

## Press release

Zurich, 12 August 2024, 9am

### **KOF's wage surveys: companies expecting wage growth of 1.6 per cent in one year's time**

**Wages are likely to rise only moderately in 2025. This was revealed by a KOF survey of around 9,000 firms' forecasts for wages over the next twelve months. The survey shows that companies expect to see nominal wage growth of 1.6 per cent on average. They are anticipating zero growth in real wages.**

In July, KOF surveyed almost 9,000 firms in the private sector about their wage expectations as part of its quarterly Business Tendency Surveys. Around 4,500 companies took part in the survey. Firms expect to see wage growth of 1.6 per cent across all sectors over the next twelve months. This means that anticipated wage growth has continued to fall compared with the most recent surveys. In January, firms were still forecasting wage growth of 1.8 per cent for the next twelve months. In July of last year they were expecting wage growth of 2 per cent.

#### **Companies expecting real wages to stagnate**

A nominal wage increase of 1.6 per cent would only be enough for a modest rise in real wages, given the consumer price inflation expected over the same period. KOF's latest economic forecast anticipates inflation of 1 per cent in a year's time. If this were to materialise, the result would be real wage growth of 0.6 per cent. However, real wage growth would evaporate completely if the inflation expected by companies were to materialise. This is because the firms surveyed are also asked about the consumer price increase predicted over the next twelve months. Companies expect to see an inflation rate of almost 1.6 per cent over this period. In other words, firms believe that wages will stagnate in real terms over the coming year.

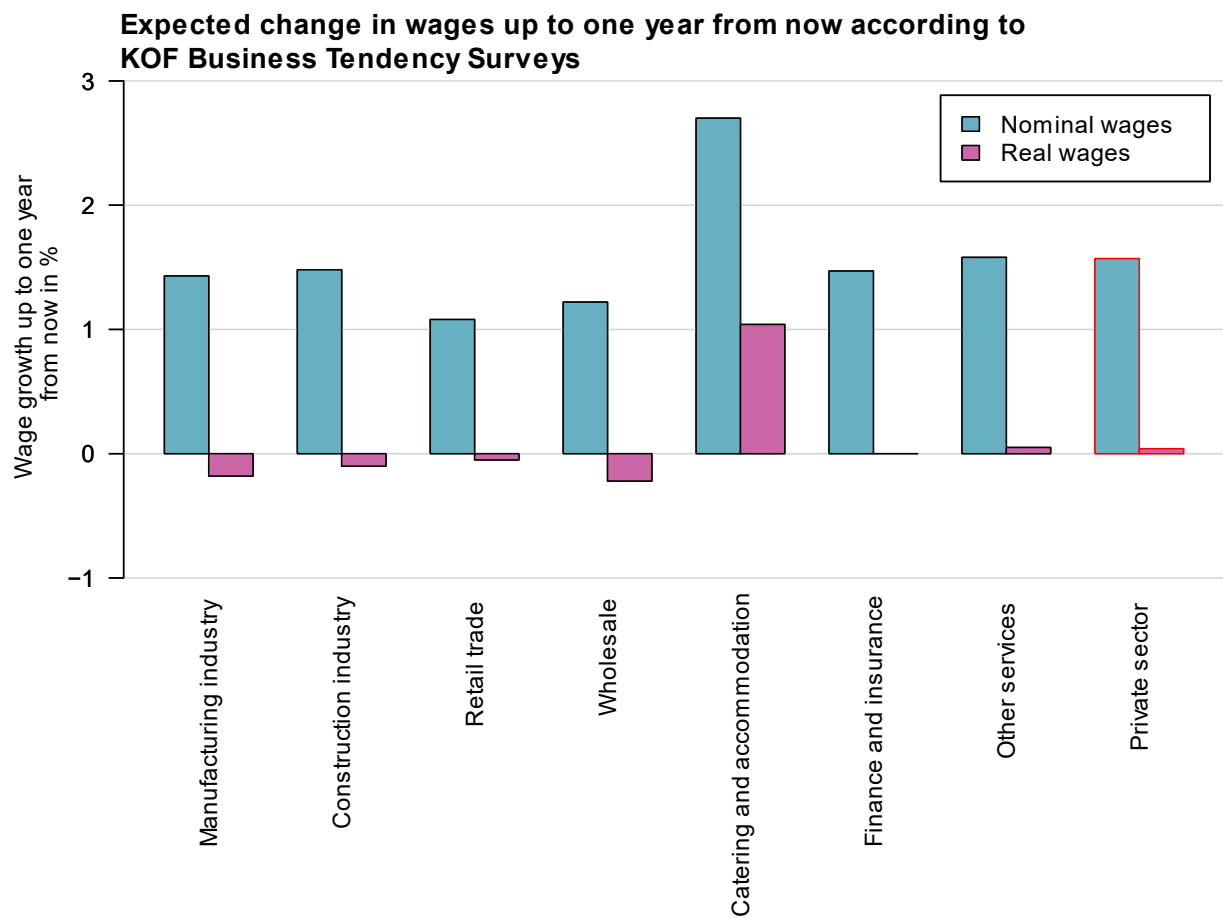
#### **Hospitality industry expecting to see highest wage growth**

Anticipated nominal wage growth is comparatively low for firms in the retail trade (1.1 per cent), wholesale trade (1.2 per cent) and in many areas of manufacturing such as electrical equipment (1.2 per cent) and mechanical engineering (1.3 per cent). Following a weak first half of the year, many of these sectors are currently experiencing a slight economic upturn on the back of the modest economic recovery in Europe. However, this upturn is still fraught with uncertainty such as the stock market turbulence of the last few days, which is likely to dampen wage expectations. Companies in the healthcare and social services sectors are also forecasting below-average wage growth (1.3 per cent).

More domestically focused service sectors, on the other hand, mostly expect to see above-average wage growth over the next twelve months. As in previous surveys, businesses in the hospitality industry are anticipating the highest wage growth (2.7 per cent). Firms in this sector are the only ones forecasting substantial real wage growth up to mid-2025. Expected wage rises are also above average in knowledge-intensive services sectors such as information and communication (1.8 per cent).



## Press release



### KOF's wage surveys

KOF has been collecting data on the wage expectations of private-sector companies in Switzerland every quarter since 2022 as part of its Business Tendency Surveys of almost 9,000 Swiss firms. An average of around 4,500 companies take part in these surveys in the first month of each quarter. The surveys include a quantitative question on respondents' expectations of how gross wages at their businesses will change over the following twelve months.

Analysis of these responses is particularly interesting in July, as the question taps into companies' expectations for the upcoming wage round. Firms' individual responses are aggregated with employment weights. The surveys also ask businesses about their predictions for consumer price inflation over the following twelve months. The combination of wage and price responses enables conclusions to be drawn about the real wage growth that firms expect. The large sample size of the data collected also allows reliable conclusions to be drawn about the sectors in which companies expect to see higher wage growth.

### Contacts:

Michael Siegenthaler | [siegenthaler@kof.ethz.ch](mailto:siegenthaler@kof.ethz.ch)

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