

Press release

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KOF Business Tendency Surveys: Swiss economy lacking stimulus

The KOF Business Situation Indicator for the Swiss economy, which is calculated from the KOF Business Tendency Surveys, fell in April. It had hardly moved in the previous month. Performance varied from sector to sector. Although the Swiss economy is faltering slightly, there are also positive signals. Supply chain problems, for example, have largely dissipated and the upward pressure on prices is decreasing.

From a sectoral point of view there was no uniform trend in the Business Situation Indicator in April. Manufacturing industry has halted its downward trend of recent months for the time being. Business in the construction, retail and other services sectors was restrained. This trend is somewhat more pronounced in the wholesale trade. The business situation in the hospitality industry and the project engineering sector has remained virtually unchanged.

Supply chains are mostly functioning again; reports of shortages of intermediate products are decreasing

There are indications that the problem of shortages of materials and inputs is becoming considerably less acute across several sectors. Reports of a lack of materials and intermediate products in the construction sector and, even more so, in the manufacturing sector are declining sharply. Wholesalers expect delivery times to decrease. Companies in the manufacturing sector are reporting that, from their point of 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 intermediate products are adjusted downwards again.

Price inflation has already peaked

As the results of these surveys show, companies are planning for lower price increases than before. 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, they are less substantial than they were in previous quarters. The main reason for the declining upward pressure on sales prices is probably that the purchase prices of companies' intermediate products are no longer rising as sharply. Supply chains are mostly functioning again and energy prices – for example for gas – are easing. Firms' expectations about general 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. This is again a smaller increase than in previous surveys. In January they were still forecasting 2.9 per cent inflation and in October 2022 3.7 per cent inflation over the respective following twelve-month period. Firms have regularly been asked about their inflation expectations as part of KOF's Business Tendency Surveys since summer 2022.

Labour shortages continue to be a concern for companies

The shortage of workers continues to affect companies considerably. Although complaints about staff shortages have stopped getting louder, no sector of the economy is out of the woods yet. Reports of labour market shortages are currently relatively widespread in all sectors over the medium term.

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.

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

https://www.kof.ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Medienmitteilungen/Konjunkturumfragen/2023/Detailed_results_economic_survey_2023_Q2_with_graphs.pdf

Data and an interactive chart on the KOF 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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