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Global CFO Signals
Signs of a sustainable recovery?

Q1 2014 Deloitte Member Firms' CFO Surveys: Argentina Australia, Austria, Belgium, Finland, France, Germany, Ireland, Netherlands, New Zealand, North America, Norway, Sweden, Switzerland, and United Kingdom

DTTL Global CFO signals
May 2014

About the DTTL Global CFO Program

The Deloitte Touche Tohmatsu Limited (DTTL) Global Chief Financial Officer (CFO) Program is a CFO-centric strategic initiative 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. The DTTL Global 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-three Deloitte Member Firms' CFO surveys, covering 58 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 industry-wide 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 30) for member firm contacts and information on the scope and survey demographics for each survey.

About DTTL's Global CFO Signals

The purpose of DTTL's *Global CFO Signals* report is to provide highlights of recent CFO survey results from Deloitte member firms. This issue includes the results of the first-quarter 2014 CFO surveys from Deloitte member firms in the following geographies:

Argentina: External worries prevail

Australia: An appetite for growth

Austria: Markets and companies aligned

Belgium: More appetite for risk

Finland: Closing the gap

France: Beginning of a new chapter

Germany: Recovery? Yes, but…

Ireland: Prioritizing investment

Netherlands: Sustained optimism

New Zealand: Glass half full

North America: A breakout year for growth?

Norway: Hesitant to grow

Sweden: Growth expectations improve

Switzerland: A sustained recovery?

United Kingdom: Record risk appetite

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

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Global CFO Signals

CFO Sentiment Q1 2014
Signs of a sustainable recovery?

Ask CFOs around the globe about the economic environment, and many of them will tell you that uncertainty is down, corporate prospects are up, and their risk appetite is hearty. Those are some of the takeaways from the 15 country reports in this edition of *Global CFO Signals.*

Little wonder that finance executives are reporting sustained—and in some cases, increasing—optimism. In addition, many are moving forward with their expansionary strategies despite such global concerns as the Russia/Ukraine crisis and the threat of central bank easing.

First, let's consider optimism. In Belgium, more than half of finance chiefs are more optimistic than three months ago, buoyed by good financial performance: in fact, close to 70% report performance on budget or better than budgeted. In New Zealand, which is in this report for the first time, 58% of CFOs report increased optimism, driven by the strength of their own economy. And in the UK, optimism edged slightly lower, but remains close to its highest level in four years.

That optimism is fueling CFOs' expectations in many countries. In Switzerland, some 80% of CFOs expect revenues to increase over the next 12 months. Some 75% of Ireland's CFOs expect increased margins. And in the UK, hiring expectations are at a three-and-a-half year high.

As always, the trend is not universal. North America's CFOs remain solidly positive about their companies' prospects. But they refuse to move the needle on their sales and earnings expectations. While sales growth expectations rose slightly from 4.1% to 4.6%*, earnings growth hit a new low of 7.9%*. Meanwhile in Europe, Norway's CFOs' net optimism climbed out of negative territory, but remains low at 2% compared with six months ago. And in Germany, some 46% of CFOs report being less optimistic and cite cost cutting as their top strategic priority.

Still, overall, CFOs seem to be signaling that they believe a recovery can be sustained, and they plan to take advantage. M&A activity is expected to be up significantly in such countries as France, Sweden, and the UK. For the first time in a year-and-a-half, an equal number of Finland's CFOs are prioritizing expansionary strategies as defensive ones. And in North America, more than half of capital expenditures are slated for growth and innovation (37% and 14%, respectively).

Aiding that momentum seems to be a collective sigh of relief. Skyrocketing levels of uncertainty have tapered in many countries. In Ireland, for example, 85% of CFOs perceive the level to be normal, low, or very low. "Many of the factors that previously drove uncertainty— such as the budget issues in the U.S. and the eurozone crisis—are all gone for now," notes Ira Kalish, Chief Global Economist for Deloitte. "And many of the current drivers—such as the Russian situation—just do not have the same economic impact."

How does that bode for CFO sentiment in Q1 2014? What follows is a synopsis by region:

Americas

In North America, CFOs are again optimistic (47% expressing rising optimism versus 20% expressing pessimism), but as mentioned, their near-term growth expectations remain weak. Contributing to their optimism are views of several major economic zones. Optimism regarding North America, for example, rose due to improving assessments of the economy's current health and its trajectory. Perceptions of Europe turned a corner, with CFOs' assessments of current economic health better, and their outlooks on its trajectory finally netting out positive. Assessments of China were mixed with better perceptions of current health but worse on trajectory. The story is much different, however, in the one country reporting in South America—Argentina. There, CFO outlooks can best be described as outliers this quarter (-38% net optimism), fueled by skepticism over government policies.

Asia-Pacific

Some 43% of Australia's CFOs report increased optimism this quarter, a sentiment bolstered by the fall of the Australian dollar for much of the survey period, the record run of low interest rate improvements in the U.S. and European economies, and a belief that the degree of economic uncertainty has declined. That confidence is translating into a rise in revenue expectations (net 79% vs.net 55% last quarter), head count, and capital expenditures, as well as the highest level of risk appetite in four years. Elsewhere, in New Zealand, CFO optimism is also running high, driven by the domestic economy, equity market performance, and high commodity prices. Still, only half of CFOs believe that the time is right to take greater risk onto their balance sheets, and 68% cited organic expansion as their preferred form of growth.

Europe

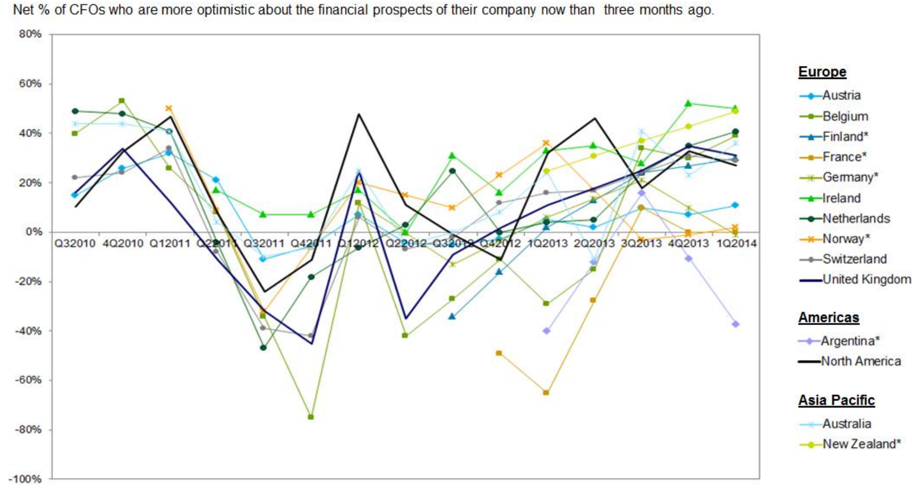
Positive CFO sentiment rules in much of Europe. In the UK, business confidence is apparent in the appetite for corporate risk: a record 71% of CFOs say now is a good time to take risk onto their balance sheets. In Ireland, 77% of CFOs now describe their business strategy as expansionary, up from 56% 12 months ago. And in Switzerland, CFOs are bullish on their own country's prospects as well as their own companies': in fact, 76% report a high level of confidence in the economic outlook. And there are even glimmers of hope where CFOs are less enthusiastic. In Norway, for example, where most CFOs are planning defensive uses for their cash, such as dividends, 37% still do cite other uses, including "other investments" and "acquisitions." And although Germany's CFOs are maintaining a defensive posture, those looking to invest are eyeing China, over the U.S. and their own country.

What is in store?

Will the positive sentiment expressed by many of the CFOs be sustained? That obviously will vary from country to country, says Kalish. But, globally there is a sense that "the worst is over and now may be a good time to think about investing."

CFO Sentiment: Net Change in Optimism

Net % of CFOs who are more optimistic about the financial prospects of their company now than three months ago.



*A trend line has been plotted for this country as the survey is conducted on a semi-annual or annual basis.

Please note that the surveys conducted vary in timing, sample size and demographic of respondents. As such, these survey responses may not be a statistically accurate representation of the countries / regions identified. Please refer to the end of this publication for information on the scope and survey demographics for each participating survey.

Global CFO Signals
By the Numbers

Risk appetite

According to many CFOs, now is the time to take greater risk onto the balance sheet. Risk appetite is at a six-and-a-half-year high in the UK (71%), a four-year high in Australia (55%), at its highest level since the survey launch in Switzerland (47%), at a three-year high in Belgium (35%), and at its highest level in the Netherlands (34%) since Q4 2010. In Ireland, however, risk appetite fell from 44% last quarter to 38% this time.

Uncertainty

The level of uncertainty continues to taper. In the Netherlands, 66% of CFOs rate the level of uncertainty as high or very high, down from 95% in Q3 2011; in Germany it is down from 80% in late 2012 to 12% now; and in the UK, 52% of finance chiefs see uncertainty as above normal, high, or very high, down from 77% a year ago. On the flip side, 85% of Ireland's CFOs perceive the level to be normal, low, or very low.

Sales/earnings

Expectations for revenues and earnings are positive in many countries. Some 82% of Australia's CFOs, 80% of Switzerland's CFOs, 72% of Belgium's CFOs, 69% of Ireland's CFOs, and 49% of Austria's CFOs expect top-line growth this year. Margins are up in some countries as well, with 54% of Belgium's finance chiefs, 38% of Australia's, 35% of Switzerland's, and 22% of Ireland's expecting gains. In North America, however, earnings growth hit a new low of 7.9%*.

Hiring

The news on the global job front is somewhat mixed. On the one hand, in Belgium, 40% of CFO survey respondents still foresee head-count reductions in 2014, as do 38% of Finland's CFOs. On the other hand, more than 80% of the UK's finance chiefs (a three-and-a-half-year high) expect to increase their employee numbers, as do 59% of Ireland's CFOs and 40% of Australia's.

Corporate strategy

In Ireland, some 77% of finance chiefs now describe their business strategy as expansionary, up from 56% 12 months ago. In Finland, expansionary strategies have risen on organic growth, the introduction of new products, and the movement into new markets. And in North America, more than half of capital expenditures are slated for growth and innovation (37% and 14% respectively). Still, expansion is not a universal strategy. In Germany, New Zealand, and Belgium, defensive strategies are still embraced, with 72% of Belgian CFOs cite cost reduction as a high priority in the next 12 months.

M&A activity

Some 80% of France's CFOs expect M&A activity to increase in the coming months, as do more than 60% of Finland's CFOs; 68% of Sweden's; and 75% of the Netherlands's (down from 91% in Q4 2013, though). And in the UK, 23% of CFOs report that they have a corporate priority to expand by acquisition, while 54% of Australia's finance chiefs expect it to be a priority.

Deloitte Member Firm CFO Surveys:

First Quarter 2014 Highlights

Argentina
External worries prevail

Highlights from the H1 2014 Argentina CFO Survey:

- Some 44% of CFOs are less optimistic about overall business conditions, mainly because of external factors; only 6% were more optimistic.
- The three top job stresses cited were changes in regulatory requirements (12%), stakeholder demands (12%), and too much low-value work (10%),
- In the next 12 months, Argentina's CFOs' main strategic focus will be on the growth/preservation of revenue, followed by cost-re duction analysis.
- CFOs' time was spent slightly more in their steward (33%) role this quarter, compared with catalyst (23%), operator (22%), and strategist (22%)

Skeptical of government impact

The sixth CFO Survey in Argentina asked for opinions in five areas: the role of the CFO, finance organization, company, industry, and economy. In terms of economic concerns, the top two named were inflation (28%) and exchange rates (19%).

When asked about their attitudes toward the government's ability to enact or maintain effective economic policies that could impact their businesses, some 73% of survey respondents said they were skeptical.

Optimism waivers

As for their overall level of optimism, CFOs were influenced by both internal and external factors – and differed greatly from their peers elsewhere. In fact, only 6% reported more optimism this quarter, whereas 44% of CFOs indicated less optimism, primarily due to external factors (for example, the economy, the markets). Some 38% did not report any notable changes.

Company, industry & finance concerns

CFOs indicated improving and maintaining margins as their companies' top concern, followed by establishing or adapting strategy, and communicating with shareholders. As for industry concerns, government regulation/legislation topped the list, followed by pricing trends and market share growth. The top challenges in the finance department included providing metrics, information, and tools for business decisions (13%) and influencing business strategy.

As for making decisions in each of these areas, participating CFOs said they possess the highest level of influence in the selection of projects and initiatives and communications with shareholders.

Still leaning steward

In this environment, CFOs reported a fairly balanced distribution of time among their four roles with a slight inclination toward steward (33%), followed by catalyst (23%), operator (22%), and strategist (22%). If they had to leave their jobs, the biggest triggers would be for a position of greater influence (for example, CEO), for a similar CFO role with better pay and benefits, or to join a faster growing company.

Australia
An appetite for growth

Buoyed by internal and external factors

According to the latest Australian CFO Survey, CFOs have started 2014 feeling more assured about the financial prospects of their companies, helped along the way by the fall of the Australian dollar for much of the survey period, the record run of low interest rates, improvements in the U.S. and European economies, and a belief that the degree of economic uncertainty is not as great as 12 months ago.

The overall impact of these trends is reflected in the steadily improving business confidence outlook with a net 36% of CFOs more optimistic about the financial prospects of their company, up from 23% in Q4 2013.

An optimistic time for risk

The buoyant mood is also reflected in the risk appetite among the CFOs of Australia's largest companies, which increased to a four-year high in the first quarter of 2014.

For the first time in three years, a majority of CFOs said that now is a suitable time to take greater risk onto their balance sheets. The latest result of 55% is the most positive in the survey's history and a significant rise on the risk appetite as of Q4 2013 (44%).

This greater appetite for risk is reflected in CFOs' perceptions of economic uncertainty, which have continued to fall for the past three years. A net 50% of respondents rate the level of economic and financial uncertainty facing their businesses as high or above normal, down from 58% a year ago and 64% two years ago.

Highlights from the Q1 2014 Australia CFO Survey:

- Levels of optimism increased with a net 36% of CFOs saying they are more optimistic than last quarter (23% in Q4 2013).
- Domestically, perceptions of a rebound in the Australian stock market (41%) and continuing fall in the Australian dollar (32%), federal government policy (27%), and low cash rates (25%) supported an optimistic outlook.
- Concerns about economic uncertainty are at their lowest level (50%) in almost three years.
- The number of CFOs who believe now is a good time to take risk onto their balance sheets (55%) is at a four-year high.
- Organic expansion is the most popular business strategy for the next 12 months, with 76% of CFOs indicating that they will pursue this strategy.
- CFOs are expecting increases in revenues, but are still cautious about their spending.

The cost of expansion

Favorable financing conditions have provided an attractive environment for businesses that want to expand using external sources. Finance chiefs report that credit continues to be available at similar levels to the previous three quarters, and that it was more keenly priced over the past 12 months than at any time since late 2009.

Historically, CFOs have considered corporate balance sheets underleveraged and their views on this topic have not changed markedly from previous surveys. Only a minority indicate they intend to raise their debt levels over the next 12 months.

Influencing this response could be the high levels of internal funding. This was the favored source of corporate funding – more so than bank borrowing – for the first time in over a year.

Going for growth

Sustained business optimism is also reflected in the expected business metrics over the coming year. An increasing number of finance chiefs expect revenues to grow (Q1 2014 net 79%, Q4 2013 net 55%) over the next 12 months. However, they expect growth in operating margin expectations not to be as good (Q1 2014 net 18%, Q4 2013 net 7%). Pressure remains on discretionary spending as CFOs strive to preserve operating cash flows. Some positive signs continue to emerge with more CFOs indicating this quarter an intention to increase capital expenditure and hiring.

As a sign of today's complex business environment, more than half of the CFOs nominated productivity improvements (61%); and investments in technology and digital strategies (55%) as the key fundamentals required for sustained corporate growth.

Targeting opportunities

With positive conditions for growth now evident, CFOs are using a number of levers to create growth opportunities in their organizations. The levers having the largest potential impact on creating opportunities are positioning for structural advantage (45% see this "to a large extent") and considering portfolio mix (46% see this "to a large extent"). Finance chiefs also say that embedding long-term thinking in business decisions (73%) is the most important mind-set or behavior required by Australia's businesses to drive sustained growth for the economy, followed by adopting a sense of urgency for growth (67%), and having greater confidence about future growth potential (61%).

This poses a number of questions for CFOs and business leaders as to whether their own businesses are well positioned to pursue growth opportunities.

Austria

Markets and companies aligned

Bullish on own companies

In the last survey, Austria's CFOs thought the market would improve, but that companies would face harder times. This quarter, however, their sentiments are more aligned.

The outlook of Austria's CFOs toward economic development is rather muted. In fact, none of the CFOs surveyed believes there will be a significant improvement in the economy. Moreover, the percentage of CFOs who believe in a slight improvement in the economy has decreased from 54% to 46%.

As for their own companies, however, Austria's CFOs are expecting improvement. Some 49% of survey respondents anticipate an increase in their company's revenues will increase in the next few months; only 10% think that their revenues will decrease. The level of staff, however, will remain stable, with 59% of the questioned CFOs expecting no change.

Investments viewed negatively

CFOs' views regarding the availability of credit remains stable, with 35% believing it is available compared with 31% in the last quarter. The percentage of CFOs, who believe in the availability of credit is good, rose from 19% to 25%.

The climate for investments reflects the perceptions of economic development. Only 26% of the CFO respondents believe in an improved climate for investing (compared with 34% in the last survey). The majority of the CFOs believe in a stable climate for investments (61%). Still, the majority of the surveyed CFOs believe that they will invest the same amount as they did last quarter.

Highlights from the Q1 2014 Austria CFO Survey:

- Some 46% of CFOs believe that the economy will improve, compared with about 54% in our last survey.
- Only 5% of Austria's CFOs believe they are well-equipped to handle a future financial crisis.
- The percentage of CFOs, that believe in a good availability of credit rose from 19% to 25%
- Almost half (49%) of surveyed CFOs expect a revenue increase in the coming months.
- Some 20% of CFOs want to increase their staffs in the coming months.

After four quarters in a row, in which the CFOs didn't think that M&A would have any significant impact, there has been a change this quarter. Now 23% of CFOs, compared with 19% in our last survey, believe that M&A will have an impact in the next quarter. Six percent believe it will be a major impact.

Austrian Stock Exchange expectations

After heavy improvement in the last survey, expectations for the Austrian Stock Exchange fall in our current survey back to the levels seen in the Q3 2013, with 41% of the CFOs not expecting any change.

Belgium
More appetite for risk

Confidence continues

Belgium's CFOs entered 2014 in an optimistic mood, and remain optimistic about the future prospects of their businesses. The optimism that had surfaced among finance chiefs since the third quarter of 2013 continues its positive trend. More than half of respondents are more optimistic about the financial prospects for their companies compared with three months ago, versus only 13% who are less optimistic.

In addition, more than 70% of respondents expect their top line to grow in 2014 as compared with 2013; 50% expect higher margins as well. CFOs' perception of the general level of financial and economic uncertainty continued its gradual decline. Today 16% rate the level of uncertainty high or very high, down from 33% one year ago and 42% two years ago. Although 50% of CFOs still rate the uncertainty above normal levels, the situation has significantly improved.

The level of optimism is also confirmed in the actual performance, with close to 70% of the respondents' organizations on track compared with budget. That compares to 43% at the same time last year. Still, 40% of the respondents foresee headcount reductions for their organizations in the course of 2014.

Risk appetite up, but still defensive

Risk appetite went up significantly and even comes close to the highest levels reported since the launch of the survey in 2009. Some 35% of Belgium's CFOs believe now is a good time to be taking greater risk onto the balance sheet. Larger companies seem more inclined to take on additional risk than smaller organizations. The balance of opinion is that Belgian balance sheets are today underleveraged.

Highlights from the Q1 2014 Belgium CFO Survey:

- Some 90% of CFOs expect the Belgian economy to grow in 2014, with the majority expecting between 0.2% and 1.0% growth.
- CFO entered 2014 in an optimistic mood, and remain upbeat. More than70% of survey respondents expect the top line to grow in 2014 as compared to 2013, 50% expect higher margins as well.
- Only 16% of survey respondents currently perceive the general level of financial and economic uncertainty to be high, down from 33% one year ago.
- Risk appetite among CFOs went up significantly and comes close to the highest level reported since the survey launch: 35% of the CFOs believe now is a good time to be taking greater risk onto their balance sheet.
- Close to 70% of CFOs reported performance on or better than budgeted – up from around 50% in most quarters in the past years.

Defensive strategies, including cost reduction, cash flow management, and efficiency improvement, remain popular among companies of all sizes, however. When looking at preferences of large vs. small companies, large-company CFOs still see opportunities for further cost reduction, with 72% of them setting this as a priority for the next year. Overall, Belgian CFOs report that their companies continue to promote defensive strategies and that this tendency is strengthening, despite growing optimism and risk appetite

Debt and borrowing attractive

The availability of bank borrowing has slightly increased compared with the previous quarter. As the cost increases, the cost of bank borrowing is now perceived as neutral by the average CFO.

Balance sheets continue to be perceived as underleveraged, according to CFO survey respondents. The low degree of leverage and the availability of bank borrowing allow organizations to increase investments going forward.

M&A expectations for the next 12 months have gone up. More than 70% of Belgium's CFOs expect M&A activity to increase in the next 12 months, up from 59% last quarter. None of the respondents expects M&A activity to decrease in the next 12 months.

Although the perception has slightly improved compared with the previous quarter, both the uncertainty about the economic and financial environment and policy making, and the (limited) growth projections in Belgium, remain inhibiting factors for investments. Following the trend from previous quarters, secular or long-term growth for product or services and availability of internal finance remain the main drivers for investment plans. Actual or expected growth in the U.S, Japan, Asia-Pacific and the emerging markets is perceived to be a stimulating factor.

In particular organizations that derive at least 70% of their revenue from abroad expect growth in the U.S., Japan, Asia-Pacific, and the emerging markets to have a positive impact on their investments. For companies that are mainly operating in Belgium, expected growth here provides some stimulus for investment.

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Negative toward government policies

The National Bank of Belgium projects a growth of 1.1% for Belgium and 1.0% in the eurozone. A full 90% of the participating CFOs also expect economic growth in Belgium in 2014, but their predictions are more moderate than those officially published by the National Bank of Belgium: the overall majority of CFOs expect a growth between 0.2% and 1.0%, and only few respondents expect growth of more than 1%.

CFOs continue to be unhappy with the way the Belgian government is setting priorities for financial and economic policy making. After a slight improvement last quarter, the net perception has fallen back to -44%, the same level as in Q3 2013.

Most CFOs report Belgian labor market policy and labor costs are not appropriate to support the long term success of Belgian businesses, and negatively impact organizations' competitive positions. CFOs' evaluation of the priorities set by government remains very poor. As the competitive position of their businesses tops the list of CFOs' key concerns, the topic should remain high on the agenda of policy makers.

Finland
Closing the gap

Looking to expand

The spring 2014 results of the Deloitte/SEB CFO Survey signal that the ailing Finnish economy is not discouraging CFOs from building a healthy growth appetite. The number of CFOs prioritizing defensive business strategies such as cost-cutting is declining and more of them are looking to expand in the next 12 months with a little support from international investments. The change of pace closes the two-year-long gap between defensive and expansionary business strategies, making expansion equally as appealing as defending in the current financial position.

Against this backdrop, Finland's CFOs are more confident that their financial prospects are going to be better than was assumed six months ago. According to the survey, finance chiefs are also willing to tolerate and take more risks on their balance sheets. However, the survey is not all good news. In spite of the boost in optimism, external uncertainty keeps CFOs concerned about the development of demand and the Finnish economy.

In a favorable financial position

CFO optimism in Finland reached the levels of their peers in the UK this quarter. Maintaining the optimistic trend from last year would allow Finland to reach a four-year record level of confidence. The net percentage of finance chiefs who are optimistic outweighs those who are pessimistic by 30%.

The data suggests that there is a greater divide between those companies that can be expected to perform well and those companies that are expected to perform sluggishly in the coming six months. This concerns especially the manufacturing, retail/wholesale, and services industries where 22%-29% of respondents view their business conditions as favorable and 29%-33% of respondents reported theirs as unfavorable. The retail industry has a slightly softer outlook than other represented industries. The overall financial position has already improved, and 65% of respondents consider their financial position as favorable.

Highlights from the H1 2014 Finland CFO Survey:

- For the first time in a year-and-a-half, an equal number of CFOs are prioritizing expansionary business strategies as defensive ones.
- Net optimism rose again to 30% among CFOs in Finland.
- Increasing cash flow will be the primary source of funding for 91% of companies.
- Finland's CFOs continue to be concerned about their home economy and demand. In addition, country risk in Russia becomes the greatest risk for 20% of CFOs.

Prospects and concerns

The demand and outlook of their nation's economy remain the greatest concerns for Finland's CFOs. Not surprisingly, exchange-rate risks (120% increase) and the country risk in Russia (134% increase) have leapt to new levels. Also, stress levels remain high with regard to the cost of raw material and labor.

Still, companies are willing to make strategic and financial investments abroad, but the number of CFOs most willing to make strategic investments in Finland has fallen by 37%.

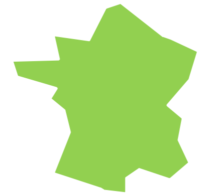
This quarter, however, the same percentage of Finland’s CFOs describes their corporate strategy as defensive as describes it as expansionary. In this survey, the defensive trend has finally fallen due to lowered interest in cost reduction. On the positive side, the focus on expansionary strategies keeps on rising as organic expansion and the introduction of new products or expansion into new markets are even higher on CFOs' priority lists.

Two-thirds of the Finland’s CFOs insist that the M&A market will stay active. CFOs are almost as encouraging in their predictions as M&A specialists, of which 70% believe that they are going to be involved in a merger or an acquisition in the next six months. Notably, only 11% of respondents believe that acquisitions and divestments are going to decrease. On average, respondents, who represent retail/wholesale and service/consulting industries, give a higher probability of increasing M&A activity.

Cash flow improvements

Compared with the last survey conducted after the third quarter of 2013, CFOs now report that their companies’ ability to improve corporate cash flow is rising. In the third quarter 2013, fewer than half believed that their companies would be able to do that, and now as many as 66%of Finland’s CFOs expect their cash flow to increase.

Finally, in the opinion of its CFOs, Finnish companies have become more overvalued within the last two-and-a-half years than ever before. Thirty-four percent perceive the valuation of Finnish companies to be above fair value, while only 18% regard it as low. This indicates that in terms of valuation, it would be a good time to raise new equity.



France
Beginning of a new chapter

Optimistic and confident

With 24% of CFOs more optimistic on the French economy than six months ago, a new trend is emerging. The figure is stable compared to September 2013, but much better than the 3% reported in April 2013.

The increase in optimism is the signal of an economic upturn for France and Europe: 57% of France's CFOs believe that prospects are better for Europe and 17% for France (compare with 1% and 0% in April 2013). Nevertheless, the euro's strength and the evolution of financial markets remain of high concern.

In addition, 91% of CFOs expect the episode of low inflation to last. Those circumstances are leading them to adapt HR policies, particularly in the area of wage moderation.

A growth priority

Organic growth is, for the first time, CFOs' main priority. Still, in the case of cash surpluses, CFOs favor acquisitions (43%) and increasing capacity investments (42%).

As for investments, 91% of CFOs have reached, if not exceeded, their forecasts. This figure is consistent with the rise in investments (+0.9%) observed by the French National Institute of Statistics and Economic Studies (INSEE) for the last quarter of 2013. In fact, 66 % of companies realized their investments compared with their plans six months previously. Some 25% of CFOs even exceeded their forecasts

In addition, 80% of CFOs are anticipating an increase of M&A activity in the next six months. This trend is up compared to previous surveys (48% in April 2013; 75% in September 2013). In particular, 58% plan operations in France and only 37% outside the EU.

Highlights from the H1 2014 France CFO Survey:

- Some 24% of French CFOs are now optimistic about their own companies' prospects, compared with 3% last April.
- North America is seen as the top growth zone by 71% of CFOs, followed by Europe (57%). France's prospects remain stable at (17%).
- Wage moderation is an HR policy issue for 70% of CFOs.
- Almost three-quarters of CFOs are considering opting for disintermediated financing modes

  CFOs would like to devote more time to corporate social responsibility (55%), regulatory issues (41%), and risk management (34%).

Focus on liquidity

Thirty-four percent of CFOs view access to credit as easier (28% in September 2013). In addition, the proportion of CFOs fearing a credit crunch decreased significantly, from 24% one year ago to 11% today. Liquidity shortages don't seem as anxiety-inducing as in previous surveys (22% today vs. 53% two years ago).

Some 73% of CFOs are interested in disintermediated financing's market development, compared with 30% in September 2013.

Meanwhile, optimization of their working capital requirements remains the top driver of cash flow improvement (79%), well ahead of funding diversification (47%). Interestingly, loan renegotiation was more and more mentioned by CFOs (28% vs. 15% six months ago).

Germany

Recovery? Yes, but…

Highlights from the H1 Germany CFO Survey:

- An overwhelming majority (89%) of CFOs view the German economic outlook as positive.
- Only 12% of CFOs consider economic uncertainty to be high or very high, down from almost 80% in late 2012.
- Almost half of German CFOs believe demographic change will be the most important long-term trend affecting their companies.

Cost cutting remains the top strategic priority, followed by introducing new products and services.

Economic optimism soars

Germany's CFOs are optimistic about the German economy. An overwhelming majority (89%) have a positive view of economic prospects over the next 12 months. This rise in optimism about the economy is accompanied by a rise in own-company-optimism. Some 45% of Germany's finance chiefs see the financial prospects of their own company in a more positive light than they did three months ago.

One of the key drivers of this assessment is a further decline in the level of uncertainty. Only 12% consider uncertainty to be high or very high, down from almost 80% in late 2012. Consequently, expectations for turnover and margins are increasing markedly. Going forward, the main drivers of sales growth will be the German, Chinese, and American markets.

The positive outlook is also reflected in the Deloitte CFO Confidence Index. In spring 2014, the index is up to +35, which is strongly positive. However, the assessment of the economic environment, one of the index's two subcomponents, is twice as high as corporate growth plans, the other component of the index. In other words, companies' growth appetite is still limited, despite a very favorable environment.

Growth appetite remains limited

This tendency is confirmed by CFOs' strategic orientation, which remains defensive. For a majority, cost cutting is still the top strategic priority, introducing new products or services follows with a considerable margin. Basically, strategic priorities have remained broadly unchanged compared to fall 2013.

The investment plans of German corporations reflect an ongoing internationalization. China is the favorite investment location for the next 12 months, followed by the U.S., while Germany is only the third favorite. The U.S., however, is the most popular investment destination for German manufacturers. When corporations do undertake investments in Germany, their main motivation is to expand capacities and product innovation.

In terms of long-term challenges, demographic changes rank high. Almost half of CFOs believe that it will be the most important trend for their business in the long term, making it more important than digitalization and increasing competitive pressure from emerging markets.

Taking on greater leadership roles

The role of German's finance chiefs extends substantially beyond their traditional areas. Strategic thinking and leadership qualities are the most significant skills for CFOs today, according to their own assessment. As they progressed toward the CFO position, a majority collected experiences in the controllership function and a sizeable number have had experience leading a business unit. Almost half surveyed spent more than a year abroad. Given the changing nature of the CFO's role, it may become a stepping stone to taking on CEO responsibilities.

Ireland
Prioritizing investment

Highlights from the Q1 2014 Ireland CFO Survey:

- Some 69% of CFOs surveyed believe that their company has already returned to growth.
- Net optimism has largely remained unchanged this quarter at 50%, a marked improvement over optimism at this time last year.
- Talent costs will impede their company's' performance for 48% of respondents.
- Economic growth in the EU is the most significant driver of companies' performance for 73% of respondents.
- A net 62% of respondents believe capital expenditure in their company will increase over the coming 12 months.

Signs of a sustainable recovery

The first quarter of 2014 was significant in relation to Ireland's economic recovery. The optimism generated by Ireland's exit from the EU-IMF bailout program in December 2013 emanated throughout the quarter, with Ireland showing signs of sustainable recovery and performing well against some key economic indicators. The first bond issuance post the bailout exit in early January highlighted that there is strong confidence among investors for Irish bonds and marked a return to normal market access since 2010. From a global perspective, the quarter will be remembered for the deepening crisis in the Ukraine, which not only caused political unrest, but also economic turbulence.

Against this backdrop, business optimism among Ireland's CFOs stayed relatively stable in the first quarter. Net optimism came in at 50%, a marked improvement over optimism at this time last year.

Focus on capital spending

Looking at companies' priorities over the next 12 months, discretionary spending is expected to decrease for over a third of respondents with an increased focus on capital expenditure. Interestingly, one in four CFOs indicated no requirement for funding this quarter with bank borrowings largely expected to remain unchanged or to decrease over the coming 12 months. This suggests that the trend experienced in the past year, of decreasing levels of leverage in respondent companies, is set to continue.

The continued emphasis on capital expenditure however, coupled with CFOs' stated priority to achieving growth and scale rather than contracting, suggests that companies are not turning away from growth in the future. Instead the survey findings indicate that companies are less reliant on debt to fund growth, with surplus cash injections likely to be a driver of growth in its place. This is supported by the fact that CFOs believe their companies are prioritizing investing cash, as opposed to holding it.

Strategic growth eyed

This quarter there has been a slight increase—6%—in the number of Ireland's CFOs who now view their corporate strategy as expansionary. In the space of 12 months the number of CFOs who consider their strategy expansionary has risen from 56% to 77% of survey respondents.

Some 81% of CFOs see the long-term growth for their companies' products and services as being a positive driver for investment plans over the next 12 months. Expected growth in the euro area is a positive factor for 68% of CFOs, up from 50% in Q4 2013.

Financing, debt, and credit

Twenty-six percent of respondents say they don't require funding for Q1 2014 and domestic banks continue to be the preferred source of funding for 32% of respondents. The number of Ireland's CFOs who identified overseas banks as the preferred source of funding has fallen by 16%, and the preference for equity funding has regained its attraction. For the first time since Q2 2012, respondents cite reduced dividend payments as a preferred method of funding.

CFOs continue to perceive new credit as costly, with a net 18% rise in respondents who share this sentiment. The perception that new credit is inaccessible has lingered, but it has fallen 13% to a net 6% overall believing that credit is difficult to obtain. Since this quarter last year there has been a clear improvement in the perception of both the cost and availability of credit. At the same time, this is against a backdrop of a net 9% of respondents that believe capital cost and availability will impede their company's performance over the next year.

Looking in more detail at the availability of credit across all sources illustrates that Ireland's finance chiefs continue to rate all sources of credit as difficult to obtain compared with six months ago. However there has been an improvement in the availability of credit from both domestic and overseas banks, with a rise of 13% and 17% respectively in terms of ease of accessibility. That said, the perception of the availability of credit through equity and corporate bonds has continued to deteriorate this quarter.

At the same time, a net 38% of respondents report a decrease in leverage compared with 12 months ago. This is a significant change from last quarter, when a net 4% of respondents indicated decreasing levels of debt.

Wary of talent costs

Talent remains on the agenda for CFOs. But while the retention of talent continues to be cited as a priority for CFOs, only 3% of CFO respondents say they use talent retention as an indicator of their company's performance. Despite the fact that almost half of respondents perceive talent costs as an impediment to their company's performance, the majority of CFOs say the number of employees in their company is expected to rise.

Some 45% of CFOs are currently experiencing difficulty finding staff with the required skills and knowledge, indicating that talent availability remains a concern for CFOs. Notably, a third of respondents expect the lack of available talent to impede their company's performance in the future.

Netherlands
Sustained optimism

Positive forecasts abound

The good news continues. The Dutch economy is emerging from recession. The budget deficit has already fallen below the 3% EU threshold and is expected to remain so in 2014 and 2015. There seems to be no need for additional austerity measures in the coming years.

In its *Fiscal Monitor*, the International Monetary Fund (IMF) is more positive about the Dutch economy than three months ago, forecasting growth of 0.8% for this year and 1.6% for 2015. Forecasts by the Economist Intelligence Unit (EIU) are 1.0% and 1.5% for 2014 and 2015, respectively.

With a background of continued economic improvement, the net optimism of the Netherlands's CFOs continues its upward trend, coming in at +41%. In addition, CFOs' perception of economic uncertainty continues to fall. In Q3 2011, 95% of CFOs rated financial and economic conditions as uncertain; 66% now rate them at a higher than normal level of uncertainty.

Expecting positive cash flow

The percentage of CFOs who expect their cash flow to increase by more than 10% increased from 29% last quarter to 53% now. This is the highest score since the beginning of this survey in Q12009. Some 78% of CFO respondents expect an increase in operating or free cash flows; only 3% expect cash flow to decline.

According to the CFOs surveyed, changes in cash flows are primarily driven by further increased offering of products or services, improved gross margins, increased geographical presence, and working capital.

Highlights from the Q1 2014 Netherlands CFO Survey:

- CFO confidence continued its upward trend with net optimism coming in at 41% this quarter.
- The percentage of CFOs who consider the current level of uncertainty as normal or below normal, increased from 30% to 34%.
- Risk appetite among CFOs increased again and is inching closer to Q4 2010's high of 39%.
- Corporate debt is still seen as the most attractive source of funding, but bank borrowing has risen very sharply this quarter (from 13% to 31%).
- Some 75% of CFOs surveyed expect M&A levels to increase in the next 12 months.
- A majority (56%) of CFOs indicates that the impact of a changing business model on their finance function has been (very) high

M&A activity down, but still high

Coming off of a record-breaking high last quarter, CFOs' outlook on M&A activity decreased somewhat. Now, 75% of finance chiefs expect corporate M&A to increase over the next 12 months versus 91% in Q42013. The outlook on private-equity transactions was also down, from 86% to 78%.

Asked whether their companies will be involved in M&A transactions over the next 12 months, half of CFOs expect their companies to enter a strategic partnership; 44% expect them to make an acquisition; and 25% indicated a divestment of a subsidiary or assets, down from 48% in the last survey.

Risk appetite strengthens

As a result of increased optimism and less uncertainty, risk appetite among CFOs increased again and is inching closer to Q4 2010's high of 39%. Risk appetite is much stronger than a year ago. Still, the vast majority of CFOs (66%) believe that now is not the right time to take greater balance-sheet-related risk.

Financing conditions improved further. Credit is seen as being cheaper. It is also perceived as being more easily available than at any time since the beginning of this CFO Survey in Q1 2009.

The good availability of credit is reflected in sources of funding. Corporate debt is still seen as the most attractive source of funding, but bank borrowing has risen very sharply this quarter (from 13% to 31%).

Although less preferred, equity has gained favor and is now considered attractive. Please note that this is a net view.

Special topic: Changing business model

Many organizations are transforming their business models. Some are positioning themselves for new growth opportunities or trying to stay ahead of shifting consumer preferences. Others are restructuring to improve efficiency and reduce costs or to capitalize on lower labor rates offshore. Many others are playing catch-up on changes that were put on hold during the downturn. However, one thing they have in common is the desire to dramatically improve business performance.

In this quarter's survey, some 72% of CFOs indicated that their organization had undergone significant changes in their business model in the past five years. The impact on the finance function has been very high, according to 56% of CFOs.

In fact, all enablers of the finance function have had to be adapted to the changed business model. Financial systems and information appears to be the most important enabler to align the finance function with the new business model. Policies and financial processes were referred to least.

Before the change in business model, finance was focused on transaction processing and to a lesser extent on reporting and analysis and business decision support. The change in business model apparently caused a shift from transaction processing to reporting and analysis (slightly), and business decision support (strongly).

There was also a shift in the service delivery model. Before the change, most finance departments' functioned as stewards and operators (84% in these roles). Once the business model was adapted, the service delivery model completely shifted toward strong roles as catalysts and strategists. This reflects the trend of CFOs increasingly focused on their role as business partner.

New Zealand
Glass half full

Highlights from the 2014 New Zealand CFO Survey:

- Some 87% of New Zealand's CFOs feel that their home economy has had a positive impact on levels of optimism.
- Concerns about economic uncertainty are down, with only 41% of CFOs saying that it is above normal compared to 65% last year.
- Organic expansion is the preferred method of growth for 68% of CFOs.
- The value of the New Zealand dollar has caused concern for just over a third (37%) of CFO respondents.

  More than two-thirds (68%) are not planning any changes to capital structure in the next 12 months.

Robust economic environment

New Zealand's CFOs report robust economic conditions. Their optimism has been driven by a rebounding local economy, strong equity market performance, and high commodity prices. However, the lingering European debt situation and a high New Zealand dollar (NZD) are still creating headwinds. The NZD is expected to remain elevated and the Reserve Bank has indicated that it will raise the OCR to more than 4% over the next 12 months (from 3% currently).

Against this positive economic backdrop, New Zealand's businesses are optimistic. Just over half (58%) of the CFOs surveyed feel at least somewhat optimistic about the financial prospects for their company compared with three months ago. The level of net optimism in New Zealand has dramatically changed, almost doubling in the last 12 months. This isn't surprising given the improving performance of the country's economy.

The domestic economy, share market performance, and high commodity prices are driving optimism, while European debt and the high New Zealand dollar are having a negative influence. Net 83% of CFOs feel the New Zealand economy has had a positive impact on their optimism. This is compared with only net 68% last year. Only net 6% of CFOs say the value of the NZD has caused concern. This also compares favorably with 2013, when a net 17% of surveyed CFOs believed the NZD was having a negative impact.

Rising tide lifts metrics

The positive environment is also creating a rising tide effect that will lift metrics across the board; New Zealand's CFOs see growth in revenues, margins, and hiring expectations. Net 75% of respondents believe revenues are the metric most likely to increase for their companies over the next 12 months. Broadly, no change is expected for discretionary spending or levels of cash holdings. Inventory levels are the only metric expected to have a net decrease over the next 12 months (net -4%), which is a consequence of increased sales expectations.

Still feeling uncertain

Despite a positive outlook for the economy, CFOs remain cautious. Businesses are worried about competition and cost pressures. Regulation and the results of the upcoming election are also on the list of concerns, followed by talent management and economic risks.

As for risk appetite, survey respondents are evenly divided on whether or not now is a good time to be taking greater risk onto their balance sheets. NZ CFOs just marginally tip toward being risk takers (51% vs. 49%).With risk-takers feeling more confident, less uncertain, and expecting their revenues will go up more significantly than the risk-averse, it could suggest that a two-speed economy is emerging. What's certain is that there is a growing divide between those experiencing a fast rate of growth and those who that are not.

There is also a divide concerning business strategies. The survey establishes two definitive groups of CFOs—those who are risk takers and those who are risk-averse. Across the board, most (net 68%) still want to pursue organic expansion over the next 12 months. Two-thirds (net 67%) also intend to introduce new products/services or expand into new markets. Again, the risk-takers are leading the charge on this. Both of these strategic approaches are slightly down from last year's results. The biggest shift between 2013 and 2014 has been the increased intent to renegotiate finance facilities, presumably due to an expected increase in interest rates.

Rising tide lifts metrics

Most CFOs do not expect to change their capital structure (62%), but those contemplating change are looking at restructuring debt (21%), followed by divestment of non-core assets (9%), and changes to equity structure (8%). Eighty-one percent of CFOs do not expect to change the way capital is deployed. Those that do are roughly split across M&A, capital expenditure, debt repayment, and shareholder returns.

In terms of M&A, CFO respondents cite a good balance-sheet position and access to capital should the need arise, but few are actively looking, with other priorities taking precedence. However, many indicated they will pursue M&A if the right opportunity presents itself. Once again this reinforces the view that CFOs are taking a more passive approach to growth opportunities.

North America
A breakout year for growth?

Optimistic, but constrained

This quarter looks and feels a lot like the last. North America's CFOs are again optimistic, but their near-term growth expectations are again weak. And there are again rising signs of conservatism and tentativeness.

Contributing to CFOs' optimism are their perceptions of several major economic zones. Optimism regarding North America, for example, rose due to improving assessments of both the economy's current health and its trajectory. Perceptions of Europe turned a corner, with CFOs' assessments of current economic health better, and their outlooks on its trajectory finally netting out positive. Assessments of China were mixed with better perceptions of current health, but worse outlooks on the economy's trajectory.

Perceptions of their own companies' prospects were mixed as well. Net optimism is again well above zero (more CFOs cite rising optimism than falling optimism), but sentiment normally peaks in the first quarter of the year – and this is the lowest relative peak on record. Part of this softness may be due to the fact that it is harder for optimism keep rising after a full year of heading upward. But many CFOs are projecting more-modest expectations for sales, earnings, investment, and hiring than they did a year ago – suggesting there may be other factors at work.

Case in point: earnings-growth expectations, which normally peak in the first quarter of each calendar year, declined to their lowest level on record—far off the first quarters of previous years. Capital-spending expectations also normally peak in the first quarter of the year, but they didn't get much of a boost this quarter, and are at the lowest level for any first quarter on record.

Highlights from the Q1 2014 North America CFO Survey:

- Coming off the first full calendar year in which net optimism stayed positive, net optimism remained strong this quarter at +27 (down from +33 last quarter).
- At 4.6%*, sale- growth expectations are again positive, but earnings growth hit a new survey-low, at 7.9%*,
- Some 42% of CFOs surveyed rate North America's economies as good or very good and 62% expect the economy to be stronger in a year. By comparison, 37% regard China's economy as good, and 33% expect it to be better in a year; the numbers are 7% and 32%, respectively, for Europe.
- CFOs' worries returned that mature and developing economies will falter due to weak growth and external shocks, and also about effects of slow job growth on demand.
- Nearly one quarter of CFOs expect a change in business strategy, more than 20% expect a substantial merger or acquisition, 16% expect a divestiture, and about 14% expect to discontinue a business unit.

Tentative growth

Despite their tentativeness, most CFOs continue to indicate a bias toward growth over reducing costs and toward pursuing opportunity over limiting risk. They say more than half of capital expenditure is slated for growth and innovation, and most say their preferred approach to growth is to focus on a few targeted opportunities rather than spread investments across multiple ones. And they say that U.S. and Chinese markets are central to their companies' growth plans—and that the UK, Germany, and much of Latin America are important as well.

Still, year-over-year expectations for capital investment are not strong by historical standards. Moreover, many CFOs appear likely to direct a larger proportion of their cash to shareholders this year, with both dividends and buybacks gaining momentum. In fact, nearly 30% of public company CFOs say they will significantly increase dividends this year, and roughly the same percent expect a major buyback.

Overall, it is clear that companies are continuing to adapt in material ways. Nearly one-quarter of CFOs expect a fundamental change in their company's business strategy over the next year. And many say their companies are continuing to expand and refine their business, with about one-fifth expecting a substantial merger or acquisition, 15% expecting to discontinue the operation of a business unit, and 16% expecting a substantial divestiture.

Reasons to be cautious

CFOs' expectations appear tempered by resurgent worries about the health and trajectory of mature and developing economies. This quarter they expressed growing concerns that economies will falter because of weak growth rates and unexpected shocks, and also expressed growing concerns about the effects of slow job growth on consumer demand. And across several sectors, CFOs expressed particular concern about the pricing impact of intensifying competition at the retail level.

At least for now, concerns about the Affordable Care Act seem to have taken a backseat to more pressing concerns. Still, this quarter's findings indicate that substantial and growing number of CFOs expect to pass health care costs onto employees, increase their focus on wellness management, and reduce the scope of benefits offered to some workers.

Overall, regulation at both the national and industry levels was CFOs' most consistently voiced worry, and nearly one-third expect their companies to make significant improvements to their compliance approaches over the next year. Interestingly, concerns about the unwinding of the U.S. Federal Reserve's bond-buying program appeared to decline—but not disappear—this quarter.

Foggy view of profitability

As companies make important decisions about their strategy, operations, and investment priorities, visibility into profitability is crucial. This quarter's findings suggest, however, that profitability analysis is challenging at even the highest levels.

Even at company, business-unit, and regional levels, 21% to 29% of finance chiefs say their visibility needs to improve. And at channel and customer levels, more CFOs say they need better visibility than say their visibility is good enough.

Contributing substantially to this opacity are challenges in allocating costs and assets. Some costs, particularly around human resources and research and development, appear particularly challenging. Allocation of assets appears even more challenging, with about 40% of CFOs saying they do not even attempt to allocate working capital.

CFO leadership and pipeline

Our past surveys have shown that both the formal and informal authority of CFOs have been rising as companies have adapted to challenging and volatile business environments. To better understand what this means for CFOs' leadership demands and talent development, finance chiefs were asked about their direct reports' number, composition, and CFO-readiness.

The average CFO has seven direct reports. The median number of men is five, and the median number of women is two. About half of CFOs say at least one of their reports will be CFO-ready within a year, and nearly 90% say at least one will be ready in one-to-three years.

The CFO pipeline is clearly filled with more men than women. Forty-six percent of CFOs say they have a male direct report who will be ready within a year, and 78% have at least one who will be ready within one-to-three years. For women, the numbers are 15% and 38%, respectively.

Norway
Hesitant to grow

Stable economic outlook

The results of the Norwegian Deloitte CFO Survey Q12014 show that Norway's CFOs have a neutral outlook on the financial future. A net balance of +2% of CFOs state that they are more optimistic about the economic outlook compared with six months ago. It is slightly changed from the previous survey in Q32013, when the net balance was -3%. The result indicates that while CFOs are not pessimistic in the current market situation, they don't see any major growth opportunities either.

The flat trend in optimism coincides with recent macroeconomic signals. Statistics Norway estimates that a moderate activity growth will continue for the next few years. In the statistics bureau's analysis, the positive factors cited include growth in demand from the public sector and weakened exchange rate with important trading partners. On the negative side, weak growth in private consumption and the expectation of increased unemployment are evident.

It is clear that businesses' share of revenues in foreign currencies are crucial factors in the degree of optimism felt among CFOs. Those from companies with 75%–100 % of sales in foreign currencies have a net balance of 29%, which is more optimistic now than six months ago. Among CFOs with less currency exposure, the net balance is negative. Developments in the exchange rate over the past year reduce the effect of relatively high Norwegian costs and increase competitiveness for exporting businesses. Combined with positive developments in foreign markets, these factors contribute positively to the vitality of the Norwegian export industry.

Defensive use of cash

The latest CFO survey reveals that a majority of finance chiefs will prioritize a defensive use of cash going forward. Some 63% of the CFOs respondents cite either "dividends to shareholders," "debt reduction," or "withholding cash" as their main priorities for the use of cash in the next 12 months. The remaining 37% identify expansive use of cash, with "other investments" and "acquisitions" as the main priority. These results support the finding that businesses are hesitant regarding growth opportunities.

Highlights from the H1 2014 Norway CFO Survey:

- Norway's CFOs are neutral toward the economic outlook, with a net balance optimism of +2%.
- Companies with large foreign-exchange exposure are the most optimistic. Those with 75% to100% of sales in foreign currencies report a net balance optimism of +29%.
- Some 63% of the CFOs report a defensive use of cash going forward, with dividends, debt reduction, and withholding cash as the main priorities

  Bank loans are the most accessible source of financing with a net percentage availability of 52%, compared with 18% a year ago.

Bank loans most accessible

For most businesses, bank loans are a cheaper source of financing than bonds, but availability has been low in recent years because of banks' restrictive lending policies. In this survey, however, a net percentage of 52% of CFOs said that bank loans were available, compared to 18% a year ago. Introduction of, and uncertainty related to regulatory requirements for capital structure have contributed to lack of availability. The findings may indicate that banks are now easing lending practices.

Sweden
Growth expectations improving

Highlights from the H1 2014 Sweden CFO Survey:

- A total of 40% of surveyed CFOs describe business conditions as “favorable,” compared with 30% last fall.
- About 51% of CFO respondents expect cash flows to increase over the next 12 months; surprisingly 15% believe they will decrease.
- Almost 70% of companies expect increased M&A activity during the next 12 months.
- Paying down debt (40%) ranks as the top priority for CFOs envisioning a cash surplus, followed by investing strategically abroad.
- As in previous surveys, consumer demand remains the main worry facing CFOs, with increasing worries over interest rates.
- Currently, 90% of respondents state that the lending attitude of financial institutions toward their company is “favorable” or “very favorable.

Improvement seems near

Swedish GDP accelerated in the final quarter of 2013 confirming the upturn signaled by forward looking indicators in the September CFO 2013 survey.

The improved macroeconomic outlook is also evident in the current CFO Survey, with Sweden’s CFO Index value (a measure of future expectations that weighs four components—business conditions, financial position, lending willingness, and counterparty default risk) weighing in at 56.2, which reflects continued improvement in positive expectations since September.

Sentiments and outlook

Overall, CFOs are increasingly positive toward current and prospective business conditions. Since the last survey in September, business conditions have continued to improve, according to CFOs surveyed. Today, approximately 40% of CFOs (an increase of 10 percentage points compared to last September) regard business conditions during the next six months as favorable”. Probably, the increase is attributable to a more positive attitude among those who regarded them as only “average” last fall. This development may correlate very closely with surprisingly positive Q4 GDP data reported in February.

As for the overall financial position of their companies, sentiment has improved, with just over 55% (an increase of10 percentage points since last September) of CFO respondents regarding their position as “favorable”. While a limited number of CFOs (amounting to only a few percent) believe the financial position of their companies has worsened, on average CFOs now see a brighter financial future for their companies than they did last September. This view may reflect the general stabilization of the European financial environment, as well as persistently low interest rates. CFO respondents surveyed have expressed increasing concern over interest rates going forward.

Sweden’s CFOs retain positive cash-flow expectations for the next 12 months, although they are not as wholly optimistic as they were last fall. Today, some 51% of respondents expect cash flow to increase, signaling a still very positive outlook. However, following higher operating cash flows in recent quarters, it is hardly surprising that companies forecast a more stable development going forward. A total of 15% of CFOs believe operating cash flows will decline, which is surprisingly high given the current overall positive outlook.

Prospects and concerns

As in previous surveys, demand remains the biggest worry for Sweden's CFOs, with increasing concerns over interest rates. Given the low interest-rate environment over the past few years, CFOs may think rates will slowly return to pre-crisis levels, although this view is inconsistent with near-term consensus central bank rate forecasts. Exchange rates are also a growing problem, as are increased labor costs.

Financing: positive sentiments

Financial institutions' attitude toward lending has continued to improve since last survey and now stands at a record high, strongly signaling increased confidence and financial stability. Almost 90% of CFO respondents regard the lending attitude of financial institutions toward their company as "favorable" or "very favorable", compared with about 75% last September. This probably also reflects the fact that interest rates are lower now than in September.

Meanwhile, most CFOs believe financial risk on their balance sheets has continued to decrease over the past 12 months. Respondents report an ongoing improvement in conditions affecting their exposure to financial risk. Overall, sentiment has become increasingly positive since our fall survey. Most companies are seen as financially stable, while market conditions have generally improved.

Outlook on growth/debt

During the Q4 reporting season, companies were more interested in paying dividends to shareholders, as forecasted in our last survey. Now, following the announcement of generous 2013 dividends, firms have refocused elsewhere, preferring instead to pay down debt, with nearly 40% of CFOs ranking it their top priority. Significantly, some 35% of CFOs would prefer to invest strategically abroad, with 8% choosing overseas financial investments, an increase of 4 percentage points since the last survey.

Meanwhile, M&A activity has continued to increase in recent quarters with further improvements expected. Respondents are even more optimistic concerning numbers of M&A transactions compared with the fall survey. Some 68% of CFOs now forecast increased activity. While M&A volumes remain well below historical levels, based on current developments, more companies are actively screening the market for potential acquisitions.

As for investments in plant and personnel over the next 12 months, approximately 60% of CFOs questioned replied that they expect no change while around 30% believe they will increase spending. This is interesting, given the large production deficit in recent years. More investments in plant and personnel imply greater production and higher output going forward, as well as a higher inflation rate and increased interest rates.

Switzerland
A sustained recovery?

An upbeat mood

The mood among Switzerland's CFOs continues to be upbeat. In fact, Swiss CFOs' optimism about the economy remains high in Q12014, with a net balance of 73% compared with 79% in the previous quarter. The country's "mass immigration" referendum is not having an impact on finance chiefs' assessment of the economic outlook nor do isolated instances of political uncertainty, such as events in Ukraine. And fears of a recession remain low, with just 7% believing that Switzerland will face a recession over the next two years.

This optimism on the part of CFOs is in line with the view taken by most economists that the Swiss economy will continue to grow. The Swiss State Secretariat for Economic Affairs (SECO) forecasts GDP growth of 2.2% in 2014, rising to 2.7% in 2015.

Translating into company prospects

Regarding the financial prospects for their own companies, 37% of CFOs are more optimistic than they were three months ago. Eight percent are more pessimistic, while 55% have not changed their view, giving a net balance of 29%.

Meanwhile, the vast majority of CFOs remain optimistic about their companies' revenues. Just under 80% expect revenues to increase over the next 12 months, with only 7% expecting a decrease.

CFOs are less optimistic about the prospects for increased operating margins. For the first time in two years, CFOs' optimism on this indicator has fallen slightly, with 35% expecting margins to increase, 24% expecting a decrease, and 41% expecting them to remain unchanged. Businesses are finding it difficult to increase margins against a backdrop of rising revenues.

Highlights from the Q1 2014 Switzerland CFO Survey:

- More than three-quarters (76%) of Switzerland's CFOs are optimistic about the economic outlook. Only 7% of respondents expect a recession in Switzerland in the next two years.
- Companies are reporting a greater appetite for risk: 42% of CFOs say they are willing to take greater risks onto their balance sheets, the highest level in four years.
- Expectations for the future number of employees remain modestly positive, with a net balance of 7% of CFOs planning to increase employee numbers over the next 12 months.
- A net balance of 41% still reports that credit is available, with a net balance of 56% rating credit as cheap.

Greater appetite for risk

Over the last four quarters, a net balance of CFOs has reported falling levels of financial risk on their company's balance sheet. This quarter, 38% of CFOs expect the level of financial risk to decrease (33% in Q4 2013), with just 23% expecting an increase (28% in Q4), giving a net balance of -15%.

The decreasing level of financial risk on company balance sheets is mirrored by a greater appetite for risk, which is markedly higher this quarter and now stands at its highest level since the CFO Survey was launched in 2009. Only a narrow majority of CFOs remain risk-averse.

This quarter CFOs are less concerned about internal risks, which have a direct impact on companies and which they are more likely to be able to influence directly. The average value for internal risk is down for the third consecutive quarter. Rising labor costs are the most frequently cited internal risk.

External risks increase

While CFOs are becoming less concerned about internal risks, there is growing concern about external risk. External risk can be divided into two categories: political risk and economic risk. There is a significant increase in CFOs' perceptions of political risk this quarter, with 40% expressing concerns about possible restrictions on foreign trade. This quarter CFOs were asked for the first time about new Swiss regulations, and 65% responded that they are the biggest risk to their company.

CFOs are less concerned, however, about economic risk this quarter. Less than one-third consider weaker demand (both domestic and foreign), the strength of the Swiss franc or problems in the financial system as major risks for their company.

CFOs also welcome the stability that the exchange rate floor has brought to the Swiss franc/euro exchange rate and are confident that this stability will continue. Their exchange rate expectations are well above the EUR/CHF1.20 floor, but are marginally lower this quarter at EUR/CHF 1.23. A significant majority (around 60%) still rate the strength of the Swiss franc as a disadvantage for their own company. However, most no longer see it as a major disadvantage, and just under 14% rate it as an advantage, mainly because it brings down the cost of purchases made within the eurozone.

Focus on political risk

CFOs currently rate political risk as the biggest potential risk to Swiss companies. Some 88% of CFO respondents assume that the outcome of the recent "mass immigration" referendum, which set limits on immigration from the EU, could have a negative impact on Switzerland as a business location, while 69% assume direct negative consequences for their own company.

CFOs see both advantages and disadvantages of the referendum. The cited advantages include less pressure on the housing market and a possible reduction of social security costs. Cited disadvantages include possible future recruitment difficulties or possible damage to the relationship with the EU.

Some 40% of surveyed CFOs have no action planned in the short-term, preferring to wait until details of the implementation become clear. Thirty-five percent are already preparing for the possible introduction of a quota system, while 21% plan to boost recruitment ahead of such quotas being introduced. Fewer than 20% are redirecting or postponing investment, and just one respondent was considering relocating the company's headquarters.

United Kingdom
Record risk appetite

Highlights from the Q1 2014 UK CFO Survey:

- CFO optimism about the financial prospects for their own companies dipped to 38% in the first quarter, but remains close to its highest level in four years.
- Some 52% of CFOs surveyed report the level of financial and economic uncertainty facing their businesses as being above normal, high, or very high, down from 77% a year ago.
- A record 71% of CFOs say now is a good time to take greater risk onto balance sheets.
- In another record, some 95% of CFOs expect M&A activity to rise over the next year.
- A majority of CFOs expect the Bank of England's base rate to be above its current level of 0.5% in a year's time.
- CFOs are especially positive on growth in the UK and U.S, but prospects for growth in emerging economies have deteriorated.

Optimistic toward growth

Economists have become increasingly optimistic about the UK's growth prospects. Among major advanced economies, the UK has seen the biggest upgrade to 2014 growth forecasts. This is reflected in CFOs' perceptions of uncertainty which have continued to fall. Currently, 52% of CFOs rate the level of economic and financial uncertainty facing their businesses as above normal, high, or very high, down from 77% a year ago.

Their upbeat mood is also seen in CFO optimism, which remains close to its highest level in four years (although slightly down this quarter). In addition, risk appetite among the CFOs of the UK's largest companies rose to a six-and-a-half-year high in the first quarter. Some 71% of CFO respondents say now is a good time to take risk onto their balance sheet, more than twice the level of a year ago and higher than the levels prevailing before the onset of the financial crisis in late 2007.

Expectations for hiring, capital expenditure, and discretionary spending have also hit new three–and–a–half–year highs this quarter. This fits with the 8.7% year-on-year rise in business investment in the fourth quarter of last year. A record 95% of finance chiefs expect merger-and-acquisition activity to rise over the next year.

Easy financing

Financing conditions have continued to improve for CFOs on our survey panel. Finance chiefs report credit as being cheaper and more easily available than at any time in the last six-and-a-half years.

This has helped lead to a sharp rise in CFO expectations of bank borrowing by UK corporates over the last year. CFOs are also very positive on increased equity issuance. For the first time in three years, a greater proportion of respondents expect equity issuance to rise in the next 12 months than those expecting a rise in bond issuance or bank borrowing.

Focus on expansion

The top priorities for CFOs are introducing new products/services or expanding into new markets and increasing cash flow. CFOs are placing greater emphasis on expansionary strategies, such as expanding by acquisition and increasing capital expenditure than they did a year ago. They have also softened their focus on defensive strategies such as reducing costs and leverage.

Uncertainty and fiscal consolidation remain the greatest constraints on investment, although their dampening effects have weakened. The biggest improvements have come from prospects for growth in the UK and the euro area. In fact, CFO respondents report that growth in the UK now offers greater support to their investment plans than growth in emerging markets.

Views on inflation and interest rates

CFOs have become markedly more confident about the outlook for UK inflation. Last quarter a majority expected inflation to significantly overshoot its 2.0% target in two years' time. Most now expect inflation to be around 2.0%.

On average, CFOs expect interest rates to rise by 0.25% over the next year. Consumer spending has been a significant driver of the UK recovery so far. This quarter's CFO Survey suggests that corporate spending will play an increasingly prominent role as the recovery matures.

Deloitte Member Firm CFO Surveys

About Deloitte Member Firms' CFO Surveys

Twenty-three Deloitte Member Firm CFO surveys, covering 58 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.

Member firm	Contacts	Frequency	Survey scope and population
Argentina	**Claudio Fiorillo** Partner +54 11 4320 4018 cfiorillo@deloitte.com	Biannual	Conducted in March 2014 over a three-week period; 23 CFOs participated of which 78% represented private companies and 53% represented companies with annual revenues of less than U.S. $1 billion
Australia	**Stephen Gustafson** Partner +61 (0) 2 9322 7325 sgustafson@deloitte.com.au	Quarterly	Conducted between March 13, 2014 and March 28, 2014; 56 CFOs participated, representing businesses with a combined market value of approximately AUD $319 billion or 19% of the Australian-quoted equity market.
Austria	**Mag. Gerhard Marterbauer** Partner +43 1 537 00 4600 gmarterbauer@deloitte.at	Quarterly	Conducted in March 2014; 101 CFOs and financial executives participated, representing a broad range of industries. Of the participating companies, 26% have revenues in excess of €1 billion, and 35% have revenues greater than €100 million.
Belgium	**Thierry Van Schoubroeck** Partner + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	Conducted between March 6, 2014 and March 26, 2014; 80 CFOs completed the survey. The participating CFOs are active in variety of industries. Some 25% of the participating companies have a turnover of over €1 billion, 40% of between €100 million and €1 billion, and 35% of less than €100 million.

Finland	**Tuomo Salmi** Partner, CFO Program Leader +358 (0)20 755 5381 Tuomo.salmi@deloitte.fi	Biannual	Conducted between March 18, 2014 and April 1, 2014; 71 CFOs participated; Some 60% of the companies have an annual turnover of more than €200 million; 23% have an annual turnover of more than €1.5 billion.
France	**Valerie Flament** Partner, CFO Program Leader +33 1 40 88 24 64 vflament@deloitte.fr	Biannual	Held from March 25th to April 9th with 76 CFOs of France's largest companies (including French subsidiaries). Companies represented listed companies as well as large private and public companies. The participating CFOs are active in variety of industries.
Germany	**Rolf Epstein** Partner, CFO Program + 49 (0) 69 97137409 repstein@deloitte.de	Biannual	Conducted between February 25, 2014 and March 14, 2014, 143 CFOs from major German corporations took part in this CFO survey. 61% of the companies represented generate more than €500 million in revenue; 44% have more than €1 billion in revenue; 34% of the participants were from the manufacturing sector.
Ireland	**Shane Mohan** Partner +353 1 417 2543 smohan@deloitte.ie	Quarterly	Conducted in March and April 2014; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated.
Netherlands	**Jan de Rooij** Partner +31 (0) 6 5336 6208 JandeRooij@deloitte.nl	Quarterly	Conducted between March 28, 2014 and April 16, 2014; 32 CFOs representing a net turnover per company of approximately €2.1 billion, completed the survey. The responding companies can be categorized as follows: less than €100 million (16%), €100–499 million (28%), €500–999 million (19%), €1–4.9 billion (22%), more than €5 billion (12%), and unknown (3%).
New Zealand	**Peter Gulliver** Partner +64 (0) 9 303 0891 pegulliver@deloitte.co.nz	Annual	In 2014, the survey was conducted between March 3 and March 14. A total of 123 CFOs participated, translating to a very encouraging response rate of 35%.
North America (U.S., Canada, Mexico)	**Greg Dickinson** N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between February 10, 2014 and February 21, 2014; 109 CFOs participated from across the United States, Canada, and Mexico. Sixty-nine percent of respondents represent CFOs from public companies, and 81% are from companies with more than USD $1B in annual revenue.

Norway	**Ragnar Nesdal** Partner, Financial Advisory +47 958 80 105 rnesdal@deloitte.no	Biannual	Conducted between March 4, 2014 and March 14, 2013; 106 CFOs participated from across Norway. All respondents represent CFOs from the 500 biggest companies in Norway, and more than 23% are from companies with more than 5000 million NOK in revenue and 69% are companies with revenue above 1500 million NOK.
Sweden	**Tom Pernodd** Partner, Financial Advisory +46 75 246 30 60 tpernodd@deloitte.se	Biannual	Conducted in February 2014; Participating CFOs represented a selection of the 200 largest companies in Sweden.
Switzerland	**Dr. Michael Grampp** Chief Economist +41 44 421 68 17 mgrampp@deloitte.ch	Quarterly	Conducted between February 24, 2014 and March 18, 2013; 111 CFOs participated, representing listed companies and large private companies.
United Kingdom	**Ian Stewart** Chief Economist +44 020 7007 9386 istewart@deloitte.co.uk	Quarterly	Conducted between March 6, 2014 and March 24, 2014; 126 CFOs participated, including the CFOs of 27 FTSE 100 and 45 FTSE 250 companies. The rest were CFOs of other UK-listed companies, large private companies, and UK subsidiaries of major companies listed overseas. The combined market value of the 81 UK-listed companies surveyed is £560 billion, or approximately 26% of the UK-quoted equity market.

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