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Press release

Zurich/Geneva, 21 March 2022

War in Ukraine: Swiss companies do not see a recession coming yet

Swiss companies appear unfazed by the war in Ukraine and the widespread sanctions against Russia and Belarus. This is despite the fact that they rate geopolitical uncertainty in connection with the war as the greatest risk in the next 12 months and are also concerned about inflation, supply chains and energy prices. Most of the 99 CEOs surveyed by Deloitte since 1 March still expect the economy to grow over the coming 12 months. The majority also remain optimistic about the financial outlook for their own companies. The proportion of companies expecting employee numbers to increase has even risen since the autumn. The Swiss economy is proving very resilient after the coronavirus pandemic. However, the upturn and optimism since the COVID restrictions were lifted are being severely subdued, and the situation could change quickly depending on how the war unfolds.

Almost half (46%) of the CFOs surveyed at Swiss companies still believe that the Swiss economy will continue to grow in the next 12 months. Although the proportion has nearly halved since Deloitte's last CFO survey in September 2021, it is still more than twice as high as the proportion of those expecting a slump in growth (22%). The CFOs surveyed are currently less worried about their own company than they are about the performance of the economy in general. More than half (57%) have a positive outlook for their company for the next 12 months, and only around 15% are expecting the financial situation to deteriorate.

The other corporate KPIs assessed in the Deloitte CFO survey are also still positive overall. The majority of respondents (64%) are still expecting sales to increase; however, the figure six months ago was considerably higher (79%). Similarly, the number of CFOs expecting an increase in general investments and in expenses such as marketing and travel is still higher than those expecting a decrease. The only area with a less positive outlook is operating margins, where the number of CFOs with an optimistic and a pessimistic outlook is roughly equal. Inflation is likely to be a major reason for this.

Upturn subdued by the war

"Switzerland emerged from the coronavirus crisis faster than many other OECD countries. Swiss companies already learned during the pandemic how to deal with supply chain problems. And they are no longer surprised by the rising inflation rates in the US and the EU either," explains Deloitte CEO Reto Savoia. "That's why I believe that, although the war in Ukraine will slow down the post-pandemic recovery, the Swiss economy will continue to grow this year."

The widespread lifting of COVID restrictions a month ago gave the Swiss economy an additional boost. However, this has almost completely fizzled out again since Russian troops invaded Ukraine. Along with the war, CFOs of companies in Switzerland see inflation as the greatest risk (see chart).

Chart: How Swiss CFOs assess the risks for their company. (* "Internal challenges" covers a range of different challenges, such as strategy implementation, project management, succession planning, etc.)

This applies not least to the input prices that companies have to pay for energy, raw materials, intermediate goods or services. Almost half of the survey respondents (42%) expect input prices to increase by 5% or more. Over a third (36%) of those expecting input prices to rise believe that they can pass on most of the increase to their customers. At the same time, CFOs are not expecting consumer prices to increase significantly in their own country. They believe consumer price inflation will amount to 2.0% over the next two years.

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Inflation worries and supply chain problems
"Inflation is back, including in Switzerland. Nevertheless, Swiss companies are showing their resilience. Although their margins are taking a hit, many companies are very well positioned to counter the rise in prices. The strong Swiss franc is not as big a burden on the export economy as it was a few years ago," explains Alessandro Miolo, Managing Partner for Audit & Assurance at Deloitte Switzerland.

In terms of what CFOs perceive as the greatest risks, supply chain problems may have been overtaken by the current war in Ukraine and by inflation in the major Western economies, which is proving to be persistent, but they still present a considerable challenge for many Swiss companies. Most companies (77%) say they are being at least slightly affected by supply chain problems, while 16% report being heavily affected. A total of 68% of those affected are having to pay noticeably more for raw materials and intermediate goods. Around half (52%) report higher transport costs – a consequence of rising energy prices and various logistics problems. Almost the same proportion of CFOs (40%) complain that intermediate goods are not being delivered on time, while almost one in four (24%) say intermediate goods are no longer available.

War in Ukraine the great unknown
On the other hand, cancellation of orders by customers is hardly a problem, and fewer CFOs perceive weak demand as a risk than did in the autumn. "The war in Ukraine does not appear to have had a negative effect on consumer sentiment so far in Switzerland. However, if the war goes on much longer, or even escalates or spreads, people will become more cautious again and might hold off from booking holidays or making major purchases. Persistent inflation would also put a strain on household budgets," says Reto Savoia. "Added to this is the fact that the economic indicators for our most important trading partner, Germany, are also looking less positive. It therefore remains to be seen in the coming weeks and months whether the economic upturn in Switzerland will continue or whether we will slip back into a recession."

About the study:
The survey aims to gauge the views of chief financial officers (CFOs) and heads of finance at relevant companies about business prospects, financing, risks and strategies, as well as identifying trends and turning points at Swiss companies. The CFO Survey is the only survey of its kind in Switzerland and has been conducted semi-annually since autumn 2009. The current 43rd survey on the first half of 2022 was conducted from 1 to 21 March. A total of 99 CFOs took part. The participants represent both listed and private companies and come from all relevant sectors of the Swiss economy. Due to the current situation, we have brought forward the publication of particularly time-critical survey results. The main report with the other results will follow at the start of April.

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