

## Press release

Zurich/Geneva, 18 November 2019

### Deloitte CFO Survey: Fear of falling margins and no end in sight for negative interest rates

**CFOs of Swiss companies expect increased pressure on their margins and a weakening economy. According to the latest Deloitte CFO Survey, just under half of the companies expect higher sales for the coming year – six months ago, that figure was more than two thirds. Uncertainty is rated as particularly high in Germany and the UK, which is putting pressure on all of Europe: Expectations for margins, investments, and staffing levels have all turned negative. The majority of Swiss CFOs even expect a recession in the Eurozone. And fewer and fewer are expecting negative interest rates to end anytime soon.**

The 103 CFOs surveyed in September by professional services firm Deloitte expect weak economic growth for Switzerland. Expectations fell for the third time in a row (see Fig. 1); 17% even anticipate a recession. Sales expectations are falling in almost every country in Europe. In Switzerland, well over half (54%) of CFOs still expect revenues to rise, but this figure was significantly higher (69%) one year ago. Switzerland continues to rank among the more optimistic of countries. However, more CFOs are already anticipating a decline in margins than an increase, turning margin expectations negative for the first time since 2017 (net balance -5%).

The still-strong Swiss franc and the more difficult foreign trade environment currently pose the greatest challenges for Swiss companies. Digitisation is not only the solution most frequently mentioned by CFOs for these challenges, but also by boards of directors, as our [current swissVR Monitor](#) shows. "Swiss companies are preparing for stormier times. But at the moment they are far better off than most other European

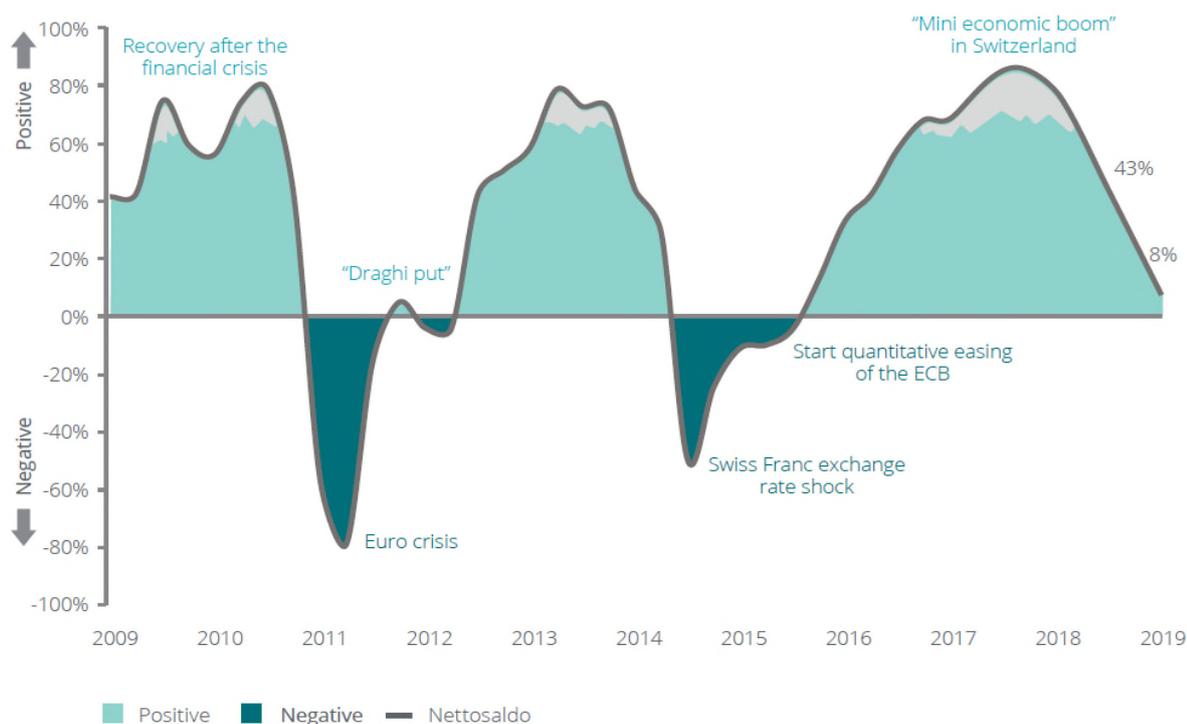


Fig. 1. Share of CFOs rating Switzerland's economic prospects over the next 12 months as positive/negative

countries and shouldn't avoid holding back on investments", explains Alessandro Miolo, Managing Partner Audit & Assurance who also leads Deloitte's CFO Programme.

In addition, a slight majority of CFOs are assuming that staffing levels will fall: 35% expect their company to employ fewer people within a year, though 30% expect more employees. The outlook for employment numbers has deteriorated almost everywhere else in Europe. "A weakening labour market dynamic and, in particular, rising unemployment figures would have a considerable impact on the economy. This is particularly true in Switzerland, where private consumption is a reliable pillar of the economy," warns Alessandro Miolo.

### High uncertainty paralyzes companies

50% of Swiss CFOs consider their own company's financial prospects for the next 12 months as positive; however, this is a clear decline compared to the record high of 70% set in fall of 2018. Two thirds (67%) of CFOs in Switzerland consider the uncertainty in their business environment to be high, compared to a record low of 40% a year ago. In almost all countries surveyed, CFOs rated uncertainty as high, especially in Germany (95%) and the UK (96%).

Risk appetite has declined sharply in all countries surveyed. Germany (8%) and the UK (7%) prove particularly risk-averse. In Switzerland, only 19% of CFOs are prepared to take more risks on their balance sheets, which marks the third consecutive decline. "Too defensive an attitude is a problem, because entrepreneurial activities and innovation always entail risk. Companies have to undertake some risk despite the weakness of the economy. Otherwise, there is a danger of weakening the power of innovation and change over the long term," explains Miolo.

### Currency risks and negative interest rates

The renewed strength of the Swiss franc is weighing on the CFOs of Swiss companies. It is the risk most frequently mentioned. In the last survey, currency risks were in ninth place.

"Our strong currency also reflects increased geopolitical risks and trade disputes. The Swiss franc is needed as a safe haven. Although they are risk-averse and do not plan large investments, the majority of CFOs want to tackle the difficult situation with expansive strategies: Growing by their own efforts, investing in digital technologies, launching new products and conquering new markets", explains Michael Grampp, Chief Economist at Deloitte Switzerland.

The CFOs see no end to the low interest rate policy. Almost two thirds (65%) expect the SNB's key interest rate to remain negative in two years' time, compared with only 41% six months ago. A good 12% even expect a further drop in already historically low key interest rates. Swiss CFOs are also assuming an almost unchanged Swiss franc exchange rate against the euro, paired with moderate inflation.



Fig. 2 Risks for companies for the next twelve months from the point of view of Swiss CFOs. The triangles and the numbers in them show the change compared to the spring survey.

"Political disputes over the interest rate policy are likely to intensify further – both in Switzerland and in the Eurozone. The exit from the current interest rate environment was missed and will be difficult in the foreseeable future given the deteriorating

economic outlook. The long-term effects on the economy and society of this unprecedented situation are thus becoming increasingly unpredictable," explains Michael Grampp.

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#### **About the Deloitte CFO Survey**

The Deloitte CFO Survey gauges the attitudes of Chief Financial Officers (CFOs) and Group Finance Directors of major companies in Switzerland towards the outlook for business, financing, risks and strategies. It is designed to identify tendencies and trend reversals in the Swiss corporate sector. The Swiss CFO Survey is the only survey of its kind in Switzerland and has been conducted half-yearly since 2009. The 37th survey for the first half of 2019 was conducted from 27 August to 30 September 2019. A total of 103 CFOs participated, representing listed companies as well as privately owned firms from every major sector of the Swiss economy.

Deloitte conducts CFO surveys worldwide in more than 60 countries. Since 2015, results from 20 European countries are compiled into a [single report](#). This edition presents the results for selected questions and countries.

You can find the complete results of the [Deloitte CFO Survey](#) online.

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