

TIAS

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QUARTERLY
REPORT

April 2017

CFO Survey
Europe | 2017

Q1

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Dashboard overview

56
/100

Slight decline in economic sentiment

The average optimism level among European CFO's is down 1 point from 57 on a scale of 100, maintaining the general level of economic sentiment observed over the last three quarters.

41%

Steady number of European CFO's positive on prospects of economy

Maintaining the level of Q4 2016, four out of ten European CFO's are more optimistic about the economic outlook for the next twelve months.

62
/100

Uptick in business confidence

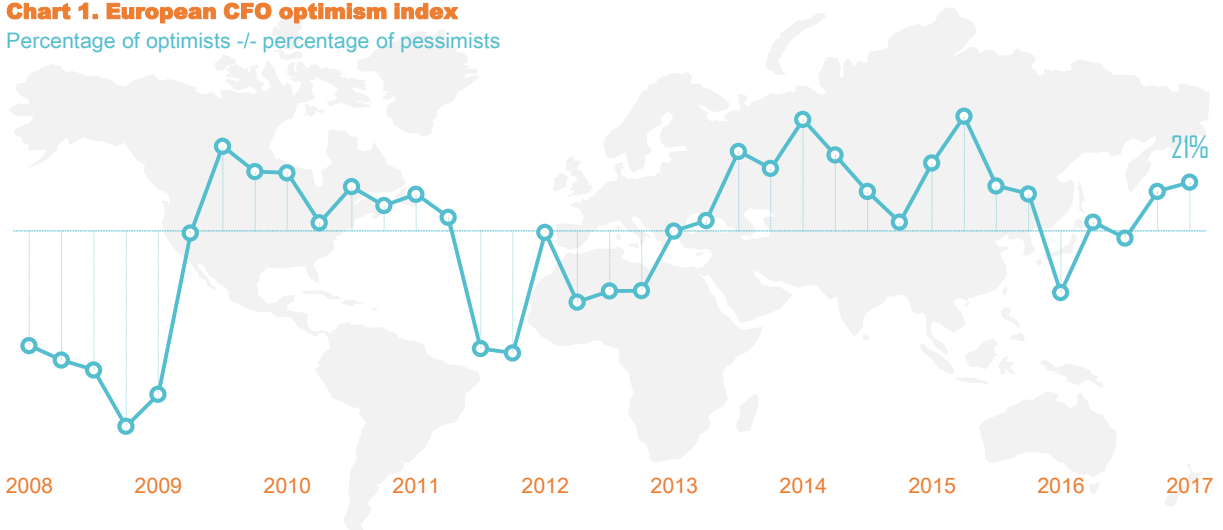
Confidence among European CFO's about their own company's financials is up 2 points from 60 (on a scale of 100) during the previous quarter.

47%

More European CFO's positive about company's financial outlook

Almost half of the European CFO's are now more positive about their company's financial outlook over the next twelve months, compared to just 39% in Q4 2016

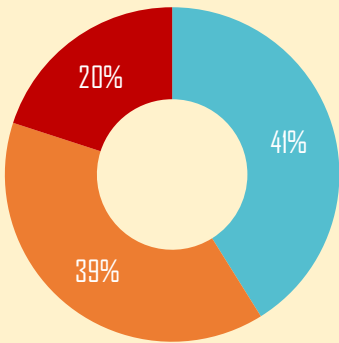
Chart 1. European CFO optimism index
Percentage of optimists -/- percentage of pessimists



CFO optimism & economic sentiment 2017

Chart 2. Optimism CFOs about economy of own country

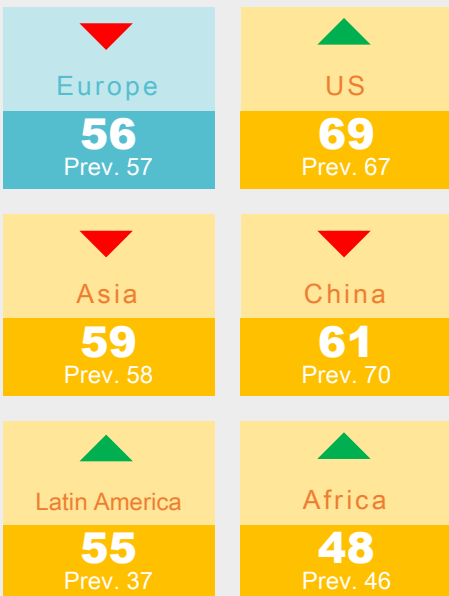
% optimists vs pessimists among European CFOs



- More optimistic
- No change
- Less optimistic

Chart 3. Average level of optimism

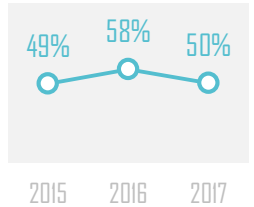
Europe compared to major economic regions (on a scale of 1- 100)



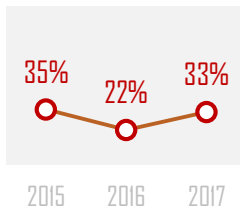
Top 10 concerns European CFO's

Percentage of CFO's, Q1 2017 compared to Q1'16 and Q1'15

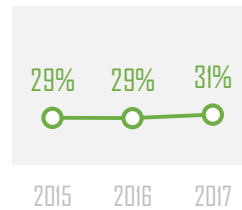
1 Economic uncertainty



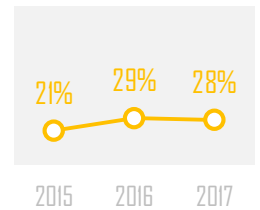
2 Regulatory requirements



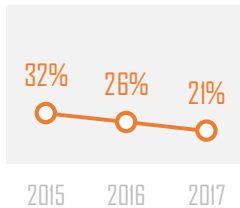
3 Government policies



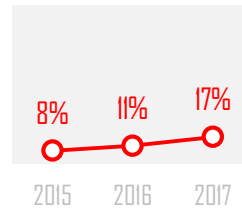
4 Attracting / retaining qualified employees



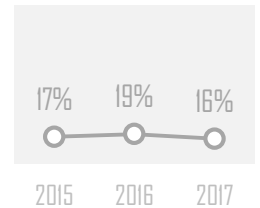
5 Weak demand for products / services



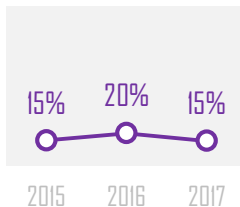
6 Data security



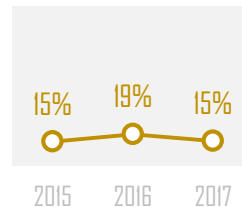
7 Employee productivity



8 Access to capital



9 Employee morale



10 Currency risk

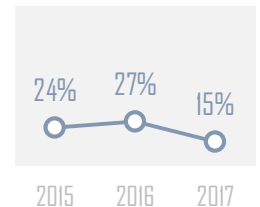
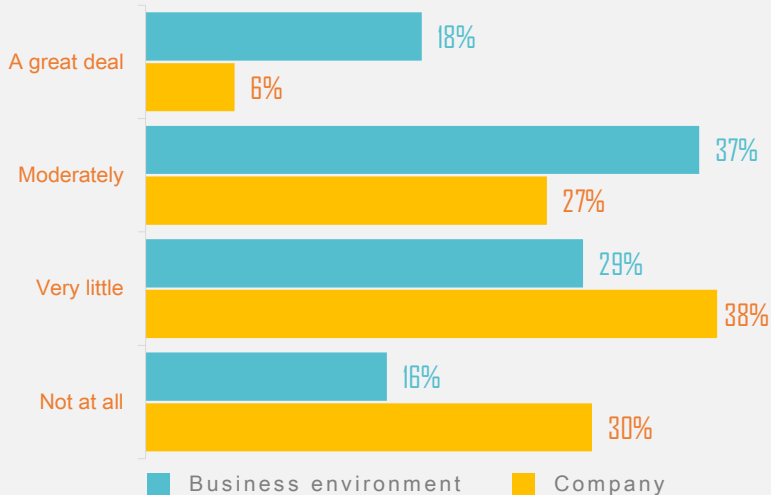


Chart 4. Has a lack of public trust in business and government affected the company and/or the business environment?

Percentage of CFOs agreeing or disagreeing with the following statements



Public concern and business trust

Chart 5. To what extent have public concerns about business trust affected the operation?

How much do CFOs agree or disagree with the following statements?

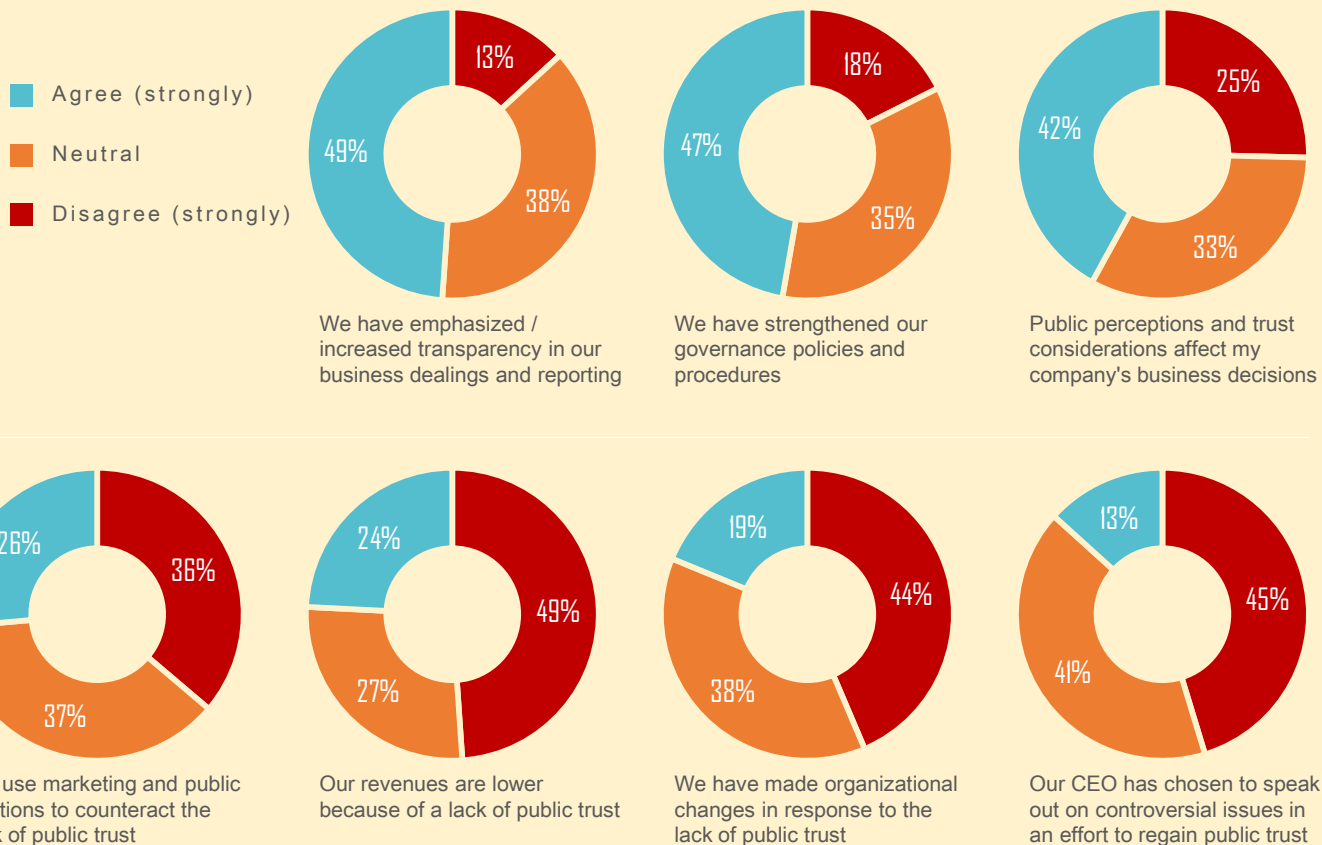


Figure 1. Issues and policies that need to be addressed to improve the business climate
(Percentage of CFOs)

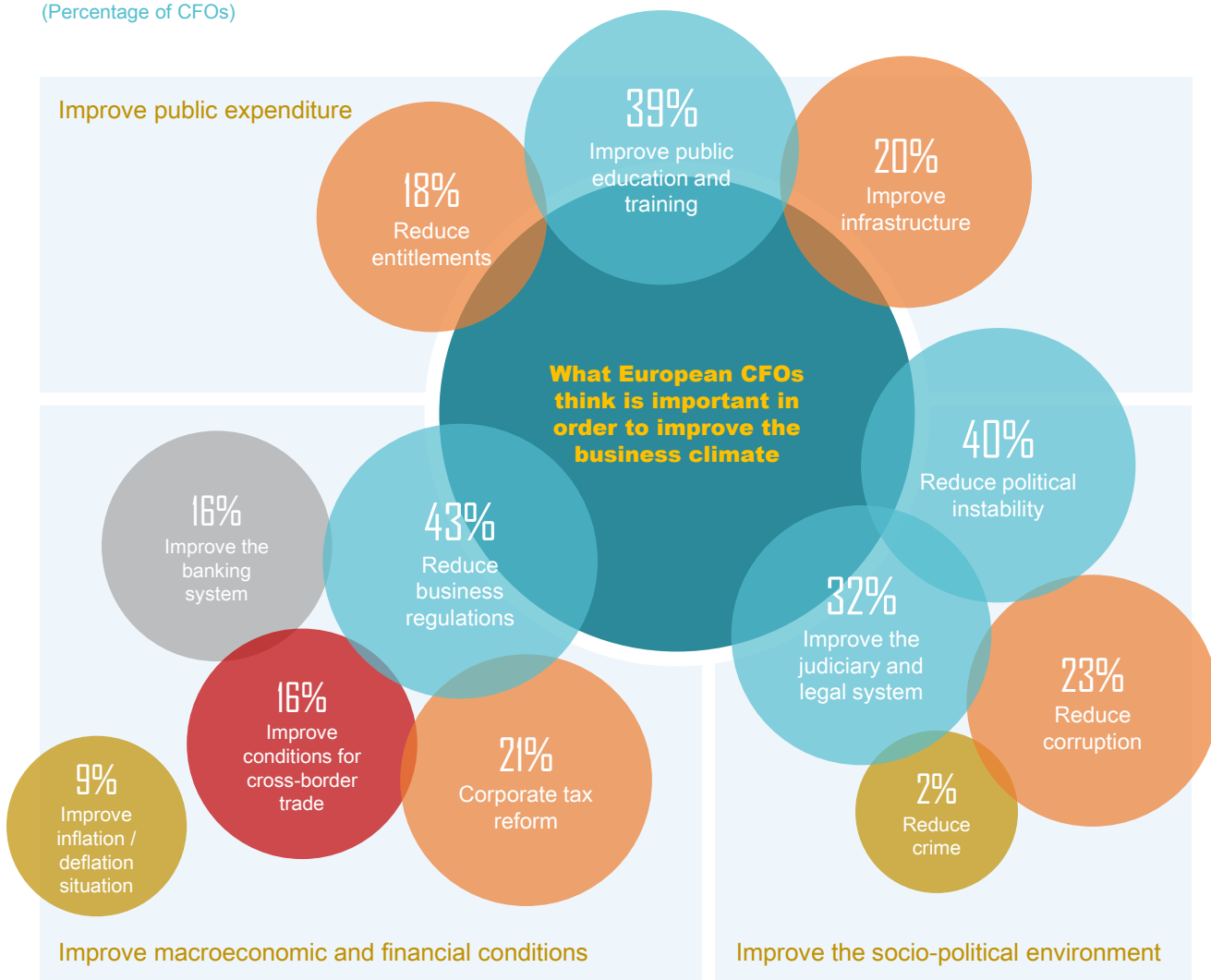
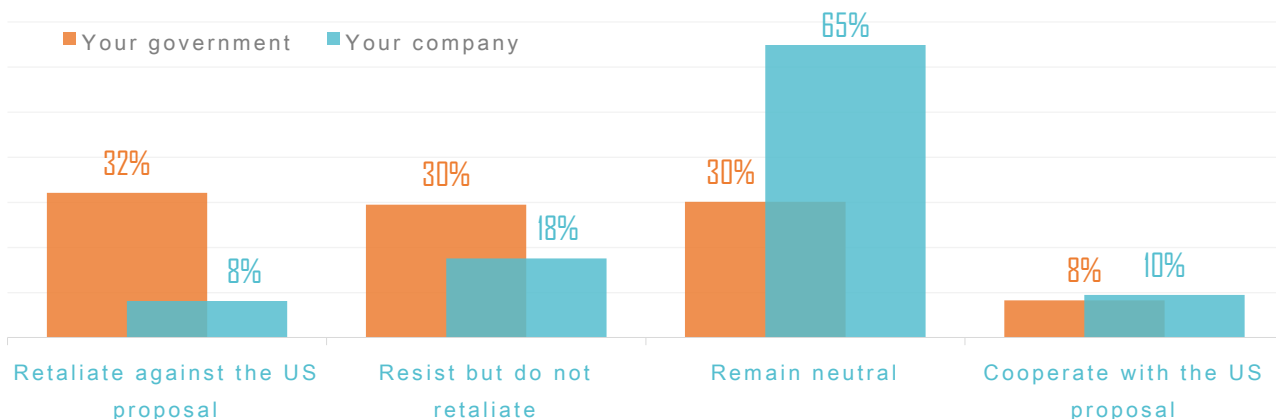


Chart 6. W.r.t. trade proposals put forth by the US government, what would be an appropriate response?
Appropriate response from government and from own company (% of CFOs)



Finance & capital

Business spending is expected to pick up as availability of critical resources tightens

If orders for products and services would sharply increase over the next few months, a significant portion of European companies would be unable to meet the increased demand:

- **18%** of the companies lack adequate capacity in machinery
- **22%** of the companies do not have sufficient inventories at their disposal
- **15%** of the companies report to have insufficient access to raw materials and suppliers
- **33%** of companies say they lack adequate and sufficient levels of human capital

61% **Capital spending**
More than 60% of the European CFOs says that their company will expand its capital expenditures over the next twelve months.

54% **Research & Development**
More than half of the companies is expected to increase their expenditures in R&D during the next twelve months.

55% **Technology spending**
For the next twelve months, one of every two (European) companies is expected to increase spending on technology.

63% **Marketing & Advertising**
Almost two-thirds of the financial executives anticipates an increase in marketing and advertising spending in the next 12 months.

Chart 7. CFOs' expected growth in business spending for next 12 months

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

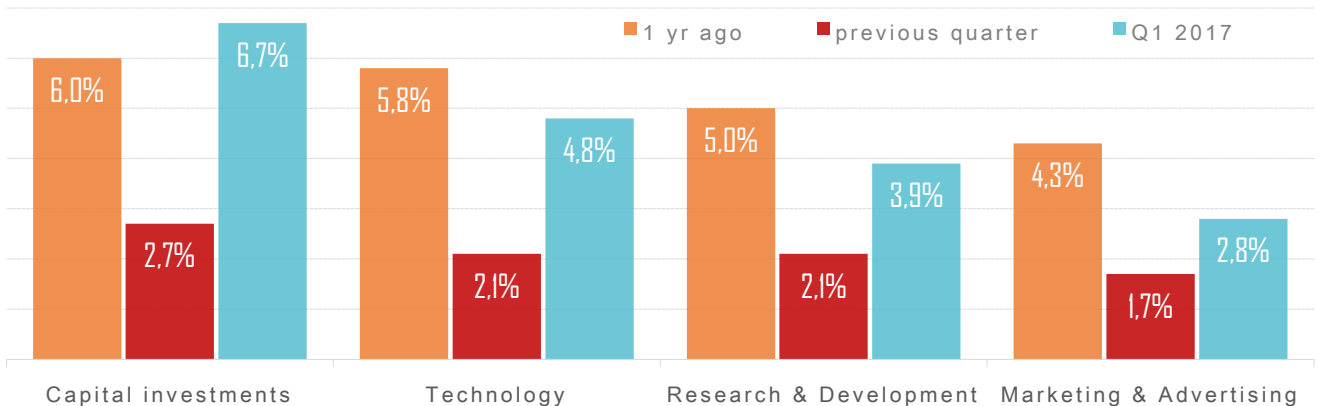
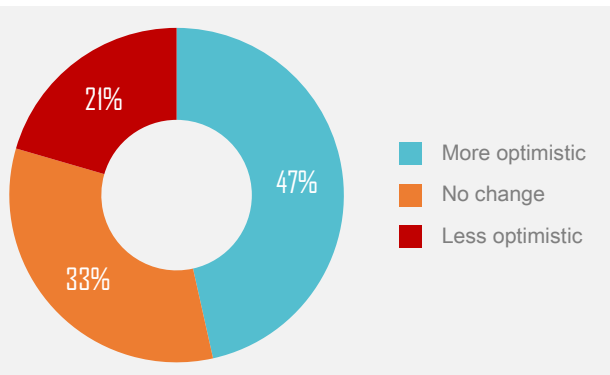


Chart 8. European CFO optimism about financial prospects of company

Percentage optimists vs pessimists

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



Europe	US	Asia
62 Prev. 61	69 Prev. 67	60 Prev. 61
China	Latin America	Africa
60 Prev. 72	67 Prev. 58	65 Prev. 59

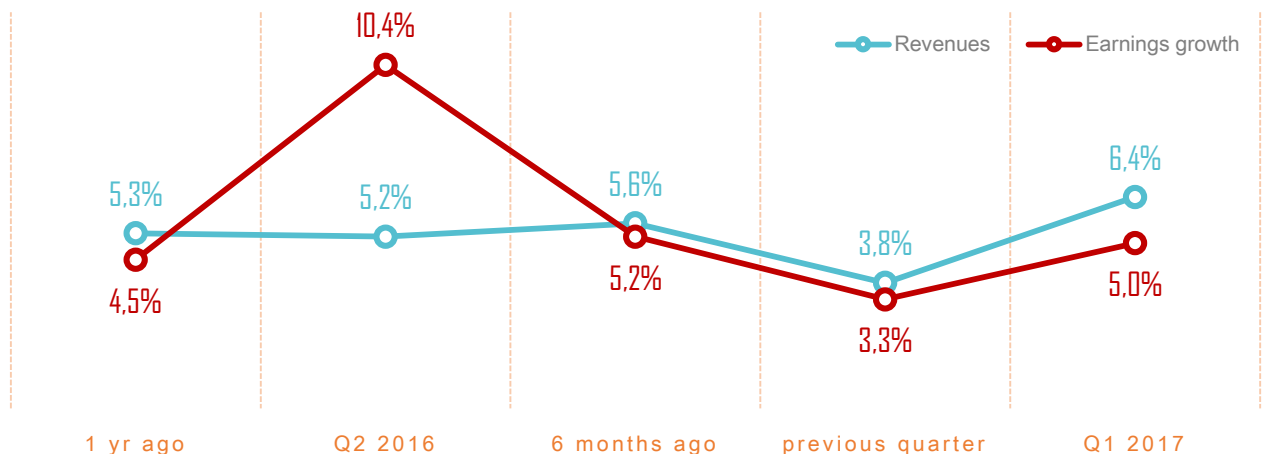
PRICES OF PRODUCTS 50% Half of the European companies expect to increase prices over the next twelve months.

REVENUES 76% Three out of four European CFOs anticipate revenue growth during the next twelve months.

EARNINGS 66% Two-thirds of the European CFOs expect to see earnings increase over the next twelve months.

Chart 9. CFOs' anticipated growth in revenues and earnings

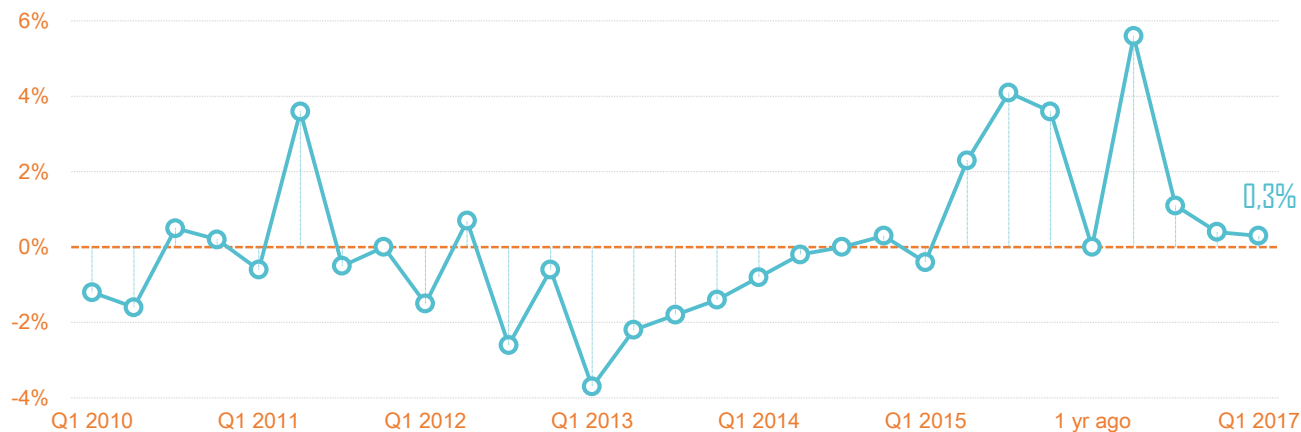
Twelve month historic trend in average growth rates in percentages (public firms only)



Employment

Chart 10. Expected growth in full-time employment

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



53% **Domestic full time hiring**
More than half of the European companies expect to scale up domestic hiring activity during the next twelve months.

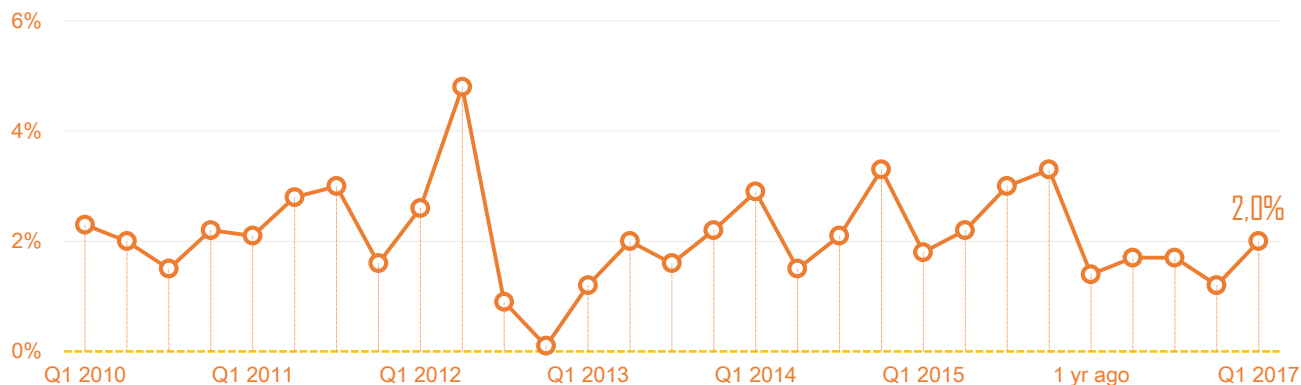
16% **Employee productivity**
During the past quarter, 16% of the European CFOs have expressed their concern regarding employee productivity

28% **Retaining qualified workforce**
During the past quarter, almost a third of the CFOs were worried about attracting and retaining competent personnel

79% **Wages & salaries**
For the next twelve months, 4 out of every 5 CFOs anticipate a hike in wages and salaries for the workforce

Chart 11. Expected growth in wages and salaries

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



Key results CFO Survey

Europe, US, Latin America, Africa and Asia

Key Indicator	Europe	US	Latin America	Africa	Asia
ECONOMIC SENTIMENT					
CFOs More optimistic	40.1%	64.1%	17.7%	27.6%	29.1%
CFOs Less optimistic	22.8%	16.3%	58.1%	57.1%	37.6%
No change	37.1%	19.6%	24.2%	15.3%	33.3%
Own country optimism level	56.6	66.5	37.2	46.0	58.6
Employment – full-time	0.4%	2.2%	-0.4%	-1.6%	2.7%
Inflation (own-firm products)	-0.3%	1.7%	3.5%	4.6%	1.3%
FINANCIAL OUTLOOK OWN COMPANY					
CFOs More optimistic	38.7%	51.1%	36.8%	44.9%	35.6%
CFOs Less optimistic	25.0%	18.3%	19.2%	30.6%	35.3%
No change	36.3%	30.6%	44.0%	24.5%	29.2%
Own company optimism level	60.6	67.4	58.0	59.1	60.8
Revenue growth	3.8%	4.4%	5.7%	5.8%	7.3%
Earnings growth	3.3%	8.4%	-1.8%	2.7%	2.1%
BUSINESS SPENDING					
Capital spending	2.7%	1.4%	3.3%	3.8%	6.8%
Technology spending	2.1%	3.5%	5.9%	8.4%	6.7%
R&D spending	2.1%	0.9%	2.7%	1.5%	4.4%
Advertising and marketing spending	1.7%	1.9%	4.5%	2.6%	1.7%
Wages and Salaries	1.2%	3.2%	4.5%	6.6%	6.7%
Health Care Costs	0.5%	6.8%	5.2%	5.1%	3.9%

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 first quarter of 2017. The survey concluded March 9, 2017. 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 900 CFOs, including 394 from North America, 109 from Asia, 185 from Europe, 154 from Latin America and 53 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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