

## Most American CFOs expect a recession by the 2020 election

Duke University has released its report on business optimism for the third quarter of 2019, and the results make for gloomy reading.

The CFO Global Business Outlook survey found that business optimism was at its lowest level in three years and that respondents largely thought a recession before the 2020 election seemed likely.

The survey has been going for 94 consecutive quarters and is viewed as a good barometer of the overall health of the economy, as it gives insight into what corporate financial planners are thinking. Duke boasts that it has historically been an accurate indicator of hiring and gross-domestic-product growth, which both fell in the third quarter.

The survey found pessimism was rising, as 55% of CFOs had become more pessimistic than in the second quarter, while only 12% were still optimistic.

“Business optimism has not been this low since September 2016, a time when the unemployment rate was 5%,” said John Graham, a finance professor at Duke University’s Fuqua School of Business who is the director of the survey.

“Optimism is low in all regions of the world, which exacerbates any slowdown occurring in the US,” Graham added.

More worryingly, 53% of American CFOs believed that there would be a recession by the 2020 election and two-thirds saw one coming 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 Fuqua finance professor who was a founding director of the survey.

“Executives don’t want to be caught unprepared for the next recession, like they were in the global financial crisis,” he added.

Duke said economic uncertainty was to blame, adding that these concerns were similar worldwide.

“Business spending is often weak in the face of economic uncertainty, which is what the survey finds in the US, with a less than 1% increase in capital spending expected over the next 12 months,” the survey said.



“This is the lowest growth since September 2016, and the second-lowest growth since December 2009,” it added.

UNEMPLOYMENT	Region	Percentage Point Change				
		August 2018	July 2019	August 2019	Percentage Point Change	
					1 month	12 months
	San José–Sunnyvale MSA	2.8%	2.8%	2.7%	- 0.1	- 0.1
	San Francisco MD	2.4%	2.4%	2.2%	- 0.2	- 0.2
	California	4.3%	4.5%	4.2%	- 0.3	- 0.1
	United States	3.9%	4.0%	3.8%	- 0.2	- 0.1

INDUSTRY EMPLOYMENT	Sector — August 2019				Percentage Change (Combined Region)	
		San Jose MSA	San Francisco MD	Combined Region	1 month	12 months
	<b>Total Nonfarm</b>	<b>1,158,800</b>	<b>1,188,800</b>	<b>2,347,600</b>	<b>+ 0.2%</b>	<b>+ 2.8%</b>
	Construction	50,800	46,600	97,400	- 0.4%	+ 4.1%
	Manufacturing	181,000	39,000	220,000	+ 0.3%	+ 2.8%
	Retail Trade	86,400	78,400	164,800	- 0.4%	- 1.3%
	Information	103,100	94,500	197,600	+ 0.6%	+ 7.8%
	Professional & Business Services	246,900	303,200	550,100	+ 0.2%	+ 3.5%
	Educational Services	45,800	27,000	72,800	- 0.4%	+ 2.5%
	Health Care & Social Assistance	128,000	115,700	243,700	+ 0.3%	+ 2.3%
	Leisure & Hospitality	107,700	147,500	255,200	0.0%	+ 1.8%
	Government	94,000	132,000	226,000	+ 1.7%	+ 2.8%

Note: San José MSA (San José–Sunnyvale–Santa Clara Metropolitan Statistical Area) = Santa Clara and San Benito Counties  
 San Francisco MD (San Francisco–Redwood City–South San Francisco Metropolitan Division) = San Mateo and San Francisco Counties

Source: California Employment Development Department, LMID

LABOR FORCE & ANNUAL CHANGE	Labor Force by NOVA Jurisdiction — Santa Clara County (partial) + San Mateo County (complete)									
	Labor Force			Unemployment			Unemployment Rate			
	August 2018	August 2019	Change	August 2018	August 2019	Change	August 2018	August 2019	Change	
	• San Mateo County	456,700	463,500	+ 1.5%	10,600	10,000	- 5.7%	2.3%	2.1%	- 0.2
	• Santa Clara County	1,050,400	1,063,100	+ 1.2%	28,500	27,900	- 2.1%	2.7%	2.6%	- 0.1
	Cupertino	30,000	30,300	+ 1.0%	800	800	0.0%	2.8%	2.5%	- 0.3
	Los Altos	14,900	15,100	+ 1.3%	400	400	0.0%	2.5%	2.6%	+ 0.1
	Milpitas	41,800	42,300	+ 1.2%	1,200	1,200	0.0%	2.9%	2.9%	0.0
	Mountain View	51,500	52,200	+ 1.4%	1,000	1,000	0.0%	2.0%	2.0%	0.0
	Palo Alto	36,100	36,400	+ 0.8%	900	700	- 22.2%	2.4%	2.0%	- 0.4
	Santa Clara	70,300	71,200	+ 1.3%	1,800	1,700	- 5.6%	2.5%	2.5%	0.0
	Sunnyvale	88,000	89,000	+ 1.1%	2,000	1,900	- 5.0%	2.3%	2.1%	- 0.2
	<b>NOVA Region</b>	<b>789,300</b>	<b>800,000</b>	<b>+ 1.4%</b>	<b>18,700</b>	<b>17,700</b>	<b>-5.3%</b>	<b>2.4%</b>	<b>2.2%</b>	<b>- 0.2</b>

Note: NOVA Region consists of seven cities in Northern Santa Clara County and the entirety of San Mateo County

Source: California Employment Development Department, LMID

REGIONAL LAYOFF ACTIVITY	August 2019 Events			WARN SUMMARY	
	Company	Location	# Affected	Events YTD <sup>†</sup> :	15
	Communications & Power Industries	Palo Alto	15	Individuals Affected YTD:	855
Just Energy	Santa Clara	26	Individuals Previous YTD <sup>‡</sup> :	558	
Marvell Semiconductor, Inc.	Santa Clara	3	* <b>WARN: Worker Adjustment and Retraining Notification</b> (notice of mass layoff or closure)		
Miasole Hi-Tech Corp.	Santa Clara	30	† <b>YTD: Year to Date</b> (Program year: July 1–Present)		
Oracle America	Santa Clara	59	‡ <b>Previous YTD:</b> (Same date range as YTD, one year prior)		
rePlanet LLC	Daly City	28			
Symantec Corporation	Mountain View	7			
	<b>Total</b>	<b>168</b>			

Note: Layoff data are preliminary and should be considered an estimate of monthly regional activity

Source: NOVA's internal Rapid Response database