

## Portugal Surrounded by uncertainty • 2016 | Q3



# 71%

Confidence on the economic outlook continues to fall as 71% of CFOs consider it to be negative.

### Lowering confidence

Once again, expectations fell significantly in the 3rd quarter of 2016, as 71% of the surveyed CFOs have a negative sentiment about Portuguese economic outlook over the next 12 months. This declining trend extends for a year now, since our first survey in Q3 2015 where only 2% of the surveyed CFOs were as pessimistic.

Financial prospects for their own companies remained stable from six months ago, though with a similar percentage of CFOs declaring themselves optimistic/pessimistic. Expectations for revenue and operating margins also remained stable, whereas more CFOs expect capital expenditure increases.



# 95%

Cost control is the top strategic priority for CFOs in Portugal with 95% signaling it as likely to be important for their business.

### Risk aversion

The evolution of most risk and uncertainty indicators surveyed show an expansion of risk aversion. Globally, there is a slight increase in the perception of external financial and economic uncertainty.

More CFOs declare that now is not a good time to take greater risks (87% in Q3 2016 vs 85% in Q1 2016).

Once again, the top three factors that CFOs fear pose a significant risk to their businesses are domestic public policies, stress in the financial system, and political or economic instability in foreign markets. All three risk factors show a deeper concern when compared to Q1 2016.

On the other end of the spectrum, rising barriers to trade, rising input costs and rising labor costs do not seem to pose such a significant threat to Portuguese companies as those listed as the bottom three risk factors.



# 85%

Domestic public policies is the risk factor that most CFOs consider to pose a significant threat to their business.

### Focus on cost control

In line with last semester's conclusions, focus on reigning in costs remains as the surveyed CFOs' top priority while expansionist strategies remain at the bottom.

In fact, 95% of CFOs in Portugal name cost control as an important priority closely followed by working capital efficiency (85%) and cost reduction (83%).

Growth strategies are generally not listed as top priorities since OPEX increase is last on the priority list, and all other expansionist strategies rank below efficiency measures.

It should however also be noted that a mere 25% feel that Divestment is an important strategy for their company.



# 52%

Fears of the consequences of a Brexit are very significant as 52% of CFOs predict a negative impact on their businesses.

### Fear of Brexit

A very significant 52% of the surveyed CFOs predict the Brexit will have a negative impact on their company, while no CFO deemed last June's decision positive.

This result is all the more impressive when compared to our European neighbors as Portugal ranks second in negative sentiment following the United Kingdom. Heavy reliance on UK exports and fear of further EU instability surely impacted the surveyed CFOs' opinion.