CFO Survey: Recession Expected by Late 2020

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Professor John Graham finds CFOs predicting downturn

Two-thirds of CFOs predict a recession by the third quarter of 2020, according to the latest Duke University/CFO Global Business Outlook.

Despite that prediction, CFOs expect capital spending and revenue to increase moderately this year.

The Global Business Outlook CFO survey has been conducted for 92 consecutive quarters and spans the globe, making it the world’s longest-running and most comprehensive research on senior finance executives. The survey ended April 5. Results are for the U.S. unless stated otherwise.

Recession Likely Next Year
Sixty-seven percent of U.S. CFOs believe that the U.S. will be in recession by the third quarter of 2020, and 84 percent believe that a recession will have begun by the first quarter of 2021. The survey found 38 percent of CFOs predicting recession by the first quarter of 2020.

“A majority of CFOs believe that the U.S. will be in recession within about 16 months,” said John Graham, a finance professor at Duke’s Fuqua School of Business and director of the survey. “While the start date of the recession has been pushed back relative to what we heard last quarter, there is consensus that a downturn is approaching.”

The survey asked the CFOs which economic variables will provide the most accurate indication that their own firms are experiencing a slow-down. Almost half (47 percent) of CFOs said they consider GDP growth to be one of the three most important indicators of their own firm’s fortunes. Consumer spending (39 percent), commodity prices (31 percent) and interest rates (29 percent) were also highly ranked indicators.

**Outlook for 2019**

CFOs expect their capital spending and revenue to increase by 5 percent over the next 12 months. CFOs predict hiring to increase by 2 percent and wages to grow by 3 percent.

“Wage inflation has picked up due to the tight labor market with 3.8 percent unemployment,” said Campbell Harvey, a founding director of the survey, who teaches a technology innovation course at Fuqua. “However, beware of over-interpreting wage inflation and low unemployment. Employment is a lagging indicator of the business cycle. In addition to the 84 percent of CFOs who believe a recession is near, there are other leading indicators that point to a downturn, including the inversion of the yield curve.”

**Optimism Falls**

The Optimism Index for the U.S. Economy continued its downward trend, falling to 65 this quarter, down one point from December’s 66 and down five points from the value in September 2018. Over the past 20 years, CFO optimism has averaged 60 on a 100-point scale.

The survey’s CFO Optimism Index has historically been an accurate predictor of future hiring and overall GDP growth.

**Global Results**

Optimism outside the U.S. rebounded this quarter in many parts of the world. Optimism in Europe climbed two points to 59, on a scale of 0 to 100. Capital spending is expected to grow about 3 percent, and employment about 2 percent, over the next year.

Optimism in Asia climbed sharply to 65 this past quarter. Capital spending is expected to grow about 5 percent, and employment 3 percent, over the next 12 months.
Overall Latin American optimism is 65 for the first quarter. The Optimism Index is highest in Brazil, at 66, though it dipped three points since December. Optimism is 55 in Mexico, 65 in Chile, 66 in Peru, and 63 in Ecuador.

Business optimism in Africa climbed first quarter, though it remains somewhat low at 55. Employment is expected to increase by 2 percent in Africa over the next 12 months.

The survey generated responses from more than 1,500 CFOs, including 469 from North America, 145 from Asia, 261 from Europe, 590 from Latin America and 42 from Africa.

Detailed results, including tabular summaries of the numbers in this release and results from previous surveys, can be found at https://www.cfosurvey.org/release/. For more information, email media.relations@fuqua.duke.edu.

The survey of European CFOs was conducted jointly with TiasNimbas in the Netherlands (C.Koedijk@uvt.nl), the France CFO society, and Philippe.DUPUY@grenoble-em.com at GEM. The survey of Latin America was conducted jointly with Fundação Getúlio Vargas (FGV) in Brazil (claudia.yoshinaga@fgv.br) and with Universidad Andina Simon Bolivar in Ecuador. The Japanese survey was conducted jointly with Kobe University (cfosurveyjp@people.kobe-u.ac.j) and Tokyo Institute of Technology, among others. The African survey was conducted jointly with SAICA (KediboneP@saica.co.za).

Contact Info

For more information contact our media relations team at media-relations@fuqua.duke.edu.