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# Business cycle signals

Results of the SNB company talks

## First quarter of 2026

Report submitted to the Governing Board of the Swiss National Bank for its quarterly monetary policy assessment

The appraisals presented here are based on discussions between the SNB's delegates for regional economic relations and members of management at companies throughout Switzerland. In its evaluation, the SNB aggregates and interprets the information received. A total of 241 company talks were conducted between 14 January and 3 March.

Most of the talks were held before 28 February, i.e. before the recent escalation in the Middle East. In order to assess the potential implications of this conflict, the delegates conducted follow-up surveys with 50 companies in the week of 6–13 March, asking them about their business outlook. The additional information is not reflected in the index values shown, but is factored into their interpretation.

### Regions

Central Switzerland  
Eastern Switzerland  
Fribourg/Vaud/Valais  
Geneva/Jura/Neuchâtel  
Italian-speaking Switzerland  
Mittelland  
Northwestern Switzerland  
Zurich

### Delegates

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## Key points

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- According to the talks with company representatives, the Swiss economy grew solidly at the beginning of the year. Services companies continued to record robust turnover growth, and in manufacturing the signs of a slight upturn that had already been observed in the previous quarter were confirmed.
- In manufacturing, the utilisation of technical capacity remains significantly below normal levels. Although low utilisation and the strength of the Swiss franc are weighing on margins, the situation has improved somewhat. Manufacturing companies attribute this above all to declines in staffing levels, but in some cases also to the reduced US tariffs.
- Companies are optimistic about the development of their business and anticipate robust increases in turnover in the next two quarters. The information received after the escalation in the Middle East suggests that the majority of companies are adhering to their expectations. Some directly affected companies are significantly lowering their expectations, however. Uncertainty is considered to be high.
- Companies are finding it comparatively easy to recruit staff at present and staffing levels are more or less in line with their requirements.
- Many companies are investing in projects involving artificial intelligence (AI) and are anticipating efficiency gains in the coming years. However, the majority of companies report that the use of AI is not currently reducing their need for staff.

Chart 1

**TURNOVER**



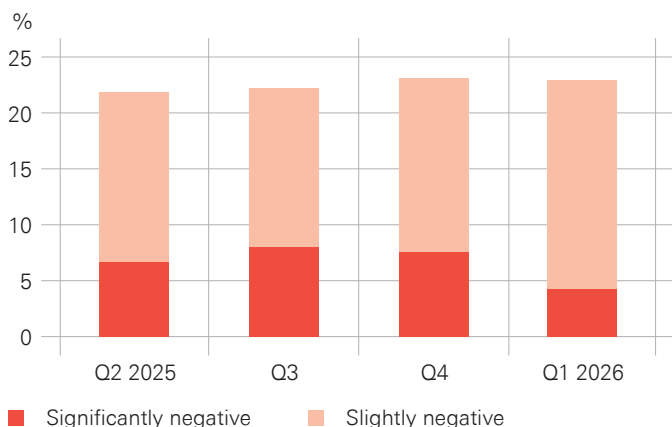
Developments in real turnover compared to the previous quarter. Positive (negative) index values signal an increase (decrease).

Source(s): SNB

Chart 2

**EFFECTS OF US TRADE POLICY**

Share of companies reporting direct negative effects of US trade policy on their business



■ Significantly negative    ■ Slightly negative

Source(s): SNB

**CURRENT SITUATION**

**Solid growth in turnover at beginning of year**

According to the talks with company representatives, the Swiss economy has started the year with solid growth (chart 1). In the services sector, consulting firms, IT service providers and financial institutions have been able to match the robust growth of previous quarters. However, turnover growth in consumer-related services such as retail trade and food services has been somewhat less pronounced than in the previous quarter.

The construction sector has been unable to maintain the high growth rates of previous quarters. That said, the very good order situation suggests that this is only a temporary dip in growth.

In manufacturing, signs of a slight upturn already observed in the previous quarter were confirmed. Increased inventories, which last year had been curbing demand, have now been largely reduced. At the same time, the subdued investment activity of the last few quarters has created pent-up demand, resulting in somewhat stronger demand again for capital goods. In some cases this also applies to European sales markets, where increasing investment in the transport and energy infrastructure and in defence are supporting demand. In addition to this, certain orders that had been put on hold are now being released owing to reduced US tariffs. Companies are generally seeing lively demand from the US, whereas demand from Europe and Asia remains mixed.

All in all, however, companies report that US trade policy is continuing to have a dampening effect on their business activity. A good fifth of the companies visited are feeling negative effects (chart 2). That said, the proportion of companies reporting a significant negative impact is appreciably lower than in the previous quarter. For one thing, the US has reduced additional tariffs. For another, companies are implementing various measures to counter the burden of tariffs and the uncertainty surrounding US trade policy. This includes relocating individual steps in the manufacturing process abroad. Following the reduction in the tariffs, the pressure to introduce such measures eased again. Even so, some of the companies affected are continuing to work on opening up new sales markets and establishing new supply chains to broaden their geographical base.

### Technical capacity utilisation mixed

Despite the solid growth, technical capacity utilisation remains below normal levels (chart 3). There are still differences between the sectors. Utilisation in manufacturing continues to be significantly lower than usual. So far, growth has not been sufficient to achieve any appreciable improvement in utilisation. Capacity utilisation in the services sector is only slightly below the usual level. Owing to the current dip in growth, construction companies are seeing capacity utilisation decline to levels slightly below the average.

### Appropriate staffing levels and easier recruitment

Overall, staffing levels are in line with requirements (chart 4). This also applies to manufacturing, where they were still too high in previous quarters. Many manufacturing companies report that they have had to reduce staff numbers.

The recruitment situation for companies has continued to improve. Even in fields where there has been a severe shortage of specialist staff in recent years, vacancies can now be filled without major difficulties. For example, companies are currently receiving a sufficient number of good applications for IT positions. However, recruiting specialist staff in skilled trades remains difficult. The same can be said of positions that require a high degree of flexibility in terms of location and working hours.

### Solid margin situation

Companies report that profit margins remain at solid levels (chart 5). In the services sector, margins have declined slightly. In manufacturing, by contrast, margins have improved somewhat, despite the continued low level of capacity utilisation and the stronger Swiss franc. Manufacturing companies often attribute this to the major efforts they have made to increase productivity and reduce costs. This has included reducing staffing levels. Some companies are also benefiting from the fact that the burden of US tariffs has eased compared with previous quarters.

Chart 3

### CAPACITY UTILISATION



Utilisation of technical capacity and/or business infrastructure compared to a normal level. A positive (negative) index value signals utilisation is higher (lower) than normal.

Source(s): SNB

Chart 4

### STAFF SHORTAGES



Assessment of staff numbers. Positive (negative) index values signal staff numbers that are lower (higher) than necessary.

Source(s): SNB

Chart 5

### CHARACTERISATION OF MARGINS



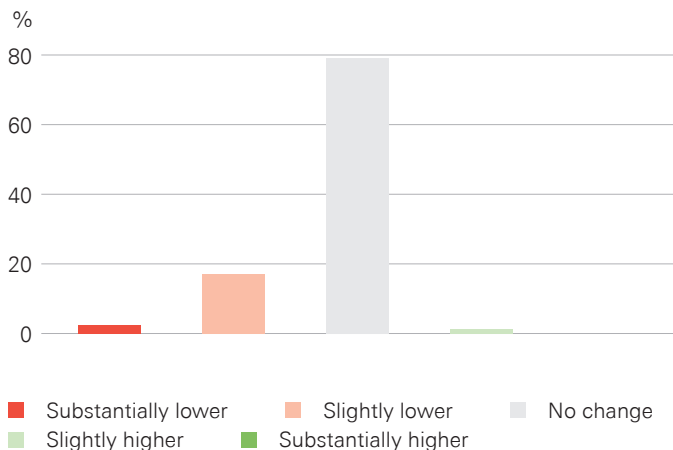
Characterisation of the margin situation. Negative (positive) index values signal an uncomfortable (comfortable) margin situation.

Source(s): SNB

Chart 6

### IMPACT OF AI ON DEMAND FOR STAFF

Change in current demand for staff due to use of AI



Source(s): SNB

### Artificial intelligence not yet significantly reducing companies' need for staff

The SNB's delegates talked with company representatives about how the use of artificial intelligence is affecting their current staff needs.

A clear majority (just under 80%) of the company representatives interviewed said that AI was not changing their staff needs at present (chart 6). However, only few say that they expect AI not to have any effect on staffing requirements in the future. Many are in the process of preparing to use AI, for example by creating the necessary data basis. Companies frequently mention that applications are currently in the test phase. Some companies point out that the initial aim of AI is to improve the quality of services, deploy their workforce more systematically, or reduce the amount of work that has to be outsourced to external service providers. They only expect to see staff reductions in the coming years.

Around one-fifth of companies have less demand for staff as a result of AI, although the changes are typically only slight. AI is reducing staff needs primarily at consulting firms, in software development and in support functions. Frequently affected are human resources and accounting, legal departments and translation services. In some cases, marketing services can also be provided by fewer staff.

Hardly any companies currently report needing more staff because of AI. Only in isolated cases is there an increase in staffing requirements to carry out AI projects or support AI applications that have already been implemented.

## DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

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### **Low capacity utilisation despite upturn in parts of manufacturing**

Companies from various manufacturing industries confirm signs of an upturn in demand. As had already been the case in previous quarters, this was supported by demand, primarily from the public sector, for goods and services for transport and energy infrastructure and defence. Life sciences and suppliers to domestic construction are also seeing continued high demand. In the current quarter, companies in the watchmaking industry are now also reporting reductions in inventories and a resulting improvement in the order situation. Rising investment in the infrastructure required for the use of AI is also having a positive effect. However, demand remains weak from the German automotive industry, where there are only very isolated signs of a recovery. Some manufacturing companies report growing competition from Chinese suppliers, who are catching up in terms of quality.

That said, capacity utilisation remains low in a number of manufacturing industries. This is particularly true of the mechanical engineering and metals industries. The watchmaking industry is also suffering from low utilisation despite a slight improvement in the order situation.

### **Mixed business activity in trade industry**

While food sales grew steadily at the beginning of the year, other retail product groups recorded only subdued momentum. Companies attribute this to muted consumer sentiment and growing competition from Chinese online providers.

Developments in wholesale and logistics have varied depending on the sales market. Companies are profiting from solid growth in goods and services for construction and in pharmaceutical products. By contrast, companies geared to customers in manufacturing have been experiencing only subdued demand.

### **Pleasing winter months for hotel industry**

Over the winter months, guest numbers in the hotel industry were stable at a high level. Despite difficult weather and snow conditions at times, which had a curbing effect on day-trip tourism, the optimistic expectations regarding winter tourism turned out to be well founded. Hotels experienced solid demand from guests from Switzerland and individual guests from abroad. Since the escalation in the Middle East, however, the outlook has been very uncertain. Some businesses have seen their first cancellations and a decline in bookings from the Middle East and the Asian markets. Demand from domestic guests, by contrast, could increase.

Companies geared to business customers saw only muted demand for seminars and conferences. Weak demand from business customers also affected the food services industry, where subdued consumer sentiment has been exerting additional pressure.

### **Dynamic business activity in ICT, management consulting and financial industry**

The information and communications technology (ICT) industry continued to see dynamic business activity at the beginning of the year. An important source of support is companies' efforts to cut costs and improve their competitiveness. These include digitalisation and process optimisation, increasingly through the use of AI applications. Improving IT security and data sovereignty is another area of growth. There is also high demand from the public sector for digitalisation services.

Consulting firms, too, are reporting dynamic demand for their services. Clients have an increased need for advice, particularly on dealing with regulatory requirements.

The financial industry continues to do solid business. Credit volumes have shown further growth, and a positive stock market performance at the beginning of the year supported commissions in the wealth management business.

### **Full order books in construction**

In construction, growth in turnover was unable to fully match the robust momentum of previous quarters. The order books are still full, however, supported by public infrastructure construction and robust demand in residential and renovation construction. Companies attribute the somewhat weaker development in turnover primarily to building permit delays and in some cases staff shortages. In addition to this, in manufacturing, orders have been postponed as a result of the high level of uncertainty.

## OUTLOOK

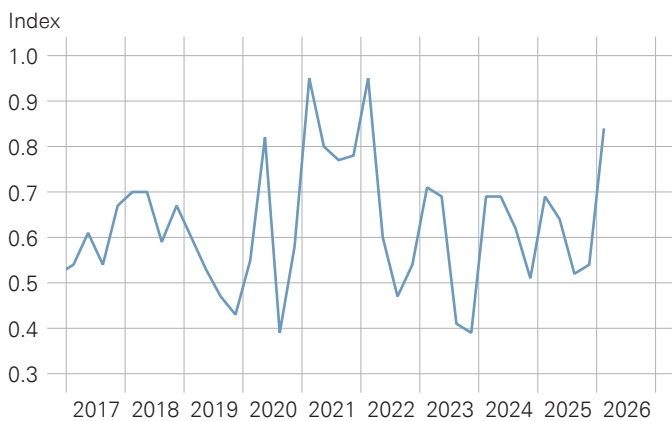
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### **Improved business outlook but high level of uncertainty**

The business outlook improved at the beginning of the year, and companies expect robust turnover growth for the next two quarters (chart 7). Companies in manufacturing are seeing signs of an economic upturn in Europe and a gradual increase in investment activity. They expect the upturn to take hold over the coming quarters.

Chart 7

**EXPECTED TURNOVER**



Expected developments in real turnover over the coming two quarters. Positive (negative) index values indicate turnover is expected to be higher (lower).

Source(s): SNB

Chart 8

**EXPECTED EMPLOYMENT**

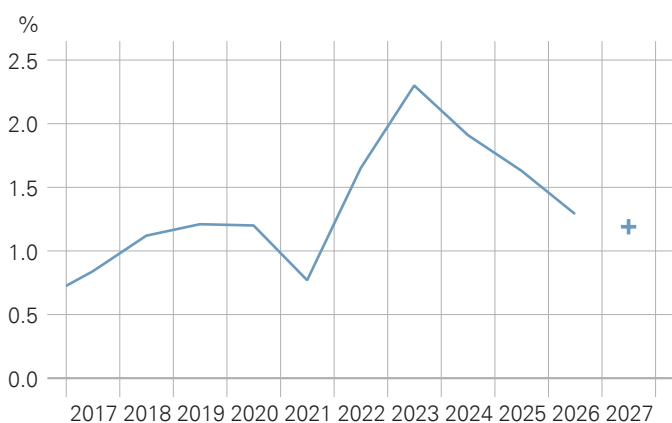


Expected developments in staff numbers over the coming two quarters. Positive (negative) index values indicate an expected increase (decrease).

Source(s): SNB

Chart 9

**WAGE INCREASES**



Expected average wage increase for the coming year (cross) and agreed annual wage increases (line).

Source(s): SNB

The information received after the escalation in the Middle East suggests that the majority of companies are adhering to their expectations. Some directly affected companies are significantly lowering their expectations, however. This includes those for which the Middle East is an important sales or procurement market, or which are suffering from the disruption to the region’s air transport hubs. However, uncertainty is considered to be high. Companies cite as risks a broad-based deterioration in the economy and a further appreciation of the Swiss franc as a result of geopolitical developments. They also continue to regard US trade policy as a factor in the uncertainty.

**Moderate increases in investment and staff levels**

Companies are planning moderate increases in investment. Manufacturing and construction companies are continuing to concentrate on maintenance, as well as replacement investments and measures to increase efficiency. Plans to expand domestic production capacity are rather rare. Services companies anticipate higher spending on their IT infrastructure.

At the same time, companies expect to increase staff numbers moderately in the next two quarters (chart 8). Companies in the services and construction sectors anticipate an increase in their workforce. Staffing plans in manufacturing vary, although staff levels are expected to increase slightly overall.

**Slightly weaker wage growth**

Given the easier recruitment situation and low inflation, the companies surveyed expect wage growth of 1.3% on average this year, down from 1.6% in 2025 (chart 9). For 2027, company executives expect marginally lower wage growth of around 1.2%. However, they do point out that it is currently still difficult to make reliable statements.

**Purchase prices expected to rise more strongly than sales prices**

Companies expect purchase prices to rise in the next two quarters. Sales prices also look set to rise, although the anticipated increase is slightly lower than for purchase prices (chart 10).

On the procurement side, developments in the price of raw materials and energy are a factor in manufacturing and construction. Towards the end of the period during which the talks were conducted, and especially after the escalation in the Middle East, companies were expecting rising energy prices to lead to higher prices for intermediate products such as steel, copper, aluminium and glass. There was, however, a great deal of uncertainty regarding the scale of these increases.

Services companies in particular face further price increases for software licences, cloud services, AI applications and IT security. Some companies are also having difficulties when it comes to procuring goods and services required for the AI infrastructure. This is leading to an increase in purchase prices for data storage in particular.

As for sales prices, companies still see a certain need to pass on purchase prices, which have increased in some cases, as well as higher labour costs to their customers. However, the scope for price adjustments is in many cases limited by the tight competitive situation.

### INFLATION EXPECTATIONS

The delegates ask company representatives about their own short and long-term inflation expectations.

There has been virtually no change in short-term inflation expectations as measured by the consumer price index. The average for the next 6 to 12 months (chart 11) is 0.7%. Inflation expectations over a 3 to 5-year horizon now average 1.1% versus 1.0% in the previous quarter. Some companies point out that a number of different factors have led to increased uncertainty around inflation expectations. In the short term, these factors are the exchange rate and – given the escalation in the Middle East – commodity prices. In the longer term, companies cite structural factors such as the use of AI and its implications on the labour market.

### About this report

Each quarter, the SNB's delegates for regional economic relations hold more than 200 talks with company executives. The selection of companies reflects the industrial structure of the Swiss economy based on GDP and employment. Industries subject to stronger cyclical fluctuations are somewhat over-represented, while public administration and agriculture are not taken into consideration. As a rule, the companies in the sample have at least 50 employees. The sample changes each quarter.

In the talks, the SNB's delegates capture primarily qualitative information. The discussions are nevertheless structured in such a way as to allow the delegates to grade part of the qualitative

Chart 10

### EXPECTED CHANGE IN PURCHASE AND SALES PRICES

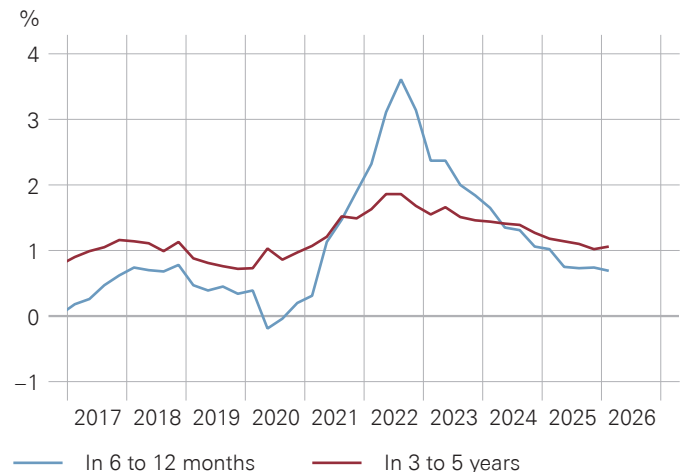


Expected price development for the next 12 months. Positive (negative) index values indicate higher (lower) prices are expected.

Source(s): SNB

Chart 11

### EXPECTED INFLATION



Source(s): SNB

information received according to a numeric scale. The five-tier scale ranges from 'substantially higher' or 'much too high' (+2), 'slightly higher' or 'somewhat high' (+1), 'the same' or 'normal' (0), 'slightly lower' or 'somewhat low' (-1), to 'substantially lower' or 'much too low' (-2). The index values shown in the charts represent an average of the findings from all companies visited.

Further information can be found in the 'Business cycle signals' reports at [www.snb.ch](http://www.snb.ch), The SNB/Regional economic relations.

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