



**Press Release
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GLOBAL CFO SURVEY: CONFIDENCE IN EUROPEAN ECONOMY HITS FIVE-YEAR LOW WHILE AMERICA AND ASIA TURN THE CORNER

LONDON – Confidence in the European economy continues to slide, sinking to its lowest level in more than five years. Finance chiefs' top concerns include shaky consumer demand, high commodity prices and the difficulty of attracting and retaining qualified staff. More than half of CFOs plan to delay, reduce or cancel new investment plans due to economic conditions. By contrast, finance chiefs in America and Asia grew more optimistic about their regional economies.

These are some of the conclusions of the third-quarter 2008 CFO Global Business Outlook Survey from *CFO Europe* magazine, Tilburg University and Duke University, which asked 1,299 chief financial officers from a range of public and private companies about their expectations for their region's economies and their companies. (See end of release for survey methodology.) The survey has been conducted for 50 consecutive quarters. Results in this release are for European firms unless stated otherwise.

SUMMARY OF FINDINGS

-- When it comes to prospects for the European economy, the ratio of pessimists to optimists worsened for the seventh consecutive quarter. Among chief financial officers, pessimists now outnumber optimists by more than eight to one.

-- Capital spending is expected to rise by an anaemic 0.8 percent, compared with the 2.9 percent rise expected in the previous quarter. And while CFOs say they plan to grow European payrolls by 1.6 percent over the next 12 months—up from a prediction of a 1.2 percent decline last quarter—that's well below the 5.4 percent growth expected for foreign, offshore and outsourced employees.

-- Weak consumer demand, commodity prices and the cost of credit are the top external concerns of CFOs.

-- Attracting/retaining employees, the ability to forecast performance and supply chain risks are the top internal, company-specific concerns of CFOs.

-- The ongoing credit turmoil is ensnaring more firms, with 42 percent of CFOs saying that their companies have been affected, up from 31 percent in the previous quarter. On average, CFOs say that the cost of borrowing has risen by around 60 basis points since last summer.

EUROPEAN FINANCE CHIEFS: DOOM AND GLOOM

Pessimism about the European economy continues to rise. **Sixty-eight percent of chief financial officers are more pessimistic about prospects for the European economy than they were the previous quarter**, up from 64 percent in the previous poll and sharply higher than the 37 percent who expressed a gloomy outlook at this time last year. Only 8 percent of CFOs are more optimistic about economic prospects, down significantly from 26 percent a year ago.

CFOs' confidence in their own companies, while stronger than their feelings about the broader economy, remains weak. **When it comes to confidence in their own companies' prospects, the ranks of pessimists outnumber optimists by nearly two-to-one.** This is only the second quarter since 2005, when the question about company-specific confidence began to be asked, that pessimists outnumber optimists.

"As expected, given the problems in property markets, pessimism was highest among CFOs in the UK and Spain," said Kees Koedijk, dean of the economics and business administration faculty at Tilburg University in the Netherlands. **"However, economic gloom among finance chiefs in France and the Netherlands was not far behind."**

CUTS AHEAD FOR CAPITAL SPENDING, FINANCE STAFF

European finance chiefs expect to slash capital spending. Capital spending will grow 0.6 percent over the next year, down from 2.9 percent predicted the previous quarter.

CFOs expect to boost domestic payrolls in Europe by 1.6 percent over the next year, up from a 1.2 percent decline predicted last quarter. However, the ranks of foreign, offshore and outsourced workers outside of Europe will grow by 5.4 percent.

And finance chiefs will be more ruthless with the functions under their direct control. In Europe, CFOs expect to trim the number of employees in accounting and finance by 2 percent over the next year.

Nearly 60 percent of CFOs say that economic conditions will lead them to establish "substantial" cost-cutting plans over the next six months. Just over half of finance chiefs say that they will delay, reduce or cancel new investment plans over this period, while 45 percent say that hiring plans will be cancelled or scaled back.

"As the cost-cutting continues, no one can say that CFOs aren't leading by example," said Janet Kersnar, Editor-in-Chief of *CFO Europe* magazine in London. **"But deep cuts to finance and accounting staff need to be balanced against the critical support and compliance functions that these departments provide."**

CREDIT CRUNCH CONTAGION SPREADS

Forty-two percent of CFOs in Europe say that their companies have been affected by the credit crunch, up significantly from 31 percent in the previous quarter. More than 70 percent of these finance chiefs say that their cost of credit has

increased. **On average, the cost of borrowing has risen by around 60 basis points since last summer, CFOs say.**

Nearly half of finance chiefs say that they have experienced difficulties securing credit at any price. One-fifth have experienced difficulty initiating or renewing a bank credit line.

In a separate survey of 113 senior finance executives, conducted in August, *CFO Europe* found that **80 percent of respondents think that central banks and other authorities should have exercised tighter regulation over banks in recent years. A smaller share of finance chiefs, 46 percent, think that governments should bail out financial firms that they deem "too big to fail."**

RESULTS UNIQUE TO THE US

American CFOs think that the domestic economy will remain sluggish this year, with recovery expected to begin by summer 2009. Forty-two percent of CFOs are more pessimistic about the US economy this quarter, an improvement from the previous quarter when 53 percent were more pessimistic. Twenty-nine percent of CFOs are more optimistic this quarter.

Domestic employment is expected to fall 1.6 percent over the next 12 months. Capital spending is expected to increase only 0.6 percent.

American finance executives are overwhelmingly against government intervention in financial markets. Nearly two-thirds of CFOs say that they are against intervention in general, and 61 percent do not approve of how the government handled Bear Stearns. However, **almost 70 percent of finance chiefs approve of intervention when it comes to Fannie Mae and Freddie Mac, perhaps deeming the mortgage-lending giants "too big to fail."**

RESULTS UNIQUE TO ASIA

Weakness in western credit markets is affecting Asian firms. Among Asian companies that have previously secured debt from banks in the west, 60 percent say that they already have or are considering borrowing instead from local Asian banks.

Inflation is having a significant negative effect on Asian companies.

Seventy-one percent of Asian companies say that they have established a substantial cost cutting program in response to rising inflation, 67 percent say that they have changed their sourcing practices (like consolidating suppliers), and nearly half of Asian firms have reduced capital spending or hiring plans in response. Another 44 percent have started hedging with financial instruments to ward off the effects of inflation.

RESULTS UNIQUE TO CHINA

Eighty-two percent of Chinese CFOs say that they are worried about an economic slowdown now that the Beijing Olympics have ended. Among those concerned, three-fourths are worried about a collapse of the stock market or property prices, and 70 percent think that the slowdown of the world economy

will hit the Chinese economy now that the buffer from the Olympics is gone. Fifty-one percent say there is overcapacity in the manufacturing sector.

ENDS

For additional comment, contact Janet Kersnar of *CFO Europe* magazine on +44 207 576 8100 or janetkersnar@economist.com or Kees Koedijk of Tilburg University on +31 13 466 3048 or c.koedijk@uvt.nl. For commentary about US results, contact John Graham of Duke University on +1 919 660 7857 or john.graham@duke.edu or Kate O'Sullivan of *CFO* magazine on +1 617 345 9700 (ext 214) or kateosullivan@cfo.com. For commentary about Asian results, contact Don Durfee of *CFO Asia* magazine on +852 2585 3275 or dondurfee@economist.com. For commentary about Chinese results, contact Chen Wu of *CFO China* magazine on +86-21-64737128 (ext 24) or chenwu@economist.com.

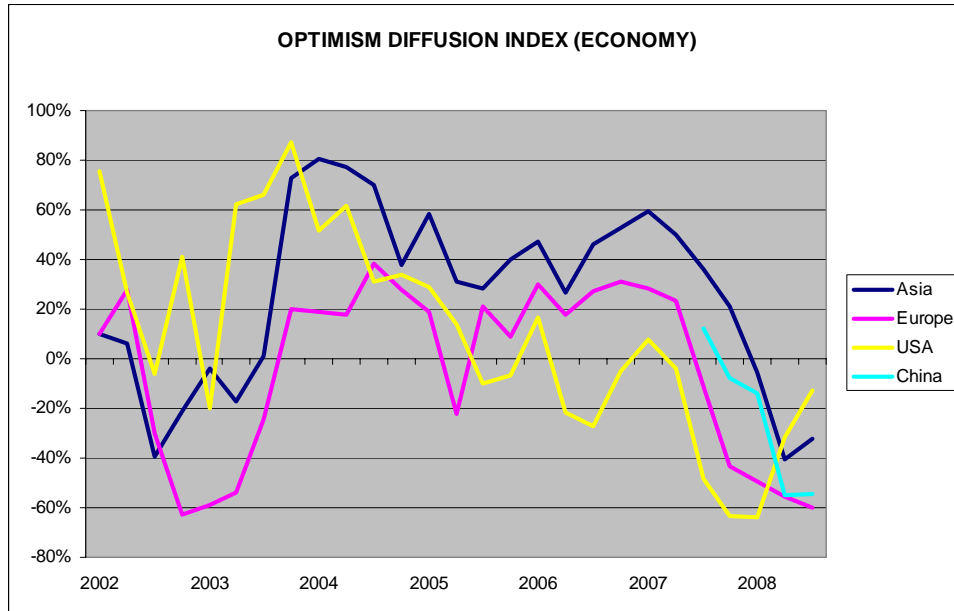
Detailed results, including tabular summaries of the numbers in this release and results from previous surveys, are available at www.cfosurvey.org.

About the survey: This is the 50th consecutive quarter that the survey has been conducted. The survey concluded September 5th and generated responses from 1,299 CFOs, including 524 from the US, 215 from Europe, 212 from Asia (not including China) and 348 from China. Results in this release are for European companies, unless otherwise noted. Among the industries represented in the survey are retail/wholesale, mining/construction, manufacturing, transportation/energy, communications/media, technology, service/consulting and banking/finance/insurance.

About CFO Publishing: Published by The Economist Group, the *CFO* family of titles (*CFO*, *CFO Europe*, *CFO Asia*, *CFO China* and *CFO.com*) provides chief financial officers with the practical information they need to perform their jobs more effectively. With a global monthly readership of nearly one million, the *CFO* titles are the leading business publications for C-level and senior financial executives. For more information, visit www.cfo.com.

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About Duke University: Duke's Fuqua School of Business, in Durham, North Carolina, was founded in 1970. Fuqua's mission is to educate business leaders worldwide and to promote the advancement of business management through research. For more information, visit www.fuqua.duke.edu.



Optimism diffusion measures the percentage of CFOs who have increased optimism minus the percentage who have decreased optimism.