Corporate Finance Leaders Worldwide Remain Optimistic and Will Face Risk Head-On Despite Economic and Political Uncertainty, According to New American Express Global Survey
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North America's Finance Executives Most Likely to Say Robotics and Automation Will Have the Greatest Impact on Their Industries in the Next Five Years

Global finance executives remain optimistic about economic growth prospects for the year ahead, according to the *2018 Global Business & Spending Outlook*, a survey released today by American Express (NYSE:AXP) and Institutional Investor Thought Leadership Studio. Worldwide, a majority of respondents (85%) anticipate substantial or modest economic expansion in their country in 2018 (up from 70% in 2017). More than half of companies surveyed around the globe report higher or much higher revenues in the last 12 months (54%), compared to 44% in last year's survey.

However, expectations for the velocity of expansion slow in this year's study, as the proportion of respondents who anticipate substantial rather than modest expansion falls to 21% worldwide from 38% last year. The decline is most evident in the U.S., where the figure drops to 1% from 69% last year. The only region where there is not a decline in velocity is Europe, where expectations of a substantial expansion more than double to 26% this year from 11% in 2017.

The cross-industry findings in the joint American Express and Institutional Investor[1] study are based on a survey of 870 CFOs and other senior finance executives of firms with annual revenues of $500 million or more, located in North America, Europe, Latin America[2], Asia, and Australia, and now for the first time in its eleven year history, the survey includes the Middle East region.

Faced with potential economic and political uncertainty, respondents anticipate shifting their approach from withdrawing business from high risk regions (87% in 2017, down to 59% this year) to facing risk head on. Companies indicate growing interest in expanding enterprise-level risk management systems or process improvements (68%, up from 43% in 2017) and asset protection initiatives (56%, up from 42% in 2017) rather than fleeing risk.

"For large and global companies, uncertainty has become the new normal," said Brendan Walsh, Executive Vice President, American Express Global Commercial Services. "As they pursue sustained gradual growth, the leaders of these firms are taking a back-to-basics approach and focusing on the fundamentals – better serving customers and meeting their needs, developing new products, entering new markets and prioritizing business transformation and innovation."

Findings from this year's study suggest that companies have replaced reactive anxiety with a more tempered managerial approach. The proportion of respondents who agree that widely unanticipated surprise events are a rapidly growing concern at their companies fell to 64% this year from 91% in 2017. While unease about economic, political, and environmental disruption is lessening, global executives remain watchful, and their spending plans indicate greater risk mitigation. This year, uncertainty about economic and political matters—from outside respondents' countries (50%) as well as inside (48%), in near-equal measure—is affecting spending and investment. Last year, economic and political uncertainty outside respondents' own countries was twice as likely (74%) as domestic ambiguity (36%) to cause respondents to be more cautious about spending and investment.

Better Meeting Customer Needs Has Become a Top Priority; Spending Plans Center on Technology

In the year ahead, as global business leaders prioritize their financial goals, they are most likely to focus on finding ways to serve their customers more effectively. Better meeting customer needs is a top priority for survey respondents worldwide (71%, up significantly from 48% last year). Globally, respondents' efforts to better meet customer needs and protect market share will spur companies to invest more in developing new product offerings (39% in 2018, up from 20% in 2017) and in improving their production processes (26% in 2018, up from 18% last year).

North American (U.S. and Canada) respondents are the most likely to focus on better meeting the needs of customers (84% in 2018, up from 50% last year), followed by new market entry (68% in 2018, up from 47%

in 2017) and business transformation and innovation (53% in 2018 versus 24% last year).

As companies carry out their spending plans, they will focus on core organic growth of the business rather than secondary contributors to business performance. These firms are most likely to expand their product development, production and sales and marketing capabilities. Nearly 40% of all respondents plan to deepen their investment in developing new products and services (39% this year versus 20% in 2017). Last year, companies were most inclined to boost spending on administrative process improvement (47% in 2017), while only 32% of respondents anticipate expanding spending on such improvements this year.

When asked specifically about category-level spending plans, mobile technology was the top category expected to see an increase (36%, up from 28% last year). Other high-priority spending categories include services to ensure sustainable, ethical, and transparent business practices (33% anticipate increased spending) and T&E (30% anticipate increased spending in 2018, up from 21% last year).

Queried on their number-one technology spending priority, respondents say they are most likely to boost spending in information security, in an effort to protect against data breaches. Nearly one-quarter identify IT security as their top spending priority (23%), up from only 9% last year, followed at a distance by mobile technology (13%, up from 8% last year). Ninety-one percent of respondents worldwide plan to allocate more resources to protection of data on customers, suppliers and employees over the next two years.

Global Workforce Increases Anticipated, but Hiring Will Be at a Slower Pace

Senior financial executives worldwide plan to increase their companies' workforce in the year ahead. Ninety-three percent of all survey respondents anticipate an uptick in their companies' headcount in the coming year (up from 85% last year). Nevertheless, they will be hiring at a slower pace than previously. Last year, 23% expected headcount to grow by 10% or more, this year 17%. However, employee growth of 6% or more rose to 71% worldwide this year, up from 45% last year. On average, respondents worldwide anticipate an increase in headcount of 8% at their firms this year, up from 7% in last year's study.

As companies look to increase their workforce, general management staff and administration and support staff are cited most often as the categories of employees that are difficult to hire and retain (each, 45%). To meet their staffing needs, companies worldwide are likely to expand their use of temporary and part-time workers (57%, down from 63% in 2017) and to "on-shore" (47%, vs. 49% last year), by moving positions from overseas to domestic locations, as opposed to outsourcing and offshoring (24%, down significantly from 47% last year). Overall, respondents see the use of contractors, freelancers, and temporary workers as an important part of (55%)—but seldom central to (4%)—their employment strategies.

In an effort to attract and retain employees, global companies plan to make employees' work experience more professional, satisfying and comfortable. More than half of respondents plan to improve the working environment by reconfiguring office space and providing more amenities (56%), offering more flexible schedules and remote-work opportunities (54%) and expecting to expand career development through relocation and geographic rotation programs (51%).

AI, Robotics and Automation Most Likely to Keep Finance Executives Up at Night

When asked about the emerging technologies that "keep them up at night," senior finance executives around the world are most likely to express concern and curiosity for robotics and automation (57%) and artificial intelligence (54%). North American finance executives are much more likely to express concern for robotics and automation (71%) than artificial intelligence (31%).

In line with their concerns and speculation about emerging technology, respondents report already making investments in artificial intelligence (54%) and robotics and automation (52%).

Approximately one-in-five respondents worldwide anticipate that next-generation technology will bring major disruption to their industry (23%), country (21%), or company (18%) over the next five years.

Exports More Important Sources of Growth; Greater Role Foreseen for Imports

Political change and global trade policy are especially likely to strengthen growth prospects for companies in 2018, according to more than half of survey respondents (52%). Over the next year, more than two-thirds (68%, up slightly from 63% in 2017) of finance leaders expect exports to become more important for their company's growth. North American respondents are among the most likely to say exports will be more important for growth (76%, up from 69% in 2017).

Queried on the role of imports, over the next twelve months, nearly half (47%) of businesses expect imports from suppliers and vendors outside their home country to become more important for their company's growth.

For the full *Global Business & Spending Outlook* , visit: https://amex.co/bizoutlook2018

Snapshots by region available at: https://amex.co/bizoutlook2018-snapshots

Charts and figures available by request.

Methodology

The *2018 Global Business & Spending Outlook* was conducted by Institutional Investor Thought Leadership Studio[1] (IITLS) and is based on a survey of 870 senior finance executives from companies around the world with annual revenues of $500 million or more. All survey responses were gathered in late November and December 2017. IITLS estimates the margin of error for this population to be approximately +/-3% at a 95% level of confidence.

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[1] From 2008 to 2016, CFO Research, a unit of CFO Publishing LLC, conducted this annual study in collaboration with American Express. All survey data prior to 2017 cited in this report was gathered and verified by CFO Research.

[2] In the *Global Business & Spending Outlook* , Mexico is grouped with the Latin American economic region due to economic similarities, rather than with the United States and Canada.

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