



# KPMG 2022 CEO Outlook



The KPMG 2022 CEO Outlook reveals that 58 percent of leaders expect a forthcoming recession to be mild and short and 14 percent identify a recession as the most pressing concern today, up slightly from early 2022 (9 percent). More than 8 out of 10 (86 percent) CEOs anticipate a recession to hit over the next 12 months. Additionally, 71 percent anticipate it will impact company earnings by up to 10 percent over the next year.

However, most CEOs (71 percent) at the world's largest businesses are confident about the global economy's growth prospects over the next 3 years (up from 60 percent in early 2022) and 85 percent are confident about their company's growth over the next 3 years. Senior executives also feel markedly more confident about the resilience of the economy over the next 6 months (73 percent) than they did in February (60 percent), when KPMG surveyed 500 CEOs for its CEO Outlook Pulse survey.



## Additional findings

- ▶ **Individual corporate growth confidence remains steady:** As companies continue to navigate the changing landscape resulting from the COVID-19 pandemic, 85 percent of senior executives report positive growth expectations in 2022; steady from early 2022 and down slightly from 2021 (87 percent).
- ▶ **Yet pandemic fatigue and the economic climate remain CEOs' top concerns:** CEOs still count the COVID-19 repercussions among their top concerns, with pandemic fatigue remaining steady as their biggest worry (15 percent). Economic factors like interest rates, inflation and an anticipated recession are also rising concerns for among 14 percent of CEOs, up from 9 percent in February 2022.
- ▶ **Despite hopes for a short recession, it will still disrupt businesses' bottom lines:** 86 percent of CEOs expect a recession over the next 12 months. While the majority (58 percent) expect it to be mild and short, 73 percent believe a recession will disrupt anticipated growth over the next 3 years. Three-quarters (75 percent) also believe a recession will make post-pandemic recovery harder, with 71 percent anticipating it will impact company earnings by up to 10 percent over the next year.
- ▶ **Businesses take steps to brace for a recession:** Three-quarters (76 percent) of respondents have already taken precautionary steps to limit recession-driven disruption with nearly 40 percent having implemented a hiring freeze and 34 percent having considered downsizing their headcount. Nearly half (46 percent) are also considering downsizing over the next 6 months, however, the three-year view is more optimistic with only 9 percent expecting a reduced headcount.
- ▶ **Growing recognition of link between ESG, financial performance and digital investment:** 45 percent of CEOs agree that progress on ESG improves corporate financial performance, an increase from 37 percent just 1 year ago. Seventy-four percent agree that their organization's digital and ESG strategic investments are inextricably linked.
- ▶ **Stakeholders expect more from ESG:** Demand for increased ESG reporting and transparency is growing among stakeholders, according to 69 percent of senior executives (58 percent in 2021). When asked what their top challenge in communicating ESG performance, more than one-third (38 percent) of CEOs say their organizations struggle to articulate a compelling ESG story. In addition, nearly one-fifth (17 percent) indicated it was stakeholder skepticism around greenwashing, up from 8 percent in 2021.

- ▶ **Evolving focus toward technological and reputational risks:** Emerging and disruptive technology has landed as the top risk to business growth over the next three years. Reputational risk has jumped to second, with CEOs sharing their responses to geopolitical challenges in the survey.
- ▶ In addition, CEOs have identified several other areas as top risks to growth: reputation, regulatory and operational issues, and climate change.

- ▶ **Geopolitical tensions drive cyber attack fears – and proactive plans:** Cyber security has dropped from the top 5 risks to growth over the past year, though 73 percent of senior executives state that geopolitical uncertainty is raising concerns of corporate cyber attacks, compared to 61 percent in 2021. Nearly three-quarters of organizations (72 percent) have a plan in place to deal with a ransomware attack, compared to 65 percent in 2021. However, more CEOs recognize that they are under-prepared for a cyberattack with nearly a quarter (24 percent) admitting so in 2022, compared to 13 percent in 2021.



## CEO confidence in longer-term economic growth rises despite recession concerns, while organizational growth remains steady

Seventy-one percent of global CEOs are confident about the growth prospects of the global economy over the next 3 years, up from 60 percent in February 2022. And confidence in individual corporate long-term growth remains steady at 85 percent, compared to 87 percent in 2021.

### Outlook on growth prospects for *the global economy* over the next 3 years

	August '22	February '22	August '21	February '21
<b>Confident</b>	71%	60%	60%	42%

### Outlook on growth prospects for *their company* over the next 3 years

	August '22	February '22	August '21	February '21
<b>Confident</b>	85%	85%	87%	88%

On M&A, global CEOs have said that their three-year appetite for deal activity is higher (47 percent) than when asked earlier this year (23 percent) and has rebounded from pre-pandemic levels (34 percent in 2019).

Meanwhile, CEOs are divided on how best to achieve growth over the next 3 years. Given numerous uncertainties and increased tensions, particularly the war in Ukraine, almost one quarter of CEOs are increasing measures to adapt to geopolitical issues.

### Top operational priority for achieving growth objectives over the next 3 years

	August 22'	August 21'
<b>Advancing digitization and connectivity across the business</b>	25%	26%
<b>Employee value proposition to attract and retain the necessary talent</b>	25%	19%
<b>Increasing measures to adapt to geopolitical issues</b>	21%	*not asked in August 2021
<b>Inflation proofing capital and input costs</b>	19%	13%
<b>Execution of ESG initiatives</b>	10%	15%



## Economic factors and pandemic fatigue among CEOs' most pressing concerns

More than 8 out of 10 (86 percent) of global CEOs anticipate a recession within the next 12 months. Even as 58 percent believe it will be mild and short, those surveyed still expect a recession to cause disruption. Most CEOs (75 percent) say that an economic downturn will make post-pandemic recovery more challenging, and it would constrain anticipated growth over the next 3 years (73 percent). Seventy-one percent of CEOs predict a recession will impact company earnings by up to 10 percent over the next 12 months.

The continued uncertainty around the pandemic remains top of mind for the C-suite, with 15 percent naming it as their number one concern right now (steady from early 2022). Meanwhile, expected recession impacts — including the threat of rising interest rates and inflation — have contributed to the economy moving up the list of CEOs' most pressing concerns. Fourteen percent say it is the biggest worry for them today, up from 9 percent in early 2022, when regulatory concerns topped the list.



## Attitudes toward supporting and attracting talent are changing

With a recession looming, 39 percent of CEOs have already implemented a hiring freeze, and 46 percent are considering downsizing their workforce over the next 6 months. However, the 3-year view is more optimistic with only 9 percent expecting a further reduced headcount.

However, many CEOs still view attracting and retaining talent as a top operational priority to achieving 3-year growth objectives (25 percent, up from 19 percent in 2021).

Some questions remain around a rush to 'return to normal'. While nearly half (49 percent) of CEOs say remote or

hybrid work has had a positive impact on collaboration and innovation, 65 percent envision workers working in the office full-time in three years, with 28 percent saying hybrid, and 7 percent fully remote.

When faced with describing their main barrier to achieving net zero — or similar ambitions — having the right tools, skills and talent in place is becoming more important. Sixteen percent of CEOs said that a lack of skills and expertise was their main barrier in February 2022, that has now increased to 22 percent.



## Uncertainty fueling long-term digital transformation

Emerging technology has become the top risk to growth for the next 3 years. This may be driven by heightened awareness of cyber security threats, exacerbated by geopolitical uncertainty, which 7 out of 10 CEOs (73 percent) say is raising concerns of corporate cyber attacks.

While cyber security risks haven't remained a top concern for global CEOs, the cyber environment is evolving. Seventy-seven percent say their organization views information security as a strategic function and as a potential competitive advantage.

### Top risks to organizational growth over the next 3 years

#### August '22

1. Emerging/disruptive technology\*
2. Operational issues
3. Regulatory concerns
4. Environmental/climate change
5. Reputational Risk

#### February '22

1. Cyber security
2. Regulatory concerns
3. Tax
4. Emerging/disruptive technology\*
5. Supply chain

#### August '21

1. Cyber security
2. Environmental/climate change
3. Supply chain
4. Emerging/disruptive technology\*
5. Regulatory concerns
6. Operational Issues

\* Emerging or disruptive technology: technological advancement disrupting market or company, including flows of data (IP)

Additionally, nearly three-quarters of organizations (72 percent) have a plan to handle ransomware attacks and generally. However, more CEOs are recognizing that they are under-prepared with nearly a quarter (24 percent) admitting so in 2022, compared to 13 percent in 2021.

Competitiveness and talent recruitment obstacles appear to be driving CEOs to continue to focus on digital transformation. Seventy-two percent say that they have an aggressive digital investment strategy in place to secure fast-mover or first-follower status. Twenty-five percent believe that advancing their digitalization and business connectivity is crucial in achieving three-year growth objectives.

However, CEOs have shifted digital investment priorities from 1 year ago, with more resources dedicated to prioritizing people investment instead of digitalization when pursuing growth. Fifty-six percent say they are placing more capital investment in buying new technology than they are in developing workforce skills and capabilities (44 percent).



## Stakeholder pressure increasing ESG accountability

Global CEOs recognize the importance of ESG initiatives to their businesses, especially when it comes to improving financial performance and driving growth. Forty-five percent of CEOs agree that progress on ESG improves corporate financial performance, an increase from 37 percent just one year ago. However, as economic uncertainty continues, half are pausing or reconsidering their existing or planned ESG efforts in the next 6 months, and 34 percent have already done so.

Seventy-two percent also believe that stakeholder scrutiny of ESG issues — gender equality, climate impacts etc. — will continue to accelerate. Sixty-nine percent report that stakeholder demand for increased reporting and transparency on ESG progress has intensified, compared to 58 percent in 2021, while increasingly acknowledging the pace of change is moving too slowly (68 percent in August 2022 compared to 52 percent in February 2022).

## Notes to Editors:

## About KPMG's CEO Outlook

The 8th edition of KPMG CEO Outlook, conducted with 1,325 CEOs between 12 July and 24 August 2022, provides unique insight into the mindset, strategies and planning tactics of CEOs not only comparable to pre-pandemic to today, but also from KPMG's CEO Pulse Survey conducted between 12 January and 9 February 2022 with 500 CEOs.

All respondents have annual revenues over US\$500M and a third of the companies surveyed have more than US\$10B in annual revenue. The survey included leaders from 11 markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology, and telecommunications). NOTE: some figures may not add up to 100 percent due to rounding.

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