

CFO Signals™

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

3rd quarter 2016

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.

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About the CFO Signals survey

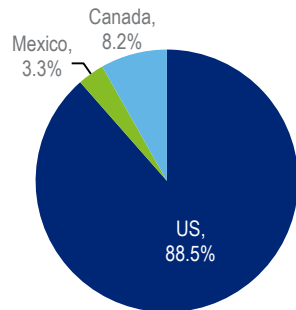
Each quarter, *CFO Signals* tracks the thinking and actions of CFOs representing many of North America's largest and most influential companies. This is the third quarter report for 2016.

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?

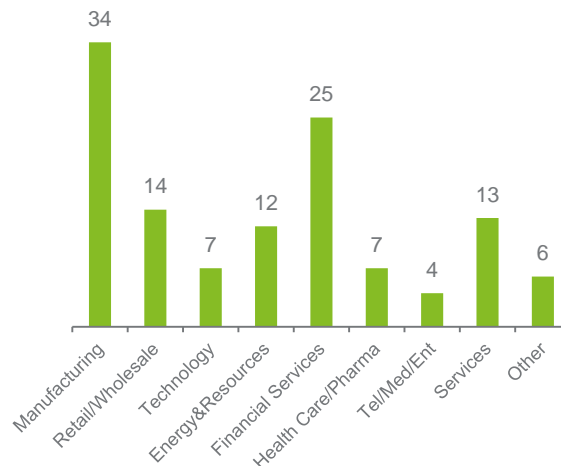
One hundred twenty-two CFOs responded during the two-week period ending August 19. Seventy-three percent of respondents are from public companies, and 80% are from companies with more than \$1B in annual revenue. For more information, please see the "About the survey" section of this report.

Participation by country



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

Participation by industry



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. Please see the appendix for more information about the survey methodology.

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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

Perceptions

How do you regard the current and future status of the North American, Chinese, and European economies? Forty-six percent of CFOs describe the North American economy as good or very good (up from 40% last quarter), and 37% expect better conditions in a year (down from 39%). Ten percent regard China's economy as good (up from 9% last quarter), and 14% expect improvement (up from 10%). In the aftermath of the Brexit vote, just 4% describe Europe's economy as good (down from 6%), and only 10% see it improving in a year (down from 15%). [Page 8.](#)

What is your perception of the capital markets? Seventy-one percent of CFOs say US equity markets are overvalued (up substantially from 56% last quarter and a new survey high). Eighty-nine percent say debt is currently an attractive financing option (up from 80%), and 42% of public company CFOs view equity financing favorably (up from 30% last quarter). [Page 9.](#)

Priorities

What is your company's business focus for the next year? Companies are slightly less biased toward growing revenue and investing cash (versus reducing costs and returning cash) than last quarter. There is a bias toward current offerings and geographies over new ones, but the proportion biased toward new geographies is among the highest in the survey's history. [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 slightly from last quarter's 4.0% to 4.2%, but are still among their survey lows. Earnings growth expectations declined to 6.1%, well off last quarter's 7.7% and near 1Q16's survey low. Capital spending expectations, having increased sharply last quarter from 1Q16's survey-low 1.7% to 5.4%, rose slightly to 5.6% this quarter. Domestic hiring growth expectations rose significantly to 2.3% from last quarter's 1.1%. [Pages 11-13.](#)

Sentiment

Compared to three months ago, how do you feel now about the financial prospects for your company? This quarter's net optimism declined from last quarter's +30.0 to a still-strong +19.7, marking the fifteenth consecutive net-positive reading. Thirty-five percent of CFOs express rising optimism (down from 49% last quarter), and the proportion citing declining optimism fell from 19% to 16%. [Page 14.](#)

Overall, what risks worry you the most? CFOs mention global economic stagnation, low interest rates, a strong dollar, and regulatory uncertainty—concerns that appear amplified by worries about Brexit, US elections, and the tenor of geopolitics worldwide. [Page 15.](#)

Special topic: Business environment

How much are macroeconomic factors affecting your business planning? Nearly 90% of CFOs say low interest rates are significantly impacting their business planning, and more than 80% say the same for a strong US dollar. About 70% cite impacts from slow European growth, and nearly 65% cite slow Chinese growth. Fifty-seven percent cite impacts from both the upcoming US elections and the UK's Brexit vote. [Page 16.](#)

Special topic: Elections and policy

When it comes to my political leanings, I am mostly a Republican/Democrat/Independent/Other: About 75% of US CFOs say they consider themselves Republicans—matching the 4Q12 proportion—while the proportion of Democrats shrank from 16% to 8%. Nearly 20% chose "Independent or Other," up sharply from 10% in 4Q12. [Page 17.](#)

How much do you believe the future performance of your company depends on the outcome of this year's US presidential election? Nearly 85% of CFOs believe their future performance depends at least somewhat on the election outcome, with the strongest effects in the US and Mexico and within the Services and Technology sectors. [Page 18.](#)

Following the 2016 elections, in which policy/legislative area would better clarity most improve your company's planning efforts? Nearly two-thirds of CFOs say corporate tax policy is a top-three priority, with monetary/rate policy next at 37%. [Page 19.](#)

Special topic: Brexit

What is your company's exposure to the UK? Nearly two-thirds of CFOs cite business exposure to the UK, most often through selling into the UK from North America, from the rest of the EU, or both. [Page 20.](#)

What are the most important changes your company is likely to make due to a British exit from the EU? About 75% of CFOs cite no significant business changes resulting from Britain's vote to exit EU. [Page 21.](#)

Special topic: Analytics and digital technologies

What are the top purposes of your company's analytics investments? The top purposes to date have been around exploring customer data and visualizing operational performance data. [Page 22.](#)

In which types of analytics has your company invested (and will it invest) substantially? Companies' past and future analytics investments center on customer analytics and finance/accounting analytics. [Page 23.](#)

What is your current use of digital technologies? Cloud platforms are the only technology implemented by more than half of companies, but there are substantial industry differences. [Page 24.](#)

Summary

Tenor of worldwide geopolitics creating concerns

Our 1Q16 survey indicated faltering CFO confidence in the North American economy amid concerns that economic stagnation and equity market struggles would hurt liquidity and consumer demand. Last quarter's economic assessments were only slightly better. But equity markets and consumer confidence had improved substantially, and that seemed to fuel higher growth expectations and bolster CFOs' confidence in their own companies' prospects.

Since then, however, CFOs have faced a barrage of domestic and global developments that have understandably led to decidedly mixed assessments this quarter. On one hand, uncertainty expanded this quarter, with additional challenges emerging related to Brexit, deflationary pressures in the eurozone, growth challenges in China, and the run-up to the US elections. Accordingly, CFOs' assessments of North America's economy remain subdued this quarter, and their revenue and earnings growth expectations are still below their two-year averages.

On the other hand, domestic equity, housing, and labor markets have improved significantly since last quarter, and several measures of consumer confidence have indicated strength. Perhaps reflecting these positive developments, CFOs' confidence in their companies' prospects remains relatively strong, and both their domestic hiring and capital investment expectations now sit well above their two-year averages.

Mixed sentiment and expectations

This quarter's net optimism¹ of +19.7 is down from last quarter's +30.0 (which came after a dismal +1.7 in the first quarter), but it still indicates considerable strength. Sentiment is net-positive across all industries except Retail/Wholesale, with Manufacturing and Technology indicating particular strength.

Despite this optimism, CFOs' expectations for revenue, earnings, capital spending, and domestic hiring growth are mixed. This quarter's 4.2%* expectation for year-over-year revenue growth is up from last quarter's 4.0%* and from 3.3%* the quarter before that, but it is still among the lowest in the survey's history. Similarly,

Summary of macroeconomic developments, CFO sentiment, and CFO growth expectations

Developments since 2Q16 survey ²	
Economy optimism—North America	Well below two-year average
Economy optimism—Europe	Well below two-year average
Economy optimism—China	Well below two-year average
Own-company optimism (Net optimism)	Well below two-year average
Revenue growth (YOY)	Well below two-year average
Earnings growth (YOY)	Well below two-year average
Capital investment growth (YOY)	Well above two-year average
Domestic employment growth (YOY)	Well above two-year average

Well below two-year average Average Well above two-year average

Well below last quarter No change Well above last quarter

this quarter's earnings growth expectation of 6.1%* is barely above 1Q16's survey-low 6.0%* and is well off last quarter's 7.7%*.

On a more positive note, capital investment growth expectations, which bottomed out at just 1.7%* in 1Q16, rose to 5.4%* last quarter and to 5.6%* this quarter—well above the 4.7%* average over the past two years. Similarly, this quarter's domestic hiring growth expectation of 2.3%* is well above the 1.1% to 1.4% levels we have seen over the last year and a half (and 1Q16's low of 0.6%).

Rising concerns about geopolitics

Concerns about oil prices, equity markets, and consumer demand have declined over the past two quarters. But CFOs continue to voice worries about global economic stagnation, low interest rates, a strong dollar, and regulatory uncertainty—concerns that now appear amplified by rising worries about the impacts of Brexit and US elections, and also about the general tenor of geopolitics worldwide.

Despite recent good news about domestic equity, labor, and housing markets, CFOs' assessments of the North American economy's future performance

remain well below their longer-term average. To gauge the influence of the US presidential elections on their outlook, this quarter we asked CFOs about the expected impact on their companies' performance and business planning. Eighty-five percent said the future performance of their company depends at least somewhat on the election's outcome. Fifty-seven percent said the election is affecting their planning, and corporate tax policy came through as CFOs' top priority for post-election policy clarification (by far).

(About 75% of CFOs say they consider themselves Republicans—the same as when we asked back in 4Q12—while the proportion of Democrats shrank from 16% to just 8%.)

Meanwhile, perceptions of Europe's economy—already weak before the Brexit vote—fell sharply for both its current state and its trajectory. Nearly two-thirds of CFOs said they have business exposure to the UK (mostly through selling into the UK from North America and/or the rest of the EU), and 57% said the Brexit vote is affecting their business planning (only 5% cite strong effects, however).

Summary

(cont.)

With China reporting mostly disappointing economic performance over the last quarter, most CFOs again regard the region's economy as not very good, and also as not very likely to be better in a year (although sentiment continued to improve from its 1Q16 low). Nearly two-thirds of CFOs said slow Chinese growth is significantly affecting their business planning.

From a capital markets standpoint, CFOs appear wary of valuations that have pushed equity markets to historic highs over the past quarter. Seventy-one percent now say markets are overvalued, up substantially from last quarter's 56% and a new survey high. Only 4% say markets are undervalued, a new survey low.

Substantial investment in advanced technologies

Advancements in hardware and software technologies have enabled a wide array of technology solutions that can enhance companies' ability to recognize, synthesize, respond to, and anticipate a widening array of internal and external trends and events. To help CFOs understand the real-world application of these solutions, this quarter we asked about the technologies companies are investing in, the types of data they are focusing on, and the business outcomes they hope to achieve.

From a digital technology standpoint, cloud-based services (i.e., scalable, elastic computing capabilities that are delivered using internet technologies) are by far the most widely implemented. Nearly 50% of CFOs say they are using this technology in at least a few areas, and just over 30% say they use it broadly. Robotic process automation and visualization technologies are next, both implemented by about 30% of companies.

When it comes to which types of data the advanced technologies are being applied to, customer analytics (behaviors, history, profitability, etc.) leads the pack with nearly half of CFOs citing past investments and nearly 60% expecting future investments. Finance and accounting analytics (forecasting, working capital optimization, etc.) is next, with about 45% citing past investments and just over 50% expecting future investments.

When asked why they are making these investments, CFOs were most likely to cite exploration of customer data (for better experience, retention, and service) with about 55% citing this purpose. Next was visualization, aggregation, and reporting on operational performance (for better understanding of performance, trends, and opportunities) at 50%.

Please note that, for each of these questions, there were significant industry differences. Adoption rates for particular technologies vary considerably by industry, as do the intended business purposes for analytics investments and types of data targeted.

What's next?

For many quarters, and especially over the last few, surveyed CFOs have been citing volatility and uncertainty among their most worrisome risks. This quarter's developments certainly did not provide a reprieve from either one, with new challenges emerging and long-standing risks lingering or even escalating.

Against this tumultuous backdrop, CFOs' sentiment and expectations seem reasonably optimistic this quarter—despite expectations for sales and earnings that are still near their survey lows. But the rapid, sharp drop in CFO sentiment that occurred when equity markets got pummeled to start 1Q16 may indicate that CFOs' optimism is somewhat fragile. And it might suggest CFOs are wary of potential events that could trigger a relatively rapid decline in global business conditions.

This quarter's findings suggest all eyes are on the US elections, with the vast majority of CFOs expecting the outcome to substantially impact their company's future performance. With the presidential candidates now clear and policy-centered discussions beginning to take place, it will be interesting to see whether the preceding discourse and ultimate election results will generate more or less clarity and confidence.

Authors

Greg Dickinson

Managing Director, *CFO Signals*
Deloitte LLP

Lori Calabro

Editor, *Global CFO Signals*
Deloitte LLP

Contacts

Sanford A. Cockrell III

National Managing Partner, US CFO
Program Deloitte LLP
Global Leader, CFO Program
Deloitte Touche Tohmatsu Limited

*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.

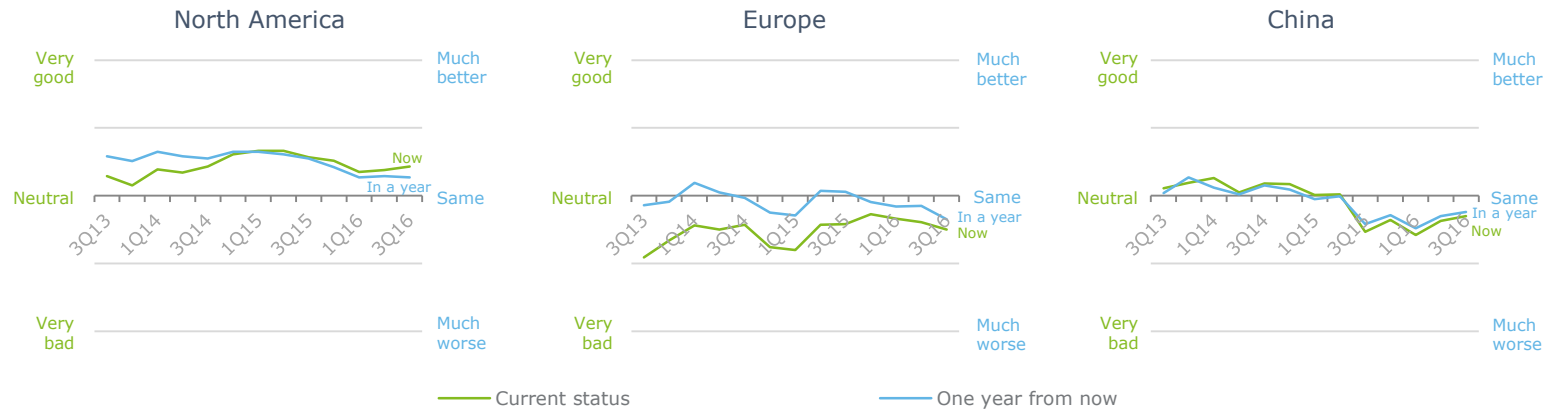
² Compiled from news stories in major business media between survey periods.

Key charts: sentiment

Sentiment regarding economies, industries, and capital markets

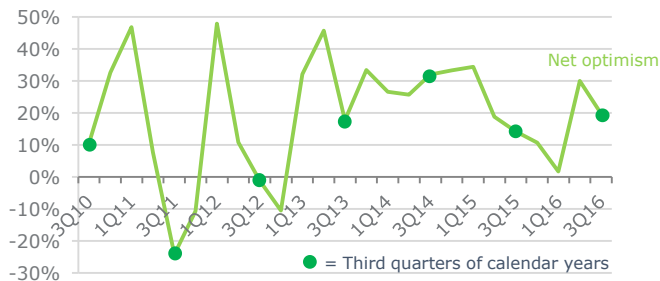
Economic optimism

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



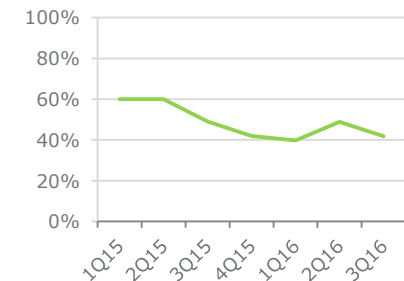
Equity market sentiment

Percent of CFOs saying US equity markets are "overvalued" or "very overvalued"; S&P 500 price at survey midpoint



Risk appetite

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

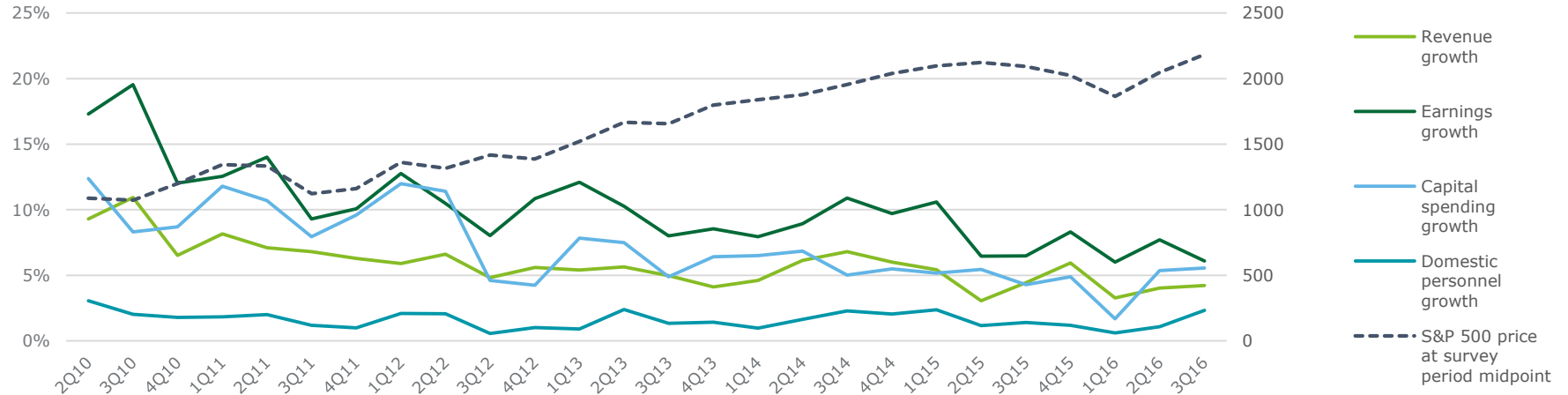


Key charts: expectations

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

Consolidated growth expectations

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



Breakdown by country and industry¹

	Total* (n=103-120)	U.S. (n=105-107)	Mexico (n=4)	Canada (n=9-10)	Manufacturing (n=33)	Retail / Wholesale (n=14)	Technology (n=7)	Energy / Resources (n=12)	Financial Services (n=24-25)	Healthcare / Pharma (n=6-7)	T/M/E (n=4)	Services (n=12-13)
Revenue growth	4.2%	3.9%	8.0%	6.2%	2.8%	5.6%	4.6%	5.4%	5.2%	6.0%	8.0%	0.9%
Earnings growth	6.1%	6.2%	8.5%	3.8%	7.2%	10.4%	6.4%	6.3%	4.2%	5.7%	7.5%	3.2%
Capital spending growth	5.6%	5.4%	7.5%	6.3%	4.6%	8.7%	0.7%	8.6%	3.5%	14.4%	13.6%	3.5%
Domestic personnel growth	2.3%	1.9%	7.0%	4.8%	1.0%	2.6%	3.3%	1.3%	2.3%	3.6%	7.3%	2.1%

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

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

Highest two industry expectations
Lowest two industry expectations

Perceptions

Assessment of economies

North America

Assessments of North America's economy remain among their weakest levels; perceptions of current health got a bit better, but perceptions of future health slid somewhat.

Now: Forty-six percent of CFOs describe the North American economy as good or very good, up from last quarter's 40%, but again well below the 55% from three quarters ago. On a positive note, only 5% describe it as bad, up slightly from 4% last quarter.

Next year: Thirty-seven percent believe conditions will be better a year from now (down from 39% last quarter, and again well below the 47% from three quarters ago), and 11% expect conditions to be worse (down from 15% last quarter).

Europe

On the heels of the Brexit vote, perceptions of Europe's current state slid even further, and perceptions of its trajectory fell again.

Now: Just 4% of CFOs describe Europe's economy as good (down from 6% last quarter). The proportion describing it as bad rose to 52% from last quarter's 45%.

Next year: Only 10% expect Europe's economy to be better a year from now, down from 15% last quarter and again well below the 30% levels of a year ago. About 44% expect it to be worse in a year, far above last quarter's 30%. About 45% expect conditions to remain the same (down from 55%).

China

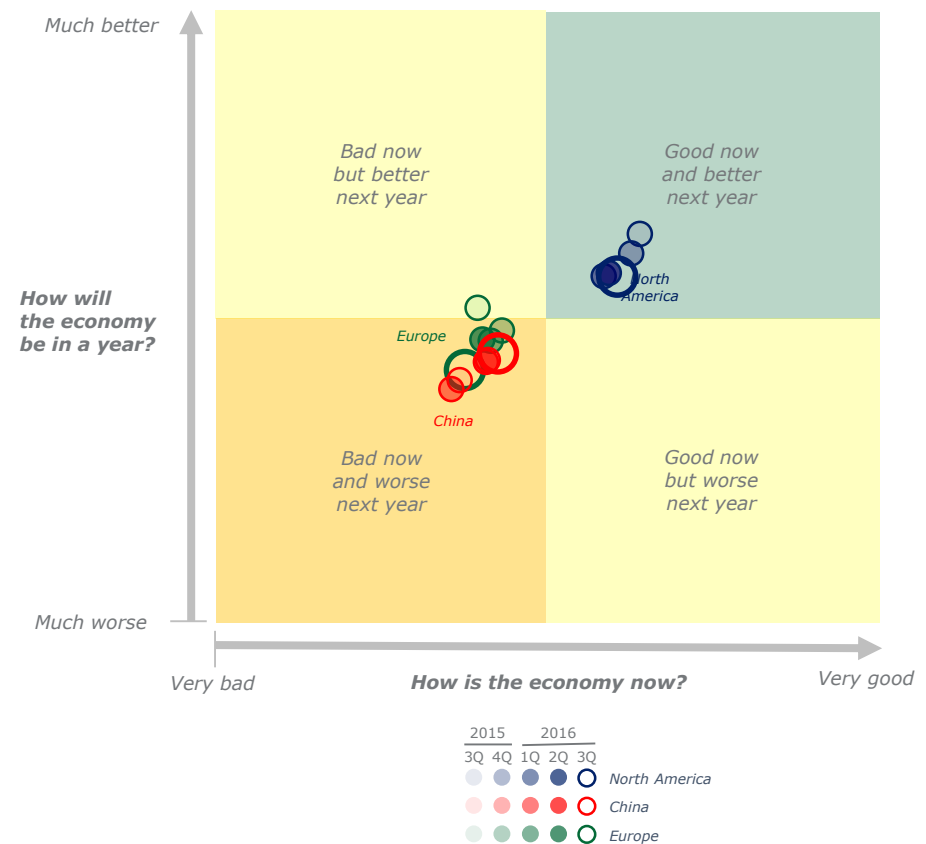
Perceptions of China's economy continued to rebound from their 1Q16 survey lows.

Now: Only 10% of CFOs say China's economy is good or very good (up only slightly from 9% last quarter), but the percentage who say the economy is bad continued to fall (from 56% to 45% in the first and second quarters, respectively, to 38% this quarter).

Next year: Fourteen percent of CFOs say China's economy will be better in a year (up from 10% last quarter), and the percentage who expect it to get worse over the next year held at 37%.

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=122)



Perceptions

Assessment of markets

Equity market valuations

With equity markets up sharply over the past two quarters, the vast majority of CFOs now regard US equity markets as overvalued:

Seventy-one percent of surveyed CFOs say US equity markets are overvalued, up substantially from last quarter's 56% and a new survey high. About 4% now say markets are undervalued, well below last quarter's 9% and a new survey low.

Industry breakdown: Most likely to say markets are overvalued are Technology, Energy/Resources, and Manufacturing (all at 73% or more); least likely are T/M/E and Healthcare/Pharma (both under 58%).

Country perspective: Canadian CFOs are the most pessimistic, with 80% citing overvaluation (up sharply from 50% last quarter).

Debt financing

Attractiveness of debt financing continued to rise:

Eighty-nine percent of CFOs say debt is currently an attractive financing option, up from 80% last quarter and back in line with levels from early 2015. Twenty-five percent say debt is a very attractive option, down from 44% last quarter.

Industry breakdown: Most likely to say debt financing is attractive are Technology, Healthcare/Pharma, and Energy/Resources (all at 100%); least likely is Retail/Wholesale (at about 70%).

Country perspective: Canadian and US CFOs are the most positive, with 100% and 88%, respectively, saying debt financing is attractive. Mexico trails at 75%.

Equity financing

Attractiveness of equity financing also continued to improve:

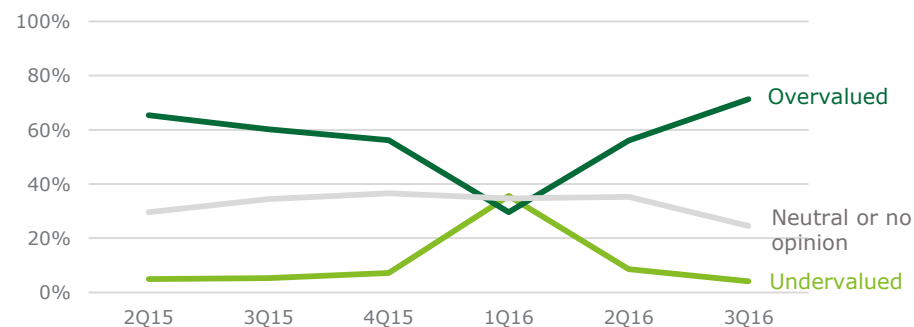
Forty-two percent of public company CFOs say equity financing is attractive (up from 30% last quarter), and 28% say it is not (down from 36%). Twenty-four percent of private company CFOs say it is attractive (up from 21%), and 39% say it is not (up from 21%).

Industry breakdown: Most likely to say equity financing is attractive are Energy/Resources (67%), Retail/Wholesale (50%), and Financial Services (44%).

Country perspective: US and Canadian CFOs are the most positive, with 39% and 30%, respectively, saying equity financing is attractive. Mexico is lowest at 0%.

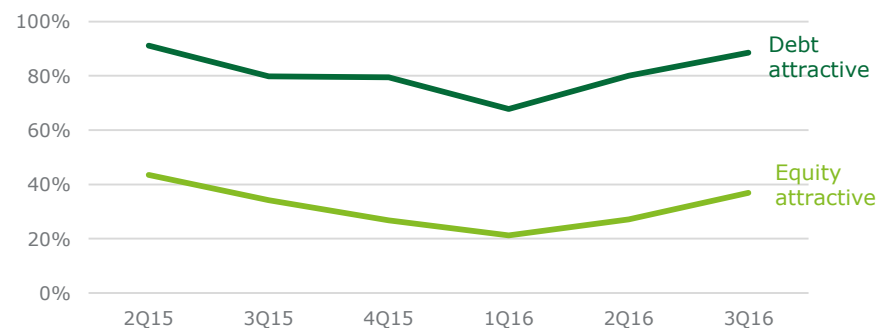
How do you regard US equity market valuations?

Percent of CFOs saying markets are overvalued and undervalued based on five-point semantic differential scale (n=122)



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=122)



Please see full report for industry-specific findings.

Priorities

Business focus

Offense vs. defense

Revenue growth still ahead of cost reduction, and investing cash over returning it:

Nearly 52% of CFOs say they are biased toward revenue growth, while only 30% claim a bias toward cost reduction. There is a strong bias toward investing cash over returning it to shareholders (52% versus 19%).

Industry breakdown: Highest for growth are T/M/E, Manufacturing, and Services (75%, 56%, 54%, respectively); Retail/Wholesale is highest for cost reduction (50%). Highest bias toward investing is T/M/E (100%); highest bias toward returning cash is Services (46%).

New business vs. current business

Bias again slightly toward current offerings and substantially toward current geographies—but the focus on new geographies appears to be growing:

Overall, 35% of CFOs say their companies are biased toward new offerings (down from 40% last quarter), and 41% claim a bias toward existing ones (up from 36% last quarter). CFOs still favor current geographies over new ones (58% versus 27%), but the proportion biased toward new geographies is among the highest in the survey's history.

Industry breakdown: Most biased toward current offerings is Energy/Resources (58%); most biased toward new offerings is Healthcare/Pharma (57%); most biased toward current geographies is Technology CFOs (86%).

Inorganic vs. organic growth

Organic growth still ahead of inorganic growth:

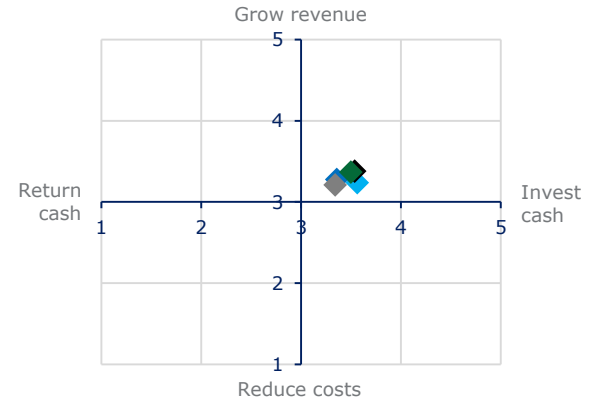
The bias is again firmly toward organic growth over inorganic, with 62% biased toward organic growth (down from 63% last quarter), and 19% biased toward inorganic growth (19% last quarter).

Industry breakdown: Strongest bias toward organic growth are Energy/Resources and Financial Services (83% and 72%, respectively).

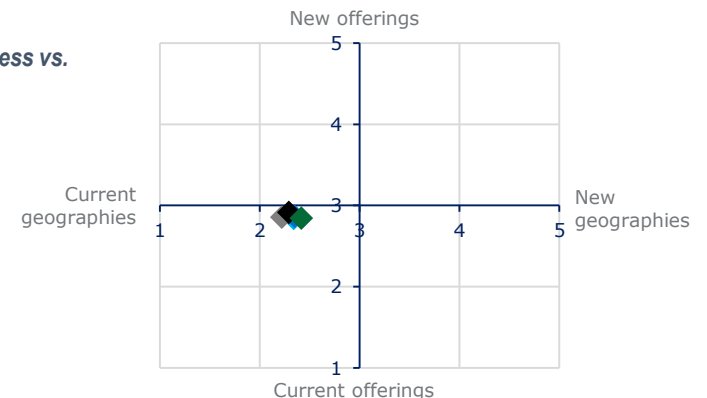
What is your company's business focus for the next year?

CFOs' assessments based on five-point semantic differential scale with opposing choices as noted (n=122)

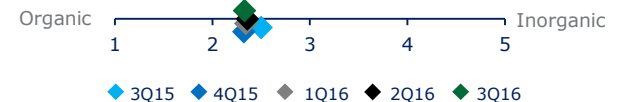
Offense vs. defense



New business vs. current



Inorganic growth vs. organic



Expectations

Revenue and earnings

Revenue¹

Expectations remain among their survey lows; weakness is again evident across nearly all industries, but Energy/Resources continued to improve:

Other than one optimistic quarter in 4Q15, revenue growth has been on a downward trend since 2Q15 and come in at or near survey lows. This quarter's 4.2% is up from last quarter's 4.0% and from 3.3% the quarter below that, but it is still among the lowest in the survey's history. The median this quarter repeated at 4.0%, and 83% of CFOs expect year-over-year gains (considerably up from the last two quarters). The distribution² of this quarter's responses is the lowest in almost two years.

Country expectations (this quarter/last quarter): US 3.9%/3.7%; Canada 6.2%/3.1%; Mexico 8.0%/8.6%.

Industry expectations (this quarter): Highest are T/M/E (8.0%) and Healthcare/Pharma (6.0%); lowest are Services (0.9%) and Manufacturing (2.8%).

Earnings¹

Expectations declined across all geographies; Retail/Wholesale showed strength, while Financial Services came in near its survey low:

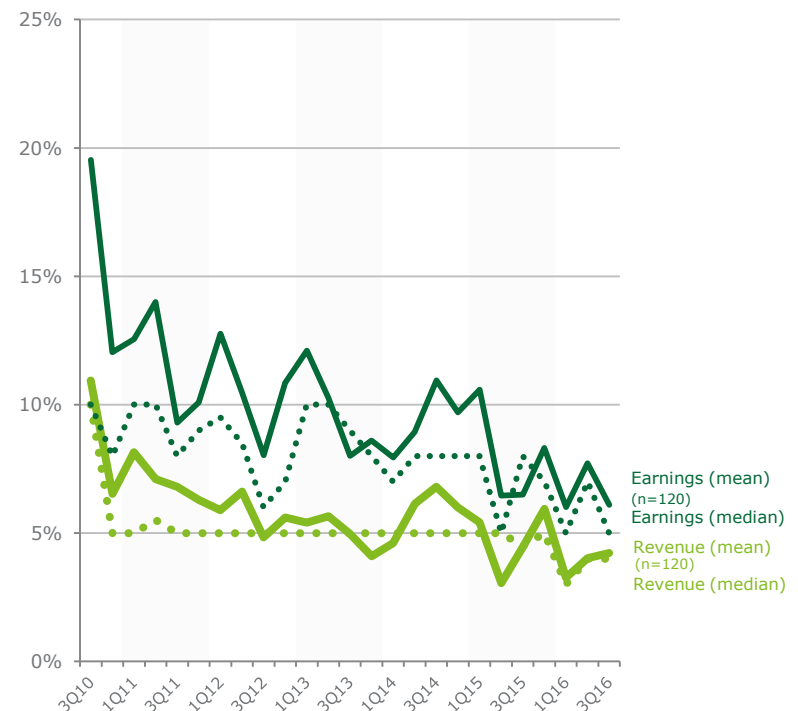
Earnings expectations have mostly been trending downward since the survey was launched in 2Q10. This quarter's earnings growth expectations came in at 6.1%, barely above the 1Q16 survey low of 6.0% and well off of last quarter's 7.7%. The median fell from 7.0% to 5.0%, and the percentage of CFOs expecting year-over-year gains rose from 76% last quarter to 81%. The distribution² of responses was well below the average for this metric.

Country expectations (this quarter/last quarter): US 6.2%/7.3%; Canada 3.8%/9.4%); Mexico 8.5%/9.7%.

Industry expectations (this quarter): Highest are Retail/Wholesale (10.4%) and T/M/E (7.5%); lowest are Services (3.2%) and Financial Services (4.2%); notable is Healthcare/Pharma (5.7%, down from 10.9%).

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-year¹



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

² "Distribution" refers to the spread of the middle 90% of responses.

Please see full report for industry-specific findings.

Expectations

Dividends and investment

Dividends¹

Expectations recovered from their survey low, led by a rebound for Canadian and Mexican companies:

Dividend growth expectations rose to 4.1%, up from last quarter's survey-low 2.9%. The median is again 0.0%, and 43% expect year-over-year gains.

Country expectations (this quarter/last quarter): US 3.9%/3.2%; Canada 4.6%/0.3%; Mexico 8.6%/4.5%.

Industry expectations (this quarter): Highest are Financial Services (8.5%) and Services (5.8%); lowest are Healthcare/Pharma, Technology, and T/M/E (all 0.0%).

Capital investment¹

Expectations remain above the two-year average, led by strength in Retail/Wholesale and Healthcare/Pharma, and also a resurgence in Energy/Resources:

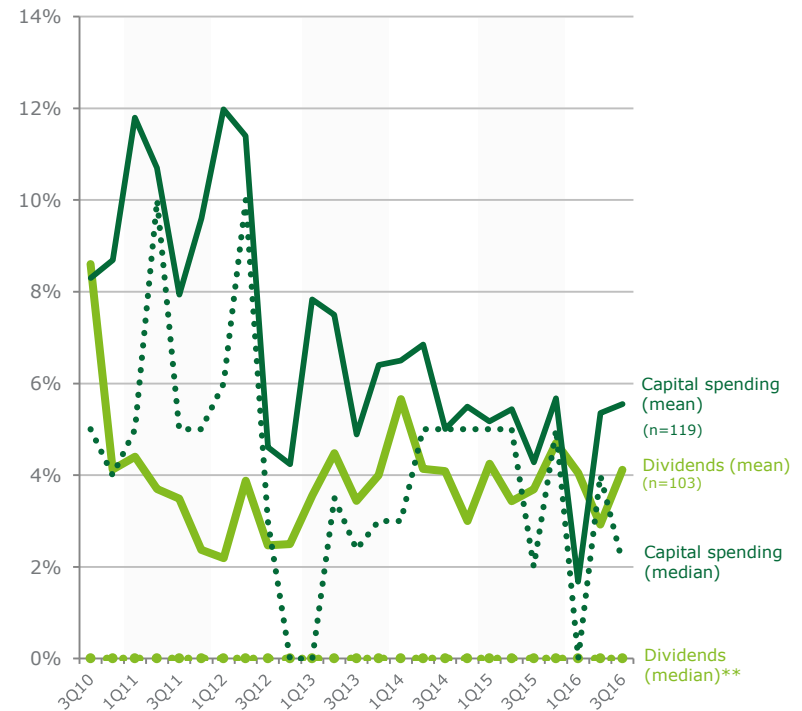
Capital investment expectations have been declining for most of the past six years of the survey, and they have averaged around 4.7% over the past two years (bottoming out at just 1.7% in 1Q16). They recovered significantly to 5.4% in 2Q16 and rose slightly to 5.6% this quarter. The median, however, dropped from 4.0% last quarter to 2.1% this quarter, and the proportion of CFOs expecting year-over-year gains declined from 61% to 58%. The distribution² of responses this quarter is below the average for this metric.

Country expectations (this quarter/last quarter): US 5.4%/5.1%; Canada 6.3%/2.4%; Mexico 7.5%/12.4%.

Industry expectations (this quarter): Highest is Healthcare/Pharma (14.4%); lowest is Technology (0.7%); notable is T/M/E, which rebounded strongly and bolstered the overall average (13.63%).

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-year¹



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

² "Distribution" refers to the spread of the middle 90% of responses.

**The median for dividends has been zero for all quarters.

Please see full report for industry-specific findings.

Expectations

Domestic and offshore hiring

Domestic hiring¹

Expectations rebounded with several industries showing significant improvement:

Domestic hiring expectations have been around 1.2% since 2Q15 and bottomed out in 1Q16 at 0.6%. This quarter's 2.3% breaks that trend and is well up from last quarter's 1.1%. The median remained 1.0%, and the proportion of CFOs expecting gains declined slightly from 55% to 53% (about even with the survey average). The distribution² of responses is among the lowest for this metric.

Country expectations (this quarter/last quarter): US 1.9%/0.9% (second-lowest level in three years); Canada 4.8%/0.9%; Mexico 7.0%/3.9%.

Industry expectations (this quarter): Highest are T/M/E (7.3%), Healthcare/Pharma (3.6%), and Technology (3.3%); lowest are Manufacturing (1.0%), Energy/Resources (1.3%), and Services (2.1%).

Offshore hiring¹

Expectations remain near their three-year low:

Offshore hiring growth expectations fell markedly in 1Q16 and have stayed low since then. This quarter's 1.9% is only slightly up from last quarter's three-year-low of 1.8%. The median remains at 0.0%, and 43% of CFOs expect gains (up from last quarter's 39%).

Country expectations (this quarter/last quarter): US 1.9%/1.9%; Canada 1.1%/0.0%; Mexico 4.5%/1.6%.

Industry expectations (this quarter): Highest is Technology (4.1%); lowest are Energy/Resources (0.5%) and Manufacturing (1.3%).

Domestic wage growth¹

Expectations down somewhat, but still comparatively high:

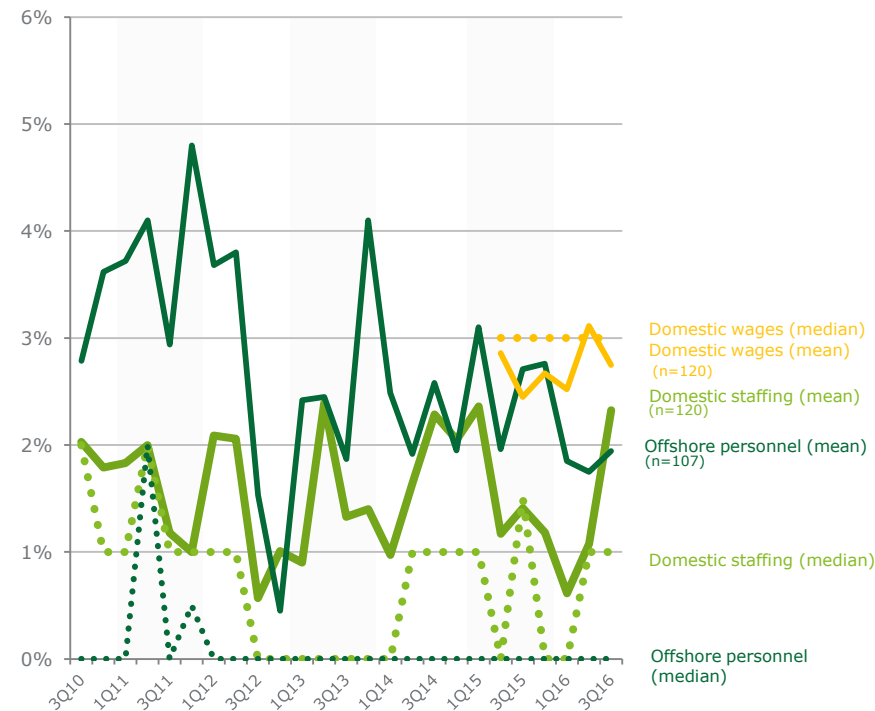
Domestic wage growth declined to 2.7% from last quarter's 3.1%. The median held at 3.0%, and 97% of CFOs expect gains.

Country expectations (this quarter/last quarter): US 2.7%/3.1%; Canada 2.6%/2.2%; Mexico 4.3%/4.6%.

Industry expectations (this quarter): Highest is T/M/E (4.0%); lowest are Energy/Resources (2.3%) and Manufacturing (2.6%).

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-year¹



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

² "Distribution" refers to the spread of the middle 90% of responses.

Please see full report for industry-specific findings.

Sentiment

Own-company optimism

Net optimism

Optimism bounced back strongly last quarter and continued this quarter; only Retail/Wholesale is net-negative:

After falling to just +1.7 in the first quarter of this year, net optimism bounced back strongly to +30.0 last quarter. This quarter's net optimism declined to +19.7—still relatively strong and the 15th consecutive net-positive reading. Thirty-five percent of CFOs expressed rising optimism (down from 49% last quarter), and 16% cited declining optimism (down from 19%). The proportion citing no change was a survey-high 49% (which, following a very positive quarter, may suggests sentiment is better than indicated by the net optimism measure).

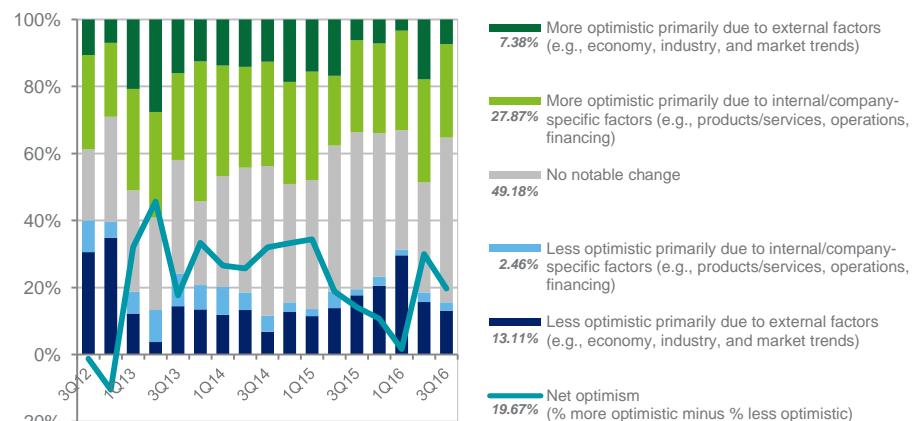
Sentiment relatively strong in all regions: Net optimism for the US declined from last quarter's +23 to +16. Optimism in Canada and Mexico displayed similar patterns the last two quarters, with both rising to +64 last quarter and declining to a still-high +50 this quarter.

Manufacturing still improving; Technology again strong: Manufacturing improved from +30 last quarter to +38 this quarter (with less than 10% citing declining optimism). Technology continues to show strength, rising from +67 to +71. Energy/Resources and T/M/E both declined, but are still above +25.

Retail/Wholesale took a sharp downturn; Financial Services, and Services again positive, but restrained: Retail/Wholesale dropped sharply to -29 this quarter after coming in at about +5 for the past two quarters—an interesting finding given that this industry expressed the strongest expectations for year-over-year earnings growth. Financial Services and Services came in at +4 and +8, respectively.

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

Percent of CFOs selecting each sentiment/reason combination (n=122)



Please see full report for industry-specific findings.

Sentiment

Most worrisome risks

External concerns

Rising concerns about the tenor and potential economic impact of geopolitics—especially in Europe and the US:

Heightened election and policy concerns: Regulatory concerns are again strong and industry dependent. US election worries skyrocketed last quarter and increased this quarter (again with concerns around international trade and tax policy). Concerns about the tenor of the worldwide political environment rose sharply.

Concerns about broader global economic performance: For several quarters, including this one, CFOs' concerns have appeared to be shifting from a specific focus on Europe and China to a more generalized focus on global economic stagnation and volatility.

Moderating concerns about the US economy: Perhaps influenced by equity and real estate markets that are near all-time highs, strengthening consumer sentiment, and mostly positive economic news this quarter, CFOs' concerns about the US economy appeared to decline. Still, rising concerns about political and policy uncertainty and lagging business spending suggest CFOs see potential risks to future US economic performance.

Less concern about capital markets; more about interest rates: With equity markets having recovered strongly, concerns about financial market risk appear to have declined. Concerns about a strong dollar and global debt levels also decreased, but concerns about interest rates (the possibility of rate increases and the long-term impacts of continuing low rates) rose sharply.

Falling commodity price worries: After climbing sharply over the last two quarters, worries about oil and other commodity prices fell significantly this quarter.

Internal concerns

Talent again the top internal challenge:

Consistent talent challenges: Concerns around securing and retaining key personnel continued this quarter, as did those related to leadership succession.

Escalating growth and execution concerns: CFOs again voiced concerns about executing their growth initiatives, innovating, and executing against their strategies and plans.

What external and internal risk worries you the most?

Consolidation and paraphrasing of CFOs' free-form comments* (n=106-107)

External risks

↓ Economy

- ↑↑ • **Global growth/recession (28)**
- ↓↓ • **Oil/commodity prices (11)**
- ↓↓ • **US economy pullback (7)**
- ↑↑ • Business confidence/investment (4)
- ↑↑ • European economy/Brexit (4)
- ↓↓ • China economy/pullback/instability (3)
- Consumer confidence/spending/fear (2)
- Industrial recession (2)
- US job creation

↓ Capital/currency

- ↑↑ • **Interest rate increases/decreases (15)**
- ↓↓ • Capital markets liquidity/stability (3)
- ↓↓ • Impact of strong US dollar
- ↓ • Global government debt levels
- Government manipulation of currency markets
- FX rates/currency markets
- Equity devaluation

↑↑ Geopolitics/policy/regulation

- ↑ • **Regulation—new/burdensome (23)**
- ↑ • **Election/political uncertainty in US (19)**
- ↑↑ • **Political environment worldwide (8)**
- **Geopolitical risk/instability (4)**
- **Cyber security (4)**
- Terrorism (3)
- ↑ • Black swan events (2)
- Growing protectionism
- Tax policy/reform
- Breakdown of US legislative system
- Anti-capitalism sentiment
- Government spending/fiscal policy (2)
- Environmental policy (2)

Industry

- **Competitive practices/pricing (3)**
- Shifts away from physical retail
- Millennial buying patterns
- Cost and availability of hourly workers
- Fierce foreign competition
- More competitors

Internal risks

Growth

- **Product development/innovation (8)**
- **Ability to execute growth efforts (6)**
- Declining industry/demand
- Growing in low-growth industry
- Lack of investment/growth opportunities

Margins

- **Controlling costs/expenses (10)**
- Balancing cost control with growth (2)
- Salary pressures
- Costs of meeting regulatory requirements
- PPE/working capital efficiency (2)
- Exchange rate effects (2)

↑ Execution

- **Execution strategies/plans (15)**
- Perform/adapt in tough conditions (4)
- Technology project execution (3)
- Execution failures (3)
- Complacency/forcing change (2)
- Manage M&A integrations/restructuring (2)
- Lack of focus/discipline (2)
- Regulatory compliance (2)
- Selecting right investments (2)
- Manufacturing effectiveness (2)

↑ Talent

- **Securing qualified talent (16)**
- **Retaining key employees (12)**
- Leadership turnover/succession (5)
- Cultural challenges (2)
- Replacing retiring talent/knowledge

* This chart presents a summary of free-form responses. Comments have been consolidated and paraphrased.
Large/bold text indicates most prevalent risks; gray text indicates topics that have fallen off the list this quarter.
Arrows indicate notable movements since last quarter; multiple arrows indicate large movements..
Parentheses denote rough counts for themes. The number of responses may not match the number of respondents because some CFOs provide more than one response. For a detailed summary of comments by industry, please see the appendix of the full report.

Special topic: Business environment

Macroeconomic factors' impact on business planning

Interest and exchange rates are having a substantial impact on many companies' planning; so are economic trends and geopolitics.

Capital/currency

About 90% of CFOs say low interest rates are having at least some effect on their business planning: More than one-quarter say they are having a strong effect. (All industries except T/M/E are above 82%; Both the US and Canada are 90% or higher.)

Just over 80% say a strong US dollar is affecting their planning: More than one-quarter cite a strong effect. (Manufacturing, Retail/Wholesale, and Services are all above 90%; Canada and the US are highest at 100% and 80%, respectively.)

Economics

Nearly 70% of CFOs say slow European growth is affecting their planning: About 18% cite strong effects. (Retail/Wholesale, Services, and T/M/E are all above 75%; the US is highest at 72%, with Canada and Mexico both 50% or below.)

Nearly 65% of CFOs say slow Chinese growth is affecting their planning: Seventeen percent cite strong effects. (Manufacturing, Retail/Wholesale, and Technology are all near or above 80%; Canada is lowest at about 45%.)

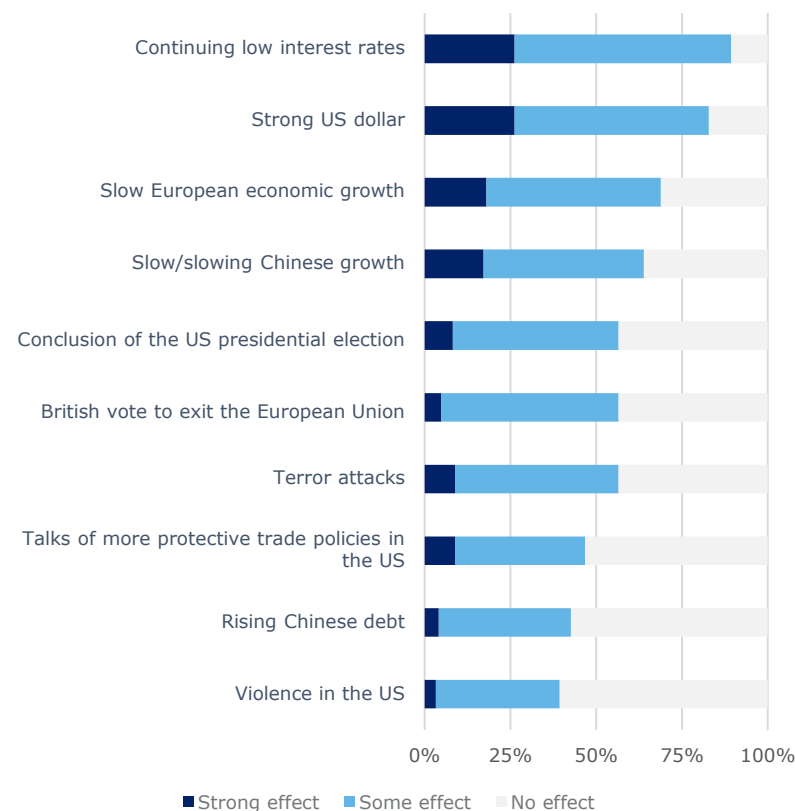
Geopolitics

Fifty-seven percent of CFOs overall say the US presidential election is affecting their planning: Only 8% cite strong effects. (Healthcare/Pharma is the outlier at 86%; Mexico and the US are highest at 100% and 58%, respectively, with Canada trailing at just 20%.)

Fifty-seven percent also say the UK's Brexit vote is affecting their planning: Only 5% cite strong effects. Financial Services and Retail/Wholesale are both above 64%; all countries were 50% or higher.)

How much are the following factors affecting your business planning?

Percent of CFOs selecting each level of effect (n=122)*



* Other responses: Millennial buying patterns, climate change, health care regulations, lack of recovery of oil and gas markets, and tungsten and cobalt prices.

Please see full report for industry-specific findings.

Special topic: Elections and policy

CFOs' political party affiliation

Republicans still far outnumber Democrats, and so do those who do not identify with either party.

Nearly three-quarters Republican: Mirroring the last time we asked in 4Q12, 74% of US CFOs identify themselves as Republicans. The proportion who identify themselves as Conservative Republicans was also similar at 14%, with Moderate Republicans again the largest group at 59%.

Less than 10% Democrats: The proportion of US CFOs identifying themselves as Democrats fell significantly, from 16% in 4Q12 to just 8% this quarter. No US CFOs identified themselves as Liberal Democrats.

Rising proportion of Independent and "other": The proportion of US CFOs who identify themselves as "Independent or Other" rose from 10% in 4Q12 to 19% this quarter.

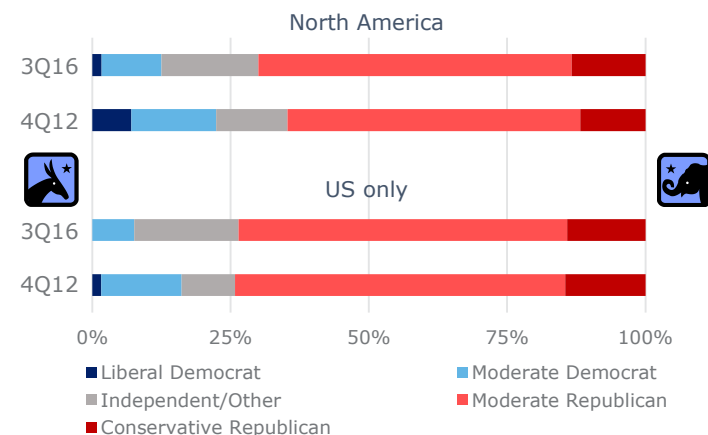
Country perspective*: US CFOs indicate the highest proportion of Republicans at 74%, with only 8% classifying themselves as Democrats. Canada is next at 60%/40%. Mexican CFOs were the exception, with 75% identifying as Democrats and 0% as Republicans.

Industry perspective: Republicans constitute a majority in all industries, with Energy/Resources and Services highest for Republicans (both at about 92%). Technology and Financial Services are highest for Democrats (29% and 21%, respectively). There were no Democrats within Energy/Resources, Services, or T/M/E. Independents and other affiliations were highest in Retail/Wholesale and Manufacturing (29% and 27%, respectively).

* Political party identification for those outside the US is admittedly not as straightforward as it is for the US CFOs, but we thought it would be interesting to ask.

When it comes to my political leanings, I am mostly a...

Percent of CFOs selecting each affiliation (n=120)



Please see full report for industry-specific findings.

Special topic: Elections and policy

Effect of US elections on future performance

Nearly 85% of CFOs believe the future performance of their company depends at least somewhat on the outcome of the US presidential election, with strongest effects in the US and Mexico, and within the Services and Technology sectors.

US and Mexican companies most affected by election:

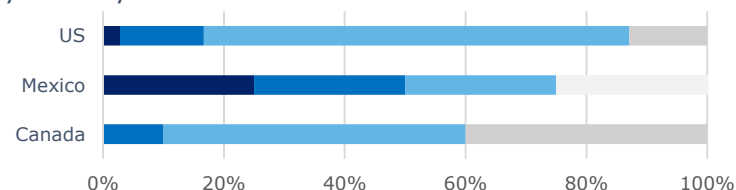
Predictably, US CFOs are the most likely to say their companies' future performance depends on the outcome of the US presidential election—with 87% citing at least some dependence, and 17% citing significant or strong dependence. Mexican CFOs, however, are the most likely to cite high dependence, with 25% citing significant dependence and another 25% citing strong dependence. Sixty percent of Canadian CFOs cite at least some dependence, with just 10% citing significant dependence.

More than 75% of CFOs in each industry cite at least some dependence: All CFOs from both Services and Technology cite at least some dependence of their companies' future performance on the outcome of the US presidential election (nearly 30% of Technology CFOs cite significant dependence) with all other industries in the 75%-85% range. Only Technology, Manufacturing and T/M/E are above 20% for significant to strong impact.

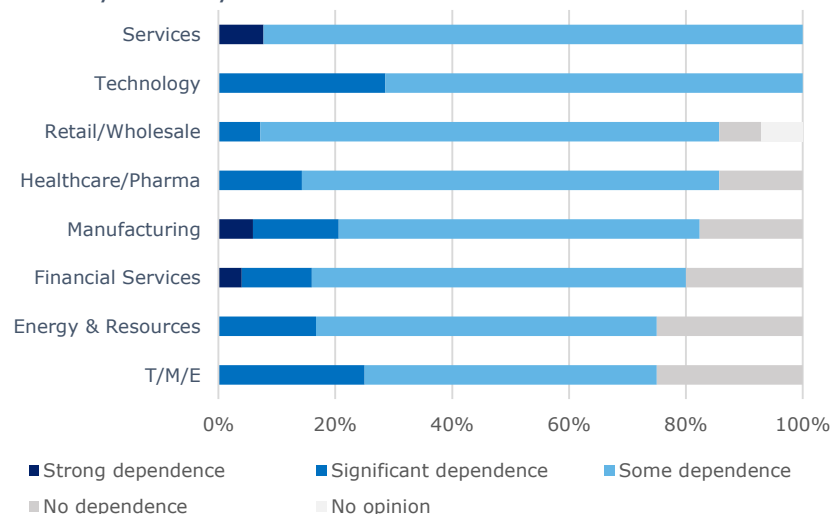
How much do you believe the future performance of your company depends on the outcome of this year's US presidential election?

Percent of CFOs selecting each level of dependence (n=116-122*)

By country



By industry



* Sample sizes for industries may not sum to total due to the removal of responses from "other" industries.

Special topic: Elections and policy

Post-election policy priorities

Corporate tax policy is overwhelmingly CFOs' top priority for better clarity following the 2016 US elections.

Nearly two-thirds of surveyed CFOs say corporate tax policy is a top-three priority: US CFOs are predictably highest at almost 70%, but Canada is also relatively high at 40%; Services is highest at more than 75%.

Monetary/rate policy is the second priority: About 37% name it in their top three. Financial Services is predictably the highest at nearly 65%, with Technology next at about 57%.

Nearly one-third of CFOs say international trade policy is a top priority: Mexico is by far the highest at 100%, with the US next at about 30%; Manufacturing and Retail/Wholesale are the highest industries, both at 50%.

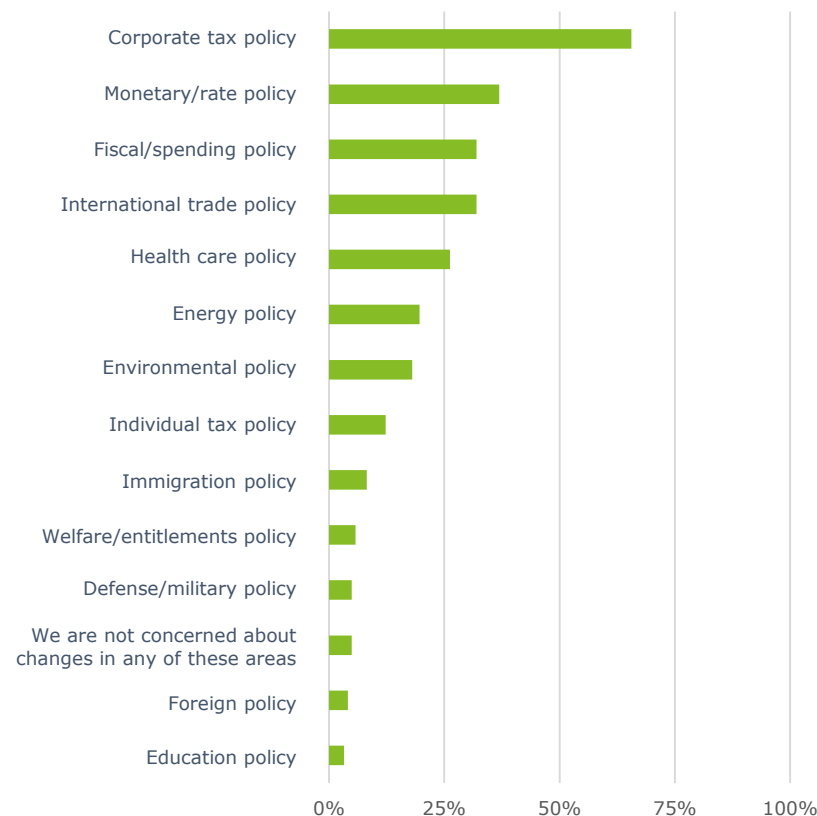
Fiscal/spending policy is a top priority for about one-third of CFOs: Healthcare/Pharma and Technology are highest, both at about 57%.

About one-quarter of CFOs name health care policy a top priority: Healthcare/Pharma is predictably the highest at 100%, with Services next at just under 40%.

Energy and environmental policy are top priorities for Energy/Resources, and energy policy is a top priority for Canadian CFOs.

Following the 2016 elections, in which policy/legislative area would better clarify most improve your company's planning efforts?

Percent of CFOs selecting each policy area in their top three (n=122)*



* Other responses: labor policy (2), financial regulations, and housing policy
Please see full report for industry-specific findings.

Special topic: Brexit

Exposure to UK economy

Nearly two-thirds of CFOs cite business exposure to the UK, most often through selling into the UK from North America, from the rest of the EU, or both.

Overall, about 65% of CFOs report significant business exposure to the UK (led by Technology and Services), while about 35% of CFOs cite no significant exposure (led by Energy/Resources). Among CFOs citing significant exposure, 41% cite only one type of exposure (mostly selling North American products/services into the UK).

Mostly selling into the UK from elsewhere: Forty-two percent of CFOs say they sell products/services into the UK from North America and/or the rest of the EU (the proportions selling into the UK from each region individually are 27% and 25%, respectively).

Significant selling of UK-sourced products/services: Nearly one-third (31%) of CFOs say they sell UK-sourced products/services into the UK and/or into the rest of the EU (the proportion selling into each region individually is about 25%).

Some holding of assets in UK: Sixteen percent of CFOs report holding physical and/or intangible assets in the UK (the proportions holding these assets individually are 12% and 7%, respectively). Manufacturing and Services CFOs are the most likely to report holding physical assets, while Financial Services and Technology CFOs are the most likely to cite holding intangible assets.

Some use of UK-based financial institutions: Sixteen percent of CFOs report use of UK financial institutions, led by those from Technology the Financial Services. Canadian CFOs are also comparatively likely to cite use of UK banks.

What is your company's exposure to the UK?

Percent of CFOs selecting each type of exposure (n=122)



* Other responses: Indirect impact on corporate bonds of companies doing business in UK; selling China sourced products into the UK; UK as distribution hub; and significant employee population in UK.

Please see full report for industry-specific findings.

Special topic: Brexit

Expected response to UK exit from EU

Although most companies claim business exposure to the UK, very few plan significant business changes as a result of the Brexit vote.

On the whole, about 75% (92/122) of CFOs cite no significant business changes resulting from Britain's vote to exit EU.

Even among the 65% of CFOs citing significant business exposure to the UK (see the previous page), roughly two-thirds (26/78) cited no planned business changes.

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What are the most important changes your company is likely to make due to a British exit from the EU?

Consolidation and paraphrasing of CFOs' free-form comments* (n=122)

Location

- Revisiting location of European operations
- Setting EU international headquarters outside of London, while maintaining significant presence in UK
- Evaluating need to either move UK office to an EU country or add another office in EU country
- Closing down UK office
- Holding conferences and events in the UK versus the EU

Operations

- Reducing expenses due to increased pressure on UK parent
- Incorporating cost recovery provisions related to labor costs in fixed price contracts
- Cutting UK costs to realign with reduced UK revenues
- Reducing inventory, spending, and employees in UK in preparation for economic contraction there

Investment

- Reducing infrastructure projects in Europe
- Rebalancing our investment portfolio
- Monitoring planned investments in EU with potential to delay

Pricing

- Increasing prices
- Increasing price of exports into UK
- Making pricing adjustments
- Adjusting pricing in UK to maintain profitability levels
- Increasing prices due to importing of product into UK

Capital/currency/taxes

- Doing more currency work to minimize impact on the business
- Planning for currency impacts
- Focusing on how to take low cost product, with pressure on currency, into eurozone
- Increase capital flows to US
- Review of our dividend with lower post Brexit interest rates
- Reconsider some of our tax strategies

Special topic: Analytics and digital technologies

Purpose of analytics investments

The top purposes for analytics investments to date have been around exploring customer data and visualizing operational performance data.

Nearly 55% of CFOs say exploring customer data is a top purpose: All industries are at or above 50%, with Services highest at 67%.

Visualizing and aggregating data is a top purpose for half: The US is considerably higher than Canada and Mexico at 52%; Healthcare/Pharma and T/M/E are both above 70%.

Just under 40% say aiding complex decisions is a top purpose: Canada is highest at 60%; Energy/Resources, Retail/Wholesale, and Services are all 50% or higher.

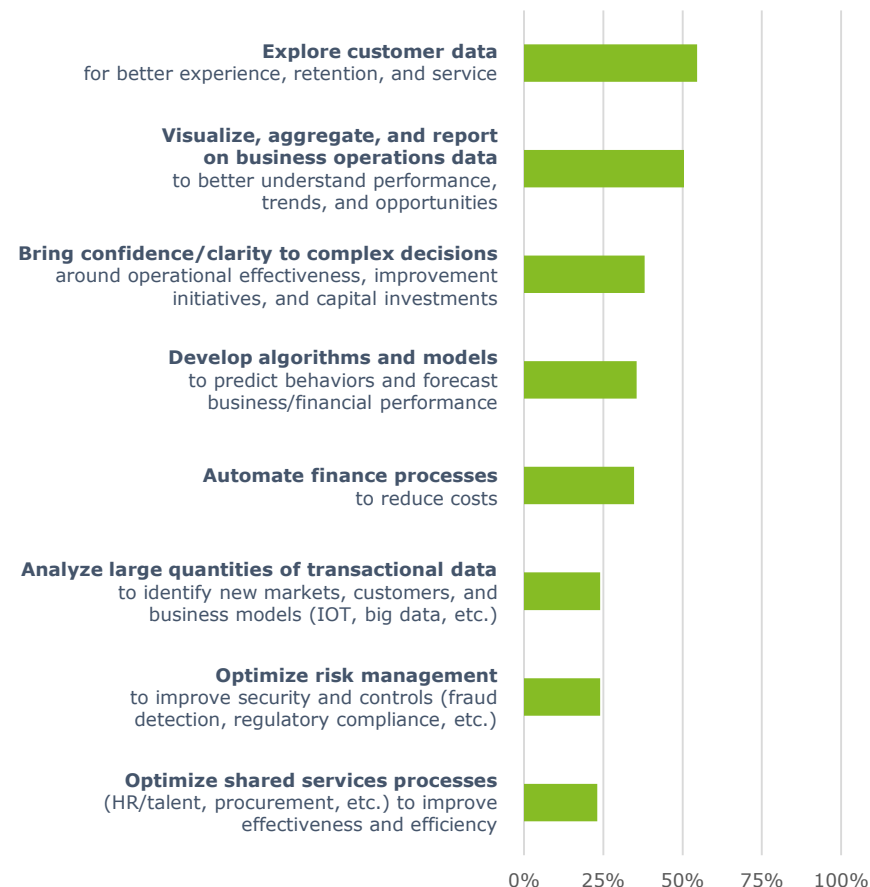
Developing predictive algorithms and models is a top priority for 36% of CFOs: Healthcare/Pharma and T/M/E are highest, both at or above 50%.

About 35% say automating finance processes is a top priority: None of the Mexican CFOs cited this purpose; there is little difference by industry.

Mexican CFOs are by far the most likely to cite optimizing shared services processes as a top purpose at 75%.

What are the top purposes of your company's analytics investments?

Percent of CFOs selecting each policy area in their top three (n=121)



Please see full report for industry-specific findings.

Special topic: Analytics and digital technologies

Types of analytics investments

Companies' past and future analytics investments focus on customer analytics and finance/accounting analytics.

Nearly half of CFOs say they have already made substantial investments in customer analytics: Nearly 60% say they will make further investments over the next three years. (Healthcare/Pharma and Technology CFOs are by far the highest for past investment at 100% and 71%, respectively; Services and T/M/E are both 69% for future investment.)

About 45% say they have already made investments in finance and accounting analytics: About 52% say they will invest more in the future. (Technology is highest for past investment at 57%; Healthcare/Pharma and T/M/E are both above 70% for future investment.)

Risk and assurance-related analytics investments cited by 36% of CFOs: About 40% cite future investment. (Financial Services is highest for past investment at 64%; Healthcare/Pharma is highest for future investment at 71%.)

Only one-quarter of CFOs cite past workforce and talent analytics investments: About 40%, however, cite future investment. (Technology is by far the highest for past investment at 57%; Energy/Resources and Retail/Wholesale are highest for future investment at 50%.)

About 30% of CFOs cite past marketing analytics investments: Forty percent cite future investment. (Retail/Wholesale leads for past investment at 57%; Healthcare/Pharma and Retail/Wholesale lead for future investment at 86% and 64%, respectively.)

Past channel/demand analytics investments are cited by 36% of CFOs: The same proportion cites future investment. (Healthcare/Pharma leads for past investment at 71%; future investment is led by Retail/Wholesale at 86%.)

In which types of analytics has your company invested (and will it invest) substantially?

Percent of CFOs selecting each type of analytics investment (n=122)



Please see full report for industry-specific findings.

Special topic: Analytics and digital technologies

Current use of digital technologies

Cloud platforms are the only technology implemented by more than half of companies; Manufacturing and Technology firms are the earliest users for most technologies, but selected piloting is happening across industries:

Cloud platforms have been implemented by nearly 80% of companies: Nearly 50% of CFOs say they use this technology in a few areas, and just over 30% say they use it broadly. Another 12% say they are currently evaluating and/or piloting the technology. (Technology, Services, and T/M/E are highest for use; Healthcare/Pharma is highest for evaluating/piloting.)

Robotic process automation (RPA) is already utilized by about 30% of companies: Just under one-quarter of CFOs cite use in a few areas, and about 7% cite broad use. Twelve percent say they are currently evaluating and/or piloting RPA. (Manufacturing is by far the highest for use, with Services and Technology also comparatively high; Retail/Wholesale and Healthcare/Pharma are highest for evaluating/piloting.)

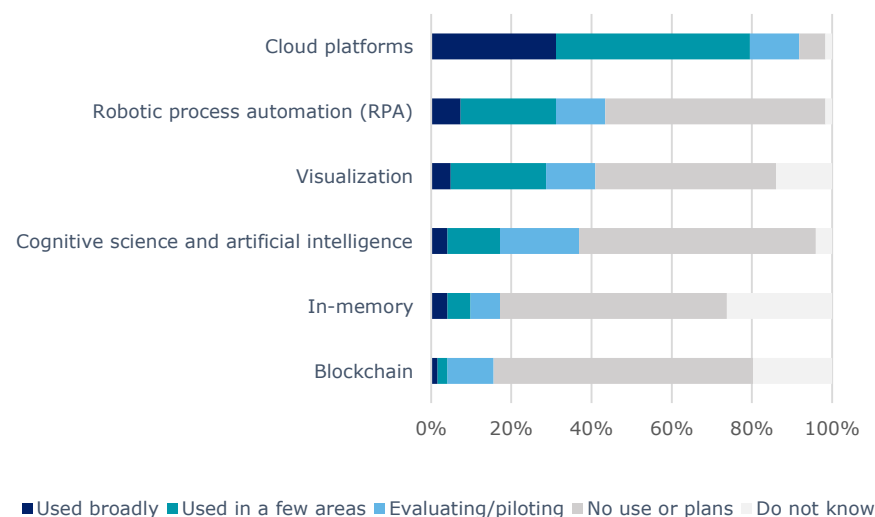
Visualization technologies have been implemented by just under 30% of companies: Just under one-quarter of CFOs cite use in a few areas, and 5% cite broad use. Twelve percent say they are evaluating and/or piloting the technologies. (Manufacturing, Retail/Wholesale, and Services are highest for use; Healthcare/Pharma and Services are highest for evaluating/piloting.)

Cognitive science and artificial intelligence have been implemented by about 17% of companies: Thirteen percent say they use the technologies in a few areas, and 4% cite broad use. Nearly 20% say they are piloting the technologies. (Technology and Services are highest for use; Retail/Wholesale, Healthcare/Pharma and Services are highest for evaluating/piloting.)

In-memory and blockchain technologies are not broadly implemented yet: Just 10% say they use in-memory technologies, and only 4% say they use blockchain technologies. Familiarity with both technologies appears relatively low, with 26% of CFOs saying they do not know their use or evaluation of in-memory, and 20% saying the same for blockchain. (Only Manufacturing and Technology show significant use of in-memory, with Healthcare/Pharma highest for evaluating/piloting; no industries are notably high for blockchain, but Financial Services and Healthcare/Pharma are highest for evaluating/piloting.)

What is your current use of the following digital technologies?

Percent of CFOs selecting each level of use (n=122)



Please see full report for industry-specific findings.

Longitudinal trends

Expectations and sentiment

CFOs' year-over-year expectations¹

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

		3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	Survey Mean	2-Year Mean
Revenue	mean	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%	5.9%	3.3%	4.0%	4.2%	5.9%	4.9%
	median	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%	5.0%	3.0%	4.0%	4.0%	5.1%	4.6%
	%>0	93%	81%	89%	80%	83%	87%	79%	85%	82%	83%	81%	84%	78%	82%	90%	90%	89%	90%	86%	78%	79%	82%	78%	72%	83%	83%	82%
	standard deviation	10.5%	7.4%	7.3%	6.4%	6.5%	4.9%	6.3%	6.1%	5.7%	6.3%	5.9%	4.5%	5.1%	4.9%	3.9%	4.5%	5.9%	4.0%	6.4%	6.3%	5.4%	6.8%	5.1%	6.7%	4.8%	6.0%	5.8%
Earnings	mean	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%	8.3%	6.0%	7.7%	6.1%	10.4%	8.3%
	median	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%	7.0%	5.0%	7.0%	5.0%	8.0%	7.0%
	%>0	93%	80%	83%	83%	82%	84%	79%	81%	84%	76%	84%	83%	82%	82%	84%	83%	90%	86%	79%	79%	79%	82%	79%	76%	81%	82%	81%
	standard deviation	24.3%	21.4%	16.6%	22.1%	10.4%	10.7%	19.8%	13.4%	9.7%	16.8%	14.1%	9.6%	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%	13%	11%
Dividends	mean	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%	4.7%	4.0%	2.9%	4.1%	4.0%	3.8%
	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%	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%	45%	46%	42%	43%	39%	45%
	standard deviation	8.6%	4.4%	4.4%	5.7%	4.7%	4.1%	7.0%	4.2%	5.3%	5.3%	5.7%	5.8%	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%	6%	5%
Capital spending	mean	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%	4.9%	1.7%	5.4%	5.6%	7.1%	4.7%
	median	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%	5.0%	0.0%	4.0%	2.0%	4.1%	3.9%
	%>0	58%	57%	61%	69%	59%	61%	68%	70%	53%	43%	57%	57%	54%	59%	57%	64%	60%	62%	63%	59%	53%	59%	50%	61%	58%	59%	58%
	standard deviation	10.3%	16.8%	17.5%	14.9%	13.7%	16.0%	24.5%	22.1%	9.5%	15.3%	17.6%	11.7%	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%	14%	13%
Number of domestic personnel	mean	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%	1.2%	0.6%	1.1%	2.3%	1.6%	1.5%
	median	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%	0.0%	0.0%	1.0%	1.0%	0.7%	0.7%
	%>0	60%	48%	61%	64%	52%	51%	51%	52%	40%	40%	43%	46%	47%	48%	42%	58%	58%	60%	58%	49%	57%	50%	47%	55%	53%	52%	54%
	standard deviation	5.2%	5.9%	5.8%	4.7%	5.2%	5.2%	7.1%	10.3%	4.1%	3.9%	4.9%	9.6%	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%	5%	4%
Number of offshore personnel	mean	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%	1.9%	1.8%	1.9%	2.7%	2.3%
	median	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%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%
	%>0	49%	47%	41%	57%	37%	50%	43%	41%	30%	32%	39%	36%	33%	42%	34%	42%	45%	44%	48%	39%	46%	49%	45%	39%	43%	42%	44%
	standard deviation	5.2%	5.9%	5.8%	4.7%	5.2%	5.2%	7.1%	10.3%	4.1%	3.9%	4.9%	9.6%	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%	5%	4%

CFOs' own-company optimism³ and equity market performance

	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	Survey Mean	2-Year Mean
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%	33.9%	33.1%	48.6%	35.2%	44.7%	40.9%
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%	46.9%	42.9%	35.6%	32.9%	49.2%	49.2%	31.4%	40.0%
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%	23.2%	31.4%	18.6%	15.6%	24.2%	19.0%
Net optimism (% more minus % 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%	10.7%	1.7%	30.0%	19.7%	20.5%	21.9%
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	2,023	1,865	2,047	2,184	1,616	2,030
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%	-3.3%	-7.8%	9.8%	6.7%	2.9%	1.2%

¹ All means have been adjusted to eliminate the effects of stark outliers. The "Survey Mean" column contains arithmetic means since 2Q10.

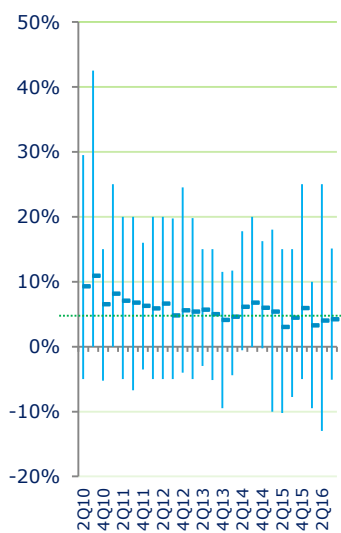
² Standard deviation of data Winsorized to 5th/95th percentiles.

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

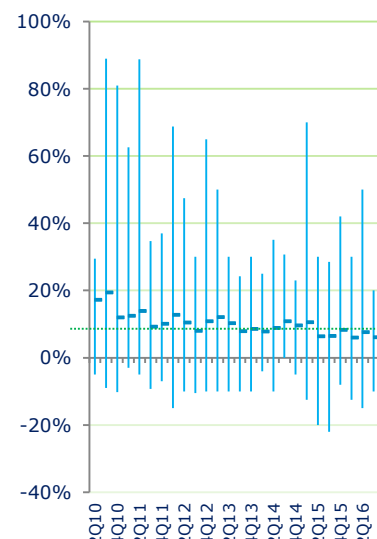
Longitudinal trends

Means and distributions for key metrics

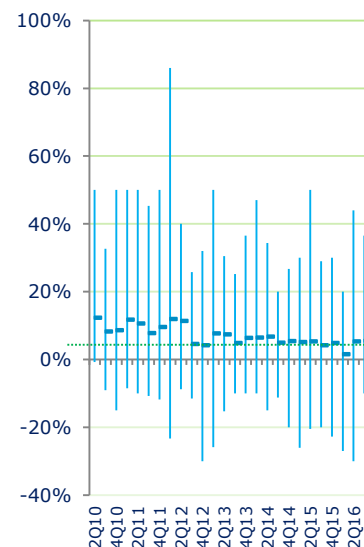
Revenue growth



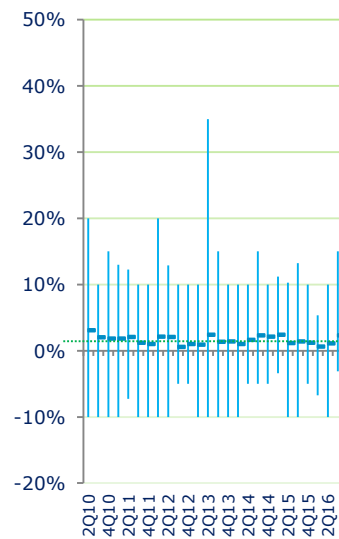
Earnings growth



Capital spending growth



Domestic employment growth



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

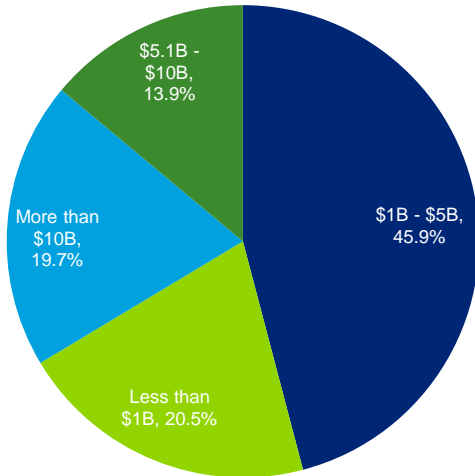
Horizontal marks indicate outlier-adjusted means.

Dotted lines indicate 3-year average (mean).

Demographics

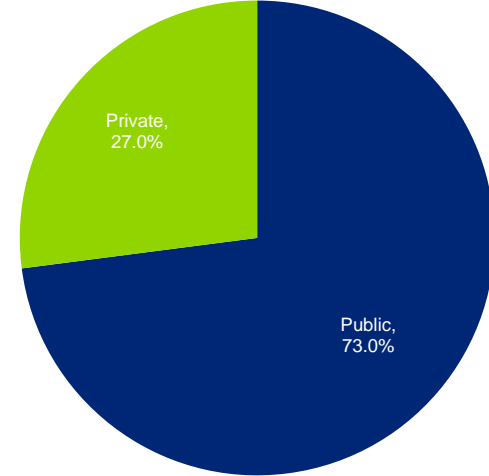
Annual Revenue (\$US)

(n=122)



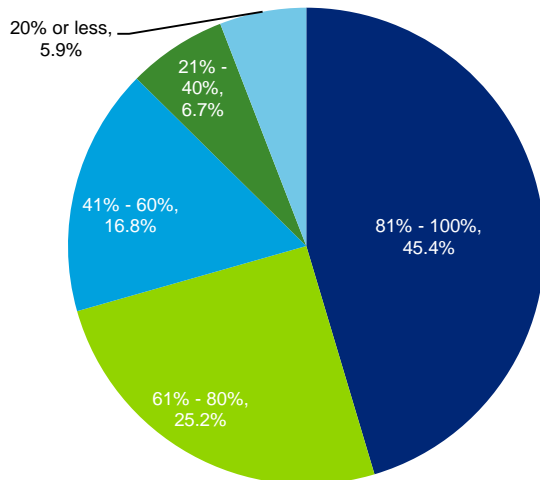
Ownership

(n=122)



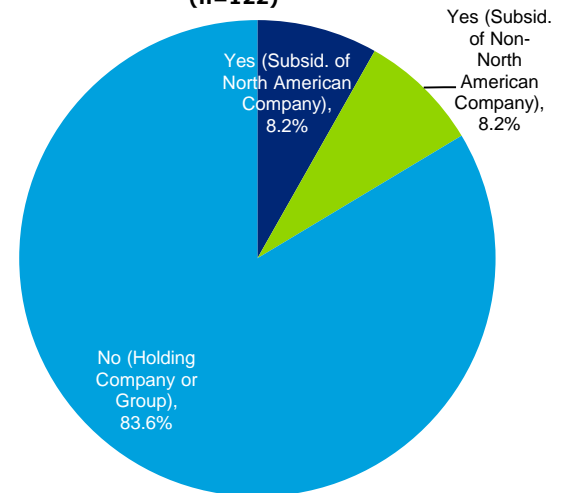
Revenue from North America

(n=119)



Subsidiary Company

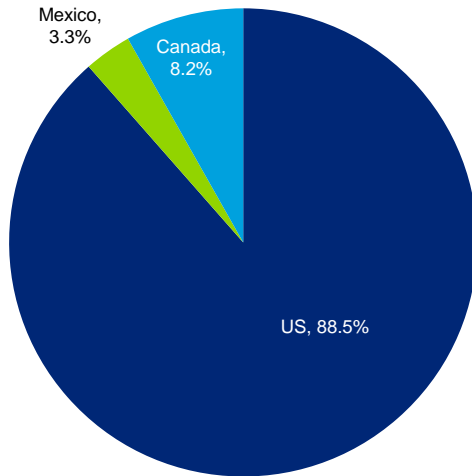
(n=122)



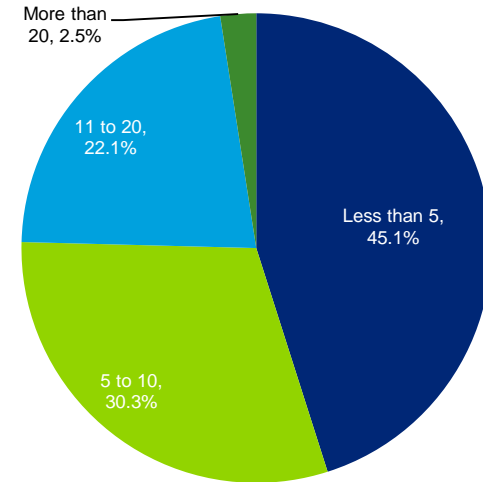
* Sample sizes for some charts do not sum to the total because some respondents did not answer all demographic questions.

Demographics

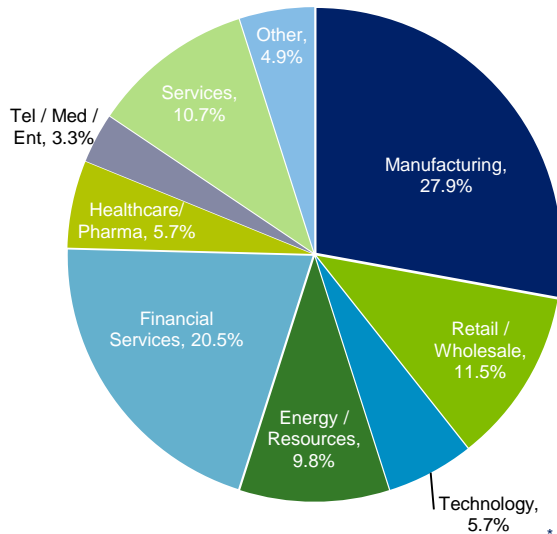
Country
(n=122)



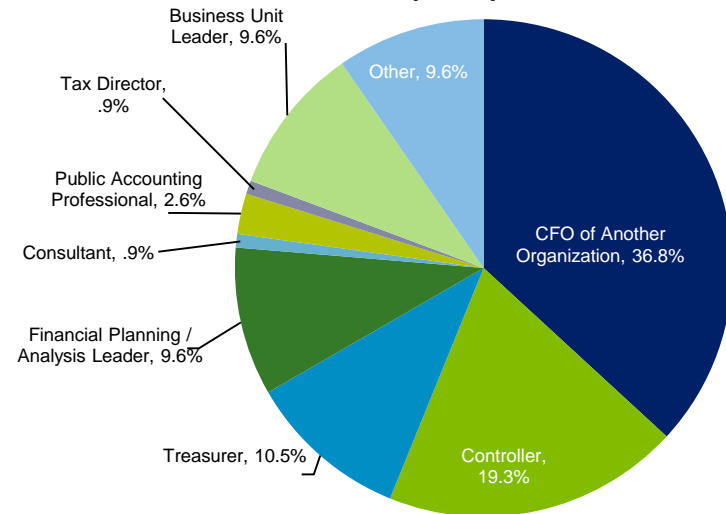
CFO Experience (Years)
(n=122)



Industry
(n=122)



Previous Role
(n=114)



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.



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