

## Manufacturing Trends Quarterly Q4 2014



**Challenges and opportunities for 2015**  
Get the right talent and develop new products and services

**Growth prospects**  
Revenues and margins are expected to decrease over the next 12 months

**Business risks**  
Geopolitical risks and weaker foreign and domestic demand are seen as the biggest threats

**1 Deloitte CFO outlook**  
Confidence of Swiss CFOs about the economic outlook has decreased further

**3 Business outlook**  
Manufacturing CFOs are slightly more optimistic in their business outlook

**5 Risk approach**  
Manufacturing CFOs appetite for risk shrunk

2

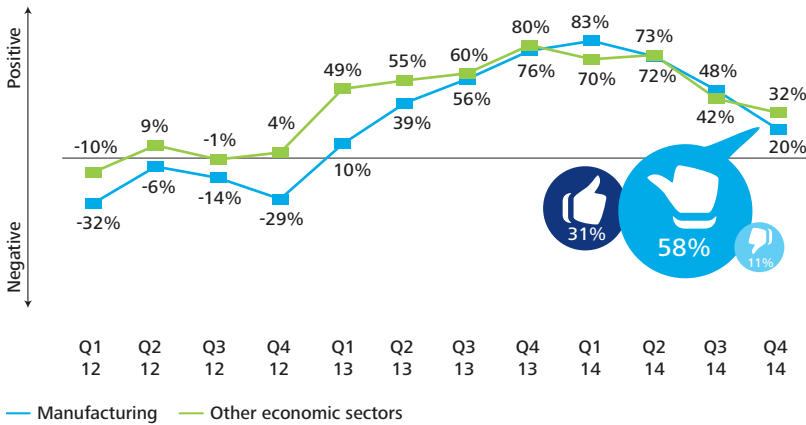
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# 1. Deloitte CFO outlook

## Confidence of Swiss CFOs about the economic outlook has decreased further

**Development of economic outlook (net balance) (Q1 2012 – Q4 2014)**  
 Question: How do you judge the economic outlook for Switzerland over the next 12 months?



- The mood turns chilly about the **economic outlook**. Manufacturing CFOs judge the current economic outlook (Q4 2014) less positive (20%) than the CFOs of the other economic sectors (32%).
- The confidence has decreased strongly not only compared to the previous quarter (48%), but especially to the previous year (76% in Q4 2013).
- Company-external challenges have been on the rise in 2014 again – in Switzerland and abroad. Finding skilled staff might become even more challenges with potentially increasing labour market regulations. Geopolitical risks are very much back on the agenda, while economic growth in the Eurozone – Switzerland’s most important trading partner – continues to disappoint.
- Weakening demand and geopolitical risks are significantly more of a concern for manufacturing CFOs than for other sectors, contributing to the more pessimistic outlook.

# 2. Challenges and opportunities for 2015

## Get the right talent and develop new products and services

**Challenges and opportunities (most popular answers)**  
 Question: What are the biggest challenges and opportunities facing your company in 2015?

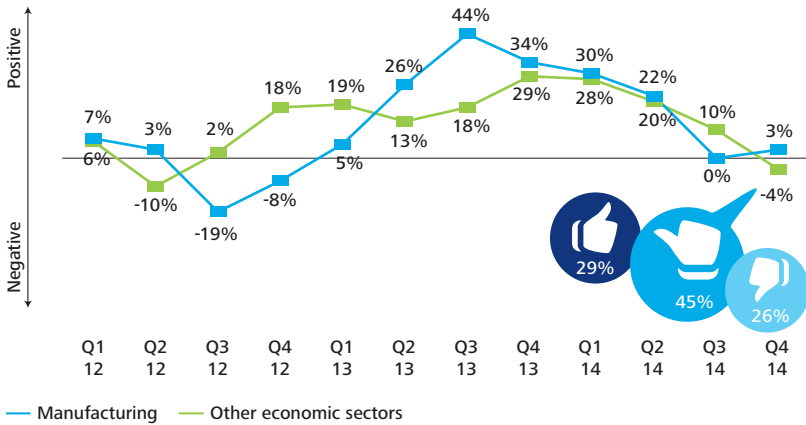


Notes: The net balance is the balance of positive (increase) and negative (decrease) assessments of the respondents.  
 Source: Deloitte CFO Surveys.

# 3. Business outlook

## Manufacturing CFOs are slightly more optimistic in their business outlook

**Development of business outlook (net balance) (Q1 2012 – Q4 2014)**  
 Question: Compared to three months ago, how do you feel about the financial prospects for your company?

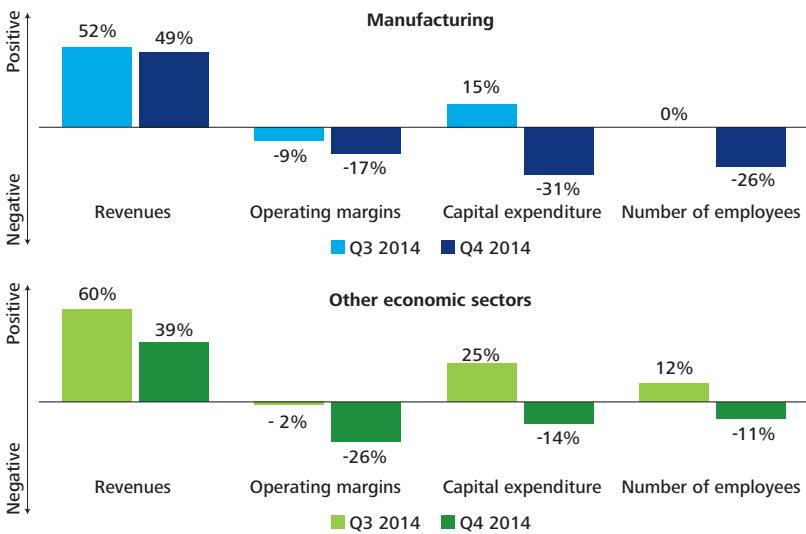


- Increasing economic concerns are mirrored in the development of the **current business outlook**, with confidence lower than a year ago.
- However, manufacturing CFOs are slightly more optimistic (3%) in their current business outlook (Q4 2014) than CFOs of the other economic sectors (-4%).

# 4. Growth prospects

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

**Development of key metrics (net balance) (Q3 vs. Q4 2014)**  
 Question: In your view, how are the following key metrics for Swiss corporates likely to change over the next 12 months?

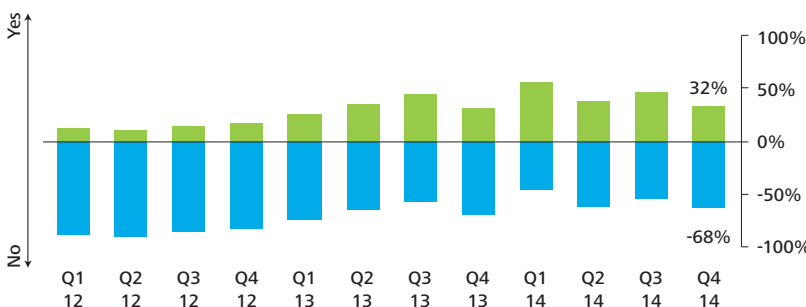


- One reason for the slightly better business outlook might be revenues and operating margin expectations holding up better for manufacturing. Expectations are lower across the board, but those for manufacturing are not falling as far.
- Operating margin** expectations for manufacturing remain negative in Q4 2014 (-17%), but for the rest of the economy they are even lower (-26%). **Revenue** expectations are falling 3 percentage points for manufacturing qoq and 21 percentage points for other sectors.
- However, cost pressure remains very high for manufacturing companies and spending plans are correspondingly constrained. Manufacturing CFOs expect significantly lower **capital expenditure and numbers of employees** than those of other sectors, with expectations falling for all sectors compared to last quarter.

# 5. Risk approach

## Manufacturing CFOs appetite for risk shrunk

**Planned change of risk on corporate balance sheets (Q1 2012 – Q2 2014)**  
 Question: Is this a good time to be taking greater risk onto your balance sheet?



- 68% of manufacturing CFOs believe it is not the right time to increase risk at the moment (Q4 2014).
- The current **risk** approach is comparable to one year ago (Q4 2013), when manufacturing CFOs were similarly cautious.

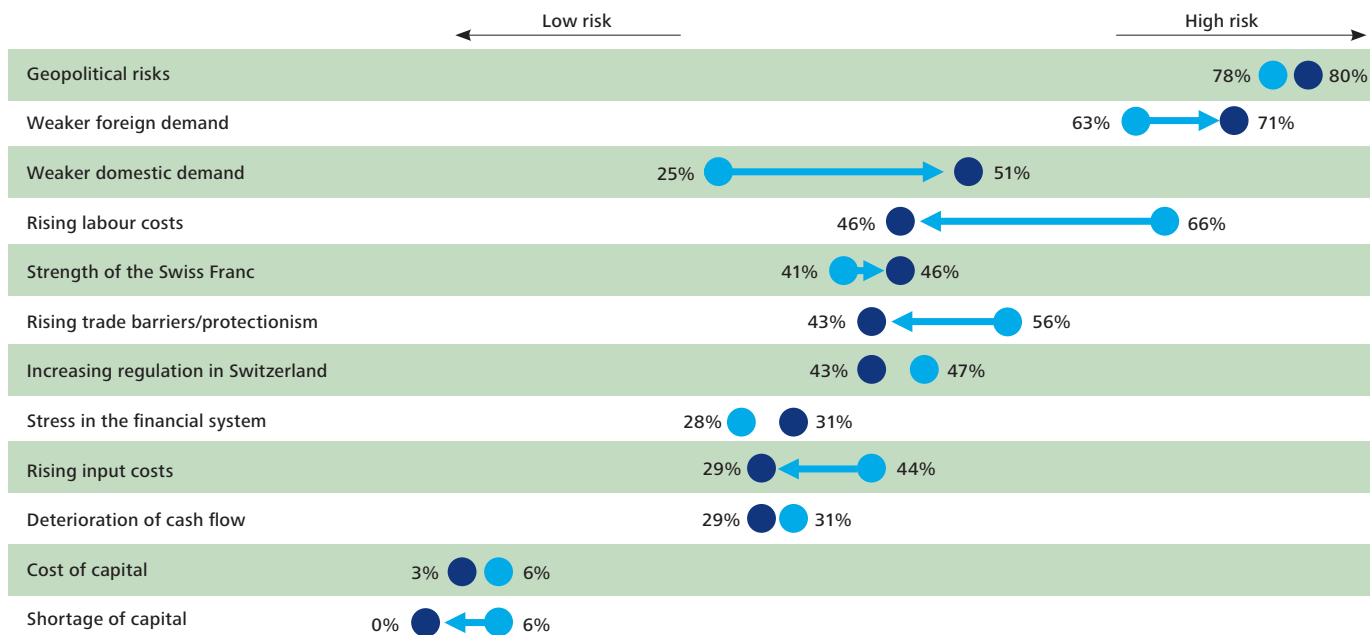
Notes: The net balance is the balance of positive (increase) and negative (decrease) assessments of the respondents.  
 Source: Deloitte CFO Surveys.

# 6. Business risk

## Geopolitical risks and weaker foreign and domestic demand are seen as the biggest threats

Risk factors for the next 12 months (Q3 vs. Q4 2014)

Question: Which of the following factors are likely to pose a significant risk to your business over the next 12 months?



● Q3 2014 ● Q4 2014

Notes: The figures are only for manufacturing, excluding the rest of the economy. The percentages indicate the number of responses that rate the respective risk as high. Source: Deloitte CFO Surveys.

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