

# Detailed Results

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Results of the KOF Business Tendency Surveys, April 2016

## Companies' Business Situation More Relaxed

**In April 2016, the Business Situation Indicator for the Swiss private economy has risen for the third consecutive time. Companies are gradually recovering from the faltering start to the year. However, the situation remains less favourable than before the suspension of the Swiss franc's minimum exchange rate at the beginning of 2015. Significant change is not expected in the coming six months. The Swiss economy is following a slow path to recovery.**

### Export companies breathe a sigh of relief

The business situation in the **manufacturing industry** relaxed for the second consecutive time. Companies are complaining less frequently about an unfavourable business situation than they did at the beginning of the year. Incoming orders are stabilising and companies are less sceptical when it comes to their order books. Production cutbacks have become rarer and fewer enterprises consider their stocks of intermediate products to be too high. Equipment and machine utilisation has increased compared to three months ago. Although at 81.5 per cent, capacity utilisation is still below the average, it is higher than in the same period last year. Pressure on revenues has declined and companies are once again expecting their export business to provide some momentum. Following the significant price cuts companies introduced in the last few months in response to the strong Swiss franc, prices are now adjusting to the international development. Export-oriented companies are therefore reporting an improvement in the business situation and are preparing for a substantial expansion of production activities in the near future. However, despite the improved situation in the manufacturing industry, further job cuts are imminent in the sector.

The construction-related **building trades and project engineering sectors** experienced a slight deterioration of their business situation in April. All in all, the picture remains predominantly favourable in both areas, although the situation in the building trades was significantly less encouraging than in the comparable month of the previous year. Construction companies tended to reduce their building activities despite reporting very few weather-related obstructions. With respondents mentioning insufficient demand more often than before, they tend to plan for a decline in construction activities in the coming three months and are intending to reduce their workforce accordingly. The situation in the project engineering sector has not changed much in the last few months. Companies report stable demand for their services and believe that this will continue for the foreseeable future. The most they expect is a very slight decline in demand. Consequently, they are not planning for any major changes in staff numbers.

### Situation in retail and the hotel and catering industry more favourable than at the beginning of the year

Following an improvement in March, the situation in the **retail trade** has deteriorated slightly in April. All in all, the companies tend to be dissatisfied with their business situation although it is better than at the beginning of

2016. Retailers expect continued downward pressure on their selling prices for some time to come. Nevertheless, they hope to keep their turnover more or less stable and intend to exercise less restraint when ordering new goods. Major job cuts are not envisaged.

The business situation in the **wholesale trade** has calmed down to some degree, although many companies are still complaining about insufficient demand. Nevertheless, their competitive position has stabilised and they hope that discounts on selling prices will no longer be necessary.

The business situation in the **hotel and catering industry** is now better than at the start of the year, with both hotels and restaurants reporting a more favourable situation than in the first quarter. Although turnover in the hotel and catering industry is not as high as in the comparable period of the previous year, the decline in demand has recently slowed down. Nevertheless, **caterers** are once again more sceptical with regard to their future development and are expecting a decline in demand in the coming three months. Despite this fact, they are not planning to reduce prices although they intend to cut staff numbers. **Accommodation businesses** managed to stabilise occupancy figures at a low level. All in all, both overnight stays by foreign guests and total demand declined less substantially than towards the end of 2015. Although reservations are still lower than in the previous year's comparable period, the gap has become smaller. Companies hope that the decline in demand will at least slow down in the coming three months and that they can do with fewer price cuts than before.

#### **Slight cooling of the business situation in the financial and insurance services sector**

By and large, the business situation in the **financial and insurance services** sector cooled slightly in April, although it is still better than at the beginning of 2016. Nevertheless, the situation was significantly more favourable in April 2015. Especially **banks** are less satisfied with their performance than before. Although the interest business followed a positive trend, both the trading and the commission businesses lost ground. Banks are now less optimistic regarding their domestic corporate client business. **Insurance companies** report that their overall business situation is satisfactory. Their net return on capital is still under pressure, albeit to a lesser degree than in the past few quarters. Although insurance companies managed to improve their competitive position, they are still anticipating a further decline in revenues.

The Business Situation Indicator for the **other service providers** has taken a slight dip. Companies' earnings declined further, although to a lesser extent than in the first quarter of this year. The business situation in both the commercial services sector and the transport, information and communications sector has cooled down. Nevertheless, the respondents expect a slight increase in overall demand in the near future. They are planning further price cuts to stimulate demand.

The current KOF Business Tendency Surveys of April 2016 were conducted among close to 4,500 companies in industry, construction and the main service sectors. The response rate was approximately 57 per cent.

Further information concerning the KOF Business Tendency Surveys is available at:

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