

# Detailed results of the KOF Business Tendency Surveys for October 2021

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## KOF Business Tendency Surveys for October: companies are increasingly shaking off the effects of the pandemic

**Swiss companies' business situation improved again in October and is now almost as encouraging as it was in spring 2018. The worst of the COVID-19 crisis has been overcome. Companies' expectations about future developments remain optimistic and uncertainty continues to decrease. The economic recovery continues.**

The performance of firms' business varies from sector to sector. In addition, there are signs of a fundamental shift in patterns. The situation in the previously buoyant manufacturing and financial services & insurance sectors is tending to calm down. Although the situation in the retail sector has recently improved again slightly, it is no longer as upbeat as it was in the summer. The situation in the construction and project engineering industries has changed little since the summer. In contrast, the previously particularly disappointing sectors of hospitality and other services are catching up. The gap that had opened up between sectors as a result of the pandemic is therefore closing to some extent.

The fact that there are still considerable problems with the supply of intermediate products in the goods-producing and goods-distributing sectors – manufacturing, construction, retailing and wholesaling – is also likely to contribute to the convergence of these sectors. These difficulties have recently become even more acute in some industries. Moreover, another problem is now becoming apparent not only among goods producers but also in many service sectors: the availability of further skilled workers. Many companies are looking for additional staff but are increasingly complaining that it is difficult to find them. Overall, therefore, firms are struggling less with constraints caused by weak demand than with problems relating to their production requirements.

In this environment, the pressure to raise prices remains high across much of the economy. At least this upward pressure has ceased in some areas, such as construction and other service providers, and has even decreased in other areas, such as the wholesale and hospitality sectors. Nevertheless, price projections are still clearly pointing upwards almost everywhere. The retail sector in particular is planning even more price increases.

### Business situation sector by sector

**Although the manufacturing sector is cooling slightly, prices are likely to rise further.** Business in the *manufacturing sector* is calming down somewhat. However, the Business Situation Indicator remains high. Large companies in particular are leading the slowdown. The fact that capacity utilisation has risen and is now above average suggests that the situation remains encouraging overall. Moreover, order books are fairly full. However, companies continue to be hampered by difficult access to intermediate products. This is also reflected in the fact that they consider their inventories of intermediate products to be too low, even though they have already replenished them. Now, a shortage of labour is increasingly being felt as a second obstacle to production. Continuing strong demand on the one hand and the shortage of input products and workers on the other are placing constant pressure on companies to raise their buying and selling prices. Looking ahead to the coming months, however, survey respondents do not expect their incoming orders to increase quite as strongly as before. Export-led companies in particular expect demand to grow more slowly. Accordingly, production plans are no longer as expansive as they were previously.

**The situation in the construction-related sectors tends to be stable, although workers are in short supply.** Business in the sectors associated with building activity – *project engineering* and *construction* – changed little over the summer. Despite the rising cost of materials, companies' earnings are stable, firms are working at more or less full capacity and construction prices – primarily in the finishing trade – are rising significantly. The order situation is predominantly good, and the range of order backlogs in the construction industry continues to increase. Project engineering firms and the construction industry both still expect to see a moderate increase in the provision of services. However, they are finding it difficult to recruit suitable additional staff, which they are urgently seeking.

**The Business Situation Indicator for the retail sector is on the decline, while business in the wholesale sector is booming.** Although business in the retail sector improved slightly in October, it has slowed considerably overall compared with the summer. Large companies in particular are having to accept reductions. The situation in online retail – including mail order – is returning to normal after having achieved such an extraordinary high since the outbreak of the pandemic. Although retailers as a whole have been planning price increases for several months, their earnings have suffered recently. Inventories are rather low by longer-term standards, but companies are becoming more cautious about ordering goods. Their sales outlook is stable to slightly positive. The already good business situation in *wholesale* continues to improve. The wholesale trade in food and in machinery and equipment has again performed particularly well. Overall, wholesalers expect the increase in demand to flatline only slightly in the near future. Delivery times, which have risen sharply in recent months, are likely to remain high for the rest of the year. Although wholesalers are again expecting their purchasing prices to increase, price pressures are easing somewhat, especially in the wholesale trade in goods used for production. This is probably also due to the fact that they no longer expect business in this sub-segment to perform quite as strongly as before. Wholesalers remain optimistic about the wholesale trade in consumer goods.

**Despite suffering a setback, financial and insurance service providers are in a good situation and their earnings are encouraging.** Although business among financial and insurance service providers slowed somewhat in October, it remains excellent. As far as their expectations for business in the near future are concerned, the relevant institutions' optimism remains virtually unchanged. Their earnings again performed well and their confident outlook has not changed significantly in this respect. Banking institutions expect to receive an additional boost from the demand from their corporate customers, whose creditworthiness they consider to have improved noticeably. The mainstay of the banks' success is and remains their fee and commission business. Their trading operations are rated as slightly positive, while their interest-earning business is rated as neutral.

**The hospitality industry can breathe a sigh of relief, and foreign guests are also returning.** The challenging business situation in the *hospitality industry* is easing considerably. The situation in the mountain and lake regions continues to improve. However, the trend is also encouraging in the major towns and cities, which have managed to significantly close the gap between themselves and other areas. Nonetheless, uncertainty about business going forward remains high, particularly among restaurateurs. Despite having improved, occupancy rates in the accommodation sector are still far from their pre-crisis levels. However, at least business with foreign customers has now picked up slightly. Businesses expect to see an increase in overnight stays by domestic and foreign guests over the coming months. Reservations for the current quarter in the major towns and cities have already got off to an excellent start. City tourism is back. However, staffing levels in the catering and accommodation sectors are currently too low. Finding additional staff is proving very difficult at present.

**The remaining service providers are still in the process of catching up and are confident about the outlook for the coming months.** The Business Situation Indicator for *other services* is continuing to emerge from the COVID-19 crisis. However, it has still not reached its pre-crisis level. Despite having increased, capacity utilisation therefore remains lower than it was before the crisis. The transport sector is still suffering in particular. Information and communication as well as business services have fallen only just short of their pre-crisis levels in terms of capacity utilisation. Service companies' earnings situation improved again overall. Since the survey respondents are optimistic about the future, they are looking to recruit additional staff to

meet the expected increase in demand. However, they are increasingly encountering problems finding suitable workers. Only the personal services sector – which includes the arts, entertainment and sport – remains reluctant to recruit new staff.

The results of the latest KOF Business Tendency Surveys for October 2021 include the responses of more than 4,500 firms from industry, construction and the major service sectors. This equates to a response rate of around 60 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> →

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# Graphics and table

**KOF Business Situation Indicator**  
(balance, seasonally adjusted)



**KOF Business Situation for Switzerland**  
(balance, seasonally adjusted)

	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21
<b>Private sector (overall)</b>	3.8	2.8	5.6	2.4	3.0	4.8	13.3	15.2	15.3	24.7	24.5	25.7	27.0
<b>Manufacturing</b>	-6.5	-11.6	0.0	-3.7	1.3	4.0	20.6	23.4	25.1	30.6	32.3	32.1	26.2
<b>Construction</b>	19.5	19.9	22.1	25.4	27.0	31.8	33.3	35.0	34.0	35.3	37.9	38.0	37.7
<b>Project engineering</b>	37.2	38.8	39.3	41.0	38.3	43.3	45.0	48.3	48.8	53.3	52.1	56.1	52.8
<b>Retail trade</b>	16.1	14.2	16.8	15.9	0.9	10.3	20.5	25.2	25.7	29.4	17.6	15.3	17.0
<b>Wholesale trade</b>	-1.8	-	-	-3.1	-	-	24.7	-	-	50.3	-	-	55.9
<b>Financial services</b>	34.3	35.7	34.6	38.4	38.9	42.0	36.4	43.7	41.4	54.0	51.7	63.0	46.9
<b>Hotel and catering</b>	-55.6	-	-	-70.9	-	-	-71.5	-	-	-35.3	-	-	-18.4
<b>Other services</b>	-0.5	-	-	-6.9	-	-	-2.4	-	-	5.0	-	-	13.2

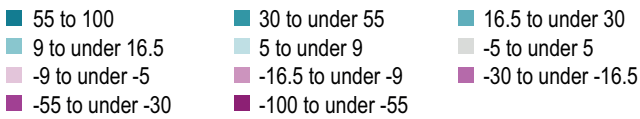
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

### 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)

