



## CFO Programme

### European CFO Survey with Portugal Insights

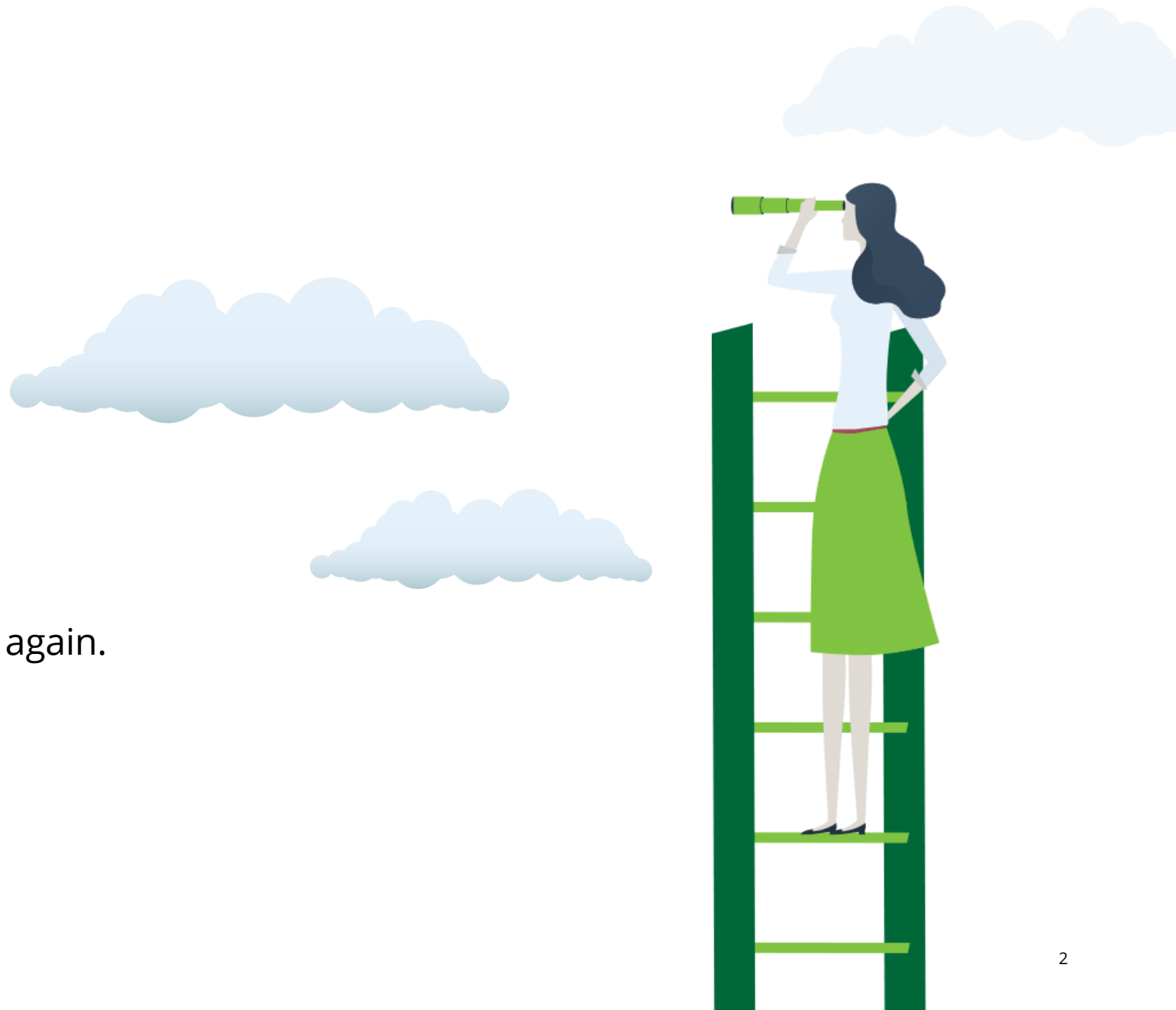
Deloitte's autumn edition of the European CFO Survey finds companies focusing on cost-cutting — and exploring how generative AI can help them

**Autumn 2023**



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# 1. Foreword

We are proud to present the Autumn 2023 edition of the Deloitte's European CFO Survey with Portugal's insights, providing the CFO's perspective on key economic, financial and strategic issues.

The past year has been marked by considerable shifts, both globally and locally, prompting CFOs to adjust expectations, reassess strategies and chart new courses. The mood among Europe's CFOs has seen a notable shift since spring of 2023, influenced by factors such as tighter monetary policies and geopolitical challenges. Portugal, too, reflects this trend, with CFOs expressing cautious optimism amid economic uncertainties.

Sentiment indicators have experienced a decline, with CFOs exhibiting a more reserved outlook. Revenue expectations have been revised down, and operating margins face challenges in the current high-cost environment. The same applies for capital expenditure and employment, with CFOs becoming more cautious when considering taking more risk to their balance sheet and increasing their workforce. Even though the deterioration in sentiment is significant, CFOs in Portugal remain considerably more optimistic when compared to their counterparts in Europe.

In response to the prevailing economic conditions, CFOs are strategically navigating through turbulent times. Defensive strategies, particularly cost reduction, have taken center stage in Europe, mirroring also as one of the most relevant strategies in Portugal. Besides the defensive focus, CFOs in Portugal seem not to have lost sight of the long-run and continue to place digitalization as the number one priority of their strategic agendas for the next year.

Considering the challenges ahead, generative AI emerges as a potential game-changer for CFOs, with this survey's edition shedding light on the current state of adoption, perceived benefits, and barriers. As generative AI gains attention, its potential to enhance efficiency and drive innovation becomes a central topic in all strategic discussions.

Portuguese companies, much like their European peers, are still in the early stages of exploring generative AI potential, as the majority of CFOs reported they are still reading and talking about it, being too soon to tell how they will incorporate the technology in their businesses. Yet, concrete use cases and success stories start to emerge all over the market, disrupting customer experience and bringing in new capabilities, services and products, whilst contributing to reduce costs.

Looking forward, it is essential for CFOs to be resilient when navigating through challenging terrains. The road ahead is uncertain but full of opportunities ready to be captured in case CFOs remain vigilant, adaptable and well-prepared to seize what lies ahead.

We would like to thank all CFOs in Portugal who shared their perspectives and insights contributing to the richness of this survey's edition. We hope this report serves as a valuable resource for informed decision-making in future strategic reflections.



**Nelson Fontainhas**  
Portugal CFO Programme Lead

## 2. Introduction

The mood of Europe's CFOs has become less positive since the spring as elevated inflation and tighter monetary policy weighs on their businesses. Cost-cutting is a major focus and generative AI appears on the horizon, but its adoption is not yet very advanced in Europe.

The Autumn 2023 edition of the Deloitte European CFO Survey reveals that the mood of Europe's CFOs has deteriorated in the last six months. In the spring edition of the survey, Europe's CFOs were cautiously optimistic, assuming business conditions would improve after a winter that had proven not as bad as expected. Over the course of the year, however, businesses in Europe have had to deal with persistently high inflation and rising interest rates. The momentum of the global economy has also weakened, with China's economic recovery proving a disappointment so far. The manufacturing sector has been struggling globally and services have started to feel the pain too. Europe still faces the huge geopolitical challenge presented by Russia's invasion of Ukraine. Altogether, the economic climate in Europe is subdued and the outlook fragile. Inflation is expected to decline further, but the pace at which it will fall is unclear. Tight monetary policy will probably restrain growth in coming months.

A similar sentiment is also observed in Portugal, with CFOs in Portugal being less optimistic about the financial prospects for the next months, especially regarding employment and operating margins. Even with the easing of the inflation rates, the economic outlook still poses great risk for the businesses in Portugal.

Despite the difficult macroeconomic environment, new opportunities emerge for CFOs to transform the finance function when navigating through uncertain times. For this edition of the European CFO Survey, we asked our panel their views on generative AI, what they are doing now, and what they think are the benefits and barriers. About a year after ChatGPT was launched, three out of four financial executives in Europe think that generative AI is to some degree important for their strategy. However, its adoption has not yet gone very far. Few European businesses have already implemented it, though many are experimenting with it. European CFOs see generative AI as having clear potential to reduce costs, boost efficiency and make better forecasts as well as improve customer experience. But they are having difficulty finding professionals with the skills to use generative AI to its fullest potential. In already tight labour markets, talent acquisition may prove to be a bottleneck holding back adoption of generative AI in Europe.

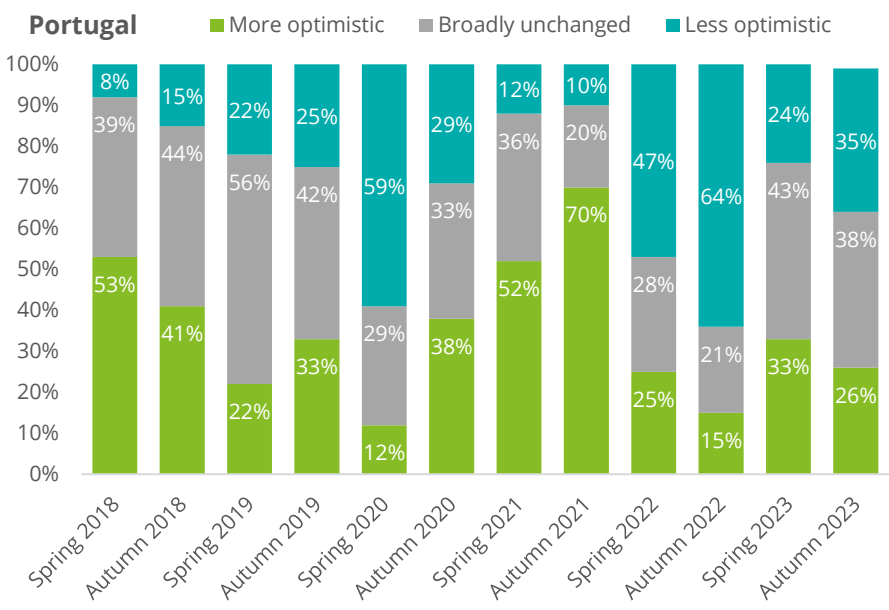
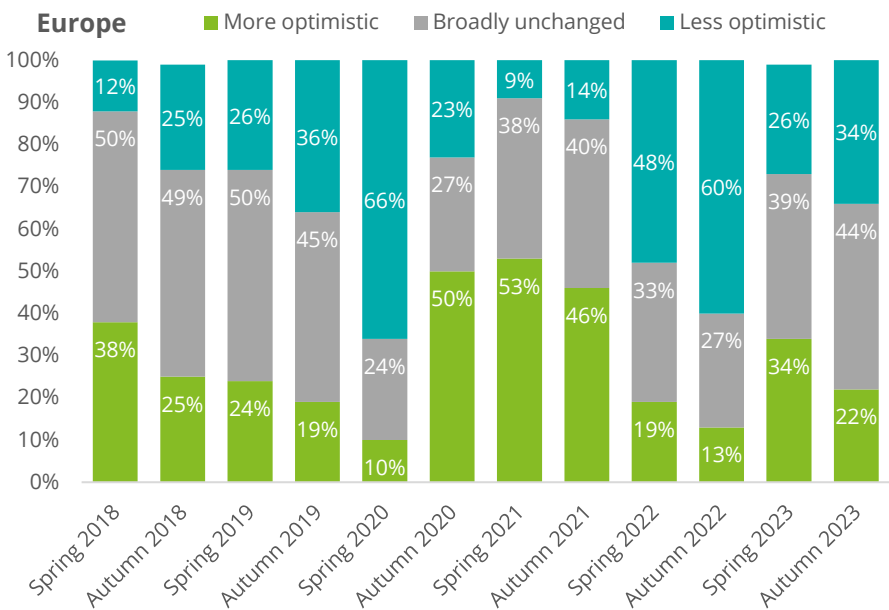
Focusing on what lies ahead, Portugal's CFOs still rank digitalisation as one of their top priorities for the next months, even over other more defensive strategies such as cost reduction. Digitalisation has been consistently one of the most relevant strategies for Portugal's CFOs in the latest editions of this survey, continuing to demonstrate their focus in delivering sustained value to the business in the long-run. Similarly to their counterparts in Europe, generative AI has also come to the attention of CFOs in Portugal – even though most CFOs are still reading and learning about it, there is already an interesting number of companies that are starting to experiment with it or to incorporate it into their business strategies.

### 3. Sentiment takes a hit

Europe's CFOs have become much less positive about their current financial situation. The net balance of business sentiment has declined since our spring survey from +8 per cent to -12 per cent, as 34 per cent of the CFOs surveyed are less optimistic than before and only 22 per cent are more optimistic (figure 1). The gloom is greater in larger companies: Financial executives from medium-sized (with revenue between 100 and 999 million euro) and large (more than 1 billion euro) companies are less optimistic than their peers in smaller enterprises (less than 100 million euro). The most notable fall in confidence was reported in Germany and Austria, with German growth hurt by struggling manufacturing industry, especially weak automotive and energy-intensive sectors, amongst others.

Likewise to their counterparts in Europe, the sentiment of Portugal's CFOs has registered a downfall throughout the last six months of -18 per cent, coming from a net balance of +9 last spring to -9 this autumn. Despite the considerable deterioration, the negative sentiment is still far from the levels registered after the Covid-19 pandemic and Russia's invasion of Ukraine.

**Figure 1 and 2.** Question asked: Compared to three months ago, how do you feel about the financial prospects for your company?



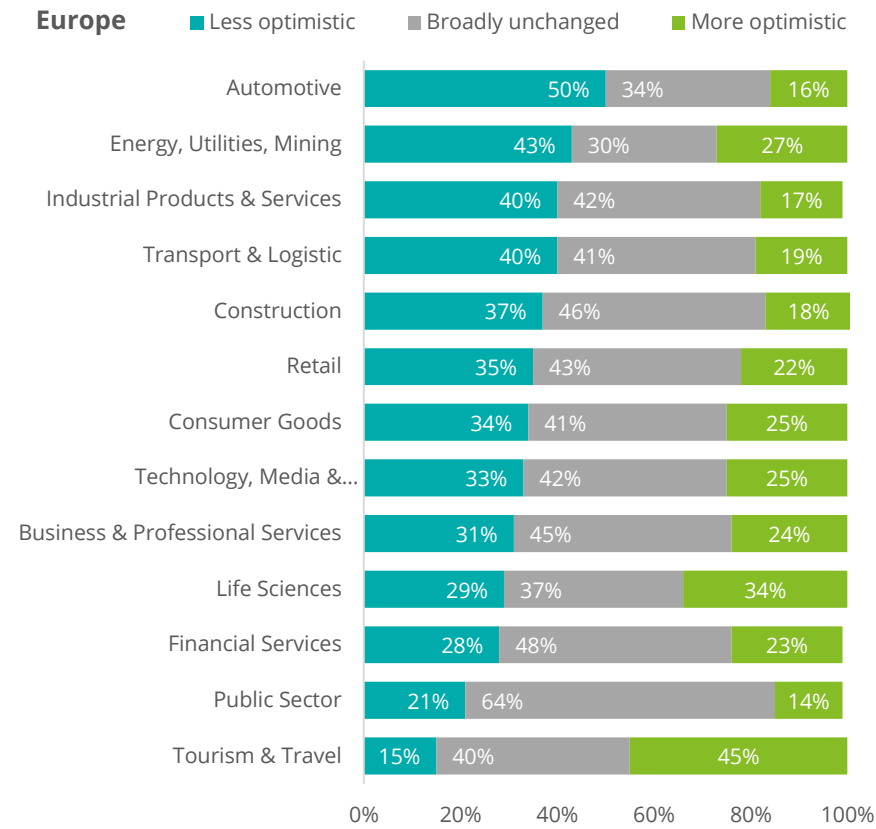
### 3. Sentiment takes a hit

At the sector level, the mood of European CFOs has changed most dramatically in the automotive industry (figure 3). Six months ago, automotive CFOs were more confident than their peers in other industries. Now they are the most pessimistic. 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.

Following the general trend registered in Europe, CFOs in Portugal of the industrial products & services and consumer goods sectors are amongst the most pessimistic, whilst CFOs in tourism and travel are the most optimistic about their companies' financial prospects.



**Figure 3.** Question asked: Compared to three months ago, how do you feel about the financial prospects for your company?



## 4. Expectations fading

### Revenue expectations significantly revised down, yet positive

CFOs' hopes for the near future have also faded. While European CFOs on balance remain optimistic about future revenues, the share of CFOs in Europe expecting revenues to increase in the next 12 months fell from 63 per cent to 53 per cent. CFOs in Germany and Italy have revised down their revenue expectations for the next 12 months radically. The same applies for Portugal, with CFOs reporting a decrease in the revenues increase expectations for the next 12 months of -17 percentage points (75 per cent last spring to 58 per cent this autumn).

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. On the other hand, financial executives in more service-oriented industries like business and professional services, and tourism and travel, as well as life sciences, expect their revenues to keep growing strongly over the next 12 months.

### Negative outlook for operating margins across Europe

In the current high-cost environment, the outlook for operating margins has worsened too. Over the coming 12 months, more European CFOs expect operating margins to decrease rather than increase. The downward shift has mostly been driven by companies in the United Kingdom and Germany. CFOs in Denmark and Ireland are still relatively optimistic. CFOs in Portugal also remain positive about the evolution of the operating margins over the next 12 months with a positive net balance of 3 per cent this autumn, even though it worsened significantly during the last six months (24 per cent last spring).

Not surprisingly, the lowest expectations are in the automotive and transport and logistics sectors, where high energy and labour costs are proving a major drag. But financial executives in life sciences remain quite optimistic about their operating margins.

### Investment and employment to decrease as poor economic prospects weigh

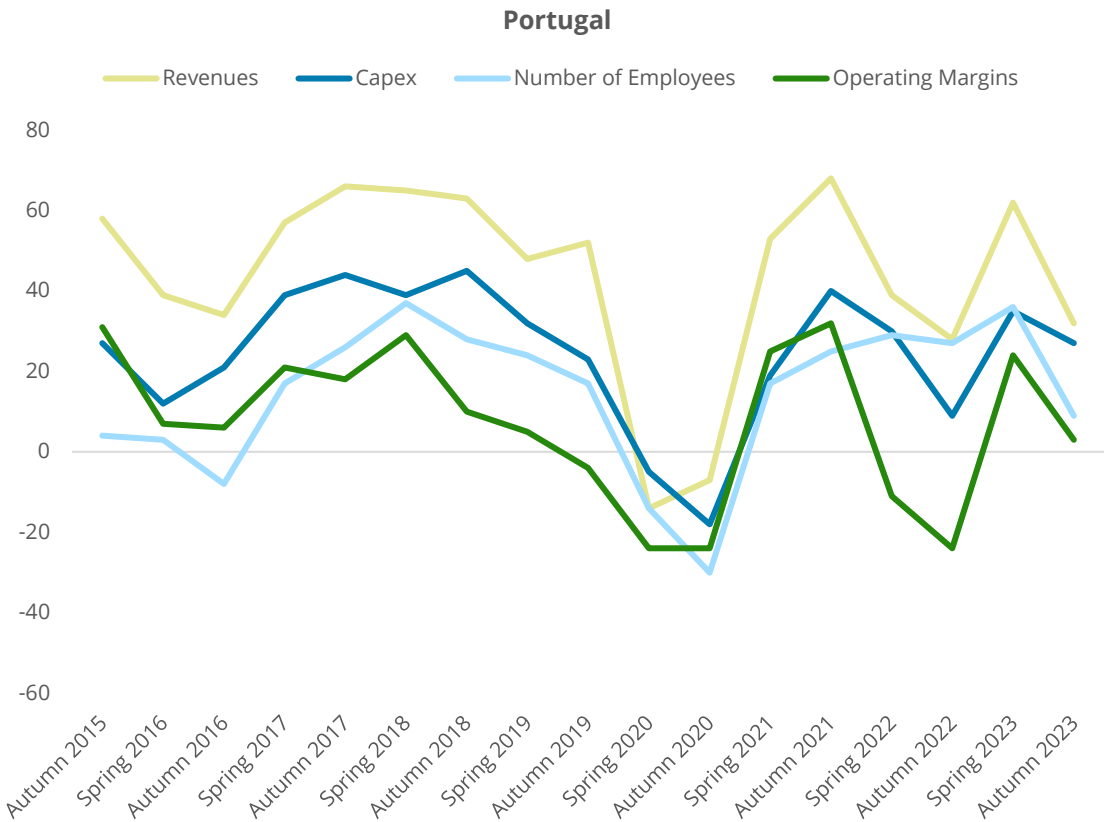
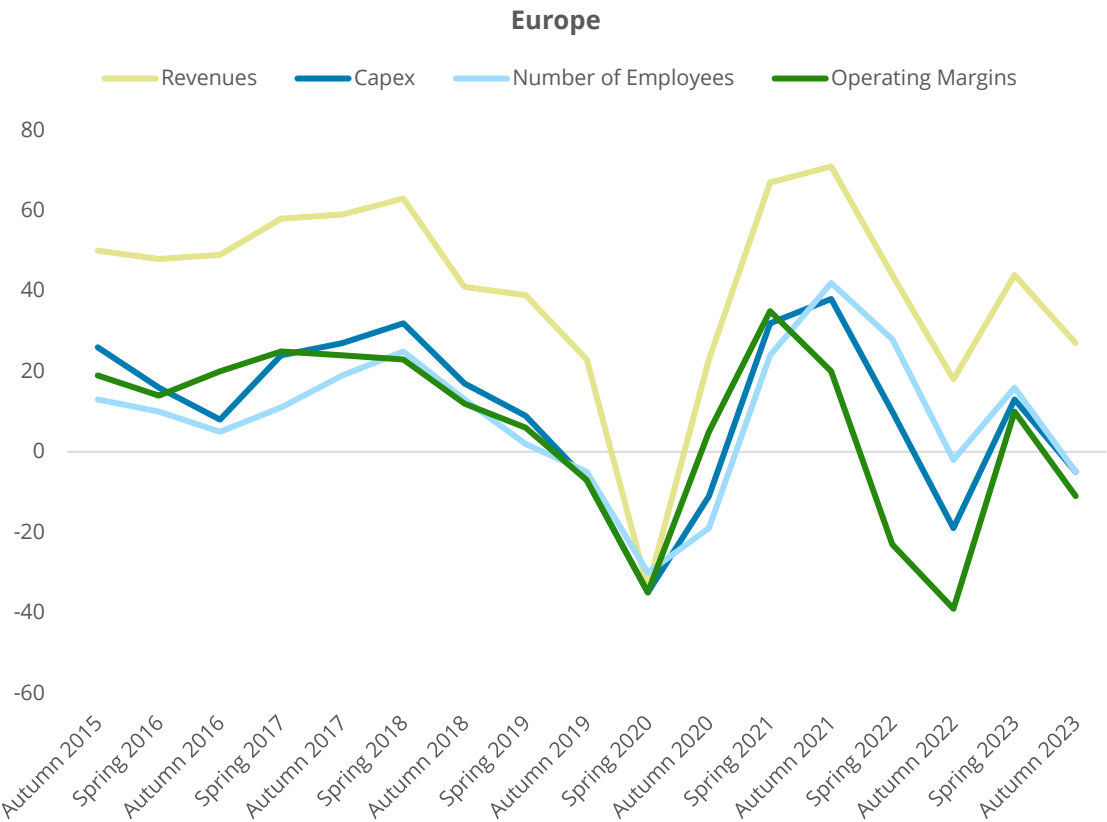
European CFOs across the continent agree that the economic outlook is the main risk for their business over the next 12 months. As a result, they have become more cautious about their capital expenditure and recruitment plans. For both key metrics, the net balance has turned negative in Europe, pointing to small decreases in investment and employment over the next 12 months – reinforcing the poor outlook for Europe's economic growth. Portugal's CFOs are more optimistic than their European counterparts, with a positive net balance for the evolution of capital expenditure (27 per cent versus -5 per cent in Europe) and employment (9 per cent versus -5 per cent in Europe). Yet, CFOs in Portugal have also revised down their expectations and became more cautious, recognizing it is not a good time to take greater risk into their balance sheet and to expand recruitment plans.

The gloomier mood is mostly concentrated in the automotive sector, where CFOs in Europe have revised down their views for capital expenditure and employment drastically. Other industries remain more positive. In tourism and travel as well as the public sector, European 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.

As such, CFOs in Portugal remain more optimistic on the evolution of revenue, operating margins, capital expenditure and employment for the next 12 months when compared to their counterparts in Europe.

# 4. Expectations fading

**Figure 4 and 5.** Question asked: In your view, how are the following key metrics for your company likely to change over the next 12 months? (Net balance in %)

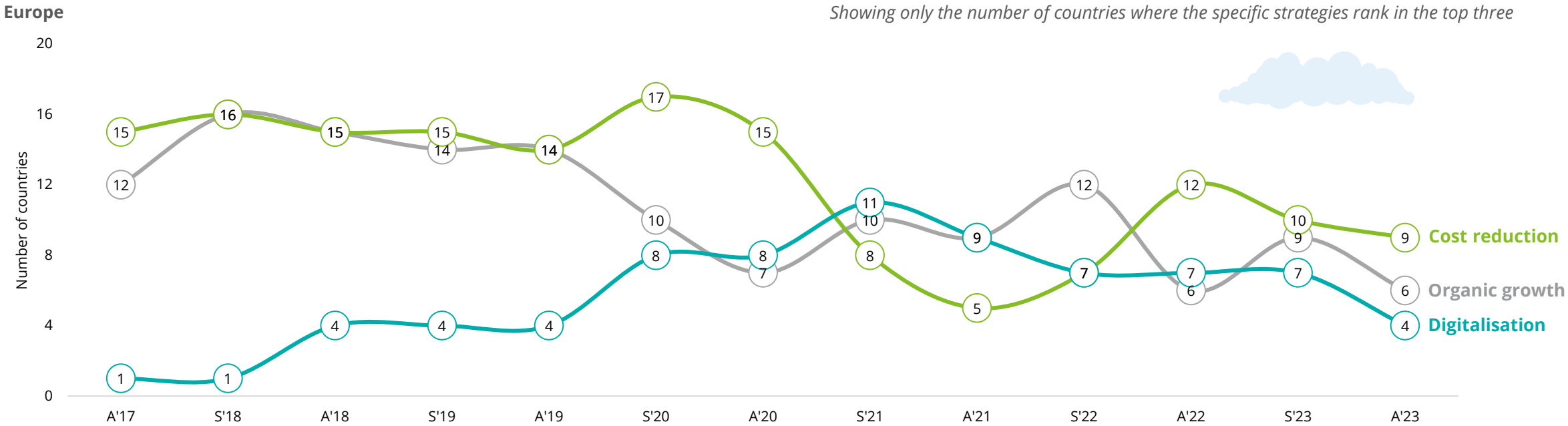




# 5. Defensive strategies sustain

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.

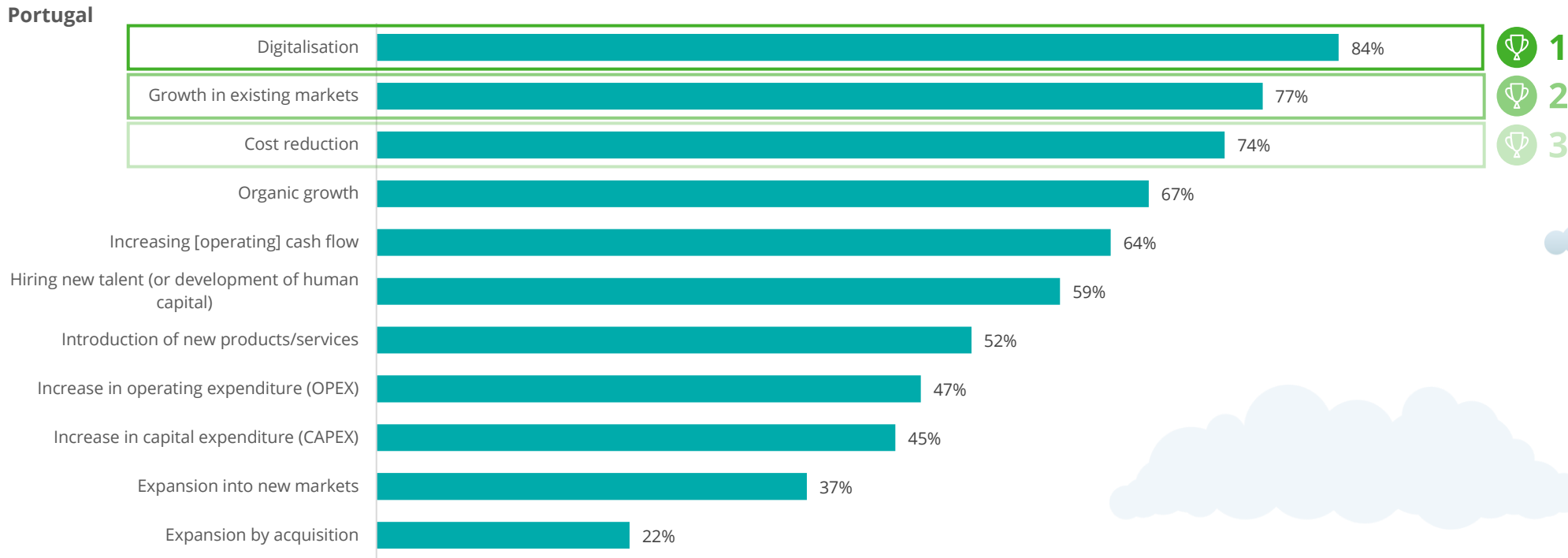
**Figure 6.** Question asked: Please state to what degree the following strategies are likely to be a priority for your business over the next 12 months?



# 5. Defensive strategies sustain

Digitalisation has become the top priority for CFOs in Portugal in the next 12 months. Since spring 2020, digitalisation has consistently been among the top three priorities, highlighting that Portugal's CFO remain focused in delivering sustained value to the business in the long-run. Portuguese companies aim to grow in existing markets, which was their top priority in the previous survey. Additionally, cost reduction has once again emerged as a key focus area for businesses.

**Figure 7.** Question asked: Please state to what degree the following strategies are likely to be a priority for your business over the next 12 months?



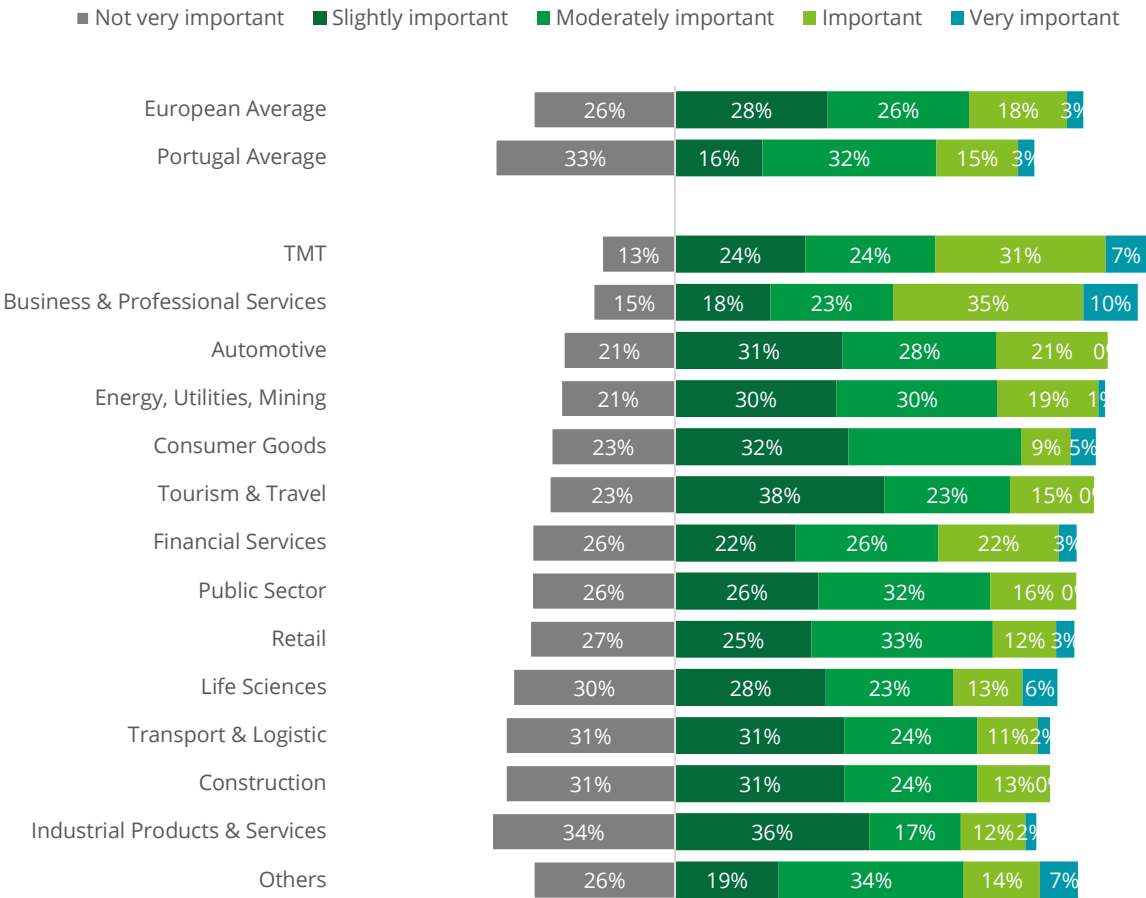
# 6. Generative AI enters businesses

Generative AI is, in the view of Europe's CFOs, one way in which they might achieve cost reductions – and they see this as one of the chief benefits of the new technology. A majority of corporates in Europe judge generative AI to be relevant for their strategy with almost half of CFOs stating that it is moderately to very important (figure 8). Only 26 per cent of survey respondents believe that generative AI will not be very important in achieving their business goals. Geographically, there is a divide. Financial executives in Austria, Spain and Ireland are convinced that generative AI represents an important advance. CFOs in Italy and Denmark think it is not that important for their business strategy. Portugal emerges as the third country with most of the CFOs considering generative AI is not very important for their business strategy (33 per cent). However, half of Portugal's CFOs state that it is moderately to very important.

From a sector point of view, too, there are great differences in the assessment of the relevance of generative AI. A majority of CFOs in technology, media and telecommunications as well as in business and professional services report that generative AI is at least moderately important to them, while their peers in industrial products and services and transport and logistics feel generative AI is currently not very relevant to their strategy.



**Figure 8.** Question asked: How important is GenAI to achieving your business strategy?



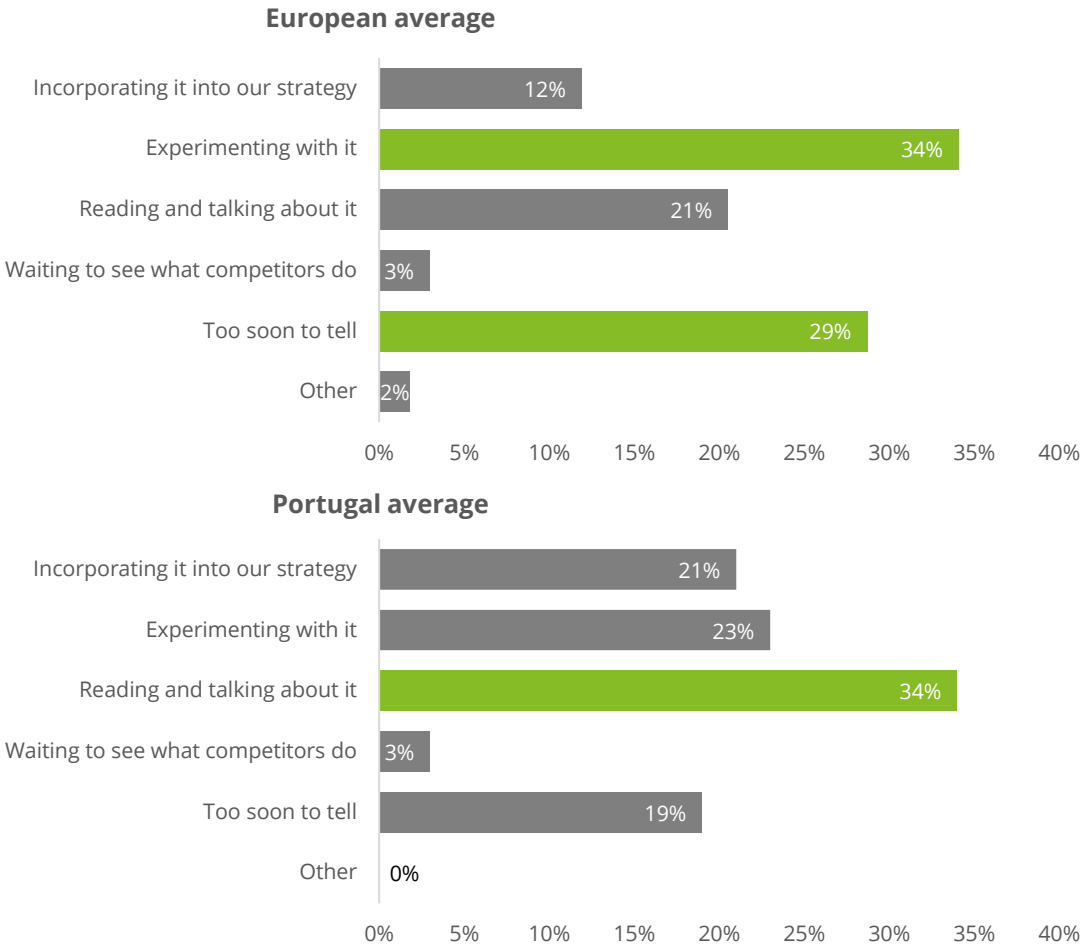
# 6. Generative AI enters businesses

Many European corporates are pushing ahead with adoption in their businesses but so far most have not departed that far from the starting blocks (figure 9). The furthest advanced are the 12 per cent that are incorporating generative AI into their strategy. Meanwhile, more than a third report that they are experimenting with generative AI, one-fifth are currently reading about it and discussing it, while 29 per cent think it is still too soon to tell how they will adopt the technology. In general, one should keep in mind that generative AI is still quite a new technology, which is quickly developing further, and this makes assessment of it and preparation of an action plan challenging.

Businesses in Austria, Germany and Finland seem to be leading the way in adoption of generative AI in Europe while companies in Sweden, Poland, Italy and Denmark are less advanced. Portuguese companies are still in the early stages much like their European peers. Even though one-fifth of the companies in Portugal report to be already incorporating generative AI into their business strategy (21 per cent), more than half is still reading and talking about it or reporting that it is too soon to tell how they will incorporate the technology (figure 10). US companies, however, seem to be one step ahead of their European peers. The results of the [Deloitte CFO Signals™ Q3](#) report indicate that 15 per cent of US corporates are incorporating generative AI in their strategy while 42 per cent are experimenting with it.

In Europe, businesses in the technology, media and telecommunications sector seem to be at the forefront of generative AI, with 30 per cent already incorporating it into their strategy, followed by business and professional services firms (25 per cent). At the next tier down, experimenting with generative AI, corporates in the retail industry (52 per cent) and in consumer goods industry (45 per cent) are leading the way.

**Figure 9 and 10.** Question asked: Where is your organization on its generative AI journey?



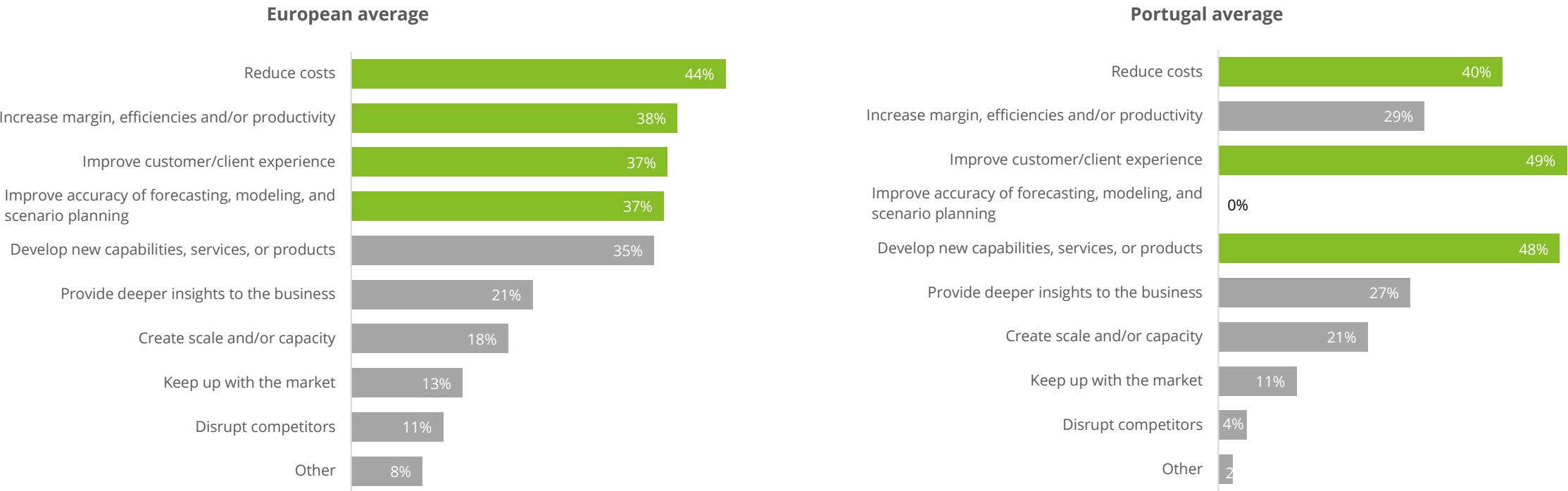
# 6. Generative AI enters businesses

European CFOs who are already converts to generative AI are looking to it not just for cost reduction, but also as a means to improve the accuracy of their forecasts, modelling and scenario planning, to increase margins, efficiencies and productivity, and to improve the customer experience (figure 11). In other words, many European businesses see generative AI as holding the promise of better all-round business performance in the future.

For Portugal's CFOs, reducing costs is not reported as the biggest benefit of generative AI. Instead, CFOs in Portugal believe that adopting this technology could be very beneficial to improve customer/client experience and develop new capabilities, services and products. Reducing costs comes as the third most relevant use case.

Read more about key business-ready use cases for generative AI [here](#).

**Figure 11 and 12.** Question asked: If your organization plans to adopt GenAI, what top three benefits do you hope to achieve?

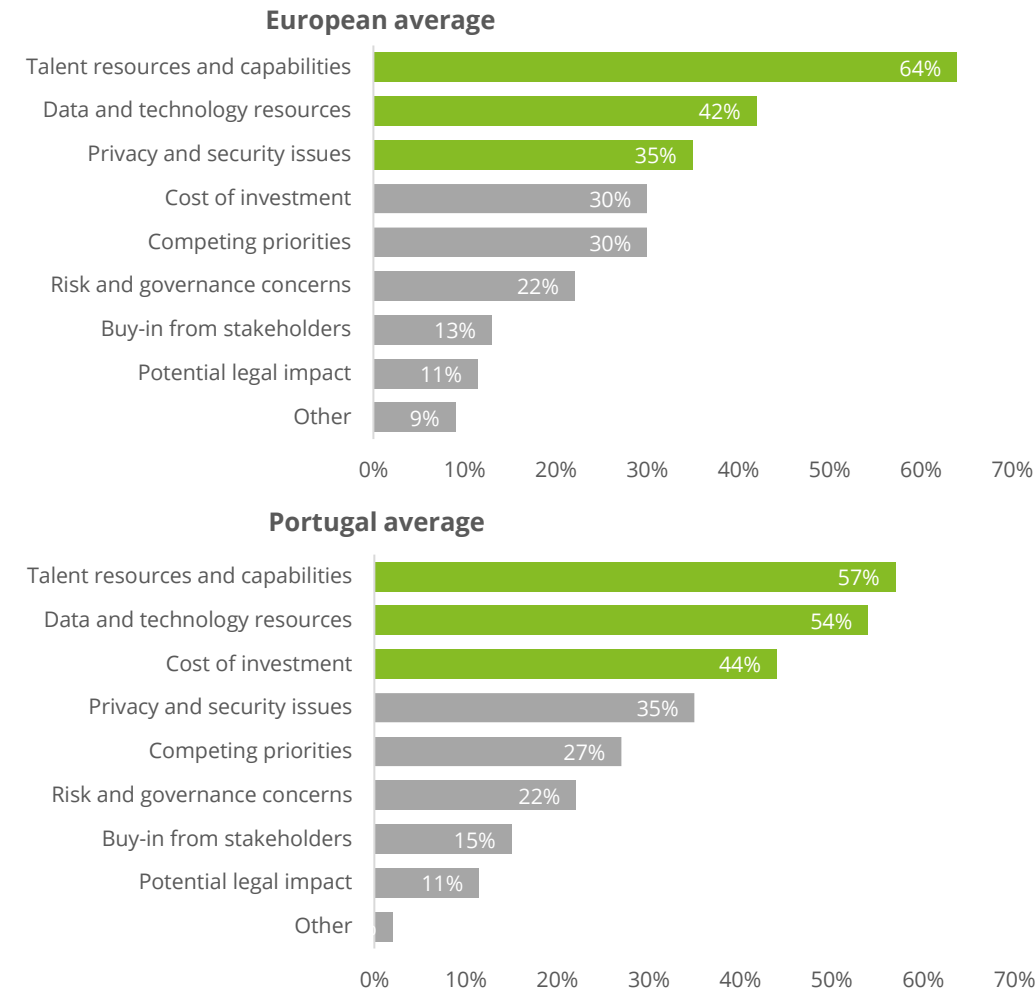


# 6. Generative AI enters businesses

One reason for the slow adoption of generative AI may be the lack of human and technological resources. Sixty-four per cent of CFOs report that talent, resources and capabilities are the main barriers to adopting and deploying generative AI. Businesses are having a hard time finding professionals with the right skills. Data and technological resources are also an issue for many respondents (42 per cent), next to privacy and security issues (35 per cent). For Portugal's CFOs, the greatest barrier is also the lack of available talent and capabilities. Furthermore, CFOs in Portugal also consider that data and technology resources constrains is a relevant barrier to adopting and deploying generative AI in their businesses. Another big issue for Portugal's CFOs is the cost of investment that this kind of technology might require.

Overall, the investment in generative AI by European businesses is still relatively modest. The majority (67 per cent) expect to allocate less than 1 per cent of their organisation's budget to generative AI over the next year. Almost one-third of companies are committing more and planning to spend up to 5 per cent of their budget already. Again, corporates in business and professional services as well as in technology, media and telecommunications are more ready to spend on generative AI.

**Figure 13 and 14.** Question asked: What are the three greatest barriers your organization might face in adopting and deploying GenAI?



## 7. Conclusion: A difficult winter foreseen, again.

The autumn picture is both clear and gloomy. Europe's CFOs see a challenging winter ahead. Inflation is still elevated and interest rates at levels that are, historically, normal rather than particularly high, but from the rock bottom, near-zero rates of the previous decade and a half. Consumers are struggling with spiralling costs, and CFOs face the same problem: they too are now focusing on major efforts to reduce costs – rather than planning to invest, hire staff and expand. As was the case last autumn, when the Ukraine conflict brought Europe the threat of energy shortages, CFOs are uneasy about the winter that lies ahead and about the risks to economic growth. Their mindset is therefore cautious.

With generative AI, many see the potential to help them reduce costs and improve their business performance in general. Yet, most are still in preparation mode. If competitors find benefits in using generative AI and steal a march on them, they will be swift to join the new trend – provided they can find staff with the knowledge required. If generative AI expands rapidly, competition for the respective skills will become intense.

Would this winter, like the last one, prove less difficult than feared? That might be possible if inflation falls, interest rate hikes cease and consumers spend more freely than expected. An end to the Ukraine conflict and an alleviation of geopolitical tensions generally would also help, but the latest developments in the Middle East are a discouraging setback. As was the case this year, the spring may see CFOs in a more positive mood. Much will depend on how consumers and the economy as a whole weather the impact of the inflationary shock of the past year.



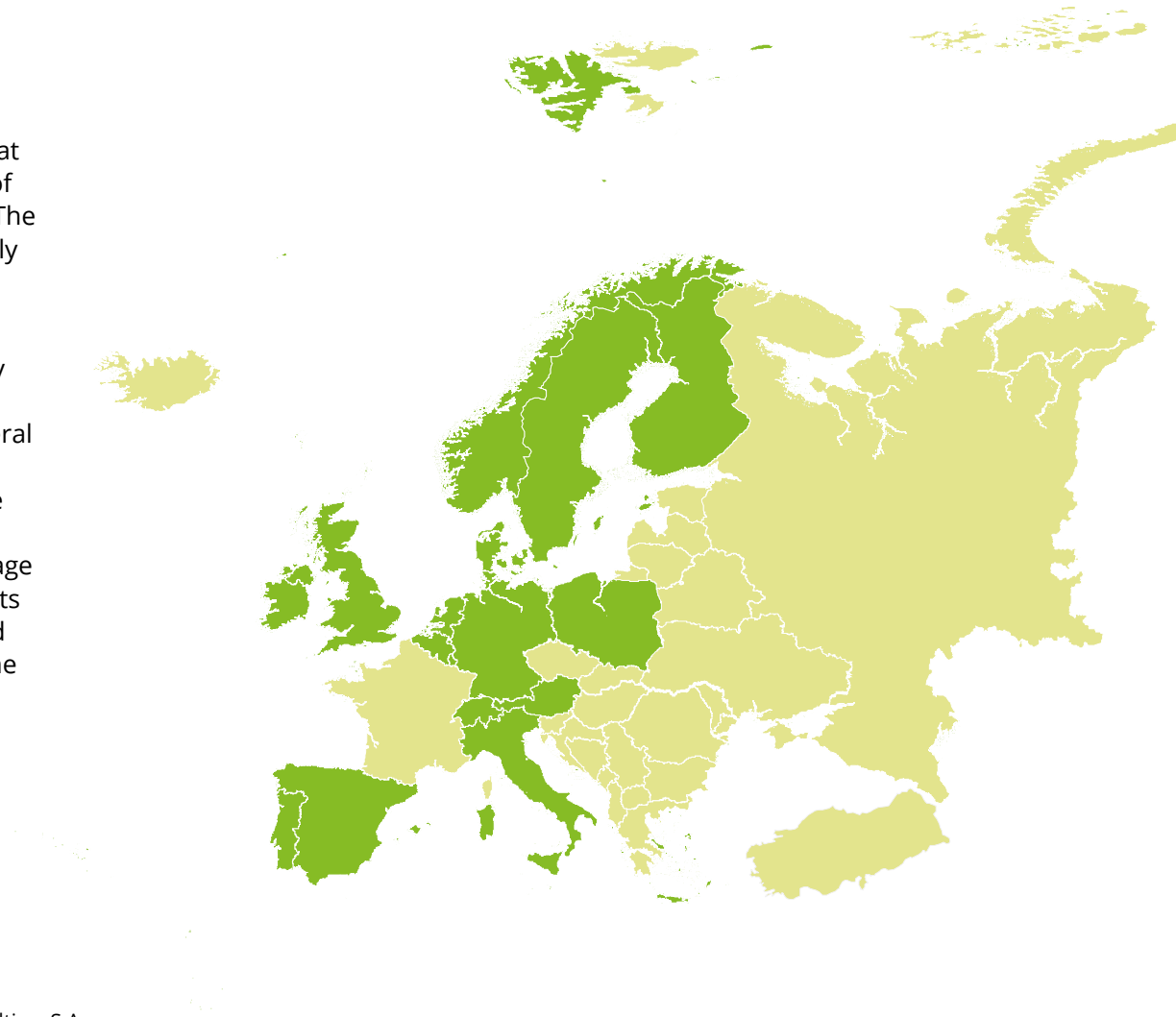
# Geographical spread

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



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