

1Q17 Highlights: Large company optimism high and rising

- Perceptions of North American and European economies hit four-year highs; China rose to a two-year high.
- Own-company optimism rose to a new survey high; year-over year expectations for capital investment skyrocketed.
- Focus on offense over defense is strongest in survey history.
- 80% of CFOs say US equity markets overvalued—new high.
- CFOs mostly favor liberal trade, say restrictive policy won't raise hiring.
- CFOs say lower taxes would bolster their US investment/hiring, but cheaper repatriation would have smaller impact.
- Few say border-adjustment tax plan good for their company.
- Many CFOs expect ACA rework to help their health care costs.
- Hopes for Administration/Congress focus on taxes, regulation, and economic growth; worries focus on trade/tax policy.

How do you regard the current/future status of the [North American, Chinese, and European economies](#)?

Perceptions of the North American economy improved again, with 66% of CFOs rating current conditions as good (a four-year high) and 62% expecting better conditions in a year. Perceptions of Europe improved to 12% and 28%, while China rose to 20% and 19%.

What is your perception of the [capital markets](#)? Eighty-one percent of CFOs say debt financing is attractive (up slightly from 79% last quarter), while attractiveness of equity financing held steady for public company CFOs (at about 40%) and rose for private company CFOs (from 29% to 38%). Eighty percent of CFOs now say US equities are overvalued—a new survey high.

Compared to three months ago, how do you feel about the [financial prospects](#) for your company? Net optimism rose sharply from last quarter's +23.4 to +50.0 (a survey high). About 60% of CFOs express rising optimism (up from 43%), and those citing declining optimism fell from 20% to 10%.

What is your company's [business focus](#) for the next year? CFOs indicate a strong bias toward revenue growth over cost reduction (60% vs. 18%), and investing cash over returning it (59% vs. 15%). They shifted to a bias toward new offerings over existing ones (42% vs. 38%), and markedly increased their bias toward current geographies over new ones (67% vs. 13%).

Compared to the past 12 months, how do you expect your [key operating metrics](#) to change over the next 12 months?* Revenue growth expectations rose from 3.7% to 4.3% and are slightly above their two-year average. Earnings growth rose to 7.3%, up from 6.4% and also above the two-year average. Capital spending growth skyrocketed from 3.6% to 10.5% (the highest level in almost five years). Domestic hiring growth rose from 1.3% to 2.1%.

Other than economic growth, what external factors have presented substantial [obstacles](#) to your company's growth over the past year? Taxes, health care costs, and regulation are the top policy-related barriers to growth. Skills shortages and a strong dollar are also major factors.

Which [policy areas](#) would your company like to see the new US Administration and Congress focus on first? Tax policy was by far the area CFOs would most like lawmakers to tackle first, with infrastructure investment, health care reform, and trade policy rounding out the top tier.

How is your company affected by [trade policy](#), and how would you respond to potential changes? CFOs say threats of border taxes affect their business planning. But they also say they favor liberal trade policy and that restrictive policy is not likely to raise their companies' domestic hiring.

With which [foreign regions](#) is trade policy most important to your company, and which relationships are in need of changes? NAFTA countries regard each other and China as important trade partners; relatively few CFOs say substantial trade relationship changes are necessary.

What impact would potential [corporate tax policy](#) changes have on your company? CFOs say lower corporate tax rates would bolster their US investment and hiring, but that cheaper repatriation would have less of an impact; few say a border-adjustment tax would be good for their company.

How has the [Affordable Care Act](#) impacted your company, and how important is a replacement/update? CFOs are much more likely to cite negative ACA impacts than positive, and many expect an ACA rework to help their health care costs.

What role does [immigration](#) play in your company's workforce? Most CFOs say immigration is an important source of skilled labor, and most also say they utilize work visas to access specialized skills.

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

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