

4Q17 Highlights: Global economic growth underpins optimism entering 2018

- CFOs overwhelmingly expect stronger economic performance in the US, and mostly expect improvement in Canada and Mexico.
- Own-company optimism surged, largely on optimism among US CFOs.
- Expectations for earnings growth rose; those for revenue, capital spending, and domestic hiring fell, but remain relatively high.
- A survey-high 84% of CFOs say US equities are overvalued.
- CFOs expect lower tax rates, mandatory repatriation of foreign profits, and changing US trade relations.
- Data/analytics was the top trend CFOs say is affecting their strategies; convergence/disruption came in second.
- Nearly 40% of CFOs say their company will take above-normal risks in pursuit of higher returns (up from 25% a year ago).
- More than half of CFOs say their business models will have a substantial digital component in 2018.
- Two-thirds of CFOs say securing/retaining talent will be difficult; more than half say they are substituting technology for labor.
- CFOs' most-cited planning roles are around providing insight and analysis, allocating capital, and challenging assumptions.

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

Perceptions of North America improved markedly with 74% of CFOs rating current conditions as good (up from 64% last quarter), and 56% expecting better conditions in a year (up from 45%). Perceptions of Europe rose to 35% and 33%, respectively, and China rose sharply to 49% and 41% (their highest levels in nearly five years).

What is your perception of the [capital markets](#)? Eighty-five percent of CFOs say debt financing is attractive (up slightly from 83%). Attractiveness of equity financing decreased for public company CFOs (from 48% to 46%) and rose for private company CFOs (from 35% to 47%). Eighty-four percent of CFOs now say US equities are overvalued—another new survey high.

Overall, what [risks](#) worry you the most? CFOs say constraints on their companies' performance are mostly external, voicing strong concerns about political turmoil, policy uncertainty, and geopolitics. Talent challenges, strategy execution, and achieving growth are the top internal worries.

Compared to three months ago, how do you feel about the [financial prospects](#) for your company? The net optimism index rose sharply from last quarter's +29 to +47 this quarter. About 52% of CFOs express rising optimism (up from 45%), and 5% express declining optimism (down from 16%).

What is your company's [business focus](#) for the next year? CFOs indicate a strong bias toward revenue growth over cost reduction (61% vs. 18%) and investing cash over returning it (56% vs. 18%). They shifted back to a bias toward existing offerings over new ones (45% vs. 35%), and indicated a bias toward current geographies over new ones (65% vs. 11%).

What are your expectations for the [macroeconomic environment](#)? CFOs overwhelmingly expect stronger economic performance in the US, and on balance expect improvement in Canada and Mexico as well. They mostly expect higher labor costs, low interest rates and bond yields, and a weaker dollar.

What are your expectations for [US government policy](#)? Corporate taxes are CFOs' preferred policy focus; they overwhelmingly expect lower rates and a mandatory one-time tax on accumulated foreign profits (few expect major infrastructure investment or a lower US national debt). Trade policy came in second, and CFOs on balance expect US relations with Canada, Mexico, and China to change significantly (they split on Europe).

Which [trends/disruptors](#) are most impacting your business strategy? Data/analytics (i.e., availability of new data and better ability to use it for decisions) was a top-three factor in all eight industries and the top factor for three. Convergence/disruption (i.e., industry convergence and the influence of digital businesses and channels) was top-three for six industries and the top factor for three. Geopolitical turmoil and automation/augmentation tied for third.

What are your expectations for your company? Nearly 40% of CFOs say their company will take above-normal risks in pursuit of higher returns, up from 25% a year ago. Just over half said their business models will have a substantial digital component, and about 60% said new technologies will impact their offerings and operations. Nearly two-thirds expect talent acquisition and retention difficulties, and more than half said demographic shifts will influence their talent strategies. Nearly 60% said they will work to substitute technology/automation for labor.

What are your most important [personal contributions](#) to your company's planning processes? CFOs' most-cited roles were around providing insight and analysis, allocating capital to the right initiatives, and challenging priorities and assumptions, but there was considerable variability by industry.

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

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