

No respite for the treasurer



THERE IS LITTLE SIGN THAT THE DAUNTING LIST OF TOP-LINE CORPORATE ISSUES IN THE TREASURY IN-TRAY WILL BE CLEARED ANY DAY SOON, SAYS **DEBORAH THOMAS**.

As we look back on another tumultuous year, it is clear that treasurers and their teams have continued to be at the front and in the centre of the corporate battle line against the credit crunch as liquidity, risk and the cost of capital take their toll.

What will be the focus next year? Well, a recent survey of CEOs and CFOs suggests there will be a wide range of issues – from the bonus culture to sustainable policies and next year's general election in the UK. Other topics of fundamental importance include: macro-economic recovery at global, regional and sector level; government stimulus exit strategies; the corporate response to the increased regulatory burden including taxation and hedging; and the intensifying focus on emerging economies.

There is a general feeling that the current (as I write this in November) rally of the FTSE will not be sustainable once the artificial environment engendered by the government dissipates (in other words, when the taxpayer starts having to pay it all back). Obviously, it all plays out in a more global context and the changes that matter won't just happen in the US and Europe; emerging markets will also play their part in full. The balance between markets will be an issue as economies try to manage their surpluses or deficits.

There is debate about the level of bank charges and whether the banks are taking advantage of the tighter market conditions and failing to pass on the benefits to the corporate market. The concerns over bonus levels continue to rage as banks try to strike a balance between rewarding staff and

escaping their current pariah status; the consensus seems to be that this issue will roll on for some time. Interestingly, the concern over top talent emigrating seems to have diminished, with the feeling that there will be a number of high-calibre individuals chasing fewer roles in the market.

The next election is also high on the agenda, as corporates try to second-guess potential Tory policies and their impact on their businesses. The focus is on how to maintain shareholder value, with some interesting discussions as to whether the short-term (quarterly) investment view is a viable measure. Corporates are considering whether a more sustainable level of return should be considered in the longer term and whether bonus structures for CEOs should reflect this.

The overall feeling seems to be that 2010 will be a demanding year as we struggle to manage the debt inheritance of the current government. Opinion is naturally divided on whether the current policies will pay off and the impact on the economy as a result. How the government exits its debt portfolio will be key to performance and we are in uncharted waters here. Many CEOs are focusing on the basics: steering their companies through the difficult waters and ensuring they have the right team in place to support them.

The increased regulatory burden is high on the agenda as companies come to terms with the requirements. What does this mean for the treasurer? Mainly, business as usual. Treasury will continue to be in the spotlight as the focus remains on managing liquidity, risk and cost of capital. Hedging continues to be challenging, with volatility in the markets and lack of lines for some, but everyone is learning to work within the confines.

Treasurers' roles have broadened so that not just traditional treasury remits but others are coming under their auspices, including pensions, insurance, broader risk assessment, and debtor management, to name but a few.

Treasury control issues are particularly focused.

While 2009 has been a very tough year and 2010 looks challenging, treasurers have come through with excellent experience of probably the most difficult markets anyone has ever faced. War stories abound on pricing fluctuations from day to day. However, there are several corporates that have negotiated very good terms in the current climate as a result of strong balance sheets and liquidity levels. The cash is king adage remains as true as ever. Strong management and controls will continue to be a highlight for 2010.

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