ETH
Eidgenössische Technische Hochschule Zürich
Swiss Federal Institute of Technology Zurich

KOF Konjunkturforschungsstelle
KOF Swiss Economic Institute
ETH Zurich
LEE G 116
Leonhardstrasse 21
8092 Zurich
Phone: +41 44 632 42 39
kofcc@kof.ethz.ch

KOF

Detailed Results

Zurich, 5 August 2015, 10.30am

Results of the KOF Business Tendency Surveys from July 2015

KOF Business Situation Indicator Stabilises at a Lower Level

In July, the assessment by Swiss businesses of their business situation changed only slightly compared to the previous month. This means that the indicator has remained at a low level since May. This is shown by the KOF Business Tendency Surveys from July, which were completed by more than 8,000 businesses in Switzerland. Whilst the Swiss economy has not by any means yet digested the franc shock, for the moment it has at least made a start.

The deterioration of the business situation has – for the time being – not continued in the **manufacturing sector**, which was assessed to be less unfavourable in July than in the previous month. Whilst order books are not as full as last year, the sector has stopped losing ground since the previous month. Nevertheless, businesses are largely dissatisfied with orders in hand. Production is significantly lower compared to the equivalent period from last year. Accordingly, the current capacity utilisation of machinery and equipment of 81.3 per cent is around one percentage point lower than it was one year ago. Since sale prices have also come under significant pressure over the last few months, corporate earnings have worsened significantly. Looking to the next three months, businesses are expecting incoming orders to remain steady, which means that hardly any cutbacks in production planning are anticipated.

The business situation continues to be largely good in the **construction industry** and the **project engineering sector**. Whilst it has improved slightly in the construction sector, project engineering firms do not assess the situation as positively as they did last month. Construction companies have reduced production slightly, which means that the capacity utilisation of machinery and equipment has also fallen. It has been possible to stabilise the size of order books by making production adjustments, although the demand for construction services was slightly less buoyant than it was before. In the near future, firms are expecting a further fall in demand along with stiff price competition. Project engineering studios are also forecasting less brisk demand and anticipate that their fee rates will drop further. Accordingly, they are not in general looking to hire any new staff.

In July, the business situation in the **retail sector** does not appear to be as bad as before. However, the situation remains tense. Customer footfall was much lower than in the previous year and corporate earnings once again worsened considerably. Retailers expect earnings to fall further over the next few months. Since sale prices also remain under pressure, there is a certain tendency to cut costs by shedding jobs.

In July, **wholesalers** reported a predominantly negative business situation for the second time running. Wholesalers are only surveyed by the KOF every three months, in contrast to many other sectors. In January – before the Swiss franc ceiling was removed – the business situation was still good. Demand has weakened significantly since the start of the year. Although the pressure on prices has abated somewhat, businesses are still facing lower prices.

Whilst earnings in the **hotel and catering sector** in the spring quarter were considerably lower than the previous year, the business situation is no longer as bleak as it was three months ago. This relaxation has been driven by restaurants. The fall in demand in this segment has slowed, with business being boosted by the good summer weather. However, restaurateurs remain sceptical regarding their business outlook for the next half year and expect turnover to fall once again. The current business situation has worsened further for hoteliers. The number of overnight stays, in particular by foreigners, fell back further and occupancy rates are down again. Businesses are expecting the number of overnight stays to drop also in the near future, although they are widely seeking to counter this with lower prices.

The business situation for the **financial and insurance services sector** remained good. Although the banks assess the situation in rather less positive terms than last month, insurance companies have been able to improve their business situation. Banks have complained in particular of a further worsening in business with foreign customers. Demand by national customers has remained buoyant over the last three months. Looking to the next three months, the banks are expecting in particular increased demand from national private customers and good results from trade-related business. Insurers report that demand for their products has strengthened over the last three months and are forecasting a further rise in the near term. Although earnings from their capital investments were significantly lower than in the previous year, at the same time they were required to make lower payments on insurance claims.

Other service providers did not assess their business situation in July as positively as in the previous quarter. Demand for their services dropped slightly for the second time running whilst corporate earnings fell. Further pressure on prices is expected over the next three months. Although service providers overall are not in general looking to hire new staff, they are reporting a shortage of specialist workers slightly more frequently than before.

Business situation according to region
From a regional perspective, the business situation developed unevenly in July. The business situation improved compared to the previous month in Ticino – which however continues to report the most unfavourable assessment of all regions – Central Switzerland and the Zurich Region. The situation hardly changed in Espace Mittelland. By contrast, the business situation worsened in the Lake Geneva Region, East Switzerland and North-West Switzerland. The situation has chilled since the start of the year in particular in East Switzerland and North-West Switzerland. However, the reverses from the situation at the start of the year in the Lake Geneva Region and Zurich are also striking. Nonetheless, the situation remains largely good in particular in Espace Mittelland, Central Switzerland and the Zurich Region.

The results of the current KOF Business Tendency Surveys from July 2015 incorporate the answers provided by more than 4,500 businesses from industry, construction and the major service sectors. This corresponds to a response rate of around 56%.

Further information concerning the KOF Business Tendency Surveys:
http://www.kof.ethz.ch/en/surveys/business-tendency-surveys/

Contact:
Klaus Abberger
Phone: 044 632 51 56
abberger@kof.ethz.ch

Media Services
Phone: 044 632 40 61
kofcc@kof.ethz.ch

Graphs

KOF Business Situation Indicator

(balance, seasonally adjusted)

KOF Business Situation in the Private Sector

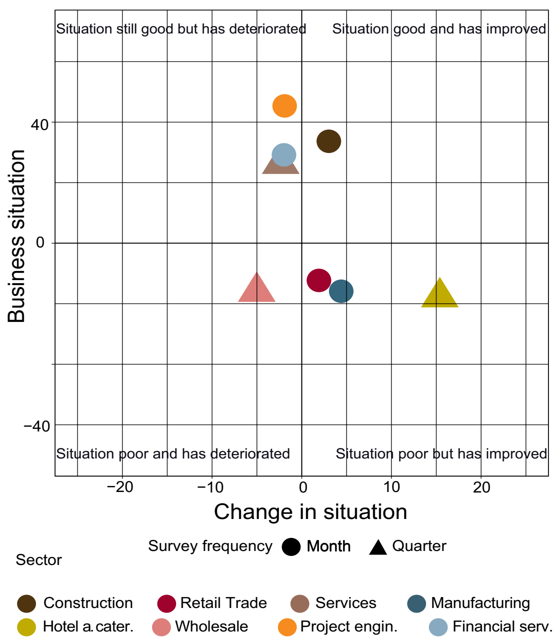
The angle of the arrows reflects the change in the business situation compared to the previous month

Source: KOF

Net balances

55 to 100	30 to under 55	16.5 to under 30
9 to under 16.5	5 to under 9	-5 to under 5
-9 to under -5	-16.5 to under -9	-30 to under -16.5
-55 to under -30	-100 to under -55	

KOF Business Situation: Change in Different Sectors



KOF Business Situation for Switzerland (seasonally adjusted balances)

	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15
Private sector (overall)	23.5	23.7	24.1	20.6	21.4	20.3	20.3	14.8	14.2	9.8	8.6	8.7	8.9
Manufacturing	0.3	0.1	0.5	0.4	0.6	0.3	-0.4	-18.6	-20.2	-13.2	-19.7	-19.9	-15.5
Construction	42.0	41.9	41.7	37.5	36.3	36.3	38.7	34.0	33.5	31.4	30.7	30.9	33.9
Project engineering	55.2	52.3	55.7	51.0	51.5	48.0	54.3	49.7	47.7	46.2	46.8	47.5	45.5
Retail trade	10.3	1.6	-3.8	-3.9	1.7	-4.4	0.1	-4.3	-10.7	-11.5	-12.6	-14.0	-12.0
Wholesale trade	31.8	-	-	23.5	-	-	17.5	-	-	-10.5	-	-	-15.5
Financial services	28.6	29.6	32.9	30.3	29.5	26.4	21.6	17.0	20.8	28.8	31.1	30.5	28.6
Hotel and catering sector	-17.3	-	-	-11.7	0.0	-	-16.0	-	-	-32.8	-	-	-17.4
Other services	36.1	-	-	33.6	-	-	38.2	-	-	29.3	-	-	26.9

Answers to the question: We assess our business situation as good / satisfactory / bad. The balance is the percentage of “good” answers minus the percentage of “bad” answers.

Source: KOF Business Tendency Surveys