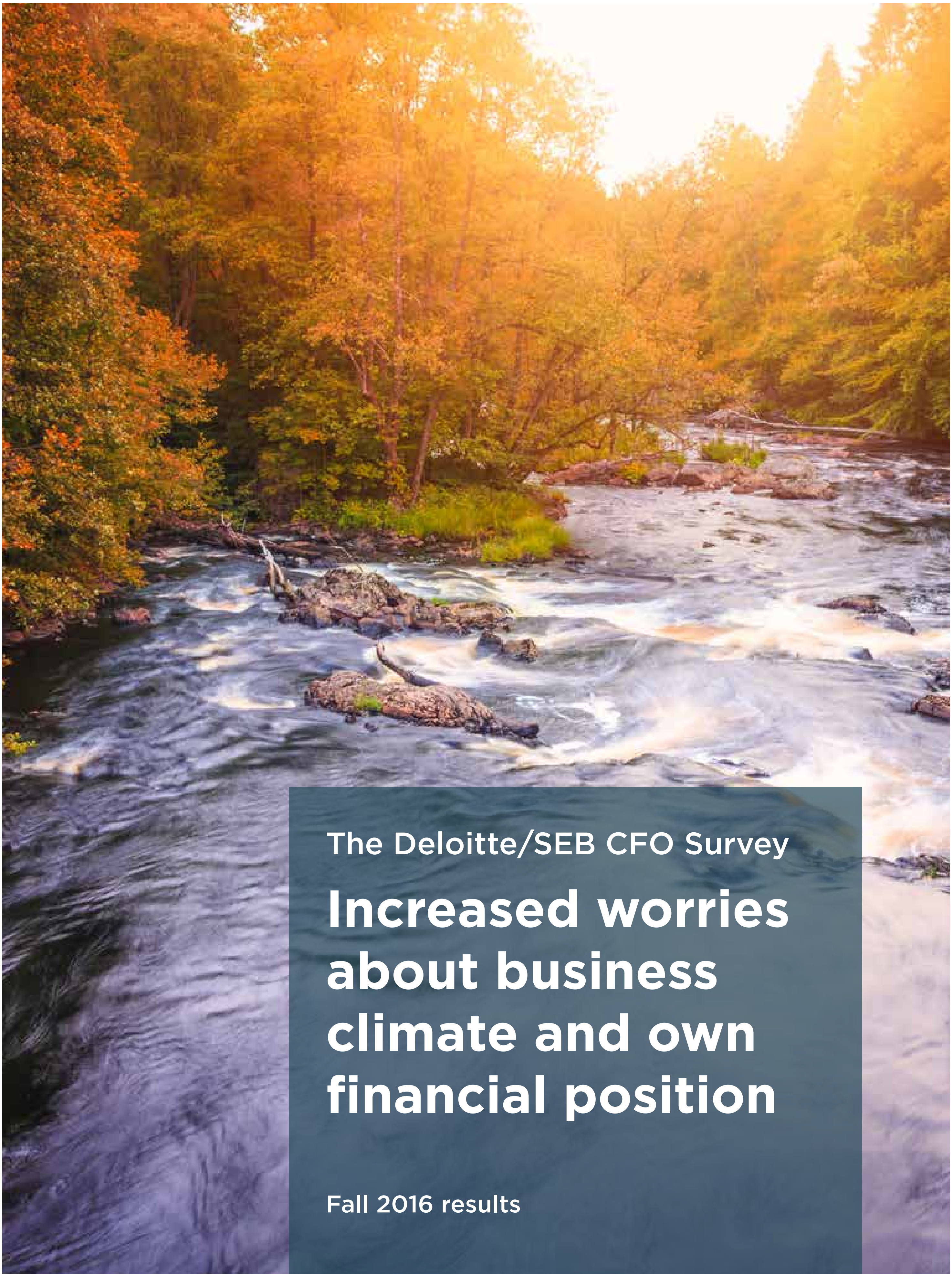
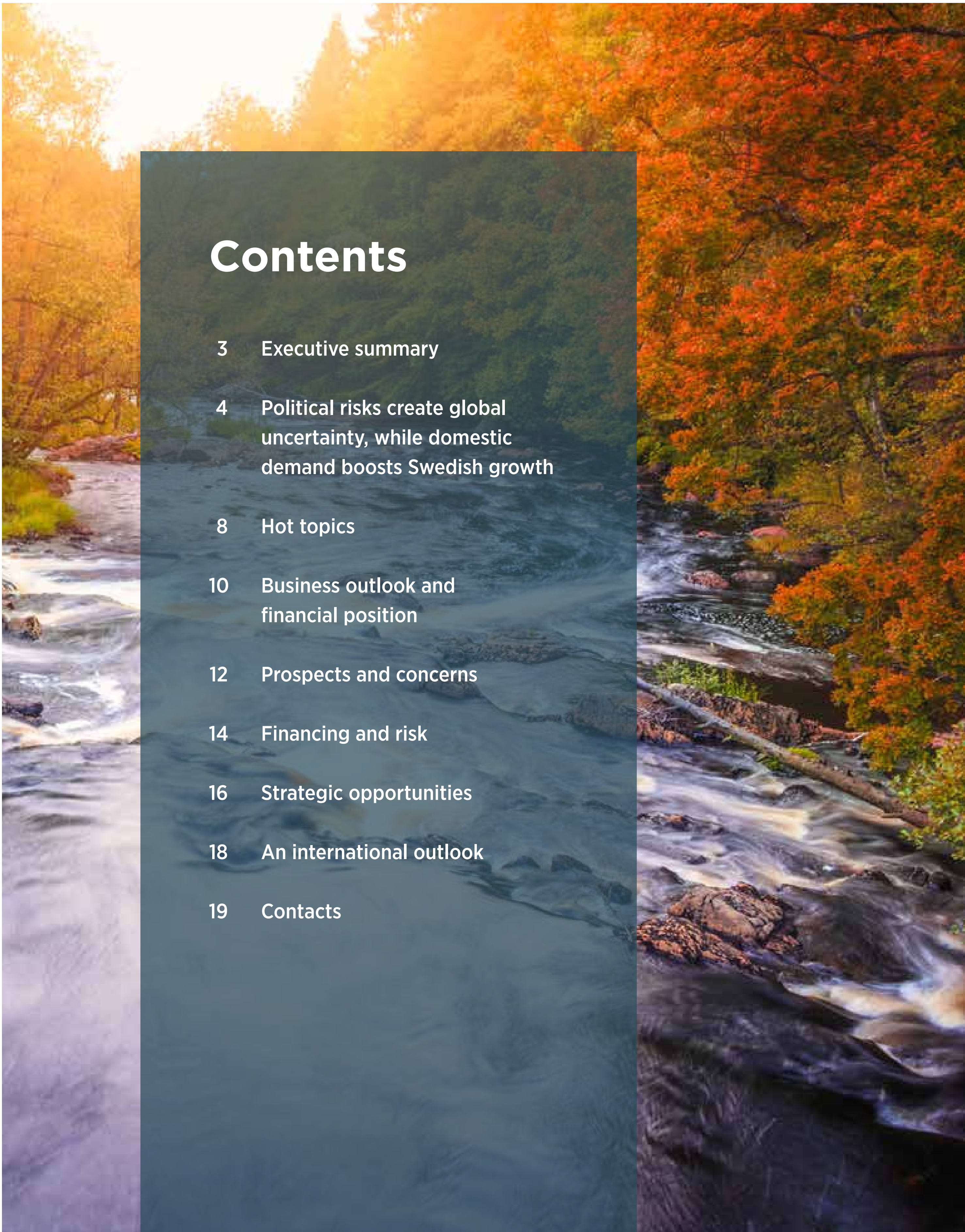


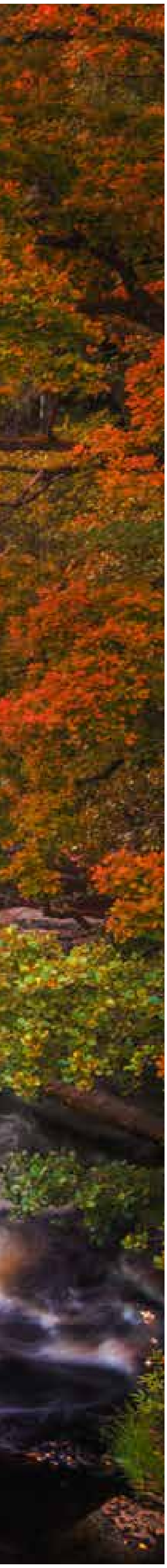
The Deloitte/SEB CFO Survey

Increased worries about business climate and own financial position

Fall 2016 results



Contents



Executive summary

We are excited to present the fall 2016 results of the Deloitte/SEB CFO Survey and hope that you find our accompanying analysis both stimulating and valuable.

The fall 2016 CFO Survey reveals a more negative sentiment than before at large Swedish companies. The overall CFO index fell for the second time in a row from 55.3 per cent in spring 2016 down to 54.1. This is the lowest level since spring 2013, although still indicating expansion (index above 50). Unlike in the spring survey, when all four sub-indices fell, in the current survey ***business climate and financial position*** continued falling while ***lending willingness and counterparty risk*** showed improved values. The largest drop of all areas relates to financial position, where the percentage of CFOs who deem their company's financial position as very favourable or favourable is down 28 points to 44 per cent, compared to one year ago. It is clear to us that CFOs take into account more unstable markets and weaker demand when valuing their own company's balance sheet and funds needed for the future, since key indicators such as equity ratio or level of external debt have generally not changed significantly. Also an increasing number of CFOs say it is not a good time to take on additional risks in their balance sheet.

The divergence between sectors is still evident, meaning domestically focused companies are more optimistic than internationally focused companies. Real estate generally continues to stand out as the most optimistic sector, but CFOs in consumer-oriented businesses report increased worries about margin pressures.

Order intake (bookings) remains the main concern among CFOs, closely followed by macro/politically related factors. While one theme among CFOs in the spring survey was "wait and see", they now show slightly more activity within their corporate priorities. CFOs remain cautious about the future, but some activities such as reducing costs – and surprisingly in a weak market – introducing new products and services are both rated as more attractive to pursue than six months ago.

In the previous survey, there was a clear indication that the level of merger and acquisition (M&A) activity was expected to stabilise over the next twelve months. In the fall 2016 survey, the number of CFOs who believe there will be a somewhat increased level of activity has risen significantly, which partly contradicts their unwillingness to take on further risks in the balance sheet.

In the current survey we asked the CFOs to elaborate on how they view the impact from increased digitisation on their role and organisation. From the CFOs' responses, we see a clear tendency towards the belief that increased digitisation will generally lead to process efficiency gains as well as an opportunity to replace transactional tasks within their CFO office to value-adding ones. This is acknowledged in all sectors.

We also asked CFOs how the Brexit negotiations between EU and the UK will impact their business. A large majority of respondents expect no or only a slightly negative impact. The primary concern is for increased complexity and costs due to introduction of of different regulatory requirements.

To sum up, although Swedish CFOs are still among the most optimstic in the EU, they have become increasingly worried about what the near future may bring.

Please send us your feedback, including any suggestions for improvements, to help us ensure that the Deloitte/SEB CFO survey remains an essential resource for your work.

Henrik Nilsson
Partner
Audit, Deloitte
henilsson@deloitte.se

Karl Steiner
Senior Strategist
Research & Strategy, SEB
karl.steiner@seb.se

Political risks create global uncertainty, while domestic demand boosts Swedish growth

Global growth during the first of half of 2016 was disappointing, and global GDP growth estimates have once again been revised lower. SEB is forecasting 3.1 per cent global growth, unchanged from 2015. We expect 2017 to show renewed acceleration as the United States economy picks up, the euro zone continues its modest expansion and the most battered emerging market economies recover.

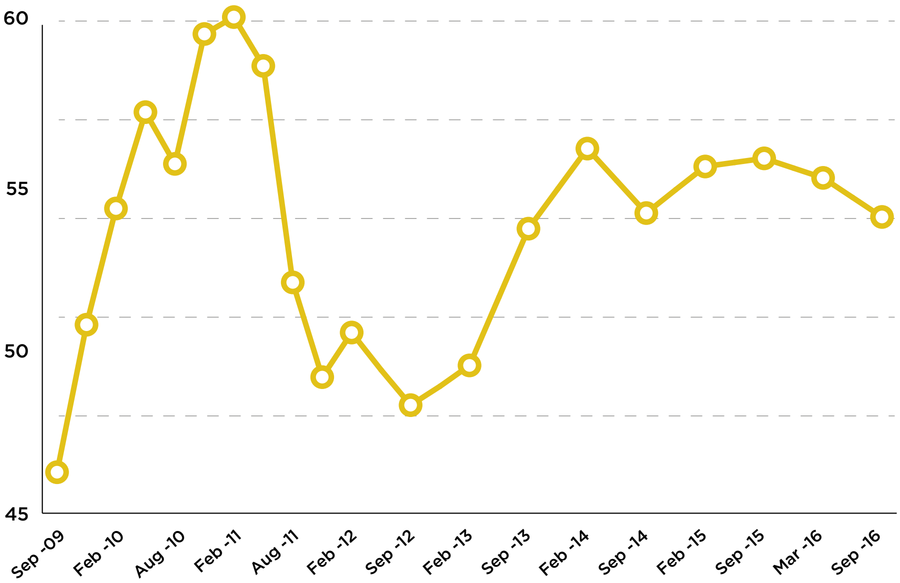
Political risks have moved to the forefront following the United Kingdom's referendum on withdrawal from the European Union ("Brexit") and the successes of Donald Trump so far in the US presidential election campaign. Financial markets have been resilient to date, and macroeconomic data suggest that the Brexit vote is having less impact on the real economy than previously feared. However, a delayed US key interest rate hike by the Federal Reserve (Fed), due to weaker US data, as well as concerns about the ability of other central banks to continue to support growth, has caused increased volatility in financial markets.

Global outlook

Modest global growth

Growth in the developed economies remained disappointing this past spring, mainly due to another unexpectedly weak quarter in the US. Recent declines in major business surveys have added to uncertainty for the US economy going forward. However, the main scenario is still a pick-up in growth this fall. Nevertheless, ***US GDP growth will be moderate during the next couple of years***, partly because labour market constraints are beginning to have an impact.

Swedish CFO Index



The Swedish CFO index for fall 2016 has a value of 54.1 (spring 2016: 55.3), which reflects somewhat less positive expectations. The index is based on four components: business climate, financial position, lending willingness and counterparty default risk. Two components fell and two rose in the fall survey 2016, coming in at 50.6 (spring 2016: 51.2), 51.8 (58.0), 64.1 (63.0) and 49.9 (49.0), respectively.

Sweden was one of the fastest-expanding economies in the developed world last year. The pace of growth has slowed somewhat during the first half of 2016. Still, sharply increasing residential construction and strong public sector demand will keep growth well above trend. Longer-term however, Sweden faces major challenges from imbalances in the housing market and the tricky task of integrating many refugees into the labour market.

The euro zone is forecast to show modest, but above-trend growth. The British vote to leave the European Union ("Brexit") had only a short-lived negative effect on financial markets, with signals of looser central bank policies probably one important reason behind market resilience. Early indicators as well as data from the real economy, suggest that the economic effects in the UK, at least in the short term, will be less severe than many had feared ahead of the vote. As could be expected, the fall-out in the rest of Europe has been limited too. This is in line with SEB's view that ***the main risks due to Brexit are political rather than economic, which also is supported by the answers in this survey*** where we asked CFOs about the expected impact from the Brexit negotiations; a majority of CFOs expected no impact.

In emerging market (EM) countries, financial markets have been generally resilient too. SEB continues to expect a controlled deceleration in economic growth in China.

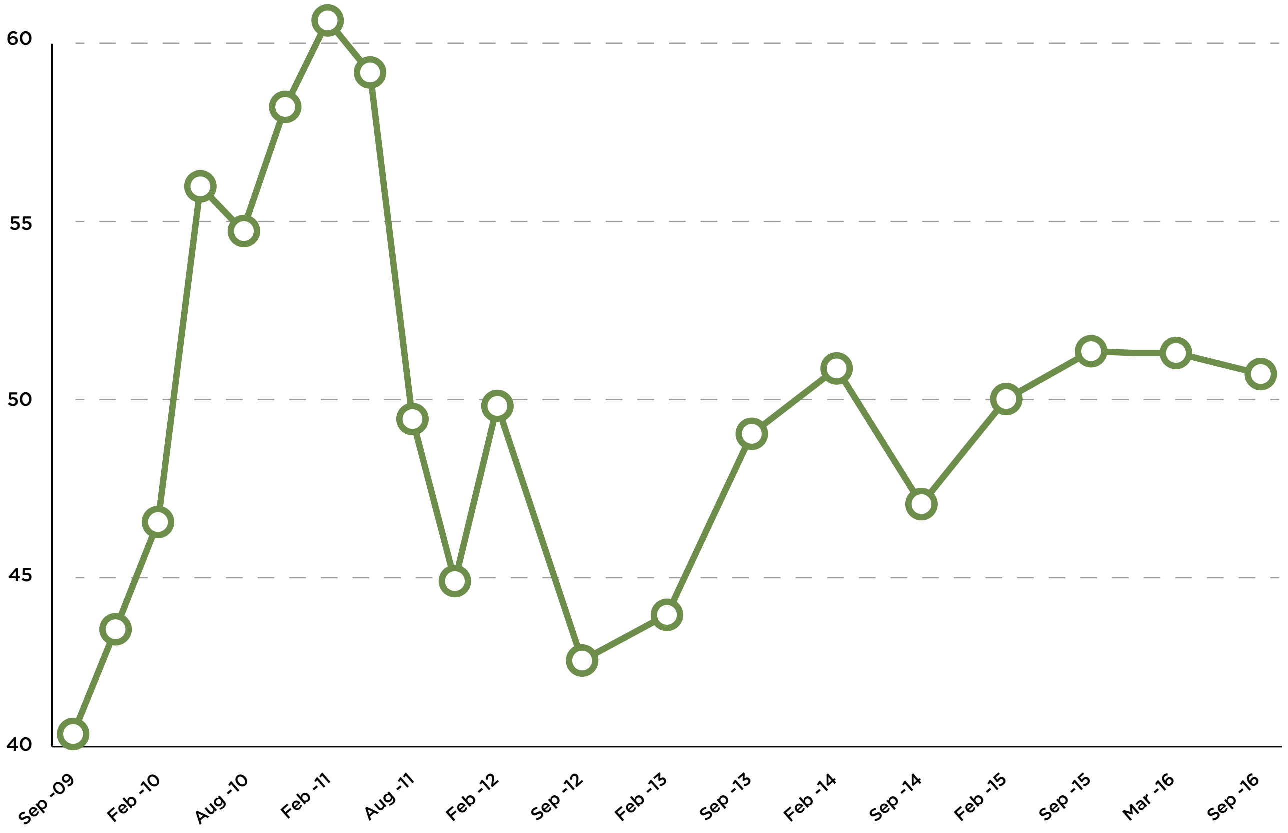
According to SEB forecasts, overall global growth will rise from 3.1 per cent this year to 3.5 per cent in 2017 and 3.6 per cent in 2018.

Downside risks continue to dominate

Downside risks stem not least from rising political risks – Brexit, the US presidential election, the rising fortunes of right-wing populist parties in Europe and reversals for democracy in various EM countries. ***Concern for these risks is evident in the survey. One of the CFOs' main worries*** (and rising in importance) ***is macro political-related factors, and respondents increasingly rate overall external uncertainty as high***.

Rising political risks, together with moderate growth and low inflation, are creating pressure for more stimulus measures. According to SEB's forecast, the Bank of England and the Bank of Japan will carry out a final rate cut during Q4 while the European Central Bank (ECB) is expected to continue buying assets for longer than previously announced. In the US, the Fed was once again forced to postpone its next rate hike after new disappointments in economic data. The next hike is now expected to occur in December. The pace of Fed rate hikes going forward will be slow as well, since the US central bank does not want to cause excessive dollar strength and also has to take into the account global financial stability risks resulting from a higher Fed key rate.

Business Conditions



Economic policy at a crossroads

Generally, the task of policymakers is becoming more difficult. The effectiveness of further unconventional monetary policies is becoming lower and lower, while risks related to financial stability are rising. This has ***increased the pressure on fiscal policymakers to assume a greater share of the burden***, for instance by boosting infrastructure investments. But it is difficult to believe there will be any major breakthroughs, since the countries most in need of stimulus measures also have very little room for government budget largesse.

Swedish economy

Domestic demand driving Swedish growth

The Swedish growth outlook remains good. The most important underlying forces are sharply increasing residential investments and public sector consumption, driven by resettlement of the many refugees who arrived in 2015. ***The influence from residential investments is highly evident in the survey. The real estate sector stands out with its positive view*** on most questions, particularly regarding business conditions during the coming six months.

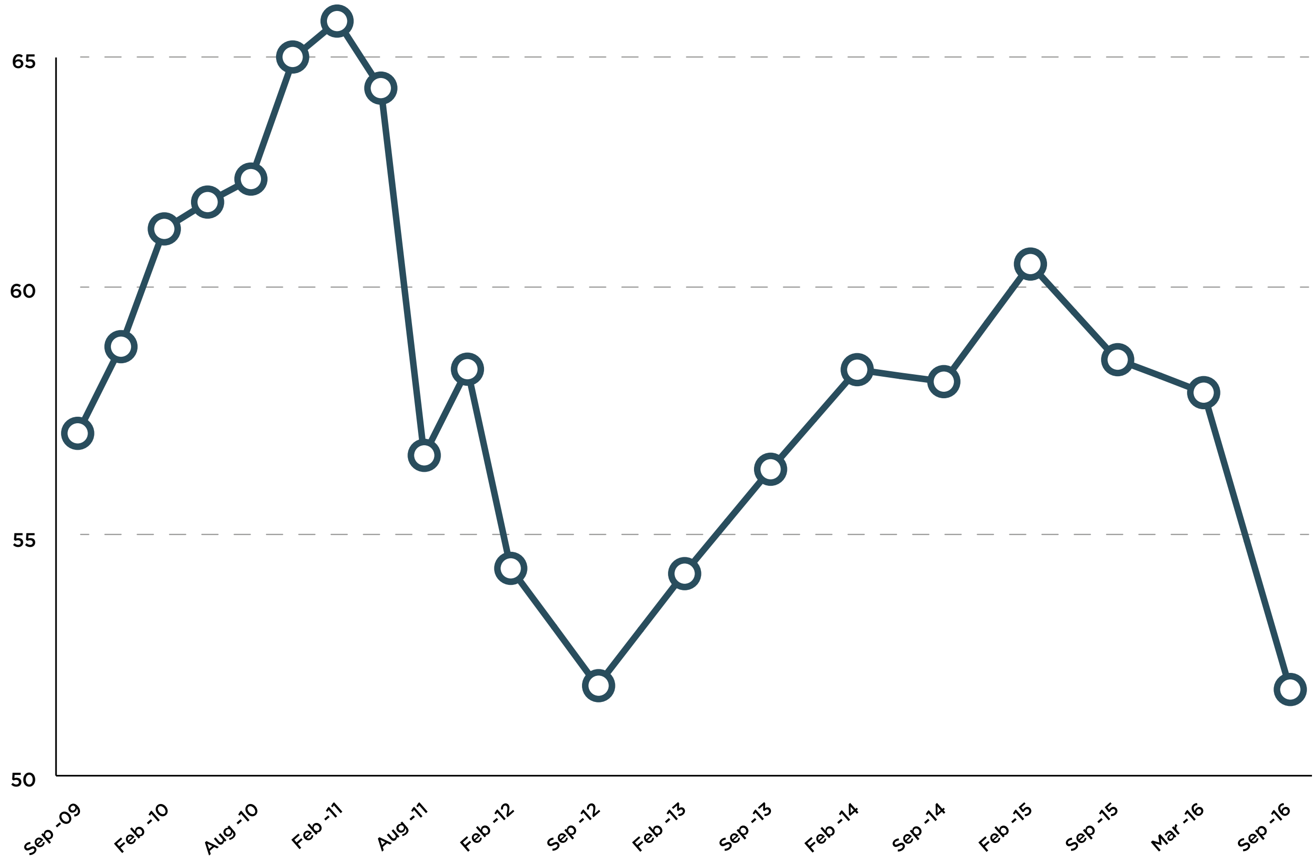
However, because of weak exports early in 2016, growth will decelerate. ***Going forward, growth will slow further as public spending levels out and as the pace of increase in construction slows. This is also reflected in the survey, where the business climate index fell for the second straight survey***. Still, we expect the Swedish economy to expand by 3.7 per cent 2016 and a solid 2.8 and 2.3 per cent in 2017 and 2018, respectively.

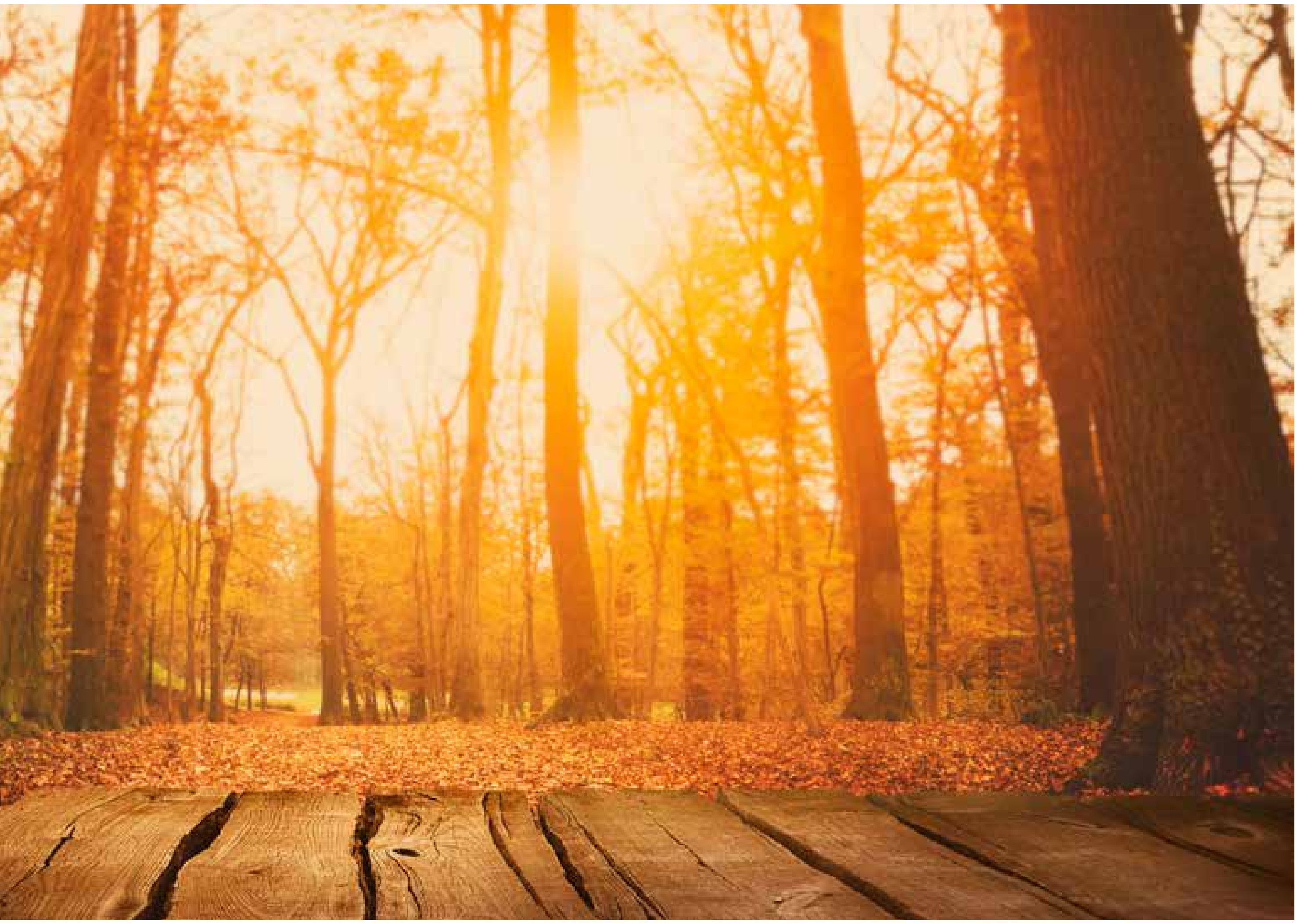
Although the number of new refugees has declined sharply, integration issues will dominate economic policy over the next couple of years.

Slight improvement in industrial production

Industrial production has been weak over the past two years. ***A slight improvement is under***

Financial position





way as merchandise export growth rebounds to its historical average. But the pick-up in exports has been slower than normal in recovery phases, reflecting anaemic world trade. In the CFO survey, it has also been companies in the manufacturing sector that have been the most negative concerning the business climate.

The weak krona will continue to benefit exports. In particular, service exports are expected to continue to expand fast.

Industrial investments are now slowing, but total capital spending will continue to increase at a strong pace, with housing construction as the main driver. Because of major housing shortages and low interest rates, the housing market will remain resilient although prices will rise more slowly and eventually level out.

Household spending in Sweden is supported by rapid employment growth and increasing real incomes, in spite of still-modest pay hikes. Uncertainty over the sustainability of social security and services and the future housing situation has kept the household savings ratio high, and we expect this situation to continue. All in all, SEB expects consumption growth to slow during the next few years.

Delayed rise in pay and inflation

The strong growth in the Swedish economy has been mirrored in an improving labour market and increasingly tight resource utilisation. This means that supply-side restrictions will also contribute to a deceleration in GDP growth. ***The tighter resource situation increases the probability that pay and inflation will eventually rise, but this effect is likely to be delayed, which is supported by the spring survey:*** concern about skilled labour shortages is generally low and only seems to be a budding problem in the real estate sector.

Also indicating low inflation pressure is the fact that pay hikes have been unexpectedly low so far. A new nationwide wage round is now approaching, but pay hikes are only expected to accelerate modestly. ***Low global inflation pressure will also continue to hold down Swedish inflation***.

Riksbank to increase stimulus

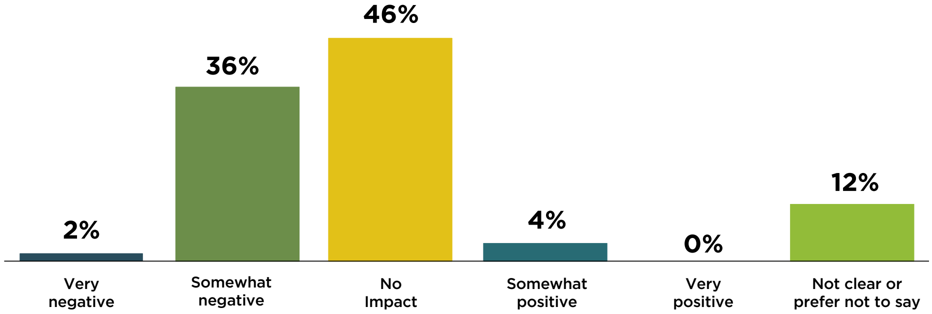
In the short term, risks of new downside surprises for inflation persist. Consequently, ***the Riksbank will remain under pressure to increase its stimulus measures further to keep the krona from appreciating*** in an environment where other central banks, most notably the ECB, are loosening their monetary policies further. A decision by the ECB to extend asset purchases is expected to lead the Riksbank to continue its bond purchases too into the first half of 2017. Increased resource utilisation and inflation closer to target will eventually open the way for more flexible Swedish monetary policy. We expect the Riksbank to initiate cautious rate hikes in the fall of 2017.

Hot topics

A large majority of respondents do not think that Brexit negotiations will affect their business in any significant way, if it does; it is primarily because of increased complexity and costs due to introduction of different regulatory requirements. Regarding digitisation, CFOs believe that it will lead to process efficiency gains as well as an opportunity to replace transaction tasks with value-adding ones in their own work.

QUESTION 1

How will the Brexit negotiations between the EU27 and the UK impact your business?



The most common expectation among the companies (46%) was that there would not be an impact on their business. If an impact was expected, there was a large tilt to the negative side (36%), while no one saw a very positive impact and only 4% a somewhat positive impact.

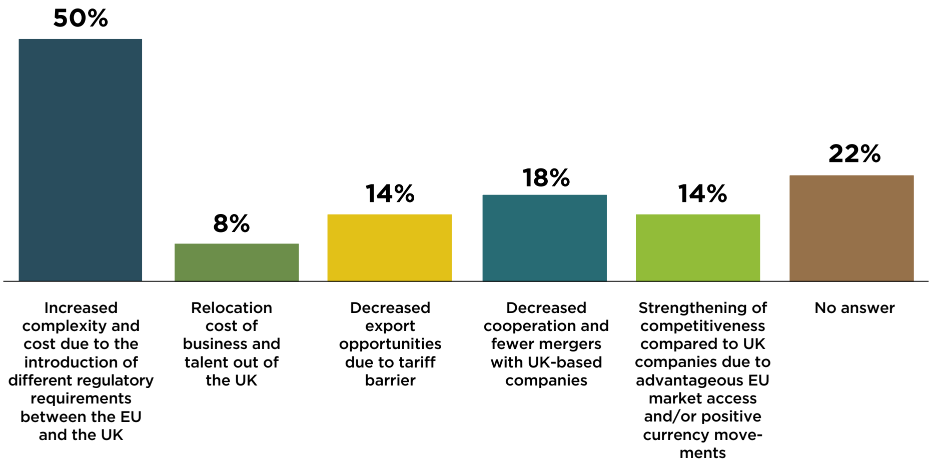
Looking at the different sectors, international exposure is quite clearly important, with Consumer Business being most in agreement on a negative impact while among Manufacturing and Other (including the Financial Sector) at least some companies see advantages.

QUESTION 2

How do you think your business would be affected if the UK leaves the EU?

Clearly the major obstacle if the United Kingdom leaves the EU is expected to be "Increased complexity and costs due to the introduction of different regulatory requirements between the EU and the UK". Besides this impact, relatively few CFOs (all below 20%) see the other listed alternatives as valid.

The second largest expectation is for "Decreased cooperation and fewer mergers with UK-based companies", where especially companies in the Real Estate and Other categories agree with that effect. The least agreed-upon effect is the relocation cost of business and talent out of the UK, where the only company category agreeing was Other. This may be interpreted as a need for relocating talent within the Financial sector, since this is a large part of the Other category.



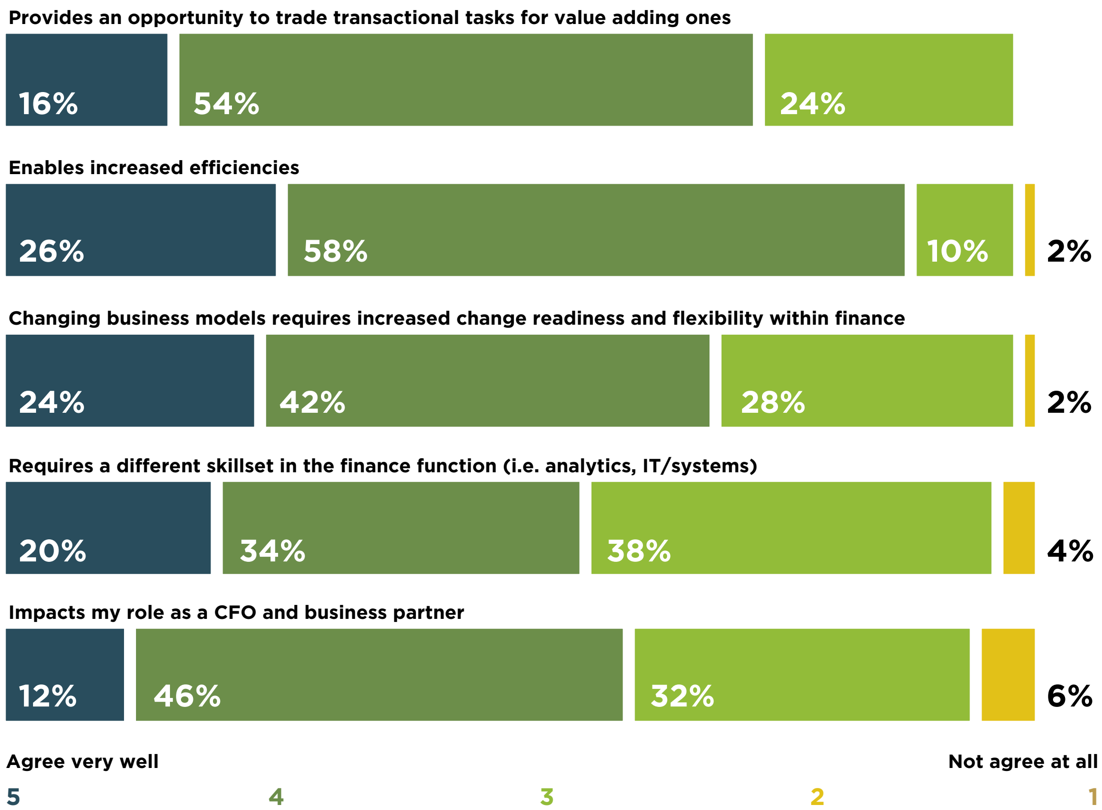
QUESTION 3

How is the CFO role/finance organisation affected in an environment of increasing digitisation?

In an environment where digitisation is high on every company's agenda as new technology changes the competitive landscape, we asked the CFOs to elaborate on how they view the impact of increased digitisation on their company.

What we can see is a clear tendency towards expectations among CFOs that increased digitisation will lead to process efficiency gains as well as an opportunity to shift from transactional tasks to value-adding ones. This is acknowledged within all sectors.

When it comes to the potential impact on their business model, CFOs in the Consumer Business sector and the Real Estate sector tend to view this as more of a game changer than those in the Manufacturing sector and the Other sectors such as Financial services. The requirement of a different skillset in the finance function is viewed as important but with less clarity among the CFOs. With regard to the (broad) question about the general impact on the CFO role, there is a general agreement that their role will definitely be impacted.

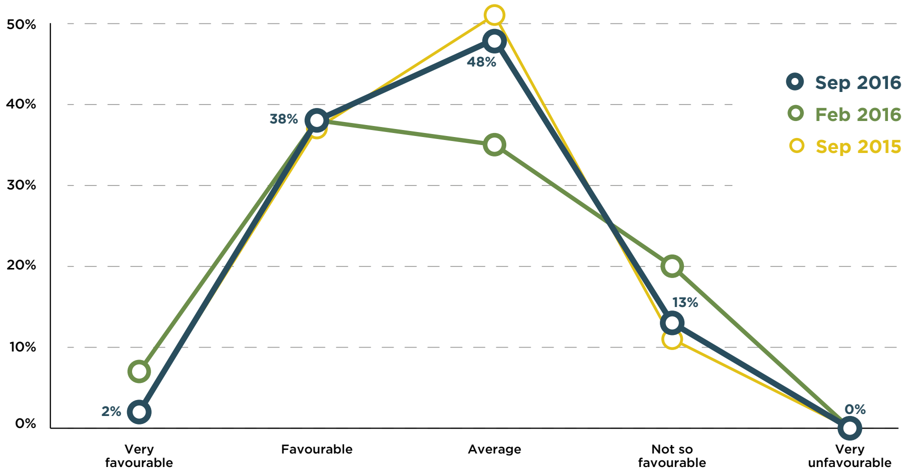


Business outlook and financial position

Business conditions deteriorated once again, though the change was modest. Contrary to the two prior surveys, this one showed a pull toward the middle – with both fewer companies expecting favourable and fewer expecting unfavourable business conditions. The financial position index fell the most of all four indices and is at a historical low. However, we believe that is more a result of increased uncertainty and thus demand for larger financial slack than an actual major deterioration in financial ratios.

QUESTION 4

Business conditions for your company in the next six months are seen as:

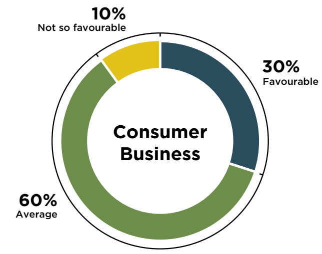


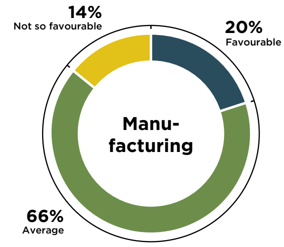
The business climate index fell slightly to 50.6 from 51.2. Fewer CFOs view business conditions for their companies in the next six months as very favourable (down to 2 per cent from 7) while fewer believe that conditions will be not so favourable (down to 13 from 20 per cent). Thus there is a shift towards average from both sides, which is the opposite of what happened in the spring survey.

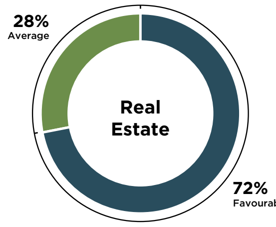
Business conditions by sector

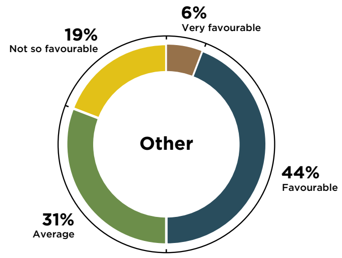
The previously noted divergence between sectors is still evident. Real Estate is the sector mostly tilted to Favourable (with 72%) followed by the category Other* (Favourable plus Very favourable 50%) while Consumer Business and Transport as well as Manufacturing are dominated by an Average view (60% versus 66%). Notably, no companies answered Very unfavourable and among Real Estate companies not even one answered Not so favourable. This is evidence for the two-speed economy discussed in the spring survey: strong domestic consumer-driven demand but internationally-oriented companies being more affected by the global slowdown. Important to note however, is that the responses do not support a notion of opposite directions, since Average to Favourable dominate all sectors. In other words, all sectors foresee expansion, but the expansion indicated by the Real Estate sector is much larger.

* Other = Technology, Media & Telecommunications, Life Sciences & Health Care and Financial Services







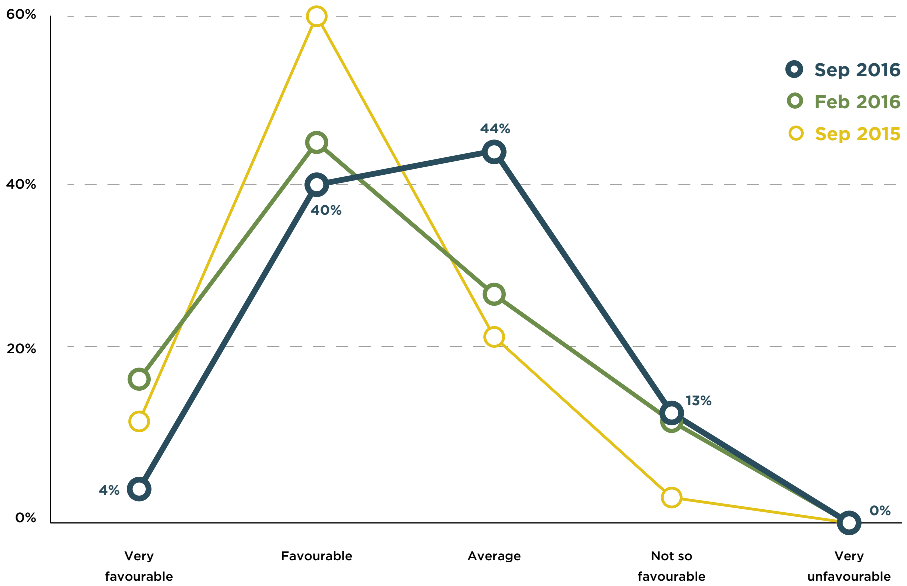


QUESTION 5

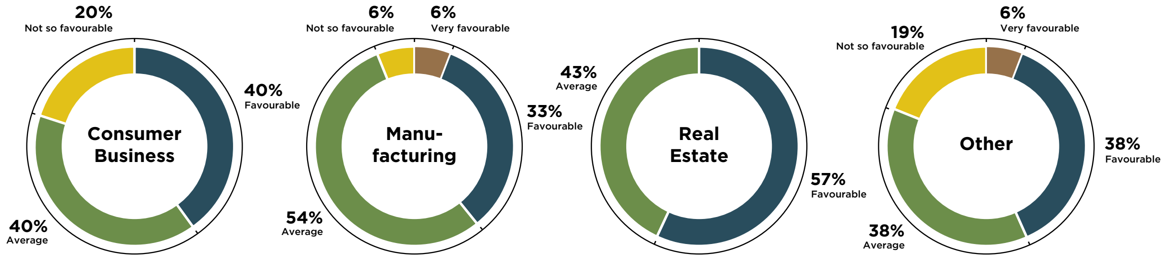
Compared to six months ago, the overall financial position of your company is seen as:

In the fall 2016 survey, we note a continuation of the trend from the spring 2016 survey. Overall, CFOs remain optimistic about the coming six months. However, the tendency towards more modest expectations observed in the spring 2016 survey is continuing, whereas the number of CFOs indicating an unfavourable financial position remains unchanged from the previous survey.

As observed in earlier surveys, there is a sector-specific differences among the respondents. In recent studies, CFOs in consumer-oriented businesses and real estate have been more optimistic about their financial position, whereas CFOs in manufacturing and other sectors have been less optimistic. In this study, CFOs in the Real Estate sector are tending to become more optimistic whereas those in the Consumer Business sector have made a slight shift towards more modest expectations. Manufacturing and other sectors remain in the Average category. Regarding the Real Estate sector, this outcome might reflect overall market conditions in which low interest rates, high property valuations and stable cash flows pave the way for a strong financial position.



The financial position index fell the most among the four sub-indices, from 58.0 all the way down to 51.8. Thus the CFOs still view their companies' financial position as healthy, but to a lesser extent than in previous periods. This decline was also the third consecutive one, and the index level is the lowest since we began the CFO survey back in 2006.



Prospects and concerns

Geopolitical and macroeconomic concerns reveal continued negative sentiment among CFOs. However, the waiting game seems to be partly over, as more clear actions emerge regarding corporate priorities.

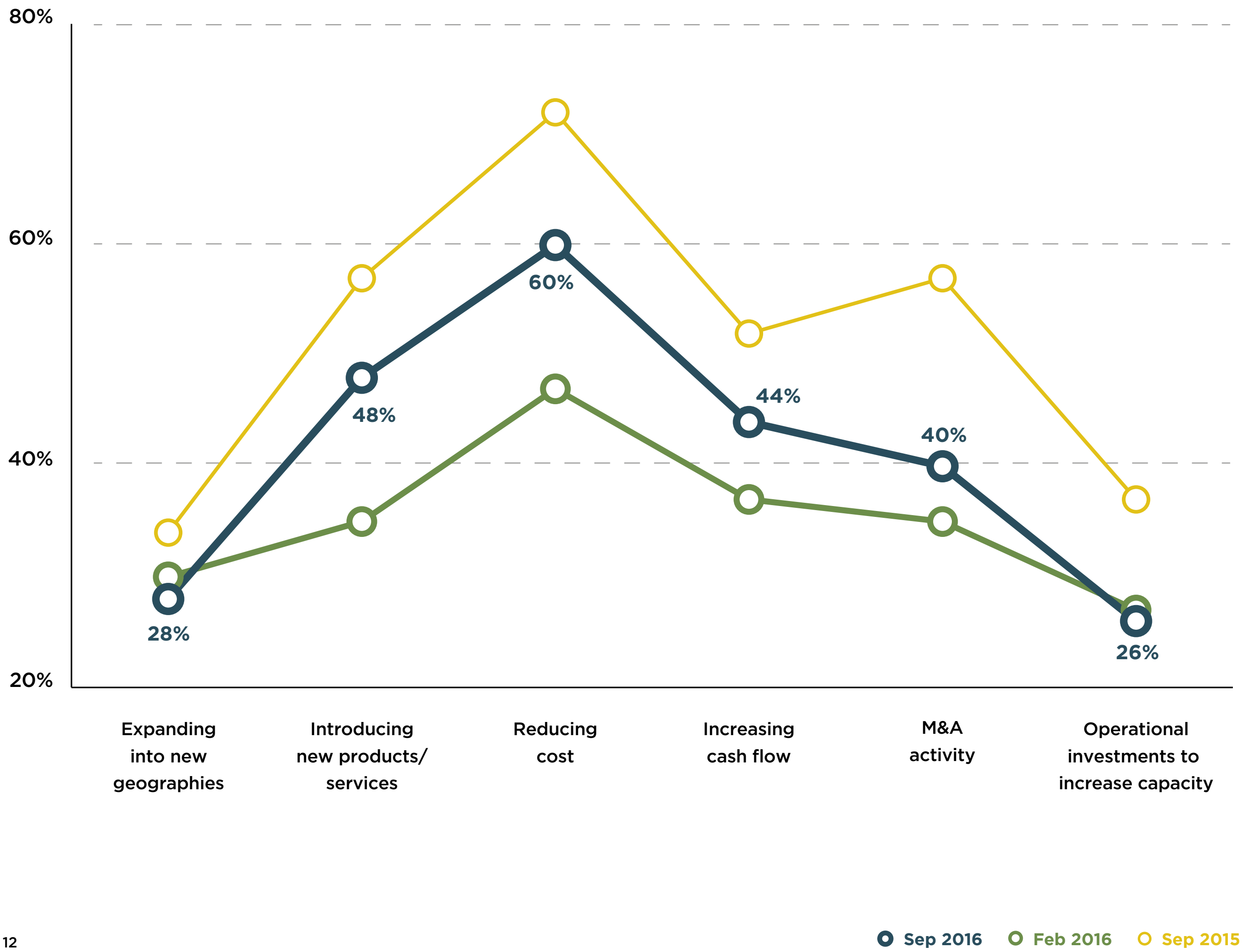
QUESTION 6

What are your corporate priorities for the next year?

In this question, CFOs are allowed to choose one or more of several alternatives. The top priority among CFOs continues to be reducing costs. In the spring 2016 survey we explored this question by letting the CFOs elaborate on what type of cost reducing activities they are aiming at when talking about cost reduction. We learned that cost benefits resulting from process efficiency improvements, followed by reduction of material/input costs and overhead costs are the highest-prioritised areas. Compared to the spring 2016 survey we can see that the focus on cost reduction has increased. This is mainly driven by CFOs in the Consumer Business and Manufacturing sectors, which could be explained by their somewhat modest expectations going forward, as evidenced by their responses to questions 4 and 5.

Introducing new products/services is the second most preferred alternative and the focus on this area is clear in Consumer Business and Manufacturing. Increasing cash flow is the most preferred alternative in the Real Estate and Other sectors, along with M&A activity.

The overall outcome in this question is to somewhat divergent, both by sector and in terms of defensive and expansive priorities. In the previous survey the rating of each priority was lower, which indicated the effects of uncertainty, i.e. “wait and see”, whereas the fall survey outcome indicates that more actions need to be taken going forward.



QUESTION 7

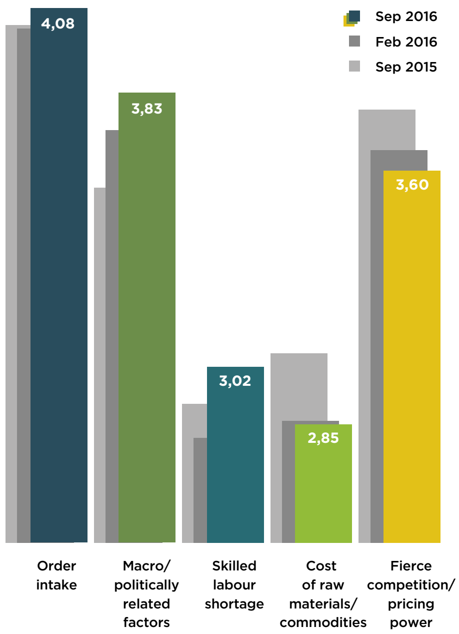
What are the greatest concerns for your company over the next 12 months?

Order intake remains the main concern among CFOs while cost of raw materials became the least of their listed concerns. Lack of pricing power, among others things due to fierce competitions, was less of a concern for a second straight survey while macro/politically related factors rose just as in the spring survey.

Thus it seems that companies have come to terms with the low inflation environment. One interpretation of the responses is that even if it is difficult to raise one's own selling prices, companies have now noted that prices of input materials are not rising either, which at least keeps margins stable.

The CFOs' large and rising concerns about Order intake and Macro/politically related factors go hand in hand. With increasing uncertainty in the external environment (which the answers to question 15 also imply) there is of course also increasing uncertainty about sales volume going forward. This should be especially evident in the response from sectors with a larger international exposure such as manufacturing. This is also the case among the 63 per cent of manufacturing companies that view Order intake as very important and the 38 per cent of them which state that Macro/politically related factors also are very important concerns. In a contrast, the more domestically oriented companies that make up the Real Estate sector assign the least importance to these factors (25 and 13 per cent).

Also worth noting is that concern about for



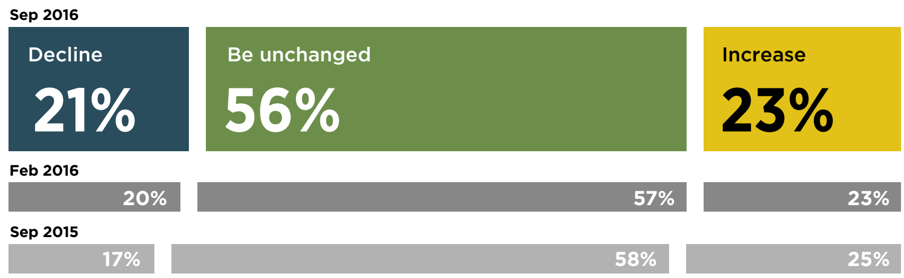
skilled labour shortages is rising. However, here too the differences are significant between sectors with 0 per cent of manufacturing companies seeing skilled labour shortages as very important while as many as 38 per cent of real estate companies do. This concern needs to increase further and spread into other sectors for it to become a sign of rising inflation pressure, since large and widespread labour shortages should theoretically push wages higher.

Finally, Consumer Business and Transport are the sectors in which the greatest concern is fierce completion/pricing power; a full 90 per cent of these companies list this as a very important or important concern.

QUESTION 8

The number of employees in your company in Sweden is, in the next six months, expected to:

Overall the expectations about company headcounts in Sweden are in line with our previous two surveys. The majority of respondents still expect unchanged levels, however with a small shift towards unchanged or declining levels. There are no clear trends within the different sectors to further analyse. As in the previous survey, this is not a major shift but still underscores a degree of uncertainty.

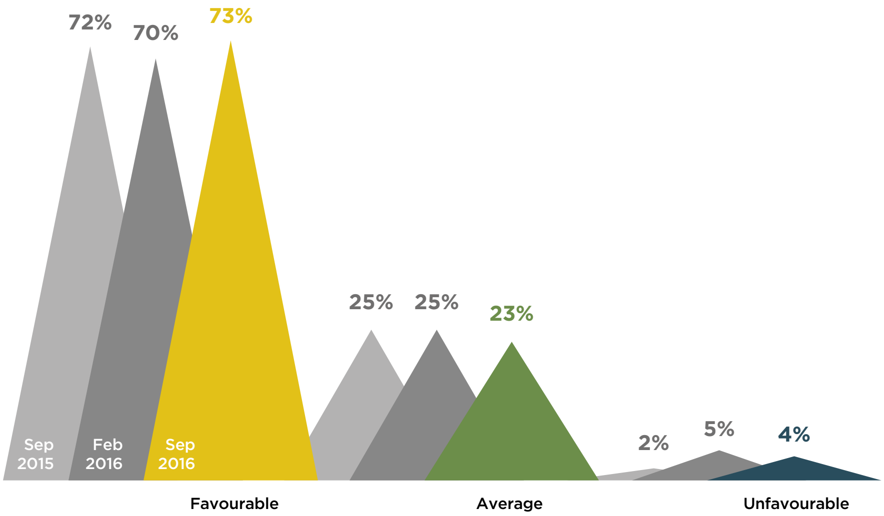


Financing and risk

The attitude towards lending to major Swedish companies remains favourable, and the risk of counterparty default has decreased somewhat. Companies still favour bank loans, while the attractiveness of corporate bonds has decreased. More companies than previously view external uncertainty as high, and even fewer than previously view this as a good time to take on further risk in their balance sheets.

QUESTION 9

The lending attitude of financial institutions towards your company is seen as:



The lending willingness index increased to 64.1 from 63. This is somewhat contradictory to the sharp fall in CFOs' assessment of their company's financial position. However, changes in response rates are very small but one of few where there was not a push towards the average. The perceived favourable lending attitude is likely also affected by the general view that financial institutions are willing to provide further loans to sound businesses; however, current demand is generally low from most sectors.

QUESTION 10

The probability of counterparties' default in the next six months is expected to be:

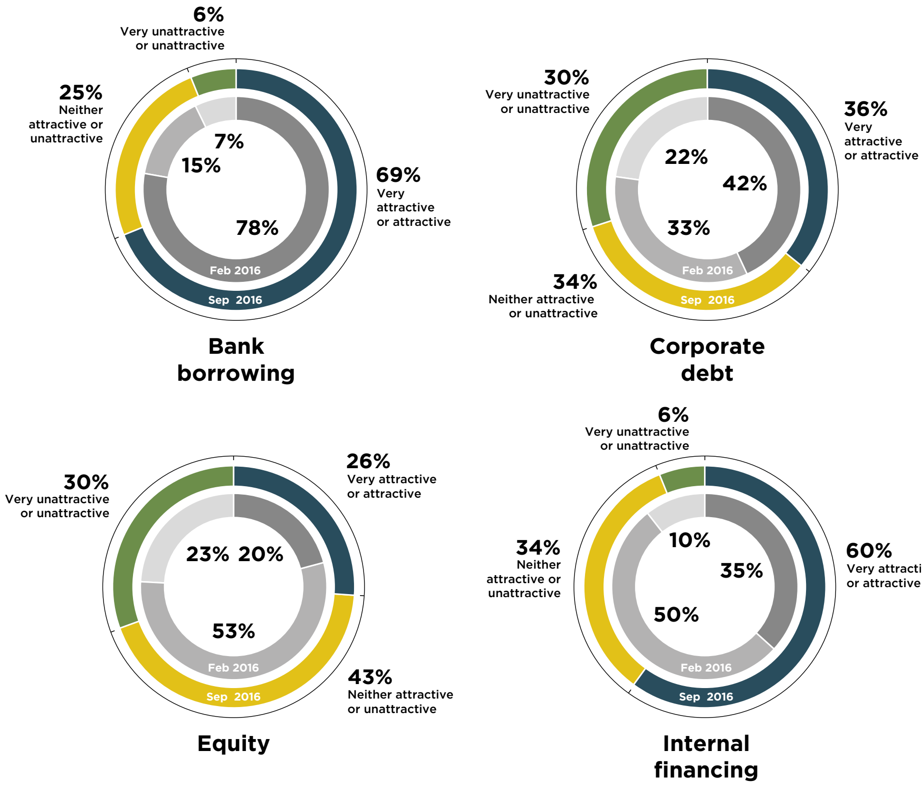
The counterparty risk index eased slightly (49.9 from 49) as more CFOs than previously viewed the probability that counterparties will default as below average (21 compared to 18 per cent in spring 2016). This is no major change but is of course marginally positive. Looking at the different economic sectors, the situation is perceived as most favourable in the Real Estate and Other categories, but it was only among Consumer Businesses that the Below average category did not see an increased probability.

QUESTION 11

How do you currently rate the following sources of external funding?

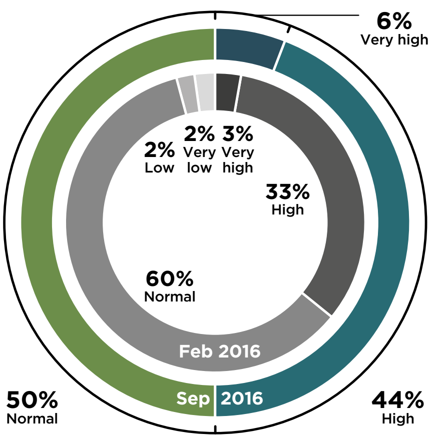
Bank borrowing is still by far the most attractive source of financing according to the CFOs, though the percentage of CFOs who found it very attractive or attractive fell (to 66 from 78 per cent). Internal financing is the alternative which has gained most in popularity since the previous survey, while corporate debt is the alternative that lost the most support. The slide in the attractiveness of corporate debt is mostly explained by a shift among consumer businesses from neutral to somewhat unattractive.

Equity gained both as an attractive alternative and as an unattractive one. This divergent development is due to the diverging business conditions in the different sectors. The rise in attractiveness can be traced to the Real Estate sector and the decline to the Consumer Business and Manufacturing sectors.



QUESTION 12

How would you rate the overall level of external financial and economic uncertainty facing your business?



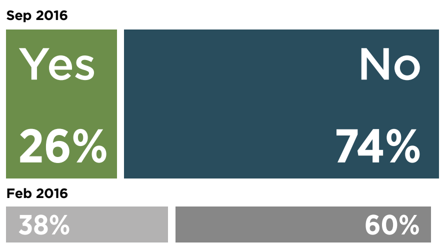
CFOs foresee increasing economic uncertainty and therefore also increasingly do not think it is currently a good time to take on greater risk in their balance sheet.

Here it is also revealing to examine how different sectors have responded. A majority of Manufacturing and Other companies view uncertainty as higher than normal (53 and 62 per cent, respectively) while a majority of Consumer Business and Real Estate companies view uncertainty as normal (70 and 57 per cent). This is however only partly reflected in their willingness to take on greater risk in their balance sheet. Real Estate companies are just as reluctant as Consumer Business and Manufacturing (15-20 per cent), while the companies in the Other category stand out as much more willing (40 per cent).

The reluctance of Real Estate companies to take on further risk in their balance sheets, even though most other indicators point to a benign business climate, may be explained by already high property prices as well as high leverage in these companies. Given their high leverage, they are especially sensitive to interest rates which are nearly as low as they can likely get. Going forward, interest rate risk is asymmetric – with small downside potential (favourable to companies) but larger upside potential (unfavourable to companies).

QUESTION 13

Is this a good time to be taking on greater risk in your balance sheet?

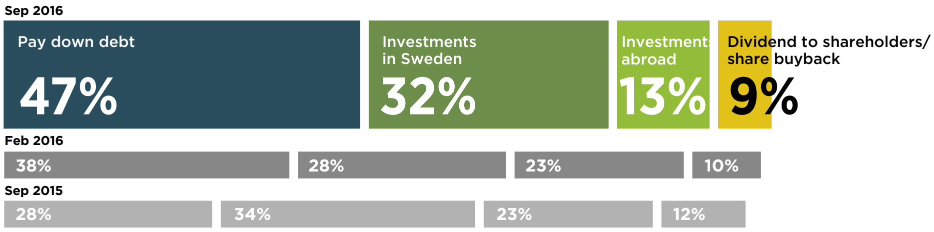


Strategic opportunities

Deleveraging by paying down debt seems rational in an environment with negative repo rates and moderate growth expectations.

QUESTION 14

Assume a current cash surplus position. How would you prefer to use the money in the next six months?

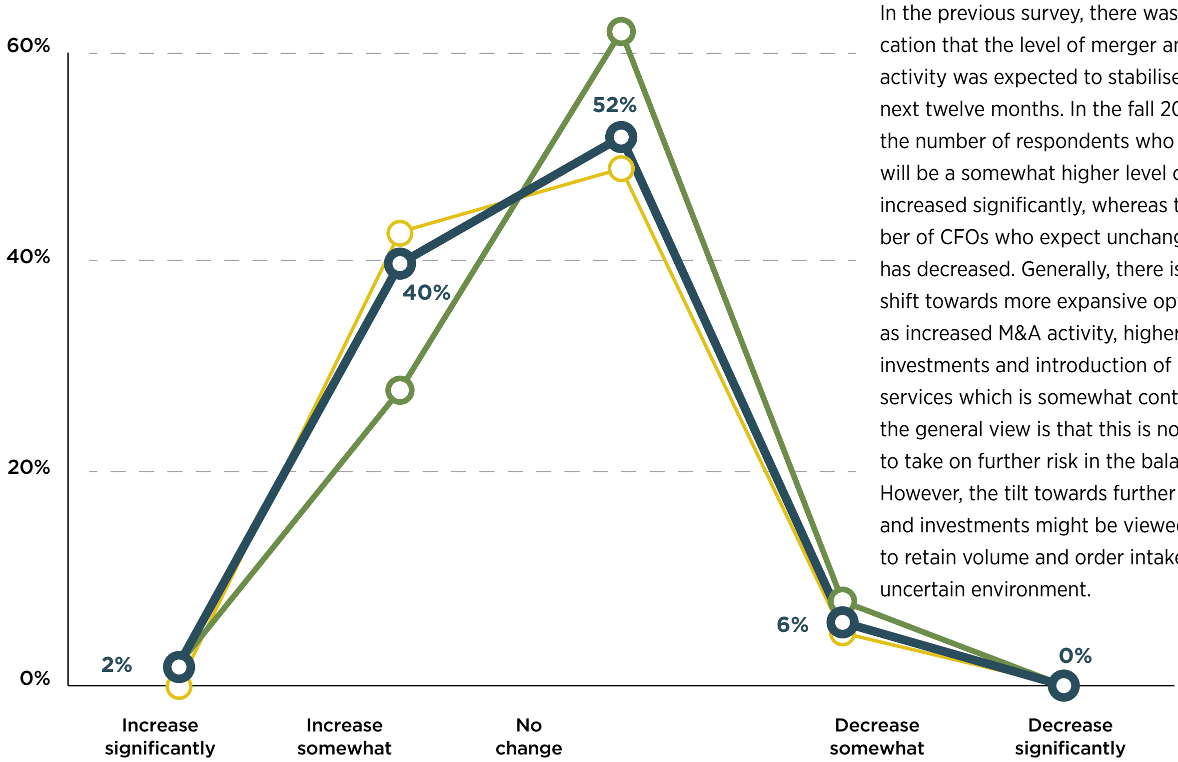


As in the spring 2016 survey, paying down debt and focusing on investments in Sweden are the most preferred alternatives in case of a cash surplus. Given low interest rates, the expectation would be that the Pay down debt alternative would decline overtime. However, it has increased, which could be an indication of a generally strong financial position and a good opportunity to deleverage in an uncertain environment with few alternatives. One plausible explanation could also be that negative repo rates have caused financial institutions to charge an increasing number of companies for bank deposits, thus making it logical to use any excess liquidity to pay down debt.

The appetite for investments in Sweden remains high among all business sectors, and specifically within the Real Estate sector. The appetite for investments abroad has declined significantly, which is mainly driven by decreased capital spending appetite in the Manufacturing sector. This is reasonable given the unstable macroeconomic environment.

QUESTION 15

Over the next 12 months, how do you expect levels of corporate acquisitions and divestments in Sweden to change?

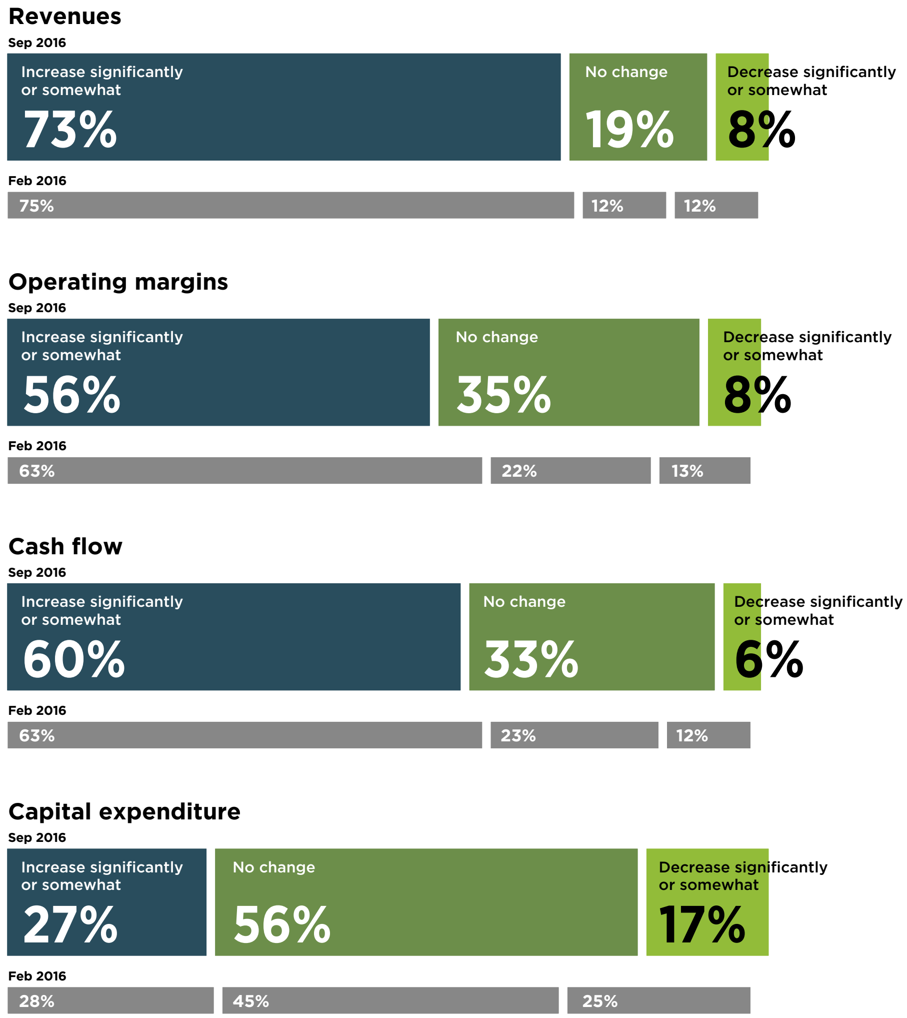


In the previous survey, there was a clear indication that the level of merger and acquisition activity was expected to stabilise over the next twelve months. In the fall 2016 survey, the number of respondents who believe there will be a somewhat higher level of activity has increased significantly, whereas the number of CFOs who expect unchanged levels has decreased. Generally, there is a slight shift towards more expansive options such as increased M&A activity, higher business investments and introduction of new products/ services which is somewhat contradictory since the general view is that this is not a good time to take on further risk in the balance sheet. However, the tilt towards further M&A activity and investments might be viewed as necessity to retain volume and order intake levels in an uncertain environment.

Sep 2016 Feb 2016 Sep 2015

QUESTION 16

In your view, how are the following key metrics for your company likely to change over the next 12 months?



In the fall 2016 survey, there is a generally optimistic view of growth prospects such as increased revenue, operating margins and cash flow. However, it is more relevant to analyse the responses to this question from a trend perspective. What is evident is the overall tilt towards more modest expectations. Looking at how CFOs from different sectors have responded over time, it is clear that the Consumer Business sector has taken a clear step towards being more moderate about expectations regarding revenue levels and operating margins. This might be a result of the sector's concerns about order intake and its fear of increased competition and consequently stressed price levels.

An international outlook
Brexit: Overhang or hangover?

EUROPE

European results were affected by the fact that two countries (UK and Belgium) conducted their surveys after the Brexit vote, while the other three (Netherlands, Russia, and Switzerland) were surveyed prior. The impact on sentiment was particularly negative in the UK, where uncertainty is at levels last seen during the euro crisis of 2012. Risk appetite took a hit there too, as well as in Belgium, where just 23 per cent of CFOs say now is a good time to take risk onto their balance sheet, down from 38 per cent in the first quarter and 44 per cent a year ago. Meanwhile, among Switzerland's CFOs, there is some good news: for the first time since the end of 2014, a majority of CFOs rate the country's economic prospects over the next 12 months as positive. The same cannot be said for Russia's CFOs, who have their own concerns separate from Brexit, including weakness in the ruble, stress in the financial system, and dwindling consumer demand.

AMERICAS

Substantial improvements in equity markets and consumer confidence fueled a reversal in several of last quarter's downward trends in North America. Year-over-year growth expectations improved across the board (yet most remain below survey averages), and net optimism came in strong at +30 (compared with +1.7 in Q1).

Concerns about oil prices and policy unknowns heading into the November election, however, translated into assessments of the North American economy that were only slightly better than last quarter's survey lows. But CFOs' confidence in Europe remains weak, given both concerns about Britain's potential exit from the EU and other regional challenges. Meanwhile, assessments of China improved, but CFOs began voicing rising concerns about government debt there—and in other regions as well.

ASIA/PACIFIC

The two countries reporting in Asia-Pacific—Australia and Japan—documented very different CFO outlooks. In Australia, for example, better news from China and the associated stabilization of key commodity prices— however modest and fleeting—appear to be supporting an increase in confidence among CFOs. This was despite fears of Brexit and a knife-edge federal election result in that country. In Japan, though, CFOs remain wary despite the victory of the ruling coalition in the Upper House election when the survey was conducted. Their responses seem to indicate that most CFOs do not expect political stability will necessarily lead to improved economic growth. In fact, some 40 per cent of CFOs reported decreased optimism, and 73 per cent reported uncertainty as "high" or "very high."

SUB-SAHARAN AFRICA

Similarly, among the regions reporting in the annual Sub-Saharan Africa survey, there are significant differences. South African CFOs are somewhat less optimistic about the performance of their companies in 2016, with 57 per cent expecting a slight or significant improvement in performance compared with 61 per cent in 2015. Elsewhere, there has been a drop in optimism among CFOs surveyed in Southern Africa, while CFOs in West Africa and East Africa have a somewhat more positive outlook for their companies in 2016. Many of their risk factors differ too, but currency volatility weighs heavily across the board. And those risks have a significant majority (84 per cent in South Africa alone) of CFOs saying they will focus on improving operational efficiency and process optimization this year.

Such defensive stances may prove prudent. According to Deloitte's economists, while Brexit's fallout may seem contained, there may still be cause for concern. "As growth slows in Europe, adding to slow growth in China and Japan, it may cascade through other regions," says Buckley. In other words, the hangover may linger.

Contacts

DELOITTE

Henrik Nilsson
Partner, Audit
henilsson@deloitte.se
+46 73 397 11 02

Christina Bergman
Partner, Consulting
chrbergman@deloitte.se
+46 76 847 26 88

Lars Franck
Partner, Tax
lfranck@deloitte.se
+46 73 397 21 26

Tom Pernodd
Partner, Financial Advisory
tpernodd@deloitte.se
+46 73 397 10 60

SEB

Karl Steiner
Senior Strategist
Research & Strategy, SEB
karl.steiner@seb.se
+46 70 332 31 04

Elisabet Kopelman
Economist, Research & Strategy, SEB
elisabet.kopelman@seb.se
+46 8 763 80 46

ABOUT THE SURVEY

The CFOs who responded represent a selection of the 200 largest companies in Sweden across industries. The survey was carried out as a web-based questionnaire in September 2016. Given the broad range of industries and organisations that responded, the trends observed and conclusions made are considered representative of the wider Swedish CFO community.