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About the Deloitte Global CFO Program
The Deloitte Touche Tohmatsu Limited ("Deloitte") Global Chief Financial Officer (CFO) Program is a CFO-centric strategic offering that brings together a multidisciplinary team of senior Deloitte member firm partners and experienced professionals to help CFOs effectively address the different challenges and demands they experience in their role. Deloitte Global’s CFO Program and network of Deloitte member firms harness the breadth of Deloitte member firms’ capabilities to deliver forward-thinking perspectives and fresh insights to help CFOs manage the complexities of their role, drive more value in their organization, and adapt to the changing strategic shifts in the market.

About Deloitte 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 16) 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 fourth-quarter 2016 CFO surveys from Deloitte member firms in the following geographies:

**Australia:** Facing uncertainty with confidence
**Belgium:** Optimism near recent years’ high
**Central Europe:** Weakening economic outlook
**Japan:** Tempered outlook
**Netherlands:** Good mood, outlook fragile
**North America:** All eyes on the new US administration
**Russia:** Slowly recovering
**Switzerland:** A positive outlook for 2017
**United Kingdom:** Greater optimism yet to ignite risk appetite

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

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Global CFO Signals

CFO Sentiment Q4 2016

Rising above the noise

Despite the global gyrations that CFOs have dealt with in recent months—particularly the Brexit vote in the UK, the victory of Donald Trump as US president, and uncertainty regarding global trade—there are multiple signs of optimism in the Q4 2016 edition of Global CFO Signals.

In fact, in the nine surveys included, many CFOs voice positive outlooks about their financial prospects, their key metrics, and in many cases their countries’ economic outlooks. In the UK, for example, the resilience of the economy after the Brexit vote has CFOs entering 2017 in better spirits than at any time in the last 18 months. In North America, where the survey opened the day after the presidential election, net optimism rose from last quarter’s +19.7 to +23.4 (slightly above its two-year average), despite overriding uncertainty about future government policy. And in Australia, where uncertainty is at record levels, the survey entered its fourth consecutive year of net positive optimism.

"The lesson here," says Ian Stewart, chief economist, Deloitte UK, and a member of Deloitte’s Global Economists Network, is that "political shocks and upsets do not necessarily have huge economic effects.” Moreover, the geopolitical noise may actually be clouding certain success stories. In Europe, for example, where Stewart points to an evolving recovery, "perceptions are being skewed by politics.”

That does not mean CFOs have not taken notice of the major changes afoot. At the time of the survey, Australian CFOs were taking the US election result in their stride, with 53% foreseeing a Trump presidency as having little-to-no impact on their companies in the short run, but 33% citing long-term risks. In the UK, CFOs expect Brexit to negatively impact capital spending (35%), hiring (39%), and discretionary spending (51%) over the next three years. In addition, 27% of Switzerland’s CFOs already cite commercial reforms and protectionism in other countries, including the United States, as having negative impacts on the financial success of their businesses.

Still, CFOs seem to expect their companies to block out the noise and deliver solid results. In Central Europe, for example, 71% of CFOs expect their company revenues to grow during 2017, 75% expect operating margins to improve or stay the same, and 42% expect their workforces to grow. In Japan, 69% of CFOs are forecasting increased earnings, and revenues are expected to tick up in Belgium (84%), the Netherlands (70%), and Switzerland (62%).

Such positive prospects are encouraging in a world with so many unknowns, particularly concerning trade and the future of globalization. "That is why it will be interesting to see the change in sentiment over time," says Patricia Buckley, managing director, Economic Policy and Analysis, Deloitte Services LP, adding that one thing that is clear for CFOs is that "scenario planning has become much, much tougher.”

How does CFO sentiment in Q4 2016 break down? What follows is a synopsis by region:

Americas

All eyes were definitely on the new Trump administration this quarter. Yet, while North American CFOs voiced concern about the lack of clarity around government policy, 43% of them expressed rising optimism (up from 35% last quarter), and 20% cited declining optimism (up from 16%). Their year-over-year operating expectations remain muted, but CFOs are firmly biased toward revenue growth and investing cash. They are also bullish toward economic growth in the US, but split on Canada’s prospects (only 14% of Canadian CFOs say Canada’s economy will improve), and negative toward Mexico’s (where 0% of Mexican CFOs expect improvement in that economy). It should be noted, however, that the strong levels of pessimism regarding Mexico’s economy may have been an initial reaction to the election—and subsequently spurred a more aggressive corporate stance, says Andres Garza, economic analysis leader, Deloitte Mexico. He points to recent spikes in Mexican export volumes to both the US and the rest of the world,
as well as an appreciation of the peso of around 6% since President Trump took office, saying it may reflect the realization that “if changes are made to trade policy, they will take time.”

Asia-Pacific
For the two countries reporting in Asia-Pacific—Australia and Japan—there are upbeat signs for the future. In Japan, for example, 27% of surveyed CFOs indicate that they are “somewhat positive” about their companies’ financial prospects, the highest level in that survey. As for plausible risk scenarios, though, most CFOs believe the Trump administration’s policies may impact diplomatic and trade arrangements and are concerned about the “clear signs of protectionism.” Meanwhile, in Australia, where CFOs rank the current level of uncertainty the highest in the eight-year history of the survey, they are still strongly optimistic, buoyed by historically low interest rates and a lower Australian dollar, as well as by the shift of economic activity away from mining states in the north and west to retail and housing markets in the east. Barring unforeseen events, the economic outlook for 2017 is one of relative strength, with Australia poised to break the record—currently held by the Netherlands—and enter its 26th consecutive year of economic growth.

Europe
Finally, in Europe, the initial shock of Brexit seems to have worn off and left CFOs breathing a sigh of relief. In the UK, the resiliency of the economy in the wake of the vote has left CFOs markedly more positive on the outlook for their own businesses—although 66% of CFOs expect that leaving the EU will be negative for the overall business environment in the long-term. In Belgium, optimism is at positive levels last seen in 2014, and expansionary strategies are the top priority for 62% of companies. For the seventh successive quarter, Swiss CFOs’ views of the country’s economic prospects have improved (50%), and 64% voice optimism about their companies’ financial prospects. Russian CFOs are also cautiously optimistic, with 36% reporting positive outlooks for their companies. And across Central Europe, CFOs have been emboldened by increasing GDP rates and lower unemployment.

Going forward, the Deloitte economists interviewed expect that there may be more geopolitical surprises in store. For CFOs and for companies, says Stewart, this necessitates “recognizing the risks and measuring them, but not to be completely driven by them.”
Global CFO Signals

By the numbers

**Risk appetite**

Companies’ risk appetite further underscores CFOs’ improving optimism for some countries. In the Netherlands, some 40% of CFOs say now is a good time to take greater risk onto their balance sheet—a recovery of 800 basis points from last quarter. Likewise, in Belgium, the percentage has improved to 39% from 23% in Q2 2016. But in the UK, the impact of Brexit continues to weigh heavily, with only 21% of CFOs saying now is a good time to take on risk. Similarly, 54% of Australia’s CFOs do not think it’s time to add risk, and neither do 65% of Central Europe’s CFOs.

**Uncertainty**

Despite the risks facing them, some CFOs see moderation with respect to uncertainty. In Switzerland, 58% of CFOs rate the level of external financial and economic uncertainty as high (down from 63% last quarter), as do 51% of Russian CFOs (down from 72%), and 44% of Belgium’s CFOs (down from 50%). Uncertainty in Japan rose sharply, with the proportion of CFOs citing “high” or “very high” uncertainty rising to 80% from 56% in Q3, as did uncertainty in Australia, where 78% of CFOs put it between “above normal” and “very high”—a survey record.

**Metrics**

In North America, this quarter’s 3.7% expectation for year-over-year revenue growth is down from last quarter’s 4.2%, and near the survey low. Elsewhere, CFOs are more upbeat about revenue increases, particularly in Belgium (where 84% expect an increase), Central Europe (71%), the Netherlands (70%), and Switzerland (62%). In line with increased optimism, 69% percent of Japanese CFOs expect an increase in earnings. Yet, in the UK where capital expenditure and discretionary spending expectations are up, on balance CFOs still expect to decrease spending.

**Hiring**

As for hiring, the outlook among the European companies reporting remains relatively positive. Forty-two percent of Central Europe’s CFOs expect to hire over the next 12 months, as do 40% of CFOs in the Netherlands, 35% of Belgium’s CFOs, and 24% of Russia’s CFOs. Some 39% of the UK’s CFOs think hiring will decrease because of Brexit, but that is down from 66% in Q2 right after the vote. In North America, however, this quarter’s domestic hiring growth expectation fell to 1.3% from 2.3% the previous quarter and is slightly below its two-year average.

**Corporate strategy**

Signs of expansion emerge this quarter. In line with growth ambitions and increases in capital expenditure, 62% of Belgium’s CFOs report their strategic priority is expansion rather than defensive strategies. In North America, about 45% of CFOs say they are biased toward revenue growth (one of the highest levels in survey history), while only 31% claim a bias toward cost reduction (one of the lowest). And 59% of CFOs across Central Europe expect M&A activity to increase. Yet, there is still plenty of caution. UK CFOs entered 2017 focused on reducing costs (45%) and increasing cash flow (41%) as their top priorities, and in Russia, four of the top five strategies cited were defensive.

**Funding/Interest rates**

Monetary policy remains accommodating, but CFOs expect interest rate hikes. Some 85% of Belgium’s CFOs expect the ECB to raise rates this year, which may be why 81% point to internal financing for growth. In Australia, 42% of CFOs believe that rates will rise in a year’s time (compared with 48% who thought they’d be lower in the last survey), and in the UK, 61% of CFOs believe the Bank of England’s base rate will be above its current level of 0.25% in a year’s time. Nearly 70% of their counterparts in North America expect interest rates to rise above 0.5% in 2017.
Deloitte Member Firm CFO surveys:

Fourth-quarter 2016 highlights
Australia

Facing uncertainty with confidence

Positive despite the noise
For Australia’s CFOs, 2016 was arguably the year where uncertainty became the norm rather than the exception—think the outcome of the July federal election, the UK decision to leave the European Union, and Donald Trump’s ascendancy to the US presidency.

Yet despite this environment, sentiment among Australian CFOs enters its fourth consecutive year of net positive results, with a net 20% of CFOs more optimistic than three months ago. Supported by historically low interest rates and a lower Australian dollar, the nation has successfully shifted economic activity away from mining states in the north and west to retail and housing markets in the east. The icing on the cake is the recent revival of the Chinese economy, which has buoyed commodity prices—for the first time since 2013, commodities and China were net sources of optimism for CFOs—as the US economy also increasingly displays signs of recovery.

Reserved on interest rates
Like the Reserve Bank of Australia (RBA), CFOs aren’t tempted by further cuts to interest rates—only 20% think a further cut would be likely to stimulate investment in their company. And CFOs have reversed their interest rate expectations from earlier in the year. Last round, 48% of respondents believed that rates would be lower in a year’s time, while this round 42% of CFOs believe rates will rise.

If the RBA does stay on hold that will keep the Australian dollar on the wrong side of the global currency wars—and still trading at levels slightly above where its fundamentals would otherwise put it. As a result, 40% of CFOs think the Australian dollar will be around the same level in a year’s time.

Uncertainty at record levels
Big headlines in 2016 spooked business, leading to the highest level of uncertainty in the history of the survey. And as economic uncertainty reaches new highs, 24% of CFOs suggest the federal government’s response to economic uncertainty will be the largest national issue likely to affect their company in 2017. However, as history demonstrates, this hasn’t been a forte of recent Australian governments.

CFOs are well aware of this, and despite tax cuts being flagship policy of the current Turnbull government, 75% of CFOs don’t believe they will ever be legislated, and nearly 25% of those who do, don’t see action in the next five years.

Outlook optimistic
For 2017, CFOs are fairly positive (53%, for example, say the new US administration will have little or no impact on their companies in the short run). While there are undoubtedly risks on the horizon, the economic outlook for 2017 is one of relative strength, with Australia poised to break the record—currently held by the Netherlands—and enter its 26th consecutive year of economic growth.

Highlights from the H2 2016 Australia CFO Survey:
- Sentiment enters its fourth year of positive results, with a net 20% of Australia’s CFOs more optimistic than three months ago.
- A full 78% of CFOs say there are above normal external risks facing their companies—the highest level in survey history.
- More than 40% of CFOs expect interest rates to rise within the next 12 months.
- Australia’s CFOs are not worried about US President Trump in the short term, but 33% are keeping an eye out for negative impacts in the long run.
New level of optimism
CFOs have entered 2017 in a positive mood. Amid the turmoil surrounding Brexit and the new US government, CFOs regained confidence in the financial prospects of their companies. In fact, net optimism—one of the key indicators of the Belgium CFO Survey—has increased to 37% and is today at the highest level since the beginning of 2014. Since the launch of the survey in 2009, CFOs have rarely been more optimistic about the financial prospects of their organizations.

In addition, risk appetite has increased with 39% of CFOs saying that now is a good time to take risk onto the balance sheet. The general level of financial and economic uncertainty has also continued its steady decline quarter after quarter. In fact, CFOs’ perceived general level of uncertainty dropped below 50%; entering the year with 44% of the surveyed CFOs rating the general level of external financial and economic uncertainty as high.

As for their country’s outlook, some 76% of respondents expect economic growth in Belgium in 2016 to be between 1% and 1.5%. This is in line with predictions by the National Bank of Belgium projecting 1.2% growth. Another 23% of the respondents are more positive and expect the economic growth to be higher than 1.5%.

Focus on expansion
Expansionary strategies are the top priority for more than 62% of the companies and will drive their 2017 agendas. Some 84% of CFOs have budgeted for top-line growth, and 74% for an increase in profit before tax. In addition, 25% of respondents expect to increase top-line by more than 5%. On-going cost control and productivity initiatives remain a priority to support margins.

As for key metrics, 84% expect revenues to increase over the next 12 months. A majority of CFOs also expect increases in operating cash flow (74%), profit before taxes (74%), and operating margins (60%). In addition, 50% of CFOs report plans to increase capital expenditure this year.

Expectations on headcount growth remain strong as well with 35% of CFOs planning additional hiring. That is down from 55% in the third quarter of 2016, however. Illustrative of this slowdown is also that CFOs are on average significantly less concerned about shortage of skilled labor than they were last quarter.

Staying on the financial budget
Looking at the surveyed companies’ performance for the fourth quarter of 2016, 56% of participants report being on budget or outperforming the financial budget. This is in line with fourth quarter results in 2014 and 2015.

Highlights from the Q4 2016 Belgium CFO Survey:
- CFO optimism is at its highest level since the start of 2014.
- Some 84% of the surveyed CFOs expect revenues to grow over the next 12 months, and another 74% expect an increase in operating cash flow.
- For the first time since the current government took office in 2014, CFOs’ net perception of the Belgian government has turned negative.
- CFOs are above all concerned about their competitive position. They are also concerned that current financial and economic policy and regulatory changes might not contribute to their competitiveness.
Central Europe

Positive expectations in a testing time

**Upbeat, but risk adverse**
The eighth Deloitte Central Europe (CE) CFO report contains survey results from 12 countries: Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Hungary, Lithuania, Poland, Romania, Serbia, Slovakia, Slovenia, and Ukraine.

Overall, the CFOs surveyed are looking ahead to the next year with increased confidence, bolstered by 2016’s accelerating growth rates and falling unemployment in most countries. However, they do have some major concerns about the health of the business environment, with forthcoming changes in economic and tax law, downward pressure on prices, and the impact of Brexit all contributing to an unwillingness to take business risks.

**Positive GDP outlooks**
The economic growth rate in Central European countries accelerated in 2016, leading to a positive outlook. Negative GDP growth is not expected in any of the countries covered by the research, and CFOs predict average GDP growth of 1.9%.

Specifically, more than 21% of the respondents believe that GDP growth in 2017 will reach 2.6% or more, which marks a six percentage-point increase over 2015. The largest group in the survey (41%, six percentage points more than last year) expects moderate GDP growth (1.6%—2.5%), while 37% predict slow growth (<0.5%—1.5%).

**Business expectations**
Much like last year, CFOs are convinced that their companies will continue to do well over the next six months. However, they were slightly less optimistic this year (net balance of 33% compared with 37% in 2016). A further 35% do not expect the situation to change significantly.

As for metrics, 71% of CFOs expect their revenues to grow during 2017, 75% expect operating margins to improve or stay the same, and 42% expect their workforces to grow.

Still, like last year, CFOs consider the business environment to be uncertain (net balance -35%). It is worth noting, however, that opinions are mixed. Almost half (48%) said they find the level of uncertainty acceptable. However, 65% say this is not a good time to take more risk.

Cost control will be the most important priority for CFOs over the year to come, with 32% of respondents ranking it with a six on a 1-to-6 scale. One reason: CFOs expect almost all costs to rise. The greatest proportion (with a net balance of -78%) expect workforce costs to rise, which may be related to difficulties in attracting qualified employees. Increase of production costs are also expected (net balance of -60%). Many respondents also expect rising costs for real estate (net balance of -43%) and business-related services (net balance of 41%).

**Highlights from the 2017 Central Europe CFO Survey:**
- More than a fifth (21%) of Central Europe’s CFOs expect GDP growth in their countries of more than 2.6%, 73% expect the Consumer Price Index to grow over the next 12 months.
- Some 71% of CFOs expect their company revenues to grow during 2017; 75% expect operating margins to improve or stay the same.
- Still, 65% do not see this as a good time to take more risks, and 43% believe they are facing a high level of external financial and economic uncertainty.
- Difficulty in attracting suitably qualified employees and downward pressure on prices are seen as the biggest risks business face in 2017, while worries about increasingly stringent tax and financial laws have implications for future profitability.
Entering a recovery phase
CFO’s outlook on their companies’ financial situation has seen a gradual improvement since the second half of last year. Between Q3 2015 and Q1 2016, participants increasingly gave “somewhat negative” and “very negative” responses. Then, between Q2 2016 and Q3 2016, there was a decrease in the number of negative responses. And this quarter, the percentage of negative responses fell to its lowest level since Q3 2015, while CFOs responding “somewhat positive” reached 27%, the highest number in the CFO survey.

That newfound optimism can be seen in expectations for earnings and operating profits too. This quarter 69% of CFOs report that their earnings and operating profits are expected to improve. The uptick is expected despite the fact that 80% of CFOs believe external uncertainty to be "extremely high" or "high."

Better earnings outlook
Regarding the outlook on the global economy/regional economic growth rate, a positive sentiment has been observed across the region, excluding China. This quarter, pessimistic sentiment on global economic growth rate has plummet, with only 13% responding with 'fall' in comparison to 67% in Q2 2016. Meanwhile, participants who responded that global economic growth to 'rise' was 47%, a significant increase from the 3% in Q2 2016.

Eyes on multiple risks
As for the risks businesses need to be concerned about in 2017, the majority of respondents mentioned Trump administration-related matters in the US. In particular, they noted “clear signs of protectionism,” and “diplomatic policies for the Middle East and China that impact international politics.” Although, most CFOs believe that the Trump administration’s policy is set to be positive for the US economy, they are concerned about diplomatic and trade policies.

In addition, many CFOs are concerned about “turmoil in the Chinese economy,” particularly whether the macroeconomic policies can be successfully implemented. In Europe, the “rise of far-left/right political parties” and “turmoil around Brexit” were seen as risk events.

Highlights from the Q4 2016 Japan CFO Survey:
• Nearly 70% of Japan’s CFOs expect increased earnings and operating profit.
• The number of CFOs who believe the level of uncertainty in Japan is “high” or “very high” is 80%, up from 56% in Q3.
• Only 13% of CFOs expect the Japanese economy to decline this quarter, down from 67%.

Japan’s CFOs see the Trump administration’s policies as positive for the US economy, but they have concerns about diplomatic and trade policies.
Brexit increases uncertainty

In its December report, the government’s macroeconomic think tank, CPB Netherlands Bureau for Economic Policy Analysis, forecast economic growth in 2017 at 2.1% of GDP, up from its prediction of 1.7% three months earlier. Forecasts from the Economist Intelligence Unit are 1.7% for 2017 and 1.6% for 2018 and 2019. CPB also forecasts that unemployment will fall to 5.3% and that the government budget will be balanced in 2017, while purchasing power is expected to increase 0.7%.

Against this backdrop, the level of concern about the financial and economic environment has decreased from 68% in Q3 2016 to 55%. In addition, CFOs’ optimism about the financial prospects of their companies, increased from 23% to 35%.

Metrics trend upward

CFOs’ expectations for growth, operating margins, capital expenditures, and workforce were all up compared to the previous quarter.

Some 70% of CFOs expect their revenues to increase in 2017, compared with 52% one year ago—while 65% also expect better operating margins. Four out of 10 CFOs expect to hire in 2017; 55% say that their number of employees will remain the same; and only 5% intends to reduce headcount.

In line with this increased optimism, some 40% of CFOs say that now is a good time to take greater risk onto their balance sheets—a recovery of 800 basis points after the sharp Brexit-related decline last quarter.

Brexit negative impact foreseen

In 2016, deal volumes in the Netherlands slowed down, in line with European and global levels. And CFOs’ outlooks on the corporate M&A market continued its downward trend, with 65% of CFOs expecting M&A activity to increase in 2017, compared with 79% and 90% one year and two years ago respectively.

Some 70% expect private equity activity to increase over the next 12 months (81% in Q3 2016).

As for their own companies, some 40% of CFOs expect to realize one or more acquisitions over the next 12 months, while 35% plan to be working on the disposal of subsidiaries and/or assets. Partnerships (e.g. joint ventures) is the least favorite transaction type.

Wary of new US administration

This quarter, CFOs were also asked how the Trump administration would affect the global economy. Some 21% expect it to have a positive effect, while 47% expect a negative impact. A fifth is having a wait-and-see approach.

Decreased exports is what CFOs fear most, since 63% believe that exports to US will fall as a result of increased protectionism. Stronger competition from the US due to weakening of the US dollar versus the euro is considered likely by a third of the CFOs surveyed.
No reprieve from uncertainty

Last quarter, CFOs faced a barrage of domestic and global developments that led to decidedly mixed sentiment. This quarter’s developments did little to offer a reprieve from uncertainty.

Despite most pre-election indicators predicting little chance for Donald Trump to win the US presidency, he won the Electoral College by a considerable margin. Moreover, the Republican Party maintained its majority in both houses of Congress, giving the now president a better chance of enacting his campaign promises. Note: This quarter’s survey opened the day after the election.

Meanwhile, many broader indicators have continued to improve. European and Chinese growth continued at fairly steady paces. Bond yields rose, consumer confidence remained high, retail sales were strong, equities hit new highs, and claims for unemployment insurance fell to their lowest level since 1973.

So where does this leave CFOs’ sentiment and expectations as they look to 2017 and beyond?

Rising concerns about geopolitics

To get a post-election reading, we asked about their expectations for economic growth, government policy, industry performance, and company priorities. In short, surveyed CFOs seem to mostly expect the next administration and lawmakers to follow up on their campaign promises, particularly around taxes, infrastructure spending, health care, and trade policy.

Respondents still appear fairly bullish on North America’s economy and reserved on Europe’s and China’s. They are mostly optimistic regarding the US economy, mixed on Canada, and pessimistic on Mexico. Of particular note is that US CFOs now indicate higher optimism about their own companies’ prospects than they have in two years.

Still, lack of clarity around government policy rose significantly this quarter, with respondents frequently mentioning two new themes among their most worrisome risks: “uncertain impact of the new US administration” and “impact of protectionism on global trade.” They say they expect gridlock in Washington to decline, but their mixed expectations for some policy areas seem to indicate inconsistent ideas about how the administration will proceed. They also voice concerns about trade-offs—for example, while they are optimistic that tax reform and infrastructure investments will happen, they also express concerns about tax uncertainty limiting near-term business investment and about the possibility of a rising national debt.

Overall, CFOs’ sentiment shows considerable optimism despite somber growth expectations. It will be interesting to see how perceptions evolve as companies continue to consider the likelihood, degree, and implications of major policy changes that have been promised.
Russia

Slowly recovering

**Barriers to growth still exist**
The third Russian CFO Survey was designed to gauge CFOs’ outlooks on business, financing, risk, and strategies, and to identify trends in the Russian market.

The survey found that over the last six months, the pessimistic sentiments that saw almost one-third of CFOs noting negative changes last survey, have been giving way to a cautiously optimistic view. Now, 36% of Russia’s CFOs note positive changes in the prospects for business. Significantly, the number of respondents seeing no changes in their financial prospects has risen too. Compared with the recent generally pessimistic views, this suggests that Russian businesses are slowly recovering.

Asked about drivers of business development, CFO mentioned optimization of production costs, increasing production in Russia, and organic growth. On the flip side, the top barriers to development include the current financial condition in Russia, weaker domestic demand, and the weak ruble.

The optimism can be seen in expectations for key financial metrics too. At this point, 61% of respondents expect operating profits to increase, and only 16% forecast weaker financial performance. In addition, 78% foresee an increase in revenues, and almost a quarter (24%) state that their staffs may expand.

**Tempered uncertainty**
The rising levels of uncertainty observed over the past two years have dropped dramatically by 42 percentage points since the first half of 2016. In fact, 49% of CFOs now rate the level of uncertainty as low.

Over the last two years, the risk appetites of large businesses in Russia have changed drastically. In early 2015, the overwhelming majority of the CFOs were not ready to make risky decisions. In late 2016, the number of those who believe it is a good time to make risky decisions have increased 3.4 times.

In the latter half of 2016, the top five risk factors that have dominated the survey reinforced their positions: stress in the financial system, weakness in the ruble, lower domestic demand, deterioration of cash flow, and dwindling operating income. In particular, the continued references to stress in the financial system once again prove that the events of late 2014 are having a long-lasting effect and the Russian economy (and big business in particular) is recovering slowly.

**Strategies still defensive**
The top strategies CFOs are focused on over the next 12 months remain the same as in H1 2016: ongoing cost restructuring, cost control, cost-cutting, organic growth, increasing cash flow, and new products/services.

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**Highlights from the H2 2016 Russia CFO Survey:**
- Overall, a net 23% of Russia’s CFOs are optimistic about their companies’ prospects this quarter.
- Some 47% of CFOs consider now to be a good time to take risk onto the balance sheet.
- In the second half of 2016, 55% of CFOs believe the best conditions for business happen outside of Russia.
- Price increases in 2016 are expected by 37% of respondents.
- The share of companies employing currency risk management practices fell to 56%.
Switzerland

A positive outlook for 2017

Seeing through the risks
Last year saw a number of major events that are likely to have an ongoing impact in 2017. Alongside Europe’s “election super-year,” which will see elections being held in more than half a dozen countries including France and Germany, there will (probably) be progress toward Brexit, and reactions to Donald Trump becoming US president.

Against this backdrop, it is unsurprising that the challenge CFOs most commonly cite for 2017 is geopolitical risk. However, the strong Swiss franc remains a perceived challenge, along with increasing business regulation and the skills shortage. Nevertheless, despite these risks, CFOs are more optimistic overall this quarter.

Corporate indicators improve
For the seventh successive quarter, Swiss CFOs’ rating of the country’s economic prospects has improved. Half of CFOs rate the outlook as positive, with just 7% rating it as negative. Official economic forecasts also assume that the Swiss economy will continue to recover. Despite a slight setback in Q3 2016, when growth was 0%, the State Secretariat for Economic Affairs is forecasting growth of 1.5% for 2016 and of 1.8% for 2017.

These positive expectations are reflected in CFOs’ assessment of their own company’s financial prospects. This quarter 64% rate them as positive and 9% as negative, reflecting a consistent improvement from the low recorded in Q1 2015.

Still adverse to risk
Corporate indicators also point to recovery. The net balance of expectations for revenues in the next 12 months has improved slightly, while expectations for operating cash flow are down. Expectations for operating margins have also improved: the net balance is positive, with slightly more companies expecting margins to increase than decrease (33% versus 31%).

Expectations for new investments are also more positive. Half of CFOs expect new investments to increase in the next 12 months. Expectations for both replacement investments and number of employees are slightly down on Q3, but the net balance nevertheless remains positive, with a small majority expecting these indicators to increase.

Highlights from the Q4 2016 Switzerland CFO Survey:
- Half of Swiss CFOs rate the prospects for their country’s economy over the next 12 months as positive.
- One in two companies expects to see an increase in new investments over the next 12 months.
- The most commonly cited risk this quarter is geopolitical risk, which is still perceived as representing a greater risk than the strong Swiss Franc and declining domestic demand.
- The most commonly cited opportunities for 2017 are expansion, innovation/new products, M&A and foreign demand.
Global CFO Signals | United Kingdom

United Kingdom

Greater optimism yet to ignite risk appetite

More resilient than expected
Britain’s relationship with the EU exercised a significant influence on UK business sentiment through 2016. Ahead of the referendum, Brexit was seen by CFOs as the most significant risk facing their business, and in the wake of the vote, in late June, optimism dropped to the lowest level since the global financial crisis. CFOs batten down the hatches, pulling back on investment and spending.

Since then, the UK has proved more resilient than expected, and talk of the UK falling into recession has abated. In the wake of the vote, consensus or market forecasts for UK GDP growth in 2017 plunged from 2.1% to just 0.6%, but then edged up to 1.3% by December. The latest UK CFO Survey shows that against a backdrop of continued UK growth, CFOs have become markedly more positive on the outlook for their own businesses. In fact, CFOs enter 2017 in better spirits than at any time in the last 18 months.

Brexit still looms large
Yet, this brighter mood does not signal a return to business as usual. Corporate risk appetite is depressed and running at well below average levels. Perceptions of uncertainty remain high. CFOs see Brexit as the top risk facing their business, and the extent of concern has risen since the last survey.

Renewed focus on costs
Such concerns have left corporations positioned defensively, with cost reduction and building up cash ranking as the top balance sheet priorities.

In addition, CFOs continue to expect that their own spending and investment will be weaker as a result of the UK exiting the EU. And in the long term, CFOs expect that leaving the EU will damage business environment. Some 66% of CFOs see Brexit as being negative for the business environment in the long term, and 14% see it as a positive.

CFO confidence has surged since the post referendum lows. But this survey paints a picture of a continued backwash from the referendum, with uncertainty keeping a lid on expansion and corporations focused on costs.

Highlights from the Q4 2016 UK CFO Survey:
- After Brexit, CFOs see weak demand in the UK as the greatest risk facing their business.
- Just 21% of UK CFOs think now is a good time to take greater risk onto the balance sheet, well below the long-term average.
- Reducing costs (45%) and increasing cash flow (41%) remain the top priorities for CFOs.
- Some 61% of CFOs expect the Bank of England’s base rate to be above its current 0.25% in a year’s time.
- Two-thirds of UK CFOs expect worsening business conditions in the long-term due to Brexit, largely unchanged from last quarter.
About Deloitte Member Firms’ CFO Surveys

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

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

<table>
<thead>
<tr>
<th>Member firm</th>
<th>Contacts</th>
<th>Frequency</th>
<th>Survey scope and population</th>
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<tbody>
<tr>
<td><strong>Australia</strong></td>
<td>Tom Imbesi</td>
<td>Biannual</td>
<td>Conducted between November 10 and December 6, 2016; 90 senior financial executives participated representing businesses with a combined market value of $571.78 or 34.6% of the Australia quoted equity market.</td>
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<td></td>
<td>Managing Partner, Victoria; Deloitte Executive Program Leader</td>
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<td><strong>Belgium</strong></td>
<td>Thierry Van Schoubroec</td>
<td>Quarterly</td>
<td>The 2016 third quarter survey took place between December 15, 2016 and January 9, 2017. A total of 59 CFOs completed the survey.</td>
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<td>Partner, Finance Transformation</td>
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<td><strong>Central Europe</strong></td>
<td>Gavin Flook</td>
<td>Annual</td>
<td>Conducted between August 2016 and October 2016; CFOs from 12 countries (see list) and a broad range of industries participated.</td>
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<td><strong>Japan</strong></td>
<td>Yasushi Nobukuni</td>
<td>Quarterly</td>
<td>Conducted between January 10-20, 2017; 45 CFOs completed the survey. The participating CFOs are active in variety of industries, representing listed companies and relevant private companies.</td>
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<td><strong>Netherlands</strong></td>
<td>Frank Geelen</td>
<td>Quarterly</td>
<td>Conducted December 7-23, 2016; 20 CFOs representing a net turnover per company of approximately EUR 2.1 billion. The responding companies can be categorized as follows: publicly listed (45%), privately owned (25%), family owned (15%), state or government owned (10%), other and/or unknown (5%).</td>
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</table>
| North America (US, Canada, Mexico) | Greg Dickinson  
N.A. CFO Survey Director  
+1 213 553 1030  
gdickinson@deloitte.com | Quarterly | Conducted between November 9, 2016 and November 23, 2016; 137 CFOs participated from across the United States, Canada, and Mexico. Seventy-two percent of respondents represent CFOs from public companies, and 84% are from companies with more than $1 billion in annual revenue. |
| Russia | Lora Zemlyanskaya, Ph.D.  
Senior Manager, Deloitte & Touche CIS  
+7 (495) 787 06 00 (x2299)  
melovskaya@deloitte.ru | Biannual | Conducted in October 2016; 60 CFOs participated representing multiple industries. |
| Switzerland | Dr. Michael Grampp  
Chief Economist  
+41 44 421 68 17  
mgrampp@deloitte.ch | Quarterly | Conducted between November 21, 2016 and December 16, 2016; 101 CFOs participated, representing listed companies and relevant private companies. |
| United Kingdom | Ian Stewart  
Chief Economist  
+44 020 7007 9386  
istewart@deloitte.co.uk | Quarterly | Conducted between November 29 and December 12, 2016; 119 CFOs participated, including CFOs of 25 FTSE 100 and 43 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 81 UK-listed companies surveyed is £396 billion. |
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