The Deloitte CFO Survey

Autumn chill

Second half-year 2023 | Results of the Swiss CFO Survey

Contents

About the Deloitte CFO Survey

The 46th Swiss CFO Survey was conducted online between 5 and 29 September 2023. A total of 131 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 participating CFOs for their support in completing the Survey.

The European CFO survey is conducted in 17 countries, including Switzerland. The full aggregated results should be available from November at www.deloitte.com/europeancfosurvey

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 CFO Survey

Spring optimism about the economic outlook cools
The optimism shown by Swiss CFOs in H1 2023 has cooled and they now rate the outlook for the Swiss economy and that of the country's major trading partners much more negatively. A majority remain optimistic about the outlook for the Swiss and US economies in particular but expectations for the German and Chinese economies have deteriorated.

Corporate outlook less bright than in spring
The corporate outlook is also less bright than in H1 2023, although a majority of CFOs still rate it as positive. They remain optimistic about their company's financial prospects and revenues but are very concerned about managing costs. Overall, though, and despite a slightly gloomier outlook, CFOs do not expect business success to falter.

Corporate risk perceptions centre on weak demand and skills shortages
Three risks dominate the list of Swiss CFOs' concerns: weak demand, skills shortages, and inflation. Pressure on prices, costs and operating margins is intensifying. Cybersecurity is also a growing area of concern, appearing in the top ten risks for the first time in two years.

Federal elections: What do Swiss CFOs expect of the new Parliament?
Swiss CFOs have a clear 'wish list' for the country's newly elected Parliament. More than two thirds want it to address cybersecurity, bilateral relations with the EU, and the security of Switzerland's energy supply.

Is generative AI already a reality in the finance function?
Only a small number of companies categorically rule out using generative AI, with the overwhelming majority reporting that they are being briefed on it and are monitoring trends. A shortage of relevant skills is the greatest obstacle to a wider rollout of AI. Nevertheless, generative AI has the potential to be useful across the board, and CFOs believe it is somewhat relevant or very relevant to almost all the functions listed in the survey.

2. Economic outlook: Spring optimism cools

The optimism expressed by Swiss CFOs in early spring has cooled and they now rate the outlook for the Swiss economy and that of the country's major trading partners much more negatively. A majority of CFOs remain optimistic about the outlook for the Swiss and US economies in particular but expectations for the German and Chinese economies have deteriorated.

There has been a marked decline in expectations for the Swiss economy and that of its three major trading partners compared with the H1 2023 Survey.

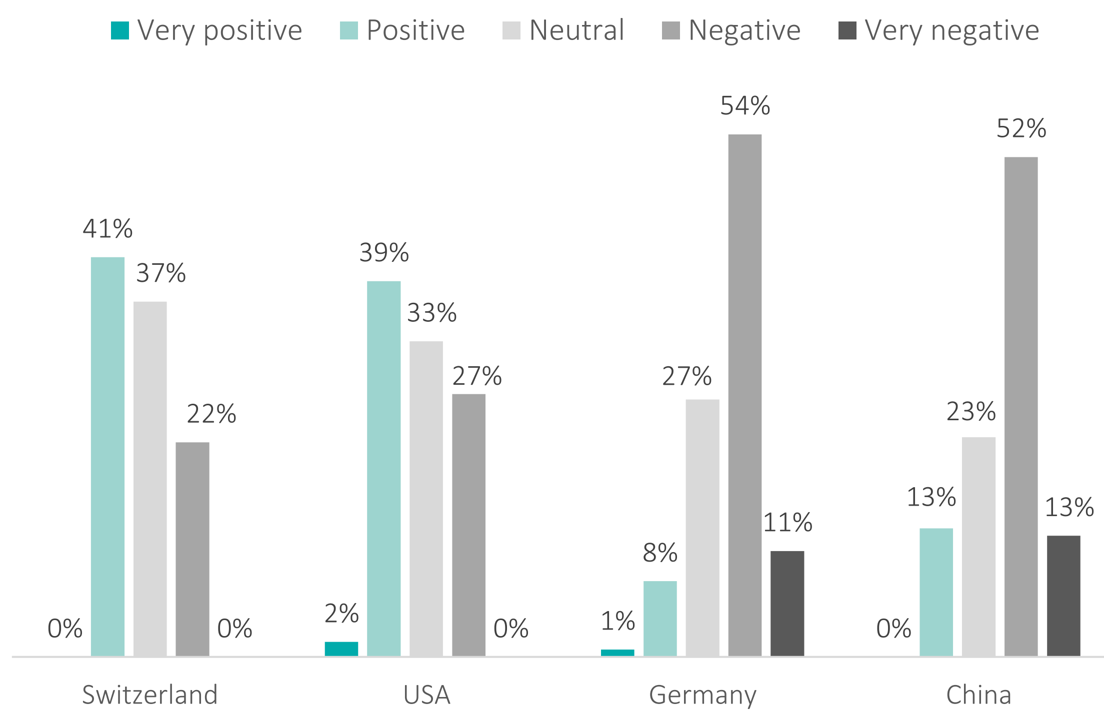
The outlook for Switzerland is the most optimistic, with 41% of CFOs rating it as positive, almost twice as many as rate it as negative (22%).

The smallest decline compared to H1 is in the outlook for the US economy. Many market observers have long been expecting a recession in the US, but this has yet to materialise. In fact, over recent years the US has become the leading destination for Swiss exports. The US is also widely seen as a destination for investment 'friendshoring' – the term used for trading with and investing in countries with shared values. More CFOs now see the US as a destination for 'friendshoring' than in H1, for example.

Very few Swiss CFOs are currently optimistic about the German and Chinese economies. The vast majority rate the outlook for these countries – Switzerland's second and third largest trading partner respectively – as negative. Just 9% of CFOs rate Germany's economic outlook over the next 12 months as positive, with slightly more (13%) rating the outlook for the Chinese economy as positive.

Chart 1. Economic outlook for Switzerland and its major trading partners

Net balance of CFOs rating Switzerland's economic prospects and those of its major trading partners over the next 12 months as positive/negative



	Switzerland	USA	Germany	China
Net balance:	19%	13%	-56%	-51%
Change from H1 2023:	-30 ▼	-24 ▼	-41 ▼	-74 ▼

3. Corporate outlook: Less bright than in spring

The corporate outlook is also less rosy than in H1 2023, although a majority of CFOs still rate it as positive. Most remain optimistic about their company's financial prospects and revenues. CFOs are very concerned about costs but, overall, despite this slightly gloomier outlook, they do not expect their businesses to falter.

Spring's optimism about the corporate outlook has given way to autumnal pessimism. However, a significant majority of CFOs remain optimistic about their company's prospects over the next 12 months, with 50% rating them as positive compared with just 20% rating them as negative.

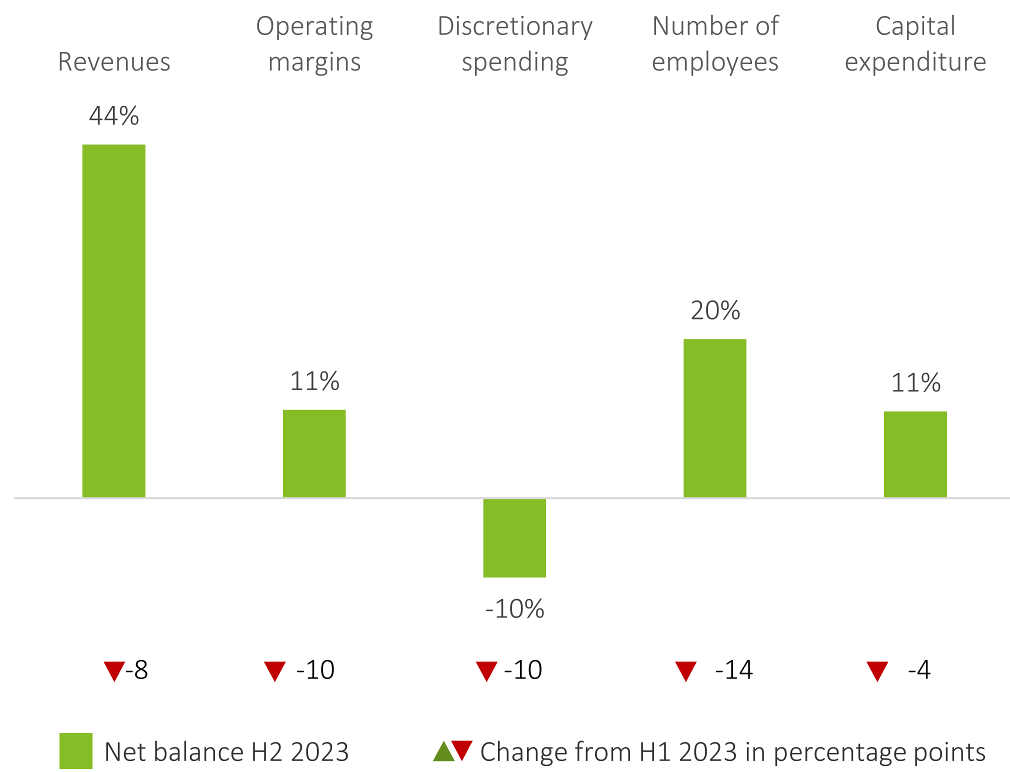
Nevertheless, a decline in average ratings is evident: a net balance of -14% of CFOs believe the outlook has worsened over the last three months.

This decline is also reflected in the more detailed findings for specific corporate indicators (see Chart 2). Expectations for revenues in particular remain strong, with a significant majority rating them as positive, although even here, the net balance of 44% is 8 percentage points down on H1 2023. The most marked decline is in expectations for employee numbers. While a significant net balance of CFOs (20%) expect employee numbers to increase, it is clear that many companies are now increasingly cautious about recruiting. There is also growing evidence of a renewed slowdown in discretionary expenditure in response to rising costs.

Answers to a separate question about CFOs' priorities over the next six months confirm these findings. CFOs' main priorities are defensive, with cost management their primary concern.

Chart 2. Corporate indicators: Gloomier outlook across the board compared with H1

Net balance of CFOs who expect their company's performance on key indicators to increase/decrease over the next 12 months



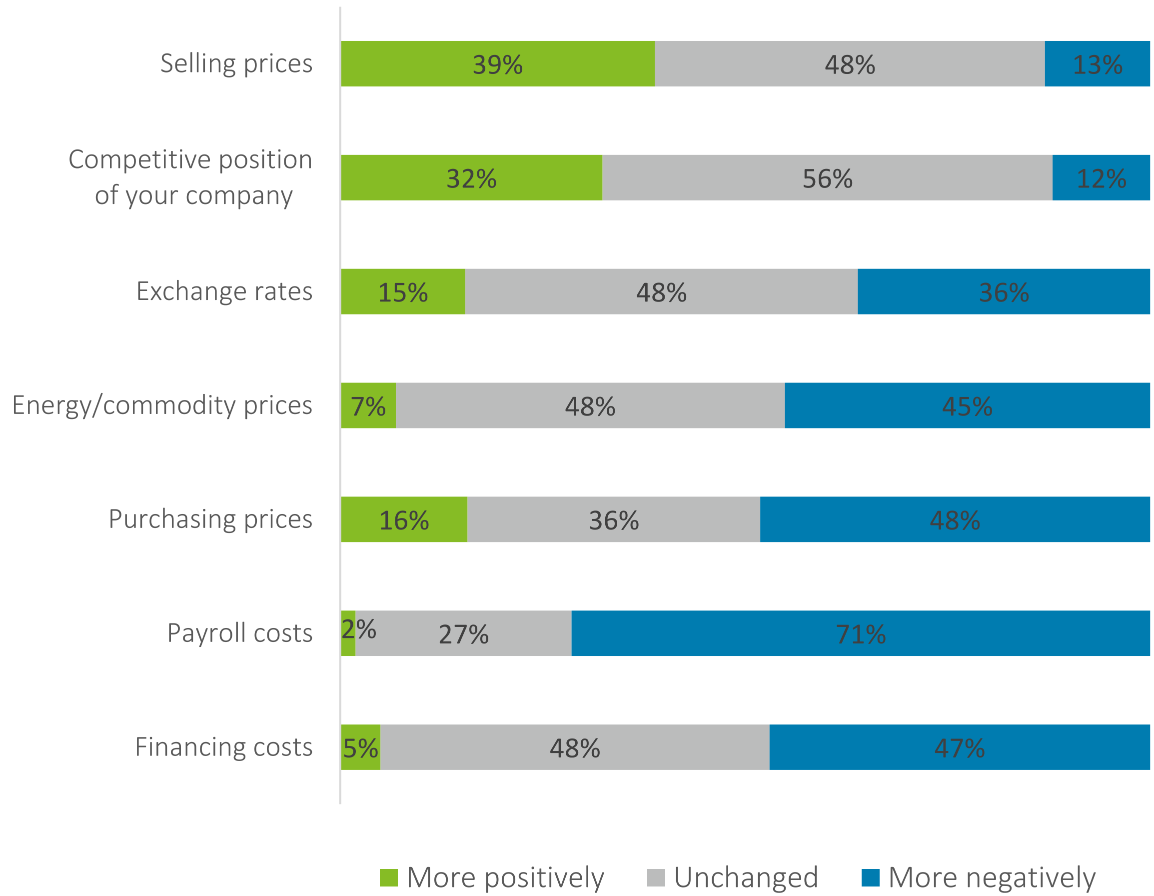
As Chart 2 shows, expectations for operating margins are lower than in H1, but a majority of CFOs remain optimistic. Chart 3 illustrates the factors underlying expectations for margins. As in H1, selling prices and the ability to set prices remain central for many Swiss companies. However, 39% of CFOs are more positive about these issues than in H2 2022. Some companies are now better able to counteract rising costs or to increase their own margins despite general rises in costs. However, 13% of Swiss CFOs report that selling prices are having a more negative impact on their margins than was the case a year ago.

As in the H1 2023 Survey, payroll costs are having the most significant negative impact, with 71% of CFOs reporting that this impact has grown over the last 12 months. There is also a perceived negative impact from financing costs.

The situation with regard to energy costs and purchasing prices has, however, eased somewhat. Most companies perceive these as having a negative impact, though the force of that impact has weakened slightly since H1 2023.

Chart. 3 Which factors are having an impact on companies' operating margins?

What impact are the following factors currently having on your company's operating margins compared to 12 months ago?



4. Corporate risks: Weak demand and skills shortages

Three risks dominate the list of Swiss CFOs' concerns: weak demand, skills shortages, and inflation. Pressure on prices, costs and margins is intensifying. Cybersecurity is also a major concern, returning to the top ten concerns for the first time in two years.

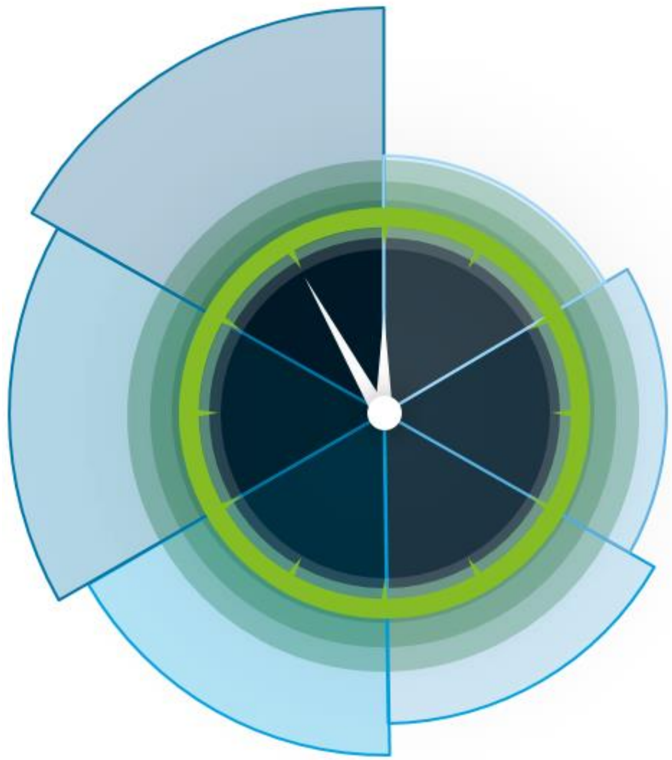
The risk of weak demand is now at the top of the list of Swiss CFOs' concerns. Skills shortages follow in second place, unchanged from the previous survey. The still robust labour market thus offers some reassurance on demand risks.

Concerns about persistent inflation rank third in the list of CFOs' concerns, although inflation has eased somewhat recently. CFOs' expectations for inflation in two years' time have also declined somewhat, from 2.2% to 1.7%. However, there is still a risk from inflation and in a number of areas – not least in rents – there is evidence that prices are rising.

Cybersecurity has also returned as a concern for Swiss CFOs and is back in the list of top ten risks for the first time since 2021.

Chart 4. Swiss CFOs' perception of risks to their company

What do you see as the biggest internal and/or external risks to your company over the next 12 months? (Up to three responses)



1	Weak demand	3
2	Skills shortages	0
3	Inflation	0
4	Pressure on prices, costs and margins	7
5	Currency risks	4
6	Monetary policy / interest rates	0
7	Internal company problems	1
8	Financing difficulties	2
9	Cybersecurity	5
10	Geopolitical risks	-9

Note on the methodology: Deloitte has categorised the risks indicated, and the categories set out above include similar, though not identical, factors, which Deloitte has allocated to the most closely related category. The triangles show the direction of change since the H1 2023 Survey; the figure inside each triangle shows the change in the rating of each risk.

5. Federal elections: What Swiss CFOs expect of the new Parliament

Swiss CFOs have a clear 'wish list' for the country's newly elected Parliament. More than two thirds want it to address cybersecurity, bilateral relations with the EU, and the security of Switzerland's energy supply.

We first asked Swiss CFOs about their priorities for the new Parliament ahead of the previous federal elections in 2019. At that time the three most pressing concerns they reported were bilateral relations with the EU, access to markets abroad, and the social security system.

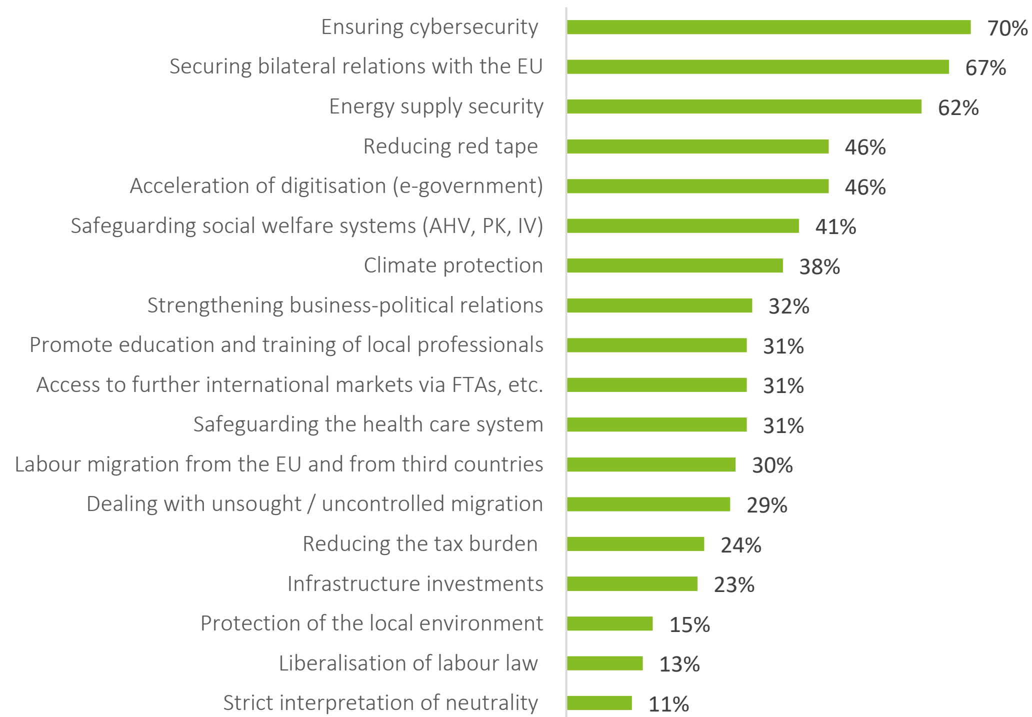
We repeated the question this year. CFOs attach a markedly higher priority to three issues in 2023: cybersecurity, bilateral relationships with the EU, and energy security. Cybersecurity underpins digitalisation and e-government and is therefore a high priority for companies, which believe the state is responsible for ensuring the security of its data.

Bilateral relations with the EU were Swiss CFOs' major priority in 2019. There has been little, if any, progress since then, although the EU remains Switzerland's largest trading partner.

CFOs rate security of the country's energy supply as much more important than in 2019. Switzerland's future energy strategy is being discussed more widely and its energy supply is perceived as much less secure than in 2019, as the concerns voiced about the country's energy security in H2 2022 illustrate.

Chart 5. CFOs' view of the priorities for the new Swiss Parliament

From your perspective as a CFO, what priority should the new Swiss Parliament attach to the following issues? ('High priority' responses as a percentage of responses under each option)



6. Generative AI: Already a reality in the finance function?

Only a small number of companies categorically rule out using generative AI; the overwhelming majority say they are being briefed on it and monitoring trends. A shortage of skills is the greatest obstacle to a wider rollout. Nevertheless, generative AI has potential uses almost across the board, and CFOs believe it is somewhat relevant or very relevant to almost all the functions listed in the Survey.

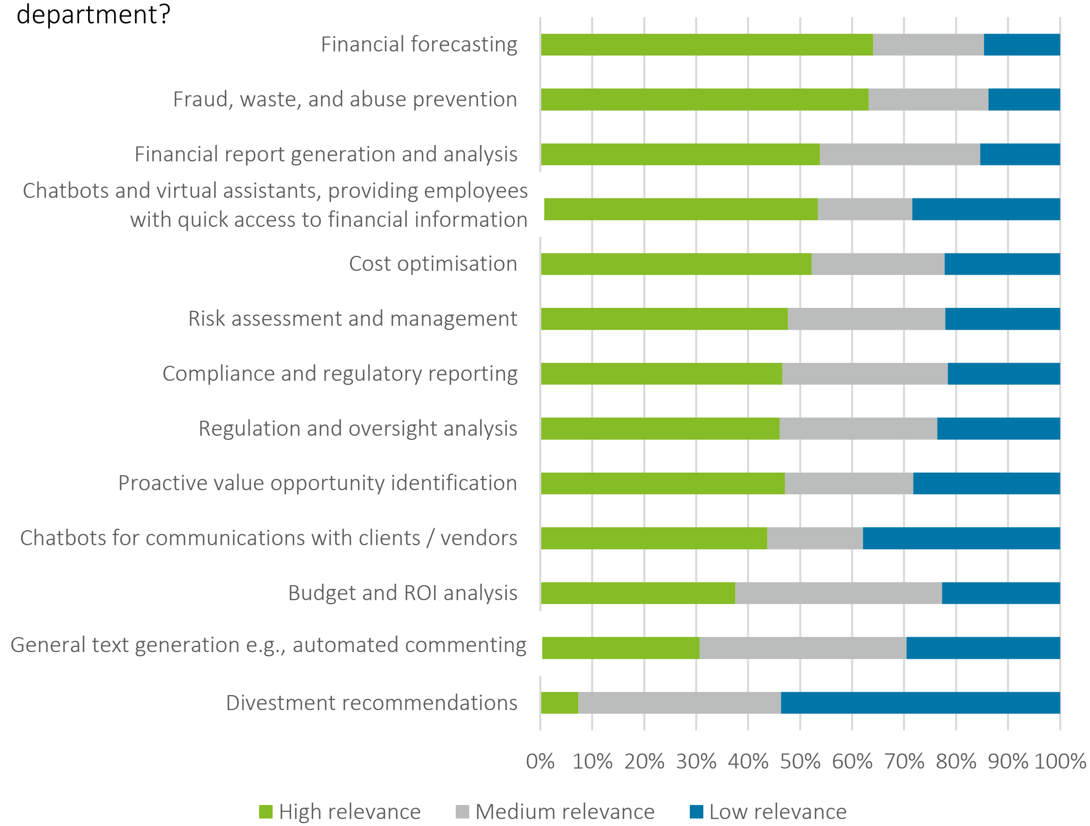
Most companies report that they have so far taken only small steps towards integrating generative AI in their operations. Just 8% say that they have taken the decision not to use generative AI or not to use it yet, and 23% are already experimenting with it. The overwhelming majority are being briefed and monitoring what their competitors are doing.

The major obstacle to rolling out generative AI is a shortage of appropriate skills. Quite a few companies are operating on a ‘business as usual’ basis or are focusing instead on new market conditions and the higher cost of credit. These companies are embarking on new projects only when absolutely necessary.

As Chart 6 shows, however, most CFOs believe generative AI has considerable potential in the finance function. It is striking that a majority of respondents say that AI is somewhat relevant or highly relevant to almost all the applications listed. But while generative AI is potentially relevant to a wide range of processes, companies need to assess which of these it is best suited to.

Chart 6. Relevance of uses cases for Generative AI

In your view, how relevant is generative AI to the following applications in your finance department?



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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.