

CFOs optimistic on U.S. economy should factor protectionism into forecasts

Chief financial officers are still confident that the U.S. economy will remain strong over the next three years, according to a new study by Zurich, EY and the Atlantic Council. Even so, they should keep an eye on risks including protectionism, which could pose a threat to the world's biggest economy.

Zurich, May 3, 2018 – Zurich Insurance Group (Zurich) – Chief financial officers believe the U.S. presents a good investment case, but businesses need to think strategically when it comes to taking recent global developments into account, including a rise in protectionism anticipated by many, according to a new report published today by Zurich Insurance Group (Zurich), EY and the Atlantic Council.

Ten years into the global economic recovery, 61% of CFOs surveyed felt confident or extremely confident about investing in the U.S., while 71% expected continued improvement in the U.S. business environment over the next three years.

Findings published in the report, '[Borders vs Barriers: Navigating uncertainty in the U.S. business environment](#),' were in particular drawn from a survey of close to 500 CFOs from 30 countries carried out in February and March 2018. A positive economic outlook, deregulation and the passage of landmark tax reform legislation in the U.S. contributed to the optimism.

Yet companies might also want to consider the potential threats to their rosy expectations. “The improved short-term economic outlook appears to be prompting CFOs to be overwhelmingly optimistic. At the same time, many CFOs doing business in the U.S. have never experienced an economic downturn, and the world is more uncertain due to a number of recent geopolitical events,” said George Quinn, Group Chief Financial Officer at Zurich. “This increases the importance of being truly prepared for the longer-term potential negative impact of geopolitical events.”

He believes that the key for businesses will be to develop a more strategic approach to understanding geopolitical change, and to integrate geopolitics into their planning. “This will minimize the risk that you become a victim and increase your ability to take full advantage of opportunities that will also emerge,” Mr. Quinn added.

Confidence high worldwide, strongest in U.S.

Most bullish among CFOs surveyed were those in North America, where 75% expect the business environment in the next three years to improve. At 71%, European CFOs were nearly as optimistic, while those in Asia Pacific and South America, at 68% and 65% respectively, were the least optimistic. Despite trade tension between the U.S. and China, and a planned renegotiation of the North American Free Trade Agreement (NAFTA), 62% of Asia Pacific CFOs and 60% of North American CFOs said that the U.S. business climate was getting better for foreign businesses compared with to six months earlier. In Europe, slightly less than half of CFOs surveyed shared this view.

Concerns about potential policy restrictions

While growth expectations are high, the survey findings also indicated that CFOs are most concerned about classic protectionist threats. Potential restrictions to the flow of goods, capital and people would weigh on growth. A majority of CFOs, 68% surveyed, believe U.S. protectionism will increase in the next three years, with 46% indicating this would have a negative impact on investments. Nearly two-thirds expect increased U.S. scrutiny of cross-border mergers and acquisitions, and two-thirds expect more restrictive immigration policies in the U.S. Such policies would negatively influence investment, according to 42% of CFOs surveyed.

Manage geopolitics or be managed by them

To help companies and their CFOs prepare for future uncertainties, the report explored three different geopolitical scenarios and the impact each might have on the U.S. economy: Isolationism, Atlanticism and Internationalism. Companies would need to take into account potentially significant impacts on their business, including trade restrictions. In the most extreme cases, the difference could be USD 2 trillion in cumulative U.S. GDP and 1.7 million in U.S. jobs over the next five years.



Geopolitical trends and shocks can be disruptive. They can also create opportunities. Given the potential impact, and despite the uncertainty, businesses must act to dissipate a potential storm on their doorsteps and reap the benefits for their customers, shareholders and employees.

Both the near-term and longer-term impacts of U.S. tax reform legislation and NAFTA renegotiations on businesses have yet to be fully taken into account. In the current environment of transformation, policy shifts will likely continue to have a major influence on how economies develop and to what extent businesses can prosper.

Further information

Please find “Borders vs Barriers: Navigating uncertainty in the U.S. business environment” report here: www.zurich.com/borders-vs-barriers

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Contact

Zurich Insurance Group Ltd

Austrasse 46, 8045 Zurich, Switzerland

www.zurich.com

SIX Swiss Exchange/SMI: ZURN, Valor: 001107539

Media Relations

Neil Gordon-Henderson, Riccardo Moretto

phone +41 (0)44 625 21 00

twitter [@Zurich](https://twitter.com/Zurich)

media@zurich.com