

Detailed Results

Zurich, 7 August 2017, 10:00 a.m.

Results of the KOF Business Tendency Surveys, July 2017

Overall Positive Business Situation despite Setbacks

In July, the KOF Business Situation Indicator for the Swiss private economy declined slightly. However, given that the indicator had risen consecutively six times before, the overall business situation is still good. Since the beginning of the year, the challenging situation of the Swiss companies has eased off substantially. Enterprises have a more confident outlook on their future business development than at the beginning of the year. The Swiss economy is picking up speed.

Capacity utilisation rises in the manufacturing industry

The **manufacturing industry** is still on the road to recovery, although in July the situation hardly improved compared to the previous month. However, the Business Situation Indicator has been on the rise or has hardly changed for six consecutive months. The indicator declined last in January of this year. This positive development is mainly driven by export-oriented companies. Domestically-oriented companies are receiving less tailwind. Broken down by product group, improvements are particularly noticeable among preproduction companies and capital goods producers. The consumer goods business is sailing calmer waters. All in all, incoming orders are more dynamic than a year ago and companies rarely consider their stocks of finished goods to be excessive any more. However, this may also be due to the fact that production is now no longer expanding. Nevertheless, on a quarterly basis, capacity utilisation of machinery and equipment went up in the last three months. At 82.3 per cent, utilisation levels have almost returned to the average of the last ten years. In the coming three months, companies plan to further increase production and anticipate few staff reductions.

Construction situation remains positive

The excellent business situation in the construction-related building trades and project engineering sector hardly changed in July. The Business Situation Indicator for **building trades** went up marginally while declining slightly in the **project engineering sector**. In the construction industry, the upward tendency which started last autumn continued. Demand and building activities went up slightly, leading to a significant increase in machinery and equipment utilisation. For the first time this year, capacity utilisation is thus no longer below average. Pressure on the construction companies' competitive situation has eased and the erosion of corporate earnings has come to a halt. Expectations regarding future price trends are slightly less negative than in the past few months, especially in the main construction trades. Companies also expect virtually stable demand in the near future. Project engineers likewise anticipate little change in demand and project a small increase in their service volumes. Since the scope of their order books has gone down slightly, they are not planning to employ any additional staff.

Tense situation in retail

The **retail trade** still finds it hard to extract itself from its challenging situation. After improving in June, the business situation deteriorated once more in July. Sales volumes stagnated compared to the previous year and retailers are still complaining about excessive stocks. The companies are less sceptical in terms of their further sales development than in the previous month and are less often planning to reduce selling prices than before. Nevertheless, they do not anticipate a significant turnaround in their business.

The business situation in the **wholesale trade** is comparably positive and has improved for the second time in a row. Demand picked up further speed and sales were more or less at the previous year's level. Thanks to stronger demand, delivery times increased considerably. Retailers expect a further rise in demand in the near future. On top of this, delivery times and selling prices are on the rise.

Hotel and catering industry takes a deep breath

In July, the **hotel and catering sector** breathed a big sigh of relief as the business situation showed a noticeable improvement and reached a satisfactory level. Demand picked up and turnover was higher than in the respective previous year's quarter. The erosion of corporate profits came to a halt. Hotel enterprises recorded an increase in the number of overnight stays compared to the previous year's quarter, a positive development that was predominantly supported by rising overnight stays of foreign guests. However, domestic guests also spent more nights in hotels. In the coming three months, hotel enterprises anticipate a further rise in demand.

Although prices of overnight stays are likely to decline a little further, all in all the respondents have adopted a slightly more optimistic business outlook. Catering establishments also reported a better business situation as well as a stabilisation of their earnings trend. Comparatively good weather probably contributed to this good result. A year ago, many respondents had complained about weather-related obstacles. Catering companies also have a positive outlook on the near future and expect rising sales of both drinks and food.

Positive situation for financial and insurance companies and other service providers despite setbacks

The business situation among **financial and insurance service providers** remains satisfactory, albeit slightly less positive than in spring. The companies reported a rise in demand and are expecting a further upswing in the near future which may, however, be less dynamic than before. Nevertheless, since they anticipate a further increase in operating income, the companies are confident that their earnings situation will once more improve. Although the banking segment also experienced a slight slowdown, the institutions once again considered the foreign client business to be satisfactory. Recently, however, demand in this client group was slightly weaker. In contrast, banks recorded rising demand in the SME segment. Banks are generally optimistic about the further business development. Following the success of their trading business in the past three months, they are hoping for a further increase in the subsequent quarter. They are also optimistic with regard to their commission business.

The **other service providers** reported an excellent business situation, albeit somewhat less than in the preceding quarter. Corporate earnings dipped slightly, specifically among the personal service providers. In contrast, earnings in the transport, information and communication sectors improved significantly while rising to a lesser extent in the business services industry. All in all, the other service providers are hopeful that demand will pick up further in the near future and are increasingly planning to hire additional staff. Although the prices for their services remain under pressure, they should decline slower than before. Hence, all in all, business expectations among service providers are just about on the positive side.

The results of the current KOF Business Tendency Surveys of July 2017 are based on the answers of over 4,500 companies in industry, construction and the main service sectors. The response rate was approximately 56 per cent.

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

<https://www.kof.ethz.ch/en/surveys/business-tendency-surveys.html> →