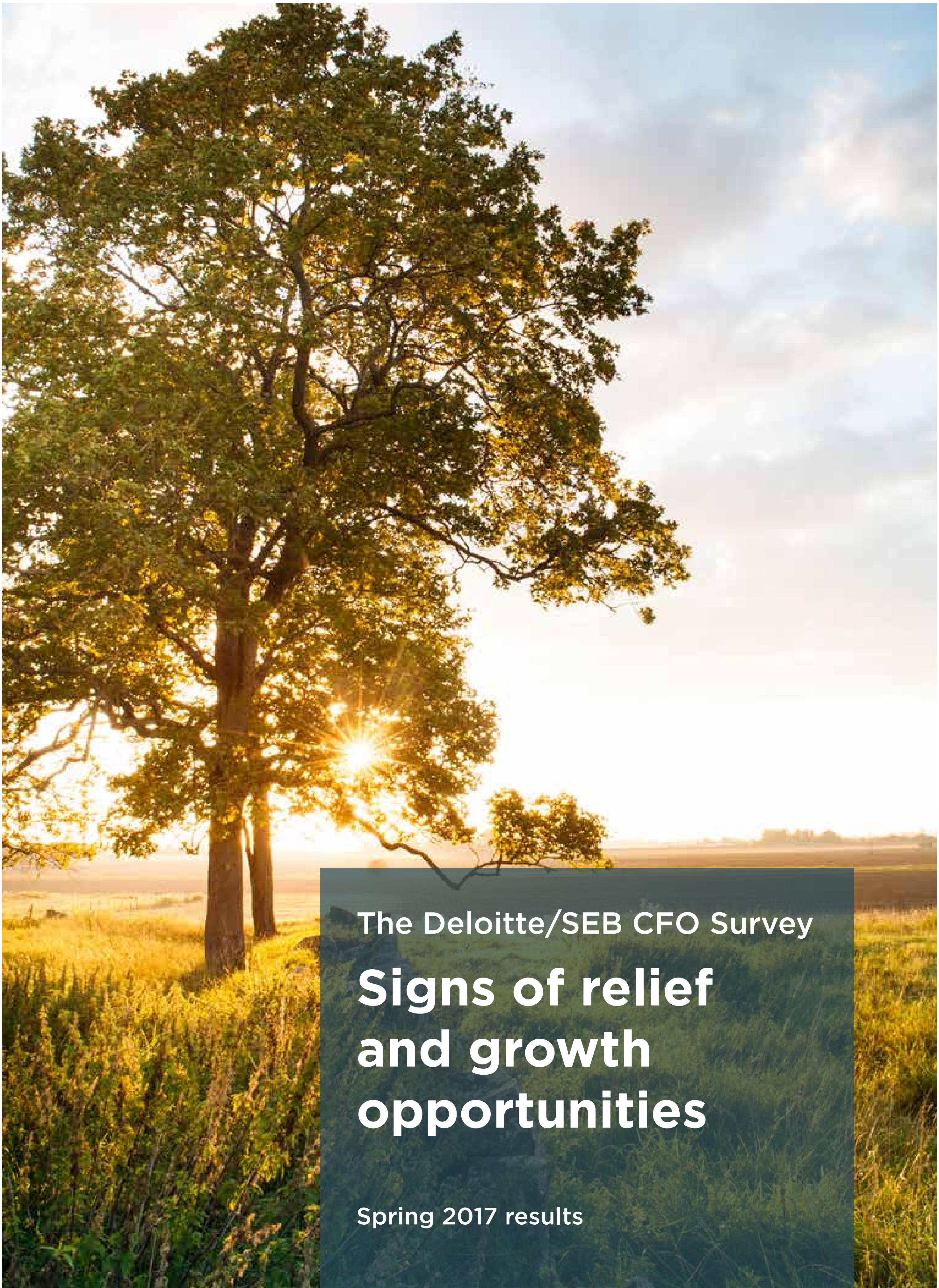
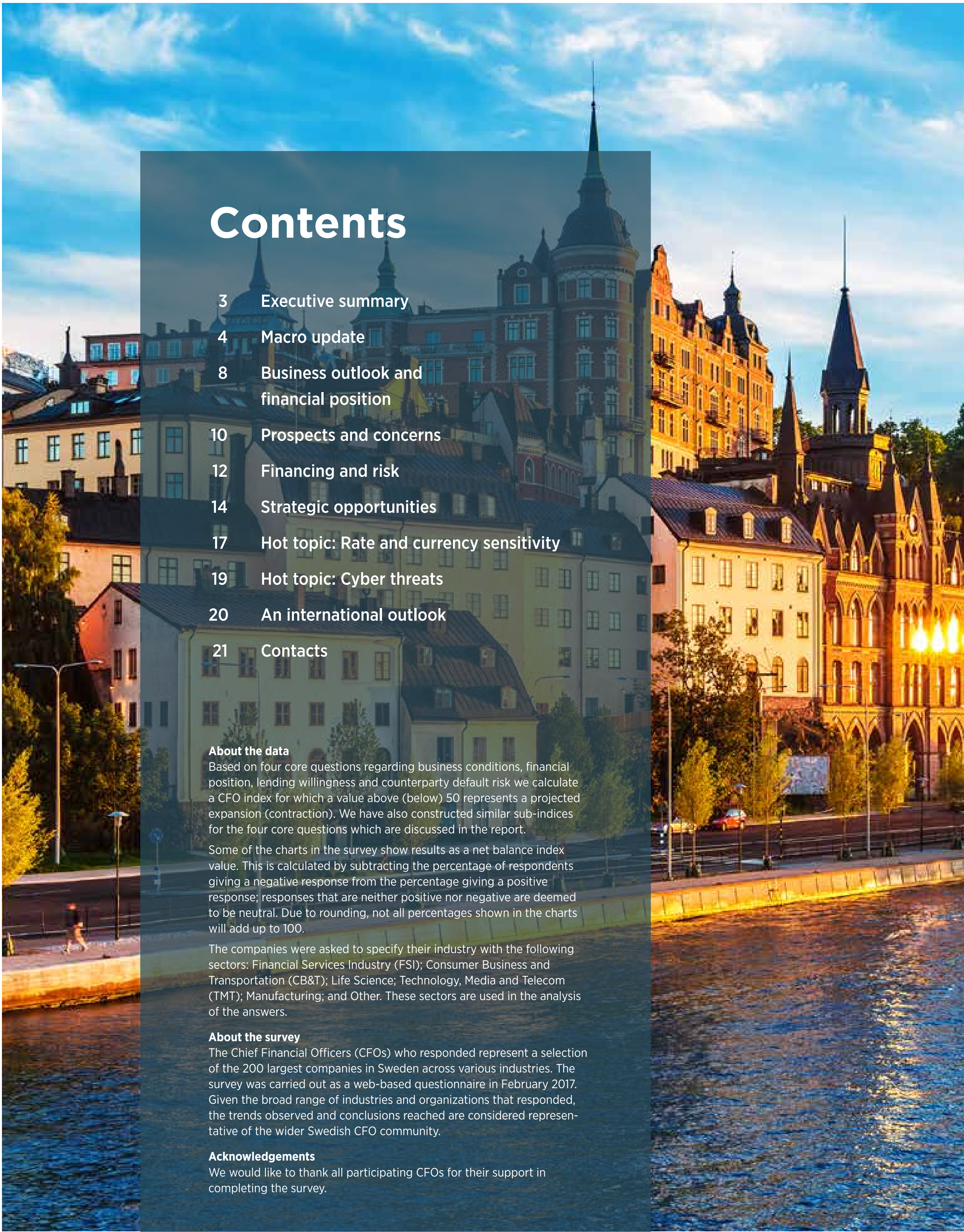


The Deloitte/SEB CFO Survey

Signs of relief and growth opportunities

Spring 2017 results



Contents

About the data

Based on four core questions regarding business conditions, financial position, lending willingness and counterparty default risk we calculate a CFO index for which a value above (below) 50 represents a projected expansion (contraction). We have also constructed similar sub-indices for the four core questions which are discussed in the report.

Some of the charts in the survey show results as a net balance index value. 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.

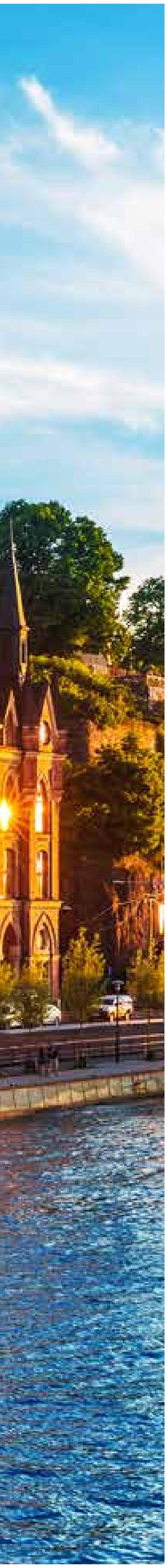
The companies were asked to specify their industry with the following sectors: Financial Services Industry (FSI); Consumer Business and Transportation (CB&T); Life Science; Technology, Media and Telecom (TMT); Manufacturing; and Other. These sectors are used in the analysis of the answers.

About the survey

The Chief Financial Officers (CFOs) who responded represent a selection of the 200 largest companies in Sweden across various industries. The survey was carried out as a web-based questionnaire in February 2017. Given the broad range of industries and organizations that responded, the trends observed and conclusions reached are considered representative of the wider Swedish CFO community.

Acknowledgements

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



Executive summary

We are excited to present the spring 2017 results of the Deloitte/SEB CFO Survey and hope that you find our accompanying analysis both stimulating and valuable.

The spring 2017 CFO Survey reveals a clearly more positive sentiment among large Swedish companies. The overall CFO index shows, after a decline in the two latest surveys, a good jump up to 58.2 from 54.1 in fall 2016. This is the highest level since spring 2011. Except for slightly reduced lending willingness, the other subindexes – business climate, financial position and counterparty risk – improved significantly. In the last survey it was clear that CFOs took into account the still uncertain macro situation after several major events during the course of 2016. During the past six months, although the macro situation is still perceived as volatile, there is an increased consensus that global growth will pick up and that interest rates will gradually increase. We believe this and their own companies' generally strong 2016 financial results have boosted CFOs confidence for the year to come.

Sector divergence has been a theme we have discussed in the latest reports; the main message is that domestically oriented and real estate companies have been the most positive. In the spring 2017 survey we see sector divergence generally narrowing – supporting our view of a more broad-based recovery. Furthermore, the greatest increase in optimism is within the Manufacturing sector which previously lagged behind more optimistic domestically targeting companies. With world market demand rebounding, global players such as large Swedish manufacturers stand to gain further.

CFOs see a lower level of external uncertainty and their overall level of concern for the coming 12 months has also fallen. Their concern about macro and political factors fell the most, showing great resilience to rising political risks. The concern for cost of raw materials is the only concern that has increased compared with six months ago. This is hardly surprising, with purchasing price indices having recently risen sharply to elevated levels which may serve as another sign that the global economy is picking up in speed.

Just as CFOs predicted in the fall 2016 survey, M&A activity has remained at very high levels, supported by the number and volume of transactions. Well in line with other recent surveys, our CFOs are favoring M&A as a top priority for the coming 12 months – the level of activity is expected to increase further, although just slightly above the current already high level. Interest in investing abroad has increased significantly, further supporting the CFOs' beliefs in global recovery. Also breathing optimism, the companies shows a greatly improving willingness to hire in Sweden with one third of CFOs expecting to increase the number of employees the coming 6 months, which is the most positive hiring plans seen since 2011.

In the current survey, we asked the CFOs to comment on their experience from and preparations for cyber threats. Notably, the vast majority of CFOs have experienced cyber-attacks of some kind. More importantly – only 14 percent indicated they are well prepared to identify and respond to such threats. It is clear that in many cases, the companies' defense strategies have not kept up with the threats, which means it is time to take control.

Finally we also asked CFOs about the impact of a stronger Swedish krona (SEK) and how it would be managed: One fifth of the companies would be negatively affected and somewhat more than half of those would manage this by raising SEK-denominated prices rather than accepting lower margins.

To sum up, Swedish CFOs are increasingly positive about the near future, and the never-ending macro worries do not seem to supersede the forces driving the more broad-based recovery in the Swedish as well as global markets.

Please send us your feedback together with any suggestions for improvement to help us ensure that the Deloitte/SEB CFO survey remains an essential resource for your work.

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Global economy powers ahead despite political risks; broad-based recovery in Sweden

Global growth seems to be accelerating again after a disappointing 2016. Political risks remain elevated but are counteracted by stronger underlying growth. In Sweden, the recovery is broadening to the industrial sector as well.

Global outlook

Increased optimism

SEB has upwardly revised its global GDP estimates for the first time in over a year's time and now expects growth of 3.6 percent in 2017, up from 3.1 percent last year. Prospects for more fiscal policy stimulus and regulatory easing within the energy and financial sector in the US have contributed to the improved outlook. But the increased momentum mainly reflects stronger underlying growth, with a synchronised upturn over all major regions starting even before the US elections in November. The healing process from the 2008 financial crisis has continued and resource utilization has climbed to levels that should trigger increased capital spending in advanced economies.

Increased optimism about the economy is mirrored in the increase in our CFO index to its highest level since May 2011.

Resilience to political risks

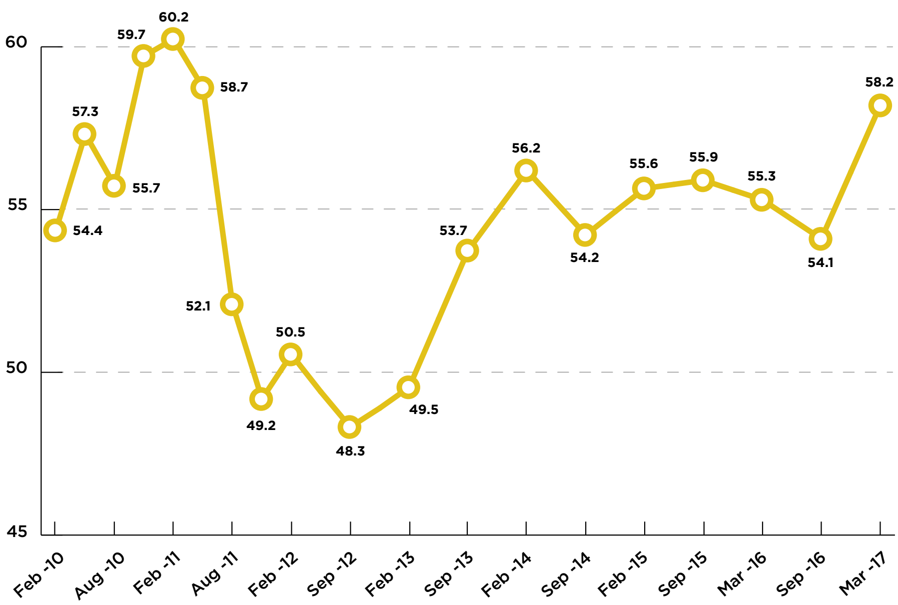
Financial markets and economic activity have shown great resilience to rising political risks. This is also in line with historical experience, with usually only limited immediate effects from political events. **According to the survey, CFOs are also seeing a lower level of external uncertainty as well as expressing slightly lower concern about macro and political factors**. Thus, while growing support for populist policies and rising protectionism pose a threat to long-term growth, the short-term impact seems likely to be limited.

The United States and the euro zone are both expected to show above trend growth in 2017 and 2018. However, in the United Kingdom, developments are pressured by the Brexit process. In emerging markets, the controlled slowdown in China continues, while underlying growth in India remains strong and Russia and Brazil are exiting from earlier recessions.

Fed leading rate normalisation

Strong global disinflationary forces will continue to exert downward pressure on inflation in most advanced economies, and central banks are in no great hurry to tighten monetary policy. Still, improving labor markets and gradually rising

Swedish CFO Index



The Swedish CFO index for the spring of 2017 has a value of 58.2 (spring 2016: 54.1), which reflects clearly more positive expectations. The index is based on four components: business conditions, financial position, lending willingness and counterparty default risk. Three improved significantly and one decreased slightly from high level, coming in at 55.8 (fall 2016: 50.6), 57.3 (51.8), 63.2 (64.1) and 56.2 (49.9), respectively.

resource utilization mean that risks to inflation are becoming more balanced while the threat of deflation has diminished. This will make it easier for central banks to gradually reverse course to more normal policies. In the US, the Federal Reserve is expected to continue to raise rates by at least 0.75 percentage points per year in 2017 and 2018. In the euro zone, temporarily higher inflation in the wake of rising oil prices has increased the pressure on the European Central Bank (ECB) to scale back its ultra-expansionary policies. The ECB is expected to extend its asset purchase program well into 2018, but with a gradual reduction in the size of monthly bond purchases. Expectations of a hike in some of the ECB key interest rates will probably rise going forward, though the key refi rate is likely to remain around its current zero level until late 2018.

The Swedish economy: More broad-based recovery

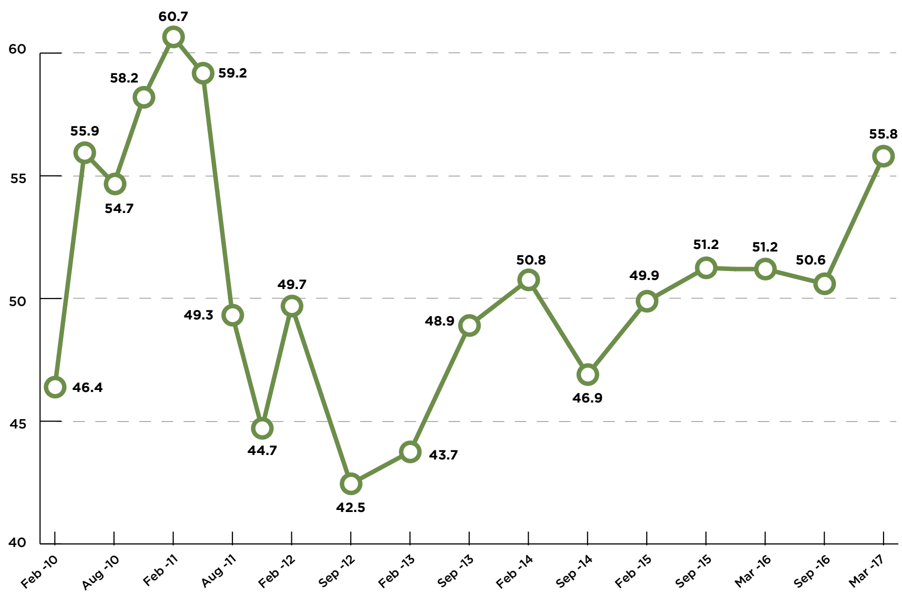
Booming residential construction and rapidly rising public expenditures due to the 2015 refugee crisis boosted growth in Sweden to 3.3 percent in 2016, well above the long-term trend. The recovery is now becoming more broad-based, with a rising contribution from exports on the back of stronger international demand but also following previous SEK weakness.

The business conditions subindex shot higher to 55.8 this spring, providing support for the recovery. The previously large discrepancy between sectors also became smaller. supporting our view of a more broad-based recovery.

Industrial production picked-up somewhat early in 2017 but remains weak and is lagging behind survey data. With sentiment indicators for manufacturing at historically high levels, there are nevertheless good reasons to expect output to continue to increase going forward. Rising industrial orders, which tend to lead production, also suggest an improvement in industrial activity. Stronger exports should support manufacturing investments. Together with rapidly rising construction and public investments, total capital spending as a share of GDP is back at its highest levels since 1990.

More favorable business conditions are driving

Business Conditions



output in the service sector higher too. Private consumption has been somewhat disappointing, given strong labor market and income growth. However, spending is expected to pick up in the current year, with consumer confidence now back above historical averages and the household savings ratio at record high levels.

All-in-all, SEB expect another year with around 3 percent growth in Sweden, followed by a slowdown to a still solid 2.4 percent in 2018.

Rising imbalances

While growth is strong, imbalances are building in several areas of the economy. Housing prices and household lending have continued to grow at a long-term unsustainable pace, driven by a housing shortage and record-low interest rates. Integration of refugees into the divided Swedish labor market and increased demand for basic public services are becoming major political challenges. In the short term, a taxation-heavy growth structure has led to rapidly improving government finances, creating room for an expansionary fiscal policy. Instead, the main restriction to an expanding public sector currently seems to be difficulty in finding qualified people to employ.

Strong labor market

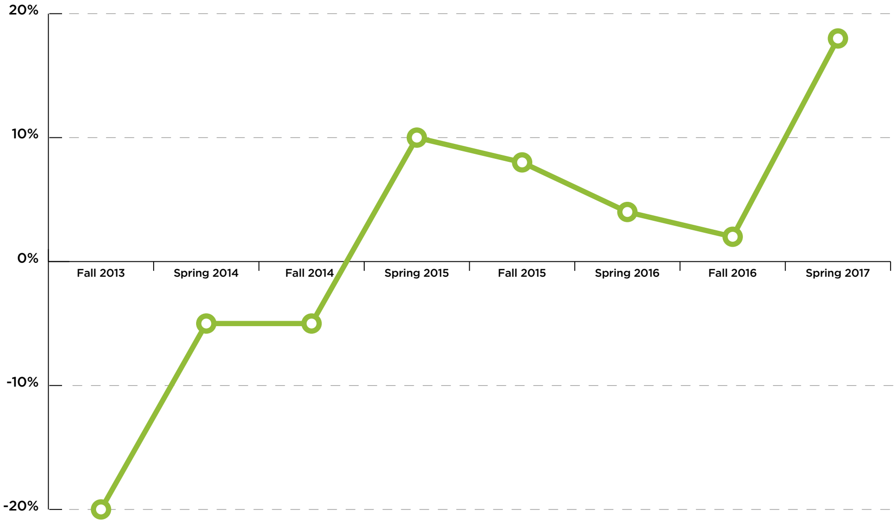
Also in other areas of the economy, labor shortages are becoming more pronounced, partly reflecting a growing lack of skilled labor. However, **in the survey, concern about skilled labor shortages decreased somewhat but remains high in certain sectors**. Strong population growth and rising labor market participation have held back the decline in the unemployment rate. Employment continues to grow at a rapid pace, though, and employers' hiring plans have remained expansive. **The survey also shows a large increase in companies' willingness to hire**. Resource utilization in the economy as a whole is now deemed to be at or above normal levels. Meanwhile wage and salary increases have remained surprisingly weak given the strengthening labor market and are expected to continue to grow at an only modest pace.

SEK held back by expansionary Riksbank despite higher inflation

In February, Swedish headline inflation climbed to the Riksbank's 2 percent target for the first time since December 2010. However, this was primarily due to temporary effects, while core measures of inflation have remained more subdued. Together with continued concerns about financial stability risks, pressure on the Swedish central bank to begin normalizing its key interest rates is nevertheless rising. **A somewhat greater concern about rising raw material and commodity prices was detected in the survey**. In the short term, the Riksbank is expected to remain focused on ECB actions and on countering a rapid strengthening of the Swedish krona. SEB projects an initial rate hike in December 2017, slightly earlier than the Riksbank's own forecast of "early 2018". The deliberate actions of the Riksbank to hold back the Swedish currency has led to a significantly undervalued exchange rate. As the Riksbank cautiously starts to hike rates, strong growth together with solid budget and external balances should be reflected in a strengthening of the krona to more normal levels below SEK

9.00 per EUR. **According to the response in the current CFO survey, a majority of companies would not see a significant impact from such a strengthening of SEK.**

Net balance in number of employees in Sweden jumps to multiyear high



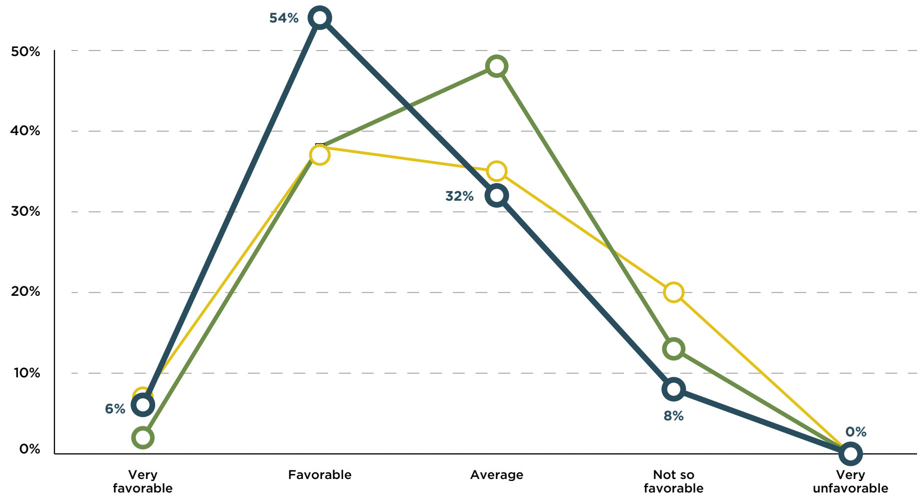
Net balance is the difference between increase and decrease employees in Sweden.

Business outlook and financial position

CFOs' view of business conditions largely improved from an already strong position. CFOs also had a generally positive view of improvements in the financial position of their own company. These changes were driven by a more positive manufacturing sector, which indicates a more broad-based recovery: spreading from the real estate and services sector into the industrial sector.

QUESTION 1

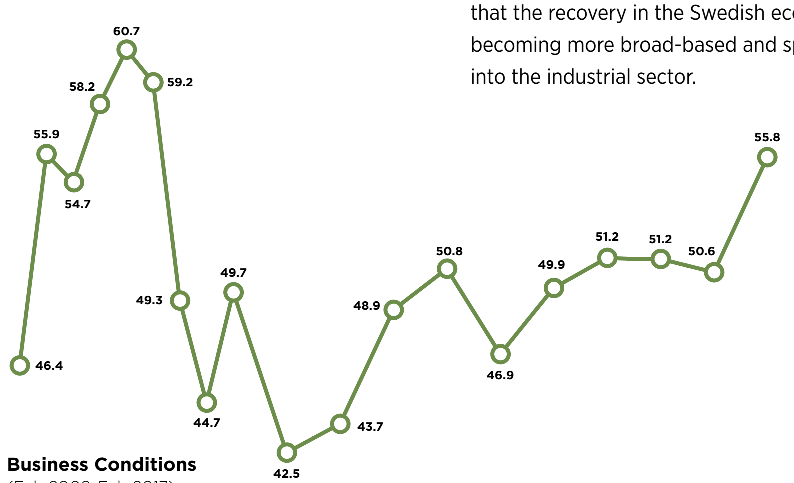
Business conditions for your company in the next six months are seen as



The business conditions index improved, rising to 55.8 from 50.6 in September 2016. This is the highest reading in nearly 6 years (since May 2011) and the largest increase in 3.5 years (since September 2013). It is consistent with other sentiment indicators and our survey's more optimistic view of global growth.

There is a general convergence in the responses toward positive views which indicates a broad-based improvement. Thus the past three surveys have showed clearly different trends. In the spring 2016 survey, we observed a divergence between more CFOs having a favorable outlook but also more of them seeing business conditions as unfavorable. We explained this by describing a two-speed economy in which certain sectors saw a large recovery while growth in other sectors remained muted. In the fall 2016 survey, there was a shift towards the average from both sides.

As observed in earlier surveys, there is a sector-specific spread in the results. However all sectors have a positive net balance (NB) indicating there are more CFOs with a positive than a negative view within all sectors. Most positive this time around is Manufacturing, while the Life Science and TMT sectors are least positive. This is a large swing towards a positive outlook in Manufacturing, which was the sector with the least positive view in the September 2016 survey. This provides support for our view, expressed in the macro section, that the recovery in the Swedish economy is becoming more broad-based and spreading into the industrial sector.

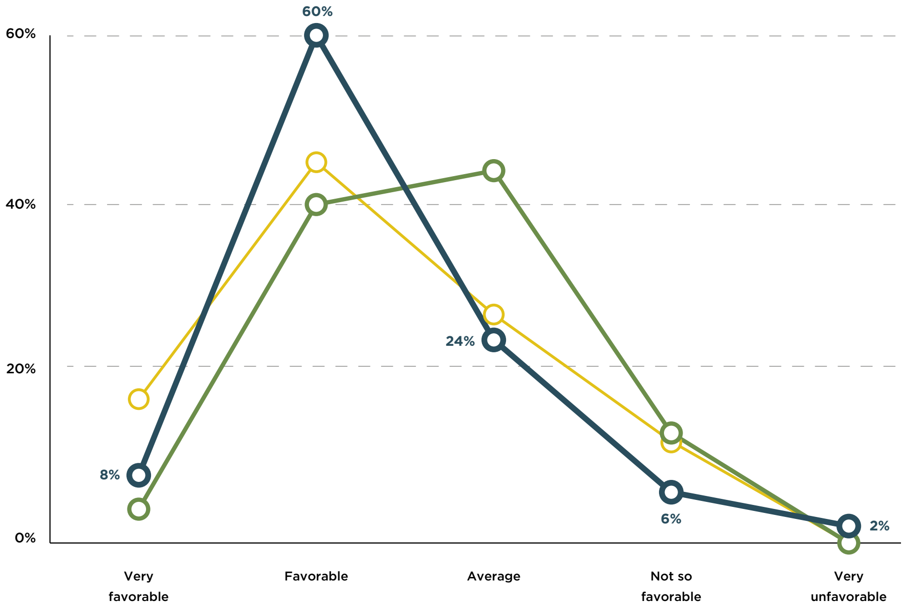


Business Conditions
(Feb 2009-Feb 2017)

Feb 2017 Sep 2016 Feb 2016

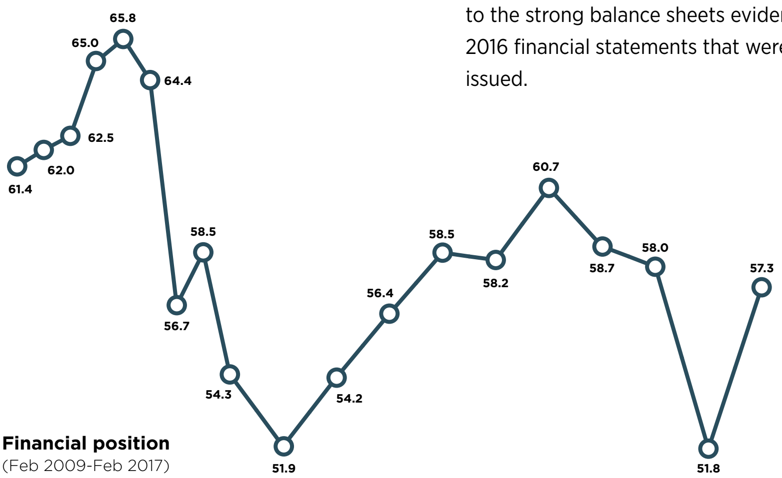
QUESTION 2

Compared to six months ago, the overall financial position of your company is seen as



In the spring 2017 survey, we observe that the CFOs have a generally positive view of the financial position of their own company. The number of CFOs indicating an unfavorable financial position has decreased from the previous survey, which is a positive trend that is noted for all sectors. The positive shift in relation to prior surveys, and specifically the fall 2016 survey, might be because those surveys were conducted at a time affected by major events associated with great uncertainty, such as the Brexit vote in the UK and the US presidential election. However, as stated in our macro section, financial markets and the level of economic activity have tended to show great resilience to political risks, which might indicate an increased ability by businesses to cope with uncertainty.

As in previous studies, there is a sector-specific spread in the "financial position" results. In the current survey CFOs within Manufacturing, just as with business conditions, show increased optimism compared to the fall 2016 survey. This indicates that demand in the global economy is becoming more broad-based and is spreading into the industrial sector, in addition to the strong balance sheets evidenced by the 2016 financial statements that were recently issued.



Financial position
(Feb 2009-Feb 2017)

Prospects and concerns

The overall level of concern for the coming 12 months has fallen, and M&A activity together with cost reduction continue to be top priorities. The survey shows a substantial increase in willingness to hire, with one third of CFOs expecting their company's number of employees in Sweden to increase.

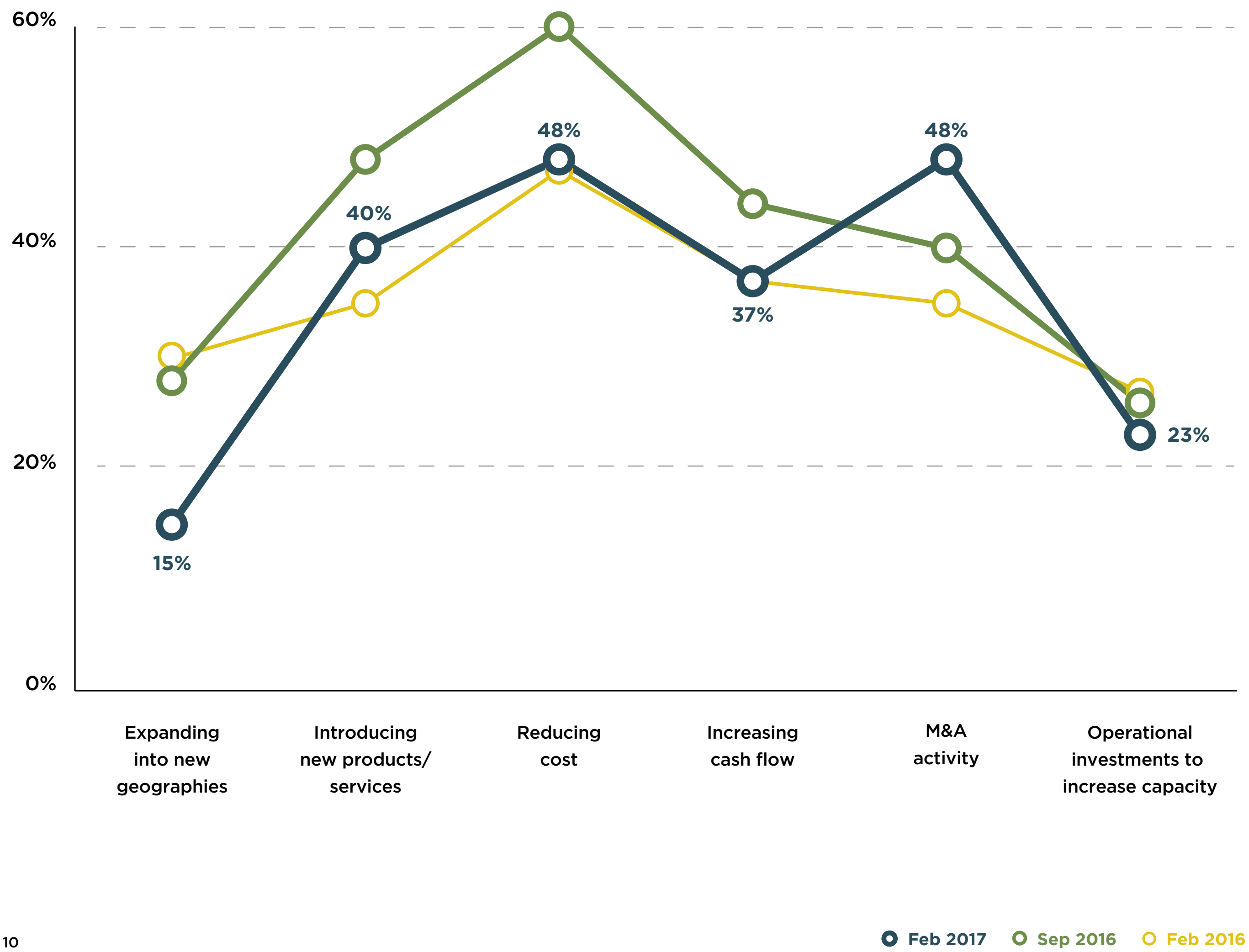
QUESTION 3

What are your corporate priorities for the next year?

For this question, CFOs are allowed to choose more than one option. One of the top priorities for CFOs continues to be reducing cost; however, we note that its relative importance compared to other priorities has declined. Besides reducing cost, M&A activity is considered a top priority, specifically among companies within sectors such as TMT and Life Science. This general perception that M&A is as a top priority indicates that the intense transaction market is not going to cool off.

Introducing new products/services continues to be a priority. Even though its relative importance has decreased, it is still the most preferred option for CFOs operating within the Life Science and Manufacturing sectors.

It is somewhat surprising that in spite of the generally positive outlook, expansive priorities apart from M&A activities have declined in priority. This might indicate a continued "wait and see" approach until positive market expectations turn into factual increases incustomer demand and order bookings.



QUESTION 4

What are the greatest concerns for your company over the next 12 months?

The overall level of concern has fallen in this survey, which is in congruence with CFOs also seeing slightly lower external uncertainty (see question 9) as well as more favorable business conditions (question 1). Key takeaways are that:

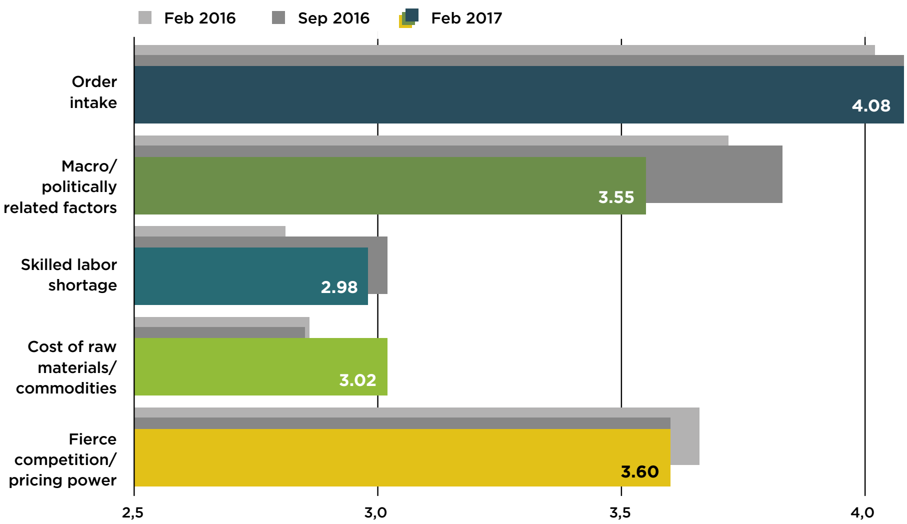
1 Order intake (bookings) remains the chief concern,

2 Concern about macro/politically related factors has fallen the most, and

3 Cost of raw materials/commodities is the only concern that has increased.

Falling concern about macro/politically related factors may be motivated by the uncertainty ahead of the US election being out of the way and that markets since the fall survery has embraced "Trumponomics" in a positive fashion. The protectionistic side of his politics as well as concern with important European election the coming months should, however, be one reason for the factor to still have a relatively high score. The increase in concern for cost of raw materials/commodities is not surprising looking at recent developments in the Swedish purchasing price index which since June 2016 has risen sharply to levels not seen since the mid-1990s.

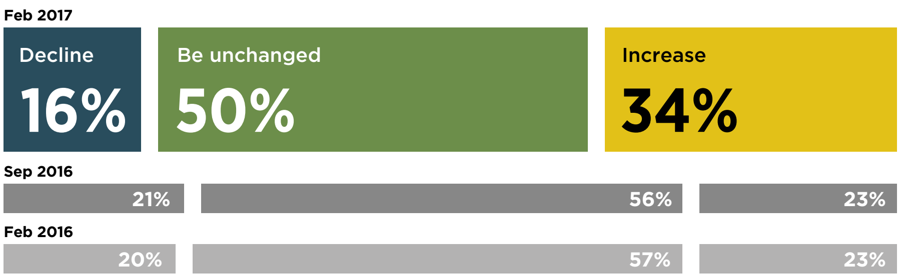
Besides order intake, which all sectors are concerned about, there are clear differences between sectors. Macro/politically related factors are high on the agenda of Manufacturing, Life Science and Financial Services companies, while fierce competition/pricing power seems a greater concern for the CB&T sector. Concern about a skilled labour shortage decreased somewhat but remains high, especially in the Life Sciences sector and to some degree also in Manufacturing. This decrease is in contrast to the growing shortage of skilled labor discussed in our macro section and shows that there is a need for an even more broad-based recovery before this becomes a general problem.



QUESTION 5

The number of employees in your company in Sweden is, in the next six months, expected to

In the spring 2017 survey, we observe a clear upturn in the percentage of CFOs expecting increased level of employees in Sweden, which is obviously a very positive sign after years of streamlining operations and an unwilling-ness to expand the workforce. However, the majority of respondents still expect unchanged levels, whereas the percentage of CFOs expecting a decline has fallen slightly. The shift to a more positive outlook is primarily driven by the Manufacturing sector which might be connected to signs and expectations about recovery in global market demand.

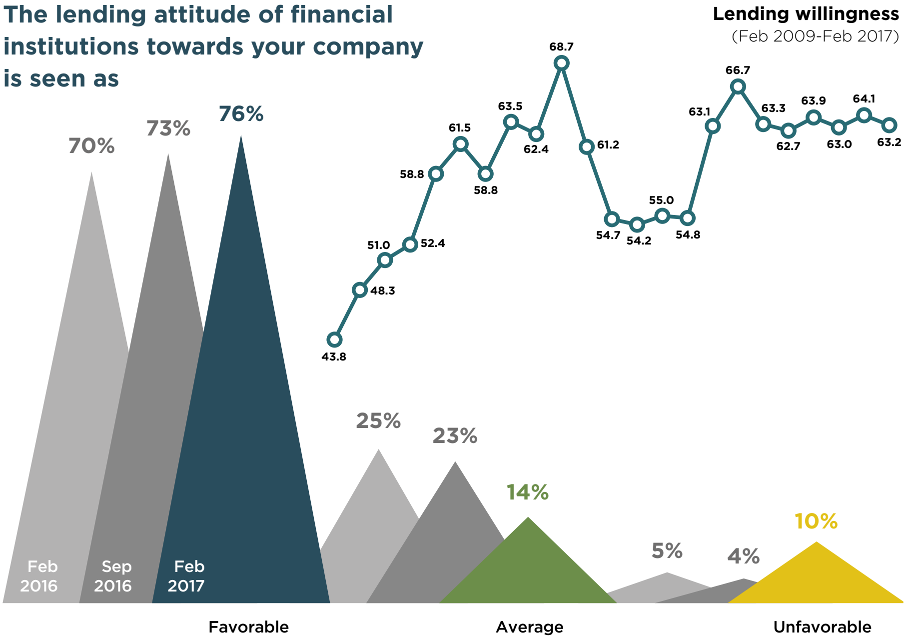


Financing and risk

There is a lower level of external uncertainty and expectations on the probability of counterparties defaulting are at multi-year lows. The attitude towards lending to major Swedish companies remains favorable, but CFOs are still hesitant to take on greater risk in their balance sheet. Bank borrowing is still the most attractive source of financing, and corporate debt recovered sharply in attractive-ness.

QUESTION 6

The lending attitude of financial institutions towards your company is seen as

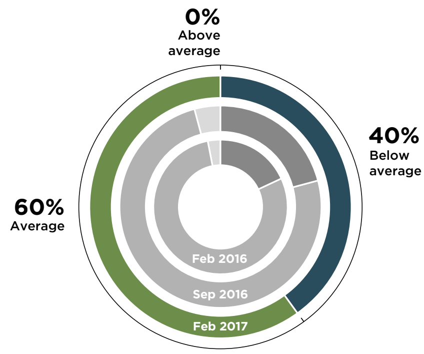


The lending willingness index fell marginally to 63.2 from 64.1 as more CFOs viewed the lending attitude of financial institutions as unfavorable (10 percent compared to 4 percent in fall 2016). However, an even larger majority of 76 percent view the attitude as favorable, which is why the lending willingness index is at the highest level of all the subindexes.

Looking at different industries it is mainly within Consumer Business & Transportation and TMT that the lending attitude of financial institutions is viewed as unfavorable. TMT stands out as the only sector in which the majority of CFOs do not view the attitude of financial institutions as favorable.

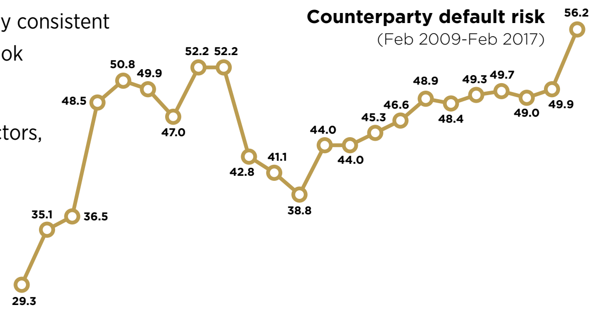
QUESTION 7

The probability of counterparties' default in the next six months is expected to be



The counterparty risk index eased sharply (56.2 from 49.9) as far more CFOs viewed the probability that counterparties will default as below average (40 compared to 21 percent in fall 2016). For the first time since at least 2014, zero respondents saw an above average risk. This is clearly positive and is highly consistent with the generally improved outlook conveyed in the survey.

Looking at different economic sectors, the situation is perceived as most favorable within Life Sciences and CB&T.

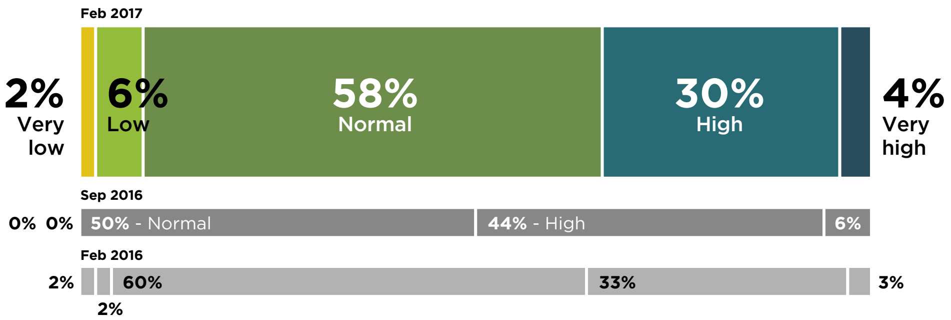


QUESTION 8

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

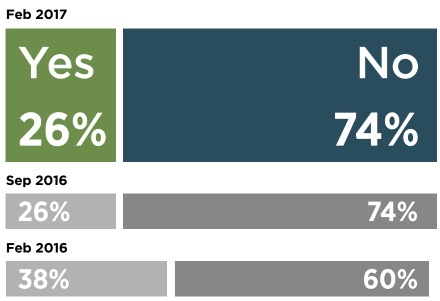
CFOs see a lower level of external financial and economic uncertainty, which goes hand in hand with rising business confidence (question 1) and lower concern about macro/politically related factors (question 4). The slide is general with the percentage answering very high and high falling while normal, low and very low have all increased.

Among the different sectors, CB&T and TMT rate the level of uncertainty as high, while Life Sciences stands out on the downside followed by the Financial Services Industry ranking the level of uncertainty as relatively low.



QUESTION 9

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

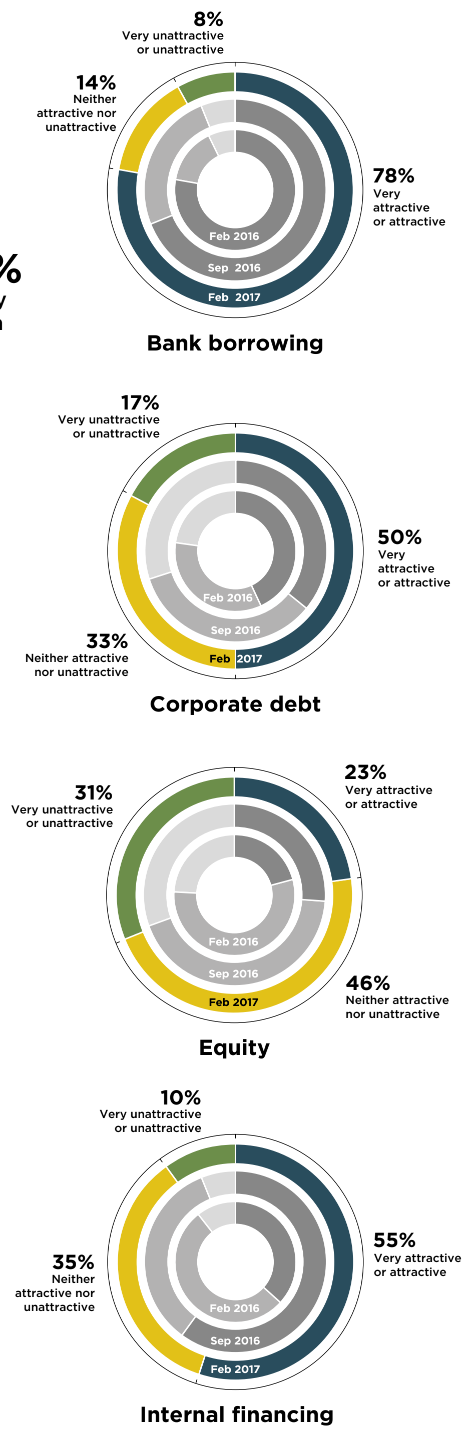


The way CFOs view risk has not changed much, with a large majority (74 percent) not seeing this as a good time to be taking greater risk onto their balance sheets. This is somewhat surprising, given the otherwise more optimistic views expressed in the survey. Looking at the various sectors, there are clear differences in views with Manufacturing and Life Sciences being most positive towards risk and the Other and TMT sector being least positive.

QUESTION 10

How do you currently rate the following option as a source of funding for corporations/your company?

Bank borrowing remains by far the most attractive source of financing according to the CFOs. Corporate debt increased most in popularity compared to the fall 2016 survey but bank borrowing and internal financing also increased. Equity fell in popularity for the second straight survey, though the change was very small.

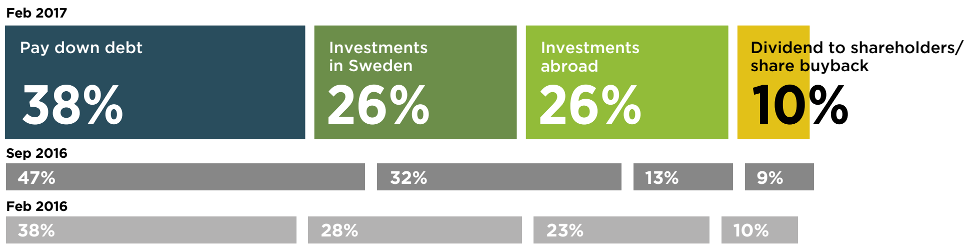


Strategic opportunities

Previous surveys have leaned overall towards more prudent expectations, but CFOs have now shifted towards an increasingly positive outlook. Of all respondents, 94 percent expect M&A activity to remain at its current high levels or possibly increase further.

QUESTION 11

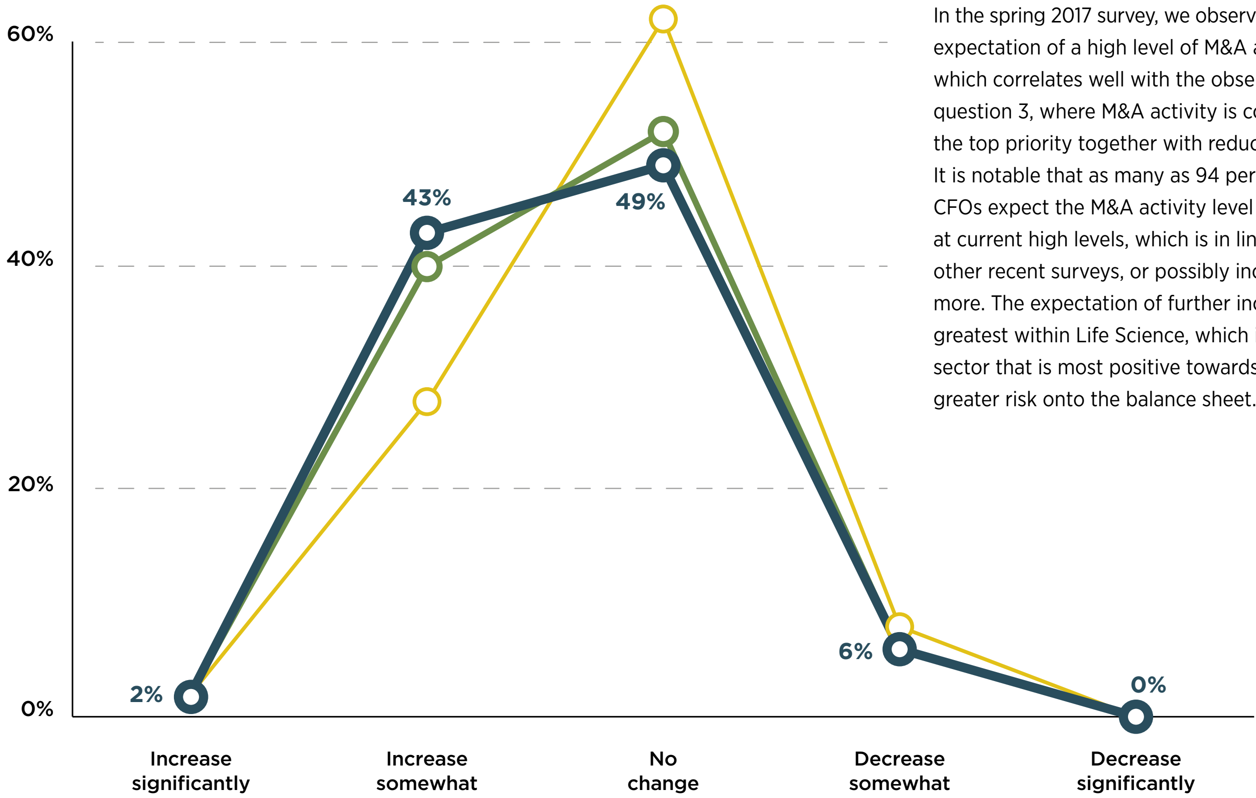
Assume a current cash surplus position. How would you prefer to use the money in the next six months?



As in the fall 2016 survey, paying down debt is the most preferred alternative although decreasing somewhat. Given low interest rates, the expectation would be that this preference would decline over time. However, this has not been the outcome in prior surveys. The appetite for investments abroad is now as high as investments in Sweden, primarily driven by the Life Science sector, where this is the top priority. The appetite for investments in Sweden remains high among companies within the TMT and Real Estate sectors. The increased shift towards investments abroad is likely due to a belief in stronger world economic growth prospects than in previous years.

QUESTION 12

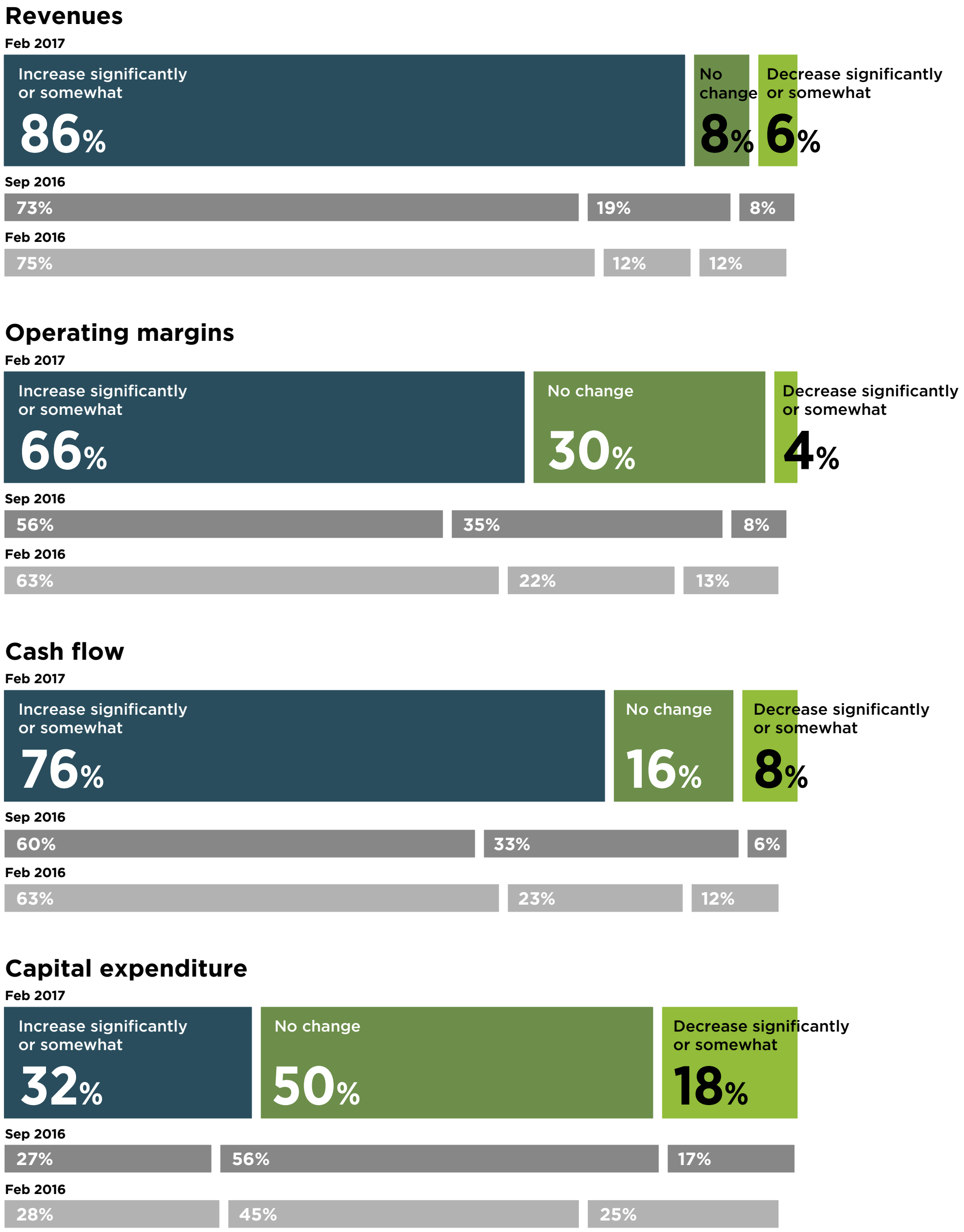
Over the next 12 months, how do you expect levels of corporate acquisitions and divestments in Sweden to change?



In the spring 2017 survey, we observe a still solid expectation of a high level of M&A activity, which correlates well with the observations in question 3, where M&A activity is considered the top priority together with reducing cost. It is notable that as many as 94 percent of the CFOs expect the M&A activity level to remain at current high levels, which is in line with other recent surveys, or possibly increase even more. The expectation of further increase is greatest within Life Science, which is also the sector that is most positive towards taking greater risk onto the balance sheet.

QUESTION 13

In your view, how are the following key metrics for your company likely to change over the next 12 months?



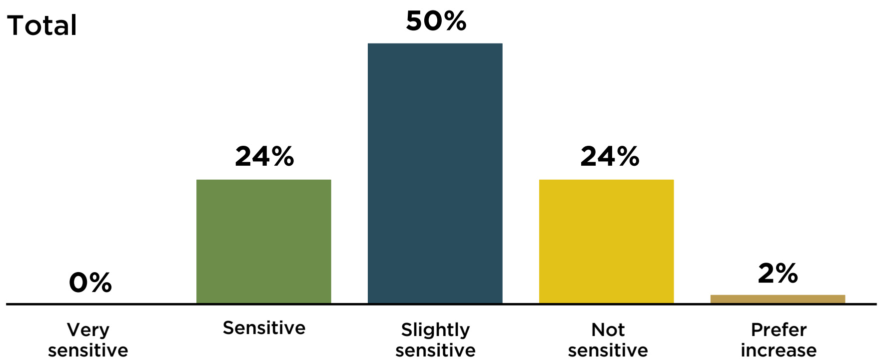
In the spring 2017 survey, there is an increasingly positive view of all four listed growth metrics: operating margins, cash flow, revenues and capital expenditures (capex). However, the outcome of the answer in this question is more relevant to analyze from a trend perspective. Previous surveys with an overall tilt towards more prudent expectations have now shifted towards an increasingly positive outlook. Looking at the net balance, every metric is trending in a positive direction compared to prior surveys, which supports the indication of a generally optimistic view among CFOs within all sectors.

Hot topic
Interest rate and currency sensitivity

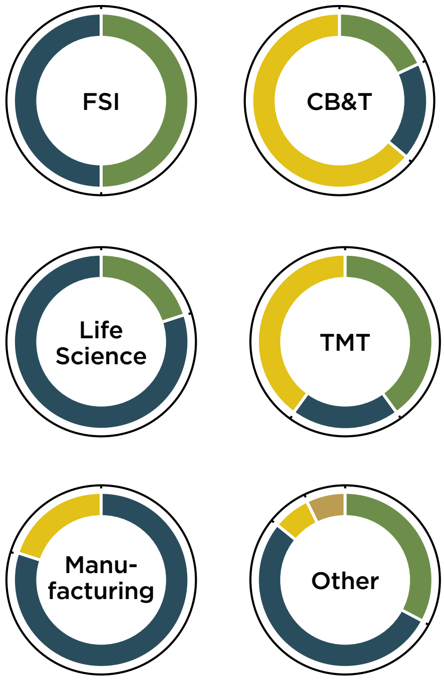
Companies are on average only slightly sensitive to gradually higher interest rates and should thus not be as large a concern for the Riksbank as private lenders once it begins to normalize monetary policy. A stronger SEK would have no significant impact on a majority of the companies. However, for those who are impacted there is a tilt towards the negative side.

QUESTION 14

Given your current financial position, how sensitive would your company be in an environment with gradually higher interest rates?

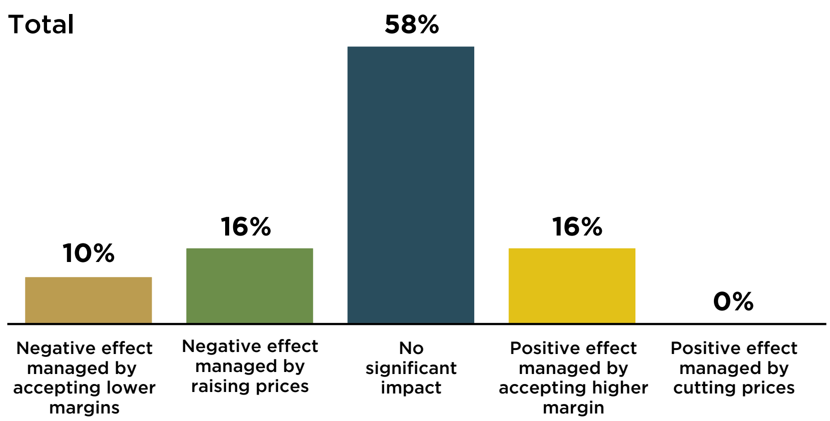


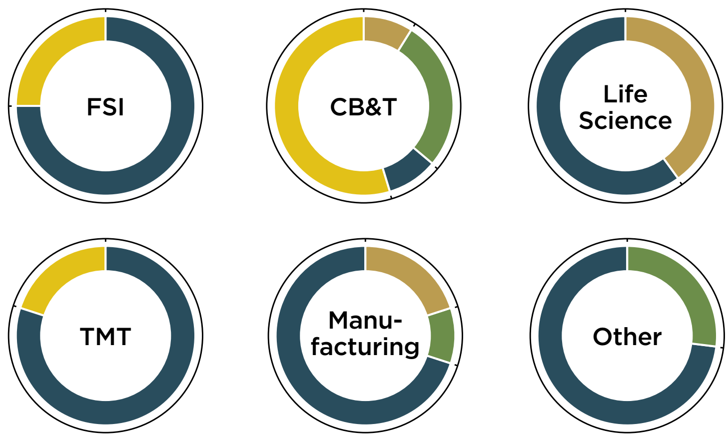
Given expectations that central banks will reverse course and pursue more normal monetary policies, which the Fed has already begun, we thought it interesting to gauge companies' sensitivity to interest rate hikes. Generally, consumers are said to be very sensitive to such hikes in Sweden, since they largely hold floating rate loans. This will makes it difficult for the Riksbank to normalize rates. If companies also prove very sensitive it would be even harder. The responses from the CFOs show that companies on average only are slightly sensitive and this should consequently not be a major concern for the Riksbank once it begins to normalize its monetary policy. However, the sensitivity to rates differs greatly between sectors. FSI and TMT are the most rate sensitive while CB&T and Manufacturing are the least sensitive. Companies that would gain on rising rates were only found in the category Other where among others real estate companies may be found.



QUESTION 15

How would your company be affected by a stronger Swedish krona i.e. EUR/SEK just below 9.00 during the year? And how would you manage the impact on your financial accounts?





We find this question interesting, as it not only reveals companies' currency sensitivity but also indicates how the impact could be managed. Judging by the answers a majority (58 percent) of the companies would not be significantly impacted, which may be due to no natural FX exposure or because their exposure is largely currency hedged. If impacted, most companies would experience negative effects (26 percent) while some would gain (16 percent). Interestingly, the way to manage positive effects versus negative effects is very different. Out of the companies expecting positive effects 0 percent would pass that on to customers by cutting prices. On the other hand, among the companies expecting negative effects a majority (62 percent) would prefer to manage the impact by passing it on to customers, that is, raising prices.

In a world characterized by fierce competition and great concern about order intake (see question 5) we find it a bit surprising that no companies would manage a positive effect by cutting prices and also that a majority would manage negative effects by raising prices. Looking at the various sectors, two stand out: CB&T, with a larger percentage of respondents than in any other sector expecting positive effects which would be managed by accepting higher margins, and Life Science, with the largest percentage among CFOs in all sectors seeing negative effects which would be 100 percent managed by raising prices.

Hot topic
Cyber threats

The vast majority of CFOs have experienced cyber-attacks of some kind during the past 12 months. However, the level of cyber security awareness is not yet in line with the level of the threats at hand.

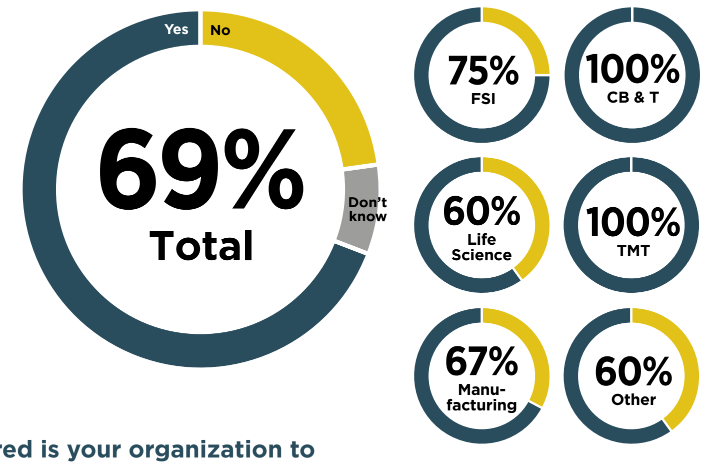
With new technology come new threats. In recent news reporting, hacking and cyber-attacks have been recurring themes on almost a daily basis. Cyber security has also risen on the agenda for businesses as an important governance matter. Therefore, we asked the CFOs whether their organizations had been exposed to cyber threats during the past 12 months, and also about their ability to manage such threats.

We noted that as many as 69 percent of the CFOs responded that they had experienced cyber threats during the past 12 months. However, even more interesting – and at the same time alarming – is that an even greater majority of CFOs responded that they believe their organizations have a limited ability to identify and respond to such threats. Only 14 percent indicated that they are well prepared, with a high ability to identify and respond to cyber threats. Companies within the TMT and FSI sectors seem to be somewhat better prepared, which is likely due to a high level of dependency on technology as well as specific regulatory requirements within these sectors.

The overall result indicates that the level of cyber security awareness is not yet in line with the level of the threats at hand and that it is time for companies to take control.

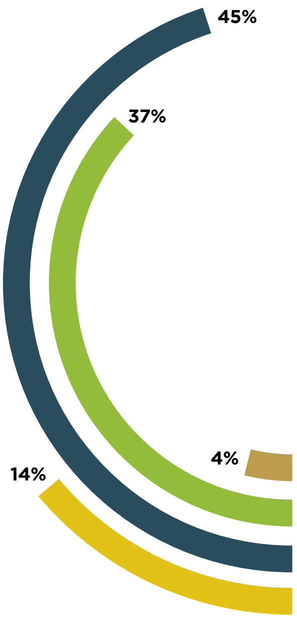
QUESTION 16

Has your organization been exposed to cyber threats during the last 12 months?



QUESTION 17

How well-prepared is your organization to identify and respond to cyber threats?

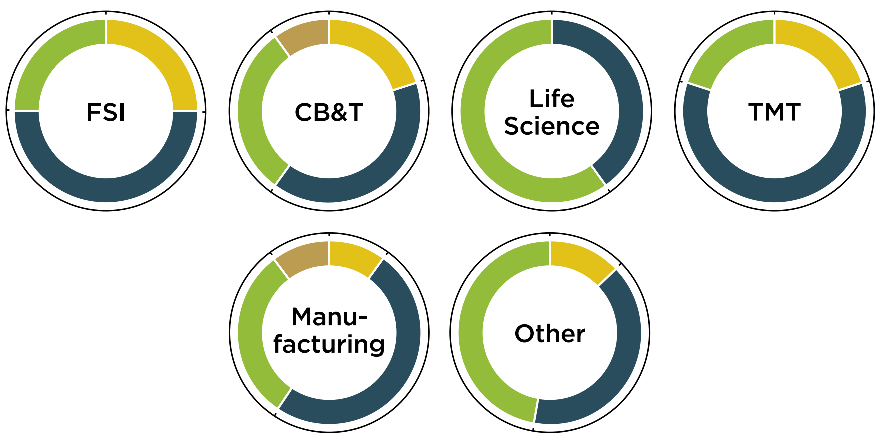


Ad hoc, we may be able to respond to threats if we happen to identify them

Basic preparedness and able to identify and respond to simple threats

Somewhat able to identify and respond

Well prepared with high ability to identify and respond



An international outlook
Rising above the noise

AMERICAS

All eyes were definitely on the new Trump administration this quarter. Yet, while North American CFOs voiced concern about the lack of clarity around government policy, 43 percent of them expressed rising optimism (up from 35 percent last quarter), and 20 percent cited declining optimism (up from 16 percent). Their year-over-year operating expectations remain muted, but CFOs are firmly biased toward revenue growth and investing cash. They are also bullish toward economic growth in the US, but split on Canada's prospects (only 14 percent of Canadian CFOs say Canada's economy will improve), and negative toward Mexico's (where 0 percent of Mexican CFOs expect improvement in that economy). It should be noted, however, that the strong levels of pessimism regarding Mexico's economy may have been an initial reaction to the election—and subsequently spurred a more aggressive corporate stance, says Andres Garza, economic analysis leader, Deloitte Mexico. He points to recent spikes in Mexican export volumes to both the US and the rest of the world, as well as an appreciation of the peso of around 6 percent since President Trump took office, saying it may reflect the realization that "if changes are made to trade policy, they will take time."

ASIA/PACIFIC

For the two countries reporting in Asia-Pacific—Australia and Japan—there are upbeat signs for the future. In Japan, for example, 27 percent of surveyed CFOs indicate that they are "somewhat positive" about their companies' financial prospects, the highest level in that survey. As for plausible risk scenarios, though, most CFOs believe the Trump administration's policies may impact diplomatic and trade arrangements and are concerned about the "clear signs of protectionism." Meanwhile, in Australia, where CFOs rank the current level of uncertainty as the highest in the eight-year history of the survey, they are still strongly optimistic, buoyed by historically low interest rates and a lower Australian dollar, as well as by the shift of economic activity away from mining states in the north and west to retail and housing markets in the east. Barring unforeseen events, the economic outlook for 2017 is one of relative strength, with Australia poised to break the record—currently held by the Netherlands—and enter its 26th consecutive year of economic growth.

EUROPE

Finally, in Europe, the initial shock of Brexit seems to have worn off and left CFOs breathing a sigh of relief. In the UK, the resiliency of the economy in the wake of the vote has left CFOs markedly more positive on the outlook for their own businesses—although 66 percent of CFOs expect that leaving the EU will be negative for the overall business environment in the long-term. In Belgium, optimism is at positive levels last seen in 2014, and expansionary strategies are the top priority for 62 percent of companies. For the seventh successive quarter, Swiss CFOs' views of the country's economic prospects have improved (50 percent), and 64 percent voice optimism about their companies' financial prospects. Russian CFOs are also cautiously optimistic, with 36 percent reporting positive outlooks for their companies. And across Central Europe, CFOs have been emboldened by increasing GDP rates and lower unemployment.

Going forward, the Deloitte economists interviewed expect that there may be more geopolitical surprises in store. For CFOs and for companies, says Stewart, this necessitates "recognizing the risks and measuring them, but not to be completely driven by them."

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ABOUT THE SURVEY

The CFOs who responded represent a selection of the 200 largest companies in Sweden across industries. The survey was carried out as a web-based questionnaire in February 2017. Given the broad range of industries and organizations that responded, the trends observed and conclusions made are considered representative of the wider Swedish CFO community.