

# US finance chiefs appear cautious headed into the 2024 election. Here's what surveyed CFOs are watching.

*Labor issues and taxes are top of mind in Deloitte's 2024 third quarter North American CFO Signals survey*

According to an election survey conducted by Pew Research Center in July—prior to President Biden exiting the race—71% of registered voters said the outcome of the upcoming US elections “really matter.”<sup>1</sup> Chief financial officers appear to share the same consensus about the potential impacts of the election. In Deloitte's third quarter North American CFO Signals survey, 58% of respondents say the result of the election will be extremely or very consequential for their organizations. Only 3% say it will not be consequential at all.

Lawmakers and policy setters are likely to address a number of critical issues beginning in 2025 that could alter how businesses operate: Artificial intelligence. Taxes. Climate. But in a shift from the last two presidential elections in 2016 and 2020, where tax policy was a primary concern for the CFOs we surveyed, workforce issues top the list of matters respondents want to see the federal government tackle in 2025. In the survey—which polled 200 CFOs at organizations across five sectors with at least US\$1 billion in revenues—finance chiefs expressed concern about how talent shortages, wage inflation, and recent regulatory changes and proposals could impact their ability to manage and retain a skilled workforce. In addition, external risks like geopolitics and inflation are weighing heavily on their outlook, reflecting concerns about the broader economic and regulatory uncertainties that organizations are currently navigating.

With the United States election drawing closer, caution and concern appear to be the primary sentiments among CFOs ahead of the vote. These worries may lead CFOs to take measured approaches to risk-taking and investment. What issues are CFOs keeping an eye on as the 2024 election approaches, and what potential impacts could come into play in 2025?

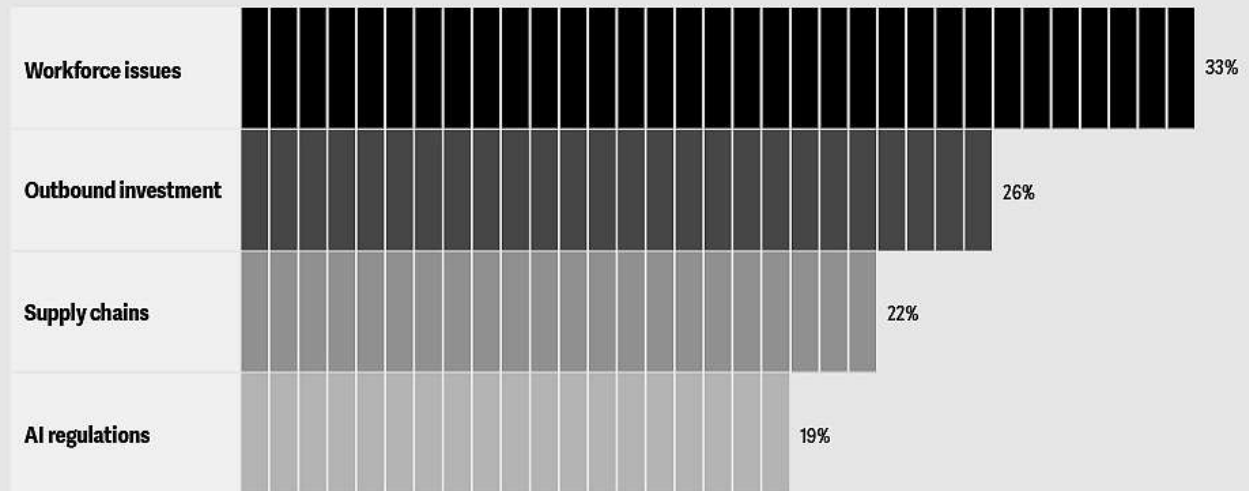
## Workforce rules are top of mind for CFOs

Survey respondents were clear on the matters that are top of mind as the election approaches, and workforce issues top the list, with 33% of respondents saying these matters are their primary concern (figure 1).

Figure 1

## Chief financial officers prioritize labor issues for the US federal government

Percentage of respondents answering the question, “From your organization’s perspective, which of these issues should be a top priority for the federal government to address?”



Source: CFO Signals survey results 3Q 2024.

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The high ranking of workforce-related issues might reflect trepidation about several recent proposals and actions, including the Department of Labor’s update of the independent contractor standard.<sup>2</sup>

Beyond workforce issues, respondents also identified outbound investment (26%) and supply chains (22%) as top concerns. These may indicate lingering concerns about sourcing parts, and in particular, technology components.

## Tariffs and taxes are still a worry

Respondents to our 2017 first quarter survey, fielded just after the 2016 US presidential election, said the new administration’s first priority should be reducing the 35% corporate tax rate. In our 2020 fourth quarter survey, participants expressed concerns about the possibility of the incoming administration advocating to raise the corporate tax rate. And while workforce issues may be taking top billing for finance chiefs in this election cycle, corporate taxes—including tariffs—remain a concern for many CFOs.

When participants were asked to name three areas they’re most closely monitoring for potential impact to their own organizations, macro concerns like geopolitics (56%) and the economic environment (41%) drew the most responses. But trade policy and tariffs (39%) and changes to corporate and individual tax policy (37%) are next on the list of issues CFOs are monitoring.

Moreover, when asked to cite the economic issue they believe may have the biggest impact on the operating environment for business in general, 20% of respondents cited tariffs, while 16% selected tax policy. The combined number (36%) outweighed the other answers—inflation (34%), interest rates (20%), and debt (11%).

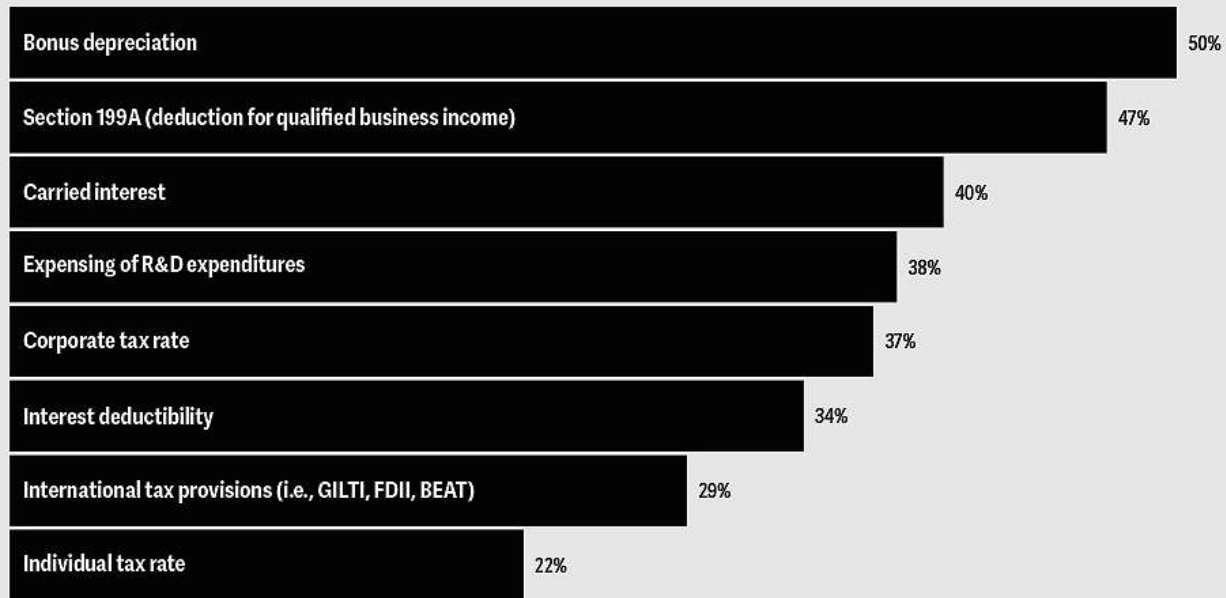
The respondents’ focus on taxes appears to make sense. The current administration’s fiscal year 2025 budget proposal includes a provision that calls for boosting the corporate tax rate from 21% to 28%<sup>3</sup>—an idea that was recently echoed by Vice President Kamala Harris on the campaign trail.<sup>4</sup> In addition, a number of key sections in the Tax Cuts and Jobs Act (TCJA) of 2017, which established the current tax rate, are set to expire at the end of 2025. Thus, Congress is likely to revisit a number of TCJA provisions next year.<sup>5</sup>

Given that scenario, what TCJA tax policy provisions hold the greatest significance for organizations? Half of the CFOs surveyed (50%) cite bonus depreciation, which allows organizations to write off a percentage of an investment cost in the first year of purchase (figure 2). The allowable deduction—currently 60%—is set to decrease over the next two years, eventually sunseting in 2027.

Figure 2

## Likely expiration of TCJA tax provisions could impact organizations on multiple fronts

Percentage of respondents answering the question, “As you may know, there is likely to be federal legislative activity in 2025 due to the upcoming expiration of certain provisions in the Tax Cuts and Jobs Act (TCJA). Which tax policy provisions are of greatest significance to your organization? Please select up to three.”



Source: CFO Signals survey results 3Q 2024.

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## Key corporate metrics are declining

Already, the twists and turns in the run-up to the election, along with shifting poll predictions about the outcome, may be setting off alarm bells for CFOs.

Consider that when our third quarter survey was fielded in mid to late July, 60% of CFOs responding said US equity markets were overvalued, compared to 34% in the second quarter survey. Four days after the survey closed, stock markets in the United States and elsewhere plunged.

The stock rout in early August 2024 was attributed, in part, to fears about a weakening US job market.<sup>6</sup> When asked about their organizations' hiring plans, participants indicated they anticipate year-over-year (YOY) growth in hiring of 1.1%. That's a decrease from a year ago when finance chiefs predicted a 1.9% bump in hiring. The third quarter prediction is also below the two-year average of 1.3%.

Expectations across other corporate metrics were muted as well. CFOs expect a YOY earnings growth of 2.1%, less than half the two-year survey average (4.7%). Likewise, they expect a slowdown in capital spending, with YOY growth in capital expenditures estimated at 3.4%. That's down from 6.2% in the third quarter of 2023. And shareholders may be disappointed with CFOs' projections that dividend growth will slow to 1.5%, down from 2.8% a year ago. Postelection, a hike in the corporate tax rate could cut into earnings, and, in turn, see CFOs push these numbers down even lower.

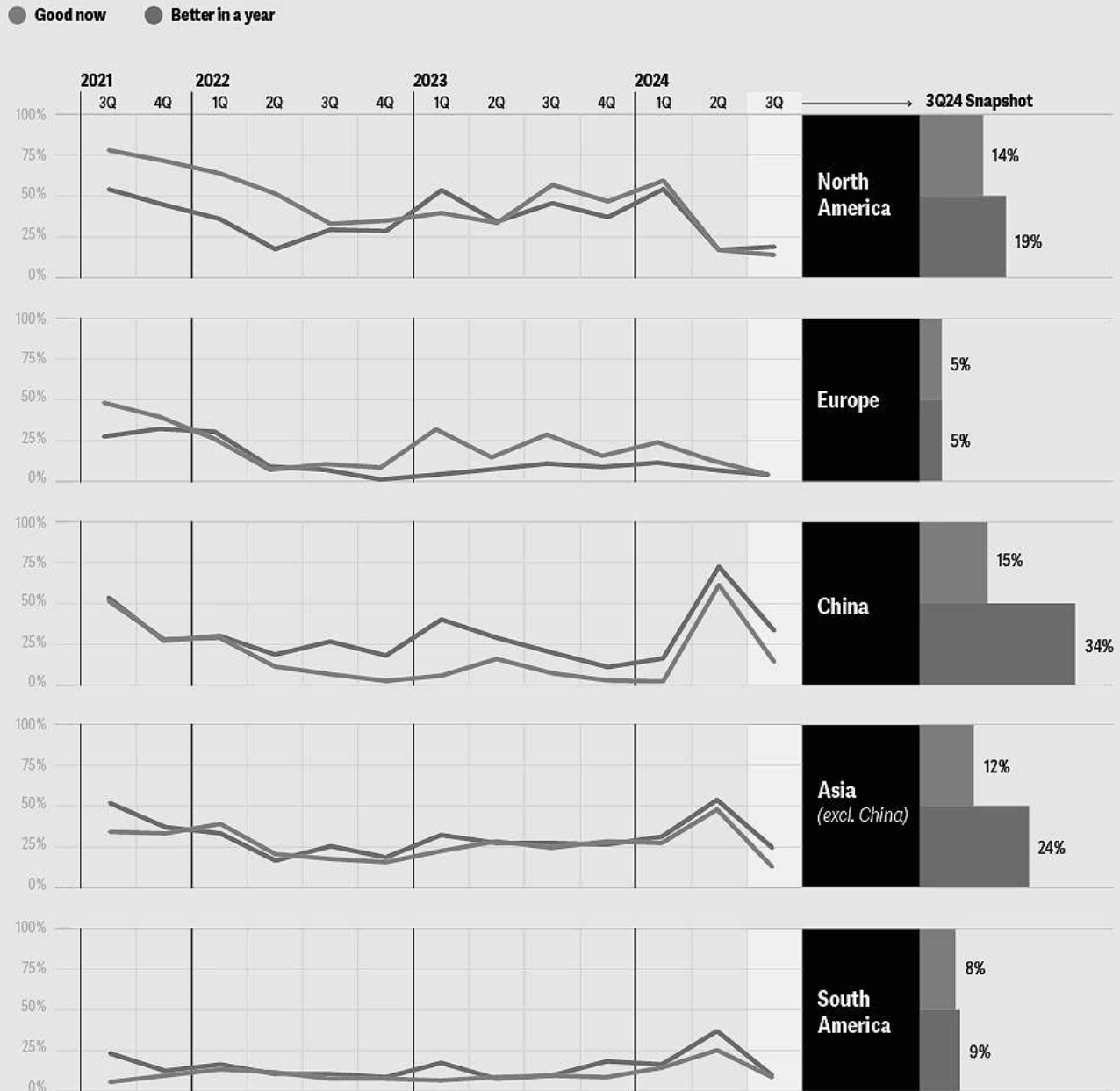
## Few CFOs are optimistic about global economies—including North America

This pessimistic sentiment also extends to respondents' assessments of the North American economy. Just 14% of CFOs rate the current North American economy as good, and only 19% see it improving in a year (figure 3). What's driving this? It's possible borrowing costs, for one, are still weighing on CFOs' views of the economy, with the Federal Reserve yet to pull the trigger on rate cuts. In fact, data from the New York Fed suggests there's a 55.8% chance the US economy will enter a recession in the coming year.<sup>7</sup> The reality is, finance chiefs aren't especially bullish on any key regional economies right now, and few expect them to perform much better in a year.

Figure 3

## Finance chiefs remain pessimistic about prospects for key regional economies

How do you regard the current and future status of the following economies?



Source: CFO Signals survey results 3Q 2024.

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## Internal and external risks influence risk appetite

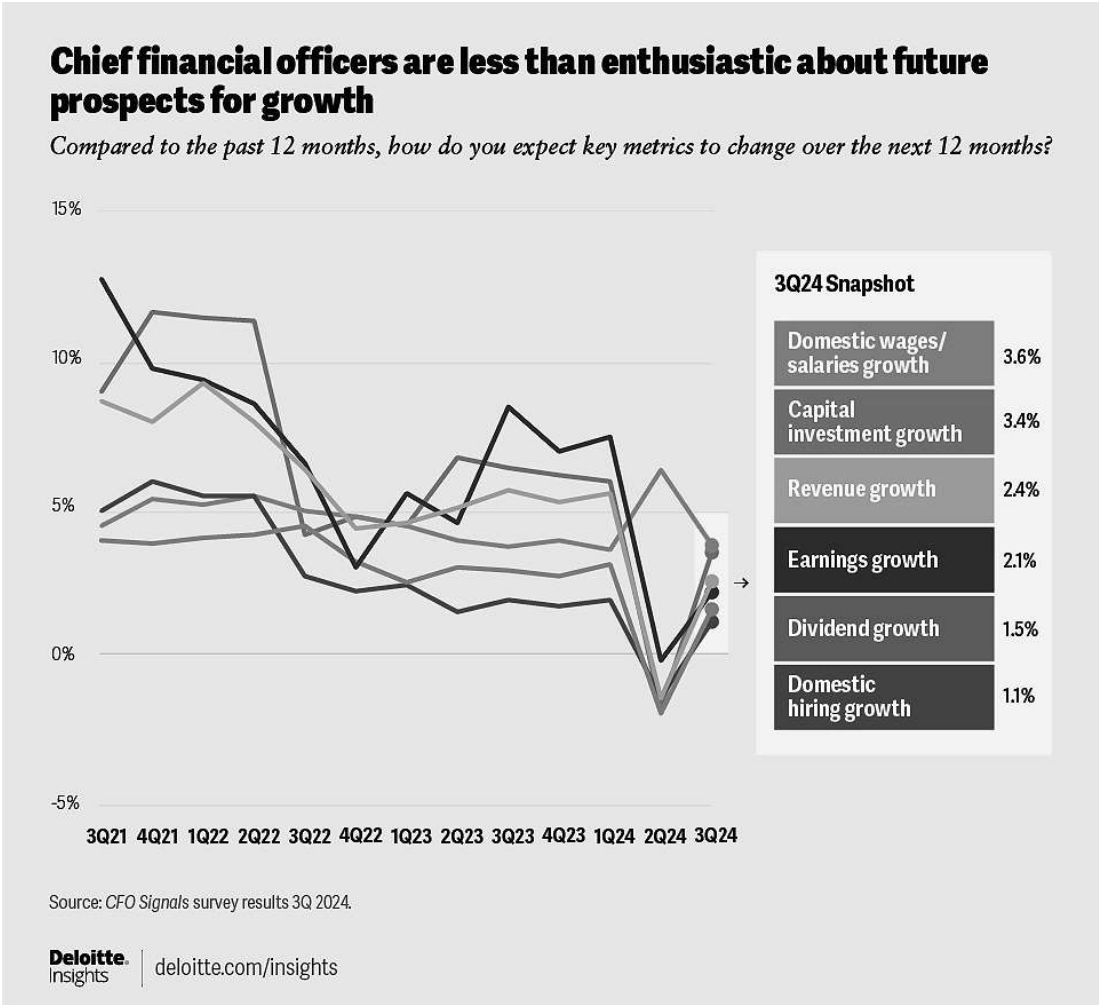
When asked to select the three external risks that worry them the most, CFOs put geopolitics near the top (52%), trailing only inflation (57%) and the economy (54%). After the election, a shift in foreign policy—or trade policy—could impact organizations with extensive overseas operations. But beyond the impact on their organizations, all three of the top three risks can directly impact key elements of the CFO's remit: risk management, budgeting, and forecasting.

So, too, can the arrival of breakthrough technologies. Nearly half (49%) of respondents named technology transformation as one of their top three internal risks. A nearly equal amount (48%) ranked efficiency and productivity as a top internal risk, likely related to the adoption of innovative technologies. Curiously, generative AI—the most cited internal risk in our 2024 second quarter survey—fell down the list (44%) and out of the top three. The drop may have to do with CFOs now seeing gen AI as a critical enabler or element of larger concepts like tech transformation and enhanced productivity.

In concert, these external and internal wild cards seem to be taking a toll on CFOs’ risk appetite. In a continuing trend, finance chiefs once again sounded a note of extreme caution about the current business climate. Only 12% of CFOs say now is a good time to be taking greater risks, compared to 26% in the second quarter of 2024. A year ago, the number was 41%.

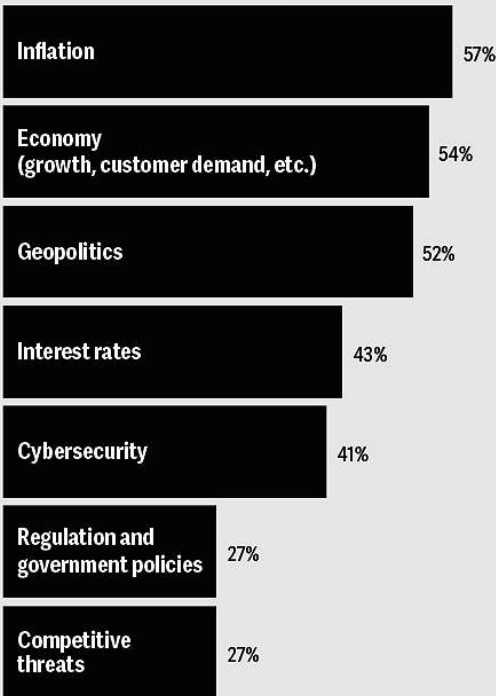
The upcoming election may present the most significant changes of all. Potential changes in tax rates and capital expenditure deductibles, immigration law, trade policy, and labor law, among others, could have major implications for an organization’s financial performance. CFOs will likely want to stay ahead of events and to anticipate—and plan for—a number of possible policy outcomes.

A majority of CFOs would probably agree.

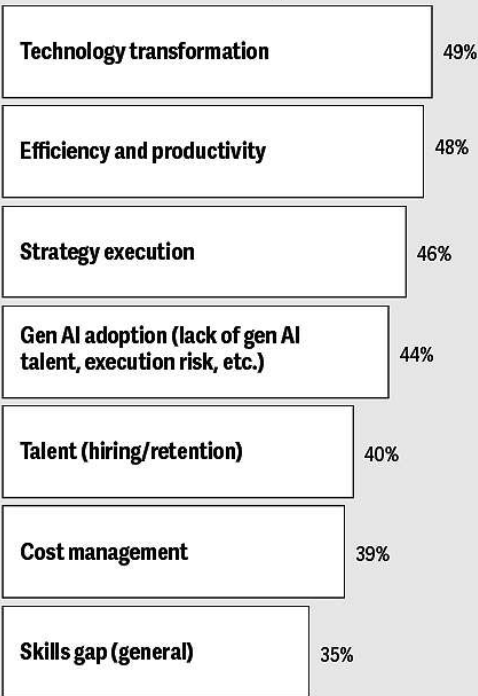


# Finance chiefs see inflation and tech transformation as top risks

Which external risk worries you most?



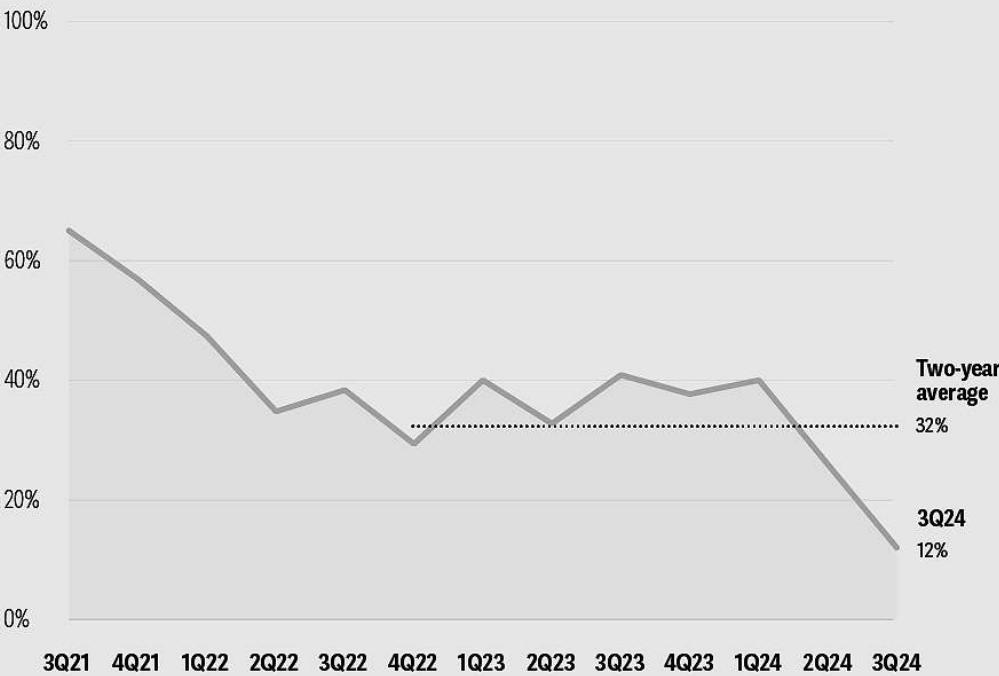
Which internal risk worries you most?



Source: CFO Signals survey results 3Q 2024.

# Risk appetite: Chief financial officers remain cautious

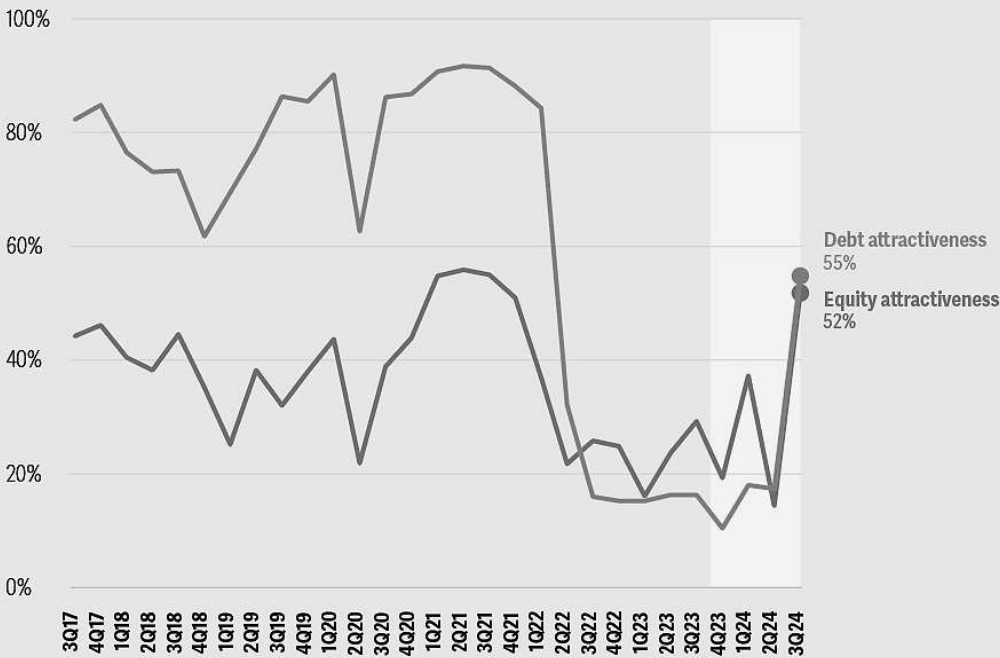
Percentage of CFOs saying it is a good time to be taking greater risks



Source: CFO Signals survey results 3Q 2024.

# Both debt and equity financing are looking more attractive to chief financial officers

How do you regard debt/equity financing attractiveness?



Source: CFO Signals survey results 3Q 2024.



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## Endnotes

1. Pew Research Center, “Amid doubts about Biden’s mental sharpness, Trump leads presidential race,” July 11, 2024, p. 5.

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2. Rebecca Rainey and Bruce Rolfsen, “Punching in: New Biden worker classification test implemented,” Bloomberg Law, March 11, 2024

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3. Deloitte, “Tax news and views,” June 28, 2024, p. 2.

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4. Andrew Restuccia, “Kamala Harris backs 28% corporate tax rate,” *Wall Street Journal*, Aug. 21, 2024.

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6. Alicia Wallace, Elisabeth Buchwald, Bryan Mena, and Krystal Hur, “Markets end the day sharply lower after weak jobs report ignites fears of a slowing economy,” CNN, Aug. 2, 2024.

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7. Wayne Duggan, “Recession 2024: What to watch and how to prepare,” US News & World Report, Aug. 5, 2024.

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