

13 June 2019

News Release

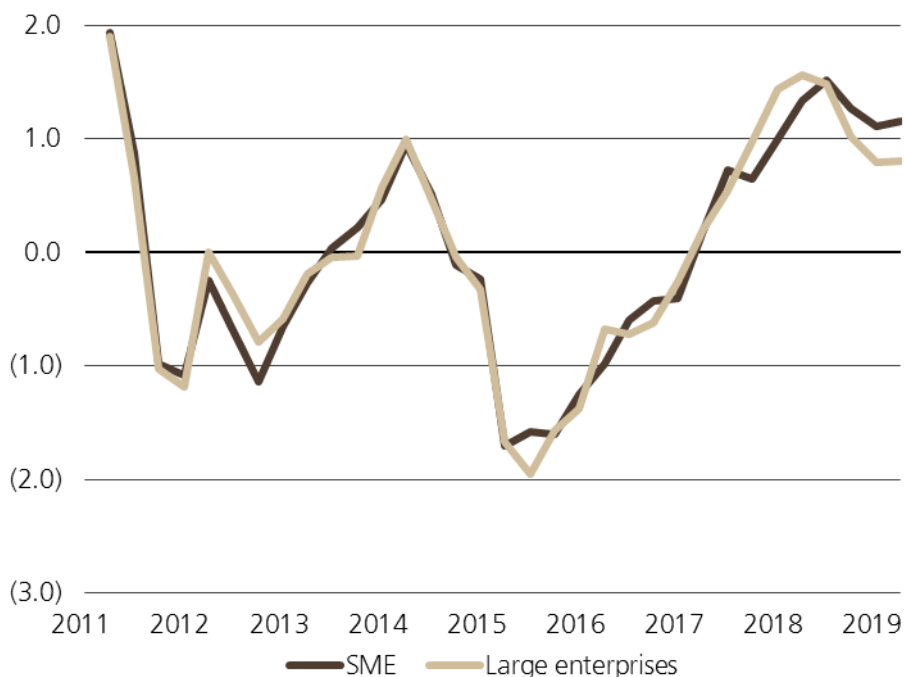
UBS SME barometer: Turnaround or flash in the pan?

Both barometers (for large companies and for SMEs) improved slightly between January and April.

Zurich, 13 June 2019 – Despite persistent uncertainties about the future outcome of international trade tensions, Brexit negotiations and trends in the global economy, the barometer for small and medium-sized enterprises (SMEs) in Switzerland rose from 1.11 to 1.16 between January and April. Among SMEs, this improvement was primarily driven by the construction industry and industrial firms. In addition, SMEs in most sectors are more optimistic about the second quarter.

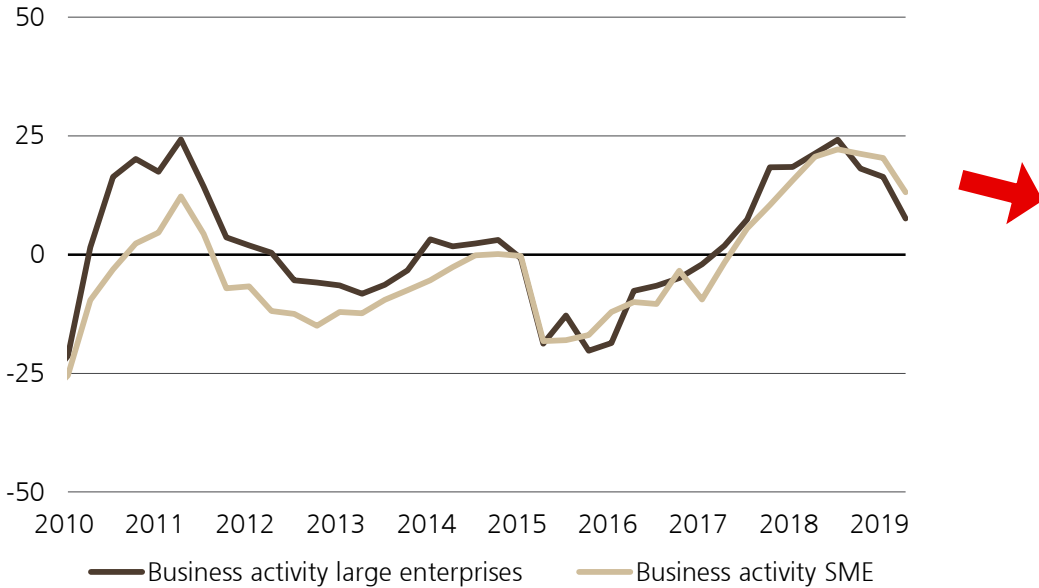
The barometer for large companies likewise improved slightly, rising from 0.79 to 0.81 over the same period. In the case of this business group as well, the improvement was mainly driven by the construction industry and industrial firms. Companies in these sectors and in wholesale, as well as architecture and engineering firms, are optimistic about further business development.

UBS SME Barometer



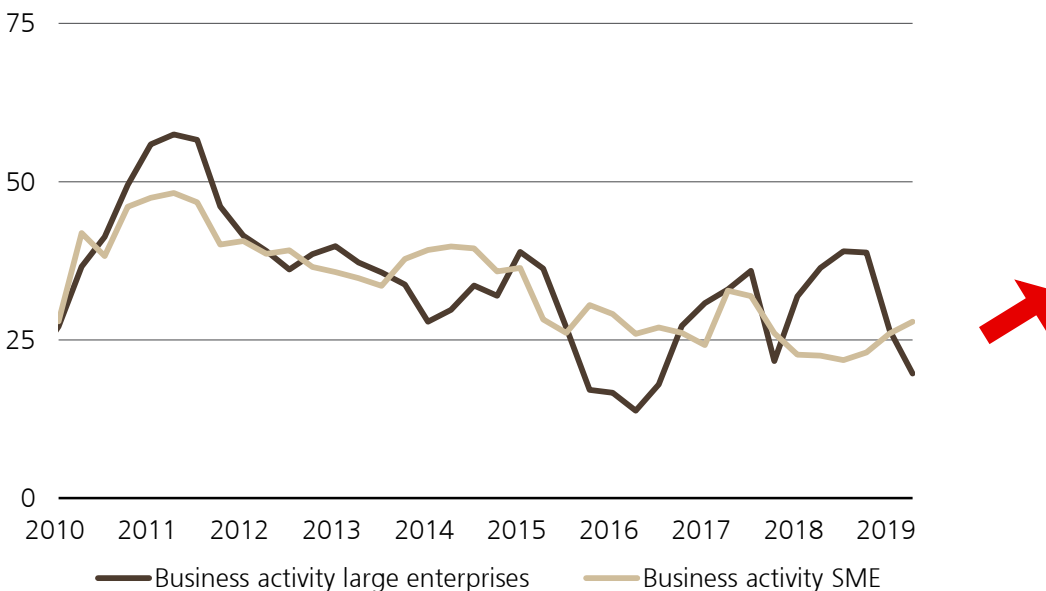
Source: KOF, UBS

Industry



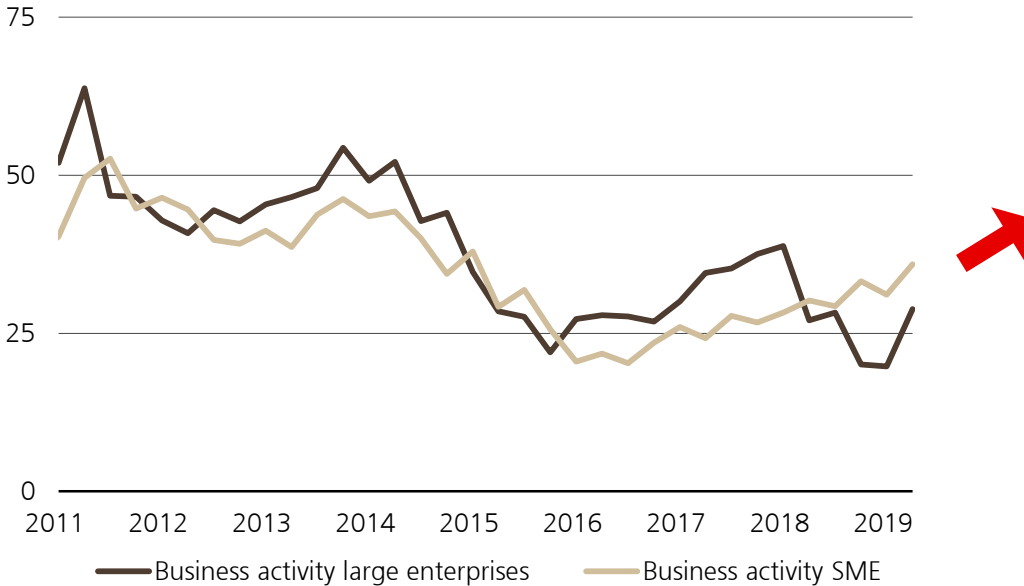
Both SMEs and large companies assessed the business situation in April somewhat less favorably than in January. Although SMEs and large companies judged incoming orders to be better in April than in January, the year-on-year comparison looked considerably worse. Both segments continue to anticipate that prices will rise, but the momentum has slowed somewhat. There were discrepancies between the two in terms of the earnings situation. In the case of large companies, it stabilized at the January level, and prices also rose moderately. Among SMEs, however, the earnings situation continued to worsen.

Services



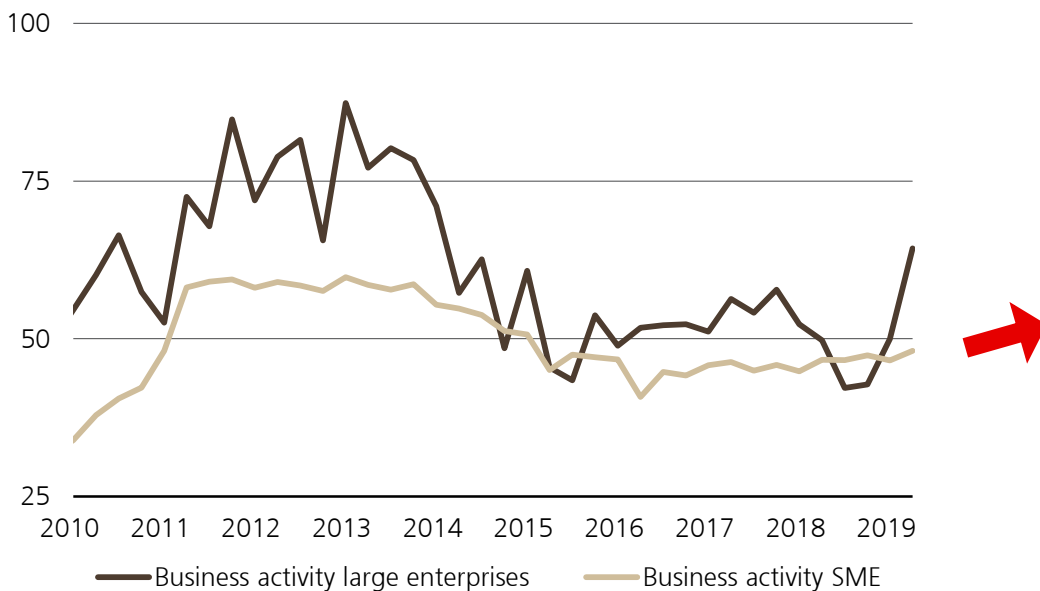
Whereas the business situation declined markedly for large companies in the service sector, it improved slightly in the case of SMEs. However, the downturn in the economic situation for large companies can't be explained either by demand or by the earnings situation over the past three months, since both of these indicators showed significant improvement. Nevertheless, large companies are anticipating slightly lower prices for the next three months. In the case of SMEs, demand and the earnings situation were somewhat better in April than in January.

Construction



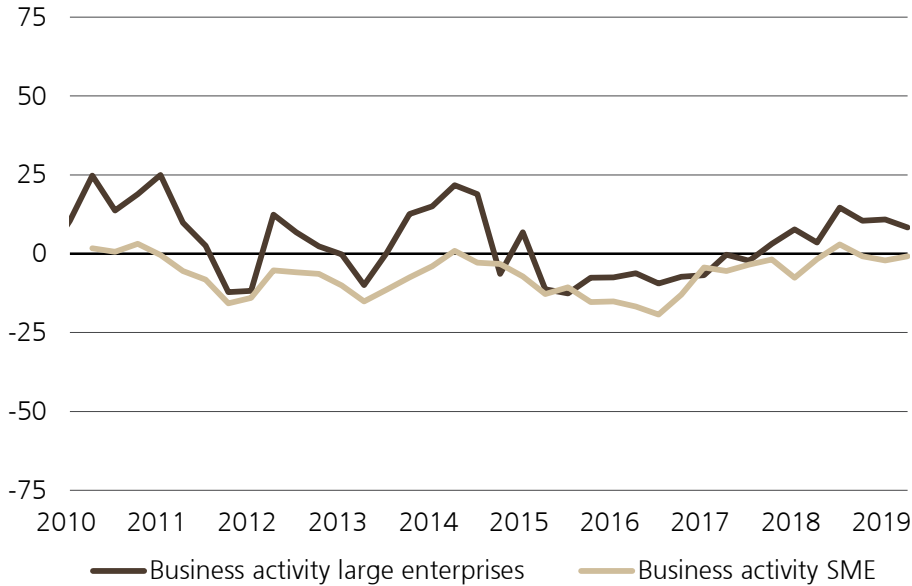
The economic situation in the construction industry improved for both SMEs and large companies. In the case of SMEs, the earnings situation again worsened slightly, and companies anticipate that price pressure will continue. However, the momentum has weakened significantly for both indicators. Demand was also slightly higher among SMEs. In the case of large companies, the earnings situation remains strained, and here as well, the momentum has weakened. On the other hand, demand was somewhat lower in April than in January, and companies are anticipating increased price pressure for the next three months.

Architecture and engineering



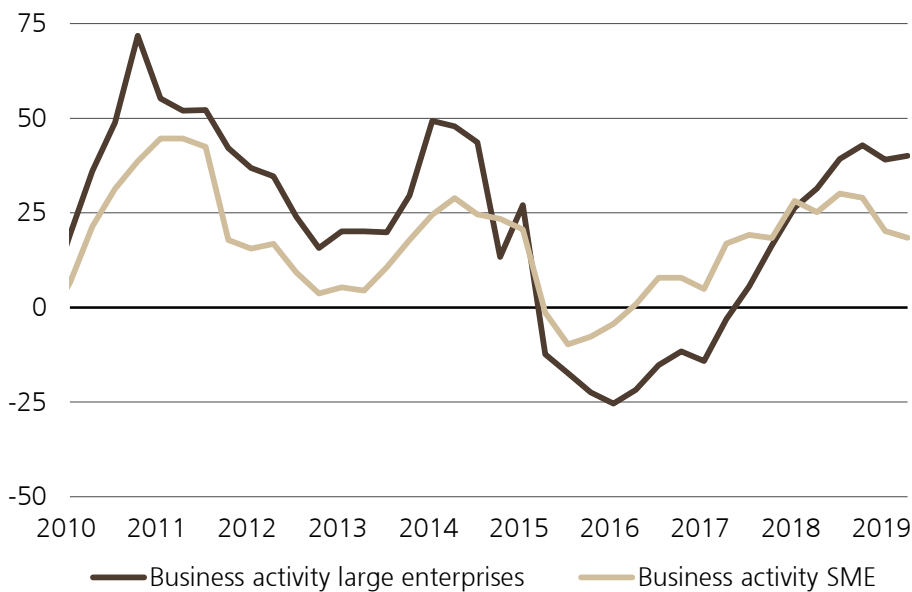
Architecture and engineering firms continue to evaluate the business situation in very optimistic terms. However, particularly among large companies, there was a discrepancy between their assessment of the business situation and trends in indicators. Both demand and the earnings situation worsened in comparison to January, and companies anticipate that prices will fall. In the case of SMEs, the picture is similar, other than the fact that demand has improved somewhat over the past three months.

Retail sales



Large retailers are expecting slightly higher prices for the next three months, and they continue to anticipate that sales will rise. However, the momentum in sales trends is likely to weaken somewhat. SMEs are forecasting that sales and prices will continue to fall over the next three months. Whereas the earnings situation among large companies stabilized between January and April, it continued to worsen for SMEs. This was also apparent in connection with the assessment of the business situation: In April, SMEs rated the business situation as poor, and large companies, by contrast, as good. On the other hand, whereas the momentum among large companies slowed, it accelerated slightly in the case of SMEs.

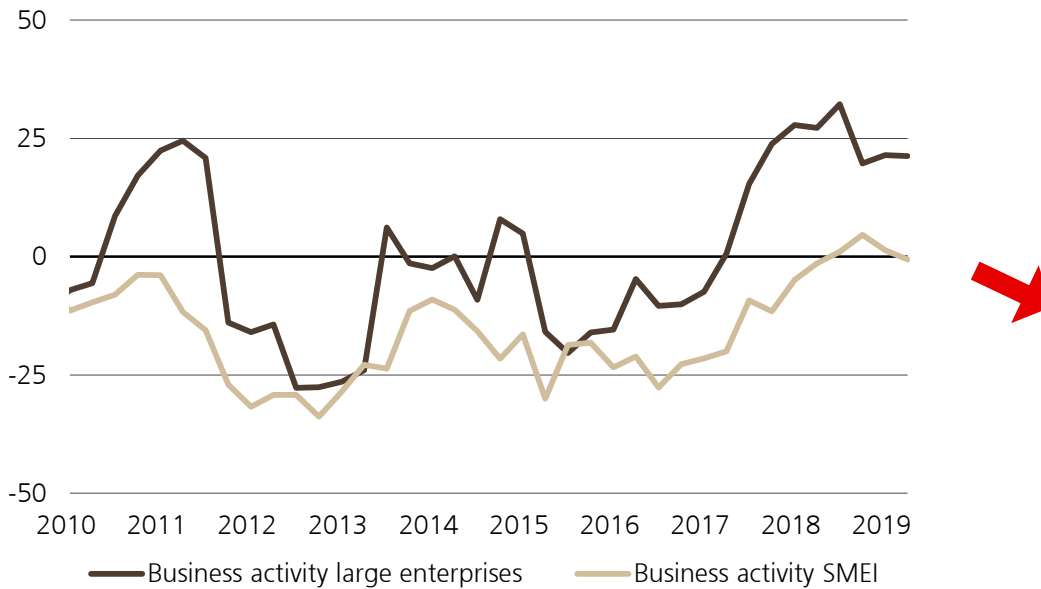
Wholesale



The business situation in retail improved slightly overall, although it worsened somewhat among SMEs between January and April. Large companies assessed the business situation in more optimistic terms, primarily because of higher demand, although the earnings situation stabilized at the January level. Large companies are also expecting the momentum in price behavior to slow over the next three months. SMEs also

anticipate that the momentum in prices will weaken somewhat. In addition, demand fell between January and April, and the earnings situation worsened.

Tourism



With respect to the business situation in tourism, the assessment by large companies was the same in April as it was in January. In the case of SMEs, the upward trend during the last quarter weakened, with companies now assessing the business situation as merely satisfactory. However, this pessimistic view of the economic situation is not consistent with the trends in indicators. For instance, the earnings situation and demand both improved, and companies are optimistic about future price behavior. In the case of large companies as well, both demand and the earning situation improved, albeit with slowing momentum.

Important

The data is seasonally adjusted. Survey responses are evaluated using a diffusion index: the result represents average of companies reporting a positive or a negative trend. It therefore does not represent a percentage rate of change.

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