Deloitte.

Global CFO Signals

Vital signs strong—again

Q1 2018 Deloitte Member Firms' CFO Surveys

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

Deloitte Global CFO Signals

CELEBRATING 10 YEARS OF EXCELLENCE
10
CFO PROGRAM

Contents

About the Deloitte Global CFO Program

The Deloitte Touche Tohmatsu Limited (Deloitte Global) 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 Member Firm CFO Surveys

Twenty-three 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 32) for member firm contacts and information on the scope and survey demographics for each survey.

Global Contacts

Sanford A Cockrell III
Global Leader
Global CFO Program
Deloitte Touche Tohmatsu Limited
scockrell@deloitte.com

About Deloitte's Global CFO Signals

The purpose of 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 2018 CFO surveys from Deloitte member firms in the following geographies:

Argentina: Growing concerns due to government actions
Austria: Optimism among the highest in Europe
Belgium: Protectionist threats weigh on CFO sentiment
China: Sentiment reflects an upbeat recovery outlook
Denmark: Optimism makes space for digital transformation
Finland: Riding high on the business cycle
France: Capitalizing on a confident future
Germany: Top investment target: Germany
Greece: Optimistic, but less enthusiastically
Iceland: Less optimistic toward economic growth
Ireland: As uncertainty drops, CFOs go on the offensive
Italy: Consolidated optimism amid higher uncertainty
Japan: Optimism retreats as trade war rhetoric escalates
Netherlands: Focused on the positive—and the possibilities
North America: Sentiment swells in the wake of US tax and spending bills
Norway: On the offensive
Portugal: Optimism still high
Spain: Improved expectations and increased risk appetite
Sweden: increasing optimism, but momentum is slowing
Switzerland: A mini boom, negative interest rates, and skills shortages
Turkey: Facing geopolitical uncertainties at home and abroad
United Kingdom: Transition deal boosts sentiment

*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
marmonaite@deloitte.it

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

Global CFO Signals

CFO Sentiment Q1 2018

Vital signs strong—again

Strong CFO optimism. *Check.* Solid revenue expectations. *Check*. Positive outlook on regional economies. *Check.* Expansionary strategies. *Check.*

By many accounts, the patient—in this case, the current global economy as viewed by CFOs—seems to be in pretty good shape. And with vital signs continuing to be strong in many of the 22 surveys reporting in this edition of *Global CFO Signals*, CFO outlooks can best be described as good to excellent—at least for now.

The positive sentiment is particularly pronounced in North America. There the net optimism index rose from last quarter's +47 to +54 this quarter—a new survey high. Nearly 60% of CFOs expressed rising optimism (up from 52%), and just 6% expressed declining optimism. Moreover, their optimism is bolstering expectations for revenue growth (5.9%, up from 4.7%—a two-year high), earnings growth (9.8%, up from 8.4%—highest in nearly three years), and capital expenditure (11.0%, up from 6.5% —a five-year high).

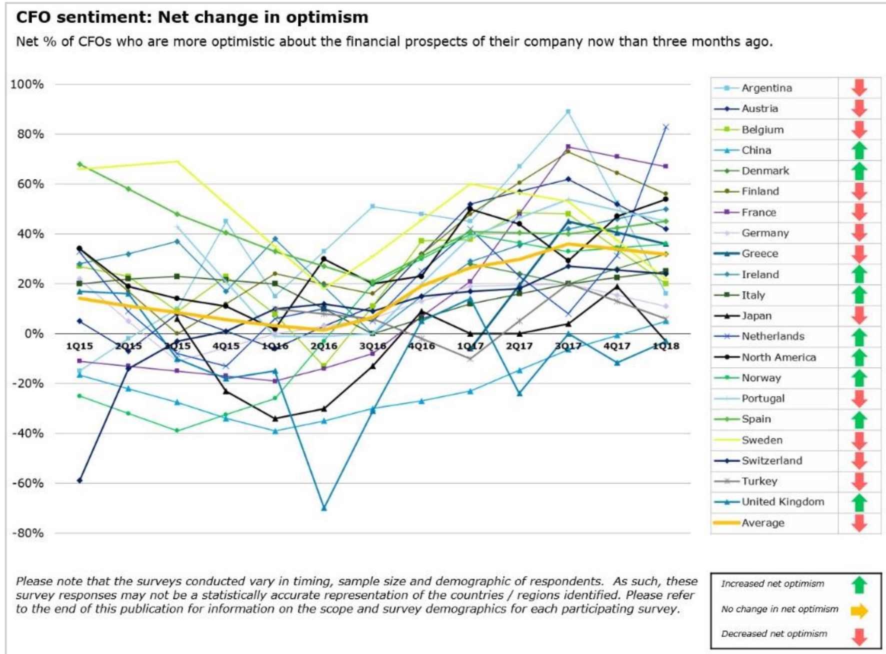
Meanwhile, in many of the 18 European countries included in this report, the optimism that has taken hold the last couple of quarters has consolidated into almost a "new normal," observes Michela Coppola, who leads Deloitte's European CFO Survey. In fact, net optimism weighs in at a net +33 among the countries reporting, and is positive except in the UK and Iceland. Coupled with tempered perceptions of uncertainty, a pick-up in capital spending expectations in countries, such as France (+65) and Ireland (+60), as well as intentions to hire, particularly in the eurozone, CFOs have a solid comfort level to plan for the future. What gives them even more comfort is that according to the latest *IMF Global Economic Outlook* (April 2018)[1] economic growth in advanced economies will further strengthen in 2018, reflecting, in particular, the spillover effects of an expansionary fiscal policy in the United States.

That spillover, says Patricia Buckley, managing director, Economic Policy and Analysis, Deloitte Services LP, may eventually be fueled by business and consumer spending tied to recent US tax reform. But at this point, it is "too early to tell" since such investment has not shown up in the economic indicators. "Companies don't change their spending plans on a dime," she adds.

In the meantime, there remain pockets of discord. In Asia, for example, optimism is more mixed and somewhat dependent on politics. Consider that the percentage of Japanese CFOs who reported feeling "less optimistic" or "very unoptimistic" grew from 8% last quarter to 22% this quarter—a trend driven by everything from a decline in confidence in the Abe government to a strong yen to apprehension about protectionist trade policies. Similarly, in China, "detrimental government policy/regulations" ranked as the largest risk factor among China's CFOs, even as net optimism turns positive in that country. Meanwhile in the UK, Brexit still weighs heavily, just a little less so: CFOs now rate Brexit as the second top risk facing their businesses, just behind slower UK growth.

Still, despite political overhangs, many CFOs share the intention to grow and take on more risk. In North America, CFOs indicate a strong bias toward revenue growth over cost reduction (64% versus 18%) and investing cash over returning it (57% versus 14%). In 11 of the European countries reporting, CFOs included more expansionary strategies than defensive ones among their top strategies. And 13 of them report an uptick in risk appetite compared with Q3 2017, particularly in France, Spain, and Sweden.

The main drag on all these plans, however, continues to be a lack of skilled talent. In more than half the European countries surveyed, CFOs identified a shortage of skilled labor as a significant risk. Further, North American CFOs' focus on talent acquisition, quality, and retention has only intensified this quarter. In Japan, the top domestic risk was labor shortage, cited by 61% of respondents. And, surprisingly, in the German survey, "labor shortages turned out to be more worrisome than international policy risks to CFOs," says Alexander Boersch, chief economist for Deloitte Germany, How does CFO sentiment in Q1 2018 break down? What follows is a synopsis of economic health by region:



Americas

As mentioned previously, many of the indicators in the North American report hit new survey highs. There was one very clear driver: passage of tax reform by the US Congress. In its wake, CFOs not only grew more optimistic, but their assessments of the North American economy grew even stronger, with nearly 90% of CFOs rating current conditions as good, up from 74% last quarter and a new survey high by a wide margin. CFOs also commented on tax reform head-on, expecting it to have wide-ranging implications.

"Tax reform was intended to increase companies' domestic investment, hiring, and pay, and CFOs' survey responses seem to indicate it will aid all of these to a very substantial extent," observed Greg Dickinson, managing director, Deloitte LLP, who leads the *North American CFO Signals* survey.

Meanwhile, in the one South American country reporting—Argentina—CFO outlooks are again fueled by government actions. This time, though, they are reversing the optimism that 84% of CFOs expressed in the Q3 2017. Now only 22% of Argentina's CFOs are optimistic about business prospects.

Asia-Pacific

There are mixed outlooks among the two countries reporting in Asia-Pacific: China and Japan. Japanese CFOs, for example, are somewhat gloomy about their companies' financial prospects, with only 19% reporting being "very optimistic" or "more optimistic," versus 27% in Q4 2017. On the other hand, net optimism rose significantly to +5 in China this survey from –23 in Q1 2017, reflecting a stable-to-positive outlook in that economy. With the International Monetary Fund raising the forecast for China's economic growth at the beginning of 2018, there was an understandable upsurge in optimism among respondents amid a growing bullish market outlook.[2]

Europe

Finally, as reported here and in the latest *European CFO Survey*, companies across Europe continue to signal solid optimism—albeit tempered from Q3 2017—about their business prospects. It should be noted that CFOs within the euro area showed a higher level of confidence than those outside. This is despite a series of disappointing economic data for the euro area in the past few months, indicating that although the economic recovery may have lost some momentum, a tipping point in CFO sentiment has not yet been reached. Interestingly, the only countries within the euro area where there was an increase in the net balance of optimistic CFOs are in the "periphery economies" of Ireland, Italy, and Spain—suggesting that the recovery in the euro area may have really established itself. Outside the euro area, the main outlier continues to be the United Kingdom, where a softening economic outlook and uncertainties related to Brexit may explain the expectations of CFOs.

Despite all the positive signals, there are still plenty of headwinds, including the possibility of higher deficits and inflation in the US in the wake of tax reform—which would not be a welcome spillover. "We're expecting stronger growth this year and next year, but the big question is what happens two years from now," says Buckley, adding that by then, CFOs might want to "dust off those recession plans just in case." That thought may be enough to make the patient's heart skip a beat.

1 "World Economic Outlook. Cyclical upswings, structural change", International Monetary Fund, April 2018.

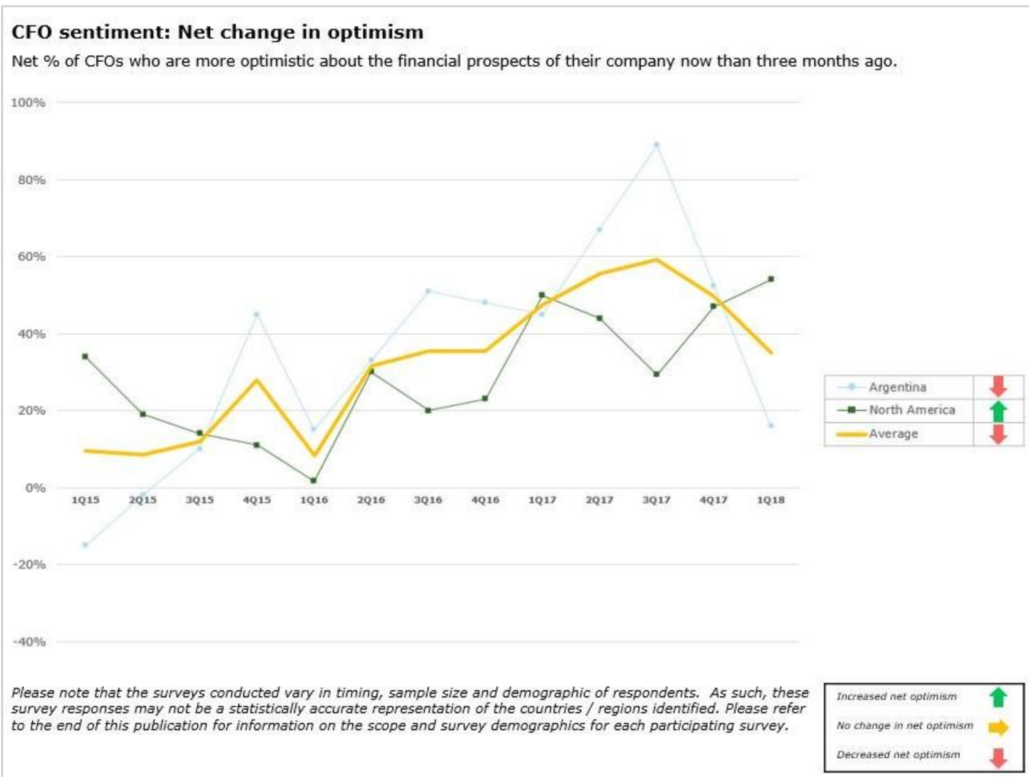
2 "World Economic Outlook. Brighter prospects, optimistic markets, challenges ahead", International Monetary Fund, January 2018.

Global CFO Signals

Optimism by the regions

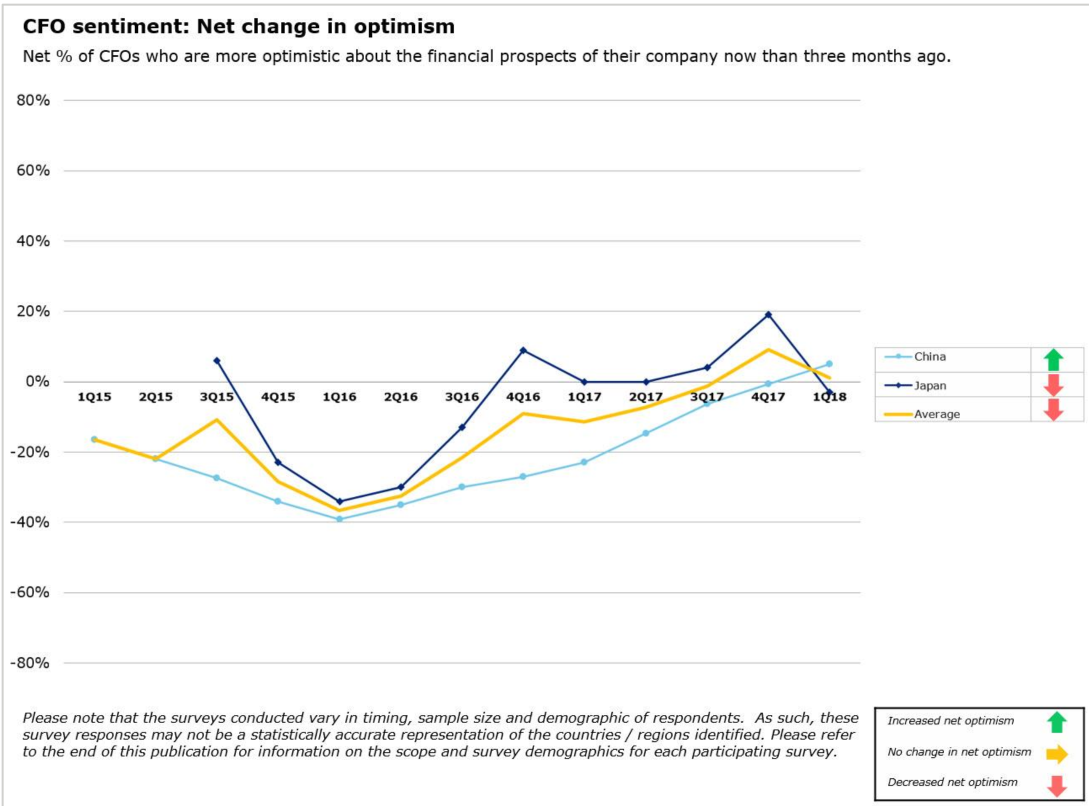
Americas

In North America, Q1 2018's net optimism of +54 is solid, up from the previous quarter's +47. With relatively strong net optimism since Q2 2016, the sentiment from North American CFOs remains overwhelmingly positive. Meanwhile, the story has changed greatly in Argentina (the only South American country reporting), where net optimism soared in Q3 2017, but now stands at +16.



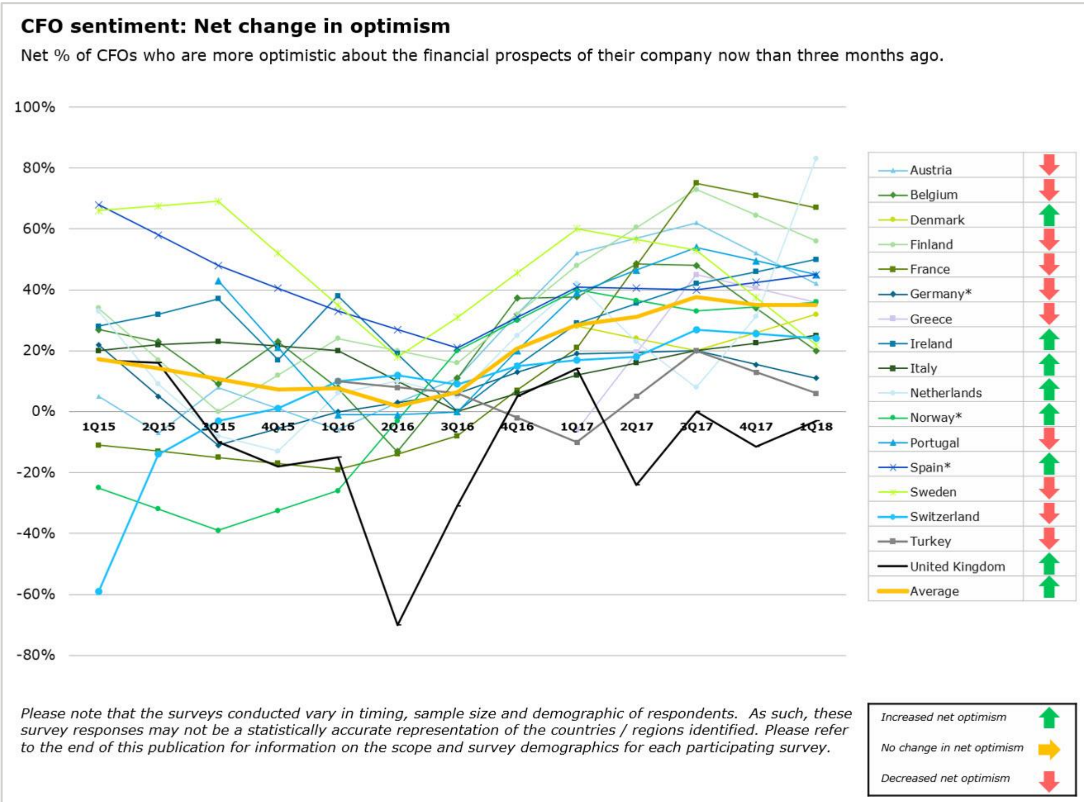
Asia/Pacific

Sentiment among Japan’s CFOs decreased in Q1 2018 to -3 net optimism, compared with +19 last quarter. Meanwhile in China, CFOs are more optimistic, reporting +5 net optimism.



Europe

CFOs' optimism in Europe about the financial prospects of their companies compared with three/six months ago continues an upward trend, but has moderated slightly. Of those reporting, all expressed positive net optimism except Iceland and the UK, with the most optimistic being CFOs in France and the Netherlands. (Note: Iceland is not charted.)



Global CFO Signals

By the numbers

Risk appetite

In line with improved optimism, the number of European CFOs willing to take more risk on to their balance sheet has improved in the last six months, particularly in France, Spain, and Sweden. Still, overall risk appetite in Europe is negative, with the biggest negative net balances seen in the UK (-72), Turkey (-69), and Iceland (-62). In North America, however, 69% of CFOs say now is a good time to take greater risk—up from 63% and a new survey high.

Uncertainty

Uncertainty has tempered in many countries, but not everywhere. The gap between European CFOs inside the eurozone and outside who consider the current level of external financial and economic uncertainty to be high, continues to widen. Within the euro area, Italy is a notable exception (net +53) partly due to an inconclusive national election in March. Outside, UK CFOs report the highest level (net +86). In China, economic uncertainty remains the most high-impact risk factor, while in Japan, 70% report a high level of uncertainty partly due to the strong yen.

Metrics

Expectations for certain metrics remain solid. In North America, revenue growth expectations rose from 4.7% to 5.9% (two-year high) and earnings growth from 8.4% to 9.8% (highest in nearly three years). Many Japanese CFOs expect future earnings to rise (64%), despite concerns about the cost of raw materials. And European CFOs expectations mirror their positive outlook: CFOs in the Netherlands and Germany are particularly confident about revenue growth, while expectations of higher margins showed the biggest eurozone increases in Greece, Spain, and Portugal.

Hiring

Hiring is on the upswing—provided you can find the right people to hire. The employment outlook is positive among European CFOs (except for the UK), but a tightening labor market means companies need to prepare for fierce competition for talent. Of the 18 European countries reporting, 10 report a skills shortage as one of their top concerns. In North America, many CFOs expect tax reform to raise hiring and wages, but also cite a talent shortage as a worrisome risk. Likewise, a labor shortage is a top concern for Japanese CFOs (61%).

Corporate strategy

Expansion is on the agenda. Eleven European countries reported more expansionary strategies than defensive ones among their top three strategies, with organic growth favored as the top (expansionary) strategy. Home markets are also being favored. In fact, some 63% of Germany's CFOs plan to significantly increase investments in Germany, 21% in China and the US, respectively. Meanwhile, in North America, approximately 64% of CFOs say they are biased toward revenue growth (among the highest levels in survey history), and only 18% claim a bias toward cost reduction.

Funding

Funding remains available—and cheap—for now. In North America, 77% percent of CFOs say debt financing is attractive, down from last quarter's 85%. Attractiveness of equity financing decreased for public companies (from 46% to 43%) and especially for private companies (from 47% to 35%). In China, with the expected interest rate hikes from the US Federal Reserve, a growing number of respondents (15%) are worried about capital availability and cost. In Argentina, that worry may be why only 22% of CFOs will not seek financing in the next year. But across Europe, interest rate hikes seem to be being taken in stride with only one country (Iceland) naming hikes as a top concern.

Deloitte Member Firm CFO surveys:

First-quarter 2018 highlights

Argentina

Growing concerns 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.

Inflation weighs on optimism

CFOs' optimism about the impact of government economic policies on their businesses during the next year decreased from 84% to 63%. The skepticism among the respondents is mainly associated with the various actions of the government regarding inflation.

The main concerns mentioned by CFOs in Argentina are inflation (34%), followed by costs and availability of capital (18%, +9 pp), and exchange rate risk (15%, -5 pp).

Challenges and strategy

As far as their business prospects, only 22% of CFOs are more optimistic (compared with 89% six months ago), while 72% do not foresee changes. Overall, there is a significant decrease of optimism among CFOs in Argentina.

CFOs' main challenges for their companies are to improve/maintain margins (from 26% to 35%), establish their defined strategies (from 20% to 19%), and increase customer demand (from 20% to 9%).

In the next 12 months, most of the CFOs surveyed will focus on income growth and preservation (41%, no change), followed by reduction of general expenses (from 15% to 19%) and direct cost reduction (from 16% to 14%).

More than 60% of CFOs reported that there was no change in their capital structure, while 20% indicated that equity increased by more than 50%.

Focused on Steward role

Within the *Four Faces of the CFO* framework, CFOs continue to report a greater inclination toward the Steward role (36%), followed almost in equal proportion by the roles of Strategist and Catalyst (23%, each) and finally Operator (18%).

The pressures CFOs are most concerned about include the inability to reach their planned results (17%, +5 pp), followed by a lack of supporting talent and resources in terms skills and quantity (17%, same result), and finally strategic ambiguity (13%, +7 pp).

The most significant challenges for finance organizations are influencing the business strategy and operational initiatives (13%), followed by cost management (12%), and finally reaching agreed-upon service levels. On the other hand, addressing changes in tax laws and accounting standards does not figure among the main challenges reported (less than 1%).

Highlights from the H1 2018 Argentina CFO Survey:

- Significant decrease (from 84% to 63%) in net optimism among CFOs in Argentina, mainly associated with the various actions of the government regarding inflation.
- Improving and maintaining margins and establishing/ adapting strategy are Argentina's CFOs' top concerns.
- Capital allocation and cost management are the top priorities for CFOs over the next year.

Austria

Optimism among the highest in Europe

Optimism remains solid

Austria's CFOs are among the most optimistic in Europe. A net balance of +42% of CFOs feel more optimistic than a few months ago. Still that is 19 pp lower than the net balance in the Q3 2017 survey.

Most growth expectations comparatively lower

Austria falls slightly below European averages for growth expectations for revenues, operating margins, and employee count, only rising above the mean for capital expenditure at net +47%. As such, Austrian CFOs are particularly willing to invest, and the proportion who hope to do so is also an increase from the previous quarter's percentage for Austria. These relative comparisons do not mean, however, that Austria's expectations numbers are low in all categories: a net +55% of CFOs, for example believe that revenues will increase.

Austrian CFOs do feel the pinch on operating margins, however. The net balance expecting operating margins to increase is the third lowest across Europe (+16%) and 4 pp points lower than in the previous survey. Despite being one of the lower countries, Austria's net balance on this metric is still positive.

A time of relative certainty

Overall, 57% of surveyed Austrian CFOs believe it is not a good time to be taking greater risk on their balance sheet. However, they are operating in one of the lowest levels of uncertainty in the eurozone: in rating the financial uncertainty currently facing their business, Austria had a net balance of 16%, the second lowest for the continent. In parallel, they also tended to rate many global economic risks on the lower side, compared to their European counterparts.

On the defensive

Austrian CFOs included two defensive strategies and one expansionary one among their top three strategies: increasing operating expenditure (OPEX), growing organically, and reducing costs.

Highlights from the H1 2018 Austria CFO Survey:

- A net 42% of Austrian CFOs are optimistic about the financial prospects for their companies.
- In Austria, some 22% of CFOs view the level of external financial and economic uncertainty as high.
- Surveyed CFOs highlight the risk of skilled labor shortage and an increase in regulation as their top concerns.
- Cost cutting and pursuing organic growth are among the top strategic priorities among Austria's CFOs.

Belgium

Protectionist threats weigh on CFO sentiment

Business sentiment is reversing

For the second quarter in a row, CFO optimism went down. Still, optimism remains overall high and continues to trend above recent year's averages. Performance to budget has never been better since the launch of the survey and first quarter financials were good. Most companies report actual results beat the budget, and further growth is planned.

Yet, while key growth indicators remain strong (capital expenditure, headcount, discretionary spending, risk appetite), all went down. Similarly, concerns about the competitiveness of businesses and the appropriateness of financial and economic policy went up. Whereas there is usually not a significant difference between types of organizations, larger organizations with a broad international footprint are today markedly less optimistic about the future prospects of their businesses as are companies with a more local (eurozone) orientation.

Long-term risks

When evaluating longer term risks, CFOs point above all toward rising protectionist threats and global trade restrictions. The impact of these restrictions on the competitiveness of internationally operating companies and their financial prospects could be significant.

Cyberattacks—either on companies or states—and their impact also represent a significant risk factor, as do public or private debt crises in major countries or economies.

Digitalization moves up the agenda

Expansionary strategies remain on top of the agenda, but with continued attention to cost control and efficiency. Digitalization moves up on the management agenda for most organizations, and is a strong priority for more than half of respondents. On average, smaller companies rate their digital maturity as low and still have a long way to go, whereas larger organizations are, on average, somewhat more advanced. IT, customer service, sales, and finance are the most important priorities for digitalization initiatives and attract most of the planned investments.

Internal funding favored

With continued (but slow) monetary tightening, interest rate are expected to go up. The dominant view is that the increase will be limited. Funding remains cheap and available, but the attractiveness of corporate debt and bank borrowing continues its slow decline. Internal financing remains widely available and is the preferred financing option for most organizations.

Promising outlook

The outlook for the rest of the year remains promising, but uncertainty has increased and the sentiment—although still positive—has turned. Companies are planning for further growth and need policy and regulation that support their competitiveness. For those operating in international markets, the protectionist revival and the potential restrictions to global trade represent a significant threat.

Highlights from the H1 2018 Belgium CFO Survey:

- In a climate of growing protectionist threats, CFO optimism declined and uncertainty rose in Q1 2018.
- In the short-term, companies remain focused on growth and are mostly concerned about the availability of skilled labor, their competitive position in the market, and the impact of financial/economic policy.
- Amid the declining optimism and rising uncertainty, Q1 2018 financial performance is strong. A record 80% of participating CFOs report performing on or above budget.
- Digitalization is a top priority for CFOs, with a clear majority expressing moderate maturity at best.

China

Sentiment reflects an upbeat recovery outlook

Economic sentiment

With the International Monetary Fund raising the forecast for China's economic growth at the beginning of 2018, there has been an understandable upsurge in optimism among China's CFOs. In fact, net optimism rose to +5 this survey from −23 in Q3 2017.

Nonetheless, about one-third of respondents held a pessimistic view on the economic outlook, perhaps reflecting fast moving and unpredictable geopolitical events. It is worth noting that the timing of the survey preceded the trade tension between China and the US.

CFOs believe that driven by the stable-to-positive outlook of the Chinese economy and evidence that the Belt and Road Initiative will continue to gain momentum, the yuan is anticipated to strengthen and gain importance within the international community.

High impact risks rated

Compared with six months ago, "detrimental government policy/ regulations" ranked as the largest risk factor among China's CFOs (26% in Q1 2018, up 2% from Q3 2017). In addition, with the expected interest rate hikes from the US Federal Reserve, a growing number of respondents (15% versus 7% in Q3 2017) are worried about "worsening capital availability and cost."

There was a major uptick in rhetoric from governments about perceived trade imbalances, especially toward the end of our survey period, and this has significantly raised concerns about trade protectionism, reflected in a considerable surge in mentions over a six-month period.

"Disruptive technology" was ranked fifth by the respondents, with 10% considering it the most high-impact risk that they currently face.

Emerging technologies

A full 68% of China's CFOs believe that 50% to 100% of finance processes will be significantly altered by technology in next five years, with changes impacting process efficiency, analytics, reporting, forecasting, and budgeting.

Despite this, CFOs still face internal barriers, such as obtaining buy-in and convincing other decision-makers of the long-term benefits of technology investment. These barriers hinder the process of adopting the necessary technologies at faster pace that CFOs would like.

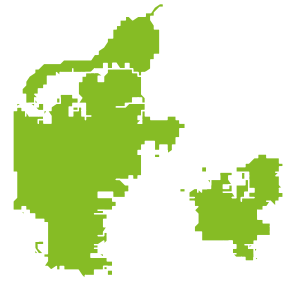
Consequently, 87% agreed that they need to be more proactive at embracing emerging technology as it will help to manage increasing cost pressures, the complexity of demands from the business, and uncertainly in the economic and regulatory landscape.

Nearly half of respondents agreed that they have acquired new technology through a third party, while, one-quarter said they would develop the technology internally, and 12% would partner with technology companies.

Highlights from the H1 2018 China CFO Survey:

- Detrimental government policy/regulation is still perceived as having the highest risk to an organization, while disruptive technology is on the radar.
- Adoption of emerging technologies in finance is progressing at a slower than expected rate due to concerns over cost and achieving internal buy-in.
- CFOs believe they have a unique role to in technological transformation by shaping corporate strategy and business operations to be more adaptive to emerging technologies.
- Using a third-party to acquire emerging technology is a popular option.

Denmark



Optimism makes space for digital transformation

Increased optimism

In the current survey, Denmark's CFOs indicated increased optimism regarding the financial prospects of their companies. Thirty-eight percent indicated that they are either "more optimistic" or "significantly more optimistic," largely driven by a general perception of financial stability.

Furthermore, 78% of the CFOs perceive the current financial and economic situation as being "normal" —an increase of 19 pp compared with the CFO Survey in November 2017. CFOs have therefore become increasingly willing to take greater risk, as well as increase the use of external sources of funding (bank loans, bonds, and equity).

Talent concerns on the rise

The greatest challenge for surveyed CFOs in the year to come is the lack of new candidates with the right skills and competencies. Thirty-six percent of CFOs indicate that a lack of talented candidates may impose a significant risk for their business—an increase of 21 pp. In addition, cyber risk (27%) and reductions in demand (25%) are also perceived as major risks for CFOs.

When assessing the main barriers for implementing digital strategies, the lack of competencies was again identified as a key challenge. Both a lack of competencies among current employees (24%) and a lack of new candidates with the right competencies (21%) pose significant barriers. However, the main barrier for implementation of digital strategies remains legislation and regulation (32%).

Focus on digital

Digitalization has gained a footing among Danish CFOs. The percentage of finance functions with a defined digital strategy has increased from 51% in spring 2017 to 66% in the latest survey. Accordingly, only 8% of CFOs see a lack of prioritization of digital initiatives as a barrier for the company's digital transformation (a decrease of 13 pp).

The digital trend is further supported by shifting perceptions and the integration of various digital tools. For example, tools such as cloud computing (42%), visualization tools (42%), process robotics (30%), and advanced analytics (27%) are increasingly being integrated in Danish financial departments. Yet, while cognitive computing (9%), in-memory computing (7%), and block chain (2%) are yet to be widely integrated, they are increasingly perceived as being more relevant. Thus, on average, only around 10% of CFOs find digital technologies irrelevant compared with nearly 55% in May 2017.

Highlights from the H1 2018 Denmark CFO Survey

- Compared with the fall 2017 survey, Danish CFOs indicate a lower level of external financial and economic uncertainty.
- Danish CFOs show a higher level of risk tolerance.
- Surveyed CFOs name "the lack of new candidates with the right competencies" as the primary risk factor in the year to come; this category has grown by 21 pp compared with the fall 2017 survey.
- The number of Danish CFOs with a digital strategy for the financial department of their company has increased significantly.
- Danish CFOs seem to have gained increased insights into the advantages of new digital technologies.

Finland

Riding high on the business cycle

Continued trend of solid optimism

This quarter shows a continued trend of positive sentiment toward business prospects in Finland. Fifty-six percent of CFOs report being optimistic, while none reported being pessimistic. Unlike many of their European counterparts, Nordic CFOs estimate that the positive business cycle will not soon be over. However, there are signals that the cycle is reaching its home stretch.

Appetite for risk remains high

This quarter's survey focused on high impact risks. According to Finnish CFOs, the risk outlook is rather balanced. Among the most significant probable risks in Finland are the rise of protectionism, populism, and major cyber-attacks. However, CFOs believe these risks would have a lower impact on companies than a private debt crisis or a new financial crisis. The two latter risks have low probability of materializing, according to Finland's CFOs.

Of Finnish CFOs, 64% say that now is the time to take more risk on the balance sheet. This places them among the highest in Europe. Despite this appetite, it is unlikely that there will be a major shift in risk-taking, as Finnish CFOs believe in organic growth strategies and rank capital expenditure as a lower priority than most of their European colleagues.

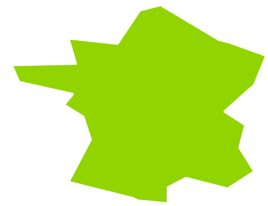
Bullish on revenue

Although some indications point toward the end of this economic cycle, CFOs expect business performance will remain strong throughout the eurozone. A solid 84% of Finnish CFOs expect their revenues to increase over the next 12 months (euro area 77%) In addition, more than 80% of the companies in the Netherlands, Ireland, and Germany will increase their revenue, which adds to the positive short-term economic outlook. The biggest concern? The shortage of skilled labor as 41% of Finnish CFOs say that they will hire more employees over the next 12 months.

Highlights from the H1 2018 Finland CFO Survey:

- Finland's optimism continues to be near the top in Europe, after France (67%) and the Netherlands (83%).
- Organic growth is seen as the most preferred strategy in all the Nordic countries for the next 12 months and stands at 70% in Finland.
- The biggest concern for CFOs is the shortage of skilled labor; 41% of Finnish CFOs say that they will hire more employees over the next 12 months.
- A solid 84% of Finnish CFOs expect their revenues to increase over the next 12 months, but remains far behind investment aspirations with respect to the euro area (4% vs. 47%).

France



Capitalizing on a confident future

Optimistic economic outlook

French CFOs are among the most optimistic in Europe, with 71% of CFOs surveyed indicating they are optimistic about the future. Confidence in President Emmanuel Macron's ability to deliver on economic reforms remains a major contributor to CFOs confidence in the economy.

This optimism is coupled with a significant decrease in uncertainty. Seventy-one percent of CFOs view uncertainty about external financial and economic factors on their business as either normal or low.

Risk appetite reflects optimism

French CFOs indicate the biggest increase in willingness to take on risks throughout Europe (+28 pp compared with autumn 2017), reaching its highest net balance (50%) since the European CFO Survey began. The favorable economic and financial environment has encouraged risk taking across industries.

Investment activity reflects this increase in risk appetite, where the net balance between CFOs expecting CAPEX to increase and those expecting a decrease is 16 pp higher than in autumn 2017. This is the biggest increase in all of Europe.

Red hot labor market

Almost 80% of French CFOs expect revenues to rise in the coming year, mainly resulting in an increase in investment and employment perspectives.

Given the pretense of a strong labor market, French CFOs marked human capital development as their top strategic priority over the next 12 months, with organic growth as their second priority.

Meanwhile, the perceived skills shortage additionally highlights that French companies are still at a medium level in terms of digital transformation to improve processes, involve talent, and create new business models.

Highlights from the H1 2018 France CFO Survey:

- A net balance of 67% of CFOs are now more optimistic about the financial prospects of their companies.
- French CFOs are also optimistic toward revenue growth (+77% net balance).
- Risk appetite reached its highest levels among CFOs in France at 50%.
- In addition, 27% of CFOs in France expect margins to increase in the next 12 months.
- French CFOs prefer expansionary strategic priorities to defensive strategies.

Germany

Top investment target: Germany

CFOs optimistic again

Despite considerable geopolitical risks, the economy in Germany and the eurozone picked up speed once again in 2017. German CFOs remain optimistic about the outlook for their own country, the US, China, and the eurozone over the next 12 months, even as they slightly downgrade prospects for their own business results, which are still comparatively high.

As noted in the last German CFO Survey, corporate investments are surging again after several years of restraint. Investment readiness is at record levels, and CFOs appear to have gained greater confidence in the recovery.

Prioritizing digital and domestic investment

The survey results suggest a clear-cut prioritization of digitalization and process enhancements over traditional investment targets, such as equipment or real estate. Germany is by far the top investment location for companies—a large majority plan to focus investments domestically—marking a significant shift from the stated objectives just a few years ago. In fact, 63% of Germany's CFOs plan to significantly increase investments in Germany, 21% in China and the US, respectively.

Talent concerns abound

In terms of threats to their own enterprises, German CFOs overwhelmingly see the skills shortage as the most dominant, after long citing geopolitical risks as the greatest threat. Where risks to the global economy are concerned, the continued spread of protectionism and major cyber-attacks are seen by German CFOs as highly likely, while they feel a new euro crisis and increasing protectionism would have the most detrimental impact.

Digital transformation

The corporate finance function is still in the early stages of digital transformation. Most CFOs say they are already focusing on achieving efficiency gains through robotics process automation and, increasingly, on improving decision-making through big data applications. It is still rare, however, to see things like fundamental changes to the operating model, including the ERP backbone—in terms of integrating both customer data (customer experience) and production data (internet of things)—or large-scale application of cognitive computing.

Highlights from the H1 2018 Germany CFO Survey

- Some 63% of Germany's CFOs plan to significantly increase investments in Germany, 21% in China and the US, respectively.
- Almost three-quarters (74%) say politicians need to do more to expand the digital infrastructure.
- A full 62% of German CFOs see the skills shortage as the greatest threat to their enterprises.
- Only 3% of all companies participating already have an ERP system with a cloud-based, in-memory database.

Greece

Optimistic, but less enthusiastically

CFOs remain optimistic
CFOs in Greece remain fairly confident about the future, although their mood has turned from overly optimistic to stable. In Spring 2018, a net balance +36% of Greek CFOs are optimistic about the future, while in autumn 2017, the net balance stood at +45%.

Still, despite this decline in sentiment over the past six months, the overall net balance of +36% is significantly higher than one year ago (-6%), suggesting that CFOs have become confident about the future.

Perceived levels of uncertainty, however, remain high in Greece, where the net balance is +81%, same as in spring 2018 and higher than in autumn 2017 (+74%).

In terms of revenue expectations, Greek CFOs are optimistic (+68%), while their outlook for operating margins is also positive (+45%). Interestingly, the three eurozone countries where expectations of higher margins showed the biggest increase are Greece, Spain, and Portugal—a further sign that the recovery in that area is widespread and well established.

Risk appetite remains low
With high levels of uncertainty, risk appetite in Greece remains very low, with 74% of the CFOs, saying now is not a good time to be taking greater risk onto the balance sheet.

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

Strategic direction unchanged
In Greece, organic growth is CFOs' top strategic priority, while cost reduction is ranked second and increasing cash flow 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. However, in the Greek top three, there are two defensive and one expansionary strategies.

Weighing the risks
In Greece, when CFOs were asked about the potential risks to the global economy, a large majority said that an increase in polarization and in trade protectionism are likely (net balance likelihood +53% and +45% respectively). On balance, however, CFOs do not consider that these have a significant impact on their businesses.

CFOs broadly agree that a major cyberattack on companies and/or governments is a likely event in the near future (+28%). Only a small majority, though, believes that a major cyber-attack would have a high impact on the financial prospects of their company (net balance -7%).

Highlights from the H1 2018 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 companies.
- Some 59% of Greek CFOs expect no change in interest rates.

Iceland

Less optimistic toward economic growth

Decreased economic outlook

The Iceland CFO Survey is being include in *Global CFO Signals* for the first time this quarter and represents the views of finance chiefs in a variety of industries.

Among the European countries reporting, Iceland's CFOs are among with least optimistic, with a net balance of -5%. In addition, 62% believe that financial and economic uncertainty is at a normal level, while 28% believe that uncertainty is high.

That conservative outlook extend to risk appetite: only one in five CFOs in Iceland believe that now is the right time to increase risk in their company's balance sheet. It is also affecting their outlook on metrics: more than half (51%) of Iceland's CFOs believe EBITDA will increase over the next 12 months, for example. But that is down from 62% last fall.

Iceland's CFOs are also on the defensive as far as strategy is concerned: 73% of Iceland's CFOs claim that they will focus on operating cost efficiency in the next year.

Funding conservatism

The story is the same when it comes to financing. Seventy-one percent of CFOs in Iceland intend to keep their financing unchanged over the next 12 months. Most of them consider internal financing attractive and borrowing from banks unattractive.

In addition, most CFOs in Iceland (85%) do not plan on foreign investment or borrowing in the next 12 months.

Economic outlook dampens

As for their future prognosis, the level of optimism toward economic growth is decreasing. Only about 20% of Iceland's CFOs believe economic growth will increase in the next two years.

Weighing on that view are several risks. The largest external risk factor continues to be exchange rate development. The majority of CFOs believe that the exchange rate of the Icelandic króna will remain unchanged or weaken somewhat over the next six months.
In addition, the majority of CFOs believe that stock prices in the Icelandic market will remain unchanged or only increase somewhat.

Highlights from the H1 2018 Iceland CFO Survey:

- Fewer Iceland CFOs believe EBITDA will increase this quarter compared with last quarter.
- Almost three-quarters (73%) of Iceland's CFOs will focus on operating cost efficiency in the next year.
- Seventy-one percent of CFOs in Iceland intend to keep their financing unchanged over the next 12 months.
- Only 20% of Iceland's CFOs believe economic growth will increase in the next two years.

Ireland

As uncertainty drops, CFOs go on the offensive

Optimism and offense

The Irish CFO Survey for H1 2018 conveys generally bright expectations and outlook once again, despite the Brexit-related unknowns.

Levels of financial and economic uncertainty, for example, dropped significantly for the second survey in a row, with 35% of Ireland's CFOs rating the overall level facing their business as high, compared with 51% in the previous survey. In addition, optimism toward financial prospects continued to rise as 57% of Irish CFOs say they are more optimistic than six months ago.

This continued stabilization appears to have led to a shift toward more aggressive rather than defensive strategic priorities. For example, the introduction of new products/services and expansion into new markets are both new entrants to the top three strategic priorities, replacing cost reduction and balance sheet optimization. Moreover, there is widespread expectations of revenue growth, with 84% of CFOs anticipating increases in the next year, representing a slight uptick from six months ago.

The European Commission has also recently recognized the positive developments in the Irish economy by revising upwards its growth predictions for both 2018 and 2019, making Ireland the second fastest growing market in Europe, just behind Malta.

Confidence returning

While 68% of CFOs (up from 51%), expect to grow their workforces over the next year, there is a noticeable nervousness about whether the desired *quality* of employees will be obtainable. A "shortage of skilled professionals" has jumped two places to become the third most significant risk in the minds of our CFOs. The tight Irish labor market is not helping, with the unemployment rate falling below 6% for the first time since before the latest economic crisis.

The identification of economic outlook/growth and currency fluctuations as the top two risks in the minds of the Irish CFOs demonstrates that they are also cognizant of international uncertainty and the threat it can pose to Ireland.

Ireland's CFOs are also well aware of the potential risk of a cyber attack. Nearly 80% of CFOs believe a major cyber attack on companies/governments is likely and if it occurred, 38% believe it would have a high impact.

Finally, while Brexit is clearly still a valid and topical concern, it is somewhat ominous that 84% of Irish CFOs predict that a "hard Brexit" is likely. And understandably, almost half of CFOs are bracing themselves for a high impact of this outcome does materialize. Without doubt, this is one area to monitor closely in the next survey.

Highlights from the H1 2018 Ireland CFO Survey:

- The high level of financial and economic uncertainty previously faced by 51% of CFOs has decreased to 35%.
- Some 84% of CFOs consider a hard Brexit to be likely.
- "Shortage of skilled professionals" moves into one of the top three risks.
- A full 84% of CFOs expect to achieve revenue growth over the next 12 months, a slight increase from H2 2017.
- More than half (57%) of Irish CFOs are more optimistic compared with six months ago.
- Organic growth remains the top strategy priority for CFOs, but new products/services and markets are new entrants to their top three priorities.

Italy

Consolidated optimism amid higher uncertainty

Optimism becoming new normal

Optimism among Italy's CFOs regarding the economic and financial prospects of their companies has increased 12 pp since the Q1 2017 survey and is up 4 pp over the last six months.

This positive sentiment seems to be a signal of the consolidated economic resurgence of the country. And it has increased despite a national political situation perceived as unstable, as noted by 59% of surveyed CFOs, and an external context considered as highly uncertain (53%).

Uncertainties and challenges

That unstable political and economic landscape is currently the biggest roadblock preventing Italian CFOs from undertaking more aggressive strategic priorities. Plus, the indecisive results of the latest national political elections and the inability to create a steady coalition leaves the possibility of additional political instability in the coming months.

Not surprisingly, for 77% of CFOs surveyed, policy issues are the first challenge that must be faced in the near future (an increase of 5 pp compared to the autumn survey results).

As for other risks, 55% of CFOs consider the potential contraction of internal demand a discouraging factor in planning new investments. This is especially true given the current domestic scenario.

On the international side, the fear of aggressive protectionist policies adopted by the US is the main concern facing Italian CFOs (47%), a significant increase from the autumn survey results (+21 pp). Additionally, increasing concerns about rises in oil and raw materials prices (41%, +7 pp) are also related to the dynamic international economic situation.

Looking for talent

Although the general situation is still uncertain, CFOs' outlook toward the future is still generally positive and reflected in their expansionist strategies. The introduction of new products and services was selected by 40% of respondents and expansion into new markets (38%) registered +21 pp since Q3 2017. The most interesting signal of resurgence in the Italian economic situation is the strong attention to hiring (likely supported by the new Industry 4.0 government incentives). Organic growth (31%), talent scouting (19%), and intentions to increase employee headcount (36%, +17 pp since Q3 2017, +34 pp since Q1 2017) are among the top strategies for CFOs in the coming months.

Highlights from the H1 2018 Italy CFO Survey:

- Italian CFOs continue to express optimism about the financial prospects of their company. Optimism has grown by +12 pp since spring 2017 and by +4 pp during the last six months.
- Although optimism is strong, the perception of external uncertainty remains high, reaching a peak result of 53% (+54 pp in the last six months).
- Some 40% (+4 pp) of CFOs believe this is a good moment to take on greater risk.

Japan

Optimism retreats as trade war rhetoric escalates

Clouds on the horizon

In Q1 2018, Japanese CFOs were relatively gloomy about their companies' financial prospects: only 19% reported being "very optimistic" or "more optimistic," versus 27% in Q4 2017, and those who felt "less optimistic" or "very unoptimistic" grew from 8% last quarter to 22%.

What brought on this wave of pessimism? Some of it can be attributed to political problems at home and abroad—the Abe administration is losing public support in the wake of the Moritomo Gakuen scandal, for example. Tumbling stock prices and a strong yen upped uncertainty in the financial markets. Finally, Japan is certainly feeling the impacts of a worsening global economic environment and the US's shift toward protectionist trade policies. There may also be a sense of unease about how the global economic and US trade policies will impact the effectiveness of "Abenomics" and Japan's domestic economic strength.

Costs continue to eat at earnings

Japanese CFOs continue to have a stable outlook for earnings in Q1 2018, however, as 64% report expected earnings to rise "largely" or "somewhat," mostly unchanged from the 66% in Q4 2017. CFOs who expect "largely" or "somewhat" increased operating profits is up slightly at 58% in Q1 2018, versus 54% in the previous quarter. While Japanese CFOs remain generally optimistic about future earnings, concerns about the cost of raw materials and wage pressure due to labor shortages remains very high.

Uncertainty at home and abroad

Japanese CFOs reporting "very high" or "high" levels of uncertainty in the business environment rose sharply this quarter to 70% from 44% at the close of 2017. Although a wave of optimism brought on Prime Minister Abe's impressive electoral victory, much has changed since he assumed office. Support decreased for Abe after a scandal hit his administration, and American protectionist trade policies were brought to the forefront.

Not surprisingly, uncertainty about the stability of the Abe administration was a major domestic concern of Japan's CFOs (45%) this quarter, second only to labor shortages (61%). Worries that the Japanese economy will slow or that overcoming Japan's deflationary situation will be delayed jumped from sixth to third place (45%).

International concerns are focused squarely on the actions of the Trump administration. Chaos in the US government (73%), a global trade war (67%), and US foreign policy, especially regarding North Korea and Iran, (52%) took the top three spots. Japanese CFOs are very aware of, and take very seriously, the potential for a large risk event and its impact on the global economy.

Highlights from the Q1 2018 Japan CFO Survey:

- Only 19% of CFOs report feeling "very" or "more optimistic" about their financial prospects,
- CFOs reporting "very high" or "high" levels of uncertainty in the business environment rose sharply this quarter to 70%.
- Sources of concern are both political and economic: falling stock prices/high yen, lowered support for the Abe administration, and US foreign and protectionist trade policies topped the list.

Netherlands

Focused on the positive—and the possibilities

Embracing the business outlook

In its latest macroeconomic outlook, the CPB Netherlands Bureau for Economic Policy Analysis forecast the Dutch economy to grow by 3.2% this year and a further 2.7% in 2019.

In response, CFOs in the Netherlands seem to be focused on the positive—and the possibilities. Only 33% of CFOs rate current levels of economic and financial uncertainty as above normal, high, or very high, down from 45% in Q4 2017. Moreover, business optimism also climbed significantly from 45% who felt more optimistic about their business prospects in the last survey to 83% now.

What's more, Dutch CFOs remain bullish about revenue prospects for their companies. A full 100% expect revenues to increase over the next 12 months. Likewise, the margins outlook was strongly positive with 92% of respondents expecting increases. Dutch CFOs were split in their expectations for capital expenditures, however, with one-half expecting to reduce capex and the other half expecting to increase such investments.

As for hiring, a net balance of +17% expect to expand their workforces in the next year. Like last quarter, hiring remains on the agenda for many CFOs.

Declining risk appetite

CFOs feel less comfortable about taking more risk onto their balance sheets, however, as only one-quarter of CFOs say that now is the right time, compared with 33% in Q4 2017.

As for strategic priorities, Dutch CFOs named increasing capital expenditure, increasing operating expenditure, and focusing on their core business as their top three. Their main concerns are a skilled labor shortage, increased regulation, and cyber risk.

Not planning for a hard Brexit

CFOs in the Netherlands do not expect a hard Brexit to be a major risk to the global economy over the next 12-24 months, with only 18% saying that it is likely that Brexit will impact the global economy negatively, while 45% remains neutral, and 36% believe it is unlikely.

Highlights from the H1 2018 Netherlands CFO Survey

- Only one-third of Dutch CFOs rate the general level of external financial and economic uncertainty as high, down from 45% in Q4 2017.
- All of the Dutch CFO respondents expect revenues to increase over the next 12 months.
- Only one-quarter of surveyed CFO say now is the time to take risk onto the balance sheet.
- Like many of their peers in Europe, Dutch CFOs are concerned about a skilled labor shortage.

North America

Sentiment swells in wake of US tax and spending bills

Sentiment hits survey high

Throughout last year, CFOs' positive sentiment was underpinned by positive assessments of the North American economy and, more recently, by rising perceptions of Europe and China. The same applies this quarter, with confidence in all three regions hitting new survey highs.

In addition, the passage of tax reform and government spending bills in the US appears to have further bolstered confidence—with growth expectations for revenue, earnings, capex, and hiring all rising to multi-year highs and CFOs' optimism about their companies' prospects hitting its highest-ever level.

In fact, the net optimism index rose from last quarter's +47 to +54 this quarter. Nearly 60% of CFOs express rising optimism (up from 52%), and just 6% express declining optimism.

Moreover, perceptions of the North American economy improved, with 90% of CFOs rating current conditions as good (up sharply from 74% last quarter), and 59% expecting better conditions in a year (up from 56%).

Tax reform fuels expectations

This quarter's survey also explored the changes companies are making in response to new US tax law.

For example, 46% expect higher investment in US operations, and just 6% expect higher investment outside the US. On top of this, 46% of CFOs say they plan to accelerate their repatriation of foreign earnings, with 93% of these companies using the funds to invest in core businesses, 82% using them for new businesses, and 77% using them for investment in R&D and innovation.

Hiring and wages appear to be getting a boost as well. Thirty-one percent of CFOs say they expect to increase their domestic hiring, and 38% expect to raise wages. On top of this, 55% of CFOs say their company plans to use repatriated earnings to hire new employees, while 43% cite wage increases, and 23% cite one-time bonuses.

Most worrisome risks

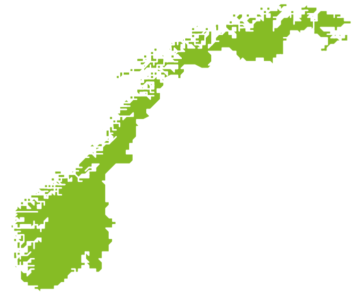
There are still plenty of concerns, however. While prior to 2017, CFOs' top external risks centered on slow economic growth, these days their worries have shifted toward their own companies' ability to capitalize on opportunities and toward external risks that could hurt future growth.

In addition, CFOs continued to voice strong concerns about the impact of Washington turmoil on economic performance—especially around the future of US trade policy and the effects of potential geopolitical conflicts on trade, growth, and capital markets. Also surging this quarter were worries about rising inflation, interest rates, and US government debt.

Talent concerns have topped CFOs' list of internal risks for many quarters. This quarter, as CFOs claimed rapidly growing struggles to execute on initiatives supporting their growth strategies, their focus on talent acquisition, quality, and retention further intensified.

Highlights from the Q1 2018 North America CFO Survey:

- Optimism regarding the health and trajectory of the North American, Chinese, and European economies hit survey highs.
- With US equity markets again hitting new highs, 76% of CFOs say equities are overvalued.
- Growth expectations for revenue, earnings, capital expenditures, and hiring all rose to multi-year highs.
- Many CFOs say US tax reform will raise their domestic investment, hiring, and wages, and accelerate cash repatriation.
- IT risk/cybersecurity is the most common IT topic for boards.
- There appears to be a proliferation of CXO positions focused on managing, utilizing, and protecting IT infrastructure and data.



Norway

On the offensive

Optimism driven by retail and manufacturing

Overall, a net +36% of CFOs in Norway believe the financial prospects of their companies are more favorable than six months ago—up from +32% in Q3 2017.

Behind the optimism is a string of positive macroeconomic factors, including a rebounding housing market, higher than expected domestic credit growth, rising international economic growth, and rising interest rates.

Increased optimism is also being driven by retail and manufacturing, with both industries showing willingness to scale up investments.

Manufacturing, for example, ended on a strong note in 2017, which has continued into Q1 2018. Now, a net share of 71% of CFOs within manufacturing expects increased revenues, and 19% expecting to increase staff (a reversal of the 20% who anticipated downsizing last survey).

Optimism has also increased considerably within retail, which may appear somewhat surprising as sales figures have been recently. There was a steep fall in optimism in Q3 2017, possibly related to a deteriorating housing market. As of March 2018, housing prices have stabilized with signs of moderate growth, contributing to higher disposable income and an expectation of increased consumption.

Revenue and margin expectations stable

Similar to Q3 2017, a net +66% of CFOs believe revenues will increase over the next six months. However, there is a moderate decrease in the net share expecting an operating margin increase, from 32% in Q3 2017 to 27% now.

It appears that CFOs in general are expecting higher costs, as revenue expectations are stable and expectations of product price increases continue to grow. Another possible explanation is that during the time the survey was out, there was a great amount of uncertainty related to the annual wage negotiations and an overhanging fear of a major labor strike.

As for other metrics, the net share of CFOs expecting increased capex is for the third time in a row at a high during the historical period (+30%). A net share of 28% of CFOs expect employees to increase over the next six months, which is by far the highest recorded historically.

Focused on the core business

CFOs are less concerned about defensive strategies. Both cost reduction and focus on core business levels are at their lowest points during the historical period (50% and 39%, respectively). In contrast, strategies involving increasing cash flows and production capacity are at historical high levels. And growth strategy through acquisitions is at the highest level measured in three years.

Highlights from the H1 2018 Norway CFO Survey:

- A net 36% of Norway's CFOs are more optimistic about their financial prospects, up from 32% in Q3 2017.
- Revenue expectations remain stable at 66%, while expectations for margin growth declined slightly, as it appears CFOs expect higher costs due to product price increases.
- CFOs main concern is political risk, especially around protectionism and trade wars.
- While conservative growth strategies are still the most prioritized strategies for CFOs, the risk-taking trend from the last survey continues: strategies involving increasing cash flows and production capacity are at historic highs, and growth through acquisitions is at the highest level in three years.

Portugal

Optimism still high

Optimism stabilizing
The sentiment among Portugal's CFOs toward their country's economic outlook appears to have settled on strong optimism. Ninety percent of respondents feel that Portugal's economic outlook is positive over the next 12 months. Although economic optimism dropped from 95% in the last survey to 90% now, there is still a clear trend toward continued positivity. Internal stability and promising growth rates both at home and abroad seem to keep CFOs' expectations strong.

Against this backdrop, they are also bullish on their companies' financial prospects. A net balance of +45% of CFOs are more optimistic about future prospects compared to +15% six months ago.

What lies ahead?
The latest survey of Portuguese CFOs focused heavily on assessing risks to both the global economy and their own companies.

On a global level, respondents point to the rise of protectionism (71% feel it is likely to happen) and the rise of populism (61%) as immediate risks threatening the world economy. The rise of populist movements in powerful western economies, recent US-China trade wars, and the Trump administration's decision to abandon the Trans Pacific Partnership and renegotiate NAFTA are the most likely causes for such opinions.

The most impactful risk for Portuguese CFOs' companies is a new eurozone crisis, because Portugal and other peripheral European countries would most likely bear the brunt of its consequences. The second highest risk is plunging asset prices leading to a financial crisis, with 45% of CFOs rating it as having a high impact on their companies.

Reigning in costs
CFOs in Portugal remain highly focused on defensive strategies. Accordingly, the two top-ranked strategies are working capital efficiency and cost reduction. Expansive strategies like organic growth and introducing new products and services are ranked third and fourth in order of importance, but show no relevant shift from previous semesters.

Ready for digital?
In this survey, Portuguese CFOs revealed strong confidence in their level of preparation for the upcoming challenges of digital transformation, with 42% feeling their team is adequately prepared, 37% describing the level of preparation as fair, and only one-fifth of respondents rating preparation as poor.

Highlights from the H1 2018 Portugal CFO Survey:

- A full 90% of CFOs in Portugal feel that the country's economic outlook is positive.
- Almost half (48%) of respondents rate the impact of a new eurozone crisis as high.
- According to 82% of the surveyed CFOs, working capital efficiency is an important strategy for the coming year.
- Some 42% of respondents believe their finance teams have an adequate level of preparation for digital transformation.

Spain

Improved expectations and increased risk appetite

Consolidated optimism

CFOs' perception of the Spanish economy improved significantly: 70% consider it to be good, compared with 62% in the previous survey six months ago.

Financial directors' forecasts for the coming months also reflect similar optimism: 63% believe the Spanish economy will grow (up 15% from the previous survey), and 31% foresee it as a slow recovery period.

Taking into account the appreciated improvement in the economic indicators, 39% of respondents believe the perception of foreign investment in Spain has improved significantly in recent months, and 29% believe that this perception has improved marginally. On the other hand, 17% say that investors take into account other negative factors, such as the public deficit or the secession crisis in Catalonia.

In fact, when asked about the secessionist movement and its potential impact on the Spanish economy, almost half of respondents (49%) believe that the impact in the coming months will be less than estimated. However, 32% say that the impact will be higher than expected.

Perspectives on the behavior of eurozone economies improved. Some 51% of CFOs surveyed (a two-fold increase from six months ago) believe that the eurozone economy will grow in the next 12 months.

Similarly, global economic sentiment was up, with 33% of CFOs expecting the global economy to grow in the next 12 months, and 57% saying it will experience a slow recovery.

Willingness to take greater risks

The appetite for risk in Spain is well above the European average: some 60% of respondents consider it to be a good time to take greater risk onto their company balance sheets, 10% higher than the previous survey.

The availability and management of talent again tops the list of risks (48%), followed by the level of economic activity and growth in the eurozone (44%), and margin deterioration due to lack of price flexibility (43%). Global economic uncertainty continues to fall down the list, with only 28% of Spain's CFOs categorizing it as high risk.

Investment in digital technologies

Digital transformation leadership falls mostly to the CEO, CFO, and CIO: 42% of respondents indicate that the CEO assumes leadership for digital strategy, and 29% affirm the CFO does, while for implementation of digital initiatives, 36% say the CIO leads and 32% say the CFO leads.

Most of the investment in digital technologies is currently aimed at improving processes. Some 58% of the CFOs confirm that, to varying extents, they are already using digital technologies, and 25% say they are beginning to integrate them.

Highlights from the H1 2018 Spain CFO Survey:

- Some 70% of Spain's CFOs consider the current Spanish economy to be good, and 63% expect it will improve in the coming months.
- Optimism for company metrics improved substantially: 79% expect increased revenues, 64% expect an increase in operating margins, and 56% and 51% expect an increase in cash flow and investment, respectively.
- Appetite for risk increased, with 60% of respondents considering now to be a good time to take more risks onto the balance sheet.
- Once again, talent availability and management lead the list of worrisome risks, with 48% of CFOs rating it as high.

Sweden

Increasing optimism, but momentum is slowing

Cautious growth
The overall sentiment of the responding CFOs in Sweden is clearly positive; optimism is rising for the fourth consecutive report, with 72% of CFOs viewing business conditions as favorable. This is consistent with the record-long period of improvement in sentiment after the financial crisis, but momentum is slowing slightly.

CFOs are expressing somewhat more cautious expectations about revenue growth, operating margins, and cash flow compared with the fall 2017 survey. However, their expectations regarding hiring, which has been obvious in the past few surveys, has picked up significantly, and Swedish CFOs are among the top three in the EU when it comes to employment expectations.

Expansionary agendas reign
Expansive agendas remain the focus of Swedish CFOs. The overall impression is that these expectations for the future have levelled off somewhat, but they remain high.

This expansive agenda is evident in corporate priorities, where organic growth is ranked as the top priority in the vast majority of sectors. Merger and acquisition (M&A) activity is also very high, with 94% of CFOs believing activity will remain constant or increase during the coming 12 months. In addition, investments in Sweden are preferred, with 41% of respondents ranking Swedish investments as their top use of cash.

As for concerns, labor constraints are seen as the most significant risk, according to the CFOs. Other responses vary across the different sectors, indicating that everyone is "fighting their own battle." Of note, cyber risk is not considered a major risk, which correlates with the view of CFOs that a cyber attack is relatively likely, but would have no major impact.

Risk appetite rising
Only one out of three Swedish CFOs think it's a good time to take further risk onto their balance sheets. However, this is the highest ratio in two years and thus clearly supports an expensive agenda. In addition, more than half (56%) of CFOs see a favorable lending attitude by financial institutions.

A large majority (78%) of Swedish CFOS see a normal level of uncertainty, which is the highest among Nordic countries.

Highlights from the H1 2018 Sweden CFO Survey:

- Business optimism improved for the fourth straight survey, which has only happened once before— during the upward correction from low levels set during the financial crisis.
- Sweden continues its expansionary agenda, through organic growth and M&A activity.
- As seen in the past few surveys, Swedish CFOs expect their companies' number of employees to increase, although shortages of skilled professionals remain a concern.
- Investment in Sweden is attractive, with 41% of CFOs indicating it is their top use of excess cash.
- The vast majority (81%) of CFOs believe revenues will increase in the next 12 months; 48% and 49% expect CAPEX and operating margins to increase, respectively.

Switzerland

A mini-boom, negative interest rates, and skills shortages

High optimism
Optimism among Switzerland's CFOs is at its highest since the CFO Survey was first conducted in autumn 2009. Expectations for both revenues and operating margins are positive, and most CFOs also expect investment to increase, although they are a little less optimistic about growth in employee numbers.

In particular, a majority of Swiss CFOs are positive about their company's financial prospects compared with three months ago. The net balance (+24%) is slightly lower than in autumn 2017 (+27%), but remains positive, signaling ongoing improvement.

Switzerland's CFOs are also optimistic about the outlook for their country's economy: 88% rate it as positive over the next 12 months, an increase of 15% from Q3 2017.

Inflation expectations rise
The corporate financing environment in Switzerland remains healthy, with CFOs rating bank borrowing as the most attractive source of financing, followed by internal financing. Corporate debt and equity issuance are rated as less attractive. Despite negative interest rates, the attractiveness of long-term corporate debt compared with bank borrowing has declined. This may be attributable to demand, which has fallen due to low interest rates.

While the interest rate environment remains mostly unchanged, expectations about inflation are rising. Since Q4 2016, CFOs have increasingly expected the rate of inflation to rise. This quarter, CFOs' expectations for inflation in two years' time are up again slightly.

Less uncertainty
Perceptions of uncertainty among Swiss CFOs have fallen for the 11th consecutive survey. Some 45% still see high levels of uncertainty in the economic and financial environment, though this is probably attributable largely to the weaker Swiss franc. The share of Swiss CFOs who see high levels of uncertainty is slightly less than the European average of 52%.

Focus on risk
Despite a fall in the level of uncertainty among CFOs, their appetite for risk remains moderate. In almost all European countries, including Switzerland, a majority are against taking greater risk on to their balance sheet, and risk aversion is only slightly lower (down 2 pp) compared with autumn 2017.

For Swiss CFOs, the greatest risk is geopolitical risk, followed by internal company issues, with increasing concerns about regulation and the skills shortage. The skills shortage is probably a consequence of favorable economic prospects: as unemployment falls, recruitment bottlenecks tighten. In the list of perceived risks, currency risks are now less of a concern for Swiss CFOs, ranking only seventh, demonstrating how much the position has improved.

Highlights from the H1 2018 Switzerland CFO Survey:

- Switzerland's CFOs remain optimistic. Over the next 12 months, their expectations for the economy, their own company's prospects, revenues, operating margins, and profits are all positive.
- There has been a slight decrease in uncertainty (45% rate the current level of uncertainty in the economic and financial environment as high).
- Swiss CFOs' risk appetite is largely unaffected this quarter, up just 2 pp compared with autumn 2017.

Turkey

Facing geopolitical uncertainties at home and abroad

Increased revenues, decreased margins

Six months ago, the Turkey CFO Survey showed the biggest improvement in business optimism (+31 pp) in its history, largely driven by strong country growth in 2017. The story is different this quarter, however.

While net optimism is still positive, there has been a decline in the net balance (-15 pp). Moreover, the impressive 7.4% GDP growth in 2017 has been somewhat overshadowed by the weak performance of the Turkish lira and the accompanying inflationary pressures. The inflation rate hit 11.92%, the highest figure since 2003.

Increasing oil prices are also creating pressure on Turkey as a major oil importer. As a result, most CFOs expect an increase in their revenues, but a decrease in their operating margins.

Risk appetite remains low

More than two-thirds (67%) of Turkey's CFOs believe there is a high level of uncertainty, and 85% prefer not to take greater risk on their balance sheets at this time. This makes sense, as the geopolitical risks have not improved, and Turkey is directly involved in regional conflicts.

In addition, in June 2018, there will be early presidential and parliamentary elections. Due to this political overhang as well as the geopolitical climate, the risk averse mood is likely to prevail. The IPO climate reflects that, as 2018 kicked off with a rally of sizeable IPOs, but, as a result of recent developments, some had to be postponed.

Another reason why risk appetite remains low is that Turkish companies already have enough risk exposures with large sums of foreign currency liabilities. In fact, many large companies have been restructuring debt recently because of that risk.

On the positive side, the Turkish exporters and tourism industry are encouraged by the weak Turkish lira. Exports soared by 10.2% in 2017, and the double-digit growth performance continues in 2018. Additionally, 2017 experienced a 27.9% increase in tourist arrivals, with even better Q1 2018 results. Because of these reasons, investments and employment are still on the agenda.

Highlights from the H1 2018 Turkey CFO Survey:

- Turkish optimism remains steady, with 35% of CFOs becoming more optimistic, 29% becoming less optimistic, and 36% reporting no change.
- Turkey's CFOs are among the highest of European countries to rate the overall level of external financial and economic uncertainty as high.
- Risk appetite among Turkish CFOs remains low, with 85% preferring to avoid taking greater risks on their balance sheets.

United Kingdom

Transition deal boosts sentiment

Brexit risk tempers

The first quarter survey of UK CFOs shows slightly firmer business confidence and an easing of Brexit concerns.

The announcement of the Brexit transition deal, on March 19, 2018, seems to have had a positive effect on the corporate mood. Some 84 CFOs responded to the CFO survey before the deal was announced, 22 after. Those who answered following the announcement showed significantly higher levels of optimism and risk appetite than earlier respondents. Later respondents were also less negative about the long-term effects of Brexit. For the first time in two years, CFOs do not rate Brexit as the main risk facing their businesses. Brexit has dropped to second place, with concerns about slower UK growth now at the top of the risk league.

Focus on defensive strategies

Such uncertainties about prospects for activity in the UK are reflected in the balance sheet strategies being pursued by large businesses. CFOs in businesses that derive most (+70%) of their revenues abroad report a clear focus on expansion, especially introducing new products or services and moving into new markets. Their counterparts in businesses deriving most of their revenues from the UK are operating more defensively, with cost control as their top priority.

Still, overall, business optimism has edged up and is running not far off its long-term average. CFOs have shrugged off weakness and volatility in equity markets with perceptions of uncertainty dropping to the lowest levels since the spring of 2016, before the EU referendum. Only 31% of CFOs rate current levels of external financial and economic uncertainty as high or very high.

What is causing increased concern is talent. Almost one-third of CFOs report that recruitment difficulties or skills shortages have increased in the last three months, with none reporting a decline. With the unemployment rate at a 43-year low and skills shortages mounting, wage pressures seem likely to increase.

Favorable funding conditions

CFOs continue to view credit as being easily available and close to its cheapest in 10 years. Debt finance—bank borrowing and bond issuance—remains the most attractive source of funding for CFOs. Equity issuance is seen as being significantly less appealing. At the same time, CFOs are bracing for interest rate rises, with 96% expecting rates to be higher in a year's time.

The effect of the transition announcement on this quarter's survey results underscores the sensitivity of sentiment to developments in the Brexit negotiations. The moment of truth on Brexit is approaching. The UK government hopes to strike a deal with the EU and have it endorsed by Parliament this year. Whether it succeeds in doing so is likely to be a major driver of business confidence through the rest of the year.

Highlights from the Q1 2018 UK CFO Survey:

- For the first time in two years, Brexit has dropped from first position on CFOs' list of risks.
- Almost one-third (31%) of CFOs rate current levels of external financial and economic uncertainty as high or very high.
- Business optimism has edged up and is now running just below its long-term average.
- Almost one-third of CFOs report that their businesses have experienced a rise in recruitment difficulties or skills shortages over the last three months.
- CFO risk appetite remains subdued, declining further in the first quarter.

Deloitte Member Firm CFO Surveys

About Deloitte Member Firms' CFO Surveys

Twenty-three 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.

Member firm	Contacts	Frequency	Survey scope and population
Argentina	**Claudio Fiorillo** Partner +54 11 4320 4018 cfiorillo@deloitte.com	Biannual	Conducted during March–April 2018 over a four-week period; 32% of the CFOs represented public companies, 86% are local, and 59% represented businesses with annual revenues of less than US $1 billion. Another 18% had annual revenues between $1B and $4.9B.
Austria	**Guido Eperjesi** Director, Clients & Industries +43 1 537 00 2522 geperjesi@deloitte.at	Biannual	
Belgium	**Thierry Van Schoubroeck** Partner, Finance Transformation + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	Conducted between March 9, 2018 and March 30, 2018. A total of 49 CFOs completed the survey, and 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 February and March 2018; 138 participants, 96 of which had the title of CFO or finance director; 12 were from SOEs, 43 were from POEs, and 83 were from MNCs.
Denmark	**Kim Hendil Tegner** Partner, Head of CFO Services +45 30 93 64 46 ktegner@deloitte.dk	Biannual	Conducted between February 22, 2018 and March 20, 2018; 137 CFOs completed the survey. The participating CFOs are active in a variety of industries – though, primarily in the private and the financial sector.

Member firm	Contacts	Frequency	Survey scope and population
Finland	**Tuomo Salmi** Partner, CFO Program Leader +358 (0)20 755 5381 tuomo.salmi@deloitte.fi	Biannual	Conducted this spring; 56 CFOs participated, representing privately held and publicly listed medium, large, and multinational companies across a range of industries.
France	**Anne Philipona-Hintzy** Partner +33 3 83 95 64 72 aphiliponahintzy@deloitte.fr	Biannual	Conducted between February 26, 2018 and April 4, 2018; 48 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 February 27, 2018 and March 16, 2018; 150 CFOs from major German corporations participated; 71% are from companies with revenues of more than €500 million, and 45% have revenues of more than €1 billion.
Greece	**Panagiotis Chormovitis** Partner +30 210 6781 316 pchormovitis@deloitte.gr	Biannual	The survey was conducted in March 2018 and 47 CFOs from major Greek companies or Greek subsidiaries of foreign companies participated, representing a wide range of sectors.
Iceland	**Lovisa Anna Finnbjornsdottir** Partner +30 210 6781 316 lovisa.anna.finnbjornsdottir@deloitte.is	Biannual	
Ireland	**Daniel Gaffney** Director +35314172349 dgaffney@deloitte.ie	Biannual	Conducted in February and March 2018; 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 March and April 2018, this survey included participation from approximately 90 respondents. The majority of companies involved in the survey came from the following sectors: industrial products and services (12%); financial services (11%); energy, utilities, mining (11%); consumer goods (8%); transport and logistics (8%) and life sciences (8%).

Member firm	Contacts	Frequency	Survey scope and population
Japan	**Yasushi Nobukuni** Partner +81 80 3367 2790 ynobukuni@tohmatsu.co.jp	Quarterly	Conducted between April 2, 2018 and April 13, 2018; 33 CFOs and finance directors completed the survey. The participants represent a variety of industries, and include listed companies and relevant private companies.
Netherlands	**Frank Geelen** Partner; CFO Program Lead +31 (0)6 2239 7053 fgeelen@deloitte.nl	Biannual	Conducted between March, 2018 and April 2018; 14 CFOs representing a net turnover per company of approximately EUR 3.5 billion. The responding companies can be categorized as follows: publicly listed (25%), privately owned (42%), family owned (8%), private equity portfolio company (17%), other and/or unknown (8%).
North America (US, Canada, Mexico)	**Greg Dickinson** N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between February 12, 2018 and February 23, 2018; 155 CFOs participated from across the United States, Canada, and Mexico. Seventy-four percent of respondents represent CFOs from public companies, and 87% are from companies with more than $1 billion in annual revenue.
Norway	**Andreas Enger** Partner, Financial Advisory +47 958 80 105 aenger@deloitte.no	Biannual	Conducted between March 13, 2018 and March 22, 2018; 121 CFOs participated from across Norway. The respondents represented a broad range of industries and CFOs from some of the biggest companies in Norway.
Portugal	**Jorge Marrão** Partner, CFO Program Leader + 351 210422503 jmarrao@deloitte.pt	Biannual	Conducted between March 6, 2018 and March 31, 2018, the survey was sent to CFOs of private and public companies of several industries. The participating CFOs (83) represent the largest companies in Portugal (65%>100M€ and 11%>1.000M€).
Spain	**Jesús Navarro** Partner +34 91 514 50 00 jenavarro@deloitte.es **Nuria Fernández** Senior Manager +34 91 514 50 00 nufernandez@deloitte.es	Biannual	Conducted in March-April 2018; 115 CFOs participated from companies or groups listed in the Spanish market and/or companies or groups listed in international markets, and non-listed companies. Of the participating companies, 29% have revenues in excess of €500 million and 56% have more than 500 employees.
Sweden	**Henrik Nilsson** Partner	Biannual	Conducted in March 13-22, 2018; 121 participating CFOs represented a selection of

Member firm	Contacts	Frequency	Survey scope and population
	+46 73 397 1102 henilsson@deloitte.se		the key industries in Sweden.
Switzerland	**Dr. Michael Grampp** Chief Economist +41 44 421 68 17 mgrampp@deloitte.ch	Biannual	Conducted between February 26, 2018, and April 6, 2018; 100 CFOs participated, representing listed companies and relevant private companies.
Turkey	**Cem Sezgin** Partner, CFO Services Leader + 90 (212) 366 60 36 csezgin@deloitte.com	Biannual	The approximately 100 participants in this quarter's survey were from leading Turkish corporations and representing all industries.
United Kingdom	**Ian Stewart** Chief Economist +44 020 7007 9386 istewart@deloitte.co.uk	Quarterly	Conducted between March 7, 2018, and March 21, 2018; 106 CFOs participated, including CFOs of 24 FTSE 100 and 42 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 78 UK-listed companies surveyed is £427 billion.

.