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QUARTERLY
REPORT

December 2017

CFO Survey
Europe | 2017

Q4

Contents

3

Dashboard overview

4

CFO optimism & economic sentiment 2017

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 has reached 67 on a scale of 100, up 4 points from the third quarter and reaching a record level since the start of CFO Survey.

48%

Positive economic sentiment among CFOs is sustained

Almost half of the European CFOs have a more positive economic outlook for the next twelve months, down from 63% during the previous quarter. However, with more than one third maintaining the optimism level of previous quarter, overall economic sentiment remains strong.

69

/100

Prolonged business confidence among CFOs

For the fifth consecutive quarter, CFOs' confidence about the company financials has increased. Q4 optimism is up 5 points from the previous quarter signifying a substantial improvement in CFOs' confidence.

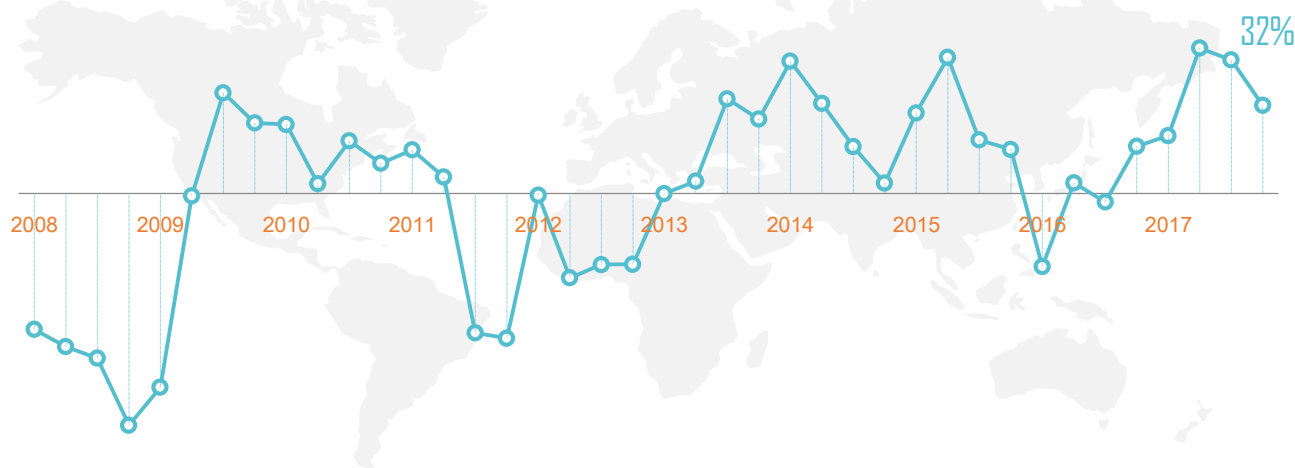
51%

Improvement in number of CFOs with positive financial outlook of own company

More than half of the CFOs continue to be more optimistic about their company's financial outlook for the coming twelve months, extending the pace of the past two quarters.

Chart 1. European CFO optimism index

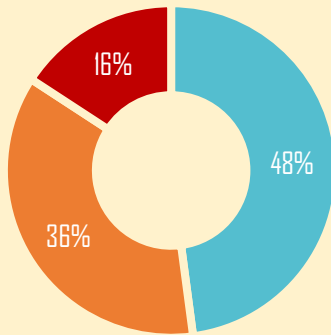
Percentage of optimists -/- percentage of pessimists w.r.t. economy



CFO optimism & economic sentiment 2017

Chart 2. Optimism CFOs about economy of own country

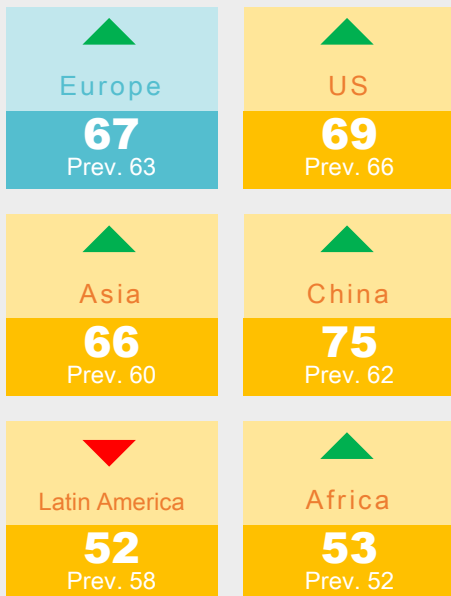
% optimists vs pessimists among European CFOs



- More optimistic
- No change
- Less optimistic

Chart 3. Average level of optimism

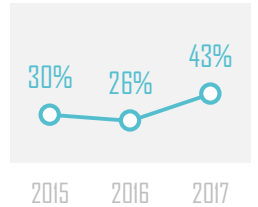
Europe compared to major economic regions (on a scale of 1- 100)



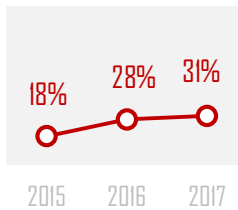
Top 10 concerns European CFOs

Percentage of CFO's, Q4 2017 compared to Q4'16 and Q4'15

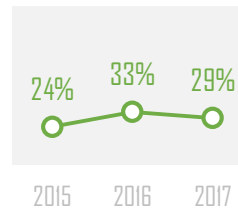
1 Attracting / retaining qualified employees



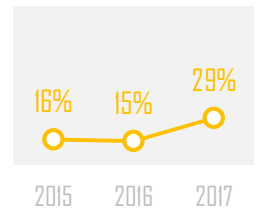
2 Regulatory requirements



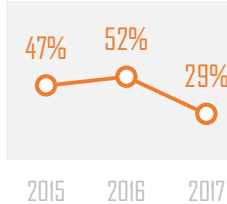
3 Government policies



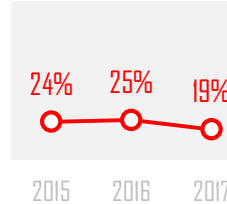
4 Data security



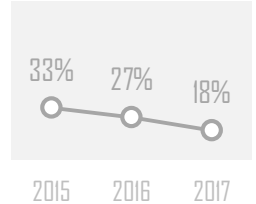
5 Economic uncertainty



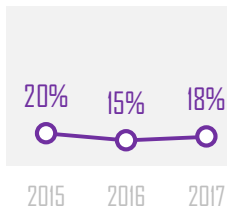
6 Currency risk



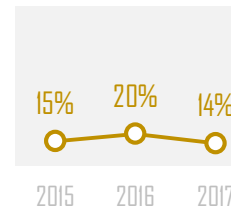
7 Weak demand products / services



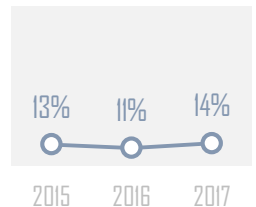
8 Employee productivity



9 Employee morale



10 Geopolitical / health crises



Finance & capital

68% **Capital spending**
Almost 7 out of every 10 companies are expected to boost capital investments during the next twelve months.

65% **Research & Development**
Almost two thirds of the European companies intend to increase R&D spending over the next twelve months.

67% **Technology spending**
6 out of 10 CFOs expect to see an increase in technology spending over the next twelve months.

52% **Faster pace of innovation**
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. Impact of faster pace of change and innovation on capital and R&D spending, and willingness to take on ambitious “moon shot” projects

Percentage of European firms who also say innovation and change have become faster

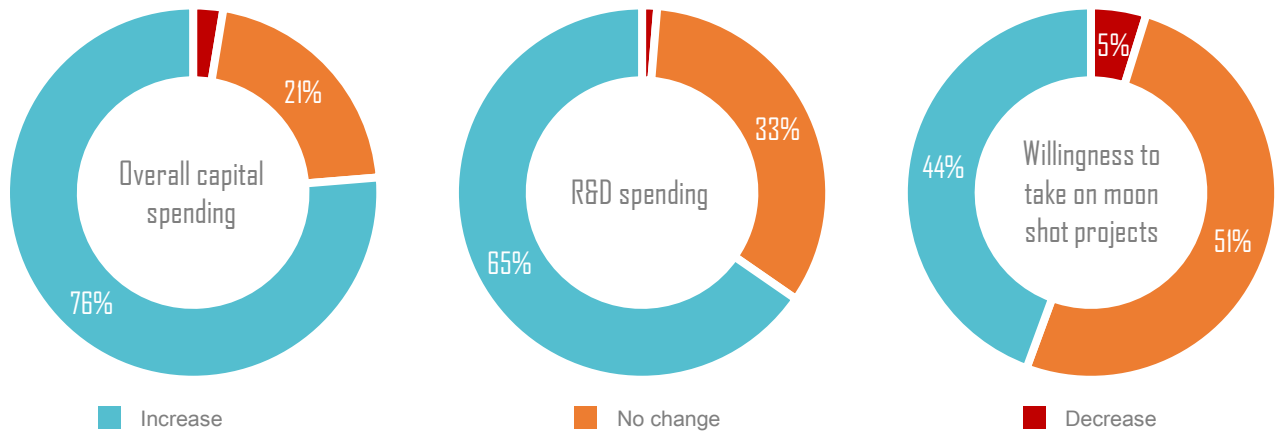
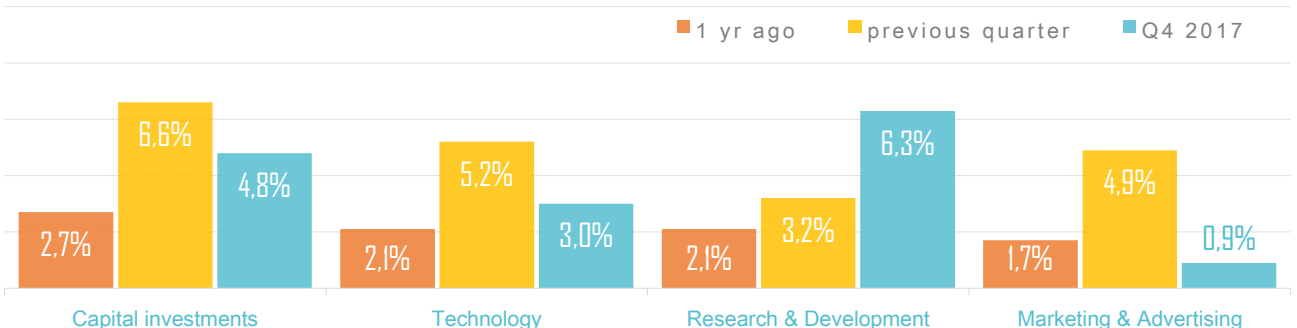


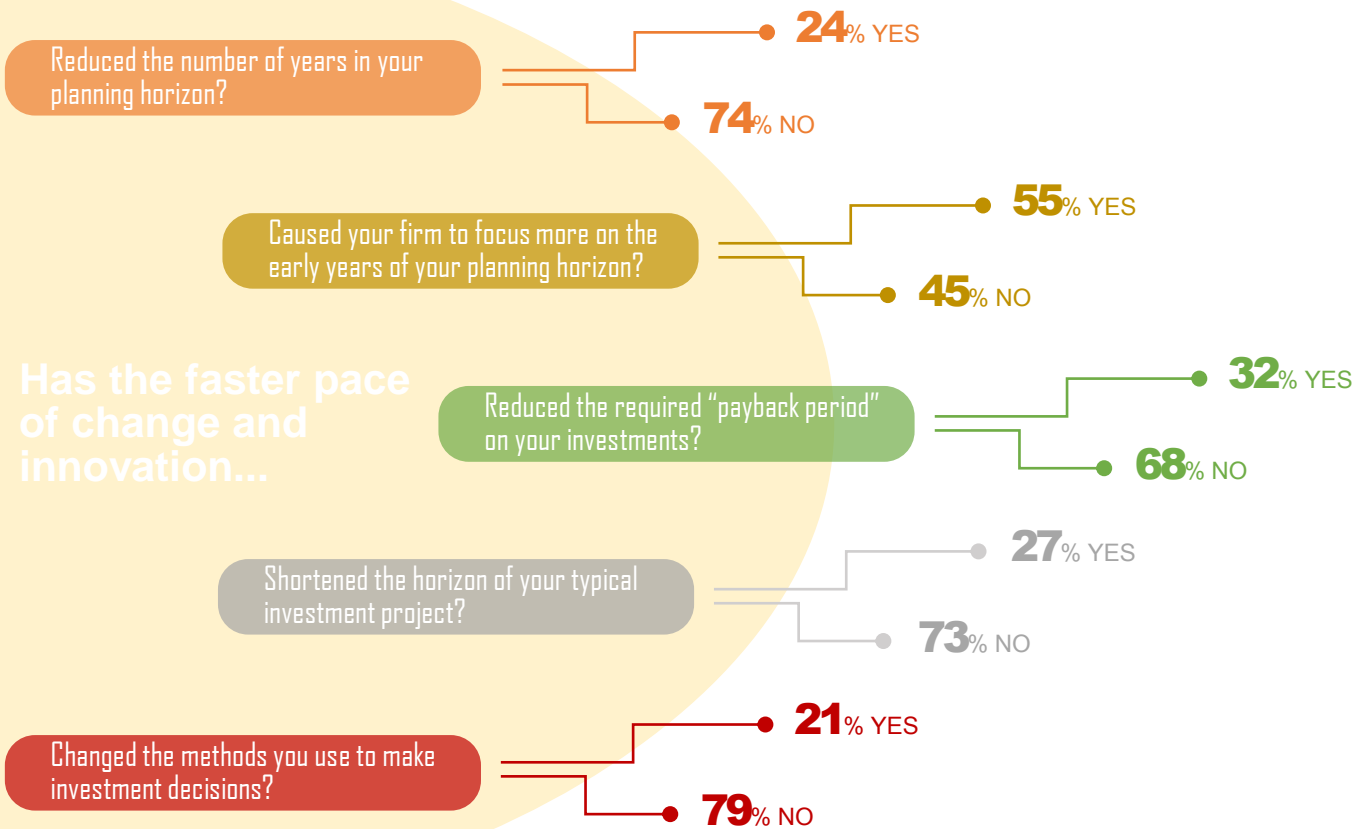
Chart 5. CFOs' expected growth in business spending for next 12 months

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



Faster pace of change and innovation

and the impact on investment planning and decisions at European companies



41.2% of CFOs say that expenditures on regulatory compliance hinders long term corporate investments

22.3% of CFOs indicate that increased spending on short-term projects impedes long term investments

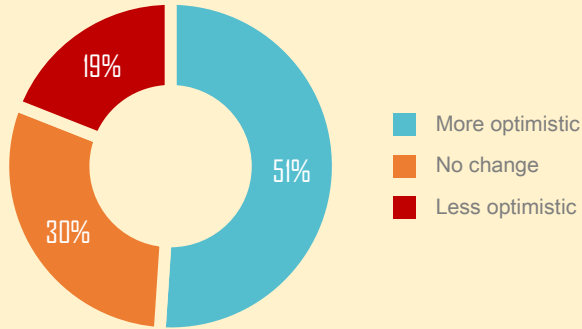
18.9% of European CFOs state that corporate taxes frustrate long term corporate investments

Expenditures that hinder European firms in their ability to spend on long-term corporate investments

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
69 Prev. 64	71 Prev. 70	68 Prev. 63
China	Latin America	Africa
72 Prev. 63	63 Prev. 65	64 Prev. 64

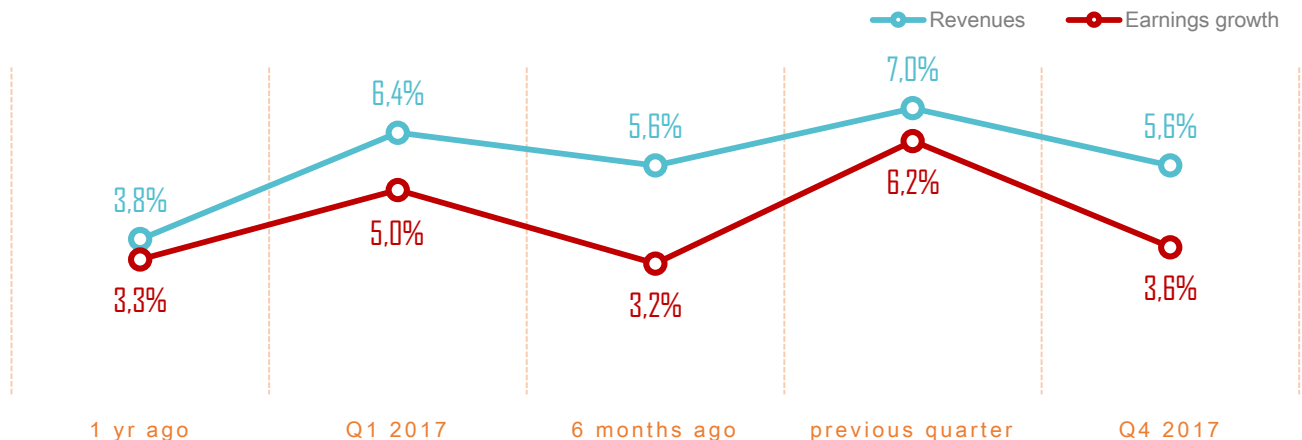
PRICES OF PRODUCTS **64%** Almost two thirds of the European companies expect to increase prices over the next twelve months.

REVENUES **84%** 84% of the CFOs in Europe prepare for growth in corporate revenues during the next twelve months.

EARNINGS **72%** Seven out of every ten European companies believe earnings will rise in the next twelve months.

Chart 7. CFOs' anticipated growth in revenues and earnings

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



Employment

62%

Domestic full time hiring

Almost two thirds of European CFOs say their company is planning to accelerate full time hiring during the next twelve months.

18%

Employee productivity

About 1 out of five CFOs have voiced concerns over employee productivity.

43%

Retaining qualified workforce

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

88%

Wages & salaries

In the next twelve months, almost 9 out of 10 CFOs believes their company will increase wages and salaries.

Chart 8. Expected growth in full-time employment

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

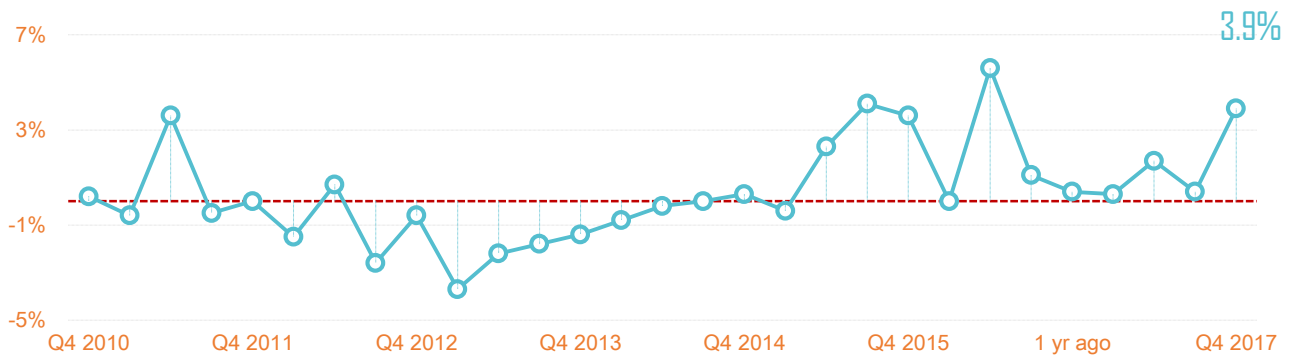
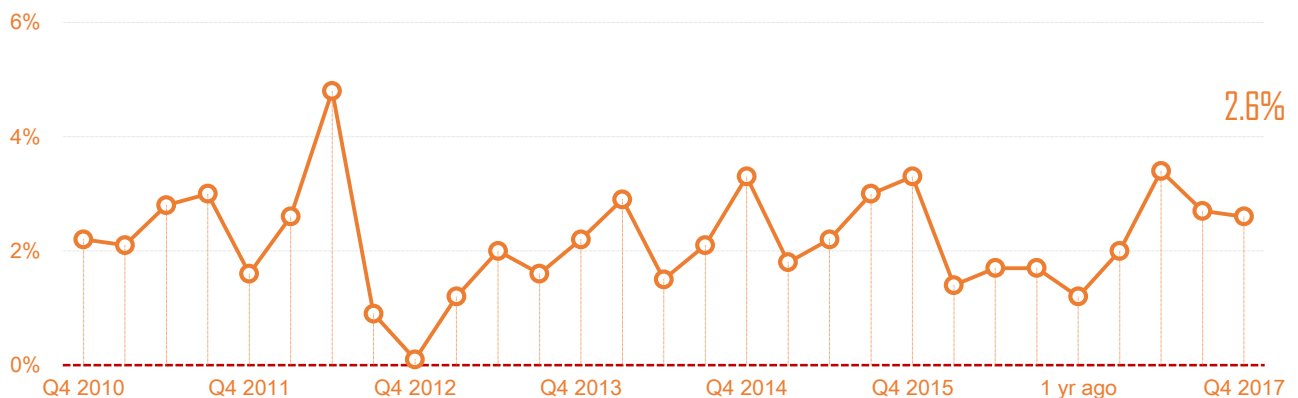


Chart 9. Expected growth in wages and salaries

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



Work-life balance of the European CFO

the percentage of time, energy, and attention focused on work versus personal life

71.6

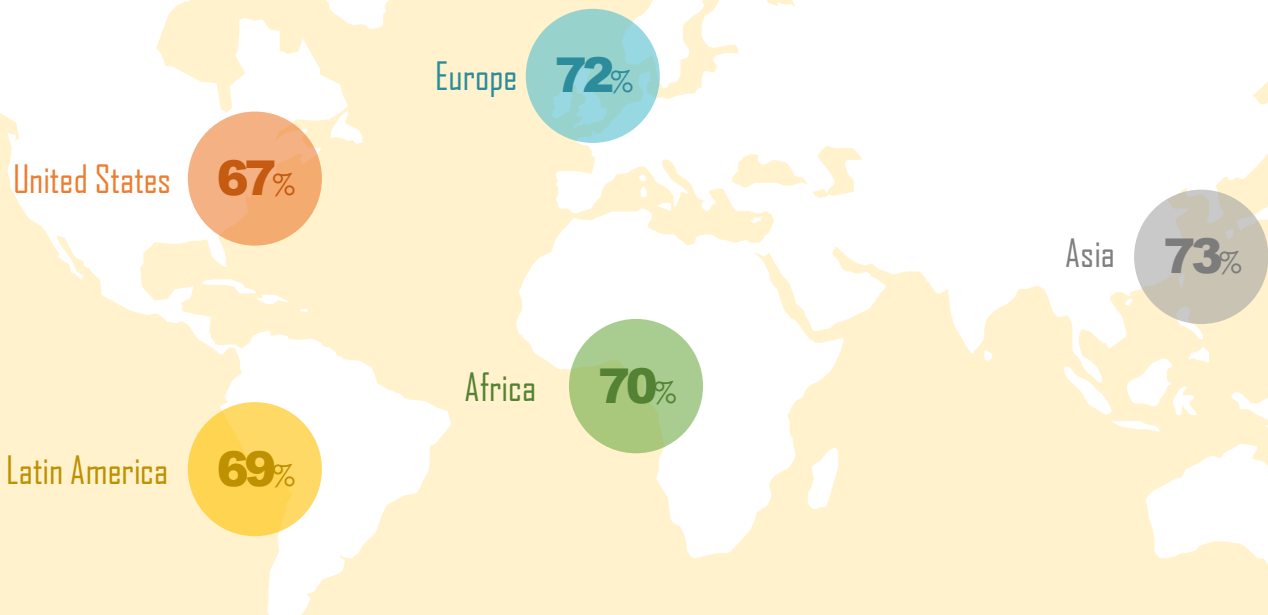
The current work-life balance of European CFOs

57.4

The ideal work-life balance of European CFOs

Work-life balance of European CFOs compared to peers worldwide

Percentage of time, energy, and attention focused on work versus personal life



Decisions for which the CFO is one of the three most important decision makers

Percentage of European CFOs

83.8%	Cash & liquidity policy	50.7%	Acquisition selection
65.5%	Overall firm strategy	45.9%	Capital spending / R&D budget
64.9%	Risk management	43.2%	Payout policy
57.4%	Capital project selection	41.9%	Corporate governance structure
54.1%	Capital structure	40.5%	Wages and salaries increases

Key results CFO Survey

Europe, US, Latin America, Africa and Asia

Key Indicator	Europe	US	Latin America	Africa	Asia
ECONOMIC SENTIMENT					
CFOs More optimistic	47.9%	49.4%	52.3%	40.0%	53.3%
CFOs Less optimistic	15.8%	17.8%	29.6%	41.8%	16.1%
No change	36.3%	32.8%	18.1%	18.2%	30.6%
Own country optimism level	66.9	68.6	52.0	52.5	66.3
Employment – full-time	3.9%	3.2%	0.4%	3.5%	0.7%
Inflation (own-firm products)	1.1%	2.7%	3.1%	3.5%	3.1%
FINANCIAL OUTLOOK OWN COMPANY					
CFOs More optimistic	51.0%	53.3%	59.3%	63.6%	45.5%
CFOs Less optimistic	19.0%	16.3%	14.5%	27.3%	21.6%
No change	29.9%	29.8%	26.2%	9.1%	32.9%
Own company optimism level	68.7	71.3	62.7	63.9	67.6
Revenue growth	5.6%	5.9%	7.0%	14.8%	6.6%
Earnings growth	3.6%	5.6%	15%	10.6%	2.5%
BUSINESS SPENDING					
Capital spending	4.8%	3.2%	4.5%	0.6%	8.0%
Technology spending	3.0%	4.8%	4.3%	8.8%	6.3%
R&D spending	6.3%	3.3%	3.2%	3.6%	3.6%
Advertising and marketing spending	0.9%	3.0%	4.0%	3.5%	2.8%
Wages and Salaries	2.6%	4.4%	3.5%	8.0%	1.1%
Health Care Costs	1.3%	8.3%	5.0%	5.0%	2.2%

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 2017. The survey concluded December 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 over 800 CFOs, including nearly 300 from North America, almost 100 from Asia, 148 from Europe, 215 from Latin America and 55 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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