

# Detailed Results

## KOF Business Tendency Surveys for October 2022

Zurich, 4 November 2022, 9 am

### **KOF Business Tendency Surveys for October: Swiss economy showing clear signs of slowdown**

**The KOF Business Situation Indicator for the Swiss private sector fell significantly in October. Although business remains predominantly encouraging, the last time the indicator was lower than it is at present was in June 2021. Uncertainty is increasing with regard to business fortunes going forward. The Swiss economy is noticeably losing momentum.**

The stimulus resulting from the relaxation of the COVID-19 restrictions is running out. This is because business is slowing in the very sectors that benefited from it, namely hospitality and services. In virtually all other sectors surveyed, however, the Business Situation Indicator declined in October, falling in financial and insurance services, the wholesale trade, (again) in manufacturing, (slightly) in the retail sector and in project engineering. Only the construction industry performed fairly well.

Companies in Switzerland are planning to raise their prices even more frequently than before. The tendency to increase prices across almost all sectors is very strong over the medium term. Prices have recently risen even further, especially in the hospitality industry, among service providers and in manufacturing.

Although shortages of materials and intermediate products continue to pose a problem for firms, there are some signs that the situation is easing. Wholesalers are expecting delivery times to increase less frequently than they did previously, and the manufacturing and construction industries are no longer complaining quite as often about shortages of materials and intermediate products. In the construction industry the lack of staff has actually been more significant than the shortage of materials for some months now.

Since July of this year, KOF's regular Business Tendency Surveys have included questions on companies' expected wage levels in their own organisations and on inflation trends (in the consumer price index). These questions are asked every three months, so October is the second time that they have been posed. Their results are still regarded as *experimental* and, therefore, preliminary. The gross wages expected over the coming twelve months rose minimally compared with the July survey. An average wage increase of 2.4 per cent is being forecast for all sectors (2.3 per cent back in July). Above-average increases are again expected in the construction industry, project engineering and the hospitality sector. In July the hospitality industry was predicting even stronger wage rises. Although the wage levels expected in the financial and insurance services sector and in the retail trade remain below average, the latter has revised its forecasts upwards compared with the July survey.

## Business situation sector by sector

**The signs of a slowdown in business activity in the manufacturing sector are unmistakable and have intensified.** The Business Situation Indicator for the manufacturing sector continues to weaken, falling at a faster pace in October and for the fourth month in a row. In addition, uncertainty about future levels of business has increased markedly. Both export-led and domestically focused firms reckon that their current business situation is less encouraging than it was before. However, the volumes of foreign orders on hand in particular are now considered to be fairly unsatisfactory, while orders from foreign customers are arriving much more sluggishly than they did previously. Although capacity utilisation of machinery and equipment in this country has not declined much, warehouses are full of finished products. In the meantime, the Swiss franc exchange rate is probably also having an impact, and firms' competitive position in foreign markets has come under pressure. Since companies fear a slowdown in demand over the next three months, they plan to be more cautious about purchasing intermediate products. Despite encountering difficulties with procurement, firms are now well-stocked with intermediate products. The problem of shortages of materials and input products is becoming less significant. Nevertheless, almost half of the businesses surveyed are still complaining about production constraints caused by shortages of materials and input products. The problem remains acute in mechanical and automotive engineering as well as in the electrical engineering, precision mechanics and optics sectors. Problems of this kind are being reported by three-quarters of firms in the former category and by about 60 per cent of companies in the latter group. In contrast, such shortages are fairly insignificant in the textile and clothing sectors. Hardly any production increases are being planned in the manufacturing sector for the near future. Sales prices are likely to continue to rise significantly, with prices projected to rise sharply overall. Nevertheless, companies will not be able to sustain their current levels of earnings.

**Order books in the building-related sectors are fairly full and prices will continue to rise.** The levels of business activity in the building-related sectors of construction and project engineering varied in October. The situation in construction remained as encouraging as it had been in the previous month, while there was a slight deterioration in the project engineering sector. Although the earnings situation in project engineering is not progressing as well as had been hoped, more projects are now being processed than previously. Project engineering firms' order books are fairly full and they are looking to increase their staffing levels. They plan to boost their future earnings by raising their prices even further. Order books in the construction industry, too, are increasingly filling up. However, production levels have not followed suit, and capacity utilisation has declined slightly. The shortage of materials continues to be a problem, but its intensity is clearly decreasing. In contrast, staff shortages are becoming more significant as a constraining factor and are even more important than the shortage of materials. Although firms do not expect demand to recover substantially, they are looking to raise their prices extensively.

**Business remains more or less stable in the retail sector but is slowing in the wholesale trade.** The *retail trade* rated its business situation in October as being almost as encouraging as in the previous month but much less buoyant than at the beginning of this year. Online retail, which includes the mail-order business, has ended its upward trajectory. Its level of business activity is now only average. Overall, however, sales of goods are no longer performing quite as poorly as in previous months. Although the retail sector is still planning widespread price rises, this tendency did not increase further in October. Companies hope that sales will not suffer despite these price rises. Regardless of the price increases already implemented, earnings have come under fairly strong pressure. Business activity in the *wholesale trade* continues to slow. Although the situation here remains strong, it is no longer as exceptionally positive as it was at the beginning of the year. This slowdown is being felt in almost all segments of the wholesale trade and is affecting all sizes of business – small, medium-sized and large firms

alike. There are now far fewer people talking about further increases in delivery times for the wholesale trade in producer goods, while the problem for the wholesale trade in consumer goods appears to have peaked for the time being. The upward pressure on prices is decreasing in the wholesale trade in producer goods, while it continues to increase in the wholesale trade in consumer goods.

**Although business activity in the hospitality sector is faltering, prices are likely to rise even further.** Business in the hospitality industry has slowed significantly for the first time since the beginning of 2021. This is due to the food-service sector, where the business situation is less encouraging than it was in the previous quarter. In the accommodation sub-sector, on the other hand, business activity is holding up. There are also striking differences between the various tourism zones. Business in the major towns and cities is improving in both the food-service and accommodation sub-sectors. In contrast, both sub-sectors are faltering in the mountain and lake regions. Overall, *accommodation providers* have managed to more or less maintain their occupancy rates owing to an increase in foreign guests. Looking ahead to the coming months, these businesses are hoping to receive larger numbers of bookings from foreign visitors. There is very little potential for increasing the numbers of domestic visitors. Price rises are being planned more frequently than before in both the accommodation and food-service sub-sectors. Nevertheless, these businesses are hoping to further increase demand for their services.

**Business activity in financial and insurance services is slowing significantly and earnings are under pressure.** The Business Situation Indicator for the *financial and insurance services* sector slumped again in October after rallying in the previous month. Although the business situation here continues to be viewed positively on balance by these institutions, the last time the indicator was lower than at present was in April 2020. Although the business outlook for the coming six months is slightly more upbeat than it was last month, it does not suggest a strong recovery. Once again there is less scope for earnings growth than there was previously, and uncertainty about future levels of business is increasing. *Banks'* income from fee and commission business and from proprietary trading tends to be under pressure anyway, and their fee and commission business is likely to weaken further. Their hopes are increasingly resting on their interest-earning business. The volume of assets under management is clearly decreasing. At least these institutions are now more confident about the level of demand for lending to corporate clients than they were in the previous quarter.

**Although capacity utilisation in other services is high, costs are putting pressure on earnings.** Business activity in other services slowed for the second month in a row. The Business Situation Indicator's pre-pandemic levels are thus increasingly becoming unattainable. Nevertheless, capacity utilisation is still encouraging and almost as high as it was at the beginning of the summer. Capacity utilisation in the transport, information and communication sub-sectors has been dampened. In contrast, capacity utilisation in business-related and personal services remains above its average for 2018 to 2019. Consequently, staff shortages have become more entrenched. However, it has not been possible to improve earnings any further. Firms are therefore once again more likely to try to impose price increases. The greater tendency towards price rises applies throughout the sectors of transport, information and communication as well as in business-related and personal services.

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

**Data and an interactive chart on the KOF Business Situation Indicator are available here:**

<https://www.kof.ethz.ch/prognosen-indikatoren/indikatoren/kof-geschaeftslageindikator.html>

**Further information on the KOF Business Tendency Surveys is available here:**

<https://www.kof.ethz.ch/umfragen/konjunkturumfragen.html>

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# Graphics and table

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



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

	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22
<b>Private sector (overall)</b>	28.8	28.6	28.7	30.0	29.9	27.1	32.2	31.6	32.9	28.8	27.1	27.9	20.2
<b>Manufacturing</b>	28.3	30.2	30.5	30.4	31.9	31.4	29.4	28.5	35.4	29.5	21.4	20.4	15.7
<b>Construction</b>	38.3	36.9	41.0	42.1	44.2	42.7	42.0	41.2	40.9	41.4	40.5	42.4	42.7
<b>Project engineering</b>	54.2	54.4	55.9	57.6	59.5	57.7	56.7	56.7	52.5	50.2	54.1	57.5	51.2
<b>Retail trade</b>	17.4	22.3	20.4	21.2	21.6	21.3	19.1	14.6	18.6	7.7	12.7	13.9	12.6
<b>Wholesale trade</b>	54.6	-	-	54.6	-	-	56.2	-	-	49.6	-	-	39.3
<b>Financial services</b>	50.1	43.5	42.3	53.2	48.1	26.1	39.2	37.8	35.0	29.0	28.2	34.2	20.8
<b>Hotel and catering</b>	-21.4	-	-	-22.2	-	-	7.7	-	-	35.6	-	-	13.3
<b>Other services</b>	15.9	-	-	15.7	-	-	24.1	-	-	20.6	-	-	12.7

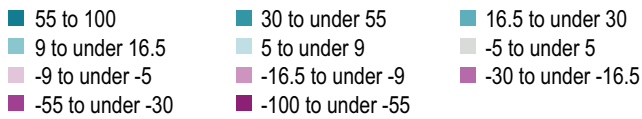
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

### KOF Business Situation in the Private Sector



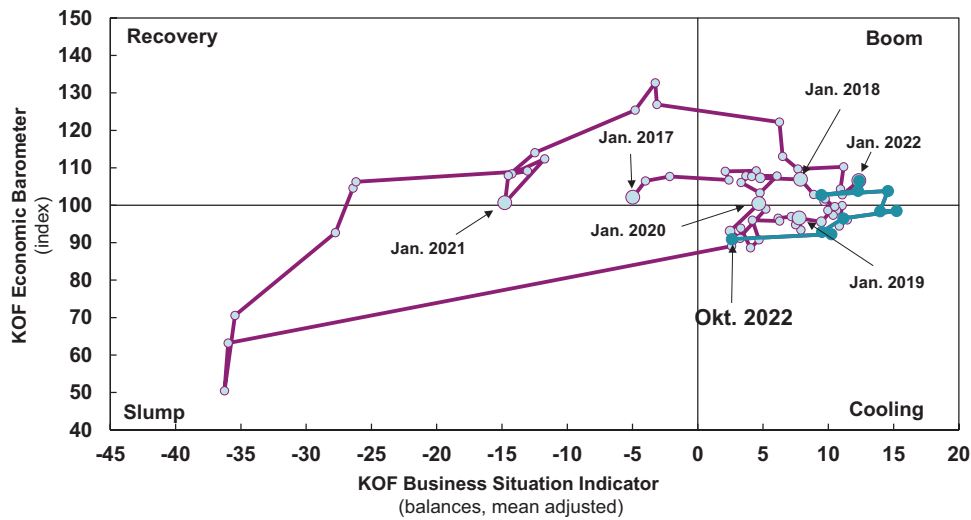
The angle of the arrows reflects the change in the business situation compared to the previous month

#### Net balances



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

(Seasonally adjusted figures)



## Experimental statistics

Business expectations for inflation and wage development in October 2022		
	Change in gross wages until in one year in %	Inflation rate (for the consumer price index) in the next twelve months
Private sector (overall)	2.4	3.6
Manufacturing	2.4	3.6
Construction	2.8	4.5
Project engineering	2.8	3.6
Retail trade	2.0	4.0
Wholesale trade	2.4	3.6
Financial services	1.7	2.7
Hotel and catering	4.1	5.1
Other services	2.4	3.5

Arithmetic mean values of the quantitative answers to the questions on inflation and wage development. The data are subjected to an outlier adjustment and aggregated. The company responses on wage development are weighted with the number of employees of the respective company (full-time equivalents), the responses to the inflation questions are aggregated without company-specific weights.