

BY MATTHEW WELLS

The CFO Survey

Every quarter, The CFO Survey collects the views of chief financial officers and other financial leaders throughout the United States, gathering insight into their firms' financial outlook and concerns, as well as their perceptions of the economy. The survey, which is a collaboration among the Richmond Fed, the Atlanta Fed, and the Fuqua School of Business at Duke University, meets a crucial need for policymakers who rely on real-time data from businesses of all sizes when making decisions, especially during volatile times. "In this period of uncertainty, a business survey like this has been particularly useful to understand what's happening on the ground and think about policy," says Sonya Waddell, vice president for Regional and Community Analysis, who leads the Richmond Fed's role in the survey.

Founded in 1996, The CFO Survey was first known as the Duke CFO Global Business Outlook, and it captured the attitudes of financial leaders throughout the world. Over the years, the Fed would occasionally request certain questions be put into the survey. In 2020, the survey's director, Duke University finance professor John Graham, approached the Reserve Banks about formally collaborating on the survey but narrowing its focus to CFOs within the United States. "It just became natural to work jointly with the Federal Reserve," he says, adding that a domestic focus would better allow for the collection of a statistically representative sample of firms. The new name, The CFO Survey, reflected that new focus.

The Atlanta Fed's team recruits a panel of around 1,500 financial leaders from all sectors of the economy and firms of all sizes, from family-run small businesses to Fortune 500 companies. The use of a panel structure is vital, as it allows for the same individuals to participate repeatedly rather than needing to recruit a new sample for each wave. It also allows analysts to track how respondents' answers shift over time. About 300 financial executives from the panel participate each quarter, of whom about two-thirds are repeat participants.

Graham and Waddell, along with Atlanta Fed economist Brent Meyer, work with the team to develop each quarter's rotating questions. Collaboration occurs at each step of the analytic process, but the team in Richmond handles most of the analysis, creates the charts and tables for the survey's website, and publicizes the findings, as well as

the commentary by Graham, Waddell, Meyer, and other contributors.

More than half the survey's questions are asked every quarter. These core questions assess respondents' optimism on a zero to 100 scale regarding both their firm and the overall economy, as well as what they see as their "most pressing concerns," which helps the survey team understand what accounts for any changes in optimism over time. The CFO Survey poses this question in an open-ended format in which respondents can provide detailed explanations and context, such as changes caused by the unique economic conditions of the COVID-19 pandemic.

The survey also asks respondents about their firms' expectations regarding their own revenue, prices, and costs for the current and following calendar years. Asking about these expectations is helpful to policymakers, who can see what aspects

of firms' economic landscape they expect to be fleeting and those they anticipate will persist. The final set of core questions concerns the respondents' sentiments regarding the overall economy, as it asks about their expectations regarding GDP growth over the coming year and the performance of the S&P 500. This lets researchers see how well businesses can predict wider economic trends.

Many of the survey's remaining questions connect academic research to the real world. Graham notes, for example, that in addition to gathering important policy-relevant data, the survey also seeks to improve the practice of finance: It has recently asked respondents to look back to compare their forecasts to their actual numbers. "We'd like to be able to study the accuracy of the forecasts," he says, "and what leads to an accurate versus inaccurate forecast and how do executives respond?"

Recent results from the survey have been illuminating, as firms are increasingly pessimistic when it comes to the overall economy, but many remain upbeat about their own prospects. In particular, the third quarter 2022 survey found that businesses increasingly expect cost increases to level out and that many are able to pass much of those increases on to customers. Such insights, according to Waddell, make The CFO Survey an "incredibly valuable source of information on what's happening on the ground right now, which we can use to better predict where the economy might be headed." **EF**

