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News Release

UBS Compensation Survey: Wages to rise by 0.3 percent in 2021 – lowest increase since 1999

For 2021, UBS expects an average nominal wage increase of 0.3 percent in Switzerland. This represents the lowest rise since 1999. As UBS economists expect an inflation rate of 0.2 percent for the coming year, real wages are likely to be practically stagnant.

Zurich, 29 October 2020 – The 325 companies surveyed by UBS expect an average nominal wage increase of 0.3 percent for 2021. Wage growth would then be much lower than in 2020. The companies included in the survey reported an average wage increase of 0.8 percent for the year-to-date. The difference in real terms is even far greater. The appreciation of the Swiss franc and the sharp fall in the oil price lead to negative annual inflation in 2020. With the economic recovery and possibly higher oil prices in the coming year, however, annual inflation is likely to return to slightly positive territory. UBS economists expect inflation of -0.6 percent for 2020 and 0.2 percent for 2021. As a result, the 2020 wage level is likely to rise 1.4 percent in real terms, with only a 0.1 percent increase in 2021.

More than 50 percent of industries do not expect a pay increase, but no firm cuts wages

Twelve out of 22 surveyed sectors do not see nominal wages increasing in 2021. However, none of the companies surveyed are planning on cutting wages. Nevertheless, employees in these industries must accept a 0.2 percent decline in real wages. This applies in particular to those sectors that were affected most severely by the measures taken to combat the coronavirus pandemic: tourism including culture, sport, education and media. Yet firms in cyclically sensitive industrial segments, such as machinery, electrical engineering and metal (MEM) as well as the watch and jewelry sector, expect to see wages remaining flat. For the remaining ten industries, the nominal increase ranges between 0.2 and 1 percent. The energy, utilities and waste disposal sector expects to see the strongest rise.

Negative inflation and slightly above-average wage increases mean that 2020 is likely to post the highest rise in real wages since 2015. In addition to the short-time work allowance, this helps to support purchasing power in Switzerland, cushioning the sharpest slump in consumer spending in decades. In 2021, however, stagnation of real wages could impact negatively on consumption. How the pandemic develops is nevertheless much more important than the trend in real wages next year. If a medical breakthrough eases the situation, it is likely that consumption will rise substantially, despite zero wage growth in real terms.

Companies with cautious outlook for 2021

Only one fifth of the surveyed companies expect an upturn in the Swiss economy in the coming year. Companies had a similarly guarded outlook during the financial crisis in 2009. At the time, 24 percent of firms expected an upswing in 2010.

The cautious outlook for the Swiss economy is also reflected in companies' labor market expectations. A higher unemployment rate next year is expected by 82 percent of respondents. In 2009, 76 percent of

firms expected a rise in unemployment in 2010. UBS believes that the low capacity utilization of the economy next year could result in a rise in the unemployment rate to 3.9 percent, from its present level of 3.2 percent.

Home office is rated positively for the most part

UBS also asked companies how they handled the recommendation issued by the Federal Council in March, i.e. to work from home wherever possible. The firms surveyed by UBS stated that, during the lockdown in the spring of 2020, on average 53 percent of office employees worked from home. The proportion was only 7 percent before the coronavirus pandemic. At the time the survey was conducted, the participating companies reported that 25 percent of office staff were still working at home, almost four times the pre-coronavirus percentage.

Of the firms surveyed, 44 percent would like to expand use of home office in the future. Almost one third of the surveyed firms now offer their employees the option of working from home indefinitely. Only 10 percent of companies want to revert to the pre-coronavirus level of working from home.

However, employees must usually bear the expenses of working from home. Only a quarter of firms help to pay these costs. The most common expenses that companies help to pay are for software and hardware as well as office supplies. Assistance with rent is not very common – only 1 percent of firms support their employees in this way.

Nominal wage growth according to the UBS Compensation Survey 2021

Industry	Effective wage development 2020	Expected wage development 2021
Energy, utilities & waste disposal	1.1%	1.0%
Financial services	1.0%	0.8%
IT services & telecommunications	1.0%	0.8%
Public sector	1.0%	0.8%
Chemicals & pharmaceuticals	1.0%	0.5%
Construction & architecture	1.0%	0.5%
Health & social services	0.9%	0.5%
Corporate services (including real estate)	1.0%	0.4%
Food	0.8%	0.4%
Textiles	1.0%	0.2%
Materials & building materials	0.7%	0.0%
Metals	0.8%	0.0%
Machinery	1.0%	0.0%
Electrical engineering	0.5%	0.0%
Wholesale trade	1.0%	0.0%
Logistics	0.8%	0.0%
Retail trade	0.8%	0.0%
Automobile sector	1.0%	0.0%
Media	0.3%	0.0%
Consumer goods	0.8%	0.0%
Watches and jewelry	0.3%	0.0%
Tourism including culture, sport and education	0.2%	0.0%
Switzerland	0.8%	0.3%

UBS has conducted the annual Compensation Survey since 1989. Some 325 companies, employer and employee representation associations in 22 sectors took part in the current survey, held from 14 September to 7 October 2020. The firms represented in these sectors employ more than 90 percent of

Switzerland's working population. From 1989 to 2019, the average wage increases assessed by the survey diverged a mere 0.2 percentage points from the average salary trends (nominal wage index and CEA) published by the Federal Statistical Office (FSO).

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