

RECESSION CONSIDERED LIKELY BY YEAR-END 2019

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Nearly half of U.S. CFOs believe the nation's economy will enter a recession by the end of 2019, according to the Duke University/CFO Global Business Outlook.

Worst-case projections would see capital spending drop in 2019, accompanied by flat hiring.

The CFO survey has been conducted for 91 consecutive quarters and spans the globe, making it the world's longest-running and most comprehensive research on senior finance executives. The survey ended Dec. 7. Results are for the U.S. unless stated otherwise.

RECESSION LIKELY NEXT YEAR

Nearly half (48.6 percent) of U.S. CFOs believe that the U.S. will be in recession by the end of 2019, and 82 percent believe that a recession will have begun by the end of 2020.

"The end is near for the near-decade-long burst of global economic growth," said [John Graham](#), a finance professor at [Duke's Fuqua School of Business](#) and director of the survey. "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."

CFOs have become pessimistic in most regions of the world. Ninety-seven percent of African CFOs believe their countries will be in recession no later

than year-end 2019, as do many CFOs in Canada (86 percent), Europe (67 percent), Asia (54 percent), and Latin America (42 percent).

ECONOMIC OUTLOOK FOR 2019

In 2019, CFOs expect sub-3% growth for the U.S. economy, with accompanying capital spending and employment growth of about 3 percent.

“Their recession projections suggest CFOs believe most of this growth will occur early in the year,” Graham said,. “This means there is still time for the government to use the tools at their disposal to soften the fall.”

Moreover, their forecasts are skewed to the downside, with a one-in-ten chance that annual real growth will be a meager 0.6 percent. In this worst-case scenario, CFOs would expect their capital spending to fall by 1.3 percent and for hiring to remain flat.

“CFOs are getting ready for a recession in the next 18 months,” said Campbell Harvey, a founding director of the survey, who teaches a technology innovation course at [Fuqua](#). “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.”

TIGHT LABOR MARKET REMAINS TOP CONCERN

Difficulty hiring and retaining qualified employees remains the most-cited concern among CFOs, though the 47 percent of CFOs calling it a top-four concern is down six points from the two-decade high last quarter.

Other top concerns include the cost of employee benefits, government policies, and economic uncertainty.

OPTIMISM FALLS

Consistent with predictions of recession, the Optimism Index for the U.S. Economy slipped to 66 this quarter, compared to an all-time high of 71 last quarter; CFO optimism about their own firms' financial prospects dropped two points to 69 on a 100-point scale. Both indices were at all-time highs earlier this year.

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

GLOBAL RESULTS

With recession considered likely, optimism was mostly static or fell across the world this quarter. **Canadian** optimism was steady at 58, on a scale of 0 to 100. Optimism in **Europe** dropped a point to 57, after falling 10 points to 58 last quarter. Optimism is at 59 in the **U.K.**, 56 in **France**, and 50 in **Italy**. Capital spending and employment are both expected to grow about 2 percent over the next year.

Once again, the top concern among European CFOs is attracting and retaining qualified employees, followed by economic uncertainty and government policies. Currency risk and employee productivity were also top-five concerns.

Optimism in **Asia** dropped eight points to 52 this quarter. Economic uncertainty remains the top concern. Other concerns include difficulty attracting qualified employees and currency risk. Capital spending is expected to grow about 10 percent, and employment 2 percent, over the next 12 months.

Overall **Latin American** optimism is 63 this quarter, on a scale of 0 to 100. The Optimism Index is highest in Brazil, at 69, where a new president seen as pro-business has been elected just as the country is emerging from a historic recession. Optimism is 53 in **Mexico**, 57 in **Chile**, 61 in **Peru**, and just 34 in **Ecuador**, where the government remains mired in corruption investigations. Economic uncertainty remains the top concern among Latin American CFOs.

Other concerns include government policies, weak demand, and currency risk. Capital spending is expected to grow 2.2 percent and employment 2 percent over the next year.

Business optimism in **Africa** rebounded to 51 this quarter. Employment should fall about one percent in Africa over the next 12 months. Median capital spending is flat. African CFOs are most concerned about economic uncertainty, governmental policies, and regulatory requirements.

Detailed results, including tabular summaries of the numbers in this release and results from previous surveys, are available from gregory.phillips@duke.edu.

About the survey: This is the 91st consecutive quarter the Duke University/CFO Global Business Outlook survey has been conducted. The survey concluded December 7, and generated responses from more than 500 CFOs, including 226 from North America, 48 from Asia, 82 from Europe, 122 from Latin America and 32 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 (William.Eid@fgv.br) and with Universidad Andina Simon Bolivar in Ecuador. The Japanese survey was conducted jointly with Kobe University (cfosurveyjp@people.kobe-u.ac.jp) 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, many 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 health care 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.