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QUARTERLY  
REPORT

September 2018

**CFO Survey**  
Europe | 2018

**Q3**

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# Dashboard overview

**58**  
/100

## Economic sentiment takes a beating

The average optimism level among European CFO's during the third quarter of 2018 was unable to maintain its upward trend of the last four quarters and has dropped substantially to 57.9 on a scale of 100, down 10 points from last quarter.

**23%**

## Little less than a quarter of CFO's remains more optimistic about economy

Only 23% of the European CFO's is more optimistic about the economic outlook for the next twelve months, down from 38% in Q2. Number of pessimists has increased from 22% during the previous quarter to 38% in this third quarter.

**62.5**  
/100

## CFOs' business confidence crumbles in wake of worsening economic sentiment

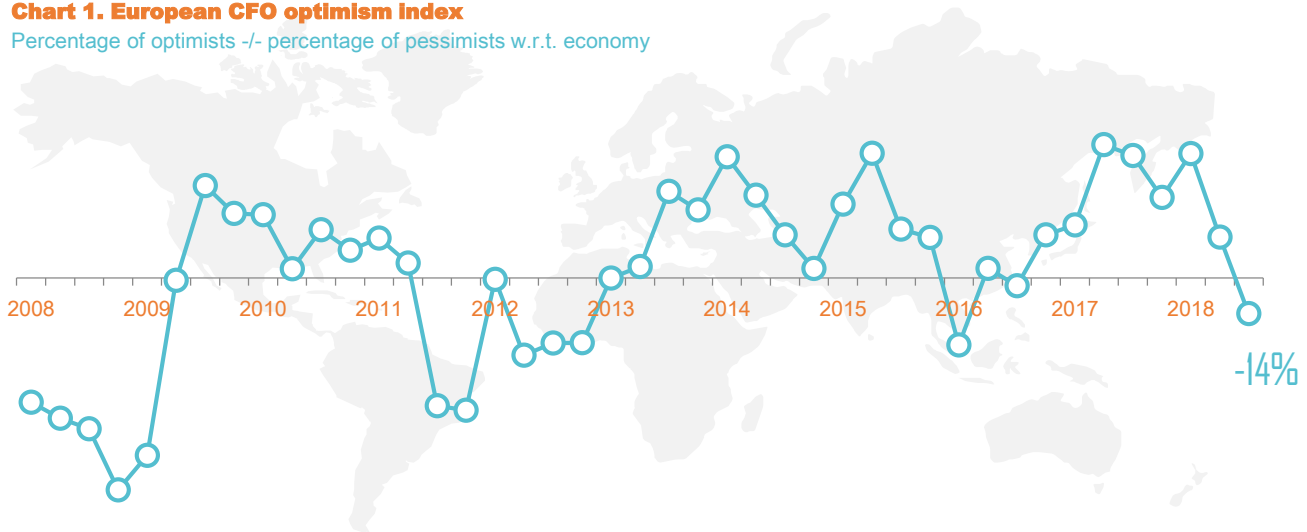
CFOs' sentiment about the financial outlook of the own company has deteriorated during the third quarter of 2018, reaching 62.5 on a scale of 100, down 6.5 points compared to the previous quarter.

**32%**

## Fewer CFOs have positive outlook on company financials

In Q3, almost a third of the European CFOs maintain an optimistic view on their company's financials for the next twelve months, significantly less than the 46% that was reported in the previous quarter.

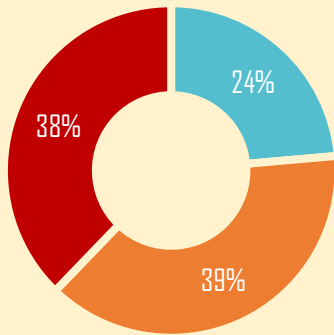
**Chart 1. European CFO optimism index**  
Percentage of optimists -/- percentage of pessimists w.r.t. economy



# CFO optimism & economic sentiment 2018

**Chart 2. Optimism CFOs about economy of own country**

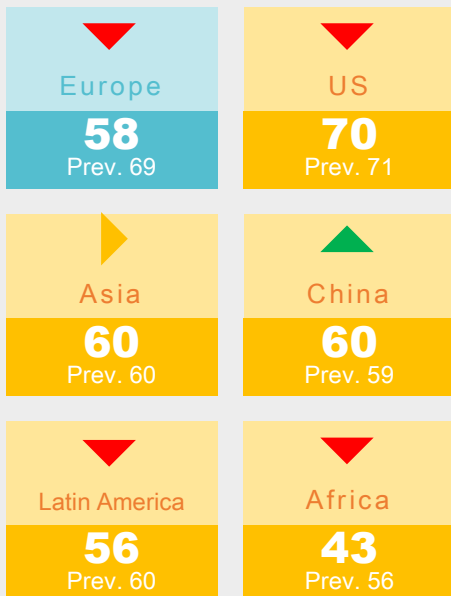
% optimists vs pessimists among European CFOs



- More optimistic
- No change
- Less optimistic

**Chart 3. Average level of optimism**

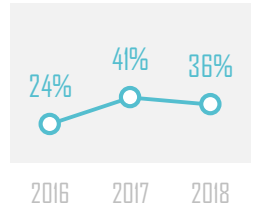
Europe compared to major economic regions (on a scale of 1- 100)



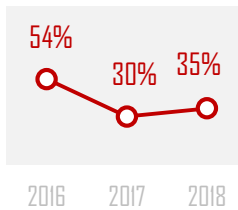
## Top 10 concerns European CFOs

Percentage of CFO's, Q3 2018 compared to Q3'17 and Q3'16

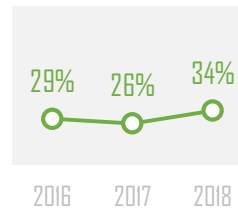
**1** Attracting / retaining qualified employees



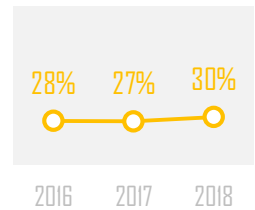
**2** Economic uncertainty



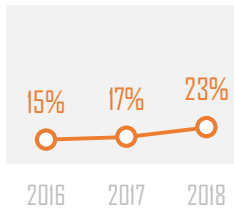
**3** Government policies



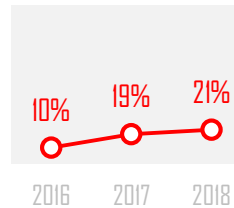
**4** Regulatory requirements



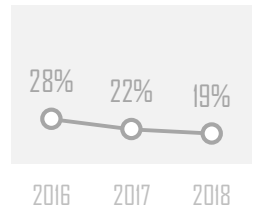
**5** Employee productivity



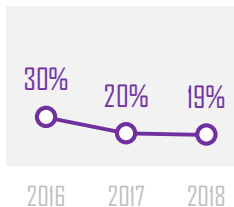
**6** Currency risk



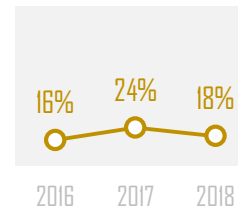
**7** Weak demand products/services



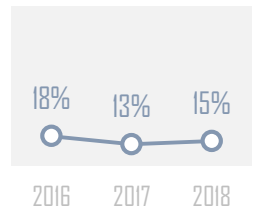
**8** Data security



**9** Employee morale



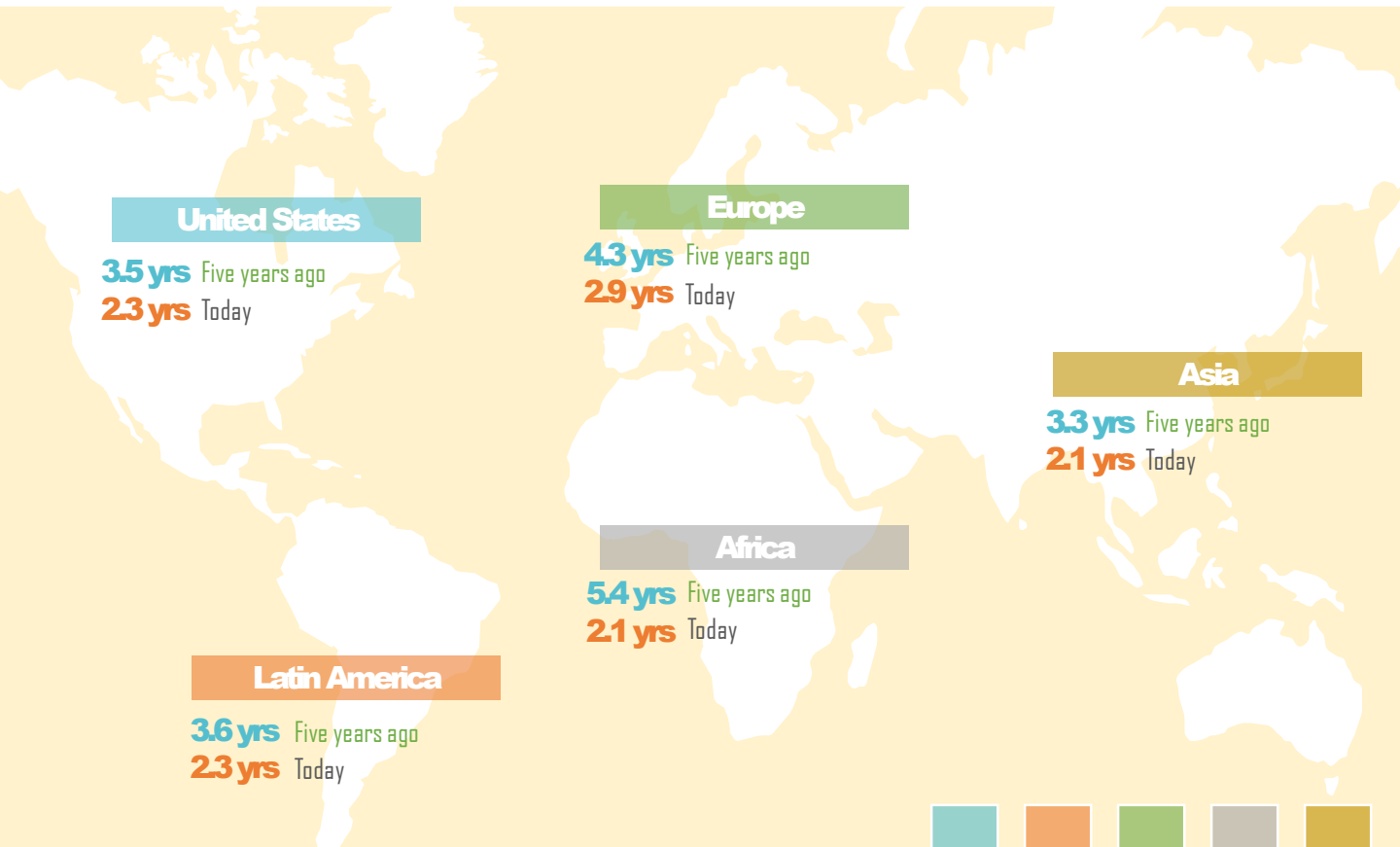
**10** Access to Capital



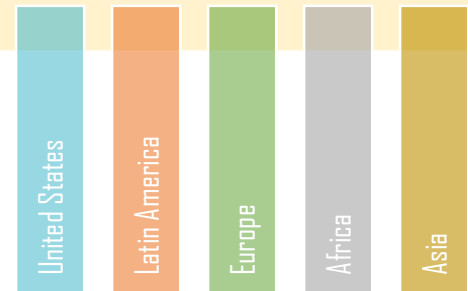
# Dynamic & fast-paced business environment

has shortened the strategic planning cycle & productive life of projects

**Chart 4. How have fast-paced changes in technology, the economic environment and the geo-political situation affected your company's ability to reliably plan into the future?**  
(average amount of years that the company can reliably plan into the future)



The effects of the fast-paced changes in technology, the economic environment, and the geo-political situation on the productive life of new projects



Five years ago the expected "productive life" of our typical new project was \_\_\_ years

Today, the expected "productive life" of our typical new project is \_\_\_ years

# Finance & capital

**61%**

## Capital spending

Although 6 out of 10 companies expects to increase capital spending, the growth rate in investment is expected to drop significantly from previous quarter.

**50%**

## Research & Development

Half of the European companies intend to increase its R&D spending over the next 12 months, with (on average) a doubling in spending levels.

**68%**

## Technology spending

7 out of every 10 CFOs expects that technology spending will increase (at 4.8% on average) in the next 12 months.

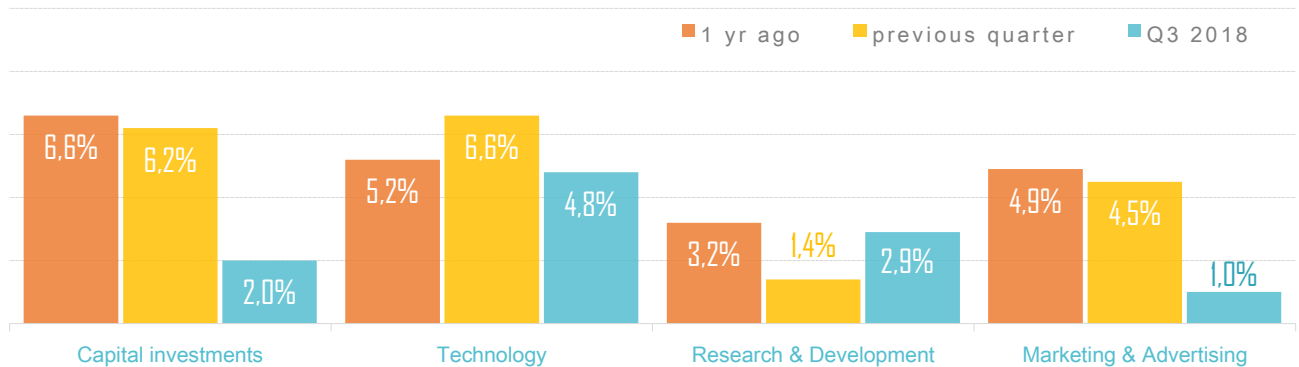
**58%**

## Marketing & Advertising

With 6 out of 10 CFOs indicating growth in marketing and advertising spending, actual spending levels are expected to drop to 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.



The effects of the current international trade environment, including the possibility of tariffs, on capital spending and R&D plans for the next twelve months

**18%**

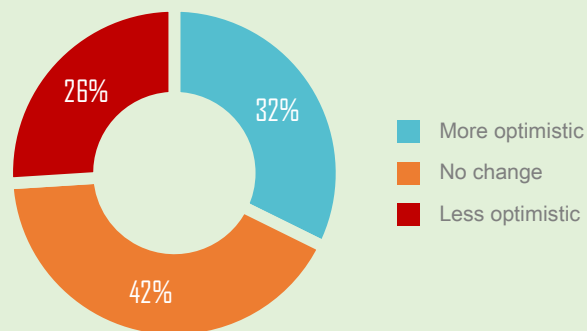
of the European CFOs believe that the current international trade environment (including the possibility of tariffs) inhibits capital spending and R&D plans.

**11%**

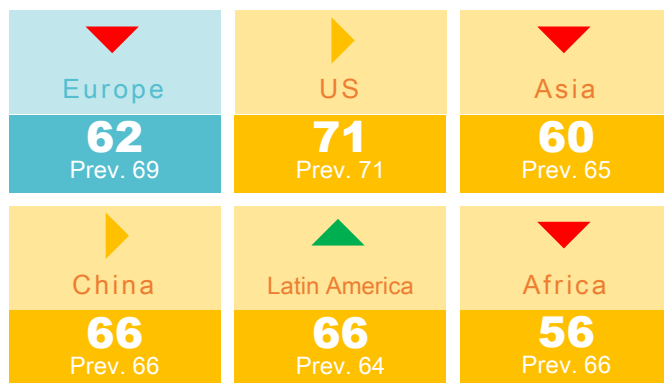
of the CFOs consider the current trade environment to be conducive for increased capital spending and R&D.

**Chart 6. European CFO optimism about financial prospects of company**

Percentage optimists vs pessimists

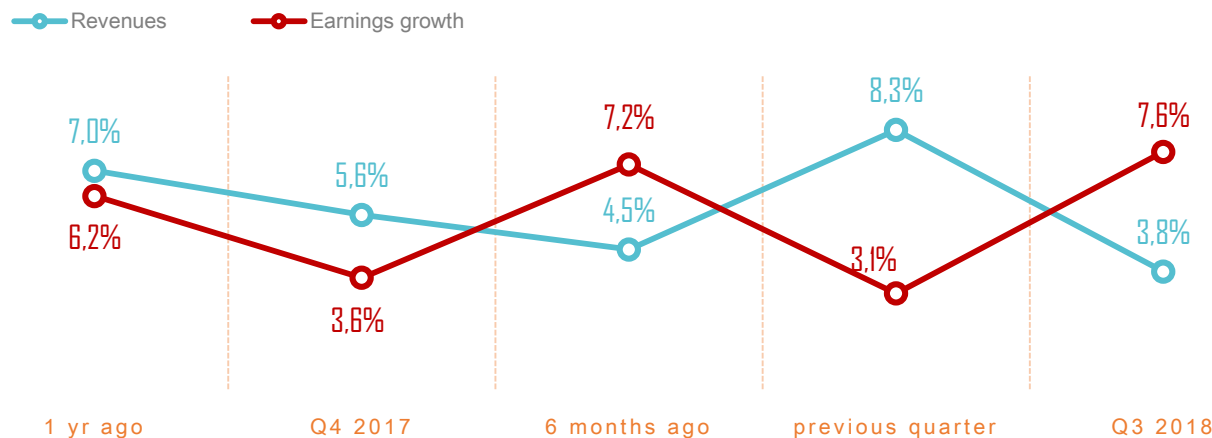


Average level of optimism Europe, compared to major economic regions (on a scale of 1 – 100)



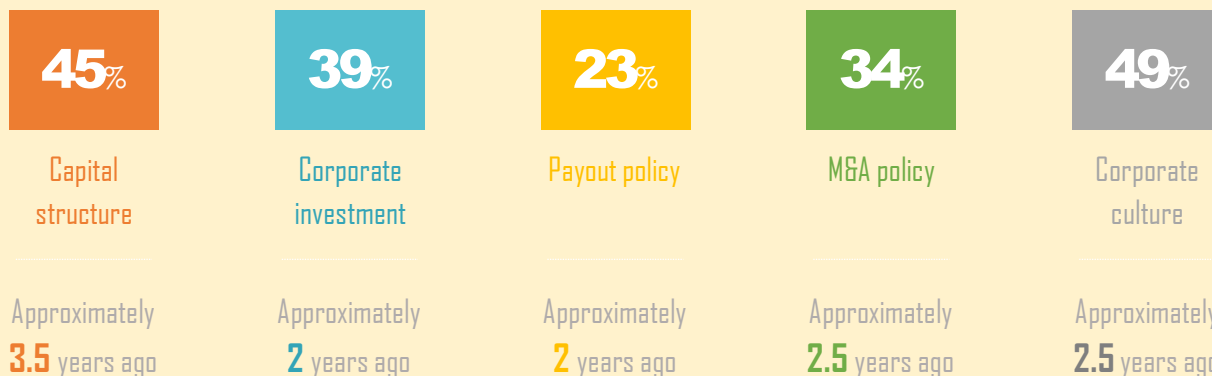
**Chart 7. CFOs' anticipated growth in revenues and earnings**

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



**Chart 8. Has your company made any fundamental change to key objectives of on or more of its policies?**

% of companies that have made a fundamental change to one or more of the key objectives of its policies, and average number of years ago when these fundamental changes took place



# Employment & organization

**56%**

## Domestic full time hiring

More than half of the European companies has plans to increase hiring of fulltime personnel during the next twelve months.

**18%**

## Employee productivity

Almost 1 out of 5 European CFOs is concerned about employee productivity at their company.

**36%**

## Retaining qualified workforce

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

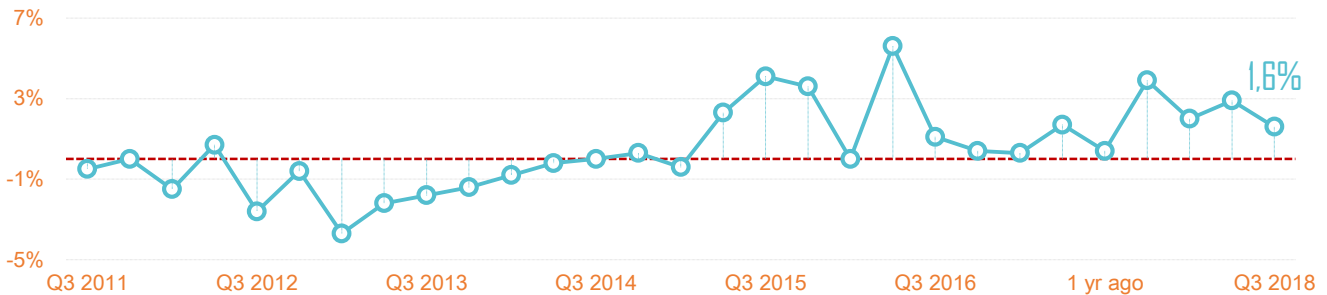
**85%**

## Wages & salaries

During 2018, roughly 9 out of 10 companies are expected to increase wage and salary levels, at an average growth rate of 2.2%.

**Chart 9. Expected growth in full-time employment**

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



The effects of the current international trade environment, including the possibility of tariffs, on hiring plans for the next twelve months

**13%** of European companies will **decrease hiring** plans to some extent, due to the current international trade environment.

**12%** of the CFOs see opportunities for **increasing hiring** as a result of the current international trade environment.

**9%** of the **workforce** of European companies has **turned over** in the last 12 months, comparable to a turnover rate of 8.8% in 2016.

## Top 3 measures to improve ability to hire & retain workers

1. Extra increase in salary or bonuses
2. Increased HR budget (e.g. to advertise job openings)
3. Secondary and fringe benefits (e.g. on-site child care, gym memberships, improved health coverage, flexible hours and additional vacation days)



# Key results CFO Survey

## Europe, US, Latin America, Africa and Asia

Key Indicator	Europe	US	Latin America	Africa	Asia
<b>ECONOMIC SENTIMENT</b>					
CFOs More optimistic	23.6%	43.6%	41.5%	28.2%	21.8%
CFOs Less optimistic	37.8%	23.0%	15.3%	59.0%	43.4%
No change	38.6%	33.3%	43.2%	12.8%	34.7%
Own country optimism level	57.9	70.0	56.4	43.1	59.5
Employment – full-time	1.6%	3.9%	2.6%	-0.5%	3.5%
Inflation (own-firm products)	1.2%	3.0%	3.8%	3.5%	3.6%
<b>FINANCIAL OUTLOOK OWN COMPANY</b>					
CFOs More optimistic	32.3%	48.6%	56.5%	37.5%	20.4%
CFOs Less optimistic	26.0%	21.4%	6.5%	40.0%	35.7%
No change	41.7%	30.0%	36.9%	22.5%	43.9%
Own company optimism level	62.5	71.4	66.2	55.8	59.8
Revenue growth	3.8%	7.5%	8.9%	10.3%	6.7%
Earnings growth	7.6%	12.8%	8.0%	13.1%	5.0%
<b>BUSINESS SPENDING</b>					
Capital spending	1.5%	5.7%	1.4%	-/-2.0%	4.6%
Technology spending	4.8%	6.3%	4.8%	8.7%	4.1%
R&D spending	2.9%	2.7%	3.7%	1.6%	3.8%
Advertising and marketing spending	1.0%	3.6%	3.9%	2.7%	2.5%
Wages and Salaries	2.2%	4.8%	4.4%	7.7%	4.3%
Health Care Costs	0.7%	7.8%	7.7%	8.2%	2.4%

# 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](mailto:j.slikker@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 third quarter of 2018. The survey concluded September 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 600 CFOs, including 800 CFOs, including nearly 260 from North America, 65 from Asia, 128 from Europe, 352 from Latin America and 41 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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