

TIAS

NEVER STOP ASKING

QUARTERLY
REPORT

March 2018

CFO Survey
Europe | 2018

Q1

Contents

3	Dashboard overview
4	CFO optimism & economic sentiment 2018
5	Finance & capital
8	Employment
10	Key results CFO Survey Europe, US, Latin America, Africa and Asia

Dashboard overview

67
/100

Economic sentiment at record level

The average optimism level among European CFO's during the first quarter of 2018 remained at 67 on a scale of 100, maintaining the positive trend of previous three quarters.

60%

Positive economic sentiment among CFOs is sustained

Almost two thirds of the CFOs have a more positive economic outlook for 2018. With only 10% of CFOs more pessimistic, the overall positive sentiment in Q1 has quickly restored to the level that was observed just a half year ago.

66
/100

Strong business confidence among European CFOs

In the first quarter of 2018 CFOs' confidence about the company financials remained strong at 66 on a scale of 100. Although down from the previous quarter, optimism kept pace with the upward multi-quarter trend.

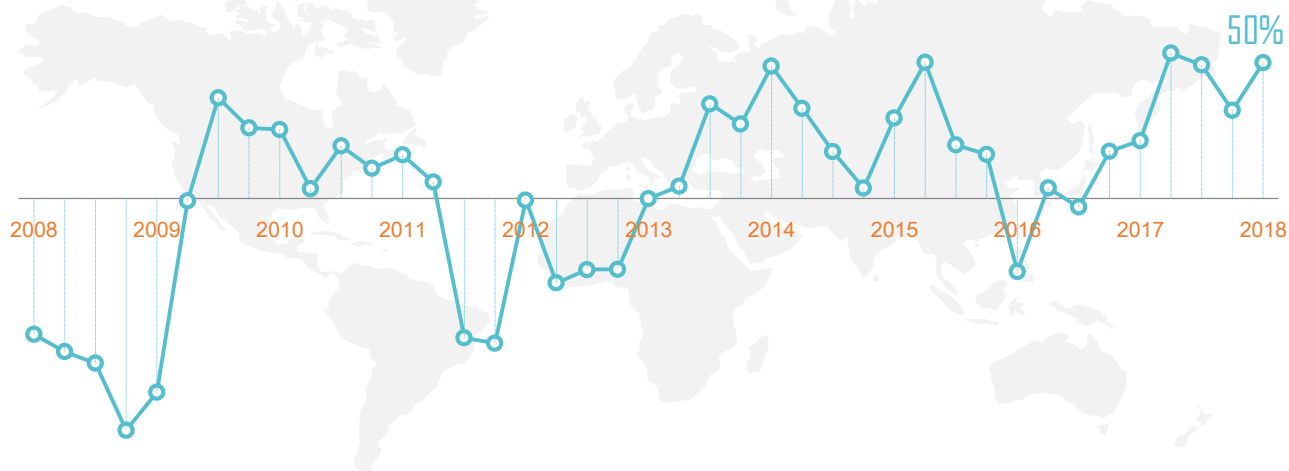
52%

Sustained number of CFOs with positive outlook on company financials

Up from previous quarter, 52% of the CFOs maintain a more optimistic view on their company's financial outlook for 2018.

Chart 1. European CFO optimism index

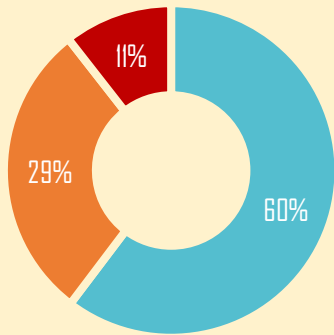
Percentage of optimists -/- percentage of pessimists w.r.t. economy



CFO optimism & economic sentiment 2018

Chart 2. Optimism CFOs about economy of own country

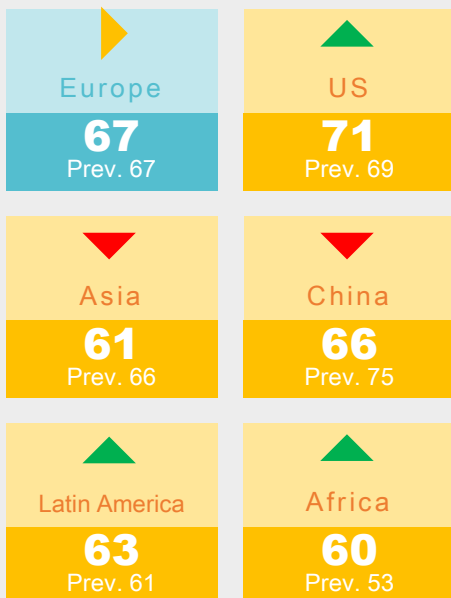
% optimists vs pessimists among European CFOs



- More optimistic
- No change
- Less optimistic

Chart 3. Average level of optimism

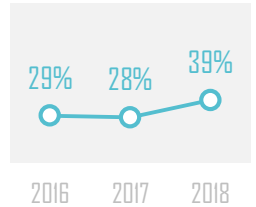
Europe compared to major economic regions (on a scale of 1- 100)



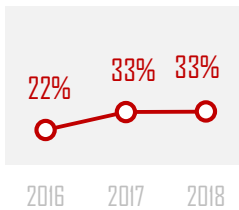
Top 10 concerns European CFOs

Percentage of CFO's, Q1 2018 compared to Q1'17 and Q1'16

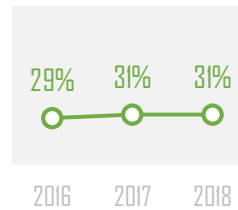
1 Attracting / retaining qualified employees



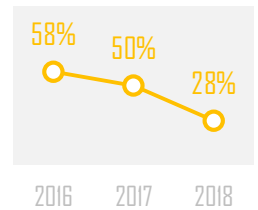
2 Regulatory requirements



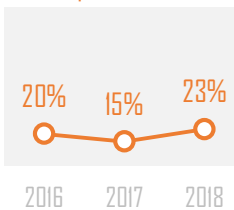
3 Government policies



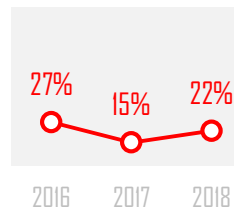
4 Economic uncertainty



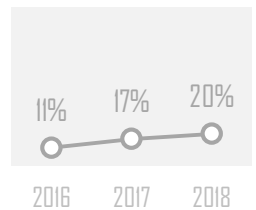
5 Access to capital



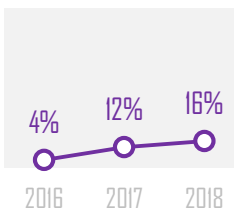
6 Currency risk



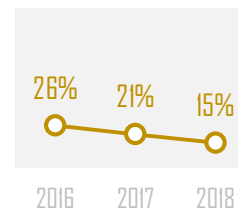
7 Data security



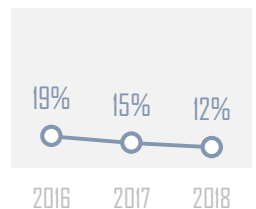
8 Rising input or commodity costs



9 Weak demand products/services



10 Employee morale



Finance & capital

66%

Capital spending

Two thirds of European companies expect to increase capital investments during the next twelve months.

55%

Research & Development

Almost two thirds of the European companies intend to increase R&D spending over the next twelve months.

79%

Technology spending

8 out of every 10 CFOs are prepared to increase technology spending during 2018.

72%

Marketing & Advertising

Half of the CFOs say that the pace of change and innovation in their industry has become faster during the last three years

Chart 4. CFOs' expected growth in business spending for next 12 months

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

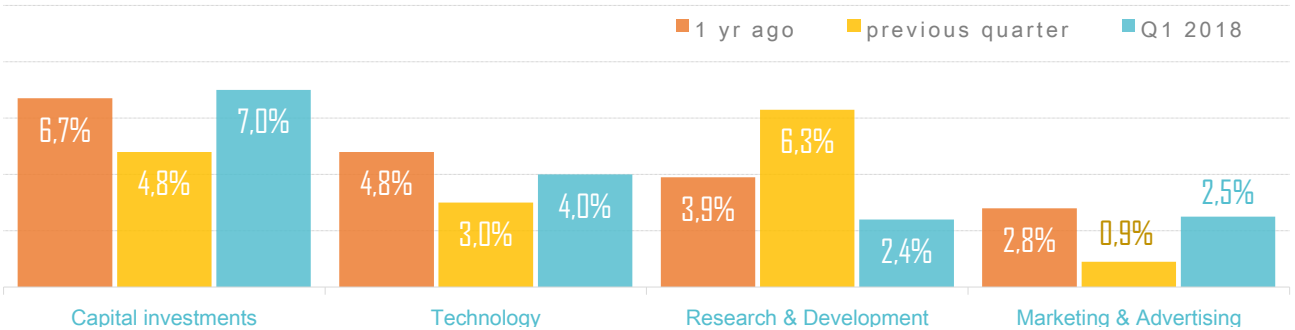
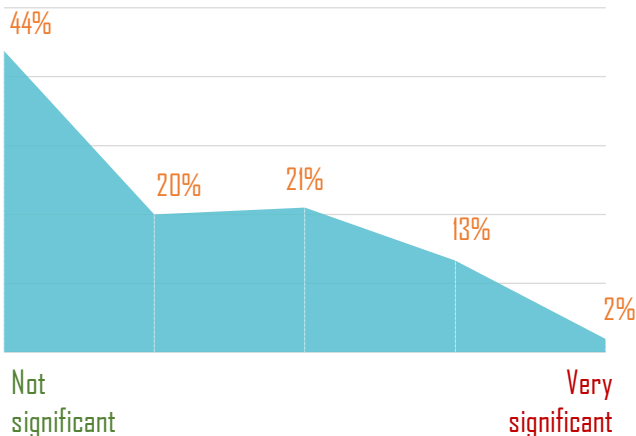


Chart 5. Business corruption and its effects

How big a risk factor is business corruption in your country?



CFO Survey Europe | 2018

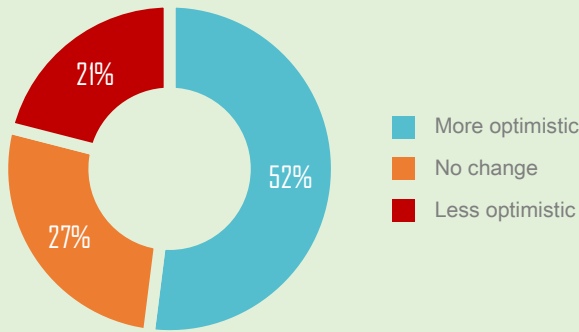
What are the major effects of business corruption?

- 55.2%** of CFOs say that business corruption limits competition
- 41.9%** of CFOs indicate that prices of goods and services increase
- 41.0%** of European CFOs state that business corruption reduces tax revenues
- 33.3%** of European CFOs believe that expansion process will be hindered
- 30.5%** of European CFOs say that it negatively affects quality of goods and services

Chart 6. 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)



Europe	US	Asia
66 Prev. 69	70 Prev. 71	61 Prev. 68
China	Latin America	Africa
66 Prev. 72	68 Prev. 66	61 Prev. 64

Effects of the reduced U.S. corporate income tax rate.

Does the reduced U.S. tax rate from 35% to 21% make it more or less attractive for your company to do business in the U.S.?

Domestic effects of tax code changes

%CFOs expecting to increase...

- 39%** Fulltime employment
- 33%** US investments
- 19%** US R&D
- 21%** US M&A
- 46%** US wages & salaries

Europe

27% US is more attractive
1.2% US is less attractive

Asia

51% US is more attractive
5.3% US is less attractive

Africa

33% US is more attractive
- US is less attractive

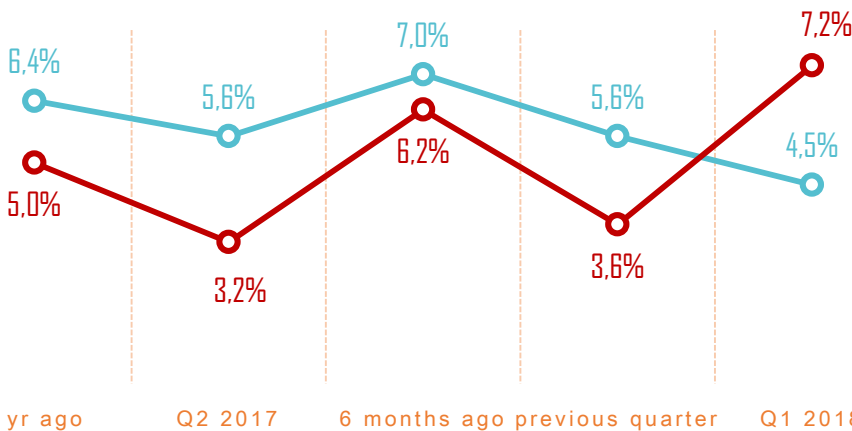
Latin America

49% US is more attractive
- US is less attractive

Chart 7. CFOs' anticipated growth in revenues and earnings

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

Revenues Earnings growth



66%

Two thirds of the CFOs expect to **increase prices** during 2018.

86%

Almost 9 out of 10 CFOs in Europe anticipate **growth in corporate revenues** over 2018.

72%

7 out of every 10 European companies believe to **increase earnings** in the next 12 months.

Employment & organization

64%

Domestic full time hiring

Almost two thirds of European companies plans to boost full time hiring during the next twelve months.

11%

Employee productivity

About 1 out of 10 European CFOs indicate to have concerns over employee productivity.

39%

Retaining qualified workforce

Roughly 4 out of 10 CFOs are concerned about attracting and retaining competent personnel over the next year.

93%

Wages & salaries

During 2018, 9 out of 10 companies are expected to increase wage and salary levels.

Chart 8. Expected growth in full-time employment

Quarterly expected growth for next twelve months (2010 – to date)

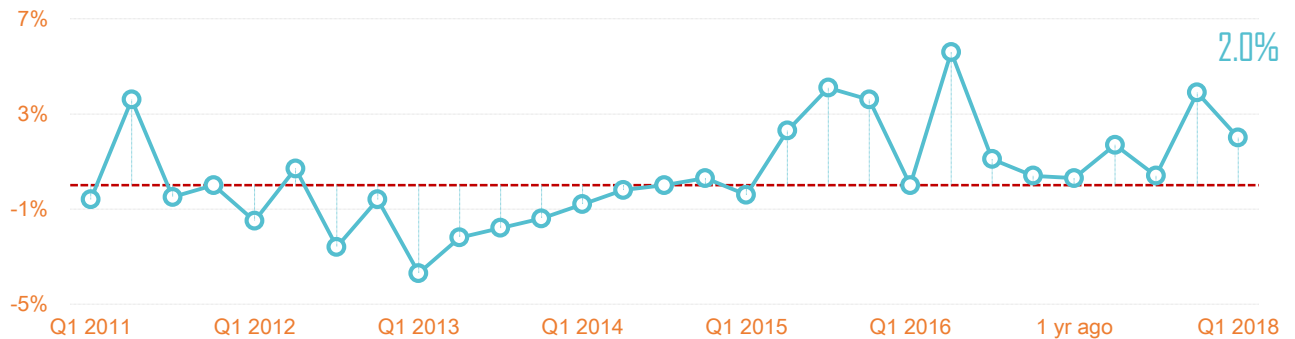
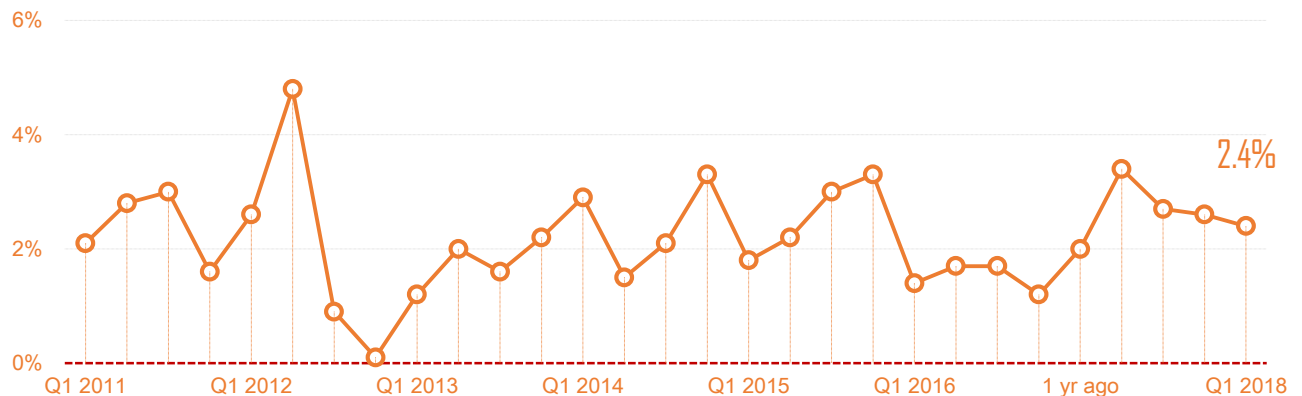


Chart 9. Expected growth in wages and salaries

Quarterly expected growth for next twelve months (2010 – to date)



(Fin)tech & innovation - business readiness and impact

on European companies in the next five years



17%

European companies which already have reduced the finance function employment as a direct consequence of fintech

18%

CFOs who expect to see the finance function employment reduced in their own company within 1 to 5 years

Key results CFO Survey

Europe, US, Latin America, Africa and Asia

Key Indicator	Europe	US	Latin America	Africa	Asia
ECONOMIC SENTIMENT					
CFOs More optimistic	60.0%	53.3%	53.5%	78.7%	40.9%
CFOs Less optimistic	10.5%	16.4%	19.8%	12.8%	26.3%
No change	29.5%	30.3%	26.7%	8.5%	32.8%
Own country optimism level	67	71.2	62.5	60.4	61.0
Employment – full-time	2.0%	3.0%	3.5%	8.5%	3.0%
Inflation (own-firm products)	2.8%	3.0%	4.3%	4.0%	4.51%
FINANCIAL OUTLOOK OWN COMPANY					
CFOs More optimistic	52.0%	55.9%	61.9%	63.0%	39.8%
CFOs Less optimistic	21.0%	16.3%	15.5%	19.6%	29.6%
No change	27.0%	27.8%	22.6%	17.4%	30.6%
Own company optimism level	65.9	70.1	68.1	61.3	61.2
Revenue growth	4.5%	7.0%	10.3%	5.1%	9.5%
Earnings growth	7.2%	8.5%	10.0%	7.3%	3.4%
BUSINESS SPENDING					
Capital spending	7.0%	11.0%	6.1%	9.1%	11.9%
Technology spending	4.0%	9.0%	7.5%	5.4%	8.5%
R&D spending	2.4%	3.0%	5.4%	2.5%	8.0%
Advertising and marketing spending	2.5%	3.5%	5.0%	8.0%	10.5%
Wages and Salaries	2.4%	3.9%	5.0%	6.6%	5.3%
Health Care Costs	1.1%	7.2%	5.8%	5.0%	6.0%

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.



North Carolina, US-based Duke's Fuqua School of Business was founded in 1970. Fuqua's mission is to educate business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.



UK-based CFO Publishing LLC, a portfolio company of Seguin Partners, is a business-to-business media brand focused on the information needs of senior finance executives. The business consists of CFO magazine, CFO.com, CFO Research, and CFO Conferences. CFO has long-standing relationships with more than a half-million financial executives. For more information, visit www.cfo.com.

Methodology & CFO Survey Europe team

Note on methodology

The figures quoted in this report are taken from the Global CFO Survey for the first quarter of 2018. The survey concluded March 2, 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 over 500 CFOs, including nearly 267 from North America, almost 63 from Asia, 105 from Europe, 86 from Latin America and 47 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.

CFO Survey Europe team



Kees Koedijk

Dean & Director TIAS School for Business & Society
Professor Financial Management



Christian Staupe

Senior Advisor Strategy & Policy | Dean's Office
Coordinator CFO Survey Europe



Judith Slikker (contact person)

Brand Manager | Corporate Marketing & External Relations
j.slikker@tias.edu | +31-(0)-13 466 8622



WHAT IF BUSINESSES CAN PUT PASSION ON THE BALANCE SHEET?

Want to become a financial heavyweight?

Want to acquire the analytical tools and skills needed to make sound financial judgments?

Want to gain insight into valuation methods and techniques and enhance your ability to identify key value drivers?

Want to become strategically adept at plotting a sustainable path for a healthy and prosperous company future?

Check out our broad range of fulltime and part time Finance programs at www.tias.edu

TIAS

CFO
Survey
Europe
