CFO Survey: Optimism Sinks to 3-Year Low; Recession Expected Before 2020 Election

SEPTEMBER 18, 2019

Professor John Graham directs the world’s most comprehensive research on senior finance executives.

U.S. business optimism dropped this quarter to its lowest level in three years, according to third-quarter results from the Duke University/CFO Global Business Outlook.

A majority of CFOs expect a recession to start before the presidential election.

The CFO survey has been conducted for 94 consecutive quarters and spans the globe, making it the world’s longest-running and most comprehensive research on senior finance executives. Results are for the U.S. unless stated otherwise.
**Pessimism Rising**

The CFO Optimism Index, which historically has been an accurate predictor of hiring and GDP growth, fell this quarter. Fifty-five percent of CFOs have become more pessimistic compared to the 2nd quarter this year, far outnumbering the 12 percent who say they have become more optimistic.

“Business optimism has not been this low since September 2016, a time when the unemployment rate was 5 percent,” said John Graham, a finance professor at Duke University’s Fuqua School of Business and director of the survey. “Optimism is low in all regions of the world, which exacerbates any slowdown occurring in the U.S."

Optimism in the U.S. is 63 on a scale of 0 to 100. Optimism is lower in all other regions: Europe (59), Asia (51), Latin America (41) and Africa (39).

**Recession Likely Before Fall 2020 U.S. Presidential Election**

More than half (53 percent) of U.S. CFOs believe that the U.S. will be in an economic recession by the third quarter of 2020, and 67 percent predict a recession by the end of 2020.

“The CFOs’ views are consistent with other important indicators, such as the inversion of the yield curve,” said Campbell Harvey, a founding director of the survey and Fuqua finance professor. “Executives don’t want to be caught unprepared for the next recession like they were in the global financial crisis. There are plenty of warning signs and now is the time to be prudent. Who wants to put their firm at risk by increasing borrowing to fund a major new project when a recession could be on the horizon? It is no surprise that capital expenditures have dried up.”

Eighty-one percent of African CFOs believe their countries will be in recession by the third quarter of 2020, as do the majority of CFOs in Asia (72 percent), Europe (69 percent), Canada (68 percent), and Latin America (65 percent).

“For the first time in a decade, no region of the world appears to be on solid enough economic footing to be the engine that pulls the global economy upward,” Graham said. “Trade wars and broad economic uncertainty are hurting economic outlooks worldwide.”

**Economic Uncertainty, Hiring Qualified Workers Are Top Concerns**

Economic uncertainty has displaced difficulty hiring and retaining qualified employees as the top concern among U.S. CFOs. Recruiting and retaining talent remains the second-most pressing concern. Other prominent concerns include government policies, data security and the rising cost of employee benefits.

Concerns are similar in many regions of the world, with some exceptions. Many executives in developing countries are troubled by currency risk, while executives in Europe are concerned about regulation.
“CFOs are frustrated about not being able to hire workers with skills that are well-matched to their job openings,” Graham said. “Worker shortages are occurring at varying skill levels.”

Around the globe, CFOs in many industries list shortages in engineering, information technology, software programming and sales. Manufacturing and mining companies are looking to hire machine operators, mechanics, technicians and drivers. Medical technicians are also in short supply, according to the survey.

**Weak Business Spending**

Business spending is often weak in the face of economic uncertainty, which is what the survey finds in the U.S., with a less than 1 percent increase in capital spending expected over the next 12 months. This is the lowest growth since September 2016, and the second-lowest growth since December 2009.

Spending is expected to be strongest in Europe (5 percent growth), followed by Latin America (3 percent), Asia (no growth), and weakest in Africa (-4 percent).

**Detailed results**, including tabular summaries of the numbers in this release and results from previous surveys, are available by emailing samiha.khanna@duke.edu.

---

**About the survey:** The Duke University/CFO Global Business Outlook survey has been conducted for 94 consecutive quarters. The survey was conducted from Aug. 27 to Sept.13 and generated responses from more than 500 CFOs, including 247 from North America, 54 from Asia, 67 from Europe, 127 from Latin America and 37 from Africa. 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), Universidad EAFIT in Colombia (drestr16@eafit.edu.co) 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).

The Duke University/CFO Global Business Outlook survey polls a wide range of companies (public and private, small and large, varied industries, etc.), with the distribution of responding firm characteristics presented in online tables. The responses are representative of the population of CFOs surveyed. Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance. The average growth rates are weighted by revenues or number of employees. For example, one $5 billion company affects an average as much as 10 $500-million firms would. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending and prices of products. Employee-weighted mean growth rates are used for healthcare costs, productivity, number of employees and outsourced employment. The earnings, dividends, share repurchases and cash on balance sheet are for public companies only. Unless noted, all other numbers are for all companies, including private companies.
Contact Info

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