Deloitte.

CFO Signals™

What North America's top finance executives are thinking—and doing
4th quarter 2021

MAKING AN IMPACT THAT MATTERS since 1845

Dear CFOs,

With the New Year approaching, I hope that 2022 will bring new opportunities to you and your organizations. New opportunities are certainly evident in the results of our fourth-quarter *CFO Signals™* survey. For example, 79% of surveyed CFOs noted they will allocate or reallocate capital to new business investments, and 67% plan to pursue M&A and new ventures in 2022. A vast majority (92%) also see opportunities in embedding technologies and automation into their organizations' operations. Still, other survey results point to guarded views about future economic conditions in regional economies. Here are some of the major highlights:

CFOs' views of regional economies one year out: CFOs appeared gloomier—albeit to varying degrees—about the economies of North America, Europe, China, Asia excluding China, and South America. Forty-five percent view North America's economy as better a year ahead, compared to 54% in 3Q21, while 27% indicated China's economy would be better in 12 months, down from 55% in 3Q21. Europe, Asia other than China, and South America also saw tempered CFOs' outlooks for their economies a year out, compared to 3Q21.

Own-company financial prospects and year-over-year (YOY) growth expectations: Nearly half of CFOs feel more optimistic than they did three months ago, but that's a drop from the prior quarter's 66%. Moreover, the percentage of CFOs feeling less optimistic grew to 13.8% from 7% in 3Q21. That might explain the decline in those who say now is a good time to take greater risks, from 65% in 3Q21 to 57%. CFOs also lowered their YOY growth expectations for revenue, earnings, and dividends from 3Q21, while increasing their growth expectations for capital expenditures, domestic hiring, and domestic wages/salaries, compared to the prior quarter.

Chief risk concerns: Perhaps not surprising, surveyed CFOs cited talent and retention; inflation; supply chain shortages; changes in government policies; and COVID-19 variants as their top concerns. In reading CFOs' comments, though, a new theme caught my eye: Concern for leadership's own capacity to take on yet more challenges.

CFOs' priorities and expectations for 2022: Talent/labor, financial performance, and growth are CFOs' top three priorities for 2022, with talent/labor outpacing "growth" nearly two to one in terms of the frequency cited. Financial performance fell in the middle. Other priorities include strategy setting, cost management, capital allocation, and IT infrastructure. Little wonder that cost management is a priority given that more than a majority of CFOs expect input costs to increase—and some substantially—in 2022.

C-suite relationships: As CFO, you understand which C-suite relationships have the greatest impact on your personal success and your organization's performance. But if you have ever wondered what your peers think, see the results of this special topic in this quarter's report. You also will find out how much time per month your peers are spending with others in the C-suite and which member(s) of the C-suite they would like to improve their relationship with the most. You might be surprised.

Thank you for taking time to participate in *CFO Signals*. Sharing your perspectives with us and your peers is a gift. Please mark January 13 on your calendar for our next CFO 4Sight webcast to get an economic update, hear from a guest CFO speaker, and learn more about the *CFO Signals* survey results.

Steve Gallucci
US and Global National Managing Partner | CFO Program, Deloitte LLP
Tel/Direct: +1 212 436 5914 | Mobile: +1 914 380 2306
sgallucci@deloitte.com | www.deloitte.com

CONTENTS, CONTACTS, SURVEY LEADERS, AND PARTICIPATION PROFILE

Contents

Contacts

Steve Gallucci
National Managing Partner
US CFO Program
Deloitte LLP
sgallucci@deloitte.com

Ajit Kambil
Research Director
US CFO Program
Deloitte LLP
akambil@deloitte.com

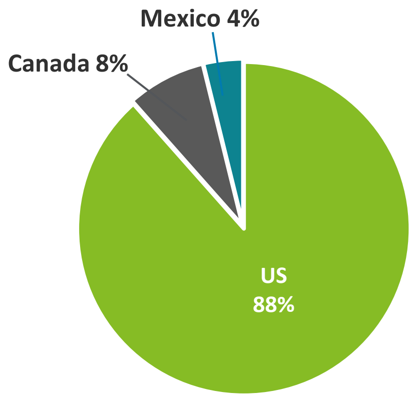
Survey leaders

Patricia Brown
Managing Director
US CFO Program
CFO Signals
Deloitte LLP
pabrown@deloitte.com

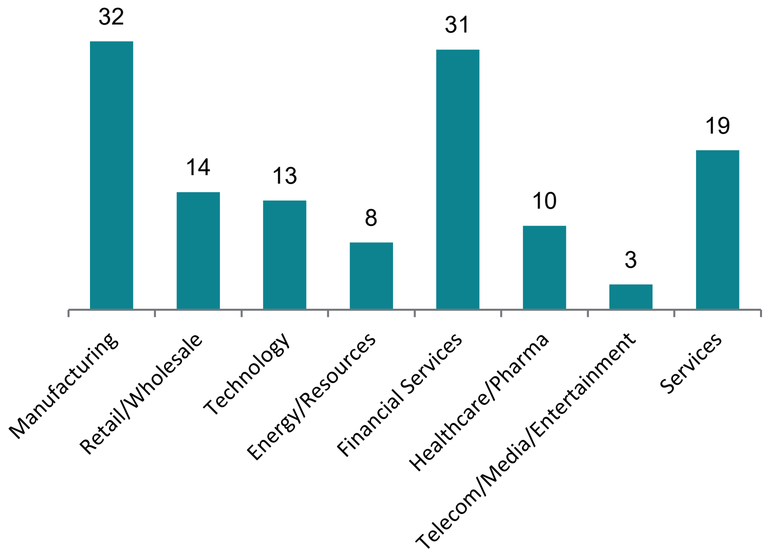
Lori Calabro
Editor, *Global CFO Signals*
Deloitte LLP
localabro@deloitte.com

Participation: A total of 130 CFOs participated: 72% from public companies and 28% from privately held companies. More than one-third (36%) of CFOs have more than 10 years' experience, and another third have 5-10 years' experience, while the remainder have less than five years' experience. Respondents are from the US, Canada, and Mexico, and the vast majority are from companies with more than $1 billion in annual revenue. The 4Q21 survey was open from November 8-22, 2021, prior to news of outbreaks of the COVID-19 variant, Omicron. For other information about the survey, please contact nacfosurvey@deloitte.com.

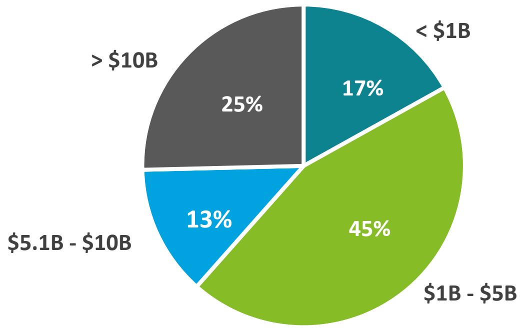
By country



By industry



By company size



4Q21 LONGITUDINAL BUSINESS OUTLOOK HIGHLIGHTS

CFOs are notably more positive about North America's current economy than they are for the region's economy a year out: Nearly three-quarters see current conditions as good or very good, while less than half expect better conditions in 12 months. CFOs' assessments of China's current and future economic conditions declined significantly from 3Q21. Their views of Europe's current economic conditions improved, compared to the previous quarter, but their expectations of the economy looking a year out fell.

Economic assessment by region

- **North America:** 72% of CFOs rate the current economy as good or very good, down from 78% in 3Q21; 45% indicate conditions will improve in a year, down from 54% in the prior quarter.
- **Europe:** 33% of CFOs consider current economic conditions as good or very good, up from 27% in 3Q21; a year out, 40% of CFOs see the economy improving**,** down from 48% in 3Q21.
- **China:** 29% of CFOs view the current economy as good or very good, down considerably from 52% in 3Q21; 28% expect better conditions in a year, down from the prior quarter's 55%.
- **Asia, excluding China:** 32% of CFOs view the current economy as good or very good, up from 34% in 3Q21; 37% indicate improvement a year out, down from 53% in 3Q21.
- **South America**: 9% of CFOs rate the current economy as good (0% very good), up from 5% in 3Q21; 12% expect improvement in the economy 12 months out, down from 3Q21's 23%.

Views on North America's economy

Economy optimism

	Good now		Better in a year		Last quarter	2-yr. avg
North America	↘	72%	↘	45%	78/54	45/54
Europe	↗	33%	↘	40%	27/48	13/35
China	↘	29%	↘	28%	52/55	36/48
Asia, excl. China	↘	32%	↘	37%	34/53	NA**
South America	↗	9%	↘	12%	5/23	NA**

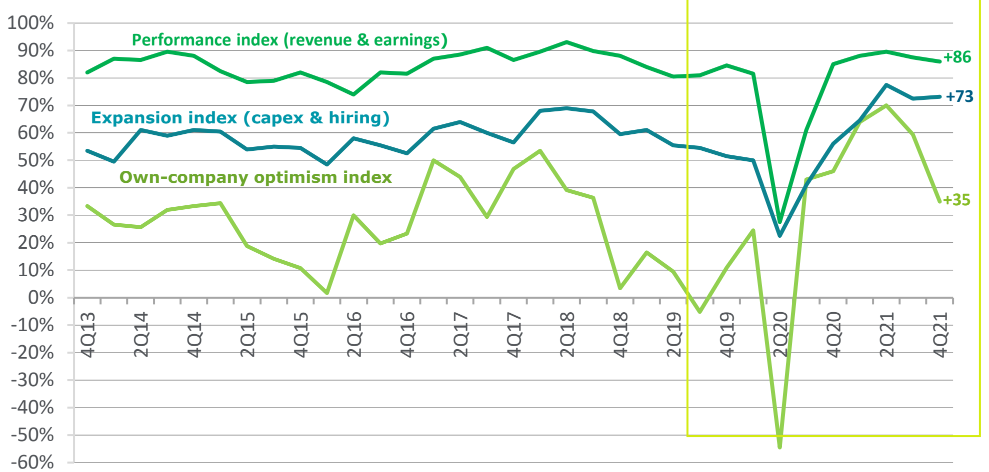
*US GDP = percent change from preceding quarter in real US gross domestic product (source: Bureau of Economic Analysis table 1.1.1)

**Two-year average comparisons are not available because 3Q21 was the first time *CFO Signals* asked CFOs for their assessments of the economies of Asia, excluding China, and of South America.

Company outlook

- The **own-company optimism index** (percent of CFOs citing rising optimism regarding their companies' prospects minus the percent citing falling optimism) fell to +35 from +59 in 3Q21, with Energy/Resources CFOs being the most optimistic and Manufacturing CFOs the least optimistic.
- The **performance index** (average of percentages of CFOs citing positive YOY revenue and earnings growth) fell slightly to +86 from +87.5 in 3Q21. The Energy/Resources and Manufacturing industries led the index.
- The **expansion index** (average of percentages of CFOs citing positive YOY growth in capital spending and domestic hiring) rose slightly to +73 from +72 in 3Q21. The Retail/Wholesale and Manufacturing industries ranked highest on the index.

Company indexes



Company optimism and growth

		This quarter	Last quarter	2-yr. avg.
Own-company optimism (net)	↘	+35	+59	+36
Revenue growth (YOY)	↘	7.8%	8.5%	4.8%
Earnings growth (YOY)	↘	9.6%	12.6%	6.7%
Capital investment growth (YOY)	↗	11.5%	8.8%	5.1%
Domestic personnel growth (YOY)	↗	5.8%	4.8%	1.8%

4Q21 HIGHLIGHTS—ASSESSMENTS OF REGIONAL ECONOMIES

Compared to the prior quarter, CFOs hold dimmer views of current economic conditions in North America, China, and Asia, excluding China, while indicating somewhat more positive views of current economic conditions in Europe and South America.

Looking a year ahead, CFOs lowered their assessments of all the regional economies tracked by *CFO Signals,* compared to the previous quarter, although by different degrees. For example, their assessments of North America's economy 12 months out declined by nine percentage points, for Europe by eight percentage points, and for China by 27 percentage points. CFOs also lowered their assessments of the economy of Asia outside of China by 16 percentage points when looking a year out and by 11 percentage points with regard to South America's future economy. *Note: The survey was conducted prior to news of the Omicron variant outbreaks.*

North America

Current conditions: **55%** good and **17%** very good
(**72%** total—down slightly from **78%** in 3Q21)
2% bad

A year from now: **38%** better and **7%** much better
(**45%** total—down from **54%** in 3Q21)
16% worse

Europe

Current conditions: **31%** good and **2%** very good
(**33%** total—up from **27%** in 3Q21)
12% bad

A year from now: **37%** better and **3%** much better
(**40%** total—down from **48%** in 3Q21)
11% worse

China

Current conditions: **28%** good and **1%** very good
(**29%** total—down from **52%** in 3Q21)
21% bad

A year from now: **26%** better and **2%** much better
(**28%** total—down from **55%** in 3Q21)
17% worse

Asia, excluding China*

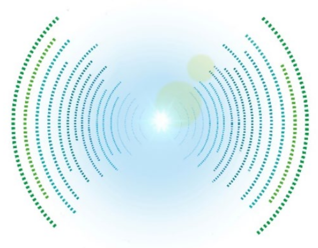
Current conditions: **30%** good and **2%** very good
(**32%** total—down slightly from **34%** in 3Q21)
10% bad

A year from now: **35%** better and **2%** much better
(**37%** total—down from **53%** in 3Q21)
10% worse

South America*

Current conditions: **9%** good and **0%** very good
(**9%** total—up from **5%** in 3Q21)
49% bad

A year from now: **11%** better and **1%** much better
(**12%** total—down from **23%** in 3Q21)
30% worse



**CFO Signals* first asked CFOs for their assessments of Asia, excluding China, and of South America in 3Q21.

4Q21 HIGHLIGHTS OF CORE SURVEY QUESTIONS AND RESPONSES

CFOs lowered their expectations for year-over-year growth for revenue, earnings, and dividends, compared to 3Q21, perhaps due to ongoing concerns over supply chain challenges and inflation. At the same time, they increased their YOY growth expectations for capital spending, domestic hiring, and domestic wages and salaries as organizations continue to feel the heat to innovate and compete in the war for talent.

Assessments of the business environment and capital markets

How do you regard the current and future status of the following economies—North America, Europe, China, Asia (other than China), and South America? When assessing the *current status* of the five regional economies, 72% of CFOs ranked North America as good or very good, down from 78% in 3Q21. Twenty-nine percent of CFOs noted China's current economy as good or very good, a decline from 52% in the prior quarter. CFOs raised their sentiment toward Europe's economy, with 33% citing it as good or very good, up from 27% in 3Q21, and 32% of CFOs consider the economy of Asia, excluding China, to be good or very good, while 9% said the same for South America's economy.

Considering the regional economies 12 months out, CFOs were generally less positive. Forty-five percent of CFOs expect North America's economy to be better or much better a year from now, down from 54% in the prior quarter. Forty percent of CFOs believe Europe's economy will be better in 12 months, a decline from 48% in 3Q21. CFOs' assessment of China's economy a year out also declined, with 28% expecting it to be better or much better, compared to 55% in the prior quarter. More than one-third of CFOs (37%) expect Asia's economy, excluding China, to improve in 12 months, down from 53% in 3Q21. Just 12% of CFOs expect South America's economy to improve in the same time period. See page 10 for charts.

What is your perception of the capital markets? Eighty-eight percent of CFOs indicated US equity markets are overvalued, up from 82%, in the prior quarter. For 88% of CFOs, debt financing was attractive, down slightly from 92% in the 3Q21 survey. Equity financing's attractiveness dipped to 51% from 54% in the prior quarter. See pages 11-12 for more details.

CFOs' expectations for growth in key metrics and views on financial prospects and risks

How do you expect your key operating metrics to change over the next 12 months? CFOs lowered their expectations for year-over-year growth for revenue, earnings, and dividends, compared to the prior quarter:

- **Revenue growth expectations** declined to 7.8% from 8.5% in 3Q21.
- **Earnings growth expectations** fell to 9.6% from 12.6% in 3Q21.
- **Dividend growth expectations** dipped to 3.7% from 3.8% in 3Q21.

Meanwhile, CFOs raised their YOY growth expectations for capital spending, domestic hiring, and domestic wages and salaries from the prior quarter:

- **Capital spending growth expectations** increased to 11.5% from 8.8% in 3Q21.
- **Domestic hiring growth expectations** rose to 5.8% from 4.8% in 3Q21.
- **Domestic wages/salaries growth expectations** increased to 5.2% from 4.3% in 3Q21.

See page 16 for more details, including a breakdown by country and industry.

Compared to three months ago, how do you feel about your company's financial prospects? Nearly half (49%) of CFOs indicated they are somewhat or significantly more optimistic about their companies' financial prospects. That is a notable decline from 66% in the prior quarter. Energy/Resources industry CFOs were the most optimistic (75%), up from 50% in 3Q21, followed by Retail/Wholesale (64%), Services (63%), Technology (54%), and Financial Services (52%). While no one expressed significantly less optimism, some CFOs were somewhat less optimistic, including those in Manufacturing (28%), Technology (23%), and Healthcare/Pharma (20%). See page 15 for details.

Is this a good time to be taking greater risks? Fifty-seven percent of CFOs indicated now is a good time to be taking greater risks, down from 65% in the two prior quarters. See page 13 for details.

What internal and external risks worry you the most? Regarding internal risks, talent/labor continues to be CFOs' leading internal risk, especially with respect to hiring, retention, attrition, burnout, employee well-being, and development. Related to talent were wage inflation and return-to-work challenges, including the hybrid work model. CFOs also expressed concern over strategy execution, technology and the pace of digitalization and innovation, cost containment, and management capacity, among other issues.

With respect to external risks, CFOs ranked inflation, including wage inflation, and supply chain issues as their top external concerns, with half of respondents citing inflation and almost one-third mentioning supply chain. Policies and regulation was the next highest category, including changes in fiscal policies and government reform measures. Geopolitical worries, COVID-19 (with an emphasis on new variants and vaccine mandates), and cybersecurity risks followed. See page 14 for more details.

Talent/labor dominates CFOs' internal risk worries, while inflation and supply chain issues are their top external risk concerns.

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

4Q21 SPECIAL TOPIC AT A GLANCE: MONETARY AND TAX POLICIES

Three-quarters of CFOs expect an increase in the US federal funds rate to range between .26% and 1.0%, with about half of those CFOs indicating a rate increase between .25% and 0.5%, and the other half expecting an increase between .51% and 1.0%. Almost one-quarter of CFOs surveyed expect the increase to take place in the first quarter of 2022, while nearly half expect the rate increase to occur in the second quarter of 2022.

For the most part, CFOs also indicated that the global tax agreement would have minimal impact on their current offshoring arrangements.

What are your expectations related to monetary and tax policies?

Federal funds interest rate—how much might it rise?

As the Federal Reserve signals plans to increase the interest rate for US federal funds, CFOs weighed in on the range of the increase and the timing. Eight percent of CFOs see the range somewhere between .05% and .25%. More than one-third (37%) expect it to land between .26% and .50%. Slightly more (38%) believe the target interest rate will range between .51% and 1.0%. Another 15% of CFOs expect it to end up somewhere between 1.1% to 2.0%, and 3% expect the rate increase could be higher—between 2.1% and 3.0%.

When might the increase take place?

As far as when the interest rate increase might occur, nearly one-fourth of CFOs (23%) indicated the first quarter of 2022. Almost half of CFOs (46%) projected the increase to take place in the second quarter of the new year, while 23% estimated the rise in the interest rate to take effect in the third quarter of 2022. A smaller percentage of CFOs—8%—expect the rate increase to take place in the fourth quarter of 2022.

Impact of the global tax agreement on companies' offshoring arrangements

Last July, 136 countries signed a global tax agreement that would set a minimum corporate tax rate of 15% as part of negotiations spearheaded by the Organisation for Economic Co-operation and Development.

When CFOs were asked how the agreement might impact their companies' offshoring arrangements, 96% of 124 respondents said the agreement would have no impact on current offshoring arrangements, and no changes would be made as a result of the agreement. Two percent of CFOs said they would increase offshoring as a result of the agreement. Another 2% said they would decrease offshoring arrangements. Meanwhile, no one indicated plans to shift current offshoring arrangements to other regions.

Three-quarters of CFOs expect the target interest rate for US federal funds to be increased in 2022 and to range between .26% and .50% or .51% and 1.0%. While nearly half (46%) expect the rate increase to occur in the second quarter, 23% of CFOs each expect the increase to take place in either the first or third quarter.

4Q21 SPECIAL TOPIC AT A GLANCE: CFO PRIORITIES AND 2022 COMPANY EXPECTATIONS

CFOs staked out their top three priorities for 2022: Talent/labor (by a wide margin), financial performance, and growth. Overall, CFOs believe consumer spending and business investment will grow, and they expect increases—often substantial—in various cost inputs, some of which they may offset through pricing. CFOs also report that their organizations will focus on new markets inside North America, and they will continue to use the hybrid work model.

What are your priorities as CFO for 2022?

The priorities most frequently cited by CFOs were talent/labor, financial performance, and growth. These top three priorities, taken together with their fourth pick, strategy setting, underscore CFOs' expanding breadth of responsibilities, as discussed in the 3Q21 *CFO Signals* survey.

Talent/labor: Reflecting on the challenges of return-to-work—hybrid or otherwise—and the Great Resignation, the number of times CFOs cited talent/labor and related issues heavily outweighed other priorities for 2022. "Retention, retention, retention" was a resounding refrain, including through wages and incentives. Some CFOs also noted the importance of attracting new talent (and the right talent) and developing and upskilling current talent.

Financial performance: CFOs are laser focused on improving their companies' bottom lines, and they plan to use a range of levers, such as increasing margins; improving pricing, including to navigate inflation; managing profitability; sharpening EBITDA; increasing efficiencies; and hitting transformational milestones.

Growth: This priority was the third most frequently mentioned by CFOs, with an emphasis on generating more revenue, increasing sales, optimizing the capital structure to finance growth strategies, investing in growth opportunities, and supporting new product launches. CFOs also noted a focus on pursuing both organic and inorganic opportunities—within their organization's risk appetite.

Other priorities CFOs mentioned frequently included:

- Strategy setting, including positioning their organizations for the post-pandemic environment;
- Cost management, particularly in light of CFOs' expectations for higher costs of various inputs, such as talent, oil/fuel, other supplies, and inflation;
- Capital allocation, especially to be opportunistic to fund strategy; and
- IT infrastructure with a focus on improvement and modernization.

CFOs also noted a few more specific priorities, such as preparing for new regulations, including ESG accounting and disclosures; enhancing processes and operations; undertaking transformation, both within finance and enterprise-wide; and increasing the use of data analytics and AI. See page 18 for more details.

What are your expectations for the North American macroeconomic environment in 2022?

Demand: The majority of CFOs expect consumer spending (55%) and business investment (63%) to increase in 2022; 39% of CFOs believe individual investment will increase.

Input costs: Overwhelmingly, CFOs (97%) agree that talent/labor costs will increase substantially in 2022. Sixty-two percent of CFOs expect oil/fuel prices to increase beyond 2021 levels, and nearly three-fourths of CFOs say materials costs will substantially increase in 2022. More than half (59%) of CFOs indicate that inflation will be substantially higher by the end of 2022, and 63% believe that supply chain costs will increase in 2022. See page 19 for more details.

What are your expectations for your company in 2022?

Capital: Half of CFOs say they will repurchase shares in 2022; 37% report they will take on new debt; and 22% expect to reduce or pay down a significant proportion of their bonds/debt. More than three-fourths of CFOs report plans to allocate/reallocate capital to new business investments.

Growth: Almost three-quarters (72%) of CFOs indicate their range of products/services will expand in 2022. More than half (58%) say their organizations will raise their focus on new markets *inside* North America, while 40% expect to raise their focus on new markets *outside* North America. More than three-fourths (76%) of CFOs indicate their organizations will raise prices for a substantial portion of their products/services to offset inflation. In addition, 67% of CFOs say their organizations plan to pursue M&A and joint venture opportunities.

Operations: Ninety-two percent of CFOs indicate their organizations will have more automation and technologies embedded in operations, and 34% expect to increase outsourcing of operations. Forty-one percent of CFOs expect their organizations to have a smaller real estate footprint, while 88% say their organizations will use a hybrid work model consisting of on-site and work from home in 2022. More than half (52%) of CFOs indicate their organizations will require employees to be vaccinated against COVID-19 to work on-site, with the exception for medical or religious reasons, and 57% will require frequent COVID-19 testing of employees who are not vaccinated. See page 20 for more details.

CFOs named talent/labor, financial performance, and growth as their top three priorities for 2022, followed by strategy setting, cost management, capital allocation, and IT infrastructure.

4Q21 SPECIAL TOPIC AT A GLANCE: C-SUITE RELATIONSHIPS

CFOs rank the CEO, Business Unit leaders or presidents, the Chief Operations Officer (COO), and the Chief Information/Technology Officer as the C-suite relationships most important to their own personal success and as having the most impact on their companies, whether from a financial or nonfinancial standpoint.

The importance of C-suite roles to CFOs' personal success

CFOs' relationships with others in the C-suite are critical to their success and effectiveness as their companies' Chief Financial Officer. When CFOs were asked to rank C-suite relationships in terms of importance to their personal success, CFOs ranked the top five as follows:

- Chief Executive Officer
- Business Unit leaders or presidents
- Chief Operations Officer
- Chief Information/Technology Officer
- Board directors, including the Audit Committee

The above roles were followed by:

- Chief Talent/HR Officer or equivalent
- Chief Strategy Officer
- Chief Legal Counsel or equivalent
- Chief Marketing Officer

Some CFOs cited other types of roles that are important to their personal success, including others within the finance organization, Division CFOs, the Chief Accounting Officer, and SVP-Regulatory.

The C-suite roles that have the most impact on CFOs' companies

CFOs also cited the Chief Executive Officer, Business Unit leaders or presidents, the Chief Operations Officer, and the Chief Information/Technology Officer as the top four roles having the greatest impact on their companies, from either a financial or nonfinancial standpoint. The Chief Talent Officer/HR equivalent was ranked fifth.

Other roles selected were Chief Strategy Officer (sixth), Board directors, including Audit Committee (seventh), Chief Marketing Officer (eighth), and Chief Legal Counsel or equivalent (ninth). In addition, CFOs mentioned leaders in sales, research & development, business development, investor relations, and other functions as having the most impact on their companies. See page 21 for more details.

Approximate number of hours per month CFOs spend with the other C-suite roles individually

CFOs indicated they spend the most time per month with CEOs (25.4 hours on average), followed by 18.3 hours on average with Business Unit leaders or presidents. On average, they spend 16.5 hours with their companies' Chief Operations Officer and 12.3 hours with their Chief Legal Counsel or equivalent.

CFOs noted they spend an average of 11 hours per momth with each of their Chief Information/Technology Officer and Chief Talent/HR Officer or equivalent. The average amount of time spent monthly with their companies' Chief Strategy Officer is 10.3 hours, while they spend 7.7 hours with their Chief Marketing Officer and 5.1 hours with Board directors, including the Audit Committee.

The one relationship CFOs would like to improve most to be more effective

One-quarter of CFOs indicated they would like to improve their relationship with the Business Unit leaders most, followed by 21% of CFOs who selected the CEO as the relationship they would like to improve most. Sixteen percent of CFOs indicated the Chief Information/Technology Officer, and 12% identified the Chief Operations Officer as the relationship they would like to improve most. Another 8% indicated Board directors, including the Audit Committee. Four percent of CFOs each selected the Chief Strategy Officer, Chief Legal Counsel or equivalent, Chief Talent/HR Officer or equivalent, and Chief Marketing Officer. And a few CFOs noted their relationships with their C-suite network do not need improving. See page 22 for more details.

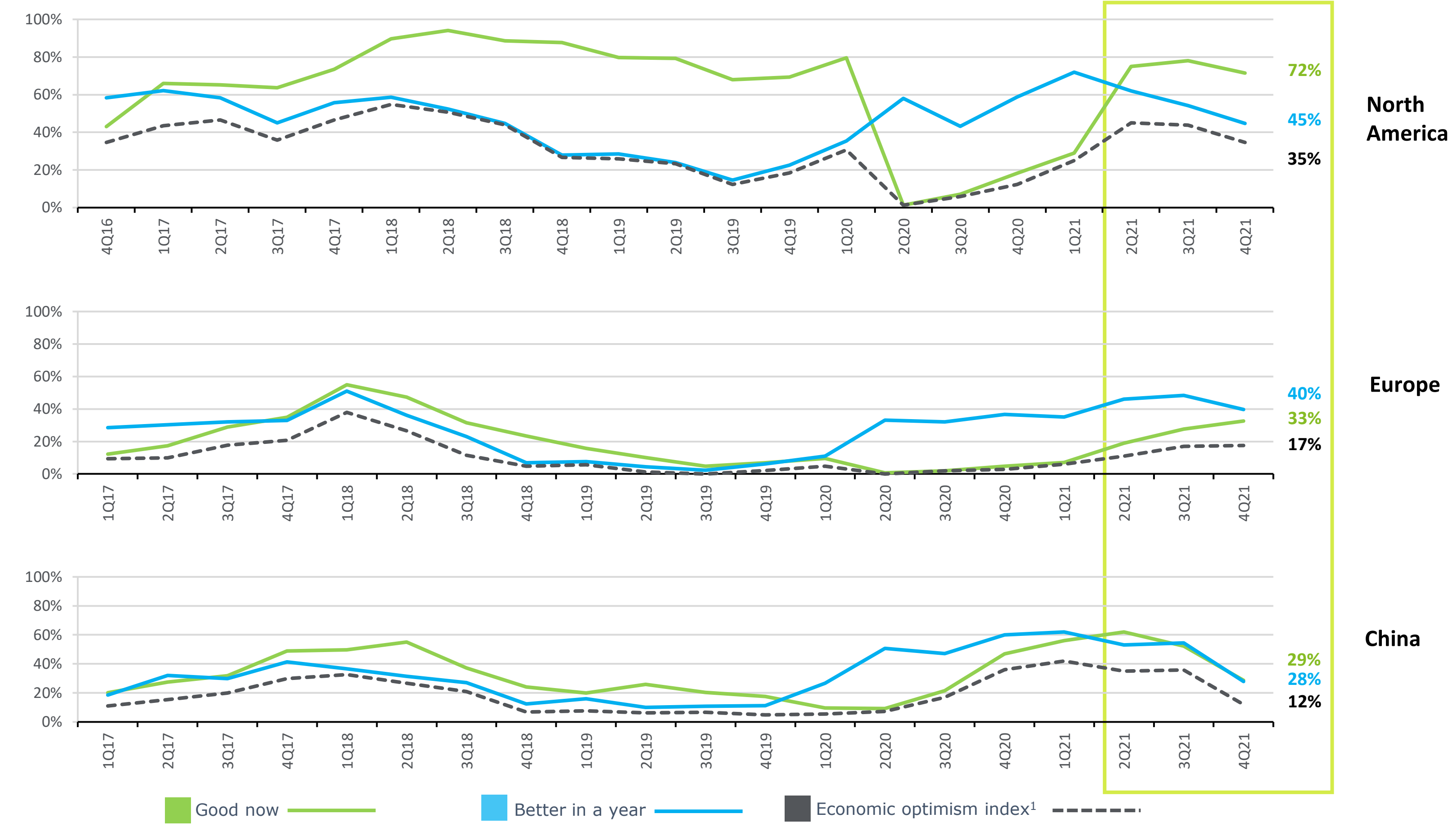
The CEO, Business Unit leaders or presidents, the Chief Operations Officer, and the Chief Information/Technology Officer are viewed as being the most important to CFOs' personal success and having the greatest impact on their companies from either a financial or nonfinancial standpoint.

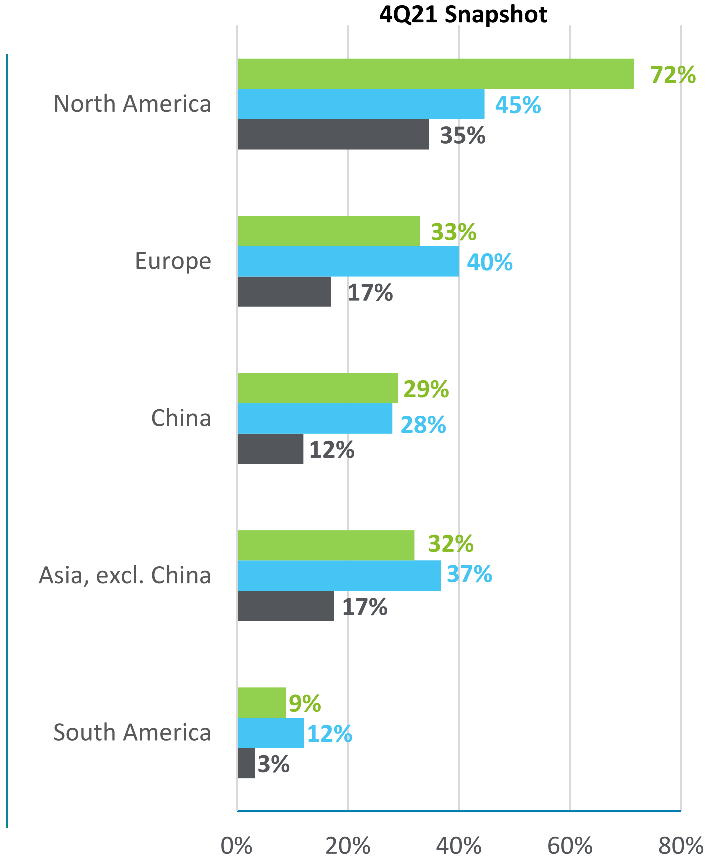
ASSESSMENTS OF REGIONAL ECONOMIES

The percentage of CFOs rating North America's current economy as good and expecting future economic conditions to be better a year out fell compared to 3Q21. There also was a considerable decline from the prior quarter in the percentage of CFOs who see current economic conditions in China as good and expect the economy to improve in 12 months.

- **North America:** 72% of CFOs cite current economic conditions as good or very good, down from 78% in the prior quarter. Those expecting improved conditions a year out fell to 45% from 54% in 3Q21.
- **Europe:** More CFOs view Europe's current conditions as good or very good (33%, up from 27% in 3Q21); 40% expect improved conditions in a year, a decrease from 48% in the prior quarter.
- **China:** 29% of CFOs see current conditions as good or very good, a significant decline from 52% in 3Q21, and 28% of CFOs expect China's economic conditions to be better in a year, down from 55% in 3Q21.
- **Asia, excluding China**: 32% of CFOs consider current conditions to be good or very good, down slightly from 34% in 3Q21, while 37% expect conditions to improve in a year, a drop from 53% in 3Q21.
- **South America**: 9% of CFOs assess current conditions as good or very good, up from 5% in 3Q21, and 12% expect conditions to be better in a year, a decline from 23% the prior quarter.

How do you regard the current and future status of the following economies: North America; Europe; China; Asia, excluding China; and South America?





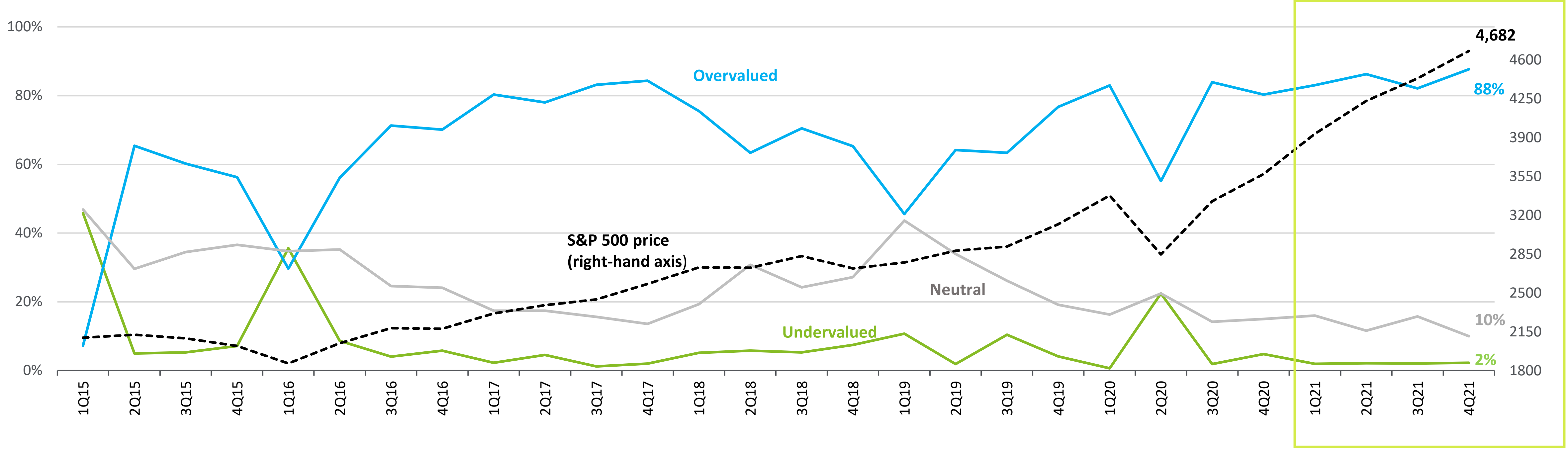
 ¹ Indexes reflect the percentage of respondents who rate current economic conditions as "good" or "very good" and who also expect "better" or "much better" conditions in a year.

ASSESSMENTS OF CAPITAL MARKETS AND RISK: VALUATION OF US EQUITY MARKETS

US equities continued their upward climb during the open period of the 4Q21 survey, and 88% of CFOs surveyed consider them to be overvalued. That's more than the survey high of 86% of CFOs who said US equities were overvalued in the second quarter of 2021.

- While 88% of the 130 CFOs surveyed regard US equity markets valuations as overvalued, up from 82% in 3Q21, 2% of CFOs indicated they view them as undervalued.
- CFOs in the Telecom/Media/Entertainment (T/M/E) (100%), Services (95%), Financial Services (94%), and Technology (92%) industries were the most likely to view markets as overvalued.
- At the midpoint of our 3Q21 survey data collection on August 6, 2021, the S&P 500 stood at 4,436. It moved to 4,682 at the midpoint of our 4Q21 survey data collection window on November 15, 2021.

How do you regard US equity markets valuations?
Percent of CFOs saying US equity markets are overvalued, undervalued, or neither (responses are compared to S&P 500 at survey midpoint)



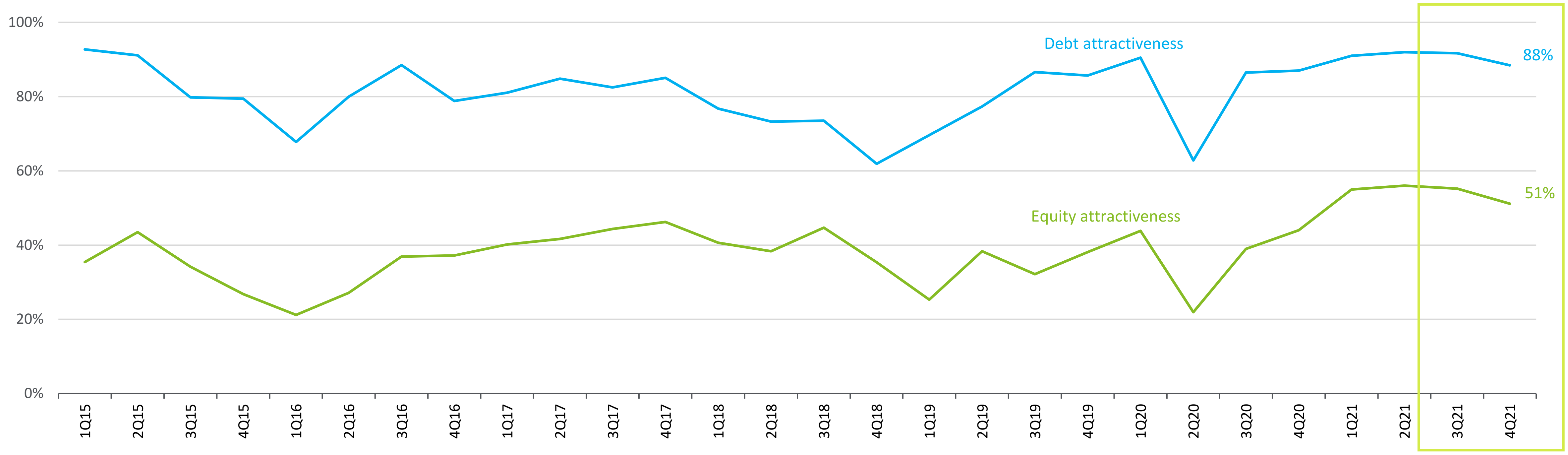
ASSESSMENTS OF CAPITAL MARKETS AND RISK: ATTRACTIVENESS OF DEBT AND EQUITY FINANCING

Amid the Federal Reserve's talk of increasing the US federal fund rate—and against the backdrop of rising inflation—CFOs' views of the attractiveness of both debt and equity financing fell slightly compared to the prior quarter.

- Despite ongoing low interest rates (the US Fed has held the target rate range at 0%-0.25% as of July 28, 2021), debt attractiveness among CFOs slightly decreased to 88% from 92% in the prior quarter. 89% of public company CFOs view debt financing as attractive, down from 96% in 3Q21. Among private companies, 86% of CFOs view debt financing as attractive, compared to 80% in the prior quarter.
- CFOs' views on equity financing's attractiveness fell to 51% in this quarter's survey from 55% in 3Q21. Among public companies, 52% of CFOs regard equity financing as attractive, down from 54% in the prior quarter. Half (50%) of private companies consider equity financing as attractive, down from 59% in 3Q21.
- From an industry perspective, T/M/E (33%) CFOs found debt financing less attractive than other industry CFOs, while Technology (38%) and T/M/E (33%) CFOs found equity financing less attractive than their counterparts in other industries.

How do you regard debt/equity financing attractiveness?

Percent of CFOs citing debt and equity attractiveness (both public and private companies)

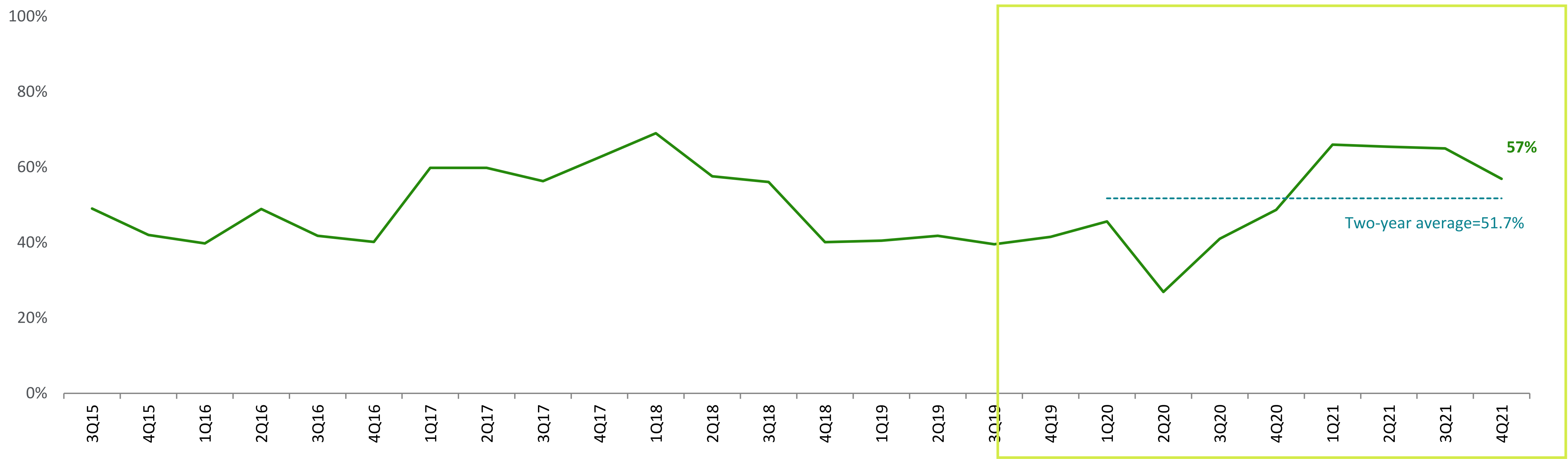


ASSESSMENTS OF MARKETS AND RISK: RISK APPETITE

Slightly more than half (57%) of surveyed CFOs say now is a good time to take on greater risk. That's a drop from 65% in the two prior quarters, but still above the two-year average of 51.7%.

- The 43% of CFOs who say now is not a good time to be taking greater risks likely reflects the challenges they face in recruiting and retaining talent, ongoing supply chain issues, inflation increases, and concerns over COVID-19 and its variants. *Note: There are likely concerns over the Omicron variant; however, the survey was conducted before the news of its outbreak.*
- CFOs in the following industries were most inclined toward risk-taking: T/M/E (100%), Services (84%), and Retail/Wholesale (71%).
- CFOs who said this is not a good time to be taking greater risks were primarily in the Energy/Resources (75%) and Healthcare/Pharma (60%) industries.

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 risks



ASSESSMENTS OF MARKETS AND RISK: MOST WORRISOME INTERNAL AND EXTERNAL RISKS

Attracting and retaining talent/labor and wage inflation, along with strategy execution and the pace of technology developments and innovation, are the internal risks that worry CFOs most. Inflation, supply chain challenges, potential policy and regulatory changes, as well as COVID-19 and its variants, rank among CFOs' top external worries.

- **Most worrisome internal risk?** Talent/labor—and several related issues, including attrition, burnout, and wage inflation—has become an even greater concern of CFOs this quarter, and the challenges to attract and retain talent could impinge on their organizations' ability to execute their strategy on schedule. A few CFOs expressed concerns for management's own capacity and ongoing competency development. CFOs also frequently cited keeping up with the pace of digitalization and other technology changes as a major internal risk concern.
- **Most worrisome external risk?** Inflation topped CFOs' most worrisome risks, followed by supply chain issues and potential changes in government policies and regulations. Again, CFOs see talent/labor and wage inflation as significant external risks, not just internal ones. COVID-19 and its variants, cybersecurity, and geopolitical developments also stand out as significant external risks.

Which internal risk worries you most? *(Key themes)*

Wage inflation
Succession planning
Capital allocation
Financial performance
Hybrid working model
Employee wellbeing
Talent/labor
Retention
Cybersecurity
Productivity
Strategy execution
Transformation
Growth
Covid-19
Burnout
Attrition
Supply chain
Pace of digitalization
Cost Management
Technology & innovation

Which external risk worries you most? *(Key themes)*

New Covid-19 variants
Interest rates
China's impact on the economy
Talent/labor shortage
Covid-19
Geopolitical
Consumer spending
Political unrest
Raw materials shortage
Inflation
Vaccine mandates
Wage inflation
Policies & regulations
Industry competition
Taxes
Capital markets
Geopolitical
Supply chain
Cybersecurity
Government spending
Economy

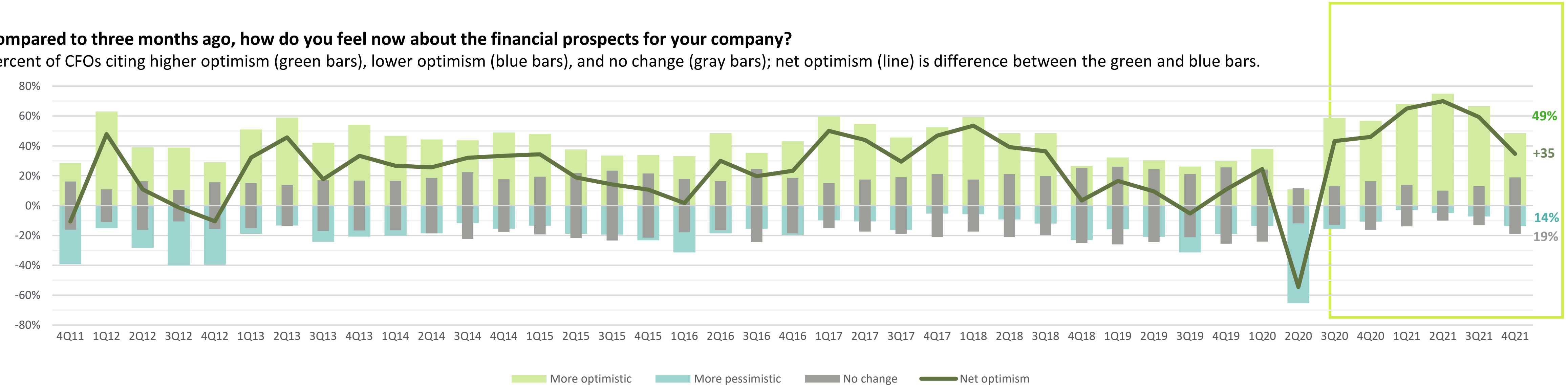
EXPECTATIONS FOR OWN COMPANY'S FINANCIAL PROSPECTS

About half of CFOs expressed more optimism for their companies' financial prospects compared to the three months prior to the survey launch in early November. That is a notable decline from 66% in the prior quarter and the prior year's fourth-quarter tally of 57%.

- This quarter's net optimism is +35, as nearly 14% of CFOs indicated declining optimism versus the 49% of CFOs who expressed rising optimism.
- Net optimism among US CFOs decreased to +37 this quarter from 3Q21's +55. Among CFOs of Canadian companies, net optimism decreased to +0 from +71 last quarter, as most Canadian respondents indicated broadly unchanged optimism. The net optimism of CFOs from Mexican companies decreased to +60 from +100 in 3Q21. *Note: Only 8% and 4% of participants were from Canada and Mexico, respectively, so the sample size was much smaller than for the US.*
- The highest levels of net optimism were in the Energy/Resources (+63), Services (+58), and Financial Services (+52) industries. Healthcare/Pharma and Manufacturing had the lowest levels of net optimism at +10 and +0, respectively.

Compared to three months ago, how do you feel now about the financial prospects for your company?

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

Total	Mexico	Canada	US	Technology	Retail/ Wholesale	Healthcare/ Pharma	Manufacturing	Financial Services	Services	Energy/ Resources	T/M/E
+35	+60	+0	+37	+31	+50	+10	+0	+52	+58	+63	+33

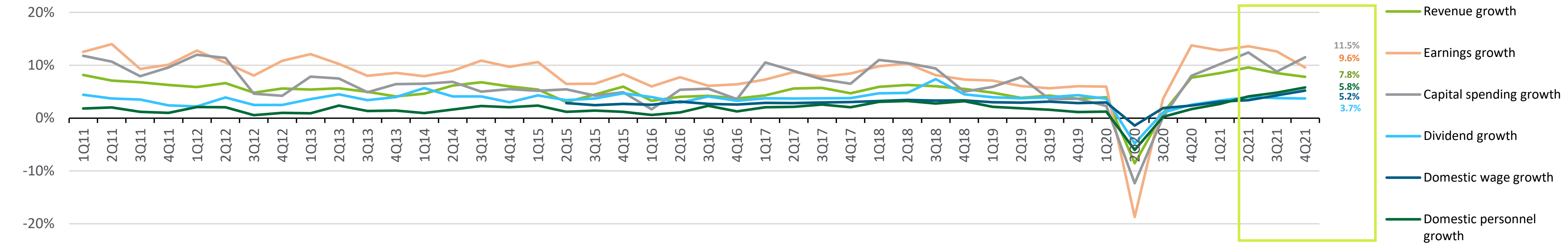
EXPECTATIONS FOR GROWTH IN KEY METRICS, YEAR OVER YEAR

While CFOs lowered their YOY growth expectations for revenue, earnings, and dividends, they raised them for capital spending, domestic hiring, and domestic wages/salaries, possibly in expectation of the passage of the Infrastructure Investment and Jobs Act and in response to the strong competition for talent/labor.

- **Revenue growth** decreased to 7.8% from 8.5% in 3Q21. CFOs in Retail/Wholesale (11.7%), Technology (8.9%), and Energy/Resources (8.3%) reported the highest expectations.
- **Earnings growth** fell to 9.6% from 12.6% in 3Q21. The highest expectations for earnings growth were reported by Retail/Wholesale (15.6%), Technology (11.8%), and Manufacturing (11.4%), while the lowest was reported by Healthcare/Pharma (1.7%).
- **Capital spending growth** saw a rise to 11.5% from 8.8% in 3Q21. CFOs in Retail/Wholesale (23.5%), Manufacturing (12.3%), and Services (11.6%) indicated the highest expectations for spending growth.
- **Dividend growth** inched slightly down to 3.7% from 3.8% in 3Q21. Industries expecting the greatest growth in dividends were Healthcare/Pharma (5.1%) and Retail/Wholesale (4.6%).
- **Domestic hiring** rose to 5.8% from 4.8% in 3Q21. Retail/Wholesale (9.1%), Services (7.3%), and Technology (6.6%) indicated the strongest growth expectations for domestic hiring.
- **Domestic wages/salaries** increased to 5.2% from 4.3% in 3Q21. CFOs in Retail/Wholesale (7.4%), Services (5.6%), and Financial Services (5.5%) noted the highest growth expectations for this metric.

Performance and investment expectations

Compared to the past 12 months, how do you expect key metrics to change over the next 12 months?



Growth expectations by country and industry

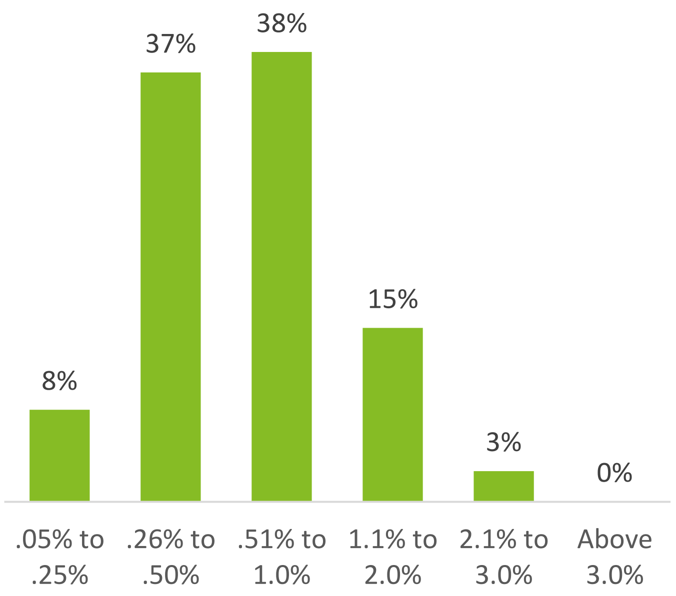
	Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	7.8%	7.8%	6.6%	8.6%	7.8%	11.7%	8.9%	8.3%	6.5%	5.5%	7.3%	7.4%
Earnings	9.6%	9.6%	13.0%	8.8%	11.4%	15.6%	11.8%	8.7%	6.9%	1.7%	9.0%	9.9%
Capital spending	11.5%	11.0%	21.0%	12.5%	12.3%	23.5%	9.6%	2.1%	9.2%	10.9%	3.3%	11.6%
Dividends	3.7%	3.5%	5.6%	5.4%	4.3%	4.6%	1.0%	3.1%	4.2%	5.1%	0.7%	2.7%
Domestic hiring	5.8%	6.0%	2.4%	6.3%	5.2%	9.1%	6.6%	1.8%	5.4%	5.3%	0.0%	7.3%
Domestic wages/salaries	5.2%	5.3%	5.2%	4.6%	4.6%	7.4%	4.7%	3.6%	5.5%	4.8%	4.3%	5.6%

SPECIAL TOPIC: MONETARY AND TAX POLCY DEVELOPMENTS

Three-quarters of CFOs expect the Federal Reserve to raise the target interest rate for US federal funds to range between .26% and 1.0%. As far as timing of the rate increase, nearly half of CFOs expect it to occur in the second quarter of 2022.

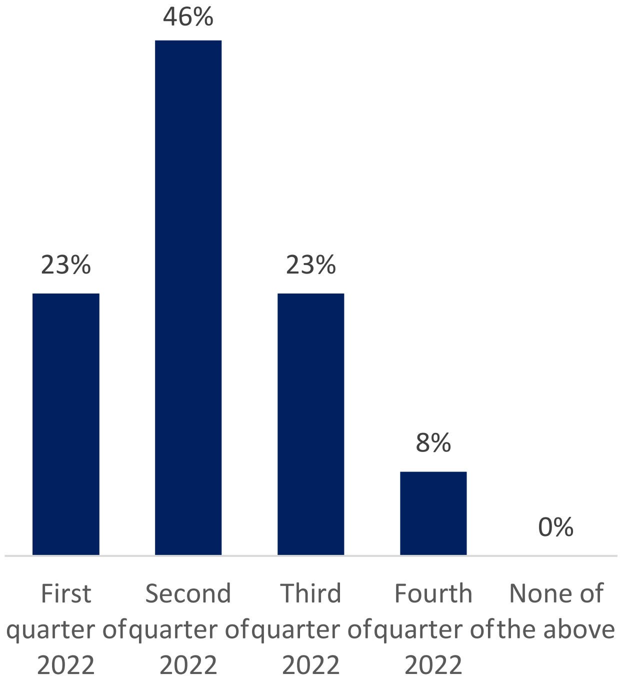
- Thirty-eight percent of CFOs expect the target interest rate to lie between .51% and 1.0%; 37% expect it could be between .26% and .50%.
- Fifteen percent of CFOs think the rate increase could be higher—between 1.1% and 2.0%.
- A smaller percentage of CFOs (3%) think the rate could be raised as high as 3.0%, while 8% of CFOs think the rate could be between .05% and .25%.
- With respect to the timing of the rate increase, 46% of CFOs expect it to occur in the second quarter of 2022, while 23% each believe the rate increase will take place in either the first or third quarter of 2022. Eight percent of CFOs peg the rate increase at the fourth quarter of 2022.
- The vast majority of CFOs (96%) are not making any plans to adjust their offshoring arrangements as a result of the global tax agreement spearheaded by the Organisation for Economic Co-operation and Development, which set a minimum corporate tax rate of 15%. Meanwhile, 2% of CFOs said they would increase offshoring, and another 2% indicated they would decrease it.

In 2022, I expect the target interest rate for US federal funds to be within the following range: (N=115)*



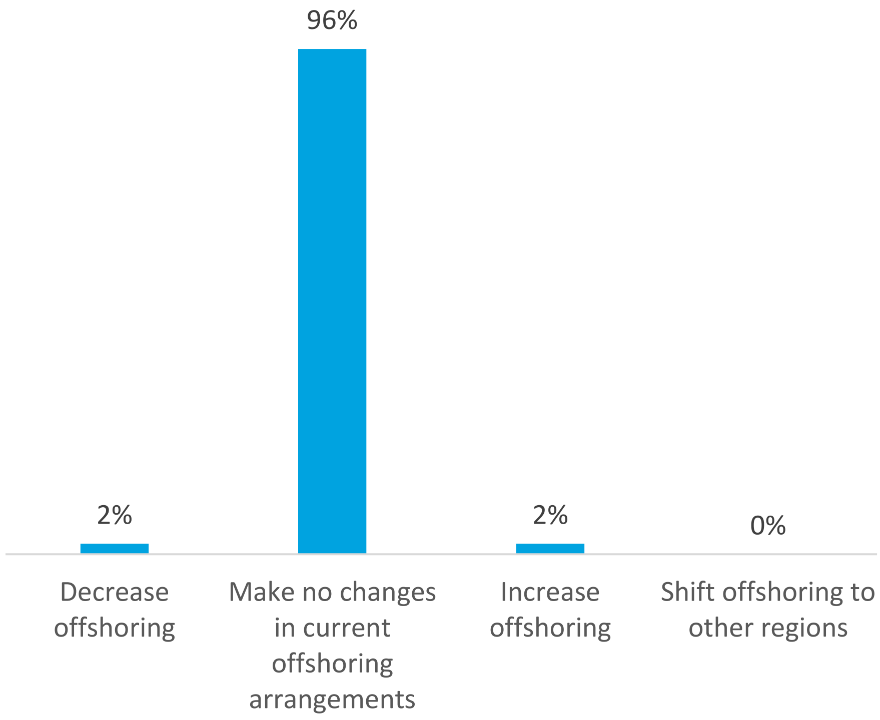
*115 (89%) of 130 respondents answered. Totals do not add to 100% due to rounding.

I expect the target interest rate for US federal funds to be increased in: (N=120)*



*120 (92%) of 130 respondents answered.

As a result of the global tax agreement, which set a minimum corporate tax of 15%, I expect my company would: (N=124)*



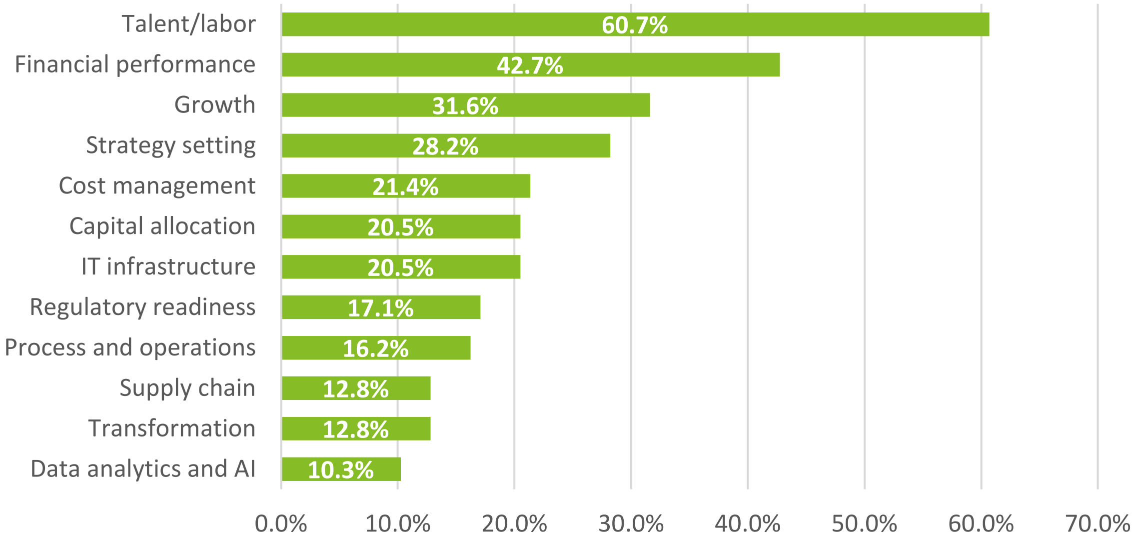
*124 (95%) of 130 respondents answered.

SPECIAL TOPIC: CFOS' TOP THREE PRIORITIES FOR 2022

CFOs juggle a large number of responsibilities and initiatives, but when we asked them to identify *their top three priorities for 2022*, they zeroed in on talent/labor, financial performance, and growth. Strategy setting, cost management, capital allocation, and IT infrastructure followed.

- Reflecting the challenges of return-to-work—hybrid or otherwise—and the Great Resignation, the number of times CFOs cited talent/labor and related issues heavily outweighed other priorities for 2022. "Retention, retention, retention" was a resounding refrain, including through wages and incentives. Some CFOs also noted the importance of attracting new talent (and the right talent) and developing and upskilling current talent.
- Financial performance was the next most often mentioned priority for the new year, and CFOs plan to use a range of levers to enhance it, such as increasing margins, improving pricing to navigate inflation concerns, managing profitability, focusing on EBITDA, and hitting transformational milestones.
- Growth was the third most dominant theme among CFOs' priorities for 2022.
- Strategy setting, cost management, capital allocation, and IT infrastructure were the next major categories of CFO priorities in 2022.
- CFOs wrote in several other priorities with nearly the same level of frequency: Data analytics and AI for improved forecasting and decision-making; supply chains; M&A, including integration; process and operations efficiency; and transformation, notably digital transformation and to a lesser extent finance transformation.

What are your top three priorities as CFO for 2022? Percent of CFOs selecting each type (N=117)*



*117 (90%) of respondents answered.

Sample themes, subthemes, and comments for CFOs' top three priorities

Talent/labor (71)—Improve team, recruiting, development, and deployment of talent and labor, including DEI

Comments: *Deepening the talent bench, in part, to support future succession plans; investing in talent, engagement, wages, and incentives; bringing in new talent*

Financial performance (50)—Increase margins, improve pricing, and navigate inflation profitably

Comments: *More differentiated financial targets by line of business; drive margin expansion in an inflationary environment; achieve M&A milestones; ensure we are well-positioned for a market correction*

Growth (37)—Increase revenue, sales, and market share

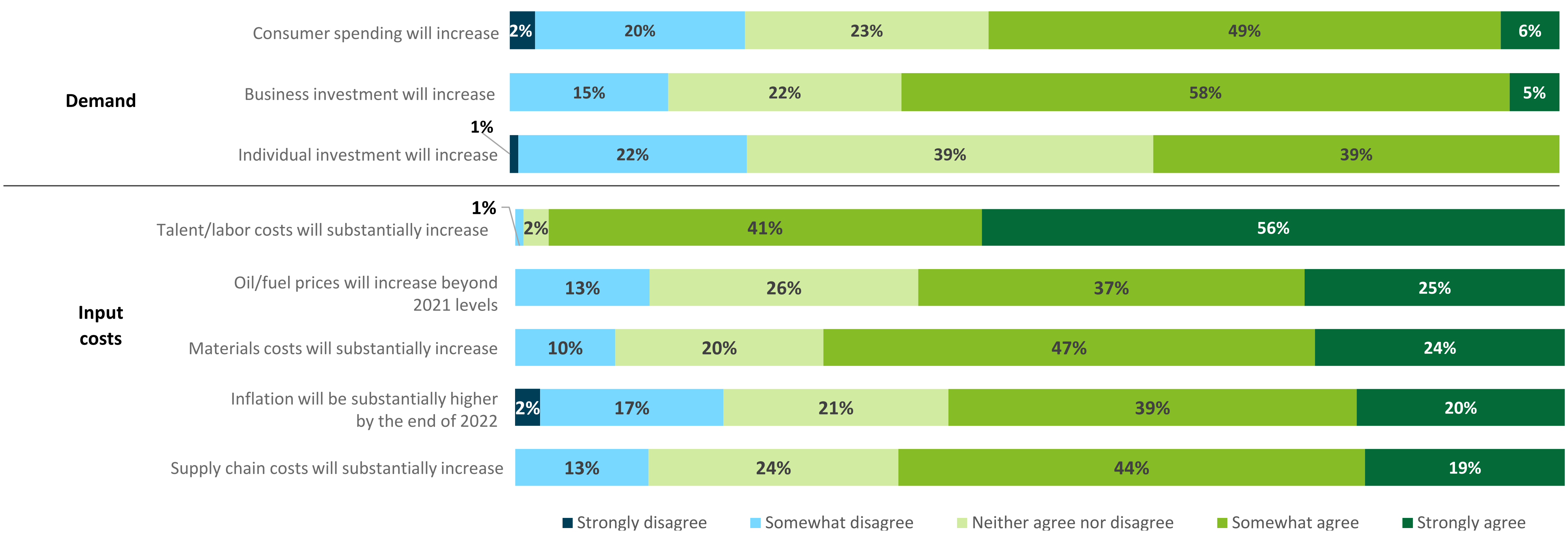
Comments: *Support growth plan with internal business partners; targeted and strategic growth; obtain resources to fund growth strategy; revenue growth within risk appetite*

SPECIAL TOPIC: EXPECTATIONS FOR THE NORTH AMERICAN MACROECONOMIC ENVIRONMENT IN 2022

For the most part, CFOs agree that demand will pick up, particularly in consumer spending and business investment. They also believe that input costs—from talent/labor, oil/fuel prices, materials, supply chain, and inflation—will increase. CFOs (97%) were especially in agreement with the statement that talent/labor costs will substantially increase in 2022.

- With respect to inflation, 59% of CFOs believe it will be substantially higher by the end of 2022.
- Consistent with CFOs' views on inflation, 71% expect that materials costs will increase in 2022, and 62% believe oil/fuel prices will increase beyond 2021 levels.
- Sixty-three percent of CFOs expect supply chain costs, which have already been felt by many organizations (see the 3Q21 *CFO Signals* survey), to increase substantially in 2022.

What are your expectations for the North American macroeconomic environment in 2022? Percent of CFOs selecting each level of agreement for each statement (N=126*)

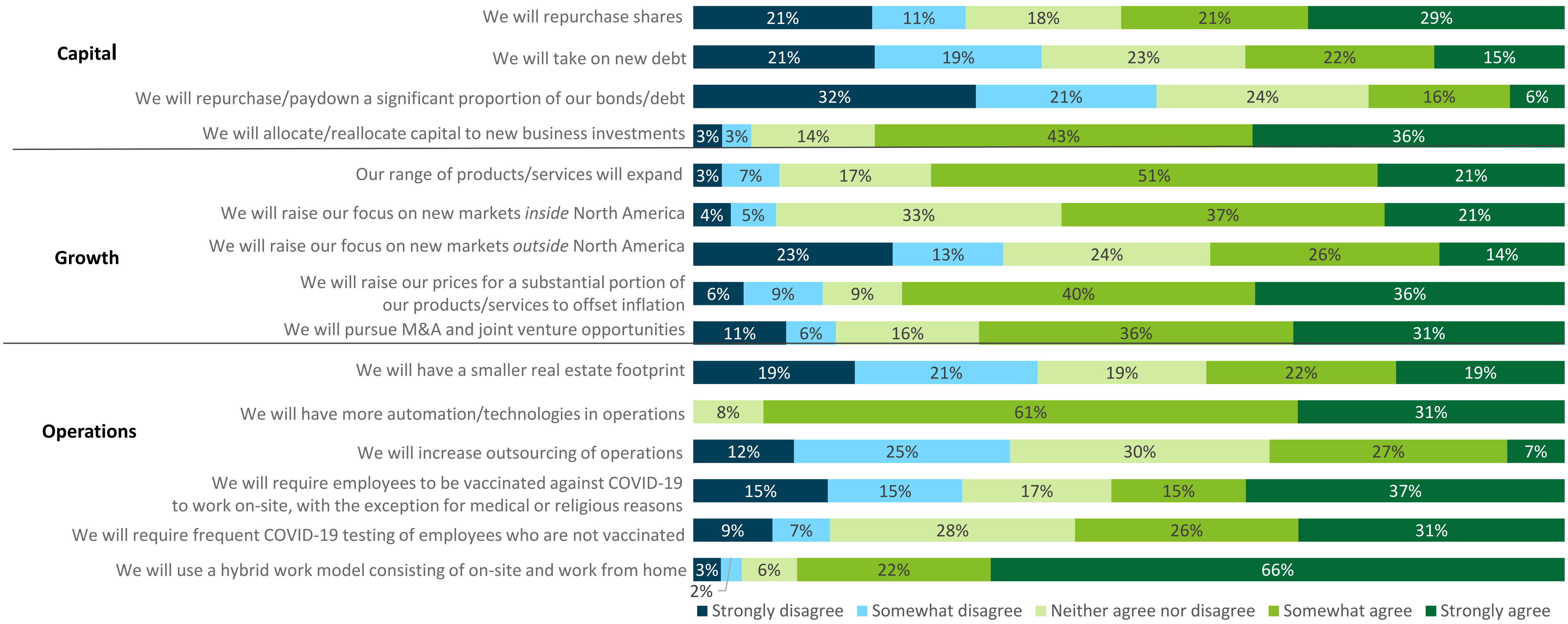


*126 (97%) of respondents answered.

SPECIAL TOPIC: CFOS' EXPECTATIONS FOR THEIR COMPANIES IN 2022

CFOs indicate a number of actions they plan to take in 2022 with respect to capital, growth, and operations. For example, 79% intend to allocate or reallocate capital to new business investments. To achieve growth, nearly three-quarters of CFOs (72%) say their organizations' range of products and services will expand, and 67% plan to pursue M&A and joint venture opportunities. An overwhelming 92% of CFOs expect to embed more technologies and automation into their operations, and 88% said their organizations will use a hybrid work model consisting of on-site and work from home.

What are your expectations for your company in 2022? Percent of CFOs selecting each level of agreement for each statement (N=126*)



*126 (97%) of respondents answered.

SPECIAL TOPIC: C-SUITE RELATIONSHIPS

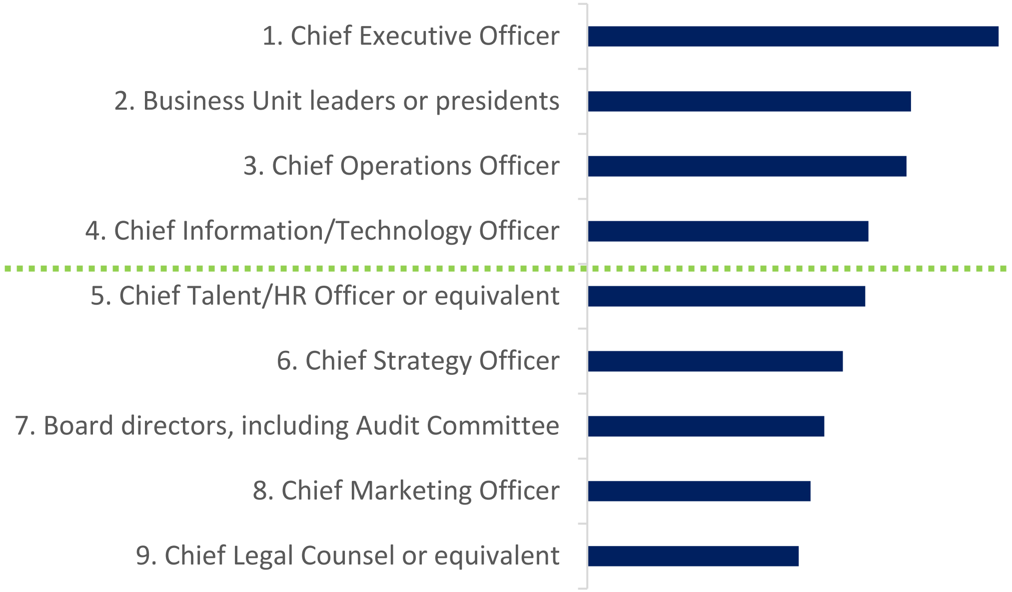
CFOs consistently ranked the top four C-suite relationships that are most important to their personal success and those that have the most impact on their company, whether financial or nonfinancial: the CEO, Business Unit leaders or presidents, the Chief Operations Officer, and the Chief Information/Technology Officer.

- Not surprisingly, the CEO ranked as the C-suite relationship most important to CFOs' personal success and having the greatest impact on their company from either a financial or nonfinancial standpoint, including talent and culture.
- CFOs' selection of Business Unit leaders or presidents as the second most important C-suite executive to their personal success—followed closely by the Chief Operations Officer—underscores CFOs' efforts to make finance a partner to their businesses.
- CFOs ranked the Chief Information/Technology Officer as the fourth most important relationship to their personal success and having the most impact on their company—most likely due to organizations' increased reliance on IT and the rise of digitalization.
- In addition to the rankings shown below, CFOs noted other roles that have a major impact on their personal success and their companies, including the Chief Accounting Officer; others in the finance organization, such as the Controller, Treasurer, and finance and accounting team; the Chief Information Security Officer; Division CFOs, and leaders in business development and research & development, investor relations, regulatory affairs, and sales.

Rank order the importance of the following roles, as applicable, to your personal success as a CFO. (N=123*)

*123 (95%) of respondents answered. Note number of roles ranked by respondents varied.

Rank order the following roles in terms of having the most impact on your company, where impact can be financial or non-financial, e.g., culture, talent, etc. (N=121*)



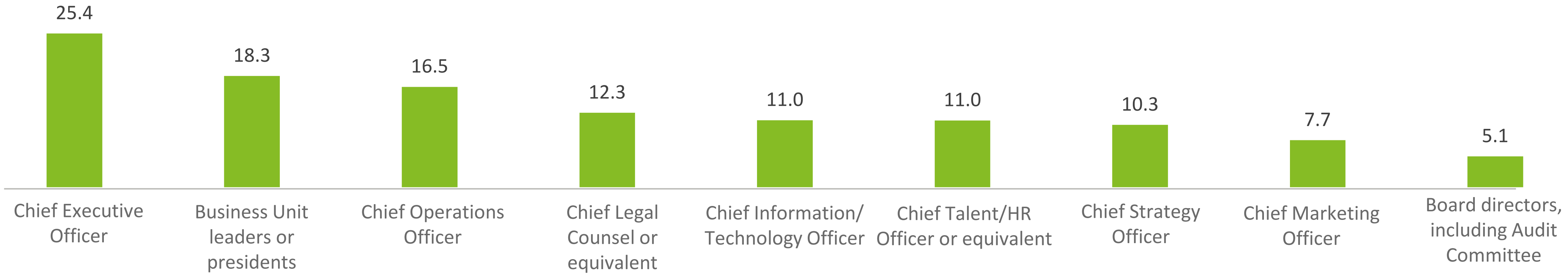
*121 (93%) of respondents answered. Note number of roles ranked by respondents varied.

SPECIAL TOPIC: C-SUITE RELATIONSHIPS

Considering the time spent monthly with others in the C-suite and company boards, CFOs indicate most hours are spent with the CEO, Business Unit leaders, COO, and Chief Legal Counsel or equivalent. When it comes to improving C-suite relationships, CFOs mentioned Business Unit leaders, the CEO, Chief Technology/Information Officer, and COO most often.

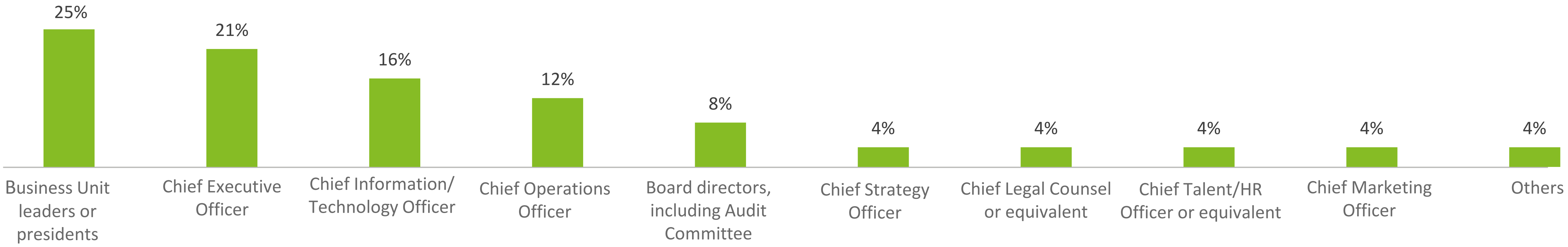
- CFOs indicated they spend equal amounts of time per month with the Chief Information/Technology Officer and Chief Talent/HR Officer or equivalent—in line with CFOs' immense concerns over talent/labor and the pace of technology and digitalization.
- CFOs (8%) also noted a desire to improve relationships with their companies' board directors, including the Audit Committee. Four percent of CFOs each mentioned the Chief Strategy Officer, Chief Legal Counsel or equivalent, Chief Talent/HR Officer or equivalent, and Chief Marketing Officer as the relationship they would like to most improve.

Approximately how many hours per month do you interact with the following roles individually? (N= 114*)



*114 (88%) of respondents answered. Values represent an average of hours selected for each role.

If you could improve one relationship within your network of key stakeholders to execute your role more effectively, with whom would it be? (N= 113*)



*113 (87%) of respondents answered.

Deloitte.

Important notes about this survey report

The Deloitte North American *CFO Signals™* survey is a quarterly survey of CFOs from large, influential companies across North America. 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 public and private companies, predominantly with more than $1 billion in annual revenue. Participation is open to all industries except for public sector entities.

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. Participating CFOs have agreed to have their responses aggregated and presented. At the opening of each survey period, the 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 generally two to three weeks after the survey closes.

As a "pulse survey," *CFO Signals* 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.

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, tax, legal, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decisions that may impact your business, you should consult a qualified professional advisor.

Acknowledgements
We thank the following for their support in developing the 4Q21 *CFO Signals* survey report: Maureen Cashman, Mike Licata, Utkarsh Londe, Satish Nelanuthula, Alok Ranjan, Nick Smith, and Sanjay Vadrevu.

For more information about Deloitte's CFO Program, visit our website at www.deloitte.com/us/cfo

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

The CFO Program