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5 November 2009

Media release

Swiss SMEs: Very little good news and growing administrative burden

According to the latest UBS survey, conducted in September, small and medium-sized enterprises (SMEs) saw only marginal improvements in business in the third quarter. While the pace of declining cash flows and revenues slowed somewhat, staff cutbacks continued. Companies anticipate no substantial improvement in business for the fourth quarter. Administrative burdens have tended to increase over the last twelve months, according to information from SMEs.

Zurich/Basel, 5 November 2009 – Despite signs of stabilization in the economy, many Swiss SMEs are still struggling, as seen in the results of the latest UBS quarterly survey for the UBS SME barometer, undertaken in cooperation with the Swiss Industry and Trade Association. While the pace of declining revenues and cash flows slowed slightly in the third quarter, both indicators are still below their 2008 levels and price pressure persists. The economic downturn is also leaving its mark on the labor market. SMEs continued to cut personnel, according to the survey, although to a lesser extent than their larger competitors. Swiss SMEs see no relief in sight for the fourth quarter, and staff cutbacks will continue.

This year, for the first time, UBS and the Swiss Trade Association asked the 535 participating SMEs about how the administrative burdens on their companies have developed over the past twelve months. With one exception – the watchmaking industry – all sectors indicated that administrative strain has increased for SMEs.

Industrials still far behind 2008 levels

Although industrial SMEs have been hit the hardest by the recession, the latest survey reveals some positive findings. Some degree of stabilization appeared in the third quarter as year-on-year revenues and cash flow declined slightly less than in the second quarter. However, incoming orders dwindled even more, and SMEs in the machinery, electrical and metal industries continued to struggle with a severe slump in export sales. Although the expectations for business development in the fourth quarter indicate further stabilization, the revenue and profit levels of 2008 look unattainable and further staff reductions will be made.

While business declined more drastically during the recession for larger companies, who were surveyed for comparison purposes, stabilization is now occurring more quickly for them than for SMEs. They appear to be benefiting from the increase in global trade, a bit ahead of the SMEs.

Relatively fewer service sector job cuts
In the service sector, the decline in revenues was also more moderate in the third quarter. However, cash flows slid further below 2008 levels. The workforce remained relatively stabile and the results of the September survey indicated comparatively fewer staff cutbacks. The surveyed companies expect revenues to approach 2008 levels in the fourth quarter, but the pressure on prices and cash flow will continue unabated.

Tourism expects another tough quarter
Small and medium-sized tourism companies also suffered in the third quarter, primarily because of the absence of foreign tourists. Demand from domestic tourists also declined year on year. Industry representatives do not expect the slump in tourist and revenue figures to worsen in the fourth quarter, but the 2008 figures remain out of reach, even more so in the catering and restaurant industry than in the hotel industry.

Retail sector beats expectations
Despite continuing price pressure, the revenue situation for SMEs in the retail sector once again improved in the third quarter – contrary to expectations. This sector also does not expect business to slump any further in the fourth quarter; cash flow and revenues should, however, remain clearly below their 2008 levels. According to the survey, and in contrast to SMEs, large companies in the retail sector will make further staff reductions. Despite greater price pressure, they still have more optimistic expectations with regard to cash flow development than do SMEs.

Slightly less price pressure for SMEs in the building sector in the fourth quarter
Incoming orders for SMEs in the building sector stagnated last quarter. The industry expects a year-on-year decline of incoming orders in all areas of civil engineering in the coming quarter. Both large building companies and SMEs in this sector suffered from the industry-wide price pressure last quarter. For the fourth quarter, the SMEs expect a slight decline in price pressure – an outlook that their larger competitors do not share.

Methodology of the UBS SME barometer
The UBS SME barometer is based on an evaluation of the UBS survey on manufacturing that the bank has carried out since 1975. This survey was extended to include service providers in the third quarter of 2006. Around 1,300 companies (1,000 SMEs and 300 large companies), forming a representative cross-section of the Swiss economy, are surveyed every quarter. Companies with fewer than 250 employees are classed as SMEs. The responses obtained from the survey are evaluated using a diffusion index: the result represents the weighted average of the percentages of companies reporting a very positive, positive, negative or very negative trend. It therefore does *not* represent a percentage rate of change.

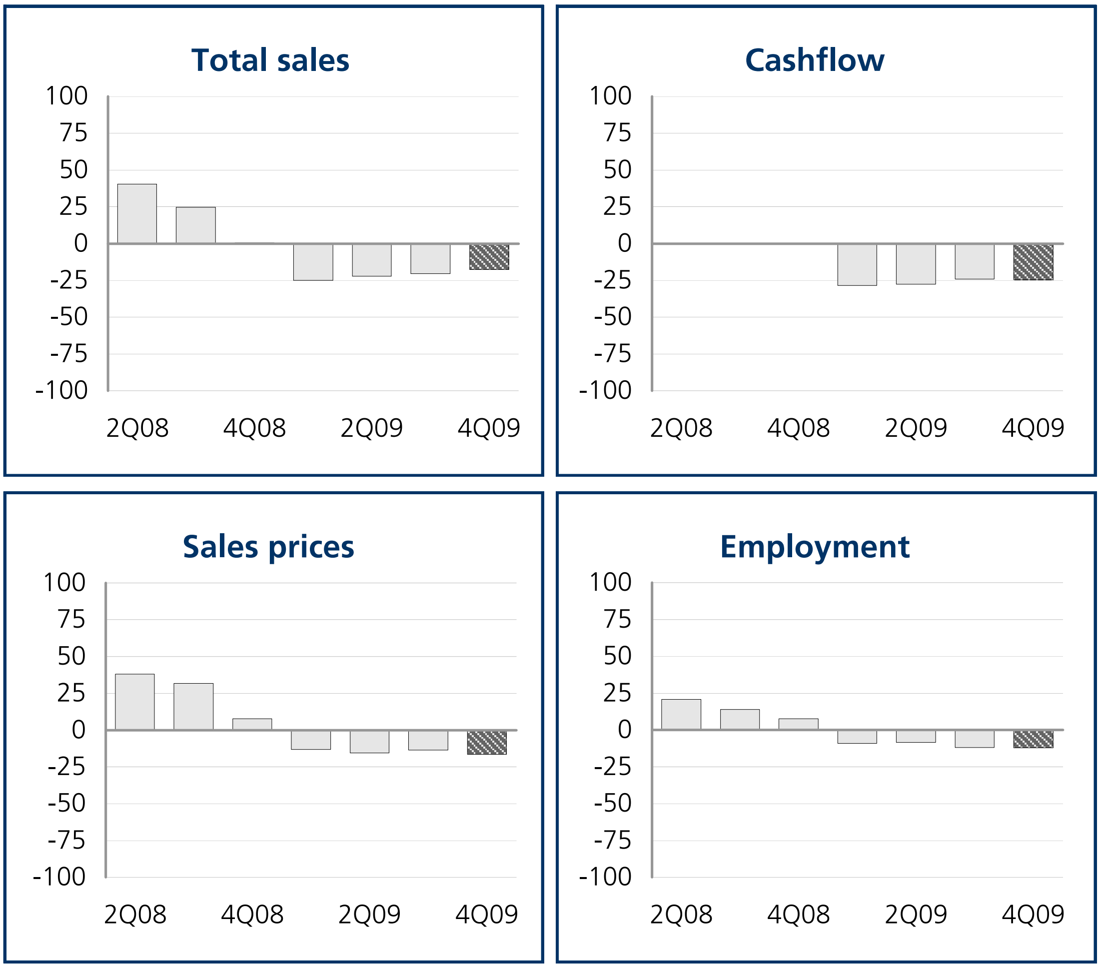
SME business climate in figures

Diffusion index [-100;+100]		2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	Expectations 4Q09
Sales prices		38	32	8	-13	-16	-14	-17
Employment		21	14	8	-9	-8	-12	-12
Profits		15	10	-2	-31	-30	-26	-27
Cashflow					-28	-28	-24	-25
Total sales	SME	41	25	1	-25	-22	-20	-18
	Manufacturers				-45	-50	-43	-36
	Service providers				-23	-27	-21	-14
	Construction				-20	-16	-1	-10
	Tourism				-30	-38	-33	-33
	Retail sales				-32	-22	-17	-15
	Large companies	55	45	7	-12	-19	-21	-14
Business climate	SME manufacturers				-46	-49	-43	-33
	Large companies manufacturers				-51	-52	-42	-27

Source: UBS WMR (surveys and calculations)

The business climate is calculated on the basis of the survey results for output, incoming orders and revenue in the manufacturing sector. Data on cash flow and at an industry-specific level have been collected since the first quarter of 2009.

SME business climate



Source: UBS WMR (surveys and calculations)

Notes: Previous quarter trends are extrapolated actual results (grey bars). Current quarter trends are companies' expectations (shaded bar). The respondents were asked about the change compared to the same quarter in the previous year. The collected data is evaluated using a diffusion index. The results can range between -100 and +100, with results at or around zero [-5;5] representing stagnation, results up to -50 (+50) representing a deterioration (improvement) and results below -50 (above +50) representing a major deterioration (improvement). The data do *not* represent a percentage change in the parameter.

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The Schweizerische Gewerbeverband sgv (sgv – Swiss Industry and Trade Association) is the umbrella organization for small and medium-sized enterprises. It was founded in 1879 and is now the largest business association in Switzerland. The sgv represents the interests of some 300,000 small and medium-sized enterprises. Most of these companies are members of approximately 250 industry and professional associations and of cantonal industry and trade associations, which are organized on a multi-sector basis.

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