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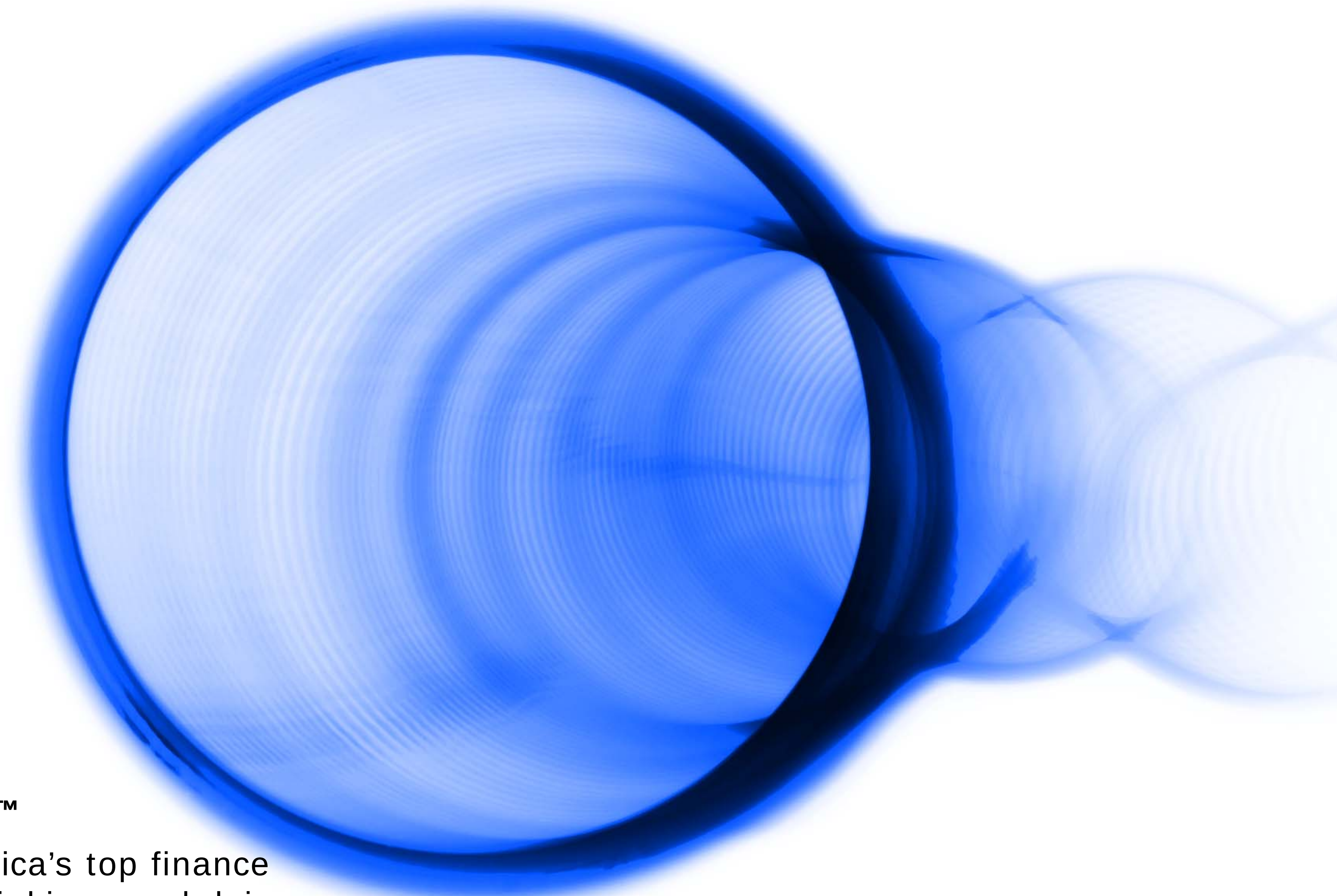


CFO Signals™

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

4th quarter 2016

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

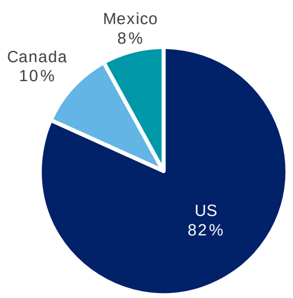
About the survey
Contents and background

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.

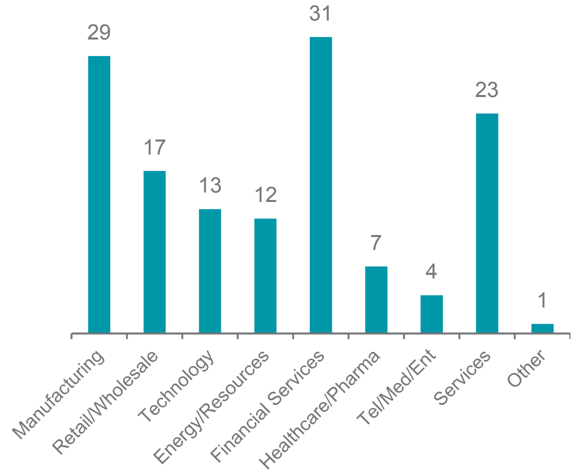
All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than $1 billion in annual revenue. For a summary of this quarter's response demographics, please see the sidebars and charts on this page. For other information about participation and methodology,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

Participation by country



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

Participation by industry



Contents

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:	11/9-11/23
Total responses:	137
• CFO proportion:	100%
• Revenue >$1B:	84%
• Public/private:	72%/28%

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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 North America have improved, with 43% of CFOs rating its economic health as good and 58% expecting improvement next year. Perceptions of Europe remain pessimistic at just 8% and 13%, while China rebounded slightly to 24% and 17%. **Page 6.**

What is your perception of the capital markets? Seventy-nine percent of CFOs say debt financing is attractive (down from 89% last quarter), while attractiveness of equity financing held steady for public company CFOs (at about 40%) and rose for private company CFOs (from 24% to 29%). Seventy percent of CFOs say US equities are overvalued—just under the survey high. **Page 7.**

Sentiment

Overall, what risks worry you the most? CFOs again mention global economic growth and government regulation. New for this quarter is uncertainly regarding the new US administration's future actions, with CFOs voicing concerns about the possibility of protectionism hurting global trade, and about tax reform possibly slowing near-term business spending. **Page 8.**

Compared to three months ago, how do you feel now about the financial prospects for your company? This quarter's net optimism rose from last quarter's +19.7 to +23.4 (slightly above the two-year average). Forty-three percent of CFOs express rising optimism (up from 35%), and the proportion citing declining optimism rose from 16% to 20%. **Page 9.**

Expectations

What is your company's business focus for the next year? CFOs indicate a bias toward revenue growth over cost reduction (45% vs. 31%), and investing cash over returning it (56% vs. 17%). CFOs again indicate a bias toward existing offerings over new ones (41% vs. 32%), current geographies over new ones (57% vs. 22%), and organic growth over inorganic (58% vs. 18%). **Page 10.**

Compared to the past 12 months, how do you expect your key operating metrics to change over the next 12 months? Revenue growth expectations fell from 4.2% to 3.7% and are near their survey lows. Earnings growth rose to 6.4%, above last quarter's 6.1% but again near 1Q16's survey-low 6.0%. Capital spending growth fell to 3.6% (well off the two-year average). Domestic hiring growth fell to 1.3% from 2.3%. **Page 11.**

Special topic: Post-election expectations

What are your expectations for the macroeconomic environment in 2017? By about a 3-to-1 margin, CFOs expect the US economy to improve in 2017; they are split on Canada's economy and overwhelmingly negative on Mexico's. They are lukewarm on prospects for domestic employment and consumer spending, and split on business spending. They largely expect interest rates to rise above 0.5% in 2017, but they are less likely to say rates will rise above 1.0% by the end of 2018. They foresee a continuing strong dollar and overwhelmingly expect the Mexican peso to decline. **Page 12.**

4Q16 Highlights

- Own-company optimism rose on strong sentiment in US.
- Expectations for growth in revenue, earnings, investment, and hiring mostly lower and at/below two-year averages.
- Better perceptions of North America's and China's economies, but subdued assessments of Europe's.
- CFOs expect better US economy, strong dollar, rising rates and labor costs, infrastructure spending, and higher debt.
- CFOs optimistic about industry growth; expect technology changes to be major factor and offerings to expand.
- CFOs expect rising competition and higher wages for highly-skilled talent; mixed on whether staffing will rise or fall.
- CFOs expect less gridlock, significant policy changes.
- 70% of CFOs say US equities overvalued—near survey high.

What are your expectations for US government policy over the next four years? CFOs expect less congressional gridlock and generally anticipate the passage of significant changes to tax rates, health care, trade, infrastructure spending, and immigration. They overwhelmingly expect the national debt to rise. Very few expect Congress to pass trade deals with either Europe or Asia, and they have mixed expectations for NAFTA. **Page 13.**

What are your expectations for your industry in 2017? CFOs are mostly optimistic about their industries' growth and expect technology changes to be a major factor. They expect rising competition for sales and for highly-skilled talent, and they are mixed on their expectations for regulation—perhaps indicating inconsistent understanding of where policy is headed in some areas. Predictably, expectations vary considerably by industry (please see the appendix of the full-detail report). **Page 14.**

What are your expectations for your company in 2017? CFOs mostly say their companies are not likely to take above-normal risk in pursuit of higher returns, and most say they are not facing substantial pressures around board composition or activist investors. They are largely consistent in their expectations for capital, with relatively few expecting to repurchase shares, take on more debt, or hold more cash. They expect to hire more highly-skilled than lower-skilled workers and they are split (largely along industry lines) on whether they will hire more people than they let go. **Page 15.**

Summary and context
All eyes on the next US administration

Last quarter, CFOs faced a barrage of domestic and global developments that led to decidedly mixed sentiment and expectations. On the one hand, uncertainty and challenges emerged related to Brexit, deflationary pressures in the eurozone, growth challenges in China, and a chaotic run-up to the US elections. On the other hand, equity, housing, and labor markets improved significantly, and several measures of consumer confidence indicated considerable strength.

This quarter's developments did little to offer a reprieve from volatility or uncertainty. Despite most pre-election indicators predicting little chance for Donald Trump to win the US presidency, he won the electoral college by a considerable margin. Moreover, the Republican Party maintained its majority in both houses of Congress, giving the president-elect a better chance of enacting his campaign promises. (This quarter's survey opened the day after the election and closed two weeks later as Mr. Trump began to assemble his transition team and administration.)

Meanwhile, many broader economic indicators have continued to improve. European and Chinese growth continued at fairly steady paces. Bond yields rose, consumer confidence remained high, retail sales were strong, equities hit new highs, and claims for unemployment insurance fell to their lowest level since 1973.

So where does this leave CFOs' sentiment and expectations as they look to 2017 and beyond?

To get a post-election reading, this quarter we asked about their expectations for economic growth, government policy, industry performance, and company priorities. In short, surveyed CFOs seem to mostly expect the next administration and lawmakers to follow up on their campaign promises, particularly around taxes, infrastructure spending, health care, and trade policy (although they are mixed on the future of NAFTA).

Respondents still appear fairly bullish on North America's economy and reserved on Europe's and China's. They are mostly optimistic regarding the US economy, mixed on Canada, and pessimistic on Mexico. Of particular note is that US CFOs now indicate higher optimism about their own companies' prospects than they have in two years.

Still, surveyed CFOs also indicate uncertainty and concern. Lack of clarity around government policy rose significantly this quarter, with respondents frequently mentioning two new themes among their most worrisome risks: "uncertain impact of the new US administration" and "impact of protectionism on global trade." They say they expect gridlock in Washington to decline, but their mixed expectations for some policy areas seem to indicate inconsistent ideas about how the new administration will proceed. They also voice concerns about trade-offs—for example, while they are optimistic that tax reform and infrastructure investments will happen, they also express concerns about tax uncertainty limiting near-term business investment and about the possibility of a rising national debt.

When it comes to other quarterly tracking metrics, the news remains subdued. Year-over-year expectations for growth in revenue, earnings, investment, and domestic hiring are mostly lower than last quarter's and at or below their two-year averages. Financial Services and Retail/Wholesale were particularly low, and US CFOs' estimates for revenue, earnings, and capex all came in near their historic survey lows.

Overall, CFOs' sentiment shows considerable optimism despite growth expectations that remain relatively somber. It will be interesting to see how perceptions evolve as companies continue to consider the likelihood, degree, and implications of major policy changes that have been promised in many important areas.

Developments since the 3Q16 survey

- *Donald Trump* was elected US president and the Republican Party retained majorities in Congress.
- *US equity markets*, having already hit all-time highs in the third quarter, hit more highs after the election.
- *Bond yields and the US dollar* rose on expectations of a shift in fiscal policy toward infrastructure investment.
- *US retail sales* grew strongly in October; consumer confidence soared in early November.
- *Fed leaders* suggested they will soon raise interest rates.
- *New unemployment insurance claims* in the US fell to the lowest level since 1973; housing starts rose.
- *TPP country leaders* expressed concern that the death of TPP will boost China's role in Pacific region.
- *European GDP growth* continued at a steady pace.
- *Prime Minister Theresa May* said she favors a transitional Brexit deal rather than sharp change at disengagement.
- *Canadian inflation* accelerated, but core inflation (excluding food and energy prices) remained steady.
- *Chinese growth* appeared to stabilize at a moderate pace; the renminbi hit its lowest value since 2008.

Summary of CFO sentiment and expectations

	This quarter	Last quarter	2 yr. avg.
Economy optimism—North America (Index)	**3.5**	3.3	3.5
Economy optimism—Europe (Index)	**2.8**	2.7	2.9
Economy optimism—China (Index)	**2.9**	2.8	2.8
Own-company optimism (Net)	**+23.4**	+19.7	+19.1
Revenue growth (YOY)	**3.7%**	4.2%	4.3%
Earnings growth (YOY)	**6.2%**	6.1%	7.3%
Capital investment growth (YOY)	**3.6%**	5.6%	4.5%
Domestic personnel growth (YOY)	**1.3%**	2.3%	1.4%
Percent of CFOs saying US equity markets overvalued	**70%**	71%	57%

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

North America remains the relative bright spot with improving sentiment regarding the next year; China continues to improve, but Europe remains subdued.

Assessments of the current health of the North American economy held near their survey average, but perceptions of its future health improved significantly. Forty-three percent of CFOs say current conditions are good, and 58% expect conditions to be better in a year.

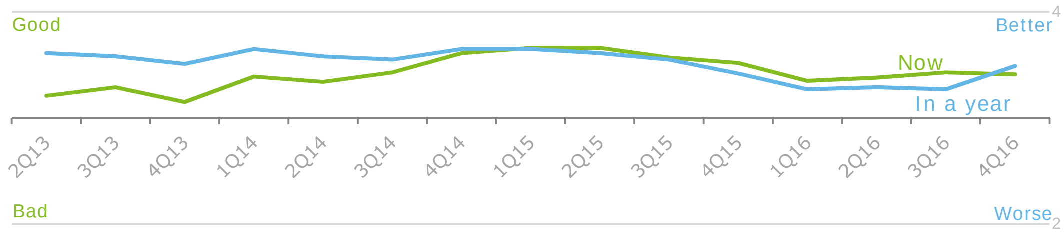
Perceptions of Europe's current state and trajectory both improved somewhat, but they remain relatively pessimistic. Just 8% of CFOs say current conditions are good, and only 13% expect conditions to be better in a year.

Perceptions of China's economy continued to rebound from their 1Q16 survey lows. Twenty-four percent of CFOs say current conditions are good, but only 17% expect conditions to be better in a year.

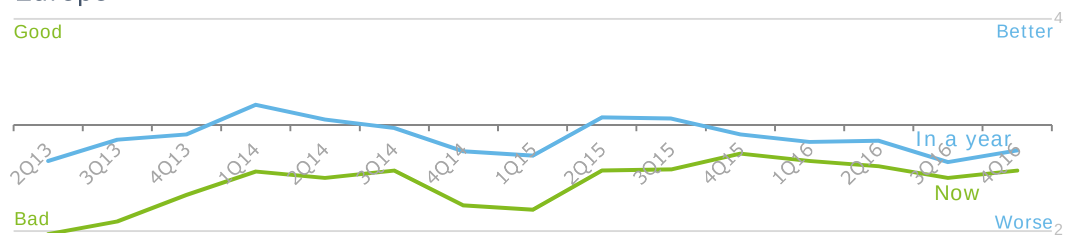
Economic optimism

How do you regard the current/future status of the North American, European, and Chinese economies? Average rating based on five-point scales for current state ("very bad" to "very good") and expected state one year from now ("much worse" to "much better")

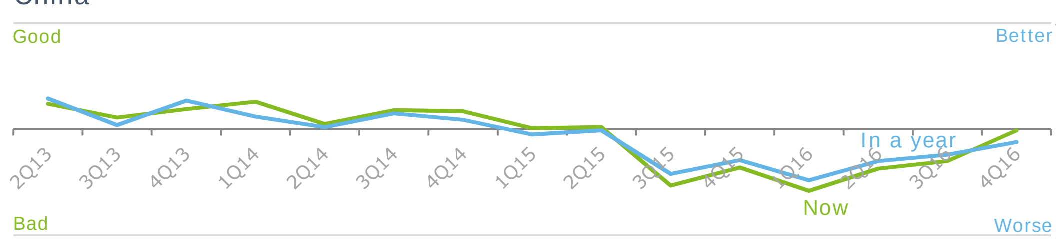
North America



Europe



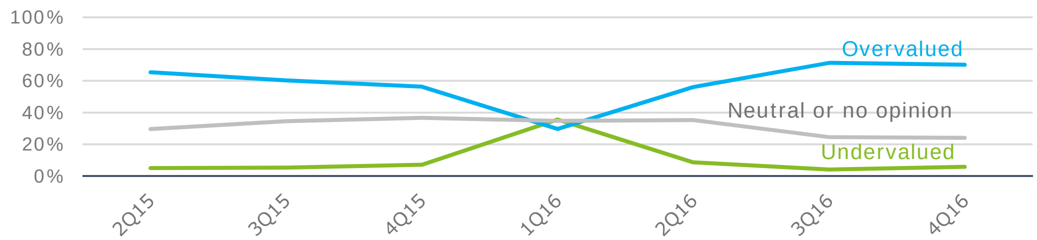
China



Perceptions
Assessments of markets and risk

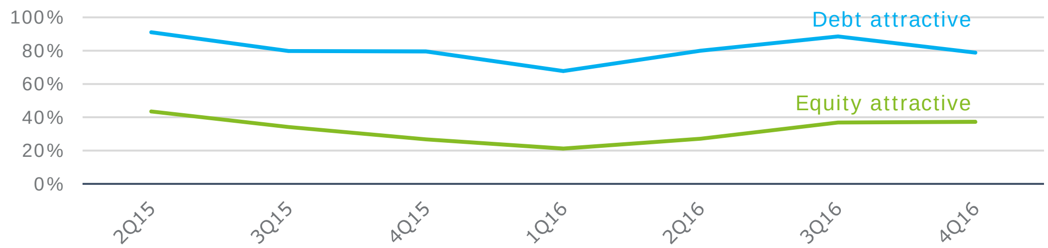
Equities overvalued
With equity markets again at or near their historic highs, 70% of surveyed CFOs say US equity markets are overvalued.

Equity market valuations
How do you regard US equity market valuations? Percent of CFOs saying markets are overvalued, undervalued, or neither



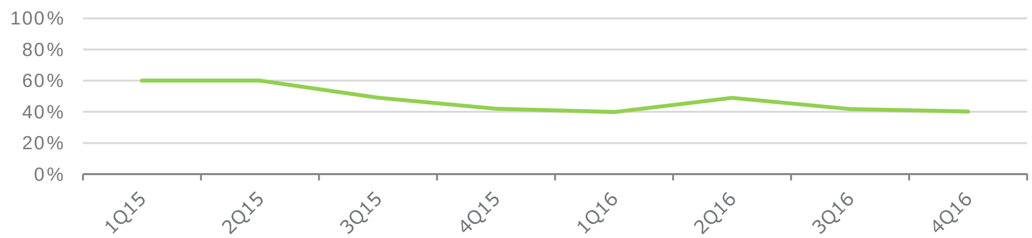
Debt attractiveness still high but lower
Seventy-nine percent of CFOs say debt financing is attractive, down from 89% last quarter. Attractiveness of equity financing held steady for public company CFOs (about 40%) and rose for private company CFOs (from 24% to 29%).

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



Not a good time to be taking risks
Forty percent of CFOs say now is a good time to be taking greater risk—slightly down from last quarter and near the survey low.

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
Most worrisome risks

CFOs again voice strong concerns about economic growth and regulation. Last quarter's election-related uncertainty turned into post-election policy uncertainty this quarter.

As they do for most quarters, global economic growth and government regulation sit near the top of CFOs' list of most worrisome external risks.

In the aftermath of the US elections, CFOs also voiced uncertainty regarding the new US administration's future actions, citing concerns about the potential implications of protectionism and tax reform. Concerns about geopolitical instability, currency markets, and consumer confidence also rose.

Talent concerns are again near the top of CFOs' most worrisome internal risks, with rising mentions of issues related to employee morale and engagement. Execution-related risks rose sharply this quarter, with CFOs voicing concerns about the fast pace of decisions and change, and also about a lack of focus and discipline in managing change.

Most worrisome risks

What external and internal risk worries you the most? Consolidation and paraphrasing of CFOs' free-form comments*

External risks

Economy
- **Global growth/recession (24)**
- **US economy pullback (8)**
- **European economy/Brexit (7)**
- **Oil/commodity prices (7)**
- ↑ **Consumer confidence/spending/fear (7)**
- **China economy/pullback/instability (5)**
- Business confidence/investment (2)
- US job creation

Capital/currency
- ↓ **Interest rate increases/decreases (9)**
- ↑ **FX rates/currency markets (7)**
- Capital markets liquidity/stability
- Impact of strong US dollar
- Global government debt levels

⬆⬆⬆ Geopolitics/policy/regulation
- ↑↑↑ **Uncertain impact of new US administration (28)**
- ↑↑↑ **Impact of protectionism on global trade (24)**
- **Regulation—new/burdensome (21)**
- Election/political uncertainty in US (19)
- ↑↑ **Geopolitical risk/instability (11)**
- ↑↑ **Tax policy/reform (9)**
- **Political environment worldwide (4)**
- **Cyber security (3)**
- Energy policy (2)
- Terrorism
- Social unrest in US
- Impact of new US administration on Mexico
- Immigration policy

Industry
- **Competitive practices/pricing (5)**
- Labor cost/availability (2)
- Industry changes (2)
- Technology changes

Internal risks

Growth
- **Ability to execute growth efforts (6)**
- ↓ **Product development/innovation (3)**
- Profitable growth in flat markets
- Driving earnings via revenue instead of costs

Margins
- **Controlling costs/expenses (11)**
- Balancing cost control with growth
- Reducing costs to stay globally competitive
- Managing medical costs if ACA repealed

⬆ Execution
- **Execution of strategies/plans (12)**
- ↑ **Lack of focus/discipline/priorities (8)**
- ↑↑ **Managing pace of decisions/change (7)**
- **Technology management/execution (5)**
- **Manage M&A integrations (5)**
- ↑ **Execute on capital investments/initiatives (4)**
- **Complacency/forcing change (4)**
- **Execution failures (3)**
- Making good capital allocation decisions (2)

Talent
- **Securing qualified talent (13)**
- **Retaining key employees (11)**
- ↑↑ **Employee morale/engagement (6)**
- Cultural changes/challenges (3)
- Leadership turnover/succession (2)

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

Large/bold text *indicates most prevalent risks.*

Arrows *indicate notable movements since last quarter.*

Parentheses *indicate rough counts for themes.*

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

Sentiment

Optimism regarding own-companies' prospects

Net optimism bounced back strongly over the last two quarters; this quarter's net optimism rose again due to positive sentiment within the US.

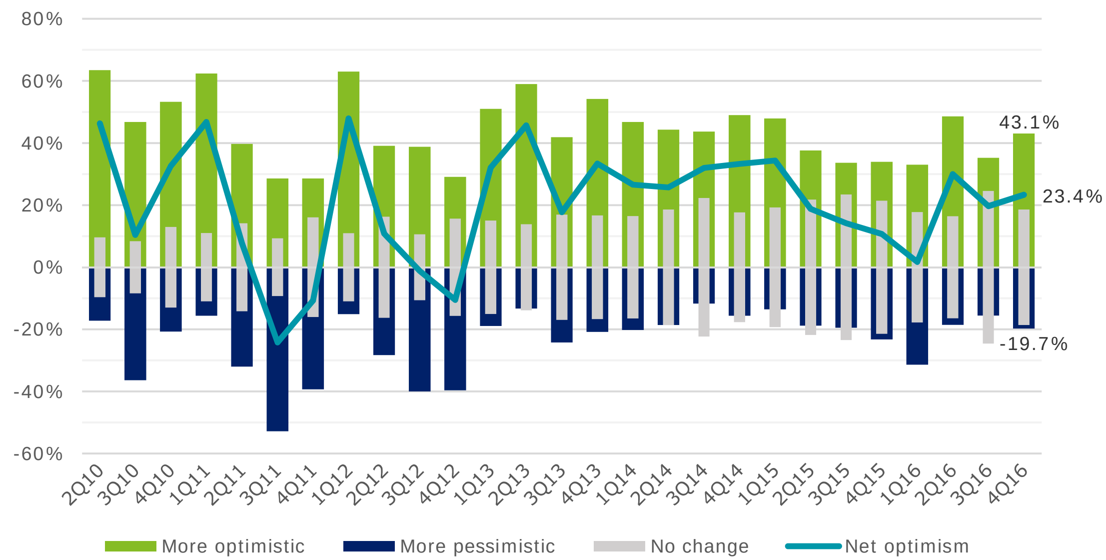
This quarter's net optimism remains strong at +23.4. Forty-three percent of CFOs expressed rising optimism (up from 35% last quarter), and 20% cited declining optimism (up from 16%).

Net optimism for the US rose sharply from last quarter's +16 to +34 this quarter. Canada fell from +50 to +7, and optimism in Mexico fell sharply from +50 to -64.

Healthcare/Pharma, Telecom/Media/Entertainment, and Energy/Resources are the most optimistic; Retail/Wholesale and Financial Services are the least.

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

Companies remain focused on offense over defense and current businesses over new ones; the focus on new investment appears to be growing.

About 45% of CFOs say they are biased toward revenue growth (one of the highest levels in survey history), while only 31% claim a bias toward cost reduction (one of the lowest levels). There is a growing bias toward investing cash over returning it to shareholders (56% versus 17%).

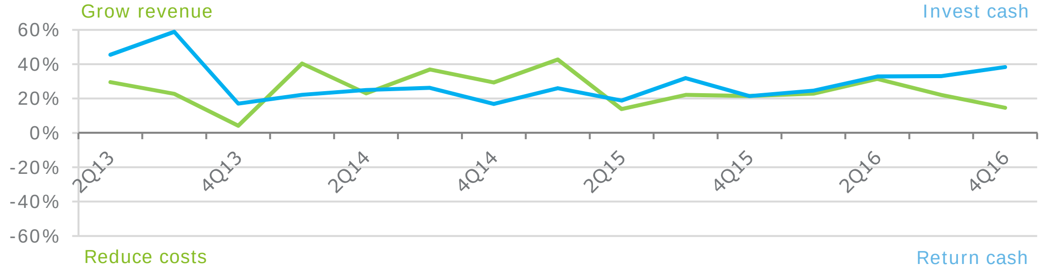
Overall, 32% of CFOs say their companies are biased toward new offerings, and 41% claim a bias toward existing ones. CFOs still favor current geographies over new ones (57% versus 22%).

The bias is again firmly toward organic growth (58%) over inorganic growth (18%).

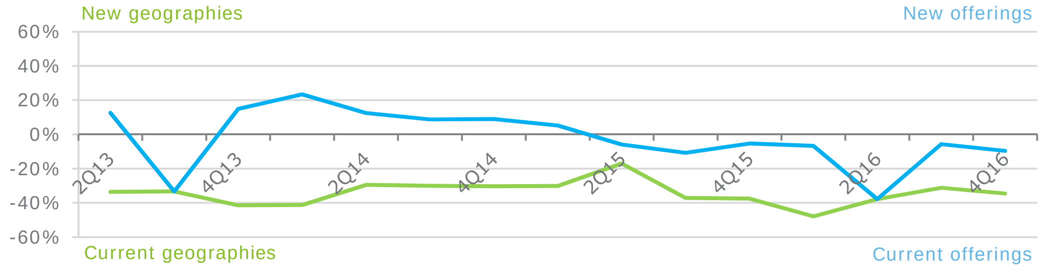
Business focus

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)

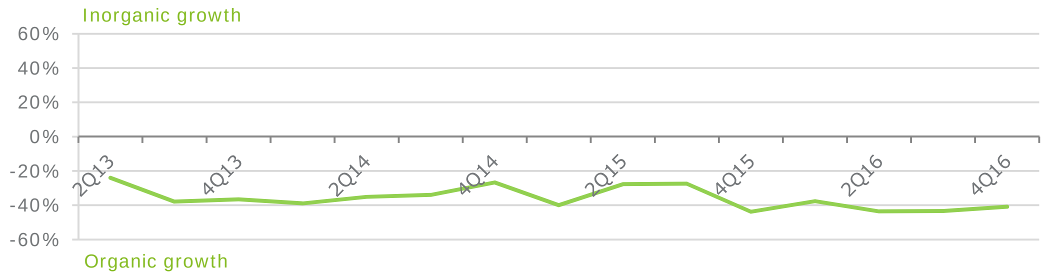
Offense vs. defense



New business vs. current business



Inorganic growth vs. organic growth



Expectations

Growth in key metrics, year-over-year

Key growth metrics remain near their survey lows. CFOs from the US and from the Financial Services and Retail / Wholesale industries weighed on the averages.

Revenue growth expectations of 3.7% are down from last quarter and are again among the lowest in the survey's history. US expectations are the second-lowest in survey history (back to 2Q10), and Financial Services sits at its new survey low.

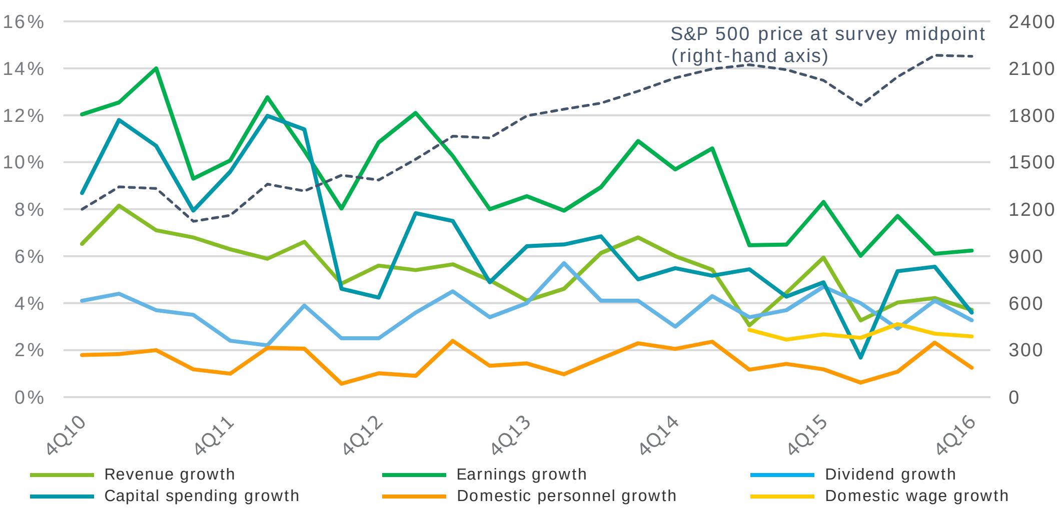
Earnings growth expectations of 6.4% are up slightly from last quarter, but still near their survey low. Healthcare/Pharma and Energy/Resources are the highest; Financial Services is lowest.

Capital investment growth expectations of 3.6% are down sharply from last quarter and are the second-lowest in survey history. The US came in at its second-lowest level. Retail/Wholesale expects negative growth, with about half of CFOs expecting a decline.

Domestic hiring growth fell from last quarter's very strong showing of 2.3% to 1.3% and is slightly below its two-year average. Technology and Healthcare/Pharma are lowest.

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: Post-election expectations
Macroeconomy in 2017

CFOs expect a better US economy, a strong dollar, rising interest rates and labor costs, and worsening conditions for Mexico.

CFOs are about three times as likely to agree that the US economy will improve in 2017 as they are to disagree (58% of US CFOs agree). They are largely split on Canada's economy (only 14% of Canadian CFOs say it will improve), and are overwhelmingly negative on Mexico's (no Mexican CFOs expect improvement).

The vast majority of CFOs expect labor costs to increase even though a minority expect productivity to improve. Less than half expect oil prices to increase, but 75% of Energy/Resources CFO expect an increase.

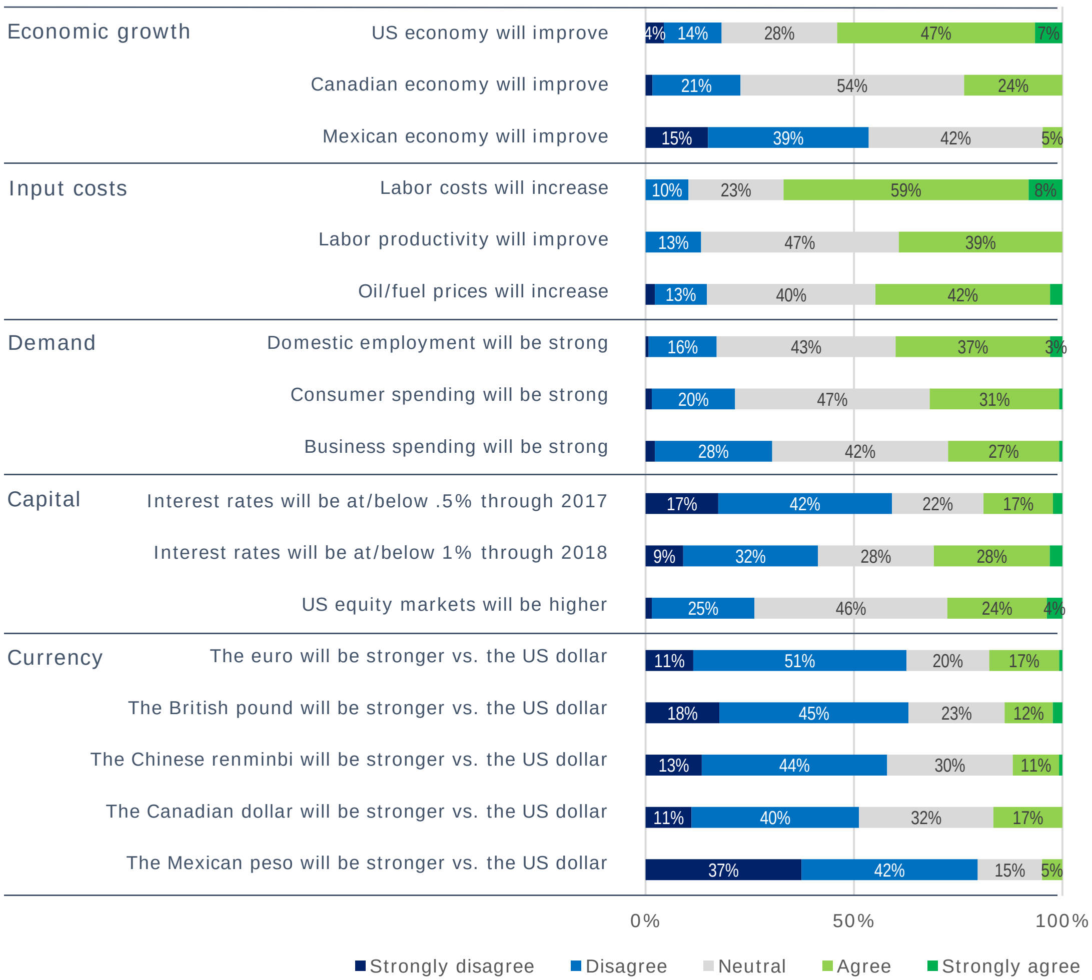
CFOs are lukewarm on the prospects for domestic employment and consumer spending, and they are split on business spending.

CFOs largely expect interest rates to rise above 0.5% before the end of 2017, but they are less likely to say rates will rise above 1.0% by the end of 2018. They are also split on the direction of US equity markets.

CFOs foresee a continuing strong dollar with little expectation that other major currencies will appreciate against it. They overwhelmingly expect the Mexican peso to decline.

Macroeconomic expectations

What are your expectations for the macroeconomic environment in 2017? Percent of CFOs selecting each level of agreement for each statement



Special topic: Post-election expectations
US government policy over next four years

CFOs expect less congressional gridlock and generally anticipate the passage of significant changes to taxes, health care, trade, and immigration.

CFOs overwhelmingly expect less gridlock and a realignment of political parties.

CFOs expect corporate taxes to decline and repatriation of cash to become more attractive. They also expect substantial new infrastructure investments, and overwhelmingly expect the national debt to rise.

Very few CFOs expect Congress to pass trade deals with either Europe or Asia. They are less consistent regarding their expectations for NAFTA.

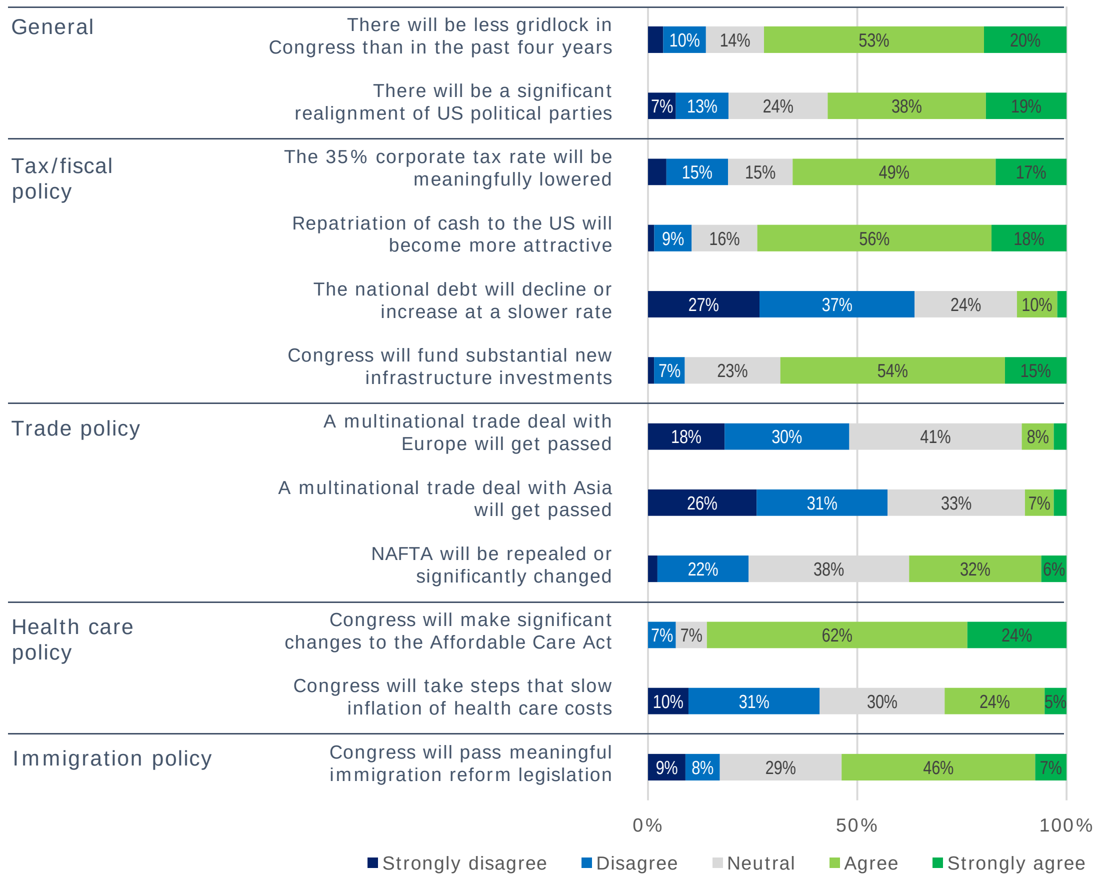
The overwhelming majority of CFOs expect the ACA to be significantly modified, although they are relatively unlikely to expect modifications that will slow the inflation of health care costs.

Most CFOs expect meaningful immigration policy reform.

Policy expectations

What are your expectations for US government policy over the next four years?

Percent of CFOs selecting each level of agreement for each statement



Special topic: Post-election expectations

Industry in 2017

CFOs are mostly optimistic about their industries' growth and expect technology changes to be a major factor. But they also expect competition for sales and talent. *Please see the appendix of the full report for substantial differences by industry.*

A majority of CFOs expect their industry's revenue to grow, but a minority expect pricing to increase (implying they expect volumes to rise). Half expect their industry's business models to change, and more than half expect technology advances to change both industry products/services and also how their industry operates.

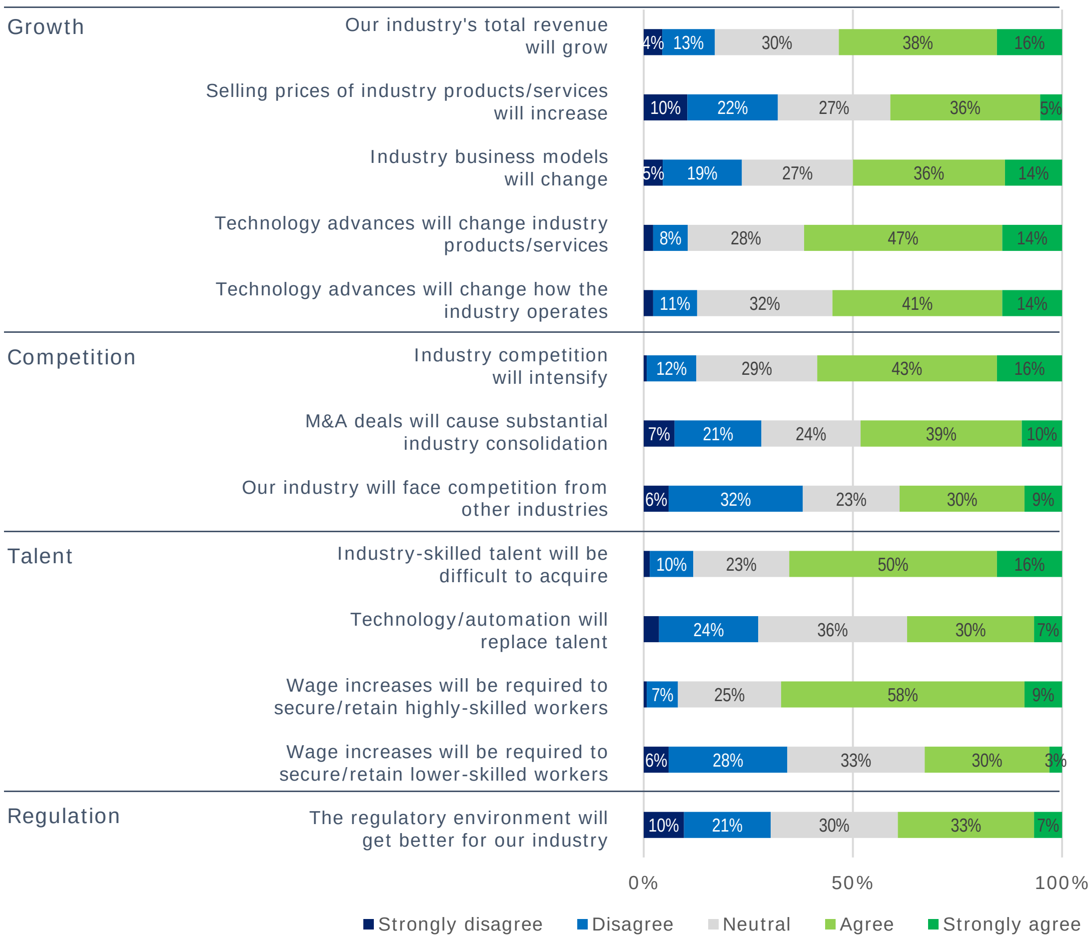
More than half of CFOs expect industry competition to intensify, but they are split on whether or not competition will come from other industries. Nearly half expect M&A deals to cause industry consolidation.

The vast majority of CFOs expect industry-skilled talent to be difficult to acquire and for wage increases to be necessary to secure and retain highly-skilled workers. They are split on whether or not technology will replace talent and whether or not wage increases will be required to secure/retain lower-skilled workers—with strong industry differences.

Less than half of CFOs expect the regulatory environment to get better for their industry, but there are significant industry differences. For most industries, significant proportions of CFOs expect both improvement and worsening (perhaps indicating inconsistent expectations).

Industry expectations

What are your expectations for your industry in 2017? Percent of CFOs selecting each level of agreement for each statement



Special topic: Post-election expectations

Company in 2017

CFOs expect their range of products and services to expand and to hire more highly-skilled than lower-skilled workers; they expect few changes when it comes to capital and are mixed on staffing levels.

CFOs are about twice as likely to say their companies will not take above-normal risk in pursuit of higher returns as they are to say they will. They are split on whether or not they will face pressure to increase board diversity, but they are mostly confident that they will not face pressure to shorten board member tenure. They overwhelmingly do not expect activist investors to impact strategic decisions.

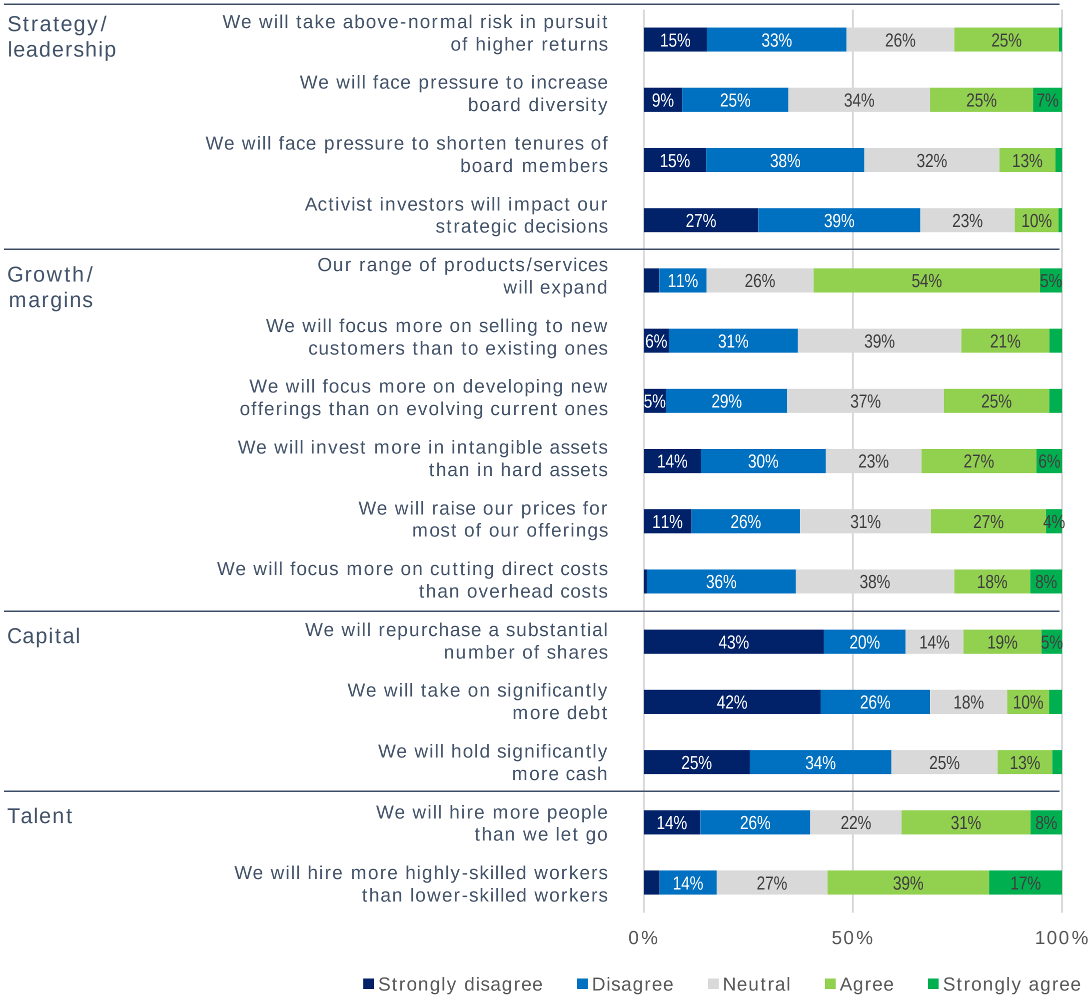
Well over half say their product/service scope will expand. CFOs are mostly split when it comes to focusing on new or existing customers and offerings (with strong industry dependency—please see the appendix of the full report). The same split applies when it comes to investing in intangible vs. hard assets, raising prices, and focusing on direct vs. overhead costs.

CFOs are largely consistent in their expectations for capital, with relatively few expecting to repurchase shares, take on more debt, or hold more cash.

CFOs are very likely to say they will hire more highly-skilled than lower-skilled workers, and they are split (largely along industry lines) on whether they will hire more people than they let go. Only four industries are net positive.

Company expectations

What are your expectations for your company in 2017? Percent of CFOs selecting each level of agreement for each statement



Appendix

Longitudinal data

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
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%
		median	6.0%	10.0%	5.0%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
		%>0	84%	93%	81%	89%	80%	83%	87%	79%	85%	82%	83%
		standard deviation	8.2%	10.5%	7.4%	7.3%	6.4%	6.5%	4.9%	6.3%	6.1%	5.7%	6.3%
	Earnings		17.3%	19.5%	12.0%	12.6%	14.0%	9.3%	10.1%	12.8%	10.5%	8.0%	10.9%
			6.0%	10.0%	8.0%	10.0%	10.0%	8.0%	9.0%	9.5%	8.5%	6.0%	7.0%
			89%	93%	80%	83%	83%	82%	84%	79%	81%	84%	76%
			16.3%	24.3%	21.4%	16.6%	22.1%	10.4%	10.7%	19.8%	13.4%	9.7%	16.8%
Investment	Dividends		6.5%	8.6%	4.1%	4.4%	3.7%	3.5%	2.4%	2.2%	3.9%	2.5%	2.5%
			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%
						8.6%	4.4%	5.7%	4.7%	4.1%	7.0%	4.2%	5.3%
	Capital spending		12.4%	8.3%	8.7%	11.8%	10.7%	7.9%	9.6%	12.0%	11.4%	4.6%	4.2%
			5.0%	5.0%	4.0%	5.0%	10.0%	5.0%	5.0%	6.0%	10.0%	3.0%	0.0%
			62%	58%	57%	61%	69%	59%	61%	68%	70%	53%	43%
			14.6%	10.3%	16.8%	17.5%	14.9%	13.7%	16.0%	24.5%	22.1%	9.5%	15.3%
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%
			0.5%	2.0%	1.0%	1.0%	2.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%
			50%	60%	48%	61%	64%	52%	51%	51%	52%	40%	40%
			6.8%	5.2%	5.9%	5.8%	4.7%	5.2%	5.2%	7.1%	10.3%	4.1%	3.9%
	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%
			0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%
			41%	49%	47%	41%	57%	37%	50%	43%	41%	30%	32%
					5.6%	5.9%	4.7%	5.8%	8.7%	6.1%	6.3%	3.3%	2.7%

			1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	Survey mean	2-year mean
Operating Results	Revenue	mean	5.4%	5.7%	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%	5.8%	4.3%
		median	5.0%	5.0%	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%	5.0%	4.3%
		%>0	81%	84%	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	82%	83%	80%
		standard deviation	5.9%	4.5%	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%	5.9%	5.7%
	Earnings		12.1%	10.3%	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%	6.4%	10.1%	7.3%
			10.0%	10.0%	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%	7.8%	6.4%
			84%	83%	82%	82%	84%	83%	90%	86%	79%	79%	79%	82%	79%	76%	81%	81%	82%	80%
			14.1%	9.6%	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%	13%	11%
Investment	Dividends		3.6%	4.5%	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%	4.0%	3.8%
			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%	0.0%
			38%	40%	39%	37%	47%	45%	45%	44%	47%	43%	45%	45%	46%	42%	43%	43%	39%	44%
			5.7%	5.8%	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%	6%	6%
	Capital spending		7.8%	7.5%	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%	7.0%	4.5%
			0.0%	3.5%	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%	4.1%	3.3%
			57%	57%	54%	59%	57%	64%	60%	62%	63%	59%	53%	59%	50%	61%	58%	57%	59%	58%
			17.6%	11.7%	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%	14%	13%
Employment	Number of domestic personnel		0.9%	2.4%	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%	1.6%	1.4%
			0.0%	0.0%	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%	0.7%	0.6%
			43%	46%	47%	48%	42%	58%	58%	60%	58%	49%	57%	50%	47%	55%	53%	48%	51%	52%
			4.9%	9.6%	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%	5%	4%
	Number of offshore personnel		2.4%	2.5%	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%	2.7%	2.2%
			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%	0.1%	0.0%
			39%	36%	33%	42%	34%	42%	45%	44%	48%	39%	46%	49%	45%	39%	43%	46%	42%	44%
			4.9%	4.3%	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%	4%	3%

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

		2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
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%
	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%
	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%
	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%
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
	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%
	US equity valuations (% who say overvalued)											

		1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	Survey Mean	2-Year Mean
Optimism	Optimism (% more optimistic)	51.0%	59.0%	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%	44.3%	39.1%
	Neutrality (% no change)	30.1%	27.7%	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%	32.3%	40.8%
	Pessimism (% less optimistic)	18.9%	13.3%	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%	23.7%	20.0%
	Net optimism (% more minus % less optimistic)	32.1%	45.7%	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%	20.6%	19.1%
Equities	S&P 500 price at survey period midpoint	1,520	1,667	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	1,658	2,076
	S&P gain/loss QoQ	9.6%	9.7%	-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%	2.9%	0.9%
	US equity valuations (% who say overvalued)										65.4%	60.2%	56.3%	29.7%	56.1%	71.3%	70.1%	58.4%	58.4%

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.

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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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