

# Detailed Results

## KOF Business Tendency Surveys

### for April 2023

Zurich, 5 May 2023, 9 am

## **KOF Business Tendency Surveys for April: Swiss economy lacking stimulus**

**The KOF Business Situation Indicator for the Swiss private sector fell in April after barely moving in the previous month. Business is thus still performing better than it did in the autumn of last year but is no longer as buoyant as it was in January. The Swiss economy is faltering slightly.**

The performance of individual sectors varied in April. Manufacturing industry managed to stop its downward trend of recent months for the time being. The construction, retail and other services sectors suffered a setback. The downturn in the wholesale trade was somewhat more pronounced. The business situation in April remained virtually unchanged in the hospitality industry and in the project engineering sector. Business activity in the financial and insurance services sector recovered for the fourth month in a row.

### **Supply chains are working again**

There are indications that the problem of shortages of materials and inputs is becoming much less acute across several sectors. Complaints about a lack of materials and intermediate products in the construction industry and the manufacturing sector are declining sharply. Wholesalers expect delivery times to decrease. Companies in the manufacturing sector are reporting that, in their view, the stocks of intermediate products in their warehouses are clearly too high. After a phase in which inventories were deliberately built up, a period could now follow in which target inventories of primary products are adjusted downwards again.

### **Price buoyancy declining sharply**

Price increases are clearly declining, according to firms' projections. Price rises have peaked in all surveyed sectors for the time being. Although price increases are still being planned most frequently in the hospitality industry, even here the upward trend is no longer as strong as it was in previous quarters. The main reason for the declining upward trend in sales prices is probably that the purchase prices of companies' intermediate products are no longer rising as sharply. Supply chains are functioning again and energy prices – for example for gas – are easing. Firms' expectations about general consumer price inflation match these projections regarding their own sales prices. In April they expected inflation to reach 2.6 per cent over the next twelve months. In January they were still forecasting 2.9 per cent inflation and in October 2022 3.7 per cent inflation in each of the following twelve months. Moreover, their opinions have become more homogeneous. The divergence of inflation expectations was lower in April than it was in the two previous surveys.

## **Labour shortages continue to be a concern for companies**

Even though the economy as a whole is currently performing rather sluggishly, there are now signs of normalisation in two previously problematic areas: the issue of shortages of materials and inputs and the challenge of steep price increases. On the other hand, the shortage of workers continues to affect companies considerably. Although complaints about staff shortages no longer increased in all sectors of the economy in April, none of these industries is out of the woods yet. Reports of labour market shortages are currently relatively widespread in all sectors over the medium term.

## **Business situation sector by sector**

**In manufacturing, not enough new orders are coming in and inventories are awash with intermediate products.** The Business Situation Indicator for *manufacturing* managed to avoid a third consecutive decline, rising slightly in April. Nevertheless, business in manufacturing is currently less buoyant than it was throughout 2022. The slight improvement in the business situation stems mainly from domestically orientated firms. Business activity at export-led firms deteriorated again. Companies' orders on hand decreased, although production was no longer expanded on balance. Capacity utilisation remained unchanged compared with the previous quarter. Consequently, stocks of finished goods were replenished more slowly than in the previous month, but inventories are still reckoned to be clearly too high. Assessments of input-product inventories are even more striking: after these inventories were considered to be much too low at the turn of 2021/22 and companies had frequently complained about shortages of intermediate products, they now think that their inventories of inputs are much too large. Firms now even see their business activities being constrained more often by a lack of demand than by a shortage of inputs. Survey respondents expect the upward pressure on the prices of their goods purchases to weaken significantly. Consequently, they are planning price increases for their products much less frequently than before. Companies continue to hope that the current weakness of the economy is temporary and that demand for their goods will pick up again slightly in the near future. They are therefore not abandoning their fairly expansionary production plans at the moment. On balance, however, they do not intend to increase their workforces.

**Capacity utilisation in the construction-related sectors of the economy is high and firms have managed to increase their earnings.** Business in the *project engineering* and *construction* sectors, which are both linked to building activity, was slightly restrained in April. However, the situation remains buoyant. Earnings have improved more frequently than before and companies in both sectors are more confident about their earnings going forward than they were previously. In the *construction sector*, however, demand has recently not risen as sharply as it did before and satisfaction with order books has declined. Although capacity utilisation in the construction sector remains very high, it is no longer peaking as it did in the previous quarter. Firms are evidently feeling a significant reduction in cost pressures because, on balance, they are no longer looking to raise their prices much, although they still see their earnings prospects as being more favourable than before.

**Although business activity in the wholesale and retail sectors was restrained, demand should remain stable in the near future.** Business in the *retail trade* deteriorated slightly in April after having improved in the previous month. Overall, the Business Situation Indicator has not moved much since autumn 2022, with a little intermittent fluctuation. Sales of goods remain under slight downward pressure, as in previous months, although customer footfall in shops is higher than it was a year ago. Retailers are now looking to raise their prices less

frequently than they were at the beginning of the year. Nevertheless, they expect demand to perform better and sales to increase in the near future. After improving in January, the Business Situation Indicator for *wholesaling* in April fell back almost to where it had been last autumn. The Business Situation Indicators for both the wholesale trade in consumer goods and wholesaling in producer goods weakened. Overall, wholesalers did not sell any more goods than in the corresponding period of last year. Looking ahead to the coming months, survey respondents do not expect to see any significant change in demand. Wholesalers are now in a good position to meet this demand, and delivery times are easing noticeably.

**The hospitality industry continues to perform well.** Business in the *hospitality industry* was almost consistently good in April. Forecasts for the coming six months are still very positive despite a slight slowdown. Uncertainty about business going forward has also decreased. Revenue was again increased sharply compared with the corresponding quarter of last year. Room occupancy in *hotels* rose again. Plenty of room reservations were received for the current quarter, primarily in the major towns and cities. Overall, earnings in the hospitality industry again performed rather well. Nevertheless, further price rises are planned, although not quite as widespread as they were in the autumn. The problem of staff shortages has eased in the mountain regions but is still very pronounced in other areas, such as the major towns and cities and the lakes.

**The situation of financial and insurance service providers is improving despite the recent turmoil in the banking sector.** Business in the *financial and insurance services* sector improved in April for the fourth month in a row. The market weakness, which hit a low point last October, seems to have been overcome for the time being. The earnings of the relevant institutions have grown significantly in the past three months. *Banks* reported an increase in their volumes of assets under management. In addition to their lucrative lending and deposit-taking business, they were also more successful in their trading operations. Only their fee and commission income is recovering sluggishly. Looking ahead, the banks expect to see stronger growth in demand for credit.

**Other service providers report high levels of capacity utilisation, and labour shortages are a concern for firms.** The recovery in *other services* did not continue, and the Business Situation Indicator fell slightly in April. The fact that survey respondents' expectations about the level of business going forward are slightly more optimistic than before suggests that there will be no general downward trend reversal. Companies' capacity utilisation is now significantly higher than it was before the pandemic. The transport sector, which recovered only very slowly from the pandemic, is now reporting a capacity utilisation rate slightly above the average for 2018 and 2019. As firms are still planning to increase their staffing levels almost as before, labour shortages continue to be a major issue in this sector of the economy. However, complaints about these have declined slightly compared with the previous quarter. Although the trend is for price rises to continue in the near future, the upward pressure on prices is likely to decrease in all three sub-sectors (transport, information & communication; business services; and personal services).

*The results of the KOF Business Tendency Surveys from April 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 60 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)

	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23
<b>Private sector (overall)</b>	31.5	31.1	32.3	29.8	28.4	29.2	20.6	19.7	20.5	28.7	26.5	26.6	24.8
<b>Manufacturing</b>	28.9	27.9	34.5	29.3	21.6	20.8	15.8	12.1	13.8	23.9	14.2	10.4	11.9
<b>Construction</b>	42.0	41.3	41.1	41.6	40.8	42.7	43.7	43.7	47.3	49.5	48.4	50.1	47.1
<b>Project engineering</b>	56.4	56.7	52.6	50.3	54.4	58.2	51.6	48.2	52.8	54.6	54.7	55.3	54.6
<b>Retail trade</b>	19.5	14.9	18.7	8.0	12.5	14.2	12.4	10.1	13.1	16.1	13.5	15.9	12.4
<b>Wholesale trade</b>	55.9	-	-	50.0	-	-	40.3	-	-	52.1	-	-	41.3
<b>Financial services</b>	36.7	36.8	34.4	28.7	28.7	35.0	22.1	23.3	23.1	33.2	34.4	41.0	42.7
<b>Hotel and catering</b>	9.9	-	-	32.1	-	-	18.1	-	-	30.4	-	-	29.5
<b>Other services</b>	23.4	-	-	23.5	-	-	12.3	-	-	19.4	-	-	17.5

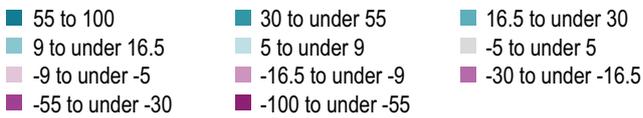
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

### KOF Business Situation in the Private Sector



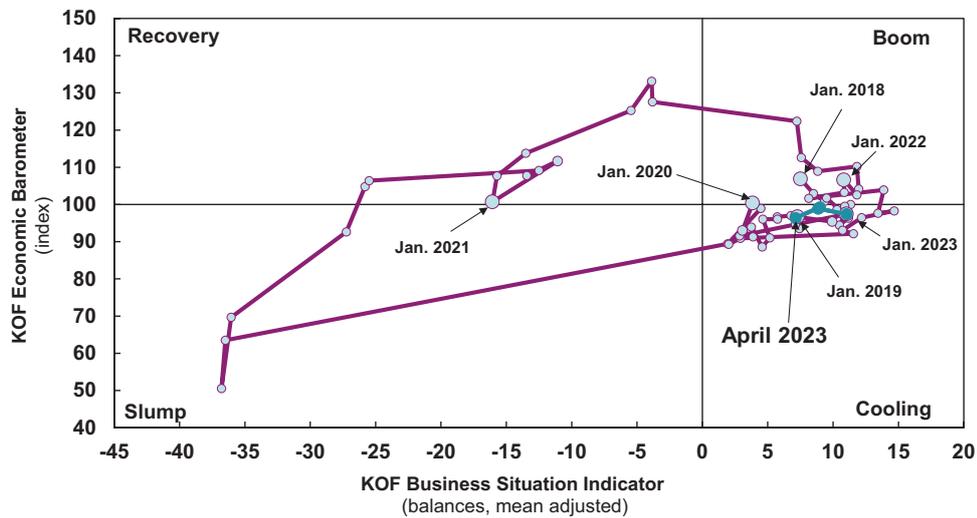
The angle of the arrows reflects the change in the business situation compared to the previous month

#### 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 April 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)	2.1	2.6
Manufacturing	1.9	2.5
Construction	2.4	2.5
Project engineering	2.9	2.8
Retail trade	1.5	2.5
Wholesale trade	1.8	2.6
Financial services	1.8	2.4
Hotel and catering	4.1	3.8
Other services	2.0	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.