

Detailed results of KOF's Business Tendency Surveys for October 2023

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KOF's Business Tendency Surveys for October: downturn continues

The KOF Business Situation Indicator for the Swiss private sector fell for the second month in a row in October. Following a modest decline in the previous month, business activity cooled significantly in October. Compared with the start of the year in January, the indicator level has thus more than halved. By contrast, companies' expectations for business activity over the coming six months are almost unchanged and about average on a medium-term comparison. The business climate – an average of the business situation and expectations – is deteriorating slightly owing to the less benign situation and is slightly below average. The Swiss economy is still lacking any noticeable stimulus at present.

The business situation in October deteriorated in the majority of sectors surveyed, although not across the board. The adverse trend in the manufacturing sector in particular is weighing on the Swiss economy. However, the hospitality industry and the wholesale trade also suffered setbacks in October. Although the trend is slightly negative in other services and in the retail trade, it is very slightly positive in construction. There is a clearly visible improvement in the project engineering sector and in financial and insurance services. The majority view of business activity over the coming six months has reversed. While the manufacturing sector was still predominantly sceptical in the summer, confidence is now on the rise. The outlook has also brightened in financial and insurance services, the retail trade, project engineering, construction and other services. On the other hand, optimism in the hospitality industry is declining slightly, and wholesalers are becoming much more sceptical. Overall, these business expectations reflect the budding hopes for the performance of the Swiss economy going forward.

Price buoyancy continues to decline

Companies' pricing intentions are now less focused on increases than before, and the upward pressure on prices caused by Swiss firms is weakening. The manufacturing sector, the retail trade and other services are planning to raise prices less sharply than before. In the construction industry, on the other hand, price increases are being considered slightly more frequently than in the previous month.

Companies expecting smaller wage rises than in autumn of last year

KOF also asks firms about their expectations regarding wage levels over the next twelve months. As of October 2023, companies were expecting nominal wage increases to average 1.9 per cent over the year as a whole. This is a smaller rise than in the autumn of last year. At that time they had factored in an increase of 2.5 per cent. Firms in manufacturing, the retail trade and wholesalers currently expect to see a slightly below-average wage round compared with the rest of the sector. Wage adjustments in the hospitality industry, construction and the project engineering sector could be above average. Overall,



however, wage negotiations are likely to be intense as companies continue to complain about widespread labour shortages, although the problem has become less acute in all sectors except construction in the autumn and concerns about weak demand are increasing.

Business situation sector by sector

The manufacturing sector remains in a downward spiral, with capacity utilisation falling significantly. The Business Situation Indicator for the manufacturing sector is declining again. Dissatisfaction is increasing not only among export-led companies but, in October especially, among domestically focused ones as well. Separate analysis of manufacturers broken down into intermediate products, investment products and consumer products reveals a deterioration of the situation across the board. All in all, companies are taking an even more critical view of existing order books than before. Order intake is slowing. Production is tending to be cut back further, although not quite as much as in recent months. Utilisation of technical capacity is declining noticeably. Capacity utilisation has been falling all year, especially in the chemical and pharmaceutical sectors. In other industries, too, capacity utilisation has been declining for several quarters, for example among food producers, in the metalworking sector and in non-metallic minerals. Recently there have also been significant reductions in capacity utilisation among manufacturers of electrical equipment and in mechanical engineering. Overall existing technical capacity in the manufacturing sector is increasingly considered to be too high. Companies' earnings are increasingly coming under pressure. However, survey respondents hope that the bottom of the market will soon be reached and that demand will tend to pick up in the near future. The export outlook is also brightening slightly. This is reflected in firms' recruitment plans, which are no longer quite as cautious as before.

The situation in the building-related sectors of the economy is encouraging, with prices rising more slowly than at the beginning of the year. Business in the project engineering and construction sectors, which are linked to building activity, is improving considerably and slightly respectively. In both sectors, however, demand is no longer as buoyant as it was a year ago. As a result, the provision of services is being expanded more cautiously than before. Capacity utilisation in the construction sector has fallen slightly further. It is thus still above average on a medium-term comparison but significantly lower than at the beginning of the year. According to survey respondents, the demand outlook and production plans in the construction industry for the coming three months hardly changed in October. The same applies to project engineering firms. The tendency to raise prices is increasing very slightly in both sectors. Nevertheless, prices are not likely to rise as widely as they did at the beginning of the year.

Business activity is cooling in the two trading sectors, with one bright spot being the food trade. Although the Business Situation Indicator for the retail trade is again slightly down, the business outlook for the coming half year is more confident than before. Sales of goods have weakened in the past three months, however, so retailers increasingly consider their warehouses to be too full. They are therefore more reluctant to order new goods than before. Although earnings have been under pressure recently, survey respondents hardly foresee any price increases. Companies hope to see sales growth in the near future and are especially optimistic about the food sector. However, this applies to shops stocking a wide range of goods – not specifically to the food trade. The Business Situation Indicator for the wholesale sector fell for the third quarter in a row. The wholesale trade in producer goods is responsible for the latest downturn. The Business Situation Indicator for consumer-goods wholesaling – primarily in the food and beverage sector – is not falling any further. The wholesale trade in producer goods is currently selling significantly fewer goods than at the same time last year and delivery times are falling sharply. In the consumer-goods wholesale trade, on the other hand, the sales situation is not so challenging. Overall, wholesalers believe their inventories are clearly too high, although they are similar to those of last year in terms of volume. However, companies do not expect to see an increase in demand even over the next three months.



Business activity in the hospitality industry has peaked for the time being, and the potential for domestic overnight guests seems to have been exhausted. Business in the hospitality industry deteriorated significantly in October. The situation is less encouraging than in the summer in both the food-service and accommodation sectors. Accommodation providers in major towns and cities as well as food-service businesses in all tourism areas – mountains, lake regions, major towns and cities – have suffered a setback. Room occupancy rates in hotels have fallen only slightly, however, and rooms are still in demand. The number of overnight stays by domestic guests is performing sluggishly, while those by overseas guests continue to rise significantly. Survey respondents are also more cautious about future numbers of overnight stays by domestic guests than before. Overnight stays by overseas guests are likely to continue to increase, albeit more moderately than before. Food-service providers are registering hardly any growth in sales of beverages and food. However, they are hoping to see sales increase again in the current quarter. Complaints about staff shortages are still widespread among food-service providers but are no longer as serious as in the autumn of last year. A similar pattern can be seen in pricing intentions, with both food-service businesses and accommodation providers frequently planning price increases, although they are not quite as widespread as in the autumn of last year.

The situation of financial and insurance service providers is improving again, although their earnings will not perform quite as well. Business activity in the financial and insurance services sector continues to improve. These institutions' expectations about their levels of business over the coming six months are also more confident than before. Their earnings situation has seen an improvement in the past three months, although this is not quite as pronounced as before. These institutions are clearly scaling back their expectations about their earnings performance going forward. Banks, in particular, now tend to expect their earnings to perform poorly. The business situation of banks with foreign customers also improved in October. However, survey respondents expect demand to grow more slowly in the near future. They do not expect to see any significant stimulus coming from their lending and deposit-taking business over the next three months. They believe that business from fees and commissions should perform well and that their proprietary trading business will recover tentatively. Their lending business with private and corporate clients is likely to lose momentum. Insurance companies are more confident about their business over the coming half year than they were before. Their earnings have performed well recently, and these institutions also expect their earnings to grow in the near future, driven primarily by their net investment income.

Other service providers report good capacity utilisation, but their earnings situation is hardly improving. Business activity in other services changed little in October, tending to deteriorate further very slightly. Expectations for the next six months remain virtually unchanged. The level of demand has lost a little momentum. However, companies still expect it to pick up over the coming months. Capacity utilisation at service companies remains high, although their earnings situation is hardly improving. Service firms are still planning to increase their staffing levels, but not as markedly as in recent quarters. Service providers in the information technology sector, however, are searching hard for employees. Overall, the shortage of labour is still seen as a very big problem by service companies even if it is no longer as pronounced as in previous quarters.

The results of the KOF Business Tendency Surveys for October 2023 include the responses of around 4,500 firms from manufacturing, construction and the major service sectors. This equates to a response rate of around 61 per cent.



Data and an interactive chart on KOF's Business Situation Indicator are available here:

<https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-business-situation-indicator.html> →

Further information on KOF's Business Tendency Surveys is available 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)

	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23
Private sector (overall)	23.6	22.8	23.7	30.2	27.7	27.8	23.4	20.8	21.4	16.7	17.4	16.6	13.3
Manufacturing	20.9	17.4	20.0	29.7	18.2	14.2	6.2	-1.5	-1.8	-8.2	-4.4	-7.7	-15.2
Construction	44.2	43.8	47.1	48.6	48.2	49.4	46.1	40.8	45.7	41.9	42.8	43.5	44.0
Project engineering	51.6	48.5	52.8	54.6	54.8	55.3	54.9	50.1	55.6	54.4	55.6	55.9	57.6
Retail trade	13.6	10.7	13.6	16.5	13.6	15.8	11.7	7.6	7.0	10.8	10.8	8.1	7.4
Wholesale trade	40.8	-	-	51.2	-	-	39.0	-	-	20.0	-	-	13.7
Financial services	21.8	23.2	22.9	33.8	34.9	41.5	43.4	40.8	42.6	42.4	39.8	40.4	43.0
Hotel and catering	25.6	-	-	30.2	-	-	28.4	-	-	24.2	-	-	15.6
Other services	16.7	-	-	20.4	-	-	17.9	-	-	15.9	-	-	14.9

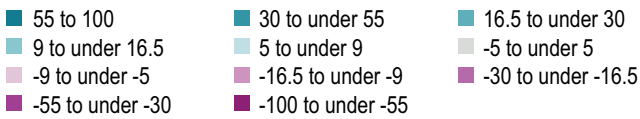
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

KOF Business Situation in the Private Sector

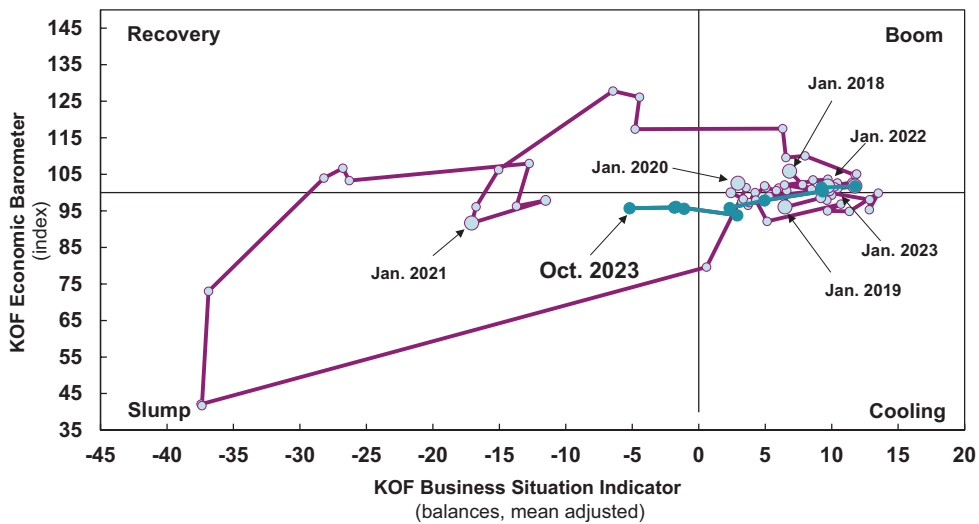


The angle of the arrows reflects the change in the business situation compared to the previous month

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 2023

Business sector	Change in gross wages until in one year (in %)	Inflation rate (for the consumer price index) in the next twelve months
Private sector (overall)	1.9	2.4
Manufacturing	1.5	2.3
Construction	2.2	2.5
Project engineering	2.2	2.5
Retail trade	1.6	2.1
Wholesale trade	1.3	2.4
Financial services	1.8	2.2
Accommodation	3.5	3.4
Other services	1.9	2.6

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.

Business expectations for wage development until in one year (in %)

Business sector	Oct 22	Jan 23	Apr 23	Jul 23	Oct 23
Private sector (overall)	2.5	2.3	2.2	2.0	1.9
Manufacturing	2.5	2.2	2.0	1.4	1.5
Construction	2.8	3.1	2.4	2.0	2.2
Project engineering	2.8	3.7	2.9	2.2	2.2
Retail trade	2.0	1.8	1.4	2.0	1.6
Wholesale trade	2.4	2.3	1.9	1.6	1.3
Financial services	1.8	1.7	1.8	1.8	1.8
Accommodation	3.8	4.1	4.1	3.7	3.5
Other services	2.5	2.1	2.0	1.9	1.9

Arithmetic mean values of the quantitative answers to the questions on the change in gross wages up to one year from now (in %). 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).