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European CFO Survey

Undeterred by uncertainty

Spring 2018

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Acknowledgements
We would like to thank all participating CFOs for their support in completing the survey. We would also like to thank the CFO Survey Teams in each of the countries that collected the data from local CFOs. All data management was done by Ram Sahu.

Further information
For further information and a more detailed analysis please visit **www.deloitte.com/europeancfosurvey**. If you would like to contact us please email us at **europeanCFO@deloitte.co.uk**.

Foreword

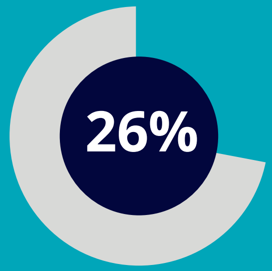
Welcome to the seventh edition of the Deloitte European CFO Survey.
The Survey presents the insights from CFOs across 20 countries in Europe on market and business sentiment. We continue to see optimism among CFOs about the next twelve months, although not as much as in our previous Survey in Autumn 2017. There continues to be a wide variation in outlook between CFOs in the euro area and those outside: those in the euro area remain more confident and optimistic. The area of special focus for this Survey is the perceptions of CFOs about external risks to their business – the likelihood that certain risk events will occur and their expected impact.

The European CFO Survey is an important part of the Deloitte EMEA CFO Programme, an initiative that brings together multidisciplinary teams of senior Deloitte professionals and subject matter specialists across Europe to help CFOs effectively address the challenges and demands they experience in their role. It is important that we have a clear understanding of what CFOs see as their primary concerns and focus areas.

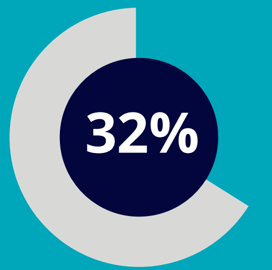
Overall the Deloitte EMEA CFO Programme helps inform, develop, empower and connect the CFO community across the region. It does this through offerings that include the Deloitte Next Generation CFO Academy and CFO Transition Labs, geared to assist CFOs in executive transitions and transformations. If you would like further information on the programme please contact the programme leader in your country.

We would like to thank all the CFOs who took the time to participate in this edition of the Deloitte European CFO Survey. We hope that these insights bring an interesting dynamic to your discussions.

Alan Flanagan
Partner, EMEA CFO Programme Lead

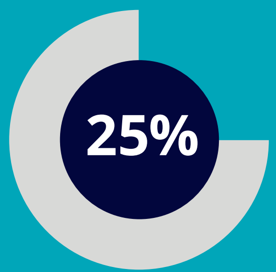


A net balance of 26% of CFOs feel more optimistic about the financial prospects for their company – 6 percentage point less than in Autumn 2017

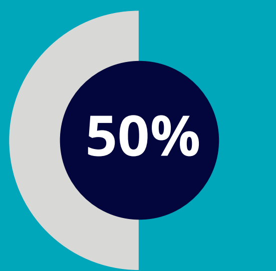


A net balance of 32% of CFOs expect capital expenditure to increase over the next 12 months

"Skilled labour shortage" is a top three risk among CFOs in 11 of the 20 countries in the Survey



A net balance of 25% of CFOs expect the number of employees in their company to increase in the next 12 months



A net balance of 50% of CFOs consider a cyber-attack to be a likely event. However, a net balance of only 3% expects this to have a high-impact on their business

Key findings

The message from CFOs in Deloitte's European CFO Survey, Spring 2018 edition continues to be a positive one.

CFOs remain fairly confident about the future, although their mood has turned from overly optimistic to normal. The external financial and economic environment remains highly uncertain for many CFOs. Nonetheless, a growing number of them now consider this a good time to take on more risks, add to their workforce and invest.

Expectations of economic growth in Europe appear to remain solid, although a little momentum has been lost. The strategic priorities of CFOs reinforce this view. Although we do not see an increase in expansionary strategies, there has been no switch towards defensive strategies either. Apparently, we have not yet reached the tipping point in the economic cycle.

Although CFOs mentioned concerns about the economic outlook and a reduction in demand more often than in the Autumn 2017 Survey, it is the labour market that now keeps them awake at night. In more than half the twenty countries surveyed, CFOs identified a shortage of skilled labour as a significant risk to their business. With a tightening labour market, companies will need to prepare for fierce competition to attract talent – especially as many of them plan to increase employee numbers over the next 12 months.

For this edition, we asked CFOs about their perceptions of various risks to the global economy, to understand whether CFOs think that their companies are vulnerable and, if so, where. Their responses provide further evidence that CFOs do not see the current geopolitical and macroeconomic situation as particularly critical for their companies: they consider that the risks most likely to materialise are also those they would expect to have only a small impact on their business. Whether this is because they feel prepared to deal with any problems that may arise, or because they are simply unconcerned and do not feel affected, remains an important point to assess.

For example, although a large majority of CFOs consider a rise in protectionism a likely event, on balance they do not consider this to have a high impact on their business. However, views vary among CFOs in different industries; those in manufacturing are much more concerned than CFOs in other industries.

While their lack of concern is reassuring in some ways, there exists the possibility that CFOs may be wrong, grossly underestimating the probability that risk events may occur and the impact this would have on their balance sheets and overall business. For example, CFOs consider a major cyber-attack to be a likely event but also attribute to it a low-impact rating for their company. This could turn out to be a very costly misjudgement.

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Optimistic but with less enthusiasm

Optimism among CFOs is lower than we reported in our previous edition of the Survey (Autumn 2017).

In Spring 2018 a net balance of +26% of CFOs are more optimistic about future prospects than those who are more pessimistic: this is a fall of six percentage points (-6pp). The reason is that, compared to Autumn 2017, the proportion of CFOs feeling more optimistic about their company's future fell, with a corresponding increase in the proportion reporting that they feel no more or no less confident than before. The proportion less optimistic about the financial prospect of their company is broadly the same as in Autumn 2017. Rather than becoming more pessimistic, it would therefore seem that CFOs are now returning to a more 'normal' outlook.

Furthermore, despite this decline in sentiment over the past six months, the overall net balance of +26% is slightly higher than one year ago, suggesting that CFOs remain fairly confident about the future. This view is consistent with the overall positive outlook for the economy. According to the latest **IMF Global Economic Outlook** (April 2018)[1] economic growth in advanced economies will further strengthen in 2018, reflecting, in particular, the spillover effects of an expansionary fiscal policy in the US.

CFOs in the euro area remain more confident

CFOs within the euro area showed a higher level of confidence than those outside. A net balance of +35% of euro area CFOs are more optimistic about the future, compared to a net balance of +13% of those outside. This is despite a series of disappointing economic data for the euro area in the past few months, indicating that although the economic recovery may have lost momentum, a tipping point in CFO sentiment has not yet been reached. Indeed the Purchasing Manager Index (PMI) for the past few months indicates that although economic growth may have slowed down, business expansion remains robust. Interestingly, the only countries within the euro area where there was an increase in the net balance of optimistic CFOs are in the 'periphery economies' of Ireland, Italy and Spain – suggesting that the recovery in the euro area may have really established itself.

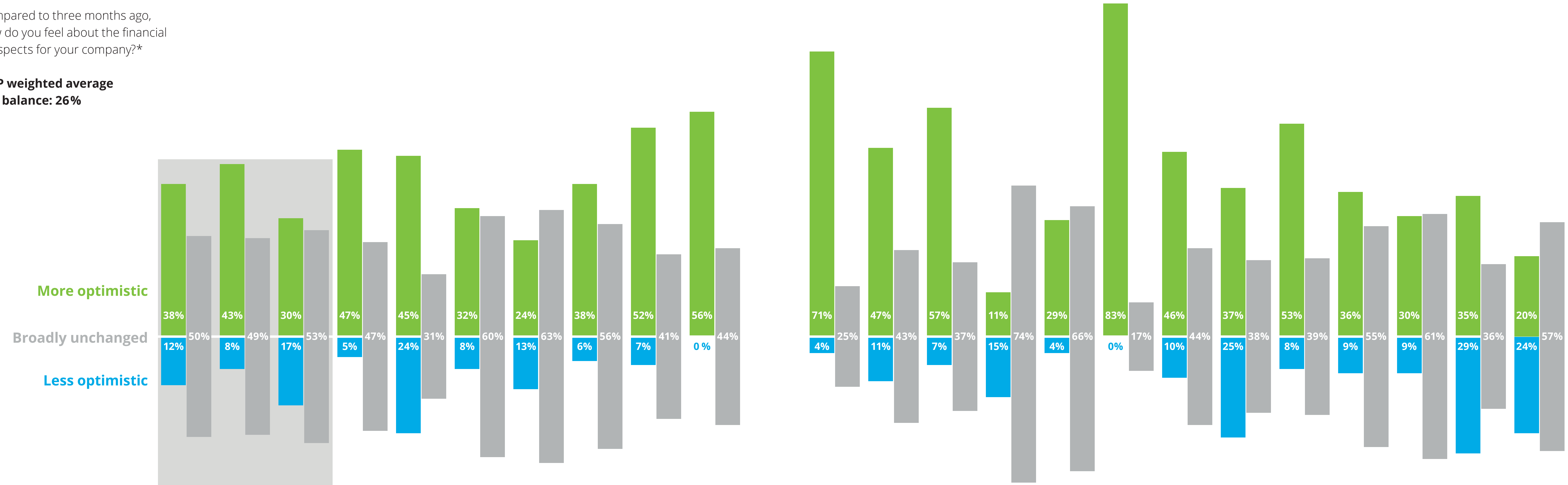
Outside the euro area, CFOs are less optimistic

CFOs outside the euro area seem less optimistic about the future. Iceland and the UK are the only two countries in the Survey with a negative net balance of optimistic CFOs (-5% and -4% respectively). Sentiment in Russia and the UK is on a declining trend and is lower now than one year ago. A softening economic outlook and uncertainties related to Brexit may explain the expectations of CFOs in the UK; and in Russia fresh sanctions against several Russian businesses may have increased concerns about the economy and its future prospects.

Chart 1.
Financial prospects (%)

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

GDP weighted average net balance: 26%



Consolidated average data	GDP	€-area	Non-€	AT	BE	CH	DE	DK	ES	FI	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Net Balance	26%	35%	13%	42%	20%	24%	11%	32%	45%	56%	67%	36%	50%	-5%	25%	83%	36%	12%	45%	27%	22%	5%	-4%
Absolute changes to autumn 2017	(-6 pp)	(-4 pp)	(-8 pp)	(-19 pp)	(-27 pp)	(-3 pp)	(-9 pp)	(+12 pp)	(+5 pp)	(-17 pp)	(-8 pp)	(-9 pp)	(+8 pp)	N/A	(+4 pp)	(+74 pp)	(+4 pp)	(-14 pp)	(-10 pp)	(-17 pp)	(-31 pp)	(-15 pp)	(-4 pp)
	↓	↓	↓	↓	↓	↓	↓	↑	↑	↓	↓	↓	↑	-	↑	↑	↑	↓	↓	↓	↓	↓	↓

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

Uncertainty

The overall level of perceived uncertainty about the future remains quite high.

The net balance of CFOs who consider the current level of external financial and economic uncertainty to be high is +44%: this is substantially unchanged from Autumn 2017, although considerably lower than one year ago.

Euro area and non-euro countries: the overall gap widens
The gap between the perceptions of CFOs in countries inside and outside the euro area, which we first reported in the previous edition of the European CFO Survey, continues to widen. The net balance of CFOs outside the euro area who consider uncertainty to be high increased from +49% in Autumn 2017 to +52% in Spring 2018, whereas it fell slightly (from +40% to +39%) among CFOs within the euro area.

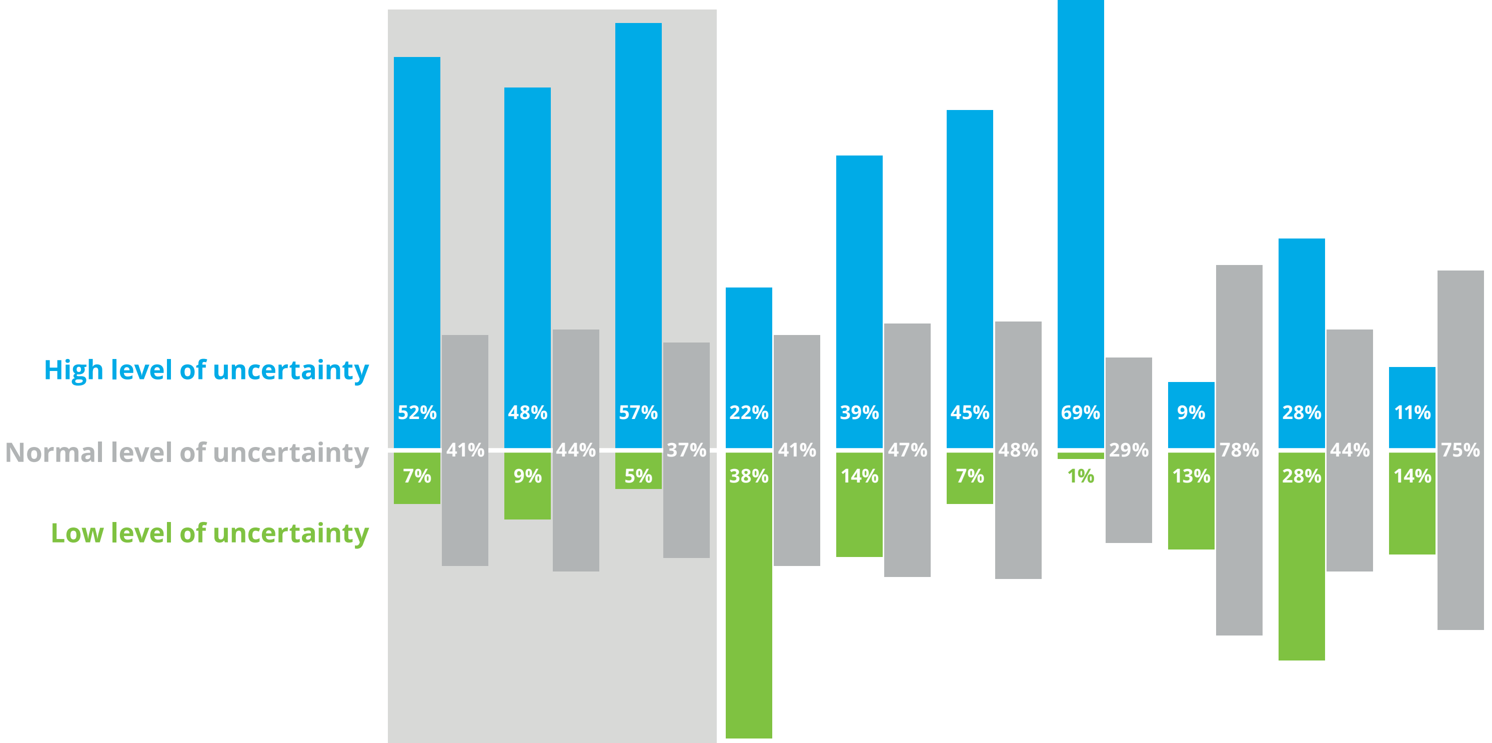
Within the euro area, Italy is a notable exception. There has been a steep increase in perceived uncertainty, with the net balance increasing by 54pp to +53%. This is possibly due to the effect of the inconclusive national election that took place at the beginning of March. In Spain the net balance declined for the fourth consecutive Survey, to an unprecedent low of 0% in Spring 2018. CFOs in Spain appear to be less concerned than those in Italy about political developments – the uncertainties linked to Catalonia's attempt at gaining independence have lessened in recent months. Moreover, a strong four-year recovery (which has seen Spain outperform its European peers) provides for a more certain economic environment.

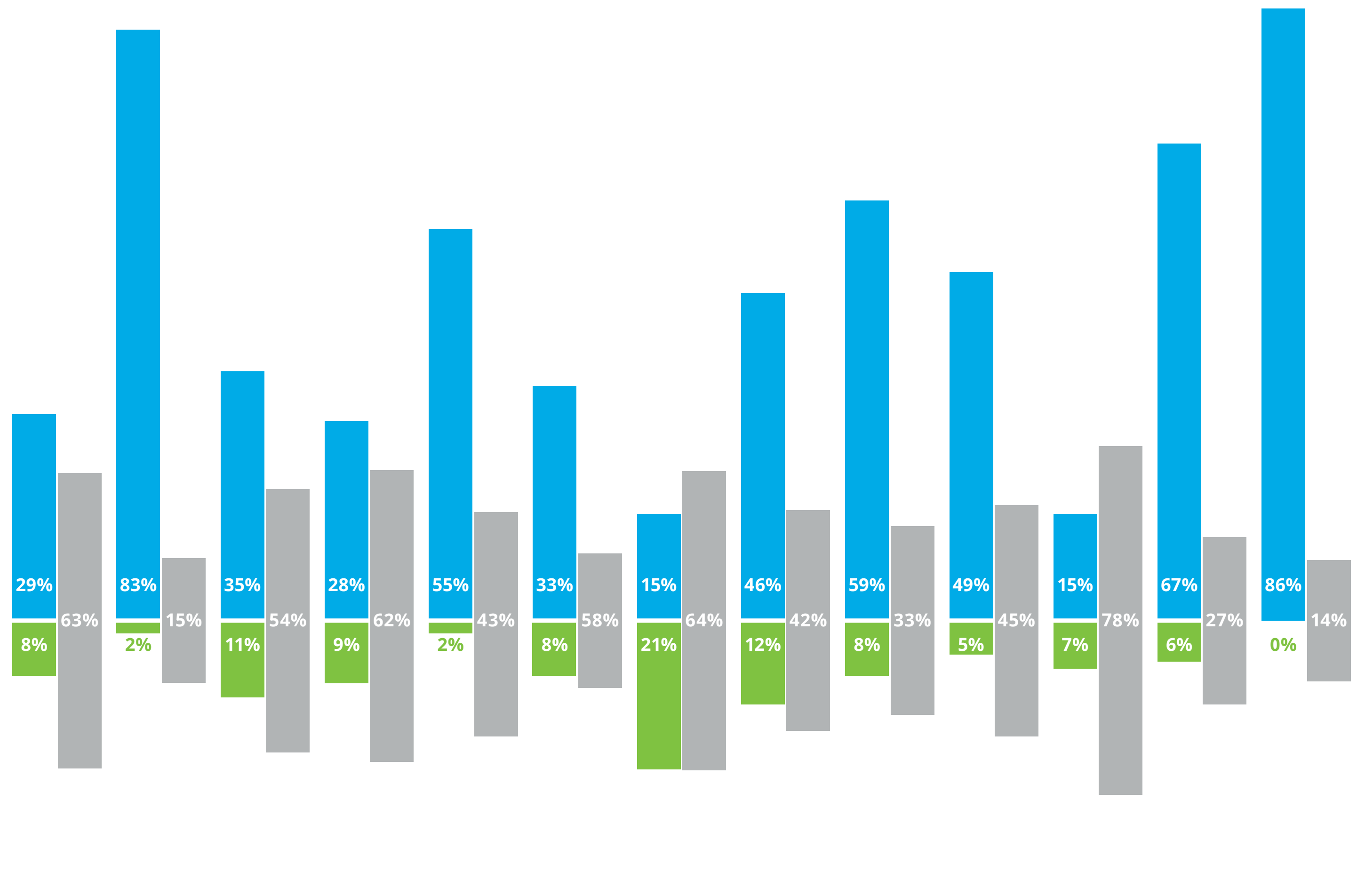
Outside the euro area, there are relatively low (and declining) levels of uncertainty in Iceland and the Scandinavian countries (Norway, Denmark and Sweden); and in Switzerland the net balance is still positive, but it has fallen for the fifth consecutive Survey. In contrast, the UK has the highest net balance of CFOs who consider uncertainty to be high – this is not surprising given the unclear outcome of Brexit. Perceived uncertainty in Poland has also increased substantially since Autumn 2017, with an increase in the net balance by 41pp to +34%, although it is still lower than one year ago.

Chart 2.
External financial and economic uncertainty (%)

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

GDP-weighted average net balance: 44%





Consolidated average data	GDP	€-area	Non-€	AT	BE	CH	DE	DK	ES	FI
Net Balance	44%	39%	52%	-16%	24%	38%	68%	-4%	0%	-4%
Absolute changes to autumn 2017	(+0 pp)	(-1 pp)	(+2 pp)	(+24 pp)	(+24 pp)	(-4 pp)	(-8 pp)	(0 pp)	(-10 pp)	(-7 pp)
	=	↓	↑	↑	↑	↓	↓	=	↓	↓

Consolidated average data	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Net Balance	21%	81%	24%	19%	53%	25%	-7%	34%	51%	44%	8%	61%	86%
Absolute changes to autumn 2017	(-26 pp)	(+7 pp)	(-23 pp)	N/A	(+54 pp)	(-42 pp)	(-3 pp)	(+41 pp)	(+8 pp)	(+13 pp)	(-5 pp)	(-7 pp)	(+1 pp)
	↓	↑	↓	-	↑	↓	↓	↑	↑	↑	↓	↓	↑

Risk appetite

The majority of CFOs consider that it is still not yet time to take more risk on to their balance sheet.

In line with the continuing positive economic conditions, the number of CFOs willing to take more risk on to their balance sheet has improved since Autumn 2017.

The gap in attitude to risk between CFOs in the euro area and those outside is at its widest point since our Surveys began in 2015. For the fourth consecutive Survey, there has been an increase in the proportion of CFOs in the euro area willing to take on more risk; whereas CFOs outside the euro area are increasingly risk averse. The biggest falls since Autumn 2017 in willingness to take on more risk are in the UK and Russia (with net balances of -19pp and -29pp respectively). Three non-euro countries (the UK, Iceland and Turkey) have the most negative net balances among all the countries in the Survey.

Chart 3.
Risk appetite over time (net balance %)

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

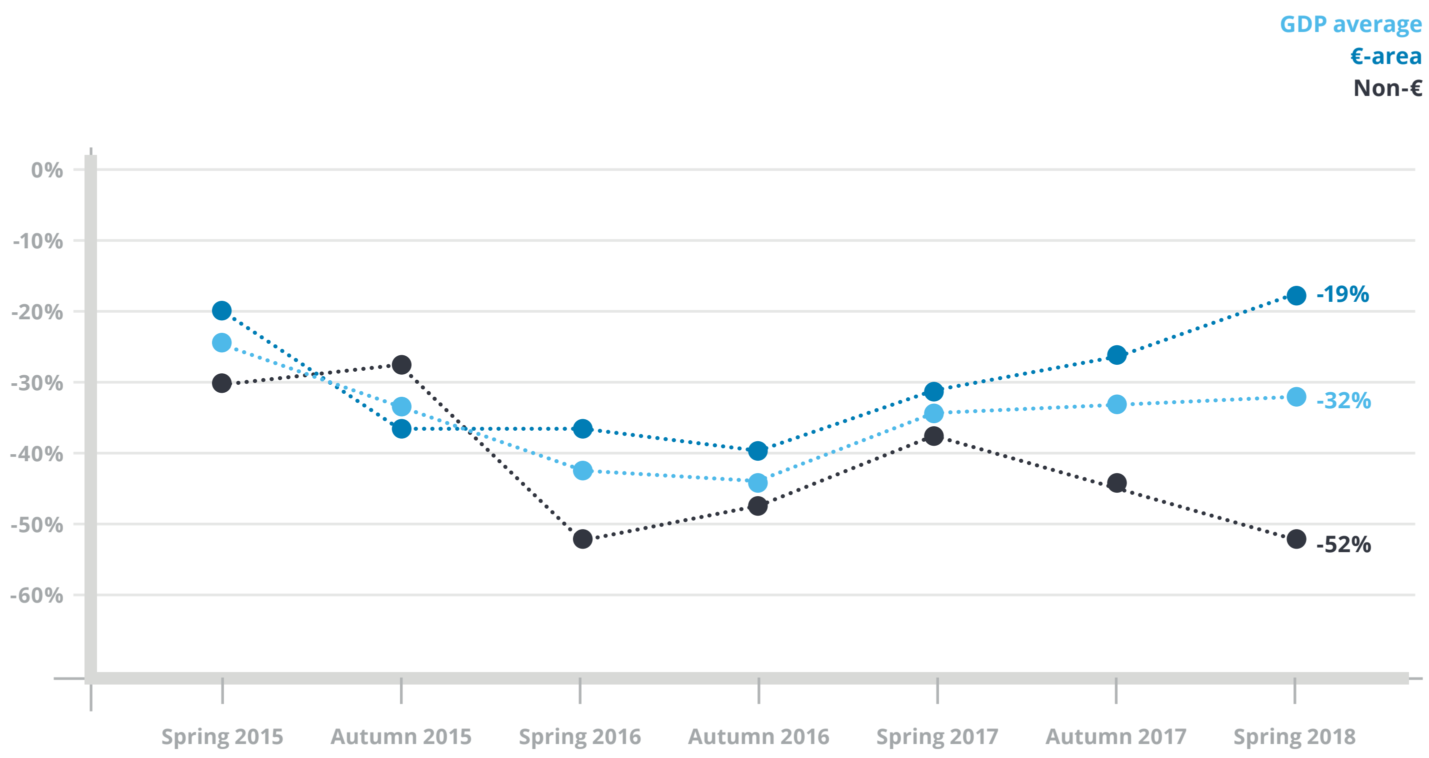


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Chart 4. Risk appetite (%)

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

GDP-weighted average net balance: -32%

Consolidated average data	GDP	€-area	Non-€	AT	BE	CH	DE	DK	ES	FI	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Yes	34%	41%	24%	43%	45%	40%	26%	37%	60%	64%	50%	26%	41%	19%	40%	25%	35%	37%	35%	25%	34%	15%	14%
No	66%	59%	76%	57%	55%	60%	74%	63%	40%	36%	50%	74%	59%	81%	60%	75%	65%	63%	65%	75%	66%	85%	86%
Net Balance	-32%	-19%	-52%	-14%	-10%	-21%	-48%	-26%	20%	29%	0%	-49%	-17%	-62%	-19%	-50%	-31%	-26%	-30%	-49%	-31%	-69%	-72%
Absolute changes to autumn 2017	(+2 pp)	(+9 pp)	(-8 pp)	(+6 pp)	(-15 pp)	(+2 pp)	(+3 pp)	(+11 pp)	(+19 pp)	(+4 pp)	(+28 pp)	(+3 pp)	(+4 pp)	N/A	(+11 pp)	(-59 pp)	(+13 pp)	(+6 pp)	(0 pp)	(-29 pp)	(+15 pp)	(+2 pp)	(-19 pp)
														-					=				

The trend seen in countries outside the euro area is in sharp contrast to attitudes within the euro area, where the proportion of CFOs considering this a good time to take more risk on to the balance sheet has increased in seven countries since Autumn 2017, while remaining stable in Portugal. In two countries, Finland and Spain, the majority of CFOs consider this a good time to take on more risk. France showed the biggest increase in willingness to take on risks (+28pp compared to Autumn 2017), reaching its highest net balance since our European CFO Surveys began. A possible reason for this could be increased confidence of CFOs in the ability of President Emmanuel Macron to deliver economic reforms. Spain showed the second biggest improvement in willingness to take on more risk (+19pp). Overall, CFOs in Spain seem to have a brighter outlook than their peers in other countries: in this Spring 2018 edition CFOs in Spain showed one of the biggest increases in optimism and willingness to take on risk and one of the largest falls in perceived uncertainty, compared to Autumn 2017.

- CFOs across Europe continue to be optimistic about the future and a growing number now consider this a good time to take on more risk
- However, CFO sentiment has weakened since our previous Survey in Autumn 2017 and many consider the overall level of external economic uncertainty to be high – although stable
- CFOs in the euro area display a higher level of confidence and have bolder views about risk and external uncertainty than their peers outside the euro area.

Confidence in revenues and investment

CFO expectations about financial metrics over the next 12 months are in line with the overall positive – but less robust – economic outlook.

Expectations higher for revenues than for margins
Overall, a net balance of +63% of CFOs expect revenues to increase over the next 12 months – 5pp more than in Autumn 2017 and the highest level reached since the European CFO Survey was first published. CFOs in Germany are particularly confident about revenue growth, with a net balance of +79%; together with Finland, this is the highest net balance among all the countries in the Survey. Although (according to the Bundesbank) economic growth may have slowed down since the beginning of 2018, the revenue expectations of CFOs in Germany indicate that business conditions remain favourable.

Expectations about margins also remain positive, with a net balance of +23% of CFOs expecting higher margins over the next 12 months. This is substantially the same as in Autumn 2017 (1pp lower). However, in an increasing number of countries, CFOs are starting to feel the pinch on margins – particularly in the euro area, where fewer now expect margins to improve and more expect them to fall. This is perhaps unsurprising after 12 months of sustained margin growth. Interestingly, the three euro-area countries where expectations of higher margins showed the biggest increase are Greece, Spain and Portugal – a further sign that the recovery in the euro area is widespread and well established.

Outside the euro area, it is interesting to note the positive trend in Switzerland. The net balance in expectations about margins over the next 12 months has increased there, for the second Survey in a row (reaching its highest level since Spring 2015). In recent years, the strong Swiss franc has put operating margins for Swiss companies under pressure and made more urgent the need to improve efficiency. Given that the currency has depreciated since last summer, CFOs in Switzerland expect to reap the benefits of their efficiency efforts and enjoy higher margins.

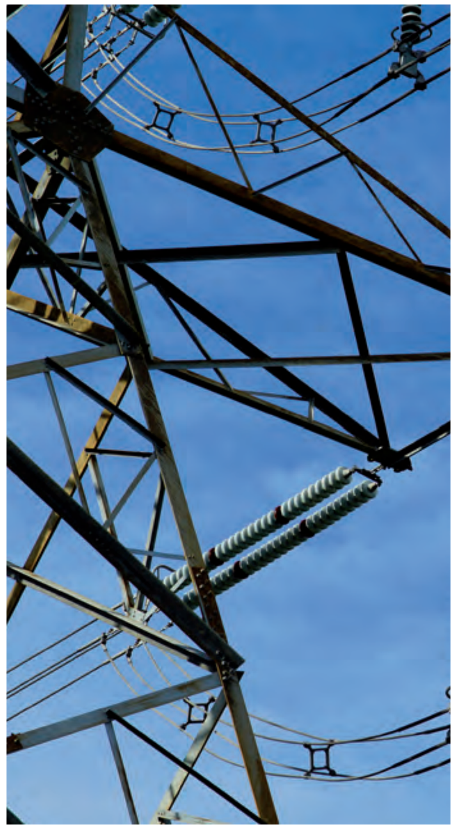
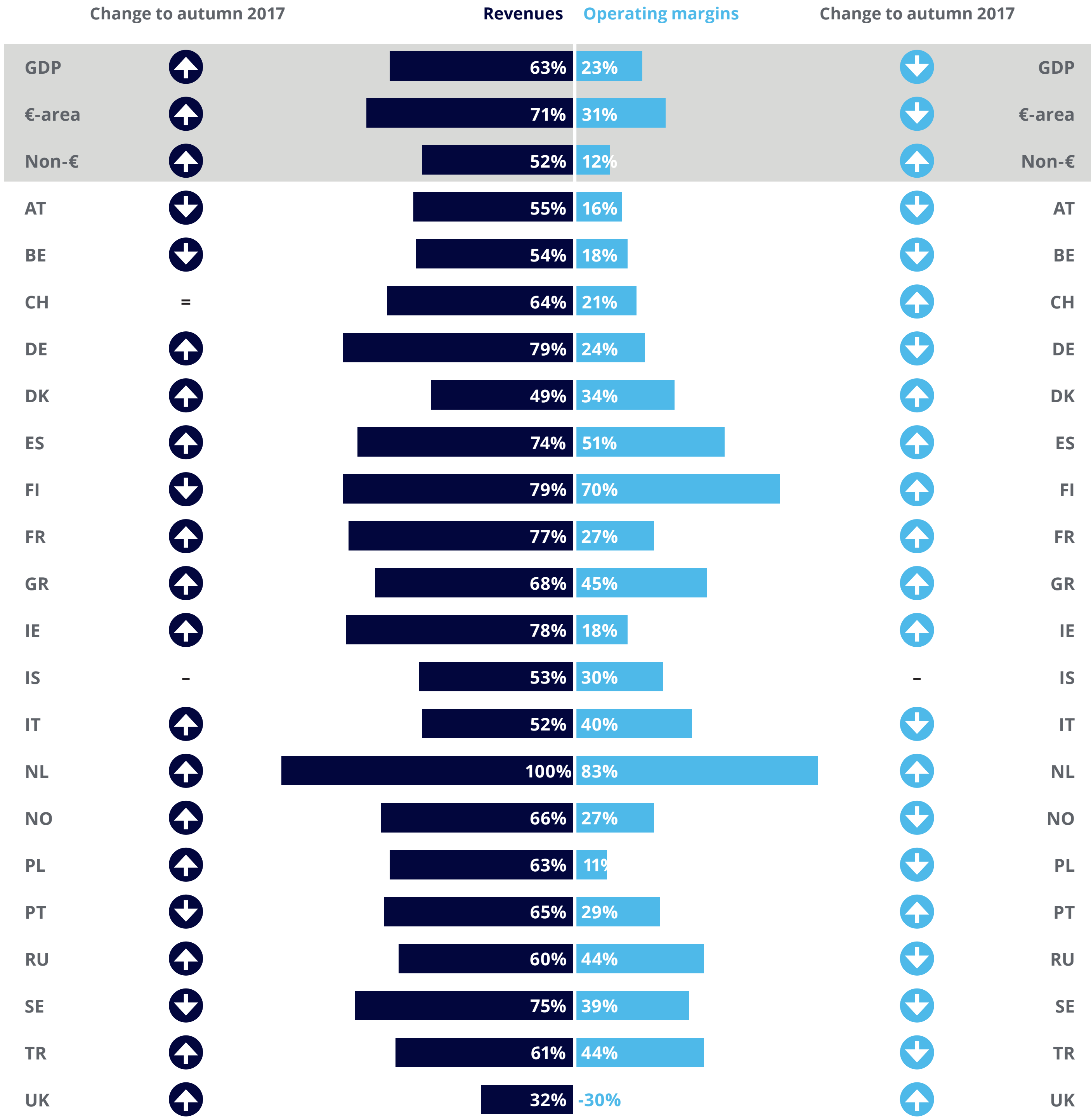


Chart 5. Revenues and margins by country (net balance %)

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

GDP-weighted average net balance for revenues: 63%
GDP-weighted average net balance for operating margins: 23%



*Note: In the UK CFOs were asked, "How are revenues/margins for UK corporates likely to change over the next 12 months?"

Positive outlook for capital expenditure and employment

The outlook for capital expenditure (CAPEX) and employment is positive and has improved since Autumn 2017, both inside and outside the euro area, but there are big differences between the two groups of countries.

In the euro area there are positive net balances for CAPEX and employment, of +47% and +36%, respectively, whereas in the non-euro countries the comparable figures are only +8% and +9%. The proportion of CFOs expecting a fall in the levels of CAPEX and employment were much higher outside the euro area than within it.

On balance, CFOs in most countries in the Survey expect CAPEX spending to increase over the next 12 months.

In France the net balance between CFOs expecting CAPEX to increase and those expecting a decrease is 16pp higher than in Autumn 2017. This is the biggest increase among all the countries in the Survey, taking the net balance to +60%, second only to Ireland, which continues to top the list. Within the euro area, the second biggest increase in net balance is among CFOs in Germany. Capital investment in Germany since the financial crisis has been much lower than expected, so the fact that CAPEX intentions have improved for the fourth Survey in a row is a welcome sign.

Outside the euro area, expectations of an increase in CAPEX spending improved substantially in Denmark, Sweden and Turkey.

CFOs based in the UK continue to stand out as an exception, with more expecting a reduction in capital expenditure by UK corporates than those expecting an increase. This view has remained unchanged for the past year.

There is a broadly similar picture with regard to expectations about increases or decreases in employee numbers over the next 12 months. Except in the UK, more CFOs expect employment numbers to increase than those who expect them to drop.

The overall GDP-weighted net balance is at its highest level, for both the euro and the non-euro areas, since Spring 2015. As hiring intentions rise within a tightening labour market, companies inside and outside the euro area need to prepare for fierce competition to attract talent.

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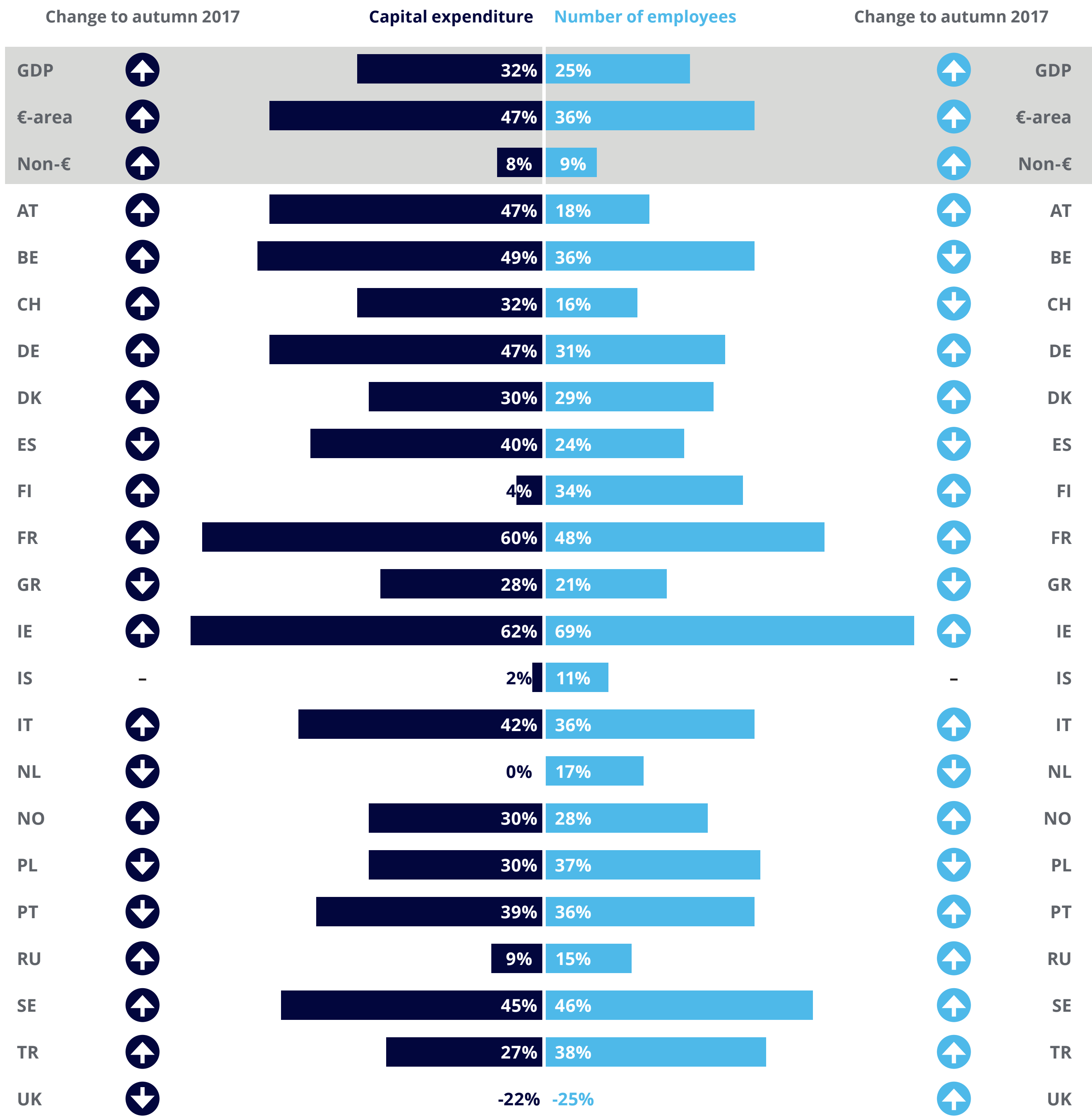
- Expectations among CFOs about revenues and margins confirm the overall positive – although less robust – economic outlook
- Expectations around revenues and margins are both positive. However, after 12 months of sustained growth, CFOs in some countries are starting to feel the pinch on margins
- Net balances for capital expenditure and hiring expectations are increasingly positive, both inside and outside the euro area. With a tightening labour market, companies need to prepare for fierce competition for talent.

Chart 6. Capital expenditure and number of employees (net balance %)

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

GDP-weighted average net balance: for capital expenditure: 32%
GDP-weighted average net balance for number of employees: 25%



*Note: In the UK CFOs were asked, "How are capital expenditure/the outlook for hiring for UK corporates likely to change over the next 12 months?" In Finland the question specified a six-month period.

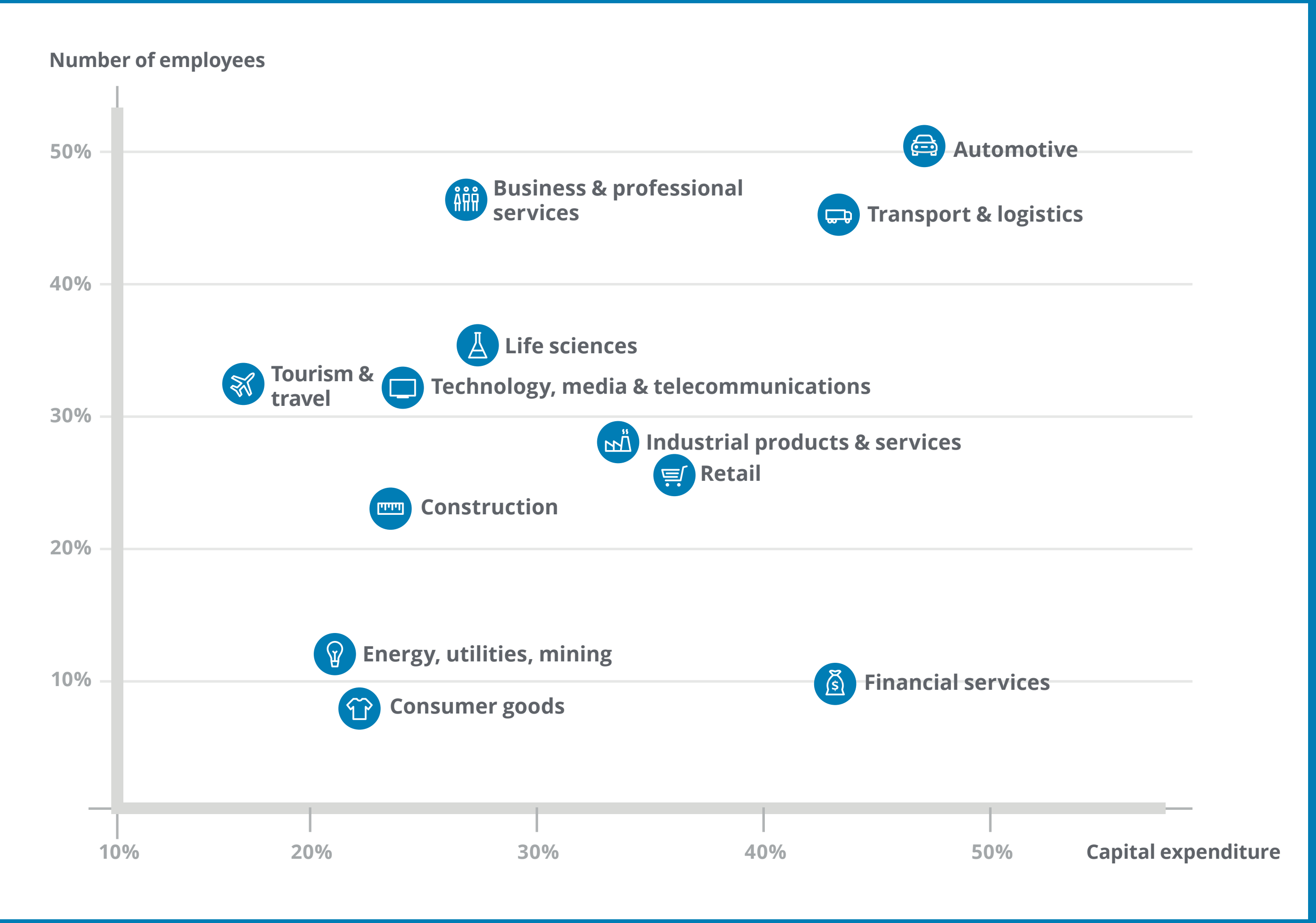
Which industries are the hungriest for capital investment and talent?

- CFOs in all industries expect to increase capital expenditure and number of employees, but expectations are strongest among those in the automotive sector, where the net balance is around +50% for both CAPEX and employment. New technologies and new players are disrupting this industry, and companies across Europe appear to be stepping up their efforts to win the fight for the market for self-drive and electric cars. It is interesting that the automotive sector, one of the most automated industries, is also the one where expectations of increasing employee numbers are also the strongest. This provides some evidence that the advent of new technologies does not necessarily lead to a big fall in employment numbers, and that capital expenditure is not necessarily a substitute for hiring, but can complement it.
- The second highest net balance for expectations about CAPEX is among CFOs in financial services, but here the outlook for hiring is among the weakest. Regardless, this is a sign of an overall improvement in conditions in this sector, given that in the Autumn 2017 Survey the net balance linked to hiring expectations was still negative.

Chart 7. Capital expenditure and number of employees by industry (net balance %)

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

GDP-weighted average net balance: for capital expenditure: 32%
GDP-weighted average net balance for number of employees: 25%



*Note: In the UK CFOs were asked, "How are capital expenditure/the outlook for hiring for UK corporates likely to change over the next 12 months?" In Finland the question specified a six-month period.

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Concerns about talent grow. Strategic direction unchanged.

Chart 8. Business risks next 12 months

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

CFOs in 11 of the 20 countries in our Survey (55%) identified shortage of skilled labour among the top three most significant risks to their business, compared to 7 out of 19 (37% of countries) in the Autumn 2017 Survey.

The proportion of countries where skills shortage is among the top five risks has increased steadily since our first European CFO Survey – suggesting that this is probably a long-term concern for companies, irrespective of the point that has been reached in the macroeconomic cycle. While the perception of skills shortage may be more acute in the current tight labour market, it is unlikely to disappear when the economic cycle eventually reverses.

The proportion of countries in which CFOs identified the economic outlook (6 out of 20 countries) or weaker demand (8 out of 20) among their top three risks increased slightly compared to the Autumn 2017 Survey. This reflects the general view that although current conditions are favourable and probably there will be no downturn in the economy this year, recoveries do not last forever.

Cyber risk was identified as one of the top five risks by CFOs in 6 out of the 20 countries, and among the top three risks in three countries. Like skills shortages, cyber risk is unrelated to the current macroeconomic situation, and is a long-term risk that CFOs will be addressing for years to come.

Risks	AT	BE	CH	DE	DK	ES	FI	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Competitive position in the market		Risk #2																		
Currency fluctuations										Risk #2	Risk #1								Risk #1	
Cyber risks	Risk #1				Risk #2								Risk #2							
Domestic regulations																Risk #1				
Economic activity and growth level in the euro area						Risk #2														
Economic outlook/growth							Risk #2		Risk #2	Risk #1							Risk #2	Risk #2	Risk #3	
Effects of Brexit																				Risk #2
Emerging countries growth								Risk #3												
European economic uncertainty								Risk #2												
European tax and social regulations								Risk #1												
Geopolitical risks			Risk #1	Risk #2					Risk #1										Risk #2	
Impact of domestic financial and economic regulations		Risk #3																		
Increase in costs of running a business															Risk #1					
Increase in regulations	Risk #3						Risk #3													
Increase or change in regulations			Risk #3									Risk #1	Risk #3							
Interest rates											Risk #2									
Internal company problems			Risk #2																	
Labour costs																Risk #2				
Margin deterioration due to lack of flexibility in pricing						Risk #3														
Political uncertainty												Risk #2		Risk #2						
Pressure on margins and prices																		Risk #3		
Reduction in demand (foreign or domestic)					Risk #3				Risk #3		Risk #3									
Reduction in domestic demand				Risk #3								Risk #3		Risk #1			Risk #1			Risk #1
Rising input costs																Risk #3				
Skilled labour shortage	Risk #2	Risk #1		Risk #1	Risk #1	Risk #1	Risk #1			Risk #3			Risk #1	Risk #3	Risk #2			Risk #1		
Strong competition in the market																	Risk #3			
Tighter monetary conditions, including rate rises, in the UK & US																				Risk #3
Unstable economic and tax laws															Risk #3					

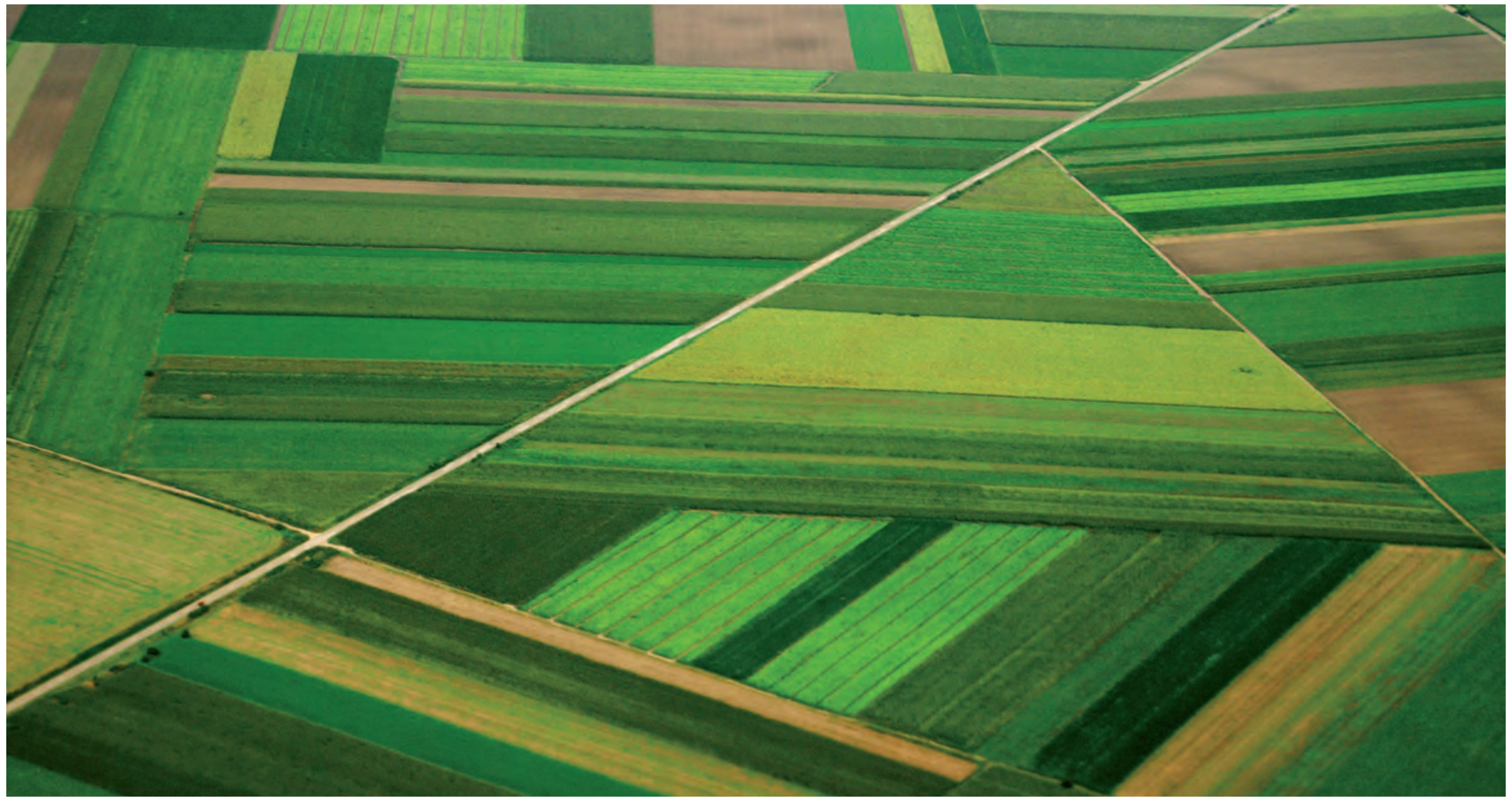
Risk #1 Risk #2 Risk #3

No major change in strategic direction in Spring 2018.

Although for the first time the top five strategies for CFOs in one country (Turkey) were all expansionary, the general picture across all the countries has remained substantially unchanged since Autumn 2017.

In 11 countries (the same as at the end of 2017) CFOs included more expansionary strategies than defensive ones among their top three strategies; defensive strategies exceeded expansionary ones among the top five strategies for the CFOs in just five countries. Organic growth prevails as the top (expansionary) strategy.

So compared to the last Survey, there has been no major change in strategic direction. This is consistent with other findings from the Survey. Economic growth has lost momentum, so we are not seeing any increase in expansionary strategies; but we have not yet reached a tipping point in the economic cycle, so there has been no change towards defensive strategies, either.



- CFOs in more than half the countries in the Survey identified the shortage of skilled labour as a significant risk to their business
- Concerns about the economic outlook and a reduction in demand were mentioned by CFOs in more countries than in the last edition of the Survey
- There has been no shift in strategic direction since Autumn 2017, with CFOs in most countries including more expansionary strategies than defensive ones in their top five strategies for the next 12 months. Organic growth remains the number 1 strategy.

Chart 9. Strategic priorities next 12 months

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

Strategies	Type	AT	BE	CH	DE	DK	ES	FI	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Control costs	Defensive		#2															#1			
Digitalisation	Expansionary						#2														
Expand by acquisition	Expansionary																			#1	
Expand into new markets	Expansionary										#3		#3	#3							
Focus on core business	Defensive														#3						
Human capital development	Expansionary								#3												
Increase capital expenditure (CAPEX)	Expansionary													#1						#3	
Increase cash flow	Defensive				#3					#3											#3
Increase operating expenditure (OPEX)	Expansionary	#3												#2							
Increase productivity	Defensive		#3				#1														
New products/services	Expansionary			#2	#2	#2		#2			#2	#3	#2						#3		
New products/services or expand into new markets	Expansionary																				#2
Organic growth	Expansionary	#2	#1	#1		#1	#3	#1	#2	#1	#1	#2			#1	#1	#3	#2	#1	#2	
Reduce costs	Defensive	#1		#3	#1	#3		#3	#1	#2		#1	#1		#2		#2	#3	#2		#1
Reduce direct costs	Defensive															#3					
Reduce indirect costs	Defensive															#2					
Working capital efficiency	Defensive																#1				

Defensive strategy

Expansionary strategy

Strategy #1 Strategy #2 Strategy #3

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Global risks not a top concern

For this edition of the European CFO Survey, we listed 12 risks to the global economy and asked CFOs to rate the perceived likelihood that each of these will materialise (from extremely unlikely to extremely likely). They also rated the intensity of the risks' impact, should they occur, on the financial prospects of their company (from no/very low to very high impact).

The responses we received are consistent with the generally optimistic outlook of CFOs across Europe that is also apparent in the other metrics analysed in this report. CFOs do not appear to feel particularly under threat or at risk. In Chart 10 most responses are grouped either at the bottom right-hand side (likely events with low impact) or at the top left (events with high impact, but not very likely to happen).

A large majority of CFOs believe that an **increase in trade protectionism is likely** (net balance likelihood +73%): this is perhaps unsurprising given rhetoric from the US and potential responses from the EU/China to the fresh tariffs on aluminium and steel (introduced by the administration of President Donald Trump around the time data for this Survey was collected). On balance, however, **CFOs do not consider that this has a meaningful impact on their business**. This is because although the net impact of trade restrictions on the global economy will be negative, with **Bloomberg Economics**[2] estimating that a trade war may cost the world GDP up to US$470 billion by 2020, the distribution of these costs is complex and the impact diffuse – with a range of winners and losers. A closer look at the data reveals that CFOs in the transport and logistics industry are the most concerned about the impact of protectionism (net balance impact: +23%) followed by CFOs in industrial products and services (net balance impact: +21%) and consumer goods (net balance impact: +18%). At the other end of the spectrum, CFOs in the construction and financial services sectors do not think that a rise in protectionism would have a big impact on their businesses (net balance impact in both industries: -23%).

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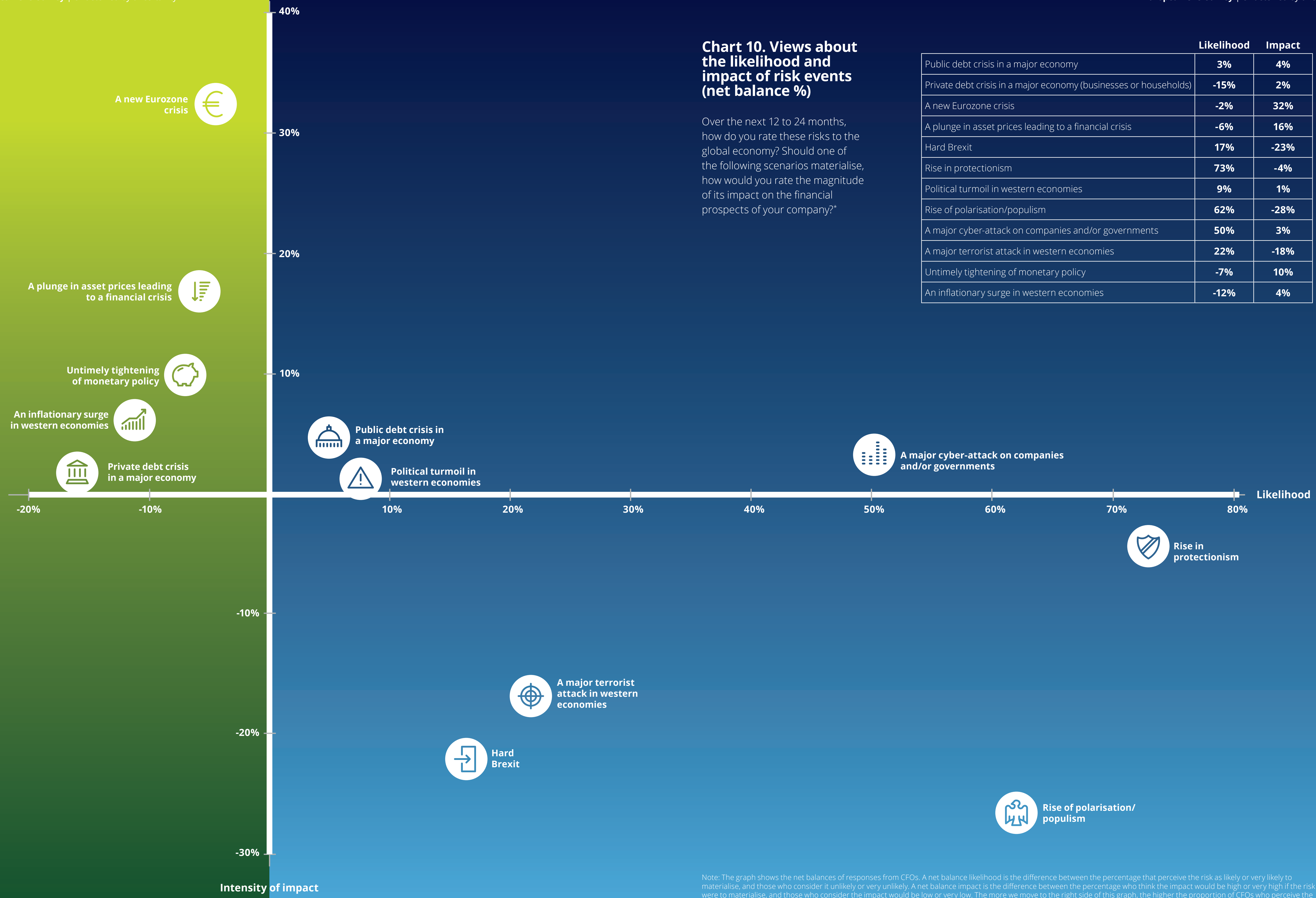
Chart 10. Views about the likelihood and impact of risk events (net balance %)

Over the next 12 to 24 months, how do you rate these risks to the global economy? Should one of the following scenarios materialise, how would you rate the magnitude of its impact on the financial prospects of your company?*

	Likelihood	Impact
Public debt crisis in a major economy	3%	4%
Private debt crisis in a major economy (businesses or households)	-15%	2%
A new Eurozone crisis	-2%	32%
A plunge in asset prices leading to a financial crisis	-6%	16%
Hard Brexit	17%	-23%
Rise in protectionism	73%	-4%
Political turmoil in western economies	9%	1%
Rise of polarisation/populism	62%	-28%
A major cyber-attack on companies and/or governments	50%	3%
A major terrorist attack in western economies	22%	-18%
Untimely tightening of monetary policy	-7%	10%
An inflationary surge in western economies	-12%	4%

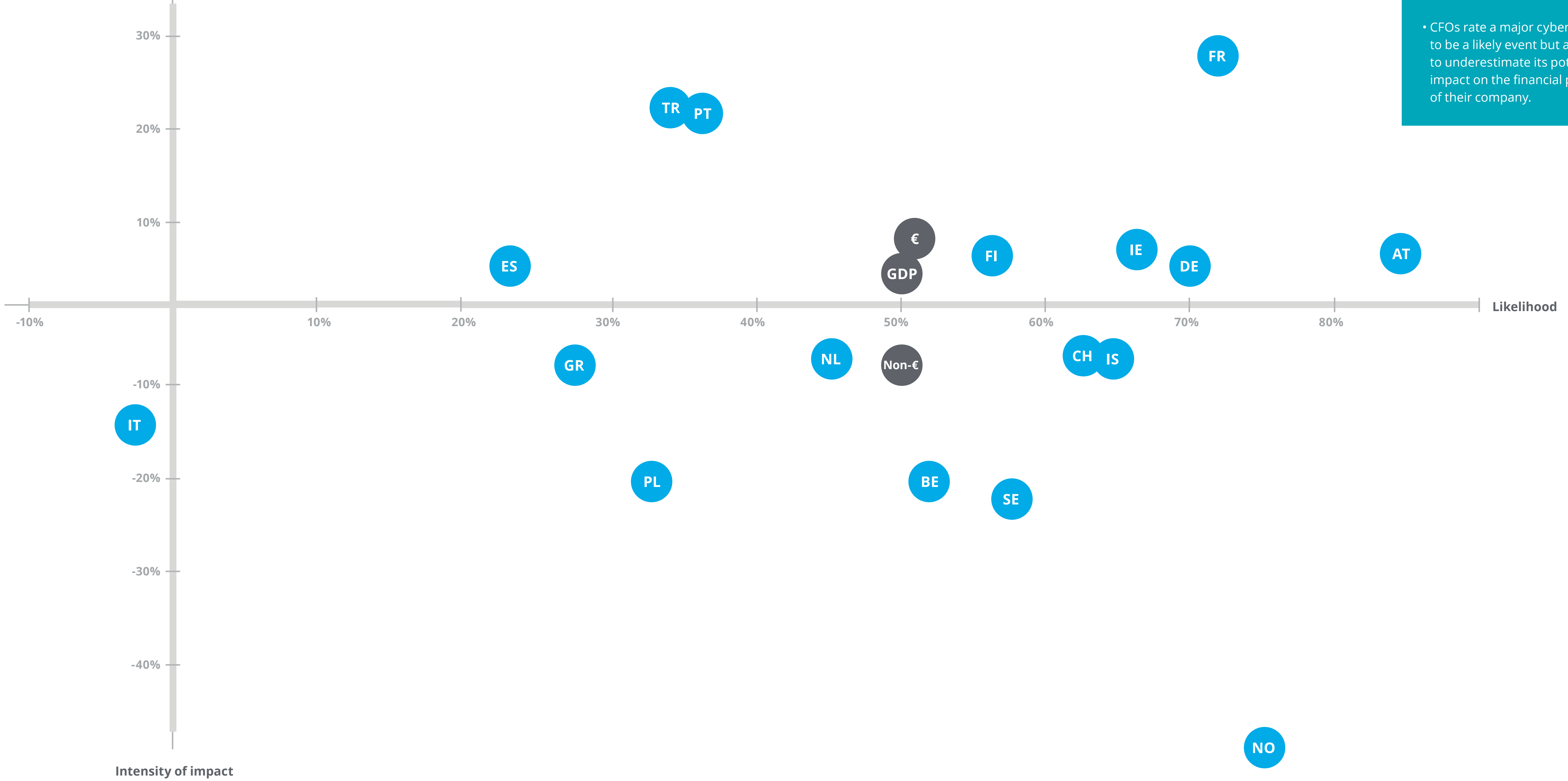


Note: The graph shows the net balances of responses from CFOs. A net balance likelihood is the difference between the percentage that perceive the risk as likely or very likely to materialise, and those who consider it unlikely or very unlikely. A net balance impact is the difference between the percentage who think the impact would be high or very high if the risk were to materialise, and those who consider the impact would be low or very low. The more we move to the right side of this graph, the higher the proportion of CFOs who perceive the event as very likely to happen. The more we move up the graph, the higher the perceived impact on the financial prospects of the company.

* This question was not asked in Denmark, Russia and the United Kingdom.

Chart 11. Major cyber-attack: Perceived likelihood and intensity of impact (net balance %)

Over the next 12 to 24 months, how do you rate the likelihood of a major cyber-attack? How would you rate the magnitude of its impact on the financial prospects of your company?



CFOs broadly agree that a major cyber-attack on companies and/or governments is a likely event in the near future (net balance likelihood: +50%). The net balance is positive across both industries and countries (with Italy the only exception).

A small majority believes that a major cyber-attack would have a high impact on the financial prospects of their company (net balance: +3%). In about half the countries, the net balance impact is negative; only in France, Turkey and Portugal is there a significant majority of CFOs who consider a major cyber-attack as presenting a high impact. If we analyse the responses by industry, only in the technology, media and communications sector is there a widespread awareness of the impact of a major cyber-attack (net balance impact: +19%). In the other industries, there is either a small majority of CFOs who are aware of the potential impact (for example, business and professional services' net balance: +5%; life sciences' net balance: +3%) or the majority of CFOs do not consider the potential impact to be high.

Although cyber risk is increasingly on the radar of CFOs (see section of this report **"Concerns about talent grow. Strategic direction unchanged."**) the percentage of CFOs who consider a major cyber-attack 'high impact' is surprisingly low, indicating that there is a substantial underestimation of the threat. In addition to the public relations costs, breach notifications and regulatory fines (which are set to increase under the new General Data Protection Regulation), cyber-attacks result in a range of 'hidden' costs. These can be related to productivity loss, operational disruption and loss of proprietary information, which can continue over several years (see Deloitte's **"Beneath the surface of a cyber-attack"**, 2016).[3] In our view, the lack of awareness of the impact of a major cyber-attack on a company's financial prospects may be a costly misjudgement by CFOs.

Finally, CFOs consider a 'hard Brexit' a likely event (net balance likelihood: +17%). A majority of CFOs apparently do not believe recent announcements that progress in the negotiations will ensure a 'soft Brexit' or that there is an imminent free trade agreement. However, the majority of CFOs consider Brexit not particularly relevant to their business (net balance impact: -23%); the only exception is with CFOs in Ireland, where a net balance of +29% CFOs rate this as a 'high impact' event.

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- CFOs do not feel particularly vulnerable to global risks, as the risk events they consider most likely to occur are also those with a low perceived impact on their business
- On balance, CFOs do not consider rising trade protectionism to be a high-impact event, but views vary between industries. CFOs in manufacturing are much more concerned
- CFOs rate a major cyber-attack to be a likely event but appear to underestimate its potential impact on the financial prospects of their company.

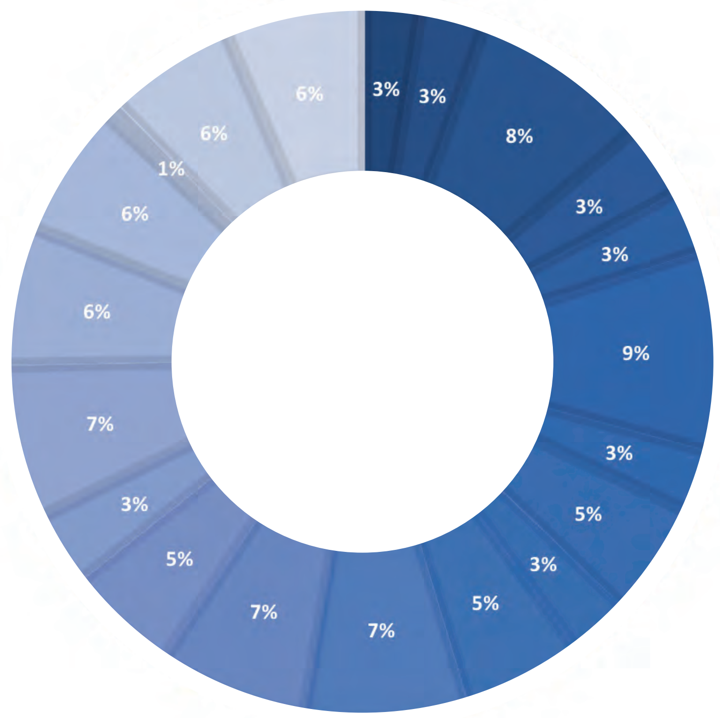
About the data

The findings discussed in this report are representative of the opinions of **1652 CFOs** based in 20 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey and the UK. CFOs were all contacted between February and April 2018.

Some of the charts in the Survey show results as an index value (net balance). This is calculated by subtracting the percentage of respondents giving a negative response from the percentage giving a positive response; responses that are neither positive nor negative are deemed to be neutral. Due to rounding, not all percentages shown in the charts will add up to 100.

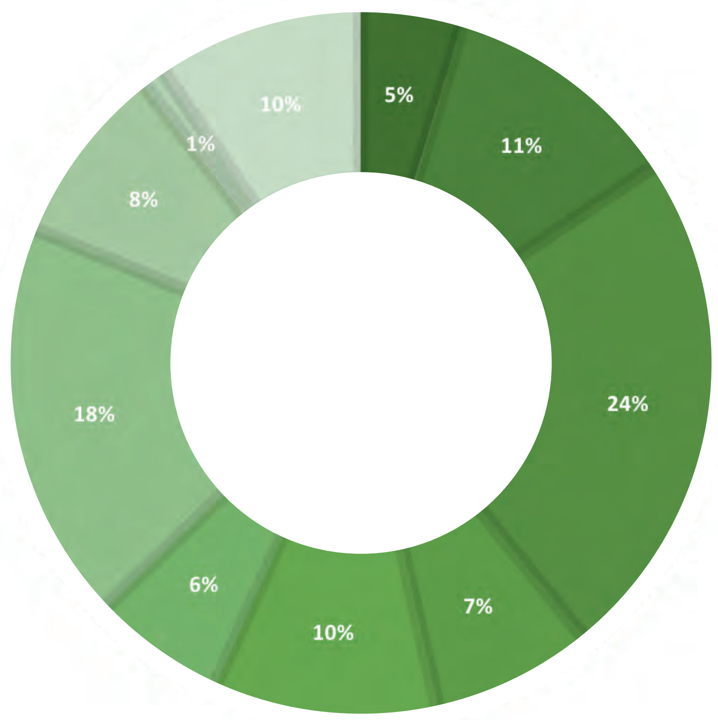
1652 CFOs based in 20 European countries

Country breakdown



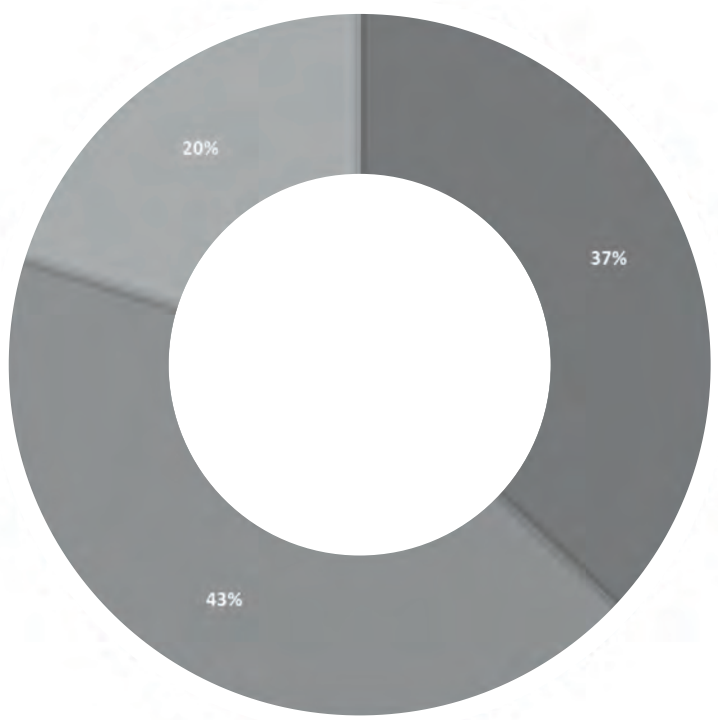
Country	
Austria	3%
Belgium	3%
Denmark	8%
Finland	3%
France	3%
Germany	9%
Greece	3%
Iceland	5%
Ireland	3%
Italy	5%
Norway	7%
Poland	7%
Portugal	5%
Russia	3%
Spain	7%
Sweden	6%
Switzerland	6%
The Netherlands	1%
Turkey	6%
United Kingdom	6%

Industry breakdown



Industry	
Business & professional services	5%
Construction	11%
Consumer business	23%
Energy, utilities, mining	7%
Financial services	10%
Life sciences	6%
Manufacturing	18%
Others	8%
Public sector	1%
Technology, media & telecommunication	9%

Business size breakdown



Business size	
Small	37%
Medium-sized	43%
Large	20%

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Data summary

To facilitate interpretation, this table contains a full breakdown of net balances for each question. Because of rounding, percentages may not always add up to 100.

	GDP	€-area	Non-€	AT	BE	CH	DE	DK	ES	FI	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Compared to three months ago, how do you feel about the financial prospects for your company?																							
More optimistic	38%	43%	30%	47%	45%	32%	24%	38%	52%	56%	71%	47%	57%	11%	29%	83%	46%	37%	53%	36%	30%	35%	20%
Broadly unchanged	50%	49%	53%	47%	31%	60%	63%	56%	41%	44%	25%	43%	37%	74%	66%	17%	44%	38%	39%	55%	61%	36%	57%
Less optimistic	12%	8%	17%	5%	24%	8%	13%	6%	7%	0%	4%	11%	7%	15%	4%	0%	10%	25%	8%	9%	9%	29%	24%
Net Balance	26%	35%	13%	42%	20%	24%	11%	32%	45%	56%	67%	36%	50%	-5%	25%	83%	36%	12%	45%	27%	22%	5%	-4%
How are the following key metrics for your company likely to evolve over the next 12 months?																							
Revenues																							
Increase	72%	77%	65%	58%	72%	77%	82%	61%	79%	84%	81%	77%	84%	65%	62%	100%	75%	74%	75%	71%	81%	75%	50%
No change	19%	18%	22%	39%	11%	11%	15%	28%	16%	11%	15%	15%	9%	24%	28%	0%	16%	15%	16%	18%	12%	11%	33%
Decrease	9%	6%	13%	3%	17%	12%	3%	12%	5%	5%	4%	9%	7%	12%	10%	0%	9%	11%	10%	11%	6%	14%	17%
Net Balance	63%	71%	52%	55%	54%	64%	79%	49%	74%	79%	77%	68%	78%	53%	52%	100%	66%	63%	65%	60%	75%	61%	32%
Operating margins																							
Increase	45%	47%	41%	29%	47%	46%	43%	52%	63%	76%	40%	53%	40%	51%	54%	92%	43%	36%	51%	60%	49%	65%	19%
No change	34%	37%	30%	58%	24%	30%	39%	30%	24%	19%	48%	38%	38%	28%	33%	0%	41%	39%	28%	24%	40%	14%	32%
Decrease	21%	16%	29%	13%	29%	24%	19%	18%	12%	6%	13%	9%	22%	21%	13%	8%	16%	25%	22%	16%	10%	21%	49%
Net Balance	23%	31%	12%	16%	18%	21%	24%	34%	51%	70%	27%	45%	18%	30%	40%	83%	27%	11%	29%	44%	39%	44%	-30%
Capital expenditure (CAPEX)																							
Increase	46%	56%	31%	50%	53%	48%	56%	43%	51%	32%	69%	38%	69%	34%	48%	50%	40%	48%	49%	22%	48%	45%	18%
No change	40%	35%	47%	47%	43%	36%	36%	44%	37%	39%	23%	51%	24%	34%	45%	0%	49%	34%	41%	65%	49%	38%	43%
Decrease	14%	9%	23%	3%	4%	16%	9%	13%	11%	29%	8%	11%	7%	32%	7%	50%	11%	18%	10%	13%	3%	18%	39%
Net Balance	32%	47%	8%	47%	49%	32%	47%	30%	40%	4%	60%	28%	62%	2%	42%	0%	30%	30%	39%	9%	45%	27%	-22%
Number of employees																							
Increase	42%	49%	33%	32%	51%	40%	48%	38%	39%	40%	58%	38%	69%	30%	45%	58%	40%	50%	51%	35%	54%	51%	15%
No change	40%	38%	43%	55%	33%	37%	34%	53%	46%	53%	31%	45%	31%	52%	46%	0%	47%	36%	35%	45%	38%	36%	46%
Decrease	17%	13%	24%	13%	16%	23%	17%	9%	15%	7%	10%	17%	0%	19%	9%	42%	12%	14%	14%	20%	8%	13%	39%
Net Balance	25%	36%	9%	18%	36%	16%	31%	29%	24%	34%	48%	21%	69%	11%	36%	17%	28%	37%	36%	15%	46%	38%	-25%
How would you rate the overall level of external financial and economic uncertainty facing your business?																							
High level of uncertainty	52%	48%	57%	22%	39%	45%	69%	9%	28%	11%	29%	83%	35%	28%	55%	33%	15%	46%	59%	49%	15%	67%	86%
Normal level of uncertainty	41%	44%	37%	41%	47%	48%	29%	78%	44%	75%	63%	15%	54%	62%	43%	58%	64%	42%	33%	45%	78%	27%	14%
Low level of uncertainty	7%	9%	5%	38%	14%	7%	1%	13%	28%	14%	8%	2%	11%	9%	2%	8%	21%	12%	8%	5%	7%	6%	0%
Net Balance	44%	39%	52%	-16%	24%	38%	68%	-4%	0%	-4%	21%	81%	24%	19%	53%	25%	-7%	34%	51%	44%	8%	61%	86%
Is this a good time to be taking greater risk onto your balance sheet?																							
Yes	34%	41%	24%	43%	45%	40%	26%	37%	60%	64%	50%	26%	41%	19%	40%	25%	35%	37%	35%	25%	34%	15%	14%
No	66%	59%	76%	57%	55%	60%	74%	63%	40%	36%	50%	74%	59%	81%	60%	75%	65%	63%	65%	75%	66%	85%	86%
Net Balance	-32%	-19%	-52%	-14%	-10%	-21%	-48%	-26%	20%	29%	0%	-49%	-17%	-62%	-19%	-50%	-31%	-26%	-30%	-49%	-31%	-69%	-72%
Over the next 12 to 24 months, how do you rate these risks to the global economy?																							
Public debt crisis in a major economy																							
Likely	34%	33%	39%	10%	38%	43%	46%	N/A	10%	31%	29%	34%	27%	21%	34%	9%	22%	48%	33%	N/A	31%	43%	N/A
Neither likely nor unlikely	34%	34%	35%	24%	38%	40%	36%	N/A	32%	39%	33%	34%	42%	46%	35%	27%	38%	33%	28%	N/A	36%	28%	N/A
Unlikely	31%	33%	27%	67%	23%	17%	18%	N/A	58%	30%	38%	32%	31%	33%	31%	64%	40%	19%	39%	N/A	32%	29%	N/A
Net Balance	3%	0%	12%	-57%	15%	26%	28%	N/A	-49%	2%	-8%	2%	-4%	-11%	2%	-55%	-17%	29%	-6%	N/A	-1%	13%	N/A
Private debt crisis in a major economy (businesses or households)																							
Likely	22%	19%	33%	0%	40%	22%	24%	N/A	9%	25%	23%	32%	24%	17%	7%	9%	30%	31%	29%	N/A	35%	43%	N/A
Neither likely nor unlikely	41%	41%	42%	36%	36%	51%	52%	N/A	34%	45%	27%	36%	44%	59%	43%	45%	44%	42%	44%	N/A	44%	32%	N/A
Unlikely	37%	40%	25%	64%	23%	28%	24%	N/A	57%	29%	50%	32%	31%	23%	51%	45%	26%	27%	27%	N/A	21%	25%	N/A
Net Balance	-15%	-21%	7%	-64%	17%	-6%	0%	N/A	-49%	-4%	-27%	0%	-7%	-6%	-44%	-36%	3%	4%	2%	N/A	14%	18%	N/A
A new Eurozone crisis																							
Likely	29%	27%	34%	12%	28%	38%	43%	N/A	10%	25%	23%	17%	40%	30%	17%	18%	17%	48%	31%	N/A	17%	42%	N/A
Neither likely nor unlikely	41%	41%	39%	33%	49%	42%	39%	N/A	34%	30%	44%	40%	38%	46%	53%	9%	45%	29%	23%	N/A	49%	34%	N/A
Unlikely	30%	31%	27%	55%	23%	20%	18%	N/A	57%	45%	33%	43%	22%	24%	30%	73%	39%	23%	46%	N/A	34%	24%	N/A
Net Balance	-2%	-4%	7%	-43%	4%	18%	25%	N/A	-47%	-21%	-10%	-26%	18%	6%	-13%	-55%	-22%	24%	-14%	N/A	-18%	18%	N/A
A plunge in asset prices leading to a financial crisis																							
Likely	26%	24%	35%	17%	32%	27%	25%	N/A	16%	37%	33%	30%	29%	11%	9%	27%	18%	42%	33%	N/A	35%	45%	N/A
Neither likely nor unlikely	42%	43%	41%	29%	43%	43%	48%	N/A	31%	37%	35%	35%	49%	53%	53%	18%	42%	35%	44%	N/A	48%	39%	N/A
Unlikely	32%	34%	24%	55%	26%	29%	27%	N/A	53%	26%	31%	35%	22%	36%	38%	55%	41%	23%	22%	N/A	17%	16%	N/A
Net Balance	-6%	-10%	11%	-38%	6%	-2%	-2%	N/A	-37%	11%	2%	-4%	7%	-25%	-29%	-27%	-23%	20%	11%	N/A	19%	28%	N/A

European CFO Survey | Undeterred by uncertainty

Data summary (continued)

To facilitate interpretation, this table contains a full breakdown of net balances for each question. Because of rounding, percentages may not always add up to 100.

	GDP	€-area	Non-€	AT	BE	CH	DE	DK	ES	FI	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Over the next 12 to 24 months, how do you rate these risks to the global economy?																							
Hard Brexit																							
Likely	43%	43%	43%	27%	53%	37%	57%	N/A	26%	42%	31%	40%	85%	48%	37%	18%	41%	39%	52%	N/A	42%	53%	N/A
Neither likely nor unlikely	30%	30%	32%	39%	21%	30%	26%	N/A	40%	40%	29%	30%	7%	35%	34%	45%	36%	22%	29%	N/A	38%	35%	N/A
Unlikely	26%	27%	24%	34%	26%	33%	16%	N/A	34%	19%	40%	30%	9%	17%	29%	36%	22%	40%	19%	N/A	20%	12%	N/A
Net Balance	17%	16%	19%	-7%	28%	3%	41%	N/A	-8%	23%	-8%	11%	76%	31%	8%	-18%	19%	-1%	33%	N/A	23%	41%	N/A
Rise in protectionism																							
Likely	79%	80%	77%	83%	87%	84%	89%	N/A	62%	78%	79%	57%	82%	54%	75%	73%	77%	63%	71%	N/A	76%	81%	N/A
Neither likely nor unlikely	14%	13%	18%	13%	9%	13%	8%	N/A	27%	15%	8%	30%	13%	34%	20%	9%	19%	24%	18%	N/A	20%	16%	N/A
Unlikely	6%	7%	5%	5%	4%	3%	3%	N/A	11%	7%	13%	13%	4%	13%	4%	18%	4%	13%	11%	N/A	4%	3%	N/A
Net Balance	73%	73%	72%	78%	83%	81%	86%	N/A	50%	71%	67%	45%	78%	41%	71%	55%	73%	50%	60%	N/A	72%	78%	N/A
Political turmoil in western economies																							
Likely	36%	30%	58%	38%	37%	45%	19%	N/A	40%	N/A	23%	40%	52%	56%	40%	36%	50%	53%	43%	N/A	41%	87%	N/A
Neither likely nor unlikely	38%	40%	31%	24%	48%	45%	40%	N/A	46%	N/A	44%	26%	24%	33%	35%	18%	42%	29%	39%	N/A	41%	10%	N/A
Unlikely	26%	31%	10%	38%	15%	10%	40%	N/A	14%	N/A	33%	34%	24%	11%	25%	45%	8%	18%	18%	N/A	18%	3%	N/A
Net Balance	9%	-1%	48%	0%	22%	35%	-21%	N/A	26%	N/A	-10%	6%	28%	45%	16%	-9%	41%	35%	24%	N/A	24%	84%	N/A
Rise of polarisation/populism																							
Likely	71%	69%	76%	68%	63%	75%	79%	N/A	54%	63%	67%	68%	53%	61%	71%	55%	72%	74%	61%	N/A	70%	85%	N/A
Neither likely nor unlikely	21%	21%	19%	25%	28%	19%	14%	N/A	39%	26%	21%	17%	33%	33%	19%	27%	25%	20%	25%	N/A	28%	10%	N/A
Unlikely	8%	9%	4%	8%	9%	5%	7%	N/A	7%	11%	13%	15%	13%	6%	10%	18%	3%	6%	13%	N/A	2%	4%	N/A
Net Balance	62%	60%	72%	60%	54%	70%	71%	N/A	47%	52%	54%	53%	40%	54%	61%	36%	68%	68%	48%	N/A	68%	81%	N/A
A major cyber-attack on companies and/or governments																							
Likely	61%	61%	59%	83%	65%	63%	74%	N/A	41%	64%	77%	45%	78%	70%	24%	64%	76%	50%	51%	N/A	63%	49%	N/A
Neither likely nor unlikely	29%	28%	32%	18%	22%	35%	21%	N/A	40%	28%	17%	38%	11%	23%	52%	18%	20%	33%	34%	N/A	31%	37%	N/A
Unlikely	10%	11%	9%	0%	13%	1%	4%	N/A	19%	8%	6%	17%	11%	6%	25%	18%	4%	16%	16%	N/A	6%	15%	N/A
Net Balance	50%	51%	50%	83%	52%	62%	70%	N/A	22%	57%	71%	28%	67%	64%	-1%	45%	72%	34%	35%	N/A	57%	34%	N/A
A major terrorist attack in western economies																							
Likely	39%	39%	39%	63%	38%	33%	30%	N/A	30%	50%	63%	38%	40%	56%	22%	45%	39%	50%	34%	N/A	45%	31%	N/A
Neither likely nor unlikely	45%	45%	45%	22%	40%	52%	56%	N/A	46%	31%	25%	43%	42%	33%	56%	27%	52%	32%	47%	N/A	47%	43%	N/A
Unlikely	17%	17%	16%	15%	21%	15%	14%	N/A	24%	19%	13%	19%	18%	11%	21%	27%	8%	18%	19%	N/A	7%	26%	N/A
Net Balance	22%	22%	22%	49%	17%	18%	16%	N/A	5%	31%	50%	19%	22%	44%	1%	18%	31%	32%	14%	N/A	38%	4%	N/A
Untimely tightening of monetary policy																							
Likely	23%	21%	32%	33%	39%	18%	12%	N/A	14%	24%	21%	19%	31%	12%	30%	9%	20%	31%	33%	N/A	21%	57%	N/A
Neither likely nor unlikely	47%	47%	46%	38%	46%	43%	50%	N/A	48%	47%	52%	53%	44%	70%	38%	45%	57%	45%	51%	N/A	60%	35%	N/A
Unlikely	30%	32%	22%	29%	15%	39%	38%	N/A	38%	29%	27%	28%	24%	17%	31%	45%	23%	24%	17%	N/A	20%	7%	N/A
Net Balance	-7%	-11%	10%	5%	24%	-20%	-26%	N/A	-24%	-5%	-6%	-9%	7%	-5%	-1%	-36%	-3%	6%	16%	N/A	1%	50%	N/A
An inflationary surge in western economies																							
Likely	25%	24%	29%	5%	20%	24%	21%	N/A	20%	19%	44%	27%	31%	11%	11%	18%	53%	11%	18%	N/A	26%	37%	N/A
Neither likely nor unlikely	38%	37%	44%	26%	63%	53%	38%	N/A	37%	46%	29%	49%	40%	64%	35%	45%	33%	39%	46%	N/A	53%	38%	N/A
Unlikely	37%	39%	27%	69%	17%	24%	41%	N/A	43%	35%	27%	24%	29%	25%	54%	36%	15%	50%	36%	N/A	22%	25%	N/A
Net Balance	-12%	-15%	2%	-64%	2%	0%	-19%	N/A	-23%	-17%	17%	2%	2%	-14%	-43%	-18%	38%	-40%	-18%	N/A	4%	12%	N/A

European CFO Survey | Undeterred by uncertainty

Data summary (continued)

To facilitate interpretation, this table contains a full breakdown of net balances for each question. Because of rounding, percentages may not always add up to 100.

	GDP	€-area	Non-€	AT	BE	CH	DE	DK	ES	FI	FR	GR	IE	IS	IT	NL	NO	PL	PT	RU	SE	TR	UK
Should one of the following scenarios materialise, how would you rate the magnitude of its impact on the financial prospects of your company?																							
Public debt crisis in a major economy																							
High impact	32%	34%	22%	33%	37%	26%	30%	N/A	41%	40%	40%	38%	24%	38%	29%	9%	13%	17%	37%	N/A	16%	30%	N/A
Moderate impact	40%	40%	41%	26%	39%	40%	44%	N/A	30%	26%	46%	49%	39%	33%	35%	27%	45%	38%	45%	N/A	50%	38%	N/A
Low impact	28%	26%	36%	40%	24%	34%	26%	N/A	29%	34%	15%	13%	37%	29%	36%	64%	41%	45%	18%	N/A	34%	32%	N/A
Net Balance	4%	8%	-14%	-7%	13%	-9%	5%	N/A	12%	6%	25%	26%	-13%	9%	-7%	-55%	-28%	-28%	19%	N/A	-18%	-2%	N/A
Private debt crisis in a major economy (businesses or households)																							
High impact	31%	33%	24%	38%	35%	20%	24%	N/A	33%	45%	56%	38%	22%	41%	16%	27%	17%	21%	48%	N/A	18%	35%	N/A
Moderate impact	39%	39%	38%	21%	41%	48%	46%	N/A	38%	29%	29%	43%	44%	34%	45%	27%	40%	36%	27%	N/A	44%	27%	N/A
Low impact	30%	28%	38%	40%	24%	31%	29%	N/A	29%	25%	15%	19%	33%	25%	39%	45%	43%	43%	25%	N/A	38%	38%	N/A
Net Balance	2%	6%	-14%	-2%	11%	-11%	-5%	N/A	4%	20%	42%	19%	-11%	15%	-24%	-18%	-26%	-23%	23%	N/A	-20%	-3%	N/A
A new Eurozone crisis																							
High impact	50%	52%	43%	45%	42%	51%	46%	N/A	68%	43%	60%	68%	38%	30%	44%	18%	15%	51%	70%	N/A	25%	55%	N/A
Moderate impact	33%	31%	37%	26%	33%	36%	34%	N/A	21%	35%	25%	26%	38%	48%	43%	45%	50%	35%	23%	N/A	52%	23%	N/A
Low impact	17%	17%	20%	29%	24%	13%	19%	N/A	11%	22%	15%	6%	24%	22%	13%	36%	35%	14%	7%	N/A	24%	22%	N/A
Net Balance	32%	35%	22%	17%	18%	38%	27%	N/A	57%	20%	46%	62%	13%	9%	30%	-18%	-20%	38%	63%	N/A	1%	34%	N/A
A plunge in asset prices leading to a financial crisis																							
High impact	40%	40%	39%	40%	48%	48%	43%	N/A	51%	45%	38%	43%	42%	51%	24%	18%	25%	41%	54%	N/A	35%	40%	N/A
Moderate impact	37%	37%	36%	26%	33%	39%	36%	N/A	32%	31%	42%	40%	33%	35%	43%	36%	31%	29%	31%	N/A	48%	32%	N/A
Low impact	24%	23%	25%	33%	20%	13%	22%	N/A	17%	24%	21%	17%	24%	14%	34%	45%	44%	30%	14%	N/A	17%	28%	N/A
Net Balance	16%	16%	14%	7%	28%	35%	21%	N/A	35%	22%	17%	26%	18%	37%	-10%	-27%	-19%	12%	40%	N/A	18%	12%	N/A
Hard Brexit																							
High impact	20%	21%	16%	17%	15%	14%	24%	N/A	23%	7%	21%	21%	47%	22%	16%	0%	5%	22%	17%	N/A	12%	23%	N/A
Moderate impact	36%	38%	31%	22%	28%	31%	38%	N/A	30%	30%	46%	40%	36%	49%	39%	36%	31%	25%	43%	N/A	34%	33%	N/A
Low impact	43%	41%	52%	61%	57%	55%	38%	N/A	47%	63%	33%	38%	18%	29%	45%	64%	64%	53%	40%	N/A	54%	44%	N/A
Net Balance	-23%	-20%	-36%	-44%	-41%	-41%	-14%	N/A	-23%	-56%	-13%	-17%	29%	-8%	-29%	-64%	-60%	-32%	-23%	N/A	-43%	-21%	N/A
Rise in protectionism																							
High impact	30%	32%	26%	27%	29%	24%	39%	N/A	29%	30%	21%	38%	24%	21%	38%	9%	16%	29%	25%	N/A	21%	33%	N/A
Moderate impact	35%	34%	41%	24%	31%	42%	31%	N/A	37%	33%	40%	40%	40%	59%	29%	18%	33%	40%	46%	N/A	40%	45%	N/A
Low impact	34%	34%	33%	49%	40%	34%	30%	N/A	34%	37%	40%	21%	36%	21%	33%	73%	51%	32%	30%	N/A	38%	21%	N/A
Net Balance	-4%	-3%	-7%	-22%	-11%	-11%	9%	N/A	-5%	-7%	-19%	17%	-11%	0%	6%	-64%	-36%	-3%	-5%	N/A	-17%	12%	N/A
Political turmoil in western economies																							
High impact	29%	26%	39%	24%	24%	29%	30%	N/A	27%	N/A	23%	22%	22%	19%	27%	0%	15%	32%	35%	N/A	15%	77%	N/A
Moderate impact	42%	44%	33%	45%	29%	38%	44%	N/A	50%	N/A	44%	49%	42%	60%	48%	45%	42%	36%	41%	N/A	51%	12%	N/A
Low impact	28%	28%	28%	31%	47%	33%	26%	N/A	23%	N/A	33%	29%	36%	21%	25%	55%	43%	32%	23%	N/A	34%	11%	N/A
Net Balance	1%	-2%	11%	-7%	-22%	-4%	5%	N/A	3%	N/A	-10%	-7%	-13%	-1%	2%	-55%	-28%	1%	12%	N/A	-19%	66%	N/A
Rise of polarisation/populism																							
High impact	17%	14%	25%	18%	20%	7%	13%	N/A	33%	17%	6%	21%	7%	12%	12%	0%	4%	23%	20%	N/A	10%	62%	N/A
Moderate impact	39%	40%	34%	20%	18%	36%	43%	N/A	38%	40%	44%	40%	49%	63%	38%	18%	32%	40%	40%	N/A	39%	27%	N/A
Low impact	45%	46%	40%	63%	62%	58%	44%	N/A	29%	43%	50%	38%	44%	25%	49%	82%	64%	37%	40%	N/A	52%	11%	N/A
Net Balance	-28%	-32%	-15%	-45%	-42%	-51%	-31%	N/A	4%	-26%	-44%	-17%	-38%	-13%	-37%	-82%	-60%	-14%	-21%	N/A	-42%	52%	N/A
A major cyber-attack on companies and/or governments																							
High impact	33%	34%	26%	37%	22%	23%	34%	N/A	34%	35%	46%	28%	38%	19%	21%	36%	9%	22%	39%	N/A	16%	46%	N/A
Moderate impact	38%	38%	39%	34%	36%	47%	36%	N/A	37%	35%	38%	37%	33%	53%	44%	18%	36%	37%	43%	N/A	47%	29%	N/A
Low impact	29%	28%	35%	29%	42%	30%	29%	N/A	29%	30%	17%	35%	29%	28%	35%	45%	55%	41%	18%	N/A	37%	25%	N/A
Net Balance	3%	7%	-9%	7%	-20%	-8%	5%	N/A	5%	6%	29%	-7%	9%	-9%	-13%	-9%	-45%	-20%	21%	N/A	-21%	22%	N/A
A major terrorist attack in western economies																							
High impact	22%	22%	21%	29%	22%	18%	22%	N/A	22%	11%	27%	28%	18%	23%	15%	0%	10%	19%	27%	N/A	14%	34%	N/A
Moderate impact	38%	38%	40%	27%	29%	47%	38%	N/A	37%	31%	35%	30%	40%	52%	46%	36%	31%	34%	43%	N/A	43%	40%	N/A
Low impact	40%	40%	39%	44%	51%	34%	39%	N/A	41%	54%	38%	43%	42%	24%	39%	64%	60%	47%	30%	N/A	43%	26%	N/A
Net Balance	-18%	-18%	-18%	-15%	-29%	-16%	-17%	N/A	-19%	-43%	-10%	-15%	-24%	-1%	-25%	-64%	-50%	-28%	-4%	N/A	-29%	8%	N/A
Untimely tightening of monetary policy																							
High impact	34%	34%	35%	33%	24%	32%	36%	N/A	44%	43%	40%	40%	31%	27%	18%	9%	18%	24%	41%	N/A	30%	55%	N/A
Moderate impact	41%	40%	42%	43%	39%	49%	34%	N/A	39%	35%	38%	36%	42%	56%	57%	45%	47%	42%	44%	N/A	46%	32%	N/A
Low impact	25%	25%	23%	24%	37%	20%	30%	N/A	17%	22%	23%	23%	27%	17%	25%	45%	35%	33%	15%	N/A	24%	14%	N/A
Net Balance	10%	9%	11%	10%	-13%	12%	7%	N/A	28%	20%	17%	17%	4%	10%	-7%	-36%	-17%	-9%	26%	N/A	5%	41%	N/A
An inflationary surge in western economies																							
High impact	27%	27%	27%	19%	17%	31%	29%	N/A	31%	23%	32%	38%	27%	47%	16%	18%	15%	33%	40%	N/A	18%	31%	N/A
Moderate impact	50%	51%	46%	38%	41%	52%	46%	N/A	48%	51%	53%	36%	52%	44%	64%	55%	50%	38%	48%	N/A	53%	42%	N/A
Low impact	23%	22%	27%	43%	41%	17%	25%	N/A	21%	26%	15%	26%	20%	9%	20%	27%	36%	29%	12%	N/A	29%	28%	N/A
Net Balance	4%	5%	0%	-24%	-24%	14%	4%	N/A	10%	-4%	17%	13%	7%	38%	-4%	-9%	-21%	5%	28%	N/A	-11%	3%	N/A

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Endnotes

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Responsible publisher: Deloitte University EMEA CVBA, with registered office at B-1831 Diegem, Berkenlaan 8b.