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SEB

CFO-survey
3rd Quarter 2023
“Relieved Today, Wary Tomorrow”

Key findings

“Capex expectations echoing sentiments from the oil crisis and the pandemic”

Capex down at crisis-level

Capex expectations have declined for the second consecutive period, a situation that has not been observed in the history of the survey. The respondents currently express a sentiment reminiscent of those during the 2016 oil crisis and the COVID-19 pandemic in 2020.

Increased M&A

Despite a declining investment sentiment, mergers and acquisitions activity is expected to increase. In a difficult financing climate, companies may exhibit a greater willingness to engage in consolidation to secure necessary funding.

Easing inflation, improved outlook

CFOs inflation expectations have peaked since the last survey. Flat margin expectations indicates that companies are less likely to put extra pressure on inflation going forward. Notably, the retail sector, which had consistently expressed pessimism in previous surveys, has now transitioned into a more optimistic outlook in some areas.

GenAI is on its way, but just barely

While 77% of respondents acknowledge the importance of Generative AI, only 16% have integrated it into their business strategies. The scarcity of resources appears to be the primary barrier.

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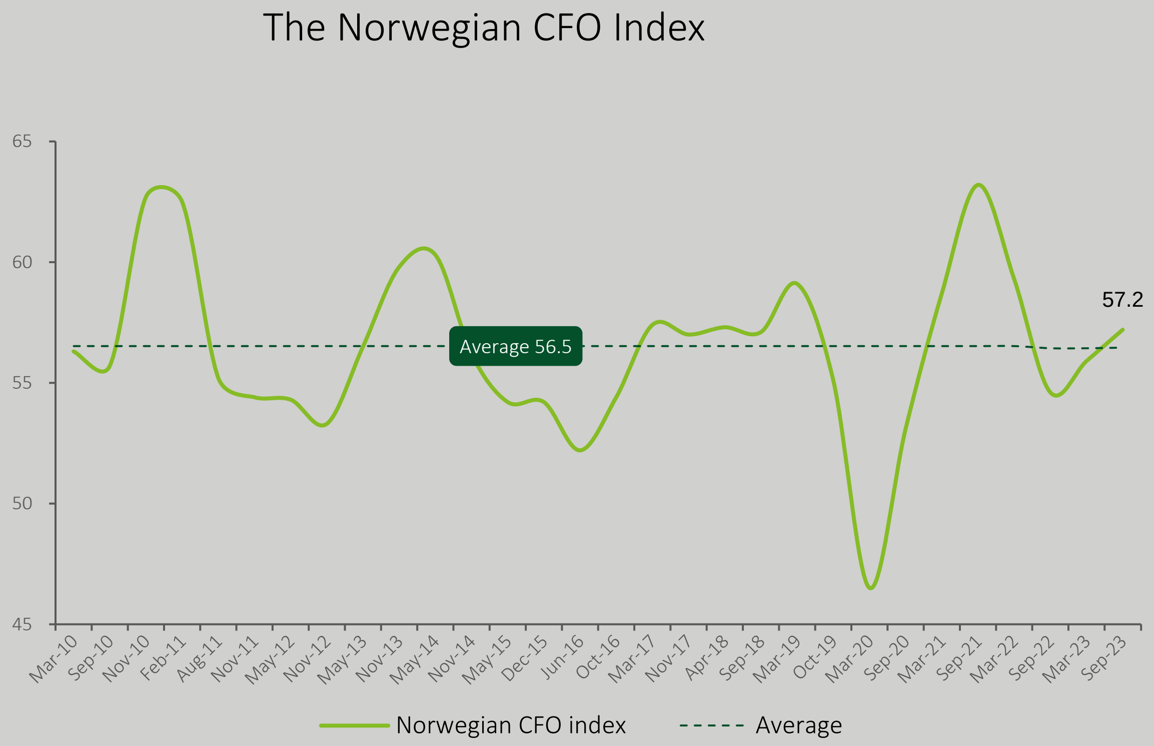
The only certainty is uncertainty

For Q3-23 the CFO index stands at 57.2 and we are thus above the historical average of 56.5. Despite the prevailing uncertainty, Norwegian CFOs appear to hold a positive outlook on their businesses. However, there are several indications that Norwegian companies are expecting economic hurdles.

Investment expectations have reached the same low level as in the oil crisis of 2016 or during the COVID-19 pandemic in 2020. Additionally, we observe a complex financing landscape. The high all-in cost of debt financing is making it less attractive, especially bank financing, which has not been less attractive in a decade. On the other hand, equity is becoming increasingly attractive but is perceived as limited.

Despite these challenges, CFOs are increasingly positive about the financial prospects moving forward. We observe an expectation of growing revenues and stable margins.



Economic prospects

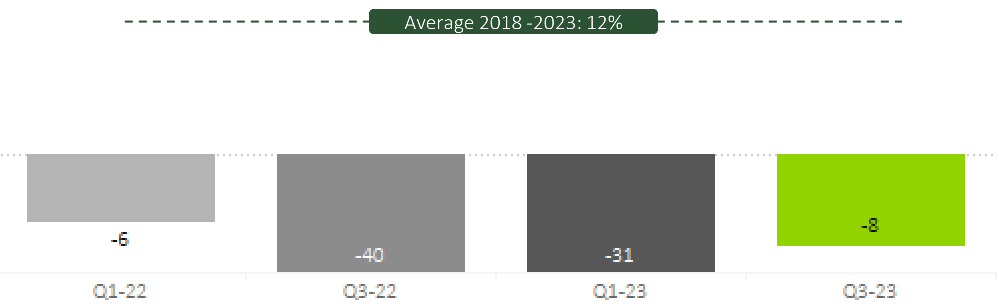
On our way back?

Following a year of declining sentiment concerning financial prospects, we observe a slight increase in optimism amongst Norwegian CFOs. However, the majority of respondents are still of a negative opinion of their financial prospects compared to six months ago.

Although the sentiment is improving, net positivity is still far below the five-year average. As this graph measures the change from six months ago, it appears that the economy is still in a downward trend, though at a slower pace than previously.

Given prevailing interest rates and economic uncertainty, it's natural for Norwegian CFOs to have subdued expectations for the future. The anticipation of reduced capital expenditure activity and the intricate financing landscape portrayed in the survey underscore the challenges Norwegian companies are encountering.

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 Q1-18 to Q3-23.

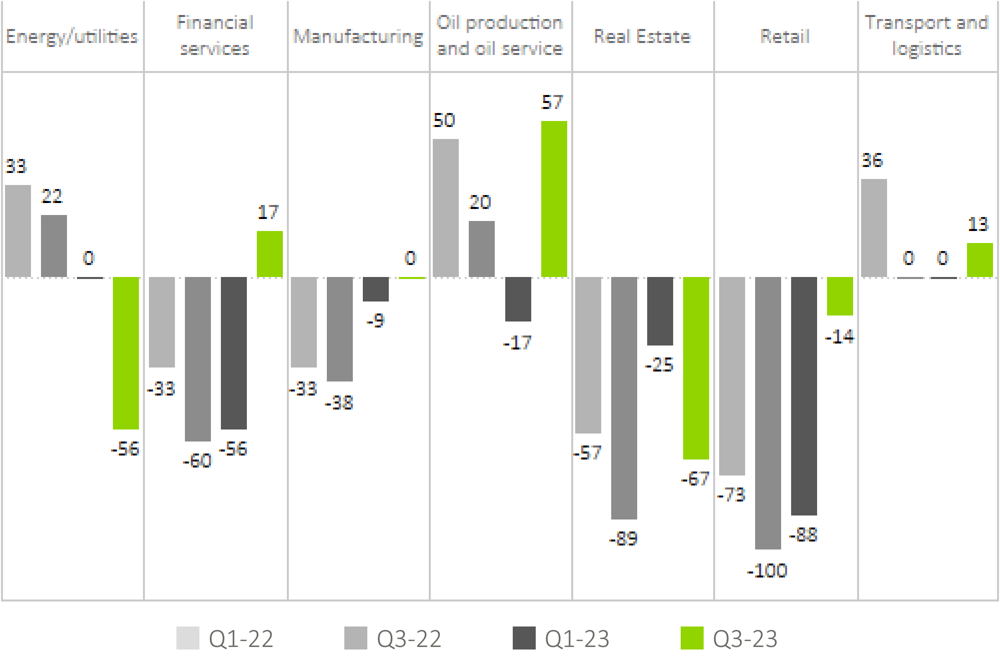
Most industries have changed for the better, but not all

Following the energy crisis prompted by geopolitical tensions in 2022, Norwegian power prices have now returned to a more stable state. Consequently, the financial outlook for Norwegian power producers has naturally declined compared to previous levels.

Likewise, financial services and the oil-industry have experienced a reversal of previous financial sentiment, with the former having the first positive net prospect in two years.

The sentiment for the retail sector has for the first time in years reached a plateau. Much of the increased sentiment may be due to many retailers successfully increasing prices to accommodate for the increased costs. However, the overall sentiment is still slightly negative.

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 graph shows the net percentage of positive(negative) answers regarding financial prospects compared to six months ago.

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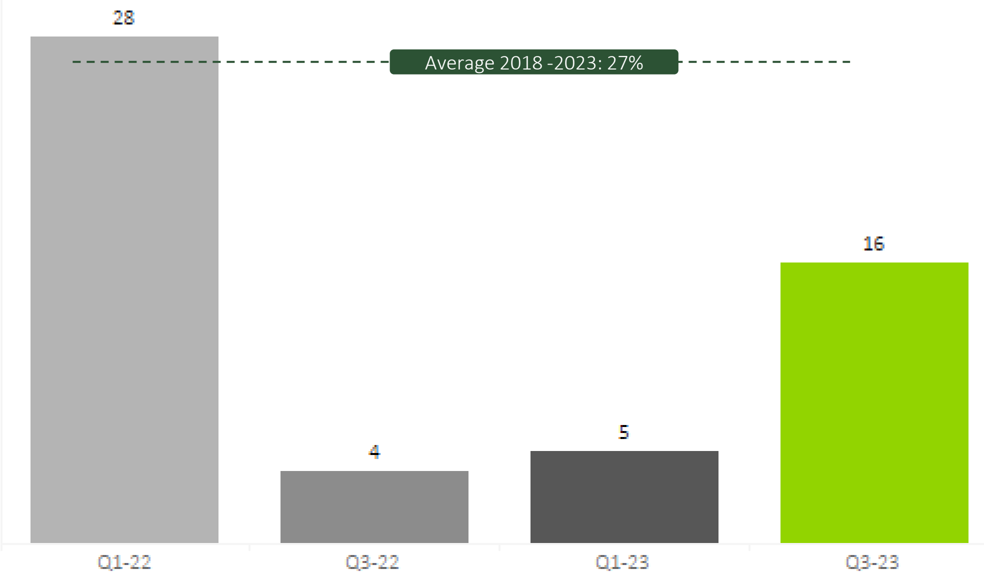
Optimism on its way up after a tough year

Another point which seems to indicate a shift in the overall sentiment is the view of financial prospects going forward.

This shift is following a net sentiment similar to the historical low-point in 2016, a period which saw a considerable decline in the economy as a result of the oil-crisis. Coming back from such a sentiment is therefore indicative of a belief that companies are adapting.

This upswing in sentiment could signal a broader consensus that the Norwegian economy is poised for a gradual, "soft landing" rather than a plunge into a recession. While there is still a way to go before the net optimism is back to the five-year average of 27%, the general view amongst CFOs is a promising sign.

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



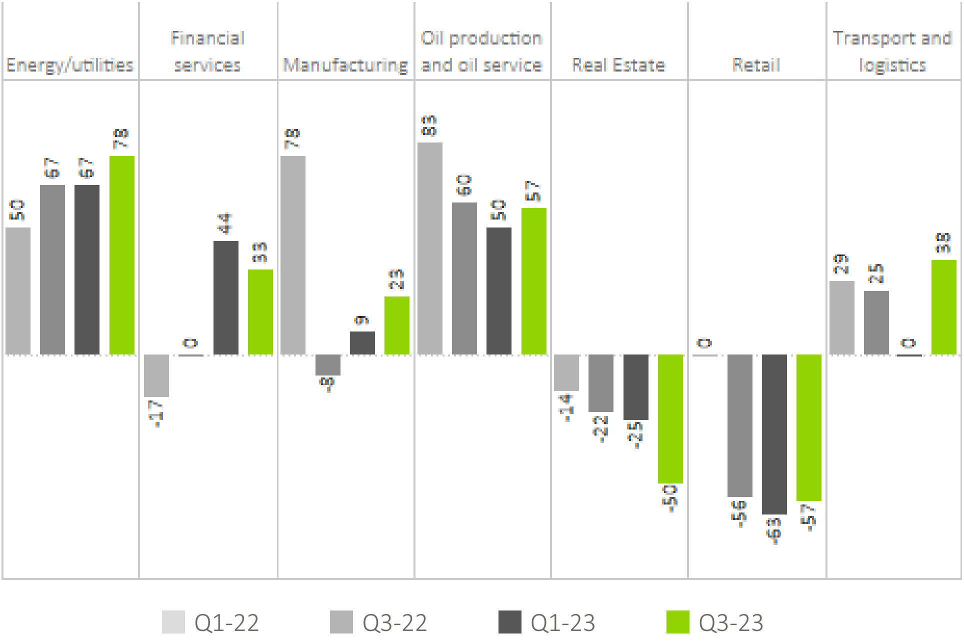
Note: The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have “zero” impact. The average is calculated from Q1-18 to Q3-23.

Expectedly, both the real estate and retail sectors anticipate unfavorable financial outlooks

The retail sector remains bearish about their financial outlook. Persistent supply chain disruptions, a sluggish economy, reduced household purchasing power, and large inventories are ongoing factors that adversely impact the retail industry.

Similarly, the real estate sector also maintains a pessimistic outlook on the future. With an oversupply of unsold homes, elevated mortgage rates, and diminished household purchasing power, there are expectations of a decline in both Norwegian housing prices and commercial real estate values.

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



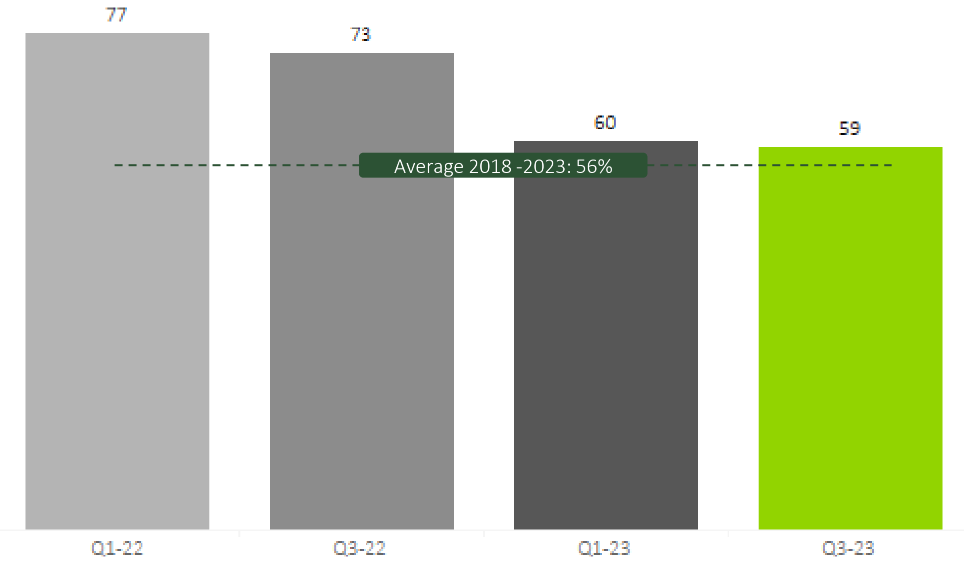
Note: Industry breakdown is based on the number of respondents the last four surveys. The net share is defined as the percentage point difference between positive and negative respondents throughout the report, i.e. neutral answers have "zero" impact. The average is calculated from Q1-18 to Q3-23.

Price expectations are normalizing

The share of CFOs expecting a price increase for their company's products/services is in line with last survey and is closing in on the five-year average. Notably, a greater proportion of companies now anticipate a price increase of 3% or more. Conversely, there has been a marginal uptick in the number of companies expecting a negative price trend.

CPI-ATE declined markedly in September to 5.7% y/y from 6.3%, far below Norges Bank's estimates. Both core goods and core services were lower than expected. Lagging food prices and a weak exchange rate is still expected to make the downturn for inflation in Norway more gradual but this was the second month in a row with a large downside surprise.

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 Q1-18 to Q3-23.

Inflation expectations have peaked

Inflation expectations have shown a consistent upward trend since Q3-20, but there are now signs of a shift. CFOs are currently projecting a 4.41% inflation rate in Norway for the next 12 months, which is a decrease of 0.48 percentage points from the previous survey's record-high expectations. Also, expectations for Euro-area inflation have decreased, dropping from 5.77% in Q1-23 to 4.27% in the latest survey.

CFOs are presumably affected by the fact that the inflation rate in both Norway and the Euro-area is showing signs of a slowdown. Core inflation figures for both regions surprised on the downside in September, indicating a more normalized economic landscape.

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

4.41%
(average)

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

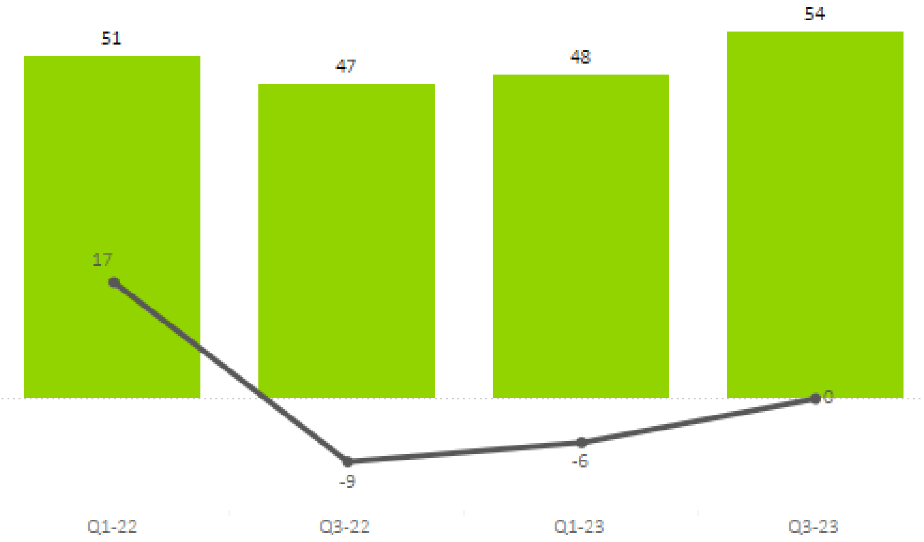
4.27%
(average)

Rising revenue expectations, but flat margins

CFOs express a greater sense of optimism regarding their operating margins compared to the two prevailing surveys. While there is a rising percentage of CFOs who anticipate revenue growth compared to prior surveys, the outlook remains relatively steady, highlighting a divergence in CFO perspectives.

The results indicate that companies in general have adapted to higher costs and expect it to stabilize over the next months. Inflation, interest rates, employment rates, political instability, wage expectations and demand doesn't seem to cause the same concern as it did earlier in the year and a year ago.

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.

The retail sector anticipates margin expansion

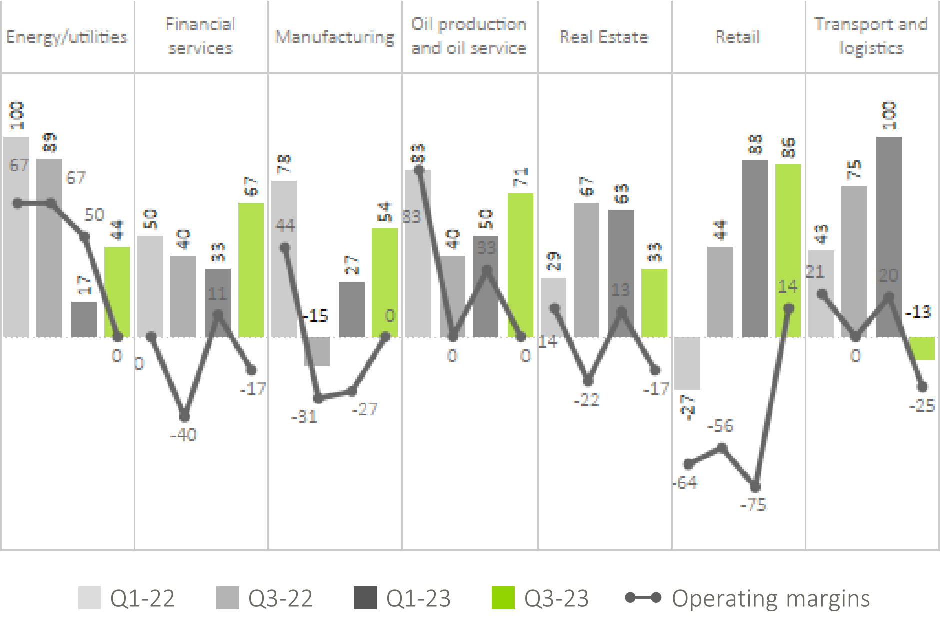
Most of the sectors surveyed anticipate a boost in their future revenues. Interestingly, the transport and logistics sector stands out with an expectation of reduced revenues. Economic downturns typically witness a decline in both consumer and business spending, which consequently affects transportation and logistics services by driving down demand.

Several factors contribute to this projection. Rising operational expenses in the form of rising fuel prices, labor costs, and maintenance expenditures among them.

To the contrary, the retail sector maintains an optimistic outlook, projecting an increase in their income. In a notable departure from previous surveys, they now anticipate an uptick in their operating margin. This shift in sentiment can be attributed to expectations of easing inflation and reduced input costs.

Energy and utility companies have notably decreased margin expectations. This change comes as power prices have reverted to standard levels following a period of heightened prices, suggesting that operating margins are expected to maintain their current status quo.

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 Q1-22, Q3-22, Q1-23 and Q3-23. The grey line shows the corresponding expectations regarding operating margin per industry.

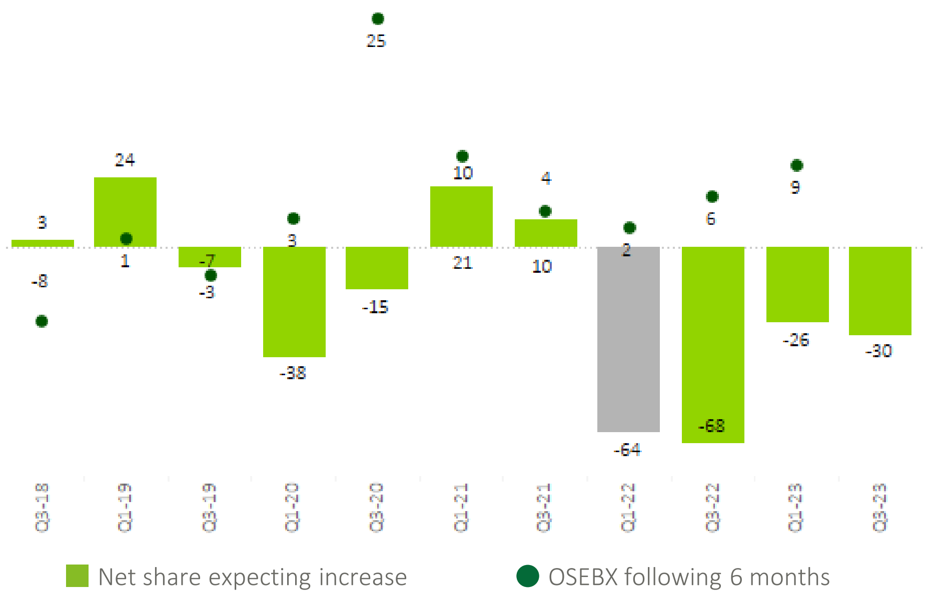
CFOs are still preparing for a bear market

The pessimism about the future of Oslo Børs continues in this quarter. The proportion of CFOs expecting a decrease over the next six months have risen to 49%.

Central banks have been raising interest rates at a fast pace, and markets are beginning to realize that rate cuts might be further ahead than anticipated. The uptick in interest rates is driving the cost of capital, leading to a subsequent decrease in valuations. Furthermore, the unclear economic outlook and ongoing geopolitical uncertainties may exert negative pressure on the expectations.

Despite expectations, the OSEBX has defied predictions in the previous three quarters. OSEBX reached an all-time high in mid-September this year, underscoring the complex and dynamic nature of financial markets.

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.

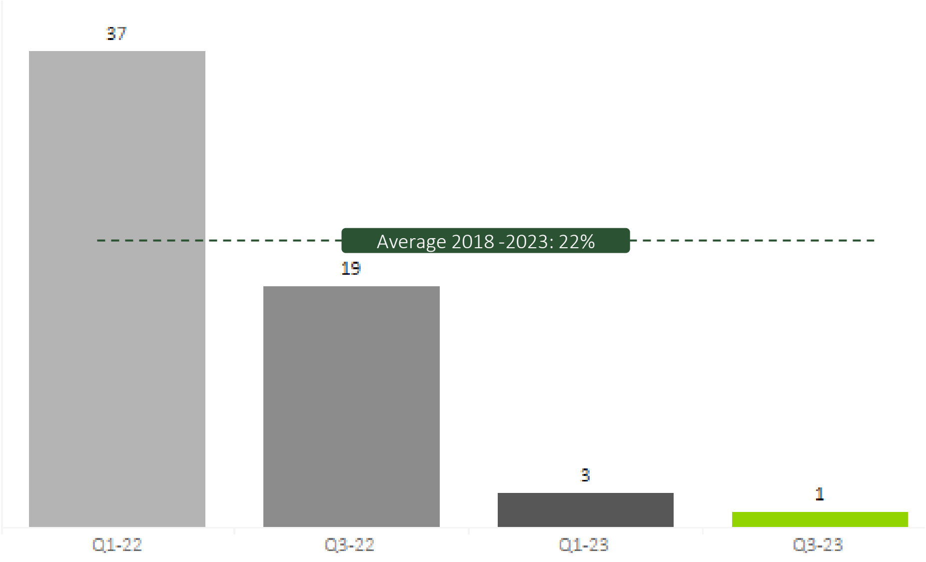
Capex expectations at crisis-levels

While there are expectations for improvements in financial prospects, the same cannot be said for investment sentiments.

The expected responses in capex activity reflect patterns reminiscent of what was observed in Q3 2020 and Q3 2016, periods marked by substantial economic shocks. Interestingly, these shocks only temporarily affected investment sentiment during those periods. However, it appears that the current economic environment are proving to be more enduring, as capex expectations are declining each year.

The uncertainty surrounding whether the Norwegian economy will experience a "soft landing" or a recession may be prompting a more conservative investment stance among companies. CFOs portray a challenging financing environment, where financing sources such as bank loans and corporate bonds are being characterized as less attractive, which may partially account for the subdued capex investment sentiment.

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



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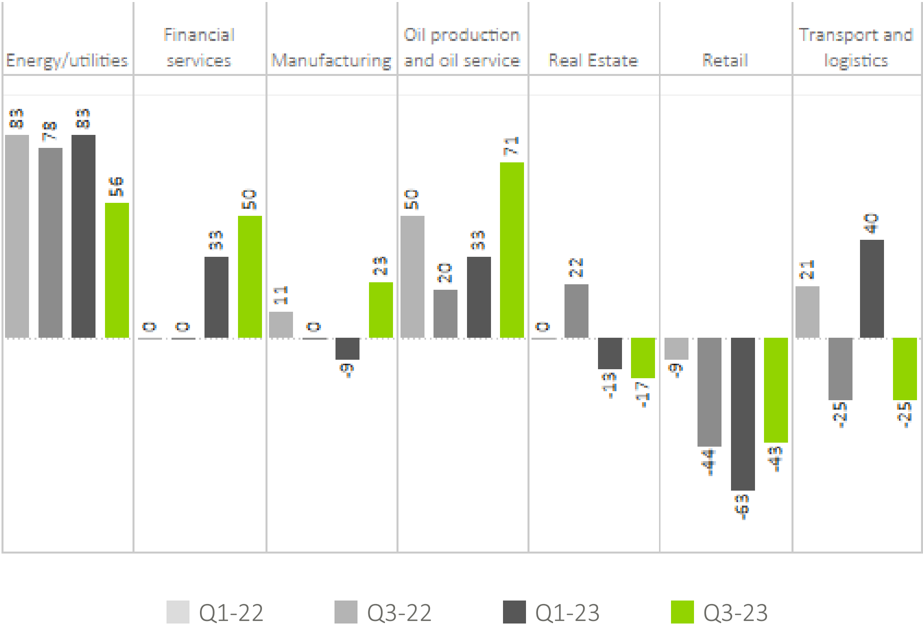
Workers with lower levels of education are at a greater risk of experiencing layoffs

There seems to be a divide between the sectors regarding the evolvement of workforce. In general, it appears that substantial changes in the workforce size are not anticipated.

What is particularly concerning is the projected workforce reduction in sectors such as retail and transport and logistics, which predominantly employ workers with lower education. These sectors are often highly sensitive to economic fluctuations, with workers more frequently facing lower job security and heightened vulnerability during economic downturns.

Conversely, the energy and financial services sectors are anticipating a considerable expansion in their workforce. Several factors may be driving this expected growth. Over the long term, the electrification of society is generating increased demand for energy. Additionally, following the Russian invasion of Ukraine, the subsequent energy crisis has reshaped trade patterns and led to supply shortages. Hence, an increase in the oil-sector workforce seems likely and is expected according to the results of the survey.

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



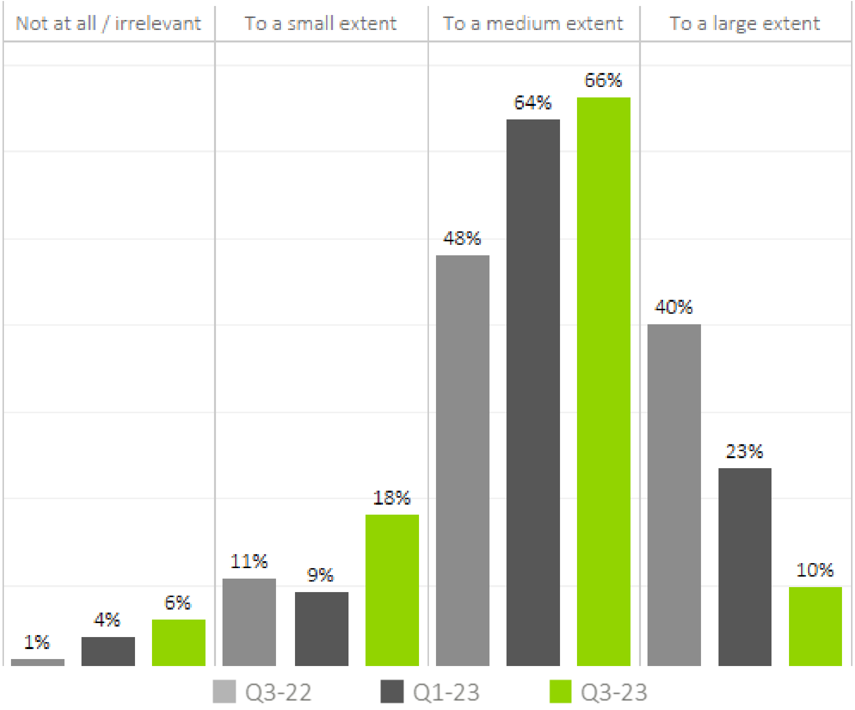
Note: The figure shows the net share of the CFOs in each respective sector expecting to increase employees over the coming six months.

The labor market is still tight

The low employment rate in Norway is still affecting companies from a medium to large extent according to CFOs in this survey. However, the share of large extent has been reduced by more than half from previous survey. The labor market has remained tight with registered unemployment around 2% over the past year. However, there are large variances between sectors with rising unemployment in cyclical sensitive sectors

High inflation and increased interest rates leads to a lower demand in the economy. At the same time, there is still low unemployment. A low employment rate is generally considered a positive indicator for an economy; however, a high unemployment rate may cause inflationary pressure, labor shortages and wage disparities.

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



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

Strategic opportunities

CFOs are adopting a defensive stance

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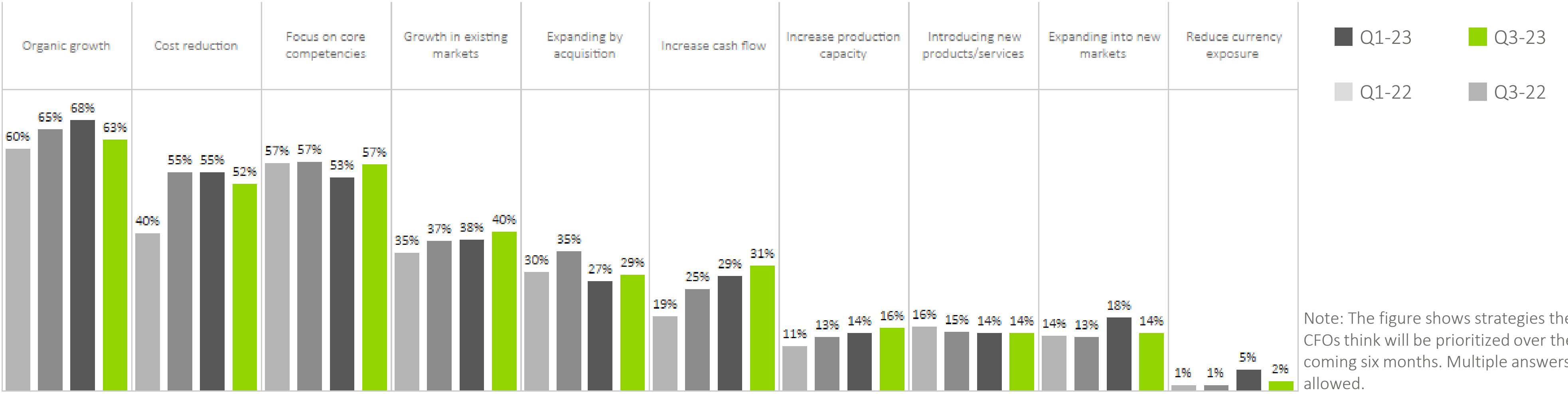
Q: *Which of the following strategies are likely to be a priority for your company over the next six months?*



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

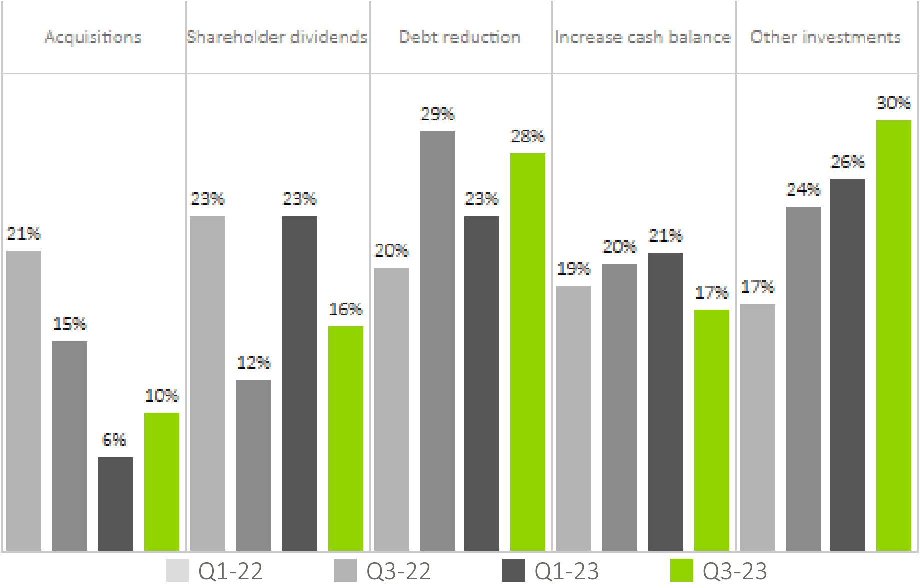
The strategic perspective among CFOs in this quarter's survey closely resembles that of the past year. The primary focus for Norwegian CFOs remains centered on achieving organic growth. Notably, there's an increasing emphasis on bolstering cash flow and "focusing on core competencies“, which signals a shift toward more defensive economic strategies in the future. This aligns with CFOs' expectations of a bearish credit and equity market.

A cautious approach among CFOs

The cash flow priorities of CFOs have notably shifted, likely in response to the increasing interest rates. Debt reduction has gained increased significance compared to previous surveys, yet the focus on other investments has consistently gained momentum with each assessment.

Cash balance continues to be in focus for companies, though there is a slight drop compared to the three previous iterations. There is also a drop in shareholder dividends. The responses indicate that companies are choosing to retain their earnings, fostering a robust cash position that can be strategically leveraged to enhance their market presence instead of disbursing dividends to shareholders. Concurrently, they are embracing a more cautious approach by limiting their debt exposure, thereby mitigating potential risks associated with any further interest rate hikes.

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



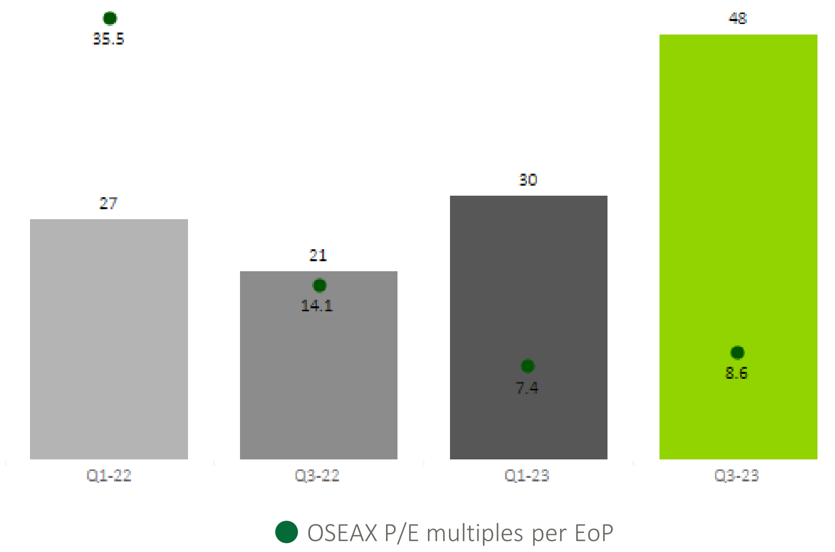
Note: The figure depicts the strategy most likely to be executed using operating cash flow expenditure for the four most recent periods.

Expecting high M&A activity going forward

CFOs have recently signaled a significant shift in their expectations for future M&A activity. During times of economic uncertainty, M&A serves as a strategic instrument for companies to adjust to shifting market conditions, achieve cost efficiencies through synergies, and facilitate strategic expansion. The combination of higher interest rates and economic unpredictability often triggers industry consolidation, motivating companies to pursue M&A to bolster their market positioning, eliminate competition, and achieve economies of scale.

Notably, the price-earnings multiple of Oslo Børs stands at a relatively low of 8.6x, creating opportunities for companies to explore acquisitions. CFO responses suggest that equity is becoming an increasingly attractive funding source, though its availability remains limited. Consequently, companies may exhibit a greater willingness to engage in consolidation as a means to secure necessary funding.

Q: *How do you expect the M&A activity in your industry to develop 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. Note that the two measured do not have the same axis.

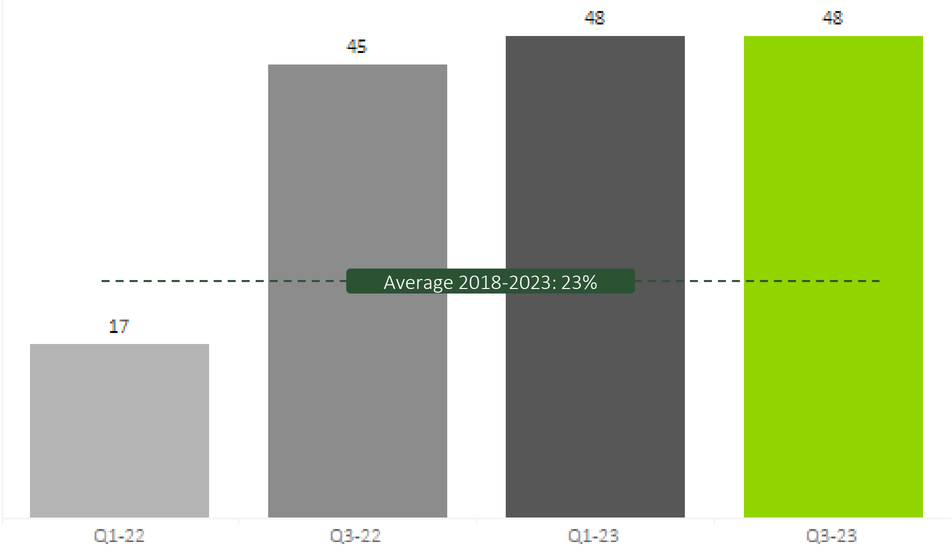
Capital structure and risk

Counterparty default risk still perceived as high

The persisting economic uncertainties have shown no signs of abating, and we have witnessed the emergence of new risks in the horizon. The proportion of perceived default risk remains at a historic high, holding steady at the net share of 48%. This figure stands in stark contrast to the five-year average of 23%, highlighting a significant departure from previously expected levels. It is worth noting that none of the CFOs anticipate a reduction in this risk.

These expectations may be a result of the rising uncertainty in the economy. A combination of financial stress, reduced profitability, restricted access to credit, market volatility and credit rating downgrades can be factors contributing to the increasing default expectations.

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 Q1-18 to Q3-23.

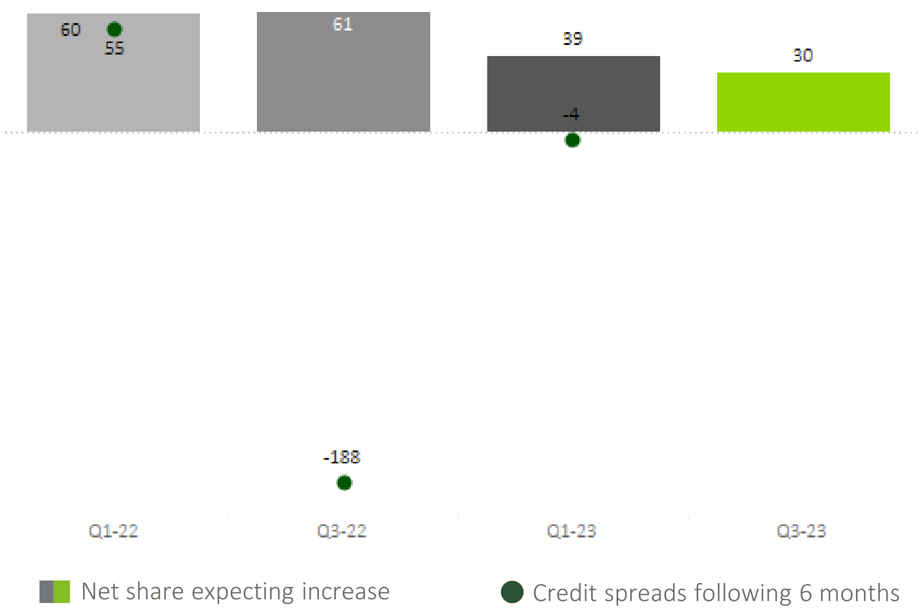
CFOs have historically been overly bearish on credit spread development

There has been a notable shift in sentiment among CFOs, with a net share of 30% expecting an increase in credit spreads, down from the all-time high of 61% in Q3-22.

Interestingly, in our two previous surveys, we observed a record high percentage of CFOs anticipating an uptick in credit spreads over the next six months, while only around 5% expected a decrease. To the contrary, credit spreads have tightened by 188 basis points and 4 basis points in the six months preceding the Q3-22 and Q1-23 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*

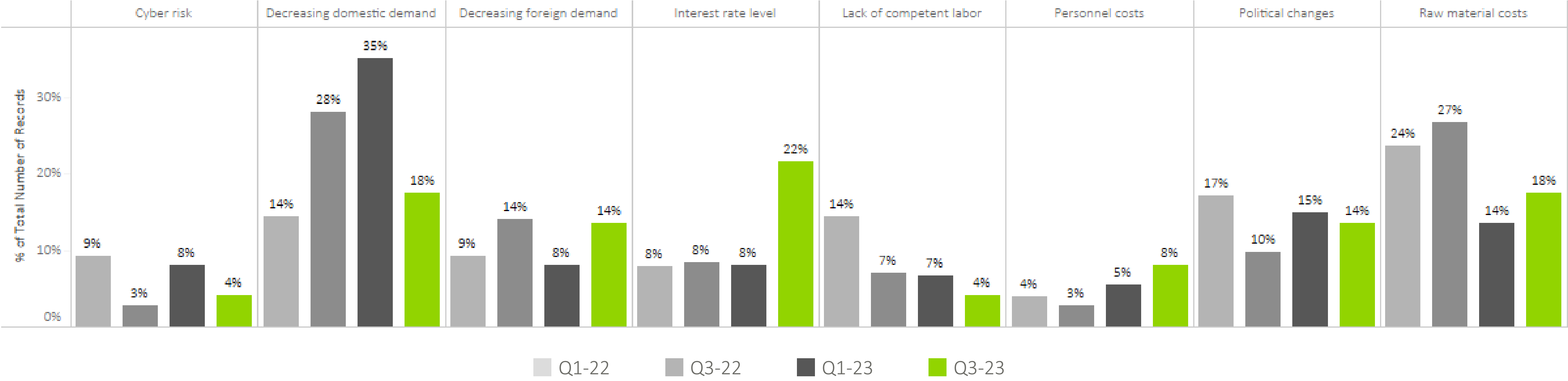


Note: Figure shows the net share expecting increased credit spreads over the next six months and the actual credit spread development over the same period. Note that the two measures do not have the same axis.

Interest rate risk is the most significant concern amongst CFOs

Since the last survey in Q1-23, there has been a notable shift in the landscape facing CFOs. The most significant concern now revolves around the risk of rising interest rates, while conversely, concerns about a decrease in domestic demand have notably diminished. In previous surveys, interest rate risk did not hold a prominent position in CFOs' risk assessments, despite aggressive rate hikes by Norges Bank since 2021. This heightened concern about interest rates may reflect a growing realization that the current interest rate environment might persist at elevated levels for an extended period, with the possibility of rate cuts being deferred further into the future. This shift in sentiment aligns with the reduced perceived risk associated with a slowdown in domestic demand. The Norwegian economy has demonstrated resilience in the face of increasing interest rates, potentially diminishing the likelihood of imminent rate reductions.

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



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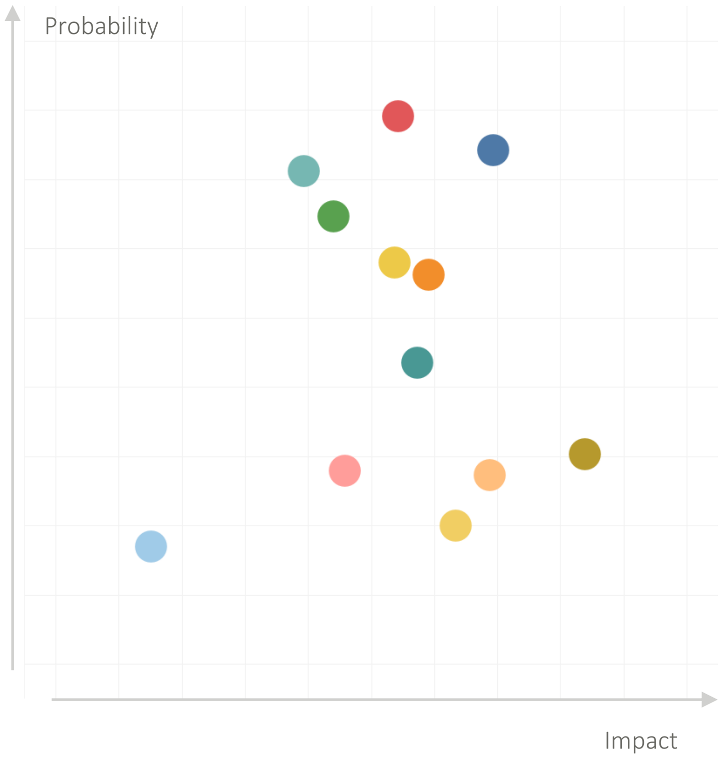
Cyber risk remains the most impactful concern

Q: Over the next 12 to 24 months how do you rate these risks to the global economy? Should one of the following scenarios materialize, how would you rate the magnitude of its impact on the financial prospects of your company?



The primary concerns among CFOs predominantly revolve around cyberattacks and the threat of a private debt crisis, both of which are perceived to have a significant impact on financial stability and carry a substantial likelihood of occurrence.

The heightened concern regarding cyberattacks is unsurprising given the growing reliance on data and the escalating sophistication of cyber threats. The frequent occurrence of cyberattacks is drawing increased attention.

Norwegian CFOs may justifiably view the risk of a private debt crisis in a larger economy as highly probable and potentially detrimental to their businesses. This perception 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.

- Long term effects of Brexit
- Increase in polarization/populism
- Cyber attack on companies and/or governments
- Increased economic protectionism
- Political turmoil in Western economies
- Private debt crisis in a larger economy
- New Eurozone crisis
- Public debt crisis in a larger economy
- Increased inflation in Western economies
- Significant drop in asset prices
- Contractual monetary policy at inconvenient time
- Climate change

Financing

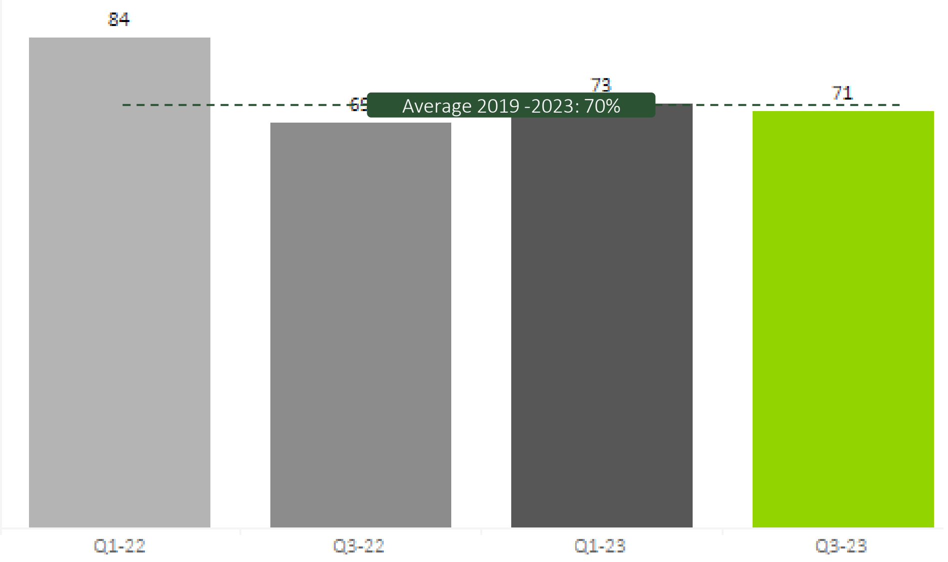
CFOs maintain strong financial positions

Continuing an ongoing trend, we once again observe a positivity rate of approximately 70%, in line with the five-year average. Notably, this level of positivity has remained largely stable, with no significant decrease compared to six months ago. CFOs continue to express a general confidence in their financial stability.

As the economy progresses toward greater stability, there is an optimistic outlook for improvements in financial positions over the next six months.

The perception of a solid financial standing is generally evenly distributed across the sectors in the survey. However, respondents in the automobile and healthcare sectors are in net negative. Conversely, the manufacturing and energy/utilities sectors exhibit the most confidence in their financial positions.

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



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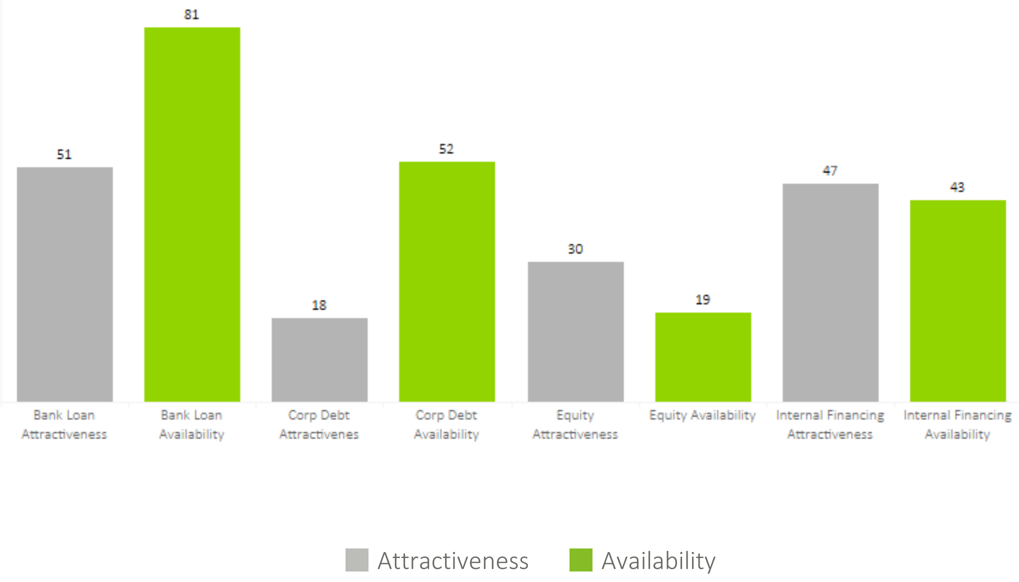
Debt financing is expensive, equity financing is limited

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. However, in the current environment, all financing alternatives have experienced a reduction in attractiveness compared to previous quarters. This shift is a direct outcome of the contractionary measures implemented by Norges Bank and the government to combat inflation, resulting in increased funding costs and subsequently dampening economic activity.

Of particular interest is the declining appeal of bond and bank financing, driven primarily by the elevated NIBOR rate, which increases the all-in borrowing cost for companies. As interest rates continue to climb, equity financing emerges as a relatively more appealing option for businesses. However, the availability of equity has declined.

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.

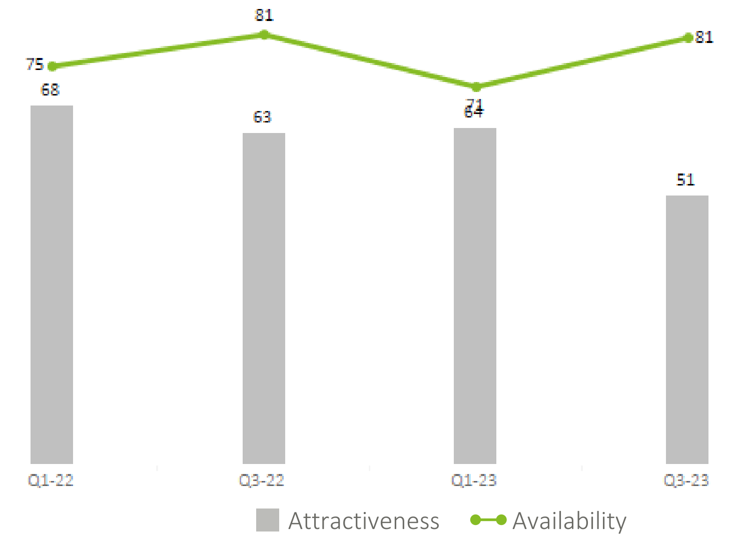
Bank loans has not been less attractive in a decade

The attractiveness of bank loans has seen a decline, with the net share dropping from 64% to 51%, marking its lowest point in the past decade. In stark contrast, the perceived availability of bank loans has reached the highest level since the survey's inception in 2011.

This shift in dynamics can be attributed to the increase in interest rates, with 3-month NIBOR standing at 4.7%. Consequently, bank loans have become notably more expensive for borrowers.

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?*



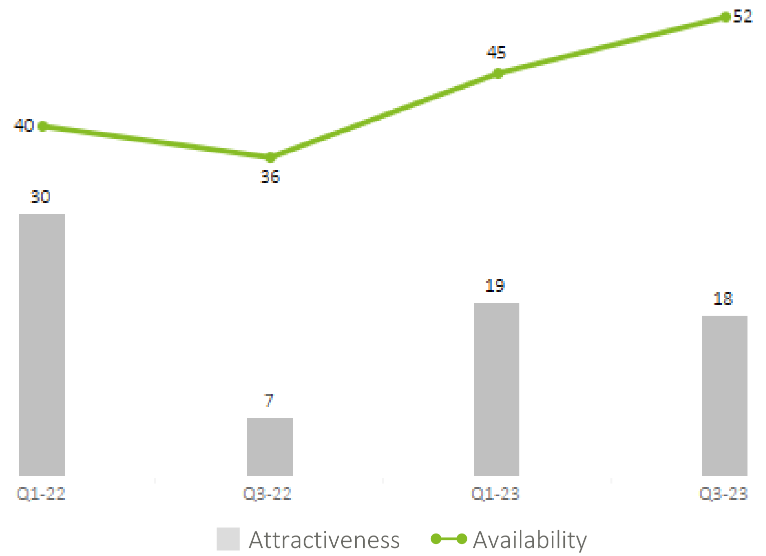
Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of bank loans.

While bonds may not be particularly appealing, they are readily accessible

The attractiveness of bonds as a financing option has remained relatively stable at low levels, now at the net share of 18%. In parallel with the trends in bank financing, the rise in interest rates has led to an increase in the overall cost of bond financing, even though credit spreads have tightened. This increase in the overall cost can be attributed to the fact that NIBOR has increased substantially at the same time as credit spreads have widened. Compared to Q1-23, credit spreads have tightened by 4 basis points, while the 3-month NIBOR has experienced a considerable increase of 105 basis points.

The availability of bonds has increased to a net share of 52%, which is back to the level of availability of Q1-21 which was a quarter with historically high bond market activity. With the growing interest payments associated with bonds, these instruments are becoming relatively more attractive. This shift in attractiveness is leading to an increase in interest from investors and a noticeable rise in net purchases of fixed income funds.

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



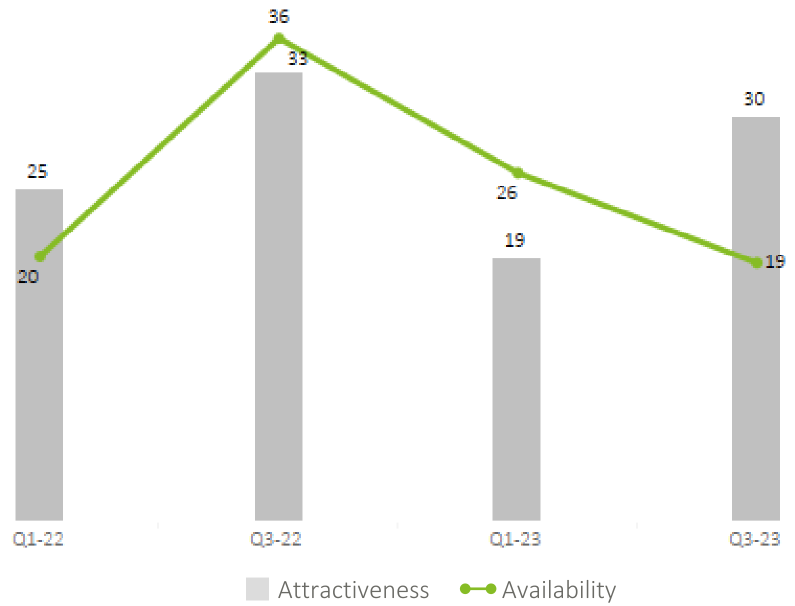
Note: The chart illustrates the net share of respondents describing the attractiveness and the availability of bonds.

Equity is attractive, but limited

The net attractiveness of equity financing has experienced a notable upswing since our last survey in Q1-23. This can probably be explained by the rising cost of debt financing. As the cost of debt has increased, the relative cost of equity financing, compared with debt financing has declined.

The perceived availability of equity financing has shown a consistent decline over the past year. The decline in perceived availability aligns with expectations, as equity financing tends to become less accessible and more expensive in an environment characterized by rising interest rates, which inherently amplifies the cost of capital. These dynamics underscore the shifting landscape in financing preferences and the strategic considerations of financial decision-makers.

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.

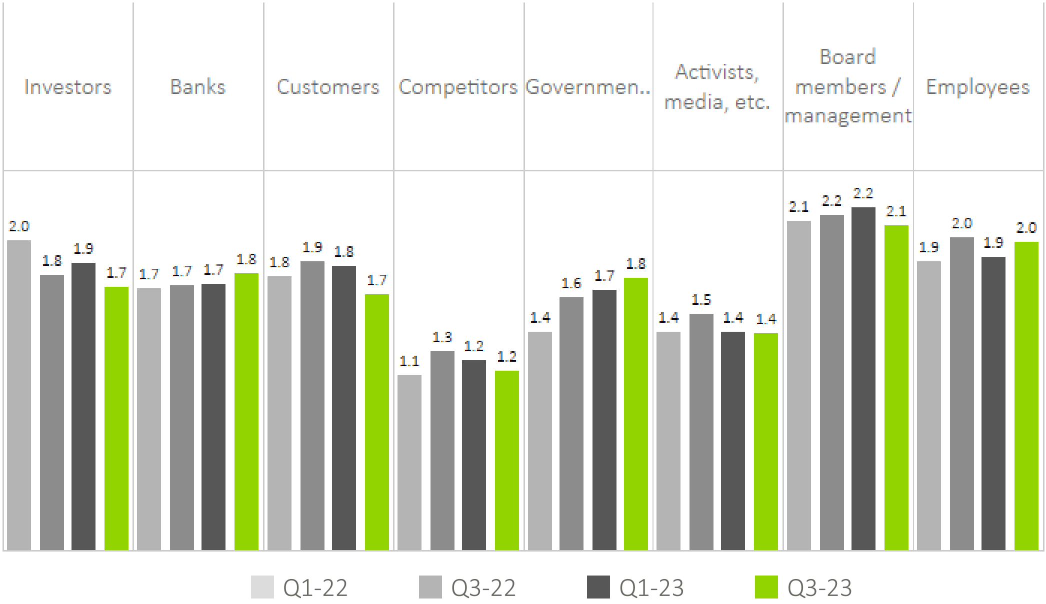
ESG

Easing pressure to act on climate change

Board members continue to exert the most significant pressure on corporate decisions related to climate change, although we have observed a moderate decrease in the overall pressure. The pressure from board members, investors and consumers is easing slightly. The pressure from consumers and investors may fluctuate depending on various factors, including economic conditions, competing priorities and the perceived effectiveness of corporate and governmental actions.

It is important to emphasize that the regulatory landscape is continuously evolving, and we anticipate further tightening of regulations, thereby intensifying the demands on companies to actively mitigate their carbon footprint.

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



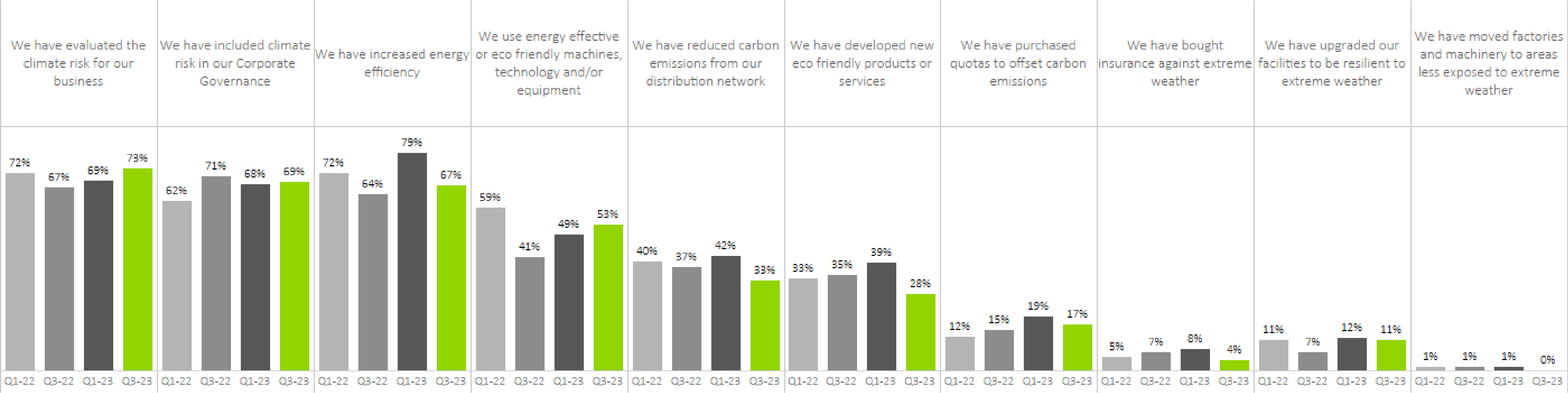
Note: The chart illustrates the average rank of respondents in each category of answer (from 0 to 3) and shows the relative split between each category of third party. Higher numbers entails higher pressure.

The majority of companies have evaluated climate risk for their business

An increasing share (73%) of companies have evaluated the climate risk for their business and 69% have included climate risk in their corporate governance. Surprisingly, fewer companies have purchased emission quotas. With the impending integration of new sectors into the European Union Emissions Trading System we anticipate a notable uptick in the number of firms purchasing emission quotas.

In parallel, it is noteworthy that there has been a decline of 11 percentage points in the number of companies developing new eco-friendly products and services. This decline may be attributed to shifting consumer behavior, possibly driven by an increased sensitivity to pricing dynamics. The confluence of rising inflationary pressures and elevated interest rates has constrained disposable income for consumers, thereby necessitating a more cautious approach among businesses seeking to cater to their evolving needs.

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



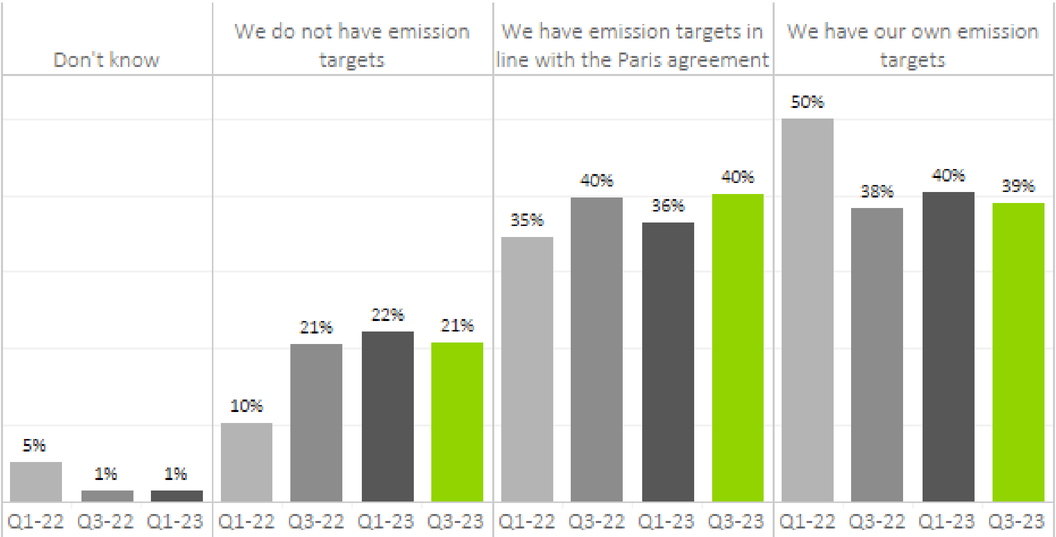
Note: The chart illustrates the percentage of total respondents in each category of answer, and shows the relative split between each category

The majority of companies have established emission reduction objectives

Most companies have set emission targets, whereof 39% have set their own target and 40% 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. Norwegian companies are taxed and/or regulated through the EU Emissions Trading System (EU ETS), which 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?*



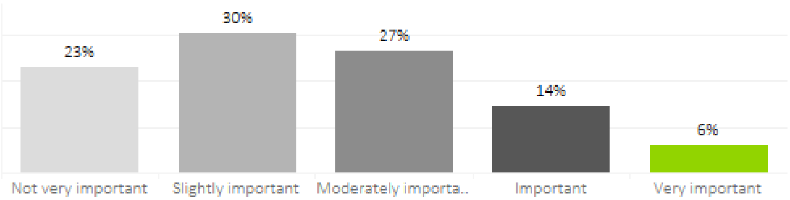
Note: The chart illustrates the percentage of total respondents in each category of answer and shows the relative change over time from the last iterations of this survey.

Hot topics

Generative AI is important for CFOs to achieve business strategy

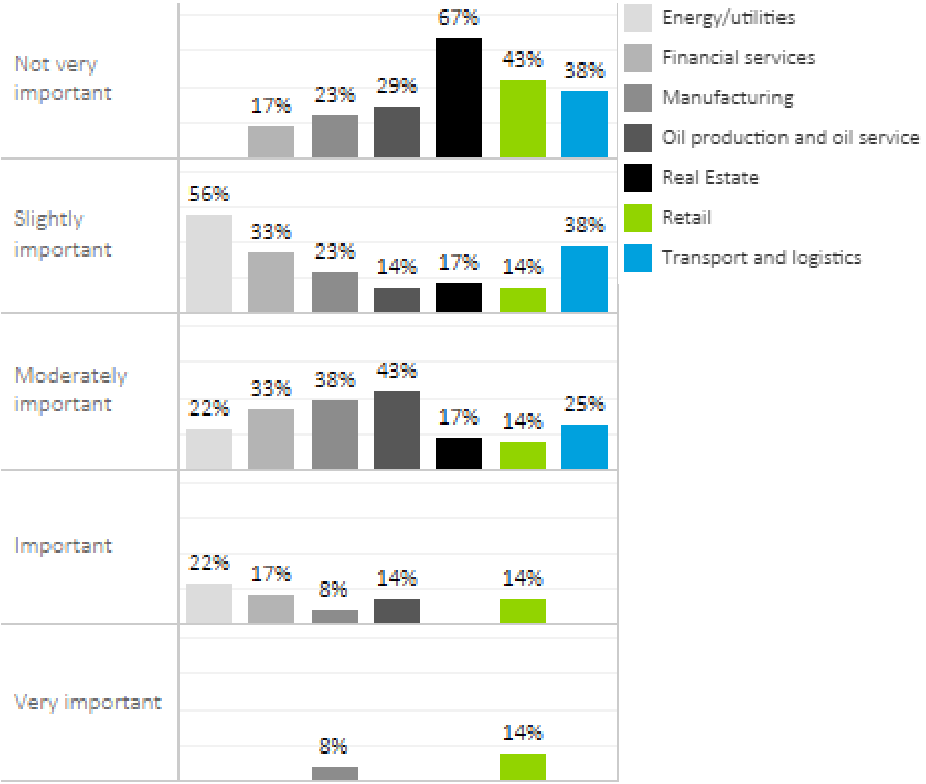
Generative AI holds significant potential across various sectors. The survey suggests that generative AI's importance for achieving business strategies is moderate. While there isn't a clear pattern in the survey responses across sectors, "traditional" sectors like real estate appear to perceive generative AI as less important. These sectors are capital-intensive, and factors such as long investment cycles, risk aversion, and regulatory compliance issues may contribute to this view.

The retail sector exhibits the most diverse response. For retail, generative AI can personalize product recommendations, create compelling product descriptions, and optimize supply chain and inventory management. These factors may explain why the retail sector has the highest percentage of respondents considering generative AI as very important for their business strategies.



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

Q: *How important is generative AI for achieving your business strategy?*



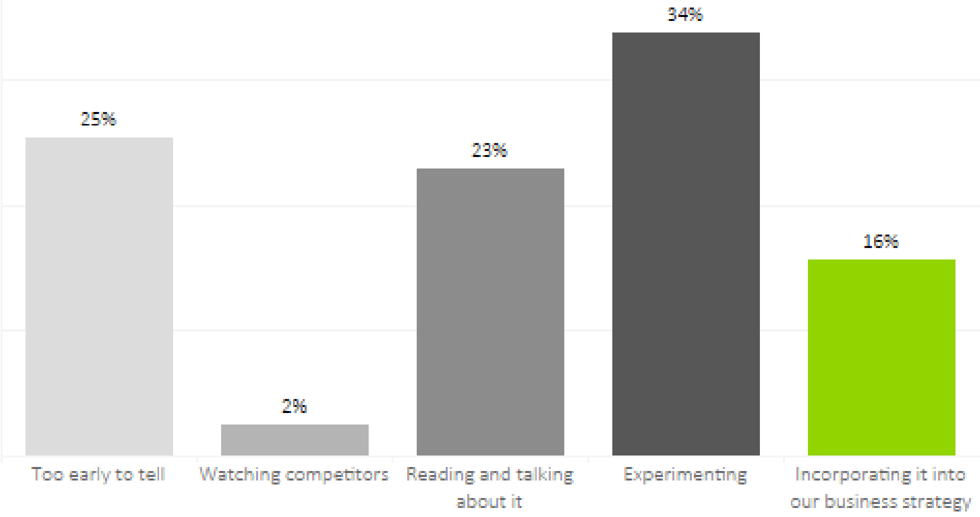
Note: The chart illustrates the percentage of each category of answer, with respect to the largest respondent industries,

One out of three companies are experimenting with generative AI

Preparing for the implementation of generative AI involves a series of strategic, technical and ethical considerations. Half of the companies in our survey has started to experiment with it or incorporated it into their business strategy, but one in four answers it is too early to tell.

Generative AI has the potential to bring significant benefits to companies, but it also comes with responsibilities in terms of data ethics and regulatory compliance. Proper preparation and ongoing vigilance are essential for successful implementation and responsible use.

Q: *Where does your business currently stand with respect to the implementation of generative AI?*



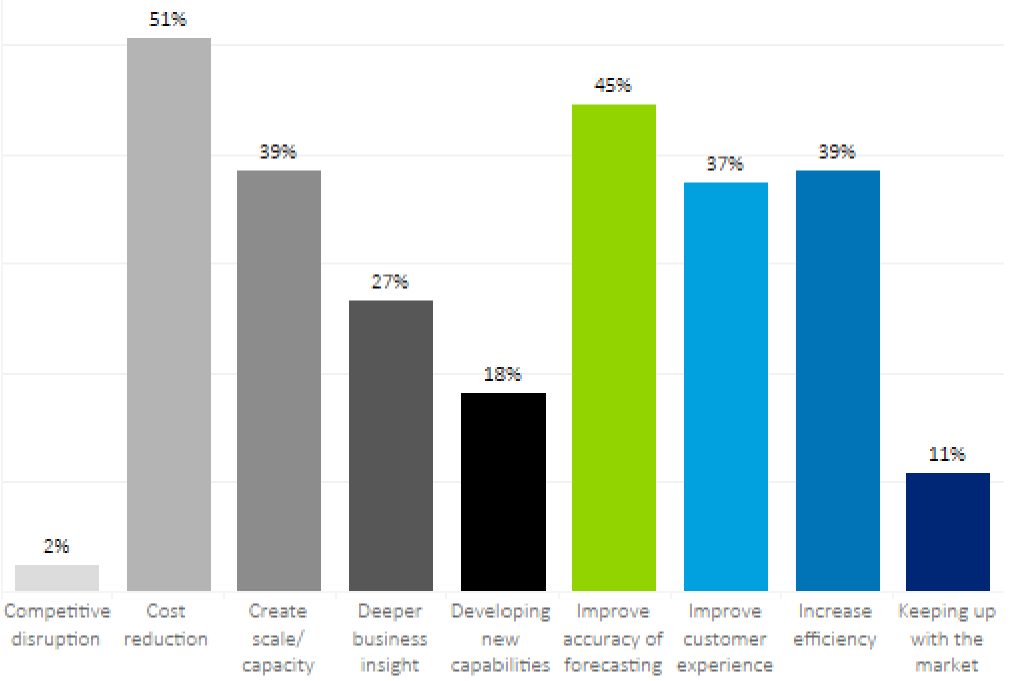
Note: The chart illustrates the percentage of each category of answer.

Cost reduction is perceived as the main benefit of generative AI

The survey shows that the primary benefits of implementing generative AI into their operations are cost reduction and enhanced accuracy in forecasting. These outcomes hold substantial value for CFOs as they translate into concrete returns on investment and aid in managing financial risks effectively.

Interestingly, the survey reveals that CFOs consider competitive disruption and keeping pace with the market as the least advantageous aspects of AI adoption. This perspective can be attributed to the perceived distant impact, varying industry maturities, and the potential high costs and uncertainties associated with staying up to date with market dynamics.

Q: *Three main benefits of implementing generative AI*



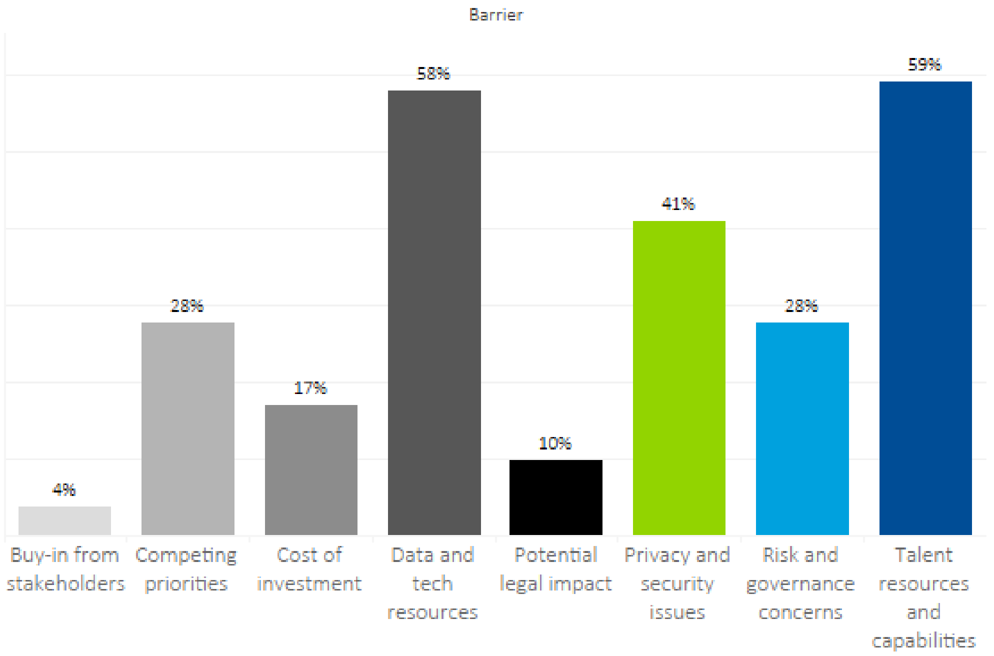
Note: The chart illustrates the percentage of total answers per category of answer, per respondent

Securing data and talent is the primary challenge in adopting generative AI

The survey identify "data and technological resources" and "talent resources and capabilities" as the primary barriers when adopting generative AI . The findings are in sync with the typical hurdles faced in AI implementation. Data serves as the lifeblood of AI, and organizations must confront data-related obstacles to effectively integrate AI into their operations. Generative AI demands extensive, high-quality datasets for training, along with substantial computational power and infrastructure.

Furthermore, the construction and operation of generative AI systems necessitate a workforce proficient in AI, machine learning, and data science. The task of acquiring such talent can be difficult and costly. Without the right talent and capabilities, an organization may struggle to harness the potential of generative AI technologies effectively.

Q: *Three greatest barriers when adopting generative AI*



Note: The chart illustrates the percentage of total answers per category of answer, per respondent

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 September 2023. Historical figures presented are based on previous semi-annual surveys dating three quarters back. Note that "averages" are calculated from Q1-18 to Q3-23.

In total, 83 CFOs across key industries responded to the survey during the period 14th September to 25th September, 2023. 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

September 14, 2023
-
September 25, 2023

Respondents

83 Respondents

Industry	Share
Tourism and travel	2 %
Advisory	4 %
Services	1 %
Construction	5 %
Real Estate	7 %
Transport and logistics	10 %
Retail	8 %
Financial services	7 %
Energy/utilities	11 %
TMT	6 %
Oil production and oil service	8 %
Manufacturing	16 %
Automotive	2 %
Public sector	2 %
Primary	1 %
Healthcare	1 %
Recycling	1 %
Investments	1 %
Other	1 %
Maritime	1 %
Maintenance	1 %
Green Tech	1 %
Total	**100 %**

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