

Detailed Results

Zurich, 6 May 2015, 10.30 am

Results of the KOF Business Tendency Survey from April 2015

KOF Business Situation Indicator with Downward Tendency

In April, Swiss businesses rated their business situation as being considerably worse than in previous months. Compared to the situation at the start of the year when the Swiss franc exchange rate floor was still in place, the situation has become distinctively worse in various sectors of the economy. In addition, businesses are mainly sceptical regarding future business development, for the first time in more than three years. The strong franc takes its toll.

The business situation in the **manufacturing sector** was slightly less tense in April than during the previous month, although it continues to be much worse than at the start of this year. Production facilities are much more underused than they were at the end of 2014. The capacity utilisation of 82.1% in the 4th quarter of 2014 fell to 80.9% in the 1st quarter of 2015. Firms increasingly view available production capacity as too large. Following the removal of the exchange rate floor, they now perceive their businesses as less competitive. This is the case in particular for the foreign market, but is also apparent on the domestic market. Businesses have reacted to the change in circumstances by reducing their margins. This meant that companies' revenue positions worsened considerably over the first three months of this year. The employment situation continues to be tense, and as before staff planning envisages a reduction in employee numbers.

The business situation continues to be predominantly good in the **construction industry** and the **project engineering sector**. However, the business situation was much better in April 2014. Over the coming six months, survey participants in both sectors expect a further gradual cooling of the business situation. Businesses from the construction industry are now using equipment at reduced capacity and no longer regard their machinery levels as being too low. They fear that they will be forced to make additional increased concessions over the coming months in the prices for their services, and expect their revenue position to deteriorate further. Project engineering offices are expecting slightly lower demand for their services in the near future. However, with orders booked up to more than ten months in advance, order books remain as full as they were before.

Retail traders assessed their business situation in April in a similarly cautious manner to March. In many cases, sales volumes have fallen over the last three months and customer frequency in shops is markedly lower than in the equivalent period from last year. The effects of the stronger franc have led to a deterioration in the revenue position for retailers. Further price reductions are planned. However, traders hope that it will be possible to keep turnover almost stable overall.

Wholesalers are questioned by the KOF every three months. In April, they reported a considerably worse business situation than in January. Demand has been falling and sales of goods are at present considerably lower than the corresponding period from last year. Most businesses complained of insufficient demand and are facing heavy downward pressure on prices.

The **hotel and catering sector** has been shaken up by the removal of the exchange rate floor. When assessing the business situation, negative voices were considerably more predominant than in the January survey. The position is tense in particular in mountainous areas. Both caterer and hoteliers report a considerably worse business situation than at the start of the year. Occupancy rates in hotels have dropped considerably and bookings are considerably lower last year's levels. The revenue position in the hotel and catering sector has suffered considerably due to the strong franc. With firms fearing further falls in demand, they are looking to cut staffing levels.

The business situation in the **financial and insurance services sector** improved in April. Above all, banks report a more favourable business situation. The revenue position was almost stable in the 1st quarter of this year. Whilst survey participants continued to assess staff numbers as being too high, fewer banks are however planning to lay off workers in the near future. The insurers questioned adjusted their assessment of the business situation downwards slightly, reporting an overall satisfactory position. Although they are expecting weaker demand over the coming months, they are also looking to hire additional staff.

Other service providers assess their business situation in April no longer as good as at the start of the year. The effects of the strong franc are also apparent in this sector. Demand has fallen over the last three months both for economic services as well as services in the transport, information and communications sectors. Businesses' revenue positions have also suffered over this period. Although service providers are expecting demand to stabilise soon, they will have to make increased price concessions in order to achieve this.

Business situation according to region

From a regional perspective, the only region in which the business situation did not deteriorate further in April was Espace Mittelland. By contrast, the business situation indicator fell in all other major regions. Compared to the situation at the start of the year before the removal of the exchange rate floor, the business situation has deteriorated in all major regions. The slowdown since then has been particularly marked in Eastern Switzerland, but also in North-west Switzerland and the Zurich region. In most regions however, the number of businesses reporting a good business situation continued to be higher than those complaining of a negative business situation. The only regions in which positive responses did not prevail were Ticino and the Lake Geneva area.

The results of the current KOF Business Tendency Surveys from April 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 54%.

More detailed information regarding the KOF Business Tendency Surveys:

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

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Graphs

KOF Business Situation Indicator

(balance, seasonally adjusted)



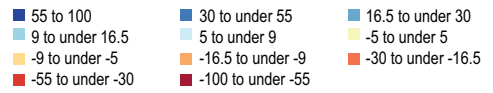
KOF Business Situation in the Private Sector



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

Source: KOF

Net balances



KOF Business Situation: Change in Different Sectors

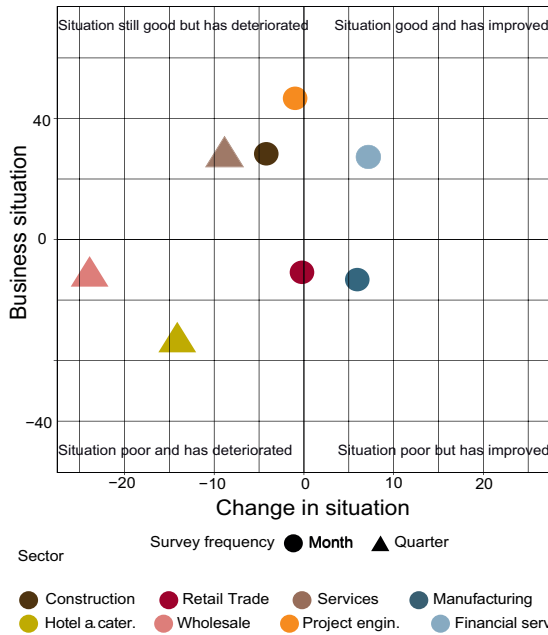


Table 1: KOF Business Situation for Switzerland (seasonally adjusted balances)

	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15
Private sector (overall)	24.1	23.0	23.9	23.3	23.7	23.9	20.4	21.4	20.3	20.3	15.5	14.0	9.0
Manufacturing	-0.3	0.4	1.1	0.4	-0.2	0.4	0.7	1.2	0.7	-0.1	-17.4	-20.4	-13.3
Construction	49.2	48.0	46.4	42.5	41.8	41.6	37.3	36.2	36.4	38.3	34.1	33.3	28.2
Project engineering	55.9	54.9	55.4	55.1	52.4	55.7	51.3	51.7	47.9	54.0	49.7	47.7	46.5
Retail trade	15.3	11.6	18.4	9.7	2.0	-3.5	-4.0	2.2	-4.7	-0.4	-3.3	-10.6	-10.9
Wholesale trade	32.6	-	-	31.6	-	-	23.7	-	-	17.1	-	-	-11.5
Financial services	22.0	17.8	18.9	27.4	30.4	33.9	29.5	29.0	26.7	21.2	17.8	18.6	27.2
Hotel and catering sector	-13.0	-	-	-17.6	-	-	-11.2	-	-	-16.3	-	-	-33.2
Other services	37.1	-	-	35.6	-	-	33.3	-	-	38.6	-	-	28.0

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