In the economic survey for the second quarter, which was carried out from mid-April to the beginning of June 2015, delegates from the SNB’s regional network also systematically raised the exchange rate issue with companies, with the aim of quantifying the effects of the Swiss franc appreciation. A total of 225 companies took part in the survey. The selection of companies differs from one quarter to the next. It reflects the industrial structure of the Swiss economy, based on the composition of GDP (excluding agriculture and public services).
The discontinuation of the minimum exchange rate on 15 January 2015 presents a great challenge for many companies. The new exchange rate situation has increased uncertainty about future business performance and triggered a number of measures.

**OVERALL RESULTS OF THE SURVEY**

As is evident from chart 1, two-thirds of respondents report experiencing negative effects from the appreciation of the Swiss franc (29% significantly and 37% moderately negative). A total of 23% of companies say they have not felt any appreciable effect on their business activities from the Swiss franc appreciation. Positive effects have been experienced by the remaining 11% of companies included in the survey. However, the different sectors of the economy are very differently affected by the appreciation.

Manufacturing has most commonly experienced negative effects from the strength of the Swiss franc (85%). In the services sector, this figure is 65%. In construction, only 10% of the respondent companies report experiencing negative effects, with just under 50% benefiting from the Swiss franc strength through increased purchasing power. It should be noted that industrial companies with construction-related activities are included under manufacturing in this survey.

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**Chart 1**

**EFFECTS OF CHF APPRECIATION**

225 companies

<table>
<thead>
<tr>
<th>Sector</th>
<th>Significantly negative effects</th>
<th>Moderately negative effects</th>
<th>No effect</th>
<th>Moderately positive effects</th>
<th>Significantly positive effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>45%</td>
<td>20%</td>
<td>20%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Construction</td>
<td>5%</td>
<td>30%</td>
<td>30%</td>
<td>30%</td>
<td>5%</td>
</tr>
<tr>
<td>Services</td>
<td>10%</td>
<td>50%</td>
<td>30%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>30%</td>
<td>50%</td>
<td>20%</td>
<td>10%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: SNB
In all, 150 companies report moderate or significantly negative effects from the appreciation of the Swiss franc. Chart 2 shows the markets where these negative stimuli are observed and the form they take. On both the foreign and domestic markets, the negative effects are primarily felt in the form of decreased margins as a result of lower sales prices (in Swiss francs and Swiss franc-equivalent prices). On the domestic market, roughly 60% of the negatively affected companies cite this as the reason; on the export markets, around 45%.

A decline in sales volumes is given as the second most important factor. It is also becoming evident that in 10–15% of the cases market share is being lost because of the unfavourable competitive situation, both in Switzerland and abroad.

In addition to the direct repercussions on the export industry, indirect effects were also reported (cf. lower half of chart 2), mainly by suppliers to export-oriented companies.
NEGATIVE EFFECTS – HOW ARE COMPANIES REACTING?

Companies were also asked about the measures they had already taken to counter the effects of the Swiss franc appreciation. Chart 3 shows the range of measures already taken. Roughly 70% of the negatively affected companies have opted to take measures. Reducing production costs or boosting efficiency, for example by making more purchases in the euro area, were the measures reported most frequently (50% and 30% of the companies respectively). Labour costs are mainly being cut by reducing staff numbers (20%) or increasing working hours (8%). Other strategies include expansion of hedging and greater diversification by product, market and currency. Of the companies negatively affected by the strong Swiss franc, 7% are moving parts of their production abroad.

![Chart 3](image-url)

**NEGATIVELY AFFECTED COMPANIES: MEASURES TAKEN IN REACTION TO CHF APPRECIATION**

150 companies, multiple answers possible

- No reaction
- **Prices:**
  - Raise prices abroad (in foreign currency)
  - Raise domestic prices in CHF (compensation)
- **Domestic cost reductions:**
  - Reduce staff
  - Increase working hours
  - Cut wages
  - Reduce other domestic costs
- **Other measures:**
  - Move production abroad
  - Increase diversification
  - Increase natural hedging
  - Financial hedging
  - Pay wages in EUR
  - General increase of efficiency / innovation

Source: SNB
Chart 4 shows the reactions which are still being considered by negatively affected companies. Here too, roughly the same priorities with respect to potential measures are evident: The main measures under discussion are reducing costs, increasing efficiency and innovation, while reducing staff and moving a part of production abroad are also being considered. However, the number of companies contemplating such measures is smaller, in most cases, than those who have already implemented measures.

Source: SNB
POSITIVE EFFECTS – WHERE AND HOW?

Moderately or even significantly positive effects from the appreciation of the Swiss franc were experienced by 24 respondent companies (11% of total). As can be seen from chart 5, the greater part of the positive effects came in the form of lower input costs (83% of cases) and/or improved profit margins (53% of cases). More favourable conditions for investment and for research and development were mentioned by 38% of the companies.

The improved business conditions are likely to result primarily in lower sales prices in Switzerland. Around a quarter of the positively affected companies indicated that they were addressing the situation this way. To a lesser extent, the more favourable business conditions also lead to more investment in equipment, research and development, as well as higher salaries or increased profit-sharing.

Chart 5

POSITIVELY AFFECTED COMPANIES: EFFECTS OF CHF APPRECIATION

24 companies, multiple answers possible

- Lower input costs
- Increased sales volumes
- Increased / restored margins
- Cheaper equipment / Product development
- Other

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Source: SNB

NO EFFECTS – WHAT ARE THE REASONS?

The 23% of companies that report experiencing no significant effects from the Swiss franc appreciation on their business activity mainly consist of companies not exposed to exchange rate movements. However, exchange rate effects can also be neutralised, through positive and negative factors offsetting each other, or through hedging transactions conducted before the discontinuation of the minimum exchange rate (cf. chart 6).

Chart 6

COMPANIES NOT AFFECTED: EXPLANATIONS

51 companies, multiple answers possible

- Not exposed to exchange rate movements
- Hedging transactions conducted even before discontinuation
- Natural hedging
- Positive and negative effects offset each other
- Other

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Source: SNB