

Press Release

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Findings of the KOF Business Tendency Surveys and Special Survey

One Company in Three Operating in the Euro Area Reports Worse Competitiveness

The business situation of Swiss companies improved slightly in January. In the manufacturing sector the indicator did not fall any further after 13 consecutive declines. Five years after the Swiss franc's exchange-rate floor was abolished, however, companies in this sector are still complaining about poorer competitiveness in the euro area. These were the findings of a special survey on Swiss monetary policy. Assessments of negative interest rates reveal considerable differences between sectors.

KOF Business Tendency Surveys: Swiss companies catching their breath at the beginning of the year

The business situation of Swiss companies improved at least slightly in almost all areas in January. The business situation indicator for manufacturing is not declining any further, after having fallen continuously last year. Dissatisfaction with order books is not increasing any further, and there is a little more confidence about the volumes of new orders received going forward. The business situation in the retail and wholesale trade and in the construction sector is also more encouraging than before. Business in the hospitality industry is robust, with firms expecting modest revenue growth in the near future. Although the situation for financial and insurance service providers has deteriorated slightly, it remains very good.

Special survey: how Swiss companies assess monetary policy

January marked five years since the Swiss franc's exchange-rate floor was abolished. For this reason, KOF has supplemented its Business Tendency Surveys with special questions. For example, it wanted to know how Swiss companies assess their competitiveness today compared with the situation five years ago. The position for the majority of firms has hardly changed with respect to their home markets. In relation to the euro area, however, 36 per cent of the companies operating there report that their competitiveness is slightly or significantly worse than five years ago. These complaints are particularly widespread in the hospitality and manufacturing sectors.

60 per cent of companies reckon that the current negative-interest-rate policy is having a neutral impact, with its benefits and drawbacks balancing each other out. However, firms in the financial and insurance sectors have taken a clear-cut stance, with 65 per cent of them concluding that the drawbacks slightly or clearly outweigh the benefits. In no other industry is the negative-interest-rate policy so decisively rejected. At the same time, 84 per cent of financial institutions say they have been slightly or severely affected by these negative interest rates, which is also the highest figure across all sectors of the economy. In the construction industry, on the other hand, negative interest rates actually tend to be viewed as being slightly beneficial.

Respondents' assessments of the current euro-franc exchange rate also vary according to sector. While an average of 38 per cent of firms overall consider the Swiss franc to be overvalued, the corresponding figure for the manufacturing sector is 52 per cent (based on a rate of 1.10). It is therefore mainly manufacturers that are complaining about an excessively strong Swiss franc combined with weaker competitiveness in the euro-area markets.

The findings of the latest KOF Business Tendency Surveys from January 2020 include the responses of more than 4,500 private firms from industry, construction and the most important service sectors. This equates to a response rate of about 56 per cent. The special questions on competitiveness, the negative-interest-rate policy and the exchange rate were put to around 3,900 companies. The response rate was 52 per cent.

Detailed findings of the KOF Business Tendency Surveys can be found online at
<https://kof.ethz.ch/en/news-and-events/media/press-releases.html> →

Relevant data and an interactive chart for the KOF Business Situation Indicator can be found here:
<https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-business-situation-indicator.html>
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Further information on the KOF Business Tendency Surveys can be found here:
<https://kof.ethz.ch/en/surveys/business-tendency-surveys.html> →

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