

Communications

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## New calculation of SNB exchange rate indices

### Change to a more comprehensive and up-to-date methodology

**The Swiss National Bank (SNB) is putting the Swiss franc exchange rate indices it calculates and publishes on a new footing. The adjustment allows the Swiss economy's competitive and trading relationships to be replicated in a more comprehensive and up-to-date way. The new indices, too, show that the Swiss franc is significantly overvalued.**

The SNB exchange rate indices measure the external value of the Swiss franc against the currencies of Switzerland's key trading partners. Exchange rate indices are calculated on the basis of bilateral exchange rates, information on trade flows, and – in the case of real indices – information on price developments. Due to the improved data situation, the SNB is able to draw on new calculation methods which are also applied by other central banks and international organisations and are viewed as the standard for the calculation of exchange rate indices.

The new method of calculating the exchange rate indices differs from the previous one in three main aspects. First, greater consideration is given to competitive relationships. According to the new method, the weighting of a specific country is based both on exports to and imports from this country as well as on so-called third-market effects, i.e. competition between Switzerland and this country in third countries. By contrast, the previous exchange rate indices exclusively used export weightings. Second, the calculation of the country weightings now takes into account global trade flows, including trade in services, which is significant for Switzerland. Formerly, country weightings were based solely on goods exports. Third, the new index is chained, in contrast to the fixed base period of the previous index. Chaining allows the group of countries taken into consideration in the index to be reviewed every year. In the old index, the group of countries was fixed. The new index now includes all countries that account for an export or import share vis-à-vis Switzerland of more than 0.2% in the current or the previous year.

**Press release**

In addition to real exchange rates based on relative consumer prices, real exchange rates based on relative producer prices will now also be calculated and published.

The results of the new calculation show very similar movements in the Swiss franc to those shown by the old index. The level of the new real index based on current consumer prices is slightly lower than the old real index. The new index, too, shows that the Swiss franc is significantly overvalued.

The SNB will post the newly calculated nominal and real exchange rate indices and the corresponding country indices on its data portal ([data.snb.ch](http://data.snb.ch)). The exchange rate index calculated under the previous method will continue to be published until March 2018. Further information on the new exchange rate index is available in the [Quarterly Bulletin \(1/2017\)](#) and a [detailed description of the methodology](#) can be found in the publication series, the *SNB Economic Studies*.