

Media Release

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Sideways business trend in the MEM industries

The economic slowdown in key markets for the Swiss mechanical and electrical engineering industries (MEM industries) is having a perceptible impact. In the first quarter of 2019, new orders fell by 5.1% and sales by 1.1% compared with the same period last year. First-quarter exports rose slightly (0.9%). Swissmem anticipates a sideways trend in business by the MEM industries throughout the remainder of 2019. Given the considerable economic risks that exist worldwide, it is important to avoid home-grown uncertainties. In the light of this, it is essential that the social security and tax reform and new guns legislation be approved in referendums, and that rapid progress be made on the institutional framework agreement.

New orders received by the Swiss mechanical and electrical engineering industries (MEM industries) decreased by 5.1% in the first quarter of 2019 compared with the same period in 2018. Although relatively high, this fall is coloured to a certain extent by the underlying baseline effect resulting from the very high volume of new orders in the first quarter of 2018. Despite this fall, new orders reached a comparatively good level. Sales also declined year-on-year. This first fall in nine quarters was a moderate 1.1%. Large companies have been somewhat harder hit by the negative sales trend than SMEs. The slowdown in new orders that the MEM industries have been experiencing since mid-2018 has now filtered down to factory floor level, where it is affecting capacity utilization. According to the Swiss Economic Institute (KOF), utilization has fallen from 91.6% in the final quarter of 2018 to its current 89.3%. Nevertheless, this still puts capacity utilization above its longstanding average of 86.4 percent by a significant margin.

Export growth still slight

Goods exports by the MEM industries in the first quarter of 2019 experienced slight year-on-year growth of 0.9% to CHF 17.2 billion. Exports to the USA showed the biggest rise (6.4%), while exports to the EU only just made positive growth (0.5%). There was a 0.6% decline in exports to Asia. The positive overall export performance did not extend to all product groups. Exports of precision instruments rose by a gratifying 6.0%. In the electrical engineering and electronics sector, exports experienced positive growth of 1.2%. By contrast, mechanical engineering (-1.9%) and metal (-5.4%) exports fell.

Assessment and prospects

Companies' expectations for the coming twelve months are restrained. According to the latest Swissmem survey, 26% of companies anticipate an increase in orders from abroad. A year ago, the figure was 48%. Just under half (49%) expect no change in orders. 25 percent of companies anticipate a fall in orders.

Avoiding home-grown uncertainties

Swissmem CEO Stefan Brupbacher has a similar assessment of the current situation. “We started the year expecting a sideways trend in business, and that’s what seems to be happening.” According to the CEO, there are substantial risks, such as Brexit, the debt situation in some EU states and the trade conflicts that are simmering throughout the world. “Faced with this situation, we should avoid home-grown uncertainties”. It is therefore important that Swiss voters back the social security and tax reform in the referendum on 19 May 2019. “That will finally give companies certainty about what tax regime they will be subject to.” Brupbacher is keen to emphasize that the new guns legislation also needs to be accepted in referendum. Even then, however, there would still be a long way to go before all domestic uncertainties are resolved. “We need rapid progress on the institutional framework agreement”, stresses the Swissmem CEO. “This is crucial in ensuring that companies invest here, in keeping jobs in Switzerland and in safeguarding the country’s prosperity.” And last but not least, the MEM industries want to see new free trade agreements with the USA and Mercosur signed quickly. Doing so would bring new opportunities in important markets.

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