

Detailed Results

KOF Business Tendency Surveys, January 2022

Zurich, 3 February 2022, 10 am

KOF Business Tendency Surveys for January: business situation remains encouraging

The KOF Business Situation Indicator rose slightly again in January. The Swiss economy's recovery is thus continuing at the beginning of the new year. The outlook for business in the near future remains predominantly positive. However, it has been dampened and is no longer as encouraging as it was at the end of last year. In addition, companies in some sectors are finding it more difficult to assess future trends. Overall, the Swiss economy is continuing to recover but economic conditions have become more challenging.

The coronavirus-induced gap between the sectors surveyed is widening slightly again. Where business activity was already above average in certain sectors it is tending to improve further. This is the case in manufacturing, the retail sector, construction and project engineering and, especially, among financial and insurance service providers. In contrast, the recovery is faltering in sectors where business activity was already below average, such as in other services and the hospitality industry. There is also a tendency throughout January for hospitality businesses that responded later in the month to assess their situation less favourably than businesses that provided their information earlier. In the other sectors, however, such a pattern is not quite so evident.

Complaints about a shortage of skilled workers increased in many sectors as early as the second half of 2021. Now the loss of employees due to the omicron wave is exacerbating the already challenging staffing situation. However, firms can usually compensate for absences of small numbers of workers. Among the companies that responded to a specially included question, the loss of turnover is about 1 per cent when up to about 15 per cent of their workforce is quarantining or self-isolating. If more employees are absent, however, the decline in turnover increases significantly. Businesses in the hospitality industry, which have already been hit hard by the pandemic, are likely to suffer particularly from staff shortages, although hospitality businesses as a whole complain much more frequently about a lack of guests than about workers who cannot be deployed.

In the goods-producing and goods-distributing sectors – manufacturing, construction, retailing and wholesaling – the availability of intermediate products continues to be a considerable problem and is even more significant than the problem of staff shortages. At least these difficulties have not increased further in the construction industry and the retail sector compared with the autumn. In manufacturing and wholesaling, on the other hand, they have, although there are signs of stabilisation at a high level around the turn of the year. More than half of the companies responding in the manufacturing and wholesale sectors are currently reporting disruption owing to insufficient supplies of intermediate products.

In January, prices continued to increase in many sectors of the economy. Price pressures are again particularly pronounced in the goods-producing and goods-distributing sectors such as manufacturing, construction, retailing and wholesaling. But the trend towards price rises was increasing in other services as well at the beginning of the year.

Business situation sector by sector

The recovery in manufacturing is continuing tentatively, with firms looking to create buffers of finished-goods inventories. In the new year the manufacturing sector is continuing the positive trend seen at the end of 2021. Business conditions are improving for the third month in a row, albeit only very slightly. Despite the current omicron wave, uncertainty about future business activity has not increased. In the winter of last year it was noticeably more difficult for companies to assess future trends than it is at present. Although satisfaction with existing order books is growing, production plans are significantly less expansionary than they were in December. Companies are already stockpiling finished goods to ensure that they do not experience shortages. In addition to the lack of staff, shortages of intermediate products are a significant problem. Although utilisation of production capacities remains above average, it has recently fallen. Looking ahead to the next three months, firms expect to see a damper on their prospects: demand and production forecasts are significantly less upbeat than they were at the end of 2021. Nevertheless, price projections continue to rise sharply. As companies remain predominantly confident about the business outlook for the coming six months, they plan to further increase their staffing levels.

The situation in the construction-related sectors is encouraging and prices are expected to continue to rise. Business in the sectors associated with building activity – *project engineering* and *construction* – continued to improve in January. Demand in the construction industry is performing well and order books are currently fairly full. Firms in the finishing trade in particular are reporting ample orders on hand. Order books in the main construction trade, on the other hand, are only rated as satisfactory. Overall, technical capacities in the construction industry continue to be utilised at above-average levels. Construction activity is likely to grow further in the near future and prices are expected to rise sharply. Although project engineering firms are also forecasting further price increases for their services, the upward trend in prices has not accelerated since the autumn. Earnings should thus remain more or less stable. Project engineering firms and the construction industry alike continue to look for additional staff.

Business trends in the retail sector are encouraging, while delivery times in the wholesale industry remain long. The business situation in the *retail sector* improved in January. It is currently better than it was at the beginning of last year but not as buoyant as it was in the summer. After dipping at the beginning of the autumn, sales are now picking up again and earnings are less likely to be under pressure. Although sales forecasts for the near future are only slightly upbeat, retailers are increasingly looking for additional staff. Current staffing levels are often considered to be too low. The retail sector intends to raise prices sharply; price increases are being planned even more frequently than in the past few months. The business situation in *wholesale* at the beginning of the year was slightly gloomier than it had been in the autumn. However, there are highly divergent trends in the individual segments. Business activity in the wholesale trade in goods used production continues to improve. In contrast, business in the wholesale trade in consumer goods is slowing considerably. In particular, business in food and beverages is no longer as buoyant as it was. These wholesalers also supply the hospitality and catering sectors. Such customer groups may behave more cautiously than before. However, wholesalers overall are fairly confident about the level of demand over the coming months, although delivery times remain long and there is strong pressure to raise prices. At least expected delivery times are no longer quite as long as they were in the autumn.

The hospitality industry is holding its breath at the beginning of the year and uncertainty is growing. The hospitality sector has started the new year fairly well in both the alpine and lake regions. On the other hand, businesses in the major towns and cities have suffered a setback. The overall business situation has hardly changed since the autumn, and the recovery in the summer and autumn has not continued. There is also a tendency for responses submitted later in January to be less favourable than earlier ones. This is likely to be related to the rapid spread of the omicron variant. Uncertainty about

business going forward remains high and increased further in January. Overall room occupancy rates in the accommodation sector had increased by the turn of the year. Sales of food and beverages in bars and restaurants remained buoyant. However, businesses are now less optimistic about future levels of demand.

Financial and insurance service providers are more satisfied with their current business, but uncertainty about future developments is increasing. Business in financial and insurance services is recovering strongly after going through a weak phase in the autumn. Although earnings are no longer performing quite as well as in the past few months, expectations about the future performance of earnings remain almost unchanged. However, uncertainty about business going forward is increasing. The banks are doing well with domestic customers but not quite as well with international ones. These institutions see opportunities above all in business with private clients. They expect to see a slower increase in both demand and lending in their business with corporate customers.

Business activity among other service providers is slowing, and the outlook is not quite as encouraging as before. The remaining service providers are more or less flatlining. Their business situation is slightly less encouraging than it was in the autumn of last year. The improving trend noticeable throughout the past year is thus coming to an end for the time being. Business in personal services – for example in the sub-sector of the arts, entertainment and recreation – visibly deteriorated at the beginning of the year. Capacity utilisation in January no longer increased overall and declined slightly in business services and personal services. The transport sector, on the other hand, is gaining momentum. All in all, capacity utilisation throughout the rest of the service sector remains below pre-crisis levels. Business forecasts for the next six months are still positive overall although not as optimistic as they were in the autumn. Looking to the near future, service companies no longer expect demand to rise as strongly as it did during the second half of 2021. Nevertheless, they are facing staff shortages. They therefore plan to continue to hire additional staff.

The results of the latest KOF Business Tendency Surveys for January 2022 include the responses of around 4,500 firms from industry, construction and the major service sectors. This equates to a response rate of about 58 per cent.

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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Graphics and table

KOF Business Situation Indicator
(balance, seasonally adjusted)



KOF Business Situation for Switzerland
(balance, seasonally adjusted)

	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22
Private sector (overall)	2.2	2.7	4.7	13.4	15.0	15.3	24.8	24.6	25.9	27.9	27.8	28.1	29.2
Manufacturing	-3.8	1.2	4.6	20.4	22.8	24.6	30.3	32.5	32.8	27.6	29.5	30.3	30.6
Construction	25.3	27.0	31.7	33.2	35.2	33.9	35.1	37.7	37.9	37.7	37.0	41.1	42.3
Project engineering	40.5	38.2	43.1	45.0	48.4	48.9	53.4	52.4	56.0	53.5	54.0	55.6	57.4
Retail trade	15.6	0.9	11.3	20.3	25.0	25.7	29.3	15.5	16.1	17.1	22.3	20.8	22.6
Wholesale trade	-2.5	-	-	25.0	-	-	49.8	-	-	53.8	-	-	51.7
Financial services	37.6	37.4	40.3	35.9	41.5	40.9	56.1	54.1	63.7	49.7	43.4	42.6	54.4
Hotel and catering	-73.7	-	-	-70.4	-	-	-33.8	-	-	-17.7	-	-	-18.8
Other services	-7.0	-	-	-2.0	-	-	4.9	-	-	14.3	-	-	13.8

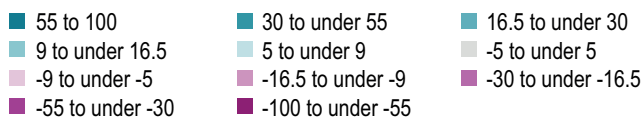
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

KOF Business Situation in the Private Sector



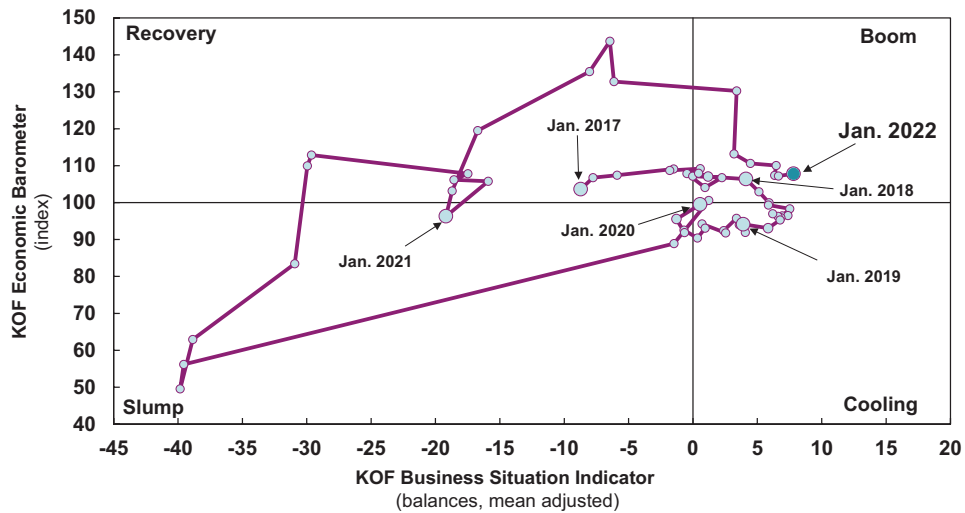
The angle of the arrows reflects the change in the business situation compared to the previous month

Net balances

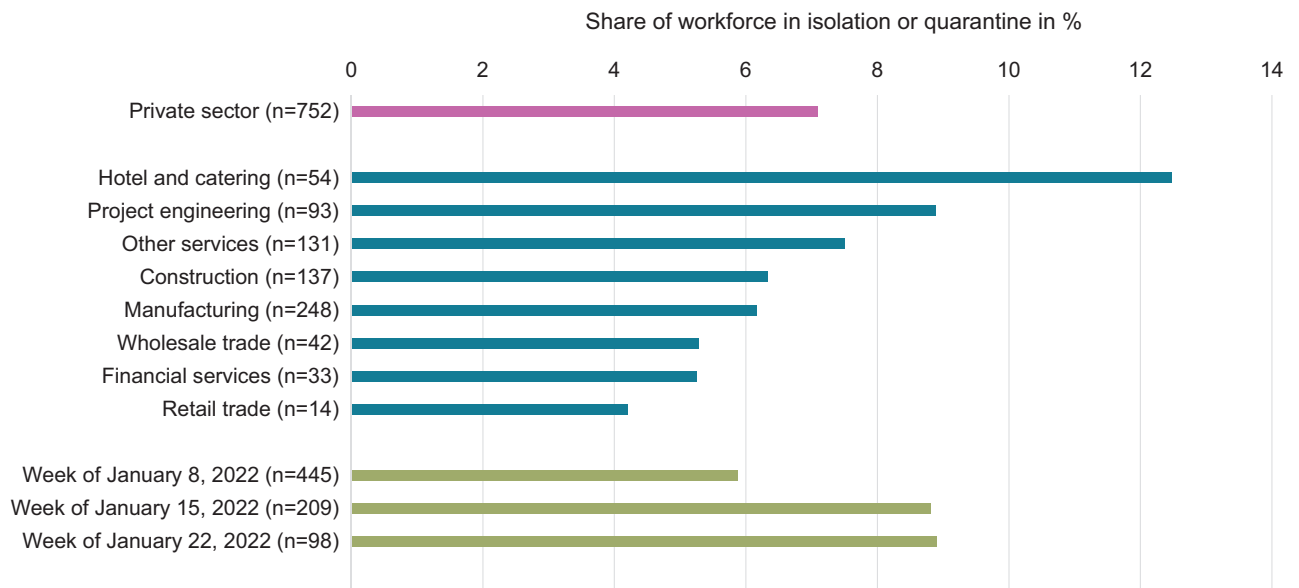


KOF Economic Clock: Correlation between the KOF Business Situation and the KOF Economic Barometer

(Seasonally adjusted figures)



Staff absences due to quarantine and isolation in the two weeks prior to the survey



The reduction in sales due to the absences of personnel are quite small unless many workers are absent

Reduction in sales due to isolation/quarantine in last 2 weeks in %

