in many other parts of the world, which will lead to softer demand for U.S. goods," said John Graham, another director of the survey.

Rising interest rates weren't among the top 10 concerns for U.S. businesses listed in the report, despite President Trump saying the Federal Reserve's recent monetary policy tightening is a threat to the economy.

Still, other data imply the U.S. economy is on a solid trajectory at the moment. Recent readings on the manufacturing and services sectors were solid, and retail sales picked up in October. In November, the economy continued a record-setting streak of 98 straight months of job gains, and wage growth matched the highest rate in nearly a decade.

Write to Sharon Nunn at sharon.nunn@wsj.com