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Cautious

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The primary financial managers at U.S. businesses are generally optimistic about the future, but remain cautious in the face of domestic uncertainties like Congressional inaction on tax reform. This is according to the latest edition of [Grant Thornton LLP's CFO Survey](#), which reflects the insights of more than 900 chief financial officers and other senior financial executives across the United States.

More than half (55 percent) of CFOs say uncertainty in the U.S. economy is a major concern that could impact their businesses' growth in the next 12 months. This is despite the fact that most CFOs expect the U.S. economy overall to remain the same (49 percent) or improve (43 percent) in the next 12 months, suggesting that factors other than the overall health of the economy are presenting a barrier to growth.

“While the U.S. economy has stabilized, our data suggest that uncertainty related to

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Report.

Particularly frustrating for CFOs is the dysfunction in Congress over a bill to extend more than 50 popular tax provisions that expired at the end of 2014. When Congress returns from August recess next week, it remains to be seen whether it will revisit the bill and allow the use of these tax benefits on 2015 filings.

- More than a third (37 percent) of executives are acting as though the extension will not occur
- Twenty-six percent are assuming some amount of risk that it will not occur, and are planning accordingly
- Just 9 percent of CFOs assume fully that the extension will occur
- Especially striking is the fact that more than half (51 percent) of companies that actually use the provisions are doing all their planning with the assumption that the extension will not occur.

“In past years, negotiations over the tax extenders bill dragged on into December – this is very troublesome and creates major headaches for U.S. businesses,” said Mel Schwarz, partner and director of tax legislative affairs in Grant Thornton’s Washington National Tax Office. “Lawmakers need to agree on at least a two-year retroactive extension of nearly all the provisions, with a one-year extension as an absolute fallback.”

Cybersecurity is also a major source of worry for financial leaders, especially in light of recent high-profile cyberattacks on major U.S. companies. When considering what the most significant cyber risks they face are, nearly half (44 percent) of CFOs say the most significant risks are the unknown risks, and a majority (57 percent) say it is the potential for undetected breaches. Interestingly, more public companies (47 percent) fear they are at risk of reputation loss compared to private companies (31 percent).

Regulatory and compliance burdens also top the list of concerns for finance chiefs.

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use debt financing.

While the survey also suggests that the recent enthusiasm for mergers and acquisitions (M&A) may be waning, with only 28 percent of finance chiefs planning to pursue M&A opportunities in the coming year (a 9 percent drop since fall 2014), CFOs of companies in certain industries had varied opinions:

- For example, 37 percent of CFOs in the health care industry plan to pursue M&A in the coming year (9 percent higher than the national average)
- Fifty-four percent of finance chiefs in the technology industry expect their industry's financial prospects to improve, 10 percent higher than national average
- Energy-industry CFOs are also surprisingly optimistic given the current downturn in oil and natural gas prices, with nearly 40 percent expecting their industry's financial prospects to improve in the coming year and only 7 percent expecting them to worsen
- In the manufacturing sector, 40 percent of manufacturing CFOs say uncertainty in global markets could impact their growth, 15 percent higher than the national average

Meanwhile, good news for finance professionals: CFOs are aggressively looking to develop and hire new talent. The vast majority (70 percent) of CFOs say finding and retaining the right talent is a critical need for supporting growth. Forty percent expect their business's new hiring to increase in the next six months; 52 percent expect hiring to remain the same. A majority of CFOs (67 percent) plan to increase salaries in the coming year, holding steady since 2014.

The full report is available at grantthornton.com/cfosurvey.

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