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KOF

Media Release

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KOF Employment Indicator: Increase in the Value of the Franc is Making Itself Felt on the Labour Market

In April, the KOF Employment indicator fell to its lowest figure since the end of the 2009 economic and financial crisis. Swiss businesses are increasingly tending to shed jobs. The strong increase in the value of the Swiss franc following the removal of the exchange rate floor is most likely the cause of this.

There is increasing evidence that the franc shock will not pass by without leaving its mark on the Swiss labour market: the KOF Employment Indicator, which enables an early assessment to be made of the labour market situation, fell to -6.2 points in the 2nd quarter of 2015. The last time the indicator reached a level that was this low was at the end of the global crisis in the 4th quarter of 2009. The indicator is determined on the basis of KOF economic surveys, which are carried out monthly and quarterly among more than 9000 businesses in Switzerland. Since the proportion of businesses that plan to shed jobs over the coming three months is larger than the proportion of businesses that intend to create jobs, the indicator has fallen into negative territory. In addition, the overwhelming majority of businesses questioned consider current employment levels to be too high. The position on the labour market is expected to worsen accordingly in the near future.

In the 1st quarter of 2015 the Employment Indicator was still at -2 points. However, most companies participating in that survey had answered the questionnaire before the euro-franc exchange rate floor was removed on 15 January. It is thus likely that the current fall in the indicator is largely due to the strong increase in the value of the franc following the removal of the exchange rate floor. The increase in value made most Swiss goods and services significantly more expensive abroad, with the result that the prices of Swiss firms became less competitive, especially compared to European competitors. The negative effects of this situation on employment have not been limited solely to exporters. In fact, the increase in value has also affected businesses operating mainly on the national market, since imports have now also become cheaper than Swiss products. For example, demand with Swiss suppliers has been falling as other firms increasingly source intermediate goods from the Eurozone.

Results broken down according to sector

The Employment Indicators for individual sectors suggest, not unexpectedly, that the employment situation will deteriorate in particular in export-oriented sectors. The branch-specific employment indicators for industry, the hotel and restaurant sector and the banks are clearly moving into negative territory. However, the franc shock is already having a significant effect on employment indicators from service sectors with a strong domestic focus. The Employment Indicator for retail trade has fallen to its lowest level for more than ten years, which is apparently due to the substantial increase in consumer tourism in border regions. The pressure on retail margins and the increasing competition from abroad have been having knock-on effects also on Swiss suppliers. The Employment Indicator for the wholesale trade sector has also fallen deep into negative territory. By contrast, the employment indicator for the construction sector has stood up well against the exchange rate turbulence, remaining close to zero. This suggests that employment levels in the construction industry will remain at a high level at least over the next three months.

More detailed information regarding the KOF Employment Indicator:
http://www.kof.ethz.ch/en/indicators/employment-indicator/

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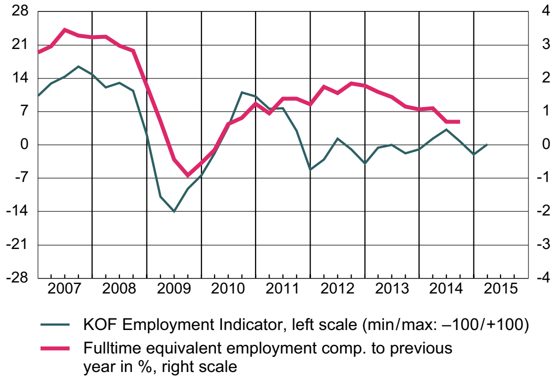
Graph and table

KOF Employment Indicator and Employment

(Employment according to FSO)



Values Employment Indicator

Current status / Status for the previous quarter

1st	quarter 2014	1.3	1.3
2nd	quarter 2014	3.1	3.2
3rd	quarter 2014	0.8	0.7
4th	quarter 2014	–2.0	–2.0
1st	quarter 2015	–2.4	0.2
2nd	**quarter 2015**	**–6.2**	