

Press release

Zurich, 5 August 2022, 9am

KOF Business Tendency Surveys: Swiss economy still in good shape, but outlook deteriorating

The Business Situation Indicator for Swiss companies fell slightly in July. However, it is still higher than it was at the beginning of this year, and the last time the situation was more encouraging than at present was in July 2011. However, firms are much less optimistic than before about their business prospects for the coming six months. The headwinds facing the Swiss economy are likely to strengthen in the near future.

Business situation in the hospitality industry improving despite the prevailing negative trend

The business situation in the majority of the sectors surveyed worsened in July. This was particularly noticeable in the retail sector, where the Business Situation Indicator is now clearly trending downwards after more than a year of highs. This decline is less pronounced in financial and insurance services, wholesaling and manufacturing. Although the Swiss franc has recently appreciated against the euro, companies in the manufacturing sector are not feeling a strong loss of competitiveness in the EU market. Business in other services, the project engineering sector and the construction industry is showing modest signs of deterioration. The business situation in the hospitality industry is clearly improving, thereby bucking the widespread weakening trend.

No further deterioration in shortages of intermediate products

The problem of shortages of materials and intermediate products has not worsened since the spring despite the war in Ukraine and the pandemic-related measures imposed in parts of Asia. Although many companies continue to complain about a shortage of intermediate products, the very worst seems to be behind them for the time being. Manufacturing firms have also been able to restock their inventories of intermediate products to some extent, and wholesalers are less likely than before to expect delivery times to increase. However, this slight easing of the situation is probably also due to the fact that businesses are now less frequently expecting demand for their own products to grow.

Upward price pressures are weakening

Although price rises remain very high, they are no longer increasing. Price trends vary from sector to sector. The hospitality industry and other service providers, for example, are planning further price increases, while prices in manufacturing and wholesaling are no longer projected to rise quite as sharply as before. This heterogeneity could also indicate that the rate of price increases will, at least, no longer grow as strongly overall.

Gross wages unlikely to keep pace with inflation in short term, according to wage survey

KOF's regular Business Tendency Surveys for July included questions on companies' expectations of wage growth in their own organisations and on inflation trends (of the consumer price index). In future, these questions will be asked again every three months. The latest results are still experimental and therefore preliminary. They indicate that firms expect gross wages to be increasing by slightly more than 2 per cent on average in a year's time. The survey respondents thus believe that gross wage rises will tend not to keep pace with inflation during this period.

The results of the KOF Business Tendency Surveys for July 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 56 per cent.

The detailed results of KOF's Business Tendency Surveys for July (including charts and tables) are available here:

https://ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Medienmitteilungen/Konjunkturumfragen/2022/Detailed_Results_BusinessTendencySurvey_2022_Q3_with_graphs.pdf

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 KOF's Business Tendency Surveys is available here:

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

Contacts:

Klaus Abberger | abberger@kof.ethz.ch

KOF Corporate Communications | tel. +41 44 633 99 48 | kofcc@kof.ethz.ch