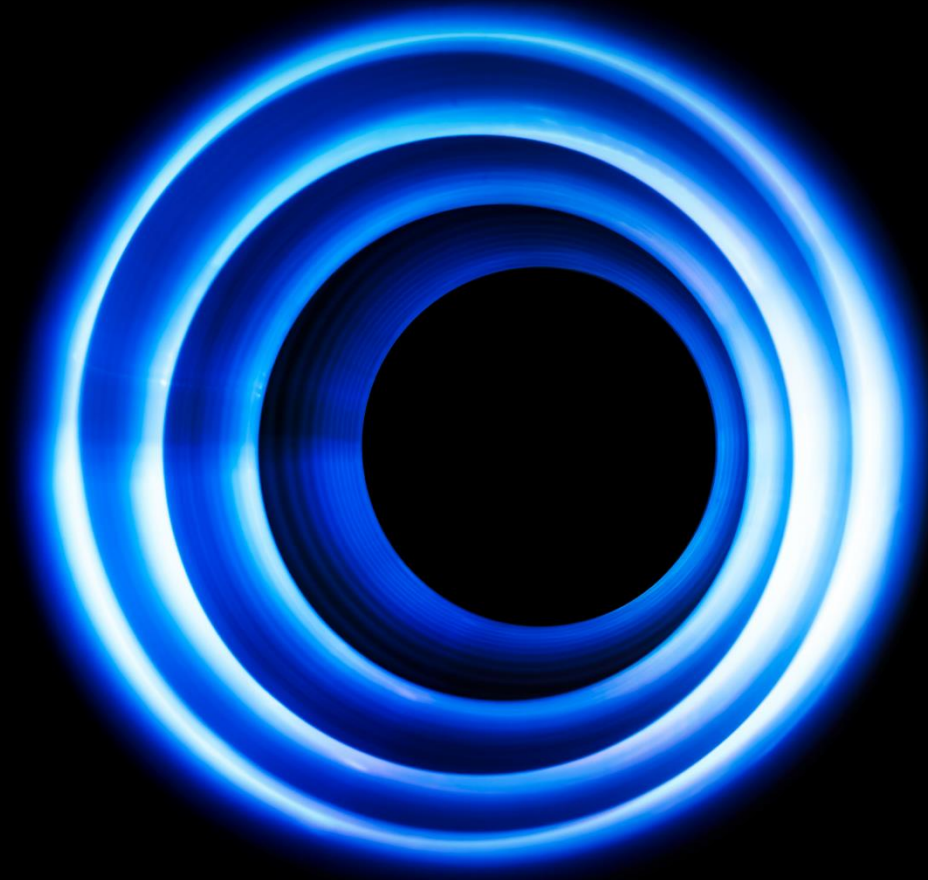


Deloitte.



CFO Signals™

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

2nd quarter 2019

Full report

About the survey

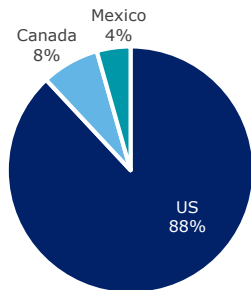
Contents and background

About the CFO Signals survey

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

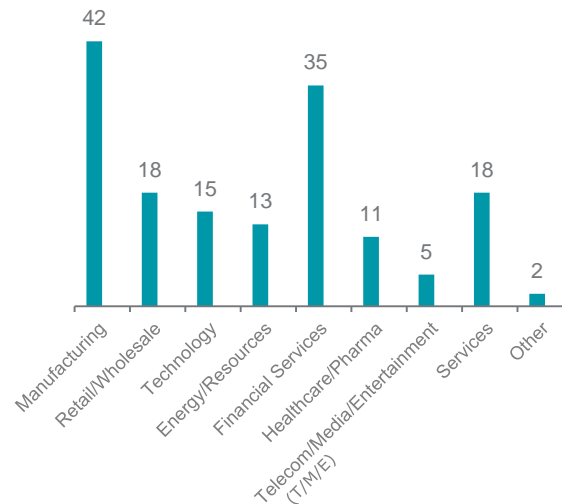
All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than \$1 billion in annual revenue. For a summary of this quarter's response demographics, please see the sidebars and charts on this page. For other information about participation and methodology, please contact nacfosurvey@deloitte.com.

Participation by country*



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

Participation by industry*



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Survey responses

Survey period:	5/6-5/17
Total responses:	159
• CFO proportion:	100%
• Revenue >\$1B:	82%
• Public/private:	73%/27%

Survey leaders

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Findings at a glance

Perceptions

How do you regard the status of the North American, European, and Chinese economies? Perceptions of North America declined slightly, with 79% of CFOs rating current conditions as good (down from 80% last quarter), and 24% expecting better conditions in a year (down from 28%). Perceptions of Europe slid to just 10% and 4%; China sits at 26% and 10%. [Page 6.](#)

What is your perception of the capital markets? Seventy-seven percent of CFOs say debt financing is attractive (up from 70%). Equity financing attractiveness rose for both public (from 25% to 40%) and private (27% to 35%) company CFOs. Sixty-four percent say US equity markets are overvalued, up from 46% and similar to the levels from 2018. [Page 7.](#)

Sentiment

What external/internal risks worry you the most? CFOs express strong concerns about the impact of US trade policy on global growth and about US political turmoil. Talent is the dominant internal concern, with newly emerging concerns about rising labor costs. [Page 8.](#)

Compared to three months ago, how do you feel about the financial prospects for your company? The net optimism index declined from last quarter's +16 to just +9 this quarter—the second-lowest reading in three years. Thirty percent of CFOs express rising optimism (32% last quarter), and 21% express declining optimism (16% last quarter). [Page 9.](#)

Expectations

What is your company's business focus for the next year? CFOs indicate a bias toward revenue growth over cost reduction (48% vs. 29%), investing cash over returning it (51% vs. 18%), current offerings over new ones (47% vs. 32%), and current geographies over new ones (66% vs. 13%). [Page 10.](#)

How do you expect your key operating metrics to change over the next 12 months? YOY revenue growth expectations fell from 4.8% to 3.8%, earnings growth slid from 7.1% to 6.1%, and hiring fell from 2.1% to 1.9% (all sit at two-year lows). Dividend growth declined from 3.9% to 3.7%, the lowest level in two years. Capital spending rose substantially from 5.9% to 7.7%. [Page 11.](#)

Special topic: Company growth, profitability, and investment

If the US experiences a pullback, what type of pullback do you expect? About 80% expect a downturn to be mild, and they are split on whether that downturn will be short or prolonged. [Pages 12.](#)

What industry and company factors are affecting your business planning? All industries expected rising industry revenue over declining, with Manufacturing lowest and Healthcare/Pharma highest. All industries except Technology and Retail/Wholesale claimed to be in profitability mode over growth mode; all except Financial Services were biased toward market expansion over consolidation. Overall, companies claimed substantial talent constraints, but not capital constraints or shareholder pressure to use/return cash. [Page 13.](#)

2Q19 Survey Highlights

- CFOs' views on the future performance of the North American, European, and Chinese economies hit multi-year lows.
- Own-company optimism declined to the second-lowest level in the last three years.
- Expectations for revenue, earnings, and hiring growth all declined to two-year lows, but capex growth continued to rise.
- About 80% of CFOs expect an economic downturn to be mild; they are split on whether it will be short or prolonged.
- CFOs claim substantial talent constraints, but not capital constraints or shareholder pressure to use or return cash.
- Top uses of cash are investing for growth and productivity gains, with strong industry differences around dividends and buybacks.
- The vast majority of CFOs say they are making focused growth investments, not spreading bets across several opportunities.
- CFOs' home markets, the US, and China were most important for growth; the importance of Canada and Mexico to US CFOs seems to have declined since we last asked in 4Q15.
- CFOs' top personal focus areas are profitability, corporate strategy, and growth; other areas vary substantially by industry.

What are your company's top uses of cash this year? Top uses revolve around investment for growth and productivity improvement. There are substantial public/private and industry differences when it comes to returning cash, paying down debt, and investing for growth versus for productivity. [Page 14.](#)

Which markets will be important to your company's growth over the next five years? Predictably, CFOs ranked their home markets most important. The US ranked universally high, but the importance of Canada and Mexico to US CFOs seems to have declined since we last asked in 4Q15; China is the most important market outside North America on the whole. [Page 15.](#)

What is your approach to growth investments over the next three years? The vast majority of CFOs say they are making focused growth investments instead of spreading investments across multiple opportunities; capital-constrained companies are the most likely to be avoiding major investment. [Page 16.](#)

On which areas will you personally focus for the next year? Three areas comprise the top tier for CFOs' personal focus: profitability, corporate strategy, and growth. Other focus areas were substantial for particular industries. [Page 17.](#)

Summary and context

Investing through an expected (mild) downturn

After riding high through 2017, CFOs' sentiment and expectations began to decline in early 2018. Citing growing worries about the economic impacts of geopolitics, US political turmoil, and US trade policy, just 28% of CFOs in the 4Q18 survey said they expected the North American economy to be better in 2019—half the level going into 2018.

Last quarter's findings sustained the downward trend. Assessments of the North American, European, and Chinese economies all declined. Own-company optimism rebounded from the prior quarter's very low reading, but remained at its third-lowest level in three years. Expectations for revenue, earnings, domestic hiring, and wages all declined (only capex rose), and all metrics sat below their two-year averages.

Likely contributing to these dour findings, 75% of CFOs last quarter said they expected a slowdown of US economic growth by the end of 2020 (mostly due to US trade policy, business and credit cycles, and slowing Chinese and European growth). The silver lining, however, was that few expected a recession—in fact, only 15% expected an extended decline in economic activity.

This quarter, CFOs' assessments of the North American, European, and Chinese economies continued to decline, and their own-company optimism fell to its second-lowest level in three years. To put a finer point on CFOs' expectations, this quarter we asked about the expected severity and duration of any downturn that might occur by the end of 2020.

There was a silver lining in these results, too. About 80% of CFOs said they expect any downturn to be mild, and about half of those said they expect a short duration (less than 5% expect a sharp, prolonged downturn). These expectations may help explain why, even as CFOs' expectations for revenue, earnings, and hiring growth continued to decline this quarter (all sit at two-year lows), their expectations for capital spending continued to rise—a phenomenon evident last quarter as well.

So, with these expectations as a backdrop, where are companies channeling their efforts and cash? To find out, this quarter we asked about companies' priorities, opportunities, and constraints, and also about how CFOs are contributing to their organizations' efforts in what continues to be a challenging and unusual business environment.

Facing the prospect of a slowdown, relatively few CFOs cited capital constraints or shareholder pressure to use or return cash. Their top uses of cash revolved around investments for both growth and productivity improvement, but there were substantial industry and public/private differences (especially around other cash uses). Complicating their investment plans, however, was the constraint on which nearly two-thirds of CFOs agreed—availability of talent.

When it comes to how companies are distributing their growth investments, the vast majority of CFOs said they are making focused investments instead of spreading them across multiple opportunities. When it comes to *where* companies are investing, CFOs say the most important markets are the US (and Canada and Mexico for the companies located there) and China. Interestingly, the importance of Canada and Mexico to US companies seems to have declined since we last asked in the fourth quarter of 2015.

Finally, we asked CFOs about their top personal focus areas as they help their companies navigate the current business environment. Three areas comprise a clear top tier: profitability, corporate strategy, and growth. There were several other focus areas that were substantial as well, especially when viewed through an industry lens.

Please see the appendix of this report for additional details about how CFOs' and companies' priorities and approaches vary by industry.

Key developments since the 1Q19 survey

- US first quarter GDP growth appeared strong; consumer spending rose and inflation remained muted.
- The US yield curve inverted.
- The US Fed said corporate debt and high asset values pose financial system risks; it kept rates steady.
- The US raised tariffs on China and China retaliated.
- Economic data from China indicated that growth is stabilizing (but still at the slowest pace in 27 years).
- Global trade volume fell for the first time in a decade.
- The S&P 500 rose 3.8% since last quarter's survey.
- Canada's employment grew at the best rate on record.
- Mexico's economy contracted in the first quarter.
- USMCA passage remains uncertain due to conflicts over continuing US tariffs on steel and aluminum.
- European economic growth rebounded in 1Q19; inflation accelerated and unemployment declined.
- The EU gave the UK a six-month Brexit extension.
- The Brookings Institute said the global economy appears headed toward a synchronized downturn.

Summary of CFO sentiment and expectations

		This quarter	Last quarter	2 yr. avg.
Economy optimism—North America (Index)		23.3	25.9	38.5
Economy optimism—Europe (Index)		1.3	5.7	15.8
Economy optimism—China (Index)		6.3	7.7	18.9
Own-company optimism (Net)		+9.5	+16.5	+29.3
Revenue growth (YOY)		3.8%	4.8%	5.3%
Earnings growth (YOY)		6.1%	7.1%	8.1%
Capital investment growth (YOY)		7.7%	5.9%	7.9%
Domestic personnel growth (YOY)		1.9%	2.1%	2.6%
Percent of CFOs saying US equity markets overvalued		64.2%	45.6%	69.0%

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

Topical findings

Perceptions

Assessments of regional economies

Despite sustained strong assessments of the current North American economy, CFOs' expectations for the future of the North American, European, and Chinese economies remain among their lowest levels in the last several years.

Assessments of North America peaked in 2Q18 with 94% of CFOs rating the economy as good. Despite four straight declines, this quarter's level remains strong at 79%. Assessments of the economy's trajectory, however, have been declining since early 2018, and just 24% of CFOs now expect better conditions in a year—well off the 59% from 1Q18 and a new survey low. The region's optimism index¹ declined to +23, the lowest level in more than five years.

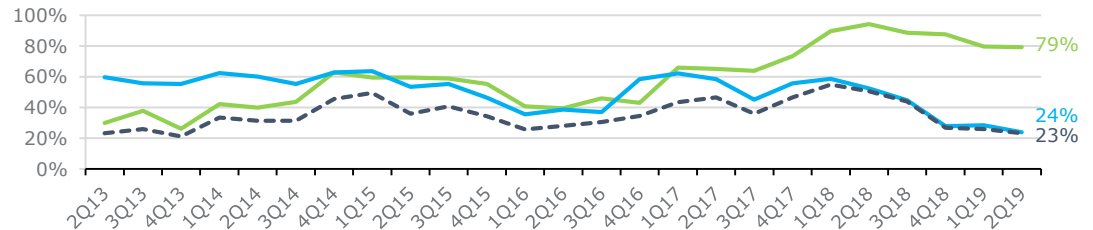
Perceptions of Europe's economy also receded since peaking in 1Q18. Only 10% of CFOs say current conditions are good (16% last quarter), and only 4% expect better conditions in a year (a new survey low). The optimism index¹ fell to just +1 from last quarter's +6, and it now sits at a four-year low.

Perceptions of China's economy fell for the fourth straight quarter and are well down from recent survey highs. The proportion of CFOs who say current conditions are good rose from 20% to 26%, but just 10% expect better conditions in a year (down from 16% and the lowest level in more than three years). The optimism index¹ declined from last quarter's +8 to +6 (the lowest level in more than two years).

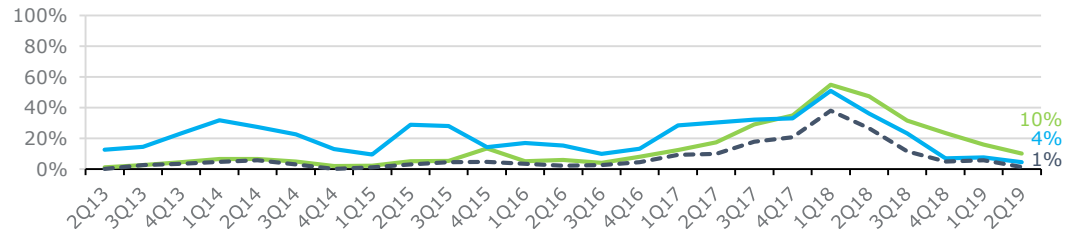
Economic optimism

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)

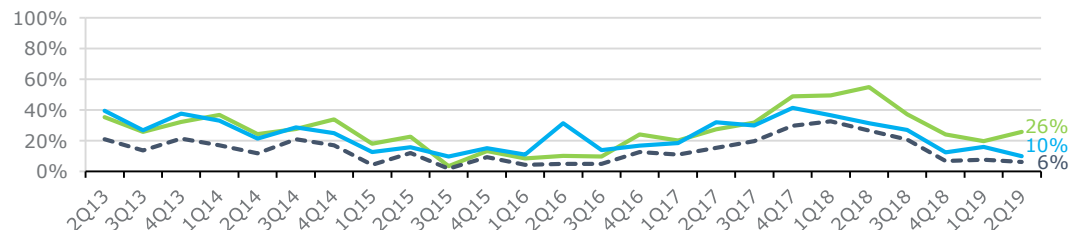
North America



Europe



China



Good now — Better in a year — Economic optimism index¹ - - -

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 regarded as more overvalued than last quarter.

Equity market volatility was again high with S&P 500 index netting a 3.8% increase between surveys. Sixty-four percent of CFOs now say US equity markets are overvalued, a sharp rebound from last quarter's three-year low. Meanwhile, the proportion saying equities are undervalued fell to 2%—the lowest level in almost two years.

Debt attractiveness continued to climb from a survey low; equity attractiveness bounced back from two declines.

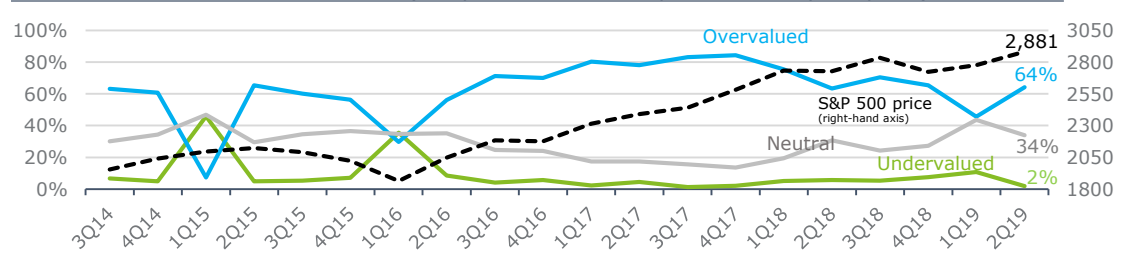
Debt attractiveness increased to 77%, continuing its climb from the 4Q18 low and in line with the levels from early 2018. Equity financing attractiveness bounced back from last quarter's relative low and is similar to the levels from 2017 and 2018. It rose for both public company CFOs (from 25% to 40%) and for private company CFOs (from 27% to 35%).

Low appetite for risk-taking.

Risk appetite stabilized last quarter after three consecutive quarters of declines, and that trend continues this quarter. The proportion of CFOs saying this is a good time to be taking greater risk rose only slightly from 41% to 42%, in line with the lowest levels from the past four years.

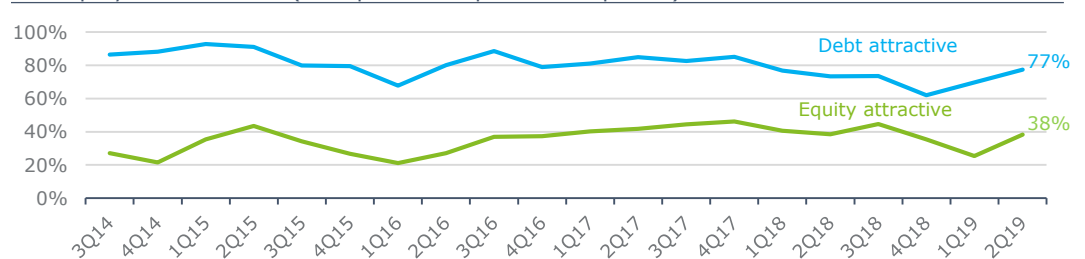
Equity market valuations

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



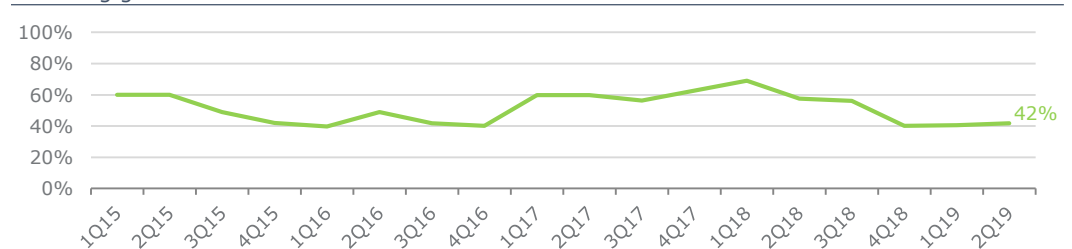
Debt/equity attractiveness

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



Risk appetite

Is this a good time to be taking greater risk? Percent of CFOs saying it is a good time to be taking greater risk



Sentiment

Most worrisome risks

CFOs express strong concerns about US political turmoil and the impact of trade policy on global economic growth. Talent concerns continue, with a new focus on rising labor costs.

Prior to 2017, CFOs' top external risks focused heavily on slow economic growth. As global economic performance has improved, CFOs' top worries have shifted toward threats to continued growth—especially trade policy/tariffs and political turmoil.

This quarter, CFOs again voiced strong concerns about trade policy (especially US-China policy) and even higher concerns about political turmoil and gridlock. Concerns about slowing economic growth in the US, China, and Europe continued, but concerns about Brexit declined (possibly in response to the extension granted by the EU).

When it comes to internal risks, CFOs again expressed strong concerns related to acquiring and retaining talent. Concerns about strategy execution and cost management both rose, and concerns specifically about rising labor costs (which have not shown up substantially over the last few years) accelerated.

Our 4Q18 findings indicated a shift back toward CFOs saying external factors are the dominant constraint on their companies' performance. The trend accelerated this quarter.

Please see the appendix for industry-specific charts. Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

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=153)

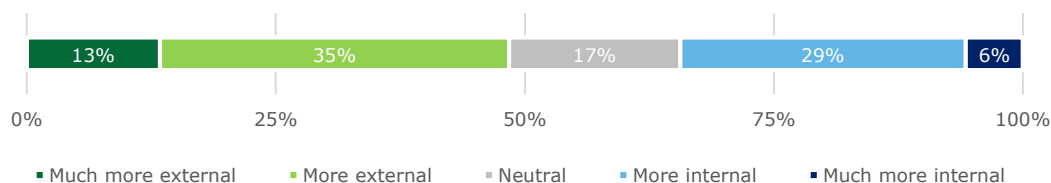
- Trade policy/tariffs (50)
- ↑ Political turmoil/gridlock (34)
- Economic risks/slowdown (28)
- Detrimental policy/regulation (19)
- Geopolitical risks (17)
 - Policy uncertainty (7)
 - Interest rates (7)
 - Equity markets (7)
 - Consumer demand/behavior/sentiment (7)
 - Debt markets (5)
 - US budget/deficit (5)
 - China economy (3)
 - Cyber security (3)
 - Inflation (3)
 - Input/commodity prices (3)
 - Tax policy changes (2)
 - Nationalism (2)
 - FX (2)
 - Competition/disruption (2)
 - Technology advances/disruption (2)
 - Wages (2)
 - ↓ Brexit

Internal risks (N=147)

- Talent levels/quality (50)
- ↑ Strategic/execution risk (32)
- ↑ Cost control/efficiency (19)
 - Prioritization/focus/overload (12)
 - ↓ Achieving growth/sales (11)
 - IT/technical change (10)
 - ↑ Labor costs (10)
 - Driving change/initiatives (9)
 - Complacency (6)
 - Speed/adaptation/innovation (5)
 - Bandwidth/capacity (2)
 - Maintaining data security(2)

Growth constraints

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



Sentiment

Optimism regarding own-company prospects

Own-company optimism continues to sit among its lowest levels in the last three years. The US is highest at just +15; Canada and Mexico are both overwhelmingly negative.

Last quarter's net optimism rebounded somewhat from the prior quarter's three-year low of +3 to a modest +16. This quarter it retreated to +9 and sits at the second-lowest reading in three years. Thirty percent of CFOs expressed rising optimism (down from 32%), and 21% cited declining optimism (up from 16%).

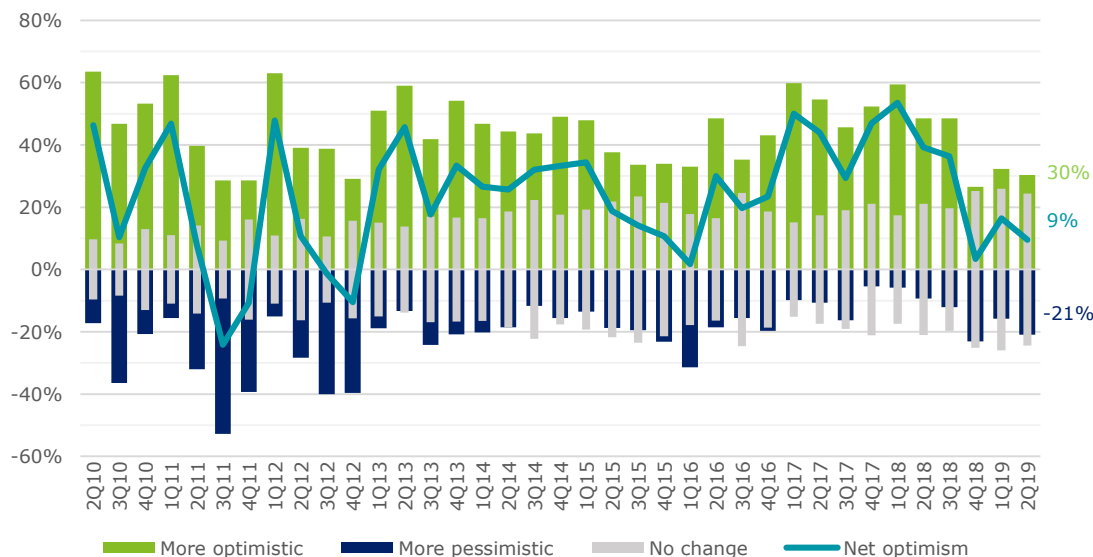
Net optimism for the US declined from last quarter's +19 to +15, the second-lowest level in the last three years. Canada fell sharply from last quarter's +25 to -25. Mexico rose from last quarter's dismal -60 to a still-poor -43, tying the second lowest point in the last two years.

Manufacturing, Retail/Wholesale, and Healthcare/Pharma were comparatively pessimistic (+2, +6, and -27, respectively). Technology was strongest at +20, with Financial Services and Energy/Resources slightly behind at +15.

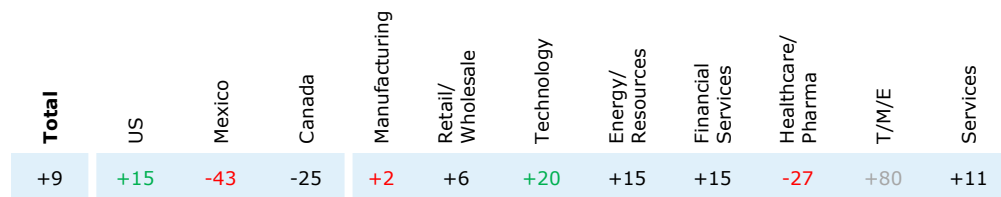
Please see the appendix for industry-specific charts. Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

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 (2Q19)



Red = relative lows
Green = relative highs

Expectations

Business focus for next year

CFOs indicate a growing focus on reducing costs, investing cash, current geographies, and current offerings.

About half (48%) of CFOs say they are biased toward revenue growth, and 29% claim a bias toward cost reduction for a net value of +19%, the second-highest cost reduction focus in the last four years. The bias toward investing cash over returning it to shareholders increased this quarter from +27% to +33%, reversing a year of declining investment focus. Technology is highest for growing revenue; Services is lowest.

CFOs' bias toward new versus current product/service offerings shifted back toward current offerings this quarter (32% versus 47%, for a net of -15%). The bias toward current geographies over new ones increased slightly (66% versus 13%, for a net of -53%). Energy/Resources is highest for current offerings and current geographies.

The bias toward organic growth over inorganic growth decreased slightly this quarter, but remains very high at -55. Energy/ Resources is highest for organic growth.

Please see the appendix for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

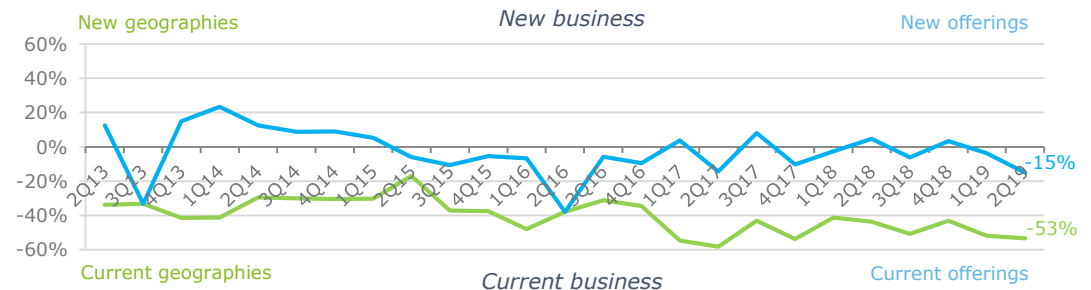
Business focus

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)

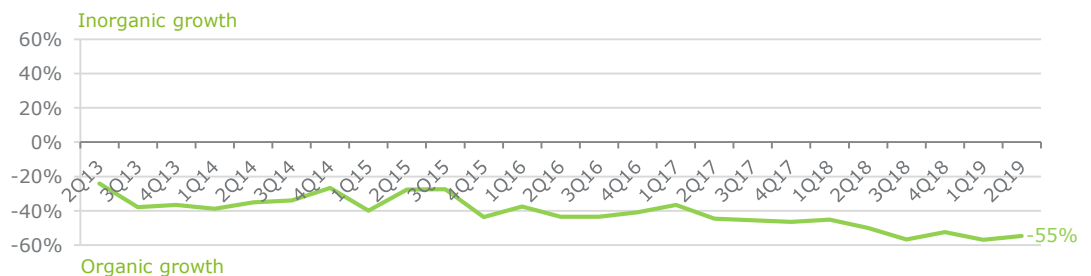
Offense vs. defense



New business vs. current business



Inorganic growth vs. organic growth



Expectations

Growth in key metrics, year-over-year

Expectations for revenue, earnings, dividends, hiring, and wages all declined to their lowest levels in the last two years; capital spending rose but remains below the two-year average.

Revenue growth declined from 4.8% to 3.8%, its lowest level since 4Q16. The US slid to a two-year low. Canada dipped slightly, and remained below its two-year average. Mexico declined to a two-year low. Technology and Energy/Resources again lead; Healthcare/Pharma trails.

Earnings growth declined from 7.1% to 6.1%, the lowest level since 3Q16. The US fell to a two-year low. Canada fell and remains below its two-year average. Mexico dipped and remained below its two-year average. Retail/Wholesale is highest; Manufacturing and Healthcare/Pharma are lowest.

Capital spending growth rose substantially from 5.9% to 7.7%, just below the two-year average. The US rose to just above its two-year average. Canada and Mexico declined and sit below their two-year averages. Healthcare/Pharma and Retail/Wholesale are again highest; Services is lowest.

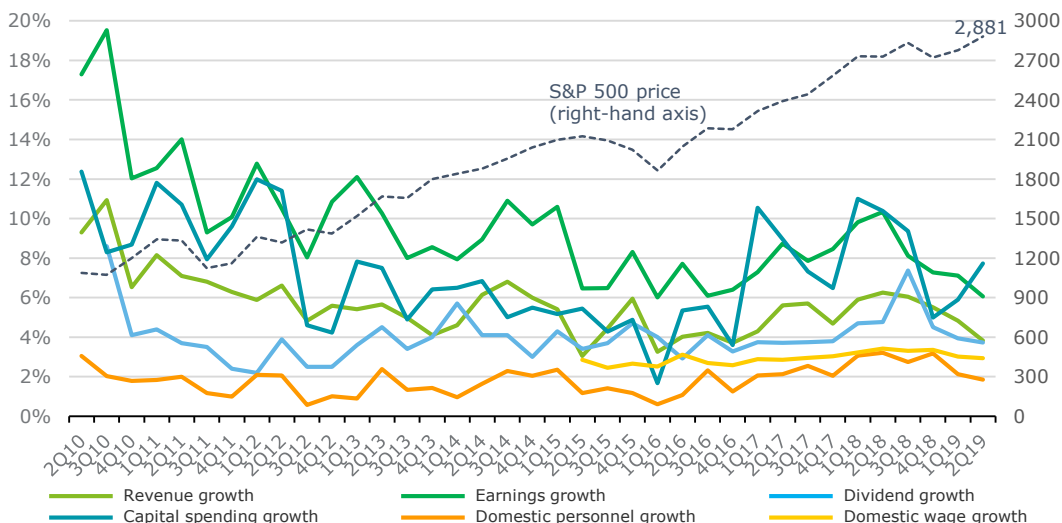
Domestic personnel growth slid from 2.1% to 1.9%, the lowest level since 3Q16. The US fell to its lowest level in more than two years. Canada slid below its two-year average. Mexico rose, but remains below its two-year average. Services and Technology lead; Energy/Resources trails.

Dividend growth declined from 3.9% to 3.7, the lowest level in two years.

Please see the appendix for industry-specific charts. Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Growth expectations

Compared to the past 12 months, how do you expect the following metrics to change over the next 12 months? CFOs' expected year-over-year company growth in key metrics (compared to the value of the S&P 500 index at the survey midpoint)



YOY growth expectations by country and industry (2Q19)

	Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	3.8%	3.7%	4.6%	5.0%	3.8%	3.8%	5.3%	4.6%	3.8%	3.6%	-0.8%	4.4%
Earnings	6.1%	6.3%	7.8%	2.1%	5.1%	9.0%	6.6%	5.8%	5.7%	4.6%	11.0%	6.5%
Capital spending	7.7%	7.9%	11.4%	3.3%	7.8%	13.6%	9.7%	4.0%	7.2%	13.4%	-4.4%	4.3%
Domestic personnel	1.9%	1.8%	2.7%	1.9%	1.5%	1.5%	5.1%	0.3%	1.8%	1.3%	-2.0%	2.7%
Dividends	3.7%	3.5%	7.0%	4.9%	4.3%	4.4%	0.7%	5.5%	4.6%	4.1%	1.0%	1.9%
Domestic wages	2.9%	2.8%	5.0%	2.8%	2.8%	3.0%	3.4%	2.9%	2.9%	3.0%	2.8%	2.7%

Red = relative lows
Green = relative highs

Special topic: Company growth, profitability, and investment

Downturn severity and duration

While the vast majority of CFOs expect a US downturn in the next two years, about 80% expect it to be mild. They are split on whether a mild downturn will be short or prolonged.

Almost all surveyed CFOs (97%) say they expect a US downturn in the next two years. Of those, four in five say they expect the downturn to be mild. Services CFOs were the most optimistic, with 88% anticipating a mild downturn. Financial Services CFOs were the most pessimistic, with 30% expecting a sharp downturn.

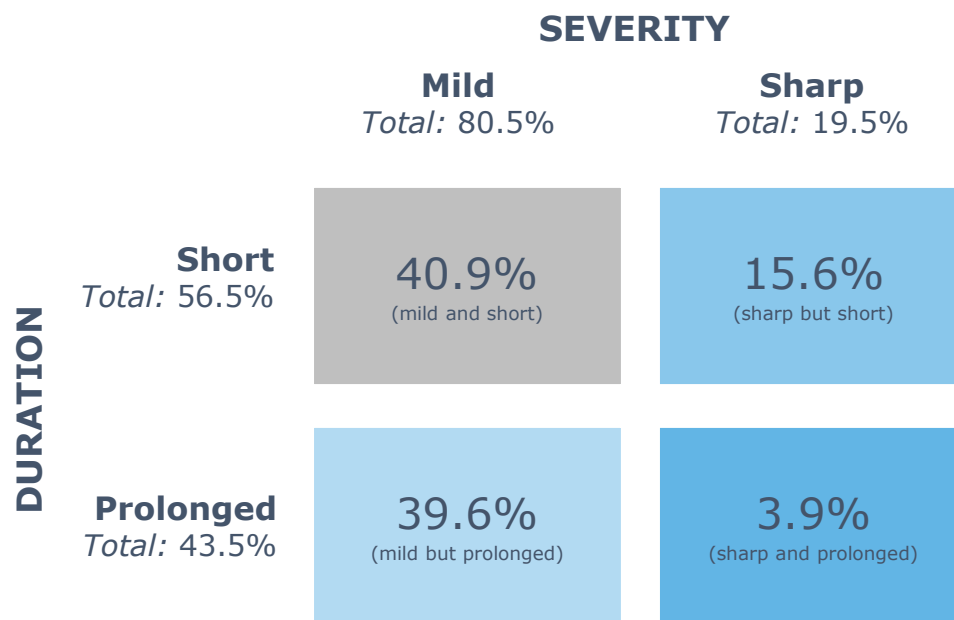
CFOs were more divided on the expected duration of a downturn. Those expecting a mild downturn were about evenly split on whether the duration would be short or prolonged. Those expecting a sharp downturn were about four times more likely to expect a short duration. Only about 4% of CFOs said that they expect a downturn that is both sharp and prolonged.

Irrespective of severity, 56% of CFOs said they expect a downturn to be short, and 44% expect a longer duration. Retail/Wholesale CFOs were most likely to anticipate a prolonged downturn at 53%.

Please see the appendix for industry-specific charts. Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Downturn expectations

If the US experiences a slowdown and/or recession in the next two years, what type of pullback do you expect it to be? Percent of CFOs selecting each option (n=154)*



* Four of 159 CFOs indicated that they did not expect a slowdown or recession in the next two years, and one did not answer. The table above does not include these responses in the calculations of the percentages (i.e., the base is 154 instead of 159).

Special topic: Company growth, profitability, and investment

Factors affecting companies' planning

As companies face a possible slowdown, they claim substantial talent constraints—but not capital constraints or shareholder pressure to use/return cash.

STRUCTURE

All industries netted¹ toward similar businesses over diversified, led by Energy/Resources and Retail/Wholesale. Only Manufacturing netted toward a large global sales footprint over a small one. Only Manufacturing and Technology netted toward international supply chains.

INDUSTRY

All industries netted toward rising industry revenue over declining, with Manufacturing lowest and Healthcare/Pharma highest.

Manufacturing and Technology were the most likely to expect company growth above the industry average.

MODE

Only Technology and Retail/Wholesale netted toward growth over profitability. Only Financial Services netted toward market consolidation over expansion.

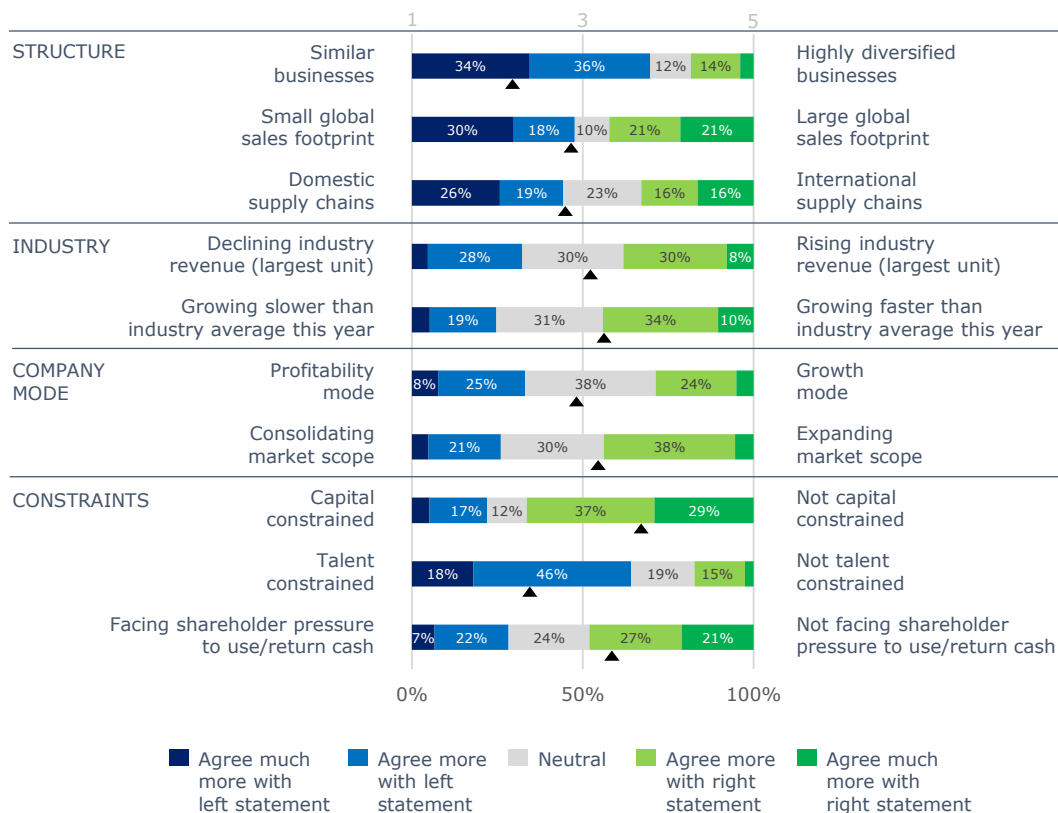
CONSTRAINTS

All industries netted toward not being capital constrained, with Energy/Resources the least constrained. Differences between public and private companies were minimal. All industries netted well toward being talent constrained, led by Technology and Manufacturing. All industries netted toward not facing shareholder pressure to use or return cash, with Technology the least likely to cite pressure.

Please see the appendix for industry-specific charts.

Company backdrop

Which of the following best describe your company? Percent of CFOs selecting each level of agreement when comparing two opposing statements



▲ Average value on a 5-point scale where 1=agree much more with left statement and 5=agree much more with right statement (where three is the midpoint)

¹"Netted" refers to the location of the average response on the 5-point scale described in the above chart. An average of less than three means the average "netted" to the left statement, and one above three means the average netted to the right statement.

Special topic: Company growth, profitability, and investment

Cash uses

On the whole, companies' top uses of cash revolve around investment for growth and productivity improvement. There are public/private and industry differences, especially around other uses.

Investing for growth in current markets was the top cash use, with more than half of CFOs in all industries citing it in their top three. Investing for growth in new businesses and for productivity were also top uses for at least one-third of companies (private companies were very high for productivity gains, as were Retail/Wholesale and Services companies).

Public companies were also likely to return cash, with more than one-third selecting buybacks and half selecting dividends. Private companies were less likely to return cash (5% for buybacks and 28% for dividends). Energy/Resources and Manufacturing were high for dividends; Technology was high for buybacks.

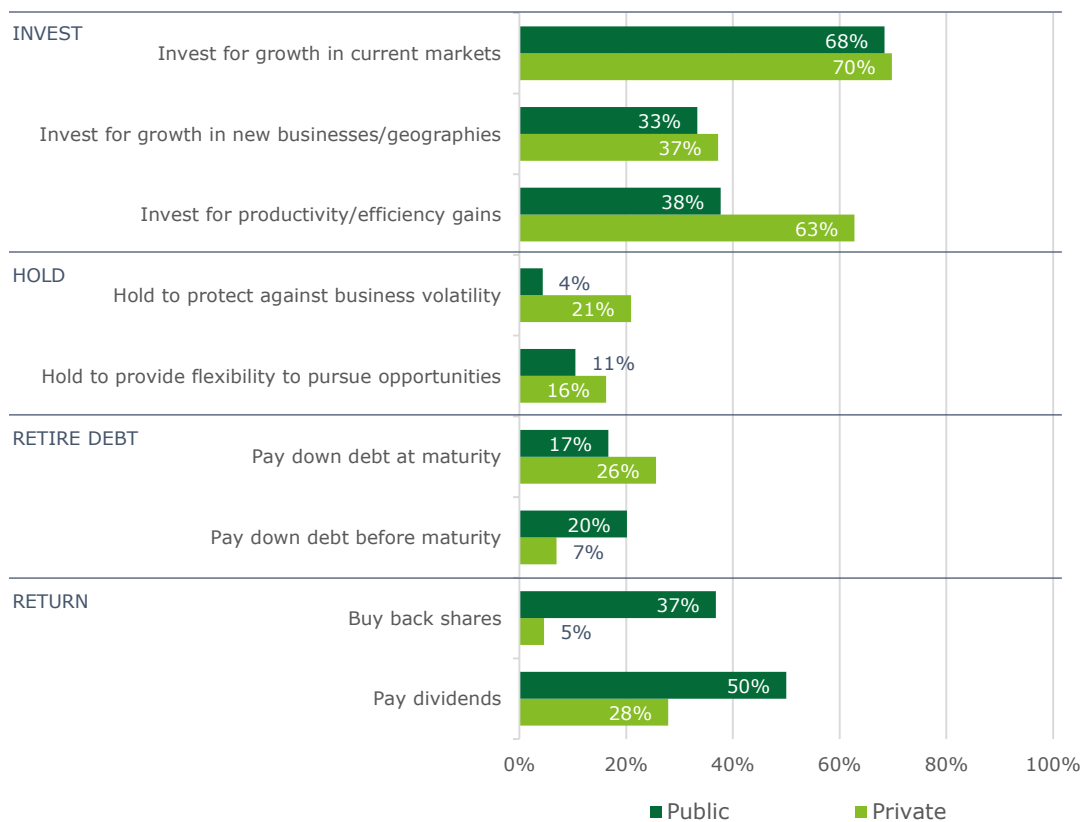
Private companies were relatively more likely to pay down debt at maturity (26% vs. 17%). One-fifth of public companies selected paying down debt before maturity versus just 7% for private companies.

Private companies were more likely to hold cash—21% to protect against volatility, and 16% to provide flexibility to pursue opportunities (versus just 4% and 11% for public companies, respectively). Services was high for holding cash to provide flexibility.

Please see the appendix for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Cash uses

What are your company's top uses of cash likely to be this year? Percent of CFOs selecting each option in their top three



Special topic: Company growth, profitability, and investment

Geographic markets for growth

CFOs rank their home markets most important. The US ranks universally high, but the importance of Canada and Mexico to US CFOs seems to have declined since 4Q15; China is the most important market outside North America.

More than 90% of CFOs named the US as important to their growth over the next five years. US CFOs were highest at 99%, with Canada and Mexico just above 40%.

Canadian and Mexican CFOs were (predictably) very likely to name their own country in their top three. Compared to the last time we asked this question in 4Q15, however, the US focus on both regions appears to have declined. Just 27% of US CFOs selected Canada in their top three (down from 43%), and just 15% selected Mexico (down from 36%).

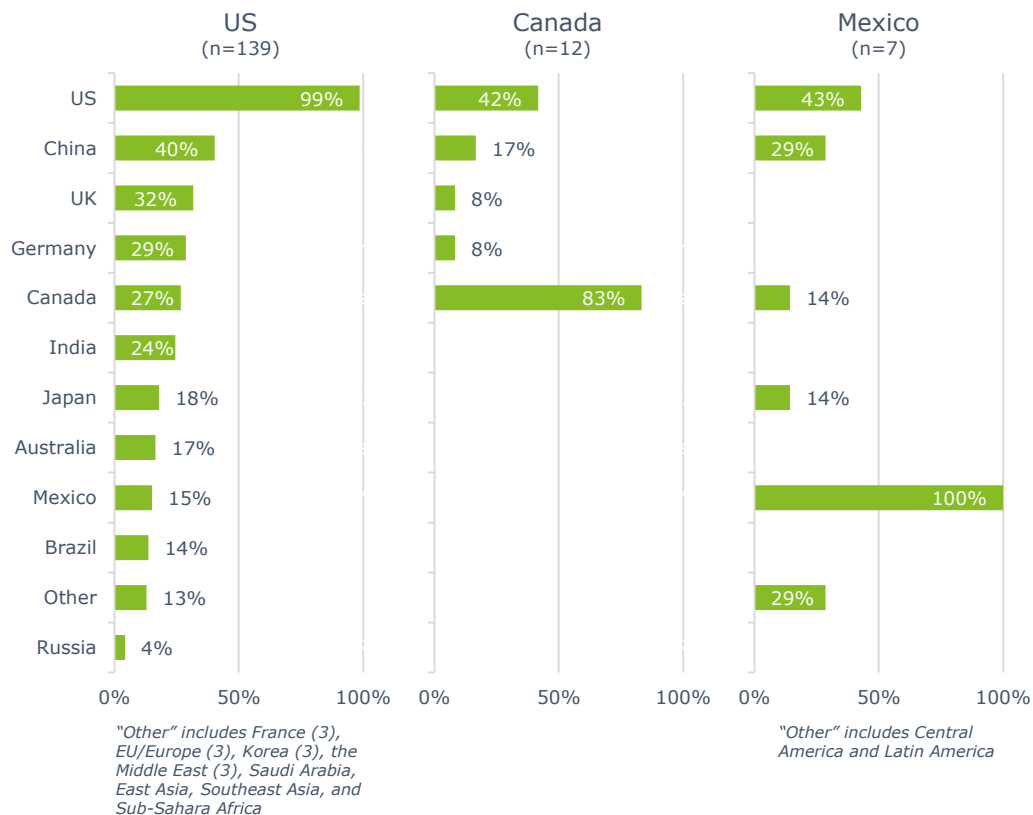
Consistent with 4Q15, China was the second-most selected market at 38% overall, driven primarily by importance to US companies at 40%. Also consistent with 4Q15, the UK and Germany top the European markets. The focus on India appears to have risen; the focus on Brazil appears to have declined substantially.

The industries with the highest focus outside the US were Manufacturing (relatively high focus on China, India, and Germany), Technology (relatively high for Germany, the UK, and Brazil), and Services (relatively high for Canada, the UK, and Mexico).

Please see the appendix for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Geographic focus for growth

Which markets are likely to be important to your company's revenue growth over the next 5 years? Percent of CFOs selecting each option in their top three



Special topic: Company growth, profitability, and investment

Approach to growth investments

The vast majority of CFOs say they are making focused growth investments instead of spreading investments across multiple opportunities; capital-constrained companies are the most likely to be avoiding major investment.

About two-thirds of CFOs say their preferred approach to growth over the next three years is to focus their investments on a few targeted opportunities. Sixteen percent say they prefer to spread their bets across multiple growth opportunities, and the same proportion prefers to grow organically without major investment.

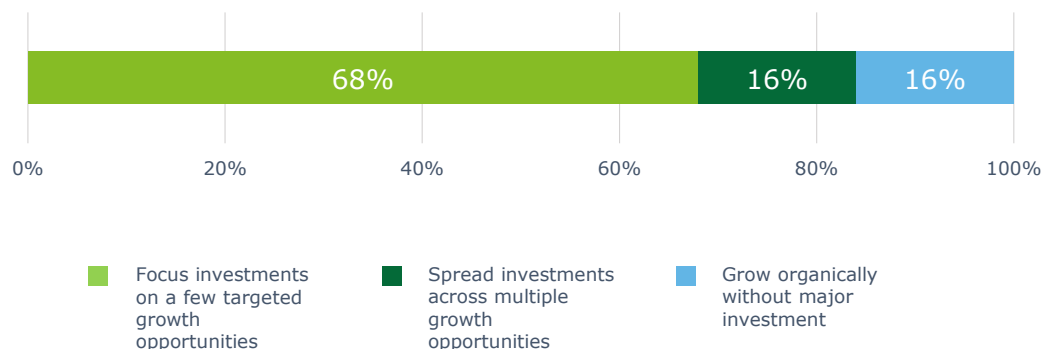
The two-thirds of CFOs who said they are not capital constrained (see page 13) were somewhat more likely to spread investments over multiple opportunities at 21%. The 22% who are capital constrained were relatively more likely to grow organically without major investment (32%).

From an industry perspective, all industries favored focused investments, with Retail/Wholesale highest at 83% and Energy/Resources lowest at 46%. Energy/Resources was highest for both growing organically without investment and spreading investments across opportunities (at 31% and 23%, respectively).

Please see the appendix for industry-specific charts.
Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

Approach to growth

Which best describes your preferred approach to growth over the next three years?
Percent of CFOs selecting each option



Special topic: Company growth, profitability, and investment

CFOs' top personal focus areas

Three areas comprise a clear top tier for CFOs' personal focus: profitability, corporate strategy, and growth.

By a significant margin, profitability is the most-cited focus area in CFOs' top three. Half selected this area, with Services and Technology highest at 67% and 60%, respectively. Healthcare/Pharma was lowest at 36%.

Corporate strategy and growth were next, with about 40% of CFOs selecting these areas. Energy/Resources and Healthcare/Pharma were highest by a significant margin for corporate strategy at 69% and 64%, respectively. Retail/Wholesale, Technology, and Services tied for lowest at 33%. Growth was highest for Technology at 60%, and Energy/Resources was lowest by far at 8%.

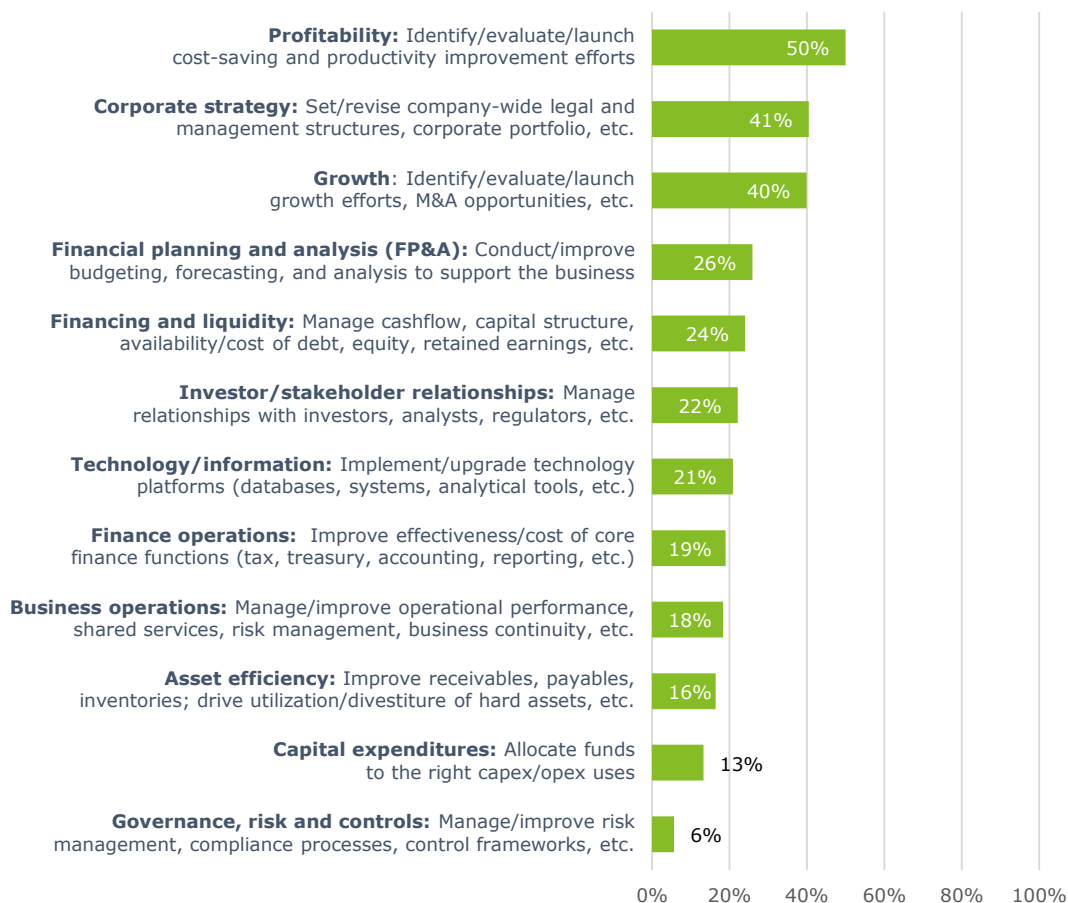
Other areas were less consistently selected (about 25% or lower), with importance varying by industry. Notable highs: Services for FP&A at 50%, Energy/Resources for investor/stakeholder relationships at 46%, and Healthcare/Pharma for capital expenditures at 27%. No Technology or Healthcare/Pharma CFOs selected technology/information.

From a public versus private perspective, private company CFOs were relatively less likely to select corporate strategy and asset efficiency. They were relatively more likely to select FP&A and technology/information.

Please see the appendix for industry-specific charts. Note that industry sample sizes vary markedly and that the means are most volatile for the least-represented. Due to a very small sample size, T/M/E was not used as a comparison point this quarter.

CFO focus

For the next year, on which areas will you personally focus the most? Percent of CFOs selecting each focus area in their top three



Appendix

Detailed findings by industry

Sentiment: Most worrisome risks (1 of 2)

Overall, what external and internal risks worry you the most?

Open-ended text.

	Manufacturing (n=41)	Retail/Wholesale (n=17)	Technology (n=14)	Energy/Resources (n=13)
External	<ul style="list-style-type: none"> Trade policy/tariffs (22) Political/policy turmoil (8) Economic slowdown/recession (6) Detrimental policy/regulation (3) US administration (2) Slowdown in housing market (2) Geopolitical risks (2) Confidence Europe Competition Government debts A&D spend focusing more on nation state threats (terrorism) Nationalism Over-regulation from government agencies, particularly outside US Political instability impact on the consumer mindset Strengthening dollar Systematic shock Tariffs that drive up cost of materials Brexit Fed and interest rates Debt that needs to be refinanced in 2020 Lack of available labor US policy toward rest of world, US deficits 	<ul style="list-style-type: none"> Trade policy/tariffs (7) Political/policy turmoil (4) Economic slowdown/recession (2) Detrimental policy/regulation (2) Geopolitical risks (2) Government actions that spike inflation or deflation Elections and debt levels Political environment and impact on trade FX Carry trade risk, consumer confidence Immigration policy A recession in Mexico NAFTA Global political uncertainty (US, Mexico, China, EU/UK) Labor markets Rising rates, wage pressures, digital Inflation, oil prices, and low unemployment 	<ul style="list-style-type: none"> Trade policy/tariffs (6) Economic slowdown/recession (2) Geopolitical risks (2) Toxic Washington Budget and debt levels Deficit spending Downturn accelerated by US/China trade war China trade IT spending Protectionism Tax policies US administration 	<ul style="list-style-type: none"> Detrimental policy/regulation (5) US administration (2) Cyber security Global trade, additional regulation, economic stability OPEC policy Rate case treatment Regulatory environments in states we operate in Trade wars, political stalemate
Internal	<ul style="list-style-type: none"> Talent acquisition and retention (11) Execution of strategy (6) Complacency (4) Ability to grow (3) Speed of innovation / pace of change (3) Labor costs (2) Supply chain challenges (2) Too many initiatives (2) Cost reduction/efficiency Ability to manage lower industry volumes Alignment on priorities Capital expansion execution Change management, digital adoption Cyber security IR capabilities, talent Manufacturing throughput Missing timelines and financial targets on strategic projects Pricing Spending discipline and prioritization Succession planning for senior people 	<ul style="list-style-type: none"> Execution of strategy (4) Talent acquisition and retention (3) Labor costs (2) Tightening labor markets Ability to continue to expand margins with wage inflation and low unemployment levels Ability to evolve and change quick enough in a changing e-commerce environment Capabilities of workforce Complacency Computer systems changes Health care costs Prioritization Supply chain issues Talent for digital, overall prioritization of investments 	<ul style="list-style-type: none"> Talent acquisition and retention (5) Sales execution (2) Acquisition integration Executing the company's business plan Execution of business model Inability to execute on product road map Leverage scale Pace of change Staff engagement 	<ul style="list-style-type: none"> Execution of strategy (3) Ability to control cost increases Customer cost Effectiveness of cost control efforts Managing costs Ability to scale operations (back office) Acquisition integration Attracting right workforce as we transition to digital Labor costs

* While we have attempted to display CFOs' verbatim answers wherever possible, we have consolidated and reworded some answers in the interest of economy and participant confidentiality. Sample sizes for industries may not sum to total due to responses from "other" industries.

Sentiment: Most worrisome risks (2 of 2)

Overall, what external and internal risks worry you the most?

Open-ended text.

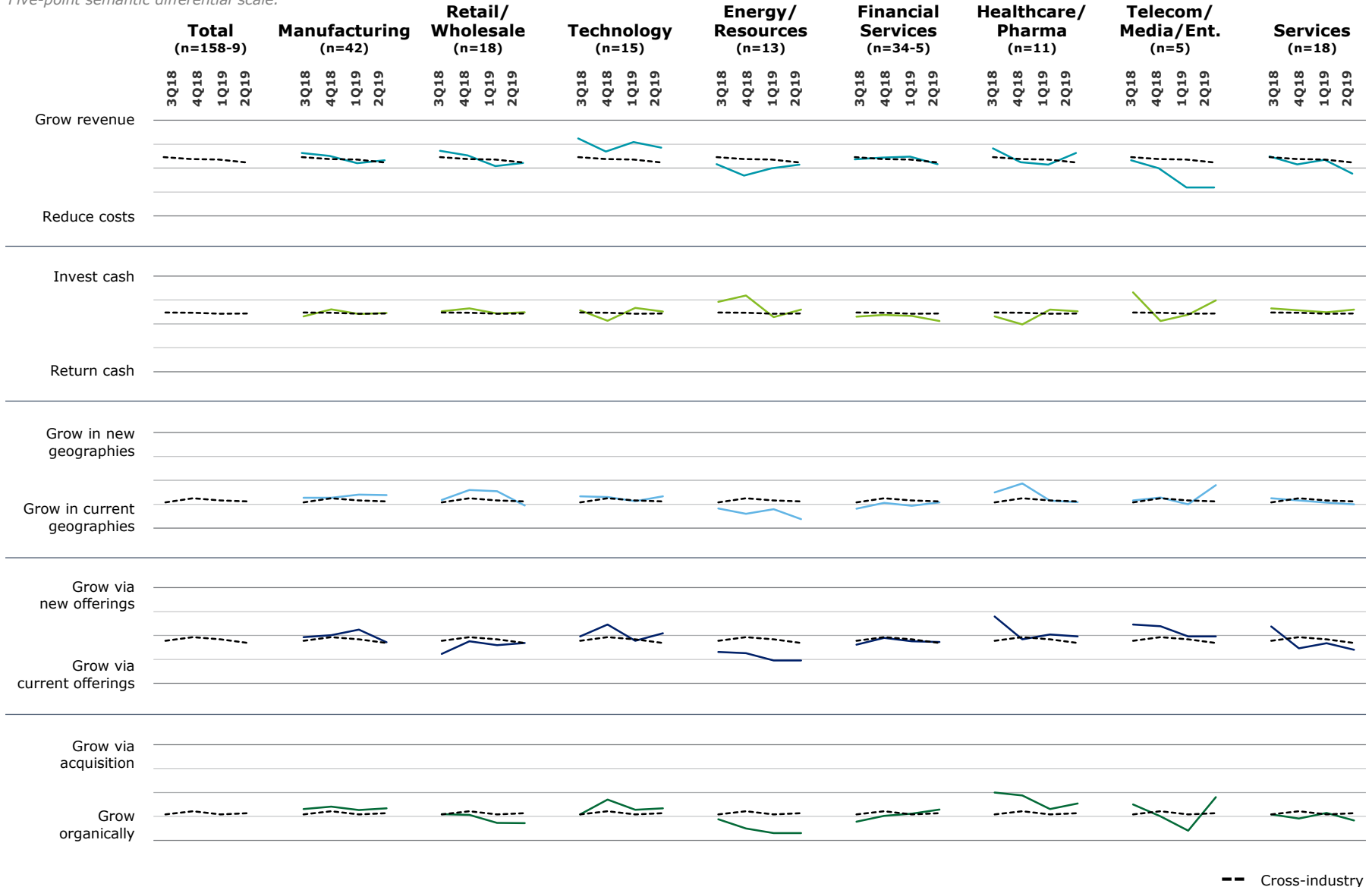
	Financial Services (n=34)	Healthcare/Pharma (n=11)	Telecom/Media/Entertainment (n=5)	Services (n=18)
External	<ul style="list-style-type: none"> Geopolitical risks (6) Trade policy/tariffs (5) Political/policy turmoil (5) Interest rates (4) Detrimental policy/regulation (4) Economic slowdown/recession (4) US administration (2) Cyber security (2) Cheap leverage Chinese economy, US fiscal deficit/debt Climate change Lack of civility Inflation Liquidity Democratic victory leading to increased regulations Potential market and economic downturn Press headlines Stock market Trade disputes with China; spillover into other areas and stagnation of cross-border M&A approvals Short-term volatility Uncertainty in the markets impacting confidence and investor sentiment Unemployment, consumer credit bubble, low rates in Europe 	<ul style="list-style-type: none"> Economic downturn, recession Economy, taxes Global trade tension Government intervention Government regulation Negative news on the sector Political instability Regulation Tariffs, pricing pressure Unpredictable US administration that generates market risk US administration 	<ul style="list-style-type: none"> US recession Interest rate, political turmoil US and China economies Geopolitical risks Overvalued financial markets 	<ul style="list-style-type: none"> Access to markets Capital markets volatility Demand; purchasing power of North American middle class Driver/labor shortages Economy Economy, trade, regulation Europe economy Fuel, economy Geopolitical, international trade, Brazil Government policy and impact on business Increased oversight and regulation Macroeconomic Pace of corporate investment Political and subsequent economic volatility Political environment Slowdown in GDP Societal movement toward acceptance of radical socialism US debt
Internal	<ul style="list-style-type: none"> Talent acquisition and retention (11) Investment performance (2) Technology changes (2) Staff burnout/workloads (2) Impact of economic cycle changes on our business Ability to reduce expenses Capacity constraints Executing a large merger integration Executing marketing/sales plans Execution of projects, lower revenues, limited sources of talent to drive innovation Execution on new product development Execution through rapid growth Innovation Pace of change Pace of transition and changes to information systems Speed of digital transformation (not fast enough) Wage pressure 	<ul style="list-style-type: none"> Ability to increase productivity Capacity to take risk Complacency Lack of commitment to drive competitiveness Leverage Managing cost structure Organic growth Ability to fully execute a highly ambitious agenda Research success 	<ul style="list-style-type: none"> Siloing of competitive advantages; not sharing advantages across all divisions Driving new revenues and transforming cost structure Employee turnover Execution 	<ul style="list-style-type: none"> Talent acquisition and retention (7) Cost control/management (3) Change and delivering results at same time Chaos of ERP implementation Ensuring cost containment in a labor supply environment that is currently in a supply shortfall Holding investment spending back to where we may stunt growth Labor costs New product development Possible loss of executive focus caused by many competing requirements Pace of delivering technology Revenue volatility

* While we have attempted to display CFOs' verbatim answers wherever possible, we have consolidated and reworded some answers in the interest of economy and participant confidentiality. Sample sizes for industries may not sum to total due to responses from "other" industries.

Expectations

What is your company's business focus for the next year?

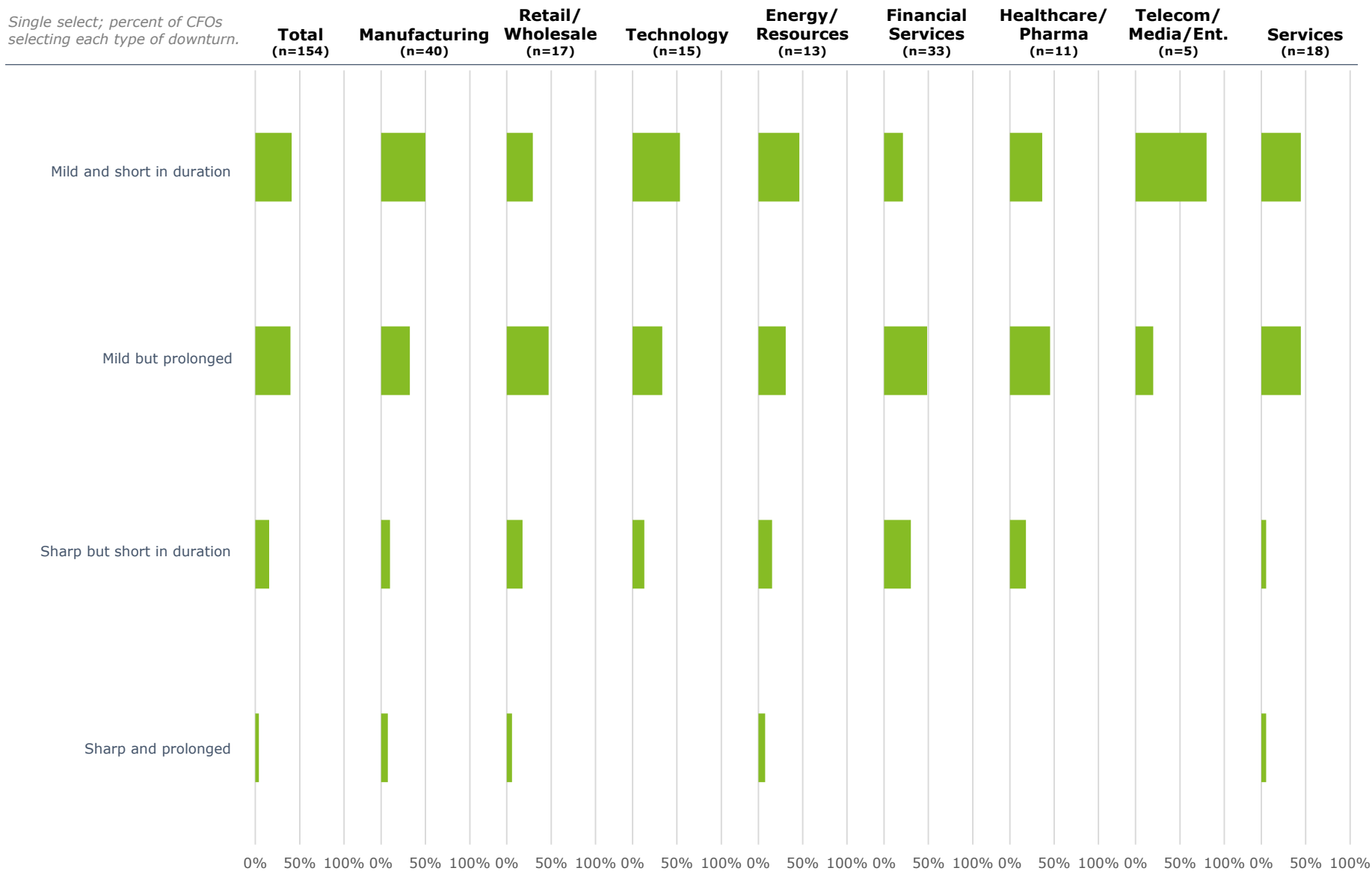
Five-point semantic differential scale.



Special topic: Downturn length and duration

If the US experiences a slowdown and/or recession in the next two years, what type of pullback do you expect it to be?

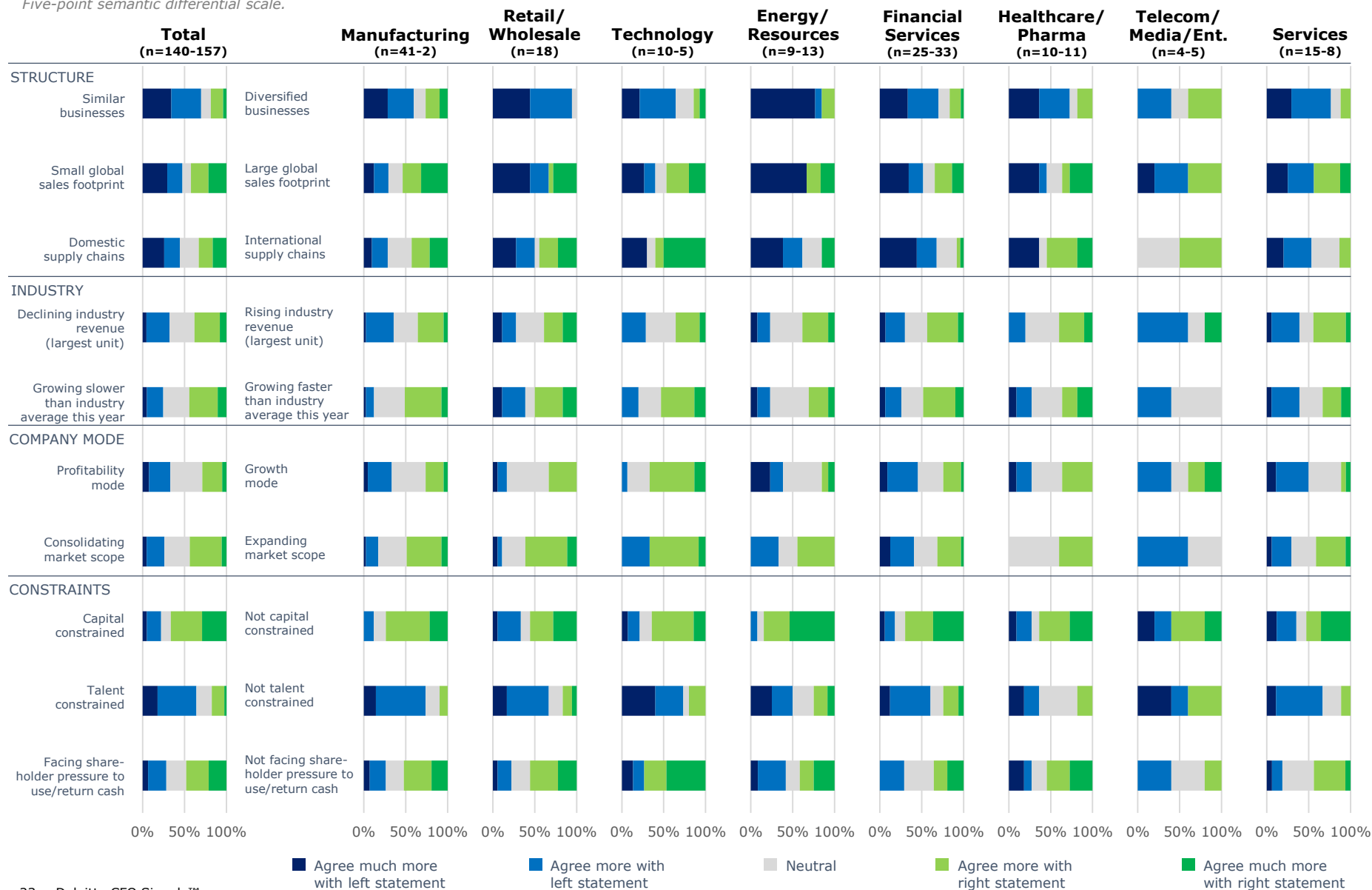
Single select; percent of CFOs selecting each type of downturn.



Special topic: Factors affecting companies' planning

Which of the following best describe your company?

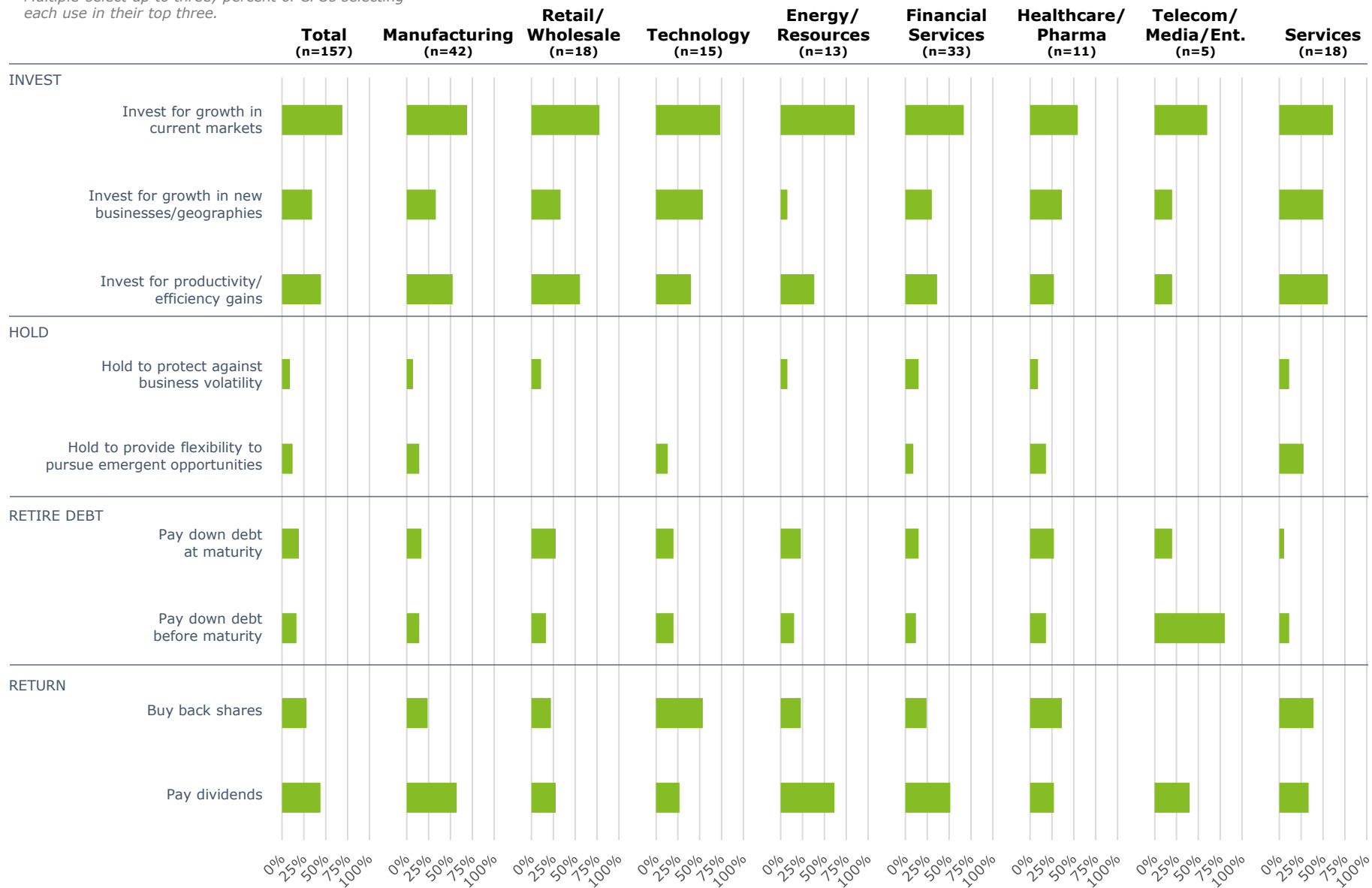
Five-point semantic differential scale.



Special topic: Cash uses

What are your company's top uses of cash likely to be this year?

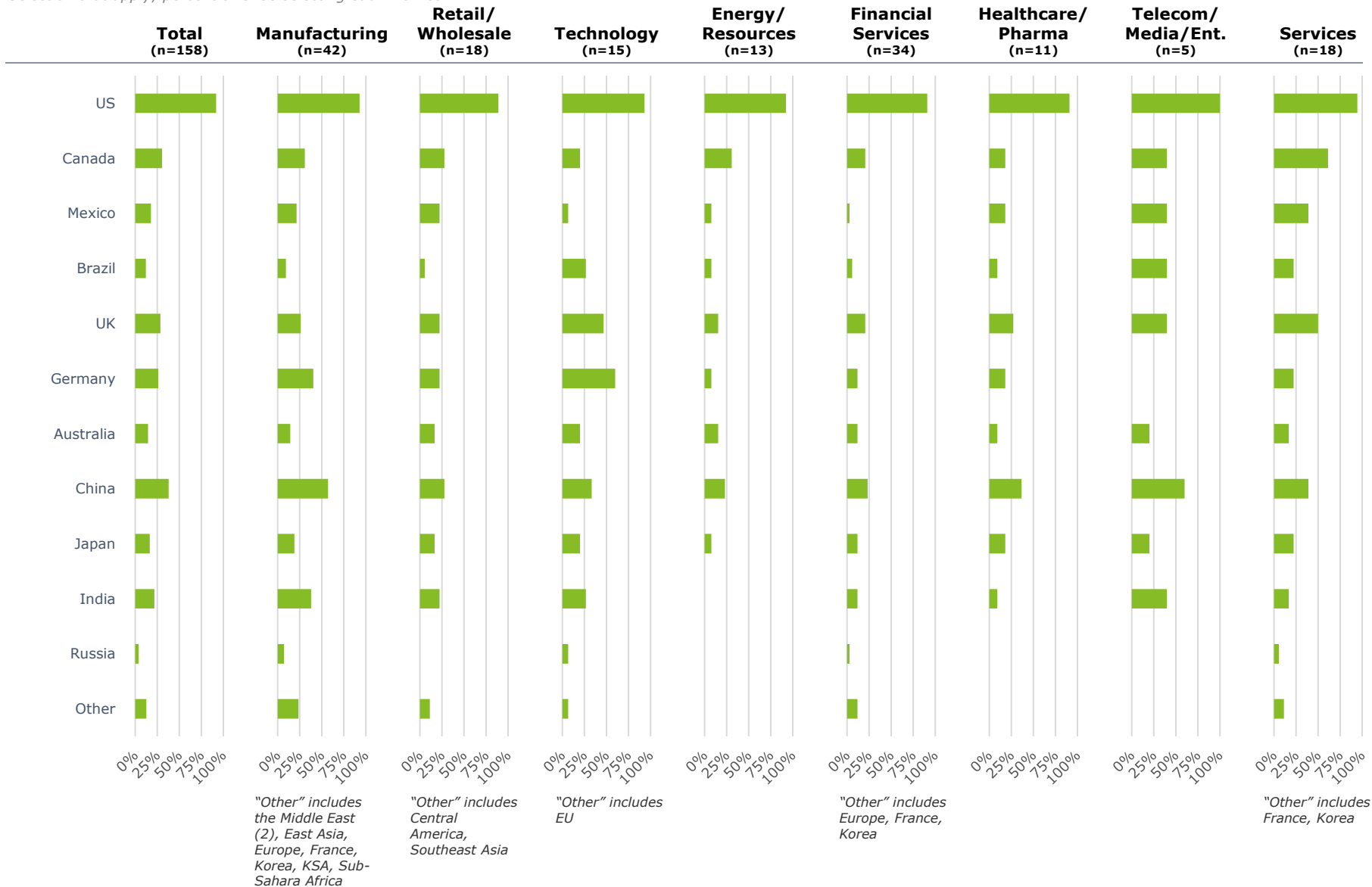
Multiple-select up to three; percent of CFOs selecting each use in their top three.



Special topic: Geographic markets for growth

Which markets are likely to be important to your company's growth over the next 5 years?

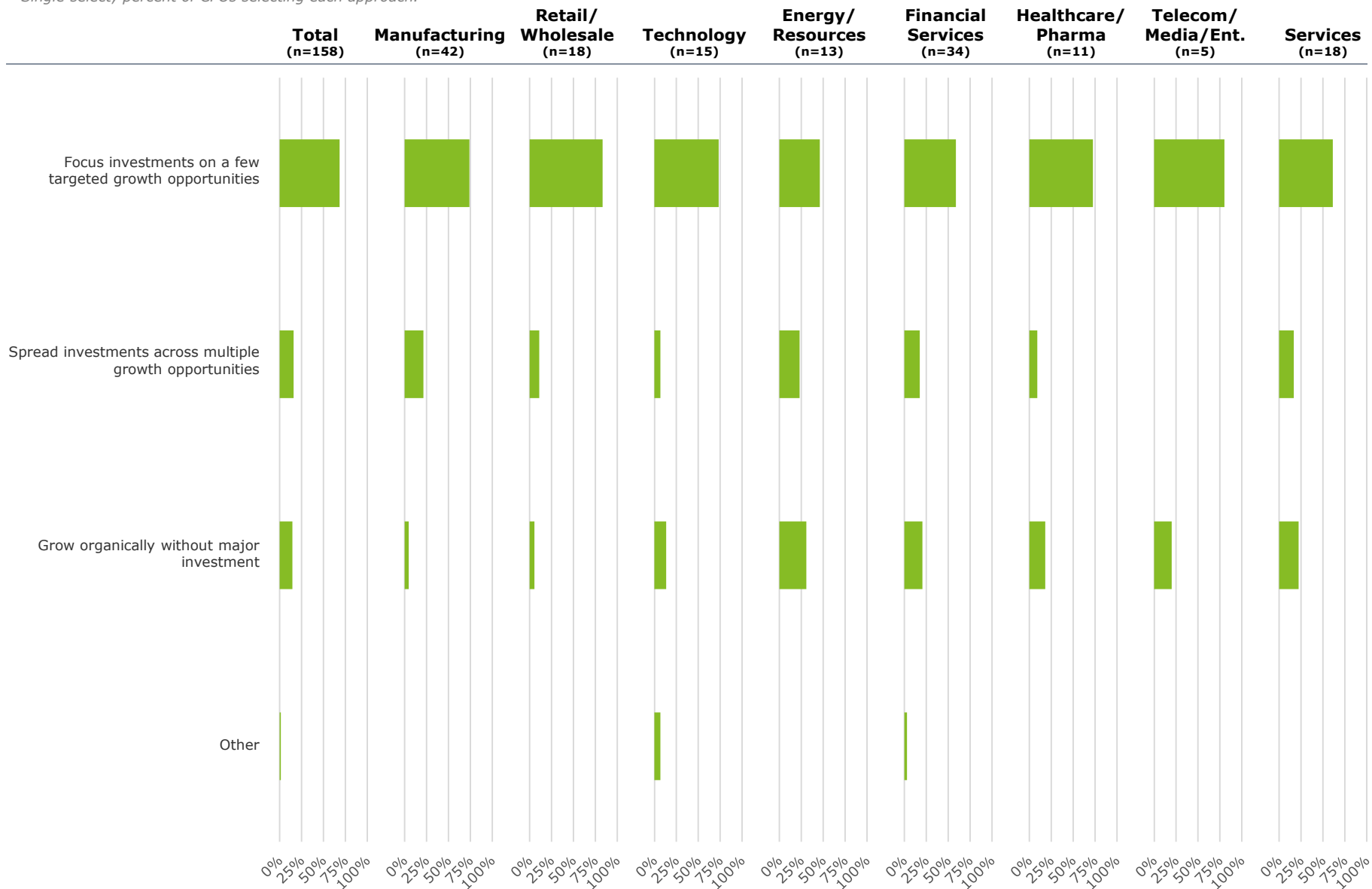
Select all that apply; percent of CFOs selecting each market.



Special topic: Approach to growth investments

Which best describes your preferred approach to growth over the next three years?

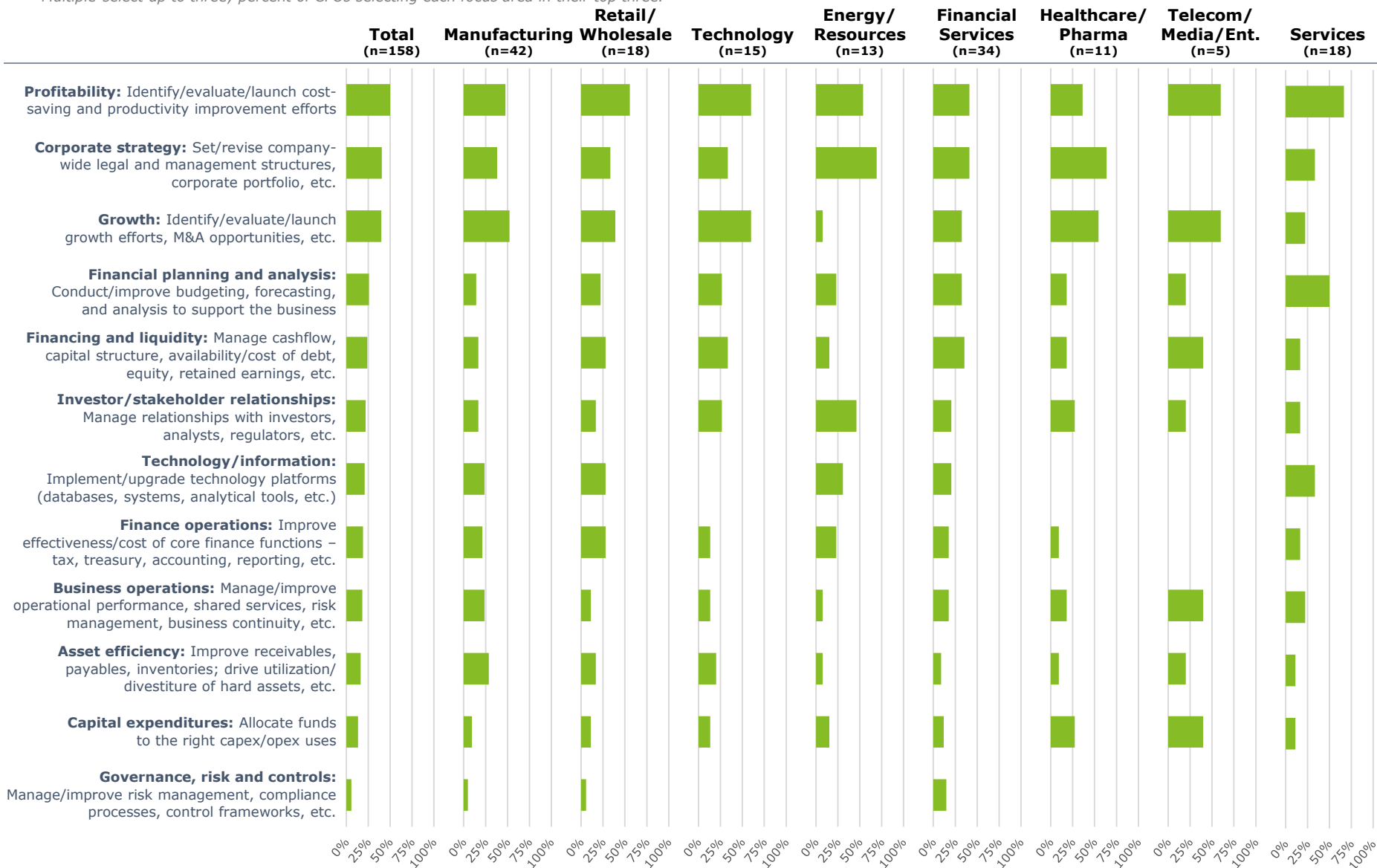
Single select; percent of CFOs selecting each approach.



Special topic: CFOs' top personal focus areas

For the next year, on which areas will you personally focus the most?

Multiple-select up to three; percent of CFOs selecting each focus area in their top three.



Appendix

Longitudinal data by industry
and country

Longitudinal trends

Cross-industry expectations and sentiment (last 24 quarters)

CFOs' year-over-year expectations¹

(Mean growth rate, median growth rate, percent of CFOs who expect gains, and standard deviation of responses²)

			CFOs' year-over-year expectations																				Survey mean	2-year mean							
			3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18			3Q18	4Q18	1Q19	2Q19			
Operating results	Revenue	mean	5.0%	4.1%	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%	5.6%	5.6%	5.3%			
		median	5.0%	5.0%	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%	5.0%	5.0%	4.9%		
		%>0	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	82%	85%	89%	92%	87%	91%	92%	91%	91%	86%	81%	85%	89%	89%		
		standard deviation	5.1%	4.9%	3.9%	4.5%	5.9%	4.0%	6.4%	6.3%	5.4%	6.8%	5.1%	6.7%	6.1%	6.4%	3.9%	3.7%	4.4%	3.9%	4.0%	4.1%	4.6%	5.0%	4.3%	4.4%	5.1%	5.5%	4.4%	4.4%	
Earnings	mean	8.0%	8.6%	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%	9.5%	8.1%	8.1%			
	median	9.0%	8.0%	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%	7.8%	7.8%	7.8%			
	%>0	82%	82%	84%	83%	90%	86%	79%	79%	82%	79%	82%	79%	76%	81%	81%	89%	88%	90%	86%	88%	94%	89%	85%	82%	80%	84%	87%	87%		
	standard deviation	8.1%	9.3%	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%	8.8%	5.7%	7.5%	7.7%	7.0%	5.8%	6.2%	4.4%	7.4%	11.0%	6.5%	6.5%	6.5%		
Dividends	mean	3.4%	4.0%	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%	4.1%	4.6%	4.1%	4.6%		
	median	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%	0.0%	0.0%	2.0%	0.0%	0.0%	0.5%	0.1%	0.3%	0.3%	0.3%		
	%>0	39%	37%	47%	45%	45%	44%	47%	43%	45%	46%	42%	43%	43%	43%	46%	43%	46%	43%	45%	49%	47%	51%	43%	44%	50%	41%	47%	47%	47%	
	standard deviation	4.7%	6.7%	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%	6%	6.7%	6.7%	6.7%		
Investment	Capital spending	mean	4.9%	6.4%	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%	7.3%	7.3%	7.9%		
		median	2.4%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	2.0%	5.0%	0.0%	4.0%	2.0%	3.0%	5.0%	4.5%	3.0%	5.0%	3.0%	5.0%	5.0%	2.0%	3.0%	2.0%	2.0%	4.1%	3.7%	3.7%	3.7%	
		%>0	54%	59%	57%	64%	60%	62%	63%	59%	53%	59%	50%	61%	58%	57%	66%	66%	61%	59%	70%	73%	70%	58%	58%	57%	54%	60%	63%	63%	63%
		standard deviation	9.0%	11.2%	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%	14.3%	10.6%	9.7%	14.0%	14%	12.8%	14.0%	12.8%	12.8%	12.8%	
Talent	Number of domestic personnel	mean	1.3%	1.4%	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%	1.8%	2.6%	2.6%	2.6%	
		median	0.0%	0.0%	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%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	1.0%	1.8%	1.8%	1.8%	
		%>0	47%	48%	42%	58%	58%	60%	58%	49%	57%	50%	47%	55%	53%	48%	57%	62%	59%	54%	66%	65%	66%	61%	64%	54%	54%	61%	61%	61%	
		standard deviation	5.6%	4.4%	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%	4.6%	3.9%	3.9%	3.9%	

CFOs' own-company optimism³ and equity market performance

		CFOs' own-company optimism and equity market performance																				Survey mean	2-year mean							
		3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17	2Q17	3Q17	4Q17	1Q18	2Q18			3Q18	4Q18	1Q19	2Q19			
Equities	Optimism (% more optimistic)	mean	41.9%	54.2%	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%	44.7%	42.9%	42.9%	42.9%
		median	33.9%	33.4%	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%	34.7%	43.5%	43.5%	43.5%
		%>0	24.2%	20.8%	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%	20.8%	13.6%	13.6%	13.6%
		standard deviation	17.7%	33.4%	26.6%	25.7%	32.0%	33.3%	34.4%	18.8%	14.2%	10.7%	1.7%	30.0%	19.7%	23.4%	45.0%	43.9%	29.4%	46.9%	53.5%	39.2%	36.4%	3.4%	16.5%	9.5%	23.9%	29.3%	29.3%	29.3%
Equities	S&P 500 price at survey period midpoint	1,656	1,798	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	1,923	2,712	2,712	2,712	
	S&P gain/loss QoQ	-0.7%	8.6%	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%	2.9%	2.4%	2.4%	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%	65.8%	69.0%	69.0%	69.0%

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.

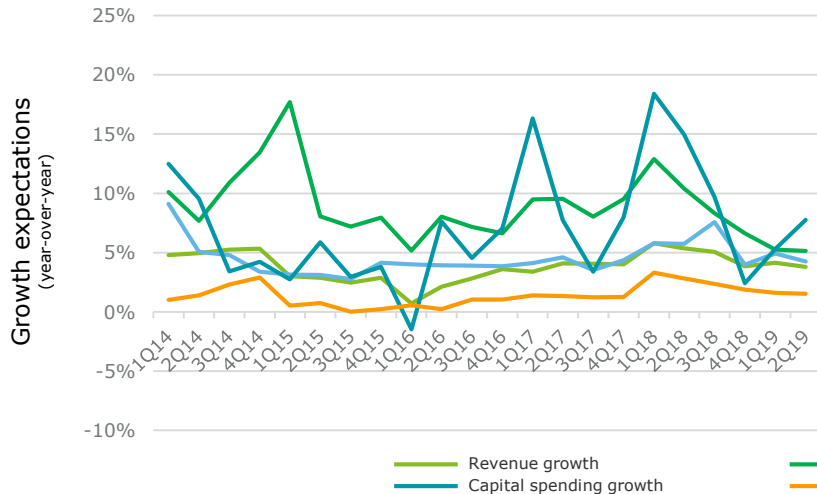
³ Averages for optimism numbers may not add to 100% due to rounding.

Please contact nacfosurvey@deloitte.com for data as far back as 2Q10.

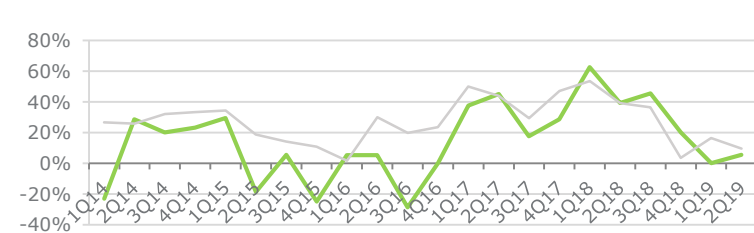
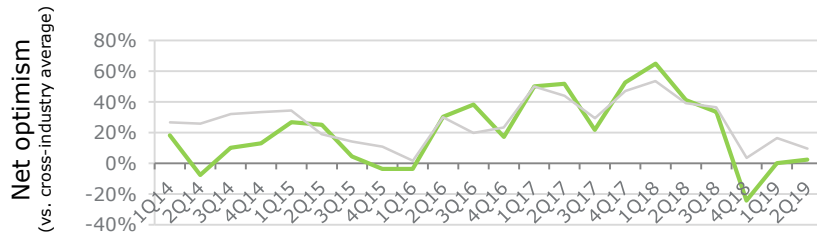
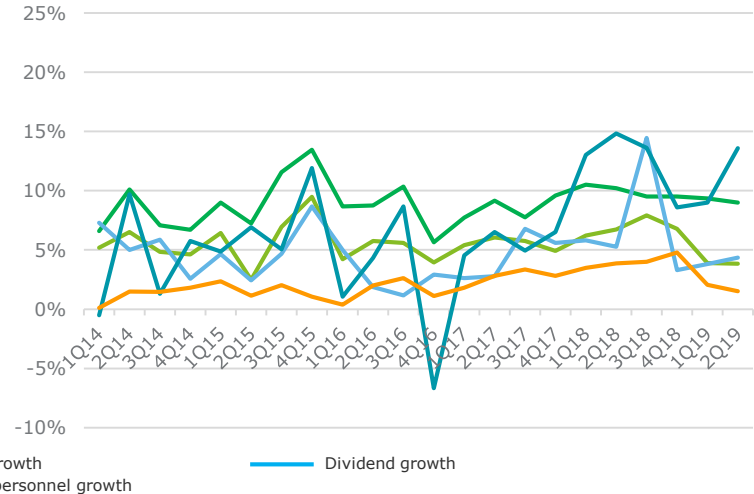
Longitudinal trends

Industry expectations and sentiment (1 of 4)

Manufacturing



Retail/Wholesale



Selected Highlights*

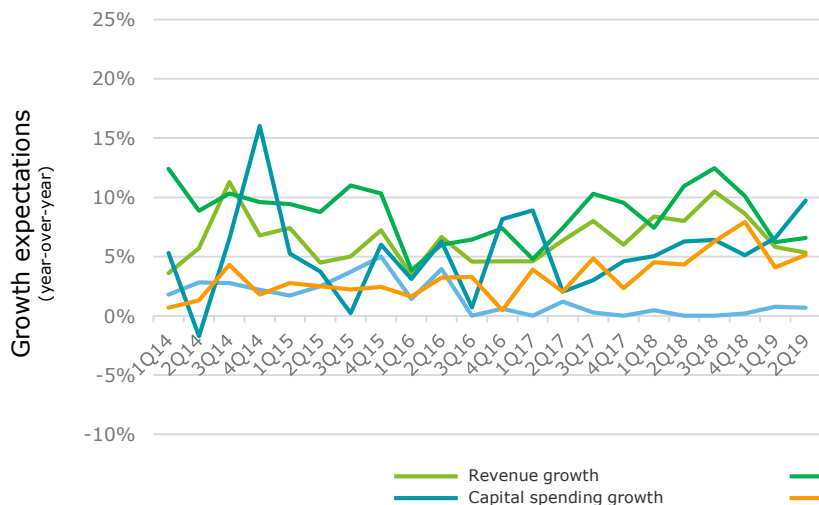
- **Background:** Composed of a broad range of manufacturers and brand companies; about 75% public. Except for last two quarters, optimism largely tracks cross-industry average. Typically average for dividends, average for capital spending, and low for revenue and domestic hiring. Capital spending volatile over last two years.
- **This quarter longitudinal:** Optimism rose slightly but still low. Revenue down slightly (two-year low); earnings down slightly (new survey low). Dividends down (below 2YA), and capex up (still below 2YA). Domestic hiring lowest since 4Q17.
- **Special topics:** Constraints = Very low for capital constrained and very high for talent constrained; low for shareholder pressure. Mode = Equal declining industry revenue and rising (36%); more profitability mode than growth mode (7% difference). CFO focus = Growth, profitability, and strategy are well above others; highest industry for asset efficiency and lowest for FP&A.

- **Background:** Composed of a broad range of traditional and online retailers, with about 35% from tourism, hospitality, and leisure. Roughly 60% public. Tends to be about average for most growth metrics. Optimism was above the average in 2018 but has lagged in 2019.
- **This quarter longitudinal:** Optimism up slightly (but below average). Revenue down (four-year low); earnings down and below 2YA. Dividends up (below 2YA), and capex up sharply (well above 2YA). Domestic hiring down (lowest since 4Q16).
- **Special topics:** Constraints = Moderate for capital constrained and high for talent constrained; low for shareholder pressure. Mode = More rising industry revenue than declining (39% vs. 28%); more growth mode than profitability mode (33% vs. 17%). CFO focus = Profitability leads, then growth and strategy (but strategy among lowest of industries); highest industry for finance operations and high for tech/information.

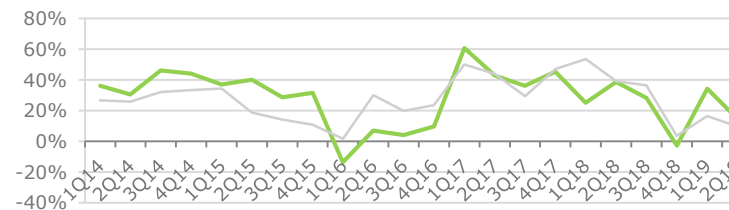
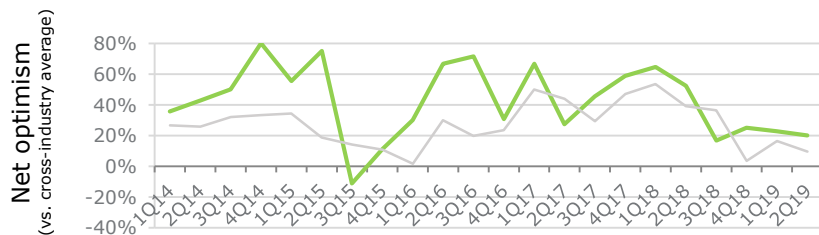
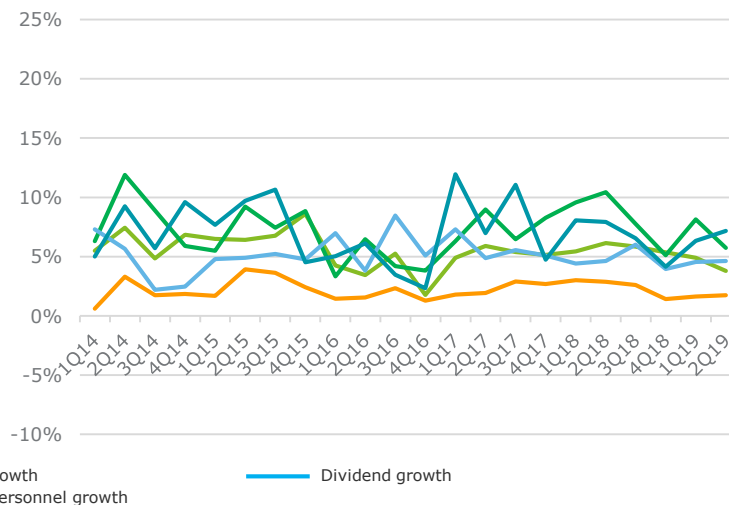
Longitudinal trends

Industry expectations and sentiment (2 of 4)

Technology



Financial Services



Selected Highlights*

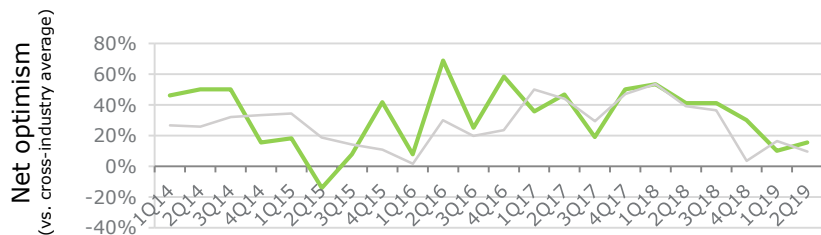
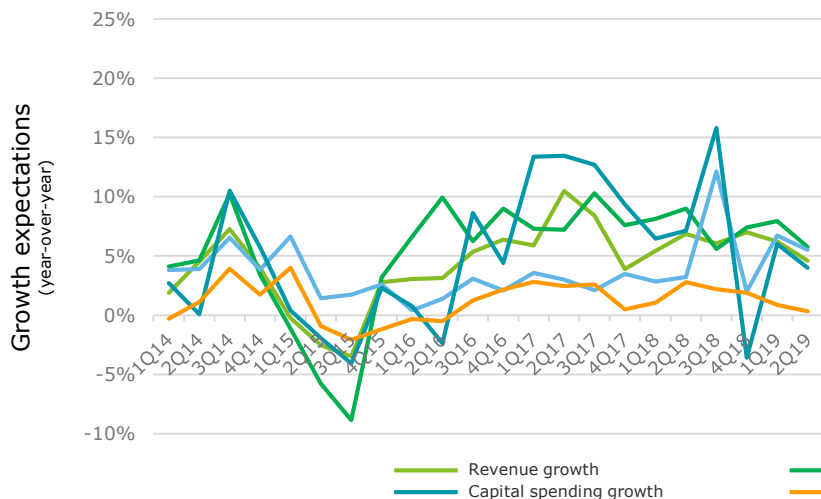
- **Background:** Broad mix of hardware, software, and service providers; 90% public. Optimism, revenue, earnings, and personnel growth tend to lead cross-industry averages; dividend growth and capital spending tend to be below averages.
- **This quarter longitudinal:** Optimism down slightly (but highest). Revenue down (two-year low). Earnings up slightly (well below 2YA). Domestic hiring up above 2YA and highest of industries. Capex up sharply to four-year high. Dividends again low.
- **Special topics:** Constraints = Low for capital constrained and very high for talent constrained; low for shareholder pressure. Mode = More rising industry revenue than declining (36% vs. 29%); very high growth mode over profitability mode (60% difference). CFO focus = Growth and profitability well above others; corporate strategy and tech/information among lowest of industries.

- **Background:** Broad mix of banks, insurance companies, investment managers, hedge funds, and real estate companies. Largest representation from insurance (about 35%) and banking (about 25%). About 60% public. Pessimistic in 2016; positive in 2019.
- **This quarter longitudinal:** Optimism down sharply (third-highest). Revenue down (two-year low). Earnings down substantially (well below 2YA). Capex up (even with 2YA). Dividends and domestic hiring up, but below 2YA's.
- **Special topics:** Constraints = Low for capital constrained and high for talent constrained; moderate for shareholder pressure. Mode = More rising industry revenue than declining (43% vs. 30%); Profitability mode over growth mode (45% vs. 24%). CFO focus = Profitability and corporate strategy highest and others spread out; among lowest industries for growth, and among highest for financing/liquidity and FP&A.

Longitudinal trends

Industry expectations and sentiment (3 of 4)

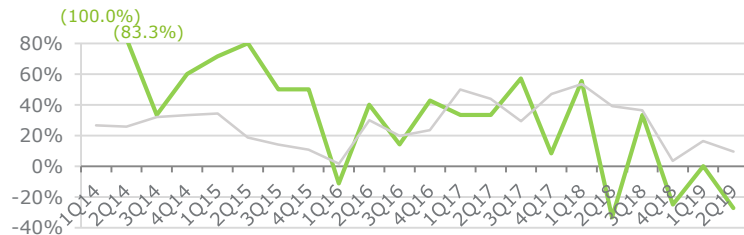
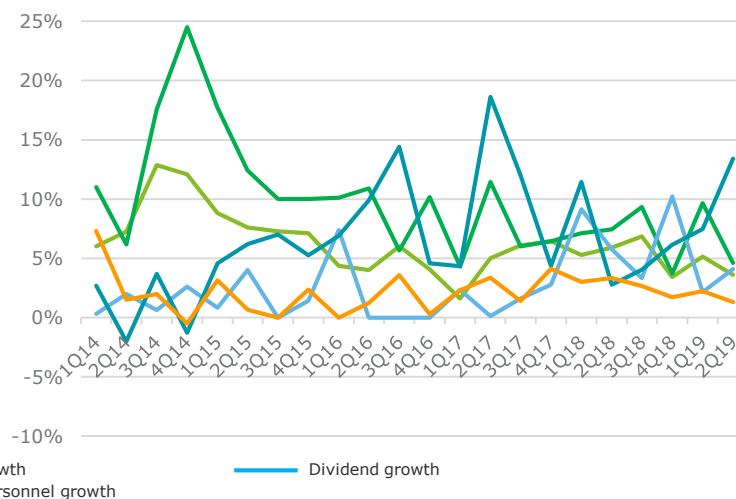
Energy/Resources



Selected Highlights*

- **Background:** About 30% oil/gas/mining and about 70% power/utilities; 100% public. Optimism mostly above average in 2016, but tracking average more recently.
- **This quarter longitudinal:** Optimism up slightly and near average. Revenue, earnings, capex, and domestic hiring all down substantially (well below 2YA's). Dividends down slightly but still at third-highest level in about four years.
- **Special topics:** Constraints = Very low for capital constrained (lowest) and high for talent constrained; moderate for shareholder pressure (highest). Mode = More rising industry revenue than declining (38% vs. 23%); profitability mode over growth mode (38% vs. 15%). CFO focus = Corporate strategy well above others focus areas (and highest of industries), then profitability, followed by investor/stakeholder relationships (highest of industries); lowest of industries for growth and financing/liquidity.

Healthcare/Pharma

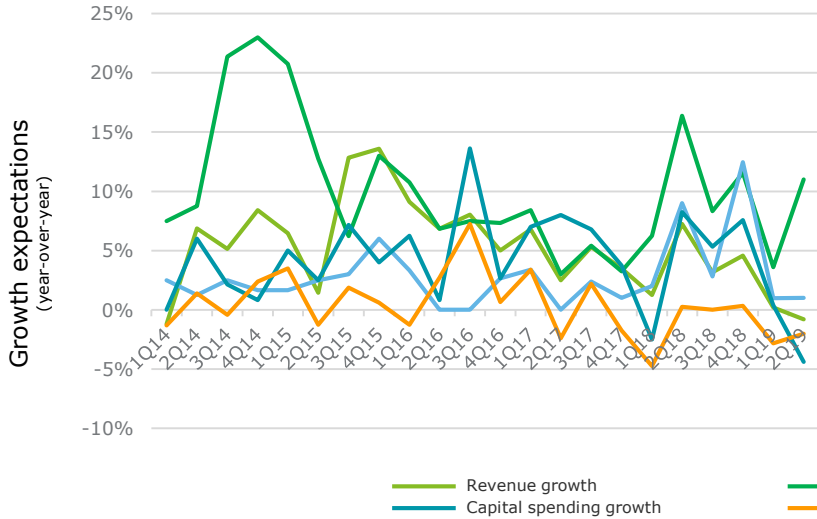


- **Background:** About 70% life sciences/pharmaceutical and 30% health care plans/providers; about 80% public. One of the more positive industries until early 2016; relatively pessimistic for the last year with several negative readings lately.
- **This quarter longitudinal:** Optimism down sharply and by far lowest. Revenue, earnings, and domestic hiring down and below 2YA's. Dividends up but below 2YA. Capex up very sharply to nearly double the 2YA.
- **Special topics:** Constraints = Low for capital constrained and moderate for talent constrained; low for shareholder pressure. Mode = More rising industry revenue than declining (40% vs. 20%); growth mode over profitability mode (36% vs. 27%). CFO focus = Corporate strategy and growth, then profitability and investor/stakeholder relationships; highest of industries for capital expenditures.

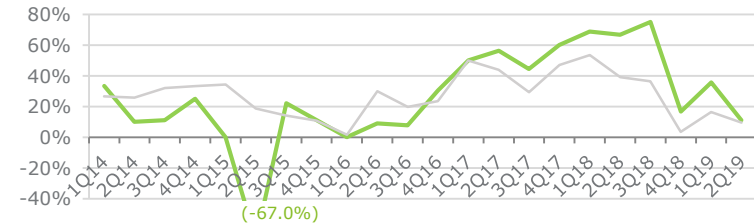
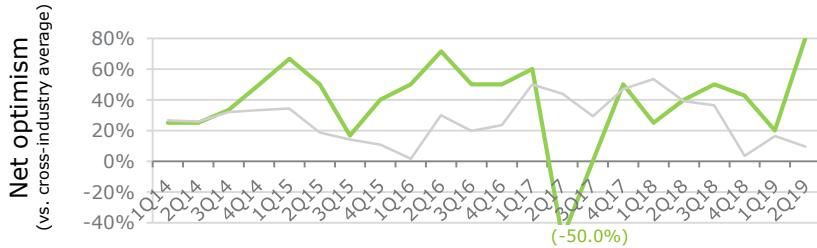
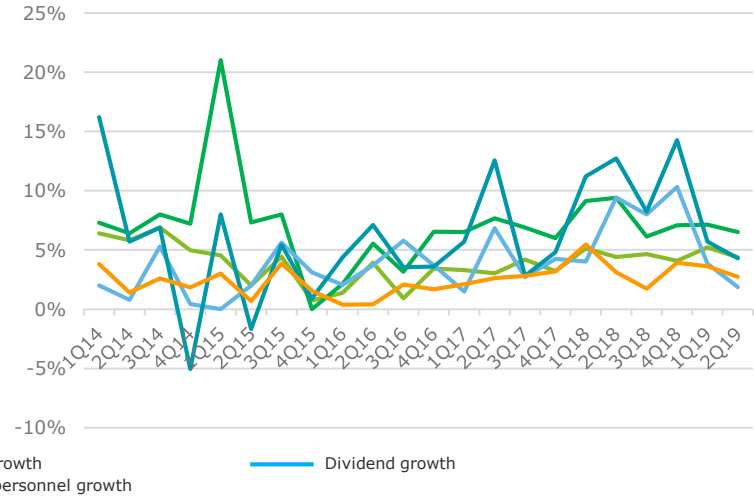
Longitudinal trends

Industry expectations and sentiment (4 of 4)

Telecom/Media/Entertainment (T/M/E)



Services



Selected Highlights*

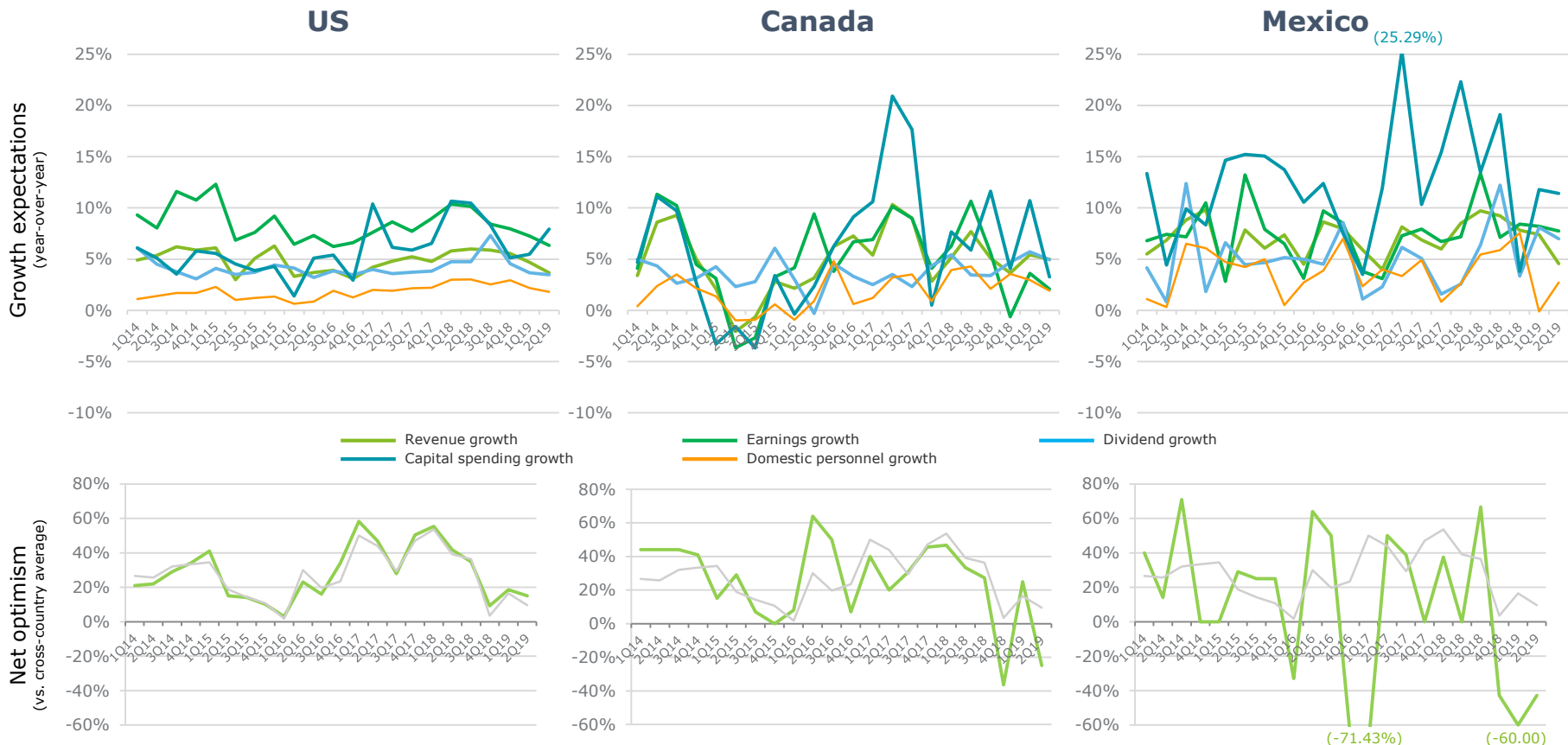
Insufficient sample size this quarter.

- **Background:** About 70% transportation, logistics, and business services; also includes education, engineering, and construction. About 75% public. Relatively pessimistic until 4Q16; much better since then and often the most optimistic industry.
- **This quarter longitudinal:** Optimism down and even with average; lowest in about three years. Revenue down and even with 2YA. Earnings and domestic hiring down and below 2YA's. Dividends and capex down and well below 2YA's.
- **Special topics:** Constraints = Moderate for capital constrained (highest of industries) and high for talent constrained; low for shareholder pressure. Mode = More rising industry revenue than declining (44% vs. 39%); profitability mode over growth mode (50% vs. 11%). CFO focus = Profitability and FP&A (highest industry for both), then strategy and tech/info; among lowest industries for strategy and growth and highest for tech/info.

* "2YA = two-year average" and is relative to same industry; "highest" and "lowest" are relative to other industries; "very high," "high," and "moderate" indicate that more than 70%, 50%, and 30% of CFOs agreed, respectively. "Low" and "very low" mean less than 30% and 15% agreed, respectively.

Longitudinal trends

Country expectations and sentiment



Selected Highlights*

- Background:** Broad mix of industries; about 75% public. Optimism tends to be stable and track overall optimism since the vast majority of participants are from the US (the same is true for growth expectations).
- This quarter longitudinal:** Optimism down slightly and at second-lowest level in three years (more optimistic / unchanged / less optimistic = 33%/49%/18%). Revenue and earnings both down to two-year lows. Dividends down and below 2YA. Capex up substantially and now slightly above 2YA. Domestic hiring down to lowest in more than two years.
- Background:** Mix of Retail/Wholesale, Financial Services, Manufacturing, Technology, and Energy/Resources. Tracked overall optimism in second half of 2017 and most of 2018, but more pessimistic lately with negative readings. Expectations volatile due to varying sample sizes.
- This quarter longitudinal:** Optimism down sharply and at second-lowest level in five years (more optimistic / unchanged / less optimistic = 8%/59%/33%). Revenue, earnings, capex, and domestic hiring all down and below 2YA's. Dividends down but still above 2YA.
- Background:** Mix of Retail/Wholesale, T/M/E, Manufacturing, and Energy/Resources. Very pessimistic for last few quarters (severely negative readings). Optimism and growth expectations tend to be highly volatile due to varying/smaller sample sizes.
- This quarter longitudinal:** Optimism up but tied for second-lowest level in five years (more optimistic / unchanged / less optimistic = 14%/29%/57%). Revenue down to two-year low. Earnings and capex down and below 2YA's. Domestic hiring up but still below 2YA. Dividends down but still above 2YA.

* "Survey average" means cross-country average; "2YA" means two-year country average. "Highest" and "lowest" rankings are relative to other countries.

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.

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