Deloitte.

SEB

CFO-survey
1st Quarter 2024
"Relief Rally"

Key findings

Little comfort for a rate cut

Shift in investment focus

Since the last survey, there has been a notable shift in focus from building cash reserves and debt repayment to, prioritizing investments and dividends. Nearly half of the CFOs, approximately 42%, anticipate increasing capital expenditure spending in the upcoming year.

Growth in focus

CFOs expects sales growth, workforce expansion and capex growth in the coming half-year. Across all sectors surveyed, there is an expectation of sales growth, with all but two sectors also foreseeing margin expansion.

Inflation is not dead

Norwegian CFOs anticipate an inflation rate of close to 4.0% in Norway and 3.2% in the EU in the upcoming year. Additionally, they hold remarkably high expectations for growth on the OSEBX.

ESG fatigue?

Over the last four surveys, CFOs have consistently reported a decrease in pressure from all stakeholders to address ESG issues. This trend contrasts with the increasing demands for more comprehensive ESG reporting.

Contacts

Sjur Gaaseide
CEO, Norway

CEO of Deloitte, Norway
sgaaseide@deloitte.no

Eivind Skaug
Partner

Audit & Assurance, Deloitte
eskaug@deloitte.no

Thomas Eitzen
Head of Credit Strategy

Large Corporates & Financial Institutions, SEB
thomas.eitzen@seb.no

Maria Pedersen
Credit Research

Large Corporates & Financial Institutions, SEB
maria.pedersen@seb.no

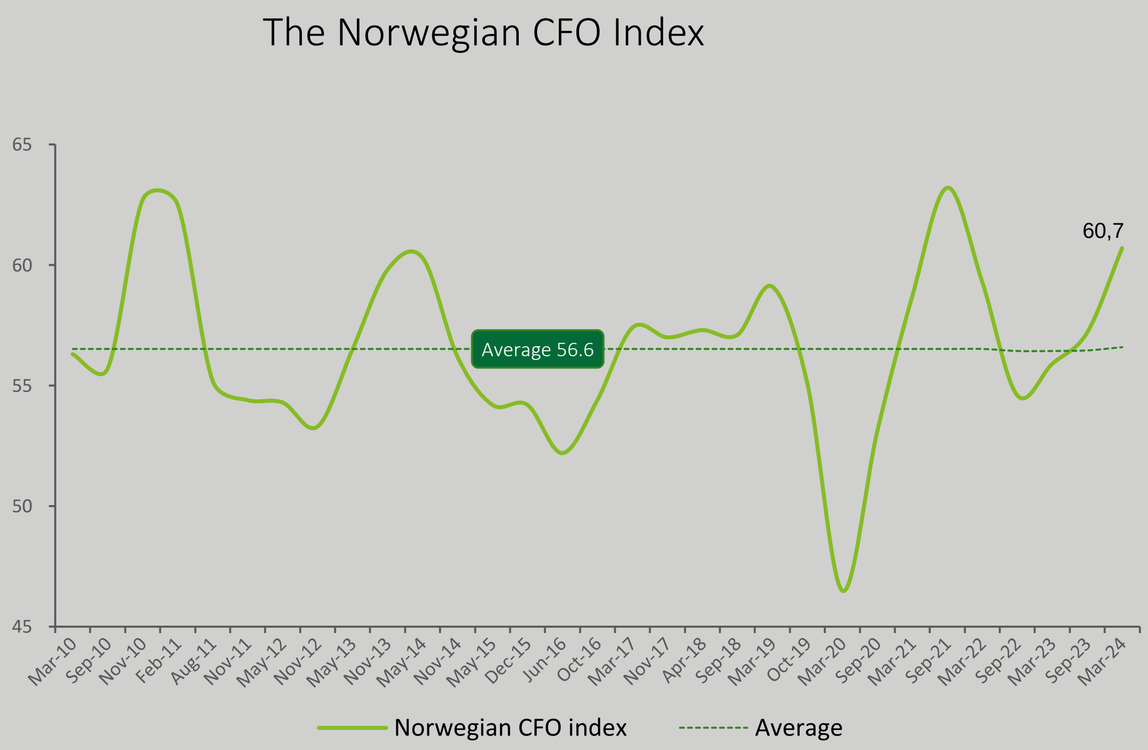
Contents

Sales-, investment- and workforce growth in focus

The CFO index has demonstrated a strong recovery in recent quarters coming back from a low in Q3-2022. This quarter, the trend persists with the index reaching heights last observed before the 2014 oil crisis and the post-COVID recovery phase in Q3-2021.

Across all sectors, Norwegian CFOs anticipate sales growth over the next six months, planning to channel these revenues into capital investments and workforce expansion. This growth is supported by a high perceived availability of bank financing. Additionally, CFOs expect Norwegian inflation to be nearly 4% in the coming year and demonstrate unprecedented confidence in the Norwegian stock market. The focus has shifted from repaying debt and building cash reserves to making new investments and distributing dividends.

While more factors are in play, the data provided in this report offers little indication of a potential rate cut in the near future.



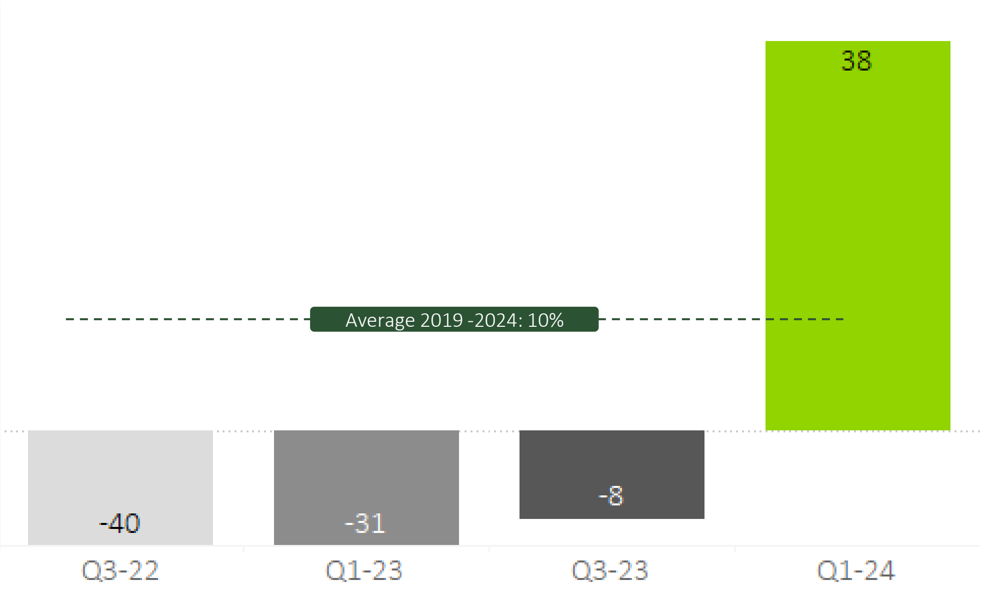
Economic prospects

Optimism blossoms

Following multiple periods of a distinctly pessimistic outlook on the financial prospects, we are finally witnessing a strong optimism among the CFOs. Net 38% of the respondents perceive financial prospects more favorably than six months prior. Such figures haven't been observed since 2021, when the positivity began to rise after the Covid-19 outbreak. This positivity is reflected in this year's graph, which shows a significantly higher level of positivity than the average of the past five years.

The significant increase in positivity can possibly be attributed to perception of a more stable development in the Norwegian policy rate since the last conducted survey, as well a Norwegian inflation level closing into the monetary policy target.

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



Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-19 to Q1-24.

All industries are positive about the current financial prospects

When categorizing respondents based on their respective industries, a distinct contrast in positivity becomes apparent. Except for financial services and the oil sector, all sectors exhibit a notable shift in positivity.

Multiple industries, including the real estate and retail sectors, are witnessing a reversal from net negative to net positive responses.

Notably, there has been a marked surge in optimism within the transport and logistics sector. The sector is influenced by factors such as a low order book (% of fleet) and persistent external disruptions affecting rates, as seen most recently in the Red Sea situation. Generally, the sector is primarily steered by economic development and GDP growth and this upturn in optimism serves as an indicator of future expansion.

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

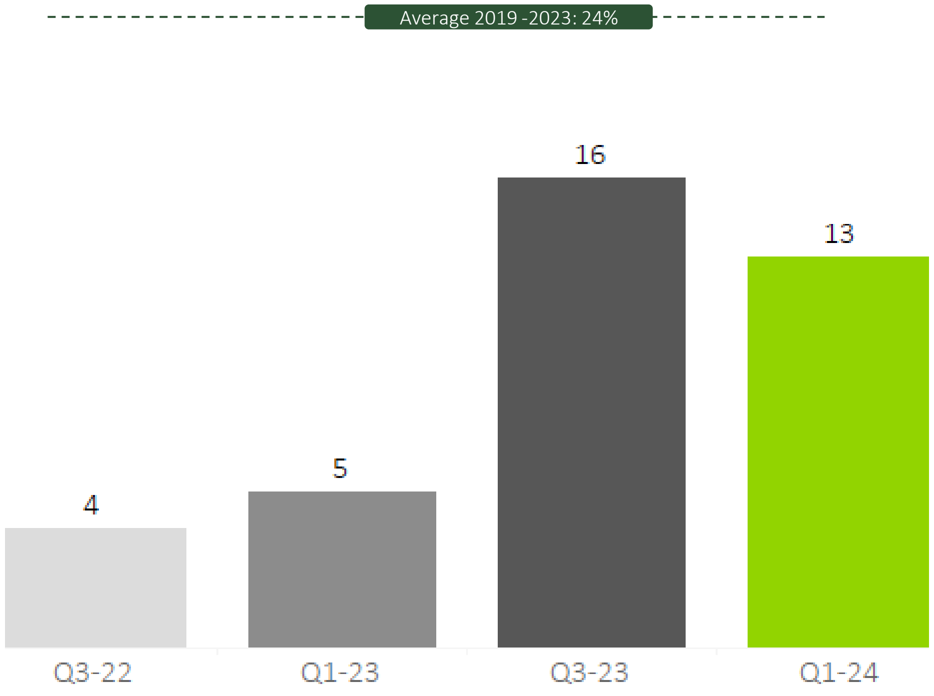
Note: Industry breakdown is based on the number of respondents the last four surveys.

The outlook is starting to normalize

When we reformulate the question and ask about the expected development in the financial prospect six months forward, we see a slight degree of negativity compared to the previous survey. The outlook is likely to be less attractive due to the impact of increased geopolitical challenges, but the majority of the CFOs is still reporting either a positive or neutral point-of-view regarding the outlook for the upcoming months.

This year's result is significantly below the average of the past five years. This is due to the positive change in net positivity that occurred in 2021, after the first COVID-19 outbreaks. The significant deviation between this year's results and the five-year average indicates that CFOs are generally holding some degree of skepticism about the future.

Q: *How do you feel about the financial prospects for your company for the next six months?*



Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-19 to Q1-24.

Retail holds a more pessimistic view regarding future prospects

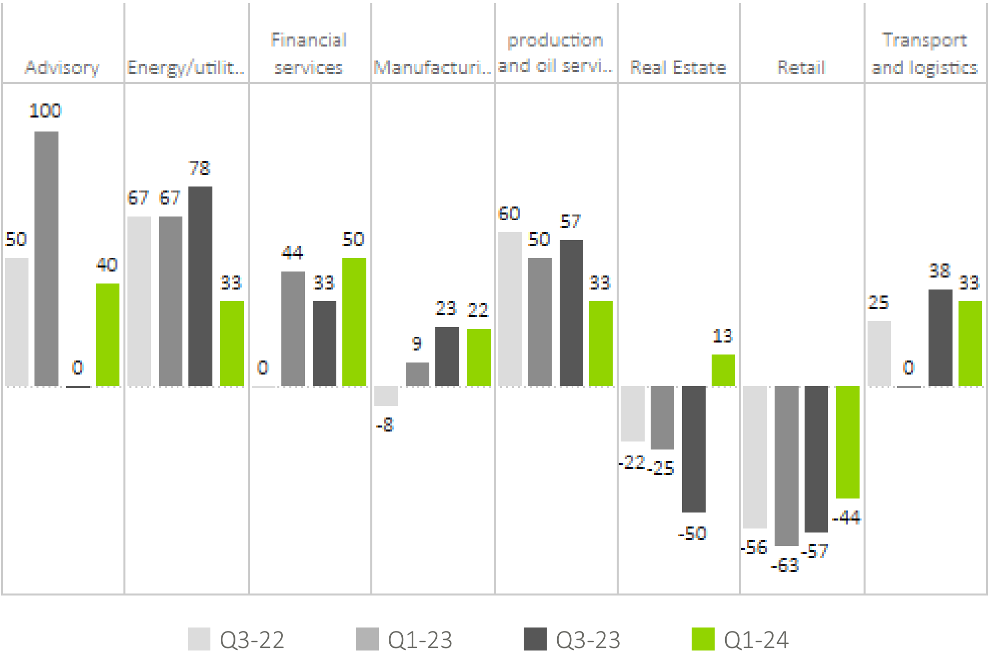
1 Economic prospects
2 Strategic opportunities
3 Capital structure and risk
4 Financing
5 ESG
6 Hot topics
7 About the survey

When examining the industry distribution, we receive insight into which sectors are primarily driving the observed optimism. There's an evident disagreement within the sectors, with a 50/50 split between those who perceive a more positive outlook and those who perceive a less positive prospects, compared with the last conducted survey.

Advisory services demonstrate a noticeable shift, marked by a 40 percentage point increase. Furthermore, the real estate sector exhibits evident optimism regarding future prospects, shifting from net negative to net positive. This optimism is consistent throughout the survey, which reflects a clear confidence about the future.

Following multiple periods of strong reported numbers from the CFOs within the energy sector, we observe a significant downturn in optimism. In addition, the retail sector is the only sector reporting a net negative regarding their future financial prospects. The sector is significantly influenced by the broader economy and consumer spending habits. An extended period characterized by several factors diminishing consumer purchasing power appears to have dampened the sector's outlook on financial prospects.

Q: *How do you feel about the financial prospects for your company for the next six months?*



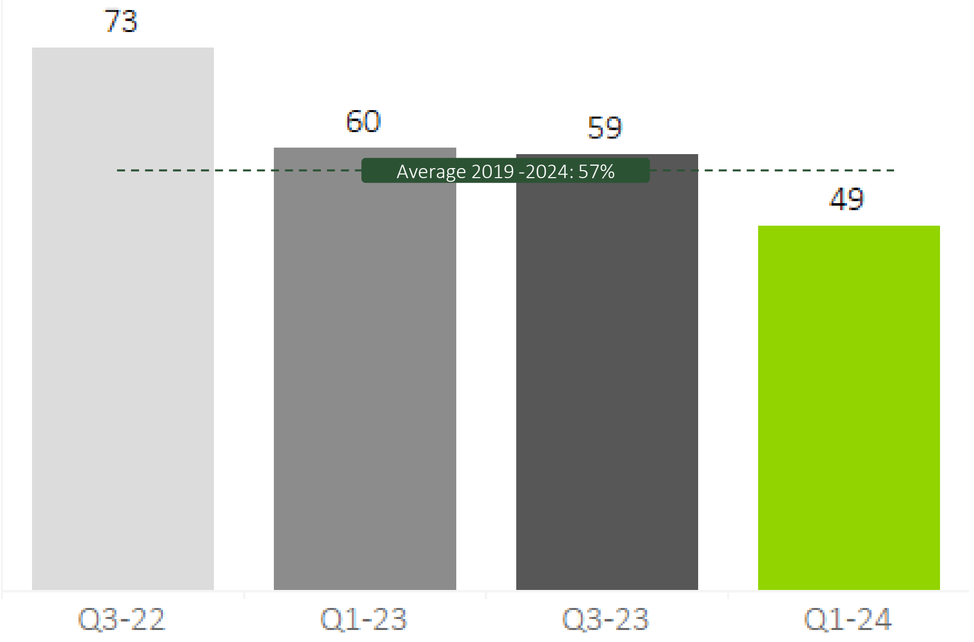
Note: Industry breakdown is based on the number of respondents the last four surveys.

Falling price trend expectations for own products

The proportion of CFOs anticipating a price increase for their company's products/services remains consistent with the previous survey and is converging toward the five-year average. Particularly noteworthy is the increased alignment among CFO responses, with the majority anticipating a modest general price trend of 0-2% for their products/services, while a mere 1% of CFOs anticipate a negative price trend.

These expectations are in line with the reported Norwegian inflation, which continues its downward trajectory. The CPI-ATE (Consumer Price Index - Adjusted for Tax and Energy) was notably lower than anticipated for the second consecutive month in March. The inflation rate for CPI-ATE decelerated to 3.9%, marginally exceeding Norges Bank's estimate by 0.2 percentage points. Despite Norges Bank significantly revising down their near-term forecast in March, inflation once again fell short of expectations.

Q: *What is your view of the general price trend for your company's products/services for the coming six months?*



Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-19 to Q1-24.

CFOs are expecting almost 4% inflation over the next year

Following a sustained upward trajectory in CFOs' inflation expectations since Q3-20, the trend has taken a turn in the past two quarters. CFOs are forecasting a 3.98% inflation rate for Norway and a 3.17% rate for the Euro-area over the next 12 months. This marks a decline from the previous survey figures of 4.41% and 4.27%, respectively.

Both the Norwegian and Euro-area inflation rates are persisting on a downward trajectory, with the EU core inflation dipping below 3% in the March data, signaling a shift towards a more normalized economic landscape.

Q: *What do you think will be the inflation rate in Norway over the next 12 months?*

3.98%
(average)

Q: *What do you think will be the inflation rate in the Euro-area over the next 12 months?*

3.17%
(average)

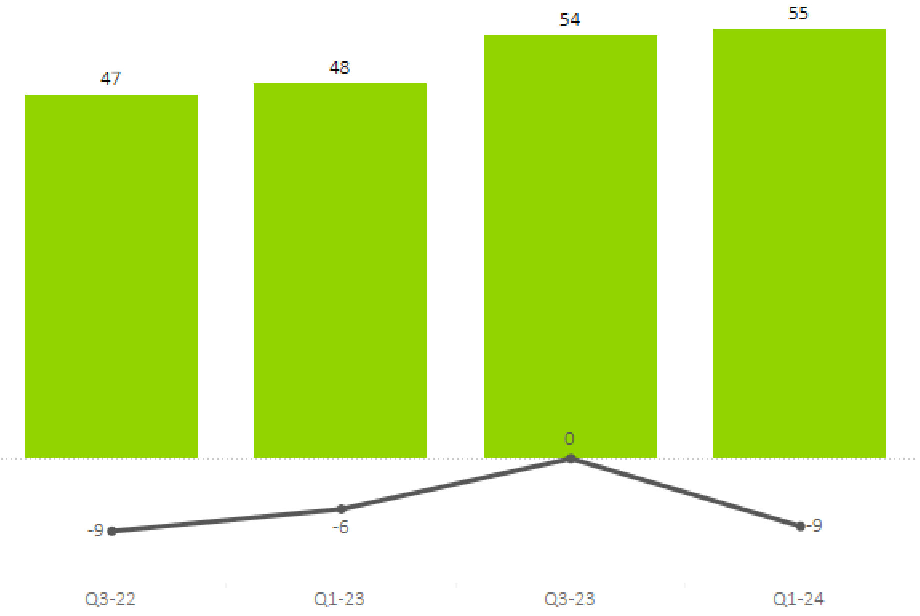
Expectations of revenue growth coupled with margin contraction

In the current quarter, the majority of CFOs are anticipating an increase in revenue over the forthcoming six months, with only 13% expressing a potential decline. However, there is diminishing margin expectations, 35% of surveyed CFOs anticipate a contraction in margins within the same timeframe.

Considering the record high expectations for capital expenditure, companies seem to prioritize long-term growth strategies over immediate profitability. Such strategic investments have the potential to drive revenue growth, albeit at the expense of margin compression.

Overall, the anticipation of revenue growth coupled with margin contraction suggests a strategic focus on gaining market share and investing in future capabilities, despite ongoing cost pressures and economic uncertainties.

Q: *In your view, how are revenues and operating margins for your company likely to change over the next six months?*



Note: The columns show the net percentage of CFOs expecting their company to increase revenues over the next six months. The grey line illustrates the net percentage of CFOs expecting operating margin to increase over the next six months.

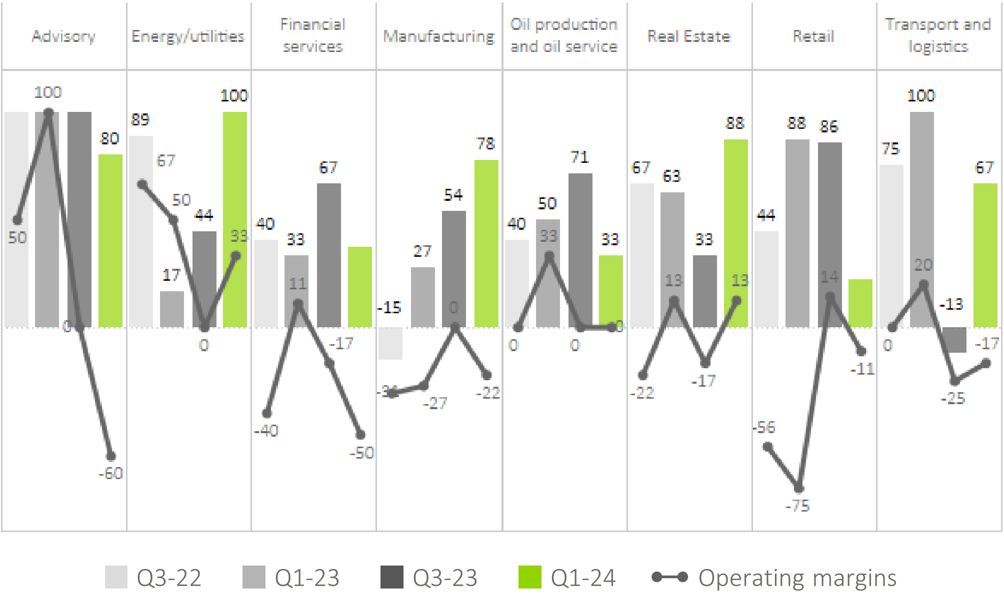
Expected revenue growth across all sectors

All sectors expect increased revenues over the next six months, although margin expectations differ by sector.

Notably, the energy/utilities and real estate sectors are the only ones anticipating margin expansion. The optimism in the energy sector may be attributed expectations of sustained demand growth. In contrast, the real estate sector's anticipation of margin growth stems from prospects of lower interest rates and reduced electricity costs, along with inflation-adjusted lease agreements.

Conversely, sectors such as advisory, financial services, retail, and shipping, which are typically sensitive to economic cycles, foresee margin contractions, reflecting their cyclical nature.

Q: *In your view, how are revenues and operating margins for your company likely to change over the next six months?*



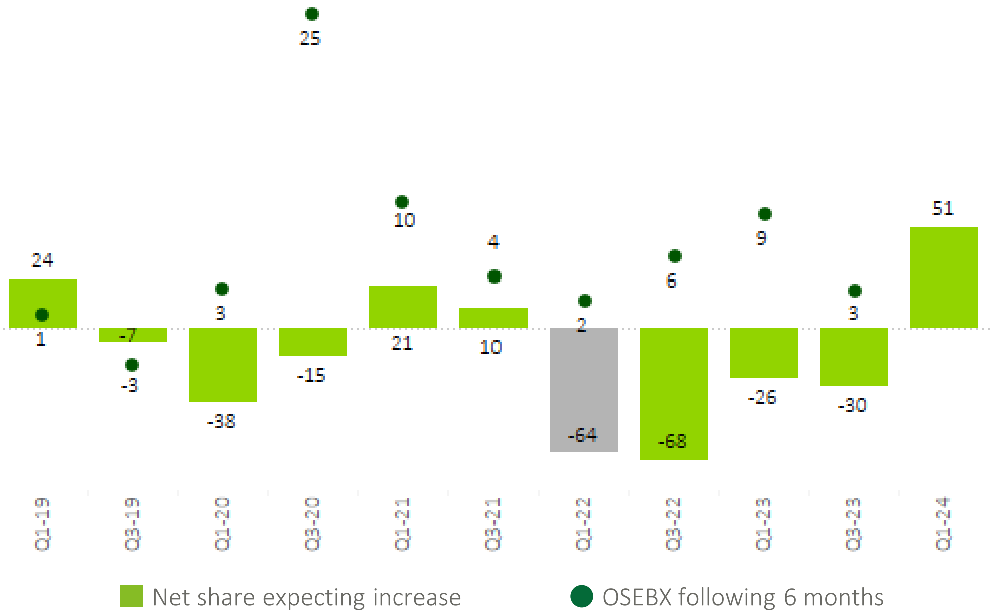
Note: The columns show six month forward looking expected development in revenues for Q3-22, Q1-23, Q3-23 and Q1-24. The grey line shows the corresponding expectations regarding operating margin per industry.

Record high expectations for OSEBX

CFOs are markedly optimistic about the development of the Norwegian stock market. The share of CFOs expecting a rise in the Oslo Børs Benchmark Index has not been this high since the inception of the survey in 2011.

We're currently experiencing a shift in the economic landscape. Global central banks have rapidly increased interest rates over a period, but recent signals suggest a shift towards rate cuts. Paradoxically, this optimistic market sentiment may dampen the likelihood of interest rate reductions. Since the survey's launch over easter, there has already been a shift in the Federal Reserve rhetoric, and the options market now price marginally higher possibility for rate hikes than cuts. While the Norwegian options market is less developed, the pricing there similarly indicates that a rate hike is as likely as a cut.

Q: *What is your expectation for the Oslo Børs Benchmark Index (OSEBX) development in the next six months?*



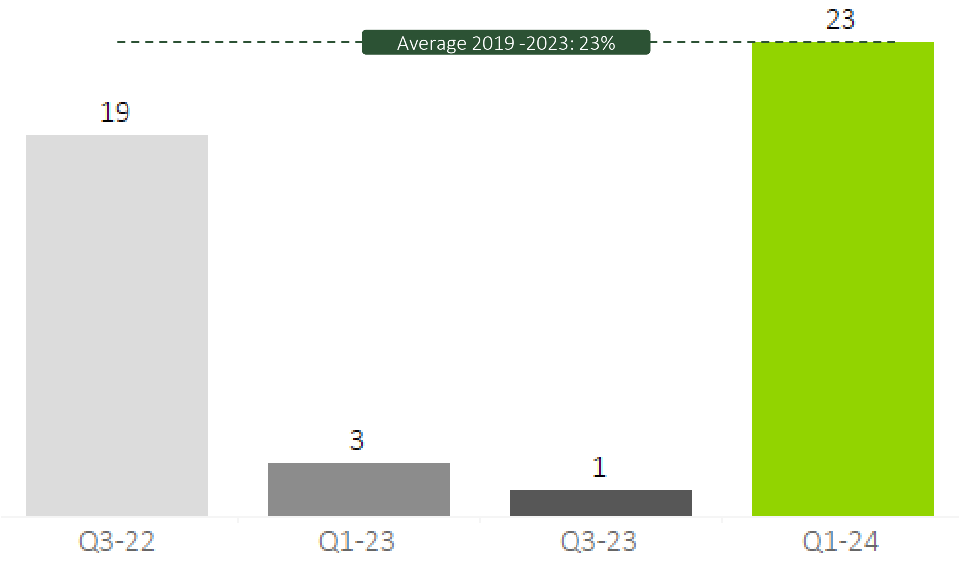
Note: The figures show the net share of the CFOs expecting an increase in the benchmark index at Oslo Stock Exchange (OSEBX) versus the actual development of the index in the six months following the survey publication. Note also that the two measures does not have the same axis.

Elevated CAPEX expectations

After a period during which CFOs projected record-low capital expenditure, sentiment has realigned with the five-year average. Nearly half of the surveyed CFOs (42%) indicated they plan to increase capex, while 39% expect it to remain steady.

The normalized capex expectations indicates that CFOs are optimistic about their market conditions, have easy access to capital, anticipate moderate inflation or possible rate cuts. These factors are consistent with the overall sentiment from this quarter's survey, which also highlights expectations for revenue growth, reduced concerns about interest rates, and a significant increase in optimism regarding financial prospects.

Q: *In your view, how are capital expenditures (CAPEX) for your company likely to change over the next six months?*



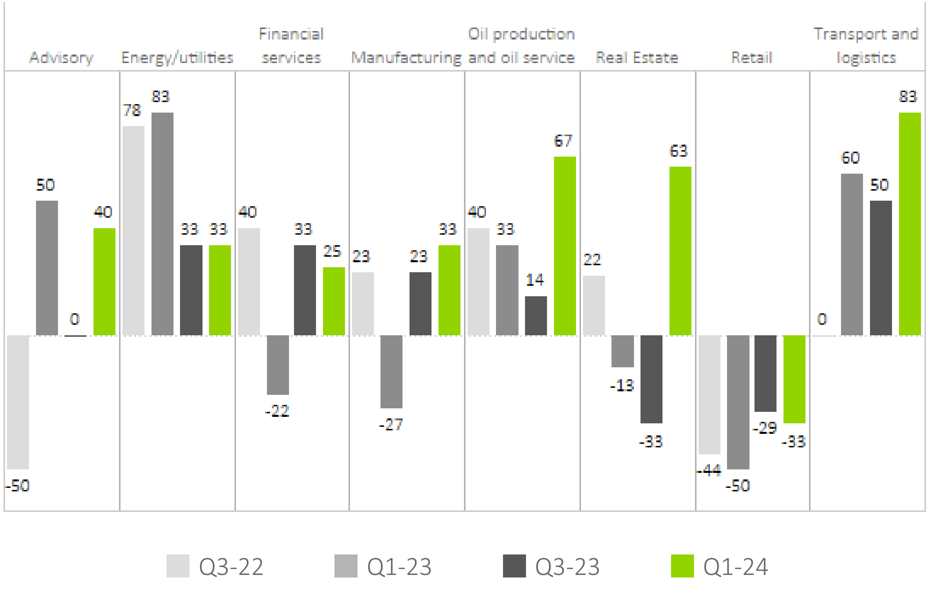
Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-18 to Q3-23.

A deep dive into CAPEX expectations

The expectation for improvements in financial prosects apparently applies to most industries. The real estate industry stands out in particular. This suggests increased optimism after a long period of rising costs, and high interest rates, which have led to uncertainty and lack of investment. This indicates that the real estate industry has faith that falling inflation will give comfort for an interest rate cut, and possibly increasing the industry's investments.

However, the retail sector appears to be experiencing a persistent downward trend. The industry has been struggling with a range of challenges, including high interest costs, periods of elevated electricity prices, a volatile global economy, and shifting consumer shopping habits. Despite the positive sentiment prevailing in other sectors, the retail industry seems cautious about increasing its investments at this stage.

Q: *In your view, how are capital expenditures (CAPEX) for your company likely to change over the next six months?*



Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-18 to Q3-23.

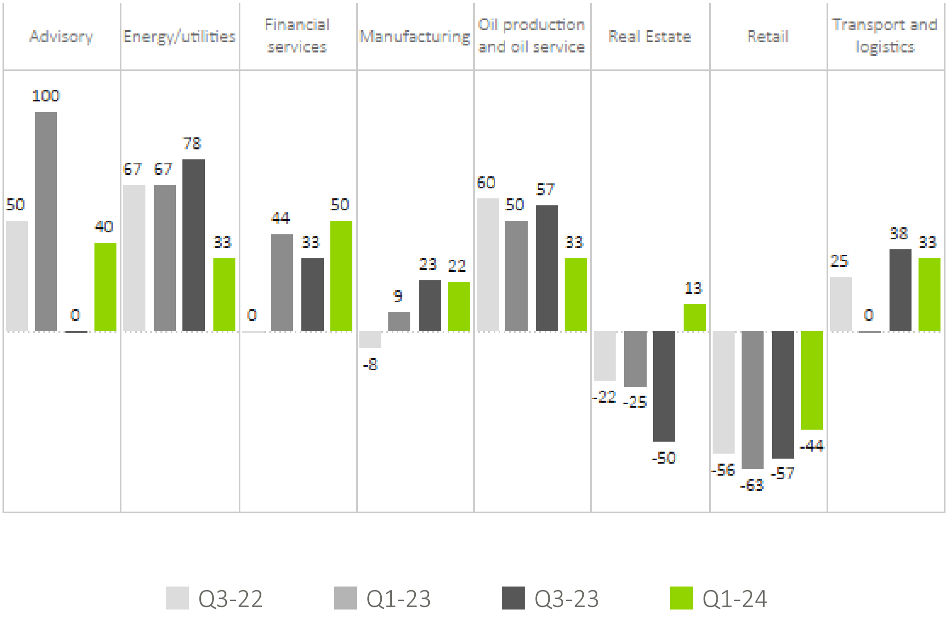
Overall heightened attention to increase employees across all industries

As of March 2024, the AKU unemployment rate reached 3.9%, marking the highest recorded since 2021. However, Norway's unemployment level remains relatively low, compared to historical data, which is reinforced by the outlook expressed by CFOs. Several CFOs indicate an expansion of workforce, particularly within financial services and advisory.

Despite the prevailing positivity, one industry notably diverges with a negative outlook. The CFOs within retail stands alone in reporting a net negative trend in increased employee numbers. This expectation is likely linked to the heightened emphasis on efficiency and automation within the retail industry, potentially resulting in a decreased demand for additional employees. But on the other hand, they are less negative than in the previous survey.

The real estate sector reports a slightly positive change, after several periods with a net negative result. This figure aligns with their other projections concerning financial prospects, investments, and expansion of workforce.

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



Note: The figure shows the net share of the CFOs in each respective sector expecting to increase employees over the coming six months.

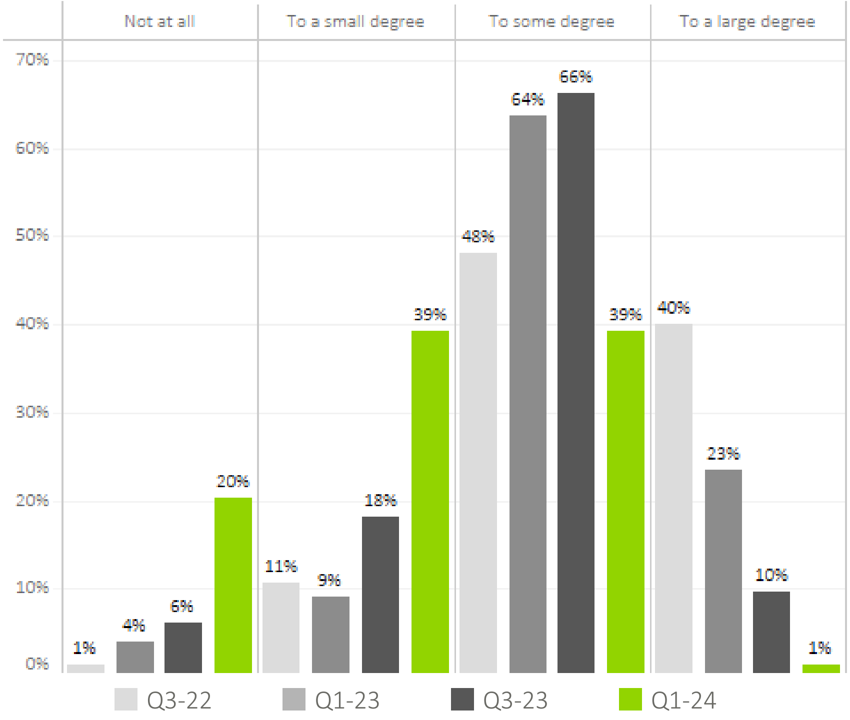
Lower impact by the current unemployment level, compared to previous periods

In terms of the impact of the current unemployment rate on sentiment, most CFOs indicate they are affected to a small or some degree. This marks a shift from last periods survey, where perceptions of the situation had notably deteriorated.

20% percent of respondents state that they are unaffected by the current unemployment level, suggesting satisfaction with both their current workforce and the availability of potential new hires. This marks the highest reported percentage since the question was initially asked in Q3 2022.

Following the trend from previous periods, the proportion of CFOs reporting their highly affected has significantly decreased, with only 1% reporting such impact.

Q: *To what degree does the current unemployment level affect your business' access to labor?*



Note: The figure shows the percentage distribution per category based on the total respondents.

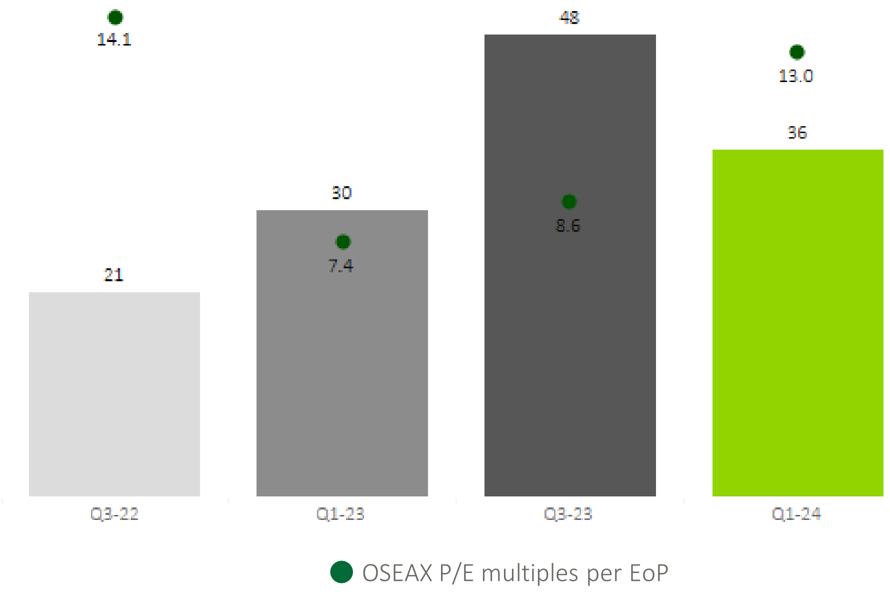
Strategic opportunities

M&A expectations remains optimistic, despite a decrease compared to the last survey

Following multiple periods of increasing anticipation for M&A activity, we are currently observing a downturn in CFO's expectations. Despite the recent decrease in expectations, the overall outlook still remains optimistic at high levels relative to Q3-22 and Q1-23, urging for growth through acquisitions and consolidation of fragmented industries.

Following the recent decline in M&A expectations there has been an uplift in valuations generating P/E multiples of ±13x for the wider OSEAX index. The OSEAX is currently trading at P/E multiples close to Q3-22 levels following a period of high uncertainty and fear of recession, providing higher valuations and possibilities for accretive M&A.

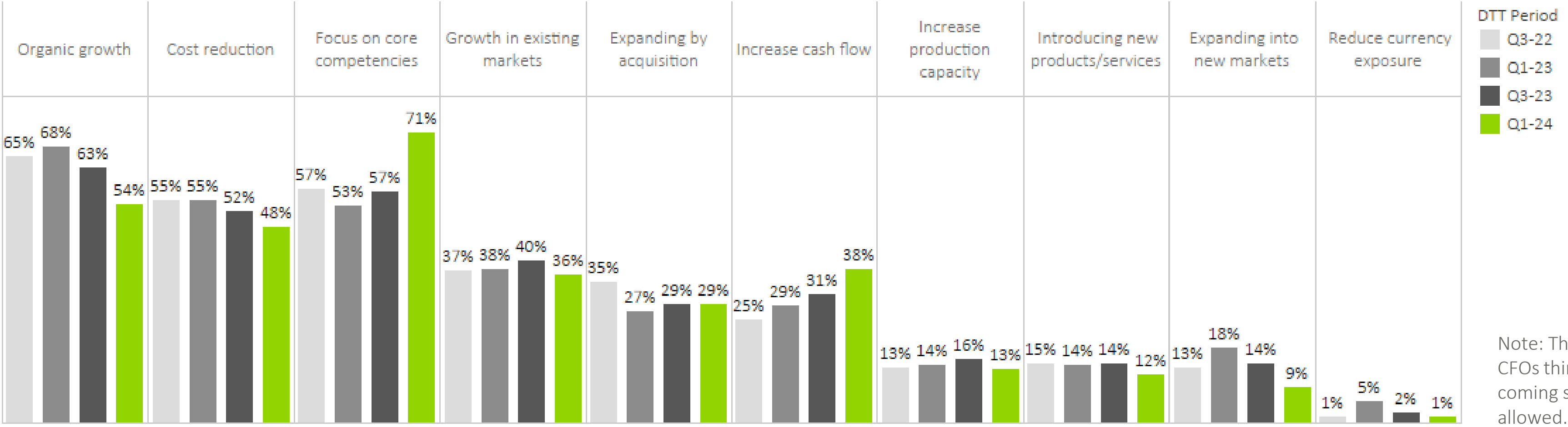
Q: *How do you expect the M&A activity in your industry to develop over the next six months?*



Note: The figure depicts the expected net change in M&A activity. It is combined with the OSEAX P/E multiples.

Prioritizing core competencies

Q: *Which of the following strategies are likely to be a priority for your company over the next six months?*



Note: The figure shows strategies the CFOs think will be prioritized over the coming six months. Multiple answers allowed.

When considering future strategies, the emphasis on "focus on core competence" emerges as a prominent priority for the next six months - outperformed all other suggested strategies in the survey. This trend is likely tied to the growing prominence of generative AI. With AI tools increasingly handling various tasks within the businesses, the importance of cultivating and preserving core competencies is becoming increasingly pertinent for the companies.

Further, there is a noticeable uptick in emphasis on increasing cash flow – indicating ~~an expected~~ high activity going forward.

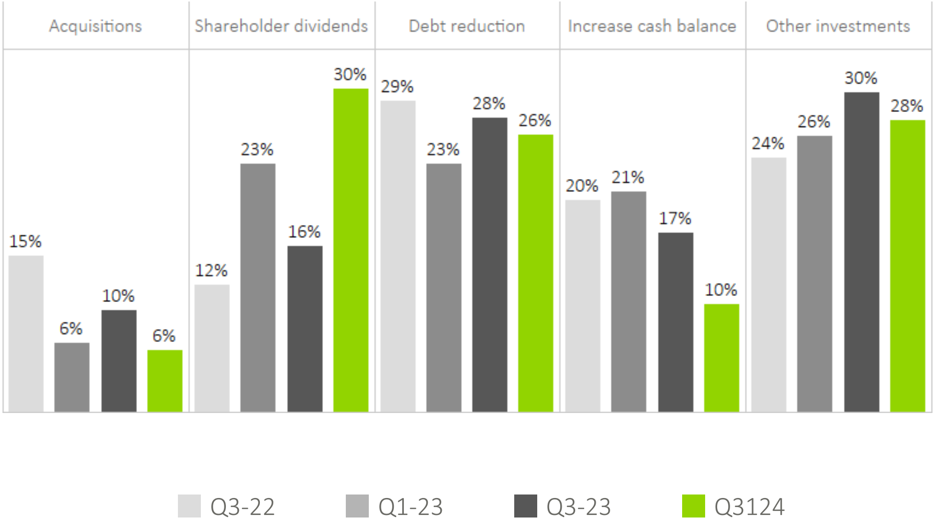
Distinct emphasis on returning value to shareholders through dividends

Regarding operational cash flow expenditure, there's a notable shift towards prioritizing shareholder dividends. This suggests that companies may be inclined to provide dividends, following several challenging periods with limited dividend payouts.

Following years of prioritizing cash balances, there's now a shift towards reducing this focus. Companies now appear to prioritize generating value internally. This is further evidenced by the heightened emphasis on investments, aligning with earlier discussions on CAPEX expectations. Moreover, there's a decrease in expected acquisitions, consistent with CFOs' anticipation of reduced M&A activities, compared to the previous survey.

On the other hand, only 10% of the CFOs indicate that their cash flow strategy is to increase cash balance.

Q: *What is the main priority for operating cash flow expenditure for your company over the next six months?*



Note: The figure depicts the strategy most likely to be executed using operating cash flow expenditure for the four most recent periods.

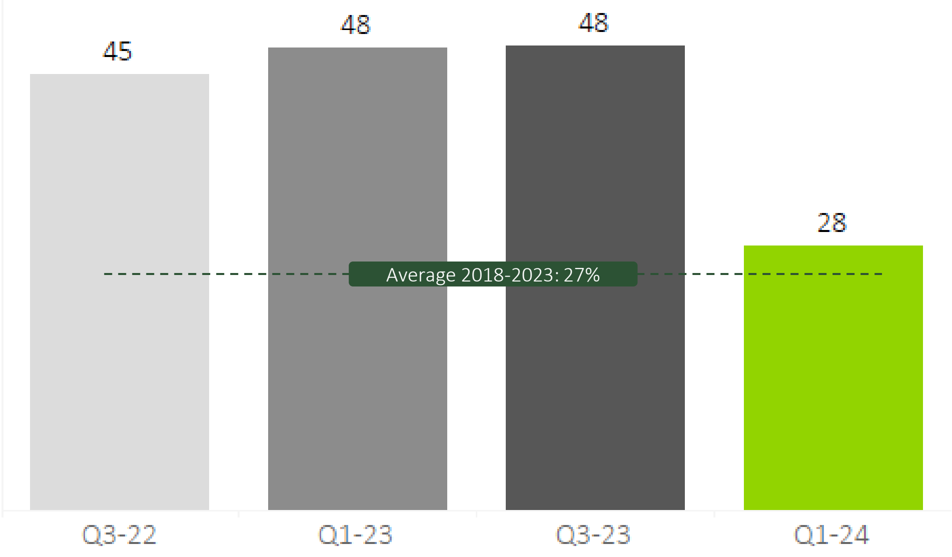
Capital structure and risk

Perceived default risk falling to five-year average

The perceived default risk, which had remained at a historically high level in previous surveys, has now returned to a five-year average. It's notable that none of the CFOs expect this risk to decrease.

This normalization may indicate a stabilizing economic environment, as businesses seem to have greater confidence in their counterparties. With many sectors experiencing improving market conditions, the overall business climate is better, despite a backdrop of tightening monetary policy, persistent inflation, and mixed economic data.

Q: *The probability for counterparties' default in the next six months is expected to increase, remain unchanged or decline?*



Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-17 to Q1-22..

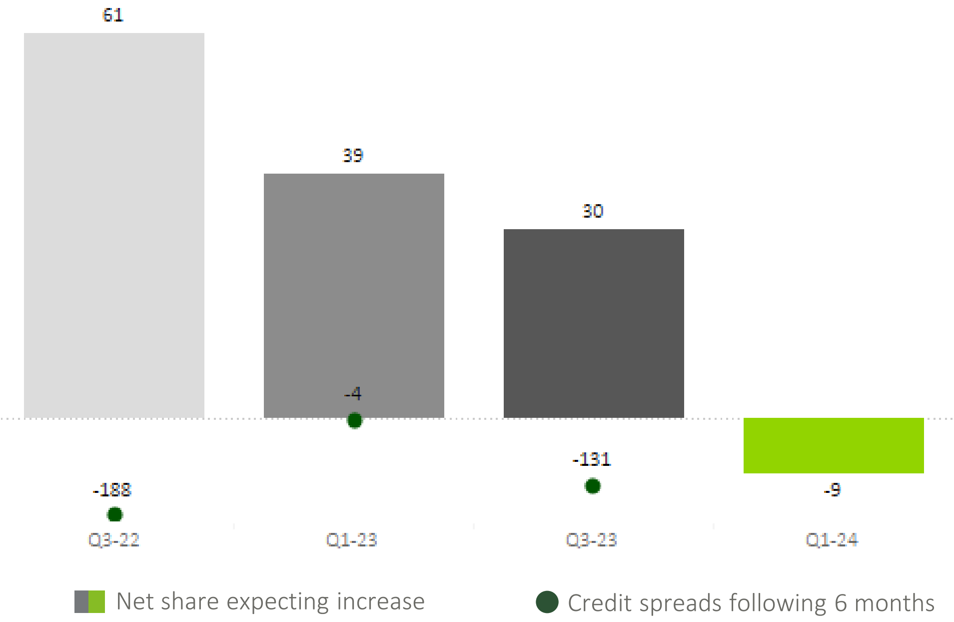
Even tighter credit spreads expected

There has been a notable shift in sentiment among CFOs, with a net share of -9% expecting an increase in credit spreads, down from the all-time high of 61% in Q3-22.

Interestingly, in our three previous surveys, we observed a record high percentage of CFOs anticipating an uptick in credit spreads over the next six months. To the contrary, credit spreads have tightened by 4 basis points and 131 basis points in the six months preceding the Q1-23 and Q3-23 surveys, respectively.

One plausible explanation for this unexpected trend could be that CFOs were anticipating higher perceived risk, which they expect to be reflected in wider credit spreads. However, given the prolonged presence of uncertainty in the economy in combination with limited new issuances, demand pressures have driven credit spreads downward.

Q: *Expectation of credit spread development next six months*



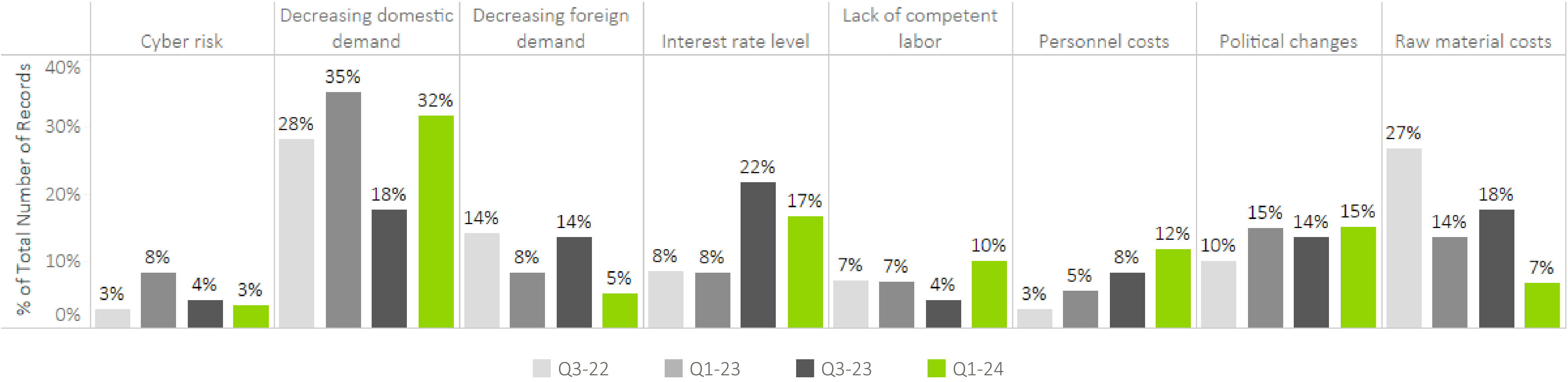
Note: Figure shows the net share expecting increased credit spreads over the next six months and the actual credit spread development over the same period. Note that the two measures do not have the same axis.

CFOs concerns have shifted from costs to income

Based on the latest survey findings, CFOs are showing reduced concern regarding cost levels but are expressing heightened worry about declining domestic demand. The only cost category exhibiting an increase in reported risk relates to labor-related expenses. The heightened risk associated with "lack of competent labor" and "personnel costs" suggests that we may be entering a phase of tighter labor market conditions. Coupled with the elevated market optimism among CFOs, this may signal a stronger economy.

With the economy entering a new phase characterized by lower interest rates and cooling inflation, it's natural to prioritize the revenue-generating aspects of the business.

Q: *Which of the following factors are most likely to pose a significant risk for your business over the next six months?*



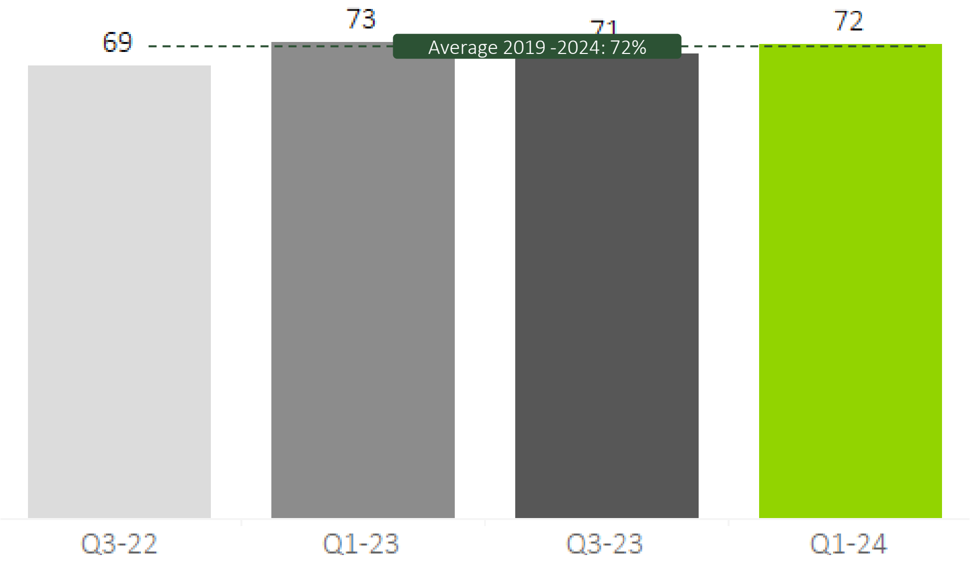
Financing

Consistent perspectives regarding the company's financial position

Once more, similar to earlier periods, the positivity regarding own financial position remains steady at 72%, consistent with the average over the past five years. This implies that companies may have developed resilience in navigating uncertain times, indicating they feel adequately prepared for the future as well.

Upon dissecting the results by sector, we observe that all sectors report a favorable position but at varying levels of optimism. The automotive, oil production, real estate, retail, and transport sectors have all reported a positivity rating below the average, while the remaining sectors have reported a position equal to or higher than the average.

Q: *The overall financial position of your company is seen as: (Very favorable, favorable, average, unfavorable, very unfavorable)*



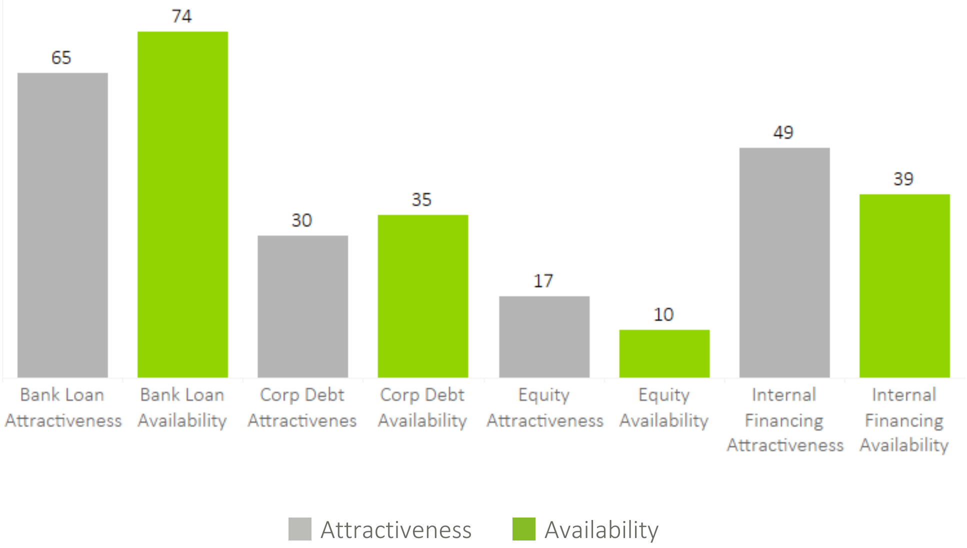
Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q3-19 to Q1-24.

Debt financing gains increasing appeal

Bank financing continues to maintain its position as the most favored financing option, aligning with the fact that it often represents the cheapest source of funding. In the period, debt funding has become more attractive whilst equity funding has become less attractive.

This shift of preference towards debt financing might be influenced by expectations of potential rate cuts. Additionally, with CFOs anticipating even tighter credit spreads over the next six months, there's seems to be a perception that the overall cost of borrowing via debt funding will decrease.

Q: *How attractive and available are the following financing sources for Norwegian companies given the current market situation?*



Note: The chart illustrates the net share of respondents describing bank loans, bonds, equity and internal financing as attractive and/or available.

Bank debt is favored and highly available

The attractiveness of bank loans has been relatively stable over the past two years. During this period, we've observed a gradual rise in interest rates. Simultaneously, credit spreads have tightened, resulting in a stable all-in bank borrowing cost.

Bank financing has been viewed as the most favored source of funding among CFOs in our survey's history. This preference corresponds with the general view that it often constitutes the cheapest source of funding, is stable and flexible.

The perceived availability of bank loans has been notably high over the past two years. The increased availability of bank loans may be underpinned by several key factors. Firstly, the surge in interest rates has enhanced the profitability of loans for financial institutions, creating a more favorable lending environment. Secondly, banks, which may have exercised caution in lending practices for a period, may be confronted with underutilized balance sheets and a need to deploy capital effectively.

Q: *How attractive / available are bank loans as a financing source for Norwegian companies given the current market situation?*

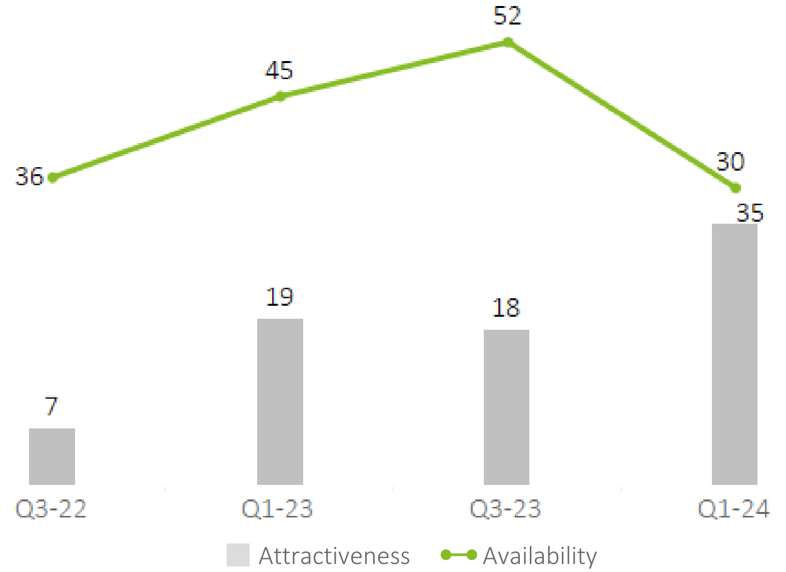
Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of bank loans.

Bond funding is growing in attractiveness, yet it is noticeably less accessible

Compared to the previous survey, CFOs perceive the availability of bond loans as decreasing, yet paradoxically, bonds have become more attractive.

The reported low perceived availability of bond funding is unexpected, especially considering the strong momentum in the Norwegian bond market in the first quarters of 2024. Notably, the responses show a divergence: the proportion of CFOs who view bonds as highly available has increased, as has the proportion viewing them as scarcely available. This suggests that accessibility in the bond market may vary significantly between different sectors or types of companies, with some finding easier access than others

Q: *How attractive / available is <u>bond funding</u> as a financing source for Norwegian companies given the current market situation?*



Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of bonds.

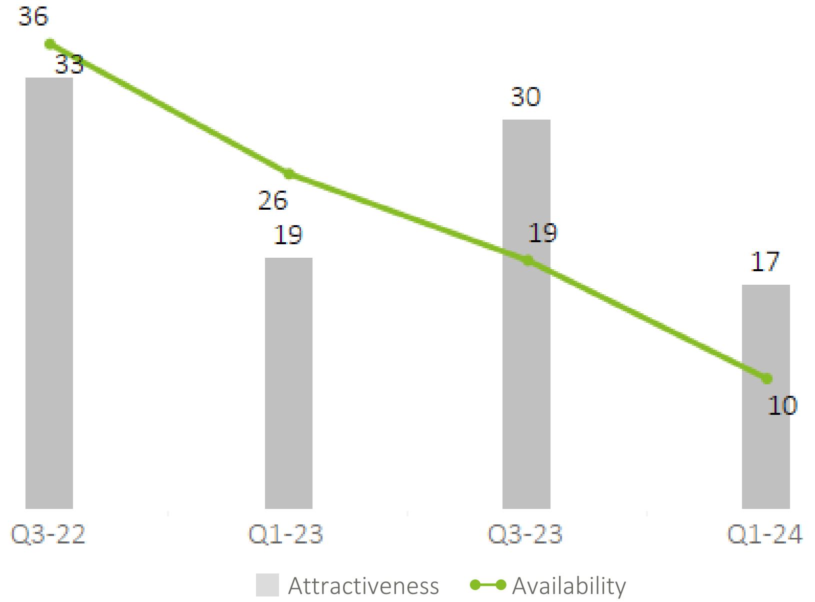
The equity market is unavailable and unattractive

The net attractiveness of equity as financing has experienced a notable downturn in this survey. Seen in the light of the increase in attractiveness of both bond and bank funding, equity on the relative looks less attractive.

Transaction volumes in both the Norwegian M&A and IPO sectors have tapered off since their peak activity levels observed in 2020-2021. Notably, at the time of this survey, Oslo Børs had not witnessed any IPOs in the year 2024.

With the attractive yield environment with the 3-month NIBOR at 4.75%, the fixed income market emerges as a more attractive source of funding despite high interest rates.

Q: *How attractive / available is equity as a financing source for Norwegian companies given the current market situation?*



Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of equity.

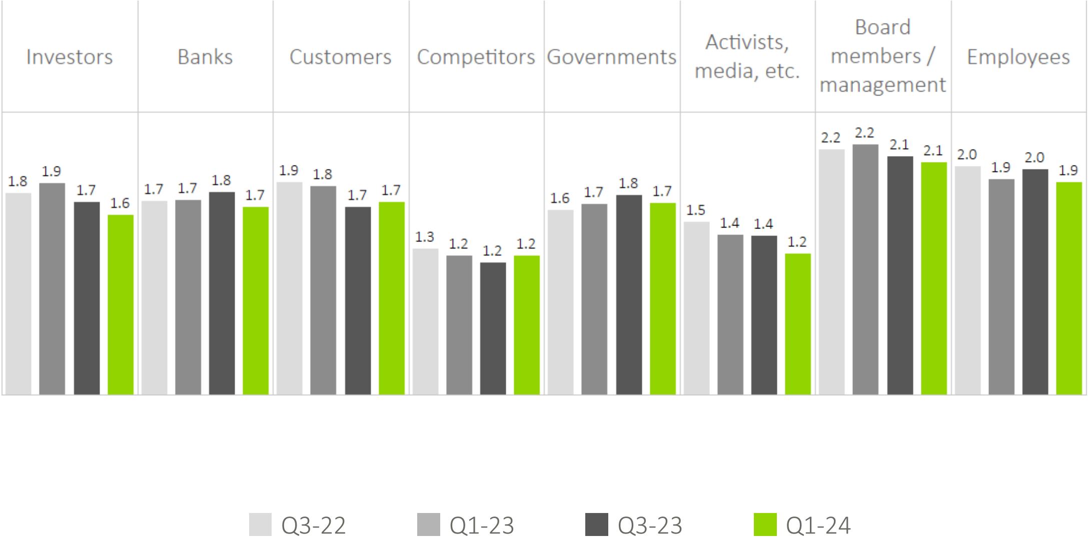
ESG

Are CFOs experiencing a “sustainability fatigue” from stakeholders?

Board members continue to exert significant influence on corporate decisions regarding climate change, although there has been a slight reduction in the overall pressure. Interestingly, the urgency to act on climate change has diminished across all groups surveyed. This is surprising, given the introduction of regulations like the CSRD, which we would expect to increase pressure. A potential explanation is that CFOs believe they are already well-prepared for upcoming regulations, thus feeling less pressure. This perception could stem from early adoption of sustainable practices, utilization of advanced technologies, or internal policies that meet or surpass regulatory standards.

It's also possible that stakeholders, including employees and board members, are experiencing 'sustainability fatigue'—a decline in enthusiasm and urgency for sustainable practices due to prolonged and intense focus on these issues.

Q: *To what extent does your company feel pressure to act on climate change from the following actors?*



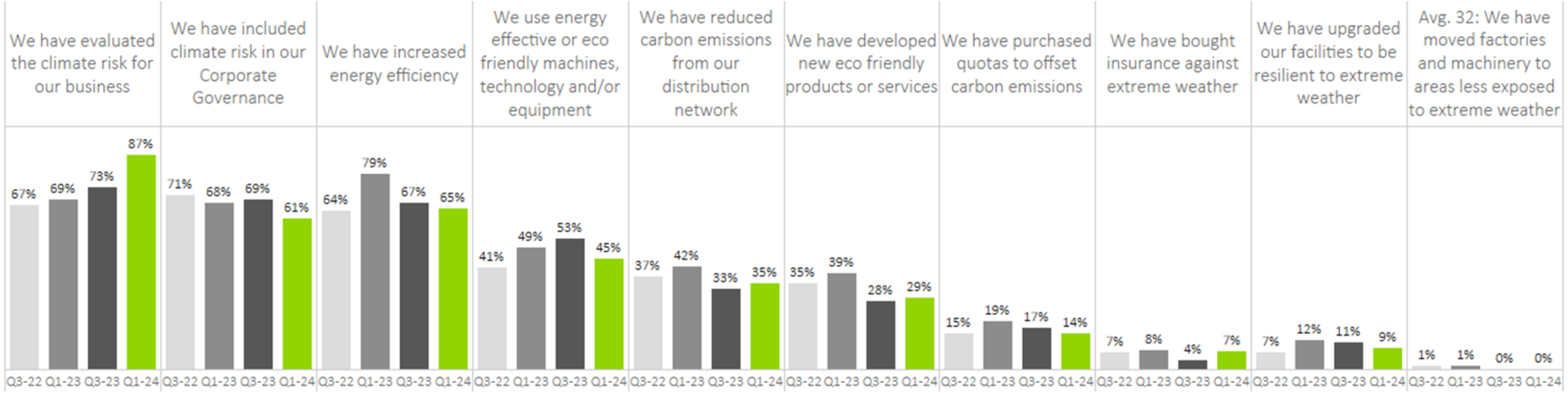
Note: The chart illustrates the average rank of respondents in each category of answer (from 0 to 3) and shows the relative split between each category of third party. Higher numbers entails higher pressure.

The majority of companies has evaluated climate risk for their business

An increasing share (87%) of companies has evaluated the climate risk for their business and 61% have included climate risk in their corporate governance. Surprisingly, fewer companies have purchased emission quotas. With the integration of new sectors into the European Union Emissions Trading System we anticipate a notable uptick in the number of firms purchasing emission quotas.

Also, it is noteworthy that there has been a decline of 8 percentage points in the number of companies using energy effective or eco friendly machines, technology and/or equipment.

Q: *Is your company taking, or about to take, any of the following measures to manage, mitigate and/or adapt to climate change?*



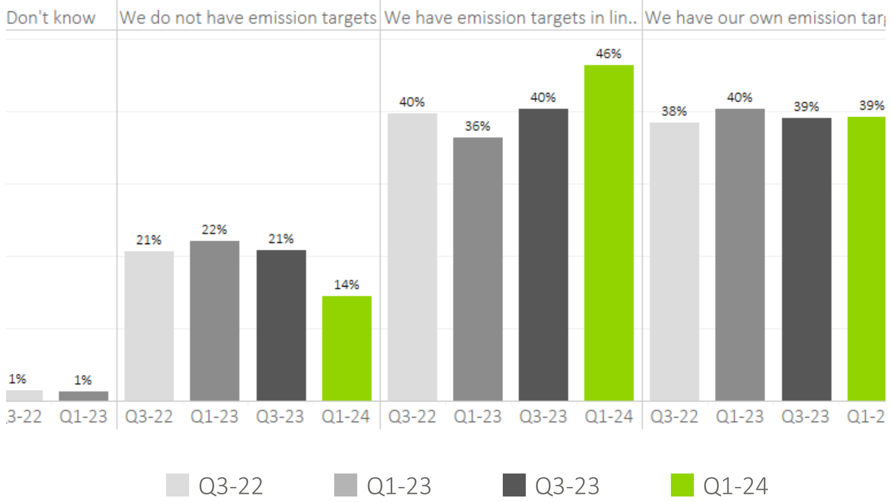
Note: The chart illustrates the percentage of total respondents in each category of answer, and shows the relative split between each category

The majority of companies have established emission reduction objectives

Most companies have set emission targets, whereof 39% has set their own target and 46% have targets in line with the Paris agreement. The engagement for ESG initiatives seems to have plateaued, and most companies are aligned with requirements. The figure is varying slightly from quarter to quarter, which can be explained by changed composition of companies, not indicating a trend.

Norwegian companies are not legally obligated to set emission targets per se, but they operate within a regulatory landscape and participate in various climate-related initiatives. The Norwegian carbon tax, in conjunction with participation in the EU Emissions Trading System (EU ETS), constitutes significant incentives for companies to actively engage in carbon emissions reduction efforts.

Q: *Has your company put in place emission reduction targets in line with the Paris agreement?*

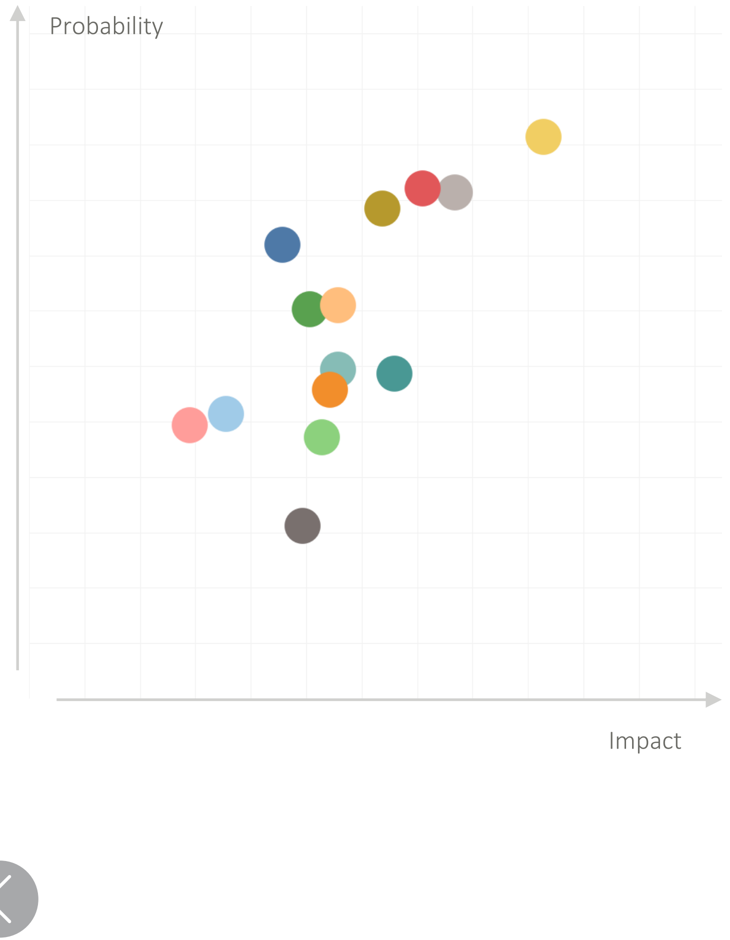


Note: The chart illustrates the percentage of total respondents in each category of answer and shows the relative change over time from the last iterations of this survey.

Hot topics

Critical geopolitical challenges on CFO's radar

Q: *In 2024, what do you consider to be the most serious geopolitical risks for your business?*



The primary concerns among CFOs predominantly revolve around increased ransomware and cyber attacks, as well as the development of Russia´s invasion of Ukraine and unpredictable inflation. All of the factors are perceived to have a significant impact on financial stability and carry a relatively high substantial likelihood of occurrence.

The concern regarding cyberattacks are something we have seen over the last years, and it is not surprising due to the high reliance on data while the cyber attacks gets more and more sophisticated.

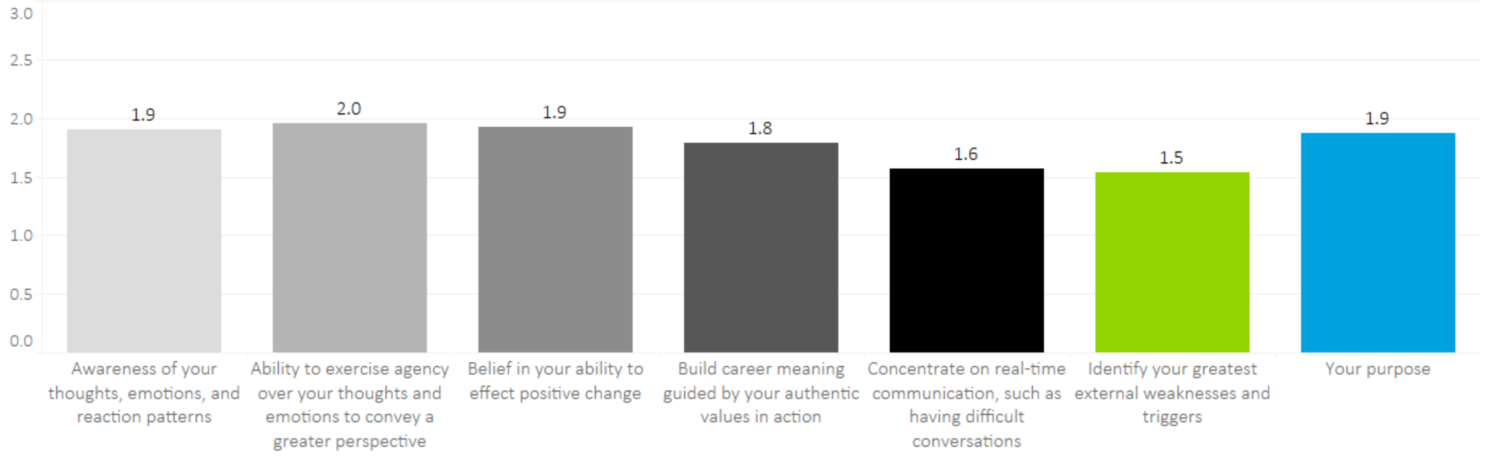
Norwegian CFOs concern about the Ukrainian war and unpredictable inflation may arise from trade dependencies, financial market sensitivity, capital flows, and various other factors that can directly or indirectly impact Norwegian enterprises in an increasingly complex and interconnected global landscape.

Unleashing CFO Resilience: the power of internal factors

The results indicate the perceived importance of various activities for CFOs in terms of their daily resilience. There are no big outliners, but the response implies that they primarily focus on internal factors and a sense of purpose and fulfilment when navigating in a volatile market. It is conceivable that awareness of one's thoughts, feelings and reaction patterns can increase efficiency and rationality when facing various situations, which in turn can result in more precise decisions and positive changes in the organization. The response can also be seen in context with the strategic priority on core competence which appears earlier in this report.

The lower score for "identifying your greatest external weaknesses and triggers" does not necessarily imply that this factor is unimportant. However, CFOs may perceive that external factors are beyond their immediate control. While they recognize the importance of understanding these external factors, they may prioritize activities that they have more direct influence over, such as managing their own thoughts, emotions, and actions. Furthermore, they may believe that by strengthening their internal resilience, they can better navigate external challenges and mitigate weaknesses and triggers.

Q: *In your role as CFO: How important are the following activities for your own daily resilience?*



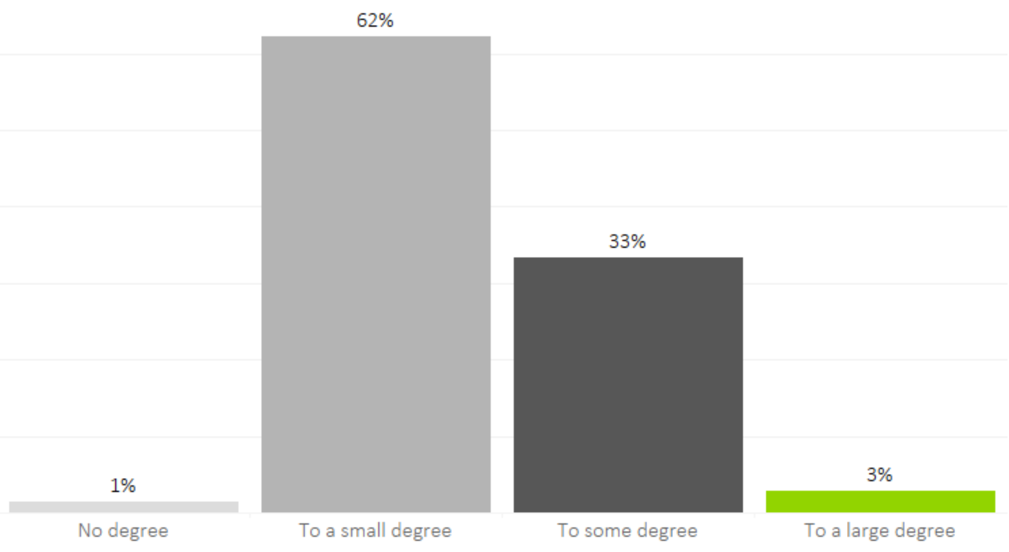
Note: The chart illustrates the average score of each category of answer. Answers range from 0 (Not important) to 3 (Very important).

Are geopolitical risks impeding CFOs' strategic goal achievement?

The survey's results indicate that a majority of CFOs believe that geopolitical risks will hinder their ability to achieve their strategic goals to some extent, while a smaller percentage perceive a moderate impact. It is noteworthy that only a small percentage anticipate a large degree of hindrance, suggesting that most CFOs may view geopolitical risks as manageable rather than a significant barrier. However, it is probably important for CFOs to remain vigilant and proactive in assessing these risks to ensure the successful execution of their strategic objectives in an increasingly complex global landscape.

The global economy is experiencing a shift towards prioritizing national security and geopolitical rivalries over market forces. This trend is causing fragmentation and challenges for companies and financial institutions. The COVID-19 pandemic, climate crisis, and security issues have exposed weaknesses in the global market economy. Balancing political intervention and market forces is difficult, and there is a risk of further fragmentation and negative impacts on efficiency and innovation. It is conceivable that the industries in which the survey's respondents operate in affects how sensitive they perceive themselves to geopolitical risks.

Q: *To what extent do you expect geopolitical risks to hinder your ability to achieve your strategic goals as CFO?*



Note: The chart illustrates the percentage of each category of answer.

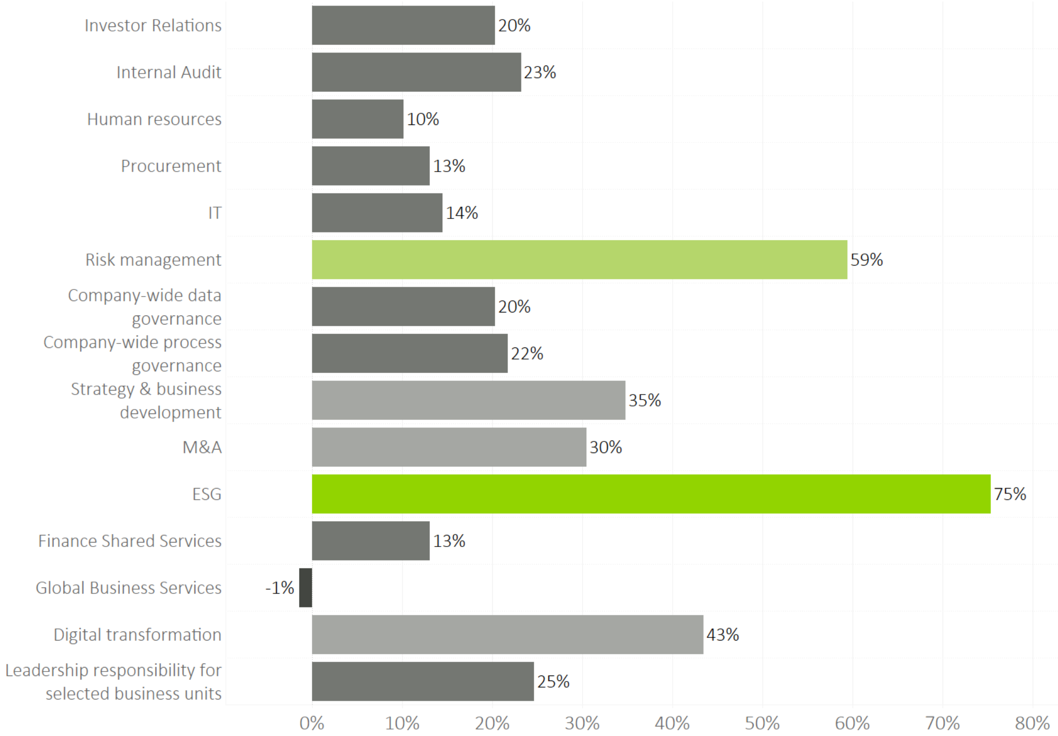
From financial guardian to strategic leaders: CFOs embrace risk management and ESG transformation

The survey identify “Risk management” and “ESG” as the primary areas where the Norwegian CFOs responsibility has changed during the past five years. The results may reflect the significant transformation in the CFO’s role over the past decade, where CFO have moved away from a purely financial partner to a more strategic partner to the CEO.

The CFOs may have to handle the risks that comes with increased volatility and inflation in the global and interconnected trade market, such as geopolitical risks, complying with sanctions, large fluctuations in commodity prices, and uncertainty related to lack of resources and raw materials.

Not surprisingly, the CFOs experience increased responsibility within the ESG area. This is probably a consequence of the EUs introduction of new regulations and reporting requirements, which certainly will affect the finance function. Furthermore, the increased focus from market players may on the ESG dimensions may force the CFOs to take strategic actions to meet stakeholder expectations and investor demands.

Q: *To what extent has your area of responsibility as CFO changed in the past five years?*



Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have “zero” impact.

About the survey

About the survey

General information

The target group comprises the CFOs in the largest companies across industries in Norway. The purpose of the survey is to trace the development of the CFOs' perception of economic prospects, represented among others through company risk, financing and future revenue potential. Moreover, the survey aims to determine important indicators of the general economic development.

Deloitte and SEB have conducted separate surveys for several years, however, the CFO Survey for Q3-16 was the first survey conducted in cooperation. This survey was carried out as a web-based questionnaire in March 2024. Historical figures presented are based on previous semi-annual surveys dating three quarters back. Note that "averages" are calculated from Q1-19 to Q1-24.

In total, 69 CFOs across key industries responded to the survey during the period between April 2nd to April 8th, 2024. Given the broad range of industries and organisations that responded, the survey presents a transparent, up-to-date image of the financial situation facing the wider Norwegian CFO community.

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.

Survey period

April 2nd, 2024
-
April 8th, 2024

Respondents

69 Respondents

Industry	Share
Manufacturing	13 %
Retail	13 %
Financial services	12 %
Real Estate	12 %
Transport and logistics	9 %
Advisory	7 %
Automotive	6 %
TMT	6 %
Energy/utilities	4 %
Oil production and oil service	4 %
Tourism and travel	3 %
Maritime	1 %
Construction	1 %
Services	1 %
Aerospace and defense	1 %
Other	1 %
Recycling	1 %
Primary	1 %
Total	**100 %**

SEB is a leading Nordic financial services group, guided by a strong belief that entrepreneurial minds and innovative companies are key in creating a better world. We are here to help them achieve their aspirations and succeed through good times and bad. We care for ambition. In Sweden and the Baltic countries, SEB offers financial advice and a wide range of financial services. In Denmark, Finland, Norway and Germany the bank's operations have a strong focus on corporate and investment banking based on a full-service offering to corporate and institutional clients.

With capital, knowledge and experience, we generate value for our customers − a task in which our research activities are highly beneficial.
Macroeconomic assessments are provided by our Credit Research unit. Based on current conditions, official policies and the long-term performance of the financial market, the Bank presents its views on the economic situation – locally, regionally and globally.

www.seb.no

Deloitte AS and Deloitte Advokatfirma AS are the Norwegian affiliates of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.no for a more detailed description of DTTL and its member firms.
Deloitte Norway conducts business through two legally separate and independent limited liability companies; Deloitte AS, providing audit, consulting, financial advisory and risk management services, and Deloitte Advokatfirma AS, providing tax and legal services.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories serves four out of five Fortune Global 500® companies. Learn how Deloitte's 345,000 people make an impact that matters at

www.deloitte.no