

Detailed Results

KOF Business Tendency Surveys, April 2022

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KOF Business Tendency Surveys for April: Swiss economy bouncing back

The KOF Business Situation Indicator for firms in Switzerland rose in April, reaching its highest level since recovering from the financial crisis in 2010/11. As far as developments in the near future are concerned, however, companies are more cautious than they have been in recent months. This encouraging momentum could weaken in the short term. For the Swiss economy, however, the positive impact of its recovery from the pandemic is outweighing the adverse effects of the war in Ukraine.

The marked improvement in business activity in April can be attributed to the substantial easing of the situation in the hospitality sector and other services. These parts of the economy appear to be benefiting from the lifting of coronavirus restrictions. The wholesale sector is also bouncing back. In addition, business in financial and insurance services is partially recovering after a sharp downward correction in March. The changes in the business situation in the other sectors surveyed in April were comparatively small. The Business Situation Indicator for construction and project engineering fell slightly, while the decline was a little more pronounced in the retail sector and manufacturing.

Companies are still planning widespread increases in sales prices. The upward pressure on prices thus continues and has intensified in some sectors. Price hikes are now being planned much more often in other services and by bars and restaurants, where price rises have so far tended to be fairly moderate.

The shortage of materials and intermediate products continues to be a serious problem for producing sectors such as manufacturing and construction. This shortage has become noticeably worse since the summer of last year. In January, more than half of the firms responding in the manufacturing sector reported a shortage of intermediate products. This problem worsened slightly in April, with 57 per cent of firms now feeling affected. This shortage is particularly acute in the engineering and car-making sectors as well as among manufacturers in the IT equipment, electronics and optics sectors. The supply problems in the construction industry seemed to be easing at the beginning of the year. 37 per cent of companies reported such problems in January after 48 per cent had done so in July of last year. Now, however, the issue is becoming much more urgent again. In April, 51 per cent of construction companies complained of their production being hampered by shortages of materials. In addition, wholesalers report that they do not expect to see any easing of the situation with the delivery times for their goods in the near future. The issue of supply shortages is therefore likely to remain on the agenda in view of the war in Ukraine and the outbreaks of COVID-19 in Asia.

Business situation sector by sector

Although the manufacturing sector is still holding up well, the outlook is deteriorating. The Business Situation Indicator for the *manufacturing sector* fell slightly for the second month in a row. Nevertheless, the situation is currently rated as being similarly encouraging or even slightly better than in 2018, which was a fairly successful year for the manufacturing sector. Production has recently grown and capacity utilisation is clearly above average on a medium-term comparison following a further increase. Price trends continue to be turbulent, with availability of intermediate products remaining severely limited and their prices continuing to rise. Although companies, in turn, are continually raising their sales prices, they are only just managing to maintain their level of earnings. Looking ahead to the next three months, companies expect to see significantly lower growth in demand for their products than before. In particular, orders from abroad are not likely to increase as strongly and thus exports are less likely to pick up. International concerns – the war in Ukraine, the outbreaks of COVID-19 in Asia, high price increases – are probably worrying Swiss companies as well. Firms are becoming much more cautious about their production plans.

Order books in the building-related sectors are fairly full, although cost pressures are making further price increases necessary. In the sectors associated with building activity – *project engineering* and *construction* – business in April was slightly dampened for the second month in a row. However, order books in both sectors are currently fairly full. The sizes of new contracts signed by *project engineering firms* in both residential and commercial construction have grown. Project planners are again complaining more frequently about a shortage of staff, especially as they intend to expand their provision of services in the coming months. Output in the *construction industry* is increasing, and capacity utilisation of machinery and vehicle fleets is rising. However, shortages of materials are worsening and are likely to push up construction prices further. Despite these price rises, construction firms are increasingly worried that their earnings will deteriorate. In addition, companies expect demand to cool, so their business forecasts are now generally fairly negative.

Although the situation in the retail and wholesale sectors is encouraging, the outlook is no longer quite as positive as it was in the spring and summer of last year. Business activity in the *retail* sector has deteriorated slightly but, overall, it is still predominantly buoyant. However, sales have faltered recently and earnings have come under pressure. Since their available inventories are nevertheless seen as fairly scarce, retailers themselves plan to order more goods. Sales forecasts are cautiously optimistic. However, prices are expected to rise unabated. Although the business outlook for the coming six months is therefore still positive overall, it is no longer as upbeat as it was in the spring of last year. Business activity in the *wholesale* sector is improving slightly: there has been a resurgence in the wholesale trade in consumer goods. Business is especially picking up in food, beverages and tobacco. The hospitality and catering sectors are likely to have contributed to this as customers. The survey results for the wholesale sector overall reflect strong price growth, with companies expecting further increases in both purchase and sale prices. Moreover, there are no signs of any shortening of delivery periods.

The situation in the hospitality industry is easing across Switzerland, and businesses expect this positive trend to continue. After a brief lull at the beginning of the year, the recovery in the hospitality sector is continuing apace. The business situation is improving not only in the mountain and lake regions but also in the major towns and cities. Sales of food and beverages in bars and restaurants are picking up significantly, and complaints about a lack of demand are diminishing. Survey respondents reckon that demand for their services is likely to increase in the near future. However, costs are also coming under pressure, and many bars and restaurants plan to raise their prices. *Hotels'* room occupancy rates continued to rise slightly in the first quarter of this year despite the uncertainty around the Omicron variant at the beginning of the year. Reservations for the current quarter are again higher year on year. These businesses expect to see a significant increase in foreign guests. Hoteliers see less scope than bars and restaurants for raising their prices. What both have in common, however, is that they are desperately looking for additional staff.

Financial and insurance service providers did not manage to increase their earnings as much as they had done previously; banks expect to see a revival of their interest-related business.

The business situation of *financial and insurance service providers* partially recovered in April after having weakened significantly in March. However, the outlook for business going forward remains subdued. These institutions' earnings did not perform as well in the first quarter as they had done before, and forecasts for the current quarter are also more cautious than in previous quarters. *Banks* expect to see weaker demand stimulus from both private and corporate customers than in recent months. Their income from proprietary trading was disappointing from their perspective. Their income from fees and commissions also performed less encouragingly in the first three months of this year. The income earned from interest-related business was a little higher than before. Banks are also increasingly putting their hopes for the near future in their interest-related business. This is a significant change of approach after their focus in recent months had primarily been on their fee and commission business.

In other services the recovery from the pandemic manifested itself and business capacity utilisation rose sharply.

The Business Situation Indicator for *other services* jumped in April. Nevertheless, it did not quite reach its pre-crisis levels of late 2019 and early 2020. Capacity utilisation in the transport, information and communication sectors as well as in business-related and private services rose sharply in April, although transport capacity utilisation in particular remained below its pre-pandemic levels. The number of individuals working in services is increasingly seen as too low. Additional staff are being sought as demand forecasts continue to be positive. It is also noticeable that the trend towards price increases is becoming more widespread among other service providers as well.

The results of the latest KOF Business Tendency Surveys for April 2022 include the responses of more than 4,500 firms from industry, construction and the major service sectors. This equates to a response rate of around 57 per cent.

Relevant data and an interactive chart for the KOF Business Situation Indicator can be found here:

<https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-business-situation-indicator.html>



Further information on the KOF Business Tendency Surveys can be found here:

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

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Graphics and table

KOF Business Situation Indicator
(balance, seasonally adjusted)



KOF Business Situation for Switzerland
(balance, seasonally adjusted)

| | Apr 21 | May 21 | Jun 21 | Jul 21 | Aug 21 | Sep 21 | Oct 21 | Nov 21 | Dec 21 | Jan 22 | Feb 22 | Mar 22 | Apr 22 |
|---------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Private sector (overall) | 13.6 | 15.2 | 15.3 | 24.5 | 24.2 | 25.6 | 27.9 | 27.7 | 28.1 | 29.5 | 29.6 | 26.8 | 32.3 |
| Manufacturing | 20.5 | 23.3 | 25.0 | 30.5 | 32.5 | 32.7 | 27.7 | 29.3 | 30.2 | 29.5 | 31.0 | 30.1 | 28.9 |
| Construction | 33.6 | 35.6 | 34.2 | 35.3 | 37.9 | 38.1 | 37.9 | 37.1 | 41.1 | 42.4 | 44.9 | 43.5 | 43.0 |
| Project engineering | 45.1 | 48.4 | 49.0 | 53.4 | 52.4 | 56.1 | 53.5 | 54.0 | 55.6 | 57.5 | 60.2 | 57.9 | 57.2 |
| Retail trade | 21.0 | 25.2 | 26.0 | 29.7 | 15.0 | 16.2 | 17.0 | 22.0 | 20.3 | 21.4 | 22.4 | 23.1 | 21.7 |
| Wholesale trade | 25.0 | - | - | 49.4 | - | - | 53.7 | - | - | 53.8 | - | - | 59.2 |
| Financial services | 39.0 | 44.6 | 42.1 | 54.3 | 52.2 | 63.0 | 47.9 | 41.5 | 41.7 | 52.8 | 48.5 | 26.5 | 37.6 |
| Hotel and catering | -72.4 | - | - | -35.7 | - | - | -18.0 | - | - | -19.3 | - | - | -1.9 |
| Other services | -2.5 | - | - | 4.5 | - | - | 14.7 | - | - | 15.1 | - | - | 24.2 |

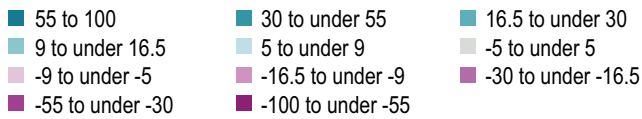
Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of 'good' answers minus the percentage of 'bad' answers.

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)

