



CFO Programme

European CFO Survey
with Portugal Insights
Europe's CFOs react
defensively to the
effects of inflation

Autumn 2022

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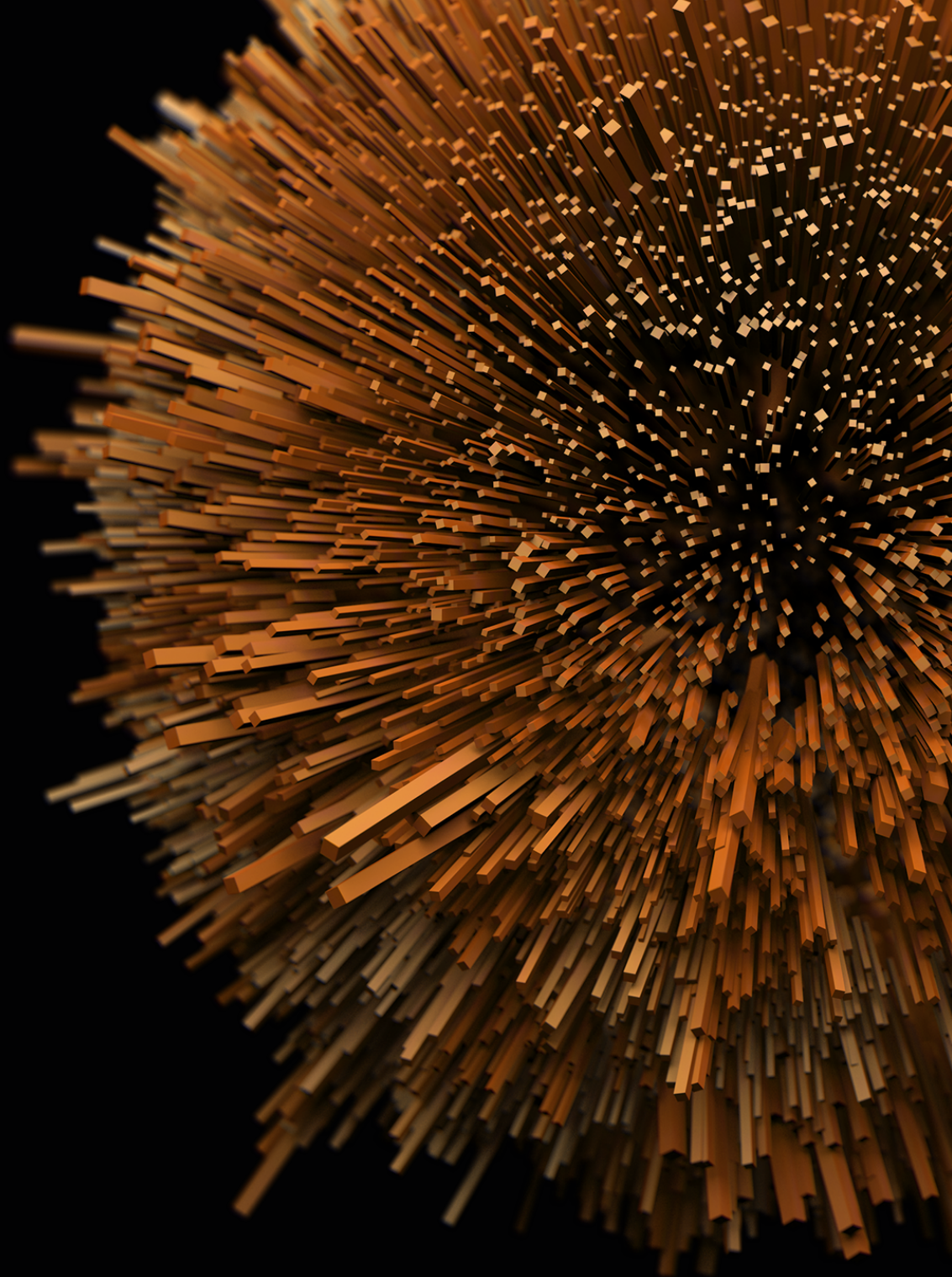
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Foreword

Europe's CFOs react defensively to the effects of inflation.

The Autumn 2022 European CFO Survey shows that, in the wake of Russia's invasion of Ukraine, economic sentiment across Europe has fallen to its lowest since the survey began. CFOs have shifted away from post-pandemic expansionary plans towards more defensive strategies. Their greatest concerns are energy costs, high inflation and a shortage of skilled labour.



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Foreword (Portugal)

We are proud to present the latest edition of Deloitte's European CFO Survey with insights from Portugal, including the CFOs perspective about economic, financial, and strategic issues.

Almost a year has passed since the beginning of Russia's invasion of Ukraine and the world is still far from normality. The weak economic outlook is daunting businesses across Europe, with rising fears of an almost certain winter recession with high inflation during the first quarter of 2023. In line with the sentiment across Europe, Portugal's CFOs reported the lowest level of confidence in their companies' financial prospects since the beginning of this survey, surpassing the all-time high uncertainty level registered both in the beginning of the pandemic and immediately after Russia's invasion of Ukraine.

Due to the weak economic outlook, geopolitical uncertainty with the conflict in Ukraine still being far from a resolution, and rising interest rates with the turnaround in monetary policy from the European Central Bank, CFOs in Portugal are now less confident about their operating margins and less prone to execute CAPEX investments, still believing it is not a good time to be taking greater risk to their balance sheets. Despite the global pessimistic sentiment, Portugal's CFOs are amongst the most optimistic in Europe regarding revenue and employment prospects for the next 12-months.

To navigate through turbulent and uncertain times, CFOs in Portugal are rethinking their strategies in two timeframes. On the short-run, Portugal's CFOs are preparing defensive strategies to protect their businesses, including cost reduction and initiatives to mitigate inflation such as improving cash flow management, transferring costs to consumers by raising prices and increasing energy efficiency. On the long-run, CFOs highlight digitalisation as the key strategy to deliver sustained value to the business, being the top business strategy on the agendas of the CFOs in Portugal.

It is time for CFOs to be resilient, sharp and agile in rethinking their strategies to navigate through uncertain times, protect the business and leverage opportunities to drive sustained value for the future.

We hope that the Autumn edition of this survey presents insightful information for you and your business. We take this opportunity to thank all the CFOs in Portugal that dedicated a moment of their time to participate and share insights of their businesses with us.

Nelson Fontainhas

Portugal CFO Programme Lead

Introduction

European Chief Financial Officers (CFOs) believe their businesses face a grim set of financial and economic conditions shaped by the Russian invasion of Ukraine, increasing inflationary pressures, shortages of skilled labour, and market and supply chain disruptions.

Russia's invasion of Ukraine is causing significant global economic disruption, adding further stresses to a global economy that continues to struggle with the legacies of the COVID-19 pandemic and the supply chain problems and inflation it has provoked.

The International Monetary Fund said this autumn that one-third of the world economy would probably contract this year or next as prices rise and real incomes shrink.¹ That challenging outlook is reflected in the responses in Deloitte's European CFO Survey for Autumn 2022.

Since 2015 the survey has given voice twice a year to approximately 1,500 Chief Financial Officers from across Europe. This article provides an overview of CFOs' hiring and investment intentions, their views on critical business risks and strategic priorities and the factors they currently consider vital for success.

We also ask CFOs for their expectations about medium-term prospects. In addition, each survey contains a specific set of questions about current business issues.

This edition focuses on inflation and specifically CFOs' opinions on the prospects for the annual inflation rate in their country and the strategies they are undertaking to mitigate the impact of high inflation.

The responses provided reflect record levels of business uncertainty: the most extreme since the survey's inception. There are, however, some bright spots amid the gloom. European CFOs are still optimistic about their revenues and intend to keep hiring, and they expect average inflation will drop to a somewhat more manageable level of 6.10 per cent in the euro area and 4.11 per cent in the non-euro area towards the end of 2023.

Although it makes for sobering reading, we hope the views set out in this article will nourish your thinking and help provide a good basis for your business plans. Please contact one of our Deloitte leaders to discuss any aspects of our findings.



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Executive summary

- The Deloitte European Chief Financial Officers (CFOs) Survey for Autumn 2022 reveals that CFOs see the impacts of the invasion of Ukraine as going from bad to worse. Russia's invasion in February has caused enormous difficulties for businesses and economies around the globe, with severe disruption to energy availability, especially for natural gas, surging energy prices, and persistently high consumer price inflation.
- The level of financial and economic uncertainty recorded by the European CFO Survey reached an all-time high in Spring 2022, immediately after the Russian invasion of Ukraine. This survey sets a new record.
- CFOs are very pessimistic about the financial prospects for their companies and sectors, and particularly for operating margins and CAPEX. However, CFOs are more optimistic about revenues and their hiring intentions, although they continue to experience unusual difficulty finding employees with the skills they need.
- European CFOs identify weak economic growth, a shortage of skilled labour and rising energy costs as the three factors likely to hold the most significant risk for their businesses over the next year. Also, economic and geopolitical uncertainty, coupled with high and still rising interest rates, has led to a sharp pull back in risk-taking European CFOs across all sectors.
- European CFOs are growing more defensive as they seek to steer their businesses through the harsh economic environment. In particular, they are prioritising cost reduction as the number one strategy for the next year.
- Inflation is running at levels not seen since the 1980s, but European CFOs expect average inflation rate will ease to around 6.10 per cent in the euro area and 4.11 per cent in the non-Euro area by the end of 2023. Companies are seeking to cushion the impact of inflation by passing on the costs to customers. CFOs in some countries are also prioritising improvement of cash flow management and greater energy efficiency, or focusing on higher-margin markets, products and services.
- Portuguese CFOs sentiment is in line with their European counterparts, reporting record breaking levels of uncertainty. The weak economic outlook, allied with geopolitical risks and rising interest rates, are the major risks reported by CFOs in Portugal. Digitalisation and cost reduction are the top business strategies on the agendas of the CFOs in Portugal, while strategies to mitigate inflation are mainly focused in improving cash flow management, increasing energy efficiency and transferring costs to consumers.



Financial outlook becomes even grimmer

CFOs have become more pessimistic about the financial prospects for their companies and sectors as high inflation, lower growth and tight monetary policy make themselves felt.

The mood among European CFOs became grim immediately after the Russian invasion of Ukraine in February 2022 but has plummeted even further as the conflict has dragged on. More than half (60 per cent) of the CFOs say they are less optimistic about their company's financial prospects in the next 12 months. Only 13 per cent describe themselves as optimistic.

Overall, the net balance for **financial prospects** declined from -29 per cent in spring 2022 to -47 per cent in autumn 2022, almost reaching the depths of the early months of the COVID-19 lockdowns. Portugal followed the same trend, dropping the net balance for financial prospects from -22 per cent in the last spring to -50 per cent this autumn.

The steep decline can be attributed to the severe disruption caused by the war in Ukraine, which has dimmed the prospects for a post-pandemic economic recovery.

The global economy continues to be weakened by the war through trade disruptions, pressure on food commodity prices and energy price shocks, all of which

contribute to rising inflation. In addition, rapid monetary tightening by central banks in response to the high inflation is making the outlook for the European economy still worse.

The same sentiments prevail in the euro area and outside it. In the euro area, CFOs in Germany (72 per cent) and Spain (70 per cent) are the most pessimistic about their financial prospects, with Portugal coming in third with 64 per cent of the CFOs feeling less optimistic. In non-euro countries, CFOs from Norway (60 per cent) and the UK (57 per cent) are the most pessimistic.

The sector results reflect the tone of the survey overall and continue the trends noted in spring 2022. All sectors have become less optimistic about their financial prospects. CFOs in life sciences are the most pessimistic, with the proportion of CFOs in this sector saying they are less optimistic doubling from 37 per cent in spring 2022 to 77 per cent in autumn 2022.

CFOs in the automotive sector, still reeling from the semiconductor chip shortage and other supply chain issues, report the lowest business confidence. Nearly

two-thirds in the sector are less optimistic. Not one CFO in this sector said they are optimistic about the financial outlook.

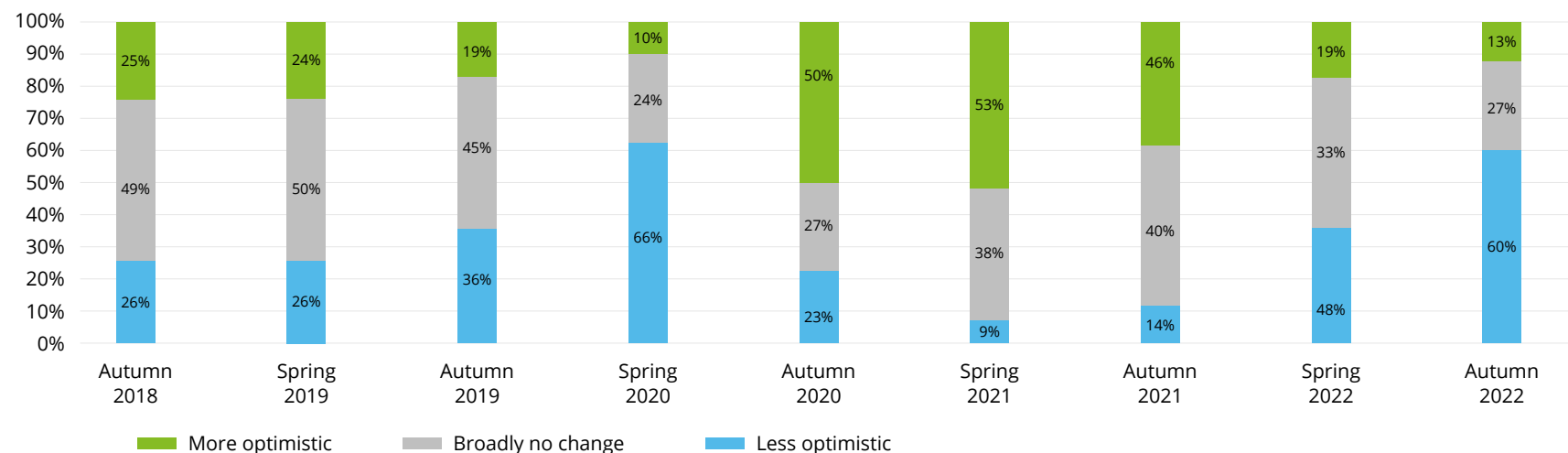
By contrast, almost a quarter (24 per cent) of CFOs in the tourism & travel sector say they are more optimistic about their financial prospects in the next 12 months as they are expecting a promising tourism season ahead.



Figure 1 and 2: Financial prospects

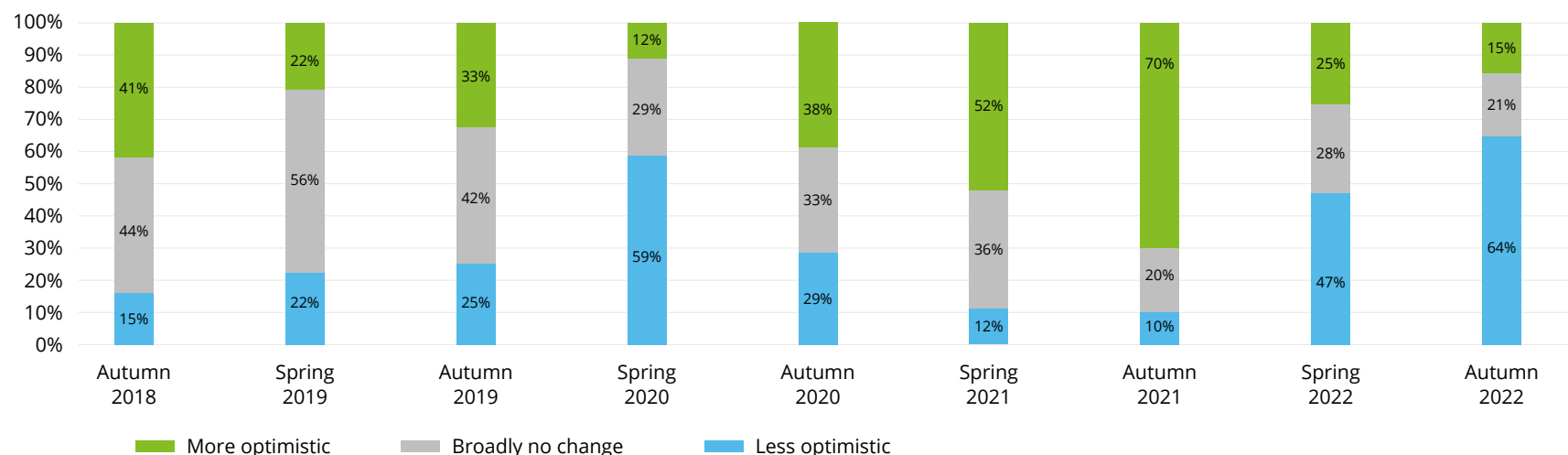
Question asked: Compared to three months ago, how do you feel about the financial prospects of your company?

Financial prospects become even grimmer



Source: Deloitte European CFO Survey.

Portugal zoom in: following the trend



Source: Deloitte European CFO Survey.



Positive on revenue and hiring, negative on operating margins

Gloom prevails among European CFOs regarding the evolution of operating margins and CAPEX. Future revenues and hiring are seen more positively.

The net balance of expectations for the evolution of **revenues** over the next 12 months decreased from 44 per cent in spring 2022 to 18 per cent in autumn 2022. Despite this, half (50 per cent) of European CFOs believe their revenues will increase compared to nearly a third (32 per cent) who expect a decrease.

Non-euro countries where CFOs are most optimistic about revenue growth are Iceland (75 per cent), Norway (63 per cent), Switzerland (62 per cent) and Sweden (60 per cent). In the euro area CFOs are most optimistic in the Netherlands (61 per cent), Austria (59 per cent) and Spain (57 per cent). The most pessimistic CFOs are in the UK and Ireland, where 46 per cent and 38 per cent feel revenues will decrease.

Portugal is following the European trend with 53 per cent of the CFOs being optimistic about their revenues over the next 12 months and only 25% anticipating a decline. Even though Portugal's outlook on revenues appears to be favourable, it represents a major setback when compared to the two previous semesters.

Similar trends can be observed across all sectors.

CFOs in all sectors are very optimistic that revenues will increase in the next 12 months. Those in business and professional services are the most optimistic, with 66 per cent expecting an increase, while those in the retail sector are the least optimistic, with 37 per cent expecting a decline during the same period.

The net balance of expectations for **operating margins** declined sharply from -23 per cent to -39 per cent in autumn 2022, the lowest level since the survey began in autumn 2015. This figure even surpasses the lows seen during the COVID-19 pandemic in spring 2020.

The pessimism might be attributed to rising commodity prices, higher energy costs, the lack of availability of natural gas and disruption in global supply chains. The proportion of CFOs who expect their operating margins will decrease (59 per cent) over the next 12 months is nearly three times those who believe their operating margins will increase (20 per cent).

In the euro area, CFOs are most pessimistic about operating margins growth in Germany (63 per cent),

Ireland (56 per cent), Austria (54 per cent), and Netherlands (52 per cent). In Portugal, almost half of the CFOs are pessimistic about their operating margins (46 per cent) and only 21 per cent expects it to increase over the next 12 months. In the non-euro area, CFOs from the UK are overwhelmingly pessimistic (91 per cent).

Looking at the sectors, CFOs in life sciences are the most pessimistic, with 59 per cent saying operating margins will decrease over the next year. CFOs in technology, media and telecoms (TMT) are the most optimistic, with 43 per cent believing margins will increase.

With rising interest rates and squeezed operating margins, expectations about capital expenditure (CAPEX) investments have been mostly less optimistic. The net balance of expectations for **CAPEX** has declined steeply from 10 per cent in spring 2022 to -19 per cent in autumn 2022. Many CFOs (40 per cent) say they will decrease CAPEX investments in the next 12 months, while only a fifth (21 per cent) intend to increase their CAPEX during the same period.



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A diverging trend is evident in the euro area compared to non-euro area countries.

Most CFOs in non-euro area countries, except the UK, say CAPEX will increase in the next 12 months. Optimism about an increase is highest amongst CFOs in Iceland (50 per cent), Norway (37 per cent) and Sweden (35 per cent).

The majority of CFOs in the euro area expect their CAPEX to decrease in the next 12 months. Pessimism is highest in Germany (45 per cent) and Austria (33 per cent). Similar sentiment is shared by CFOs in Portugal, whose net balance of expectations fell from 30 per cent last spring to 9 per cent this autumn. Even though Portugal is the third less pessimistic country in the euro area, only 30 per cent of its CFOs think they will increase their CAPEX investments over the next 12 months.

Looking across sectors, CFOs in automotive and life sciences are the most pessimistic, with 44 per cent and 36 per cent respectively expecting that CAPEX investments will decrease in the next 12 months. CFOs in tourism & travel and transport & logistics are more optimistic, with 45 per cent and 42 per cent respectively saying that CAPEX investments will increase.

Regarding **employment**, the net balance of expectations for hiring employees has declined steeply, from 28 per cent in the spring to -2 per cent in autumn 2022. However, a majority of CFOs across European countries still say they will be hiring more. The current shortage of skilled labour has emerged as one of the top three risks for CFOs in autumn 2022.

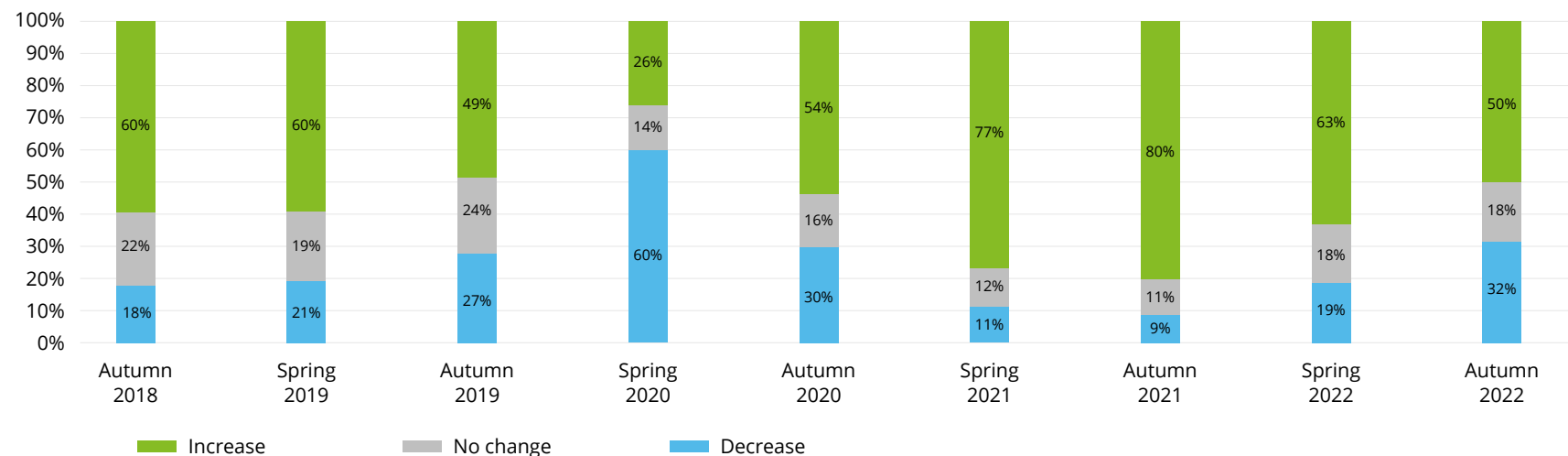
CFOs from the UK are the most pessimistic, with half (53 per cent) saying they will reduce hiring over the next 12 months, followed by CFOs in Austria (33 per cent) and Germany (29 per cent). The most optimistic CFOs, who expect to increase hiring, are in Switzerland (45 per cent), the Netherlands (42 per cent), Iceland (40 per cent) and Portugal (40 per cent). Portugal is also the second most optimistic country in the euro area in terms of employment expectations, and the country with the best net balance (27 per cent).

A similar trend can be observed across all sectors except automotive, with most CFOs saying they will increase hiring in the next 12 months. CFOs in energy, utilities & mining (46 per cent) and TMT (43 per cent) are very optimistic that they will increase the employee headcount. But a sizeable portion of CFOs in the automotive sector (38 per cent) believe they will have to decrease the employee headcount over the next year.

Figure 3 and 4: Outlook on revenues

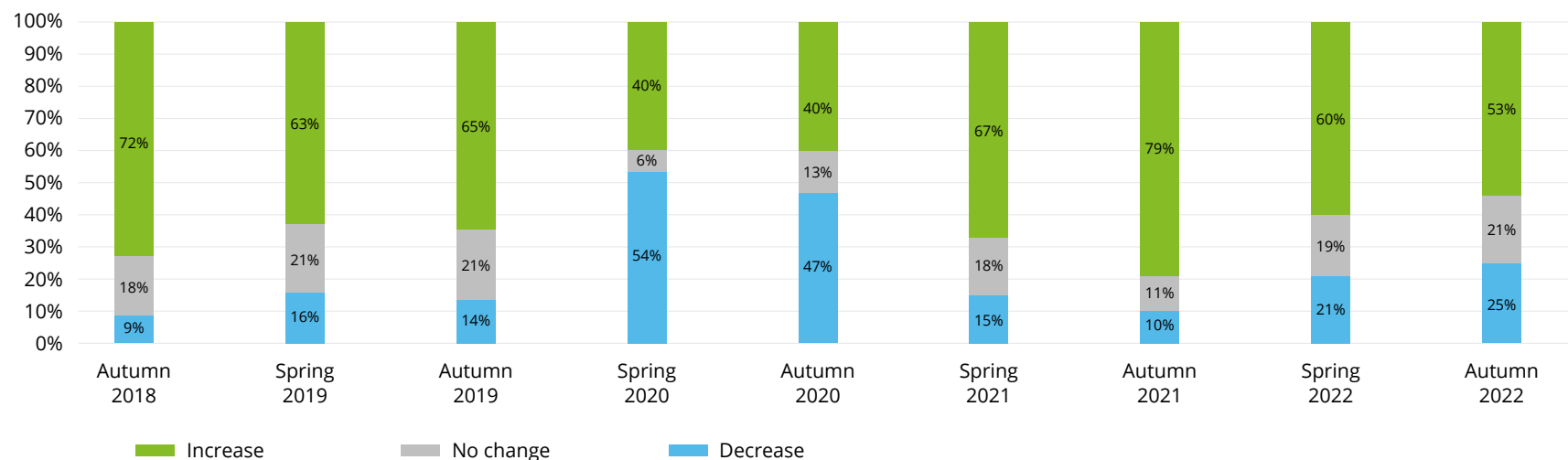
Question asked: In your view, how revenues for your company are likely to change over the next 12 months?

Revenue expectations look positive



Source: Deloitte European CFO Survey.

Portugal zoom in: following the trend



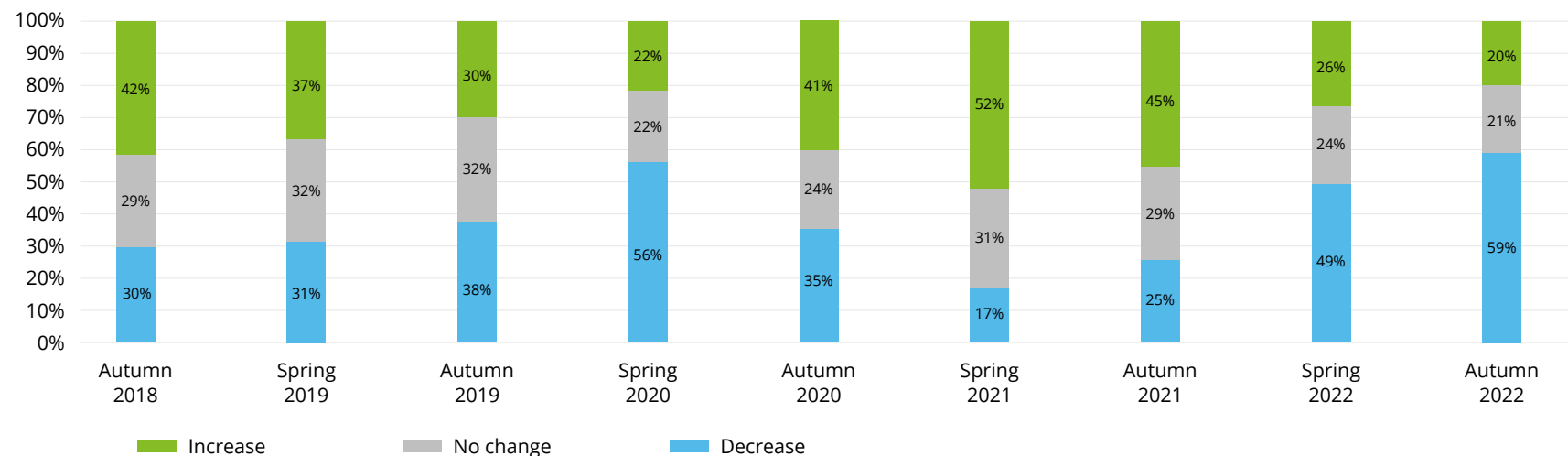
Source: Deloitte European CFO Survey.



Figure 5 and 6: Outlook on operating margins

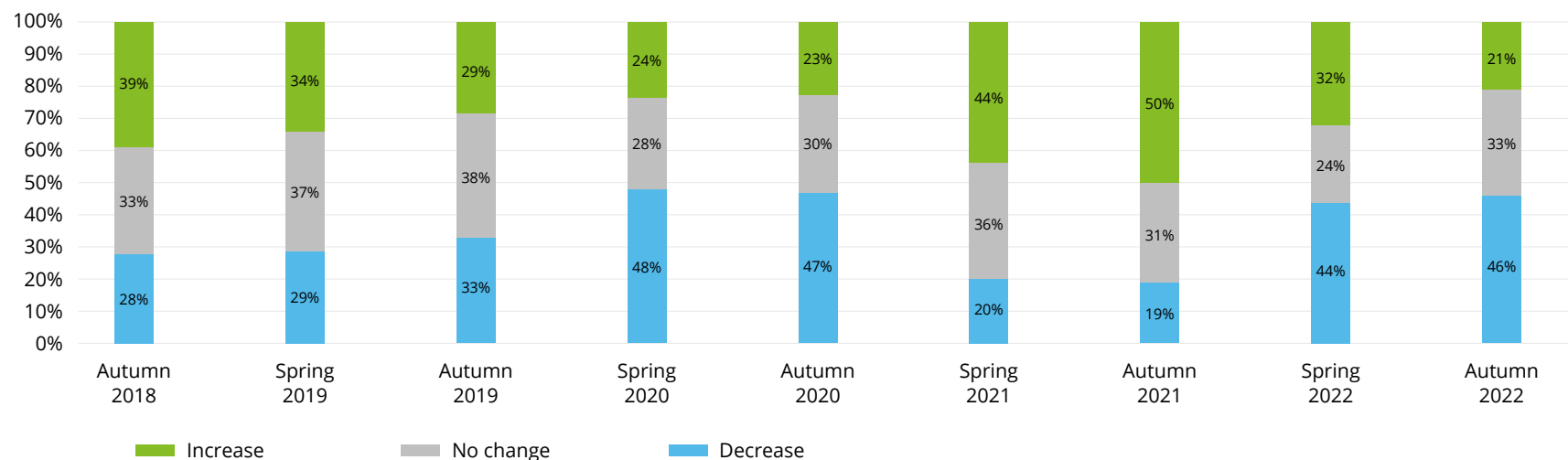
Question asked: In your view, how operating margins for your company are likely to change over the next 12 months?

Operating margins outlook worsens



Source: Deloitte European CFO Survey.

Portugal zoom in: similar sentiment



Source: Deloitte European CFO Survey.



Uncertainty surpasses the previous record

The level of financial and economic uncertainty recorded by the European CFO Survey reached an all-time high in spring 2022 after the Russian invasion of Ukraine. The autumn 2022 figure exceeds that record.

Russia's invasion of Ukraine was a harsh blow to a world economy struggling to shake off the after-effects of COVID-19 lockdowns. As the conflict has dragged on, it has further disrupted supply chains, caused market volatility, prompted energy price spikes and provoked a high inflation environment that has driven financial and economic uncertainty to an all-time high since the survey began in autumn 2015.

Overall, the net balance of CFOs who feel the level of financial and economic uncertainty is high has increased slightly from 77 per cent to 78 per cent, surpassing the level during the COVID-19 pandemic in spring 2020.

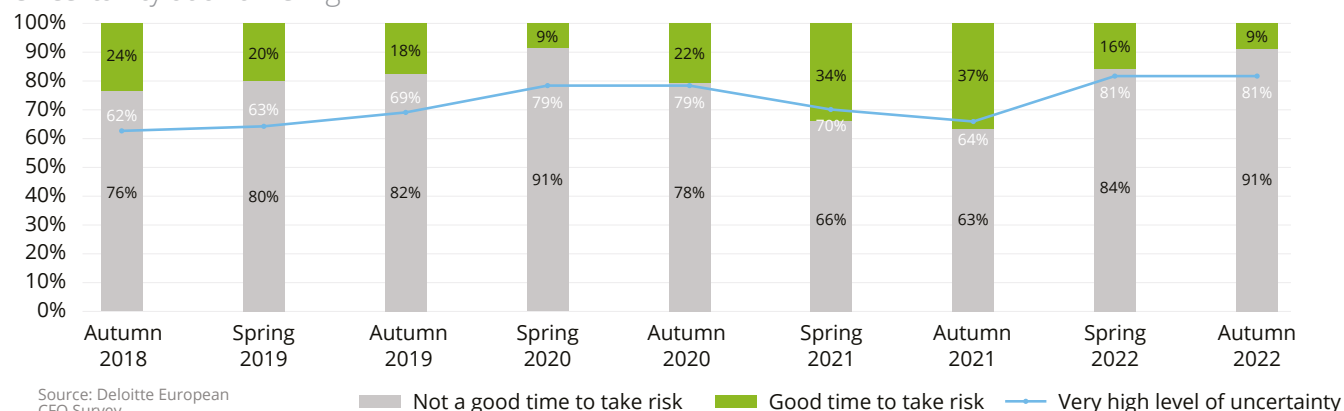
The proportion of CFOs who described the overall level of external financial and economic uncertainty as high or very high stayed constant at 81 per cent in autumn 2022 compared to spring 2022. Agreement among CFOs in the UK that uncertainty is high or very high is unanimous, at 100 per cent. High rates of uncertainty were also recorded in Switzerland (90 per cent), Germany (85 per cent), Italy (81 per cent), Spain (77 per cent), Portugal (76 per cent) and the Netherlands (74 per cent).

Across all sectors the picture was the same. In consumer goods (90 per cent), financial services (79 per cent), and tourism & travel (77 per cent) the overall level of uncertainty is very high.

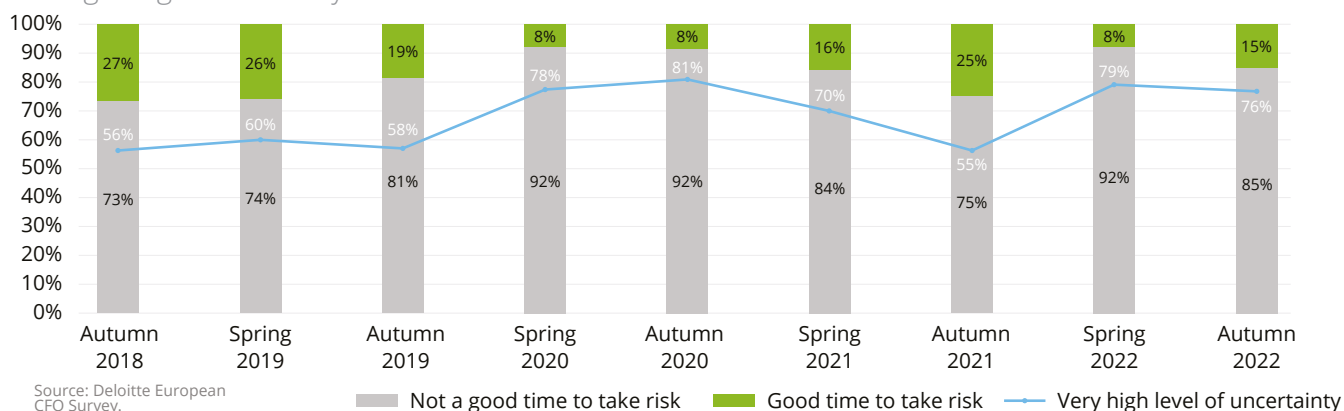
Figure 7 and 8: Uncertainty & Risk

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

Uncertainty at all time high



Portugal: high uncertainty



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Not a time to take risk onto balance sheets

European CFOs point to the economic outlook, shortage of skilled labour and rising energy costs as the three factors likely to hold significant risk for their business over the next 12 months.

Given the extremely high uncertainty perceived by European CFOs, the majority (91 per cent) feel this is not a good time to take risk on their balance sheet: the net balance seeing this as a good time to take risk increased from -68 per cent in the spring to -81 per cent in autumn 2022. Portugal sentiment follows the same trend, with 85% of CFOs in Portugal reporting this is not a good time to take greater risk onto their balance sheet. The view is shared by the majority of CFOs across all sectors.

The Russian-Ukraine conflict and its ramifications, such as rising inflation and supply chain issues, weigh heavily on the economic outlook, so it was clearly judged the top risk in autumn 2022 in eight out of 15 countries.

The second highest-ranked risk is the skilled labour shortage, which has returned to the top three as a significant risk. Companies are struggling to find and retain skilled employees.

The third highest risk is rising energy costs and restrictions on the availability of energy and gas (identified by five out of 15 countries). This is a new risk with which European CFOs are struggling as the conflict between Russia and Ukraine drags on.

Geopolitical risk ranked as the equal third highest risk. Very low in recent years, it has shot up into the top three risks in autumn 2022.

For CFOs in Portugal, economic outlook is reported as the greatest risk to their businesses for the next 12 months, followed by geopolitical risks, as CFOs in Portugal perceive the conflict in Ukraine as a big

element of uncertainty and instability. The third major risk for CFOs in Portugal is the rising interest rates, being Portugal one of the economies in the euro area more exposed to credit and default risks.²

Figure 9: Business risks (number of countries where specific risks rank in the top three)

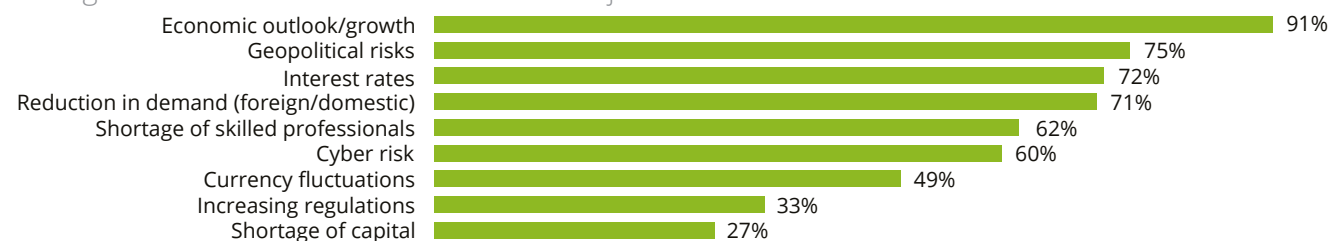
Question asked: Which of the following factors are likely to pose a significant risk to your business over the next 12 months?



Figure 10: Business risks (Portugal zoom in)

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

Portugal zoom in: Economic outlook as the major risk



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More defensive strategies

European CFOs are becoming more defensive in their strategies as they seek to steer their businesses through the harsh economic environment.

As interest rates rise rapidly and expectations for operating margins plummet, European CFOs are tilting towards more defensive strategies, with cost reduction the top strategy for the next 12 months in 12 out of 15 countries.

However, other companies see investment in digitalisation as offering the greatest benefit in the longer term. Digitalisation is the second highest-ranked strategy in seven out of 15 countries, while CFOs in six countries are prioritising organic growth.

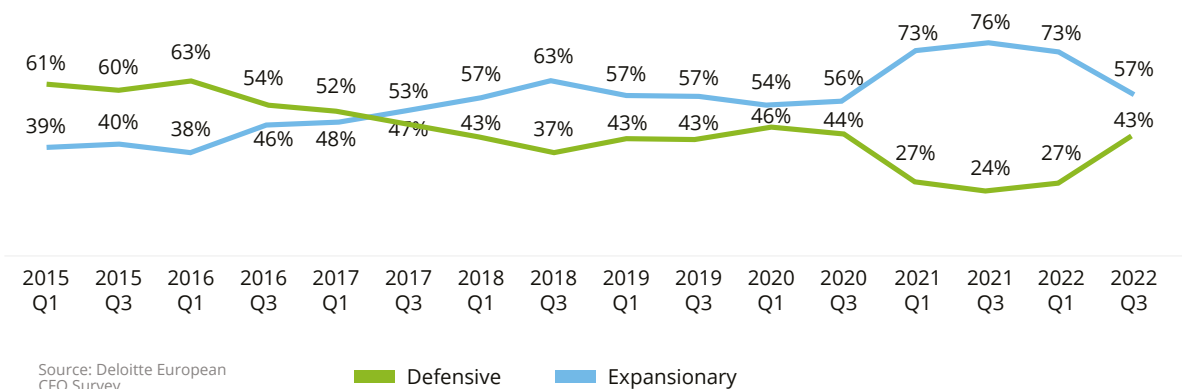
While the majority of CFOs (57 per cent) across all countries plan to continue expansionary strategies, such as digitalisation and organic growth, to a degree, there is a distinct trend towards more defensive strategies. CFOs had been looking to emphasise expansionary strategies from autumn 2020. But in 2022 there has been a clear shift towards a more defensive approach.

In Portugal, following the trend registered since spring 2021, CFOs continued to rank digitalisation as their top priority (81 per cent), focusing in capturing benefits in the longer term. Cost reduction was reported as the second most relevant strategy over the next 12 months for CFOs in Portugal (79 per cent), representing an 8 per cent increase since last spring and being in line with the European trend towards more defensive strategies.

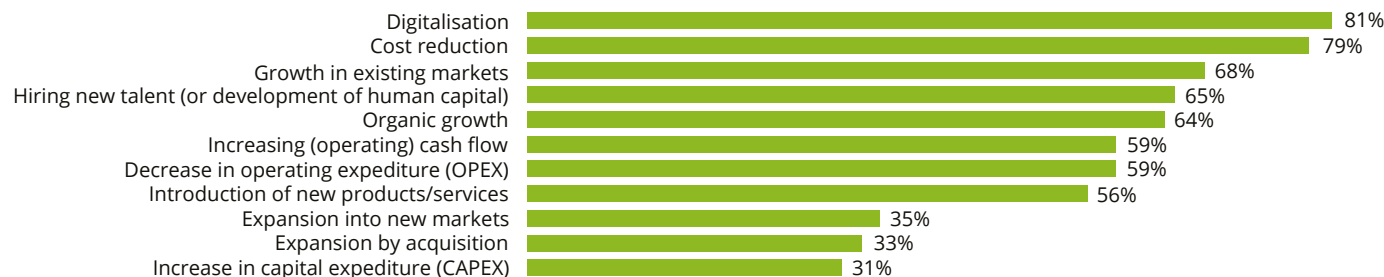
Figure 11 and 12: Strategies

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

European CFOs are tilting towards defensive strategies



Portugal: digitalisation and cost reduction as high priorities



Inflation pressure builds

Inflation is running at levels not seen in decades, putting increasing pressure on businesses, but European CFOs expect it will decline towards the end of 2023.

Inflation had been low and relatively stable over the past decade until 2020 but is now reaching levels last seen in the 1980s. According to Eurostat, the European Union statistical office, inflation in the euro area climbed from 3.0 per cent in August 2021 to 9.1 per cent in August 2022.^{3,4}

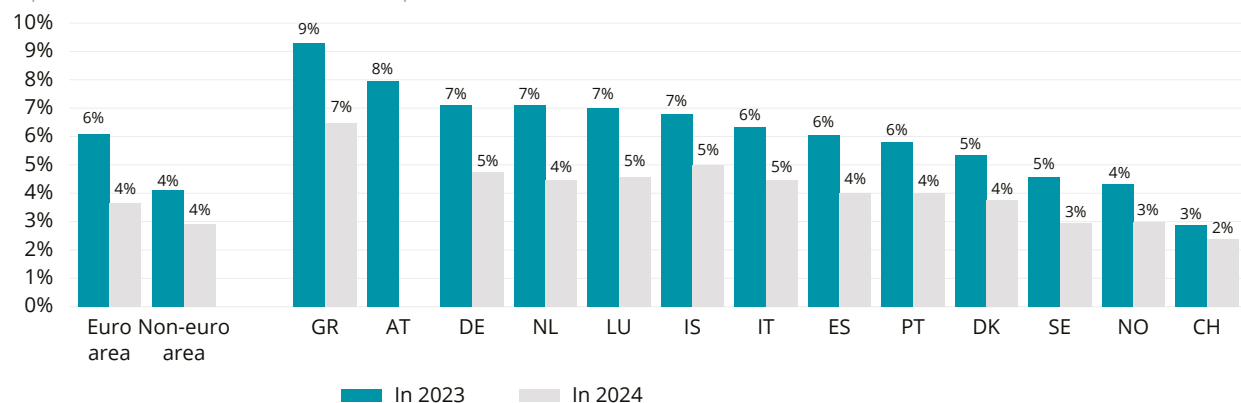
Inflation in the European Union increased to 10.1 per cent in August 2022 from 3.2 per cent in August of the previous year. The current inflation rates are the highest since rates July 2008, when prices were growing by a comparatively mild 4.4 per cent year-on-year. In line with the euro area, Portugal registered a 10.1 per cent year-on-year inflation rate in October 2022, representing a record-breaking increase in prices over the last three decades. Inflation is expected to remain high for the remainder of the year, further burdening corporates that are already under financial strain.

The primary reason prices have risen so quickly is the reopening of the European economy in 2021 after the sudden shock of the COVID-19 pandemic. Workforce shortages, supply and production problems and travel restrictions all added to cost pressures. When Russia attacked Ukraine in February 2022, it heaped more pressure on buckling supply chains, provoking a spike in energy and food prices.⁵

Figure 13: Expected inflation rate

Question asked: How do you expect the annual inflation rate (as measured by the consumer price index) to develop in your country in 2023 and 2024?

Expected inflation rates in European countries



Note: This question was not asked in Ireland and the UK. Austria was not asked for its inflation expectation for 2024.

Source: Deloitte European CFO Survey, Autumn 2022.



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In this high-inflation environment, the European Central Bank changed course and increased interest rates for the first time in 11 years. The 50 basis point rate hike in July was larger than expected and was followed by a 75 basis point increase in September which took the deposit rate above zero for the first time since 2013. Further rate increases are expected soon.

There has clearly been a sea change: the extended period of monetary policy at the zero lower bound for interest rates is over. Companies in the Eurozone now need to prepare for rising interest rates.

Though inflation is still accelerating now, European CFOs expect the average inflation rate to slow to 6.10 per cent in the euro area and 4.11 per cent in the non-euro area by the end of 2023 as the pressures from energy prices and supply chain constraints ease. Looking further ahead, they expect average inflation to decrease to 3.71 per cent in the euro area and 2.92 per cent in the non-euro area by the end of 2024.

In the European Union the lowest annual inflation rates by the end of 2023 are expected by CFOs in Switzerland (2.90 per cent), Norway (4.34 per cent), Sweden (4.54 per cent) and Denmark (5.37 per cent). The highest annual inflation rates are expected in Greece (9.32 per cent), Austria (7.98 per cent), Germany (7.15 per cent), the Netherlands (7.06 per cent) and Iceland (6.90 per cent).

Following the trend amongst European CFOs, CFOs in Portugal expect the average inflation rate to slow down over the next 12 months to 5.76 per cent by the end of 2023 and 4.00 per cent by the end of 2024.

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Companies are passing on higher costs

Companies are seeking to counteract the impact of inflation by passing on the costs to customers through price rises, improved cash flow management and increased energy efficiency.

With persistent high inflation and rising interest rates slowing down economic growth, and supply chain disruptions, European CFOs are focusing on multiple strategies to mitigate the impact of inflation. Three out of four European CFOs (75 per cent) report that the most widespread strategy they will be taking to a large or moderate extent is to pass costs on to customers by raising prices. The next important strategies for CFOs are improving cash flow management (70 per cent) and increasing energy efficiency or reducing energy use (65 per cent).

However, these top three strategies are not being applied uniformly. Some countries are trying different approaches. For example, the top strategy in Italy is to focus on higher-margin markets, products, or services. That is also among the top three strategies in Switzerland. Meanwhile the top strategy taken by CFOs in Denmark and Ireland is to increase energy efficiency or reduce energy usage.

In Switzerland, CFOs report that increasing product or service differentiation relative to their competitors is among the top three strategies. Meanwhile CFOs in Denmark, Iceland and Ireland cite increasing investment to reduce costs (such as digitalisation) among the top three strategies. Digitalisation is seen as expensive to implement; but it offers the possibility of scaling beneficially in the longer term.

In Portugal, the most widespread strategy to mitigate inflation amongst is the improvement of cash flow management, with 60 per cent of CFOs in Portugal planning these initiatives in their organisations. CFOs in Portugal are also planning to mitigate inflation by passing costs on to customers, with 59 per cent saying they will raise prices in a large or moderate extent. Another key strategy amongst CFOs in Portugal is to increase energy efficiency or reduce energy use, with half of the CFOs in Portugal planning to adopt this strategy.

Mitigation strategies differ from sector to sector. In TMT and business and professional services, the primary strategy is to focus on higher-margin markets, products or services. That is also among the top three strategies in the consumer goods sector.

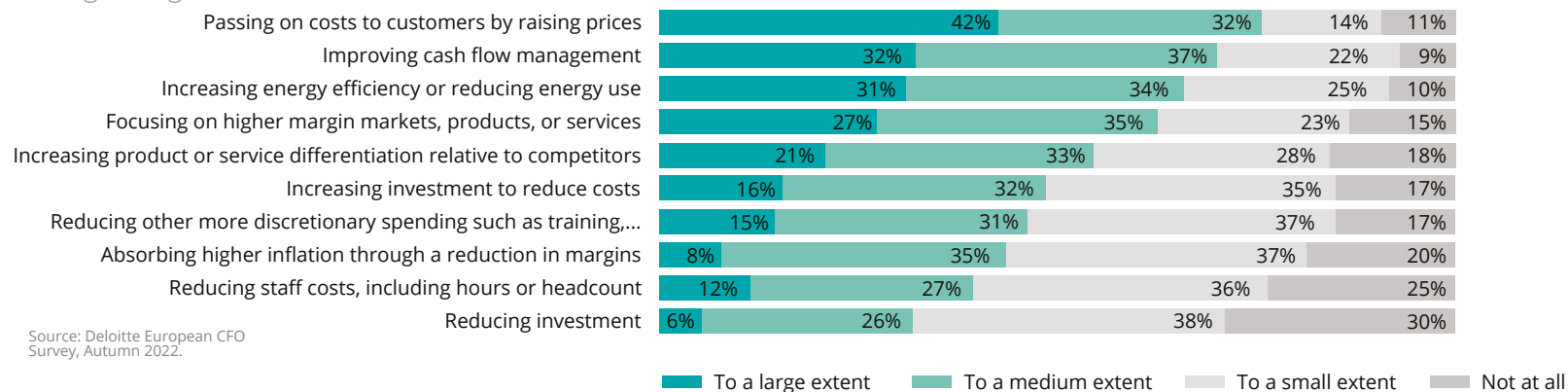
Increasing product or service differentiation relative to competitors is among the top three strategies applied in the TMT and business and professional services sectors. Increasing investment to reduce costs is among the top three strategies for the financial services sector.



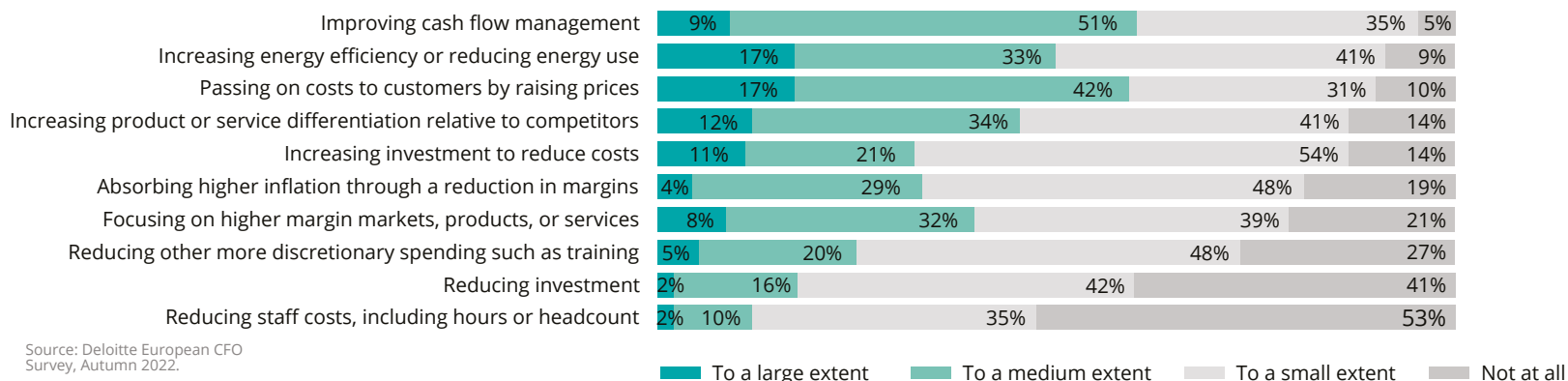
Figure 14 and 15: Strategies to combat inflation

Question asked: To what extent is your company pursuing the following strategies to mitigate the impact of inflation?

Passing on higher costs



Portugal zoom in: improving cash flow management as top strategy



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Conclusion

The fears European CFOs expressed in our spring 2022 survey, conducted just two weeks after Russia's invasion of Ukraine, have become persistent, long-term challenges.

As the war in Ukraine drags on, the past decade of tame inflation and ultra-low interest rates is clearly behind us. Supply bottlenecks, rising prices for energy and many raw materials and the breakdown of supply chains have become the new reality. Businesses are having to cope with high inflation, severe supply chain disruptions, and a weak outlook for growth.

Unsurprisingly, the level of uncertainty felt by CFOs has risen to a new record level. They and their businesses are therefore focusing on resilience and strategies that include identifying savings and prioritising digital projects.

However, more than anything else, the adoption of more defensive approaches reflects companies' changed expectations for the longer term. After the COVID-19 lockdowns, businesses had been emphasising expansionary strategies. In 2022 their thinking has changed markedly. Defensive strategies are now their priority.

While many CFOs fear further disruptions in the business and macroeconomic environment, they also hope inflation will begin to ease in 2023 and they still remain optimistic about their revenues. How the situation develops will depend on events in Ukraine and on whether the growing threat of recession materialises.



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About the Deloitte European CFO Survey

Deloitte has conducted the European CFO survey since 2015, giving voice twice a year to senior financial executives from across Europe. The data for the autumn 2022 edition were collected in September - October 2022 and garnered responses from 1,151 CFOs in 15 countries and across a wide range of industries.

Note: **Greece** and **Luxembourg** had 22 and 16 respondents, respectively. Hence, the data for these two countries have not been considered in the analysis as the results are not statistically significant.

¹ IMF, "Policymakers need steady hand as storm clouds gather over global economy," [October 2022](#)

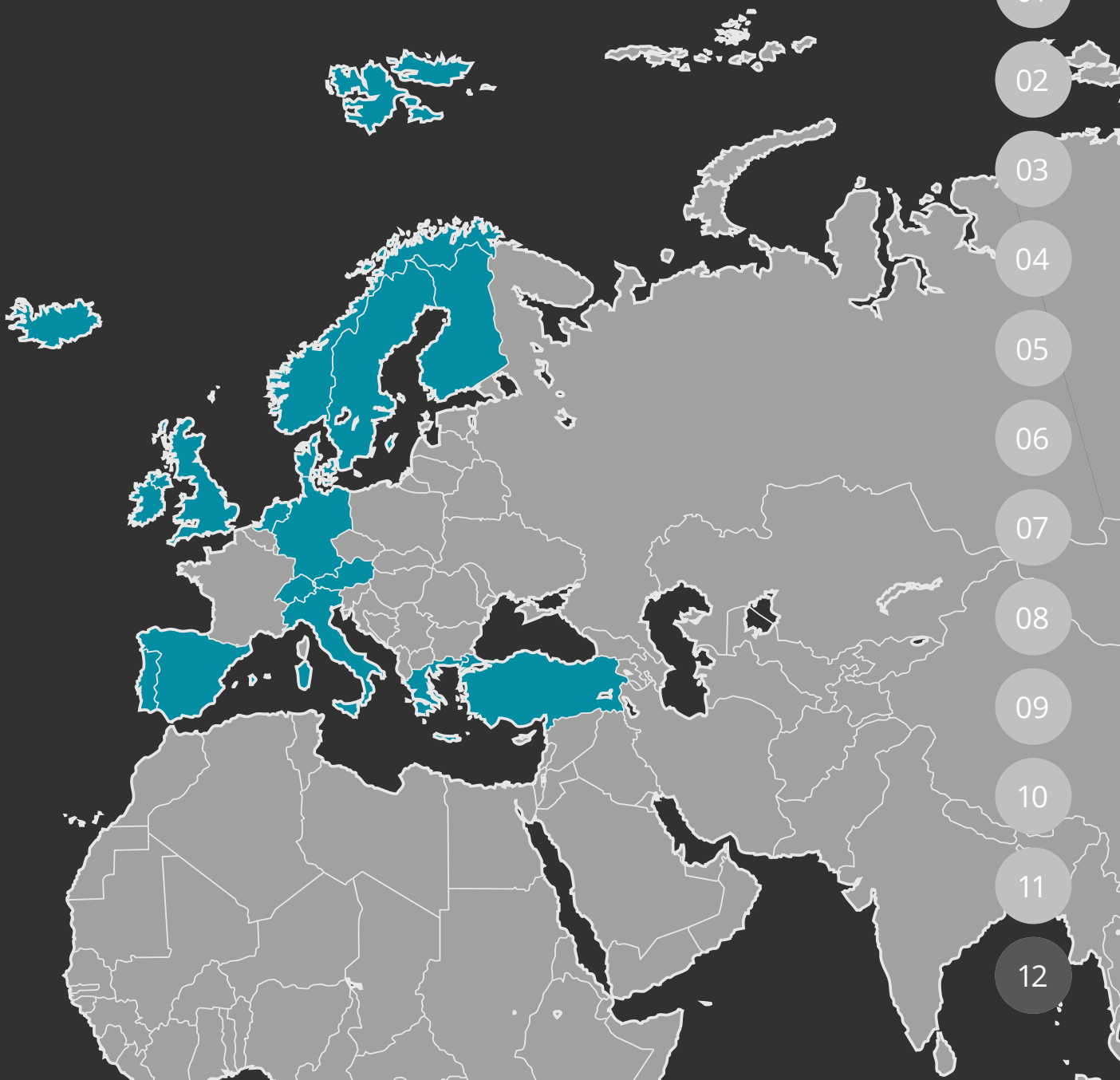
² ECB "Financial Stability Review, November 2022" in 16 November 2022

³ Eurostat, "Annual inflation up to 9.1% in the euro area Up to 10.1% in the EU," (August 2022)

⁴ Eurostat, [Inflation \(M/M12\)](#) (%change compared with the same month of previous year)

⁵ Statista, [Harmonized index of consumer prices \(HICP\) inflation rate of the European Union in August 2022, by country](#)

Overview of participating countries:





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