Deloitte.

# CFO Signals™

What North America's top finance executives are thinking—and doing

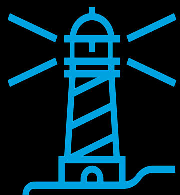
4th quarter 2019

High-level report

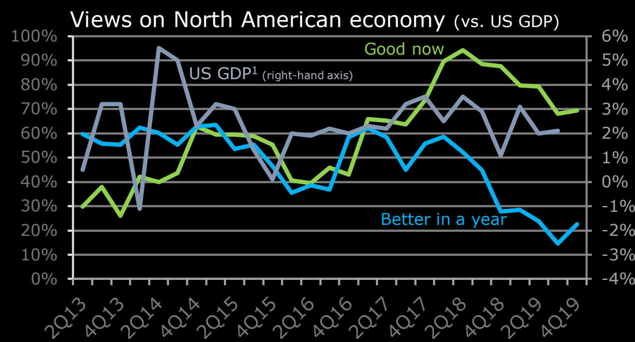
# CFO Signals™

## 4th Quarter 2019: Downturn concerns dampen 2020 revenue, earnings, investment, and hiring expectations.

**Longitudinal business outlook highlights** (please see this quarter's report for one-off "special topics" findings)



ECONOMIC OUTLOOK

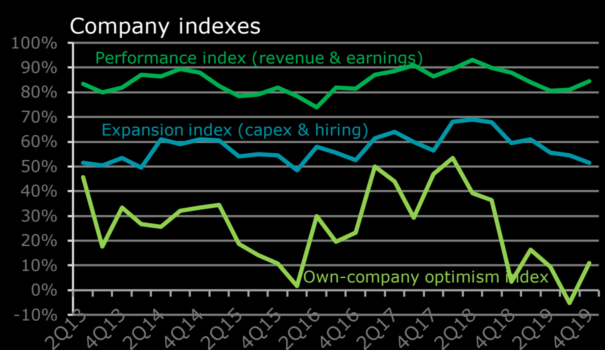



| Economy optimism | Good now | Better in a year | Last quarter | 2-yr. avg. |
|---|---|---|---|---|
| North America | 69% | 23% | 68/15 | 82/34 |
| Europe | 7% | 6% | 5/2 | 28/21 |
| China | 18% | 11% | 20/11 | 31/19 |

¹ US GDP = percent change from preceding quarter in real US gross domestic product (source: Bureau of Economic Analysis table 1.1.1)

- Positive assessments of the current North American economy rose slightly from 68% to 69%; 23% expect better conditions in a year, up from 15%. Downturn expectations remain high (97%), but fewer CFOs now expect a true recession.
- Consumer and business spending expectations have fallen; CFOs are less likely to expect higher industry revenue and prices.
- Views on Europe's and China's economies remain very pessimistic.

COMPANY OUTLOOK




| Company optimism and growth | This quarter | Last quarter | 2-yr. avg. |
|---|---|---|---|
| Own-company optimism (net) | +10.9 | -5.2 | +20.5 |
| Revenue growth (YOY) | 3.7% | 4.3% | 5.0% |
| Earnings growth (YOY) | 6.0% | 5.6% | 7.5% |
| Capital investment growth (YOY) | 3.7% | 3.6% | 7.1% |
| Domestic personnel growth (YOY) | 1.1% | 1.6% | 2.4% |

Well below two-year average — Well above two-year average
Well below last quarter — Well above last quarter

- The **own-company optimism index rose** from -5.2 to +10.9, up from last quarter's seven-year low, but still very low. (Index = percent of CFOs citing rising optimism regarding their company's prospects minus the percent citing falling optimism.)
- The **performance index rose** from 81.0 to 84.5, but remains below 2017/18 levels, restrained by the lowest expectation for revenue growth in three years and the second-lowest for earnings growth in survey history. (Index = average of percentages of CFOs citing positive YOY revenue growth and earnings growth.)
- The **expansion index fell** from 54.5 to 51.5 and remains low, hurt by a the second-lowest hiring level in nearly six years and a three-year low for US capex growth. (Index = average of percentages of CFOs citing positive YOY capital spending growth and domestic hiring growth.)

# About the survey

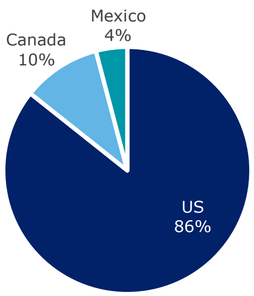
Contents and background

## About the CFO Signals survey

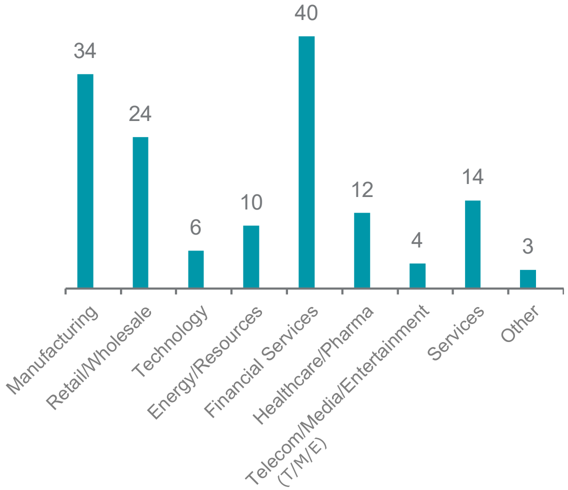
Each quarter (since 2Q10), *CFO Signals* has tracked the thinking and actions of CFOs representing many of North America's largest and most influential companies.

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.

### Participation by country*




### Participation by industry*




* Sample sizes for some charts may not sum to the total because some respondents did not answer all demographic questions.

## Contents



**Additional findings in full report**
(please contact nacfosurvey@deloitte.com)

- Detailed findings (by industry)
- Industry-by-industry trends
- Country-by-country trends

## Survey responses

| | |
|---|---|
| Survey period: | 11/11-11/22 |
| Total responses: | 147 |
| • CFO proportion: | 100% |
| • Revenue >$1B: | 88% |
| • Public/private: | 73%/27% |

## Survey leaders


**Greg Dickinson**
Managing Director, *CFO Signals*
Deloitte LLP

**Lori Calabro**
Editor, *Global CFO Signals*
Deloitte LLP


## Contacts


**Sanford A. Cockrell III**
National Managing Partner, US CFO Program
Deloitte LLP
Global Leader, CFO Program
Deloitte Touche Tohmatsu Limited

# Summary and context

## Downturn concerns dampen 2020 revenue, earnings, investment and hiring expectations.

A year ago, as CFOs looked toward 2019, just 28% said they expected the North American economy to improve over the next year—half the level going into 2018. Their assessments declined further in the first half of 2019, with 74% saying they expected a US slowdown by the end of 2020. Meanwhile, growth expectations for revenue, earnings, and hiring all declined, and own-company optimism slid from its 2018 highs.

Even so, there was optimism underlying CFOs' sentiment. In the first quarter of this year, only 15% said they expected a full-blown recession, and about 80% said they expected any downturn to be mild. Reflecting this optimism, capital spending growth expectations continued to rise even as other metrics declined.

Much of that positive sentiment waned last quarter. CFOs' sources of concern intensified, with major economies slowing, US-China trade tensions escalating, and North American trade issues remaining unresolved. Accordingly, several key metrics hit multi-year lows. Notably, the own-company optimism index turned negative for the first time in nearly seven years, and capital spending expectations, which had been the lone holdout, fell sharply to a three-year low.

This quarter, as CFOs look toward 2020, little has changed on economic and policy fronts to raise their outlook. The US economy is again the relative bright spot, with 30% of CFOs expecting improvement next year, and trade policy remains CFOs' most worrisome external risk. The 2020 US elections loom large, however, with nearly two-thirds saying US economic performance beyond 2020 will depend substantially on the outcome.

The good news is that only 3% now say they expect a true recession, well down from 1Q19. But 97% say a downturn has either already begun or will occur in 2020. Moreover, expectations for consumer and business spending have fallen sharply, and CFOs are less likely than last year to expect higher industry revenue and prices. And they cite much more defensive action around expenses and hiring than in 1Q19.

Meanwhile, CFOs' performance projections for revenue and earnings remain near last quarter's multi-year lows, and their expectations for capital spending and hiring are again notably depressed. And while the own-company optimism index rose from last quarter's low, it is still quite weak—with only three lower readings in the last 15 quarters.

As we do in every fourth quarter survey, this quarter we asked CFOs about their outlooks for the coming year on a number of fronts. From a capital markets standpoint, CFOs expect very low interest rates and 10-year bond yields for the next calendar year—a much different outlook from a year ago. They again expect a strong US dollar.

We also explored how companies have adjusted their geographic focus in light of major economic, policy, and cost shifts over the past three years. About 45% of CFOs say their company has increased its focus on North American markets (only 10% cite a reduced focus), and they are also more likely to say they have increased rather than decreased their market focus on Europe, China, and other Asian markets.

From the standpoint of locating their operations, CFOs were twice as likely to say they have offshored capacity *from* North America as to say they have onshored operations *to* North America. They were also more likely to say they have expanded their operations rather than contracted them in Europe, China, and other Asian markets.

Finally, in coordination with our European colleagues, we examined the pressure companies are under to address climate change. More than 70% of North American CFOs say their company is under at least moderate pressure to act from at least one stakeholder group (mostly their employees, customers, and board), and more than 90% say they have taken at least one action in response (mostly increasing their efficiency of energy use, including management of climate risk in their governance processes, and using energy-efficient or climate-friendly technologies and equipment). Overall, 52% of CFOs say their company already has or is working on greenhouse gas reduction targets.

### Key developments since the 3Q19 survey

- Third quarter US GDP grew faster than expected, fueled by consumer spending and housing investment; other investment and exports remained weak.
- The US Fed cut rates, yielding a total cut of 75 basis points in 2019; the yield curve inversion ended.
- US-China trade negotiations occurred, with no deal yet reached. President Trump said the US would substantially raise tariffs if no deal is achieved.
- China's industrial and consumer sectors indicated further deceleration of the Chinese economy.
- US equity markets hit new highs, with the S&P 500 index rising about 7% between surveys.
- After two quarters of very low growth, second quarter Canadian GDP grew by a strong 3.7%.
- The Mexican economy entered a technical recession; investment continued to fall.
- The eurozone economy continued to grow slowly in the third quarter, led by weak growth in Germany.
- Boris Johnson agreed to Labour's terms for holding an election, taking a no-deal Brexit off the table.

# Findings at a glance

### Perceptions

**How do you regard the status of the North American, European, and Chinese economies?** Perceptions of North America leveled off, with 69% of CFOs rating current conditions as good (68% last quarter), and 23% expecting better conditions in a year (up from 15%). Perceptions of Europe rose, but only to 7% and 6%; China fell to 18% and 11%. **Page 7.**

**What is your perception of the capital markets?** Eighty-six percent of CFOs say debt financing is attractive. Equity financing is considered attractive by 43% of public company CFOs and 26% of private company CFOs. Seventy-seven percent say US equity markets are overvalued, up from 63%. **Page 8.**

### Sentiment

**What external/internal risks worry you the most?** CFOs express ongoing trade policy worries, with growing concern about political turmoil, competition, consumer demand, and upcoming US elections. Internally, talent concerns continued, while concerns around change, costs, and growth rose. **Page 9.**

**Compared to three months ago, how do you feel about the financial prospects for your company?** The net optimism index rose from last quarter's -5 to +11 this quarter, but remains among the lowest levels in three years. Thirty percent of CFOs express rising optimism (26% last quarter), and 19% express declining optimism (31% last quarter). **Page 10.**

### Expectations

**What is your company's business focus for the next year?** Although companies continue to focus mostly on growth and investment, their growing focus on cost reduction and returning cash (multi-year highs) may suggest growing defensiveness in anticipation of a downturn. **Page 11.**

**How will your key operating metrics change over the next 12 months?** YOY revenue growth expectations slid from 4.3% to 3.7% (three-year low). Earnings rose from 5.6% to 6.0% (but still second-lowest in nine years); capital spending edged up from 3.6% to 3.7% (still near its three-year low). Hiring fell from 1.6% to 1.1% (second-lowest in six years). Dividend growth rose from 3.9% to 4.3%. **Page 12.**

### Special topic: 2020 economic, market, and company expectations

**What are your economic expectations?** A minority of CFOs expect improvement in the US, Canadian, and Mexican economies; expectations for consumer and business spending declined sharply, and those for labor costs rose. **Page 13.**

**What are the prospects for a US downturn and has your company taken defensive action?** Ninety-seven percent of CFOs say a downturn has already begun or will next year; compared to 1Q19, companies appear to be taking more defensive action—especially around spending and headcount. **Page 14-15.**

**What are your expectations for the capital markets?** Contrary to this time last year, CFOs expect very low interest rates and 10-year bond yields for the next calendar year; they again expect a strong US dollar. **Page 16.**

## 4Q19 Survey Highlights

- CFOs' views on the trajectory of the North American economy improved somewhat; views on Europe and China remain poor.
- Ninety-seven percent of CFOs say a downturn has either already begun or will next year; about 80% cite taking defensive steps.
- Trade wars and uncertainty remain CFOs' top external worries.
- Expectations for consumer and business spending have declined.
- CFOs are less likely than last year to expect higher industry revenue and prices.
- Own-company optimism rebounded, but remains relatively low.
- Revenue and capex expectations sit near three-year lows; hiring and earnings are among their lowest levels in the last nine years.
- More cite moving operations out of North America than to it; more cite expansion in Europe, China and "other Asia" than contraction.
- Contrary to a year ago, CFOs expect very low interest rates and 10-year bond yields; they again expect a strong US dollar.
- CFOs cite high pressure to act on climate change—mostly from their employees, customers, and boards; common actions include efficient energy use and including risks in governance processes.

**What are your expectations for your company?** CFOs are less likely than last year to expect industry revenue and prices to rise; they are mostly unlikely to make major changes to their strategy due to a downturn or upcoming elections. **Page 17.**

**Compared to three years ago, how has your company adjusted its geographic focus?** CFOs cite a higher focus on US, European, Chinese, and other Asian markets, and expansion of capacity in the latter three regions. **Page 18.**

### Special topic: Response to climate change

**Are you getting pressure from stakeholders to act on climate change?** More than 70% of CFOs say their company is under at least moderate pressure to act on climate change from at least one stakeholder group. **Page 19.**

**Is your company taking action in response to climate change?** More than 90% of CFOs say their company has taken at least one action in response to climate change, with the average CFO reporting nearly four. **Page 20.**

**Does your company have greenhouse gas reduction targets?** Overall, 44% of all responding CFOs (52% of those who know their status) say their company already has or is working on greenhouse gas reduction targets. **Page 21.**

# Topical findings

# Perceptions

## Assessments of regional economies

**CFOs' assessments of the current North American economy leveled off; expectations for the future of the North American and European economies rebounded slightly, but remain near their six-year lows, while those for China remained among their three-year lows.**

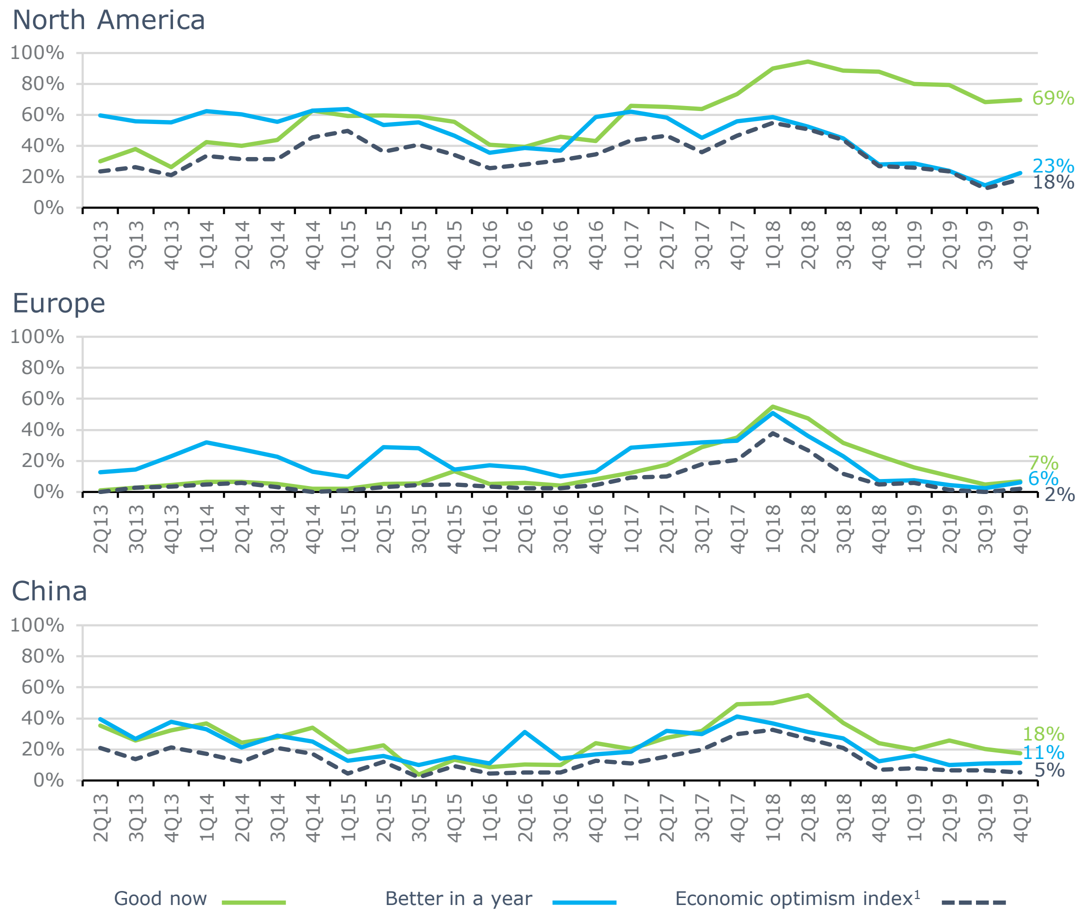
Assessments of North America peaked in 2Q18, with 94% of CFOs rating the economy as good. The next five quarters showed declines, and this quarter's reading leveled off at 69% (68% in 3Q19). Assessments of the economy's trajectory have also been declining, but they rebounded slightly this quarter with 23% of CFOs now expecting better conditions in a year—better, but still the second-lowest reading in more than six years. The region's optimism index[1] rose from last quarter's survey-low +12 to +18.

Perceptions of Europe's economy have receded sharply since peaking in 1Q18. Only 7% of CFOs say current conditions are good (5% last quarter), and only 6% expect better conditions in a year (up from last quarter's survey-low 2%). The optimism index[1] rose to +2 from last quarter's survey-low zero.

Perceptions of China's economy have been mostly declining since early 2018. The proportion of CFOs who say current conditions are good fell from 20% to 18% (a three-year low), and just 11% expect better conditions in a year (even with last quarter and near the three-year low). The optimism index[1] declined from last quarter's +7 to +5 (the lowest level in more than three years).

### Economic optimism

*How do you regard the North American, European, and Chinese economies?* Percent of CFOs saying current conditions are good or very good, percent saying conditions next year will be better or much better, and percent saying both (dotted line)




[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. Please note that the calculation of this index changed in 1Q18 and all values from prior quarters have been recalculated based on the new methodology.

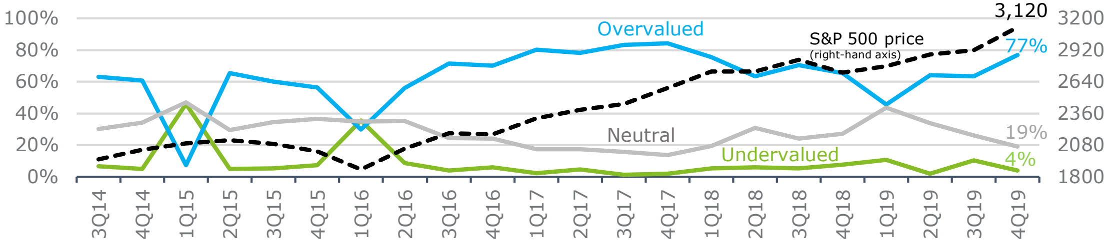
# Perceptions

## Assessments of markets and risk

**Equities remain regarded as overvalued.** Equity markets rose to new highs this quarter, with the S&P 500 index netting about a 7% gain since last quarter's survey midpoint. Seventy-seven percent of CFOs now say US equity markets are overvalued, well up from 63% last quarter and the highest level in nearly two years. The proportion saying equities are undervalued fell from 10% to 4%.

### Equity market valuations

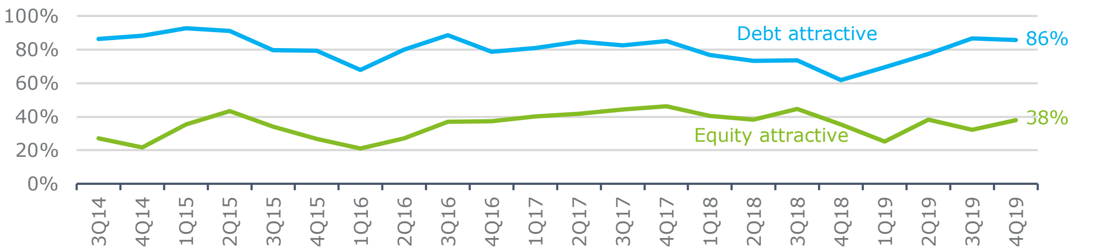
*How do you regard US equity market valuations?* Percent of CFOs saying markets are overvalued, undervalued, or neither (compared to S&P 500 price at survey midpoint)




**Debt financing attractiveness remains high; equity attractiveness rose.** With interest rates declining for the past two quarters, debt attractiveness rose to 87% last quarter and held at 86% this quarter—the second-highest level since 3Q16. Equity attractiveness rose after last quarter's decline, rising for public company CFOs (from 31% to 43%), but declining for private company CFOs (from 34% to 26%).

### Debt/equity attractiveness

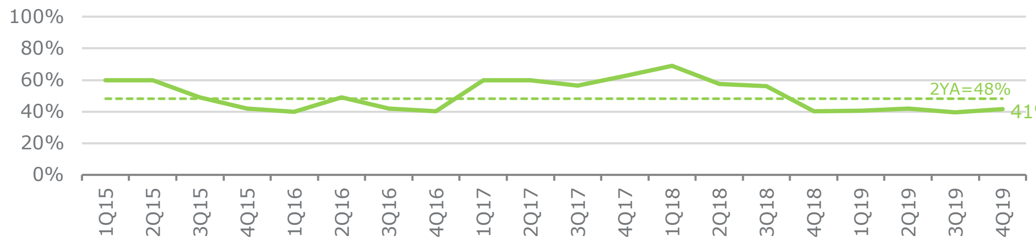
*How do you regard debt/equity financing attractiveness?* Percent of CFOs citing debt and equity attractiveness (both public and private companies)




**Low appetite for risk-taking.** The proportion of CFOs saying it is a good time to be taking greater risk has flatlined around 40% since late 2018. This quarter, it rose slightly from 40% to 41%—still hovering near its lowest levels since this question was first asked in 2015.

### 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




2YA = Two-year average

# Sentiment

## Most worrisome risks

**CFOs express ongoing trade policy worries, with growing concern about political turmoil, competition, consumer demand, and upcoming US elections. Internally, talent concerns continued, while concerns around change, costs, and growth rose.**

During 2018, CFOs' top external risks shifted from a focus on slow economic growth to a focus on the possibility of a broader global economic downturn brought on by trade wars, and political turmoil (especially in the US).

Throughout 2019, CFOs have expressed growing concern about the economic impact of the US-China trade war and other risks to global trade. This quarter saw even higher concerns about political turmoil, with growing use of the term "instability" and increased mentions of the potential impacts of the 2020 US elections. CFOs also mentioned growing worries about consumer demand and business spending.

When it comes to internal risks, CFOs again expressed very strong talent concerns, as well as worries about strategy execution and managing change. Worries about reducing costs, achieving growth, and managing technological change all appeared to accelerate.

Starting in 4Q18, CFOs began to cite external factors over internal factors as the dominant constraint on their companies' performance. The spread this quarter continues at 48% to 29%.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Most worrisome risks

*What external and internal risk worries you the most?* Paraphrasing and normalization of CFOs' most common free-form comments (numbers in parentheses indicate counts of CFOs who mentioned each type of risk; arrows indicate substantial movements since last quarter)

#### External risks (N=138)

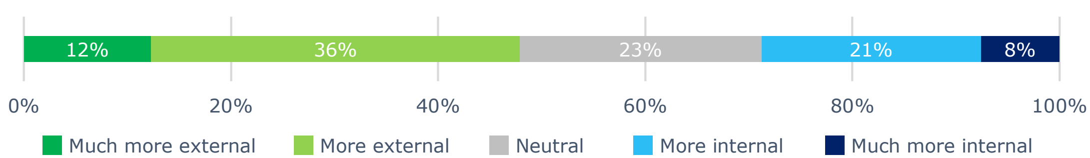
Trade policy/tariffs (45)
↑ Political turmoil/instability (30)
Economic risks/slowdown (29)
Detrimental policy/regulation (15)
Geopolitical risks (14)
↑↑ Impact of 2020 elections (10)
↑↑ Consumer demand/sentiment (10)
↑↑ Competition/disruption/pricing (10)
↓ Interest rates (7)
↑ Debt markets (5)
Equity markets (4)
↓ Brexit (4)
↑ Wages (4)
↑↑ Business spending (3)
↑↑ Socialist/anti-business policies (3)
China economy (2)
FX (2)
US budget/deficit (2)
Input/commodity prices
Inflation
↓ Cybersecurity

#### Internal risks (N=142)

Talent level/quality (50)
Strategic/execution risk (22)
↑ Driving change/initiatives (13)
Maintaining data security (13)
↑ Cost control/efficiency (12)
↑ Achieving growth/sales (11)
↑ IT/technical change (9)
↓ Speed/adaptation/innovation (8)
↓ Prioritization/focus/overload (6)
Complacency (4)
↑ Willingness to take risk (3)
Bandwidth/capacity (2)
Labor costs (2)
Operations risk/failure (2)

### Growth constraints

*Which factors (external or internal) are most constraining your company's performance?*



# Sentiment

## Optimism regarding own-company prospects

**Own-company optimism rebounded from last quarter's nearly seven-year low, but remains muted. Canada is highest at +27, with the US and Mexico lower at +11 and -33, respectively.**

Net optimism peaked in 1Q18 at +54, then declined sharply through the rest of the year. Although it rebounded somewhat in the first part of 2019, it turned negative last quarter for the first time in nearly seven years.

This quarter's net optimism bounced back from last quarter's -5 to a better (but still low) +11. Thirty percent of CFOs expressed rising optimism (up from 26%), while 19% cited declining optimism (down from 31%).

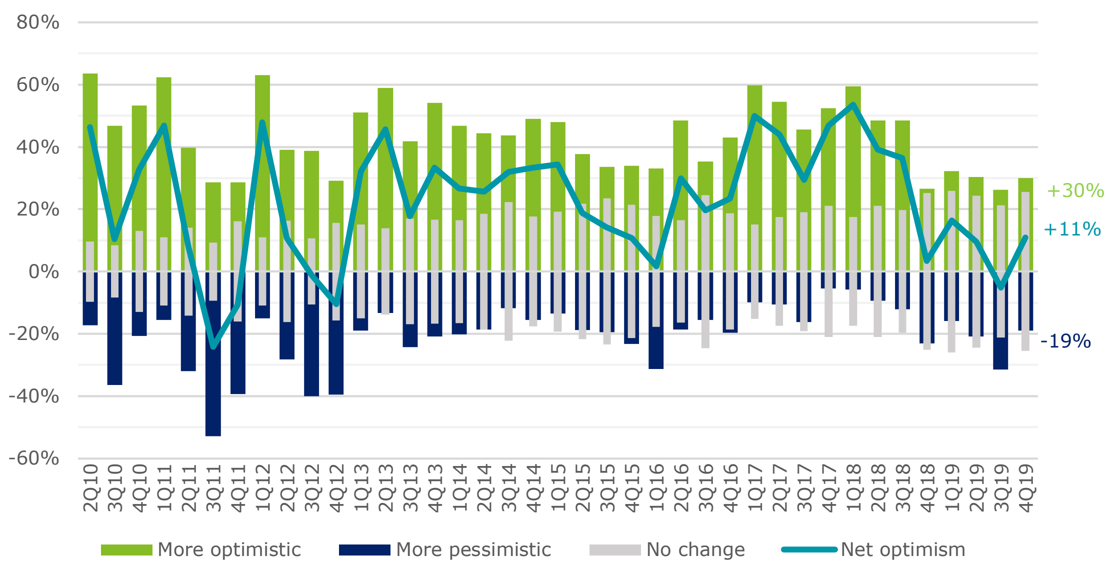
Net optimism for the US rebounded from last quarter's -4 to +11. Likely fueled by its strong second quarter growth (see "Key developments" box on page 4), Canada rose sharply from last quarter's +10 to +27. Mexico rose from last quarter's dismal -50 to a still-dismal -33.

Manufacturing is the most pessimistic at -6, with Retail/Wholesale and Healthcare/Pharma also relatively pessimistic at zero. Energy/ Resources and Financial Services both showed marked increases (to +30 and +28, respectively). Technology and Services were also relatively high.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Own-company optimism

*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 (4Q19)

| **Total** | US | Mexico | Canada | Manufacturing | Retail/ Wholesale | Technology | Energy/ Resources | Financial Services | Healthcare/ Pharma | T/M/E | Services |
|---|---|---|---|---|---|---|---|---|---|---|---|
| +11 | +11 | -33 | +27 | -6 | 0 | +17 | +30 | +28 | 0 | 0 | +14 |

Red = relative lows
Green = relative highs

# Expectations

## Business focus for next year

**Although companies continue to focus mostly on growth and investment, their rising focus on cost reduction and returning cash (multi-year highs) may suggest growing defensiveness in anticipation of a downturn.** *(Please see page 15 for deeper insights on this topic.)*

Companies remain more focused on revenue growth than cost reduction (46% vs. 33%, for a net of +13%), but their cost reduction focus hit its highest level in about six years. Their bias toward investing cash over returning it to shareholders continued (47% vs. 23%, for a net of +24%) but their focus on returning cash hit its highest level in about four years. Technology is again highest for growing revenue; Healthcare/Pharma is again highest for investing cash.

The focus on current offerings over new ones matched last quarter's (45% vs. 35%, for a net of -10%). Their heavy focus on current geographies over new ones continued (65% vs. 18%, for a net of -47%). Technology and Healthcare/Pharma are again highest for new offerings and also for new geographies.

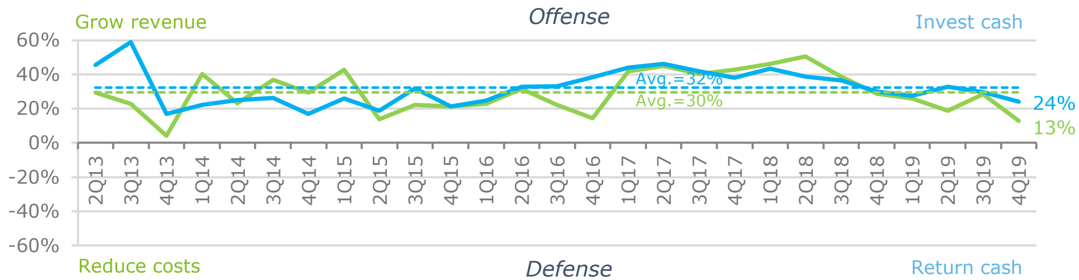
The bias toward organic growth over inorganic growth continued (66% vs. 12%, for a net of -54%). Energy/Resources and Retail/ Wholesale are again highest for organic growth.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

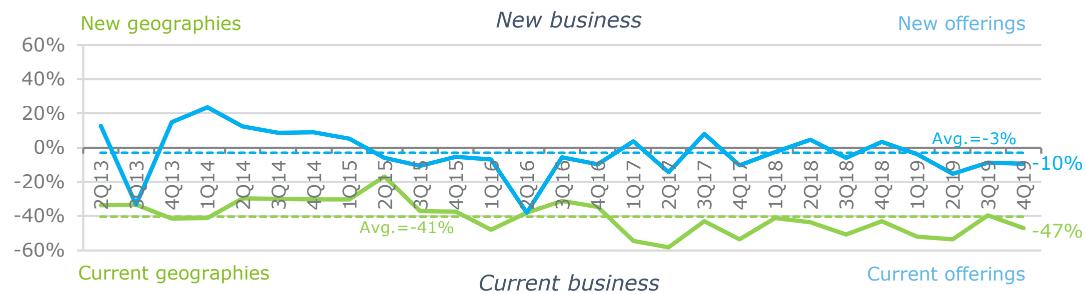
### Business focus

*What is your company's business focus for the next year?* Net percent of CFOs citing a stronger focus on the top choice than on the bottom choice (e.g., grow revenue vs. reduce costs)

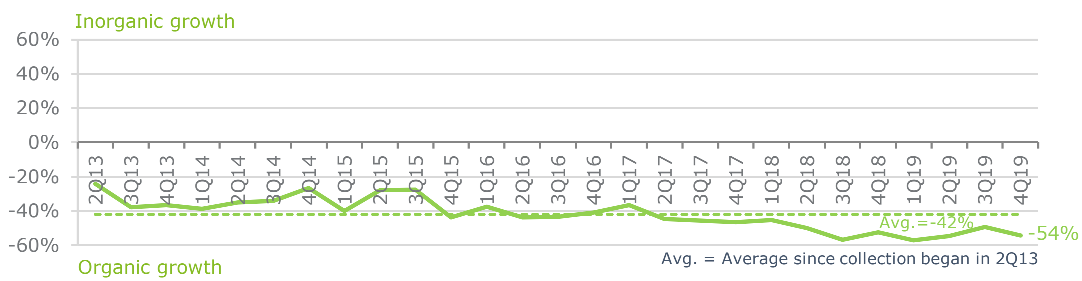
#### Offense vs. defense




#### New business vs. current business




#### Inorganic growth vs. organic growth




Avg. = Average since collection began in 2Q13

# Expectations

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

**All growth expectations sit at or near multi-year lows, with the US showing considerable weakness. Technology, Retail/Wholesale, and Healthcare/Pharma were relative bright spots; Manufacturing and Energy/Resources trailed for most metrics.**

**Revenue growth fell** from 4.3% to 3.7%, a three-year low. The US fell to a three-year low. Canada fell below its two-year average. Mexico fell to a new low. Technology and Healthcare/Pharma lead; Energy/Resources and Manufacturing trail.

**Earnings growth rose** from 5.6% to 6.0%, but sits at its second-lowest level in survey history. The US rose slightly, but sits at its second-lowest level in nine years. Canada rose again to well above its two-year average. Mexico rose, but sits near its two-year low. Technology and Retail/ Wholesale lead; Energy/Resources and Manufacturing trail.

**Capital spending growth rose slightly** from 3.6% to 3.7%, remaining near its three-year low. The US slid to a three-year low. Canada fell to well below its two-year average. Mexico rose sharply, but is still below the two-year average. Technology and Financial Services lead; Manufacturing trails.

**Domestic hiring growth slid sharply** from 1.6% to 1.1%, the second-lowest level in nearly six years. The US fell to a three-year low. Canada rose, but is well below its two-year average. Mexico fell to a six-year low. Technology leads; Energy/ Resources and Manufacturing trail.

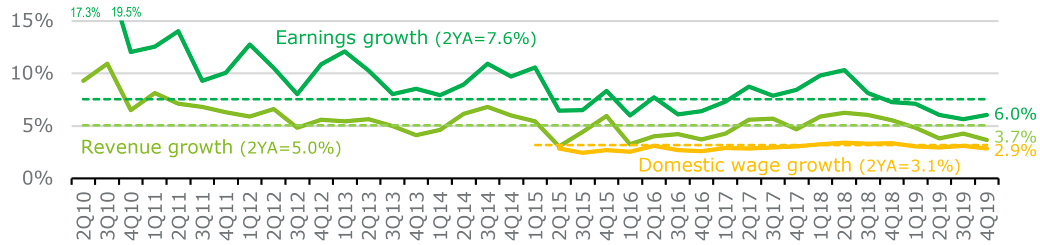
**Dividend growth rose** from 3.9% to 4.3%, but remains well below the two-year average.

***Please see the appendix for industry-specific charts.*** *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

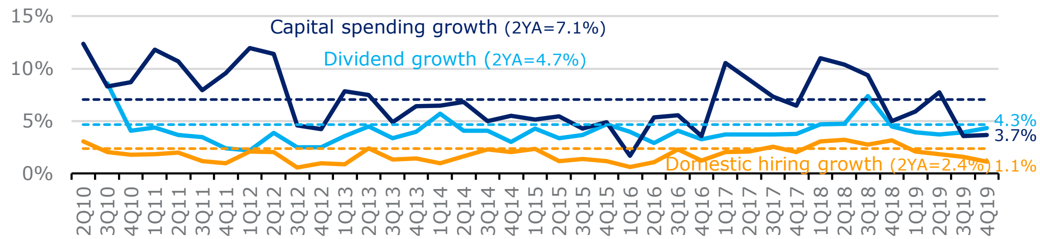
### Performance and investment expectations

*Compared to the past 12 months, how do you expect key metrics to change over the next 12 months?* CFOs' expected year-over-year company growth

Performance




Investment




2YA = Two-year average

Expectations by country and industry

| | **Total** | US | Mexico | Canada | Manufacturing | Retail/Wholesale | Technology | Energy/ Resources | Financial Services | Healthcare/ Pharma | T/M/E | Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | **3.7%** | 3.7% | 2.3% | 4.2% | 2.3% | 4.0% | 7.1% | 2.0% | 4.2% | 6.1% | 0.8% | 3.2% |
| Earnings | **6.0%** | 5.9% | 3.8% | 7.9% | 4.8% | 7.5% | 8.0% | 4.4% | 5.7% | 6.5% | 6.8% | 6.5% |
| Capital spending | **3.7%** | 3.4% | 7.5% | 4.5% | 2.8% | 3.3% | 6.6% | 3.3% | 5.6% | 3.4% | -1.8% | 3.3% |
| Domestic hiring | **1.1%** | 1.2% | -0.4% | 1.5% | 0.3% | 2.1% | 4.8% | -1.4% | 1.0% | 1.5% | -1.0% | 2.2% |
| Dividends | **4.3%** | 4.2% | 4.8% | 5.7% | 5.2% | 4.8% | 0.0% | 3.8% | 3.9% | 4.4% | 2.3% | 4.4% |
| Domestic wages | **2.9%** | 2.8% | 4.2% | 2.5% | 2.9% | 3.0% | 3.9% | 2.6% | 2.7% | 3.1% | 2.3% | 2.9% |

Red = relative lows
Green = relative highs

# Special topic: Macroeconomic expectations

## Macroeconomic expectations for 2020

**Relatively few CFOs expect improvement in the US, Canadian, and Mexican economies, with falling expectations for consumer and business spending. Two-thirds say performance beyond 2020 will depend substantially on upcoming US elections.**

Thirty percent of CFOs expect the US economy to improve in 2020, up from a year ago, but only about half the level entering 2017 and 2018. (Note that findings from page 14 suggest the vast majority of CFOs expecting improvement anticipate slower growth than in 2019). Nearly two-thirds say economic performance beyond 2020 will depend substantially on the outcome of the 2020 US elections.

The proportion expecting improvement for Canada's economy is 23% (but 40% among Canadian CFOs), and for Mexico's the proportion is 12% (none of the Mexican CFOs expect improvement). The level for Canada is about even with a year ago; the level for Mexico is considerably lower.

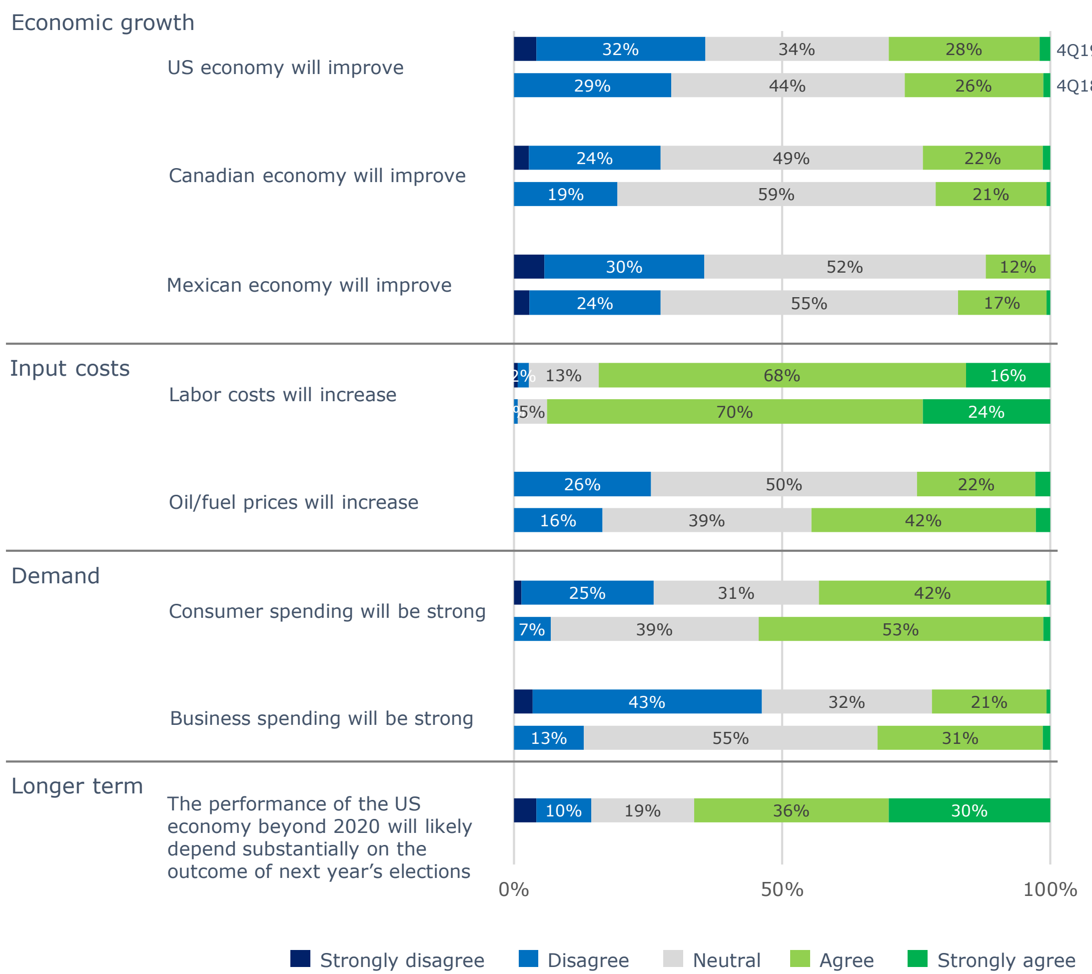
Nearly 85% CFOs expect labor costs to rise (down from 94% a year ago), and one-quarter expect oil/fuel prices to rise (down from 45%).

Forty-three percent of CFOs expect strong consumer spending (54% last year), and just 22% expect strong business spending (32% a year ago).

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Macroeconomic expectations for 2020

*What are your expectations for the macroeconomic environment in 2020?* Percent of CFOs selecting each level of agreement for each statement



# Special topic: Macroeconomic expectations

## Downturn expectations

**Ninety-seven percent of CFOs say they expect some form of US downturn by the end of 2020, well up from 1Q19; the proportion expecting a true recession fell sharply, but the proportion saying we are already in a downturn rose.**

Expectations for a US downturn have risen since earlier this year, with 97% of CFOs saying that a downturn (a slowdown or a recession) has already begun or will occur by the end of 2020—well up from 88% in 1Q19.

The gain is partly attributable to a rise in the proportion of CFOs expecting a slowdown, and also to a rise in the proportion saying a downturn has already commenced. Only 3% of CFOs neither expected nor saw signs of a slowdown or a recession.

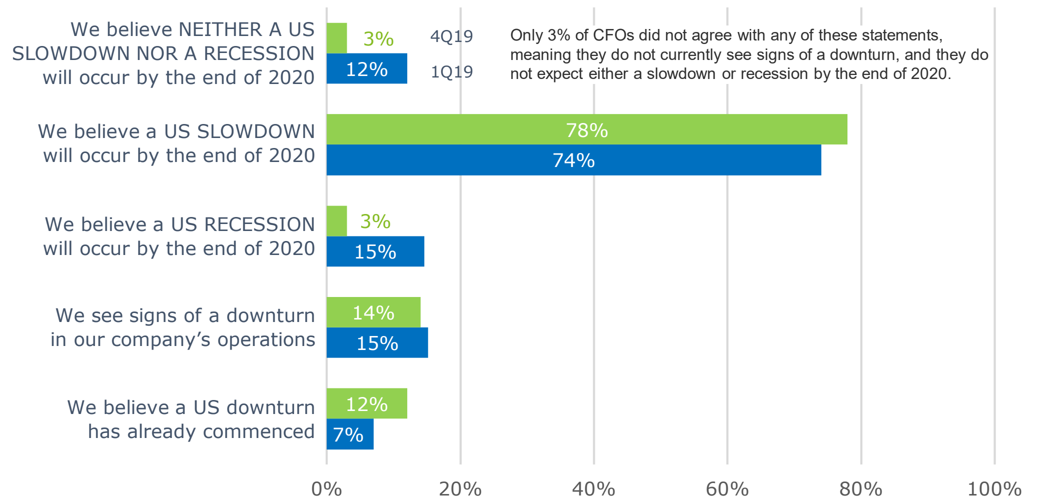
The good news is that recession expectations have fallen sharply. Since 1Q19, the proportion of CFOs expecting both a slowdown and a recession has fallen sharply, as has the proportion expecting only a recession.

Overall, 12% of CFOs say they believe a downturn has already commenced (about double the level from 1Q19), and 14% say they already see signs of a downturn in their company's operations (about even with 1Q19). Manufacturing CFOs were the most likely to see signs of a downturn in their operations and to believe a downturn has already commenced.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Downturn expectations

*What are your expectations for the prospects of a US downturn in 2020?* Percent of CFOs selecting each belief about the US economy




*Note: "Slowdown" refers to a period where economic activity decelerates, but does not decline; "recession" refers to a period where there is a sustained decline in economic activity.*

# Special topic: Macroeconomic expectations

## Defensive actions

**Compared to early 2019, companies appear to be taking many more defensive actions related to downturn expectations—particularly around reducing spending and limiting or reducing headcount.**

Eighty-two percent of CFOs say they have taken at least one defensive action in response to or in anticipation of a downturn (only 18% cited no defensive actions)—well above the 54% who cited defensive actions in 1Q19. Financial Services and Healthcare/Pharma tended to cite the fewest defensive actions; Manufacturing and Services tended to cite the most.

Fifty-seven percent cited reduced discretionary spending (for supplies, travel, meetings, etc.), well up from one-third in 1Q19. Manufacturing and Services were particularly high.

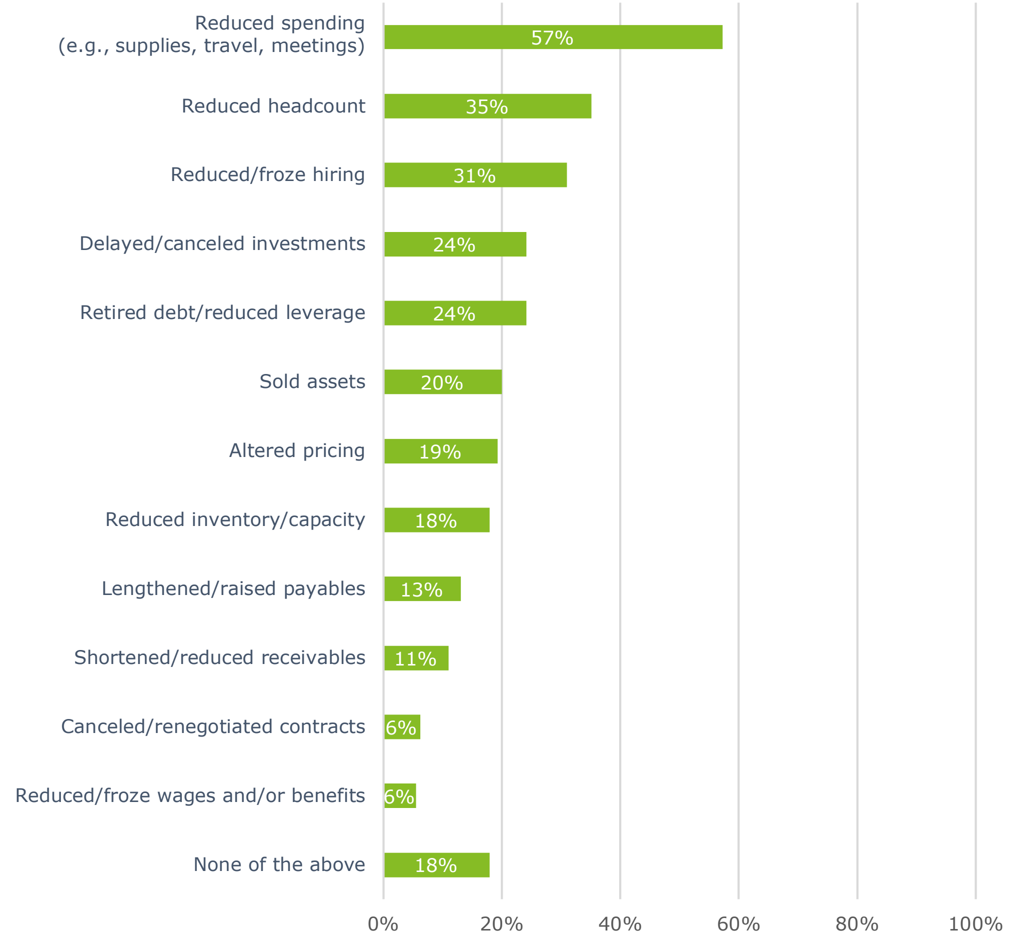
The second tier involves reducing or limiting headcount, with 35% claiming headcount reductions (18% in 1Q19) and 31% citing hiring reductions/freezes (20% in 1Q19). Manufacturing and Energy/Resources were high for both; Healthcare/Pharma was low.

The third tier focuses on delaying or canceling investments and retiring/reducing debt. Nearly 25% cite investment changes (8% in 1Q19), with Manufacturing and Services highest. The same proportion cites debt changes (15% in 1Q19), with Retail/Wholesale and Energy/Resources highest.

***Please see the appendix for industry-specific charts.*** *Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Defensive actions taken for a downturn

*What defensive actions (if any) has your company taken in response to or in anticipation of a US downturn?* Percent of CFOs selecting each action in their top three



# Special topic: Capital markets expectations

## Capital markets expectations for 2020

**Contrary to this time last year, CFOs expect very low interest rates and 10-year bond yields for the next year; they again expect the US dollar to remain strong relative to other major currencies.**

Only 17% of CFOs expect the US federal funds rate to be higher than the current rate (1.5%) at the end of 2020, and just 5% expect to see negative rates by end of the year. Two-thirds (67%) expect the 10-year bond yield to remain below 2%.

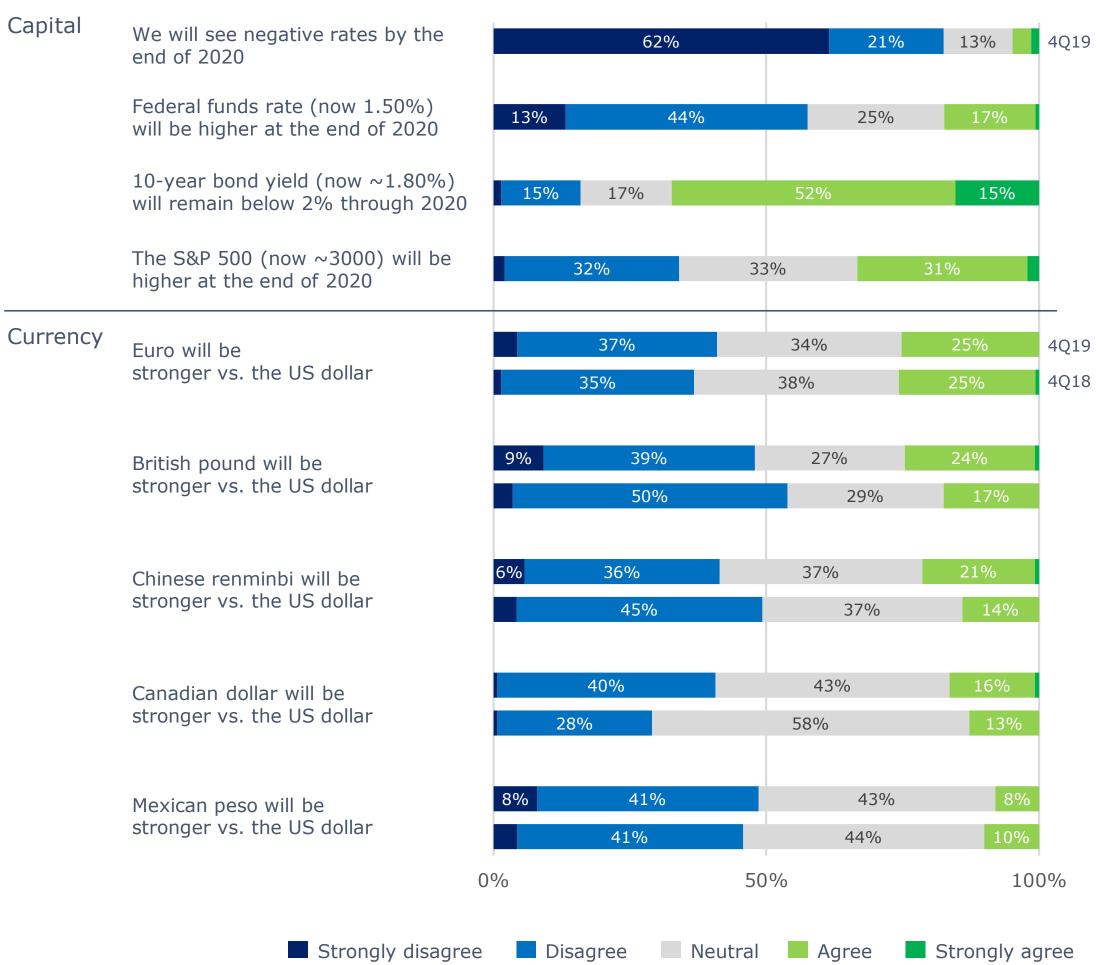
CFOs are split on the direction of the S&P 500, with about one-third each expecting it to be above and below 3,000 at the end of the year (the remaining one-third was neutral).

Similar to a year ago, CFOs are very unlikely to say they expect major global currencies to strengthen against the US dollar. Only about one-quarter believe either the euro or the British pound will be stronger versus the US dollar, and only 21% say the same for the Chinese renminbi (although the pound and renminbi are up from 17% and 14%, respectively). Only 16% expect the Canadian dollar to strengthen (40% disagree), and only 8% believe the Mexican peso will strengthen (41% disagree). Inconsistency of expectations, both within and across industries, appears to suggest considerable uncertainty.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Capital markets expectations for 2020

*What are your expectations for the capital markets environment in 2020?* Percent of CFOs selecting each level of agreement for each statement



# Special topic: Company expectations

## Company expectations for 2020

**Compared to last year, CFOs are less likely to expect industry revenue and prices to rise. They are mostly unlikely to make major changes to their strategy due to downturn expectations or upcoming elections, and they mostly expect little change in debt, cash, and buyback plans.**

Two-thirds (down from 80%) expect industry revenue to grow (led by Healthcare/Pharma and Retail/Wholesale), and 38% (down from 52%) say prices will rise (led by Retail/Wholesale). Two-thirds expect M&A-driven consolidation (led by Manufacturing and Technology).

About 25% again say they will take above-normal risk for higher returns (led by Services), and about 31% again expect emerging economies to be a major focus (led by Healthcare/Pharma and Retail/Wholesale). About 30% expect M&A to be a major part of their growth (led by Technology and Healthcare/Pharma).

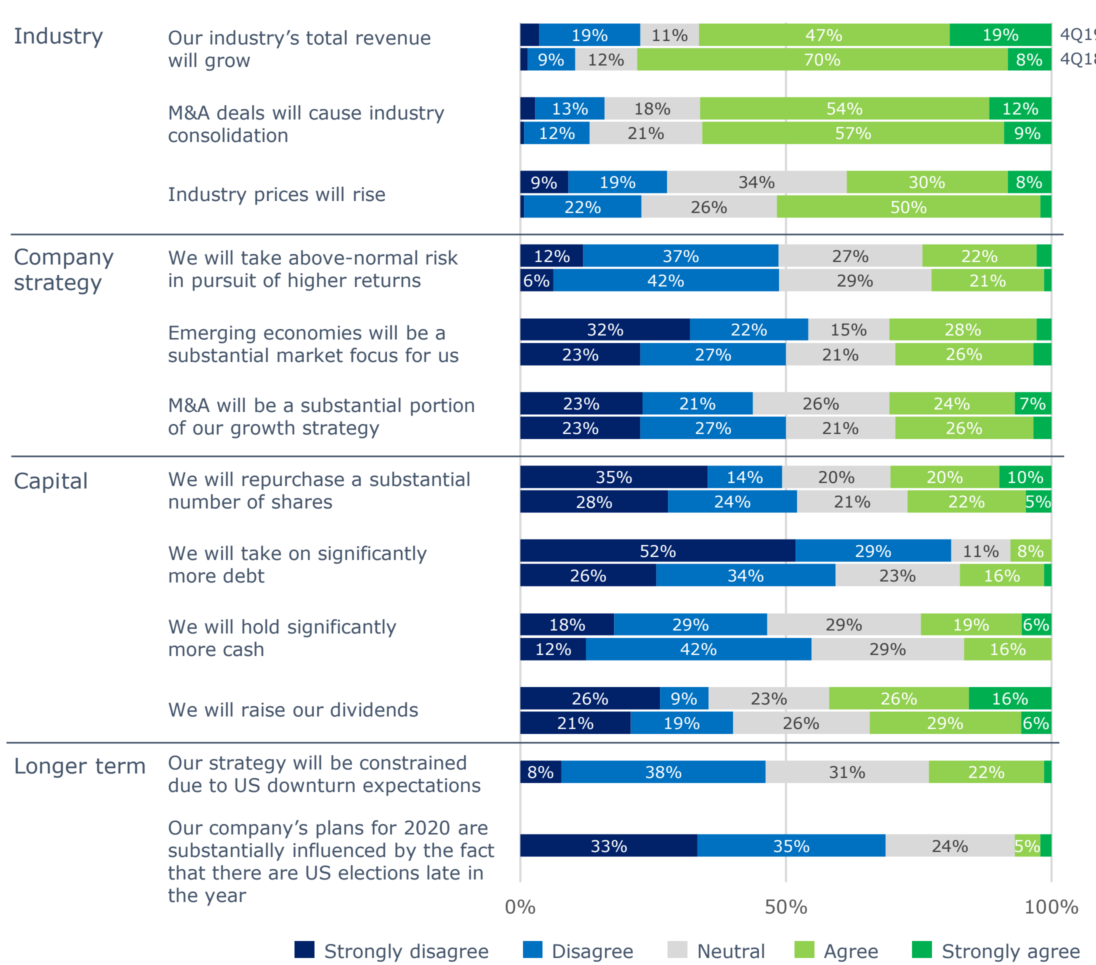
About 30% plan buybacks (Retail/Wholesale is the most aggressive), and only 8% (down from 17%) expect more debt. One-quarter will hold more cash (led by Technology and Healthcare/Pharma), and 42% will raise dividends (led by Manufacturing and Healthcare/Pharma).

Only 23% say their 2020 strategy is limited by downturn expectations (Services is highest), and just 7% say their plans are influenced by US elections (led by Energy/Resources).

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Company expectations for 2020

*What are your expectations for your industry and company in 2020?* Percent of CFOs selecting each level of agreement for each statement



# Special topic: Impact of economic, policy and cost trends

## Shifts in geographic focus

**In response to economic, policy, and cost shifts over the past three years, 45% of CFOs say their focus on North American markets has increased. More also say they are increasing rather than decreasing their focus on European, Chinese, and other Asian markets, and expanding rather than contracting operations in these regions.**

Forty-five percent of CFOs say their company has increased its focus on North American markets over the past three years, with only 10% citing a reduced focus. They are also more likely to say they have increased rather than decreased their market focus on Europe (25% vs. 19%), China (34% vs 15%), and especially other Asian markets (37% vs. 6%).

From an operational standpoint, CFOs were twice as likely to cite offshored operations *from* North America as to cite onshored operations *to* North America (30% vs. 15%). They were also more likely to cite expansion of operations rather than contraction in Europe (27% vs. 20%), China (28% vs 19%), and especially other Asian markets (32% vs. 7%).

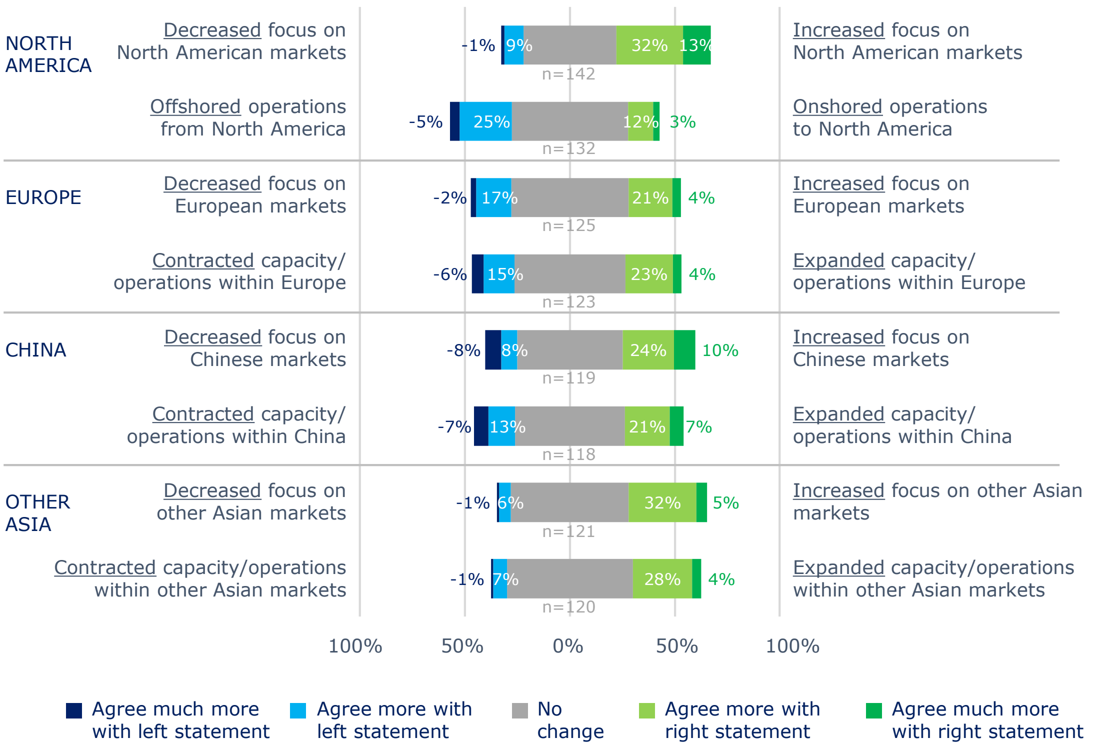
Notable industry findings: Energy/Resources was high for a weaker focus on Chinese markets and contracted Chinese operations, but high for a stronger focus on North American and other Asian markets. Healthcare/Pharma and Retail/Wholesale were high for an expanded focus on Chinese markets and operations.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Shifts in geographic focus (markets and operations)

*Compared to three years ago, how has your company adjusted its geographic focus?*

CFOs' selections based on five-point semantic differential scale (n=number of CFOs who regarded question as relevant for their company)



# Special topic: Response to climate change

## Stakeholder pressure to act on climate change

**More than 70% of CFOs say their company is under at least moderate pressure to act on climate change from at least one stakeholder group. There are substantial industry differences.**

Working with our European colleagues, this quarter we examined the pressure companies are under to address climate change and what they are doing in response (see the next page).

Seventy-one percent of CFOs say they face moderate or higher pressure from at least one stakeholder group. All industries are above 66% except for Technology (at 50%); Energy/Resources and Retail/Wholesale are highest at 80% and 75%, respectively.

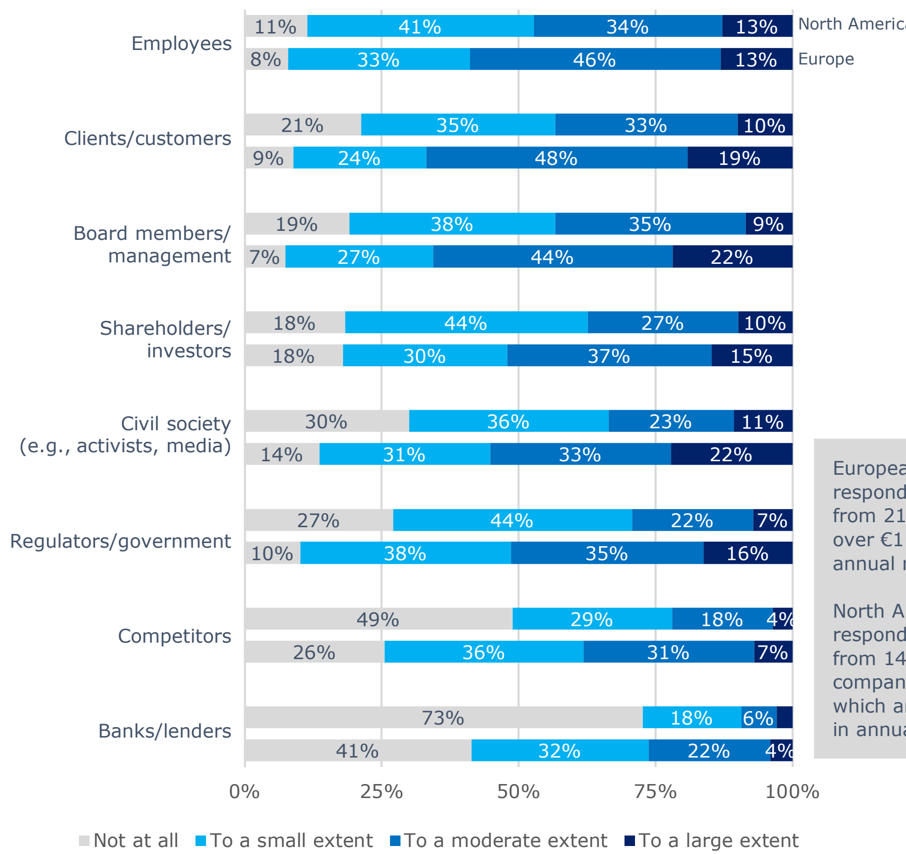
On average, CFOs report 2.5 groups who exert at least moderate pressure. Energy/Resources is highest at 3.4 (roughly half report at least moderate pressure from employees, customers, boards/management, and society) with Financial Services next at 2.9 (with pressure from the same groups). Technology is lowest at 2.0, but about half report moderate pressure from employees and boards/management.

Overall, the most common sources of higher pressure are employees, customers, boards, and investors (in that order). This pattern is similar for large European companies, although the order is different, and higher pressure appears more common across all groups.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Pressure to act on climate change

*To what extent does your company feel pressure to act on climate change from your stakeholders?* Percent of CFOs selecting each level of pressure from each stakeholder group




European respondents are from 218 companies over €1 billion in annual revenue.

North American respondents are from 147 companies, 88% of which are above $1B in annual revenue.

[1]Source: European CFO Survey, Autumn 2019.
https://www2.deloitte.com/global/en/pages/finance/articles/european-cfo-survey.html

# Special topic: Response to climate change

## Actions in response to climate change

**More than 90% of CFOs say their company has taken at least one action in response to climate change, with the average CFO reporting nearly four.**

Working with our European colleagues, this quarter we examined the pressure companies face to address climate change (see the previous page) and what they are doing in response.

Ninety-two percent of CFOs report at least one action in response to climate change. Only Financial Services and Healthcare/Pharma are below 90% (at 83% and 80%, respectively).

CFOs report an average of 3.7 actions. The most frequently reported: increased efficiency of energy use; including climate risk management in governance processes; and use of energy-efficient or climate-friendly equipment.

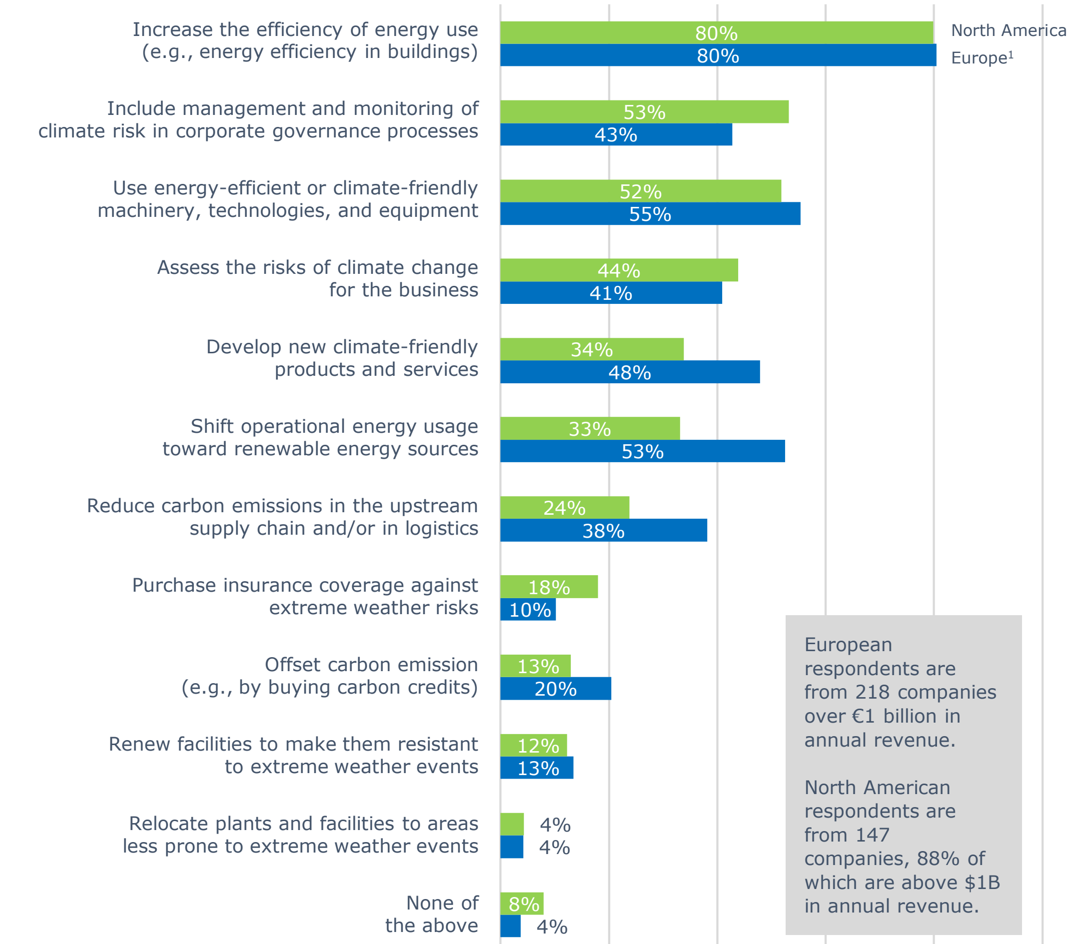
Services is highest at 4.4 actions (100% for efficient energy use and 92% for energy/climate-friendly equipment), with Energy/Resources next at 4.0 (70% for efficient energy use, climate risk in governance processes, and assessing climate risks). Technology is lowest at 2.8, but 100% report efficient energy use.

European companies appear to be taking more action related to climate-friendly offerings, renewable energy, and carbon emissions; North America appears comparatively more focused on building climate change into governance.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Actions in response to climate change

*Is your company taking or about to take any of the following measures to manage, mitigate, and/or adapt to climate change?* Percent of CFOs selecting each measure




European respondents are from 218 companies over €1 billion in annual revenue.

North American respondents are from 147 companies, 88% of which are above $1B in annual revenue.

[1]Source: European CFO Survey, Autumn 2019.
https://www2.deloitte.com/global/en/pages/finance/articles/european-cfo-survey.html

# Special topic: Response to climate change

## Greenhouse gas reduction targets

**Overall, 44% of all responding CFOs (52% of those who know their status) say their company already has or is working on greenhouse gas reduction targets.**

About one-third of CFOs say their company has greenhouse gas (GHG) emission reduction targets. Excluding those who do not know, the proportion is 36%. Nearly all of CFOs citing targets utilize their own targets rather than the science-based targets (SBTs) included in the 2016 Paris Agreement.

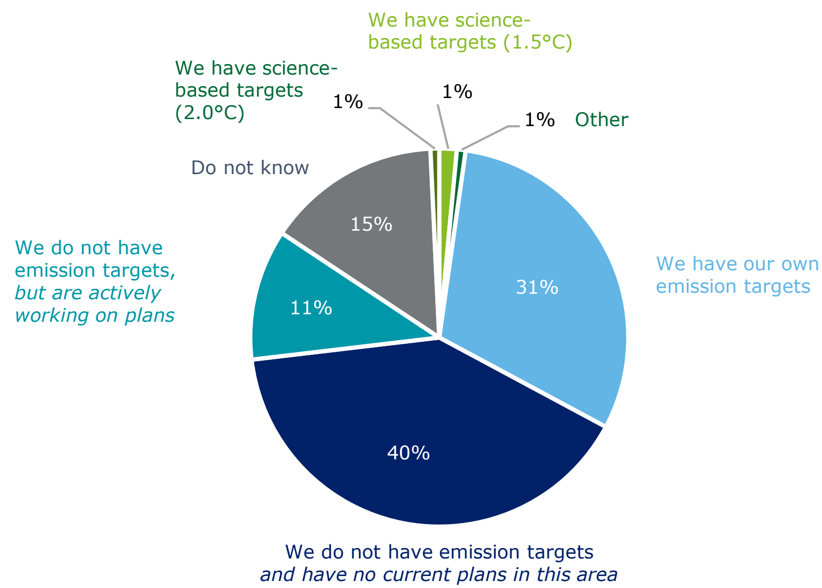
About half of CFOs cite no company targets (60% for only those who know their status), and about 80% of these say they do not have plans to establish targets. Overall, this means 44% of all responding CFOs (or 52% of those who know their status) already have or expect to establish GHG reduction targets.

From an industry standpoint, Manufacturing and Energy/Resources lead for already having targets (almost exclusively their own); Energy/Resources and Healthcare/Pharma are highest for working on plans. Manufacturing, Services, and Retail/Wholesale are the most likely to cite SBTs. Overall, Energy/Resources, Services, and Manufacturing are highest for already having plans or actively working on them. Financial Services is the least likely to have either targets or plans.

***Please see the appendix for industry-specific charts.***
*Note that industry sample sizes vary and that results are volatile for the smallest. Due to a small sample size, T/M/E was not used as a comparison point.*

### Greenhouse gas reduction targets

*Has your company put in place greenhouse gas reduction targets?* Percent of CFOs selecting each description of their targets




**"Science-based targets" (SBTs)** refers to greenhouse gas (GHG) emissions reduction targets aligned with limiting global temperature rise to 1.5°C or well below 2.0°C compared to pre-industrial temperatures. In the **Paris Agreement of 2016**, national governments committed to limit global temperature rise to well below 2.0°C and pursue efforts to limit temperature rise to 1.5°C.

# Appendix

## Longitudinal data and survey background

# Longitudinal trends

## Cross-industry expectations and sentiment (last 24 quarters)

### CFOs' year-over-year expectations[1]

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses[2])

| | | | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | Survey mean | 2-year mean |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating results | Revenue | *mean* | 4.6% | 6.1% | 6.8% | 6.0% | 5.4% | 3.1% | 4.4% | 5.9% | 3.3% | 4.0% | 4.2% | 3.7% | 4.3% | 5.6% | 5.7% | 4.7% | 5.9% | 6.3% | 6.1% | 5.5% | 4.8% | 3.8% | 4.3% | 3.7% | *5.5%* | *5.0%* |
| | | *median* | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 4.5% | 5.0% | 3.0% | 4.0% | 4.0% | 4.0% | 4.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 4.0% | 4.0% | 4.0% | *4.9%* | *4.6%* |
| | | *%>0* | 90% | 90% | 89% | 90% | 86% | 78% | 79% | 82% | 78% | 72% | 83% | 82% | 85% | 89% | 92% | 87% | 91% | 92% | 91% | 91% | 86% | 81% | 82% | 86% | *85%* | *87%* |
| | | *standard deviation* | 3.9% | 4.5% | 5.9% | 4.0% | 6.4% | 6.3% | 5.4% | 6.8% | 5.1% | 6.7% | 4.8% | 3.9% | 3.7% | 4.4% | 3.9% | 4.0% | 4.1% | 4.6% | 5.0% | 4.3% | 4.4% | 5.1% | 4.9% | 3.9% | *5.4%* | *4.5%* |
| | Earnings | | 7.9% | 8.9% | 10.9% | 9.7% | 10.6% | 6.5% | 6.5% | 8.3% | 6.0% | 7.7% | 6.1% | 6.4% | 7.3% | 8.7% | 7.9% | 8.4% | 9.8% | 10.3% | 8.1% | 7.3% | 7.1% | 6.1% | 5.6% | 6.0% | *9.3%* | *7.5%* |
| | | | 7.0% | 8.0% | 8.0% | 8.0% | 8.0% | 5.0% | 8.0% | 7.0% | 5.0% | 7.0% | 5.0% | 6.0% | 8.0% | 8.0% | 7.5% | 8.0% | 8.0% | 10.0% | 8.0% | 8.0% | 7.0% | 6.0% | 5.0% | 5.0% | *7.7%* | *7.1%* |
| | | | 84% | 83% | 90% | 86% | 79% | 79% | 79% | 82% | 79% | 76% | 81% | 81% | 89% | 88% | 90% | 86% | 88% | 94% | 89% | 85% | 82% | 80% | 80% | 83% | *84%* | *85%* |
| | | | 7.5% | 9.8% | 8.6% | 6.9% | 17.1% | 11.6% | 11.0% | 10.5% | 9.1% | 13.5% | 7.0% | 7.1% | 5.6% | 8.6% | 5.7% | 7.5% | 7.7% | 7.0% | 5.8% | 6.2% | 4.4% | 7.4% | 7.0% | 6.6% | *10.8%* | *6.5%* |
| Investment | Dividends | | 5.7% | 4.1% | 4.1% | 3.0% | 4.3% | 3.4% | 3.7% | 4.7% | 4.0% | 2.9% | 4.1% | 3.3% | 3.8% | 3.7% | 3.8% | 3.8% | 4.7% | 4.8% | 7.4% | 4.5% | 3.9% | 3.7% | 3.9% | 4.3% | *4.1%* | *4.7%* |
| | | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 2.0% | 0.0% | 0.0% | 0.5% | 0.0% | 2.0% | *0.1%* | *0.6%* |
| | | | 47% | 45% | 45% | 44% | 47% | 43% | 45% | 45% | 46% | 42% | 43% | 43% | 43% | 46% | 43% | 45% | 49% | 47% | 51% | 43% | 44% | 50% | 48% | 55% | *42%* | *48%* |
| | | | 7.3% | 6.1% | 4.8% | 3.8% | 5.9% | 5.3% | 4.7% | 7.0% | 6.0% | 4.7% | 7.6% | 3.9% | 4.7% | 5.5% | 6.0% | 5.8% | 6.6% | 6.3% | 12.8% | 4.7% | 6.6% | 4.6% | 4.6% | 5.5% | *6%* | *6.5%* |
| | Capital spending | | 6.5% | 6.8% | 5.0% | 5.5% | 5.2% | 5.4% | 4.3% | 4.9% | 1.7% | 5.4% | 5.6% | 3.6% | 10.5% | 9.0% | 7.3% | 6.5% | 11.0% | 10.4% | 9.4% | 5.0% | 5.9% | 7.7% | 3.6% | 3.7% | *7.1%* | *7.1%* |
| | | | 3.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 2.0% | 5.0% | 0.0% | 4.0% | 2.0% | 3.0% | 5.0% | 5.0% | 4.5% | 3.0% | 5.0% | 5.0% | 5.0% | 2.0% | 3.0% | 2.0% | 2.0% | 0.0% | *3.9%* | *3.0%* |
| | | | 57% | 64% | 60% | 62% | 63% | 59% | 53% | 59% | 50% | 61% | 58% | 57% | 66% | 66% | 61% | 59% | 70% | 73% | 70% | 58% | 58% | 57% | 53% | 49% | *60%* | *61%* |
| | | | 13.2% | 12.1% | 8.9% | 10.9% | 12.7% | 16.5% | 11.5% | 12.4% | 11.2% | 16.0% | 10.7% | 11.4% | 20.9% | 17.8% | 14.2% | 12.2% | 14.9% | 12.2% | 14.3% | 10.6% | 9.7% | 14.0% | 9.1% | 14.0% | *14%* | *12.4%* |
| Talent | Number of domestic personnel | | 1.0% | 1.6% | 2.3% | 2.1% | 2.4% | 1.2% | 1.4% | 1.2% | 0.6% | 1.1% | 2.3% | 1.3% | 2.1% | 2.1% | 2.6% | 2.0% | 3.1% | 3.2% | 2.7% | 3.2% | 2.1% | 1.9% | 1.6% | 1.1% | *1.8%* | *2.4%* |
| | | | 0.0% | 1.0% | 1.0% | 1.0% | 1.0% | 0.0% | 1.5% | 0.0% | 0.0% | 1.0% | 1.0% | 0.0% | 1.0% | 2.0% | 2.0% | 1.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 1.0% | 1.0% | 1.0% | *0.9%* | *1.6%* |
| | | | 42% | 58% | 58% | 60% | 58% | 49% | 57% | 50% | 47% | 55% | 53% | 48% | 57% | 62% | 59% | 54% | 66% | 65% | 66% | 61% | 64% | 54% | 56% | 54% | *54%* | *61%* |
| | | | 4.9% | 3.9% | 4.5% | 3.6% | 3.1% | 4.5% | 4.8% | 3.6% | 3.0% | 3.8% | 3.1% | 2.3% | 1.9% | 2.7% | 3.8% | 3.3% | 4.4% | 4.4% | 3.7% | 4.5% | 3.3% | 3.5% | 3.5% | 3.5% | *4.5%* | *3.8%* |

### CFOs' own-company optimism[3] and equity market performance

| | | 1Q14 | 2Q14 | 3Q14 | 4Q14 | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 | 2Q16 | 3Q16 | 4Q16 | 1Q17 | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 | 1Q19 | 2Q19 | 3Q19 | 4Q19 | Survey mean | 2-year mean |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Optimism | Optimism (% more optimistic) | 46.8% | 44.3% | 43.7% | 49.0% | 47.9% | 37.6% | 33.6% | 33.9% | 33.1% | 48.6% | 35.2% | 43.1% | 59.9% | 54.6% | 45.6% | 52.4% | 59.4% | 48.5% | 48.5% | 26.5% | 32.3% | 30.4% | 26.2% | 29.9% | *43.8%* | *37.7%* |
| | Neutrality (% no change) | 33.0% | 37.2% | 44.6% | 35.3% | 38.5% | 43.6% | 46.9% | 42.9% | 35.6% | 32.9% | 49.2% | 37.2% | 30.3% | 34.8% | 38.1% | 42.2% | 34.8% | 42.1% | 39.4% | 50.4% | 51.9% | 48.7% | 42.4% | 51.0% | *34.9%* | *45.1%* |
| | Pessimism (% less optimistic) | 20.2% | 18.6% | 11.7% | 15.6% | 13.5% | 18.8% | 19.5% | 23.2% | 31.4% | 18.6% | 15.6% | 19.7% | 9.9% | 10.6% | 16.3% | 5.4% | 5.8% | 9.4% | 12.1% | 23.1% | 15.8% | 20.9% | 31.4% | 19.1% | *21.0%* | *17.2%* |
| | Net optimism (% more minus % less optimistic) | 26.6% | 25.7% | 32.0% | 33.3% | 34.4% | 18.8% | 14.2% | 10.7% | 1.7% | 30.0% | 19.7% | 23.4% | 50.0% | 43.9% | 29.4% | 46.9% | 53.5% | 39.2% | 36.4% | 3.4% | 16.5% | 9.5% | -5.2% | 10.9% | *22.8%* | *20.5%* |
| Equities | S&P 500 price at survey period midpoint | 1,839 | 1,878 | 1,955 | 2,040 | 2,097 | 2,123 | 2,092 | 2,023 | 1,865 | 2,047 | 2,184 | 2,177 | 2,316 | 2,391 | 2,441 | 2,582 | 2,732 | 2,728 | 2,833 | 2,722 | 2,776 | 2,881 | 2,919 | 3,120 | *1,980* | *2,839* |
| | S&P gain/loss QoQ | 2.3% | 2.1% | 4.1% | 4.3% | 2.8% | 1.2% | -1.5% | -3.3% | -7.8% | 9.8% | 6.7% | -0.3% | 6.4% | 3.2% | 2.1% | 5.8% | 5.8% | -0.1% | 3.8% | -3.9% | 2.0% | 3.8% | 1.3% | 6.9% | *2.9%* | *2.4%* |
| | US equity valuations (% who say overvalued) | | | | | | 65.4% | 60.2% | 56.3% | 29.7% | 56.1% | 71.3% | 70.1% | 80.3% | 78.0% | 83.1% | 84.4% | 75.5% | 63.4% | 70.5% | 65.3% | 45.6% | 64.2% | 63.4% | 76.7% | *66.3%* | *65.6%* |

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 nacfosurvey@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.

**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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