The Deloitte/SEB CFO Survey
Optimism soars
Fall 2017
We are excited to present the Fall 2017 results of the new Deloitte/SEB CFO Survey. The report uniquely combines perspectives from CFOs within large and midsized companies in Finland with viewpoints from SEB’s Nordic Outlook, SEB research team’s flagship report on key forecasts, and global economic trends.

The survey was conducted simultaneously in other European countries and thus we were able to make valuable comparisons between Finnish and other European CFOs. The European CFO Survey is part of a global cohort of surveys benchmarking the attitudes and future intentions of Chief Financial Officers, gathering views from over 1,500 CFOs based in 19 European countries.

Tuomo Salmi
CFO Program Lead
Deloitte

Mari Lappalainen
Finance Lead
Deloitte

Ville Lähde
Financial Strategy
SEB

Views were gathered from 1,500 CFOs in 19 European countries
Summary

Key findings

Business confidence has been improving throughout Europe in the past six months, but no other countries stand as strong in their optimism as France and Finland. Seventy-five percent of Finnish CFOs are more optimistic than they were in the spring.

The continued improvement in the sentiment is not unsubstantiated, Finnish exports are increasing and the economy has taken a clear turn for the better. Furthermore, compared to Europe, Finland has one of the highest number of companies expecting improvement in revenues and operating margins.

Financial performance is improving and uncertainty is falling, with Finnish CFOs getting even more ready to make domestic investments. Two-thirds also believe that this is a good time to take a risk on their balance sheet. Finland outshines its neighbor Sweden, where only one-fourth are ready to do the same.

Amid the economic growth, CFOs are growing increasingly uneasy with the lack of talent available, continuing to rise from the spring. Barring an unexpected economic turn, say, due to the geopolitical risks, there is still little CFOs believe will impede promising growth. How the lower focus on new product development in Finland compared to Germany and Sweden effects growth remains to be seen.

Optimism is at an all-time high, net optimism at 73%. Falling short of only France at 75%.

One-third of CFOs mention wage moderation as the most important way of ensuring competitiveness.

86% of Finnish CFOs expect their revenues to increase over the next 12 months, which is nine percentage points more than in spring.

The willingness to invest in Finland is growing, a third of companies are ready to invest in Finland, which is 8% more than last spring.

CFOs are more positive to hire in Finland in the coming six months, with 27% hiring more (up from 19% last spring).

One-third of CFOs mention wage moderation as the most important way of ensuring competitiveness.
Summary
Finland is among the top players

- **78%** France
- **75%** Finland
- **62%** Austria
- **54%** Portugal
  - are more optimistic than before

- **63%** Finland
- **55%** Netherlands
- **52%** Belgium
- **50%** Spain
  - are ready to take more risk on the balance sheet

- **95%** Belgium
- **89%** Finland
- **87%** Sweden
- **81%** Ireland
  - of companies see their revenues to increase
Hot Topic

Interest rates

Chart 1. What do you expect will happen to interest rates in your country over the next 12 months? If interest rates were to rise in the next 12 months, which of the following strategies do you think is most appropriate for your business?

Only 38% of Finnish CFOs expect rates to rise in the next 12 months. That is less than the euro area average (56%) and only CFOs in Greece have lower interest rate expectations.

A large majority of Finnish CFOs (79%) are satisfied with their current strategies and do not see any need to change the strategy if rates rise. Non-Eurozone CFOs see more need to reduce debt or leverage ratio than their euro area colleagues in the event that rates rise.

Rates will go up
Hot Topic

Competiveness of the Finnish economy

Chart 2. What are the main actions to be taken to boost the competitiveness of the Finnish economy?

One-third of CFOs mention wage moderation as the most important way of ensuring competitiveness. Investments in digital business solutions, infrastructure and education and research are also ranked (13% each) as meaningful alternatives.
Business Confidence

Financial prospects

Chart 3. Compared to six months ago, how do you feel about your company's financial prospects?

Optimism in Finland is higher than ever during the history of this research, since the 2010s. Finland is ranked among the most optimistic countries in Europe (a net balance of 73%). Optimism is the highest in France (net optimism is 75%) and the average net optimism in Europe is 31%. Optimism is lowest in the UK.

Net optimism (difference between optimistic and less optimistic)
The Deloitte/SEB CFO Survey
Fall 2017

Prospects & Concerns

Greatest concerns

Chart 4. What are the greatest concerns for your company in 2017?

The outlook and competitiveness of the Finnish economy have continued to improve, but those are still the biggest concerns. The next biggest concerns are the shortage of skilled professionals and increasing regulations.

- Economic outlook/growth: 29%
- Shortage of skilled professionals: 20%
- Increasing regulations: 14%
- Geopolitical risks: 13%
- Reduction in demand (foreign/domestic): 11%
The willingness to invest in Finland is growing, one-third of companies (29%) are ready to invest in Finland, which is eight percent points more than last spring. For the first time in the last sixteen months, the focus of strategic investment in Finland is greater than that of overseas.

(In brackets results from The Deloitte/SEB CFO Survey Spring 2017)
Prospects & Concerns

Change in revenues

Chart 6. In your view, how are revenues for your company likely to change over the next 12 months?

86% of Finnish CFOs expect their revenues to increase over the next 12 months, which is nine percentage points more than in the spring. Finnish and Swedish (84%) companies are expected to perform better than the EU average where only 59% of CFOs see increasing revenues.

Net balance (difference between increase and decrease)
Prospects & Concerns
Change in operating margins

Chart 7. In your view, how are operating margins for your company likely to change over the next 12 months?

As with revenue expectations, the outlook for margins growth is broadly positive. CFOs in Belgium, Finland, and Sweden are most optimistic. Brexit is hitting UK companies hard and revenue expectations in the UK (-50%) are very negative.

Net balance (difference between increase and decrease)
Prospects & Concerns
Change in capital expenditures

Chart 8. In your view, how are capital expenditures for your company likely to change over the next 12 months?

Capital expenditure expectations have continued to rise in the EU from +27% to +29%. In Finland, capex expectations are levelling off and net balance has fallen to 0% from +28%. Finland reported the biggest change in capex outlook.

Net balance (difference between increase and decrease)
Prospects & Concerns
Priorities in business strategies

Chart 9. To what extent is each of the following business strategies likely to be a priority for your business over the next 12 months?

CFOs in Finland see organic growth as the most preferred strategy in the next 12 months (68%). From more defensive strategies, introducing new products and services and cost control are still important for Finnish CFOs.

(In brackets results from The Deloitte/SEB CFO Survey Spring 2017)
Prospects & Concerns

Best opportunities for growth

Chart 10. During the next 12 months, in what region do you expect your company to have the best opportunities for growth?

The Nordic market is still the most important region (54%). The importance of Asia Pacific has increased nine percentage points and Russia’s importance for Finland remained the same.

(In brackets results from The Deloitte/SEB CFO Survey Spring 2017)
Prospects & Concerns

Expected change in number of employees

Chart 11. In your view, how is the number of employees for your company likely to change over the next 12 months?

Finnish CFOs see a small positive change in the number of employees of Finnish companies in the next six months (net optimism 9% vs. 0%). Compared to six months ago also European CFOs are more positive (net optimism 19% vs. 11%). Eurozone CFOs are still more optimistic about the employment outlook in their businesses than other European CFOs. 44% of Eurozone CFOs expect to hire more employees over the next 12 months.

*combined results from questions regarding employees abroad and employees in Finland

Net balance (difference between increase and decrease)
Finance

Attractiveness of bank borrowing

Chart 12. How do you currently rate bank borrowing as a source of external funding for companies?

Bank borrowing is the most preferred source of funding for CFOs in Europe, with a net balance of 56% in the EU. The appetite for bank borrowing in the Nordics has fallen from the previous survey and the corporate debt market has become more attractive. In Finland the net balance has fallen to +37% from +55%.

*Net balance (difference between attractive and unattractive)*
Finance
Attractiveness of corporate debt

Chart 13. How do you currently rate corporate debt as a source of external funding for companies?

The ECB bond buying program is still supporting the corporate market in Europe and only one-fifth of CFOs don’t see corporate debt as an attractive source of funding. In Finland the net balance has risen from +34% to +41%.

Net balance (difference between attractive and unattractive)
Finance

Attractiveness of equity

Chart 14. How do you currently rate equity as a source of external funding for companies?

Equity is again the least attractive source of funding for CFOs in Europe. The attractiveness among Finnish companies has fallen even further (net balance from -18% to -26%).

*Net balance (difference between attractive and unattractive)*
Finance

Attractiveness of internal financing

Chart 15. How do you currently rate internal financing as a source of funding for companies?

Internal financing keeps its place as the second most attractive source of funding for CFOs in Europe with 48% viewing internal financing as attractive, compared to 14% who consider it unattractive. In Finland, the net balance has risen from +13% to +26%.

Net balance (difference between attractive and unattractive)
Finance
Lending attitude of financial institutions

Chart 16. How is the lending attitude of financial institutions toward your company perceived?

External financing is available and Scandinavian banks have strong balance sheets which support lending activities. Lending attitudes have been very positive already for the past four years. Funding is still available, but there is a slight reduction in lending volatility. 74% of Finnish CFOs see that the lending attitude is either very favorable or favorable.

(In brackets results from The Deloitte/SEB CFO Survey Spring 2017)
Finance

Taking risks on your balance sheet

Chart 17. Is this a good time to be taking greater risk on your balance sheet?

Across Europe risk appetite is low (net balance -32%). In Sweden, Norway, and Denmark, net balance is lower than on average in Europe. Risk appetite has risen from +18% to +25% in Finland, the highest in Europe. 63% of the Finnish companies believe that it is a good time be taking greater risk.

Net balance (difference between yes and no)
Macroeconomic Context

Confidence indicators

Chart 18. Industry confidence indicators

Confidence indicators in manufacturing and in services have developed strongly during 2017. Construction industry has been more stable but still at notably higher level than some years ago.

Source: Macrobond
Macroeconomic Context

GDP

Chart 19. Indexed GDP development

Despite positive trend for Finnish economy the gap to accumulated Euro zone GDP development is largely unchanged.

Source: Macrobond
Macroeconomic Context

GDP estimates

Chart 20. Yearly GDP growth estimates

Finnish GDP growth has reached and marginally bypassed the Eurozone level.

Source: Macrobond, SEB estimates
Macroeconomic Context

Exports

Chart 21. Largest export destinations as per cent of total exports

Exports to Russia has stabilised while Germany remains as biggest export destination.

Source: Macrobond
Macroeconomic Context

Yields

**Chart 22. Yields gap between Europe and US at historically high level**

10-year US government yields never reached levels near zero unlike in Japan or in Eurozone.

*Source: Macrobond*
About the Survey

This is the third-quarter edition survey of Chief Financial Officers and Groups Finance Directors in Finland. The survey is carried out as a web-based questionnaire. 56 CFOs participated, including a good mix of privately held and publicly listed medium, large, and multinational companies across a broad range of industries. 87% of respondents are from companies that have an annual turnover of more than 100 million euros.

Just like last spring, CFO Survey was conducted simultaneously in other European countries. The European CFO Survey gathered opinions of over 1,500 CFOs in 19 European countries.

Writers & Contributors

The survey was produced by Tuomo Salmi, Partner; CFO Program Lead, Deloitte; Mari Lappalainen, Director, Finance Lead, Deloitte; and Ville Lähde, Financial Strategy, SEB.

The survey was written by Juha Lintula, Deloitte; Piia Inkinen, Deloitte and Ville Lähde, SEB. Visual design was made by Kristina Jalonen, Deloitte.

Please visit [www.deloitte.fi](http://www.deloitte.fi) or [www.seb.fi](http://www.seb.fi) for the latest and past copies of the survey and other publications.

Contacts

Tuomo Salmi
tuomo.salmi@deloitte.fi

Mari Lappalainen
mari.lappalainen@deloitte.fi

Ville Lähde
ville.lahde@seb.fi
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