Deloitte.

Global CFO Signals

External shocks, Internal resolve

Q3 2016 Deloitte Member Firms' CFO Surveys

Argentina, Austria, Belgium, China, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, North America, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, and United Kingdom

Deloitte Global CFO Signals
November 2016

Contents

About the Deloitte Global CFO Program

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

About Deloitte Member Firm CFO Surveys

Twenty-eight Deloitte CFO surveys, covering more than 60 countries, are conducted on a quarterly, biannual, or annual basis. The surveys conducted are "pulse surveys" intended to provide CFOs with quarterly information regarding their CFO peers' thinking across a variety of topics. They are not, nor are they intended to be, scientific in any way, including the number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed populations but does not necessarily indicate economic or industrywide perceptions or trends. Further, the focus, timing, and respondent group for each survey may vary. Please refer to "About Deloitte Member Firms' CFO Surveys" (page 28) for member firm contacts and information on the scope and survey demographics for each survey.

About Deloitte's Global CFO Signals

The purpose of Deloitte Global CFO Signals report is to provide highlights of recent CFO survey results from Deloitte member firms. This issue includes the results of the third-quarter 2016 CFO surveys from Deloitte member firms in the following geographies:

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

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Global CFO Signals

CFO Sentiment Q3 2016

External shocks, Internal resolve

The hits just keep on coming.

Over the past year, CFOs have dealt with plenty of surprises—equity market volatility at the beginning of the year, swings in currency and commodity prices, the unexpected Brexit vote in the UK in June, and now the outcome of the US presidential election.

While all of the 19 surveys in the Q3 2016 edition of Global CFO Signals were conducted prior to the US vote, the anticipated impact was palpable. In the North American CFO Signals report, for example, CFOs were asked about the election's expected impact on their companies' performance and business planning. Eighty-five percent said the future performance of their companies would depend at least somewhat on the election's outcome, and 57% said the election was affecting their planning. "There is no doubt we have been underestimating the extent of populist movements," said Patricia Buckley, Managing Director, Economic Policy and Analysis, Deloitte Services LP, adding that "for planning and forecasting purposes we need to consider these impacts."

Others in the Deloitte Global Economist Network, which operates in nine countries, agree. Several countries, including Austria, France, Germany, Italy, and Netherlands, face upcoming general elections or referendums. Given recent events, it would behoove CFOs to be prepared for the kind of "shocks" that roiled the UK with Brexit and the US with the election, notes Ian Stewart, Chief Economist, Deloitte UK.

Other areas that may offer surprises include the impact on trade policy under the new US administration, and broader questions about the future of de-globalization, which could have significant impacts on business. In addition, the longer-term impacts of Brexit, for example, should not be underplayed. Says Alexander Boersch, Head of Research, Deloitte Germany: "There are many Brexit scenarios, some of them uglier than others," adding that "it is better to be prepared in order to mitigate."

Despite all these overhangs, many CFOs remain upbeat regarding their own companies' indicators. Driven by positive improvements in Germany and France, for example (+12 percentage points (pp) and +13pp, respectively), the outlook for revenues in Europe (the UK being a notable exception), for example, is quite positive; ditto for margins (with the exception of Austria, Switzerland, and the UK). In North America, the expectations for revenues and margin improvements are more muted. On the other hand, capital investment growth expectations, which bottomed out at just 1.7%* in Q1 2016, rose to 5.6%* this quarter—well above the 4.7%* average over the past two years. And in Japan, CFOs' earnings outlook improved, with 48% saying they expect increases, up from 23% in the previous quarter.

Those positive signs are encouraging, according to the economists interviewed. But with so much uncertainty, it is not surprising that risk appetite remains low and defensive strategies are on the upswing in many countries. The corporate sector is no longer constrained by capital, but "by uncertainty and limited opportunities," says Stewart.

How does CFO sentiment in Q3 2016 break down? What follows is a synopsis by region:

Americas

The multiple geopolitical risks facing companies were felt throughout North America this quarter. Still, while net optimism[1] of +19.7 is down from last quarter's +30.0 (which came after a dismal +1.7 in the first quarter), it continues to indicate considerable strength. North American CFOs' assessments of the their economy's future performance, however, were well below their longer term average, and their perceptions of Europe's economy—already weak before the Brexit vote—fell sharply for both its current state and its trajectory. Meanwhile, in the one South American country reporting—Argentina—CFO outlooks remain strong, but down somewhat from six months ago when they were enamored with newly elected President Mauricio Macri's economic policies. Still, 61% of Argentina's CFOs (down from 80%) have an increasingly optimistic view toward their company prospects than six months ago and 74% (down from 100%) toward their industry.

Asia-Pacific

Both countries reporting in Asia-Pacific—China and Japan—continue to report tempered outlooks this quarter. In Japan, however, there has been some stabilization with 69% of CFOs saying their outlooks are “broadly unchanged,” compared with three months ago, up from 50% last quarter. There, the majority of respondents view possible limitations of the Bank of Japan’s monetary policy as a plausible risk scenario for the coming year for the Japanese economy. They are also concerned about what effect the new US administration’s policies will have on the overall global free trade system (including the possible failure of the Trans-Pacific Partnership) as well as on possible future destabilization of European politics. Meanwhile, in China, where CFOs continue to adapt to the “New Normal,” 38% report being less optimistic about economic prospects compared with the last three months, down from 50% six months ago. Risk factors going forward included future economic turmoil or even recession as well as detrimental political uncertainty.

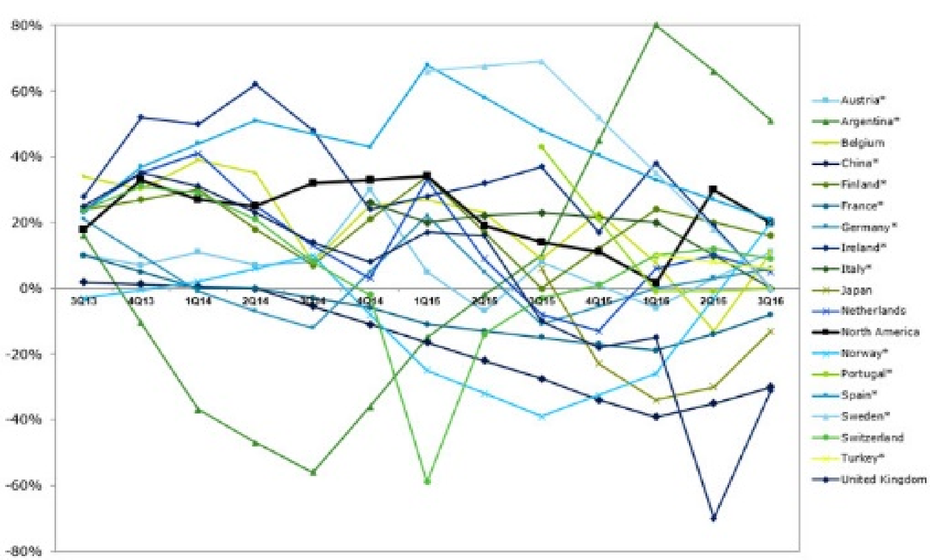
Europe

The Brexit vote took a toll on European CFOs, as reported in the latest [European CFO Survey](). In the 15 countries reporting, CFOs overwhelmingly see many more potential negatives than positives from the outcome, particularly, in the UK, where 65% believe it will have a negative impact, Portugal (52%), Netherlands (48%), and Ireland (48%). In terms of individual countries, however, there is optimism. CFOs in Sweden are the most optimistic, with a net balance of +31% reporting growing optimism, reflecting the continued strength of the Swedish economy, with that country still on course to record one of the fastest growth rates—3.3%—across Europe this year. Meanwhile, Norway has benefitted from the stabilization of oil markets, with the price of a barrel of Brent crude rising almost 19% between April and September. Sentiment and risk appetite among CFOs in Germany improved as well, buoyed by continued signs of resilience in the German economy. According to the European CFO Survey, “as Europe’s largest economy, the positive outlook for Germany is a boost for European growth prospects more generally.”

What’s next? According to the Deloitte economists, there may be plenty of surprises to come, citing the slew of upcoming elections. Still, adds Stewart, CFOs continuously deal with crisis and recovery in one way or another as part of their jobs. “This is another reshuffling of the deck.”

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

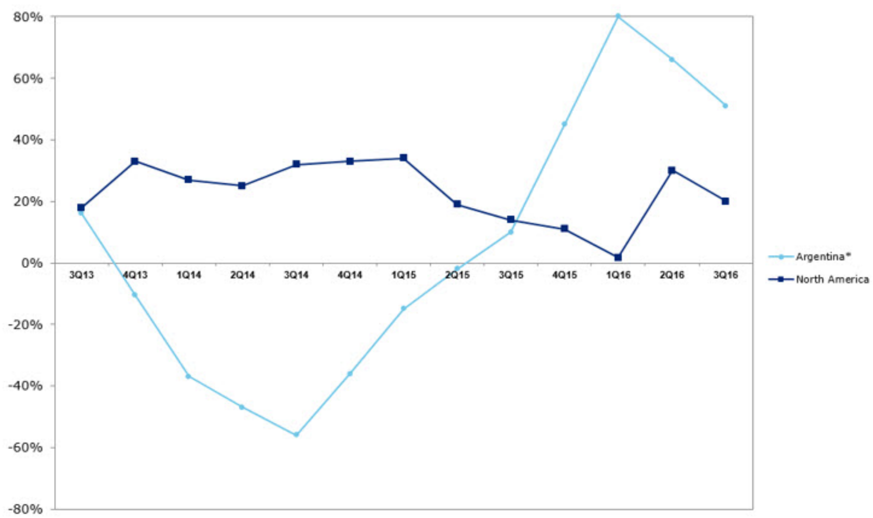
Optimism by the regions

Americas

In North America, the Q3 2016 quarter's net optimism[1] of +19.7 is down from the previous quarter's +30.0 (which came after a dismal +1.7 in the first quarter), but it still indicates considerable strength. Meanwhile, the story is a bit different in Argentina (the only South American country reporting), where a new administration is buoying CFO optimism—just not as much as six months ago.

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.



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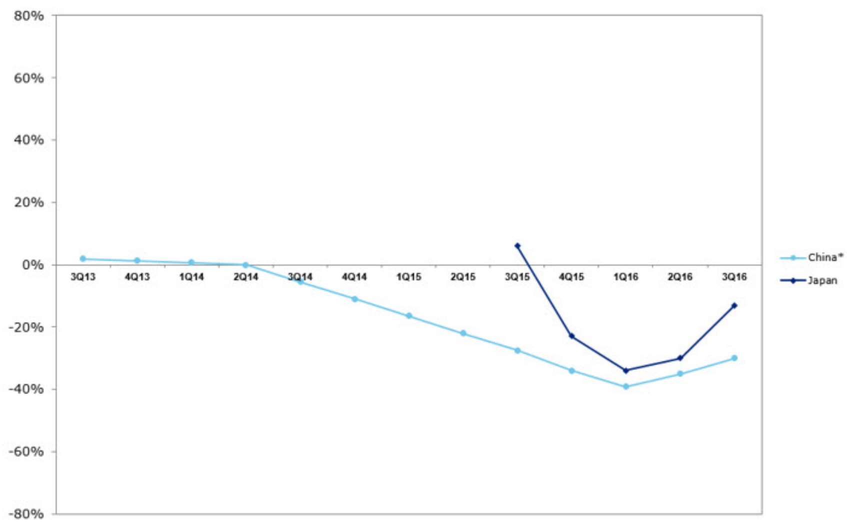
Asia / Pacific

Japan's CFOs are somewhat less pessimistic in Q3 2016 with 22% reporting less optimism, compared with 40% last quarter. Meanwhile in China, only 8% of CFOs report being more optimistic about economic prospects, given slowing overall economic growth and rising financial leverage. Still, the trends in both countries are up compared with their previous surveys.

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.



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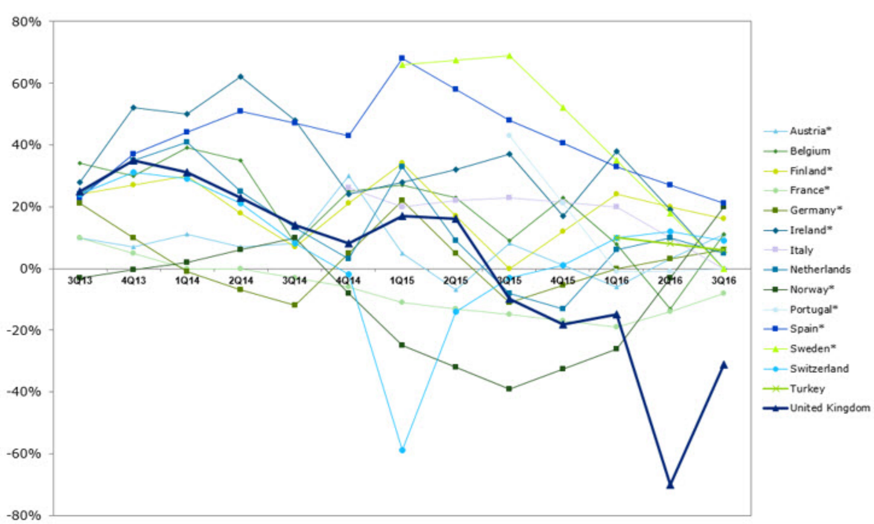
Europe

Against the background of modest growth in Europe and elevated perceptions of uncertainty, CFO optimism in Europe about the financial prospects of their companies compared with three/six months ago, remains broadly unchanged. CFOs in Sweden are the most optimistic of those reporting (net +31%), while CFOs in UK are the least optimistic (net -31%), reflecting the toll taken by the Brexit vote.

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.



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Global CFO Signals

By the numbers

Risk appetite

With European optimism barely improving and perceptions of uncertainty remaining elevated, CFOs continue to be risk averse overall with none of the countries reporting a net positive view toward taking greater risk onto their balance sheets. In the UK, the impact of the Brexit vote can once again be seen, with a further deterioration in CFO risk appetite between Q1 and Q3 (-15%). Meanwhile outside of Europe while optimism remains low, it has improved from Q1 2016 in Argentina by 31% and in China with 8% of CFOs reporting more optimism.

Uncertainty

Emerging challenges from the Brexit vote, deflationary pressures on the Eurozone, growth challenges in China, and the US presidential election, are giving businesses plenty of uncertainty to worry about. In Europe, perceptions of uncertainty are highest in Germany and the UK, where a net balance of 88% and 87% of CFOs respectively report heightened levels. Meanwhile, in Japan, the number of CFOs who consider the level of uncertainty as “high” or “very high” has decreased to 56%, down from 73% in Q2 and 80% in Q1.

Metrics

In the US, this quarter’s 4.2% expectation for year-over-year revenue growth is up from last quarter’s 4.0%, but still among the lowest in the survey’s history. The positive averages for revenues in Europe would look even better without the UK’s sharp fall in revenue expectations, driven by positive improvements in Germany and France (+12pp and +13pp respectively). Meanwhile, CFOs in Finland, Italy, and Sweden are most optimistic about margins. In line with decreasing levels of uncertainty, 48% percent of Japanese CFOs expect an increase in earnings.

Hiring

Despite a deterioration from Q1 due to the large post-referendum declines in the UK, the European outlook for hiring over the next 12 months also remains positive. Between the first and third quarters, the employment outlook improved in Austria, Belgium, France, and Finland and, outside the EU, in Switzerland and Turkey. Similarly in North America, this quarter’s domestic hiring growth expectation of 2.3%* is well above the 1.1% to 1.4% levels seen over the last year and a half (and Q1 2016’s low of 0.6%).

Corporate strategy

A general theme across surveys is proceeding with caution. In fact, in Austria, Sweden, and the UK, top priorities have changed from expansionary to defensive strategies. The trend is not across the board, however. Notwithstanding the continued importance of cost cutting, 70% of Belgium’s CFOs report expansionary strategies are more important than defensive strategies. In addition, nearly 52% of North American CFOs say they are biased toward revenue growth.

Funding

With monetary policy remaining accommodating across Europe, CFOs continue to view debt funding favorably. Bank borrowing again dominates the sources of funding for CFOs in Europe, with a net balance of 60%, on a GDP weighted basis, viewing bank borrowing as an attractive source of funding. Meanwhile in North America, 89% percent say debt is currently an attractive financing option (up from 80%), and 42% of public company CFOs view equity financing favorably (up from 30% last quarter).

Deloitte Member Firm CFO surveys:

Third-quarter 2016 highlights

Argentina

Optimism continues to be buoyed

The latest CFO Survey in Argentina asked for opinions in five areas: role of the CFO, the finance organization, the company, the industry, and the economy.

Role of the CFO

CFOs continue to report a fairly even distribution among their four main roles, with a slight inclination toward the Steward role (30%), followed by Strategist and Catalyst (both 24%) and finally Operator (23%).

CFOs reported the following top job stresses: strategic ambiguity (20%, versus only 10% six months ago), pressures for not achieving expected results (15%), a major change initiative such as M&A or IT system change (9%), and executive or stakeholder demand (9%).

Company / industry / finance concerns

CFOs continue to indicate establishing or adapting strategy and improving and maintaining margins as their companies' top concerns. Those concerns are followed by increasing or maintaining consumer demand and talent.

The main industry concern arises from price trends (16%), followed by market growth (14%) and changes in cost structure (13%, a significant increase over the previous survey). There is also a significant decrease in concerns regarding industrial regulation/legislation with respect to the last survey (a reduction by half).

When asked about the biggest challenges in their finance organizations, 23% of CFOs cited influencing business strategy and operational initiatives; 16% said securing financing, liquidity, and reasonable costs of capital; and 15% responded ensuring that investments achieve the desired results.

Optimism continues to improve

Regarding CFOs' expectations, 61% are more optimistic (significantly up from 30% six months ago), 29% do not anticipate any notable changes (compared with 50% six months ago), and 10% are less optimistic (down from 15% six months ago). Expectations have decreased in relation to the last survey.

Over the next 12 months, many CFOs will continue their focus on revenue growth and preservation, followed by reducing direct costs and overhead. In relation to the last survey, the trend continues, although there is a decrease in the focus on financing and liquidity.

Forty-eight percent of respondents reported no change in their capital structure. Ten percent reported that their equity levels increased by more than 50%; 23% reported equity levels increased between 26-50%; 6% reported an increase in equity levels of 11-25%; and 13% reported a 10% or less increase in equity levels. Looking ahead to next year, CFOs show greater attraction for bank lending and private issuance.

Highlights from the H2 2016 Argentina CFO Survey:

- Optimism increased to 61%, up from 30% six months ago.
- Establishing or adapting strategy and improving and maintaining margins are companies' top concerns.
- CFOs continue to focus on revenue growth and preservation, followed by reducing direct costs and overhead.
- Argentina's CFOs lean more toward their Steward roles (30%) in this survey, followed by Strategist and Catalyst (both 24%).

Austria

Mixed confidence levels

Geopolitical optimism

In the aftermath of a politically volatile summer, Austrian CFOs remain cautiously optimistic, particularly when compared with CFOs across the European region. Net optimism increased by 17pp from last quarter to a net balance of +11% as CFOs are more optimistic about the financial prospects for their businesses compared with six months ago. Further uncertainty levels dropped by 9pp.

In relation to Brexit, CFOs cited a potential strengthening of competitiveness compared with UK companies. Eleven percent of CFOs thought Brexit would have a negative impact on their businesses and Austria and the Netherlands were the only two European countries that highlighted positive ramifications of Brexit as a specific outcome.

When asked about political and economic risks that businesses are concerned about in the next 12 months, Austrian CFOs shifted their focus domestically. The number one risk selected was increasing regulation in Austria while the second risk was the rising costs of internal personnel, a concern consistent with Austrian CFOs taking a future defensive strategy.

Slight concern for future metrics

While CFOs' optimism levels have slightly improved, expectations for company key performance indicators have declined. For the past 12 months revenue expectations have followed a downward trend, decreasing a net 4pp in Q1 2016 and decreasing 1pp in Q3 2016.

Similarly CFOs in Austria expect pressure on operating margins. Despite an improvement of 1pp, a majority of CFOs expect operating margins to decrease over the next year.

Defensive strategies reign

Like many in Europe, CFOs in Austria are approaching risk with caution. Risk appetite has decreased with more than two out of three CFOs believing now is not a good time to take risk on to the balance sheet. Bank borrowing is viewed as the most attractive source of funding by a net balance of 79% up 16% from Q1 2016. Corporate debt also increased from the previous period, and equity issuance was the least preferred option.

In Austria, CFOs top priorities have changed from expansionary, through organic growth, to defensive strategies. The most commonly selected strategic priority for the next 12 months is cost reduction.

Highlights from the H2 2016 Austria CFO Survey:

- A net 11% of Austrian CFOs are more optimistic about the financial prospects of their business.
- Just net 32% of CFOs view uncertainty as above normal, lower than many European countries.
- CFOs are less willing to take risk on to their balance sheet, as a net 79% say now is not a good time to do so.

Belgium

Persistent focus on investments

Brexit uncertainty and impacts

Following the shock of the UK's Brexit vote, CFO optimism has somewhat recovered, with net optimism at 11%, compared with -13% in Q2 and 8% in Q1. The majority of CFOs expect to navigate in a slow growth environment in 2016: 25% of the respondents expect the economy to grow by only 0% to 0.4%, and one-third expect a growth rate of between 0.5% and 0.9%.

The general level of uncertainty remains stable. This quarter again, 50% of the surveyed CFOs rate the general level of external financial and economic uncertainty facing their business as high, which is consistent with 50% in Q2 and 49% in Q1. The uncertainty of Brexit has not impacted the general level.

The majority of CFOs do not expect Brexit to have a significant negative impact on their businesses. The participants that do expect an impact are almost exclusively pessimistic with 38% expecting negative impact and only 2% expecting a somewhat positive impact. If Brexit takes place, CFOs expect an increased cost of doing business with the UK through different regulatory requirements in the UK versus the EU, reduced exports due to tariff barriers, and restrictions in workforce mobility.

Positive outlook for companies

Eurozone growth forecasts are good. Financing is widely available and central banks aggressive quantitative easing policies keeps interest rates low and credit cheap. Many corporates have internal financing options available. Moreover, CFOs remain positive about the appropriateness of the governments' financial and economic policy making for the success of businesses in Belgium.

Within this context, CFOs overall remain somewhat positive about the financial prospects of their organizations. For example, CFOs are positive about top-line growth. Only one-fifth of respondents believe their revenue will decrease over the next 12 months; 9% expect it to remain steady, and 71% expect it to increase.

Forty-nine percent of respondents expect their capital expenditures to increase, 48% expect their capital expenditures level to remain steady, and the remaining 3% expects a decrease. The percentage of CFOs planning to increase headcount in the next 12 months similarly continued to go up since the beginning of the year and is at 56% in the third quarter, up from 43% in the first quarter.

Focus on expansionary strategies

A rise in optimism has correlated with a rising risk appetite in the past, and this quarter risk appetite has correspondingly risen with optimism.

Notwithstanding the continued importance of cost cutting and productivity enhancement initiatives, today 70% of surveyed CFOs report expansionary strategies are more important than defensive strategies.

Highlights from the Q3 2016 Belgium CFO Survey:

- Three months after the Brexit referendum, CFO optimism has somewhat recovered from the drop the vote had caused.
- Around 70% of the surveyed CFOs expect revenues, cash flow, and profit before taxes to grow over the next 12 months.
- The main concerns of CFOs are the economic outlook, competitive position in the market, and shortage of skilled labor.
- CFOs remain primarily focused on expansionary strategies; expectations related to capital expenditure and headcount growth remain strong.

China

Worries of further economic turmoil remain

Economic perceptions still low

The growth that China experienced over the past several years—the growth that made it the world's second largest economy—has slowed. Growth rates in China are unlikely to see significant improvement in 2016 and are expected to stay in the same range as in 2015 at 3.6% as Chinese leadership are now embracing slower and more moderate economic growth, which many describe as China's "New Normal." The China CFO Survey seeks to gauge the views of CFOs with regard to their economic perception, business focuses, and risk strategies in the "New Normal."

Since the beginning of 2016, CFO optimism toward the economy has slightly improved. Facing a slowing economy and rising financial leverage, only 8% of CFOs expressed more optimism, while 54% believed there was no change in economic sentiment during the last three months, and 38% reported less optimism. In Q1 2016, only 39% reported "no change," but 50% reported less optimism.

Contributing to the poor economic outlook is concern about further economic turmoil or a recession (41%), detrimental government policy and regulation (25%), and increasing competition and pricing pressures (10%). In Q1 2016 the percentage of CFOs concerned about recession was 58%, so the 17% drop implies a positive shift.

Concerning industrial challenges, companies are facing fierce competition, slower market growth, a changing ecosystem, and more unfavorable pricing trends. Challenges outside the industry mainly focus on regulation and lack of talent.

"Belt and Road" / Renminbi / Brexit

In the global business environment, companies are benefitting from the "Belt and Road" initiative, a development strategy and framework to strengthen connectivity, promote cooperation, and provide investment opportunities between China and the rest of the world.

The renminbi (RMB) has been depreciating since 2015 and is expected to continue doing so. Renminbi depreciation mostly affects multinational companies with assets denominated in RMB. Businesses relying on imports and indebted in US dollars will face rising operational costs, while exporters will benefit by their increased competitiveness in overseas markets.

A vast majority (82%) of CFOs reported their companies are not exposed to risk from Brexit. Twenty-four percent of CFOs believe Brexit would increase market complexity and cost, and 18% believe it eventually would weaken their competitiveness due to market access limits.

Highlights from the Q3 2016 China CFO Survey:

- CFOs are not optimistic about the economy (only 8% positive, whereas 54% chose no change and 38% reported less optimism). But sentiment has improved slightly since Q1 2016.
- The primary challenge for most finance departments is how to influence business strategy.
- Companies are actively taking advantage of the "belt and road" initiative and trying to avoid the influence of renminbi depreciation.

Finland

Uncertainty remains elevated

Brexit increases uncertainty

Due to the Brexit decision a few months ago and the lasting sanctions on Russia, external uncertainty remains high and expectations for growth are low in Finland. Brexit is sending ripple waves all over Europe and Finland is no exception. Forty-seven percent of CFOs responding to the survey this fall assess that their business will be negatively affected by the decisions of the British. Companies in Finland say they are particularly affected by increased regulatory complexity, re-considerations in the value chain, and restrictions in the workforce mobility.

Focus on defensive strategies

The uncertainty is making CFO decision-making conservative, favoring defensive business strategies over expansionary ones, adding to the expectations of a slow recovery of the Finnish economy. Conservative sentiment is depicted in the priorities of how companies will use their cash surpluses in the next six months. One-third are looking to pay down debt, and one-fifth are looking to share their extra surpluses with shareholders. The financial and strategic investment opportunities in Finland seem few, given that only 5% are looking to invest here financially and 11% strategically. The positive lending attitudes of financial institutions are clearly not having the desired effect on capital spending. After all, 56% are saying that it is not a good time to take more risk on their balance sheets.

Corporate metrics promising

With many indicators down, companies are hesitant to invest in long-term plan. But they keep on making small and positive gains in business operations. More than 60% of all respondents see their revenues and operating margins improving in the next 12 months. Also, hiring in Finland will be higher than at any time since the survey started in 2013. Moreover, the structural changes and need to increase the workforce is increasing number of CFOs (22%) who are concerned about the shortage of skilled labor.

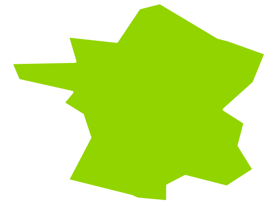
Autumn has traditionally been weak on business optimism and this year has been no different. Net business optimism has fallen from 24% to 16%. Still, the drop is lower than those of 2014 and 2015, and many of the indicators point that the problem lies in the political and economic environment, not within companies' financial positions.

All in all, those financial positions are positive for the most. Operating margins and revenues are continuing to improve. Hiring is on the rise, but investments remain low. Considering most of the constraints are external, if the negative impacts of Brexit are contained and Russia and EU are able to solve the issues behind the sanction, the Finnish economy could make a quick turnaround.

Highlights from the H2 2016 Finland CFO Survey:

- More than 60% of CFOs see their revenues and operating margins improving in the next 12 months.
- Hiring in Finland has climbed steadily since Q3 2014: 30% of of CFOs expect an increase in headcount over the next 12 months.
- Some 82% of CFOs see the lending attitude as either very favorable or favorable, and with monetary policy remaining accommodative across Europe, CFOs continue to view debt funding favorably.
- CFOs favor defensive strategies over expansionary strategies.

France



Ready to grow

Downside risks dampen outlook

In this edition, French CFOs expressed mixed feelings toward future financial prospects. CFOs in France were more pessimistic about the financial prospects of their firms than they were in Q1 2016. However, there are signs of greater positivity.

CFOs in two of Europe's largest economies, Germany and France, expect a strong improvement in revenue growth over the next year, providing a more positive signal for European growth. Similarly, CFOs in France are increasingly optimistic about the prospects for margin growth in the next year.

For France's CFOs, the increase in profitability of their companies is considered the government's main mission, less taxes and process simplification, and important in installing confidence in an economic recovery. The survey notes that for most companies between 500 and 1,000 employees, this economic recovery is already in progress. Similarly, there is improvement in the employment outlook as a net 9% of CFOs expect to see an increase in hiring across France.

Geopolitical uncertainty remains

Regarding the most important factors related to risk, French CFOs ranked global/European economic uncertainty as their top risk to their business. Specifically concerns include; the global economic uncertainty in Europe, tax and social policies in Europe, and also the evolution of the price of raw materials and are focusing their priorities on organic growth, cost reduction, and the introduction of new products and services.

For the French CFOs, Brexit is firstly perceived as an administrative additional cost and then as a social one. Reorganization is not a necessity, but only time will tell if this predictions are becoming reality.

Internal focus

When CFOs reflected on their internal strategics and attitudes to risk, the results were mixed: large companies (with greater than 2,000 employees) are not willing to take greater risk on to their balance sheets (40%); however, small and medium-sized companies CFOs are more inclined to do so (90%).

In an increasingly defensive strategic environment, CFOs in France continue to adopt expansionary trategies as their top priority, listing organic growth as their number one priority. In terms of financing, banking borrowing and corporate debt conditions are considered attractive. But for them, financial markets and internal financing are neither attractive, nor unattractive.

In this edition of France's CFO survey a special question was added to understand French CFOs' competitiveness vectors. CFOs noted that, for them, IT and also client performance and human capital are the keys levers and something to watch in future editions.

Highlights from the H2 2016 France CFO Survey:

- A net balance of -8% are now less optimistic about the financial prospects of their company.
- Uncertainty remains in France, as 59% of CFOs have reported heighten levels of uncertainty.
- However, more than half of French CFOs, perceive an increase in revenues over the next 12 months.
- There's increasing optimism for company profitability, as 18% of CFOs in France expect margins to rise in the next 12 months.
- Overall almost two-thirds of CFOs do not consider now to be a good time to take risk on to their balance sheet.

Germany

Economic prospects unclouded

Prospects cautiously optimistic

Since our last survey in the beginning of 2016, the sentiment and risk appetite among CFOs in Germany improved, buoyed by continued signs of resilience in the German economy, where industrial production and consumer confidence have strengthened despite concerns over the banking sector. As Europe's largest economy, the positive outlook for Germany is a boost for European growth prospects more generally.

Close to 90% (88%) of German CFOs assess Germany's current situation as "good" or "very good". The current economic position in China (43%) and in the USA (60%) is likewise viewed positively. On the other hand, German finance chiefs are distinctly more pessimistic about the economic situation in the euro area, which excludes Germany. Only 18% of CFOs take a positive view of the current situation in the euro area (excluding Germany).

On a global scale, Brexit has taken over from the January 2016 turmoil in the Chinese economy. Overall, 55% of CFOs still consider geopolitical risks to be the greatest risk factor, although this is down slightly from 59% in the first half of this year. The risk of a shortage of specialist talent (47%) has increased since H1 2016 and is presently the second most important risk.

Specifically, in relation to Brexit, a topic which was the dominant economic event in the summer of 2016. 36% of CFOs surveyed expect negative effects on their business activities from the negotiation process. CFOs appear to be counting on a soft Brexit as the probable outcome of the negotiations. Once Brexit has taken place, CFOs fear above all greater complexity due to differing regulations. As the full outcomes of the Brexit negotiations may not be known for some time, German CFOs expect this to be a topic that continues to be high on their agendas.

Digital finance on the advance

Consistent with earlier this year, the digital world remains at the top of CFOs minds. From the CFO point of view, among the most important disruptive trends new digital competitors have the greatest potential for fundamental change in the relevant sector followed by the comprehensive use of data analytics.

At the same time, German companies', in order to stay competitive, are concentrating on their approach to digitalization internally. Improvement in the quality of service and the development of new abilities are the focus of the finance function's digitalization strategy, while transactional processes are being increasingly automated. Leading companies have already developed the first apps on the basis of Cognitive Computing and Blockchain.

Highlights from the H2 2016 Germany

CFO Survey

- Eighty-eight percent of German CFOs assess Germany's current situation as "good" or "very good."
- More than half (55%) of CFOs still consider geopolitical risks to be the greatest risk factor.
- Brexit remains a topic high on the agenda as 36% of CFOs surveyed expect negative effects on business activities.
- The second most important risk is a shortage of specialists viewed by 47% of CFOs.

Ireland

Growth amid global uncertainty

Economic growth and uncertainty

Ireland remains on track to be Europe's fastest growing economy for the third year running. However, one-third of CFOs are less optimistic in the second half of 2016, largely due to the UK's decision to leave the EU in June of this year.

Against this backdrop, the outlook of CFOs remains positive in terms of financial performance in the medium term, with approximately 70% of CFOs anticipating growth in revenue, and almost half expecting an improvement in operating margins, an increase of 10% compared with H1 2016.

Still, uncertainty remains high for many Irish CFOs in the wake of Brexit. Half of CFOs rate the level of uncertainty as high or very high. Ireland has close links to the UK in terms of trade and investment, and 48% of Irish CFOs believe Brexit will have a negative impact on their organizations.

Although the effects of Brexit on Irish organizations are still largely unknown, 66% of CFOs believe costs will increase due to additional complexity arising from changes to the regulatory environment. One-third of CFOs indicated concerns over workforce mobility and the impact any restrictions may have on their organizations.

Risk appetite remains low

The majority of the CFOs surveyed (70%) do not consider now to be a good time to take greater risk onto their balance sheets. This is a continuation of the declining risk appetite seen earlier this year and coincides with the current concerns in relation to the performance of the European and Chinese economies and uncertainty around the US elections.

The current survey also sees a continuation of some the defensive strategies employed by CFOs since the last financial crisis with 62% of CFOs continuing to focus on cost control, and 32% on cost reduction, broadly in line with the priorities outlined in H1 2016.

Still, organic growth remains a priority for 70% of CFOs over the next 12 months, as opposed to expansion by acquisition, as Irish CFOs look to capitalize on the rebounding domestic economy.

Irish capex intensions remain high, with 22% of CFOs showing an appetite to invest, up from 17% in H1 of this year. The outlook for hiring also remains positive for the majority of Irish CFOs, with 62% expressing an appetite for increasing employee numbers over the next 12 months.

Highlights from the H2 2016 Ireland CFO Survey:

- Half of Ireland's CFOs believe that the level of financial and economic uncertainty facing their businesses is high, or very high.
- Some 48% of Irish CFOs believe Brexit will have a negative impact on their organization, with 66% anticipating an increase in costs.
- The overall risk appetite remains low for 70% of CFOs.
- Capex intentions continue to improve, with 22% of CFOs indicating a desire to invest.
- Organic growth remains a priority for 70% of CFOs.

Italy

Weakening economic outlook

Declining positivity

Brexit was not the only factor to affect sentiment over the summer. Political uncertainty and stock market volatility were also significant factors. In response, CFOs in Italy experienced a particularly large drop in sentiment to net zero percent from net +20% in Q1 2016. However, Italian CFOs perspectives are in line with the sentiments expressed by other CFOs across the region.

Risk appetite in Italy decreased this quarter, but the overall number of respondents willing to take on risk remains higher than the European average. Uncertainty has increased by 7% this quarter, still lower than the European average. Explanations for this drop vary. Political uncertainty surrounding the constitutional referendum in December 2016 plays a part; other CFOs may be affected by doubts surrounding the Italian financial sector and the continued weakness of the labor market.

Consumer confidence has fallen significantly from the record highs in January and forecasters have, on average, sharply downgraded their forecasts for growth in the Italian economy, for this year and next.

In September, growth of 0.7% was forecast for 2017, down from the 1.2% forecast in May. Similarly, in line with weaker economic conditions, the employment outlook in Italy also deteriorated.

As for business strategies, Italy's CFOs are focused mainly on cost control and cost reduction. Still, 62% plan to make capital expenditures in the next 12 months.

Lower expectations

After recording relatively strong revenue expectations in Q1 2016, it is notable that CFOs in southern Europe have turned less optimistic in the last six months. The worsening economic outlook in Italy has led to a sharp fall, by a net -28% in revenue expectations. But CFOs in Italy remain optimistic about the potential for margin growth, although there has been a drop in net balance of -19% since Q1 2016.

Despite the aforementioned declines, Italian CFOs continue to show a higher appetite for capital expenditure than other large Eurozone countries, such as France and Netherlands. In fact, cost management is listed by Italian CFOs as their top strategic priority over the next 12 months. In terms of funding, CFOs are particularly negative about equity with a net balance of -68% preferring bank borrowing.

Highlights from the H2 2016 Italy CFO Survey:

- CFO optimism about the financial prospects for their own companies sharply decreased. A net zero percent of CFOs are optimistic.
- Fifty percent of Italian CFOs perceive uncertainty in their future economic outlook.
- CFOs rank local market reduction as their biggest risk to their business for the next 12 months.
- The employment outlook in Italy deteriorated sharply over the period by negative 22%.

Japan

A tempered outlook

Earnings forecast improves

Since the start of 2016, CFOs have voiced a cautious financial outlook. However, as of this survey, the outlook has improved, with the number of CFOs saying they are "somewhat pessimistic" declining from 40% in Q2 2016 to 22% this quarter. The number of respondents that chose "broadly unchanged" significantly increased from 50% in Q2 2016 to 69% this quarter.

Similar to the increase in CFOs' optimistic about the business environment, their outlook regarding their own company's business performance and 12-month earnings outlook has also improved. One percent of CFOs cited that their earnings outlook was expected to "increase significantly", but 47% expected their earnings to "somewhat increase" (as compared with 23% the previous quarter). Twenty-six percent expect to see a reduction in earnings, down from 44% in Q2 2016. When asked about their operating income, 50% of CFOs similarly responded that they earnings are expected to "increase" or "somewhat increase," compared with 30% last quarter.

Meanwhile, the number of CFOs who consider the level of uncertainty as "high" or "very high" has decreased. During Q1 2016, it had surged to over 80%, from 52% at the end of 2015. In Q2 2016, the number remained high at 73%, but this quarter there has been a substantial drop to 56%.

Impact of monetary / fiscal policy

The majority of CFOs saw the increasing discussions on the limitation of Bank of Japan's monetary policy as a plausible risk scenario of the coming year for the Japanese economy. Some of the impacts could include fluctuations in foreign exchange rates that results in adverse effects to the bank earnings and further impact to bank lending, or rising funding costs due to an increased interest rates. Moreover, financial soundness is also noted as one of the top concerns. This perhaps reflects concerns of the Japanese government's intention for further fiscal expansion. On the other hand, fewer CFOs considered the failure of TPP as a risk factor.

Chinese economic risks

Most CFOs believe that deadlock over structural policies and further worsening of the non-performing loan problem are the greatest risk factors for the Chinese economy in the next year, followed by political destabilization. In fact, the conflict in opinions within the Chinese government over its structural reforms have been widely reported. Therefore, CFOs that participated in the survey see the success or failure of structural policies and political stability as inextricably linked. On the other hand, fewer CFOs referred to "deadlock in fiscal policy" and "increasing uncertainties of monetary policy by People's Bank of China" as plausible risk scenarios in the Chinese economy. Considering these results, surveyed CFOs expect China to successfully carry out fiscal and monetary policies to some degrees.

Highlights from the Q3 2016 Japan CFO Survey:

- Both the overall business condition and corporate earnings are improving.
- The number of CFOs who believe the level of uncertainty in Japan is "high" or "very high" is 56%, down from 73% in Q2 and 80% in Q1.
- CFOs are concerned about the limitation of monetary policy in Japan, as well as further fiscal expansion.
- CFOs are concerned about how the US election result could impact the US trade policy and whether the global free trade system will face transformation.

Netherlands

Brexit and the return of concern

Brexit increases uncertainty

The decision of the UK to leave the EU is an unprecedented event. It is assumed the UK government will treat the result as final and trigger Article 50, most likely before the end of March 2017. This will be the start of an untested negotiation process with unknown consequences for organizations. What lies ahead for many companies is a period of uncertainty. The future remains unclear but is likely to be complex, firm-specific, and open-ended.

In response, the uncertainty about the external economic and financial environment has increased to 68% from 53% in Q2 2016 (pre-Brexit).

The percentage of CFOs who feel more optimistic about the financial prospects for their companies dropped to 23%, down from 26% last quarter, and from 28% one year ago. Most likely, Brexit has hit CFOs' confidence, but not to the extent in the UK.

Risk appetite and M&A decrease

The percentage of CFOs who believe that now is a good time to be taking greater balance-sheet-related risks dropped sharply from 52% last quarter to 32% in Q3 2016. Just 67% of CFOs expect corporate M&A levels to increase over the next 12 months, compared with 78% one year ago. Also, for the first time since Q1 2014, CFOs expect private equity transaction activity to increase more than corporate M&A. Eighty-one percent of CFOs expect private equity to increase over the next 12 months, compared with 67% last quarter, and 68% a year ago.

Increased uncertainty, less risk-taking, and falling business optimism seem to impact acquisition appetite. Almost one-third of CFOs say that their companies will complete more acquisitions over the next 12 months, compared to 55% in 2016 Q2. Divestitures seem to be back on CFOs' agenda (32%, up from 23%) while partnerships/joint ventures are now seen as the least preferred transaction type.

Brexit negative impact foreseen

This quarter CFOs were asked how a possible Brexit would impact their business. Some 48% of Dutch CFOs believe Brexit will be somewhat or very negative. In Q1 2016, CFOs were asked about the potential impact, and at that time 44% had expected a negative impact.

When asked about the effects of the Brexit vote, increased complexity and cost due to the introduction of different regulatory requirements and restrictions in workforce mobility were both mentioned as the key areas where Brexit would impact companies. Dutch CFOs also believe that their competitive strength compared with UK companies will increase due to advantageous EU market access and/or positive currency movements.

Highlights from the Q3 2016 Netherlands CFO Survey

- The uncertainty about the external economic and financial environment has increased from 53% in 2016 Q2 to 68% now.
- CFOs' optimism about the financial prospects for their companies slightly decreased to 23% from 26% last quarter.
- Some 67% of CFOs expect corporate M&A levels to increase over the next 12 months, compared with 78% a year ago.
- Some 48% of CFOs believe that Brexit negotiations between the EU and the UK will have a negative impact on their business.
- Debt financing remains the most attractive source of funding for CFOs, with corporate debt second and equity issuance last.

North America

Tenor of worldwide geopolitics creating concerns

Mixed sentiment / expectations

This quarter's survey indicated faltering CFO confidence in the North American economy amid concerns that economic stagnation and equity market struggles would hurt liquidity and consumer demand.

On one hand, uncertainty expanded this quarter, with additional challenges emerging related to Brexit, deflationary pressures in the eurozone, growth challenges in China, and the run-up to the US elections. Conversely, domestic equity, housing, and labor markets have improved significantly since last quarter, and measures of consumer confidence have indicated strength.

Such mixed assessments, have seen a decrease in net optimism of +19.7 while down from last quarter's +30.0, still demonstrates considerable strength with 35% of CFOs expressing rising optimism (down from 49% last quarter).

Similarly, CFOs' expectations for revenue, earnings, capital spending, and domestic hiring growth are mixed. This quarter's 4.2%* expectation for year-over-year revenue growth is up from last quarter's 4.0%* and from 3.3%* the quarter before that, but it is still among the lowest in survey history.

In terms of capital markets, CFOs appear wary of valuations that have pushed equity markets to historic highs. Seventy-one percent now say markets are overvalued, up substantially from last quarter's 56% and a new survey high.

Rising concerns about geopolitics

CFOs continue to voice worries about global economic stagnation, low interest rates, a strong dollar, and regulatory uncertainty—concerns that now appear amplified by rising worries about Brexit and US elections.

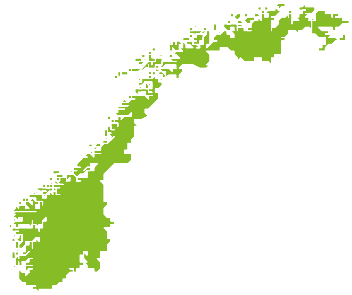
To gauge the influence of the US presidential elections on their outlook, CFOs were asked about the expected impact on their companies' performance and business planning. Eighty-five percent said the future performance of their company depends at least somewhat on the election's outcome. Fifty-seven percent said the election is affecting their planning, and corporate tax policy came through as CFOs' top priority for policy clarification.

Meanwhile, perceptions of Europe's economy—already weak before the Brexit vote—fell sharply as nearly two-thirds of CFOs said they have business exposure to the UK, and 57% said the Brexit vote is affecting their business planning.

This quarter's developments certainly did not provide a reprieve from CFOs citing volatility and uncertainty among their worrisome risks. Against this backdrop, CFOs' sentiment seems reasonably optimistic this quarter. But the rapid, sharp drop in CFO sentiment that occurred when equity markets got pummeled at the start of Q1 2016 may indicate that optimism is somewhat fragile. And it might suggest CFOs are wary of potential events that could trigger a relatively rapid decline in conditions.

Highlights from the Q3 2016 North America CFO Survey:

- Net optimism is +19.7 which is down from +30.0 last quarter.
- Forty-six percent of CFOs describe North American conditions as good (40% last quarter), and 37% expect better conditions in a year (39% last quarter).
- Seventy-one percent of CFOs say US markets are overvalued, up substantially from 56% last quarter.
- Almost 85% of CFOs believe their company's future performance depends at least somewhat on the election outcome.



Norway

Rising optimism ahead

Improved outlook

In 2015 and the first half of 2016, lower oil prices and the adverse effect on selected industries made for an increase in pessimism among CFOs. The CFO index is now pointing upward, achieving a value of 55.6 in October, which is up 2.2 points from the six-year low of 53.4 in June.

GDP growth has improved since Q1 2016, domestic demand is recovering, and price growth remains strong. Net optimism of 20% tells us that CFOs are more optimistic about financial prospects compared with -26% six months ago.

While CFOs are more optimistic about macro indicators like business climate, banks' lending willingness, credit spreads, and the stock market, CFOs are now less optimistic about their own company's financial position and profitability. That is, net share expressing a favorable financial position has dropped from 59% in Q1 2016 to 48%.

Further, one-fourth of CFOs see the current environment as attractive to increase financial risk in their company, which is a 5% increase from one year ago. This measure could indicate that the improved business condition opens up for more risk, but that the companies' own financial situations sometimes put a hamper on it.

Defensive strategies forward

Consistent with previous surveys, the majority of CFOs are proceeding cautiously and employing defensive strategies, making cost reduction, organic growth and a focus on core business the main priorities.

Aggressive strategies are becoming less of a priority for Norwegian CFOs reflecting less willingness to increase risk with lingering uncertainty in the Norwegian economy. Financial positions are reported to be weaker than in previous surveys, explaining why available cash flow is increasingly used for debt reduction rather than acquisitions. This results in historically low expectations for M&A activity in the coming months.

Corporate indicators

A net 34% expects revenues to increase the next six months, while a net share of only 13% expects operating margins to increase.

The net positive margin increase is valid for all major sectors except production and industry, which are predicting a margin drop from Q1 2016. This might be due to a recent rise in and future expectations of a continued appreciation of the Norwegian krone, weakening the competitiveness of export industries.

A shift in major concerns

Decreasing domestic and foreign demand still represents the main concern for Norwegian CFOs. However, fewer CFOs are putting this concern first (down from 44% to 29% for domestic demand and 17% to 15% for foreign demand). Foreign competition, currency volatility, and interest rates emerge as more major concerns.

Highlights from the H2 2016 Norway CFO Survey:

- While CFOs are more optimistic about the improved business conditions, they are now less optimistic about their own financial positions.
- Norwegian CFOs prefer defensive strategies going forward, making cost reduction and organic growth their main priorities.
- CFOs are focused on strengthening the balance sheet, and cash flow is increasingly used to pay down debt rather than for M&A purposes.
- Compared with six months ago, all financing sources are now more readily available, resulting in limited refinancing risk.

Portugal

Surrounded by uncertainty

Lowering confidence

The confidence levels of CFOs surveyed in Portugal have continued to decrease, as 71% of the surveyed CFOs have a negative sentiment on Portugal's economic outlook over the next 12 months compared with 60% in the first quarter of 2016 and just 2% this time last year.

Financial prospects for their own companies remained stable from six months ago, 42% of CFOs felt their prospects were "broadly unchanged" and we saw a similar overall percentage of CFOs declaring themselves optimistic/pessimistic with a net variation of 1%.

Expectations for revenue and operating margins also remained stable, whereas more CFOs expect capital expenditure increases.

Risk aversion

With optimism barely improving and decreasing levels of confidence in the economic outlook, there is an increase in risk aversion. There is a slight increase in the perception of external financial and economic uncertainty. As such, 87% of CFOs declare that now is not a good time to take greater risks.

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

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

Focus on cost control

In line with the previous survey's conclusions, reigning in costs remains CFOs' top strategic priority. In fact, 94% of CFOs in Portugal name cost control as an important priority, followed closely by working capital efficiency (87%) and cost reduction (83%).

Growth strategies are generally at the bottom of the priority list, and all other expansionist strategies rank below efficiency measures. It should be noted, however, that a mere 25% feel that divestment is an important strategy for their company.

Fear of Brexit

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

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

Highlights from the H2 2016 Portugal CFO Survey:

- Expectations fall further as 71% CFOs have a negative sentiment on the 12 month Portuguese economic outlook, compared to 60% in H1 2016.
- Most CFOs (87%) indicate that now is not a good time to take greater risk on the balance sheet.
- Cost control remains the top priority for next year for 94% of CFOs, followed by working capital management (87%).
- More than half of CFOs (52%) view Brexit as having a negative impact on their company.

Spain

Political instability threatened enterprise growth

Economic prospects improve

CFOs' perception of the current Spanish economy worsened slightly from the last survey in the first half of 2016. Twenty-eight percent of respondents consider it good, which is in line with the last survey, and 65% consider the economy to be average, compared with 69% in the last three surveys. These numbers leave 7% that believe the Spanish economy is currently poor, which is five points higher than the 2% in the past two surveys.

However, CFOs believe the forecast of the Spanish economy will improve, with 30% of CFOs responding that the economy will grow over the next 12 months, compared with 21% who thought so six months ago. Fifty-six percent of CFOs expect a slow recovery (compared with 57% in the last survey). The number of CFOs that predicts the Spanish economy will be at stagnation or recession decreased to 14%, down from 21% in the last survey.

The evolution of oil prices remains the top variable impacting the Spanish economy (85%), followed by the level of interest rates (77%) and the economic performance of other European countries (72%).

CFOs believe the EMU's growth will slightly improve (9% versus 4% six months ago). Most CFOs (60%) expect a slow recovery (versus 64% in the previous survey), and 31% believe it will face stagnation or recession (compared with 32% in the previous survey).

At the global level, CFOs are more optimistic: 19% of respondents maintain that the global economy will grow (up from 6% in the previous survey), 63% believe it will experience a slow recovery (up from 54% in the last survey), and 18% believe the world economy will be in stagnation or recession (down from 40% six months ago).

Corporate indicators down

Contrary to the economic prospects, CFOs' visions for the operating and financial performance of their own companies is not so positive. Sixty-seven percent of respondents are more optimistic about the financial prospects (10% below six months ago and 23% below a year ago). Seventy-two percent have an optimistic view on the operational outlook, slightly above 70% last year, but well below the 95% of the two surveys held in 2015.

Seventy-two percent of respondents expect an increase in their income over the next 12 months (3% below a year ago). Almost half also expect increases in cash flow (48% versus 72% of last November) and operating margin (46% versus 57% a year ago). Fewer CFOs expect an increase in the level of investment (36%, down from 54% a year ago), as well as fewer CFOs expecting an increase in the number of employees (32%, down from 47% a year ago).

In this environment of lower optimism, defensive strategies such as cost control rank first, with expansionary strategies second.

Highlights from the H2 2016 Spain CFO Survey:

- Thirty percent believe the Spanish economy will grow in the next 12 months, while 69% and 82% believe European and global economies will experience a slow recovery or growth, respectively.
- CFOs are skeptical about their own company's performance: 72% expect increased revenues, 48% expect increased cash flow, and 46% expect increased operating margins.
- Availability and price of new funding has improved for 70% of the CFOs.

Sweden

Increased worries about business climate—and business position

Swedish growth decelerates

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.

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 increases in construction slows. This is also reflected in the survey, where the business climate index fell for the second straight survey. Still, the Swedish economy is expected to expand by 3.7% in 2016 and 2.8 and 2.3% 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.

Increasing uncertainty

More companies view external uncertainty as high (44% up from 33%), and fewer view now as a good time to take on further risk in their balance sheets.

Geopolitical and macroeconomic concerns reveal continued negative sentiment among CFOs. The overall CFO index fell for the second time in a row from 55.3% 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 relates to financial position, where the percentage of CFOs who deem their company's financial position as very favorable or favorable is down 28 points to 44%, compared with one year ago.

CFOs' biggest concern is order intake, while macro/politically-related factors is second. These two concerns go hand-in-hand as increasing uncertainty in the external environment will bring sales growth concern going forward. Fierce competition/lack of pricing power ranked as the third highest concern, but it has become less of a concern for the second survey in a row.

Reducing costs is increasingly the top priority among CFOs, with cost benefits resulting from process efficiency improvements, reduction of material/input costs, and overhead costs named the highest-prioritized areas. The expectations about company headcounts are largely unchanged from the previous two surveys. That is, the majority of CFOs still expect headcount to be unchanged, with a small shift toward unchanged or declining levels.

Somewhat contradictory, the second most preferred priority is introducing new products/services, but the answers vary by industry.

Highlights from the H2 2016 Sweden CFO Survey:

- While growth of the Swedish economy is expected to slow, it is expected to expand by 3.7% in 2016, 2.8% in 2017, and 2.3% in 2018.
- The Swedish CFO index has a value of 54.1 versus 55.3 in spring 2016, which reflects slightly less positive expectations.
- The percentage of CFOs that deem their company's financial position as very favorable or favorable has significantly decreased by 28 percentage points, year over year.
- Bank borrowing remains the most attractive source of funding.

Switzerland

Higher growth rates back on the horizon

Brighter Swiss economic outlook

During the entire 11-year period from 2004 to 2014, the Swiss economy grew more rapidly than the Eurozone economy. That growth track was brought to a halt in 2015 with the removal of the exchange rate floor against the euro and the eurozone's gradual recovery. However, the Swiss economy has continuously improved in 2016, with 45% of CFOs rating the prospects for the Swiss economy over the next 12 months as positive, 14 percentage points more than in the Q2 2016 Survey. In contrast, 12% rate them as negative. This represents a marked improvement on Q1 2015 when just 10% of CFOs rated Switzerland's economic prospects as positive and 60% as negative.

Corporate indicators improve

For the first time since the end of 2014, more than half of CFOs are optimistic about their own company's prospects. Almost two-thirds of CFOs expect revenues to increase over the next 12 months, while around 40% expect higher capital expenditure and increases in the number of employees. Swiss companies still face margin pressures with more CFO expecting margins to decrease than to increase (31% versus 24%), but a substantial majority of CFOs (net balance 26%) do not expect problems in relation to their company's cash flow.

High level of uncertainty, high aversion to risk

Slightly less than two-thirds of CFOs (63%) rate the current level of uncertainty in the economic and financial environment as high. However, this proportion has gradually fallen from the record 81% reported in 2015.

While companies have increasingly adapted to it, the greatest perceived risk remains the strength of the strong Swiss franc. Geopolitical risks, including the relationship between Switzerland and the EU and future rules on migration, are also major concerns. Few CFOs currently cite the possibility of Brexit as a risk, likely because it is still a distant prospect and its impact is unclear. Still, 23% of CFOs already expect negative fallout from the exit negotiations between the UK and EU.

CFOs are also concerned about Switzerland's current monetary policy, business regulation, and interest rate environment. A majority of companies (61%) report that negative interest rates are having an impact, and in the majority of cases, the impact is negative. Company-internal risks are cited markedly less often than external risks.

Swiss CFOs' aversion to risk remains high with just over three-quarters indicating that now is not a good time to be taking greater risk onto their balance sheet. However, Swiss businesses increasingly seem to have adjusted to a less favorable environment. Unless external risks worsen, Switzerland appears well placed to return to previous rates of economic growth.

Highlights from the Q3 2016 Switzerland CFO Survey:

- Swiss CFOs' expectations for their own economy have improved significantly, with 45% rating prospects as positive and 12% as negative.
- For the first time since the removal of the exchange rate floor in early 2015, more than half of CFOs (53%) rate their own company's financial prospects as positive.
- The strength of the Swiss franc and geopolitical risks, particularly the relationship between Switzerland and the EU and future migration rules, are major concerns.

Turkey

Heightened geopolitical uncertainty

Lowered optimism levels

Compared with the first half of 2016, CFOs in Turkey are slightly less optimistic about their company's financial prospects, with only 30% expecting their financial prospects to improve compared with 34% in Q1 2016. This result was somewhat expected since the survey took place only two months after the coup attempt. However, pessimism has remained unchanged, with 24% of CFOs saying they are less optimistic about their prospects in the next 12 months.

Some 69% of CFOs believe their revenues are likely to increase over the next 12 months (71% last survey), while more than half also expect operating margins to improve. In addition, the employment outlook has strengthened despite uncertainties described below.

Political and economic uncertainty

Sixty-nine percent of CFOs in Turkey continue to believe the level of external financial and economic uncertainty is high, a slight increase (67%) from Q1 2016. This notion is mainly fueled by geopolitical risks and Turkish CFOs rank this as their number one business risk factor. The latest developments in the Middle East, especially the conflicts involving Turkey's two southern neighbors--Syria and Iraq is the major reason for this. Other sources of concern are terrorism and the huge inflows of immigrants from Syria, Iraq and Afghanistan.

The risk appetite of Turkish CFOs continues to be low, which is linked with slightly lower perceptions of optimism and heighten uncertainty. In the previous survey, Turkish CFOs were seen as the most risk averse in Europe. Similarly this quarter, 86% of CFOs say now is not a good time to take greater risk on to the balance sheet.

Risk aversion is complemented by the second top risk identified by CFOs—the high volatility of the Turkish lira (TL). This view is also reflected, to an extent, in their investment decisions, as 37% of CFOs expect their capital expenditure to decrease, the highest in Europe after the UK.

Focus on defensive strategies

When asked about strategic priorities over the next 12 months, the top two identified were both defensive cost measures. Turkish CFOs are adopting a strong focus on cost control, which was identified as their number one priority. Similarly, CFOs named cost reduction as their second internal focal point.

According to the survey, Turkey's CFOs have similar unfavorable views on corporate debt and bank borrowing, in fact, Turkey has the lowest percentage of both bank borrowing and second lowest of corporate debt in Europe. Equity is viewed slightly more favorable, however, and if trends of increased uncertainty continue we may see a shift in future funding sources.

Highlights from the H2 2016 Turkey CFO Survey:

- Net optimism has decreased to 6% following two half yearly surveys of net optimism at 10%.
- More than two-thirds of Turkey's CFOs believe there is currently a high level of economic uncertainty.
- Eighty-six percent of CFOs acknowledge that now is not a good time to take risk on to the balance sheet.

United Kingdom

Brexit looms large

Vote weighs on risk appetite

Three months after the UK referendum, Brexit risks continue to loom large for the UK corporate sector. The period since the last CFO Survey, which was carried out in the immediate aftermath of the referendum vote, has seen Theresa May's appointment as Prime Minister, a strong rally in equity markets, and a run of solid UK economic data. Yet CFOs continue to see significant risks in the economic environment and perceptions of uncertainty remain elevated. A full 88% of CFOs now rate the level of external economic and financial uncertainty facing their business as above normal, with uncertainty remaining at levels last seen in 2012.

Business optimism improved partially in the third quarter, but levels of concern about macro risk have risen across five of the six areas where CFOs are regularly polled. Brexit tops the risk list, while concerns about UK growth and competitiveness have soared in the last six months. Brexit concerns are weighing on corporate risk appetite, with only 18% of CFOs saying that now is a good time to take risk onto their balance sheet; cost reduction and building up cash now rank as the top two priorities. CFOs expect their investment spending and hiring to be weaker over the next three years as a result of Brexit. And most expect spending in these areas to decline over the next 12 months. Overall, CFO confidence is subdued and remains well below its average since Q2 2012.

Support to "stay" continues

Views on the long-term effects of Brexit remain largely unchanged from three months ago. Roughly two-thirds (65%) of CFOs think Brexit will lead to a deterioration in the business environment in the UK, while one-third believe it will have no effect or will improve the business environment.

Growth outlook upgraded

In the run-up to the EU membership referendum in June, forecasts for UK GDP growth in 2016 and 2017 were downgraded. Forecasts were cut further in the immediate aftermath of the Brexit vote, although a string of positive economic data has since led to upgrades. On average, economists now expect growth of 1.7% in 2016 and 0.7% in 2017.

Expectations for revenue and margin growth have both improved in the third quarter, regaining much of the losses seen in Q2. CFOs are once more positive about revenue growth over the next year, although they remain negative on margins. While CFOs are retaining their defensive strategies of cost reduction and building up cash, there has also been a big rise in the percentage of CFOs who rate introducing new products or services, or expanding into new markets, as a strong priority.

Equity markets have performed strongly in recent months and equity issuance has become more attractive as a result, although it remains the least attractive of the three sources of funding.

Highlights from the Q3 2016 UK CFO Survey:

- CFOs rate the effects of the Brexit vote as the greatest risk facing their business over the next 12 months; weak demand in the UK ranks second.
- While business optimism improved partially in Q3 2016, CFO confidence is subdued and remains well below its average since Q2 2012.
- Following additional post-referendum monetary easing from the Bank of England, credit conditions are reported to have eased up once again.
- Some 71% of CFOs expect the Bank of England's base rate to remain at or below its current all-time low of 0.25% in a year.
- Debt financing remains the most attractive source of funding.

Deloitte Member Firm CFO Surveys

About Deloitte Member Firms' CFO Surveys

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

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

Member firm	Contacts	Frequency	Survey scope and population
Argentina	**Claudio Fiorillo** Partner +54 11 4320 4018 cfiorillo@deloitte.com	Biannual	Conducted during September-October 2016 over a four-week period; 78% of the CFOs who participated represented private companies, 81% are local, and 60% represented businesses with annual revenues of less than U.S. $1 billion.
Belgium	**Thierry Van Schoubroeck** Partner, Finance Transformation + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	Conducted between September 22, 2016 and October 10, 2016; 56 CFOs completed the survey. The participating CFOs are active in a variety of industries.
China	**William Chou** National Managing Partner China CFO Program +86 10 8520 7102 wilchou@deloitte.com.cn	Biannual	Conducted between August 15 and September 16 2016; 116 CFOs responded of which 14 were from SOEs, 35 were from POEs, and 67 were from MNCs.
Finland	**Tuomo Salmi** Partner, CFO Program Leader +358 (0)20 755 5381 tuomo.salmi@deloitte.fi	Biannual	Conducted this fall; 45 CFOs participated, representing privately held and publicly listed medium, large, and multinational companies across a range of industries. 82% of respondents are from companies that have an annual turnover of more than 100 million euros.
France	**Pascal Colin** Partner +01 40 88 29 62 pcolin@deloitte.fr	Biannual	

Member firm	Contacts	Frequency	Survey scope and population
Germany	**Rolf Epstein** Partner, CFO Program + 49 (0) 69 97137409 repstein@deloitte.de	Biannual	Conducted between September 20, 2016 and October 07, 2016; 138 CFOs from major German corporations took part in this CFO survey. Some 68% of CFOs are from companies with revenues of more than €500 million, and 44% have revenues of more than €1 billion.
Ireland	**Daniel Gaffney** Director +35314172349 dgaffney@deloitte.ie	Biannual	Conducted in September 2016; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated.
Italy	**Mariangela Campalani** Director Tel: +39 02 83326114 mcampilani@deloitte.it	Biannual	Conducted between August and October 2016, this survey included participation from approximately 100 respondents. The majority of companies involved in the survey came from the following sectors: Manufacturing (35%); Retail/Consumer Products (24%); Energy, Utilities, Mining (12%).
Japan	**Yasushi Nobukuni** Partner +81 80 3367 2790 ynobukuni@tohmatsu.co.jp	Quarterly	Conducted between September 27 and October 14; 108 CFOs completed the survey. The participating CFOs are active in variety of industries, representing listed companies and relevant private companies.
Netherlands	**Frank Geelen** Partner; CFO Program Lead +31 (0)6 2239 7053 fgeelen@deloitte.nl	Quarterly	Conducted September 1-29, 2016; 22 CFOs representing a net turnover per company of approximately EUR 3.0 billion. The responding companies can be categorized as follows: publicly listed (41%), privately owned (18%), family owned (14%), state or government owned (14%), other and/or unknown (14%).
North America (US, Canada, Mexico)	**Greg Dickinson** N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between August 8, 2016 and August 19, 2016; 122 CFOs participated from across the United States, Canada, and Mexico. Seventy-two percent of respondents represent CFOs from public companies, and 80% are from companies with more than $1 billion in annual revenue.

Member firm	Contacts	Frequency	Survey scope and population
Norway	**Andreas Enger** Partner, Financial Advisory +47 958 80 105 aenger@deloitte.no	Biannual	Conducted October 4-11, 2016; 89 CFOs participated from across Norway. The respondents represented a broad rand of industries and CFOs from the 500 biggest companies in Norway.
Portugal	**Jorge Marrão** Partner, CFO Program Leader + 351 210422503 jmarrao@deloitte.pt	Biannual	Conducted between September 16 and October 6, 2016, the survey was sent to CFOs of private and public companies of several industries. The participating CFOs (62) represent the largest companies in Portugal (66%>€100M and 16%>€1.000M).
Spain	**Jesús Navarro** Partner +34 91 514 50 00 jenavarro@deloitte.es	Biannual	Conducted in September 2016; 98 CFOs participated from companies or groups listed in the Spanish market and/or companies or groups listed in international markets, and non-listed companies. Of the participating companies, 28% have revenues in excess of €500 million and 43% have more than 500 employees.
Sweden	**Henrik Nilsson** Partner +46 73 397 1102 henilsson@deloitte.se	Biannual	Conducted in September 2016; 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 August 29, 2016 and September 21, 2016; 111 CFOs participated, representing listed companies and relevant private companies.
Turkey	**Cem Sezgin** Partner, CFO Services Leader + 90 (212) 366 60 36 csezgin@deloitte.com	Biannual	Participants in this quarter's survey were from leading Turkish corporations and representing all industries. The majority of CFOs were from companies with revenues above €500 million, while SMEs were also well represented in the survey.
United Kingdom	**Ian Stewart** Chief Economist +44 020 7007 9386 istewart@deloitte.co.uk	Quarterly	Conducted September 12-26, 2016; 124 CFOs participated, including CFOs of 27 FTSE 100 and 50 FTSE 250 companies. The rest were CFOs of other UK-listed companies, large private companies, and UK subsidiaries of companies listed overseas. The combined market value of the 86 UK-listed companies surveyed is £452 billion.

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