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# Road to Election 2020

PwC Pulse Survey — September 15, 2020 findings

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## US economy needs more stimulus even as business leaders see improved revenue prospects

US business leaders signal clear support for more federal COVID-19-related stimulus. Executives uniformly see the need for a federal pandemic response to bolster an emerging “two-tier” US economic recovery. Until the US has its COVID-19 outbreaks under control, the pace of jobs growth remains touch-and-go. While 20% of respondents say their own business needs no further fiscal policy support, just 3% agree that the US economy does not need another round of stimulus.

Nearly all business leaders surveyed (95%) say some type of fiscal policy action is needed to support businesses and/or consumers. Moreover, 54% “strongly agree” a federal strategy for pandemic response is critical to improve consumer confidence, which continues to trend downward.

These findings come even as a quarter of companies see prospects improving for their own business in 2021 as a result of actions taken throughout the year to return to growth in the new stay-at-home economy. One in four respondents (28%) expect an increase in company revenue over the next 12 months, while 56% expect decreases. PwC surveyed a total of 578 US corporate leaders, including CFOs, COOs, CHROs, and tax and risk leaders from August 28 to September 3.

Executives across the C-suite also expect corporate taxes will eventually rise to help pay for pandemic spending and that trade restrictions will increase regardless of the outcome of the US election in November. Any change in US tax policy direction is being closely watched.

**20%**

say their own business needs no further fiscal policy support

**95%**

say some type of fiscal policy action is needed

**54%**

strongly agree a federal strategy for pandemic response is critical

## Why it matters

We expect prospects for reaching an agreement on a new round of stimulus relief of at least $1 trillion (Phase 4) to become more difficult by the day as the general election nears. While there is common ground on some provisions, including relief for small businesses and unemployment benefits, negotiations are faltering over the scope and overall cost of the legislation.

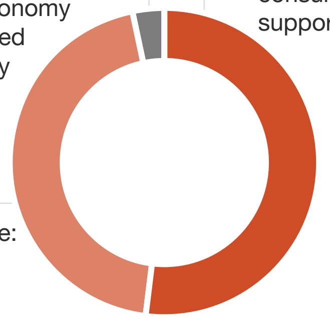
Absent policy action, business leaders in consumer-facing industries could experience significant headwinds. Consumer confidence remains fragile despite the upturn in economic growth. Overall, 46% of CFOs remain concerned about the financial impact of the pandemic.

Companies have a big leadership role to play if stimulus talks continue to stall. The focus will shift to how corporate efforts are supporting recovery by protecting public health and employment.

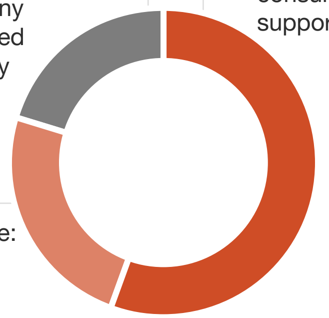
Policy-related complexities are spiraling. Responses show expectations that the November election will settle some, but not all, of the questions over future direction of policies that are important to business leaders.

## Support for pandemic stimulus

**The US economy needs COVID-19-related policy support**




**My company needs COVID-19-related policy support**




Q: What COVID-19-related policy support does the US economy most need in order to help recover from the economic effects of the pandemic? Your own business?

*Not shown: respondents who are 'not sure;' totals may not add up to 100% due to rounding
Source: PwC Pulse Survey
September 3, 2020: base of 578

## A third are sure of higher corporate taxes — no matter who wins

Most respondents expect business tax rates to rise in order to pay for COVID-19 relief (70%), with 35% in "strong agreement." Their views likely reflect concerns that eventually there will be a price to pay for the increase in federal spending, tax deferrals and other forms of relief.

The Congressional Budget Office in September forecast that a budget deficit for this year may be as high as $3.3 trillion, representing about 16% of US GDP and more than triple the shortfall in 2019. A new round of relief would add to the US debt burden.

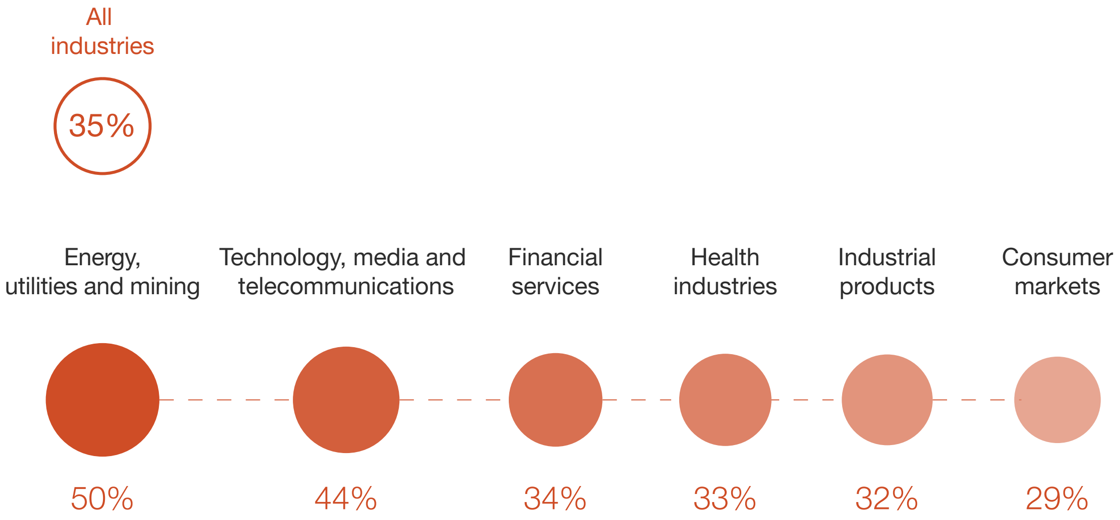
### Keep in mind

Business tax rates are a prominent election topic, but policy may fluctuate less dramatically. A faltering recovery may generate support for more deficit-financed stimulus as a policy response over raising tax rates during a downturn or even in the early stages of recovery.

President Trump and former Vice President Biden have set out widely different approaches to tax. If Biden is elected, chances for a significant tax overhaul will hinge on whether Democrats take control of the Senate while also retaining control of the House. A continuation of divided government is likely to create challenges for either candidate to see their campaign tax proposals enacted.

The headline corporate tax rate is just one part of the picture and needs to be considered with respect to major tax and policy provisions at play. Given the complexities, tax executives in multinational companies are identifying the top issues for their businesses now. They're working to model outcomes and scenarios for the impact of tax policy changes across jurisdictions, stressing tax as a crucial business issue facing company leadership, audit committees and boards given the impact of higher taxes on cash flows and investment decisions.

**Outlook: Tax rates will rise in order to pay for COVID-19 relief, regardless of the outcome of the US election** (Respondents who 'strongly agree')




Source: PwC Pulse Survey
September 3, 2020: base of 576; Energy, utilities and mining (30); Technology, media and communications (90); Financial services (159); Health industries (55); Industrial products (157); Consumer markets (73).

## Expect a more challenging environment for trade

Executives recognize US trade relations are in the midst of a transformation that will last beyond November. On the one hand, the pandemic has accelerated the desire to unwind reliance on long and highly outsourced supply chains. On the other, decoupling from global trade partners is difficult to do.

President Trump's Phase I trade agreement with China to increase purchases of US products is unfulfilled and Phase II is now delayed. As a result, progress is unlikely in the medium term on key issues: biopharma technology transfer, cyber infringement, civil nuclear technology, cloud service and data localization.

Findings show executives support aspects of the "made-here" policy momentum. For example, 46% "strongly agree" that the federal government should boost domestic production of essential goods to help the US economy. When asked specifically about US-China trade, 28% "strongly agree" that trade restrictions will increase, regardless of the outcome of the election.

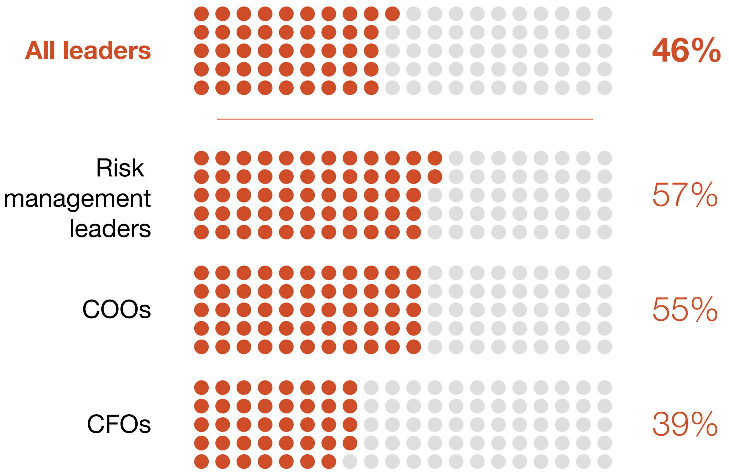
### What to watch

President Trump's trade policies contrast sharply with former Vice President Biden's. Yet consensus is building in Washington to ensure the US has access to supplies, which may materialize in bipartisan interest to increase incentives for reshoring over the longer term. Policy levers could include domestic investment tax incentives, tariffs or mandates for products to meet certain thresholds to be considered made in the US.

US producers are responding, yet most manufacturers seem to be merely forging plans. Relocation decisions are costly and can take years to deliver on today's assumptions. Manufacturers continue to make use of a mix that includes improved workflow automations and analytics and more structured options to quickly divert around issues of supply availability or demand.

Looking ahead, investment tax credits or other types of incentives for setting up local R&D or operations could encourage more onshoring. Producers are looking to shorten the lead time with lower freight and lower inventory float, as well as closing the wage gap with other locations.

**The federal government should implement a strategy to boost domestic production of essential goods to help the US economy**
(Respondents who 'strongly agree')




Source: PwC Pulse Survey
September 3, 2020: base of 575, Risk management leaders base of 77, COO base of 89, CFO base of 271

## Actions you can take now

Overall, findings suggest many companies are adopting a "wait-and-see" approach before addressing investment that may be linked to substantive US policy change. At the same time, executives don't intend to let up on investments that are crucial to competitiveness in 2021.

They are forging ahead with what they can control despite government gridlock and uncertainty about future stimulus support. For example, close to half of executives say investments in digital transformations will increase irrespective of the election outcome. Businesses are focused on meeting the new needs of customers and operating remotely in a world where speed and agility matter.

Instead, work to factor in responsiveness to policy shifts. This is a time to think across the range of possible policy outcomes in order to move quickly when the policy directions become clearer. If there is a Biden administration, more executives say they are likely to increase efforts around tax planning in anticipation of changes to the US corporate tax rate and other tax policies (57%). If there is a second Trump term, more executives say they are likely to increase investments in supply chains (45%).

### Here's how some companies develop an actionable point of view on the implications of policy and elections shifts.

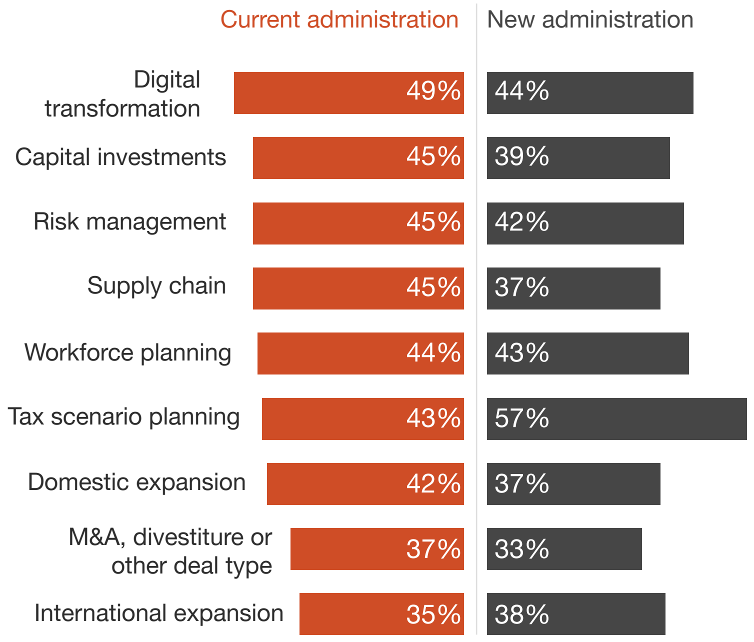
Ask explicitly how scenario plans consider policy signals as well as economic indicators in their demand scenarios. These can form the basis of decision-making around steps to take to adapt.

As new scenarios arise, don't discount them solely based on a change in the administration or who takes or maintains control of the Senate and House. Compare and evaluate, not only what you think is going to happen in the US, but the international tax and regulatory environment.

In this environment, businesses face brand and reputational issues as well as policy uncertainties. For example, three-quarters of tax leaders expect an increase in demand for global tax transparency in the next few years. Companies will need strong controls in place for tax planning and compliance, and they'll also need to focus on data transparency and how to evolve strategies to support goals that are responsive to all stakeholders.

Develop a perspective on the implications for your competitors. Businesses will respond differently to policy shifts.

### Is your company more likely to increase investment in any of the following areas with a second term of the current administration? A new administration?




Source: PwC Pulse Survey September 3, 2020: base of 578

## About the survey

Between August 28 to September 3, 2020, PwC surveyed 578 US executives including: CFOs and finance leaders (47%); COOs and operations leaders (16%); risk management leaders, including CROs, CAEs and CISOs (13%); CHROs and human capital leaders (13%); and tax leaders (11%). Respondents were from public and private companies in these top six sectors: financial services (28%), industrial products (27%), technology, media and telecommunications (16%), consumer markets (13%), health industries (10%), and energy, utilities and mining (5%). Sixty-eight percent of respondents were from Fortune 1000 companies. The PwC Pulse Survey is conducted on a periodic basis to track the changing sentiment and priorities of business executives.

### For more information:

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