

# Detailed Results

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## KOF Business Tendency Surveys from January 2018: Swiss Companies Are Getting the New Year Off to a Strong Start

The KOF Business Situation Indicator rose further in January, continuing on its upward trajectory after a brief pause last autumn. The companies that took part in the KOF survey are confident regarding business development over the next six months. All in all, Swiss companies are getting off to a strong start in 2018.

### Manufacturing still on the upswing

The **manufacturing sector** continues to improve: its Business Situation Indicator rose again in January, and companies predominantly report a rosy economic picture. Compared to the start of 2017, companies are in a much more favourable position. Incoming orders and production activities are more dynamic than they were at the same time last year. As a result, capacity utilisation of plant and machinery is up once again, to a seasonally adjusted 84 percent. This figure is close to the long-term average, which indicates that the sector's situation is returning to normal. The same can be said for earnings, which were up slightly.

Companies in this sector are optimistic about the future. They anticipate a strong boost from exports and expect incoming orders to continue to increase overall, so they are planning to significantly expand production. In doing so, they intend not only to step up purchasing of intermediate goods, but also to largely keep their staffing levels stable or even increase them slightly. Although the companies expect to pay appreciably more for their intermediate goods – costs they can hardly pass on to their customers – they still believe their business situation will improve further over the next six months.

### Construction business stays strong

In construction and project engineering, the situation continues to be good on the whole. However, January saw the two sectors take different paths: after adjusting for seasonal effects, **construction** saw considerable improvement, whereas **project engineering** is not up to last month's level. The construction industry's good fortune applies across both main construction and building completion. In both areas, businesses are slightly happier about their existing order books than they were in December of 2017.

Overall, capacity utilisation of plant and machinery is higher than in the previous quarter, but this did not impact earnings. In fact, pressure on earnings actually increased. Since companies see hardly any room to manoeuvre in setting prices any time soon and expect production to remain stable at best, they do not anticipate any improvement in earnings. In project engineering, business continues to be strong, but not quite as excellent as in the previous month. Offices have barely seen a change in either demand or performance over the past three months. Despite concessions for professional fees, earnings remained largely unaffected. Order books are still more or less at the same high level. Regarding the development of demand over the next three months, the offices expect no real change, so their staffing levels will hold steady.

### **No momentum in retail**

Overall, the situation in **retail** is satisfactory, even though it declined a bit in January after a palpable recovery in December. Sales volumes stopped rising and there was no increase in the number of customers in shops compared to the same time last year. Still, with retailers placing more conservative orders, warehouse pressure eased somewhat. The earnings situation worsened slightly. Retailers are not counting on a clear upswing in their business any time soon. For this reason, they will continue to be conservative with their orders and not hire new personnel, but they hope they will not have to cut prices further.

In **wholesale**, the business situation continues to improve. Demand has surged again and sales volumes were much higher than they were a year ago. Delivery lead times increased as well. Wholesalers were able to visibly improve their earnings. Survey respondents expect the surge in demand to intensify in the near future, and are thus optimistic regarding the overall development of their business. However, they still expect their purchase prices to rise faster than their sales prices.

### **Hospitality sees further improvement**

In the hotel and catering industry, the positive trend of the previous quarters continued. The business situation improved further and is now rated satisfactory overall. Demand picked up again and earnings have held steady for about the last nine months. When it comes to business development over the next six months, survey participants are cautiously confident, and expect demand for their services to continue growing slightly. However, they worry they will once again have to cut prices. The improved business situation in January is a result of assessments by the **hospitality industry**, which rates its status quo as much more positive than it had previously. The number of overnight stays – both by Swiss guests and by foreign tourists – is appreciably higher than the previous year's figure. Earnings in the industry have also improved. Companies' business expectations are slightly positive. They anticipate a further surge in demand, while pressure to cut prices is easing somewhat.

In the **catering sector**, by contrast, the business situation continues to be less than satisfactory. Sales volumes and revenues are below last year's levels, and over 40% of the respondents in this sector still complain of unsatisfactory demand. They expect demand to recover over the next few months, but only haltingly.

### **Improved situation for financial and insurance services and other service providers**

In the financial and insurance services sector, business again saw a marked improvement and the situation is mostly good, although the current rise of the Indicator is due particularly to reports from **insurance companies**. **Banks** saw their situation worsen somewhat, following significant improvement in the previous month. All in all, financial and insurance services players saw a perceptible uptick in income while their spending did not go up to quite the same extent. As a result, earnings improved once again. Survey respondents believe, however, that earnings growth will not be as pronounced in the near future, since income and spending tend to increase at the same rate.

In the **banking subgroup**, the situation dimmed a bit regarding business with domestic and international customers alike. Still, banks are optimistic about development of their business with both customer groups in the near future. They anticipate an acceleration in demand, especially from private customers. There continues to be pressure on interest margins, but companies are hoping for tangible rises in commission rates. Banks who responded to the survey are thus more optimistic about the continued development of earnings than they have been previously.

For **remaining service providers**, the Business Situation Indicator made a partial recovery following the hit it took last quarter. The improvement is due to reports from the **transportation, information and communications** subgroup. Business is essentially unchanged in **personal services**, while **business service** providers saw a slowdown. Overall, demand grew more strongly than it had previously. However, the survey respondents are no longer quite so optimistic regarding an increase in demand in the near future. Reports on staffing levels range primarily from appropriate to shortage, so companies are continuing to look for additional personnel.

The results of the latest KOF Business Tendency Surveys from January 2018 include responses from more than 4,500 private companies in industry, construction, and key service sectors, for a response rate of about 53%.

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

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

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