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10
SWISS CFO SURVEY

The Deloitte CFO Survey
Preparing for stormier weather

Second half-year 2019 | Results of the Swiss and European CFO Surveys

About the Deloitte CFO Survey

About the Swiss and European CFO Survey

Over the ten years of the Swiss CFO Survey, the Swiss economy has weathered the global financial crisis, the eurozone crisis and the impact of removing the exchange rate floor against the euro. Focusing on risks and opportunities, the Survey has also explored the impact of digitalisation, new business models, and changing demands and opportunities for the finance function.

Many of these issues remain a concern for CFOs in this, the 37th Survey. The H2 2019 Survey was conducted online between 27 August and 30 September 2019. A total of 103 CFOs participated, representing listed companies as well as privately owned firms from every major sector of the Swiss economy. A series of face-to-face interviews with CFOs, other senior executives and experts put the online survey results in a broader context.

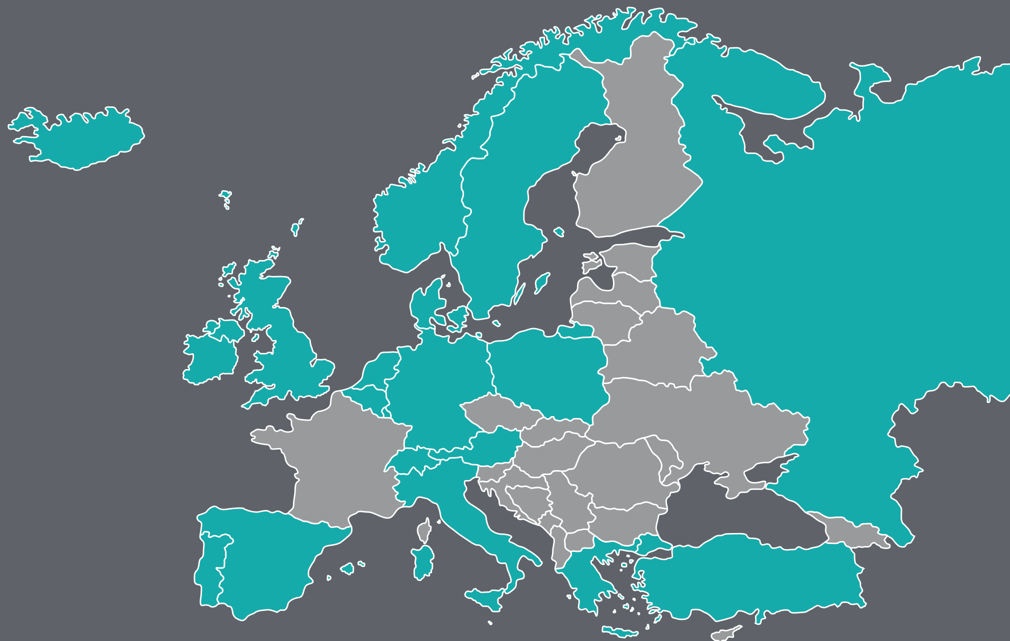
Since 2015, results from 19 European countries, including Switzerland, have been compiled into a single report. A total of 1,373 CFOs took part in the current European survey. This edition presents the results for selected questions and countries. You can find the full results and country comparisons 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.

Countries taking part in the second half-year 2019 European CFO Survey



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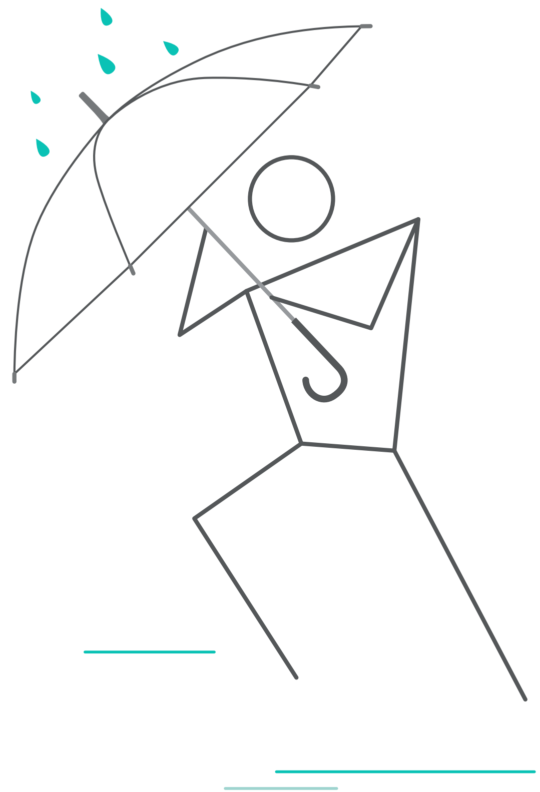


Summary and key findings of the Swiss CFO Survey

Poor expectations for the economy but **no recession** in Switzerland. CFOs are more pessimistic about the country's major trading partners, especially the United Kingdom but also the eurozone.

Margins under pressure. Swiss CFOs perceive operating margins as being under pressure for the first time since 2017, but this pressure is still modest compared with 2015, when the removal of the exchange rate floor sent the value of the Franc soaring. Revenue expectations, and to a lesser extent investment expectations, remain positive.

Renewed concerns about the Swiss Franc and currency risks. For the first time since Q3 2017, CFOs perceive currency risks as the greatest risk to their company, followed by risks to growth and geopolitical risks.

Cost-conscious, committed to digital and staffed with top talent. Swiss companies are reacting to increasing challenges by cutting spending and costs, and in particular committing to digital transformation. But with ongoing concerns about a skills shortage, they are also seeking to recruit skilled workers.

To-do list for the next Parliament. CFOs believe Switzerland should be protecting its relationship with the EU and ensuring market access, while their domestic priority is to safeguard social security. All three issues could have been tackled more robustly in the previous Parliament, making action now even more urgent.

Action against climate change. 94% of CFOs say their company is taking at least one measure against climate change, most frequently by making more efficient use of energy. However, they can and should be doing more. In particular, climate risks should feature more prominently in corporate reporting.

Summary and key findings of the European CFO Survey

Significant slowdown. More than 70% of indicators across all countries are weaker in this half-year than in H1 2019. Across Europe, only 19% of CFOs are more optimistic than three months ago, while twice as many (36%) are more pessimistic.

Major countries under pressure. The two largest countries in the Survey – Germany and the United Kingdom – are under particular pressure. The findings for these two countries are negative across the board, with the only exception being German CFOs' positive revenue expectations.

Corporate indicators hold up despite poorer results. A majority of CFOs in almost all countries remain positive about revenue expectations. Average expectations for margins, investment and employee numbers are only just in negative territory, mainly owing to particularly weak results in Germany and the UK; a majority of CFOs in many smaller countries remain positive. However, the overall trend is clearly downward.

Uncertainty high almost everywhere. CFOs across Europe rate uncertainty as high, with the exception of those in Denmark and Norway. Uncertainty is rated as particularly high in Germany and the UK.

Additional risk? No thanks. With high levels of uncertainty and a low risk appetite, European companies are unwilling to take additional risk onto their balance sheet. A significant majority of CFOs in all countries are currently risk-averse.

Action against climate change. Switzerland is very much in line with the European average, but there are wide differences across Europe. While countries like Norway and Sweden are forging ahead, others lag behind, incuding Greece and Poland.

Weak economic growth but no recession in Switzerland

Swiss CFOs expect weak economic growth but not a recession. However, expectations for some of Switzerland's major trading partners have deteriorated markedly. Almost no country is optimistic about the outlook for the United Kingdom, and CFOs are also concerned about the eurozone.

Swiss CFOs are increasingly gloomy about their own country's economic outlook. Only around one-third (34%) are now optimistic about growth in the Swiss economy over the next 12 months, compared with 26% who are pessimistic and 40% who are neutral. There has been a steady decline in optimism from the record level recorded in H1 2018. CFO pessimism is mirrored in the official growth forecast issued by Switzerland's State Secretariat for Economic Affairs (SECO). Since the 'mini-boom' in 2018, growth has slowed, and SECO has consistently revised its forecasts downward. However, despite this gloomy mood, the majority do not expect Switzerland to face a recession in the next two years.

CFOs are considerably more pessimistic about the economic outlook for some of Switzerland's major trading partners, however. 87% expect a recession in the UK – an unsurprising finding, given the uncertainty surrounding Brexit. 27% are also concerned about a recession in the US, but this is slightly fewer than in H1, as the Federal Reserve's willingness to support the US economy seems to be calming concerns. By contrast, fears are growing for the eurozone. Growth in Germany, the eurozone's main economic driver, is slowing markedly and growth was narrowly negative in Q2, putting Germany just one quarter away from a technical recession. Trade wars are having a negative impact on this export-oriented economy, and Germany's key automotive industry is undergoing structural change.

Chart 1. Economic outlook for Switzerland

Net balance of CFOs rating Switzerland's economic prospects over the next 12 months as positive/negative

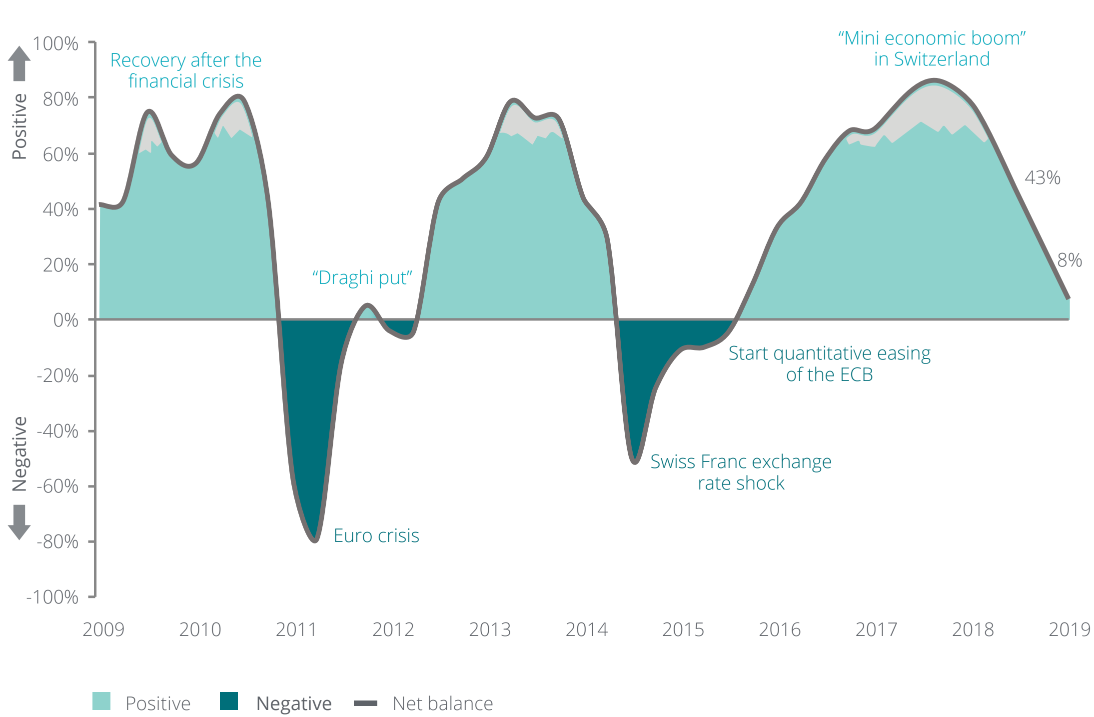
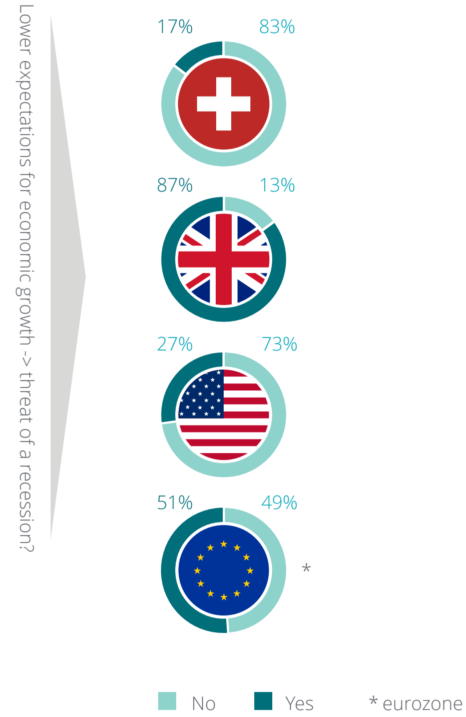


Chart 2 Swiss CFOs' expectations for a recession in the next two years



Corporate outlook: Innovation as a response to crisis

With some exceptions, the financial outlook for individual companies is more positive than the economic outlook. Revenue expectations are down but remain positive. However, expectations for margins are moving into negative territory. Investment expectations remain more positive than those for employee numbers. Companies are making increasing use of digitalisation to meet greater challenges.

Alongside poorer expectations for the economy, most Swiss CFOs also are less optimistic for their own company's performance over the next 12 months. The deterioration is, however, less dramatic than for the Swiss economy: half of all CFOs remain optimistic about their company's prospects over the next 12 months compared with 18% who are pessimistic, a net balance of 31% (see Chart 3).

Nevertheless, the less three months have been difficult for a majority of CFOs, with a corresponding decline in their mood compared with H1. 38% are less optimistic than they were in the previous Survey and just 18% are more optimistic, a net balance of -20%.

This greater pessimism is also reflected in most European countries and especially the larger economies participating in the Survey (see Chart 4). The decline is greatest in Germany and Spain (26 percentage points in both countries). In Germany, this reflects a gradual increase in pessimism. In contrast, the increase in pessimism has been more sudden in Spain: Spanish CFOs were optimistic in the previous Survey, but – as with all other major countries – a majority are now pessimistic. German and UK CFOs are the least optimistic of all, with just 8% and 9% respectively expressing optimism about their company's prospects. As in recent Surveys, UK CFOs are consistently more pessimistic on almost all indicators than their European counterparts. Only a few countries have a net balance of CFOs reporting optimism, including two southern European countries (Greece and Portugal).

Chart 3. Financial outlook for Swiss companies over the next 12 months

Net balance of CFOs who rate the financial prospects of their companies in the next 12 months as positive / negative

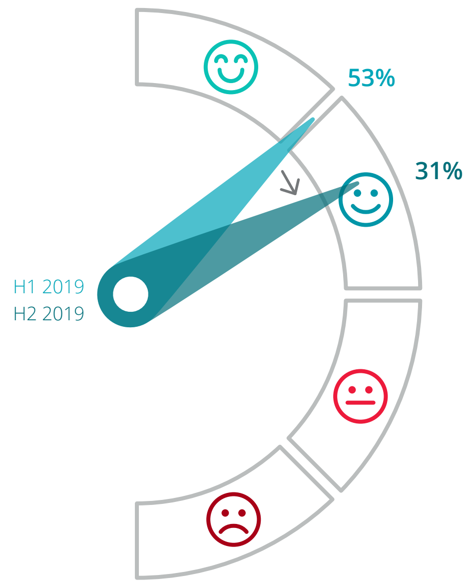
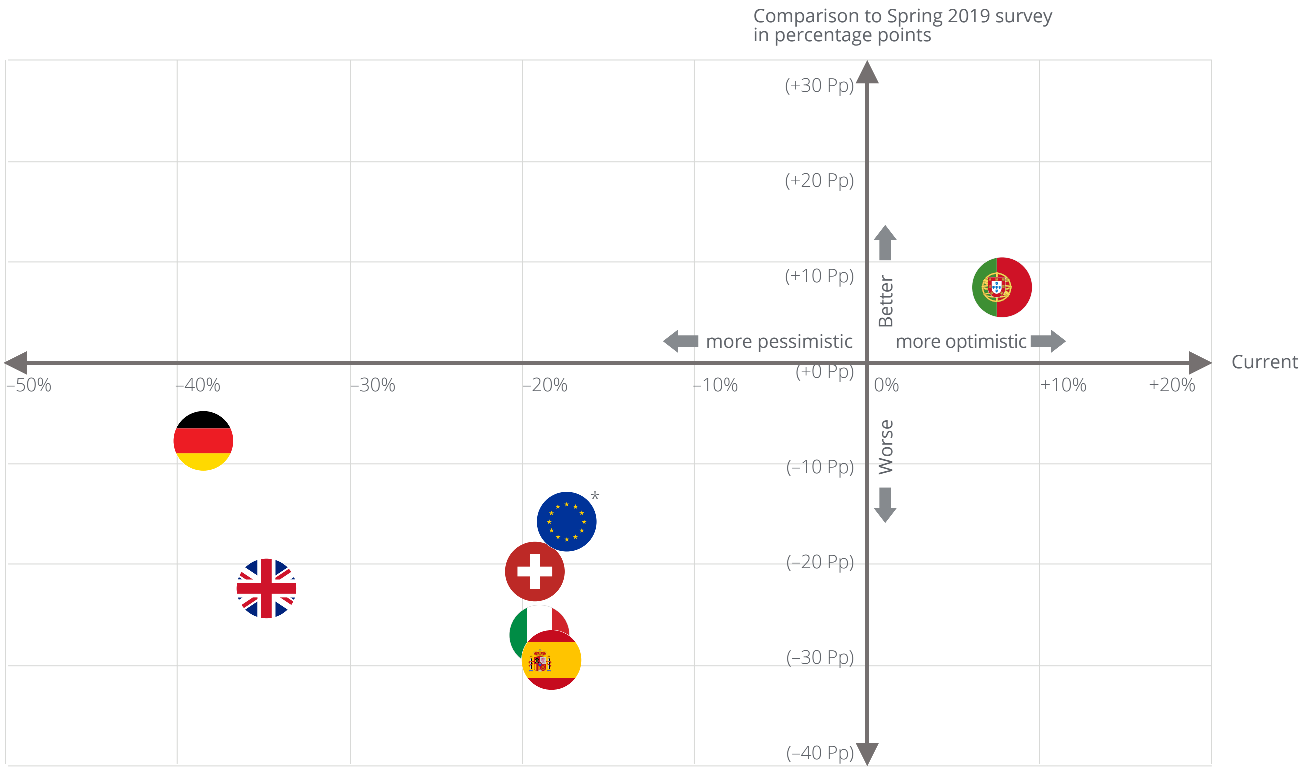


Chart 4. Financial outlook for companies across Europe compared with three months ago

Net balance indicating how CFOs rate their company's financial prospects compared with three months ago; results for selected European countries



* European average

"The stability of the eurozone remains fragile. The level of Italian debt poses risks to the stability of the euro area."

Dimitris Politis, CFO EFG International

Revenue expectations are lower across almost all European countries surveyed but remain positive almost across the board. Of all the major European countries, CFOs in Spain are the most optimistic about their company's revenues, with 56% expecting them to increase (a net balance of 35%). As in previous Surveys, UK CFOs are the most pessimistic of all (although the question is asked slightly differently in different countries). They are most optimistic about revenues, although even here, only 18% are optimistic. For all other indicators, the figure is even lower and in single digits. Switzerland is one of the more optimistic countries, with most CFOs reporting that they expect their company not just to maintain but actually to increase revenues.

Unfortunately, however, this is no longer the case for **operating margins**. For the first time since 2017, a majority of Swiss CFOs believe they will decrease over the next 12 months. There is renewed pressure on margins, although this pressure is not as severe as in early 2015, when the exchange rate floor for the Swiss Franc was removed. The value of the Franc is now rising again and this, together with a tougher foreign trade environment, is putting pressure on margins. Germany, a heavily export-oriented nation, is experiencing similar pressures. German CFOs' expectations for margins have declined markedly (-18 percentage points from H1) to one of the lowest net balances of all the countries surveyed. Just 2% of British CFOs expect margins to increase, the lowest figure of any group in the Survey. Across the board, expectations for margins are lower than those for revenues.

Chart 5. Revenue expectations across Europe

Net balance of CFOs who expect their company's revenues to increase/decrease over the next 12 months; results for selected European countries

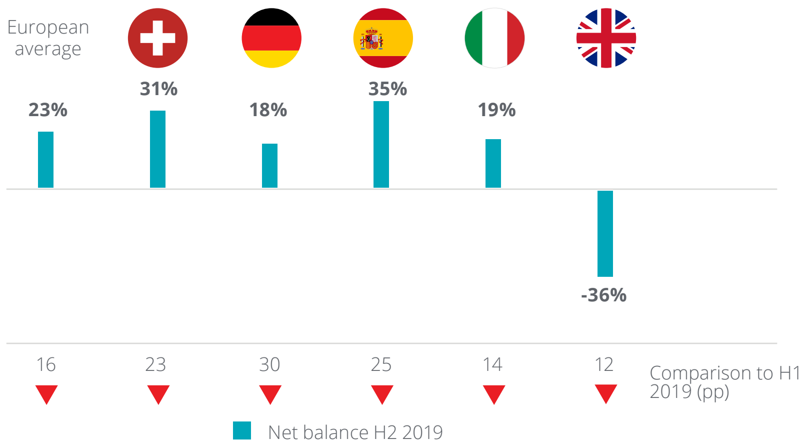
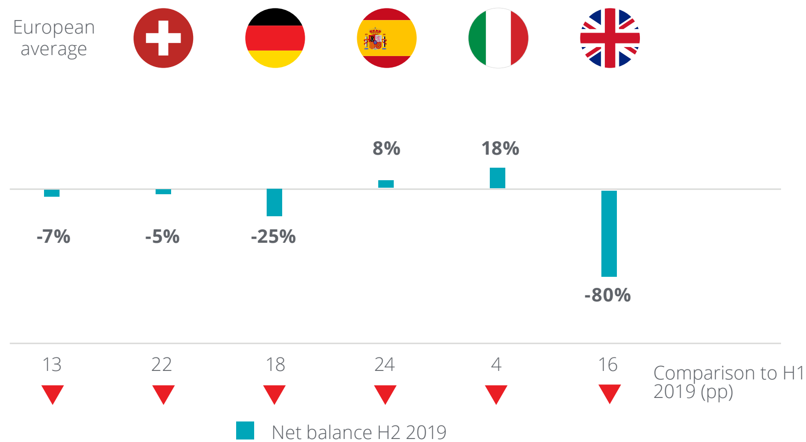


Chart 6. Operating margin expectations across Europe

Net balance of CFOs who expect their company's operating margins to increase/decrease over the next 12 months; results for selected European countries



Despite a weaker outlook, both **investment expectations** and expectations for employee numbers remain comparatively high, with expectations for investment slightly higher than those for employee numbers. Despite a consistent decline in staffing levels, most companies remain willing to invest and recruit staff. The major exceptions are Germany and the UK. Investment expectations in Germany show a substantial decline (34 percentage points), taking the country back to a negative balance. However, more than one-third of companies in Switzerland expect investment to increase over the next 12 months (36%), compared with just over one-fifth in Germany (22%) and only 6% in the UK.

CFOs are also more cautious in their expectations for **employee numbers**. A small majority of Swiss CFOs expect employee numbers to decrease (35%, compared with 30% who expect them to increase). A larger majority of German CFOs expect employee numbers to decrease (34%, compared with 22% who expect them to increase). In contrast, a majority of CFOs in Italy and Spain still expect employee numbers to increase. Across Europe, however, expectations are generally gloomier. A slowdown in labour market growth and rising unemployment in particular have had a considerable impact on the economy, not least in Switzerland, where household spending has traditionally been a reliable driver of growth. Demand for skilled labour remains high, however (see Chart 11).

Chart 7. Investment expectations across Europe

Net balance of CFOs who expect investment to increase/decrease over the next 12 months; results for selected European countries

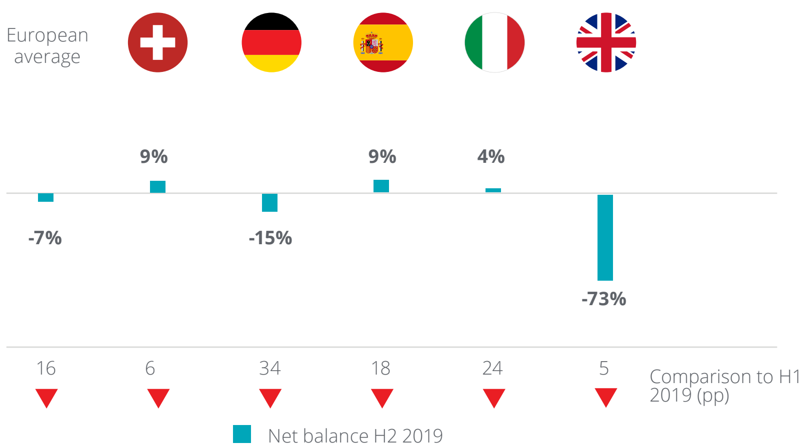
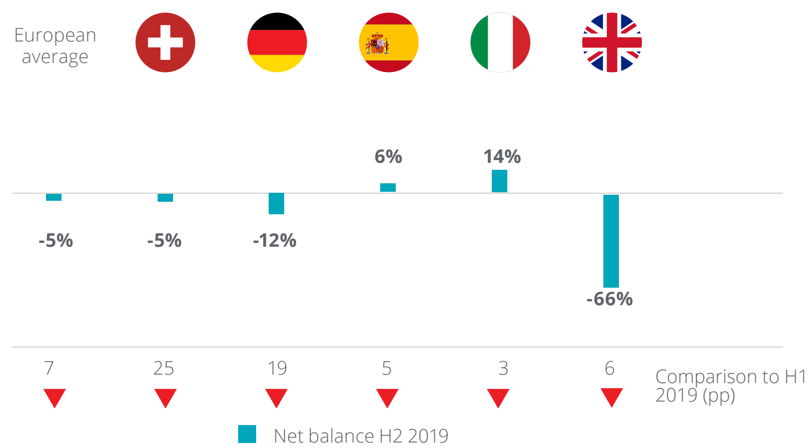


Chart 8. Expectations for employee numbers across Europe

Net balance of CFOs who expect employee numbers to increase/decrease over the next 12 months; results for selected European countries

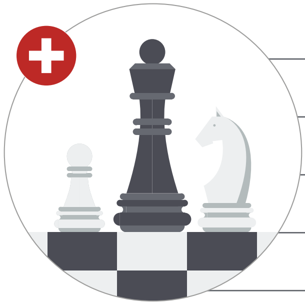


A majority of Swiss CFOs plan to tackle the weaker outlook for their companies with **expansive strategies** (see Chart 9). Cutting costs remains a central plank of companies' strategies but is only the third most important strategy companies expect to implement over the next 12 months, behind organic growth and digitalisation. CFOs in Luxembourg and Spain are also prioritising digitalisation. Elsewhere, however, companies are adopting defensive strategies. Danish, German, Irish, Italian and Swedish companies regard cost-cutting as the most important strategy. UK companies, too, are adopting a defensive approach: of the five most important strategies cited by UK CFOs, three are defensive (cost-cutting, increasing cash flow, and reducing debt).

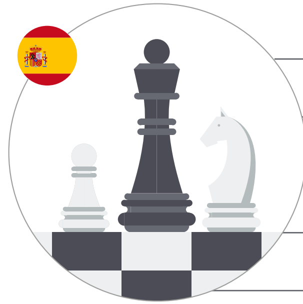
"For some, the banking industry is at the end of digitalisation in Switzerland, having done so many digital transformation programmes. For others, we are only at the beginning. For me, it is very much the latter. We need to remain competitive in technology on a global level."

Yvan Cardenas, CFO Swissquote

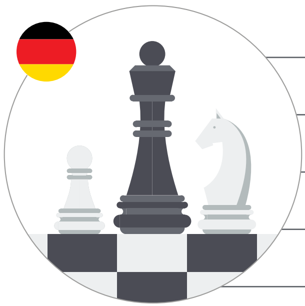
Chart 9. Most important corporate strategies over the next 12 months



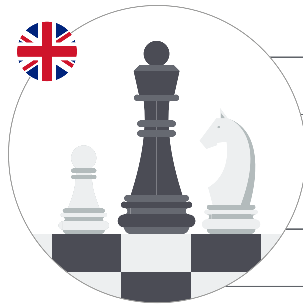
1. Organic growth
2. Digital transformation
3. Cost-cutting
4. New products/services
5. Expansion into new markets



1. Increased productivity
2. Digitalisation
3. Cost-cutting
4. New products/services
5. Organic growth



1. Cost-cutting
2. New products/services
3. Increasing cash flow
4. Growth through M&A
5. Expansion into new markets/cutting debt



1. Cost-cutting
2. Organic growth
3. Increasing cash flow
4. New products/services, expansion into new markets
5. Cutting debt

Risks: Renewed concerns about the currency

The value of the Swiss Franc has risen again, increasing CFOs' concerns about currency risks. The strong Franc underpins many of the global risks faced by the Swiss economy. And the number of risks is increasing.

The perception of increased **uncertainty** continues. In the H1 2019 Survey, perceived uncertainty was up for the first time since early 2015. It has risen again in the current survey, with 67% of CFOs rating uncertainty as high, up 13 percentage points from H1. This is the highest figure since Q2 2016, when the impact of the strong Swiss Franc was gradually beginning to decline.

A clear majority of CFOs in all major countries rate uncertainty as high and with the exception of Italy, the percentage of CFOs is higher in the current survey than in H1. Germany and the UK rate uncertainty highest (95% and 96% of CFOs respectively), with not a single CFO in either country rating it as low.

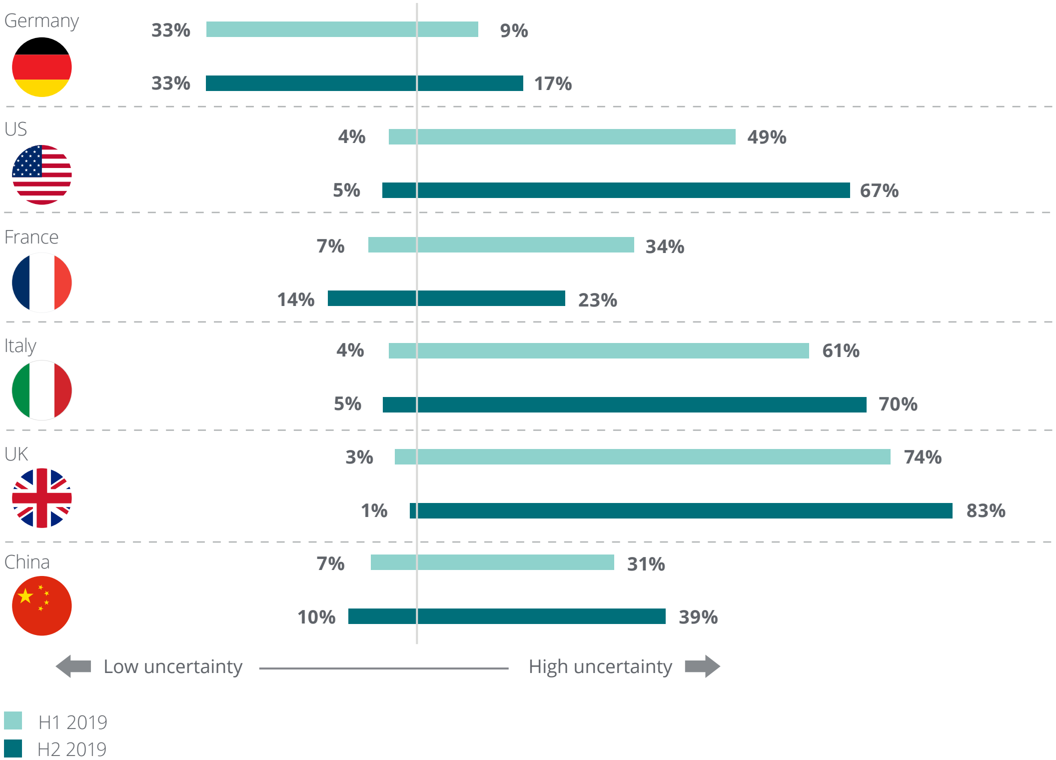
This increase in uncertainty in general is reflected in Swiss CFOs' views of the country's major trading partners. Swiss CFOs perceive a higher level of **political uncertainty in the country's major trading partners** (except France) in the current survey than in H1. Unsurprisingly, the highest level of uncertainty is perceived in the UK as it faces Brexit. The new Italian government has not yet succeeded in allaying the concerns of Swiss CFOs: perceived uncertainty in Italy has risen further, and the country continues to rank second on this indicator. The largest increase has been in the US for reasons including domestic political issues, trade wars and geopolitical tensions. The situation in China, too, is now viewed as uncertain, with Hong Kong and trade wars contributing to the uncertainty.

"You do not know when they materialise, but with the fundamentals unchanged, the risks remain. Given the risk outlook, it is better to prepare, growing with innovative products while keeping costs under control."

Cynthia Tobiano Rozenblum, CFO and Deputy CEO, Groupe Edmond de Rothschild

Chart 10. Political uncertainty in Switzerland's major trading partners from the perspective of Swiss CFOs

How do you rate the current level of political uncertainty in the following major Swiss trading partners as it affects your company?



CFOs see the greatest **risk** in a renewed **currency crisis**. This risk has risen eight places, overtaking weak demand and geopolitical risk. The Swiss Franc is regarded as a 'safe haven' currency and in times of increasing global risk it will strengthen. In this way, the Swiss Franc is an indirect conduit to expose Swiss companies to global risks. Geopolitical risks and trade wars have increased over the past year, so it is unsurprising that the value of the Swiss Franc has risen. Without interventions by the Swiss National Bank, this rise would have been even greater.

The Bank's interventions include the area of monetary policy. CFOs' **interest rate expectations** have reversed from the H1 Survey. 65% now expect negative interest rates over the next two years, up from 41% in H1 2019.

Concerns about a **skills shortage** have risen to fourth place in the list of risks, so although companies are now more aware of costs and are seeking to restrict recruitment, they continue to seek skilled workers (see Chart 8).

Digitalisation is the second most important corporate strategy cited by CFOs, but despite this – or maybe because of it – there are concerns about digitalisation. CFOs cite problems with implementing digital transformation programmes, difficulty in keeping up with the competition in this area and cyber-security risks.

The risk environment is having an impact on **CFOs' risk appetite**. This is, in fact, the issue where there is the greatest agreement between CFOs in different countries. Across the board, the large majority of respondents indicated they are not willing to take greater risk onto their balance sheet. German and UK CFOs are particularly risk-averse, with just 8% and 7% respectively saying this is a good time to be taking greater risk onto their balance sheet. Risk appetite is also comparatively low in Switzerland, at 19%. Even in the country with the highest risk appetite – Russia – just 38% of CFOs believe this is a good time to be taking greater risk onto their balance sheet, compared with 62% who do not think it is a good time. A low appetite for risk is not, however, completely without its own risks. Entrepreneurial activities and innovation involve risk, and excessive risk-aversion brings with it the danger of weakening the ability of European economies to innovate and change in the long term.

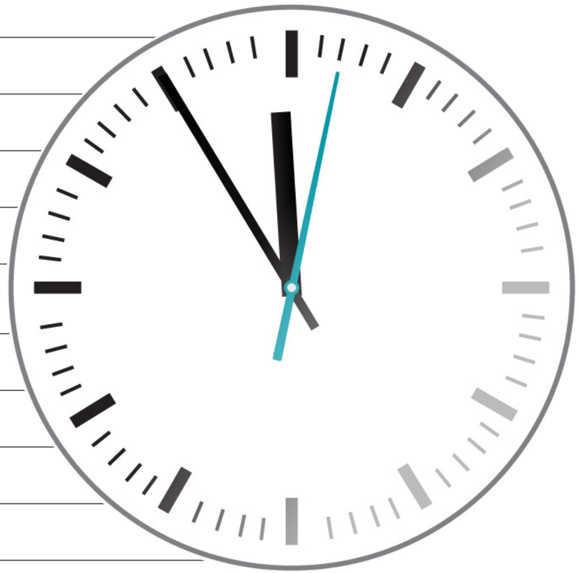
"In Europe we have been in a decreasing then negative interest rate environment for a long time now. Without lifting growth sustainably, we risk becoming Japan, entrenching low growth."

Cynthia Tobiano Rozenblum,
CFO and Deputy CEO, Groupe Edmond de Rothschild

Chart 11. Top risks in Switzerland

What do you see as the largest internal and/or external risks to your company over the next 12 months? (Up to three responses). The triangles show the direction of change from the H1 Survey; the figure inside each triangle shows the change in each risk's ranking

1. Currency risks	▲ 8
2. Weak demand	► 0
3. Geopolitical risks	▼ 2
4. Skills shortage	▲ 4
5. Internal problems	▲ 5
6. Trade wars/trade barriers	▲ 1
7. Digitalisation/technological change	▼ 4
8. Foreign demand	▼ 3
9. Competitive pressure	▲ 2
10. Price/cost/margin pressure	▼ 7



"Given the Swiss Franc swap curve and where Francs currently price, I expect the Swiss National Bank will not be increasing the policy rate soon."

Dimitris Politis, CFO EFG International

To-do list: CFOs' priorities for the new Parliament

The world is becoming more uncertain, and Switzerland must react. But how? CFOs have clear expectations of the newly elected Parliament. Three issues stand out in particular: the long-term nature of Switzerland's relations with the EU, the funding of social security and market access for Swiss companies abroad. All three issues could have been tackled more boldly in the previous legislature, meaning that they are now increasingly urgent.

With a new Parliament and a new opportunity to take Switzerland forward, CFOs see three priority areas for action. Two are external: market access abroad in general, and the long-term nature of Switzerland's foreign relations in particular. The EU is Switzerland's most important trading partner, and the 1972 Free Trade Agreement and the bilateral (sectoral) agreements mean that Switzerland is substantially integrated in the European single market. The current dispute about the proposed framework accord and the forthcoming vote on an end to freedom of movement put this integration at the very forefront of business concerns. In contrast to the UK's situation in relation to Brexit, Switzerland would have a relatively soft landing if the bilateral agreements were to come to an end because of its Free Trade Agreement. However, like the UK, Switzerland's relationship with the EU would not end if the current integration would. A lot of work would need to be done to reshape the relationship in a negotiating environment that would be much less favourable, and against a backdrop of substantial legal uncertainty and higher costs for companies.

Swiss CFOs see the country's internal priority as ensuring funding for social security. It is not just employees who stand to benefit from a secure and affordable social security system: social security is part-financed by employers in Switzerland, so companies are threatened in the medium term by higher contributions, taxes and financial risks.

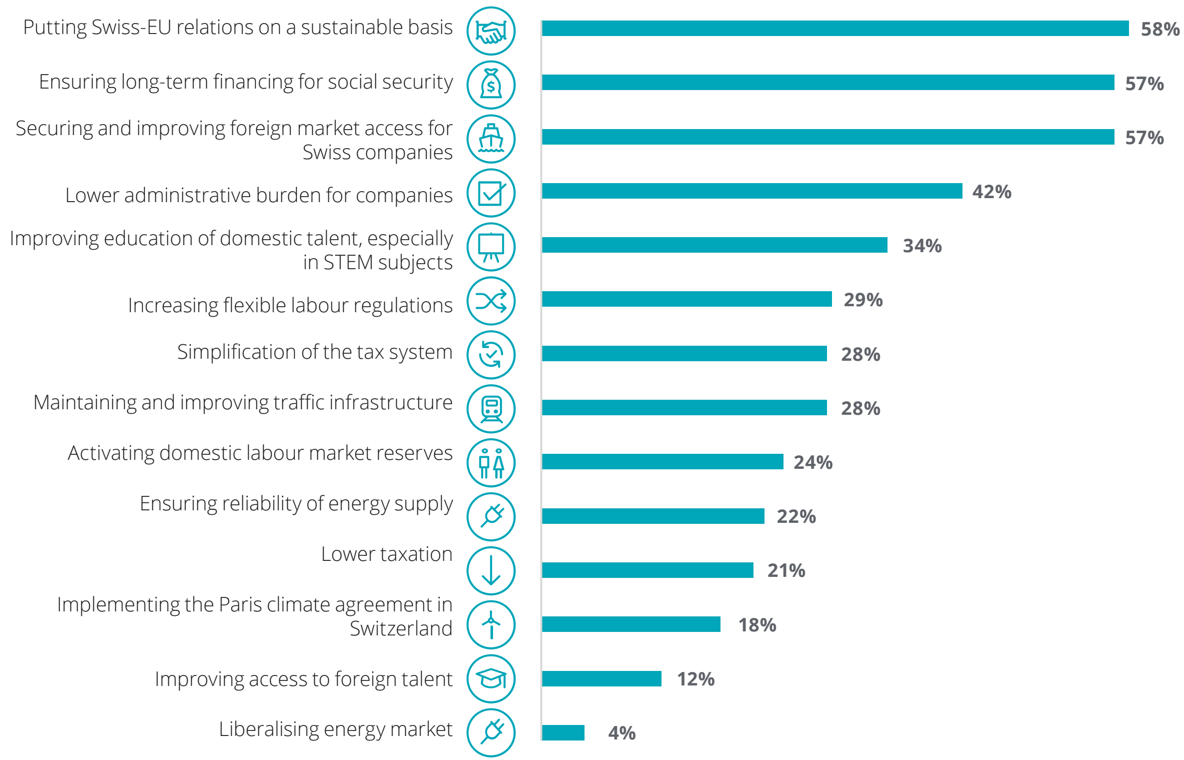
Cutting the bureaucratic burden of 'red tape' ranks fourth in the list of priorities. Cutting red tape usually requires changes to largely unglamorous details – not the stuff of a winning election campaign – but potentially of great practical benefit to companies. The high ranking of this issue shows that CFOs still believe there is work to be done in this area.

They are also concerned about a skills shortage, which underpins some of their other concerns, and would like the new Parliament to take action, particularly against the backdrop of an ageing population.

Few CFOs see implementing the Paris Climate Accord as a high priority. Climate change is a major long-term financial risk to companies but has yet to have any significant direct impact on their financial position. By contrast, unsuccessful implementation of the Climate Accord could have a negative impact. For the moment, then, ensuring security of energy supply is seen as a slightly higher priority.

Chart 12. Swiss CFOs' priorities for the new Parliament

Proportion of CFOs attaching a high priority to each issue



Action against climate change: Progress, but still some way to go

With more immediate challenges threatening business, CFOs do not yet see action against climate change as a priority. However, companies are already taking action in this area, for example by improving energy efficiency. Nevertheless, this is only the first step, and climate change threatens to have a more direct impact on corporate finances.

94% of all companies are taking some action against climate change. The most frequently reported measure is more efficient energy use, for instance by boosting the energy efficiency of buildings. The second most frequently cited measure is greater use of energy-efficient or climate-friendly machinery, technology and equipment, followed by a series of other measures each reported by a small number of companies. Just over one-third (35%) of companies are developing new climate-friendly goods and/or services. The same proportion are taking steps to reduce greenhouse gas emissions across their value chain or logistics. And 14% of companies believe they need to make their plant more resistant to extreme weather events.

The findings for Swiss CFOs are primarily in line with those for European CFOs. However, a detailed breakdown reveals some significant differences. For example, all the companies surveyed in Ireland, Norway and Sweden are taking at least one measure against climate change. In contrast, around one-quarter of all companies in Greece, Poland and Russia have yet to take a single one of the measures listed.

"When politics look at how to fight climate change I think it's important not to simply add constraints on paper and increase the costs for the economy, but do it intelligently, by providing or changing incentives. Done right, an environmental policy could benefit both the climate and the Swiss economy by improving the competitiveness on a long-term perspective."

Yvan Cardenas, CFO Swissquote

Companies perceive pressure from interest groups and market players, although to varying degrees. Not all of these players are equally important, which goes some way to explaining why companies feel under differing degrees of pressure to act. Unsurprisingly, the greatest pressure is from customers, the broader public (including the media) and the company's own workforce.

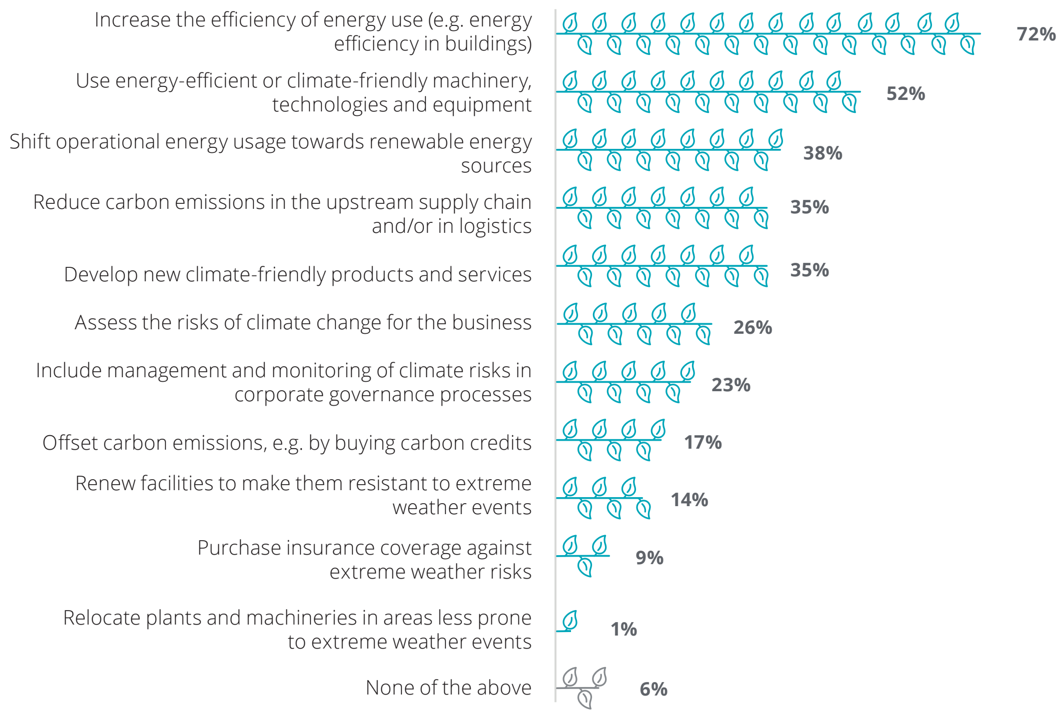
However, companies should not have to be pressured into taking further action, regardless of where that pressure comes from. Companies' own interest in reacting to the changing climate conditions should be enough. Climate change threatens wide ranging impacts on goods and services, supply chains, financial assets and business models, so any company that is not prepared to act is likely to fall behind its competitors.

These risks should feature more prominently in corporate reporting. Greater transparency is needed across all sectors and not just, as now, in some cases in the banking and insurance sector.

Taking action against climate change should not be regarded as simply countering risk: such action can also create opportunities. New areas of business are opening up, with new customer preferences and greater demand for more climate-friendly goods and services. Agile companies will be able to exploit these areas and take positive and successful action against climate change.

Chart 13. Taking action against climate change

Which of the following measures is your company taking or planning to take to tackle climate change? (Multiple answers possible, with option to list additional measures)



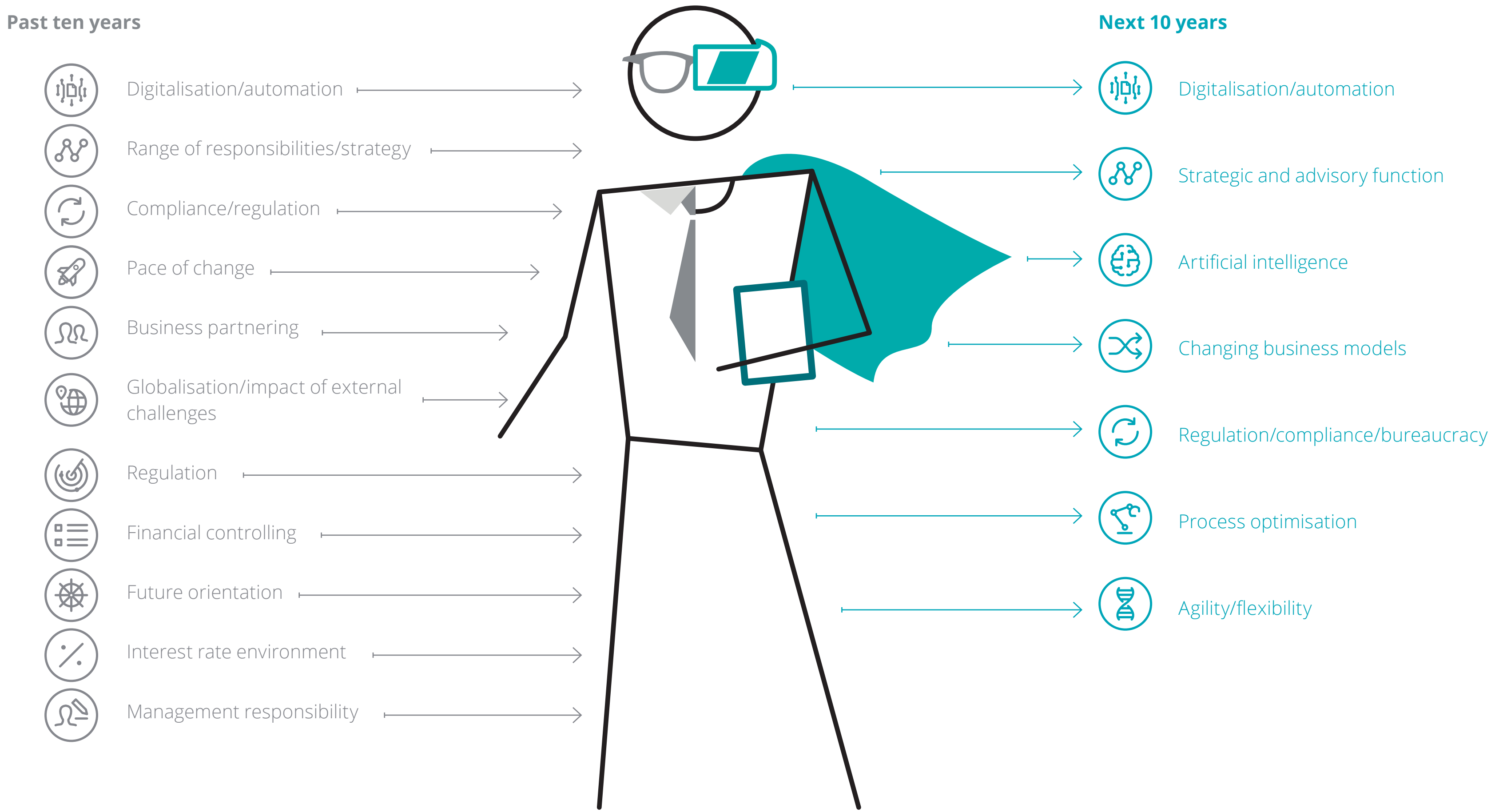
The role of the CFO

Ten years of the Swiss CFO Survey have seen major change, including – and especially – in the role of the CFO. Such change has occurred against a backdrop of increasing digitalisation, greater strategic input and involvement of CFOs and the finance function in business processes and increasing regulation. CFOs also expect that change will be the only constant over the next ten years.

CFOs see their role as having undergone particular change in two areas over the past ten years. One is increasing digitalisation. The other is the increasing responsibility assumed by CFOs and their more strategic role within companies. As the emphasis shifts from 'number-crunching' to greater business partnering, CFOs are now taking on a greater strategic role and r management responsibility. These changes are complementary: increasing digitalisation both requires and enables a shift in the nature of the finance function, opening up new opportunities, such as real-time finance and data analytics. CFOs also frequently cite increasing regulation and compliance responsibilities and the associated costs – and the associated costs. The fourth most frequently cited change in the CFO's role is the increasing pace of change and the resulting need for speed and agility.

Over the next ten years CFOs expect, digitalisation to dominate even more. The process of change triggered by digitalisation is by no means complete; on the contrary, it is just beginning. CFOs frequently cited artificial intelligence, a technology whose scope is still being explored. Many also expect further changes in their role, with CFOs becoming strategic business partners.

Chart 14. How has the role of the CFO changed over the past ten years? And how will it change over the next ten years?



Interview with Ian Stewart, Chief Economist, Deloitte UK

Ian Stewart is a Partner and Chief Economist at Deloitte in London where he researches the business implications of economic change. Before joining Deloitte Ian spent 12 years as Chief Economist for Europe at the US investment bank, Merrill Lynch in London. He previously worked as Special Adviser in government and as Head of Economics in the Conservative Party's Research Department.

10 years of the CFO Survey in Switzerland, 12 years in the UK. What makes the Survey such a valuable tool in your opinion?

Understanding what people who allocate capital in businesses are thinking is vital to understanding business and economic performance. CFOs chart the direction of the business, deciding on spending and the shape of corporate balance sheets. Their views matter. Over the years the Survey has given policymakers, economists and corporates a remarkable insight into how CFOs have navigated a period of remarkable change.

Looking back, what do you think has been the biggest challenge for CFOs during these years?

Undoubtedly the onset of a decade of financial, economic and political volatility. The CFO is the person on the Board who has been on the front-end of dealing with the big, external challenges of the post-recession era: weak growth, uncertainty, protectionism and the rest.

As the latest UK CFO Survey shows, British CFOs are largely pessimistic, uncertainty is high and strategies are defensive. Not a surprise if you follow the never-ending Brexit drama. When do you think will the UK return to optimism?
An agreed deal with the EU on Brexit could deliver a real boost to UK business confidence. That is well within the realms of possibility – though it is not, of course, a certainty. But don't forget that business sentiment in the UK has also been dampened by wider concerns about global growth, and they show no signs of reducing.

Did the UK waste the last three years from an economic point of view? Were there positive developments as well?

In a free society economics is, quite rightly, subordinate to politics. The hiatus of the last three years may come to be seen as the undesirable – but unavoidable – consequence of the referendum result. It's been messy, and wouldn't have happened in an autocracy, but it does represent the working through of the hugely complex practical consequences of the referendum vote.

What is the big economic picture in 2020? What are your expectations for global economic growth?

The most likely outcome is that global growth continues at a sluggish pace, similar to that seen in 2019. But the risks are that things will turn out worse, rather than better, than currently expected. In particular, I see a material risk of a recession in either the US or Europe in 2020 or 2021.

Interview with Markus Gisler, President of the CFO Forum

Prof. Markus Gisler is President of CFO Forum Schweiz. After training as a graduate auditor with Arthur Andersen, he spent 16 years with DKSH, including eight years in Asia as a CFO in Japan, the Philippines and Hong Kong. In 2013, he joined Lucerne University of Applied Science and Arts' Institute of Financial Services Zug (IFZ) as a full-time lecturer and project manager. He has been Director of the IFZ since 1 July 2019.

The next Swiss CFO Day will take place 13 January 2020 (www.cfos.ch).

Ten years of the CFO Survey – ten years of change. CFOs report that from their perspective, ongoing digitalisation has been the major change over the past ten years and will remain so over the next ten years. What do you think has been the major impact of digitalisation on the finance function? And what impact might it have in future?

I see digitalisation as having an impact both on the specific finance function and on the company as a whole. CFOs have long been involved in adapting processes in their own area of responsibility to the new opportunities that digitalisation opens up. This transformation of the finance sector will continue over the coming years. However, as members of the senior management team, CFOs also have to recognise the strategic opportunities that digitalisation offers the whole company. They need to assess these opportunities and make use of them where this is meaningful and where doing so will boost the value of the company. We are still very much on the 'nursery slopes' when it comes to digitalisation, and CFOs have a lot more work to do both in their own specialist area and at strategic level.

CFOs also often describe the change that their own role has undergone within the company – from simply generating data to being a strategic business partner. What might the role of a typical CFO look like in ten years' time?

CFOs view their future role as much more than that of a 'number cruncher'. In fact, they have never seen themselves solely that way, but until very recently, they did spend a lot of their time gathering and processing financial data. New technologies and tools have now transformed their day-to-day work, but CFOs will still be responsible for ensuring that the company has rapid access to the accurate, relevant and focused data it needs. Data processing will take less time in future, giving CFOs more time for projects and involvement in strategic issues. Nevertheless, in ten years' time, the role of a CFO will still typically be to negotiate with the CEO, the Board of Directors and (major) shareholders, and will be tailored to the specific needs of each company and its stakeholders.

The next Swiss CFO Day will be devoted to global value chain management – a highly topical issue against a backdrop of protectionism and geopolitical challenges. What does global value chain management mean for CFOs?

It means having to change their thinking. After years of optimising value chains and globalising corporate functions and manufacturing infrastructure to maximise efficiency, times – and priorities – have changed. Over recent months, many different kinds of company have realised that decisions made in the past now look risky and may even be harming the value of the company. The focus is now back on policy – something that used to be self-evident, but was sometimes undervalued and overlooked in the focus on globalisation. Within their senior management teams, CFOs must ensure that policy debates and risks feed into corporate decision-making, for example on production locations for goods and services, responses to political representatives and the consequences of culturally sensitive marketing campaigns.

CFOs still see currency risk as the greatest risk to their company. Swiss companies have been getting better and better at managing the strength of the Swiss Franc. But are there still things that CFOs can do to make their company even more resilient to the strong Franc?

I believe one of the main strengths of Swiss companies is their ability to improve continuously, whether in small steps or larger shifts. Along with high labour costs, the strong Swiss Franc has been a major trigger for this. These trends mean that CFOs can never rest on their laurels and have constantly to remain vigilant where costs are concerned: a measure that is efficient today may well not be in future and must constantly be questioned. But to remain successful, every Swiss company also needs to introduce new products, customer-oriented services and innovative business models on an ongoing basis. And here, CFOs can help, for example by creating a corporate culture that supports experimentation, unconventional thinking and controlled failure.

Swiss CFOs' expectations for interest rates have turned around in the current CFO Survey, with a significant majority now expecting negative interest rates over at least the next two years. What impact might a long period of negative interest rates have on corporate financing?

I hope CFOs will not ignore the opportunity for cheap borrowing, but they will also have to resist any misuse of that money by their company. And they must also resist the temptation to rack up borrowing, opting for unbalanced maturities or exposure to currency risks and using excessively low interest rates to put investments in a misleadingly positive light. CFOs must also keep an eye on the collateral damage that negative interest rates can have on the company. I am thinking here in particular of unsecured obligations under Switzerland's workplace pension scheme (BVG/PP). The attractiveness of negative interest rates for company finance must be set against the risks, and responsible CFOs are already setting these out clearly in their companies' risk analyses.

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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**