

European CFO Survey

Spring 2024 | Key European insights



Key insights



Optimism among CFOs is on the rise, with 36% feeling more optimistic about their companies' financial prospects compared to 3-6 months earlier, up from 22% in Autumn 2023, **indicating an improved outlook for European CFOs, although many remain cautious.** CFOs in the construction, retail and tourism sectors are the most optimistic



With the worst of the economic downturn likely behind us, it's unsurprising that European **CFOs have shifted their focus from economic outlook to geopolitical risks as the primary threat to their businesses** over the next year.

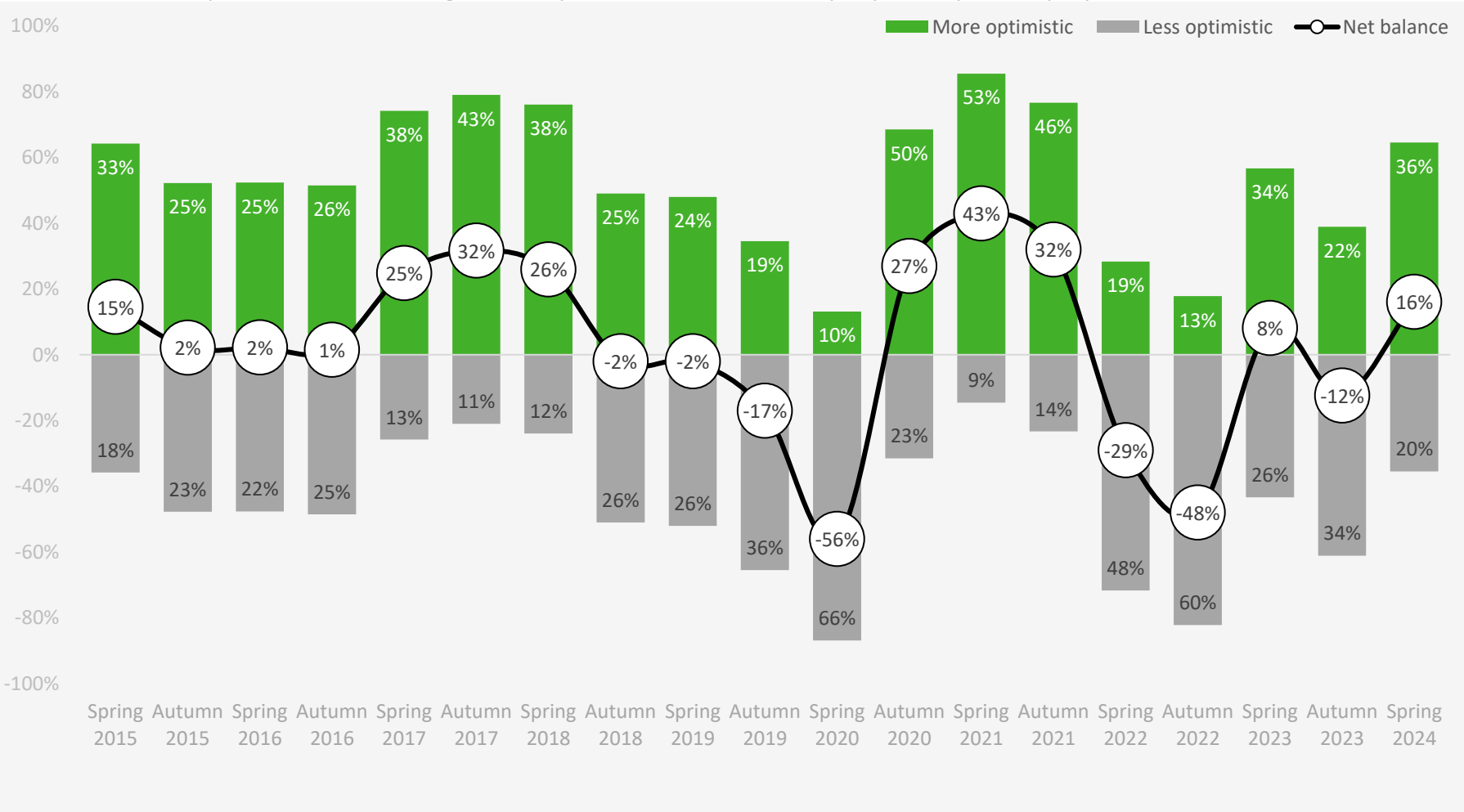


While European CFOs' **expectations for revenue, capital expenditures, margins, and headcount over the coming 12 months have improved since Autumn, they haven't rebounded as robustly as their overall business confidence**, reflecting their cautious planning amidst heightened geopolitical risks.

Financial prospects

Business sentiment is rising among European CFOs as a higher number of CFOs are now optimistic about their companies' financial prospects compared to Autumn 2023

Question asked: Compared to three months ago, how do you feel about the financial prospects of your company?

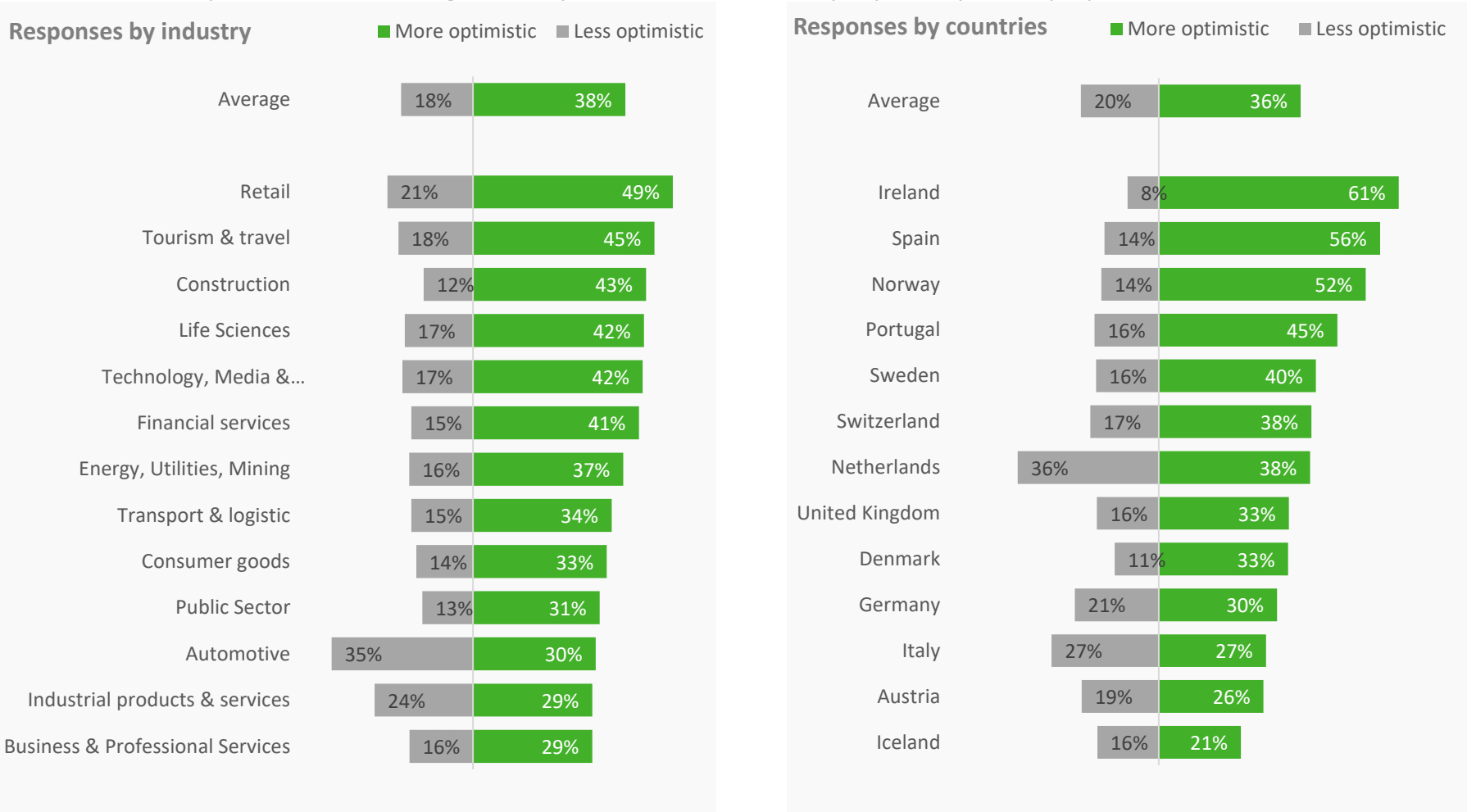


- There is a growing optimism among European CFOs, with **36% feeling 'more optimistic'** about their companies' financial prospects than three to six months ago, a rise from 22% in Autumn 2023, while **20% report feeling 'less optimistic'**. Concurrently, 45% reported an unchanged outlook.
- The **net balance of business confidence**, indicating the difference between positive and negative responses, **has risen to +16, a significant improvement from -12 in Autumn 2023**, although a sense of caution persists among many CFOs.

Financial prospects

CFOs in the **construction, retail and tourism** sectors are the **most optimistic** about their financial prospects. At a country level, CFOs in **Ireland and Spain** are the **most optimistic** while those in **Italy and the Netherlands** are **less optimistic**

Question asked: Compared to three months ago, how do you feel about the financial prospects of your company?

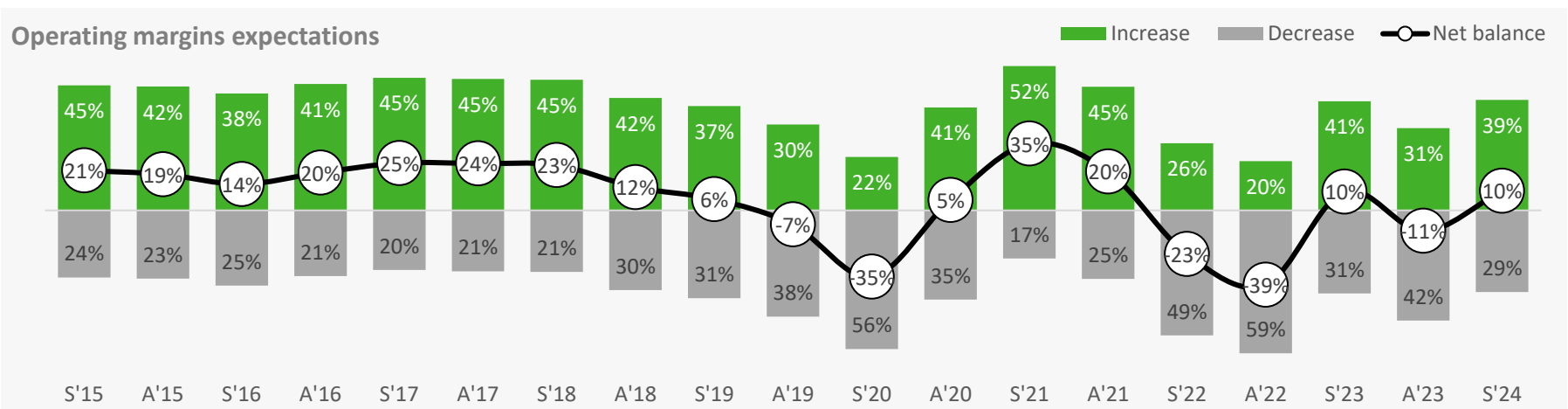
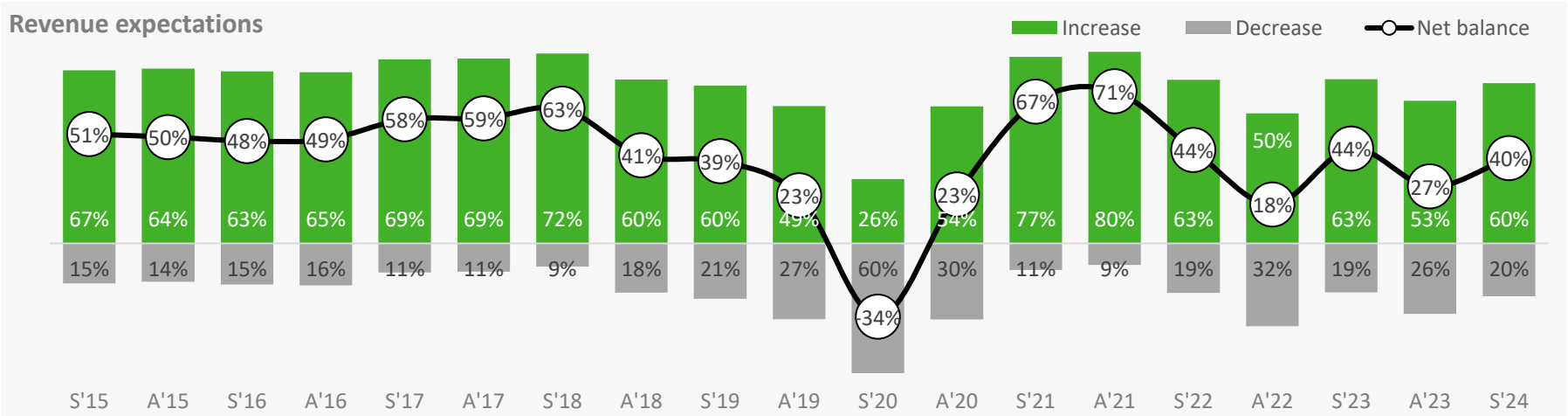


- Optimism about financial prospects saw a resurgence in 12 out of 13 countries, with **Ireland and Spain standing out for their improved sentiment, in contrast to Italy and the Netherlands, where CFOs displayed less optimism.**
- **Construction and retail CFOs have reported a notable uplift in sentiment, attributed to the anticipated interest rate cuts and easing inflation coupled with robust wage growth, respectively, both fostering a conducive environment for business growth.**
- **While CFOs in the automotive sector show improved confidence, the net balance remains below zero, indicating a greater number of CFOs who are 'less optimistic' about their financial prospects compared to those who are 'more optimistic'.**

Outlook on revenues and operating margins

CFOs’ expectations for revenue, and operating margins improve (a little)

Question asked: In your view, how are revenues and operating margins for your company likely to change over the next 12 months?*



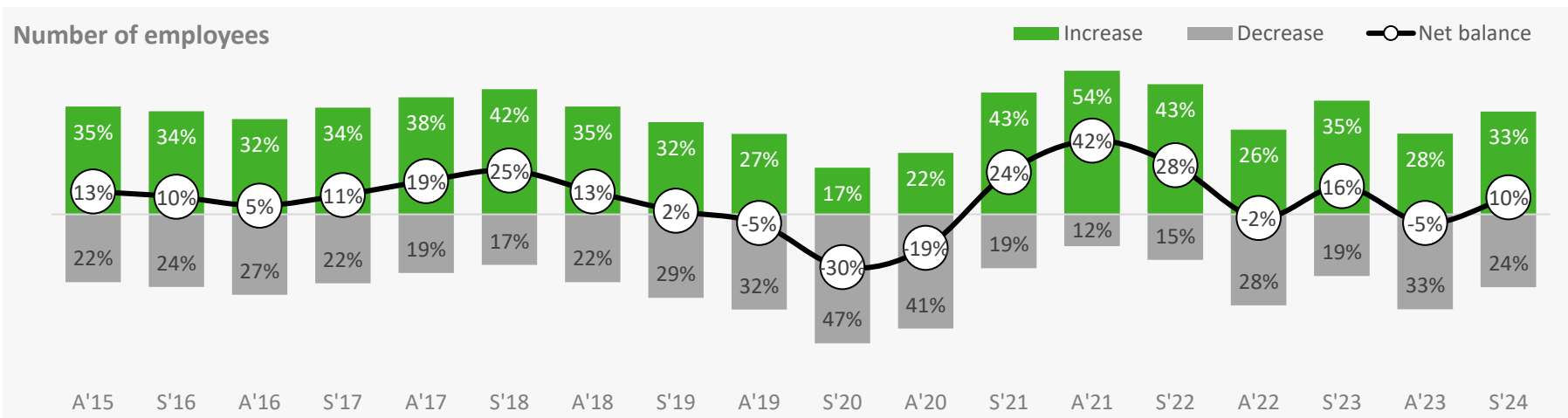
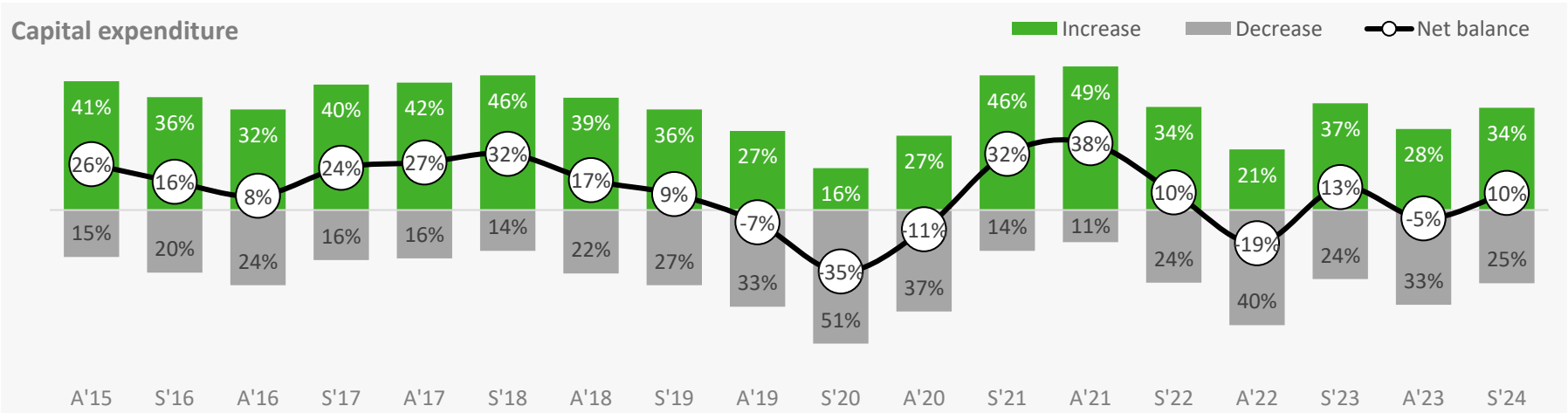
- European CFOs on balance remain **more optimistic about future revenues**, with the share of CFOs expecting revenues to increase in the next 12 months increasing from 53% to 60%.
- CFOs in **Ireland and Spain report the highest expectations** about future revenues, while those in **Italy and Germany show the most caution**.

- CFO **optimism regarding operating margins rose** likely due to the anticipated sustained inflation reduction and imminent decline in interest rates, thereby reducing financing costs.

Outlook on capital expenditure and hiring employees

Capital expenditure and number of employees is likely to expand cautiously over the next 12 months

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



*Note: This question was asked differently in the UK and hence it has been not included.

- European financial executives plan to **cautiously expand capital expenditure spends** in the next 12 months, with the most significant increases anticipated in the **energy, utilities, and mining sectors**, followed by transportation, logistics, tourism, and travel, while, given their low financial optimism, **automotive sector CFOs plan to reduce capital expenditure**.

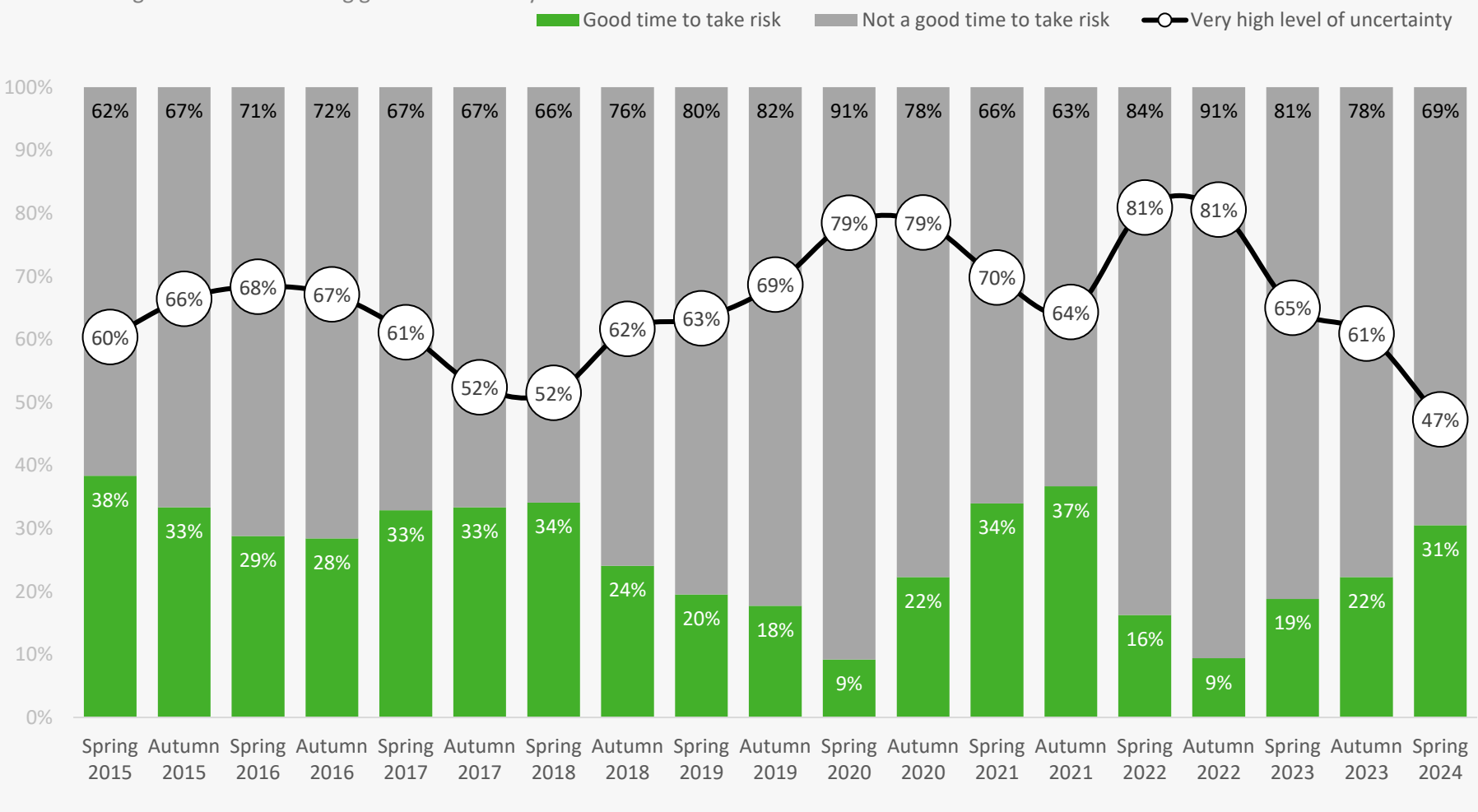
- European CFOs **foresee little change in the labor market over the next year**, with a third (33%) planning to increase hiring, compared to a mere 24% intending to reduce recruitment efforts

Uncertainty & risk

The level of financial and economic uncertainty declines considerably, and risk-taking appetite improves a little

Question asked: **Uncertainty:** How would you rate the overall level of external financial and economic uncertainty facing your business?*

Risk: Is this a good time to be taking greater risk onto your balance sheet?^



*Note: This question was not asked in the Netherlands and the UK.

^Note: This question was not asked in Germany, Netherlands, Sweden and Switzerland

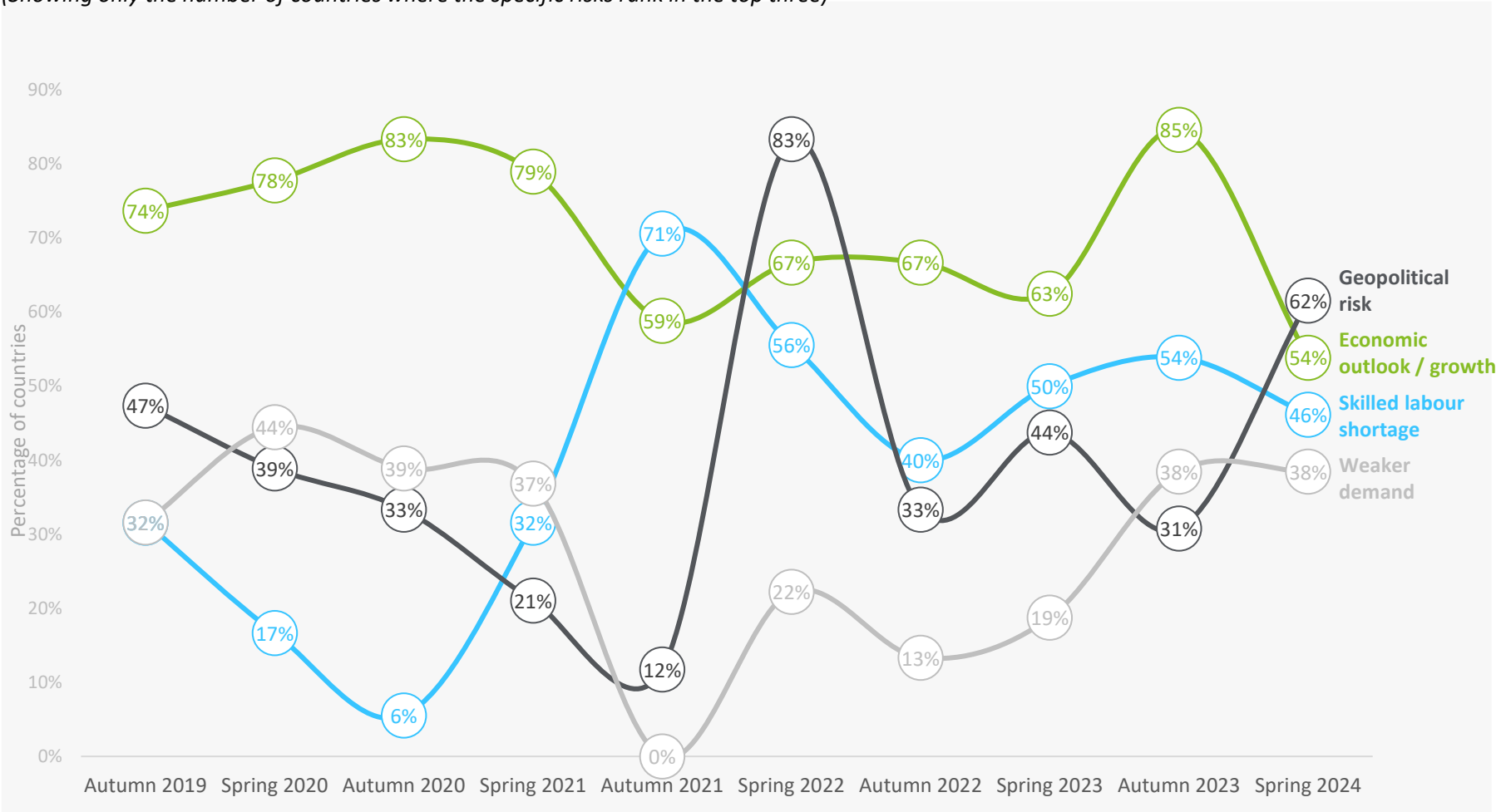
- Nearly half of European CFOs (47%) continue to rate the level of external financial and economic uncertainty as being high, but this figure is considerably lower compared to 61% in autumn 2023.
- This sentiment is also reflected in CFOs risk taking ability as nearly 7 out of 10 (69%) CFOs feel this is not a good time to take greater risk on their balance sheet compared to just a third (31%) who say this is a good time to take risk.

Business risks

European CFOs identify geopolitical risk, the economic outlook and shortage of skilled labour as the three factors likely to hold significant risk for their business over the next 12 months

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

(Showing only the number of countries where the specific risks rank in the top three)



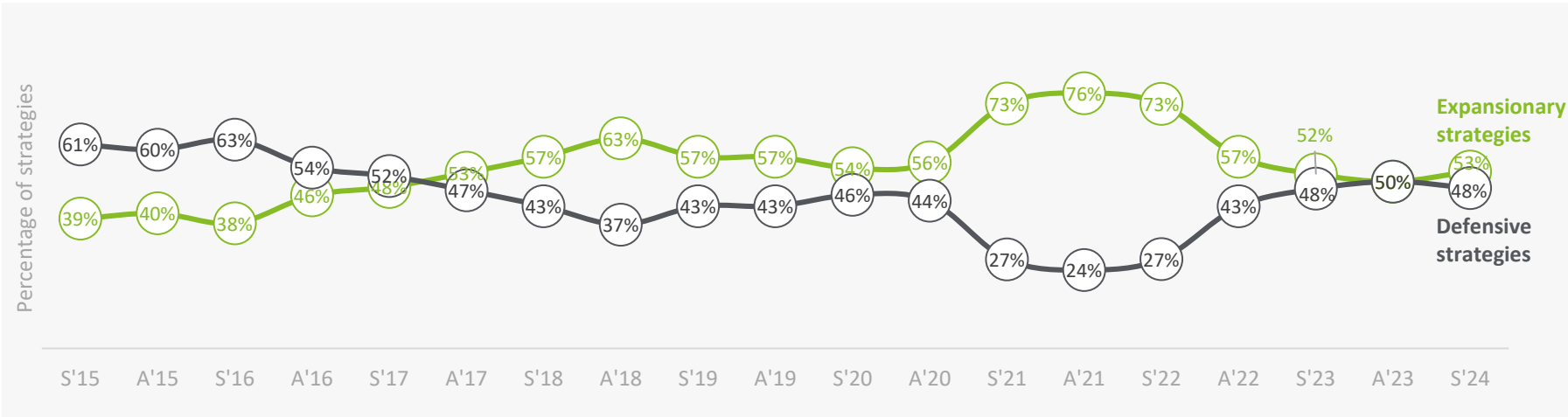
*Note: Each country identifies the answer options that are relevant to their geography. The common or similar responses are mapped to get the top risks per country.

- The **geopolitical risk**, previously recognised as the foremost risk in Spring 2022, have **re-emerged as the primary risk for European CFOs** over the 12 months
- The **economic outlook/growth**, once deemed the top risk six months prior, **has dropped to the second most critical risk** for European CFOs.
- The shortage of **skilled labour and weaker domestic demand persist as the top three risks** for European businesses.

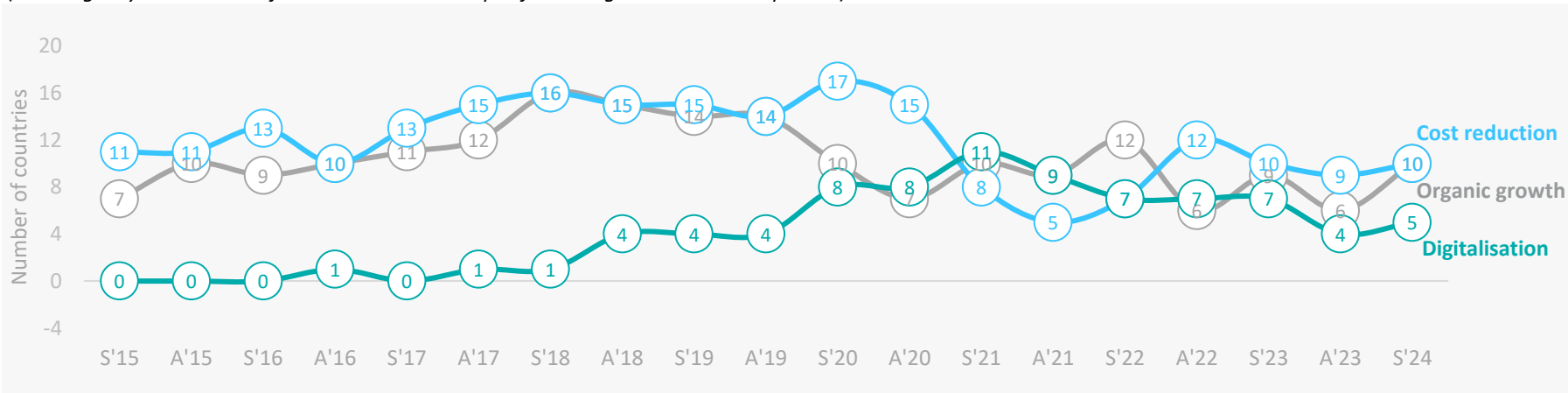
Strategic priorities

Overall, European CFOs suggest a preference for expansionary strategies over defensive ones

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



(Showing only the number of countries where the specific strategies rank in the top three)



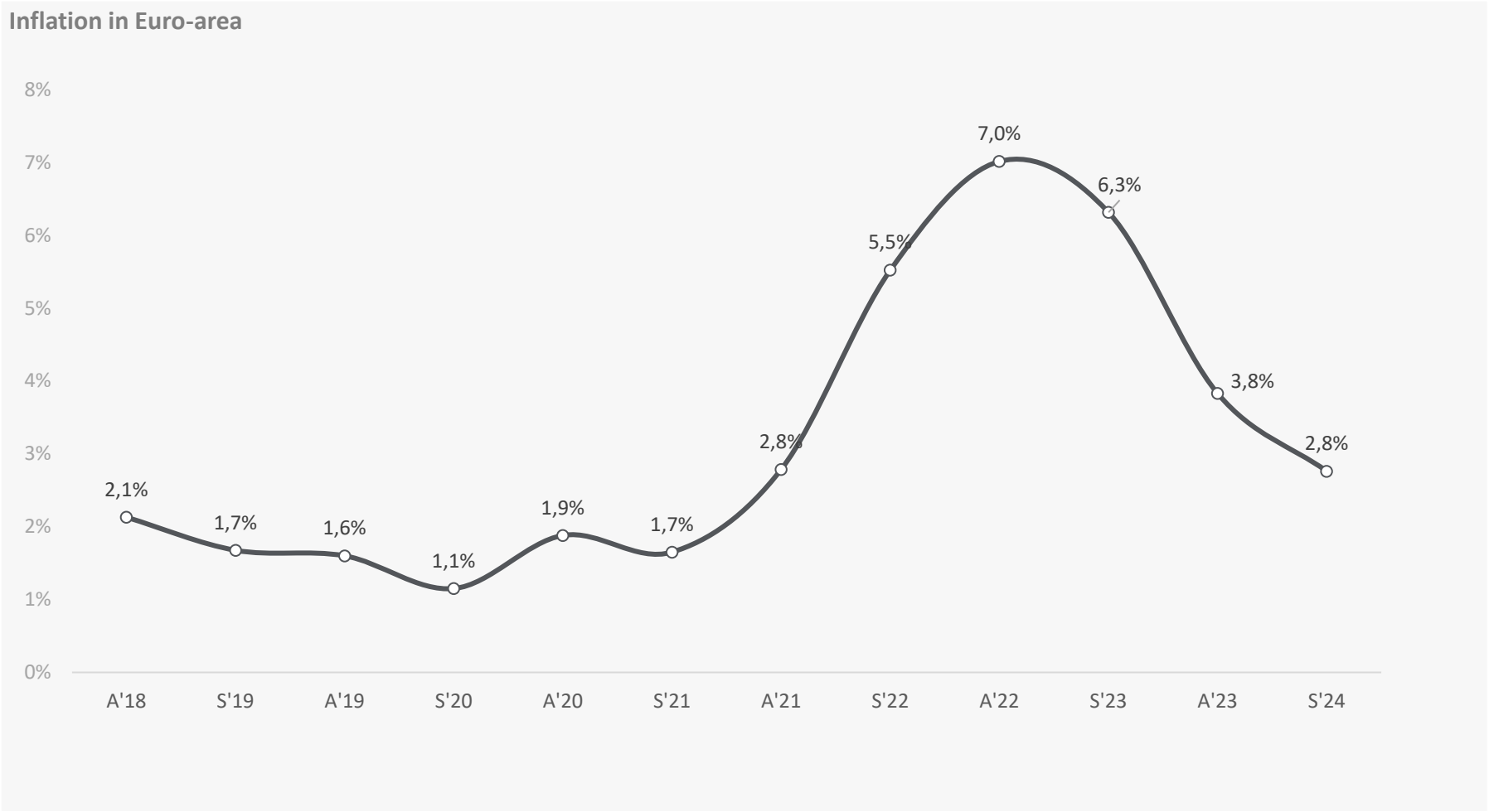
*Note: Each country identifies the answer options that are relevant to their geography. The responses are mapped to identify the expansionary and defensive strategies per country. This question was not asked in Switzerland.

- Although, European CFOs suggest a preference for expansionary strategies over defensive ones, when examining specific strategies, European countries present a balanced view.
- Ten out of twelve countries plan to prioritize cost reduction, a defensive strategy, while the same number, ten out of twelve, also intend to focus on organic growth, an expansionary strategy.
- Digitalisation, another expansionary strategy, is favored by five out of the twelve countries.

Inflation rate

European CFOs expect inflation to decline over the next 12 months

Question asked: **Inflation in Euro-area:** What do you think will be the inflation rate (for the Consumer Price Index) in the Euro-area over the next 12 months?*



- CFOs expect the inflation rate to cool down in 12 months' time as they expect it to reduce from 3.8% to 2.8%.

*Note: This question was not asked in Germany, Netherlands, Switzerland and the UK.

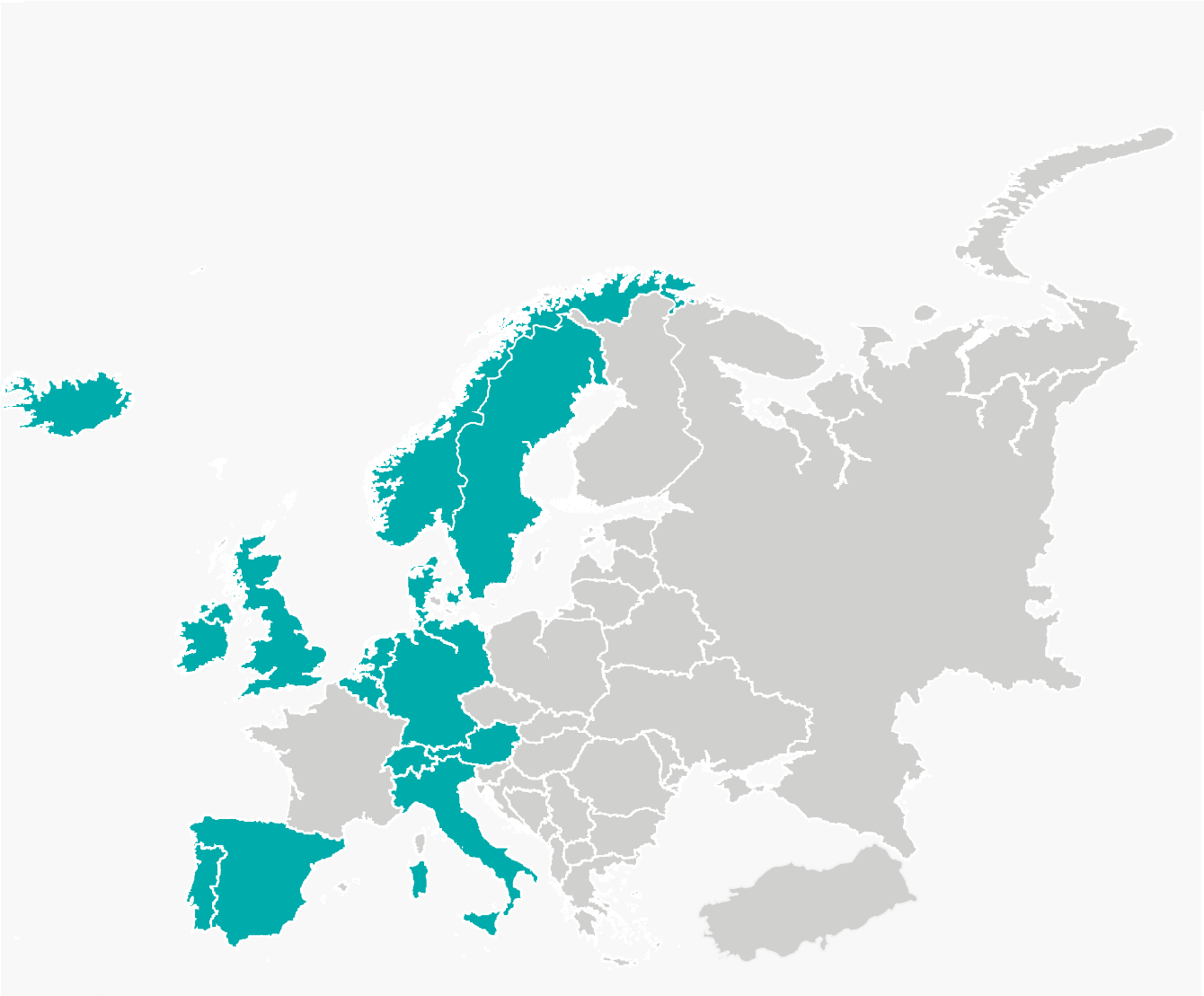
Survey demographics

Geographical spread

1,333 CFOs from 13 European countries participated in the spring 2024 edition of the CFO survey

About the survey

The spring 2024 European CFO Survey is the 19th edition of a bi-annual research project that gathers insights from Chief Financial Officers of leading companies in 13 European countries. The survey was carried out from March to April 2024.



Participating countries

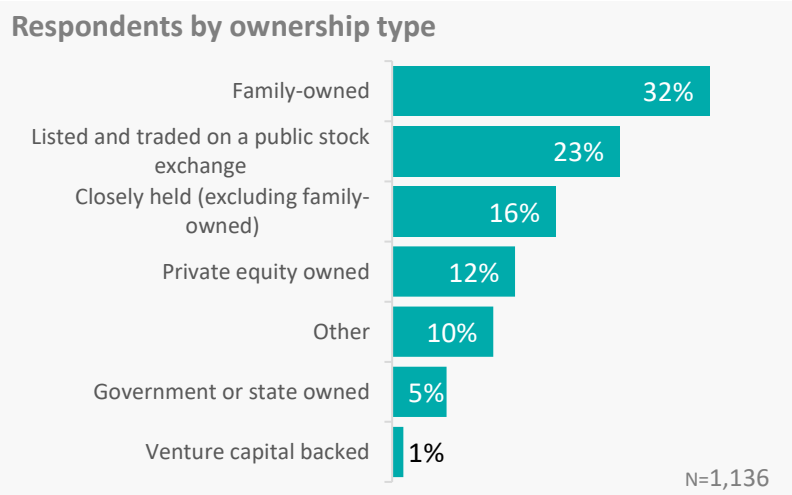
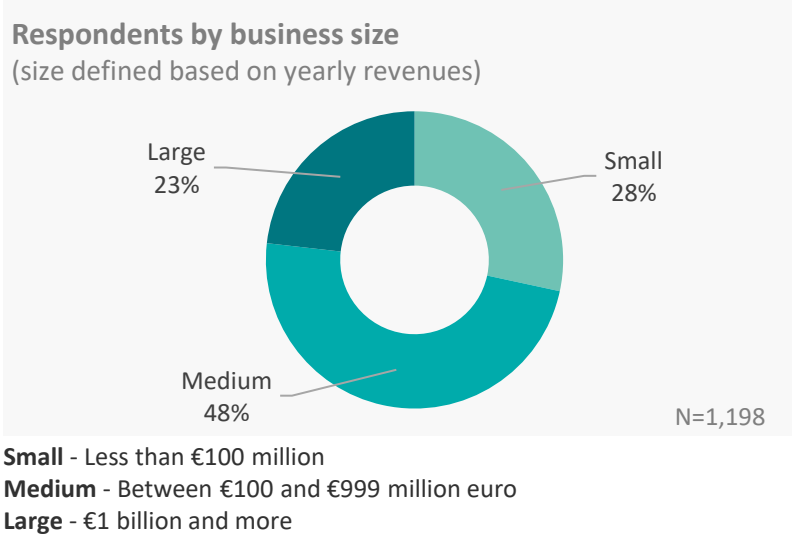
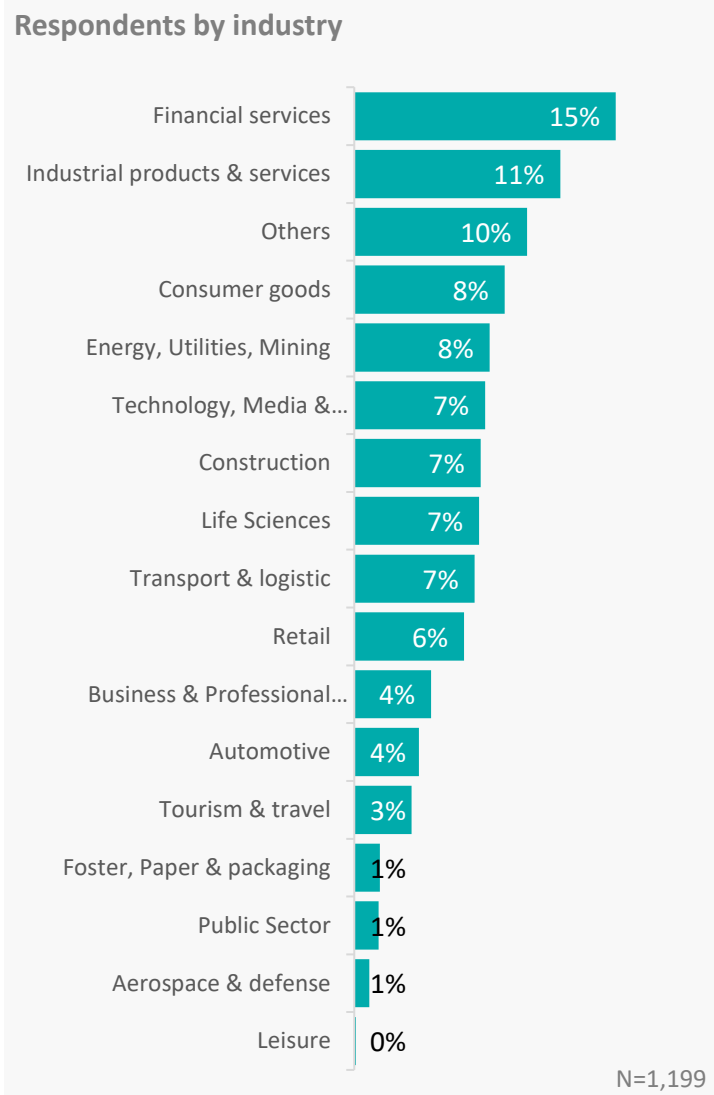
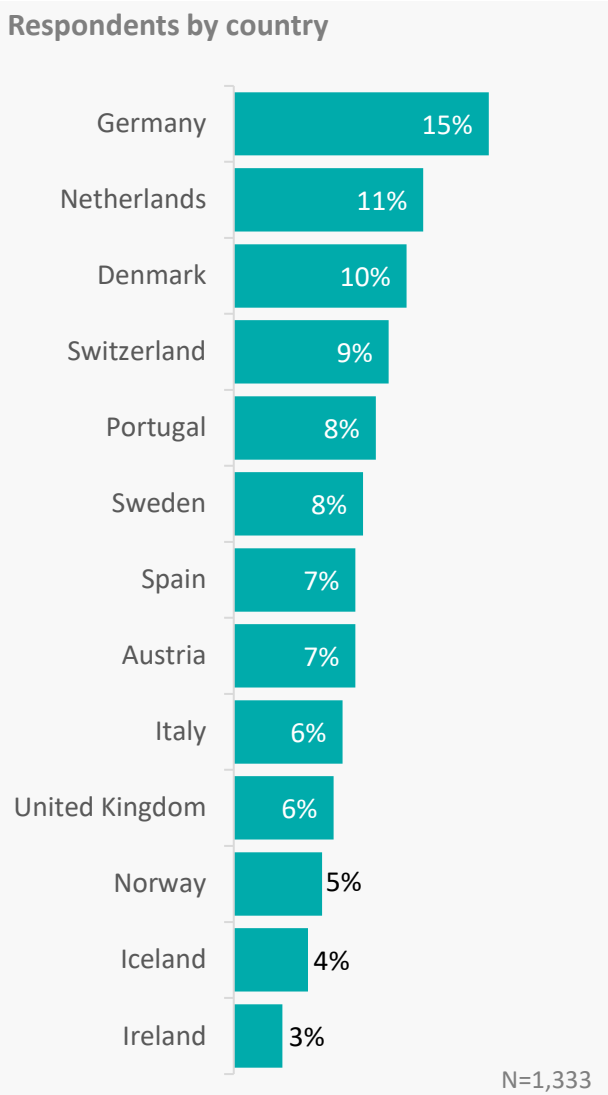
- Austria
- Denmark
- Germany
- Iceland
- Ireland
- Italy
- Netherlands
- Norway
- Portugal
- Spain
- Sweden
- Switzerland
- United Kingdom



Survey period

March - April 2024

Sample composition – country, industry, size, ownership type



* Note: Due to rounding, not all percentages shown in the charts will add up to 100%

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