

# Press release

Zurich, 7 August 2023, 9am

## **KOF Business Tendency Surveys: Swiss economy sluggish; manufacturing sector on a downward trend**

**The KOF Business Situation Indicator for the Swiss economy, which is calculated from the KOF Business Tendency Surveys, fell significantly in July. Business activity is less buoyant than it has been for two years. In contrast, upward pressure on prices is decreasing in almost all sectors of the economy. The shortage of skilled workers is no longer quite as acute as it was recently.**

The business outlook in the majority of sectors surveyed clouded over in July – in manufacturing for the sixth month in a row. This sector is on a downward trajectory. The indicator for the business situation in this sector is back in negative territory for the first time since January 2021. This downward trend is particularly pronounced among export-led firms.

The services sector also suffered a setback. In addition, the Business Situation Indicator for the financial and insurance services, construction and project engineering sectors declined slightly. In contrast, the consumer-led sectors retail and hospitality performed well in July.

### **Inflation expectations weakening; construction industry even expects prices to fall**

Price rises continue to slow in almost all sectors. Relatively frequent price increases are planned in the hospitality industry and in business-related services. Price growth in the other sectors is likely to remain low in the near future. The construction industry even expects the prices of its services to fall. Companies' forecasts for the level of the consumer price index – over and above their own price setting – are slightly lower than before. Firms now expect consumer prices to rise by 2.5 per cent over the next twelve months. In April they were assuming an increase of 2.6 per cent. Inflation in five years' time is currently expected to be 2.3 per cent after 2.5 per cent in April.

### **Labour shortage remains a problem but is becoming less acute**

Although companies in Switzerland are still looking to recruit additional staff overall, their hiring plans are no longer quite as expansive as they were. Consequently, labour shortages continue to be a very urgent problem for firms, but they are becoming less acute in manufacturing, construction and wholesaling than they were. In manufacturing and the wholesale trade, concerns about weak demand are currently more pressing than those about a lack of staff.

**The results of the KOF Business Tendency Surveys for July 2023 include responses from around 4,500 firms in manufacturing, construction and the major service sectors. This equates to a response rate of around 59 per cent.**

**The detailed results of the KOF Business Tendency Surveys for July (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\\_business\\_tendency\\_survey\\_2023\\_Q3.pdf](https://www.kof.ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Medienmitteilungen/Konjunkturumfragen/2023/Detailed_results_business_tendency_survey_2023_Q3.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 the KOF Business Tendency Surveys is available here:**

<https://kof.ethz.ch/en/surveys/business-tendency-surveys.html> →

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