

# COVID-19 drives CFO optimism down to Great Recession levels

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The new coronavirus drove CFO business optimism to a low point last seen during the Great Recession during the two weeks ending April 3, according to the Duke University/CFO Global Business Outlook.

The quarterly survey was conducted over six weeks, beginning February 25. The results document the week-by-week impact of COVID-19 on businesses around the world.

The CFO Survey has been conducted for 96 consecutive quarters and spans the globe, making it the world's longest-running and most comprehensive research on senior finance executives. Results below are for the U.S. unless stated otherwise.

## **Business Optimism**

The CFO Optimism Index fell to 42 (on a scale from 0 to 100) in the second half of March, which reflects CFO sentiment is as bleak as it was during the 2008 financial crisis.

"The Optimism Index was at 59 in the first half of March before plummeting to the low 40s in the second half of the month," said John Graham, a finance professor at Duke University's Fuqua School of Business and director of the survey. "The [index](#) has proven to be a good predictor of future GDP and unemployment, anticipating that the economy will perform as poorly in 2020 as it did during the Great Recession."

"We have already seen a bigger jump in unemployment in the past three weeks than during the entire Great Recession, so there is good reason why optimism has fallen," said Campbell Harvey, a founding director of the survey and Fuqua finance professor. "CFOs are fighting their own war for the survival of their companies."

## **Spending and Hiring Plans**

The dramatic drop in the Optimism Index indicates that CFOs were surprised by the large and sudden effects of the new coronavirus on

[business](#) prospects.

Prior to March 15, U.S. businesses said they planned to increase payrolls by more than 4% and increase spending by more than 4% over the next year. After March 15, they said their plans for the coming year were to reduce employment by 1.2% and reduce spending by 1.4%.

"Things could get worse," Graham said. "Even with the pessimism expressed during the second half of March, only about one-third of U.S. firms believed that they face large financial risk due to COVID-19, while about half said they faced medium risk. Should more companies realize that they in fact face large financial risk due to the virus, hiring and spending numbers will get even worse."

The survey asked CFOs to report two forecasts of sales revenue for their own firms—one being their best estimate for revenue in the coming year and the second being revenue forecast under what they would consider "very bad" conditions. During the first quarter, firms' best estimate is that sales revenue will increase 4% in the next year; under "very bad" conditions, they expect to see a 13.3% decrease in sales revenue.

## **Global Optimism**

As noted, U.S. optimism before March 15 was 59 on a scale of 0 to 100; after March 15, that number dropped to a low of 42. In other regions of the world, the Optimism Index also fell to or near all-time lows (Index before March 15/after March 15): Europe (50/35), Latin America (59/42), and Africa (57/37). In Asia (44/39), optimism was already low before March 15, consistent with parts of Asia already feeling the effects of the new coronavirus.

Provided by Duke University

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