

Deloitte/SEB CFO Survey

Comparison between Nordic and European CFOs

The European CFO Survey for Q1 2017 conveys an optimistic outlook among European CFOs. However, Nordic CFOs are even more optimistic than their European peers, as previously reported for Sweden and Norway in the Deloitte/SEB CFO Surveys but now also complemented with results from Denmark and Finland. Furthermore, Swedish CFOs are even, by a quite large margin, the most positive towards their own company's financial prospects.

Interestingly the difference in optimism is found to be larger than what differences in economic growth solely implies. One reason for the very optimistic Swedish CFOs may have to do with international trade. Large Swedish companies tend to have large foreign exposure and the combination of an already solid domestic market with renewed global growth prospects and international demand spells a very good environment for these companies.

In congruence with their more optimistic view on financial prospects, Nordic CFOs also view external uncertainty as lower than what their European peers do. However, inconsistently Nordic CFOs are somewhat less willing to take on risk – where Norway and Sweden stand out.

A similar story is found if looking at the CFOs view on different key metrics. Nordic CFOs are more positive to the development of Revenues and Operating margins than European CFOs. But they are less inclined to increase Capital expenditure.

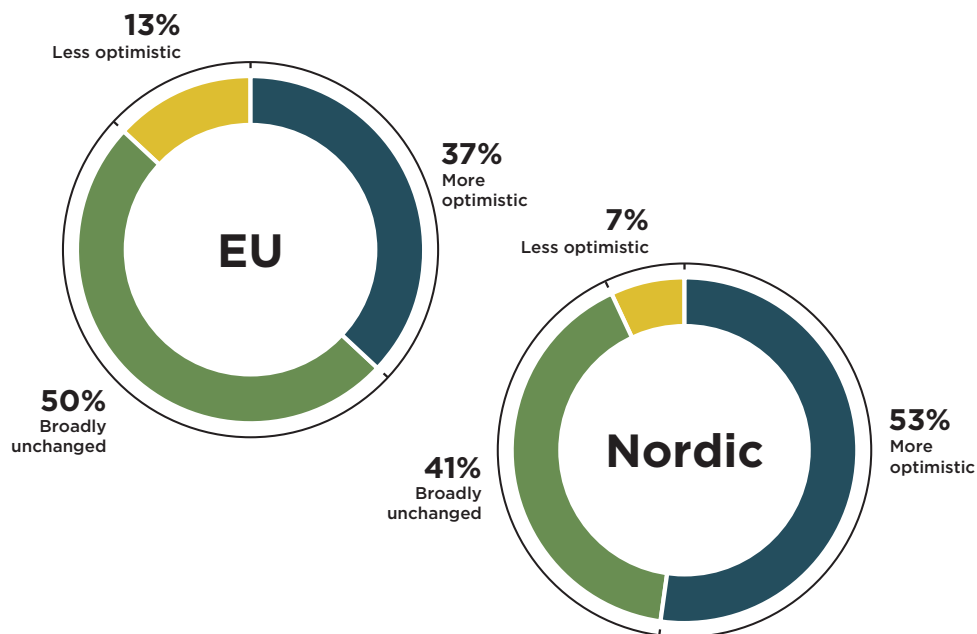
A final observation of interest regards the CFO view on recruiting where Nordic and European CFOs express an almost equal interest to grow the number of employees. However, among the Nordic countries there are large differences with Swedish CFOs being most benign to increase their workforce while Finnish CFOs express a neutral view which is far less positive than even the European average. Though still more optimistic than UK which was the only country of the 19 in the survey expressing likely cut in the workforce over the next 12 months.

About the report

This report is based on the data from the Swedish and European CFO Survey from spring 2017. In this report we are looking closer into comparisons between the Nordic and European CFOs. To enhance readability not all survey questions are included in this report. For full data please visit www.deloitteresearchemea.com.

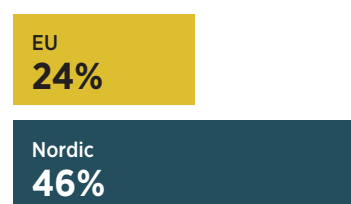
Financial prospects

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



CFOs for Nordic companies are much more optimistic regarding their **financial prospects** compared to the European average. The GDP weighted Nordic Net Balance is +46% while the GDP weighted European Union Net Balance is only +24%. Among the Nordic countries Sweden stands out with the absolutely most positive CFOs with a NB of +60% while Danish CFOs are the least positive, close to the EU average.

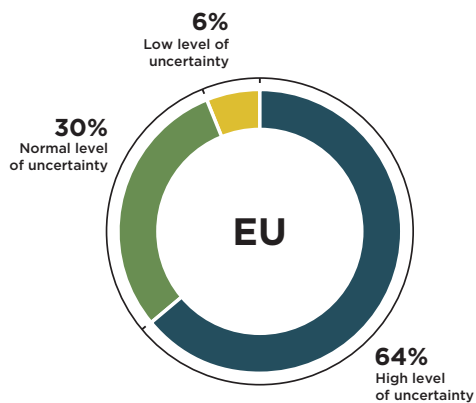
Net Balance / Financial prospects
(Difference between negative and positive answers)



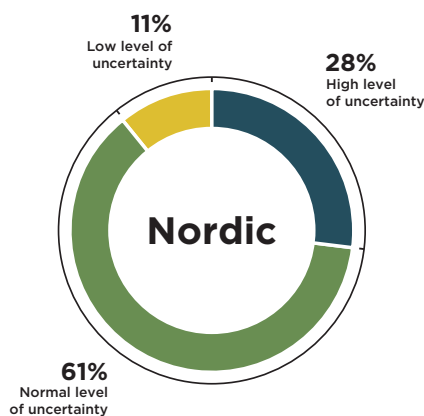
CFO optimism is not strongly related to the expected economic growth for the different regions and countries. While Sweden stands out with both the largest optimism and the highest expected economic growth, Finland has the second largest optimism but the second smallest expected economic growth in 2017. In a regional perspective Nordic economic growth is expected somewhat higher than for the Euro Zone as a total (2.2% vs 2.0%) but CFOs in the Nordic region are far more optimistic than their Euro Zone peers (46% vs 24%).

Uncertainty

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



Nordic CFOs are also more positive when it comes to **uncertainty**. Rating the overall level of financial and economic uncertainty facing their companies the NB is much smaller (where the larger the number the higher level of uncertainty is seen). Nordic NB is only 16% versus 58% for the European Union countries as a whole. Among the Nordic countries Sweden has the highest NB (26%) while Norway has the lowest (1%). Interestingly the Swedish CFOs, who have the most optimistic view on financial prospects, express the highest level of uncertainty.



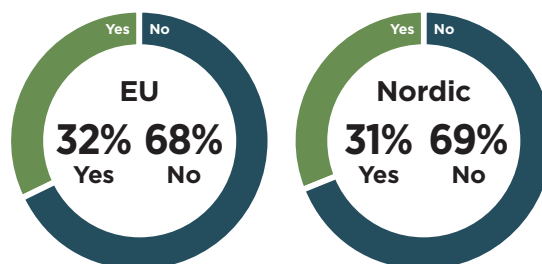
Net Balance / Uncertainty
(Difference between negative and positive answers)



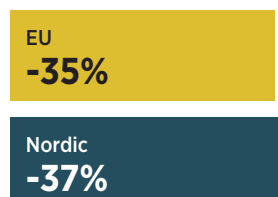
Risk

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

Even if Nordic CFOs both (1) feel more optimistic compared to EU CFOs and (2) rate the overall level of uncertainty as lower, they are still less willing to **take greater risk** onto their balance sheets compared to their EU peers. Especially Norwegian CFOs are unwilling to take on greater risk while the Finnish ones stand out both versus its Nordic and EU peers with an overweight of CFOs currently willing to take on greater risks.



Net Balance / Risk
(Difference between negative and positive answers)



Financing

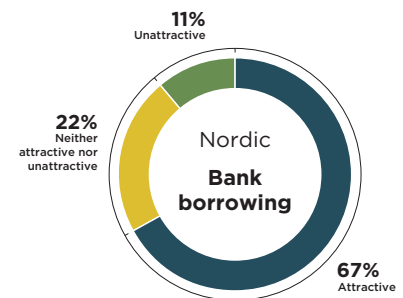
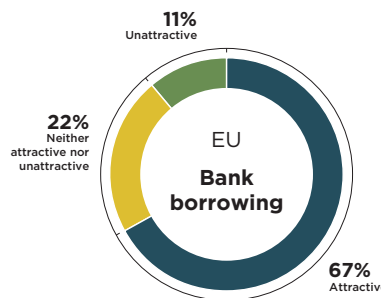
How do you currently rate bank borrowing, corporate debt, equity, internal financing as a source of (external) funding for corporates/your company?

Bank borrowing is the most popular source of financing both in EU and the Nordic region. Only in Finland another source of financing was more popular - **internal financing** - which also was very popular in Sweden. **Corporate debt** was rather equally popular in EU, Finland, Norway and Sweden (NB ~33%) but clearly

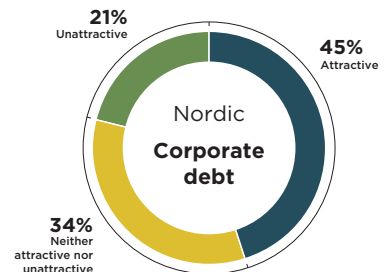
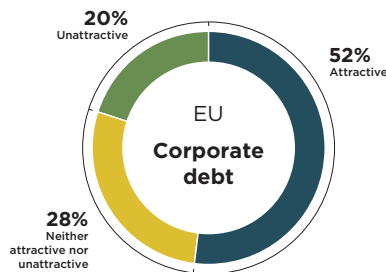
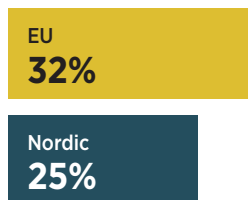
unpopular in Denmark (NB -12%). **Equity financing** was unpopular in Finland, Denmark and Sweden (negative NB) while very popular in Norway (NB 51%). The Nordic region was however on average well aligned with the EU views (NB 5% vs 6%).

Net Balance / Bank borrowing

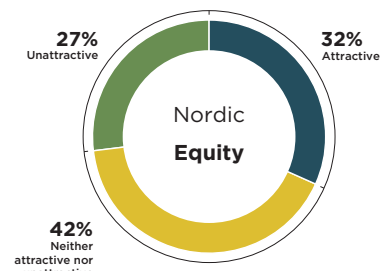
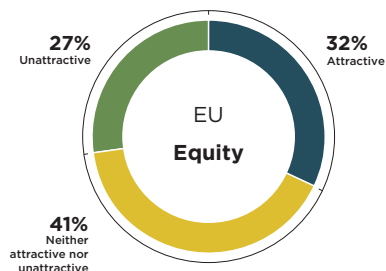
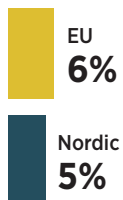
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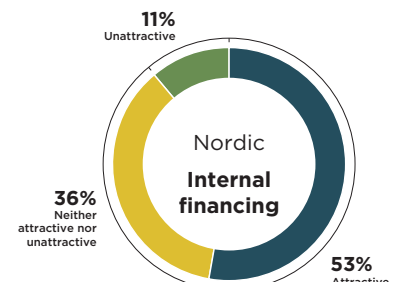
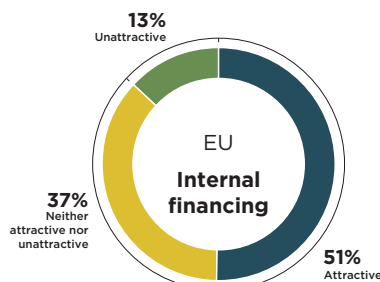
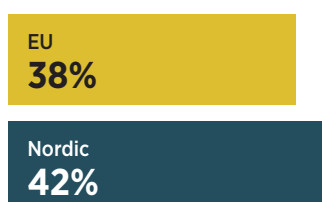
Net Balance / Corporate debt



Net Balance / Equity



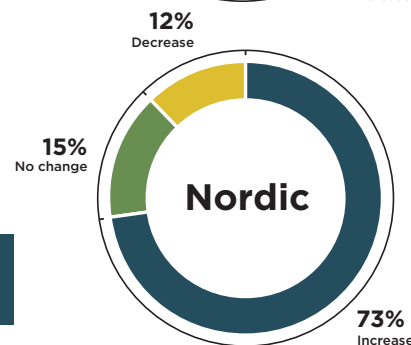
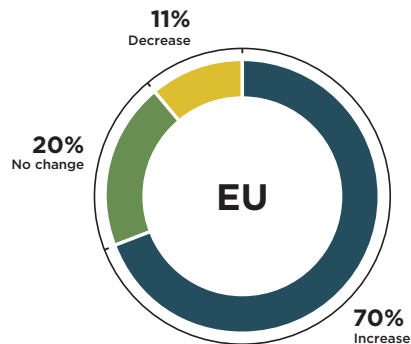
Net Balance / Internal financing



How are the following key metrics for your company likely to evolve over the next 12 months?

Revenues

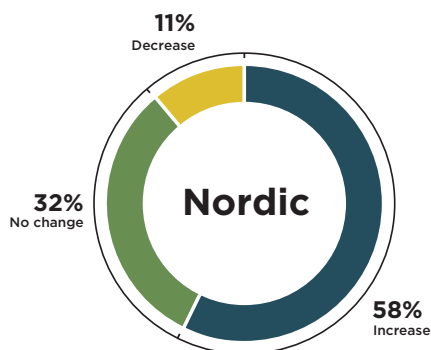
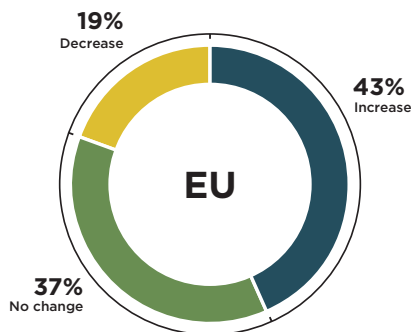
CFOs for Nordic companies have a slightly more optimistic view regarding revenue growth compared to the European average. Among the Nordic countries Sweden stands out with the far most positive CFOs with a NB of +80%, driving the overall index for the Nordics. NB for the other three countries is lower than the European average. Denmark stands out with the least positive CFOs with a NB of +40%.



Net Balance / Revenues
(Difference between negative and positive answers)



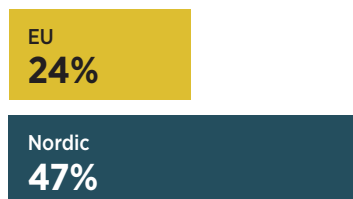
Operating margins



CFOs for Nordic companies have a clearly more optimistic view regarding increase in operating margins compared to the European average. Among the Nordic countries Sweden again stands out with the absolutely most positive CFOs with a NB of +62%. As for revenue growth Denmark stands out with the least positive CFOs (NB +31%).

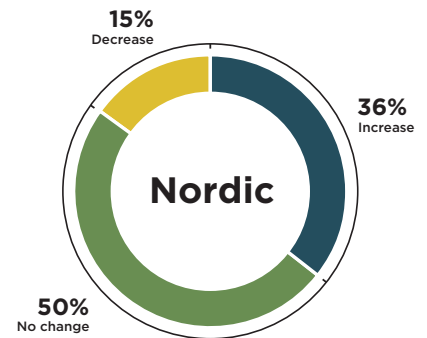
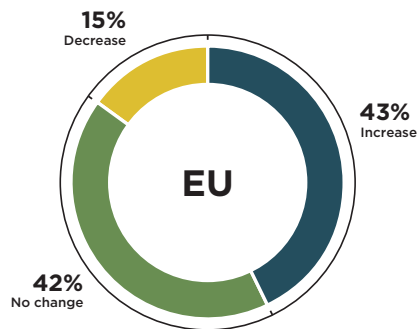
Finland where a -5pp change is noted for operating margins, compared to a +1pp change in revenues.

Net Balance / Operating margins
(Difference between negative and positive answers)



As noted for revenue growth, the increase compared to previous survey is largest among Norwegian CFOs. The trend in revenue growth and operating margins seem to be somewhat correlated in all Nordic countries, except for

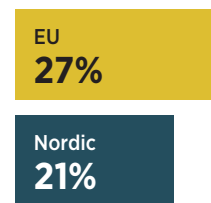
CAPEX



CFOs for Nordic companies have a more conservative view on **capex spending** compared to the European average. Among the Nordic countries Finland is the only country showing a higher NB compared to the European average. As for revenue and operating margins Norway stands out as the country showing the greatest increase compared to previous survey. This is the only metric where Sweden stands out as the least positive, despite being the clearly most positive when it comes to revenues, operating margins and hiring.

Net Balance / CAPEX

(Difference between negative and positive answers)

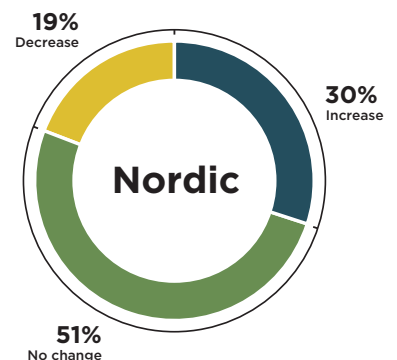
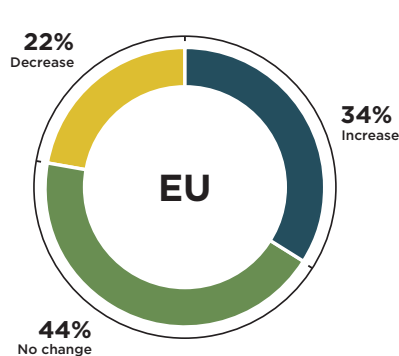
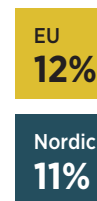


Employees

CFOs for the Nordic companies have a slightly more conservative view on hiring compared to the European average. Among the Nordic countries Sweden stands out as with the most positive CFOs, with a NB of +18%. Finland on the other hand shows a NB +/-0 and a decrease of -14pp compared to previous survey; hence Finnish CFOs are reluctant to adding more employees following tough post-financial crisis years. This is contrary to the capex metric, where Finland showed the highest level.

Net Balance / Employees

(Difference between negative and positive answers)





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