



European CFO Survey

Recovery continues

Q1 | May 2017

Contents

Foreword	01
Key findings	02
Financial prospects rebound	03
Uncertain times continue	05
Slight increase in risk appetite	06
Strong revenue expectations	07
Margins outlook improving	08
Capex intentions more promising	09
Stability around hiring	10
Labour concerns grow as expansion becomes a priority	11
Growth strategies back on the agenda	12
Bank borrowing preferred option for financing	13
CFOs consider more EU departures possible	16
CFOs divided on best approach for future EU success	17
Data summary	18
Contacts	22

About the data

The findings discussed in this report are representative of the opinions of 1,580 CFOs based in 19 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey and the UK. CFOs were all contacted between February and March 2017. French responses represent preliminary data.

Some of the charts in the Survey show results as an index value (net balance). This is calculated by subtracting the percentage of respondents giving a negative response from the percentage giving a positive response; responses that are neither positive nor negative are deemed to be neutral. Due to rounding, not all percentages shown in the charts will add up to 100.

Acknowledgements

We would like to thank all participating CFOs for their support in completing the survey.

Further information

For further information and a more detailed analysis please visit www.deloitteresearchemea.com. If you would like to contact us please complete the form on our website or email us at europeanCFO@deloitte.co.uk

Authors and contributors

Michael Grampp

Director, European
CFO Survey Lead, Deloitte AG
+41 (0) 58 279 6817
mgrampp@deloitte.ch

Alex Cole

Economist
Deloitte LLP
+44 (0) 207 7007 2947
alecole@deloitte.co.uk

Kate McCarthy

EMEA Research Centre Lead
Deloitte LLP
+44 (0) 20 7303 3450
katmccarthy@deloitte.co.uk

Contacts

Alan Flanagan

Partner, EMEA CFO Programme Lead
Deloitte Ireland
+353 (1) 417 2873
aflanagan@deloitte.ie

Sanford A. Cockrell III

Managing Partner, Global Leader,
CFO Programme, Deloitte DTTL
+1 (212) 492 3840
scockrell@deloitte.com

For more information please visit:
www.deloitteresearchemea.com

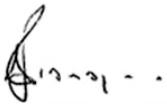
Foreword

Welcome to the fifth edition of the Deloitte European CFO Survey. The Survey presents the insights from CFOs across Europe on market and business sentiment. In this edition we explore their views on the future of the European Union with a specific focus on the perceived strategies for success. Recent political shifts and upcoming elections across the region have led to uncertainty among CFOs, yet the data presented in this report shows encouraging evidence of their heightened optimism and increased risk appetite in organisations across Europe.

The European CFO Survey is part of the Deloitte EMEA CFO Programme. This is an initiative that brings together multidisciplinary teams of senior Deloitte professionals and subject matter specialists across Europe to help CFOs effectively address the challenges and demands they experience in their role.

The Deloitte EMEA CFO Programme helps inform, develop, empower and connect the CFO community across the region. Programme offerings include the Deloitte Next Generation CFO Academy and CFO Transition Labs, and are geared to assist CFOs in executive transitions and transformations. If you would like further information on the programme please contact the programme leader in your country.

We would like to thank all of the CFOs who took the time to participate in this edition of the Deloitte European CFO Survey. We hope that these insights bring an interesting dynamic to your discussions.



Alan Flanagan

Partner, EMEA CFO Programme Lead

Key findings

The Q1 2017 Deloitte European CFO Survey illustrates that corporates across Europe have become more optimistic about the prospects for their businesses.

A net balance of +25% of Chief Financial Officers (CFOs) in our cohort reported higher degrees of optimism when asked about the financial prospects for their firms compared to three/six months ago. The biggest increases in optimism come from CFOs based in the UK (+45pp), Austria (+41pp), Portugal (+39pp), the Netherlands (+38pp), Finland (+33pp), France (+29pp) and Sweden (+29pp). Optimism has risen in 17 of the 19 countries polled.

This rise in optimism has come at a time when CFOs' perceptions of external uncertainty are falling. Although a majority (55%) still believe uncertainty to be above normal, this is the third consecutive quarter where perceptions of uncertainty have fallen. A year ago 64% of CFOs viewed uncertainty as elevated. Perceptions of uncertainty are highest in the UK (+85%), Germany (+84%) and Greece (+81%) – where businesses remain exposed to potentially significant political shifts this year.

Crucially, the improved outlook for Europe is also being reflected in CFOs adopting a more positive attitude towards strengthening their company's performance. Improved optimism and falling uncertainty have led to increased risk appetite compared to the previous survey (+9pp). While risk appetite overall is clearly not strong (-34% net balance) this is still an encouraging sign.

This change in attitude is also supported by CFOs viewing expansionary business strategies as more attractive for the 12 months to come. This quarter has seen a strong shift (+16pp) towards capital expenditure and an upwards shift in hiring (+6pp) among CFOs overall.

As CFOs have become more optimistic about the financial prospects of their firms, they have also become more positive about the outlook for revenues and margins. This optimism linked to revenues is evident with a net balance of +58% (+9pp), and although the outlook for margins is not as optimistic (net balance +25%), it has also improved (+5pp).

This quarter our special questions focused on the future political trajectory of Europe.

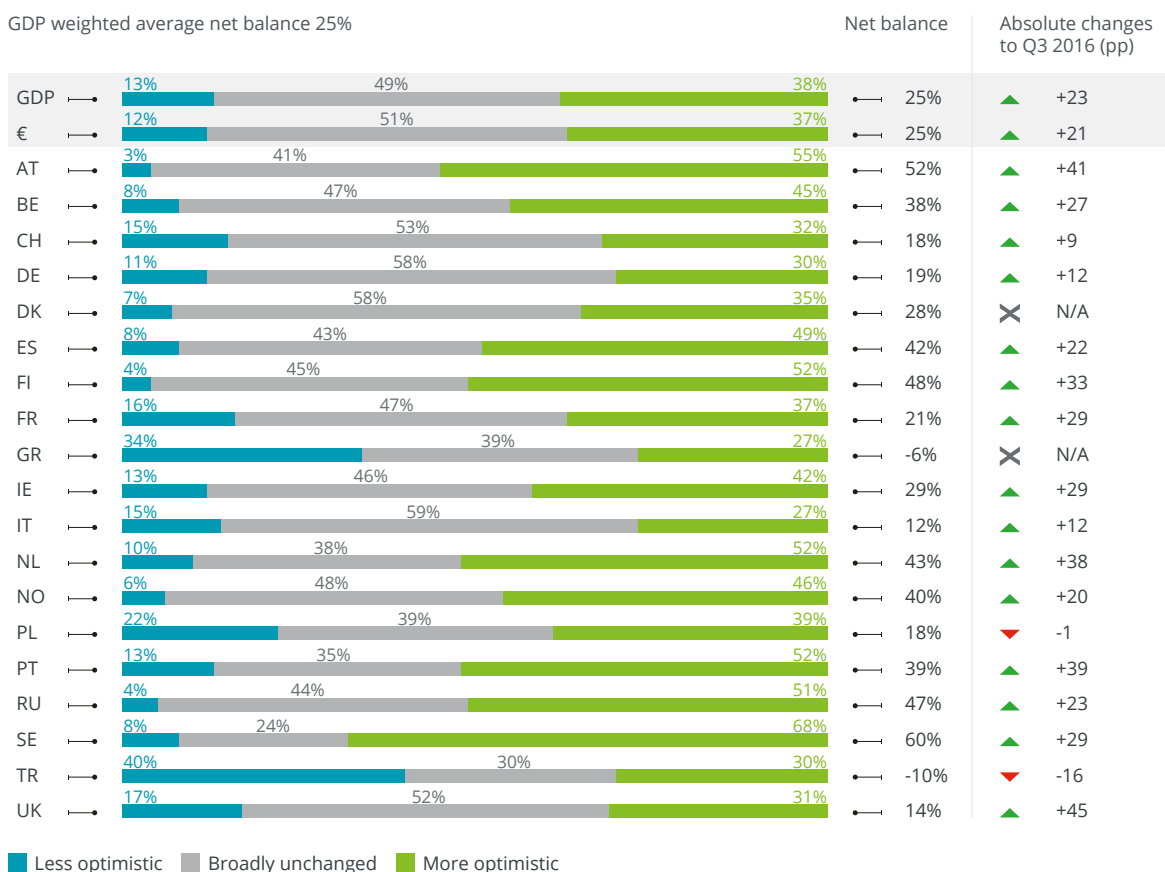
Following the UK's vote to leave the EU, we asked CFOs to state the likelihood they attributed to further member states voting to leave the union in the next five years. Based on the results, CFOs attributed an average probability of 33% for further exits, with the vast majority of CFOs surveyed viewing a further break-up of the union as unlikely, but not impossible.

We also asked CFOs which options would help ensure the future success of the European Union. The vast majority (81%) of CFOs stated that some form of increased integration in Europe is needed, with 42% preferring increased integration among certain member states (the 'multi-speed' option) and 39% supporting increased integration for the union overall. Only 7% believe the status quo will prove sustainable. That said, some clear splits in opinion are evident at a country level when their preferred solutions were considered.

Financial prospects rebound

Compared to three months ago, how do you feel about the financial prospects for your company?*

Chart 1. Financial prospects (%)



*Note: In Denmark, Finland, Norway, Italy, Spain and Sweden the questions specified a six-month period.

Optimism among European CFOs rebounded strongly between the third quarter of 2016 and the first quarter of 2017. For the first time since we began the European CFO Survey, we have seen a broad improvement in sentiment across almost all participating countries, and a net balance of +25% of CFOs are now more optimistic about the financial prospects of their firms than they were three/six months ago. This represents a 23 percentage point rise since our last survey six months ago.

Improved optimism has come on the back of strengthening growth in Europe. Europe's recovery gained traction in the final quarter of 2016 and was then further boosted at the start of 2017 when a

number of economic indicators suggested resilience in the face of political uncertainty. The International Monetary Fund's latest forecasts (April 2017) suggest growth of 1.7% for the euro area this year and 2.0% for the EU, up from the 1.5% and 1.7% respectively they forecast last October. In fact, the latest Eurostat results (May 2017) show the euro area growing at 0.5% in the first quarter of 2017, 0.1% higher than the results for the broader EU. These upgrades have followed numerous signs of strengthening economic activity across Europe, including sharp improvements in business and consumer sentiment, and buoyant manufacturing output.

This improvement led to the chief economist of the European Central Bank to declare in March that there has been "a change in the narrative" on Europe, adding "the tone has changed significantly. Austerity is out and secular stagnation has disappeared".

The overall improvement in sentiment is also likely to reflect the fact that some risks (mainly geopolitical) have not yet materialised or created the negative shock that some had feared.

Our overall averages are GDP-weighted, meaning changes in larger European economies have a greater impact on headline figures. As such, the improvement in optimism seen in the UK and France – Europe's second and third largest economies respectively – has been particularly influential in our results.

In both countries, forecasts for growth in 2017 have been steadily upgraded since the last survey. In the midst of hotly contested presidential elections, French business activity remained robust in Q1, reaching a near six-year high in April. Indeed, France was the strongest performer among the euro area's major economies. Consumer demand also strengthened with retail sales and new car registrations rising. Although CFOs in the UK remain less optimistic than many of

their peers, optimism rose to an 18-month high in Q1 as the UK's economy performed better than expected in the wake of the Brexit vote last summer.

CFOs in Sweden (net balance +60%) remain the most optimistic among all 19 countries surveyed, followed by CFOs in Austria (+52%), Finland (+48%) and Russia (+47%). Optimism among CFOs in Sweden has reached its highest level since spring 2011, on the back of solid domestic growth and improving prospects for growth globally. In Finland, the outlook has benefitted from an improving domestic economy, as well as a mild recovery in Russia. The improvement in Russia is notable as it reflects the country's emergence from a prolonged downturn, which began in the first quarter of 2015 and is seemingly coming to an end in the final quarter of 2016.

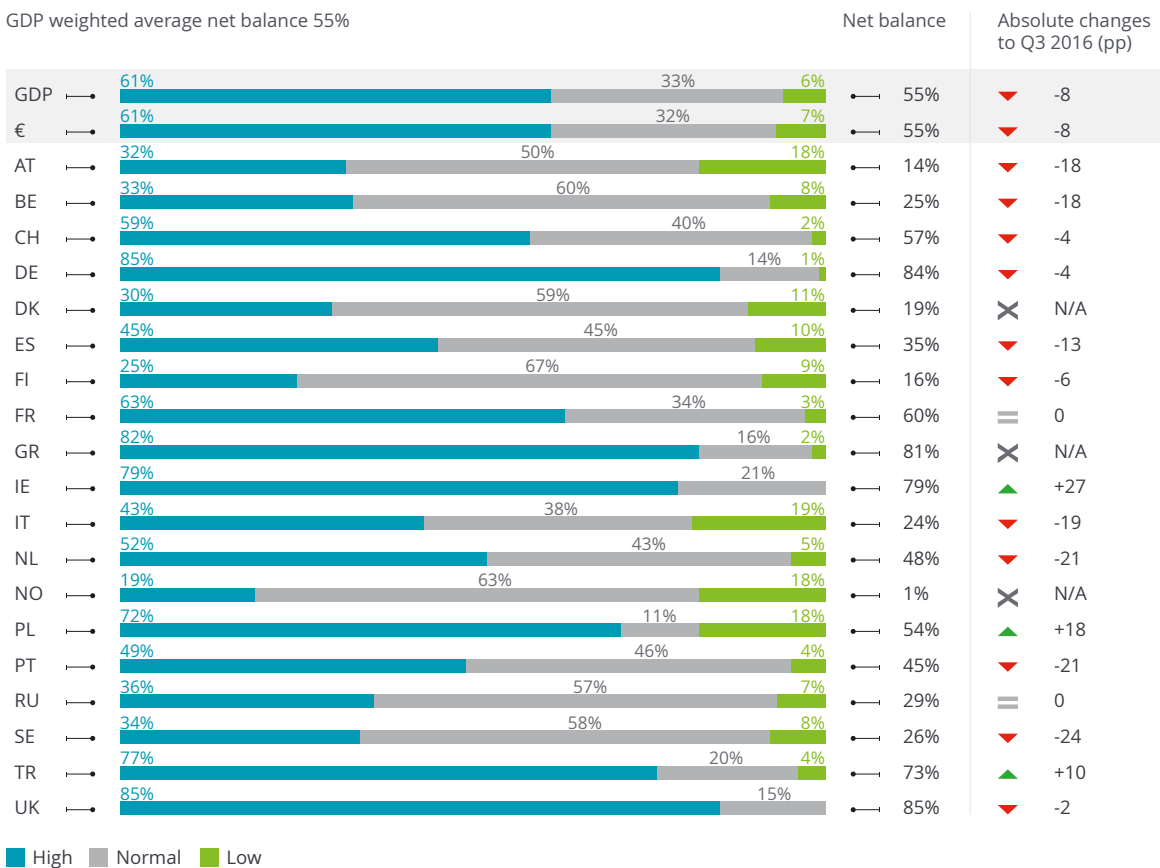
Only in Turkey has sentiment dropped (-16pp) noticeably since Q3 2016. The Turkish economy has cooled markedly in recent quarters, with economic growth of just 2.9% in 2016, significantly lower than the 6.1% growth recorded in 2015. Greece (which ran the survey for the first time this quarter) is the only other country where more CFOs are pessimistic than optimistic about the financial prospects of their firms. While the economy is no longer contracting, it continues to deal with the effects of its protracted recession.

Uncertain times continue

How would you rate the overall level of external financial and economic uncertainty facing your business?

Chart 2. Uncertainty (%)

GDP weighted average net balance 55%



Despite the improved outlook, levels of uncertainty remain elevated across our cohort, with a majority (+55%) of CFOs reporting above normal levels of external uncertainty. Only in Norway (1%) did a net balance of CFOs report that the overall level of external financial and economic uncertainty facing their business is low.

However, overall reported levels of uncertainty have fallen (-8pp), supporting the view that optimism is improving in most European countries after a difficult 2016.

CFOs in the UK (85% above normal), Germany (84% above normal) and Greece (81% above normal) report the highest levels of uncertainty which, to varying degrees, will be driven by uncertainty at a political level. Results from the UK reflect continued uncertainty around the impact of Brexit. In Germany the economy's reliance on exports could be affected by geopolitical risks, as well as falling foreign demand, as confirmed by the risks CFOs highlighted (see page 11). In Greece, the government is trying to manage the terms of their bail-out while domestic demand continues to suffer.

A large proportion (79%) of CFOs in Ireland also report high levels of external uncertainty, undoubtedly affected by the Brexit process among other challenges.

Countries that saw the largest increases in optimism also saw perceptions of uncertainty fall (Sweden -24pp, Austria -18pp, Finland -6pp and the UK -2pp).

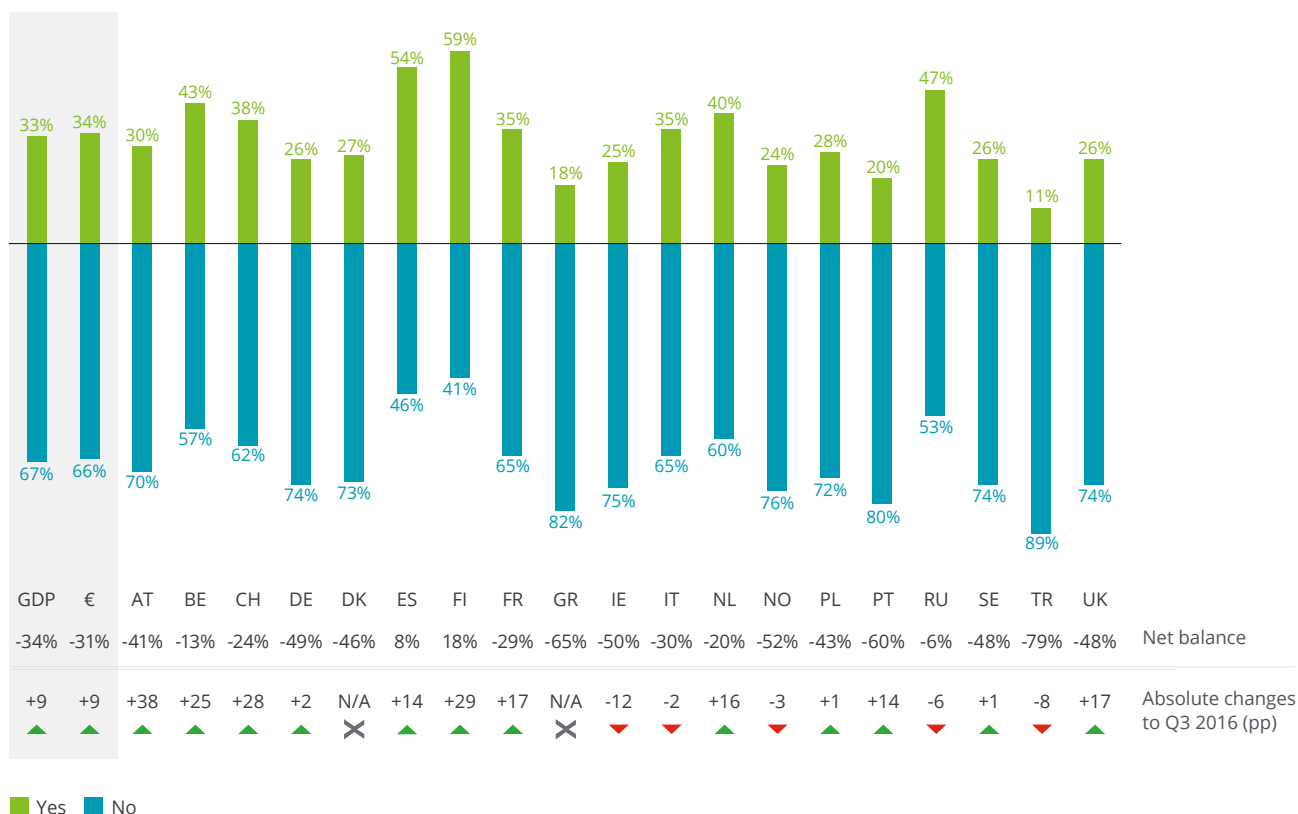
In absolute terms, perceptions of uncertainty are lowest among CFOs in Norway (1%), Austria (14%), Finland (16%) and Denmark (19%).

Slight increase in risk appetite

Is this a good time to be taking greater risk onto your balance sheet?

Chart 3. Risk appetite (%)

GDP weighted average net balance -34%



At the start of 2017, CFOs overall report a greater willingness to take risk on to their balance sheets (+9pp up from a net balance of -43%). Despite this improvement, more than two-thirds (67%) of CFOs across our cohort do not believe now is a good time to be taking greater risk on to balance sheets, reflecting the fact that perceptions of uncertainty remain elevated (as shown in Chart 2). Given the uncertainties faced in 2016, and in many cases still being faced, this may reflect a 'wait-and-see approach' among many CFOs.

The only countries where a majority of CFOs believe now is a good time to take greater risk are Spain (54%) and Finland (59%), where there have also been marked improvements in optimism among CFOs.

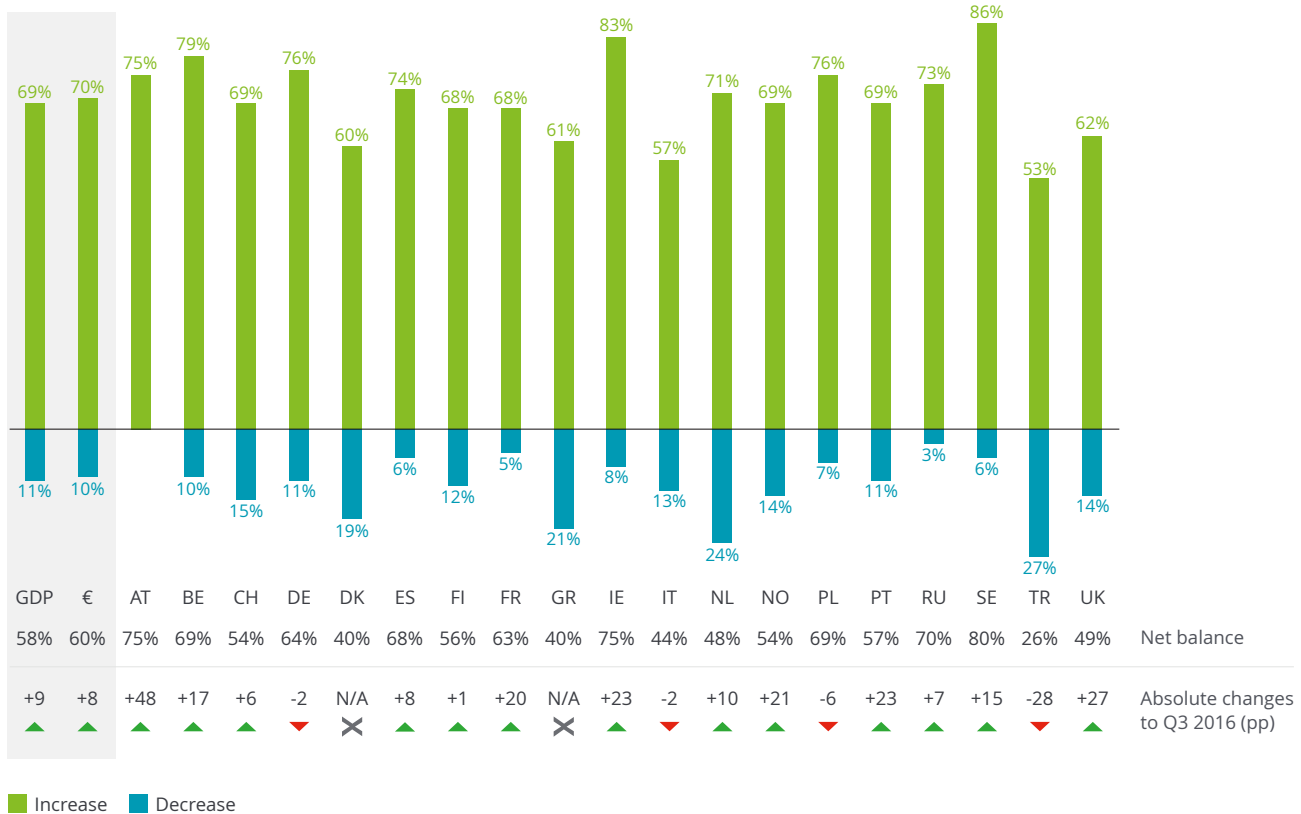
The most risk averse CFOs are found in Turkey, Greece and Portugal – where more than 80% of CFOs in each country don't think now is a good time to be taking greater risk.

Strong revenue expectations

In your view, how are revenues for your company likely to change over the next 12 months?*

Chart 4.1 Revenues (%)

GDP weighted average net balance 58%



*Note: In the UK CFOs were asked "How are revenues for UK corporates likely to change over the next 12 months?"

CFOs remain optimistic about the revenue prospects for their companies. On a GDP-weighted basis, the net balance revenue outlook for the next 12 months has increased by 9pp to 58%. Of the cohort only 11% expect revenues to decrease while 69% expect them to increase.

A majority of CFOs in every country surveyed are optimistic about revenues, with the most optimistic CFOs in Sweden (+80% net balance), Ireland (+75%) and Austria (+75%).

The optimism of CFOs in France (+63% net balance) is notable given the size and significance of the French economy. Compared to the previous survey, CFOs in the UK are significantly more optimistic about revenues (+27pp) as are those based in Portugal (+23pp).

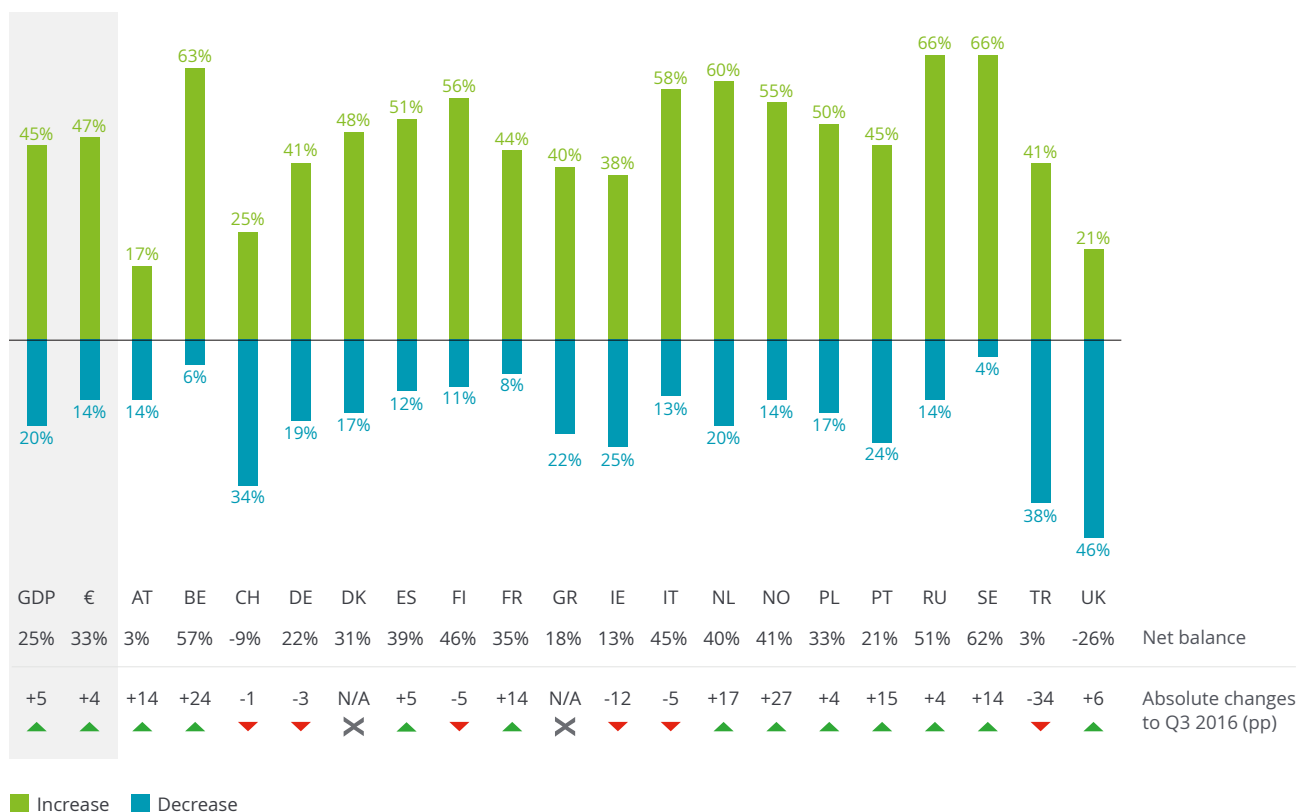
CFOs are least optimistic in Turkey (+26%), Greece (+40%) and Denmark (+40%).

Margins outlook improving

In your view, how are operating margins for your company likely to change over the next 12 months?*

Chart 4.2 Operating margins (%)

GDP weighted average net balance 25%



*Note: In the UK CFOs were asked "How are operating margins for UK corporates likely to change over the next 12 months?"

As with revenues, the outlook for operating margins is positive and has improved. A net balance of +25% of CFOs expect operating margins to rise over the next 12 months.

CFOs in Sweden are the most optimistic (+62%), followed by those in Belgium (+57%) and Russia (+51%).

CFOs in the UK retain a negative outlook for operating margins (-26%), and are the most pessimistic of the cohort, followed by CFOs in Switzerland (-9%). In the UK, 46% of CFOs expect margins to fall and only 21% expect them to rise.

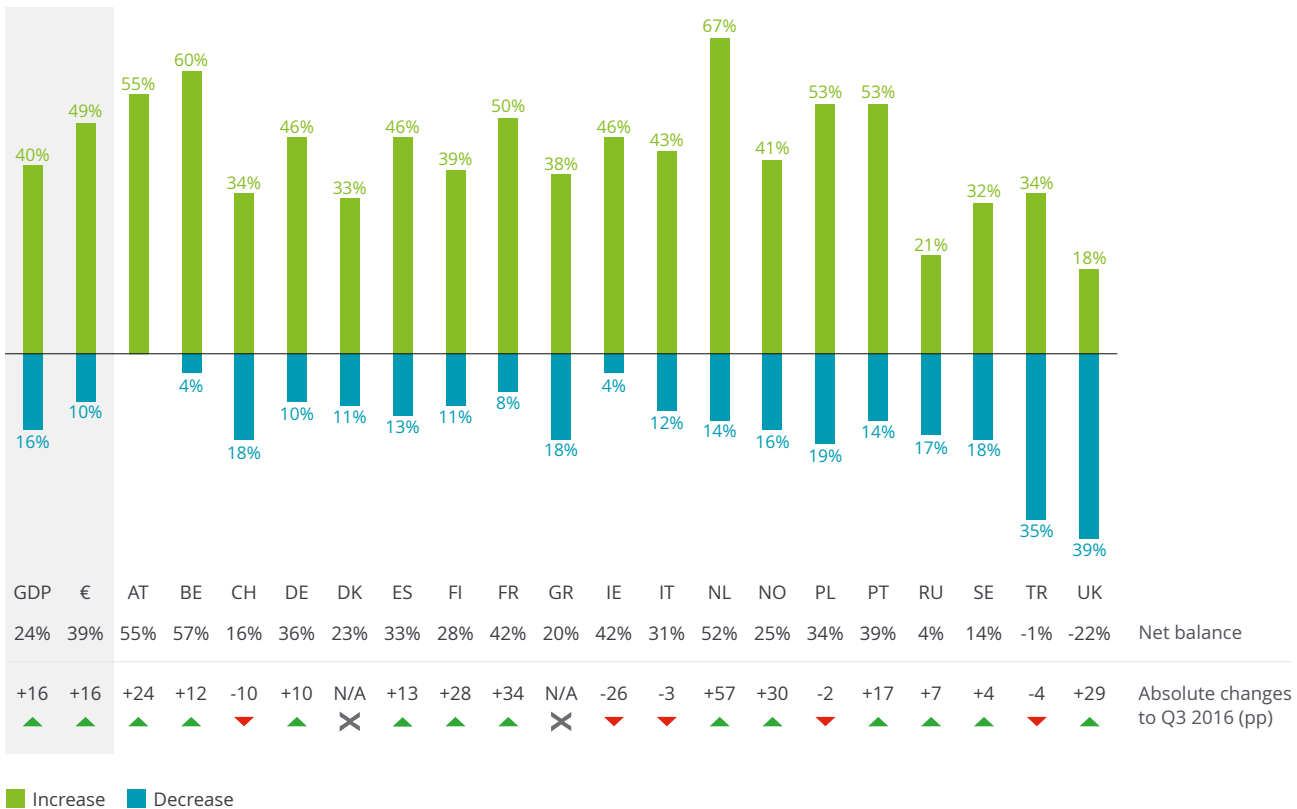
The largest fall compared to six months ago occurred in Turkey (-34pp), followed by smaller declines in Ireland (-12pp), Italy (-5pp) and Finland (-5pp).

Capex intentions more promising

In your view, how are capital expenditures for your company likely to change over the next 12 months?*

Chart 4.3 Capital expenditure (%)

GDP weighted average net balance 24%



*Note: In the UK CFOs were asked "How is capital expenditure for UK corporates likely to change over the next 12 months?"

Overall, CFOs in our cohort are more optimistic about the outlook for capital expenditure (capex) over the next 12 months (+24% net balance). Significantly, compared to Q3 2016, CFOs have become even more optimistic about capex (+16pp). 40% of European CFOs expect capex to rise; 16% expect it to decrease and 43% expect it to remain the same.

Capex intentions are strongest among CFOs in Belgium (+57%), Austria (+55%) and the Netherlands (+52%).

Only in the UK (-22%) and Turkey (-1%) do a majority of CFOs report plans to decrease capex in the next year.

In the UK there has been a turnaround in investment sentiment. Compared to the Q3 2016 results, where a net balance of -50% planned to decrease capex, a net balance of -22% now plan to decrease capex. However, while the outlook has clearly improved in Europe's second largest economy, CFOs in the UK still have the lowest risk appetite among the close to 1,600 CFOs surveyed.

Stability around hiring

In your view, how is the number of employees for your company likely to change over the next 12 months?*

Chart 4.4 Number of employees (%)

GDP weighted average net balance 11%



*Note: In the UK CFOs were asked "How is the outlook for hiring for UK corporates likely to change over the next 12 months?" In Finland the question specified a six-month period.

On average, 34% of CFOs expect an increase in the number of employees in their business over the next 12 months while 22% expect a decrease. As with other indicators, this represents an improvement compared to six months ago (net balance increase of 6pp).

The outlook for employment in euro area countries is somewhat more optimistic than across all countries, and follows the continued strengthening of the labour market in the euro area. Employment in the euro area ended 2016 at its highest level since the third quarter of 2008, and hiring by euro area businesses hit a nine-year high at the start of 2017. That said, unemployment remains historically high in the majority of the countries surveyed.

There are big differences between countries, however. CFOs in Ireland (net balance +63%), Belgium (+51%), Poland (+40%) and Spain (+30%) are the most optimistic of the cohort on employment, while CFOs in the UK (-28%), the Netherlands (0%), Finland (0%), Turkey (+1%) and Italy (+2%) are the most pessimistic.

Labour concerns grow as expansion becomes a priority

Which of the following factors are likely to pose a significant risk to your business over the next 12 months?

Chart 5. Business risk next 12 months

AT 	BE 	CH 	DE 
1 Increasing barriers to trade/protectionism	1 Competitive position in the market	1 Geopolitical risks	1 Geopolitical risks
2 Geopolitical risks	2 Shortage of (skilled) labour	2 Strong Swiss franc	2 Skills shortage
3 Increasing regulation in Austria	3 Economic outlook/growth	3 Pressure on margins and/or prices	3 Weaker foreign demand
4 Increasing cost of personnel	4 Impact of Belgian financial & economic policy making	4 Internal risk factors	4 Increasing regulation in Germany
5 Shortage in skilled personnel	5 European Union stability	5 Regulation	5 Exchange rate risks
DK 	ES 	FI 	FR 
1 Economic outlooks and economic growth	1 Economic activity and growth level in the euro zone	1 Demand	1 Uncertainty of the European economy
2 Increased regulation	2 Availability of talent/talent management	2 Outlook of Finnish economy and competitiveness	2 Fiscal and social policies in Europe
3 Geopolitical change	3 State of the fragile economic recovery	3 Cost of raw material/commodities	3 The evolution of the price of raw materials
4 Decreasing demand (foreign/domestic)	4 Ability to maintain market share	4 Foreign competition	4 The euro exchange rate
5 Lack of competent co-workers	4 Prices of materials (commodities)	5 Cost of labour	5 The growth of the emerging countries
GR 	IE 	IT 	NL 
1 Economic outlook/growths	1 Economic outlook/growth	1 Increasing regulations	1 Geopolitical risks
2 Geopolitical risks	2 Geopolitical risks	2 Political uncertainty at national level	2 Skills shortage
3 Reduction in demand (foreign or domestic)	3 Currency fluctuations	3 Reduction in domestic demand	3 Exchange rate risks
4 Increasing regulations	4 Shortage of skilled professionals	4 Raw material price fluctuations	3 Increasing wage costs
5 Shortage of capital	5 Increasing regulations	5 Election and political uncertainty at EU level	5 Weaker domestic demand
NO 	PL 	PT 	RU 
1 Decreasing domestic demand	1 Unstable corporate and tax law	1 Domestic public policies (fiscal, tax, labour, regulation, social, legal, etc.)	1 The weakening of the rouble
2 Political changes	2 Increase in costs of running a business	2 Political or economic instability in foreign markets	2 Decrease in domestic demand
2 Decreasing foreign demand	3 Increasing business regulations in your country	3 Weaker domestic demand	3 Stagnation in the Russian economy
4 Lack of competent labour	4 Shortage of qualified workforce	4 Financial system	4 Decrease in core business revenue
5 Foreign competition	5 Market pressure for price decrease of offered goods/services	5 Rising labour costs	5 Strong competition in the market
SE 	TR 	UK 	
1 Order intake	1 Weakness/strength/volatility of currency (e.g. Turkish lira)	1 Effects of Brexit	
2 Fierce competition/pricing power	2 Geopolitical risks	2 Weak demand in the UK	
3 Macro/politically related factors	3 Deterioration of cash flow	3 The prospect of higher interest rates and a general tightening of monetary conditions in the UK and US	
4 Cost of raw materials/commodities	4 Rising input costs	4 Policy uncertainty in the US and move towards greater protectionism by US administration	
5 Skilled labour shortage	5 Weaker domestic demand	5 A bubble in housing and/or other real and financial assets and the risk of higher inflation	

This quarter (geo)political and economic risks are less prominent than they were in Q3 2016. Eight out of the 19 countries on the panel identify one of these two factors as their main risk. Concerns linked to complex regulations and policies have risen sharply compared to Q3 2016, with nearly double the number of countries citing regulatory or policy changes as risks this quarter. Last quarter CFOs from the stronger

growing economies identified risks linked to labour shortages. This quarter these concerns have risen further, with 10 out of 19 countries highlighting them in their top 5 risks, and four of these within their two top risks. When looking at labour concerns we see a relatively high number of countries pointing to labour costs, too. Both trends can be linked to the improvement of labour markets across Europe and, therefore, the

increase in competition for talent. The overall strengthening of the European economy has also meant that demand, both at home and abroad, is now less of a concern for CFOs. While the overall number of countries concerned about demand has gone up to 13 (vs 10 in Q3 2016) the number identifying it as their top risk has decreased by 50% to two.

Growth strategies back on the agenda

Please state to what degree the following strategies are likely to be a priority for your business over the next 12 months.

Chart 6. Strategic priorities next 12 months

AT 	BE 	CH 	DE 
1 Organic growth	1 Increasing productivity/efficiency	1 Cost control	1 Cost reductions
2 Cost cutting	2 Organic growth	2 Organic growth	2 Introducing new products/services
3 Introducing new products/services	3 On-going cost control	3 Cost reduction	3 Increased operating cash flow
4 Increase in operating cash flow	4 Introducing new products/services	4 Introducing new products/services	4 Growth via takeovers/acquisitions
5 Hiring new talent	4 Cost reduction	5 Expanding into new markets	5 Expansion into new markets
DK 	ES 	FI 	FR 
1 Growth through acquisitions	1 Increased productivity-efficiency	1 Organic growth	1 Organic growth
2 Expansion into new markets	2 Organic growth	2 Cost control	2 Introducing new products/services
3 Increased operating costs (OPEX)	3 Costs control	3 Cost reduction	3 Cost control
4 Increased investments (CAPEX)	4 New products/services	4 Introducing new products/services	4 Cost reduction
5 New products and services	5 Enterprise digitalisation	5 Expanding by acquisition	5 The development of human capital
GR 	IE 	IT 	NL 
1 Cost control	1 Cost control	1 Introducing new products/services	1 Reducing costs
2 Organic growth	1 Organic growth	2 Cost control	2 Expanding organically
3 Introducing new products/services	3 Cost reduction	3 Expanding by acquisition	3 Introducing new products/services or expanding into new markets
4 Cost reduction	4 Introducing new products/services	4 Expanding into new markets	4 Increasing capital expenditure
5 Expanding into new markets	5 Expanding into new markets	5 Organic growth	4 Increasing cash flow
NO 	PL 	PT 	RU 
1 Organic growth	1 Revenue growth (current markets)	1 Cost control	1 Ongoing cost control
2 Focus on core business	2 Revenue growth (new markets)	2 Work capital efficiency	2 Developing the business through organic growth
3 Cost reduction	3 Cost reduction – direct costs	3 Cost reduction	3 Cost cutting
4 Growth in existing markets	3 New investments	4 Organic growth	4 Increasing cash flow
5 Increase cash flow	3 Research and development activity	5 Introducing new products/services	5 Reducing currency risks
SE 	TR 	UK 	
1 Reducing costs	1 Cost control	1 Reducing costs	
1 M&A activity	2 Cost reduction	2 Introducing new products/services or expanding into new markets	
3 Introducing new products/services	3 Expanding into new markets	3 Increasing cash flow	
4 Increasing cash flow	4 Organic growth	4 Increasing capital expenditure	
5 Operational investments to increase capacity	5 Introducing new products/services	5 Expanding by acquisition	

■ Defensive strategies ■ Expansionary strategies

When it comes to the top 5 business strategies CFOs have prioritised for the next 12 months, expansionary strategies outrank defensive ones. In only four countries did CFOs identify more defensive than expansionary strategies in their top 5, with

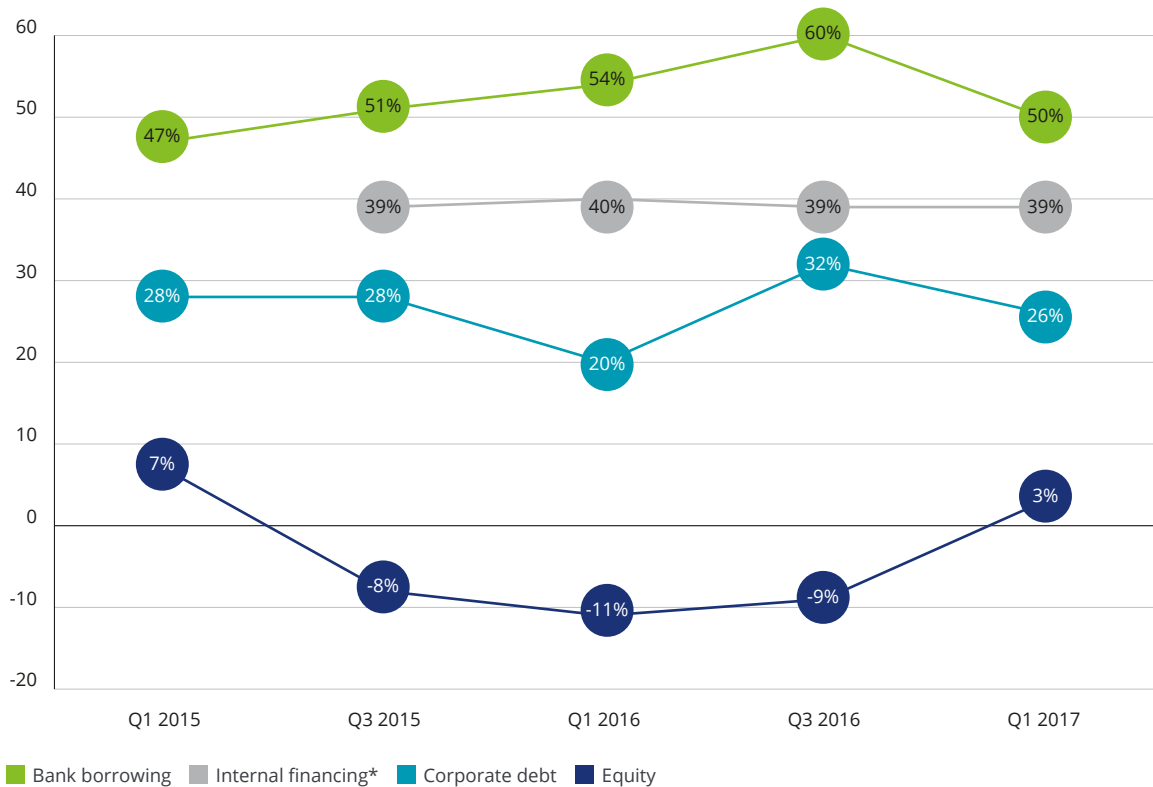
just one country, Russia, highlighting four defensive strategies. This enhanced focus on expansionary strategies is not surprising given CFOs' positive sentiment around financial prospects and the fact that they see uncertainty levels decreasing.

Although expansionary strategies are the most popular, 63% of CFOs listed a defensive strategy as their top priority, with cost control being the number one priority for CFOs overall. This is the same level as we saw this time last year.

Bank borrowing preferred option for financing

How do you currently rate [bank borrowing, corporate debt, equity, internal financing] as a source of funding for corporates in your country?

Chart 7. Source of funding – GDP weighted net balances (%)



*Note: Internal financing was first asked in Q3 2015.

In terms of sources of funding CFOs' preferences remain relatively unchanged this quarter. Bank borrowing continues to be the preferred source of funding across Europe, followed by internal financing, corporate debt and equity.

CFO's views on equity funding have improved (+13pp) in line with the continued strength in European and global equity markets. In February, European equity funds attracted their largest weekly inflows in more than a year as investors bet on a sustained recovery in Europe.

Credit conditions remain accommodative in most markets – especially the euro area and UK – and bank borrowing remains the most attractive form of financing among CFOs as a result. The fact that there has been a dip in the popularity of bank borrowing (-10pp) this quarter may reflect the fact that deflation is much less of a concern for policymakers now and markets have brought forward their expectations for interest rate rises.

How do you currently rate the following as a source of funding for corporates in your country?*

Chart 8.1 Bank borrowing (%)

GDP weighted average net balance 50%

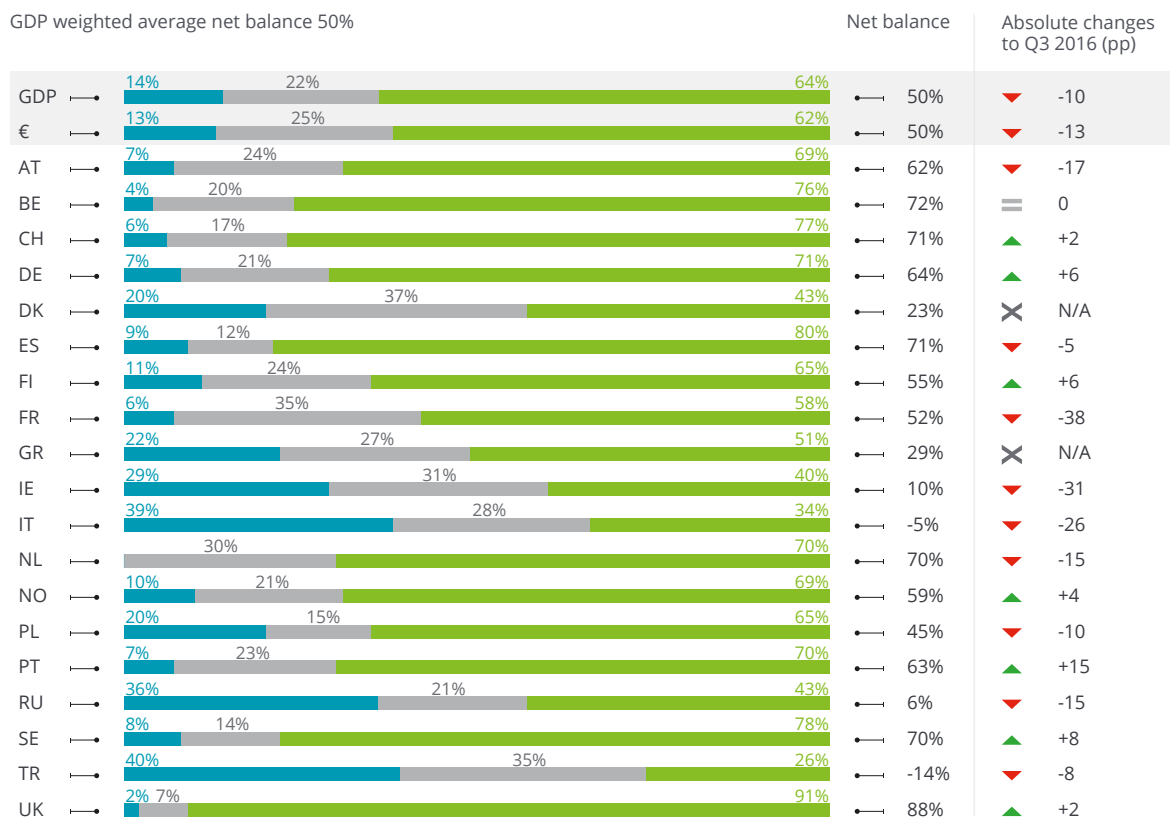
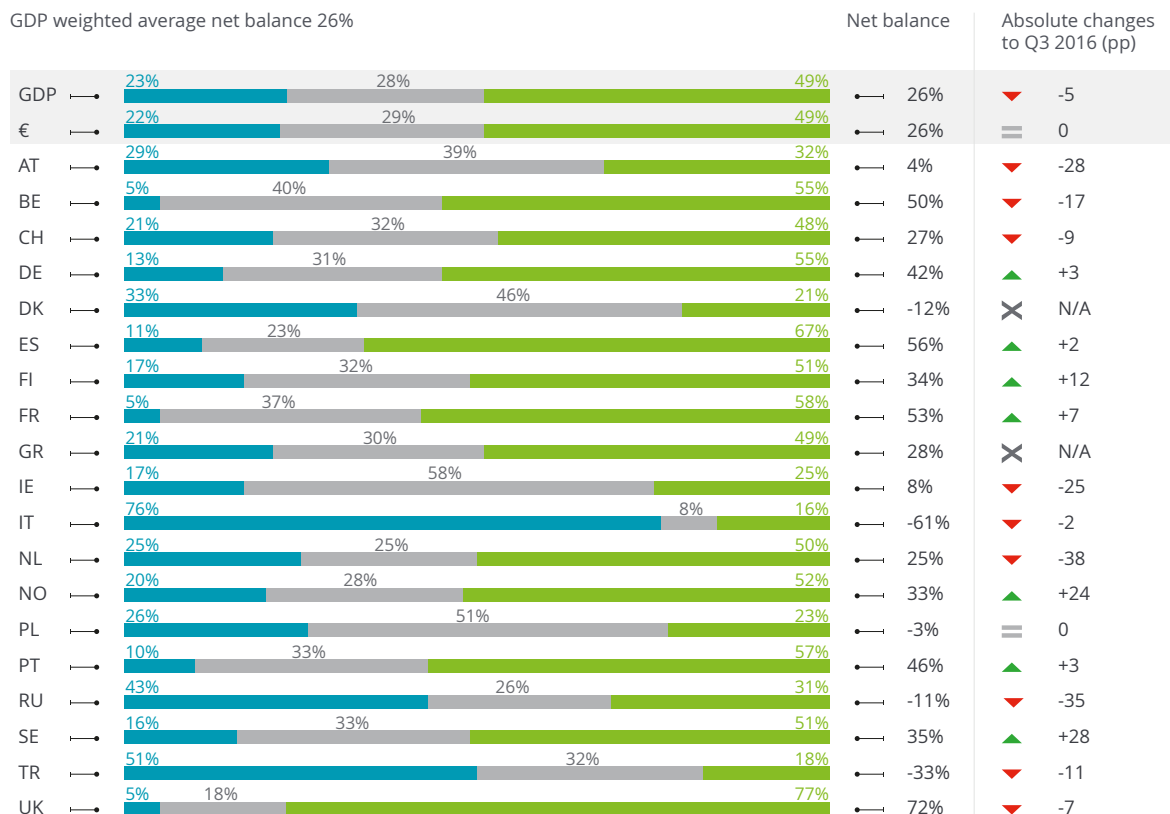


Chart 8.2 Corporate debt (%)

GDP weighted average net balance 26%



■ Unattractive ■ Neither attractive nor unattractive ■ Attractive

*Note: FinalInd and Russia asked the question as specific to "your own company".

How do you currently rate the following as a source of funding for corporates in your country?*

Chart 8.3 Equity (%)

GDP weighted average net balance 3%

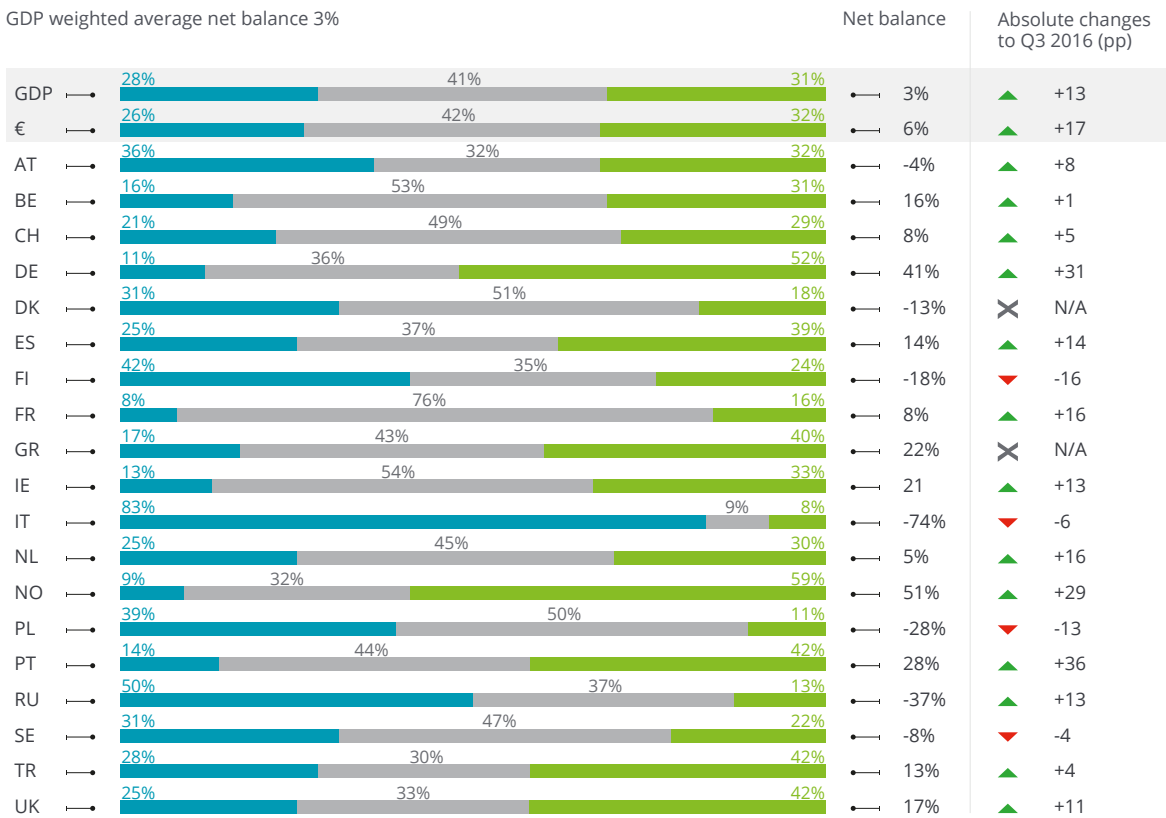
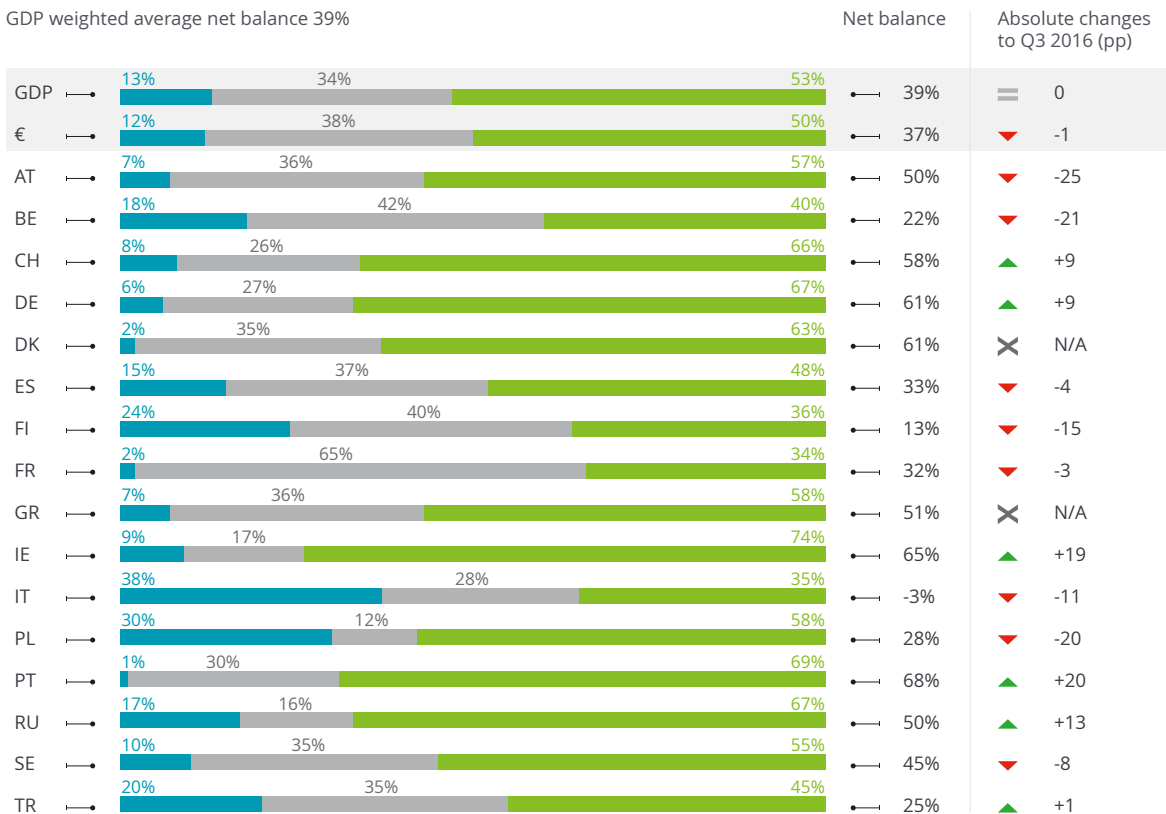


Chart 8.4 Internal financing (%)

GDP weighted average net balance 39%



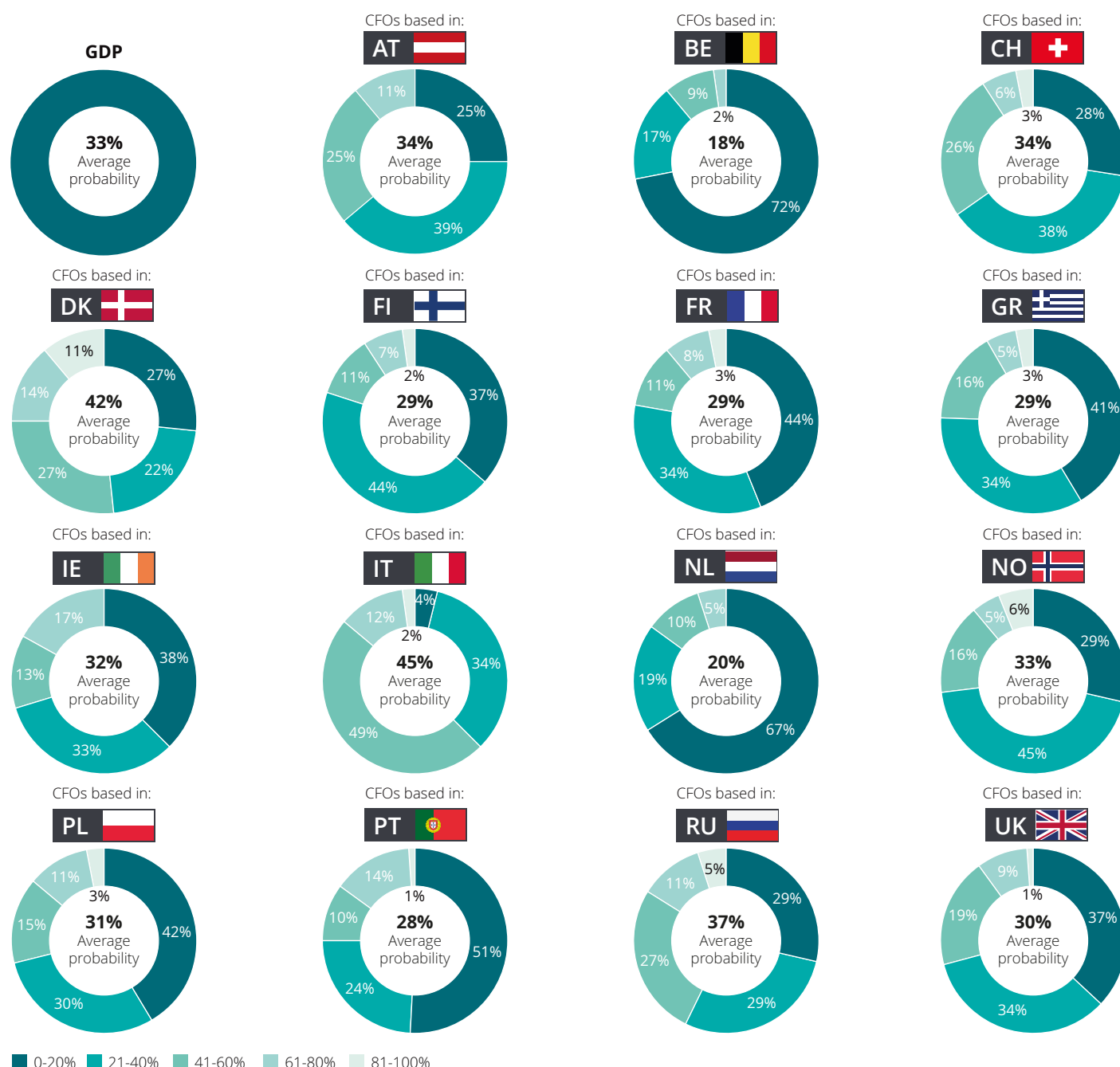
■ Unattractive ■ Neither attractive nor unattractive ■ Attractive

*Note: FinalInd and Russia asked the question as specific to "your own company".

CFOs consider more EU departures possible

Following Brexit, what likelihood would you assign to more members of the European Union leaving, or voting to leave, the bloc in the next five years?

Chart 9. Likelihood of other members of the EU leaving the union



Following the UK's vote to leave the EU, we asked CFOs to assess the likelihood of further member states leaving, or voting to leave, the union in the next five years. The results give an average probability of 33% for further exits which suggests that an increase in the number of countries planning to leave

the union is viewed as an unlikely but not insignificant probability event.

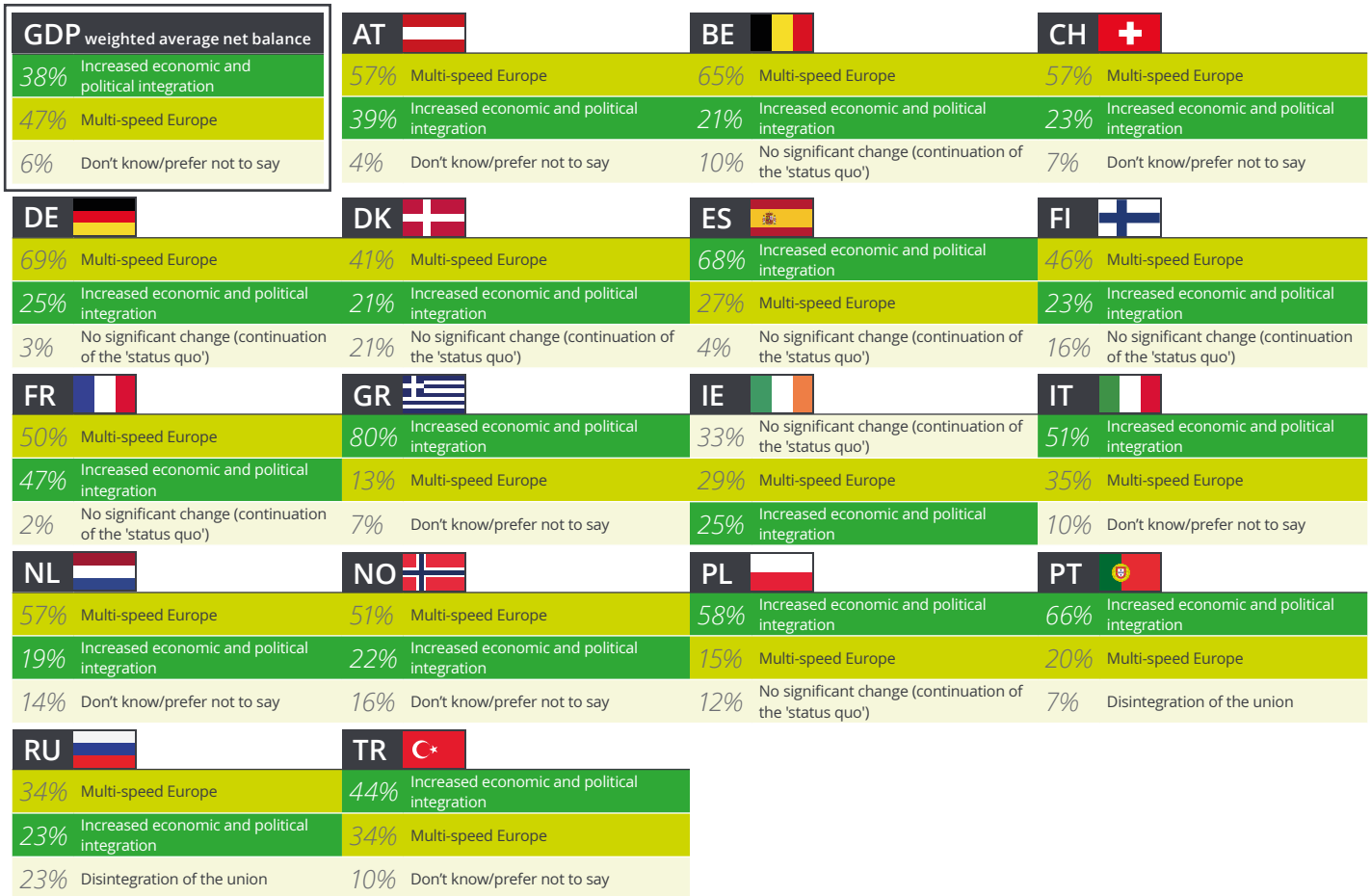
In 10 out of 15 countries CFOs rate the probability of a further break-up between 29%-37%, meaning most CFOs on our panel assign a probability of around a third to a further EU break-up in the next five years.

It is interesting that CFOs in Italy – the country that inspired the EU's creation – assign the highest average probability to a future break-up (45%). This may reflect widespread Euroscepticism among Italians, where support for populist parties has been on the rise and polls suggest a continuing drop in support for EU institutions.

CFOs divided on best approach for future EU success

In your opinion, which of the following options would be desirable to ensure the future success of the European Union and/or its member states?

Chart 10. Future success of the EU*



■ Multi-speed Europe (increased integration for some member states and looser alliance between others) ■ Increased economic and political integration

*Note: respondents were given five options to choose from, only the top 3 are displayed.

We also asked CFOs which options would be desirable to ensure the future success of the European Union. The vast majority (81%) stated that some form of increased integration in Europe is required, while 42% showed a preference for increased integration among certain member states (the 'multi-speed' option) and 39% supported increased integration for the union overall. Only 7% believe no change (the 'status quo' option) will prove sustainable.

However, sentiment is split across our panel. The countries most in favour of further integration are Greece, Spain, Portugal and Italy – all southern European countries that retain strong support for European institutions. CFOs in one of the EU's newer members, Poland, also support further integration.

The countries that support a more 'multi-speed' approach to EU integration are the northern European nations of Germany, Belgium, the Netherlands and Austria. CFOs in France are evenly split on the issue.

Data summary

To facilitate interpretation, this table contains a full breakdown of net balances for each question. Because of rounding, percentages may not always add up to 100.

	GDP	€	AT	BE
Compared to three/six months ago, how do you feel about the financial prospects for your company?				
More optimistic	38%	37%	55%	45%
Broadly unchanged	49%	51%	41%	47%
Less optimistic	13%	12%	3%	8%
Net Balance	25%	25%	52%	38%
How are the following key metrics for your company likely to evolve over the next 12 months?				
Revenues				
Increase	69%	70%	75%	79%
No change	20%	19%	25%	12%
Decrease	11%	10%	0%	10%
Net balance	58%	60%	75%	69%
Operating margins				
Increase	45%	47%	17%	63%
No change	35%	39%	69%	31%
Decrease	20%	14%	14%	6%
Net balance	25%	33%	3%	57%
Capital expenditure (CAPEX)				
Increase	40%	49%	55%	60%
No change	43%	41%	45%	36%
Decrease	16%	10%	0%	4%
Net Balance	24%	39%	55%	57%
Number of employees				
Increase	34%	38%	31%	65%
No change	44%	43%	55%	22%
Decrease	22%	19%	14%	14%
Net Balance	11%	19%	17%	51%
How would you rate the overall level of external financial and economic uncertainty?				
High level of uncertainty	61%	61%	32%	33%
Normal level of uncertainty	33%	32%	50%	60%
Low level of uncertainty	6%	7%	18%	8%
Net Balance	55%	55%	14%	25%
Is this a good time to be taking greater risk onto your balance sheet?				
Yes	33%	34%	30%	43%
No	67%	66%	70%	57%
Net Balance	-34%	-31%	-41%	-13%
How do you currently rate as a source of funding for corporates in your country?				
Bank borrowing				
Attractive	64%	62%	69%	76%
Neither attractive nor unattractive	22%	25%	24%	20%
Unattractive	14%	13%	7%	4%
Net Balance	50%	50%	62%	72%
Corporate debt				
Attractive	49%	49%	32%	55%
Neither attractive nor unattractive	28%	29%	39%	40%
Unattractive	23%	22%	29%	5%
Net Balance	26%	26%	4%	50%
Equity				
Attractive	31%	32%	32%	31%
Neither attractive nor unattractive	41%	42%	32%	53%
Unattractive	28%	26%	36%	16%
Net Balance	3%	6%	-4%	16%
Internal financing				
Attractive	53%	50%	57%	40%
Neither attractive nor unattractive	34%	38%	36%	42%
Unattractive	13%	12%	7%	18%
Net Balance	39%	37%	50%	22%

CH	DE	DK	ES	FI	FR	GR	IE	IT	NL	NO	PL	PT	RU	SE	TR	UK
for your company?																
32%	30%	35%	49%	52%	37%	27%	42%	27%	52%	46%	39%	52%	51%	68%	30%	31%
53%	58%	58%	43%	45%	47%	39%	46%	59%	38%	48%	39%	35%	44%	24%	30%	52%
15%	11%	7%	8%	4%	16%	34%	13%	15%	10%	6%	22%	13%	4%	8%	40%	17%
18%	19%	28%	42%	48%	21%	-6%	29%	12%	43%	40%	18%	39%	47%	60%	-10%	14%
12 months?																
69%	76%	60%	74%	68%	68%	61%	83%	57%	71%	69%	76%	69%	73%	86%	53%	62%
16%	13%	21%	19%	19%	27%	18%	8%	30%	5%	17%	16%	20%	24%	8%	20%	24%
15%	11%	19%	6%	12%	5%	21%	8%	13%	24%	14%	7%	11%	3%	6%	27%	14%
54%	64%	40%	68%	56%	63%	40%	75%	44%	48%	54%	69%	57%	70%	80%	26%	49%
25%	41%	48%	51%	56%	44%	40%	38%	58%	60%	55%	50%	45%	66%	66%	41%	21%
40%	40%	35%	38%	33%	48%	38%	38%	29%	20%	30%	33%	31%	20%	30%	22%	33%
34%	19%	17%	12%	11%	8%	22%	25%	13%	20%	14%	17%	24%	14%	4%	38%	46%
-9%	22%	31%	39%	46%	35%	18%	13%	45%	40%	41%	33%	21%	51%	62%	3%	-26%
34%	46%	33%	46%	39%	50%	38%	46%	43%	67%	41%	53%	53%	21%	32%	34%	18%
47%	44%	56%	41%	51%	42%	44%	50%	45%	19%	43%	28%	33%	61%	50%	32%	43%
18%	10%	11%	13%	11%	8%	18%	4%	12%	14%	16%	19%	14%	17%	18%	35%	39%
16%	36%	23%	33%	28%	42%	20%	42%	31%	52%	25%	34%	39%	4%	14%	-1%	-22%
40%	40%	33%	45%	19%	37%	34%	67%	25%	38%	29%	51%	35%	30%	34%	30%	12%
37%	39%	47%	40%	61%	48%	48%	29%	52%	24%	49%	37%	46%	50%	50%	40%	48%
23%	21%	20%	15%	19%	15%	18%	4%	23%	38%	22%	12%	18%	20%	16%	30%	40%
17%	19%	13%	30%	0%	23%	16%	63%	2%	0%	7%	40%	17%	10%	18%	1%	-28%
y facing your business?																
59%	85%	30%	45%	25%	63%	82%	79%	43%	52%	19%	72%	49%	36%	34%	77%	85%
40%	14%	59%	45%	67%	34%	16%	21%	38%	43%	63%	11%	46%	57%	58%	20%	15%
2%	1%	11%	10%	9%	3%	2%	0%	19%	5%	18%	18%	4%	7%	8%	4%	0%
57%	84%	19%	35%	16%	60%	81%	79%	24%	48%	1%	54%	45%	29%	26%	73%	85%
38%	26%	27%	54%	59%	35%	18%	25%	35%	40%	24%	28%	20%	47%	26%	11%	26%
62%	74%	73%	46%	41%	65%	82%	75%	65%	60%	76%	72%	80%	53%	74%	89%	74%
-24%	-49%	-46%	8%	18%	-29%	-65%	-50%	-30%	-20%	-52%	-43%	-60%	-6%	-48%	-79%	-48%
77%	71%	43%	80%	65%	58%	51%	40%	34%	70%	69%	65%	70%	43%	78%	26%	91%
17%	21%	37%	12%	24%	35%	27%	31%	28%	30%	21%	15%	23%	21%	14%	35%	7%
6%	7%	20%	9%	11%	6%	22%	29%	39%	0%	10%	20%	7%	36%	8%	40%	2%
71%	64%	23%	71%	55%	52%	29%	10%	-5%	70%	59%	45%	63%	6%	70%	-14%	88%
48%	55%	21%	67%	51%	58%	49%	25%	16%	50%	52%	23%	57%	31%	51%	18%	77%
32%	31%	46%	23%	32%	37%	30%	58%	8%	25%	28%	51%	33%	26%	33%	32%	18%
21%	13%	33%	11%	17%	5%	21%	17%	76%	25%	20%	26%	10%	43%	16%	51%	5%
27%	42%	-12%	56%	34%	53%	28%	8%	-61%	25%	33%	-3%	46%	-11%	35%	-33%	72%
29%	52%	18%	39%	24%	16%	40%	33%	8%	30%	59%	11%	42%	13%	22%	42%	42%
49%	36%	51%	37%	35%	76%	43%	54%	9%	45%	32%	50%	44%	37%	47%	30%	33%
21%	11%	31%	25%	42%	8%	17%	13%	83%	25%	9%	39%	14%	50%	31%	28%	25%
8%	41%	-13%	14%	-18%	8%	22%	21%	-74%	5%	51%	-28%	28%	-37%	-8%	13%	17%
66%	67%	63%	48%	36%	34%	58%	74%	35%	N/A	N/A	58%	69%	67%	55%	45%	N/A
26%	27%	35%	37%	40%	65%	36%	17%	28%	N/A	N/A	12%	30%	16%	35%	35%	N/A
8%	6%	2%	15%	24%	2%	7%	9%	38%	N/A	N/A	30%	1%	17%	10%	20%	N/A
58%	61%	61%	33%	13%	32%	51%	65%	-3%	N/A	N/A	28%	68%	50%	45%	25%	N/A

Data summary (continued)

To facilitate interpretation, this table contains a full breakdown of net balances for each question. Because of rounding, percentages may not always add up to 100.

	GDP	€	AT	BE
In your opinion, which of the following options would be desirable to ensure the fu				
Increased economic and political integration	38%	40%	39%	21%
Multi-speed Europe (increased integration for some member states and looser alliance between others)	47%	50%	57%	65%
Disintegration of the union	4%	1%	0%	0%
No significant change (continuation of the 'status quo')	5%	4%	0%	10%
Don't know/prefer not to say	6%	4%	4%	4%
Following Brexit, what likelihood would you assign to more members of the Europe				
0-20%	35%	36%	25%	72%
21-40%	32%	31%	39%	17%
41-60%	22%	22%	25%	9%
61-80%	9%	9%	11%	2%
81-100%	2%	2%	0%	0%
Average probability	33%	32%	34%	18%

CH	DE	DK	ES	FI	FR	GR	IE	IT	NL	NO	PL	PT	RU	SE	TR	UK
Future success of the European Union and/or its member states?																
23%	25%	21%	68%	23%	47%	80%	25%	51%	19%	22%	58%	66%	23%	N/A	44%	N/A
57%	69%	41%	27%	46%	50%	13%	29%	35%	57%	51%	15%	20%	34%	N/A	34%	N/A
6%	2%	3%	0%	4%	0%	0%	0%	3%	0%	1%	7%	4%	23%	N/A	7%	N/A
6%	3%	14%	4%	16%	2%	0%	33%	1%	10%	10%	12%	3%	3%	N/A	4%	N/A
7%	0%	21%	1%	12%	2%	7%	13%	10%	14%	16%	8%	7%	16%	N/A	10%	N/A
European Union leaving, or voting to leave, the bloc in the next five years?																
28%	N/A	27%	N/A	37%	44%	41%	38%	4%	67%	29%	42%	51%	29%	N/A	N/A	37%
38%	N/A	22%	N/A	44%	34%	34%	33%	34%	19%	45%	30%	24%	29%	N/A	N/A	34%
26%	N/A	27%	N/A	11%	11%	16%	13%	49%	10%	16%	15%	10%	27%	N/A	N/A	19%
6%	N/A	14%	N/A	7%	8%	5%	17%	12%	5%	5%	11%	14%	11%	N/A	N/A	9%
3%	N/A	11%	N/A	2%	3%	3%	0%	2%	0%	6%	3%	1%	5%	N/A	N/A	1%
34%	N/A	42%	N/A	29%	29%	29%	32%	45%	20%	33%	31%	28%	37%	N/A	N/A	30%

Austria**Guido Eperjesi**

Director Clients & Industries
Deloitte Austria
+43 1 537 00 2522
geperjesi@deloitte.at

Belgium**Bart Peeters**

Marketing Manager
Deloitte Belgium
+32 2 800 26 29
bapeeters@deloitte.com

Denmark**Kim Hendil Tegner**

CFO Services, Finance
Transformation
Deloitte Denmark
+45 30 93 64 46
ktegner@deloitte.dk

Finland**Mari Lappalainen**

Director, Finance Lead
Deloitte Finland
+358 207 555 792
Mari.Lappalainen@deloitte.fi

France**Anne Philipona-Hintzy**

Partner, CFO Survey Lead
Deloitte France
+33 3 83 95 64 72
aphiliponahintzy@deloitte.fr

Germany**Alexander Boersch**

Director, Head of Research
Deloitte GmbH
+49 89 29036 8689
aboersch@deloitte.de

Greece**Panagiotis Chormovitis**

Partner, Financial Advisory
Services
Deloitte Greece
+30 210 6781 316
pchormovitis@deloitte.gr

Ireland**Daniel Gaffney**

Director Finance
Transformation
Deloitte Ireland
+353 1417 2349
dgaffney@deloitte.ie

Italy**Mariangela Campalani**

Director, Clients and Industries
Deloitte Italy
+39 028 332 6114
mcampalani@deloitte.it

Netherlands**Frank Geelen**

CFO Programme Lead Partner
Deloitte Netherlands
+31 882 884 659
FGeelen@deloitte.nl

Norway**Andreas Enger**

Head of Monitor Deloitte
Deloitte Norway
+47 2327 9534
aenger@DELOITTE.no

Poland**Dominika****Piotrowska-Skwarlo**

CFO Programme Marketing
Lead
Deloitte Poland
+48 61 882 42 63
dpiotrowska@deloittece.com

Portugal**Nelson Fontainhas**

CFO Survey Lead
Deloitte Portugal
+351 2135 67100
nfontainhas@deloitte.pt

Russia**Lora Zemlyanskaya**

Research Centre Lead
Deloitte, CIS
+7 495 787 06 00
lzemlyanskaya@deloitte.ru

Spain**Nuria Fernandez**

Senior Manager
CFO Programme
Deloitte Spain
+34 9143 81811
nufernandez@deloitte.es

Sweden**Henrik Nilsson**

Partner, CFO Survey Lead
Deloitte Sweden
+46 73 397 11 02
henilsson@deloitte.se

Switzerland**Michael Grampp**

European CFO Survey Lead &
Head of Research Switzerland
Deloitte AG
+41 582 796 817
mgrampp@deloitte.ch

Turkey**Cem Sezgin**

CFO Services Lead
Deloitte Turkey
+90 212 366 60 36
csezgin@Deloitte.com

United Kingdom**Ian Stewart**

Chief Economist
Deloitte LLP
+44 (0)20 7007 9386
istewart@deloitte.co.uk

www.deloitteresearchemea.com

powered by

The **CFO** Programme

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges.

This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. This publication and the information contained herein is provided "as is," and Deloitte University EMEA CVBA makes no express or implied representations or warranties in this respect and does not warrant that the publication or information will be error-free or will meet any particular criteria of performance or quality. Deloitte University EMEA CVBA accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

© 2017 Deloitte University EMEA CVBA.

Responsible publisher: Deloitte University EMEA CVBA, with registered office at B-1831 Diegem, Berkenlaan 8b

Designed and produced by The Creative Studio at Deloitte, London. J11885