



Global CFO Signals

Staying focused; remaining vigilant

Q2 2015 Deloitte Member Firms' CFO Surveys: Australia, Austria, Belgium, Middle East, Netherlands, North America, Russia, Switzerland, and United Kingdom



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 industry-wide 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 14) 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 second-quarter 2015 CFO surveys from Deloitte member firms in the following geographies:

Australia: Momentum emerges despite global jitters

Austria: Economic optimism fades

Belgium: Solid mid-year financials reported

Middle East: Local concerns, global impact

Netherlands: Path to growth

North America: Declining growth expectations

Russia: Increased risks of doing business

Switzerland: The rocky road to recovery

United Kingdom: Corporates shift to growth

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

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Global CFO Signals

CFO Sentiment Q2 2015

Staying focused; remaining vigilant

There have been several notable global economic tremors in the last few months. The continuation of the Greek crisis in the eurozone and jitters in the Chinese stock market topping the list. However, in many of the nine country reports in this edition of *Global CFO Signals*, CFO optimism seems increasingly tied to their own country's or region's situation— for better or for worse.

Consider, for example:

- In the wake of the election of a majority conservative government, UK CFOs are reporting higher risk appetites and more expansionary strategies.
- Australia's federal government policy is now viewed as neutral instead of starkly negative thanks to a budget that promises fiscal repair.
- An undercurrent of uncertainty about the strength of the US economy tempered optimism and expectations among North America's CFOs.
- In the Middle East, where the price of oil has both a regional and global impact, CFO optimism has fallen to one of its lowest levels in recent years.

From a CFO's perspective, "some of the geopolitical issues that were alarming, in particular the eurozone situation, may be less alarming now," notes Ira Kalish, Chief Global Economist for Deloitte. And given that global companies are obviously influenced by what happens in their home countries, those factors may be weighing more heavily this quarter.

At the same time, this seeming lull in geopolitical crises may be an opportunity to develop a clearer "road map" for future growth, says Kalish. To that end, CFOs seem to be focusing more on their longer-term prospects. Instead of citing economic uncertainty as their biggest concern this quarter, UK finance chiefs pointed to the possibility of rising interest rates; Belgium's CFOs are worried about the competitiveness of their companies; and North America's CFOs are greatly concerned that equity markets are overvalued.

Still, those are not the only "triggers that could reignite uncertainty," says Kalish, adding China, the price of oil, and another possible budget crisis in the US to the list. So as CFOs look ahead, he adds, "vigilance continues to be a good idea."

How does CFO sentiment in Q2 2015 break down? The following is a synopsis by region:

Americas

In North America, CFOs remain optimistic this quarter. But while 38% express rising optimism about their companies' prospects, that figure is down sharply from last quarter's 48% and is the lowest level in more than two years. Moreover their growth expectations were down dramatically: revenue growth expectations, for example, fell to 3.1%* from 5.4%* last quarter and now sit at their historic survey low. Similarly, earnings growth expectations fell sharply to a survey-low 6.5%* from last quarter's 10.6%*. Still, and apparently contradicting their declining growth expectations, CFOs see the outlook for the broader North American economy as quite good—only slightly below where it was last quarter and their assessments of Europe rebounded substantially.

Asia-Pacific

Low interest rates and a weaker Australian dollar are fueling optimism among that country's CFOs. In addition, the federal government's policy-making has a neutral influence on optimism this quarter, whereas last quarter two-thirds of finance chiefs felt that the influence was negative. In this environment, CFOs' views on their own companies' metrics for the coming year show a number of continuing positive signs, with 71% forecasting increased operating cash flows and 49% expecting increased capital expenditures. Still, the rate of fiscal repair is seen as too slow among CFOs, even though the majority (58%) believes the government's budget could have a positive impact on the economy.

Europe

CFO sentiment remains mixed across much of Europe. In the UK, for example, optimism is apparent in CFOs' rebounding risk appetite: up to 59% from a two-year low of 51% last quarter. Moreover, CFOs' strategies have turned markedly more expansionary, and expectations for hiring and capital expenditure have risen close to their highest levels in five years. The positive sentiment is shared among Belgium's CFOs, whose outlook is bolstered by the fact that halfway through the year, 37% of them report their companies have

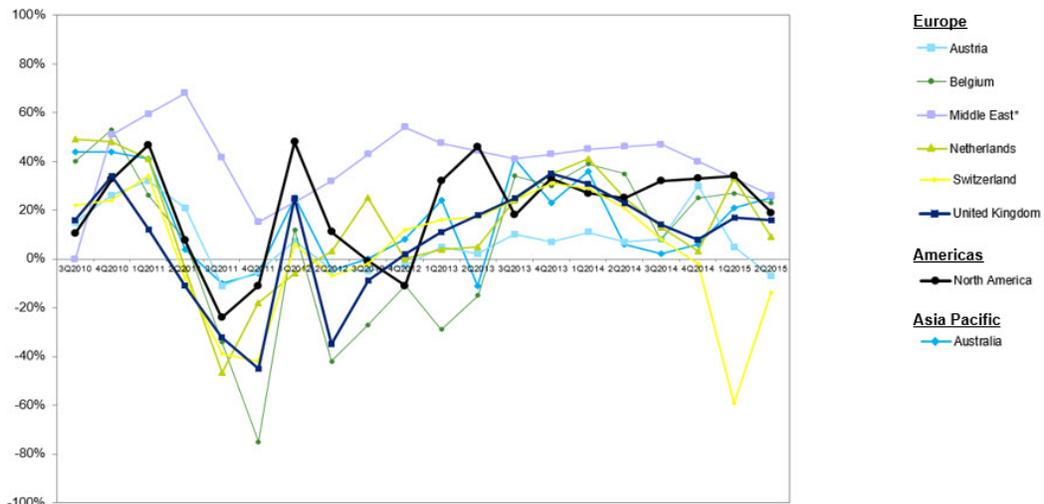
performed better than what was initially budgeted. Netherland's CFOs, on the other hand, report a slightly less optimistic outlook, but their perception of uncertainty took a positive turn: 46% now rate it as above normal—compared with 89% two years ago. Meanwhile, Switzerland's finance chiefs remain gloomy as they continue to adapt to the removal of the currency floor in January. And only 17% of Austria's CFOs are feeling confident about economic development in their own country, while just 14% report increased optimism toward their companies' prospects.

Middle East

The continuation of low energy prices is impacting both optimism and risk appetite in the Middle East. With oil at \$53 a barrel at the time of the survey, CFO optimism fell to one of its lowest values in recent years, with only a net 26% reporting positive prospects for their company. That is down from 47% in the previous survey, which was conducted just before the fall in oil prices. Moreover, risk appetite has been curbed, with only 33% of CFOs believing it is a good time to take greater risk onto the balance sheet. For now, the favored strategies are cost reduction and improving internal economics. But the CFOs are optimistic about at least one thing: they expect oil prices to be higher in a year.

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

Risk appetite is on the rise in several countries. In the UK, 59% of CFOs say now is a good time to take greater risk onto their balance sheets, up from a two-year low in Q1. Meanwhile, risk appetite in Belgium (44%) and the Netherlands (54%) are at their highest levels since the launch of those surveys. The sentiment is not shared in Switzerland, however, where only one in five CFOs believes it is a good time to take on risk.



Uncertainty

Uncertainty continues to be troublesome for CFOs. In Switzerland, 75% say that the level of financial and economic uncertainty facing their business is high, while 51% of Australian CFOs see it as either above normal, high, or very high (and 64% also expect it to last more than a year). Still, only 46% of CFOs in the Netherlands rate the general level as above normal—a far cry from the 89% who thought so two years ago.



Sales/operating margins

Expectations for revenues and earnings are mixed this quarter. Some 78% of Australia's CFOs and 68% of Netherlands' expect top-line growth this year. North America's CFO expectations for sales growth, however, fell to 3.1% to 5.4%, the lowest level in the history of the survey, and just 78% expect year-over-year gains (another survey low). As for operating margins, almost 40% of UK CFOs expect increases, while 54% of Russia's and 73% of Switzerland's expect decreases in the next 12 months.



Hiring

The news on the global job front is very country specific. In the UK, for example, hiring expectations are close to their highest levels in five years. But in North America, expectations for year-over-year gains in domestic hiring fell to 1.2% from 2.4%—the lowest level in two years. Elsewhere, in Switzerland, where 62% of CFOs expect employee numbers to decrease over the next 12 months, 82% are also planning to take action to cut personnel costs in response to the higher costs resulting from the strength of the Swiss franc.



Corporate strategy

Many CFOs continue to favor *growth* and *expansion*. For UK finance chiefs, for example, introducing new products and services or expanding into new markets is the top priority for 41% of CFOs, the highest level in more than four years. In Australia, 71% of finance chiefs voiced a similar sentiment, with even more (84%) prioritizing organic growth. Meanwhile, North America's CFOs report their highest focus on current offerings since 2013 (38%) and have a firm bias for organic growth over inorganic growth (54% vs. 27%).



M&A activity

Some 88% of the Netherlands' CFOs expect M&A activity to increase in the next 12 months, and 63% expect their own companies to make a deal in that time frame. M&A also saw a rise in popularity in Australia, where 60% of CFOs expect an increase in activity, up from 49% last quarter. In the Middle East,

Deloitte Member Firm CFO Surveys:

Second Quarter 2015 Highlights

Australia

Momentum emerges despite global jitters



Solid optimism

Optimism remained solid among CFOs in Q2 2015, with a net 24% feeling more optimistic in Q2, despite worrying signs from China and the eurozone— an encouraging sign of resilience after a subdued 2014. According to Australia's CFOs, the drivers of this sustained optimism are low interest rates and a weaker Australian dollar, though the positive influence of the latter has eased as the decline of the dollar has stalled.

Meanwhile, this year's budget has prompted a turnaround in the influence of federal government policy on CFO optimism – from starkly negative to neutral. This is perhaps a response to a more benign budget, with almost three-quarters of survey respondents stating that the rate of fiscal repair is currently too slow.

Increased operating cash flows expected

While revenue expectations in Q2 2015 were broadly consistent with last quarter, a greater proportion of CFOs expect operating cash flows to increase over the next 12 months. Those expecting cash flow to increase somewhat have risen from 58% to 67%, although the proportion expecting a significant increase has decreased slightly. Expectations for operating costs also remained steady, although fewer CFOs expect operating margins to increase. There is good news also associated with capital expenditure expectations, with 38% of CFOs expecting capex to increase somewhat over the next 12 months, and 11% expecting that increase to be significant. These figures last quarter were 28% and 9%, respectively.

Organic expansion and the pursuit of new products and markets remained atop the list of business strategies identified by CFOs. In fact, more expect to increase the use of these

Highlights from the Q2 2015 Australia CFO Survey:

- Net 24% of CFOs feel more optimistic about their company's financial prospects than they did three months ago.
- Federal policy had a neutral influence on optimism this quarter, while last quarter, two-thirds of CFOs felt that influence was negative.
- Credit remains cheap and available; bank borrowing, corporate debt, and internal funding are still the most attractive sources of funding.
- A significant majority of respondents expect the current uncertainty to last for between one and two years, and the proportion of CFOs expecting current levels of uncertainty to persist indefinitely has dropped considerably.

strategies over the next 12 months. Eighty-four percent expect an increase in organic expansion (Q1 2015: 66%), and 71% expect to pursue new products or markets (Q1 2015: 59%). M&A also saw an increase in popularity since last quarter – 60% of CFOs expect to increase M&A activity over the next 12 months, compared with 49% last quarter.

Credit outlook remains positive

Credit remains both cheap and affordable in the eyes of CFOs and, following a considerable jump in gearing intentions last quarter, that indicator remained solid (although it dipped slightly). Bank borrowing, corporate debt, and funding from profits are still the most attractive sources of funding, although Q2 saw a marked increase in the popularity of equity issuance. The proportion of CFOs who see equity issuance as attractive leaped from 24% to 53%.

Austria

Economic optimism fade



Neutral economic development seen

This quarter in the Austrian CFO Survey, the index value of the economic outlook indicates a clear negative trend for the first time since the fourth quarter of 2014. However, the figures still remain positive despite falling from 20% last quarter to 3% currently.

What remains unchanged is that the majority of CFOs (69%) predict a neutral economic development. Only 17% are optimistic about the economic development in Austria, while 14% see a negative development ahead.

Investments may rise further

The positive trend for investments, which began in the first quarter of 2015, has endured as the index value has continued to rise from 24% last quarter to its current level of 26%. Some 40% (up from 36%) of the Austria's CFOs hope to increase investments within their company over the coming 12 months; 9% speak of a substantial planned increase. While 11% of CFOs expect to experience a decline in levels of investment, the majority still anticipates constant investment.

Although the investment climate in Austria continues to be viewed favorably, the US and China remain the primary investment locations. Eastern Europe could potentially catch up, with the first positive index value of 2015 (21%) The index value of the investment for Austria remained unchanged at 8%.

Negative sales expectations

This quarter a negative trend in the expected sales growth for the following 12 months has emerged. The index value fell from 36% last quarter to 25%. The negative index value is mainly due to the fact that only 18% (32% last quarter) predict an

Highlights from the Q3 2015 Austria CFO Survey:

- Only 17% of the CFOs are optimistic about economic development within Austria.
- Some 76% of the CFOs are unwilling to take more risk onto the balance sheet.
- CFOs predict a negative trend in the expected sales growth.
- While 11% of CFOs expect to experience a decline in levels of investment, the majority continue to anticipate constant investment.
- Almost half of CFOs see a high degree of uncertainty in the financial and economic environment.

increase in sales performance, while 23% forecast a decline.

Uncertainty and risk aversion

When asked about their assessment of the current level of uncertainty, 47% of survey respondents (58% last quarter) see a high degree of uncertainty and 18% (6% last quarter) see little uncertainty. It can therefore be surmised that the appetite for risk among the CFOs remains low. Seventy-six percent of CFOs surveyed believe it is currently not a good time to take more risk onto the balance sheet.

Belgium

Solid mid-year financials reported



Recovery of eurozone felt

The recovery of the eurozone strengthened in the second quarter, but clouds surfaced again as the Greek crisis remained unresolved and intensified. Still, Belgium's CFOs remain prudently optimistic about the future financial prospects of their companies. And halfway through the calendar year, financial performance remains strong: 37% of survey participants report that in the first half of the year, their companies have performed better than was initially budgeted. Only 30% are lagging behind budget this quarter, the lowest number reported in four years.

In addition, now that signs of euro area recovery are more positive, CFOs are above all concerned about the competitiveness of their companies and regulation. In fact, for the first time in 12 months the economic outlook is not perceived as the number one concern, while concerns related to eurozone stability have gained significant importance in the second quarter. .

Risk appetite hits new high

Increasing financial and economic uncertainty has not impacted CFOs' appetite for risk. Since the survey launched in 2009, Belgium's CFOs have never been more positive about taking additional risk onto the balance sheet. Expectations of M&A activity remain high and expansionary business strategies are getting additional focus.

In this environment, all major forms of funding are considered attractive. Bank credit remains available and cheap, though more so for larger companies. Close to 70% of Belgium's CFOs expect long-term interest rates to increase in the next six months. Almost half of survey respondents also expect this will be accompanied by higher price terms and harder lending terms.

Highlights from the Q2 2015 Belgium CFO Survey:

- CFO net optimism is solidly positive with 40% of CFOs reporting being optimistic, and 17% reporting being pessimistic.
- Some 37% of survey respondents report financial performance in the first half of the year is better than budgeted.
- For the first time in 12 months, the economic outlook is not perceived as the number one concern. Instead, some 26% of CFOs are concerned about competitiveness.
- Risk appetite is at its highest level (44%) since the inception of the survey.
- Close to 70% of CFOs expect long-term interest rates to increase in the next six months.

In support of government reforms

In line with the last quarter's results, 31% of CFOs are supportive of the Belgian government's priorities for financial and economic policy making. However, the evaluation of policy making for many of the areas that are considered important for long-term business success in Belgium—taxation, immigration, labor market, infrastructure, and energy—has however fallen back to the levels reported immediately after the elections.

Middle East

Local concerns, global impact



Global outlook

Amid the decrease in energy prices and increased geopolitical concerns, the Middle East has found itself the focus of the global economy. The effects of these market disruptors extend beyond Middle East borders and impact the commercial interests of major corporations across almost every continent. As a result, many Middle East CFOs appear to be exercising caution. However, there appears to be a slight window of opportunity to take advantage of current market conditions.

Tempered outlook

CFO optimism has fallen to one of its lowest levels in recent years, with only a net 26% reporting positive prospects for their companies. The previous survey was conducted in H2 2014, just before the fall in oil prices and yielded a net CFO optimism of 47%. Traditionally, CFO perceptions are divided in the region with the Gulf nations reporting higher levels of optimism when compared with the surrounding North African and Levant countries. Nevertheless, Gulf nations did not remain unscathed from market conditions; risk optimism in the United Arab Emirates dropped to a net 46% from net 61% in the previous survey.

The weakened sense of optimism is evident within several financial forecasts. Predictions of private equity activity as well as M&A levels over the next 12 months have both decreased from the previous survey conducted in H2 2014. Similarly, growth forecasts of major equity indices are at one of its lowest thresholds since the inception of the survey in 2009. Finally, risk appetite has been curbed as only 33% of CFOs polled believe it is a good time to take greater risk onto the balance sheet

Revised focus

¹ At the time of the survey, a barrel of WTI crude oil was trading at \$53 per barrel.

Highlights from the H1 2015 Middle East CFO Survey:

- CFO net optimism has fallen to one of its lowest levels in years as a result of the decrease in energy prices and increased geopolitical concerns in the region.
- Despite market conditions, new credit is considered to be easily available and at one of its lowest cost levels.
- High-priority business strategies for the next year revolve around the operator and steward roles of the CFO.
- Net 66% of CFOs predict that energy prices will be higher in a year.

In response to challenging market conditions and decreased risk appetite, Middle East CFOs appear to have concentrated their efforts toward performing as financial stewards and operators of their organizations rather than as strategists or catalysts. The pivot is evident as the high-priority business strategies over the next 12 months aim to protect and preserve the organization's financial position via cost reduction (net 86%), organic growth (net 73%) and increased cash flow (net 66%).

Maintaining a focus on cost reduction and improving internal economics appears to be a prevailing position. As optimism and risk appetite seem to be directly correlated with energy prices, maintaining a holding position to weather the storm appears to be a popular strategy. Fortunately, many CFOs believe energy prices will be higher in a year.¹

Currently, survey respondents consider the overall cost of new credit to be at its lowest levels, while the availability of new credit is at one of its highest.

Finally, bank borrowing is perceived to be the most attractive source of external funding, with a net 65% of CFOs preferring bank loans over debt raised.

Netherlands

Path to growth



Mixed messages

Traffic congestion is sometimes used as an indicator for a country's economic situation. After years of decline, traffic jams on Dutch roads increased in length and duration by 12% over the past three months, according to Rijkswaterstaat, a part of the Dutch Ministry of Infrastructure and Environment. This implies that the Dutch economy is growing, a fact that is confirmed by National Statistics (CBS). In the first three months of 2015, the Dutch economy grew for the fourth consecutive quarter. The growth rate was 0.4% on the previous quarter. Year-on-year, economic growth was 2.4%, primarily due to higher investments, more exports, and more household consumption.

In response, some 46% of CFOs rate the general level of external financial and economic uncertainty facing their business as above normal—compared with 89% two years ago. This implies that 54% of CFOs perceive the uncertainty associated with the external situation as normal, or below normal.

Still, the percentage of CFOs who are optimistic about the financial prospects for their company decreased from 52% to 42%. This is slightly below the two-year average of 44%.

Risk appetite at all-time high

Financing conditions have remained favorable. But now bank borrowing is seen as the most attractive source of funding, according to a net 64% of CFOs. Corporate debt fell from 64% in Q1 to 41% this quarter, and equity is still seen as the least favored source of corporate funding.

Meanwhile, risk appetite has hit its highest level in the survey's history. Some 54% of CFOs surveyed believe that now is a good time to be taking greater risk onto their balance sheets.

Highlights from the Q2 2015 Netherlands CFO Survey:

- CFOs of Dutch companies are less optimistic about the financial prospects of their companies compared with three months ago. Optimism dropped from 52% to 42%.
- An all-time high of 54% of CFOs say now is a good time to be taking greater balance-sheet-related risks, while 46% are still risk-averse.
- Some 68% of CFOs expect their company's revenues to increase over the next 12 months—an indicator of growth.
- CFOs remain bullish on the M&A market: 88% say that corporate M&A activity will increase.

Bullish on cash flows and M&A

The percentage of the Netherlands' CFOs who expect their cash flow to increase over the next 12 months stands at 75%. A third believe that cash flows will increase between 11%–20% (2015 Q1: 19%) and 29% expects an increase between 1%–10% (2015 Q1: 37%). The percentage of CFOs who expect a decrease in cash flows was down from 15% last quarter to 4%.

CFOs remain bullish on the outlook for M&A activity. The outlook on corporate M&A decreased somewhat from 96% to 88%, but the percentage of CFOs who expect a significant increase in strategic takeovers almost doubled from 7% to 13%. In addition, some 83% of CFOs expect private equity activity to increase over the next 12 months.

North America

Declining growth expectations



Rising concerns about US

Last quarter's survey suggested that, despite growing concerns about global economic health, continued geopolitical volatility, and a strong US dollar, CFOs' sentiment and expectations were holding up fairly well. But while many conditions have improved since then, public debate has escalated around whether or not the US economy is as healthy as many had thought. Accordingly, CFOs' sentiment this quarter appears to reflect rising concern, and some of their growth expectations are now at their lowest levels in the five-year history of this survey.

This quarter's net optimism¹ index extends a nine-quarter positive streak, now sitting at +18.8. But this is down from last quarter's strong +34.4 and is at the lowest level since 3Q13. And while 38% of survey respondents express rising optimism about their companies' prospects, this is down sharply from last quarter's 48% and is the lowest level in more than two years.

This decline in sentiment appears amplified by CFOs' own-company performance expectations that are some of the least optimistic since the survey began. Revenue growth expectations fell to 3.1%* from 5.4%* last quarter and now sit at their historic survey low. Similarly, earnings growth expectations fell sharply to a survey low of 6.5%* from last quarter's 10.6%*.

Domestic hiring expectations also fell, unwinding a three-quarter streak above 2.0% by falling to 1.2%*, the lowest level since 1Q14. Capital spending expectations rose slightly to 5.4%* from last quarter's 5.2%*.

Moreover, companies' business focus seems to indicate deceleration. While CFOs still indicate a collective bias toward growing revenue over cutting costs, this bias is the weakest since 4Q13. And there is a focus on current offerings over new ones not seen in the past two years.

Highlights from the Q2 2015 North America CFO Survey:

- Continuing a string of nine straight prior quarters of positive sentiment, net optimism came in at +18.8, down from a very strong +34.4 last quarter.
- Revenue growth expectations fell to 3.1% from 5.4% last quarter and now sit at the lowest level in the history of this survey.
- Fifty-nine percent of CFOs describe North American conditions as good (even with last quarter), and 54% expect better conditions in a year (64% last quarter).
- Sixty-five percent of CFOs say US markets are overvalued (up from 46%).

Economic confidence holding up

While it is tempting to assume that CFOs' wavering expectations is underpinned by declining confidence in global economic growth, that would appear to be an oversimplification. In fact, and apparently contradicting their declining growth expectations, CFOs' outlook for the broader North American economy is quite good. Moreover, their assessments of Europe rebounded substantially from last quarter's dismal showing.

But there does appear to be concern about the longer-term health of the US economy. Among their most worrisome risks, CFOs frequently mentioned the possibility of a pullback resulting from spillover effects from other economies and also from possible interest-rate increases and equity-market corrections. Perhaps most telling is the fact that, on the heels of the S&P 500 index's 1.2% rise between surveys, nearly two-thirds of CFOs said US equity markets are overvalued—up significantly from last quarter's 46%.

Russia

Increased risks of doing business



International economy weighs on outlook

The Russian CFO Survey was designed to gauge CFOs' outlooks on business, financing, risk, and strategies, and to identify trends in the Russian market. The inaugural survey found that the international context at the end of 2014 had a long-term negative impact on Russian financial prospects. In fact, 27% of CFOs surveyed stated that their financial prospects had become less optimistic, and 36% do not anticipate any changes.

That outlook had a negative impact on corporate-performance expectations. Expectations of growth in both revenue (50%) and operating expenses (68%) are likely an indication of the increased risk of doing business in Russia. This trend suggests that companies are likely to raise selling prices in order to compensate for the growth in operating expenses. Expected revenue growth, however, might not be an indicator of net profit as it depends on other factors, such as purchasing power, competition, policy, and so on.

Focused on costs and risks

In general, the first quarter of 2015 was characterized by a high level of uncertainty in relation to strategic decision-making. In fact, 66% of the surveyed CFOs view the level of uncertainty facing their businesses as high.

Due to this uncertainty, only 14% of Russia's CFOs believe that now is a good time to be taking greater risk onto the balance sheet. In the first half of 2015, the risk-taking propensity is higher among those expecting falling revenues, and this shows a high degree of uncertainty. Thus, CFOs are likely to consider risk taking as a last resort in the current situation.

EU sanctions against Russia, the fall of the domestic currency, and the de-offshorization law in

Highlights from the H1 2015 Russia CFO Survey:

- Overall, 27% of CFOs in Russia state that their financial prospects have become less optimistic.
- Only 14% of CFOs consider now to be a good time to take risk onto the balance sheet and such decisions are seen as a last resort.
- The main source of financing according to 74% of CFOs is internal funding.
- Expectations of growth in both revenue (50%) and operating expenses (68%) are likely an indication of the increased risk of doing business in Russia.

Russia were top-of-mind risks at the end of 2014. According to the survey results, the majority of CFOs think that among these three risk factors, the exchange rate is likely to have the most serious impact on their businesses (73%), while EU sanctions (57%) and the de-offshorization law (34%) would harbor less potential risk. In fact, the stronger dollar, according to surveyed CFOs, has a more negative impact than the growth of the euro (77% vs. 68%).

Top three strategies

The top three strategies CFOs are focused on over the next 12 months are ongoing cost restructuring, cost-cutting, and organic growth. CFOs of Russian companies are more likely to choose "increasing cash flow" as one of their priority strategies, while CFOs of foreign companies are more inclined to opt for "reducing currency exposure."

Switzerland

Rocky road to recovery



Remaining gloomy

The mood among Switzerland's CFOs remains fairly gloomy. While there are some signs of improvement in individual survey indicators, this only partially offsets the substantial decline in confidence seen in Q1. Swiss businesses are still adapting to the fallout from the removal of the exchange rate floor in January. And uncertainty—particularly monetary uncertainty—is the major factor currently affecting CFOs' strategic outlook.

Still, the good news is that Switzerland's finance chiefs are a little less pessimistic about the economy this quarter, following the marked decline that was seen in Q1. Although a majority still rate the country's economic prospects over the next 12 months as negative, 41% are now pessimistic compared with 60% in Q1. Some 16% rate Switzerland's economic prospects as positive, up from 10% in Q1, and the net balance is up 26 percentage points at -24%.

Companies' financial prospects have picked up too, halting the substantial downward trend evident over the preceding four quarters. However, more CFOs are still reporting a trend of deterioration rather than improvement in their companies' financial prospects since Q1 2015 (34% reporting deterioration compared with just 20% reporting improvement). The net balance has recovered, however, rising from -58% to -14%.

Corporate outlook at a low level

Expectations for revenues and operating margins remain negative overall, at -28% for revenues and -66% for operating margins. Following the marked deterioration in these figures in Q1 2015, more CFOs are optimistic this quarter, but a majority continue to expect revenues to fall over the next 12 months. Meanwhile, pressure on operating margins remains high.

Highlights from the Q2 2015 Switzerland CFO Survey:

- While a majority of CFOs are still pessimistic about the Swiss economy (41% versus 16% who are optimistic), this is about 20 percentage points down on the Q1 figure
- Pressure on operating margins remains high, with 73% of CFOs expecting margins to fall.
- The strength of the Swiss franc remains the highest risk, cited by 70% of CFOs. As in Q1, this is followed by geopolitical risk and increasing regulation within Switzerland.
- Roughly four in five companies (82%) are planning to take action in the area of personnel in response to the higher costs resulting from the strength of the Swiss franc.

A similar picture emerges regarding planned capital expenditure, number of employees, and discretionary spending. Most CFOs are still seeking to keep costs in check, and while the pressure on costs has eased slightly compared with Q1 2015, the improvement is only modest.

Slight improvement in uncertainty and risk

CFOs continue to rate economic and financial uncertainty as very high. Some 75% of CFOs say levels of uncertainty are high, and 22% say that they are normal, only slightly changed from Q1.

Among major external risks, the strength of the Swiss franc tops the list (70%), followed by geopolitical risk (59%), increasing business regulation in Switzerland (52%) weaker domestic demand (50%), and weaker foreign demand (49%). With the exception of deterioration of cash flow (47%), however, internal risks do not feature prominently in CFOs' perceptions of risk.

United Kingdom

Corporates shift to growth



Pre-election fears subside

The fears about political risk and policy uncertainty that dampened corporate spirits in the run up to the general election, have fallen away. Despite the intensifying crisis in Greece, corporate risk appetite rose in the second quarter, and the UK's CFOs have become markedly more enthusiastic about pursuing growth strategies.

In fact, the election of a majority Conservative government has turned a referendum on membership of the EU from a possibility to a certainty. Yet CFOs are now more relaxed about holding an EU referendum than they were before the election, perhaps because they believe the vote will endorse continued membership. Some 74% believe that it is in the interests of the country's businesses for the UK to remain within the EU, while 2% disagree.

A large majority of CFOs see the UK as having benefited from EU membership in terms of export performance (93%), facilitating connections with other European nations (91%), and attracting foreign direct investment (90%). However, only a small minority see benefits from the EU's legal, regulatory, and compliance framework.

Positive shifts in mood and strategy

The results of the government's renegotiation of Britain's relationship with the EU are set to have a significant effect on corporate attitudes toward the EU. Some 23% of CFOs say that their judgement about membership will depend on the results of the discussions with the EU.

The Q2 survey period coincided with a sell-off in equity markets and an escalating crisis in Greece. Yet perceptions of external financial and economic uncertainty fell for the first time in a year. Risk appetite has risen, with 59% of CFOs saying that now is a good time to take risk, up from

Highlights from the Q2 2015 UK CFO Survey:

- Some 55% of CFOs report the level of financial and economic uncertainty facing their businesses as being above normal, high, or very high.
- To 59% of CFOs now is a good time to take greater risk onto balance sheets, up from a two-year low of 51% last quarter.
- CFO expectations for growth in revenues and operating margins rose in Q2 and remain well above their long-term averages.
- Introducing new products and services or expanding into new markets is the top priority for 41% of CFOs, the highest reading in more than four years.
- Expectations for hiring and capital expenditure have risen close to their highest levels in five years.

a two-year low of 51% recorded in the previous survey, before the general election. The index of corporate expansion has risen sharply, to the highest level in four years.

It is indicative of the shift in mood in the corporate sector that after years of easy monetary policy, CFOs are contemplating the prospect of higher interest rates. They now rate a rise in interest rates in the UK and the US, along with euro area weakness, as the two main risks to their business.

CFOs became more cautious towards the end of 2014 and in early 2015, partly in response to perceptions of growing policy uncertainty at home. These effects seem to have unwound, and CFOs are entering the second half of the year in expansionary mode.

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
Australia	Stephen Gustafson Partner +61 (0) 2 9322 7325 sgustafson@deloitte.com.au	Quarterly	Conducted between June 11, 2014 and June 26, 2015; 45 CFOs participated, representing businesses with a combined market value of approximately AUD \$162 billion or 9.33% of the Australian-quoted equity market.
Austria	Mag. Gerhard Marterbauer Partner +43 1 537 00 4600 gmarterbauer@deloitte.at	Quarterly	Conducted between July 6, 2015 and August 10, 2015; 113 CFOs, analyzing only companies with annual sales above €100 million (87 companies).
Belgium	Thierry Van Schoubroeck Partner + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	Conducted between June 5, 2014 and July 6, 2014; 82 CFOs completed the survey. The participating CFOs are active in variety of industries. Some 20% of the participating companies have a turnover of more than €1 billion, 48% of between €100 million and €1 billion, and 32% of less than €100 million.
Middle East <i>(Saudi Arabia, UAE, Qatar, Bahrain, Oman, Kuwait, Yemen, Egypt, South Sudan, Jordan, Syria, Lebanon, Iraq, Palestine & Libya)</i>	James Babb Partner Deloitte & Touche M.E. +0097143768808 jbabb@deloitte.com	Biannual	Conducted in the second quarter of 2015, this survey included participation from 123 respondents, representing both listed and non-listed companies in the Middle East. Annual turnover of the participating companies are as follows: less than \$100m (37%); \$100m - \$499m (27%); \$500m - \$999m (14%); \$1bn - \$4.9bn (17%); greater than \$5bn (6%).

Netherlands	Jan de Rooij Partner +31 (0) 6 5336 6208 JandeRooij@deloitte.nl	Quarterly	Conducted June 2-26, 2015; 25 CFOs representing a net turnover per company of approximately €2.4 billion completed the survey. The responding companies can be categorized as follows: publicly listed (52%), privately owned (12%), family owned (8%), private equity portfolio company (8%), state or government owned (4%), other (8%),
North America (U.S., Canada, Mexico)	Greg Dickinson N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between May 11, 2015 and May 22, 2015; 101 CFOs participated from across the US, Canada, and Mexico. Seventy-one percent of respondents represent CFOs from public companies, and 84% are from companies with more than USD \$1 billion in annual revenue.
Russia	Marina Elovskaya Senior Manager, Deloitte & Touche CIS +7 (495) 787 06 00 (ext. 2299) melovskaya@deloitte.ru	Biannual	Conducted between March 3-30, 2015; 44 CFOs participated, representing major companies in Russia.
Switzerland	Dr. Michael Grampp Chief Economist +41 44 421 68 17 mgrampp@deloitte.ch	Quarterly	Conducted between May 26, 2015 and June 22, 2015; 111 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 June 12-29, 2015; 122 CFOs participated, including CFOs of 24 FTSE 100 and 49 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 82 UK-listed companies surveyed is £499 billion.

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