Global CFO Signals
Across the globe, the yeas have it

Q1 2017 Deloitte Member Firms’ CFO Surveys
Argentina, Austria, Belgium, China, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, North America, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and United Kingdom

Deloitte Global CFO Signals
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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-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 31) for member firm contacts and information on the scope and survey demographics for each survey.

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 2017 CFO surveys from Deloitte member firms in the following geographies:

**Argentina:** Slightly clouded optimism
**Austria:** Heightened positive sentiment
**Belgium:** Favorable business environment drives expansion
**China:** Positivity and prioritizing business expansion
**Denmark:** Buoyed by domestic demand
**Finland:** Solid signals
**France:** Political woes dampen economic outlook
**Germany:** Economics prospects swayed by politics
**Greece:** Uncertainty is elevated
**Ireland:** Driving on in an increasingly uncertain climate
**Italy:** Strengthened economic outlook
**Japan:** Growing corporate earnings, despite geopolitical uncertainties
**Netherlands:** Optimism shooting up all over the place
**North America:** Large company optimism high and rising
**Norway:** Optimism, but careful growth
**Portugal:** Cautious optimism
**Spain:** Renewed economic optimism
**Sweden:** Signs of relief and growth opportunities
**Switzerland:** Brighter horizons, but concerns remain
**Turkey:** Uncertainty persists; optimism collapses
**United Kingdom:** Brexit shock eases

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

CFO Sentiment Q1 2017

Across the globe, the yews have it

Last quarter’s Global CFO Signals found that finance leaders in the nine surveys reporting were optimistic across several measures, despite political and economic uncertainty. This quarter, with results in from 21 surveys, the happy chorus has only gotten louder: net optimism increased in 17 surveys, sometimes reaching new highs.

The evidence is apparent in many regions. In North America, for example, net optimism spiked to a survey-high +50. Nearly 60% of CFOs expressed rising optimism (up from 43% last quarter), and about 10% cited declining optimism (down from 20%). In Europe, the strengthening of the regional economy has bolstered CFO sentiment across the board, with the strongest net optimism recorded among CFOs based in Austria, Finland, and Sweden. And even in Asia, where the two countries reporting—China and Japan—have not expressed much optimism in past surveys, there are signs of some stabilization at least.

Patricia Buckley, Managing Director, Economic Policy and Analysis, Deloitte Services LP, believes that the improvement in optimism, particularly in North America, owes much to the fact “that the underlying fundamentals of the US economy are in good shape.” In the first quarter, she noted, GDP growth was only 0.7%, but business investment picked up by 9.4% (the biggest uptick since 2013), according to the Bureau of Economic Analysis, which not only reflects company optimism, but “will be important for driving future growth.”

Other-members of the Deloitte Global Economist Network, which operates in more than 14 countries, point to the strength of the European economy as another source of increasingly positive outlooks. “This improved optimism comes on the back of strengthening growth in Europe,” explains Michael Grampp, European CFO Survey lead and chief economist at Deloitte AG (Switzerland). “Europe’s recovery gained traction in the final quarter of 2016 and was further boosted in early 2017 with a number of economic indicators suggesting resilience in the face of political uncertainty.”

Given these macro trends, CFOs are also optimistic about their own companies’ performance and investment. In Europe, for example, a majority of CFOs in every country surveyed are optimistic about revenues, with the most optimistic CFOs in Sweden (+80 net balance), Ireland (+75), and Austria (+75). In North America, capital investment growth expectations of 10.5% are up drastically from last quarter and sit at their highest level in nearly five years. And in Japan, CFOs’ earnings outlooks improved, with nearly 70% saying they expect increases, while those expecting a decrease fell from 11% to 5%.

Amid these positive signals, there is still plenty of noise. Uncertainty continues to plague CFOs in the UK, for example, because of questions around the impact of Brexit. In Germany, the economy’s reliance on exports could be affected by geopolitical risks. In Greece, the government is trying to manage the terms of their bailout while domestic demand continues to suffer. And there are still questions about the direction of trade policy, the future of interest rates, and broader questions about deglobalization, which could have significant effects on business.

As Ira Kalish, Chief Global Economist, Deloitte, puts it: “There is a cacophony of concerns CFOs have to deal with, and while optimism is high at the moment, longer-term success will hinge on how events unfold and how policymakers approach those events.”

How does CFO sentiment in Q1 2017 break down? What follows is a synopsis by region:

Americas

The strength of optimism in North America extends to perceptions of the region’s economy, with 66% of CFOs rating current conditions as good (a four-year high), and 62% expecting better conditions in a year. Perceptions of Europe improved to 12% and 28% respectively, while those for China rose to 20% and 19%. North American CFOs also indicate a strong bias toward revenue growth over cost reduction (60% vs. 18%) and investing cash over returning it (59% vs. 15%).

Meanwhile, in the one South American country reporting—Argentina—CFO outlooks remain
strong, but down somewhat from the previous survey. Still, a net 45% of Argentina’s finance chiefs (compared with 51%) have a more optimistic view regarding their companies’ financial prospects than six months ago. As for the economy, 65% of CFOs expressed optimism about the impact of the government’s economic policies on their businesses over the next year.

Asia-Pacific
There are some positive indicators in both China and Japan, too. In Japan, for example, financial outlooks appear to be stabilizing with 78% of CFOs saying their views are “broadly unchanged,” compared with three months ago, up from 55% last quarter. In addition, 25% of CFOs now also see a clear sign of economic recovery in Japan, and only 63% view the level of uncertainty as “high” or “very high,” down from 80% last quarter. Still, the majority of respondents see “political risks” on the horizon associated with both the US and European economies, particularly protectionism and changes in foreign policy. Meanwhile, in China, a brightening (yet still negative) outlook is also apparent, with 26% reporting optimistic economic sentiment, up from 8% in the previous survey. Risk factors remain, however, including the potential for adverse government measures and future economic turmoil. But CFOs point to plenty of opportunities as China evolves to more of a consumer-based economic model, and growth ambitions such as market expansion (17%) and revenue growth (16%) are top of mind. “Even though they are facing policy regulations and geopolitical concerns, CFOs in China are becoming optimistic toward the economy and believe that consumption upgrading will be the most important driver of business growth,” says Sitao Xu, Chief Economist, Deloitte China.

Europe
As reported here and in the latest European CFO Survey, companies across Europe have become more optimistic about the prospects for their own companies. At the same time, CFOs’ perceptions of external uncertainty are falling. In fact, countries that saw the largest increases in optimism also saw perceptions of uncertainty fall compared with Q3 2016 (Sweden - 24pp, Austria -18pp, Finland -6pp, and the UK -2pp). Improved optimism and falling uncertainty have also led to increased risk appetite, particularly in Finland (59%) and Spain (54%). And this change in attitude is supported by CFOs viewing expansionary business strategies as more attractive in the next 12 months.

There are also positive expectations regarding financial metrics. The optimism linked to revenues is evident across the European countries reporting, particularly in Sweden, Ireland, and Austria, and although the outlook for margins is not as optimistic, it has also improved. Moreover, this quarter has seen a strong shift toward capital expenditure (particularly in Belgium, Austria, Netherlands) and in hiring expectations overall. “Recent political shifts and upcoming elections across Europe have seen uncertainty persist among CFOs, but that has not dented their optimism, their willingness to take on risk, and the confidence they have in their companies’ performance,” said Grampp.

What’s next? According to the Buckley, there may be an increasing “risk to the downside going forward.” She sees it coming from two directions: one being increased disruption due to technology and the other escalating geopolitical risks. “There are just so many hot spots all over the globe, any one of which could ignite and spread,” she said. Which is to say, today’s happy chorus could become muted should bad news erupt in any significant way.
Global CFO Signals

Optimism by the regions

**Americas**

In North America, Q1 2017’s net optimism of +50 (a survey high) rose sharply from the previous quarter’s +23. With relatively strong net optimism since Q2 2016, the sentiment from North American CFOs is overwhelmingly positive. Meanwhile, the story is a bit different in Argentina (the only South American country reporting), where net optimism decreased to +45.

*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.*
Asia/Pacific

Sentiment among Japan’s CFOs dipped in Q1 2017 to 0 net optimism, compared with +9 last quarter. Meanwhile in China, upward trending optimism continued, with 26% of CFOs reporting being more optimistic about economic prospects, compared with 8% in Q3 2016. Nonetheless, overall China’s CFOs are still pessimistic, reporting -23 net optimism.

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**

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 except for Turkey and Greece. Among the most optimistic are CFOs in Sweden, Austria, and Finland.

**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.
Global CFO Signals

By the numbers

**Risk appetite**

With European optimism on the upswing, you would think risk appetite would also improve. But continued uncertainty seems to be leading to a “wait-and-see” attitude among CFOs. The only countries in which a majority of CFOs believe now is a good time to take on greater risk are Finland (59%) and Spain (54%), where there have also been marked improvements in optimism among CFOs. The most risk-averse CFOs are in Turkey, Greece, and Portugal—where more than 80% of CFOs in each country do not think now is a good time to be taking greater risk on their balance sheets.

**Uncertainty**

Continuing geopolitical challenges are leading to sustained uncertainty—but there are small signs of improvement. In Japan, for example, not only did the number of CFOs who consider the level of uncertainty as “high” or “very high” decrease from 80% in Q4 2016 to 63% in Q1, but those who now see it as “low” or “very low” increased from 0% in Q4 to 6%. Meanwhile in Europe, countries that saw the largest increases in optimism also saw perceptions of uncertainty fall compared with Q3 2016 (Sweden -24pp, Austria -18pp, Finland -6pp). Still, CFOs in the UK, Germany, and Greece report high levels of uncertainty often tied to political uncertainties.

**Metrics**

There is positive news for revenues among the European countries reporting, with the most optimistic CFOs in Sweden (+80 net balance), Ireland (+75), and Austria (+75). Meanwhile, CFOs in Sweden are also the most optimistic about margins (+62), followed by Belgium (+57). In line with an increasingly stable financial outlook, nearly 70% of Japanese CFOs also expect an increase in earnings. And in North America, capital investment growth expectations are up drastically from last quarter (10.5% vs. 3.6%), reaching their highest level in five years.

**Hiring**

More than half (53%) of Chinese CFOs say they will hire more people than they let go, and 71% expect to hire more higher-skilled than lower-skilled workers. Unemployment remains relatively high in many of the European countries reporting, but there are country differences in expectations. CFOs in Ireland (net balance +63), Belgium (+51), Poland (+40), and Spain (+30) are the most optimistic on employment, while CFOs in the UK, the Netherlands, Finland, Turkey, and Italy are the most pessimistic. Meanwhile, in North America, this quarter’s domestic hiring growth expectation of 2.1% is well above the 1.3% reported last quarter.

**Corporate strategy**

Growth strategies remain strong in North America. Some 60% of North American CFOs say they are biased toward revenue growth over cost reduction (18%). In Europe, growth has returned to the agenda, with only three countries (Belgium, Portugal, and Norway) identifying more defensive than expansionary strategies in their top five priorities. While growth ambitions (market expansion, 17%; revenue growth, 16%) remain top of mind for China’s CFOs, resetting focus to core business (14%) and ensuring efficient resource spending (13%) are also key topics.

**Funding**

As CFOs await possible interest rate increases, they continue to benefit from a favorable funding environment. Bank borrowing again dominates the sources of funding for CFOs in Europe, while views on equity funding have improved in line with the continued strength in European and global equity markets. Meanwhile in North America, 81% say debt is currently an attractive financing option, and 40% of public company CFOs view equity financing favorably.
Deloitte Member Firm

CFO surveys:

First-quarter

2017 highlights
Argentina

Slightly clouded optimism

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.

Optimism varies

There was an overall decrease in optimism among the respondents this quarter, likely associated with the diverse actions of the new government, beneficial in certain occasions and harmful on the other.

Regarding CFOs' expectations, 55% of CFOs are more optimistic about the prospects for their company (down from 61% six months ago), 35% do not anticipate any notable changes (compared with 29% six months ago), and only 10% are less optimistic. Overall, there is a slight decline in the degree of optimism.

As for the economy, 65% of CFOs expressed optimism about the impact of economic government policies on their businesses over the next year. CFOs also cited inflationary pressures (28%) and social policy and investments (16%) as concerns.

As for the impacts of new policies in the United States, 50% believe they will be null, 35% negative, and 15% positive.

Role of the CFO

CFOs are more heavily biased toward the steward and operator roles (60%) this quarter. This has increased by 7% from previous quarters. Just 18% of CFOs consider their role as strategic, down from 24% in the previous quarter.

Strategic ambiguity continues to be cited as the top job stress. However 31% of CFOs note that they would leave their role for a CEO position. Other stresses include insufficient support staff (a newly selected stress this quarter) as well as pressures for not achieving expected results, a change in regulatory rules, and managing an excessive workload.

When asked what type of areas CFOs have influence on within their companies, they note they have the most influence regarding decisions related to communications with stakeholders, capital expenditures, project selection, operations budgets, and purchases/acquisitions.

The most significant challenge that CFOs face in their companies is capital allocation, as 16% note they need to ensure investments achieve desired results. In addition, 13% are concerned about cost management.

Highlights from the H1 2017 Argentina CFO Survey:

- Net optimism decreased to 45%, down from 51% six months ago.
- Improving and maintaining margins and establishing or adapting strategy and are companies' top concerns.
- More than half of CFOs expect their revenues to increase.
- In relation to the US presidential election, 50% of CFOs expect there to be no impact on their companies.
Austria

Heightened positive sentiment

Positive shifts
Six months ago, Austrian CFOs remained cautiously optimistic, particularly when compared with CFOs across the European region. In Q1 2017, Austrian CFOs, after the UK, saw the largest increase in net optimism, increasing by net 45%. As such, after Sweden, Austrian CFOs are the most optimistic with 55% reporting rising optimism. Countries that saw the largest increases in optimism also saw perceptions of uncertainty fall, including in Austria.

The trend of positivity continues to some extent to company metrics. Revenues are expected to increase according to 75% of CFOs, breaking a 12-month trend in decreasing revenue expectations. Similarly, 55% of CFOs expect capital expenditure to rise, one of the highest increases throughout Europe.

Some caution remains
Austrian CFOs are less bullish on increases in operating margins, with 69% expecting no change, while 17% cautiously anticipate an increase. Similarly, the increase in hiring additional talent is positive at net 21%, less than half of Austrian CFOs anticipate an increase in their current hiring levels.

Further caution is apparent when it comes to CFOs’ preferred risk appetite. When asked how likely they were to take greater risk onto their balance sheet, there was some improvement from the last survey, yet 70% of CFOs are still not willing.

Perceptions on the EU
Austrian CFOs were asked to assess the likelihood of further member states leaving, or voting to leave, the EU in the next five years. Austrian CFOs’ believe that the average probability is 34% that members will leave the union, higher than many other European countries who were asked the same question.

That said, as it relates to the future success of the EU, the vast majority of Austrian CFOs support some form of increased integration in Europe and split this between a multi-speed option among certain member states (57%) and integration for the EU as a whole (39%).

Highlights from the H1 2017 Austria CFO Survey:

- A net 52% of Austrian CFOs are optimistic about the financial prospects of their business, an increase from 41% from six months ago.
- The next 12 months look positive for revenue, as 75% of CFOs expect an increase.
- Austrian CFOs highlight their top concern as trade/protectionism.
- Austrian CFOs favor pursuing organic growth as their top strategic priority.
- The most attractive form of financing is bank borrowing (69%) followed by internal financing (57%).
Belgium

Favorable business environment drives expansion

**Appetite for risk**
CFOs in Belgium entered the year in a positive mood. CFO survey participants were already optimistic about the 2017 outlook three months ago, and at the end of the first quarter, this has not changed. Financial and economic uncertainty has decreased and companies are focusing on expansion. Growth plans and corresponding headcount requirements are ambitious, and as a result, CFOs are concerned about the availability of sufficient skilled labor.

Companies remain, overall, optimistic about the financial prospects of their organizations. However larger organizations and those with important international activities are more optimistic as are the smaller organizations that have a more prominent focus on local markets. The outlook looks promising, and current performance is good: at the end of the first quarter, the vast majority of companies’ financial performance is on budget. Few are either out or underperforming as compared with the budget.

**Focus on growth**
As a consequence, planned capital expenditure continues its upward trend. Today, 60% of CFOs report capital expenditure will increase in the next 12 months, up from 50% last quarter and 45% one year ago. Other investment indicators point toward further growth and expansion as well: 65% plan to increase headcount, up from 43% last year and discretionary spending (including marketing, training, travel, etc.) is likely to further increase as well. CFOs are upbeat about growth potential, with 75% budgeting top-line growth and 73% bottom-line growth this year.

**Concerns**
CFOs remain, above all, concerned about the competitiveness of their organizations. In this respect, they remain disappointed in the appropriateness of financial and economic policy and the impact it has on their competitiveness. In particular, the taxation policies are not seen as positive contributors to the success of business in Belgium. Following the growth ambitions and projected headcount growth, CFOs also share concerns about the availability of skilled labor to satisfy recruitment needs.

**Future of the EU**
This quarter, we polled whether CFOs expected that—following Brexit—other EU member states would leave or vote to leave the Union. The vast majority of respondents only assign a low probability to this scenario. At the beginning of March, European Commission President Juncker presented five scenarios for how the Union could evolve by 2025. For their part, CFOs are in favor of a multi-speed Europe, with increased integration for some member states and looser alliance between others.
China

Positivity and prioritizing business expansion

**Macroeconomic factors**
CFOs are turning positive toward the macroeconomic environment even though policy and economic concerns remain. While findings from the Q3 2016 survey showed a rather concerned outlook (38% of CFOs reported lower optimism), in this quarter, the overall sentiment has improved with only 25% being less optimistic. Moreover, 26% have a more optimistic outlook (compared with 8% in the previous survey).

Looking at macroeconomic factors, the top two concerns that may lead to potential impacts arise from adverse government measures and larger economic turmoil (similar to the Q3 2016 survey). The emerging top-of-mind risk is now the impact of geopolitical issues (11% up from 5%). This may be the result of combined elements including the US election results, further clarity of Brexit impacts, uncertainty of some European elections in 2017, and certainly the increased tensions geographically close to China (North Korea).

**The CFO’s mandate**
As a fact provider, CFOs realize they should increase their ability to provide metrics, information, and tools needed for sound business decisions and to influence strategy. As a result, new technologies, new processes, and new systems are the immediate concerns of the CFOs and their teams.

When determining strategies for the future, CFOs in China are adopting an expansionary approach when pursuing growth. About 60% of CFOs agreed that they will expand the range of their products or services. Also more than 50% CFOs chose to develop new offerings than to evolve current ones.

CFOs top two business focus areas in the coming year are market expansion (17%) and revenue growth (16%). To expand within markets, more than 60% CFOs believe they will focus more on new customers than existing ones. As it relates to investments, 36% CFOs believe that investing in intangible assets is more important while 30% CFOs value tangible assets more.

The need for talent is vital to achieve growth targets. Fifty-three percent of CFOs agreed or strongly agreed that they will hire more people than they let go. Furthermore, the CFOs are keen to hire more highly-skilled staff to help improve their staff structure. Seventy-one percent agreed or strongly agreed that they will hire more highly skilled staff rather than lower-skilled staff.

Even though facing policy regulations and geopolitical concerns, CFOs are becoming optimistic toward the economy and believe that consumption upgrading will be the most important driving factor for the business growth.

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Highlights from the Q1 2017 China CFO Survey:
- CFOs are divided between being more optimistic and less optimistic, with 26% reporting greater optimism, 25% reporting less optimism, and 49% saying no change.
- Detrimental government policy and further economic turmoil are the high risk impacts that worry CFOs the most.
- Top business risks identified include government regulations, increasing operating costs, and currency fluctuation.
- CFOs allocated their time as 22% catalyst, 18% strategist, 25% steward, and 35% operator.
Denmark

Buoyed by domestic demand

**Expecting growth**
In the first Denmark CFO Survey, the participating finance chiefs are generally optimistic about the economic outlook. Driving some of that optimism is that fact that Europe’s recovery gained traction by the end of 2016, with a boost in the first quarter of 2017 leading to a forecasted 2% growth for the EU.

For their part, some 35% of Danish CFOs report increased optimism regarding their companies’ prospects. In addition, 60% of the CFOs expect an increase in their companies’ revenues within the next 12 months —with finance chiefs from the largest Danish companies (annual revenue > EUR 135 million) expecting the highest growth. According to a forecast from the Central Bank of Denmark (Danmarks Nationalbank), domestic demand is set to drive economic growth, particularly with a 2% increase in private consumption. Meanwhile, employment continues upwards, and 33% of Danish CFOs expect an increase in hiring over the next 12 months.

**Uncertainty and risk appetite**
Another driver of optimism may be that in Denmark, only 30% of the CFOs say they face higher financial and economic uncertainty. In fact, Denmark (30%), Finland (25%) and Norway (19%) are the countries who consider the lowest degree of uncertainty throughout the cohort.

Still, in Denmark, just 27% say it is a good time to take greater business risk, which is in line with the risk appetite among some of the Danish trading partners, Germany (26%) and Sweden (26%). Although uncertainty is relatively lower among the Scandinavian peers, the risk appetite may reflect a cautious approach to an unpredictable future.

**The future of the EU**
In the wake of the Brexit vote, the European CFOs have assigned a 33% probability of other member states leaving the EU in the next five years. For Denmark, 42% say that more member states are likely to leave, or vote to leave, the EU. In fact, the Danish and the Italian CFOs (45%) assign the highest probability of another exit from the EU. Both countries face increased support for populist political parties. In addition, the Danish People's Party (DPP) is Denmark’s second largest party after the June 2015 elections. The DPP represents a historical opposition to deeper integration in the EU and continues to opt for permanent border control.

Since Denmark became a member of the EU in 1973, the Danes have held several referenda with rejections of EU treaties. Following the four opt-outs about EU co-operation, the Danes tend to prefer a looser cooperation-model with EU institutions and other member states. In addition, 41% of the Danish CFOs responded that to ensure the future success of the EU, a “multi-speed” Europe is needed with increased integration for some member states and looser alliances between others.

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**Highlights from the H1 2017 Denmark CFO Survey**
- In the inaugural survey from Denmark, CFOs there report a net optimism of +40.
- Some 48% percent of Danish CFOs expect margins to increase over the next 12 months, and 33% expect to increase capital spending.
- Danish CFOs name growth through acquisition and expansion into new markets as their two priorities for the next 12 months.
- Forty-two percent of CFOs say that more member states are likely to leave, or vote to leave, the EU.
Riding on strong sentiment
After the economically and politically treacherous winter period, the first quarter survey indicates Finnish CFOs are adamant in their beliefs that their prospects have turned, significantly, for the better. The weak signals from the third quarter 2016 survey are growing louder, marking a record-setting level of optimism. Optimism is higher than ever in the survey’s history (dating back to the third quarter of 2010). Finland is only shadowed by Sweden and Austria where optimism is soaring.

This iteration of the survey digs deeper into the instability caused by Brexit and increased risks of protectionism and trade wars. CFOs in Finland see the uncertainty as fading and the political environment stabilizing after Brexit. They give low odds on new member state exits. Not even the looming trade wars are affecting their investment plans, as 95% have not made any changes.

However, Finnish CFOs have a slightly less hawkish attitude when it comes to ensuring the success of the European Union and its member states. Germany, the Netherlands, Austria, Belgium, and Switzerland are the most eager to push for a multi-speed Europe, leaving the periphery and recovering countries out of the core of the European Union. In each of these countries, more than 57% saw that as the most preferred path to success. In Finland, 46% agree, but 16% are willing to maintain the status quo, which ranks as the second highest after Ireland.

Rising optimism accelerated by a recovering economy is already increasing the risk appetite of Finnish CFOs. Concern over demand has dropped, and 59% say that it is a good time to take more risk on their balance sheets. Risk appetite in Finland is one of the highest in Europe, and it is remarkably higher than that of Sweden, where only 26% are arguing the same.

Positive future outlook
In the past few years, companies have controlled their costs prudently, and now, when the economy is taking a shift for better, the strategy may pay dividends. Key financial metrics indicators are in the positive. Not only are revenues expected to increase, but also operating margins and capital expenditures are on the growth track. Notably, 68% believe their revenues are rising, and 56% say operating margins will improve in the next 12 months.

Although more companies are considering making strategic investments in Finland in two years, the macro-economic turn will unlikely have a significant impact on hiring. Finnish companies were among the least likely to hire more employees compared with their European counterparts, scoring the lowest net margin out of all countries. Furthermore, the hiring focus is shifting abroad and away from Finland.

Highlights from the H1 2017 Finland CFO Survey:
- Optimism is at an all-time high, with net optimism at 48%.
- Risk appetite has risen sharply from -11% to +18% in Finland, and is the highest in Europe.
- CFOs in Finland see organic growth as the most preferred strategy in the next 12 months (77%).
- Strategic investments in Finland are up, 14% considering those choices.
- CFOs are hesitant to hire in Finland in the coming six months, with only 19% hiring more, down from 30% last fall.
France

Political woes dampen economic outlook

The political paradox
The positive sentiment among CFOs of major French companies has been challenged in recent months amid concerns over the French presidential election and risk of the Eurozone breakup.

Yet, in this edition of the France CFO Survey, CFOs expressed a positive uptick in optimism about their future financial prospects. CFOs were far more optimistic than in the third quarter of 2016, with a net balance of +21% more optimistic, up from −8% in Q3 2016.

At the same time, the level of external financial and economic uncertainty facing the CFOs’ businesses has risen, with 63% believing uncertainty is “high.”

Optimistic economic outlook
France’s CFOs are positive about prospects for growth. A majority of respondents (68%) expect revenues to increase over the next 12 months. Likewise, CFOs are increasingly optimistic about the prospects for margin growth, as 44% expect increases in the next 12 months.

Amid a highly contested presidential election, French business activity remained robust during the first quarter, reaching a near six-year high in April. Indeed, France was the strongest performer among the euro area’s major economies. The survey suggests that the willingness to make investments will translate into action, with 50% of French CFOs pushing for increased capital spending, which is a large uptick from the third quarter of 2016.

Due to the optimistic outlook, approximately 37% of France’s CFOs expect their companies to hire in the next 12 months, versus 31% in the last survey.

Political uncertainty heightens
Despite generating an optimistic outlook, CFOs in France have cited growing concerns related to political uncertainty.

In particular, uncertainty about the European economy continues to lead the list of significant risks cited by CFOs (60%), followed by fiscal and social policies in Europe (48%). Further, 47% point to increased economic and political integration as the best way to ensure the future success of the EU. When asked how likely more members of the EU would leave or vote to leave, 44% of CFOs surveyed gave a less than 20% chance of other countries leaving.

The increased perception of external uncertainty, primarily caused by political events, has contributed to the weak risk appetite of many businesses. In line with that, risk appetite has been curbed among France’s CFOs, with 65% saying now is not a good time to be taking greater risk onto the balance sheet.

Highlights from the H1 2017 France CFO Survey:
• A net balance of 21% of CFOs are now more optimistic about the financial prospects of their companies.
• The CFOs are also optimistic toward revenue growth (+63% net balance), which is notable given the size and significance of the French economy.
• In addition, 44% of CFOs in France expect margins to increase in the next 12 months.
• CFOs in France see organic growth as the most preferred strategy in the next 12 months.
Germany

Economic prospects swayed by politics

The agenda for 2017
The economic situation is currently characterized, to an unusually high degree, by political developments. The year 2016 was marked by the Brexit referendum, the coup attempt in Turkey, and the US elections. The (foreseeable) political risks in 2017 include elections in several European Union member states and the associated risks of an upsurge in populist and protectionist parties in Europe.

German CFOs take these political developments very seriously and continue to regard them as the most threatening risks to their company. Specifically, two-thirds of CFOs expect increasing protectionism, including in international trade, and 48% of CFOs anticipate increasingly populist economic policies, with 44% considering themselves to be directly threatened. This applies, in particular, to the mechanical engineering and technology sectors, but also to the banking, real-estate, and consumer goods industries. Companies are reacting strategically by reviewing their investment plans and supply chains, and also by incorporating political risks into their risk management and strategic planning.

Despite the political risks, CFOs assess the current economic situation as “excellent.” Almost all CFOs see it as being “good” or “very good,” and the majority even expect further improvement. CFOs also assess the economic situation in the US, China, and the euro area as being good, and are positive about the prospects. This positive picture is also evident at the company level: business prospects are improving, willingness to invest is increasing, and so is the focus on innovation and offensive strategies.

Also for their own companies, optimism prevails, although the majority (59%) does not expect much change. Net optimism has increased from 6% to 19%. It is the fourth time in a row that net optimism increases.

The future of finance
The staff members of many financial functions, according to German CFOs, are still inadequately prepared for the digital transformation of the department. There are shortcomings in particular in the areas of digital expertise and corporate culture. Cost control continues to be a priority for German companies, and investments in analytics applications (still) serve primarily to reduce costs by automating processes; specific use cases of the optimization of decision support often seem to be missing. The main focus of investment is on customer-specific analytics applications, as 49% of CFOs are focusing on this as part of their digitalization strategy.

Highlights from the H1 2017 Germany CFO Survey
- Fifty percent are reviewing investment plans due to political risks; 34% are reviewing their supply chains.
- Sixty percent of CFOs incorporate political risks into their risk management; 40% into their strategic planning.
- Ninety-six percent of CFOs rate the economic situation of Germany as being “good/very good;” investment confidence is growing.
- Eighty-six percent of CFOs see an important role for corporate culture in the digitalization of their own department.
Greece

Uncertainty is elevated

Uncertain times continue
Despite the sentiment of optimism among European finance chiefs and the fall of external uncertainty, CFOs in Greece are more pessimistic than optimistic (net -6%) about the financial prospects of their companies. At the same time, they report high levels of uncertainty (81% above normal), potentially due to the political and economic instability.

In terms of revenue expectations for their companies, Greek CFOs are among the least optimistic (net +40%). As with revenues, the outlook for operating margins is not as positive (net +18%) as for the average of the countries participating. Regarding capital expenditure, a net balance of +20% expect an increase. Finally, 34% of Greek CFOs expect an increase in the number of employees in their business over the next 12 months, while 18% expect a decrease.

Risk appetite remains low
With high levels of uncertainty and pessimism, risk appetite in Greece remains very low. More specifically, 82% of the CFOs participating in the survey, do not think now is a good time to be taking greater risk on 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, cost control is CFOs’ top strategic priority, while cost reduction is ranked fourth. Organic growth, introduction of new products and services, and expansion into new markets are prioritized second, third, and fifth, respectively.

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

The future of the EU
Among the European countries reporting. Greek CFOs are less likely to believe another country will leave the EU, assigning a 29% chance to a future exit. CFOs in Europe were also asked what measures would ensure the future success of the EU. Support for EU-wide integration is strongest in Greece; 80% of CFOs back this option, followed by Spain (68%) and Portugal (66%).

Highlights from the H1 2017 Greece CFO Survey
- Perceptions of uncertainty are very high in Greece, with a net balance of +81%.
- A net balance of -6% are now less optimistic about the financial prospects of their companies.
- Some of the most risk averse CFOs are found in Greece; 82% think it is not a good time to be taking risks on the balance sheet.
- Some 80% of the Greek CFOs support increased economic and political integration for the EU.
Ireland

Driving on in an increasingly uncertain climate

**What now for the EU?**
The Irish economy’s reliance on external investment and its ability to trade competitively in the global market was reemphasized in the H1 2017 Ireland CFO Survey results.

Levels of financial and economic uncertainty have risen even higher since the last survey, with 79% of Ireland’s CFOs rating the overall level of uncertainty facing their business as high, compared with 52% in the previous survey. This is unsurprising given the ongoing Brexit negotiations, the early stages of the new US administration, and upcoming elections in a number of other European countries.

This uncertainty is a theme demonstrated in the Irish survey results through the lack of consensus among CFOs around the best option for the future success of the EU and its current members. Some 29% of Ireland’s CFOs would like to see increased integration for some member states and a looser alliance between others; 25% believe increased economic and political integration is the most desirable, while 33% believe the EU should maintain the status quo. One-third of CFOs also believe there is between a 21% to 40% chance of more members leaving or voting to leave the EU in the next five years.

As a result of the above factors, 75% of Irish CFOs say this is not a good time to be taking greater risk on to their balance sheets.

**Cautious optimism**
Still, the outlook of CFOs remains positive in terms of financial metrics, with a large majority of CFOs anticipating “somewhat” or “significant” growth in revenues (83%), which is one of the highest results in Europe. Similarly, CFOs in Ireland, with a net balance of +63%, are the most optimistic about employee numbers increasing over the next 12 months.

Overall, there is also increased optimism about financial prospects, as 42% of Irish CFOs are more optimistic in the first half of 2017 than they were six months ago, and almost 90% of CFOs consider their overall corporate strategy to be expansive in nature. Still, cost control/reduction and organic growth are consistently identified as strong priorities of CFOs over the last three surveys and continue to be in the first half of 2017.

While Ireland’s economic growth in 2017 is not expected to quite reach the heights of 2016, gross domestic product (GDP) is still forecast to be more than double the growth figure for the EU as a whole.

**Highlights from the H1 2017 Ireland CFO Survey:**
- Seventy-nine percent of Ireland’s CFOs believe that the level of financial and economic uncertainty facing their businesses is high or very high.
- More than 80% of CFOs expect to achieve revenue growth over the next 12 months.
- Yet, 63% of CFOs expect operating margins to remain constant or decrease.
- The positive outlook in terms of hiring continues, with 66% of CFOs expecting employee numbers to increase over the next 12 months.
Optimism rebounded strongly in the past six months across many European countries, including Italy. Six months ago, 25% of CFOs were less optimistic, a figure that has decreased to 15% this quarter. At the same time, CFOs report a slightly lower level of external uncertainty compared with six months ago, when political uncertainty and recovery slowdown were influencing the sentiment. Half of CFOs indicated a high level of uncertainty last survey compared with 43% this quarter.

The positive sentiment also extends to some company metrics. More than half of CFOs (57%), for example, expect their revenues to increase, and 58% expect operating margins to also improve. But capital expenditure expectations are down net -3% in line with the priority of cost control. In addition, there is a reluctance to hire more talent, also down -13% as Italian CFOs surveyed across Europe appear the most pessimistic about new hires.

CFOs are still focusing on is cost control and management. Bureaucracy and taxation are still the main threats to business growth and perceived as the structural weaknesses of the Italian system. On the other hand, CFOs are willing to have labor costs and the public deficit be cut and listed as government priorities for the next year.

Future of Europe
As it relates to the EU, CFOs in Italy—the country that inspired the EU’s creation—assign the highest average probability to a future break-up among the European countries surveyed (45%). While this may reflect widespread Euroscepticism among Italians, Italy does remain one of the country’s most in favor of further integration as 51% of CFOs opted for increased economic and political integration with Europe. Time will determine whether support for populist parties will have a future impact on Italians.

Regulatory changes and political uncertainty still represent significant concerns for Italian CFOs and could have affected their expectations around financial performances. Nevertheless, risk appetite stands at 35% (stable from Q3 2016) and when it comes to the top business strategies CFOs have prioritized expansionary strategies. Specifically, introducing new products and services, M&A operations, and new market expansion are the top ranked. The only defensive priority is to cut public deficit and listed as government priorities for the next year. Bureaucracy and taxation are still the main threats to business growth and perceived as the structural weaknesses of the Italian system. On the other hand, CFOs are willing to have labor costs and the public deficit be cut and listed as government priorities for the next year.
A stabilizing financial situation
According to Japan’s CFOs, the financial prospects for their companies have started to stabilize. The positive trend of an improving financial situation has slowed. In the Q1 2017 survey, 78% of CFOs responded, that the financial prospects of their companies were “mostly unchanged.” Meanwhile, the newfound optimism in financial prospects expectations for Q4 2016 have maintained a status-quo, as nearly 70% of CFOs surveyed are expecting a “significant increase” or “some increase” in earnings. At the same time, those who expect “some decrease” and “significant decrease” have fallen from 11% to 5%. In terms of operating profits, 71% expect a “significant increase” or “some increase.”

Lesser uncertainty
When asked about the level of external and economic uncertainty facing their business in Q4 2016, an increased number of CFOs recognized that uncertainty was high, despite an improving financial situation and earnings. For Q1 2017, not only did the survey record fewer numbers of CFOs responding with high uncertainty, but also saw an increased number of CFOs responding with “low” or “very low.” Therefore, with the steady recovery in earnings enjoyed by many CFOs, there is the possibility of room for businesses to proceed without being hampered by an uncertain business environment.

Expectation for economic recovery and structural reforms
The economic recovery of the Japanese economy and structural reforms have attracted a lot of attention. In particular, 50% of CFOs said that there is a clear sign of economic recovery, and 34% saw a slight progress in structural reforms as well as the recently hot topic on Japan’s “work style reforms.” At the same time, fewer CFOs answered that the Abe government’s commitment to fiscal consolidation and instability is important.

Considering the US and European economies, “political risk” has topped the list as top of mind to CFOs. Indeed, Japan’s CFOs are most interested in the movement around the Trump administration. In particular, protectionism and changes in foreign policy gained the largest responses. Apart from President Trump, CFOs are paying attention to political events throughout the European countries.

The growing risk in the Korean peninsula and the stability of crude oil price were seen as key for the Chinese and emerging economies. In addition, Chinese government’s counter-measure for the excessive debt problem and economic recovery in emerging economies attracted a large responses. Overall, CFO’s seem to be relieved, as emerging markets appear to be recovering.
Netherlands

Optimism shooting up all over the place

Business outlook
The Dutch economy is expected to grow by 2.1% this year and 1.8% in 2018, the government’s macro-economic think tank CPB reported. For CFOs overall, the sentiment and outlook has improved again in the first quarter of 2017. CFOs’ optimism about the financial prospects for their companies improved from 35% to 52%. Uncertainty about the financial and economic context impacting their companies fell further from 55% in Q4 2016 to 52% now.

Although uncertainty has decreased and business confidence continued its strong upward trend, the defensive strategy of reducing costs is CFOs’ strategic priority over the next 12 months. The more offensive strategies of organic expansion and introducing new products or services are ranked second and third. Increasing cash flows and increasing capital expenditures are also high on the strategic agendas of CFOs.

Risk appetite and M&A decrease
Economic and political uncertainty will remain a central theme for 2017 and will impact M&A deal flows and corporate confidence. As it relates to the number of transactions, CFOs’ perception of the corporate M&A market has increased from 65% in Q4 2016 to 95% now. Where strategic partnership is now perceived as the most favored transaction type, some 48% of CFOs expect to enter a partnership over the next 12 months.

Divestments are back on the agenda, with 43% of CFOs expecting to divest assets and/ or subsidiaries, while realizing acquisitions is on top of mind of some 38% of participants.

Geopolitical risk poses the main risk over the next 12 months, while skills shortages and increasing wages are perceived as additional business risks.

Future of the European Union
A week prior to the British Prime Minister Theresa May triggering Article 50, the Dutch parliament released a report that stated that the Netherlands must do all it can to make sure that the Brexit talks have as little impact as possible on Dutch citizens and trade. Efforts must be made to maintain the close free trade relationship between the Netherlands and the UK. Apart from Ireland, the Netherlands has the highest economic exposure to the UK.

The survey also asked CFOs how the future success of the European Union and/or its member states can be ensured. The majority (57%) said that they prefer a so-called multi-speed Europe (increased integration for some member states and looser alliance between others). When asked for the likelihood that more members of the European Union would leave, or vote to leave, 67% of CFOs surveyed expected a less than 20% probability of other countries leaving the EU.
A clearer picture
When CFOs responded to last quarter’s survey, they had just learned that Donald Trump had been elected president of the United States. They had also learned that the Republican Party would maintain its majorities in both houses of Congress—leading to a higher probability that the new president’s platforms would be enacted.

So how has the post-election period affected CFOs’ outlook? In short, this quarter’s respondents indicated the most positive uptick in sentiment in the seven-year history of this survey. And their expectations for growth in revenue, earnings, investment, and hiring all rose and now sit above their two-year averages.

Globally, CFOs’ perceptions of the North American and European economies rose to four-year highs; perceptions of China rose to a nearly two-year high. Domestically, 80% of surveyed CFOs say US equity markets are overvalued—a new survey high—and the debt market is remains an attractive option for financing.

Shifts in optimism
This quarter’s net optimism spiked to a survey-high +50. Nearly 60% of CFOs expressed rising optimism (up from 43% last quarter). Net optimism for the US rose sharply from last quarter’s already-strong +34 to +58 this quarter. Canada rose from +7 to +40, while optimism in Mexico slid from -64 to -71.

CFOs of Healthcare/Pharmaceutical and Energy/Resources companies were among the most optimistic last quarter, but are among the least optimistic this quarter (joined by Retail/Wholesale). Financial Services CFOs were among the least optimistic last quarter, but are among the most optimistic this quarter, joined by Technology and Telecom/Media/Entertainment.

Future outlook
The focus on offense over defense is the most pronounced in survey history; the focus on existing geographies over new ones also hit a high, and the focus on new offerings is the highest in two years.

Nearly 60% of CFOs say they are biased toward revenue growth (one of the highest levels in survey history), while only 18% claim a bias toward cost reduction (one of the lowest levels).

Overall, respondents’ collective outlook has improved significantly since the last survey, with CFOs voicing high hopes for lower taxes, a more business-friendly regulatory environment, and better economic growth. But the past few months have also done little to reduce concerns about policy uncertainty—especially around trade and taxes. As legislative priorities and policy details become clearer, it will be interesting to see how companies adapt and how their longer-term expectations and plans will evolve.
Norway

Optimism, but careful growth

**Improved optimism**

The capital markets and Norway’s CFOs both believe the larger macroeconomic picture is positive and that the economic fundamentals are solid. The overall positivity may also be attributed to the weak krone increasing the global competitiveness and demand for Norwegian products. Extended prospects of low interest rates from the central bank facilitate further debt accumulation and supports high domestic consumption expectations.

The CFO Index, at 57.8, is at its highest net optimism level since Q1 2011, a 2.3 increase since the last survey. This is driven by the oil sector, retail and production industry. Overall, there is a large number of neutrals, fewer pessimists, and an increase in the number of ‘slight optimists.”

The increase in optimism stems from a more favorable outlook on companies’ own financial position and business climate. Both revenue and operating margins are expected to increase and may explain the optimism. However, for both net optimism and revenue/margin increase, the change comes mostly from lower pessimism rather than “significant optimism,” indicating the cautious nature of the optimism.

**Focus on conservative growth strategies**

Combining a better outlook with prudence the strategic response seems to be conservative growth. Less focus on cost cuts, more on organic growth in markets well known, but not very aggressively. As such cost reduction is no longer the top priority, and focus has shifted to conservative growth strategies, such as organic growth, growing existing markets, and a focus on core business.

CFOs are looking to invest, particularly within retail, production, and financial services and to increase their staff somewhat. TMT and retail however, do plan to grow via acquisitions, while the oil sector will spend its operating cash flow, strengthening its balance sheet through debt reduction and cash accumulation.

A net share of 11% of CFOs within the oil sector are looking to increase staff, a possible indication that the job cuts are coming to a close after years of layoffs.

Some 14% of CFOs believe political changes will pose the most significant risk for their business in the next six months, maybe a reflection of new US policies on the global economy or the potential macroeconomic volatility of more EU member countries leaving or voting to leave the EU.

If political risks were to subside within the next few quarters, we foresee companies shifting into a higher gear, but for now the mantra seems to be "highly positive, but with some caution.”

### Highlights from the H1 2017 Norway CFO Survey:

- A net share of 40% of responding CFOs are more optimistic about financial prospects compared with six months ago.
- A net share of 54% of the CFOs believe revenue will increase over the coming six months, and 41% think operating margins will increase.
- Some 71% of CFOs believe in a higher than 20% probability of countries voting to exit the EU.
- CFOs believe approximately 22% of today’s work tasks will no longer be performed by manual labor in 2025.
Portugal

Cautious optimism

Leap in confidence
The confidence levels of CFOs surveyed in Portugal have rebounded strongly between the Q3 2016 and Q1 2017. Fifty-two percent of surveyed CFOs have anticipated a positive sentiment on Portugal’s economic outlook over the next 12 months compared with -71% in the third quarter of 2016.

The recent positive performance in economic growth, as well as the perception of improved political stability may have contributed to this positive evolution in confidence levels of CFOs in Portugal.

Growth amid uncertainty
According to 49% of surveyed CFOs, there is a high level of external financial and economic uncertainty facing their businesses. That is compared with 61% of surveyed CFOs in Q3 2016, which illustrates a decline in uncertainty.

Revenue, profit margin, employment, and capital expenditures—all of which are corporate indicators—have strongly improved for the CFOs surveyed. Sixty-nine percent of CFOs in Portugal expect revenues to increase over the next 12 months, while 53% of CFOs expect higher capital expenditures, and 35% of CFOs expecting an increase in the number of employees.

Cost control measures
In line with the previous survey’s conclusions, reigning in costs remains the top strategic priority of Portuguese CFOs. In fact, CFOs in Portugal name cost control as an important priority followed closely by working capital efficiency and cost reduction. All growth strategies are ranked below efficiency measures, being organic growth the preferred expansionist strategy, and ranking fourth in overall priorities.

Risk aversion
When looking at Q1 2017, Portuguese CFOs remain cautious and conservative, with 80% of CFO respondents answering now is not a good time to be taking greater risk onto the balance sheet. However, compared with Q3 2016 when the figure stood at 87%, CFOs’ willingness to take risks has improved.

CFOs in Portugal remain one of the most adverse to risk, and are only surpassed by CFOs in Greece and Turkey.

The top three factors that CFOs fear pose a significant risk to their businesses are domestic public policies, political or economic instability in foreign markets, and weaker domestic demand.

Highlights from the H1 2017 Portugal CFO Survey:
- There is a significant increase in the confidence of CFOs, with 52% anticipating a positive economic context in Portugal for the next year.
- The majority of Portuguese CFOs (80%) indicate that now is not a good time to take greater risk on the balance sheet.
- Cost control remains the top priority for next year, followed by working capital efficiency and cost reduction.
- More than half of CFOs (66%) view increased economic and political integration as most desirable to ensure the future success of the EU.
Renewed economic optimism

Notable improvement of economic prospects
CFOs’ perceptions of the current Spanish economy notably improved from the last survey in the last half of 2016. Some 42% of respondents consider it good (compared with 28% in each the last four editions), and 56% consider the economy to be average, compared with 65% in the last survey.

CFOs’ forecasts on the growth of the Spanish economy also reflect this optimism. Some 44% believe that it will be growing in the next 12 months (compared with 30% from the last edition); 51% expect a slow recovery (compared with 56% previously); and 5% estimate that there will be stagnation, versus 14% that indicated six months ago.

The movement of oil prices remains the top variable affecting the Spanish economy (86%), followed by the level of interest rates (83%) and the economic performance of other European countries (72%).

CFOs perspectives on the economic performance of the Economic and Monetary Union (EMU) improved since the previous survey, with 13% estimating that it will be growing in the next 12 months, and 60% expecting a slow recovery.

At the global level, CFOs continue to be optimistic: 30% of respondents maintain that the global economy will grow (up from 19% in the previous survey), 56% believe it will experience a slow recovery, while only 14% believe the world economy will be in stagnation or recession.

Positive evolution of corporate indicators
CFOs’ views on the operational and financial performance of their companies are much more positive. Some 61% have an optimistic opinion about their operational performance, and 49% have a positive view about their financial prospects, which in both cases is higher than six months ago (versus 47% and 41% respectively).

Expectations of growth in demand for products and services in Spanish companies are slightly higher than the last survey. Some 41% believe that there has already been an acceleration (compared with 37% six months ago and 39% 12 months ago), and 22% believe that it will occur in 2017.

Spain is one of the only countries in Europe where a majority of CFOs believe now is a good time to take risk onto their balance sheet (54%). This could be because corporate indicators are slightly more positive than in the last survey, as a greater number of respondents expect an improvement in all the indicators for the next 12 months. Almost three-quarters (74%) expect increased revenues, more than half expect increased cash flow and operating margin (51% and 50% respectively), 46% expect increased investment, and 45% expect increased number of employees.

Highlights from the H1 2017 Spain CFO Survey:
• Almost half (49%) of CFOs are more optimistic about their financial prospects, up from 41% in H2 2016.
• CFOs anticipate improvements in a series of company metrics; 74% expect increased revenues, while 51% expect increased cash flow, and 50% expect increased operating margins.
• The level of investment is predicted to increase by 46% of CFOs, and 45% predict employee headcount to rise.
• Risk appetite reached a record high since the start of this survey in May 2009. Some 54% believe that it is a good time to take greater risks onto their companies’ balance sheets.
Increasingly positive about the near future
The spring 2017 CFO Survey reveals a clearly more positive sentiment among large Swedish companies. The overall CFO index (inclusive of business conditions, financial position, lending willingness and counterparty default risk) shows, after a decline in the two latest surveys, a jump to 58.2 from 54.1 in fall 2016. This is the highest level in nearly six years. Except for slightly reduced lending willingness, the other sub-indexes, including business climate, financial position, and counterparty risk, improved significantly.

CFOs’ view of business conditions largely improved from an encouraging index of 50.6 in September 2016 to 55.8 this quarter. CFOs also had a generally positive view of improvements in the financial position of their own company, as 60% of CFOs see their overall financial position as favorable. These changes were driven by a positive manufacturing sector, which indicates a more broad-based recovery: spreading from the real estate and services sector into the industrial sector.

Prospects and concerns
According to Swedish CFOs, global growth seems to be accelerating. Financial markets and economic activity have shown great resilience to rising political risks as CFOs concerns about macro and political factors fell the most, showing great resilience. However, political risks remain elevated but are counteracted by stronger underlying growth.

CFOs see a lower level of external uncertainty and their overall level of concern for the coming 12 months has also fallen. Reducing costs continues to be a top priority, but this quarter its relative importance has declined, in relation to other priorities. M&A activity is considered a top priority, specifically among companies within sectors such as TMT and Life Science. This general perception that M&A is a top priority indicates that the intense transaction market is not going to cool off. It is notable that as many as 94% of the CFOs expect the M&A an activity level to remain at current high levels.

The survey shows a substantial increase in willingness to hire, with one-third (34%) of CFOs expecting their company’s number of employees in Sweden to increase, up from 23% in September 2016.

In Sweden, the recovery is broadening to the industrial sector as well. The concern for cost of raw materials is the only factor that has increased compared with six months ago. This is hardly surprising, with purchasing price indices having recently risen sharply to elevated levels, which may serve as another sign that the global economy is picking up in speed.

CFOs remain cautious and the way CFOs view risk has not changed much, with a large majority (74%) not seeing this as a good time to be taking greater risk onto their balance sheets. This is somewhat surprising, given the otherwise more optimistic views expressed in the survey.

Highlights from the H1 2017 Sweden CFO Survey:
- The business conditions index improved, rising to 55.8 from 50.6 in September 2016, its highest reading since May 2011.
- The lending willingness index fell to 63.2 from 64.1 as more CFOs viewed the lending attitude of financial institutions as unfavorable.
- Bank borrowing remains the most attractive source of funding.
- The counterparty risk index eased sharply (56.2 from 49.9) as far more CFOs viewed the probability that counterparties will default as below average.
Global CFO Signals | Switzerland

Switzerland

Brighter horizons, but concerns remain

**Continued improvement in prospects**
Switzerland’s CFOs’ views this quarter are shaped by two contradictory trends. They are optimistic about the prospects for the economy as well as for their own companies, but a growing number are concerned with political risks, including the new US administration. For now, this does not seem to harm economic growth in the US, however. China still looks likely to avoid a “hard landing” and even within the EU growth is slowly increasing, albeit from a low base.

The mood among Swiss CFOs continues to improve: for the eighth successive quarter, their rating of the country’s economic prospects is more positive than in the preceding quarter. Some 65% now rate the prospects for the Swiss economy over the next 12 months as positive, compared with just 7% who rate them as negative—a net balance of 58%. This is the highest net balance since Q2 2014.

There is a bright outlook for companies, as two-thirds of CFOs (net 56%) are optimistic about the financial prospects for their own company. Revenue expectations over the next 12 months are very positive, and more CFOs expect employee numbers to increase than decrease. Nonetheless, expectations for margins and investments are down on the preceding quarter.

**Focus on uncertainty**
CFOs see risk as primarily external and political. As in Q4 2016, geopolitical risk is the most frequently cited. The gap between this and the second most frequently cited risk—the strength of the Swiss Franc—is even wider this quarter.

Similarly, recent quarters have seen a gradual decrease in uncertainty among CFOs, but the current quarter marks a reversal of this trend. Some 59% of CFOs rate uncertainty as high this quarter, up by one percentage point from Q4 2016. Switzerland’s tax policy is cited for the first time as a risk factor, which is unsurprising in light of the referendum on Corporate Tax Reform III in February 2017.

As an exporting nation, Switzerland benefits from growth in the global economy. The survey results point to continued growth in optimism in areas such as expectations for the Swiss economy over the next 12 months and the outlook for companies: in both areas virtually the same proportion of CFOs—around two-thirds—are optimistic, compared with around one in 10 who are pessimistic. However, Switzerland would also be particularly affected by disruption to global trade patterns. CFOs’ views are therefore colored not only by the strong Swiss Franc, but also by political risk.

**A digital finance function**
The overwhelming majority of Swiss CFOs—87%—report that their company has a strategy for digitalizing its finance function. The focus is primarily on reducing process times and defect rates and on optimizing costs. CFOs see the greatest future relevance in applications that meet specific business needs and in cloud computing. In addition, CFOs bank on modern technology as 43% see a high degree of future relevance is robotic process automation of the finance function.

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**Highlights from the Q1 2017 Switzerland CFO Survey:**
- CFOs expect an inflation rate in two-year’ time of 1.1%, marking the first time since the removal of the exchange rate floor in 2015, that inflation expectations exceeded 1%.
- An average of 34% of CFOs think other member firms will either vote to leave or actually leave the EU within the next five years.
- CFOs expect revenues, net 54%, and operating cash flows, net 24%, to rise over the next 12 months.
- A slightly larger majority expect operating margins to decrease over the next 12 months, net negative 9%.
Turkey

Uncertainty persists; optimism collapses

Outlook dampened by lower optimism
Turkey is the only European country where optimism has fallen in the past six months, with a notable decline of 16 pp and a net balance of -10%. Compared with the third quarter of 2016, CFOs in Turkey are the least optimistic about their company’s financial prospects, with only 30% more optimistic about the financial prospects of their company.

Seventy-seven percent of CFOs in Turkey continue to believe the overall level of external financial and economic uncertainty is high, an increase from 69% in Q3 2016. The increase in the high level of uncertainty, and therefore, the less favorable view of growth, has deemed Turkey as the country to have the lowest confidence in revenue growth. This low confidence is fueled by deterioration in investment grades by rating agencies and devaluation of the Turkish lira.

Falling margins, rising savings
With respect to operating margins, the largest fall among the European countries compared to Q3 2016 occurred in Turkey with a drastic drop of 34 pp. This drop directly correlates to Turkey’s future focus on cost reduction and cost control as top business priorities. As global energy and commodity prices are on the rise, the decline in operating margins is not taking many by surprise.

The Turkish CFOs are keeping a safe distance from capital expenditure investments, with 35% expecting their capital expenditures to decrease over the next 12 months and many leaning toward organic growth as a top business priority. Consistent with a mindset of cost savings, 40% of CFOs find bank borrowing, corporate debt, equity, and/or internal financing as unattractive sources of funding for their companies.

The Turkish economy has cooled markedly in recent quarters, with economic growth of just 2.9% in 2016, significantly lower than the 6.1% growth recorded in 2015. Now is the time for CFOs in Turkey to focus on managing costs, improving operating margins, and securing a healthy cash flow.

Curbed risk appetite
The risk appetite of Turkish CFOs continues to decline. The Turkish CFOs are among the most risk averse CFOs in Europe with 89% thinking now is not a good time to be taking greater risk.

When boiled down, the curb in risk appetite is prompted by three reasons: weak and volatile currency, geopolitical risks caused by the developments in neighboring Syria, and deterioration in cash flow.

As the Turkish lira is weak and extremely unpredictable, Turkish CFOs are hesitant in their investment decisions as they rated cost control and cost reduction as top business strategies over the next 12 months.

Highlights from the H1 2017 Turkey CFO Survey:
- Eighty-nine percent of CFOs acknowledge that now is not a good time to take risk on to the balance sheet.
- Confidence in revenue growth is lowest in Turkey where only 53% of CFOs expect growth.
- Only in Turkey has sentiment dropped (-16 pp) noticeably since the third quarter of 2016.
United Kingdom

Brexit shock eases

CFOs are less pessimistic

The first quarter survey of CFOs in the UK shows that the Brexit shock that hit corporate spirits in the wake of the EU referendum has eased. After a collapse in CFO confidence in the wake of the referendum vote, optimism among CFOs has reached an 18-month high.

The survey shows a decline in perceptions of risk in six of the eight key areas CFOs are polled on. Brexit continues to top the risk list, but with a lower reading than in the last two quarters. Crucially, two longstanding and acute sources of external risk for CFOs—concerns about weakness in emerging markets and in the euro area—have diminished in importance. They have fallen to the lowest levels since this question was first asked at the end of 2014. The decline in concern about the euro area is the largest recorded in the survey for any category of risk, testifying to growing confidence about the region’s recovery. Meanwhile, CFOs report a rise in concerns over policy uncertainty in the US, with potential moves toward greater protectionism by the Trump administration; and, high inflationary pressures.

Looking ahead

The first quarter survey of CFOs shows they are switching away from the defensive strategies of the last year toward expansionary, pro-growth policies. They have softened their laser-like focus on cost control and building cash flow, and are placing more weight on increasing capital spending and introducing new products and services.

CFO expectations for growth in capital expenditure, hiring, and discretionary spending continued to improve in the first quarter. Yet, on balance, they expect UK corporations to decrease spending in each area over the next 12 months. CFOs believe that the headwinds from Brexit have eased. The proportion of CFOs who expect Brexit to reduce their own hiring plans in the next three years has more than halved, from 66% to 30%, since the vote.

The proportion of CFOs, expecting Brexit to hit investment and M&A has also fallen sharply. Most CFOs think Brexit will have an adverse effect in the long-term on the business environment, but even here the degree of negativity has fallen in the last year.

The UK’s exit from the EU is a long and uncertain negotiating game. The CFO Survey has demonstrated time and again that business sentiment is changeable. But what is clear is that the UK corporate sector enters the negotiating phase of the UK’s withdrawal from the EU in far better spirits than seemed likely in the months after last year’s referendum vote.

Highlights from the Q1 2017 UK CFO Survey:

- Business optimism continued to improve, hitting an 18-month high in the first quarter.
- Uncertainty remains a key theme, with 85% of CFOs rating current levels of external financial and economic uncertainty as high or very high.
- Some 60% of CFOs expect the long-term effect of Brexit to worsen conditions, down from 68% in July 2016.
- A net 49% of CFOs expect UK corporate revenues to increase over the next year, up sharply since last summer.
- More than a quarter (26%) of CFOs think now is a good time to take greater risk onto balance sheets.
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>
</tr>
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<tbody>
<tr>
<td>Argentina</td>
<td>Claudio Fiorillo Partner +54 11 4320 4018 <a href="mailto:cfiorillo@deloitte.com">cfiorillo@deloitte.com</a></td>
<td>Biannual</td>
<td>Conducted during March 2017 over a four-week period; 75% of the CFOs represented private companies, 79% are local, and 42% represented businesses with annual revenues of less than US $1 billion, while another 42% had annual revenues between $1B and $4.9B.</td>
</tr>
<tr>
<td>Belgium</td>
<td>Thierry Van Schoubroeck Partner, Finance Transformation + 32 2 749 56 04 <a href="mailto:tvanschoubroeck@deloitte.com">tvanschoubroeck@deloitte.com</a></td>
<td>Quarterly</td>
<td>Conducted between March 13-30, 2017; 53 CFOs completed the survey. The participating CFOs are active in a variety of industries.</td>
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<tr>
<td>China</td>
<td>William Chou National Managing Partner China CFO Program +86 10 8520 7102 <a href="mailto:wilchou@deloitte.com.cn">wilchou@deloitte.com.cn</a></td>
<td>Biannual</td>
<td>Conducted between January and March 2017; 132 CFOs responded of which 10% were from SOEs, 24% were from POEs, and 66% were from MNCs.</td>
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<tr>
<td>Finland</td>
<td>Tuomo Salmi Partner, CFO Program Leader +358 (0)20 755 5381 <a href="mailto:tuomo.salmi@deloitte.fi">tuomo.salmi@deloitte.fi</a></td>
<td>Biannual</td>
<td>Conducted this spring; 57 CFOs participated, representing privately held and publicly listed medium, large, and multinational companies across a range of industries. 77% of respondents are from companies that have an annual turnover of more than 100 million euros.</td>
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<tr>
<td>France</td>
<td>Pascal Colin Partner +01 40 88 29 62 <a href="mailto:pcolin@deloitte.fr">pcolin@deloitte.fr</a></td>
<td>Biannual</td>
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<td>Germany</td>
<td>Rolf Epstein, Partner, CFO Program</td>
<td>Biannual</td>
<td>Conducted between March 14, 2017 and April 04, 2017; 150 CFOs from major German corporations participated; 72% are from companies with revenues of more than €500 million, and 48% have revenues of more than €1 billion.</td>
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<tr>
<td>Ireland</td>
<td>Daniel Gaffney, Director</td>
<td>Biannual</td>
<td>Conducted in February and March 2017; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated.</td>
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<tr>
<td>Italy</td>
<td>Mariangela Campalani, Director</td>
<td>Biannual</td>
<td>Conducted between February and April 2017, this survey included participation from approximately 120 respondents. The majority of companies involved in the survey came from the following sectors: Manufacturing (37%); Retail/Consumer Products (21%); Energy, Utilities, Mining (13%).</td>
</tr>
<tr>
<td>Japan</td>
<td>Yasushi Nobukuni, Partner</td>
<td>Quarterly</td>
<td>Conducted between April 3-14, 2017; 38 CFOs completed the survey. The participating CFOs are active in variety of industries, representing listed companies and relevant private companies.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Frank Geelen, Partner; CFO Program Lead</td>
<td>Quarterly</td>
<td>Conducted March 7-30, 2017; 21 CFOs representing a net turnover per company of approximately EUR 4.4 billion. The responding companies can be categorized as follows: publicly listed (38%), privately owned (29%), family owned (10%), private equity portfolio company (14%), other and/or unknown (14%).</td>
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<td>North America</td>
<td>Greg Dickinson, N.A. CFO Survey Director</td>
<td>Quarterly</td>
<td>Conducted between February 6, 2017 and February 17, 2017; 132 CFOs participated from across the United States, Canada, and Mexico. Seventy-six percent of respondents represent CFOs from public companies, and 87% are from companies with more than $1 billion in annual revenue.</td>
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</tr>
</tbody>
</table>
| Norway      | Andreas Enger  
Partner, Financial Advisory  
+47 958 80 105  
aenger@deloitte.no | Biannual | Conducted March 21-28, 2017; 83 CFOs participated from across Norway. The respondents represented a broad range of industries and CFOs from the 500 biggest companies in Norway. |
| Portugal    | Jorge Marrão  
Partner, CFO Program Leader  
+ 351 210422503  
jmarrao@deloitte.pt | Biannual | Conducted March 7-28, 2017, the survey was sent to CFOs of private and public companies of several industries. The participating CFOs (72) represent the largest companies in Portugal (61%>100M€ and 14%>1.000M€). |
| Spain       | Jesús Navarro  
Partner  
+34 91 514 50 00  
jenavarro@deloitte.es | Biannual | Conducted in March 2017; 93 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, 27% have revenues in excess of €500 million and 46% have more than 500 employees. |
| Sweden      | Henrik Nilsson  
Partner  
+46 73 397 1102  
henilsson@deloitte.se | Biannual | Conducted in March 2017; participating CFOs represented a selection of the 200 largest companies in Sweden. |
| Switzerland | Dr. Michael Grampp  
Chief Economist  
+41 44 421 68 17  
mgrampp@deloitte.ch | Quarterly | Conducted between February 27, 2017 and March 27, 2017; 117 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 | Participants in this quarter’s survey were from leading Turkish corporations and representing all industries. The majority of CFOs were from companies with revenues above €500 million, while SMEs were also well represented in the survey. |
| United Kingdom | Ian Stewart  
Chief Economist  
+44 020 7007 9386  
istewart@deloitte.co.uk | Quarterly | Conducted March 8-22, 2017; 130 CFOs participated, including CFOs of 25 FTSE 100 and 53 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 91 UK-listed companies surveyed is £376 billion. |