Deloitte.

CFO *Sentiment*

H1 2024

Emerging from the storm

Contents

Deloitte has surveyed senior finance executives of major Australian listed companies since 2009. This CFO Sentiment survey covers the first half of 2024 and took place between 7 June 2024 and 24 June 2024.

84 CFOs responded to the survey.

Please note: where graphs do not add up to 100%, respondents were able to select multiple responses.

Edition highlights

CFO sentiment is improving

Net optimism about business prospects has increased by 29 percentage points since H2 2023 – the first notable rise since late 2021.

Economic conditions top the risk list

Net optimism about the economy is weaker than business prospects. CFOs also say an Australian economic downturn and the inability to execute strategies are their biggest risks ahead.

Risk appetite is beginning to shift

While net uncertainty remains high, 23% of CFOs believe now is a good time to take on risk, up from a record low of 14% just six months ago.

CFOs expect revenue and profit margins to rise

73% of CFOs expect revenue to increase over the next 12 months, and 41% expect a boost in profit margins despite anticipating inflation to drive up operating expenses.

Productivity remains front and centre

When asked about their organisation's priorities, productivity (70%) emerged as a higher priority than cost control (60%).

CFOs are more bullish on the impact of gen AI

78% of CFOs expect gen AI to substantially transform their industry in the next five years, compared to just 57% six months ago.

Executive summary

CFO sentiment reaches a turning point

The tide is turning on CFO optimism despite lingering weakness throughout the economy. Net optimism about business prospects has lifted by 29 percentage points to 56% over the past six months – the first notable rise since late 2021.

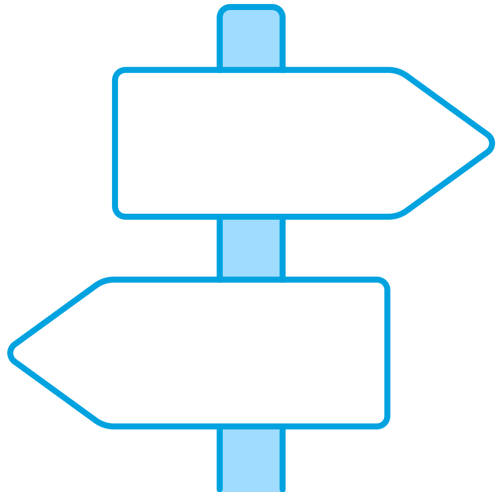
This is an important turning point. Conditions may be weak in the here and now, but CFOs are feeling notably better about the future for the first time in three years. They have grappled with talent shortages, inflation, interest rate rises, and weak demand for some time, and have become more resilient as a result.

Risk appetites have therefore begun to shift, with 23% of CFOs indicating now is a good time to take on risk, up from a record low 14% six months ago. While this remains low by historic standards, and uncertainty has stayed relatively high, it's evidence that CFOs are feeling more upbeat about the year ahead.

Still, businesses remain wary of a number of familiar risks. CFOs are most concerned about an Australian economic downturn and an inability to execute strategies over the next twelve months. They are split on interest rate expectations: about half (48%) expect rates to be much the same in 12 months' time, while 45% expect them to be lower.

CFOs have had to make tough decisions to get to this point, but they may finally be entering the recovery phase of the business cycle. Cost control has been a key area of focus of late, with many businesses reducing third-party spending and redesigning work processes and structures.

Even so, the survey reveals organisations are still focused on productivity, suggesting they are maintaining a longer-term growth perspective. CFOs are focusing on improving and automating processes, supported by the transformative abilities of artificial intelligence (AI) and generative AI (gen AI).



In the past six months, CFOs have become even more bullish about the potential impact of gen AI. Some 78% of CFOs expect it to substantially transform their industry in the next five years, compared to only 57% six months ago.

However, businesses still have a long way to go on their gen AI journey. CFOs are conscious of the risks involved and are busy establishing governance measures to help manage them. Data quality, especially for high value domains like customer and product/services data, also need a significant uplift before they can be fully leveraged by gen AI and other AI tools.

Looking ahead, CFOs will continue to carefully balance their business decisions against lingering uncertainty. However, the scales are starting to tip towards recovery. As economic conditions slowly improve, it's more important than ever that CFOs focus on innovation and growth to make the most of their opportunities.

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Economic update | Domestic

Economic pressures still front of mind for households, businesses and the RBA

The Australian economy has been in a holding pattern over the first half of 2024. The Reserve Bank of Australia (RBA) has kept a keen eye on domestic economic conditions and ongoing international disruptions, while the market waits for signs of the first rate cut.

Domestic **inflation** has eased over the last six months, but not quickly enough. Annual Consumer Price Index (CPI) measured inflation decreased from a peak of 7.8% in December 2022 to 3.6% in March 2024, but remains outside the RBA's target range of 2 to 3%.

Services inflation has been stubbornly higher than overall inflation, only easing to 4.3% over the year. Housing remains one of the biggest drivers of inflation: record low vacancy rates, combined with strong population growth, continue to drive rents up at the fastest annual rate in 15 years. As a result, the RBA has maintained the cash rate at 4.35%, the highest in a decade, for the past six months.

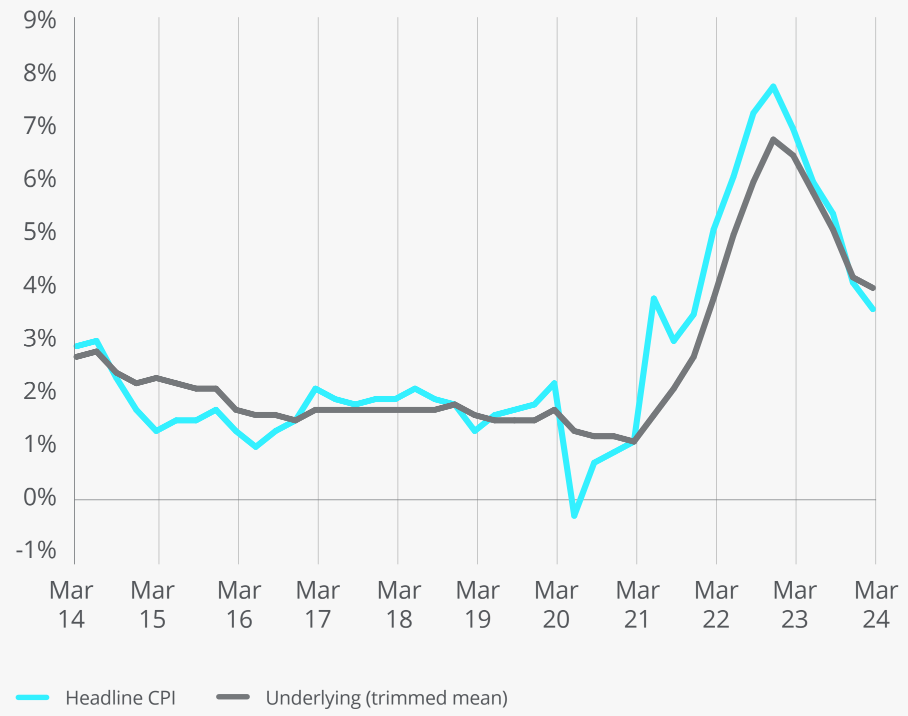
Economic growth has remained weak in 2024. Real GDP grew by just 1.1% over the year to March 2024, the lowest annual rate outside the pandemic since the early 1990s recession. A slowdown in household spending has been a major cause. The pressure on households is seen from the fact that for the first time since 2008, households saved less than 2.0% of their income over the past year. Mortgagors and renters are facing the strongest cost of living pressures, with very limited budget available for discretionary spending.

Annual wage growth has been steadily climbing since December 2020. However, the overall pace of growth remains modest and may have peaked in March 2024. While this may help bring down services inflation, it also means most households are seeing only a very modest amount of *real* wage growth.

The steady **labour market** has remained a beacon in a bleak economy. Employment growth stayed robust over the first half of the year, with over 200,000 people added to the workforce since the end of 2023. The unemployment rate remains low by historic standards at 4.1%, indicating the general health of the labour market.

Chart 1: Inflation

Annual change in inflation



Economic update | Domestic

However, the labour market is weakening: job vacancies are 18% lower than a year ago, and the unemployment rate is expected to inch upward through the rest of 2024. Headcount reductions at large Australian businesses have also been in the spotlight over recent months, though it seems many businesses are trying to reduce hours rather than lay off workers where possible, as skill shortages remain a top concern for CFOs.

Much of the labour market's strength to date stemmed from healthy **population growth**. Australia's population grew 2.5% in the year to December 2023, a touch below the record rate of 2.6% from earlier in 2023. Net overseas migration brought over 547,000 people to Australia in the year to December 2023 and continues to be a cornerstone of population growth. In stark contrast, natural growth was at its lowest level since population records began in the early 1980s.

The **housing crisis** continues to be a major issue in Australia. Strong population growth has pushed up demand for housing, but supply has failed to keep up. The existing backlog of projects will make it difficult to ramp up building activity anytime soon, particularly given persistent skills and worker shortages in the construction industry. Federal and state government programs will help, but there's still a long way to go.

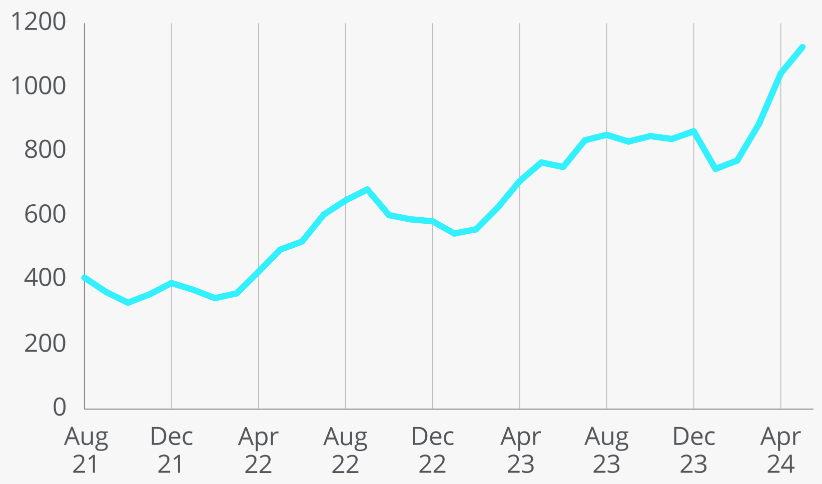
Businesses are navigating a challenging economic landscape, as shown by a recent surge in business insolvencies. Around 1,200 Australian businesses entered an insolvency process in May 2024, the highest monthly figure since 2015.

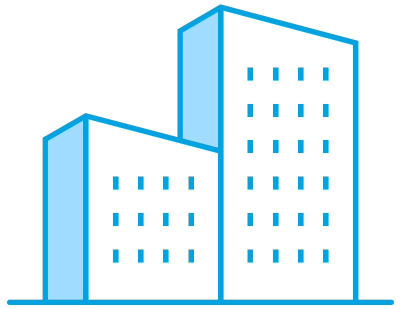
The construction sector has been hit particularly hard, recording the most insolvencies of any industry in every quarter since mid-2021. Service businesses have also struggled, particularly in accommodation and food, as consumers pull back on spending.

All in all, it's been a difficult first half of 2024, and debate continues on what the RBA will do over the next twelve months. But while this may cause uncertainty for businesses, there are likely positive signs going forward as inflation moderates further and cost of living pressures ease. Household budgets will also do better in the coming months as real wage growth picks up and tax cuts trickle through, which will alleviate cost of living pressures and help boost demand across the economy.

Chart 2: Business insolvencies

Three-month rolling average of insolvencies





Economic update | Global

Global growth slows as economies reach the last mile to target inflation

The global economy is getting closer to achieving target inflation and smoother growth. European central banks have been the first to cut rates, while many other major economies continue to grapple with a long and bumpy last mile in the fight against post-pandemic inflation.

In the **United States**, a favourable inflation reading in May (2.3% headline) sparked optimism for an earlier rate cut. In the end, persistent services inflation, rapid wage growth, and the resilient labour market swayed the Federal Reserve – which prefers a 'wait and see' approach – against a cut.

However, the United States' economy is showing signs of weakening after a period of strong growth. Housing completions have declined, and jobless claims have reached a 10-month high, finally pushing the unemployment rate up to 4%. But there are still areas of strength, supported by healthy household finances, a rising trend in manufacturing investment, and a thriving technology sector.

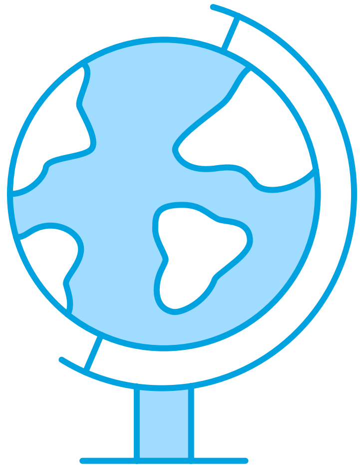
China's property market slump, rising local government debt, and deflation remain heavy drags on economic activity. Strong consumer spending has offered some encouragement, but real estate weakness still restricts consumer confidence and investment.

Sharp rises in steel and aluminium outputs have helped bolster exports as China attempts to offset the housing slump with a shift to manufacturing. But weak domestic demand and tariffs are headwinds for growth, with the risk of persistent deflation continuing to complicate China's debt challenges. Its key drivers of growth are expected to remain modest, and a growth target of around 5.0% in 2024 may not be achieved without persistent fiscal stimulus.

Economic output in the **Eurozone** is expected to gradually recover through 2024 and into 2025. Germany has seen a slight rebound in output (+0.1%) after contracting over the 2023 calendar year, while Spain led the charge (+2.5%) thanks to continuing growth in tourism. In June, the European Central Bank (ECB) cut rates for the first time since 2019 in response to a weak economic outlook and ongoing disinflation. Household spending and consumer confidence stayed low in May despite the labour market remaining surprisingly robust. Easing of monetary policy and an acceleration in real wage growth are expected to lift economic activity in the region later this year, but economic growth is still likely to be less than 1% in 2024.

In the **United Kingdom**, the Bank of England (BoE) has become the first major central bank to achieve the 2% inflation target. It's an especially noteworthy accomplishment considering that, at its peak of 11.1%, inflation in the UK was among the highest of any major economy.

Rising unemployment and declining job vacancies also suggest the labour market is softening: so why has the BoE kept rates on hold? The challenge lies in elevated services inflation (+5.7% in May) and high and lagged wage growth data (6% excluding bonuses in the three months to April). This stickiness in domestic price pressures, and some resilience in economic activity, have made the BoE reluctant to reduce rates for now, although a cut is expected in the coming months.



Key policy measures

A big-spending federal budget as the RBA continues its war on inflation

The 2023–24 budget is expected to deliver a reasonable surplus in the mid-teens, surpassing the $9.3 billion originally projected in May. This would be the second consecutive surplus achieved.

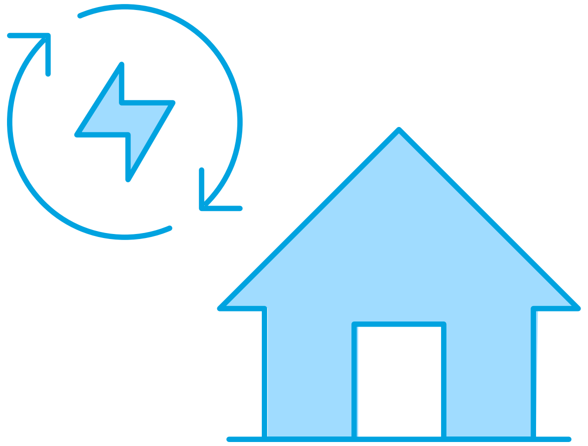
However, driven by tax cuts and cost of living relief, the budget's overall position is set to move to a deficit of $28.3 billion in 2024–25, equivalent to 1.0% of GDP. Such front-loaded spending poses something of an inflation risk.

The $22.7 billion *Future Made in Australia* policy was a cornerstone of the new spending announced. It includes funding for a range of measures to target clean energy and economic independence, such as:

- Production tax incentives to encourage investment in critical minerals and hydrogen
- Spending to scale up domestic solar panel and battery manufacturing
- A plan to inject capital into a single quantum computing company.

While the policy undeniably picks winners (and so represents a gamble with taxpayer money), the bulk of the funding is allocated to a mix of conventional policies and investment incentives in the new industries required to reach Australia's legislated net zero commitments.

The budget also contained measures targeting cost of living pressures, including the highly anticipated stage 3 tax cuts, $3.5 billion for energy bill relief, a 10% increase in Commonwealth Rent Assistance, and a commitment to funding wage increases for workers across the care economy. These subsidies will provide much-needed assistance to vulnerable households, but risk worsening existing inflationary pressures in the economy – even if the inflation rate is 'mechanically' lowered.



There were no surprises at the RBA's board meeting in June, with the cash rate remaining on hold at 4.35% for the sixth time in a row. Commentators remain split about whether there is one more rate hike to come in the coming months. Inflation remains the RBA's top priority, with data showing there's still a way to go to reach the RBA's target band. Even with a weak economy, some believe the RBA will wait for labour demand to fall further (leading to a higher unemployment rate) to limit the impact of wage growth on inflation.

The federal government also released its 2024–25 Australian Migration Program as part of the budget. It anticipates Australia's migrant intake will halve in two years (from 528,000 in 2022–23 to 260,000 in 2024–25) as the government moves to reduce pressures caused by population growth.

While this may be a necessary step in alleviating the housing crisis in Australia, population growth has been a key driver of recent economic growth. Cutting down on immigration takes away a substantial growth lever, and may worsen existing skills shortages that Australia faces in critical industries like construction.

"The improving sentiment for the next 12 months marks an inflection point for businesses. We're now beginning to look ahead to recovery, not just focusing on the current economic pain."

David Rumbens
Partner, Deloitte Access Economics
Deloitte Australia

Confidence rises with the tide

CFOs begin to see a glass half full

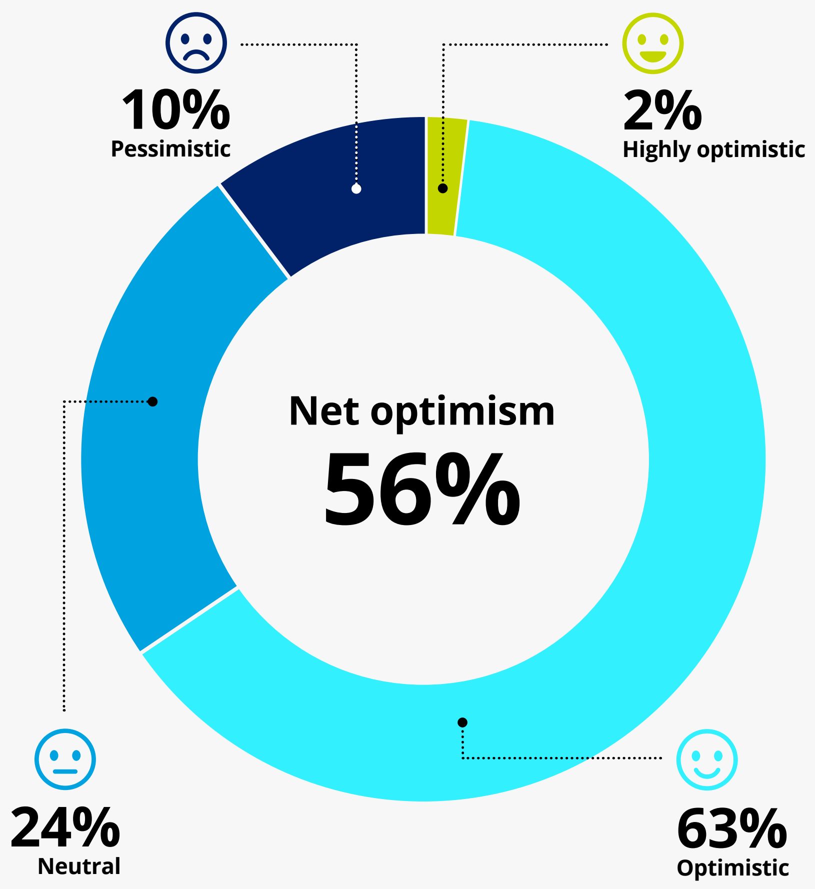
CFO sentiment has notably improved in the past six months. Net optimism (optimism less pessimism) about business prospects has risen 29 percentage points since H2 2023 – the first substantial increase since the end of 2021.

An encouraging 65% of CFOs feel optimistic or highly optimistic about their company's financial prospects going forward, compared to just 47% last survey. **After two years of talent shortages, inflation, interest rate rises and difficult business decisions, the tide is starting to turn.** CFOs are more familiar than ever with tougher economic conditions, and they are more resilient as a result.

However, not all industries are feeling the same way. Consumer businesses appear to be the least assured about their own business prospects (42% net optimism), reflecting the major downturn in consumer spending. On the other end of the spectrum, financial services and technology businesses are feeling more optimistic about their own performance (69% net optimism).

Chart 3: Optimism about own business

How do you feel about the financial prospects of your company going forward?



Confidence rises with the tide

Time makes all the difference

While net optimism on Australia's economic outlook remains poor at -7%, the share of pessimistic or highly pessimistic CFOs has fallen from 43% to 29% in just six months.

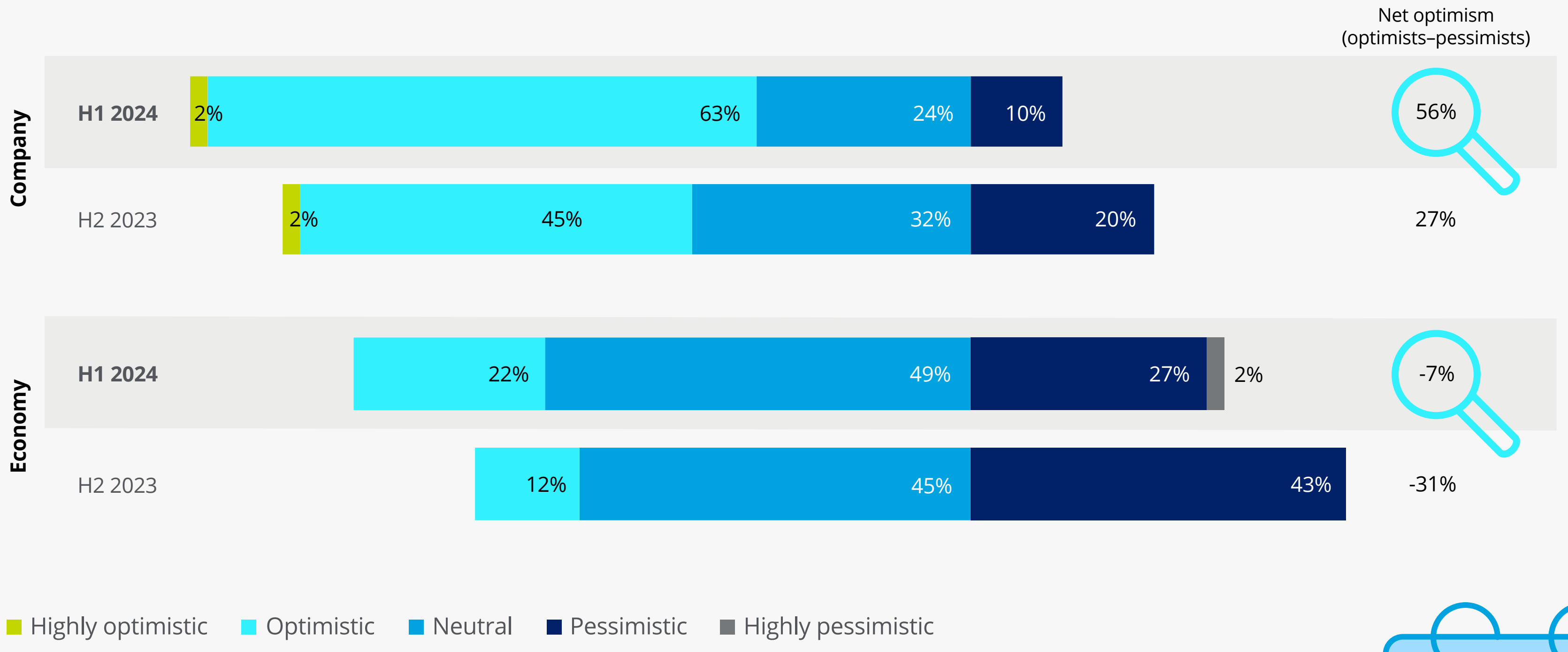
This improvement follows a period of high inflation and consecutive interest rate rises, which affected CFOs' confidence in the financial prospects of their company and the Australian economy.

Historically, CFO confidence has been most impacted soon after major changes in economic conditions that drive greater uncertainty, such as the onset of the pandemic and the initial inflationary period.

However, as CFOs have adapted to the new economic environment, the overall outlook has improved. **CFOs have learned to deal with tougher conditions, building more resilience and experience in a weakened economy – a challenge they continue to face.** They are also getting increasingly comfortable that broader economic conditions will improve over the course of the next year.

Chart 4: Optimism about own business

How do you feel about the financial prospects of your company and the Australian economy going forward?

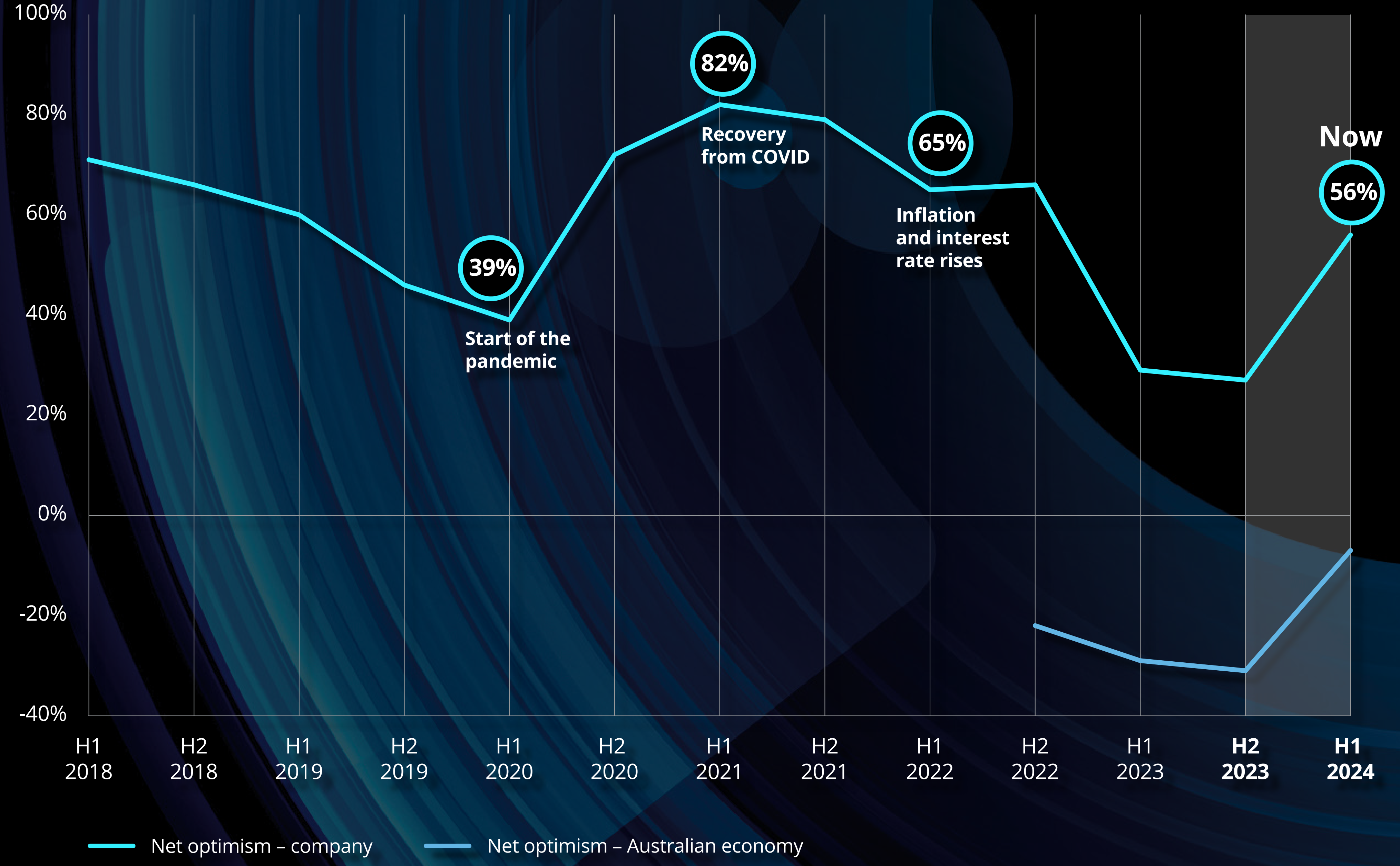


Confidence rises with the tide

Chart 5: Net business confidence over time

How do you feel about the financial prospects of your company and the Australian economy going forward? (net optimism)

Note: The 'optimism on Australian economy' question was only introduced in H2 2022.



Risk appetite improves

Amid uncertainty, CFOs roll with the punches

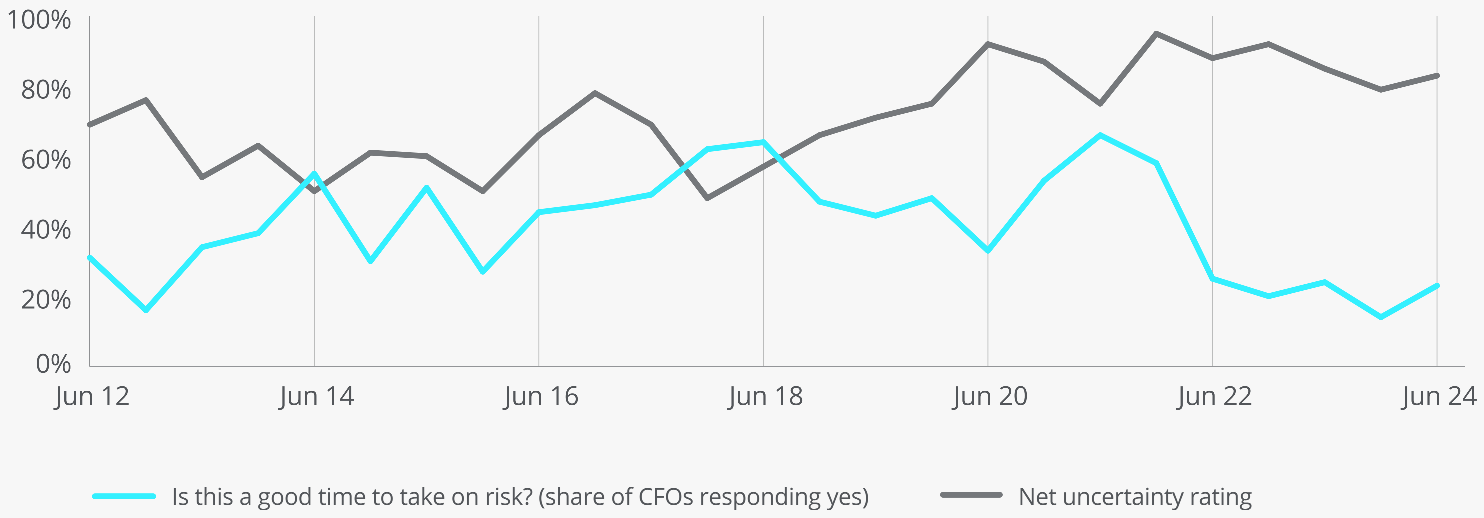
Unsurprisingly, 83% of CFOs say their company faces high external financial and economic uncertainty. This is the 10th survey since 2019 where net uncertainty has exceeded 75%, reflecting the volatile economic environment CFOs continue to grapple with.

But despite this elevated uncertainty, risk appetites have grown. 23% of CFOs think now is a good time to take on risk, rising from a record low of 14% six months ago.

Make no mistake: risk appetite remains low relative to historical surveys, which averaged 43% between 2012 and 2019. But this uptick suggests CFO sentiment is turning for the better. While uncertainty lingers, familiarity with the current economic environment – along with reprieve from interest rate rises – has helped boost risk appetite.

Chart 6: Balance sheet risk and uncertainty

How would you rate the general level of external financial and economic uncertainty facing your company?



Risk appetite improves

Economy and strategy tops risks list

CFOs have identified an Australian economic downturn and the inability to execute strategies as the biggest risks in the year ahead.

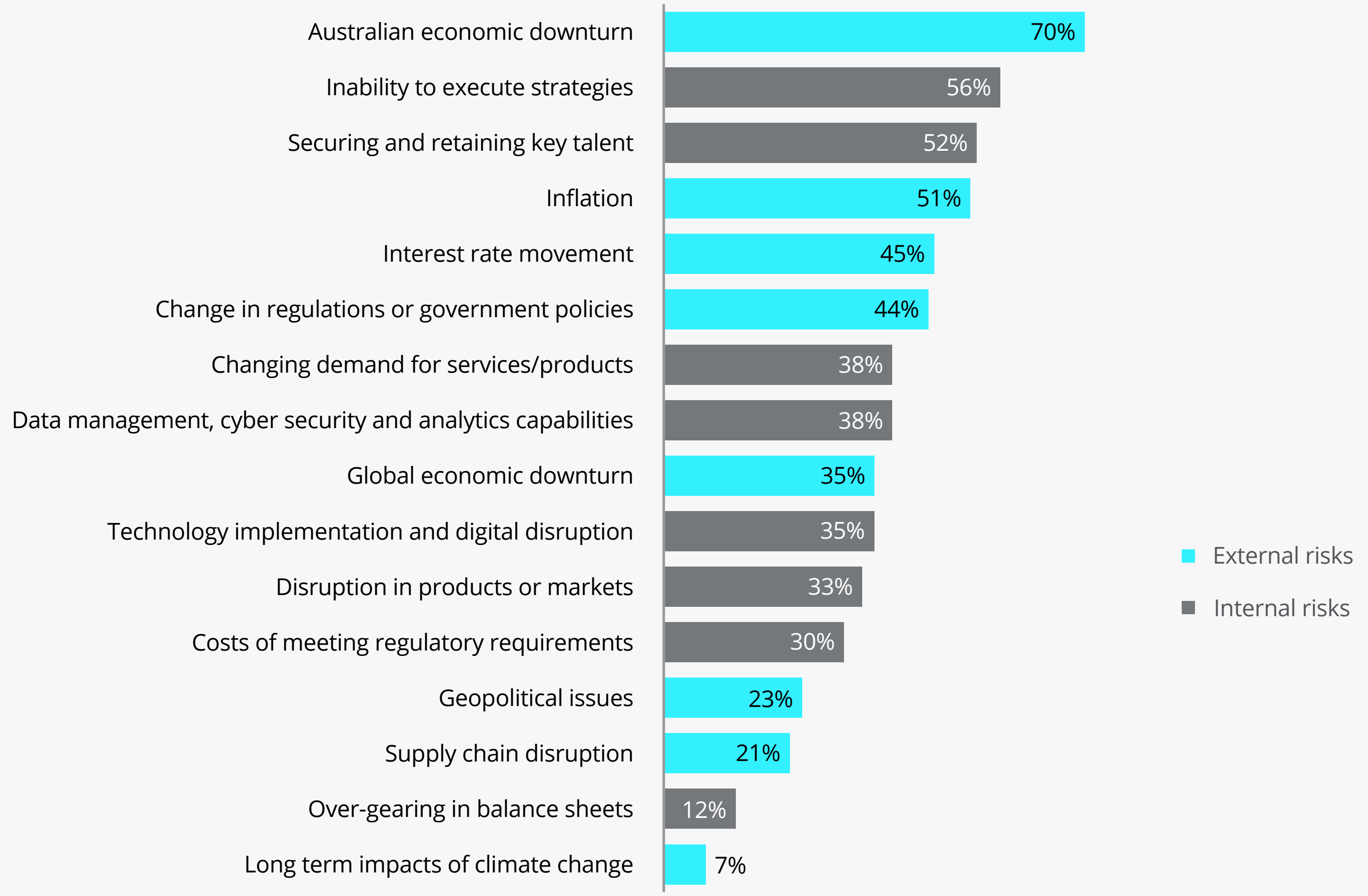
Fears of an **Australian economic downturn** are unsurprising given CFOs' weak confidence in the economy, despite some improvement over the past six months. Rising concerns over an **inability to execute strategies** reflect weak demand throughout the economy and the challenge of rising prices. Many companies have had to respond to shifting economic conditions by changing or introducing different strategies, such as cost-cutting measures.

Securing and retaining key talent remains a critical issue for businesses. While this year's share of 52% is lower than immediately after the pandemic when talent shortages were more severe, it remains a significant and enduring risk.

Inflation and **interest rate movements** round out the top five risks and continue to be important factors for businesses in the next 12 months.

Chart 7: Risks of most concern to CFOs over the next 12 months, internal and external

Which of the following factors is most likely to pose a significant risk to your business over the next 12 months? (internally and externally)



Great expectations

Interest rates: where to from here?

One big question dwells on the minds of CFOs: when will the RBA start to *cut* interest rates? **Surveyed CFOs are split on interest rate movements over the next 12 months:** nearly half (48%) expect them to be around the same level as now, while 45% expect they will be lower.

Inflation expectations are one of the key drivers of interest rate expectations. More than two-thirds of CFOs (70%) still expect inflation to be between 3% and 4% (outside the RBA's target band of 2–3%) in 12 months' time, so it's unsurprising that half don't expect much movement in interest rates. These results suggest CFOs are bracing for inflation to stick around and will keep this in mind when making business decisions.

Since this survey was fielded, unexpectedly high inflation data has fuelled market expectations for a rate rise in August. However, even though the RBA's August meeting is now a 'live' one, CFOs may take comfort in the belief that a further rate rise may finally curb inflation and hasten the transition to rate cuts in 2025.

Chart 8: Expectations on interest rates

Where do you expect to see interest rates in 12 months' time?

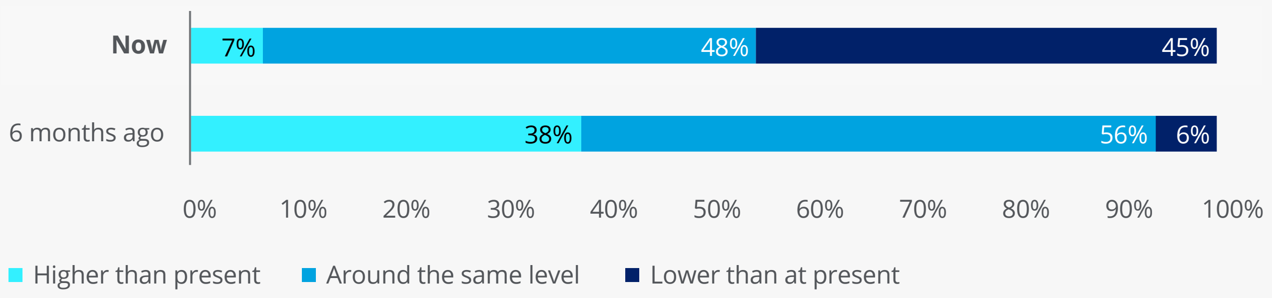
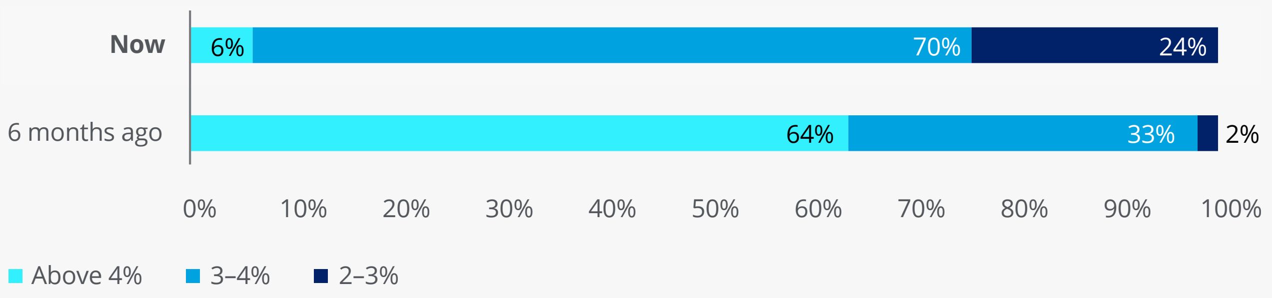
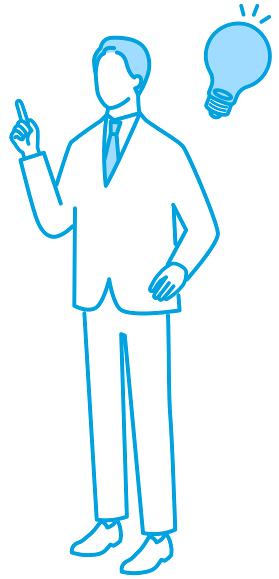


Chart 9: Expectations on inflation

Where do you expect Australian year-to inflation to be in 12 months' time?





Great expectations

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CFOs tip revenue, profit and costs to rise

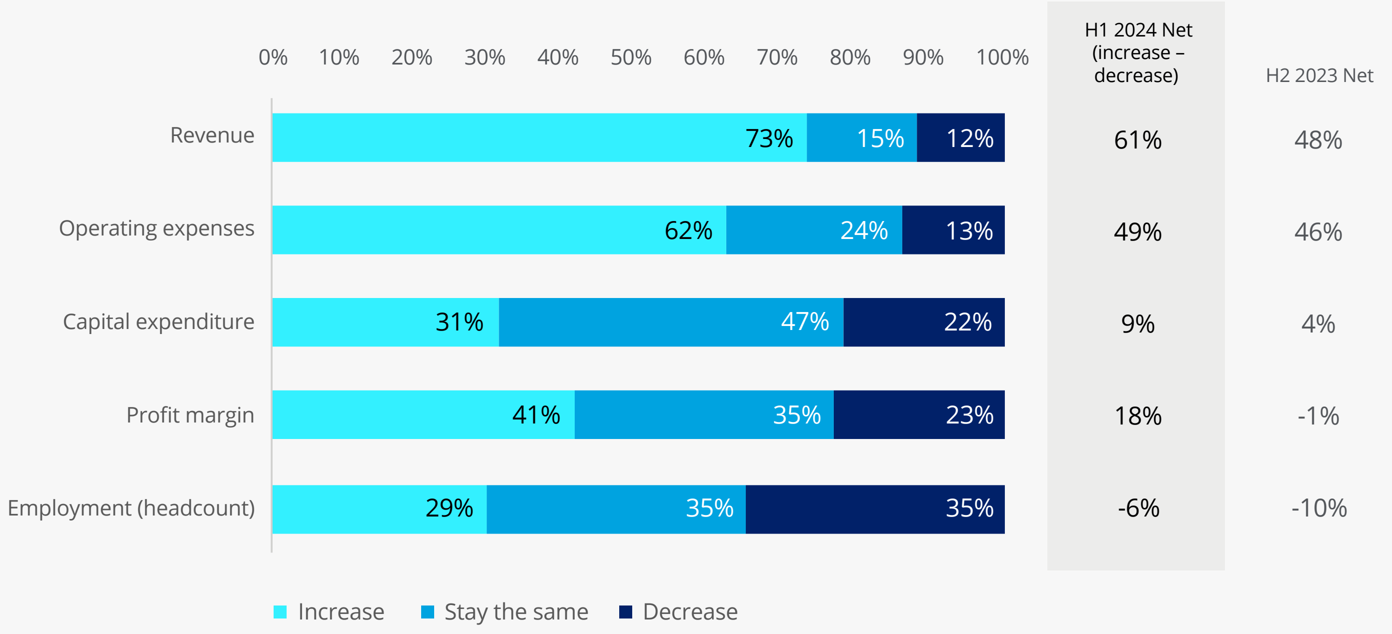
Other than operating expenses, net expectations have improved across all key metrics since our last survey. 73% of CFOs now forecast revenue to grow in the year ahead (up from 60%) and 41% expect the same for profit margins (up from 29%). While most still predict a rise in operating expenses, they seem to expect revenue growth to outpace any lingering inflationary impacts and set a stronger foundation for future profit margins.

These results reflect companies' response to the difficult trading environment over the past two years. With general economic sentiment improving and more stable expectations for inflation and interest rates, the future looks brighter for revenue and profit margins – even if inflation lingers along the way.

Capital expenditure expectations have also marginally ticked up. But while this aligns with the rise in risk appetite, 69% of CFOs still don't expect any increase in capital expenditure over the next year. This remains a risk to Australia's long-term productivity, which depends on greater investment.

Chart 10: Outlook for key business metrics

Compared to the past 12 months, how do you expect key metrics to change over the next 12 months?



“As confidence grows, so too does the importance of elevating productivity. However, businesses still need to get the foundational elements right to make the most of innovative tools like gen AI.”

Stephen Gustafson
Partner, Audit & Assurance
Deloitte Australia
CFO Program Leader

The productivity puzzle

Managing the present, building the future

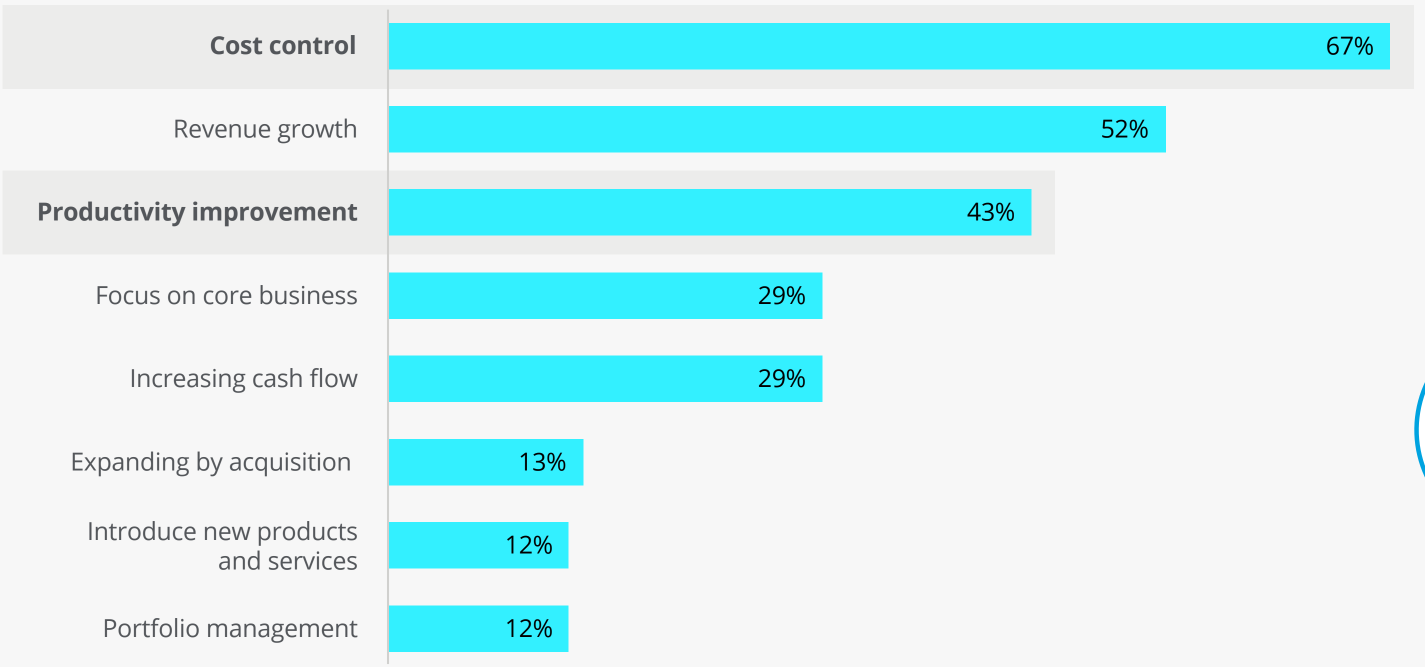
Many CFOs are prioritising cost control in the year ahead, with 67% ranking it within their top three priorities. Considering 63% of CFOs expect operating expenses to rise over the next 12 months, and 70% believe inflation will remain above the RBA's target band, these results reinforce that the inflation fight isn't over.

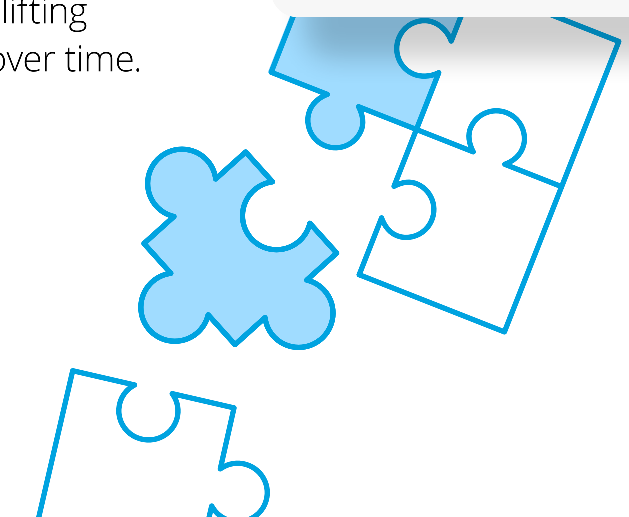
However, productivity is also attracting attention: 43% of CFOs say it's one of their top three priorities, ranked well above other focus areas like core business (29%), increasing cashflow (29%) and expanding by acquisition (13%).

Encouragingly, this emphasis on productivity is reflected throughout the business: most CFOs say it's a high priority in the finance function (61%) and across the broader organisation (70%). These results suggest businesses aren't solely focused on short-term cost-cutting in response to challenging economic conditions, but also uplifting productivity to drive sustainable profit growth over time.

Chart 11: Key areas of focus

As a CFO, what are your top three areas of focus for business in the next year?





The productivity puzzle

Cost-cutting measures reach their limit

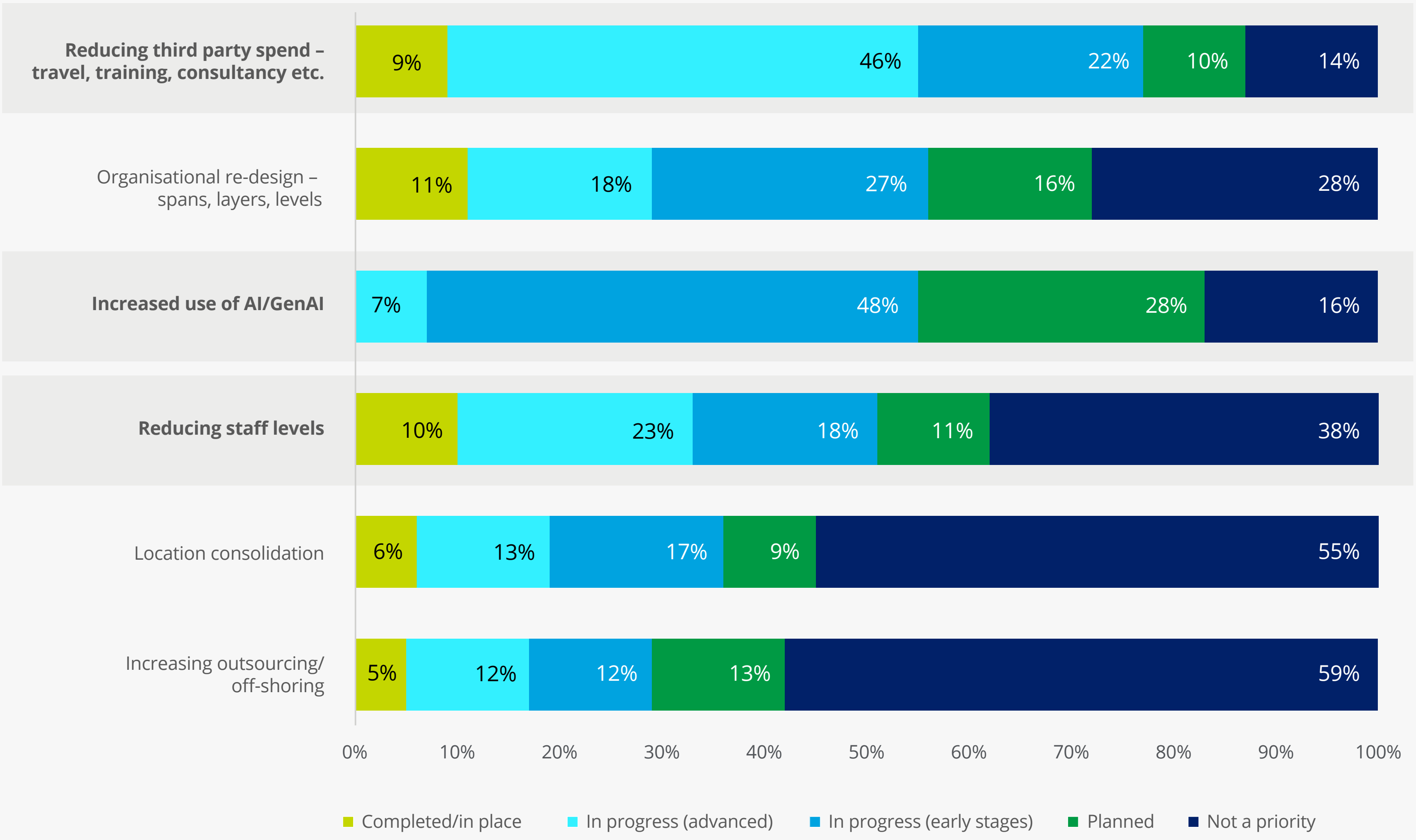
CFOs are acutely aware of the importance of cost control and have responded through a variety of measures.

Cutting back on third-party spend (e.g., on travel or professional services) was the biggest cost control measure. Many businesses are also reducing headcount: for more than half of CFOs, staff reductions are either planned, in progress or already completed.

But these measures are beginning to reach their limit, and with little more left to shave, CFOs are exploring new avenues of cost control. This includes the increased use of AI and gen AI, which 48% of businesses are in the early stages of implementing as a cost control strategy.

Chart 12: Status of potential cost-control actions in your finance function

Select the description that best describes the status of potential cost-control actions in your finance function (to the best of your knowledge).



The productivity puzzle

CFOs choose to walk before they run

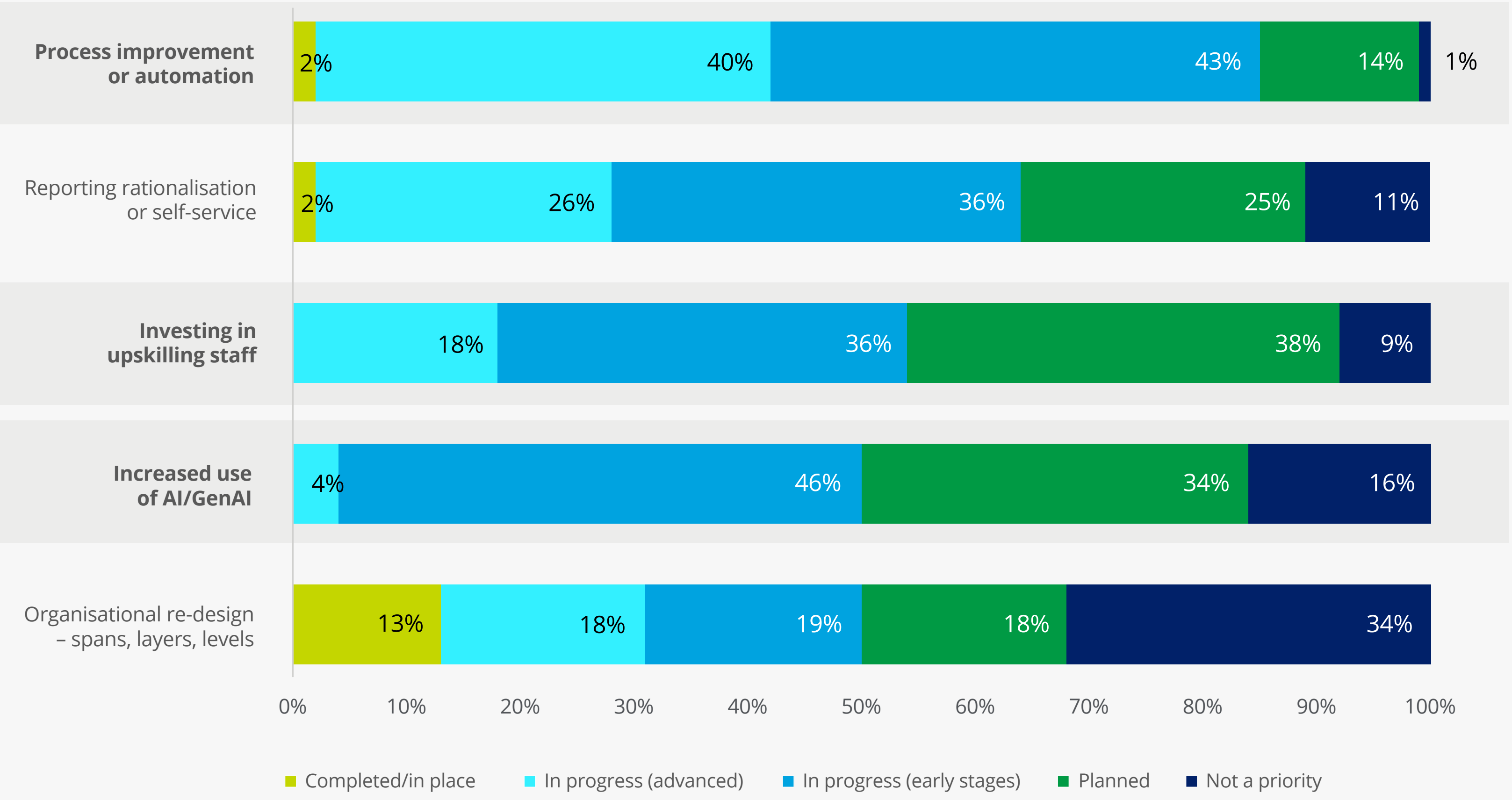
Gen AI unlocks new tools and technology that can revolutionise the way businesses operate. But almost all surveyed CFOs say their organisation is still exploring how it can improve or automate processes within their finance function, highlighting the importance of strengthening business process foundations before tackling larger productivity transformations.

That said, there's undeniable interest in gen AI and its benefits. Some 50% of CFOs have already begun using AI and gen AI to improve productivity, with a further 34% planning to do so. This is the largest 'in progress (early stages)' response of all productivity measures.

Some 54% of businesses are also investing in upskilling staff. This may be connected to the growing use of gen AI, as businesses recognise the importance of equipping their employees with the skills to effectively leverage it.

Chart 13: Status of potential productivity-improving actions in your finance function

Select the description that best describes the status of potential productivity-improving actions in your finance function (to the best of your knowledge).



Generative AI | In with the new

Transformation expected sooner, not later

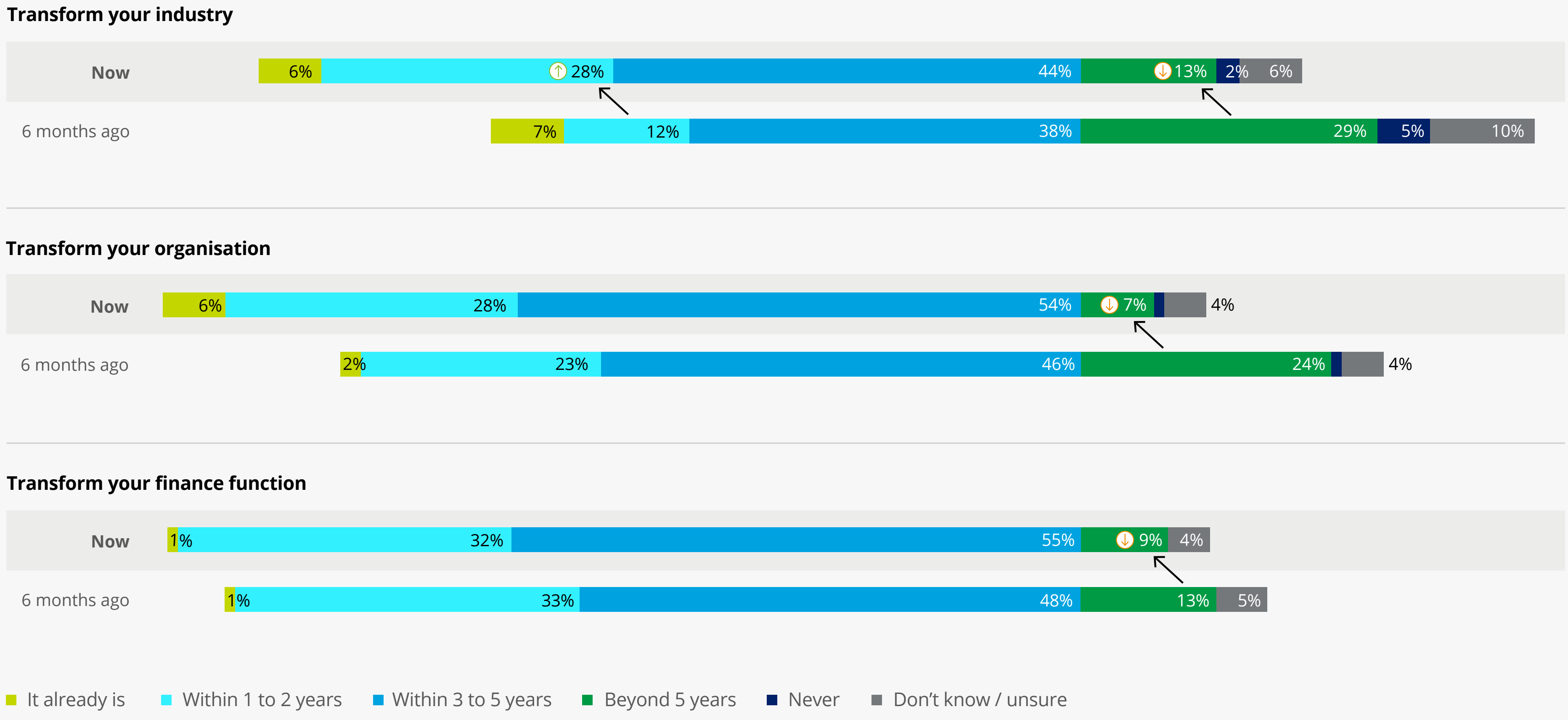
Gen AI is revolutionising the workplace, and CFOs are taking notice. In just six months, they've become far more bullish about its potential impact: the share of CFOs who believe gen AI will substantially transform their industry within five years rose from 57% to 78%.

This sentiment is particularly strong in certain industries. CFOs in consumer businesses (45%), financial services (37%) and technology (37%) are the most confident that gen AI will transform their industries within two years, well above the overall response of 28%. This is likely rooted in their well-established and data-rich technological infrastructure, while other sectors may find gen AI more challenging to integrate.

There was a comparatively smaller increase in expectations for significant transformation within the finance function compared to other areas of the business. This may be due to regulatory constraints and complex decision-making processes around finance function activities.

Chart 14: Generative AI transformational power

In your opinion, when will generative AI likely substantially transform your industry, organisation and finance function, if at all?



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Generative AI | In with the new

Momentum builds despite the change challenge

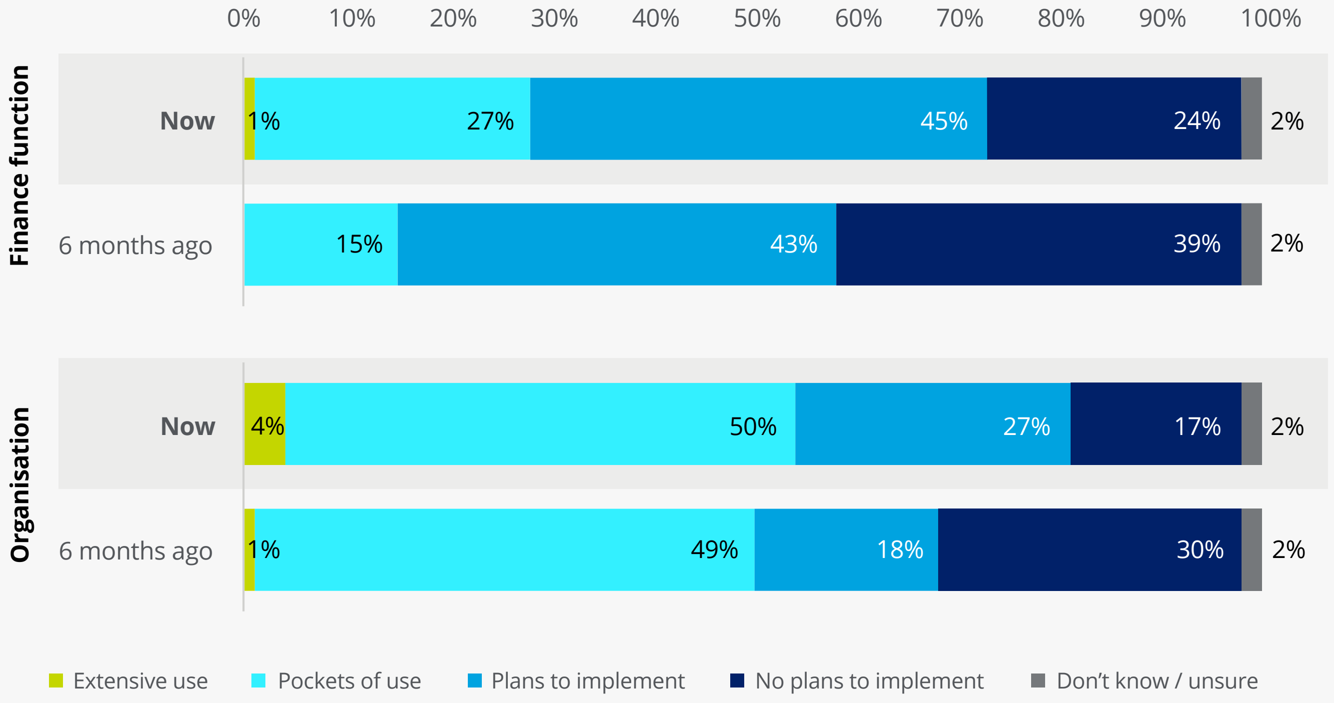
While a greater share of CFOs recognise the potential impact of AI, adoption has been a little slower, reflecting the more formidable and practical challenge of actual process change.

According to a recent Deloitte survey across Asia Pacific, students and workers believe the most effective way for businesses to improve AI adoption is to provide training (41%), followed by the creation of an AI integration strategy (41%). However, this is a complex task that involves identifying areas where AI can add the most value, determining necessary data inputs, and developing appropriate algorithms, models and training.

Regardless of these challenges, there continues to be significant progress in gen AI adoption. The number of CFOs with no plans to implement AI has halved in the last six months, indicating a growing acceptance of the technology and a willingness to explore its potential benefits.

Chart 15: Current adoption of AI

What is your current adoption level of generative AI across the organisation and in the finance function?



Generative AI | In with the new

CFOs see the need to manage AI risks

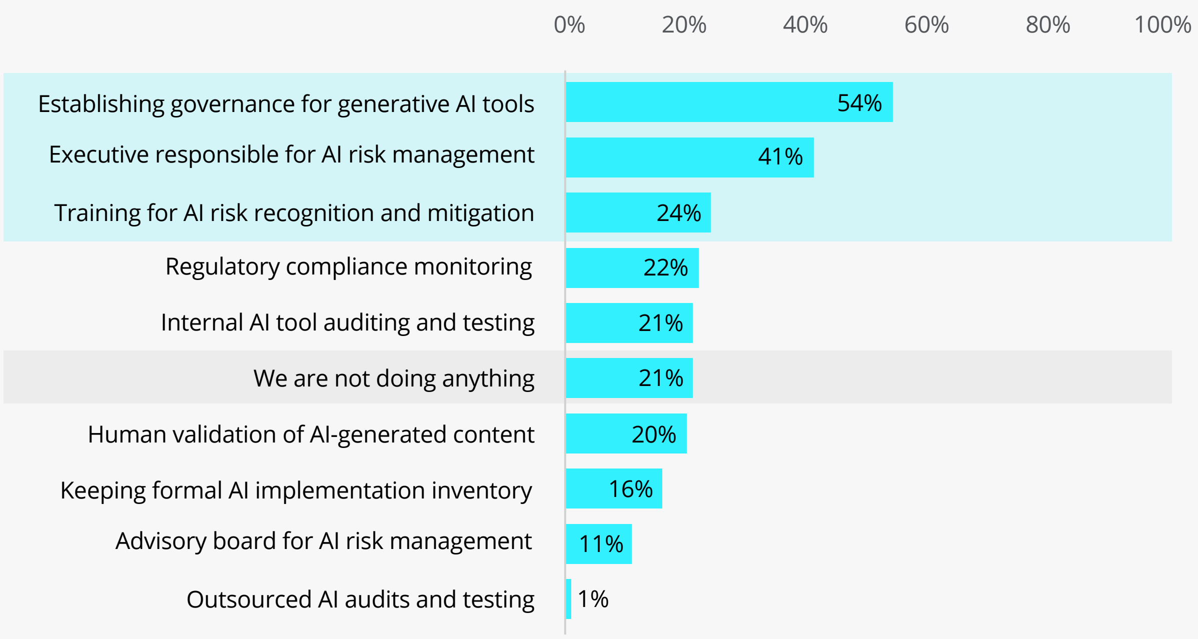
In the rapidly evolving AI landscape, the importance of risk management is becoming increasingly evident. Almost four in five CFOs (79%) recognise this need and are taking proactive measures to address these concerns.

More than half of CFOs (54%) are implementing governance measures specifically designed for gen AI tools and 41% are appointing executives to oversee AI-related risks. One in four (24%) have also introduced some form of AI risk training for workers – this may increase over time as AI and gen AI tools become more effective, better understood and supported by improved training materials.

While 21% of CFOs still do not prioritise AI risk management, this is relatively consistent with the share of those that don't consider adoption a priority (16%). How businesses manage the risks of AI and gen AI may also continue to change as new risks and use cases are discovered.

Chart 16: Current AI risk management

What is your organisation currently doing to actively manage the risks around the implementation of generative AI?



Generative AI | The journey ahead

Businesses prioritise market insights for AI analysis

AI and Gen AI has proven to be extremely valuable for analysing a range of structured and unstructured data. Surveyed businesses are currently prioritising market insights over internal business data, with CFOs considering customer and product/service data as the most valuable to their organisation.

As businesses have often already collected and analysed this data, it serves as a strong foundation for the transition to gen AI adoption. On the other hand, internal data sources, such as employee, finance and organisational data, appear to be lower on the list of areas targeted for gen AI implementation.

Although customer and product/service data hold strong value, 36% and 43% of CFOs still think these two sources respectively will need significant uplift for use. Only 14% think customer data is ready for use, and even fewer for product/services data (11%). This suggests there's still a considerable amount of work to be done to enhance data quality and usability before AI and gen AI can be fully integrated into business processes.

Chart 17: Valuable data domains

Which data domains will be most valuable in delivering analytics and insights to your business through the application of AI/gen AI?

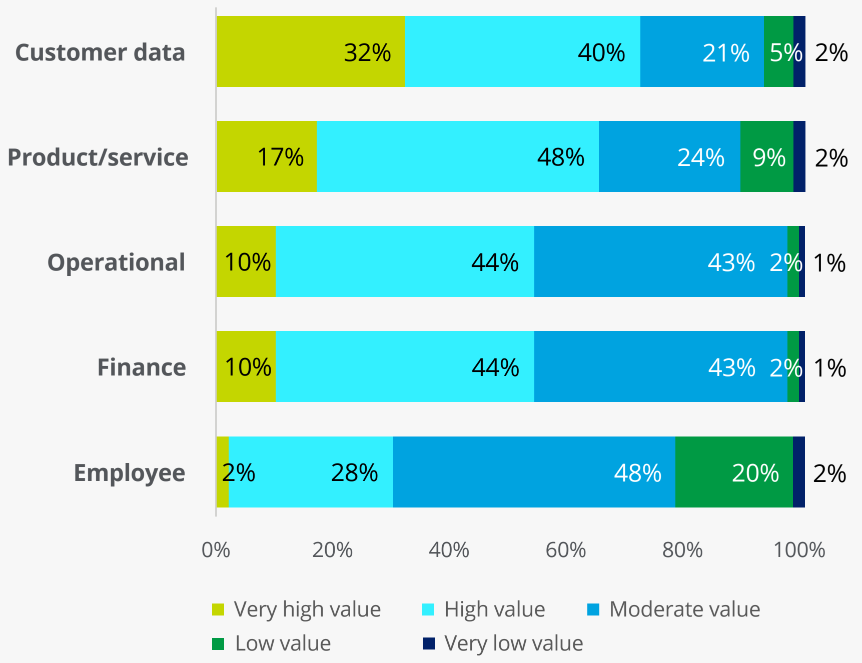
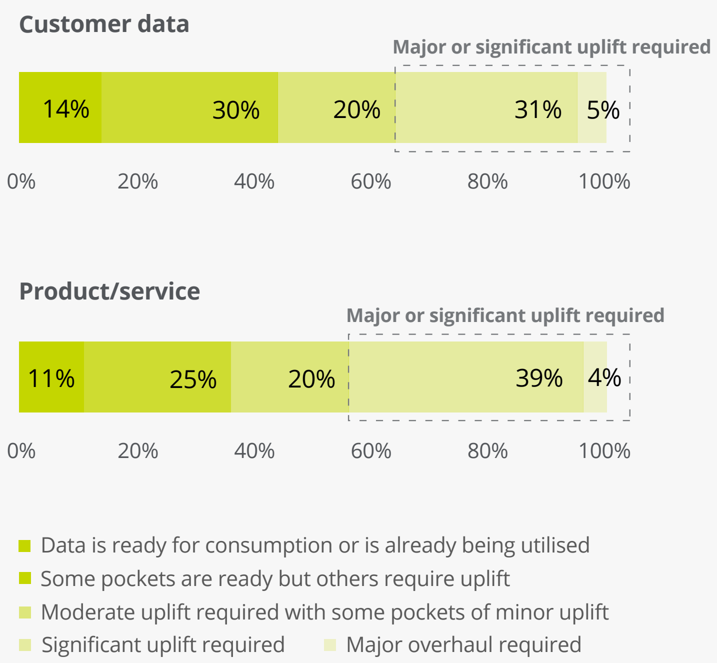


Chart 18: Quality of data

Which description below best describes the quality or readiness of your enterprise data for consumption in AI/gen AI use cases or solutions?



Gen AI makes its mark on talent strategies

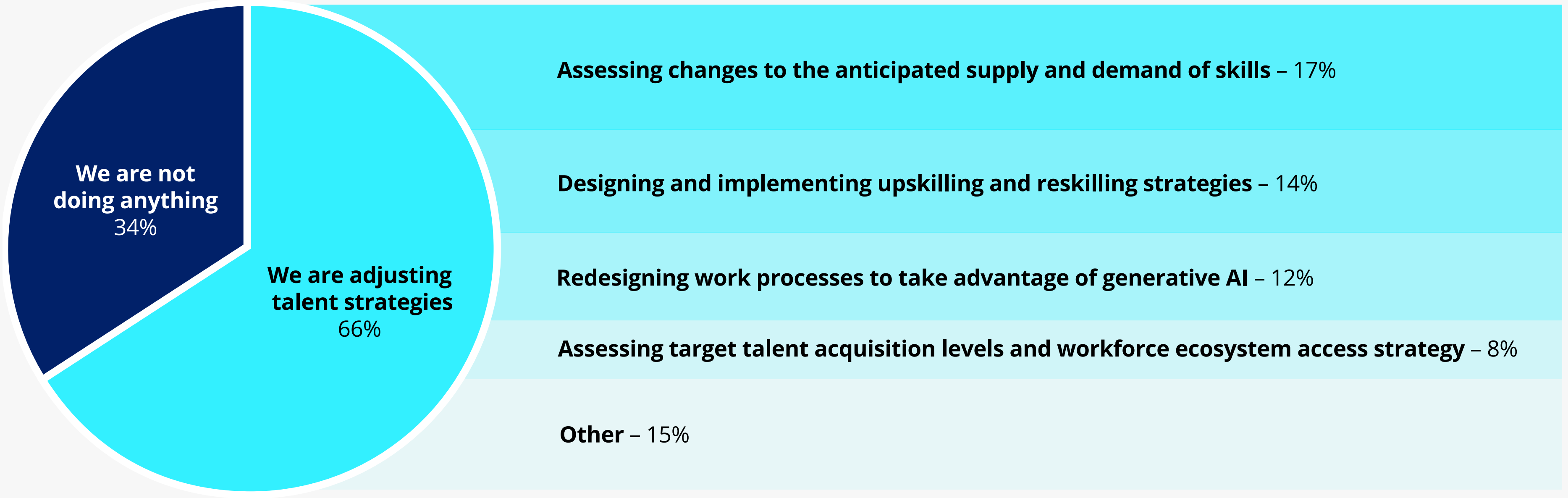
Two-thirds of CFOs are adapting their talent strategies in response to the rising adoption of AI and gen AI. Most businesses are in the initial stages of evaluating changes to the expected supply and demand of skills (17%) and implementing upskilling and reskilling strategies (14%). However, a smaller portion have progressed further and are currently redesigning work processes to leverage gen AI (12%) and assessing targeted talent acquisitions (8%).

At the other end of the spectrum, one-third of businesses are still hesitant to act. This may include businesses that aren't currently prioritising gen AI, and those that are more focused on data and use cases before shifting over to talent.

As businesses begin to use AI and gen AI more frequently, and better understand its potential benefits, they will be increasingly inclined to adopt and integrate it into their talent strategies.

Chart 19: AI/Gen AI talent strategies

How is your finance function adjusting its talent strategies in relation to the adoption of AI/gen AI?



Looking forward

Uncertainty lingers, but there are clearer skies ahead

CFO optimism has improved in this survey, after CFOs have built up resilience and experience navigating the barrage of economic challenges that have emerged in recent years. **And importantly, CFOs recognise that the Australian economy is also at a turning point.**

For consumers, the implementation of new cost of living relief measures, tax cuts, and projected growth in real wages will start to bolster household finances and consumer spending in the latter half of the year and beyond. This is expected to help lift up demand for many businesses over the next 12 months.

Price inflation is forecast to slow further and return to the target range of 2–3% by early 2025. Economic growth is likely to remain muted, which has led to much anticipation for the RBA to transition from containing inflation to boosting growth.

When exactly the RBA will shift gears remains the key uncertainty for months ahead. If inflation lingers for longer than expected, the first interest rate cut could still be some time away. The longer interest rates remain elevated, the further business investment weakens, and growth stagnates. Nonetheless, the overall outlook has picked up from the lows of recent surveys: it's now a waiting game to see when the economy can pivot to growth.

As the broader economic picture clears up, it's more important than ever that CFOs are well positioned to make the most of the recovery. This includes taking more risk and investing in productivity enhancements – which many CFOs are indeed doing. It will undoubtedly remain a tricky environment to balance in the short term, but clearer skies are emerging in the year ahead.

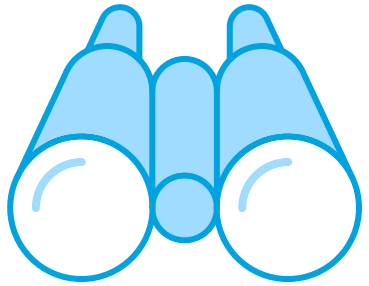
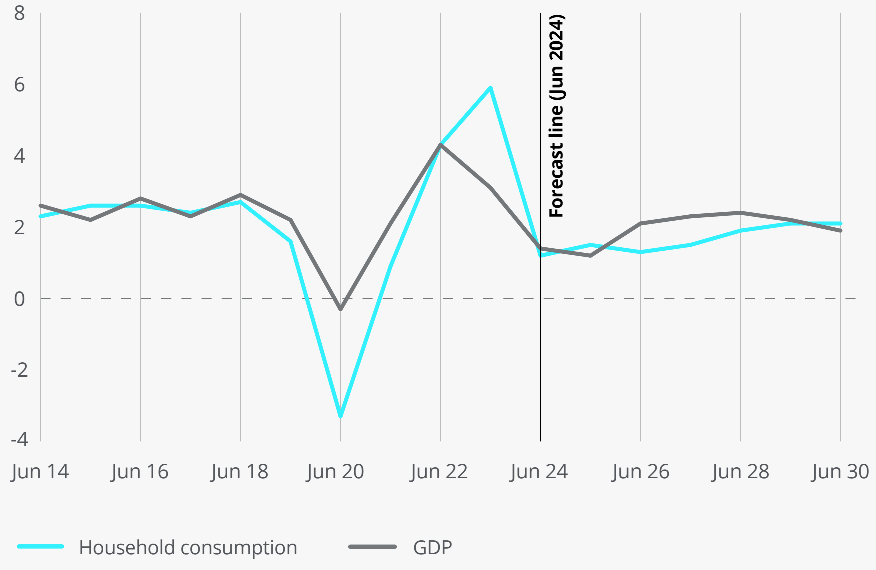


Chart 20: Economic forecasts

GDP and household consumption year-to growth to 2029–30



More publications for Australian CFOs

Deloitte Access Economics Business Outlook: A fork in the road

With the Reserve Bank continuing to stare down less-than perfect inflation numbers against a backdrop of weak growth, the handful of weeks to early September 2024 represent a fork in the road for the Australian economy.

Federal Budget 2024-25: A big spending budget with an eye to the future

The cost of living and the Future Made in Australia policy dominated the 2024–25 Budget announcements, but the increase in spending risks stoking inflation and bringing the Reserve Bank into play.

The CFO Agenda

The CFO's agenda would be much easier to manage if the CFO's job description was neatly defined. The reality? It isn't. Here are the six key macro-factors shaping the CFO's job on the ground in 2024.

GenAI and the Finance Function; how can Finance Leaders adapt?

Generative AI is a tool that can write, create images and videos, code, and more – in a split second. But for CFOs looking to unlock the benefits of generative AI and transform their industries, focusing on business outcome is everything.

The FinanceAI™ Dossier

A curated collection of generative AI in finance use cases designed to help spark ideas, reveal value-driving deployments, and set organisations on a road to making the most with this powerful new technology.

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