

Economic optimism rises despite pre-election uncertainty.

U.S. finance leaders feel more confident in long-term prospects but demonstrate hesitation in the run-up to the election.



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Executive summary

Finance leaders across the U.S. are more upbeat about the prospects for the economy and their own businesses than they were six months ago when we released the fourth annual U.S. Bank CFO Insights Report. This has sharpened focus on business growth and transformation initiatives, although cost control remains the top priority for most.

Key risks associated with talent shortages, new technology and geopolitics remain on the horizon. The uncertainty about the upcoming presidential election has slowed major deals, including financings and CapEx projects, while reigniting interest in interest rate and FX hedging.

This report contains the principal findings from our pulse survey of 1,000 senior finance leaders at businesses across the U.S. We conducted the research six months after the release of the fourth annual U.S. Bank CFO Insights Report to gauge whether sentiment had changed ahead of the U.S. elections.

We collected the survey data between July 17 and August 8, 2024. The majority (90%) of this data was collected after July 21, when it was clear that Kamala Harris would replace Joe Biden as the Democratic Party's presidential nominee.



Key findings from our research

- 1 Economic confidence increases:**
42% of respondents say their outlook for the U.S. economy in the next 12 months is positive, up from 37% six months ago.
- 2 Hedging grows in appeal:**
60% say their appetite for FX and interest rate hedging has increased ahead of the election.
- 3 Businesses have paused major deals:**
42% have throttled back on major CapEx projects in the run-up to the vote.
- 4 Cost cutting remains the top priority:**
42% identify cutting costs and driving efficiencies within the finance function as a top priority, down slightly from 44% six months ago.
- 5 Geopolitical risk commands focus:**
32% flag geopolitical tension and war as a top-three risk, up from 26% six months ago and 17% in 2023.

Long-term positivity, short-term precaution.

The economic outlook is brighter.

In the past six months, chief financial officers and senior finance executives at U.S. businesses have become increasingly bullish about the prospects for the economy. Some 42% of survey respondents say their outlook for the U.S. economy in the next 12 months is positive, up from 37% six months ago. In parallel, 63% are positive about the three-year outlook, up from 58% six months ago.

These increasingly positive sentiments reflect the fact that finance leaders are more confident that an economic “soft landing,” can be achieved – calming inflation while avoiding a recession or high levels of unemployment. In addition, interest rates are coming down. Six months ago, this scenario was still in doubt.

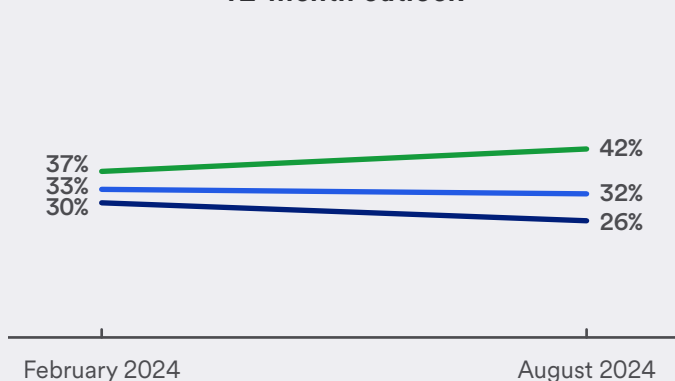
42%

say their outlook for the U.S. economy in the next 12 months is positive

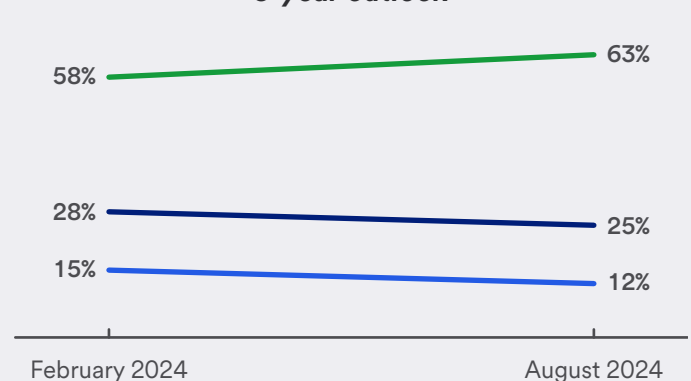
Future outlook for the U.S. economy.

● Negative ● Neutral ● Positive

12-month outlook

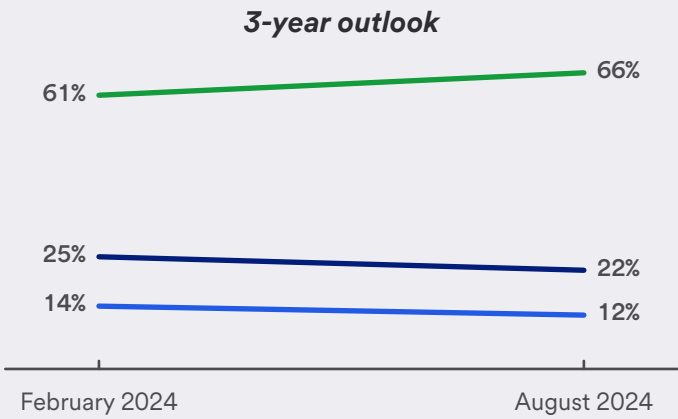
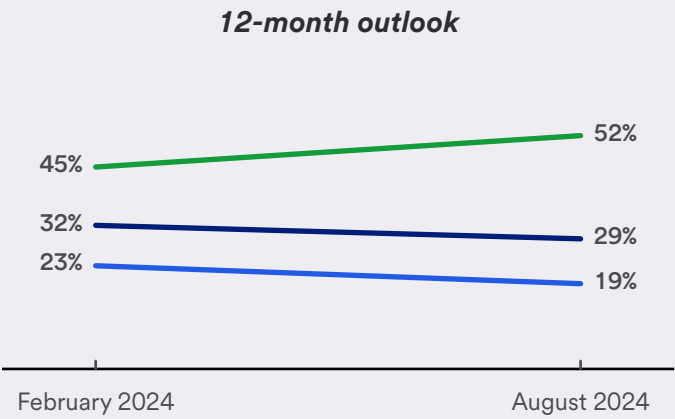


3-year outlook



Future outlook for businesses' financial prospects

Negative Neutral Positive

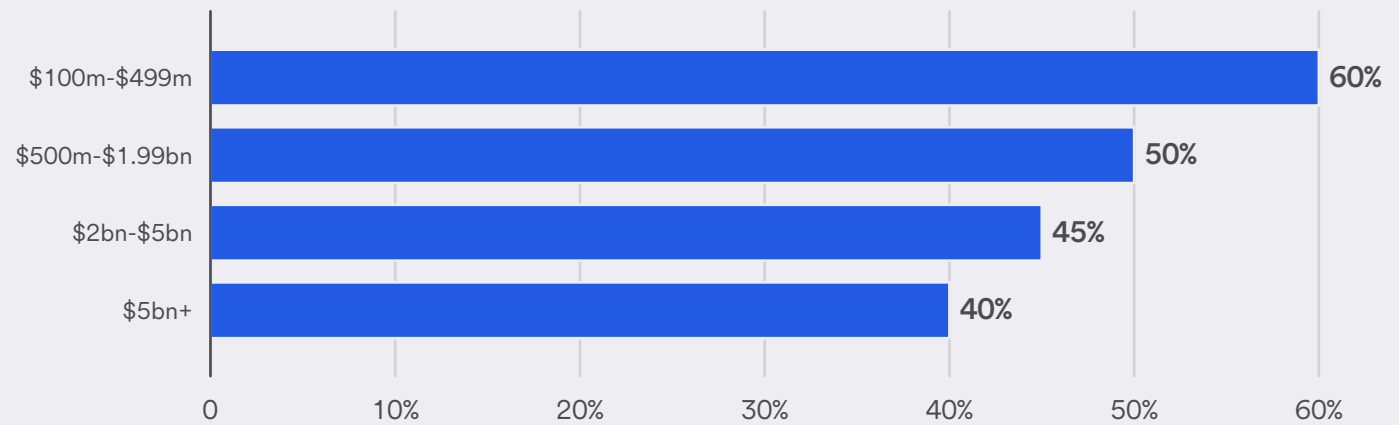


Surveyed finance leaders are also more optimistic about the fortunes of their own businesses. Over half (52%) are positive about their businesses' financial prospects in the next 12 months, up from 45% six months ago. The proportion of respondents who are optimistic about U.S. business prospects over a three-year horizon has also grown.

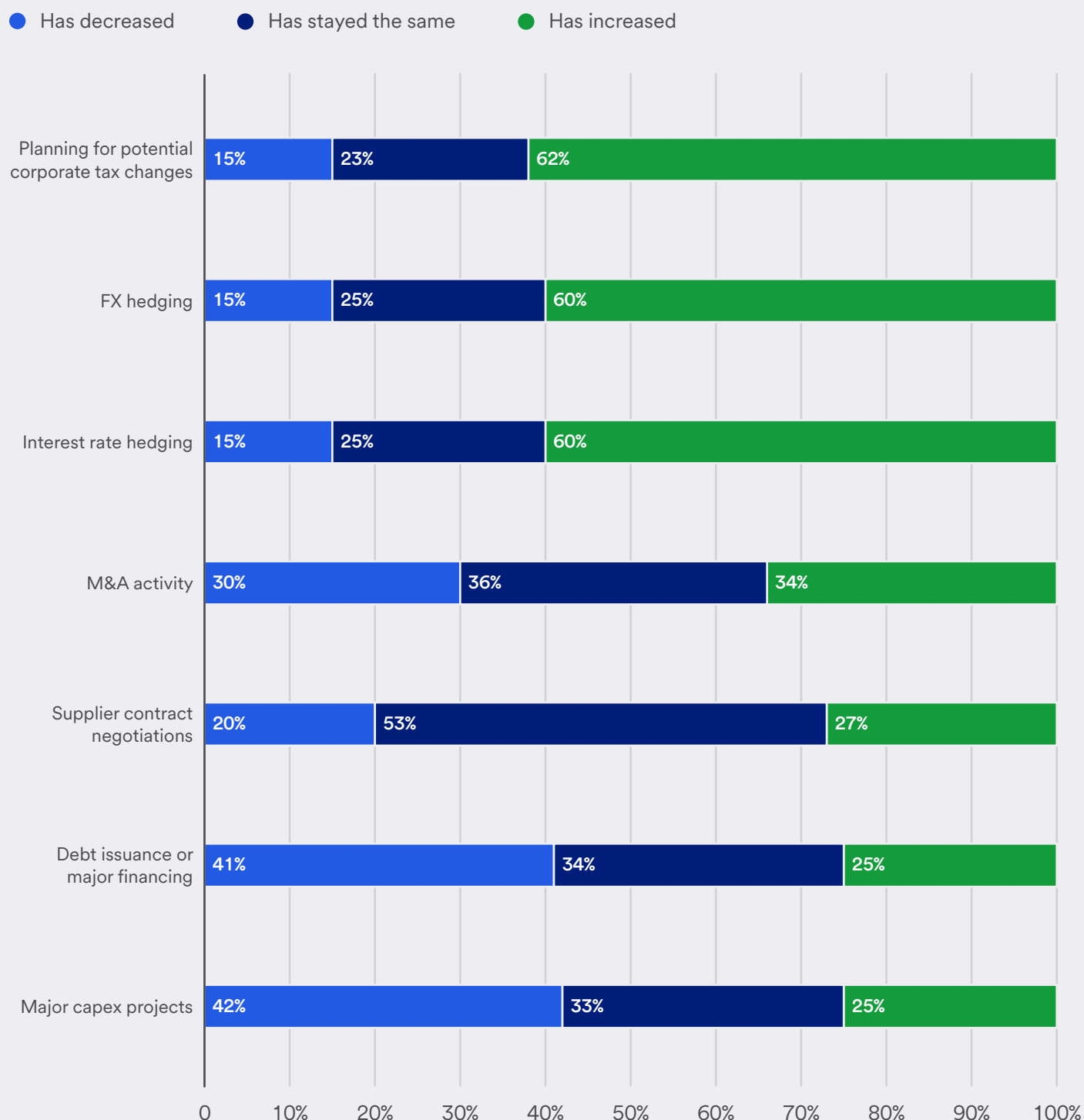
Mid-size businesses are the most positive. For example, 60% of businesses generating between \$100 million and \$500 million have a positive outlook for their 12-month financial prospects, compared with just 40% of businesses making more than \$5 billion.

12-month outlook for businesses' financial prospects

Percentages indicate those that are positive about their business's 12-month financial prospects



Businesses ramp up tax planning and hedging ahead of election.





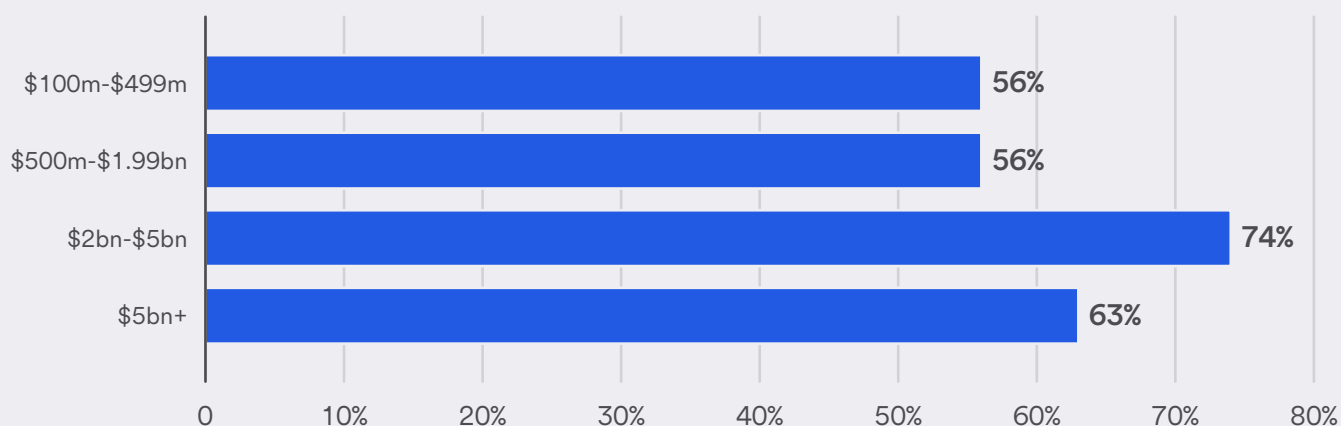
Despite this rosier outlook, the survey data reveals a growing interest in risk mitigation ahead of the election. Six in 10 respondents say their appetite for FX and interest rate hedging has increased, while just 15% say it has decreased. In parallel, 62% say the election has heightened their motivation to plan for potential corporate tax changes.

Larger businesses are the most likely to be exploring these measures. Appetite for FX hedging has increased for three quarters (74%) of those generating \$2 to \$5 billion, but only for 56% of those generating \$100 to \$500 million.

“CFOs don't tend to like uncertainty. They are putting the work in now to position their firms for various scenarios this fall and into next year when new policies could impact their business,” said Stephen Philipson, head of Wealth, Corporate, Commercial and Institutional Banking at U.S. Bank. “With the election as well as interest rate changes, finance leaders are utilizing hedges to manage risks associated with currency and interest rate moves.”

Larger businesses are the most interested in FX hedging

Percentages indicate those that increased FX hedging ahead of the election



There is less appetite for major CapEx, while debt issuance drops.

Uncertainty around the election outcome has prompted businesses to pause their major transactions. About four in 10 respondents say their appetite for major CapEx projects, debt issuances and major financings has decreased as a result of the upcoming election.

This is likely to be a reflection of the uncertainty around the policies of the two presidential candidates, including those on

tariffs, corporate taxes and many other areas of the economy. That being said, a small number of senior finance executives (25%) see opportunities ahead of the election and report an increased appetite for such deals.



Cost cutting continues to be finance leaders' top priority.

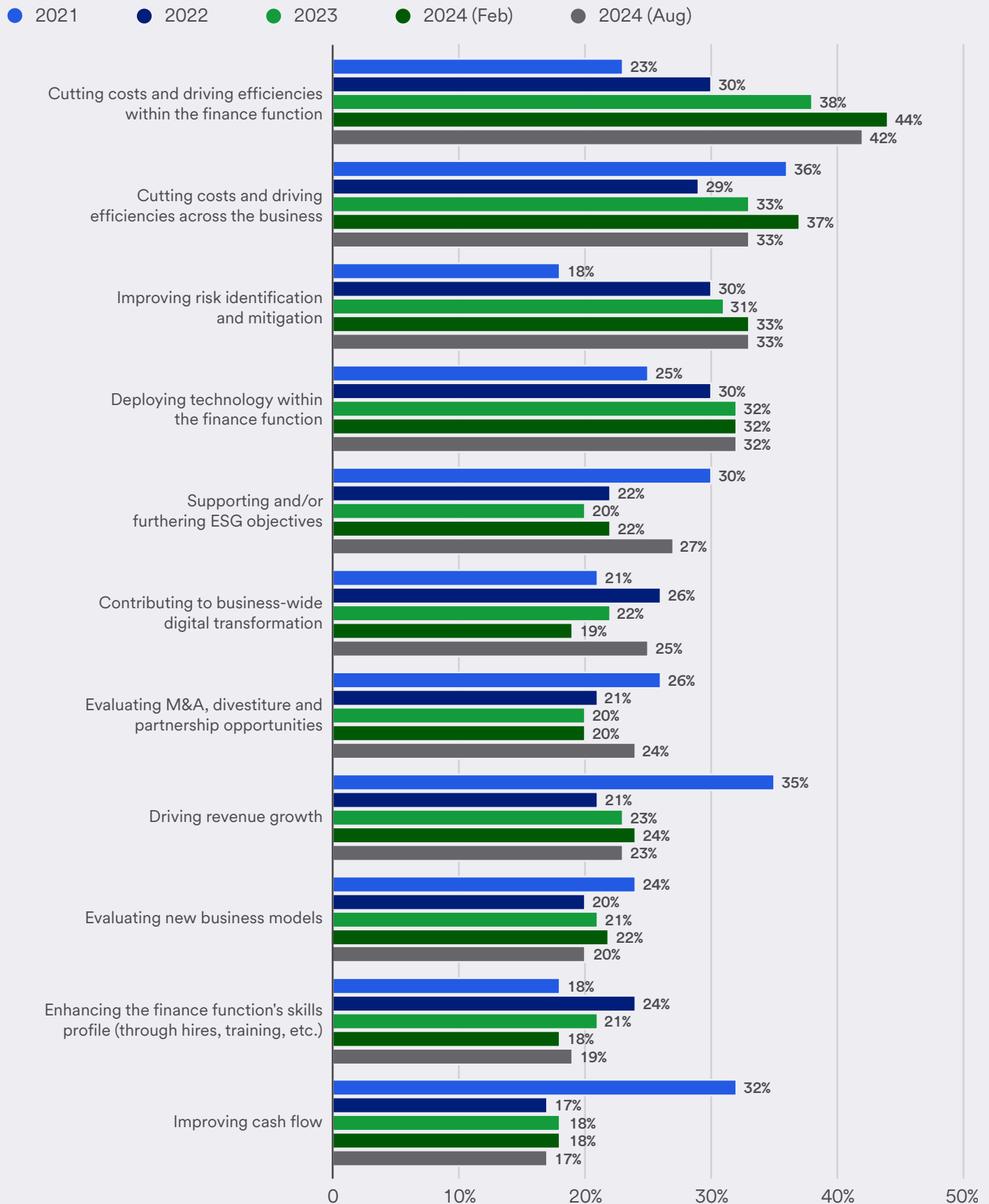
Cutting costs and driving efficiencies within the finance function remain finance leaders' top priorities. Some 42% identify this as a top priority, down only slightly from 44% six months ago – the first decline in this figure since we launched this research in 2021. Selected by 33% of respondents, cost cutting across the wider business ranks joint second with improving risk identification and mitigation.

Reflecting the improved economic outlook, more finance leaders are prioritizing specific growth and transformation initiatives. For example, 25% say that contributing to business-wide digital transformation is a top-three priority, up from 19% six months ago. In addition, 24% say that evaluating M&A, divestiture and partnership opportunities is a top-three priority, compared with 20% six months ago.

The proportion of survey respondents who say that supporting ESG initiatives has been a top priority over the past six months has increased by five percentage points, to 27%. This is likely a direct result of increased environmental, social and governance (ESG) regulations and disclosure requirements, such as the U.S. Securities and Exchange Commission's new rules for public companies' climate-related disclosures. Large businesses are particularly focused on ESG: 36% of finance leaders at businesses generating more than \$5 billion flag ESG objectives as a top priority, compared with just 27% of those generating less than \$500 million.

Cutting costs remains a top priority

Percentages indicate those who identify each option as a top-three priority



Risk levels remain stable, but the nature of the threat has changed.

The proportion of respondents saying they face a high degree of business risk has remained stable, at just under one quarter (23%, down from 24% six months ago). That said, those saying they face a high degree of financial risk has declined by 11 percentage points. This reflects the changing importance of individual risk categories, with financial risks such as high inflation falling down the agenda.

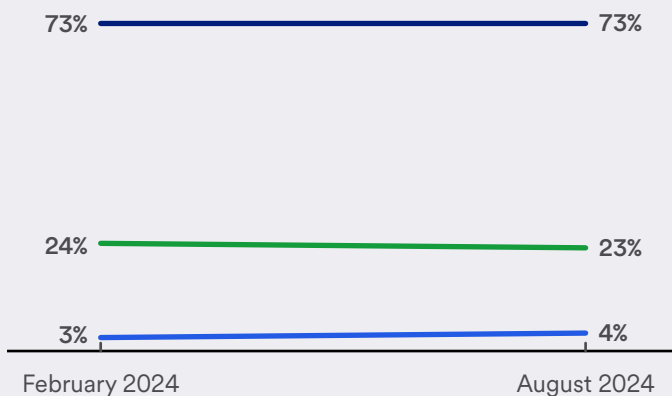
23%

of respondents say they face a high degree of business risk.

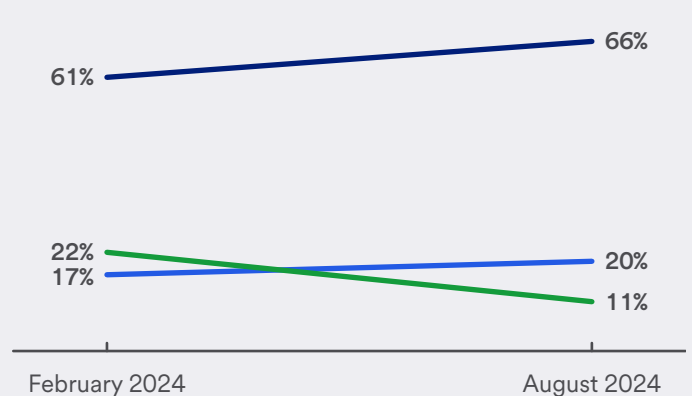
Businesses' risk levels over the past six months

● Low risk (1-3) ● Moderate risk (4-7) ● High risk (8-10)

Perceptions of business risks remain stable



Fewer businesses face high financial risk



Note. Respondents were asked to score the degree of risk on a scale from one to ten.



Geopolitical risk surges.

Strikingly, 32% of respondents flag geopolitical tension and war as a top-three risk, up from 26% six months ago and 17% in 2023. Finance leaders say this is now the third most important business risk – just 12 months ago, it was the least important. This increase in importance stems from escalating global geopolitical tensions. Such tensions have had a tangible effect, with the prospect of extensive tariffs on imports from China reminding finance leaders of the potential direct financial impact of geopolitical tension.

Regulatory change has also risen up the agenda: 29% say this is a top-three risk, compared with 22% six months ago.

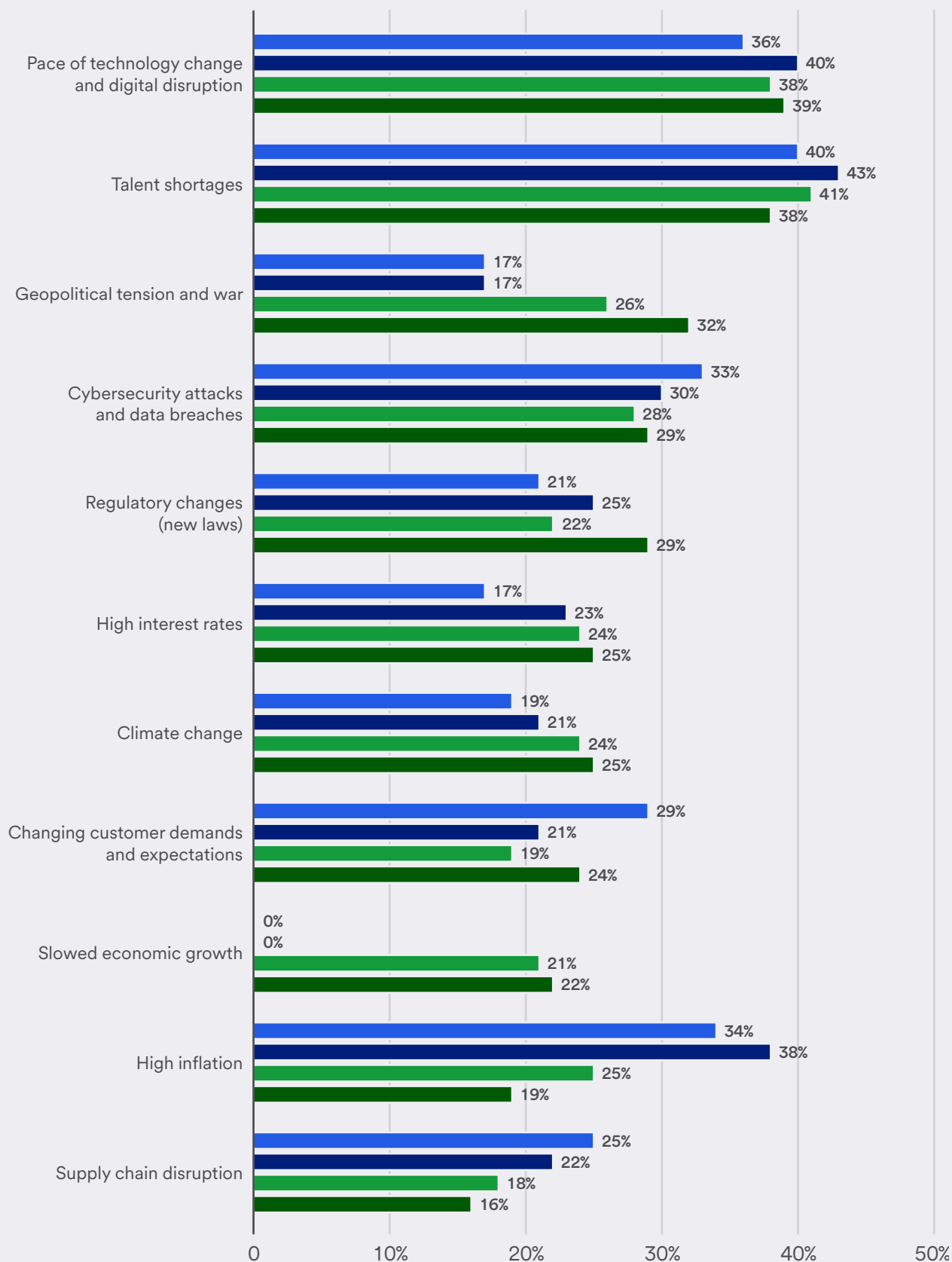
Just as they have for the past three years, the pace of technology change (39%) and talent shortages (38%) rank as the top two risks.

Other risks have decreased in perceived importance. Just 19% of respondents, for instance, now say that high inflation is a top-three risk, down from 25% six months ago and 38% in 2023. Only 16% say that supply chain disruption is a top-three risk, which would have been unthinkable only two years ago. In fact, finance leaders now see supply chain disruption as the least important threat.

Geopolitical risk rises in importance

Percentages indicate those that identify each as a top-three risk

● 2022 ● 2023 ● 2024 (Feb) ● 2024 (Aug)



About the research

The results of this research are based on a survey conducted between July 17 and August 8, 2024, of 1,000 senior finance leaders who work in U.S. businesses in various sectors. The majority of responses (90%) were collected after July 21, from which point it was apparent that Kamala Harris would replace Joe Biden as the Democratic Party's presidential nominee.

Half of the survey participants are company, regional or divisional chief financial officers. The other half are senior managers within the finance function. Every surveyed finance leader works for a business that generates at least \$100 million in annual revenue, and 30% work for a business that generates at least \$2 billion.

This report is a follow-up to [Leading the return to growth](#), our survey of 2,030 senior finance leaders conducted in January and February, 2024. The previous editions of our research are:

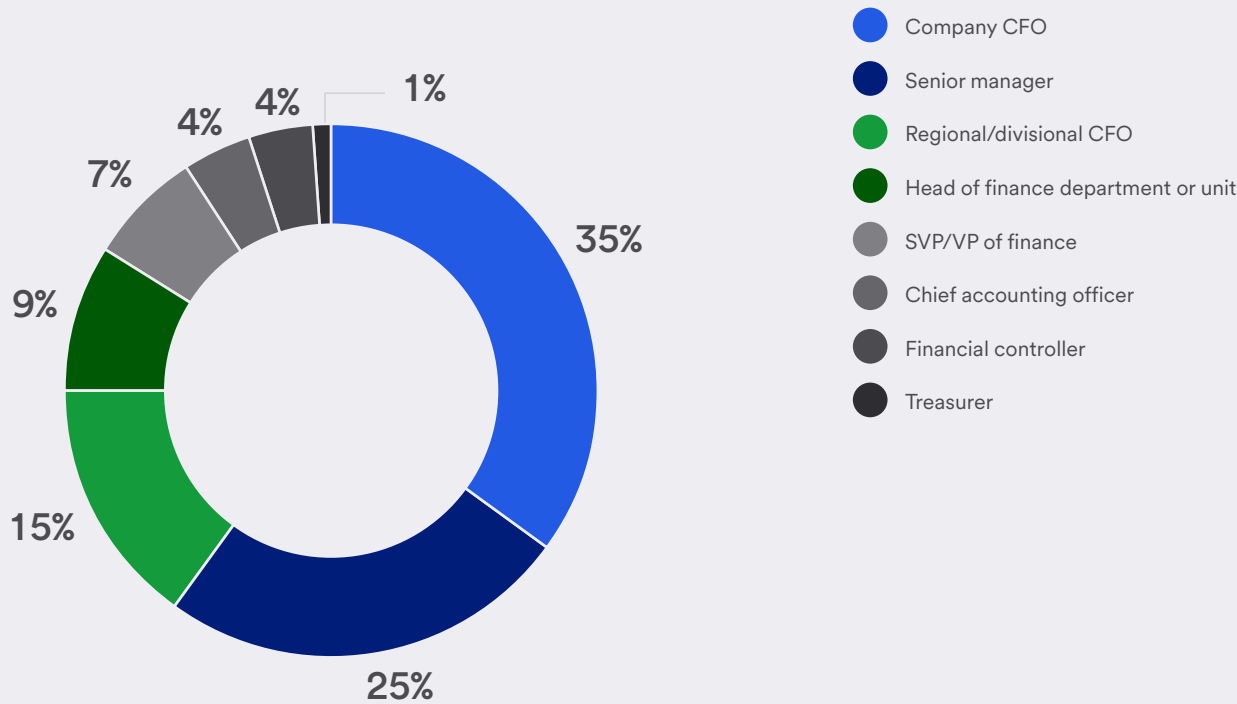
» [Leading the transformation \(2023\)](#)

» [Leading through uncertainty \(2022\)](#)

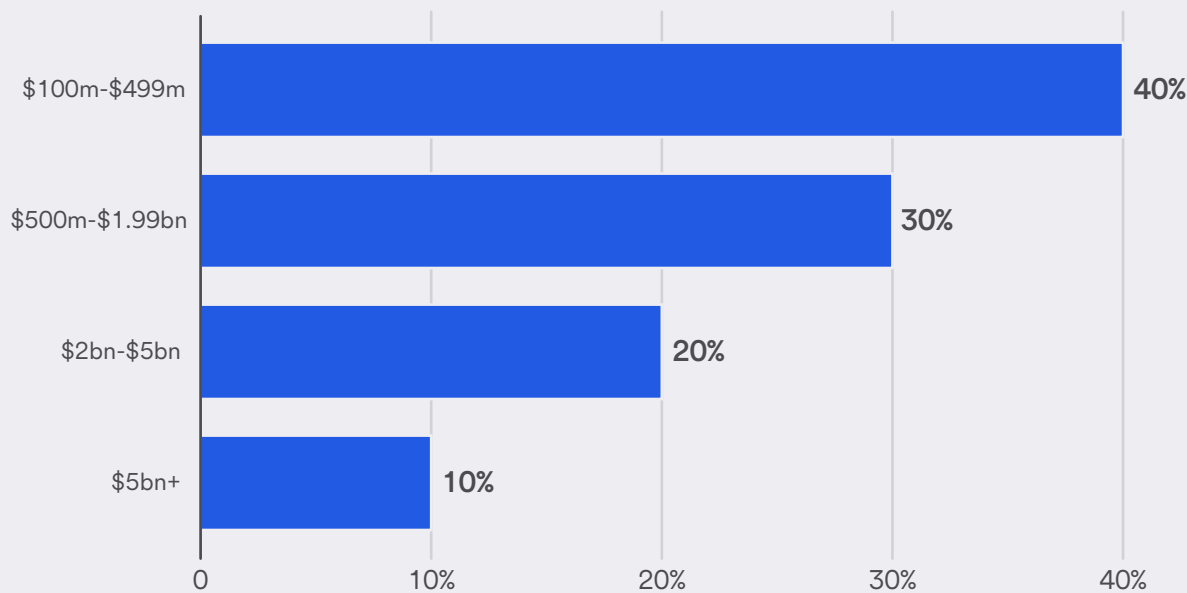
» [Leading the recovery \(2021\)](#)

Several questions that appeared in previous research are repeated this year, allowing for an accurate assessment of how sentiment has changed.

Participants by job title



Participants by company size





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