

Press release

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Optimism improves after the Brexit referendum **Belgian CFOs remain confident of long-term growth**

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Three months after the Brexit vote Belgian CFOs' optimism seems to be recovering, according to Deloitte's quartely CFO Survey. Eurozone growth forecasts are positive, financing is widely available, and central banks' policies are keeping interest rates low and credit cheap. Belgian CFOs remain primarily focused on expansionary strategies and expectations related to capital expenditure and headcount growth remain strong.

Impact of the Brexit today expected to be limited

The majority (56%) of the CFOs believe the Brexit will not have a significant impact on their business. Of the 44% that do expect an impact, nearly all are pessimistic and expect that impact to be negative. Only 2% of all respondents expect a somewhat positive impact. "Once the UK leaves the EU, CFOs expect an increase in the cost of doing business with the UK. The Brexit will have consequences through different regulatory requirements in the UK versus the EU. If tariff barriers are imposed and free movement is restricted, exports and workforce mobility will reduce," said Deloitte Partner Thierry Van Schoubroeck, who heads the CFO Survey team.

Optimism recovered slightly since the Brexit vote

The drop in optimism observed in the second quarter following the Brexit referendum has somewhat subsided. *"It has been a huge political shock, but not a global economic one, and seems to have had little influence on the corporate sector's sentiment in Belgium,"* Thierry Van Schoubroeck observed. Since the launch of the survey in 2009, CFOs have always been primarily concerned with the pace of the economic recovery and the competitive position of their company, and they still are today. But CFOs also got used to navigating in a low growth environment, and general conditions affecting business are not bad, overall: a quarter of the respondents expect the economy to grow by maximum 0.4%, and a third expect a growth rate between 0.5% and 0.9%.

Seven out of ten of the surveyed CFOs expect revenues, cash flow and profit before taxes to grow over the next 12 months. Half or more expect margins, headcount and levels of cash and cash equivalents on the balance sheet to grow as well. Looking at the surveyed companies' performance for the third quarter of 2016 more than 6 out of ten (62%) of the corporates report being on budget or outperforming the financial budget.

Significant increase in planned capital expenditure

Expectations for capital expenditure have increased, with 45% of the surveyed CFOs reporting that capital expenditure will increase against 32% of the CFOs at the beginning of the year. The percentage of CFOs planning to increase headcount in the next 12 months similarly continued to rise since the beginning of the year and is at 56% in the third quarter, up from 43% in the first quarter. As a consequence, and for the first time since the launch of the survey, shortage of skilled labour has entered the top three concerns of CFOs. Discretionary spending, a third indicator of growth policies, is on the rise as well.

Strong expectations on taxation policy and labour market reforms

In light of the recent government budget, nine out of ten CFOs rate taxation policy as important, closely followed by labour market reforms and infrastructure. Is the Belgian government setting the right priorities for financial and economic policy making? *"Overall, CFOs remain positive about the appropriateness of the governments' financial and economic policy making for the success of businesses in Belgium. However, the conclusions of the ongoing debates related to the budgetary deficit and the corporate income tax will only be reflected in the fourth quarter survey,"* Thierry Van Schoubroeck explains.

External sources of financing remain attractive

The Belgian CFOs continue to view credit as being available and cheap. The cost of credit decreases back to their values at the beginning of the year. As compared to the previous quarter, internal financing continues to strengthen its status as the most used financing option.

More optimism in Belgium in comparison with other EU countries

For the third quarter of 2016, Belgian CFOs are on average more optimistic than their EU peers regarding most of the indicators, and particularly on the financial prospects of their organisations. In addition, the Belgian expectations for capital expenditure are significantly higher. With 45% of the surveyed CFOs expecting to increase capital expenditure, Belgium ranks the second highest while on average only 8% of the European CFOs expect an increase. Similar results are observed regarding the net expectation of an increase in number of employees. 30% of the Belgian CFOs expect an increase in headcount, while on average only 4% of the European CFOs plan to increase the number of their employees.

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Profile of the Belgian Third quarter participants

The 2016 third quarter survey took place between September 22th and October 10th, 2016. Belgium was the second European country to launch the CFO survey. Since the launch of the survey in Belgium in 2009, the number of countries has expanded to cover most of the European Union. The questions have partially been aligned across the different countries, allowing for a comparison of the results.

A total of 56 CFOs active in a variety of industries completed the 2016 third quarter survey. Of the participating companies, 16% has a turnover of over €1 billion, 47% of between €100 million and €1 billion, and 36% of less than €100 million. 50% of the participating companies derive up to 30% of their revenue from outside of Belgium, 19% between 31% and 69%, and 31% derive more than 69% of their revenue from outside Belgium.

For more information on the full survey, please go to:

https://www2.deloitte.com/content/dam/Deloitte/be/Documents/finance/Deloitte_Belgian-CFO-survey_Q3-2016.pdf



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