Global CFO Signals
Confidence boosts

Q1 2013 Deloitte Member Firms' CFO Surveys: Argentina Australia, Austria, Belgium, China, Finland, France, Germany, Ireland, Netherlands, North America, Norway, Spain, Sweden, Switzerland, and the United Kingdom

DTTL Global CFO signals
May 2013

About the DTTL Global CFO Program

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

About Deloitte Member Firm CFO Surveys

Twenty Deloitte Member Firms' CFO surveys, covering 38 countries, are conducted on a quarterly, biannual, or annual basis. The surveys conducted are "pulse surveys" intended to provide CFOs with quarterly information regarding their CFO peers' thinking across a variety of topics. They are not, nor are they intended to be, scientific in any way, including the number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed populations but does not necessarily indicate economic or industry-wide perceptions or trends. Further, the focus, timing, and respondent group for each survey may vary. Please refer to "About Deloitte Member Firms' CFO Surveys" (page 31) for member firm contacts and information on the scope and survey demographics for each survey.

About DTTL's Global CFO Signals

The purpose of DTTL's *Global CFO Signals* report is to provide highlights of recent CFO survey results from Deloitte member firms. This issue includes the results of the first quarter 2013 CFO surveys from Deloitte member firms in the following geographies:

Argentina: Economic concerns remain

Australia: Partly sunny; possible showers

Austria: Good and bad perspectives

Belgium: Recovery? Not this year

China: Powering forward

Finland: Living with uncertainty

France: Hoping for bluer skies

Germany: In the starting blocks again

Ireland: Poised to expand

Netherlands: Fragile growth expected

North America: Ready to accelerate?

Norway: Staying positive

Spain: Gradual recovery eyed

Sweden: Signs of confidence

Switzerland: Optimism rises; caution remains

United Kingdom: Fewer risks; greater optimism

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Global CFO Signals
CFO Sentiment in First Quarter 2013

It took a while, but many CFOs finally seem to be looking forward—with anticipation, not anxiety. Worries over the currency crisis in Europe and possible slowdowns in China and the United States appear to have eased. Moreover, with a continuing low-interest-rate environment and healthy balance sheets, many companies have the means to grow organically and internationally. Little wonder that the latest *Global CFO Signals* shows improved optimism among CFOs—both about their countries and their companies—in many of the 16 countries and/or regions reporting.

Driving that optimism is a palpable sense of relief. UK CFOs' perceptions of macroeconomic and financial uncertainty, for example, have dropped to a two-and-a-half-year low. In Austria, 48% of CFOs believe that an economic crisis is unlikely in the near term, a 7% increase. And in Switzerland, some 83% of CFOs do not expect a recession in the next two years.

In addition, this newfound optimism is having a positive effect on CFOs' expectations. Some 65% of Ireland's CFOs expect an increase in revenues in the next 12 months, as well as operating cash flows (53%) and levels of cash (53%). Similarly, 42% of Germany's CFOs expect revenues to grow over the next 12 months, and 66% of Australia's CFOs expect higher cash flow (up from 63% in Q4 2012).

There are naysayers, of course. In Belgium, a quarter of CFOs do not expect growth there before 2015. More than half of China's CFOs were doubtful about a recovery in the U.S. and Europe, but most were confident their own country could meet its annual gross domestic product (GDP) target. And in North America, it should be noted that CFOs' most-cited driver of company growth is the status of North American economies—the same factor that about one-quarter named as their top growth *impediment*.

Still, CFOs may have no choice but to move forward. After all, 42% of Australia's CFOs describe the current level of uncertainty as normal—and more than half of Finland's CFOs consider it near normal. And while cost-cutting is still a CFO priority, many efforts may have simply run their course. Given this current window of financial and economic "stability," CFOs finally have both the imperative and the comfort level to pursue expansionary tactics—as well as the long memories to remind them to remain vigilant.

What follows is a synopsis of sentiment by geography:

The Americas

Led by the U.S., net optimism in North America (the difference between the percent of CFOs expressing rising and falling optimism) rose from -11 last quarter to +32 this quarter. Moreover, about half of CFOs expressed rising optimism, while just 20% expressed rising pessimism—a major shift—although it must be noted that a dominant cause may be a cyclical bias toward optimism at the beginning of the year.

Whatever the cause, CFO optimism also positively affected expectations this quarter. For example, CFO expectations for year-over-year earnings growth rose to 12.1%* from 10.9%* last quarter (well above Q3 2012's survey-low of 8%), and CFOs' outlook for capital spending jumped to 7.8%* from last quarter's survey-low of 4.2%*.

Fear of stagnation, however, seems to be holding back their expectations for sales and hiring. Expectations for sales, for example, stayed relatively stable at 5.4%* (compared with 5.6%* last quarter), as did domestic hiring (0.9%* versus 1%*). Still, a substantial proportion—27%—of CFOs are now expecting cuts in domestic hiring.

Asia-Pacific

The Chinese and Australian surveys illustrate the positive movement of CFO sentiment in Asia-Pacific. In China, fears of a hard landing seem to have receded. One reason may be that the country's GDP grew at a pace of 7.8% in the fourth quarter, breaking a pattern of seven straight quarters of decline. And while 64% of CFOs believe China will experience slower growth over the next few years, 57% think their financial projections will not decline as a result of recent global economic developments.

Meanwhile, in Australia, net optimism about the financial prospects of their own companies tripled to 24% from 8% in Q4 2012. While Australia's CFOs are still concerned about Europe as well as their own government's policies, they are far less worried about slowdowns in other areas. This optimism has led to a substantial growth in risk appetite, and more than a third of CFOs expect to increase headcount in the next 12 months.

Europe

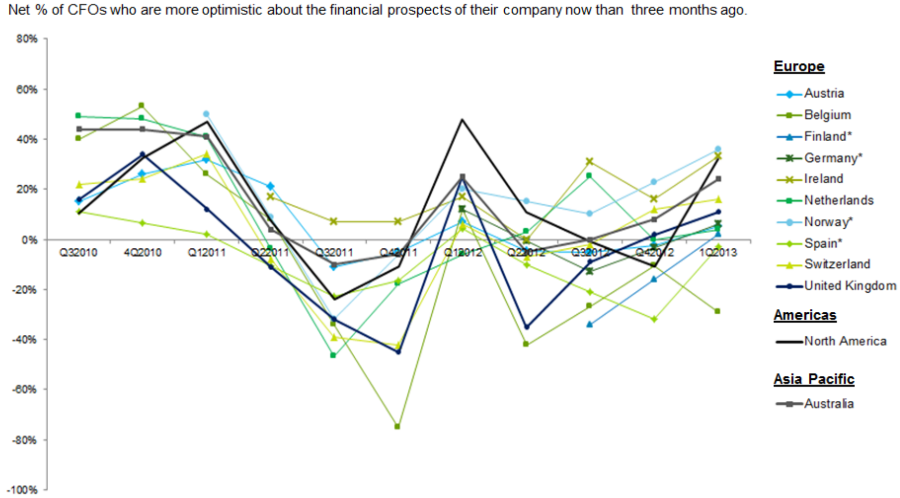
In Europe, fears over the currency crisis and possible exits from the European Union have greatly receded. In their wake, many CFOs are carefully embracing more-aggressive growth strategies and making plans for their cash.

In the UK, for example, less uncertainty has lifted business confidence for the third consecutive quarter, and corporate risk appetites are not far off peak levels. Nearly 50% of Sweden's CFOs are predicting greater M&A activity despite concerns over consumer demand, and a larger percentage are increasing their dividend payouts. And in Switzerland, where CFOs are more optimistic about revenues and operating margins, the net balance of companies planning to recruit new employees, while still negative, rose to -15% from -40% in the previous quarter.

Still, market risk continues to be seen as a threat in several countries, including Ireland. And in others, such as Belgium and Spain, the prospect of little or no economic growth is dampening CFOs' outlooks. Whether they are missing an opportunity or know something their global peers don't remains to be seen.

CFO Sentiment: Net Change in Optimism

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



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

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

Global CFO Signals

CFO Priorities: A Global Perspective

Where to grow next?

With their newfound optimism, CFOs are looking for growth opportunities and evaluating their next moves. What those moves will be is a mixed bag globally. In the Netherlands, for example, three-quarters of CFOs are still striving for organic growth over the next 12 months. CFOs in Finland may prefer to use their cash to pay down (25%), but others plan to make strategic investments at home (18%) and abroad (23%). Looking internationally for growth, in fact, is a priority in quite a few countries. In Ireland, 69% of CFOs consider their corporate strategy to be expansionary rather than defensive, as do many international companies in the UK (those deriving more than 70% of their revenue outside the UK). And in France, where CFOs are decidedly pessimistic toward their own economy, growth in emerging markets (40%) is the major driver of optimism for the next six months. Not surprisingly, this hunt for growth is manifesting itself in a positive outlook on M&A in some places. In the Netherlands, for example, 71% of CFOs expect M&A levels to increase in the next 12 months. And even in Austria, which has been deal adverse in recent surveys, the percentage of CFOs who think M&A will play a positive role in the next few months rose from 18% to 21%.

Corporate debt favored

New and stricter banking regulations, including Basel III, continue to give corporate bonds a boost. In the UK, for example, lower costs and improved availability of credit have ensured that raising debt remains the most attractive form of financing for large corporations. And in Norway, corporate bond issuance clearly stands out as the most available funding source, with a net balance of 55% of CFOs viewing bonds as available, up from 41% in Q3 2012. That doesn’t mean that bank financing has totally fallen out of favor. In Finland, for example, low interest rates (12-month European InterBank Offered Rate or Euribor approximately 0.5%) have increased interest to reassess loan portfolios. In fact, the percentage of CFOs who are very likely to renegotiate loan agreements has increased from 6% to 27%. Still, the overall sentiment regarding the conditions of availability and cost of credit remains mixed. In Australia, in fact, where two-thirds of CFOs see credit as available, bank borrowing actually superseded internal funding as the most attractive source after steadily increasing in attractiveness over the past 12 months—but only by a slight margin. Meanwhile, in China, more than 50% of surveyed CFOs picked capital cost/availability as their top challenge, reflecting the prevalent financing difficulties in the Chinese marketplace.

Policy and regulatory hurdles remain

In many countries, CFOs are keeping a close watch on government actions that they believe may impede growth. In North America, for example, more than 90% of CFOs say that current and recent policy decisions/debates—ranging from sequestration policies to possible defense cuts—are having at least some impact on companies' plans. In Ireland, some 50% of CFOs think the government's recent "Action Plan for Jobs," will have a positive impact on economic and fiscal matters, but none thinks it will be significantly positive. Elsewhere in China, regulatory hurdles are seen as one of the key challenges of doing business in that country, both in terms of volume of regulation and uncertainty in interpretation. And in the Netherlands, half of CFOs rate the impact of potential regulatory compliance incidents on the value of their companies to be somewhat or very high. One solution: of those North American CFOs who view public-policy debates as potentially troublesome, about 40% say their most significant responses involve initiating or ratcheting up their advocacy efforts, including new or revised government-relations strategies, increased lobbying, and a heightened executive presence in Washington.

Finally, time to strategize

For CFOs, these past few years have severely tested their skills—and their patience. Greater optimism moving forward, however, seems to be allowing CFOs the freedom to move out of their Steward role and spend more time as Strategists. In China, for example, CFOs report that their CEOs are asking them to focus on strategy setting, development, and execution as one of their top three priorities (65%). In Australia, more than half of the CFOs surveyed consider strategic planning as the top capability they would like to improve within their existing finance team. And in Ireland, 88% of CFOs recognize the need to place greater emphasis on managing change to drive business transformation and evaluate and execute strategies. Of course, these responsibilities come in addition to CFOs' current responsibilities. Little wonder that in Germany, CFOs are organizing their finance function so as to be ready both for more responsibilities and higher cost pressures. Still, CFOs are being recognized for their contributions. According to North America's CFOs, four decision-making contributions stand out to their CEOs: providing objectivity, providing a point of view, providing analytic rigor, and challenging assumptions.

Deloitte Member Firm CFO Surveys:

First Quarter 2013 Highlights

Argentina
Economic concerns remain

Skeptical of government moves

The fourth CFO Survey in Argentina asked for opinions in five areas: role of the CFO, finance organization, company, industry, and economy. In terms of economic concerns, the top two named were inflation (27%) and exchange rates (27%).

When asked about their attitudes toward the government's ability to enact or maintain an effective economic policy over the next year, some 20% said they were doubtful and 70% said they were skeptical. The CFOs also weighed in on the impact of the government's decisions on their industries. Of those surveyed, 60% believe that the impact of those government decisions will be negative, and 30% believe they will be highly negative.

Optimism still low

As for their overall levels of optimism, CFOs were influenced by both internal and external factors. In fact, 50% reported less optimism, primarily due to external business factors (e.g., economy, market). On the other hand, only 10% of CFOs indicated more optimism, primarily due to external factors (e.g. market tendencies, industry, economy). Some 40% did not report any notable changes.

Multiple top concerns

CFOs indicated improving and maintaining margins as their companies' top concern, followed by managing working capital. As for industry concerns, government policies and regulations topped the list, followed by pricing trends, changes in cost structure, and market growth. The top challenges in the finance department included aligning resources to maximize return on investment, followed by identifying the right information to meet the desired business results.

Highlights from the H1 2013 Argentina CFO Survey:

- Some 50% of CFOs were less optimistic toward overall business conditions mainly because of internal factors; only 10% were more optimistic.
- The three top job stresses cited were insufficient support staff (18%), strategic ambiguity (14%), and changes in regulatory requirements (14%).
- In the next 12 months, CFOs' main strategic focus will be on growth/preservation of revenue, followed by a reduction in direct costs.
- CFOs' time was spent slightly more in their Steward (35%) role, compared with Strategist (23%), Operator (22%), and Catalyst (20%).

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

Balanced responsibilities

In this environment, CFOs reported a fairly balanced distribution of time among their four roles, with a slight inclination toward Steward: Steward (35%), Strategist (23%), Operator (22%), and Catalyst (20%). If they were to leave their jobs, however, CFOs say the biggest triggers would be better pay (20%), a higher position (17%), and a role in which the CFO had greater work/life balance (17%).

Australia

Partly sunny; possible showers

Highlights from the Q1 2013 Australian CFO Survey:

- Net optimism among CFOs tripled to 24% in Q1 2013, up from 8% in Q4 2012. This signalled three consecutive quarters of rising net optimism in the Australian economy.
- Improved confidence levels are partly due to the improved global economic climate. CFOs were less worried about China and the U.S., but challenges in Europe remained a concern.
- CFOs are becoming used to uncertainty. Some 42% of CFOs said the current market conditions were normal, the highest in two years.
- One-third expect interest rates to fall further than the current rate, but this is half as many as last quarter.
- Some 40% of CFOs had more pressing priorities than M&A. About a third said they were not actively seeking targets, but were open to exploring opportunities to buy or sell.

Uncertainty is the new status quo

Confidence improved in the first quarter of 2013, making three consecutive quarters in which CFOs were more optimistic overall about the financial prospects of their companies. However, this improvement was tempered by more than half of CFOs reporting no change in optimism. This suggests that the uncertainty of Q4 2012 remains a factor across a large section of the economy.

The impact of external economic factors appears to be lessening, with the slowdown in China and U.S. economic uncertainty causing significantly less anxiety than six months ago. Even so, concerns over European debt remained constant. Closer to home, the uncertainty of federal government policy continues to dampen business sentiment and is likely to continue until September's federal election.

Uncertainty is becoming the new status quo. Four out of 10 CFOs described the current level of financial and economic uncertainty as normal – the highest level in two years. More than half of CFOs expected the current level of uncertainty to last for one to two years, while a growing number believed it would continue indefinitely

Risk appetite grew to the highest level in close to two years, with more than one-third of CFOs believing that it was a good time to take greater risk onto their balance sheets. In addition, more than a third of CFOs expected to increase headcount, with less than a quarter looking to reduce staff levels.

Strategies for growth

The outlook for M&A remained in line with the previous quarter, with 40% expecting M&A activity to increase. However, Australia's corporations preferred to focus on other strategies, such as organic expansion and renegotiating financing facilities.

Close to a third of CFOs were optimistic about conducting M&A activities in the next six months, but more than half were neutral on the subject. Most CFOs said there were more pressing priorities within their organizations, while a third said they were not actively seeking but were open to exploring opportunities to buy or sell.

Interest rates and the dollar

Despite limited movement in the Australian dollar in Q1, 29% expected it to fall to between US$0.95 and US$1 in 12 months' time, twice as many as last quarter. Fifty-five percent of CFOs expected it to stay between US$1 and US$1.05.

A third of respondents expected the Reserve Bank of Australia's official cash rate to continue to fall below the current 3% rate, compared with two-thirds in Q4 2012. This reflected confidence that the economy is picking up and that there may be less need for further interest rate cuts. Bank borrowing superseded internal funding as the most attractive funding source after steadily increasing in attractiveness over the past 12 months. Corporate debt continued to be attractive to organizations, and equity was also being viewed more favorably following the recent surge in the Australian stock market.

Almost one-third of CFOs felt that credit was cheap or very cheap, while two-thirds saw credit as somewhat or very available—both the highest levels since this survey began. While debt is more affordable and available, corporates are still taking a conservative approach to gearing.

More than 50% of CFOs thought Australian balance sheets were optimally leveraged, with only 3% believing balance sheets were over-geared. Intentions to raise gearing also continued on a downward trend, with just 21% of CFOs expecting to raise leverage, suggesting that while confidence might be improving, companies aren't prepared to take major steps just yet.

Finance function – time and talent

On average, CFOs allocated 56% of their time to controlling and operating their business (acting as a steward and operator) compared with 44% spent on implementing strategy and driving change (acting as a strategist and catalyst). This breakdown is almost identical to the results in Q2 2012, the last time we posed the question.

More than half of the CFOs surveyed considered strategic planning as the top capability they would like to improve within their existing finance team. This was closely followed by budgeting and financial planning skills, and improved financial processes and controls. Looking to the future, the capabilities CFOs most wanted to develop or acquire for their team were business acumen and skills in translating information into insight and recommendations, closely followed by analytics skills.

Austria

Good and bad perspectives

Expectations remain positive

The outlook of Austria's CFOs' outlooks toward economic development is positive for the third quarter in a row. Some 33% are convinced that the economy will improve in the next months, compared with 31% in the last survey, and only 19% predict that the economy will slow down slightly in the coming months. Moreover, 48% of the respondents believe that an economic crisis is unlikely in the next months, an increase of 7%.

As for their own companies, the Austria's CFOs are also expecting improvement. Some, 48% anticipate that their company's revenue will increase in the next months compared to 43% last quarter. Interestingly, 43% of the participants will invest as much in the coming months as they did in the previous quarter. The number of CFOs who will invest a little more as well as the number who will invest a little less have both declined (20% and 22% respectively).

Credit availability stagnates

For the first time in three quarters, the number of CFOs, who believe in very good credit availability, has declined slightly (22%). Nevertheless, a total of 27% believe there is good credit availability for their company.

Employment levels unchanged

In our last survey, 50% of the CFOs said that they wouldn't change their number of employees over the coming months. In our current survey, 61% think the current level of staff fits their company best. In addition, in our current survey we asked: Is HR used as a strategic partner for executing business strategy? More than 74% answered that HR is used in their companies as a partner for overall company strategy.

Highlights from the Q1 2013 Austrian CFO survey:

- Some 33% of CFOs believe that the economy will improve, compared to about 30% in our last survey.
- There is a slight increase in the percent of CFOs (16%), who predict a slight downturn in the Austrian Stock Market.
- Almost half of CFOs (48%) believe another economic crisis is unlikely in the next few months.
- More than half (52%) believe the inflation rate will stagnate over the coming months.
- Some 61% of CFOs expect to keep their staffs at their current level at this time.

Eyes on the Austrian Stock Exchange

Austria's CFOs view the development of the Austrian Stock Exchange critically for the first time in three quarters, with 16% expecting a downturn. However, 64% of the participants still don't believe that there will be a change in the stock exchange.

Responding to enforcement

Asked if their companies had taken measures to prepare for the introduction of an enforcement agency, 40% said they hadn't engaged in any additional preparation. In our last survey, 55% hadn't prepared for such an agency.

Belgium

Recovery? Not this year

A few uncertainties

CFO optimism—one of the lead indicators of the Belgian CFO Survey—was depressed throughout 2012 and remains depressed in 2013. Perceptions of economic and financial uncertainty are also high and will likely remain so throughout the year. Growth prospects for the eurozone and Belgium are weak, with a quarter of CFOs not expecting an uptick before 2015. Also, short-term demand remains weak and difficult to predict: at the end of the first quarter, more than half of CFOs report they are lagging behind the financial budget (many of them) made in the fourth quarter of 2012—the highest number since the survey began.

Looking for secular growth

Growth is not on top of the agenda and appetite for risk remains low, but CFOs have not completely closed the door to growth. A net 34% report that actual or expected growth in emerging markets has had a positive impact on investment plans, as has products and services that offer secular growth opportunities—as opposed to cyclical growth. Eurozone markets (and to a lesser extent U.S., Japan, and Asia-Pacific markets) are not important drivers of investment.

Focus on efficiency and costs

Cost reduction and working-capital management remain key priorities for most surveyed organizations, and efficiency improvement completes the top three key priorities. Businesses need to take measures to strengthen their internal organizations and to remain competitive in their markets.

Highlights from the Q1 2013 Belgian CFO survey:

- No recovery is expected this year, and a quarter of CFOs do not expect the Belgian economy to start growing again before 2015.
- The current business climate remains negative and even unpredictable in the short term: over half of surveyed organizations have not been able to meet their financial budget in the first quarter.
- CFOs have not completely closed the door to growth: emerging markets and secular growth are the main drivers of investment.
- External financing is attractive, although more than one-third of CFOs report bank borrowing is still hard to get.
- Efficiency improvement and cost reduction remain important priorities for most CFOs. For existing organizations, the balance between job creation and job destruction risks turning negative next year.

CFOs indicate that these priorities will have a negative impact on employment over the next 18 months: half of CFOs report their organizations will have reduced headcount by the end of 2014—as opposed to only 21% that plan to grow headcount. This suggests Belgium's economy might on balance be facing destruction of jobs, as was the case during 2008–2009, when the total number of jobs cut by shrinking organizations, outnumbered the total created by growing ones.

Large-scale, headline grabbing layoffs seem unlikely, as fewer organizations will apply the process of collective redundancy or outsourcing. CFOs expect employee numbers to be reduced mainly on a sporadic basis or through natural loss, such as retirements.

Inappropriate policy making

Businesses do not feel Belgian financial and economic policy is appropriate: 60% are negative about the way the Belgian federal government is setting the priorities for financial and economic policy making (as opposed to only 7% who are positive).

CFOs are particularly unhappy with the government's labor market and taxation policies. According to CFOs, little has been done on measures that would have the most positive impact on their organizations: for CFOs decreasing social security contributions and reforming the automatic indexation system need attention.

Financial easing

Interest rates are low and are expected to remain low, creating a favorable financing environment. External financing (both bank borrowing and corporate debt) is perceived overall as being attractive, and equity financing—though still perceived as unattractive—has made up some points in the first quarter.

The financial crisis in Cyprus escalated and then unfolded to some extent in the course of the survey period. To date, the crisis only somewhat increased CFOs' belief in the likelihood that one or more eurozone countries might leave the euro (17%). At any rate, CFOs are not preparing for this scenario.

Businesses are above all constrained by low growth and uncertainty, rather than access to capital. CFOs' balance-sheet strategies have become increasingly defensive, not for want of capital, but for scarcity of opportunity.

The outlook from Belgium's CFOs is that there is no respite from the challenges of negotiating difficult economic conditions. Demand remains depressed, results continue to fall short of expectations, and CFOs are concerned that background factors, such as economic and fiscal policies, have added to their burdens.

China
Powering forward

Avoiding the hard landing

The financial crisis hit the European and U.S. economies hard. While there were worries that China may head toward its own hard landing in 2012, its economy was more resilient than expected, with the country's GDP growing at a pace of 7.8% in the fourth quarter of 2012 and breaking a pattern of seven straight quarters of decline.

Completed in February 2013, the China CFO Survey found that finance leaders hold antithetical perceptions toward the economic outlook in the U.S./Europe versus China. On the one hand, more than half of the surveyed CFOs were doubtful about a recovery in the U.S. and Europe, but most were confident that China will meet its annual GDP target over the next few years. This might be a well-anticipated finding in view of the fallout from the fiscal cliff in the U.S. and the persistent weakness in Europe. Contrarily, China is showing signs of reverting to faster growth. Not surprisingly, CFOs also named economic uncertainty as one of the major risk factors for their business.

Highlights from the H1 2013 China CFO Survey:

- CFOs remain optimistic about China's economic outlook, but pessimistic toward growth and recovery in the U.S. and European markets.
- In comparison to last year's survey, CFOs seem to believe that the current economic environment will not weigh heavily on their financial projections.
- Chinese CFOs cited capital costs/availability, inflation, and accounting/regulations as their top three economic challenges.
- As China continues to move up the value chain, talent development has become and will remain a key priority for Chinese companies.
- Funding challenges continue to create problems to CFOs, who are also under the pressure from CEOs to focus more on strategy development and execution.

Focused on growth and talent

Achieving growth remains a top priority for CFOs, reflecting pressure from shareholders to deliver strong business performance. During volatile times, the survey found that CFOs also pay higher attention to cost management, which has a direct impact on earnings. With immense revenue expectations, CFOs will need to rely on outstanding talent to achieve growth and results. As such, more than half of the surveyed CFOs put talent as one of their specific industry challenges. With talent shortage as an ongoing problem in China's labor market, CFOs will need to engage comprehensive human-resources programs to recruit, retain, and develop talent and to manage human-capital costs.

Regulatory hurdles

Regulatory hurdles remain a key challenge of doing business in China, both in terms of volume of regulation and uncertainty in interpretation. In the survey, many CFOs have expressed concerns about how their businesses will be affected by vagaries in regulations.

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Finland
Living with uncertainty

Highlights from the H2 2013 Finland CFO Survey:

- Overall uncertainty remains high (84%), but less believe that uncertainty levels are high or very high.
- All in all, net optimism has climbed from -34% to 2% due to better financial status of one third of the manufacturing companies.
- Some 32% of the respondents assume that their workforce will grow faster abroad, while 16% assume it will grow faster in Finland.
- Almost half of CFOs expect their cash flows to increase, but still 85% are concerned with the expectations of demand.

Optimism turns positive

Finland's GDP growth turned negative again in the fourth quarter of 2012. Two quarters of negative growth caused GDP to fall by 0.2% in 2012. Both indicators and hard data point toward a weak start in 2013. Still, net optimism among CFOs has climbed from -34% to 2% due to better financial status of one-third of manufacturing companies. In addition, there are signs of more-vigorous action for growth and profitability. While almost a fourth of the CFOs would spend their cash surpluses on reducing debt in the next six months, 41% would focus on strategic investments in Finland and abroad.

Uncertainty is normal

Overall, uncertainty remains high (84%), but it is a good sign that less believe that uncertainty levels are high or very high. And most believe that uncertainty is normalizing. More than 50% of the CFOs believe uncertainly is at least close to the normal levels, whereas in Q3 2012 overall uncertainty was higher (87%) and less than half believed that it was even close to normal. In fact, for the past three quarters, a minimum of 80% of respondents have reported uncertainty to be above normal levels.

Demand drags

Demand is the single greatest concern for CFOs in 2013, with 85% naming it number one. But CFOs seem to have an ambiguous relationship with demand. While such a large percent note their concern over future demand, 48% still expect their cash flows (including revenues) to increase.

At the same time, Finland's CFOs are making necessary adjustments to maintain their level of operating cash flow. They are looking to other sources than revenue to secure their cash flow. Still, cutting costs is the most popular strategy cited for tackling unexpected fluctuations in demand.

Employment to decrease

Due to deficit issues, companies with an international presence are strategically aligning their business models with global demand and distribution structures. This is leading to a decrease in the number of employees working for them in Finland and an increase in the number of employees working for them abroad. In fact, 32% of respondents assume that their workforce will grow faster abroad, while 16% assume it will grow faster in Finland. Although Finns are more eager to make strategic investments in Finland, the investments will take effect no sooner than 2014, playing little role in employment development in the short-term.

Renegotiating loan portfolios

Generally, the accessibility of financing and attitudes toward CFOs' companies are perceived to be favorable. Some 55% of respondents evaluate their attitude as above average. Still, not every company enjoys the same access to financing, causing some of the respondents to return negative values. The smaller the company, the greater the deviation in responses and the greater the number of respondents assessing their attitudes to be not so favorable or very unfavorable.

With attitudes toward financial institutions considered favorable by more than half of the CFOs, there is an increasing likeliness to renegotiate loan agreements in good faith. Low interest rates (12-month Euribor approximately 0.5%) have increased interest reassessing loan portfolios. The number of CFOs to very likely renegotiate loan agreements has rapidly increased from 6% to 27%.

Still, the attractiveness of the corporate bond issuance has grown systematically since late 2011. Today, 72% of CFOs believe that it is a good time to issue corporate bonds.

France
Hoping for bluer skies

Highlights from the H1 2013 French CFO Survey:

- Some 69% of France's CFOs are pessimistic toward their own companies' business prospects, compared with 56% last September.
- North America is seen as the primary growth zone by 71% of CFOs.
- Cost reduction is the top strategic priority for 68% of CFOs.
- Growth in emerging countries is a main driver of optimism for 40% of CFOs.

Seeking paths to growth

The second edition of the French CFO Survey found that CFOs are more pessimistic toward the French economic climate (69% in April 2013 versus 56% in September 2012), or, at best, have a wait-and-see attitude (28%).

Growth in emerging countries (40%) remains the major driver of optimism for the next six months. Conversely, raw-material prices (15%), European fiscal- and social-policy changes (51%), the European economic situation (56%), and the risk of a eurozone breakup (37%) strengthened global pessimism. Coordination of European economic policies is equally a factor of pessimism (37%) and optimism (40%).

Prudent toward investment

In comparison with September 2012, growth prospects in France (0% vs. 1%) and Europe (1% vs. 6%) declined, whereas North America (71% vs. 37%), South America (41% vs. 30%), and Asia (43% vs. 26%) improved substantially.

To get there, 43% of CFOs are anticipating a "slight increase" in the M&A activity in the next six months in France (versus 23% in September 2012). Some 55% of CFOs are not considering either divestiture or acquisition in France versus 44% in Europe. And acquisitions appear more as a priority in April 2013 than in September 2012, with 44% of CFOs considering allocating part of their cash surpluses to acquisitions, followed by upgrading/retrofitting investments (36%).

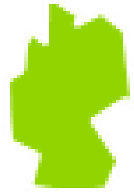
Regulatory constraints of concern

While access to the credit markets remains stable (49%), the strengthening of regulatory constraints continues to be the major concern for CFOs regarding liquidity (35%). The survey also reveals that new financing solutions are being considered by 55% of CFOs. And there are no changes regarding which investments are most attractive: private investments (19%) and bonds (19%). However, structured financing operations are now the least attractive source of financing (28%).

Despite a slight decline compared with September 2012 (67% vs. 71%), the working-capital optimization continues to be the best way to improve companies' cash positions, followed by a diversification of funding sources (32% vs. 43%).

Active in CSR

CFOs consider their companies' level of commitment to corporate social responsibility (CSR) to be good (59%). Moreover, 17% of CFOs believe their company demonstrates leadership in this area, and 20% of CFOs are highly involved with CSR, which is the consequence of the French Grenelle II law (2012 legislation requiring new integrated sustainability reporting). CFOs main priorities concern reporting and regulatory compliance, but 48% of them are also involved in financing new CSR projects.



Germany

In the starting blocks again

A profound change

Over the last six months, a profound change in sentiment has taken place among Germany's CFOs. They see the economic situation and that of their own companies in a much more positive light. In fact, some 60% view the German economic outlook as positive. At the same time, fear of a shrinking eurozone or even a breakup of the eurozone has largely faded, with only 1% anticipating a breakup.

Despite the more optimistic outlook, the strategic orientation of companies remains defensive. More than 60% of CFOs cite cost cutting as their top priority, while 49% cite increasing operating cash flow. Investments in rationalization play the most important role in companies' investment planning, while investment for growth and M&A are more in the background. In the area of M&A, only smaller deals are on the CFO agenda. The greatest risk for companies is rising energy costs, ahead of recession fears.

Availability of funds

Credit terms remain favorable for German companies. This applies to both capital costs and the availability of credit. Corporate bonds continue to be seen as very attractive. CFOs still avoid higher risks: 86% of them believe that now is not a good time to be taking risk onto the balance sheet. The medium-term inflation expectations of CFOs are rising, with 35% of CFOs anticipating an inflation rate between 3% and 3.9% over the next three years.

CFO priorities

CFOs are organizing their finance function so as to be ready both for more responsibilities and higher cost pressures. They are therefore focusing on comprehensive measures to reduce costs. Some 82%, for example, are planning to standardize processes and IT. Risk management is becoming an increasingly important part of corporate management.

Highlights from the H1 German CFO Survey:

- Some 60% of CFOs view the German economic outlook as positive.
- More than half (52%) anticipate a stable eurozone over the next five years with the same members as today; 1% expect a break-up.
- More than 60% of CFOs cite cost cutting as a top priority; 49% cite increasing operating cash flow.
- For 45% of CFOs, rising energy costs represent a high risk looking forward 12 months; 29% fear weaker domestic demand.
- Some 35% of CFOs expect an inflation rate between 3% and 3.9% over the next three years.

Special topic: Energy transition

CFOs tend to be skeptical about the energy turnaround. A large majority fears cost increases. Another risk factor is the lack of consistency in the regulatory framework. The development of new products and services is seen as a major opportunity, but with relatively low absolute vote percentages. The main priority for CFOs in the energy transition is to increase their own energy efficiency. In fact, 56% of CFOs say that is their takeaway from the energy revolution.

Ireland

Poised to expand

Mixed reviews of government moves

The first quarter of 2013 was anything but a slow, gradual start to the year. Reducing the national debt burden was a recurring theme making the headlines in that period: from the liquidation of Anglo Irish Bank to the promissory-note deal, from the publication of the Finance Bill to Croke Park II, the first three months have seen Ireland taking strides toward managing its national debt through both deferred payments and returning to the international bond market.

Sentiments among CFOs indicate that they welcome the promissory-note deal, with more than three-quarters considering it an effective step on the road to recovery. The creation of jobs is also a crucial step and remains a central priority for the government. Yet, CFOs are not wholly convinced that the targets set out by the government's "Action Plan for Jobs" strategy are achievable. The survey suggests CFOs believe this strategy will succeed somewhat in boosting economic growth; however, none of the respondents are convinced that it will have a very significant impact.

Uncertainty remains high

Against this backdrop, the level of external financial and economic uncertainty remains high, and the perception of market risk has also increased. The role of the CFO is evolving to address these difficult times, and both the CFO and the finance function can play a strategic role in decision making and organization transformation.

Highlights from the Q1 2013 Irish CFO survey:

- Some 83% of CFOs cite market risk as the largest threat to their company.
- Net optimism among CFOs increased by 16%.
- Corporate strategy is deemed to be expansionary, not defensive by 69% of CFOs.
- Almost 90% of CFOs recognize the need to place greater emphasis on managing change to drive business transformation, and evaluate and execute strategies.
- Actual and expected growth in the U.S. and Asia will have a positive effect on company investment plans for the next 12 months, agree 59% of respondents.
- To 94% of CFOs, talent retention remains a top priority despite pressures to engage in cost cutting and downsizing.

In fact, 88% of CFO respondents recognize the need to place greater emphasis on managing change to drive business transformation and evaluate and execute strategies. Some 65% of CFO respondents believe that part of their role is to be the gatekeeper of risk and provide a financial perspective to risk management. Company performance, multiplicity of stakeholder relationships, and economic or strategic ambiguity are considered to be the top three most challenging aspects of the CFO's role.

Optimistic about expansion

Net optimism increased by 16% this quarter. When the responses over the past year are considered, there is an uncertain sense of optimism among CFOs for their companies' financial performance as optimism dips and spikes quarter to quarter. CFOs are setting corporate priorities for the next 12 months, and it is interesting to note that in the current climate, 69% of survey respondents consider their corporate strategy to be expansionary rather than defensive. CFOs are looking to both long-term growth for their products and services and actual or expected growth in the U.S. and Asia for a positive effect on their companies' investment plans for the next 12 months.

Revenue is the financial metric most expected to increase, and operating costs and bank borrowing are the financial metrics most expected to decline over the next year. This suggests that organizations are looking to other markets to increase revenues while tightening up their operating model to improve their current cash flow position.

Relying on debt financing

Domestic banks remain the preferred method of funding in Q1 2013, with an increase of 7% from 4Q2012. The preference for overseas funding and leasing funding grew marginally in the last quarter. Over the past year, preferences have shifted from overseas bank financing, which remains well below its 12-month high of 30%.

The net CFO perception of finance cost has improved slightly this quarter. However, a net 53% still believe it to be expensive. This is down from 62% in the last two quarters and is a two-year low. A net 31% of CFOs believe that finance is difficult to obtain. Overall, there has been a slight improvement in the perception of cost and availability of finance since the beginning of 2012.

Reacting to Irish economic policies

Some 78% of CFOs are satisfied that the recent promissory-note deal is an effective means of reducing Ireland's immediate debt burden to the EU. Eighty-eight percent of CFOs believe that the deal will be beneficial to the Irish economy; however of this, only 44% believe that it will also be beneficial to Irish businesses.

The "Action Plan for Jobs," introduced by the government in February 2012, outlines the government's strategy on job creation. The plan's target is to create 100,000 new jobs by 2016 and to have two million people employed by 2020. At this juncture, however, only 50% of CFOs are confident that the government's strategy on job creation will have a positive impact on economic and fiscal matters. None of the CFOs surveyed, though, believed that the impact will be significantly positive.

Opinion is divided on how achievable the targets set out in the "Action Plan for Jobs" are. Just over half believe that the 2016 jobs target is achievable, while 61% believe that the 2020 employment target is achievable.

Netherlands
Fragile growth expected

Fragile growth foreseen

The contracting economy in the Netherlands in 2013 will largely be the result of lagging domestic consumption levels, according to CPB Netherlands Bureau for Economic Policy Analysis figures published on March 13, 2012. Despite a slight recovery later this year, GDP volume is projected to decline in 2013 by 0.5%. For 2014, an economic growth of 1% is projected. This fragile growth projected for 2014 will be almost entirely due to the recovering world trade.

Within this environment, CFO optimism in the Netherlands has risen slightly, but remains low, with only 29% of respondents saying they are more optimistic. For nearly half the CFOs (46%), their outlook on their companies' financial prospects has not changed compared with the fourth quarter of 2012.

Priorities for 2013: Staying organic

Striving for organic growth continues to be the top strategic priority for the majority of CFOs over the next 12 months. Three-quarters of the CFOs selected this strategy as a top priority. A strong second priority was increasing cash flow (41%). Moreover, two-thirds expect to increase those cash flows over the next 12 months.

Not a good time for risk

The levels of risk appetite remain low, with some 92% of CFOs saying now is not a good time to be taking greater balance-sheet-related risks, versus 8% who say it is. Moreover, one-third of CFOs now say that the level of financial risk on their balance sheet has increased over the last 12 months (33%).

Highlights from the Q1 2013 Dutch CFO survey:

- Dutch CFO optimism has risen slightly, but remains low with only 29% of respondents reporting they are more optimistic.
- Two-thirds of the CFOs expect a cash flow increase over the next 12 months.
- Risk appetite levels remain low, with 92% of CFOs thinking now is not a good time to take greater balance-sheet-related risks.
- Corporate debt is perceived to be the most attractive source of funding.
- Around 71% of CFOs expect M&A levels to increase in the next 12 months.
- Half of the CFOs rate the impact of potential regulatory compliance incidents of the value of their companies to be high.

When CFOs are asked to assess the level of external financial and economic uncertainty facing their businesses, 54% rate this level as high to very high, compared with 55% last quarter. Another 33% of CFOs rate these conditions as being above normal.

Corporate debt most attractive

The overall sentiment regarding cost and availability of credit, however, remains negative. Most CFOs are not very likely to issue either debt or equity over the next 12 months. The decision to issue or not will probably be determined by the necessity in advance.

Still, CFOs' preferences for their favored source of corporate funding remain volatile. Bank borrowing lost its regained perceived attractiveness, and is now considered to be the least attractive source of corporate funding. Corporate debt is now perceived to be the most attractive source of corporate funding. The time for issuing debt is believed to have slightly improved again. CFOs do not think it is a good time to issue equity. However, the net percentage is decreasing for the second consecutive quarter, and is moving toward the zero mark.

On the deal front, some 71% of CFOs expect M&A activity levels to increase in the next 12 months, while only 4% think they will decrease.

Special topic: Regulatory compliance

Companies have to ensure they comply with relevant laws and regulations around the world. Regulatory compliance relates to these efforts. The organization and prevention of compliance incidents is one area of responsibility for the CFO.

In the survey, half the CFOs rate the impact of potential regulatory compliance incidents on the value of their companies to be high. These CFOs are fully aware of the potential financial risks and reputational losses that compliance incidents can bring.

Some 57% of CFOs indicate "safety, health, and environment" to be the compliance area that can impact the operational results of the company the most, followed by "anti-bribery and corruption" and "product restrictions."

When asked whether they feel comfortable that their companies' current compliance controls will prevent large regulatory compliance incidents, 58% of CFOs state they are comfortable. Being in control requires staying focused on this topic and remaining up-to-date with upcoming regulations. It is important that the right boundaries are set to accomplish the company's strategy in a compliant way.

CFOs have to ensure they organize, restructure, and enhance the regulatory compliance requirements within the company—varying from insight to foresight of upcoming regulations. Only then, will they be able to create a sustainable compliance system without hampering daily business.

North America
Ready to accelerate?

Inching forward

First the good news: CFO sentiment and expectations have gotten better over the last two quarters. Now the bad news: given just how negative the last two quarters were, this is not saying very much.

In the final two quarters of 2012, we saw declining CFO optimism and this survey's worst-ever expectations for sales, earnings, domestic hiring, and capital investment—notable because the CFOs in the survey represent many of the largest, better-resourced, and most-diversified companies in the world. While it is clearly good news that their expectations have improved, it is not great news that the survey's key metrics are all still below their long-term averages—especially since this group of CFOs tends to be pretty optimistic.

Moreover, judging from this quarter's findings, there is not a strong case for substantial improvement anytime soon. CFOs' most-cited driver of growth is the status of North American economies. But given that about one-quarter of CFOs named this factor a top growth *impediment*, and recently-released economic data has been only mildly (and debatably) positive, this is far from great news. In fact, this suggests that CFOs' relative optimism this quarter may be more a matter of a—New Year's optimism than of a fundamental upturn.

Hoping for a tailwind

Still, CFO optimism did rebound strongly, with net optimism rising from -11 last quarter to +32 this quarter. About half of CFOs expressed rising optimism, and just 20% expressed rising pessimism—a major shift. But this result comes on the heels of three quarters of declining optimism, and for the past three years we have seen optimism spike in the first quarter—only to decline markedly in the following quarters.

Highlights from the Q1 2013 North American CFO survey:

- Sentiment rebounded strongly this quarter with net optimism (the difference between those reporting rising optimism and those reporting declining pessimism) rising from -11 last quarter to +32.
- At 5.4%*, sales growth expectations are positive and about even with last quarter, but they are still below their long-term average.
- Earnings are expected to rise 12.1%, up from last quarter's 10.9% and well above Q3 2012's survey-low 8%. Expectations are 12% for the U.S. (up from 10.5%), 11.8% for Canada (up from 9.2%), and 13% for Mexico (up from 9.2%).
- Most companies have substantially ramped up their policy advocacy efforts, altered their strategies and operations, or become more conservative with their cash and investments.
- Governments' potential detrimental impacts on a stagnating global economy are CFOs' top concern. Economic concerns have largely transitioned from worries about crises/collapse to worries about persisting stagnation.

In step with optimism, sales and earnings growth expectations have improved, but are still not strong by historical standards. Sales expectations are essentially unchanged at 5.4%*, above the survey-low 4.8%* in Q3 2012, but also well below the 7% long-term average. Similarly, expected earnings growth rose from 10.9%* to 12.1%*, but this is still comparatively low.

Muted expectations appear to stem from strong headwinds and weak tailwinds. CFOs said the strongest tailwind (by far) is the status of North American economies—and that is probably not comforting given the slow pace of improvement in the U.S. On the plus side, industry-specific demand and industry dynamics are the next-strongest positive factors, driven mostly by sentiments from the Manufacturing, Technology, and Financial Services sectors. Still, it is hard to see how industry-specific factors can drive long-term growth without help from the broader economies.

Meanwhile, headwinds appear stronger and more numerous. CFOs say their governments' fiscal policy is the top impediment, driven mostly by sentiments from the Energy/Resources and Healthcare/Pharma sectors. And especially in the Financial Services, Services, and Energy/Resources sectors, CFOs worry that any positive industry dynamics might be negated by industry-specific regulation.

Slow growth = frustration

Notwithstanding the headwinds, many companies appear ready to transition from defensive and recalibration efforts to offensive action. The vast majority of CFOs say their companies are focused more on pursuing opportunity than on limiting risk, and much more on growing and scaling than on contracting and rationalizing. In response, capital-spending expectations rose, but again the growth rates are still below their long-term averages.

Cash availability doesn't appear to be the problem; CFOs say their companies are biased toward reducing debt over increasing it, and toward investing cash over holding/building it. Instead, the problem seems to lie in finding good, profitable growth opportunities in the face of slow economic growth and high uncertainty.

Accordingly, many CFOs say their boards are not putting a strong emphasis on investing pent-up cash. They also cite only mild board emphasis on either raising dividends or paying down debt, which may indicate boards' acceptance of higher cash balances as a new and necessary normal—providing strategic options, resilience, and better M&A-fueled growth opportunities.

What boards are advocating is near-term preservation of the income statement. More than 75% of CFOs say revenue growth/preservation is a substantial or strong board focus, with risk management/mitigation and cost cutting next on the list. Clearly, none of this bodes well for employment, and CFOs accordingly expect less than a 1% gain in domestic hiring over the next year—and 27% project cuts.

Rising public policy activism

Over the past few quarters, CFOs' economic focus appears to have shifted away from worries about crises and collapse toward worries about unending stagnation. And when CFOs have expressed worries about stagnation, they have also tended to express both skepticism around governments' ability to solve economic problems, and worries that government actions might make things worse.

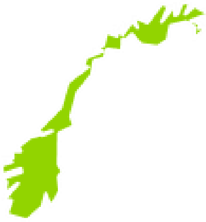
Especially in the U.S., CFOs express worries about the effects of taxing and spending policies on consumer demand. But it is interesting to note that, when we asked CFOs how much prevailing policy debates are actually affecting their investment plans, only the tax-related policies showed a substantially strong impact. High-profile policies around debt ceiling and sequestration policy were expected to have some impact for 53% and 48% of companies, respectively, but each garnered substantial or strong impact for only about 15%.

Overall, CFOs appear very tired of unending policy debate and posturing—to the point that many are resigned to their need to become much more proactive on the policy front. On the whole, about 40% said their most significant approaches to dealing with prevailing economic policy activity involved initiating or ratcheting up their public-policy advocacy efforts. To this end, their most-cited tactics include new or revised government-relations strategies, increased lobbying efforts, and an increased executive presence in Washington.

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

Norway

Staying positive



Highlights from the H1 2013 Norwegian CFO Survey:

- Norwegian CFOs are still more optimistic about the economic outlook than six months ago, with a net optimism of 36%.
- The banking sector continues to reduce financial risk on the balance sheet.
- Corporate bonds are clearly considered the most available source of financing.
- Within the Oil and Energy sector, a net balance of 40% of CFOs plan to increase their leverage in the next 12 months
- On average, CFOs attach a 10% probability to one or more euro members leaving the single currency in the next six months, down from 22% in Q3 2012.

Directionally upbeat

Economic development in Norway continues to be positive. Unemployment remains low at just above 3%, oil prices remain high (causing increased activity in the Norwegian economy), and the stock market (Oslo Børs Benchmark Index) is up around 8% so far in 2013. Still, recent signals from Statistics Norway and The Central Bank of Norway indicate some downward adjustment on the horizon.

In the Q1 2013 Norwegian CFO survey, a net balance of 36% of CFOs state that they are more optimistic about the economic outlook compared to 10% in Q3 2012. In line with continuing optimism, Norwegian CFOs expect operating cash flows to increase the next 12 months and anticipate more M&A activity in the market.

At the same time, CFOs, on average, attach a 10% probability to one or more euro members leaving the single currency in the next six months, down from 22% in Q3 2012.

Banking regulations lift bonds

Bank loans are still considered quite attractive among CFOs with a net balance of 54%. But the net balance of CFOs who see bank loans as an available source of financing has declined from 84% in Q1 2011 to 18% in Q1 2013. On the other hand, corporate bonds clearly stand out as the most available financing source, with a net balance of 55% of CFOs viewing bonds as available, up from 41% in Q3 2012. The attractiveness of corporate bonds is also high with a net balance of 49%, up from 40% in Q3 2012. The Norwegian

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corporate bond market was very strong in 2012, with about $16.5 billion in new issues, more than twice as much as in 2011. New and stricter regulations, both from the upcoming Basel III regulations and Norwegian Ministry of Finance, undoubtedly puts pressure on the banks' liquidity and capital requirements.

CFOs within the banking sector have reduced their financial risk in the balance sheet the last 12 months and plan to reduce their leverage the next 12 months. Within the Oil and Energy sector a net balance of 40 % of CFOs plan to increase their leverage the next 12 months

Spain
Gradual recovery eyed

Highlights from the H1 2013 Spanish CFO Survey:

- Some 91% of Spanish CFOs rate the Spanish economic situation as bad or very bad (6% less than in the last edition); almost one-third expect improvement in the second half of 2014.
- Half of CFOs perceive the future of the Economic and Monetary Union negatively in the short term.
- Some 83% of CFOs view the importance of exports as high or very high in promoting growth in Spain; 86% believe they will increase next year.
- Now, 50% of CFOs consider the measures taken by the government to be effective.

Slight improvement in outlook

Faced with continued global economic uncertainty, pessimism persists about the current Spanish economy. However, the data shows improvement from the last survey, with a decrease in the percentage of CFOs who considered the situation very bad (32%), and an increase in those who considered it bad (59%).

Expectations for recovery remain somewhat stable. Some 72% of CFOs believe that the Spanish economy will not recover until the second half of 2014 or later; of those, 34% believe it will not be before the first half of 2015.

Focusing on Europe, half of CFOs perceived the future of the European Monetary Union negatively in a short term; 24% in the medium term.

Improved financial perspectives

Despite increasing optimism about the operating and financial prospects of their companies, respondents continue to delay expectations about demand for their products and services. Now, 77% estimate it will be in 2014, 7% more than six months ago. Of this, 27% do not expect demand to bounce back before 2015.

CFOs' expectations for cash flow in the next 12 months are similar to last year: 46% believe it will increase, while 36% believe it will decrease.

Confidence in the IBEX 35

Finance executives have welcomed the good performance of Spanish selective in recent months and expect the index to continue an upward trend over the next year (almost three-quarters of respondents think so). These results are the most optimistic since the survey began. In addition, there was an increase in the percentage of CFOs who believe that the listed companies in Spain are reasonably valued (27%) or overvalued (15%).

Bank financing now less attractive

CFOs consider corporate debt to be the most attractive funding source for Spanish companies (29%). Thus, bank financing, previously cited as the main way to obtain cash, has become less attractive (62%). However, more than half of CFOs believe that the current level of interest rates in the eurozone are moderately or very low.

In addition, 87% of CFOs believe that the cost of new financing is high or very high, and almost 100% of respondents indicate that access to new financing is difficult. Although debt issuance is seen as the funding source considered more attractive, 60% of respondents estimate they will turn to bank debt in the next 12 months.

Better predictive capabilities

The activities in which CFOs report greater focus are the analysis of business development and coordination of the finance function, both internally and with the rest of their management team.

Some 64% of CFOs consider the use of technology to improve predictive capabilities as the most promising future innovation for the finance function. The incorporation of risk metrics in financial management processes has also been identified as one of the three main innovative aspects for 50% of respondents.

Sweden
Signs of confidence

Indicators turn postive

After a weak year-end 2012, with many indications of a relatively sharp drop in GDP during the fourth quarter compared to the preceding quarter, forward-looking indicators have recovered. The improved macroeconomic scenario is also evident in the CFO survey with the Swedish CFO Index value (a measure of future expectations that weighs four components—business conditions, financial position, lending willingness, and counterparty default risk) weighing in at 49.5 in February compared with 48.3 in September.

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Sentiments and outlook

Overall, CFOs remain reasonably positive regarding business conditions and outlook. Companies are currently looking forward to 2013 with signs of increasing optimism, albeit from a low level. They also regard their financial position as favorable, as confirmed by the dividends proposed in year-end reports. Having kicked the can down the road by a further six months since our last survey, companies appear to have adapted to the generally weak macroeconomic environment. The aggregated financial position index was 54, up from 52 in September. A total of 44% of CFOs questioned replied that their company's financial position was "favorable" although, as the proportion answering "average" remains largely unchanged while 9% claim their company's financial position was "very favorable."

Prospects and concerns

As in previous surveys, demand remains the biggest worry for Swedish CFOs. Some 57% of CFOs cited demand, a percentage that has risen sharply since September to near November 2011 levels. Exchange rates are not deemed as important as in September although relative concerns regarding shortages in skilled labor nearly doubled to 9% since the last survey.

Highlights from the Spring 2013 Swedish CFO Survey:

- A total of 44% of CFOs said that their company's financial position was "favorable," and 9% claim that it is "very favorable."
- About 60% of CFOs believe the OMXS30 will increase by 5% over the next 12 months, while 16% expect it to increase by 10% or more.
- Some 59% of companies surveyed are not using the corporate bond market to finance operations, but an increasing share will use it in the future.

  A majority (56%) of CFOs forecast cash flow to increase, while 11% project a double-digit improvement over the next year.
- As far as hiring is concerned, some 35% of CFOs believe the number of employees in Sweden will decline in the next six months, compared to 44% last September.
- The main worry facing CFOs is consumer demand (57%)

The latter concern is usually a signal indicating more confidence by companies looking to hire new personnel. When asked specifically about those prospects, some 35% of CFOs said they believe the number of employees in Sweden will decline, well below last September, when 44% expected to cut personnel. A total of 53% think the number of employees will remain unchanged while 12% expect it to increase, up 6% from September.

Outlook: stocks and bonds

CFOs are generally optimistic regarding the outlook for the Swedish stock market, a fairly positive indicator from individuals with the closest knowledge of individual company prospects. Almost 60% of CFOs surveyed believe the OMXS30 will increase by 5% over the next 12 months, while a further 16% expect it to increase by 10% or more. Some 16% of CFOs forecast no change, while 9% believe it will fall significantly during the next year. These results indicate an increase either largely in line with or slightly below the market's long-term historical average growth. Between September 1 last year and mid-February, the OMXS30 rose almost 10%. It may be reasonable to ask whether CFOs are biased, based on the market's strong performance in recent months and the large dividends proposed in Q4 reports, or whether they in fact believe they and their peers will perform reasonably well going forward?

Based on the results of the survey, bond market activity should continue to increase with more companies indicating their intention to use it for funding. This is clearly consistent with the increasing popularity of corporate bonds among both companies and investors in recent years. CFO replies indicate that 59% of companies surveyed are not using the corporate bond market to finance operations. Of these, some 11% expect to do so at some point.

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Switzerland

Optimism rises; caution remains

Enjoying a clearer view

The economic expectations of Swiss CFOs improved significantly during the current quarter. A net balance of 42% views Swiss economic growth in the next 12 months as positive, an increase of almost 50 percentage points from the previous quarter. This means expectations are clearly positive for the first time in almost two years.

CFOs are also less fearful of a recession. At the time of the survey, only 17% of CFOs expected a recession in Switzerland in the next two years – by far the lowest figure since the question was first asked in Q3 2011.

The official numbers of the Swiss State Secretariat for Economic Affairs (SECO) confirm this positive trend. According to their latest figures, Switzerland avoided a recession in 2012 with GDP increasing by 1%. During the last three years, Swiss GDP grew each quarter. Toward the end of 2012, the growth rate increased and SECO expects the increase in the growth rate to continue for the next two years. The forecast for GDP growth in 2013 is at 1.3% and in 2014 at 2.1% compared to the previous year.

Corporate outlook improving

CFOs are also more positive regarding the financial prospects for their own companies, which is in line with economic expectations. Even though the percentage of optimists is almost unchanged from the previous quarter (32%), the number of pessimists has dropped significantly from 23% to 16%. As a result, the net balance increased from 11% to 17%. About half (52%) of CFOs report no change in their outlook from the previous quarter.

Highlights from the Q1 2013 Swiss CFO Survey:

- Few fears of recession. Some 83% of CFOs do not expect a recession in Switzerland in the next two years.
- Revenue expectations have increased considerably with 57% anticipating an increase in the next 12 months, nearly twice as many as the previous quarter.
- Cost control remains a top strategic priority for 83% of CFOs.
- In the current quarter, 67% of CFOs consider credit costs to be low, while only 5% regard them as high..
- Some 36% of CFOs view the strength of the Swiss Franc as a significant risk to their company, down sharply from 72% a year-and-a-half ago.
- Only 44% of CFOs consider strategic uncertainties to be their biggest challenge, down from 60% a year ago.

The first quarter of 2013 has seen an increase in several performance indicators. Expectations for revenue growth in the next 12 months have increased significantly. Some 57% of CFOs (previous quarter 34%) expect an increase in revenues, while only 11% (previous quarter 28%) anticipate a decline. This results in a net balance of 46%. CFOs are also more optimistic about operating margins. The recovery trend from the last few quarters continues, and the pressure on operating margins is declining. During Q1 2013 the net balance was -8% compared to -24% in the previous quarter.

Improvement can also be seen in other key ratios even though their net balance remains negative or only just positive. This development can be seen most clearly in the recruitment of new employees. The percentage of CFOs who expect a decline in recruiting dropped significantly from 54% to 31%. At the same time, the share expecting an increase went from 15% to a slightly higher 16%.

Credit conditions attractive

Bank loans and corporate bonds still remain the most favored sources of funding and are considered attractive by a large majority of CFOs. Equity issuance continues to play catch-up. But thanks to booming stock markets this form of external funding has become increasingly attractive for several quarters now.

In addition, a large majority considers the cost of credit to be low. The net balance of 62% is one of the highest since the beginning of the survey. Credit availability is also perceived favorably by an increasing number of CFOs, with a net balance of 43% stating that credit was readily available. Moreover, the demand for credit remains positive over the next 12 months

Risks receding

Risk perception and risk appetite have changed significantly during this quarter. Risks on corporate balance sheets have clearly decreased, whereas risk appetite has increased again. However, risk appetite remains negative; companies thus continue to be risk averse. The fact that the difference between expected and actual risk decreased for the first time in two years may be viewed as a sign of less tension.

This is also confirmed by the risks CFOs perceive for their own companies. They have decreased in almost all areas. Risks that were perceived as significant in previous quarters—problems in the financial system, weaker foreign demand, and the strength of the Swiss Franc—dropped by about 10 percentage points each.

The role of the CFO

Given the current range of tasks facing CFOs, controlling is a key priority for 75% of them, and organizing the process of the finance operation follows in second place. Compared to three years ago, the importance of controlling has increased significantly, whereas financing and organizing the finance operation are now less important.

Some of the challenges facing a CFO have also changed significantly over the last three quarters. Currently 44% consider strategic uncertainties as a challenge, whereas in Q2 2012, the figure was 60%. This reflects calmer economic conditions. Strategic uncertainties still remain the most important challenge, followed by transformation programs and changes in the regulatory environment. In addition, the perceived pressure to perform has eased, but the workload has increased.

United Kingdom
Fewer risks; greater optimism

Clearing skies

The fog of economic uncertainty which has been a dominant feature of the UK CFO Survey for the last five years showed some signs of clearing in the first quarter.

CFOs' perceptions of macroeonomic and financial uncertainty have dropped to a two-and-a half-year low. And, despite the crisis in Cyprus, CFOs are more confident that the euro area will hold together. Lower uncertainty has lifted business confidence for the third consecutive quarter and corporate appetite for risk is not far off the peaks seen in early 2011, when Europe looked set for a sustained recovery.

Credit available and cheap

Reduced stress in financial markets has delivered improvements in credit conditions for UK corporations. CFO say that credit is more available and cheaper than at any time since the survey started in September 2007. Lower costs and improved availability of credit have ensured that raising debt, through bond issuance or bank borrowing, remains the most attractive form of financing for large corporations.

Still focused on costs

CFOs have edged away from their previous emphasis on cost control and cash flow. Our index of corporate defensiveness, having trended higher for two-and-a-half-years, has declined sharply. Nonetheless, cost reduction and increasing cash flow remain the top priorities for corporations, albeit by a narrow margin.

Highlights from the Q1 2013 UK CFO Survey:

- CFO optimism about the financial prospects for their own companies has risen for the third consecutive quarter.
- Despite the crisis in Cyprus, CFOs only attach an18% probability to the euro breaking up in the next 12 months—half the level as last summer.
- CFOs report that credit is cheaper and more easily available now than at any time in the past five years.
- CFOs consider equities to be overvalued for the first time in three years.
- International companies, those deriving more than 70% of their revenue from outside the UK, have decisively shifted from a defensive to an expansionary stance.

Rising risk appetite

In recent months, investors have increasingly turned to risk assets, such as equities, in search of higher returns. CFOs attitudes toward risk tend to mirror those of investors. Corporate risk appetite rose to almost a two-year high in the first quarter. Companies that derive most of their revenue from foreign markets display a significantly greater appetite for risk than their UK-facing peers.

Overseas markets beckon

British business looks set to benefit from a less risky, and improving, global economic backdrop. International companies, those deriving more than 70% of their revenue from outside the UK, have decisively shifted from a defensive to an expansionary stance. On the other hand, UK-facing corporates, those deriving less than 30% of their revenues from abroad, remain defensive. But optimism among these companies has risen too.

As for what is driving corporate investment, the big message is that improving macroeconomic and financial conditions are easing the constraints. In comparing CFO sentiment on nine drivers of corporate investment versus six months ago, CFOs reported being more positive on eight out of the nine. CFOs are most optimistic, and increasingly so, about prospects for long-term growth in demand for their own products and economic activity in emerging markets, the U.S., and the Asia-Pacific region. Sentiment on the cost and availability of finance has also improved, and CFOs do not see credit conditions exerting a dampening effect on investment.

Deloitte Member Firm CFO Surveys

About Deloitte Member Firms' CFO Surveys

Twenty Deloitte Member Firm CFO surveys, covering 38 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.

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Member Firm	Contacts	Frequency	Survey Scope and Population
Argentina	**Claudio Fiorillo** Partner +54 11 4320 4018 cfiorillo@deloitte.com	Biannual	Conducted in March 2012 over a three-week period; 13 CFOs participated of which 85% represented private companies and 69% represented businesses with annual revenues of less than U.S. $1 billion
Australia	**Stephen Gustafson** Partner +61 (0) 2 9322 7325 sgustafson@deloitte.com.au	Quarterly	Conducted between March 12, 2013 and April 1, 2013; 62 CFOs participated, representing businesses with a combined market value of approximately AUD $412 billion or 28% of the Australian-quoted equity market.
Austria	**Mag. Gerhard Marterbauer** Partner +43 1 537 00 4600 gmarterbauer@deloitte.at	Quarterly	Conducted in April 2013; 117 CFOs and financial executives participated, representing a broad range of industries. Of the participating companies, 26% have revenues in excess of €1 billion, and 41% have revenues greater than €100 million.
Belgium	**Thierry Van Schoubroeck** Partner + 32 2 749 56 04 tvanschoubroeck@deloitte.com	Quarterly	Conducted between March 13, 2013 and April 3, 2013; 62 CFOs completed the survey. The participating CFOs are active in variety of industries, 25% of the participating companies have a turnover of over €1 billion, 39% of between €100 million and €1 billion, and 36% of than €100 million.
China	**Danny Lau** **National Leader**, China CFO Program +852 2852 1015 danlau@deloitte.com.hk	Annual	Conducted in February 2013; 200 CFOs participated; 60% of respondents represented companies with annual revenue of more than RMB 1 billion.
Finland	**Tuomo Salmi** Partner, CFO Program Leader +358 (0)20 755 5381 Tuomo.salmi@deloitte.fi	Biannual	Conducted between March 26, 2013 and April 16, 2013; 63 CFOs participated; More than half of the companies have an annual turnover of more than €200 million; 25% have an annual turnover of more than €1.5 billion.

France	**Valerie Flament** Partner, CFO Program Leader +33 1 40 88 24 64 vflament@deloitte.fr	Biannual	Held during the last two weeks of April with 75 CFOs of France's largest companies (including French subsidiaries). Some 49% represented listed companies and the remaining 51% were large private and public companies. The participating CFOs are active in variety of industries.
Germany	**Rolf Epstein** Partner, CFO Program + 49 (0) 69 97137409 repstein@deloitte.de	Biannual	Conducted between March 4, 2013 and March 22, 2013, 124 CFOs from major German corporations took part in this CFO survey. Just under 60% of the companies represented generate more than €500 million in revenue; more than40% have more than €1 billion in revenue; 33% of the participants were from the manufacturing sector.
Ireland	**Shane Mohan** Partner +353 1 417 2543 smohan@deloitte.ie	Quarterly	Conducted in March 2013; CFOs of listed companies, large private companies, and Irish subsidiaries of overseas multinational companies participated.
Netherlands	**Jan de Rooij** Partner +31 (0) 6 5336 6208 JandeRooij@deloitte.nl	Quarterly	Conducted between March 6, 2013 and April 2, 2013; 24 CFOs representing a net turnover per company of approximately €2.8 billion, completed the survey. The responding companies can be categorized as follows: less than €100 million (8%), €100–499 million (29%), €500–999 million (4%), €1–4.9 billion (33%), more than €5 billion (16%).
North America *(U.S., Canada, Mexico)*	**Greg Dickinson** N.A. CFO Survey Director +1 213 553 1030 gdickinson@deloitte.com	Quarterly	Conducted between February 11**,** 2013 and February 22**,** 2013; 106 CFOs participated from across the United States, Canada, and Mexico. Eighty five percent of respondents represent CFOs from public companies, and 85% are from companies with more than USD $1B in annual revenue.
Norway	**Ragnar Nesdal** Partner, Financial Advisory +47 958 80 105 rnesdal@deloitte.no	Biannual	Conducted between February 26, 2013 and March 7, 2013; 100 CFOs participated from across Norway. All respondents represent CFOs from the 500 biggest companies in Norway, and more than 24% are from companies with more than 5000 million NOK in revenue and 58% are companies with revenue above 1500 million NOK.
Spain	**Jesús Navarro** Partner +34 91 514 50 00 jenavarro@deloitte.es	Biannual	Conducted in March 2013; 173 CFOs participated; 20% from companies or groups listed in the Spanish market and/or companies or groups listed in international markets. Of the participating companies, 50% have revenues in excess of €100 million, and 40% have more than 500 employees.
Sweden	**Tom Pernodd** Partner, Financial Advisory +46 75 246 30 60 tpernodd@deloitte.se	Biannual	Conducted in February 2013; Participating CFOs represented the largest companies in all industries in the market.
Switzerland	**Dr. Michael Grampp** Chief Economist +41 44 421 68 17 mgrampp@deloitte.ch	Quarterly	Conducted between February 25, 2013 and March 18, 2013; 116 CFOs participated, with 30% representing listed companies and the remaining 70% representing large private companies.
United Kingdom	**Ian Stewart** Chief Economist +44 020 7007 9386 istewart@deloitte.co.uk	Quarterly	Conducted between March 14, 2013 and March 28, 2013; 120 CFOs participated, including the CFOs of 26 FTSE 100 and 44 FTSE 250 companies. The rest were CFOs of other UK-listed companies, large private companies, and UK subsidiaries of major companies listed overseas. The combined market value of the 69 UK-listed companies surveyed is £671 billion, or approximately 32% of the UK-quoted equity market.