Global CFO Signals

A runway for growth

Q1 2015 Deloitte Member Firms' CFO Surveys: Argentina, Australia, Austria, Belgium, Finland, Germany, Ireland, Italy, Netherlands, New Zealand, North America, Norway, Spain, Sweden, Switzerland, and United Kingdom

DTTL Global CFO Signals
May 2015

About the DTTL Global CFO Program

The Deloitte Touche Tohmatsu Limited (DTTL) Global Chief Financial Officer (CFO) Program is a CFO-centric strategic initiative that brings together a multidisciplinary team of senior Deloitte member firm partners and experienced professionals to help CFOs effectively address the different challenges and demands they experience in their role. The DTTL Global CFO Program and network of Deloitte member firms harness the breadth of Deloitte member firms' capabilities to deliver forward-thinking perspectives and fresh insights to help CFOs manage the complexities of their role, drive more value in their organization, and adapt to the changing strategic shifts in the market.

About Deloitte Member Firm CFO Surveys

Twenty-five Deloitte member firms' CFO surveys, covering 60 countries, are conducted on a quarterly, biannual, or annual basis. The surveys conducted are "pulse surveys" intended to provide CFOs with quarterly information regarding their CFO peers' thinking across a variety of topics. They are not, nor are they intended to be, scientific in any way, including the number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed populations but does not necessarily indicate economic or industrywide perceptions or trends. Further, the focus, timing, and respondent group for each survey may vary. Please refer to "About Deloitte Member Firms' CFO Surveys" (page 31) for member firm contacts and information on the scope and survey demographics for each survey.

About DTTL's Global CFO Signals

The purpose of DTTL's *Global CFO Signals* report is to provide highlights of recent CFO survey results from Deloitte member firms. This issue includes the results of the first-quarter 2015 CFO surveys from Deloitte member firms in the following geographies:

Argentina: Looking forward to upcoming elections

Australia: Optimism returns as dollar tumbles

Austria: A hint of economic optimism

Belgium: Favorable business conditions give confidence

Finland: Finding the rhythm and the courage

Germany: Focused on growth, despite the risks

Ireland: The view on public policy

Italy: Optimism is back

Netherlands: Getting back to normal

New Zealand: A taste for growth, but no real hunger?

North America: Continued optimism, despite volatility

Norway: The turning point

Spain: Toward sustainable growth at home

Sweden: Strong growth expectations

Switzerland: Riders on the currency storm

United Kingdom: Election casts a long shadow

*All numbers in the North American survey with asterisks are averages that have been adjusted to eliminate the effects of stark outliers.

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Global CFO Signals

CFO Sentiment Q1 2015

A runway for growth

For several quarters now, CFOs globally have shared similar concerns—in particular, where the European and Chinese economies were headed and what effect the crises in the Middle East and the Ukraine would have on future growth. With some of those fears tempered this quarter and others being managed, many CFOs have the opportunity and wherewithal to focus on corporate growth. And judging by the results of the 17 countries reporting in the Q1 2015 edition of *Global CFO Signals*, many intend to take advantage.

The evidence is apparent in the strength of sentiment in several countries. In Australia, for example, CFO optimism has rebounded solidly in the wake of the lowering of interest rates in February. The number of CFOs in Spain reporting higher optimism (71%) reflects perceived continued momentum in that country's economy. And in North America, CFOs recorded their ninth consecutive quarter of positive net optimism.

That optimism is translating into growth strategies, particularly through organic means, in several countries, including Ireland and Italy. And positive revenue expectations can be seen among most countries reporting. Topping the list is the UK, where 82% of CFOs expect an increase—well above their long-term average.

As is common, there are some problem areas. In Switzerland, for example, where many CFOs were taken by surprise by the recent removal of the exchange-rate floor, a net 80% now rate the level of uncertainty as high. In Norway, CFOs are troubled by low oil prices, and in other countries economic uncertainty still weighs heavily.

"Overall, however, there have been some very positive signs on the European economy in the wake of the European Central Bank's easing of monetary policy," notes Ira Kalish, chief global economist for Deloitte. In addition, he says, "the big drop in oil prices has reverberated positively throughout most of the global economy."

Still, Kalish notes, there are reasons why levels of uncertainty are on the rise among CFOs this quarter, including the direction of the US dollar, demand in overseas markets, such as China, and government policies. In the UK, for example, uncertainty about post-election reforms was seen as the greatest threat to UK business, according to that country's CFOs, who were surveyed before the voting. It's one reason defensive strategies, such as cost cutting and increasing cash flow, reemerged as top priorities there—and never seem to go out of favor among CFOs.

How does CFO sentiment in Q1 2015 break down? And who will take advantage of the current runway for growth? What follows is a synopsis by region:

Americas

The streak continues in North America: net optimism now sits at its second-highest level during a nine-quarter positive run. Moreover, emboldened by the strength of the region's economy and the prospects for that economy, CFOs indicated their highest-ever bias toward growing revenue over cutting costs and toward investing cash over returning it to shareholders. And that confidence is translating into domestic hiring expectations, which now stand at 2.4%, matching the highest levels seen in four years. The tumultuous quarter in the energy sector, however, contributed to a dip in sales expectations, which fell to 5.4% from 6.0% the previous quarter. Capital spending expectations also declined slightly from 5.5% to 5.2%, but earnings expectations rose from 9.7% to 10.6%. On the other hand, in the one South American country reporting—Argentina—CFO outlooks remain tempered due to an apparent lack of confidence in the government's ability to enact effective economic policies.

Australia & New Zealand

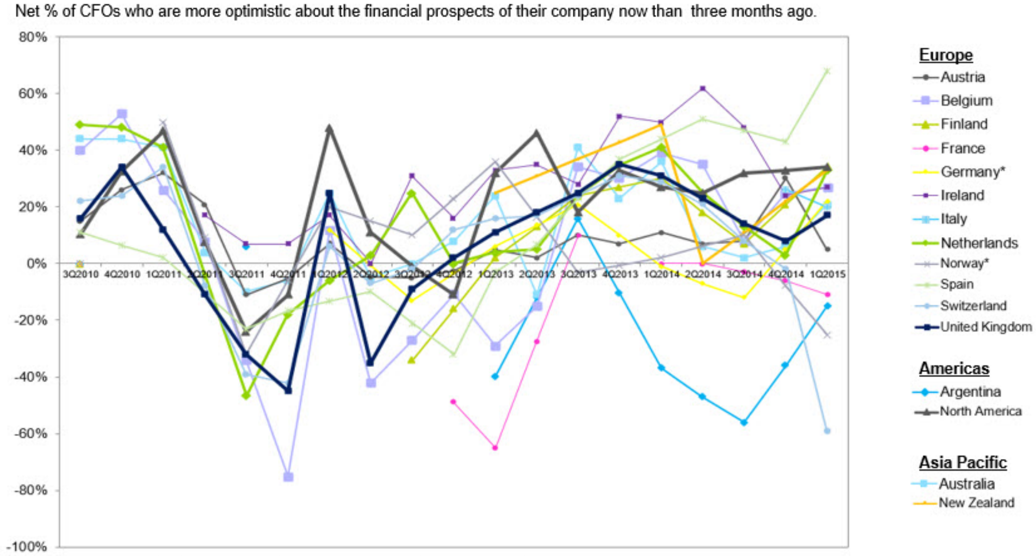
After three sluggish quarters, Australia's CFOs are feeling much more upbeat with net optimism at 21%, up from 6% last quarter. Driving that trend is a lower Australian dollar and record low interest rates, with more than 90% of CFOs now expecting the dollar to sit at or below US $0.80 in 12 months' time. In addition, even though uncertainty is up, more than half of CFOs believe now is a good time to take on risk—up 24%—perhaps because policy uncertainty and a slowing China haven't negated the strong underlying drivers of "lower for longer" interest rates and a falling exchange rate. Meanwhile, in nearby New Zealand, the third annual CFO survey finds finance chiefs optimistic, but a little less so than a year ago. And while they are bullish on both their country and companies, their main strategies for expansion are very much linked to growing existing businesses through organic expansion and the introduction of new products or markets.

Europe

Not surprisingly, there is much diversity across Europe. Spain's CFOs, for example, are the most optimistic (net 67%) reflecting improvements in that country's growth prospects following a double dip recession. At the other end of the spectrum, Switzerland's CFOs are the least optimistic (net -58%) thanks to the appreciation in the Swiss franc. What CFOs seem united on, though, is that uncertainty is on the rise. CFOs in all major European countries surveyed, except Ireland and Norway, see a greater level of financial and economic uncertainty facing their businesses. In response, defensive strategies are particularly in favor in Europe, and cash is listed as a concern among nearly all countries surveyed. That is not taming their business expectations, however. Most CFOs (except Switzerland's) report strong expectations for revenue—particularly in Belgium, Germany, Ireland, Italy, Spain, and the UK. Ireland's CFOs also are reporting solid increases in capital spending and hiring. Going forward, the CFOs also seem to know what measures should be taken to increase their prospects and resolve the current euro area growth crisis. In a special question asked in the inaugural European CFO Survey, the CFOs favored an increase in national structural reforms followed by an increase in public/pan-European investment spending. For more information, view the complete report at www.deloitteresearchemea.com.

CFO Sentiment: Net Change in Optimism

Net % of CFOs who are more optimistic about the financial prospects of their company now than three months ago.



*A trend line has been plotted for this country as the survey is conducted on a semi-annual or annual basis.

Please note that the surveys conducted vary in timing, sample size and demographic of respondents. As such, these survey responses may not be a statistically accurate representation of the countries / regions identified. Please refer to the end of this publication for information on the scope and survey demographics for each participating survey.

Global CFO Signals
By the numbers

Risk appetite

Appetite for risk is highly relative this quarter. In the UK, a solid 51% of CFOs say now is the time to take greater risk onto their balance sheets—but that is actually a two-year low. The figure also stands at 51% in Australia, but that is a marked improvement fueled by the recent lowering of interest rates. And while just under a third of Germany's CFOs cite an appetite for risk, that's the highest level in three years. Meanwhile in Austria fears of increased regulation, among others, have led to the lowest level (11%) in this survey.

Uncertainty

Uncertainty continues to cause consternation. The CFOs of Germany and Switzerland, two countries that have historically benefited from overall stability, perceived the highest levels of uncertainty, at net 82% and 80% respectively. In Australia, uncertainty remains high despite the positive influence of lower interest rates and a weaker Australian dollar. Much lower levels were reported by CFOs in Italy, Norway, and Ireland, where a net 9% of CFOs view the external environment as uncertain, down from 55% last quarter.

Metrics

Revenue expectations remain solid. Some 82% of CFOs in the UK and Italy expect their revenue to rise in the next 12 months as do 79% of Australia's CFOs. Moreover, half of Sweden's CFOs say their companies can grow 4% to 6% in that time. Positive margins outlooks are also reported in Italy (77%), Finland (65%), and Belgium (62%), among others. In Switzerland, however, the exchange-rate situation has CFOs rethinking forecasts: just 17% expect revenue to rise, and there is a sharp decline in margin expectations.

Hiring

Globally, the news on the job front is somewhat encouraging. Domestic hiring expectations in North America, for example, rose to 2.4%, matching their highest level in two years. In Ireland, 70% of CFOs surveyed expect employee levels to increase over the next 12 months, as do almost 40% of Australian CFOs. In Switzerland, however, 59% of finance chiefs expect the number of employees in their companies to decrease in the next 12 months, and 25% of Finland's CFOs expect cuts domestically in the next six months.

Corporate strategy

Many CFOs continue to eye growth. North America's CFOs indicate their highest-yet bias toward growing revenues and investing cash. In Ireland, 82% of CFOs believe their company's strategy is expansionary, particularly through organic means. Meanwhile, other countries, such as New Zealand and Italy also cite new product and new market introductions. Still, the importance of defensive strategies remains strong.

M&A activity

The ingredients for increased M&A remain: strong balance sheets, available financing, and perceived opportunities. Some 96% of the Netherlands' CFOs expect M&A activity to increase in the next 12 months, as do 83% of Spain's, and the number is 67% among Finland's CFO if you add in divestitures. In Belgium, 40% of CFOs have expansion through M&A activity on their list of business priorities.

Deloitte Member Firm CFO Surveys:

First Quarter 2015 Highlights

Argentina
Looking forward to upcoming elections

Uncertainty on the rise

The latest CFO Survey in Argentina asked for opinions in five areas: role of the CFO, the finance organization, the company, the industry, and the economy. As for economic concerns, the top two were inflation (31%) and the exchange rate (24%).

When asked about their attitudes toward the government's ability to enact or maintain effective economic policies that could affect their businesses, 79% of respondents expressed skepticism, and 14% were neutral. Whether those attitudes change in the wake of upcoming presidential elections remains to be seen.

Optimism shows slight improvement

As for their overall level of optimism, CFOs were influenced by both internal and external factors—and showed some improvement in their outlooks. In fact, 8% of CFO reported being more optimistic this quarter (compared with 0% last quarter), while 23% indicated less optimism, down from 53%, and 69% did not report any notable change.

Company, industry, and finance concerns

CFOs indicated improving and maintaining margins as their companies' top concern, followed by dealing with government regulation and managing working capital. As for industry concerns, government regulation/legislation topped the list, followed by pricing trends and changes in cost structures. The top challenges in the finance department included ensuring the quality and availability of information (16%) and allocating financial resources to maximize ROI (15%).

Highlights from the H1 2015 Argentina CFO Survey:

- Some 23% of CFOs are less optimistic about overall business conditions, and 69% did not report any notable change.
- The three top job stresses cited were strategic ambiguity (17%), changes in regulatory requirements (14%), and pressures to achieve planned results (13%).
- In the next 12 months, CFOs' main strategic focus will be on growth/preservation of income, followed by issues related to funding/liquidity risk and reducing overhead.
- Some 57% of CFOs believe that recent government actions bode negatively for their industry.

As for making decisions in each of these areas, participating CFOs said they possess the highest degree of influence on capital expenditures, the selection of projects and initiatives, communication with shareholders, and operating budgets.

Still leaning steward

In this environment, CFOs reported a fairly balanced distribution of time among their four roles with a slight inclination toward steward (34%) followed by strategist (24%), operator (23%), and catalyst (19%). If they were to leave their jobs, the biggest triggers would be for a CEO role, a similar role with better pay and benefits, or for better work/life balance.

Australia

Optimism returns as the dollar tumbles

Optimism returns

Genuine optimism has returned to the ranks of CFOs following three quarters of lower responses, with net optimism at 21%, up from 6% last quarter. A mere 15% of respondents felt somewhat less positive about their financial prospects, while almost 50% said their views were broadly unchanged.

A glance at various other indicators reveals the underlying story—pessimism regarding the Chinese economy and lower commodity prices has seen the Australian dollar fall and brought lower interest rates. The tumbling Australian dollar, in fact, has had a remarkably strong impact on CFO confidence, with 73% of respondents saying the value of the dollar is a positive influence on their optimism in Q1 2015, contributing to an 18% increase in net optimism from Q4 2014. So while the resources sector and its satellites may be suffering, many sectors have welcomed lower exchange and interest rates.

Perceptions of the US economy remain positive at net 51%, reflecting the strength of its ongoing recovery. In addition, and though still negative, perceptions of the European and Chinese economies are improving. A major concern for business, however, remains uncertainty surrounding federal government policy, identified as a negative factor by net 66% of CFOs.

Increased risk appetite despite uncertainty

Uncertainty among CFOs, and predictions on its duration, are largely unchanged, but that is not reflected in an increased risk appetite. More than 50% of CFOs believe now is a good time to be taking on risk (up 24%), perhaps because policy uncertainty hasn't negated the strong underlying economic drivers of lower interest rates and a falling exchange rate.

Highlights from the Q1 2015 Australia CFO Survey:

- Net optimism improvement among CFOs rose this quarter from 6% to 21%, partly fueled by a lower exchange rate and interest rates.
- A major concern for business, however, remains uncertainty surrounding federal government policy, with a net 66% of CFOs identifying it as a negative factor.
- More than 50% of Australian CFOs believe now is a good time to take risk onto the balance sheet.
- Some 79% of CFOs expect revenues to increase and 47% anticipating higher margins in the next 12 months.
- Australian CFOs continue to believe that the US economy is a source of confidence, with 59% saying it had a positive effect on their optimism.

That is not to say, however, that government stability is not important. When given an opportunity to identify which factors would increase business investment in 2015, CFOs most regularly point to policy certainty, commodity prices, and regulatory reform. This suggests an acute desire among CFOs for the government to achieve leadership and policy stability, without losing momentum in such key areas as tax reform and competition policy.

A tipping point reached?

After cautious sentiment was evident through much of 2014, is Australia turning a corner? There are some green shoots. Expectations of revenue and margin growth are somewhat higher in Q1, though the strategies likely to be implemented over the coming year is largely unchanged.

The big news for 2015 strategy is the shift in CFO plans to increase leverage. Credit is cheap and available, risk appetites have rebounded, and the proportion of CFOs looking to increase leverage has nearly doubled from last quarter. Bank borrowing has increased its lead as the most attractive source of funding, while reliance on corporate debt and internal funding is less appealing.

Interest-rate sensitivity

CFO expectations regarding the official cash rate have followed the slide in the rate itself, with 80% of respondents predicting that rates will be at or below their current level in a year's time, and 60% anticipating further cuts to come in 2015. Interestingly however, while a majority expect rate reductions, very few finance chiefs expect further cuts to affect their investment decisions.

To an extent, this is because rates are already low and successfully stimulating various sectors, so further reductions may not amplify this effect just yet. However, when asked to identify the most important effect of a rate cut, CFOs pointed to the depreciation of the Australian dollar. So with a weakening dollar and an exchange rate likely to follow commodity prices downward, it may well be that further rate cuts won't bring much more to the business investment table.

Austria

A hint of economic optimism

Number of optimists improves

For the first time in six months, the percentage of Austria's CFOs who believe the economy will grow rose (20% this quarter versus –13% last quarter). In addition, while the vast majority (68%) expects no change in the economic environment, the ratio of optimists (26%) to pessimists (6%) has improved significantly over last quarter (optimists 13%, pessimists 27%).

Austria's CFOs are also eyeing a positive sales trend. The measured index value rose to 36% this quarter compared with 20% in the previous quarter, and only 10% (compared with 16% last quarter) expect revenues to decline. The increase in revenue is seen primarily in the US and China as well as in Germany, but Austria also recorded a positive turnaround: the index value improved from –7% last quarter to its current 9%.

Still, the optimism does not extend to operating margins. Although the index value improved by two percentage points, it remains negative at -5%.

Improving investment climate

The survey indicates a positive trend for investments (–3% versus –27% last quarter). Only 20% (compared with 31% last quarter) of Austria's CFOs expect a deterioration in the investment climate, and only 1% expect a strong deterioration. Still, the majority of CFOs (61%) do not expect any change.

Highlights from the Q1 2015 Austria CFO Survey:

- A net -78% of Austria's CFOs do not think this is a good time to take risk onto their balance sheets.
- The vast majority of CFOs (68%) expect no change in the current economic environment.
- Bureaucratic burdens rank highest on the list of CFO concerns.
- Some 36% of Austria's CFOs believe their companies' revenues will rise—up from 20% in the previous quarter.

Austria as a business location

This quarter, surveyed CFOs were asked what measures could spark a revival of Austria as a business location. Their sentiments were clear: the country needs fewer bureaucratic burdens on business (89%), reduction of non-wage labor costs (88%) followed by flexible working hours and opening clauses in collective agreements (76%).

Not surprisingly, increased regulation continues to be both a core issue for the attractiveness of Austria, as well as the primary corporate risk in the next 12 months. New financing models, improved immigration benefits, and a new culture toward startups are seen as mostly unimportant stimuli for Austrian economic development.

Belgium
Favorable business conditions give confidence

A positive mood

CFOs entered 2015 in an optimistic mood, and corporations' financial results for the first quarter did not disappoint. The survey's "performance to budget" ratio (a comparison of actual performance versus budget over time) has not been better since the end of 2010.

Moreover, CFOs are positive about the financial prospects for their own companies, although to a lesser extent than a year ago. Net optimism stands at 27% compared with 35% in Q1 2014.

In addition, CFOs remain positive about the way the Belgian federal government is setting financial and economic priorities. But the government has not been able to meet the high expectations that were created at its formation: as compared with last quarter enthusiasm has cooled down.

Geopolitical risks eased

The pace of the economic recovery, the ability of their companies to compete in the market, and the impact of regulatory changes continue to top the list of CFOs' key concerns—as they have over the past five years.

Still, only 18% of CFOs report high or very high levels of uncertainty facing their businesses—similar to one year ago. Geopolitical concerns that added to the overall financial and economic uncertainty in the second half of last year have to some extent eased.

In fact, few CFOs seem to worry about the stability of the eurozone, notwithstanding difficult negotiations with Greece and the fact that a "Grexit" is no longer politically impossible. But almost 40% of survey respondents report sanctions against Russia are having a negative impact on their businesses.

Highlights from the Q1 2015 Belgium CFO Survey:

- Only 18% of CFOs report high or very high levels of financial and economic uncertainty facing their companies.
- Overall, optimism remains positive, but to a lesser extent that a year ago.
- Risk appetite is on the rise. Some 41% of CFOs say now is a good time to take risk onto the balance sheet.
- Around two-thirds of Belgium's CFOs expect revenues, operating margins, and profits before taxes to go up in the next 12 months.
- Some 40% of CFOs have expansion through M&A on their list of business priorities.

More focus on expansion

Optimism about the future, and relatively low levels of uncertainty continue to drive CFOs' risk appetites. Some 41% of CFOs say that this is a good time to take risk onto their balance sheets. And while CFOs remain prudent about their strategic priorities for the next 12 months, continued optimism has translated into a mild increase in expansionary strategies.

In line with that trend, the proportion of CFOs planning to increase capital expenditure (capex) remains well above 30%, while the proportion of those planning a decrease further declines. Drilling into the details, it is mainly organizations with a broad international coverage that plan capex increases.

Merger-and-acquisition activity is in general expected to increase, but the vast majority of corporates focus on organic growth. Some 40% of CFOs have expansion through M&A on their list of business priorities.

Tempered optimism toward policy

Although CFOs are still positive overall about the financial and economic priorities that the government has set, much of the initial enthusiasm has faded. As compared with last quarter, finance chiefs have become significantly less appreciative of the policy areas they rated as top priorities: labor-market policy and taxation policy.

On the regional level, CFOs remain most positive about the extent to which Flemish government policy will have a positive impact on businesses in Belgium, also in the long term. Compared with last quarter, we observe that while opinion about the Brussels and Walloon governments is fairly stable, the view of the federal and Flemish governments has become less positive.

Finland
Finding the rhythm and the courage

Bent on improving performance

The uncertainty facing the economic recovery is not lowering the expectations Finland CFOs have regarding the ability of their companies to improve their financial performance. According to the first-quarter Deloitte/SEB CFO Survey, Finland-based companies are in a position where they have mostly completed the post-financial-crisis restructuring.The risks on balance sheets are sinking and fewer companies are decreasing their workforce on a global scale.

In fact, net optimism (34%) has recovered from the past fall's momentary lapse and reached the highest levels in the past four years. This is especially encouraging, because the net optimism in the UK (17%) and in the rest of the European region (14%) is clearly lower. This indicates that CFOs in Finland are confident about their companies' financial position and undeterred by the uncertainties regarding the recovery of the European and Finnish economies.

Moreover, in spite of the situation in the eurozone, perceptions on the overall financial position of CFOs' own companies are persistently positive. Some 60% of the CFOs are feeling confident about their financial position, indicating that companies have managed the risks well and could be ready to be more opportunistic.

Concerns and responses

As was the case in the earlier studies, the three biggest concerns for CFOs in Finland are demand, the outlook of the Finnish economy and competitiveness, and the cost of labor. On the other hand, as the shortage of skilled labor is falling, the cost of labor seems to have also decreased. Country risk Russia has taken a small nudge upwards to 21%. As the geopolitical crisis stabilizes into a standstill and EU sanctions remain level, the situation will probably stay unaltered.

Highlights from the H1 2015 Finland CFO Survey:

- Net business optimism in Finland stands at 34%, the highest value in almost four years.
- Some 49% of CFOs rate the uncertainty facing their business as high—11 percentage points lower than the European region.
- More than half of Finland's CFO consider that Finnish stocks are overvalued.
- Job cuts are not over. A quarter of CFO respondents expect to decrease their workforce in Finland.
- Some 26% pf CFOs are willing to make a strategic investment in Finland in the next six months.

The geopolitical crisis, among other threats to recovery in the eurozone, has kept the rating of the economic uncertainty elevated. Some 49% of CFOs rate the level of uncertainty as high. Nonetheless, Finland's CFOs are less anxious than their colleagues in other European countries where 61% rate the level as high.

Uncertainty still high

Finland's CFOs are slightly more conservative in their expectations for revenue development, but much more optimistic concerning operating margins. As with other observations made, the Finland's finance chiefs are comprehensively more conservative than their European counterparts. At the same time, they do have more trust in the development of their operating margins.

The CFOs' expectations for operating cash flow development are broadly unchanged. Overall optimism stayed on a highly positive level, but will not affect cash flow expectations.

Meanwhile, the number of companies that plan to decrease the number of their employees in Finland has dropped to a two-year low. And, at the same time, hiring in Finland has increased and hiring abroad has decreased, so we could be seeing the end of the major restructuring phase and the surge of cooperation procedures.

The number of CFOs that see their staff numbers growing abroad has declined from 31% to 23% and, at the same time, seven percentage points more respondents felt that their staff numbers will remain the same as before.

Striking a balance

The balance between CFOs' prioritizing defensive strategies and expansionary strategies has remained steady. Some 40% of survey respondents are still mostly prioritizing defensive strategies, but 33% are also willing to employ more-expansionary ones.

The search for growth is still primarily made through expanding organically and by introducing new products or entering new markets (like the Americas). However, the focus on new products or market introduction is a stronger priority (strong priority for 48%) now than it was in the fall of 2014 (strong priority for 35%). Simultaneously, the relative weight of CFOs' prioritizing expansion through acquisitions has dropped from 24% to 18%.

Favoring corporate debt

Overall, CFO respondents see external funding as a viable funding option at the moment. Corporate debt and bank borrowing are seen as the most favorable options, whereas equity funding is seen as least appealing. Finland's CFOs favor corporate debt as a source of funding, whereas their European colleagues see bank borrowing as a more viable solution. Europe's CFOs are more likely to seek equity funding than their counterparts in Finland, but they're split on the matter.

The lending attitudes of financial institutions toward companies have taken a slight negative turn, according to survey respondents. In general, larger companies seem to enjoy good access to financing while smaller ones have more difficulties—although a few of the largest companies did say that attitudes are not so favorable for them.

Germany
Focused on growth despite the risks

Strong increase in optimism

The economic mood among Germany's CFOs has improved significantly. Despite the return of the euro crisis, CFOs saw the business environment in a much more positive light than six months ago. The level of uncertainty fell slightly, while CFOs' economic optimism has almost reached record levels again. Business prospects also recovered strongly; the outlook for turnover and margins were only just below their highest levels in the last three years.

Scant optimism on euro area

With regard to the reignited euro crisis, CFOs took a clear position as to how the euro area could leave the crisis behind. The most important factor in the view of survey respondents were national structure reforms to increase competitiveness. They also regarded as effective renovating national budgets, free trade agreements, consolidating the European internal market and higher public investment, whereas they saw fundamental changes to the institutional structure of the European Union as not helpful. They rejected a deeper political union, but also a return of competencies to member states. Hardly any finance chiefs argued for a reduction in the monetary union, much less for abolishing the euro. CFOs were critical of the ECB's monetary policy, and very few considered quantitative easing to be effective against weak growth.

Strategy aligned with growth

German companies are increasingly focused on growth. The gap between offensive and defensive business strategies has widened significantly, placing growth strategies at the center of CFO agendas. The biggest increase by far was in willingness to innovate, which increased by 20 percentage points.

Highlights from the H1 2015 Germany CFO Survey

- Economic and business outlook strongly improved after slump last fall.
- Clear increase in CFO appetite for risk for the first time in years.
- Growth becomes strategic priority, investment focus on intangible assets.
- New risks: unstable financial system and exchange rate risks.
- CFOs expect expansion of their strategic tasks in the next 10 years.

The increasing orientation toward growth was also noticeable in CFOs' tolerance for risk. Risk appetite has reached the highest level in the last three years, with just under one-third of survey respondents saying this is a good time to take risks on the balance sheet.

The focus on growth also had effects on non-organic growth strategies. The CFO outlook for the M&A market increased slightly and just about climbed to the highest value to date.

New risks, same as the old risks

In the CFO perspective, new risks have entered the playing field, resulting particularly from the return of the euro crisis and as a consequence of European monetary policy. The danger of an unstable finance system was seen by survey participants as much more threatening than in the fall; in addition, exchange-rate risks were more strongly present.

Ireland

The view on public policies

Recovery trend continues

Ireland entered the new year in a positive fashion. NAMA (National Asset Management Agency) redeemed €16.6 billion of its senior bonds by the of end of 2014, putting it two years ahead of schedule. Ireland ranked as the third easiest place for multinationals to do business, according to TMF Group's Global Benchmark Complexity Index. What's more, ESRI forecasts that GNP will grow by 4.1% in 2015 and reports that Ireland was the fastest growing European economy last year with a GDP growth rate of 5.2%.. Q1 2015 also saw the Eurogroup and Greek government representatives reach agreement to extend the Greek bailout program following intense negotiations and Greek banks being on the brink of solvency and liquidity crisis.

Against this backdrop, net business optimism increased marginally from 24% last quarter to 27% now. CFOs' optimism also can be seen in their risk appetite. In fact, 55% of CFOs feel it is a good time to take greater risk onto their company's balance sheet, up from 50% last quarter.

In addition, expectations for several metrics are on the rise. Over the next 12 months, CFOs expect revenues (70%), and employee numbers (70%) to increase the most, according to survey respondents. On the other hand, CFOs believe financing costs (40%), bank borrowings (40%) and the levels of cash and cash equivalents on their balance sheets (40%) will be the metrics that will experience some decline in the same time period.

Still focused on expansion

Some 82% of CFOs say their corporate strategy is expansionary. This figure has increased from 71% in the last quarter, returning to the upward trend observed in the first three quarters of 2014.Less than one in five CFOs now consider their corporate strategy to be defensive.

Highlights from the Q1 2015 Ireland CFO Survey:

- Some 55% of CFOs surveyed believe that now is a good time to take greater risk onto their balance sheets.
- Net optimism increased slightly from 24% last quarter to 27% in Q1 2015.
- Some 82% of Irish CFOs consider their corporate strategy as expansionary rather than defensive, up 11%.
- Seventy percent of Ireland's CFOs expect revenue and hiring to increase over the next 12 months.
- Internal funding is the source considered most attractive by 55% of CFOs.
- A full 100% of CFOs view Ireland's public policies as effective for growing employment.

Consistent with previous quarters, long-term growth for products and services remains the most positive influencing factor with regard to investment plans being made by companies over the next 12 months. Expected growth in Asia and the emerging markets are among the factors that contributed to the highest neutral responses. Market uncertainty is again the most unfavorable factor when a company is considering its investment plans.

The focus among CFOs is to expand organically in both current and new markets. In contrast, expanding by acquisition at home and abroad are not key priorities. Finance chiefs are intent on increasing cash flows and are not in favor of raising dividends or share buybacks. In addition, CFOs are not prioritizing increasing production at home or disposing of assets.

Financing, debt, and credit

CFOs currently view internal funding as the most attractive option for funding their business. Equity is viewed as the least attractive financing option, with a net 45% of CFOs polled considering it an unattractive option.

At the same time, CFOs are increasingly of the opinion that new credit is readily available. A net 64% believe it to be easily obtainable, which is an increase of 25% over last quarter. This increase is indicative of a trend of increasing perceived availability over the past two years. The perceived cost of new credit for Irish corporations has decreased slightly, with a net 27% of finance chiefs believing it to be costly.

Overall, new credit is viewed as being significantly more easily available, compared with last quarter. The largest absolute increase in perceived availability has been from domestic banks, with a net 25% more CFOs believing new credit to be readily obtainable. Also worth noting is the threefold increase in the perceived availability of corporate bonds

CFOs are continuing a trend of reducing debt levels, with a net 45% decreasing their gearing this quarter. That trend has seen more CFOs shift toward decreasing their gearing over the last six months. This is indicative of a companies' decreased reliance on debt for the financing of their businesses.

Support for public policies

Support for the Irish government's public policies is strong from survey participants, with the majority rating Irish public policy measures to be effective in terms of:

- creating conditions necessary to ensure increased employment in Ireland (100%);
- policy support for sectors likely to drive growth in the economy (82%);
- level of interaction with industry including consultation process (82%).

On the other hand, 55% of CFOs surveyed do not believe Irish public policy is effective in creating conditions necessary to ensure appropriate credit availability for businesses.

How to resolve the euro crisis

CFOs feel that the most effective methods to resolve the current EU/euro-area crisis are increasing Pan European investment spending, the use of more aggressive monetary easing by the ECB, and entering into global trade agreements, with 100%, 90% and 82% feeling these would be effective or very effective respectively.

The least effective methods would be the dissolving of the euro, reduction in eurozone numbers, and the redistribution of political powers to national governments, according to Ireland's CFO respondents.

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Italy
Optimism is back

A propensity to consume

The second Italy CFO Survey detects a growing confidence among CFOs. They see an improvement in the propensity to consume and invest in the second half of 2015 compared with 2014. Moreover, the majority are also confident that the next 24 months will see an increase in hiring.

Threats to growth

With regard to the macroeconomic environment, the majority of Italy's CFOs believe the fight against tax evasion and avoidance should be the economic policy priorities for the next two years. Equally important are the need to streamline public administration and reduce costs in the civil service. These are the same priorities outlined in 2014, and highlight the perceived high costs of Italy's public structure, which seems to be a drag on the recovery. In fact, more than one-third of CFOs (34%) cited bureaucracy as a major weak link in the system. Other weaknesses include corruption, fraud, lawlessness in general, and the structural weaknesses of Italy.

Similar to the findings in the 2014 survey, CFOs remain positive toward the region's emergence from the euro crisis, but at the same time are aware of the need to put reforms in place.

How to growth

Some 82% of CFO respondents expect revenues to increase, which will be key to seizing growth opportunities. Investments over the next five years are expected to grow. In addition, 76% of respondents expect that significant corporate financial transactions such as mergers and acquisitions, will increase in the next 12 months.

Highlights from the 2015 Italy CFO Survey:

- CFO optimism about the financial prospects for their own companies has rebounded. A net 21% of CFOs are optimistic about the financial prospects of their companies.
- More than one-third of CFOs (34%) cite government bureaucracy as a major threat to growth.
- Three-quarters of CFOs expect M&A deals to increase over the next 12 months.
- Italy's CFOs are prioritizing the introduction of new products and market expansion as their main business strategies.
- The majority of Italy's CFOs believe the fight against tax evasion and avoidance are the top economic policy priorities.

As for business strategies, Italy's CFOs are eyeing both the introduction of new products and market expansion, both in current and new markets.

Finally, on the funding front, the percentage of Italy's CFOs who view access to credit as less difficult and less expensive increased from 21% to 34%. Those who still view it as difficult and expensive dropped from 27% to 13%.

Netherlands
Getting back to normal

Uncertainty lessens; optimism rises

Some 46% of Dutch CFOs rate the current external financial and economic situation as normal, or even below normal. This is a significant increase compared with the last six months and the highest score in two years.

At the same time, the percentage of CFOs who are more optimistic about the financial prospects for their companies showed a strong recovery: from 31% in the last quarter of 2014 to 52% now.

That optimism is also reflected in certain metrics. Some 65% of CFOs expect their companies' revenues to increase in the next 12 months; 67% expect free cash flow to rise compared to 61%. Meanwhile, they expect operating margins to increase at a slower pace. Forty-two percent of finance chiefs polled expect margins to improve, while a third believes they will fall.

Funding favorable

Credit continues to be seen as cheap and available. In fact, some 72% of survey respondents say that credit has become cheaper, compared with 38% last quarter. And 68% says it remains available, compared with 72% in Q4 2014.

Both bank borrowing and corporate debt are seen as favored sources of funding. Although less attractive than last quarter, bank borrowing is still seen as attractive by 64% compared with 76% last quarter and an equal 64% cite corporate debt, up from 55%.

Risk appetite recovered from its dip last quarter, and increased from 28% to 48%. This is the highest level since the start of this survey in the first quarter of 2009.

Highlights from the Q1 2015 Netherlands CFO Survey

- Optimism among Dutch CFOs of about the financial prospects of their companies rebounded compared to three months ago.
- The percentage of CFOs who rate economic and financial uncertainty as normal or below normal rose to 46% from 41% last quarter.
- The percentage of CFOs (48%) who believe now is the right time to be taking greater balance-sheet-related risk is at a record high.
- Some 77% of CFOs believe their companies are prepared for a crisis that potentially threatens their survival of their business.
- Almost all (96%) of the CFO respondents expect corporate M&A activity to increase over the next 12 months.

Remaining bullish on M&A

CFOs remained very optimistic about corporate M&A. Some 96% of survey respondents expect corporate M&A activity to increase over the next 12 months. At the same time, about 48% of CFOs expect their company to enter a strategic partnership versus 44% who expect to complete an acquisition and 37% who are considering selling an asset or subsidiary.

Special topic: crisis mangement

One out of three CFOs expects a crisis situation that may jeopardize critical assets, reputation, or financial standing. At the same time, 77% believe that their companies are prepared for such a crisis, which could include cyber attacks, financial crime, geopolitical confrontations, and financial disruptions.

New Zealand

A taste for growth, but no real hunger

A little less exuberent

In 2015, a stronger New Zealand economy aided by domestic construction activity in Christchurch and Auckland, low inflation, a recovering US economy, and continued low interest rates, has CFOs continuing to feel optimistic about their companies' future prospects. In the current survey, just under half (46%) of the CFOs feel at least somewhat optimistic about the financial prospects for their company compared to three months ago.

They are, however, less exuberant than in 2014, with net optimism easing from 49% to 33% and the number of CFOs reporting their optimism broadly unchanged growing from 33% to 41%. Moreover, the drivers of CFO optimism are shifting over time. Compared to last year, commodity prices have dramatically shifted from net +32% to net -11%, Chinese economic conditions have gone from a neutral net positive 1% to net -28%, and the value of the NZD has moved from net -6% to net +15% on the back of its depreciation against the USD.

Uncertainty makes a comeback

Respondents indicate that uncertainty has made a comeback in 2015. While CFOs indicated a net 64% high uncertainty in the inaugural CFO Survey two years ago, this figure reduced markedly in 2014 to net 36%. This year, CFOs indicate a net 45% high uncertainty.

Perhaps, as a consequence of lower levels of optimism and higher levels of uncertainty among CFOs this year compared to last, the needle on net risk appetite has moved very little since 2014, from 2% to 4%. This year, a slightly higher percentage of CFOs report feeling it is a good time to take greater risk onto their balance sheets at 52%. CFOs remain almost evenly split when it comes to risk, despite financial and business performance being consistently higher for risk-takers.

Mixed on metrics

Highlights from the 2015 New Zealand CFO Survey

- Some 46% of New Zealand's CFOs are more optimistic about the financial prospects of their companies compared to three months ago, but that is down from 58% in 2014.
- The net percentage of CFOs who rate economic and financial uncertainty as higher than normal rose to 45% from 36% last year.
- CFOs remain almost evenly divided on risk appetite with 52% saying it is a good time to take it on and 48% disagreeing.
- Lingering issues around European debt, slowing growth in China, and lower commodity prices are creating headwinds.

CFOs are optimistic about the outlooks for their business, but, in some ways, their expectations are mixed. Revenue expectiations are very high, reflecting the growing economy. Seventy-four percent of CFOs report that revenue is likely to increase over the next year.

But businesses do not expect cash flows to improve as fast, with 58% of CFOs expecting them to increase over the next 12 months.The view is consistent with limited pricing power and sustained pressure on margins. Meanwhile, only a third of CFOs expect their operating margins to increase. The economic recovery may be boosting revenues and cash flows, but costs are increasing as well.

Focused on existing businesses

Even though CFOs are optimistic, their main strategies are very linked to growing existing businesses through organic expansion and through new products and markets. Sixty-six percent of CFOs expect to pursue organic expansion and the same number expect to grow by introducing new products or expanding into new markets.

North America

Continued optimism, despite volatility

Highlights from the Q1 2015 North America CFO Survey:

- Continuing a string of eight straight prior positive quarters, net optimism climbed to a very strong +34.4.
- Sales growth expectations fell to 5.4% from 6.0%* mostly due to lower expectations in the oil and gas sector.
- Fifty-nine percent of CFOs describe the North American economy as good (63% last quarter), and 64% believe it will be better in a year (63% last quarter).
- Forty-six percent of CFOs say the US markets are overvalued (down from 61% last quarter).
- CFOs indicate their highest bias yet toward growing revenue and investing cash over lowering costs and returning cash.
- Domestic hiring expectations rose to 2.4%, matching the highest level in two years.

Postitive sentiment holding

Last quarter's survey suggested that large-company CFOs believed the US economy was finally on a strong growth path. Despite voicing concerns about the durability of the global economic recovery and geopolitical disruptors, their tenor entering 2015 clearly reflected rising optimism and confidence.

The US economy has strengthened since then. But the struggles of Europe and China have intensified, with Europe entering deflation and China continuing to decelerate—which would seem to stoke concerns expressed in previous surveys about how long North America can improve while other major economies struggle.

Yet, this quarter's findings suggest CFOs' confidence has not really wavered. While expectations for important metrics, such as revenue and capital-spending growth, did slide this quarter, most of the downward pressure came from CFOs of energy companies, who are feeling the effects of plummeting oil prices. Across the other sectors, sentiment and expectations seem to be holding up fairly well.

Confident and growth focused

In fact, this quarter's net optimism* index extends an eight-quarter positive streak, now sitting at +34.4—the second-highest level during that period. Just 14% of CFOs express declining optimism about their companies' prospects, even better than last quarter's 16% and one the lowest levels in five years.

In addition, CFOs now indicate this survey's highest-ever bias toward growing revenue over cutting costs and toward investing cash over returning it to shareholders. The good news is that this sentiment is also translating into domestic hiring growth expectations, which now stand at 2.4%, matching the highest expectations seen over the past four years.

But capital investment is still lagging—possibly due to cheaper growth strategies that rely on digital technologies and cloud-based services, but also possibly due to worries over what will happen as big economies continue to struggle and as the US faces a strong dollar and the prospect of rising interest rates. In any case, this quarter's 5.2% capital investment growth expectation is about 20% lower than it was a year ago—and the decline is evident across sectors.

Shifting strategies

CFOs' outlook for North America continued to improve this quarter, but their outlooks for Europe and China again declined. Accordingly, many continue to say their most worrisome external risks relate to the health of these and other major economic zones.

To understand what changes they are making in response to broader economic trends, we asked about CFOs' geographic focus and approaches to managing currency risks.

More than half of CFOs report significant changes. Shifts in geographic focus are relatively common, with CFOs indicating a higher focus on North America, China, and emerging markets, and a lower focus on Europe. Many also indicated a lower exposure to the euro, and there was an even split between companies increasing and decreasing their debt levels.

The strength of the US dollar suddenly became a top concern this quarter. And while a substantial proportion of CFOs say they do not have significant currency exposure, quite a few report becoming more deliberate about their hedging strategies. CFOs of geographically-dispersed companies tended to say they rely mostly on natural hedging, while localized companies are more likely to rely on synthetic hedging.

What's next?

When we ask CFOs about their most worrisome risks, we often hear "the one I didn't see coming." There are a lot of those responses lately.

Unanticipated geopolitical conflicts have been a concern for many quarters now, as have cyber attacks. This quarter we added currency shifts (with the US dollar and euro moving rapidly in opposite directions) and oil prices (which fell nearly 40% between surveys).

Nevertheless, CFOs logged their ninth straight quarter of positive sentiment, again underpinned by the performance of North American economies. Next quarter's sentiment, however, will likely be influenced by the progress of massive monetary and fiscal programs.

Norway

The turning point

Oil prices rattle optimism

In the Q1 2015 survey, a net 25% of Norway's CFO say they are less optimistic about the economic outlook than six months ago. This is a turning point as a rising trend was observed in the previous three surveys. The main driver of this downturn is a long-lasting decline in oil prices that has substantial spillover effects in the Norwegian economy. In addition to changes in the oil industry, growth in household consumption and business investments on the mainland remain low. The results also show that the observed downturn in optimism will manifest in companies prioritizing non-expansive strategies in the next year.

The oil industry is particularly negative regarding the economic future. Among CFOs in that sector, a net 69% is less optimistic about the economic outlook now than six months ago. The observed pessimism is notably higher than for the other two sectors with the largest number of respondents: retail/wholesale (36%) and production/ manufacturing (7%).

Consumer demand fears

Declining demand, as in the two previous surveys, is the biggest concern for CFO s. In fact, some 55% of respondents cite declining domestic or foreign demand as their biggest concern over the next 12 months. The moderate economic growth expected in 2015 may increase the fear of loss of customer base.

When the CFOs are asked to state the company's strategic priorities for the coming year, non-expansive strategies receive the most support. Focus on core business, cost reduction, and organic growth all achieved response rates over 50%.

Highlights from the H1 2015 Norway CFO Survey:

- Overall, a net 25% of CFOs in Norway are less optimistic about the economic outlook this quarter—ending a rising trend observed in the last three surveys.
- CFOs report positive attitudes toward the attractiveness and availability of bank loans (75% net and 65% net respectively).
- To 55% of respondents, the possibility of lower domestic demand is the main concern over the next 12 months.
- A net 53% of Norway's CFOs expect interest rates will fall further in the next six months.

Interest rates remain key

Some 75% net of respondents to the survey state that bank loans are attractive and available (65% net). This is the highest measured availability of any funding since the Norwegian survey started in Q1 2011. The current interest rate is historically low, and in light of the CFOs' view of availability, the lending willingness is also present. A key driver behind the attractiveness is the expectation that interest rates will fall further over the next six months (53% net believes this).

There was also a drastic drop in the CFOs' view of the attractiveness and availability of bond loans. The net percentage reporting bonds as easily accessible fell from 59% to 20% compared with the previous survey. The net percentage reporting bonds as attractive fell from 54% to 10%. After several years with a popular bond market, there were few new issues at the end of 2014, and the trend has continued into 2015.

Spain

Toward sustainable growth at home

Highlights from the H1 Spain CFO Survey:

- Some 36% of Spain's CFOs believe their country's economy will grow in the next 12 months—the highest level recorded.
- Expectations about the EMU slightly improve, with 77% of CFOs seeing slow recovery or growth for this economy.
- Some 86% and 85% of respondents rate euro exchange rate and oil price evolution, respectively, as the variables with highest impact in the Spanish economy.
- Global economic uncertainty and margin deterioration could negatively affect businesses in the next year.
- A full 60% of CFOs see bank debt as the most attractive source of funding.

Relying on the economic recovery

Given that the Spanish economy has maintained its growth trend of the past year, the government and analysts have revised their forecasted growth rates upward. Spain's CFOs share that sentiment, with 36% of respondents saying their country's economy will grow over the next 12 months (highest percentage recorded), compared with 5% in the previous survey. More than 60% expect the Spanish economy will experience a slow recovery.

More than one-third see the majority of this growth happening during the second half of this year, and almost half believe it will occur in 2016.

Growth prospects also improved regarding the economic and monetary union (EMU). Almost double the percentage of respondents now forecast the EMU economy will experience slow recovery or growth (77% versus 39% last survey). There is also a slight improvement in their view of the global economy. Some 90% of survey participants estimate the world economy will experience a slow recovery or growth in the next 12 months.

Focused on productivity and efficiency

For the fifth consecutive quarter, Spain's CFOs have a positive opinion regarding financial and operating results, and their level of optimism reached a record in both cases, with 95% of respondents who are optimistic in their expectations.

This optimism is also seen in the expected growth of demand for products and services. Some 27% believe that an increase has already occurred and 24% believe it will occur in the next six months.

In fact, 76% of respondents expect their company's revenues to increase moderately in the next 12 months (compared with 57% last edition). In addition, more than half expect an investment increase, and almost half see a growth in operating margin and a decrease in financial costs.

Domestic-demand fears decrease

Nearly half (48%) of respondents think this is a good time to take greater risk onto their balance sheets, a percentage that matches the level of a year ago and the maximum rate since the beginning of the survey.

CFOs more positive outlooks are also seen in their views on demand. According to import data released by the Ministry of Finance, a positive trend in domestic demand (consumption and investment) can be seen in the improvement in industrial activity and the strengthening of consumption. In line with this data, the percentage of surveyed CFOs who consider low domestic demand as a high risk fell from 51% six months ago to 31% today

Views on deals and stocks

Spain's CFOs believe the positive trend in the IBEX 35 in the last months will continue, and 87% of survey respondents expect that, within a year, the level of the market will be even higher.

At the same time, 17% of finance chiefs think that listed companies are overvalued (22% six months ago), and 26% believe that real estate assets are (12 percentage points less than in the last edition). Regarding their own companies, the percentage of Spain's CFOs who believe that their stocks are at fair value increased (from 63% to 71%) and decreased for those who think they are undervalued (30 % to 22%).

Last year ended with significant corporate M&A activity. In Spain, deals rose 8% over the previous year (54% in total value). According to survey respondents, this level of activity will continue throughout this year, with 83% saying that M&A will increase, continuing the upward trend that began two years ago.

Continued improved access to funding

CFOs' views on aaccess to new funding follows the positive trend seen in previous surveys. More than 70% of CFOs maintain that bank debt is the most attractive source of funding—12% more than last year—a finding that may be explained by the improvement of bank supply due to liquidity auctions of the European Central Bank.

Debt issuance is considered attractive by 65% of survey respondents, showing a clear improvement compared with 54% in the previous survey.

More than half (57%) of Spain's CFOs think that, to some extent, banks that have come to the liquidity auctions of the European Central Bank have eased liquidity-access conditions for businesses. In addition, 67% of CFOs polled agree with the main objective of assets purchase plans, aimed at fighting deflation and boosting growth in the eurozone.

Sweden
Strong growth expectations

Economic uptick eyed

The Swedish economy is set to grow above trend in 2015–2016, but inflation remains low. The upturn will be driven by residential investments, household consumption, and by the manufacturing sector. With financially strong balance sheets, improving cash flows, low interest rates, and relatively easy access to capital, companies are now set for strategic investments and ready to fill the output gap, with the potential to also increase the number of employees.

Politics and currency outlook

In the wake of last September's elections, 50% of Sweden's CFOs believe that the current political and governmental situation in their country has not had any impact on their business, and 7% consider the situation positive or very positive. What is more significant is that 38% of CFO survey respondents have noted a negative or very negative impact on their business, while only a low percentage note any significant negative impact. Possible reasons for concerns are political turmoil in the wake of the elections, uncertainty about economic policy, worries about the ability of the cross-bloc December Agreement to hold, and whether the agreement will reduce the chances of agreements on important structural issues with the opposition. Overall, the responses raise questions for the business outlook if the current situation prevails.

Regarding the recent depreciation of the Swedish krona (SEK), 52% of the CFOs surveyed believe that a depreciated EUR/SEK rate will have a positive or very positive impact on operating profit, which reflects the export-oriented nature of large Swedish corporations. However a fairly large share of CFOs see no significant impact at all, and almost 10% expect a negative impact.

Highlights from the H1 2015 Sweden CFO Survey:

- On average, surveyed CFOs see business conditions as better than in the fall.
- Some 50% of CFOs say that their current potential to increase selling prices is "neutral," with a general tendency toward "low."
- Paying down debt is still the most preferred alternative, assuming a cash surplus.
- More than half (52%) of CFOs believe that a depreciated SEK will have a positive or very positive impact on operating profit.

Company and business conditions

The spring survey indicates a clear improvement in the CFOs' view of their companies' financial position from already high levels in our spring and autumn 2014 surveys. Some 10% of respondents have shifted from "favorable" to "very favorable." Almost none of the CFOs indicate an unfavorable financial position.

As for business conditions, the shift from the previous survey is clearly positive, with some 10 percentage points more of the CFOs surveyed answering that business conditions for their companies are "favorable," and some 5 percentage points fewer having answered "not so favorable".

Since there are several inhibiting factors, such as very low inflation, a not unlikely event of Greece leaving the euro zone, record-low bond yields, and companies still on hold, one likely reason for the positive shift is that companies have further adapted to this new financial landscape.

Prospects and concerns

Consistent with previous surveys, when allowed to choose between several alternative corporate priorities, Sweden's CFOs still favor cost-reduction initiatives ahead of other priorities. However, growth-oriented strategies such as M&A activities, geographic expansion, and investment in capacity are now clearly considered more important than before. This indicates that the caution and uncertainty observed in recent surveys have shifted to a more optimistic view on expansionary strategies during the next year. What is also interesting is the increase in the priority to expand geographically, which may indicate a positive outlook about global economic recovery.

As for their top concerns, the CFO survey respondents ranked the alternatives approximately as they had in the previous survey. Apparently, order bookings ("intake") are of most concern to most CFOs, closely followed by fierce competition/pricing power. In the prevailing low-inflation environment, the latter factor is perhaps even more important, since the company with the greatest pricing power indeed has a competitive advantage.

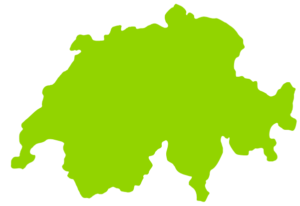
Metrics in focus

Overall, CFOs are expecting cash flow to continue to increase over the next 12 months. Their optimism has increased from recent surveys, with a clear reduction in the number of CFOs who expect lower operating cash flows. Even though companies are coming from higher operating cash flows in recent quarters, there is a clear expectation that this trend will continue. This optimism might be driven by a stronger belief in growth prospects, combined with the expected positive impact of recent cost-reduction efforts, reflected in cash-flow expectations.

The spring 2015 survey also shows a more positive view of employment prospects, while a majority of respondents still expect an unchanged or declining number of employees in Sweden in the next six months. As a general theme in this 2015 survey, the main priorities have shifted from "defensive" strategies to more growth-oriented activities and investments, which should lead to a positive impact on employment. An extended period of cost-cutting and a focus on productivity enhancement over recent years, combined with a perceived strong financial position, should lay a solid foundation for increased employment.

Assuming a cash surplus, however, paying down debt is still the most preferred alternative. However, the preference for investments both in Sweden and abroad has increased and is almost as popular as paying down debt. Given low interest rates, the favorable lending attitude, and the increased appetite for more expansionary strategies, it is somewhat surprising that paying down debt still ranks highest while the CFOs polled rate their financial position as favorable or even very favorable.

Switzerland
Riders on the currency storm



Gloomy mood

Events in the first quarter of this year gave rise to fears of a further deterioration in the pessimistic mood already evident among Switzerland's CFOs in Q4 2014. The results show that a number of factors have increased concerns about Switzerland's economic growth and the outlook for business. The timing of the decision to remove the exchange-rate floor against the euro took many companies by surprise and found them unprepared for such a move. The eurozone is sliding into a further crisis, while the situation in Greece shows no sign of resolution. Central banks have bought valuable time, but are doing so under a risky monetary policy; that valuable time has not been used to instigate adequate structural reforms and so the long-term economic challenges remain. In addition, geopolitical crises, including the conflict in Ukraine, have also depressed the mood of Switzerland's finance chiefs.

Against this backdrop, CFOs' expectations for the economy are now predominantly negative. The 79 percentage point drop in the net balance is comparable with the marked decline recorded in Q3 2011. Just 10% of CFO surveyed rate Switzerland's economic prospects as positive this quarter, down from 41% in Q4 2014, while 60% rate them as negative as against 12% in Q4 2014. Last quarter, CFOs were pessimistic about the prospects for their own companies, but remained relatively optimistic about the Swiss economy as a whole. This remaining optimism has now evaporated.

Corporate outlooks near- and long-term

This decline in confidence is also reflected in CFOs' views on their companies' financial prospects. Those views have now been deteriorating for five quarters, with the fall in optimism accelerating this quarter. Quarter on quarter, just 6% of CFO survey participants are more optimistic than they were in Q4 2014 (versus 21%), while 65% are more pessimistic.

Highlights from the Q1 2015 Switzerland CFO Survey:

- Some two-thirds of Switzerland's CFOs are pessimistic about their companies' prospects; just 6% are optimistic.
- CFOs are also more pessimistic about the prospects of the Swiss economy. Some 60% now rate the prospects as negative.
- The percentage of CFOs identifying the Swiss franc as an external risk has risen from 39% to 71%.
- Just 17% of Switzerland's CFOs expect revenues to increase (down from 54% in Q4 2014).
- Operating margin expectations are also down with a net balance of -80%.

This quarter, the survey also asked about CFOs' view of their prospects over the next 12 months. Over this timescale, they are less pessimistic. Some 33% rate their company's financial prospects as positive over the next year, compared with 54% in Q4 2014, while the percentage rating their company's financial prospects as negative has more than doubled, from 17% to 39%. This means that CFOs take a rather more negative view of the 12-month outlook for the Swiss economy than they do of their own company's prospects.

Regarding individual indicators over the next 12 months, however, CFOs are much more consistently negative. Just 17% expect revenues to increase, down from 54% in Q4 2014, while 65% expect them to decrease (12% in Q4 2014). These percentages are similar to Q4 2011. There has been an even sharper decline in expectations for operating margins, with a net balance of –80% this quarter compared with –23% in Q4 2014.

Uncertainty on the rise

In Q4 2014, Switzerland's CFOs rated the current level of uncertainty in the economic and financial environment considerably lower than their German and British counterparts. In Q1 2015, the turbulence triggered by the removal of the exchange-rate floor has brought them much closer to CFOs in Britain and Germany. Now 80% of Switzerland's CFOs rate the current level of uncertainty as high, 30 percentage points up on the previous quarter.

The strength of the Swiss franc is also seen as a much greater risk to companies this quarter, up 32 percentage points on Q4 2014. Geopolitical risk continues to be one the strongest perceived risks, with the worldwide level of conflict still high. CFOs also perceive a high level of risk from increasing regulation within Switzerland.

Turbulent time for the Swiss franc

The removal of the exchange-rate floor caught virtually everyone by surprise. As a result, the move triggered violent fluctuations in the exchange rate for the Swiss franc (CHF). In fact, during January 2015, the CHF was even more volatile than the Russian ruble (RUB). However, since then it has become much less so.

The volatility surrounding the exchange-rate floor has resulted in similar volatility in exchange-rate expectations over the next 12 months. On average, the CFOs surveyed assume a EUR/CHF exchange rate of 1.07 in 12 months' time. The range of responses has broadened compared with Q4 2014 but remains relatively narrow year-over-year. Not a single CFO expects the exchange rate to return to above EUR/CHF 1.20 in the short term. At the same time, only a few CFOs polled expect rates significantly below parity.

By far the most popular measure among Switzerland's CFOs to counter the strength of the CHF is a prompt and business-friendly implementation of planned structural reforms, such as Corporate Tax Reform III. Switzerland has more room for maneuvering here than it does in relation to geopolitical trends, so such a measure attracts substantial support. There is also support for action by the Swiss National Bank, such as direct or indirect intervention on the foreign exchange markets. While none of these individual measures has the support of more than one-third of CFOs, around half of CFOs support at least one of the measures. It is striking that only a small number would actually like the exchange-rate floor against the euro to be reintroduced.

In response to a question about their current strategies to cushion the impact of a strong CHF, CFOs most frequently cite general cost-cutting, renegotiation of prices in supplier contracts and operational hedging. Financial hedging is the fourth most frequently reported strategy. Just 13% of CFOs say that they currently have no strategies in place to cushion the impact of the strong franc.

In favor of structural reform

The rise in value of the CHF is underpinned by two factors: the strength of the Switzerland's economy and the extreme weakness of the euro. On average, Switzerland's CFOs still rate the likelihood of at least one member exiting the eurozone over the next five years as relatively high, although the proportion is rather lower than when the same question was asked in 2012.

The continued risk of an exit from the eurozone is just one reason why Switzerland's CFOs are calling for a more dynamic policy to combat the euro crisis and one that involves more than just the ECB. Results from 12 Deloitte CFO surveys show that Europe's CFOs strongly favor structural reform and increased investment expenditure. Fiscal discipline is the third most popular approach.

United Kingdom

Election casts a long shadow

All eyes on the election

Although the UK CFO Survey was conducted before the May general election, its impact was being felt by the finance chiefs who participated in the survey. Uncertainty over post-election policy change represented the greatest threat to UK business, according to the CFOs of the country's largest corporations.

This quarter's survey reveals that most CFOs think the general election poses risks to what is seen as a benign policy environment. A clear majority of the UK's finance chiefs see the potential of adverse changes on regulations and taxation. And, on balance, the expectation is that post-election changes will be negative for fiscal, monetary, and labor-market policies.

CFOs rank a referendum on EU membership as the second greatest risk facing their businesses, followed by concerns over weakness and political instability in the euro area.

Uncertainty rises again

CFO perceptions of economic and financial uncertainty rose again in the first quarter. Some 63% of finance chiefs now rate the level of uncertainty facing their businesses as above normal, high, or very high—the highest reading in almost two years.

Rising uncertainty has coincided with a continued reduction in risk appetite, which is now at a two-year low. More than half (51%) of CFOs surveyed say that now is a good time to take greater risk onto their balance sheets, down from a record high of 72% six months ago. This fall in appetite appears to be driven by CFO concerns over policy changes after the general election.

Highlights from the Q1 2015 UK CFO Survey:

- Despite softening this year, CFO optimism about the financial prospects for their own companies remains above its long-term average.
- Expectations for corporate revenues and operating margins remain above their long-term averages.
- Some 63% of CFOs rate the level of uncertainty facing their businesses as above normal, high, or very high—highest in two years.
- A net 53% of CFOs expect UK corporations to increase capital expenditures over the next 12 months, down from 80% a year ago.
- Defensive strategies, such as increasing cash flow and reducing costs, remain priorities.

Defensive strategies in favor

Defensive strategies—increasing cash flow and reducing costs – remain the top priorities for CFOs. Compared with the fourth quarter of last year, the UK's finance chiefs are placing less emphasis on expansionary strategies such as introducing new products or services, expanding by acquisition and capital expenditure.

A net 53% expect UK corporates to increase capital expenditure over the next 12 months, down from a peak of 80% a year ago

On the other hand, despite rising uncertainty, expectations for revenues and operating margins have softened modestly and remain well above their long-term averages

Easy financing continues

Financing conditions remain benign for the large corporates on our survey panel. The cost of credit has hit a seven-and-a-half-year low this quarter and availability remains close to a seven-year high.

CFOs also rate debt finance—bank borrowing and bond issuance—as the most attractive source of external funding.

A majority of the UK's CFOs expect inflation to hover around the Bank of England's 2.0% target However, a growing proportion expect lower inflation, with more than a third anticipating it.

Deloitte Member Firm CFO Surveys

About Deloitte Member Firms' CFO Surveys

Twenty-five Deloitte Member Firm CFO Surveys, covering 60 countries, are conducted by Deloitte member firms on a quarterly, biannual, or annual basis. The objective of these surveys is to collect CFOs' opinions on a range of areas including economic outlook, financial markets, business trends, their organizations, and CFO careers. The focus and timing of each member firm's survey varies.

The following summarizes the survey scope and population of the participating member firms for this quarter. Member firms' CFO surveys can be accessed at www.deloitte.com/cfoconnect.

Member firm	Contacts	Frequency	Survey scope and population
Argentina	**Claudio Fiorillo** Partner +54 11 4320 4018 cfiorillo@deloitte.com	Biannual	Conducted in March 2015 over a three-week period; 19 CFOs participated of which 90% represented private companies and 53% represented companies with annual revenues of less than U.S. $1 billion.
Australia	**Stephen Gustafson** Partner +61 (0) 2 9322 7325 sgustafson@deloitte.com.au	Quarterly	Conducted between March 17, 2015 and April 3, 2015; 52 CFOs participated, representing businesses with a combined market value of approximately AUD $251 billion or 14.28% of the Australian-quoted equity market.
Austria	**Mag. Gerhard Marterbauer** Partner +43 1 537 00 4600 gmarterbauer@deloitte.at	Quarterly	Conducted between March 23, 2015 and April 15, 2015; 115 CFOs and financial executives participated, representing a broad range of industries. Of the participating companies, 33% have revenues in excess of €1 billion, and 19% have revenues greater than €500 million.
Belgium	**Thierry Van Schoubroeck** Partner + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	Conducted between March 9, 2015 and March 23, 2015; 85 CFOs completed the survey. The participating CFOs are active in variety of industries. Some 23% of the participating companies have a turnover of more than €1 billion, 46% of between €100 million and €1 billion, and 32% of less than €100 million.

Finland	**Tuomo Salmi** Partner, CFO Program Leader +358 (0)20 755 5381 tuomo.salmi@deloitte.fi	Biannual	Conducted between March 4, 2015 and March 25, 2015; 50 CFOs participated; Some 74% of the companies have an annual turnover of more than €200 million.
Germany	**Rolf Epstein** Partner, CFO Program + 49 (0) 69 97137409 repstein@deloitte.de	Biannual	Conducted between March 3, 2015 and March 24, 2015, 2015, 150 CFOs from major German corporations took part in this CFO survey. Some 61% of CFOs are from companies with revenues of more than €500 million, and 41% have revenues of more than €1 billion.
Ireland	**Shane Mohan** Partner +353 1 417 2543 smohan@deloitte.ie	Quarterly	Conducted in March 2015; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated.
Italy	**Riccardo Raffo** Partner - CFO Program Leader Tel: +39 02 83322883 rraffo@deloitte.it	Annual	Conducted between February and March 2015, this survey included participation from approximately 300 respondents, The majority of companies involved in the survey is made up of companies not listed on the stock market (49%), and from the sectors; Manufacturing (39%); Large Distribution/ Retail/Consumer Products (8%); Sector Energy/Utilities (7%).
Netherlands	**Jan de Rooij** Partner +31 (0) 6 5336 6208 JandeRooij@deloitte.nl	Quarterly	Conducted March 2-24, 2015; 27 CFOs representing a net turnover per company of approximately €2.9 billion completed the survey. The responding companies can be categorized as follows: less than €100 million (4%), €100–499 million (26%), €500–999 million (11%), €1–4.9 billion (37%), more than €5 billion (15%), and unknown (7%).
New Zealand	**Peter Gulliver** Partner +64 (0) 9 303 0891 pegulliver@deloitte.co.nz		In 2015, the survey was conducted between March 2 and March 13. A total of 133 CFOs participated, translating to a very encouraging response rate of 35%.
North America (U.S., Canada, Mexico)	**Greg Dickinson** N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between February 9, 2015 and February 20, 2015; 96 CFOs participated from across the United States, Canada, and Mexico. Sixty-eight percent of respondents represent CFOs from public companies, and 82% are from companies with more than $1 billion in annual revenue.

Norway	**Ragnar Nesdal** Partner, Financial Advisory +47 958 80 105 rnesdal@deloitte.no	Biannual	Conducted in Q1 2015; 91 CFOs participated from across Norway. All respondents represent CFOs from the 500 biggest companies in Norway.
Spain	**Jesús Navarro** Partner +34 91 514 50 00 jenavarro@deloitte.es	Biannual	Conducted in April 2015; 99 CFOs participated from companies or groups listed in the Spanish market and/or companies or groups listed in international markets, and non-listed companies. Of the participating companies, 58% have revenues in excess of €100 million and 44% have more than 500 employees.
Sweden	**Tom Pernodd** Partner, Financial Advisory +46 75 246 30 60 tpernodd@deloitte.se	Biannual	Conducted in February 2015; Participating CFOs represented a selection of the 200 largest companies in Sweden.
Switzerland	**Dr. Michael Grampp** Chief Economist +41 44 421 68 17 mgrampp@deloitte.ch	Quarterly	Conducted between February 23, 2015 and March 23, 2015; 127 CFOs participated, representing listed companies and relevant private companies.
United Kingdom	**Ian Stewart** Chief Economist +44 020 7007 9386 istewart@deloitte.co.uk	Quarterly	Conducted March 6-23, 2015; 108 CFOs participated, including CFOs of 21 FTSE 100 and 45 FTSE 250 companies. The rest were CFOs of other UK-listed companies, large private companies, and UK subsidiaries of companies listed overseas. The combined market value of the 72 UK-listed companies surveyed is £380 billion.