

# CFO Quarterly Outlook Survey

Conducted by Financial  
Executives International and  
The Zicklin School of Business  
at Baruch College

June 2009



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## Executive Summary

Chief financial officers' confidence in the U.S. economy saw signs of improvement for the first time in over two years, but revealed declined optimism toward their own companies, according to the most recent survey of CFOs conducted by Financial Executives International (FEI) and Baruch College's Zicklin School of Business. While CFOs are taking a cautious approach in regard to capital spending and hiring, they see light at the end of the tunnel, forecasting an end to the current recession by 2011.

In the 2009 second quarter "CFO Outlook Survey," the CFO Optimism Index for the U.S. economy, while still down 43 percent from its 2004 high (73.55), reported an increase for the first time in 28 months (41.90) after hitting a survey all-time low of 38.96 last quarter. Despite the reported heightened sense of optimism in the overall economy, financial prospects for one's own company plummeted to a survey all-time low, dropping approximately 7.5 points to 51.44 from 58.93 in the previous quarter. CFOs continue to take precautionary measures to initiate cutbacks in the areas of capital spending, hiring and product pricing over the next 12 months.

"The sentiment of CFOs this quarter can best be described as 'cautious optimism,' and at this point, there is no clear consensus among chief financial officers as to whether the conditions have in fact stabilized," said John Elliott, Dean of the Zicklin School of Business at Baruch College. "Though we saw noticeable signs of concern this quarter from CFOs toward their respective companies' financial prospects, their increased optimism in the overall economy for the first time since 2007 gives us the first indication of a potential recovery."

### **CFOs See Increased M&A Opportunities but Still Some Difficulties in Lending/Credit**

CFOs this quarter also revealed a mixture of positive and negative views. Demonstrating positive signs in the market, over a quarter (27%) of CFOs have increased their interest in making acquisitions. Furthermore, more than a quarter (28%) feel the economy has already stabilized, with an overwhelming majority (90%) anticipating an economic recovery by the first half of 2011, or before. When asked what signs of stabilization they are noticing at their company, 33 percent of CFOs expect to report positive earnings for the second quarter. CFOs also cited positive first quarter earnings (28%), increased cash flow over the previous quarter (21%), and increased consumer demand (13%) as signs of improvement.

"It is apparent that growth opportunities are manifesting, as CFOs increased their interest in mergers and acquisitions," said Marie Hollein, CEO and President, Financial Executives International. "Amidst this challenging environment, CFOs do point to some signs of stabilization including increases in cash flow and consumer demand, implementation of layoff alternatives, and higher expectations for positive second quarter earnings. However, it is clear that the road to recovery is far from over."

More than half (56%) stated they are spending cautiously, while approximately one quarter are holding off on all, or nearly all, capital investments (28%). In terms of lending, nearly nine out of 10 (87%) CFOs reveal that amounts being lent have either decreased or gone unchanged,

whilst more than a third (34%) believes it will become increasingly difficult to access credit over the next six months. Although 34 percent feel credit is still difficult to access, it has loosened in comparison to third quarter 2008 findings (67%).

### **President Obama Steadily Gaining CFOs' Confidence, Skeptical of Geithner's Performance**

In the previous quarter's survey, CFOs weighed in on their sentiments toward President Barack Obama's performance and their thoughts on the first 100 days of his Administration. On a positive note, more than twice as many respondents (23%) expressed heightened optimism this quarter compared to last quarter (9%). While nearly half (47%) stated their confidence in the economy has weakened, this signals a sharp decline from the number of CFOs who expressed unfavorable opinions toward the Administration in the first quarter (58%).

At the same time, CFOs' sentiments toward the leadership of Treasury Secretary Timothy F. Geithner and his response to the current financial situation in the U.S. were less than favorable. When asked to rate Geithner's performance, 43 percent of respondents assigned him a "C" grade and nearly three-fourths of respondents (73%) assigned him a "C" grade or worse. By comparison to his predecessor, CFOs viewed former Treasury Secretary Henry Paulson's performance as satisfactory, with over half (55%) issuing him at least a "B" grade in the third quarter 2008.

### **Bleak Prospects for College Graduates and Paid Summer Interns; Current Employees Also Impacted**

CFOs are witnessing signs of stabilization at companies where layoffs did not occur this quarter (30%). However, the findings are not as promising for recent graduates entering the work force or for paid summer interns. Of the CFOs surveyed whose companies have historically hired recent graduates, nearly all (95%) have either hired less, or the same amount as the previous year. Accordingly, only 5 percent of respondents reveal that their company is hiring more recent graduates. In comparison, of the companies that have historically hired paid summer interns, approximately 61 percent are hiring less, and only 8 percent are hiring more.

The current economic environment is not only affecting individuals seeking work, but also those who are currently employed. Over one quarter (28%) of respondents specified the work week at their companies had been reduced, and 21 percent revealed their companies had expanded offerings of early pensions and other retirement incentives, whilst only 17 percent saw furloughs implemented at their companies. Forty-seven percent of respondents specified other options, including salary reductions, unpaid vacations, pay raise stalls and preferences to hold onto experienced personnel.

**Detailed Survey Results**

This quarter, the CFO Outlook Survey, conducted by Financial Executives International and Baruch College's Zicklin School of Business, interviewed 266 corporate CFOs electronically from June first through eighth. CFOs from both public and private companies and from a broad range of industries, revenues and geographic areas, including some off-shore companies, are represented. Survey respondents are members of Financial Executives International.

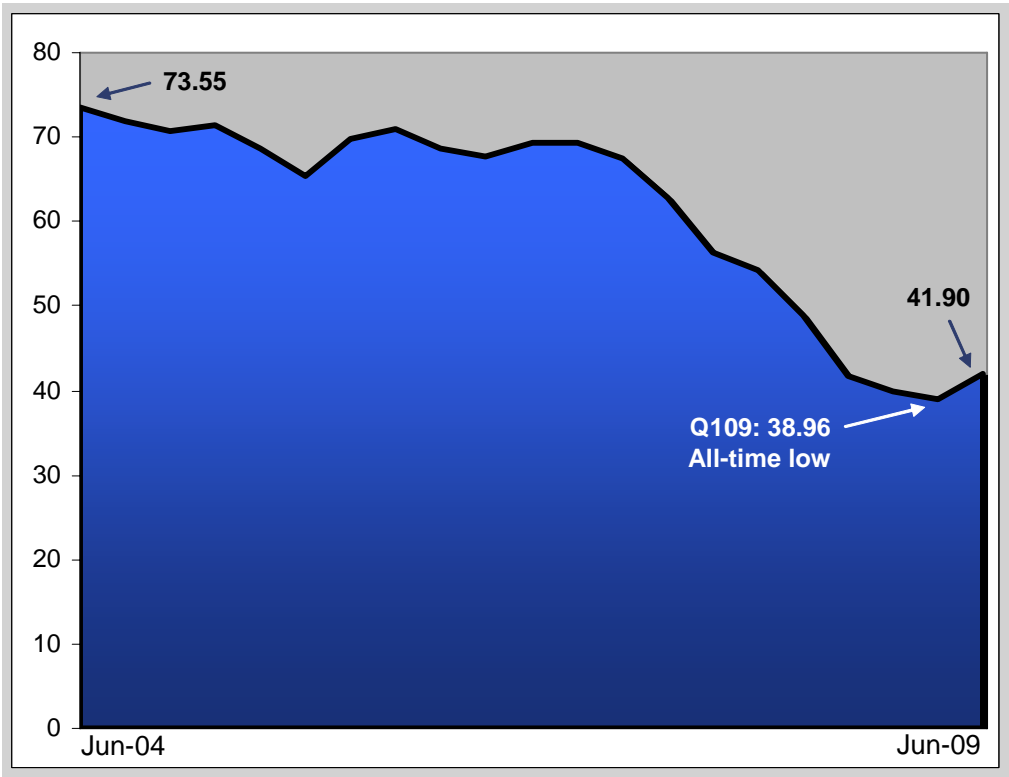
Financial Executives International has been conducting surveys gauging the country's economic outlook from the perspective of CFOs for more than 11 years.

**1. Rate your optimism about the U.S. economy for the 1st half of 2009 on a scale from 0-100, with 0 being the least optimistic and 100 being the most optimistic.**

This quarter: 41.90

Last quarter: 38.96

This quarter, the optimism about the U.S. economy is up from last quarter's four year low.



Source: FEI/Baruch College

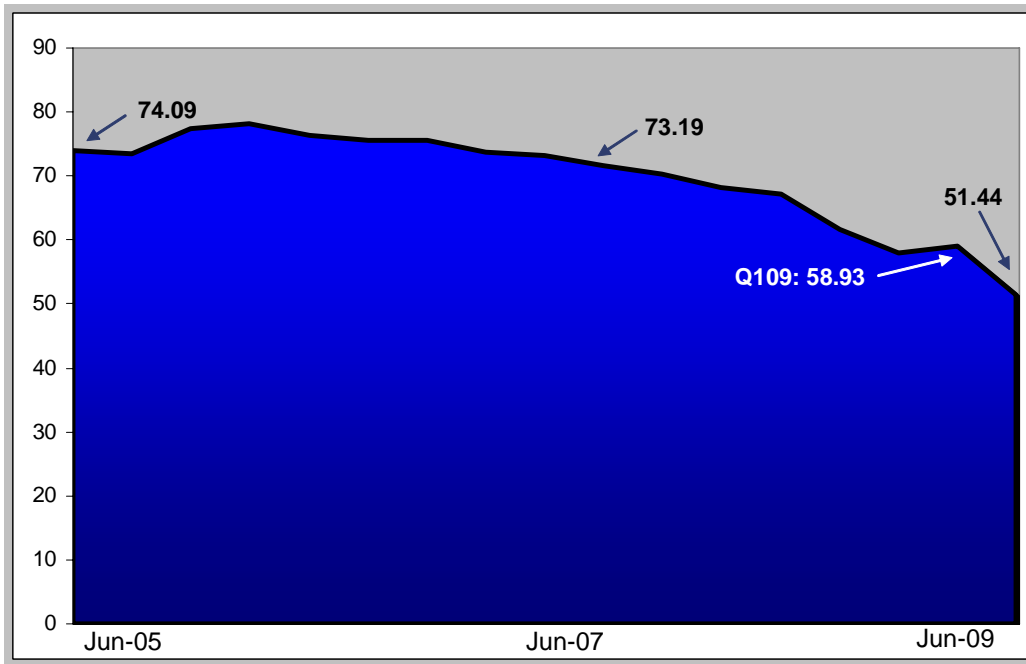
Figure A: Median CFO optimism about the economy.

**2. Rate your optimism about the financial prospects for the 1st half of 2009 for your company on a scale from 0-100, with 0 being the least optimistic and 100 being the most optimistic.**

This quarter: 51.44

Last quarter: 58.93

Though there was an uptick in CFO optimism about the economy, CFOs' optimism about their companies still continues to decline.



Source: FEI/Baruch College

*\*Company optimism has declined since March 2006. The last quarter result (March 2009) increased to 58.93, but continued its decline this quarter.*

Figure B: Median CFO optimism about their companies

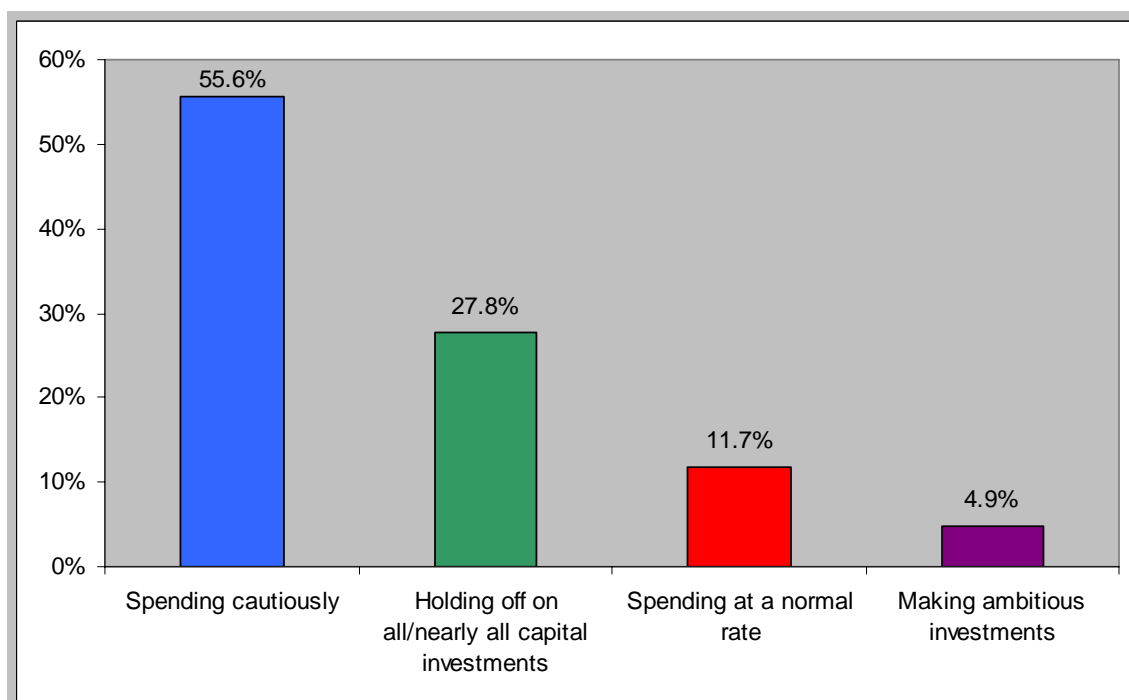
**3. For each of the following, provide the changes expected at your own company for the NEXT 12 months (e.g., +3, -2, etc.).**

	This Quarter	Last Quarter
Health care costs	6.78%	7.19%
Technology spending	1.95%	0.61%
Prices of your products	-0.06%	-0.79%
Capital spending	-2.28%	-5.28%
Hiring	-2.74%	-5.52%
Inventory	-3.08%	-6.22%

Figure C. FEI/BARUCH CFO OUTLOOK SURVEYS – QUARTERLY COMPARISON

	Jun-09	Mar-09	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06	Mar-06	Dec-05	Sep-05	Jun-05	Mar-05	Dec-04	Sep-04	Jun-04
<b>Optimism about the economy</b>	41.90 An increase of 7.5% from last Q and decrease from 14.3% from last year.	38.96 A decrease of 2.2% from last Q and 43.8% from last year.	39.85 A decrease of 4.5% from last Q and 29.2% from last year.	41.73 A decrease of 14.7% from last Q and 33.6% from last year.	48.92 A decrease of 10.8% from last Q and 27.5% from last year.	54.29 A decrease of 3.5% from last Q and 21.6% from last year.	56.26 A decrease of 10.5% from last Q and 19% decrease from last year.	62.85	67.46	69.29	69.28	67.6	68.64	71.06	69.69	65.35 A 4.8% decrease from last Q	68.66	71.42	70.78	71.98	73.55
<b>Optimism about own company</b>	51.44 A decrease of 12.7% from last Q and 23.3% from last year.	58.93 An increase of 1.5% from last Q and 23.3% from last year.	58.07 A decrease of 5.9% from last Q and 17.3% from last year.	61.74 A decrease of 7.93% from last Q and 13.87% from last year.	67.06 A decrease of 1.6% from last Q and 8.4% from last year.	68.12 A decrease of 3.0% from last Q and 7.5% from last year.	70.26 A decrease of 2% from last Q and 5.31% from last year.	71.68	73.19	73.62	75.57	75.46	76.27	78.12	77.37	73.43	74.09	75.34	75.73	76.06	76.4
<b>Capital spending</b>	Expected decrease of 2.28% in the next 12 months.	Expected decrease of 5.28% in the next 12 months.	Expected decrease of 4.57% in the next 12 months.	Expected decrease of 1.70% in the next 12 months.	Expected increase of 7.67% in the next 12 months.	Expected increase of 9.62% in the next 12 months.	Expected increase of 9.96% in the next 12 months.	Expected increase of 15.05% in the next 12 months.	Expected increase of 2.26% in the next 12 months.	Expected increase of 7.87% in the next 12 months.	Expected increase of 7.3% in the next 12 months.	Expected increase of 7.98% in the next 12 months.	Expected increase of 8.09% in the next 12 months.	Expected increase of 6.6% in the next 12 months.	Expected increase of 9.1% in the next 12 months.	Expected increase of 6.0% in the next 12 months.	Expected increase of 5.1% in the next 12 months.	Expected increase of 13.1% in the next 12 months.	Expected increase of 13.7% for next 12 months.	Expected increase of 7.8% for next 12 months.	Expected increase of 14.8% for next 12 months.
<b>Health care costs</b>	Expected increase of 6.78% in the next 12 months.	Expected increase of 7.19% in the next 12 months.	Expected increase of 8.09% in the next 12 months.	Expected increase of 7.88% in the next 12 months.	Expected increase of 8.13% in the next 12 months.	Expected increase of 8.39% in the next 12 months.	Expected increase of 8.25% in the next 12 months.	N/A	Expected increase of 8.19% in the next 12 months.	Expected increase of 9.46% in the next 12 months.	Expected increase of 9.2% in the next 12 months.	Expected increase of 7.72% in the next 12 months.	Expected increase of 8.38% in the next 12 months.	Expected increase of 8.4% in the next 12 months.	Expected increase of 7.2% in the next 12 months.	Expected increase of 7.9% in the next 12 months.	Expected increase of 7.9% in the next 12 months.	Expected increase of 9.3% in the next 12 months.	Expected increase of 9.9% in the next 12 months.	Expected increase of 9.1% in the next 12 months.	Expected increase of 10.6% in the next 12 months.
<b>Technology spending</b>	Expected increase of 1.95% in the next 12 months.	Expected increase of .61% in the next 12 months.	Expected increase of 0.02% in the next 12 months.	Expected decrease of .20% in the next 12 months.	Expected increase of 3.71% in the next 12 months.	Expected increase of 5.16% in the next 12 months.	Expected increase of 11.54% in the next 12 months.	Expected increase of 20.78% in the next 12 months.	Expected increase of 11.27% in the next 12 months.	Expected increase of 9.55% in the next 12 months.	Expected increase of 8.4% in the next 12 months.	Expected increase of 6.86% in the next 12 months.	Expected increase of 6.63% in the next 12 months.	Expected increase of 12.3% in the next 12 months.	Expected increase of 7.5% in the next 12 months.	Expected increase of 5.4% in the next 12 months.	Expected increase of 4.4% in the next 12 months.	Expected increase of 8.0% in the next 12 months.	To grow average of 12% in next 12 months	To grow average of 6.5% in next 12 months	To grow an average of 5.9% in next 12 months
<b>Hiring</b>	Expected decrease of 2.74% in the next 12 months.	Expected decrease of 5.52% in the next 12 months.	Expected decrease of 3.09% in the next 12 months.	Expected decrease of .97% in the next 12 months.	Expected increase of 1.13% in the next 12 months.	Expected increase of 2.90% in the next 12 months.	Expected increase of 4.65% in the next 12 months.	Expected increase of 5.22% in the next 12 months.	Expected increase of 4.10% in the next 12 months.	Expected increase of 5.24% in the next 12 months.	Expected increase of around 4% in the next 12 months.	Expected increase of 5.08% in the next 12 months.	Expected increase of 4.04% in the next 12 months.								
<b>Price of products</b>	Expected decrease of 0.06% in the next 12 months.	Expected decrease of .79% in the next 12 months.	Expected increase of 0.04% in the next 12 months.	Expected increase of 1.71% in the next 12 months.	Expected increase of 4.68% in the next 12 months.	Expected increase of 4.56% in the next 12 months.	Expected increase of 2.77% in the next 12 months.	Expected increase of 2.30% in the next 12 months.	Expected increase of 1.85% in the next 12 months.	Expected increase of 2.07% in the next 12 months.	N/A	Expected increase of 2.53% in the next 12 months.	Expected increase of 3.33% in the next 12 months.								

**4. Which best describes your company's capital spending now?**



Source: FEI/Baruch College

**5. With regards to the change in access to credit for your company, over the next six months, which of the following do you anticipate the situation will be?**

	This Quarter	Q3 2008
Easier to access credit	12.4 %	3.5%
More difficult to access credit	33.5 %	66.9%
No Change	54.1 %	29.6%

**6a. How debt terms and conditions changed versus six months ago. – Amounts being lent have:**

	Percent
Decreased	35.6 %
Not changed	51.0 %
Increased	13.4 %

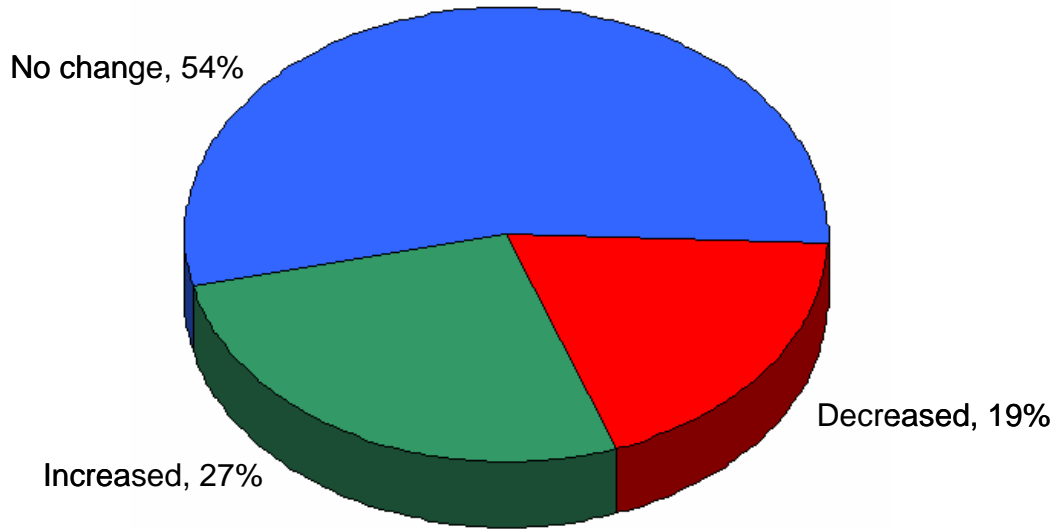
**6b. How debt terms and conditions changed versus six months ago. – Debt covenants are:**

	This Quarter	Q4 2008
Stricter	50.0 %	54.8 %
Not changed	46.9 %	42.6 %
Looser	3.1 %	2.6 %

**6c. How debt terms and conditions changed versus six months ago. – Interest rates on borrowing have:**

	This Quarter	Q4 2008
Stricter	49.8 %	53.8 %
Not changed	27.0 %	19.8 %
Looser	23.2 %	26.4 %

**7a. Regarding M&A activity relative to last quarter, our company's interest in making acquisition/s:**

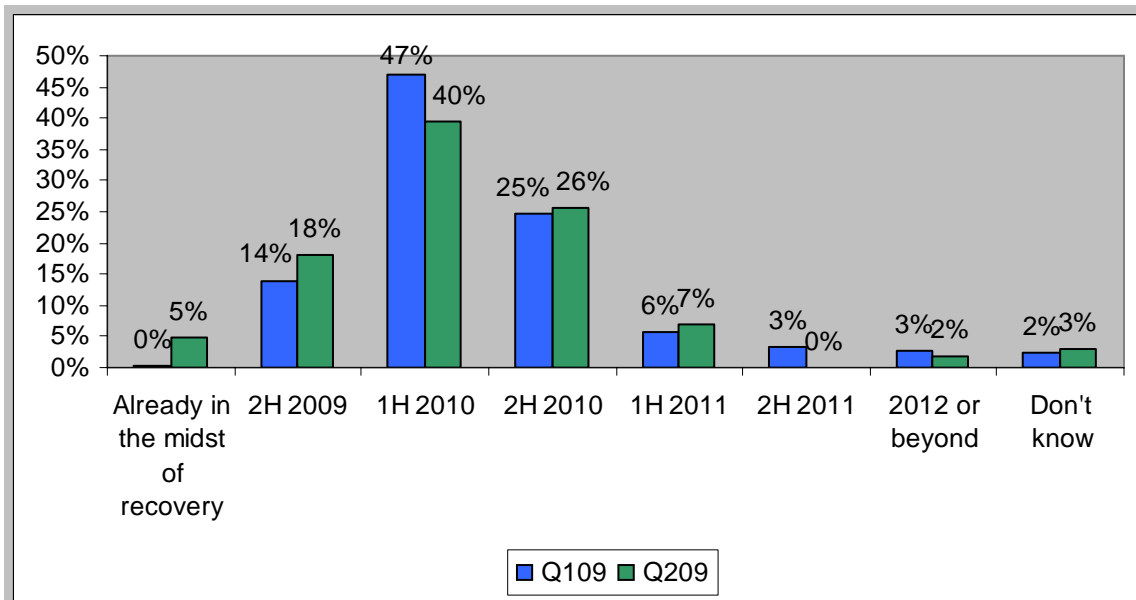


Source: FEI/Baruch College

**7b. Regarding M&A activity relative to last quarter, interest in our company as an acquisition target:**

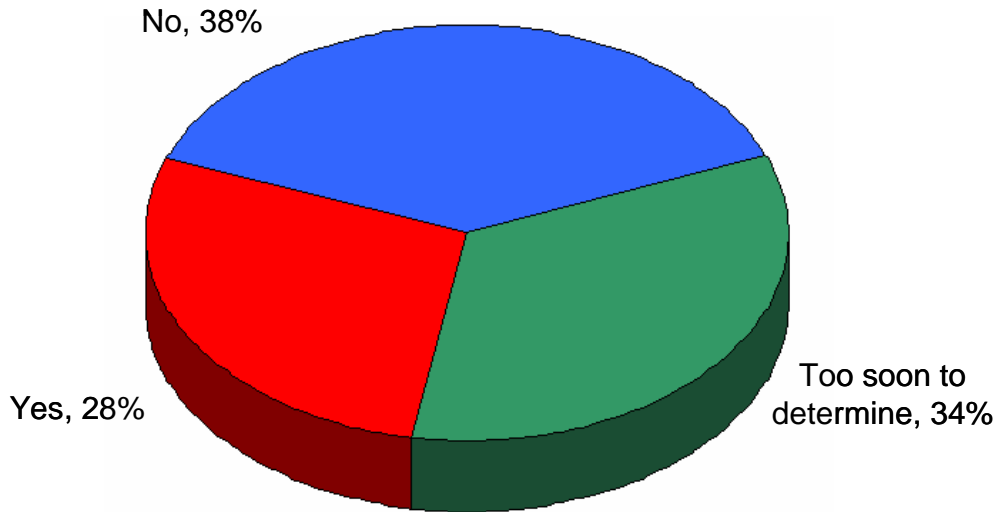
	Percent
Increased	16.1 %
No change	72.8 %
Decreased	11.1 %

**8. When do you believe indicators such as bond yields, mortgage interest rates, U.S. unemployment rate and rising GDP will collectively improve and result in the start of a recovery in the U.S. economy?**



Source: FEI/Baruch College

**9a. At this point, do you feel the economy has stabilized?**

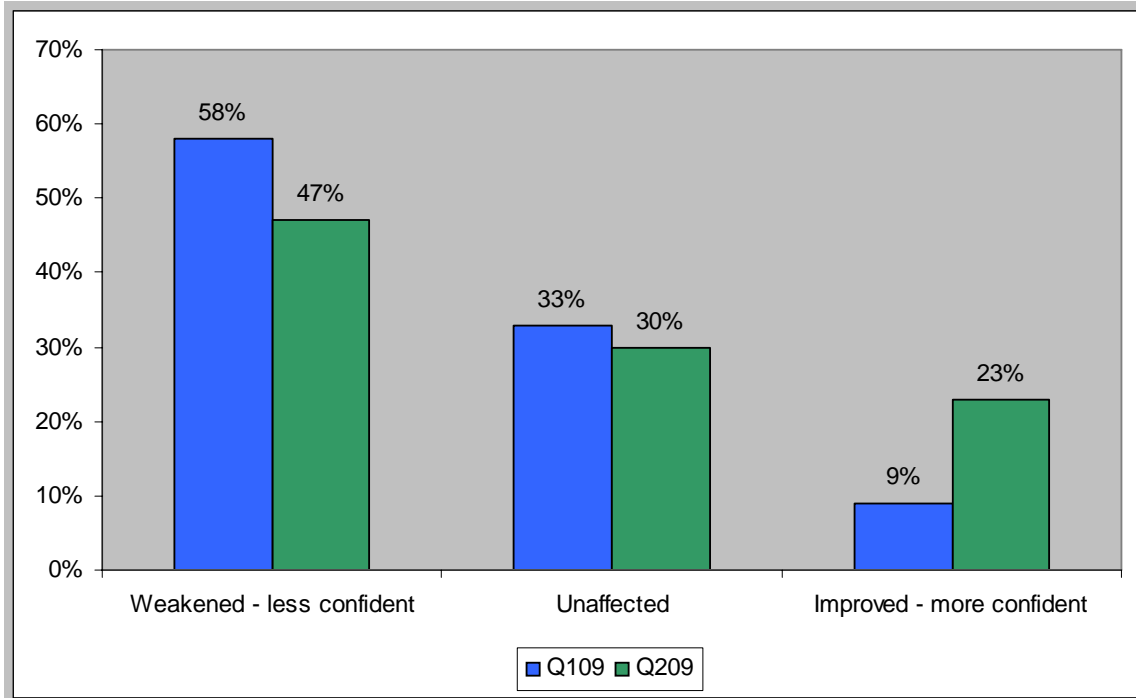


Source: FEI/Baruch College

**9b. What, if any, specific signs of stabilization have you noticed recently at your company? (Please select as many as apply)**

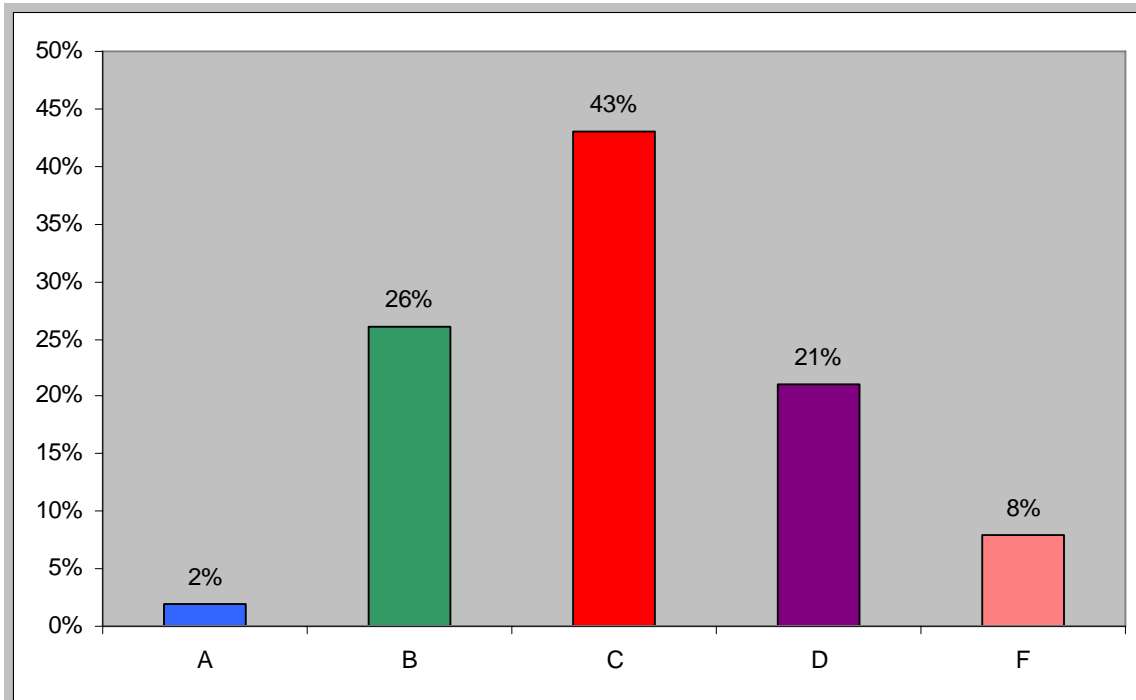
	Percent
Our inventory levels have stabilized	10.5 %
Our order backlogs have stabilized	15.8 %
We did not have to draw against our credit	15.4 %
Cash flow increased over the previous quarter	21.1 %
Consumer demand is up	13.2 %
We reported positive earnings for Q1	27.8 %
We expect to report positive earnings for Q2	33.1 %
We did not make any additional layoffs	30.5 %
Too soon to determine	32.7 %
There are currently no signs of stabilization at my company	16.5 %
Other	3.8 %

**10. What effect, if any, has the inauguration of President Barack Obama, and the first few months of his administration, had on your U.S. economic outlook since the start of 2009?**



Source: FEI/Baruch College

**11. Please provide your views on the performance of U.S. Treasury Secretary Timothy F. Geithner with regard to his response to the current U.S. financial situation.**



Source: FEI/Baruch College

**12a. How is the current environment affecting staffing at your company in terms of the following? – Hiring of recent graduates vs. previous years**

	<u>Percent</u>
Hiring more	3.0 %
Hiring same amount	15.4 %
Hiring less	39.8 %
No change because traditionally do not hire	41.7 %

**12b. How is the current environment affecting staffing at your company in terms of the following? – Hiring of paid summer interns vs. previous years**

	<u>Percent</u>
Hiring more	4.9 %
Hiring same amount	19.2 %
Hiring less	38.3 %
No change because traditionally do not hire	37.6 %

**12c. How is the current environment affecting staffing at your company in terms of the following? – New hires in general**

	<u>Percent</u>
Delaying employment start dates for new hires by a few months	45.7 %
Delaying employment start dates for new hires by more than 6 months	29.0 %
Rescinding job offers completely	16.7 %
Lowering the amount of H1-B work visas	8.6 %

**12d. How is the current environment affecting staffing at your company in terms of the following? – Existing employees**

	<u>Percent</u>
Implementing furloughs	22.3 %
Expanding offering of early pensions/other retirement incentives	3.3 %
Reducing work week	27.7 %
Other	46.7 %

**13a. In view of the current recession, do you have plans to set up a formal risk management program at your company?**

	<u>Percent</u>
We already have a program in place	54.1 %
In the next six months	4.3 %
In the next year	6.0 %
In the next 18 months	4.3 %
We have no plans to set up a risk management program	31.3%

**13a. (continued) If you do have a risk management program in place, do you consider it to be effective?**

	<u>Percent</u>
Yes	83.6 %
No	6.6 %
Don't know enough about it	9.8 %

**13b. Separately, do you have plans to set up an Enterprise-wide Risk Management Program (ERM)?**

	<u>Percent</u>
We already have a program in place	37.7 %
In the next six months	3.8 %
In the next year	6.6 %
In the next 18 months	6.6 %
We have no plans to set up a risk management program	45.3%

PUBLIC COMPANIES ONLY

**Do your company's shareholders have an advisory vote on management compensation?**

	<u>Percent</u>
Yes	17.0 %
No	83.0 %

**Has a compensation package ever been voted down due to shareholder opposition?  
(only 9 respondents)**

	<u>Percent</u>
Yes	0 %
No	100 %

**Have shareholders ever expressed concerns over issues by withholding votes? (only 9 respondents)**

	<u>Percent</u>
Yes	33.3 %
No	66.7 %

## COMPANY DEMOGRAPHICS

<u>Industry</u>	<u>Percent</u>
Manufacturing	27.4 %
Retail/Wholesale	12.0 %
Other	14.7 %
Service/Consulting	7.9 %
Tech [Software/Biotech]	8.3 %
Banking/Finance/Insurance	10.2 %
Mining/Construction	5.6 %
Healthcare/Pharmaceutical	5.6 %
Communications/Media	3.0 %
Transportation/Energy	5.3 %

<u>Sales Revenue</u>	<u>Percent</u>
Less than \$25 million	15.8 %
\$25-\$99 million	30.9 %
\$100-\$499 million	29.8 %
\$500-\$999 million	7.5 %
\$1-\$4.9 billion	11.3 %
Over \$5 billion	4.5 %

<u>Number of Employees</u>	<u>Percent</u>
Fewer than 100	22.3 %
100-499	34.0 %
500-999	11.8 %
1,000-2,499	11.3 %
2,500-4,999	7.6 %
5,000-9,999	4.6 %
Over 10,000	8.4 %

<u>Headquarters</u>	<u>Percent</u>
Midwest	25.5 %
Northeast	24.7 %
Pacific	17.1 %
South Central	15.6 %
South Atlantic	11.8 %
Mountain	3.8 %
Outside U.S.	1.5 %

<u>Ownership</u>	<u>Percent</u>
Private	76.7 %
Public, Nasdaq/AMEX	12.0 %
Public, NYSE	11.3 %

<u>Foreign Sales</u>	<u>Percent</u>
0%	44.0 %
1-24%	39.1 %
25-50%	11.3 %
Over 50%	5.6 %

**About FEI**

Financial Executives International (FEI) is the leading advocate for the views of corporate financial management. Its 15,000 members hold policy-making positions as chief financial officers, treasurers, and controllers. FEI enhances member professional development through peer networking, career planning services, conferences, publications, and special reports and research. Members participate in the activities of 84 chapters, 73 of which are in the United States and 11 in Canada.

Financial Executives Research Foundation (FERF) is the non-profit 501 (c)(3) research affiliate of FEI. FERF researchers identify key financial issues and develop impartial, timely research reports to FEI members and non-members alike, in a variety of publication formats.

For more information, visit [www.financialexecutives.org](http://www.financialexecutives.org).

**About Baruch**

Baruch College is a senior college of the City University of New York. The Zicklin School of Business at Baruch College is the largest and most diverse AACSB accredited collegiate school of business in the nation. Baruch has a long tradition of producing accounting and finance graduates who become leaders as CPAs and CFOs. [www.baruch.cuny.edu](http://www.baruch.cuny.edu)

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