



2Q21 CFO Signals survey highlights: CFOs raise their expectations for growth across key metrics.

- Seventy-five percent of CFOs see current conditions in North America's economy as good, up from 29% in 1Q21; 62% consider current conditions in China's economy as good, up from 57% in 1Q21, and 19% view Europe's current conditions as good, up from 7% in 1Q21.
- Compared to three months ago, 75% of CFOs are more optimistic about their companies' financial prospects, up from 67% in 1Q21.
- CFOs have greater expectations for growth in revenue at 9.6%, earnings 13.6%, dividends 4%, capital spending 12.4%, and domestic hiring and wages/salaries at 4.1% and 3.4%, respectively.
- Talent concerns dominated internal risks, while economic stability and inflation are their chief external risk concerns.
- Changing customer demands (47%) and disruptive technologies (40%) are the top-two drivers for companies' transformations, followed by investor demands for higher performance (21%).
- Forty-two percent of CFOs say their primary role in their companies' transformations is serving as co-leader, 16% leader, and 19% each as sponsor or enabler.

Perceptions of the future status of the North American, European, and Chinese economies: Looking a year out, 62% of CFOs believe that North America's economy will be better; 53% say the same for China and 46% for Europe.

CFOs' views on the capital markets: Eighty-six percent of CFOs now say US equity markets are overvalued. Ninety-two percent consider debt financing attractive; 55% say the same for equity financing.

Growth expectations for key operating metrics over the next 12 months:* CFOs' expectations for revenue growth jumped from 8.5% to 9.6%, the highest level in over a decade. Earnings growth rose from 12.8% to 13.6%; capital spending from 10.2% to 12.4%; dividend growth from 3.3% to 4%; domestic hiring from 2.7% to 4.1%, and domestic wages/salaries from 3.1% to 3.4%.

CFOs' sentiment on their companies' financial prospects compared to three months ago: The optimism index rose from last quarter's +64 to +70, with 75% of CFOs expressing rising optimism, above 67% in 1Q21.

Risk appetite: Sixty-five percent of CFOs indicated now is a good time to be taking greater risks, slightly lower than last quarter's 66%.

Most worrisome internal and external risks: Talent—recruiting and retention, skills development, capacity, and availability—ranked as CFOs' chief internal concern, followed by execution and growth. CFOs cited economic stability and inflation most frequently as their most worrisome external risk, followed by potential changes in government policies and resurgence of COVID-19.

Most important enterprise transformation CFOs' companies are currently undertaking or plan to undertake: CFOs' responses fell into two broad categories: technology/systems upgrades (40%) and strategy/model/offering shifts (35%).

Primary drivers of transformation: CFOs reported changing customer demands (47%) and disruptive technologies (40%) as the top-two catalysts for their companies' transformation efforts. About one-fifth of CFOs (21%) cited investor demands for higher performance as a top-two driver, primarily in Telecom/Media/Entertainment, Energy/Resources, Financial Services, and Manufacturing.

New/expanded services and capabilities expected of finance as a result of a transformation: 72% of CFOs said their finance teams need to provide stronger decision support, while 31% noted better operations support, 24% greater efficiency, and 16% better business knowledge.

CFOs' views on their companies' approach to diversity, equity, and inclusion (DEI): 72% of CFOs indicated their companies have a formal DEI strategy; 60% said their companies have or plan to have a defined budget for DEI in the next year. Sixty-one percent noted their companies' DEI practices are embedded in their talent brand/strategy, and 30% said the same for their customer brand/strategy. Nearly half (48%) said their company reports DEI representation metrics to investors and others, and 50% said DEI goals* are linked to performance evaluations.

Number of non-minority and minority direct reports and their CFO-readiness within three years: The average number of women direct reports increased since 1Q19 when we asked similar questions—from 2.38 to 4.09. The average number of minorities among CFOs' direct reports rose from 1.05 to 2.85. The average number of women expected to be CFO-ready in three years grew from .40 in 1Q19 to 1.23, while the average number of minority direct reports expected to be CFO-ready was .89, up from .20 in the 1Q19 survey.

Company plans to make the greatest impact on advancing DEI: Many CFOs report their companies have implemented plans and policies and recruited executives to develop and execute their DEI strategy. Others are creating scorecards, and some are linking compensation and incentives to those goals.* CFOs also noted the importance of communication, education, and advocacy, and some CFOs indicated their companies are advocating for social justice, funding social equity programs, and supporting historically Black colleges and universities.

CFOs' own plans to make the greatest impact on advancing DEI: CFOs' responses centered on strengthening recruiting, hiring, and development practices to diversify their teams, and the broader organization in some cases. Some CFOs are expanding their involvement in interviews, not only for direct report positions, but others, including at the regional levels. Others are requiring both a diverse slate of candidates and a diverse slate of interviewers. Setting goals* and metrics was the next most-often cited tactic. Several CFOs are taking a greater leadership role, modeling inclusive leadership, and making communications on DEI a priority.

Note: Averages have been adjusted to eliminate the effects of stark outliers.

*Goals are not quotas.

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