Grant Thornton

Election, rate cuts have CFOs primed for growth

Survey shows dramatic surges in confidence and optimism

> “The fact that the election was clear one way or another has CFOs feeling a sense of relief. Now finance leaders can proceed with more confidence.”
>
> **Paul Melville**
> **National Managing Principal, CFO Advisory, Grant Thornton Advisors LLC**

Growth is at the top of the menu for finance leaders as Grant Thornton’s CFO survey for the fourth quarter of 2024 shows that the uncertainty associated with the election in November has given way to unrestrained optimism about the U.S. economy and meeting business goals.

Compared with the previous quarter, the rises in optimism and some key confidence metrics are unmatched in the four years that this survey has been conducted on a quarterly basis. In this survey of more than 250 finance leaders of organizations with more than $100 million in yearly revenue, respondents reported 13-quarter highs in their confidence in meeting:

- Growth projections (65% said they were confident)
- Increased demand (64%)
- Cost control goals (62%)
- Labor needs (60%)

Finance leaders’ view of the U.S. economy was similarly upbeat, as the 68% who expressed optimism rose 22 percentage points from Q3 to reach the highest mark since the third quarter of 2021. Grant Thornton CFO Advisory Services National Managing Principal Paul Melville said the reduction of uncertainty that defined a contentious election period is fueling CFO optimism.

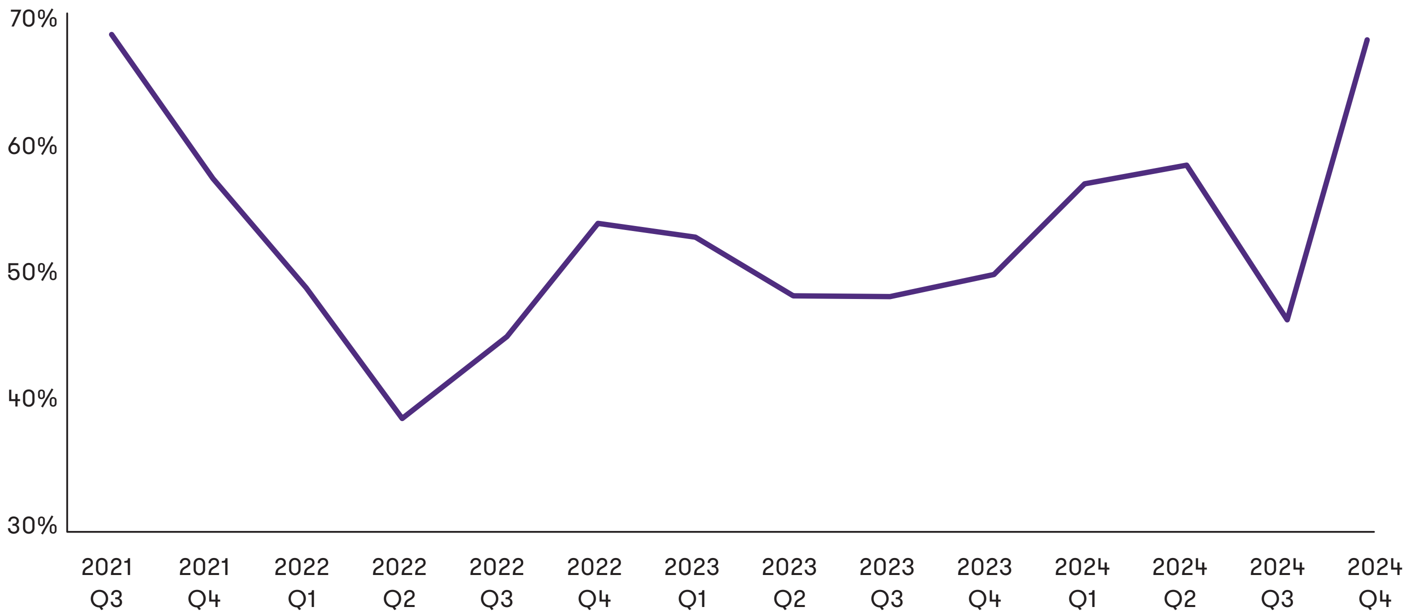
“The fact that the election was clear one way or another has CFOs feeling a sense of relief,” Melville said. “Now finance leaders can proceed with more confidence.”

Other results from the survey were broadly aligned with high growth expectations — and with the transformation to an increasingly digital landscape that has been a focus for CFOs for the past few years:

- Forty-five percent of respondents will be increasing or accelerating investments as a result of the election, while just 15% are holding off on some investments because of the election.
- The portion of finance leaders who are using generative AI rose to 60%, up from 46% in the third quarter and double the 30% who were using it just a year and a half earlier.
- Rapid implementation of technology has CFOs concerned about digital vulnerabilities. Respondents cited cybersecurity as the biggest challenge facing their organizations.
- After two Federal Reserve benchmark interest rate decreases in three months, CFOs reported that they’re focusing less on liquidity, debt and access to capital. Funding their optimistic plans appears to be getting easier.
- The percentage of finance leaders who expect sales and marketing expenses to increase rose for the sixth consecutive quarter to 58%, demonstrating CFOs’ aggressive plans to boost revenue.

Cost optimization as a top focus

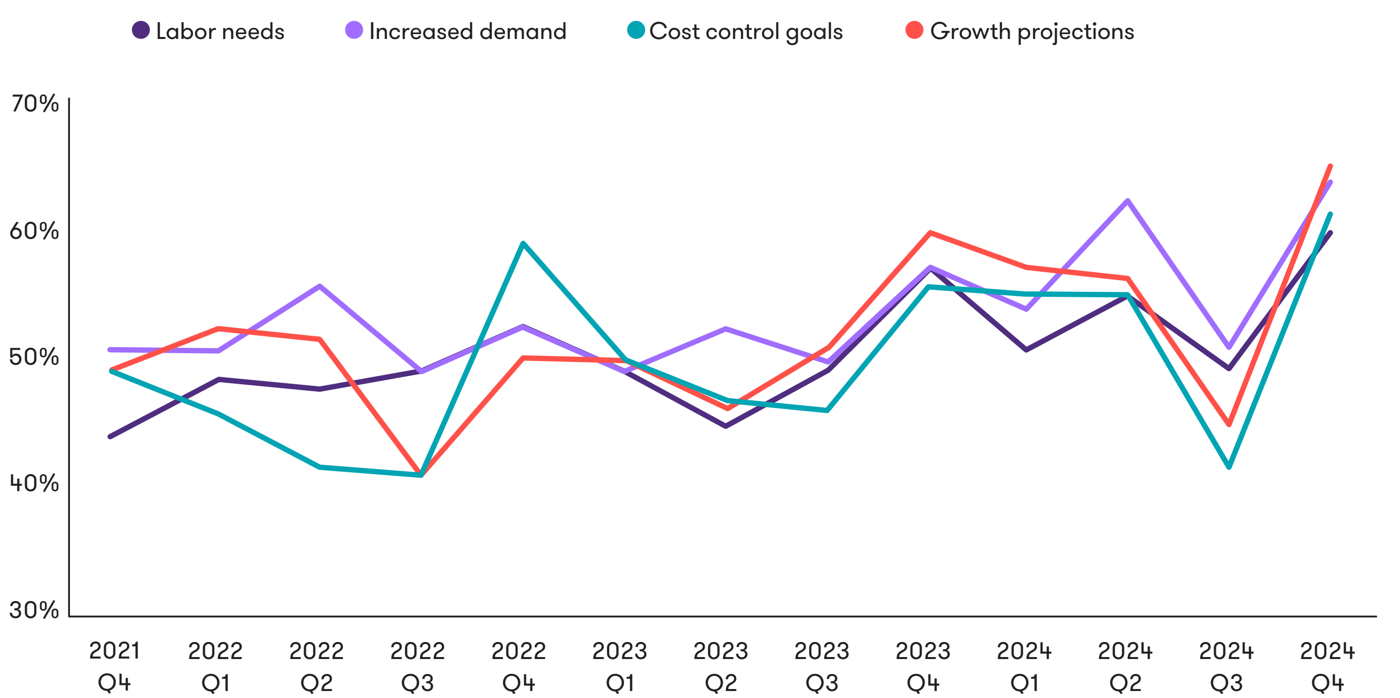
The portion of CFOs ranking cost optimization as a top-2 area of focus skyrocketed this quarter.



Source: Grant Thornton CFO surveys

Confidence soars

Rate your confidence in your business' ability to meet its goals in each of these areas



Source: Grant Thornton CFO surveys

Election affects investment strategies

With the expiration of much of the Tax Cuts and Jobs Act set to take place at the end of 2025, and following the November vote that made Donald Trump president-elect and gave Republicans control of both chambers of Congress, CFOs said tax policy is the election-related factor that will have the biggest impact on their business in the coming year.

Many respondents expect their organizations' taxes to be lowered as a result of the election.

- "I expect that there will be tax cuts for my company," one respondent said.
- "This company plans to increase domestic activities due to Trump proposing lowering the corporate income tax rate," echoed another respondent.
- "If the new administration provides more generous R&D tax credits or deductions, my business may have an incentive to accelerate innovation, invest more heavily in new products or technologies, or expand my R&D team," said a third finance leader.

> **"With single-party control of Congress, we would expect an easier path for new legislation. Nonetheless, there is a lot of uncertainty about the direction and extent of those anticipated changes."**
>
> **Dana Lance**
> **National Tax Solutions Leader**
> **Grant Thornton Advisors LLC**

Although the broader expectations for lower taxes were captured in the survey, there's a great deal that's unknown about the exact changes in tax policies that might be implemented by the new Congress and administration. But Republican control over the presidency and Congress makes it likely that corporate tax rates will not increase and that most of the Tax Cuts and Jobs Act (TCJA) policies will be extended — though Congress and the second Trump administration will weigh a number of different variables and campaign promises.

"The biggest tax reform we've had since the 1980s was under Trump, with the TCJA," said Grant Thornton National Tax Solutions Leader Dana Lance. "A lot of the policies put in place with the TCJA are slated to expire at the end of 2025. With single- party control of Congress, we would expect an easier path for new legislation. Nonetheless, there is a lot of uncertainty about the direction and extent of those anticipated changes changes."

Despite the lack of specificity related to taxes, Lance suggested that there are important tax considerations an organization can start assessing now. Interest and research expense planning, Pillar 2 implementation, transfer tax planning and fixed asset strategy implementation can put an organization in a favorable position while awaiting more specific policy details.

"Doing this can help a business get ready so that, as soon as the policy direction clears up, leadership can act quickly to get the best result from the changes," Lance said.

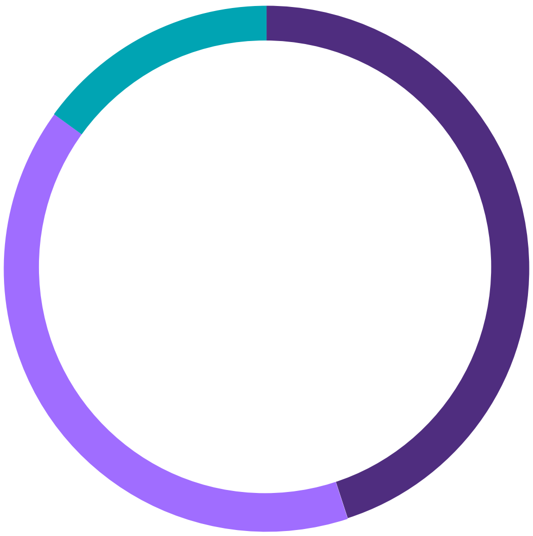
The election-related factor that survey respondents said would have the second-biggest effect on their businesses was regulatory policy. Many finance leaders expect the incoming administration and Congress to roll back some regulations and decrease compliance costs.

"Loosened regulations should help our business operate more efficiently and create further demand," one respondent said.

The potential weakening of environmental regulations created a mixture of approval and concern among respondents. Finance leaders who use fossil fuels for electricity generation or plan to drill for oil and gas in areas that are currently restricted are tuned in carefully for the potential loosening of environmental rules.

Election effect on investment plans

Q: How have the results of the election affected your investment plans?



- We are increasing some investments **45%**
- No effect on our investments **40%**
- We are scaling down our investments **15%**

Source: Grant Thornton CFO survey 2024 Q4

Meanwhile, CFOs in businesses that support the clean energy subsector are concerned about a weakening of environmental regulations, and still others expressed interest in encouraging the transition to clean energy or said their organizations are committed to pursuing sustainability and ecologically friendly policies.

President-elect Trump's stated plans to increase tariffs also created concern among some respondents:

- "Tariffs would be devastating," one respondent said.
- "We are expecting tariffs and other economic policies to increase inflation, which will affect both current projects in progress and the future cost of capital," said another respondent.

Other respondents said they expect inflation to decrease under the incoming administration. But tariffs also were identified as the top business concern emerging from the election during a recent Grant Thornton webcast on post-election business strategies. Companies in industries that could be heavily affected by tariffs — such as manufacturing and retail — will need to explore their supply chain options carefully in the coming months and adjust their strategies where necessary.

Grant Thornton perspective: The effects of tariffs

The first Trump administration's trade policy marked a significant shift through the strategic use of tariffs:

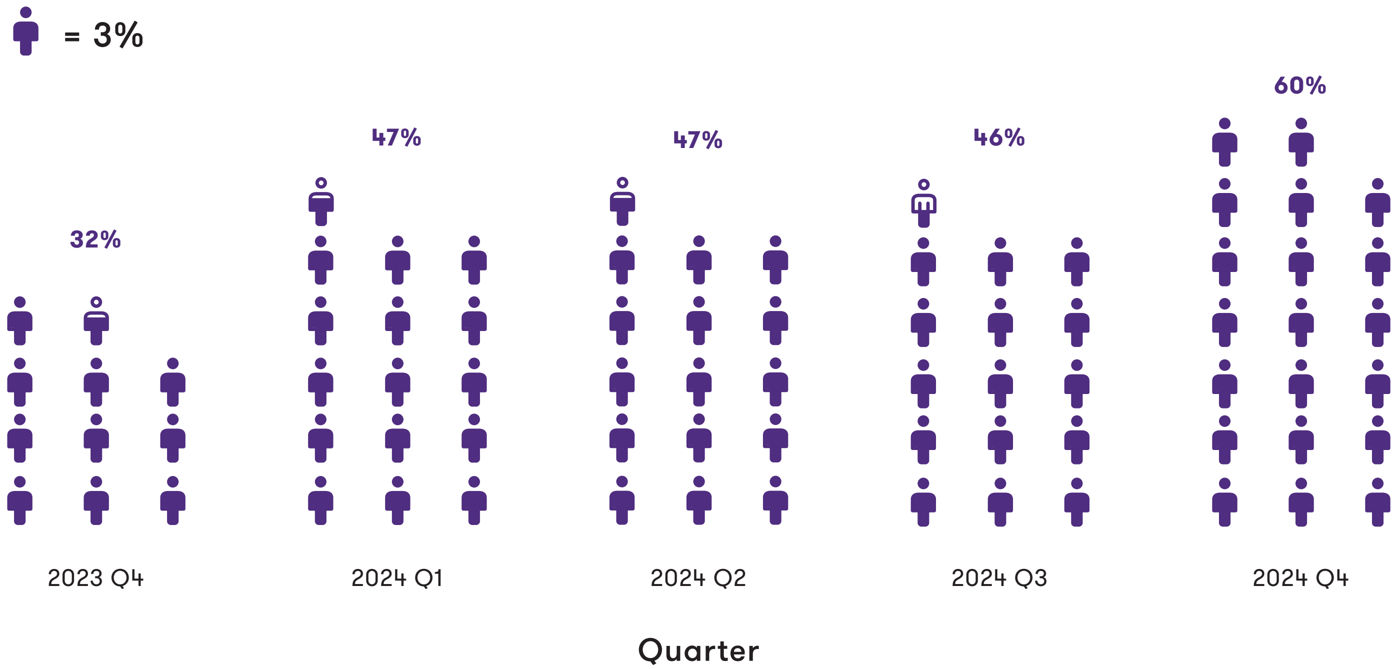
- From most countries, 25% tariffs on steel and 10% tariffs on aluminum imports
- On approximately $370 billion of Chinese goods specifically, tariffs up to 25%
- On washing machines and solar panels, additional targeted tariffs

Trading partners responded with retaliatory measures: China imposed tariffs on $110 billion of U.S. products; while the EU, Canada, Mexico and others imposed tariffs on more than $42 billion of U.S. exports. By March 2024, these trade war tariffs had generated more than $233 billion in higher taxes collected for the U.S. government from U.S. consumers, with $89 billion (38%) collected during the Trump administration and the remaining $144 billion (62%) during the Biden administration.

The Biden administration largely maintained this tariff framework while making targeted adjustments through new agreements with trading partners. The administration negotiated tariff rate quotas with the EU, UK and Japan on steel and aluminum imports, and in May 2024 expanded tariffs by imposing rates of 25% to 100% on $18 billion worth of Chinese goods, including semiconductors, electric vehicles, batteries and critical minerals. Based on actual revenue collection data, trade war tariffs have directly increased tax collections by an average of $200 to $300 annually per U.S. household. Looking ahead, elevated tariffs appear likely to remain a key feature of U.S. trade policy, though increasingly targeted toward advancing specific industrial policy objectives rather than across-the-board increases.

Digital transformation and AI adoption surge

Portion of CFOs whose organizations use generative AI



Source: Grant Thornton CFO surveys

The rapidly accelerating use of AI reflected in the survey has been accompanied by a substantial return on investment (ROI) for many organizations. Eighty-seven percent of the respondents who are using generative AI said they have calculated the total cost of implementation, including setup, training and third-party advisory costs.

More than two-thirds (68%) of generative AI users said they have realized returns of at least double their investment. Generative AI users are deploying the technology most for data analytics and business intelligence (73%), and also for cybersecurity and risk management (63%) and customer experience management (61%).

Generative AI users continue to identify more business use cases. Sixty-seven percent (up from 60% in Q3) have clearly defined acceptable use cases for generative AI, while 64% (up from 53% in Q3) have defined and are monitoring the risks associated with generative AI.

"As AI underpins more of the business, you're in trouble if the generative AI is producing faulty results because you're not asking the right questions or the source data is wrong. Those guardrails around who's using AI and why they are using it are becoming more important," Melville said.

The survey shows that many organizations might need to reinforce AI guardrails. The portion of CFOs who said their board of directors has taken an active role in understanding governance fell 13 percentage points from last quarter to a six-quarter low of 41%.

Meanwhile, the portion of CFOs who said their organization has formal training in place on generative AI fell to 48%, down from 58% in Q2.

“Boards are engaging in thoughtful discussions about AI with management; particularly around GenAI and where experimentation with these new tools could lead to risks.”

Mike Notarangelo
Private Equity Audit Leader, Grant Thornton LLP
Principal, Grant Thornton Advisors LLC

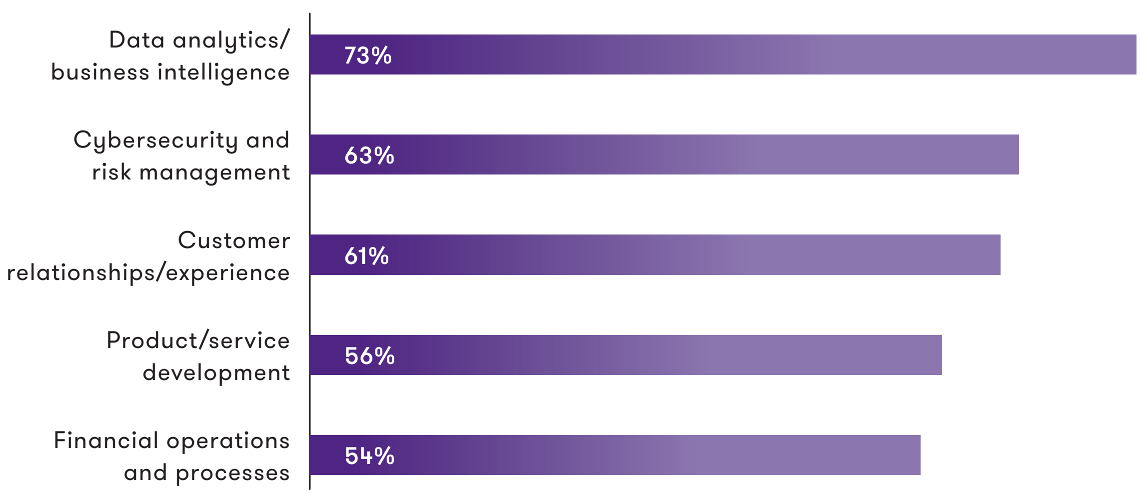
Grant Thornton Private Equity Audit Leader Mike Notarangelo has a hopeful perspective about board governance after meeting with board members on the subject of AI at the National Association of Corporate Directors Summit in October. Board members at that event reported an increasing focus on AI governance.

“Boards are engaging in thoughtful discussions about AI with management, particularly around GenAI and where experimentation with these new tools could lead to risks,” Notarangelo said. “They want to understand how it’s being used, how risks are being addressed, and how spend is being managed as part of maintaining an appropriate AI governance framework.”

Another takeaway from his discussions with board members is that organizations still have many opportunities to take advantage of established AI tools, such as machine learning, which have a long track record of favorable ROI. It’s important to experiment with newer generative AI tools, but machine learning and other technologies with proven use cases can be a reliable source of returns.

AI deployment

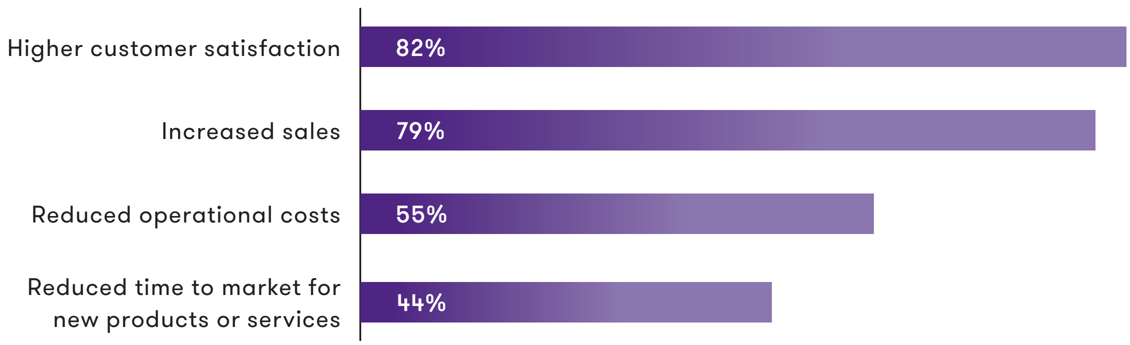
Q: If you are currently using generative AI, where are you deploying it?



Source: Grant Thornton CFO survey 2024 Q4

Factors for assessing AI ROI

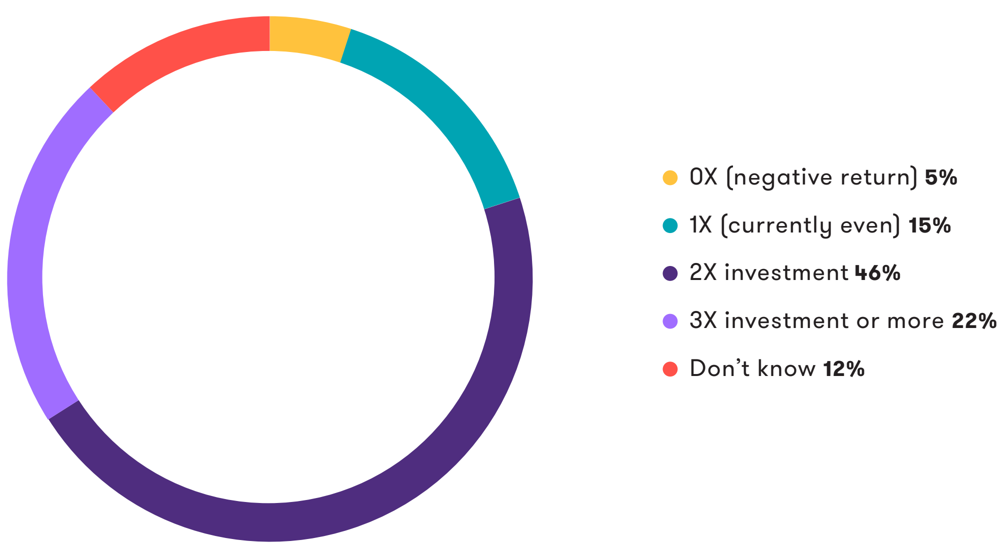
Q: When assessing your ROI, please select the factors you use to calculate the benefits derived from implementation?



Source: Grant Thornton CFO survey 2024 Q4

CFOs get returns on AI investments

Q: If you have invested in generative AI, how would you estimate your investment return to date?



Source: Grant Thornton CFO survey 2024 Q4

Beefing up cybersecurity

The dramatic rise in use of generative AI and other technology has CFOs determined to make substantial commitments to cybersecurity upgrades.

"Cybersecurity around AI is very new," said Grant Thornton Risk Advisory Services Cybersecurity and Privacy Leader Derek Han. "People are investing in this area because they want to make sure they control those risks."

The survey showed that:

- Sixty-nine percent of respondents expect cybersecurity expenses to increase over the next 12 months — a 16-quarter high and an increase of 16 percentage points over Q3.
- Sixty-three percent of finance leaders whose organizations are using generative AI are deploying it for cybersecurity and risk management — up from 55% in Q3.
- Cybersecurity is the second-highest focus area for CFOs, just slightly behind cost optimization.

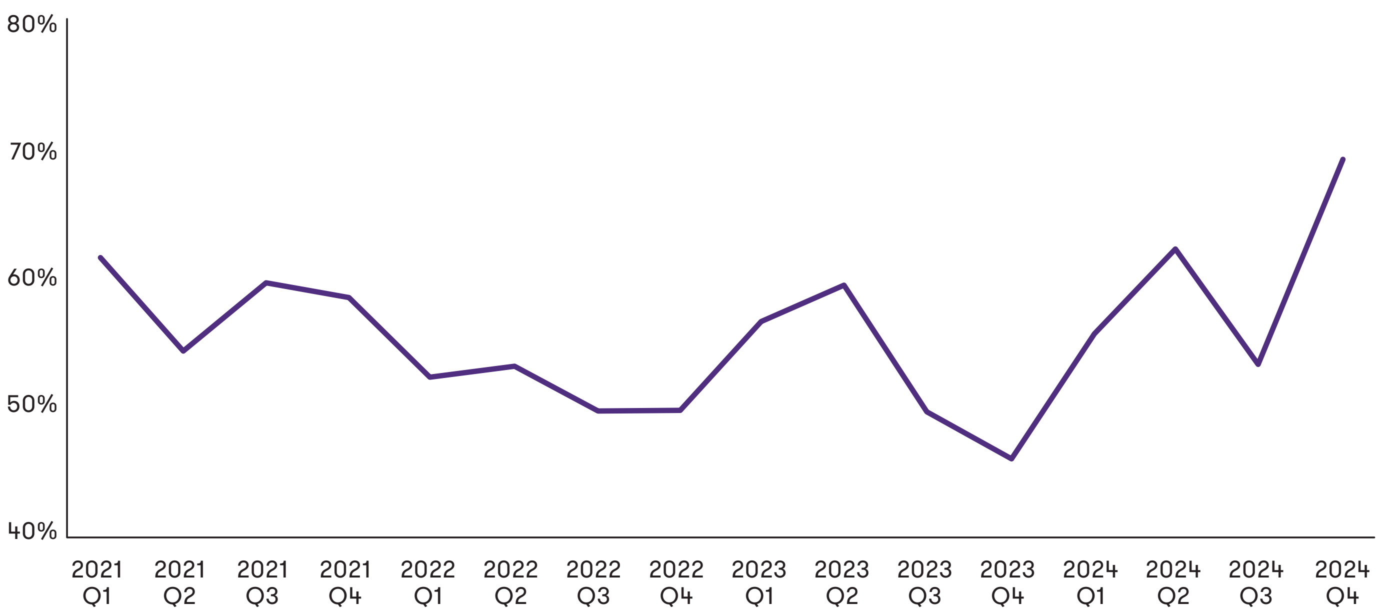
Han said the pairing of cost optimization with cybersecurity is significant, as CFOs are looking for budget-friendly ways to manage risks.

"The increased cyber spend doesn't mean they're necessarily going to add more people," Han said. "They might actually be looking at reducing the overall labor cost but using the funding to invest in more automation to improve the efficiency and accuracy of their controls."

> "Cybersecurity around AI is very new. People are investing in this area because they want to make sure they control those risks."
>
> **Derek Han**
> **Risk Advisory Services Cybersecurity and Privacy Leader**
> **Grant Thornton Advisors LLC**

Sales/marketing spending on the rise

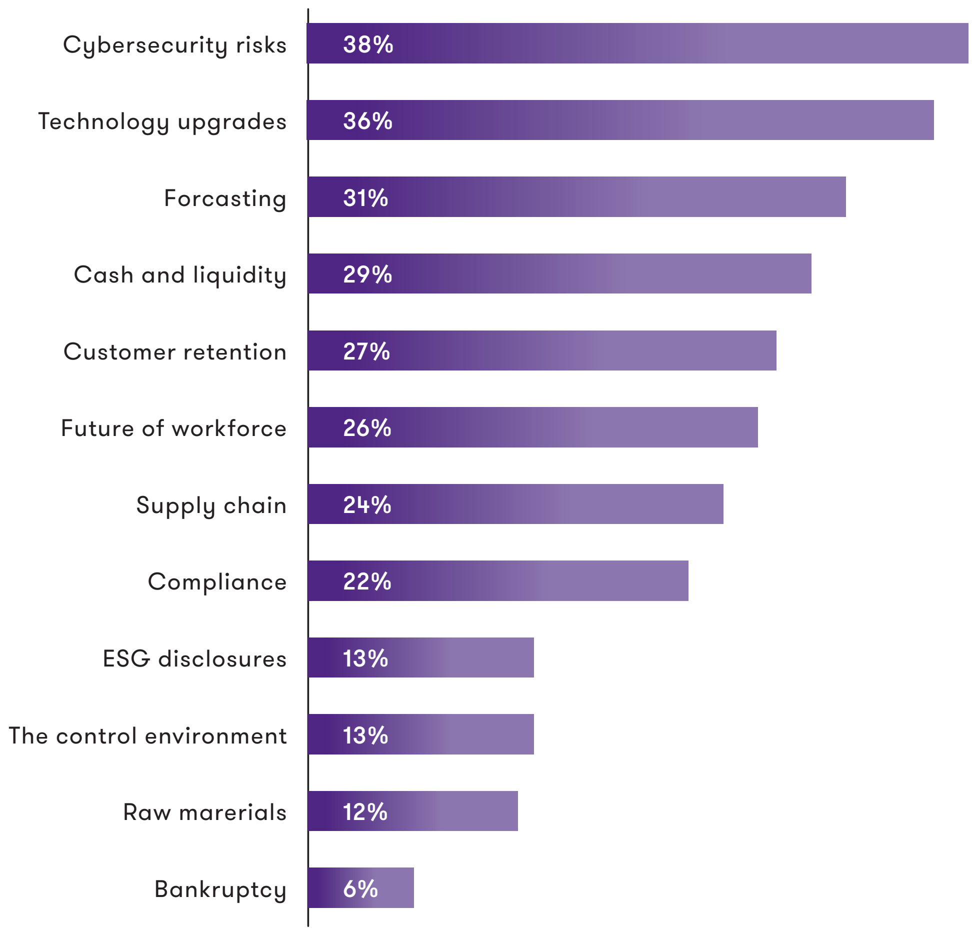
Portion of CFOs who expect their sales/marketing expenses to increase over the next 12 months.



Source: Grant Thornton CFO surveys

Cybersecurity tops list of challenges

Q: What are the top three challenges your business will face over the next six months?



Source: Grant Thornton CFO survey 2024 Q4

Despite the intense focus on AI, Han said the cybersecurity attacks that organizations are facing aren't much different from the past. Attackers might be using methods aided by AI, such as more deepfake videos and fake images, to trick unsuspecting employees into clicking on malignant links. Common attack scenarios, such as malware and ransomware, remain the biggest threats, and nation-state actors continue to pose significant risks.

The consistency in the types of attacks means that organizations should continue to aggressively deploy leading cybersecurity tactics for detecting, preventing, and responding to threats. Because employees remain the weakest link in cybersecurity protections, it's essential to train them at regular intervals on how to spot and prevent breaches.

Meanwhile, as processes and technology are changing rapidly at many organizations, it's important for leaders to make sure controls are in place to mandate regular testing by internal personnel and/or third-party professionals. They can monitor for cybersecurity gaps that can develop amid this rapid change.

Turning optimism into growth

Uncertainty is the universal foil for CFO sentiment. Whether markets are favorable or unfavorable, finance leaders who are grounded in a certain, predictable environment generally know which strategies will produce positive results for their businesses.

The optimism demonstrated in the Q4 survey reflects finance leaders' pleasure at the lifting of a shroud of uncertainty. The election provided some hints at the government policy direction for the coming years, and the long-awaited relaxing of benchmark interest rates made financing more affordable.

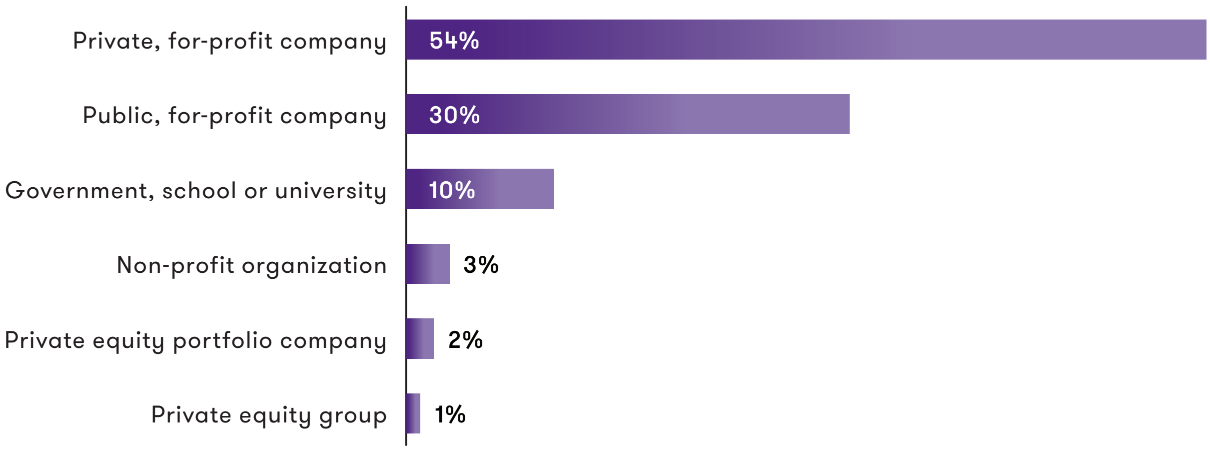
More certainty should arrive in the coming months as policy proposals firm up. In this environment, organizational leaders might:

- **Consider M&A possibilities:** It's go-time for companies that were holding off on M&A until after the election, and reduced interest rates should make it easier to finance deals. "Everything is pointing in the right direction for deals," Notarangelo said. "There's pent-up demand and a lot of dry powder out there, and the fundamentals that support dealmaking are trending up."
- **Pursue organic growth:** The percentage of finance leaders who are cutting back on long-term strategic initiatives has fallen to a 10-quarter low. In other words, it's time for leaders to dust off their checkbooks and fund the growth opportunities they've been longing to cultivate.
- **Continue AI adoption:** "If you go back 12 or 18 months, AI probably wasn't table stakes," Melville said. "Now, with any business problem, the first thought is whether AI can solve it."
- **Strengthen cybersecurity:** Increases in digitization create new vulnerabilities. Many CFOs expect cybersecurity expenses to increase, and new security software might be necessary to plug the gaps.
- **Monitor policy changes:** Companies need to be prepared to act as regulations are enacted (or discarded). From taxes to tariffs, leaders need to be ready to react quickly to new regulatory direction.

As CFOs look ahead to 2025, the environment appears to favor investment in growth. Finance leaders who decide to be bold will find a lot of company in the current markets as optimism rules the day.

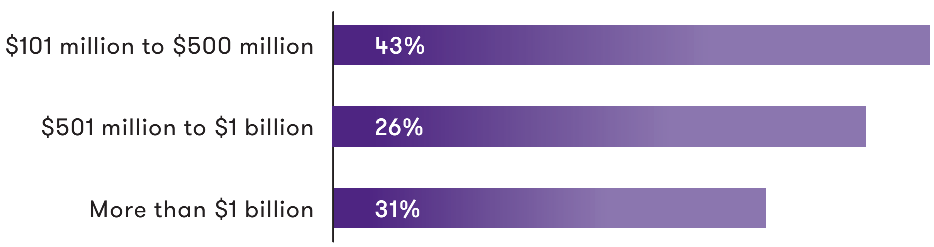
About the survey participants

Type of organization



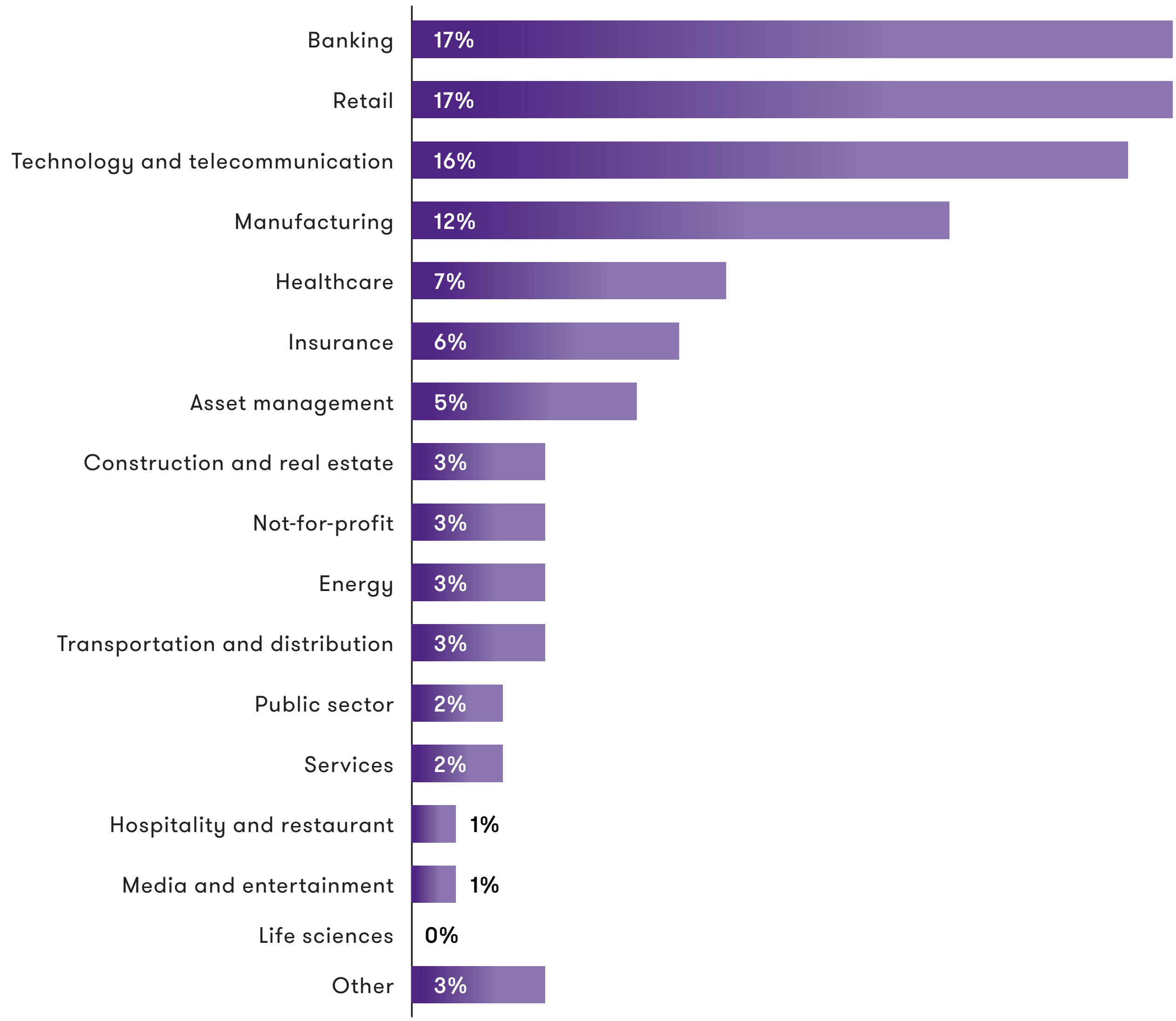
Source: Grant Thornton CFO survey 2024 Q4

Company revenue



Source: Grant Thornton CFO survey 2024 Q4

Respondents' industries



Note: Figures do not add to 100% due to rounding

Source: Grant Thornton CFO survey 2024 Q4

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