

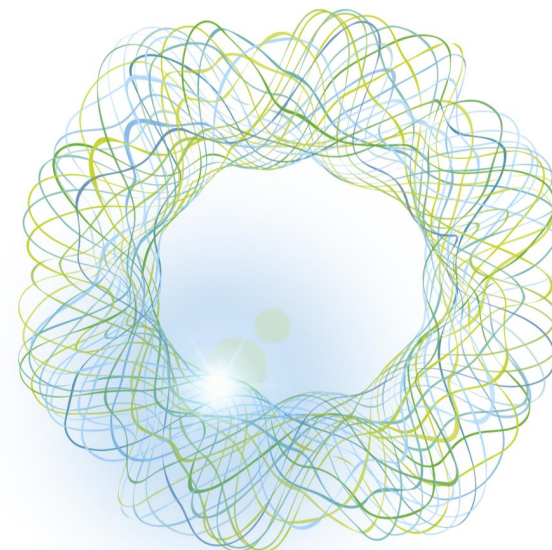
The Deloitte CFO Survey

Glimmers of hope for recovery

First half-year 2021 | Results of the Swiss and European CFO Surveys

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About the Deloitte CFO Survey

The 41st Swiss CFO Survey was conducted online between 2 and 31 March. Despite the unusual circumstances, a total of 125 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.

This edition also presents the results for selected questions and countries from the European CFO Survey. The results from 19 countries, including Switzerland, have been compiled into a single report. A total of 1,559 CFOs took part in the current European Survey. You can find the full aggregated 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.

1. Summary and key findings of the Swiss CFO Survey



The recovery is under way – or so a majority of Swiss CFOs believe. However, the improvement starts from a low baseline, and in most cases relates to CFOs' expectations for the next 12 months. The current situation remains challenging for many companies.



65% of CFOs rate the outlook for the Swiss economy over the next 12 months as positive, compared with 13% who rate it negative. A majority of Swiss CFOs are also optimistic about their own company's financial prospects: 69% rate the outlook over the next 12 months as positive, while only 15% rate it as negative.



The outlook for all corporate indicators has improved compared with H2 2020, and most CFOs now rate them as positive. This is particularly the case for revenue expectations. However, only about one-third of CFOs (34%) report that their company's revenues have returned to pre-crisis levels, with a further 16% expecting them to do so by the end of the year. This means that one-half of CFOs do not expect revenues to return to pre-crisis levels until 2022 at the earliest.



The pandemic still overshadows perceptions of risk and remains the most significant corporate risk. The effect of the pandemic is also evident in a number of other risks, from weak demand and supply chain problems to digitalisation and cybersecurity.



CFOs agree that the pandemic will have a long-term impact on companies. They believe that digital interfaces with customers are here to stay, but most do not predict a major upheaval in supply chains or that working from home will be the norm for all employees once the pandemic is over. This latter finding is welcome news for a substantial minority of CFOs (around one-third), who believe that long-term working from home is driving down productivity in their finance function.

2. Clear improvement in the economic outlook

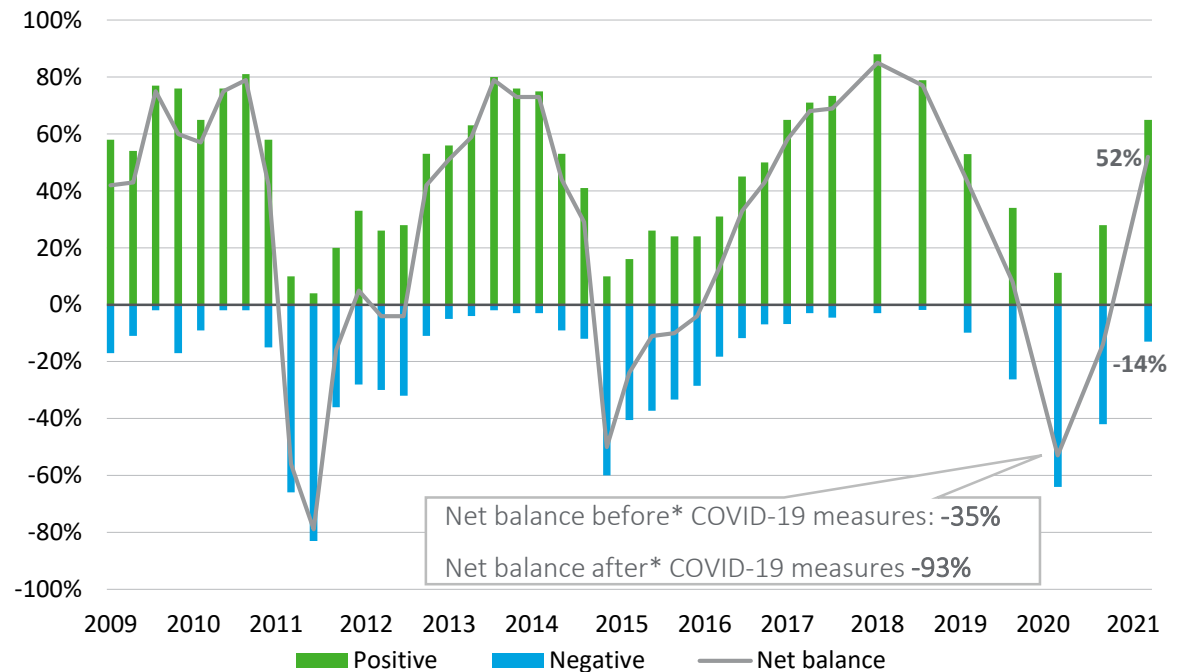
A clear majority of CFOs believe that things are improving and see potential for growth, but concerns remain about the pandemic and measures to tackle COVID-19.

Swiss CFOs are feeling optimistic again. A clear majority rate the prospects for the Swiss economy over the next 12 months as positive. Their hope is that the sharp decline in growth seen in 2020 will be followed by a steep recovery. Substantially more CFOs now rate the outlook as positive, with an increase in the net balance from -14% in H2 2020 to +52%, albeit from a low baseline.

However, expectations for the economy are still influenced largely by external factors. The main factors shaping CFOs' views are the COVID-19 pandemic and the measures taken to tackle it. Further delays in the vaccine rollout, the spread of more dangerous and vaccine-resistant mutations of the virus, and strict ongoing lockdown restrictions are just some of the factors that could undermine a recovery. The situation remains fragile, and despite greater optimism an economic boom has not yet arrived.

Chart 1. Economic outlook for Switzerland

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



*"Before" and "after" refer to 13 March 2020, the date on which the Swiss Federal Council imposed restrictions on the country.

3. Corporate outlook: The return of optimism

CFOs in Switzerland and across Europe are also optimistic about almost all aspects of their company's financial outlook, reporting an improvement in all indicators. However, not all companies are yet feeling the benefit of the recovery, and the improvements that have occurred are from a low baseline. Nevertheless, one-half of all CFOs expect their company's revenues to return to pre-pandemic levels by the end of the year.

A clear majority of European CFOs have become more optimistic about their company's financial outlook over the past three months, in Switzerland as well as in Europe (see Chart 2). A change in mood was already evident in the results of the H2 2020 Survey, and this improvement is sustained in the current survey.

The number of Swiss CFOs reporting an improvement is slightly up on H2 2020, with a net balance of 44% (Chart 3). However, more than one-third expect no change in their company's financial outlook, and 12% expect it to deteriorate. This indicates that for many companies, the current situation remains challenging.

These results place Swiss CFOs close to the European average, with a net balance of 43% across all participating countries. Responses from Germany are slightly more pessimistic than in H2 2020, though even here considerably more CFOs are now optimistic about the financial outlook for their company (see Chart 2). Optimism is particularly marked in the United Kingdom: the UK leads most other countries in rolling out its COVID-19 vaccine programme, and the country's withdrawal from the EU has ended the uncertainty surrounding Brexit. British CFOs' expectations are now more positive overall than at any time since the UK CFO Survey was launched.

The expectations of Swiss CFOs for the next 12 months are better than over the past three months. 69% of CFOs are now optimistic, with expectations almost back to pre-pandemic levels, or even slightly higher (see Chart 4). However, this renewed optimism does not extend to all companies: 15% of CFOs believe that their company's financial outlook is likely to deteriorate, which is worrying. Optimism is strongly future-oriented, with greater improvements expected over the next 12 months than have so far been achieved.

Chart 2. Companies' financial outlook in Switzerland compared with Germany, Italy and the United Kingdom

Net balance of CFOs rating their company's financial outlook compared with three months ago

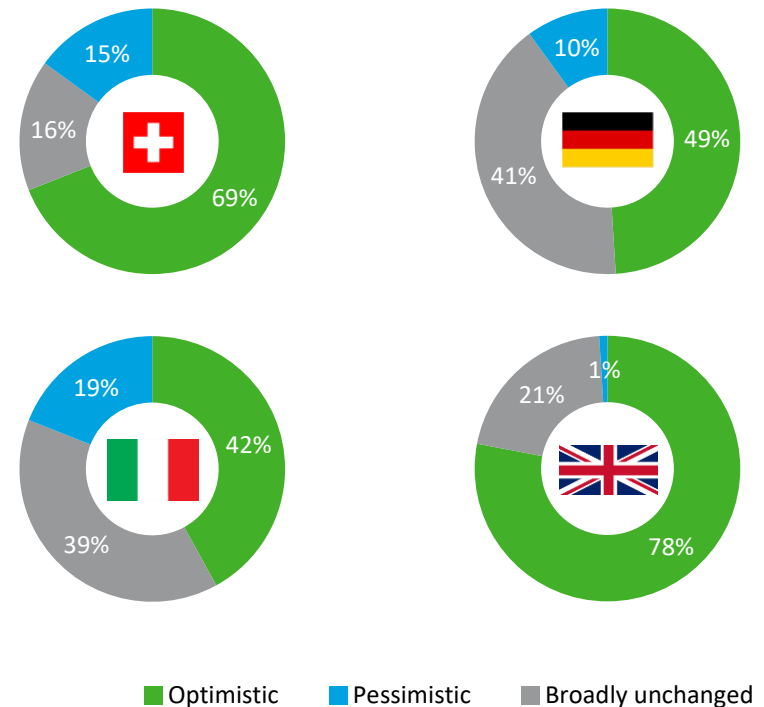
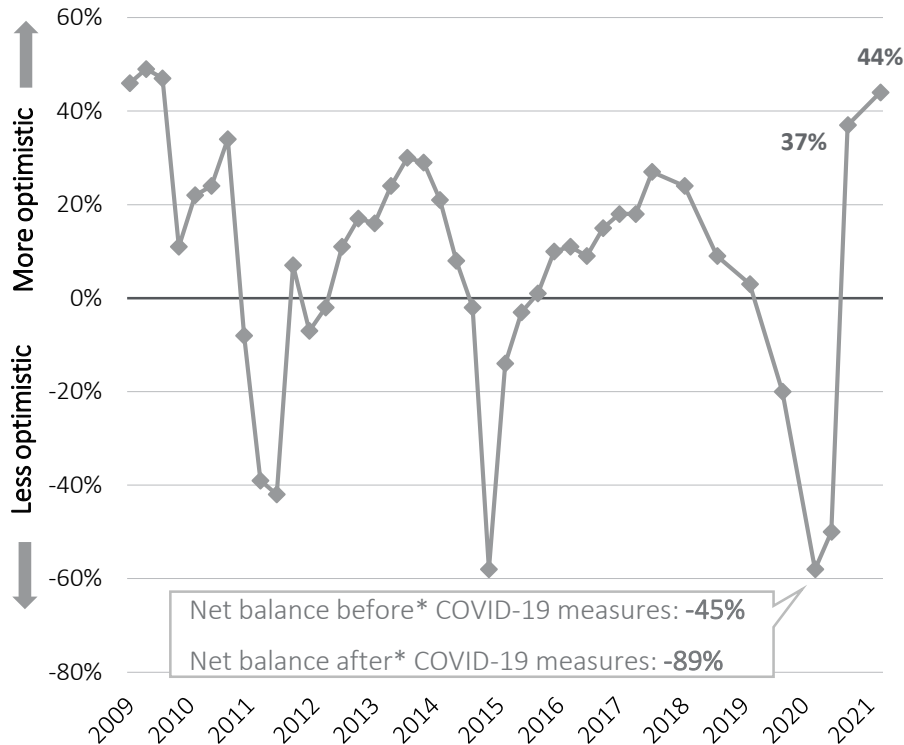


Chart 3. Companies' financial outlook compared with three months ago

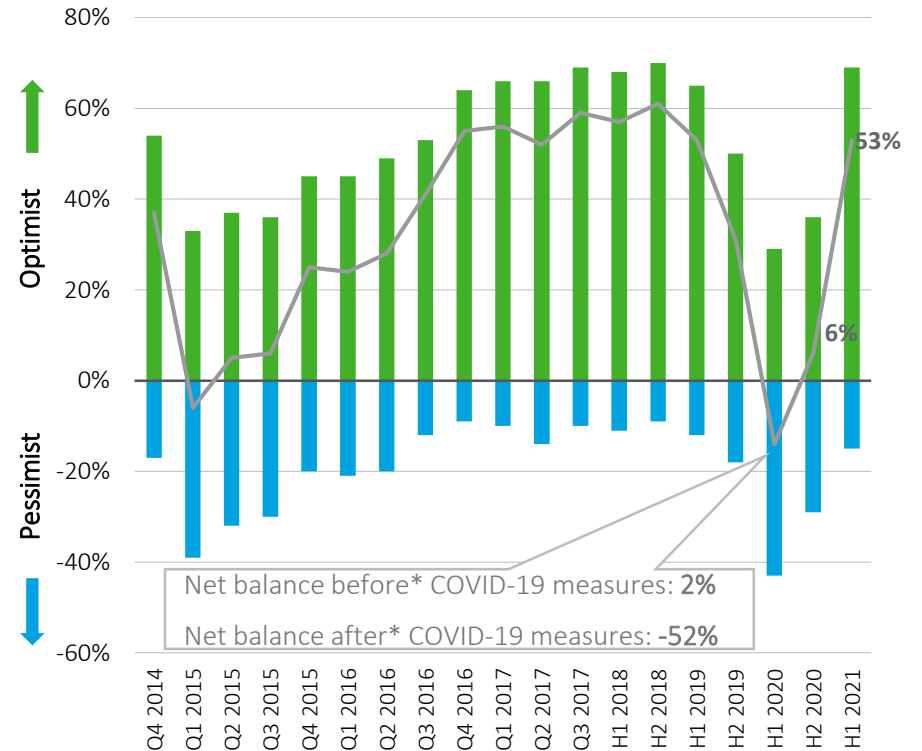
Net balance indicating how Swiss CFOs rate their company's financial prospects compared with three months ago; results include those of the short Survey conducted in June 2020



**"Before" and "after" refer to 13 March 2020, the date on which the Swiss Federal Council imposed restrictions on the country.

Chart 4. Companies' financial outlook over the next 12 months

Net balance indicating how Swiss CFOs rate their company's financial prospects over the next 12 months



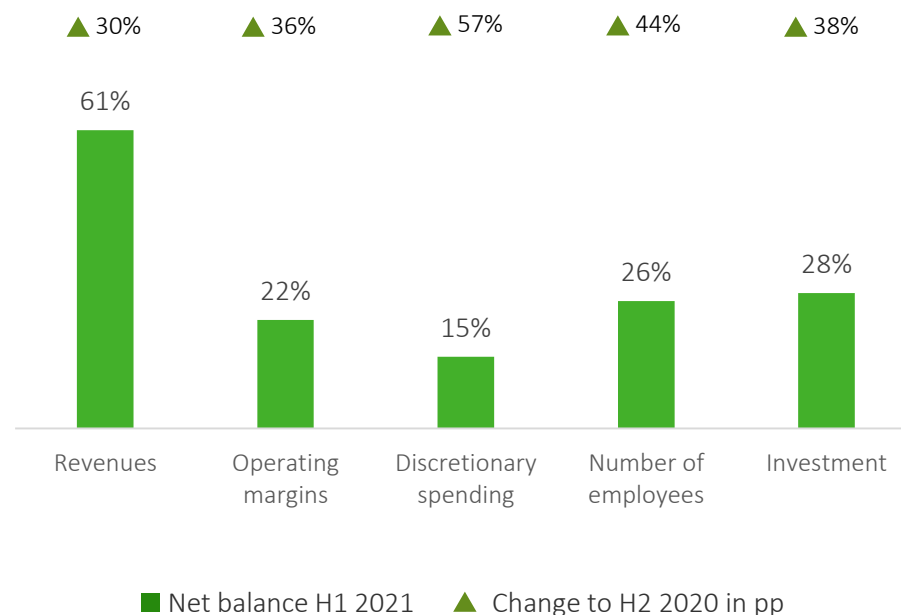
**"Before" and "after" refer to 13 March 2020, the date on which the Swiss Federal Council imposed restrictions on the country.

In the H2 2020 Survey, CFOs reported expectations of significant improvements in five specific indicators, but a majority still rated four of the five as negative. The current Survey shows growing optimism, with the net balance for all five indicators now positive. This means that more companies expect performance to improve, as judged by these indicators, than those expecting it to worsen. CFOs are particularly optimistic in their expectations for revenues, but the improvements compared with the H2 2020 Survey are in double digits for all five indicators. The largest increase is in the figure for discretionary spending (marketing, training, etc). It is recognised that spending in these areas will increase once restrictions are lifted and the economy picks up. However, the results also demonstrate that many companies have their costs under control; if this were not the case, CFOs would be taking counter-measures against rising discretionary spending. For most CFOs, income-based indicators (revenues and operating margins) are improving, with expectations that increasing revenues will translate into higher employee numbers and more capital investment. The expectations for these increases, however, are from a low baseline and do not apply to all companies equally.

As in Switzerland, there is a marked recovery in corporate indicators in most other European countries covered by the CFO Survey. The recovery is particularly marked in the UK, where 89% of CFOs expect higher revenues and around 60% expect operating margins, employee numbers and investment to increase. However, prospects have improved in all the countries covered. Respondents in 19 countries were surveyed on four indicators, giving a total of 76 sampling points. The net balance was lower than in H2 2020 in only two of these 76 points, and was positive for all but one indicator (Austrian CFOs' expectations about employee numbers). However, as in Switzerland, the expected recovery is from a low baseline and is future-oriented, with greater improvements expected over the next 12 months than have so far been achieved.

Chart 5. Corporate indicators

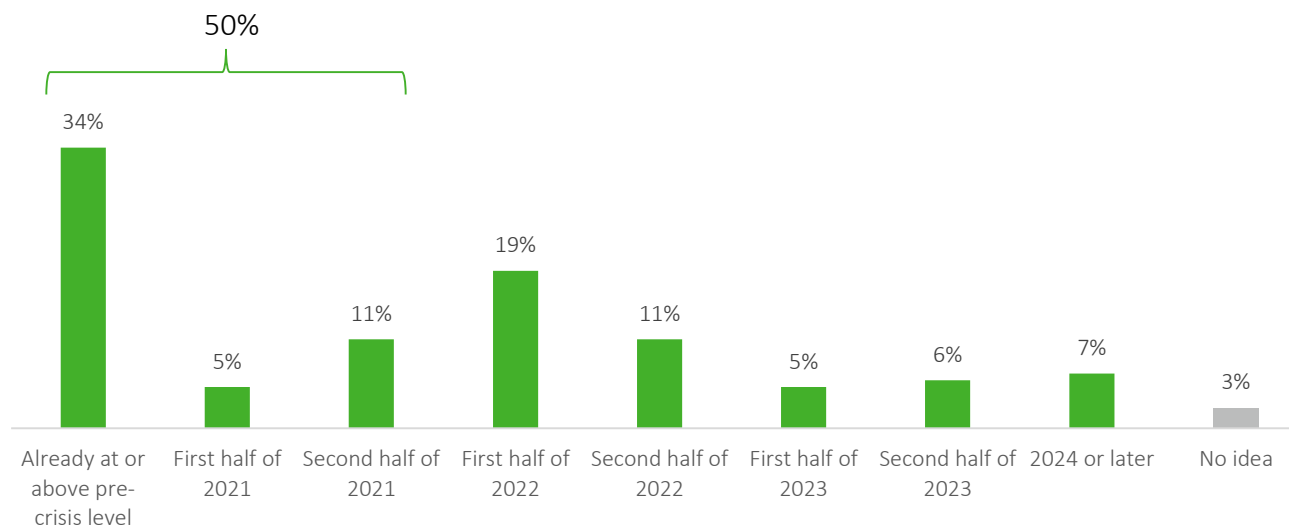
Net balance of CFOs who expect their company's performance on the following indicators to increase/decrease over the next 12 months.



Despite greater optimism, most companies report that revenues have not yet returned to pre-crisis levels, although one-half of CFOs expect them to do so by the end of the year. The proportion of those reporting that their company's revenues are already at or above pre-crisis levels continues to rise, from 12% in June 2020 and 18% in H2 2020 to 34% now. This confirms the impression that while companies expect improvements in revenues, most of them have yet to see any such improvements.

Chart 6. Most companies have not yet returned to pre-crisis levels of revenue

On the basis of current information, when do you expect your company's revenues to return to pre-crisis levels?



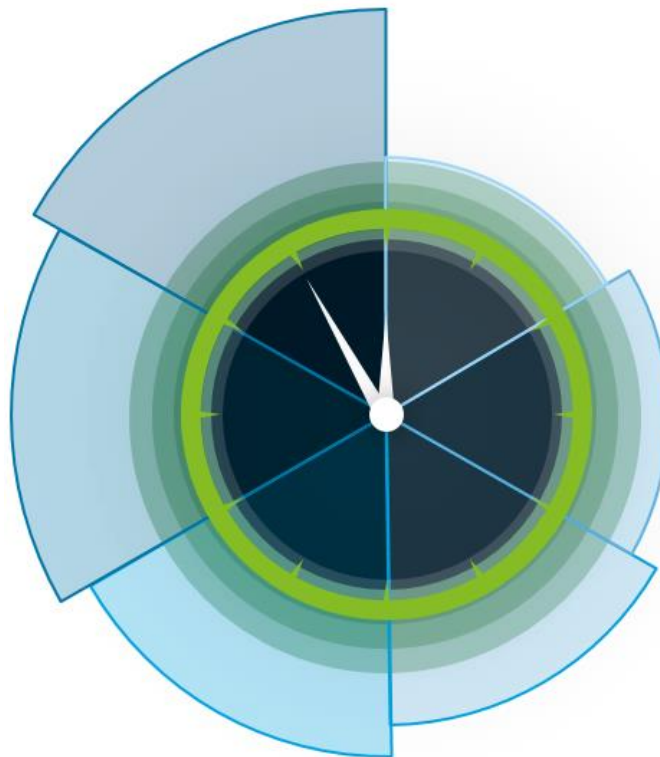
4. Corporate risks: The pandemic bites

The pandemic is overshadowing perceptions of risk: COVID-19 remains the major perceived corporate risk and is also reflected in other risk factors, from weak demand and supply chain issues to digitalisation and cyber security.

CFOs perceive the pandemic as the dominant corporate risk. It remains the most frequently cited risk; and it also has a major influence on other risk factors, such as those relating to supply chains and to digitalisation and cybersecurity. The upheaval caused by the pandemic has placed significant pressure on some supply chains, CFOs are now also more likely to report concerns about increases in the prices of intermediate product or raw materials. And in many sectors with the growing use of digitalisation because of the pandemic, cybersecurity risks are on the increase as well. If there is a strong post-pandemic economic recovery, this could increase inflationary pressures in some sectors, with a knock-on effect on interest rates. As responses to a further question show, these concerns are reflected in CFOs' expectations about inflation, which are higher than in the two previous surveys but remain modest, at an average of 1.0%.

Chart 7. Swiss CFOs' perception of risks to their company

CFOs' perceptions of the largest internal and/or external risks to their company over the next 12 months (up to three responses), as categorised by Deloitte. The categories set out below 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 H2 2020 survey; the figures inside each triangle shows the change in the rating of each risk.



1	Direct effects of COVID-19	0
2	Internal challenges*	1
3	Weakness in demand	-1
4	Supply chain problems / raw material prices	New
5	Increasing regulation	6
6	Monetary policy / interest rate environment	9
7	Digitalisation	11
8	Cybersecurity	-1
9	Stability of financial markets	3
10	Geopolitical risks	-5

5. Corporate measures: The long-term impact of COVID-19

What does the post-pandemic 'new normal' look like for companies? Which changes will be permanent and which only temporary? CFOs believe digital interfaces with customers are here to stay, but most do not predict major upheaval in supply chains or that working from home will be the norm for all employees once the pandemic is over. This latter finding is welcome news for a significant minority of CFOs (around one-third), who believe that long-term working from home is driving down productivity in their finance function.

Not all measures and changes introduced during the pandemic will be long-term or permanent. Most CFOs expect the major long-term change to be increased digital interaction with their customers (68% agree, compared with 11% who disagree).

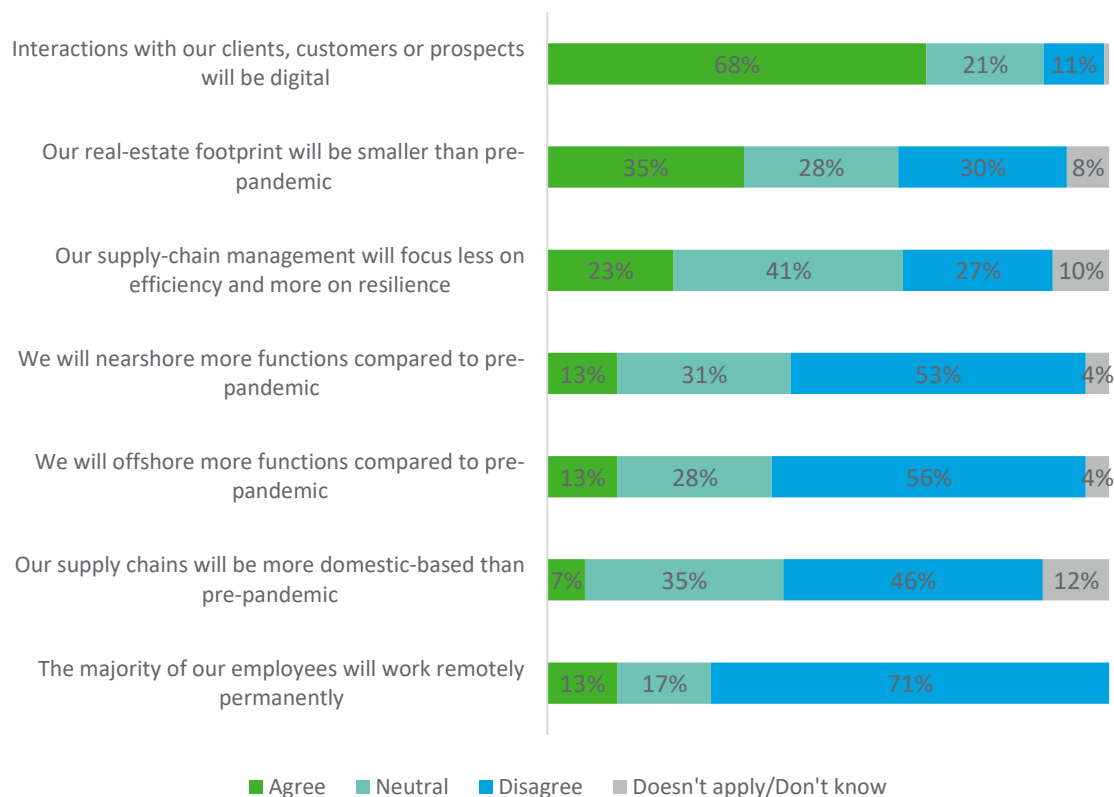
A majority of CFOs do not predict major upheaval in supply chains: 23% agree that supply chain reliability is likely to be a bigger issue in future, whereas 27% see efficiency as more important.

The findings in relation to working from home are mixed but overall point to more 'hybrid working' in the future – that is, a mix of working from home and physical presence in the office. Such hybrid patterns would reflect the preferences of a majority of employees, as our latest [survey](#) shows. A significant majority of CFOs (71%) do not believe that working from home will be a long-term phenomenon, compared with 13% who think it might well be. 35% expect a fall in demand for office property in future, which is likely to have a significant impact on home- and remote working.

Most CFOs are sceptical about the impact of long-term working from home on their finance function: 32% think productivity is lower than in the office, while just 10% think it is higher, as a separate question reveals.

Chart 8. What will be the long-term impact of the pandemic on the business environment?

Net balance of CFOs who agree/disagree with the following statements



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

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We are grateful to Damian Rohr for his valuable input to this report.

Authors



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



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

Participating in our Survey and accessing previous surveys

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You can find all the survey results since Q3 2009 on our website at www.deloitte.com/ch/cfosurvey.



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