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The Deloitte CFO Survey

The economy recovers, but uncertainty remains

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

MAKING AN IMPACT THAT MATTERS since 1845

Contents

About the Deloitte CFO Survey

The 42nd Swiss CFO Survey was conducted online between 31 August and 27 September 2021. A total of 114 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 European CFO survey is conducted in 17 countries, including Switzerland. A total of 1,330 CFOs from across Europe took part in the current European Survey. You can find the full aggregated results 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

Swiss CFOs believe that the country's economic recovery remains on track. 83% rate the economic outlook over the next 12 months as positive – the third highest figure since the CFO Survey was first conducted in 2009 – while just 4% rate it as negative.

Expectations for most corporate indicators have also improved, with 69% of CFOs rating the financial outlook for their company over the next 12 months as positive. However, they are now less optimistic about their company's outlook over the last three months, and expectations for operating margins over the next 12 months are also down.

By contrast, 60% report that revenues have recovered to at least pre-crisis levels. This is almost twice the figure reported in H1 2021, and in most cases, revenues have recovered more rapidly than anticipated. Some companies, though, will take longer to recover.

Perceptions of risk have changed significantly. Concerns now include bottlenecks in the supply chain, skills shortages and higher prices. The economic recovery is creating capacity shortages in logistics and in staffing. This is posing a further challenge to Swiss businesses following those during the COVID-19 pandemic.

Rolling out new technology in the finance function is increasingly important. Efficiency gains remain the main driver of this trend. The major obstacle is cost: a lack of strategic priority and employee resistance to change are less frequently reported.

2. Economic outlook: Recovery remains on track

From crisis to recovery: almost all Swiss CFOs rate the country's economic prospects over the next 12 months as positive, but major differences remain between sectors.

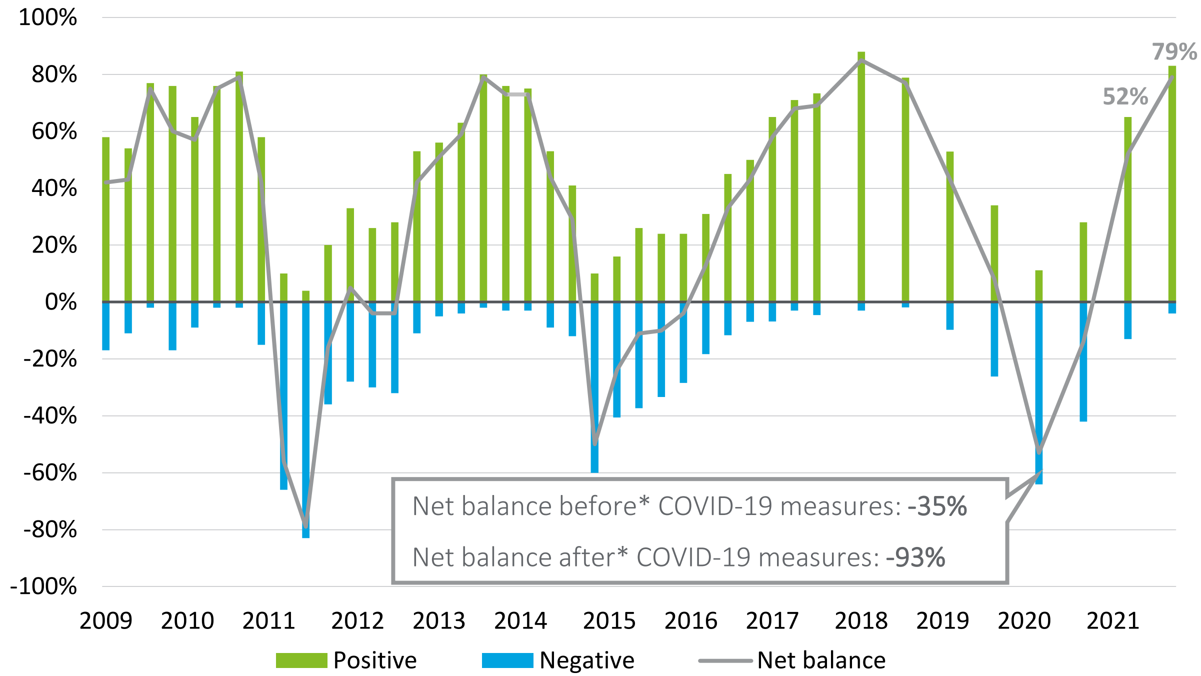
Swiss CFOs believe that the country's economic recovery over the next 12 months remains on track. 83% are optimistic about the economic outlook, the third highest value since the CFO Survey was first conducted in 2009 (net balance: 79%). If their expectations are borne out, Switzerland as a whole will have emerged from the pandemic relatively unscathed, just as it did from the financial crisis in 2008, the Euro crisis in 2011 and the shockwaves caused by the removal in 2015 of the exchange rate floor for the Swiss franc against the euro.

This is excellent news provided it is not used as a pretext to rest on one's laurels. Tackling the COVID-19 pandemic has been costly: the debts incurred have to be repaid, and success varies between sectors. The impact of the crisis has varied between different sectors, and Switzerland's handling of it has not met with universal approval.

Future growth still needs to be secured, and CFOs see a number of risks to growth. These include a growing skills shortage, something that increasing numbers of CFOs now cite as a risk (see page 9).

Chart 1. Economic outlook for Switzerland

Net balance 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: Bright, but with some darker clouds

The corporate outlook over the next 12 months is mostly very positive: only expectations for operating margins are down compared with H1. Swiss CFOs are, however, less positive about their company's financial outlook compared with three months ago, with only just over one in three reporting an improvement.

More than twice as many Swiss CFOs report that their company's financial outlook has improved over the past three months compared with those reporting a deterioration (35% and 14% respectively). This suggests that the situation has continued to improve, although the proportion of CFOs reporting an improvement is down from H1, when 57% were more optimistic than in H2 2020. Nevertheless, the proportion who are pessimistic has remained largely unchanged from H1, with 51% of CFOs reporting no change in their assessment. Fewer CFOs than in H1 report an improvement, but while improvement may have slowed, it has not yet stalled.

Alongside their optimism about the prospects for the economy as a whole, most Swiss CFOs are also optimistic about their company's financial outlook over the next 12 months. A net balance of 69% of CFOs expect improvement here, much more than in H1 and the highest figure since this survey question was first asked at the end of 2014. Most companies assume that they will be in a position to take advantage of the economic recovery.

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

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

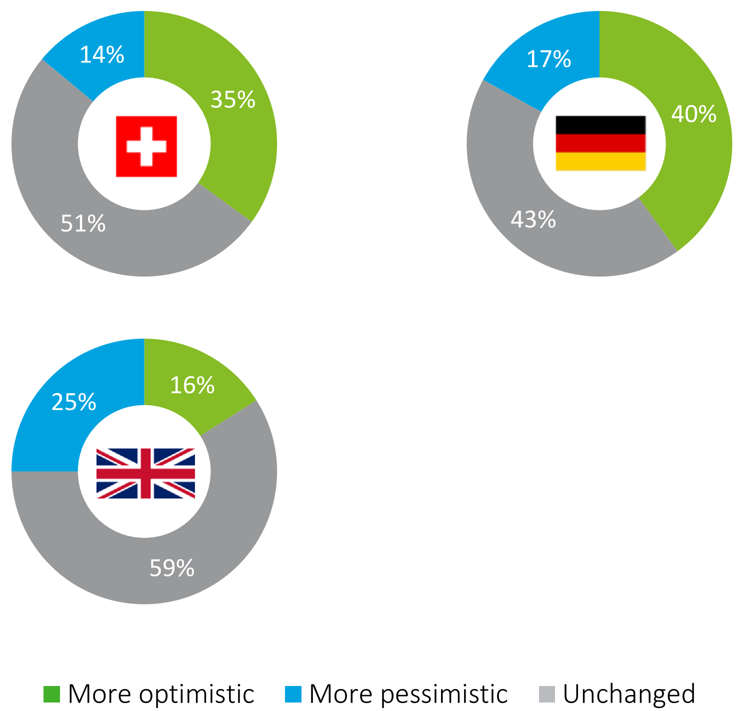


Chart 3. Companies' financial outlook compared with three months ago

Net balance indicating how Swiss CFOs rate their company's financial outlook compared with three months ago: results include the findings of the short Survey conducted in June 2020.

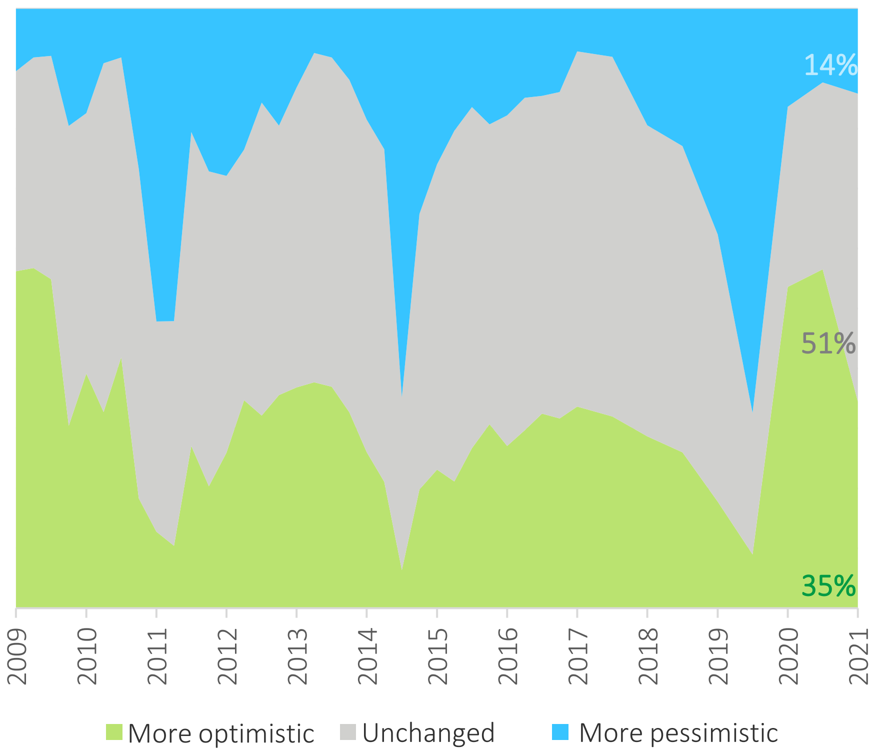
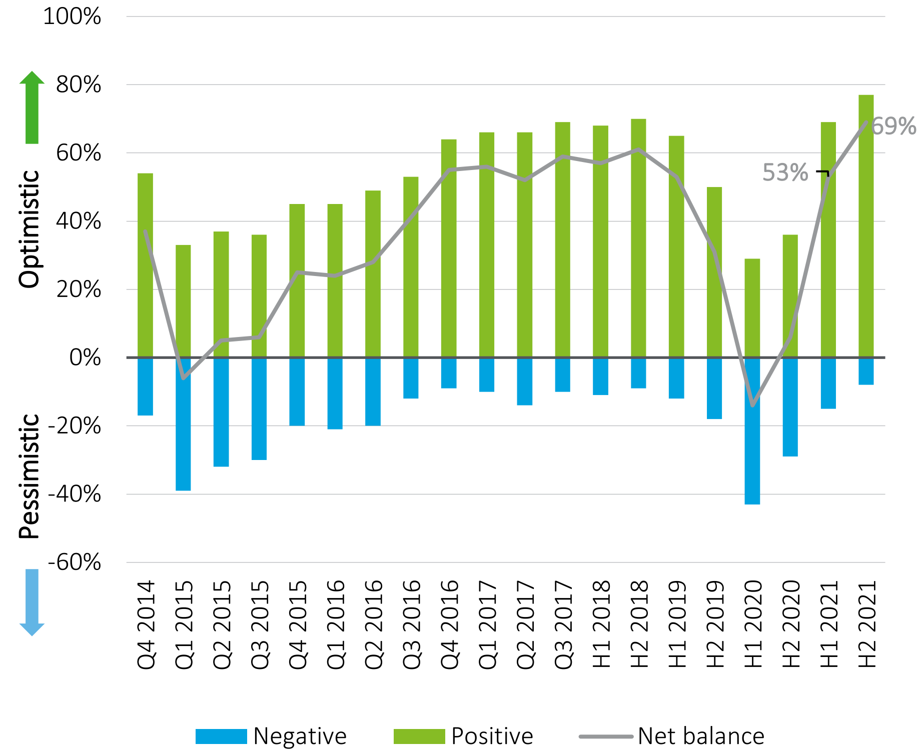


Chart 4. Companies' financial outlook over the next 12 months

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



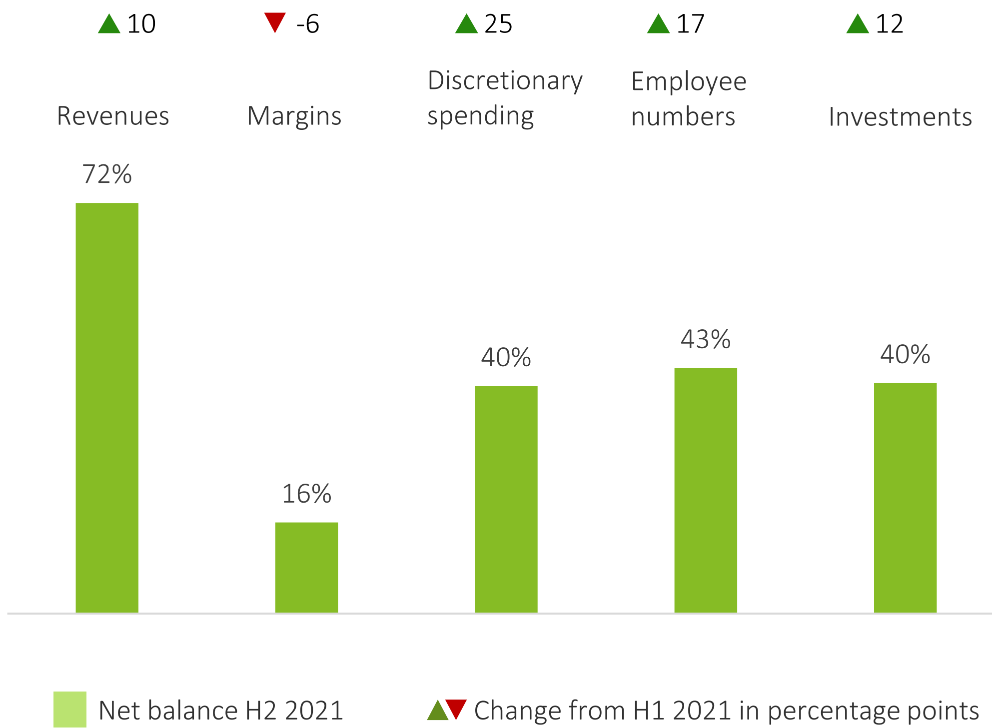
Compared to previous surveys, Swiss CFOs' expectations for specific corporate indicators have continued to improve with the exception of operating margins. Here, the net balance has fallen by 6 percentage points. Pressure on margins appears to be increasing again: this may be attributable among other things to rising costs for raw materials and intermediate products (see page 9).

By contrast, a net balance of 72% of CFOs expect revenues to grow over the next 12 months. This is the highest figure for more than six years. Expectations for spending are also higher, especially discretionary spending, such as business travel, events and marketing. However it is important to bear in mind that a lot of discretionary spending has been impossible or drastically reduced over the past 18 months or longer, meaning that this figures starts from a low base.

Increasing expectations for investment and numbers of employees demonstrate that companies are responding to growing sales revenues by expanding capacity. However, it is unclear to what extent, and how rapidly, they will have the employee numbers to realise these plans, given the increasing skills shortage (see page 9).

Chart 5. Corporate indicators: operating margins buck the general upward trend

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



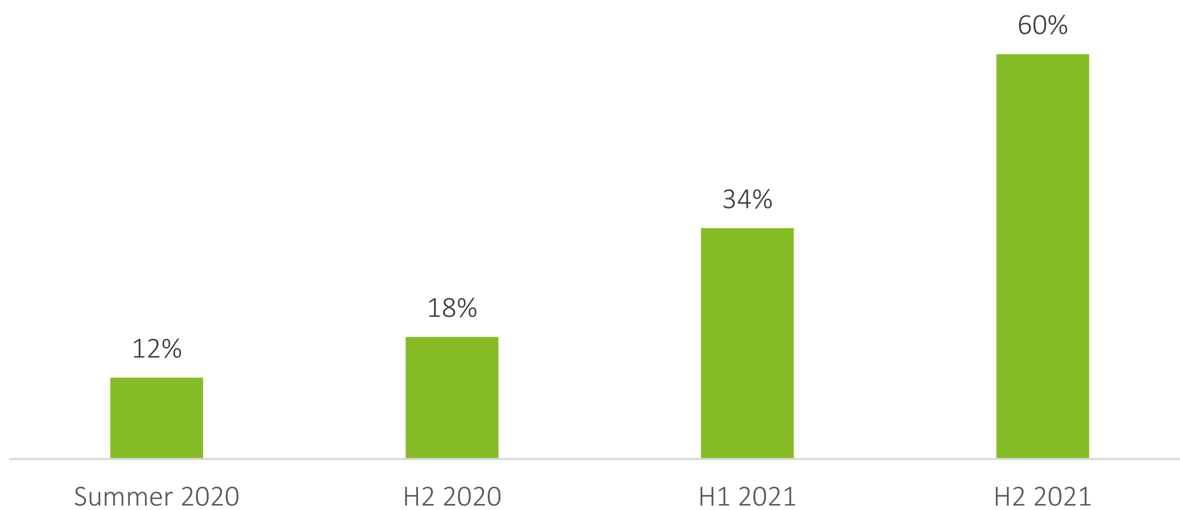
Since H1, there has been a significant improvement in revenues compared with pre-crisis levels. 60% of CFOs now report that business is now back at or above pre-crisis levels, almost twice as many as in H1. This means that broad swathes of the Swiss economy are already in a position to move on from the crisis.

While this is a welcome finding, it does not apply to all companies. 23% of CFOs expect business to return to pre-crisis levels by the end of 2022, with 17% reporting that this is unlikely to happen before 2023.

There may be several reasons for this. Some companies may have a healthy order book but are not yet able to fulfil all orders because they need to expand capacity. Business in these companies may not yet have returned to pre-crisis levels, even though they have moved on from the crisis. Some companies, by contrast, have not yet emerged from the crisis because demand for their goods or services is recovering more slowly (e.g. in tourism).

Chart 6. Revenues: 60% back to at least pre-crisis levels

Percentage of CFOs reporting that their company's revenues are at or above pre-crisis levels: results when relevant Survey was conducted



4. Corporate risk: Focus on supply chains and prices

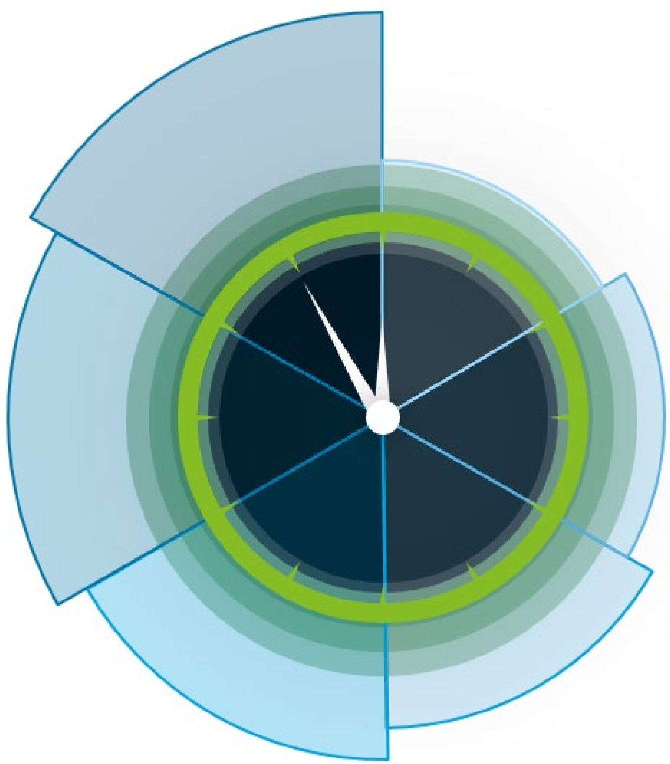
The nature of perceived risks is changing significantly. New concerns for business include bottlenecks in the supply chain, skills shortages and higher prices.

Demand is now growing again, creating bottlenecks in the economy. For the first time since the CFO Survey was launched, CFOs are now reporting that supply chain bottlenecks are the largest risk they face. This is followed by concerns about availability of goods or transport, which is making it difficult to optimise supply chains and warehousing or increase stock levels. The additional demand this creates may actually amplify existing capacity shortages as a kind of self-fulfilling prophecy. It also makes forecasting more unreliable: it is not clear how far increased orders are attributable to sustainable growth rather than short-term higher stock levels.

Following a dramatic rise in skills shortages, this issue is now the third-most frequently cited risk. Pressure on prices, costs and operating margins is also ranked significantly higher in H2, at fifth place in the list of risks. Inflation now ranks sixth: Swiss CFOs believe annual inflation will rise over the next two years from its current modest level of 1.3%.

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 H1 Survey: the figure inside each triangle shows the change in the rating for each risk.



1	Supply chain problems/raw material prices	▲ 3
2	Direct effects of COVID-19	▼ -1
3	Skills shortages	▲ 15
4	Internal challenges*	▼ -2
5	Pressure on prices, costs and operating margins	▲ 10
6	Inflation	▲ 7
7	Geopolitical risks	▲ 3
8	Weakness in demand	▼ -5
9	Increasing regulation	▼ -4
10	Stability of financial markets	▼ -1

* Internal challenges include a number of issues, such as strategy implementation, project management and succession planning, among others.

5. Technology in the finance function

Rolling out new technology in the finance function is increasingly important. Efficiency gains remain the main driver of this trend. The major obstacle is cost: a lack of strategic priority and employee resistance to change are less frequently reported. CFOs see process mining, robot-supported process automation and interactive data visualisation as being the most important technologies over the next three years.

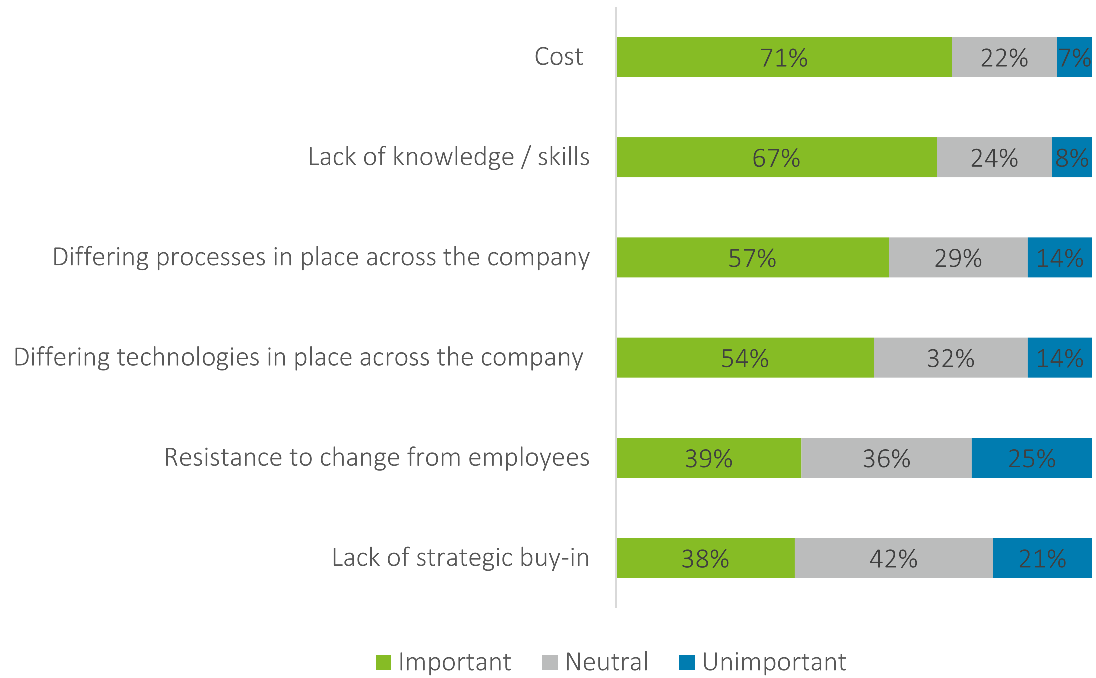
Swiss CFOs see efficiency gains as the main driver for the introduction of new technology in the finance function. Coming a close second is the use of technology to facilitate a greater employee focus on strategic roles, followed by cost considerations.

The major obstacles to the rollout of technology include cost, a lack of expertise, and differing technologies and processes within the company. A low strategic priority and employee resistance to change are rated as less important (see Chart 8).

Digitalisation of processes has been by far the most important technological development over the past three years, but CFOs expect that the focus will shift over the next three years to process mining, robot-supported process automation and interactive data visualisation.

Chart 8. Obstacles to the rollout of new technology in the finance function

Please rate the importance of the following obstacles to the rollout of technology in your Finance Department.



6. Sustainability: A green future

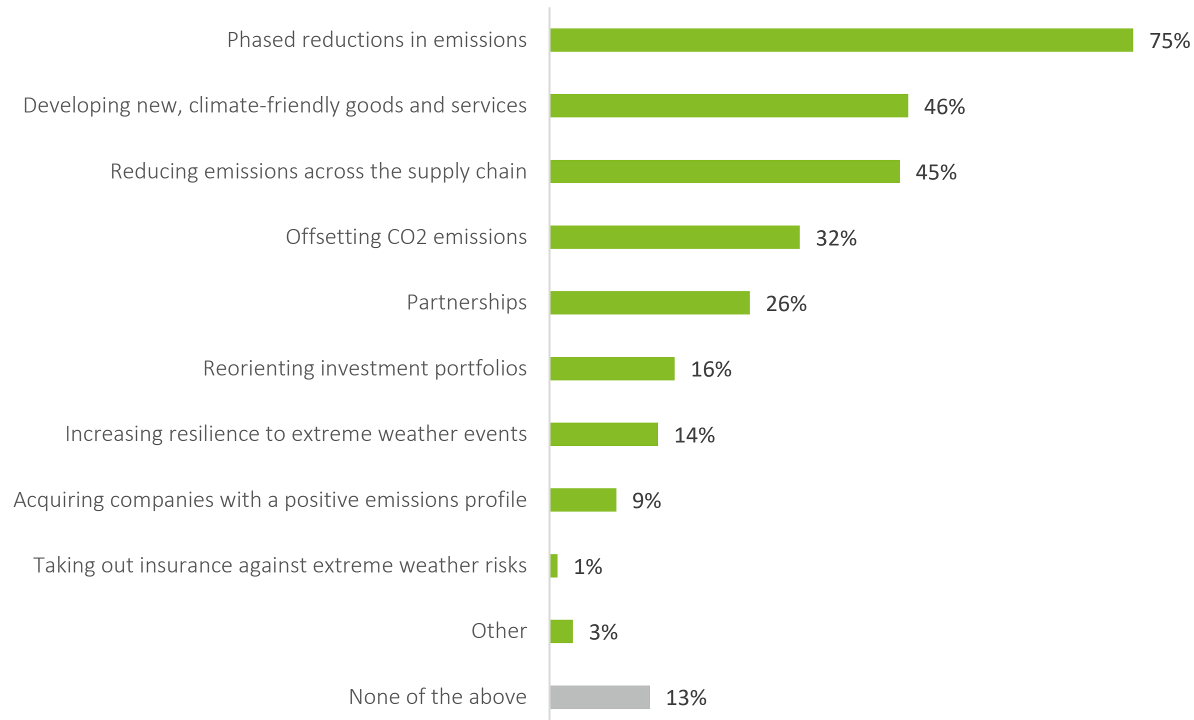
Most Swiss companies are setting ambitious climate targets. More than two-thirds have set specific targets for CO2 emissions reductions , with 62% planning to achieve these targets by 2030 and 8% reporting that they have already done so. The most-commonly reported measures include phased reductions in CO2 emissions, developing climate-friendly goods and services, and reducing emissions across the supply chain.

Companies are setting ambitious goals, with 68% of CFOs reporting that their company has specific targets for reducing CO2 emissions. 28% are working towards net-zero emissions, 15% plan to reduce emissions by more than 50%, and 25% plan to reduce them by up to 50%. 62% plan to achieve their targets by 2030, with 8% reporting that they have already done so. The main reasons for setting climate targets include reputation enhancement and current or future regulation. CFOs are less likely to cite cost savings or innovation as a reason.

By far the most common measure companies are taking to achieve their climate targets is a phased reduction in CO2 emissions (see Chart 9). Developing climate-friendly goods and services and reducing emissions across the supply chain come a close second.

Chart 9. Company measures against climate change

Is your company taking one or more of the following measures to mitigate or adapt to climate change, or it is planning to do so? (Multiple responses possible)



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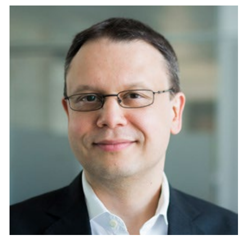

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CFO Forum Schweiz | CFOs

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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

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