

Detailed Results KOF Business Tendency Surveys, April 2021

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KOF Business Tendency Surveys for April 2021: business situation continues to improve

The recovery of the Swiss economy is progressing in leaps and bounds, with companies reporting a significantly better business situation in April than in the previous month. The upward trend in the Business Situation Indicator, which has been ongoing since the beginning of the year, is thus continuing at an accelerated pace. Firms are also much more confident about developments over the coming months than they were in the previous month and at the beginning of this year.

The significant improvement in the business situation stems primarily from the manufacturing, retail and wholesale sectors, where things have clearly improved in each case. Business in these industries is now predominantly buoyant. The manufacturing sector hopes to gradually overcome the crisis. However, the timely availability of intermediate products is becoming a growing concern for manufacturers and wholesalers. Business in the retail sector is now stronger than it has been since before the beginning of the financial crisis in 2008. Business in project engineering is slightly better than it was in the previous month and at the beginning of the year. The situation in other services is not quite as bad as it was at the beginning of the year. However, the recovery among service providers is very slow and their overall position remains challenging. In construction, on the other hand, the situation is stable. Although business in financial services and insurance is no longer quite as strong as it was in the previous month, it remains predominantly encouraging. The worst performer is once again the hospitality industry, where there has been no improvement since the beginning of the year. The situation here remains bleak. However, most of the responses to the Business Tendency Surveys were received before the easing of restrictions announced by the Swiss Federal Council on 14 April this year. The responses received after this decision tended to be somewhat less pessimistic, especially in the food service sector.

The business situation sector by sector

The situation in manufacturing is improving considerably and the coming months are likely to be buoyant. The manufacturing sector is sensing that spring is in the air since its business situation improved significantly in April. The positive trend is visible across large swathes of this sector. This is the case among both export-led and domestically focused companies and applies to small, medium-sized and large firms alike. Companies have managed to acquire further new orders and, consequently, they are somewhat more relaxed about their existing order books. The size of these order books has also increased. Production has already been ramped up significantly and capacity utilisation has risen. The current capacity utilisation rate of 82.5 per cent is actually above average on a longer-term comparison. Moreover, finished-goods inventories are no longer seen as too large and companies reckon that they no longer have too many intermediate products in stock. This indicates that they are increasingly expecting to expand production, which they are also explicitly stating in their forecasting. This is having an impact on their staff recruitment plans which, for the first time in two years, are no longer negative on balance. In this benign environment firms are looking to raise their sales prices more frequently and thereby further improve their earnings situation, which has already strengthened over the past three months. The manufacturing sector hopes to gradually overcome the crisis.

The situation in the building-related sectors has become more upbeat since the beginning of the year and the outlook here is slightly positive. Business in the project engineering and construction sectors linked to building activity was stable to slightly positive in April. While the value of the Business Situation Indicator rose modestly in the project engineering sector, it remained unchanged in the construction industry. Nevertheless, the performance of both sectors since the beginning of the year has been fairly positive overall. However, business is not as buoyant as it was before the pandemic. The level of demand at project engineering firms is more encouraging than it was in the previous month, and the size of order books has increased noticeably. These firms thus want to slightly increase their service provision in the near future and are therefore looking for additional staff more frequently. The construction industry is also registering brisker demand for its services. However, production activity has been adjusted only slightly. Capacity utilisation has at least risen further and is now just above average on a time-based comparison. Looking ahead, companies are no longer quite as sceptical about demand and production activity as they were in previous months, although they do not expect to see a strong recovery. However, they are increasingly hoping to escape the downward price spiral so that their earnings situation is less often adversely affected.

Retailers and wholesalers are bouncing back with a vengeance, customers are starting to buy again and the outlook is encouraging. February's dip in the retail sector has finally been overcome. Business improved sharply in April, which means that it is now better than it has been since 2008, i.e. since before the financial crisis. Customers are buying significantly more goods than before and companies are less critical of inventories. The earnings situation has stabilised. Retailers expect to achieve further sales growth in the near future, even though their optimism about such increases has diminished somewhat compared with the previous month. Although staffing levels are not generally considered to be too high, there are no plans for additional recruitment. The business situation in the wholesale sector is improving considerably. However, there are two divergent trends here. The improvement stems from the wholesale trade in goods used for production. This upward trend is in line with the more encouraging situation in manufacturing. In contrast, the wholesale trade in consumer goods remains stuck in its trough. Although demand forecasts for both wholesale sectors are more upbeat than in the previous quarter, the wholesale trade in goods used for production is pulling ahead in this respect. Firms in both wholesale sectors expect delivery times to increase significantly, and it is becoming more difficult to obtain new goods quickly.

Financial and insurance service providers are predominantly doing well and their earnings situation should continue to improve. The Business Situation Indicator for the financial services and insurance sector has fallen slightly. However, business remains good. Institutions also see this decline as temporary; the outlook for business over the coming six months is more positive than it was in the previous month. Earnings – especially at banks – have recently performed very well. Survey respondents increasingly expect earnings to grow in the near future. Banks are preparing for a surge in demand from private clients, whose creditworthiness they believe will improve. Demand from corporate clients is likely to be less buoyant but still positive. Banks' success will continue to be driven by their fee and commission business, although they also hope to receive some stimulus from their trading business. Their interest-earning business, on the other hand, remains challenging.

The hospitality industry remains in the doldrums, but firms hope to find their feet soon. The hospitality sector continues to struggle. While the business situation in the mountain and lake regions has improved very slightly, the towns and cities have seen no improvement at all. However, the vast majority of responses were received before the Swiss Federal Council announced its decision to open outdoor bars and restaurants on 19 April. This measure could bring about a modest turnaround. This is at least indicated by the responses that KOF received from businesses after this decision. Bars and restaurants had previously been closed except for takeaway and delivery services as well as catering for overnight guests. Hotel occupancy rates were again very low and many rooms remained empty.

Nevertheless, accommodation providers' expectations for the number of overnight stays in this area are no longer quite as pessimistic as before. This applies above all to domestic guests but also, to a lesser extent, to foreign guests. However, this has not yet been reflected in the number of reservations received. Nonetheless, the fact that the demand outlook is now only rarely negative means that fewer staff cuts are planned and hardly any price reductions are scheduled. Overall business prospects for the coming half year are no longer negative for the first time since the beginning of the coronavirus crisis.

Although other service providers are struggling to overcome their slump, business confidence for the coming six months is rising. The recovery of other service providers has been sluggish so far this year. Aside from the fact that the Business Situation Indicator was even lower during the first coronavirus wave, the situation remains historically bleak. At least these service providers can see light at the end of the tunnel. Business forecasts have recently become more optimistic again and firms are increasingly expecting demand for their services to pick up. This is necessary because capacity utilisation is very low at the moment. The transport sub-sector in particular is depressing average capacity utilisation for the sector as a whole. However, at least confidence about future developments is so high that firms are increasingly setting their sights on hiring more staff over the coming months despite the currently low level of capacity utilisation.

The findings of the latest KOF Business Tendency Surveys from April 2021 include responses from more than 4,500 firms from industry, construction and the major service sectors. This equates to a response rate of around 65 per cent.

Data and an interactive chart on the KOF Business Situation Indicator are available here:
<https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-business-situation-indicator.html> →

Further information on the KOF Business Tendency Surveys is available here:
<https://kof.ethz.ch/en/surveys/business-tendency-surveys.html> →

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Graphics and table

KOF Business Situation Indicator
(balance, seasonally adjusted)



KOF Business Situation for Switzerland
(balance, seasonally adjusted)

	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21
Private sector (overall)	-19.0	-19.1	-18.3	-8.2	-7.3	-7.2	4.6	3.6	6.4	1.2	1.8	3.8	11.4
Manufacturing	-14.5	-24.7	-27.2	-21.3	-19.0	-17.0	-7.3	-12.2	-0.8	-4.6	0.6	3.8	19.4
Construction	3.7	3.1	2.9	10.8	15.4	14.9	18.8	19.5	21.7	25.0	26.8	31.9	31.9
Project engineering	23.9	27.1	25.1	36.0	36.6	34.8	37.6	39.1	39.2	40.7	38.7	41.4	42.9
Retail trade	-23.3	-22.6	-1.6	7.2	12.5	12.4	15.7	13.3	15.6	14.5	0.1	10.9	21.4
Wholesale trade	-32.0	-	-	-17.4	-	-	-1.4	-	-	-4.8	-	-	22.3
Financial services	10.5	26.4	26.9	30.3	27.8	25.8	34.1	35.2	34.3	37.4	37.6	40.3	35.0
Hotel and catering	-61.5	-	-	-65.7	-	-	-50.4	-	-	-73.8	-	-	-76.4
Other services	-35.2	-	-	-18.3	-	-	1.8	-	-	-8.2	-	-	-5.1

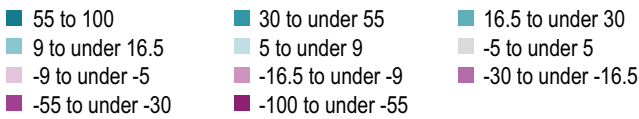
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

KOF Business Situation in the Private Sector



The angle of the arrows reflects the change in the business situation compared to the previous month

Net balances



KOF Economic Clock: Correlation between the KOF Business Situation and the KOF Economic Barometer

(Seasonally adjusted figures)

