



2Q18 Highlights: Strong optimism, but trade policy and geopolitics loom large

- Assessments of the North American and Chinese economies hit new survey highs; expectations for Europe declined.
- With equity markets about even with last quarter, 63% of CFOs say US equities are overvalued—the lowest level in two years.
- Own-company optimism declined, but remains very strong.
- Growth expectations for revenue, earnings, and hiring rose to multi-year highs; capex weakened for Canada and Mexico.
- Many CFOs appear to be taking on broader responsibility for business planning, IT/data, and risk.
- CFOs' most common prior roles are around FP&A, controllership, and other CFO positions; younger CFOs are comparatively likely to cite investor relations and strategy roles.
- Aside from technical finance experience, CFOs recommend that their successors have backgrounds that enable them to play strong roles around strategy development and implementation.
- CFOs' hopes for their legacies vary, but most say they want to leave behind world-class companies and finance functions that are positioned to perform even better after their tenure ends.

How do you regard the current/future status of the North American, European, and Chinese economies?

Perceptions of North America improved, with 94% of CFOs rating current conditions as good (up from 90% last quarter and a new survey high), and 52% expecting better conditions in a year (down from 59%). Perceptions of Europe declined to 47% and 36%, respectively (both metrics remain near their survey highs), and China rose to 55% (a new high) and 31%.

What is your perception of the capital markets? Seventy-three percent of CFOs say debt financing is attractive (down from 77%). Attractiveness of equity financing decreased for public company CFOs (from 43% to 36%) and increased for private company CFOs (from 35% to 45%). Sixty-three percent of CFOs now say US equities are overvalued—the lowest level in two years.

Overall, what risks worry you the most? CFOs express strong external concerns about US politics (especially around trade policy), while concerns about economic risks, which had subsided over the last few quarters, began to rise. They again cite pressure to execute on their growth plans, voicing growing internal concerns about driving initiatives and finding talent.

Compared to three months ago, how do you feel about the financial prospects for your company? The net optimism index fell from last quarter's survey-high +54 to +39 (still quite strong). Forty-eight percent of CFOs express rising optimism (down from 60%), and 9% express declining optimism.

What is your company's business focus for the next year? CFOs indicate a survey-high bias toward revenue growth over cost reduction (67% vs. 17%) and a somewhat lower bias toward investing cash over returning it (56% vs. 18%). The bias toward new offerings over current ones grew this quarter (40% vs. 35%), and the bias toward current geographies over new ones increased slightly (59% vs. 16%).

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 5.9% to 6.3% (the highest level in nearly four years). Earnings growth rose from 9.8% to 10.3% (a three-year high). Capital investment slid from 11.0% to 10.4% (still among its six-year highs). Domestic hiring rose from 3.1% to 3.2% (a new high). Technology and Retail/Wholesale showed substantial improvement.

Which business functions report to you? Many CFOs appear to be taking on broader responsibility for business planning, IT/data, and risk. There are notable industry differences, especially around support services and risk.

What prior roles did you bring to your current CFO role? FP&A, controller, and prior CFO roles are the most common, but there are substantial differences by age and industry. Younger CFOs are comparatively more likely to cite investor relations and strategy roles.

Other than technical financial experience, what experience is most important for your successor? CFOs recommend that their successors have backgrounds that enable them to play strong roles around strategy formulation and implementation, specifically prioritizing corporate strategy, industry, and investor relations experience; there are substantial differences by industry.

When you complete your current CFO role, what do you want your legacy to be? Overall, CFOs say they want to leave behind companies and finance functions that are world-class and positioned to perform even better after they are gone. And they say they want to be remembered as valued business partners, ethical leaders, and strong talent developers.

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

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