Managers taking much more positive view of economy than last fall – mounting takeover fever may result in excessive prices

- Number of economic optimists worldwide has tripled since last fall
- Six out of ten Swiss companies expect the home market to pick up
- Lack of suitable takeover candidates – prices up strongly
- Geopolitical uncertainties remain a source of major concern
- Danger of macro-economic misallocations is rising

ZURICH, 22 May 2017 – Decision-makers in the world’s major companies have a much more favorable view of economic prospects than six months ago. Nearly two-thirds expect the economy to improve, according to an EY survey of 2,300 firms. In Switzerland too, people look to the future with a positive attitude: almost 60% are optimistic on the economy, compared to just one-quarter of that number when polled in the fall. Swiss respondents expect the domestic market to pick up as well. Here too, there has been a strong positive shift in the mood since the last survey.

Companies see the biggest economic risks for the next 6 to 12 months in increased volatility in currencies and commodity prices as well as the restrictions on the free movement of labor. Swiss companies rank both these risks even higher. All those polled also mentioned various political uncertainties of all types. They fear restrictions on business freedoms, increasing protectionism, geopolitical instability and the political uncertainty in the EU and the USA.

Surprisingly clear optimism

*Despite the tense political background, companies are distinctly upbeat. The sharp improvement in views on how the global economy will perform is very pleasing and surprisingly
clear. I observe this renewed optimism at Swiss companies, too. The optimism following the election of Donald Trump has not yet faded, Europe is growing at a speed not seen since the global financial crisis and even the Chinese economy is doing better than expected," says Stefan Rösch-Rütsche, Partner and Head of Transactions at EY Switzerland of the results. He notes, however, that political uncertainties remain central determinants of economic performance.

The good economic prospects are also having an impact on the transactions market. Nearly half of Swiss companies assume that more mergers and acquisitions will take place over the next 12 months. Just six months ago, 9 out of 10 were expecting a stagnation. Globally too, those polled expect more transactions; this percentage is up sharply since fall 2016. The actual hunger for takeovers is considerable: well over half of companies wish to make an acquisition in the next 12 months. Swiss firms also seem to be more active than their international peers; on average, they have two and a half projects in the pipeline, compared to just one and a half globally.

Desire alone not enough
In practice, though, it is likely that many companies will find it difficult to complete potential or planned acquisitions, since there are increasing doubts over the number and quality of options available. “Companies have been making good money, which has increased their firepower for acquisitions. In addition, disruptive forces in various sectors are driving traditional firms to take over younger competitors with technical skills. At the same time, the number of potential takeover candidates is shrinking, they are getting more expensive and the competition is getting stiffer: all this is pushing up prices.”

There has been a leap recently in the number of Swiss companies expecting fewer possibilities for acquisitions. At the same time, companies have a less positive view on the quality of potential acquisition targets. It does seem clear, though, that Swiss firms are increasingly identifying more and better acquisition options outside Switzerland than at home.

Ideal time for succession planning
Rösch-Rütsche calls on companies to take their succession planning in hand: “There has hardly been a better time in recent decades to sell a company. The prices being paid today are in many cases very high. However, it's no easy matter for the seller to reinvest the proceeds sensibly.”
He also warns about possible bubbles: “From a macro-economic perspective, there is currently a danger of resources being misallocated. Some valuations, especially in the technology sector, are hard to comprehend, and they remind me of the dotcom bubble that burst at the turn of the century. Money is too cheap.”

**French election result a positive signal**
The companies polled expect there to be more transaction opportunities as a result of the legal reforms announced by the US administration. On the other side of the Atlantic, even nine months after the Brexit vote, people see few reasons to invest more in the UK.

The presidential election in France took place after the survey, but the outcome can be seen as a positive sign. “The markets reacted positively after the first round. The French and Dutch seem to have realized that protest votes like for Trump in the USA or for Brexit have serious consequences. That is promising for the parliamentary elections in France, the UK and Germany, and for stability and confidence in the markets in general,” Rösch-Rütsche concludes.

*The global results can be found on our website at: ey.com/ccb*

EY | Assurance | Tax | Transactions | Advisory

**About EY**
EY* is one of Switzerland’s largest audit and advisory firms. EY employs about 2,700 people across 11 offices in Switzerland and Liechtenstein, and generated revenue of approx. CHF 661 million in the 2015/2016 financial year. Together with the 231,000 employees of the global EY organization, EY serves clients all over the world. EY offers an extensive portfolio of services to large as well as small and medium-sized businesses: integrated transformation advisory from strategy to IT architecture, assurance, transaction, tax, legal and people advisory services. Our highly trained staff, strong teams and local base in a globally integrated organization allow us to overcome the challenges our clients face. We are committed to “Building a better working world” – for our people, for our clients and for our communities.

For more information, please visit:

[http://www.ch.ey.com](http://www.ch.ey.com)

*The name EY refers here to Ernst & Young Ltd, the Swiss member firm of Ernst & Young Global Limited (EYG), a UK company limited by guarantee. Each EYG member firm is a separate legal entity and has no liability for any acts and omissions of any other member firm.*