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economy pullback, 3) new/burdensome regulation, 4) the upcoming election/political uncertainty in the U.S., and 5) global growth/recession/volatility and capital ...

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Financial executives are increasingly optimistic in the long term prospects of their businesses, according to a new survey.

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with CFOs in both the Manufacturing and Energy/Resources industries significantly more optimistic than they were last quarter. The survey was completed prior to the recent British referendum to leave the European Union, aka, Brexit.

Four business outlook metrics tracked by the *CFO Signals* survey for 25 consecutive quarters — CFO expectations for growth in revenue, earnings, capital spending and domestic hiring — rebounded from multiple survey lows last quarter, but the gains for some metrics were modest. Revenue growth expectations, for example, rose to 4.0 percent from 3.3 percent from last quarter; earnings growth expectations rose to 7.7 percent from last quarter's survey low of 6.0 percent; and domestic hiring growth expectations rose to 1.1 percent up from a survey low of 0.6 percent last quarter. Capital spending expectations, however, rebounded sharply to 5.4 percent from a survey low of 1.7 percent last quarter. Meanwhile, dividend growth expectations fell to 2.9 percent — a new survey low — from 4.0 percent last quarter.

“This quarter, our survey shows CFOs' sentiment rebounded significantly after a rapid and decisive downturn in equity markets last quarter likely weighed on their thinking. Since then, the equity markets have recovered, and CFOs seem to have responded in kind,” said [Sanford Cockrell III](#), national managing partner of the U.S. CFO Program, Deloitte LLP. “However, it's also important to note that all four business outlook measures are down when compared with long-term survey averages, which could indicate potential substantial headwinds for some companies such as the potential effects of oil and commodity prices, as well as concern over a U.S. economic pullback.”

Each quarter, CFOs are asked which risks they regard as most worrisome. This quarter, the top five external risks cited were: 1) oil/commodity prices, 2) U.S. economy pullback, 3) new/burdensome regulation, 4) the upcoming election/political uncertainty in the U.S., and 5) global growth/recession/volatility

and capital markets liquidity/stability (tied for fifth place). In line with these

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Likely in response to U.S. equity markets bouncing back strongly between the first and second quarters, 56 percent of CFOs once again regard U.S. equity markets as overvalued, up from just 30 percent last quarter. Eighty percent of CFOs say debt is currently an attractive financing option, up from 68 percent last quarter and back in line with levels from late 2015, and 30 percent of public company CFOs say equity financing is attractive (up from 22 percent last quarter).

In terms of business focus, nearly 60 percent of surveyed CFOs say they are biased toward revenue growth, the highest level in more than a year, and 53 percent have a strong bias toward investing cash over returning it to shareholders.

“Last quarter, CFOs voiced very strong concerns about the impact of volatile equity markets and unfavorable economic news on financial market liquidity and customer demand,” said [Greg Dickinson](#), director, Deloitte LLP, who leads the North American *CFO Signals* survey. “While it is encouraging that CFOs’ sentiment regarding their companies’ prospects rose sharply this quarter, it is important to note that the survey’s net optimism measure is relative and not absolute — meaning that sentiment is a lot better than it was last quarter, but is not necessarily good compared to longer time frames.”

In the fourth quarter of 2010 and again this quarter, CFOs were asked about their own working styles and those of their CEOs based on [Business Chemistry](#), a proprietary personality system designed for use in a business context which draws upon the latest analytics technologies to reveal [four scientifically-based patterns of behavior](#): Pioneers, who like variety, possibilities and generating new ideas; Drivers, who like logic, systems and a laser focus on goals; Guardians, who like concrete details and stability; and Integrators, who like personal connection and seeing how the pieces fit together.

Sixty percent of CFOs consider themselves Drivers, well above 51 percent in 2010, and

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Driver/Driver pairings, however, are less common than expected (14 percent actual versus 20 percent expected), while Integrator/Driver pairings are more common than expected (16 percent actual versus 12 percent expected) and twice as common as they were in Q4 2010. As was the case in 2010, some CEO/CFO pairings appear more common than random pairing would predict — suggesting some pairings may be more effective than others. The survey also provides new insights into how CFOs adapt to their CEO's style and also about the CEO types with whom CFOs believe they work best.

Deloitte's second quarter *CFO Signals* survey also provides CFOs' responses on what roles they are playing in the current business environment, the scope of CFOs' direct and indirect functional responsibility, the structure of their finance functions, outcomes of operating model delivery and more. To download a copy of the survey, please visit: <http://www.deloitte.com/us/cfosignals2016Q2>

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