

# Detailed Results

Zurich, 8 May 2018, 9 a.m.

## KOF Business Tendency Surveys from April 2018: Swiss economy at a stable high

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 in good shape

The Business Situation Indicator for the manufacturing sector is consolidating well within positive territory. The companies surveyed in April rated their business situation as good, although less so than in the previous month. The gap between export-led firms and those focusing on the domestic economy is clearly closing. The business situation of export-driven companies deteriorated slightly, while that of domestically focused firms continued to improve. Overall, companies managed to win more orders. Their competitive position – especially in EU markets – improved. Firms are more satisfied with their current order books than they were previously.

Although capacity utilisation declined marginally on the previous quarter to 83.1 per cent, it remains higher than throughout much of the period 2015 to 2017. Firms' ability to impose modest price increases strengthened their earnings. Companies intend to continue increasing production in the near future on the back of consistently upbeat export prospects and are looking to raise their selling prices slightly. The generally benign economic situation is encouraging export-led companies in particular to recruit additional staff. Most manufacturing firms are largely optimistic about their business prospects over the next six months.

### Construction sector remains stable

The business situations in construction and project engineering – the two sectors involved in building activity – diverged in April. Whereas the Business Situation Indicator for the **project engineering sector** fell slightly, it rose in the **construction industry**. However, business in both sectors remains strong. In the construction sector there was virtually no change in the levels of demand and building activity. Current order books are deemed to be satisfactory overall. Nonetheless, complaints about insufficient orders on hand are more widespread in civil engineering than they are in structural engineering or the finishing trade. Overall capacity utilisation in the construction industry rose again and is now at roughly the same level as in the corresponding quarter of last year. However, the persistent fall in construction prices continued to hit earnings. Although construction firms expect demand to remain more or less stable in the near future, they will continue to find it challenging to maintain their pricing levels. Demand in project engineering rose again slightly. In addition, the prices agreed in new contracts for both commercial and residential construction came under less pressure than in the previous quarter. As the planners in this industry reckon that staffing levels are probably too low, they are looking to recruit more workers. However, some firms are finding it difficult to fill their vacancies.

### **Retail sector falling behind**

The business situation in the **retail sector** is no more than satisfactory. This industry received no additional impetus in April. Business even started to deteriorate recently. Retailers' perception is that customer footfall remains lower than in the same period of last year, while sales volumes have recently come under greater pressure, which means that more goods have remained in the warehouse than previously. There are no signs that earnings will improve much any time soon. However, firms are now slightly more upbeat about their sales expectations for the near future, although they are not yet planning to raise their prices.

The business situation in **wholesaling** has more or less stabilised at an encouraging level, although demand has not grown quite as much recently as in the previous quarter. Nonetheless, residual additional demand has ensured that complaints about insufficient demand have decreased. Earnings also continued to improve considerably. Wholesalers expect demand to rise sharply in the near future. Although procurement prices are likely to continue to rise significantly, these increases should not be quite as dramatic as in the previous quarter. Wholesalers are looking to raise their own selling prices slightly more than before and are therefore predominantly optimistic about their business prospects.

### **Accommodation and food service sector in hopeful mood**

Business in the accommodation and food service sector continued to improve. Revenue increased compared with the corresponding period of last year, although this did not translate into higher earnings. Firms in **food services** in particular reported a drop in earnings. Although sales of food remained virtually unchanged, the food service sector sold fewer beverages than previously. However, survey respondents reported that their business had been hit harder by more adverse trading conditions than during the same period of last year. Food service firms are now more optimistic about their business prospects going forward and expect demand to rebound sharply.

Earnings in the **accommodation sector** improved further, albeit less impressively than in the previous quarter. The year-on-year increase in the number of overnight stays was even more pronounced than before. This recovery resulted from overnight stays by both domestic and foreign guests. Accommodation providers are hopeful about their business prospects for the near future, expecting the number of overnight stays to rise increasingly and planning to lower their prices less often.

### **Further improvement in the situation of financial service providers, insurers and other service providers**

Business at financial service providers and insurers improved for the third time in succession. Very few institutions are still complaining about weak business, and most firms rate their situation as satisfactory or good.

The **banks** sub-group saw an improvement in business with both domestic and foreign customers. Banks on the whole reported an impressive earnings performance. The volume of approved loans was increasingly expanded, and net interest income rose. However, fees and commissions also made a growing contribution to this strong earnings performance. Banks are optimistic about their business in the near future. Although they expect to see slower growth in lending to domestic corporate customers – especially small and medium-sized enterprises (SMEs) – they reckon that lending to domestic retail clients will increase more swiftly.

The business outlook for **financial service providers and insurers** as a whole is also more optimistic than before, and their earnings are likely to improve further. These institutions plan to keep their staffing levels more or less unchanged in the near future.

Business in the **other services sector** continued to recover. The Business Situation Indicator for both the **transport, information & communication sub-sector** and for **business services** rose slightly. Demand in both of these sub-sectors was robust, and companies operating in these fields expect this demand to strengthen further in the near future. These firms are therefore in the process of recruiting additional staff.

The performance of **personal services** is less impressive, with the Business Situation Indicator for this sector falling slightly. These companies are not planning to increase their headcount because they expect demand to rise only marginally.

The results of the latest KOF Business Tendency Surveys from April 2018 are based on responses from more than 4,500 private companies in industry, construction and key service sectors. This constitutes a response rate of roughly 59 per cent.

**Further information concerning the KOF Business Tendency Surveys is available at:**

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

**Data and graph of the KOF Business Situation Indicator is available at:**

<https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-business-situation-indicator.html> →

**Contacts:**

Dr. Klaus Abberger | Phone +41 44 632 51 56 | [abberger@kof.ethz.ch](mailto:abberger@kof.ethz.ch)

KOF Corporate Communications | Phone +41 44 633 99 48 | [kofcc@kof.ethz.ch](mailto:kofcc@kof.ethz.ch)