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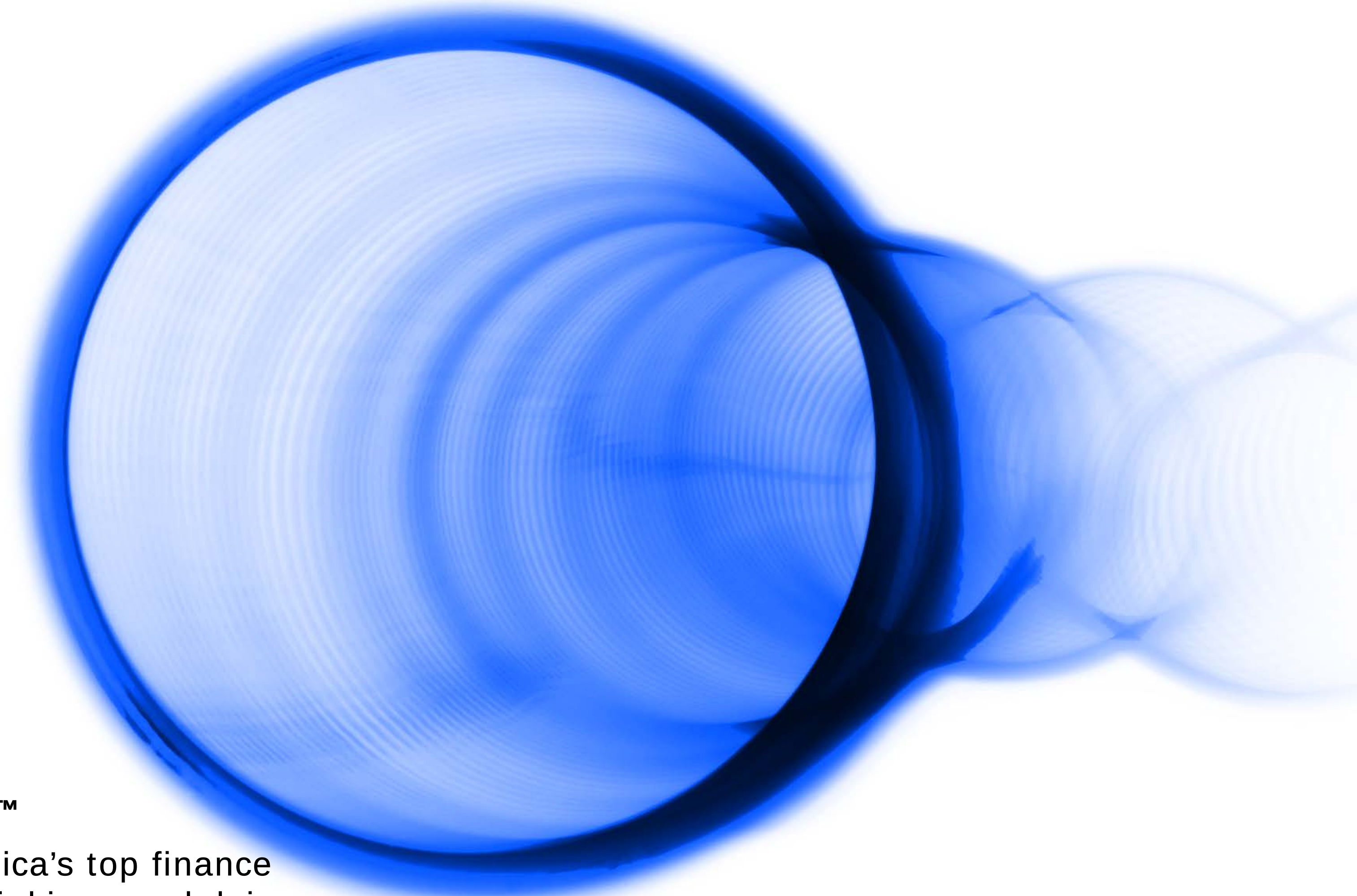


CFO Signals™

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

1st quarter 2017

High-level report

This report is a subset of a full report containing analysis and trends specific to industries and geographies. Please contact nacfosurvey@deloitte.com for access to the full report.

powered by The CFO Program

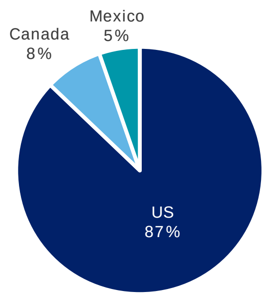
About the survey
Contents and background

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.

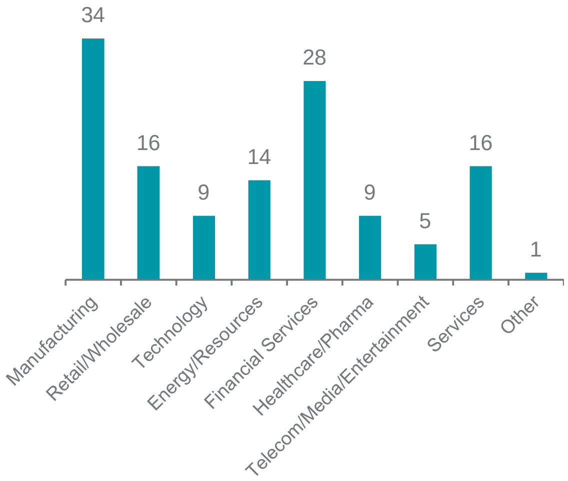
All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than $1 billion in annual revenue. For a summary of this quarter's response demographics, please see the sidebars and charts on this page. For other information about participation and methodology,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

Participation by country*



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

Participation by industry*



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Additional findings in full report
(please contact nacfosurvey@deloitte.com)

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

Survey responses

Survey period:	2/6-2/17
Total responses:	132
• CFO proportion:	100%
• Revenue >$1B:	87%
• Public/private:	76%/24%

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Findings at a glance

Perceptions

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%. **Page 6.**

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. **Page 7.**

Sentiment

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%. **Page 8.**

Expectations

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%). **Page 9.**

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%. **Page 10.**

Special topic: Barriers to growth

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. **Page 11.**

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. **Page 11.**

Special topic: Impact of trade, tax, health care, and immigration policies

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. **Page 12.**

1Q17 Survey Highlights

- 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 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 lower taxes, less regulation, and better growth; worries focus on trade/tax policy.

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. **Page 13.**

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. **Page 14.**

How has the Affordable Care Act (ACA) 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. **Page 15.**

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. **Page 16.**

Special topic: New Administration and Congress

As the new US Administration and Congress assume power, what is your company most hopeful and worried about? CFOs' hopes are focused on lower/simpler taxes, a business-friendly regulatory environment, and better economic growth. Their worries are focused on possible negative and unintended consequences of trade and tax policy changes. **Page 17-19.**

Summary and context
Large company optimism high and rising

When CFOs responded to last quarter's survey, they had just learned that Donald Trump had been elected president of the United States. They had also learned that the Republican Party would maintain its majorities in both houses of Congress—leading to a higher probability that the new president's platforms would be enacted.

Following their very positive outlook in the second and third quarters of 2016, CFOs were even more positive as they looked toward 2017. They were particularly bullish on the US economy, and their optimism regarding their own companies' prospects remained strong (US CFOs voiced their highest optimism in two years). Even so, they cited growing concerns related to uncertainty—especially around the possibility of protectionist trade policies.

Since then, President Trump has delivered an inauguration speech reiterating his "America first" ethos, appointed cabinet members, and issued executive orders in support of several of his campaign promises. The new Congress has been sworn in and has begun the process of confirming the President's appointees and assembling a legislative agenda. And the global economy has continued to show signs of strength—especially within North America.

So how has the post-election period affected CFOs' outlook? In short, this quarter's respondents indicated the most positive uptick in sentiment in the seven-year history of this survey. And their expectations for growth in revenue, earnings, investment, and hiring all rose and now sit above their two-year averages.

To understand companies' thinking about the broad range of policy proposals being discussed, this quarter's survey asked about factors that have been limiting companies' growth and the policy areas CFOs would like to see tackled first. Their top policy-related growth barriers were rising health care costs, high corporate taxes, and regulations (competition, talent shortages, and a strong dollar were the other top barriers). Tax policy was by far the area they would most like lawmakers to tackle first, with infrastructure investment, health care reform, and trade policy rounding out the top tier.

This quarter's survey also explored the anticipated impact of potential policy changes and, on the subject of trade policy, CFOs mostly said they favor liberal trade policy and that more restrictive policy was not likely to spur their domestic hiring. When it comes to the Trans-Pacific Partnership (TPP), few said withdrawal from the agreement was beneficial for their company.

When it comes to tax policy, many CFOs said they expect lower corporate tax rates to bolster their company's US investment and hiring, but most did not say the same for cheaper cash repatriation. And the border-adjustment tax proved to not be a very popular idea—even among manufacturing firms.

In other findings, CFOs were much more likely to cite negative company impacts from the Affordable Care Act than positive, and many expect an ACA overhaul to help their health care costs. Many also said immigration and work visas were important for their access to specialized skill sets.

Overall, respondents' collective outlook has improved significantly since the last survey, with CFOs voicing high hopes for lower taxes, a more business-friendly regulatory environment, and better economic growth. But the past few months have also done little to reduce concerns about policy uncertainty—especially around trade and taxes. As legislative priorities and policy details become clearer, it will be interesting to see how companies adapt and how their longer-term expectations and plans will evolve.

Developments since the 4Q16 survey

- The new US Administration and Republican-majority Congress assumed power, with Mr. Trump's inauguration speech reiterating his "America first" views. Public protests occurred in large cities in the US and abroad.
- President Trump commenced meetings with world leaders and issued executive orders supporting his campaign promises. As promised, he withdrew from TPP.
- US equity markets continued to hit new highs, and consumer confidence hit a 15-year high in December.
- The Fed left interest rates unchanged, but Janet Yellen said further hikes are likely given a strong US economy, tight labor markets, and rising inflation.
- The Mexican peso fell and inflation soared on worries about the future of US-Mexico trade policy.
- Prime Minister May received authority to initiate Britain's EU exit; President Trump suggested others will likely exit.
- Oil prices rose as OPEC successfully cut production.
- Canada issued a good jobs report; PMI hit a 2-year high.
- China's growth continued at a moderate pace, aided by credit creation and a rebound in exports.

Summary of CFO sentiment and expectations

	This quarter	Last quarter	2 yr. avg.
Economy optimism—North America (Index)	**81.8**	63.5	62.5
Economy optimism—Europe (Index)	**29.2**	14.6	19.7
Economy optimism—China (Index)	**27.1**	25.5	19.9
Own-company optimism (Net)	**+50.0**	+23.4	+21.1
Revenue growth (YOY)	**4.3%**	3.7%	4.1%
Earnings growth (YOY)	**7.3%**	6.2%	6.8%
Capital investment growth (YOY)	**10.5%**	3.6%	5.2%
Domestic personnel growth (YOY)	**2.1%**	1.3%	1.4%
Percent of CFOs saying US equity markets overvalued	**80%**	70%	61%

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

Topical findings

Perceptions
Assessments of regional economies

CFOs' perceptions of the North American and European economies rose to four-year highs; perceptions of China rose to a nearly two-year high.

Assessments of the North American economy's current health hit a four-year high, while perceptions of its future health improved to their highest level in about two years. Sixty-six percent of CFOs say current conditions are good, and 62% expect conditions to be better in a year. The North American optimism index[1] hit its four-year high at +82.

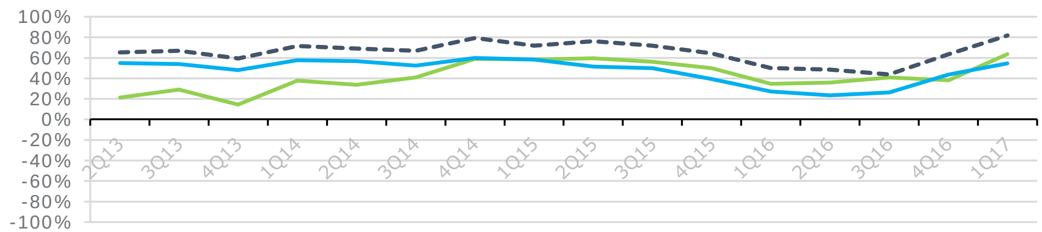
Perceptions of Europe's current state and trajectory both improved markedly, with perceptions of its future health net-positive for the first time in 18 months. Just 12% of CFOs say current conditions are good, but 28% now expect conditions to be better in a year. The European optimism index[1] hit its four-year high at +29.

Perceptions of China's economy continued to improve from their 1Q16 survey lows. Twenty percent of CFOs say current conditions are good, and the 19% expect conditions to be better in a year. The Chinese optimism index[1] hit its two-year high at +30.

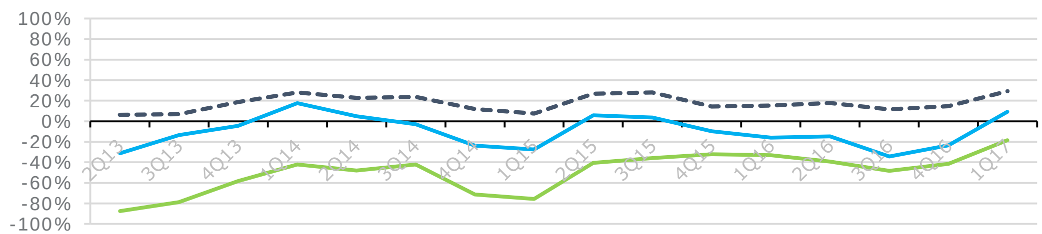
Economic optimism

How do you regard the North American, European, and Chinese economies? Net percent of CFOs saying the current economy is good vs. bad (based on five-point "very bad" to "very good" scale) and saying conditions next year will better vs. worse ("much worse" to "much better" scale)

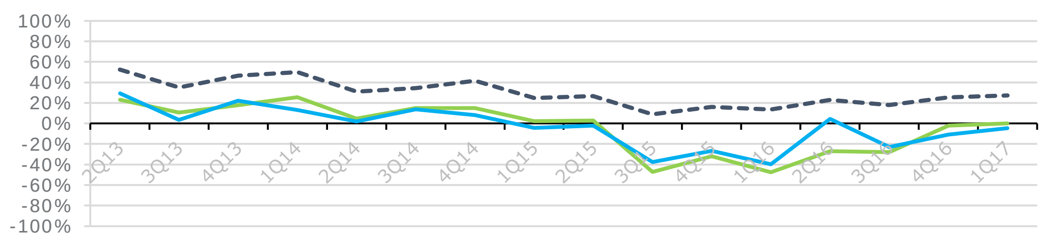
North America



Europe



China



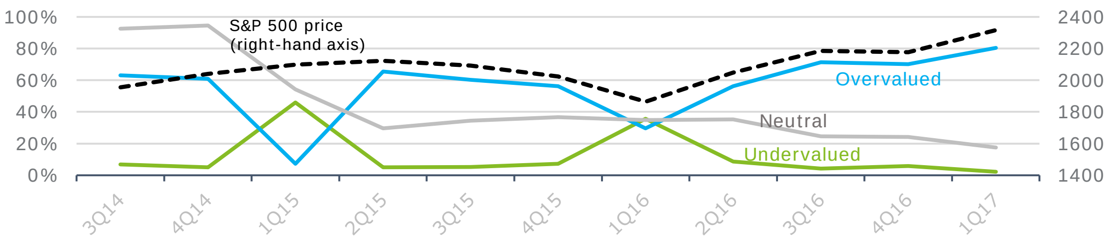
Net % good now — Net % better in year — Economic optimism index[1]

[1] Percent of CFOs whose combined assessment of current and future economic health leaves their expectation for next year's economy optimistic. Where the other net percentages do not incorporate CFOs who answered "neutral" for current conditions or "no change" for conditions in a year, the optimism index does. The index is usually higher due to its inclusion of CFOs who cite good current health with no change next year. Please see the appendix for more information.

Perceptions
Assessments of markets and risk

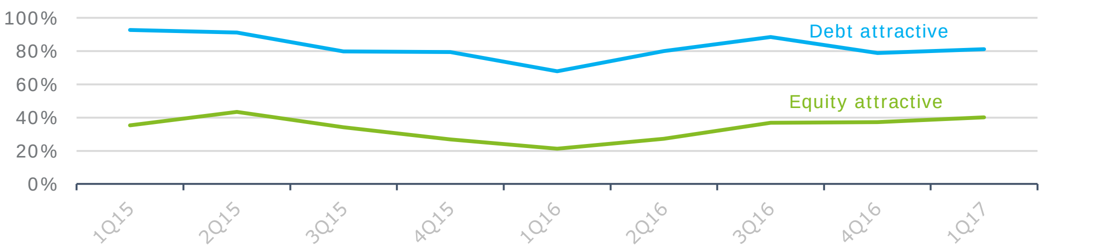
Equities overvalued
With the S&P 500 up 6.4% from last quarter's survey and equity markets again at historic highs, 80% of surveyed CFOs say US equity markets are overvalued—a new survey high.

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)



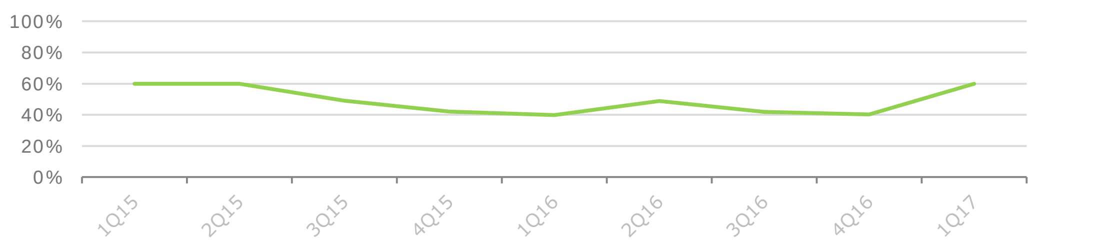
Debt still attractive; equity attractiveness rising for private companies
Eighty-one percent of CFOs say debt financing is attractive, up slightly from 79% last quarter. Attractiveness of equity financing held steady for public company CFOs (at 41%) and rose for private company CFOs (from 29% to 38%).

Debt / equity attractiveness
How do you regard debt/equity financing attractiveness? Percent of CFOs citing debt and equity attractiveness



A good time to be taking risks
Sixty percent of CFOs say now is a good time to be taking greater risk—up sharply from last quarter's 40% and even with the survey high from early 2015.

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



Sentiment
Optimism regarding own-companies' prospects

Net optimism—already fairly strong since 2Q16—rose sharply to a new survey high amid overwhelmingly positive sentiment among US CFOs.

This quarter's net optimism spiked to a survey-high +50. Nearly 60% of CFOs expressed rising optimism (up from 43% last quarter), and about 10% cited declining optimism (down from 20%).

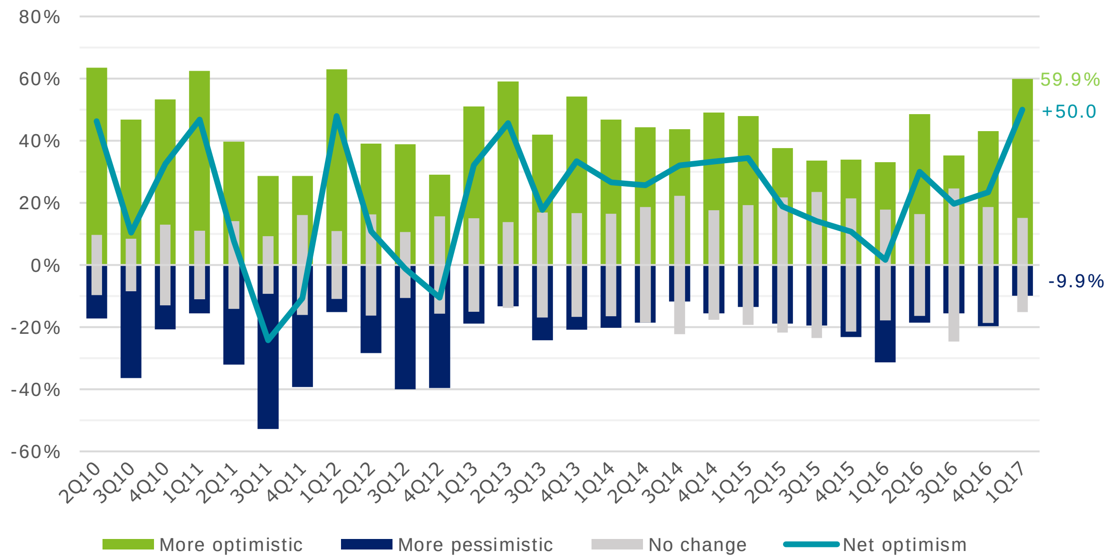
Net optimism for the US rose sharply from last quarter's already-strong +34 to +58 this quarter. Canada rose from +7 to +40, while optimism in Mexico slid from -64 to -71.

Healthcare/Pharma and Energy/Resources CFOs were among the most optimistic last quarter, but are among the least optimistic this quarter (joined by Retail/Wholesale). Financial Services CFOs were among the least optimistic last quarter, but are among the most optimistic this quarter, joined by Technology and Telecom/Media/Entertainment (T/M/E).

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

Own-company optimism

How does your optimism regarding your company's prospects compare to last quarter? 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



Expectations
Business focus for next year

The focus on offense over defense is the most pronounced in survey history; the focus on existing geographies over new ones also hit a high, and the focus on new offerings is the highest in two years.

Nearly 60% of CFOs say they are biased toward revenue growth (one of the highest levels in survey history), while only 18% claim a bias toward cost reduction (one of the lowest levels). The bias toward investing cash over returning it to shareholders (59% versus 15%) hit its highest level in more than three years.

Overall, 42% of CFOs say their companies are biased toward new offerings (the highest level in two years), and 38% claim a bias toward existing ones (the lowest level in two years). CFOs favor current geographies over new ones by the widest margin in survey history (67% versus 13%).

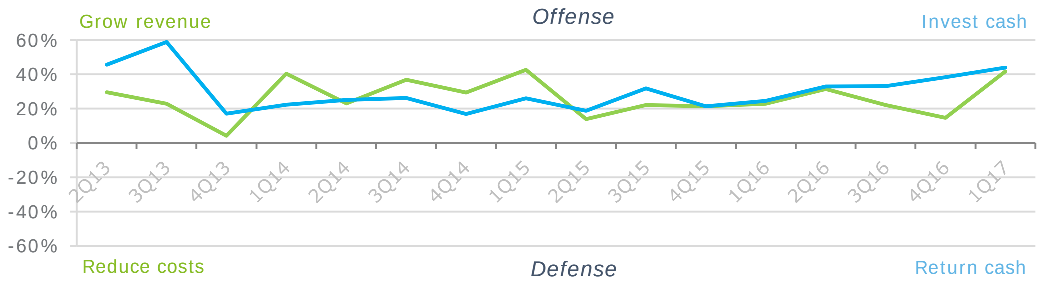
The bias is again firmly toward organic growth (58%) over inorganic growth (21%).

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

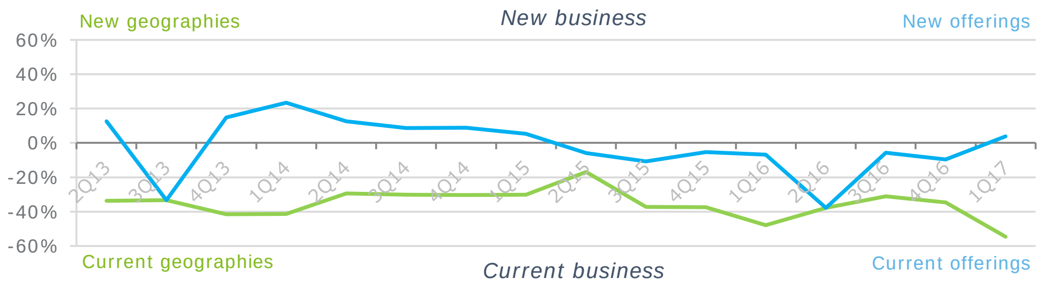
Business focus

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)

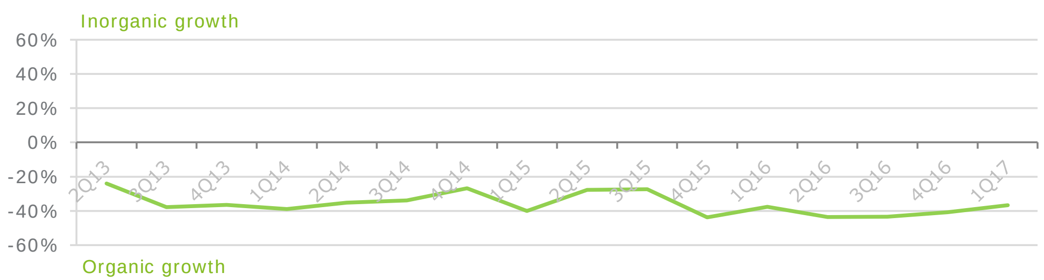
Offense vs. defense



New business vs. current business



Inorganic growth vs. organic growth



Expectations
Growth in key metrics, year-over-year

All key growth metrics rose this quarter, with capital spending skyrocketing; the outlook for Healthcare / Pharma declined markedly, but the outlook for Manufacturing and Energy / Resources improved.

Revenue growth expectations rose to 4.3% and are slightly above their two-year average. US expectations rebounded from last quarter's dismal level, while Mexico fell to a two-year low. Energy/Resources is near its two-year high, and Healthcare/Pharma fell to its survey low.

Earnings growth expectations of 7.3% are up significantly from last quarter and above their two-year average. The US improved, but Mexico declined again. Manufacturing is highest, hitting its highest level in two years; Healthcare/Pharma fell to its lowest level in more than three years.

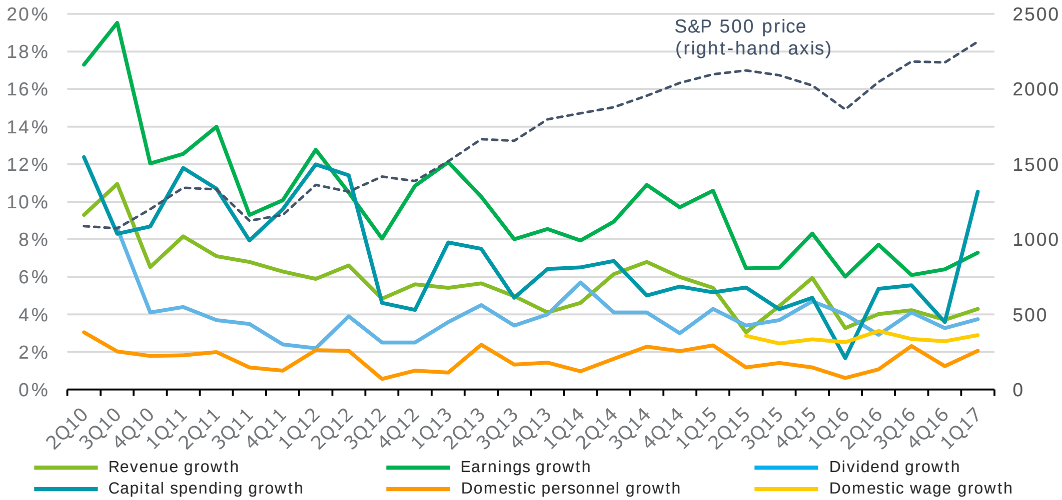
Capital investment growth expectations of 10.5% are up drastically from last quarter and sit at their highest level in nearly five years. All countries improved significantly from last quarter. Manufacturing and Energy/Resources rose sharply, with both near their survey highs.

Domestic hiring growth rose from last quarter's weak showing of 1.3% to 2.1% and is at its second-highest level in nearly two years. Canada is low, but up from last quarter. Manufacturing sits at a two-year high, but is lowest of the industries (despite strength in other metrics).

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

Growth expectations

Compared to the past 12 months, how do you expect the following metrics to change over the next 12 months? CFOs' expected year-over-year company growth in key metrics (compared to the value of the S&P 500 index at the survey midpoint)



Special topic: Barriers to growth
External challenges and public policy priorities

CFOs say taxes, health care costs, and regulation are the top policy-related barriers to growth; skills shortages and a strong dollar are also major factors.

Our previous surveys have shown that slow global growth has been the top barrier to corporate growth for the last several years. This quarter's findings show that competition is also a major obstacle, with new competitors a particularly strong barrier in Energy/Resources, Retail/Wholesale, and T/M/E.

This quarter's findings also indicate that skills shortages are a major factor (especially in Technology and Services) and so is a strong dollar (particularly in Manufacturing and Retail/Wholesale).

Policy-related barriers are also significant, with rising health care costs a major factor for Retail/Wholesale, Services, and T/M/E, and regulatory barriers common for Manufacturing, Healthcare/Pharma, Energy/Resources, Financial Services, and Services.

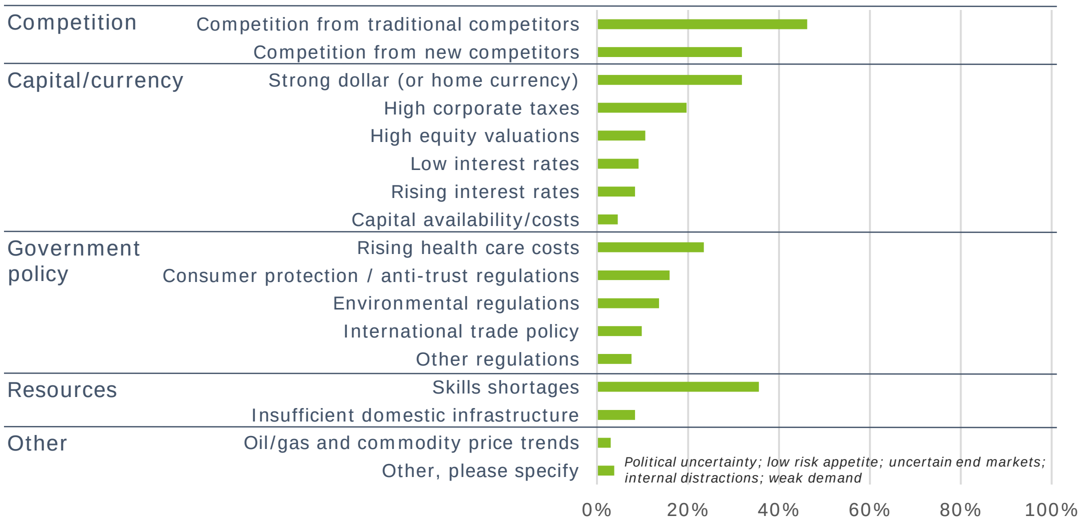
Corporate taxes are by far the most desired policy focus.

Although high corporate taxes were not in CFOs' top five growth barriers, there was widespread agreement that the new Administration and Congress should focus on tax reform first. Infrastructure spending was a distant second, with health care policy and trade agreements rounding out the top tier.

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

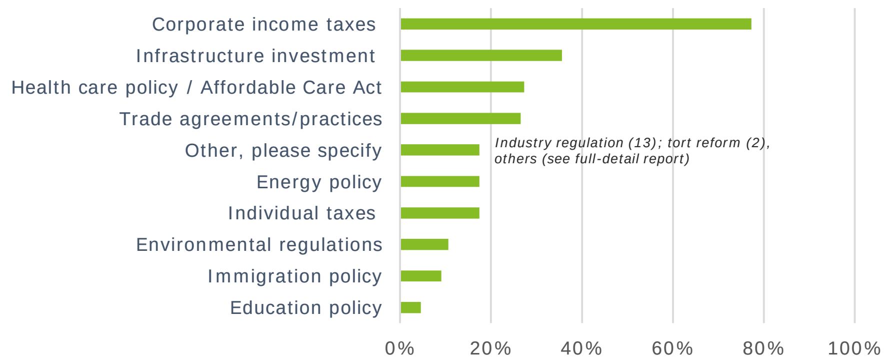
Growth challenges (excluding economic growth)

Other than economic growth challenges, which of the following external factors have presented substantial obstacles to your company's growth over the past year? Percent of all CFOs selecting each challenge.



Preferred policy focus

Which policy areas would your company like to see the new US Administration and Congress focus on first? Percent of all CFOs selecting each challenge.



Special topic: International trade policy
Impact of and reactions to trade policy

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.

About 40% of US CFOs say trade policy has a substantial impact on their company (led by Retail/Wholesale and Technology), with 43% saying their supply chains involve substantial international trade, and 30% saying they engage in substantial trade in services.

About half of US CFOs say more liberal trade would be good for their company (led by Technology, Healthcare/Pharma, and T/M/E), and just 5% say more restrictive trade would be good for them. Well over half say threats of border taxes have influenced their business planning or are likely to do so in the future (led by Manufacturing and Healthcare/Pharma).

Only about 10% of US CFOs said they favor bilateral trade deals over multilateral deals (about 25% say they prefer multilateral), and just 6% say withdrawal from TPP was good for their company (versus about 33% who said it was not good for them).

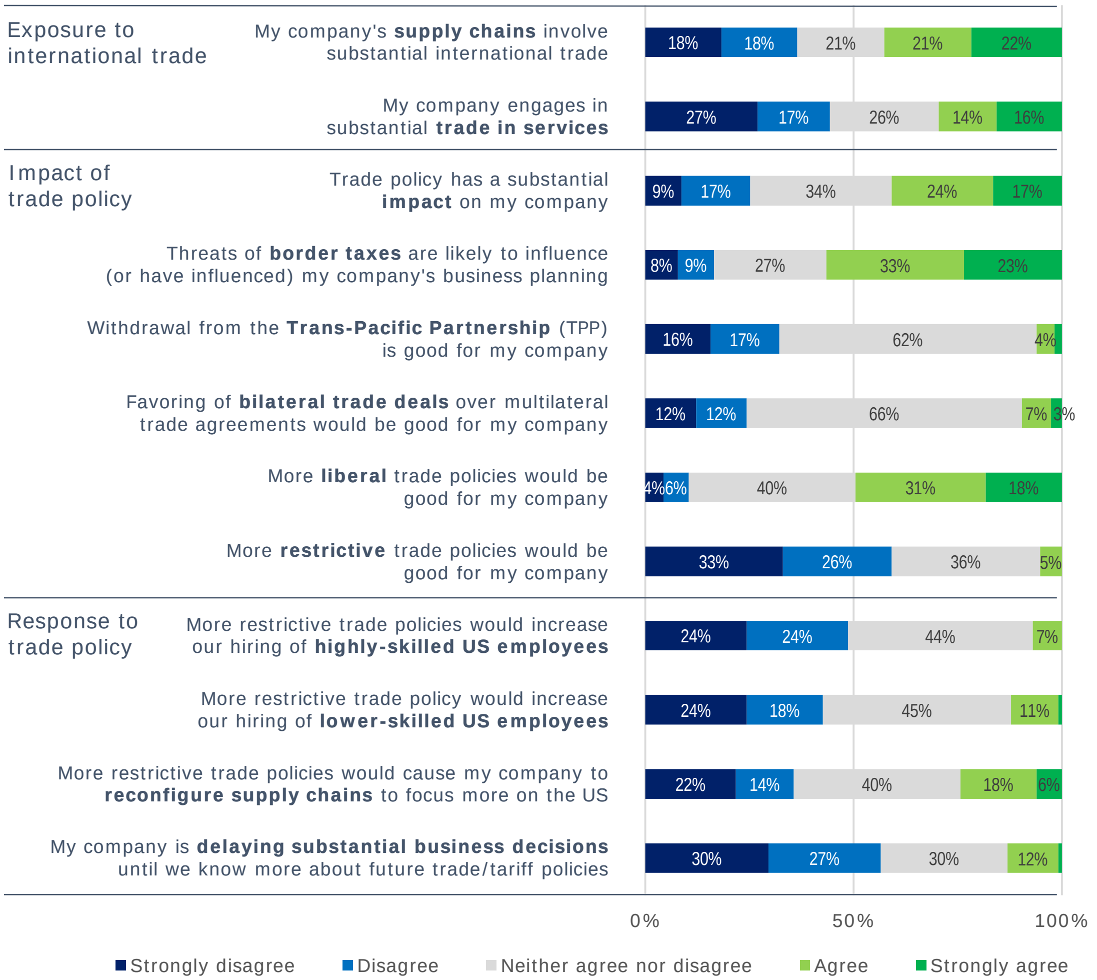
About 25% said restrictive trade policy would cause them to reconfigure their supply chains to focus more on the US, but relatively few said it would drive more hiring within the US.

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

Trade policy

Do you agree or disagree with the following statements about US trade policy?

Percent of CFOs selecting each level of agreement for each statement **(US only, n=115)**



Special topic: International trade policy
Importance of trade regions and policy changes

CFOs say NAFTA partners and China are important trade regions; relatively few say substantial trade relationship changes are necessary.

US CFOs say Canada, China, Mexico, and the EU are their most important trading partners, with more than 40% naming each region.

Technology CFOs tended to name the highest number of important trade regions, with seven countries cited by more than 50% of industry CFOs. Healthcare/Pharma and Retail/Wholesale were next highest at six and five, respectively. Energy/Resources and Financial Services were lowest, each with no regions named by more than half of industry CFOs.

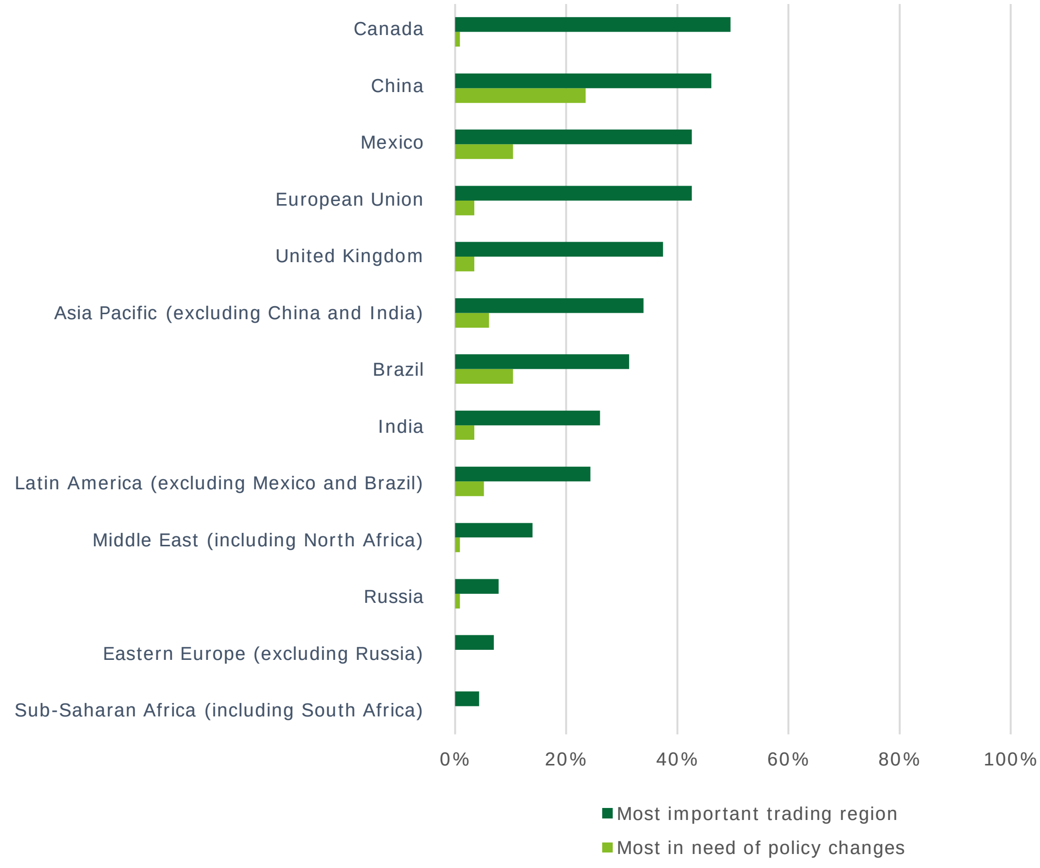
Relatively few US CFOs said trade relationships are in need of substantial changes, with China relations highest at just 23% (or about half of the CFOs who named China a top trade region). Technology, Manufacturing, and Healthcare/Pharma were most likely to say trade relations with China are in need of substantial changes.

Healthcare/Pharma CFOs were the most likely to say trade relations with Mexico are in need of changes at 33%, with just 18% of US Manufacturing CFOs saying so (Manufacturing CFOs were more focused on China and Brazil).

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

Most important trade regions

With which foreign countries/regions is trade policy most important to your company, and which trade relationships are in need of substantial changes? Percent of all CFOs selecting each country/region. **(US only, n=115)**



Special topic: Corporate tax policy
Effects of lower taxes and repatriation

CFOs say lower corporate tax rates would bolster their US investment and hiring, but cheaper repatriation would have less of an impact; few say border-adjustment tax plan would be good for their company.

Nearly half of US CFOs say lower corporate taxes would cause their company to increase capital investment in the US (led by Technology), and 40% say they would increase their domestic hiring (led by T/M/E, Technology, and Healthcare/Pharma).

About 30% of Canadian CFOs say lower US taxes would cause them to increase US capital investment, and 20% say they would increase US hiring. For Mexican CFOs, the numbers are 29% and 14%, respectively.

CFOs are unlikely to say the border-adjustment tax plan would be good for their company, with only 7% of US CFOs saying so. The numbers are 10% and 0% for the Canadian and Mexican CFOs, respectively.

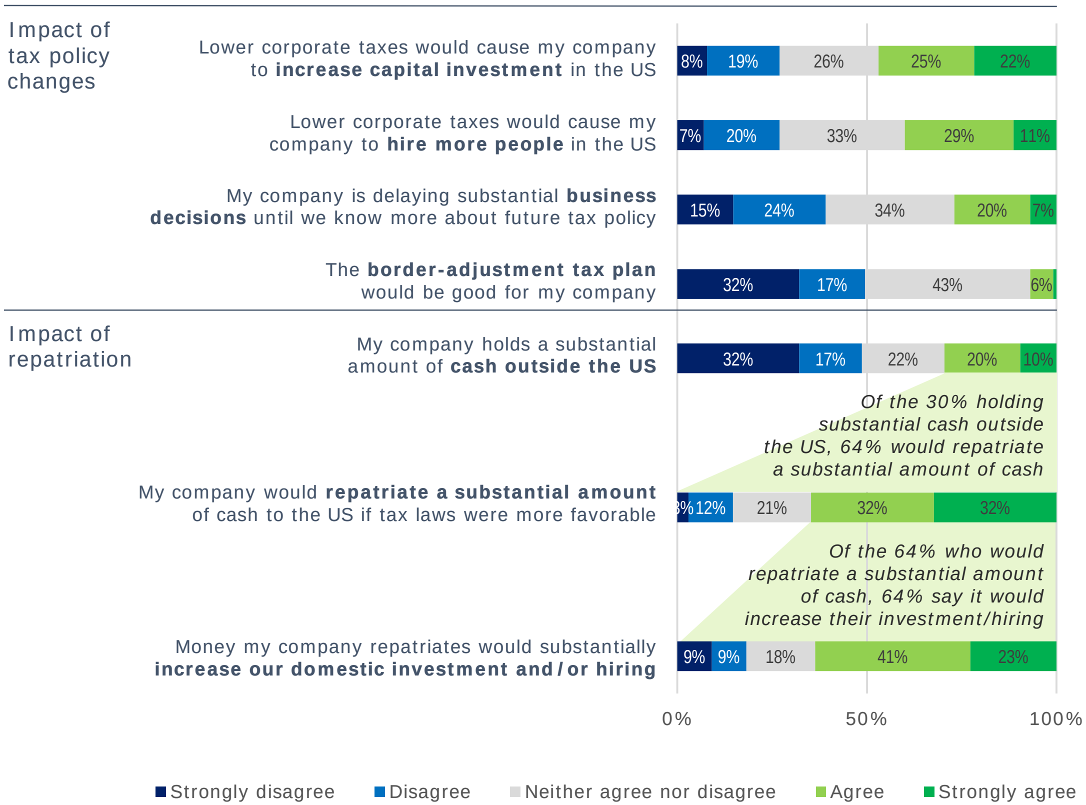
Of the 30% of US CFOs who say their company holds substantial cash outside the US (led by Technology, Services, and Manufacturing), 64% say they would repatriate a substantial amount of cash if US tax laws were more favorable. About 64% of those say repatriated cash would significantly increase their investment and/or hiring in the US.

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

Impact of tax policy

Do you agree or disagree with the following statements about US corporate tax policy?

Percent of CFOs selecting each level of agreement for each statement **(US only, n=115)**



Special topic: Health care policy
Impact of Affordable Care Act (ACA) and potential changes

CFOs are much more likely to cite negative ACA impacts than positive, and many expect an ACA replacement/update to help their health care costs.

Only about 10% of US CFOs say the Affordable Care Act has had positive impacts for their company, and about half say it has had negative impacts. Technology, Healthcare/Pharma, and T/M/E were the only industries more likely to cite positive than negative impacts.

About 45% say updating the ACA is important to their company's health care costs, led by Services, Retail/Wholesale, and Energy/Resources.

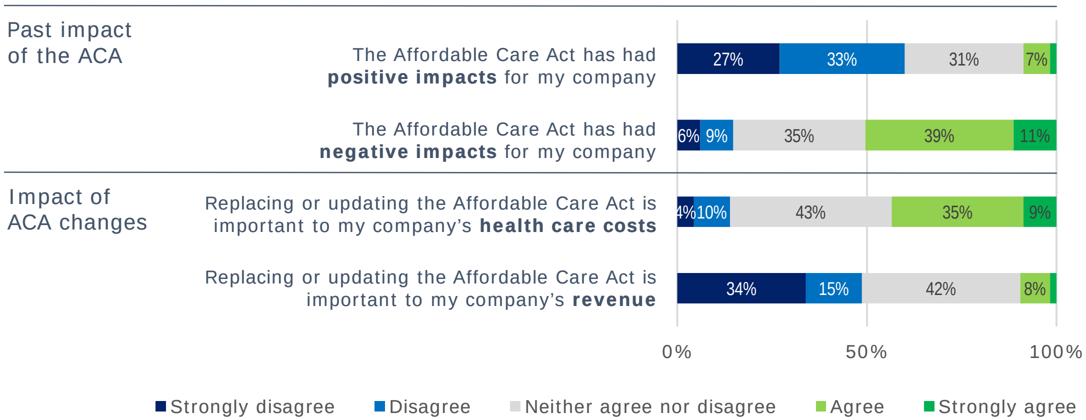
Only about 10% say updating the ACA is important to their company's revenue, predictably led by Healthcare/Pharma.

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

Impact of health care policy

Do you agree or disagree with the following statements about US health care policy?

Percent of CFOs selecting each level of agreement for each statement **(US only, n=115)**



Special topic: Immigration policy
Importance of immigration for accessing talent

Most CFOs say immigration is an important source of skilled labor, and most also say they utilize work visas to access specialized skills.

More than half of US CFOs say immigration of skilled labor is an important contributor to their company's workforce development, led by Technology, Healthcare/Pharma, and T/M/E.

About half of US CFOs say their company utilizes temporary work visas to access specialized skills, and about one-third say they have a significant number of open positions they cannot fill with domestic workers (Technology, Healthcare/Pharma, and T/M/E lead in these areas as well).

For all three questions, the percentages for Canadian and Mexican CFOs were significant, but lower than those for the US.

Note that other survey findings indicated that more than one-third of CFOs said talent shortages have been a top barrier to their company's growth (see page 11), and also that the possibility of detrimental immigration policy changes was a top worry regarding the new Administration/Congress for several CFOs (see page 19).

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

Impact of immigration policy

Do you agree or disagree with the following statements about US immigration policy?

Percent of CFOs selecting each level of agreement for each statement **(US only, n=115)**

Special topic: New Administration and Congress
Business impact of new Administration and Congress

Most CFOs say they have not yet made changes due to the new US Administration and Congress. But many are evaluating the likelihood and implications of changes in several policy areas.

Just over 60% say changes are either not necessary or that they are waiting for more policy clarity before making changes. Manufacturing and Services CFOs were the most likely to cite current activity, with about half in each sector saying their company is making changes.

Tax policy changes appear to be a major focus, with many CFOs mentioning their potential impact on tax strategies, business restructuring, and capital investment levels.

Trade policy also casts a large shadow, with many CFOs mentioning possible shifts in supply chain strategies, M&A plans, capital investment levels and locations, and product/pricing strategies.

The impact of changes to government spending and immigration policy were largely industry-dependent.

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

Most important business changes

What is the most important change your company is considering/making as a result of the new US Administration and Congress assuming power? Consolidation and paraphrasing of CFOs' free-form comments*

No changes (62%)

- **None (61)**
- **Waiting for clarity (21)**

Reviewing tax considerations

- **Understanding likely tax changes/implications (6)**
- **Considering cash repatriation (2)**
- **Considering potential tax-related restructurings (2)**
- Seeking better clarity on border-adjustment tax
- Reviewing tax strategies

Reviewing strategies and supply chains

- **Reviewing supply chain implications of new Mexico trade rules (2)**
- **Reviewing sourcing and manufacturing of raw/finished goods (2)**
- **Reviewing implications of possible immigration policy changes (2)**
- Changing supply chains due to border tax
- Reviewing export business
- Moving production to US
- Assessing impact of new China trade rules
- Determining implications of more defense spending
- Considering implications of higher infrastructure spending
- Considering raising prices
- Revising product structures based on likely policy changes
- Being more conservative as a result of higher risks

Reviewing investment plans

- **Reviewing level/type of investments (3)**
- **Delaying acquisition/divestiture decisions until clarity in tax reform (3)**
- **Reconsidering geographic location of investments (2)**
- **Revising/reducing budgets due to macro uncertainty (2)**
- **Getting more cautious with US investments (2)**
- **Planning for more domestic infrastructure investments (2)**
- **Increased investment in domestic opportunities (2)**
- Reviewing M&A valuations
- Considering domestic vs. international M&A
- Raising capital investments due to regulatory/tax reform
- Holding off on new investments

** This chart presents a summary of free-form responses. Comments have been consolidated and paraphrased.*

For a detailed summary of comments by industry, please see the full-detail report.

Special topic: New Administration and Congress
Hopes regarding new Administration and Congress

CFOs' hopes are focused on lower / simpler taxes, a business-friendly regulatory environment, and better economic growth.

Nearly 75% voiced hopes for the new Administration and Congress in at least one area, and many of those voiced hopes in several (led by Manufacturing, Financial Services, Energy/Resources, Services, and Healthcare/Pharma).

Lower tax rates and a simpler tax code were the most common hope with a significant presence across all industries.

A more business-friendly regulatory environment was also a top hope, especially within Financial Services and Energy/Resources.

CFOs also expressed high hopes for general economic growth and increased US infrastructure investment (especially within Manufacturing).

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

Hopes for new Administration and Congress

As the new US Administration and Congress assume power, what is your company most hopeful about? Consolidation and paraphrasing of CFOs' free-form comments*

No answer (27%)	• **No answer (36)**
Economic improvement	• **Economic growth (12)** • **US infrastructure investment (9)** • **Repatriation/more cash supply / more business spending (2)** • Lower government spending to offset lower taxes • Dealing with federal budget deficit
Lower costs/barriers	• **Lower tax rates / simpler tax code (44)** • **Business-friendly regulatory environment (25)** • **Better financial services regulations—Dodd-Frank, SIFI, DOL Fiduciary (16)** • **Better energy policy (3)** • Tort reform • No shifting of corporate tax to border-adjustment tax • Better policy clarity in general
Other	• **Trade policy reform/clarity (3)** • **Health care insurance reform, sustainability, access (3)** • Recognition of Mexico as strategic trade partner with win-win negotiations • Better international relations • Immigration reform • Avoid reforms that will have negative long-term consequences

** This chart presents a summary of free-form responses. Comments have been consolidated and paraphrased. For a detailed summary of comments by industry, please see the full-detail report.*

Special topic: New Administration and Congress
Worries regarding new Administration and Congress

CFOs' worries are focused on possible negative and unintended consequences of trade and tax policy changes.

Nearly 70% voiced at least one concern. As they did in voicing their hopes for the new Administration and Congress, CFOs from Manufacturing, Financial Services, Energy/Resources, Services, and Healthcare/Pharma tended to voice particularly strong concerns.

Worries about possible unintended consequences of protectionist trade policy were the most common, with a presence across all industries. Concerns about unintended consequences of tax policy changes were also common, with specific concerns mentioned about the impact of a border-adjustment tax.

CFOs also expressed concerns related to uncertainty and instability, citing worries about the possible impacts of unpredictable policy moves and the possibility of rising economic and financial market volatility.

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

Worries regarding new Administration and Congress

As the new US Administration and Congress assume power, what is your company most worried about? Consolidation and paraphrasing of CFOs' free-form comments*

No answer (31%)
- **No answer (41)**

International trade
- **Unintended consequences from trade policy changes (33)**
- Retaliation from countries where we do business (already happening)
- Reduced global trade flows for commodities

Taxes
- **Impact of border-adjustment tax (10)**
- **Unintended consequences from tax policy changes (10)**
- **Losing deductibility of interest expense (2)**
- Estate tax repeal and personal tax changes that hurt tax-deferral products

Instability and uncertainty
- **Possibility that unpredictable policy will affect economy/markets/confidence (11)**
- **Political fighting, gridlock, and obstruction (9)**
- **Possible negative impacts from foreign policy changes (7)**
- **More uncertainty and volatility; less predictability (6)**
- **Distraction/disarray leads to lack of progress on important issues (3)**
- **Social unrest and dislocation (2)**

Other
- **Detrimental impacts of immigration reform (6)**
- **Impacts/sustainability of health care reform (3)**
- **Higher interest rates (2)**
- No substantive relief from regulatory pressures
- Fiscal deficits
- Inflation

** This chart presents a summary of free-form responses. Comments have been consolidated and paraphrased.*

For a detailed summary of comments by industry, please see the full-detail report.

Appendix

Longitudinal data and survey background

Longitudinal trends

Cross-industry expectations and sentiment

CFOs’ year-over-year expectations[1]

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses[2])

			2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
Operating Results	Revenue	mean	9.3%	10.9%	6.5%	8.2%	7.1%	6.8%	6.3%	5.9%	6.6%	4.8%	5.6%	5.4%	5.7%
		median	6.0%	10.0%	5.0%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
		%>0	84%	93%	81%	89%	80%	83%	87%	79%	85%	82%	83%	81%	84%
		standard deviation	8.2%	10.5%	7.4%	7.3%	6.4%	6.5%	4.9%	6.3%	6.1%	5.7%	6.3%	5.9%	4.5%
	Earnings		17.3%	19.5%	12.0%	12.6%	14.0%	9.3%	10.1%	12.8%	10.5%	8.0%	10.9%	12.1%	10.3%
			6.0%	10.0%	8.0%	10.0%	10.0%	8.0%	9.0%	9.5%	8.5%	6.0%	7.0%	10.0%	10.0%
			89%	93%	80%	83%	83%	82%	84%	79%	81%	84%	76%	84%	83%
			16.3%	24.3%	21.4%	16.6%	22.1%	10.4%	10.7%	19.8%	13.4%	9.7%	16.8%	14.1%	9.6%
Investment	Dividends		6.5%	8.6%	4.1%	4.4%	3.7%	3.5%	2.4%	2.2%	3.9%	2.5%	2.5%	3.6%	4.5%
			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%
			38%	39%	28%	36%	35%	41%	27%	31%	33%	30%	29%	38%	40%
						8.6%	4.4%	5.7%	4.7%	4.1%	7.0%	4.2%	5.3%	5.7%	5.8%
	Capital spending		12.4%	8.3%	8.7%	11.8%	10.7%	7.9%	9.6%	12.0%	11.4%	4.6%	4.2%	7.8%	7.5%
			5.0%	5.0%	4.0%	5.0%	10.0%	5.0%	5.0%	6.0%	10.0%	3.0%	0.0%	0.0%	3.5%
			62%	58%	57%	61%	69%	59%	61%	68%	70%	53%	43%	57%	57%
			14.6%	10.3%	16.8%	17.5%	14.9%	13.7%	16.0%	24.5%	22.1%	9.5%	15.3%	17.6%	11.7%
Employment	Number of domestic personnel		3.1%	2.0%	1.8%	1.8%	2.0%	1.2%	1.0%	2.1%	2.1%	0.6%	1.0%	0.9%	2.4%
			0.5%	2.0%	1.0%	1.0%	2.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%
			50%	60%	48%	61%	64%	52%	51%	51%	52%	40%	40%	43%	46%
			6.8%	5.2%	5.9%	5.8%	4.7%	5.2%	5.2%	7.1%	10.3%	4.1%	3.9%	4.9%	9.6%
	Number of offshore personnel		3.5%	2.8%	3.6%	3.7%	4.1%	2.9%	4.8%	3.7%	3.8%	1.5%	0.5%	2.4%	2.5%
			0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
			41%	49%	47%	41%	57%	37%	50%	43%	41%	30%	32%	39%	36%
					5.6%	5.9%	4.7%	5.8%	8.7%	6.1%	6.3%	3.3%	2.7%	4.9%	4.3%

			3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	*Survey mean*	*2-year mean*
Operating Results	Revenue	mean	5.0%	4.1%	4.6%	6.1%	6.8%	6.0%	5.4%	3.1%	4.4%	5.9%	3.3%	4.0%	4.2%	3.7%	4.3%	*5.7%*	*4.1%*
		median	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	5.0%	3.0%	4.0%	4.0%	4.0%	4.0%	*5.0%*	*4.2%*
		%>0	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	82%	85%	*83%*	*80%*
		standard deviation	5.1%	4.9%	3.9%	4.5%	5.9%	4.0%	6.4%	6.3%	5.4%	6.8%	5.1%	6.7%	4.8%	3.9%	3.7%	*5.8%*	*5.4%*
	Earnings		8.0%	8.6%	7.9%	8.9%	10.9%	9.7%	10.6%	6.5%	6.5%	8.3%	6.0%	7.7%	6.1%	6.2%	7.3%	*9.9%*	*6.8%*
			9.0%	8.0%	7.0%	8.0%	8.0%	8.0%	8.0%	5.0%	8.0%	7.0%	5.0%	7.0%	5.0%	6.0%	8.0%	*7.8%*	*6.4%*
			82%	82%	84%	83%	90%	86%	79%	79%	79%	82%	79%	76%	81%	81%	89%	*83%*	*81%*
			8.1%	9.3%	7.5%	9.8%	8.6%	6.9%	17.1%	11.6%	11.0%	10.5%	9.1%	13.5%	7.0%	7.1%	5.6%	*12%*	*9%*
Investment	Dividends		3.4%	4.0%	5.7%	4.1%	4.1%	3.0%	4.3%	3.4%	3.7%	4.7%	4.0%	2.9%	4.1%	3.3%	3.8%	*4.0%*	*3.7%*
			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%	0.0%	*0.0%*	*0.0%*
			39%	37%	47%	45%	45%	44%	47%	43%	45%	45%	46%	42%	43%	43%	43%	*39%*	*44%*
			4.7%	6.7%	7.3%	6.1%	4.8%	3.8%	5.9%	5.3%	4.7%	7.0%	6.0%	4.7%	7.6%	3.9%	4.7%	*6%*	*5%*
	Capital spending		4.9%	6.4%	6.5%	6.8%	5.0%	5.5%	5.2%	5.4%	4.3%	4.9%	1.7%	5.4%	5.6%	3.6%	10.5%	*7.1%*	*5.2%*
			2.4%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	5.0%	0.0%	4.0%	2.0%	3.0%	5.0%	*4.1%*	*3.3%*
			54%	59%	57%	64%	60%	62%	63%	59%	53%	59%	50%	61%	58%	57%	66%	*59%*	*58%*
			9.0%	11.2%	13.2%	12.1%	8.9%	10.9%	12.7%	16.5%	11.5%	12.4%	11.2%	16.0%	10.7%	11.4%	20.9%	*14%*	*14%*
Employment	Number of domestic personnel		1.3%	1.4%	1.0%	1.6%	2.3%	2.1%	2.4%	1.2%	1.4%	1.2%	0.6%	1.1%	2.3%	1.3%	2.1%	*1.6%*	*1.4%*
			0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	1.5%	0.0%	0.0%	1.0%	1.0%	0.0%	1.0%	*0.7%*	*0.6%*
			47%	48%	42%	58%	58%	60%	58%	49%	57%	50%	47%	55%	53%	48%	57%	*52%*	*52%*
			5.6%	4.4%	4.9%	3.9%	4.5%	3.6%	3.1%	4.5%	4.8%	3.6%	3.0%	3.8%	3.1%	2.3%	1.9%	*5%*	*3%*
	Number of offshore personnel		1.9%	4.1%	2.5%	1.9%	2.6%	1.9%	3.1%	2.0%	2.7%	2.8%	1.9%	1.8%	1.9%	1.9%	1.6%	*2.6%*	*2.1%*
			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%	0.0%	*0.1%*	*0.0%*
			33%	42%	34%	42%	45%	44%	48%	39%	46%	49%	45%	39%	43%	46%	37%	*42%*	*43%*
			3.3%	9.0%	4.4%	3.7%	2.7%	2.8%	4.4%	3.0%	3.4%	3.7%	2.3%	2.2%	3.0%	1.8%	1.8%	*4%*	*3%*

CFOs’ own-company optimism[3] and equity market performance

		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13
Optimism	Optimism (% more optimistic)	63.5%	46.8%	53.3%	62.4%	39.7%	28.6%	28.6%	63.0%	39.1%	38.8%	29.1%	51.0%	59.0%
	Neutrality (% no change)	19.3%	16.8%	26.0%	22.0%	28.3%	18.6%	32.1%	21.9%	32.6%	21.2%	31.3%	30.1%	27.7%
	Pessimism (% less optimistic)	17.2%	36.4%	20.7%	15.6%	32.0%	52.8%	39.3%	15.1%	28.3%	40.0%	39.6%	18.9%	13.3%
	Net optimism (% more minus % less optimistic)	46.3%	10.4%	32.6%	46.8%	7.7%	-24.2%	-10.7%	47.9%	10.8%	-1.2%	-10.5%	32.1%	45.7%
Equities	S&P 500 price at survey period midpoint	1,088	1,072	1,200	1,343	1,333	1,123	1,161	1,361	1,317	1,418	1,387	1,520	1,667
	S&P gain/loss QoQ		-1.5%	11.9%	11.9%	-0.7%	-15.8%	3.4%	17.2%	-3.2%	7.7%	-2.2%	9.6%	9.7%
	US equity valuations (% who say overvalued)													

		3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	*Survey Mean*	*2-Year Mean*
Optimism	Optimism (% more optimistic)	41.9%	54.2%	46.8%	44.3%	43.7%	49.0%	47.9%	37.6%	33.6%	33.9%	33.1%	48.6%	35.2%	43.1%	59.9%	*44.8%*	*40.6%*
	Neutrality (% no change)	33.9%	33.4%	33.0%	37.2%	44.6%	35.3%	38.5%	43.6%	46.9%	42.9%	35.6%	32.9%	49.2%	37.2%	30.3%	*32.2%*	*39.8%*
	Pessimism (% less optimistic)	24.2%	20.8%	20.2%	18.6%	11.7%	15.6%	13.5%	18.8%	19.5%	23.2%	31.4%	18.6%	15.6%	19.7%	9.9%	*23.2%*	*19.6%*
	Net optimism (% more minus % less optimistic)	17.7%	33.4%	26.6%	25.7%	32.0%	33.3%	34.4%	18.8%	14.2%	10.7%	1.7%	30.0%	19.7%	23.4%	50.0%	*21.6%*	*21.1%*
Equities	S&P 500 price at survey period midpoint	1,656	1,798	1,839	1,878	1,955	2,040	2,097	2,123	2,092	2,023	1,865	2,047	2,184	2,177	2,316	*1,681*	*2,103*
	S&P gain/loss QoQ	-0.7%	8.6%	2.3%	2.1%	4.1%	4.3%	2.8%	1.2%	-1.5%	-3.3%	-7.8%	9.8%	6.7%	-0.3%	6.4%	*3.1%*	*1.4%*
	US equity valuations (% who say overvalued)								65.4%	60.2%	56.3%	29.7%	56.1%	71.3%	70.1%	80.3%	*61.2%*	*61.2%*

1 All means have been adjusted to eliminate the effects of stark outliers. The “Survey Mean” column contains arithmetic means since 2Q10.
2 Standard deviation of data winsorized to 5th/95th percentiles.
3 Averages for optimism numbers may not add to 100% due to rounding.

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

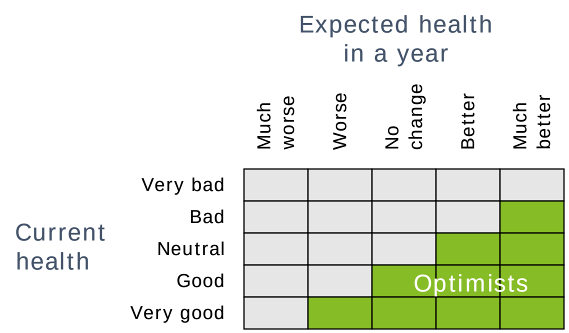
At the opening of each survey period, CFOs receive an email containing a link to an online survey hosted by a third-party service provider. The response period is typically two weeks, and CFOs receive a summary report approximately two weeks after the survey closes. Only current and frequent responders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

Economic optimism index calculation

The economic optimism indices for North America, Europe, and China are based on CFOs' response to two questions regarding the economies of North America, Europe, and China: (1) How do you regard the current state of the economy, and (2) How do you regard the health of the economy a year from now? The optimism index is calculated as the percent of CFOs whose combined answers fell in the green boxes in the table on this page.



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.

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