From the Orlando Business Journal:
https://www.bizjournals.com/orlando/news/2022/12/02/economy-recession-predictions.html

CFOs are growing more pessimistic. It could have big ripple effects.

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CFOs are now growing more pessimistic about their own companies.

Chief financial officers are putting their businesses under a microscope amid rising recession fears and economic uncertainty as 2023 approaches.

That's one of the big takeaways from the latest Economic Outlook Survey by the Association of International Certified Professional Accountants and the Chartered Institute of Management Accountants. The AICPA & CIMA fourth-quarter survey also found optimism for the U.S. economy among CFOs is now at its lowest point since the Great Recession, with only 12% of respondents optimistic about the next 12 months.

For much of 2022, CFO pessimism was focused largely on the national economy as a whole, while CFOs and executives were often more optimistic about their own company's prospects.

That is starting to change, and the data shows it could have significant implications for businesses of all sizes in 2023 as executives grow less optimistic about their own organizations — even as many economists believe the hiring environment could lead to a soft landing if a recession does occur.

How CFOs are adapting

AICPA found CFOs and other executives are reassessing their forecasts more often and those efforts have become increasingly complex due to inflation and supply chain concerns as companies put a laser focus on their cash flows.

That increasing scrutiny on budgets is leading many companies to postpone planned investments or reduce operating expenses.

Experts have told *The Playbook* that closely watching cash flow is one of the most important steps to recession-proofing your business.

"Definitely look at all the costs. Generally, headcount costs are one of the main costs. You have to make sure for the good of the business and for everyone in the business that you are still going to be cash-flow positive," Seth Sokoloff, an independent "fractional CFO" with a background in private equity and corporate finance, recently told us.

But those steps have a trickle-down effect on the economy — one CFOs are growing exceedingly anxious about.

More than 90% of survey respondents anticipate a recession within the next 12 months, and 40% believe the nation is already in one.

Hiring remains bright spot

Echoing both federal data and expert commentary, employers are still hiring at a steady pace and the labor market remains competitive.

More than one-third of employers said they plan to hire employees, while the percentage of companies hesitating to hire slightly declined — although there was also a slight uptick in the share of respondents who have an excess number of employees (up from 5% to 8%).

The tightness of the labor market is reflected in inflation concerns, where companies continue to identify talent costs as the biggest driver of inflation, signaling that employees still retain considerable leverage in the hiring process.

Top challenges

Inflation, hiring and benefit costs continue to dominate the list of the top challenges faced by CFOs — as they have for the past year — but there is an emerging problem: access to financing.

Financing hasn't ranked among the top 10 challenges for CFOs over the past year, but entered the mix this quarter as interest rates increased and lenders more closely scrutinize deals due to the slowing economy.

The percentage of CFOs identifying interest rates as their top inflationary risk factor has doubled over the past year (from 10% to 20%).

The AICPA & CIMA surveys poll CEOs, CFOs, controllers and other CPAs in executive and senior management accounting roles. The most recent poll was conducted between Oct. 25 and Nov. 17 and included 551 qualified responses.

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