



Global CFO Signals

Has growth finally peaked?

Q3 2018 Deloitte CFO Surveys

Argentina, Austria, Belgium, China, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Middle East, Netherlands, North America, Norway, Portugal, Sweden, Switzerland, Turkey, and United Kingdom

Deloitte Global CFO Signals



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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-three 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 34) for member firm contacts and information on the scope and survey demographics for each survey.

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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 2018 CFO surveys from Deloitte member firms in the following geographies:

- Argentina:** Continued concerns due to government actions
- Austria:** Risk of talent shortage accelerates automation
- Belgium:** Mixed business sentiment, yet investments remain strong
- China:** Trade tensions increase uncertainty
- Denmark:** Geopolitical risks lead to decreasing optimism
- Finland:** Optimism waivers, but remains high
- France:** A drop in optimism and confidence
- Germany:** CFOs under pressure from skills shortages and indirect costs
- Greece:** Gaining confidence...
- Iceland:** Decreased economic and financial outlook
- Ireland:** Slightly more cautious due to geopolitical risks
- Italy:** As uncertainty rises, optimism drops
- Japan:** Storms at home and abroad
- Luxembourg:** Keeping a cautious eye on growth
- Middle East:** Increased oil prices=increased optimism?
- Netherlands:** Proceeding, with caution
- North America:** Fading optimism, led by trade, tariffs, and talent concerns*
- Norway:** Actions speak louder than words
- Portugal:** Hoping optimism could be sustained? Not so fast...
- Sweden:** Staying positive, just less so
- Switzerland:** Boom runs out of steam
- Turkey:** Currency woes, inflation, and interest rates weigh heavily
- United Kingdom:** Deal or no deal—that is the question

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

Global CFO Signals

CFO Sentiment Q3 2018

Has growth finally peaked?

For several quarters, many CFOs surveyed around the globe have reported growing optimism, reflected in solid revenue expectations, positive outlooks on regional economies, and expansionary company strategies. This quarter, however, their outlooks look very different.

In the 23 surveys reporting in this edition of *Global CFO Signals*, there appears to be an emerging sentiment that global growth may have peaked, thanks largely to geopolitical risks (think trade wars) and internal constraints (think talent shortages). As a result, CFO optimism has tumbled in several countries this quarter.

While many of the surveys were conducted before the recent equity market volatility, the warning signs seem clear. Take sentiment in North America, for example. There, net optimism slid to +36 from +39, reaching its lowest level since Q3 2017, despite the tailwind offered by recent tax reform. In Japan, net optimism dropped to -13 from -3 last quarter. The decline in China is even more dramatic: 82% of CFOs said they were less optimistic (versus 30% in Q1)—a sentiment fueled by the full weight of trade tensions between the US and China.

Meanwhile, in several of the 18 European countries included in this report, CFO confidence in the financial prospects of their companies also took a hit. In fact, net optimism weighed in at +6 among the

countries reporting, down sharply from +33 in the spring. And the declines are particularly pronounced in the UK (which is operating under the cloud of Brexit) and Turkey (where the economy is in distress, exacerbated by geopolitical disputes).

Aside from these country-specific concerns, though, CFOs again share two common issues: trade and talent. On the trade front, the escalating tensions between the US and China has garnered the most attention. Not surprisingly, CFOs in both of those countries are laser focused on the issue, with finance chiefs in North America naming it as their main external concern, and 59% of China's CFOs predicting that it will result in a reduction in trade volumes. CFOs in other countries have also taken notice: in Switzerland, for example, trade conflicts emerged as a top risk for the first time, and in Japan, it leads the list of external threats.

Trade is undoubtedly a global worry for CFOs, agrees Ira Kalish, chief global economist, Deloitte Global, pointing out that recent tariffs are "already disrupting global supply chains, and we're seeing significant evidence that they may be having a chilling effect on business investment, not just here in the US."

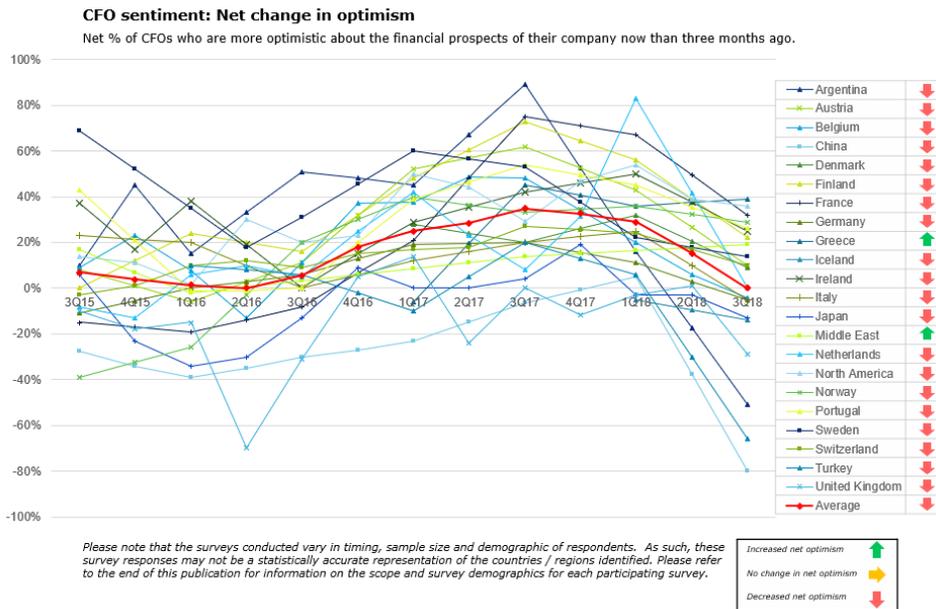
On top of this, it appears that talent challenges are also weighing on CFOs' minds. In eight of the

European countries surveyed, CFOs identified a shortage of skilled labor as a significant risk. Specifically, respondents noted that job applicants are significantly lacking in "appropriate technical knowledge" (40%), and "necessary work experience" (30%). Similarly, in North America, talent remains a constraint overall, and CFOs noted a particular need in finance for talent with analytical skills, digital technologies/automation, and core business skills.

Despite these overhangs, many CFOs expect to grow and to hire. In North America, CFOs continue to indicate a strong bias toward revenue growth over cost reduction (59% versus 20%). In 10 of the European countries reporting, CFOs included more expansionary strategies than defensive ones among their top approaches. Moreover, several European CFOs plan to hire, including Belgium, France, and Ireland.

"There may be a structural reason for this expansionary direction," says Michela Coppola, who heads Deloitte's [European CFO Survey](#), "namely the need to keep pace with technological change and disruption. This would explain CFOs' focus on developing new products and services and on digitalization." And it may explain the skill gaps they will need to fill.

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



Americas

In addition to optimism, many indicators in the North American report declined this quarter. For example, expectations fell for revenue growth (6.3% to 6.1%), earnings (10.3% to 8.1%), and capital investment (10.4% to 9.4%). In addition, perceptions of the North American economy declined, with 89% of CFOs rating current conditions as good (down from the survey high 94% last quarter), and 45% expecting better conditions in a year (down from 52%). Meanwhile, in the one South American country reporting—Argentina—CFO outlooks are again fueled by government actions, particularly regarding inflation. And those actions seem not to have been highly regarded, as CFO net optimism plummeted to -51, from -16 in Q1 2018.

Asia-Pacific

Outlooks have declined in the two countries reporting in Asia-Pacific—China and Japan—due to similar sources. Japanese CFOs, for example, are somewhat gloomy about their companies’ financial prospects, with only 12% reporting being more optimistic,” versus 19%

in Q2 2018. And topping their external concerns are two related to their regional neighbor: the global trade war (87%) and China’s economic slowdown (81%). That neighbor is living those concerns, of course, and they are weighing heavily on CFOs’ outlooks. In fact, China’s CFOs named “increasing trade protectionism,” “further economic turmoil,” and “detrimental government policy/regulation” as their top three worrisome risks (together selected by 77% of respondents). Still, despite the fears, Sitao Xu, chief economist, Deloitte China, suggests that there may be a silver lining: “If you look at China’s economic reforms in the past 40 years, often China does better when there are external pressures.”

Europe

Meanwhile, as reported here and in the latest *European CFO Survey*, companies across Europe have tempered their outlooks for their business prospects. That does not mean, however, that they are not riding the current environment as hard as they can. In fact, many CFOs remain willing to invest, with CFOs in Austria, Belgium, and Sweden

particularly bullish on capital expenditures, and CFOs several countries poised to add substantially to their headcounts. Still, currency depreciation coupled with inflation makes Turkey one of two main outliers among the European countries. The other continues to be the UK, where Brexit uncertainties are dampening expectations, and where 79% of British CFOs now expect Brexit to lead to a deterioration in the overall business environment. “CFOs have responded by pulling back on capital spending, by building up cash, by focusing on cost reduction,” says Ian Stewart, chief economist, Deloitte UK, adding that what happens in the Brexit deal, “will really form their views about growth over the next couple of years.”

Middle East

Finally, in the Middle East, where net optimism remains positive at +19, CFOs are concerned both about the economic outlook (34%) and geopolitical risks (20%). This quarter, however, risks related to oil prices emerged as a factor, whereas in previous years it was a nonstarter, particularly in the Gulf Union, the geographical source of the region’s production and reserves.

Other factors may take CFOs by surprise globally as we move into 2019. In addition to the overhangs of trade and talent, higher deficits and inflation in the US, as well as additional increases in interest rates worldwide loom large. And then there is the simple fact, says Kalish, that “we’re now in the second longest recovery in US history, and recoveries don’t last forever.”

Global CFO Signals

Optimism by the regions

Americas

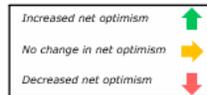
In North America, Q3 2018's net optimism fell to +36 from +39, the lowest level in a year. CFOs who expressed rising optimism remained unchanged from last quarter (48%), while CFOs who cited pessimism increased to 12% (up from 9%). Meanwhile, the story continues to be downbeat in Argentina (the only South American country reporting), where net optimism now stands at -18, down from +16 in Q1 2018.

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.

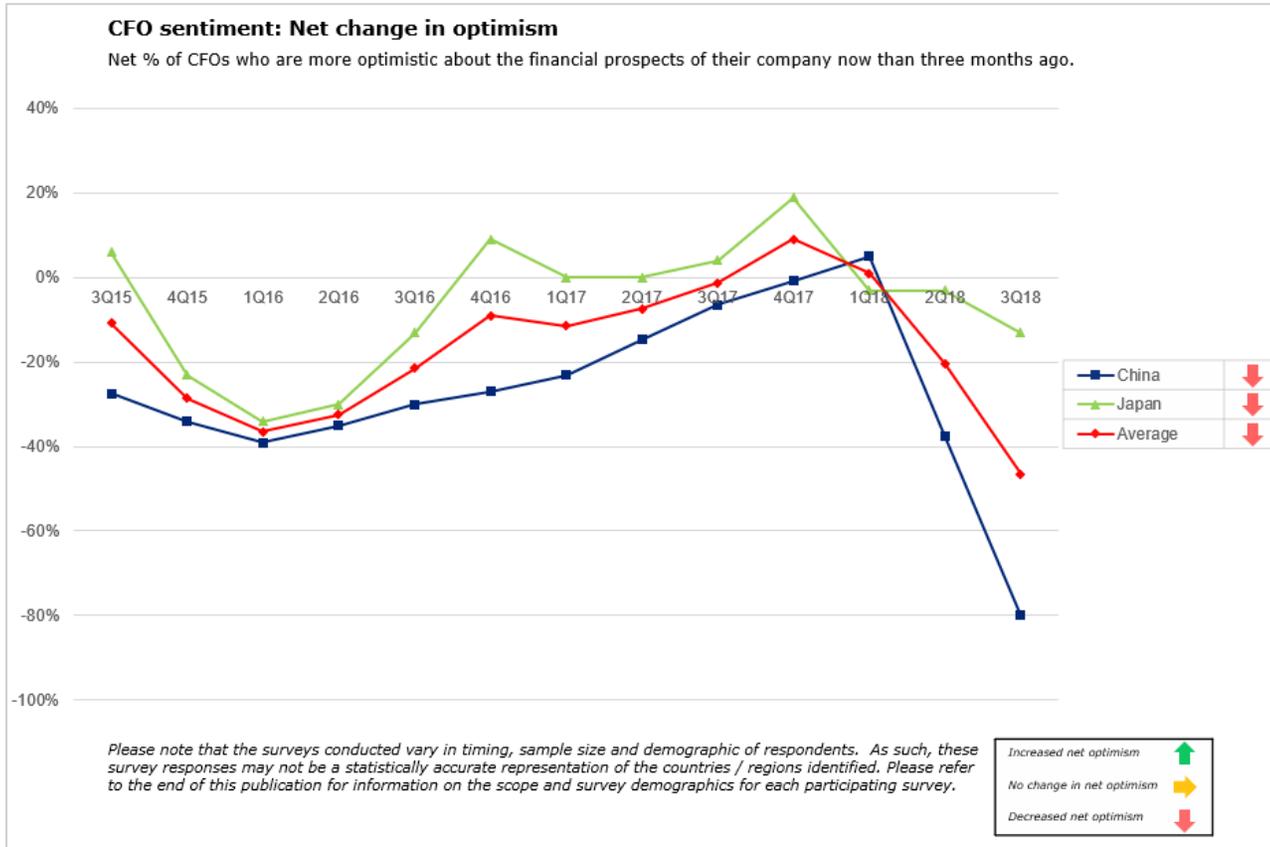


Please note that the surveys conducted vary in timing, sample size and demographic of respondents. As such, these survey responses may not be a statistically accurate representation of the countries / regions identified. Please refer to the end of this publication for information on the scope and survey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



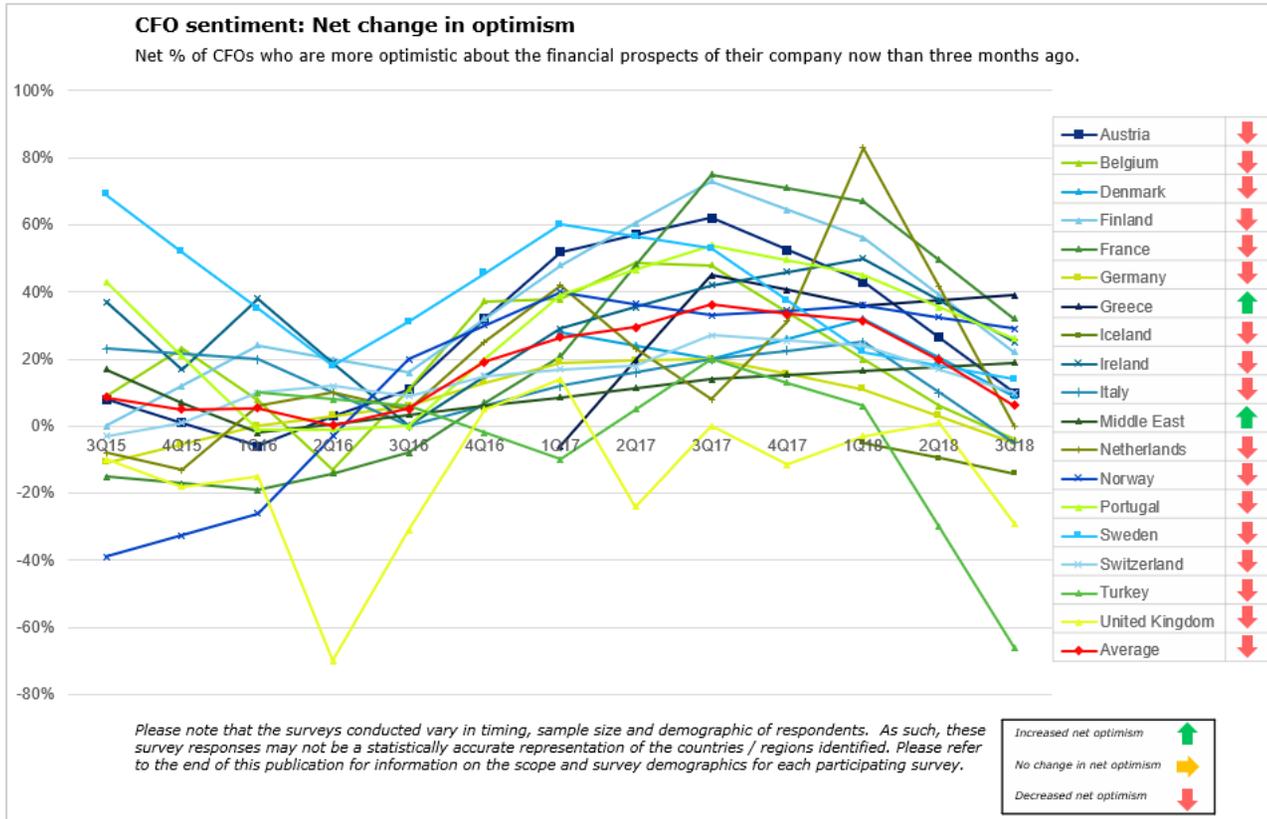
Asia/Pacific

Net optimism among Japan's CFOs decreased markedly in Q3 2018 to -13, compared with -3 last quarter. Meanwhile in China, the decline in outlook was even more dramatic, with net optimism dropping from +5 in Q1 2013 to -38 this quarter.



Europe/Middle East

In Europe, CFOs' optimism about the financial prospects of their companies declined markedly compared with three/six months ago. Of those reporting, all saw a drop in confidence, except Greece, which actually saw a rise of three percentage points. The most pessimistic this quarter in Europe: CFOs in Turkey at -30%.



Global CFO Signals

By the numbers



Risk appetite

Along with CFOs' optimism, their risk appetite declined in several countries. In Europe, the biggest negative net balances were found in Turkey (-83), the UK (-77), and Iceland (-75). One exception was Greece, where the net balance increased by 12 percentage points. In North America, CFOs' risk appetite decreased slightly, with 56% declaring it is a good time to take greater risk onto the balance sheet compared with 58% last quarter. In the Middle East, 79% of CFOs continue to be risk averse, slightly down from 83% last year.



Uncertainty

Perceptions of uncertainty are inching higher. In Europe, many countries reported increased uncertainty, with net levels particularly high in the UK (+89), Germany (+86), and Turkey (+83). In Japan, there was a sharp increase in the percentage of CFOs who reported high uncertainty (67% compared with the previous quarter's 44%). In the Middle East, the proportion of CFOs viewing uncertainty as high fell from 65% in 2017 to 60% this year, while those seeing it as average increased from 30% to 38%.



Metrics

In Europe, net expectations for revenue growth were particularly strong in Belgium and Sweden, whereas operating margin expectations fell markedly in Turkey and the UK. Meanwhile, growth expectations in North America declined for revenue (6.3% to 6.1%), earnings (10.3% to 8.1%), and capital investment (10.4% to 9.4%), but remained positive. In Japan, 69% of CFOs expect earnings growth, a number that has been stable recently. But in China, 38% of CFOs expect to miss planned revenue targets, and 33% expect to miss profitability growth targets by year-end.



Hiring

Hiring agendas are mixed, despite tight labor markets. In China, for example, 32% of CFOs said they are leaning toward reducing their workforces, and 27% expect cuts in their finance departments. In North America, expectations for domestic personnel growth fell from 3.2% to 2.7%, even though talent remains one of the top worries among CFOs in the US, Mexico, and Canada. Across Europe, though, hiring intentions have only slipped marginally from the spring, particularly in the euro area, where the unemployment rate is at its lowest level since 2008.



Corporate strategy

CFOs continue to eye expansion. Nine of the European countries reporting ranked organic growth as one of their top three strategic priorities for the next 12 months, four included new products/services in that list; while three (the Netherlands, Sweden, and Turkey) selected expansionary strategies in all three top slots. In North America, CFOs still favor revenue growth over cost reduction (59% versus 20%), although slightly less so than in Q2 2018. And in the Middle East, CFOs identified digitization as a top priority over both organic growth and new products/services.



Funding

CFOs continue to benefit from a favorable funding environment, but are braced for rising interest rates. Bank borrowing and internal financing are both seen as preferred sources of funding among European CFOs. In North America, debt financing remains attractive for 73% of CFOs, and the appeal of equity financing is on the rise at both public and private companies. Meanwhile, in the Middle East, almost half of CFOs said they will use existing cash or operating cash flows to fund any new projects they plan to undertake.

Deloitte Member Firm CFO surveys:

Third-quarter 2018 highlights

Argentina



Continued concerns due to government actions

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.

Inflation weighs on optimism

Optimism among CFOs was driven by the various actions taken by the government. Only 31% of CFOs expressed optimism about the impact of government economic policies on their businesses during the next year, 46% said they were skeptical, 8% considered hesitant, and the remaining 15% did not have an opinion.

The main concerns mentioned by CFOs in Argentina are inflation (32%), followed exchange rate risk (29%) and the effects of fiscal policy (12%).

Challenges and strategy

As far as their business prospects, only 14% of CFOs are more optimistic (compared with 22% six months ago), while 65% are less optimistic. Overall, there is a significant decrease of optimism among CFOs in Argentina.

CFOs' main challenges for their companies are to establish their defined strategies (22%), improve/maintain margins (20%) and prioritize investments (11%).

In the next 12 months, most of the CFOs surveyed will focus on income growth and preservation (37%), followed by the reduction of general

expenses (18%), and direct cost reduction (16%).

Focused on steward role

Within the *Four Faces of the CFO* framework, CFOs continue to report a greater inclination toward the steward role (30%), followed almost in equal proportion by operator (28%) and the roles of strategist and catalyst (21%, each).

The pressures CFOs are most concerned about include strategic ambiguity (17%), followed by the inability to reach their planned results (15%) and by a lack of supporting talent and resources in terms skills and quantity (13%).

The most significant challenges for finance organizations are influencing the business strategy and operational initiatives (25%, almost double compared to six months ago), followed by ensuring compliance of financial reports (15%) and finally providing metrics, information, and tools necessary for business decisions (14%).

Highlights from the Q3 2018 Argentina CFO Survey:

- There has been a significant decrease (63% to 31%) in net optimism among CFOs in Argentina, mainly associated with the various actions of the government regarding inflation.
- Inflation (32%) and exchange rate risk (29%) are the main concerns among CFOs in Argentina.
- Sixty-five percent of CFOs are less optimistic about their companies' business prospects.
- The majority of CFOs show a greater inclination toward the steward role, in line with the results six month ago.

Austria



Risk of talent shortage accelerates automation

Financial prospects and outlook

Austria's CFOs remain positive regarding the financial prospects of their country, but less than in Q1 2018 (- 32 percentage points). This development might be driven by the increased level of uncertainty (31%) compared to the last edition (+33 pp) and a higher expectation of the inflation rate for the euro-area, with 2.14% compared to the European average of 1.92%.

Nevertheless, 66% of Austrian CFOs expect their companies' revenues to rise, which is well above the European average. They expect capital expenditure to increase (62%), but operating margins to decrease (14%).

In general, the risk appetite decreased substantially with 72% of CFOs now believing that it is not a good time taking on a greater risk on the balance sheet. Compared to the last edition this is a fall of 31 pp in the overall net balance. The decline is driven by the perceived risk of increasing regulations in the country as well as geopolitical risks.

The reduced risk appetite is also shown in the strategical orientations of Austrian CFOs. The most important business strategy is to concentrate on currently existing markets and to increase the company's growth there. Accordingly, most of the CFOs prioritize cost reduction in their business strategy.

Shortage of skilled professionals

The shortage of skilled professionals remains one of the top risks for

Austrian CFOs. Some 58% state that appropriate technical knowledge is the most difficult skill to find on the current labor market.

However, Austria's CFOs (71%) address shortages in skilled labor by increasing automation and offering a more attractive working environment. Measures such as coaching and improving the work-life balance (58%) are applied above the European average. For 44% of the surveyed CFOs, recruiting from different labor pools symbolizes another strategy to tackle talent shortage, e.g. by addressing older/younger workers or returning parents.

Highlights from the Q3 2018 Austria CFO Survey:

- A net 59% of Austrian CFOs are confident about the financial involvement of their company.
- Uncertainty among Austria's CFOs has increased by one-third compared to last edition.
- Surveyed CFOs highlight the risk of skilled labor shortage and increasing regulations as their top concerns.
- Talent shortages are addressed by increasing automation and offering a more attractive working environment.
- Pursuing growth in existing markets is the top strategic priority among Austrian CFOs.

Belgium



Mixed business sentiment, yet investments remain strong

Optimism turns negative

For the first time since the Brexit results were announced in 2016, Belgian CFO net-optimism has turned negative. Unlike Brexit, this outcome part of an ongoing trend. Optimism has dropped double digits each quarter since the third quarter of 2017. The recent surge in protectionism worries CFOs, as does the skilled labor shortage.

While clearly not a positive sign, other business sentiment indicators project a better outlook. Uncertainty has improved compared with the previous quarters: only one in four CFOs rates general levels of financial and economic uncertainty above normal. Risk appetite has remained stable, with close to 40% of finance chiefs reporting that it is a good time to take greater risk on the balance sheet. Any economic slowdown, if it occurs, is expected to be limited as survey respondents continue to project Belgian GDP growth between 1.5% and 1.9%. And third quarter actuals are good, with 64% of CFOs reporting being on or above budget, which is up slightly from the previous quarter.

Metrics remain strong

The decrease in optimism has not (yet) impacted growth plans. Corporations remain determined to invest. More than 60% of survey participants still emphasize the implementation of expansionary strategies over defensive ones. A historically high 74% of CFOs are planning to increase capital expenditures over the next 12 months. Meanwhile, revenue growth

expectations remain stable at around 2% to 5%. And planned headcount growth also remains stable with 59% projecting an increase in the next 12 months.

Technical skills in short supply

Reaching those ambitious growth plans is not expected to be easy. Shortage of skilled labor is one of the biggest concerns for CFOs. Some 74% report experiencing difficulties in finding the right skills; 22% are less concerned about skills, but report a general labor shortage. Only 4% of CFOs report not having issues finding the workers they need.

When asked which skills are the most difficult to find, almost half of survey participants report difficulties finding the appropriate technical skills. Respondents were far more divided on their needs for other skills: problem solving, work ethic, soft skills, and the necessary work experience were all reported as difficult traits to find by about one-third of the survey CFOs. The right level of education came in last, but remains a requirement that 30% of CFOs say is difficult to find.

Bracing for rate increases

Perceptions of availability of credit moved upward after a moderate downward trend that started in mid-2017. Some 69% of CFOs report credit to be cheap, compared with 11% who find it costly. Looking forward, surveyed CFOs believe that interest rates will likely increase, with 9 out of 10 saying they expect increases in the next 12 months.

Highlights from the Q3 2018 Belgium CFO Survey:

- This quarter, net optimism turned negative among Belgium's CFOs, with 32% reporting rising optimism and 36% reporting declining optimism.
- Almost three-quarters (74%) of surveyed CFOs expect to increase capital expenditures in the next year—a survey high.
- Three out of four CFOs report having difficulties finding talent with the right skills. Appropriate technical skills rank high on corporate wish lists.
- The perception of how the Belgian government is setting priorities for financial and economic policy making has decreased compared with the previous quarter, but remains positive.

China



Trade tensions increase uncertainty

Economic sentiment

In the most recent survey, CFOs in China indicated increasing uncertainty about the future due to the economic climate and negative trade dynamics.

In fact, tariffs between China and the United States are starting to have an impact. Over the last six months, the RMB has shown significant weakening, as output dips and concerns mount on how the tariffs will affect a number of key industries.

The tariffs are also starting to have an impact on participating enterprises, and Chinese CFOs will have a key role in helping their respective organizations navigate the current choppy waters.

Most worrisome risks

More than 29% of Chinese CFOs named increasing trade protectionism as their most worrisome risk this quarter. While it had also been the second highest in the survey six months ago, there was a significant jump in those picking this factor in this latest survey.

Survey results also showed that “further economic turmoil” and “detrimental government policy/regulation” made up a clear top three, which together were selected by 77% of respondents. This concentration of views suggests that businesses across industries are facing up to the same challenges.

Business outlook

In this survey, CFOs were also asked if they expect their revenues and profitability to reach their budgeted forecasts made at the start of the year.

Given the uncertainties and underlining the negative sentiment, it is not a surprise that 43% and 46% felt they would meet these two indicators and 38% and 33% are expecting to miss them.

Challenges for finance structures

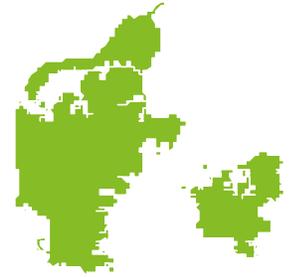
The top two challenges for finance departments are the same as six months ago: “Providing metrics, information and tools needed for sound business decisions” and “Influencing business strategy”. Meanwhile “Ensuring compliance with financial reporting and control requirements” had jumped significantly to be the third highest ranked challenge.

The consistency in the top two across periods shows the ongoing challenges that we can look to tackle together as a community and are a great focus for our work on the CFO program.

Highlights from the Q3 2018 China CFO Survey:

- The sentiment among Chinese CFOs has dropped significantly due to trade tensions between China and the US.
- The trade protectionism is considered the most worrisome risk among Chinese CFOs, followed by further economic turmoil and detrimental government policy-related risks
- CFOs have negative sentiments regarding both revenues and profitability expectations; more than one-third of CFOs believe they will not meet their budgeted forecasts.

Denmark



Geopolitical risks lead to decreasing optimism

Increased optimism

In the current survey, Denmark's CFOs indicate they are less optimistic regarding the financial prospects of their companies. In fact, the proportion of CFOs indicating that they are either more or significantly more optimistic has decreased to 26% from 38% in Q1 2018. Meanwhile the proportion of CFOs reporting increasing pessimism has increased from 6% to 16%.

The main reason for this change may be increased perception of financial uncertainty as 21% perceive the current level to be high or very high. However, 64% of Danish CFOs still perceive the current financial and economic situation as being "normal." Consequently, Danish CFOs are less willing to take greater risk onto the balance sheets of their companies.

Skilled labor shortage

The decreasing pessimism may be the result of global developments. In fact, the proportion of CFOs indicating that geopolitical risks are likely to pose a significant risk to their business has increased to 23%, up 14 pp. In addition, the lack of new candidates with the right competencies remains a significant challenge, as 25% indicated this as a likely risk.

What's clear is that these risks are having an impact on the proportion of CFOs indicating cost reduction as a likely strategy in the year to come. Per Kim Hendil Tegner, head of CFO

Services at Deloitte Denmark "The decreasing optimism has also had an impact on the actual dispositions and focus of the companies. According to the CFOs, there is a decreasing focus on growth and an increasing focus on cost reduction. It will be pivotal for the future development whether this is an ongoing tendency with decreasing optimism or just a correction from a very high level. It is still too early to decide which direction we are heading."

Deep dive: labor shortages

According to the Danish CFOs surveyed, the main source of labor shortages is the lack of necessary work experience followed by the inadequate levels of education. While 49% of the CFOs indicate that they have problem finding employees with the necessary set of skills, 21% indicate that the problem concerns labor shortages in general rather than skill shortages. Another 38% of the CFOs does not find it difficult to find workers with the necessary skills.

Increasing automation and retraining of internal staff constitute the two main methods for addressing labor shortages. Overall, 97% of the CFOs retrain their internal staff to some degree. On the other hand, only 49% of the surveyed CFOs offshore or nearshore business processes to handle challenges regarding skills and labor shortages.

Highlights from the Q3 2018 Denmark CFO Survey

- Compared with the Spring 2018 survey, Danish CFOs indicate a higher level of external financial and economic uncertainty.
- Danish CFOs also show a lower level of risk tolerance compared with the Spring 2018 survey.
- Surveyed CFOs name "the lack of new candidates with the right competencies" as the primary risk factor in the year to come, although geopolitical risks are also highlighted as significant.
- Nearly half of surveyed CFOs have difficulty finding workers with the necessary experience or levels of education.
- Cost reduction strategies are seen as relevant in the year to come due to increased uncertainty.

Finland



Optimism wavers, but still high

Optimism falters, but still strong

With ongoing Brexit negotiations and a variety of other international tensions brewing, geopolitical risks are the most cited risk among Finnish CFOs. Given this climate, it is perhaps unsurprising that this edition of the survey shows a decline in optimism since the spring edition.

The net balance of optimistic to pessimistic CFOs in Finland is now +22%. This is a marked decrease from the peak seen in 2017. However, optimism levels are still higher than in most of the other European countries, which also experienced a drop in positive sentiment to a net balance of -2%, the first negative net balance since Spring 2015.

Apprehension about the future

In contrast to this relative optimism, however, uncertainty has risen with 24% of Finland's CFOs saying the level is high. In this climate, European CFOs are increasingly wary of increasing risk on their balance sheets, with a net balance of -52% who believe this is a good time to do so. Compared to this negative outlook in Europe overall, Finnish companies are relatively more positive, with a net balance of -33%.

The apprehension is extending to the willingness to invest. Although European CFOs more broadly are still willing to make investments, Finnish CFOs have a low willingness to invest. Cash surplus is being used to pay down debt, with fewer Finnish CFOs looking to increase capital expenditures.

Financial metrics strong

Notably, Finnish CFOs are largely positive regarding revenues, with 76% expecting increases over the next 12 months. Additionally, despite all this uncertainty, Finnish companies are planning to hire more employees in the next 12 months. However, the shortage of professionals with the necessary skills is still a big concern for CFOs, a sentiment that is shared among European CFOs.

Highlights from the Q3 2018 Finland CFO Survey:

- Optimism among Finland's CFOs has fallen to a more normal level from the peak seen last year, but is still high compared to most European countries.
- Almost three-quarters (76%) of Finnish CFOs expect their companies' revenues to increase over the next 12 months.
- CFOs' willingness to invest has decreased, and their cash surpluses are being used to pay down debt.
- Despite rising uncertainty, Finnish companies plan to hire more employees in next 12 months, but the shortage of skilled labor is still a big concern.

France



A drop in optimism and confidence

Fading optimism

As a result of recent economic and political events, only 43% of French CFOs say they are optimistic about the current economic landscape (compared with 69% six months ago). However, a large proportion (45%) also say that they are neutral.

Despite the loss in optimism, the outlook for the future remains quite positive. The majority of French financial chiefs (53%) are willing to increase their workforces, compared with only 34% of European CFOs.

Risks and strategies stable

Since the spring 2018 survey, perceived risks and strategic priorities have not changed much among French CFOs.

For example, while concerns about geopolitical risks and economic prospects remain prominent in CFO thinking, the biggest perceived threat for 25% of French CFOs is the shortage of skilled labor.

In addition, the majority of CFOs continue to favor expansionary strategies. This strategic orientation can be explained by a structural reason: namely the need to maintain the pace of technological change and disruptive competitors. This would explain why CFOs are focusing more on the development of new products and services and on digitization.

Skills shortage

Most CFOs report a shortage of workers with sufficient technical knowledge and experience. In countries where the labor market is

particularly small, the main concern is the general lack of workers rather than the lack of specific skills. In firms, the workforce is perceived as underqualified, which may explain the fact that wages have not increased (44% of European CFOs have indicated an intention to lower their costs and 38% of French CFOs) despite a tight labor market: under-skilled workers cannot be as productive as they should be, and poor productivity tends to dampen wage growth.

In the meantime, companies are tackling the problem of labor shortages in a number of ways. Outsourcing and offshoring of business processes - two strategies that a decade ago were typical responses to the labor market bottleneck, are no longer popular. Instead, 38% of French CFOs plan to increase the automation of their processes moderately. Growing uncertainties about the future of international trade are putting global supply chains and outsourcing agreements in jeopardy, further encouraging automation. Thirty-five percent of French CFOs plan to offer a more attractive work environment and to recruit more workers internationally.

Highlights from the Q3 2018 France CFO Survey:

- Some 43% of CFOs say that they are optimistic about the current economic environment, compared with 69% six months ago.
- About 41% of CFOs feel they face a high level of economic and financial uncertainty.
- More than half (55%) of companies have set up a specific risk management system, although 55% of them are reluctant to take risks (versus 50% six months ago)
- Only 22% of French CFOs feel that their finance teams have good or very good preparation for digital transformation.
- CFOs felt that the three most difficult skills to find are: adequate technical knowledge, interpersonal skills, and problem solving/adaptability models

Germany



CFOs under pressure from skills shortages and indirect costs

Optimistic, but concerned

Germany is in its ninth year of a long upswing that has defied diverse international risks. In fact, if the brief slump in 2009 had not occurred, this would actually have been the 15th year of growth.

However, there is a growing risk that this trend will reverse. While nearly all CFOs rate Germany's current economic situation as good or very good, its future economic outlook is outweighed by pessimists.

The more negative outlook is accompanied by a sharp drop in the willingness to invest. At the same time, companies' capital expenditure planning still principally targets Germany. In fact, 71% of CFOs plan to ratchet up investment at home. But the political risks in the global economy are beginning to affect international investment, with 18% of CFOs reviewing their foreign investments and globalization strategies.

Skills shortage

The shortage of skilled labor is currently the main risk factor for German companies, surpassing even geopolitical risks. Companies are feeling the lack of qualified personnel particularly acutely in the areas of technology and IT, and this is already driving up recruitment costs. CFOs are addressing the skills shortage with two strategies above all: 45% are addressing the issue by creating a more attractive working environment, and 44% are increasing the level of automation.

Given the deterioration in the economic outlook, German CFOs are focused on the optimization of indirect costs. In fact, 10% of CFOs identified reducing indirect costs as very high priority, with an additional 37% considering it very important.

Additionally, rising personnel expenses and more stringent regulatory requirements are increasing costs, prompting companies to respond by standardizing and automating processes. Companies do not yet seem to have exploited the full potential of digital technologies.

Highlights from the Q3 2018 Germany CFO Survey

- Some 71% of German CFOs are looking to ratchet up their companies' investment in Germany.
- For 74%, the shortage of skilled labor means higher recruitment costs; 57% are having difficulty filling IT/technology vacancies.
- Of the CFOs surveyed, 45% are addressing the issue of skills shortages by making the working environment more attractive, 44% by increasing the level of automation.
- For 10% of companies, reducing indirect costs is a very high priority, while 37% consider it very important.

Greece



Gaining confidence...

Greek CFOs are optimistic

Since Spring 2018, the net balance of Greek CFOs who report feeling more confident about the financial prospects for their companies increased by 3 percentage points. Greece is now the country in Europe with the highest net balance of CFOs feeling more confident about the future compared to the recent past.

Additionally, uncertainty has receded. In fact, the proportion of Greek CFOs who consider the level of uncertainty around them to be high is down 37 percentage points from the last survey.

High on revenues and margins

In terms of revenue expectations, Greek CFOs are also optimistic, with a net +66% expecting increases compared with the European average net balance of +41%. The outlook for operating margins is also positive (+27%), while the European net balance is +12%.

While the net balances in Greece declined, compared with the previous survey, they remain positive, meaning that more CFOs expect an improvement than expect a deterioration in revenues and operating margins.

Higher risk appetite

The net balance of CFOs willing to take more risk onto their balance sheets increased by 12 pp, and it is now at its highest level since the data collection in Greece began (Spring 2016).

Per Greek CFOs, the top three factors that pose a significant risk to their business are economic outlook and growth, geopolitical risks, and increasing regulations.

Strategic priorities

Organic growth remains a top strategic priority for CFOs in Greece, while cost reduction is ranked second and digitalization is third. Overall, expansionary strategies outrank defensive ones.

Searching for talent

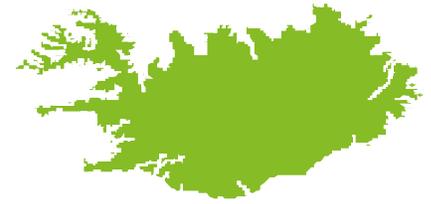
In general, companies are currently experiencing a skills gap rather than a skills shortage. In Greece, one out of two CFOs considers "lack of soft skills" and "problem solving/adaptability" as the most difficult skills to find in job applicants.

According to Greek CFOs, companies are considering retraining internal staff and increasing automation to address shortages in skilled professional. Ideas not under consideration include lowering capability requirements at time of recruitment, offshoring, recruiting from different labor pools and from outside national labor markets.

Highlights from the Q3 2018 Greece CFO Survey

- Perceptions of uncertainty have receded in Greece, with 51% of CFOs now saying it is high.
- A net balance of +39% of Greek CFOs say they are more optimistic about the financial prospects of their companies.
- Risk appetite has increased, with the net balance of CFOs willing to take on more risk up by 12 pp and at its highest level.
- Greek CFOs are also optimistic about the revenue prospects for their companies (+66%).

Iceland



Decreased economic and financial outlook

Optimism decreases

Net optimism among CFOs in Iceland has dropped from -2% in Q1 of 2018 to -14% this quarter, making Iceland one of the least optimistic countries surveyed in Europe.

In addition, 60% of Iceland's CFOs believe that financial and economic uncertainty is at a normal level, while 32% believe that uncertainty is high.

Investment and hiring plans

The decline in optimism extends to financial metrics. For example, CFO optimism toward increasing EBITDA over the next 12 months declined from 51% last quarter to 38%. Further, optimism for increased revenues is down from 65% to 53%.

In addition, hiring intentions have a negative net balance of -7% and are down by 18 percentage points since last quarter.

One bright spot: a net balance of 21% of CFOs plan to increase capital expenditures over the next 12 months (+18 pp since Q1).

Skills shortages

Around 37% of CFOs mention the necessary work experience to be the most difficult skill to find. And more than one-quarter (26%) report that their company has difficulties finding workers with the appropriate technical knowledge. To address the gaps, 76% of CFOs are retaining internal staff and 44% are investing in increased automation.

Economic landscape

The level of optimism toward economic growth has decreased significantly among Iceland's CFOs for the last three years. Some 14% believe that economic growth will increase for the next two years, down from 84% in fall 2015. Moreover, Icelandic CFOs are expecting higher inflation in the next 12 months.

Regarding stock prices, 42% of CFOs expect the Icelandic market to remain unchanged. The largest risk factor that could affect the business is the exchange rate of the Icelandic krona.

Highlights from the Q3 2018 Iceland CFO Survey:

- Iceland's CFOs cited net optimism of -14% for financial prospects in the next 12 months.
- CFOs recorded lower levels of optimism toward increasing EBITDA and increasing revenues compared with Q1.
- The exchange rate of the Icelandic krona is considered the largest risk factor.
- Some 14% of CFOs believe economic growth will increase in the next two years.
- Almost 40% of CFOs report necessary work experience as the most difficult skill to find.

Ireland



Slightly more cautious due to geopolitical risks

Optimism down, uncertainty up

Following the optimistic results of the previous two surveys, the results in the latest Irish CFO Survey indicate a more cautious perspective.

Optimism levels around financial prospects compared with six months ago have taken a downturn; 42% of Irish CFOs say they are more optimistic than they were six months ago, but six months ago, 57% said they were more optimistic. Despite this, 74% of Irish CFOs expect increased revenue growth over the next 12 months, although this is a decrease from the same metric six months ago (84%).

Additionally, levels of financial and economic uncertainty increased significantly, with 71% of Ireland's CFOs rating the overall level facing their business as high.

Trade policy uncertainty

Concerns about the effects of US trade policy on Ireland and the EU, as well as concerns surrounding Brexit and unresolved UK border questions has increased perceived uncertainty among Irish CFOs. In fact, Ireland had the greatest change in perceived uncertainty across all European respondents.

The increasing uncertainty has caused a shift toward more defensive strategic priorities. After organic growth (consistently the top strategy), cost reduction is now the second priority for businesses over the next 12 months, displacing expanding into new markets, the

introduction of new products/services and balance sheet optimization.

Labor shortage challenges

A "shortage of skilled professionals" was selected as the third most significant risk by Irish CFOs once again. This is not surprising, as the Irish economy is approaching full employment, not seen since prior to the economic crisis in 2008.

This shortage of skilled labor is also a concern across Europe, with Irish CFOs identifying the same skills gap challenges as their peers: appropriate technical knowledge; problem solving/adaptability; the necessary work experience; and soft skills. Interestingly, the skills gap related to problem solving/adaptability skills showed a noteworthy variance: 42% of Irish CFOs noted it a difficult-to-find skill versus only 28% of European CFOs.

Irish CFOs are addressing skills shortages by (in order of priority): retraining internal staff, offering a more attractive working environment, using temporary resources, and improving remuneration packages.

Only 26% of Irish CFOs say they plan to increase automation by a large extent to address skills shortages. If skills shortages remain a concern, perhaps Irish CFOs should reconsider this strategy.

Highlights from the Q3 2018 Ireland CFO Survey:

- CFOs reporting a high level of external financial and economic uncertainty increased markedly to 71% from 35% in the prior period.
- Geopolitical risks, economic outlook, and shortage of skilled professionals are the top three concerns facing Ireland's CFOs.
- Some 74% of CFOs expect to achieve revenue growth over the next 12 months, down from 84% in the last survey.
- Organic growth remains top strategy priority for CFOs, but cost reduction moves up as the secondary priority.
- Irish CFOs struggle to recruit professionals with appropriate technical knowledge (47%), problem solving/adaptability skills (42%), the necessary work experience (34%), and soft skills (30%).

Italy



As uncertainty rises, optimism drops

Recent events impact optimism

While Italy's CFOs started the year with positive sentiments about their companies' prospects, recent events—local and foreign, political and economic—seem to have tarnished their bright outlook. In the second half of 2018, CFOs' net optimism reached its lowest point: -4% (-29 pp compared to the first half of the year). Moreover, 62% of CFOs view political and economic uncertainty as high, whereas only 1% see it as low.

Challenges and risks

Currently, Italy's political and economic situation and the tensions arising with the European Union represent the biggest concerns for the country's CFOs, who are forced to make important strategic decisions in a very unstable environment. Some 42% of CFOs worry about growing domestic instability caused by multiple factors, including the spreading protectionism following the general elections held in early 2018.

Policy issues continue to also be the main challenge that must be faced for 44% of CFOs. In fact, the introduction of new regulations might create an even more complicated scenario for the CFOs' decision-making process.

Moreover, concerns linked to a possible contraction in internal demand are shared among 25% of respondents.

Finally, given the delicate equilibrium between international politics and economics, the fear of a global

economic recession has increased since last spring, with 25% of respondents citing concern.

A willingness to invest

Risk appetite among Italy's CFOs is challenged by the context, with the net balance dropping to -53% (-33 pp since spring 2018), indicating that finance chiefs do not perceive this as a good time to take on greater risk.

Despite this general pessimism, Italian CFOs' investment intentions represent a bright spot. Although the intentions toward capital expenditure have declined since last spring (-12 pp), 29% of Italian CFOs continue to expect to increase their investments over the next 12 months. In particular, CFOs' willingness to invest in the digitalization of their companies is very high. It is the second most adopted strategy by Italy's CFOs for the next year, behind cost reduction.

Highlights from the Q3 2018 Italy CFO Survey:

- The sentiment of Italy's CFOs toward the financial prospects of their companies turns negative (-4%). Optimism has declined by 29 percentage points since spring 2018.
- Aligned with this general pessimism, the perception of external uncertainty remains very high, reaching a peak of 62% (+9 pp in the last six months), the highest ever.
- Externalities seem to strongly influence the risk appetite of CFOs: the net balance drops to 53% (-33 pp since spring 2018), indicating a belief that this is not an opportune time to take on greater risks.
- Attention to investments is still strong, with 29% of CFOs expressing their intention to increase capital expenditure in the next 12 months.
- Digitalization is among the top strategies that will be adopted in the near future.

Japan



Storms at home and abroad

Environment dampens outlook

Japanese CFOs' outlook for economic conditions was slightly dampened in Q3 2018, with 12% reporting being "more" or "somewhat" optimistic (Q2: 19%) while 25% felt "somewhat pessimistic" (Q2: 22%).

Major uncertainties regarding the global environment came to a head this quarter. Tension over the worsening trade war between the US and China (\$200 billion worth of goods saw an added 10% tariff), additional concern over the Chinese economic slowdown, the rising possibility of a "no-deal" Brexit, and drastic currency devaluation in emerging economies have likely put Japanese CFOs on edge.

At home, there was serious economic disruption from the damage done by heavy rains in July, Typhoon 21, and the major earthquake in Hokkaido in September.

Going forward, events including the tenor of the Brexit negotiations, US trade policy etc. may loom large.

Predictions stable and positive

Some 69% of Japanese CFOs reported that they expected earnings to rise "significantly" or "somewhat," a number that has been relatively flat for a number of quarters. Costs of labor shortages, wage pressures, and raw materials continue to eat into profits, with 56% expect operating profits to rise "significantly" or "somewhat." This is slightly higher than the 52% in Q2, but again the trend is relatively flat. With an increasingly volatile external

environment, despite robust stock prices in advanced economies and a healthy US economy, Japanese CFOs may be closely watching how events unfold outside Japan.

Taxes, trade wars, and Brexit

Japanese CFOs reporting "very high" or "high" levels of uncertainty in the business environment rose to 67% in Q3, a sharp increase from Q2's 44%.

The order of top global concerns of Japanese CFOs remained unchanged in Q3: the global trade war (87%), China's economic slowdown (81%), and the Trump administration's foreign policies (45%). Assuming that some of these issues may be settled in the near term, this quarter could conceivably represent the apex of uncertainty among Japanese CFOs.

Topping domestic concerns is the implementation of the consumption tax hike in October 2019 (66%). While there is a decent chance that the impact will be limited, the corporate world is still cautious about the tax hike's negative impact. In the case of the raise in 2014, for example, the impact was far larger than had been expected.

In Q3, it appears that Japanese CFOs are waiting for the data to properly judge the impact of domestic and international risks.

Highlights from the Q3 2018 Japan CFO Survey:

- Views of uncertainty rose sharply in Q3, up to 67% from 44% in Q2.
- Major developments in the global and local economic environment have slightly dampened optimism (12% versus 19% in Q2) and raised pessimism (25% versus 22% in Q2).
- Japanese CFOs are consistently concerned about costs eating into earnings.

Luxembourg



Keeping a cautious eye on growth

Positive financial prospects

CFOs in Luxembourg are positive about the financial prospects of their companies. Indeed, the outlook remains favorable with a net +11 of respondents indicating that they were more optimistic compared with three months ago. This places Luxembourg among the most positive countries in Europe.

Yet, CFOs remain cautious about the economic outlook of their companies. Some 63% foresee a positive evolution in revenue over the next 12 months. Yet, only 37% feel the same about increases in operating margins.

Uncertainties prevails

CFOs remain, above all, concerned about the financial and economic uncertainty facing their businesses. In fact, only 26% rate the level of uncertainty as low. As a result, 68% think it is not a good time to be taking greater risk on the balance sheet.

This low appetite for risk is reinforced by the strong challenges CFOs foresee: increasing regulations, geopolitical risks, and uncertain economic outlook and growth.

Focus on growth

In this quarter, CFOs put the emphasis on expansionary initiatives to tackle these challenges and expand. Digitalization and organic growth were identified as the cornerstones of development for their organizations. Meanwhile, cost reduction was only ranked third on their priority strategies.

Human resources are a key dimension to support growth, as 68% of CFOs indicated that they found it difficult to hire staff with the appropriate technical knowledge. Thus, almost four out of 10 CFOs plan to hire new staff in their finance function, while 59% plan to increase automation.

Highlights from the Q3 2018 Luxembourg CFO Survey:

- Almost one-third (32%) of Luxembourg's CFOs are more optimistic about their company's financial prospects than they were three months ago.
- CFOs remain risk adverse, with 68% stating it is not a good time to be taking greater risk.
- CFOs perceive increasing regulations, geopolitical risks, and economic growth as their main challenges.
- Digitalization, organic growth, and cost reduction are the main strategies that CFOs are prioritizing over the next 12 months.

Middle East



Increased oil prices=increased optimism?

Optimism on the rise

This quarter, 46% of CFOs in the Middle East express increased optimism, 27% express decreased optimism, and 26% express no change in outlook regarding the financial prospects of their companies.

These sentiments continue to be driven mostly by external factors, according to 72% (versus 73% in 2017) of respondents. And while uncertainty has decreased slightly since last year, 60% of surveyed CFOs still describe their overall level of external financial and economic uncertainty as high (down from last year's 65%).

Oil risk emerges

Geopolitical risk has decreased by approximately 10% over the last year. Economic growth/outlook remains the top risk (34%) followed by geopolitical risk (20%). However, the risk relating to oil prices has started to become a factor. Whereas in previous years it was a not considered a risk, now 12% of surveyed CFOs reported oil prices as a significant risk to business.

In fact, oil prices, their movement and impact have increased as a concern for CFOs. The change from 2017 is approximately 50% in relation to the significance of the impact of the oil price, which as expected has increased. The view now is that further increases are less likely, but if they do incur will definitely have an impact.

Digital finance prioritized

Not surprisingly, digital finance/digitization is priority number one among Middle East CFOs, followed by pricing and organic growth.

It is interesting to note that cyber security, however, ranks fifth. CFOs need to see cyber security as a critical partner to digitization in the current environment.

Expected interest rate effects rise

CFO expectations toward interest rates increases remains the same as it was in 2017. However, the number of CFOs who expect the impact of interest rates to be "medium" or "significant" has increased markedly from 32% in 2017 to 89% in 2018.

Highlights from the 2018 Middle East CFO Survey:

- Some 46% of Middle Eastern CFOs feel more optimistic about the financial prospects of their companies (up from 40% since 2017).
- There has been a 4% increase in risk appetite over the last year, with only 79% of respondents saying they are risk adverse compared with 83% in 2017.
- External factors are still the biggest risks to companies within the Middle East, with the two biggest factors being economic outlook/growth and geopolitical issues.
- More than 60% of respondents believe that the oil prices will remain unchanged in the near future, however, 76% stated that any change in prices would have a medium impact, while 19% felt the impact of any change would be significant.
- Digital finance is the main priority of the responding CFOs, followed closely by pricing and organic growth.
- Of the respondents, 63% believe that interest rates will increase in the near future, but won't have a negative impact on their business.

Netherlands



Proceeding, with caution

More neutral sentiments

Optimistic sentiment among CFOs in the Netherlands remains at more stable levels than their peers in Europe. Only 17% of Dutch CFOs are feeling less optimistic, compared to 26% of European counterparts, and 17% indicate they are more optimistic, compared to 25% of European CFOs. This perhaps aligns with the relatively low levels of uncertainty among Dutch CFOs; only 28% indicated that they were uncertain about the economy, compared with 62% in Europe.

Positive performance predictions

CFOs in the Netherlands were relatively positive when predicting revenue and operating margin growth over the next year. A net balance of +72% of CFOs expected revenue growth, compared to +41% of European CFOs, and +50% expected a growth in operating margins, compared to +12% in Europe more broadly.

In line with this positivity, a net balance of +33% of Dutch CFOs plan to increase their capital expenditures over the next year, compared to +17% of European CFOs.

However, in both the Netherlands and Europe, CFOs are cautious. Only around one in four CFOs (22% in the Netherlands, 24% in Europe) consider this to be a good time to take on greater risk on their balance sheets.

Skill gaps

In general, it seems that companies are currently experiencing a skills

gap rather than a skills shortage. This trend is particularly strong in the Netherlands; 72% of Dutch CFOs indicate that job applicants are mostly lacking “the appropriate technical knowledge”, compared to 40% of European CFOs.

To address this shortfall, 59% of Dutch CFOs report that their company is using automation to a greater extent to address these shortages of skilled labor.

Overall, there is still a positive outlook for employment; a net balance of +17% of Dutch CFOs plan to increase the number of employees in their organization.

Highlights from the Q3 2018 Netherlands CFO Survey

- Only 22% of the Netherlands' CFOs consider this a good time to take greater risk onto their balance sheets.
- A net balance of +33% of Dutch CFOs plan to increase their capital expenditures.
- Some 72% of Dutch CFOs report their company has difficulties finding people with the appropriate technical knowledge.
- Almost 60% of Dutch CFOs report their company uses increased automation to a greater extent to address shortages of skilled labor.
- A net balance of +17% of Dutch CFOs plan to increase the number of employees in their organization.

North America



Fading optimism, led by trade, tariffs, and talent concerns

Sentiment on the retreat

Optimism among CFOs in the US, Mexico, and Canada—while still strong—appears to be on the retreat, amid concerns around global trade and interest rates, combined with the evolving challenge to both identify finance talent and equip teams with the analytical skills they need.

In fact, net optimism fell to +36 from +39, reaching its lowest level since Q3 2017. In addition, there was a spike in CFOs' views that the equities markets are overvalued, with 71% of surveyed finance chiefs saying the markets are too high—up from last quarter's 63%.

Meanwhile, their assessments of the current North American economy declined slightly—from 94% to 89%—but perceptions of conditions in both Europe and China declined markedly (although they remain higher than their two-year averages). In addition, expectations for economic strength in a year were below the two-year average in each region.

Most worrisome risks

CFOs viewed internal risks (especially talent) as more constraining to company performance than external risks for the first time in 2018. Still, they continue to express strong external concerns around politics (especially trade policy).

This quarter, CFOs were overwhelmingly worried about trade policy and tariffs, coupled with uncertainty within the political and regulatory landscape. Their worries around economic growth and interest rates continued.

When it comes to internal risks, their worries remained relatively static from the previous quarter, with talent (including retaining top talent and acquiring talent with specialized skills) being the main concern. Related were worries about organizations' ability to focus and execute, supporting growth and change.

Evolving finance dynamics

With finance talent continuing to be the top constraining internal risk, the survey asked CFOs this quarter about the mechanisms in place and projected dynamics related to the evolving finance workforce, workplace, and skills.

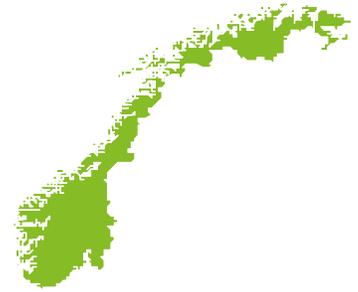
The majority of CFOs foresee a shift beyond accounting, reporting, and compliance to a finance staff more adept in analysis, prediction, and decision support. Accompanying that shift will likely be new accountabilities supplemented by technology.

To address the evolving talent requirements, CFOs indicated an intention to shift the composition and locale of the workforce, including increased utilization of outsourced, contingent, or gig workers, and higher utilization of shared services or offshore personnel over the next three years. They do indicate, however, that the nearshore workforce would still comprise the bulk of the finance department.

Highlights from the Q3 2018 North American CFO Survey:

- The net optimism index fell from last quarter's +39 to +36 this quarter. Forty-eight percent of CFOs express rising optimism (same as last quarter), and 12% express declining optimism.
- Perceptions of North America declined, with 89% of CFOs rating current conditions as good (down from the survey high of 94% last quarter), and 45% expecting better conditions in a year (down from 52% and the lowest in two years).
- With US equity markets hitting new highs during the quarter, 71% of CFOs say that equities are overvalued.
- CFOs indicate a declining bias toward revenue growth over cost reduction (59% vs. 20%) and a slightly lower bias toward investing cash over returning it (56% vs. 19%).

Norway



Actions speak louder than words

Positive predictions for the future

Norwegian CFOs remain at high optimism levels, although the net optimism index dipped somewhat to +29 (-7 percentage points from the Q1 2018 survey). In more specific measures, CFOs' positive outlooks are clear. The net share of CFOs who expected increased revenues, operating margins, and own-product prices all reached record highs at 68%, 50%, and 50%, respectively. Net share expecting an increase in capital expenditures is at a record high for the fourth consecutive quarter, at 32%.

A mixed outlook by industry

Despite worries around capital costs and lower sales of new housing, there was a spike in optimism in Construction (now at 50%, +37 pp from Q1 2018) and a spike in the share of CFOs in Real Estate intending to increase future investments (67%, +37 pp from Q1 2018). This seems to indicate confidence that the Norwegian economy is strong and will withstand the impact of an interest rate increase.

In contrast, Retail is the only industry with a negative share of optimistic CFOs at -6% (-42 pp from Q1 2018). With the struggle to switch from physical stores to a digital presence, Retail trends have caused fewer CFOs to expect higher revenues, and concerns that CFOs are not finding enough qualified people with technical skills. The majority of Retail CFOs also consider falling domestic demand as their biggest threat, which is believed to be because of

the reduction in disposable income for Norwegian households resulting from the expected increases in interest rates.

Offensive strategies favored

In the past three surveys, cost reduction, often a high priority among CFOs, has emerged as less important. CFOs are instead focusing on core business and ramping up production capacity. Fewer CFOs are focused on increasing their cash balance and instead indicate that investing will be their main priority going forward. As previously mentioned, an all-time high share of CFOs report an intention to increase capital expenditures for the fourth survey in a row.

Highlights from the Q3 2018 Norway CFO Survey:

- The sentiment of Norwegian CFOs toward the financial prospects of their companies remains high at +29.
- Aligned with this optimism, record highs were observed in the net share expecting higher revenues (68%), operating margins (50%), own-product prices (50%), and capital expenditures (32%).
- Real Estate and Construction had more positive perspectives, with a spike in optimism in Construction (+37 pp) and a spike in predicted future capital expenditures (+37 pp).
- Strategies shifted to be more offensive, and there is less focus on conservative strategies such as cost reduction and increasing cash balances.

Portugal



Hoping optimism could be sustained? Not so fast...

Optimism cooling down

Breaking away from the overwhelming optimism expressed in the last two semesters, CFOs' sentiments regarding economic and financial prospects has dropped to lower, but still optimistic levels. The sentiment toward the Portuguese economy has dropped from 90% to a still-solid 70% of respondents expecting a positive outlook. CFOs also became less optimistic about the financial prospects for their companies, with 41% describing themselves as more optimistic, compared with 53% in the last survey.

Treading lightly

CFOs in Portugal tend to rank highly along the spectrum of uncertainty perception, and this quarter's results are no exception. In keeping with this pattern, 56% of respondents rate uncertainty as high against a mere 2% who say it is low.

Not surprisingly, risk aversion is also very high, with 73% of CFOs considering this to not be a good time to add risk to balance sheets.

Regarding risks to the business, domestic policies remain at the top (62% of CFOs say they are likely to pose a risk for their businesses), although this is a slight decrease since the last survey). Rising labor costs and rising input costs make up the other two risks in the top three.

Investment on the rise

Somewhat contrary to the diminishing appetite for risk demonstrated by surveyed CFOs,

expectations for an increase in capital expenditure had a significant leap from last spring, from 49% to 60%, signaling some shift toward growth after a prolonged period of being primarily focused on defensive strategies.

Talent crunch

This quarter's special questions focused on talent issues in CFOs' organizations. Most CFOs (55%) selected technical knowledge as the most difficult skill to acquire. Soft skills (communication, people, time management) are second, with 48% of CFOs agreeing they are hard to find. Completing the top three is problem solving and adaptability.

This survey also found that companies are solving skill shortages mostly through automation, staff retraining, and temporary labor, followed by outsourcing and initiatives regarding a more attractive work environment and remuneration packages.

Highlights from the Q3 2018 Portugal CFO Survey:

- Some 70% of CFOs in Portugal believe that the country's economic outlook is positive.
- More than half (56%) of respondents feel that there is a high level of financial and economic uncertainty.
- The net balance between CFOs who say capital expenditure will increase versus CFOs who feel it will decrease is +45%.
- A full 55% of respondents say that appropriate technical knowledge is the most difficult skill to find.

Sweden



Staying positive, just less so

At the peak of optimism?

Sweden's CFOs remain optimistic about their companies' business opportunities over the next six months. The net balance of overall sentiment has risen in five consecutive CFO surveys, which is even more than after the 2008 financial crisis. However, the upward trend is continuing to decelerate. Along with the duration of the rise, this suggests an increased risk that the peak of the economic cycle is near or has already passed.

Internationally, Swedish CFOs stand out with their substantially more favorable view of external uncertainty. As early as last spring, a majority viewed external uncertainty as normal or below normal. Meanwhile the average for EU CFOs leaned clearly toward higher uncertainty than normal. That gap expanded this survey.

Defensive strategies emerge

In the spring 2018 CFO survey, the expansionary strategies of Swedish companies leveled off somewhat, after having gradually increased in recent surveys. This slightly more cautious trend continued during the fall; the expansive agenda is partly giving way to more defensive priorities, with cost savings once again becoming the top priority of companies. Swedish CFOs nevertheless continue to anticipate higher investment during the coming year, as opposed to CFOs within the EU in general.

Worries about the shortage of qualified staff are increasing somewhat, with CFOs ranking it as

the biggest risk for the second consecutive survey. Aside from that risk, there are still major differences among sectors. CFOs in the Financial Services sector and the Construction sector are most worried about the risk of a slowdown in growth, while those in the Business/Professional Services sector are mainly worried about depressed margins and prices.

Swedish CFOs remain cautious about taking on further risks on their balance sheets. On the other hand, they believe in a continued strong trend in corporate transactions. If investments are being planned, CFOs prefer investments that occur in Sweden, although some sectors instead prefer to pay down debt.

Trade and talent concerns

Regarding this survey's two hot topics—trade and talent—a small majority of Swedish CFOs expect the trade war to escalate over the next 12 months, while almost none expect it to fade. The main consequences they fear are higher costs and greater difficulties in making investment decisions.

As for talent shortages, EU CFOs generally foresee difficulties in recruiting; Sweden is no exception, with a majority stating that they are having problems finding people with specific technical skills or the proper working experience. Sweden appears to be among the EU countries least interested in automation as a means to solve skills shortages.

Highlights from the Q3 2018 Sweden CFO Survey:

- Recent political and macro-economic events seem not to have impacted CFOs' outlooks in Sweden, where perceived uncertainty has been declining since autumn 2016.
- As seen in the past few surveys, Swedish CFOs expect their companies' number of employees to increase, although shortages of skilled professionals—particularly those with the right technical skills and work experience—remain a concern.
- Investment in Sweden remains attractive, with organic growth and the introduction of new products and services named as the top strategies for the next 12 months.
- The vast majority (77%) of CFOs believe revenues will increase in the next 12 months; 55% and 62% expect capital expenditure and operating margins to increase, respectively.

Switzerland



Boom runs out of steam

Optimism increases slightly

The impetus behind the mini-boom in the Swiss economy appears to be slowing, with a return to less spectacular, but still good, growth figures. This is borne out by the responses on a series of indicators in the current Swiss CFO Survey.

Specifically, CFOs expect the Swiss economy to continue to perform well, but there is a slight decline compared with the first half-year. The previous survey saw a record 88% of CFOs rating the outlook as positive, but this level has not been sustained in the second half-year. Now, 79% of CFOs rate the prospects over the coming 12 months as positive, with just 2% rating them as negative, a net balance of 77%.

As for the prospects for their own companies, Swiss CFOs are optimistic. A full 70% rate the financial outlook for their company over the next 12 months as positive, up from 68% in the first half-year.

Remaining risk adverse

Perceived uncertainty continues to decline. Some 40% of CFOs rate uncertainty in the economic and financial environment as high, 5 percentage points down on the findings for the first half-year. Although the crisis mood of 2015 has dissipated, CFOs are still cautious, with just 3% rating uncertainty as low, the lowest value since Q3 2016.

Amid this environment, a majority of Swiss CFOs remain risk-averse. Just under 40% now believe this is a good

time to be taking greater risk on to their balance sheet, a proportion that has remained largely unchanged since Q1 2017. Since the question was first asked in 2009, there has only been one occasion—Q4 2014, before the exchange rate floor with the euro was removed—when a majority believed it was a good time to be taking on greater risk.

Corporate indicators still strong

While the detailed corporate indicators are positive, they are not quite as good as they have been recently. Revenue and operating margin expectations, for example, remain positive with 69% and 45% of CFOs expecting increases, respectively.

Moreover, compared with the trend across Europe, Swiss CFOs' expectations for employee numbers over the next 12 months are higher than in recent surveys. Some 42% of CFOs expect to increase headcount, while 24% plan to decrease it.

The decline in metrics in Switzerland is less than the European average, meaning that Switzerland performs well by comparison. There is not yet any evidence of an impending downturn. The findings suggest that peak growth has been reached and, while the economy is still growing, the rate of growth has leveled off.

Highlights from the Q3 2018 Switzerland CFO Survey:

- Trade disputes now a major risk factor for Swiss companies.
- Almost 30% of Switzerland's CFOs rate the financial prospects for their company as more positive than three months ago.
- Some 42% of CFOs surveyed expect employee numbers to increase.
- Almost 70% of Swiss CFOs expect revenue to grow; 45% expect increases in operating margins.
- Renewed focus on currency risks: EUR/CHF 1.07 is the average exchange rate at which negative impact can be

Turkey



Currency woes, inflation, and interest rates weigh heavily

More pessimistic than peers

Six months ago, the Turkey CFO Survey showed optimism tapering from its survey high in the fall of 2017. The downward trend continues this quarter—even more markedly.

Sharp currency depreciation and rising interest rates accompanied by inflation figures that sit at their 15-year peak are weighing negatively on CFO sentiment in Turkey. As a result, Turkish CFOs are the most pessimistic among their peers in Europe. When compared with Q2, the net balance of CFOs feeling more optimistic about the financial prospects for their own company fell drastically (-71 percentage points).

Given the challenges, Turkish companies are trying to adjust. Declining imports are one of the immediate responses to the impact of the depreciation of the lira and a downturn in domestic demand. As such, CFOs are busy ensuring that the impact is absorbed in a controlled fashion. Nonetheless, the majority of the CFOs expect decreases both in revenues and operating margins (57% and 61%, respectively). In addition, hiring intentions turned negative, with only 11% expecting to add headcount.

Risk appetite remains low

A full 88% of Turkey's CFOs believe there is a high level of uncertainty, and 92% prefer not to take greater risk on their balance sheets at this time. This makes sense, given the current environment along with the introduction of a new economic program.

Expansion and cost reduction

In order to balance the risks associated with the domestic demand, the geopolitical situation, and concerns over the local currency, expansionary actions—whether by acquisition or by new market entries—are among the top strategic priorities of Turkish companies followed by cost effectiveness initiatives.

No labor shortage

On the positive side, Turkish CFOs are not facing a labor shortage, compared to their peers in Europe. Technical knowledge (43%) and necessary work experience (29%) are the two main difficulties Turkish CFOs face in talent management.

Turkish CFOs seem to be embracing automation, with 67% of CFOs reporting that their company is making extensive use of this talent strategy. Other commonly applied strategies include retraining internal staff (44%) and offering a more attractive working environment (38%).

Highlights from the Q3 2018 Turkey CFO Survey:

- Turkish CFO optimism fell markedly this quarter, with 9% of CFOs becoming more optimistic, 75% becoming less optimistic, and 16% reporting no change.
- Turkey's CFOs are among the highest among the European countries to rate the overall level of external financial and economic uncertainty as high.
- Risk appetite among Turkish CFOs remains low, with 92% preferring to avoid taking greater risks on their balance sheets.

United Kingdom



Deal or no deal—that is the question

Uncertainty and pessimism up

The disappointing pace of the negotiations between the EU and the UK and growing speculation about a no-deal Brexit weighed heavily on business sentiment in the third quarter.

In fact, CFOs have become more pessimistic about the long-term effect of the UK's departure from the EU. Brexit is rated as being by far the biggest threat to business over the next 12 months, ahead of weak UK demand, trade wars, and geopolitics, in the list of CFO concerns. Indeed, CFOs are more negative about the effects of Brexit today than at any time since the EU referendum.

Meanwhile CFO confidence has fallen to the lowest level in two years, but remains above the record low seen in the aftermath of the Brexit referendum. Perceptions of uncertainty have also risen sharply, with 48% of CFOs rating current levels of external financial and economic uncertainty as high or very high, the highest level since December 2016.

Brexit acts as a drag

Large corporations are pulling in their horns, with just 12% of CFOs saying now is a good time to take risk. CFOs say Britain's departure from the EU is likely to act as a drag on their spending decisions. In fact, the proportions of CFOs who expect to reduce their own capital expenditure, M&A activity, and hiring, as a consequence of Brexit, are at their highest levels in more than two years. In addition, revenue growth

expectations among CFOs have slumped to their lowest level since the EU referendum in 2016.

Cost reduction top strategy

Defensive strategies—cost reduction and increasing cash flow—make up the top priorities for CFOs. They have a sharper focus on cost reduction now than at any time in the last eight years. In fact, they are placing more emphasis on defensive strategies now than they did during the height of the euro debt crisis in 2012 and immediately after the EU referendum.

Despite their defensive stance, CFOs rate introducing new products/services or expanding into new markets as their third-highest priority.

The paradox in this quarter's findings is that the survey took place in the wake of a modest rebound in UK economic activity. Having grown by a weak 0.1% in the first quarter, the economy expanded by 0.4% in the second quarter. Monthly data show the pickup extending into July. Following a run of weak activity numbers earlier in the year, UK data have been coming in above market expectations in recent months. In August, the Bank of England's Monetary Policy Committee felt sufficiently emboldened by the momentum of growth to raise UK interest rates.

Highlights from the Q3 2018 UK CFO Survey:

- CFOs have become more pessimistic about the long-term impact of the UK's departure from the EU.
- Brexit is rated as being by far the biggest threat to business over the next 12 months, ahead of weak UK demand, trade wars, and geopolitics.
- Perceptions of uncertainty have risen sharply—48% now rated current levels as high or very high.
- Cost reduction is the top corporate priority, and CFOs are more focused on reducing costs than at any time in the last eight years.

Deloitte CFO Surveys

About Deloitte Member Firms' CFO Surveys

Twenty-three 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 October 2018 over a four-week period; 32% of the CFOs represented public companies, 89% are local, and 58% represented businesses with annual revenues of less than \$1 billion. Another 32% had annual revenues between \$1B and \$4.9B.
Austria	Guido Eperjesi Director, Clients & Industries +43 1 537 00 2522 geperjesi@deloitte.at	Biannual	Conducted between September 6, 2018 and September 24, 2018; 29 CFOs and financial executives participated, representing a board range of industries. Of the participating companies, 21% have revenues in excess of €1 billion, and 10% have revenues greater than €500 million.
Belgium	Thierry Van Schoubroeck Partner, Finance Transformation + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	Conducted between September 17, 2018 and September 30, 2018. A total of 28 CFOs completed the survey, and 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 in September and October 2018; 108 participants, 74 of which had the title of CFO or finance director; 14 were from SOEs, 32 were privately owned, 62 were from MNCs.

Member firm	Contacts	Frequency	Survey scope and population
Denmark	Kim Hendil Tegner Partner, Head of CFO Services +45 30 93 64 46 ktegn@deloitte.dk	Biannual	Conducted between August 27, 2018 and September 21, 2018; 114 CFOs completed the survey. The participating CFOs are active in a variety of industries, although primarily in the private and the financial sector.
Finland	Tuomo Salmi Partner, CFO Program Leader +358 (0)20 755 5381 tuomo.salmi@deloitte.fi	Biannual	Conducted in fall 2018; 37 CFOs participated, representing privately-held and publicly-listed medium, large, and multinational companies across a range of industries.
France	Anne Philipona-Hintzy Partner +33 3 83 95 64 72 aphiliponahintzy@deloitte.fr	Biannual	Conducted between August 28, 2018 and September 24, 2018; 55 CFOs from major French companies or French subsidiaries of foreign companies participated, representing a wide range of industries.
Germany	Rolf Epstein Partner, CFO Program + 49 (0) 69 97137409 repstein@deloitte.de	Biannual	Conducted between September 4, 2018 and September 24, 2018; 180 CFOs from major German corporations participated; 56% are from companies with revenues of more than €500 million, and 35% have revenues of more than €1 billion.
Greece	Panagiotis Chormovitis Partner +30 210 6781 316 pchormovitis@deloitte.gr	Biannual	The survey was conducted in September 2018 and 46 CFOs from major Greek companies or Greek subsidiaries of foreign companies participated, representing a wide range of sectors.
Iceland	Haraldur Ingi Birgisson Clients & Industries Leader +354 580 3305 hib@deloitte.is	Biannual	The survey was conducted in September 2018; 73 CFOs participated. The majority of companies involved in the survey came from the retail sector (29%), manufacturing (17%) and construction (13%).
Ireland	Daniel Gaffney Director +35314172349 dgaffney@deloitte.ie	Biannual	Conducted in September 2018; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated.

Member firm	Contacts	Frequency	Survey scope and population
Italy	Mariangela Campalani Director Tel: +39 02 83326114 mcampalani@deloitte.it	Biannual	Conducted in September 2018, this survey included participation from approximately 100 respondents. The majority of companies involved came from the following sectors: energy, utilities, mining (12.4%); industrial products and services (10.3%); consumer goods (10.3%); transport and logistics (8.2%); life sciences (8.2%); financial services (7.2%); automotive (7.2%); and retail (7.2%).
Japan	Yasushi Nobukuni Partner +81 80 3367 2790 ynobukuni@tohatsu.co.jp	Quarterly	Conducted between October 3, 2018 and October 7, 2018; 33 CFOs and finance directors completed the survey. The participants represent a variety of industries and include listed companies and relevant private companies.
Netherlands	Frank Geelen Partner; CFO Program Lead +31 (0)6 2239 7053 fgeelen@deloitte.nl	Biannual	Conducted between September 2018 and October 2018; 18 CFOs representing a net turnover per company of approximately EUR 16.75 billion. The responding companies can be categorized as follows: publicly listed (37.5%), privately owned (25%), family owned (6.25%), private equity portfolio company (18.8%), other and/or unknown (12.5%).
North America (US, Canada, Mexico)	Greg Dickinson N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between August 6, 2018 and August 17, 2018; 132 CFOs participated from across the United States, Canada, and Mexico. Seventy-four percent of respondents represented CFOs from public companies, and 86% were from companies with more than \$1 billion in annual revenue.
Norway	Andreas Enger Partner, Financial Advisory +47 958 80 105 aenger@deloitte.no	Biannual	Conducted between September 11, 2018 and September 19, 2018; 109 CFOs participated from across Norway. The respondents represented a broad range of industries and CFOs from some of the biggest companies in Norway.
Portugal	Jorge Marrão Partner, CFO Program Leader + 351 210422503 jmarrao@deloitte.pt	Biannual	Conducted between September 10, 2018 and September 28, 2018, the survey was sent to CFOs of private and public companies of several industries. The participating CFOs (86) represent the largest

Member firm	Contacts	Frequency	Survey scope and population
			companies in Portugal (65%>100M€ and 11%>1.000M€).
Sweden	Henrik Nilsson Partner +46 73 397 1102 henilsson@deloitte.se	Biannual	Conducted in September 3, 2018 to September 21, 2018; 104 participating CFOs represented a selection of the key industries in Sweden.
Switzerland	Dr. Michael Grampp Chief Economist +41 44 421 68 17 mgrampp@deloitte.ch	Biannual	Conducted between August 29, 2018, and September 24, 2018; 109 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	
United Kingdom	Ian Stewart Chief Economist +44 020 7007 9386 istewart@deloitte.co.uk	Quarterly	Conducted between September 14, 2018, and September 27, 2018; 95 CFOs participated, including CFOs of 18 FTSE 100 and 36 FTSE 250. 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 66 UK-listed companies surveyed is £383 billion.



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