CFO Signals™

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

High-Level Report

This report is a subset of a full report containing analysis and trends specific to industries and geographies.
Please contact nacfosurvey@deloitte.com for access to the full report.

3rd Quarter 2015

CFO Signals

About the CFO Signals survey

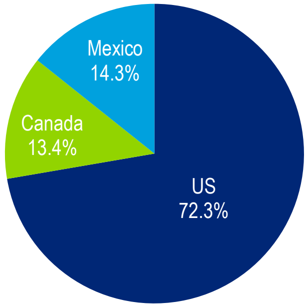
Each quarter, *CFO Signals* tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies. This is the third quarter report for 2015.

For more information about the survey, please see the methodology section at the end of this document or contact nacfosurvey@deloitte.com.

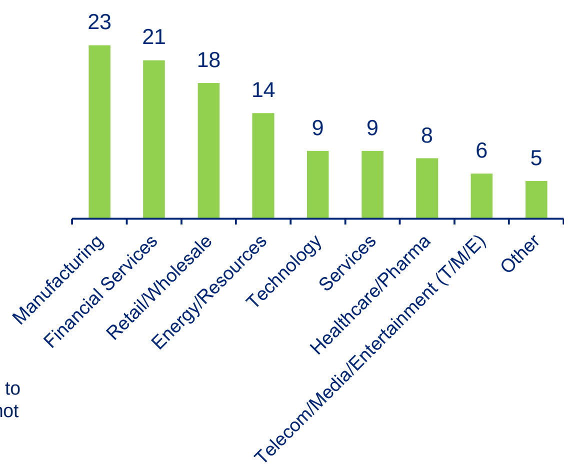
Who participated this quarter?

One hundred fourteen CFOs responded during the two-week period ending August 21. Seventy-one percent of respondents are from public companies, and 84% are from companies with more than $1B in annual revenue. For more information, please see the "About the survey" section of this report.

Participation by country



Participation by industry*



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

IMPORTANT NOTES ABOUT THIS SURVEY REPORT:

All participating CFOs have agreed to have their responses aggregated and presented.

Please note that 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. Except where noted, we do not comment on findings for segments with fewer than 5 respondents. Please see the end of this report for more information about the survey methodology.

Additional findings available in full report

(please contact nacfosurvey@deloitte.com for full report)

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

Findings at a glance

Please note that CFOs' responses were collected over the two-week period immediately before US equity markets declined sharply on Monday, August 24, 2015.

Perceptions

How do you regard the current and future status of the North American, Chinese, and European economies? Fifty-nine percent of surveyed CFOs describe North American conditions as good (even with last quarter), and 55% expect better conditions in a year (about even with last quarter). Just 4% percent regard China's economy as good (down sharply from 23% last quarter), and only 10% expect improvement (down from 16%). Five percent describe Europe as good, and 30% see it improving in a year (both are about even with last quarter). **Page 8.**

What is your perception of the capital markets? Sixty percent of CFOs say US markets are overvalued (down from 65% last quarter). Eighty percent say debt is currently an attractive financing option, and 36% of public company CFOs view equity financing favorably (up slightly from 34% last quarter). **Page 9.**

Priorities

What is your company's business focus for the next year? CFOs again indicate a bias toward revenue growth over cost reduction, but a trend toward cost reduction may be emerging. The bias toward current offerings over new ones is again near the survey high. **Page 10.**

Expectations

Compared to the past 12 months, how do you expect your key operating metrics to change over the next 12 months?* Revenue growth expectations rose to 4.4% from last quarter's survey-low 3.1%, but are still among the lowest in the five-year history of this survey. Earnings growth expectations held at last quarter's survey-low 6.5%. Capital spending expectations fell from last quarter's 5.4% to just 4.3%—only slightly above the survey low of 4.2% from 4Q12. Domestic hiring growth expectations are again sluggish, rising only slightly to 1.4% from last quarter's 1.2%. **Pages 11-13.**

Sentiment

Compared to three months ago, how do you feel now about the financial prospects for your company? Continuing a string of 10 straight quarters of positive sentiment, net optimism came in at +14.2, down from +18.8 last quarter and now at the lowest level in two years. Thirty-four percent of CFOs express rising optimism, down slightly from last quarter's 38% and now at the lowest level since 4Q12. The proportion expressing declining optimism held at about 19%. **Page 14.**

Overall, what external and internal risks worry you the most? Economic worries escalated again, with rapidly growing concerns about the impact of Europe and China on North American growth. Concerns about unemployment, housing, and wages declined somewhat, but concerns about oil prices, interest rates, and exchange rates rose. Internal concerns around acquiring and keeping key talent reached the highest level in the history of this survey. Cyber security concerns rose markedly. **Page 15.**

Special topic: Board concerns

Which external risks most worry your board? CFOs say their boards' chief concerns are around economic health in North America and China, intensifying competition, and governments' regulatory activity. Concerns about Europe are considerably lower than they were two years ago, but concerns about China are much higher. **Page 16.**

Which internal risks most worry your board? Boards remain concerned about suboptimal strategies, but are more concerned about poor execution against their strategies. Cyber attack concerns skyrocketed and now overshadow all other operational risks. **Page 16.**

Special topic: US tax policy uncertainty

How has uncertainty in the current US tax system changed your approach to growth opportunities? CFOs overwhelmingly say tax uncertainty is not substantially impacting their approaches to growth, but the 25% who say it is cite concerns about several current and evolving aspects of the current US tax code (see below). **Page 17.**

Which uncertainty in the current US tax system is most affecting your approach to growth opportunities? CFOs are most likely to say the tax uncertainties most affecting their growth approaches relate to domestic tax rates, the future of taxation on foreign earnings, the future of "tax extenders," and taxation/depreciation rules related to investments. **Page 17.**

Special topic: Talent planning, shortages, and best practices

To what degree has your company planned for the generational talent trends? About 80% of CFOs say they have planned for shifts. About 55% say they have planned for the retirement of Baby Boomers, and about two-thirds say they have planned for the working styles/preferences of Millennials and Generation X. **Page 18.**

In which areas is your company most likely to experience talent shortages over the next five years? CFOs expect shortages of leaders (executives and function heads), innovators (engineers, researchers, developers, and designers), and business developers (sales and marketing professionals). **Page 19.**

What is the most significant step your company is taking to secure the talent it needs over the next five years? CFOs report steps to improve their company's talent brand and value propositions, citing a heightened focus on recruiting new/young talent, reworking compensation/benefits approaches, using professional development as a retention tool, and strengthening their reputation as a great place to work. **Page 20.**

Special topic: The strategist CFO

How do you personally contribute to your company's strategy development process? The bedrock for most CFOs is their Challenger and Architect contributions, with greater variability in how much they contribute as Responders and Transformers. Most CFOs focus on one or two roles, with Responder or Transformer most likely for single-focus CFOs, and Transformer/Architect and Responder/Challenger the most common combinations for double-focus CFOs. **Page 21.**

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

Please note that CFOs' responses were collected over the two-week period immediately before US equity markets declined sharply on Monday, August 24, 2015.

Summary

China's woes creating broad-based concern

Until last quarter's survey, CFOs' sentiment and expectations had been holding up fairly well—despite growing concerns about global economic health and persistent geopolitical volatility. But last quarter marked a major change, with rapidly rising concerns about the longer-term prospects for the US economy in light of faltering performance in other major economic zones.

To say the least, volatility in the business environment has not subsided since then. On a positive front, many important indicators of European and North American (and especially US) economic performance have been encouraging—despite further turmoil in Greece that threatened the future of the Eurozone, and further erosion of oil prices that hurt performance in Canada and parts of the US.

But several factors became more ominous for CFOs this quarter—not including the pummeling of Chinese and US equities that occurred the Monday after the survey closed. Much more than in any other quarter, CFOs voiced strong concerns about the impact of slowing Chinese growth on North America. Consequently, their growth expectations, which hit several lows last quarter, have not significantly rebounded and have worsened in some cases.

Summary of CFO sentiment and growth expectations

Economy optimism – North America[3]	
Economy optimism – Europe[3]	
Economy optimism – China[3]	
Own-company optimism (Net optimism)	
Revenue growth (YOY)	
Earnings growth (YOY)	
Capital investment growth (YOY)	
Domestic employment growth (YOY)	

Developments since 2Q15 survey[2]

- US economy showed mixed signs, prompting more debate about its underlying health and likelihood of US Fed interest rate moves.
- S&P 500 fell 1.5% (first drop between surveys in nearly two years).
- Greek-EU negotiations escalated, ultimately resulting in Greece's acceptance of a deal nearly identical to one it originally rejected.
- Eurozone economy grew modestly; mixed performance by country.
- China growth was sluggish; Shanghai index fell sharply off mid-June highs; devalued currency 3.5% against US dollar in just two days.
- Oil prices fell to six-year low on concerns about China economy, high US/OPEC production, Iranian production, and growth in US/Europe.
- Canadian dollar reached lowest value against US dollar in a decade.

Well below five-year average — Well above five-year average

Well below last quarter — Well above last quarter

Own-company expectations still softening

This quarter's net optimism[1] index of +14.2 is the eleventh consecutive positive reading, but it appears to be part of a downward trend and now sits at its lowest level since 4Q12. Sentiment is particularly weak in the Manufacturing and Retail/Wholesale industries, with both sitting at roughly +5.

CFOs' declining sentiment is reinforced by own-company performance expectations that are again some of the lowest in the history of this survey. Revenue growth expectations rose to 4.4%* from last quarter's survey-low 3.1%*, but are still among the lowest on record. Earnings growth expectations held at last quarter's survey-low 6.5%*. Moreover, domestic hiring growth expectations are again sluggish, rising only slightly from last quarter's 1.2%* to 1.4%*. And capital spending expectations fell from last quarter's 5.4%* to just 4.3%*—only slightly above the survey low of 4.2%* from 4Q12.

Companies' business focus also seems to indicate growing conservatism. While CFOs still indicate a bias toward growing revenues, there appears to be a growing focus on cost cutting. In addition, there is a higher focus on current offerings and current geographies than has been evident in several years.

China eroding confidence globally

Despite CFOs' waning optimism and declining expectations for revenue and earnings growth last quarter, they continued to voice optimistic views on North American economies and stabilizing views on Europe. This is again the case, with expectations for both regions about the same as last quarter's.

The same cannot be said for perceptions of China's economy, however. After weakening gradually over the past few quarters, perceptions of China declined sharply this quarter. And although their concerns did not immediately dampen their assessments of other major economic regions, there was a sharp increase in the proportion of CFOs mentioning contagion among their most worrisome risks this quarter.

On top of worries about China's spillover effects, CFOs again indicated concerns about the effects of interest rate increases, exchange rates, oil prices, and burdensome regulations on domestic economic performance.

What CFOs did not voice were growing concerns about equity markets. For the first time in nearly two years, the S&P 500 index declined between survey midpoints (by about 1.5%), which left 60% of CFOs regarding US equities as overvalued—down from last quarter's 65%. Results would likely have been different if we had measured sentiment only on the final day of the survey period (when the index fell 3.2%) or on the following Monday (when it fell another 3.9%).

Summary (cont.)

Board concerns: economy, strategy and cyber

Just over two years ago, we asked CFOs about the risks on which their boards were most focused. This quarter we asked the same question and learned that, although some top concerns have carried over to the present, others have declined, and new ones have emerged.

When it comes to external concerns, CFOs say their boards' worries about Europe have fallen substantially. But they again cite strong concerns about the possibility of a US pullback, a finding that aligns with CFOs' heightened concerns about China's possible spillover effects. Concerns about regulatory changes and intensifying competition both repeat in the top three.

As for internal concerns, CFOs again say their boards are concerned about suboptimal business strategies—and are even more concerned about poor execution against their chosen strategies (with high concerns about execution of initiatives). Cyber security concerns skyrocketed to second on the list of internal concerns.

Talent trends altering approaches

This quarter we asked CFOs about the extent to which their companies have planned for generational trends in their workforces, and also about what they are doing to ensure they have the talent they need going forward.

About 80% of CFOs say they have engaged in specific planning related to generational shifts. More than half say they have planned for the retirement of Baby Boomers (nearly 11% cite extensive planning), and about two-thirds say they have planned for the working styles and preferences of Millennials and Generation X.

Much of the impetus for these planning efforts seems to stem from the type of talent expected to be in short supply going forward—namely, people who can identify and execute on growth opportunities. Specifically, CFOs mention expected shortages of leaders (executives and function leaders), innovators (engineers, researchers, developers, and designers), and business developers (sales and marketing professionals).

To combat potential shortages, many CFOs say they are working to better compete for young professionals and top graduates through a mixture of expanded effort (more recruiting in more channels), updated value propositions (compensation/benefits, flexibility, and career paths), and better development opportunities (technical training and job mobility). Some say they have gone so far as to revamp their HR departments and talent management approaches, or even to use M&A as a major talent acquisition tool.

CFOs play mix of roles around strategy

Our previous surveys have shown that CFOs are taking on broader responsibilities around corporate strategy. But what roles do they actually play in the process?

This quarter we asked CFOs about their contributions as Responders, Challengers, Architects, and Transformers (see page 21 for definitions). Findings suggest that the bedrock for most CFOs is their Challenger and Architect contributions, and that most variability comes in how much they contribute as Responders and Transformers. Most CFOs tended to focus on one or two roles, with Responder or Transformer most likely for single-focus CFOs, and with Transformer/Architect and Responder/Challenger the most common combinations for double-focus CFOs.

What's next?

Many key survey metrics are now trending downward and/or sit near their lowest levels in more than five years—and at least some may have been lower if the survey had been conducted after (rather than just before) global equities markets got pummeled near the end of August.

For many quarters, improvements in North American economies (particularly in the US) have greatly bolstered CFOs' confidence and expectations. But a relentless string of challenges in Europe, China, and elsewhere finally seems to be taking its toll. As the US Federal Reserve continues to assess the US economy's ability to absorb higher interest rates, it will be interesting to see the degree to which its members share CFOs' concerns.

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* Arithmetic means adjusted to eliminate the effects of stark outliers.

[1] Net optimism is calculated as the difference between the proportions of those expressing rising and falling optimism. Accordingly, this metric does not explicitly account for the level of "no change" responses.

[2] Compiled from news stories in major business media between survey periods.

[3] Metrics assessed relative to two-year averages.

Key Charts: Sentiment

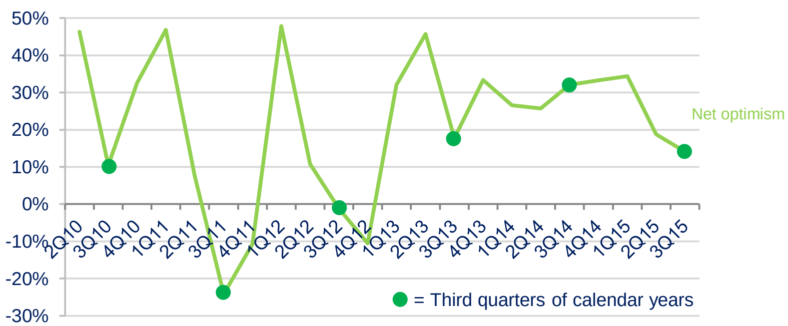
Sentiment regarding the health of major economic zones, industries, and capital markets

Economic optimism

Average rating based on five-point scales for current state (“very bad” to “very good”) and expected state one year from now (“much worse” to “much better”)

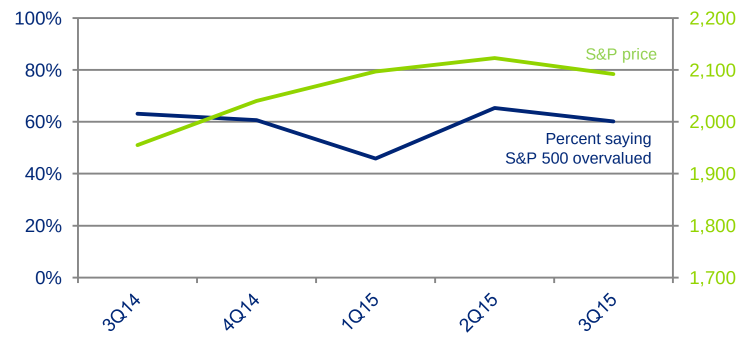
Own-company optimism

Difference between the percent of CFOs citing higher and lower optimism regarding their company’s prospects compared to the previous quarter



Equity market sentiment

Percent of CFOs saying US equity markets are “overvalued” or “very overvalued”; S&P500 price at survey midpoint

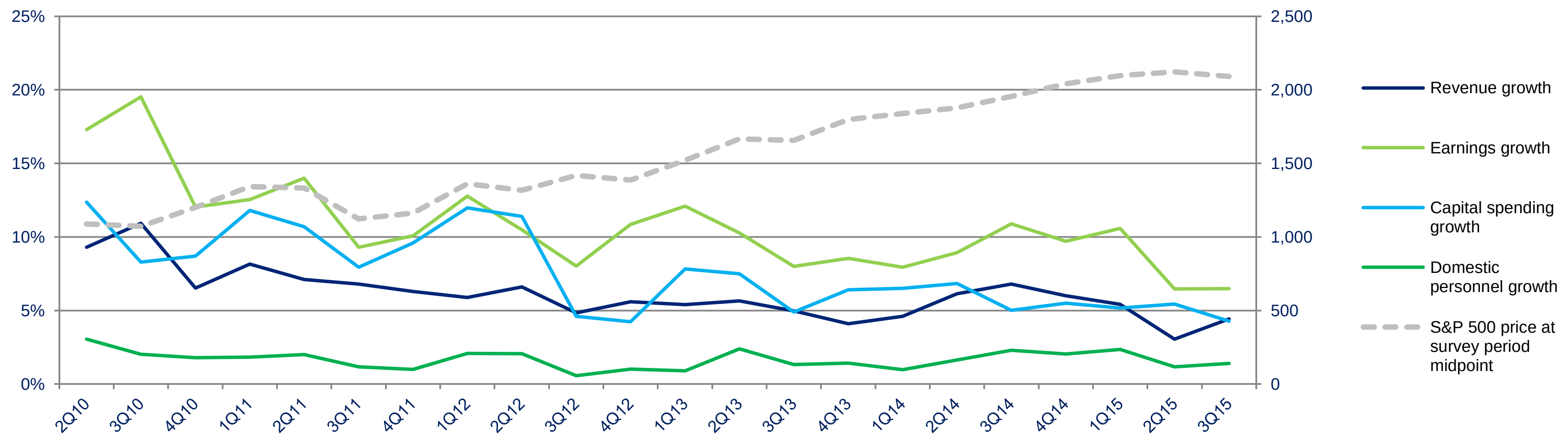


Key Charts: Expectations

CFOs' expected year-over-year increases in key metrics

Consolidated expectations

CFOs' expected year-over-year growth in key metrics (compared to the value of the S&P 500 index at the survey midpoint)



Breakdown by country and industry[1]

	Total	U.S.	Canada	Mexico	Manufacturing	Retail / Wholesale	Technology	Energy / Resources	Financial Services	Healthcare / Pharma	T/M/E	Services
	(n=112*)	(n=81)	(n=15)	(n=16)	(n=23)	(n=18)	(n=9)	(n=14)	(n=21)	(n=8)	(n=6)	(n=9)
Revenue growth	**4.4%**	5.0%	-0.7%	6.1%	2.5%	6.9%	5.0%	-3.5%	6.8%	7.3%	12.8%	4.4%
Earnings growth	**6.5%**	7.6%	-2.7%	7.9%	7.2%	11.6%	11.0%	-8.9%	7.4%	10.0%	6.2%	8.0%
Capital spending growth	**4.3%**	3.9%	-3.7%	15.1%	3.0%	5.1%	0.2%	-4.1%	10.6%	7.0%	7.2%	5.4%
Domestic personnel growth	**1.4%**	1.2%	-0.9%	5.0%	0.0%	2.0%	2.2%	-2.1%	3.6%	0.0%	1.9%	3.9%

*Sample sizes may not sum to total due to responses from "other" categories and non-responses.

[1]All averages have been adjusted to eliminate the effects of stark outliers.

Highest two industry expectations

Lowest two industry expectations

Perceptions

Assessment of economies

How do CFOs regard the current and future health of some of the world's major economic zones?

Perceptions of China's economy declined drastically, while those for North America and Europe held:

North America

Confidence in North America still comparatively strong.

- Fifty-nine percent of CFOs describe the North American economy as good or very good (even with last quarter). Only 3% describe it as bad.
- Fifty-five percent believe conditions will be better a year from now (about even with last quarter), and 5% expect conditions to be worse in a year (about average for this metric).

Europe

Perceptions of Europe stabilizing.

- Just 5% of CFOs describe Europe's economy as good or very good (even with last quarter). While the proportion of CFOs describing it as bad rose to 51% this quarter (up from 46%), this is still well below the above-70% levels we saw earlier in the year.
- On another relatively positive note, nearly 30% expect Europe's economy to be better a year from now (even with last quarter and well above the 10% level in the first quarter of this year). Just under one-quarter expect it to be worse, about the same as last quarter.

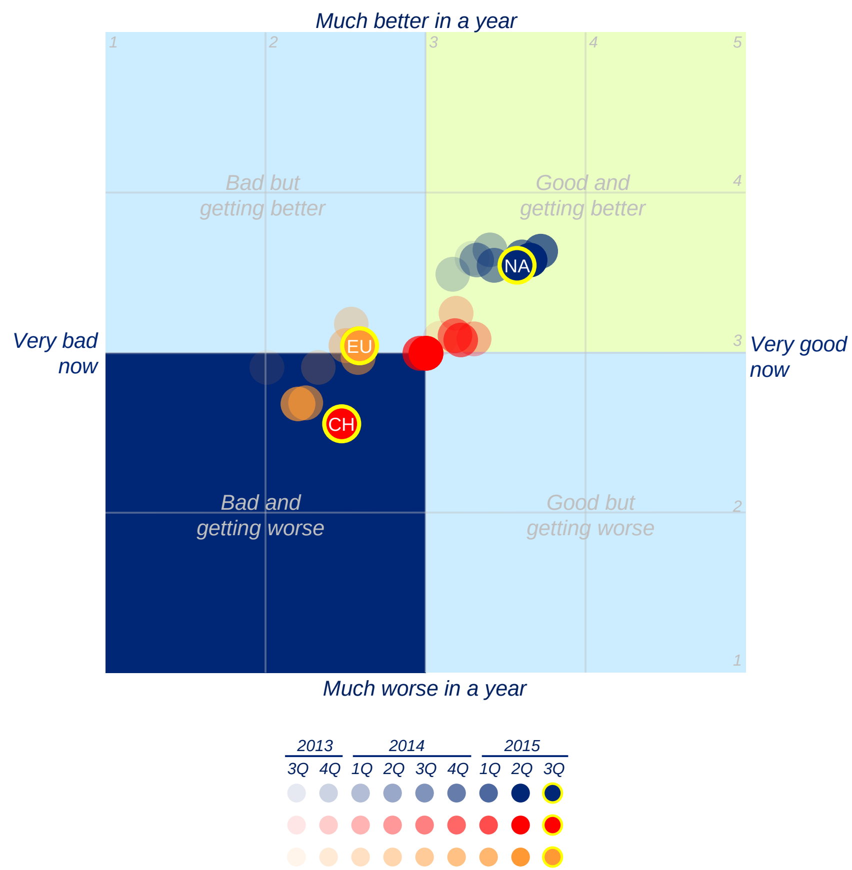
China

After weakening gradually over the past few quarters, perceptions of China's economy declined drastically this quarter.

- Only 4% of CFOs now say China's economy is good or very good, down markedly from 23% last quarter. More than half say the economy is bad, up substantially from 20% last quarter.
- Just 10% of CFOs believe the economy will be better in a year (down from 16% last quarter), while 47% believe it will be worse—drastically higher than last quarter's 18%.

How do you regard the current and future status of the North American, Chinese, and European economies?

CFOs' assessment based on five-point Likert scales: "very bad" to "very good" and "much worse" to "much better" (n=112-114)



Perceptions

Assessment of markets

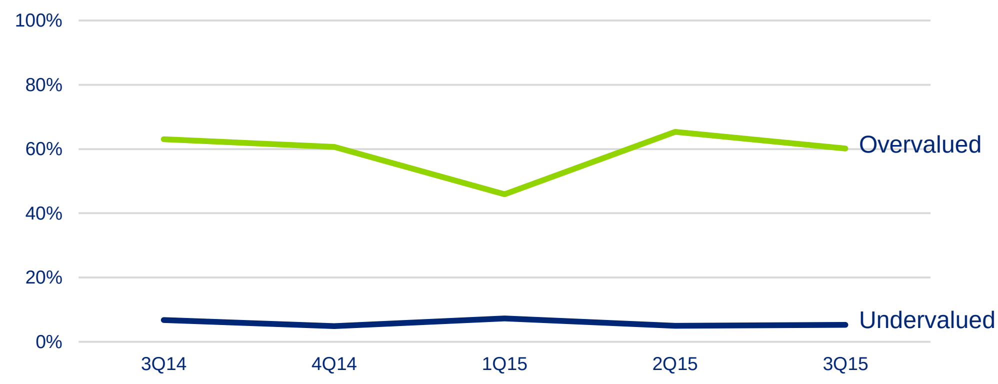
How do CFOs perceive valuations and pricing within the financial markets?

Equity markets still expensive (pre-"Black Monday 2015"); debt remains attractive, but becoming less so:

- **US markets overvalued:** Sixty percent of surveyed CFOs say US equity markets are overvalued, down slightly from 65% last quarter and even with levels from a year ago. Only 5% say they are undervalued, consistent with levels over the past year. US CFOs are the most pessimistic, with 65% citing overvaluation and just 3% citing undervaluation. On an industry level, Technology and T/M/E (Telecom/Media/Entertainment) CFOs are most likely to say markets are overvalued (both are over 80%), while the Energy/Resources and Services CFOs are least likely (both are under 45%). *Note that CFOs' assessments were collected before US equity markets declined sharply on Monday, August 24, 2015.*
- **Debt financing becoming somewhat less attractive:** Eighty percent of CFOs say debt is currently an attractive financing option, down significantly from the higher levels seen over the past several quarters. Forty-five percent say it is a *very* attractive option, also below the levels seen in recent quarters. All industries are above 70%. Mexico is lowest on a country basis at 50%, significantly below last quarter's 79%.
- **Equity financing generally unattractive, except in T/M/E and Healthcare/Pharma:** Thirty-six percent of public company CFOs say equity financing is attractive (up slightly from about 34% last quarter), and 34% say it isn't (26% last quarter). Thirty percent of private company CFOs say it is attractive (down significantly from 48% last quarter), and just 9% say it isn't (down from 21% last quarter). T/M/E and Healthcare/Pharma CFOs are likely to say equity financing is attractive (both above 60%), with all other industries below 45%. Canada and Mexico are both below 20%, and the US is just above 40%.

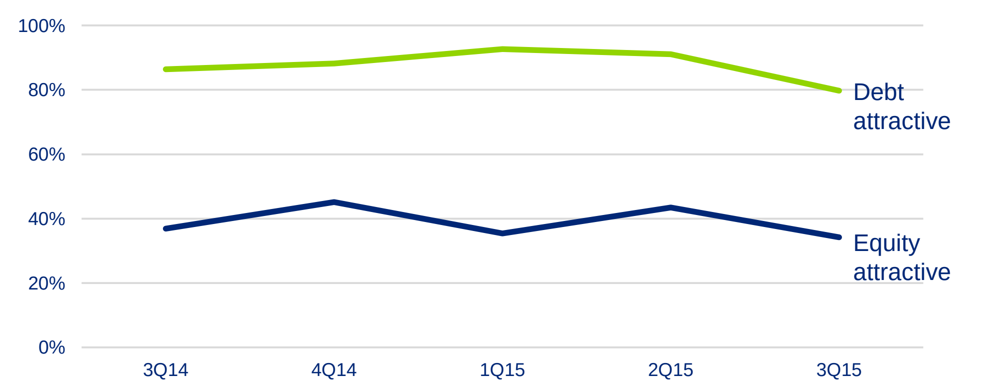
How do you regard US equity market valuations?

Percent of CFOs saying markets are overvalued and undervalued based on five-point semantic differential scale (n=113)



How do you regard debt and equity financing attractiveness?

Percent of CFOs saying debt and equity markets provide attractive financing options based on five-point semantic differential scale (n=114)



Please see full report for industry-specific findings.

Priorities

Business focus

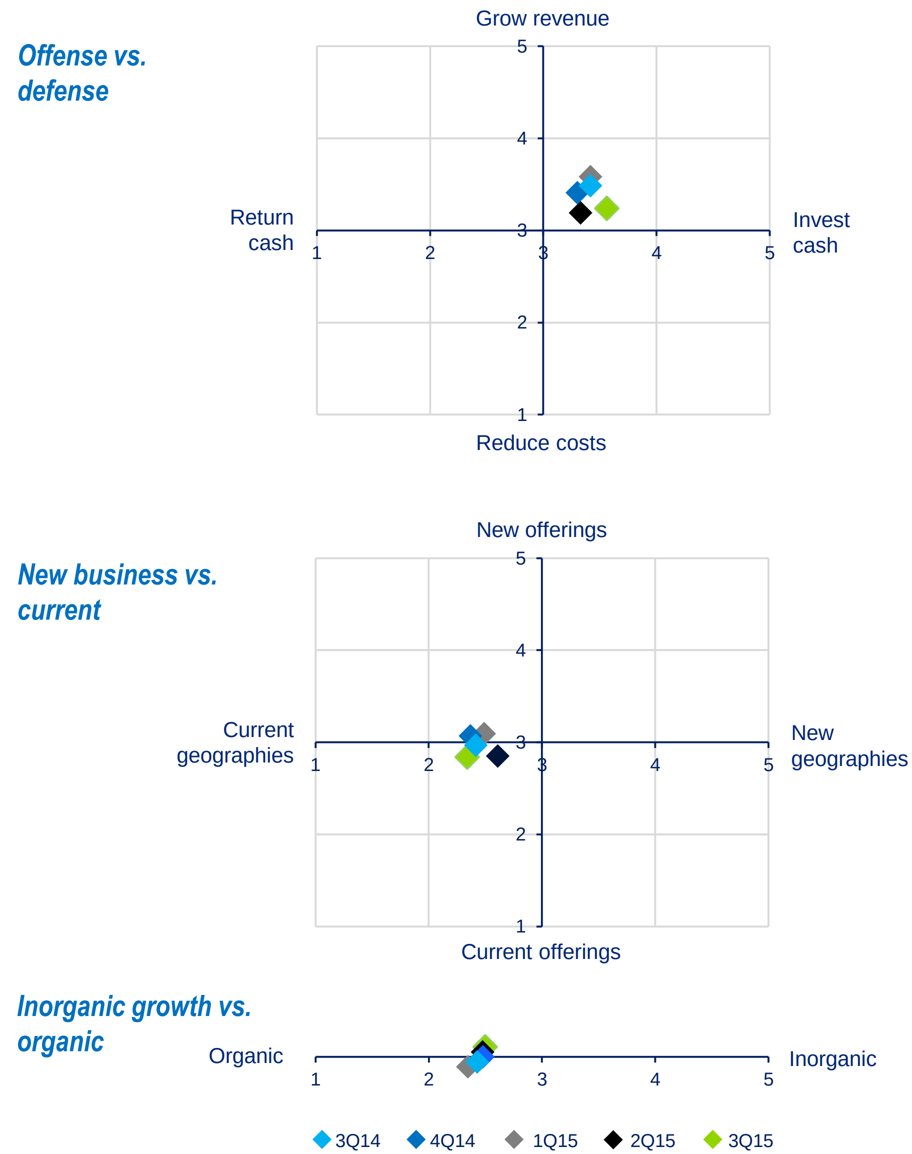
Where do CFOs say their companies are focusing their efforts?

North American growth, with a rising focus on costs:

- **Revenue growth still ahead of cost reduction, but a trend toward cost reduction may be emerging:** Just over half of CFOs say they are biased toward revenue growth, while only 30% claim a focus on cost reduction. This is the second quarter in a row in which the bias toward growth has been below the levels from several preceding quarters. Financial Services, Healthcare/Pharma, Technology, and Services are the most growth oriented (all above 60%), while Energy/Resources is the most cost-reduction oriented at 57%. Canada is again the most focused on reducing costs (53%), with the US and Mexico trailing at 27% and 20%, respectively.
- **Investing cash over returning it by largest margin since 2013:** There is again a strong bias toward investing cash over returning it to shareholders (52% versus 20%), but declining expectations for year-over-year capital investment growth (see page 12) suggest this bias may not translate into broader-based business investment. Energy/Resources and Services are the most biased toward investing cash (both at or above 70%); no more than 35% of CFOs in any industry favor returning cash. There is little difference among countries.
- **Bias toward current offerings again near survey high:** Overall, 31% of CFOs say their companies are biased toward new offerings, and 42% claim a bias toward existing ones. Services, Energy/Resources, Healthcare/Pharma, and T/M/E CFOs are focused predominantly on current offerings, while Technology, Financial Services, and T/M/E CFOs are focused on new offerings.
- **Focus on current geographies (mostly North America) highest in six quarters:** Overall, 58% of CFOs say their companies are predominantly focused on current geographies, compared with 21% who cite a bias toward new geographies. Since most companies represented in this survey draw the vast majority of their earnings from North America, this suggests most companies are doubling down on this region. T/M/E CFOs claim the highest focus on new geographies at 50%.
- **Organic growth over inorganic growth:** The bias is again firmly toward organic growth over inorganic (50% versus 23%), led by Energy/Resources and Financial Services. Technology CFOs are the most biased toward inorganic growth.

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

CFOs' assessments based on five-point semantic differential scale with opposing choices as noted (n=112-113)



Please see full report for industry-specific findings.

Expectations

Revenue and earnings

What are CFOs' expectations for their companies' year-over-year revenue and earnings?

Revenue[1]

Expectations rebounded from last quarter's record low, but reveal significant weakness in Energy/Resources and Manufacturing:

- Revenue growth expectations rose to 4.4%, recovering somewhat from last quarter's survey low of 3.05%. The median fell to 4.5% from 5.0% last quarter, and 79% of CFOs expect year-over-year gains (about even with last quarter's record low). Variability of responses is lower than last quarter, but still high relative to the survey average.
- Country-specific expectations are 5.1% for the US (up from 3.0% last quarter), -0.7% for Canada (up from -2.1%), and 6.1% for Mexico (down from 7.9%).
- Industry expectations vary considerably, with Retail/Wholesale, Financial Services, Healthcare/Pharma, and T/M/E strongest (all at or above 6.8%). Manufacturing expects just 2.5% growth, and Energy/Resources trails the pack at just -3.5%, down from last quarter's -2.5%.

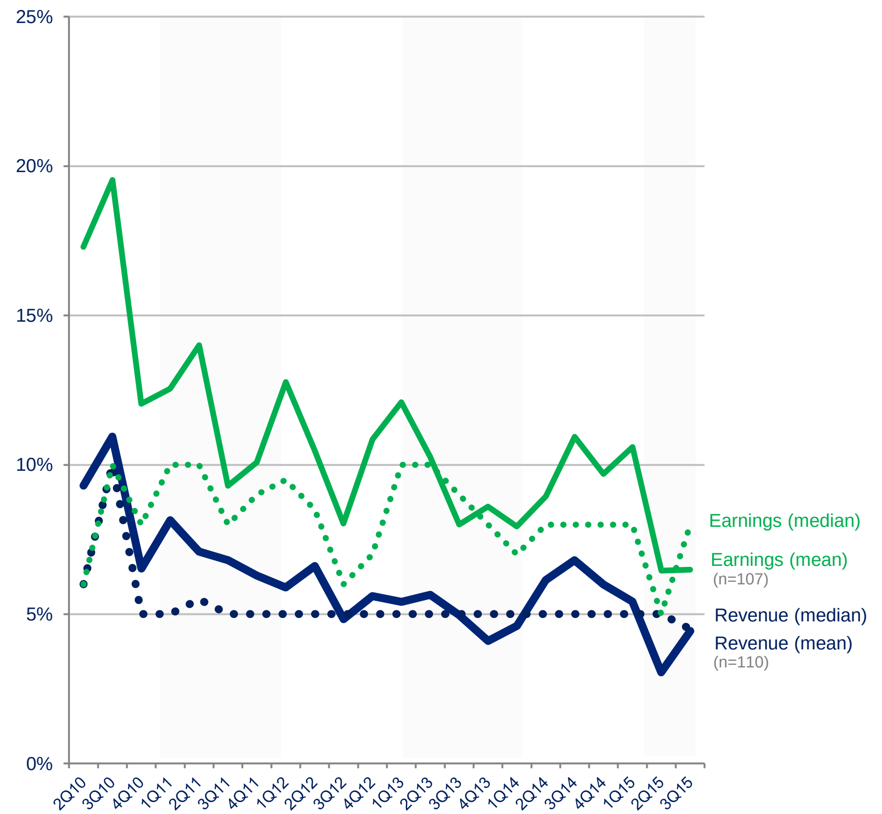
Earnings[1]

Expectations holding at last quarter's record low, but possible signs of future improvement:

- Earnings expectations held at 6.5%, matching last quarter's survey low. There are possible signs of improvement, however, with the median rebounding from last quarter's survey-low 5.0% to 8.0% this quarter, and 79% of CFOs still expecting year-over-year gains. Variability of responses is about the same as last quarter, and it is still among the highest levels in the last three years.
- Country-specific expectations are 7.6% for the US (up from 6.9% last quarter), -2.7% for Canada (up from -3.6%), and 7.9% for Mexico (down from 13.2%).
- Retail/Wholesale and Technology improved to 11.6% and 11.0%, respectively (up from 7.3% and 8.8% last quarter, respectively). Energy/Resources continued to pull down the average, falling to -8.9% from -5.8%.

Compared to the past 12 months, how do you expect your revenue and earnings to change over the next 12 months?

CFOs' expected change year-over-year[1]



[1]All averages have been adjusted to eliminate the effects of stark outliers.

Please see full report for industry-specific findings.

Expectations

Dividends and investment

What are CFOs' expectations for their companies' year-over-year dividends and capital investment?

Dividends[1]

Expectations muted, but steady:

- Dividend growth expectations increased to 3.7%, up from last quarter's 3.4%, but still below the survey average of 4.0%. The median is again 0.0%, and 45% expect year-over-year gains.
- Country-specific expectations are 3.7% for the US (up slightly from 3.5% last quarter), 2.8% for Canada (up from 2.3% last quarter), and 4.7% for Mexico (up from 4.5% last quarter).
- Among the industries, Services reported the highest expectations at 5.6%, while Health Care/Pharma reported the lowest at 0.0%.

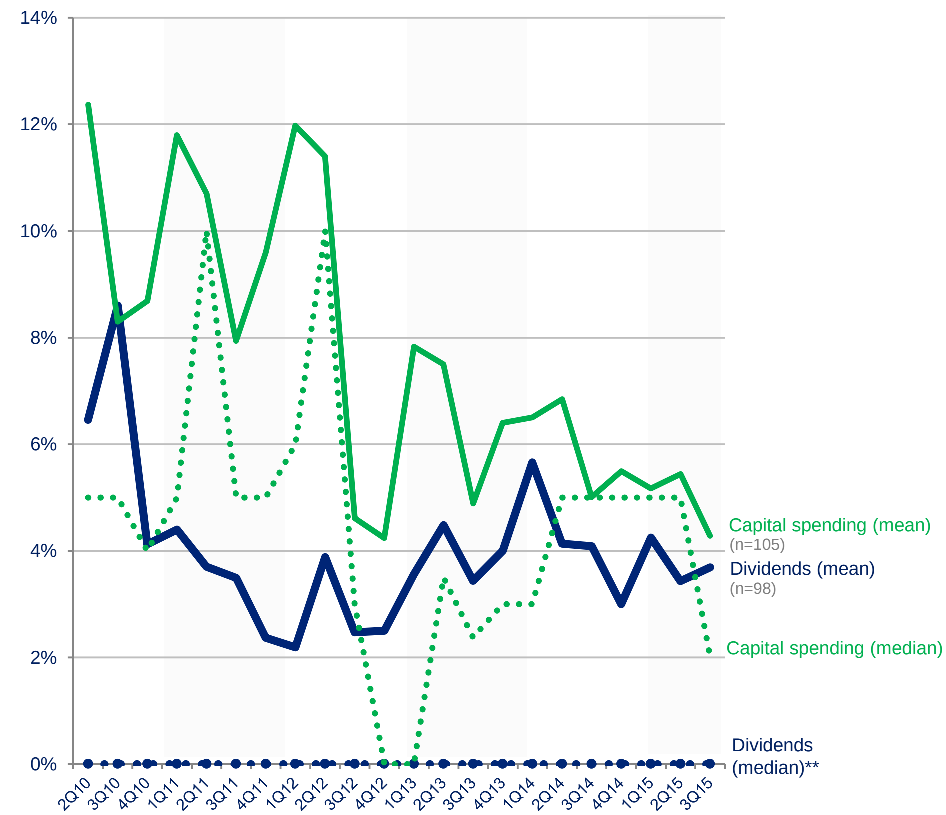
Capital investment[1]

Expectations near their survey low, driven by weakness in Energy/Resources, Technology, and Manufacturing:

- Capital spending expectations fell from last quarter's 5.4% to just 4.3%—only slightly above the survey low of 4.2% from 4Q12. The median dropped to 2.0%, well off the 5.0% levels of the past several quarters. The proportion of CFOs expecting year-over-year gains also declined, falling to 53% (well below last quarter's 60%, and now at the lowest level since 4Q12). Variability of expectations is considerably below last quarter's and is about average for this metric.
- Country-specific expectations are 3.9% for the US (down from last quarter's 4.5% and the lowest level in a year), -3.7% for Canada (down from -1.6%), and 15.1% for Mexico (slightly down from last quarter's 15.2%).
- Financial Services, T/M/E, and Healthcare/Pharma reported the highest expectations at 10.6%, 7.2%, and 7.0%, respectively (all up from last quarter). Expectations for Energy/Resources are again the lowest, falling to -4.1%. Technology and Manufacturing are also low at 0.2% and 3.0%, respectively.

Compared to the past 12 months, how do you expect your dividends and capital spending to change over the next 12 months?

CFOs' expected change year-over-year[1]



[1]*All averages have been adjusted to eliminate the effects of stark outliers.*
***The median for dividends has been zero for all quarters.*

Please see full report for industry-specific findings.

Expectations

Employment

What are CFOs' expectations for their companies' year-over-year hiring?

Domestic hiring[1]

Expectations better, but not indicative of large-scale job creation:

- Domestic hiring expectations rose to 1.4%, up slightly from last quarter's 1.2%. The median rose from 0.0% to 1.5%, and 57% of CFOs expect year-over-year gains (up from last quarter's 49%). Variability of responses rose again this quarter and is now above the five-year survey average.
- Country-specific expectations are 1.2% for the US (up from last quarter's 1.0%, but still among the lowest levels in the past two years), -0.9% for Canada (up from -1.0% last quarter), and 5.0% for Mexico (up from 4.2% last quarter).
- Energy/Resources indicates the lowest average expectation at -2.1%, with Manufacturing and Healthcare/Pharma also low at 0.0%. Services and Financial Services are the highest at 3.9% and 3.6%, respectively.

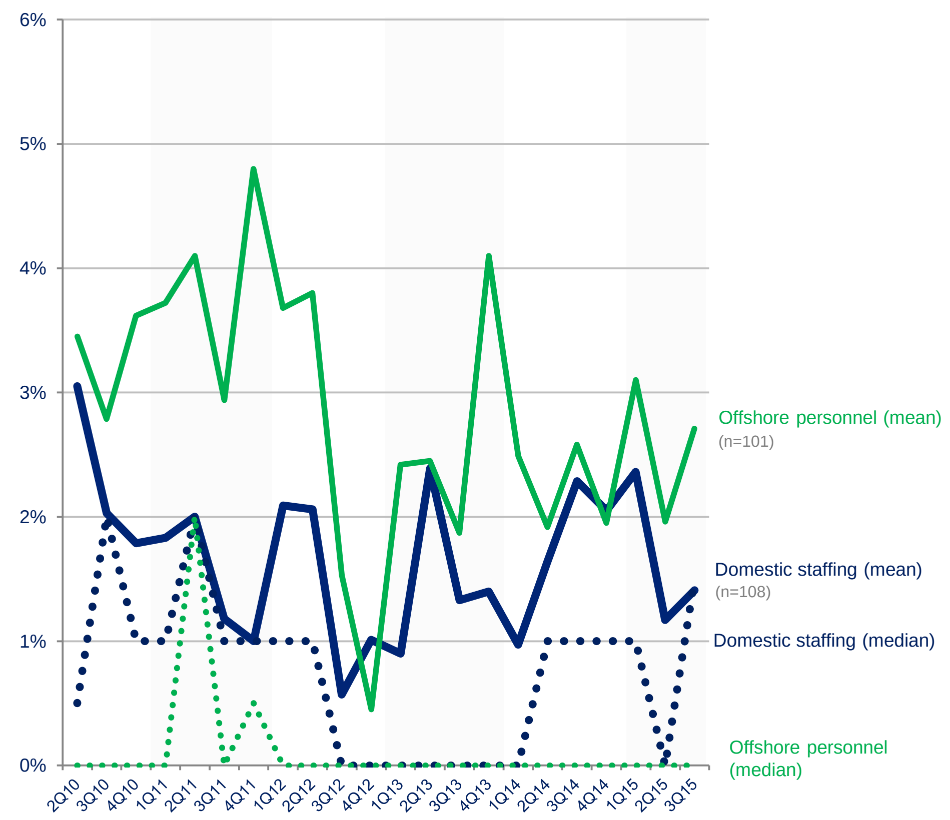
Offshore hiring[1]

Expectations rose, but are still in line with recent ranges:

- Offshore hiring growth rose to 2.7%, up from last quarter's 2.0%. The median remains 0.0%, and 46% of CFOs expect year-over-year gains (up from last quarter's 39%).
- Country-specific expectations are 3.1% for the US (up from 2.2% last quarter), 2.0% for Canada (up from 1.8%), and 1.7% for Mexico (up from 1.1%).
- T/M/E indicates the highest expectations at 10.7%, with Energy/Resources the lowest at -0.1%.

Compared to the past 12 months, how do you expect your domestic and offshore hiring to change over the next 12 months?

CFOs' expected change year-over-year[1]



[1]All averages have been adjusted to eliminate the effects of stark outliers.

Please see full report for industry-specific findings.

Own-company optimism

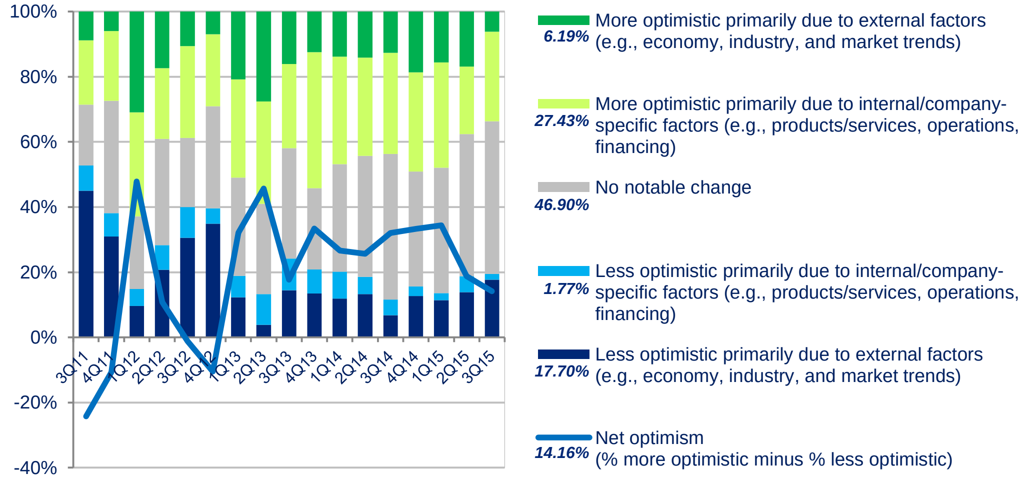
How do CFOs feel about their company's prospects compared to last quarter?

Optimists still outnumber pessimists, but by a narrowing margin:

- **Eleventh straight quarter of net optimism, but momentum stalling:** Continuing a string of 10 straight prior quarters of positive sentiment, net optimism came in at a fairly strong +14.2. But this is down from last quarter's +18.8 and is the lowest level in two years. Thirty-four percent of CFOs express rising optimism, down slightly from last quarter's 38%, and the lowest level since 4Q12. Similar to last quarter, the silver lining is that most optimists from prior quarters have moved into the "no change" group rather than the pessimist group; 19% report declining optimism, which is about even with last quarter.
- **Positive momentum in Mexico; declining sentiment for US and Canada:** Continuing a positive trend visible last quarter, Mexico's net optimism came in at +25, only slightly below last quarter's +29. Net optimism for the US declined from last quarter's +15 to +14. Canada's net optimism rose sharply to +29 last quarter (aided by rebounding oil prices), but fell back to +7 this quarter (likely affected by further declines in oil prices).
- **Technology net negative; Manufacturing and Retail/Wholesale positive, but very low:** Net optimism for Technology is -11, with Manufacturing and Retail/Wholesale also low at +4 and +6, respectively.
- **Financial Services and Healthcare/Pharma anchor the optimists:** Financial Services and Healthcare/Pharma CFOs indicate net optimism of +29 and +50, respectively.

How does your optimism regarding your company's prospects compare to last quarter?

Percent of CFOs selecting each sentiment/reason combination (n=113)



Please see full report for industry-specific findings.

Sentiment

Most worrisome risks

Which external and internal risks do CFOs regard as most worrisome?

Rapidly escalating concerns about China:

- **Rising concerns about impact of Europe and China on North America:** Driven mostly by a rapid rise in concerns about the path and stability of China's economy, worries escalated sharply this quarter about the impact of Europe and China on North American growth.
- **Continuing concerns about US economy:** Worries continued about the possibility of a US pullback, but concerns about underlying factors, such as unemployment, housing, and wages, declined somewhat. CFOs did not voice strong concerns about possible US equity market corrections (markets had fallen by about 1.5% between surveys, but the survey period ended the Friday before markets fell sharply on August 24, 2015).
- **Strong commodity price worries:** Worries about oil and other commodity prices rose again this quarter, with particularly strong effects in Energy/Resources and Manufacturing.
- **Growing concern about actions of central banks:** Concerns about US interest rates continued, and worries about the trade and FX impacts of European and Chinese central banks' monetary policy decisions escalated significantly.
- **Continuing policy and regulation concerns:** Policy concerns are again largely industry dependent, with continuing broad-based concern about the possibility of new burdensome regulations—especially within Energy/Resources, Financial Services, and Healthcare/Pharma.

Rising concerns about cyber security and talent:

- **Rising execution concerns:** CFOs' concerns about cyber security rose markedly, likely fueled by several substantial, highly-publicized breaches over the last quarter. They also again cite weariness from the high pace of change in their businesses, citing difficult initiatives and integrations, new technologies, and operational challenges.
- **Still-rising talent challenges:** Concerns around acquiring and keeping talent with the right skill sets rose again, reaching the highest level in the history of this survey. New for this quarter were concerns about unionization efforts.

What external and internal risk worries you the most?

Consolidation and paraphrasing of CFOs' free-form comments* (n=95-100)

External

Economy

- Oil/commodity prices (14)
- China economy/pullback/instability (12)
- US economy pullback (8)
- Problems in EU/China hurting US growth (7)
- Global economic growth/recession/volatility (6)
- Consumer confidence/spending (4)
- European economy (3)
- Mexican economy (2)
- Unemployment
- Housing recovery
- Greece permanence in Eurozone

Capital/Currency

- Interest rate increases/decreases (13)
- Exchange rates/volatility (12)
- Currency markets (7)
- Market bubbles/corrections (2)
- Impact of strong US dollar (2)
- Currency devaluations (2)
- Inflation (2)
- Activist investors
- Global debt levels

Geopolitics

- Geopolitical risk (4)
- Russian conflicts/instability
- Wars in Middle East
- Latin American conflict

Government / Regulation

- Federal regulation – new/burdensome (19)
- Tax policy/reform (2)
- Lack of good public policy (2)
- Government spending/fiscal policy (2)
- Emerging and uncertain accounting/capital rules
- Environmental regulation
- Government regulation of health care / ACA
- Mexican energy reforms

Industry

- Competitive practices/pricing (3)
- New/strong competitors (2)
- Impact of new/evolving technologies (2)
- Effects of overcapacity
- Demand for current/new products
- Supply chain issues
- Industry changes/consolidation
- Industry-specific rules and court decisions

Internal

Growth

- Hitting growth plans (2)
- Ability to execute growth efforts (2)
- New product development/innovation (2)
- Market contraction / slowing growth (2)
- Maturing products/categories
- Ability to grow without hurting margins

Margins

- Executing cost reduction efforts (5)
- Cost / expense structure (4)
- Productivity/efficiency improvement
- Balance cost controls with growth/service
- Labor costs
- Technology costs

Execution

- Execution against plans (9)
- Cyber security (8)
- Weariness / pace of change (6)
- Managing operations (5)
- Technology change/competitiveness (4)
- Lack of focus/prioritization (3)
- Setting strategies/plans (2)
- Project execution (2)

Talent

- Securing qualified talent (18)
- Retaining key employees (13)
- Leadership succession (2)
- Insufficient staff capabilities (2)
- Unions and unionization efforts (2)
- Cost of highly-skilled talent

** Arrows indicate notable movements since last quarter's survey. Category movements are indicated by block arrows. Strong movements are indicated by multiple arrows. Gray text indicates topics that have fallen off the list this quarter.*

This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes. The number of responses does not match the number of respondents because some CFOs provided more than one response. For a more detailed summary of comments by industry, please see the appendix of the full report.

Special topic: Board concerns

Board concerns around risks

Which external and internal risks are top of mind for boards?

External risks:

Boards' chief concerns are around economic health in North America and China, intensifying competition, and regulatory activity:

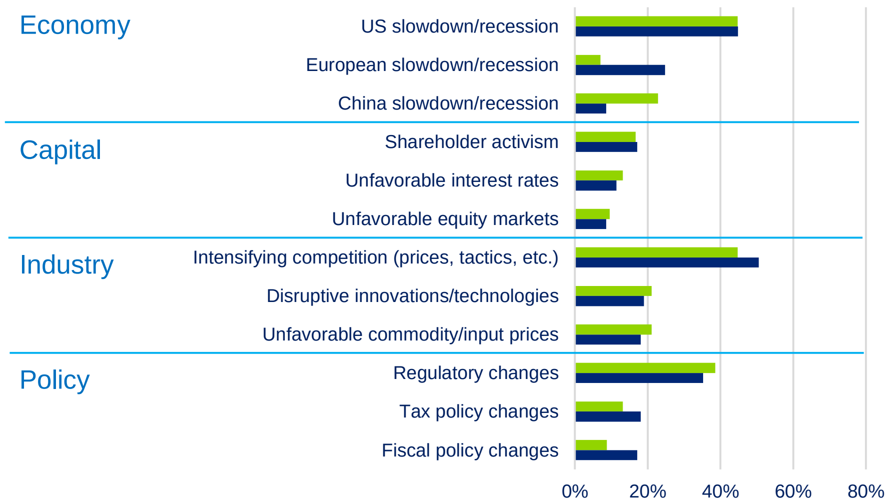
- **Economies**: Forty-five percent of CFOs say a US slowdown is among their board's top three external risks—effectively even with the level from 2Q13 (the last time this question was asked). Concerns about Europe have declined substantially, but concerns about China have more than doubled.
- **Capital**: Capital market concerns have changed very little, with shareholder activism again the most mentioned (Services is comparatively high for shareholder activism at 44%). Interest rate concerns are again very high for Financial Services CFOs at nearly 50%.
- **Industry**: Rising competition is again a top risk, cited by about 45% of CFOs (Retail/Wholesale, Technology, and Healthcare/Pharma are all above 66%). Services is highest for disruptive innovations at 44%, and Manufacturing and Energy/Resources are highest for input prices at more than 40%.
- **Policy**: Nearly 40% of CFOs again say regulatory changes are a top concern, highest in Energy/Resources (50%), Financial Services (71%), and Healthcare/Pharma (75%). Tax policy concerns are high for Energy/Resources, Healthcare/Pharma, and Services.

Internal risks:

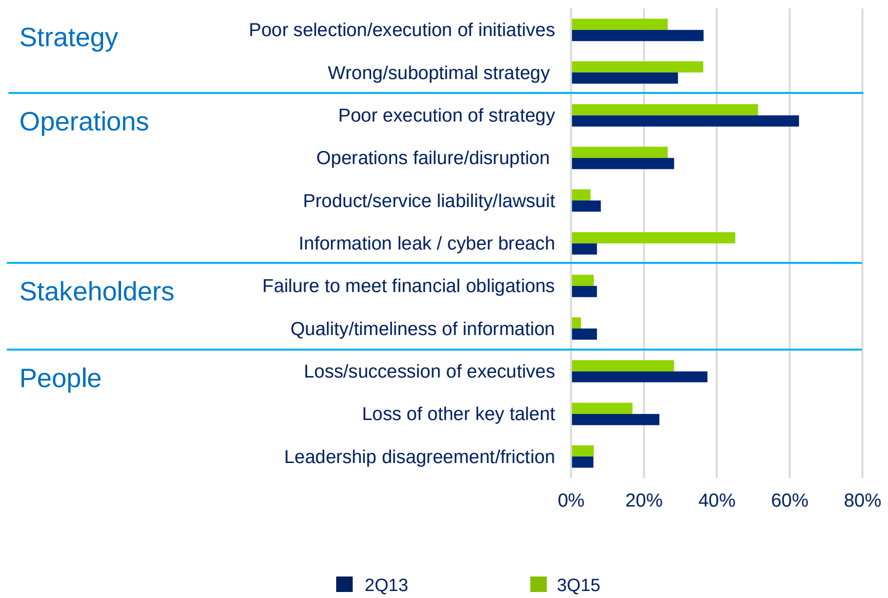
Boards remain concerned about suboptimal strategies, but more concerned about poor execution against their strategies. Cyber attack concerns skyrocketed and now overshadow all other operational risks:

- **Strategy:** Thirty-six percent of CFOs say their boards are worried about suboptimal strategies, up from 30% in 2Q13 (Energy/Resources, Healthcare/ Pharma, and Manufacturing are highest at around 50%). About 27% cite concerns about poor selection and execution of initiatives.
- **Operations**: Half of CFOs say their boards are worried about poor operational execution against their strategies, down from 60% in 2Q13 (Technology is highest at 67%). About 45% cite cyber breaches, up drastically from 2Q13 (Financial Services and Services are highest at 81% and 63%, respectively).
- **People**: CFOs continue to report concerns about the loss of executives (especially in Retail/Wholesale and Services) and other key talent (especially in Technology and Energy/Resources).

Which external risks most worry your board?
Percent of CFOs naming each risk a top-three concern (n=114)



Which internal risks most worry your board?
Percent of CFOs naming each risk a top-three concern (n=113)



Please see full report for industry-specific findings.

Special topic: US tax uncertainty

Effects of tax uncertainty on growth

How has uncertainty in the US federal tax system affected companies' approaches to growth opportunities?

CFOs overwhelmingly say tax uncertainty is not substantially impacting their approaches to growth:

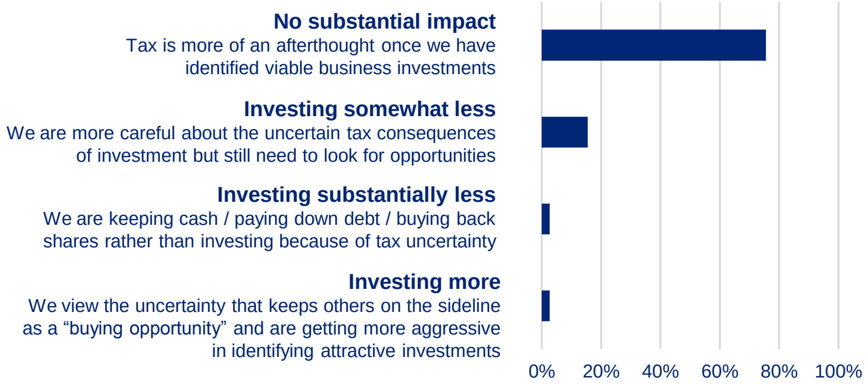
- **Tax uncertainty is generally not impacting investments:** About 75% of CFOs say taxes are more of an afterthought than an impediment, with all industries at or above 50%. Services, Manufacturing, and Technology highest at 100%, 78%, and 78%, respectively.
- **Some companies investing less and/or using cash for other purposes due to tax uncertainty:** About 15% of CFOs say that they are investing somewhat less, but are still looking for growth opportunities (T/M/E and Energy/Resources are highest at 33% and 31%, respectively). Only about 3% of CFOs say they are investing substantially less and diverting cash to other purposes (Technology is highest at 11%).
- **Tax uncertainty is not creating significant buying opportunities:** Only 3% of CFOs say uncertainty creates opportunities that make it worthwhile to get more aggressive in their pursuit of investments. Healthcare/Pharma is highest at about 13%.

Despite relatively low impacts of tax uncertainty on growth efforts, CFOs voice concerns about many current and evolving aspects of the current US tax code:

- **Strong concerns about domestic and foreign income taxes:** CFOs voice concerns about domestic tax rates and very high concerns about the future of taxation on foreign earnings.
- **Substantial concerns about taxes (and tax breaks) on investments:** CFOs voice significant concerns about the future of "tax extenders" (especially around bonus depreciation) and taxation/depreciation related to investments.

How has uncertainty in the current US tax system changed your approach to growth opportunities?

Percent of CFOs citing each type of impact (n=110)



Please see full report for industry-specific findings.

Which uncertainty in the current US tax system is most affecting your approach to growth opportunities?

Consolidation and paraphrasing of CFOs' free-form comments* (n=35)

Domestic rates

- Federal tax rate too high (2)
- Long term tax rate
- Push to create a reduction in "headline" corporate tax rate will result in bad ideas (changes to accelerated depreciation rules we've relied on for years)
- Lowering corporate tax rate OK if everything else stays the same; lowering it while increasing calculation of "income" won't help

Foreign earnings

- Taxation of repatriated overseas income (3)
- Taxation of foreign/global earnings (2)
- Tax on un-repatriated foreign earnings
- International investment opportunities deemed more appealing given repatriation penalty
- Likelihood of international tax reform
- Decisions regarding growth overseas
- Foreign cash and new tax

Investments/depreciation

- Expiration of extenders
- Bonus depreciation (3)
- Interest deductibility
- Potential double taxation on certain investments

Other

- Any massive changes
- No clear direction
- Impact on real estate returns
- LIFO, escalating subchapter S tax rates for Obamacare as an example
- Targeted penalties/initiative against inverted companies
- Tax environmental incentives (PTC-ITC)
- Main Street sales tax reforms

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes. The number of responses does not match the number of respondents because some CFOs provided more than one response.*

Special topic: Talent trends

Talent planning

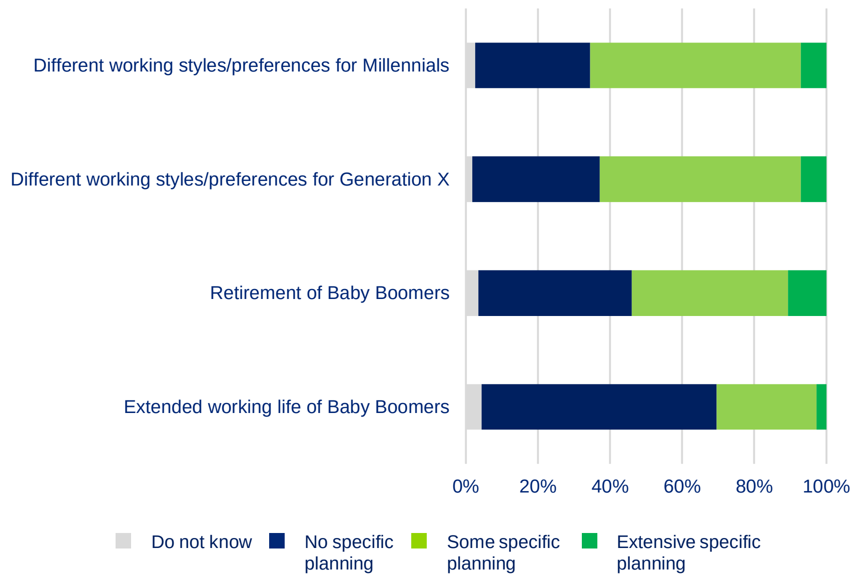
To what degree are companies planning for the effects of generational trends on their workforces?

The vast majority of CFOs say they have planned to some degree for the effects of generational trends:

- **About 80% of CFOs report some degree of planning:** Nearly 70% of CFOs report significant planning around at least two of the surveyed trends. Just over 40% report significant planning around at least three, and nearly 20% report significant planning around all four.
- **Mostly prepared for different working styles of Millennials and Generation X:** More than two-thirds of CFOs report having completed specific planning for the different working styles of Millennials, with 7% reporting extensive planning. Technology and Retail/Wholesale CFOs are most likely to say they have completed specific planning. The proportions are similar for Generation X, with Technology and Retail/Wholesale also highest for this group.
- **Substantial planning for retirement of Baby Boomers:** Nearly 11% of CFOs say their companies have completed extensive planning for the retirement of Baby Boomers (the highest proportion of "extensive planning" reported for any single generational group), with 54% having completed at least some specific planning. Energy/Resources and Healthcare/Pharma CFOs are most likely to say they have completed specific planning, with Retail/Wholesale and Technology the lowest.
- **Relatively little planning for extended working life of Baby Boomers:** Just 30% of CFOs say they have completed specific planning, with only Energy/Resources above 50%.
- **Some industries more proactive than others:** Across generational trends, Energy/Resources and Manufacturing CFOs generally claim the most comprehensive planning. T/M/E and Services appear less proactive on average.

To what degree has your company planned for the following generational trends?

Percent of CFOs selecting each level of awareness and planning (n=112-113)



Please see full report for industry-specific findings.

Special topic: Talent trends

Talent shortages

In which areas are companies expecting talent shortages?

CFOs expect shortages of talent who can lead and execute on growth opportunities:

- **Leaders:** CFOs cite likely shortages of executive and other senior leadership talent. They specifically mention shortages of people who can lead around strategy, HR, compliance, and regulatory matters.
- **Innovators:** CFOs cite expected shortages of people who innovate around products and services, including engineers, researchers, developers, and designers.
- **Business developers:** CFOs cite likely shortages of professionals in sales and marketing and also customer analytics.
- **IT and technology professionals:** Many CFOs cite expected shortages in both back office and customer-facing technology areas—ranging from coding and systems integration experts to "big data" and cyber security specialists to digital channel professionals.
- **Operations (industry-specific) experts:** On a very industry-driven basis, CFOs expect shortages in talent with specialized operational skills. Please see the appendix for a summary of industry-specific expectations.

In which areas is your company most likely to experience talent shortages over the next five years?

Consolidation and paraphrasing of CFOs' free-form comments* (n=79)

Management

- Executive management—development, strategy, and execution (7)
- Leadership (4)
- Human resources (3)
- Strategy (2)
- Compliance
- Regulatory matters

Operations

- Sales and marketing (10)
- Trades—manufacturing, electric utility, drivers, etc. (9)
- Operations / services (3)
- Retail / skilled hourly workforce (2)
- Analytics (2)
- Leasing
- Nursing
- Distribution
- Insurance and actuarial

Development/innovation

- Engineering—industrial, software, etc. (11)
- Research and development—games, products, sciences, etc. (6)
- Design (2)
- Exploration (2)
- Innovation (2)

Technology

- IT/Technology (16)
- Data—analysis, big data, management (5)
- Cyber security (2)
- Risk (2)
- Digital
- Coding
- Systems integration

Finance

- Accounting (5)
- Finance (3)
- Financial/investment analysis (2)

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes.*

Please see full report for industry-specific findings.

Special topic: Talent trends

Best steps for ensuring right talent

What are companies doing to ensure they have the talent they need?

Many CFOs report strong steps to improve their organization's talent brand and employee value propositions:

- **Significant focus on recruiting new talent:** CFOs cite a very heavy focus on securing young professionals and new graduates. They also cite important steps around prioritizing talent management in leadership discussions, particularly with a focus on succession planning and finding replacements for retiring Baby Boomers.
- **Reworking compensation and benefits:** CFOs mention comprehensive reviews of compensation, incentives, and workplace flexibility to ensure they stay competitive in a changing talent market. They also cite steps to better recognize performance in compensation and to diversify employee benefits programs.
- **Professional development as retention tool:** CFOs cite a heavy emphasis on new training programs that give top staff the opportunity to learn a variety of technical skills and expand their knowledge in key areas. They also emphasize taking steps to ensure clear career paths for talent with strong leadership potential.
- **Brand as a recruitment tool:** CFOs mention steps to strengthen their company's reputation as a great place to work and as a destination for top talent. Some report using "next generation" tools, such as social media and mobile applications, to develop their talent brand and connect with current and potential employees.

What is the most significant step your company is taking to secure the talent it needs over the next five years?

Consolidation and paraphrasing of CFOs' free-form comments* (n=79)

Development, training, and rewards

ENGAGEMENT/INCLUSION
- Strengthening employee engagement (2)
- Investing in and communicating company culture (2)
- Talent visibility with leadership
- Better employee relationships
- Addressing Millennials

MANAGEMENT DEVELOPMENT
- Developing high potential talent (2)
- Career progression (3)
- Coaching

TRAINING / SKILLS DEVELOPMENT
- Investment and encouragement in training (7)
- Development programs—internal, key knowledge areas(5)
- Challenging opportunities

COMPENSATION, REWARDS, AND BENEFITS
- Competitive compensation (6)
- Enhanced incentives for performance (4)
- Workplace flexibility—location and hours (3)
- Stock options / equity compensation (3)
- Improved benefits—working conditions and wellness programs (3)
- Job / role mobility (2)

Talent management

TALENT PLANNING/MANAGEMENT
- Succession planning (7)
- Retention planning (3)
- Resource planning (2)
- Creation of a talent management function
- Redesign HR department
- Revision of evaluation / promotion policies
- Better talent review process
- Careful skills gap review
- Better performance management process

TALENT ACQUISTION
- Recruiting—young talent/university/internship/ grad/military (8)
- Recruiting—increased efforts (7)
- Recruiting—external (4)
- Recruiting—internal (3)
- Recruiting—lateral (2)
- Increase focus on brand (2)
- New talent through M&A (2)
- Create reputation as industry leader (2)
- Achieve workplace of choice recognition (2)
- Focus on strong business performance in recruiting
- Investment of CEO in pursuit efforts
- Continually recruit to fill needs
- Increase social networking

** This chart presents a summary of CFOs' free-form responses. CFO comments have been consolidated and paraphrased, and parentheses denote counts for particular response themes.*

Special topic: CFO role and focus

The strategist CFO

How do CFOs contribute to the development of corporate strategy?

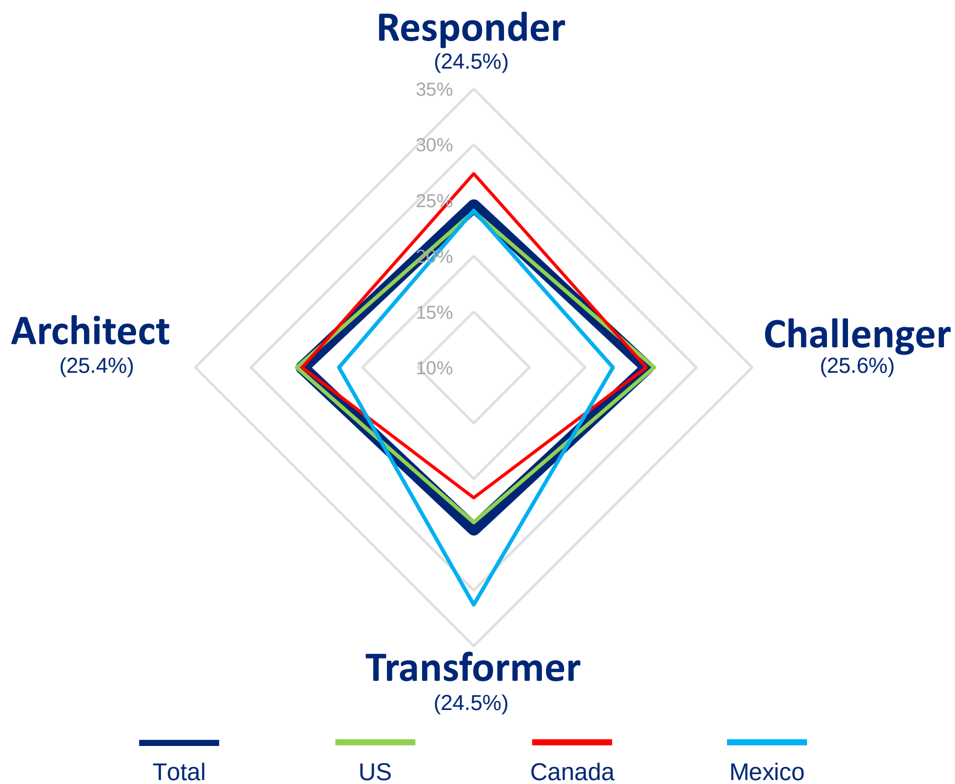
Note: Last quarter's survey results indicated that, among their four CFO roles (steward, operator, catalyst, and strategist), CFOs were spending an average of 27% of their time as strategists. This quarter we asked CFOs about their contributions within their strategist role.

Transformer/Architects and Responder/Challengers are the most common contribution archetypes:

- **Aggregate time allocations suggest CFOs contribute equally across the roles—but only about 10% actually do so:** Contributions via the Challenger and Architect roles vary much less than those in the Responder and Transformer roles. CFOs tend to contribute through their Challenger and Architect roles, then contribute either through their Responder or Transformer role—but not both (only 6% say both roles are in their top two).
- **Most CFOs focus on one or two roles:** About 60% of CFOs place one role ahead of all others (most often Responder or Transformer), and about 25% say two roles equally dominate their contributions (most likely a combination of Responder with either Challenger or Architect).
- **Few cite a very high contribution in a single role:** Only about half say that 40% or more of their contribution comes from any particular role. If a CFO does claim a 50% or higher contribution, it is most likely to be in the Transformer role; if a CFO claims less than a 20% contribution, it is most likely to be in the Responder role.
- **Some dominant patterns more likely than others:** With respect to CFOs' top two time contributions, Transformer/Architect and Responder/Challenger (order agnostic) are considerably more common than the other combinations. Transformer/Responder is uncommon, and Transformer/Challenger is very rare.
- **Some industry differences:** Financial Services is highest for Responders (31%), while T/M/E is highest for Transformers (31%), and Retail/Wholesale is highest for Architects (29%). Healthcare/Pharma is by far the lowest for Responders at just 18%.
- **Some country differences:** As a group, US CFOs report roughly equal contributions through all four roles. Canadian CFOs tend to report slightly higher contributions as Responders, and Mexican CFOs report considerably higher contributions as Transformers.

How do you personally contribute to your company's strategy development process?
(Please distribute 100% of your contribution across the following roles.)

Percent of contribution CFOs report for each role (n=114)



Please see full report for industry-specific findings.

- **Responder –** CFO/finance helps key business leaders quantitatively analyze the financial implications of different strategy choices.
- **Challenger –** CFO/finance acts as steward of future value by critically examining the risks to, and expected returns on, different strategy alternatives.
- **Architect –** CFO/finance helps business leaders shape strategy choices and apply finance strategies to maximize the value of particular strategies (working to find "paths to yes" on key business investments).
- **Transformer –** CFO/finance is a key leader in shaping and executing future strategy, working to find operational/financial options for shifting the market mix, delivering value, and creating distinctive capabilities.

Longitudinal trends

Expectations and sentiment

CFOs' Year-Over-Year Expectations*

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

		3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	*Survey Mean*	*2-Year Mean*
Operating Results	Revenue	10.9%	6.5%	8.2%	7.1%	6.8%	6.3%	5.9%	6.6%	4.8%	5.6%	5.4%	5.7%	5.0%	4.1%	4.6%	6.1%	6.8%	6.0%	5.4%	3.1%	4.4%	*6.2%*	*5.1%*
		10.0%	5.0%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	4.5%	*5.3%*	*5.0%*
		93%	81%	89%	80%	83%	87%	79%	85%	82%	83%	81%	84%	78%	82%	90%	90%	89%	90%	86%	78%	79%	*84%*	*85%*
	Earnings	19.5%	12.0%	12.6%	14.0%	9.3%	10.1%	12.8%	10.5%	8.0%	10.9%	12.1%	10.3%	8.0%	8.6%	7.9%	8.9%	10.9%	9.7%	10.6%	6.5%	6.5%	*11.0%*	*8.9%*
		10.0%	8.0%	10.0%	10.0%	8.0%	9.0%	9.5%	8.5%	6.0%	7.0%	10.0%	10.0%	9.0%	8.0%	7.0%	8.0%	8.0%	8.0%	8.0%	5.0%	8.0%	*8.4%*	*7.6%*
		93%	80%	83%	83%	82%	84%	79%	81%	84%	76%	84%	83%	82%	82%	84%	83%	90%	86%	79%	79%	79%	*83%*	*83%*
Investment	Dividends	8.6%	4.1%	4.4%	3.7%	3.5%	2.4%	2.2%	3.9%	2.5%	2.5%	3.6%	4.5%	3.4%	4.0%	5.7%	4.1%	4.1%	3.0%	4.3%	3.4%	3.7%	*4.0%*	*4.0%*
		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%	0.0%	0.0%	*0.0%*	*0.0%*
		39%	28%	36%	35%	41%	27%	31%	33%	30%	29%	38%	40%	39%	37%	47%	45%	45%	44%	47%	43%	45%	*38%*	*43%*
	Capital spending	8.3%	8.7%	11.8%	10.7%	7.9%	9.6%	12.0%	11.4%	4.6%	4.2%	7.8%	7.5%	4.9%	6.4%	6.5%	6.8%	5.0%	5.5%	5.2%	5.4%	4.3%	*7.7%*	*5.7%*
		5.0%	4.0%	5.0%	10.0%	5.0%	5.0%	6.0%	10.0%	3.0%	0.0%	0.0%	3.5%	2.4%	3.0%	3.0%	5.0%	5.0%	5.0%	5.0%	5.0%	2.0%	*4.5%*	*4.2%*
		58%	57%	61%	69%	59%	61%	68%	70%	53%	43%	57%	57%	54%	59%	57%	64%	60%	62%	63%	59%	53%	*60%*	*60%*
Employment	Number of domestic personnel	2.0%	1.8%	1.8%	2.0%	1.2%	1.0%	2.1%	2.1%	0.6%	1.0%	0.9%	2.4%	1.3%	1.4%	1.0%	1.6%	2.3%	2.1%	2.4%	1.2%	1.4%	*1.7%*	*1.7%*
		2.0%	1.0%	1.0%	2.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	1.5%	*0.7%*	*0.5%*
		60%	48%	61%	64%	52%	51%	51%	52%	40%	40%	43%	46%	47%	48%	42%	58%	58%	60%	58%	49%	57%	*51%*	*53%*
	Number of offshore personnel	2.8%	3.6%	3.7%	4.1%	2.9%	4.8%	3.7%	3.8%	1.5%	0.5%	2.4%	2.5%	1.9%	4.1%	2.5%	1.9%	2.6%	1.9%	3.1%	2.0%	2.7%	*2.8%*	*2.5%*
		0.0%	0.0%	0.0%	2.0%	0.0%	0.5%	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%	*0.1%*	*0.0%*
		49%	47%	41%	57%	37%	50%	43%	41%	30%	32%	39%	36%	33%	42%	34%	42%	45%	44%	48%	39%	46%	*41%*	*41%*

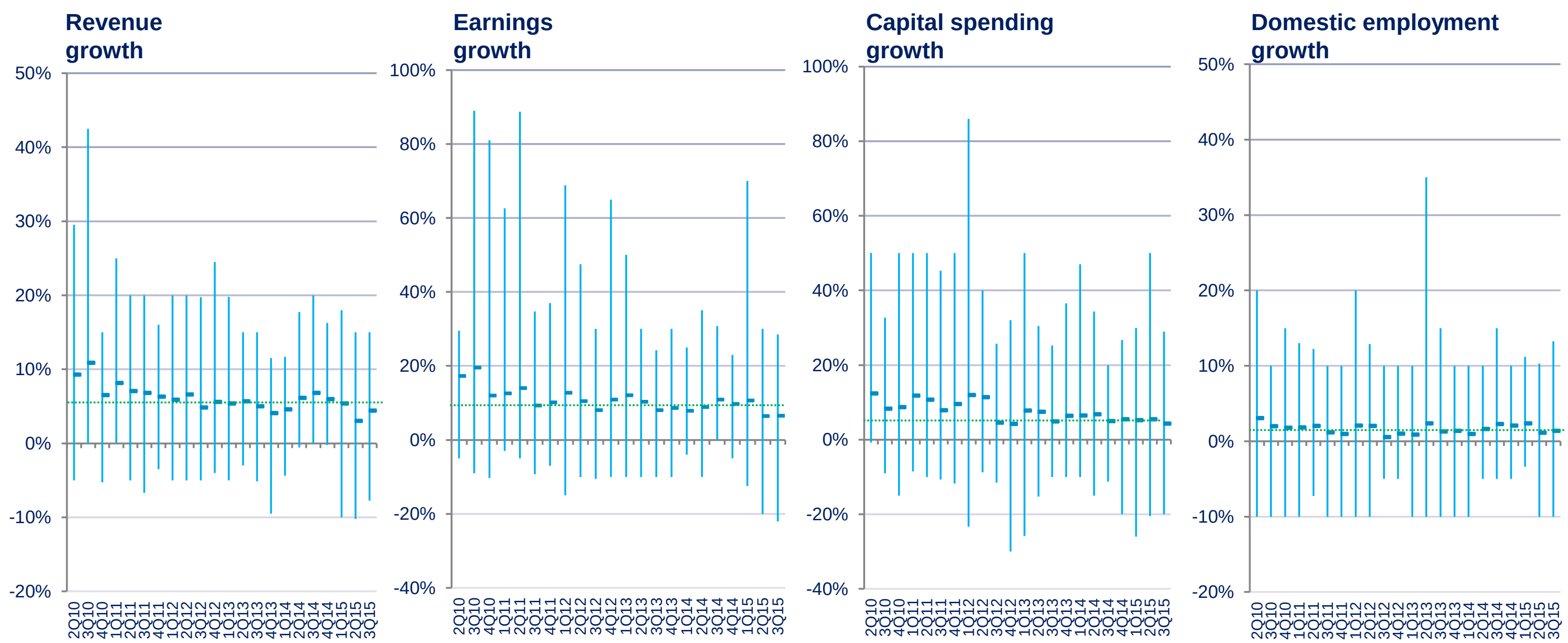
CFO and Equity Market Sentiment**

		3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	*Survey Mean*	*2-Year Mean*
Optimism	Optimism (% more optimistic)	46.8%	53.3%	62.4%	39.7%	28.6%	28.6%	63.0%	39.1%	38.8%	29.1%	51.0%	59.0%	41.9%	54.2%	46.8%	44.3%	43.7%	49.0%	47.9%	37.6%	33.6%	*46.5%*	*45.7%*
	Neutrality (% no change)	16.8%	26.0%	22.0%	28.3%	18.6%	32.1%	21.9%	32.6%	21.2%	31.3%	30.1%	27.7%	33.9%	33.4%	33.0%	37.2%	44.6%	35.3%	38.5%	43.6%	46.9%	*29.2%*	*37.4%*
	Pessimism (% less optimistic)	36.4%	20.7%	15.6%	32.0%	52.8%	39.3%	15.1%	28.3%	40.0%	39.6%	18.9%	13.3%	24.2%	20.8%	20.2%	18.6%	11.7%	15.6%	13.5%	18.8%	19.5%	*25.3%*	*17.9%*
	Net optimism (% more optimistic less % less optimistic)	10.4%	32.6%	46.8%	7.7%	-24.2%	-10.7%	47.9%	10.8%	-1.2%	-10.5%	32.1%	45.7%	17.7%	33.4%	26.6%	25.7%	32.0%	33.3%	34.4%	18.8%	14.2%	*21.2%*	*27.7%*
S&P	S&P 500 price at survey period midpoint	1,072	1,200	1,343	1,333	1,123	1,161	1,361	1,317	1,418	1,387	1,520	1,667	1,656	1,798	1,839	1,878	1,955	2,040	2,097	2,123	2,092	*1,542*	*1,923*
	S&P gain/loss QoQ	-1.5%	11.9%	11.9%	-0.7%	-15.8%	3.4%	17.2%	-3.2%	7.7%	-2.2%	9.6%	9.7%	-0.7%	8.6%	2.3%	2.1%	4.1%	4.3%	2.8%	1.2%	-1.5%	*3.8%*	*3.1%*

* All means have been adjusted to eliminate the effects of stark outliers. The "Survey Mean" column contains arithmetic means since 2Q10.
** Averages for optimism numbers may not add to 100% due to rounding.

Longitudinal trends

Means and distributions for key metrics

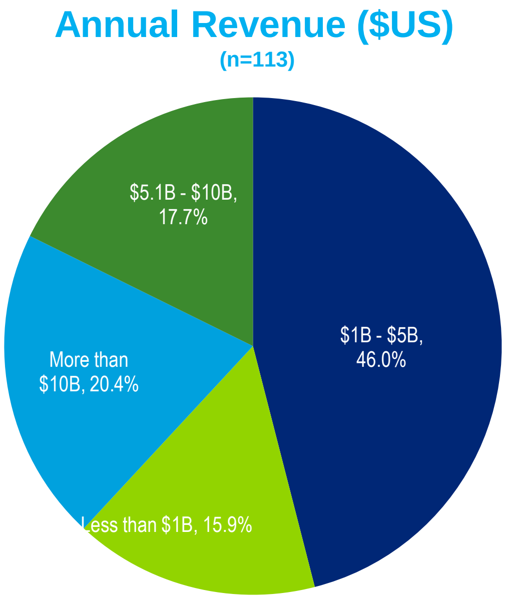


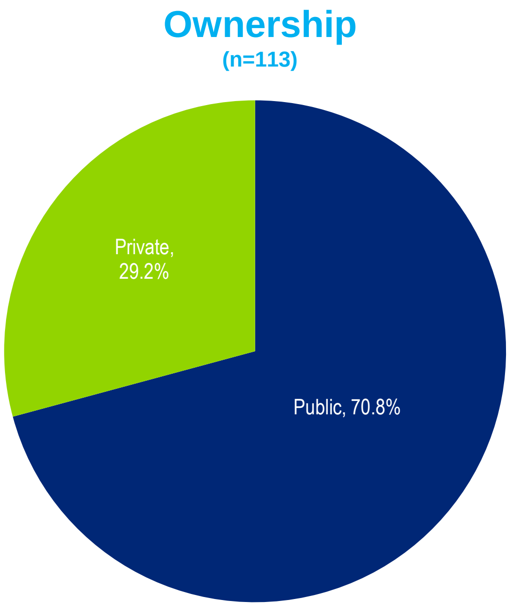
Vertical lines indicate range for responses between 5th and 95th percentiles.

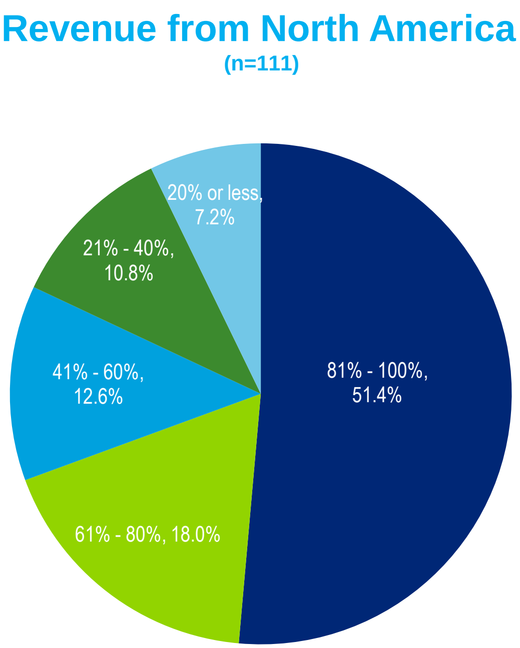
Horizontal marks indicate outlier-adjusted means.

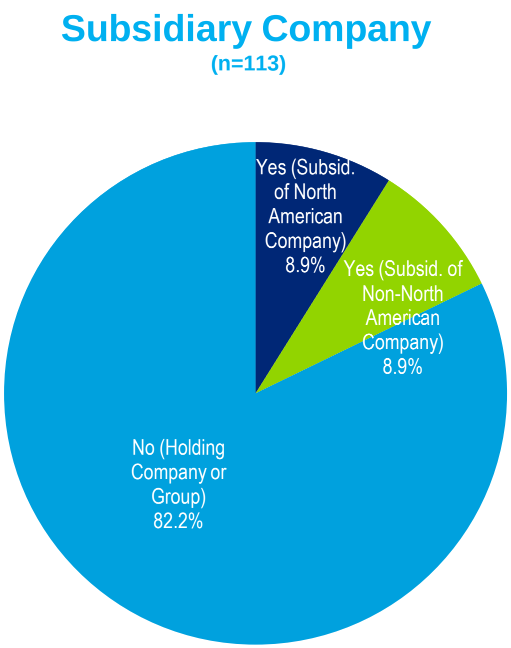
Dotted lines indicate 3-year average (mean).

Demographics*





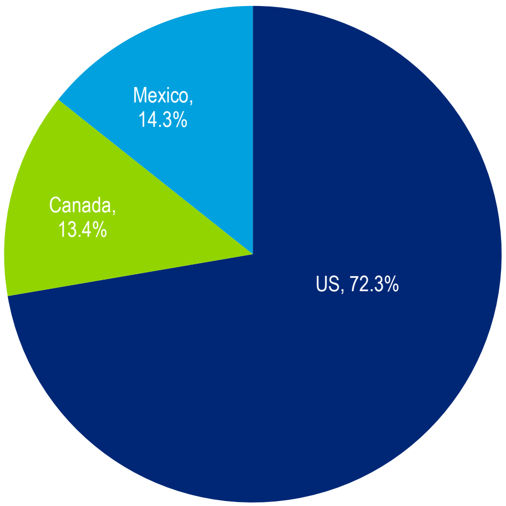




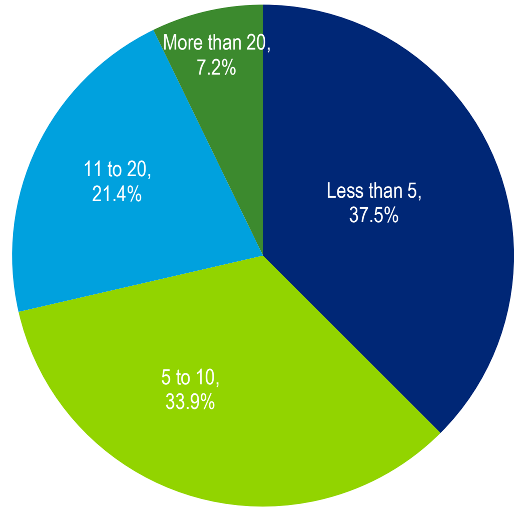
* Sample sizes for some charts do not sum to the total because some respondents did not answer all demographic questions.

Demographics* (cont.)

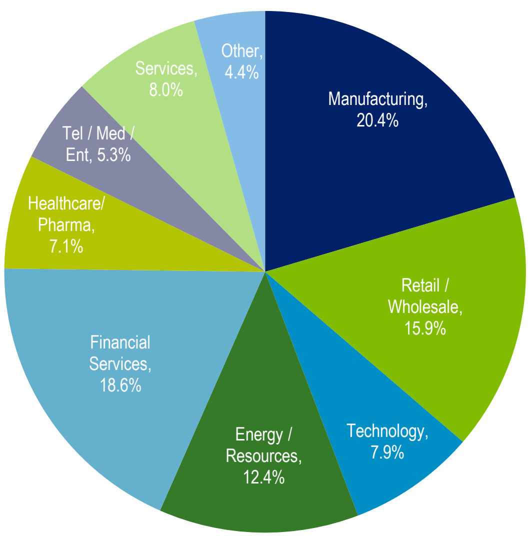
Country
(n=112)



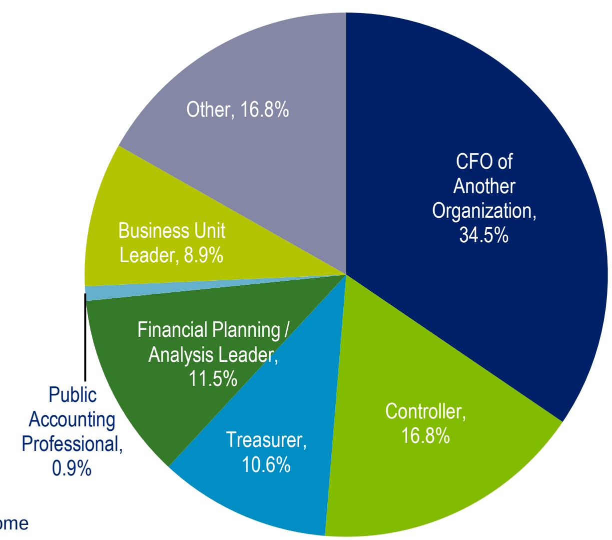
CFO Experience (Years)
(n=112)



Industry
(n=113)



Previous CFO Role
(n=113)



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

Methodology

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 government.

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 CFOs who respond to the survey 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.

Deloitte.