Global CFO Signals
Directionally challenged

Q3 2012 Deloitte Member Firm CFO Surveys: Argentina, Australia, Austria, Belgium, Finland, France, Germany, Ireland, Netherlands, North America, Norway, Sweden, Switzerland, and the 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-four Deloitte member firm CFO surveys, covering 39 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 Firm CFO Surveys” (page 30) 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 third quarter 2012 CFO surveys from Deloitte member firms in the following geographies:

- **Argentina**: Holding steady
- **Australia**: Proceed with caution
- **Austria**: Negative mood remains
- **Belgium**: The new normal is here to stay
- **Finland**: On the defensive
- **France**: Toward a strategic retreat
- **Germany**: Strategy: controlled defense
- **Ireland**: Optimism amid reality
- **Netherlands**: Facing long-term uncertainty
- **North America**: Running out of steam
- **Norway**: Financing climate changing
- **Sweden**: Conditions remain tough
- **Switzerland**: Uncertain horizons drive caution
- **United Kingdom**: Strategies for uncertainty

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A major uncertainty facing global CFOs — the outcome of the November elections in the United States — may be resolved. But that was not the case when CFOs were filling out their third-quarter CFO surveys. And given the number of other risks companies face as 2012 heads to a close, it may have not made a dent in their outlooks.

That list of uncertainties remains long: the on-going eurozone debt crisis and the possibility of a breakup, the fiscal cliff drama in the U.S., the slowdowns in China and Germany, and the unsuccessful efforts by some individual countries to stem the fallout are just a few of the macro issues CFOs face. Little wonder many CFOs around the globe still feel insecure about the future and wary of capital investment, M&A, and hiring.

In fact, in this issue of Global CFO Signals, which features surveys from 14 geographies, there are only a few countries — including Ireland and the Netherlands — reporting solid CFO optimism about their own companies’ prospects. In others, the drop is dramatic. In Germany, for example, only 21% of CFOs report greater optimism, while 34% are pessimistic. Only six months ago, the percentage of optimists outweighed that of pessimists 28% to 16%. And in the U.S., net optimism (the percentage of CFOs citing rising optimism less the percentage citing falling optimism) fell to -16 this quarter.

Not surprisingly, CFOs’ outlooks are often tied to their views of their own country’s prospects. In Belgium, for example, where CFO optimism remains depressed, finance executives do not see their economy returning to growth until 2014. More than half of Austrian CFOs foresee a further deterioration in that economy. And in the newest country producing a survey — France — CFOs are actually starting out with low expectations: 56% say they are pessimistic about the French economy.

This uncertainty and lack of optimism may be hindering growth. UK CFOs believe an unpredictable economic and financial environment is the biggest factor constraining investment. Given a choice, Swedish CFOs would rather pay down debt than make strategic or financial investments (although they are anticipating a higher level of M&A in the next 12 months). And CFOs continue to emphasize cost cutting: almost 90% of Swiss CFOs, for example, said cost reduction was their number one priority.

Not surprisingly, there are striking regional differences. In North America, Mexico and Canada continue to report higher optimism than the U.S. In Europe, CFOs in countries such as Norway remain positive despite the noise around them. And interestingly in Asia Pacific, Australian sentiment has broadly converged with UK and North America, a situation that has not often occurred before. What follows is a synopsis of CFO sentiment by region:

The Americas
Canadian and Mexican CFOs have mostly maintained their optimism this quarter. But in the U.S., net optimism took another major hit. After rebounding from lows of -15% and -34% at the end of 2011 to +40% in the first quarter, net optimism in the U.S. fell to zero last quarter and to -16% this quarter. The casualties? Declines (and
some new survey lows) in expectations for sales, earnings, capital investment, and hiring.

**Europe**

In Europe, where the sovereign debt crisis continues to play out, many CFOs are on a similar roller coaster ride. In the UK, for example, 16% of corporate CFOs are more optimistic about their own company prospects compared with 8% last quarter. Still, the survey panel assigns a 43% probability to the UK recession running on or recurring within the next two years, and the watchword among UK CFOs is caution. German CFOs are also pessimistic about their companies’ and their country’s prospects, with 63% of them focusing on cost reductions. Elsewhere, defensive corporate strategies seem to be the norm despite positive signs in countries: in Switzerland, cost reduction is a major priority, despite the solid domestic market and government finances. But in a few countries, there are signs of improvement: net optimism rose by 31% in Ireland, for example, and 50% of respondents expect profitability to increase in the next six months.

**Asia/Pacific**

With Australian sentiment broadly aligned with that of the UK and North America in the third quarter and optimism slightly marginally lower than in the second quarter, there seems to be an entrenched sense of uncertainty. Australian CFOs cite China, Europe, and domestic policy uncertainty as the sources of their angst. The good news in Australia, though, is that more than 50% of CFOs say they intend to increase capital expenditure, both in the short term (one year) and longer term (two to three years). But the Australians probably captured the sentiments of CFOs around the world when they titled their report, *Proceed with caution.*

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**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.
Global CFO Signals
CFO Priorities: A Global Perspective

Skittish about the future
It does not take much to bring out the cautious side of CFOs. Even with some signs of easing in the euro crisis (during some survey periods, the European Central Bank (ECB) announced it would buy unlimited bonds), CFOs’ spirits lagged in the third quarter for a variety of reasons. In the U.S., for example, uncertainty over the fiscal cliff and the November elections helped send CFO optimism plummeting. In Austria, the trigger seemed to be inflation worries. More than half of the CFOs surveyed expect a rising inflation rate — more than double the number of CFOs in the second quarter. Meanwhile, in Australia, half of CFOs expect high levels of uncertainty to continue for at least another year or two. A key factor was the slowdown in China, with 73% of CFOs seeing it as a concern. And in Switzerland, external uncertainties, such as worries about a decline in foreign demand and the strength of the Swiss franc, are some of the reasons why one-third of CFOs expect a recession there within two years.

Still focused on costs
The cost cutting continues. Although CFOs seem to have squeezed everything they can from working capital, inventories, and further efficiency gains, they keep going back for more. In Belgium, the percentage of CFOs for whom cost reduction is a major priority (66%) is the highest it has been in the past two years. The figure is similar in Germany (63%), but much higher in Switzerland, where 89% name it their top priority. Meanwhile, only 14% of Australian CFOs expect to see increases in discretionary spending, underlining a continued focus on cost management there. And jobs continue to be on the chopping block in several countries: in Sweden, 44% of CFOs said the number of employees in their companies will decline in the next six months; in Australia, 37% of CFOs expect hiring levels to fall; and in North America, hiring also took a major hit, with domestic hiring growth expectations falling to a survey low of just 0.6%.
Cautious on investment
Overall, uncertainty seems to be driving continued caution towards investment. UK CFOs believe an unpredictable economic and financial environment is the biggest factor constraining investment. In Belgium, 80% of CFOs have actually revised investment plans partly in response to the uncertainty on economic recovery. And in North America, capital investment growth expectations fell precipitously from 11.4% to just 4.7% in the third quarter — well below the previous low of 8%. Meanwhile, M&A activity is expected to be mixed. In Australia, for example, where 45% of CFOs expect M&A to increase, the number is lower than last quarter and reflects a trend of greater caution that has emerged over the last 12 months. Where CFOs look for deals is also mixed. In France, where equal numbers of CFOs anticipate an increase in M&A activity as expect a decrease, 56% are planning acquisitions outside the European Union. In Germany, the opposite seems to be the case: 61% of CFOs cite their home country as their top investment location, while 37% cite China.

Some worries are local
While many of the factors worrying CFOs are global, they are still very concerned about what is happening in their own home counties. In Argentina, 75% of CFOs said they were skeptical towards the government’s ability to enact or maintain an effective economic policy over the next year. In Belgium, almost half of the CFOs are negative about the financial and economic priorities the federal government has set, compared with 20% who are positive. In Ireland, however, more than 70% believe the government is having a positive impact on the financial stability of the country. Where there are concerns, they are often multiple. In Australia, for example, CFOs cite federal government policy, commodity prices, and the price of the Australian dollar as top concerns. In North America, where about one-quarter of the CFOs name government-and regulation-related issues as their most worrisome risk, there is frequent mention of the impending fiscal cliff, possible changes to tax and regulatory policy, and the potential impact of U.S. elections. And in France, CFOs are anticipating government action: a cut in taxes and payroll charges is expected by 81% of CFOs, followed by more flexibility in labor laws.
Deloitte Member Firm CFO Surveys:

Third Quarter 2012 Highlights
### Argentina

#### Holding steady

**Inflation still worries**

The third CFO Survey in Argentina asked for opinions in five areas: role of the CFO, finance organization, company, industry, and economy. In terms of economic concerns, the top two named were inflation (27%) and social policy/spending/investment (17%), such as healthcare, education, and infrastructure.

When asked about their attitudes toward the Argentine government’s ability to enact or maintain an effective economic policy over the next year, some 13% said they were doubtful and 75% said they were skeptical. The CFOs also weighed in on the impact of the government’s decisions on their industries. Of those surveyed, 63% believe that the impact of those government decisions will be negative, and 18% believe they will be highly negative.

**Lackluster optimism**

As for their overall levels of optimism, CFOs were influenced by both internal and external factors. In fact, 19% reported less optimism, primarily due to internal business factors (e.g.: product/services, operations, assets, working capital), and 19% revealed less optimism, primarily due to external factors (e.g.: the economy, market). On the other hand, 13% of CFOs indicated more optimism, primarily due to external factors and matters specific to the business. Some 44% did not report any notable changes.

**Multiple top concerns**

More than 25% of CFOs indicated improving and maintaining margins as their companies’ top concern followed by the need to keep pace with government policies and regulations. Similarly, their top industry concern was those government policies and regulations, followed by pricing trends, changes in cost structure, and market growth. The top challenges in the finance department included securing financing and maintaining liquidity followed by seeing that investments meet the desired business results.

#### Highlights from the H2 2012 Argentina CFO Survey:

- Some 19% of CFOs were less optimistic toward overall business conditions because of internal factors, and 19% were less optimistic due to external factors.
- The three top job stresses cited were insufficient support staff (14%), strategic ambiguity (12%), and changes in regulatory requirements (10%).
- In the next 12 months, CFOs’ main strategic focus will be on growth/preservation of revenue (29%) followed by a reduction in direct costs (18%).
- CFOs’ time was spent slightly more in their Steward (32%) role, compared with Operator (24%), Strategist (22%), and Catalyst (22%).
Australia
Proceed with caution

Certain about uncertainty
Caution seems to be the watchword as 2012 draws to a close. More than three quarters of the respondents in the third quarter Australian CFO Survey reported that the levels of external financial and economic uncertainty facing businesses were above normal. Moreover, most expected conditions to stay that way for one to two years.

In response, optimism levels remain subdued, with the number of CFOs who feel more optimistic than three months ago matched by the number who feel less optimistic. The majority (55%) reported no change, reflecting the entrenched uncertainty. It is interesting to note that optimism levels in Australia are broadly similar to those of CFOs in the U.K. and North America, a position that has not typically existed in the past.

CFOs were mainly concerned about global factors such as the slowdown in China and European sovereign debt issues. Local issues that continued to keep them awake at night included uncertainty over federal government policy, commodity prices, and the price of the Australian dollar.

Risks aversion limits growth
CFOs’ appetites for risk were suppressed, with less than 15% believing that now is a good time to be taking greater risk onto their balance sheets. In fact, their general attitudes to risk were at their most cautious since the start of 2011.

Growth is still on the agenda for many CFOs, however, with 45% looking to increase M&A activity, 64% focusing on organic expansion, and 41% looking to introduce new products/services or expand into new markets. These figures were lower than last quarter, though, and continue a trend of greater caution that has emerged over the last 12 months.

Highlights from the Q3 2012 Australian CFO Survey:
- CFOs were slightly more optimistic (23%) than last quarter, but remain subdued amid concerns over China, Europe, and domestic policy uncertainty.
- High levels of uncertainty are expected to continue for one to two more years, according to half of the CFOs surveyed.
- More than 50% of CFOs intend to increase capital expenditure both in the short-term (one year) and the longer term (two to three years). However, more than a quarter are planning to reduce capital expenditure next year.
- General market uncertainty, federal government policy uncertainty, and the cost and availability of labor are the main factors affecting capital expenditure intentions.
- Three out of 10 CFOs are looking to reduce leverage, the highest proportion since the survey began.

Capital expenditure intentions shifting
CFOs indicated that investment activity would continue to increase in the immediate future with more than 50% intending to increase capital expenditure in the short and long term. More than 20% expect no change, and a quarter of respondents are looking to reduce capital expenditure next year. Key factors influencing CFOs’ capital expenditure plans included general market uncertainty, federal government policy concerns, labor costs, and the slowdown in China.
Funding and credit trends
The attractiveness of corporate debt improved after sharp falls in Q2; equity was also viewed more favorably after recent share market gains. However, internal funding continues to be the preferred funding source, reflecting ongoing caution and a focus on cash flows.

The cost of credit has fallen over the last quarter, with less than 50% of CFOs describing it as somewhat or very costly. However, credit has also become more difficult to obtain, with more than a quarter of CFOs commenting that credit was hard to access.

Leverage was a topic that split CFOs, with around half believing that Australian company balance sheets were optimally geared and 38% arguing that they were under-geared. CFO intentions on leverage also saw contrasting views, with a third of CFOs planning to increase their level of gearing and a third looking to reduce gearing. The latter figure represents the highest proportion of CFOs aiming to reduce leverage since the CFO Survey began in 2009.
Austria

Negative mood remains

Not positive toward expectations
For the next quarter, Austrian CFOs do not see a market recovery. In fact, 52% of the finance executives foresee a further deterioration of the economy; only 25% do not expect an economic crisis or a recession. Still, 60% of the CFOs feel well or very well prepared for any economic crisis that may develop.

The ongoing negative mood is most visible in the CFOs’ attitudes toward the inflation rate. More than 60% of the CFOs expect the inflation rate to rise — more than double the amount from last quarter. Also the investment climate and domestic sales are still assessed negatively. Only the expectations of the future development of the Austrian Traded Index (ATX) turned positive compared with last quarter.

Bleak prospects for sales
Sales expectations — which were already declining last quarter — have not improved. Some 23% of the CFOs think that their companies will have a lower sales volume, which is nearly the same amount as last quarter. Also the number of CFOs anticipating an increase in revenue has declined again (from about 40% to nearly 35%). However, at least 42% of the finance executives believe that there will be no change in revenues in the near future, which is a 12% increase compared with last quarter. Basically, three quarters of the CFOs believe they will be able to keep or increase their sales volumes, despite a further decline in sales expectations.

Highlights from the Q3 2012 Austrian CFO survey:
• More than 50% of CFOs expect economic conditions to deteriorate; 25% anticipate a recession or economic crisis.
• Austrian CFOs consider market conditions to be uncertain, but only 4% think they are ill prepared for an economic crisis.
• About 35% of CFOs expect an increase in sales volume; more than 42% believe their revenues will stay the same.
• Credit availability is viewed optimistically again, and more than 55% of CFOs believe in a reduction in future credit costs.

Also the expectations concerning the investment climate in general and the planned investment activities per company went down. Compared with 35% in the last quarter, currently 50% of the CFOs anticipate deterioration, whereas only 7% expect an improvement of the investment situation. Still, more than 30% of the companies expect a reduction in their investment activities. Also, the percentage of CFOs who plan to enhance their previous levels of investment decreased again from 31% to 26%. This means that less than one-third of the CFOs are willing to counteract the economic downturn with investment activities.
Credit availability not clear
Credit availability is showing positive signals, but not clear improvement. On one hand, the percentage of CFOs who believe in a very high availability of loans increased again (from 15% to 18%), and the percentage of CFOs who believe in a low availability of loans decreased (from 25% to 23%). On the other hand, more CFOs (from 15% to 20%) classify the availability of credits as very unlikely this quarter, and one-third (26% last quarter) believe that the current situation concerning the credit availability remains the same.

M&A importance grows slightly
Overall — typical for Austria — M&A is still not a key topic for finance executives. Nevertheless, for one-fourth of the questioned CFOs, mergers and acquisitions have a high or very high level of importance compared with 20% in the last survey. About 23% take a neutral position to M&As. But for more than a half, M&A still has a low or very low importance.

Hiring remains stable
Compared with last quarter, expectations for hiring have not changed. Some 21% of the CFOs plan to increase their workforce, whereas 25% want to reduce staff. Although nearly 55% of the CFOs plan to keep their number of employees at a constant level, the overall expectations are slightly negative again. Because of the expected worsening economic situation and the rising labor costs, increased unemployment may be expected.

Austrian Enforcement Agency debated
Concerning the Enforcement Agency, the opinions of the CFOs have not changed. At least 49% think that the implementation will be realized within the next three years, and 44% estimate that the implementation will be done after 2015. Only 7% say that an Enforcement Agency will never be realized in Austria, and 65% take a neutral position on the Enforcement Agency. The reason for these results could be the uncertainty in general and may indicate the need for more information.
The new normal is normal

Waiting for 2014
For Belgian CFOs, the general level of economic and financial uncertainty remained high in the third quarter — and will stay that way in the quarters to come. Elevated levels of uncertainty have become the new normal, and CFOs will need to manage. The dominant view is that the economic recovery will be weak with no significant improvement expected prior to 2014.

Against this backdrop, CFO optimism remains at a very low level. This quarter only 21% of CFOs are more optimistic about their own company prospects, while 48% are less optimistic. In response, cost cutting and increasing cash flow have become even stronger priorities in the course of the year. The percentage of CFOs for who cost reduction is a major priority has never been higher in the last two years.

The economy is not likely to take up quickly. The recovery will be weak and slow. Growth expectations for the eurozone in general and Belgium in particular have been revised downwards for 2012 and for 2013. Only 15% of CFOs expect growth to return before the second half of 2013. Close to 50% of CFOs do not even expect growth before the first half of 2014. The timing of the recovery is the CFOs’ prime concern, next to safeguarding their competitive position in the market.

The impact of the federal government’s financial and economic policies on the competitive position completes top three concerns. Half of CFOs are negative (as opposed to 20% who are positive) on the way the Di Rupo government is currently setting financial and economic priorities. A clear sign of warning in the context of the budget discussions that are about to take place — and will likely be difficult taking into account that over 4 billion euro needs to be found.

Highlights from the Q3 2012 Belgium CFO survey:
• CFO confidence in the financial prospects of their companies has further recovered from the extreme lows at the beginning of 2012, but remains low.
• Only 21% of CFOs are more optimistic for the prospects of their own organization, while 48% are less optimistic.
• The percentage of CFOs who say cost control is their major priority has never been higher in the past two years.
• About half of CFOs are not on budget at the end of the third quarter and do not expect to make up for lost ground in the final quarter.
• Availability of bank borrowing is at its lowest level in three years, but few CFOs have changed investment plans because of a lack of financing.
• Almost half of CFOs are negative about the financial and economic priorities the Belgian government is setting.
• The dominant view among CFOs is that the Belgian economy will not return to growth before the first half of 2014.

No appetite for risk
Balance sheets look healthy. But appetite to take up additional risk remains very low (14%) and has not started to recover from the sharp decrease that took place one year ago. The unpredictable financial and economic environment is the biggest factor constraining investment: 80% of CFOs report investment plans have been revised in response to the uncertainty on economic recovery (35%) or the anticipated (weakening) demand in the market in Belgium (19%) and abroad (22%).
Aggressive growth strategies are not on top of the agenda: corporates focus on organic growth but — as this is difficult to realize in the current market conditions — also seek growth through the extension of the product portfolio or the penetration of new markets. Expectations on mergers and acquisition activity remain weak.

**Financing favorable**

Interest rates are very low and create a favorable financing environment. With a net balance of 54%, corporate debt is at present considered a very attractive means of funding of corporates, and much more attractive as bank borrowing (net balance 18%). Equity has gradually gained some attractiveness throughout the year, but remains the least attractive form of financing. Although CFOs see credit as being cheaper than at almost any time in the past three years, the availability of bank borrowing has decreased significantly and is now at the lowest level in three years. But very few CFOs report to have cut back on investment plans because of lack of availability of external financing. However, securing financing also in the longer three-to-five-year timeframe remains key: within the new normal a favorable financing environment is far from the norm.

**Still behind**

Third quarter financials are behind budget for 45% of survey respondents, somewhat better than the 57% reported at the end of the second quarter. Looking forward toward the end of the year, no further improvement is expected: 46% expect their organizations will not make the budget — which would be similar to last year’s results. Strong revenue and cost forecasting tools remain essential to successfully managing finances and cashflow.

**Euro-worries ease**

Announcements from the ECB and the introduction of the Outright Monetary Transactions have eased CFOs’ worries about the eurozone: today 16% consider the likelihood of a member state leaving the eurozone high, down from 42% last quarter. Few CFOs are changing plans to potentially deal with the situation. More than 70% of respondents expecting at least some effect on their company’s business in the event of one or more member states’ departure from the euro, report they have made few or no preparations — or see no ways to mitigate the risks of a euro breakup.
Finland
On the defensive

Ready for anything
According to the H2 Finland CFO Survey, CFO optimism has clearly decreased compared to six months ago, and 87% of the respondents feel that the general level of external and financial uncertainty is above normal levels. Also, fears of eurozone secession have risen slightly, but the probability of it is still considered to be low. Still, fears of eurozone secession have encouraged more companies to make preparations for possible member-state exit, although for the half of the respondents an exit would have small or no effect on their business.

Despite the fact that foreseeable future is foggier than ever in past two years and pessimism towards the operating environment has increased, three quarters of the responding CFOs indicate that their companies are well prepared and able to defend their business in the face of general uncertainty. Operating cash flows in half of the companies are even expected increase within the next 12 months.

The price of uncertainty
Uncertainty is starting to take a toll on corporate prioritizing. Defensive strategies are stepping to the front. In fact, increasing cash flow and reducing costs are the two top balance sheet strategies and the only ones that are a strong priority for more than 40% of CFOs.

Simultaneously, Finnish CFOs are losing interest in growing organically, expanding to new markets, and introducing new products. Expanding organically is still the number three priority, as it was in the spring, but with a much lower value. But CFOs have become more cautious in terms of looking growth from expansionary strategies.

Highlights from the H2 2012 Finland CFO Survey:
- Uncertainty about the economic environment continues to rise. Some 40% of CFOs say the level of uncertainty is high or very high compared to 29% in the last survey.
- Almost half of CFOs are less optimistic about the prospects for their own companies compared to six months ago.
- Operating cash flows are expected to increase at most companies.
- Companies are prioritizing cost cutting and increasing cash flows.

Risk appetite unchanged
The level of risk on companies' balance sheets has remained unchanged. CFOs feel that financing environment is favorable and availability of external funding is not going to be an issue for them. While short-term interest rates remain record low, attractiveness of bank borrowing has increased. In fact, almost half of CFOs (46%) now see bank borrowing as an attractive alternative, compared with 36% in the first quarter.

In CFO's opinion Finnish companies are mostly undervalued, and most do not regard a new share issue to be good opportunity In fact, the amount of CFOs valuing Finnish companies below fair price is now 61%, compared with 57% in Q1 2012. However, it would be a highly attractive time to issue corporate bonds.
France
Staging a strategic retreat

Economics weigh heavily
The inaugural French survey found that CFOs are feeling low given the current economic situation. In fact, 56% of CFOs are pessimistic about the French economic climate.

Not surprisingly, the coordination of European economic policies (70%) is the major driver of optimism followed by the growth in emerging countries (41%). Conversely, the risk of a breakup in the eurozone (33%), the overall economic situation (57%), and the European fiscal and social policies (40%) are drivers of global pessimism. Changes in financial markets appear to contribute equally to pessimism (21%) and optimism (20%).

High expectations
The survey shows that about one-third of CFOs are anticipating an increase in M&A activity and another third are expecting a decrease. More than half (56%), however, are planning acquisitions outside the European Union.

To 96% CFOs taxation and labor costs in France are obstacles to investment at home, whereas the euro exchange rate is considered a disincentive internationally for 47% of CFOs. There are plenty of assets in the French market, however: employee qualifications (86%), location and facilities (86%), innovation (70%), and its industrial network (57%). Still, Asia remains the most attractive zone for French investment (43%), followed by South America (17%), North America (10%), and Europe (10%). France is only seen as attractive for investment by 3% of the CFOs.

French CFOs have strong expectations towards government incentives, however. Some 81% of CFOs expect a cut in taxes and payroll charges; and 67% expect more flexibility in labor laws.

Highlights from the Q3 2012 French CFO Survey:
• Some 56% of French CFOs are pessimistic towards the current economic situation.
• The vast majority of CFOs (96%) think taxation and labor costs in France are major obstacles to investment.
• More than 80% of CFOs expect cuts in taxes and payroll charges.
• About one third of CFOs are expecting to increase their M&A activity, while another third anticipate a decrease. More than half (56%) plan to do deals outside the European Union.

Focused on liquidity
Liquidity is a main concern for 53% of the CFOs surveys. To maintain it, 71% of CFOs are focused on improving working capital, followed by 43% who are focused on diversifying funding sources. Obligation and private placements/EIB loans appear as the most favorable source of funding (26%); conversely, structured financing (23%) and bank loans (36%) are not considered very attractive.

To French CFOs, enough time is being spent on traditional financial functions such as accounting statements, financial planning and analysis, and financial communication. In a changing regulatory environment, almost half (47%) say they do not spend enough time on sustainable development or corporate social responsibilities.
Germany
Strategy: controlled defense

Mixed economic environment
The second and third quarters of 2012 were mixed for Germany and for the eurozone in particular. Following the worsening of the euro crisis in the summer, the European Central Bank’s announcement of its intention to purchase potentially unlimited sovereign bonds from the worst-affected countries brought at least temporary respite to financial markets. Nevertheless, uncertainty persisted over Greece’s future in the eurozone and with regard to the outlook for the reform agenda in Italy, Spain, and Portugal as well as the future institutional architecture of the eurozone.

The German economy continued its growth trajectory in Q2, although at a slower pace. GDP rose by 0.3% compared with Q1, and by 0.5% compared with the comparable prior-year quarter. Consumption and exports supported this growth and compensated for the decline in investments. The IMF has estimated Germany’s GDP growth at 0.9% for both 2012 and 2013. Positive growth on the labor market continued. The unemployment figure was 2.8 million in September, which equates to an unemployment rate of 6.5%. The DAX rose from 6,711 to over 7,400 points from the beginning of May to mid-October.

Pessimism up sharply
Against this backdrop, German CFOs are taking a pessimistic view of the general economic outlook. Some 26% rate Germany’s economic outlook as positive; 39% rate it as negative. Similarly, they are pessimistic towards the financial prospects for their own company, with only 21% taking an optimistic outlook. Moreover, they believe that economic uncertainty remains extremely high. In fact, 91% of German CFOs consider the level of economic uncertainty to be higher than average. Over the next 12 months, CFOs expect a modest uptick in companies’ sales; however, a strong majority also anticipates declines in margins, investments, and new hires. Pessimism has increased very sharply compared with the last CFO Survey six months ago.

Internal and external fixes
In this environment, companies are taking a more defensive approach and placing an emphasis on cost reductions. In fact, cost reductions are a major priority for 63% of CFOs. Nevertheless, the introduction of new products and services is also a top priority for 51% of CFOs.

Many CFOs still expect growth, however. More than 40% of CFOs expect the M&A market to grow, and access to new market segments is a primary driver in M&A planning for 27% of CFOs. Germany enjoys the top priority in terms of companies’ investment plans (61%); 37% favor China as an investment location.
As for funding, CFOs are very reluctant to take risks in the current environment. While CFOs consider corporate bonds and bank loans to be exceptionally attractive, 36% are seeking to reduce their debt ratio, and 90% believe that now is not the time to take financial risk.

Feeling better towards the euro
CFOs have become somewhat more optimistic about the survival of the eurozone compared with six months ago. Currently, 44% of CFOs expect the eurozone to shrink, the same number that believes it will survive by retaining the current number of member states. CFOs primarily believe that finding a path through the crisis will necessitate reforms in the countries worst affected. In fact, 98% of CFOs believe that structural reforms in the countries worst hit by the crisis will help, 96% are in favor of budget consolidation, and 61% support fiscal union.

CFOs are generally neutral with regard to the possible impact on their own company of countries leaving the euro; 64% of companies have not developed a strategy for such a scenario.

CFOs as strategists
The enhanced role of the CFO is reflected both in the tasks currently being prioritized and in the challenges that CFOs face. For example, 63% of CFOs say that their main priority is strategy development and implementation, while planning and decision making is a priority for 59%. At the same time, the primary challenges faced by CFOs include improving the implementation of strategy, improving their support for decision making, and improving their reporting in terms of the quality of information supplied.
Welcoming stability
In the EU, the sovereign debt crisis is still bubbling, but markets have more or less stabilized with the expectation that now they understand the full extent and scope of the economic issues. The crisis in Spain is deepening with nearly one in four now registered as unemployed and the EU unemployment average topping 11%. In terms of economic growth, the IMF has lowered its global estimates by 0.1% to 3.5% for 2012 and estimates for 2013 have been cut further from 4.1% to 3.9% purporting to a gloomy medium-term economic outlook, with Ireland’s recovery potentially caught again in a global slump.

However, the results of the Irish CFO survey this quarter show a dramatic increase in optimism among CFO respondents. This increase can be largely attributed to the agreement in July to decouple bank and sovereign debt, and while the exact nature and structure of this deal is yet to be determined, the feeling is that Ireland will be able to reduce the burden of the bank debt on the State. Once the finer details of this deal are ironed out and Budget 2013 has been announced in December, it will be interesting to see if CFO optimism remains.

Signs of optimism
CFO optimism turned decidedly upward in the third quarter. Whereas last quarter a net 0% of CFOs were optimistic about their companies’ financial prospects; 31% are this quarter. Last quarter showed CFO optimism at an all-time low since our survey record began in Q1 2011; however, the results were collected during a period of high uncertainty before the agreement on decoupling bank and sovereign debt. While the exact details of this agreement have yet to be finalized, Irish CFOs’ optimism has been buoyed in the short term.

Highlights from the Q3 2012 Irish CFO survey:
- Some 71% of CFOs think the government has had a positive impact on the fiscal stability of the country.
- Net optimism among CFOs rises 31%, up from a net 0% last quarter.
- Half of all CFOs expect profitability to increase in the next six months.
- All surveyed CFOs (100%) believe that their ability to service debt will improve or remain unchanged in the next three years.
- While 35% of CFOs favor domestic banks as their source of funding, a net 62% perceive credit as expensive.
- Some 54% of CFOs do not see value in the mandatory rotation of auditors.

The increase in overall optimism is further reflected in expectations for turnover and profitability. Some 57% of CFOs expect their turnover to increase in the next six months; only 19% expect their turnover to decrease over the same period. Meanwhile, half of respondents are expecting profitability to increase in the next six months; 39% expect profitability to remain broadly unchanged. Some 11% of this quarter’s respondents expect the profitability of their company to decrease in the next six months, a vast contrast to last quarter’s results which showed that 20% of CFOs expected the profitability of their company to decrease.
No easy return to growth

While optimism is increasing, only 29% of CFOs indicated that their companies have already returned to growth. This is the lowest level since Q2 2011 following a trough of net 26% last quarter. Cost management and operational efficiency will be key areas of focus in returning to growth.

Only 8% of CFOs share the perception that the Irish economy has returned to growth in the last quarter. This is a 4% increase on last quarter's results as it continues a consistently low perception that the economy has returned to growth since Q2 2011. Overall, CFOs find that their own companies' growth continues to exceed that of the Irish economy.

Going forward, CFOs say that revenue maintenance/growth, maintaining profit margins, and cost management are the top three financial challenges facing businesses today. It appears to becoming more and more difficult to increase revenue growth, therefore keeping the cost of sales as low as possible is critical in terms of realising profit from revenue.

Looking overseas for funding

While domestic banks continue to be the preferred source of funding for Irish corporation, at 35% their position has declined significantly from 50% in Q4 2011. The declining popularity of domestic funding has been offset by a consistent increase in the preference for overseas banks and, to a lesser degree, corporate bonds, as sources of funding. Some 30% of respondents cite overseas banks as their preferred funding source. This closes the gap between the preference for overseas versus domestic funding to just 5% from a high of 29% in the final quarter of last year.

Still, some CFOs are finding credit difficult to attain, at net 29%, down 21% from last quarter. There has also been a reduction in the number of CFOs reporting credit as costly; a net 62% of respondents perceive credit as expensive this quarter, compared with 50% in Q2 2012. Although this percentage remains high, it puts the net perception of the cost of credit at its lowest level in over two years.

Positive toward government

More than 70% of CFOs indicate that they believe the government is having a positive impact on the fiscal stability of the country. Positive domestic and international media attention on achieving EU/IMF targets, as well as surpassing taxation income targets have been well received by CFOs. In other positive results for the government, 68% of CFOs believe they have had a positive effect on encouraging foreign direct investment. However, 73% of CFOs are discouraged by the levels of taxation being imposed on the economy, and 39% do not believe there has been positive action on political reform to date.

Although Ireland recently returned to the bond markets in a limited capacity, it is interesting to note that 76% of CFOs would rather that the country remains in the IMF/ECB bailout deal than return to the bond markets quickly. This bailout framework provides increased certainty to CFOs while keeping the country tightly integrated with the EU program. Any premature deviation from the framework is seen as possibly damaging international and consumer confidence, and increasing risk levels.
Netherlands
Facing long-term uncertainty

Still fragile
According to the first, preliminary estimate conducted by Statistics Netherlands, the marginal economic growth in the second quarter of 2012 was 0.2% relative to the first quarter, but economic growth was 0.5% down compared with the second quarter of 2011.

The economic outlook remains fragile, however. According to CPB Netherlands Bureau for Economic Policy Analysis figures published on September 18, 2011, the Dutch economy is expected to grow modestly by 0.75% of Gross Domestic Product (GDP) in 2013, after a decline of 0.5% in 2012. Meanwhile, at the start of the third quarter, the European Central Bank’s governing council decided to change the rate on the main refinancing operations by 25 basis points to 0.75%. The interest rates on the marginal lending facility and on the deposit facility were also decreased by 25 basis points to 1.5% and 0.0%, respectively.

Optimism on the rise
Still, Dutch CFO optimism is on the rise again, and cash flow expectations for the next 12 months remain stable.

Organic growth remains the prime strategic priority. More than half of the CFOs have selected this strategy to be a strong priority. Hiring and inventory levels are hardly expected to increase for Dutch corporates over the next 12 months, indicating business to be cautious.

The risk appetite has returned to the level seen at the start of this year. Some 16% of CFOs think now is a good time to be taking greater balance-sheet related risks, while 84% think it is not. All sources of corporate funding are perceived to be more attractive than last quarter, but corporate debt is again perceived to be the most attractive source of funding.

Highlights from the Q3 2012 Dutch CFO survey:
- Dutch CFO optimism has risen compared with last quarter. The outlook of one-third of CFOs remains unchanged.
- More than half of CFOs cite organic growth as a strategic priority for their business over the next 12 months.
- The overall assessment of the conditions regarding the availability and cost of credit remains negative.
- Risk appetite levels remain low, with some 84% of CFOs thinking now is not a good time to take greater balance sheet-related risks.
- Around 45% of CFOs expect M&A levels to increase in the next 12 months, similar to the levels of last quarter.
- When CFOs are asked to assess the level of external financial and economic uncertainty facing their business, 42% rate this level as high to very high.

CFOs’ expectation for M&A activity in the next 12 months remain as low as last quarter. Some 45% of CFOs expect M&A levels to rise in the next 12 months, which is nearly consistent with the previous outlook. The outlook for private equity activity levels slightly declines.
Uncertainty decreasing?
When asked to assess the level of external financial and economic uncertainty facing their businesses, 42% of CFOs rate this level as high to very high compared with 67% in the second quarter. Some 42% of CFOs rate these conditions to be above normal levels (21% Q2), and 16% of CFOs rate the external financial and economic uncertainty facing their business to be normal (10% Q2). Apparently, the external uncertainty is considered to have decreased during the last quarter.

Risk paragraph in annual reports
The risk paragraph in the annual report is this quarter’s special topic. Such paragraphs offer stakeholders insight into companies’ risk profiles by designating the most important risks, linking an impact scenario analysis to them, and describing which safeguards the company has put in place.

How do CFOs perceive the contents of the risk paragraph in the annual report? Around 80% of CFOs underline the importance to describe the five most important risks within the risk paragraph in the annual report, and more than 70% of CFOs agree to include an impact analysis of these risks on the organization’s financial stability. More than 80% agree to describe the measures taken to mitigate these risks in the risk paragraph in the annual report.

On average, CFOs rate the risk management process of their company with a score of 7.2. Following up on these processes with monitoring and control is rated somewhat lower — on average — with a score of 7.0. Considering the impact of potential risks in today’s complex business environment, these scores can be assessed to be modest.
North America
Running out of steam

Corporate performance sags
For several quarters, North American CFOs have voiced strong and growing concerns about worsening conditions in Europe, global economic deceleration, slow growth at home, and governments’ struggles to stem the fallout and promote growth. But despite their worries, CFOs have remained mostly optimistic about their companies’ prospects and expressed solid year-over-year performance expectations.

In fact, a bright spot in the aftermath of the financial crisis has been corporate performance, which has held up quite well despite volatile economic conditions. Large companies have looked under every stone for ways to bolster their performance — better focus, scaling back in lower-margin businesses, and getting more efficient in both the front- and back-office — often with remarkable success. But last quarter’s survey results suggested the returns were beginning to run out. And this quarter’s findings solidified this view, recording the sharpest decline in expectations we have seen in the history of the survey.

CFOs’ expectations for sales and earnings growth both dropped precipitously this quarter, and their expectations for capital investment and hiring followed suit. The presidential election and a fiscal cliff in the U.S. are clearly making CFOs nervous, but this quarter’s findings suggest there may be more to their trepidation than political or policy uncertainty. It may be the case that the levers capable of allowing companies to outperform their underlying economies have mostly been pulled — or at least that the strongest levers have — and that further gains are going to be even tougher to achieve.

Highlights from the Q3 2012 North American CFO survey:
- Roughly 40% of CFOs again say they are more optimistic this quarter than last. But net optimism – the spread between those more and less optimistic – the U.S. fell from zero last quarter to -16 this quarter.
- Year-over-year sales growth expectations of 4.8%* are a new survey low – well below the previous low of 5.9%* in the first quarter. U.S. expectations are just 4.3%* (6.7%* last quarter), with Canada and Mexico both at about 6.5%* (5.9%* and 8.7%* last quarter).
- Domestic hiring expectations fell to another survey low at just 0.6%. The median expectation is now 0%, with 40% of CFOs projecting gains and 27% projecting cuts.
- Nearly 60% of CFOs mention U.S. or global economic conditions as their most worrisome risk, and one third of those CFOs specifically mention European conditions.
- Although 58% of companies are still not taking any steps in response to the fiscal cliff, a growing proportion of companies appear to be delaying both investment and hiring.

Economies seen as stalling
This quarter’s survey results show that global economic developments have taken a large toll on CFOs’ expectations for their home economies. In the U.S., more than 80% of CFOs believe their economy is either stalling or about to stall, and the proportion is about 65% for both Canada and Mexico.
As far as their own company prospects are concerned, Canadian and Mexican CFOs have mostly maintained their optimism this quarter. But in the U.S., net optimism (the percent of CFOs citing rising optimism less the percent citing falling optimism) took another major hit. After rebounding from lows of -15 and -34 at the end of 2011 to +40 in the first quarter, net optimism in the U.S. fell to zero last quarter and to -16 this quarter.

**Sales and earnings take hits**

CFO worries also took a toll on growth projections. Sales growth expectations of 4.8%* are a new survey low — well below the previous low of 5.9%* in the first quarter of this year. U.S. expectations are just 4.3%* (6.7%* last quarter), with Canada and Mexico both at about 6.5%* (they were 5.9%* and 8.7% last quarter, respectively).

Earnings growth expectations also declined, with this quarter’s 8.0%* a new survey low — well below last quarter’s 10.5%*. The median expectation fell from 8.5%* to just 6.0%* (another survey low). U.S. estimates are lowest at 7.2%* (12.3%* last quarter), with Canada at 8.1%* (4.6%* last quarter) and Mexico at 8.9% (11.7%* last quarter).

**Investment and hiring expectations fall**

Declining optimism didn’t spare investment and hiring expectations either. While companies indicated somewhat better prospects for hiring and have mostly kept the pedal down on capital investment in recent surveys, this quarter’s results put an abrupt end to several positive trends.

Capital investment growth expectations, for example, fell precipitously from 11.4% to just 4.7% this quarter — well below the previous low of 8%. Just over half of CFOs expect gains at all, and the median expectation is now just 3% (also survey lows).

Hiring also took a major hit, with domestic hiring expectations falling to another survey low at just 0.6%. The median expectation is now 0%, with 40% of CFOs projecting gains and 27% projecting cuts. U.S. projections plummeted from 1.9% to 0.2%, while Canadian projections declined from 2.7%* to 1.1%. Offshore personnel growth fell to just 1.5%* this quarter, and outsourced staffing growth fell to just 1.6%* — both additional survey lows.

**Fiscal cliff not helping**

What is not helping matters is the looming “fiscal cliff” in the U.S. While it has been a source of worry and frustration with CFOs, many of whom specifically mention it as their most worrisome risk and as one of their top economy-level challenges, most CFOs last quarter were not taking any actions in response. Moreover, the minority who were seemed split around the types of adjustments that were appropriate.

This quarter’s survey results show that, while the fiscal cliff is likely not the sole cause of CFOs’ projections for scaled-back investment and hiring, it seems to be a contributing factor. Although 58% of companies are still not taking any steps in response to the fiscal cliff, those that are acting are increasingly likely to be delaying investment and hiring.

* All numbers with an asterisk are averages that have been adjusted to eliminate the effects of stark outliers.
Economic outlook remains positive
Despite the continued turmoil in the eurozone, the economic development in Norway continues in a positive direction. Unemployment remains low, oil prices keeps rising (causing increased activity in Norwegian economy), and the stock market is climbing upwards. The national bureau of statistics – Statistics Norway – estimates unemployment at 3.1% and GDP at 3.6% for 2012.

Against this backdrop, a net balance of 10% of CFOs in the Q3 2012 Norwegian CFO survey state that they are more optimistic about economic outlook compared with six months ago. In line with continuing optimism, Norwegian CFOs expect operating cash flows to increase the next 12 months and anticipate more M&A activity in the market. Moreover, on average, CFOs attach a 22% probability to one or more euro members leaving the single currency in the next six months.

Increased polarization
Smaller companies and companies operating mainly in the domestic market tend to be more optimistic, however. A net of 21 % of CFOs within the oil/energy sector and 20 % in the retail/wholesale sector have a goal of increased leverage the next 12 months. Within the manufacturing/industry sector, CFOs are less optimistic with a net of 14 % of CFOs planning to reduce leverage. This clear distinction between sectors in combination with a tougher financing climate points to a larger polarization in Norwegian economy.

Bank funding seen as declining
As for funding, bank loans are still considered quite attractive, but that attractiveness has declined in correlation with reduced availability. In fact, the net balance of CFOs who see bank loans as an available source of financing has declined from 84% in Q1 2011 to 17% in Q3 2012. In comparison the net balance of CFOs who view bank loans as attractive has declined from 66 % in Q1 2011 to 44% in Q3 2012.

The uncertainty in the global economy has caused higher inter-bank rates, and this may be one reason bank loans are seen as less available. Also many banks are now adjusting to the new Basel III regulations expected to be effective within few years. This will undoubtedly put pressure on the banks liquidity and capital requirements. Corporate bonds clearly stand out as the most available financing source, with a net balance of 41% of CFOs viewing bonds as available. The Norwegian corporate bond market has been very strong so far in 2012, and this development is expected to continue.

Highlights from the H2 2012 Norwegian CFO Survey:
- Norwegian CFOs are still more optimistic about the economic outlook compared with six months ago. But net optimism has declined from 20% last quarter to 10% this quarter.
- Smaller companies in terms of revenue and companies operating mainly in the domestic market appear more optimistic.
- On average, Norwegian CFOs attach a 22% probability of one or more euro members leaving the single currency in the next six months.
- Bank loans keep decreasing as a favorable and available source of financing: corporate bonds are considered the most available source.
- A net 46% of CFOs expect an increased M&A activity in the next 12 months.
Sweden
Conditions remain tough

Resilient, but signs of weakening
The Swedish economy is resisting the eurozone crisis relatively well, but weak international development is putting production and exports under pressure. Due to the very strong preliminary GDP figure for the second quarter, SEB's growth forecast has been revised upward to 1.3% for 2012. Since other and more recent indicators do not fully support such a strong development, the forecast takes into account a partial reversal during the second half of 2012. The weak macroeconomic scenario for 2012 is also evident in the CFO survey with the Swedish CFO Index value (a measure of future expectations that weighs four components — business conditions, financial position, lending willingness, and counterparty default risk) which decreased to 48.3 in September compared with 50.5 in February.

Sentiment turns negative
In February, business conditions seemed to have improved notably. But the current sentiment has again turned more negative with a larger relative share of CFOs finding business conditions "not so favorable" (34% in September versus 23% in February). The trend corresponds with the current slowdown in Swedish economy, forecast to continue also into 2013.

Moreover, the financial position of surveyed companies is largely unchanged compared with February. Increases in the response alternatives "favorable" (48%) and "average" (34%) are likely related to the weakening business condition sentiment and may highlight a possible time lag and correlation between lower business activity and negative financial consequences.

CFOs who view the overall financial position as very favorable has decreased significantly in the last year and is currently below 4%.

Highlights from the H2 2012 Swedish CFO Survey:
- The Swedish CFO index value, which reflects future expectations decreased to 48.3 in September, compared with 50.5 in February.
- Some 36% of CFOs believe that balance sheet risk has increased over the last 12 months, versus 19% who believe it has decreased.
- No CFO currently considers business conditions to be "very favorable," but the share that regards conditions as "not so favorable" has increased from 23% to 34%.
- CFOs who view the overall financial position of their companies as very favorable has decreased significantly in the last year and is currently below 4%.
- A majority (56%) expect cash flow to increase, with 9% expecting a double-digit improvement over the next 12 months.

Prospects and concerns
As before, demand (slightly more than 50%), as well as access to capital (with the share of responses in line with the February survey), are still the top concerns for CFOs. However, increasing concerns over exchange rates and interest rates are noted. The increasing concern over exchange rates is most likely a result of the strengthening krona against the euro and U.S. dollar (the first and second most important foreign currencies for Swedish companies). The increasing concern over interest rates is interesting, since current interest rates are at very low levels from a historical perspective. One explanation might be that CFOs fear future inflationary driven interest rate increases, stemming from economic easing activities.
Lending willingness among banks and financial institutions is now back to levels seen in November 2011. Some 37% of CFOs now regard lending conditions as "favorable" and another 37% see them as "average." No CFO chose the "very favorable" alternative. What is not reflected in this question is the squeezed spread levels in the credit market, making it possible for certain companies to issue bonds at favorable terms. This is likely related to the banks’ increased capital requirements and regulatory standards rather than the macro environment. Hence, some companies fund themselves in the bond market rather than using bank credit lines.

Still, the majority of surveyed CFOs believe that balance sheet risk has not changed over the last 12 months. However there has been a shift in sentiment where 36% believe that balance-sheet risk has increased over the past 12 months versus 19% with the opinion that risk has decreased. This indicates that uncertainties remain, despite the improvement noted in the spring survey.

Strategic opportunities

The trend from previous years continues with the largest share (slightly more than 40%) of CFOs preferring to pay down debt in the next six months, assuming a cash surplus position. This share is pretty much unchanged since February but differs significantly from November 2011, when credit spreads were wider and the OMXS30 was well below today’s level. Today, some CFOs would however prefer to do financial investments abroad and in Sweden, which in February apparently was not an option. A possible interpretation is that companies currently are on hold and park their money safely rather than expand strategically in order to grow.

Still, CFOs continue to anticipate higher levels of M&A activity over the next 12 months. Net sentiment is slightly weaker compared to the spring 2012 results. It is helpful however, to keep in mind that the quantity of deals involving a Swedish target remains below the five year average. Based on the recent survey results, any significant changes would be unexpected as uncertainties remain in the market overall. However, acquisition opportunities might emerge as valuations reach more attractive levels. Notwithstanding the magnitude of static predictions, the survey still suggests that the M&A environment will improve over the course of the next 12 months.
Switzerland
Uncertain horizons drive caution

Looking for direction
The uncertainty among Swiss CFOs remains. Optimism and pessimism are fairly balanced. Positive factors are the solid Swiss domestic market, government finances, and the strong competitiveness of Swiss companies. Negative factors are the slowing growth in foreign markets, the strength of the Swiss Franc, and the continuing uncertainties surrounding the eurozone.

It is hard to predict which factors will prevail so the search for the right direction continues: 26% of CFOs are optimistic about the economic outlook for Switzerland, while 30% are pessimistic, and 44% are uncertain. This represents a slight deterioration compared with the previous quarter, but could be interpreted as a lateral movement due to the high percentage of participants who are undecided. The net balance of -4% is only slightly below the baseline. Even the easing of the euro crisis following the announcement during the survey period that the European Central Bank (ECB) will buy unlimited amounts of bonds, if necessary, did not significantly impact the CFOs’ expectations, at least not during this quarter.

Mixed prospects; multiple risks
Expectations regarding the progress for their own company over the last three months are even closer to the baseline with a net balance of -2%. In this context, 46% of CFOs said the financial situation of their company did not change compared with three months ago; 26% saw an improvement and 28% reported a deterioration.

Despite the continuing uncertainty, several of the specific company ratios are slightly more optimistic than in the previous quarter. Plans for capital expenditure during the next 12 months are higher, but the net balance remains negative at -13% despite the expected increase in spending. Margin expectations have also improved slightly during the last three quarters, but still remain clearly negative with a net balance of -47%. Some 60% of companies still expect a decline in operating margins over the next 12 months.

Regarding business prospects, external risks are again dominant this quarter. About two-thirds of CFOs consider weaker foreign demand and the strong Swiss Franc as significant risks for their own company. The perceived risk of turbulences in the global financial system has declined. Still, 64% of CFOs view it as high. Risks regarding weaker domestic demand or increasing input costs are described as relatively low.

Highlights from the Q3 2012 Swiss CFO Survey:
- CFOs’ expectations regarding the economy are mixed: 26% are now optimistic about the outlook for Switzerland, while 30% are pessimistic and 44% are uncertain.
- Swiss CFOs put the odds at 48% that Greece will no longer be in the eurozone in three years.
- A small majority consider the financial prospects for their own company to be worse than three months ago; 46% say it is unchanged.
- The pressure on operating margins remains high: some 60% of CFOs expect operating margins to fall within the next 12 months.
- The biggest risk in the next 12 months is a fall in foreign demand, say 67% of CFOs; only 35% say it is a fall in domestic demand.
- Almost 90% of CFOs say that cost reduction is their top corporate priority.
- Some 70% of Swiss CFOs view credit costs as low. The perceived availability has also approved with 42% stating that credit is readily available.
Defensive strategies prevail

Given the continuing uncertainty, the importance of defensive corporate strategies does not seem surprising. Some 89% of CFOs consider cost reduction as their priority, while 77% are focusing on increasing cash flows. With regard to expansionary corporate strategies, low-risk strategies such as organic growth outweigh high-risk strategies such as growing through acquisitions.

How will CFOs fund that growth? In the current quarter, credit in Switzerland is considered to be the cheapest since the survey began in 2009. Some 70% of CFOs view credit costs as low. The perceived availability of credit has also improved: 42% stated that credit is readily available, with 16% regarding it as difficult to obtain. When comparing credit conditions across five European countries, including the UK, Switzerland is ranked first.

Euro crisis unresolved

After two years of crisis management by European politicians and the ECB, the European sovereign debt crisis remains unresolved and CFOs remain skeptical despite political assurances to keep the eurozone intact. The average probability of Greece leaving the common currency within the next 12 months is estimated to be 27%; however over a three-year period the probability is almost 50%. Portugal, Spain, and Italy are also considered at risk, with an average exit probability over a three-year horizon of 19%, 16% and 11% respectively. Even the announcement of additional measures by the ECB has barely had an impact on CFOs’ expectations. Only the exit probability of Spain and Italy has decreased noticeably as a result.
United Kingdom
Strategies for uncertainty

Better, but cautious
The fifth anniversary edition of the UK CFO Survey found that CFO optimism has made up some of the record losses sustained in the second quarter as the euro crisis intensified. Spirits seem to have been lifted by the recent promise of more aggressive action from the Federal Reserve to support growth and from the European Central Bank (ECB) to strengthen the single currency. Yet while central bank activism helped fuel a strong 16% rally in global equity markets between June and mid-September, CFOs take a more cautious longer term view.

This quarter, 16% of corporate CFOs are more optimistic about their own company prospects compared with 8% last quarter and 25% are less optimistic; 59% report no change. Still, 90% of CFOs rate the economic uncertainties facing their business as being above normal and the survey panel assigns a 43% probability to the UK recession running on or recurring within the next two years.

Yet, despite a pickup in business confidence, CFOs have continued to shift to more defensive balance sheet strategies, a process that has been underway since the start of the year. Increasing cash flow (44%), cutting costs (42%), and reducing leverage (17%) are stronger corporate priorities than at any time in the last two years; conversely capital spending (11%) is a lower priority than at any time in the last two years.

Healthy balance sheets
Large company balance sheets look healthy, partly because of a favorable financing environment. CFOs see credit as being cheaper than at any time in the last five years and financing costs are expected to stay low. The cost and the availability of external finance emerge as weak constraints on investment and, despite worries about growth, only one in five CFOs expect revenues to decline over the next year.

Macro uncertainty is a key constraint on investment, but CFOs remain alive to growth opportunities. CFOs say that long-term growth in demand for their companies’ products and services is providing strong support for capital spending plans. Demand from emerging markets and industrialized countries such as the U.S. and Japan is providing some offset to weakness in the economies of the UK and the euro area.

Highlights from the Q3 2012 UK CFO Survey:
- UK CFOs see a 43% chance of the recession continuing or recurring in the next two years.
- On average, UK CFOs see a 27% probability of one or more members leaving the euro, down from 36% last quarter.
- Some 90% of CFOs rate the level of uncertainty facing their business as “above normal.”
- Increasing cash flow is a high priority for 44% of CFOs; 42% cite reducing costs, and 31% say introducing new products/services or expanding into new markets.
- On average, 18% of CFOs expect revenues to rise in the next 12 months; 35% expect their levels of cash or cash equivalents on the balance sheet to increase.
Rainy day funds
Each quarter the UK survey asks CFOs to give their expectations for the next 12 months for a series of key balance sheet metrics. This data reveals how CFOs expect the unfolding economic and financial cycle to affect corporate balance sheets and behavior.

On balance, CFOs see revenues rising over the next 12 months despite the weakness of global growth. But rising operating costs are expected to erode the benefits of higher revenues leading to a squeeze on profits. CFOs are positive about the outlook for cash balances probably reflecting the view that a widespread focus on cash flow, and a squeeze on spending, will yield results next year.

Euro risks still felt
Recent announcements from the ECB about plans to buy euro area bonds have eased, but not dispelled, CFOs’ worries about the single currency. On average, CFOs see a 27% probability of one or more countries leaving the single currency in the next 12 months, down from 36% last quarter. CFOs rate the weakness of the economies of the euro area as second only to macroeconomic uncertainty in its dampening effect on business investment.
About Deloitte Member Firm CFO Surveys

Twenty-three Deloitte Member Firm CFO surveys, covering 38 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 Firm CFO Surveys can be accessed at www.deloitte.com/cfoconnect.

<table>
<thead>
<tr>
<th>Member Firm</th>
<th>Contacts</th>
<th>Frequency</th>
<th>Survey Scope and Population</th>
</tr>
</thead>
</table>
| Argentina   | Claudio Fiorillo  
Partner  
+54 11 4320 4018  
cfiorillo@deloitte.com | Biannual  
Conducted in September 2012 over a three-week period; 20 CFOs participated of which 75% represented private companies and 65% represented businesses with annual revenues of less than U.S. $1 billion. |
| Australia  | Stephen Gustafson  
Partner  
+61 (0) 2 9322 7325  
sgstafson@deloitte.com.au | Quarterly  
Conducted between September 13, 2012 and September 28, 2012; 71 CFOs participated, representing businesses with a combined market value of approximately AUD $454 billion or 35% of the Australian-quoted equity market. |
| Austria     | Mag. Gerhard Marterbauer  
Partner  
+43 1 537 00 4600  
gmarterbauer@deloitte.at | Quarterly  
Conducted in October 2012; 151 CFOs and financial executives participated, representing a broad range of industries. Of the participating companies, 19% have revenues in excess of €1 billion, and 62% have revenues greater than €100 million. |
| Belgium     | Thierry Van Schoubroek  
Partner  
+ 32 2 749 56 04  
tvanschoubroek@deloitte.com | Quarterly  
Conducted between September 13, 2012 and October 8, 2012; 66 CFOs completed the survey. The participating CFOs are active in variety of industries, 28% of the participating companies have a turnover of over €1 billion, 46% of between €100 million and €1 billion, and 26% of less than €100 million. |
| Finland     | Tuomo Salmi  
Partner, CFO Program Leader  
+358 (0)20 755 5381  
Tuomo.salmi@deloitte.fi | Annual  
Conducted in March 2012; 39 CFOs participated; 90% of the companies responding have an annual turnover rate of more than EUR 50 million. |
| France      | Valerie Flament  
Partner, CFO Program Leader  
+33 1 40 88 24 64  
vflament@deloitte.fr | Biannual  
Held during the last two weeks of September with 70 CFOs of France’s largest companies (including French subsidiaries). Some 64% represented listed companies and the remaining 36% were large private and public companies. The participating CFOs are active in variety of industries. |
<table>
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<th>Survey Scope and Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>Rolf Epstein Partner, CFO Program + 49 (0) 69 97137409 <a href="mailto:repstein@deloitte.de">repstein@deloitte.de</a></td>
<td>Biannual</td>
<td>Conducted in September 2012, 125 CFOs from major German corporations took part in this first CFO survey; almost half of the companies represented generate more than with €1 billion in revenue; 41% of the participants were from the manufacturing sector.</td>
</tr>
<tr>
<td>Ireland</td>
<td>Shane Mohan Partner +353 1 417 2543 <a href="mailto:smohan@deloitte.ie">smohan@deloitte.ie</a></td>
<td>Quarterly</td>
<td>Conducted in September 2012; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Jan de Rooij Partner +31 (0) 6 5336 6208 <a href="mailto:JandeRooij@deloitte.nl">JandeRooij@deloitte.nl</a></td>
<td>Quarterly</td>
<td>Conducted between September 13, 2012 and October 8, 2012; 31 CFOs representing a net turnover per company of approximately €2 billion, completed the survey. The responding companies can be categorized as follows: less than €100 million (3%), €100–499 million (35%), €500–999 million (26%), €1–4.9 billion (26%), more than €5 billion (10%).</td>
</tr>
<tr>
<td>North America (U.S., Canada, Mexico)</td>
<td>Greg Dickinson N.A. CFO Survey Director +1 213 553 1030 <a href="mailto:gdickinson@deloitte.com">gdickinson@deloitte.com</a></td>
<td>Quarterly</td>
<td>Conducted between August 6, 2012 and August 24, 2012; 85 CFOs participated from across the United States, Canada, and Mexico. More than 75% of respondents represent CFOs from public companies, and over 80% are from companies with more than USD $1B in annual revenue.</td>
</tr>
<tr>
<td>Norway</td>
<td>Jason Rowe Partner, Consulting +47 23 27 90 00 <a href="mailto:jrowe@deloitte.nu">jrowe@deloitte.nu</a></td>
<td>Biannual</td>
<td>Conducted between September 9, 2012 and September 18, 2012; 119 CFOs participated from across the Norway. All respondents represent CFOs from the 500 biggest companies in Norway, and more than 25% are from companies with more than 5000 million NOK in revenue and more than half are companies with revenue above 1500 million NOK.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Andreas Marcetic Partner, Financial Advisory + 075 246 23 41 <a href="mailto:amercetic@deloitte.se">amercetic@deloitte.se</a></td>
<td>Biannual</td>
<td>Conducted in September 2012; 47 CFOs participated, representing companies all industries with a turnover of SEK 0,5 billion and more.</td>
</tr>
<tr>
<td>Switzerland</td>
<td>Dr. Michael Grampp Chief Economist +41 44 421 68 17 <a href="mailto:mgrampp@deloitte.ch">mgrampp@deloitte.ch</a></td>
<td>Quarterly</td>
<td>Conducted between August 27, 2012 and September 19, 2012; 104 CFOs participated, with 30% representing listed companies and the remaining 70% representing large private companies.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Ian Stewart Chief Economist +44 020 7007 9386 <a href="mailto:istewart@deloitte.co.uk">istewart@deloitte.co.uk</a></td>
<td>Quarterly</td>
<td>Conducted between September 11, 2012 and September 26, 2012; 133 CFOs participated, including the CFOs of 35 FTSE 100 and 55 FTSE 250 companies. The rest were CFOs of other UK-listed companies, large private companies, and UK subsidiaries of major companies listed overseas. The combined market value of the 102 UK-listed companies surveyed is £533 billion, or approximately 34% of the UK quoted equity market.</td>
</tr>
</tbody>
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