

Deloitte CFO Survey Q3 2025

Cost pressures mount

The latest Deloitte CFO Survey, conducted between 17th and 30th September, saw the sharpest rise in chief financial officers' expectations for operating costs in more than four years. This takes our measure of corporate cost expectations back to levels last seen in the summer of 2022, following Russia's invasion of Ukraine, when businesses were smarting from soaring energy prices, higher wage costs and rising interest rates in a post-pandemic economy.

CFOs continue to see geopolitics and rising protectionism as one of the top external risks for their businesses – a consistent assessment for all but two quarters since the invasion of Ukraine. This is despite a reduction in the rating they now assign to this concern, following trade deals agreed by the US over the third quarter.

Finance leaders are also increasingly concerned about poor productivity and weak competitiveness in the UK, which ranks joint first with geopolitics on their risk list, with its highest risk rating on record.

Growing cost pressures and concerns over the UK's economic prospects mean CFOs expect a continued squeeze on margins and have reported modest drops in optimism and risk appetite. Meanwhile, their perceptions of external uncertainty have edged lower, in keeping with the reduced risk rating for geopolitics and protectionism.

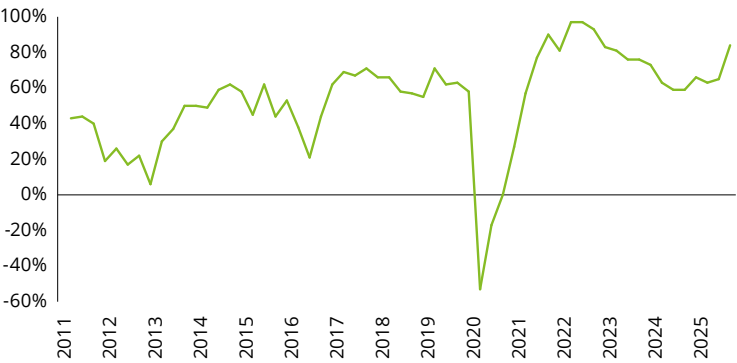
CFOs continue to assume an overwhelmingly defensive strategy stance, with cost reduction and cash control their top two priorities for the coming 12 months. They have shifted away from expansionary strategies, with a softer focus on introducing new products or services, increasing capex and expanding by acquisition.

Indeed, the proportion of CFOs reporting expanding by acquisition as a strong priority has fallen to its lowest level since at least 2010, ignoring the early days of the pandemic.

CFO projections for hiring and discretionary spending by corporates have also dropped, with hiring expectations now close to their post-pandemic lows and discretionary spending expectations at their lowest level in almost three years. Weaker investment and spending plans are also reflected in slowing demand for borrowing. CFOs are placing greater emphasis on reducing leverage and assess their companies' demand for credit to be at the second lowest level since 2010.

Elevated geopolitical and trade uncertainty, rises in inflation and taxes, and regulatory changes have contributed to growing costs for British businesses over the last 12 months. These have coincided with heightened investor concern over inflation and subsequent rises in the cost of long-term borrowing for corporates. Despite improvements on some fronts, a surprising number of these factors persist. This survey suggests that large UK corporates are adjusting to these stubborn cost pressures by doubling down on cost reduction and scaling back investment plans.

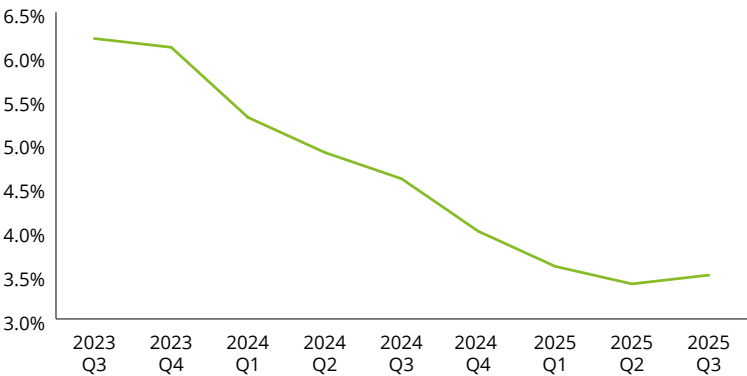
Chart 1. Outlook for corporate operating costs
Net % of CFOs who expect UK corporates' operating costs to increase over the next 12 months



Margins set to decline

Over the past 12 months CFOs report that average wages at their own business have risen 3.5%, a slight acceleration from last quarter. Expectations for growth over the next 12 months held steady at 2.5%.

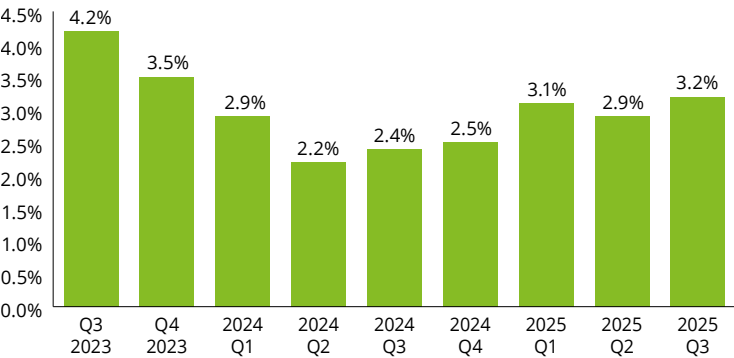
Chart 2. Wage expectations
CFOs' median reported increase in average wages in their business over the past 12 months



Finance leaders' median expectation is that inflation will stand at 3.2% in a year's time, a marked increase from this time last year.

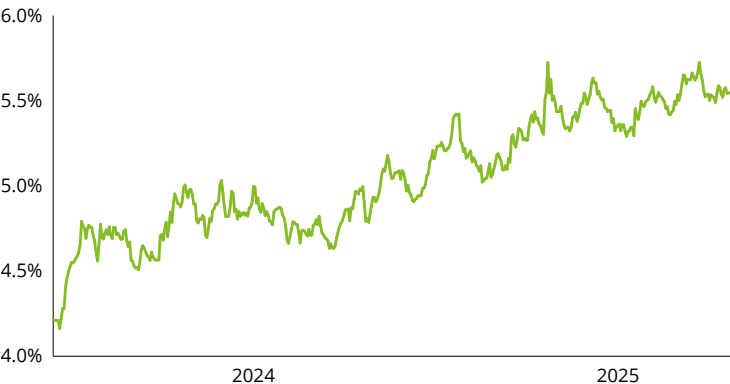
They further expect that inflation will remain above target, at 2.5%, in two years' time.

Chart 3. Inflation expectations
CFOs' median expectation for inflation in one year's time



Although the Bank of England has cut interest rates three times this year, the cost to corporates for longer-term borrowing on the bond markets has continued to drift up amid concerns over inflation.

Chart 4. Corporate bond yields
UK benchmark corporate bond yields, AAA, 10+ years



Source: LSEG Datastream

Corporate credit demand to slow

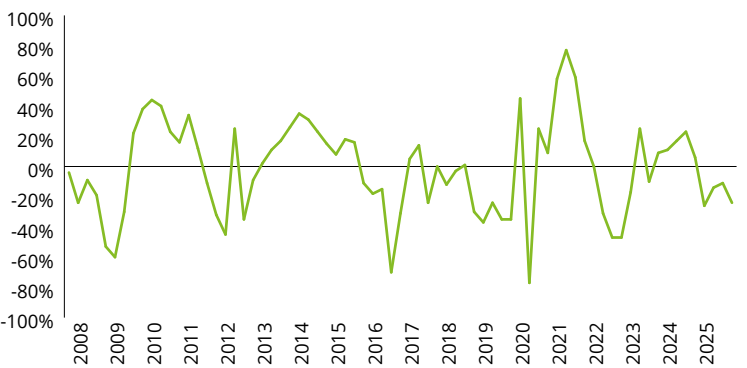
A net 47% of CFOs expect to see a fall in operating margins, the most downbeat reading since Q2 2023.

Chart 5. Outlook for corporate revenues and operating margins
Net % of CFOs who expect UK corporates' revenues and operating margins to increase over the next 12 months



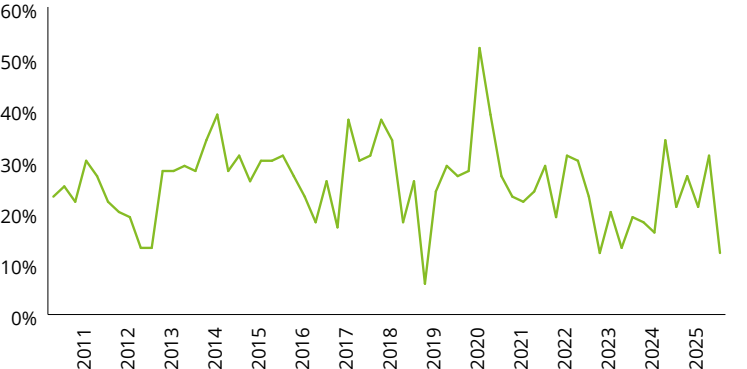
A net 24% of CFOs report feeling more pessimistic about the financial prospects of their business than they were three months ago.

Chart 6. Optimism
Net % of CFOs who are more optimistic about the financial prospects of their business than three months ago



A net 12% of CFOs expect their own company's demand for credit to increase over the next 12 months. This is the second lowest reading since we began asking the question in 2010.

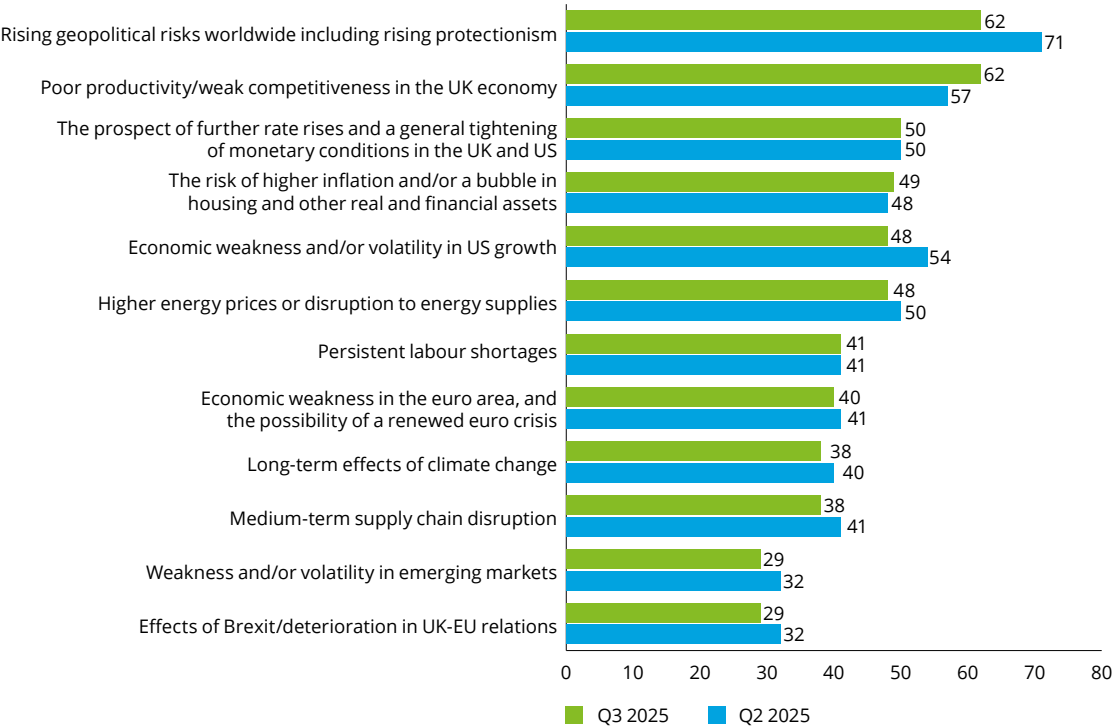
Chart 7. Corporate credit demand
Net % of CFOs that expect their company's demand for credit to increase over the next 12 months



Growing concerns over productivity in the UK

Chart 8. Risk to business posed by the following factors

Weighted average ratings on a scale of 0-100 where 0 stands for no risk and 100 stands for the highest possible risk



Geopolitics remained at the top of the list of external risks facing UK businesses, as it has done for all but two quarters since the invasion of Ukraine over three-and-a-half years ago. This is despite a modest drop in their assessment of geopolitical risk which follows developments over the past quarter. In particular, we have seen the US advance new trade agreements and a de-escalation in some of the geopolitical disputes in the Middle East.

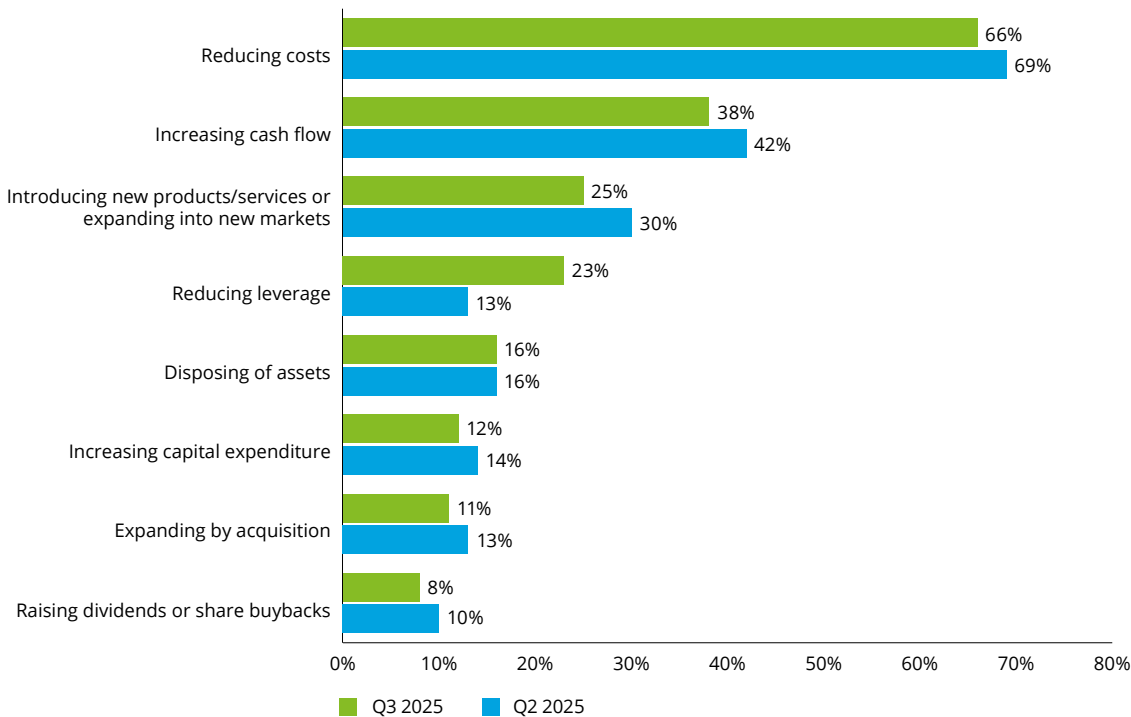
Supporting this interpretation is a modest fall in concern over the potential for economic weakness in the US, now at levels not seen since before Donald Trump began his second term as president.

CFOs are now increasingly concerned over poor productivity or weak competitiveness in the UK – concern over domestic weakness has been creeping up since the UK economy emerged from the pandemic and reached a record high this quarter. It now ranks alongside geopolitics as the top external risk facing our panel.

CFOs continue to identify the potential for further inflation, bubbles in financial markets and the prospect of rate rises as major external risks to business.

CFOs maintain defensive stance

Chart 9. Corporate priorities in the next 12 months
% of CFOs who rate each of the following as a strong priority for their business in the next 12 months

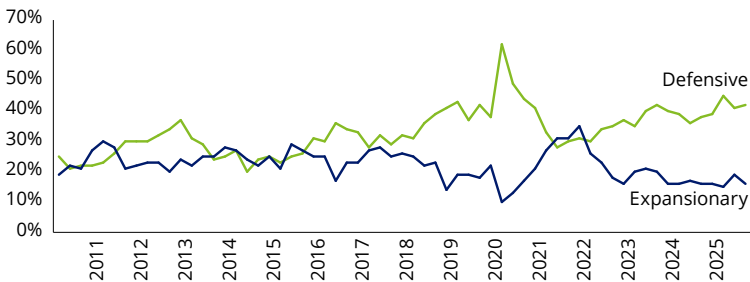


Finance leaders have maintained a strongly defensive stance this quarter, with two-thirds saying that reducing costs is a strong priority for their business over the next year. Increasing cash flow is also a key focus while the proportion saying that reducing leverage is a strong priority, at 23%, has risen to above the long-term average of 16%.

CFOs have shifted away from expansionary strategies. In particular, the proportion saying that expanding by acquisition is a strong priority has fallen to the lowest level since at least 2010, outside of the early days of the pandemic.

The gap between expansionary and defensive strategies widened this quarter and now stands at the second-highest level since the early days of the pandemic.

Chart 10. Expansionary and defensive strategies*
Arithmetic average of the % of CFOs who rate expansionary and defensive strategies as a strong priority for their business in the next 12 months



* Expansionary strategies are introducing new products/services or expanding into new markets, expanding by acquisition and increasing capital expenditure. Defensive strategies are reducing costs, reducing leverage and increasing cash flow.

Uncertainty eases but risk appetite muted

CFOs expect spending by UK corporates to decline over the next 12 months with a net 32% saying they expect capital expenditure to decline, a net 63% saying that they expect discretionary spending to decline and a net 64% saying that they expect hiring to decline.

Chart 10. Outlook for corporate spending
Net % of CFOs who expect UK corporates' capital expenditure, discretionary spending and hiring to increase over the next 12 months



The proportion of finance leaders reporting high or very high levels of uncertainty facing their business fell to 41%. They separately reported an easing of fears over geopolitics and growth in the US.

Chart 12. Uncertainty
% of CFOs who rate the level of external financial and economic uncertainty facing their business as high or very high



Some 12% of CFOs say that now is a good time to take greater risk onto their balance sheets, a modest decline from the previous quarter.

Chart 13. Corporate risk appetite
% of CFOs who think this is a good time to take greater risk onto their balance sheets

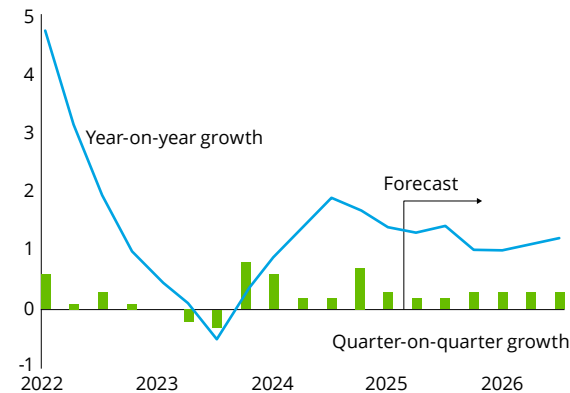


CFO Survey: Economic and financial context

The macroeconomic backdrop to the Deloitte CFO Survey Q3 2025

Official data showed that global growth remained relatively resilient in the first half of the year. US output rebounded in the second quarter, driven by trade flows and strong AI investment, however annual growth this year is expected to be much slower than in 2024. The US' new agreements with trading partners reduced trade policy uncertainty but left average import tariff rates at their highest level since 1934. The UK saw stronger than expected growth of 1.1% in the first half of 2025, the fastest pace among the G7 economies. More timely data suggest continued positive momentum, albeit at a slower pace, with consumers and businesses cautious about future geopolitical shocks and potential tax rises in the upcoming Autumn Budget. Euro area activity has improved in recent months amid announcements of higher public spending on defence and infrastructure, but lags behind the UK and US. The Bank of England and Federal Reserve cut interest rates in the third quarter, with the Fed citing greater downside risks to US employment despite rising inflation since April. Inflation is expected to peak at around 4% in the UK over the coming months while remaining around the 2% target in the euro area. Oil prices remain below \$70, well below the average level of the last three years as OPEC+ members continue to unwind production cuts.

UK GDP growth: Actual and forecast (%)



Source: LSEG Datastream, Deloitte calculations

FTSE 100 price index



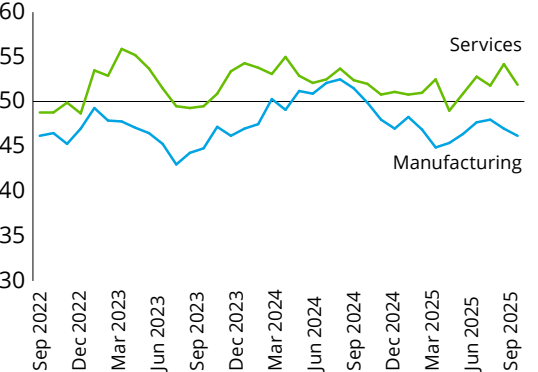
Source: LSEG Datastream

GfK Consumer Confidence Index (UK)



Source: LSEG Datastream

S&P Global Purchasing Managers' Indices (UK)

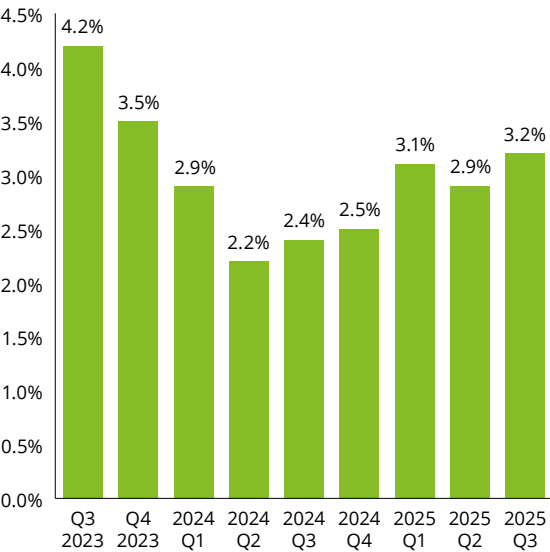


Source: LSEG Datastream, readings above 50 indicate expansion

Two-chart summary of key survey messages

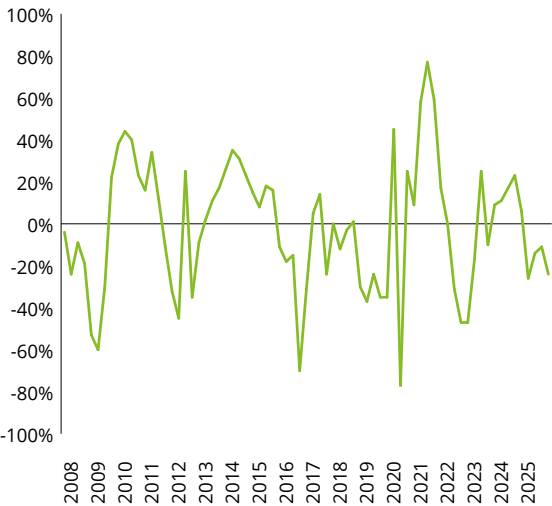
Inflation expectations

CFOs' median expectation for inflation in one year's time



Optimism

Net % of CFOs who are more optimistic about the financial prospects of their business than three months ago



About the survey

Conducted between 17th and 30th September 2025, the Q3 2025 Survey is the 73rd quarterly survey of Chief Financial Officers and Group Finance Directors of major companies in the UK.

Overall, 68 CFOs participated, including the CFOs of 11 FTSE 100 companies and 24 FTSE 250 companies. The rest were CFOs of other UK listed companies, large private companies and UK subsidiaries of major companies listed overseas. The combined market value of the 39 UK-listed companies surveyed is £351 billion, or approximately 12% of the quoted UK equity market.

The Deloitte CFO Survey is the only survey of major corporate users of capital that gauges attitudes to valuations, risk and financing. To join our panel of CFO respondents and for additional copies of this report, please contact Elaine Hoang on 020 7007 4717 or email ehhoang@deloitte.co.uk.

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For current and past copies of the survey, historical data and coverage of the survey in the media and elsewhere, please visit: www.deloitte.co.uk/cfosurvey



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