Press Release

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CFO Survey: Swiss businesses upbeat despite political risks, but expect employee numbers to fall

There has been a marked change in mood among Swiss CFOs: 56 per cent anticipate a positive trend for the Swiss economy over the next 12 months, representing an increase of 15 percentage points compared to autumn 2023. This is one of the findings from Deloitte's latest CFO Survey. CFOs are also optimistic about their own company's future, although more than a quarter expect the number of full-time equivalents in their business to fall. The CFOs are looking at key trading partners such as China and Germany with concern. Meanwhile, a host of geopolitical risks are right at the top of their list of worries.

The mood among Swiss CFOs appears to have brightened considerably, as indicated by the results of the latest CFO Survey conducted recently by the audit and consulting company Deloitte Switzerland. Over half of respondents (56 per cent) are either positive or very positive about the prospects for the Swiss economy over the coming 12 months (compared with 41 per cent in autumn 2023). Around 38 per cent are neutral in their expectations (see Figure 1). The outlook is thus reassuringly optimistic, albeit not euphoric. The CFOs are even more positive when it comes to the US, Switzerland's most important trading partner, with 59 per cent of them anticipating positive or very positive development for the US economy over the next 12 months (compared with 41 per cent in autumn 2023).

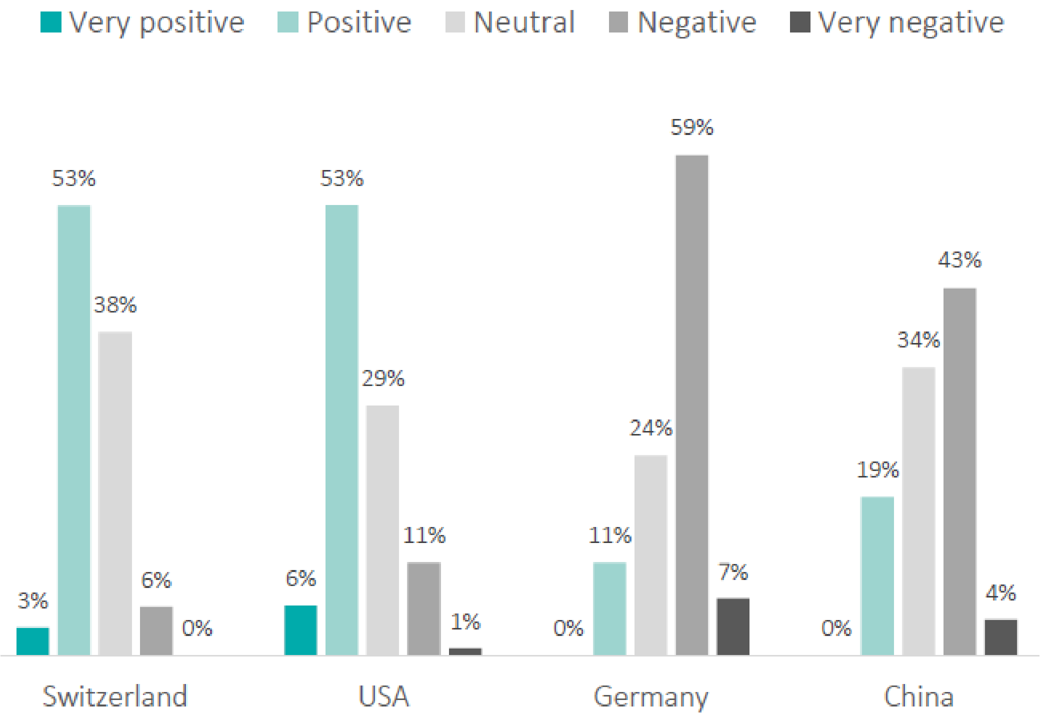

Figure 1: *Economic expectations for Switzerland and its most important trading partners*

These upbeat predictions are in stark contrast to expectations for the economic trend in Germany – Switzerland's second most important trading partner – and in China. The extremely downbeat mood is persisting in relation to Germany in particular, with 66 per cent of CFOs expecting negative or very negative economic development (compared with 65 per cent in autumn 2023). Although forecasts for China have improved somewhat, a large percentage (47 per cent) of the CFOs surveyed are anticipating either negative or very negative development there as well (compared with 65 per cent in autumn 2023). This indicates a certain trend of brightening prospects for Switzerland and some of its major trading partners, though the outlook for Germany remains virtually unchanged, that is very pessimistic.

"If the negative economic forecasts for Germany are borne out, Swiss exporters will have to focus more on other markets," says Alessandro Miolo, Head of Audit & Assurance at Deloitte Switzerland. "Companies need to develop flexible business models that can adapt swiftly to changing conditions. Having a proactive risk-management strategy underpinned by diversification and financial stability is key if we are to reduce our dependence on individual markets," he adds.

CFOs expect number of employees to fall

CFOs are generally optimistic not only with regard to the economy as a whole but also in relation to their company's own prospects. Half (50 per cent) of respondents are anticipating positive development for their business over the coming 12 months, with only 16 per cent adopting a pessimistic attitude. These figures are similar to those recorded in the autumn 2023 survey. The CFOs surveyed are also upbeat about their business's key performance indicators (KPIs), with 63 per cent anticipating sales growth and 39 per cent increased margins.

However, one significant exception stands out among these KPIs: 27 per cent of CFOs expect the number of full-time equivalents at their company to fall over the coming year, either through layoffs or by not filling vacancies. This is the second time in a row that this percentage has risen. Alessandro Miolo: "One reason why so many firms are expecting the number of full-time equivalents to fall is that they don't think they will be able to find suitable candidates to fill their vacancies within a reasonable amount of time. The labour shortage is still a big problem for many businesses. However, companies are also making increasing use of artificial intelligence and automation, leading to a lower willingness to hire and a shrinking workforce overall." This trend is also reflected in the latest figures published by the Swiss State Secretariat for Economic Affairs SECO, which suggest that the number of vacancies fell over the past year. SECO is also forecasting a slight rise in unemployment for 2024.

Geopolitical risks jump right to the top

With the Middle East conflict, the war in Ukraine, China-Taiwan tensions and the uncertain outcome of the upcoming US presidential elections, the sense that the world is becoming increasingly uncertain and insecure is also reflected in the barometer of companies' biggest worries. Geopolitical risks have shot up nine places (compared with autumn 2023) and now top the list. On the other hand, concerns relating to a weak economy and demand (2nd place) and to the labour shortage (3rd place) have eased slightly. Even though hiring intentions are set to decrease by autumn 2024, finding qualified staff within a reasonable amount of time remains a challenge for companies.

1	Geopolitical risks	9
2	Economic weakness/weak demand	-1
3	Skills shortages	-1
4	Regulation	11
5	Currency risks	0
6	Pressure on prices, costs and margins	-2
7	Internal company problems	0
8	Cybersecurity	1
9	Monetary policy/interest rates	-3
10	Supply chain problems/availability of commodities	1

Figure 2: *Risks facing companies from the perspective of Swiss CFOs.*

ESG regulations also a cause for concern

The issue of regulation, which is a source of concern for many CFOs, has also entered the top 10, coming straight in at number four. For the first time, respondents mentioned regulations associated with sustainability (environmental, social and corporate governance (ESG) reporting) in this context. "As well as requiring more time and effort to be spent on compliance, the increasing number and variety of regulatory requirements are also landing companies with extra costs," says Alessandro Miolo. "In particular, implementing and monitoring sustainability regulations calls for substantial resources and investment. The survey shows that this is forcing many CFOs to juggle significantly conflicting objectives, because they have to ensure compliance while also hitting their corporate targets. In this complex and extremely fast-moving regulatory landscape, it is therefore essential that companies establish a robust governance structure and keep abreast of the latest regulatory developments at all times in order to minimise risks and exploit opportunities," he adds.

The CFOs believe that the economic and monetary policy situation has stabilised. Although exchange-rate risks and interest rates still rank among the top ten concerns, the fear of persistent inflation has dropped out of the rankings. The CFOs are expecting inflation to be stable at an average of 1.5 per cent in 12 months' time and 1.4 per cent in 24 months' time, which is well below the 2 per cent threshold and thus indicates price stability.

About the Deloitte CFO Survey

The latest CFO Survey in Switzerland, the 47th in the series, was conducted online between 5 March and 5 April 2024. A total of 121 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 several countries, including Switzerland. The results of the individual country surveys are being aggregated and are expected to be published in May.

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