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And Now for the Good News...

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Here are ten bright spots to savor amid the economic gloom.

The financial headlines are grim, but every cloud has a silver lining, right?

Right?

That old adage is being severely tested these days, but we did manage to unearth a handful of positive developments, optimistic commentators, and growth opportunities. True, there aren't a lot of stops on the Good News Tour these days, but here are a few positive developments to contemplate as you wait for the clouds to lift.

The Savings Rate Should Increase

The slowdown in consumer spending is actually a good thing. While often decried as an accelerator of the downturn — which it surely is — the pullback in consumer spending will benefit the economy in the long term. Consumers have been on a shopping spree for two decades, and household savings have suffered. In 2007, the household savings rate was 0.6 percent. In some recent quarters, the rate turned negative, indicating that people borrowed more than they saved. As a result, many families have very little cushion to protect themselves from the vagaries of life. And, even disregarding the recent damage wrought on 401(k)s, a staggering number of people have not put away enough for retirement. At the same time, their ability to invest their savings in U.S. businesses by buying bonds and stocks has dwindled. Instead, U.S. business growth has become highly dependent on foreign investors, whose willingness to send funds to these shores could fade at any time.

"Consumer spending needs to slow down," says Matthew Slaughter, professor of international economics at the Tuck School of Business at Dartmouth. "It's a really important long-run structural issue for the financial health of families and the economy. More savings means companies can undertake more investment to drive faster economic growth."

Cheap Is Cool

Bargain-priced consumer staples are back in vogue. Saks and Neiman Marcus had an extended bull run; now discounters are getting their turn. While people may switch to a cheaper shampoo, they aren't going to give it up altogether.

Ruthlessly efficient low-cost providers will likely do well. "Wal-Mart should continue to be a primary beneficiary of consumers trading down during the current recession," writes William Blair analyst Mark Miller in a recent note to clients in which he also praised the company for its improved execution. Indeed, the discount giant saw third-quarter earnings rise by nearly 10 percent. Family Dollar is one of the few other companies having a good year, with its stock up 40 percent heading into the holiday season.

Warehouse stores are another likely winner. BJ's Wholesale Club reported a 10 percent increase in same-store sales for the month of October. JPMorgan analyst Charles Grom called BJ's "one of the few bright spots in retail," noting that consumers "continue to trade down, consolidate trips, and look to maximize dollars spent through the warehouse-club channel."

Among manufacturers, those that help others make things faster and cheaper are finding themselves in demand. In one such example, industrial laser producer IPG Photonics reported a 29 percent jump in third-quarter sales compared with the same period last year. IPG also boosted gross margins and saw strong sales in all of its geographic markets, a feat the CEO attributed on the company's earnings call to the "disruptive nature" of its technology — lasers for cutting and welding that can help manufacturers reduce costs.

Finance Talent Just Got Easier to Find

With unemployment rates hitting record highs and Wall Street disgorging employees the way it once disgorged bonuses, top undergraduates and MBAs with finance training are developing a new appreciation for corporate life after years of heading straight from campus to investment banks. Finance executives, who have struggled to attract and retain qualified workers ever since Sarbanes-Oxley ramped up demand, anticipate an easier recruiting season. They also expect improved retention as most employees will be unlikely to leave their company for other opportunities, either because they are hesitant to make a move in this volatile environment or because there just aren't very many other opportunities out there.

Go East, Young Man

"The Middle East and India markets are still growing rapidly," says Jeffrey Egerstrom, CFO of Hult International Business School, which offers a one-year MBA at its campus in Dubai. "There are many local employment opportunities for these graduates." The downturns in the United States and Europe have triggered a steady current of new MBA résumés flowing eastward as top graduates from Western schools seek opportunities overseas. Hult, which also has campuses in Boston, London, and Shanghai, has seen its own graduates turn down job offers in New York to take positions in Dubai, where they see a better chance for future growth. "This would have been unimaginable only a year ago," says Egerstrom. China continues to boast strong employment opportunities, he says, particularly at companies focused on the domestic market. As the recession spreads globally, however, China's many export-driven businesses face strong headwinds.

Deals Can Still Get Done

It's not as easy as it used to be, but two recent examples show that companies big and small can still wring financing out of a market that at first glance looks to be bone-dry. Last November, HomeAway, an Internet company that charges a fee to list vacation rental properties, raised $250 million, the largest single round of venture capital for a technology company since 2000. While vacations may not seem to be a hot growth area at the moment, the company's investors are betting that owners of vacation homes will be looking to post more rental listings and vacationers will be seeking cheaper alternatives to hotels and resorts.

On the other end of the spectrum, Wells Fargo managed to raise $12.6 billion in November, despite its position near the nexus of the market meltdown. Through a public offering of 468.5 million shares of common stock, the company tapped the market to help fund its acquisition of Wachovia.

CFOs Have Never Been More Important

Chief executives turned to their finance departments during the early days of the financial crisis both to learn more about exactly what was happening on Wall Street and to better understand their companies' liquidity position. Now, they're looking to them to find out what to do next. CFOs and their finance teams are modeling both best-case and doomsday scenarios for their bosses and boards and, in many cases, they are the ones making the call on layoffs, office closures, or other major changes.

"If you have the stomach for it, you bet it's a good time to be a CFO," says Tom Kolder, president of the Chicago recruiting firm Crist Kolder Associates. "We're seeing more companies looking for CFOs than we have even in the hot times of the last couple of years. People who have a broad financial skill-set are extremely well positioned for certainly the next five years." Treasurers, who have recently played second fiddle to controllers as companies have raced to strengthen their accounting systems, are suddenly in high demand as well, says Kolder, who notes that many companies are now looking for finance chiefs with treasury and capital-markets skills.

A Buy Rating on Buying

It's a great time to buy almost anything. From companies to stocks to houses to sweaters at the Gap, everything is on sale. Especially for young people just starting to build their retirement nest eggs, buying opportunities abound. Only a handful of stocks in the S&P 500 were up on the year through mid-November. The index is down nearly 50 percent for the year. Such a bludgeoning means at least some of these stocks are undervalued, and some experts say price/earnings ratios are now at historic norms, which may mean a rebound is in the offing.

From a corporate perspective, the strengthened U.S. dollar will make it easier for U.S. companies to expand abroad through acquisition, something many had postponed during the dollar's prolonged slide last year. And with debt markets unpredictable at best, private-equity buyers won't provide as much competition for cash-rich strategic acquirers as they have in recent years.

Green Piece

Clean energy could provide a way out of this mess. Investment in alternative-energy companies continues apace, with the industry racking up more than $5 billion in investments in 2008 despite the brutal capital-raising environment.

If President-Elect Barack Obama pursues his proposed green infrastructure and technology initiatives, government spending could make this sector shine even brighter. On the campaign trail, Obama outlined a plan to invest $15 billion a year toward development of alternative fuels and other renewable-energy technology, upgrading the nation's electric power grid, and improving energy efficiency, a promise he reiterated at an international climate-change summit in November. Researchers at the University of Massachusetts found that such investment in upgrading existing infrastructure to meet new efficiency standards would create 2 million jobs for a broad spectrum of workers, from assembly-line employees to roofers, many of whom have been hit hard by the dramatic plunge in the automobile-manufacturing and housing industries. One recent beneficiary of the green movement has been Fuel Systems Solutions, a maker of hydrogen-powered engines, which reported 62 percent revenue growth in the third quarter of 2008.

A Chance to Simplify & Prepare

Nothing lasts forever. The economy will eventually rebound — nearly 60 percent of CFOs expect the recovery to begin in the fourth quarter of 2009 or later, according to the most recent CFO/Duke University Global Business Outlook Survey — and many executives are trying to figure out how to position their companies in the downturn so that they can be among the first to benefit from the upside.

David Knowlton, managing partner at investment-banking boutique Watch Hill Partners, just added two partners and a senior adviser to his 20-person firm in anticipation of future growth. "We're going to come out of this," he says. "How do you prepare for that today?" While an expanding investment bank at a time when many deals are on hold seems a bit counterintuitive, Knowlton maintains that boutique banks will do well because of their simple cost structures and straightforward business propositions. "We don't have huge bureaucracies. We don't have capital-markets arms. We do one thing, and that's give advice, and we're in a great position to offer that objectivity to clients who are dealing with this crisis," he says.

Less Pain at the Pump

As of this writing, gas was well below $2 a gallon nationally. That's down from more than twice that level last summer. The sharp decline has provided some measure of economic relief to both individuals and companies as it has eased commuting costs for workers and shipping costs for businesses, not to mention input costs for the many companies that rely on petroleum byproducts in their manufacturing processes.

So, there you have it. A tidy list of 10 things to consider in the months ahead. Of course, oil prices are down largely because of the falloff in global demand, but let's stay focused on the positive.

Kate O'Sullivan is a senior writer at CFO.

Resistance Movement

No matter what stage of life you're in, there's a recession-proof industry ready to serve you.

You know times are tough when CFOs in recession-proof industries shy away from that term and instead suggest that "recession-resistant" is more accurate. Robert Ryder, CFO of Constellation Brands, which produces and markets 250 brands of beer, wine, and spirits, admits that business is solid, but points out that consumers are now gravitating toward the company's lower-end products. "We're in a fortunate industry where when times are good we do pretty well and when times are bad we do just the same."

Child care is another area in which consumers tend not to cut back. Elizabeth Boland, CFO of Bright Horizons Family Solutions, which manages child-care centers at 700 companies, hospitals, and universities around the country, says business has remained strong even though the company does 15 percent of its business at corporate child-care centers located at financial-services firms. "Our clients have had a pretty long commitment to child care," Boland says.

Death would seem to be as recession-resistant an industry as one could imagine, and in fact Hillenbrand Inc., which sells burial caskets and cremation products, has seen sales remain flat through this recession just as they have through past ones. CFO Cindy Lucchese notes that, "our products are not something that you choose to buy; they're something that you need to buy." Whether they're something you want to buy may depend on how closely you've studied your most recent brokerage statements. — Kate Plourd

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