

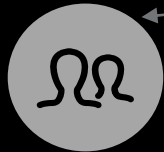
European CFO survey

Eyes on demand | Spring 2019 | Countries

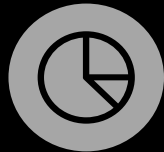
EMEA Research Centre (ERC)

Michela Coppola

Navigating the deck



Countries and timing



Sample composition

The interactive icons allow you to go directly to a specific section



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The findings discussed in this report are representative of the opinions of 1,473 CFOs in 20 European countries

Geographical spread



20 countries

Austria, Belgium, Denmark, Finland, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey and the UK



Survey period



March to April 2019

Respondents

Total



1,473 CFOs

By industry



1,395 CFOs

By size



1,396 CFOs



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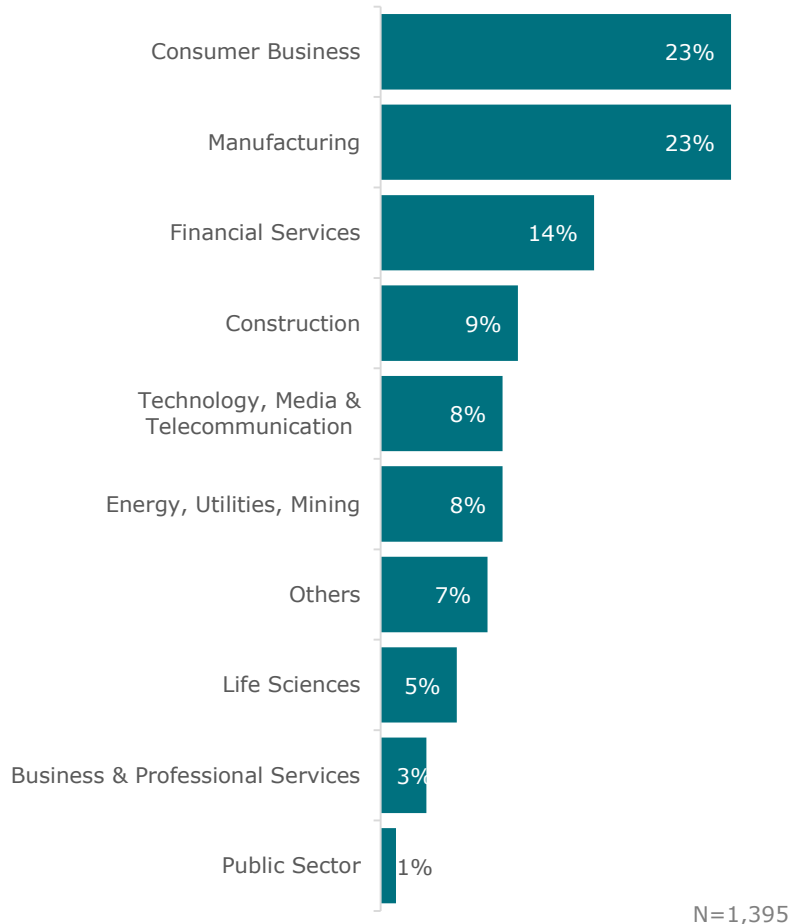


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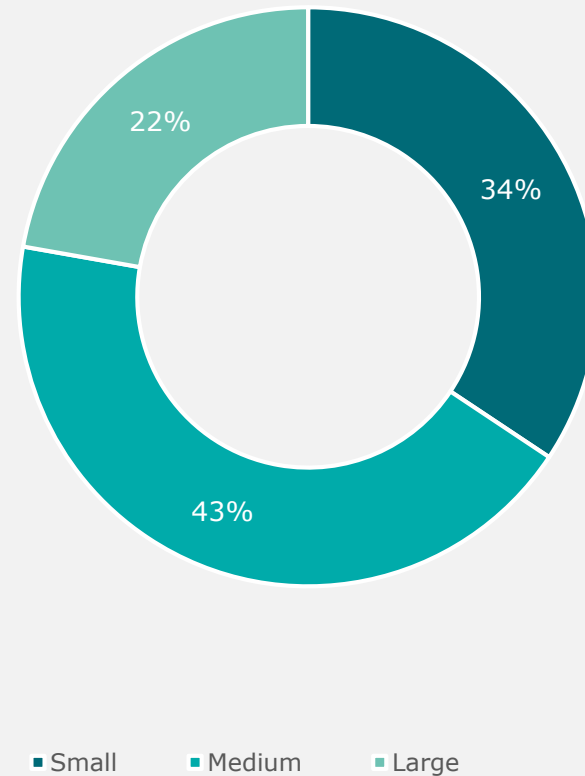


Sample composition – industry and business size

Respondents by industry



Respondents by business size (size defined based on yearly revenues)



N=1,396

* Note: Due to rounding, not all percentages shown in the charts will add up to 100%



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Key insights



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Although the flow of worrying economic and political news has dwindled since the beginning of the year, businesses remain wary and confidence subdued.



CFOs' sentiment remains negative

- The optimism level did not change since last edition of the survey. However, CFOs feeling less optimistic about the financial prospects of their company still outnumber those feeling more optimistic.
- Optimism dropped further in the countries within the euro area, while outside the euro area it rebounded on average.
- Two thirds of CFOs perceive the overall level of external uncertainty as high or very high and 80% of them do not consider this a good time to take on more risk.



Expectations dropped, economic concerns prevail

- Expectations for revenues, operating margins, investments and hiring remain positive in the majority of countries, but dropped further compared to six months ago. Investments and hiring intentions are at the lowest levels since the beginning of the series.
- Growth and the overall economic outlook are named as the top risk in about one third of countries, replacing the shortage of skilled labour as the factor that most often ranks number one.
- Compared to a year ago a greater number of CFOs consider a new eurozone crisis likely. Specifically, 46 per cent of CFOs in the euro area now consider a new euro crisis very likely compared to just 27 per cent one year ago.



The majority of CFOs do not expect a recession to hit soon

- The majority of CFOs across Europe do not see an imminent economic recession, neither in their own national economy nor in the euro area or in the US.
- European businesses are conscious they need to be ready and are favouring offensive strategies, seeking to enlarge or better define their customer base and increase the use of advanced technology in order to improve efficiency.



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What CFOs are saying about:



Financial prospects



Uncertainty



Risk appetite



Revenues



Operating margins



Capex



Hiring intention



Inflation rates



Risks



Strategies



Recession expectations and strategies to combat an expected recession



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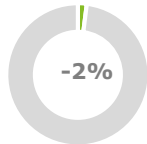


Contacts



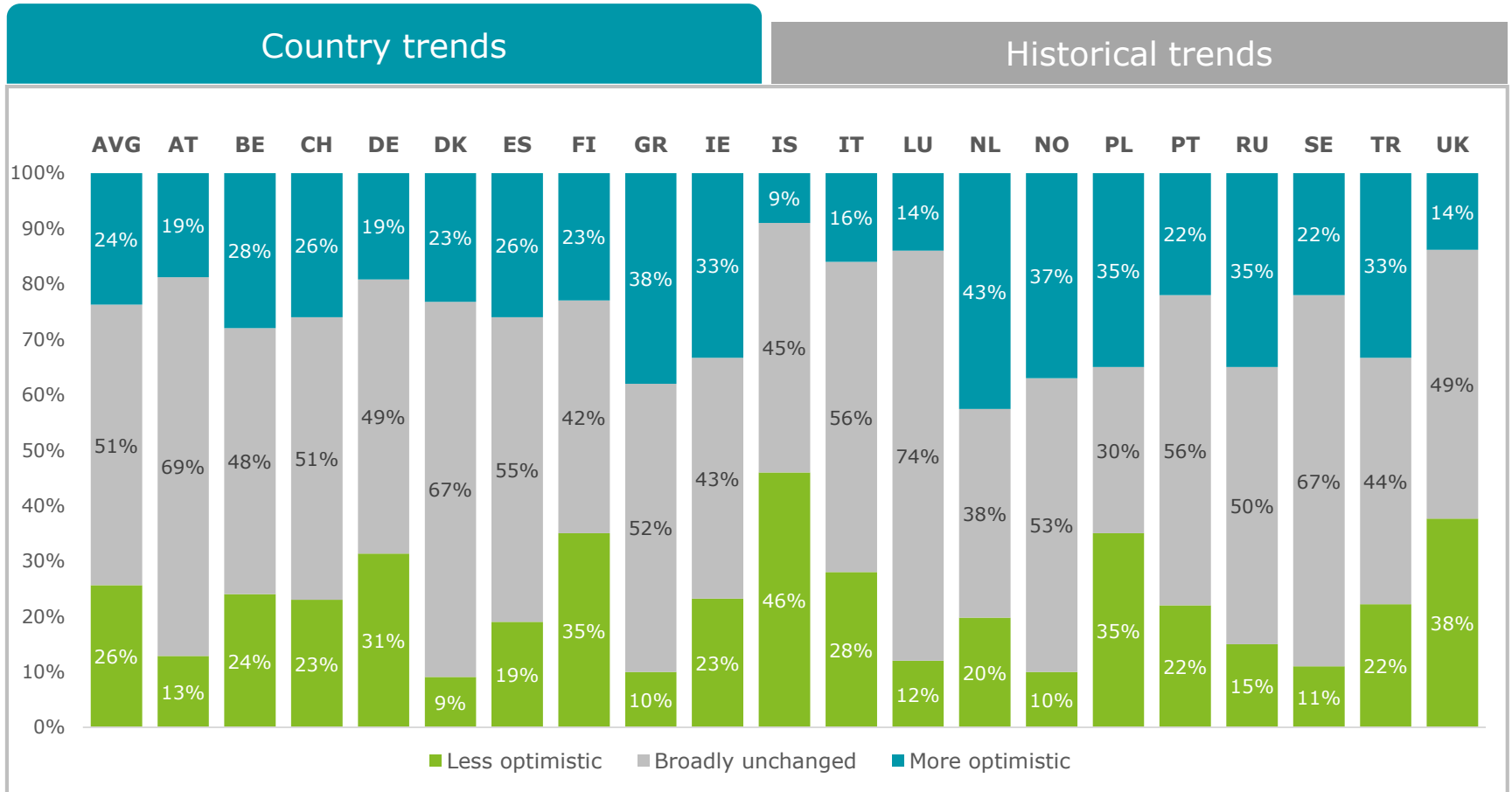
Financial prospects

Compared to three months ago, how do you feel about the financial prospects for your company?*



24% of CFOs feel **more optimistic** about the financial prospects of their companies compared to three (six) months ago while **26% are less optimistic** which leads to a net balance of **-2%**. **51%** believe things are **broadly unchanged**.

Weighted Average



*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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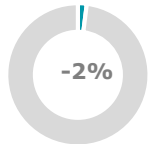


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Financial prospects

Compared to three months ago, how do you feel about the financial prospects for your company?*



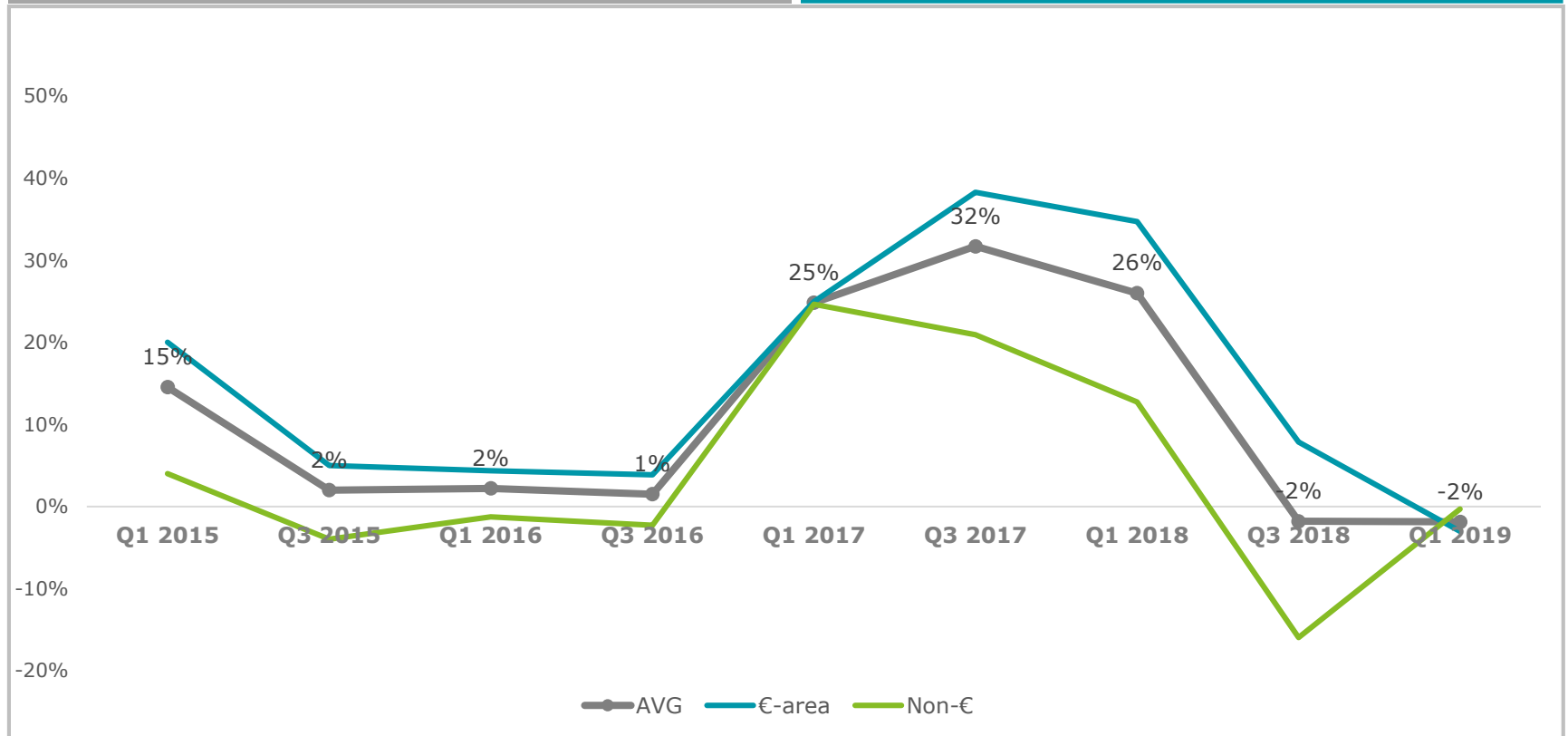
-2%

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Weighted Average

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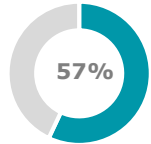
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*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.

Uncertainty

How would you rate the overall level of external financial and economic uncertainty facing your business?

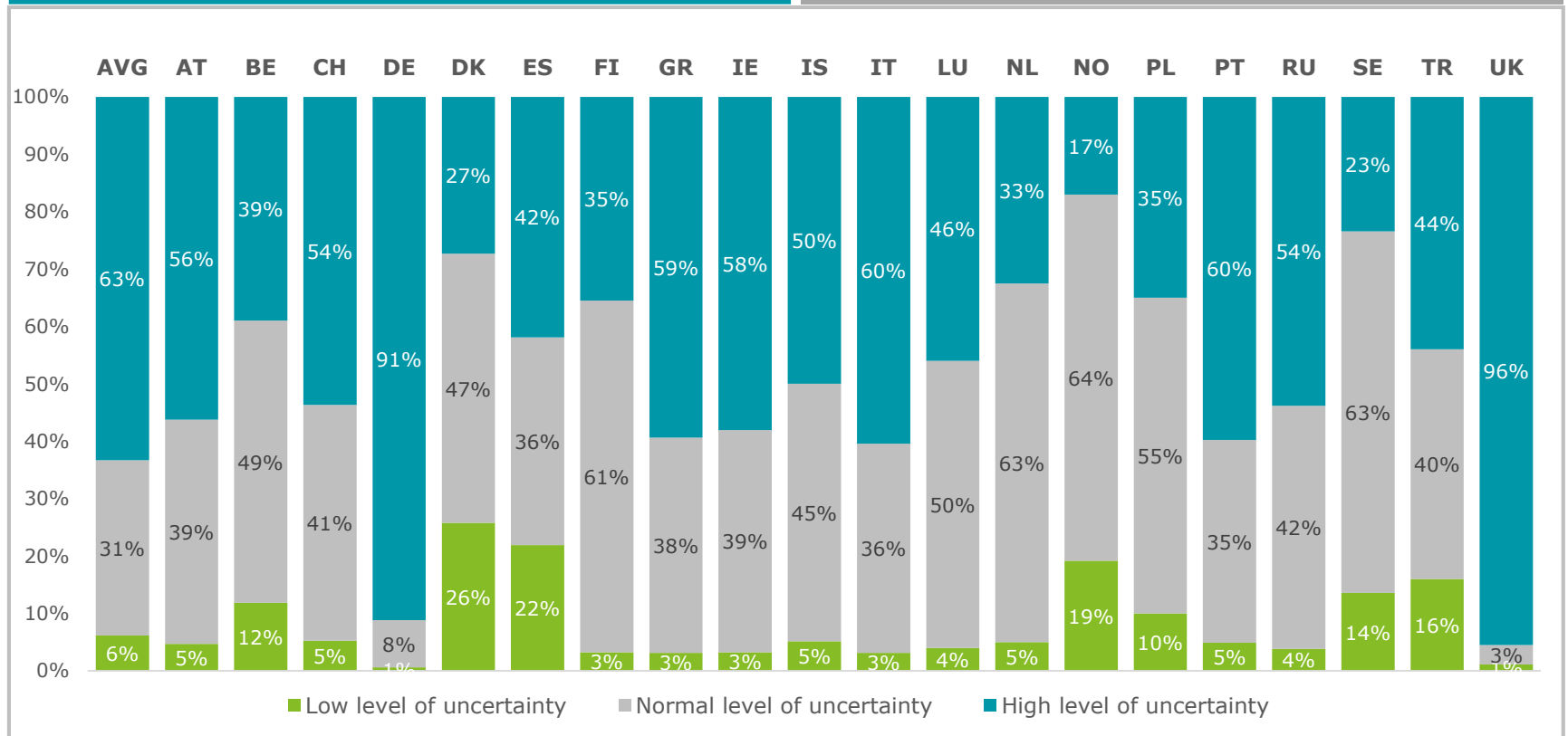


63% of CFOs in Europe rate the level of external financial and economic uncertainty as high, while 6% consider it as low. This leads to a net balance of 57%

Weighted Average

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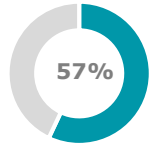
Contacts



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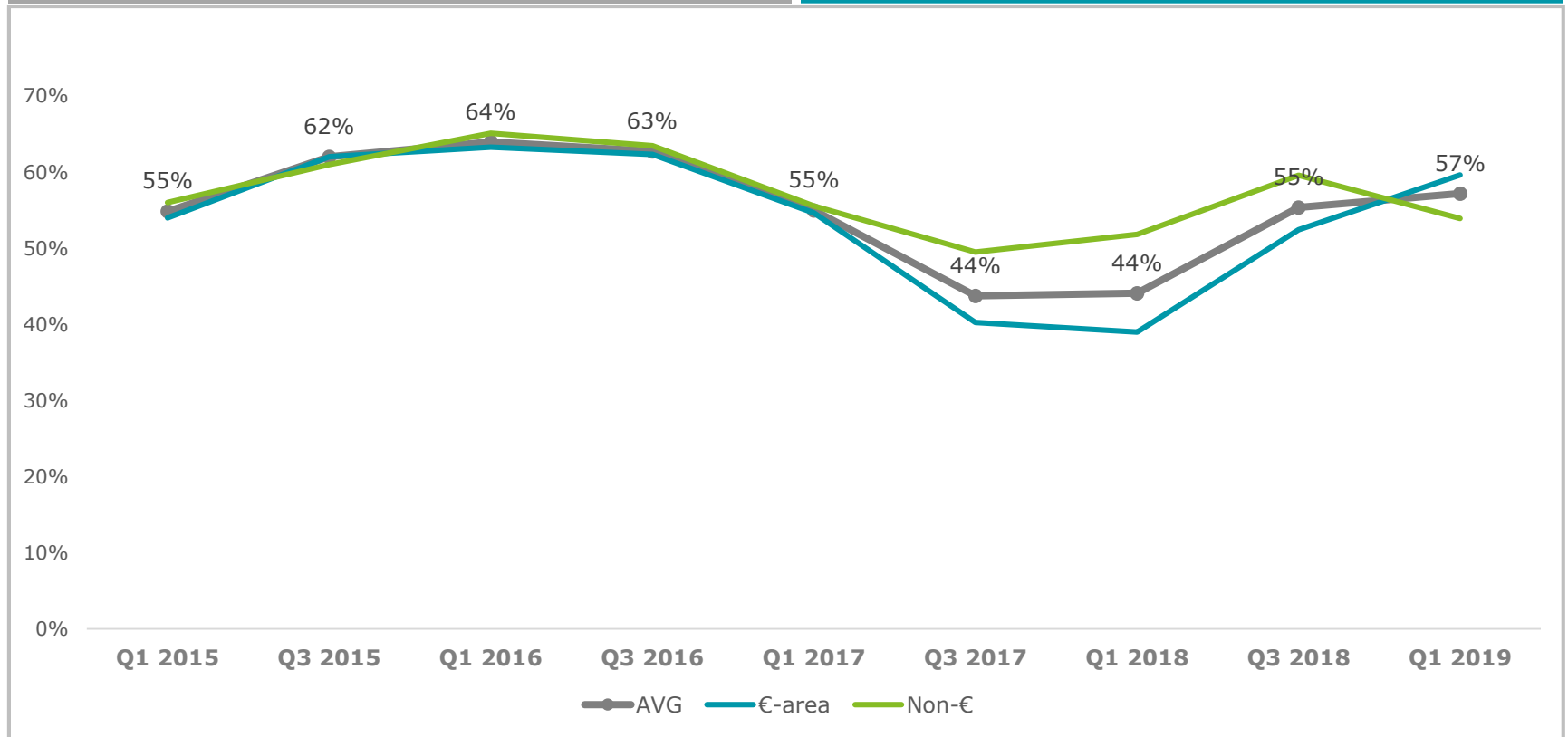


63% of CFOs in Europe rate the level of external financial and economic **uncertainty as high**, while **6% consider it as low**. This leads to a net balance of **57%**

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*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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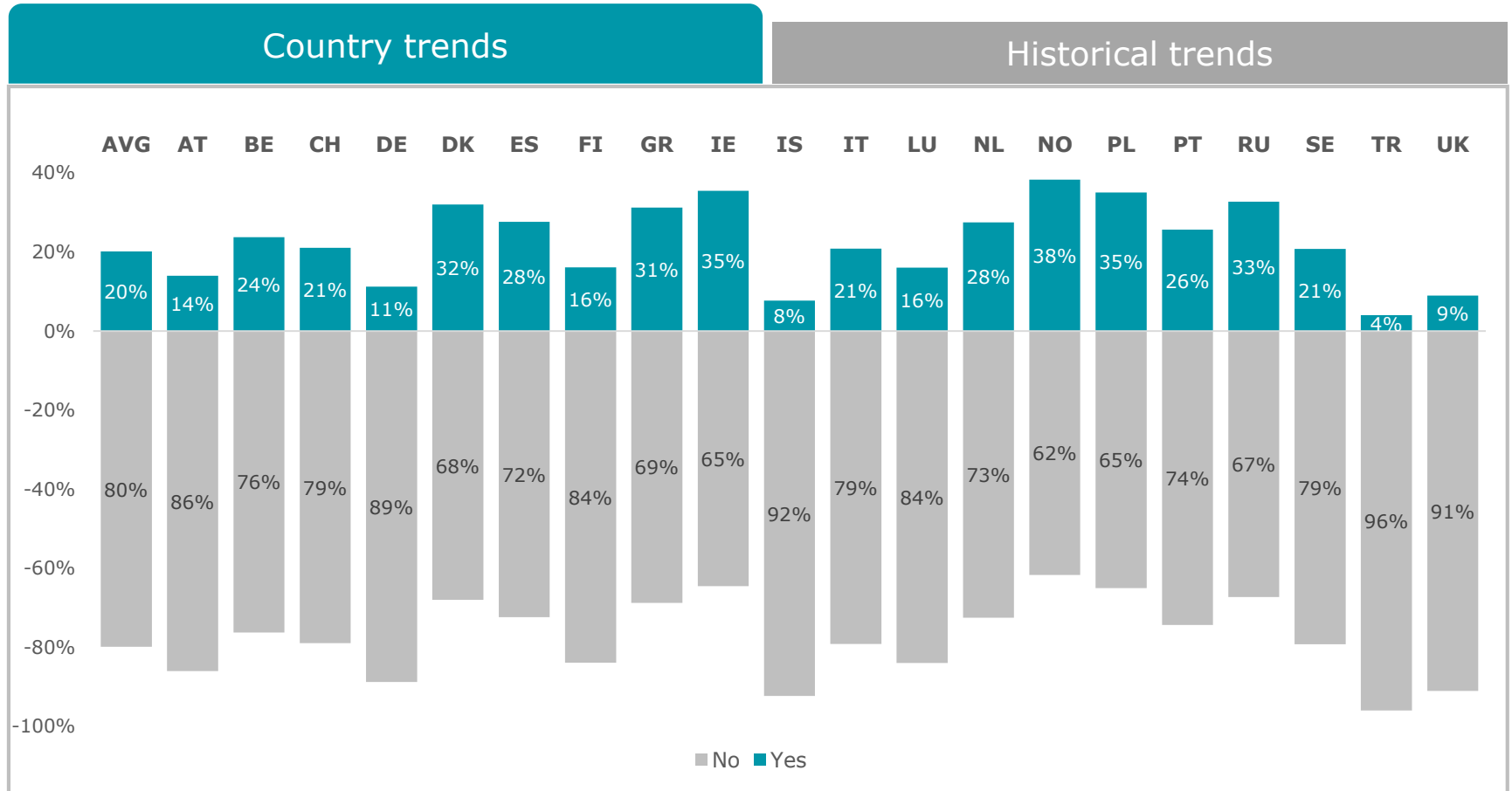
Risk appetite: CFOs more cautious about taking risks

Is this a good time to be taking greater risk onto your balance sheet?



80% of European CFOs **do not consider this to be a good time to take more risk** onto their balance sheet, while **20%** **do**. This leads to a netbalance of **-60%** of CFOs **who believe it is not a good time to take on more risk**.

Weighted Average



*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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Risk appetite: CFOs more cautious about taking risks

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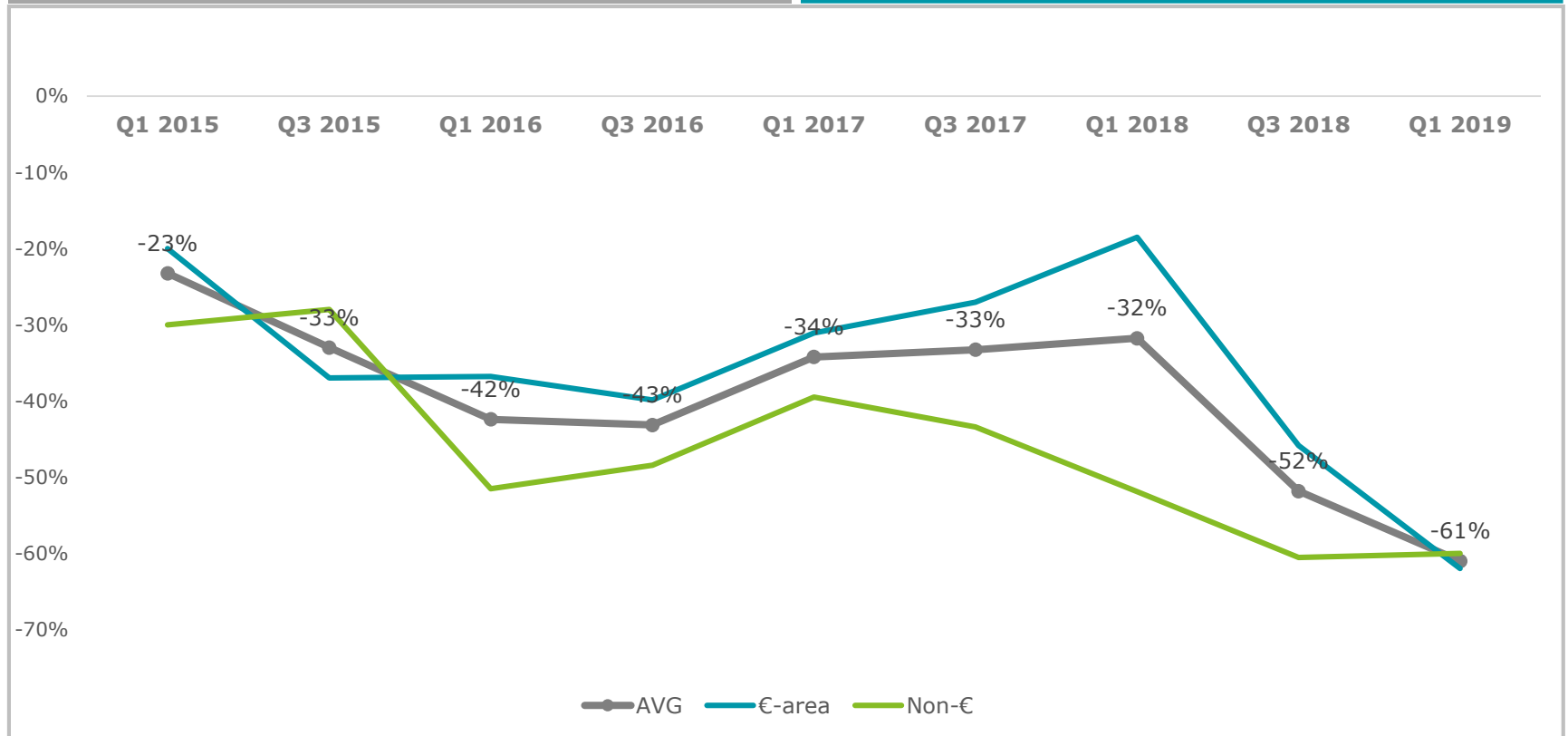


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*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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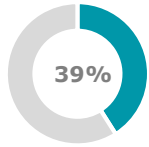


Contacts



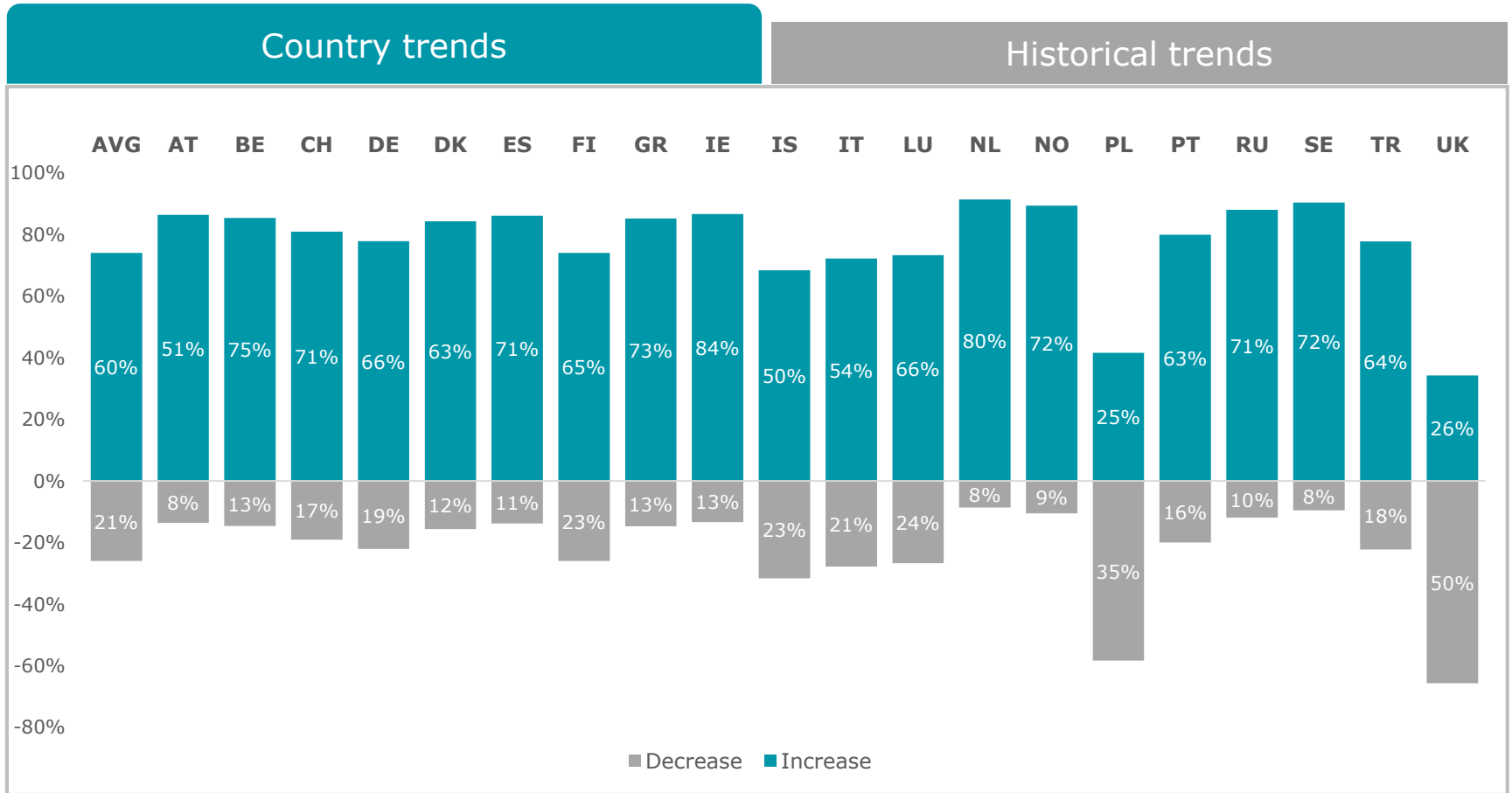
Revenue outlook

In your view, how are revenues for your company likely to change over the next 12 months?*



60% of CFOs expect their revenues to increase over the next 12 months while 21% expect them to decrease. This leads to a net balance of 39% who have a positive outlook linked to their revenues.

Weighted Average



*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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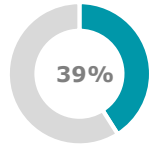


Contacts



Revenue outlook

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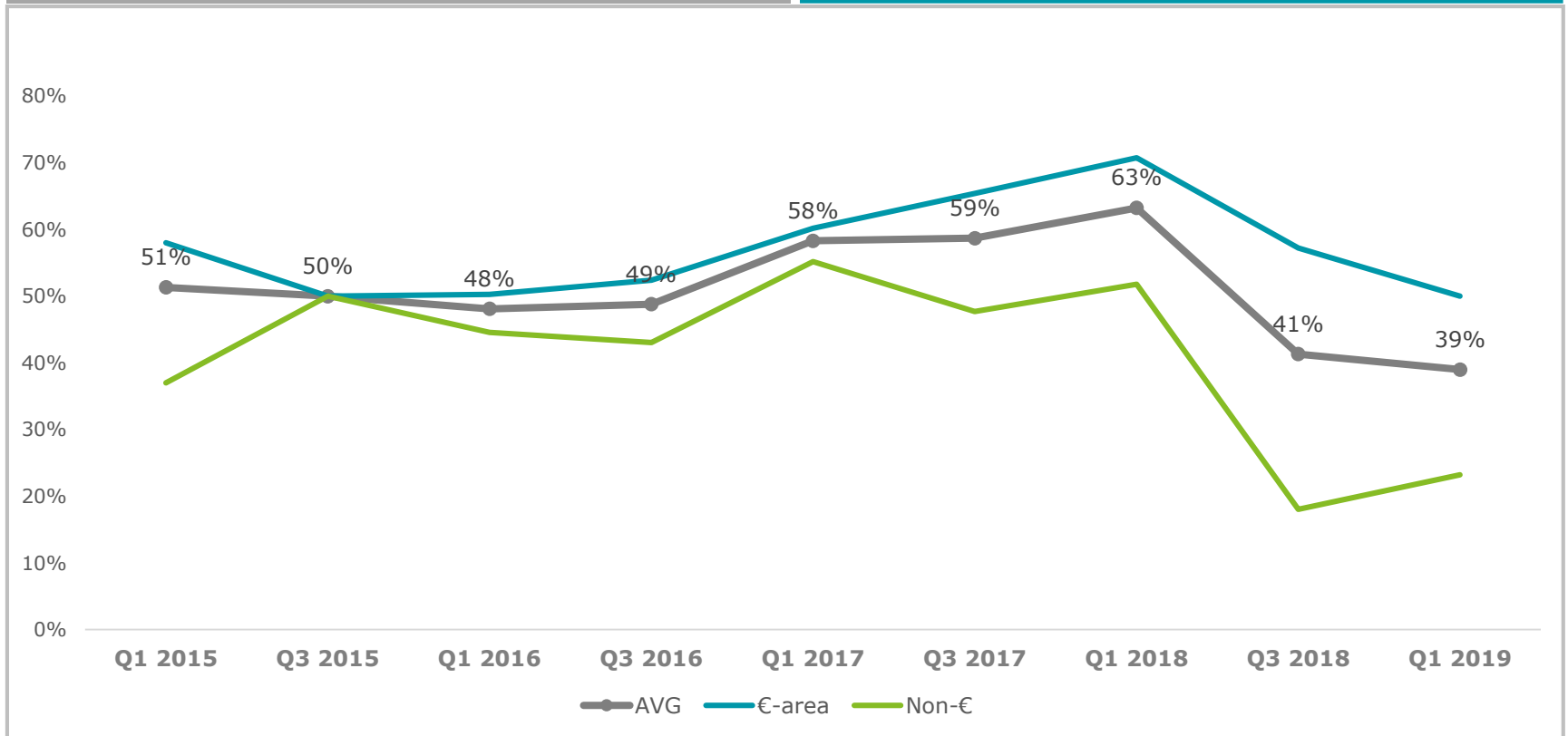


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Weighted Average

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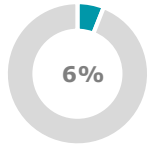


Contacts



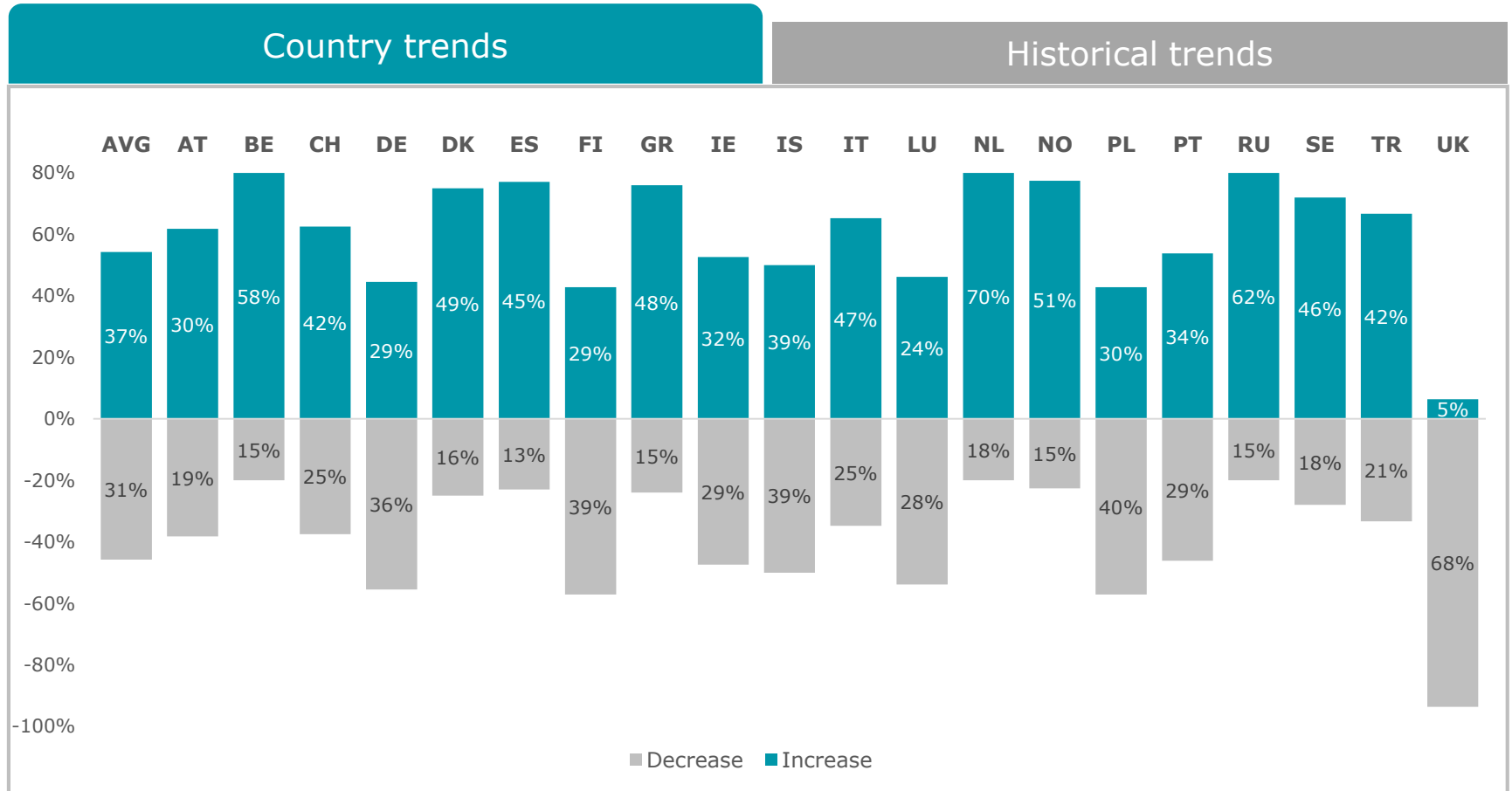
Operating margins outlook

In your view, how are operating margins for your company likely to change over the next 12 months?*



37% of CFOs expect their **operating margins to increase** over the next 12 months while **31% expect them to decrease**. This leads to a **net balance of 6%** who have a positive outlook on their operating margins

Weighted Average



*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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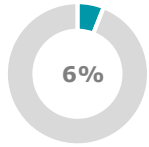


Contacts



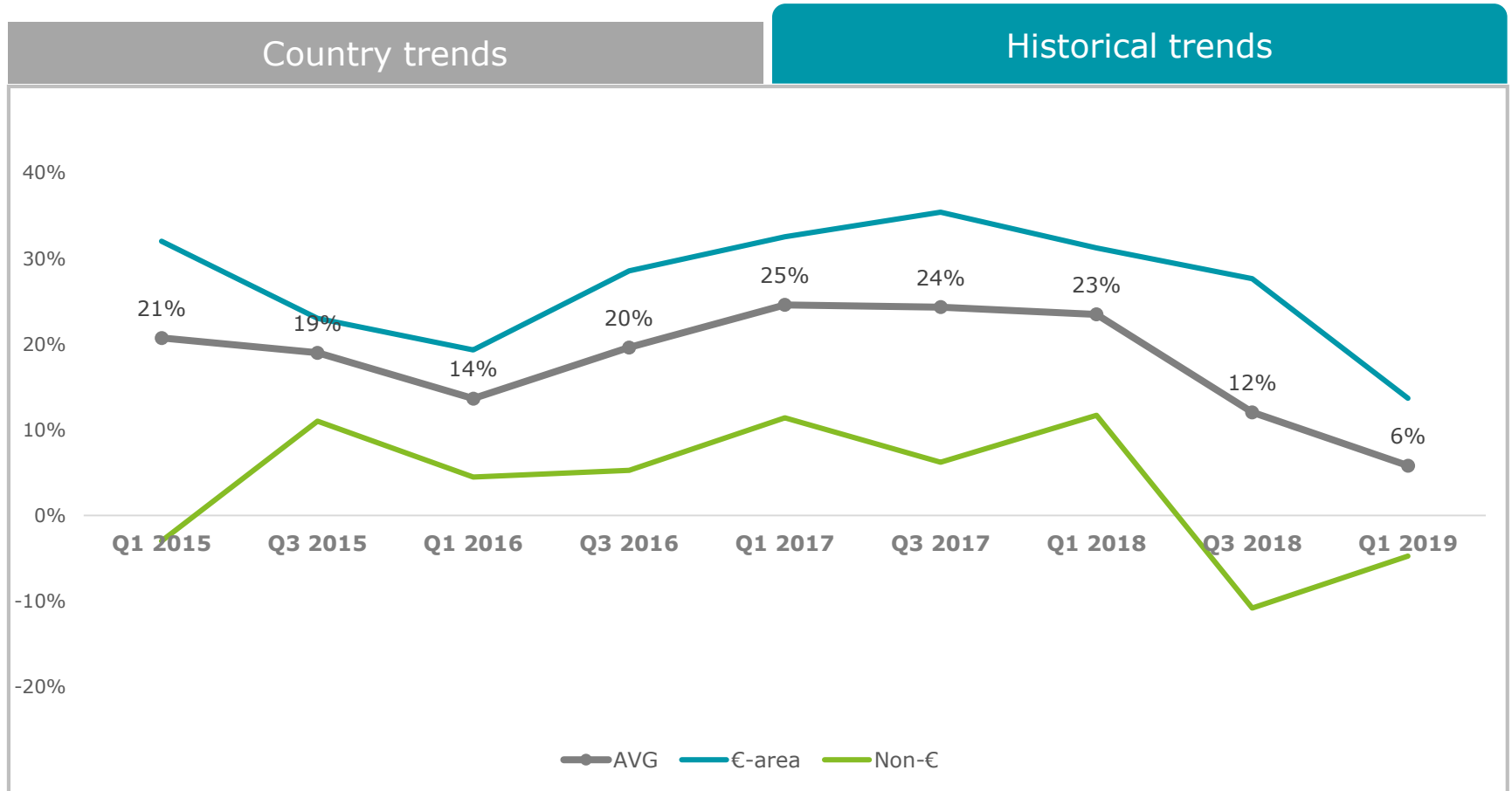
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Weighted Average



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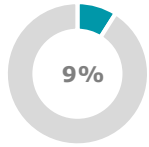
Contacts



*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.

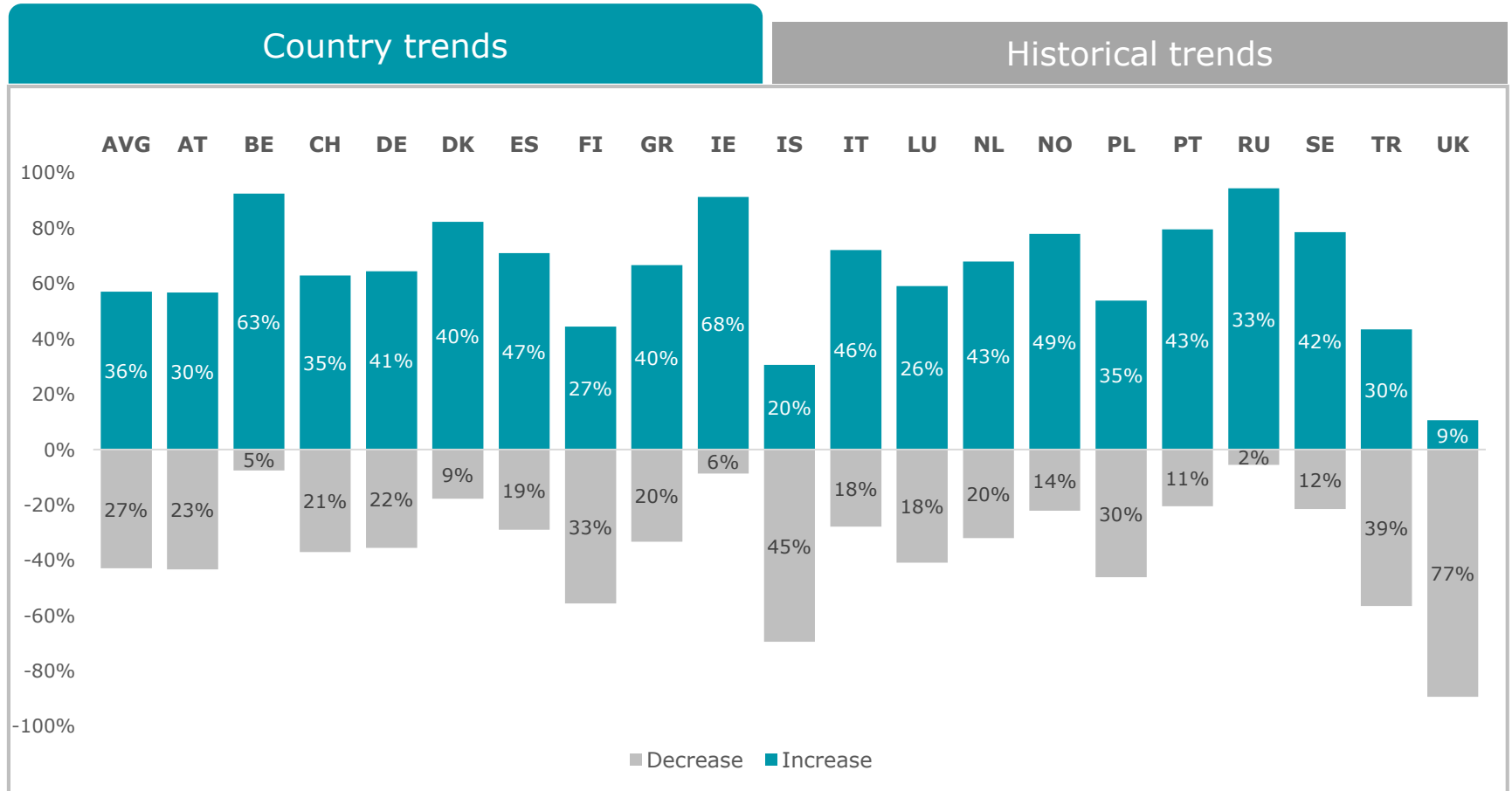
Capital expenditure outlook

In your view, how are capital expenditures for your company likely to change over the next 12 months?*



36% of CFOs expect their **capital expenditure to increase over the next 12 months** while **27%** expect it to decrease. This leads to a **net balance of 9%** who have a positive outlook linked to their capital expenditure.

Weighted Average



*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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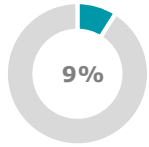


Contacts



Capital expenditure outlook

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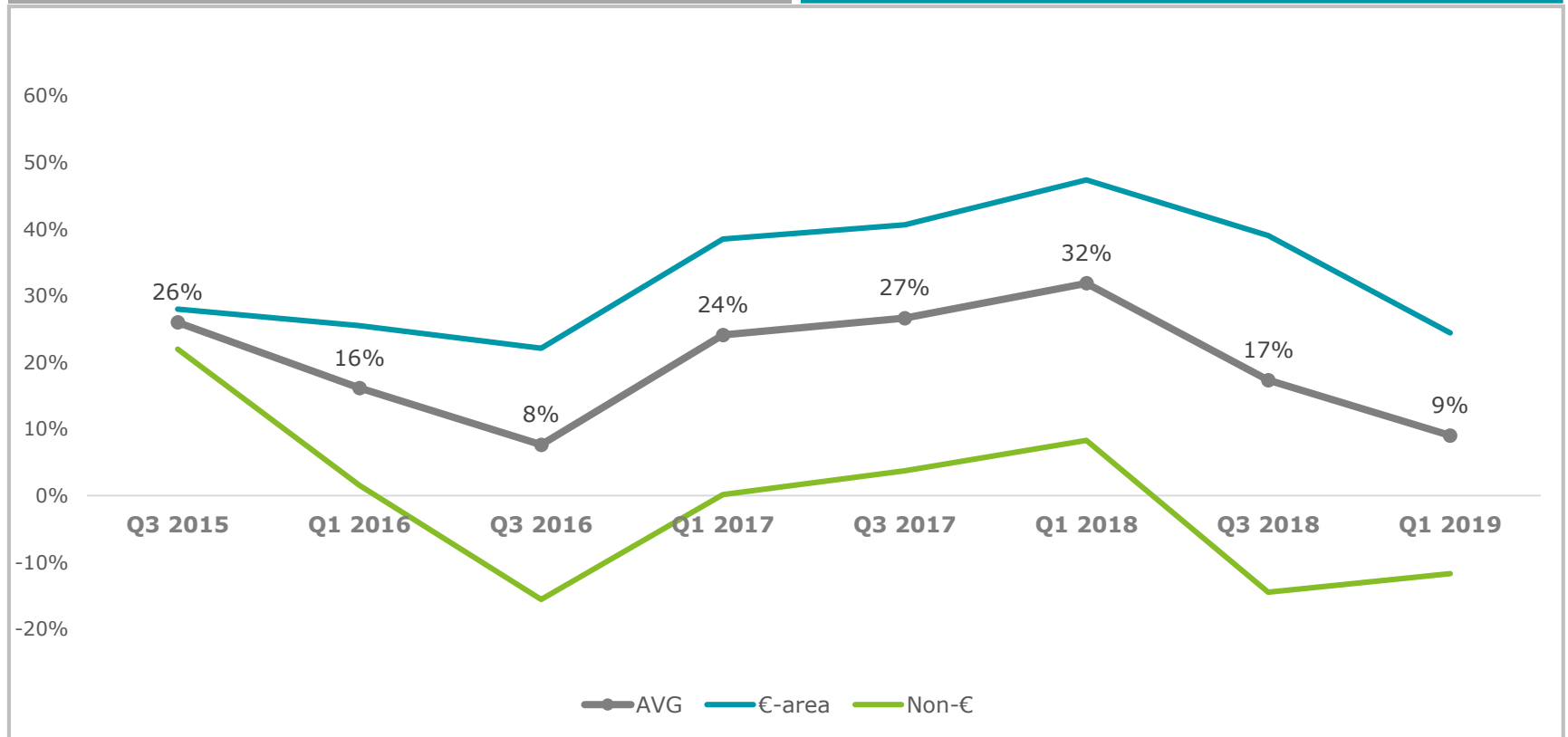


36% of CFOs expect their capital expenditure to increase over the next 12 months while 27% expect it to decrease. This leads to a net balance of 9% who have a positive outlook linked to their capital expenditure.

Weighted Average

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*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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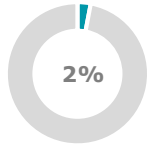


Contacts



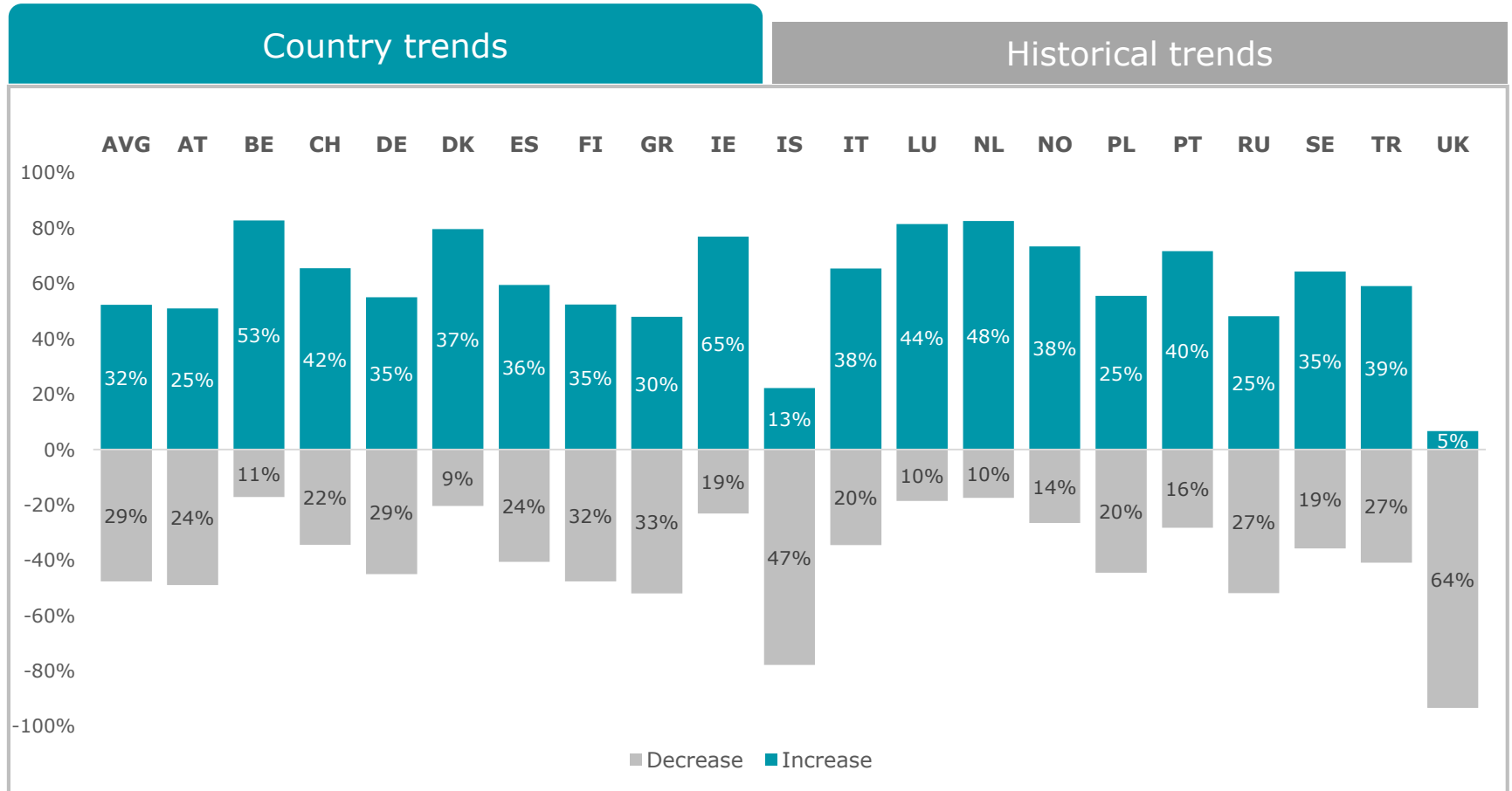
Hiring of employees outlook

In your view, how is how is the number of employees for your company likely to change over the next 12 months?*



32% of CFOs expect the **number of employees** at their company **to increase over the next 12 months**, while **30 % expect the number to decrease**. This leads to a **net balance of 3% who expect an overall increase in company employees**.

Weighted Average



*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.



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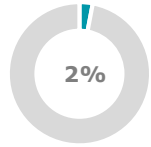


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Hiring of employees outlook

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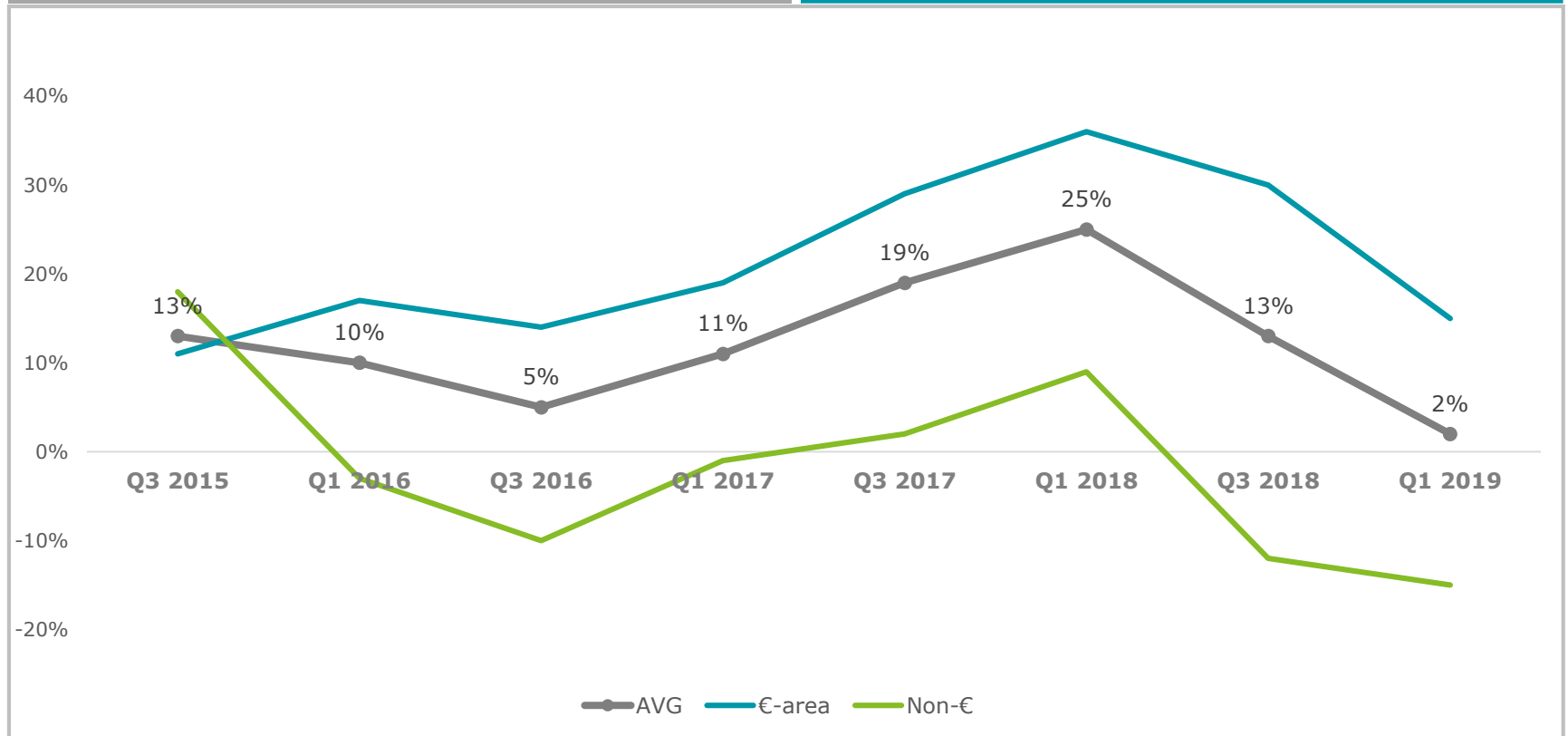
2%

32% of CFOs expect the **number of employees** at their company to **increase over the next 12 months**, while **30 % expect the number to decrease**. This leads to a **net balance of 3% who expect an overall increase in company employees**.

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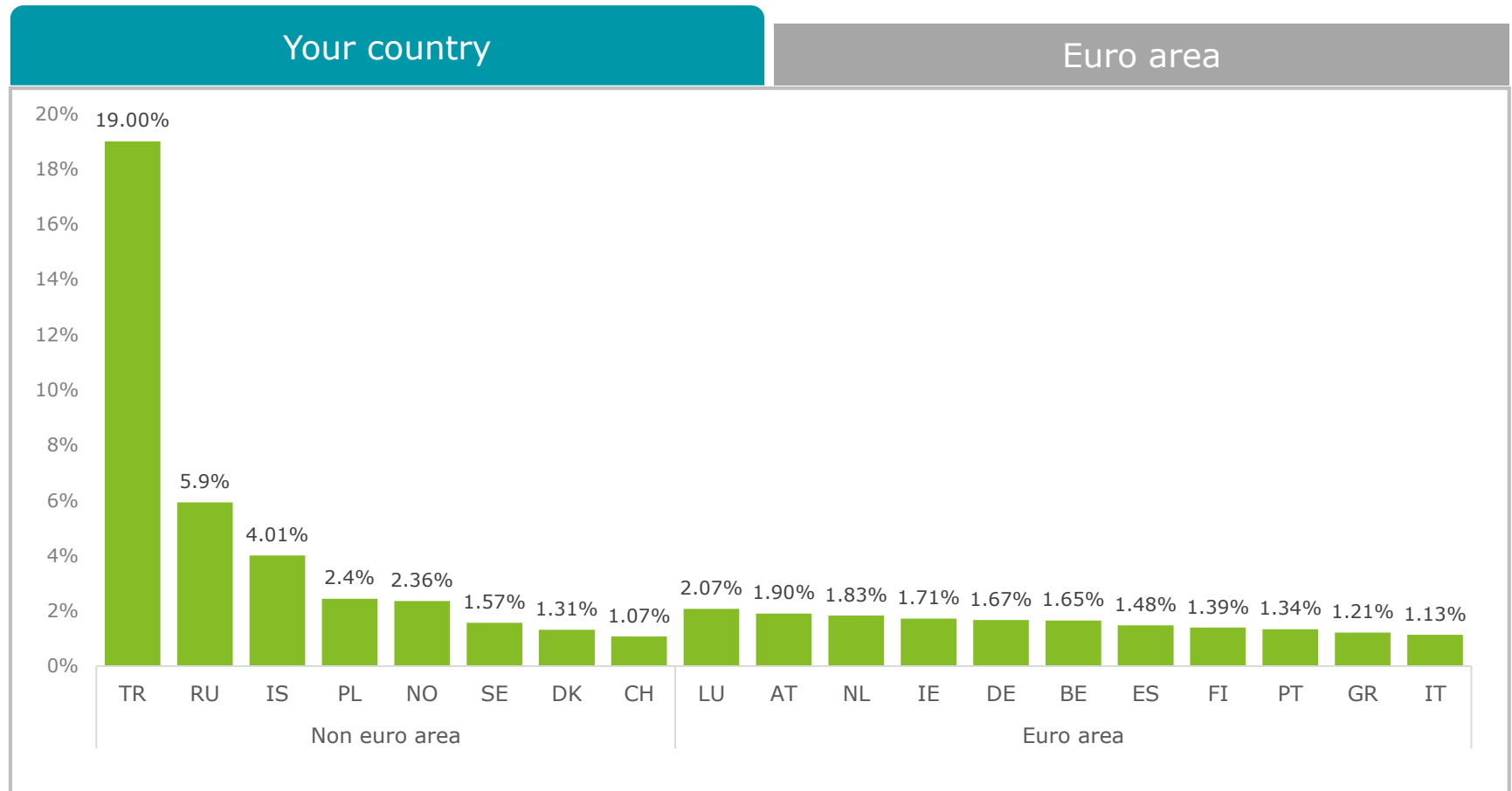
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*Note: In Denmark, Finland, Norway, Italy and Spain the question specified a six-month period.

Inflation rates

What do you think will be the inflation rate (for the Consumer Price Index) in your country over the next 12 months?*



*Note: This question was not asked in Switzerland and the United Kingdom.



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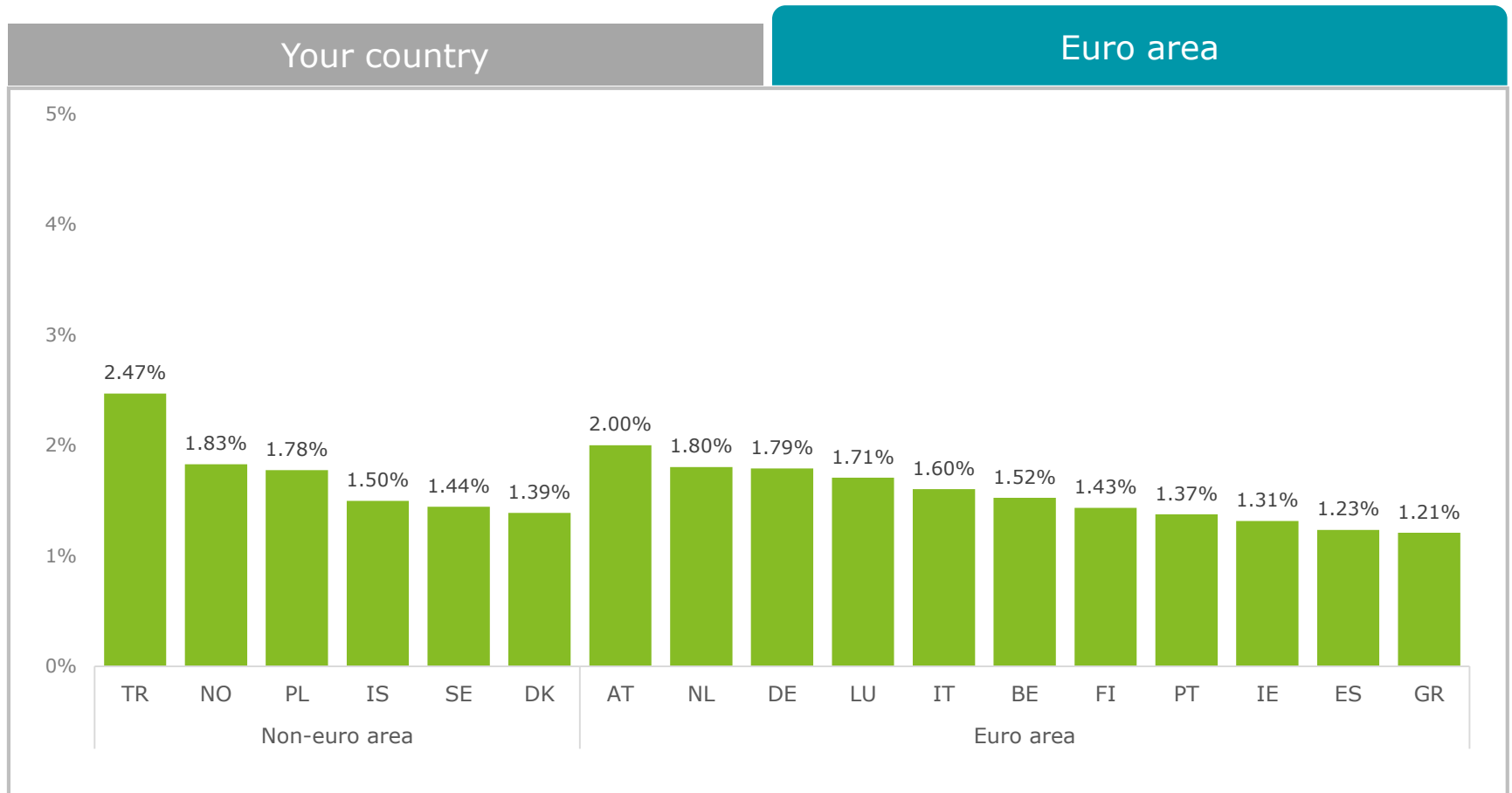
Inflation rates

What do you think will be the inflation rate (for the Consumer Price Index) in the Euro-area over the next 12 months?*

1.67%

Weighted Average

The **expected** inflation rate for the Euro-area is **1.67%** (weighted average)



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*Note: This question was not asked in Russia, Switzerland and the United Kingdom.

Geopolitical risks are back on top, but skilled labour shortages remain a concern

Which of the following factors are likely to pose a significant risk to your business over the next 12 months?

■ Risk #1 ■ Risk #2 ■ Risk #3

Risks	AT	BE	CH	DE	DK	ES	FI	GR	IE	IS	IT	LU	NL	NO	PL	PT	RU	SE	TR	UK	
A new Eurozone crisis						■ Risk #1															
Competitive position in the market		■ Risk #2																			
Currency fluctuations									■ Risk #2	■ Risk #1											■ Risk #1
Cyber risk																	■ Risk #3				
Digitalisation			■ Risk #3																		
Economic outlook / growth	■ Risk #3	■ Risk #3			■ Risk #1		■ Risk #1	■ Risk #1	■ Risk #2			■ Risk #1	■ Risk #2			■ Risk #1	■ Risk #2	■ Risk #1	■ Risk #2		
Economic uncertainty						■ Risk #3															
Effects of Brexit																					■ Risk #1
Geopolitical risks	■ Risk #2		■ Risk #1	■ Risk #2			■ Risk #2	■ Risk #2	■ Risk #1			■ Risk #3	■ Risk #3				■ Risk #2			■ Risk #3	■ Risk #3
Global recession											■ Risk #2										
Increasing costs																■ Risk #1					
Increasing regulations								■ Risk #3	■ Risk #2		■ Risk #3	■ Risk #2	■ Risk #2				■ Risk #3				
Inflation										■ Risk #3											
Interest rates										■ Risk #2											
Political uncertainty											■ Risk #2				■ Risk #3						
Pressure on margins and prices						■ Risk #2														■ Risk #2	
Reduction in demand			■ Risk #2		■ Risk #3		■ Risk #3				■ Risk #1					■ Risk #3					
Reduction in domestic demand				■ Risk #3										■ Risk #1				■ Risk #1			■ Risk #2
Reduction in foreign demand														■ Risk #2							
Shortage of capital																			■ Risk #3		
Shortage of skilled labour / talent	■ Risk #1	■ Risk #1		■ Risk #1	■ Risk #2				■ Risk #3				■ Risk #1		■ Risk #2	■ Risk #3					
Decrease in revenue																		■ Risk #3			



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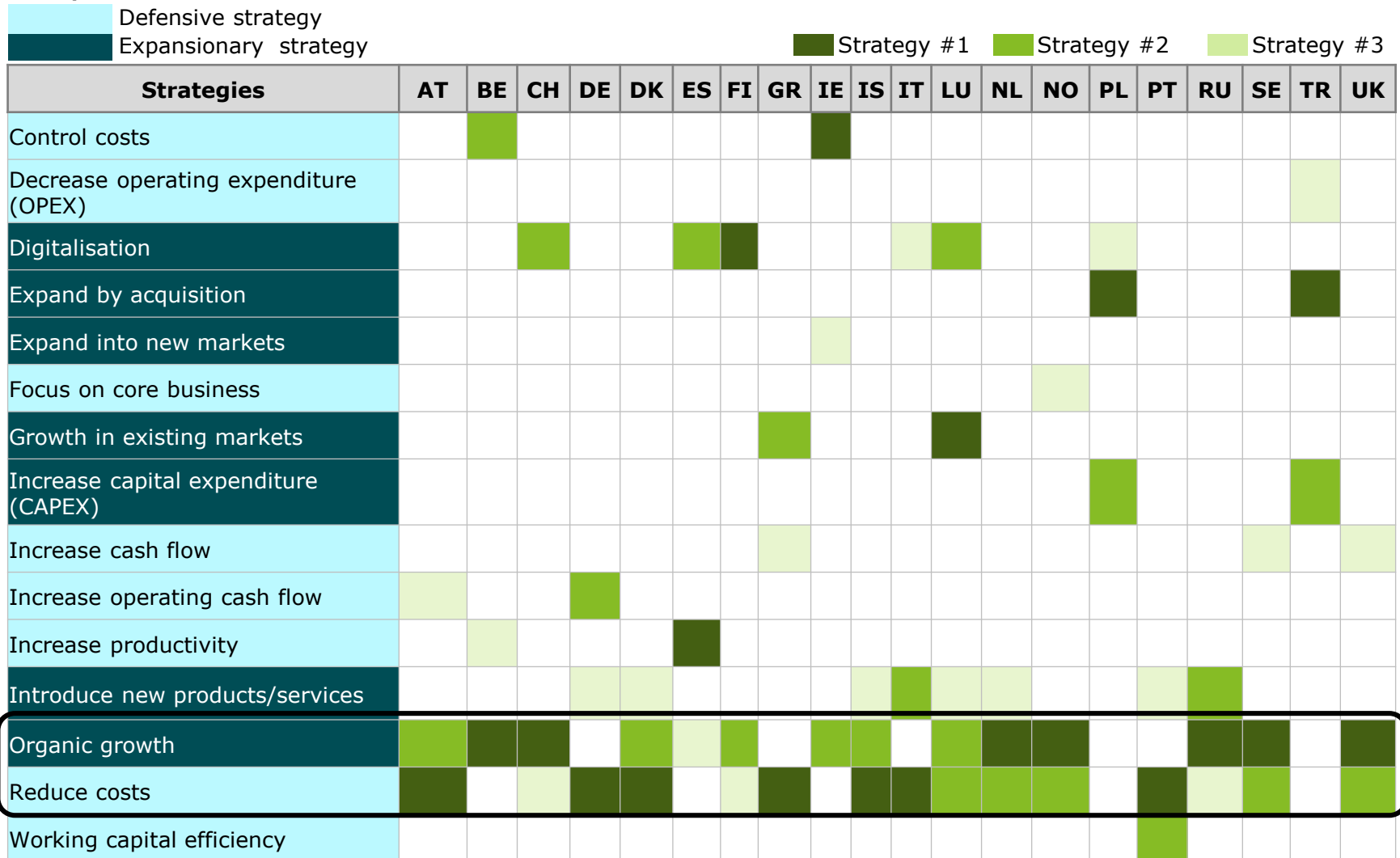


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Strategic priorities: running to stand still

Please state to what degree the following strategies are likely to be a priority for your business over the next 12 months



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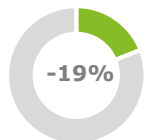


Contacts



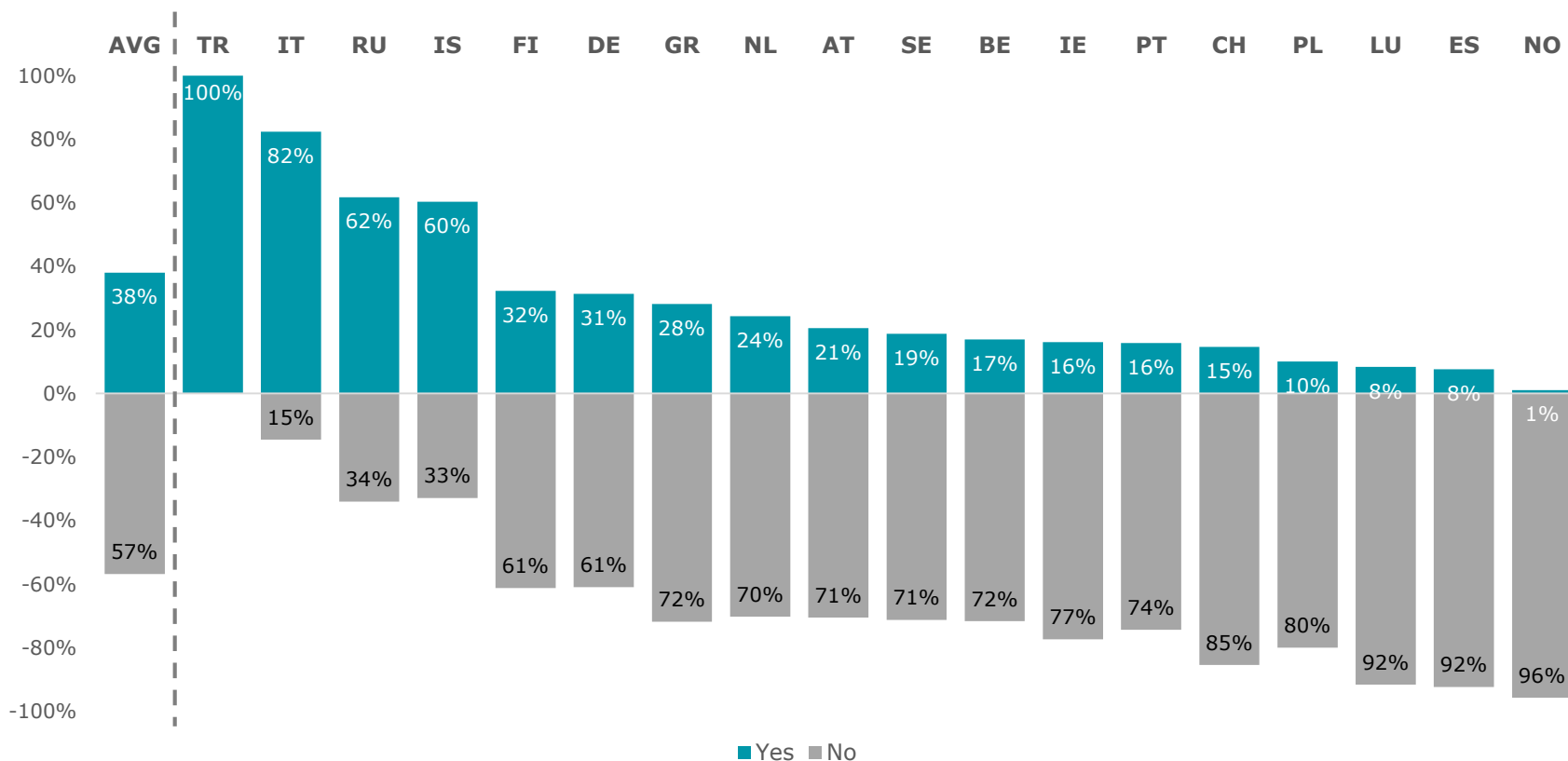
Expectations of recession – Own country

Do you expect a recession (two consecutive quarters of negative growth) to happen within the next 18 months in your country?



38% of CFOs expect a **recession** to happen in their own country within the **next 18 months**, while **57% do not**. This leads to a **net balance of -19%** who do expect a recession.

Weighted Average



* Note: This question was not asked in Denmark and the UK



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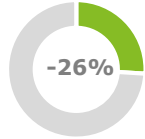


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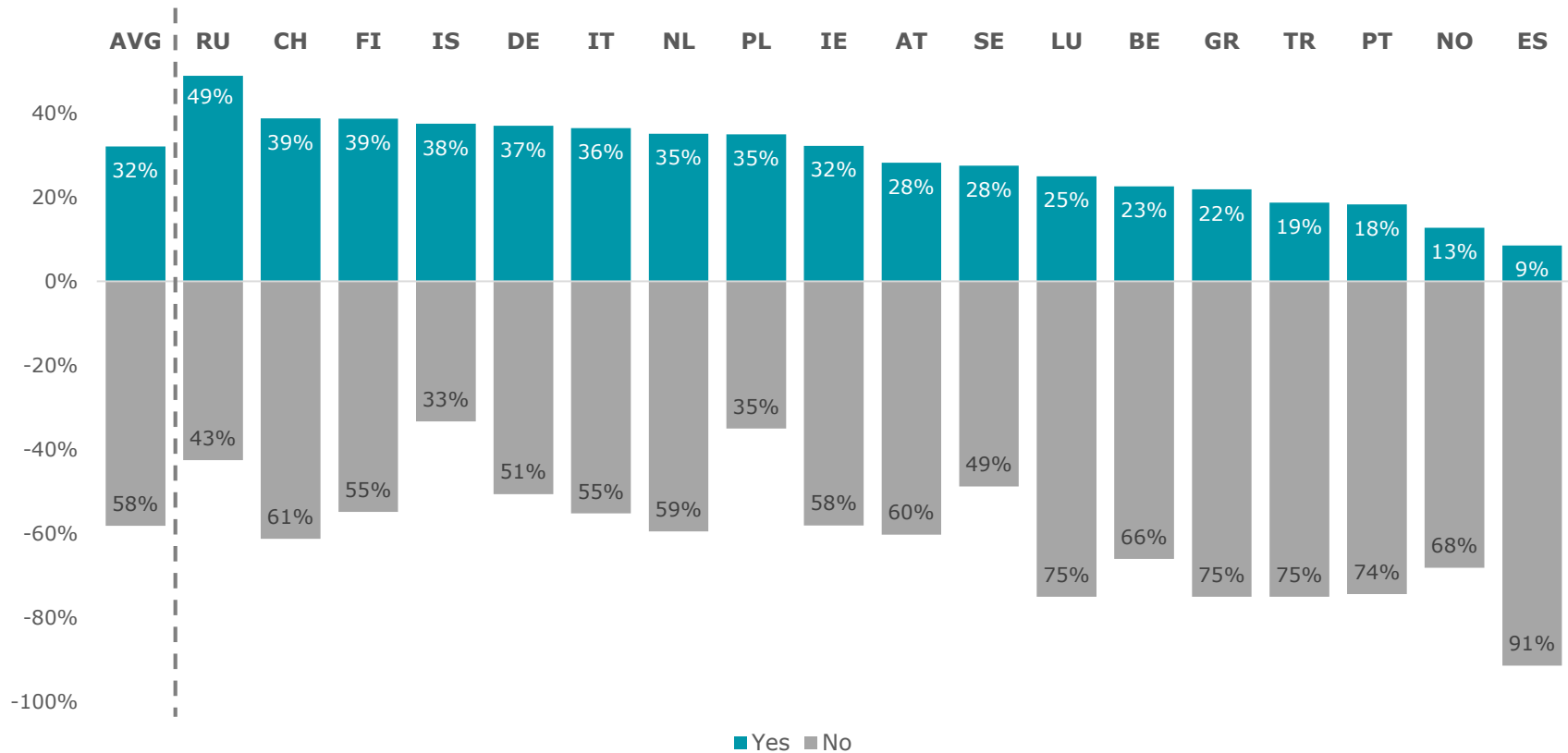
Expectations of recession – Euro area

Do you expect a recession (two consecutive quarters of negative growth) to happen within the next 18 months in the euro area?



32% of CFOs expect a **recession** to happen in the euro area within the **next 18 months**, while **58% do not**. This leads to a **net balance of -26% who do expect a recession**.

Weighted Average



* Note: This question was not asked in Denmark and the UK



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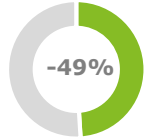


Contacts



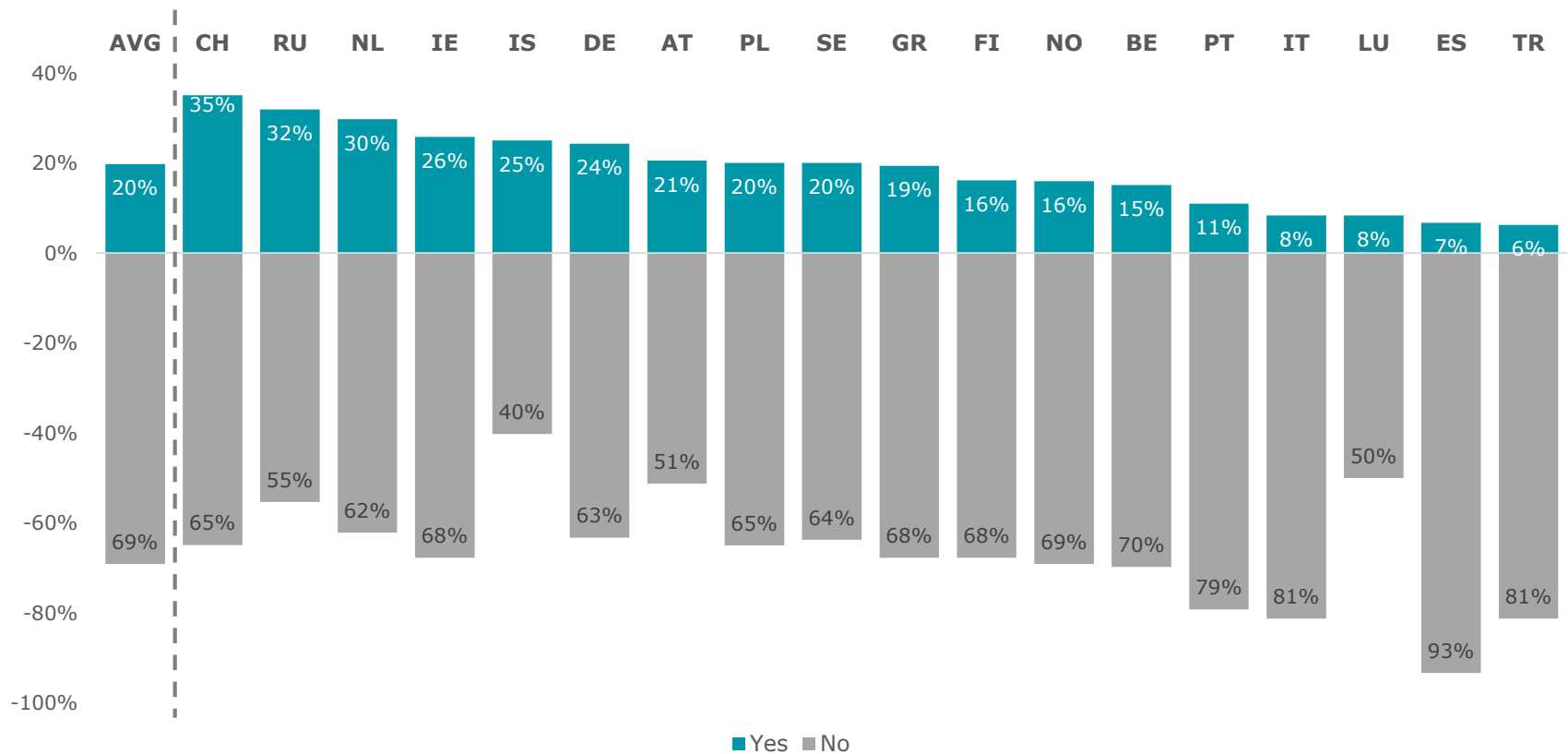
Expectations of recession – US

Do you expect a recession (two consecutive quarters of negative growth) to happen within the next 18 months in the US?



20% of CFOs expect a **recession** to happen in the US within the **next 18 months**, while **69% do not**. This leads to a **net balance of -49% who do expect a recession**.

Weighted Average



* Note: This question was not asked in Denmark and the UK



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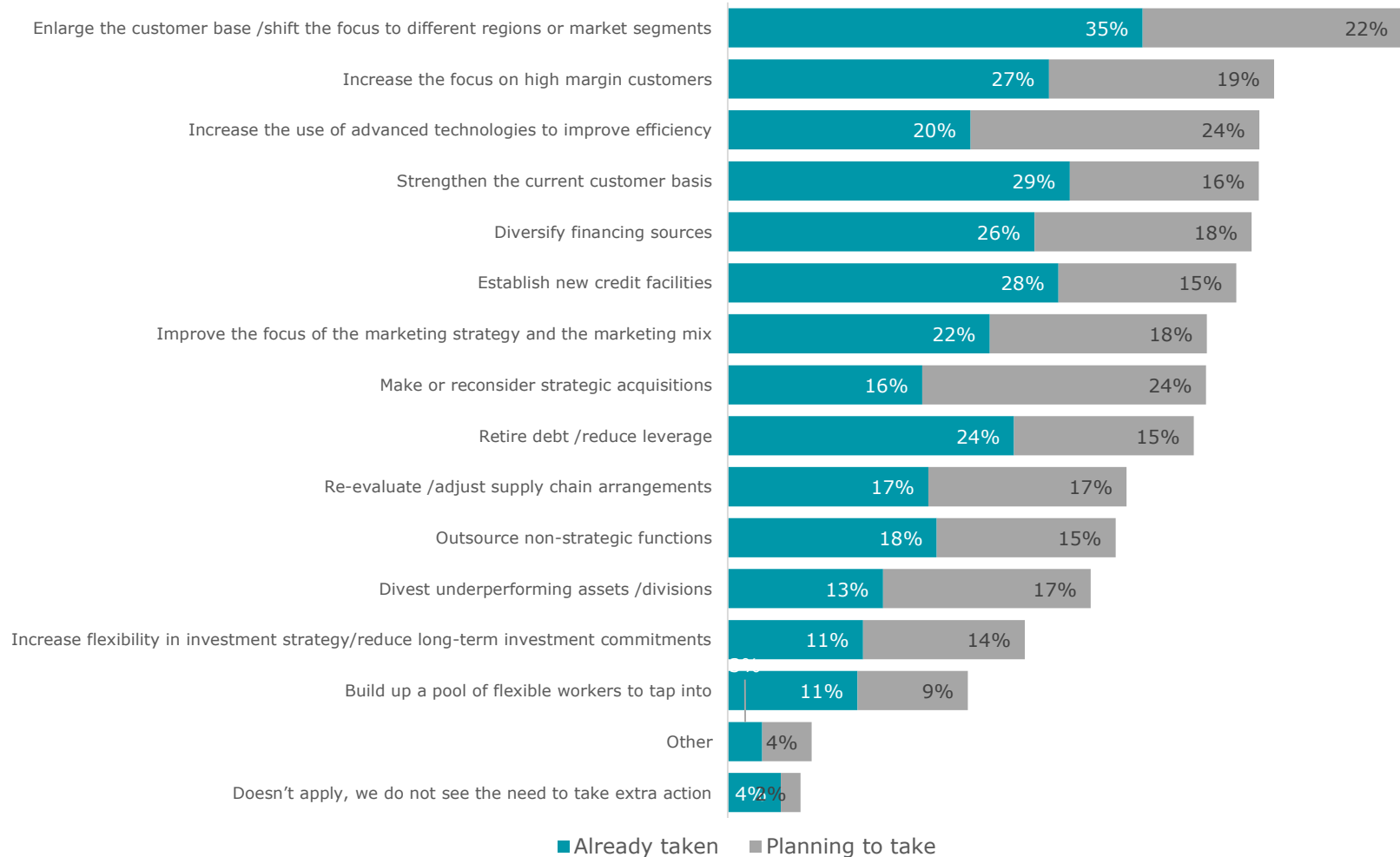


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Building up resilience

Which of the following actions have you already taken/are planning to take to make your company more resilient against a potential slowdown in global growth over the next 12 to 18 months?



*Note: This question was not asked in Denmark and the United Kingdom. Answers for Switzerland not included as the question was asked in an open-end format. The above data represents the weighted average calculations.



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Responses



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