

Detailed Results

Zurich, 3 November 2015, 10.30am

Results of the KOF Business Tendency Surveys from October 2015

KOF Business Situation Indicator Given a Slight Boost, but Still at Low Level

The business situation of companies in Switzerland improved slightly in October compared to the previous month. However, the rise in the Business Situation Indicator was minor and overall the Indicator has been moving at a comparatively low level, with slight variations, for six months. As before, the business situation of companies is significantly less favourable than it was at the same time last year. With a view to the coming six months, the business expectations of companies show muted optimism. As a whole, participants in the survey are not expecting a business to deteriorate further. However, the Swiss economy has only just set foot on the road out of its trough.

In the **manufacturing sector**, the gradual recovery of the business situation continued in October. The most negative assessment of the situation to date came in June of this year, since when the pessimistic assessment of the situation has allayed somewhat. However, developments in the sector were not uniform in October. The situation in machinery and vehicle construction worsened for the first time in four months. The Business Situation Indicator also fell in the food industry. By contrast, the metal industry and the chemicals and plastics sectors reported an improvement in October. However, compared to the situation before the removal of the Swiss franc exchange rate floor in January, the situation is being assessed less favourably throughout almost all sectors. The reverses are particularly marked in the chemicals, plastics and metals sectors. However, major setbacks compared to the start of the year have also been seen in the electrical engineering, precision mechanics, optical engineering and machine and vehicle construction sectors. At 81.3%, the level of capacity utilisation is at present unchanged compared to the previous quarter. However, this puts the figure around one percentage point lower than in the previous year, which is clearly below the long-term average. For the near future, some slight confidence may be discerned in the survey results. Businesses are expecting stable to marginally expanding order books and are thus looking to increase production slightly. Despite the expected stabilisation of demand and production, the trend of job cuts is set to continue.

Pressure on margins in construction

In the building-related sectors of **construction and project engineering**, the business situation developed unevenly in October. Whilst the situation improved somewhat for project engineering firms and is mainly good, the situation in the construction industry cooled noticeably. Construction firms tended to change their assessment of the situation from "good" to "satisfactory". This is likely to be due in particular to the earnings trend: companies' margins have come under pressure over the last few months. Although revenue has also dropped for project engineering firms, this has not occurred on as wide a scale as for construction companies. The order backlog has increased in the construction sector, although this has come at the cost of lower capacity utilisation. Since construction companies continue to be exposed to high price pressure, they are also expecting revenue to fall in the near future. By contrast, project engineering firms hope that the negative revenue trend will tail off.

In the **retail sector**, the business situation is less unfavourable than it was previously. Although customer footfall in shops is still lower than during the corresponding period from last year, the gap with the previous year's figures reduced compared to the summer. The erosion of corporate earnings slowed. At the same time however, the effects of the strong franc continue to be felt. Whilst pressure on inventories loosened, it remains comparatively high. Price cuts are still planned, although will not occur on as wide a scale as in the spring. A significant improvement in revenue expectations for the near future may be discerned: retailers are no longer expecting revenue figures to fall. As before, wholesalers report a fairly tense business situation. Once again, they were unable to achieve the sales figures from last year. However, they hope to be able to stabilise demand through further price reductions. According to their business expectations, they are no longer expecting the situation to deteriorate.

Restaurateurs slightly more confident, whilst hoteliers remain pessimistic

In the **hotel and catering sector**, the business situation brightened overall. Although businesses continue to be predominantly unsatisfied with the situation, the position was slightly worse in the autumn of last year. This positive trend is being driven on by restaurateurs, who now assess the situation as almost satisfactory. By contrast, providers of accommodation services complain of a worsened situation, which has further declined from the summer. A gap is now opening up in the development in the two tourism sectors of food and drink on the one hand and accommodation on the other. Although providers of accommodation would like to make additional concessions on the price front, they do not envisage a stabilisation in the number of overnight stays in the near future either for domestic or for foreign guests.

The situation improved further for **financial and insurance service providers**. Banks reported a slightly improved business situation from the previous month, whilst the situation for insurers worsened. For the banks, demand on the part of domestic private customers increased strongly, whilst rises for business customers and SMEs were somewhat more moderate than previously. However, the banks are confident about all domestic segments with regard to the demand trend in the near future. Banks are also expecting to receive increased commission rates and hope that interest rate margins will not fall any further. For insurers, net investment income remains under pressure. However, institutions are expecting stable demand and steady income in the near future. Nevertheless, a change in approach is apparent with regard to staffing policies, as more job cuts are planned.

The Business Situation Indicator for **other service providers** increased in October. Although the business situation is predominantly good, the Business Situation Indicator here is below its long-term average. Following the removal of the Swiss franc exchange rate floor in January, income has fallen also for other service providers. However, the negative development has abated recently. Demand for services has stabilised once again and more companies are expecting a revival of business. They are less reluctant about hiring more staff than they were in spring.

The results of the current KOF business tendency surveys from October 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 57%.

Further information concerning the KOF business tendency surveys is available at:

<http://kof.ethz.ch/en/surveys/business-tendency-surveys/> →

Contacts

Dr. Klaus Abberger | Phone +41 44 632 51 56 | abberger@kof.ethz.ch

Media services | Phone +41 44 632 40 61 or +41 44 632 40 61 | kofcc@kof.ethz.ch

Graphs and table

KOF Business Situation Indicator
(balance, seasonally adjusted)

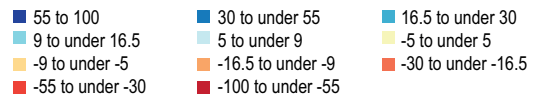


KOF Business Situation in the Private Sector

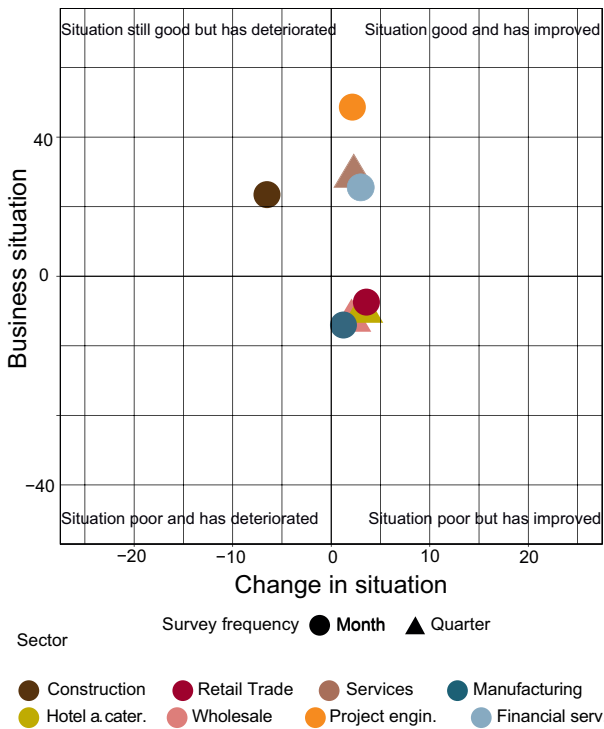


The angle of the arrows reflects the change in the business situation compared to the previous month
Source: KOF

Net balances



KOF Business Situation: Change in Different Sectors



KOF Business Situation for Switzerland (seasonally adjusted balances)

| | Oct 14 | Nov 14 | Dec 14 | Jan 15 | Feb 15 | Mar 15 | Apr 15 | May 15 | Jun 15 | Jul 15 | Aug 15 | Sep 15 | Oct 15 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Private sector (overall) | 20.3 | 20.8 | 19.8 | 20.2 | 15.0 | 14.3 | 10.0 | 8.8 | 8.8 | 8.9 | 8.8 | 8.3 | 9.3 |
| Manufacturing | -0.1 | 0.3 | 0.2 | -0.4 | -17.8 | -19.9 | -12.9 | -19.7 | -20.0 | -15.2 | -15.3 | -15.3 | -14.0 |
| Construction | 37.7 | 36.2 | 36.3 | 38.2 | 34.2 | 33.6 | 31.5 | 30.7 | 30.8 | 33.6 | 30.2 | 30.0 | 23.5 |
| Project engineering | 50.2 | 51.5 | 47.9 | 54.1 | 49.7 | 47.8 | 46.3 | 46.8 | 47.4 | 45.0 | 45.8 | 46.5 | 48.6 |
| Retail trade | -3.7 | 1.8 | -4.2 | 0.1 | -4.3 | -10.9 | -12.0 | -12.9 | -14.1 | -12.3 | -9.5 | -11.5 | -8.0 |
| Wholesale trade | 22.4 | - | - | 16.9 | - | - | -9.5 | - | - | -14.6 | - | - | -12.5 |
| Financial services | 30.3 | 29.4 | 26.7 | 21.9 | 17.2 | 21.1 | 29.1 | 31.1 | 30.2 | 28.1 | 26.8 | 22.6 | 25.6 |
| Hotel and catering sector | -12.9 | - | - | -15.6 | - | - | -32.3 | - | - | -13.6 | - | - | -10.4 |
| Other services | 32.7 | - | - | 38.4 | - | - | 29.3 | - | - | 26.3 | - | - | 28.6 |

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