



## **CFO Signals™**

What North America's top finance executives are thinking—and doing

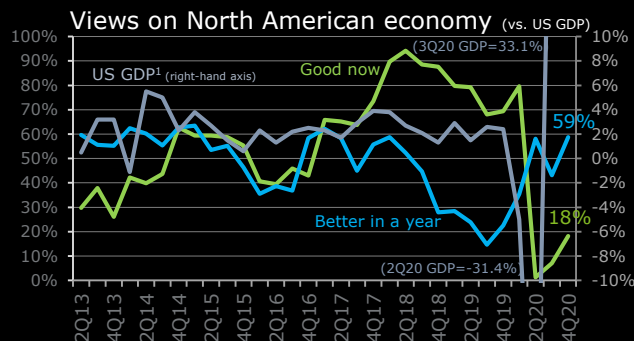
4<sup>th</sup> quarter 2020

High-level report

# CFO Signals™

4<sup>th</sup> Quarter 2020: Optimism entering 2021, but near-normal operations mostly expected second half or later.

**Longitudinal business outlook highlights** (Please see this quarter's report for one-off "special topics" findings.)



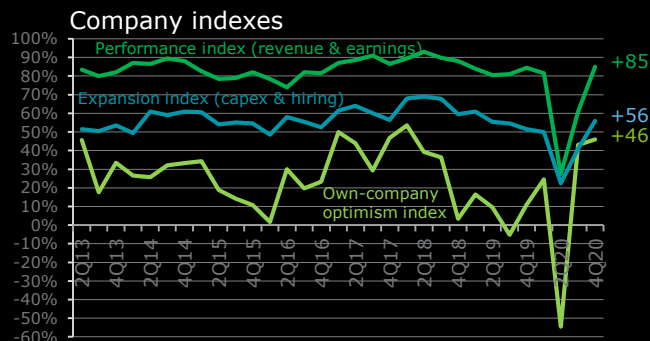
## Economy optimism

	Good now	Better in a year	Last quarter	2-yr. avg.
North America	18%	59%	7/43	50/36
Europe	5%	37%	2/32	7/17
China	47%	60%	22/47	21/29

<sup>1</sup> US GDP = percent change from preceding quarter in real US gross domestic product (source: Bureau of Economic Analysis table 1.1.1)

Well below two-year average Well below last quarter Well above two-year average Well above last quarter

- The proportion of CFOs rating the current North American economy as good or very good rose from 7% to 18%, but 26% still rate it is bad or very bad; those expecting better conditions in a year rose from 43% to 59%.
- Assessments of Europe's current and future economies held at 5% and 37%, respectively; those for China's current economy rose sharply (22% to 47%), and 60% expect better conditions in a year—with views on China again above those for North America.



## Company optimism and growth

	This quarter	Last quarter	2-yr. avg.
Own-company optimism (net)	+46	+43	+11
Revenue growth (YOY)	7.7%	1.0%	2.6%
Earnings growth (YOY)	13.8%	3.7%	3.7%
Capital investment growth (YOY)	8.0%	0.2%	2.4%
Domestic personnel growth (YOY)	1.7%	0.2%	0.5%

Well below two-year average Well below last quarter Well above two-year average Well above last quarter

- The **own-company optimism index** rose slightly from +43 to +46 on strongly positive sentiment in all industries except Energy/Resources. (Index = percent of CFOs citing rising optimism regarding their company's prospects minus the percent citing falling optimism.)
- The **performance index rebounded** from 61 to 85 on recovering revenue and earnings growth expectations; Retail/Wholesale is by far the most optimistic about a YoY recovery. (Index = average of percentages of CFOs citing positive YOY revenue growth and earnings growth.)
- The **expansion index rose** from 41 to 56 on markedly better capital spending expectations; Services, Healthcare/Pharma, and Retail/Wholesale are very strong for investment. (Index = average of percentages of CFOs citing positive YOY capital spending growth and domestic hiring growth.)

# About the survey

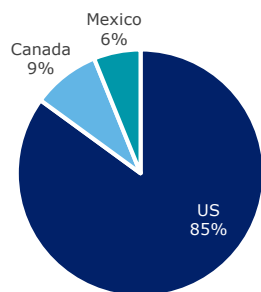
## Contents and background

### About the CFO Signals survey

Each quarter (since 2Q10), *CFO Signals* has tracked the thinking and actions of CFOs representing many of North America's largest and most influential companies.

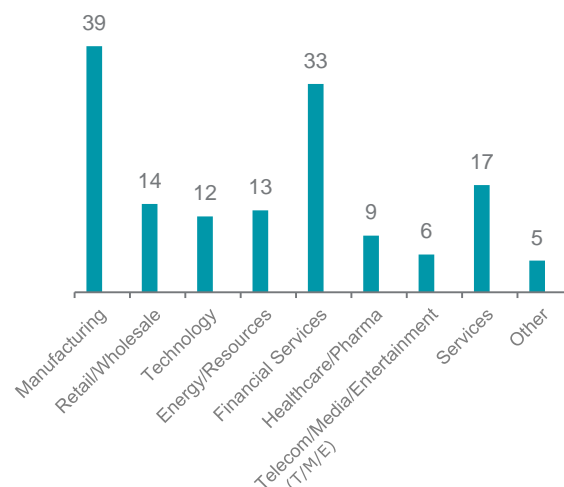
All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than \$1 billion in annual revenue. For a summary of this quarter's response demographics, please see the sidebars and charts on this page. For other information about participation and methodology, please contact [nacfosurvey@deloitte.com](mailto:nacfosurvey@deloitte.com).

Participation by country\*



\* Sample sizes for some charts may not sum to the total because some respondents did not answer all questions.

Participation by industry\*



### Contents

Summary and context	4
Findings at a glance	5
Topical findings	6
Longitudinal data and survey background	19

Additional findings in full report  
(please contact [nacfosurvey@deloitte.com](mailto:nacfosurvey@deloitte.com))

- Detailed findings (by industry)
- Industry-by-industry trends
- Country-by-country trends

### Survey responses

Survey period:	11/9-11/13
Total responses:	148
• CFO proportion:	100%
• Revenue >\$1B:	75%
• Public/private:	71%/29%

### Survey leaders

**Greg Dickinson**  
Managing Director, *CFO Signals*  
Deloitte LLP

**Lori Calabro**  
Editor, *Global CFO Signals*  
Deloitte LLP

### Contacts

**Steven Gallucci**  
National Managing Partner, US CFO Program  
Deloitte LLP  
Global Leader, CFO Program  
Deloitte Touche Tohmatsu Limited

# Summary and context

Optimism entering 2021, but near-normal operations mostly expected second half or later.

It is difficult to imagine a more eventful time to be asking CFOs about their sentiment and expectations going into a new year. And with a broad range of factors layering uncertainty on top of uncertainty, there may have never been a more “unfair” time to do so. Still, companies cannot escape the need to formulate, adapt, and communicate their plans, and CFOs have already been helping them do it through nine of the toughest months in recent history.

Back in 2Q20, CFOs expressed escalating worries about the economic impacts of COVID-19, but confidence in their ability to manage risks as the US economy began to reopen. In our mid-cycle poll, having executed a substantial reopening, they were still mostly expecting safe, profitable operations as the process continued. At the same time, though, they cited sharply rising pessimism about how quickly economic activity and their own revenue could return to pre-crisis levels.

Last quarter, with the virus continuing to spread, US elections on the horizon, and Congress failing to reach a second stimulus deal, perceptions of the North American economy faltered—and fell behind those of the Chinese economy for the first time in survey history.

Since then, the pandemic has accelerated into the fall, US GDP has grown strongly (but not to its pre-pandemic level), and Congress still has not agreed on a new stimulus package. Adding to the volatility, and right before this quarter's survey opened, Joe Biden was projected to have defeated Donald Trump in the US presidential election, and an effective COVID-19 vaccine was announced.

So where does this leave CFOs as they look toward 2021? The short answer is “concerned about the first half, but optimistic about the second half onward.” News of an effective vaccine seems to be driving a general belief that, despite a grim outlook for winter virus infections, broader vaccine availability later in the year provides a light at the end of the proverbial tunnel.

Finishing out a difficult 2020, just over 40% of CFOs expect to achieve 95% or more of their originally budgeted 2020 revenue, with the average expecting 88% (Retail/Wholesale is lowest at 69%). Consistent with their near-term COVID-19 worries and hopes for a broadly available vaccine later next year, nearly two-thirds do not expect pre-crisis operating levels until at least the second half of 2021, and 26% do not expect to get there until 1Q22 or later (especially in Retail/Wholesale, Manufacturing, and Services).

CFOs mostly say their companies' 2021 strategies will not be substantially different from pre-pandemic. There are predictably strong industry differences, but there seems to be a general trend toward M&A-driven growth, broader offerings, a smaller real estate footprint, and more diversified supply chains.

From an economic standpoint, about three-quarters of CFOs expect the US economy to improve in 2021, with the outlooks for Canada and Mexico also mostly positive. Still, few expect their economies to grow faster over the next five years than they were pre-pandemic.

From a capital markets standpoint, CFOs mostly expect rates to stay low (but are fairly split) and for bond yields to remain below 2%. They expect the renminbi to appreciate against the US dollar (and for its use as a trading currency to rise substantially) and for use of digital currencies for business transactions to rise. With the S&P 500 above 3,500, nearly 60% expect it to be higher by the end of the year—even though 80% also say it is overvalued.

Finally, in expressing their policy views as a new administration takes over, CFOs overwhelmingly support a new stimulus package, infrastructure investment, de-escalating US-China trade tensions, less protectionist trade, and the federal government leading a COVID-19 response. Although there are industry differences, CFOs' hopes for Washington center largely on improved bipartisanship and cooperation in getting important things done, and on unifying the country with more “moderation,” “transparency,” and “decency.”

## Key developments since the 3Q20 survey

- Joe Biden was projected the winner of the US presidential election, and the Trump administration filed court challenges to the results; Democrats held the House (but lost seats), and the Senate balance will depend on a January run-off election in Georgia.
- COVID-19 infections accelerated, with 52m global cases and 1.3m deaths as of 11/11 (up from 18m and 0.7m as of 8/5, respectively); an effective vaccine was announced, and stock prices soared.
- Third-quarter US GDP grew at the fastest pace ever, but remained below pre-pandemic levels; personal income fell with the expiration of government stimulus, but savings enabled higher consumer spending.
- Congress again did not agree on a second stimulus package.
- Having sharply cut rates and raised asset purchases in March, the US Fed left rates unchanged in July and November; Chairman Powell again warned that the current outbreak of the virus threatens the economy.
- The S&P 500 rose 7% between surveys, hitting new highs in September and during the survey period.
- Europe's GDP grew strongly in the third quarter, but remained below the level from a year ago.
- Mexican economic growth slowed in August following a stronger July, consistent with other signals of a moderation in the pace of the recovery.
- Canada's GDP continued to recover, but the pace slowed; employment grew faster than expected.
- Third-quarter Chinese GDP grew strongly, but slower than expected; exports grew strongly, especially to the US; imports from the US fell, while imports from the rest of the world accelerated.

# Findings at a glance

## Perceptions

**How do you regard the North American, European, and Chinese economies?** Eighteen percent of CFOs rate the North American economy as good, and 26% rate it as bad (much better than last quarter's 60%); those expecting better conditions in a year rose from 43% to 59%. Europe was flat at 5% and 37%, and China improved markedly to 47% and 60%. [Page 7.](#)

**What is your perception of the capital markets?** With continuing low interest rates, 87% of CFOs again say debt financing is attractive. With equities continuing to climb, equity financing attractiveness rose to 44% (39% to 46% for public company CFOs, and 38% to 41% for private company CFOs). Eighty percent now say US equity markets are overvalued (down from 84%), again among the highest levels in survey history. [Page 8.](#)

## Sentiment

**Compared to three months ago, how do you feel about your company's financial prospects?** The proportion of CFOs saying they are more optimistic rose slightly from +43 to +46. Fifty-seven percent expressed rising optimism, and just 11% cited falling optimism. [Page 9.](#)

## Expectations

**What is your company's business focus for the next year?**

Following the first-ever shift toward cost reduction over revenue growth in 2Q20, companies continued to expand their revenue focus this quarter; the bias toward current geographies and organic growth continues. [Page 10.](#)

**How will your key operating metrics change over the next 12 months?** Consistent with strong growth out of pandemic-driven lows, expectations for most metrics (and for most industries) rose substantially—several to multi-year highs. Revenue growth rose from 1.0% to 7.7%, and earnings growth rose sharply from 3.7% to 13.8% (both are now at 9-year highs). Capital spending rose sharply from 0.2% to 8.0% (2-year high). Domestic hiring climbed from 0.2% to 1.7%, and dividend growth rose from 1.1% to 2.5%. [Page 11.](#)

## Special topic: Company-level recovery

**How do you expect your final 2020 revenue to compare to your pre-pandemic expectations?** Just over 40% of CFOs say they expect 95% or more of their budgeted revenue, with the average at 88%. Healthcare/Pharma, Technology, and Financial Services are the most optimistic; Retail/Wholesale is by far the least. [Page 12.](#)

**When do you expect your company to return to a near-normal operating level?** Just 18% say they are already at/above their pre-crisis operating level or will be by the end of 2020 (down from May and August); 64% say 3Q21 or later, and 26% say 1Q22 or later (mostly Retail/Wholesale, Manufacturing, and Services). [Page 13.](#)

## 4Q20 Survey Highlights

- Just 18% of CFOs rate the North American economy as good, but 59% expect better conditions in a year; views on China improved and led.
- Own-company optimism was again strong, rising slightly to +46.
- YOY growth expectations continued to rebound from pandemic-driven lows across all industries, with several hitting multi-year highs.
- On average, CFOs say they expect to achieve 88% of their originally budgeted 2020 revenue; there are substantial industry differences.
- Eighty percent of CFOs say equities are overvalued, but nearly 60% expect the S&P 500 to be higher at the end of next year.
- Just 18% say they are already at/above their pre-crisis operating level or will be by the end of 2020; 64% say 3Q21 or later, and 26% say 1Q22 or later.
- About 75% of CFOs expect the US economy to improve in 2021; few expect faster growth over the next five years than pre-pandemic.
- CFOs mostly expect low interest rates and yields below 2% in 2021. They expect the renminbi to gain on the US dollar and for its use as a trading currency to rise substantially; expected use of digital currencies rose.
- CFOs overwhelmingly support a stimulus package, infrastructure investment, de-escalating US-China trade tensions, less protectionist trade, and the federal government leading a COVID-19 response.

## Special topic: 2021 expectations

**What are your expectations for your company?** There are industry differences, but there is a general trend toward M&A, broader offerings, a smaller real estate footprint, and diversified supply chains. Other expectations vary greatly by industry. [Page 14.](#)

**What are your expectations for the macroeconomic environment?** About 75% of CFOs expect the US economy to improve, with outlooks for Canada and Mexico also positive. Few expect economies to grow faster over the next five years than pre-pandemic. [Page 15.](#)

**What are your expectations for the capital markets environment?** CFOs mostly expect rates to stay low (but are fairly split) and expect bond yields below 2%. They expect the renminbi to gain on the US dollar and for its use as a trading currency to rise substantially; expectations for the euro and digital currencies rose as well. [Page 16.](#)

## Special topic: Government policy views

**What are your views on US government policy over the next four years?** CFOs overwhelmingly support a second stimulus package, infrastructure investment, de-escalating US-China trade tensions, less protectionist trade, and the federal government leading a COVID-19 response. Industry differences are substantial. [Page 17.](#)

**What are your hopes for Washington over the next four years?** CFOs' hopes center largely on bipartisanship and cooperating to get important things done; they also expressed hopes to unify the country with "moderation," "transparency," and "decency." [Page 18.](#)

# Topical findings

# Perceptions

## Assessments of regional economies

**Perceptions of the North American economy improved, but still appear constrained by worries about continuing COVID-19 impacts—especially through the first half of 2021. Perceptions of China's economy exceeded those of North America for the first time last quarter, and the gap widened this quarter.**

Assessments of the North American economy were declining through 2019, but rose in 1Q20 (possibly influenced by a new US-China trade deal). Then COVID-19 struck—leading just 1% of CFOs to rate the economy as good and only 58% to expect better conditions in a year.

Last quarter, the proportion citing good current conditions was just 7%, and the proportion expecting improvement in a year slid to 43%. This quarter's numbers rose to 18% and 59%—better, but not markedly so. Based on other survey findings, the trepidation seems to stem from expectations of a slow first half of 2021 due to the path of COVID-19.

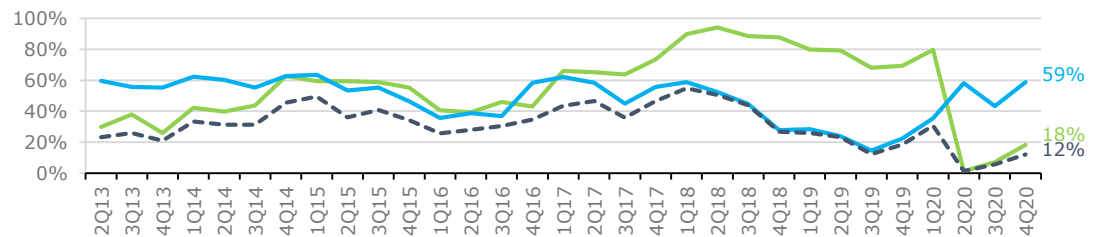
Perceptions of Europe's economy had been receding since 1Q18, but rebounded in the first quarter on the heels of Brexit's completion. Last quarter, though, current assessments dropped to 2%, with 32% expecting better conditions in a year. This quarter's numbers came in only slightly better at 5% and 37%.

Perceptions of China's economy were poor early in the pandemic, but they are now the relative bright spot. Nearly half cite good conditions now, and 60% expect better conditions in a year.

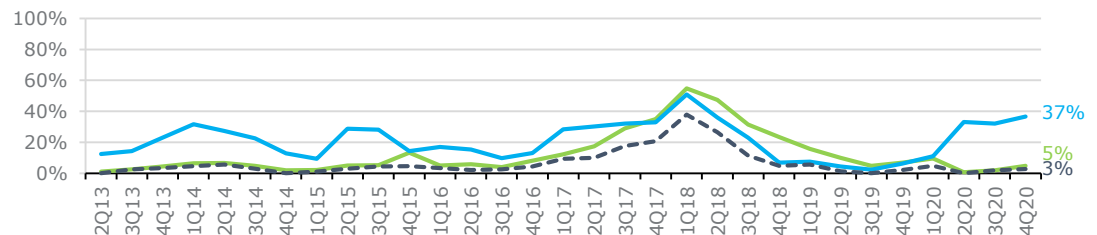
### Economic optimism

*How do you regard the North American, European, and Chinese economies? Percent of CFOs saying current conditions are good or very good, percent saying conditions next year will be better or much better, and percent saying both (dotted line)*

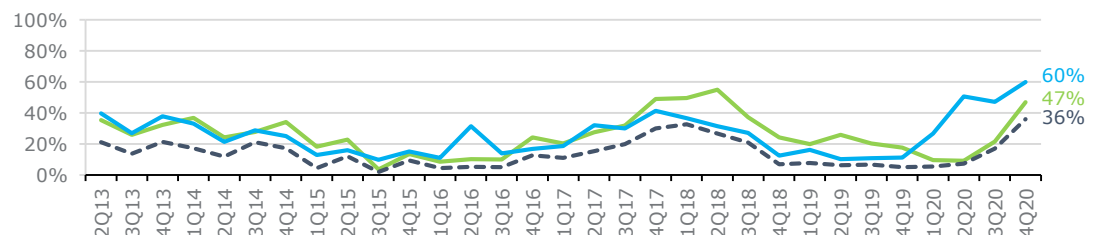
#### North America



#### Europe



#### China



Good now — Better in a year — Economic optimism index<sup>1</sup> - - -

<sup>1</sup> Indexes reflect the percentage of respondents who rate current economic conditions as "good" or "very good" and who also expect "better" or "much better" conditions in a year.



# Perceptions

## Assessments of markets and risk

### Equities regarded as overvalued following a sharp recovery and historic highs.

The S&P 500 fell nearly 30% in March, then recovered strongly in April and May—netting a 16% decline between our 1Q20 and 2Q20 surveys. The index has since continued its steep climb, rising 17% between our 2Q20 and 3Q20 surveys, and another 7% between last quarter and this one—hitting historic highs along the way. Eighty percent of CFOs now say equity markets are overvalued (the fifth-highest level in survey history), and just 5% say they are undervalued.

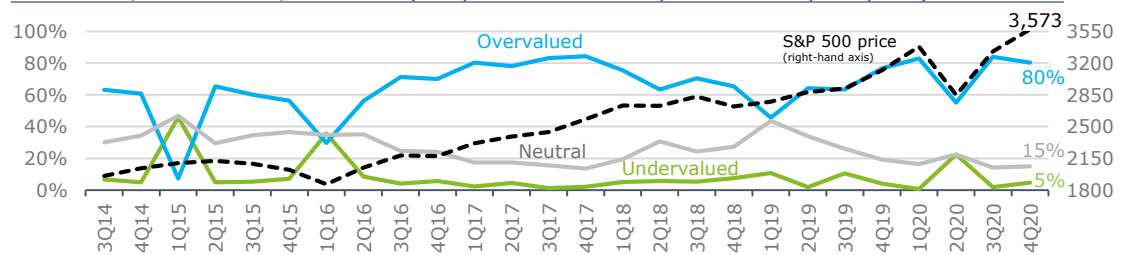
### Attractiveness of both debt and equity financing near survey highs.

With continuing low interest rates (the US Fed again held the target rate range at 0%-0.25% in November), debt attractiveness held steady at 87%. With equity markets near historic highs, equity financing attractiveness rose from 39% to 44% (39% to 46% for public company CFOs and 38% to 41% for private company CFOs).

**Recovering appetite for risk-taking.** The proportion of CFOs saying it is a good time to be taking greater risk flatlined around 40% through 2019. With the emergence of the pandemic, it dipped to just 27% in 2Q20. Since then, however, it has risen to 49%—back in line with the five-year average.

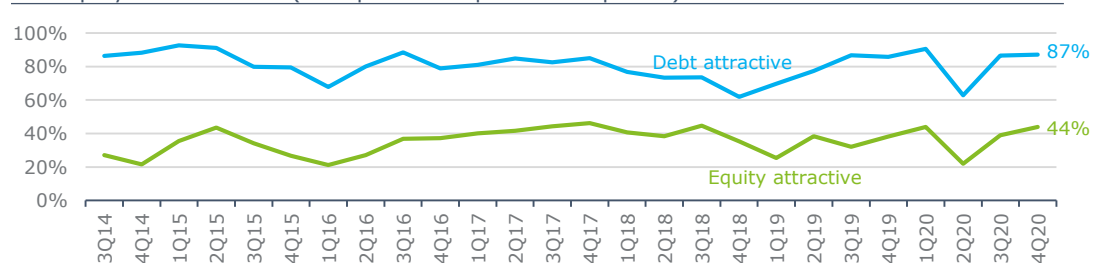
### Equity market valuations

How do you regard US equity market valuations? Percent of CFOs saying markets are overvalued, undervalued, or neither (compared to S&P 500 price at survey midpoint)



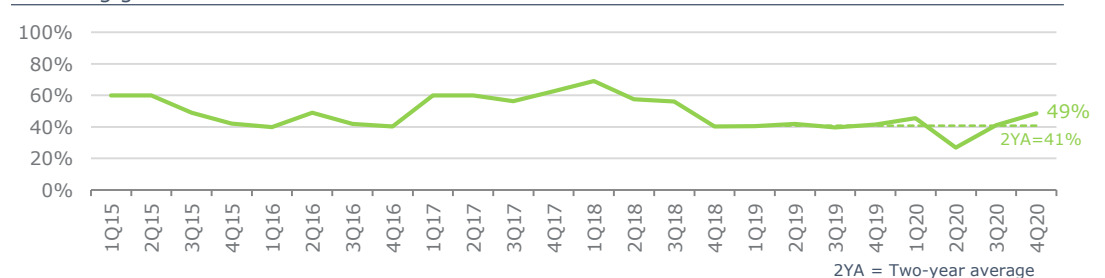
### Debt/equity attractiveness

How do you regard debt/equity financing attractiveness? Percent of CFOs citing debt and equity attractiveness (both public and private companies)



### Risk appetite

Is this a good time to be taking greater risk? Percent of CFOs saying it is a good time to be taking greater risk





# Sentiment

## Optimism regarding own-company prospects

**In the immediate aftermath of US elections and the announcement of an effective COVID-19 vaccine, nearly 60% of CFOs say they are more optimistic about their company's prospects now than they were three months ago.**

Last quarter's net optimism rebounded sharply to +43 from a second-quarter survey low of -54. This quarter's reading rose slightly to +46, with 57% of CFOs expressing rising optimism and just 11% citing declining optimism.

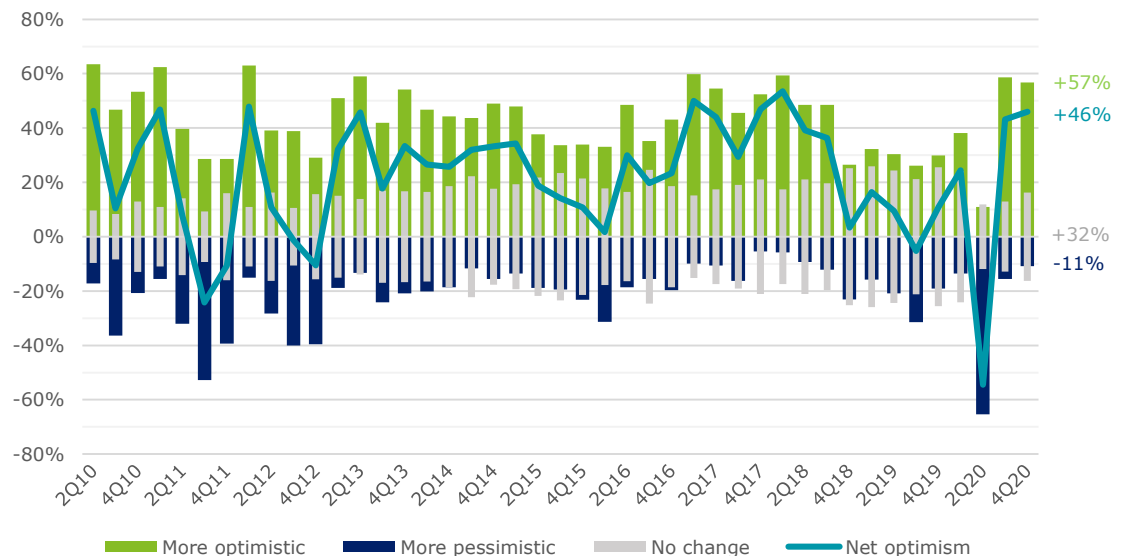
Net optimism for the US held steady at +42. Canada declined slightly from +64 to +62, while Mexico climbed sharply from +33 to +78.

Energy/Resources was the most pessimistic at +15. All other industries were above +35, with Technology and Services both at or above +65.

*Please see the full-detail report for industry-specific charts. Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

### Own-company optimism

*Compared to three months ago, how do you feel now about the financial prospects for your company?* Percent of CFOs citing higher optimism (green bars), lower optimism (blue bars), and no change (gray bars); net optimism (line) is difference between the green and blue bars



### Net optimism by country and industry



Red = relative lows  
Green = relative highs

# Expectations

## Business focus for next year

**Companies' heightened, pandemic-driven focus on costs and investment has subsided; the shift toward current geographies over new ones continued.**

Having shifted toward a cost reduction over revenue growth focus when the pandemic emerged in 2Q20, companies have since shifted back toward revenue growth (54% vs. 26%, for a net of +28%, up from +10% last quarter).

Similarly, having shifted strongly toward investing cash over returning it, companies have since shifted back to a more typical level of investment bias (54% vs. 21%, for a net of +33%, down from +49% last quarter).

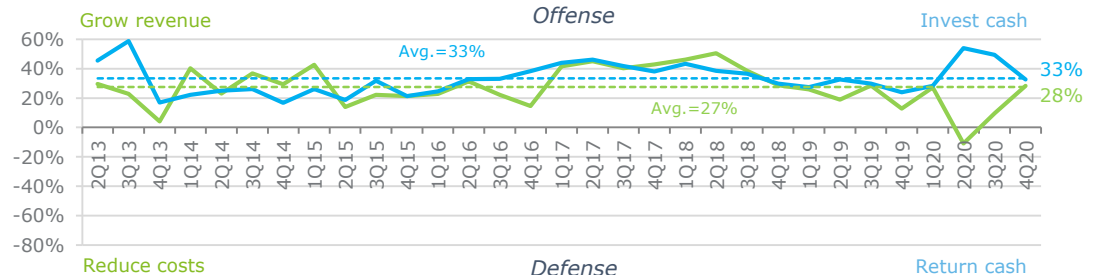
The focus on current offerings over new ones remains relatively split (37% vs. 32%, for a net of -5%). Last quarter's heavy bias toward current geographies over new ones continued, but was less severe (73% vs. 8%, for a net of -65%).

The bias toward organic growth over inorganic growth strengthened through 2018 and 2019, but there has been somewhat of a shift back toward inorganic growth since 2Q20 (58% vs 13%, for a net of -45%).

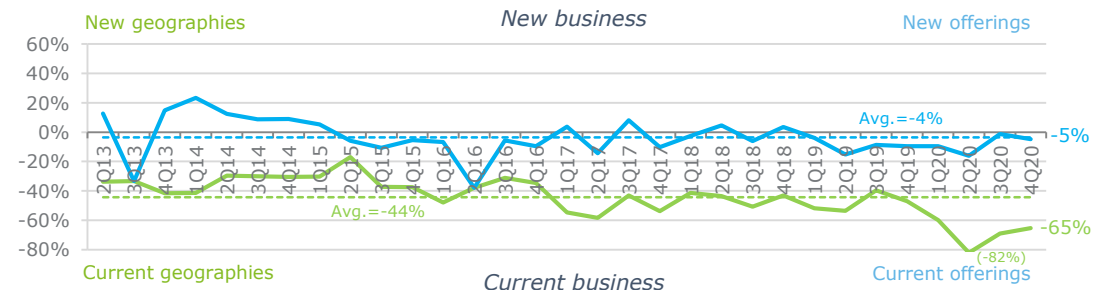
### Business focus

*What is your company's business focus for the next year? Net percent of CFOs citing a stronger focus on the top choice than on the bottom choice (e.g., grow revenue vs. reduce costs)*

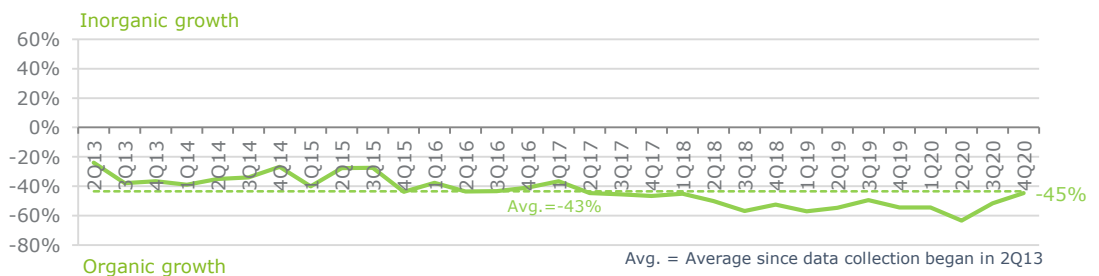
#### Offense vs. defense



#### New business vs. current business



#### Inorganic growth vs. organic growth



# Expectations

## Growth in key metrics, year-over-year

**Consistent with strong growth out of pandemic-driven lows, expectations for all metrics except dividends accelerated substantially—several to multi-year highs.**

**Revenue growth rose sharply** from last quarter's 1.0% to 7.7%—the highest reading in a decade. The US trailed Canada and Mexico. Retail/Wholesale continued to bounce back, reaching a whopping 15.5%. Services, Energy/Resources, and Financial Services turned positive, but trailed.

**Earnings growth skyrocketed** from last quarter's 3.7% to 13.8%—the highest level in nine years. Canada and Mexico turned positive and led the US. Retail/Wholesale led at a remarkable 26.8%, with Manufacturing, Healthcare/Pharma, and Services all above 15%. Energy/Resources trailed.

**Capital spending growth rose sharply** from last quarter's 0.2% to 8.0%—the highest level since 2018. Canada was relatively strong. Services and Healthcare/Pharma were both above 17%, with Retail/Wholesale also strong at about 12%. Energy/Resources and Technology trailed.

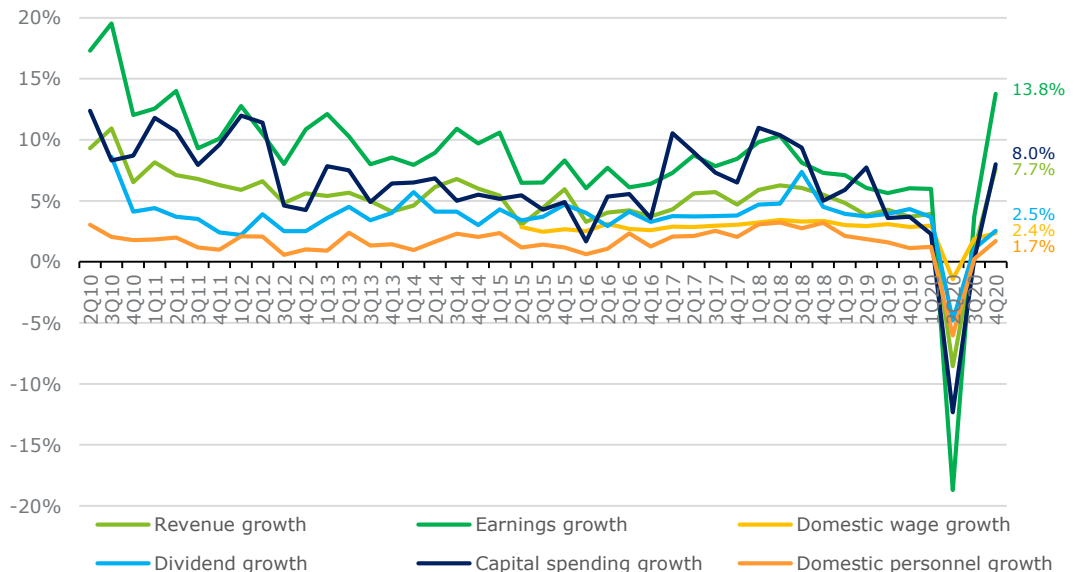
**Domestic hiring growth bounced back** from last quarter's 0.2% to 1.7%, closer to the levels from 2019. Canada led, with Mexico weakest. Industries were split, and either in the 1.3%-1.5% range or above 2% (led by Technology at 2.5%).

**Dividend growth rose** from last quarter's 1.1% to 2.5%—better, but still well below the long-term survey average of about 4%.

*Please see the full-detail report for industry-specific charts. Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.*

## Performance and investment expectations

*Compared to the past 12 months, how do you expect key metrics to change over the next 12 months? CFOs' expected year-over-year company growth*



## Expectations by country and industry

	Total	US	Mexico	Canada	Manufacturing	Retail/Wholesale	Technology	Energy/Resources	Financial Services	Healthcare/Pharma	T/M/E¹	Services
Revenue	7.7%	7.1%	11.8%	9.9%	8.4%	15.5%	9.8%	5.8%	4.8%	9.2%	0.9%	7.3%
Earnings	13.8%	13.0%	22.8%	14.5%	15.5%	26.8%	13.1%	6.6%	10.6%	15.4%	3.3%	15.1%
Capital spending	8.0%	7.6%	6.6%	13.2%	4.5%	12.2%	3.8%	0.2%	6.2%	17.3%	-1.8%	18.4%
Domestic hiring	1.7%	1.6%	1.2%	3.0%	2.1%	2.3%	2.5%	1.5%	1.4%	1.3%	0.0%	1.4%
Dividends	2.5%	2.5%	3.8%	2.4%	1.3%	3.4%	2.3%	2.5%	3.4%	5.1%	2.4%	0.0%
Domestic wages	2.4%	2.3%	3.0%	2.2%	2.5%	2.5%	2.4%	2.5%	2.0%	2.4%	1.5%	2.7%

Red = relative lows  
Green = relative highs

# Special topic: Company-level recovery

## Revenue for 2020 calendar year

**Just over 40% of CFOs say they expect to achieve 95% or more of their originally budgeted 2020 revenue, with the average CFO expecting 88% of their target.**

**Healthcare/Pharma, Technology, and Financial Services are the most optimistic; Retail/Wholesale is by far the least.**

Forty-one percent of CFOs say they expect to achieve 95% or more of their originally budgeted 2020 revenue. Healthcare/Pharma, Technology, and Financial Services are the most likely to expect 95% or higher (78%, 58%, and 52%, respectively), with Services and Retail/Wholesale lowest (18% and 21%, respectively).

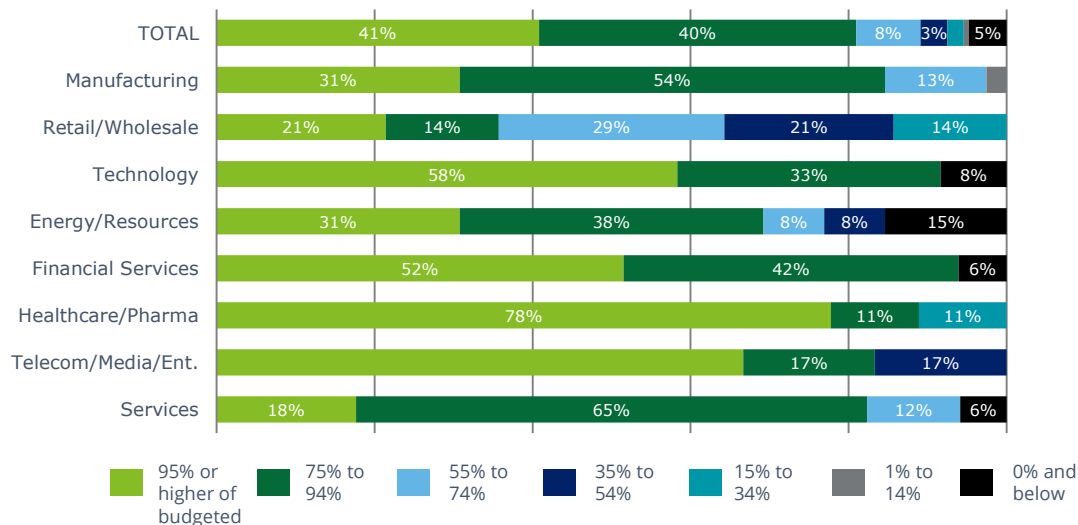
Overall, companies expect an average of 88% of their originally budgeted revenue. Healthcare/Pharma is highest at 100%, with Financial Services and Technology next at 93%. Retail/Wholesale is, by far, the most likely to expect less than 75% of their original target and has an average expectation of just 69%. Note that about one-third of companies in this industry are from the Travel and Hospitality sector.

There are minor differences from a country standpoint, with Canada highest at 91% and the US and Mexico tied at 88%.

**Please note:** Industry sample sizes vary markedly and the means are most volatile for the least-represented industries. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

## 2020 revenue compared to original expectation

*How do you expect your calendar year 2020 revenue to compare to what you budgeted before the pandemic? Percent of CFOs selecting each range of budgeted revenue<sup>1</sup>*



<sup>1</sup> Horizontal bar percentages may not add to 100% due to rounding.

## Expectations by country and industry (average percent of originally-budgeted 2020 revenue)

	Count	Mean	Std. Dev	Minimum	Maximum
TOTAL <sup>2</sup>	141	88%	26	15%	150%
US	118	88%	27	15%	135%
Canada	13	91%	12	75%	115%
Mexico	9	88%	33	50%	150%
Manufacturing	39	88%	17	15%	115%
Retail/Wholesale	14	69%	32	30%	130%
Technology	11	93%	10	80%	110%
Energy/Resources	11	84%	17	40%	97%
Financial Services	31	93%	9	75%	110%
Healthcare/Pharma	9	100%	75	30%	150%
Telecom/Media/Ent. <sup>1</sup>	6	85%	18	50%	95%
Services	16	86%	13	60%	115%

<sup>2</sup> Industry numbers may not add to total due to "Other" industry findings not included in this chart.

# Special topic: Company-level recovery

## Return to normal operations

**Nearly two-thirds of CFOs say they do not expect to return to pre-crisis operating levels until the second half of 2021 or later, and 26% do not expect to get there until 1Q22 or later (mostly Retail/Wholesale, Manufacturing, and Services).**

Back in May, 32% of CFOs expected to be back to a pre-crisis level of operations by the end of 2020, and 42% said so in August. Now, just 18% say so. Fifty-seven percent expect to reach the milestone in 2021 (mostly in the second half of the year), and 26% say 2022 or later.

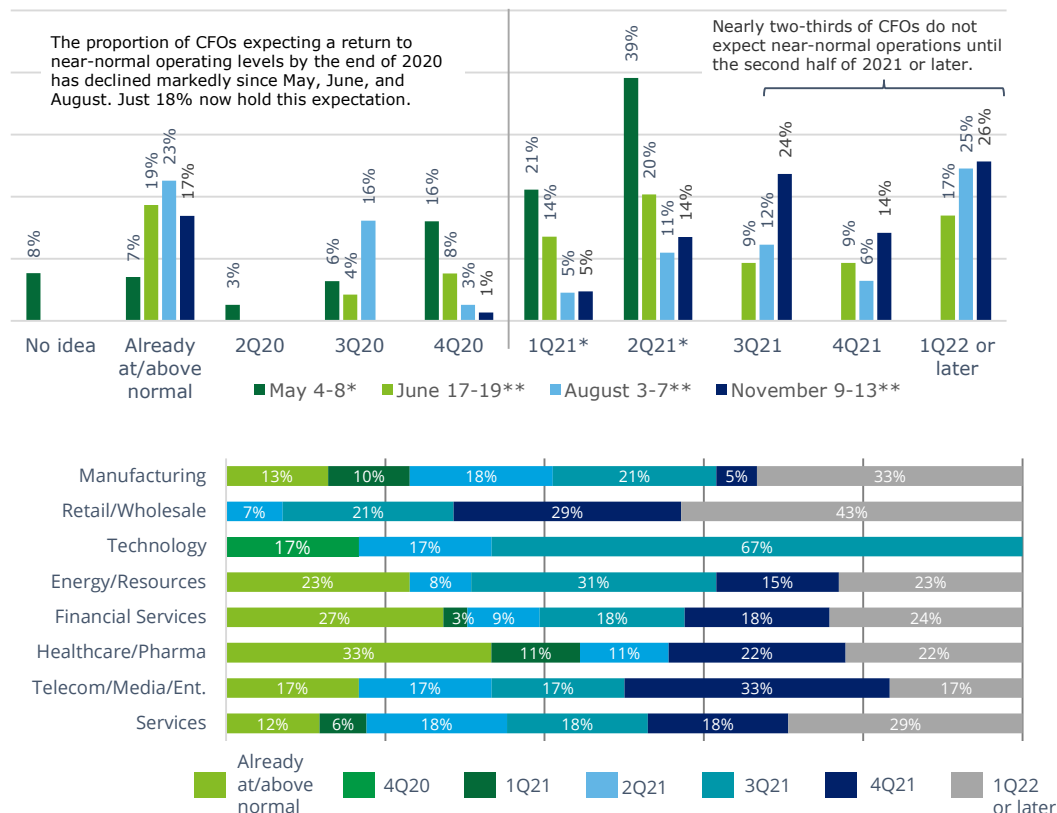
Healthcare/Pharma, Financial Services, and Energy/Resources were the most likely to expect normal or higher operating levels by the end of this year. Technology was notable for all CFOs expecting a return to normal by 3Q21.

On the other hand, 43% of Retail/Wholesale CFOs do not expect pre-crisis levels until 2022 or later. Manufacturing and Services were also relatively pessimistic at 33% and 29%, respectively.

**Please note:** Industry sample sizes vary markedly and the means are most volatile for the least-represented industries. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

## Expected timing of return to near-normal operating levels

*What is your best guess for when your company will return to a pre-crisis (or near-normal) level of operations?* Percent of CFOs selecting each option/timing



\* Respondent options for the 2Q20 quarterly survey (May 4-8) ended at 2Q21 or later.

\*\* Options for our midcycle poll (June 17-19), the 3Q20 survey (August 3-7), and the 4Q20 survey (this survey) ended at 1Q22 or later.

# Special topic: 2021 expectations

## Company expectations

**CFOs mostly say their companies' 2021 strategies will not be substantially different from pre-pandemic, but there is a general trend toward M&A, broader offerings, a smaller real estate footprint, and more diversified supply chains. Other expectations vary greatly by industry.**

Just 25% of CFOs say their 2021 strategy will be substantially different (Retail/ Wholesale is highest), and most cite a focus on revenue over costs (Energy/Resources is the exception). Forty-five percent say M&A will be a key strategy (led by Healthcare/Pharma), and more expect *not* to provide quarterly earnings guidance than to do so (Technology is the most notable exception).

When it comes to growth, CFOs overwhelmingly say their range of offerings will expand, and relatively few say they will focus more on markets outside North America. Industries are largely split on raising prices.

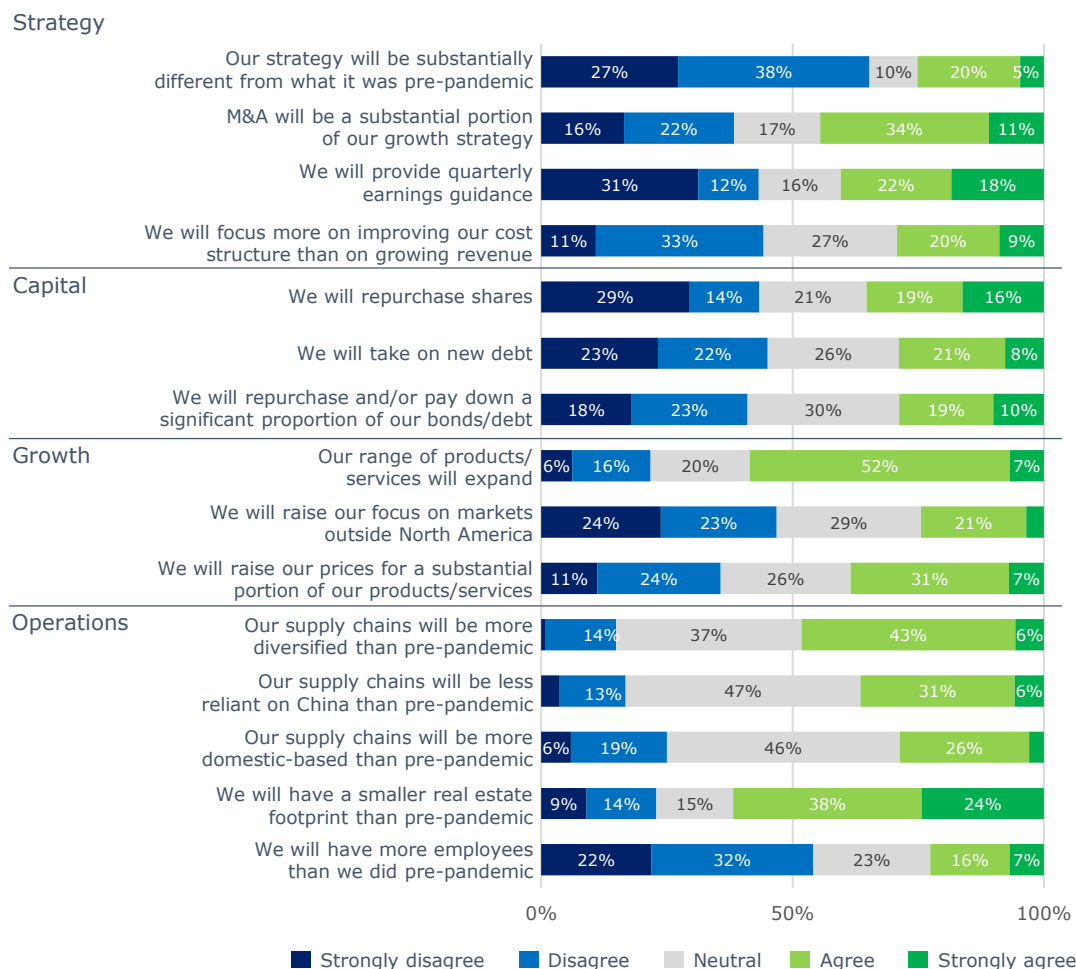
From a capital perspective, CFOs mostly say they will not repurchase shares, take on new debt, or reduce debt (Technology is the main exception for repurchases and reducing debt).

When it comes to operations, CFOs mostly say their supply chains will become more diversified and less reliant on China—but they are largely split on becoming more domestic-based. They overwhelmingly expect a smaller real estate footprint and to not have more employees.

*Please see the full-detail report for industry-specific charts. Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

## Company expectations for 2021

*What are your expectations for your industry and company in 2021? Percent of CFOs selecting each level of agreement for each statement*



# Special topic: 2021 expectations

## Macroeconomic expectations

**About three-quarters of CFOs expect the US economy to improve in 2021, with high expectations that a COVID-19 vaccine will bolster it by mid-year; the outlooks for Canada and Mexico are also positive, but few expect economies to grow faster over the next five years than pre-pandemic.**

On the plus side, 76% of CFOs expect the US economy to improve in 2021—reassuring but not surprising given how it fared in 2020. Nearly 70% expect a vaccine to bolster the economy by mid-year. The less good news is that only 19% expect the economy to grow faster over the next five years than pre-pandemic—when the economy was slowing.

Perceptions of Canada are similar, with 62% expecting improvement in 2021, 15% expecting faster than pre-pandemic growth, and 69% expecting a vaccine to bolster the economy by mid-year. As for Mexico, 47% expect improvement, 22% expect faster growth, and 55% expect mid-year vaccine benefits.

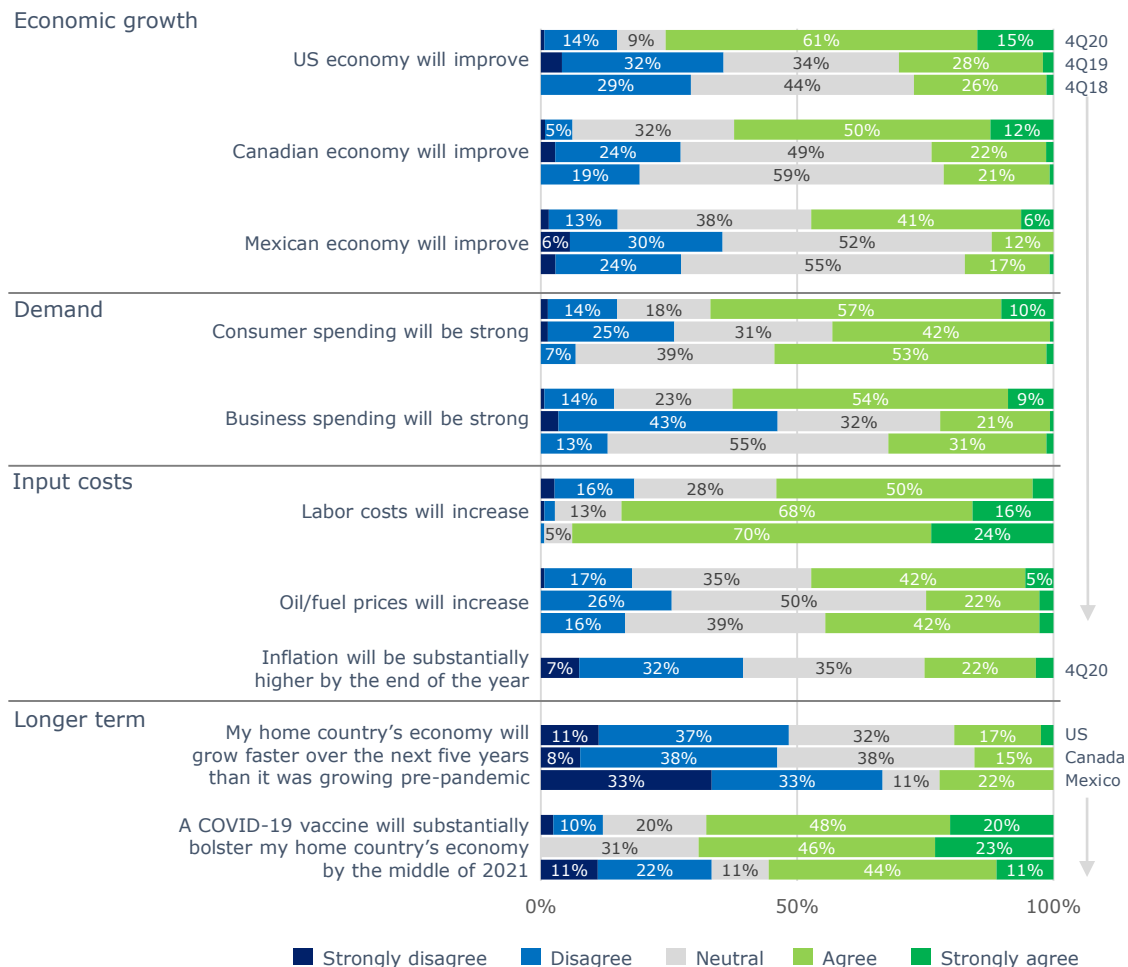
Two-thirds expect strong consumer spending in 2021 (43% last year), and 63% expect strong business spending (22% last year).

Only 54% of CFOs expect labor costs to rise in 2021 (84% a year ago), but 47% expect oil/fuel prices to increase (up from 25%). Only about one-quarter expect inflation to be substantially higher.

*Please see the full-detail report for industry-specific charts. Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Macroeconomic expectations for 2021

*What are your expectations for the macroeconomic environment in 2021? Percent of CFOs selecting each level of agreement for each statement*





# Special topic: 2021 expectations

## Capital markets expectations

**CFOs mostly expect rates to stay low (but are fairly split) and expect bond yields below 2%. They expect the renminbi to gain on the US dollar and for its use as a trading currency to rise substantially; expectations for the euro and digital currencies rose as well.**

CFOs were right last year when they did not expect the federal funds rate (then 1.5%) to end higher in 2020, and also when few expected negative rates. With the rate now just 0.25%, they mostly still do not expect higher rates (although there is substantial proportion who do) and just 6% expect negative rates.

They were also right about bond yield/s. With the 10-year bond yield at 1.8% a year ago, 67% expected rates to remain below 2%. Now, with the yield having slid to about 0.8%, 60% expect rates to stay below 2%.

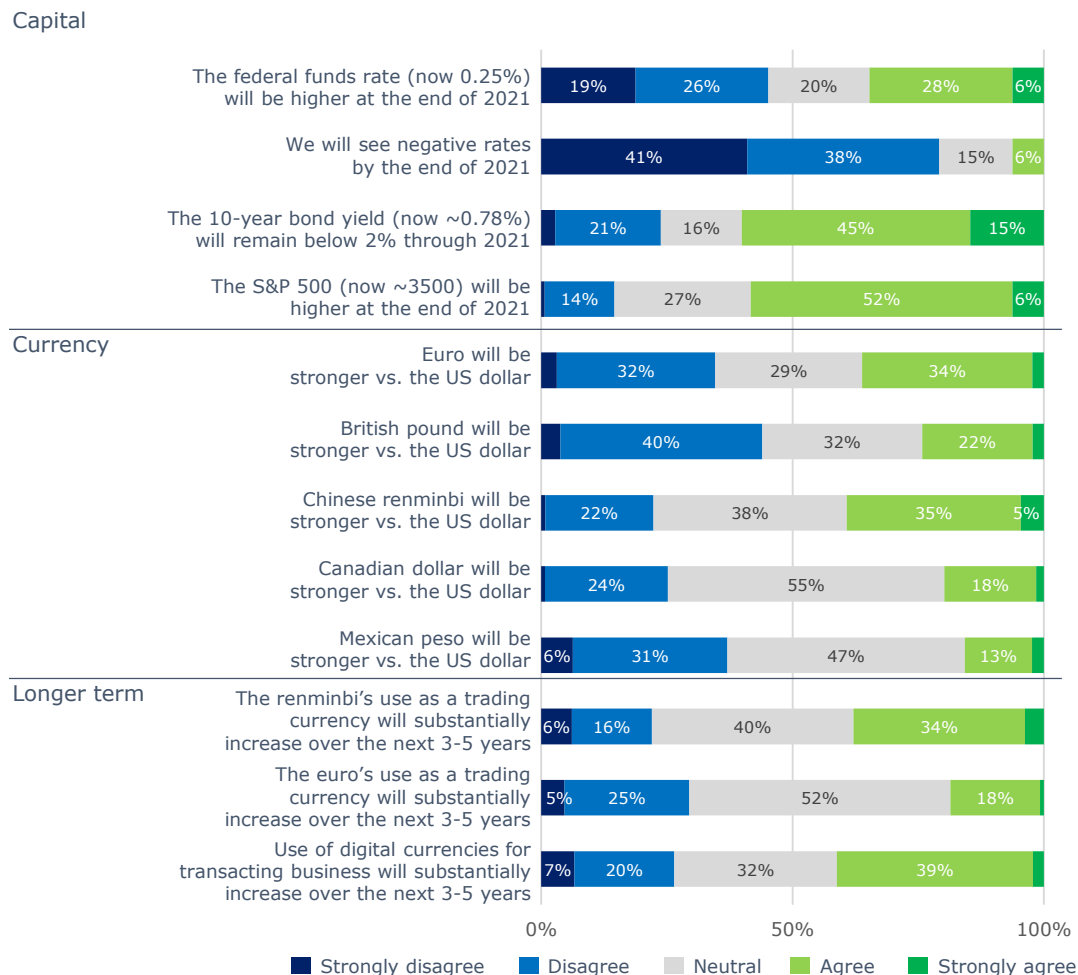
CFOs were not as right about the S&P 500 when they were split on whether or not it would go above 3,000. With the index now above 3,500, nearly 60% expect it to be higher by the end of the year—even though 80% also say it is currently overvalued (see page 8).

In a shift from a year ago, CFOs have become more likely to expect the euro and renminbi to strengthen against the US dollar. They also mostly expect the renminbi's use as a trading currency to increase, and for use of digital currencies for business transactions to rise.

*Please see the full-detail report for industry-specific charts. Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Capital markets expectations for 2021

*What are your expectations for the capital markets environment in 2021? Percent of CFOs selecting each level of agreement for each statement*



# Special topic: Government policy views

## Views on possible government policy changes over the next four years

**CFOs overwhelmingly support a stimulus package, infrastructure investment, de-escalating US-China trade tensions, less protectionist trade, and the federal government leading a COVID-19 response. Industry differences are substantial.**

CFOs indicate a bias toward a smaller, targeted stimulus package over a large, comprehensive package like the CARES Act. They are largely mixed on whether higher corporate tax rates would reduce their capital spending and on whether tax incentives would influence their on/off-shoring decisions. They overwhelmingly support funding of infrastructure investments.

When it comes to trade, the vast majority of CFOs say protectionist policy is not beneficial, and most prefer de-escalation of US-China trade tensions. More than one-third, however, say confronting China on their trade practices would be good for their company.

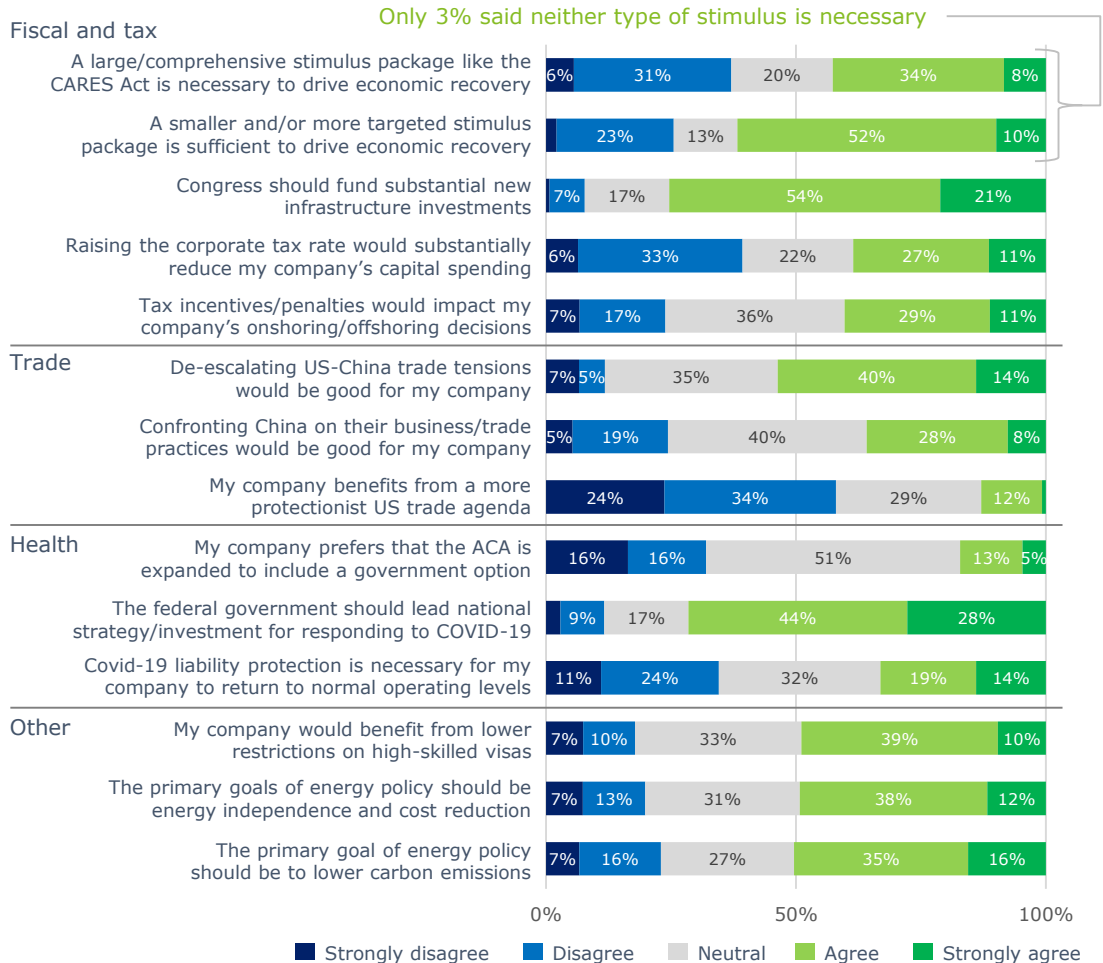
CFOs overwhelmingly say the federal government should lead strategy and investment in response to COVID-19. They are mixed on the need for liability protection, and more do *not* support expansion of the ACA to include a government option than do support it (but more than half are neutral).

When it comes to energy policy, CFOs are split on whether its purpose should be energy independence and cost reduction, or lower carbon emissions—even within industries. Nearly half say their company would benefit from lower restrictions on high-skilled visas.

*Please see the full-detail report for charts specific to individual industries.*

### US government policy views

*What are your views on US government policy over the next four years? Percent of CFOs selecting each level of agreement for each statement*



# Special topic: Hopes for Washington

## Hopes for Washington over the next four years

**CFOs' hopes for Washington center largely on cooperating to get important things done and unifying the country with moderation, transparency, and decency.**

CFOs voiced very strong hopes for improvement in Washington's accomplishments and tone. Nearly two-thirds mentioned hopes related to bipartisanship, cooperation, and compromise—with a heavy focus on the desire to get important things done for the good of the country and economy. More than half expressed hopes for strong leadership and unification, with less divisiveness, more transparency and stability, more civility, and more moderation.

As for specific policy hopes, CFOs voiced strong concerns about possible anti-business policy (including tax hikes and new regulation) and hopes that divided government would prevent it. They also mentioned desires for better policy consistency and clarity—especially around international relations and trade policy.

Some also mentioned the hope that Washington would manage longer-term issues like fiscal policy, the national debt, entitlements, and infrastructure. Some also mentioned hopes for addressing climate issues, international relations, and immigration.

*Please see the full-detail report for a tabular summary of hopes by industry.*

### Hopes for Washington over the next four years

*What are your hopes for Washington over the next four years?* Paraphrasing and normalization of CFOs' free-form comments (numbers in parentheses indicate counts of CFOs who mentioned each type of change)

Cooperate to get things done (n=63)\*

More bipartisanship and compromise (39)

Get major things done (18)  
Serve constituencies, not career (6)

Maintain/set pro-business policy (n=41)\*

Keep divided government/gridlock to moderate business policy (12)  
Clear international/trade policy (8)  
No tax hikes (7)  
Better policy consistency/clarity (7)  
Avoid burdensome regulation (7)

Lead and unify (n=58)\*

Less divisiveness (19)  
More stability/predictability (14)  
More moderation / avoid extremes (9)  
More honesty and transparency (7)  
More civility and decency (5)  
Unify a divided US citizenry (4)

Manage the future (n=20)\*

Manage fiscal/debt/entitlements (7)  
Modernize infrastructure (4)  
Address and lead around climate (4)  
Restore/lead international relations (4)  
Fix immigration

\* n=101 (numbers in parentheses sum to more than 101 because many respondents named multiple hopes).

# **Appendix**

Longitudinal data and survey  
background

# Longitudinal trends

## Cross-industry expectations and sentiment (last 24 quarters)

### CFOs' year-over-year expectations<sup>1</sup>

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses<sup>2</sup>)

			1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	Survey mean	2-year mean
Operating results	Revenue	mean	5.4%	3.1%	4.4%	5.9%	3.3%	4.0%	4.2%	3.7%	4.3%	5.6%	5.7%	4.7%	5.9%	6.3%	6.1%	5.5%	4.8%	3.8%	4.3%	3.7%	3.9%	-8.6%	1.0%	7.7%	5.1%	2.6%
		median	5.0%	5.0%	4.5%	5.0%	3.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%	4.0%	-5.0%	3.0%	5.0%	4.6%	3.0%
		>0	86%	78%	79%	82%	78%	72%	83%	82%	85%	89%	92%	87%	91%	92%	91%	91%	86%	81%	82%	86%	81%	28%	59%	85%	83%	74%
		standard deviation	6.4%	6.3%	5.4%	6.8%	5.1%	6.7%	4.8%	3.9%	3.7%	4.4%	3.9%	4.0%	4.1%	4.6%	5.0%	4.3%	4.4%	5.1%	4.9%	3.9%	4.7%	12.7%	10.6%	12.4%	5.9%	7.3%
	Earnings	mean	10.6%	6.5%	6.5%	8.3%	6.0%	7.7%	6.1%	6.4%	7.3%	8.7%	7.9%	8.4%	9.8%	10.3%	8.1%	7.3%	7.1%	6.1%	5.6%	6.0%	6.0%	-18.7%	3.7%	13.8%	8.6%	3.7%
		median	8.0%	5.0%	8.0%	7.0%	5.0%	7.0%	5.0%	6.0%	8.0%	8.0%	7.5%	8.0%	8.0%	10.0%	8.0%	8.0%	7.0%	6.0%	5.0%	5.0%	5.0%	-10.0%	5.0%	10.0%	7.2%	4.1%
		>0	79%	79%	79%	82%	79%	76%	81%	81%	89%	88%	90%	86%	88%	94%	89%	85%	82%	80%	80%	83%	82%	27%	63%	85%	82%	73%
		standard deviation	17.1%	11.6%	11.0%	10.5%	9.1%	13.5%	7.0%	7.1%	5.6%	8.6%	5.7%	7.5%	7.7%	7.0%	5.8%	6.2%	4.4%	7.4%	7.0%	6.6%	6.9%	26.9%	16.5%	25.0%	11.6%	12.6%
Investment	Dividends	mean	4.3%	3.4%	3.7%	4.7%	4.0%	2.9%	4.1%	3.3%	3.8%	3.7%	3.8%	3.8%	4.7%	4.8%	7.4%	4.5%	3.9%	3.7%	3.9%	4.3%	3.7%	-4.8%	1.1%	2.5%	3.8%	2.3%
		median	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.5%	0.0%	2.0%	1.0%	0.0%	0.0%	0.0%	0.1%	0.4%
		>0	47%	43%	45%	45%	46%	42%	43%	43%	43%	46%	43%	45%	49%	47%	51%	43%	44%	50%	48%	55%	54%	26%	34%	45%	41%	45%
		standard deviation	5.9%	5.3%	4.7%	7.0%	6.0%	4.7%	7.6%	3.9%	4.7%	5.5%	6.0%	5.8%	6.6%	6.3%	12.8%	4.7%	6.6%	4.6%	4.6%	5.5%	4.3%	13.7%	4.5%	4.2%	6%	6.0%
	Capital spending	mean	5.2%	5.4%	4.3%	4.9%	1.7%	5.4%	5.6%	3.6%	10.5%	9.0%	7.3%	6.5%	11.0%	10.4%	9.4%	5.0%	5.9%	7.7%	3.6%	3.7%	2.3%	-12.3%	0.2%	8.0%	6.4%	2.4%
		median	5.0%	5.0%	2.0%	5.0%	0.0%	4.0%	2.0%	3.0%	5.0%	5.0%	4.5%	3.0%	5.0%	5.0%	5.0%	2.0%	3.0%	2.0%	2.0%	0.0%	2.0%	-5.0%	0.0%	5.0%	3.6%	1.1%
		>0	63%	59%	53%	59%	50%	61%	58%	57%	66%	61%	59%	70%	73%	70%	58%	57%	53%	49%	56%	56%	26%	41%	61%	58%	50%	
		standard deviation	12.7%	16.5%	11.5%	12.4%	11.2%	16.0%	10.7%	11.4%	20.9%	17.8%	14.2%	12.2%	14.9%	12.2%	14.3%	10.6%	9.7%	14.0%	9.1%	14.0%	9.4%	20.4%	14.4%	18.8%	14%	13.7%
Talent	Number of domestic personnel	mean	2.4%	1.2%	1.4%	1.2%	0.6%	1.1%	2.3%	1.3%	2.1%	2.1%	2.6%	2.0%	3.1%	3.2%	2.7%	3.2%	2.1%	1.9%	1.6%	1.1%	1.2%	-6.0%	0.2%	1.7%	1.6%	0.5%
		median	1.0%	0.0%	1.5%	0.0%	0.0%	1.0%	1.0%	0.0%	1.0%	2.0%	2.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	1.0%	0.9%	0.8%
		>0	58%	49%	57%	50%	47%	55%	53%	48%	57%	62%	59%	54%	66%	65%	66%	61%	64%	54%	56%	54%	44%	19%	41%	51%	53%	48%
		standard deviation	3.1%	4.5%	4.8%	3.6%	3.0%	3.8%	3.1%	2.3%	1.9%	2.7%	3.8%	3.3%	4.4%	4.4%	3.7%	4.5%	3.3%	3.5%	3.5%	3.5%	3.7%	13.7%	4.9%	3.8%	4.7%	5.0%

### CFOs' own-company optimism<sup>3</sup> and equity market performance

		1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	Survey mean	2-year mean
Optimism	Optimism (% more optimistic)	47.9%	37.6%	33.6%	33.9%	33.1%	48.6%	35.2%	43.1%	59.9%	54.6%	45.6%	52.4%	59.4%	48.5%	48.5%	26.5%	32.3%	30.4%	26.2%	29.9%	38.1%	10.9%	58.7%	56.8%	43.6%	35.4%
	Neutrality (% no change)	38.5%	43.6%	46.9%	42.9%	35.6%	32.9%	49.2%	37.2%	30.3%	34.8%	38.1%	42.2%	34.8%	42.1%	39.4%	50.4%	51.9%	48.7%	42.4%	51.0%	48.3%	23.7%	25.8%	32.4%	35.1%	40.5%
	Pessimism (% less optimistic)	13.5%	18.8%	19.5%	23.2%	31.4%	18.6%	15.6%	19.7%	9.9%	10.6%	16.3%	5.4%	5.8%	9.4%	12.1%	23.1%	15.8%	20.9%	31.4%	19.1%	13.6%	65.4%	15.5%	10.8%	21.5%	24.1%
	Net optimism (% more minus % less optimistic)	34.4%	18.8%	14.2%	10.7%	1.7%	30.0%	19.7%	23.4%	50.0%	43.9%	29.4%	46.9%	53.5%	39.2%	36.4%	3.4%	16.5%	9.5%	-5.2%	10.9%	24.5%	-54.5%	43.2%	46.0%	22.1%	11.3%
Equities	S&P 500 price at survey period midpoint	2,097	2,123	2,092	2,023	1,865	2,047	2,184	2,177	2,316	2,391	2,441	2,582	2,732	2,728	2,833	2,722	2,776	2,881	2,919	3,120	3,380	2,848	3,328	3,573	2,101	3,103
	S&P gain/loss QoQ	2.8%	1.2%	-1.5%	-3.3%	-7.8%	9.8%	6.7%	-0.3%	6.4%	3.2%	2.1%	5.8%	5.8%	-0.1%	3.8%	-3.9%	2.0%	3.8%	1.3%	7.0%	8.3%	-15.7%	16.9%	7.4%	3.1%	3.9%
	US equity valuations (% who say overvalued)		65.4%	60.2%	56.3%	29.7%	56.1%	71.3%	70.1%	80.3%	78.0%	83.1%	84.4%	75.5%	63.4%	70.5%	65.3%	45.6%	64.2%	63.4%	76.7%	83.0%	55.1%	83.9%	80.3%	67.9%	69.0%

<sup>1</sup> All means have been adjusted to eliminate the effects of stark outliers. The "Survey mean" column contains arithmetic means since 2Q10.

<sup>2</sup> Standard deviation of data winsorized to 5th/95th percentiles.

<sup>3</sup> Averages for optimism numbers may not add to 100% due to rounding.

Please contact [nacfosurvey@deloitte.com](mailto:nacfosurvey@deloitte.com) for data as far back as 2Q10.

# About the survey

## **Background**

The Deloitte North American CFO Survey is a quarterly survey of CFOs from large, influential companies across North America. The purpose of the survey is to provide these CFOs with quarterly information regarding the perspectives and actions of their CFO peers across four areas: business environment, company priorities and expectations, finance priorities, and CFOs' personal priorities.

## **Participation**

This survey seeks responses from client CFOs across the United States, Canada, and Mexico. The sample includes CFOs from public and private companies that are predominantly over \$3B in annual revenue. Respondents are nearly exclusively CFOs. Participation is open to all industries except for public sector entities.

## **Survey execution**

At the opening of each survey period, CFOs receive an email containing a link to an online survey hosted by a third-party service provider. The response period is typically two weeks, and CFOs receive a summary report approximately two weeks after the survey closes. Only current and frequent responders receive the summary report for the first two weeks after the report is released.

## **Nature of results**

This survey is a "pulse survey" intended to provide CFOs with information regarding their CFO peers' thinking across a variety of topics; it is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed population, but does not necessarily indicate economy- or industry-wide perceptions or trends.



#### **IMPORTANT NOTES ABOUT THIS SURVEY REPORT:**

Participating CFOs have agreed to have their responses aggregated and presented.

This is a “pulse survey” intended to provide CFOs with quarterly information regarding their CFO peers’ thinking across a variety of topics. It is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed population but does not necessarily indicate economy- or industry-wide perceptions or trends.

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, tax, legal, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decisions that may impact your business, you should consult a qualified professional advisor.

#### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

powered by

**The CFO Program**