

TIAS

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QUARTERLY
REPORT

December 2018

CFO Survey
Europe | 2018

Q4

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Dashboard overview

57
/100

Economic sentiment remains subdued

During the fourth quarter of 2018, the average optimism level among European CFO's remains subdued, continuing the sluggish trend as witnessed in the previous quarter.

11%

Just over ten percent of CFOs remain positive about economy

With only one out of ten more optimistic about the economic outlook for the next twelve months, and 55% more pessimistic, sentiment among CFOs takes a serious nose dive during Q4 2018.

64
/100

CFOs' optimism about the own company's financials remains

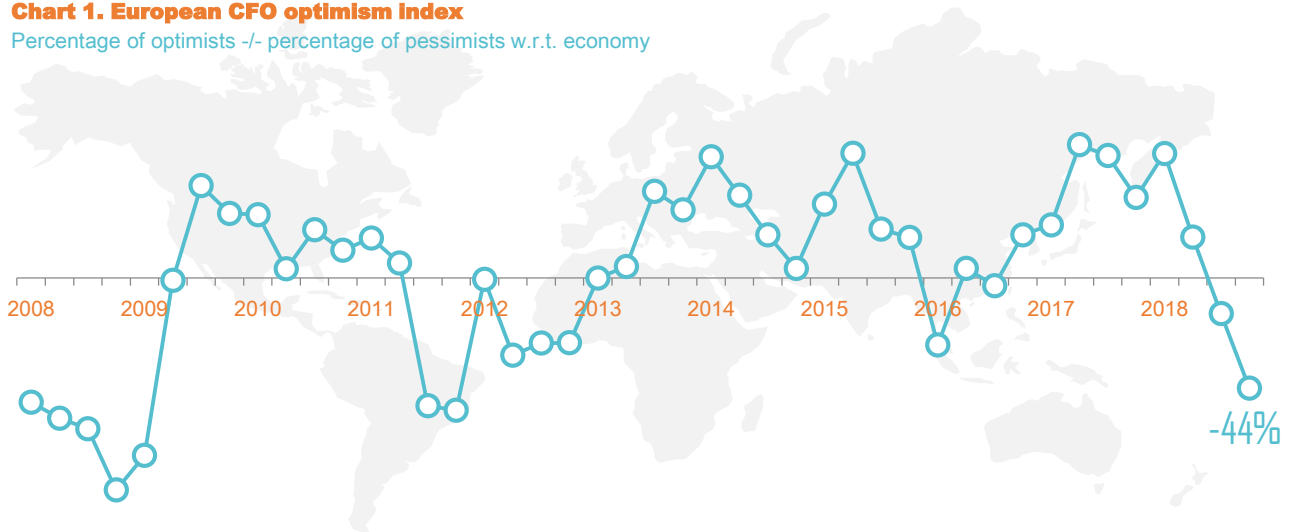
Climbing 2 points to 64, the outlook among European CFOs on company financials for the next twelve months remains stable during the last quarter of 2018.

32%

Fewer CFOs have positive outlook on company financials

Continuing the trend of previous quarter, a third of the European CFOs have a positive view on their company's financials for the next twelve months.

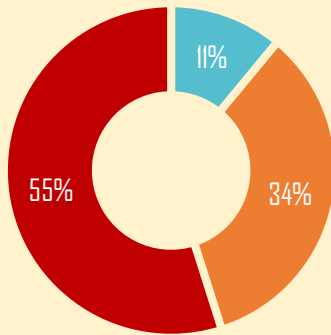
Chart 1. European CFO optimism index
Percentage of optimists -/- percentage of pessimists w.r.t. economy



CFO optimism & economic sentiment 2018

Chart 2. Optimism CFOs about economy of own country

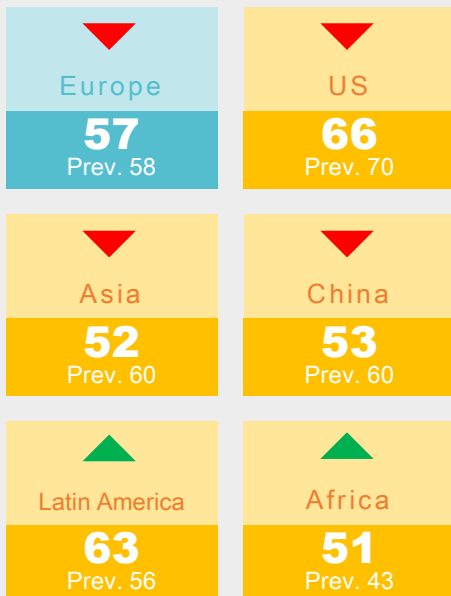
% optimists vs pessimists among European CFOs



■ More optimistic
■ No change
■ Less optimistic

Chart 3. Average level of optimism

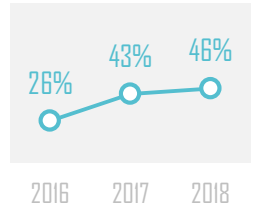
Europe compared to major economic regions (on a scale of 1- 100)



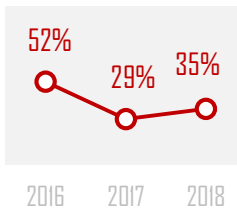
Top 10 concerns European CFOs

Percentage of CFO's, Q4 2018 compared to Q4'17 and Q4'16

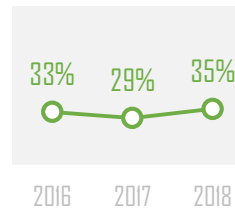
1 Attracting / retaining qualified employees



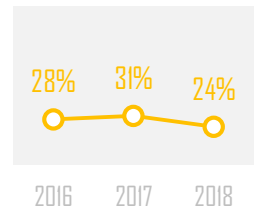
2 Economic uncertainty



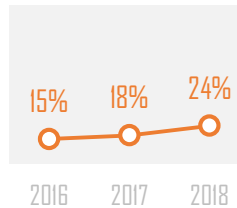
3 Government policies



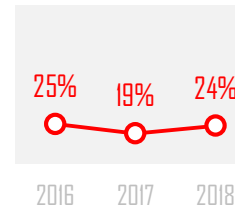
4 Currency risk



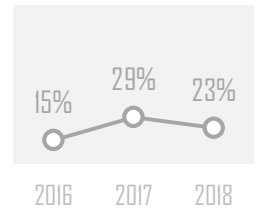
5 Employee productivity



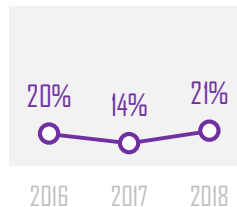
6 Regulatory requirements



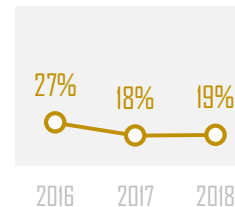
7 Data security



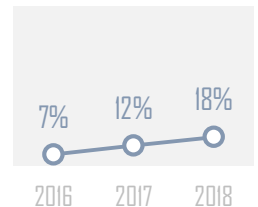
8 Employee morale



9 Weak demand Products/services



10 Rising input or commodity costs

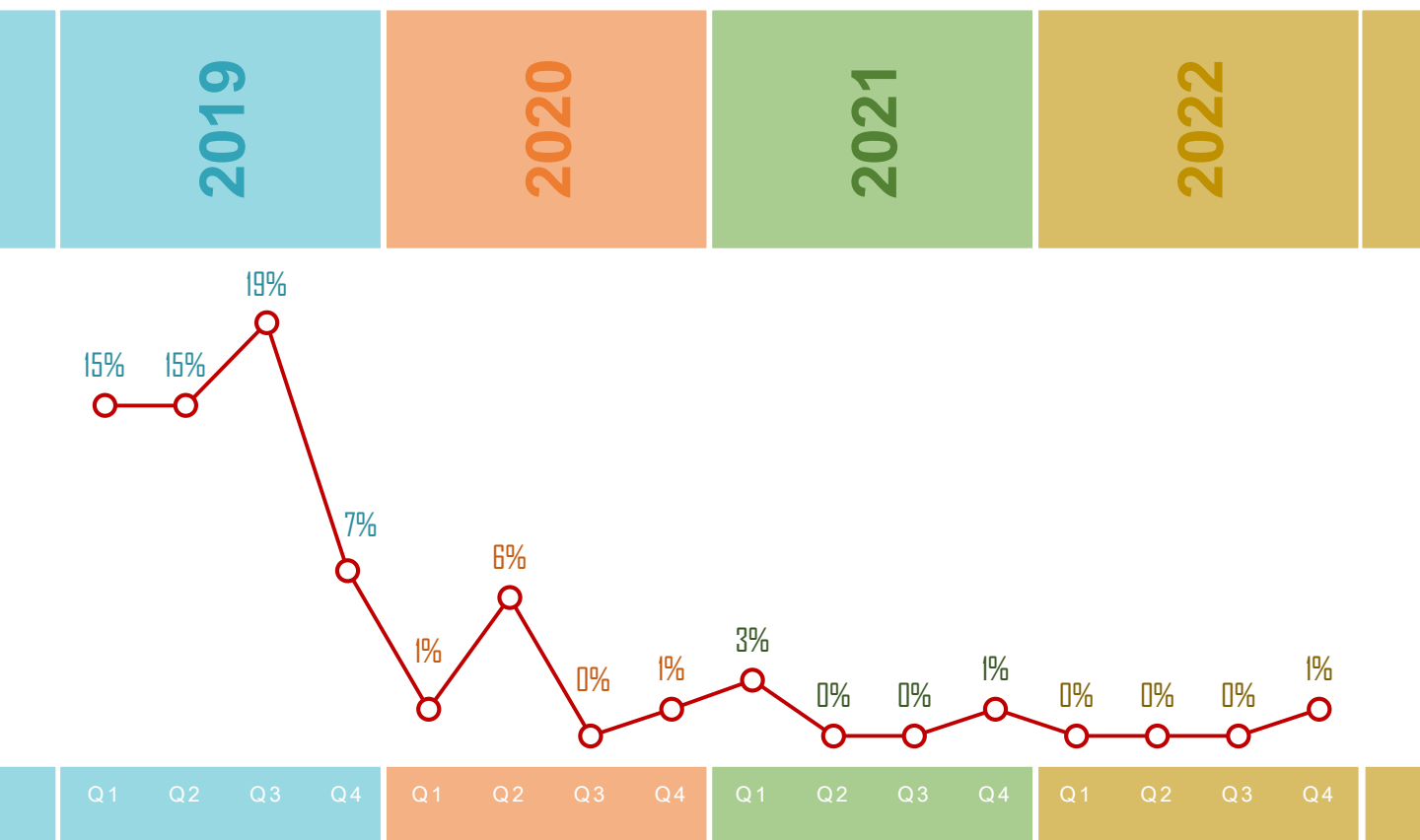


Economic growth expectations

and the CFO's anticipated effects on spending and hiring during 2019

Chart 4. In which quarter do you expect a downturn (recession) will occur?

% of CFOs



CFOs' expectations of a recession to occur within the next five years

11% of European CFOs believe that their country is **already** in the midst of a recession

56% of the CFOs expect to see a recession to occur **during 2019**.

68% of the European CFOs believe that within the next **three years** a recession will occur.

12% of the CFOs **do not anticipate** a recession to occur during the next five years.

Possible economic growth outcomes for 2019, as indicated by European CFOs

According to CFOs there is a 1-in-10 chance that real GDP growth will be **greater than 2.63%** in a best case scenario.

CFOs signal a 1-in-10 chance that real GDP growth will be **less than 0.78%** in a worst case scenario.

In the worst case scenario, European CFOs expect to **cut back** on both **capital spending (-0.23%)**, and **fulltime hiring (-0.92%)**.

Finance & capital

48%

Capital spending

Although half of the companies intends to increase capital spending, the average growth rate among all companies remains stagnant at 0%.

51%

Research & Development

5 out of 10 European companies intend to increase R&D spending, yet at almost half the spending level seen in previous quarter.

60%

Technology spending

Almost two thirds of the CFOs forecast increases in technology spending. Actual spending rates remain modest at 3.5% on average.

60%

Marketing & Advertising

Although 6 out of 10 CFOs signal increases in marketing and advertising spending, actual spending remains stable and below 1%.

Chart 5. CFOs' expected growth in business spending for next 12 months

Average growth rates in percentages, compared to the previous quarter and one year ago.

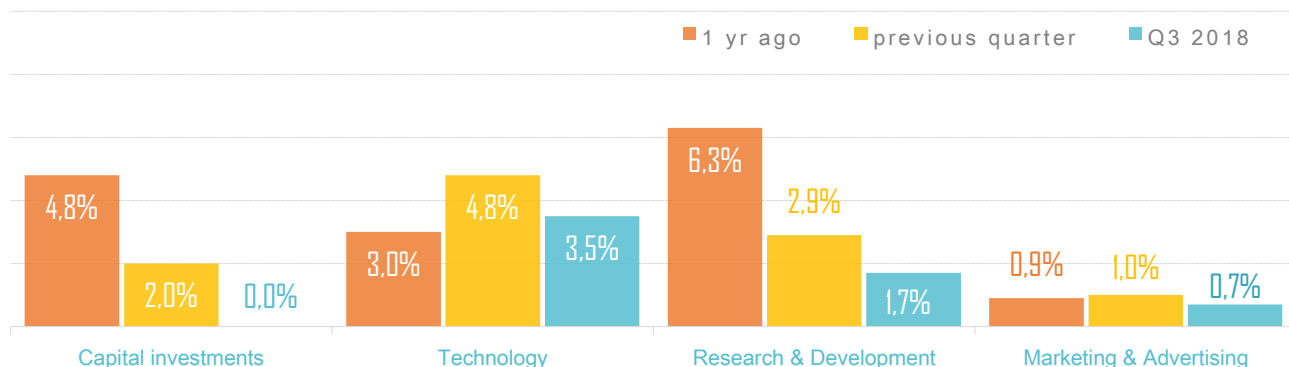


Chart 6. CFOs' anticipated growth in revenues and earnings

Twelve month historic trend in average growth rates in percentages (public firms only)

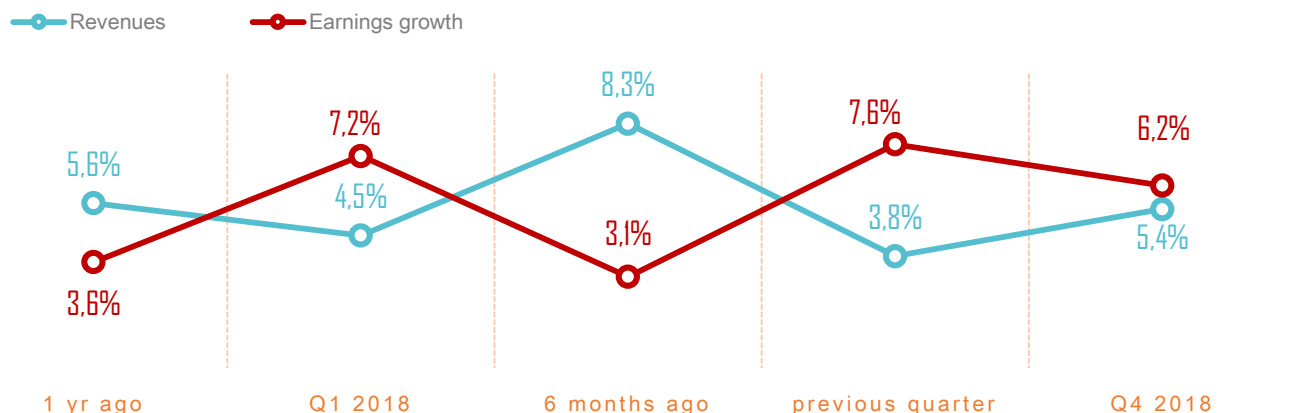
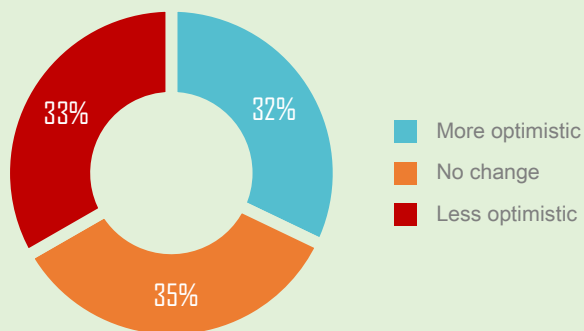


Chart 7. European CFO optimism about financial prospects of company

Percentage optimists vs pessimists



Average level of optimism Europe, compared to major economic regions (on a scale of 1 – 100)

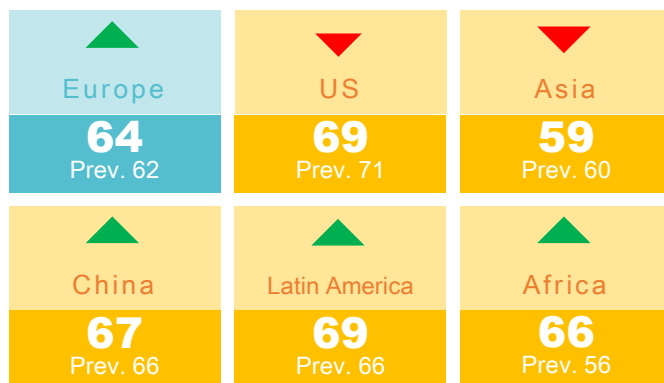
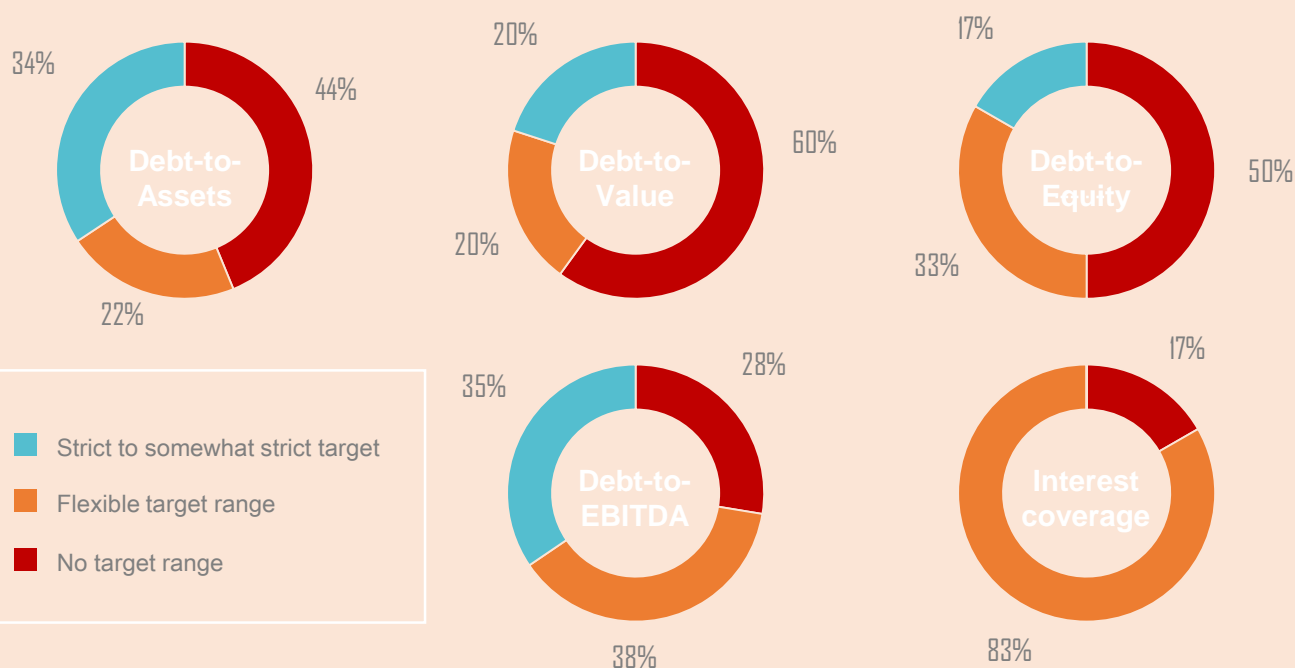
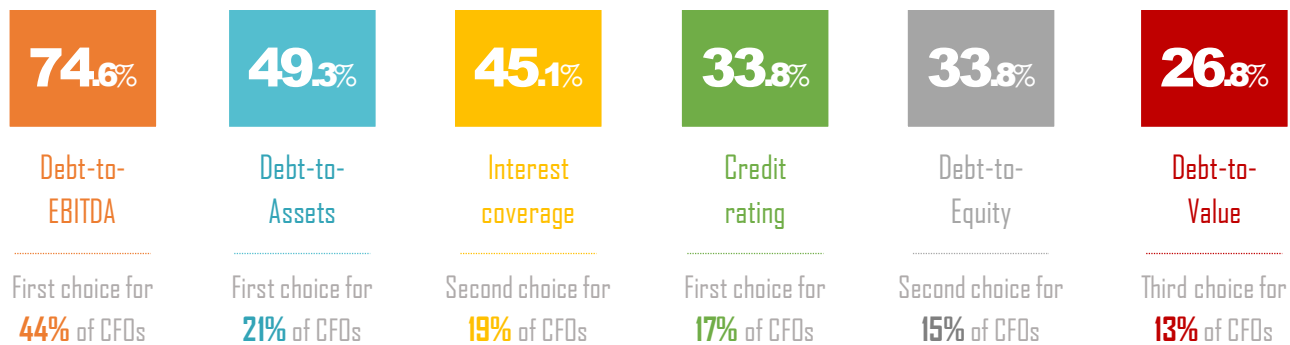


Chart 8. When you consider the optimal amount of debt for your firm or capital structure, what are the primary metrics your company uses? (rank top 3)

% of European CFOs (sum of 1st, 2nd, and 3rd choice)



Employment & organization

48%

Domestic full time hiring

Almost half of the European CFOs expects their company to increase hiring of fulltime personnel during the next twelve months.

24%

Employee productivity

Every 1 out of 4 European CFOs is concerned about the productivity levels delivered by their employees.

46%

Retaining qualified workforce

For almost half of the European companies, attracting and retaining competent personnel remains a big concern during the next year.

89%

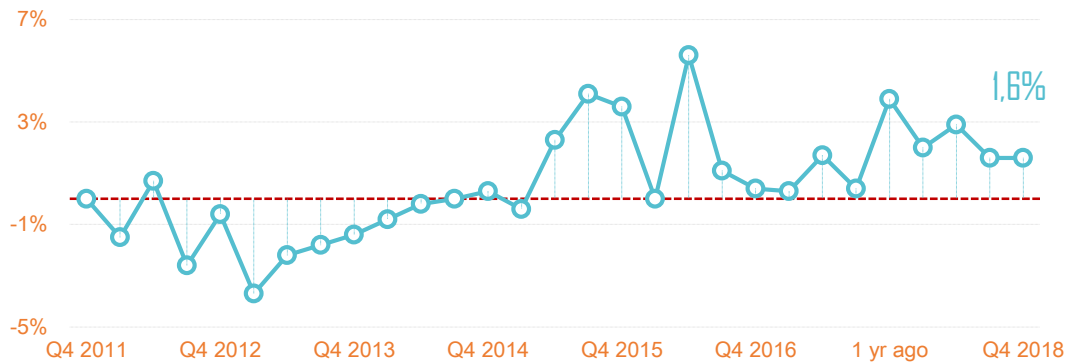
Wages & salaries

In line with previous quarter, 9 out of 10 companies are likely to increase wages and salary levels during the next twelve months.

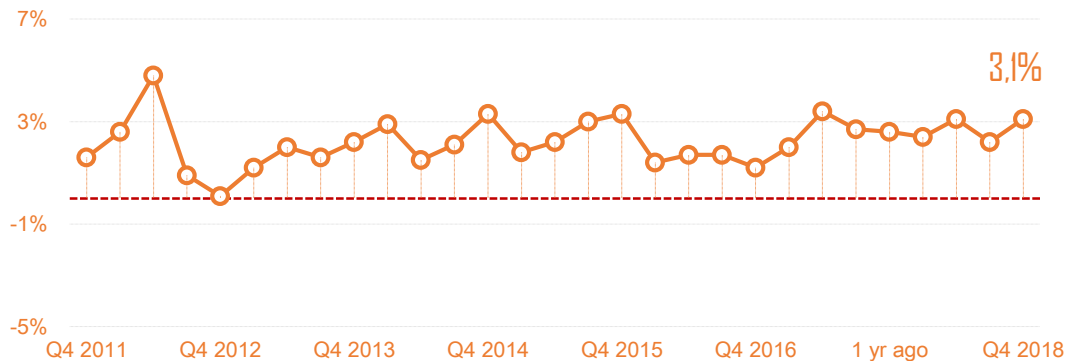
Chart 9. Expected growth in full-time employment & wages and salaries

Quarterly expected growth for next twelve months (2011 – to date)

Full-time
employment



Wages &
Salaries



Key results CFO Survey

Europe, US, Latin America, Africa and Asia

Key Indicator	Europe	US	Latin America	Africa	Asia
ECONOMIC SENTIMENT					
CFOs More optimistic	11.0%	16.6%	36.4%	25.0%	16.2%
CFOs Less optimistic	54.9%	45.0%	19.8%	40.6%	64.3%
No change	34.1%	38.4%	43.8%	34.4%	19.5%
Own country optimism level	57.2	66.4	62.6	50.6	51.9
Employment – full-time	1.6%	3.6%	2.0%	-0.5%	2.0%
Inflation (own-firm products)	1.5%	2.7%	3.6%	3.5%	1.5%
FINANCIAL OUTLOOK OWN COMPANY					
CFOs More optimistic	32.1%	35.1%	67.8%	56.3%	20.6%
CFOs Less optimistic	33.3%	32.7%	15.7%	18.8%	50.2%
No change	34.6%	32.2%	16.5%	25.0%	29.1%
Own company optimism level	64.1	68.5	68.7	66.0	58.8
Revenue growth	5.4%	4.9%	10.7%	5.4%	5.1%
Earnings growth	6.2%	4.5%	7.8%	3.7%	6.4%
BUSINESS SPENDING					
Capital spending	2.2%	1.0%	2.2%	4.7%	10.0%
Technology spending	3.5%	4.3%	4.2%	7.7%	4.6%
R&D spending	1.7%	1.4%	3.8%	1.2%	3.2%
Advertising and marketing spending	0.7%	1.3%	3.6%	0.7%	3.0%
Wages and Salaries	3.1%	4.2%	3.7%	5.7%	2.2%
Health Care Costs	1.8%	6.0%	4.8%	2.9%	2.1%

About the survey

About the survey

The CFO Survey Europe is conducted jointly by TIAS School for Business and Society (Tilburg, Netherlands), Duke University (Durham, North Carolina), and CFO Magazine. Previous editions of the CFO Survey Europe can be found at [FinanceLab](#) under the CFO Survey tab. For further information, please contact Mrs. Judith Slikker, TIAS School for Business and Society, tel.+31-(0)-134668622 or e-mail j.slikker@tias.edu



Netherlands-based TIAS School for Business and Society is the business school of Tilburg University and Eindhoven University of Technology. At TIAS we believe that business and society are interdependent and that today's insights are not tomorrow's solutions. Our mission is to have a positive and lasting impact on organizations, business and society by developing critical and inquisitive managers who are able to demonstrate responsible leadership and exceptional decision-making abilities. For more information, visit www.tias.edu.



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Methodology & CFO Survey Europe team

Note on methodology

The figures quoted in this report are taken from the Global CFO Survey for the fourth quarter of 2018. The survey concluded December 7, 2018. Every quarter, CFOs in Europe, the US, Latin America, Asia (and China), and Africa are polled about their economic expectations. Current quarterly records go back more than 20 years. The survey generated responses from nearly 500 CFOs, including 226 from North America, 48 from Asia, 82 from Europe, 122 from Latin America and 32 from Africa..

The CFO Global Business Outlook survey covers a wide range of companies (public and private, small and large, many industries, etc.). The responses are representative of the population of CFOs that are surveyed. Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance.

The average growth rates reported are weighted by revenues or number of employees. For example, one \$5 billion company affects on average as much as 10 \$500-million firms would. Revenue-weighted mean growth rates are provided for earnings, revenues, capital spending, technology spending and prices of products. Employee-weighted mean growth rates are used for health care costs, productivity, number of employees and outsourced employment. The earnings, dividends, share repurchases and cash on balance sheet are for public companies only. Unless noted, all other numbers are for all companies, including private companies.

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