

GLOBAL CFO SURVEY: COMPANIES IN CRISIS MODE AS FINANCE CHIEFS EXPECT PROLONGED RECESSION; EARNINGS, HIRING AND CAPITAL SPENDING TO PLUMMET IN 2009

Tilburg – Confidence in the European economy collapsed in the fourth quarter, sinking to its lowest level in more than a decade. Chief financial officers are slashing forecasts for earnings, hiring and capital spending in 2009. More than half of CFOs think that the regional economy will not begin to recover until 2010. Around the world, CFOs are more pessimistic than they have been at any time in the 13-year history of this quarterly survey.

These are some of the conclusions of the fourth-quarter 2008 CFO Global Business Outlook Survey from Tilburg University, *CFO Europe* magazine and Duke University, which asked 1,275 chief financial officers from a range of public and private companies about their expectations for their regional economies and their companies. (See end of release for survey methodology.) The survey has been conducted for 51 consecutive quarters. Results in this release are for European firms unless stated otherwise.

SUMMARY OF FINDINGS

-- A stunning 86 percent of European CFOs are more pessimistic about the economy this quarter (versus 68 percent in the previous quarter). More than 80 percent of CFOs are also more pessimistic in Asia and America. In the US, the ranks of pessimists doubled over the previous quarter.

-- More than 70 percent of finance chiefs say that economic recovery in Europe will be delayed until the fourth quarter of 2009 or later, as do nearly 60 percent of CFOs in America.

-- In 2009, employment is expected to fall by 6 percent in Europe, 5 percent in America and 0.5 percent in Asia. Earnings are expected to decline by between 7 percent and 9 percent in these regions, while capital spending budgets will be slashed by between 9 percent and 11 percent.

-- The ongoing credit turmoil is ensnaring more firms, with 51 percent of CFOs saying that their companies have been affected by the cost or availability of credit, up from 42 percent in the previous quarter. On average, CFOs say that the cost of borrowing has risen by around 100 basis points since last summer.

-- Three-quarters of CFOs around the world say that they are passing up attractive investment opportunities because they cannot access adequate funding.

-- About 50 percent of European companies plan staff reductions and 43 percent will reduce planned staff bonus and/or freeze salaries.

EUROPEAN FINANCE CHIEFS EXPECT LONG RECESSION

Pessimism about the European economy has risen to record levels. Eighty-six percent of chief financial officers are more pessimistic about prospects for the European economy than they were the previous quarter, up sharply from 68 percent in the previous poll. Only 1 percent of CFOs are more optimistic about economic prospects.

CFOs' confidence in their own companies, while stronger than their feelings about the broader economy, is also in short supply. When it comes to confidence in their own companies' prospects, the ranks of pessimists outnumber optimists by eight-to-one.

More than 70 percent of finance chiefs in Europe say that a recovery in the regional economy will not begin before the fourth quarter of 2009. Since the CFO optimism index has a good track record of predicting future GDP growth, employment, and capital spending, this quarter's extreme pessimism foretells a poor economy in 2009.

"The depth and breadth of the pessimism is striking," said Kees Koedijk, dean of the economics and business administration faculty at Tilburg University in the Netherlands. "In countries and industries across Europe, chief financial officers are preparing their companies for the worst."

DEEP CUTS AHEAD FOR HIRING AND CAPITAL SPENDING

European finance chiefs expect to slash domestic payrolls by 5 percent in 2009. Three months ago, they were expecting to boost staff by 2 percent. Capital spending budgets will be subject to even deeper cuts, with companies devoting 11 percent less to capex next year, versus a forecast for 1 percent growth in the previous quarter. Sixty percent of survey respondents have delayed, reduced or cancelled planned investments over the past three months.

For listed companies in Europe, earnings are expected to plunge over the next 12 months. CFOs at these firms expect profits to fall by 8 percent in 2009. Finance chiefs' top external concerns are shaky consumer demand, credit market turmoil and the overall health of the banking system. Their top internal, company-specific concerns are the ability to forecast results, working capital management and maintaining employee morale during economic downturn.

"As business prospects deteriorate, CFOs have switched into cost-cutting mode," said Janet Kersnar, Editor-in-Chief of *CFO Europe* magazine in London. "The danger is that they will cut muscle instead of fat, hindering their ability to grow when conditions eventually improve."

CREDIT CRUNCH CONTAGION SPREADS

Fifty-one percent of CFOs in Europe say that their companies have been affected by the credit crunch, up from 42 percent in the previous quarter and 33 percent a year ago. Around 65 percent of these finance chiefs say that their cost of credit has increased. On average, the cost of borrowing has risen by 114 basis points since last summer, CFOs say.

Nearly 60 percent of finance chiefs indicate that they cannot access the credit they need. One-third have experienced difficulty initiating or renewing a bank credit line.

Turmoil in the credit market is filtering through to the real economy. Seventy percent of finance chiefs say that constraints on access external capital have limited their ability to pursue attractive investment prospects.

RESULTS UNIQUE TO THE US

American companies say that they will reduce workforce by 5 percent on average, with 54 percent of companies saying that they will reduce head count.

Capital spending is expected to fall by a dramatic 10 percent, with 56 percent of firms planning to cut capital expenditures. Tech spending will also suffer but not by as much, falling by 4 percent on average. Marketing and advertising spending is expected to drop by 7 percent.

Earnings at listed firms over the next 12 months are expected to decline 9 percent. Worst hurt will be the manufacturing industry (where earnings should plummet 19 percent) and transportation/energy (12 percent).

RESULTS UNIQUE TO ASIA

Seventy-five percent of Asian firms say that in the current environment, financial constraints have limited their ability to invest in profitable projects.

In response to sour economic conditions, 57 percent of Asian companies are freezing headcount, 56 percent are delaying, reducing, or cancelling planned investments, and 51 percent are reducing travel and entertainment spending.

RESULTS UNIQUE TO CHINA

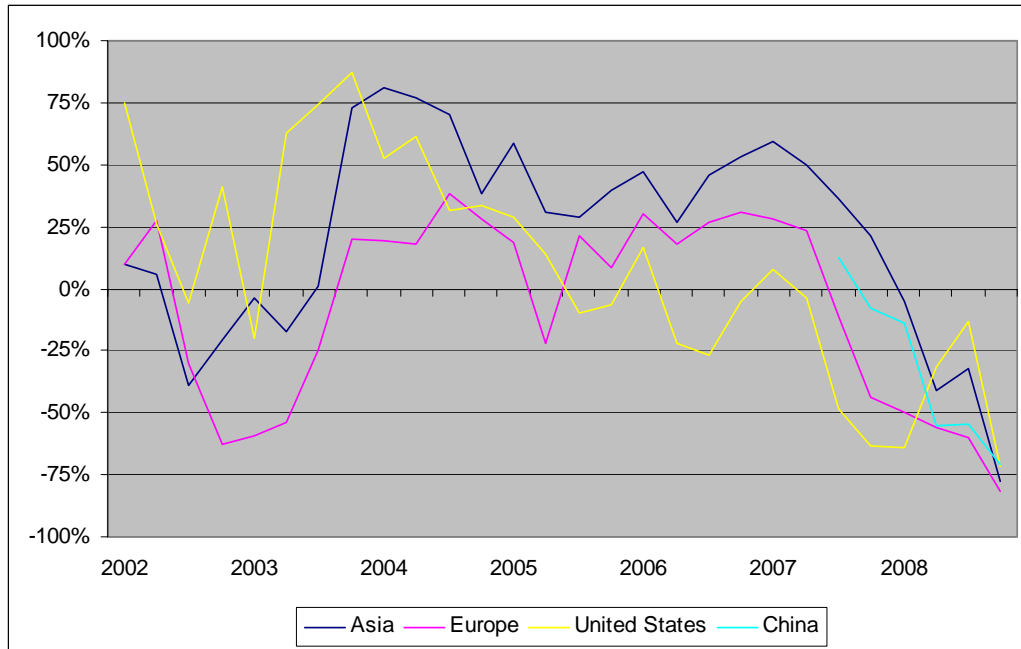
The top internal concern for Chinese companies is maintaining the morale and productivity of workers.

Among Chinese companies that have been affected by credit market turmoil, 52 percent say that have had difficulty establishing or renewing a line of credit, and 47 percent say that can not access the credit they need.

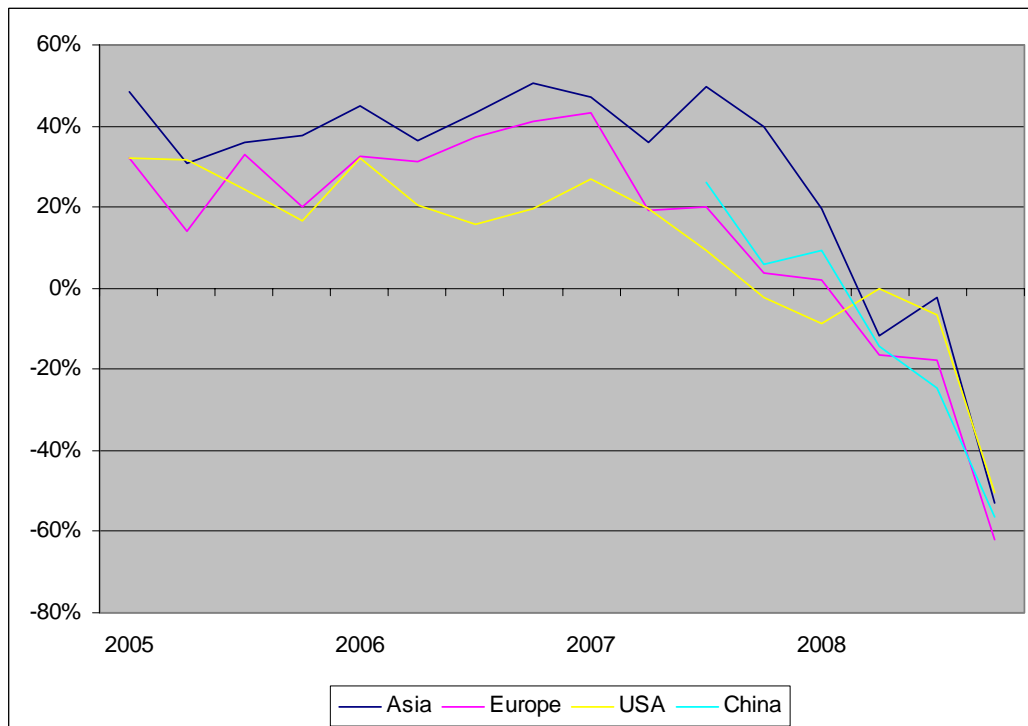
Fifty-five percent of Chinese companies have experienced a slowdown in the time that customers take to pay their bills, 45 percent have experienced a slowdown in exports, and 43 percent are concerned about a higher risk of customer defaults.

Only 8 percent of Chinese CFOs believe that the governmental stimulus package will substantially boost the economy.

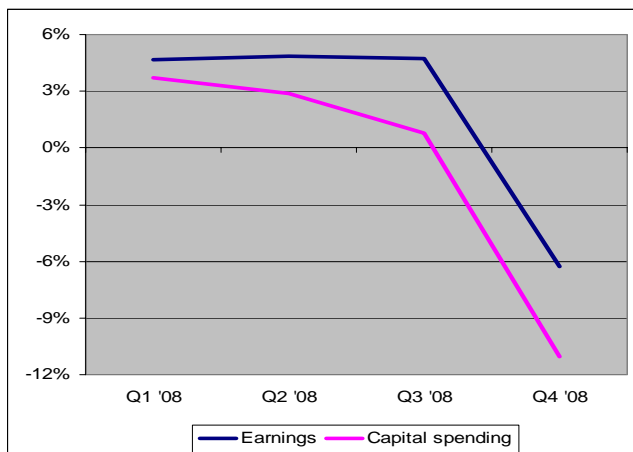
Optimism diffusion measures the percentage of CFOs who have increased optimism minus the percentage who have decreased optimism (through December 2008).



Percentage of CFOs with more optimism in their own company minus those with less optimism.



Average annual earnings and capital spending growth forecast for European survey respondents.



Results for European firms (own-firm changes expected during the next 12 months)

	Dec 2008	Sept 2008	June 2008	March 2008
	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months	Expected growth in next 12 months
Weighted Averages for Earnings growth*	-7.6%	+5.0%	+3.1%	+7.8%
Capital spending	-11.0%	+0.8%	+2.9%	+3.7%
Technology spending	-3.8%	+2.6%	+3.3%	+8.8%
Advertising and marketing spending	-9.1%	+0.1%	-0.8%	+3.2%
Employment	-5.8%	+1.6%	-1.2%	-0.2%
Outsourced Employment	-2.1%	+5.4%	+2.9%	+3.0%
Wages and Salaries	+2.8%	+4.1%	+3.6%	+3.8%
Productivity	+3.1%	+2.9%	+2.4%	+3.3%
Inflation (Chg in prices of own-firm products)	0.0%	+1.9%	+1.5%	+1.0%
Health Care Costs	+0.6%	+2.6%	+2.0%	+1.9%
Dividends*	-2.6%	-0.2%	+13.7%	+2.8%
Share Repurchases*	-2.0%	+0.5%	+3.3%	0.0%
Cash on balance sheet*	-2.5%	+5.0%	+4.3%	+8.8%
Mergers and Acquisitions	Not asked	51.7% plan to acquire. 16.8% plan to sell part or all of firm.	Not asked	45.2% plan to acquire. 15.1% plan to sell part or all of firm.

* indicates public firms only. All other numbers for all survey respondents (including private)

Europe business optimism

	Dec 2008	Sept 2008	June 2008	March 2008
	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.	Compared to last qtr.
Optimism about the country's economy	More optimistic: 1.6% Less optimistic: 86.0% No change: 12.4%	More optimistic: 7.9% Less optimistic: 67.9% No change: 24.2%	More optimistic: 7.7% Less optimistic: 63.5% No change: 28.8%	More optimistic: 10.3% Less optimistic: 59.8% No change: 29.9%
Optimism about own company	More optimistic: 8.6% Less optimistic: 69.9% No change: 21.5%	More optimistic: 22.8% Less optimistic: 40.5% No change: 36.7%	More optimistic: 26.4% Less optimistic: 42.8% No change: 30.8%	More optimistic: 34.1% Less optimistic: 32.2% No change: 33.6%

Prospects of regional economy compared to previous quarter

	More optimistic	Less optimistic	Optimists - Pessimists
USA	9%	81%	-72%
Asia ex-China	7%	85%	-78%
China	7%	78%	-71%
Europe	3%	85%	-82%

Prospects of your firm compared to previous quarter

	More optimistic	Less optimistic	Optimists - Pessimists
USA	15%	65%	-50%
Asia ex-China	16%	69%	-53%
China	9%	65%	-56%
Europe	8%	70%	-53%

How will the following items change over the next 12 months?

	Europe	USA	Asia	China
Earnings	-6.4%	-8.2%	-6.3%	0.3%
Capital spending	-11.2%	-10.2%	-7.8%	-6.9%
Technology spending	-3.8%	-4.4%	-2.6%	1.3%
Number of domestic employees	-3.4%	-4.1%	1.2%	-1.1%
Number of foreign/offshore outsourced employees	-2.2%	-1.6%	2.1%	-2.7%
Productivity (output per hour worked)	2.7%	1.8%	0.9%	-0.3%
Cash on the balance sheet	-3.6%	-1.3%	-3.8%	0.3%
Wages/Salaries	2.8%	1.2%	3.1%	2.0%
Health care costs	1.0%	6.4%	1.3%	2.6%
Prices of your products	0.2%	0.0%	-3.4%	-1.9%

Top three macro concerns

Europe	USA	Asia (ex-China)	China
Weak consumer demand	Weak consumer demand	Weak consumer demand	Weak consumer demand
Credit market/interest rates	Credit market/interest rates	Foreign currency volatility	Credit market/interest rates
The financial/banking system	Housing market fallout	Credit market/interest rates	Foreign currency volatility

Top three internal concerns

Europe	USA	Asia (ex-China)	China
Ability to forecast results	Ability to forecast results	Ability to forecast results	Maintaining morale/productivity
Working capital management	Maintaining morale/productivity	Counterparty risk/customers' ability to pay	Attracting/retaining qualified employees
Maintaining morale/productivity	Balance sheet weakness	Maintaining morale/productivity	Ability to forecast results

About the survey: This is the 51st consecutive quarter that the survey has been conducted. For more information, visit www.cfosurveyeurope.org.

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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.