

# Press Release

Zurich, 4 August 2021, 10:00 am

## **The pandemic is becoming less concerning in economic terms Swiss firms are increasingly overcoming the effects of the coronavirus pandemic**

**The KOF Business Situation Indicator rose sharply in July. For the first time, Swiss companies' business activity is now better than it was at the start of 2020. Survey respondents are confident about developments going forward and see fewer uncertainties than they did at the beginning of the year. This optimistic assessment by firms is consistent with KOF's latest calculations.**

### **Strong recovery in the manufacturing, retail and wholesale sectors**

The KOF Business Situation Indicator rose in all sectors surveyed in July. The economy is thus recovering across the board. However, the various sectors differ considerably in terms of how far advanced this improvement is – at least if a comparison with the situation before the pandemic is used as a benchmark. Business in manufacturing, retail, wholesale and financial and insurance services is currently much more encouraging than it was at the start of 2020. The economic recovery has been very strong in these sectors. Business activity in construction and project engineering is now as buoyant as it was in the winter of 2019/20. In contrast – despite the easing of restrictions – the situation in hospitality and other services is still far from returning to pre-crisis levels. These two sectors have not yet overcome the crisis.

### **Shortage of intermediate products worsens**

KOF's survey results also show that the availability of intermediate products and materials is becoming scarcer owing to higher demand and the continued disruption to supply chains. Companies in wholesaling, construction, manufacturing and retailing are widely complaining that a shortage of inputs is hampering their business activities. This problem became even worse in July. Wholesalers expect delivery times to continue to increase, which is an indication that the shortage of intermediate products will continue for a while.

### **KOF expects to see strong GDP growth in Switzerland despite the spread of the delta variant**

Swiss companies' fundamentally positive forecasts for the general economic situation are consistent with KOF's latest assessment. Even in a more negative scenario – which assumes that the spread of the delta variant will cause coronavirus case numbers to rise sooner and more sharply than predicted in KOF's summer forecast – the effects on GDP growth are limited. KOF expects the successful vaccination rollout to continue but reckons that even a sharp rise in case numbers will not overburden the healthcare system and that politicians will not decide to reintroduce drastic restrictions. In this scenario, which is epidemiologically more negative than KOF's forecast from June, GDP growth in Switzerland would amount to 3.8 per cent this year (summer forecast: 4.0 per cent) according to KOF's calculations. GDP growth next year would be 2.8 per cent in the more negative scenario, as previously forecast. KOF has decided not to update its summer forecast owing to the modest deviation in GDP growth in the epidemiologically more negative scenario compared with June's epidemiologically more optimistic forecast.

### **Export demand for Swiss products not currently at risk from the virus variant**

In the international environment, KOF does not believe that the spread of the delta variant currently poses a significantly higher economic risk to Switzerland than it did in June. The number of confirmed deaths and hospitalisations as a result of the virus remains low, which is partly attributable to the increasing vaccination rates worldwide – especially in the advanced economies that are particularly relevant to Swiss exports. In this scenario any further political interventions to prevent the spread of the virus – especially in Europe and the United States – are likely to have little effect on economic activity and thus on export demand for Swiss products and services.

The findings of the latest KOF Business Tendency Surveys for July 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 61 per cent.

The detailed results of the KOF Business Tendency Surveys for July (incl. charts and tables) are available here:

[https://ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Medienmitteilungen/Konjunkturumfragen/2021/Detailed results business tendency surveys 08 2021 with graphs.pdf](https://ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Medienmitteilungen/Konjunkturumfragen/2021/Detailed%20results%20business%20tendency%20surveys%2008%202021%20with%20graphs.pdf) →

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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