

# Press release

Zurich, 14 August 2023, 9am

## Wage survey: firms expecting hardly any rise in real wages

**This year's round of pay bargaining could be another meagre one in real terms for wage earners. Companies expect to see wages increase by an average of only 2 per cent over the next twelve months. Since they are forecasting inflation of over 2 per cent for the same period, they are not anticipating any real pay increases. This is the result of a KOF survey of almost 9,000 businesses in Switzerland.**

Firms expect to see wage growth of 2 per cent across all sectors in the next twelve months. The outlook for pay has thus weakened slightly compared with previous surveys. While conducting its quarterly Business Tendency Surveys in July, KOF asked almost 9,000 private-sector businesses about their wage expectations and received responses from around 4,500 firms.

### **Inflation erodes purchasing power**

A nominal wage increase of 2 per cent over the next twelve months would constitute considerable growth by Swiss standards. If we factor in the inflation of 1.5 per cent forecast by KOF for the same period, however, we would be left with real wage growth of only 0.5 per cent. Purchasing power would be totally eroded if the 2.5 per cent inflation expected by firms were to occur. The companies surveyed are also asked about the expected rise in consumer prices over the next twelve months.

### **Industry and the wholesale trade expecting particularly low wage growth**

The wage increases forecast for next year in manufacturing (1.5 per cent) and wholesaling (1.6 per cent) are comparatively low. The low wages predicted for these two sectors are consistent with these industries' responses to the other questions asked in the KOF Business Tendency Surveys. For example, the business situation and employment outlook in these industries have deteriorated significantly in recent months ([see press release of 7 August](#)). These sectors are feeling the effects of the slump in world trade and the slowdown in consumption in major exporting countries such as Germany.

### **The hospitality industry is the outlier on the upside**

More domestically focused sectors, on the other hand, expect to see slightly higher wage rises next year. What is striking, however, is that the average nominal wage increase forecast is close to 2 per cent across almost all sectors. Only the hospitality industry stands out: the businesses in this sector are expecting an average pay rise of 3.8 per cent. Hospitality is the only sector where survey respondents are predicting real wage growth over the next twelve months.

### **KOF's wage surveys**

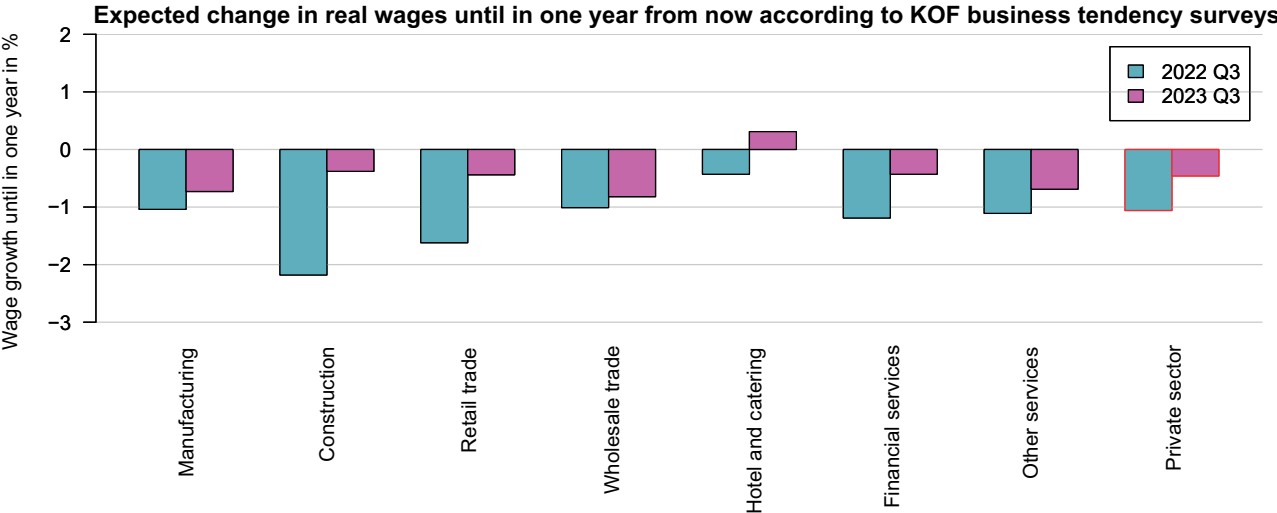
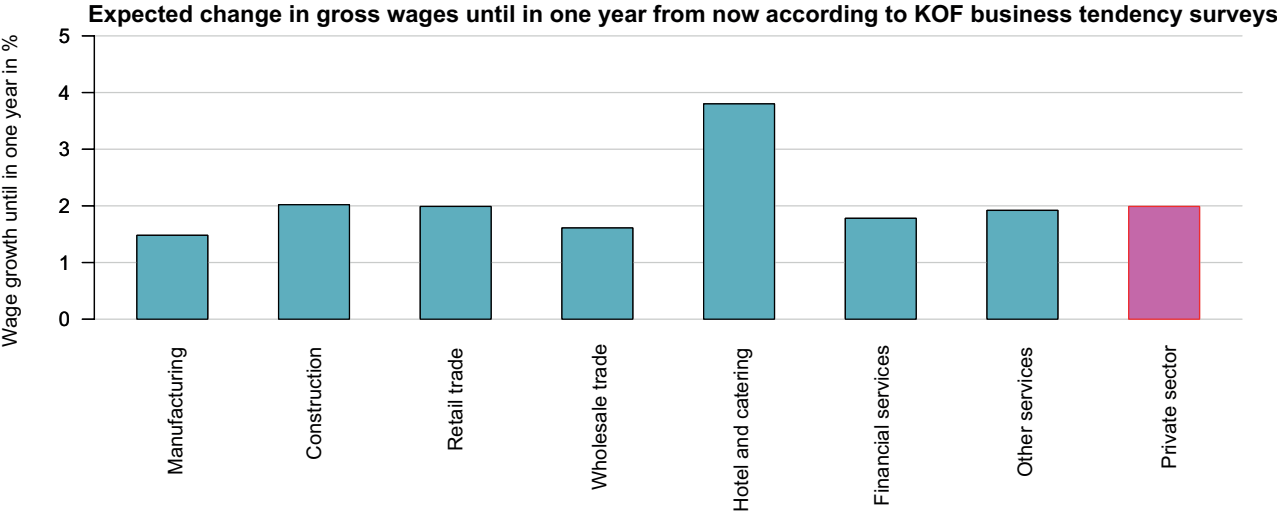
KOF has been collecting data on the wage expectations of private-sector firms in Switzerland once a quarter since the summer of 2022. These surveys are conducted as part of the quarterly KOF Business Tendency Surveys, in which KOF interviews almost 9,000 Swiss businesses. An average of around 4,500 firms take part in the surveys during the first month of each quarter. The surveys include a quantitative question on how survey respondents expect gross wages in their businesses to rise over the next twelve months. Evaluations of these responses are particularly interesting in July because this question asks about firms' expectations for the forthcoming round of pay negotiations. The businesses' individual responses are aggregated with employment weightings. The survey also asks firms about the consumer price inflation predicted for the next twelve months. By combining the responses about wages and prices, it is therefore possible to draw conclusions about the real wage growth that firms are expecting. The large sample size ensures that the data also allow reliable conclusions to be drawn about the sectors in which businesses expect to see higher wage growth.

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# Graphics and table



Industry	Expected wage growth over the next twelve months
Manufacturing	1.5%
Construction	2.0%
Retail trade	2.0%
Wholesale trade	1.6%
Hotel and catering	3.8%
Financial services	1.8%
Other services	1.9%
<b>Private sector</b>	<b>2.0%</b>