



Tariff and gridlock expectations stoke recession fears

Since the 2016 US elections we have seen strong economic growth, soaring stock markets, record-low unemployment, and substantial changes around taxes, interest rates, regulation, spending, and trade policy. And while CFOs have mostly shown continued optimism over the past two years, they have recently begun to voice doubts about future global growth—fueled by worries about geopolitics, US political turmoil, and trade policy. This quarter, with the 2018 midterm elections, yielding a split Congress, they voice even stronger concerns about those issues, as well as the potential for gridlock.

Optimism about the trajectory of the North American, European, and Chinese economies all declined markedly²



Growth expectations for revenue, earnings, capital spending, and dividends declined; domestic hiring expectations rose³



Own-company optimism declined sharply to its lowest level in nearly three years (and its second lowest in nearly six years)⁴



88% of surveyed CFOs regard North American conditions as good (down from 89%), and 28% expect better conditions in a year (down from 45%)



23% regard Europe's economy as good (down from 32%), and 7% expect better conditions in a year (down from 23%)



24% regard China's economy as good (down from 37%), and 12% expect better conditions in a year (down from 27%)

Revenue growth expectations declined from 6.1% last quarter **↓ 5.5%**



Earnings growth expectations declined from last quarter's 8.1% **↓ 7.3%**



Capital spending expectations slid from 9.4% last quarter **↓ 5.0%**



Domestic hiring growth expectations rose from 2.7% last quarter **↑ 3.2%**



Dividend expectations declined sharply from last quarter's uptick of 7.4% **↓ 4.5%**



Net optimism index of **+3.0**, below last quarter's **+36.0**



26% of surveyed CFOs express rising optimism, down from last quarter's **48%**



23% now cite declining optimism, up from last quarter's **12%**

Footnotes

1 Visit <http://www.deloitte.com/us/cfosignals2018Q4> for the high-level CFO Signals report background and findings 2 Percent of CFOs saying economies are good (versus neutral or bad)

3 Represents forecasted results for the next 12 months

4 Represents change in CFO optimism of company prospects over the next 12 months, compared to prior quarter