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## **European CFO Survey**

**Autumn 2023 | Key insights**

## Key insights



**The mood of Europe'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 CFOs see the challenging **macroeconomic outlook** as the **foremost risk** to their businesses.



Given the high-cost environment, CFOs are placing an emphasis on **cost reduction** as a key component of their strategic priorities.



**Majority** of financial executives assess **Gen AI** to be at some level **important for their strategy**. However, **its adoption is not yet very advanced** in Europe.

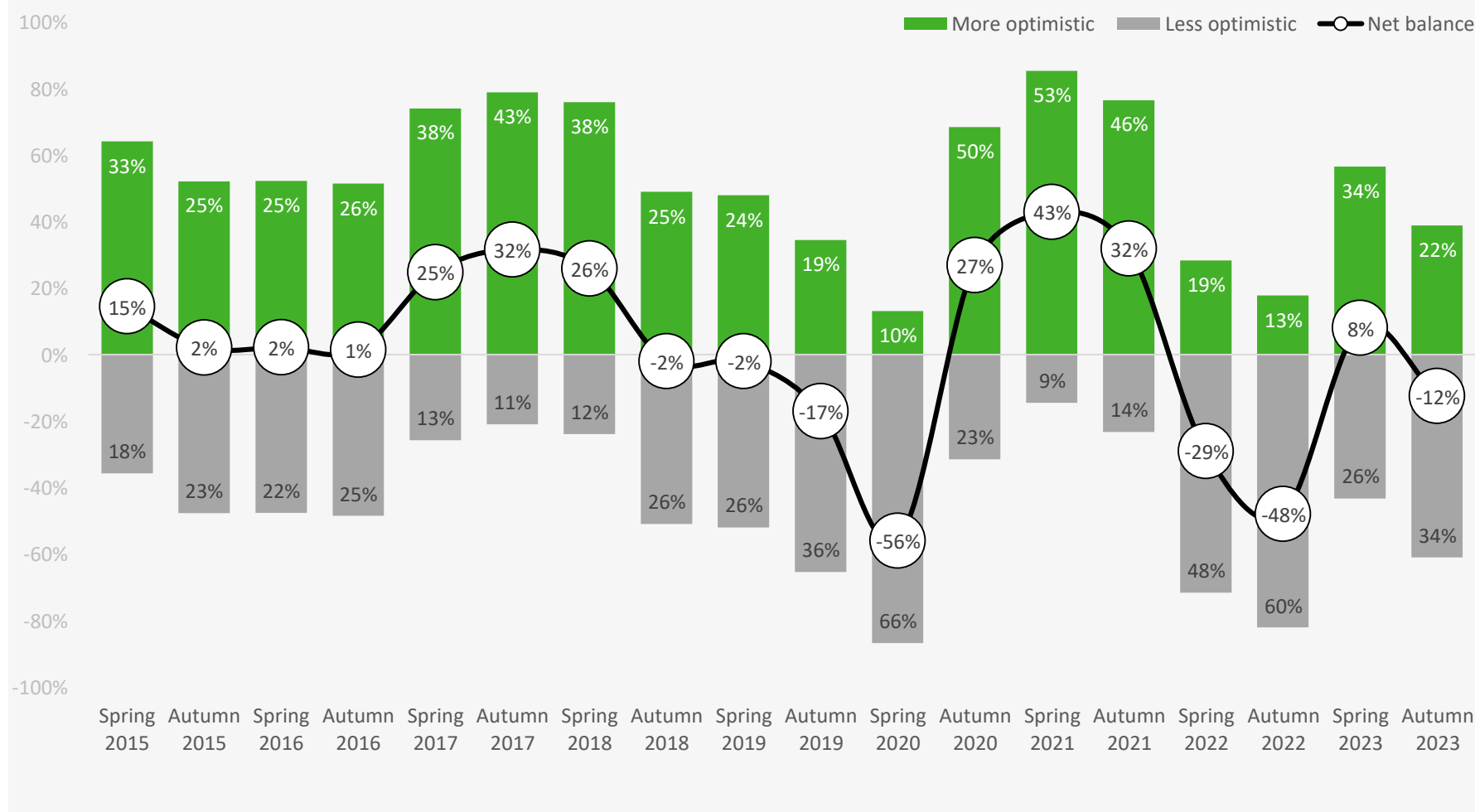


Europe's CFOs are **recognizing the potential of GenAI** to yield **cost savings, enhance efficiency**, and facilitate more **accurate forecasting as well as improve client experience**. Nevertheless, businesses are grappling with the **challenge of sourcing professionals possessing the requisite skills**. With labor markets already tight, talent acquisition could emerge as a bottleneck in the adoption of GenAI.

# Financial prospects

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?



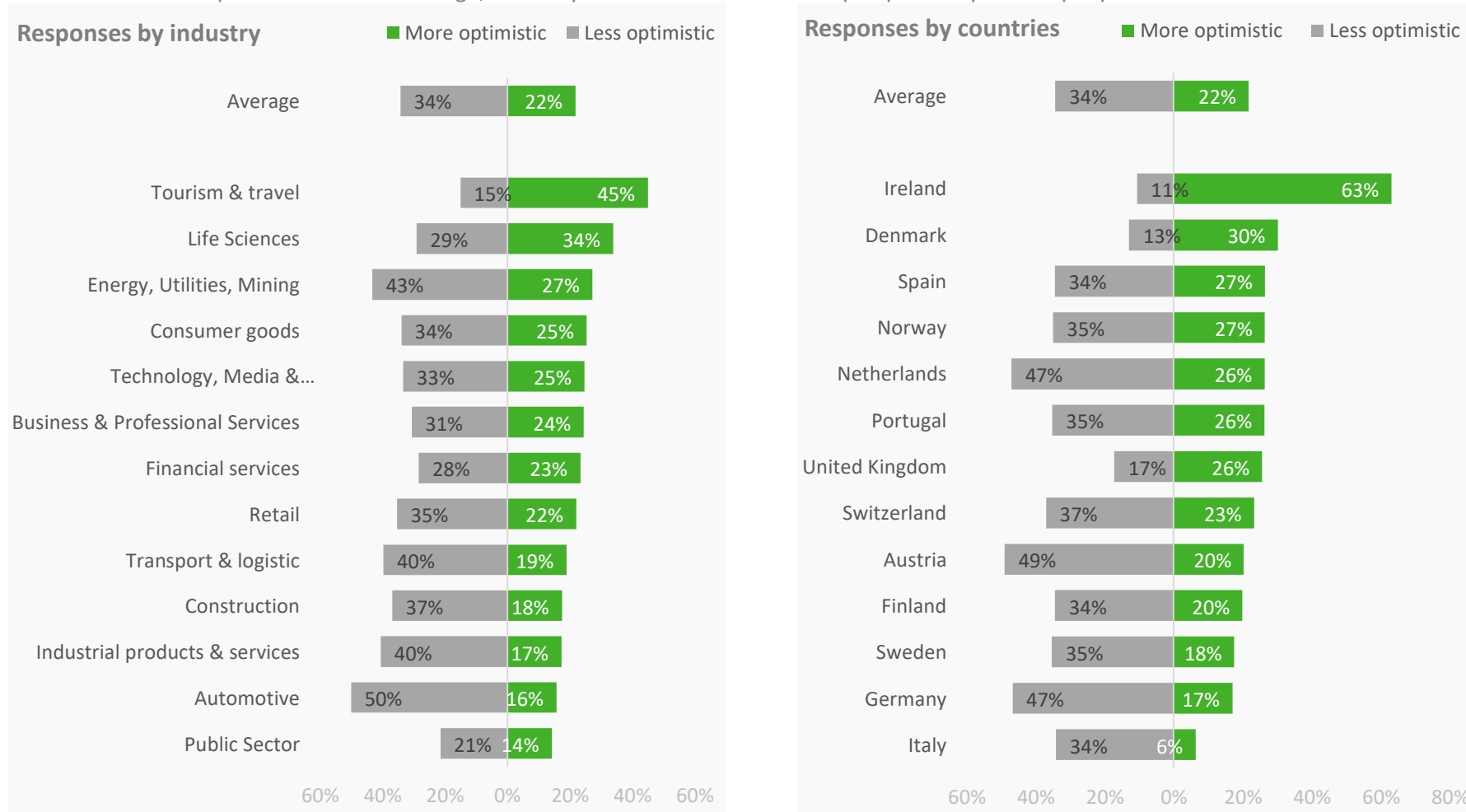
- The net balance of business sentiment declined from +8% to -12%, as 34% of the participating CFOs are less optimistic and 22% more optimistic.
- Financial executives from **medium and large companies** are currently **less optimistic**, than their peers in smaller enterprises

\*Note: This question was not asked in Poland.

# Financial prospects

Automotive sector has seen the biggest slump in sentiments; CFOs in Germany and Austria are the most pessimistic about their financial prospects

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



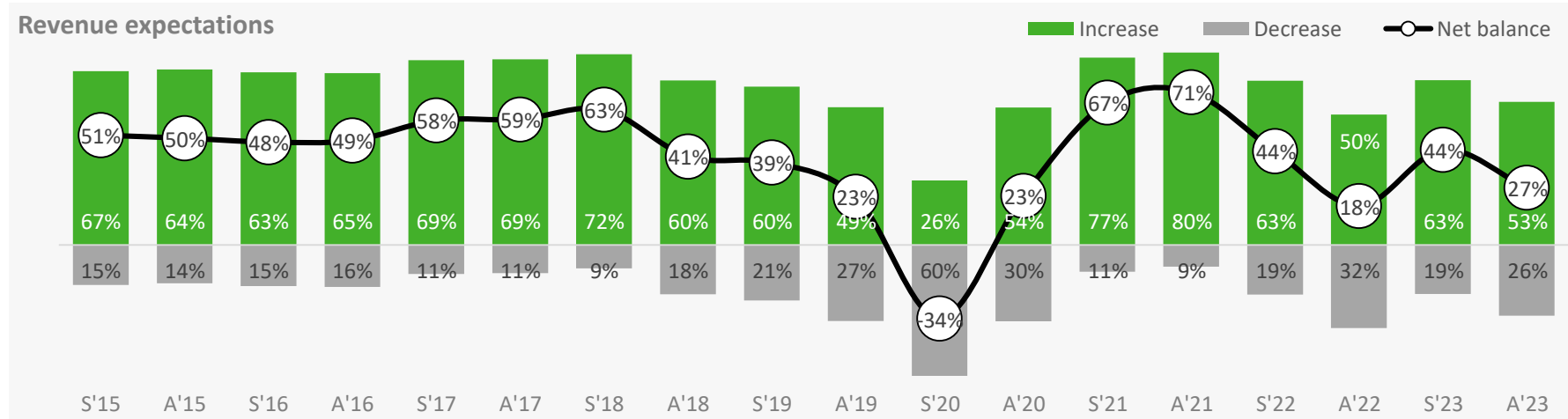
\*Note: This question was not asked in Poland.

- At the sectoral level, the mood has changed the most dramatically in the automotive industry with half (50%) of CFOs feeling less optimistic about the sector.
- At a country level, the most notable fall in confidence was reported in Germany and Austria.

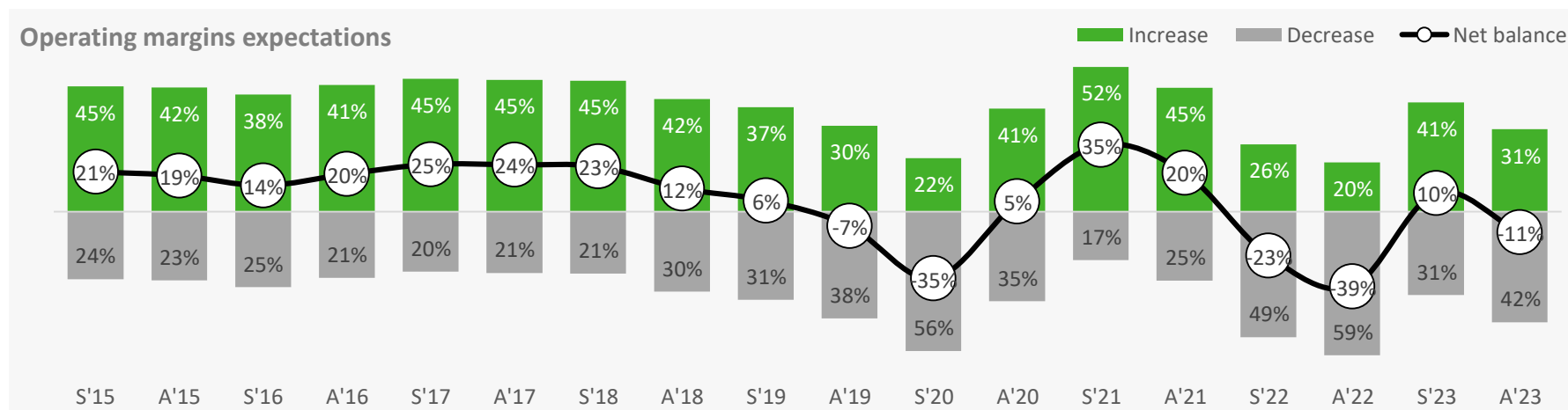
# Outlook on revenues and operating margins

The expectations of future revenues and margins seems to be on a declining trend

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



- 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, Italy and Portugal radically revised their revenue expectations downwards.



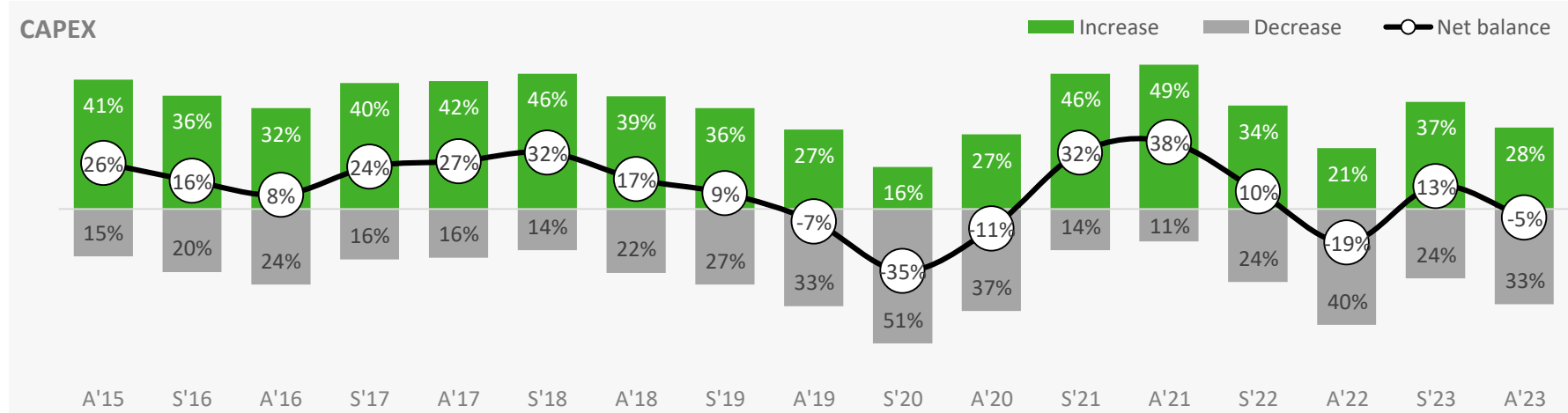
- Due to very high-cost business environment, CFOs expectations of operating margins has declined with 31% expecting an increase during the next 12 months while 42% expecting a decrease.

\*Note: This question was not asked in Poland.

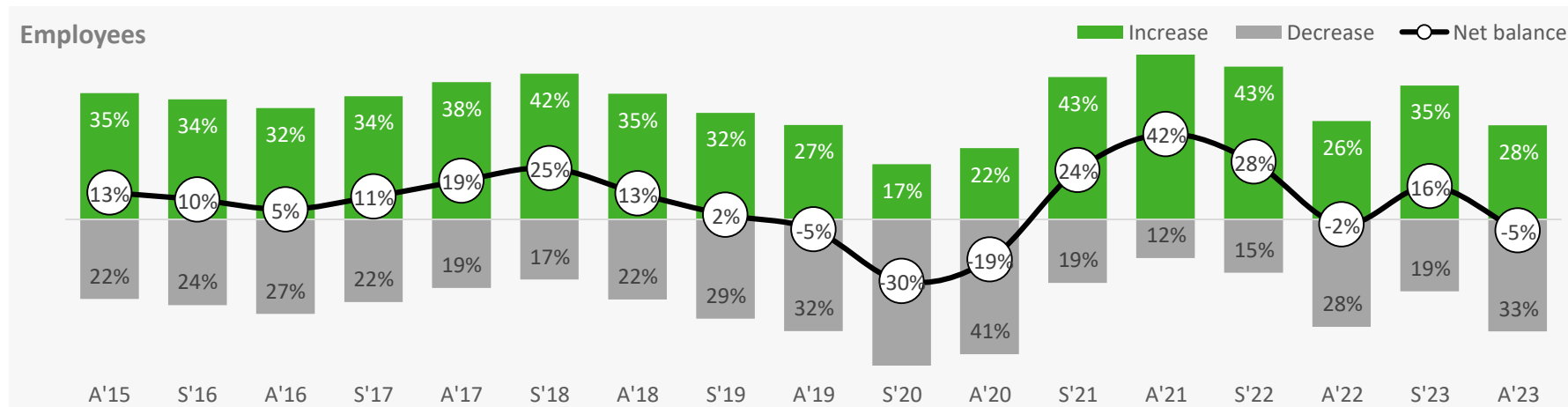
# Outlook on capex and hiring

Capital expenditure and number of employees is likely to stagnate over the coming 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?\*



- With the fragile economic environment, only 28% of Europe's CFOs are planning to increase their capital expenditures over the next 12 months whereas a third (33%) are counting on a reduction.



- Owing to the tough business environment a third (33%) of European CFOs are anticipating to cut down their hiring in the next 12 months as compared to just 28% who wish to increase hiring.

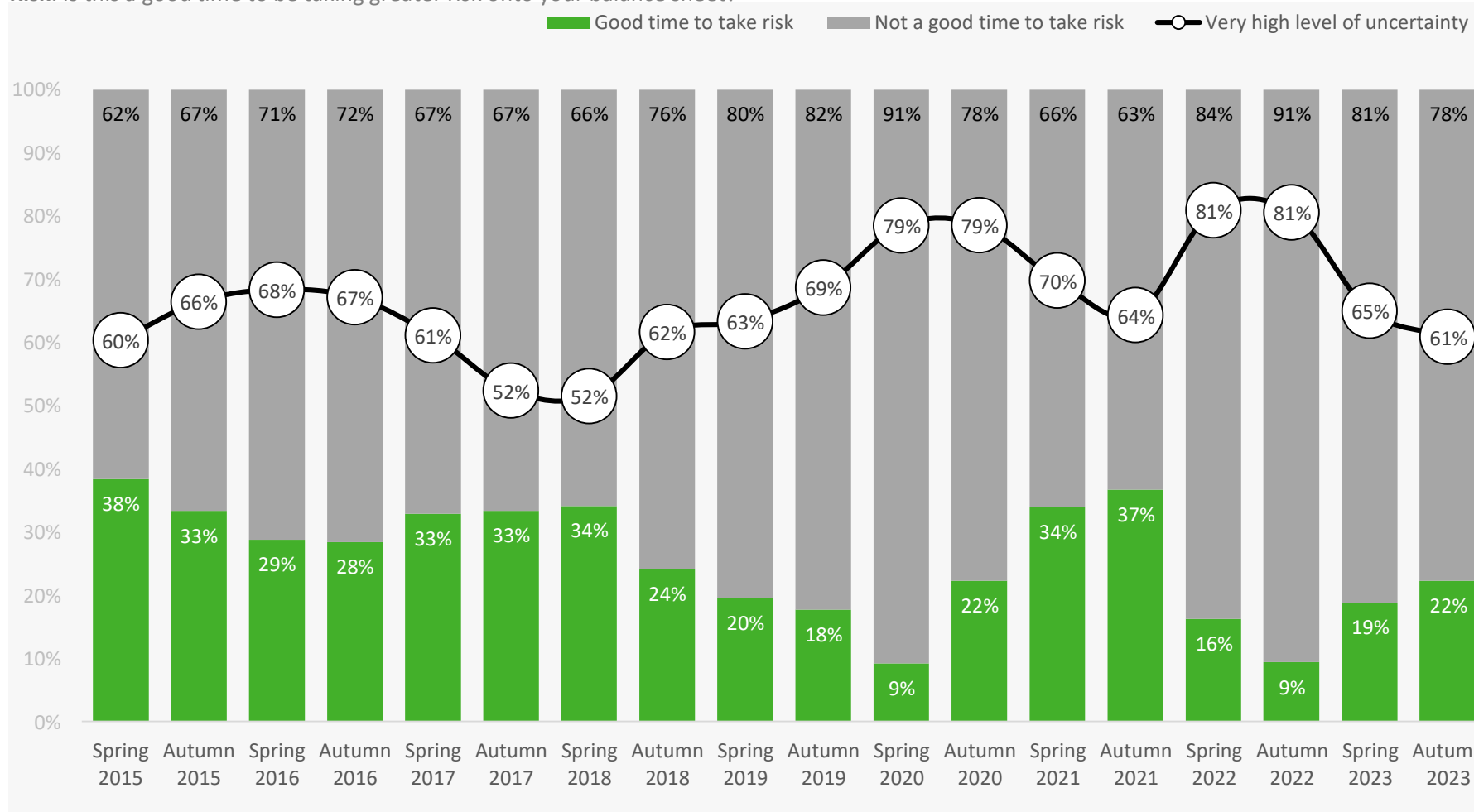
\*Note: This question was not asked in Poland.

# Uncertainty & risk

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?^



- 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.
- 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.

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

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

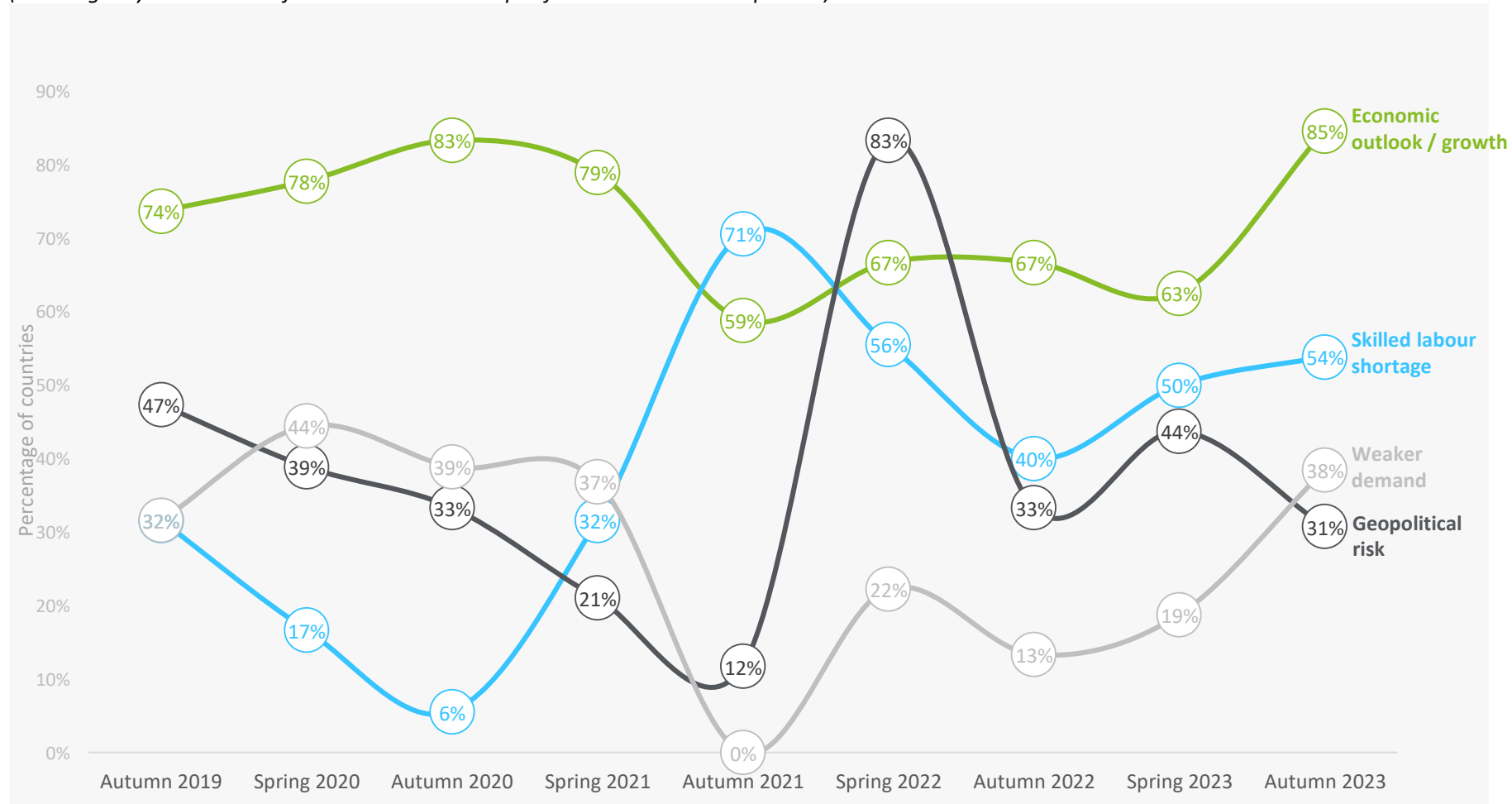


## Business risks

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)



- 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 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.

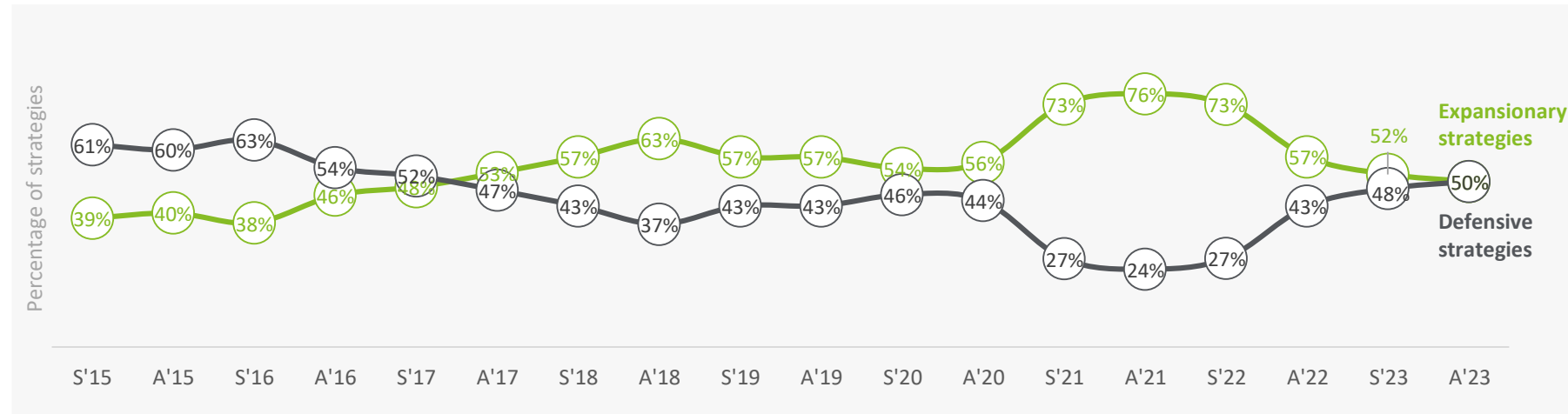
\*Note: Each country identifies the answer options that are relevant to their geography. The common or similar responses are mapped to get the top risks per country. This ques



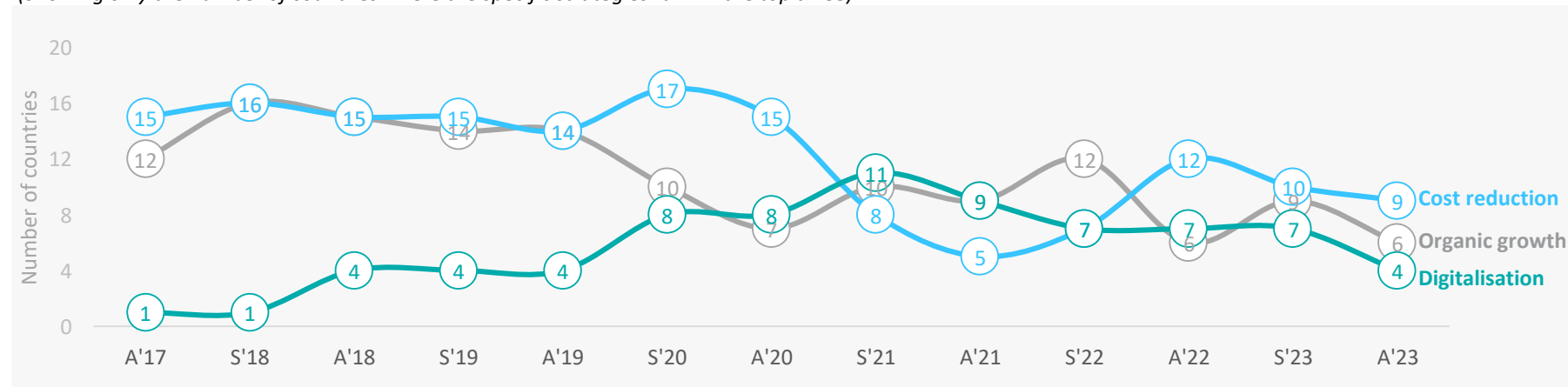
## Strategic priorities

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)



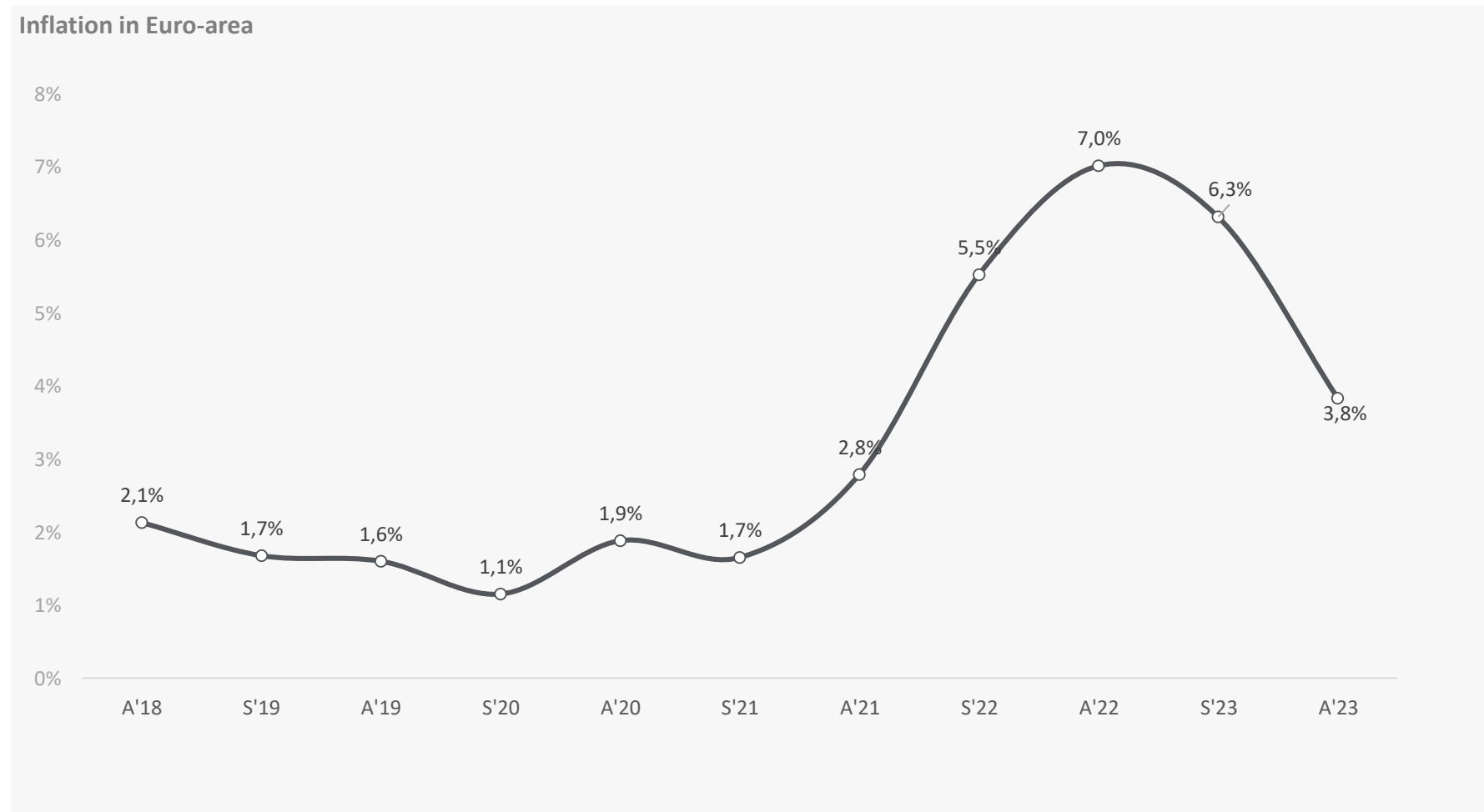
\*Note: Each country identifies the answer options that are relevant to their geography. The responses are mapped to identify the expansionary and defensive strategies per country. This question was not asked in Poland and Switzerland.

- 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.

# 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 6.3% to 3.8%.

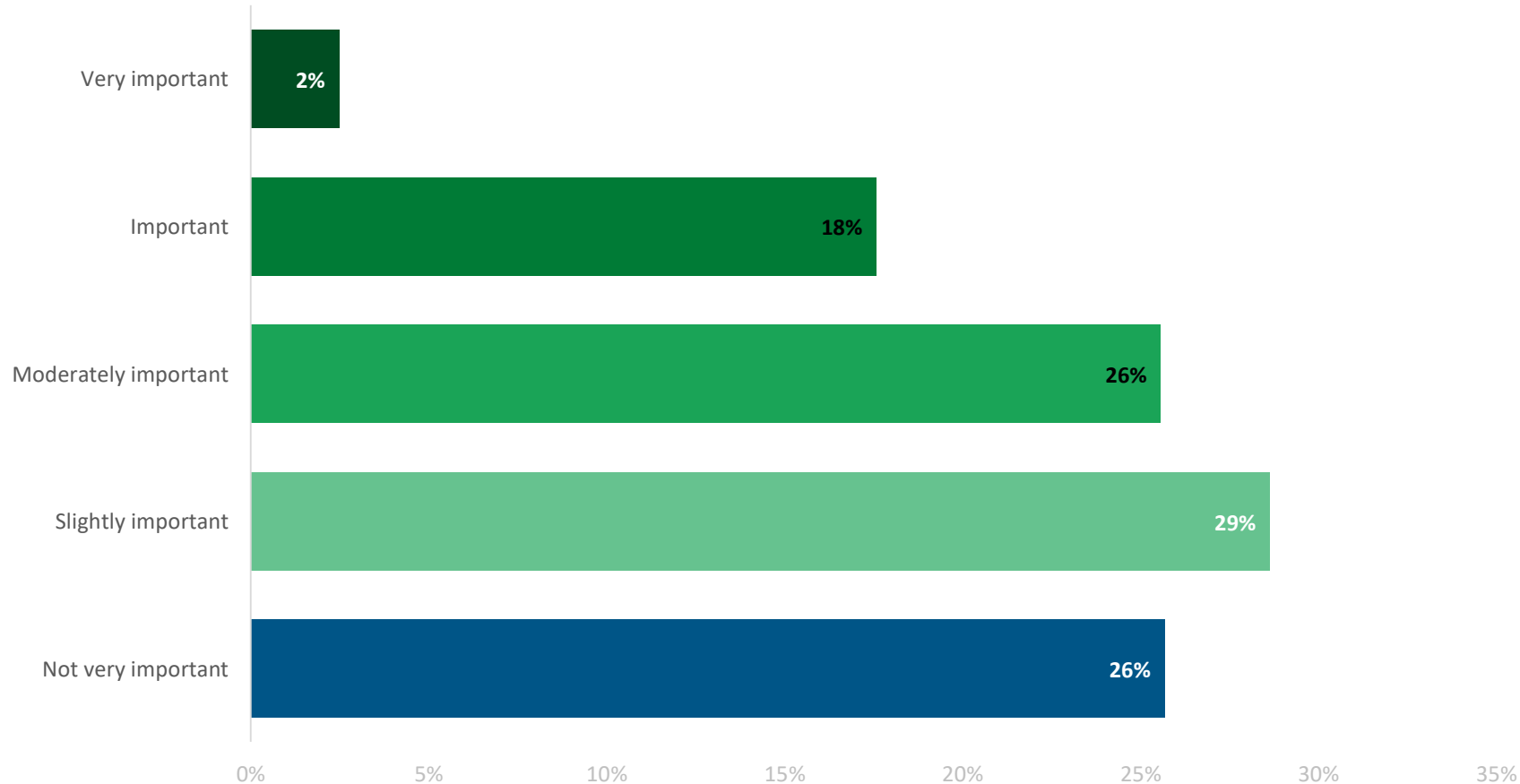
\*Note: This question was not asked in Germany, Poland, Switzerland and the UK.

# Importance of GenAI

Three out of four European CFOs feel that GenAI is important for achieving business strategy

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

European average



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

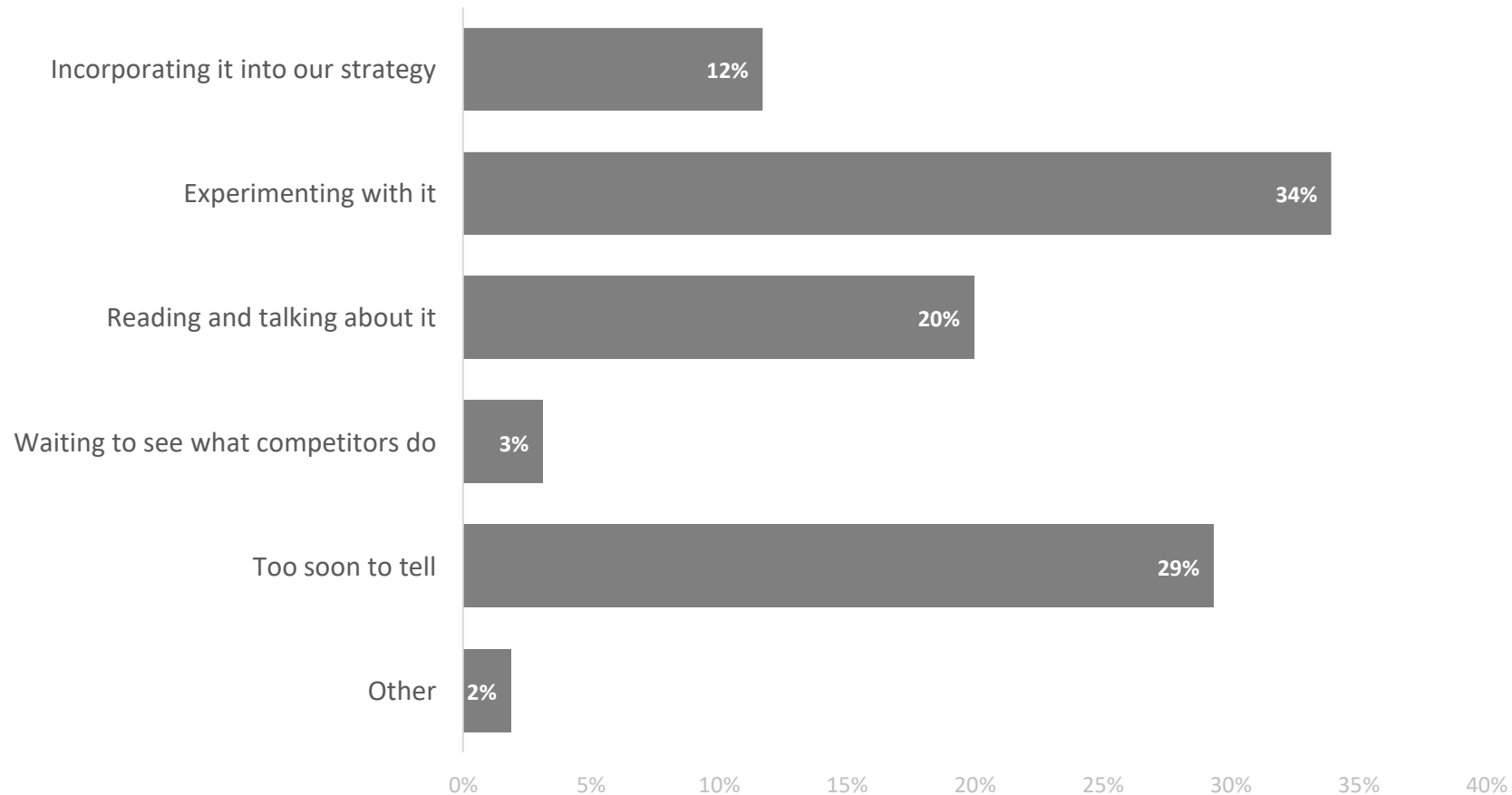
- Overall, **75% of European CFO's** feel that Gen AI is important to achieving their business strategy
- A fifth of European CFO's feel that GenAI is **very important or important** to achieve their business strategy while a fourth of European CFO's feel the opposite that Gen AI is not very important
- **A fourth (26%) of European CFOs** feel that GenAI is not very important to achieving their business strategy

## GenAI journey

Around **one-third** of European Chief Financial Officers (CFOs) are currently **engaged in GenAI experimentation** while nearly **a third are still figuring it out**

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

### European average



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

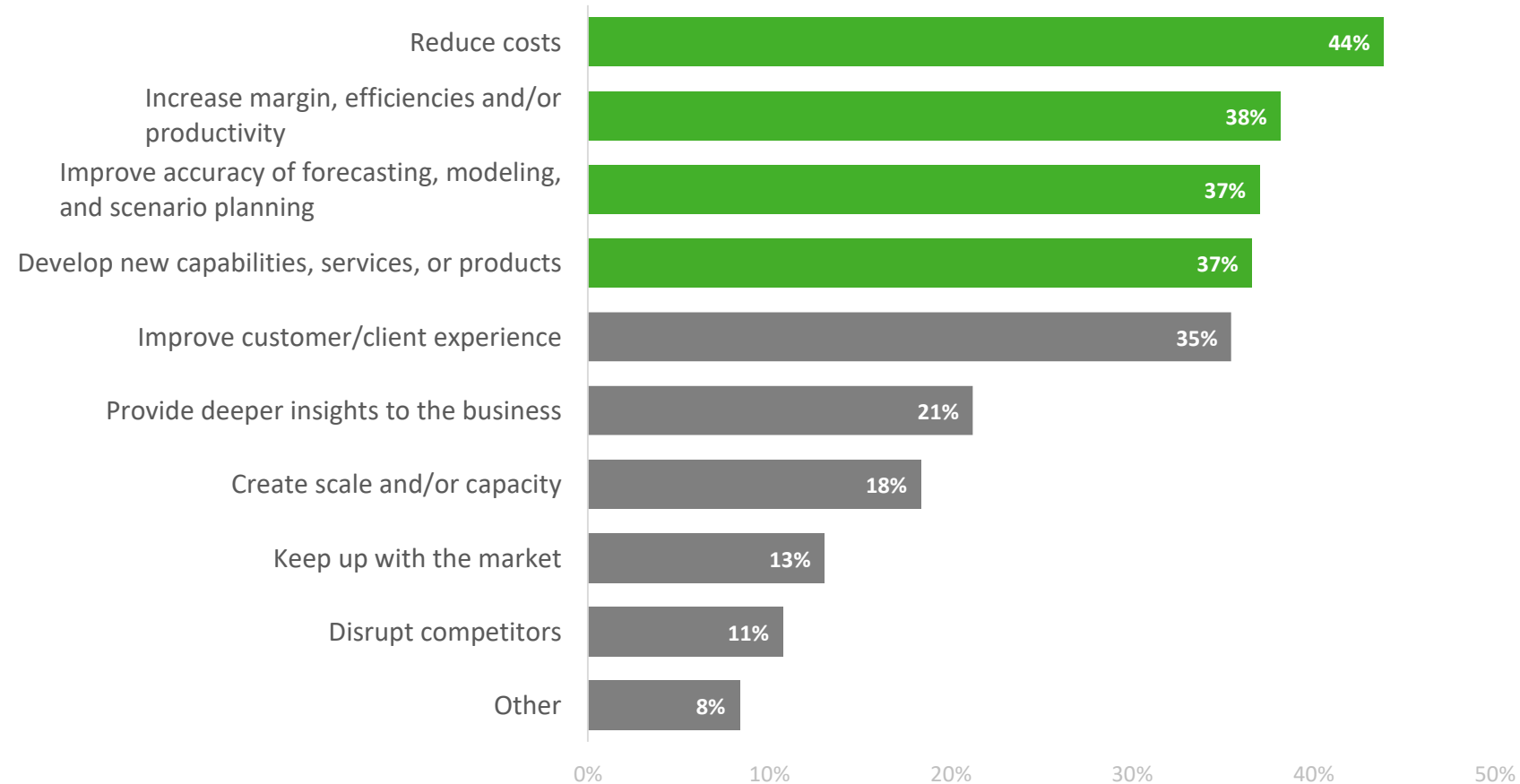
- Nearly a **third (34%)** of European CFOs claim that they are **experimenting with GenAI** right now while **another third (29%)** suggest that it is **too soon to tell** for them
- A **fifth (20%)** of European CFOs are already **reading and talking about GenAI**
- And around **one out of ten (12%)** CFOs are already **incorporating GenAI in their business strategy**

## Benefits of using GenAI

**Reducing costs** is the major benefit that European CFOs are anticipating to **achieve by adopting GenAI**

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

### European average



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

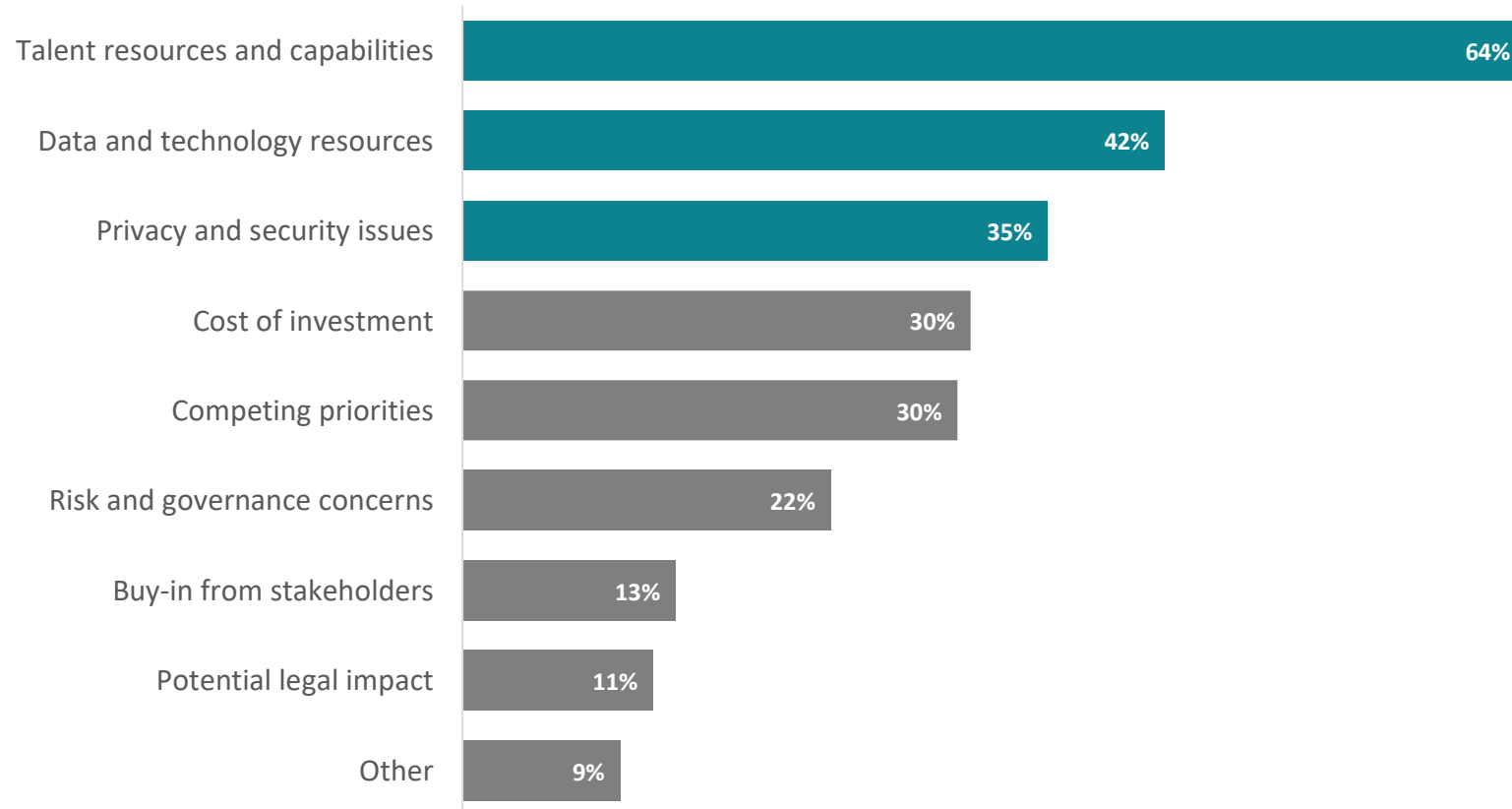
- **Reducing costs** is the top benefit that nearly **two out of five (44%)** European CFOs anticipate to achieve by adopting GenAI in their organisation
- **Increasing margin, efficiencies or productivity ; improving accuracy of forecasting and developing new capabilities** are the other two major benefits that European CFOs anticipate

## Barriers to adopting GenAI

**Finding the right talent, resources and capabilities** is the greatest barrier that European CFOs anticipate they might face in adopting and deploying GenAI

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

### European average



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

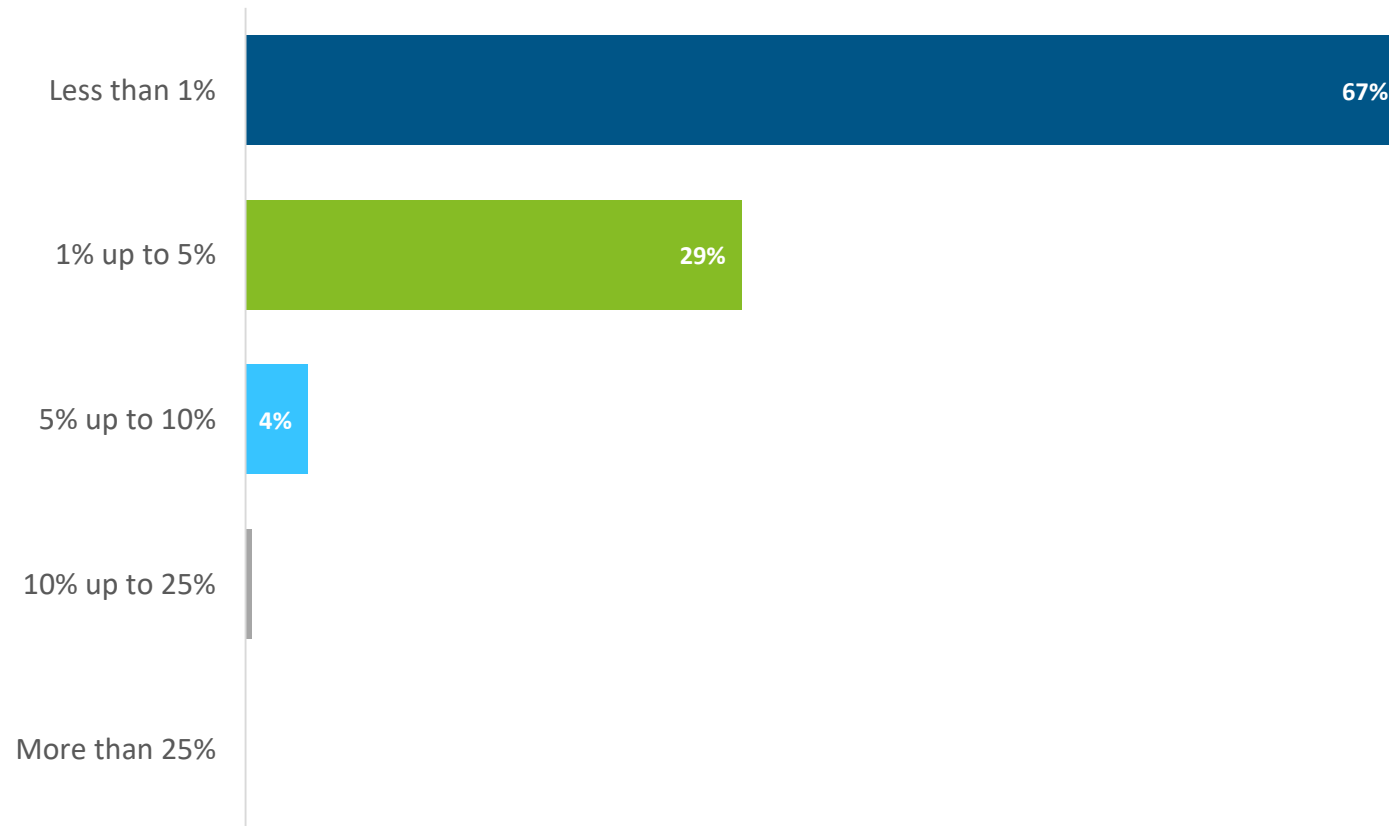
- Nearly **three out of five (64%)** of European CFOs feel that **finding the right talent, resources and capabilities** might be the top barrier for adopting and deploying GenAI
- **Data and technology resources (42%) and privacy and security issues (35%)** are perceived to be the other two major barriers for adopting and deploying GenAI
- 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

## Budget allocation for GenAI

Nearly **three-fifth of European CFOs** are expecting to allocate **less than 1%** of the total budget towards GenAI in the next year

Question asked: What percentage of your overall organization's budget/resources do you expect to be allocated to GenAI next year?

### European average



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

- **Majority (67%)** of European CFOs are expecting to allocate **less than 1%** of the total budget towards GenAI in the next 12 months
- **Nearly a-third (29%)** of CFOs are expecting to allocate **between 1% to 5%** of the total budget towards GenAI in next year.



# Survey demographics

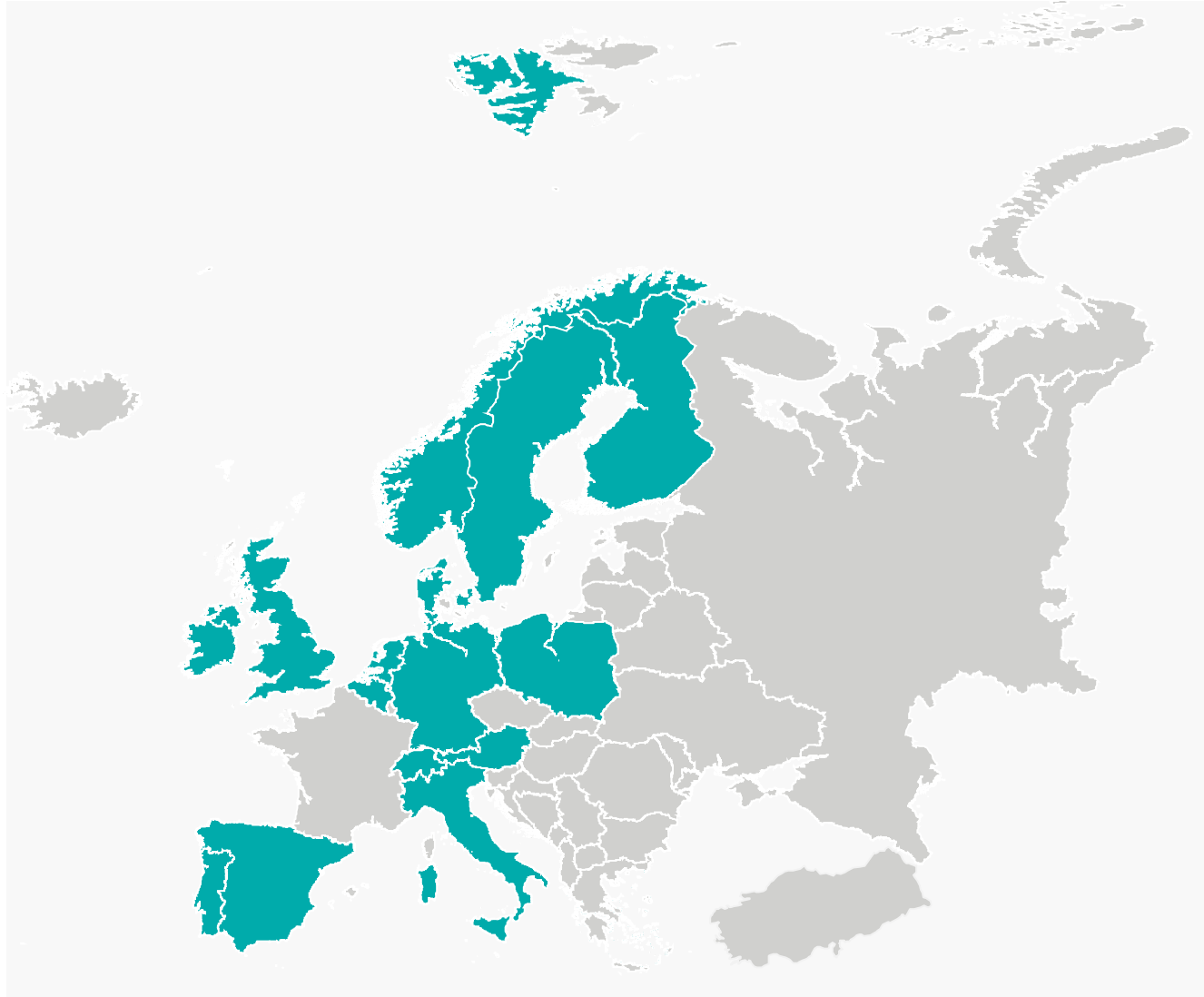
## Geographical spread

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.

One of the main themes of this edition is Generative AI (GenAI), an emerging technology that is attracting a lot of attention and debate among senior executives. We have posed several questions to European CFOs to explore their views, challenges, and strategies regarding the adoption of GenAI. The questions cover topics such as the relevance of GenAI, the current stage of GenAI implementation, the expected benefits of GenAI, the obstacles to GenAI adoption, and the projected budget allocation for GenAI in the next year.



### Participating countries

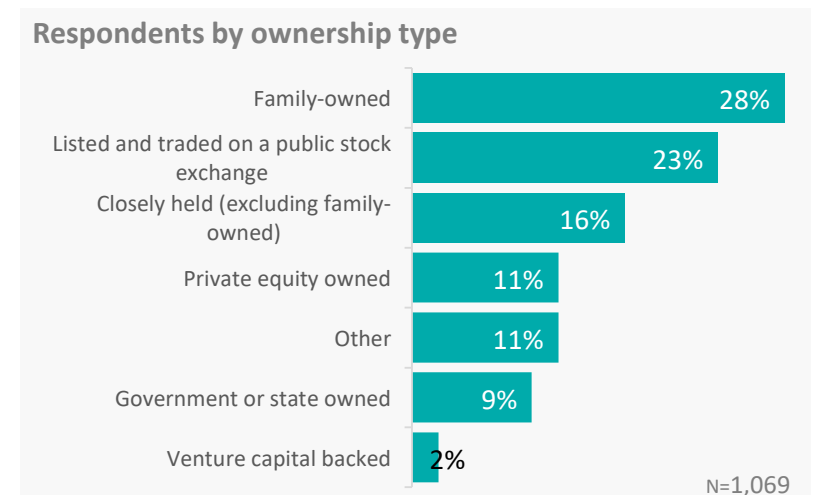
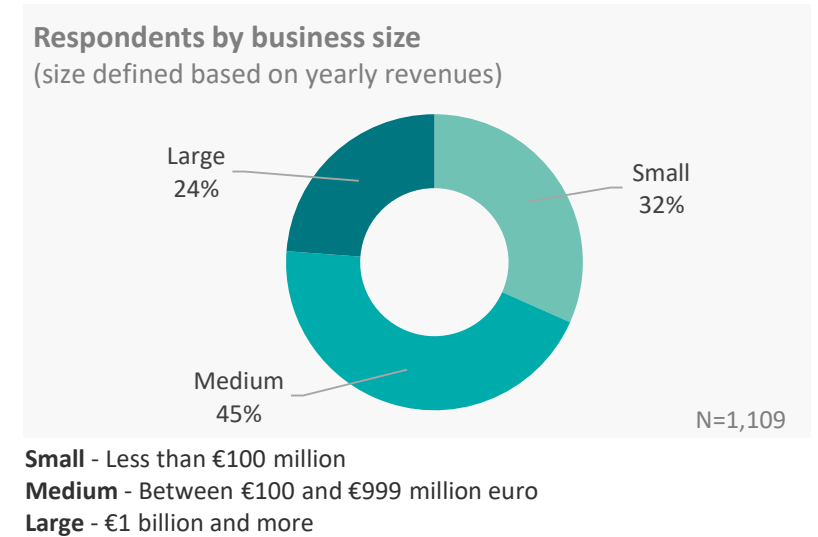
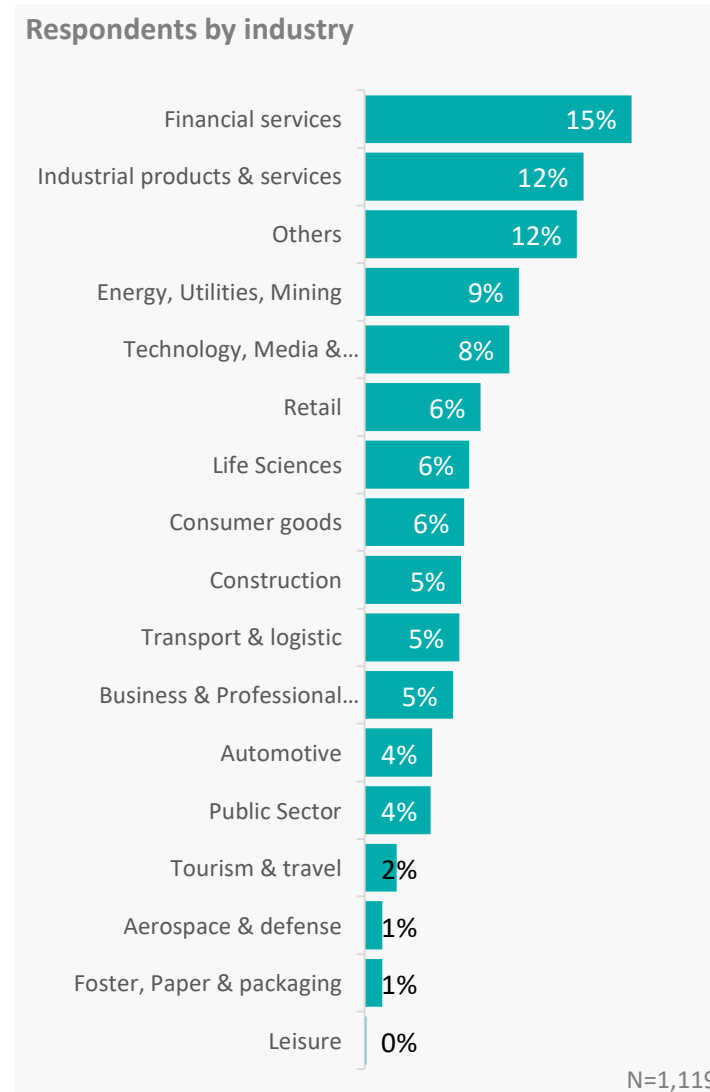
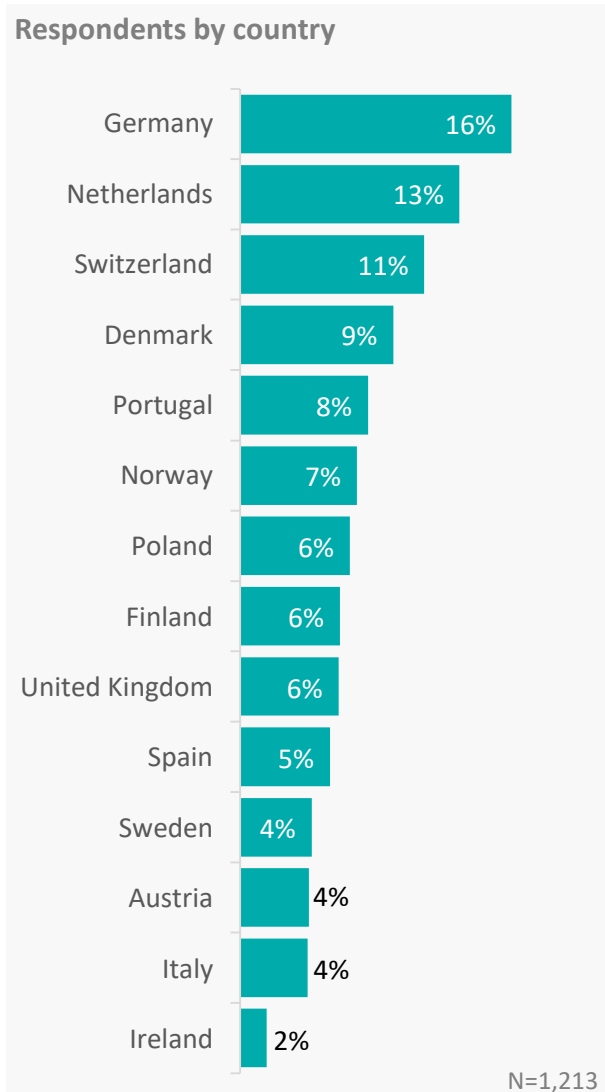
- Austria
- Denmark
- Finland
- Germany
- Ireland
- Italy
- Netherlands
- Norway
- Poland
- Portugal
- Spain
- Sweden
- Switzerland
- UK



### Survey period

September - October  
2023

# 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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