



Economics Group

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CFO Confidence Rebounds in the Second Quarter

The Duke CFO Survey, now conducted along with the Federal Reserve Banks of Atlanta and Richmond, rebounded solidly toward the end of the second quarter. CFOs still see a long road to full recovery, however.

CFO Confidence Rebounds From Its March Lows

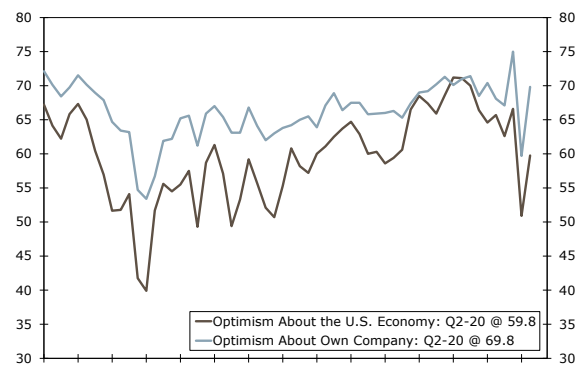
The long-running Duke CFO Survey is now conducted in collaboration with the Federal Reserve Banks of Atlanta and Richmond. The quarterly survey, which began in 1996, has consistently provided keen insights into mindset of small businesses and middle-market companies. The latest survey was conducted from June 15 through June 26, a period that captures the rebound from the lows hit in mid-April as well as any concerns about civil unrest and the rise in COVID-19 infections that occurred after Memorial Day. CFOs feel considerably more optimistic about their own firm's prospects, with optimism rising 10.1 points to 69.8 in June from 59.7 in March. The index remains 5.2 points below its cycle high of 75 hit toward the end of last year. CFOs' views on their firm's prospects are now back in line with the average for the past three years.

Views on the broader economy also improved, but are less upbeat. Optimism about the U.S. economy rose 8.9 points to 59.8, well below the 67.4 averaged from 2017-2019. CFOs' continued uncertainty about the economic outlook likely reflects the absence of mileposts to assess where the economy currently is in the recovery process. Most broad economic measures, such as nonfarm employment, industrial production and retail sales, plummeted during March and April, and then rose solidly in May and June. Real GDP declined at a 5% annual rate in the first quarter and second quarter GDP, which will be reported July 30, is widely expected to show the sharpest quarterly decline ever. The median CFO forecast for year-ahead real GDP is just 0.9%. The uncertainty about the economic outlook is apparent in the list of most pressing concerns. The top concern for CFOs is demand/sales/revenue, which has been unusually hard to gauge given the sudden shutdown in addition to the uneven, gradual re-opening seen over the past two months. The health of the economy came in second, followed by liquidity/cash flow. Concerns about the financial health of customers and access to credit ranked near the bottom of CFOs' most pressing concerns. One bright spot is that financial concerns were not the top concern, suggesting firms are managing through the pandemic better than had been feared.

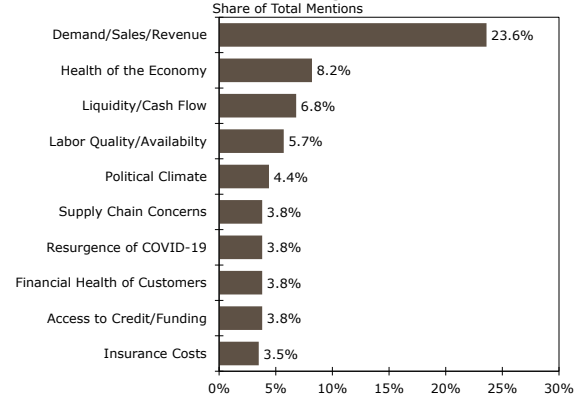
About one-third of CFOs reported their firm had reduced their payroll since March, with an average reduction of 5.5%. While many of these jobs are expected to be added back by year-end, CFOs expect employment to be 5% lower than it was at the end of last year and to still be below its previous peak by year-end 2021.

Most CFOs from firms with 500 or fewer employees applied for funding from the Paycheck Protection Program (PPP), and most expect full forgiveness of those loans. This suggests the PPP is working the way it was supposed to, providing a booster shot to balance sheets and incentive to re-hire workers—even when the outlook remains uncertain.

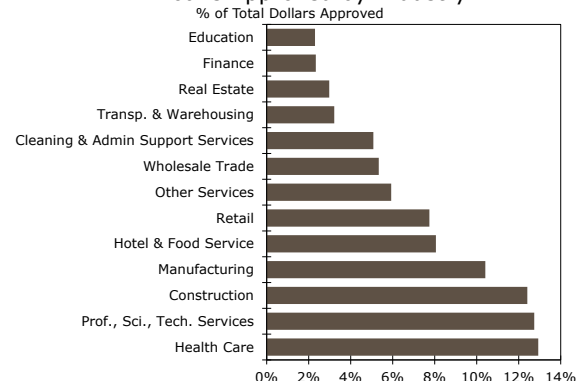
CFO Survey: Optimism Indexes



Firms' Most Pressing Concerns



PPP Loans Approved by Industry



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