

European CFO Survey
Autumn 2023 | Key Highlights

Key highlights



The mood of Europe's and Italy's CFOs has deteriorated, and they are **less optimistic about the year ahead**, with a particularly pronounced decline in sentiment within the **automotive sector**.



Europe's and Italy's CFOs see the challenging **macroeconomic outlook** as the **foremost risk** to their businesses, followed by skilled labour shortage.



Given the high-cost environment, CFOs are placing an emphasis on **cost reduction** as a key component of their strategic priorities. Italian CFOs are focused on the creation and implementation of a sustainability plan and digitalization and innovation.



The expectations of future revenues and margins seems to be on a declining trend. While CFOs on balance remain optimistic about future revenues, the share of CFOs expecting revenues to increase in the next 12 months fell. Italy is one of the countries where CFOs radically revised their revenue expectations downwards.

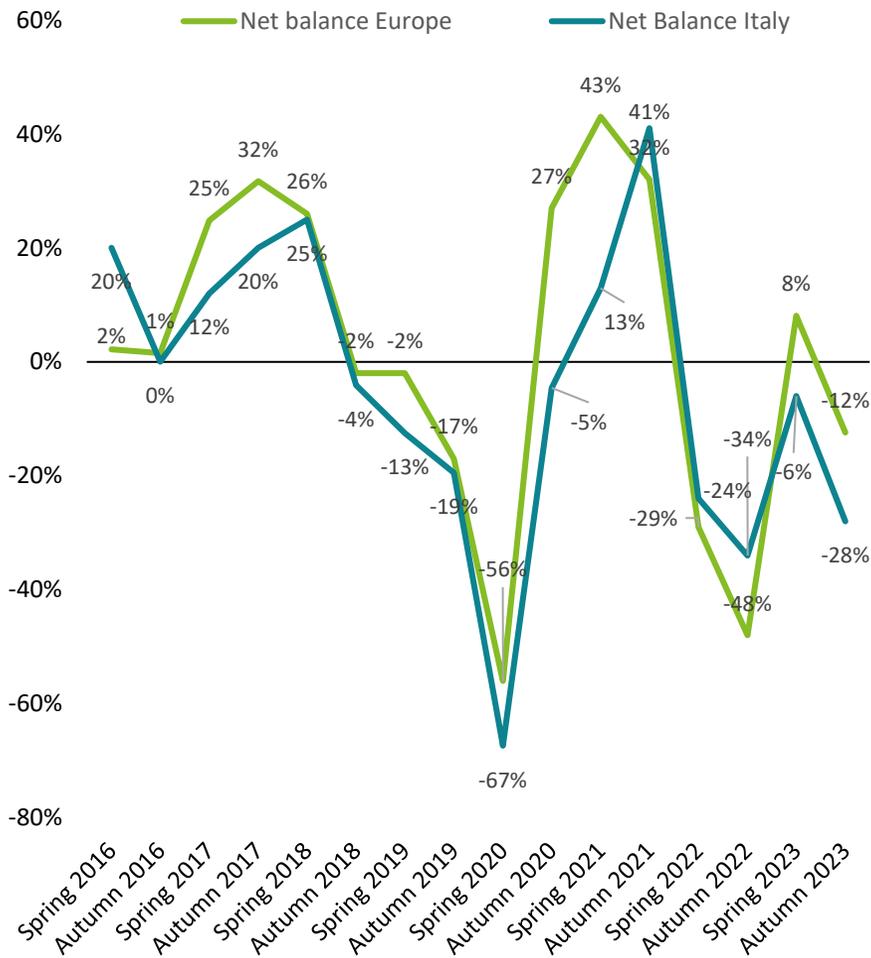


As a result of the risk of a deterioration of the economic outlook, **European CFOs have become more cautious about their capital expenditure and recruitment plans. In Italy,** on the contrary, **39% of CFOs intend to increase CAPEX** (vs 20% decreasing) **while 32% is going to increase talent hiring** (vs 11% reducing).

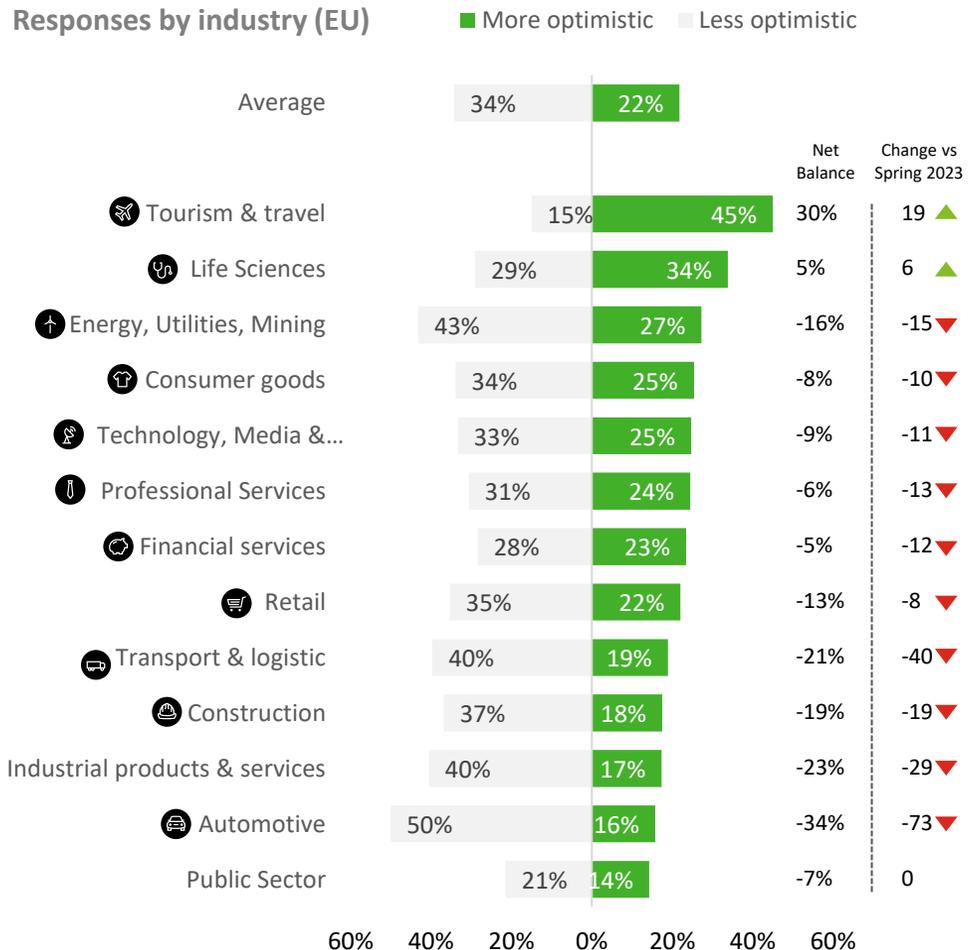
CFOs sentiment deteriorates

European firms have become more anxious about their financial prospects than in the spring 2023

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



Responses by industry (EU)



*Note: This question was not asked in Poland.

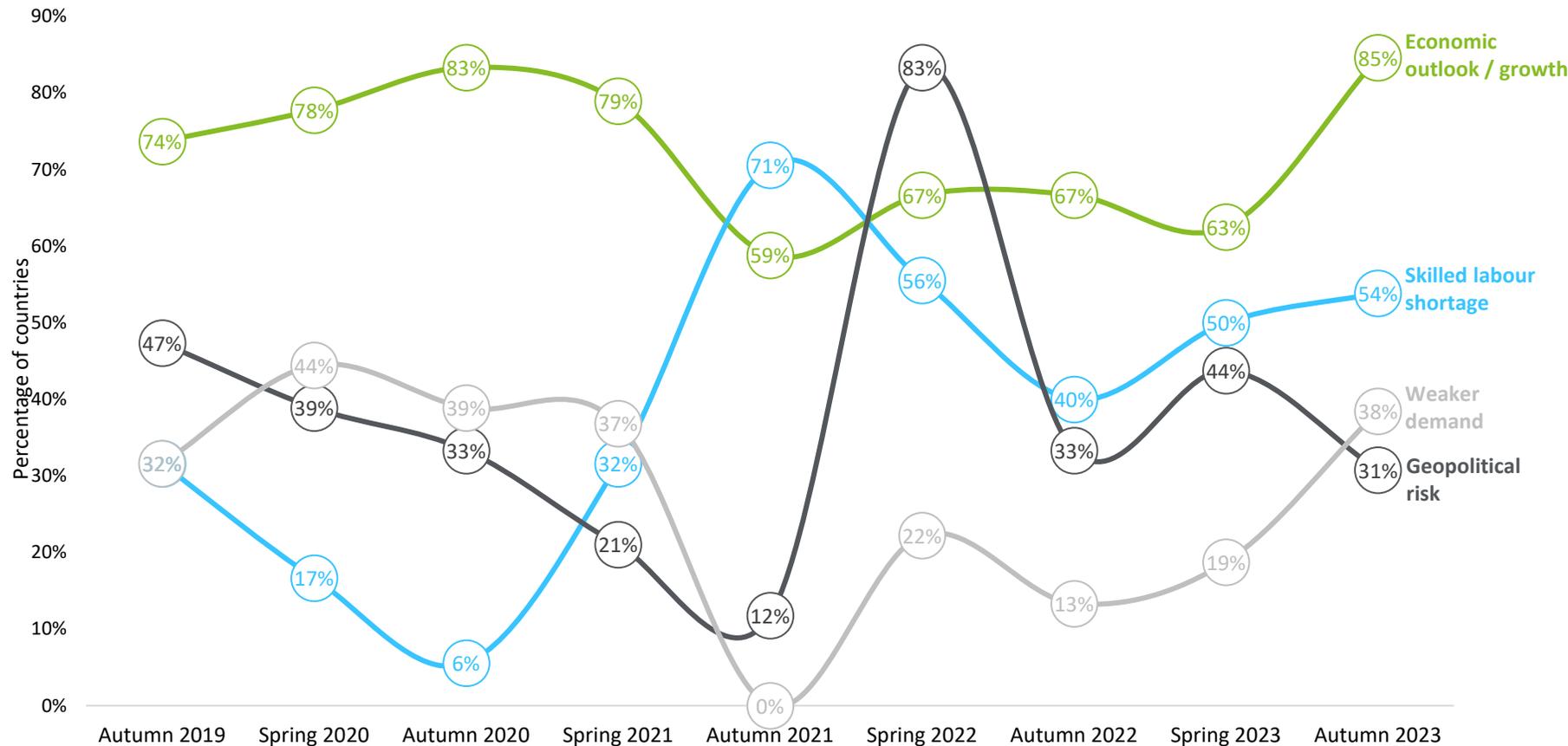
- Europe's CFOs have become much less positive about their current financial situation.
- The net balance of business sentiment declined from +8% to -12%, as 34% of the participating CFOs are less optimistic and 22% more optimistic.
- Only 6% of Italian CFOs feel more optimistic for the months ahead, the 34% is less optimistic.
- At a country level, the most notable fall in confidence was reported in Germany and Austria.
- The gloom is greater in larger companies: financial executives from medium and large companies are currently less optimistic, than their peers in smaller enterprises
- At the sector level, the mood has changed the most dramatically in the automotive industry with half (50%) of CFOs feeling less optimistic about the sector. Surging energy and labour costs are troubling European car companies and geopolitical tensions are affecting exports adversely.
- By contrast, the optimism of CFOs in tourism and travel has risen further. The post pandemic recovery in travel is continuing and does not seem to have been adversely affected by the cost-of-living crisis so far.

The future of the economy is the most relevant risk for the year ahead

European CFOs point to the economic outlook, shortage of skilled labour and geopolitical risks 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)

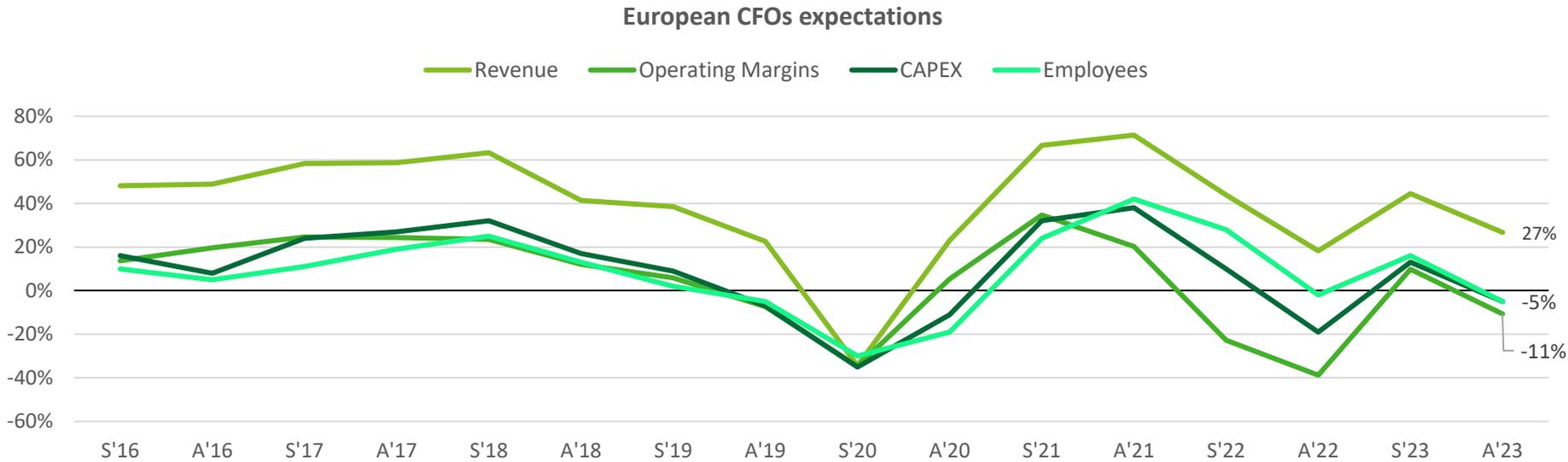


*Note: Each country identifies the answer options that are relevant to their geography. The common or similar responses are mapped to get the top risks per country. This question was not asked in Poland.

- Faced with high level of financial and economic uncertainty, European CFOs rate the **economic outlook / growth as the top-rated risk they are foreseeing** over the next 12 months. The economic situation remains fragile.
- The labour market has become somewhat less tight as the economy slows but **the shortage of skilled labour remains one of the main risks** CFOs need to deal with.
- In addition, geopolitical risks and weaker demand continue to worry European companies' CFOs.
- **The main risks for Italian CFOs are: the concretization of an economic recession, reduction in demand and increasing labour costs.** Although Italian inflation is decreasing and the European Central Bank hasn't announced any further action yet, inflation and interest rates increase are still perceived as relevant risks by the majority of companies.

Expectations are fading, CFOs are less optimistic about their key metrics

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



- The expectations of future revenues and margins seems to be on a declining trend. While CFOs on balance remain optimistic about future revenues, the share of CFOs expecting revenues to increase in the next 12 months fell from 63% to 53%. **Financial executives in Germany (-30pp), Italy (-30pp) and Portugal (-30pp) radically revised their revenue expectations downwards.**
- In the current high-cost business environment the outlook for operating margins has worsened too. Over the coming 12 months, more CFOs expect operating margins to decrease rather than increase. The downward shift has mostly been driven by companies in the United Kingdom (-42pp) and Germany (-21pp). Italy's net balance fell by 12pp.
- As a result of the risk of a deterioration of the economic outlook, **European CFOs have become more cautious about their capital expenditure and recruitment plans.** Capital expenditure and number of employees is likely to stagnate over the coming 12 months, reinforcing the poor outlook for Europe's economic growth.
- In Italy, on the contrary, **39% of CFOs intend to increase CAPEX** (vs 20% decreasing) **while 32% is going to increase talent hiring** (vs 11% reducing). Talent shortage is a big issue for Italian companies that are planning to continue hiring to compensate the talent gap.

The automotive sector has the worst expectations about the future

Increase
Decrease

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

Revenue		
Tourism & travel	20%	70%
Professional Services	12%	69%
Life Sciences	11%	67%
Technology, Media &...	19%	60%
Financial services	23%	58%
Public Sector	21%	57%
Retail	24%	54%
Consumer goods	29%	54%
Energy, Utilities, Mining	34%	50%
Industrial products & services	32%	48%
Construction	37%	47%
Transport & logistic	37%	46%
Automotive	42%	39%

Operating Margins		
Life Sciences	21%	43%
Technology, Media &...	33%	38%
Consumer goods	36%	38%
Construction	39%	38%
Professional Services	31%	37%
Tourism & travel	35%	35%
Financial services	39%	34%
Retail	33%	33%
Industrial products	30%	33%
Automotive	51%	32%
Energy, Utilities, Mining	44%	28%
Transport & logistic	41%	23%
Public Sector	29%	14%

CAPEX		
Tourism & travel	10%	55%
Public Sector	7%	43%
Consumer goods	25%	42%
Energy, Utilities, Mining	26%	42%
Transport & logistic	36%	36%
Professional Services	22%	33%
Life Sciences	26%	31%
Industrial products	29%	31%
Financial services	28%	27%
Retail	31%	25%
Technology, Media &...	36%	22%
Construction	28%	21%
Automotive	50%	21%

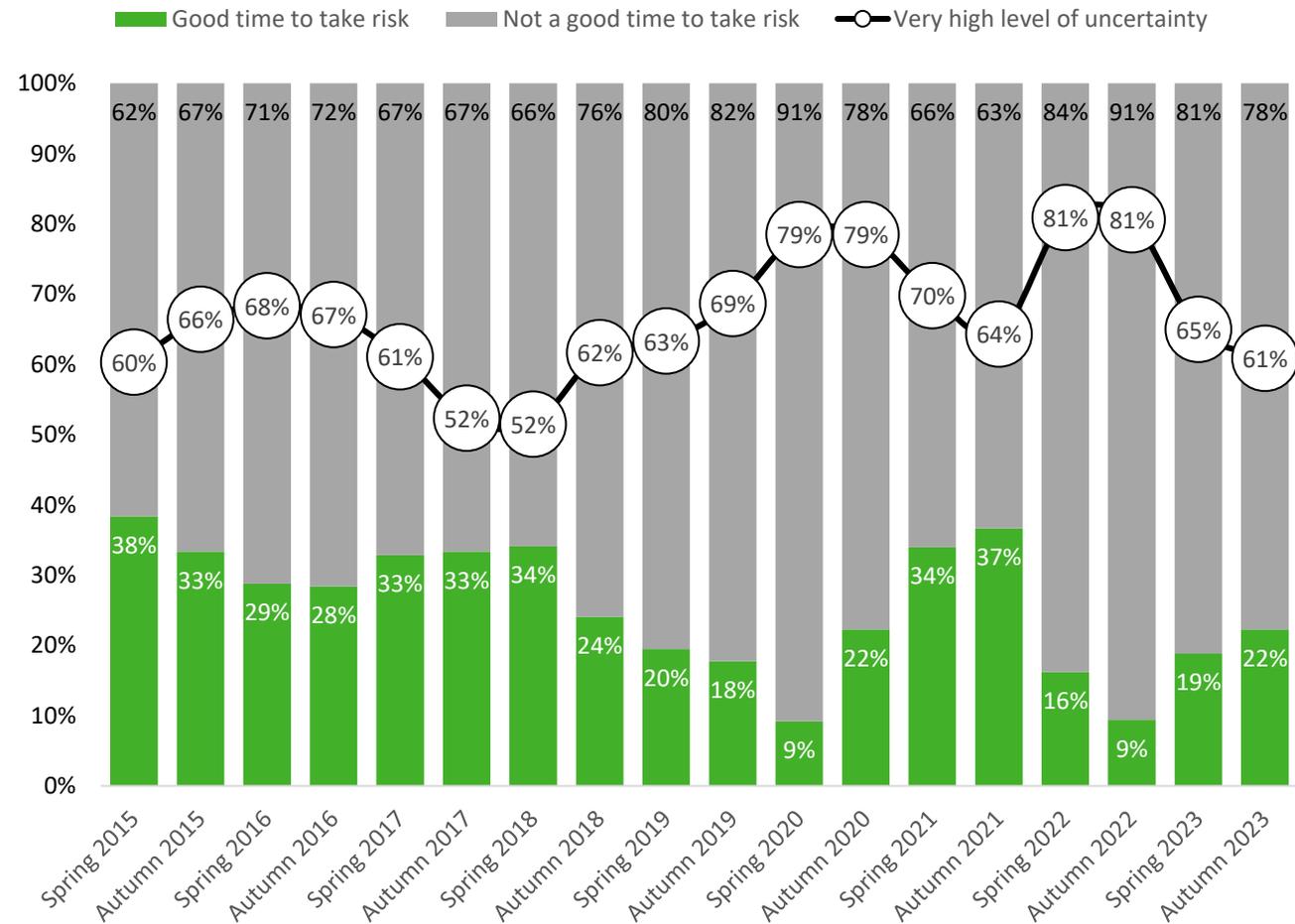
Employees		
Professional Services	27%	53%
Public Sector	14%	50%
Life Sciences	23%	40%
Energy, Utilities, Mining	24%	36%
Technology, Media &...	36%	32%
Retail	31%	31%
Construction	28%	30%
Financial services	29%	28%
Industrial products & services	26%	26%
Consumer goods	28%	23%
Automotive	42%	21%
Transport & logistic	32%	19%
Tourism & travel	25%	15%

- Looking at sectors, automotive is alone in expecting decreasing revenues, suggesting that the hard times for the automotive industry will not be over soon. In the construction industry, high financing costs are taking their toll and CFOs expect only a small increase in revenues.
- Financial executives in more service-oriented industries like professional services, and tourism and travel, as well as life sciences, expect their revenues to keep growing strongly over the next 12 months.
- Considering the economic outlook, not surprisingly the lowest expectations on operating margins are in the automotive and transport and logistics sectors, where high energy and labour costs are proving a major drag. Financial executives in life sciences remain quite optimistic.
- The gloomier mood is concentrated in the automotive sector, where CFOs have revised down their views for capital expenditure and employment drastically.** Other sectors remain more positive. In tourism and travel as well as the public sector, CFOs are planning to further expand their capital expenditure. The public sector too intends to take on more staff over the coming year. Firms in business and professional services are also still looking to recruit.

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

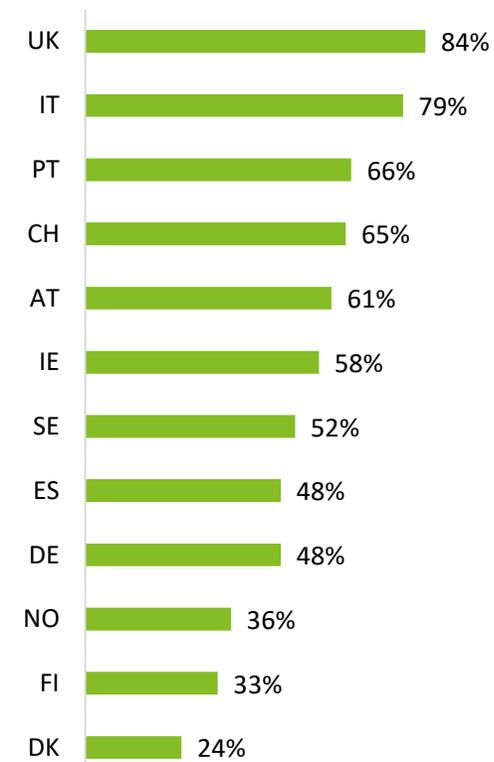
Question asked: **Uncertainty:** How would you rate the overall level of external financial and economic uncertainty facing your business?*

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



Uncertainty by country

High level of uncertainty



- Around two out of three European CFOs (61%) continue to rate the level of external financial and economic uncertainty as being high, but this figure is marginally lower compared to 65% in spring 2023.

- **In Italy, more CFOs than the spring edition consider the level of uncertainty very high (77%, +11pp).**

- This sentiment is also reflected in CFOs risk taking ability as nearly 8 out of 10 (78%) CFOs feel this is not a good time to take greater risk on their balance sheet. Not considering this moment as appropriate to take risks, the most risk averse CFOs are from the UK (88%), Spain (80%) and Italy (59%).

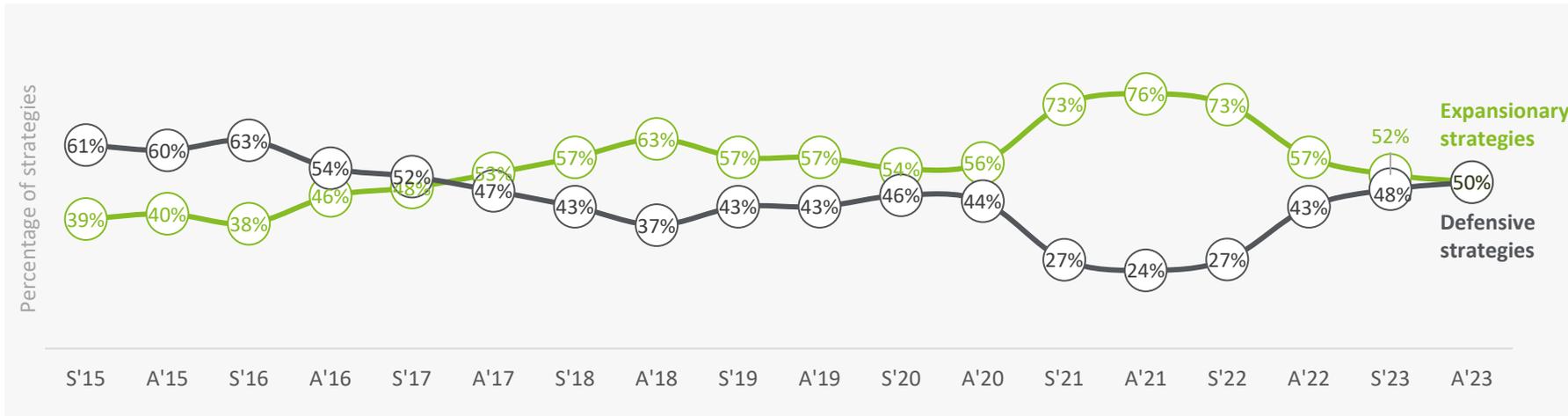
- **Public sector (75%), Consumer Goods (69%) and Transport & Logistics (62%)** CFOs, more than other sectors, consider these months as highly uncertain.

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

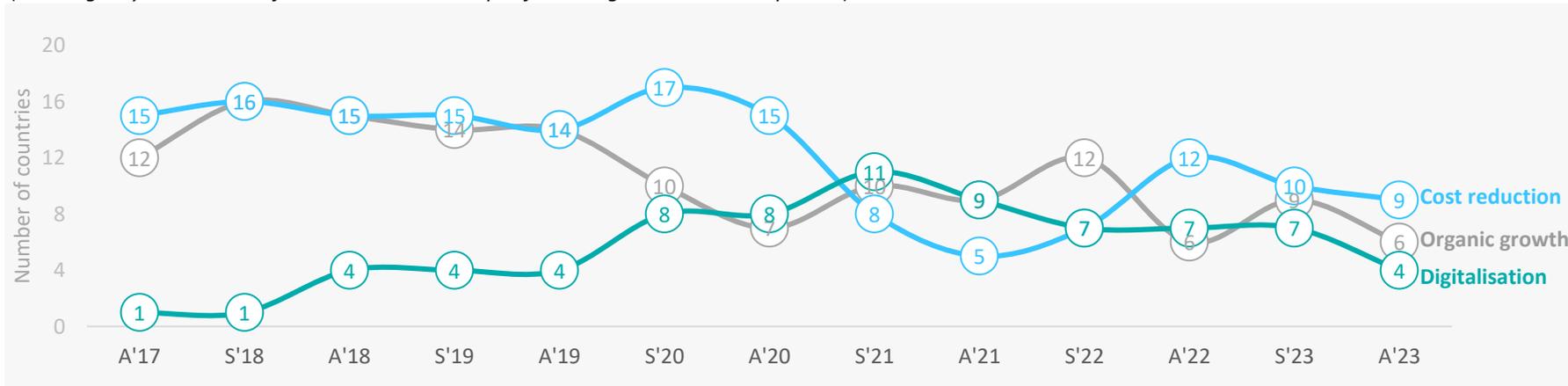
^Note: This question was not asked in Germany, Netherlands, Poland, Sweden and Switzerland

European CFOs are balancing equally between expansionary and defensive strategies; cost reduction continues to be the top strategy for the next 12 months in 9 out of 12 countries

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)



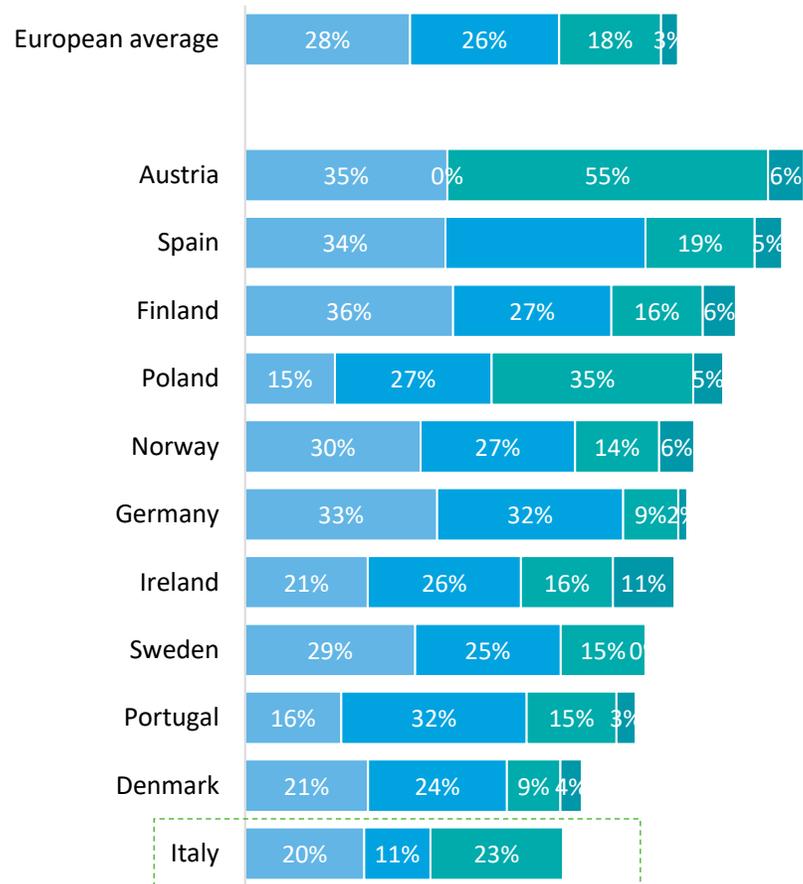
*Note: Each country identifies the answer options that are relevant to their geography. The responses are mapped to identify the expansionary and defensive strategies per country. This question was not asked in Poland and Switzerland.

- European CFOs are balancing between expansionary and defensive strategies as they seek to steer their businesses through the tough economic environment.
- CFOs have identified cost reduction being the top strategy for the next 12 months in 9 out of 12 countries. While organic growth has been identified by 6 out of 12 countries.
- the worsening in Europe's current economic picture and its prospects is reflected in a reinforcement of the shift in CFOs' strategic priorities that began to be evident a year ago—they are focusing on cost reduction.
- This shift to a defensive strategy is easy to understand: Europe's CFOs, just like its consumers, are responding to the cost-of-living crisis by tightening their belts.
- **Italian CFOs main strategies for the next months are:**
 - 1 Creation and implementation of a sustainability plan
 - 2 Digitalization and Innovation
 - 3 Introducing new products/services
 - 4 Cost reduction
 - 5 Talents' selection and retention

Three out of four European CFOs feel that GenAI is important for achieving business strategy, but they are not familiar with the technology yet

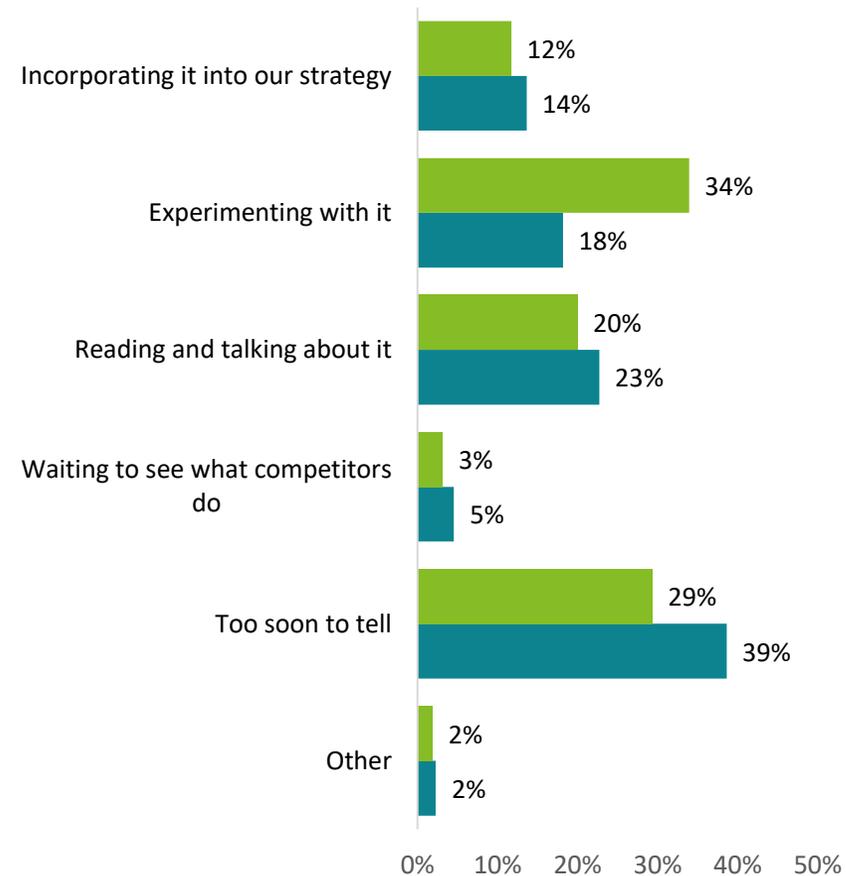
Question asked: How important is GenAI to achieving your business strategy?

■ Slightly important ■ Moderately important ■ Important ■ Very important



Question asked: Where is your organization on its GenAI journey?

■ European Average ■ Italy

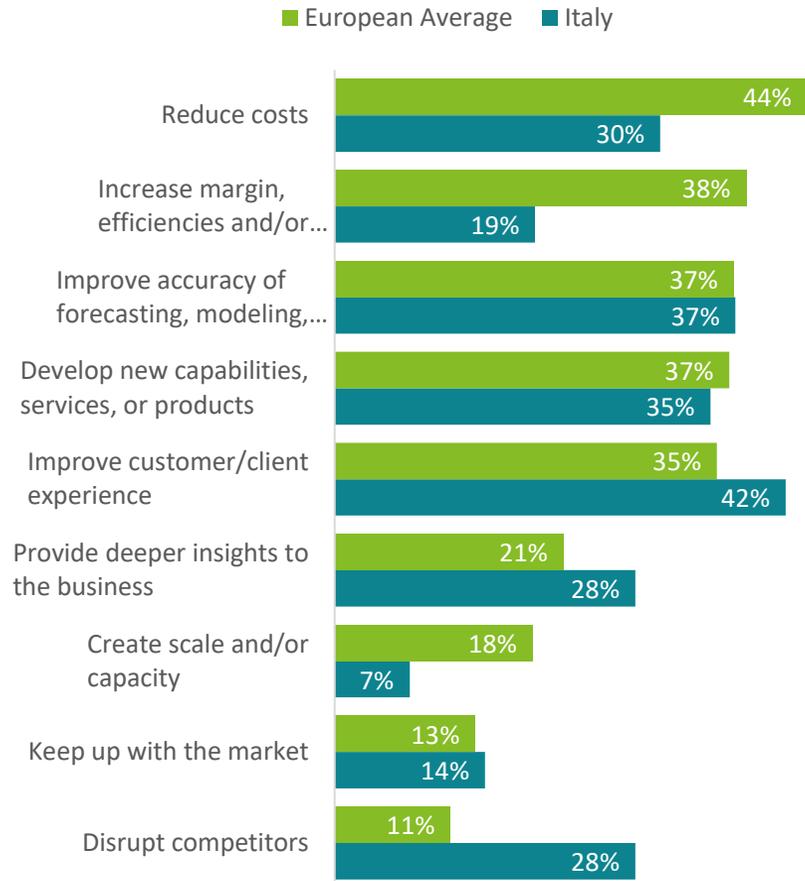


- Overall, 75% of European CFO's feel that Gen AI is important to achieving their business strategy, only 54% in Italy.
- A fifth of European CFO's feel that GenAI is very important or important to achieve their business strategy while a fourth of European CFO's feel the opposite that Gen AI is not very important
- CFOs from Austria (96%), Spain (92%), Finland (84%) and Poland (82%) are at the forefront in identifying that GenAI is important in achieving their business strategy
- CFOs from Italy (45%), Denmark (42%) Portugal (33%) and Sweden(31%) believe that GenAI is not very important for achieving business strategy.
- Around one-third of European Chief Financial Officers (CFOs) are currently engaged in GenAI experimentation while another thirds suggest that it is too soon to tell. **Only one out of ten (12%) CFOs are already incorporating GenAI in their business strategy.**
- 14% of the Italian CFOs (slightly more than the EU average) are incorporating GenAI into their strategies, but the majority is more cautious and still assessing how GenAI works.

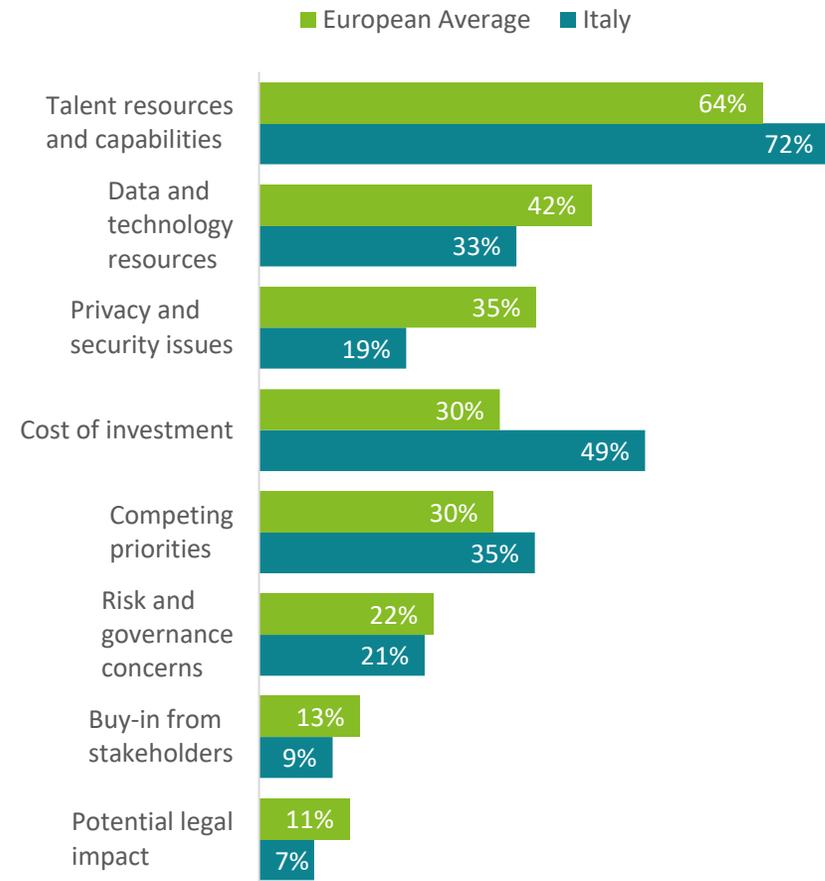
*Note: This question was not asked in Netherlands, Switzerland, and the UK.

Benefits and barriers of adoption GenAI vary a lot

Question asked: If your organization plans to adopt GenAI, what top three benefits do you hope to achieve?



Question asked: What are the three greatest barriers your organization might face in adopting and deploying GenAI?



- Reducing costs is the top benefit that nearly two out of five (44%) European CFOs anticipate to achieve by adopting GenAI in their organization, while for Italian CFOs it is improving customer experience (42%)
- Nearly three out of five (64%) of European CFOs feel that finding the right talent, resources and capabilities might be the top barrier for adopting and deploying GenAI, slightly less than Italian CFOs (72%)
- Data and technology resources (42%) and privacy and security issues (35%) are perceived to be the other two major barriers for adopting and deploying GenAI, while Italian CFOs consider the cost of investment (49%) and competing priorities (35%) the two major barriers.
- It is interesting to note that getting buy-in from stakeholders or facing any potential legal impact are not considered as major barriers by European CFOs for adopting and deploying GenAI
- Nearly three-fifth of European CFOs (67%) and Italian CFOs (65%) are expecting to allocate less than 1% of the total budget towards GenAI in the next year, while 30% (EU and Italian) are going to invest between 1% and 5%.

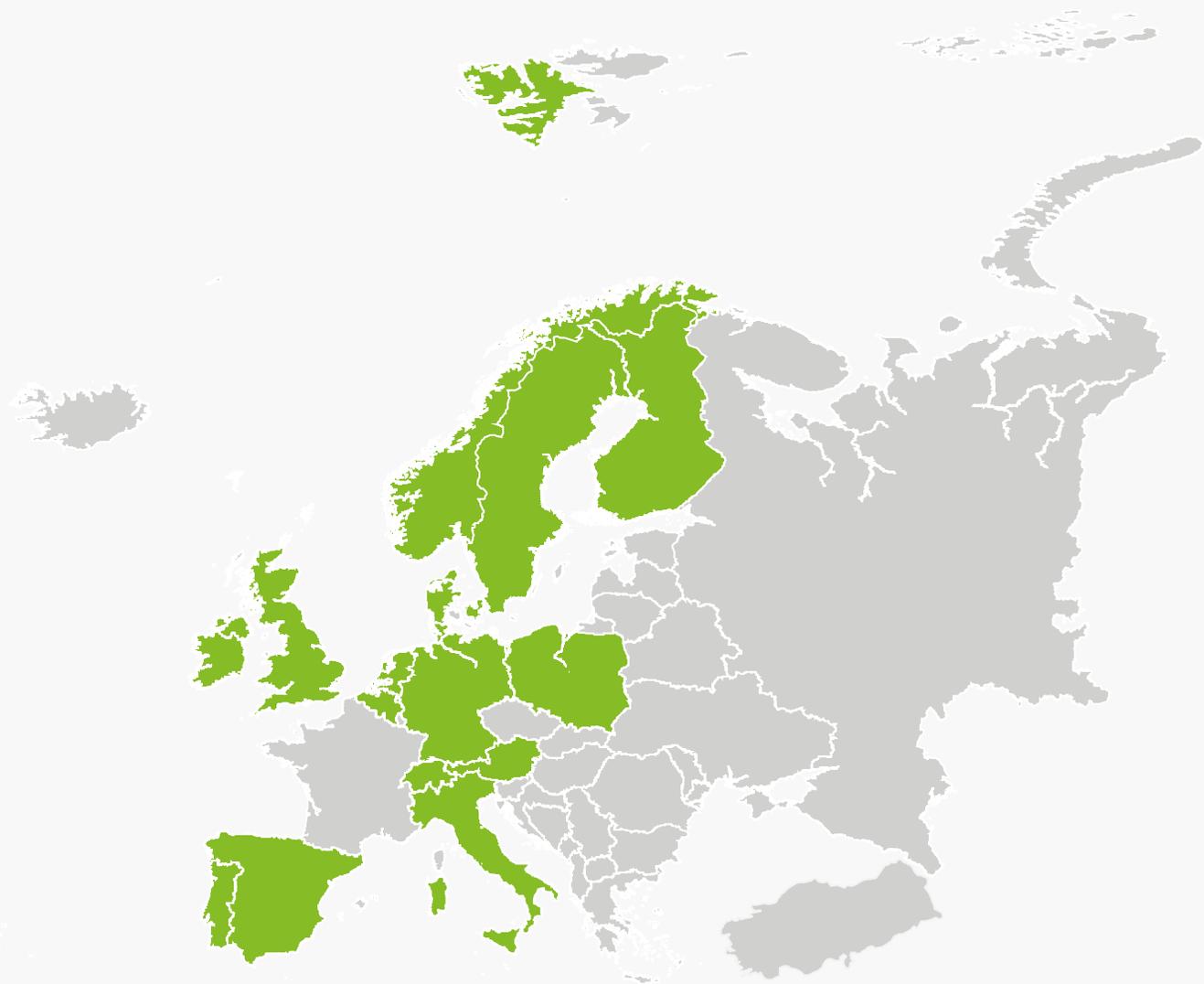
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Methodology

1,213 CFOs from 14 European countries participated in the autumn 2023 edition of the CFO survey

About the survey

The Autumn 2023 European CFO Survey is the 18th edition of a bi-annual research project that gathers insights from Chief Financial Officers of leading companies in 14 European countries. The survey was carried out from September to early October 2023.



Participating countries

- Austria
- Denmark
- Finland
- Germany
- Ireland
- Italy
- Netherlands
- Norway
- Poland
- Portugal
- Spain
- Sweden
- Switzerland
- UK



Survey period

September - October
2023

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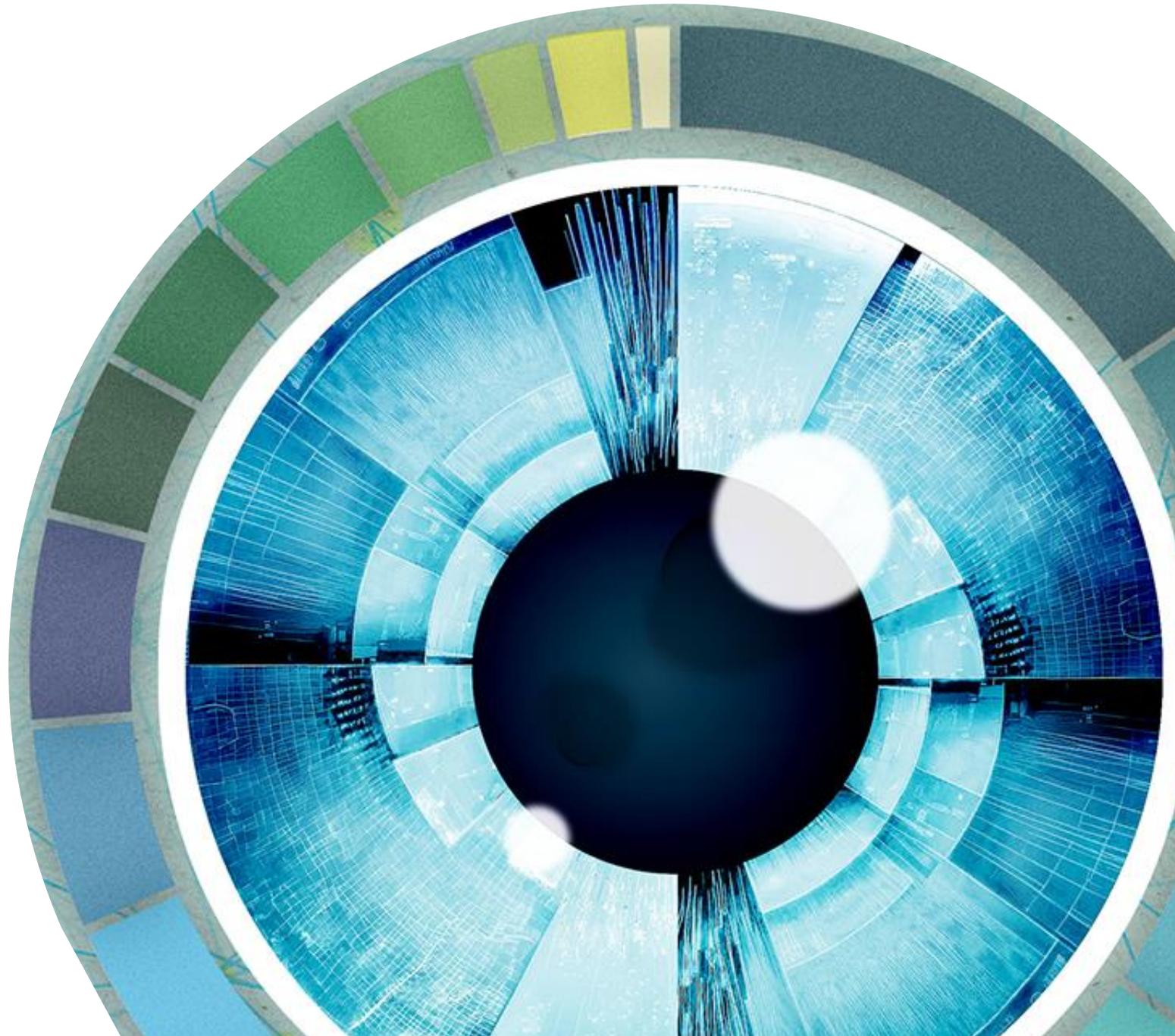
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