
Exchange rate survey: Effects of Swiss franc appreciation and company reactions

SNB regional network

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of September 2015

In the economic survey for the third quarter, which was carried out from mid-July to the beginning of September 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 182 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 EUR/CHF minimum exchange rate on 15 January 2015 presents a great challenge for many companies. For this reason, the delegates from the SNB's regional network once again conducted a special survey on the topic in the third quarter.

Overall, the results of this survey were similar to those in the previous quarter. What is more, the further forward we move from the discontinuation of the minimum exchange rate, the harder it becomes to separate the effects relating to these measures from other effects. The SNB will therefore discontinue the special exchange rate survey as of the fourth quarter. The delegates will of course continue to broach exchange rate concerns as part of their standard survey discussions.

OVERALL RESULTS OF THE SURVEY

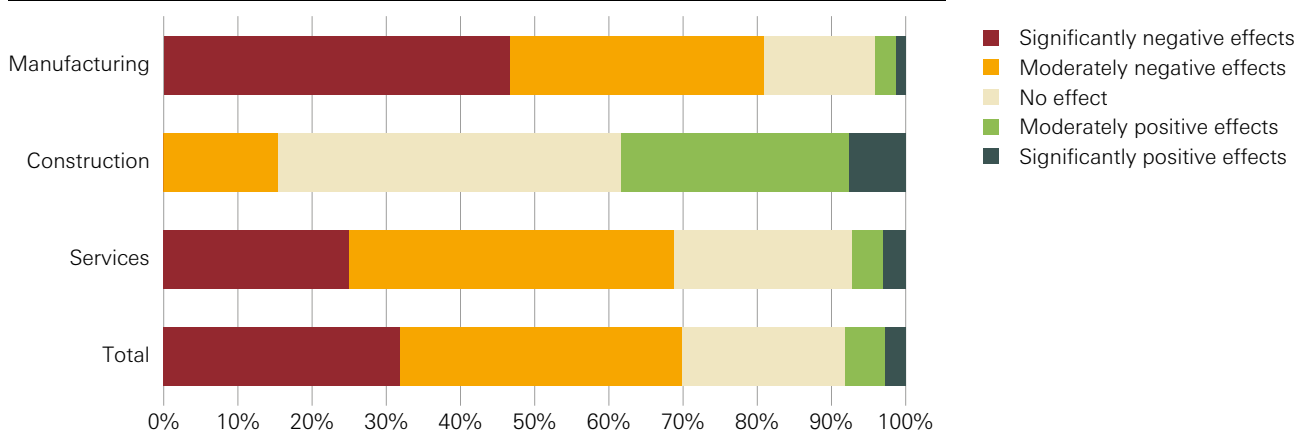
As is evident from chart 1, 70% of respondents report experiencing negative effects from the appreciation of the Swiss franc (32% significantly and 38% moderately negative). A total of 22% of companies said they had not felt any significant effect on their business activities from the Swiss franc appreciation. Positive effects have been experienced by the remaining 8% 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 (81%). In the services sector, this figure is 69%. In construction, only 15% of the respondent companies reported experiencing negative effects, with just under 40% benefiting from the strong Swiss franc through increased purchasing power. It should be noted that industrial companies with construction-related activities are included under manufacturing in this survey.

Chart 1

EFFECTS OF CHF APPRECIATION

182 companies



Source: SNB

NEGATIVE EFFECTS – WHERE AND HOW?

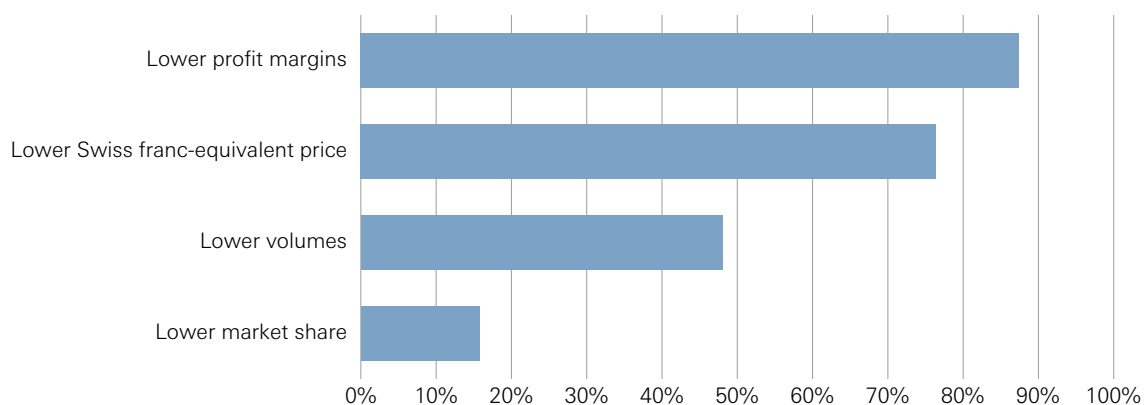
In total, 127 companies (70%) report moderate or significantly negative effects from the appreciation of the Swiss franc. Chart 2 shows the form these negative effects are taking. The negative effects are primarily felt in the form of reduced margins and lower sales prices (in Swiss francs and Swiss franc-equivalent prices). On the domestic market, roughly 90% of the negatively affected companies cite this as the reason; on the export markets, around 75%.

A decline in sales volumes is given as the third most important factor (almost 50% of the negatively affected companies). Domestic sales are particularly affected. It is also becoming evident that in 15% of the cases market share is being lost because of the unfavourable competitive situation.

Chart 2

NEGATIVELY AFFECTED COMPANIES: EFFECTS OF CHF APPRECIATION

127 companies, multiple answers possible



Source: SNB

NEGATIVE EFFECTS – HOW ARE COMPANIES REACTING?

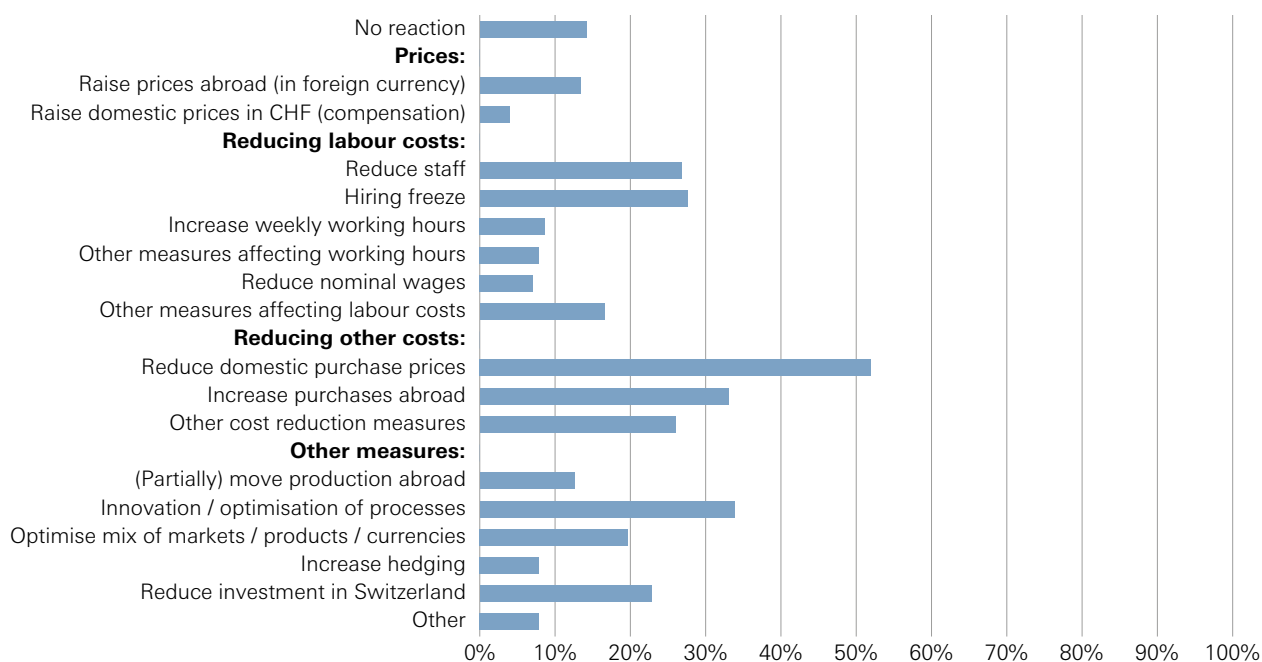
Companies were also asked about the measures they had already taken to counter the negative effects of the Swiss franc appreciation and the erosion of margins. Chart 3 shows the range of these measures. Roughly 85% of the negatively affected companies have opted to take measures. The measures reported most frequently were reducing purchase prices in Switzerland (52% of companies), taking steps to optimise processes and innovate (34%) and increased purchasing abroad (33%), with some companies increasing the share of their purchases abroad massively.

Labour costs are mainly being cut by implementing hiring freezes (28%) or reducing staff numbers (27%). Just under 10% of companies surveyed have increased working hours. A reduction of investment in Switzerland as well as optimising the mixture of markets, products and currencies are among the further strategies being implemented. Of the companies negatively affected by the strong Swiss franc, 13% are moving parts of their production abroad.

Chart 3

NEGATIVELY AFFECTED COMPANIES: MEASURES TAKEN IN REACTION TO CHF APPRECIATION

127 companies, multiple answers possible



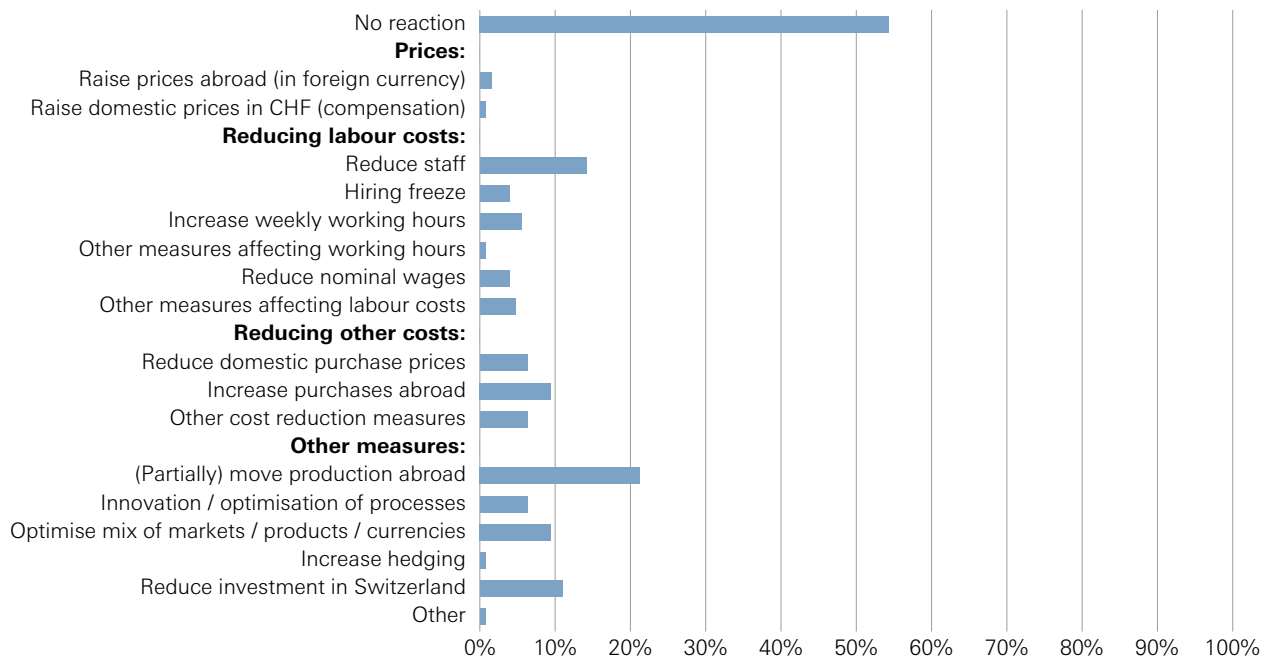
Source: SNB

Chart 4 shows the measures still being considered by negatively affected companies. Approximately half of these companies indicated that, despite the negative impact, they are not planning to evaluate any measures in future. For those companies which are evaluating measures, the main measure under discussion is the partial relocation of production processes abroad. Reducing staff numbers, reducing investment in Switzerland and increasing purchases abroad are also being considered.

Chart 4

NEGATIVELY AFFECTED COMPANIES: MEASURES BEING CONSIDERED DUE TO CHF APPRECIATION

127 companies, multiple answers possible



Source: SNB

NO EFFECTS – WHAT ARE THE REASONS?

As is to be expected, the 22% 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 (in approximately 60% of cases). However, exchange rate effects can also be neutralised, through positive and negative factors offsetting each other (approximately 30%), or through hedging transactions conducted before the discontinuation of the minimum exchange rate (5%).

POSITIVE EFFECTS – WHERE AND HOW?

Of all respondent companies, 8% experienced minimal or even significantly positive effects from the appreciation of the Swiss franc. The greater part of the positive effects came in the form of lower input costs and/or improved profit margins. Just under half of the companies experiencing positive effects mentioned larger sales volumes and, in one-quarter of cases, more favourable conditions for investing as well as for research and development.

Published by

Swiss National Bank
Economic Affairs
Börsenstrasse 15
P.O. Box
CH-8022 Zurich

Design

Interbrand Ltd, Zurich

Typeset and printed by

Neidhart + Schön AG, Zurich

Language versions:

The *Quarterly Bulletin* is available in printed form in German (ISSN 1423–3789) and French (ISSN 1423–3797).

**The *Quarterly Bulletin* can also be downloaded from the SNB website in the following language versions:**

English: www.snb.ch, *Publications, Quarterly Bulletin* (ISSN 1662–257X)
German: www.snb.ch, *Publikationen, Quartalsheft* (ISSN 1662–2588)
French: www.snb.ch, *Publications, Bulletin trimestriel* (ISSN 1662–2596)
Italian (Business cycle trends): www.snb.ch, *Pubblicazioni, Pubblicazioni economiche, Bollettino trimestrale*

Website

www.snb.ch

Copyright ©

The Swiss National Bank (SNB) respects all third-party rights, in particular rights relating to works protected by copyright (information or data, wordings and depictions, to the extent that these are of an individual character).

SNB publications containing a reference to a copyright (© Swiss National Bank/SNB, Zurich/year, or similar) may, under copyright law, only be used (reproduced, used via the internet, etc.) for non-commercial purposes and provided that the source is mentioned. Their use for commercial purposes is only permitted with the prior express consent of the SNB.

General information and data published without reference to a copyright may be used without mentioning the source.

To the extent that the information and data clearly derive from outside sources, the users of such information and data are obliged to respect any existing copyrights and to obtain the right of use from the relevant outside source themselves.

Limitation of liability

The SNB accepts no responsibility for any information it provides. Under no circumstances will it accept any liability for losses or damage which may result from the use of such information. This limitation of liability applies, in particular, to the topicality, accuracy, validity and availability of the information.

© Swiss National Bank, Zurich/Berne 2015