Global CFO Signals

Riding a synchronized recovery

Q2 2017 Deloitte Member Firms' CFO Surveys

Australia, Belgium, India, Japan, Netherlands, North America, Russia, Switzerland, and United Kingdom

Deloitte Global CFO Signals
August 2017

Contents

About the Deloitte Global CFO Program

The Deloitte Touche Tohmatsu Limited ("Deloitte") 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 16) 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 second-quarter 2017 CFO surveys from Deloitte member firms in the following geographies:

Australia: Positive global outlook drives optimism
Belgium: Optimistic business sentiment accelerates focus on growth
India: Resilient in the face of uncertainties
Japan: Stable corporate earnings; North Korea draws attention
Netherlands: Risk appetite increases, M&A activity to soar
North America: Growing concerns about political and policy uncertainty
Russia: Slow and steady recovery
Switzerland: Optimistic summer
United Kingdom: Post-election dip in confidence

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

Special thanks to Kim Pappas, MDP, CFO Program, Deloitte LLP for her contributions to this issue of Global CFO Insights.

Global Contacts

Sanford A Cockrell III
Global Leader
Global CFO Program
Deloitte Touche Tohmatsu Limited
scockrell@deloitte.com

Lori Calabro
Editor, *Global CFO Signals*
Global CFO Program
Deloitte Touche Tohmatsu Limited
localabro@deloitte.com

Caitlyn Roberts
Chief of Staff
Global CFO Program
Deloitte Touche Tohmatsu Limited
caroberts@deloitte.com

For additional copies of this report, please email: GlobalCFOProgram@deloitte.com

Global CFO Signals

CFO sentiment Q2 2017

Riding a synchronized recovery

With a synchronized economic recovery apparently underway, CFOs in this Q2 2017 edition of *Global CFO Signals* seem to be enjoying the ride.

In fact, many CFOs in the nine surveys featured voice positive outlooks about their financial prospects, their key metrics, and, in many cases, their countries' economic outlooks. Their optimism is fueled by the strength in many developed economies that is spilling over into emerging markets and shoring up business prospects. "Since the economies in the world, including most of the industrialized ones, are now roughly in expansion synchronization that bodes well across the board," explains Patricia Buckley, managing director, Economic Policy and Analysis, Deloitte Services LP.

That confidence is on display in surveys conducted in several regions. In North America, for example, where net optimism has been strong for numerous quarters, some 55% of CFOs now report positive outlooks, despite continued uncertainty about policy and politics. In Australia, where global trade, a competitive exchange rate, and low interest rates have bolstered confidence, CFOs are also solidly optimistic (net +25). And in Switzerland, where a net +18 of CFOs report being optimistic, views of uncertainty have fallen to their lowest level since the exchange rate floor was removed in 2015.

Other CFOs' attitudes are reflected in strong growth expectations. In Japan, 52% of CFOs forecast increased earnings, and revenues are expected to tick up in Belgium and Switzerland. Elsewhere, capital spending expectations came in at 9% in the North American survey, and 48% of India's CFOs expect their workforces to grow as do 30% of Russian CFOs.

That does not mean CFOs are ignoring the many challenges they currently face, as well as others on the horizon. In the United Kingdom, CFOs expect Brexit to negatively affect capital spending (33%), hiring (38%), and discretionary spending (49%) over the next three years. Japan's CFOs are increasingly concerned about North Korea, whereas CFOs in Switzerland are worried about uncertainties in the United States and the UK. And the rapid evolution of digital technology has some CFOs wary of talent shortages.

Despite so many unknowns, CFOs seem to be able to compartmentalize and prioritize. "CFOs have been citing rising volatility in the business environment as a top challenge for several years," says Greg Dickinson, managing director, Deloitte LLP, who leads the North American CFO Signals™ survey. "Even so, our survey findings seem to indicate that they are not waiting for anything to get resolved—and that they continue to push forward on the investments they think make the most sense for the future."

How does CFO sentiment in Q2 2017 break down? What follows is a synopsis by region:

Americas

The post-election period in North America appears to have left CFOs very optimistic—the Q1 2017 survey registered the sharpest uptick in sentiment in its seven-year history, and while this quarter was not as strong, it was nevertheless solid with a net optimism of +44. In addition, CFOs' business focus on offense over defense for the next year hit a new survey high. Sixty-three percent of surveyed CFOs also say they are biased toward revenue growth, one of the highest levels in the survey's history, and only 18% claim a bias toward cost reduction. Moreover, the bias toward investing cash over returning it to shareholders (62% versus 16%) hit another three-year high. Still, global economic growth and government regulation sit near the top of CFOs' list of most worrisome external risks, and were joined this quarter by rapidly rising concerns about US political and policy uncertainty, and geopolitical risks and conflicts.

Asia-Pacific

For the three countries reporting in Asia-Pacific—Australia, India, and Japan—there are stabilizing, if not upbeat, signs. In Japan, for example, 78% of surveyed

CFOs indicate that their views toward their companies' financial prospects have not changed this quarter. That is despite the growing list of risk scenarios, which now includes North Korea's intercontinental ballistic missile launch (54%), the US/Russia situation (48%), and perceived overheating in China's economy (46%). Meanwhile, in India, optimism about economic prospects has reached new heights and is leading to greater risk appetite among CFOs (59% up from 46% in 2016). Finally, in Australia, CFOs are buoyed by higher rates of growth in Asia, which stimulates demand for Australian exports, as well as the decline in interest rates. Says David Rumbens, partner, Deloitte Access Economics: "One other trend to note is Australian CFOs' attitudes toward China, which 12 months ago were relatively negative and have now turned strongly positive."

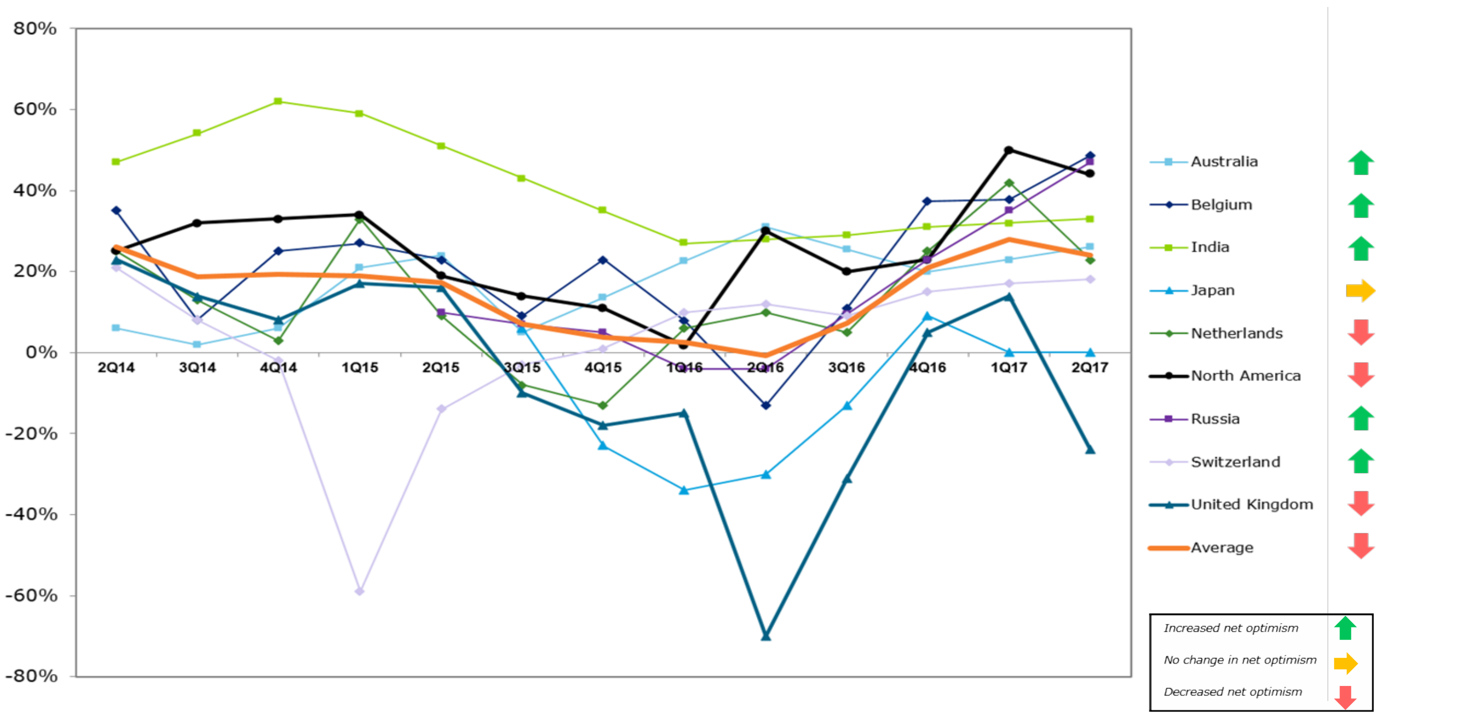
Europe

Finally, in Europe, there is a disconnect among the countries reporting—Belgium, Netherlands, Russia, Switzerland, and the UK. While four of the five registered solid optimism, the fallout from the general election in the UK has left CFOs there retracting again. In fact, 72% of CFOs now expect some negative long-term effects on the business environment as a result of the UK's departure from the European Union (EU), up from 60% in the first quarter. Elsewhere, the news is more upbeat, such as in Belgium, where optimism increased for the fourth quarter in a row, or in Russia where some 51% of CFOs report positive outlooks. Meanwhile, in the Netherlands, risk appetite among CFOs increased to 56%, up from 40% in the past two consecutive quarters; and in Switzerland, CFOs' expectations for the country's economic prospects over the next 12 months are currently at their highest level since mid-2014. Says Michael Grampp, chief economist at Deloitte AG (Switzerland):"Despite such optimism, there are more internal risks coming up in our surveys. Specifically, we are seeing technical change emerging as a risk, but also as an opportunity."

Going forward, the Deloitte economists interviewed noted that more internal—as well as external—surprises could occur, some worse than others. That's even more reason, says Grampp, for CFOs "to stay focused on the positive."

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.



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

Improving optimism in many reporting countries is leading to increased risk appetite. In the Netherlands, for example some 56% of CFOs say now is a good time to take greater risk onto their balance sheet—up from 40% in each of the last two quarters—and 49% of Australia's CFOs think it's time to add risk, up for the third time in as many surveys. Meanwhile, in Belgium, the percentage has improved to 69%, the highest level ever recorded in the survey. But in the UK, Brexit negotiations continue to be a drag, with only 22% of CFOs saying now is a good time to take on risk.

Uncertainty

Concerns about uncertainty continue to moderate. In Japan, 57% of CFOs believe economic and financial uncertainty is either "high" or "very high," compared with 80% in Q4 2016. In Switzerland, perceived uncertainty in the economic and financial environment is now at its lowest level since the removal of the exchange rate floor in early 2015, and sentiment in Australia has also moderated from the H2 2016 report, when 78% of CFOs put it between "above normal" and "very high." Uncertainty is up in the UK, however, in the wake of the general election.

Metrics

In North America, this quarter's 5.6% expectation for year-over-year revenue growth is up solidly from last quarter's 4.3% and above its two-year average. Elsewhere, CFOs are also upbeat about revenue increases, particularly in Belgium (where almost half expect an increase of more than 5%), India (79%), and Switzerland (76%). Although down from last quarter, a healthy 52% of Japanese CFOs expect an increase in earnings, and 52% expect operating profits to rise. Meanwhile, in the UK capital expenditure and discretionary spending expectations have dipped.

Hiring

As for hiring, the outlook is mixed. Forty-eight percent of India's CFOs expect to hire over the next 12 months, as do 30% of Russia's CFOs; in North America, this quarter's domestic hiring growth expectation held steady at 2.1% from the previous quarter. Some 38% of the UK's CFOs, however, think hiring will decrease because of Brexit, but that is down from 66% in Q2 2016 right after the vote. Still, one of the top worries among Belgium's CFOs is that they will not be able to meet their recruitment requirements in the next 12 months.

Corporate strategy

Signs of expansion abound. Continuing the trend from last quarter, 63% of North American CFOs say they are biased toward revenue growth (one of the highest levels in survey history), and only 18% claim a bias toward cost reduction (one of the lowest). A full 94% of CFOs in the Netherlands expect increased M&A activity. And several surveys asked about digitalization, including Switzerland, where four in every five CFOs report that their company is prioritizing investment in this area. Yet, UK CFOs have retreated relative to the first quarter, placing much greater emphasis on defensive strategies such as cost reduction (46%), increasing cash flow (36%), and reducing leverage (14%).

Interest rates

CFOs foresee interest rate hikes in several countries. Some 30% of Switzerland's CFOs expect a return to positive rates in three years, up from 17% who thought so in Q4 2015. In the UK, 59% expect the Bank of England's base rate to be above its current level of 0.25% in a year's time, down from 71% in the first quarter. But the view is a little different in Australia, where 58% expect rates to remain around the same level, 40% expect them to fall further, and only 1% expect a rise.

Deloitte Member Firm CFO surveys:

Second-quarter 2017 highlights

Australia

Positive global outlook drives optimism

Confidence despite uncertainty

The first half of 2017 began with fears of political risk and economic turmoil. Elections in Europe, conflict in the Middle East, tensions on the Korean peninsula, and uncertainty around trade policy in the US contributed to financial market volatility. However, looking to the second half of 2017, conditions in a number of Australia's key trading partners are looking up, while others are doing all within their power to maintain growth.

Against this backdrop, confidence among CFOs continues to improve. And while uncertainty still exists, Australia's most senior finance executives remain comfortable in the face of the challenges it presents.

Optimistic outlook

Of the CFOs surveyed, 14% reported being highly optimistic about the future financial prospects of their company, while 69% were optimistic. Further, nearly 40% of CFOs felt more optimistic than six months ago about the financial prospects of their company, an uplift of five percentage points compared with the end of 2016.

The improving macroeconomic landscape is leading to more confidence among CFOs, after very low net optimism scores in late 2014 and 2015. Higher rates of economic growth in Asia, which stimulates demand for Australian exports, as well as the decline in interest rates and the Australian dollar, are important factors supporting the optimism of CFOs.

Risk appetite ramps up

CFOs continue to face an external environment that is considerably more uncertain than normal. Still, around 50% of respondents believe now is a good time to take more risk onto the balance sheet.

Better business conditions are encouraging more CFOs to look for new opportunities. Even so, CFOs still remain cognizant of potential risks around the corner, and are focusing on the role of innovation as a disrupter to their business, in addition to the usual list of economic uncertainties as part of their forward planning.

2017 and beyond

Australia is on track to reach 27 years without a recession—a record run for a developed economy.

The long awaited recovery of other advanced economies, including the US, will more than likely see global interest rates continue to rise. A stronger US economy is a positive for Australia, however further rate rises by the US Federal Reserve may impose some financial strain on Australian business, and place downward pressure on the Australian dollar.

China continues to pose the greatest near-term risk for the Australian economy, particularly as its government persists with stimulating industrial production where, in many cases, there is already significant overcapacity.

Highlights from the H1 2017 Australia CFO Survey:

- Sentiment is still on the way up with a net 25% of CFOs more optimistic about the future prospects of their business than six months ago.
- More than 70% of CFOs agreed or strongly agreed that wellness is considered a strategic priority within their organization.
- Some 56% believe that their finance headcount will be somewhat lower, and staff will be realigned to delivering real-time predictive insights.
- Nearly 70% of CFOs think President Trump will have no impact on their business over the short term.

Belgium

Optimistic business sentiment accelerates focus on growth

New levels of optimistic

The global economic environment drives CFO optimism, and several key indicators in this quarter's Belgium CFO Survey have reached historic highs.

CFO optimism, for example, increased for the fourth quarter in a row. Today, 56% of Belgium's CFOs are more optimistic about the financial prospects of their companies than they were three months ago, with only 7% saying that their prospects have decreased. Moreover, external financial and economic uncertainty continues its downward trend. In the second quarter, only one in five rates the levels of external financial and economic uncertainty above normal, an all-time low in the Belgium CFO Survey.

As for their country's outlook, CFOs remain cautiously optimistic; the median CFO participant anticipates growth to be between 1.0% and 1.5%. This is slightly lower than the 1.6% set out by the National Bank of Belgium.

Corporate outlook also positive

More than two-thirds anticipate revenue and profits to increase in the next 12 months, almost half expect revenue to increase more than 5%. The outlook is hence promising, however, performance to budget in the second quarter was somewhat disappointing: 41% of CFOs indicate they have not met the second quarter's financial budget. This is an 11 percentage point increase compared with the second quarter of last year.

Risk appetite at all-time high

Following the increased optimism and reduced uncertainty, risk appetite has reached its highest level since the launch of the survey in 2009. Some 69% of survey participants believe it is a good time to take greater risk on their balance sheets. As a consequence, planned capital expenditure remains high: half of CFOs expect to increase capital expenditure over the next 12 months. Headcount projections continue their upward trend: today 66% of CFOs report they are likely to increase their headcount in the next 12 months, another survey high.

Concerns remain

Global business sentiment is high and the majority of corporations are looking to invest. Moreover, for the first time since the launch of this survey, economic recovery is not in the top three of economic concerns. CFOs are today more concerned about their competitive position in the markets they serve and about the impact of Belgian financial and economic policy making on that competitive position. Overall perception of the appropriateness of federal financial and economic policy making remains low, but stable compared to last quarter. Another major concern? The vast majority of CFOs are worried they will not be able to meet their recruitment requirements in the next 12 months.

Highlights from the Q2 2017 Belgium CFO Survey:

- CFO optimism increased for the fourth quarter in a row, with 56% reporting being more optimistic and only 7% reporting being pessimistic.
- Some 66% of the participating CFOs say they are likely to increase headcount in the next 12 months—a survey high.
- For the Belgian economy, CFOs expect positive growth of between 1.0% and 1.5%.
- This quarter, for the first time in the survey history, economic recovery is not among CFOs' top three economic concerns. CFOs are more concerned about their competitive position and Belgium policy on that position.

India

Resilient in the face of uncertainties

Medium / long-term optimism

Business leaders continue to be optimistic about the Indian economy. Optimism around India's medium- to long-term economic outlook has improved significantly compared with last year's survey, with 30% of CFO's saying they are now "very optimistic" about economic prospects over the next two to three years and 56% over the next four to five years (up from 22% and 47% respectively in 2016).

Much of the optimism is due to economic resilience in the past few quarters despite weak global growth, increasing global uncertainties due to Brexit and US elections, and, more important, the government's demonetization move in November 2016. While demonization may have affected the economic activity in the short-run, medium-term implications with respect to digitalization and the government's willingness to fight against corruption have bolstered investors' confidence.

The "heightened optimism" over the medium- to long-term economic outlook is reflected in the risk appetite of Indian businesses. Some 59% of CFOs are now willing to take greater business risks, compared with 46% in 2016. An expectation of a modest, but synchronized, global economic recovery, the government's effort to increase foreign investment inflows and improve conditions for doing business, and economic resilience have improved business perception about risk taking.

Risks remain, however. With constant changes in regulations and policies, efforts required for the adoption and implementation is huge, and 33% of respondents believe regulatory impediments and uncertainty in the tax environment are the two major risks companies are facing currently.

Business focus moving forward

Buoyed by optimism about India's economic scenario, almost 30% of CFOs are focused on growing revenues (another 73% are retaining a focus on cutting costs.). To achieve that growth, some 44% believe in concentrating more on current geographies versus entering new markets, while more than 50% CFOs in the energy and anufacturing sectors would like to explore new geographies. In addition, 87% CFOs believe in having more organic growth than inorganic growth in the next one year.

Technology paves the way

Companies are undergoing critical transformation with upcoming technology and regulatory changes. From an enterprise perspective, technology integration/upgradation (23%) and analytics solutions (17%) continue to dominate CFOs key focus areas. This is due to the increasing importance of technology and analytics for decision-making and strategy. Further, when CFOs were asked about their industry investment trends over the next three years, 25% pointed to market/customer expansion and 21% cited innovation and technology.

Highlights from the 2017 India CFO Survey:

- Some 30% of CFOs are now "very optimistic' "about India's economic prospects over the next two to three years and 56% over the next four to five years.
- The most centralized in-house business activities are long-term financing (73%), working capital (72%), M&A deals (64%), and business planning and strategy (62%).
- One-third of respondents believe regulatory impediments and uncertainty in tax environment are the two major risks companies currently face.
- Although 78% CFOs are optimistic about an increase in revenue, only 54% expect an increase in operating margins.

Japan

Stable corporate earnings; North Korea draws attention

Financial situation remains stable

According to Japan's CFOs, the financial prospects for their companies remains stable. In the Q2 2017 survey, 78% of CFOs report that the financial prospects of their companies are "mostly unchanged," compared with Q1 2017.

Some 11% say they are "more optimistic" toward their financial prospects, which is consistent with Q1, and another 11% replied that they are "less optimistic". Looking back at the Q4 2016 CFO survey, 27% of CFOs responded "somewhat more optimistic" due to the outcome of the US presidential elections, up from 9% the previous quarter.

Stable corporate earnings

As for their outlooks on earnings, 50% of CFOs expect "some increase", and 2% expect a "significant increase," which represents a lower rate (combined) compared with the previous quarter of nearly 70%. However, it still scores relatively high compared with the Q3 (48%) and Q2 2016 (23%) surveys.

On operating profits, 48% of CFOs expect "some increase" and 4% expect a "significant increase," which shows a significantly lower outlook compared with the previous quarter of 71% (combined). However, 41% of CFOs expect operating profits to be "mostly unchanged," representing a higher rate compared with Q1 2017 (18%).

All eyes on North Korea

When asked about the level of external and economic uncertainty facing their businesses, 55% of CFOs responded that uncertainty was "high" and 2% responded that "very high;" a lower estimate (combined) compared with 60% and 20% in Q4 2016, respectively. The decline in uncertainty is partly due to the steady recovery in earnings enjoyed by many CFOs.

However, Japan's political uncertainty, along with geopolitical uncertainty, continues to concern CFOs. Specifically, financial and structural reforms and the situation in North Korea are some of the top concerns for Japan's CFOs. Some 48% of CFOs cited changes in work style reforms that may affect the economy. At the same time, 39% of CFOs responded that the political instability in the Abe administration due to the Kake Gakuen probe is drawing attention.

On the global level, "political risk" in the US and China were listed as top of mind to CFOs. However, for Q2 2017, North Korea's ICBM launch topped the list with 54% of respondents considering the launch as an increasing risk due to Japan's geographical position.

The US/Russia situation and China's overheating economy attracted more attention this quarter too, while the balance sheet reduction and rate hike from the US Fed drew less.

Highlights from the Q2 2017 Japan CFO Survey:

- Some 78% of Japan's CFOs say that the financial prospects of their companies are "mostly unchanged."
- Nearly 52% of Japan's CFOs expect increased earnings and operating profits.
- There is no clear indication on whether CFOs expect lower external economic and financial uncertainties.
- Political instability in Japan due to the Kake Gakuen probe is drawing attention.

Netherlands

Risky appetite increases, M&A activity to soar

Business outlook

The Netherland's economy is expected to grow by 2.4% this year and 2.0% in 2018, according to the government's macroeconomic think tank CPB. The Dutch central bank is also positive, expecting the economy to grow at its fastest rate in a decade (2.5% in 2017, 2.1% in 2018, and 1.9% in 2019).

Despite these indicators, the general level of external financial and economic uncertainty has increased again. Uncertainty about the financial and economic context impacting their companies increased from 52% in Q1 2017 to 59% now. The increase is most likely affected by Brexit, as well as political changes in Europe.

As uncertainty has increased, CFOs' confidence in their companies' financial prospects has dropped from 52% in Q1 2017 to 47% now. CFOs have reported a wait-and-see approach on their future offensive or defensive strategies. Some 26% give a strong priority to increasing capital expenditure, expanding by acquisition, and introducing new products/services or expanding into new markets (offensive strategies). The same percentage, however, give strong priority to defensive strategies (reducing costs, reducing leverage, and increasing cash flow).

Risk owns the reward

Despite increased uncertainty about the external financial and economic situation, risk appetite among CFOs increased to 56%, coming up from 40% in the past two consecutive quarters.

Shortage of skills is now seen as the factor that presents highest risk to CFOs' companies in the next 12 months, followed by geopolitical risks and weaker domestic demand.

Due to the higher risk appetite and availability of debt within the Netherlands, the number of M&A transactions are expected to increase. The net percentage of CFOs who expect corporate M&A to increase remains high at 94%. Divestments seem off the radar, with 18% of CFOs expecting to divest assets and/or subsidiaries, a large drop from 43% in Q1 2017.

The download on digital

Many organizations are aware of the urgency of digital transformation. More than half (53%) of Dutch CFOs surveyed said that they will invest more in digital, either technologies, or talent/ways of working. In addition, 35% of CFOs note that they will invest significantly more on digital compared with last year.

When it comes to implementing digital tools or ways of working within the finance function, CFOs report that the two biggest hurdles are too many competing priorities and lack of organizational agility. In addition, when asked about the digital maturity of their finance function, 29% of CFOs rated it as 7, on a scale from 1 to 10, with 1 being not mature at all and 10 very mature; the average score is 5.7.

Highlights from the Q2 2017 Netherlands CFO Survey:

- The uncertainty about the external economic and financial environment has increased from 52% in Q1 2017 to 59% now.
- CFOs' optimism about the financial prospects for their companies decreased to 47% from 52% last quarter.
- Some 88% of CFOs expect private equity acquisition activity to increase in the next 12 months.
- More than half (53%) of CFOs expect to attract new credit over the next 12 months, compared with 30% last quarter.

North America

Growing concerns about political and policy uncertainty

No reprieve from uncertainty

When CFOs responded to last quarter's survey, the new US administration had just taken over and had issued several executive orders supporting key campaign promises. Meanwhile, the new Congress had begun to set its legislative agenda, and the global economy had shown continued signs of strength.

This post-election period appeared to have left CFOs very optimistic—with the Q1 2017 survey registering the sharpest uptick in sentiment in its seven-year history.

Since then, there have been starts, stops, and redirections in some key policy areas, and there have been preliminary movements on income taxes, trade, and foreign policy. In addition, despite worrisome geopolitical developments in North Korea and Syria, the global economy has continued to strengthen.

Perception versus reality

Against this backdrop, CFOs' optimism regarding North American growth and their own companies' prospects did decline somewhat, but overall sentiment is still overwhelmingly positive (driven in part by a resurgence in the Energy/Resources sector). In fact, assessments of the North American economy's current health remain near their two-year high, with 65% of CFOs saying current conditions are good, and 58% expecting better conditions in a year.

Armed with such optimism, 63% of CFOs say they are biased toward revenue growth (one of the highest levels in survey history), and only 18% claim a bias toward cost reduction (one of the lowest levels) for a net value of +45%. The bias toward investing cash over returning it to shareholders hit another three-year high at a net +46%.

The focus shifted back toward current offerings this quarter and the bias toward current geographies increased. Thirty-two percent of CFOs say their companies are biased toward new offerings versus 46% for existing ones, for a net of -14%. CFOs favor current geographies over new ones by the widest margin in survey history (72% versus 14%).

Meanwhile, the bias toward organic growth (61%) over inorganic growth (16%) is at its highest level in more than four years.

Ripped from the headlines

CFOs voice growing concerns about political and policy uncertainty, and geopolitical conflict.

Most of this concern is a result of rising political turmoil (around alleged links between Russia and the Trump campaign) that has captured headlines. In particular, CFOs voiced concerns about the uncertain paths forward for tax reform, health care reform, and trade policy. They also voiced concerns about the effects geopolitical conflicts might have on international relations and economic growth.

Highlights from the Q2 2017 North America CFO Survey:

- Net optimism declined slightly from last quarter's survey-high +50.0 to +44.0 this quarter.
- Year-over-year expectations for capital investment remain very strong; expectations for revenue and earnings rose again.
- Domestic hiring growth held steady at 2.1%.
- Some 78% of CFOs say US equity markets are overvalued.
- CFOs seem to be spending considerably more time staying abreast of global economic and policy developments than they used to and relying on their own research.

Russia

Slow and steady recovery

Financial climate in 2017

The Russian CFO Survey was designed to gauge CFOs' outlooks on business, financing, risk, and strategies and to identify trends in the Russian market.

The moderate optimism observed half a year ago has continued and strengthened, as 51% of companies are optimistic about the future. When CFOs were asked about confidence in future revenue growth, 66% of respondents said they expect increases in 2017, while 14% expect declines. In addition, 73% of CFOs expect an increase in their real income.

Tempered uncertainty

Uncertainty continued to decrease in line with the trend that started a year ago. Some 64% of CFOs now rate the level of uncertainty as low, whereas 49% of CFOs rated the level as low in H2 2016. The net level of uncertainty fell by 75 percentage points compared with H2 2015.

Despite the positive trends resulting from lower levels of uncertainty overall, 36% of CFOs felt there was a high level of uncertainty regarding the political and economic environment.

Risk appetite stabilizes

Similar to the trend observed half a year ago, 47% of Russian CFOs are prepared to take on risk, while the remaining 53% are not. In the first half of 2017, the top three risk factors affecting businesses that have dominated the survey reinforced their positions: the weakening of the ruble, the weakening of domestic demand, and stagnation of the Russian economy.

Companies have begun to adjust their risk management strategies to the current market situation based on the risks just noted. In fact, 57% of CFOs pointed to the need to include the exchange rate clause in contracts, while 47% of CFOs indicated the need to obtain financing/loans in rubles only. The top business strategy to recover the market position in Russia in 2017 is to make an acquisition abroad.

Digital download

Increased competition overall and specific competition from innovative products are two risk factors that are having a higher negative effect (compared with other risk factors) in 2017. The spread of new technologies and digitalization is a reality forcing companies to find solutions in order to ensure competitiveness.

The long-term impact of the global crisis is gradually weakening. Key business drivers include digitalization of business processes and the launch of new products, which implies active company attitudes. On the other hand, innovation is included within key business barriers. As digitalization and innovation are positioned between the drivers and barriers, this indicates that businesses realize the need to increase the economic efficiency of their business functions, but lack plans for implementing high technology and innovative solutions.

Highlights from the H1 2017 Russia CFO Survey:

- Overall, a net 47% of Russia's CFOs are optimistic about their companies' prospects this quarter.
- Some 47% of CFOs consider now to be a good time to take risk onto the balance sheet.
- Risk appetite remained unchanged at -6%.
- Price increases in 2017 are expected by 41% of respondents.
- About half of companies (51%) expect to expand their geographic footprint, particularly in Latin America and Asia.
- More than half of the surveyed companies (58%) said they spent up to 1% of their annual revenue on research and development.

Switzerland

Optimistic summer

Summer shines brightly

The Q2 2017 Switzerland CFO Survey shows that CFOs are predominantly upbeat, with a majority optimistic about the prospects both for the country's economy and their own companies. Their expectations for revenues are also positive, with an improvement in expectations for operating margins.

In addition, there is an improvement in expectations for their companies' investments and number of employees. Nevertheless, geopolitical risks continue to cause concern, particularly the risks represented by the UK and the US.

Optimism: A relentless force

Swiss CFOs' expectations for the country's economic prospects over the next 12 months are currently at their highest level since mid-2014. Some 71% of CFOs rate the outlook on economic prospects as positive, with just 3% rating it as negative.

These positive expectations are reflected in CFOs' assessment of their own company's financial prospects over the next 12 months. Two-thirds of CFOs continue to rate them as positive, although there is a slight increase in those rating them as negative, to 14%.

Against this backdrop, a majority of CFOs still perceive uncertainty as high (52%), but their rating has fallen to the lowest level since the exchange rate floor with the euro was removed.

There is however a geographical divide in perceptions of political risks: CFOs perceive France and Germany as representing a smaller risk than in Q1 2017, whereas the perceived risk represented by both the UK and the US has increased due to actions taken by the US administration, the UK general election outcome, and Brexit negotiations.

Corporate indicators improve

There is a particularly marked improvement in growth expectations. Expectations for revenues have been largely positive for the last two years and are up again this quarter. Some 76% of CFOs currently expect revenues to increase over the next 12 months compared with 11% who expect them to decrease (the lowest level since Q3 2015).

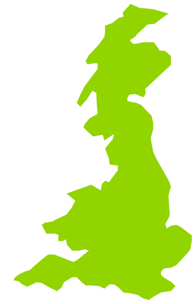
Moreover, expectations for operating margins are less optimistic than those for revenues, but have also improved from Q1. For only the second time in two years, a majority of Switzerland's CFOs expect operating margins to increase—38% compared with 28% who expect them to decrease.

Drive toward digital

Expectations for investments over the next 12 months are substantially higher, particularly for new investments (net balance 44%). There has been a clear trend in investment priorities over recent years. The importance of digitalization has increased markedly over recent years, and four in every five CFOs report that their company is prioritizing investment in this area.

Highlights from the Q2 2017 Switzerland CFO Survey:

- For only the second time in two years, a majority of Switzerland's CFOs expect operating margins to increase—38% compared with 28% who expect them to decrease.
- CFOs expect spending to increase across the board, with positive net balances; expectations for discretionary spending are 15 percentage points higher than in Q1.
- Switzerland's CFOs are primarily concerned about geopolitical risks and the strength of the Swiss franc.
- Although perceived uncertainty (52%) is slightly higher than in Q4 2014, it is markedly lower than the record level recorded in Q1 2015 (81%).
- Some 80% of Swiss CFOs see technology as an investment priority.



United Kingdom

Post-election dip in confidence

A sea of uncertainty

The UK general election on June 8, 2017 unexpectedly delivered a hung parliament, creating new political uncertainties. In the wake of the general election, optimism among CFOs has fallen back from the 18-month high seen in the first quarter. Moreover, despite speculation that the result could mean a closer long-term relationship between the UK and EU, CFO concerns about Brexit have risen.

In addition, CFOs' perceptions of uncertainty facing businesses rose in the second quarter, a development which seems to reflect both the outcome of the general election and concerns about growth. Some 43% of CFOs rate current levels of external economic and financial uncertainty as high or very high.

Worries about UK growth have also risen and are now seen as posing a greater risk to business than at any time in two-and-a-half years.

Brexit tops risk list

Brexit and the recent election outcome have kept the UK in a state of flux. Today, CFOs continue to cite Brexit as the biggest and a growing risk to their business. When asked to rate on a scale of 0 to 100 where 0 stands for no risk and 100 stands for the highest possible risk, the effects of Brexit were rated 60 in the second quarter, up from 55 in the first quarter. Further, 72% of CFOs expect some negative long-term effects on the business environment as a result of the UK's departure from the EU, up from 60% in the first quarter.

Growth expectations deteriorate

For much of the last three years external risks have been the focus of CFO concern. But the worries about geopolitics and growth overseas, which dominated CFO concerns in 2015 and 2016, have receded. A recovery in emerging markets and a picking up in growth combined with an easing of political risk in the euro area, have pushed both to the bottom of the worry list.

Today, CFOs see Brexit and the prospect of slower UK growth as being the main risks.

Meanwhile, the outlook for corporate revenue and margin growth has deteriorated in the second quarter. A net 28% of CFOs expect revenues to increase over the next 12 months, down sharply from the first quarter. The outlooks for capital spending, hiring, and discretionary spending have also dipped this quarter.

Highlights from the Q2 2017 UK CFO Survey:

- After Brexit, CFOs see weak demand in the UK as the greatest risk facing their business.
- Just 22% of UK CFOs think now is a good time to take greater risk onto the balance sheet, well below the long-term average.
- Reducing costs (46%) and introducing new products/ services or expanding into new markets (42%) are top priorities for CFOs.
- A third or more of CFOs expect Brexit to reduce their own investment and hiring plans over the next three years.

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
Australia	**Stephen Gustafson** Partner, CFO Program Leader +61 2 9322 7325 sgustafson@deloitte.com.au	Biannual	Deloitte has surveyed the CFOs of major Australian listed companies since 2009. This CFO Sentiment survey covers the first half of 2017.
Belgium	**Thierry Van Schoubroeck** Partner, Finance Transformation + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	The 2017 second quarter survey took place between May 30, 2017 and June 15, 2017. A total of 70 CFOs completed the survey.
India	**Porus Doctor** Partner, CFO Program Leader +91 22 6185 5030 podoctor@deloitte.com	Annual	Conducted between January 2017 and April 2017; More than 200 CFOs representing multiple industries participated with revenues spanning less than INR 500 crores to more than INR 2500 crores.
Japan	**Yasushi Nobukuni** Partner +81 80 3367 2790 ynobukuni@tohmatsu.co.jp	Quarterly	Conducted between July 3-14, 2017; 46 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 Leader +31 (0)6 2239 7053 fgeelen@deloitte.nl	Quarterly	Conducted June 2-30, 2017; 17 CFOs representing a net turnover per company of approximately EUR 3.6 billion. The responding companies can be categorized as follows: publicly listed (35%), privately owned (18%), family owned (18%), state or government owned (12%), other and/or unknown (18%).
North America (US, Canada, Mexico)	**Greg Dickinson** N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between May 8, 2017 and May 19, 2017; 132 CFOs participated from across the United States, Canada, and Mexico. Eighty percent of respondents represent CFOs from public companies, and 82% are from companies with more than $1 billion in annual revenue.

Member firm	Contacts	Frequency	Survey scope and population
Russia	**Lora Zemlyanskaya, Ph.D.** Senior Manager, Deloitte & Touche CIS +7 (495) 787 06 00 (x2299) melovskaya@deloitte.ru	Biannual	Conducted in March 2017; 70 CFOs participated representing multiple industries. Data was collected using online questionnaires and personal interviews.
Switzerland	**Dr. Michael Grampp** Chief Economist, Deloitte AG +41 44 421 68 17 mgrampp@deloitte.ch	Quarterly	Conducted between May 29, 2017 and June 26, 2017; 101 CFOs participated, representing listed companies and relevant private companies.
United Kingdom	**Ian Stewart** Chief Economist, Deloitte LP +44 020 7007 9386 istewart@deloitte.co.uk	Quarterly	Conducted between June 12-27, 2017; 122 CFOs participated, including CFOs of 22 FTSE 100 and 54 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 92 UK-listed companies surveyed is £509 billion.

Disclaimer:
This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

About Deloitte:
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte provides audit, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.