Media release

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Deloitte CFO Survey: Swiss economy needs to brace itself for challenging times

Swiss CFOs foresee a decline in the economic outlook for the first time in more than three years. The main reasons being looming international tensions and the potential impact of the Swiss franc increasing in value. These indicators must also give pause for thought in the international context. All this and more is revealed in the 35th edition of the biannual CFO Survey by Deloitte.

For the first time in more than three years, the economic mood among Swiss CFOs is becoming gloomier. Out of the 100 CFOs surveyed, 77% have a positive outlook in terms of economic growth. This represents a decline of 8 percentage points compared with the first half of 2018. Caution is called for: After the last three similar changes of mood, sentiment has declined twice.

Fig. 1 – Net balance of CFOs who provided a positive/negative assessment of the economic prospects for Switzerland over the next 12 months.

Signs that the level of growth appear to have peaked are also reinforced by the fact that over the last three months, the level of optimism among CFOs as to the financial outlook of their companies has fallen considerably. The net balance (optimistic minus pessimistic mentions) fell from 24% to a low but still positive 9%.

"The Swiss economy is still robust, although the major boom is over. Ongoing international trade disputes have rubbed off on Switzerland for the first time. Protectionist posturing emanating in particular from the two major powers, the USA and China, is fuelling uncertainty among our export-oriented companies," said Michael Grampp, Chief Economist at Deloitte Switzerland.

Trading partners are increasingly signalling unreliability

Overall, 40% of the CFOs consider the level of economic and financial uncertainties in Switzerland to be high. This result can be rated as optimistic. However, the perceived uncertainties lie primarily overseas. Almost half of the Swiss exporting companies (48%) anticipate facing major uncertainty.

Increasing political uncertainties among the traditional trading partners are perceived by CFOs as a major challenge for their own businesses. Compared with the first six months of the year, the perceived risks with regard to established partners in the USA (plus 26% to 77%), Italy (plus 20% to 64%) and China (plus 15% to 30%) rose dramatically. Less surprisingly, the Brexit-mired United Kingdom is also considered a risky trading partner by 64% of the CFOs. Relations with the two traditionally most important partners – Germany (11%) and France (7%) – are seen more positively.

The external perception of France is also reflected in the willingness of French CFOs to take risks. The European CFO Survey by Deloitte indicates that the French are most willing to take greater balance sheet risks. 45% consider the current time to be favourable. The surprising result also portrays the economic programme of French President Emmanuel Macron in a positive light – at least for now. Surprisingly, after France, the second country most willing to take risks is Switzerland (39%).

"Geopolitical uncertainties and protectionism are very relevant in the risk perception of Swiss CFOs. However, at the top of the list are internal company processes. For the first time, 'home-made' problems are seen as the top risk. Many companies are currently focusing so heavily on themselves that they are not concentrating on the challenges on the outside with plenty of enthusiasm. However, this is something they absolutely need to do," explains Alessandro Miolo, Lead Partner of CFO Programme at Deloitte, analysing the area of tension in which the CFOs are currently operating.

Curtailing exchange rate risks

In terms of the challenges relating to international business, Swiss companies are paying particular attention to the CHF/EUR exchange rate. Almost 60 per cent of the surveyed CFOs think that a stronger Swiss franc would have a direct negative impact on their companies. The average absolute limit for the EUR/CHF exchange rate as stated by the CFOs is 1.07.

Alessandro Miolo's stated, "Following the rise of the minimum rate in January 2015 and the initial shock, companies have in fact come to terms with the exchange rate situation. However, the CHF/EUR exchange rate currently is hanging over companies like the sword of Damocles. It's surprising that only slightly more than half of Swiss CFOs are limiting exchange rate risk using risk assessments or financial hedging. A do-nothing approach is currently not the right one for this issue."

Skills shortage keeping companies on their toes

Despite the declining trends with regard to positive outlooks, companies throughout Europe are still happy to invest, both on capex and recruitment. 39% of Swiss CFOs still anticipate an increase in investments in their 12-month outlook. This places Switzerland precisely at the European average. On the other hand, investment expectations in Turkey and the United Kingdom have plummeted because the political uncertainties there are too high.

42% of Swiss CFOs are confident that the number of employees will rise over the next 12 months. However, they perceive the access to qualified personnel as an increasing risk – a belief shared with the CFOs of most other European countries. The most frequently cited risk by our neighbours Germany and Austria is the shortage of skilled workers. Even against the background of priority being granted to Swiss nationals, it is highly likely that the 'war for talent' will continue within the German-speaking countries. People with appropriate technical knowledge and professional experience are sought after in particular.

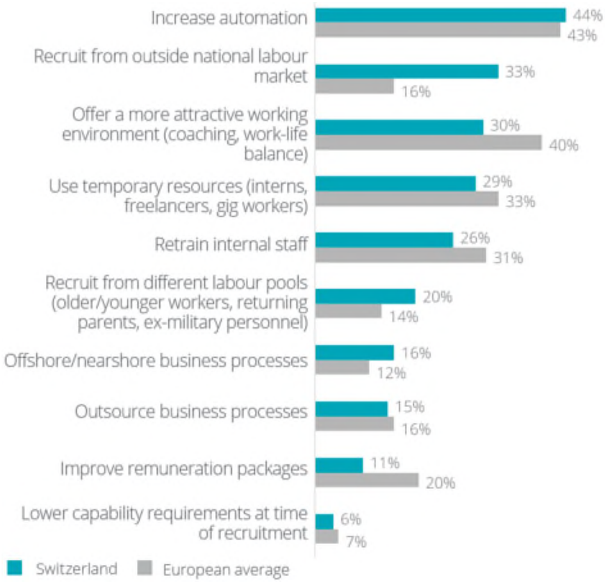

Fig. 2 – Use of measures at least to a large extent in order to counteract the lack of qualified workers.

"The demographic trend towards an ageing population and technological change will further aggravate the skills shortage in the long term. The fact that only 20% of recruitment measures are therefore focused upon other groups of workers, such as older people or those re-entering employment, is a strategic error," said Michael Grampp.

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➔ For more information on the biannual Deloitte CFO Survey, visit our website.

➔ For further insights and comments on the latest market developments, read our Banking and Tax blogs.

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About the Deloitte CFO Survey
The survey is aimed at capturing the evaluations of Chief Financial Officers and Heads of Finance at relevant companies with regard to business prospects, financing, risks and strategies, and at illustrating trends and turning points among Swiss companies. The CFO Survey is the only survey of its kind in Switzerland and has been conducted every six months since autumn 2009. The 35th survey on the final six months of 2018 was conducted between 29 August and 24 September 2018. A total of 109 CFOs took part. The participants represent companies listed on the stock exchange as well as privately owned businesses and come from all relevant sectors within the Swiss economy.

About the European CFO Survey
Deloitte conducts CFO surveys in more than 30 countries. Since 2015, the results of 20 European countries have been summarised in a joint report. In this edition of the report, the results are shown for selected questions and countries.

The European CFO Survey for the final six months of 2018 summarises the results of 1,373 CFOs from 20 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Russia, Sweden, Switzerland and Turkey. The survey was conducted between August and September 2018.

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