Press Release

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CFO Survey: potential economic downturn the number-one worry – stronger focus on cyber-security

As recently as the spring, CFOs were still optimistic about the prospects for the economy. This positive attitude has now evaporated. CFOs view the economic outlook for Switzerland and its major trading partners much more negatively than before. The outlook for companies has also worsened since the spring, as Deloitte's latest CFO Survey shows. A weak economy is now top of the list of worries, followed once again by labour shortages and inflation. Cyber-security is also back on the agenda, returning to the top 10 risks for the first time in two years.

As the temperatures fall, the Swiss economy is also cooling. At least, this is what CFOs in Switzerland are expecting to happen, as revealed in a recent survey by the audit and consulting company Deloitte. The CFOs surveyed view the economic outlook for Switzerland and its major trading partners much more negatively than before, with 22 per cent expecting an economic downturn (*see Figure 1*). Nevertheless, 41 per cent of the respondents are still anticipating further economic growth (spring 2023: 57% positive or very positive, 8% negative). Switzerland is faring comparatively well. Expectations are considerably more pessimistic for its trading partners Germany (65% negative or very negative; spring 2023: 37% negative or very negative) and China (65% negative or very negative; spring 2023: 24% negative or very negative). Growth forecasts for China have already been falling sharply for a year. The CFOs surveyed are slightly more positive about the US, Switzerland's most important export market (41% positive or very positive versus 27% negative). Here, too, however, positive expectations are down by 15 per cent compared with the spring.

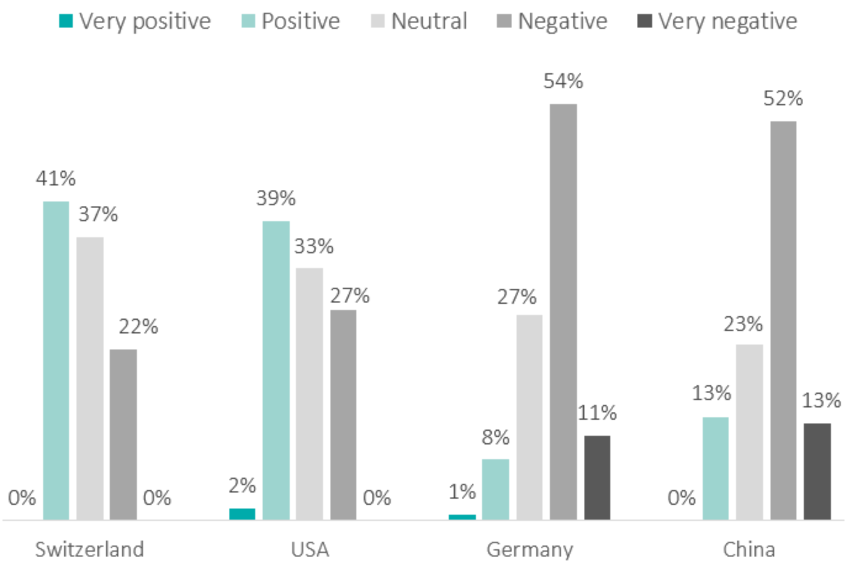

***Figure 1**: Economic expectations for Switzerland and its major trading partners*

Alongside the bleaker outlook for the economy as a whole, companies also view their own prospects more negatively, although expectations remain positive overall. Half of the respondents (50%) were optimistic about their company's future. However, this figure has declined since the spring, when 62 per cent still rated the outlook for their company as positive. This trend is corroborated by the question about priorities for the next six months – cost management is clearly the number-one focus.

Weak demand is the biggest corporate risk

Among the CFOs surveyed, the list of concerns was dominated by three risks, with only slight shifts in comparison with the spring 2023 results. A possible economic downturn is now the number-one worry (*see Figure 2*). There was no change from the previous survey with regard to labour shortages. A robust employment market with strong demand for labour offers a certain degree of protection against an economic slowdown. A potentially looming economic downturn coupled with a simultaneous labour shortage is thus an unusual combination. Even though price rises have slowed in recent months, worries about persistent inflation remain in third place. The CFOs' expectations for inflation have also declined. They anticipate inflation of 1.7 per cent in two years' time. In spring 2023, the rate still stood at 2.2 per cent. The current trend with its upcoming price increases – such as for rent and energy costs – shows that the danger isn't over yet, and the economic situation remains unstable. It is also interesting to note that the CFOs ascribe much less importance to geopolitical risks than they did in the spring (down from first place six months ago to 10th on the latest list). However, the most recent geopolitical developments indicate that the situation is not likely to stabilise in the short to medium term – a fact that will continue to pose challenges and risks for companies.

“Weak demand, labour shortages, and inflation is an unusual combination, and it is clearly impacting corporate sentiment,” is how Alessandro Miolo, Managing Partner, Audit & Assurance and member of Deloitte Switzerland’s management team, explains the results of the latest survey. “Even though the Swiss market has proven to be stable and crisis-resistant in comparison with other countries, we must not rest on our laurels. The global economic uncertainties and the strength of the Swiss franc pose major challenges when it comes to securing future economic growth, the stability of our market and Switzerland’s long-term prosperity.”

1	Weak demand	3
2	Skills shortages	0
3	Inflation	0
4	Pressure on prices, costs and margins	7
5	Currency risks	4
6	Monetary policy / interest rates	0
7	Internal company problems	1
8	Financing difficulties	2
9	Cybersecurity	5
10	Geopolitical risks	-9

Figure 2*: Corporate risks from the perspective of Swiss CFOs*

Awareness of cyber-security growing
The focus on cyber-security is also increasing. It is now back in the top 10 list of risks for companies for the first time since 2021. This trend is attributable to the constant rise in the number of cyber-attacks on companies, many of which have serious consequences for business operations and result in ransom demands or blackmail attempts. The swissVR Monitor survey of board members conducted by Deloitte in the spring and summer revealed that 45 per cent of companies with over 250 employees had already fallen victim to a cyber-attack at least once. The greater significance now accorded to this issue suggests that awareness of this acute problem has increased among the CFOs surveyed.

“Cyber-security is back in the top 10 risks, mainly on account of the increasing threat level. Companies and CFOs are also worried about the potential costs associated with attacks, especially where they result in business interruptions. Nowadays, this issue must be a core element of every company’s risk evaluation process. Fortunately, many businesses have already realised this,” says Alessandro Miolo.

Generative AI: highly relevant for financial forecasts and prevention
In addition to the general economic prospects and risks, the CFOs were also asked about uses for generative artificial intelligence (AI). Very few companies (8%) categorically ruled out the use of generative AI. The survey showed that most businesses were only just getting started when it came to integrating AI, with 23 per cent of the participating CFOs stating that their company was currently experimenting with AI. The vast majority intend to wait for the time being or at least watch what their competitors do.

A lack of personnel was cited as the biggest obstacle to the integration of generative AI into existing work processes – personnel capacities were already fully used up by day-to-day operations or the need to adapt to new market conditions. The CFOs surveyed did indicate, however, that they saw a lot of potential in generative AI. Over 60 per cent of the respondents felt that generative AI would be highly useful for drawing up financial forecasts or preventing fraud and abuse, for example. According to the survey, CFOs also expect that AI will be implemented to a high degree in the analysis of financial reports or for cost optimisation purposes.

“Generative AI has enormous potential, but only a few companies have adopted it so far. The gap between the high potential and the low adoption rate provides a clear opportunity to gain a competitive advantage. Companies should not wait to see what their competitors do. Rather, they should start implementing and testing generative AI applications straight away. But they should not overlook the risks, either, such as data protection and data security, intellectual property rights and the quality of the AI results,” explains Miolo. ‟If they are able to implement AI successfully, companies will transform a ‘let’s not get left behind’ situation into an advantage over their competitors.”

About the survey
The 46th Deloitte CFO Survey in Switzerland was conducted online between 5 and 29 September 2023. A total of 131 CFOs participated, representing listed companies as well as privately owned firms from every major sector of the Swiss economy. The European CFO Survey is conducted in 17 countries, including Switzerland. The results of the country surveys are aggregated. A note on the methodology: Some of the charts in the survey show results as an index value (net balance). This is calculated by subtracting the percentage of respondents giving a negative response from the percentage giving a positive response; responses that are neither negative nor positive are deemed to be neutral. Because of

rounding, percentages may not add up to 100. To improve readability, only questions related to the current financial and economic situation have been included in the published survey.

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