The Deloitte CFO Survey
Innovation, performance and growth: A new era

Quarter 2 2014 survey results
Leading business advisers

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About the survey

This is the twentieth in a series of quarterly surveys of Chief Financial Officers of major Irish based companies. The survey was conducted in June/July 2014, and CFOs of listed companies, large private companies and Irish subsidiaries of overseas multi-national companies participated.

The Deloitte CFO Survey is the only survey that seeks to establish the views of CFOs in relation to the financial markets, economic outlook and business trends on a quarterly basis.

Due to rounding, responses to the questions covered in this report may not aggregate to 100.
The country appears to be continuing on the trend of recovery we noted in last quarter’s survey, with Ireland displaying characteristics that position it well to deliver on economic growth – GDP is up, there is an improved outlook for economic growth, market sentiment is positive and our ability to raise funds in the bond market persists. The first post-bailout report on the Irish economy by the International Monetary Fund (IMF) this quarter praised several key improvements but warned that “significant economic challenges” remain, particularly in relation to high unemployment, public debt and distressed loans. While the situation remains fragile, the overall outlook is positive, a sentiment echoed by this quarter’s respondents to the CFO Survey.

The survey results this quarter mark a number of firsts in the history of the CFO Survey and highlight a number of interesting trends that appear to be emerging in 2014:

1. **Availability of credit from all sources is improving**
   While CFOs’ perceptions of the availability of domestic credit have improved over the last year (with the exception of Quarter 4 2013), this quarter marked the first time in the survey’s history when a majority of CFO respondents believe credit to be easily available across domestic and overseas banks, corporate bonds and equity.

2. **CFOs are more optimistic than they have ever been**
   Optimism continues to be on the rise amongst CFO respondents, with a net 62% of CFOs more optimistic about their companies’ financial prospects this quarter – this equates to the highest level of optimism reported by this survey since its inception.

3. **For the first time, a majority of CFOs now believe it is a good time to take greater risk onto their companies’ balance sheets**
   The cautious optimism displayed by CFOs as indicated by previous survey results appears to be dissipating, as CFOs are gaining an appetite for bringing greater risk onto their balance sheets with the promise of greater reward. This is further evidenced by respondents citing a priority for their companies to pursue opportunities as opposed to limiting risk.

4. **Talent cost and availability is increasingly a key concern for CFOs**
   While we have reported this trend in previous quarters, it is more pronounced this quarter as two out of every three CFOs surveyed believe employee numbers will increase in the next 12 months. 70% of CFO respondents believe that talent costs will impede their company’s performance over the next year while 57% believe talent availability will have a negative impact on performance.

5. **Companies’ performance and investment plans are largely going to be driven by economic growth in Ireland and overseas markets**
   The biggest contributor to driving company performance according to CFO respondents, aside from industry specific demand, is economic growth both at home and abroad. This is mirrored in responses to factors impacting positively on companies’ investment plans for the next 12 months.

6. **Capital expenditure is on the rise**
   Three out of every four CFO respondents believe capital expenditure in their companies will increase in the next year, continuing an upward trend which we have seen over the last three quarters.

As we prepare for our third annual Deloitte CFO Forum in September, titled ‘Innovation, Performance and Growth’, it is apparent that these themes are firmly on CFOs’ agendas. Almost two out of every three CFOs surveyed (64%) believe new product development will increase over the next 12 months, supported by strong investment in research and development. This reinforces the trend we have seen in the past of a strong appetite amongst CFOs to pursue opportunities and grow their organisation through new offerings in current and new geographies.

Shane Mohan
Partner, Deloitte
Snapshot of key findings

62% of CFOs now believe it is a good time to take greater risk onto their balance sheet, while 37% of respondents believe bank borrowings will decrease in their organisations in the next 12 months suggesting alternative means will be used for investing and achieving growth.

Availability of talent will impede companies’ performance for 57% of CFO respondents, while 70% of CFOs believe talent costs will impact negatively on companies’ performance, representing a significant jump in the last quarter.
59% INNOVATION
Innovation attempts only sometimes return their capital according to 59% of CFO respondents however.

64% NEW PRODUCT DEVELOPMENT
This will not deter companies as 64% of respondents believe new product development in their companies will increase in the next 12 months.

33% NEW CREDIT
A net 33% of CFOs believe new credit to be easily available for Irish corporates, marking the highest net response for credit availability in the history of the survey.

€2b BUDGET ADJUSTMENT
52% of CFO respondents believe the Government should go ahead with the proposed €2 billion adjustment in this year’s Budget.
The Department of Finance publishes an update for Ireland’s Stability Programme. Key points included:

- GDP forecast to grow by 2.1% and 2.7% in 2014 and 2015 respectively, and employment forecast to grow by 2.2% in 2014.
- The Minister for Finance, Michael Noonan, has pledged to do “something” for struggling middle-income earners. He insists easing the tax burden on hard-pressed workers was not incompatible with the planned €2 billion adjustment required to achieve the Troika-agreed deficit target of 3% in 2015.
- Figures released by the CSO show that prices on average, as measured by the CPI, were 0.4% higher compared to 2013 figures.
- National house prices have risen according to CSO figures. The index was at 70.1 in April 2014 and this rose to 71.1 in May. The figures reveal that prices are down 45.1% compared to the peak period but are up 11.9% on crisis period low.

According to Eurostat, the eurozone unemployment rate fell from 12% in April 2013 to 10.4% in April 2014.

The Ukraine forms an agreement with Slovakia for reverse-delivery of natural gas via the Vojany-Uzhgared pipeline. This follows Russian President, Vladimir Putin, signing a decree annulling Kharkiv agreements that provided a discount on gas delivery to Ukraine.

Figures published by Eurostat show that eurozone annual inflation is down from 1.7% to 0.5% in the year to March 2014.

Japan’s annual exports declined for the first time in 15 months as shipments to Asia and the US fall. Total exports fell by 2.7% in the year to May 2014, according to Ministry of Finance data.

US current account deficit reaches $111.2 billion as exports slump and the surplus on primary income declined, according to the Commerce Department.
Credit ratings agency Standard and Poor’s has become the first major ratings agency to restore an A rating to Irish sovereign debt.

CSO release figures indicating that unemployment fell for May 2014 from 13.6% to 11.8%, a fall of approximately 33,000 people.

According to the National Housing Construction Index, house construction was up 132% nationally for the first four months of 2014, compared with the same period in 2013.

PayPal announce plans to create 400 new jobs at its European Operations Centre in Dundalk, Co. Louth.

The National Treasury Management Agency (NTMA) successfully raises €500 million from the sale of three-month bonds.

China’s chief auditor discovers 94.4 billion Yuan (€11 billion) of loans backed by falsified gold transactions, contributing to speculation of possible fraud in commodities financing deals.

The ECB cuts rates, imposes negative interest rates on its overnight depositors and offers banks new long-term funds.

The US will allow two companies to export unrefined oil for the first time in four decades. This is the first step towards breaking a ban on oil exports according to The Wall Street Journal.

Argentina’s debt appeal is rejected by the US Supreme Court, fuelling concerns that the country could default for a second time since 2001.

China’s factory sector expands for the first time in six months as new orders surged. The HSBC/MarKit Flash China Manufacturing Purchasing Managers’ Index™ rose from 49.4 in May 2014 to 50.8 in June 2014.
17% of CFO respondents identified overseas banks as the preferred method of funding, an increase of 14% compared to Quarter 1 2014. In contrast, there is little change in the number of CFOs who identified domestic banks (31%) and corporate bonds (17%) as the preferred method of funding.

In line with Quarter 1 2014, almost one in four CFOs cite no requirement for funding within their organisation.

While credit is still considered costly, there is a marked improvement in the number of CFOs who believe it is easily available.

A net 41% of CFOs rate the overall cost of credit as high, a decrease of 3% compared to Quarter 1 2014. A net 33% of respondents consider credit to be easily available, representing a significant improvement since Quarter 2 2012 when a net 50% of CFOs believed credit was difficult to obtain.
CFOs’ perceptions of the availability of credit from all of the sources listed improved significantly this quarter.

The results indicate that more CFOs perceive credit from overseas banks, corporate bonds and equity to be easily available. Most notably, there has been a marked improvement in the availability of credit from overseas banks. A net 36% of respondents now believe credit is easily accessible, compared to a net 18% believing it to be hard to get in Quarter 1 2014.

Optimism amongst CFOs continues to rise.

The respondents that are feeling more optimistic indicated that this was largely due to external factors such as market trends and the economy. CFOs who feel less optimistic about the financial prospects of their companies have indicated this is due to internal factors.
A net 14% of respondents report a decrease in gearing compared to 12 months ago. This compares with a net 38% of respondents last quarter who reported a reduction in gearing over the previous 12 months.

62% of CFOs feel it is a good time to take greater risk onto their company’s balance sheet, signalling the first time that a majority of CFO respondents have indicated an increased appetite for risk.

This compares with only 24% of respondents who believed it was a good time to take greater risk onto their company’s balance sheet a year ago.
Deloitte perspective:

The sense of positivity expressed by CFOs is clearly visible this quarter. Not only do a net 62% of CFO respondents feel more optimistic about the financial prospects of their companies, the highest rate since the survey began five years ago, the same percentage believe it is a good time to take greater risk onto their company’s balance sheet. This positive sentiment is in line with the majority of CFOs rating the level of external financial and economic uncertainty facing their business as low or normal, as economic growth in Ireland and abroad will be a key driver of companies’ performance over the next year according to respondents. CFOs reported that they are optimistic about their company’s prospects mainly due to external factors, but, importantly, there was an increase in the number of CFOs that feel internal, company-specific factors are driving their sense of optimism.

The perception of CFOs is that credit is easily available from multiple sources, particularly overseas banks, which is consistent with the increase in the number of CFOs who indicated overseas banks as being the preferred method of funding. Interestingly, this increased availability has not had a knock-on effect on anticipated levels of bank borrowing in respondent companies. 88% of CFOs this quarter expect a decrease or no change in the level of bank borrowings in their companies over the next year. Considering the factors that CFO respondents believe will have an impact on their companies’ investment decisions over the next 12 months, this indicates that the cost and availability of external credit is no longer a strong contributory factor in the investment decision making process.
Consistent with last quarter, a large majority of CFOs believe that exports, GDP, foreign direct investment and inflation will be the four areas that will experience increases over the next 12 months.

86% of CFOs surveyed expect the unemployment rate will continue to decrease.

There has been a significant increase in the number of CFOs expecting increased austerity measures in Budget 2015, rising from 18% to 43% of CFO respondents.

### Figure 7: What change, if any, do you expect in the following economic metrics over the next 12 months?

<table>
<thead>
<tr>
<th>Category</th>
<th>Q2 14</th>
<th>Q1 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign direct investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>72%</td>
<td>14%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Austerity measures in budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>64%</td>
<td>65%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>24%</td>
<td>39%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Immigration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>82%</td>
<td>48%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>7%</td>
<td>18%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Emigration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>59%</td>
<td>65%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>24%</td>
<td>42%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Exports</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>76%</td>
<td>70%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>17%</td>
<td>13%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>GDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>72%</td>
<td>70%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>21%</td>
<td>24%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>86%</td>
<td>86%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>3%</td>
<td>1%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Consumer index/inflation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>69%</td>
<td>69%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>21%</td>
<td>33%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>ECB interest rates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase significantly</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Increase somewhat</td>
<td>62%</td>
<td>61%</td>
</tr>
<tr>
<td>Decrease somewhat</td>
<td>28%</td>
<td>38%</td>
</tr>
<tr>
<td>No change</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Industry specific demand is seen as the main driver of growth in the next 12 months for two thirds of respondents, flanked closely by economic growth in both Ireland (64%) and other markets (57%). CFOs have highlighted talent cost and availability of talent as the main factors which could hamper performance over the period.

**Figure 8: What external factors will substantially drive and/or impede your company’s performance over the next year?**

<table>
<thead>
<tr>
<th>Factor</th>
<th>Q1 14</th>
<th>Q2 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency exchange rates</td>
<td>25%</td>
<td>27%</td>
</tr>
<tr>
<td>Government spending/budget policy</td>
<td>20%</td>
<td>26%</td>
</tr>
<tr>
<td>Environmental regulation/policy</td>
<td>11%</td>
<td>16%</td>
</tr>
<tr>
<td>Industry specific regulation</td>
<td>18%</td>
<td>26%</td>
</tr>
<tr>
<td>Talent costs (e.g., wages, benefits, payroll taxes)</td>
<td>7%</td>
<td>22%</td>
</tr>
<tr>
<td>Talent availability</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Non-fuel input prices</td>
<td>8%</td>
<td>57%</td>
</tr>
<tr>
<td>Fuel/energy prices</td>
<td>5%</td>
<td>52%</td>
</tr>
<tr>
<td>Capital cost/availability</td>
<td>14%</td>
<td>68%</td>
</tr>
<tr>
<td>Technology advancements</td>
<td>30%</td>
<td>22%</td>
</tr>
<tr>
<td>Industry dynamics (e.g., sourcing, consolidation, M&amp;A, entrants etc.)</td>
<td>46%</td>
<td>27%</td>
</tr>
<tr>
<td>Industry specific demand</td>
<td>53%</td>
<td>30%</td>
</tr>
<tr>
<td>Economic growth – other markets</td>
<td>53%</td>
<td>30%</td>
</tr>
<tr>
<td>Economic growth – EU</td>
<td>66%</td>
<td>21%</td>
</tr>
<tr>
<td>Economic growth – Ireland</td>
<td>66%</td>
<td>21%</td>
</tr>
</tbody>
</table>
CFOs believe that decision making and the information/analysis their teams provide are the two key roles which the finance function plays with regard to innovation, with 31% of respondents citing these as the primary roles played in the innovation process.

One in four CFOs believe facilitation and leadership to be the dominant role played by their function.

24% of CFOs believe that innovation attempts frequently return their capital. While none of the CFOs surveyed are of the opinion that these attempts never return the capital invested, a majority of respondents (59%) believe that the return on capital is only sometimes achieved.

**Figure 9: What role do you believe the finance function plays in innovation in your firm?**

- Provide info/analysis: 13%
- Facilitation and leadership: 31%
- Voice in decisions: 31%
- Implementation of innovation: 25%

**Figure 10: Do you find innovation attempts, on average, return their capital?**

- Always: 0%
- Frequently: 0%
- Sometimes: 3%
- Rarely: 14%
- Never: 24%
- N/A: 59%
46% of respondents cite that their firms have applied for R&D grants in the past with 50% having applied for R&D tax credits.

36% and 39% of those surveyed have not applied for R&D tax credits and R&D grants respectively.

The strongest role R&D grants and tax incentives play in research and development initiatives in companies is to provide an added incentive to companies to invest in R&D, according to 29% of CFOs.

When asked to suggest how the Revenue could better facilitate the current R&D tax credit incentives, the deferral of costs related to R&D personnel and the provision of greater tax credits were the main responses.
CFOs have cited the tax regime as the key driver, at 45%, for overseas firms setting up a presence in Ireland, followed by the availability of a skilled workforce and the ease of doing business in Ireland.

CFOs feel that investor protection, stock market performance and the developing view of Ireland as a hub for innovation have no influence on this decision.

52% of respondents feel the government should go ahead with the proposed €2 billion adjustment in this year’s Budget.

Figure 13: What do you believe to be the key drivers for overseas firms setting up a presence in Ireland?

Figure 14: Do you believe the government should go ahead with the proposed €2 billion adjustment in this year’s Budget?
Deloitte perspective:

Despite the historically low level of ECB interest rates with a further cut announced in June, 28% of CFOs believe that rates will further decrease. This is a significant change in trend in comparison to the figures which we reported last quarter when only 6% of CFOs expected a further decrease in rates. CFO respondents expect this latest cut to have the desired impact on inflation, with almost seven out of every ten respondents expecting inflation to rise over the next 12 months.

There was increased debate on the proposed measures for Budget 2015 this quarter, perhaps prompting the shift in perceptions amongst CFO respondents, with 43% now believing increased austerity measures are likely in the Budget. Just over half believe that the Government should proceed with the proposed €2 billion adjustment in this year’s Budget. This is against a backdrop of recent commentary that such an adjustment may no longer be required on the back of tax receipts running ahead of targets so far this year.

While CFOs have highlighted the availability of a skilled workforce as being the second most influential factor when companies decide to set up a presence in Ireland, the availability and cost of talent were also outlined by CFOs as the main factors which could hinder performance within their own companies. Availability of talent is exacerbated by the fact that an estimated 200 people emigrate each day in 2014. It will be interesting to see how a reduction in talent availability will impact Ireland’s attractiveness to multinationals over the coming 12 months.

Our focus this quarter has been on research and development (R&D) grants and tax credits. Half of the CFOs surveyed indicated that their companies have applied for R&D tax credits, while slightly fewer (46%) have applied for R&D grants. 34% of CFOs have emphasised the added incentive provided by both R&D grants and credits, in relation to supporting innovation within Irish companies. Incentivising innovation (through grants and tax credits) encourages Irish companies to produce more products which will help satisfy the growth in industry specific demand. This industry specific demand has been flagged by CFOs as the main driver of growth in their companies over the coming 12 months. This potential increase in production would also help service the growing demand for exports and growth both within Ireland and in the EU.
Section 3 – Corporate priorities for CFOs’ businesses in the next 12 months

In line with previous quarters, almost eight out of every ten CFO respondents consider their corporate strategy expansionary as opposed to defensive.

Long-term growth for a company’s products and services remains the factor which contributes most positively to investment plans according to 78% of respondents. Economic growth at home and abroad is also an encouraging contributory factor to investment plans.

One in four CFOs (26%) cite market uncertainty as having a negative impact on their company’s investment plans, making this the most unfavourable factor impacting on investment in companies according to respondents.

Figure 15: Would you consider your corporate strategy:

- Expansionary: Q2 2014 = 79%, Q1 2014 = 77%, Q4 2013 = 71%, Q3 2013 = 76%
- Defensive: Q2 2014 = 21%, Q1 2014 = 23%, Q4 2013 = 29%, Q3 2013 = 24%

Figure 16: What effect do the following factors have on your company’s investment plans for the next 12 months?

- Market uncertainty: Q2 14 = 13%, Q1 14 = 15%
- Actual or expected growth in Ireland: Q2 14 = 28%, Q1 14 = 23%
- Actual or expected growth in Euro area: Q2 14 = 44%, Q1 14 = 55%
- Actual or expected growth in the US: Q2 14 = 56%, Q1 14 = 39%
- Actual or expected growth in Asia: Q2 14 = 63%, Q1 14 = 21%
- Actual or expected growth in the emerging markets (BRICS): Q2 14 = 34%, Q1 14 = 39%
- Cost and availability of external finance: Q2 14 = 39%, Q1 14 = 44%
- Availability of internal finance: Q2 14 = 56%, Q1 14 = 46%
- Long-term growth for your products and services: Q2 14 = 24%, Q1 14 = 14%
- Long-term growth for your products and services: Q2 14 = 84%, Q1 14 = 88%
Talent retention remains a priority for 86% of CFO respondents this quarter. Bank borrowings are expected to decrease for 37% of the respondents this quarter. A large majority of CFOs believe that revenues (79%) will increase over the next 12 months, yet at the same time operating costs (69%) will rise. Nevertheless, 56% of respondents believe increased operating margins are still achievable. Capital expenditure and discretionary spending are on the rise at 76% and 33% of CFOs respectively expecting these metrics to increase in the next year.
CFO sentiment on their business’ focus has not altered materially over the last three quarters. Despite illustrating a preference for growing organically last quarter, CFOs have reverted back to being divided on whether their business’ focus is on achieving growth organically or via acquisitions. CFOs are no longer prioritising as much investing cash as opposed to holding cash.

Businesses’ focus continues to veer towards executing strategy, pursuing opportunity and growing/scaling their organisation, in particular growing revenues, according to CFOs this quarter.

Figure 19: Please indicate in the five-point scale where you believe your business’ focus will be in the next 12 months in relation to these priorities.
The timeliness and quality of reporting is the most popular indicator used to monitor the performance of the finance function according to 82% of CFO respondents. This is followed by analysis quality/decision support and forecast accuracy.

Figure 20: What indicators do you use to monitor the performance of your finance function?

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Percentage of CFOs who mentioned indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reporting timeliness/quality</td>
<td>82%</td>
</tr>
<tr>
<td>Analysis quality/decision support</td>
<td>68%</td>
</tr>
<tr>
<td>Forecast accuracy</td>
<td>50%</td>
</tr>
<tr>
<td>Achievement of plans/budgets</td>
<td>46%</td>
</tr>
<tr>
<td>Close timeliness/quality</td>
<td>43%</td>
</tr>
<tr>
<td>Compliance</td>
<td>39%</td>
</tr>
<tr>
<td>Internal customer satisfaction</td>
<td>36%</td>
</tr>
<tr>
<td>Finance talent bench/development/capability</td>
<td>32%</td>
</tr>
<tr>
<td>Engagement with operations/seat at table</td>
<td>32%</td>
</tr>
<tr>
<td>Finance transaction efficiency/effectiveness</td>
<td>25%</td>
</tr>
<tr>
<td>Cost savings identified/achieved</td>
<td>21%</td>
</tr>
<tr>
<td>Cost of finance function</td>
<td>14%</td>
</tr>
<tr>
<td>Talent retention</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
</tbody>
</table>
**Deloitte perspective:**

A number of interesting trends are emerging this quarter in relation to CFOs and their companies’ priorities and focus. In line with the vast majority of CFOs now believing the level of financial and economic uncertainty facing their business is normal or low, market uncertainty is no longer exerting as negative an impact on companies’ investment plans this quarter. CFOs’ perception that market uncertainty will have an unfavourable effect on investment in their organisation drops 34% in Quarter 2 2014 to only one in four (26%) believing it to have a negative impact. Growth in Ireland and abroad continues to strongly contribute to investment decisions, reinforcing the fact that businesses in Ireland are closely linked to the global economy. CFOs are optimistic about growth in the Irish and overseas economies, believing it to have a significantly positive impact on investment decisions, in particular growth amongst our neighbours in the eurozone.

CFOs are strongly demonstrating a priority in their businesses for growing revenues rather than reducing costs. This is supported by the fact that almost eight out of every ten CFO respondents believe revenues will increase over the coming 12 months. While more CFOs predict increased operating costs going forward this quarter (69%), this will not translate to a deterioration in margins for most, with 78% of CFOs expecting operating margins to either increase or stay the same over the next year. As a result, operating cash flows are expected to rise perhaps prompting the increased appetite for discretionary spending. Remarkably, capital expenditure is on the rise, despite no major equity injections being expected and 78% of CFOs believing bank borrowings will decrease or stay the same over the next 12 months. This suggests that organisations will invest cash to support growth, a finding backed up by the fact that CFOs continue to cite a preference for investing as opposed to holding cash this quarter.

The top two indicators used by CFOs to monitor the performance of their finance function according to respondents this quarter are reporting timeliness/quality and analysis quality/decision support. This suggests that CFOs recognise the important role they have to play as ‘strategists’ in their organisation, providing financial leadership in determining strategic business direction. A critical enabler of this will be the provision of timely information and analysis to support sound business decisions, prompting CFOs to focus on measuring the indicators that will support them in this agenda.
CFOs are optimistic about growth in the Irish and overseas economies, believing it to have a significantly positive impact on investment decisions, in particular growth amongst our neighbours in the eurozone.
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