

## Press Release

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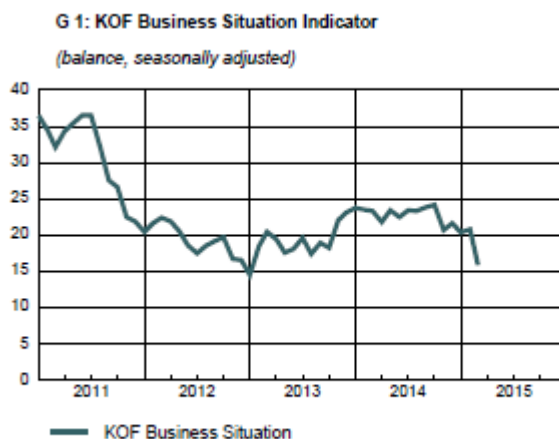
### Results of the KOF Business Tendency Surveys of February 2015

#### Consequences of the Decision by the SNB Become Apparent

According to the most recent KOF Business Tendency Surveys, the economic outlook of Swiss businesses cooled significantly in February. The current results provide the first comprehensive indications regarding the new currency situation, since in January almost 94% of participants filled in the questionnaire before the exchange rate floor on the franc was removed. In all areas of the economy covered by the survey – manufacturing, retail trade, finance, construction and the architectural and engineering sector – the economic outlook deteriorated. The position worsened particularly for manufacturers.

#### Breakdown according to sector

All economic sectors questioned by the KOF considered their economic outlook to be less favourable in February than in January. The fall was significant for the **construction industry and the architectural and engineering sector**, although did not occur on an extraordinary scale. The economic outlook indicator had improved significantly in the architectural and engineering sector in January, which means that the fall in February only partially reverses this rise. The direct consequences of the increase in the value of the franc should be limited in the construction industry.



The economic outlook worsened also in the **financial sector**. Overall however, financial institutions predominantly assess their position as good. The banks have become much more sceptical about the further development of business over the coming half-year. Whilst until now there has been little appetite to change their staffing levels, they are now increasingly planning to shed jobs. The banks' scepticism is likely to be driven in particular by the exchange rate decision and the interest rate policy of the Swiss National Bank (SNB), following its decision to introduce negative interest rates.

The economic outlook fell in the **retail sector** and has now returned approximately to its December 2014 level. Overall, the current position is slightly less than satisfactory, and is thus significantly better than in autumn 2011, when the retail sector was still digesting the increase in the value of the franc during the first half of 2011. However, looking forward to the next three months, retailers fear further declining sales levels. They plan to cut prices across the board.

The economic outlook has worsened significantly in the **manufacturing sector**. The removal of the exchange rate floor for the franc has had a significant effect on this sector. The economic outlook indicator for the manufacturing sector was at -15.3 points in February, following the January figure of minus -0.3 points. The 15-point fall is the largest single-month fall since this question was introduced in 2004. Despite the sharp fall, the current value of the outlook indicator of -15.3 points is not as bad as it was in spring/summer 2009, when it reached a minimum figure of -35 points. The deterioration in the outlook is apparent throughout almost all sectors of manufacturing. The economic outlook indicator suffered a particularly large fall in the metals sector, machinery and vehicle construction and in electronics.

The deterioration in the economic outlook is not limited solely to exporters in the manufacturing industry. Also firms with more of a domestic focus consider their economic outlook to be much less favourable in February than in January. Both exporters and firms focused on the domestic market plan to slow down production and intend to reduce staffing levels. The net level of planned employment levels for the industry has fallen significantly. Whilst the net figure in the January survey was still -4.5, following the removal of the exchange rate floor it fell to -25. In February, there were thus significantly more industrial businesses that intended to reduce employment over the next three months than those that intended to create jobs. A drop on this scale of the employment expectations of industrial firms last occurred at the end of 2008 with the outbreak of the global economic and financial crisis.

A very uniform picture also emerges if the answers given by participants are assessed according to the size of the business: the economic outlook deteriorated for small, medium-sized and large firms. Production is slowing down in all three segments and staffing levels are falling.

The KOF Business Tendency Surveys for February attracted answers from around 2,800 companies. A total of 4,800 companies were questioned. This represents a response rate of 58 per cent.

More information about the KOF Business Tendency Surveys:  
<http://www.kof.ethz.ch/en/surveys/business-tendency-surveys/>

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