Deloitte.

The Deloitte CFO Survey

Hoping for growth, but more cautious

Second half-year 2024 | Results of the Swiss CFO Survey

MAKING AN IMPACT THAT MATTERS since 1845

Contents

About the Deloitte CFO Survey

The 48th Swiss CFO Survey was conducted online between 3 and 27 September 2024. A total of 112 CFOs participated, representing listed companies as well as privately owned firms from every major sector of the Swiss economy. We would thank all participating CFOs for their support in completing the Survey.

The European CFO Survey is conducted in a number of countries, including Switzerland. The full aggregated results should be available from November.

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

Economic outlook: Disparity in expectations
CFOs' ratings of the economic outlook remain mixed: while they are optimistic about the outlook for Switzerland and the US, they are very pessimistic about the prospects for Germany and China.

Corporate outlook: A more cautious approach
A majority of Swiss CFOs are optimistic about their company's prospects over the next 12 months, with most rating them as more positive than in H1 2024. However, falling expectations for discretionary spending and investments indicate that companies are taking an increasingly cautious approach.

Efficiency measures: Focus on business structure and technology
Companies are considering a number of efficiency measures, with a focus on optimising business structure and implementing technological solutions (excluding artificial intelligence (AI)). Fewer companies are considering downsizing their workforce or using AI.

Corporate risks: Geopolitical risks and weak demand top list of concerns
As in H1 2024, geopolitical risks dominate Swiss CFOs' perceptions of corporate risks. Alongside armed conflicts and geopolitical tensions, they cite elections and, in a small number of cases, relations between Switzerland and the EU. As in H1, the next most frequently cited concerns are weak demand, labour shortages, and regulation.

Political risks and international business activity: China and Germany under pressure, but Switzerland and India are bright spots
In an increasingly uncertain world, the question arises as to where the future growth dynamics for Swiss companies could come from. China and Germany are under pressure, and the USA could become more challenging after the election, but still offer economic strength. Switzerland and India, on the other hand, offer rays of hope.

2. Economic outlook: Disparity in expectations

CFOs' rating of the economic outlook remains mixed: while they are optimistic about the outlook for Switzerland and the US, they are very pessimistic about the prospects for Germany and China.

As in H1 2024, a majority of Swiss CFOs rate Switzerland's economic outlook over the next 12 months as positive, with just 1% rating it as very positive and only 6% as negative. The outlook is therefore solid, but not euphoric.

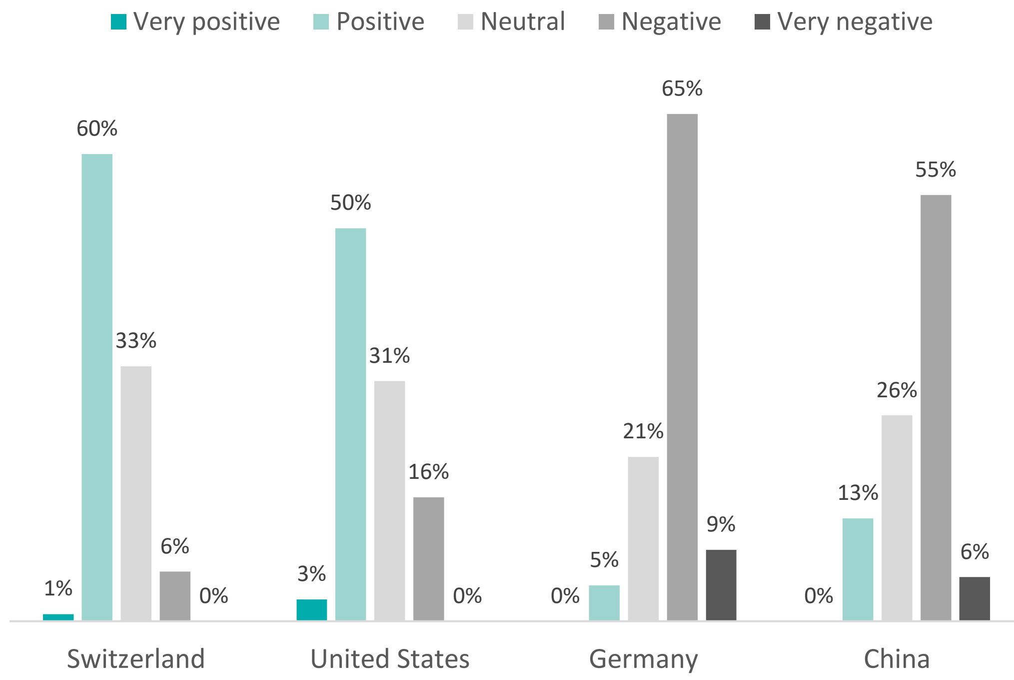
Expectations for the US economy are a little more downbeat, but most CFOs still rate the outlook as positive or very positive. The Presidential elections in November and the general political situation are creating uncertainty, however: see page 9.

CFOs' rating of the outlook for Germany and China remains negative and has worsened since H1: both economies are increasingly struggling with structural problems.

In price-adjusted terms, German GDP is barely above its 2018-2019 level, and real-terms German industrial output is roughly at 2012 levels, falling back after a period of growth, peaking in 2017-2018. Germany and the EU continue to be very important trading partners for Switzerland, but it is increasingly apparent that without a dramatic reversal in current trends, there is unlikely to be much momentum for growth in either economy. Greater diversification of the Swiss export industry will therefore be increasingly important. In this context, the planned free trade agreement with India is a step in the right direction.

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	United States	Germany	China
Net balance H2 2024:	50%	47%	-55%	-29%
Change from H1 2024 in pp:	4 ▲	-10 ▼	-15 ▼	-18 ▼

3. Corporate outlook: A more cautious approach

A majority of Swiss CFOs are optimistic about their company's prospects over the next 12 months. However, falling expectations for discretionary spending and investments indicate that companies are taking an increasingly cautious approach.

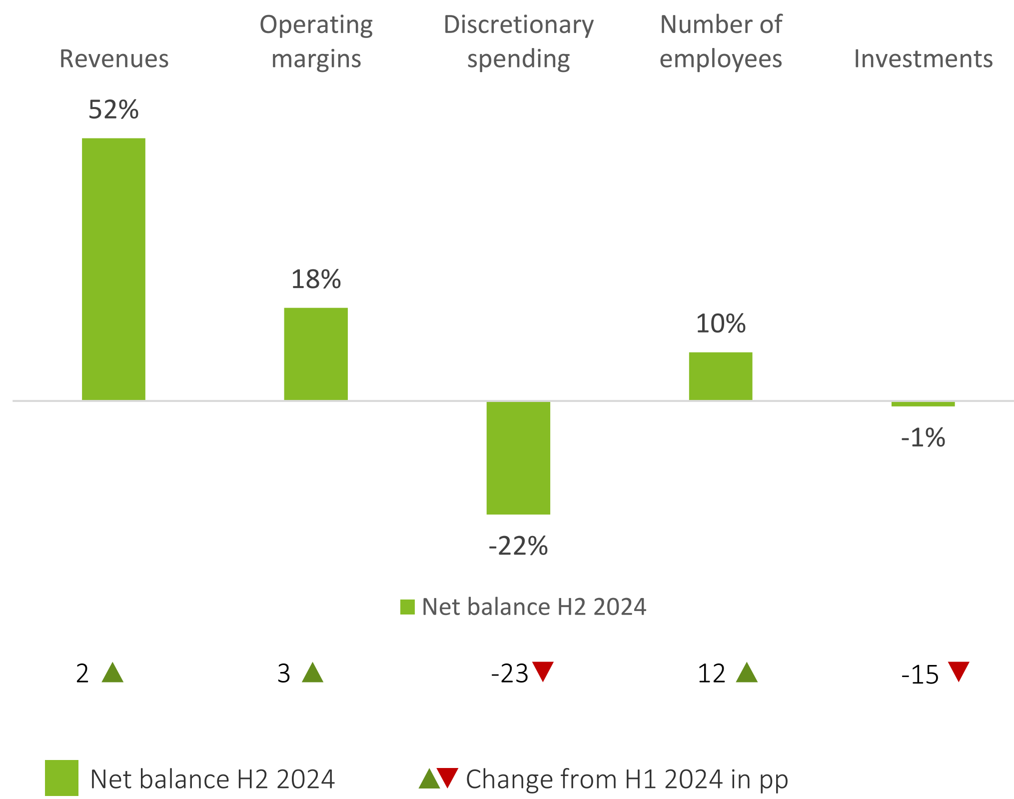
The corporate outlook is brighter than in H1. More than half of Swiss CFOs (58%) are optimistic about their company's prospects over the next 12 months, while 11% are pessimistic. The net balance of 47% has risen for two consecutive half-years, but although encouraging, this figure is still well below expectations reported by CFOs between 2016 and 2019 and again in 2021.

Individual key indicators show both continued optimism, especially for revenues and operating margins, and increasing caution (see Chart 2). Expectations for number of employees are higher than in H1, which is cautious good news. Expectations for discretionary spending (e.g. travel and marketing costs) and for investment, on the other hand, are down on H1, with a negative net balance in both cases. In view of the risks and uncertainty in the business environment, more companies are again putting the brakes on spending. Efficiency measures, meanwhile, are gaining in importance (see page 7).

A qualification must also be made with regard to the generally positive expectations for operating margins and number of employees: the net balances reflect both positive responses and also negative expectations expressed by more than a quarter of survey participants, the majority of them manufacturing companies.

Chart 2. Corporate indicators: Rising sales and increasing caution

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, average expectations for operating margins have improved from H1. Chart 3 shows that the greatest impact here is financing costs.

The H1 2024 findings for operating margins had already reflected the impact on financing costs of interest rate changes since H2 2023. The current findings reflect this even more strongly, making financing costs the second most positive influence on operating margins.

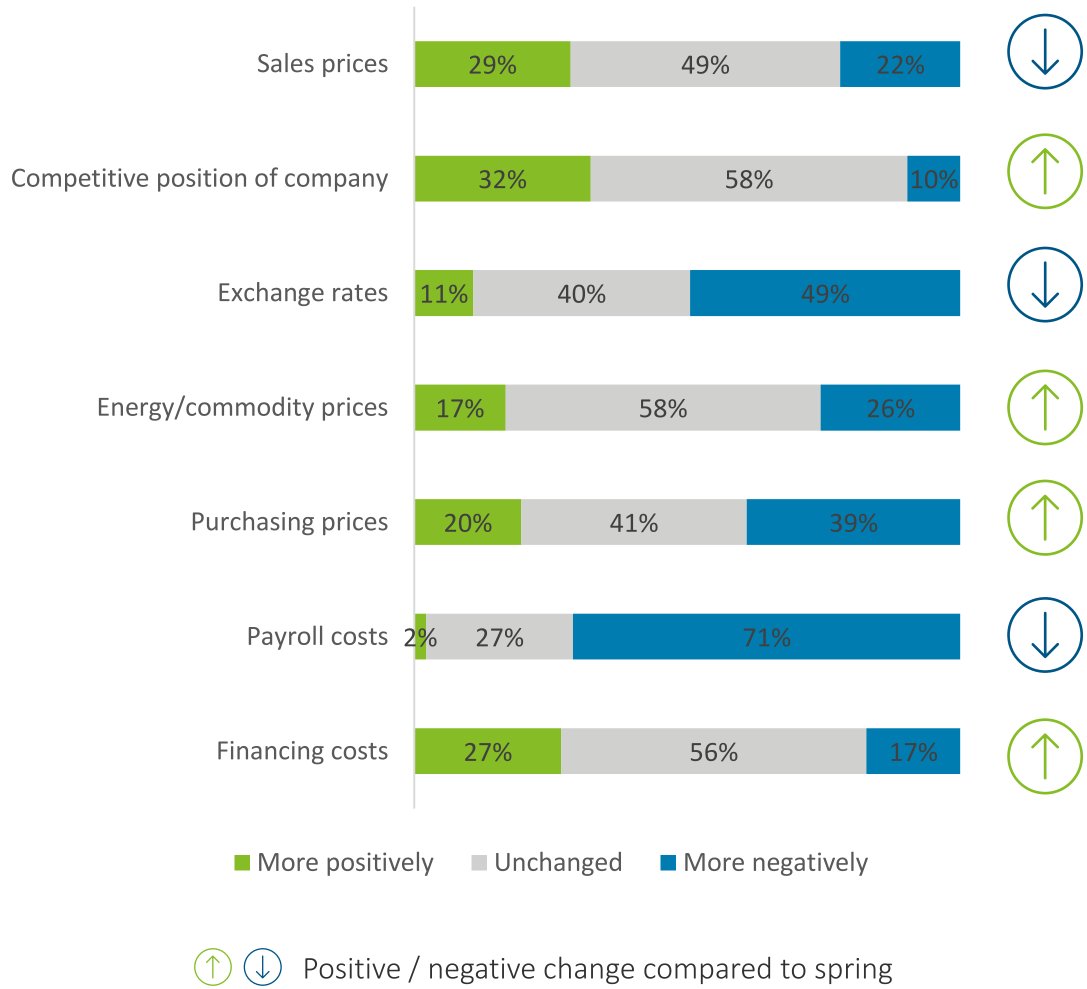
Sales prices and, hence, the pricing power of companies, along with their competitive situation, are having an overall positive effect on margins.

As 12 months ago, payroll costs are seen as having the greatest negative impact. 71% of CFOs report a negative impact compared with 12 months ago, up from 69% in H1. General pressure on costs and the ongoing labour and skills shortages may be contributory factors here.

Slightly more Swiss CFOs report a negative impact from exchange rates, which now have the second most negative impact of all the factors listed. After weakening slightly in H1, the Swiss Franc recently strengthened again.

Chart 3. Which factors are having an impact on your company's operating margins?

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



4. Efficiency measures: focus on business structure and technology

Companies are considering a number of efficiency measures, with the focus on optimising business structure and implementing technological solutions (excluding artificial intelligence (AI)). Fewer companies are considering downsizing their workforce or using AI.

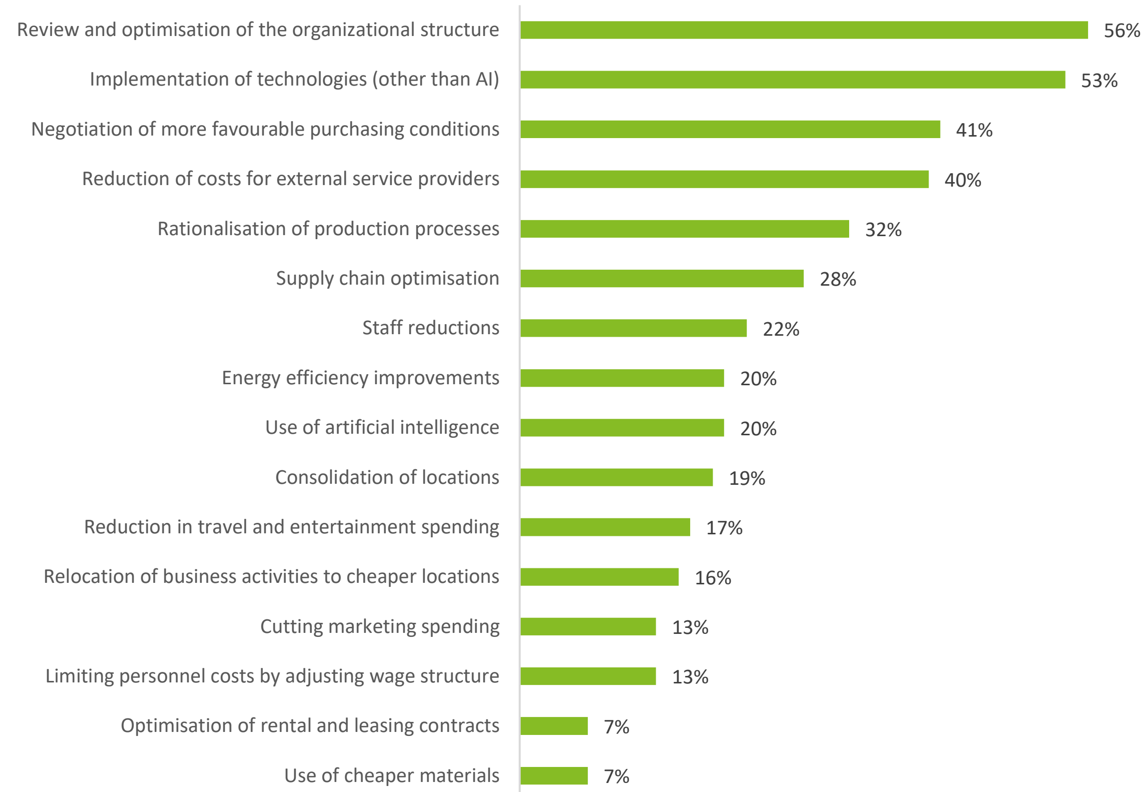
The increasing caution companies are showing with regard to spending is reflected in the growing importance of efficiency and cost measures. Swiss CFOs report that their companies are considering a wide range of measures.

Just over half of companies plan to optimise their business structure and use technology (excluding artificial intelligence) over the next two years. However, only 20% of companies plan to use artificial intelligence as an efficiency measure. After the very high, and sometimes exaggerated, expectations of the last 12-18 months, this may reflect the start of a gradual implementation of AI measures.

Few companies are planning measures relating to their workforce. Fewer than a quarter are considering cutting their workforce, while 13% want to limit payroll costs by adapting their pay structure. Good employees are valuable and are still in short supply, which could explain why changes to the workforce are less important in what remains a generally good business environment.

Chart 4. Planned efficiency measures

Please select up to five of the most important measures your company plans to take over the next 2 years



5. Corporate risks: Geopolitical risks and weak demand top list of concerns

As in H1 2024, geopolitical risks dominate Swiss CFOs' perceptions of corporate risks. Alongside armed conflicts and geopolitical tensions, they cite elections and, in a small number of cases, relations between Switzerland and the EU. As in H1, the next most frequently cited concerns are weak demand, labour shortages, and regulation.

The list of corporate risks cited by Swiss CFOs remains largely unchanged from H1 2024. Geopolitical risks continue to dominate: this category is broad and ranges from current armed conflicts and geopolitical tensions to upcoming elections and, in a small number of cases, Switzerland's relations with the EU.

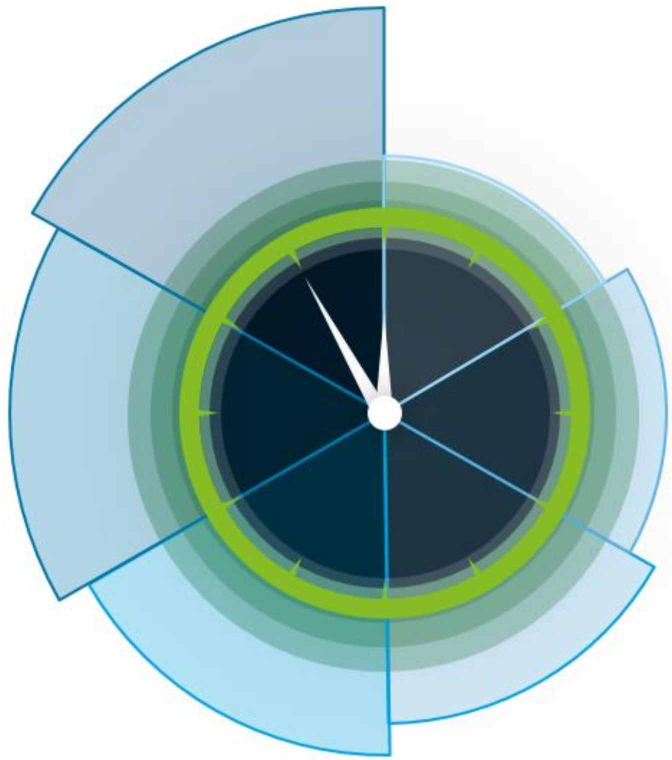
Weak demand and regulation are also frequently cited. Labour shortages remain in the top 3 risks, and a small number of CFOs are now citing payroll costs. While there is still evidence that companies find it difficult to recruit the right staff on a timely basis, cost pressures are increasing.

Inflation is now rarely cited. In a separate question, Swiss CFOs report that they expect inflation to reach 1.3% in 24 months' time. This is down from 1.7% in H2 2023 and 2.4% in H1 2022.

Monetary policy and interest rates are cited more frequently than H1 2024. Interest rates have come down, and almost 50% of CFOs expect further cuts.

Chart 5. Corporate risks from the perspective of Swiss CFOs

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



1	Geopolitical risks	0
2	Economic / demand weakness	0
3	Labour shortage	0
4	Regulation	0
4	Monetary policy / interest rates	5
6	Currency risks	-1
6	Price / cost / margin pressure	0
8	Cyber Security	0
9	Internal company problems	-2
10	Capital costs / shortage	2

A note on the methodology: Participants are able to list up to three risks. Deloitte has categorised the risks indicated. 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 from the H1 2024 Survey; the figure inside each triangle shows the change in the rating of each risk. Where two or more risks are cited by the same proportion of respondents, they are ranked equally.

6. Political risks and international business activity: China and Germany under pressure, but Switzerland and India are bright spots

In an increasingly uncertain world, the question arises as to where the future growth dynamics for Swiss companies could come from. China and Germany are under pressure, and the USA could become more challenging after the election, but still offer economic strength. Switzerland and India, on the other hand, offer rays of hope.

Since 2014, geopolitical risks have repeatedly been among the most important issue on Swiss CFOs' list of risk factors, and the current survey is no exception. However, these risks do not usually have a direct impact on companies' business activities, nor are they the only factor influencing perceptions of risk. Chart 6 shows the extent to which political risks could affect business plans. It illustrates CFOs' assessment of political risk (net balance of high risk minus low risk) and of their company's plans to expand or reduce business in specific countries (net balance of expansion minus reduction).

It is striking that, on average, Swiss companies plan to expand their business activities in all the countries surveyed. This confirms the positive business outlook illustrated in Chart 2.

However, the strength of expansion plans varies widely and seems to be dependent on political uncertainty. Chart 6 demonstrates that the higher the risk, the more modest a company's expansion plans are likely to be. In high-risk countries, such as China and Germany, companies are more likely to report plans to reduce their business activity. On the other hand, they are more likely to report plans to expand in lower-risk countries, such as Switzerland or, to some extent, India. The US, the United Arab Emirates and Singapore are exceptions to this.

US: High political risk, but economically attractive

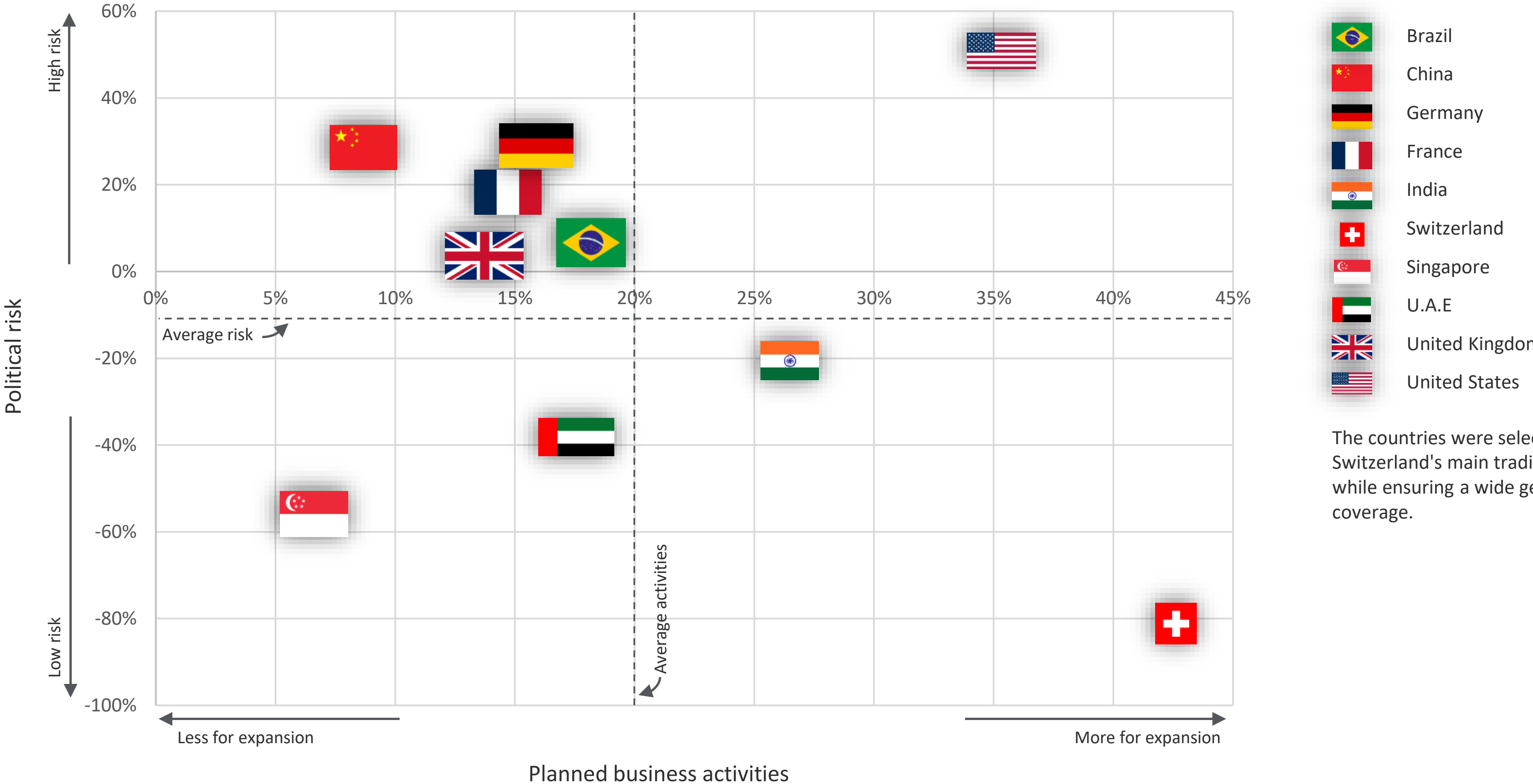
CFOs rate the political uncertainty in the US as the highest, while at the same time it is the second most likely economy for an expansion of business activities. Political (in)stability may still be acting as a brake on economic activity: companies' expansion plans might otherwise be even more ambitious. However, the attractiveness of the US remains high enough for many companies to expand their activities there despite high levels of uncertainty.

However, a further question shows that concerns could well increase: neither of the two US presidential candidates is viewed particularly positively by Swiss companies in terms of trade and economic policy.

32% of participating CFOs expect policy under Kamala Harris to be good for Swiss companies,while 12% expect policy under Donald Trump to be good for Swiss companies. 12% of CFOs expect both to be good for Swiss business, with 13% not answering the question, leaving 30% of survey respondents who do not expect either candidate to have policies that are favourable to Swiss business. Depending on the outcome of the election, therefore, only between 24% and 44% of Swiss companies expect the incoming President to have favourable trade and economic policies. The economic climate in Switzerland's most important export destination could become more turbulent in the coming years.

Chart 6. Perceived political risks and planned business activities

Net balance of responses to two questions: respondents' assessment of political risk in selected countries (high risk minus low risk); and plans for business activities, investments, etc. over the next two years (expansion minus reduction)



The countries were selected to include Switzerland's main trading partners while ensuring a wide geographical coverage.

China and Germany: Under pressure

CFOs rate China and Germany as having the greatest level of political uncertainty after the US, with significant impact on business activities. Although more companies report wanting to expand their business activities than report wanting to reduce them in both countries, the net balance is lower for both countries – and lowest of all countries for China. China and Germany represent a quarter of all the planned reductions in business activities reported. This confirms the picture in Chart 1, which indicates that Swiss CFOs rate the economic outlook for China and Germany as most negative.

Singapore and United Arab Emirates: Potential

Singapore and the United Arab Emirates, by contrast, have a reputation for political stability that is not reflected in companies' expansion plans as highly as it is in the other countries surveyed.

Switzerland: Encouraging, but warning signals

Gratifyingly, Switzerland tops the rankings. This is to be expected, as practically all the participating companies operate in Switzerland, unlike the other countries about which respondents were asked. Ccompanies clearly still want to do business in Switzerland. However, Switzerland is the third most frequently cited country where companies plan to reduce their business activities; this is a warning sign to politicians and policy makers to stop neglecting Switzerland's attractiveness as a place to do business.

India: A new China?

India represents a second ray of hope. Political uncertainty in the country is assessed as moderate, and while not every company wishes to operate in India, of course, many are planning to expand their current business activities in the country. The planned free trade agreement between Switzerland and India could give these plans an additional boost. It is to be hoped that the agreement can be implemented as soon and as smoothly as possible.

In any case, the theoretical potential is impressive. While 5.6% of all Swiss exports in 2023 were to China, the figure for India was only 0.7% (excluding precious metals in each case), a gap of CHF 13.5 billion. The business potential of these two countries cannot easily be compared, as the two markets are different, and the Chinese economy is significantly larger. Nevertheless, taking into account the size and dynamics of India's domestic market, the think tank Avenir Suisse calculated in 2021 that the country represents one of the highest potentials as a trading partner for Switzerland.

7. Contacts and authors

Contacts

Reto Savoia
CEO
Deloitte Switzerland
+41 58 279 60 00
rsavoia@deloitte.ch

Alessandro Miolo
Managing Partner Audit & Assurance
and CFO Programme Leader
+41 58 279 72 27
amiolo@deloitte.ch

Authors

Dr. Michael Grampp
Chief Economist and Head of Research
+41 58 279 68 17
mgrampp@deloitte.ch

Dennis Brandes
Economist and Senior Research Manager
+41 58 279 65 37
dbrandes@deloitte.ch

Acknowledgements

We would like to thank all participating CFOs for their support in completing the Survey.

The Deloitte CFO survey is supported by CFO Forum Schweiz, the independent association of Chief Financial Officers in Switzerland.

Thank you to Teresa Hug Alonso (Senior Analyst, Deloitte) for her valuable input to this report.

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.