

**Deloitte.**



2022 CFO Survey  
Middle East  
Cautious optimism

Client Research Centre (CRC)  
November 2022

# Foreword

As we emerge from the effects of the COVID-19 pandemic, we are faced with another set of challenges in the form of economic uncertainty, rising inflation, and deteriorating geopolitical conditions.

The Deloitte Middle East CFO survey for 2022 utilizes the experience and acumen of CFOs from the region and presents the key findings across three prime themes (i) **Economic outlook**, (ii) **Financial outlook**, and (iii) **Strategic decision making**.

**i. Economic outlook**: In an environment of slow global growth and increased risk of recession, Middle East CFOs (particularly UAE and KSA) feel more optimistic than their western counterparts

- CFOs' sentiment towards the economic uncertainty has increased when compared to FY2021, as 46% of survey respondents predict an uncertain economic future.
- 49% of the CFOs are not expecting a recession in the Middle East region, and of the ones who are, the majority (90%) expect it to hit within the next two years.
- Liquidity risks, geopolitical unrest, and market competition are the top risks identified by the finance leaders in this survey.

**ii. Financial outlook**: Positive outlook in the Middle East market regardless of global headwinds

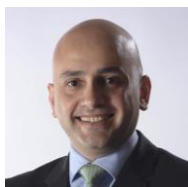
- 70% of CFOs expect their revenues to grow and 50% of CFOs expect profitability to improve over the next 12 months. This is set to be driven by the launch of new product lines in existing markets and business expansion across new markets.
- Moreover, 38% expect gross profit margin to improve, with a greater focus on increasing prices and reducing costs, in part due to the increased commodity and increased payroll costs.

**iii. Strategic decision making**: Cost-cutting and organic growth emerges as the go-to-strategy of the Middle East organizations

- Financial performance, talent (salary increments, skills shortage, and hiring efforts), as well as cost management and capital allocation have been identified as the top three priorities by the CFOs.
- ESG has emerged as an important focus area, with 49% of CFOs saying that ESG compliance and reporting are very important for them; however, only 6% of respondents are investing heavily.

I want to thank everyone who participated in this survey and provided their valuable perspectives. Please feel free to [contact us](#), if you wish to discuss further on the report

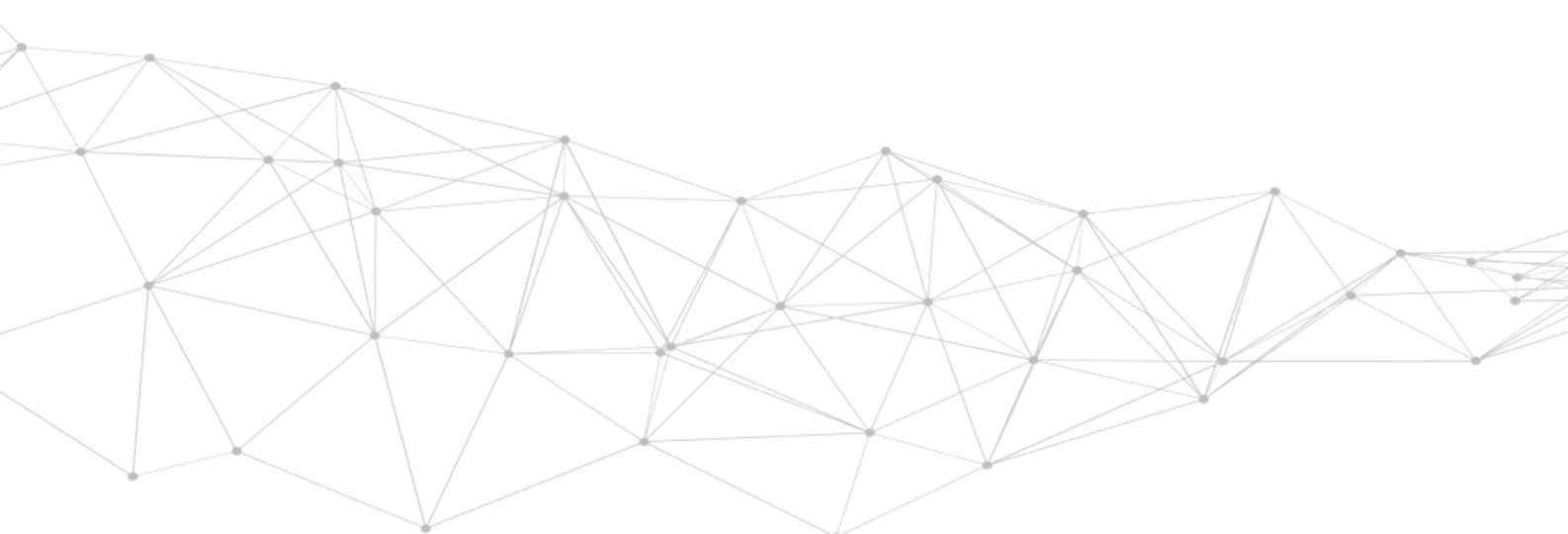
Sincerely,



**Musa Ramahi**  
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# Economic outlook

Middle East CFOs are feeling the heat emitted by the global challenges of the interconnected economy, but they are more optimistic compared to their western counterparts



The war in Ukraine, inflation, rising interest rates, and supply chain problems are some of the pressing issues that are further straining the economic outlook for the Middle East CFOs

Economic uncertainty is looming as 46% (41% high and 5% very high) of the Middle East ('ME') CFOs predict an uncertain economic future. This is a steep 11 percentage points increase compared to how they felt about the economy last year.

However, considering the slow economic growth in the United States and China, and the possibility of a recession in Europe, Middle East CFOs seem to be in a better position compared to their peers in the EU (81%) and North America (67%) who are expecting a much bleaker economic outlook.

**Q: How would you rank the economic uncertainty facing your business?**

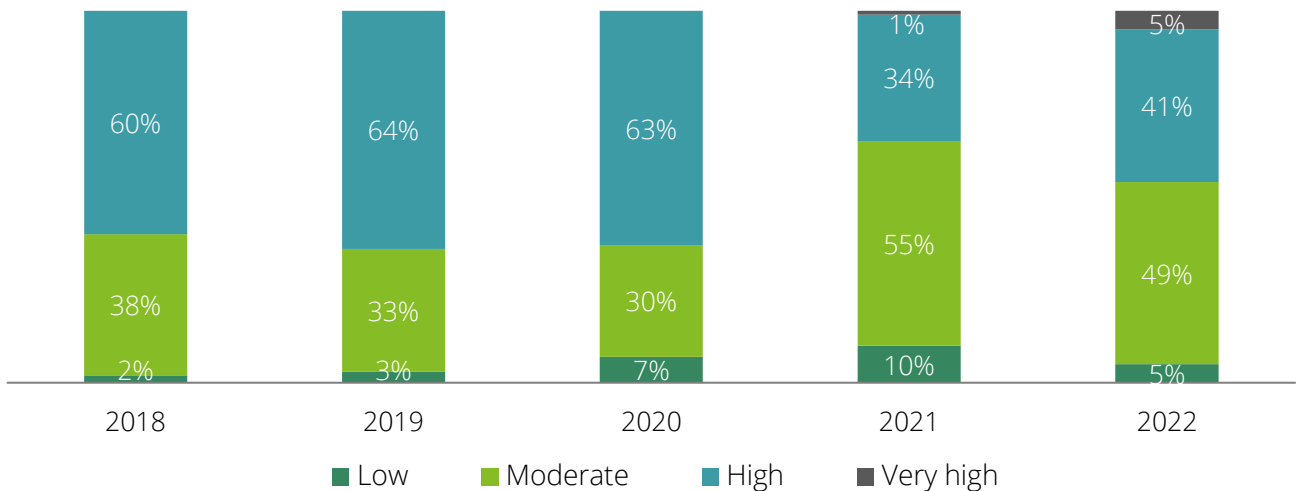


Figure 1: Economic uncertainty

There has been a significant rise in the number of CFOs from Saudi Arabia (50%) and the rest of the region (60%), expecting the uncertainty to be high and very high (Figure 2). The growing uncertainty in Saudi Arabia is due to its significant reliance on import of manufactured goods, stringent import regulations, large spending on projects and the liquidity squeeze in the region.

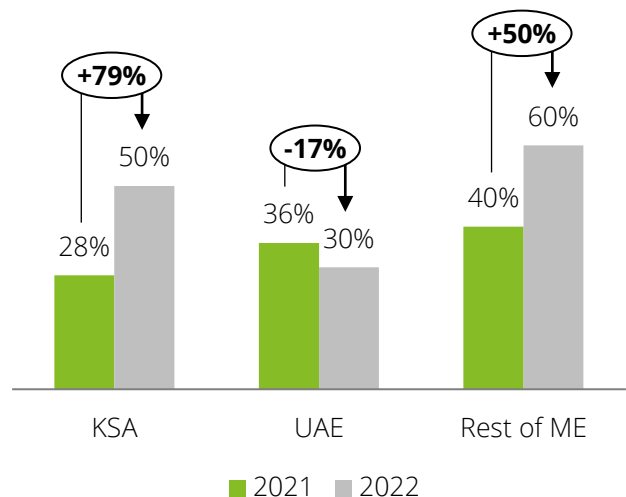


Figure 2: Economic uncertainty: rated as High + Very high by region

The exception to the regional uncertainty has been the UAE based CFOs, where only 30% are expecting a high level of uncertainty, in fact it was the only region where it declined. This correlates with the boost in real-estate investments, growth in tourism, and a faster recovery from the pandemic in the UAE.

# Inflation is expected to drive interest rates higher and only few are looking at refinancing their facilities

**Q: How do you view inflation unfolding over the next 12 months?**

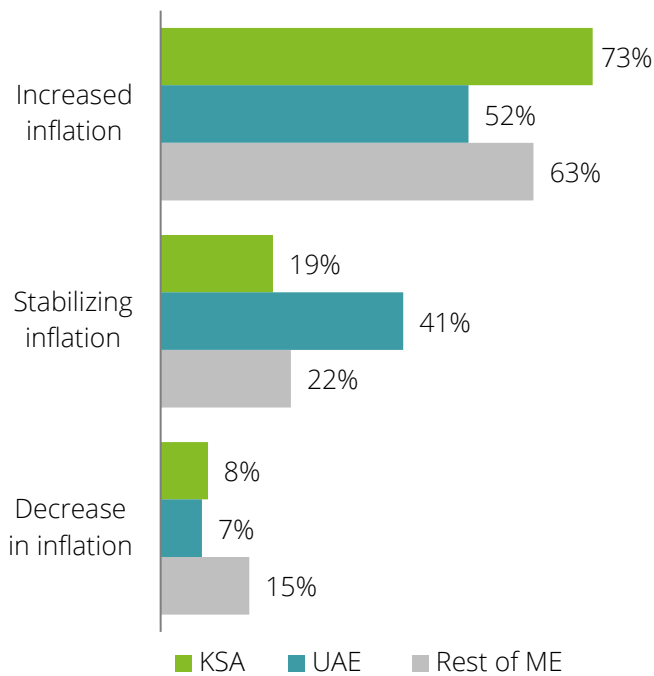


Figure 3: Inflation

Our survey suggests that CFOs believe inflation will continue to surge and prove a longer-term challenge, which would further be exacerbated by rising commodity prices and strained supply chain bottlenecks.

Considering the economic uncertainty and rising interest rates, CFOs are being cautious and not rushing to refinance just yet, as with significant proportion of CFOs (45%) across all sectors feel it is not a good time to refinance their facilities. In contrast, CFOs in the Americas and EU are more actively reassessing their balance sheet and proactively taking measures to mitigate the hike in interest rates.

41% of UAE's CFOs expect inflation to stabilize in the next 12 months, whilst only 19% and 22% of Saudi Arabia and the rest of the Middle East, respectively, expect so. In fact, 73% of CFOs in Saudi Arabia expect inflation to grow further in the coming year (Figure 3).

49% of CFOs said they are expecting a recession in the region, and of those, 90% predicted that it will be triggered in the next two years.

**Q: Do you anticipate a recession in your region? If so, when do you see the recession triggering in your region?**

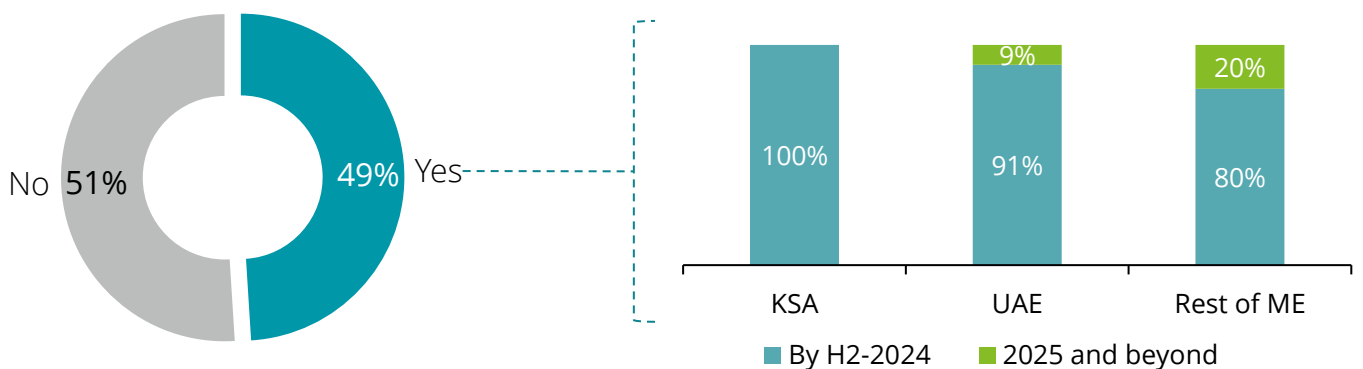


Figure 4: Recession

Among the industries, Financial Services, Life Sciences & Healthcare, and Telecoms, Media & Technology industries anticipate that there will be a recession by 2024. UAE is again more optimistic with 59% of respondents not expecting a recession in the coming years.

## Supply-chain issues related to COVID-19 have largely been resolved but there are others that have evolved

### Majority of the businesses were partially affected due to supply chain shortages and delays caused by the pandemic and ongoing geopolitical issues.

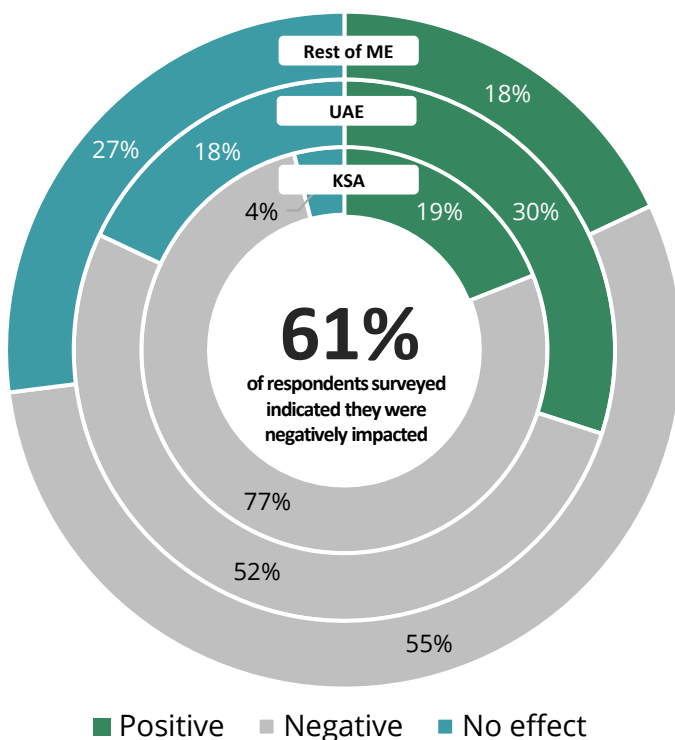
CFOs have cited raw material costs as a primary concern (Figure 5) affected due to the extensive construction activities and reliance of the Middle East economies on the import of consumer goods. Surging fuel cost and disruption in transportation due to port closures and lockdown in China, are further affecting organizations in terms of shipping times and freight costs.

However, Saudi Arabia's recent announcement of investing US\$2.7 Billion to provide incentives for global supply firms to invest in the kingdom to develop its economy as a hub for industrial companies is expected to reduce the impact of the worldwide supply crisis on the region.



Figure 5: Supply chain risks – High by region

### Geopolitical tensions are high and are impacting businesses negatively.



Overall, 61% of CFOs in the ME have been negatively impacted by the war in Ukraine. The impact is more severe in Saudi Arabia, with 77% of CFOs saying they have been negatively impacted due to this unrest. The increase in food and energy prices since the war's outbreak has seriously affected the kingdom, which imports around 80% of its food requirements. This is set to stabilize as steps are taken to boost private sectors other than energy and resources. In contrast, only 52% of the UAE and 55% of the rest of the Middle East CFOs reported being negatively affected (Figure 6).

Figure 6: Geopolitical tensions related to the war remain high

# Liquidity risks, geopolitical unrest and market competition are the most significant topics on ME CFOs' minds

The new global environment has been posing some severe risks to businesses. The combined direct and indirect effects of the prolonged pandemic, the war crisis, and volatile prices have led companies to revisit risk management procedures and develop new initiatives.

**Q: Rank the following items in terms of highest to lowest risk to your organization.**

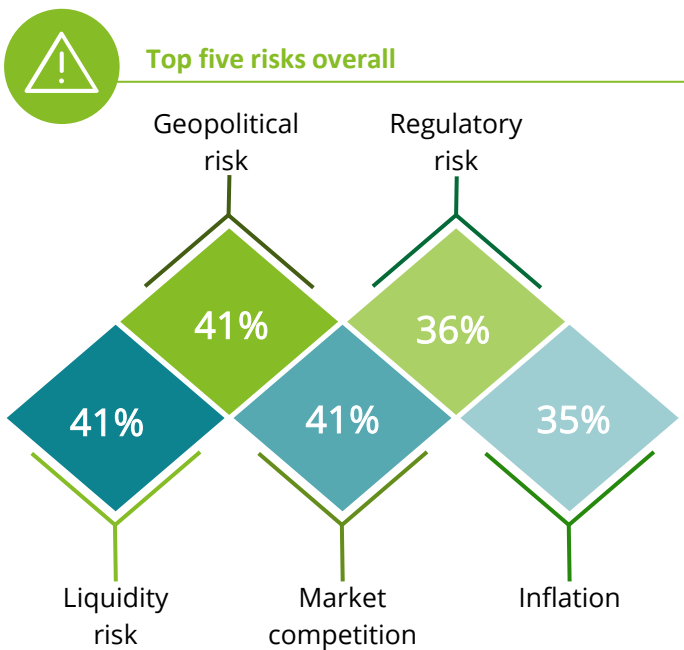
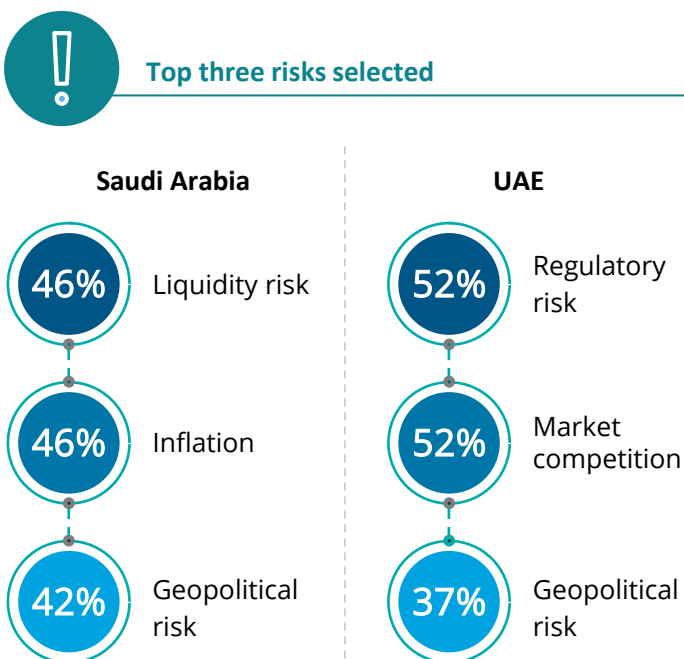


Figure 7: Organizational risks



Saudi Arabia has been facing the largest liquidity crisis in over a decade, driven by a boom in loan growth and a crunch in deposits, which have been pulled into financing mega projects. To ease the liquidity crunch, the Saudi central bank placed about 50 billion riyals (US\$13 billion) as time deposits with commercial lenders.

Various geopolitical issues, in addition to the prolonged war in Ukraine with broad-based sanctions, could further disrupt trade, tourism, supply shortages, and weaker investments.

The Middle East region, having a positive economic outlook, has been inevitably a focus for investments for many. Consumers have also become increasingly price-conscious due to the current economic conditions, job insecurity, and effects of the COVID-19 pandemic. Hence, businesses constantly undergo various organizational changes in order to capture any potential revenue growth opportunities.



# Financial outlook

Amidst all challenges, most ME CFOs are expecting a positive financial forecast



Majority of the ME CFOs have a positive outlook for revenue and profitability change in the next year; however, the sentiment weakens in terms of gross margin improvement

CFOs are confident about their revenue and profit growth in the next 12 months.

The margin improvement, though positive, is not as significant as the other key indicators (revenue and profitability) as only 38% are expecting this metric to improve. Inflationary pressures, pricing strategy, and cost management are key factors impacting the margins of the businesses. Respondents also plan to invest in their operations through capital spending and long-term investment to drive financial performance and revenue growth.

**Q: Compared to the past 12 months, how do you expect key metrics to change over the next 12 months?**

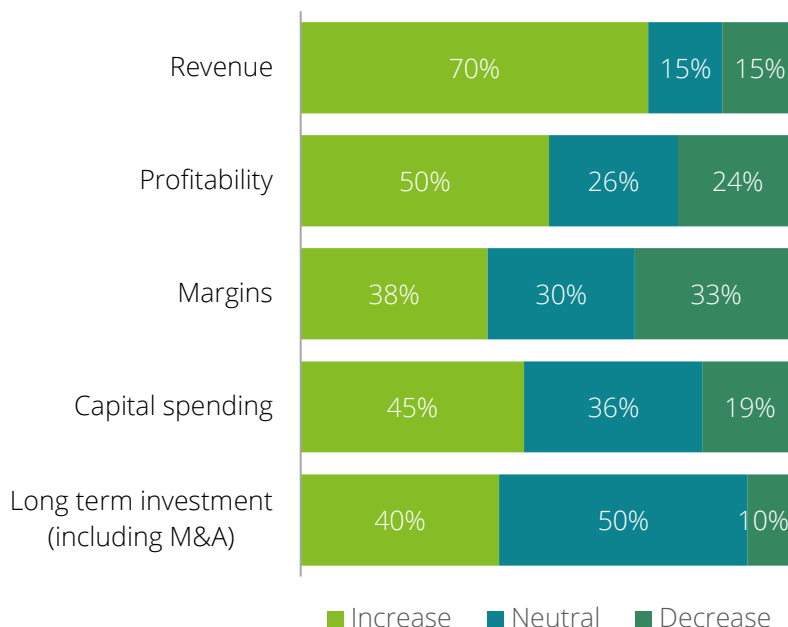


Figure 8: Future expectations for financial performance

**Q: What challenges has your organization faced in relation to the 'war for talent' affecting some industries and companies globally recently?**

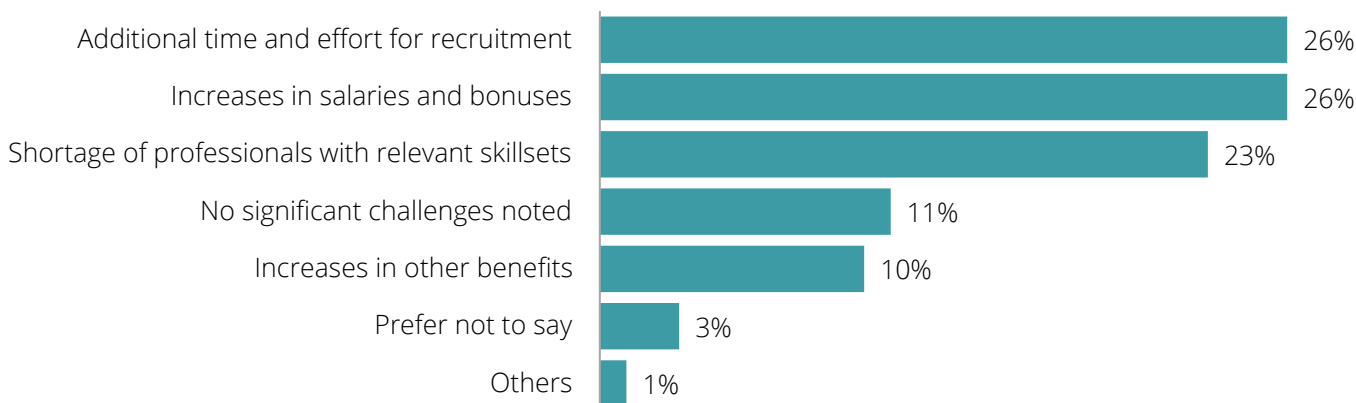


Figure 9: 'War for talent' challenges

The shortage of employees with the right competencies continues to be a key risk factor as it has a direct impact on the cost of recruitment and increasing attrition. Collectively, 75% of CFOs have ranked these factors – additional time and effort for recruitment, increase in staff costs and shortage of professionals with relevant skillsets – as the most significant challenges for talent (Figure 9).

# Organizations are planning to raise prices to align with inflation

Businesses in the Middle East are more likely to increase the prices of their products and services in line with inflationary pressure in the market.

CFOs in the UAE and Saudi Arabia are more confident about passing the increase in cost due to inflation to the end-customers. Businesses in other countries in the region primarily prefer not to increase the end-prices or keep them below inflation levels.

In terms of cost reduction, organizations are primarily trying to reduce their direct costs to drive gross margins (Figure 11). They are also looking to optimize indirect costs such as marketing budget and spend on professional services to boost net profit.

## Q: What is your strategy towards your pricing model within the next 12 months?

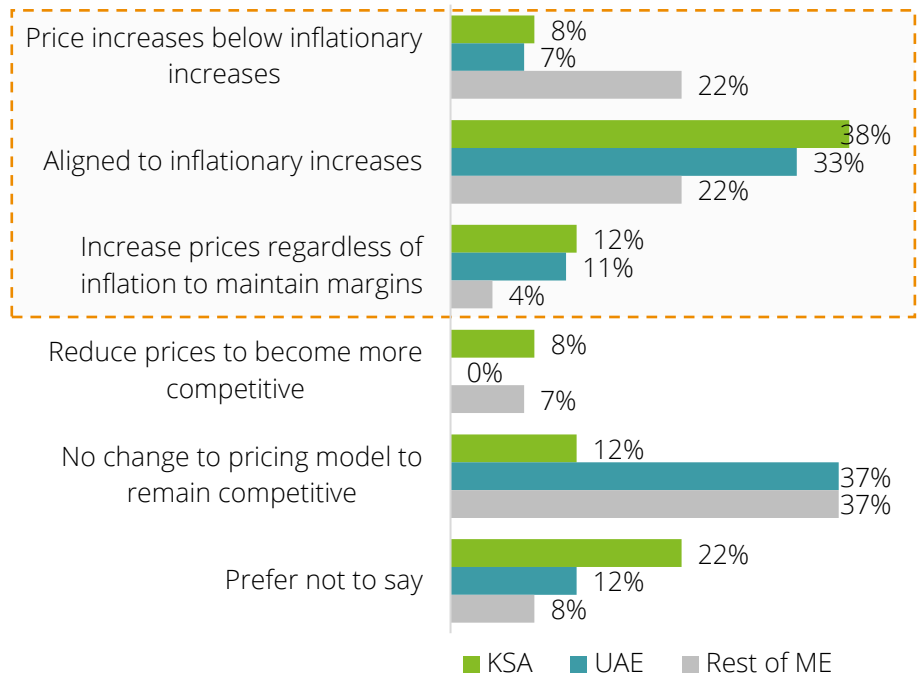


Figure 10: Pricing strategy

## Q: Do you plan on reducing costs in the near future? If so, please select areas that apply

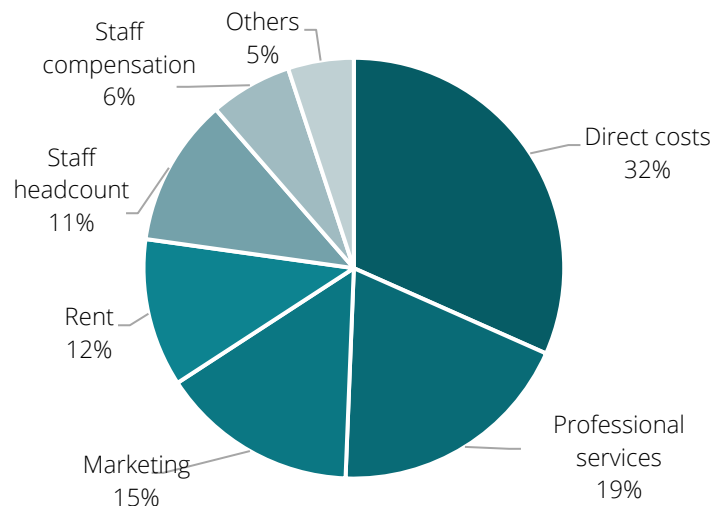


Figure 11: Cost reduction plan

# Strategic decision making

CFOs are banking on organic growth through the introduction of new products & services in addition to expanding operations into new markets to boost top line performance

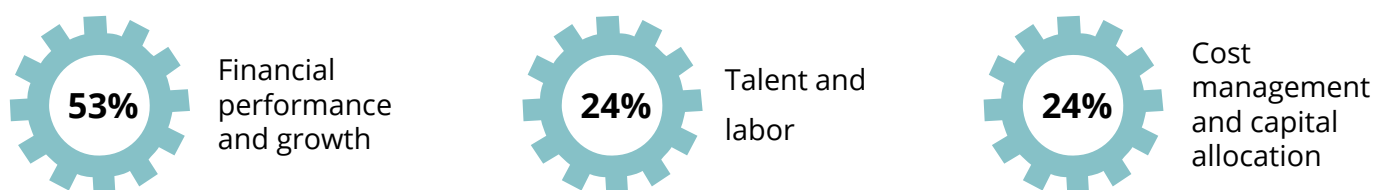
## Cost-cutting and organic growth emerges as the go-to-strategy of Middle East organizations

### Resetting business strategies to weather uncertainties has emerged as the way forward for region's CFOs

A strategy for financial performance and growth is the main priority for the CFOs in the immediate and near future with 53% of CFOs ranking it as their top priority (Figure 12). This is mainly due to the looming economic uncertainty, due to the geopolitical conditions and inflationary pressures within the region.

Organizations are driving this by prioritizing organic growth in existing markets, in addition to introducing new products and services and expanding their operations in new markets over the next 12 months.

**Q: Rank the following in terms of priority for you as a CFO in the immediate and near future.**



% represents the % of respondents who ranked the priority as 1 and 2

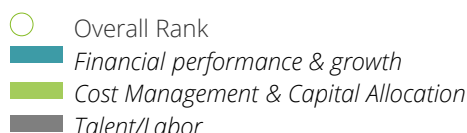
Figure 12: Top 3 CFO priorities

**Q: Rank the following strategies and key initiatives in order of priority for your business over the next 12 months.**

Strategic initiatives	KSA	UAE
1 Organic growth, in existing markets	58%	67%
2 Introduction of new products or services	30%	26%
3 Seek operational efficiencies	31%	26%
4 Entering new market/geography	19%	30%
5 Hiring new talent / upskilling existing staff	20%	4%
6 Inorganic growth, pursuing new M&A	15%	7%
7 Divest non-core business units	0%	14%
8 Increase in capital expenditure	4%	4%

Along with organic growth, businesses are planning to manage their costs and capital allocation effectively by implementing operational efficiency measures. 14% of CFOs in UAE also plan to divest non-core business units to drive efficiency (Figure 13). CFOs in Saudi Arabia consider talent management as a significant focus area supported by both hiring new talent as well as upskilling the existing labor to meet changing market demands.

Figure 13: Strategic priorities ranking



% represents the % of respondents who ranked the strategic initiative as 1 and 2

## Significant progress achieved in digital transformation initiatives

Digital transformation has moved down on the priority list of CFOs when compared to last year's survey. Only 10% of respondents have selected it as their top priority, however it continues to be an intermediate focus area for all.

The Middle East has made significant progress in implementing its digital transformation with more than 80% of CFOs saying that they have either already implemented or are in the process of implementing their digital strategy in their functions (Figure 14). 41% of the UAE and 23% of Saudi Arabia CFOs said they have already completed this shift.

Reporting is the key function to benefit from the digital initiatives. Organizations are looking to drive competitive advantage and improve their decision making using the insights gained from implementing data analytics and other emerging technologies in their finance function.

### Q: How far have you progressed with the digital transformation of your organization's finance function?

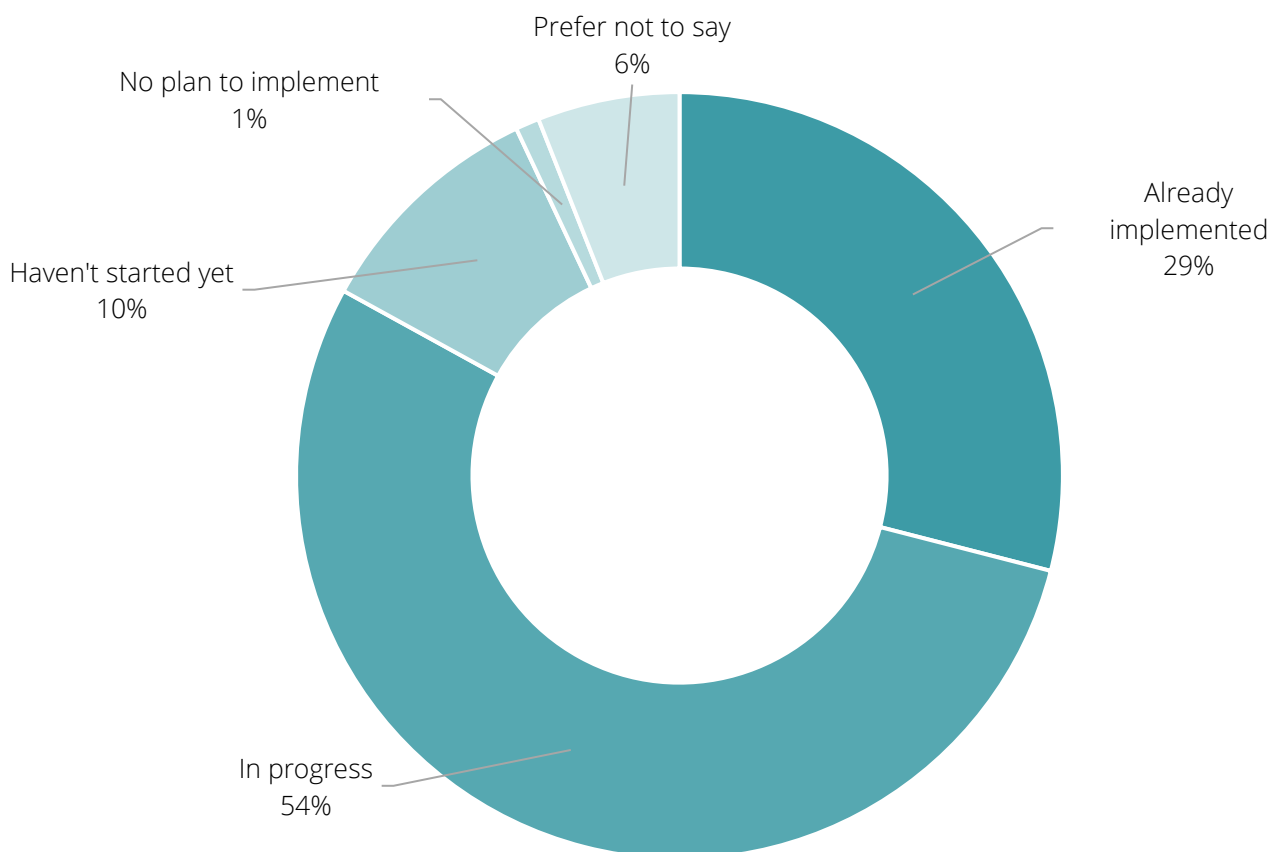


Figure 14: Progress of digital transformation

## Changing tax landscape

The Middle East region is undergoing various tax and regulatory changes. UAE has announced that it will introduce a federal 9% corporate tax for financial years starting on or after 1 June 2023. Saudi Arabia approved the increase of customs duties on a range of products.

Overall, around 74% of CFOs in the region reported that their organizations are facing additional costs due to changing regulatory environment in the Middle East region. 46% of Saudi Arabia-based CFOs have also said they have been negatively affected by the ongoing tax changes in the area (Figure 15).

### Q: How do you view tax changes in your respective organization?

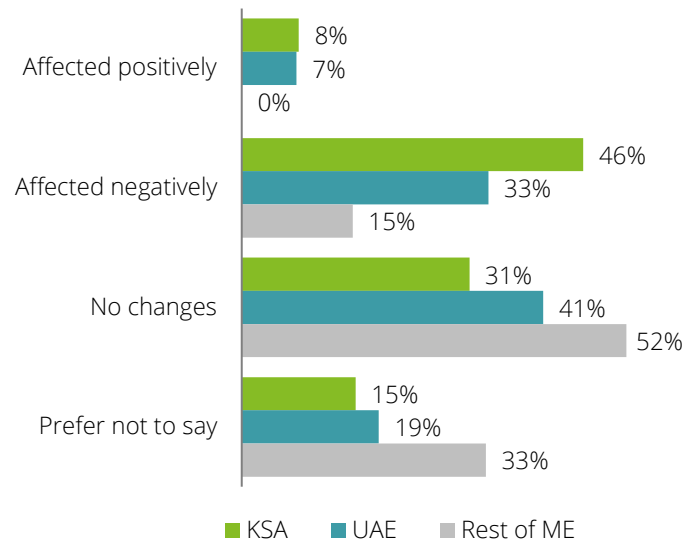


Figure 15: Tax changes

## Increasing focus on ESG compliance and reporting.

49%

Consider ESG reporting to be very important for their organization; however, only 6% of firms are investing heavy in this area

### Q: Select the answer that best describes your level of investment in Environmental, Social and Governance (ESG) compliance and reporting.

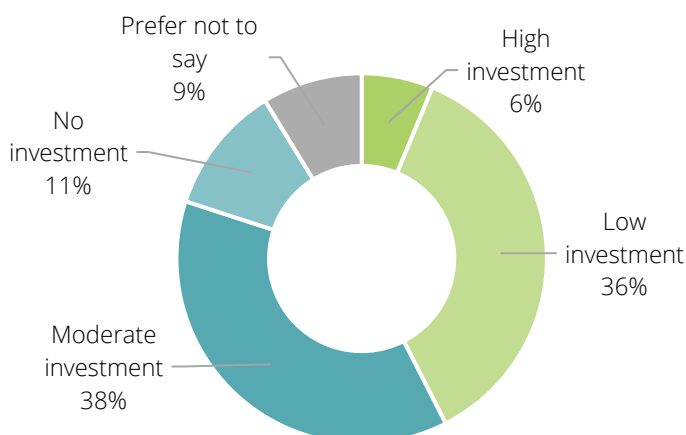


Figure 16: Level of investment

The disconnect between the high level of importance and low investment in ESG is potentially due to the economic landscape in the Middle East, which is highly reliant on non-renewable energy exports.

Additionally, there is obscurity and less awareness around the lines of sustainability as it is in the early stages of regulatory enforcement, when compared to the EU and Americas.

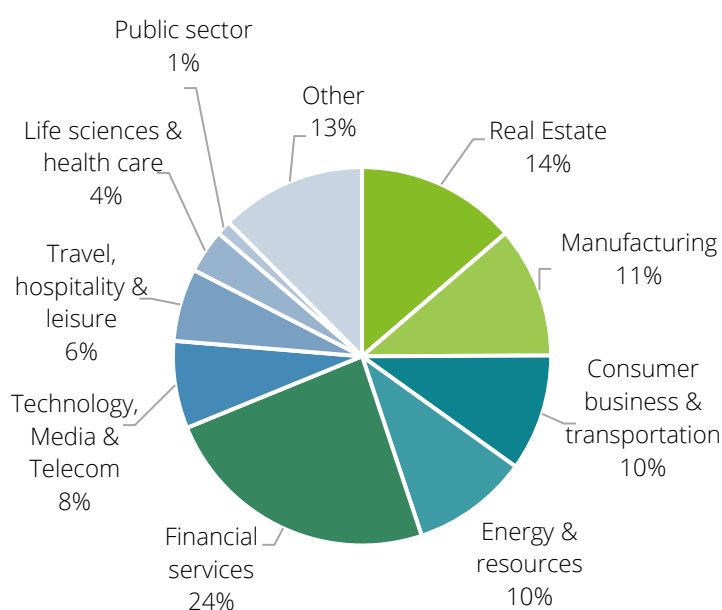
This is set to change as the Middle East economies prepare to diversify, boosting the private sector and raising the share of renewable sources in the energy mix.

# About the survey

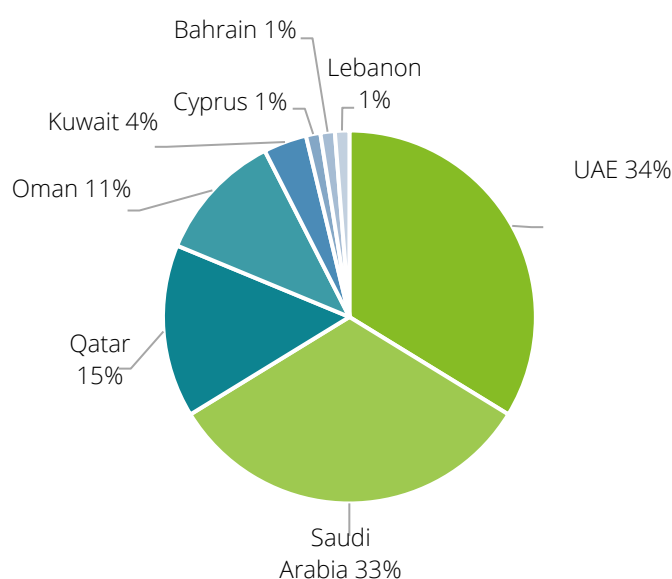
The purpose of the survey is to help business leaders stay abreast with the vital insights provided by the leading CFOs from the Middle East region. Running for its 18th year, the survey presents an opportunity to compare data and CFOs' perspectives over time. The report is published once a year.

The prime theme of this year's CFO survey revolves around the following three key pillars:  
 1) Economic outlook, 2) Business and financial outlook and 3) Strategic decision making.

Survey participants by industry



Survey participants by country



## A note on the methodology

The survey was rolled out in October 2022 and responses were collected from 88 CFOs across the Middle East region. (A brief on the respondents is depicted in the above charts)

Some of the charts in the survey shows aggregated results of negative and positive outlooks. This is calculated by aggregating the percentage of respondents giving a negative response and the percentage giving a positive response; responses that are neither negative nor positive are deemed to be neutral. As a result of rounding, responses to the questions covered in this report may not aggregate to 100.

To improve readability, only key charts and data points have been included in the report. If you wish to receive further information, please [contact us](#).



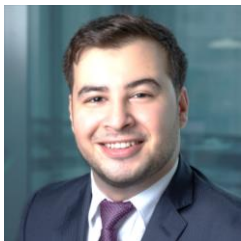
## Contacts



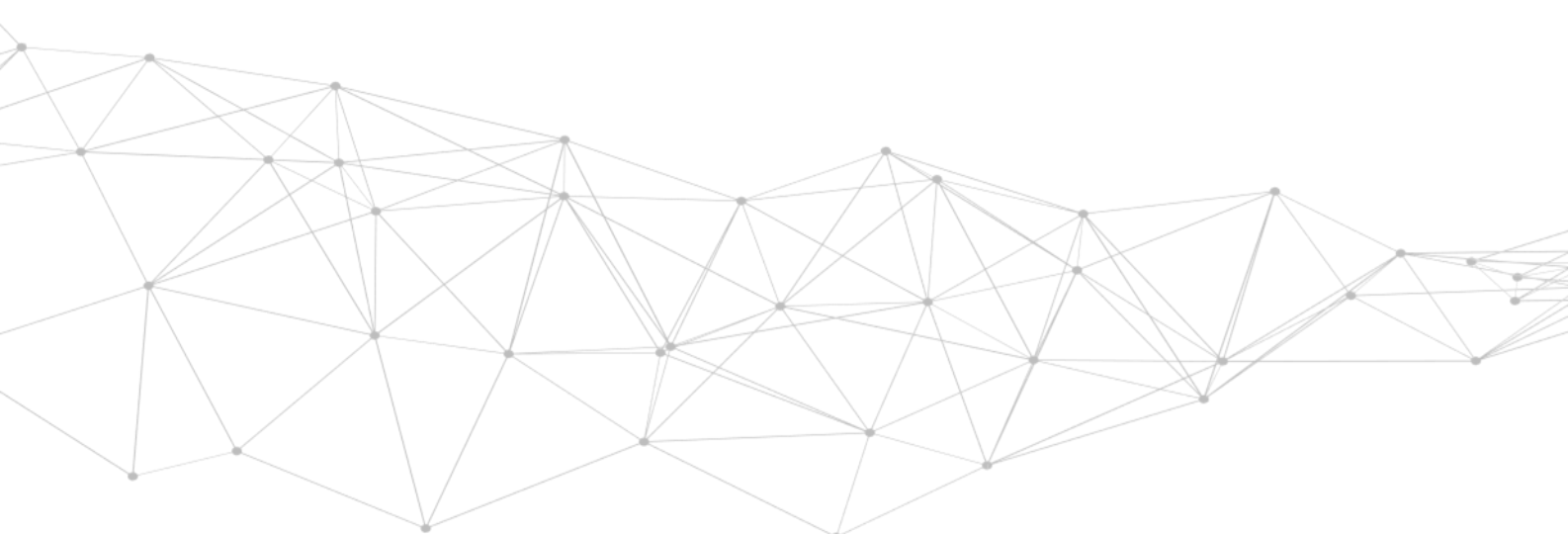
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