



The Deloitte CFO Survey

The long road back from the crisis

Second half-year 2020 | Results of the Swiss and European CFO surveys



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Contents

1. Summary and key findings of the Swiss CFO Survey	3
2. Economic outlook: The recovery begins	4
3. Outlook for companies: The long road back	5
4. Corporate risk: The pandemic and its impact	9
5. Company measures: Cost management and M&A	10
6. CFO interview series and Power Up Switzerland	11
7. Contacts	12

About the Deloitte CFO Survey

The 40th Swiss CFO Survey was conducted online between 31 August and 25 September. Despite the unusual circumstances, a total of 112 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 18 countries, including Switzerland, have been compiled into a single report. A total of 1,578 CFOs took part in the current European Survey. 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.

1. Summary and key findings of the Swiss CFO Survey



Almost all indicators in the H2 2020 Survey show that the economy is recovering, but slowly. While results for most indicators show some improvement from the extremely low levels recorded in H1, they remain predominantly negative. Overall, 42% of CFOs surveyed rate the outlook for the Swiss economy over the next 12 months as negative compared with 28% who rate it as positive.



The majority of CFOs (51%) believe their company's financial prospects have improved compared with three months ago, up from just 9% in H1. However, only 39% are optimistic about the outlook over the next 12 months and 29% are pessimistic.



Results for most corporate indicators – and especially for revenue expectations – have improved, but a majority of CFOs do not expect revenues to return to pre-crisis levels until Q3 2021.



As in H1 2020, most CFOs perceive the pandemic and weak demand as the major risks to their company. A smaller number see potential cyber-attacks as a risk. However, for the first time, CFOs now perceive potential credit or payment defaults as a significant risk.



The majority of companies have agreed new cost measures, and most of these are now in place. The most frequently cited cost measures are reducing discretionary spending, cutting accumulated overtime and outstanding annual leave, and introducing short-time working. Asked what measures their company is considering, CFOs cite assessing the amount of office space that will be needed in future, optimising stock levels and reducing employee numbers.

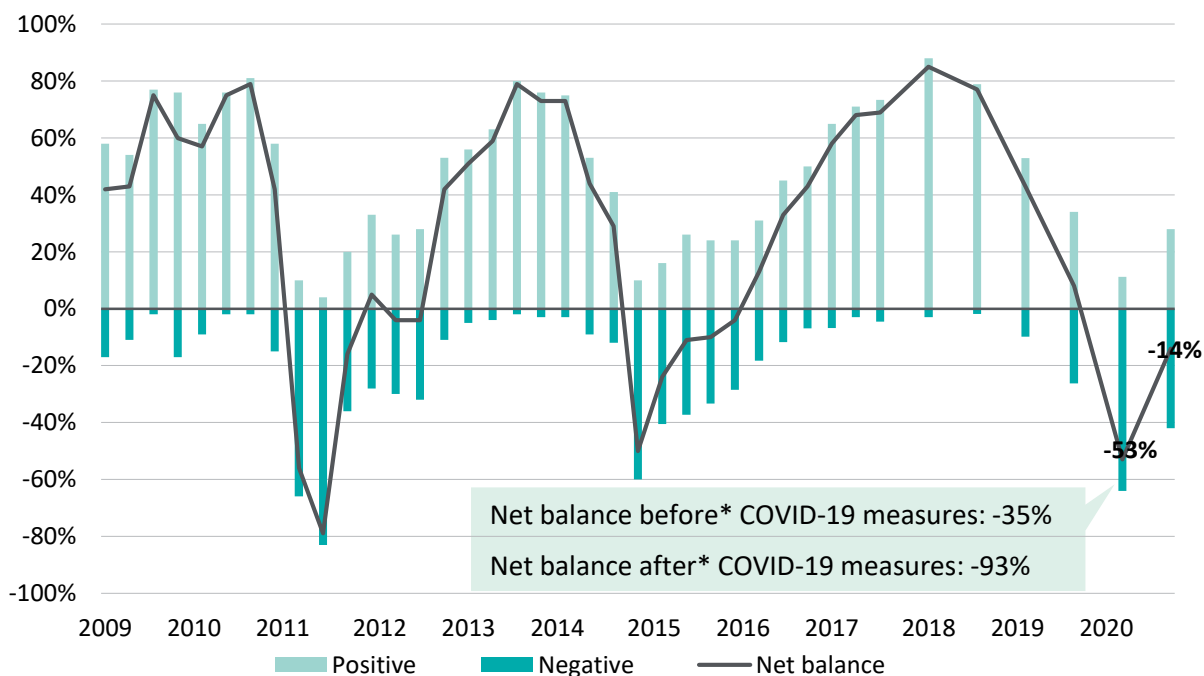
2. Economic outlook improves

Switzerland's economic outlook has improved from the low point in H1 2020, but a small majority of CFOs remain pessimistic.

Following a sharp decline in H1 2020, Swiss CFOs' rating of the country's economic outlook has improved. However, more CFOs rate the country's economic prospects over the next 12 months as negative than as positive (42% and 28% respectively, a net balance of -14%). 30% rate them as neutral. Fewer CFOs now believe there will be a V-shaped recession with a rapid economic recovery. The situation remains volatile and largely dependent on how the COVID-19 pandemic evolves and political responses to it. Both are difficult, if not impossible, to predict, so companies still face significant uncertainty. The support measures put in place by the Swiss government, in particular short-time working arrangements and rapid payment of coronavirus loans, have been successful in stabilising the economic situation. However, the longer these arrangements remain in place, the greater the risk of negative unintended consequences and diminishing returns. Companies that are not creating value cannot be kept on economic life support for the long term, or they risk becoming 'zombie' businesses. Meanwhile, entrepreneurs with few, if any, long-term prospects of success may increasingly go out of business, despite financial assistance.

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" refers to 13 March 2020, the date on which the Swiss Federal Council imposed restrictions on the country.

3. Corporate outlook: The long road back

Companies are still in a difficult position. While the financial outlook for businesses is brighter, with further improvement expected over the next 12 months, the expected recovery is considered weak and patchy. A majority of CFOs do not expect revenues to return to pre-crisis levels until Q3 2021.

The mood of CFOs darkened rapidly in H1 2020, but the recovery now evident in the financial outlook for Swiss companies has been almost as rapid. Compared with three months ago – in June, when coronavirus measures gradually began to be relaxed – a majority of CFOs (54%) now believe that their company’s financial outlook has improved. 16% believe it has worsened (see Chart 2).

This puts Switzerland broadly in line with the European average. CFOs in some large European countries, including Germany, are more optimistic, but in countries like Italy and, especially Spain, most CFOs are pessimistic about their company’s financial prospects. These responses reflect the progress of the pandemic, which is not as well under control in Spain as elsewhere, so the outlook for companies is more gloomy. However, an upturn is evident in all countries surveyed compared with H1 results.

The change in mood in Switzerland is marked: in H1, just 9% of CFOs believed the situation was improving while 67% believed it was deteriorating (see Chart 3). The improvement in CFO sentiment has occurred more rapidly than in earlier crises, such as the euro crisis or the turmoil following removal of the exchange rate floor for the Swiss Franc.

Nevertheless, recovery compared with three months ago does not necessarily mean high growth levels in future. Indeed, CFOs are considerably more cautious about growth prospects for the next 12 months (see Chart 4). Here, too, there has been a marked improvement since H1, with a small minority expressing optimism about their own company’s financial prospects. However, the difficulties of the past few months mean that growth will be starting from a lower level. And while 36% believe the outlook is positive, almost as many (29%) rate the outlook as negative.

Chart 2. Companies’ financial outlook in Switzerland compared with Germany, Italy and Spain

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

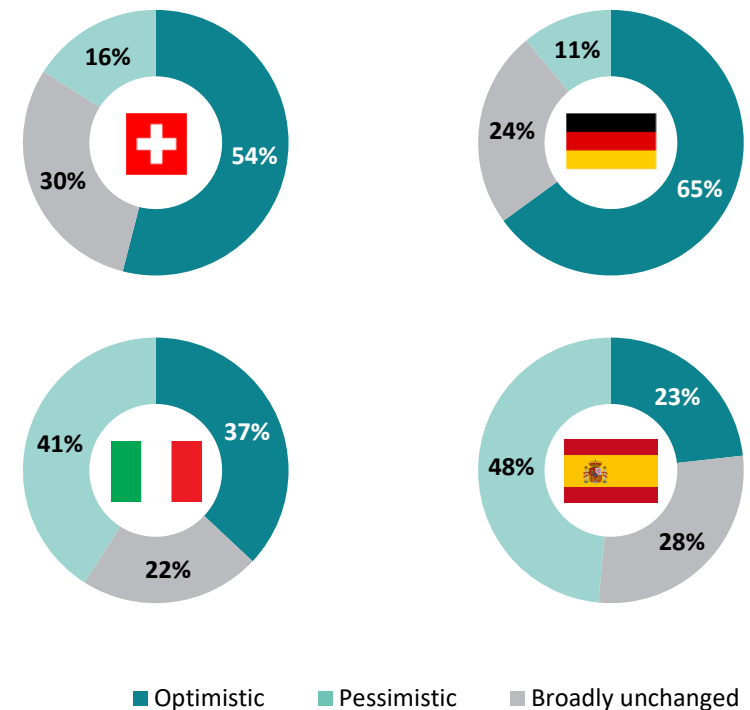
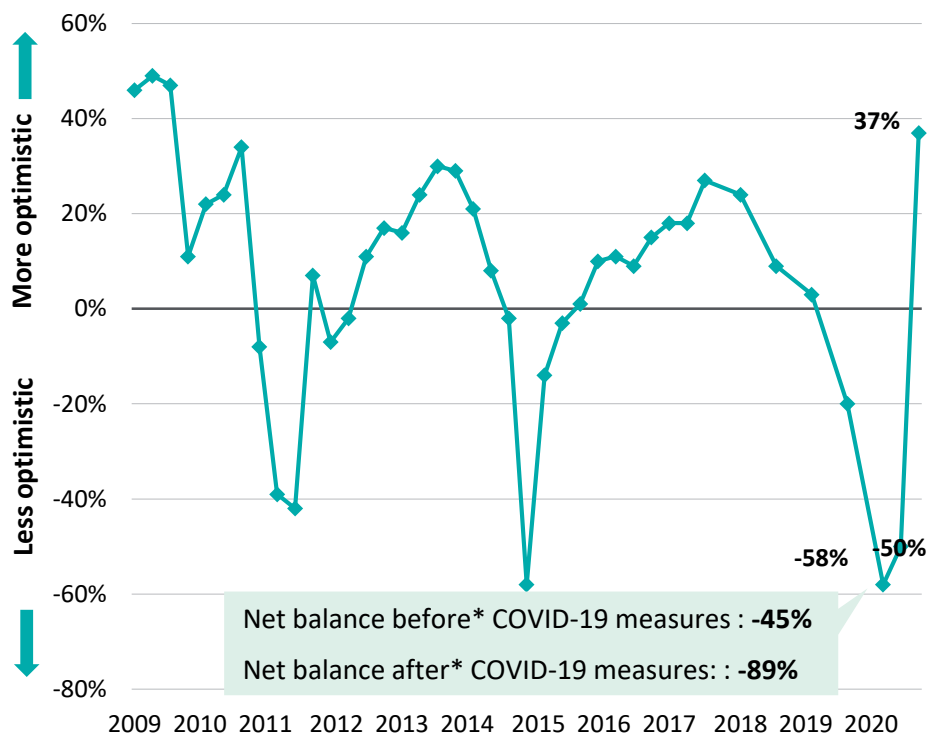


Chart 3. Companies' financial outlook compared with three months ago

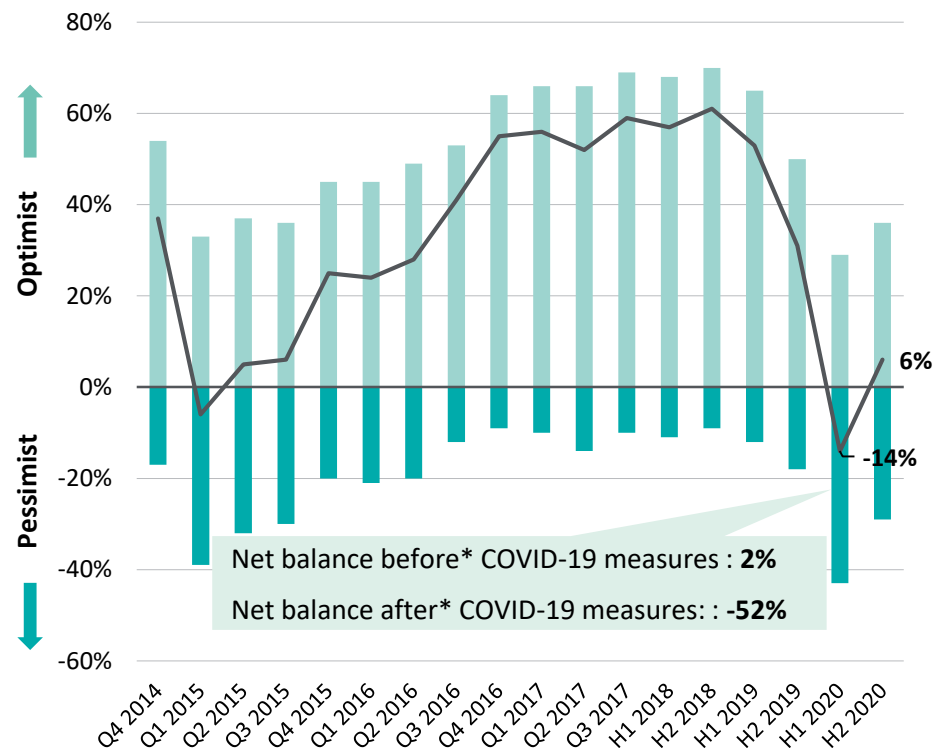
Net balance indicating how Swiss CFOs rate their company's financial prospects compared with three months ago; results include those of the short survey conducted in June 2020



*Before" and "after" refers 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 showing how Swiss CFOs rate their company's financial prospects over the next 12 months



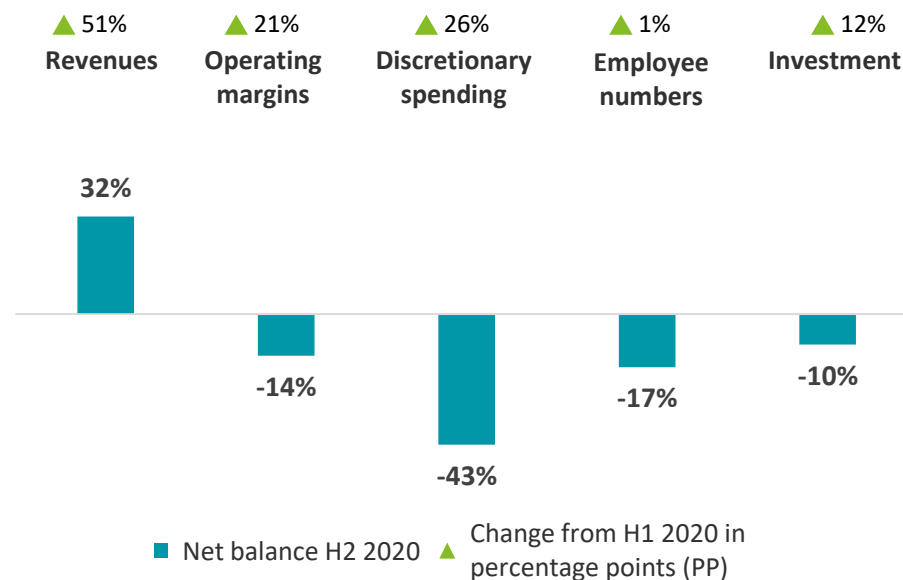
*Before" and "after" refers to 13 March 2020, the date on which the Swiss Federal Council imposed restrictions on the country.

There is also evidence of both improvement and modest, patchy growth in terms of CFOs' expectations for specific corporate indicators. The most striking example of improvement in Switzerland is in revenue expectations, which are up 51 percentage points. However, the base for future growth here is smaller than it would otherwise be, as companies still have to make up for earlier losses. Expectations regarding operating margins are more modest, with most CFOs remaining pessimistic that margins will recover. The most pessimistic indicator is expectations regarding employee numbers: most CFOs continue to rate them as negative.

As in Switzerland, there is evidence of a tangible improvement in corporate indicators among most of the European countries surveyed. However, in many cases, this is insufficient to restore positive expectations. Some countries, including Germany, are showing a substantial recovery, with expectations for revenues, operating margins and investment all positive, although expectations for employee numbers remain negative. In other countries, including Spain, CFOs are optimistic in their expectations for revenues but pessimistic regarding all other.

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

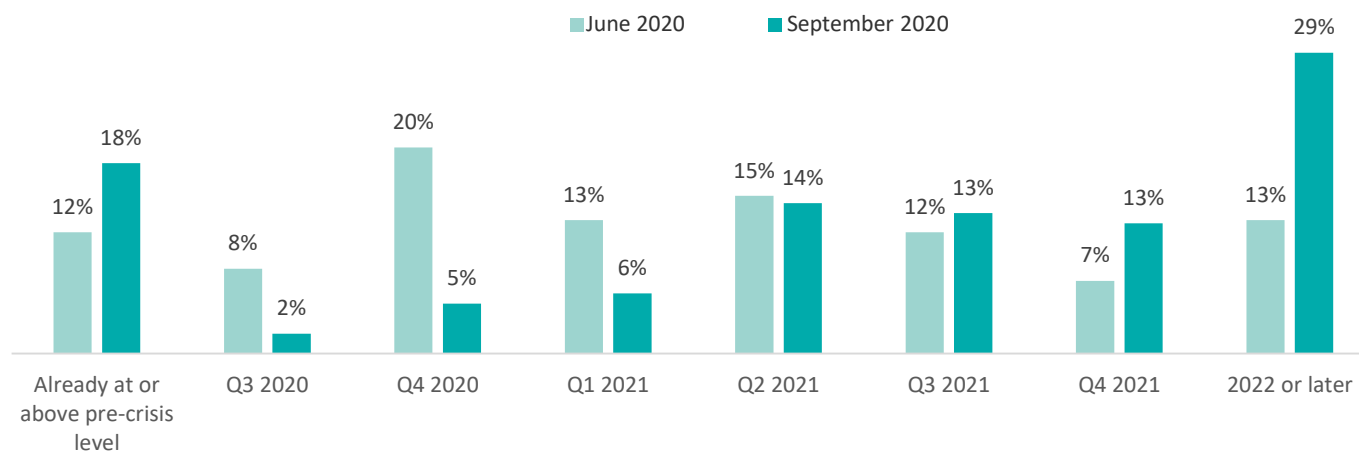


The recovery in Switzerland is proving to be slow, with most Swiss CFOs not expecting their company's revenues to return to pre-crisis levels until Q3 2021 or later. The short Survey conducted in the summer suggested that a majority were expecting this recovery to take place by Q1 2021, but the results of the H2 Survey show that this timeframe has been put back by six months. Although many more CFOs now report that their company's revenues have already returned to pre-crisis levels, only a minority (25%) now expect to reach this point by the end of 2020.

This improving revenue picture is replicated in most of the European countries surveyed. 49% of German CFOs expect their company's revenues to return to pre-crisis levels by the end of 2020, but a majority of Italian CFOs do not expect to reach this point until Q2 2021. Like their Swiss counterparts, most Spanish CFOs are not expecting to reach this point until Q3 2021.

Chart 6. Slow return to pre-crisis levels

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 and its impact

The COVID-19 pandemic and weak demand remain the major risks facing companies, but CFOs now identify potential credit and payment defaults as a new risk.

Unsurprisingly, the pandemic remains the largest single risk that CFOs have identified for their company. The other risks cited are related to it in some way, such as weak demand (the second most frequently cited risk). In the wake of the crisis and the measures imposed by the government, digitalisation has slipped right down the ratings, but cybersecurity is now perceived as a much greater risk (up seven places in the rankings). For the first time, CFOs identify credit or payment default as a risk. This risk may take time to manifest, not least because the measures taken by government to support the economy may initially conceal underlying problems. The inclusion of this risk for the first time – and its high ranking – demonstrates how seriously CFOs take this risk and suggests that it could become even greater over the coming months.

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). The triangles show the direction of change from the H1 survey; the figures inside each triangle shows the change in the rating of each risk.



5. Corporate measures: Cost management and M&A

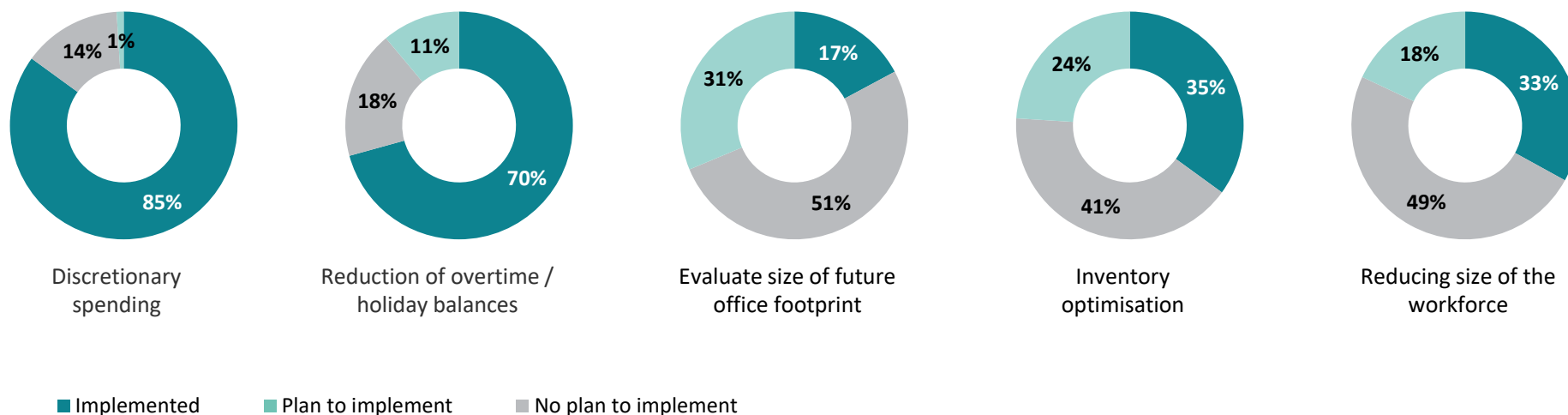
Most companies have agreed new cost measures, and many of these measures are already in place. The most frequently cited measures are cutting discretionary spending, reducing accumulated overtime and outstanding annual leave, and introducing short-time working. In terms of measures under consideration, the most frequently cited are assessing the company's future need for office space, optimising stock levels and reducing employee numbers.

Cost measures are particularly crucial in a crisis, so many companies have taken steps to cut their costs further in the wake of the pandemic. 70% want to reduce costs even more than already planned, with most planning additional cuts of up to 20%. 13% of CFOs say their company is ambitious and is planning cuts of more than 20%. Most companies have had these measures in place for some time. Almost one-third of CFOs report having achieved at least half, and in some cases most, of their targets.

As the results for a separate question show, companies have most frequently cut discretionary spending (85% of CFOs) and reduced accumulated overtime and outstanding annual leave (70%) (Chart 8). The most common measure planned is to assess the company's future need for office space: 31% of CFOs say their company is planning to do this and 17% say it has already done so. With greater numbers of employees working from home, companies may need less office space, use existing space differently or require more space for each employee. Many CFOs also report that their company is optimising stock levels (24% plan to do so and 35% already have) and reducing employee numbers (18% plan to do so and 33% already have).

Chart 8. Cost measures

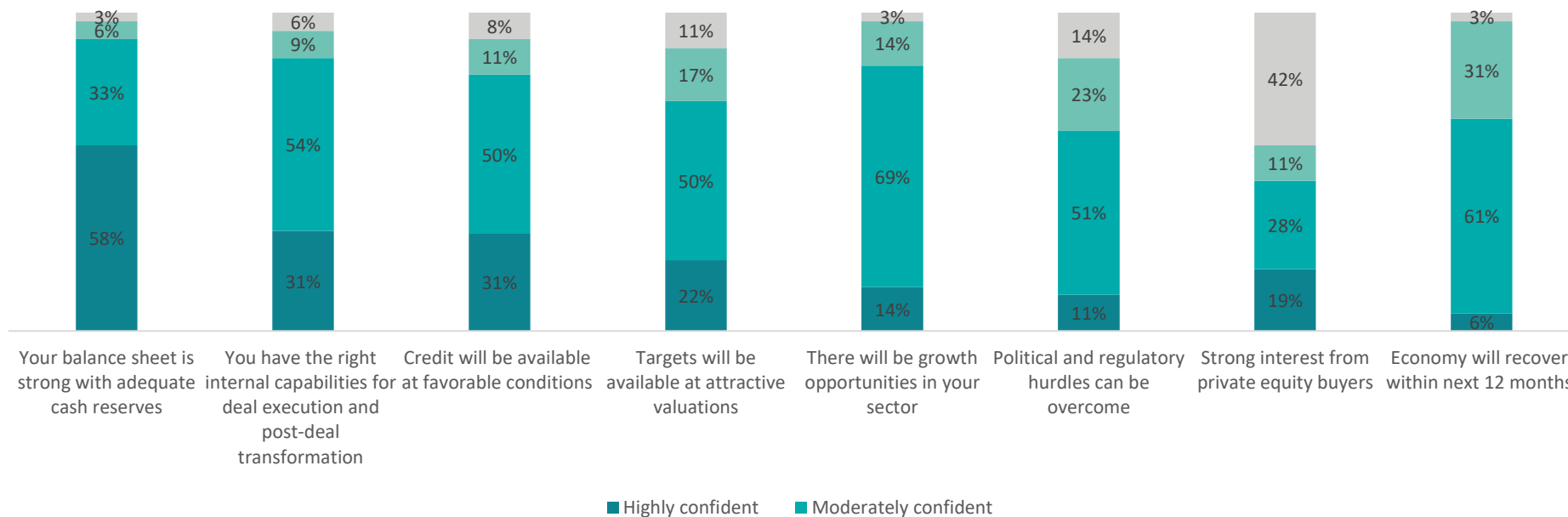
Selected cost measures planned or implemented in the wake of the pandemic



Just over one-third of Swiss CFOs (36%) are planning mergers and acquisitions (M&A) involving either a sale or purchase over the next 12 months. As Chart 9 shows, CFOs are particularly confident about the factors influencing M&A decisions over which they have control. 58% are very confident that their company's balance sheet is robust. A majority also rate the availability of credit as attractive, with 31% reporting they are very confident and 50% that they are confident about its availability on favourable terms. However, just 6% expect an economic recovery over the next 12 months.

Chart 9. M&A

How confident are you about the factors that may influence your decision-making in relation to mergers and acquisitions (M&A)?



6. CFO interviews and Power Up Switzerland

CFO interview series

In this extraordinary and challenging year, how have CFOs reacted to the risks posed by the pandemic – and the opportunities it creates? In this series of interviews with CFOs we highlight how they have steered their company through these unprecedented times.

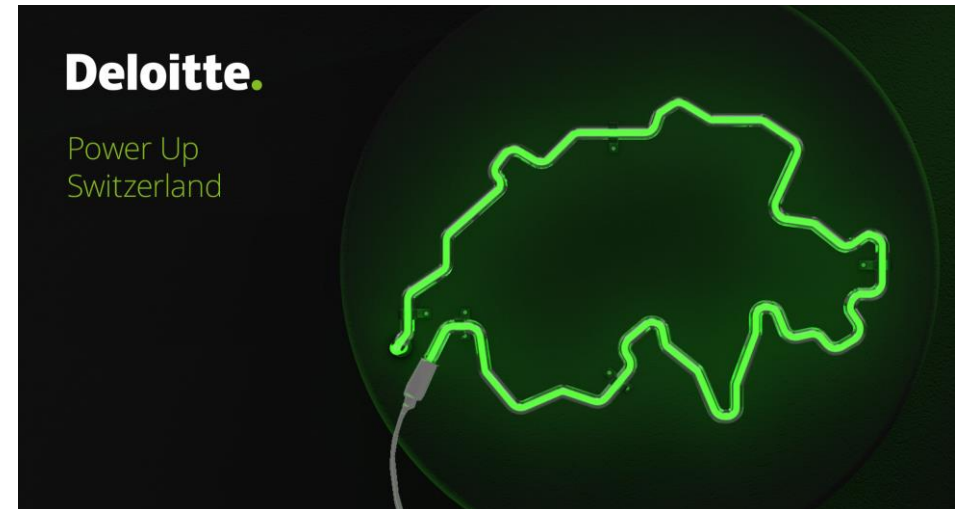
You can read the interviews on our [website](#).



Power Up Switzerland

Like many other countries Switzerland is facing challenges in responding to the events of this extraordinary year. Its model for success is coming under growing pressure as competitiveness and productivity growth have declined while the challenges have increased. Based on a wide-ranging survey of more than 400 business representatives, Deloitte has developed a set of measures to meet the challenges the country faces and boost Switzerland's competitiveness in the world.

[Find out more](#) about the eight areas we have identified that offer the greatest potential for both government and business.



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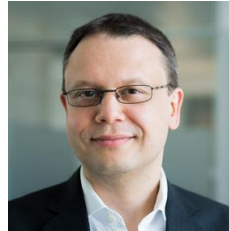


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Participating in our Survey and accessing previous surveys

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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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