CFO Signals™
What North America’s top finance executives are thinking—and doing
4th 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.
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.

Survey responses
Survey period: 11/6-11/17
Total responses: 147
• CFO proportion: 100%
• Revenue >$1B: 87%
• Public/private: 74%/26%

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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 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). Page 6.

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. Page 7.

Sentiment

Overall, what risks worry you the most? CFOs say constraints to 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. Page 8.

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%). Page 9.

Expectations

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%). 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 declined from last quarter’s 5.7% to 4.7% (still above the two-year average). Earnings growth rose from 7.9% to 8.4% (well above the two-year average). Capital spending growth slid from 7.3% to 6.5%; domestic hiring growth fell from 2.6% to 2.0%. Canadian expectations trailed for almost all metrics. Page 11.

Special topic: Business planning for 2018

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. Page 12.

What are your expectations for US government policy? Corporate taxes are the preferred policy focus, and CFOs overwhelmingly expect lower rates (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). Page 13-14.

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 single top factor for three. Convergence/disruption (i.e., industry convergence and the influence of digital businesses and channels) was top-three for six of the eight and the top factor for three. Geopolitical turmoil and automation/augmentation tied for third. Page 15.

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.

More than half of CFOs say their business models will have a substantial digital component.

Their most-cited planning roles were around providing insight and analysis, allocating capital, and challenging assumptions.

Special topic: CFO role in business planning

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. Page 17.
Summary and context

Global economic growth underpins optimism entering 2018

Following the 2016 US presidential election, CFOs started off 2017 on a very positive note—with the first quarter survey registering the sharpest sentiment uptick in its seven-year history. The positive outlook continued in the second and third quarters, even as CFOs voiced steadily growing concerns about geopolitical conflict, US political turmoil, and Washington’s struggles to deliver in key policy areas.

Underpinning CFOs’ sentiment have been their positive assessments of the North American economy and improving perceptions of Europe and China. But confidence in the trajectory of the North American economy slid last quarter, with CFOs voicing still stronger concerns about Washington and geopolitics. The effects were strongest in the US, where CFOs led a broader decline in own-company optimism and also in expectations for earnings and investment.

Turmoil continued on several fronts this quarter. But global economic growth remained on a positive trajectory and equity markets hit new highs, and CFOs’ optimism about their own companies’ prospects rebounded to the third-highest level in the survey’s history. Earnings expectations rose further above their two-year average. And although lower than last quarter, expectations for revenue, capital investment, and domestic hiring all remained above their two-year averages.

So what is driving CFOs’ optimism as they look toward 2018? To answer this question, this quarter’s survey explores CFOs’ perspectives regarding major economies, government policy, megatrends and disruptors, and their own companies’ plans.

When it comes to the macroeconomy, CFOs overwhelmingly expect stronger economic performance in the US, and on balance expect improvement in Canada and Mexico as well. As for input prices and capital markets, they mostly expect higher labor costs, low interest rates and bond yields, and a weaker dollar.

From a policy standpoint, corporate taxes are CFOs’ preferred focus for US policymakers, and they overwhelmingly expect a shift toward lower rates and a mandatory one-time tax on accumulated foreign profits (few expect major infrastructure investment, however, and fewer still expect the US debt to decline). Trade policy was CFOs’ second choice and, on balance, they expect US trade relations with Canada, Mexico, and China to change significantly (they are split on Europe).

When it comes to the trends and disruptors affecting companies’ strategies, data/analytics (i.e., the availability of new data and improving ability to use it for decisions) was the top trend overall and was a top-three factor in all eight industries. Convergence/disruption (i.e., industry convergence and the influence of digital businesses and channels) came in second and was a top-three factor in six industries.

On the subject of technology, most CFOs point to the rapidly escalating impact of emerging solutions on their strategy and operations. More than half said their 2018 business models will have a substantial digital component. Nearly 60% said new technologies will substantially affect their products and services, and nearly the same proportion said new technologies will substantially affect their operations.

As they have for the last several years, CFOs voice rising concerns about talent. Nearly two-thirds say securing and retaining quality talent will be difficult over the next year, and more than half say changing demographics will influence their talent strategies. Moreover, nearly 45% say the trend toward using technology to enhance and/or replace human effort is affecting their business strategy, and more than half say they are working to substitute technology for labor.

Finally, we asked CFOs about their top personal contributions to their companies’ planning process. The most-cited roles were around providing insight and analysis, all the way to the right initiatives, and challenging priorities and assumptions, but there was considerable variability—especially by industry.

Key developments since the 3Q17 survey

- Major hurricanes struck several US states and territories.
- The US economy grew strongly; median household income reached an all-time high; employment showed strength.
- President Trump nominated Jay Powell to head the US Fed.
- The US House passed a budget bill and a tax reform bill; the US Senate began work on its own tax bill and included a provision repealing the ACA insurance mandate.
- President Trump said the US might withdraw from NAFTA.
- US equities hit new highs; oil prices hit two-year highs.
- Canada’s core inflation decelerated; retail sales were weak, but the job market performed well.
- Mexico’s economy shrunk due to earthquakes; investment grew slowly; inflation reached a 16-year high.
- Europe’s economy grew strongly; Angela Merkel was narrowly elected to a fourth term as German Chancellor.
- British Prime Minister May endorsed a two-year Brexit transition; the BOE raised rates (first time in a decade).
- North Korea tested a hydrogen bomb.
- President Trump completed a five-nation tour of Asia, which included a meeting with Chinese President Xi.

Summary of CFO sentiment and expectations

| Economic optimism—North America (Index) | 76.9 | 68.8 | 63.8 |
| Economy optimism—Europe (Index) | 45.6 | 42.1 | 26.6 |
| Economy optimism—China (Index) | 55.6 | 41.4 | 31.0 |
| Own-company optimism (net) | +46.9 | +29.4 | +30.6 |
| Revenue growth (YOY) | 4.7% | 5.7% | 4.4% |
| Earnings growth (YOY) | 8.4% | 7.9% | 7.3% |
| Capital investment growth (YOY) | 6.5% | 7.3% | 6.2% |
| Domestic personnel growth (YOY) | 2.0% | 2.6% | 1.8% |
| Percent of CFOs saying US equity markets overvalued | 84% | 83% | 69% |

Well below two-year average | Well below last quarter | Well above two-year average | Well above last quarter
Topical findings
CFOs’ assessments of Europe’s and China’s economies hit new survey highs; assessments of North America’s current economic health hit a new high, and assessments of its future health rebounded.

After hitting multi-year highs in the first quarter of this year, CFOs’ assessments of the North American economy remained very strong in the second and third quarters. This quarter, assessments of the economy’s current health hit a new survey high, and confidence in its future health bounced back from last quarter’s decline. Seventy-four percent of CFOs say current conditions are good (versus 64% last quarter), while 56% expect better conditions in a year (up sharply from 45%). The North American optimism index\(^1\) rebounded from +69 to +77.

Perceptions of Europe’s current state and trajectory both hit new survey highs. Thirty-five percent of CFOs say current conditions are good (up from 29%, and well above the levels registered over the past five years), and 33% expect better conditions in a year. The optimism index\(^1\) hit another high at +46.

Perceptions of China’s economy rose to new survey highs this quarter. Forty-nine percent of CFOs say current conditions are good (up from 32% and a new high), and 41% expect better conditions in a year (up sharply from 30% and also a new high). The optimism index\(^1\) reached a new survey high at +56.

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1. Indexes are based on respondents’ combined assessment of current and future economic health; please see the appendix (About the survey) for information about how they are calculated.
Assessments of markets and risk

**Equities overvalued**
With the S&P 500 up 5.8% since last quarter’s survey and equity markets again near their historic highs, 84% of surveyed CFOs say US equity markets are overvalued—a new survey high.

**Debt still attractive; equity attractiveness rising for private companies**
Eighty-five percent of CFOs say debt financing is attractive, up slightly from 83% last quarter. Attractiveness of equity financing decreased for public company CFOs (from 48% to 46%) and rose for private company CFOs (from 35% to 47%).

**Still a good time to be taking risks**
Sixty-three percent of CFOs say now is a good time to be taking greater risk—up from 56% last quarter and a new survey high.

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**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/equity attractiveness**
How do you regard debt/equity financing attractiveness? Percent of CFOs citing debt and equity attractiveness (both public and private companies)

**Risk appetite**
Is this a good time to be taking greater risk? Percent of CFOs saying it is a good time to be taking greater risk
CFOs say constraints to their companies’ performance are mostly external, voicing strong concerns about political turmoil, policy uncertainty, and geopolitics; talent, execution, and growth are the top internal worries.

Prior to 2017, CFOs’ top external risks centered on slow global economic growth and excessive regulation. With economic performance stronger recently and the new US administration and Congress firmly in place, concerns have shifted toward risks CFOs fear could impede further growth.

CFOs this quarter again voiced strong concerns about the potential negative consequences of Washington turmoil on economic performance—especially around the specifics of tax reform and also around the future of trade policy. They again expressed worries about the potential effects of geopolitical conflicts on trade, growth, and capital markets.

Talent concerns again top CFOs’ list of internal risks, with specific mention of worries about talent quality, retention, morale, succession, and wage pressures. Also evident were rising concerns about execution against strategies and achieving growth targets (perhaps sparked by their 2018 strategic planning efforts).

Concerns about cyber security also rose, with CFOs mentioning cyber attacks among their top external risks and data security among their top internal risks.

Please see the full report for specific comments by industry.
Sentiment

Optimism regarding own-companies’ prospects

After declining for two quarters, optimism bounced back to the high levels we saw early this year—largely on growing optimism in the US and Canada; Several industries rose sharply, but Healthcare/Pharma declined sharply.

After declining to +29 last quarter, net optimism rose sharply to +47 this quarter. About 52% of CFOs expressed rising optimism (up from 45%), and just 5% cited declining optimism (down from 16%).

Net optimism for the US rose sharply from last quarter’s +28 to +50 this quarter. Canada rose from +31 to +46, while optimism in Mexico declined sharply from +39 to zero.

Sentiment rose sharply in Manufacturing, Technology, Energy/Resources, and Services—all of which came in above +45. Retail/Wholesale rose, but trailed the average at +29, and Healthcare/Pharma fell sharply to just +8.

Please see the full 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.

Net optimism by country and industry (4Q17)

<table>
<thead>
<tr>
<th>Total</th>
<th>US</th>
<th>Mexico</th>
<th>Canada</th>
<th>Manufacturing</th>
<th>Retail/Wholesale</th>
<th>Technology</th>
<th>Energy/Resources</th>
<th>Financial Services</th>
<th>Healthcare/Pharma</th>
<th>T/M/E*</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>+46.9</td>
<td>+50.4</td>
<td>+0.0</td>
<td>+45.5</td>
<td>+52.6</td>
<td>+28.6</td>
<td>+58.8</td>
<td>+50.0</td>
<td>+45.2</td>
<td>+8.3</td>
<td>+50.0</td>
<td>+60.0</td>
</tr>
</tbody>
</table>

* Please note very small sample size.
Expectations

Business focus for next year

The focus on revenue growth over cost reduction tied the survey high, but last quarter’s shift toward new offerings and geographies reversed.

Approximately 61% of CFOs say they are biased toward revenue growth (among the highest levels in survey history), and only 18% claim a bias toward cost reduction (one of the lowest levels) for a net value of +43% (tying the survey high). The bias toward investing cash over returning it to shareholders (56% versus 18%) declined slightly, but remains near its survey highs at +38%.

The product/service offerings and geographic focus became somewhat more conservative this quarter, with CFOs’ bias shifting back toward current offerings over new ones (45% versus 35%, for a net of -10%). The bias is again toward current geographies over new ones by a large margin (65% versus 11%, for a net of -54%).

Continuing the trend over the last two quarters, the bias toward organic growth (63%) over inorganic growth (16%) reached another survey high.

Please see the full report for charts specific to individual industries.
### Expectations

#### Growth in key metrics, year-over-year

**Earnings growth rose on strength in the US.** Revenue, capital spending, and domestic hiring growth all declined, largely on pessimism in Canada.

**Revenue growth declined** from 5.7% to 4.7%, but remains above its two-year average of 4.4%. The US declined, but remains near its two-year highs. Canada declined to well below its two-year average; Mexico declined, but is still relatively strong. Healthcare/Pharma and Technology lead; T/M/E and Services trail.

**Earnings growth rose** to 8.4% from 7.9%. The US leads and is well above its two-year average. Canada declined to well below its two-year average; Mexico declined, but is still above its average. Retail/Wholesale, Manufacturing, and Technology lead; T/M/E and Services trail.

**Capital investment growth fell** for the third straight quarter, from 7.3% to 6.5%, but is still among its five-year highs. The US and Mexico rose and are well above their two-year averages. Canada declined to well below its average. Energy/Resources and Manufacturing are the highest; T/M/E and Healthcare/Pharma are lowest.

**Domestic hiring growth slid** from 2.6% to 2.0%. The US remains at its highest level in two years, but Canada slid to its lowest level in a year, and Mexico slid sharply to its lowest level in two years. Healthcare/Pharma and Services lead; Energy/Resources and T/M/E trail. Wage pressures are again evident in Mexico.

Please see the full report for charts specific to individual industries and countries.
Special topic: Business planning for 2018

Macroeconomic expectations

What are your expectations for the macroeconomic environment in 2018? Percent of CFOs selecting each level of agreement for each statement

On balance, CFOs expect stronger North American economies, higher labor costs, low interest rates and bond yields, and a somewhat weaker dollar.

CFOs are nearly six times as likely to agree that the US economy will improve in 2018 as they are to disagree—well above the 3-1 ratio from a year ago. The outlooks for Canada and Mexico rose sharply, with 37% and 22% of CFOs expecting improvement, respectively (up from 24% and 5% a year ago).

Nearly 85% of CFOs expect higher labor costs, (versus 67% last year) and nearly half expect higher oil prices (about even with last year). About 45% of Energy/Resources CFOs expect higher oil prices—well off last year’s 75%.

CFOs’ outlook for business and consumer spending both rose, with 64% and 54% expecting strength, respectively.

CFOs clearly expect interest rates to stay at or below 2% and the 10-year bond yield to stay below 3% through 2018. They are significantly split on the direction of US equity markets, with nearly half expressing no opinion.

Compared to a year ago, CFOs appear less confident in a strong dollar. On balance, more expect the euro and renminbi to appreciate against the dollar than expect them to depreciate, and they expect the opposite for the peso and the British pound.

Please see the full report for charts specific to individual industries.
Special topic: Business planning for 2018
US government policy expectations

CFOs overwhelmingly expect lower corporate tax rates, but few expect major infrastructure investment, and very few expect the national debt to decline. More expect trade rules to change with NAFTA countries and China than do not.

More than 80% of CFOs expect corporate taxes rates to decline (up from the 66% a year ago), and about two-thirds expect mandatory repatriation of foreign cash. About 30% expect substantial new infrastructure investments (versus 70% a year ago), and they clearly do not expect the national debt to decline.

Many CFOs expressed neutrality when asked about trade policy changes. On balance, however, more appear to expect NAFTA changes (43% for US-Mexico trade relations and 31% for US-Canada relations). Nearly 40% expect US-China relations to change, and 22% expect the same for US-Europe relations.

Only 22% of CFOs expect the ACA to be significantly modified (down from 86% a year ago), but responses were collected before the US Senate added ACA-related provisions to their tax reform proposal. They are very doubtful that Congress will take steps that will slow health care cost inflation.

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

### Policy expectations

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

Percent of CFOs selecting each level of agreement for each statement

<table>
<thead>
<tr>
<th>Policy expectations</th>
<th>Percent of CFOs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax/fiscal policy</strong></td>
<td></td>
</tr>
<tr>
<td>The 35% corporate tax rate will be meaningfully lowered</td>
<td>5% 12% 62% 21%</td>
</tr>
<tr>
<td>Congress will pass a mandatory one-time tax on accumulated foreign profits (i.e., “deemed repatriation”)</td>
<td>5% 25% 52% 14%</td>
</tr>
<tr>
<td>Congress will fund substantial new infrastructure investments</td>
<td>3% 20% 46% 29%</td>
</tr>
<tr>
<td>The national debt will either decline or will increase at a slower rate</td>
<td>28% 37% 26% 8%</td>
</tr>
<tr>
<td><strong>Trade policy</strong></td>
<td></td>
</tr>
<tr>
<td>US-Europe trade relations will change significantly</td>
<td>16% 62% 19% 3%</td>
</tr>
<tr>
<td>US-China trade relations will change significantly</td>
<td>11% 48% 34% 5%</td>
</tr>
<tr>
<td>US-Mexico trade relations will change significantly</td>
<td>12% 43% 39% 4%</td>
</tr>
<tr>
<td>US-Canada trade relations will change significantly</td>
<td>3% 13% 53% 26% 5%</td>
</tr>
<tr>
<td>Canada-Mexico trade relations will change significantly</td>
<td>2% 19% 64% 12% 3%</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td></td>
</tr>
<tr>
<td>Congress will make significant changes to the Affordable Care Act</td>
<td>13% 35% 31% 22%</td>
</tr>
<tr>
<td>Congress will take steps that slow inflation of health care costs</td>
<td>21% 37% 29% 12%</td>
</tr>
<tr>
<td>The regulatory environment will get better for our industry</td>
<td>7% 21% 36% 32% 3%</td>
</tr>
</tbody>
</table>
Corporate taxes are by far CFOs’ most desired policy focus for the US administration and Congress.

Corporate income taxes were CFOs’ top priority for clarification and change by a very wide margin. All industries except T/M/E ranked it their top priority (please note T/M/E’s small sample size).

Trade agreements came in second, driven by high importance in Canada and Mexico (where 91% and 78% of CFOs cited this priority, respectively), and also within the Manufacturing and Retail/Wholesale industries.

Infrastructure investment came in third, with relatively high importance for T/M/E*, Technology, and Services. Health care policy rounded out the top tier, largely due to high importance in Healthcare/Pharma, but also on relatively high importance for Technology and Services (please note that responses were collected before the US Senate added ACA-related provisions to its tax reform proposal).

Industry-specific regulations were relatively high for T/M/E*, Financial Services, and Healthcare/Pharma. Individual taxes were relatively high for Retail/Wholesale and Financial Services, and energy policy was relatively high for Energy/Resources.

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

* Please note the very small sample size for T/M/E.
### Megatrends and disruptors

#### Data/analytics and convergence/disruption are the dominant forces affecting companies’ business planning; geopolitical turmoil and automation/augmentation are close behind.

*Data/analytics* was a top-three factor in all eight industries and the single top factor for three (Retail/Wholesale, Financial Services, and Healthcare/Pharma). *Convergence/disruption* was top-three for six of the eight, and the top factor for three (Manufacturing Technology, and Services).

*Geopolitical turmoil* and *automation/augmentation* were the second-tier factors, with the former particularly strong in Technology and Healthcare/Pharma and the latter strong in T/M/E, Retail/Wholesale, and Financial Services.

The most divergent of the industries was Energy/Resources, where *resource/energy shifts* and *climate change* were among the top factors. The most divergent of the countries was Canada, where CFOs were much more likely to say *geopolitical turmoil* is a major factor, and much less likely to say *globalization* is a major factor.

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

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#### Megatrends and disruptors

Which trends/disruptors are most impacting your longer-term business strategy?

Percent of CFOs selecting each item in their top five

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Data/analytics:</strong> Availability of new/more data; growing ability to synthesize data for business use/decisions</td>
<td>61%</td>
</tr>
<tr>
<td><strong>Convergence/disruption:</strong> Industry convergence; influence of online/digital businesses and channels</td>
<td>52%</td>
</tr>
<tr>
<td><strong>Geopolitical turmoil:</strong> Globalization backlash, international conflict, terrorism, shifting policy, political unrest, etc.</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Automation/augmentation:</strong> Technologies that enhance human productivity and/or replace human effort</td>
<td>44%</td>
</tr>
<tr>
<td><strong>Labor force shifts:</strong> Aging workforces, longer careers, shifts in worker needs/values, globalization of labor, etc.</td>
<td>35%</td>
</tr>
<tr>
<td><strong>Customer power:</strong> Customer ability to demand customized solutions; growing consumer activism</td>
<td>31%</td>
</tr>
<tr>
<td><strong>Globalization:</strong> Access to global/emerging consumer markets, supply chains, capital, and talent</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Connectivity/mobility:</strong> Growing ability to transport, track, monitor, and control remote/mobile devices and assets</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Resource/energy shifts:</strong> Shortage of non-renewable resources; growth of sustainable energy/resources</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Climate change:</strong> Frequency of extreme weather, rising seas, higher temperatures, drier/wetter regional climates, etc.</td>
<td>14%</td>
</tr>
<tr>
<td><strong>Purpose/values:</strong> Importance of company purpose/values to employees, customers, and investors</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Human longevity:</strong> Longer lifespans and older populations due to better health care quality/access.</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Urbanization:</strong> Growth in cities’ populations, economic power, and infrastructure needs.</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Wealth disparity:</strong> Rising disparity within developed economies and between developed/non-developed countries.</td>
<td>7%</td>
</tr>
<tr>
<td><strong>Asset sharing:</strong> Platforms that allow sharing of physical assets (real estate, vehicles, IT systems, equipment, etc.)</td>
<td>6%</td>
</tr>
</tbody>
</table>
Special topic: Business planning for 2018
Company expectations

CFOs expect new technologies to affect their offerings and operations; they also expect a heavy focus on securing and retaining talent and on evolving their talent strategies. Industry and country differences were pronounced.

Nearly 40% of CFOs say their company will take above-normal risks in pursuit of higher returns (well up from 26% in 4Q16). They were relatively unlikely to say emerging markets will be a substantial focus, and split on whether or not M&A will be a substantial portion of their growth strategy.

Over half (55%) say their business models will have a substantial digital component, but just 32% say strength of online retail channels will affect their strategy.

Nearly 60% of CFOs say new technologies will substantially affect their products and/or services, and nearly the same proportion say new technologies will substantially affect their operations. They are relatively split on whether or not their range of offerings will expand and whether or not they will raise prices.

Nearly two-thirds of CFOs say securing and/or retaining talent will be difficult. Well over half say they will work to substitute technology for labor (Canada was relatively low) and that changing demographics will influence their talent strategies. Less than half say they will hire more people than they let go.

Please see the full report for charts specific to individual industries.
**Special topic: CFO role in business planning**

**CFOs’ personal contributions**

CFOs’ say their top contributions are around providing insight, allocating capital, and challenging priorities and assumptions.

*Providing objective insight and analysis* was a top-two CFO contribution for five of the eight industries and was the top contribution for Manufacturing, Technology, Financial Services, and Services.

*Getting capital allocated to the right initiatives/investments* was a top-two contribution for four industries and the top contribution for Retail/Wholesale and Healthcare/Pharma.

*Challenging priorities, assumptions, and implications* was a top-two contribution for three industries and the top contribution for Energy/Resources and Healthcare/Pharma.

Energy/Resources was the relative outlier with *challenging priorities, assumptions, and implications* and *ensuring risks are recognized/addressed* the top-two contributions. Technology CFOs were relatively high for *leading the decision-making process* at 35%.

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

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**CFO role in business planning**

*What are your most important personal contributions to your company’s planning processes? Percent of CFOs selecting each role in their top three*

- Providing objective insight and analysis: 58%
- Getting capital allocated to the right initiatives/investments: 51%
- Challenging priorities, assumptions, and implications: 50%
- Ensuring risks are recognized/addressed: 37%
- Leading the decision-making process: 26%
- Getting the right people involved in decisions: 18%
- Identifying constraints (financial, capability, etc.): 18%
- Bringing your own opinions and point of view: 16%
- Providing an outside-in perspective (shareholders, regulators, etc.): 16%
- Providing industry/competitive context: 5%
- Identifying blind spots and unknowns: 4%
- Providing macroeconomic and policy context: 2%
Appendix
Longitudinal data and survey background
Longitudinal trends
Cross-industry expectations and sentiment (last 24 quarters)

### CFOs’ year-over-year expectations

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

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<tbody>
<tr>
<td>Revenue</td>
<td>mean</td>
<td>5.9%</td>
<td>6.2%</td>
<td>4.8%</td>
<td>5.7%</td>
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<td>standard deviation</td>
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| Earnings | mean | 12.8% | 10.5% | 8.0% | 10.9% | 12.1% | 10.3% | 8.0% | 8.6% | 7.9% | 8.9% |
| median | 9.5% | 8.5% | 6.0% | 7.0% | 10.0% | 10.0% | 9.0% | 8.0% | 7.0% | 8.0% | 8.0% |
| standard deviation | 1.9% | 1.7% | 1.5% | 1.7% | 1.9% | 1.6% | 1.9% | 1.6% | 1.9% | 1.6% | 1.9% |

| Dividends | mean | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| median | 31% | 30% | 29% | 38% | 40% | 39% | 37% | 41% | 44% | 44% | 44% |
| standard deviation | 2.4% | 3.0% | 1.7% | 3.0% | 2.4% | 3.8% | 2.4% | 3.3% | 2.4% | 3.8% | 2.4% |

| Capital spending | mean | 12.0% | 11.4% | 4.6% | 4.2% | 7.8% | 7.5% | 4.9% | 6.4% | 6.5% | 6.8% |
| median | 6.6% | 10.0% | 3.0% | 0.0% | 0.0% | 0.3% | 0.0% | 3.0% | 0.0% | 3.2% | 0.0% |
| standard deviation | 1.3% | 0.8% | 1.5% | 1.7% | 1.1% | 1.7% | 0.9% | 1.2% | 0.8% | 1.2% | 0.8% |

| Number of domestic personnel | mean | 21.0% | 21.1% | 6.7% | 0.9% | 2.4% | 1.3% | 1.4% | 1.0% | 1.6% | 2.3% |
| median | 1.0% | 1.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| standard deviation | 1.5% | 0.5% | 0.4% | 0.4% | 0.4% | 0.5% | 0.4% | 0.4% | 0.5% | 0.4% | 0.4% |

### Investment Optimism

| Optimism (more optimistic) | mean | 63.0% | 39.1% | 38.8% | 29.1% | 51.0% | 59.0% | 41.9% | 54.2% | 46.8% | 44.3% |
| Neutral (no change) | mean | 21.9% | 32.6% | 21.2% | 31.3% | 30.1% | 27.7% | 33.9% | 33.4% | 33.0% | 37.2% |
| Pessimism (less optimistic) | mean | 15.1% | 28.3% | 40.0% | 39.6% | 18.9% | 13.3% | 24.2% | 20.8% | 20.2% | 18.6% |
| Net optimism (more minus less optimistic) | mean | 47.9% | 10.8% | -1.2% | -10.5% | 32.1% | 45.7% | 33.4% | 26.6% | 25.7% | 32.0% |

| S&P 500 price at survey period midpoint | mean | 1,361 | 1,317 | 1,418 | 1,387 | 1,520 | 1,667 | 1,656 | 1,798 | 1,839 | 1,955 |
| S&P gain/loss QoQ | mean | 17.2% | -3.2% | 7.7% | -2.2% | 9.6% | 9.7% | -0.7% | 8.6% | 2.3% | 2.1% |

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.

Please contact nafosurvey@deloitte.com for data as far back as 2Q10.
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 indexes for North America, Europe, and China are based on respondents’ combined assessment of current and future economic health. The two underlying questions are: (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 fall 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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