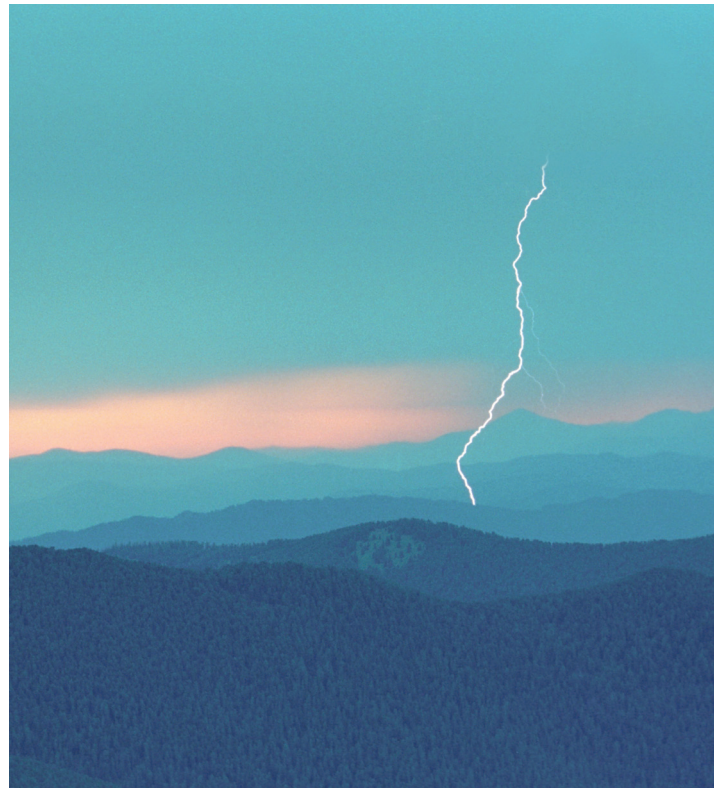


## Manufacturing Trends Quarterly Q1 2015



### Business risks

Strength of the Swiss Franc is now the biggest threat, followed by geopolitical risks and increasing regulation

### Business outlook

Manufacturing CFOs are even more pessimistic in their business outlook than CFOs of other economic sectors

**1 CFO economic outlook**  
Confidence of manufacturing CFOs about the economic outlook has decreased strongly

2

3

### Strategic measures

Natural hedging, renegotiating supplier prices and cost cutting are seen as best measures to counter the strong Swiss Franc

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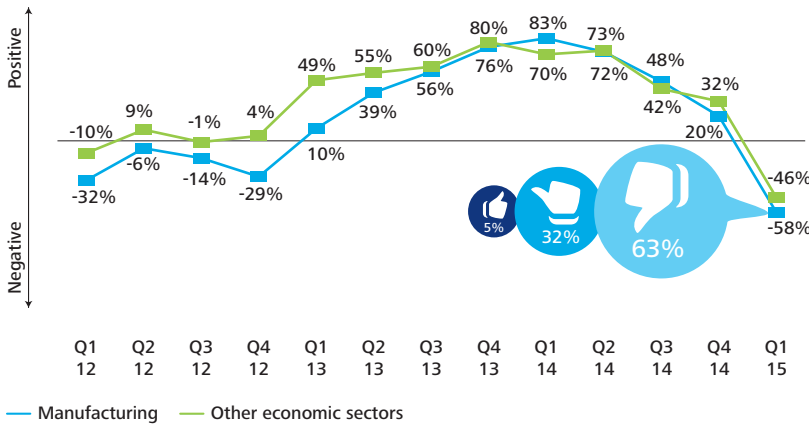
### Growth prospects

Revenues, margins and capex are expected to substantially decrease over the next 12 months

# 1. CFO economic outlook

## Confidence of manufacturing CFOs about the economic outlook has decreased strongly

**Development of economic outlook (net balance) (Q1 2012 – Q1 2015)**  
Question: How do you judge the economic outlook for Switzerland over the next 12 months?

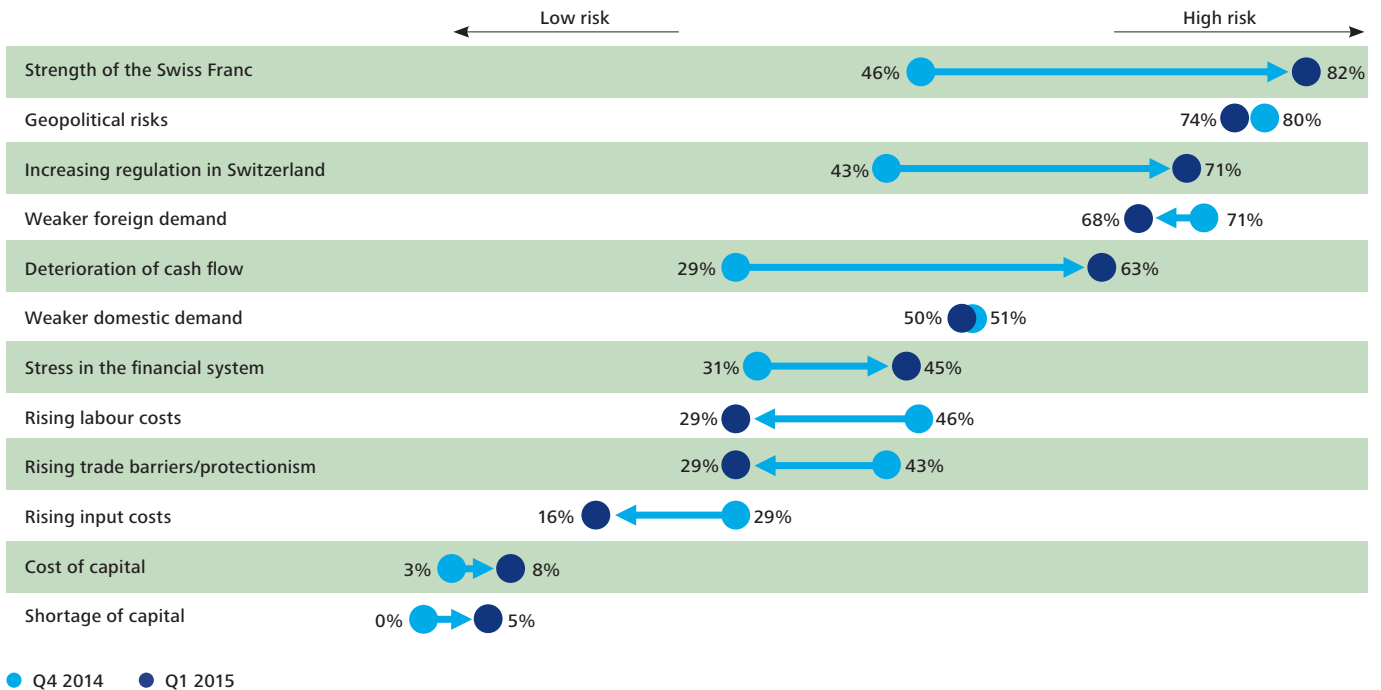


- The **economic outlook** has deteriorated markedly in Q1 2015 in the views of Swiss CFOs. Only 5% of manufacturing CFOs remain optimistic and 63% are pessimistic. Confidence decreased strongly with the net balance at -58%, compared to 20% in the previous quarter. This marks an all time low of the net balance compared to all other quarters in the last three years.
- Background of this development has been the abolition of the CHF floor of 1.20 against the Euro by the Swiss National Bank in January 2015 and the disappointing economic growth in the Eurozone, Switzerland's most important trading partner.
- The perception of the strong Swiss Franc as a key **business risk** therefore increased substantially from 46% to 82%. Geopolitical risks remain equally high at 74%, the threat of increasing regulations in Switzerland increased from 43% to 71% and the risk of weaker foreign demand remains high at 68%.

# 2. Business risks

## Strength of the Swiss Franc is now the biggest threat, followed by geopolitical risks and increasing regulation

**Risk factors for the next 12 months (Q4 2014 vs. Q1 2015)**  
Question: Which of the following factors are likely to pose a significant risk to your business over the next 12 months?

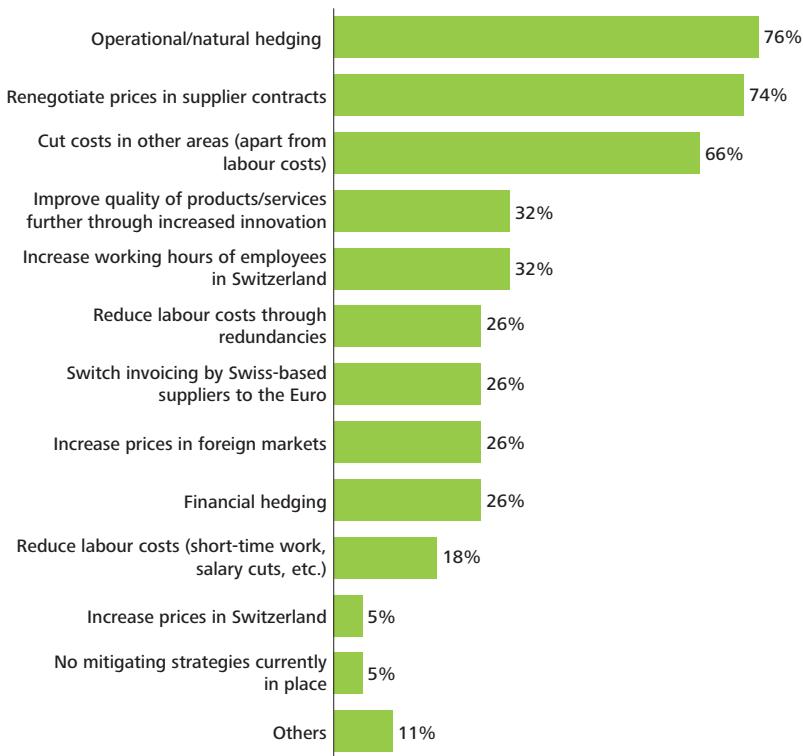


Notes: The net balance is the balance of positive (increase) and negative (decrease) assessments of the respondents. The figures for business risks are only for manufacturing, excluding the rest of the economy. The percentages indicate the number of responses that rate the respective risk as high.  
Sources: Deloitte CFO Surveys.

# 3. Strategic measures

## Natural hedging, renegotiating supplier prices and cost cutting are seen as best measures to counter the strong Swiss Franc

**Strategic measures against strong Swiss Franc (Q1 2015)**  
 Question: What strategies are you implementing to counter the strong Swiss Franc?

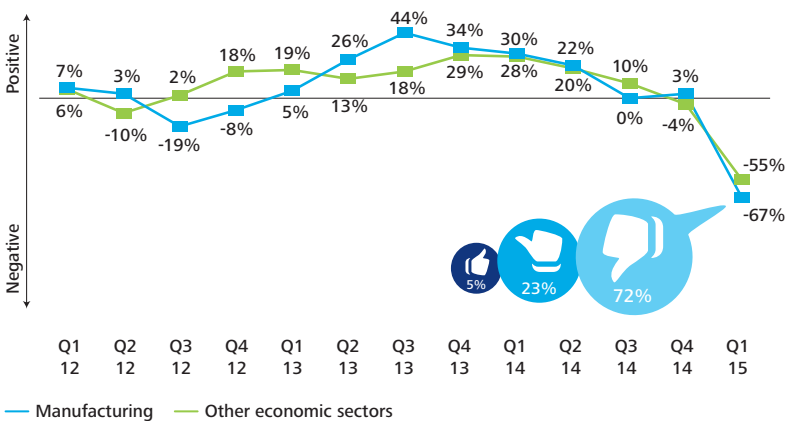


- 76% of manufacturing CFOs see currently operational/natural hedging as the best **strategic measure** to counter the strong Swiss Franc.
- Price negotiations with suppliers (74%) and cost cutting in other areas besides labour cost (66%) are also highly favoured.
- Every third manufacturing CFO thinks that improving the quality of products and services through innovation will mitigate the negative effects of the strong Swiss Franc and supports increased working hours of employees in Switzerland as an additional measure.
- The reduction of labour cost through redundancies is seen by 26% as a necessary measure, with an other 18% mentioning short-time working arrangements and salary cuts as needed strategies.
- Only 5% indicate that they currently have no mitigating strategies in place.

# 4. Business outlook

## Manufacturing CFOs are even more pessimistic in their business outlook than CFOs of other economic sectors

**Development of business outlook (net balance) (Q1 2012 – Q1 2015)**  
 Question: Compared to three months ago, how do you feel about the financial prospects for your company?



- The abolition of the exchange rate floor and the increasing economic concerns are mirrored in the development of the current **business outlook**, with confidence also at the lowest level in the past three years (net balance of -67%).
- The slightly more optimistic outlook in the previous quarter of manufacturing CFOs compared to CFOs of the other economic sectors has all but disappeared.
- Only 5% of manufacturing CFOs remain now optimistic (previously 29%) and 72% are pessimistic (previously 26%).
- Since the last quarter, the majority of respondents have moved from the optimistic/neutral position to the pessimistic position.

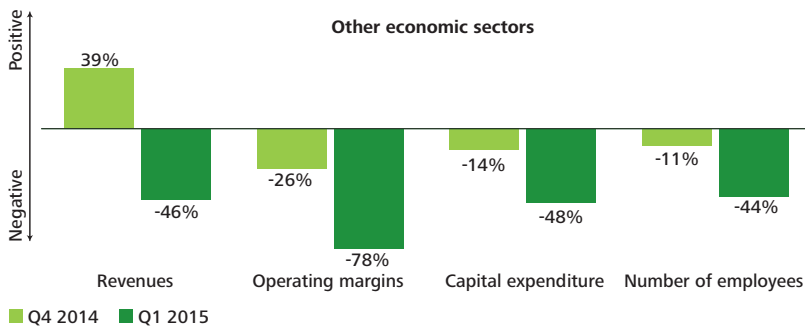
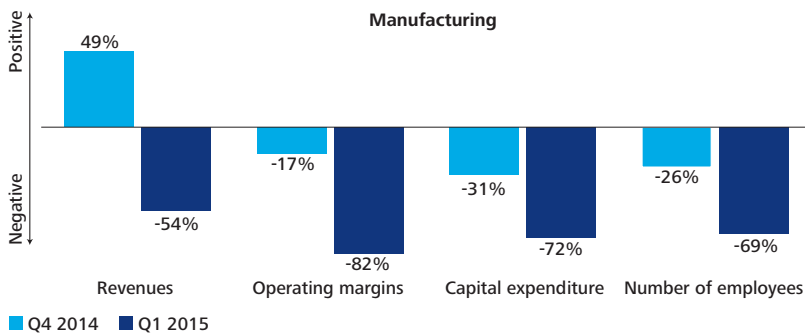
Notes: The net balance is the balance of positive (increase) and negative (decrease) assessments of the respondents. The figures for strategic measures are only for manufacturing, excluding the rest of the economy.  
 Sources: Deloitte CFO Surveys

# 5. Growth prospects

## Revenues, margins and capex are expected to substantially decrease over the next 12 months

### Development of key metrics (net balance) (Q4 2014 vs. Q1 2015)

Question: In your view, how are the following key metrics for Swiss corporates likely to change over the next 12 months?



- The development of key metrics for the next 12 months is also viewed negatively throughout by Swiss CFOs.
- Manufacturing CFOs have negative expectations for **revenue increases** in Q1 2015 with -54%, compared to the previous quarter (49% in Q4 2014). Expectations for the other economic sectors are also much lower, but are not falling as far.
- Expectations for **operating margins** of manufacturing CFOs have decreased from -17% in Q4 2014 to -82% in Q1 2015. Margin expectations for the rest of the economy are equally low (-78%).
- With the complication of the strong Swiss Franc, cost pressure remain very high for manufacturing companies. Spending plans are correspondingly constrained and manufacturing CFOs expect lower **capital expenditure** and **numbers of employees** than those of other sectors.
- Expectations are falling further into negative territory for all metrics and all sectors compared to last quarter.

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