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2024 CFO Autumn/Winter Survey

Greater sense of caution among Irish CFOs

Introduction

The last six months have seen a major shift in sentiment among Irish CFOs, with an evolving landscape sparking a great sense of caution.

Since the last wave of our Deloitte CFO Survey, finance leaders have continued to face both internal and external disruptors. External factors such as geopolitical uncertainties, rising costs, tightening of the labour market, regulatory changes and more recently, political elections, have compounded to create a greater feeling of uncertainty.

When coupled with internal factors such as modernising ERP, the challenges faced by CFOs are becoming more complex to deliver against whilst keeping the lights on operationally. These headwinds are leading CFOs to be more conservative in terms of the financial prospects for their companies, and to have mixed feelings on the outlook for the Irish economy.

However, we are seeing action being taken in the market to manage through this uncertainty.

To lead in the race for a competitive advantage, CFOs are prioritising organisational agility and flexibility - which are not typical words when we think of finance. The role of finance is evolving, and CFOs are prioritising expansionary strategies, focusing on digitalisation and technological transformation to create value and provide the tools required to navigate these complex challenges. They are fundamentally rethinking how their organisations can be more streamlined, more responsive, and faster to deliver change.

Levels of optimism over financial prospects


19% **28%**

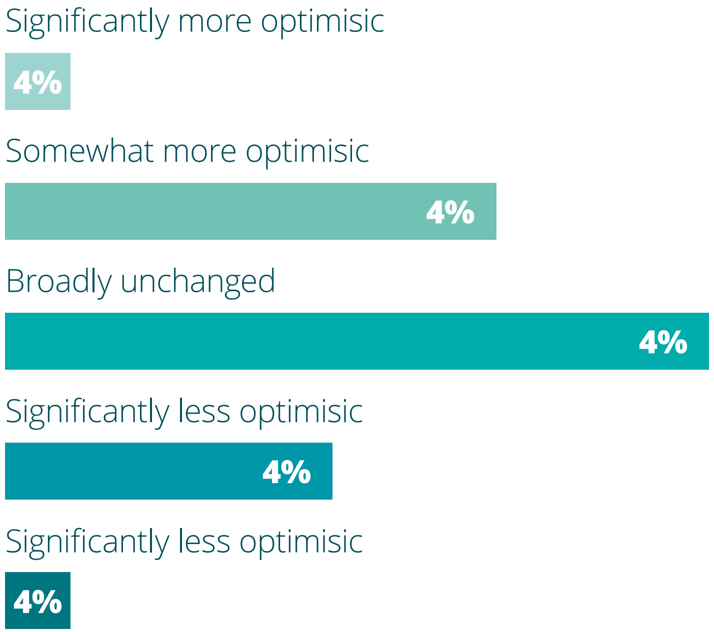
CFOs facing high levels of economic uncertainty


37% **54%**

Ireland Europe

Irish CFOs display a mix of increased optimism, caution, and stability regarding economic outlook, reflecting diverse sentiments

Compared to 12 months ago, do you feel more or less optimistic about the outlook for the irish Economy?



As organisations transform how they operate, the talent agenda is ever more prevalent. Given the broader capabilities now required within finance, leaders are not just aiming to meet demands but also to build a tech-savvy team for the future. Talent is now a top risk for CFOs, moving from third place in the Spring 2024 survey.

FDI is another topic that is front of mind for CFOs when looking at the Irish economic outlook, as the country seeks to remain competitive. Almost 70% of finance leaders surveyed for this report felt there is still room for significant growth, buoyed by recent announcements across pharmaceuticals and technology.

While CFOs cannot control the wider uncertainty, success lies in moving forward with cautious optimism, building resilience and further integrating across the wider organisation to adapt quickly to change.

Tom Hynes
Partner, Consulting
Finance & Performance

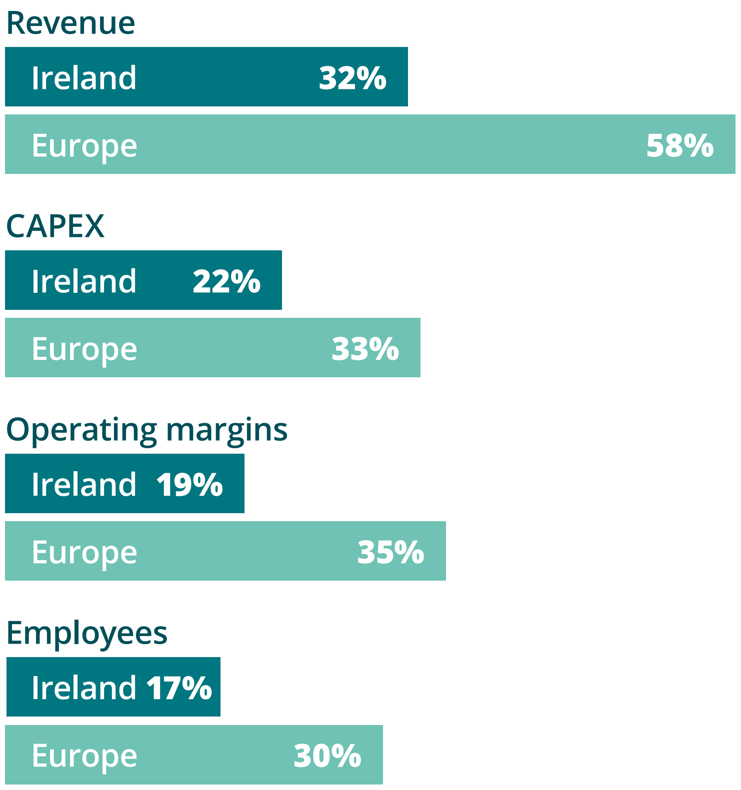
Revenue outlook remains positive despite growing caution

Irish finance leaders are now less optimistic than their European counterparts, with our survey indicating that levels are now 10% lower than the European average of 29%. This is in stark contrast to the Spring 2024 survey, where Ireland was more optimistic than the European average. Several factors may be contributing to this heightened sense of caution, including economic and geopolitical uncertainties, coupled with tight financing conditions.

Despite the heightened view of caution, CFOs tell us that they remain hopeful about revenue growth and an increase in operating margin. This reflected in the wider European perspective and suggests a level of measured positivity remains, albeit with growth levels lower than the Spring 2024 results. The decline in growth can be attributed to both elevated inflation and rising energy and labour costs, which are exerting pressure on operating margins.

The outlook for CAPEX among Irish CFOs remains positive, with 42% planning to increase their capital expenditure over the next 12 months - higher than the European average of 35%. This expectation has remained consistent over the past two years, reflecting a sustained optimism among CFOs regarding investment in their companies. This steady confidence suggests that CFOs are committed to driving growth and expansion through strategic investments, despite broader economic uncertainties.

CFO Outlook



Spotlight on... economic outlook

The survey results clearly show an increased wariness among Irish CFOs when it comes to financial risk. Several factors are likely to be contributing to this including the uncertain economic outlook and tight financing conditions. Additionally, geopolitical uncertainties are front of mind for many, with fears over protectionism, trade disruption and high costs around labour and energy.

While they are right to be cautious, it is positive that the majority of CFOs remain hopeful about revenue growth over the next 12 months and over a third still expect an increase in operating margins. A significant proportion also plan to cautiously increase capital expenditure, reflecting a measured investment approach.

CFOs need to adapt to evolving regulations by maintaining robust compliance systems and proactively managing regulatory risks. Combining investment in this area with enhanced operational resilience and sustainable development is a prudent approach that should position companies well for future success.

Tom Hynes
Partner, Consulting
Finance & Performance

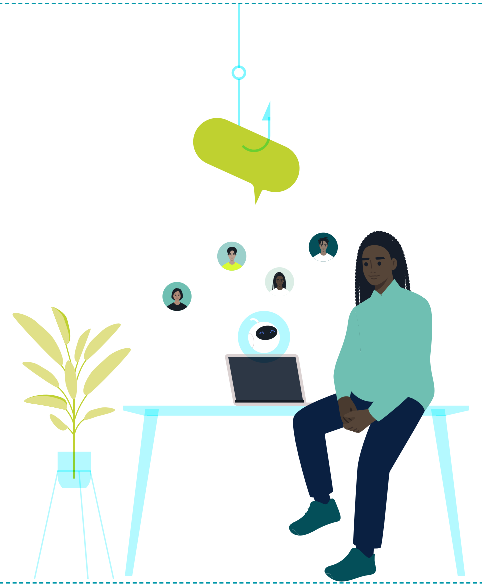
Talent and cyber rise to top of risks

One of the most interesting insights of our latest CFO Survey is the evolving risk profile for Irish CFOs.

Over 80% of Irish CFOs feel that now is not an opportune time to take on additional risk, with retaining and attracting skilled talent cited as the top business risk, moving up from third place in the Spring 2024 survey. As employment reaches 75% and the labour pool tightens, it is important for organisations to consider both their retention strategies around top talent and also workforce planning to ensure the right capabilities are identified early to go to market.

Unsurprisingly, the second risk is the economic outlook, closely followed by cyber risk – which has now moved into the top three risks for CFOs. As technology becomes increasingly part of how we work, associated technology risks are coming more to the forefront. Ensuring there is a robust control environment is key to success, as organisations further adopt tools such as Generative AI (GenAI).

These factors collectively shape the risk landscape that Irish businesses must navigate in the coming months, with deliberate action crucial to mitigate and manage.



Top three risks from Spring 2023 v Autumn 2024

Autumn 2024:	Spring 2024:
1 Retaining and attracting skilled talent	**1** Geopolitical risks
2 Economic outlook	**2** Economic outlook
3 Cyber risk	**3** Shortage of skilled talent

Spotlight on... cybersecurity

The fact that cyber risk now ranks among the top three risks faced by Irish CFOs really highlights its importance as a strategic business issue that demands ongoing focus and investment. Irish organisations should view cybersecurity not just as an investment requirement for threat protection but also as a driver of growth, innovation, resilience, and productivity.

This is a trend we are seeing more broadly, with Deloitte's recent Global Future of Cyber Survey report showing that more than 57% of organisations are planning to increase their cybersecurity expenditures in the next 12 to 24 months. One area to consider here is management of the cyber security budget. Cyber threats are constantly changing and don't always align with the IT budget, so many CFOs, in partnership with CISOs, are reconsidering cyber risk budgeting and integrating it into business teams to allow for a more agile approach. In order to build strong cybersecurity capabilities, Irish businesses must focus on skill-based hiring, automation, and managed security services through external partnerships.

Vaibhav Malik
Partner
Cybersecurity

The race to digitalisation and tech transformation

To manage uncertainty and create organisational agility, there is an imperative for CFOs to consider their strategic priorities.

Over the next 12 months, Irish CFOs are prioritising expansionary strategies, with digitalisation and technological transformation topping their agenda. This focus on leveraging advanced technologies aims to drive efficiency, innovation, and competitive advantage.

Following closely are defensive strategies, including a thorough review of supply chain efficiencies and a commitment to fostering organic growth. This balanced approach combines proactive investment in technology with prudent measures to enhance operational resilience, sustainable development and further integrate finance within the organisation.

Top three strategic drivers

48% **44%** **37%**

Much focus has been on the development of Gen AI and its integration into the workplace and the results show that nearly half of CFOs are now actively engaging with GenAI, while a similar proportion are still in the early stages of determining their approach.

This engagement ranges from reading about GenAI and experimenting with its capabilities to incorporating it into their organisational strategies. The level of engagement from Irish CFOs in GenAI has declined since Spring 2024, which indicates fluctuating momentum in adoption.

A similar number of finance leaders indicate that it is still too early to determine their organisation's position on its GenAI journey, suggesting a balanced mix of proactive exploration and cautious observation within industry.

As CFOs start their GenAI journey, it is important to consider their strategy, their ability to move from experimentation to scaling, how to mitigate risks and to prepare for regulation. Measuring value is key to drive adoption and organisational buy-in.

Nearly half of CFOs are actively engaging with Generative AI, while a similar proportion are still in the early stages of determining their approach

Which of the following best describes where your organisation is on its GenAI journey?

	2024	2023
Too soon to tell	44%	32%
Reading and talking about it	19%	37%
Incorporating it into our strategy	13%	16%
Experimenting with it	13%	0%
Waiting to see what competitors do	11%	16%

xx

XXX

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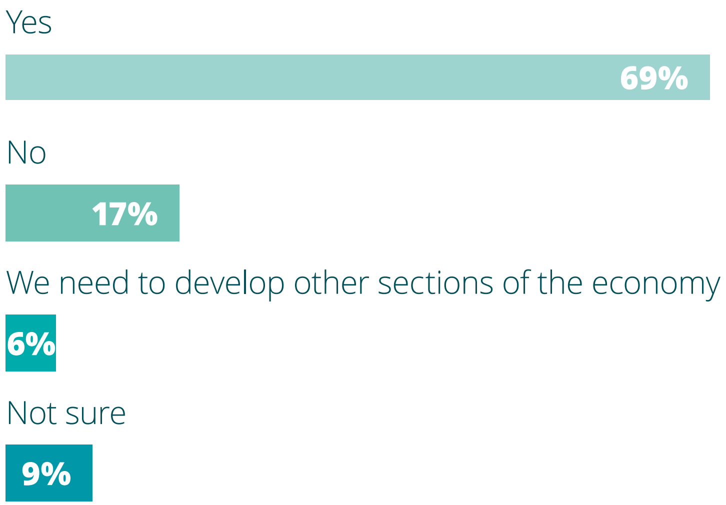
Outlook looks bright for Ireland’s FDI landscape

There has been widespread discussion around the future of Ireland’s FDI landscape recently and the survey shows that a significant majority of CFOs believe that Ireland holds substantial potential for further growth in this area.

This optimistic outlook underscores the confidence among financial leaders in Ireland’s ability to attract and retain international investments, driven by favorable economic conditions, strategic initiatives, and a robust business environment.

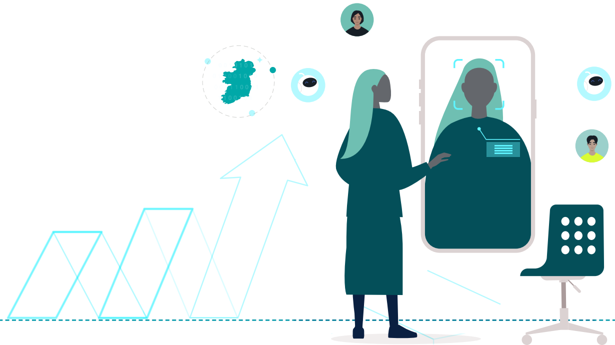
Majority of CFOs believe Ireland has substantial potential for further growth in Foreign Direct Inventment (FDI)

In your opinion, does Ireland have the potential to further grow Foreign Direct Investment (FDI)?



Given geopolitical context and pressures, this may seem surprising, but Ireland continues to sustain a significant presence of top multinationals from across multiple industries including Financial Services, MedTech and Pharmaceuticals.

Our measure of success can be seen through recent announcements of investment from both Abbott and Microsoft Medical. To continue this growth, it is imperative for Ireland to remain competitive and attractive through sustaining our talent pool and skillsets, continuing to invest in infrastructure and promoting Ireland as a hub.



Spotlight on... FDI

Anthony O'Halloran
Partner
Tax & Legal

The global environment in which Ireland competes for FDI is constantly evolving and the increased uncertainty, both in the economic and political arenas, has a direct impact on the timing, scale, and location of FDI investments. Ireland's headline tax rate of 12.5% has been the cornerstone of our FDI offering for many years and remains competitive in the global economy, even with an increase to 15% for larger companies under recently announced Pillar Two measures.

It is essential that we take a proactive approach to maintaining this competitiveness, with the Department of Finance acting quickly to ensure that Ireland's R&D tax credit regime meets the definition of a qualifying R&D tax credit for OECD Pillar Two purposes and committing to review the R&D regime in 2025 to ensure that Ireland is best placed for the next wave of investment.

Recent experience tells us that the wider offering for businesses looking to invest in Ireland extends far beyond tax alone, including an English-speaking population, an educated workforce driven by a highly rated third-level education system, critical infrastructure, availability of property solutions, membership of the EU and favourable business conditions.

With this in mind. it is crucial that infrastructure projects in the areas of water infrastructure, housing and electricity grid infrastructure continue to remain a priority and that key progress in this area can be demonstrated to both existing investors and potential new name entrants to the Irish market. In a world of uncertainty track record, delivering on commitments and continued evolution of our FDI offering are critical.

Path to stability: Key strategies for Irish CFOs to thrive in a volatile market

Irish CFOs face a delicate balancing act: sustaining positive revenue expectations while navigating a landscape of economic and geopolitical uncertainty. While the decline in inflation offers a glimmer of hope, the lingering effects of the energy crisis, persistent talent shortages and escalating geopolitical tensions demand a strategic response.

To navigate this terrain, Irish CFOs should:

Embrace a pragmatic approach: Prioritise cost reduction and organic growth strategies, optimising operations and leveraging existing strengths. This can involve scrutinising spending across all departments, streamlining processes and exploring opportunities for operational efficiency. Pursuing organic growth through internal expansion allows for greater control and minimises risk in a volatile market.

Invest strategically: Despite muted capital expenditure, targeted investments in digitalisation, green energy, and infrastructure projects, particularly those supported by EU funding, can unlock long-term growth. Strategic capital allocation should support Europe's green transition goals, digital transformation opportunities and EU-funded programmes that support sustainable infrastructure development.

Stay ahead of the talent crunch: Actively attract and retain skilled employees through proactive recruitment and talent development, particularly in critical sectors like technology and life sciences. Investing in upskilling and reskilling programmes for existing employees, competitive compensation and innovative recruitment strategies can help secure top talent in a tight labour market.

Stay agile in regulatory compliance: Adapt to evolving regulations by maintaining robust compliance systems and proactively managing regulatory risks. This includes monitoring regulatory changes closely, building strong compliance frameworks and establishing dedicated teams to navigate complex compliance requirements.

By embracing these action-oriented strategies, European CFOs can position their companies for success, navigating the challenges of the coming year and seizing opportunities for sustainable growth in a dynamic and unpredictable global environment.

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