

# Detailed Results

## KOF Business Tendency Surveys for January 2023

Zurich, 6 February 2023, 9 am

### **KOF Business Tendency Surveys for January: Swiss companies starting the new year on a strong note**

**The KOF Business Situation Indicator for the Swiss private sector rose significantly in January. While firms' business had deteriorated in the autumn, a clearly positive trend was visible in January. The operating outlook for the coming months is more encouraging than before, and uncertainty about business going forward is decreasing slightly. The Swiss economy is starting the year with renewed confidence, and the threat of recession this winter is fading.**

The business situation improved across the board – in some cases substantially – in January. Compared with the previous survey this improvement was particularly pronounced in the wholesale trade, hospitality, manufacturing and financial and insurance services. This positive trend is not quite as strong – albeit still clearly evident – in other services, the retail trade, construction and project engineering. The business outlook for the near future is similarly widespread. Only the construction industry is not following suit. Otherwise, confidence is growing in all sectors.

#### **Price buoyancy declining slightly**

Swiss companies' plans to raise their prices are still strong, even though their intentions are no longer pointing to price rises being quite as steep as those in the autumn. However, this trend varies significantly from sector to sector. Firms in the wholesale and manufacturing sectors, for example, are planning to raise their prices less frequently than they did before. In contrast, the construction industry and other service providers are planning more price increases. Pricing intentions have changed little in the retail and hospitality industries.

Since the summer of last year, KOF has also been asking companies on a quarterly basis about their expectations for future Swiss consumer price inflation. Here, too, the results suggest that the situation is easing. Whereas, back in the autumn, firms had expected to see an inflation rate of 3.7 per cent over the next twelve months, they now expect prices to rise by 2.9 per cent over this period. When asked about a time horizon of five years, companies last autumn gave a forecast of 3 per cent. Survey respondents now reckon that the inflation rate in five years' time will be around 2.6 per cent.

#### **Pressure on firms' earnings is easing**

Companies are indicating that their earnings have performed better in the past three months than they did before. This easing trend with respect to earnings is at least vaguely discernible in almost all of the sectors surveyed. The hospitality industry stands out positively in terms of earnings performance.

## Business situation sector by sector

**Business in manufacturing is picking up, while supply shortages and price inflation are easing.** The business situation in *manufacturing* recovered strongly in January. The problem of shortages of materials and inputs is clearly becoming less severe. Complaints about these shortages are decreasing in all sub-sectors of manufacturing. Although firms expect the prices of their purchases to continue to rise sharply, they believe that prices have already peaked for the time being. Their assessment of their sales prices is the same. The pressure on earnings is no longer increasing. Order books changed little towards the end of last year. Capacity utilisation fell for the third quarter in a row but remains above average. Warehouses are abundantly stocked with semi-finished and finished products. Companies are no longer as sceptical as they were in the autumn of last year about the level of demand in the near future. Further opportunities are seen in the export business. Production plans are cautiously optimistic.

**Construction activity is buoyant despite rising prices.** The business situation in the two sectors associated with building activity – *project engineering and construction* – improved in January. Business activity in the *construction industry* is also very strong on a longer-term comparison. The earnings of construction companies are increasingly stabilising. In addition, firms are less sceptical about the future performance of their earnings than they were before. Construction companies intend to raise the prices of their services even more frequently than they did previously. The shortage of materials is no longer as serious as it was in the autumn or summer of last year. The situation in the finishing trade, however, is even worse than that in the main construction trade. Overall capacity utilisation in the construction industry has risen sharply. Order books are still fairly full, and the shortage of workers is becoming an increasingly urgent problem. More than 60 per cent of the responding companies are complaining about a lack of suitable staff. *Architects and engineers* are also looking for additional employees as their staffing levels are far too low. And, just as frequently, they are planning to further increase their service offering beyond 2022.

**The business situation is improving in both the wholesale and retail sectors, with the retail trade expecting to see a significant increase in sales of food products in particular.** Business in the *retail sector* improved for the second month in a row. Although it is also strong on a medium-term comparison, it remains below the level of activity observed at the beginning of 2022. This is partly due to the fact that mail-order firms and department stores no longer consider the situation to be quite as encouraging as it was in the previous year, when they benefited from pandemic-related effects. Overall, retailers' sales of goods have picked up recently and their earnings are performing much better than they did before. Although retailers plan to raise their sales prices in the next three months at a similar rate as they did previously, they expect to see stronger growth in their sales. Retailers in the food sector in particular are optimistic about the volume of sales going forward. The Business Situation Indicator for the *wholesale sector* is rising for the first time in six months. This is due to a positive turnaround in the wholesaling of producer goods. The business situation is improving especially significantly in the wholesale trade in machinery and equipment. Business in the wholesale trade in consumer goods, on the other hand, continues to deteriorate slightly. The overall demand outlook for companies in the wholesale sector has hardly changed. However, the problem of supply shortages is becoming less acute, especially in the wholesale trade in producer goods. The pressure to increase prices is clearly easing since the purchase prices for wholesalers themselves are not rising as frequently as they did previously.

**The hospitality industry is starting the new year on a positive note despite rising prices.** Having dipped in the autumn, the Business Situation Indicator for the *hospitality sector* rose in January. Business in the *accommodation sector* especially is excellent. Hotels in the mountain and lake regions were able to close the gap with those located in towns and cities. Room occupancy rates at hotels – even after seasonal adjustments – continued to rise. Foreign guests are responsible for much of this growth. Reservations for the current quarter are more numerous than they were at the same time last year. Both hotels and restaurants are improving their earnings situation

more frequently than they did in the autumn. These businesses intend to raise their prices more or less as frequently as they did previously. Nevertheless, survey respondents are confident that demand for their services will continue to rise.

**Financial and insurance service providers are hoping for a turnaround in their earnings performance, and they are increasingly seeing opportunities to boost these earnings.** In January, the business situation of *financial and insurance service providers* noticeably improved from its year-end low in December. Survey respondents are also much more confident than before about the outlook for business growth over the next six months. Their earnings could be stabilised, and these institutions see an opportunity to increase their earnings in the near future. *Banks* expect to see growing demand for their services, especially from corporate clients. Although lending and deposit-taking should continue to guarantee success for the banks, survey respondents believe that fees and commissions could also perform fairly well again. *Insurance companies* report a modest increase in the number of their new policies. However, they hope that the downward trend in their net returns on investment will slow considerably.

**The business situation in other services is improving, and the upward pressure on prices is likely to increase.** Following a gradual slowdown in business activity in the second half of last year, business in the *other services* sector is growing in early 2023. The business situation is improving considerably, especially in the transport and logistics sub-sector. Capacity utilisation also continues to rise slowly in this sub-sector. By contrast, capacity utilisation has fallen at information and communications firms and in business-related services. General uncertainty about the future course of business is decreasing slightly among service providers, while the demand outlook for the next three months is a little more positive than it was before. The labour shortage continues to be a major concern for service providers, and complaints about the lack of skilled workers have continued to rise. Their plans to raise prices have also increased. Pressure from the service sector to put up prices is therefore likely to grow.

*The results of the KOF Business Tendency Surveys for January 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 59 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)

	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23
<b>Private sector (overall)</b>	28.9	28.8	26.0	31.7	31.3	32.6	28.8	27.4	28.3	20.9	20.0	21.2	28.7
<b>Manufacturing</b>	29.9	30.5	29.6	28.0	27.7	34.6	28.9	21.6	21.3	16.9	13.1	16.1	25.4
<b>Construction</b>	41.4	43.6	42.5	41.8	41.0	40.7	41.4	40.5	42.7	43.7	43.9	47.7	50.2
<b>Project engineering</b>	57.1	59.1	57.5	56.6	56.6	52.5	50.2	54.3	57.8	51.4	48.0	52.6	54.5
<b>Retail trade</b>	20.5	21.5	21.9	18.8	14.6	18.6	7.5	12.0	14.2	12.5	10.3	13.3	15.9
<b>Wholesale trade</b>	54.2	-	-	55.5	-	-	49.5	-	-	40.3	-	-	53.1
<b>Financial services</b>	50.4	46.6	25.0	38.5	37.1	34.4	28.6	28.4	33.9	21.6	22.8	23.3	32.2
<b>Hotel and catering</b>	-22.7	-	-	9.4	-	-	32.0	-	-	17.9	-	-	28.5
<b>Other services</b>	14.3	-	-	24.1	-	-	21.4	-	-	12.7	-	-	18.7

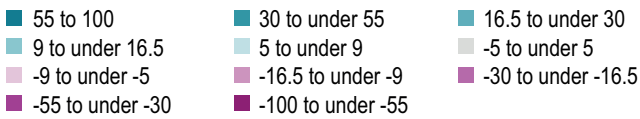
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

**KOF Business Situation in the Private Sector**

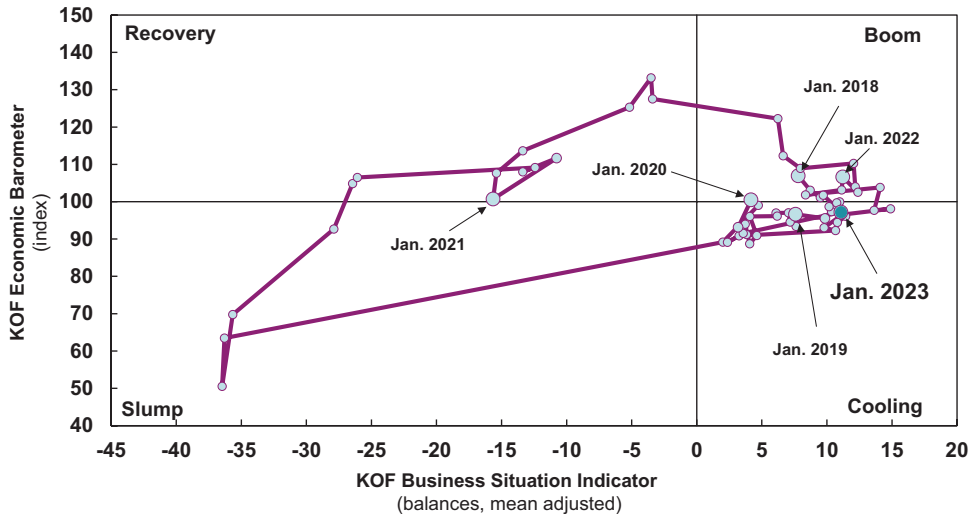


The angle of the arrows reflects the change in the business situation compared to the previous month

**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 January 2023		
	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	2.9
Manufacturing	2.2	2.9
Construction	2.9	3.4
Project engineering	3.7	2.7
Retail trade	1.8	3.2
Wholesale trade	2.3	2.8
Financial services	1.7	2.5
Hotel and catering	4.0	4.3
Other services	2.3	3.0

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.