Global CFO Signals

What, us worry? Optimism up, again

Q3 2017 Deloitte Member Firms’ CFO Surveys

Argentina, Austria, Belgium, China, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Middle East, Netherlands, North America, Norway, Portugal, Southeast Asia, Spain, Sweden, Switzerland, Turkey, and United Kingdom

Deloitte Global CFO Signals
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About the Deloitte Global CFO Program
The Deloitte Global Chief Financial Officer (CFO) Program is a CFO-centric strategic offering 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. Deloitte Global’s 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 Membersh ip Firm CFO Surveys
Twenty-eight Deloitte CFO surveys, covering more than 60 countries, are conducted on a quarterly, biannual, or annual basis. The surveys conducted are “pulse surveys” intended to provide CFOs with quarterly information regarding their CFO peers’ thinking across a variety of topics. They are not, nor are they intended to be, scientific in any way, including the number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed populations but does not necessarily indicate economic or industrywide perceptions or trends. Further, the focus, timing, and respondent group for each survey may vary. Please refer to “About Deloitte Member Firms’ CFO Surveys” (page 33) for member firm contacts and information on the scope and survey demographics for each survey.

About Deloitte’s Global CFO Signals
The purpose of the Deloitte Global CFO Signals report is to provide highlights of recent CFO survey results from Deloitte member firms. This issue includes the results of the first-quarter 2017 CFO surveys from Deloitte member firms in the following geographies:

- **Argentina**: Growing optimism due to government actions
- **Austria**: Changing views about uncertainty
- **Belgium**: Skilled labor scarcity threatens growth prospects
- **China**: Growth agenda despite economic uncertainty
- **Denmark**: Higher risk appetite amid lower uncertainty
- **Finland**: Optimism soars
- **France**: Increased optimism due to lower uncertainties
- **Germany**: Auspicious economic outlook
- **Greece**: Uncertainty recedes
- **Ireland**: Optimism continues to rise as picture becomes clearer
- **Italy**: Cautious optimism
- **Japan**: Cautious economic optimism, labor reform concerns
- **Middle East**: Optimistic with reduced risk appetite
- **Netherlands**: Revenue outlook up despite higher uncertainty
- **North America**: Geopolitical threats and political turmoil dampen sentiment
- **Norway**: Optimism high, but not as high as expected
- **Portugal**: Stronger optimism
- **Southeast Asia**: Optimism tinged with caution
- **Spain**: Optimism remains, though with some caution
- **Sweden**: Expressing an expansive agenda
- **Switzerland**: Looking ahead to 2018 with confidence
- **Turkey**: Dramatic shifts as optimism rebounds
- **United Kingdom**: Optimism bounces

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

Lori Calabro
Editor, Global CFO Signals
CFO Program
Deloitte LLP
localabro@deloitte.com

Migle Armonaite
Chief of Staff
Global CFO Program
Deloitte Touche Tohmatsu Limited
marmontaite@deloitte.it

Special thanks to:
Jason Simmonds, MDP,
CFO Program, Deloitte LLP

For additional copies of this report, please email: GlobalCFOProgram@deloitte.com
Global CFO Signals

CFO Sentiment Q3 2017

What, us worry? Optimism is strong, again

CFOs, it seems, are pretty good at compartmentalizing. For several quarters now, many have been telling us that they remain optimistic about their company prospects, their country prospects, and their growth expectations—even while voicing alarm over escalating geopolitical risks and political turmoil. In this quarter’s Global CFO Signals, finance leaders in many of the 23 surveys reporting seem to again shut out the noise and focus on the positive. But there are some regional differences that should be noted.

Take the 17 countries reporting in Europe. There, a downward shift in CFOs’ perceptions of uncertainty has bolstered CFO sentiment, with the strongest net optimism recorded among CFOs based in Austria, Finland, and France. What’s helped, of course, is that throughout Europe, consumer confidence, as measured by the OECD’s Consumer Confidence Index, is at a 10-year high, and expectations about growth across the euro area are 0.3 percentage points higher than in April.

Meanwhile, in North America, net optimism (which was coming off a survey high two quarters ago) took a hit—largely among US CFOs. Net optimism for the US, while still strong, declined from last quarter’s +47 to +28; while Canada rose from +20 to +31, and optimism in Mexico declined from +50 to +39. Weighing on sentiment seemed to be CFOs’ perceptions of where the North American economy is headed. While this quarter’s assessment of North America’s current economic health remain strong (and near survey highs), CFOs’ assessments of the economy’s trajectory faltered.

That shift, says Patricia Buckley, managing director, Economic Policy and Analysis, Deloitte Services LP (US), may reflect unresolved policy issues rather than economic fundamentals. “After all, the labor market and growth outlooks remain strong in all three North American economies. Particularly notable in the US has been the pickup in business investment so far this year.”

Elsewhere—in Asia, for example, which is represented by surveys from China, Japan, and Southeast Asia—optimism is mixed with signs of some stabilization bolstered somewhat by the strength of economic growth in the other regions. In the Middle East, however, external risks, such as the pending introduction of a value-added tax (VAT), have CFOs retrenching. In fact, 83% do not believe this is a good time to take risk onto their balance sheets.

Despite their local differences, what CFOs across the regions surveyed seem to share is an optimism about their own companies’ growth. In Europe, for example, a majority of CFOs in the countries reporting are optimistic about revenues, with the most optimistic CFOs in Belgium (+95 net balance), Finland (+89), and Sweden (+87). In North America, revenue growth expectations remain above their two-year average at 5.7%. And in China, almost three-quarters of respondents believe that revenues will be higher in 2018 compared with this year.

Those projections, however, are also raising a common concern: a lack of skilled talent. Across Europe, the risk of a skilled labor shortage is now a “top three” risk for CFOs in seven countries. In North America, talent concerns center on difficulties in securing and keeping key talent. And in Southeast Asia, a fifth of respondents cite a declining talent pool as a top risk. “If businesses cannot find the talent they need, they might have to invest in creating that talent through in-house training,” says Ira Kalish, chief global economist, Deloitte Global. “This issue may also inform the debate about immigration as well as off-shoring of critical functions.”

How does CFO sentiment in Q3 2017 break down? What follows is a synopsis by region:

**Americas**

After two strong quarters to start 2017, CFOs’ assessments of the current status of the North American economy remain high in the third quarter, with 64% saying current conditions are good compared with 65% last quarter. However, as noted, perceptions of its future health declined significantly as only 45% expect better conditions in a year, compared with 58% last quarter. That outlook, along with growing
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corns about US political turmoil and geopolitical conflict, led approximately 45% of CFOs to express rising optimism (down from 55%), and 16% to express declining optimism (up from 11%). Meanwhile, in the one South American country reporting—Argentina—CFO outlooks are being fueled by government actions. In fact, 84% of CFOs expressed optimism about the impact of government policies on their businesses over the next year (compared with 65% six months ago). In addition, the majority of CFOs (58%) stated that recent government actions have been positive for their industries.

Asia-Pacific
There are some positive signs in the Asia-Pacific region judging by the CFO survey responses in China, Japan, and Southeast Asia. In Japan, for example, financial outlooks appear to be stabilizing with 76% of CFOs saying their views are “broadly unchanged,” compared with three months ago, similar to last quarter. In addition, views of uncertainty continue to trend downward. In Q4 2016, 80% of CFOs described the level of uncertainty as either “extremely high” or “high,” while this quarter only 52% believe it to be so. Meanwhile, in China, a stable (yet still negative) outlook is also apparent, with 26% reporting optimistic economic sentiment, flat with the previous survey. Moreover, in addition to a positive outlook on revenues, 72% of Chinese CFOs report that they have expanded their workforces, although finance departments have seen less growth (56%). And in Southeast Asia, while some 70% of CFOs feel uncertain about the global economy and external risks, more than half are optimistic about their companies’ financial prospects.

Europe
As reported here and in the latest European CFO Survey, companies across Europe continue to signal increased optimism about the prospects for their own companies. It is also the first time since Q1 2015 that, in all countries surveyed, CFOs who are optimistic about financial prospects outnumber those who are pessimistic. And while there is a divergence in sentiment between CFOs in the euro area countries and the non-euro area, these differences are driven primarily by local market conditions. At the same time, CFOs’ perceptions of external uncertainty are falling. In fact, in four of the countries reporting (Austria, Denmark, Italy, and Norway) the net balance turned negative, signaling a marked reduction in perceived uncertainty. Improved optimism and falling uncertainty have also led to increased risk appetite, particularly in the Netherlands (+30%), Ireland (+29%), and Portugal (+29%), although most CFOs are adopting a “wait and see” attitude toward risk.

Middle East
Policy regulations (such as the aforementioned VAT) and geopolitical concerns (such as the ongoing Qatar dispute) are weighing heavily on Middle East CFOs. In fact, a full 83% of respondents are worried about external risks, which has led to lower risk appetite and a focus on reducing costs and increasing cash flow. Yet, despite these concerns, Middle East CFOs are generally optimistic about the financial prospects for their companies and countries.

That optimism through thick and thin seems to be a hallmark of CFOs globally. As Greg Dickinson, managing director, Deloitte LLP (US), who leads the North America survey, puts it: “CFOs are optimists in the sense that they’re pessimistic when looking at the challenges they face, but optimistic in their ability to get past them.”

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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.

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

**Americas**

In North America, Q3 2017’s net optimism of +29 is strong, but down from the previous quarter’s +44. With relatively strong net optimism since Q2 2016, the sentiment from North American CFOs is overwhelmingly positive. Meanwhile, the story is even better in Argentina (the only South American country reporting), where net optimism soared to +89.

**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.

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Asia/Pacific

Sentiment among Japan’s CFOs rose in Q3 2017 to +4 net optimism, compared with zero last quarter. Meanwhile in China, CFOs are still pessimistic, reporting -6 net optimism. And in Southeast Asia, CFOs report net optimism of +35.

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.

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

CFOs’ optimism in Europe about the financial prospects of their companies compared with three/six months ago continues to trend upward. Of those reporting, all expressed rising net optimism with the most optimistic being CFOs in France and Finland. In the Middle East, net optimism rose to +14.

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.

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

**Risk appetite**
Despite a positive economic, employment, and investment outlook, European risk appetite has remained largely unchanged from the “wait-and-see” attitude in the beginning of the year. CFOs in Portugal, Netherlands, and Ireland are the most inclined to take on risk, but as in Q1 2017, CFOs in Turkey are the least willing to do so, although there has been an improvement of +8pp in the overall net balance. And in North America, 56% of CFOs say now is a good time to be taking greater risk onto the balance sheet—slightly down from the previous two quarters’ survey-high 60%.

**Uncertainty**
Financial and economic uncertainty perceptions have also declined among European CFOs, with one of the most significant net uncertainty declines among CFOs in Italy (-25pp) due to better than expected stability in the banking system. In addition, in four countries (Austria, Denmark, Italy, and Norway), the net balance turned negative, signaling a marked reduction in perceived uncertainty. Surveyed CFOs in China noted three clear issues driving uncertainty: government policy/regulation (24%), geopolitical risk (23%), and economic/recession (22%).

**Metrics**
European CFO revenue expectations are up compared with the same period last year, particularly driven by manufacturing. In North America, revenue growth expectations rose from 5.6% to 5.7% last quarter and remain above their two-year average; however, capital investment expectations fell to 7.3% (from 9.0%) with energy, healthcare, and financial services among the highest. In Southeast Asia, two-thirds of CFOs expect revenues to rise next year, consistent with the region’s optimistic outlook, and 45% expect an uptick in capital investment.

**Hiring**
In North America, domestic hiring expectations spiked, bolstered by expectations in Canada and Mexico. Meanwhile, hiring expectations are up among European CFOs, so much so that some CFOs are worried that they will not be able to find the skilled labor they need. CFOs in Belgium (net +63), France (+38), Ireland (+37), Greece (+35), and Turkey (+32) are the most optimistic, while CFOs in the UK, Norway, and Finland are the most pessimistic. A similar trend is observed in Japan where CFOs emphasize labor issues among their domestic concerns.

**Corporate strategy**
A shift from a defensive to an expansionary mindset is underway in some regions. Growth strategies remain strong in North America, as 61% of CFOs are biased toward organic growth over inorganic (15%). European CFOs are prioritizing expansionary strategies over defensive ones in 11 of the 17 countries. Meanwhile in the Middle East, there is an almost equal amount of prioritization placed on organic growth, new products, and expansion into new markets.

**Funding**
CFOs continue to benefit from a favorable funding environment thanks to low interest rates. Bank borrowing remains the preferred source of funding among European CFOs, especially in the euro area, with internal funding the second-most preferred. In North America, 83% of respondents say debt is currently an attractive financing option. Meanwhile, the attractiveness of equity financing rose for public company CFOs (from 42% to 48%) and decreased for private company CFOs (from 46% to 35%).
Deloitte Member Firm
CFO surveys:
Third-quarter
2017 highlights
Argentina

Growing optimism due to government actions

The latest CFO Survey in Argentina asked for opinions in five areas: role of the CFO, the finance organization, the company, the industry, and the economy.

Economic and industry trends
Optimism among CFOs was driven by the various actions taken by the new government and the results of the last legislative elections.

Overwhelmingly, 84% of CFOs expressed optimism about the impact of government economic policies on their businesses over the next year (compared with 65% six months ago). However, CFOs cited inflationary pressures (32%) and exchange rate (20%) as concerns.

The majority of CFOs (58%) stated that recent government actions have been positive for their industries, with 11% having strongly positive view, 26% being neutral, and the remaining 5% being negative.

As for the impact of new policies in the United States, 89% believe they will have no affect (compared with 50% six months ago) and 11% see a positive impact.

Concerns and strategy
CFOs’ main challenges for their companies are to improve/maintain margins (26%), establish their defined strategies (20%), and increase customer demand (20%).

In the next 12 months, most of the CFOs surveyed will focus on income growth and preservation (41%, increase of seven percentage points), followed by direct cost reduction (16%, no changes) and reduction of general expenses (15%, decrease of five percentage points).

A full 89% of CFOs are more optimistic about the future prospects for their company (compared with 55% six months ago), and 11% do not anticipate any notable changes. Overall, there is a significant increase in the degree of optimism.

Role of the CFO
CFOs are more heavily biased toward the steward and operator roles (56%). CFOs that considered their role to be that of a strategist increased to 24% (from 18% six months ago).

The most significant challenge that CFOs face in their companies is capital allocation, as 15% note they need to ensure investments achieve the desired results. In addition, 13% are concerned about cost management. Digital and new technologies are not considered top challenges.

Highlights from the Q3 2017 Argentina CFO Survey:
- Net optimism increased to 84%, due to the impact of new government decisions and actions.
- Improving and maintaining margins and establishing or adapting strategy and are Argentina’s CFOs’ top concerns.
- Capital allocation and cost management are the top priorities for CFOs over the next year.
Austria

Changing views about uncertainty

**Increased optimism, less uncertainty**
The majority of Austria’s CFOs (62%) are more optimistic compared with the previous Q1 2017 survey (+10 percentage points). This is mainly driven by positive economic conditions and a reduced level of perceived uncertainty.

In fact, perceptions of uncertainty have fallen substantially, with 60% of CFOs now considering the overall level of external financial and economic uncertainty facing their business as “normal,” while the remaining 40% view it as “low.” The absolute change compared to Q1 2017 is 54 percentage points lower.

**Future outlook**
CFOs in Austria are willing to take on more risk: there has been an increase in risk appetite of +21 percentage points in the overall net balance compared with Q1 2017. However, 60% of CFOs still believe it is not a good time to assume greater risk onto their company balance sheet.

Strategically, there is a mix of expansionary and defensive approaches that CFOs are willing to take over the next 12 months. Organic growth is the top priority, followed by hiring new talent. Meanwhile cost reduction comes in third place as a defensive strategy.

In Austria, revenue expectations are above average, but expectations about profit margins are below compared with other European countries. Some 77% of Austria’s CFOs believe revenues will increase, while only 27% expect operating margins to improve.

Skilled labor shortage, labor costs, and increases in domestic regulations are seen as the main risks among Austrian CFOs.

**Interest rate expectations**
A majority of CFOs in Austria (60%) expect interest rates to rise, while 40% expect them stay the same. In case of increased interest rates, 60% of CFOs state that their strategy will remain unchanged, 13% would reduce debt, and 7% would refinance debt.

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Highlights from the Q3 2017 Austria CFO Survey:
- A net 62% of Austrian CFOs are optimistic about the financial prospects for their companies, an increase from 52% from six months ago.
- In Austria, the net level of external financial and economic uncertainty turned negative, signaling a marked reduction in perceived uncertainty.
- Surveyed CFOs highlight the risk of skilled labor shortage and labor costs as their top concerns.
- Pursuing organic growth is the top strategic priority among Austria’s CFOs, which is in line with results from six months ago.
Belgium

Skilled labor scarcity threatens growth prospects

Stable optimism
Business sentiment among Belgium's CFOs has stabilized in the third quarter and remains optimistic. In fact, CFO optimism remains at the highest level in years. CFOs feel optimistic about the prospects of their companies, and toward overall Belgian economic growth. The median expectation is that growth in 2017 will be somewhere between 1.5% and 2% of GDP, which is in line with the expectations set out by the National Bank of Belgium.

In financial terms, 2017 results look promising at the end of the third quarter, with 40% of survey respondents reporting better than planned outcomes. Going forward, the vast majority of CFOs are expecting that the positive economic environment will result in further improvement of their financial results: 90% of survey participants expect turnover and profit to increase in the next 12 months.

Focus on growth
In this environment, it is no surprise that (organic) growth is the main priority of surveyed CFOs, while a focus on productivity and effectiveness remains high. In this edition of the survey, “digitalization” has been added to the list of priorities, with 60% reporting that it is a strong priority for their company.

Still, while growth is the top priority, CFOs worry about a potential shortage of skilled labor: half of the survey participants express strong concerns about how the availability of skilled labor might affect their businesses over the next 12 months.

Investment appetite
More than half (52%) of Belgium’s CFOs say that it is a good time to take additional risk on the balance sheet. Although risk appetite dropped compared with the previous quarter, it remains at the second highest level since the launch of the CFO survey in 2009.

Three-quarters (76%) of CFOs favor expansionary strategies over defensive strategies for their businesses, and this translates into investment indicators: Half of CFOs expect to increase capital expenditure over the next 12 months and three out of four are planning to increase headcount. Discretionary spending such as training and marketing are also expected to see a further increase over the coming 12 months.

Relocation and sourcing
Two-thirds of CFOs are planning relocation and sourcing activities in the next 12 months. Nearshoring is highest on the agenda and the eurozone is the preferred destination. The business processes for which the most changes in relocation and sourcing strategy are planned are finance and IT. Almost 30% of companies are planning changes in sourcing or location of their finance processes.

Highlights from the Q3 2017
Belgium CFO Survey:

- Business conditions in Belgium are favorable and survey respondents are planning for growth.
- Most companies will significantly boost capital expenditure and headcount in the period to come.
- CFOs are above all concerned about their ability to attract sufficient skilled talent.
- Survey results show that relocation and sourcing strategies are high on the corporate agenda, and the vast majority of CFOs are considering changing current practices.
China

Growth agenda despite economic uncertainty

Economic sentiment
This year has been one of the most politically unpredictable with nationalistic and divisive politics coming to the fore in multiple countries. Generally, capital markets have shrugged this off, and overseas investments have been taking place, sometimes driven by opportunities derived from economic uncertainty. Still, trade conditions remain challenging, and the increase of both tariff and nontariff barriers are causing the march of open markets to slow.

Given this backdrop, it is unsurprising that the economic sentiment of China’s CFO participants was mixed. The spread was largely consistent with the last survey six months ago, with just small increases to those who reported “no change” (52%) and those who were “less optimistic” (27%). The percentage who are “less optimistic” is still down significantly compared with 38% a year before.

Need for innovation
CFOs surveyed report that their most pressing challenges in their industries have not changed from the previous six months, but competition now has taken over the first place, followed by talent and then industry regulation/legislation.

Examining competition in further detail, this challenge stems from existing players with new strategies showing the importance of innovation across all industries. The need to evolve business offerings in the current economic environment is a key competitive strategy. The next two highest sources of competition are both related to acquisition. This suggests that inorganic development remains a top priority and lack of it is still perceived as the biggest threat to market share.

Positivity in planning for 2018
Talent remains a concern for surveyed CFOs. In the Q1 2017, talent was identified as the biggest risk for companies and made a strong showing in the challenges identified in the latest edition. To meet the demand, a full 72% of companies have increased their talent pools, although finance departments have experienced less growth (56%).

The fact that most companies are hiring staff is not the only positive take on the current business outlook in China. Almost three-quarters (74%) of respondents believe that sales growth will be higher in 2018 compared with 2017. This is a positive signal than that of top-line economic sentiment.

Comparing the RMB’s strength
The surveyed CFOs were also asked about the RMB’s strength compared with a number of other major currencies by the end of 2017. There were very few points of clear consensus. But a larger percentage of participants believed that the RMB would end up becoming stronger against the US dollar and Japanese yen over the period. But views on the euro were completely split.
Denmark

Higher risk appetite amid lower uncertainty

**Stable optimism**
In the second edition of the Danish CFO survey, respondents indicate no significant changes in their financial optimism compared with Q1. Although the data shows a slight drop in overall optimism, the vast majority of responses has been captured by the “broadly unchanged” “significantly more optimistic” categories. In the latter category, there is an increase by eight percentage points compared with the Q1 survey.

The growth of the CFOs’ perceptions of “significant optimism” may be due to the economic growth expectations in Denmark. According to the Central Bank of Denmark, the average GDP growth is expected to be 1.6% toward 2019. Despite this, only a small proportion of Danish CFOs are optimistic about financial prospects.

**Uncertainty and risk appetite**
While the level of optimism remains relatively unchanged, other factors indicate significant growth expectations among Danish CFOs. At first, the number of respondents that indicated a high level of external financial and economic uncertainty dropped by 11 percentage points. Simultaneously, risk tolerance has increased from 27% in Q1 to 32% in Q3. This increase is partly due to the decrease in external financial and economic uncertainty.

Furthermore, the Danish cohort indicates that the largest companies (by revenue) have a higher level of risk appetite than smaller ones. Generally, the Nordic countries (Denmark, Sweden, Norway, and Finland) indicate some of the lowest levels of economic external uncertainty compared with the other countries in the European CFO Survey.

**Interest rate expectations**
Since 2010, Denmark has had historically low interest rates and even some periods of negative rates. Further, interest rates have remained stable at the low levels during this period. As a natural result, 72% of Danish CFOs indicate that they believe interest rates will remain unchanged, which is the highest proportion across all European countries.

Following low expectations toward changes in the interest rates, the vast majority of those surveyed indicate that they will not adapt their business strategies based on fluctuations in the interest rates.

More than half of the CFOs from the Danish cohort believe that a rise in interest rates will have a limited impact on their companies. Moreover, 29% stated that their strategy remains unchanged, as they do not believe interest rates will increase. Due to the historically low interest rates in Denmark, only a minority of Danish CFOs will consider changes in the interest rate as a constituent factor in their business strategies going forward.

**Highlights from the Q3 2017 Denmark CFO Survey**
- Compared with the Q1 survey, Denmark’s CFOs indicate a lower level of external financial and economic uncertainty.
- Danish CFOs show a higher level of risk tolerance (+5 percentage points) compared with the Q1 survey.
- Surveyed CFOs name “decreasing demand (foreign and domestic)” as the primary risk factor; this category has grown by 7 percentage points compared with the Q1 survey.
- Some 72% of CFOs believe interest rates will remain at current levels over the coming 12 months.
- In general, CFOs do not believe that a change in interest rates is likely or will have a significant impact on their businesses.
Finland

Optimism soars

Riding on strong sentiment
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 is not unsubstantiated—Finnish exports are increasing and the economy has taken a clear turn for the better. Further, compared with Europe, Finland has one of the highest number of companies expecting improvement in revenues and operating margins.

Barring an unexpected economic turn, say, due to geopolitical risks, there is still little that CFOs believe will impede promising growth. How the lower focus on new product development in Finland compared with Germany and Sweden affects growth remains to be seen.

Greater appetite for risk
Risk appetite has risen from +18% to +25% in Finland, the highest in Europe. Some 63% of the Finnish CFOs believe that it is a good time to be taking greater risk.

The willingness to invest in Finland is also growing, with one-third of companies (29%) saying they are ready to do so, which is eight percentage points more than last spring. And for the first time in the last 16 months, the focus of strategic investment in Finland is greater than that of overseas.

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

Funding outlook remains strong
External financing is available and Scandinavian banks have strong balance sheets that 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. Almost three-quarters (74%) of Finnish CFOs see that the lending attitude is either very favorable or favorable.

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.

Highlights from the Q3 2017 Finland CFO Survey:
- Optimism among Finland’s CFOs is at an all-time high (net 73%).
- 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 (13% each) are also important factors.
- The willingness to invest in Finland is growing, with one-third (29%) saying they are ready to do so.
- CFOs are more positive toward hiring in Finland in the coming six months (27% up from 19% last spring).
- A full 86% of Finnish CFOs expect their revenues to increase over the next 12 months, which is nine percentage points more than in spring.
France

Increased optimism due to declining uncertainties

**Optimistic economic outlook**
France’s CFOs share a widespread optimism (78%) that builds on the upward trajectory of optimism seen in the Q1 2017 survey (37%). Increased investment and growth forecasts are reflective of French CFOs’ outlooks.

The French CFO survey suggests that the weight of Brexit and the associated wait-and-see sentiment, along with the results of the French presidential elections, have reduced uncertainties among French businesses. As a result, CFOs intend to increase their investments in human resources and financing, in both their French and global operations.

Cost reduction (32%) and external growth through acquisitions (19%) are two growing priorities for French CFOs in Q3 2017.

**Rate hike foreseen**
A rise in long-term interest rates are already factored into French CFOs’ calculations with 60% believing they will increase over the next 12 months; however, 61% of respondents indicate that company strategy will not change due to rate hikes.

**Optimistic economic outlook**
Risk appetite has relatively stayed flat (36%) among surveyed CFOs compared with Q1 2017 (35%). CFOs in the industrial and building/construction sectors are slowly taking on more risk compared with other sectors, which signals an optimistic growth outlook.

The low risk appetite is driven by European economic uncertainty (47%), European tax policies (44%), and the appreciation of the euro (39%). Macroeconomic and geopolitical risks, particularly concerning emerging markets and commodities rank low for French CFOs.

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**Highlights from the Q3 2017 France CFO Survey:**
- A net balance of 75% of CFOs are now more optimistic about the financial prospects of their companies.
- French CFOs are also optimistic toward revenue growth (+64% net balance).
- In addition, 39% of CFOs in France expect margins to increase in the next 12 months.
- Risk appetite remains flat among CFOs in France at 36%.
- Cost reduction remains a growing priority for 32% of surveyed CFOs.
Germany

Auspicious economic outlook

Economic trends for Q3 2017
German CFOs’ outlooks are influenced by the upswing in the eurozone, global trade on the rise, and Germany being in its eighth year of economic upturn. With that in mind, most German CFOs have a positive view of current conditions in the German, eurozone, and Chinese economies, and they expect them to be even brighter in the future.

Chances of a further economic acceleration in Germany are even realistic. In a recent surge, investment readiness hit a five-year high after several years of restraint.

What is more, many of the threats that dominated the agenda at the beginning of the year never came to fruition, giving the upswing more heft. Populist parties in the eurozone ended up losing at the polls and the drift toward protectionist global trade policies never materialized. Although political risks are still by far the most prominent risk factors for German CFOs, they have yet to negatively affect growth.

Concerns remain
One of the biggest concerns for Germany’s CFOs is the current monetary policy. A clear majority of survey participants find policies too loose and worry that bubbles could reappear on the financial and real estate markets.

In addition, most CFOs expect interest rates to turn the corner over the next 12 months and go up slightly. The impact of this rise, from a CFO perspective, will be felt more at the macroeconomic than at the enterprise level. A large majority of the CFOs surveyed see no impact for their own business, but expect highly indebted European countries to have difficulties in sourcing funding and the construction boom to slow down.

Standardization vs. flexibility
In the past, CFOs felt compelled to choose between two alternatives: either focus their organizational efforts on standardization and automation to achieve advantages such as improved efficiency and better compliance; or concentrate on flexibility to favor benefits such as stakeholder orientation and responsiveness. The CFOs surveyed this quarter believe that digital technologies have the potential to square this particular circle. Instead of facing an “either/or” dilemma, the “all of the above” principle is quickly gaining traction.

Highlights from the 3Q 2017 Germany CFO Survey
• Investment readiness among Germany’s CFOs is at a five-year high.
• A full 96% of CFOs see Germany’s current economy as strong or very strong.
• Almost two-thirds of the CFOs surveyed criticize monetary policy as too loose and expect interest rates to rise. Around 70% say a rise in rates will have no strategic impact on their own enterprises.
What, us worry? Optimism up, again | Greece

Greece

Uncertainty recedes

CFOs are more optimistic
The greatest optimism in the euro area is among CFOs in France (+54pp) and Greece (+51pp). In Greece, the improving CFO sentiment is a reflection of how things have started to change. For the first time in three years, the Greek government was able in July to raise money from the bond market. In addition, market expectations around the risk of "Grexit" have fallen to an all-time low. Although the unemployment rate is still high and private consumption growth was slow in Q2, the European Union’s closure of the excessive deficit procedure for Greece was a clear sign to CFOs that the country and its economy are moving forward.

Despite the general improvement, perceived levels of uncertainty among CFOs remain high in Greece, where the net balance is +74%.

In terms of revenue expectations for their companies, Greek CFOs are optimistic—68% when the average net balance is 59% across Europe. Unlike revenues, the outlook for operating margins is not as positive (21%) as for the average of the countries participating in the European CFO Survey (24%). With regard to capital expenditure, CFOs participating in the European survey are quite optimistic—+27% net balance—while in Greece net balance is +33%. Finally, 42% of Greek CFOs expect an increase in hiring in their business over the next 12 months, while 7% expect a decrease.

Risk appetite remains low
With high levels of uncertainty, risk appetite in Greece remains very low, with the Greek CFOs being among the most risk averse. More specifically, 76% of the CFOs participating in the survey, don’t think now is a good time to be taking greater risk onto the balance sheet.

The top three factors that pose a significant risk to their business, according to Greek CFOs, are economic outlook and growth, geopolitical risks, and reduction in foreign or domestic demand.

Growth strategies are back
In Greece, organic growth is CFOs’ top strategic priority, while cost reduction is ranked second. Digitalization is being seen as a priority business strategy in Greece and is ranked third.

Overall, when it comes to the top three business strategies prioritized for the next 12 months, expansionary strategies outrank defensive ones for the majority of the European countries, just as in Greece.

Interest rate projections
CFOs were asked what they expect to happen to interest rates over the next 12 months and the majority of them (+59%) consider rates to go up, whereas most CFOs in Greece expect no change.

Highlights from the Q3 2017 Greece CFO Survey
- Greek CFOs are optimistic about the revenue prospects for their companies (+68%).
- Perceptions of uncertainty are still high in Greece, with a net balance of +74% (+81% in Q1).
- A net balance of +45% of CFOs are now more optimistic about the financial prospects of their firms.
- Some 59% of Greek CFOs expect no change in interest rates.
Ireland

Optimism continues to rise as picture becomes clearer

Order restored?
The Irish CFO Survey for H2 2017 marks a noticeable recovery from some of the shocks to the market in 2016, namely Brexit and the US presidential election.

Still, the identification of geopolitical risks and currency fluctuations among the top worries in the minds of the Irish CFOs demonstrates that they are not getting ahead of themselves; however, survey results certainly highlight some stabilization over the last six months.

While still elevated, levels of financial and economic uncertainty have fallen since the last survey, with 51% of Ireland’s CFOs rating the overall level of uncertainty facing their business as high, compared with 79% in the previous survey.

Despite recent upward movements in interest rates introduced by the Federal Reserve in the US, the majority of Irish CFOs are not fazed by the prospect of a similar move by the European Central Bank. While they are split down the middle in terms of expectations on whether or not rates will actually rise in the next 12 months or stay the same, 52% stated that even if rates do rise, their strategies will remain unchanged.

There are no signs of complacency however, as organic growth, cost control/reduction, and balance sheet optimization are identified as strong priorities of CFOs for the fifth survey in a row.

Confidence returning
Optimism levels around financial prospects are now even stronger, as the majority (56%) of Irish CFOs are more optimistic than they were six months ago.

At the same time, some 40% of Irish CFOs say that now is a good time to be taking greater risk onto their balance sheets—a figure that has risen by 15% in the space of half a year.

Widespread expectations of revenue growth are prevalent once more, with more than four in every five CFOs surveyed anticipating that this financial metric will continue to rise over the next year.

This sentiment captured in the Irish CFO Survey is echoed by recent upgrades to International Monetary Fund growth forecasts for Ireland for both 2017 and 2018, suggesting that confidence in the Irish market is not confined to the island itself.

Highlights from the Q3 2017 Ireland CFO Survey:
• Just over half of Ireland’s CFOs believe that the level of financial and economic uncertainty facing their companies is high or very high.
• More than 80% of CFOs expect to achieve revenue growth over the next 12 months.
• Some 56% of CFOs are more optimistic than they were six months ago.
• A rise in interest rates, if it happens, is not expected to have a significant impact on the strategies of CFOs, with 52% saying their strategy would remain unchanged.
Italy

Cautious optimism

Optimism on the rebound
Optimism has increased among Italy’s surveyed CFOs (+30 percentage points compared with the same period last year) due to positive financial and economic perspectives.

This confidence is in line with the fact that almost half of Europe’s surveyed CFOs (44%) report a higher level of confidence due to a less volatile external environment.

At the same time, there has been a decline in the perceptions of uncertainty. Interestingly, though, the decline in the overall net balance is driven by a large number of CFOs changing their perception of uncertainty from “high” to “normal”: the percentage of CFOs indicating a “low” level of uncertainty remained the same as in Q1 2017.

Uncertainties and challenges
In Italy, the main risks CFOs see include not only threats that emerged in previous surveys, but also new worries linked to new challenges brought by digital transformation.

Among the “old challenges” is the possibility of new regulations being introduced (73%; a decrease of 7 percentage points compared with last year). The second concern is the potential reduction in domestic demand (53%). Fear of political instability (46%) still runs strong due to parliamentary elections in early 2018 and the risk of legislative continuity. Rounding out CFO concerns are exchange rates, with 45% of surveyed CFOs registering that as a worry.

New challenges are emerging, however, and for the first time Italy’s CFOs are significantly concerned about cybersecurity risks (45%) and declining market share due to new disruptive competitors (43%) able to implement alternative business models as a result of new technologies. In addition, almost three-quarters (74%) of CFOs believe that these technologies (artificial intelligence, cloud, robotics) will play a disruptive role in finance.

Looking ahead
Personal and corporate income tax reform is an urgent need to sustain growth according to surveyed CFOs.

The majority (64%) of CFOs (12 percentage points more compared with the last year) consider the process of political and economic integration at European level to be critical to future growth.

Highlights from the Q3 2017 Italy CFO Survey:
- There exists a continuation of cautious optimism buoyed by the strong global macroeconomic environment.
- Risk appetite is stable; 35% of CFOs willing to take risks (+1% from Q1 2017).
- New challenges are emerging. For the first time Italian CFOs are concerned about cybersecurity risks (45%) and risk of losing market share due to the rise of new disruptive competitors (43%).
Japan

Cautious economic optimism, labor reform concerns

Sunny skies ahead?
Japanese CFOs continue to be positive about their companies’ financial prospects. In the Q3 2017 survey, 14% of CFOs report being either “very optimistic” or “more optimistic,” and 76% say their views are “largely unchanged” (compared with 11% and 78%, respectively in Q2 2017).

Regarding earnings, their outlooks remain stable. The majority of CFOs (62%) expect to see either a “significant increase” or “some increase.” CFOs report that bullish economic growth in the US, EU, and Japan, as well as optimistic financial markets contributed to their stable outlooks on the economic and business environment.

Uncertainty trends downward
Japanese CFOs’ views of external financial or economic uncertainty in the business environment have trended downward for four consecutive quarters. In Q4 2016, 80% of CFOs described the level of uncertainty as either “extremely high” or “high,” while in Q3 2017 only 52% believe uncertainty to be “extremely high” or “high.”

The nature of uncertainty
In a separate local survey, the standoff between the US and North Korea (83%) and changes in the Trump Administration (60%) remain the top short-term risks related to foreign economics.

Other risks shifted in priority, including China-related risks (ranked fifth, down from third in Q2) toward US monetary policy (ranked third, up from fourth in Q2).

As for their domestic concerns, Japanese CFOs continue to emphasize labor issues. CFOs ranked work reforms (47%) and a tight labor market leading to a talent shortage (40%) in second and third places, respectively. Specifically, CFOs cited concerns over the economic impact of work reforms and the need to increase/maintain productivity while reducing working hours.

Interestingly, although this survey was conducted before the recent general elections, CFOs voiced little concern about a potential political shake-up that could affect government decisions and actions.

Highlights from the Q3 2017 Japan CFO Survey:
- Japanese CFOs expectations regarding earnings remain stable, slight uptick in optimism about future prospects.
- Uncertainty trends downward, with 52% of CFOs now rating economic and financial uncertainty at “extremely high” or “high” compared with 80% in Q4 2016.
- Short-term risk focus shifts from China toward US monetary policy.
- Domestic labor reform continues to rank high as a CFO concern.
Middle East

Optimistic with a reduced risk appetite

The latest CFO Survey in the Middle East focused largely on sentiment toward upcoming regulations, as well as external and internal financial risks.

Overall, CFOs in the Middle East are currently risk averse due to financial and economic uncertainty in the region. Reducing costs and increasing cash flow remain their business priorities, even though they are optimistic about their financial prospects.

Optimism varies
When compared with their global counterparts, CFOs in the Middle East have similar views about revenue growth and increasing interest rates. However, their risk appetite is comparatively lower, due to economic uncertainty in the region. In fact, 83% do not believe this is a good time to take risk onto their balance sheets.

Whether less optimistic (26%), neutral (34%), or more optimistic (40%) regarding their financial outlooks, CFOs all viewed that the external risks affecting their businesses had increased.

External market influences
The introduction of VAT across the Gulf Cooperative Council nations starting January 1, 2018 plays a large part in the external market uncertainties, with 60% saying it will have a medium to strong impact.

Increased regulations were top of mind in the Kingdom of Saudi Arabia, with the rolling out of Vision 2030 along with various other legislation.

Geopolitical risk was also a top concern, which is to be expected given the ongoing dispute between Qatar and a number of countries in the region.

Business strategy
The reduction in risk appetite also lead to cost reduction being the top business strategy, with 65% of CFOs rating it as a strong priority and another 56% pointing to increased cash flow as a strong priority.

However, there was an almost equal percentage of CFOs pointing to organic growth, new products, and expansion into new markets as strong priorities. These combinations of strategies place CFOs in a balancing act between managing costs, while still aiming for growth targets.

Moving forward
Notwithstanding policy regulations and geopolitical concerns, CFOs in the Middle East are generally optimistic toward financial prospects for their companies and countries.
In its latest macroeconomic outlook, the CPB Netherlands Bureau for Economic Policy Analysis forecast the Dutch economy to grow by 3.3% this year and 2.5% in 2018. The Economist Intelligence Unit (EIU) made an upward revision in its economic growth forecast. EIU now expects the Dutch economy to grow by 3.2% in 2017, from 2.2% previously, and 2.3% in 2018.

Despite this outlook, CFOs in the Netherlands see increasing external financial and economic uncertainty. Some 71% of CFOs rate current levels of economic and financial uncertainty as above normal, high, or very high. Moreover, business optimism fell sharply in the third quarter from 47% to 25%.

Still, Dutch CFOs remain optimistic about revenue prospects for their companies. A net percentage of 75% expect revenues to increase over the next 12 months. The margins outlook improved from 18% in the second quarter to 46% now, while one-third of CFOs expect to reduce their capital expenditures.

CFOs do not expect major changes in their workforces in the next year.

Corporate risk appetite has slightly decreased in the third quarter. Some 58% of CFOs believe that now is the time to take more balance sheet related risks. This is the highest level seen in the past 20 quarters. The main risk perceived by surveyed CFOs is a shortage of qualified talent.

Geopolitical and exchange rate risks are less prominent this quarter, while increasing regulation in the Netherlands is now a runner-up.

The M&A outlook for the next 12 months plunged for the first time since the global credit crisis broke out. Some 71% of CFOs expect corporate M&A activity to increase, compared with 94% in the second quarter. CFO respondents believe private equity activity is expected to grow by 60%, down from 88%.

Establishing a strategic partnership is now perceived as the most preferred type of transaction. Almost two-thirds of CFOs expect their companies to establish a partnership over the next 12 months. More than half (54%) say that their companies will realize an acquisition, while divestitures are not high on the agenda.

Half of respondents believe that interest rates will stay the same, and remain at a low level, but some 46% are expecting an increase over the next 12 months.

Even if interest rates were to increase, half of those surveyed say that their companies’ finance strategies will remain unchanged, as the impact will be low or even absent.
North America

Geopolitical threats and political turmoil dampen sentiment

Concerns over North American trajectory
In both the first and second quarters of 2017, CFOs’ confidence appeared significantly underpinned by positive assessments of the global economy, with continuing positive perceptions of North America and increasingly positive assessments of both Europe and China. Much of this sentiment carries over to this quarter, but something does appear to have changed—especially around CFOs’ confidence in the North American economy.

While this quarter’s assessments of North America’s current economic health remain strong (and near their survey highs), CFOs’ assessments of the economy’s trajectory faltered. Accordingly, CFOs’ perceptions of their own companies’ prospects declined, and year-over-year expectations for earnings and capital investment both declined.

It is difficult to say what is behind these declining expectations, but CFOs’ list of most worrisome external risks seems to indicate that US political turmoil and geopolitical risks are weighing even more than they did last quarter. This may help explain why US CFOs trailed their Canadian and Mexican peers regarding their perceptions of their own companies’ prospects, and why they provided the lowest growth expectations for earnings and capital investment both declined.

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Optimism remains solid
The specific numbers behind those trends include a net optimism figure that declined significantly from last quarter’s +44, but remains strong at +29. About 45% of CFOs expressed rising optimism (down from 55%), and 16% cited declining optimism (up from 11%). Net optimism for the US declined sharply from last quarter’s +47 to +28 this quarter. Canada rose from +20 to +31, while optimism in Mexico declined from +50 to +39.

As for metrics, revenue growth expectations remain above the two-year average at 5.7% (up from 5.6% last quarter). Earnings growth slid from 8.7% to 7.9%, but remains above the two-year average. Capital spending growth fell from 9.0% to 7.3%, while domestic hiring growth rose from 2.1% to 2.6%. US CFOs trailed in almost all metrics.

Still focused on growth
Going forward, approximately 60% of CFOs say they are biased toward revenue growth (among the highest levels in survey history), and only 20% claim a bias toward cost reduction (one of the lowest levels) for a net value of +40%. The bias toward investing cash over returning it to shareholders (56% versus 14%) remains near survey-high levels at +42%.

The focus shifted back toward new offerings this quarter, and the bias toward new geographies increased. Forty-two percent of CFOs say their companies are biased toward new offerings versus 34% for existing ones, for a net of +8%. CFOs favor current geographies over new ones by a large margin (62% versus 19%, for a net -43), but the bias toward new geographies increased for the first time since Q3 2016.

Highlights from the Q3 2017 North America CFO Survey:
- Perceptions of Europe’s and China’s economies show growing optimism; perceptions of North America’s trajectory show growing concern.
- Own-company optimism slid, largely on pessimism in the US.
- Expectations for growth in earnings and capital spending fell, but revenue growth held steady and domestic hiring surged.
- A survey-high 83% of CFOs say US equities are overvalued.
- Use of emerging technologies to improve finance efficiency, analytical support, and controls appears to be in its early stages.
- Robotic process automation (RPA) and analytics solutions are popular among those citing significant use of new technologies.
- A majority of CFOs indicate interest in a CEO role, but there is variability in the perceived likelihood and preferred pathways.
Norway

Optimism high, but not as high as expected

Sustained optimism
Net optimism among Norway’s CFOs (32%) is relatively high in the Q3 2017 survey, but surprisingly lower than in Q1 2017 (40%). The decrease is driven by increased CFO sentiment moving from neutral to slightly negative. This is a result of falling housing prices, slightly weaker inflation, and disappointing industrial production.

On the other hand, the sustained optimism stems from a favorable view on their own companies’ financial positions, coinciding with lower concern for counterparty defaults and expectations of increasing revenues.

Economic prospects
As for their metrics, a net 66% of the CFOs believe revenues will increase over the next six months, while 32% expect operating margins to rise. The revenue expectation level is the strongest recorded since Q1 2015, while the net share in margins is lower than in the past two surveys.

In addition, CFOs expect increased labor costs (after three years of historical low wage growth) due to positive prospects for the Norwegian economy (e.g., drop in unemployment rate, higher expected GDP growth over the next two years).

Strategic opportunities
Conservative growth tends to always be the modus operandi for Norwegian CFOs; however, now they are, to a historically high degree, looking to expand into new markets and develop new products and services, indicating a moderate, but definite, shift toward more expansive strategies. This may indicate that Norwegian CFOs finally are growing more comfortable taking risks.

As they expand, a net share of 38% of CFOs expect prices on their products to increase over the next six months, presenting the highest level during our historical period.

Interest rate expectations
A full 62% of respondents believe that interest rates will remain unchanged over the coming 12 months, while 36% expect higher rates.

CFOs do not appear to be worried about increased interest rates, however. More than half (52%) will either not adapt their strategy or already have a strategy in place that takes an interest rate hike into account if a hike occurs. Meanwhile, 9% of CFOs will reduce debt in such a scenario.

Highlights from the Q3 2017 Norway CFO Survey:
- A net 32% of Norway’s CFOs are more optimistic about their financial prospects down from 40% in Q1 2017.
- Highest expectations for revenues since Q1 2015 but lower expectations for margin growth, possibly explained by the NOK depreciating against EUR.
- CFOs are growing more comfortable taking risks, shifting toward expansive strategies, such as entering new markets and developing new products.
- More CFOs are stating their main priorities for operating cash flow are acquisitions and increasing cash balance.
Portugal

Stronger optimism

**Optimism reaching new heights**
Portugal’s economic outlook continues to climb quarter over quarter, as 95% of respondents expect positive results for the Portuguese economy.

**Still little risk appetite**
Portuguese CFOs (62%) are also upbeat on their respective companies’ financial prospects, up from 29% a year ago. When focusing on their own companies, CFOs in Portugal also foresee a promising trajectory.

However, similar to the results in the last survey, stronger optimism in the company’s financial performance does not imply a larger risk appetite. In fact, 35% of CFOs surveyed are reticent to place more risk on their balance sheets. It should be noted, however, that this figure has steadily risen from 13% a year ago and 20% six months ago.

In addition, nearly half (48%) of respondents still rate external financial and economic uncertainty facing their business as high. Domestic public policies remain the top perceived risk to business, with 70% of respondents stating it poses a significant risk.

**Keep tabs on costs**
Similar to the last survey, defensive strategies such as cost control, working capital efficiency, and cost reduction remain the top three strategies, confirming CFOs’ unwillingness to expand and take risks even when expecting a more favorable economic context and financial outlook for their company.

**Interest rates going up?**
After years of stimulus-inducing low interest rates, there are several indications that central banks may soon increase them. In fact, nearly half of CFOs in Portugal think interest rates will increase in the coming year, while 45% feel they will remain the same.

Faced with the prospect of an actual increase of interest rates, there is a nearly 50/50 split between CFOs who would adjust their strategy (debt, leverage, investment, production, marketing), namely 48%, and CFOs who would stay the course (52%).

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**Highlights from the Q3 2017 Portugal CFO Survey:**
- An impressive 95% of CFOs in Portugal feel that the country’s economic outlook is positive.
- Some 62% of respondents feel optimistic about their companies’ prospects, 10 percentage points more than six months ago and 33 percentage points more than one year ago.
- According to 97% of the surveyed CFOs, cost control is an important strategy for the coming year.
- After several years of low interest rates, 49% of CFOs expect them to rise in the next
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Southeast Asia

Optimism tinged with caution

Cautious optimism

The fourth Southeast Asia survey was produced in collaboration with CPA Australia, and highlights sentiments of CFOs across the region on various facets of the economy, industry, and CEO expectations, and the changing role of the CFO and their readiness.

In this edition, a substantial number of the surveyed CFOs (70%) say they are uncertain about the future, pointing to above normal, high, or very high levels of uncertainty facing their companies. Less than one-third (28%) indicate that their companies are facing normal levels of external and economic uncertainty.

Still, more than half of CFOs in Southeast Asia are optimistic about their companies’ financial prospects, with only 3% feeling significantly pessimistic about the situation, compared with six months ago.

Navigating the year ahead

Revenue expectations are positive, consistent with the optimistic outlook on financial prospects, with two-thirds (66%) of CFOs saying that revenue is likely to increase over the next year. However, the outlook on operating margins looks uncertain. Only 43% of CFOs expect an increase in margins, while 57% expect a reduction or no change. This suggests an anticipation of higher costs or companies are being prudent in difficult times.

Encouragingly, only 20% of CFOs believe capital expenditures will decrease over the next year, while 45% of CFOs expect an increase.

Cost concerns

Despite strong financial confidence, 45% of CFOs consider cost as the biggest factor that may pose significant risks to their businesses over the next year. Beyond costs, about a quarter of CFOs surveyed are worried about further economic turmoil and regulation. In addition, just over one-fifth of respondents cited concerns such as the decreasing talent supply, digital and technological disruptions, and operational risks.

Priorities

Going into the next 12 months, half of CFOs surveyed signal that revenue growth will be their biggest business priority, with cost control a close second (48%). Against the backdrop of cost concerns, this finding suggests that companies will adopt a cost management strategy that uses cost savings to fund growth activities (“save to grow”).

Highlights from the Q3 2017 Southeast Asia CFO Survey:

- Some 70% of CFOs in Southeast Asia feel uncertain about the global economy and external factors their businesses are facing, but more than half are optimistic about their companies’ financial prospects.
- Two-thirds of respondents say they expect revenues to rise next year.
- Cost pressures are considered the biggest factor that may pose significant risks to the business.
- Revenue growth and cost control are the top business priorities for the next year.
Spain

Optimism remains, though with some caution

Optimism toward Spain improves
CFOs’ perceptions of the current Spanish economy continue to improve: some 62% believe that the situation is good, compared with 42% in the previous survey six months ago. It should be noted that almost all responses were received before the vote on the possible independence of Catalonia, however.

There is mixed attitude toward the future trajectory, with 48% believing that the Spanish economy will grow in the next 12 months and 45% predicting a slow recovery.

Some 85% of respondents believe interest rates have the greatest impact on the Spanish economy, followed by oil prices (78%) and changes in the euro exchange rate (77%). In the last survey, oil prices (86%) and interest rates (83%) also topped the list, with the economic evolution of the rest of European countries (72%) coming in third. In this edition, however, it dropped to the fifth position.

Perspectives on the behavior of eurozone economies improved compared with six months ago. Some 26% of CFOs surveyed (a two-fold increase from six months ago) believe that the eurozone economy will grow in the next 12 months.

Similarly, there has been growth in global economic sentiment, with 33% believing that the global economy will grow in the next 12 months (compared with 30% six months ago) however 57% believe that they will experience a slow recovery.

Focus on productivity
CFOs’ optimism about their companies’ operating and financial outlooks remains at a level similar to six months ago, with 59% and 48%, respectively, showing positive views.

Expectations for demand for products and services in Spanish companies remain in line with the previous two editions: some 38% said they had already seen an acceleration (compared with 41% six months ago and 37% a year ago), and 41% believe that growth in demand will occur throughout 2018.

CFO strategic priorities have not changed. The increase in productivity and efficiency (58%), organic growth (48%), and cost reduction (42%) remain at the forefront.

Worries over talent
The availability and management of talent tops the list of risks (47%), followed by margin deterioration due to cost pressures (44%) and margin deterioration due to lack of price flexibility (41%).

Eurozone economic activity and growth, which in the last edition was first, now occupies fourth place (39%), together with labor costs and exchange rates. In addition, global economic uncertainty, which occupied third place six months ago, is now in 10th place (30%).

Highlights from the Q3 2017 Spain CFO Survey:

- Some 62% of Spain’s CFOs consider the current Spanish economy to be good, and 48% expect it to grow in the coming months.
- There was a slight decrease in optimism toward company metrics: 69% expect increased revenues, while half expect an increase in the level of investment, and almost half expect an increase in operating margins and cash flow.
- More than three quarters believe the volume of corporate transactions will increase in the next 12 months.
- Talent availability and management head the list of worrisome risks, with 47% of CFOs valuing it as high.
Sweden

Expressing an expansive agenda

**Increasingly positive near-term**
Rising foreign demand and very expansionary fiscal and monetary policy continue to fuel strong growth in Sweden.

The recovery in Sweden is now firing on all cylinders. Growth in domestic demand has remained strong, mainly driven by expanding residential investments, but the export-oriented sector is also now increasingly adding to growth. SEB has raised its economic growth estimates further to 3.2% in 2017, followed by 2.8% and 2.4%, respectively, in 2018 and 2019.

Against this backdrop, Swedish CFOs’ views of business conditions for their companies during the next six months are at a new six-year high. Swedish CFOs also remain more optimistic than their Nordic and eurozone peers.

One explanation may be found in economic growth, which has been and is expected to remain high in Sweden. However, since the most optimistic sector—manufacturing—is also the most internationally dependent, one explanation may be that since Swedish companies are more exposed to global markets their greater optimism is a reflection of better opportunities. This is because world economic growth is higher than growth in the eurozone and in the other Nordic countries.

**Prospects and concerns**
There is a shift toward more expansive priorities, where investments, geographic expansion, as well as introduction of new products are gaining in popularity, while reducing costs is falling.

This expansive agenda correlates with other observations in the survey. Paying down debt, for example, is no longer the most preferred alternative assuming a cash surplus situation. Instead, there is a clear shift toward investments in Sweden, including pursuing M&A.

At the same time, CFOs are also seeing slightly lower external uncertainty, as well as more favorable business conditions. It is notable that as many as 84% of Swedish CFOs expect their revenues to increase. Moreover, the majority of CFOs surveyed have a positive view of operating margins, with only 2% expecting decreases. Their increasing concern? Shortages of skilled labor.

**Interest rate expectations**
According to the survey, 78% of Swedish CFOs expect interest rates to go up during the coming 12 months. One explanation could be that the current monetary policy pursued by Sweden’s Riksbank is considered more extreme, and thus an increase in rates is seen as a return toward normality.

If key interest rates rise, half of the Swedish companies would stick to their current strategy since they expect only a small impact on their businesses.

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**Highlights from the Q3 2017 Sweden CFO Survey:**
- Swedish CFOs are increasingly optimistic about the near future, macro-related concerns are declining, and CFOs expect their companies to take more expansive actions than before. In a Nordic and European perspective, Swedish CFOs still stand out as the most optimistic.
- The overall level of concern has fallen, which is in congruence with CFOs also seeing slightly lower external uncertainty as well as more favorable business conditions.
- Skilled labor shortages are becoming more widespread across sectors, possibly pushing salaries and inflation upward, but also possibly leading to bottlenecks that could slow growth.
- Some 78% of Sweden’s CFOs’ expect interest rates to go up over the next 12 months.
Switzerland

Looking ahead to 2018 with confidence

Growing optimism
Switzerland’s CFOs are particularly optimistic about the outlook for their country’s economy: 74% rate it as positive, with almost as many (68%) optimistic about the prospects for their own companies.

At the same time, optimism about Swiss companies’ financial metrics has also improved markedly. Revenue expectations are positive (79%), and expectations for operating margins have improved slightly from Q2 2017 (41%). This has improved the profits outlook.

Investment expectations are also up, with a majority of investment planned for Switzerland. The slight weakening of the Swiss franc over the summer is probably the main contributor to this more upbeat mood, so optimism may be vulnerable to a renewed rise in the value of the franc.

Less uncertainty
There has been a reduction in uncertainty, with Swiss CFOs now rating it at its lowest since Q4 2014, the quarter before the exchange rate floor was removed. Nevertheless, far more CFOs continue to rate uncertainty as high compared with those rating it as low. The falling, but still high, level of uncertainty is somewhat at odds with CFOs’ optimism about the Swiss economy as a whole and their own companies.

Meanwhile, Swiss CFOs’ ratings of uncertainty in the economies of major Swiss trading partners reflect a slight overall improvement.

Uncertainty remains high, particularly as it relates to the UK and the US, but is improving, especially with regard to the US. This may reflect a perception that, despite anxieties, the US administration does not yet pose a genuine risk to business. However, caution is still indicated: the fact that a majority of Swiss CFOs still rate uncertainty in the world’s largest economy as high speaks for itself. Regarding the UK, slow progress on Brexit has prompted them to rank uncertainty there even higher than in the US.

Less uncertainty
Across Europe, investment expectations are up on Q1. The improvement is most marked in Switzerland (up 15 percentage points), while the European average is up three percentage points. The bulk of new investment by Swiss companies will be in Switzerland. Investment in innovative products and services will remain the focus of investment plans.

Shifting risks
Currency risks have overtaken geopolitical risks as Swiss CFOs’ major concern. Over recent quarters, however, there has been a shift in the nature of currency risks: a year ago, CFOs rated the strong Swiss franc as a risk, whereas they are now more concerned about volatility. Internal company problems, such as implementation of corporate strategy, projects, or process optimization are considered the second most important risk.

Highlights from the Q3 2017 Switzerland CFO Survey:

• Switzerland’s CFOs are optimistic as they look ahead to 2018. Over the next 12 months, their expectations for the economy, their own company’s prospects, revenues, operating margins, and investment are all positive.
• Very positive revenue and margins expectations (79% expect revenues to increase, and 41% expect operating margins to grow).
• Slight decrease in uncertainty (49% rate the current level of uncertainty in the economic and financial environment as high).
• Swiss CFOs are more concerned about currency risks and internal risks.
Turkey

Dramatic shifts as optimism rebounds

Outlooks improve markedly
Turkish CFOs have undergone a dramatic shift in improved sentiment compared with Q1 2017. The Q3 2017 survey shows the biggest financial and economic outlook improvement (+31 percentage points), largely driven by strong country growth in 2017. The European Commission’s (EC) Economic Forecast Autumn report projects that the Turkish economy will grow 5.3% this year, up from the EC’s earlier estimate of 3% in May. Further, political—if not overall—uncertainty has decreased now that the constitutional referendum on the presidency, held in April 2017, is over.

Risk aversion continues
In terms of risk appetite however, risk aversion among Turkish CFOs appears to be continuing. Only 14% of the 100 Turkish CFOs who participated in the survey are willing to take on greater risk, the lowest across the 19 countries participating in the European CFO Survey.

The primary reasons remain unchanged. The first is the weak and volatile Turkish lira. Since the beginning of 2017, the lira depreciated against the US dollar by almost 35% and 23% against the euro. The second is the geopolitical climate, especially the armed conflicts in neighboring Syria and Iraq, as well as the instability in the Middle East region. To watch out over the horizon, the inflation rate is on the rise, which could have an important effect on CFO views going forward.

Is the worst over?
Despite low risk appetite, CFOs in Turkey are optimistic toward revenues, margins, and employment, and expect better results. In the previous survey, many CFOs surveyed after Q1 2017 stated the worst was over and recovery was on the way. This may be one indication that they are correct.

Highlights from the Q3 2017 Turkey CFO Survey:
- Some 44% of surveyed CFOs are more optimistic on the Turkish outlook (an increase of 31 percentage points from Q1 2017).
- Risk appetite remains low (14%) due to the weak lira, geopolitical instability, and possibly rising interest rates.
- Compared to last survey, Turkish CFOs see the light beyond the horizon and are positive about the future.
United Kingdom

Optimism bounces

**CFOs see less uncertainty**  
Business confidence has been on the rise in the US, Europe, and Japan since last summer. In the UK, domestic events have been in the driving seat, leading to big ups and downs in sentiment among UK CFOs. CFO optimism in the UK collapsed in the wake of the EU referendum vote, rebounded in the second half of 2016, before dropping on the result of June’s general election.

The latest UK CFO survey shows a bounce back from the postelection lows with optimism close to levels seen at the end of last year. In addition, CFOs believe the environment has become less uncertain, with perceptions of uncertainty dropping to almost half the levels prevailing immediately after the EU referendum. Now just 34% of CFOs rate current levels of external financial and economic uncertainty as high or very high.

**Brexit risks remain**  
CFO concerns over Brexit have also eased, with 60% of CFOs expecting the UK’s exit from the EU to affect the business environment adversely, down from 72% in the second quarter. Nonetheless, CFOs continue to see Brexit as the top risk facing their businesses. Almost one-third expect to reduce investment over the next three years as a result of Brexit, and 36% expect it to hit hiring.

CFOs rate weak UK demand as the second greatest risk, with prospects for higher interest rates in third place. CFOs have brought forward their expectations for a UK rate rise, and 92% now expect base rates to be higher than the current 0.25% level in a year’s time.

**Margins squeezed**  
The post-referendum surge in inflation also seems to be squeezing corporate margins. CFOs report that cost pressures are running at the highest level in more than six years. As a result, while optimism and expectations for revenues have recovered from last year’s lows, profit expectations continue to languish.

In fact, a net 71% of CFOs expect operating costs to increase over the next 12 months, the highest level in more than six years. Meanwhile, the outlooks for capital expenditure, hiring, and discretionary spending have improved slightly in the third quarter; yet, on balance, CFOs expect UK corporations to decrease spending in each area over the next 12 months.

Overall, businesses are rather more upbeat today than in July and see fewer risks in the world. Nonetheless, perceptions of uncertainty remain elevated and Brexit continues to top the CFO worry list. With margins under pressure, CFOs are operating cautiously. It is a testament to the changeable business environment that eight years into the UK recovery, cost control is the top balance sheet priority for major UK corporates.
Deloitte Member Firm CFO Surveys

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

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

<table>
<thead>
<tr>
<th>Member firm</th>
<th>Contacts</th>
<th>Frequency</th>
<th>Survey scope and population</th>
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</table>
| Argentina   | Claudio Fiorillo  
Partner  
+54 11 4320 4018  
cfiorillo@deloitte.com | Biannual | Conducted during September–October 2017 over a four-week period; 55% of the CFOs represented public companies, 75% are local, and 55% represented businesses with annual revenues of less than US $1 billion. Another 30% had annual revenues between $1B and $4.9B. |
| Austria     | Guido Eperjesi  
Director, Clients & Industries  
+43 1 537 00 2522  
geperjesi@deloitte.at |  | |
| Belgium     | Thierry Van Schoubroeck  
Partner, Finance Transformation  
+ 32 2 749 56 04  
tvanschoubroeck@deloitte.com | Quarterly | Conducted between September 14, 2017 and October 6, 2017; 21 CFOs completed the survey. The participating CFOs are active in a variety of industries. |
| China       | William Chou  
National Managing Partner  
China CFO Program  
+86 10 8520 7102  
wilchou@deloitte.com.cn | Biannual | Conducted in September 2017; 109 participants, 70 of which had the title of CFO or finance director; 12% were from SOEs, 43% were from POEs, and 45% were from MNCs. |
| Denmark     | Kim Hendil Tegner  
CFO Services,  
Finance Transformation  
+45 30 93 64 46  
ktegner@deloitte.dk |  | |
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| Finland     | Tuomo Salmi  
Partner, CFO Program Leader  
+358 (0)20 755 5381  
tuomo.salmi@deloitte.fi | Biannual | Conducted this fall; 56 CFOs participated, representing privately held and publicly listed medium, large, and multinational companies across a range of industries. |
| France      | Pascal Colin  
Partner  
+01 40 88 29 62  
pcolin@deloitte.fr | Biannual | Conducted between September 5, 2017 and October 9, 2017; 72 CFOs from major French companies or French subsidiaries of foreign companies participated, representing a wide range of industries. |
| Germany     | Rolf Epstein  
Partner, CFO Program  
+ 49 (0) 69 97137409  
repstein@deloitte.de | Biannual | Conducted between September 5, 2017 and September 26, 2017; 142 CFOs from major German corporations participated; 70% are from companies with revenues of more than €500 million, and 46% have revenues of more than €1 billion. |
| Ireland     | Daniel Gaffney  
Director  
+35314172349  
dgaffney@deloitte.ie | Biannual | Conducted in September and October 2017; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated. |
| Italy       | Mariangela Campalani  
Director  
Tel: +39 02 83326114  
mcampilani@deloitte.it | Biannual | Conducted between August and October 2017, this survey included participation from approximately 80 respondents. The majority of companies involved in the survey came from the following sectors: Manufacturing (22%); Retail/Consumer Products (20%); and Technology, Media and Telecommunications (11%). |
| Japan       | Yasushi Nobukuni  
Partner  
+81 80 3367 2790  
ynobukuni@tohmatsu.co.jp | Quarterly | Conducted between October 10, 2017 and October 20, 2017; 60 CFOs and finance directors completed the survey. The participants represent a variety of industries, and include listed companies and relevant private companies. |
| Middle East | Robert O’Hanlon  
Partner  
+9 71-524-985-491  
rohanlon@deloitte.com | Annual | 


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<tbody>
<tr>
<td>Netherlands</td>
<td>Frank Geelen Partner; CFO Program Lead +31 (0)6 2239 7053 <a href="mailto:fgeelen@deloitte.nl">fgeelen@deloitte.nl</a></td>
<td>Quarterly</td>
<td>Conducted between September 4, 2017 and September 26, 2017; 24 CFOs representing a net turnover per company of approximately EUR 3.4 billion. The responding companies can be categorized as follows: publicly listed (46%), privately owned (17%), family owned (8%), government or state-owned (4%), private equity portfolio company (17%), other and/or unknown (8%).</td>
</tr>
<tr>
<td>North America (US, Canada, Mexico)</td>
<td>Greg Dickinson N.A. CFO Survey Director +1 213 553 1030 <a href="mailto:g.dickinson@deloitte.com">g.dickinson@deloitte.com</a></td>
<td>Quarterly</td>
<td>Conducted between August 7, 2017 and August 18, 2017; 160 CFOs participated from across the United States, Canada, and Mexico. Seventy-three percent of respondents represent CFOs from public companies, and 82% are from companies with more than $1 billion in annual revenue.</td>
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<tr>
<td>Norway</td>
<td>Andreas Enger Partner, Financial Advisory +47 958 80 105 <a href="mailto:aenger@deloitte.no">aenger@deloitte.no</a></td>
<td>Biannual</td>
<td>Conducted between September 26, 2017 and October 3, 2017; 149 CFOs participated from across Norway. The respondents represented a broad range of industries and CFOs from the 500 biggest companies in Norway.</td>
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<tr>
<td>Portugal</td>
<td>Jorge Marrão Partner, CFO Program Leader +351 210422503 <a href="mailto:j.marrao@deloitte.pt">j.marrao@deloitte.pt</a></td>
<td>Biannual</td>
<td>Conducted between September 11, 2017 and September 29, 2017, the survey was sent to CFOs of private and public companies of several industries. The participating CFOs (92) represent the largest companies in Portugal (65%&gt;100M€ and 12%&gt;1.000M€).</td>
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<tr>
<td>Southeast Asia</td>
<td>Ng Jiak See SEA CFO Program Leader +65 6531 5088 <a href="mailto:jsng@deloitte.com">jsng@deloitte.com</a></td>
<td></td>
<td>Based on responses from more than 120 CFOs comprising of private and publicly listed companies from both government and private sectors, with revenues spanning from less than USD 100 million to more than USD 1 billion.</td>
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<tr>
<td>Spain</td>
<td>Jesús Navarro Partner +34 91 514 50 00 <a href="mailto:jenavarro@deloitte.es">jenavarro@deloitte.es</a></td>
<td>Biannual</td>
<td>Conducted in September 2017; 135 CFOs participated from companies or groups listed in the Spanish market and/or companies or groups listed in international markets, and nonlisted companies. Of the participating companies, 21% have revenues in excess of €500 million, and 47% have more than 500 employees.</td>
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<td></td>
<td>Nuria Fernández Senior Manager +34 91 514 50 00 <a href="mailto:nufernandez@deloitte.es">nufernandez@deloitte.es</a></td>
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<tr>
<td><strong>Sweden</strong></td>
<td>Henrik Nilsson</td>
<td>Biannual</td>
<td>Conducted in September and October 2017; participating CFOs represented a selection of the 200 largest companies in Sweden.</td>
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<td></td>
<td>Partner</td>
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<td>+46 73 397 1102</td>
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<td></td>
<td><a href="mailto:henilsson@deloitte.se">henilsson@deloitte.se</a></td>
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<td><strong>Switzerland</strong></td>
<td>Dr. Michael Grampp</td>
<td>Quarterly</td>
<td>Conducted between August 30, 2017, and September 27, 2017; 114 CFOs participated, representing listed companies and relevant private companies.</td>
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<td></td>
<td>Chief Economist</td>
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<td><a href="mailto:mgrampp@deloitte.ch">mgrampp@deloitte.ch</a></td>
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<td><strong>Turkey</strong></td>
<td>Cem Sezgin</td>
<td>Biannual</td>
<td>Participants in this quarter’s survey were from leading Turkish corporations and representing all industries.</td>
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<td></td>
<td>Partner, CFO Services Leader</td>
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<td>+90 (212) 366 60 36</td>
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<td><a href="mailto:csezgin@deloitte.com">csezgin@deloitte.com</a></td>
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<tr>
<td><strong>United Kingdom</strong></td>
<td>Ian Stewart</td>
<td>Quarterly</td>
<td>Conducted between September 14, 2017, and October 4, 2017; 102 CFOs participated, including CFOs of 20 FTSE 100 and 40 FTSE 250 companies. The rest were CFOs of other UK-listed companies, large private companies, and UK subsidiaries of companies listed overseas. The combined market value of the 75 UK-listed companies surveyed is £416 billion.</td>
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<td>Chief Economist</td>
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<td>+44 020 7007 9386</td>
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<td><a href="mailto:istewart@deloitte.co.uk">istewart@deloitte.co.uk</a></td>
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