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Corona Pandemic: a recent survey shows the deep worries of Swiss business

A survey run by economiesuisse among its members reveals how Swiss business is coping with the challenges of the corona crisis. Swiss companies are preparing for some difficult months ahead. Many are already struggling with delivery bottlenecks, sales difficulties and deteriorating payment behaviour on the B2B level. The aid package of the Federal Council comes just in time.

The current survey among members of economiesuisse shows that the emergency measures presented on 26 March 2020 by the Swiss government with the aim to provide additional liquidity for companies are to the point and appropriate. Swiss business is expecting a massive increase of companies with liquidity problems. Already today, one third of the companies have difficulties to ensure liquidity for their operations and this number is expected to rise to 50 per cent in the coming two months. Thus, the safeguard measures of the federal government are coming at the right time in order to break the negative chain reaction in the economy. However, dwindling sales are not the only reason for rising liquidity problems. Many companies report that payment behaviour between businesses has drastically deteriorated. They therefore foresee a significant increase of bad debt losses which in turn impacts their liquidity negatively. Additionally, the survey has brought up further interesting but also disturbing facts:

- Already today, many companies face problems selling their products and services in Switzerland. Over the next two months, the drop in sales in comparison with the period before the corona crisis is expected to continue at the same low level but should not decrease further. Subcontractors and suppliers to the catering industry, hotels, event organisers, hairdressing salons etc. are heavily affected by the governmental closing bans. The textile industry can no longer sell a large part of the current collection. The same problem applies to other suppliers to the retail trade. The automobile trade is being hit by the production stop in Europe.
- Over the coming two months, the proportion of companies facing sales difficulties abroad is expected rise from less than one third to over a third.
- Companies are equally expecting difficulties in the purchasing of preliminary goods. Companies are specifically reporting supply shortages for the following products: flavours, vitamins, packaging material, building material, alcohol, glycerine, medical devices, rare earths, magnets.
- These supply bottlenecks affect goods from many countries. As in recent weeks, there are still delays in the delivery of products from Asia (China, Japan, South Korea, Thailand, India). Increasingly, however, there are also supply bottlenecks for imports from Europe, especially from Italy, but also from Poland, Serbia, Turkey, Austria, France and Germany. And finally, also Swiss suppliers are sometimes falling behind schedule. The export industry is particularly affected: it is expected that over the coming two months, up to 85 percent of all export companies will be affected by supply bottlenecks in one form or another.
- A problem which has been overlooked so far concerns the pharmaceutical and biotechnology industries. Due to the increased burden on hospitals, clinical studies are currently hardly feasible. This slows down the development of new drugs considerably. This is particularly problematic for future-proof start-ups that do not yet generate sales.
- Both the proportion of companies that are cutting jobs and those that are creating jobs will increase. However, 56 percent of the companies expect to have too many employees in the next two months. In contrast, ten percent of the companies expect a shortage of staff. Accordingly, almost two thirds of the companies do not rule out resorting at least partially to short-time work. Lay-offs in the next two months are considered by 30 percent of the companies. What is now in demand are people who can change jobs at short notice or help in other sectors where there are staff shortages. Both,

the domestic economy and the export sector will be equally affected by the job cuts.

- The containment of the corona pandemic is causing great economic damage. On average, companies report that their turnover has fallen by a fifth due to the crisis. It is also expected that within the next two months, sales will decrease by one third in average.

Support from the federal government is received positively and is generally considered enough.

Are the Federal Council's measures now enough to address the acute and major problems in the Swiss economy? The reaction to the Federal Council media conference from 20 March 2020, at which a new aid package worth an additional CHF 32 billion was announced, is revealing. As the survey was launched shortly before this, about two-third of the members took a stand without knowing about the new support measures. In a first phase, the government made only CHF 10 billion available. The later participants in the survey made their assessment in the knowledge that the federal government had massively increased its aid. There are significant differences between the two groups: about half of the companies described the measures of the first aid package of the federal government as enough. Following the announcement of the second package, this proportion rose to over three quarters. The overwhelming majority of companies are therefore of the opinion that the new measures of the Federal Council are now enough to contain the economic damage.

However, Swiss business does not expect the crisis to end soon. Companies estimate that their economic situation will not return to normal for at least six months. The decisive factor in the current assessment is that there will be no far-reaching shutdown. Otherwise, the negative developments would be intensified. Companies therefore ask government to keep industrial production running.

Push for digitization processes

Finally, the companies were asked whether they had any positive news to report. They often mentioned that the crisis had a positive impact on companies' digitisation efforts. In addition to process improvements, it was often mentioned that the crisis had made home office more acceptable. Occasionally, the situation is profitable for those companies that can fill in for foreign suppliers who are unable to deliver. And some companies assume that the supply chain will be reviewed after the crisis and redundancies will be built in so that they are not dependent on individual suppliers.

Information about the survey

The survey was sent to all members of *economiesuisse* on Thursday morning, 19 March, and lasted until Tuesday, 23 March 2020. 84 members took part. The survey covered all parts of Switzerland. Some industry associations have completed the survey in a consolidated form for their industry. The evaluation shows the current mood among Swiss business. If percentages are given, these should only be taken as an estimate. The answers were not weighted in each case.