

## Press release

Zurich, 7 February 2024, 9am

### **KOF Business Tendency Surveys from January: weaker economy but firms expect to see improvement**

**The KOF Business Situation Indicator for the Swiss private sector, which is calculated on the basis of KOF Business Tendency Surveys, fell again at the beginning of the year. Weak foreign demand in particular is weighing on the export sector. However, there is a silver lining on the horizon: firms are much more confident about the next six months than they were previously.**

#### **Manufacturing industry complaining about lack of demand**

The direction of the Business Situation Indicator varies from sector to sector. The situation in manufacturing industry remains challenging. More than half of companies in this sector are complaining about a lack of demand. The further strengthening of the Swiss franc is potentially a negative factor. However, this pressure is nowhere near as strong as it was in the first few months of 2015, for example, following the removal of the Swiss franc floor against the euro. Moreover, companies are currently more confident about their export prospects than they were back in the autumn.

In addition to manufacturing firms, wholesalers, the hospitality industry and financial and insurance service providers have also reported a dip in their fairly strong business activity. The business situation in the construction, project engineering and retail sectors has hardly changed. Business in other services has improved slightly.

Firms have become more confident about their expectations for business trends over the next six months. The outlook is more positive than it was before – particularly in manufacturing and among other service providers. Wholesalers are also becoming less sceptical. By contrast, the retail trade and financial and insurance service providers have become more cautious.

#### **Firms anticipating gross wage growth of less than 2 per cent**

Although companies still intend to hire additional staff, they are planning to increase their headcount much less frequently than at the beginning of 2023. Nevertheless, firms are still reporting difficulties in finding suitable workers. Although complaints about staff shortages are no longer quite as widespread as they were at the beginning of 2023, the problem has not eased any further in any of the sectors surveyed in January compared with autumn 2023.

Companies are assuming that gross wages will rise slightly less sharply over the next twelve months. However, the barely noticeable decline in forecasts from a 1.9 per cent wage increase in October 2023 to 1.8 per cent in January 2024 follows the downward trend observed throughout 2023. In January 2023, firms were expecting to see wage increases of 2.3 per cent over the subsequent twelve-month period.



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## Mixed price signals

In line with the slight downward adjustment in wage forecasts, firms expect general inflation to remain lower over the next twelve months. The decline in projections is more pronounced here than for wages. In October, companies were expecting to see inflation of 2.4 per cent over the next twelve months. In January, they were forecasting an inflation rate of 1.9 per cent for the following twelve months.

However, firms' planned price rises for their own services are not aligned with the levels of inflation expected in general consumer prices. Companies – particularly other services, manufacturing and construction – are again forecasting more frequent price increases in their projected sales prices than in the entire second half of 2023. In this respect it is not clear whether the upward price trend among Swiss producers will abate in the short term.

The results of the KOF Business Tendency Surveys from January 2024 include the responses of around 4,500 firms from manufacturing, construction and the major service sectors. This equates to a response rate of around 62 per cent.

**The detailed results of the KOF Business Tendency Surveys for January (including charts and tables) are available here:**

[https://www.kof.ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Medienmitteilungen/Konjunkturumfragen/2024/Detailed\\_results\\_business\\_tendency\\_surveys\\_january\\_2024.pdf](https://www.kof.ethz.ch/content/dam/ethz/special-interest/dual/kof-dam/documents/Medienmitteilungen/Konjunkturumfragen/2024/Detailed_results_business_tendency_surveys_january_2024.pdf) →

**The relevant 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> →

## Contacts:

Klaus Abberger | tel. +41 44 632 51 56 | [abberger@kof.ethz.ch](mailto:abberger@kof.ethz.ch)

KOF Corporate Communications | tel. +41 44 633 99 48 | [kofcc@kof.ethz.ch](mailto:kofcc@kof.ethz.ch)

