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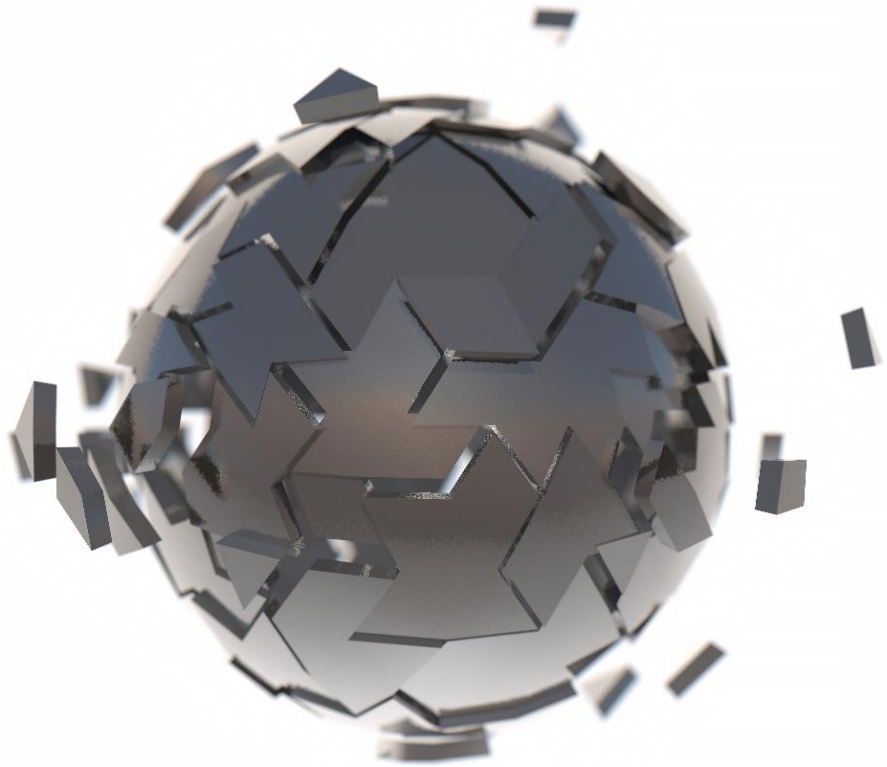


# The Deloitte CFO Survey

## Switzerland between recession and recovery

**Summer 2020 | Results of the short Swiss Survey**

MAKING AN IMPACT THAT MATTERS since 1845

# Contents



**About the Deloitte CFO Survey**
The 39th Swiss CFO Survey is a short survey of responses to the COVID-19 crisis and was conducted online between 4 and 18 June 2020. As the situation continues to evolve rapidly, we conducted this Survey in addition to our regular half-yearly surveys each spring and autumn.

Despite the exceptional circumstances, 87 CFOs participated, representing listed companies as well as privately owned firms from every major sector of the Swiss economy. We would like to thank all those taking part for their input.

**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. If you would like to receive information about unreported questions, please contact us.

# 1. Summary and key findings of the Swiss Survey

A majority of Swiss CFOs expect a lengthy U-shaped recession rather than a V-shaped recession with a rapid economic recovery. 55% expect a longer recession, with less than half that figure – 21% – expecting it to be shorter. 7% of CFOs think growth will remain weak for some considerable time.

CFOs believe the pandemic entails a number of risks. These are most likely to include an increase in protectionism and further moves towards 'glocalisation' (combining globalisation with localisation). Many CFOs also expect a second wave of the pandemic.

The financial outlook for companies is a little brighter than in the Survey for the 1st half-year 2020 but remains very gloomy. 65% of Swiss CFOs believe the outlook has deteriorated over the last three months, down slightly from 67% in the previous Survey.

A majority of CFOs believe that revenues will not return to pre-crisis levels before Q1 2021 at the earliest. Only very few companies will be hitting their 2020 targets for revenues and operating margins.

A possible second wave of the pandemic and a re-imposition of restrictions would be a major challenge for most companies: just over one-third (37%) of CFOs believe their company would struggle to cope with renewed restrictions, while 28% believe they would be able to cope with them.

Companies are putting a wide variety of measures in place to enable them to survive the crisis, most frequently cost-saving measures. Most are making use of alternative forms of employment, such as working from home or flexible working time arrangements. More than one-quarter are already considering how much physical office space they will need in future.

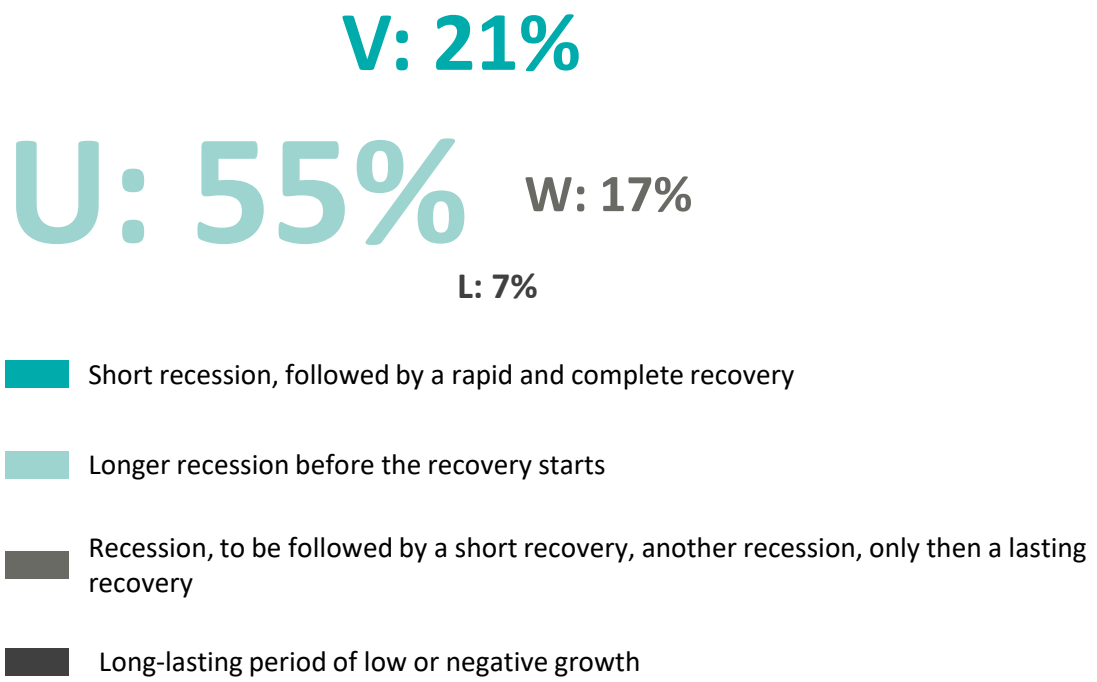
# 2. Economic outlook: no expectations for a rapid recovery

**Less than one-quarter of CFOs expect a V-shaped recession with a rapid recovery. The majority expect a lengthy U-shaped recession.**

A majority of Swiss CFOs do not believe that hopes for a short recession are realistic. Just 21% think there will be a rapid recovery from the current economic decline, with most expecting a lengthy U-shaped recession. The Swiss economy has been affected in a number of ways. The pandemic and the global measures to combat it have hit the export sector hard, but the domestic economy has also suffered as a result of the restrictions imposed by the Swiss government. Recession impacts both export-oriented manufacturing businesses and domestic-oriented service providers. However, the current strength of Switzerland's financial policy and the measures it has taken so far – especially in relation to short-time working – should help ensure that the economy is better placed than that of other countries to emerge from the crisis without further damage. For example, just 7% of CFOs believe that economic growth will remain weak for a considerable time.

**Chart 1. Expected form of the recovery**

What form of recession do you think is most likely in Switzerland?



CFOs believe the pandemic entails a number of risks. The most likely is an increase in protectionism and further moves towards 'glocalisation' (combining globalisation with localisation). This would make the global trade environment considerably more demanding and present companies with many challenges, affecting their international supply chains and location strategies for suppliers, production and customers.

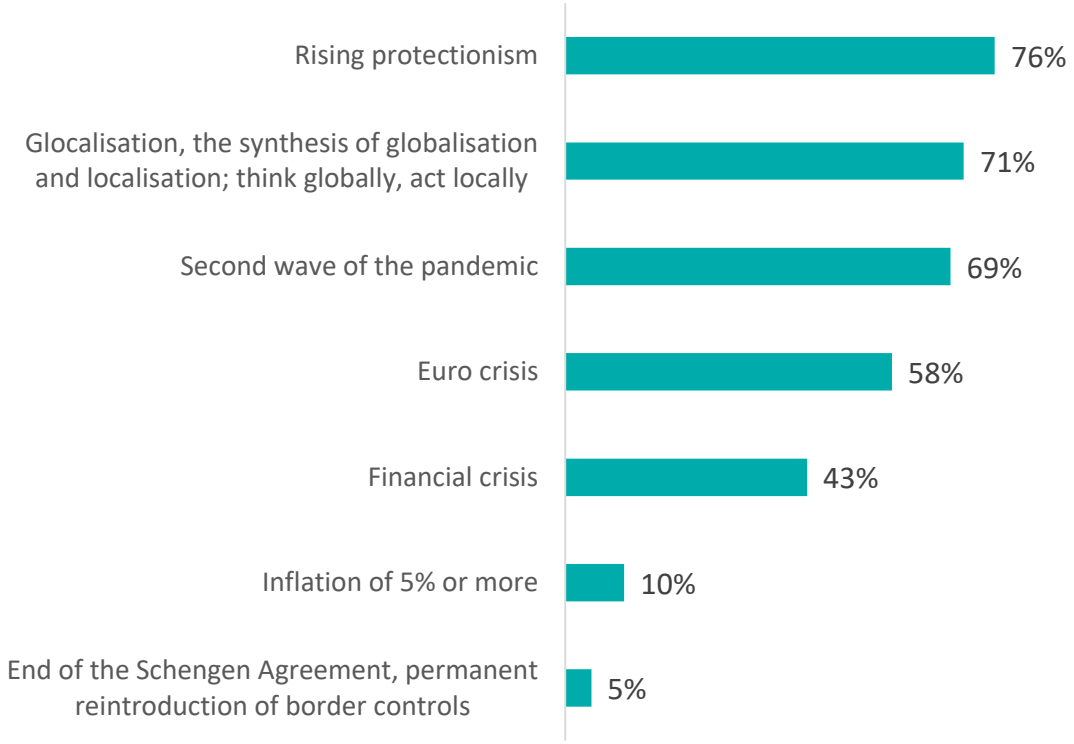
Just over two-thirds of CFOs expect a second wave of the pandemic. More than half expect a further Eurozone crisis, as government rescue packages challenge economies already grappling with weak finances.

However, only a few CFOs expect an end to the Schengen Agreement and think that the evolving international environment will affect trade in goods rather than movement of persons within the Schengen area (see Chart 2): 76% expect an increase in protectionism as against just 5% who expect the end of the Schengen Agreement.

The long list of risks demonstrates how important it will be for companies to tailor their operational measures to the current circumstances and focus on resilience and business continuity.

**Chart 2. Risks entailed by the first wave of the pandemic**

How likely do you think the following risks are by the end of next year? Share of "Likely" and "Very likely". Multiple answers possible.



# 3. Business outlook: most see no return to pre-crisis levels until 2021

**The business outlook is a little brighter than in the 1st half-year 2020 Survey but remains very gloomy. Only very few companies will be hitting their current 2020 targets for revenues and operating margins, and most do not expect a return to pre-crisis levels until next year.**

In most cases, the financial outlook for business is very gloomy. 65% of Swiss CFOs believe it has deteriorated over the last three months, with 24% describing the decline as marked. Only 15% believe there has been an improvement. The resulting net balance of -50% is the third lowest since the CFO Survey was launched in 2009. Only Q1 2015 and Q1 2020 produced lower net balances for this indicator.

**Chart 3. Financial outlook for Swiss companies continues to be very gloomy**

Net balance indicating how CFOs rate their company's financial prospects compared with three months ago

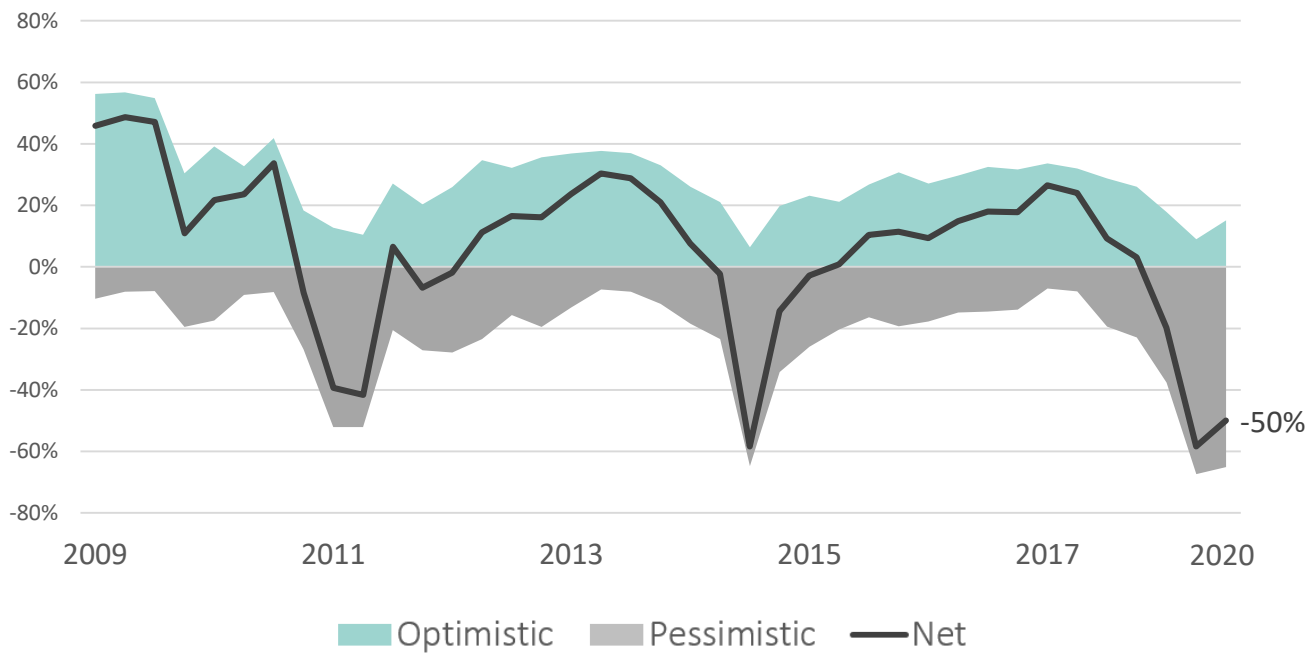
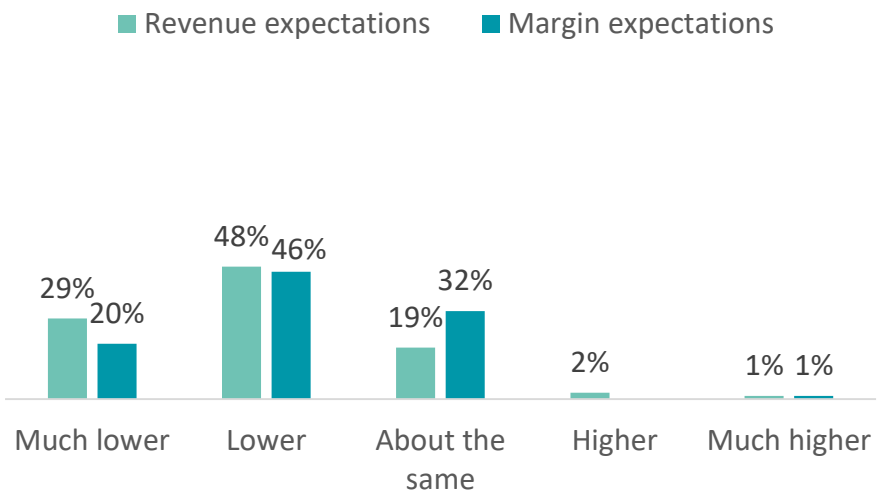


**Chart 4. Annual targets for revenues and operating margins reduced in most cases**

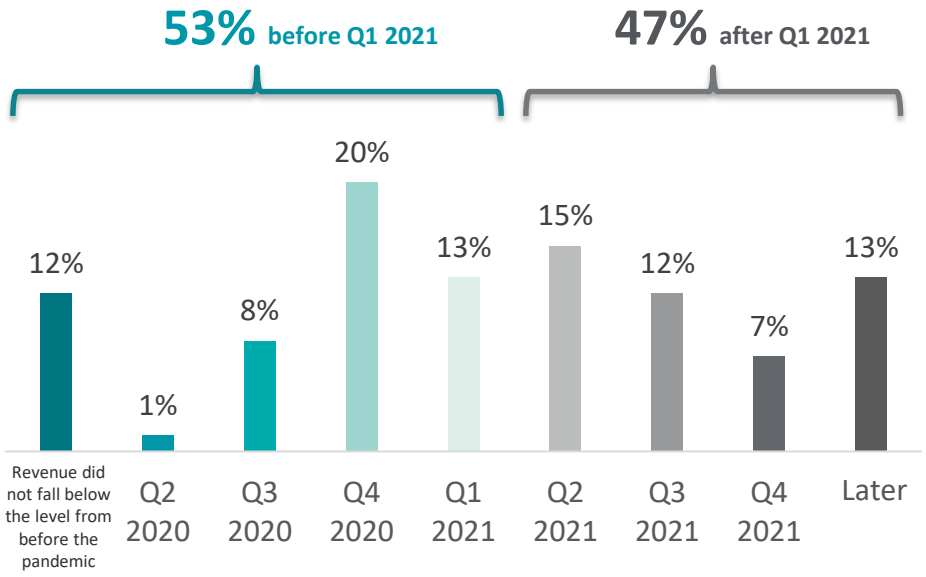
To what extent have you revised or do you plan to revise your expectations for revenues and operating margins this year in response to the crisis?




The vast majority of CFOs report that they have scaled back their expectations for both revenues and operating margins in response to the crisis. The impact is slightly more marked for revenues than for margins: 78% of CFOs have reduced their expectations for revenues, compared with 66% who have reduced their expectations for operating margins. Only very few companies will be hitting their current 2020 targets for both revenues and operating margins: 19% expect to hit revenue targets and 32% operating margin targets. Just 3% are in the happy position of being able to increase their revenue targets and only 1% have revised their operating margin targets upwards.

**Chart 5. No rapid return to pre-crisis levels**

When do you expect your company's revenues to return to pre-crisis levels?




Most companies do not expect a rapid return to pre-crisis levels. 12% report that revenues have not dipped below pre-crisis levels, and 29% expect them to be back at pre-crisis levels by the end of the current year. However, a majority of CFOs think Q1 2021 is the earliest point at which there can be a return to pre-crisis levels, and 13% do not expect that until 2022 or beyond.

# 4. What companies are doing to emerge successfully from the crisis

**Companies are putting a wide variety of measures in place to enable them to survive the crisis, most frequently cost-saving measures. Most are making use of alternative forms of employment, such as working from home or flexible working time arrangements. Meanwhile, more than one-quarter are already considering how much physical office space they will need in future. Just 28% say they think they would be able to cope well with a possible second wave of the pandemic.**

A second wave of the pandemic and re-imposition of restrictions would be a major challenge for most companies (Chart 6). Just over one-third of CFOs (37%) say their company would struggle if restrictions on business were re-imposed, while 28% report that they would be able to manage such restrictions well. As Chart 2 shows, 69% of CFOs do expect a second wave, so this represents a serious risk for them.

Companies are therefore working hard to emerge successfully from the crisis (see Charts 7 and 8). 84% are cutting discretionary spending, such as travel and marketing, while many are making further cost-saving measures, including putting current projects on hold. 38% have accessed existing credit lines and 30% have put new credit lines in place.

71% are making use of alternative forms of employment, such as working from home or flexible working time arrangements. By contrast, just 3% are making use of flexible external labour – 'gig economy workers'. One reason may be that it can take longer to find such staff and integrate them into internal processes. However, gig economy workers represent an opportunity to respond more flexibly to changing business volumes, so companies should consider using them more. More than one-quarter of companies are already considering how much physical office space they will need in future, given the rise in alternative forms of employment.

**Chart 6. Impact of a possible second wave of the pandemic**

How successfully would your company cope with a second wave of the pandemic and the re-imposition of restrictions on business on a scale and for a duration similar to those imposed in Switzerland in mid-March?

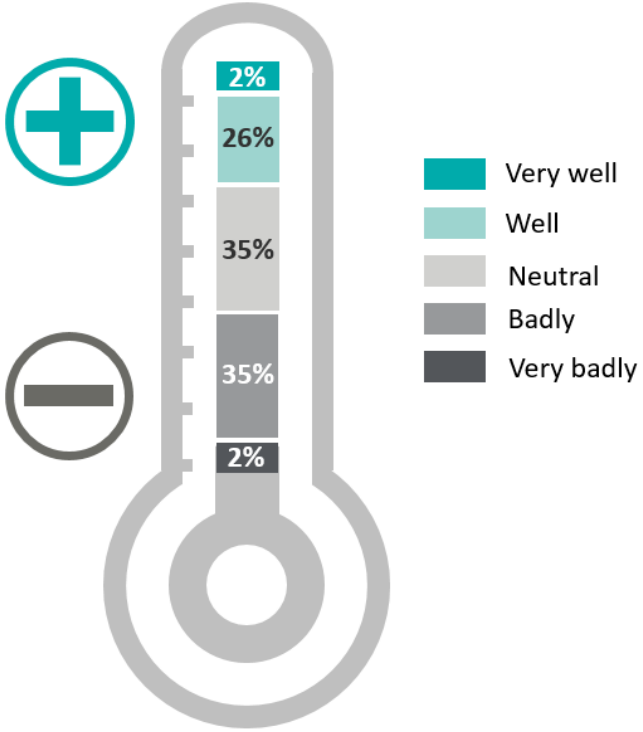


**Chart 7. Company measures: Operational and employment**

Which of the following measures did your company put in place during the crisis or is it planning to put in place? Multiple answers possible.

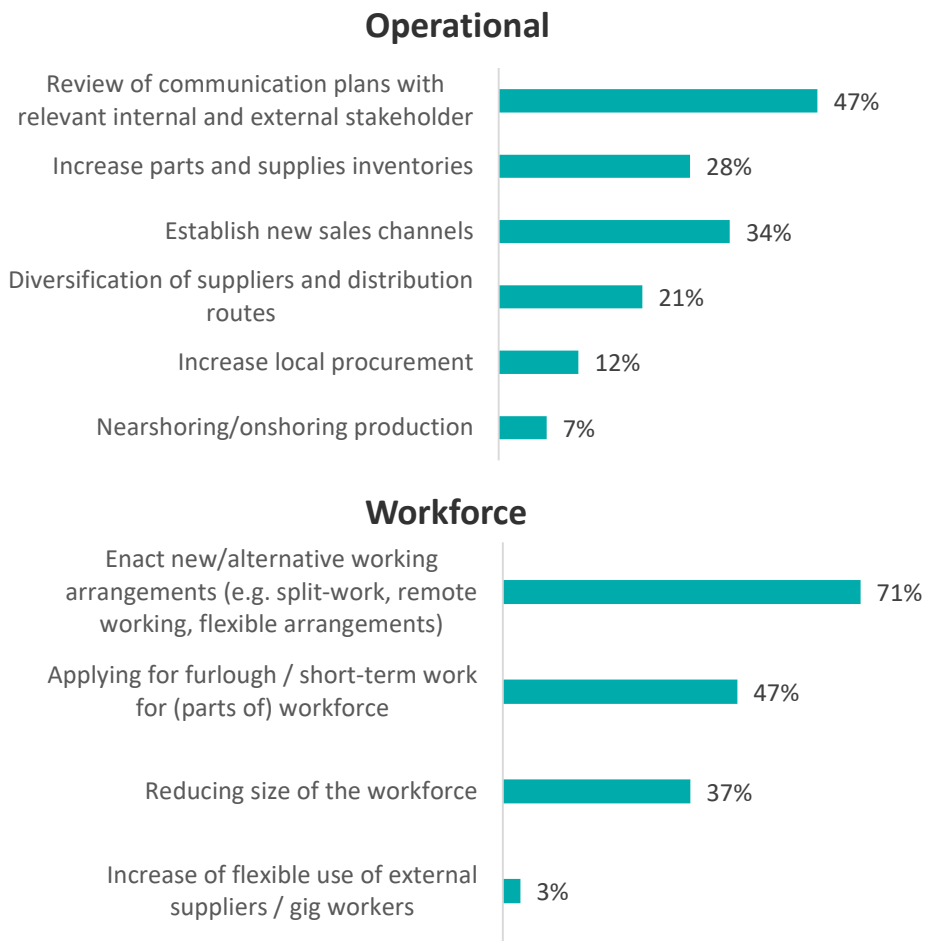
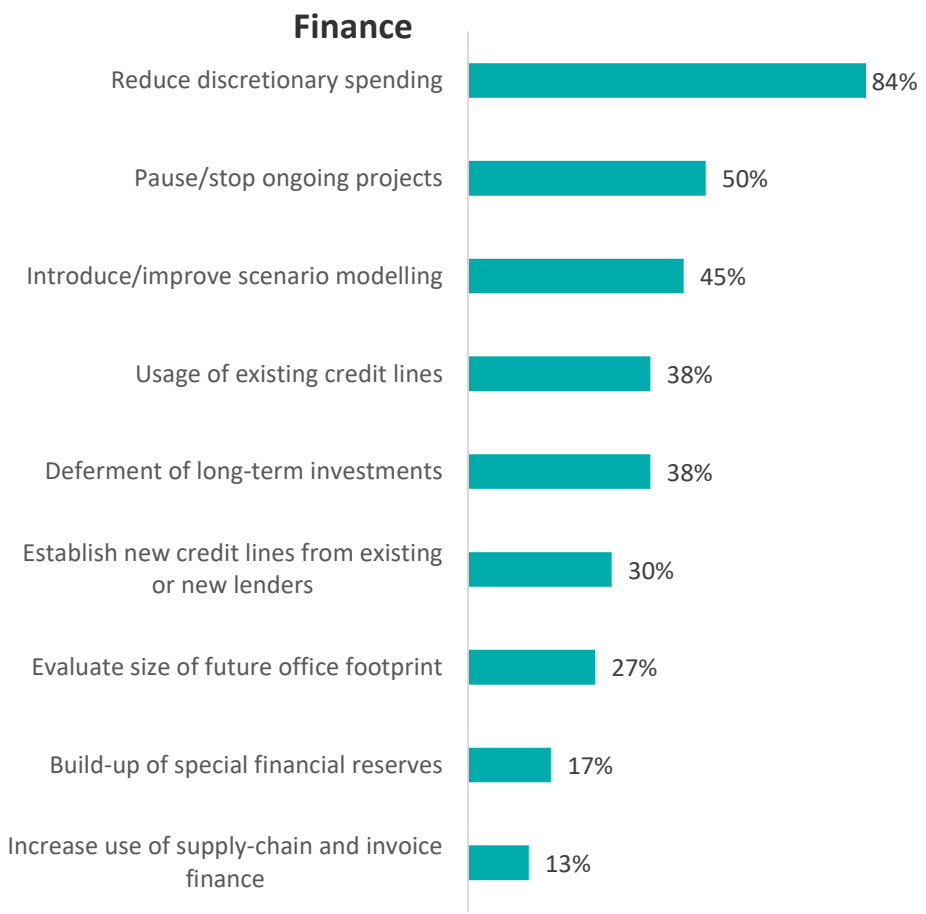



**Chart 8. Company measures: Financial**

Which of the following measures did your company put in place during the crisis or is it planning to put in place? Multiple answers possible.



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CFO Forum Schweiz | CFOs

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**Participating in our Survey and accessing previous surveys**

If you would like to take part in our Survey or would like to receive further copies of this report, please contact us at **cfosurvey@deloitte.ch**.

You can find all the survey results since Q3 2009 on our website at www.deloitte.com/ch/cfosurvey

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