

Quarterly Bulletin
2/2025 June

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
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SWISS NATIONAL BANK



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2/2025 June

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Monetary policy report

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly monetary policy assessment of June 2025

The report describes economic and monetary developments in Switzerland and explains the inflation forecast. It shows how the SNB views the economic situation and the implications for monetary policy it draws from this assessment. The first section ('Monetary policy decision of 19 June 2025') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 19 June 2025. Unless otherwise stated, all rates of change from the previous period are based on seasonally adjusted data and are annualised.

Key points

- On 19 June 2025, the SNB decided to lower its policy rate by 0.25 percentage points to 0%. In doing so, it countered the lower inflationary pressure compared with the previous quarter.
- The global economy continued to grow at a moderate pace in the first quarter of 2025. Nevertheless, due to the increase in trade tensions, global economic growth is likely to weaken in the quarters ahead.
- Economic growth in Switzerland was strong in the first quarter of 2025. However, this development was largely due to the fact that, as in other countries, exports to the US were brought forward. Growth is likely to be rather subdued for the remainder of the year due to the appreciation of the Swiss franc in recent months and weaker global demand. The SNB expects GDP growth of 1% to 1.5% for the year as a whole.
- There is currently high uncertainty about the economic outlook for the world and for Switzerland, particularly against the backdrop of trade policy developments.
- Inflation fell from 0.3% in February 2025 to –0.1% in May, mainly due to the development of prices in tourism and for oil products. Inflation expectations were largely unchanged and within the range consistent with price stability.
- With the increase in trade tensions, the Swiss franc appreciated against the US dollar in particular. At the same time, yields on Confederation bonds and Swiss share prices declined significantly. Growth in residential real estate prices and mortgage lending was stronger than in the previous quarter. Growth in the broad monetary aggregates picked up pace.

1 Monetary policy decision of 19 June 2025

Swiss National Bank lowers SNB policy rate to 0%

The Swiss National Bank is lowering the SNB policy rate by 0.25 percentage points to 0%. Banks' sight deposits held at the SNB will be remunerated at the SNB policy rate up to a certain threshold. The discount for sight deposits above this threshold remains unchanged at 0.25 percentage points. The SNB remains willing to be active in the foreign exchange market as necessary.

Inflationary pressure has decreased compared to the previous quarter. With the easing of monetary policy, the SNB is countering the lower inflationary pressure. The SNB will continue to monitor the situation closely and adjust its monetary policy if necessary, to ensure that inflation remains within the range consistent with price stability over the medium term.

Inflation has declined further since the last monetary policy assessment. It decreased from 0.3% in February to -0.1% in May. This decline was mainly attributable to the development of prices in tourism and for oil products.

Compared to March, the new conditional inflation forecast is lower in the short term. In the medium term, there is hardly any change from March. The forecast is within the range of price stability over the entire forecast horizon (chart 1.1). It puts average annual inflation at 0.2% for 2025, 0.5% for 2026 and 0.7% for 2027 (table 1.1). The forecast is based on the assumption that the SNB policy rate is 0% over the entire forecast horizon. Without today's rate cut, the forecast would have been lower.

The global economy continued to grow at a moderate pace in the first quarter of 2025. The global economic outlook for the coming quarters has deteriorated due to the increase in trade tensions.

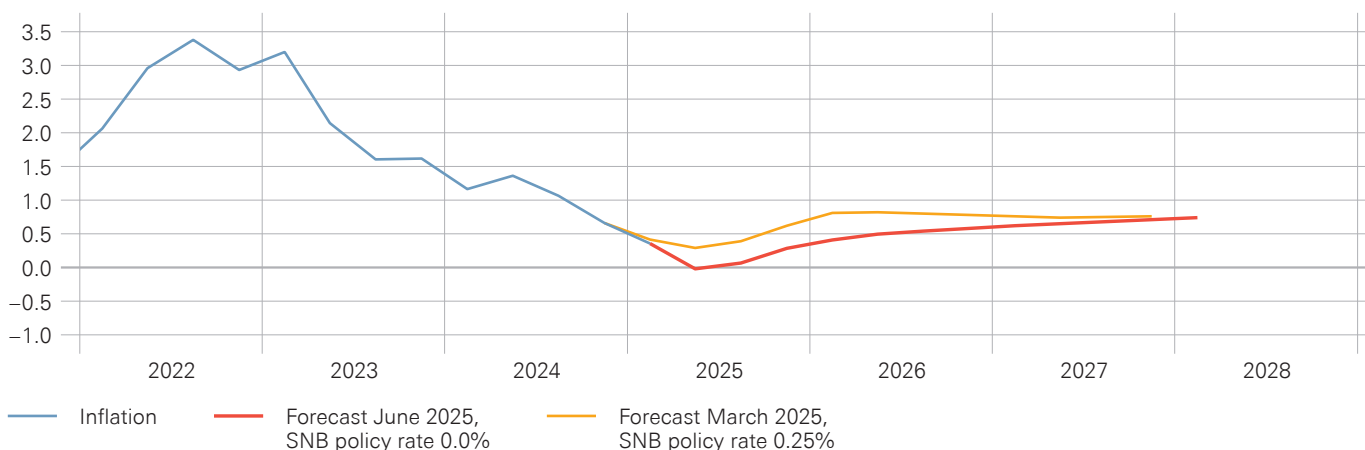
In its baseline scenario, the SNB anticipates that growth in the global economy will weaken over the coming quarters. Inflation in the US is likely to rise over the coming quarters. In Europe, by contrast, a further decrease in inflationary pressure is to be expected.

The scenario for the global economy remains subject to high uncertainty. For example, trade barriers could be raised further, leading to a more pronounced slowdown in the global economy. At the same time, it cannot be ruled out that fiscal policy will support growth more strongly than expected.

Chart 1.1

CONDITIONAL INFLATION FORECAST OF JUNE 2025

Year-on-year change in Swiss consumer price index in percent



Source(s): SFSO, SNB

Swiss GDP growth was strong in the first quarter of 2025. However, this development was largely due to the fact that, as in other countries, exports to the US were brought forward. When adjusted for these effects, growth momentum was more moderate.

The economic outlook for Switzerland remains uncertain. Developments abroad continue to represent the main risk.

Following the strong first quarter, growth is likely to slow again and remain rather subdued over the remainder of the year. The SNB expects GDP growth of 1% to 1.5% for 2025 as a whole. The SNB currently also anticipates GDP growth of 1% to 1.5% for 2026. Unemployment is likely to continue to rise slightly.

Monetary policy strategy at the SNB

The SNB has a statutory mandate to ensure price stability while taking due account of economic developments.

The SNB has specified the way in which it exercises this mandate in a three-part monetary policy strategy. First, it regards prices as stable when the Swiss consumer price index (CPI) rises by less than 2% per annum. This allows it to take account of the fact that the CPI slightly overstates actual inflation. In addition, the SNB allows inflation to fluctuate somewhat with

the economic cycle. Second, the SNB summarises its assessment of inflationary pressure and of the need for monetary policy action in a quarterly inflation forecast. This forecast, which is based on the assumption of a constant SNB policy rate, shows how the SNB expects the CPI to move over the next three years. Third, the SNB implements its monetary policy by setting the SNB policy rate and seeks to keep the short-term secured Swiss franc money market rates close to this rate. If necessary, the SNB may also use additional monetary policy measures to influence the exchange rate or the interest rate level.

Table 1.1

OBSERVED INFLATION IN JUNE 2025

	2022				2023				2024				2025				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	2.1	3.0	3.4	2.9	3.2	2.1	1.6	1.6	1.2	1.4	1.1	0.7	0.4				2.8	2.1	1.1

Source(s): SFISO

CONDITIONAL INFLATION FORECAST OF JUNE 2025

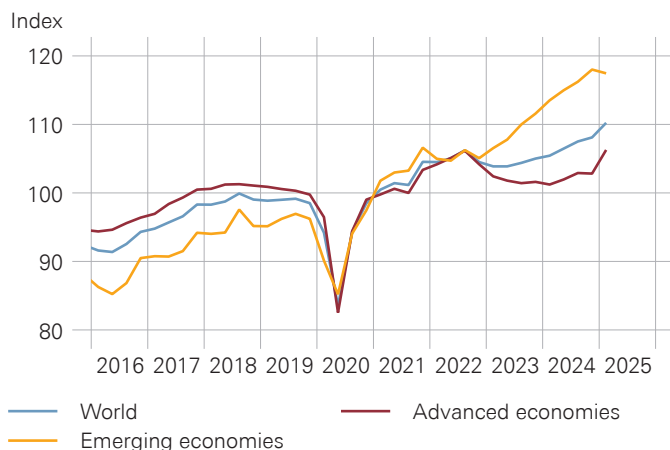
	2025				2026				2027				2028				2025	2026	2027
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast March 2025, SNB policy rate 0.25%	0.4	0.3	0.4	0.6	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.8					0.4	0.8	0.8
Forecast June 2025, SNB policy rate 0.0%		0.0	0.1	0.3	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.7				0.2	0.5	0.7

Source(s): SNB

Chart 2.1

GLOBAL GOODS TRADE

Average in depicted period = 100



Source(s): CPB Netherlands Bureau for Economic Policy Analysis, LSEG Datastream

2 Global economic environment

The global economy continued to grow at a moderate pace in the first quarter of 2025. This was supported by the dynamic development in global manufacturing and global trade in goods (chart 2.1). However, this was partly attributable to the fact that deliveries to the US were brought forward in anticipation of higher US import tariffs, which led to a significant increase in exports in many countries. But this effect is only temporary. The global economic outlook for the coming quarters has deteriorated due to the increase in trade tensions. Monetary policy has been left unchanged in the US. In the euro area, monetary policy has been eased further.

In its baseline scenario, the SNB anticipates that growth in the global economy will weaken over the coming quarters. The higher US import tariffs are likely to curb global trade and lead to a loss of purchasing power for US consumers. Furthermore, the high level of trade policy uncertainty is having a negative impact on global investment momentum. Inflation in the US is likely to rise over the coming quarters. In Europe, by contrast, a further decrease in inflationary pressure is to be expected.

This scenario for the global economy remains subject to high uncertainty. For example, trade barriers could be raised further, leading to a more pronounced slowdown in the global economy. At the same time, it cannot be ruled out that fiscal policy will support growth more strongly than expected.

Table 2.1

BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS

	2021	2022	2023	2024	Scenario	
					2025	2026
GDP, year-on-year change in percent						
Global ¹	6.6	3.6	3.5	3.3	2.9	2.7
US	6.1	2.5	2.9	2.8	1.6	1.8
Euro area	6.3	3.6	0.6	0.8	1.0	1.1
China	8.6	3.1	5.4	5.0	4.7	4.0
Oil price in USD per barrel						
	70.8	102.4	83.6	81.3	68.0	65.0

¹ World aggregate as defined by the IMF, PPP-weighted.

Source(s): LSEG Datastream, SNB

The SNB's forecasts for the global economy are based on assumptions about oil prices and the EUR/USD exchange rate. The SNB is assuming an oil price for Brent crude of USD 65 per barrel, compared with USD 77 in the last baseline scenario, and an exchange rate of USD 1.12 to the euro compared with USD 1.04 previously. Both correspond to the 20-day average when the current baseline scenario was drawn up.

INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

Since the monetary policy assessment in March, events in international financial markets have largely been dominated by US trade and fiscal policy as well as the potential implications for the global economy. The US announcement in early April of high tariffs on almost all trading partners, followed by their partial suspension a few days later, led to high volatility in the markets.

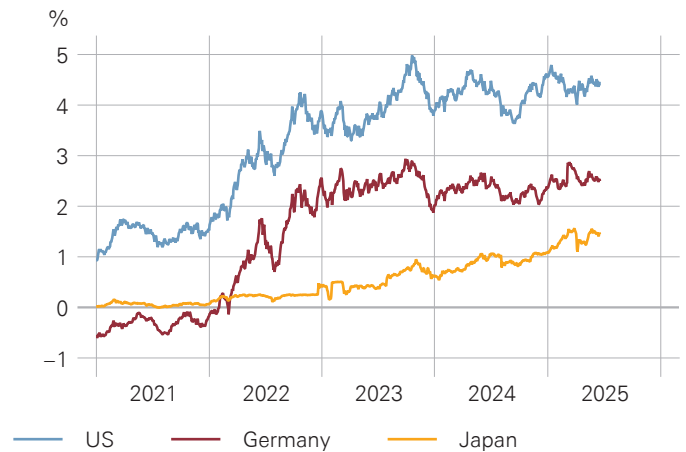
Yields on long-term government bonds in advanced economies presented a mixed picture, which can be explained by a number of factors. Increased demand for safe investments as a result of the high level of uncertainty has curbed yields on government bonds. At the same time, however, concerns about fiscal sustainability in some countries have led to a rise in risk premia on long-term government bonds. US yields increased overall, due in part to a rating agency having downgraded the credit rating of the US. By contrast, yields on Japanese and UK government bonds moved sideways, while yields on German and most European government bonds declined (charts 2.2 and 2.3). Since a further easing of monetary policy is expected in most advanced economies, yields on government bonds with shorter maturities were lower than long-term government bond yields.

Stock markets fluctuated strongly in the wake of trade policy tensions. Share prices around the world initially fell significantly following the US tariff announcements, but recovered again quickly when the additional tariffs were partially suspended shortly thereafter and the prospect of potential trade agreements was raised. In addition, the surprisingly robust quarterly results of many companies in the US also supported share prices. The MSCI World Index was latterly even higher than in mid-March. Uncertainty about future price developments increased significantly at times, as indicated by the VIX, the index for the implied volatility of stocks in the US as measured by options prices. The VIX briefly reached its highest level since April 2020, before returning to approximately its March 2025 level (chart 2.4).

Chart 2.2

INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

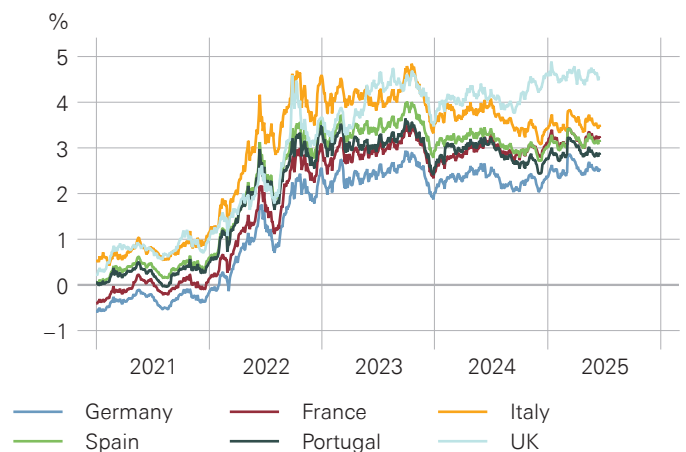


Source(s): LSEG Datastream

Chart 2.3

EUROPEAN LONG-TERM INTEREST RATES

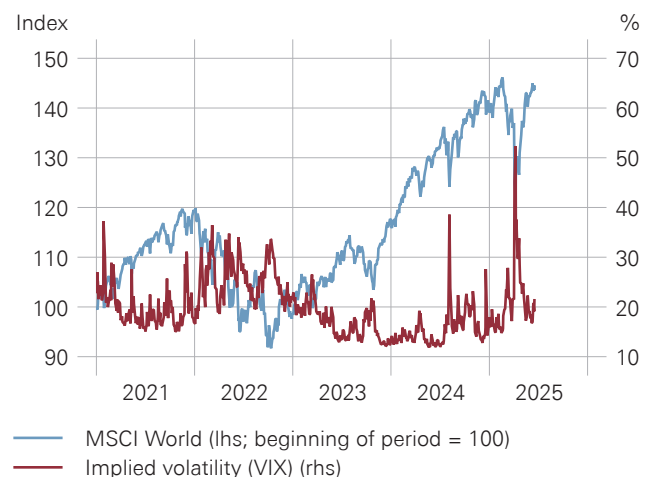
10-year government instruments



Source(s): LSEG Datastream

Chart 2.4

STOCK MARKETS



Source(s): LSEG Datastream

Chart 2.5

EXCHANGE RATES

Trade-weighted

Index, beginning of period = 100



Source(s): LSEG Datastream

Chart 2.6

COMMODITY PRICES

Index, beginning of period = 100

USD/barrel

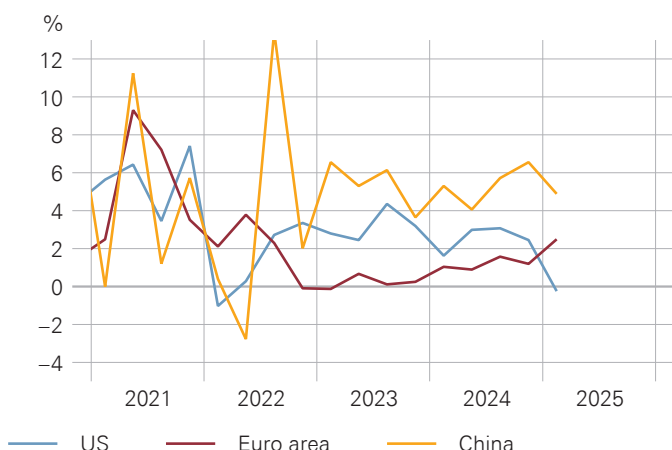


Source(s): LSEG Datastream

Chart 2.7

REAL GDP

Change from previous period



Source(s): LSEG Datastream

Exchange rates fluctuated strongly as well. Market doubts regarding the US dollar’s status as a safe haven contributed to it depreciating significantly on a trade-weighted basis. By contrast, the euro strengthened further. The Japanese yen and pound sterling latterly showed little change compared with March (chart 2.5).

The price of oil initially fell by more than 10%. The weaker global economic outlook resulting from the US tariff policy and the decision of the OPEC+ states to expand their oil production more rapidly had a dampening effect on prices. Amid the recent escalation in the Middle East conflict, oil prices rose sharply, however. Brent crude latterly stood at USD 77 per barrel and was thus slightly more expensive than at the time of the last monetary policy assessment in March. By contrast, prices for natural gas and industrial metals declined (chart 2.6).

UNITED STATES

In the US, GDP stagnated in the first quarter (chart 2.7). This was primarily due to strongly negative net exports. This reflected a significant increase in imports, since deliveries from abroad were brought forward in anticipation of higher import tariffs. By contrast, private domestic demand maintained its pace of expansion and underlying economic momentum continued to be solid.

Labour market conditions remained good. Employment increased further in recent months, while the unemployment rate remained virtually unchanged at 4.2% in May (chart 2.9). Overall, the labour market is likely to be operating at average capacity.

The economic outlook has deteriorated as a result of the tightening of US trade policy. In early April, the US administration announced high tariffs on almost all trading partners. A few days later, however, it suspended some of these for 90 days, albeit leaving in force a tariff increase of 10 percentage points. Higher tariffs currently apply to imports from China as well as to imports of steel, aluminium and cars.

The higher import tariffs along with trade policy uncertainty and weak consumer confidence are likely to weigh on economic activity. However, the monetary policy easing in the second half of 2024 should have a supportive effect. Overall, the SNB has revised its growth forecast for the US significantly downwards for 2025 from 2.3% to 1.6%, and slightly downwards for 2026 to 1.8% (table 2.1). Nevertheless, the future development of US fiscal and trade policy remains very unclear. The growth forecast is therefore subject to high uncertainty.

Consumer price inflation fell to 2.4% in May, and core inflation to 2.8% (charts 2.10 and 2.11). Inflation as measured by the personal consumption expenditure deflator – the index used by the US Federal Reserve to set its 2% inflation target – stood at 2.1% in April. Owing to the higher import tariffs, inflation is likely to pick up again in the course of the year.

In May and June, the Fed left its target range for the federal funds rate unchanged at 4.25–4.5% (chart 2.12). At the same time, it emphasised that there was an elevated risk of an increase in unemployment and in inflation. With regard to future interest rate adjustments, the Fed explained that it would wait and see how the economic situation develops given the high level of uncertainty. Additionally, it will continue to reduce its balance sheet. The portfolio of Treasury and mortgage-backed securities will be further reduced, by up to USD 40 billion per month (around 0.6% of the current balance sheet).

EURO AREA

At 2.5%, GDP growth in the euro area was significantly higher in Q1 2025 than in the previous quarter (chart 2.7). However, the strong expansion was largely due to deliveries to the US being brought forward in anticipation of higher tariffs. Excluding this one-off effect, growth momentum was more moderate.

The utilisation of overall production capacity was still below average, this being primarily attributable to low utilisation of technical capacity in manufacturing. However, the unemployment rate remained at a historically low level of 6.2% in April (chart 2.9), whereas employment growth was moderate.

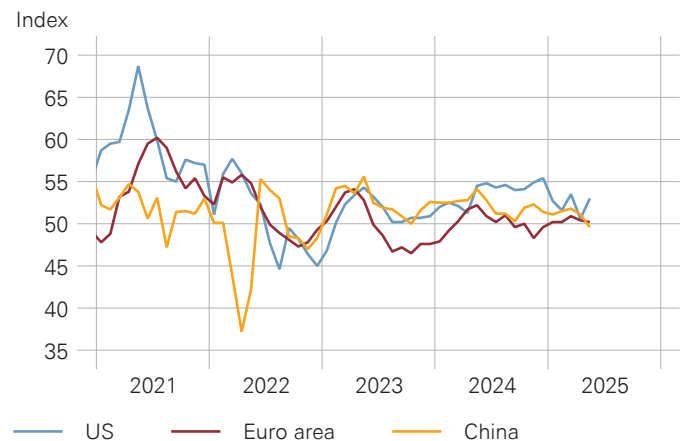
The economic outlook for the coming quarters has deteriorated somewhat as a result of trade tensions, the associated uncertainty and weaker global demand. In addition, exports brought forward into the first quarter are likely to fall away, curbing growth in the short term. The latest economic indicators, such as the purchasing managers' index (PMI), currently point to subdued growth momentum (chart 2.8). Growth also looks set to remain weak in the further course of the year. It should pick up gradually thereafter, supported by the easing of monetary policy. Furthermore, Germany's fiscal package, adopted in March, is expected to provide positive impetus for the euro area in the medium term.

The SNB anticipates GDP expansion in the euro area of 1.0% for 2025 and 1.1% for 2026 (table 2.1). The forecast for this year is slightly higher due to the stronger development in the first quarter, while the forecast for 2026 is lower than before.

Consumer price inflation decreased further in recent months and stood at 1.9% in May (chart 2.10). It was thus in line with the ECB's target. The decline was mainly attributable to falling prices for energy products. Core inflation also fell, but remained elevated at 2.3%, due to an above-average increase in prices for services (chart 2.11).

Chart 2.8

PMI COMPOSITE¹

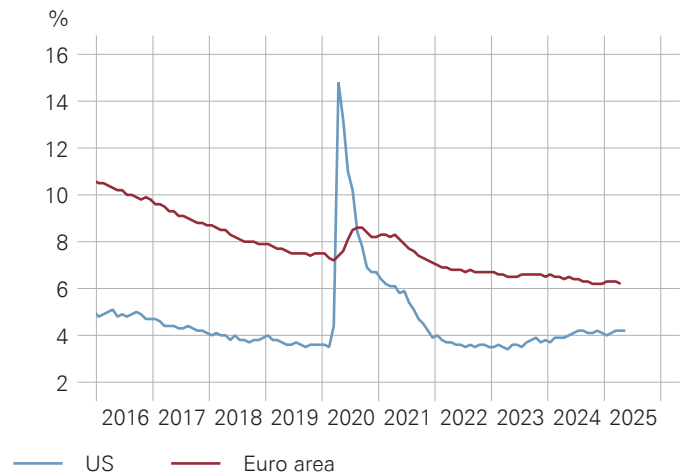


¹ Manufacturing and services sector combined.

Source(s): S&P Global

Chart 2.9

UNEMPLOYMENT RATES



Source(s): LSEG Datastream

Chart 2.10

CONSUMER PRICES

Year-on-year change

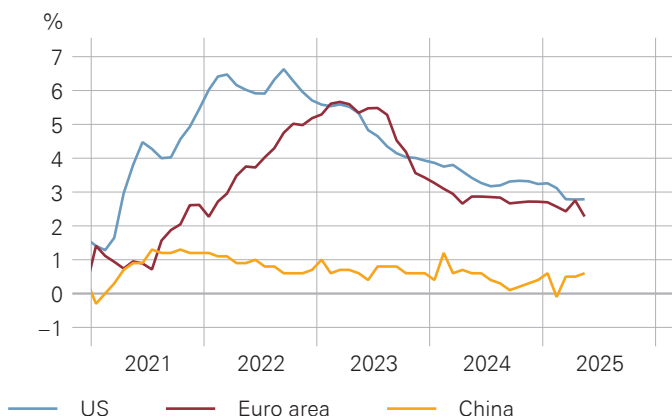


Source(s): LSEG Datastream

Chart 2.11

CORE INFLATION RATES¹

Year-on-year change

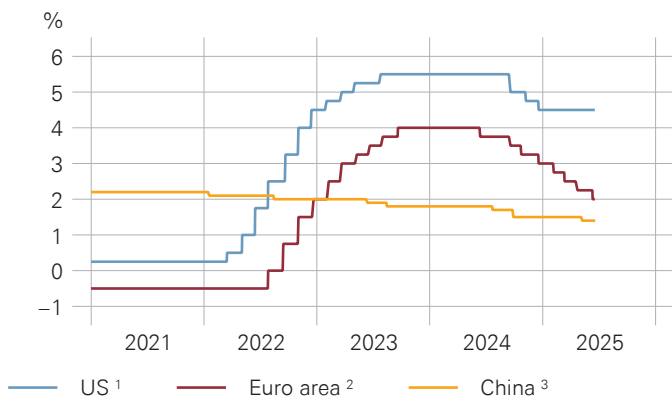


¹ Excluding food and energy.

Source(s): LSEG Datastream

Chart 2.12

OFFICIAL INTEREST RATES



¹ Federal funds rate (upper limit of target range).

² Deposit facility rate.

³ Reverse repo rate (7-day).

Source(s): LSEG Datastream

The decline in inflation and the deterioration in the growth outlook prompted the ECB to lower its key interest rates further, by 25 basis points in both April and June. The deposit facility rate was thus latterly 2.0% (chart 2.12). In view of the heightened trade policy uncertainty, the ECB was cautious with regard to further interest rate cuts. Moreover, it will continue to refrain from reinvesting proceeds from securities maturing under the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP), with the result that the portfolio will shrink by EUR 40–45 billion per month (around 0.7% of the current balance sheet).

CHINA

Although GDP expansion in China slowed in the first quarter, it remained solid at 4.9% (chart 2.7). Exports developed favourably. At the same time, an expansionary fiscal policy supported domestic demand. Owing to the ongoing real estate crisis, which was still weighing on economic activity, overall capacity remained underutilised.

Challenges for China increased. In April, the tariff dispute between the US and China escalated, and reciprocal tariffs rose to over 100%. In mid-May, the two countries agreed to lower tariffs again for a period of 90 days. US tariffs on goods from China nevertheless remain higher than in March and will likely curb China's exports to the US. Weaker global demand and elevated trade policy uncertainty are set to weigh on economic activity in the coming quarters.

China's government is supporting economic development with a more expansionary fiscal and monetary policy. The budget deficit was thus widened for this year and monetary policy was relaxed further in May (chart 2.12). Nevertheless, the stimulus measures adopted are likely to be not quite sufficient to offset the negative effects of the trade dispute. The SNB has therefore revised its growth forecast for China downwards, to 4.7% for 2025 and 4.0% for 2026 (table 2.1).

Consumer price inflation remained low. Owing to weak inflation for energy and food, it stayed slightly negative in May, at -0.1% (chart 2.10). Core inflation latterly stood at 0.6% (chart 2.11).

3 Economic developments in Switzerland

Swiss GDP growth was strong in the first quarter of 2025.¹ However, this development was largely due to the fact that, as in other countries, exports to the US were brought forward. When adjusted for these effects, growth momentum was more moderate. Unemployment thus continued to rise slightly.

Following the strong first quarter, growth is likely to slow again and remain rather subdued over the remainder of the year due to the appreciation of the Swiss franc in recent months and weaker global demand. The SNB expects GDP growth of 1% to 1.5% for 2025 as a whole. The SNB currently also anticipates GDP growth of 1% to 1.5% for 2026. Unemployment is likely to continue to rise slightly.

The economic outlook for Switzerland remains uncertain. Developments abroad continue to represent the main risk.

OUTPUT AND DEMAND

The SNB takes a wide range of indicators into account when assessing the economic situation. These show economic activity having temporarily gained momentum in the first quarter of 2025. However, with the announcement of US tariffs, many indicators weakened again, signalling a slowdown in the near future compared to Q1.

Strong growth in Q1 2025

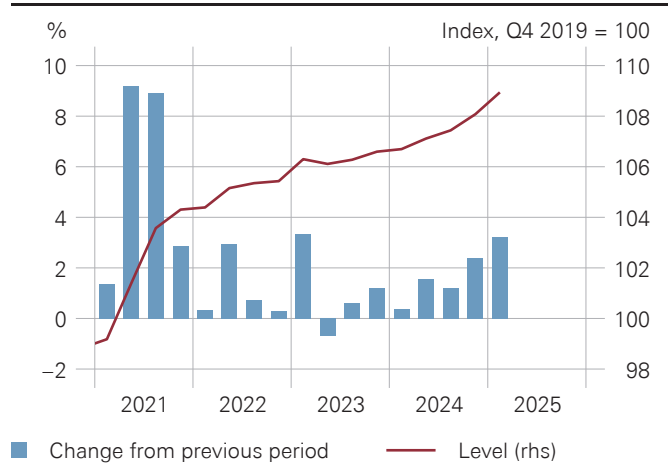
According to the estimate by the State Secretariat for Economic Affairs (SECO), GDP recorded strong growth of 3.2% in the first quarter of 2025 (chart 3.1). Value added increased significantly in manufacturing, due to a marked expansion in the chemicals/pharmaceuticals industry. There was a strong increase in production with a view to delivering as many goods as possible before a potential rise in US tariffs. In the other areas of manufacturing, value added declined.

¹ The GDP figures commented on and forecast by the SNB in the press release and Quarterly Bulletin are adjusted for sporting events (cf. Glossary).

Chart 3.1

REAL GDP

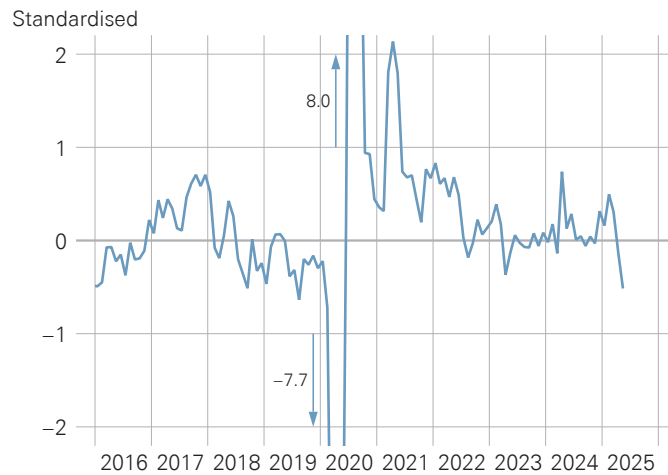
Adjusted for sporting events



Source(s): SECO

Chart 3.2

SNB BUSINESS CYCLE INDEX



Source(s): SNB

Chart 3.3

MANUFACTURING PMI AND KOF ECONOMIC BAROMETER



Source(s): KOF Swiss Economic Institute, UBS

The services sector supported growth, with wholesale in particular exhibiting dynamic momentum. In construction, the recovery continued.

Developments on the expenditure side were mixed in the first quarter (table 3.1). Consumption and equipment investment saw below-average growth, while construction investment recorded a strong increase. Owing to the effect of deliveries being brought forward in the chemicals/pharmaceuticals industry, goods exports showed a marked rise. Merchanted and services exports also grew significantly. As a result of the strong increase in production in the chemicals/pharmaceuticals industry, considerable amounts of intermediate inputs were also required, leading to a sharp rise in imports.

Sentiment deteriorates at beginning of Q2

Economic indicators have deteriorated since April as a result of US tariff policy and the associated uncertainties. Overall, the available indicators point to moderate growth in the second quarter.

The SNB's Business Cycle Index and the KOF Economic Barometer aim to assess the overall economic growth momentum using a broad data base. The SNB's Business Cycle Index fell markedly in April and May, and indicates subdued growth for Q2 (chart 3.2). The KOF Economic Barometer also suggests a slowdown in momentum (chart 3.3).

Signals in manufacturing and services remain mixed. In manufacturing, the PMI weakened significantly in April and May, and still points to weak momentum in economic activity (chart 3.3). Indicators in services, on the other hand, suggest continued expansion.

Table 3.1

REAL GDP AND COMPONENTS

Growth rates on previous period in percent, seasonally adjusted, annualised

	2021	2022	2023	2024	2023			2024				2025
					Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Private consumption	2.2	4.3	1.5	1.8	1.6	0.7	1.5	2.2	1.8	2.2	2.0	0.7
Government consumption	3.0	-1.2	1.7	0.5	1.6	3.0	2.4	-2.2	-0.4	1.0	2.2	1.7
Investment in fixed assets	2.8	-0.1	0.1	-0.8	-7.4	-0.3	-2.7	2.2	-1.8	-1.9	5.3	2.1
Construction	-3.1	-6.9	-2.7	2.2	-3.4	1.2	2.8	2.4	3.2	4.0	1.5	3.4
Equipment	6.0	3.4	1.4	-2.1	-9.2	-1.0	-5.2	2.1	-4.1	-4.7	7.2	1.5
Domestic final demand	2.5	2.2	1.1	0.9	-1.1	0.7	0.4	1.6	0.5	0.8	3.0	1.2
Change in inventories ¹	-0.6	0.9	1.1	1.6	-2.3	-2.0	-3.7	13.3	-7.1	4.5	-4.9	5.8
Total exports ^{2,3}	11.5	4.7	1.8	1.0	-5.3	7.1	14.9	-18.1	17.7	-7.5	12.9	16.3
Goods ²	12.3	4.1	2.8	0.0	-7.9	12.4	19.2	-25.7	20.1	-11.1	22.2	21.5
Goods excluding merchanting ²	12.6	4.7	2.3	6.7	-10.3	11.1	-6.8	10.1	28.1	-13.2	34.0	17.5
Services ³	9.9	6.1	-0.6	3.1	1.4	-4.8	4.6	3.0	12.7	0.7	-4.9	5.8
Total imports ^{2,3}	5.7	5.8	4.1	4.0	-11.2	4.7	9.0	6.4	3.8	-0.9	5.7	26.7
Goods ²	4.4	7.6	0.9	2.8	-19.3	3.7	10.4	6.9	0.3	-3.5	8.8	44.8
Services ³	7.5	3.3	9.1	5.7	2.3	6.2	7.1	5.6	8.7	2.6	1.7	6.9
Net exports ^{3,4}	3.6	0.1	-0.9	-1.4	2.5	2.0	4.5	-14.3	8.2	-4.1	4.7	-3.7
GDP³	5.3	2.9	1.2	1.0	-0.7	0.6	1.2	0.4	1.6	1.2	2.4	3.2

1 Contribution to growth in percentage points (including statistical discrepancy).

2 Excluding valuables (non-monetary gold and other precious metals, precious stones and gems as well as works of art and antiques).

3 Adjusted for sporting events.

4 Contribution to growth in percentage points.

Source(s): SECO

LABOUR MARKET

Labour market developments were subdued in the past three months. Employment continued to grow at a below-average rate, while unemployment increased. Difficulties in recruiting staff eased further still.

Moderate growth in employment

According to the national job statistics (JOBSTAT), the seasonally adjusted number of full-time equivalent positions rose moderately in the first quarter. However, developments in the various sectors were mixed. In manufacturing, the number of jobs declined, while in services and construction, new jobs continued to be created (chart 3.4). According to the Employment Statistics (ES), the seasonally adjusted number of persons employed also grew.

Rising unemployment

In recent months, the number of unemployed persons continued to rise according to figures published by SECO. Excluding seasonal fluctuations, 132,000 people were registered as unemployed at the end of May. The seasonally adjusted unemployment rate was up from 2.7% in February to 2.9% in May. However, the unemployment rate calculated by the Swiss Federal Statistical Office (SFSO) in line with the definition of the International Labour Organization (ILO) was unchanged at 4.5% in Q1 (chart 3.5).

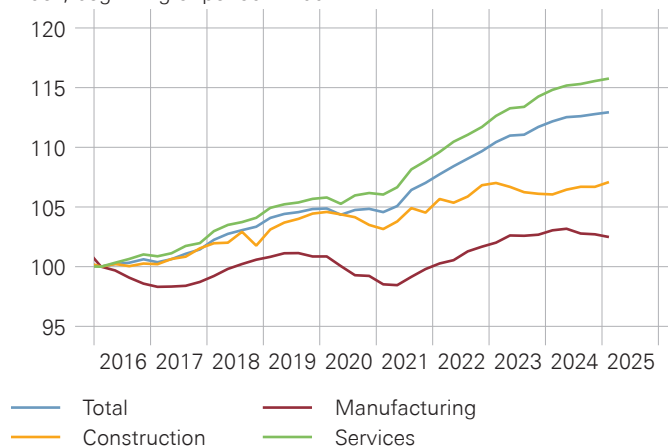
Recruitment situation eases further

According to JOBSTAT, companies continued to have trouble finding suitable personnel. However, the recruitment difficulties eased again in the first quarter, except in construction (chart 3.6).

Chart 3.4

FULL-TIME EQUIVALENT JOBS

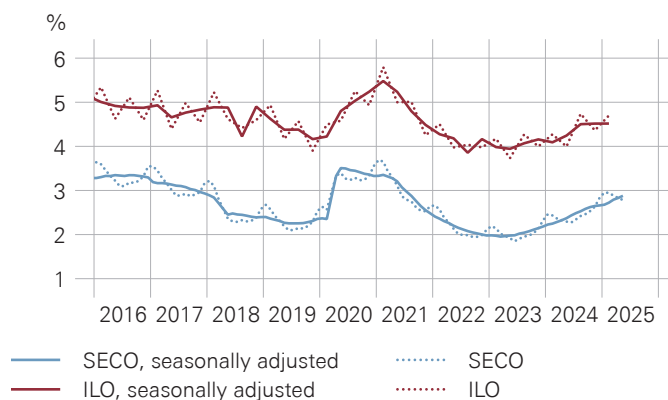
Index, beginning of period = 100



Source(s): SFSO; seasonal adjustment: SNB

Chart 3.5

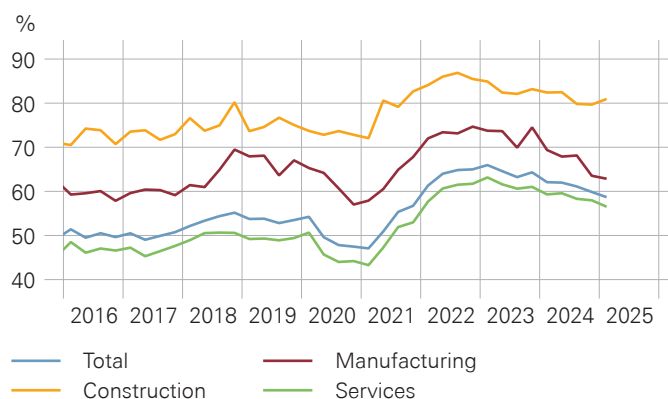
UNEMPLOYMENT RATE



SECO: Unemployed persons registered with the regional employment offices, as a percentage of the labour force (economically active persons).
ILO: Unemployment rate based on International Labour Organization definition.
Source(s): SECO, SFSO

Chart 3.6

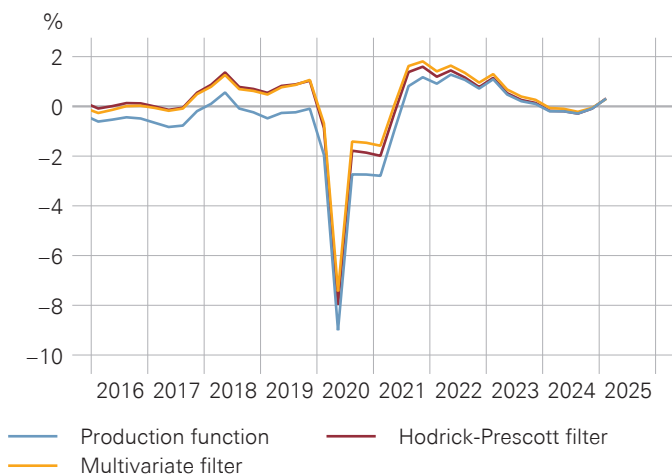
RECRUITMENT DIFFICULTIES



Share of companies that had difficulties or did not succeed in recruiting qualified staff. Only companies that are actively recruiting qualified staff are taken into account. Estimate based on the national job statistics (JOBSTAT).
Source(s): SFSO, SNB

Chart 3.7

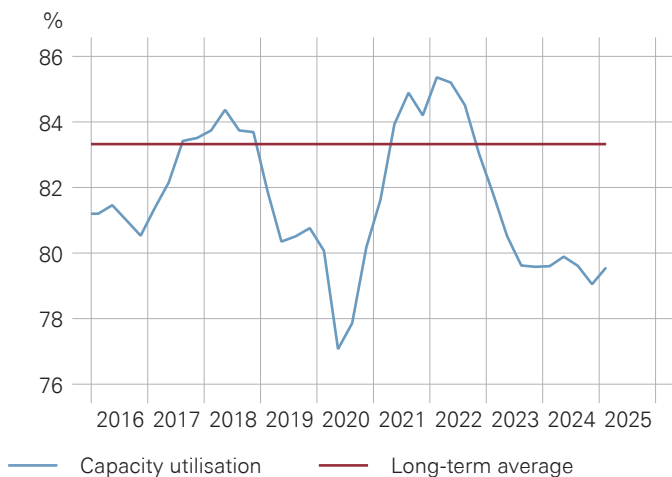
OUTPUT GAP



Source(s): SNB

Chart 3.8

CAPACITY UTILISATION IN MANUFACTURING



Source(s): KOF Swiss Economic Institute

CAPACITY UTILISATION

Output gap closed

The output gap, defined as the percentage deviation of actual GDP from estimated aggregate potential output, shows how well production capacity in an economy is being utilised. In the case of overutilisation the gap is positive, and in the case of underutilisation it is negative.

Potential output as estimated by means of a production function shows a closed output gap for the first quarter, corresponding to a normal level of utilisation. Other estimation methods also indicate that the gap is closed (chart 3.7).

Capacity utilisation varies between sectors

In addition to the estimation of the aggregate output gap, surveys also play an important role in assessing utilisation levels. According to the surveys conducted by KOF, technical capacity utilisation in manufacturing remained considerably below the long-term average (chart 3.8). In most areas of the services sector, by contrast, utilisation was still slightly above average. The available indicators thus pointed to an average level of utilisation for the economy as a whole.

Furthermore, the surveys indicate a continued improvement in the labour shortage in the first quarter, although the situation varied from one industry to another. While staffing levels in construction and some services industries were still considered to be tight, the majority of companies in manufacturing reported that levels were too high.

OUTLOOK

Following strong expansion in the first quarter, GDP growth is expected to slow in the further course of the year. The international economic environment remains lacklustre, as shown by the export-weighted manufacturing PMI (chart 3.9). The surveys conducted by KOF also suggest that growth is rather subdued. Various surveys indicate that the employment outlook remains moderate (chart 3.11).

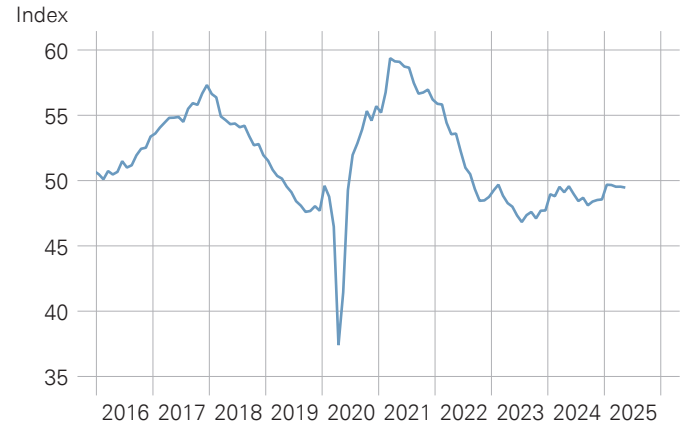
The SNB expects GDP growth of 1% to 1.5% for 2025. For 2026, it currently also anticipates GDP growth of 1% to 1.5%. In this environment, unemployment is likely to continue to rise slightly.

The economic outlook for Switzerland remains uncertain. Developments abroad continue to represent the main risk.

Chart 3.9

MANUFACTURING PMI ABROAD

Export-weighted, 27 countries

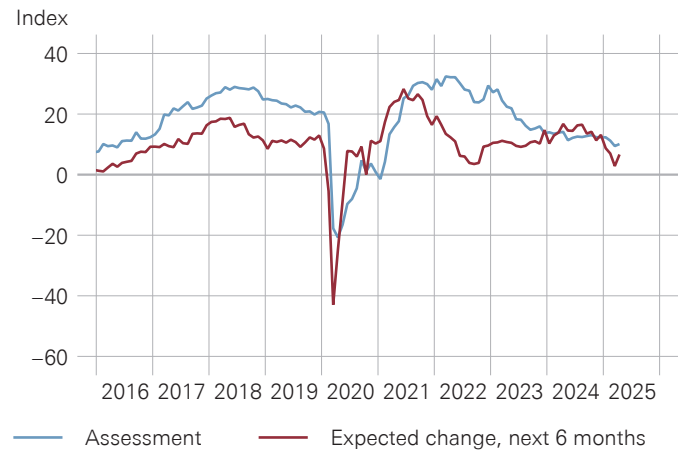


Source(s): International Monetary Fund – Direction of Trade Statistics (IMF – DOTs), LSEG Datastream, SNB

Chart 3.10

BUSINESS SITUATION

Average across all KOF surveys

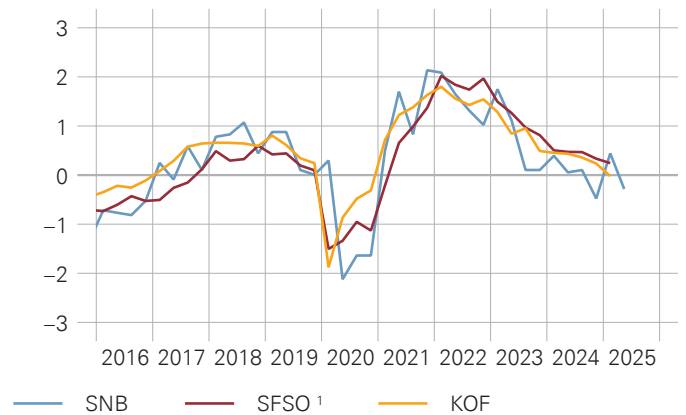


Source(s): KOF Swiss Economic Institute

Chart 3.11

EMPLOYMENT OUTLOOK

Seasonally adjusted, standardised



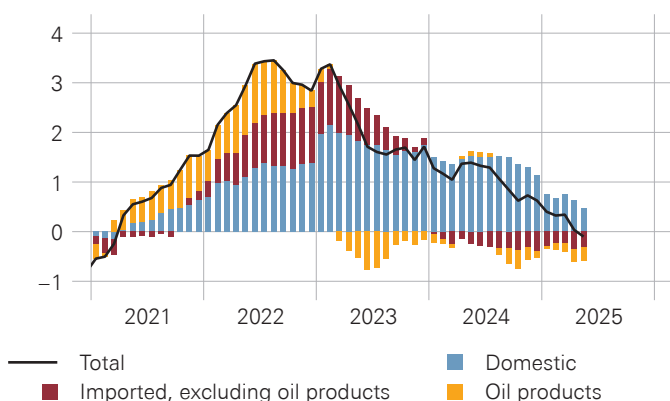
1 Seasonal adjustment: SNB.

Source(s): KOF Swiss Economic Institute, SFSO, SNB regional network

Chart 4.1

CPI: DOMESTIC AND IMPORTED GOODS AND SERVICES

Year-on-year change in CPI in percent. Contribution of individual components, in percentage points.

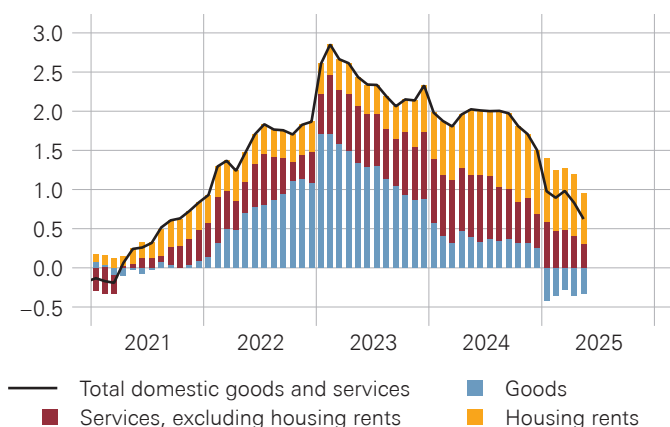


Source(s): SFSO, SNB

Chart 4.2

CPI: DOMESTIC GOODS AND SERVICES

Year-on-year change in domestic CPI in percent. Contribution of individual components, in percentage points.



Source(s): SFSO, SNB

Table 4.1

SWISS CONSUMER PRICE INDEX AND COMPONENTS

Year-on-year change in percent

	2024			2025			2025		
	Q2	Q3	Q4	Q1	Feb	Mar	Apr	May	
Overall CPI	1.1	1.4	1.1	0.7	0.4	0.3	0.3	0.0	-0.1
Domestic goods and services	1.9	2.0	2.0	1.7	1.0	0.9	1.0	0.8	0.6
Goods	1.7	1.8	1.7	1.3	-1.6	-1.6	-1.3	-1.6	-1.5
Services	2.0	2.1	2.1	1.8	1.7	1.6	1.6	1.5	1.2
Private services excluding housing rents	1.6	1.8	1.6	1.1	1.3	1.2	1.2	1.0	0.7
Housing rents	3.3	3.2	3.8	3.6	3.3	3.2	3.2	3.2	2.6
Public services	0.6	0.7	0.7	0.5	0.1	0.2	0.2	0.2	0.3
Imported goods and services	-1.5	-0.6	-1.8	-2.5	-1.6	-1.5	-1.7	-2.5	-2.4
Excluding oil products	-1.2	-1.0	-1.5	-1.7	-1.2	-1.1	-1.1	-1.7	-1.5
Oil products	-3.7	2.7	-4.4	-8.8	-4.2	-4.4	-6.4	-8.6	-9.6

Source(s): SFSO, SNB

4

Prices and inflation expectations

The inflation rate as measured by the consumer price index (CPI) fell from 0.3% in February to -0.1% in May. Underlying inflation as measured by core inflation also saw a decrease in the past three months.

Most indicators for short-term inflation expectations have again declined slightly this quarter. There was hardly any change in the indicators for longer-term inflation expectations. Overall, inflation expectations remain within the range consistent with price stability.

CONSUMER PRICES

Decline in annual CPI inflation

Annual CPI inflation receded by 0.4 percentage points in the past three months and stood at -0.1% in May (chart 4.1, table 4.1). This decrease was attributable in equal measure to lower imported and domestic inflation. The contribution made by imported goods and services fell from -0.4 percentage points in February to -0.6 percentage points in May, while that of domestic goods and services fell from 0.7 percentage points in February to 0.5 percentage points in May.

Lower imported inflation

The decrease in imported inflation from -1.5% in February to -2.4% in May was due to both oil products and other imported goods and services (chart 4.1, table 4.1). The sharp decline in oil prices led to lower prices for oil products, compounded by the depreciation of the US dollar since February. Inflation for oil products thus decreased from -4.4% in February to -9.6% in May, and that for other imported goods and services from -1.1% to -1.5% in the same period. This was largely attributable to tourism.

Decrease in domestic inflation

Domestic inflation fell from 0.9% in February to 0.6% in May (chart 4.2, table 4.1), reflecting a decline in inflation for domestic services, which receded from 1.6% in February to 1.2% in May. Inflation for domestic goods, in contrast, rose slightly during the same period, from -1.6% to -1.5% .

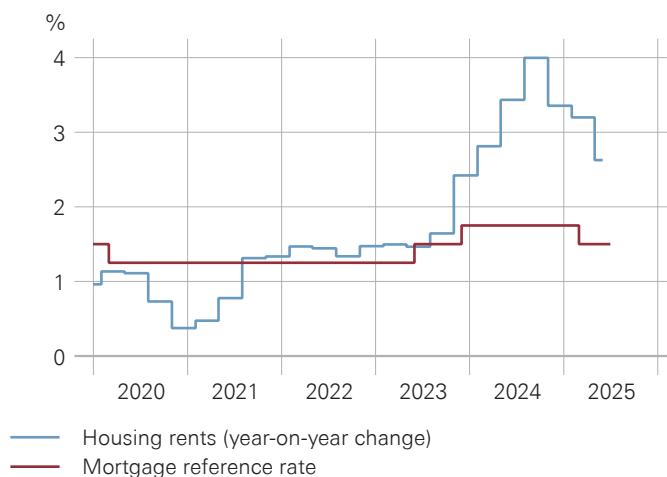
The decline in domestic services inflation is attributable to lower contributions from housing rents and tourism. Housing rent inflation fell from 3.2% in February to 2.6% in May due to waning effects from the last reference rate increase. The March 2025 lowering of the reference interest rate will be reflected in rent levels for the first time in August. Inflation for domestic private services excluding housing rents fell from 1.2% to 0.7% . Inflation for domestic public services, by contrast, rose slightly from 0.2% to 0.3% (table 4.1).

Decline in core inflation

Underlying inflation as measured by core inflation has fallen since February at a rate similar to that of CPI inflation. The SFSO core inflation rate 1 (SFSO1) decreased from 0.9% in February to 0.5% in May. Core inflation, as measured by the SNB's trimmed mean (TM15), decreased by 0.2 percentage points, i.e. less sharply than the SFSO1, and stood at 0.7% in May (chart 4.4).

Chart 4.3

HOUSING RENTS

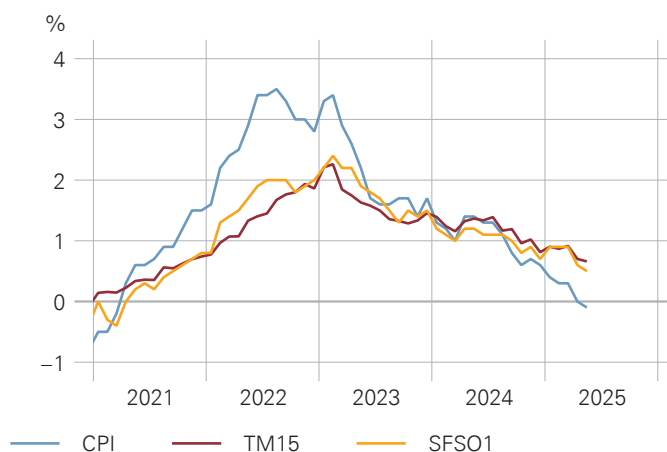


Source(s): Federal Office for Housing (FOH), SFSO

Chart 4.4

CORE INFLATION RATES

Year-on-year change

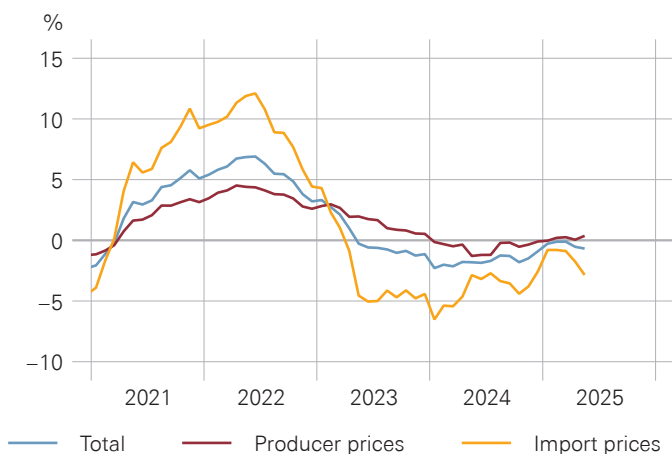


Source(s): SFSO, SNB

Chart 4.5

PRODUCER AND IMPORT PRICES

Year-on-year change



Source(s): SFSO

Chart 4.6

SHORT-TERM PRICE AND INFLATION EXPECTATIONS

Aggregate responses from SECO survey on consumer sentiment and UBS CFA financial market survey



Source(s): CFA Society Switzerland, SECO, UBS

PRODUCER AND IMPORT PRICES

Lower inflation for producer and import prices

Inflation as measured by the producer and import price index stood at -0.7% in May, down from -0.1% in February (chart 4.5). The decrease was largely attributable to import prices. Inflation for import prices declined from -0.8% to -2.9% , primarily as a result of energy products. However, inflation for producer prices was up by 0.2 percentage points in May at 0.4% , which was mainly due to consumer goods.

INFLATION EXPECTATIONS

Short-term inflation expectations slightly lower

Most indicators for short-term inflation expectations have again declined slightly this quarter.

One exception was the index on the expected development of prices over the next twelve months – based on the SECO consumer sentiment survey – which rose versus the previous quarter (chart 4.6). The survey conducted in April indicated that roughly four out of five households anticipate an increase in prices in the short term.

The index based on the joint monthly financial market survey by UBS and the CFA Society Switzerland, however, dropped over the past quarter (chart 4.6). Given that more respondents continued to expect inflation to fall rather than rise in the next six months, the index remained in negative territory. The May survey showed that approximately four out of five respondents overall still anticipated unchanged or falling inflation rates.

The talks conducted by the SNB's delegates for regional economic relations with company representatives also showed a decline in short-term inflation expectations in the second quarter (chart 9 in 'Business cycle signals'). Expected annual inflation for the next six to twelve months stood at around 0.8% , compared with 1.0% in the previous quarter.

The forecast of the banks and economic institutions participating in the monthly survey conducted by Consensus Economics for expected inflation in 2025 also receded from 0.5% in March to 0.2% in June (chart 4.7). For 2026, the panel of experts continue to anticipate a rise in inflation, but now only to around 0.6%.

Longer-term inflation expectations hardly changed

There was hardly any change in the indicators for longer-term inflation expectations in the quarter under review.

For respondents to the UBS CFA financial market survey in March, average inflation expectations for a time horizon of three to five years receded from 1.3% to 1.2% (chart 4.8). Company representatives interviewed by the SNB’s delegates in the second quarter of 2025 put inflation for the same time frame at 1.1%, compared with 1.2% a quarter earlier.

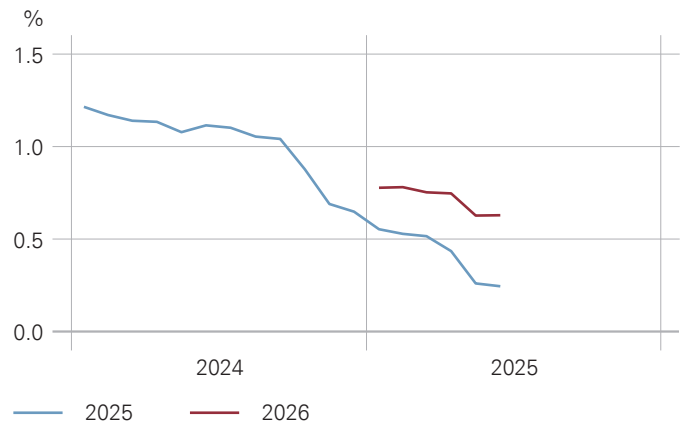
According to the Consensus Economics survey conducted in April, the long-term inflation expectations (six to ten years) of participating banks and economic institutions stood at 1.0% (previous quarter: 1.1%).

Survey results on longer-term inflation expectations are thus still within the range consistent with price stability, which the SNB equates to a rise in the CPI of between 0% and 2% per year.

Chart 4.7

SHORT-TERM INFLATION EXPECTATIONS FROM CONSENSUS ECONOMICS

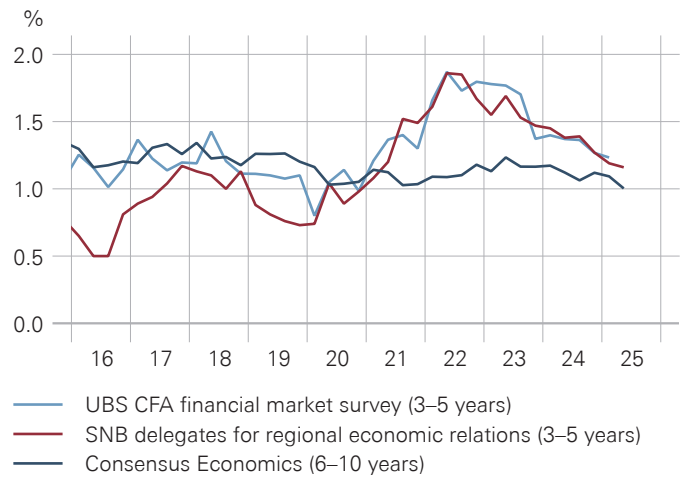
Monthly forecasts for annual inflation



Source(s): Consensus Economics Inc.

Chart 4.8

LONGER-TERM INFLATION EXPECTATIONS



Source(s): CFA Society Switzerland, Consensus Economics Inc., SNB, UBS

Yields on Confederation bonds have declined significantly across all maturities since the monetary policy assessment in March. The Swiss franc strengthened noticeably, particularly against the US dollar. Most of this appreciation occurred immediately following the announcement of higher US import tariffs at the beginning of April. Prices on the Swiss stock market fell significantly. Momentum in residential real estate prices increased somewhat. Annual growth rates for the broad monetary aggregates and for mortgage lending rose.

MONETARY POLICY MEASURES SINCE MARCH 2025 ASSESSMENT

Monetary policy easing

At its monetary policy assessment of 20 March 2025, the SNB decided to lower its policy rate by 0.25 percentage points to 0.25%. It also reaffirmed its willingness to be active in the foreign exchange market as necessary. With this rate adjustment, the SNB ensured that monetary conditions remained appropriate, given the low inflationary pressure and the heightened downside risks to inflation. The SNB stated it would continue to monitor the situation closely and adjust its monetary policy if necessary, to ensure that inflation remains within the range consistent with price stability over the medium term.

Remuneration of sight deposits

Sight deposits up to the threshold were remunerated at an interest rate of 0.25%, while the rate for sight deposits above the threshold was 0%. A discount of 0.25 percentage points relative to the SNB policy rate thus applied to sight deposits above the threshold. The SNB lowered the threshold factor for the remuneration of sight deposits of account holders subject to minimum reserve requirements from 20 to 18, effective as of 1 June 2025. Together with the absorption of sight deposits via open market operations, this tiered remuneration of sight deposits ensures that monetary policy will be passed through to interest rates in the money market.

Absorption of sight deposits via repo transactions and SNB Bills

The SNB continued to absorb sight deposits by way of repo transactions and the issuance of SNB Bills. For this purpose, repo transactions with a term of one week were auctioned daily, while SNB Bills with terms ranging from one month to one year were auctioned on a weekly basis. Furthermore, in the overnight segment, occasional repo transactions were concluded on a bilateral basis. By absorbing sight deposits, the SNB reduced the liquidity supply in the money market, and thus ensured that the short-term secured Swiss franc money market rates remained close to the SNB policy rate.

Since the March assessment, outstanding liquidity-absorbing repo transactions have averaged CHF 87.0 billion. In the same period, the average level of outstanding SNB Bills amounted to CHF 62.3 billion.

Sight deposits at the SNB slightly lower

Sight deposits held at the SNB were slightly lower than at the time of the March monetary policy assessment. In the week ending 13 June 2025 (last calendar week before the assessment), they amounted on average to CHF 434.8 billion. This was lower than in the week ending 13 March 2025, the last calendar week preceding the March assessment (CHF 448.5 billion). Over the weeks between these two assessments, they averaged CHF 445.8 billion. Of this amount, CHF 436.5 billion were sight deposits of domestic banks and the remaining CHF 9.3 billion were other sight deposits.

Statutory minimum reserves averaged CHF 45.7 billion between 20 February 2025 and 19 May 2025. Overall, banks exceeded the minimum reserve requirement by CHF 396.9 billion (previous period: CHF 397.0 billion). Banks' excess reserves thus remained very high.

MONEY AND CAPITAL MARKET INTEREST RATES

SARON close to SNB policy rate

At its March monetary policy assessment, the SNB lowered its policy rate by 0.25 percentage points, from 0.5% to 0.25%. Subsequently, SARON – the average overnight interest rate on the secured money market – continued to consistently fluctuate slightly below the SNB policy rate (chart 5.1). In mid-June, it stood at 0.21%.

Significantly lower long-term interest rates

The announcement of increased tariffs on imports into the US led to high uncertainty on the financial markets at the beginning of April. Yields on long-term Confederation bonds fell significantly thereafter. This movement reflects both expectations of lower short-term interest rates, partly due to reduced inflationary pressure in Switzerland, and increased demand for safe investments. In mid-June, the yield on ten-year Confederation bonds stood at 0.32%, just under 0.4 percentage points lower than at the time of the March monetary policy assessment (chart 5.2).

Yield curve in negative territory at short end

The yield curve shifted downwards significantly compared to the last monetary policy assessment (chart 5.3). Yields on Confederation bonds with maturities of up to five years were in negative territory in mid-June.

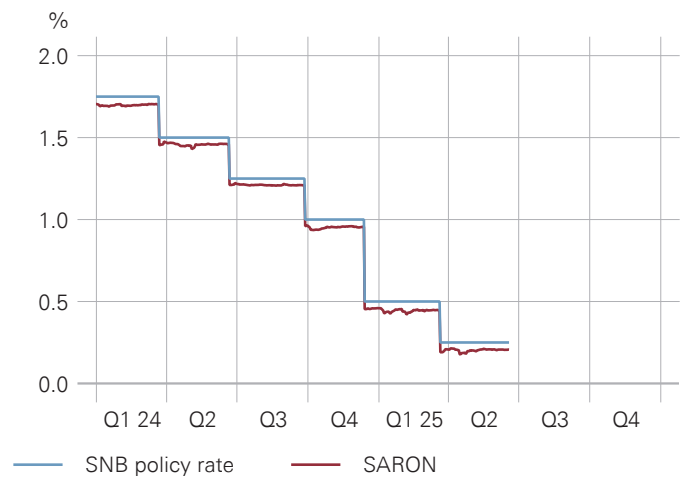
Lower real interest rates

Real interest rates – the difference between nominal interest rates and inflation expectations – are an important factor in the saving and investment decisions of companies and households.

The downward shift in the yield curve for Confederation bonds (chart 5.3) coupled with only slightly lower inflation expectations suggests that real interest rates have declined since mid-March and were just into negative territory in mid-June for both short and medium-term maturities.

Chart 5.1

SNB POLICY RATE AND SARON



Source(s): Bloomberg, SIX Swiss Exchange Ltd, SNB

Chart 5.2

10-YEAR SWISS CONFEDERATION BOND YIELD

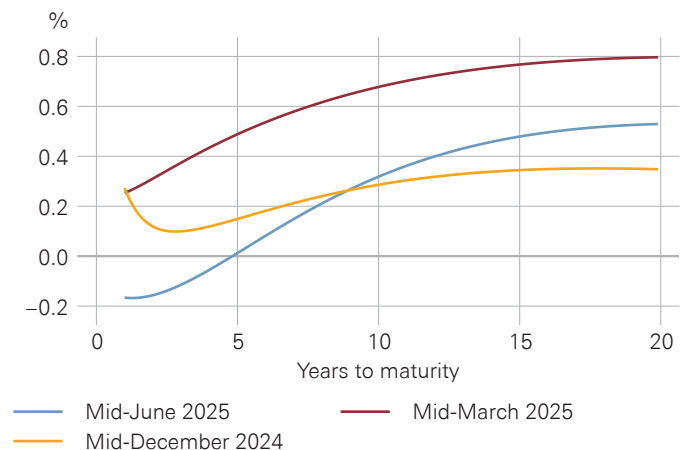


Source(s): SNB

Chart 5.3

TERM STRUCTURE OF CONFEDERATION BONDS

Nelson-Siegel-Svensson method



Source(s): SNB

Chart 5.4

EXCHANGE RATES



Source(s): SNB

Chart 5.5

NOMINAL EXTERNAL VALUE OF SWISS FRANC

Index, March 2025 monetary policy assessment = 100

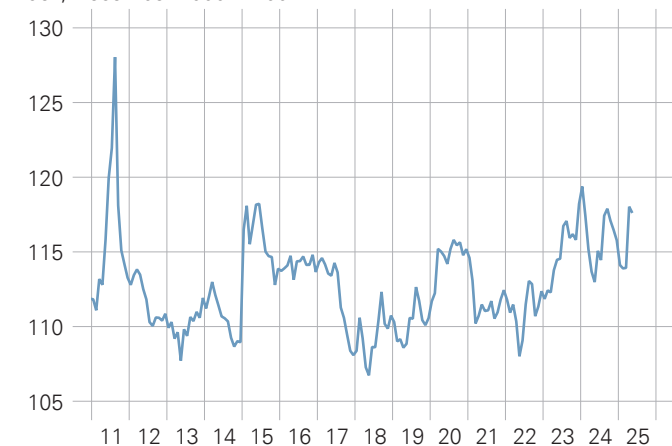


Source(s): SNB

Chart 5.6

REAL EXTERNAL VALUE OF SWISS FRANC

Index, December 2000 = 100



Source(s): SNB

EXCHANGE RATES

Significant appreciation of Swiss franc

Following the announcement of higher US import tariffs at the beginning of April, the Swiss franc appreciated significantly (chart 5.4). The appreciation was particularly strong against the US dollar, which weakened across a broad front. However, the Swiss franc also appreciated against other currencies, reflecting increased demand for safe investments. As a safe haven, the Swiss franc often gains in value during times of heightened uncertainty.

The Swiss franc appreciated in line with rising volatility on global financial markets and falling stock prices (chart 5.7). The appreciation of the Swiss franc slowed as the financial markets recovered in mid-April. However, the Swiss franc remained noticeably stronger than before the increased trade tensions, despite the decline in Swiss interest rates and the associated widening of interest rate differentials versus the major currency areas.

In mid-June, one euro was worth CHF 0.94, while one dollar was worth CHF 0.82 (chart 5.4); the Swiss franc had thus gained just under 2% against the euro and around 7% against the US dollar.

Increase in Swiss franc’s nominal external value

In mid-June, the Swiss franc was 4% stronger in nominal trade-weighted terms than at the March assessment (chart 5.5). In the period under review, the Swiss franc appreciated not only against the euro – and, in particular, the US dollar – but also against the currencies of other major trading partners. It gained 3.5% against the pound sterling, 3.9% against the Japanese yen and 6.3% against the Chinese yuan.

Real external value of Swiss franc higher

The significant nominal appreciation of the Swiss franc in April also caused it to appreciate on a real, trade-weighted basis (chart 5.6). As inflation in Switzerland remained lower than abroad, the Swiss franc appreciated less in real terms than in nominal terms.

SHARE AND REAL ESTATE PRICES

Swiss share prices lower

On the Swiss stock market, prices fell markedly following the announcement of higher US import tariffs (chart 5.7). Subsequently, the partial suspension of additional tariffs contributed to a recovery in global share prices (chapter 2). However, the recovery on the Swiss stock market was more sluggish than on other European stock markets, and came to a halt with the beginning of the military confrontation between Israel and Iran. In mid-June, the Swiss Market Index (SMI) was around 8% lower than at the time of the monetary policy assessment in March.

Temporary strong increase in volatility on Swiss stock market

The volatility index derived from options on SMI futures contracts is an indicator of how uncertainty is gauged on the stock market (chart 5.7). In the period under review, this index mostly moved inversely to the SMI. It initially increased sharply at the beginning of April, before rapidly decreasing again. As tensions escalated in the Middle East, the index rose again somewhat. In mid-June, the volatility index was slightly higher than at the beginning of the year, and thus at an average level by historical standards (since 1999).

Decline in most sector indices

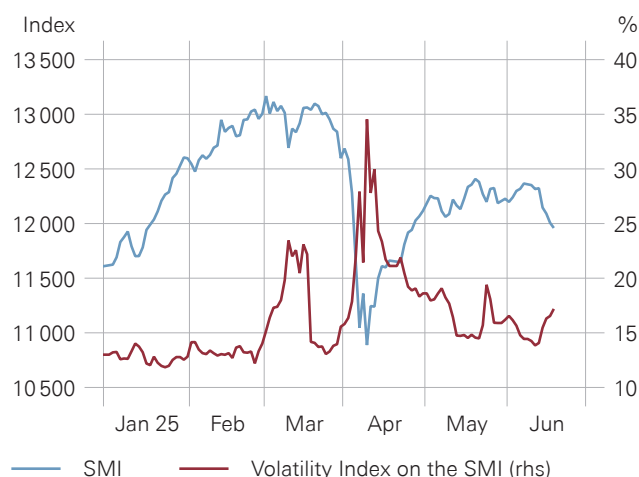
Chart 5.8 shows the movements of the four most important sector indices in the Swiss Performance Index (SPI), which is broader based than the SMI. In mid-June, most sector indices were lower than at the time of the March assessment. One exception was the sector index tracking the share price performance of industrials, which returned to roughly its mid-March level.

Growth in residential real estate prices somewhat stronger

Prices for residential real estate rose by approximately 4% year on year in Q1 2025 (chart 5.9). Transaction price growth was somewhat higher than the previous quarter for both privately owned apartments and single-family houses, as well as for the apartment buildings segment – which includes residential investment property of private and institutional investors. Overall, however, momentum in residential real estate prices remained weaker than before the tightening of monetary policy in 2022 and 2023.

Chart 5.7

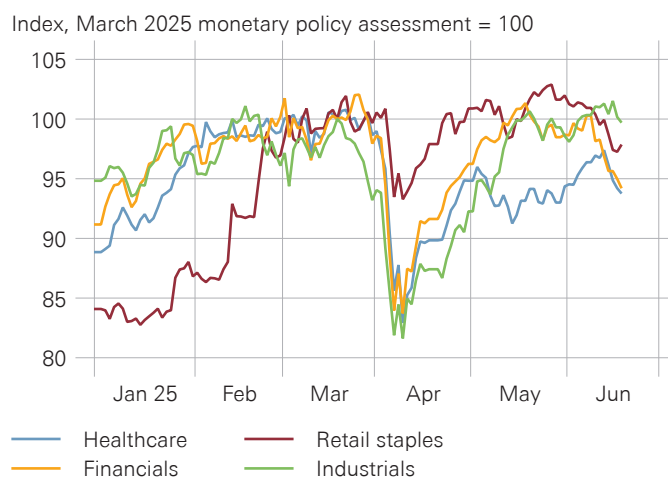
SHARE PRICES AND VOLATILITY



Source(s): SIX Swiss Exchange Ltd

Chart 5.8

SELECTED SPI SECTORS

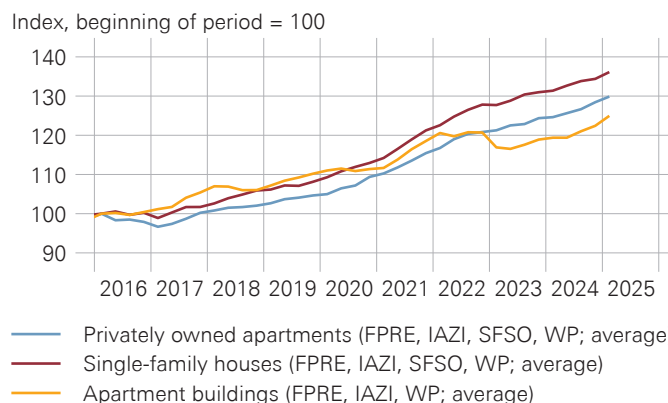


Source(s): SIX Swiss Exchange Ltd

Chart 5.9

TRANSACTION PRICES FOR RESIDENTIAL REAL ESTATE

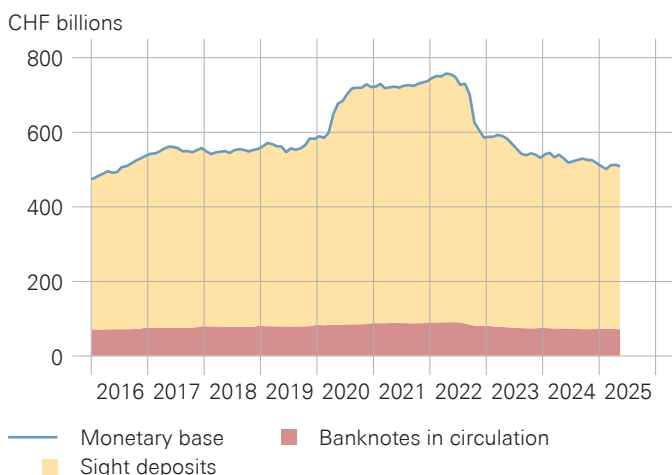
Nominal (hedonic)



Source(s): Fahländer Partner Raumentwicklung (FPRE), IAZI, SFSO (from 2017), Wüest Partner (WP)

Chart 5.10

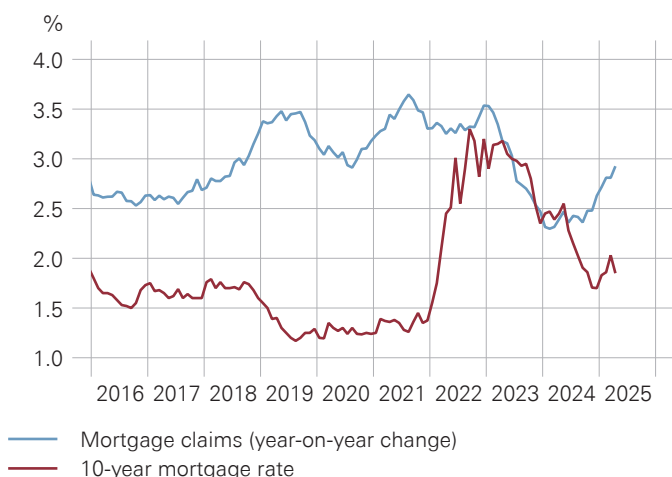
MONETARY BASE



Source(s): SNB

Chart 5.11

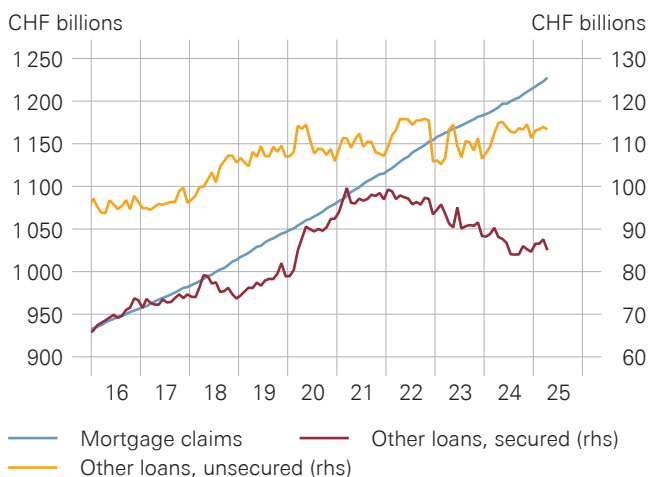
MORTGAGE CLAIMS AND INTEREST RATES



Source(s): SNB

Chart 5.12

MORTGAGE CLAIMS AND OTHER LOANS



Source(s): SNB

MONETARY AND CREDIT AGGREGATES

Little change to monetary base

Having declined significantly in 2022 and 2023 amid the tightening of monetary policy, the monetary base has changed only little since 2024. In May 2025, the monetary base averaged CHF 509.0 billion (chart 5.10), which was CHF 8.0 billion higher than in February 2025.

Broad monetary aggregates growing

Following a prolonged phase of negative growth, annual growth rates for the broad monetary aggregates returned to positive territory at the end of 2024 (table 5.1). The increase in the growth of monetary aggregates reflected the more pronounced decline in capital market interest rates (chart 5.2) relative to interest rates on bank deposits since 2023. This increased the incentive to hold short-term bank deposits. Additionally, lending growth and the associated creation of deposits also contributed to positive growth rates in the broad monetary aggregates.

In May, the M1 aggregate (currency in circulation, as well as sight deposits and transaction accounts of resident bank customers) rose by 13.0% year on year, compared with growth of 5.8% in February. The M2 aggregate (M1 plus savings deposits) increased by 11.8% year on year in May and M3 (M2 plus time deposits) by 3.5%, compared with rises of 7.2% (M2) and 2.5% (M3) in February.

Higher growth in mortgage claims

In line with interest rate movements in the capital market, published interest rates for fixed-rate mortgages declined through to December 2024, but – like capital market rates – rose again somewhat at the start of 2025. The ten-year mortgage rate stood at around 1.9% at the end of April 2025 (chart 5.11).

Supported by the decline in interest rates in 2024, growth in banks' mortgage claims picked up. Growth in mortgage claims increased from 2.5% in Q4 2024 to 2.8% in Q1 2025 (chart 5.11, table 5.1). In April, it rose marginally to 2.9%.

Decrease in other loans reflects developments in foreign currency lending

As other loans fluctuate considerably more strongly than mortgage claims (chart 5.12), caution should be exercised when interpreting monthly values for annual growth rates.

The volume of unsecured other loans has remained largely stable since 2020, with any fluctuations primarily attributable to developments in other loans to financial companies. By contrast, the volume of secured other loans has declined since 2022, mainly due to foreign currency loans and, to a lesser extent, repayments of COVID-19 loans. While other loans in Swiss francs, which account for 80% of this loan category, were up 2.0% year on year in the first quarter of 2025, other loans in foreign currencies contracted by 4.4% (table 5.1).

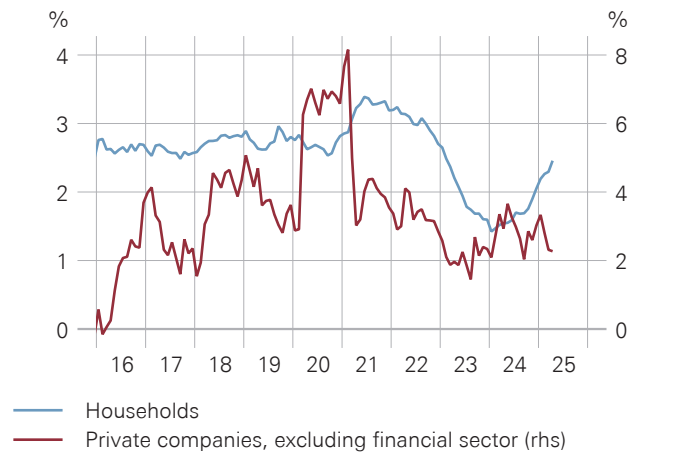
Lending growth by sector

In addition to a breakdown by loan type and currency, lending can also be assessed by borrowing sector. This approach shows that bank loans to households and non-financial companies continued to grow year on year (chart 5.13). At the end of April 2025, loans to households recorded a year-on-year increase of CHF 22.2 billion (2.5%) and loans to non-financial companies a rise of CHF 8.3 billion (2.3%). By contrast, at the end of April 2025 loans to financial companies were 2.4% lower year on year.

Chart 5.13

LOANS TO HOUSEHOLDS AND COMPANIES

Year-on-year change



Source(s): SNB

Table 5.1

MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2024	2024			2025	2025		
		Q2	Q3	Q4	Q1	Mar	Apr	May
M1	-9.1	-12.1	-6.2	-0.6	6.2	8.6	11.5	13.0
M2	-4.9	-7.4	-2.3	2.4	7.5	9.2	10.9	11.8
M3	0.1	-0.5	1.1	1.7	2.4	2.9	3.1	3.5
Bank loans, total ^{1,3}	1.9	1.9	1.9	2.1	2.5	2.3	2.2	
Mortgage claims ^{1,3}	2.4	2.4	2.4	2.5	2.8	2.8	2.9	
Households ^{2,3}	1.7	1.6	1.7	1.9	2.3	2.4	2.6	
Private companies ^{2,3}	4.2	4.6	4.1	4.0	3.8	3.7	3.6	
Other loans ^{1,3}	-0.9	-1.2	-1.4	-0.3	0.7	-0.6	-2.2	
Secured ^{1,3}	-5.9	-5.1	-7.2	-5.5	-2.5	-3.0	-3.5	
Unsecured ^{1,3}	3.3	2.0	3.5	4.0	3.3	1.3	-1.3	
in CHF ^{1,3}	2.2	1.3	2.0	2.0	2.0	1.7	0.3	
in other currencies ^{1,3}	-12.1	-10.2	-13.8	-9.3	-4.4	-9.0	-12.2	

1 Monthly balance sheets (domestic bank offices, positions vis-à-vis domestic non-banks, all currencies).

2 Credit volume statistics (domestic bank offices, positions vis-à-vis domestic non-banks, all currencies).

3 Growth rates for the bank loans item and its components include information provided by banks on changes in their classification practices. Consequently, they may deviate from growth rates published on the SNB's data portal, data.snb.ch.

Source(s): SNB

Business cycle signals

Results of the SNB company talks

Second quarter of 2025

Report submitted to the Governing Board of the Swiss National Bank for its quarterly monetary policy assessment

The appraisals presented here are based on discussions between the SNB's delegates for regional economic relations and members of management at companies throughout Switzerland. In its evaluation, the SNB aggregates and interprets the information received. A total of 241 company talks were conducted between 15 April and 3 June.

Regions

Central Switzerland
Eastern Switzerland
Fribourg/Vaud/Valais
Geneva/Jura/Neuchâtel
Italian-speaking Switzerland
Mittelland
Northwestern Switzerland
Zurich

Delegates

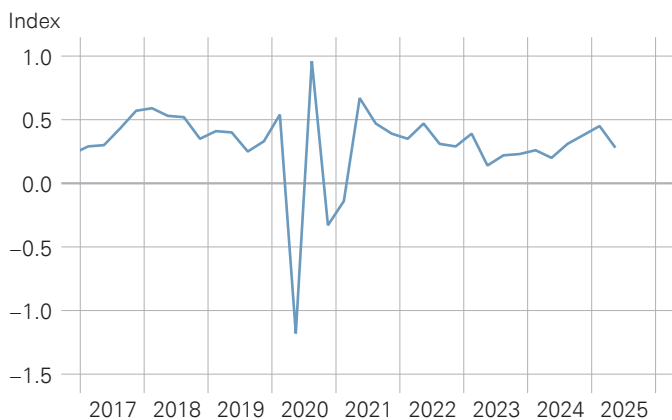
Astrid Frey
Urs Schönholzer
Aline Chabloz
Jean-Marc Falter
Fabio Bossi
Roland Scheurer
Daniel Hanimann
Marco Huwiler

Key points

- The companies surveyed report moderate turnover growth overall in the second quarter. The recovery trend in manufacturing emerging at the beginning of the year has largely come to a standstill. However, momentum in the services sector and construction remains robust.
- Company representatives attribute the slowdown in manufacturing growth mainly to US trade policy. Owing to the uncertain development of tariffs, companies report that their customers are very cautious about placing orders and are postponing investment decisions.
- In manufacturing, underutilisation of both personnel and technical capacity is increasing, and profit margins are under pressure. In the services sector and construction, by contrast, capacity utilisation and margins are largely stable and in line with the long-term average.
- Companies anticipate solid increases in turnover in the coming quarters. However, they point to considerable uncertainty, particularly when it comes to US trade policy. At the time the talks with company representatives took place, there was no clarity with regard to the future level of tariffs or their impact.

Chart 1

TURNOVER



Developments in real turnover compared to the previous quarter. Positive (negative) index values signal an increase (decrease).

Source(s): SNB

Chart 2

CAPACITY UTILISATION

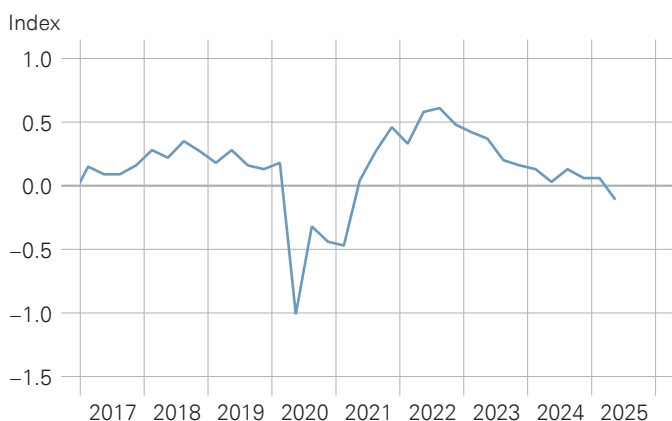


Utilisation of technical capacity and/or business infrastructure compared to a normal level. A positive (negative) index value signals utilisation is higher (lower) than normal.

Source(s): SNB

Chart 3

STAFF SHORTAGES



Assessment of staff numbers. Positive (negative) index values signal staff numbers that are lower (higher) than necessary.

Source(s): SNB

CURRENT SITUATION

Moderate growth in turnover

Growth in the Swiss economy slowed in the second quarter. The companies surveyed report a moderate rise in turnover overall (chart 1). This growth was driven by the services sector and construction. Manufacturing companies, by contrast, report only marginal growth in turnover. The momentum the manufacturing sector showed at the beginning of the year has thus waned.

Company representatives attribute the slowdown in growth mainly to US trade policy. The uncertainty caused by repeated policy changes by the US administration has weighed particularly heavily. Companies report that their customers are very cautious when it comes to placing orders and are postponing investment decisions. Some companies are also experiencing reduced demand given that their products have become more expensive in the US owing to import tariffs.

Lower capacity utilisation

The slowing in the pace of growth has been accompanied by declines in capacity utilisation (chart 2). After a slight improvement in the previous quarter, the underutilisation evident in manufacturing for several quarters is intensifying again. Utilisation is also declining in the services sector, although overall it is only slightly below what is considered normal. Manufacturing-related service providers in particular, for example in the transport industry, and trading companies are reporting relatively low capacity utilisation. Construction companies, on the other hand, are operating at normal levels of capacity.

Declining staff utilisation and fewer recruitment difficulties

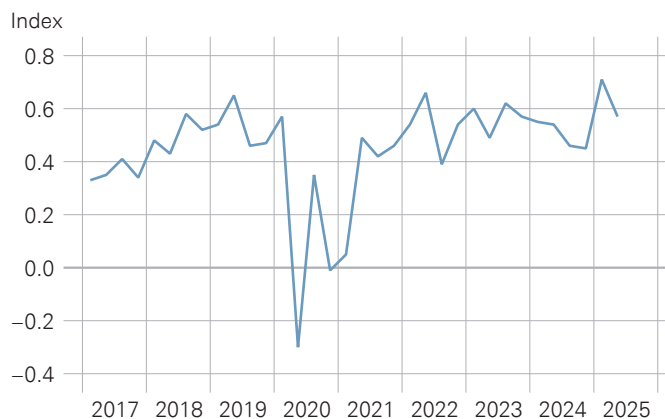
Staff utilisation is declining and overall staffing levels are slightly above companies' requirements (chart 3). There are clear differences between the sectors, however. Manufacturing companies consider their staff levels to be much too high. Companies in the mechanical engineering and metals industries in particular are reporting the use of short-time working and downsizing in view of declining capacity utilisation. Staffing levels in the services sector, by contrast, are for the most part in line with companies' needs. Construction companies describe their staff levels as tending to be too tight. Overall, recruitment difficulties have eased further.

Slight decline in margins

Companies' profit margins have declined slightly but for the most part remain at a solid level (chart 4). This is particularly true for the majority of companies in the services sector and construction. Margins in manufacturing are under greater pressure, however. As reasons for this, companies cite the weak development of demand and additionally the strong Swiss franc or recent depreciation of the US dollar. Some also mention declines in revenues as a result of US tariffs.

Chart 4

CHARACTERISATION OF MARGINS



Characterisation of the margin situation. Negative (positive) index values signal an uncomfortable (comfortable) margin situation.

Source(s): SNB

Discussions dominated by impact of tariffs

A dominant topic of conversation in many of the talks conducted with companies this quarter has been the impact of US trade policy. The additional tariffs announced on 2 April were suspended for 90 days before the start of the survey period. However, the general tariffs of 10% remain in place, and uncertainty about tariff terms after the 90-day period expires is weighing on companies.

More than one-fifth of companies are feeling the negative effects of US trade policy directly (see chart). This includes companies that attribute lower order volumes, prices or margins directly to tariffs, among them those that are suffering losses on their own products because of tariffs. But it may also include companies whose customers are affected by tariffs or are cancelling orders owing to the uncertain tariff situation.

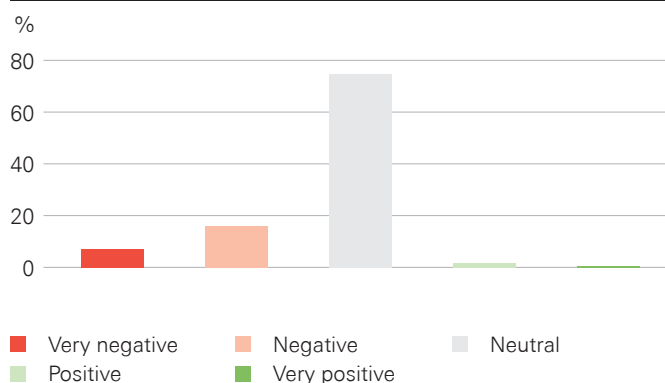
Primarily affected are export-oriented manufacturing companies. That said, these businesses are also feeling the impact of tariffs very differently. The decisive factor is the competitive situation in the US. If companies have little competition, customers usually absorb the tariffs. Price negotiations are also easier if the Swiss intermediate inputs account for only a small proportion of the total cost of the final products purchased by US customers. On the other hand, the situation is often problematic for companies that are in direct competition with US firms and manufacture almost the entire end product in Switzerland. Hardly any companies are planning to relocate production to the US as a result of the tariffs. The reasons cited for this include high investment costs, the long lead time in setting up a production facility, a lack of suppliers in the US and a shortage of skilled workers.

Almost 80% of the companies surveyed are not seeing any immediate effects of US trade policy or are unable to accurately assess the specific impact. However, many of these businesses emphasise that they are likely to be indirectly affected, for example by a slowdown in global demand, the appreciation of the Swiss franc or a deterioration in consumer sentiment.

In addition to the negative effects, some companies also mention positive impacts such as competitive advantages over companies affected by higher tariffs; at the time the interviews took place, these were competing Chinese companies in the US market and US companies in China. The complex situation is also leading to increased consulting needs, meaning that companies with the relevant expertise are in demand. However, hardly any companies say that these positive effects are outweighing the negatives.

DIRECT EFFECT OF US TRADE POLICY

Percentage of companies that attribute effects on their business performance in Q2 2025 (turnover, orders, prices, etc.) directly to US trade policy. Effects relating to general economic development are excluded.



Source(s): SNB

DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

Slowing momentum in manufacturing

Given the renewed slowdown in growth, the situation remains challenging for many manufacturing companies. This is particularly true in the mechanical engineering and metals industries, which have been suffering from weak demand from Europe for several quarters now. The German automotive industry in particular has been providing little impetus for some time. The uncertainty around tariffs is now an additional burden. Customers are postponing or cancelling their orders. It is unclear whether and at what terms it will be possible to fulfil these orders at a later date. The situation in the watchmaking industry is similarly challenging. Here, the tariffs are hitting companies at a time of prolonged weak demand and low capacity utilisation.

Medical technology and pharmaceutical companies and their suppliers, by contrast, continue to see their business develop positively. Demand for products for the expansion of transport and energy infrastructure is also rising. The defence industries in other countries are also a source of sales growth for Swiss suppliers.

Subdued business activity in trade industry

In retail, customers remain highly price-sensitive. Companies report that sales volumes of food products are reacting significantly to price changes. In addition, demand in the lower-price segments remains more robust than for higher-priced products. On the non-food side, intense competition with online providers abroad is posing challenges for retailers. Sales of motor vehicles are increasing somewhat. Following a weak performance in the previous year, demand appears to be improving to some extent, particularly among private customers. Developments in wholesale and transport vary depending on the sales market. While demand from customers in construction and life sciences is mostly positive, demand from other manufacturing industries is subdued.

Solid guest numbers in hotel industry

Guest numbers in the hotel industry remain at a high level. Several businesses report that demand is being supported by less price-sensitive individual guests from the US, the Middle East, India and various niche markets.

In food services, there is a lack of clearly positive impetus. Companies are feeling the effects of muted consumer sentiment. In some regions, food services companies are reporting fewer events. In the Lake Geneva region, this is attributed in part to the cuts in US funding for international cooperation. In the Basel region, by contrast, hotel and food services companies benefited from the Eurovision Song Contest.

Robust business activity in financial, ICT and consulting industries

Insurance companies and banks are reporting a tendency to revenue growth. However, declining interest rates are putting pressure on what are otherwise robust margins. On the wealth management side, the brief stock market slump in April and the depreciation of the US dollar are reducing commission income based on the value of assets. On the trading side, by contrast, the fluctuations are in some cases having a positive effect.

Even though information and communications technology (ICT) is also having to contend with US trade policy, growth in this industry remains robust. While some of the ICT industry's customers in manufacturing are unsettled and cautious when it comes to spending, others are investing in digitalisation to reduce costs. Consulting firms, too, report that manufacturing companies in particular are working hard to increase efficiency in the face of margin pressure, for which they are also using consulting services. However, the high level of uncertainty is having a curbing effect on the mergers and acquisitions and strategy consulting businesses.

Robust business activity in construction

Construction companies report that the order situation is developing robustly. Renovation activity remains brisk, but there are also positive signs in new construction. Low interest rates and a shortage of housing are seen as supporting factors. Demand for facility maintenance and building services also remains solid. Public sector infrastructure projects are also underpinning orders for some construction companies. The development of demand from manufacturing and commerce, on the other hand, is fairly subdued.

OUTLOOK

Solid business outlook despite high uncertainty

Overall, companies anticipate solid growth in turnover over the next two quarters (chart 5). The outlook in the services sector and construction in particular remains robust. In manufacturing, by contrast, business prospects have worsened somewhat. Companies point to a reluctance to invest associated with US trade policy, but also to the ongoing economic weakness in Europe, particularly in Germany. In the current environment, manufacturing companies especially are finding it difficult to make reliable forecasts. There is too much uncertainty surrounding the tariff situation. Companies cite general economic developments, exchange rate fluctuations and geopolitical conflicts as further sources of uncertainty. A few report that export restrictions are making it increasingly difficult to procure rare earths from China.

Cautious investment plans – moderate workforce expansion

Companies plan to increase their capital spending only slightly in the coming quarters. In manufacturing, the focus is on necessary replacement investments and on increasing efficiency by automating production processes. Only few companies are planning to expand production capacity markedly, as they can usually handle significantly higher production volumes with their existing capacity. Services companies are also investing cautiously, but overall expect to increase spending on their IT infrastructure, particularly when it comes to artificial intelligence and cybersecurity.

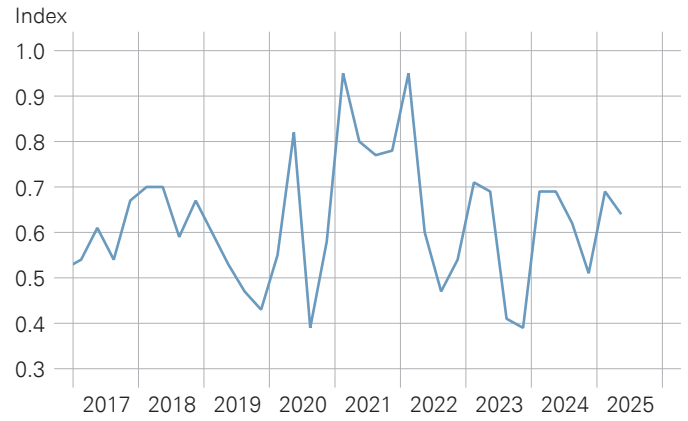
Companies anticipate moderate increases in staff numbers in the next two quarters (chart 6). Services and construction companies plan to continue with solid increases in their workforce. Some manufacturing companies, by contrast, are envisaging reductions in staff numbers.

Wage growth expected to slow

The companies surveyed expect wage growth of 1.6% on average this year, down from 1.9% last year (chart 7). Given the decline in inflation and the fact that the recruitment situation has largely returned to normal, pay rises are increasingly being granted on an individual basis again. For 2026, company executives expect wage growth to decline further, to around 1.3%. However, companies point out that the outcome of wage negotiations, which often take place in autumn, is still uncertain and will be influenced by the labour market situation, their own business performance and the development of inflation.

Chart 5

EXPECTED TURNOVER

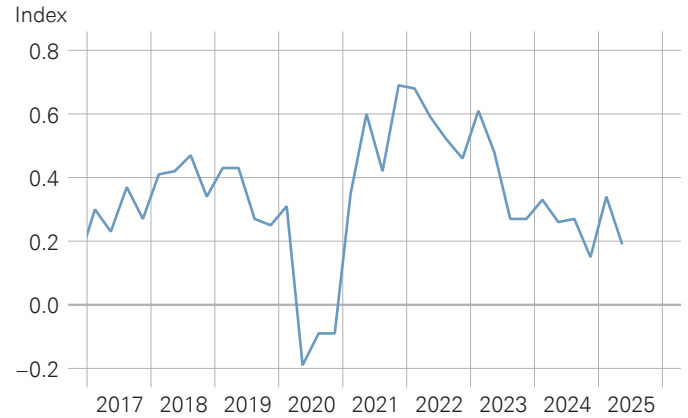


Expected developments in real turnover over the coming two quarters. Positive (negative) index values indicate turnover is expected to be higher (lower).

Source(s): SNB

Chart 6

EXPECTED EMPLOYMENT

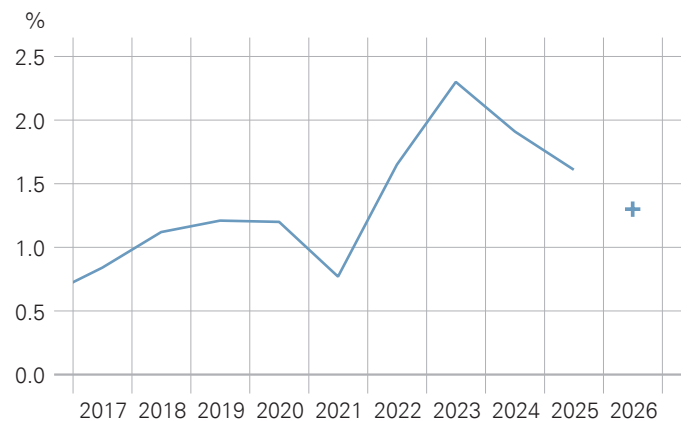


Expected developments in staff numbers over the coming two quarters. Positive (negative) index values indicate an expected increase (decrease).

Source(s): SNB

Chart 7

WAGE INCREASES



Expected average wage increase for the coming year (cross) and agreed annual wage increases (line).

Source(s): SNB

Chart 8

EXPECTED CHANGE IN PURCHASE AND SALES PRICES

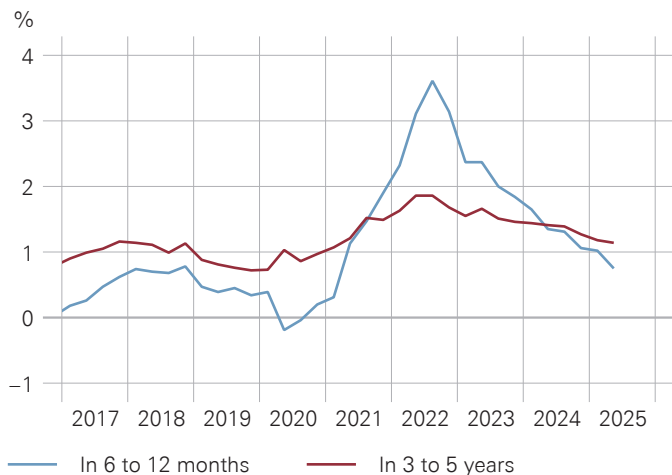


Expected price development for the next 12 months. Positive (negative) index values indicate higher (lower) prices are expected.

Source(s): SNB

Chart 9

EXPECTED INFLATION



Source(s): SNB

About this report

Each quarter, the SNB’s delegates for regional economic relations hold more than 200 talks with company executives. The selection of companies reflects the industrial structure of the Swiss economy based on GDP and employment. Industries subject to stronger cyclical fluctuations are somewhat over-represented, while public administration and agriculture are not taken into consideration. As a rule, the companies in the sample have at least 50 employees. The sample changes each quarter.

In the talks, the SNB’s delegates capture primarily qualitative information. The discussions are nevertheless structured in such a way as to allow the delegates to grade part of the qualitative

Small rise in purchase and sales prices in most cases

For the next two quarters, companies expect purchase and sales prices to remain stable or rise slightly (chart 8). Companies anticipate further increases in the purchase prices of software licences and cloud services. At the same time, some cite declining electricity and fuel prices as factors curbing costs. Most companies expect fluctuations in raw material prices to be fairly low, although they do point out that reliable forecasts are difficult at present. Overall there is considerable uncertainty, compounded by the unpredictability of US trade policy.

As for sales prices, companies still see a certain need to pass on purchase prices, which in some cases have increased, and higher labour costs to their customers. However, their scope for doing so is limited. Companies often feel unable to raise their sales prices without losing volume.

INFLATION EXPECTATIONS

The delegates also ask company representatives about their own short and long-term inflation expectations.

Short-term inflation expectations as measured by the consumer price index are slightly lower: The average for the next six to twelve months (chart 9) is 0.8%, compared with 1.0% in the previous quarter. Inflation expectations over a three to five-year horizon have also declined slightly, now averaging 1.1% versus 1.2% the previous quarter.

information received according to a numeric scale. The five-tier scale ranges from ‘substantially higher’ or ‘much too high’ (+2), ‘slightly higher’ or ‘somewhat high’ (+1), ‘the same’ or ‘normal’ (0), ‘slightly lower’ or ‘somewhat low’ (-1), to ‘substantially lower’ or ‘much too low’ (-2). The index values shown in the charts represent the average of the findings from all companies visited.

Further information can be found in the ‘Business cycle signals’ reports at www.snb.ch, The SNB/Regional economic relations.

Chronicle of monetary events

The chronicle summarises the most recent monetary events.
For events dating further back, please refer to the **press releases** and **chronicle of monetary events** at www.snb.ch.

At its quarterly assessment of 19 June, the SNB lowers its policy rate to 0%. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold. The discount for sight deposits above this threshold remains unchanged at 0.25 percentage points. The SNB remains willing to be active in the foreign exchange market as necessary. With the easing of monetary policy, the SNB counters the lower inflationary pressure compared with the previous quarter. The SNB stresses that it will continue to monitor the situation closely and adjust its monetary policy if necessary, to ensure inflation remains within the range consistent with price stability over the medium term.

June 2025

At its quarterly assessment of 20 March, the SNB lowers its policy rate to 0.25%. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold, and at 0% above this threshold. The SNB also remains willing to be active in the foreign exchange market as necessary. The SNB's easing of monetary policy ensures that monetary conditions remain appropriate, given the low inflationary pressure and the heightened downside risks to inflation. The SNB stresses that it will continue to monitor the situation closely and adjust its monetary policy if necessary, to ensure inflation remains within the range consistent with price stability over the medium term.

March 2025

At its quarterly assessment of 12 December, the SNB lowers its policy rate to 0.5%. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold, and at 0% above this threshold. The SNB also remains willing to be active in the foreign exchange market as necessary. The SNB's easing of monetary policy takes the reduction in inflationary pressure into account. The SNB stresses that it will continue to monitor the situation closely and adjust its monetary policy if necessary, to ensure inflation remains within the range consistent with price stability over the medium term.

December 2024

At its quarterly assessment of 26 September, the SNB lowers its policy rate to 1.0%. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold, and at 0.5% above this threshold. The SNB also remains willing to be active in the foreign exchange market as necessary. The SNB's easing of monetary policy takes the reduction in inflationary pressure into account. The SNB stresses that further rate cuts may become necessary in the coming quarters to ensure price stability over the medium term.

September 2024

At its quarterly assessment of 20 June, the SNB lowers its policy rate to 1.25%. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold, and at 0.75% above this threshold. The SNB is also willing to be active in the foreign exchange market as necessary. With its decision, the SNB is taking into account the reduced inflationary pressure compared with the previous quarter. With the rate cut, the SNB is able to maintain appropriate monetary conditions. The SNB will continue to monitor the development of inflation closely and adjust its monetary policy if necessary, to ensure inflation remains within the range consistent with price stability over the medium term.

June 2024

Glossary

Annualised	Data is said to be annualised when it is converted to an annual value. When → GDP increases by 1% from one quarter to the next, the annualised growth is 4.06%.
Baseline scenario	The SNB's baseline scenario comprises forecasts for what it considers to be the most likely global economic development for the coming three calendar years. It serves as an important basis for the domestic economic and → inflation forecasts.
Basket of goods	The basket of goods represents an average household's expenditure on goods and services. It is determined on the basis of a household survey and is used to calculate the → Swiss consumer price index.
Bond	A bond is a → security. The buyer of a bond (creditor) makes a specific amount of money available to the bond issuer for a specific period. The issuer repays this amount to the creditor at the end of the term, and in most cases also pays → interest.
Business cycle, business cycle conditions	Business cycle refers to deviations in economic activity from the long-term trend. In addition to → real → GDP, the business cycle is also reflected in a variety of other economic → indicators (e.g. unemployment and consumer confidence indices). A business cycle lasts from the beginning of an upturn and all the way through the economic downturn to its end (→ recession).
Capacity utilisation	Capacity utilisation measures the degree of utilisation of the technical capacities (e.g. machines and equipment) of a company or an industry.
Capital	Capital refers on the one hand to financing resources (→ equity and → debt capital) and on the other to a → factor of production (e.g. machinery).
Capital market	The capital market supplements the → money market, and is a market for raising and investing funds with a term of more than one year. A distinction is made between the market for → equity capital (→ shares), and the market for → debt capital (→ bonds).
Collateral	In credit transactions, the debtor can provide the creditor with collateral (→ secured loan) in order to reduce the risk for the creditor and thus the → interest. The creditor can take possession of the collateral if the debtor is unable to pay the agreed interest or make the repayment.
Consumer price index	→ Swiss consumer price index
Core inflation	Core inflation is a measure of → inflation that excludes goods and services with particularly volatile prices (e.g. energy and food). Core inflation thus captures the underlying development of prices and the trend in inflation. The SNB calculates core inflation using a trimmed mean. This does not involve excluding specific categories of goods and services; instead, each month the 15% of items in the → CPI basket with the largest and the 15% with the smallest price changes are excluded. Overall, therefore, the 30% of goods with the most volatile prices are excluded.
Corporate bond	A corporate bond is a → bond issued by a company.
Countercyclical capital buffer	The countercyclical capital buffer is a → macroprudential measure which contributes towards → financial stability. If the capital buffer is activated, banks are required to hold more → capital. The capital buffer can be targeted at the entire credit market or just individual sectors, e.g. the mortgage market.
Debt capital	Debt capital refers to the borrowings and provisions of a company.
Deflation	Deflation denotes a sustained decrease in the general price level over time.
Delegates for regional economic relations	The delegates for regional economic relations represent the SNB in the various regions of Switzerland, collect information on economic development through their contacts to companies in those regions and, as ambassadors of the SNB, explain its policies. They are supported by the Regional Economic Councils. The SNB maintains representative offices in Basel, Berne, Geneva, Lausanne, Lucerne, Lugano, St Gallen and Zurich.
Equity	Equity is the difference between a company's assets and liabilities (→ debt capital).
Excess reserves	Excess reserves are → sight deposits held by banks at the SNB that exceed their → minimum reserve requirement.
Exchange rate	The exchange rate is the rate at which two currencies are exchanged. It is expressed as the price of one currency in units of another currency. If the exchange rate is adjusted for the price development of the countries concerned, it is referred to as the real exchange rate; if it is measured against the currencies of trading partners, it is referred to as the → trade-weighted exchange rate.
Factors of production	Factors of production are the inputs (primarily labour and → capital) used in the production of goods and services.

Final demand, domestic	Domestic final demand is the sum of private and public consumption plus construction and equipment investment (e.g. new machines).
Financial stability	A financial system is stable if its individual components – banks, financial markets and financial market infrastructures (e.g. stock exchanges) – fulfil their individual functions and are resilient to potential disruptions.
Fine-tuning operations	Fine-tuning operations refer to measures taken by a central bank to curb excessive volatility in short-term → interest rates on the → money market. This can be carried out using → repo transactions, for example.
Fiscal policy	Measures (receipts and expenditure) that aim to influence → business cycle conditions.
Foreign exchange	Foreign exchange comprises credit balances and claims denominated in a foreign currency.
Foreign exchange market interventions	When a central bank intervenes in the foreign exchange market, it buys or sells its domestic currency against a foreign currency with the aim of influencing the → exchange rate.
Full-time equivalent (FTE)	The full-time equivalent is the unit of measure for the number of full-time employees that would be needed to complete the working hours of full-time and part-time employees.
Futures contract	A futures contract governs a transaction that has to be performed at a future point in time specified in the contract.
Government bond	A government bond is a → bond issued by a public-law institution.
Government consumption	Government consumption measures government consumption expenditure, i.e. current spending on goods and services provided by the government to the citizens of a country (e.g. schools, healthcare, defence).
Gross domestic product (GDP)	Gross domestic product indicates the total value of all final goods and services produced in a country during a period, after subtracting the cost of intermediate goods. → Real GDP is the most important measure of an economy's → value added.
Hodrick-Prescott filter (HP filter)	The Hodrick-Prescott filter is a tool for calculating a trend in a data series. For example, deviations of → real → GDP from trend are used in business cycle analysis.
ICT industry	The ICT industry comprises those companies active in information and communications technology.
Indicator	An indicator is a statistical metric or data series that, for example, provides information on → business cycle conditions.
Inflation, inflation rate	Inflation is a sustained increase in the general price level over time. Inflation reduces the → purchasing power of money. In Switzerland, inflation is measured using the → Swiss consumer price index (CPI). The inflation rate denotes the percentage change in the index compared to the previous year.
Inflation forecast, conditional	The SNB publishes a forecast of movements in the → inflation rate over the coming three years every quarter at its → monetary policy assessment. The forecast is conditional because it is based on the assumption that the SNB will not change the → SNB policy rate over the forecast horizon. The SNB bases its monetary policy decisions on the inflation forecast.
Interest, interest rate	Interest is the price a borrower pays to the creditor in return for the latter making a sum of money available for a certain period. Its level is influenced by the term and the financial standing (creditworthiness and solvency) of the debtor as well as the quality of any → collateral. Interest is expressed as a percentage of the loan (interest rate) and usually refers to a time period of one year.
Interest differential, interest margin transaction	The difference between → interest rates on investments which vary, for example, according to currency or risk, is called the interest rate differential. An interest margin transaction uses the interest differential between various financial products to generate profit.
KOF Economic Barometer	The KOF Economic Barometer is an → indicator that shows how the Swiss → business cycle is likely to develop in the near future. It has been published by the KOF Swiss Economic Institute at ETH Zurich since the 1970s.
Liquidity	Liquidity has three meanings in economics. First, being liquid refers to the ability to make due payments at any time and without restriction. Second, liquidity describes the funds required for this purpose. Banks exchange liquidity via the → money market, and the SNB can influence liquidity with → repo transactions, among other things. Third, a market is considered liquid if transactions can be effected without triggering significant price movements.
Macroprudential measure	Regulatory requirement for banks, for example, which contributes to → financial stability.
Mandate	Mandate refers to the SNB's statutory tasks. Article 99 of the Federal Constitution entrusts the Swiss National Bank, as an independent central bank, with the conduct of monetary policy in the interests of the country as a whole. The National Bank Act sets this out in detail, explaining that the SNB is required to ensure → price stability and, in so doing, to take due account of economic developments (art. 5 para. 1 NBA).
MEM industries	MEM industries refers to the companies in the mechanical engineering, electrical engineering and metals industries.

Merchanting	Merchanting refers to a Swiss-domiciled company purchasing goods outside Switzerland and then directly reselling them unchanged to a customer outside Switzerland, without the goods passing through Switzerland.
Minimum reserves, minimum reserve requirement	In order to facilitate the smooth functioning of the → money market, banks are required to hold minimum reserves against a certain percentage of their Swiss franc short-term liabilities (e.g. customer deposits). The minimum reserves are composed of cash in Swiss francs and → sight deposits held at the SNB. The minimum reserves form the basis for calculating the → thresholds for the domestic banks.
Monetary aggregate, broad	The broad monetary aggregate, in contrast to the → monetary base, is the stock of money held by households and companies outside the banking sector. It comprises money held on bank accounts and cash.
Monetary base	The monetary base is composed of the sum of banknotes in circulation plus the → sight deposits of domestic commercial banks held at the SNB. The monetary base is also referred to as the M0 monetary aggregate.
Monetary conditions	The interest rate level and the → exchange rate determine monetary conditions. The SNB uses → monetary policy instruments to influence monetary conditions in order to fulfil its → mandate.
Monetary policy	Monetary policy is the use of → monetary policy instruments by the central bank to set appropriate → monetary conditions and thereby fulfil its statutory → mandate.
Monetary policy assessment	As a rule, the SNB conducts a monetary policy assessment every quarter. Based on economic developments both domestically and abroad as well as → monetary conditions in Switzerland, the SNB Governing Board decides whether → monetary policy is to remain unchanged, or be tightened or eased.
Monetary policy instruments	In order to set appropriate → monetary conditions, the SNB uses monetary policy instruments such as → repo transactions and → foreign exchange market interventions.
Monetary policy strategy	The SNB's monetary policy strategy sets out how it operationalises its statutory → mandate. The strategy, which has been in place since 2000, consists of three elements: the definition of → price stability, the conditional → inflation forecast over the subsequent three years, and the implementation of monetary policy by means of the → SNB policy rate and, if needed, additional measures.
Money market	The money market is the market for raising and investing short-term → liquidity. Here, banks in particular grant short-term loans to each other, either secured against → collateral (→ repo transactions) or unsecured. Short-term liquidity is defined as liquidity with a term of up to one year.
Mortgage loan	A → secured loan for which real estate serves as the collateral.
Multivariate filter (MV filter)	Multivariate filters are used, for example, in business cycle analysis. In contrast to the → HP filter, MV filters use multiple → indicators to calculate a trend in a data series.
Negative interest	Between January 2015 and September 2022, the SNB charged negative interest on sight deposits above a certain exemption threshold. The negative interest rate corresponded to the → SNB policy rate.
Nominal	Nominal is the term used when an economic variable is not adjusted to reflect price development (→ nominal interest rate).
Nominal interest rate	→ Interest rates are usually stated in nominal terms, i.e. they do not take into account that, during → inflation, the → purchasing power of money is lower after the credit transaction expires than before the credit transaction.
Open market operations	Open market operations are a type of → monetary policy instrument. In contrast to → standing facilities, the use of open market operations is initiated by the SNB, rather than a commercial bank.
Option	An option is the right to either buy (call option) or sell (put option) a → share, for example, at a fixed price on a specific date. This right can be securitised and traded on exchanges.
Other loans	According to the SNB's definition, the other loans category comprises all loans granted to households and companies that are not → mortgage loans. They can be secured or unsecured (→ secured loan).
Output gap	The output gap is defined as the percentage deviation of → real → GDP from the estimated → potential output. If actual economic output falls below potential output, the output gap is negative and the economy is thus underutilised.
Personal consumption expenditure (PCE) deflator	The personal consumption expenditure (PCE) deflator measures the development of prices for all domestic and foreign goods and services consumed by households. Unlike the → consumer price index, it is not based on a specific → basket of goods, rather it takes all current consumer spending into account.
PMI composite	The purchasing managers' index is based on surveys of production in manufacturing and services. It is an important → indicator of overall economic activity. A value above 50 points is considered a growth signal.
PMI manufacturing	The purchasing managers' index is based on surveys and is an important → indicator of activity in the manufacturing sector. The Swiss index is composed of sub-indices covering production, order volume, delivery times, inventory, purchases and number of employees. A value above 50 points is considered a growth signal.

Potential growth	Potential growth refers to the change in → potential output.
Potential output, production potential	Potential output or production potential is the level of → real → GDP at normal utilisation of the → factors of production. Potential output is estimated using tools such as the → HP filter.
Price stability	According to the SNB's definition, price stability is considered to prevail when → inflation, as measured by the → Swiss consumer price index, is below 2%, and there is also no → deflation.
Production function	A production function describes the relationship between inputs (→ factors of production) and the resulting output (goods and services).
Purchasing power	The purchasing power of money indicates how many goods and services in a fixed → basket of goods can be bought with one unit of money. If → inflation prevails, purchasing power decreases over time.
Real	Real is the term used when an economic variable is adjusted to reflect price development (→ real rate of interest).
Real rate of interest	Adjusting the → nominal interest rate for the loss of → purchasing power due to → inflation over the duration of a credit transaction gives the real interest rate. The real rate of interest is thus calculated as the difference between the → nominal interest rate and the → inflation rate.
Recession	A recession is an economic downturn. There is no uniform definition, but a recession is often said to occur when → real → GDP falls for at least two consecutive quarters.
Refinancing	Refinancing has two meanings in economics. First, refinancing is when commercial banks raise funds on the → money market or → capital market. Second, it refers to the replacement of maturing debt by means of new debt.
Repo transactions, repo rate	In a repo transaction, the cash taker sells → securities to the cash provider and simultaneously agrees to repurchase securities of the same type and quantity at a later date. Economically, a repo transaction is a → secured loan. The → interest rate used in a repo transaction is called the 'repo rate'. The SNB can use repo transactions to steer → liquidity in the → money market. It can provide liquidity or, using a reverse repo, absorb liquidity.
Risk premium	A risk premium reflects the valuation of the risk associated with a financial instrument.
SARON	SARON (Swiss Average Rate Overnight) is the interest rate for → repo transactions in Swiss francs with overnight maturity. It is based on → transaction prices and trade quotes. The SNB has been focusing on SARON in seeking to keep the short-term Swiss franc money market rates close to the → SNB policy rate.
Seasonal adjustment	Seasonal adjustment is a statistical method to remove regular seasonal effects (such as the rise in unemployment in the winter months) from time series so that → business cycle conditions, for example, can be more easily identified.
Secured money market rate	The secured money market rate is the → interest for → secured loans on the → money market which are usually concluded as → repo transactions (→ SARON).
Secured/covered loan	A secured or covered loan, in contrast to an unsecured (uncovered) loan, is a loan where the debtor provides → collateral. The main type of secured loan is a → mortgage loan.
Security	A security certifies a property right (e.g. the right to receive an interest payment). The most important securities traded on a market are → shares and → bonds.
Share	A share or → stock is a → security with which the buyer acquires a participation in a company.
Sight deposits at the SNB	Banks use their sight deposits held at the SNB to carry out transactions (e.g. payments) for their customers. In addition to sight deposits held by domestic banks, total sight deposits include sight liabilities towards the Confederation, sight deposits of foreign banks and institutions, as well as other sight liabilities.
SNB Bills	SNB Bills are interest-bearing debt certificates issued by the SNB and denominated in Swiss francs. They were first issued in autumn 2008. The SNB uses this instrument to temporarily absorb → liquidity from the market. The amount of the SNB Bill is withdrawn from the counterparty's sight deposit at the SNB, and the SNB increases the liability item SNB debt certificates. SNB Bills have a maximum term of 12 months. They are eligible as → collateral in → repo transactions with the SNB.
SNB policy rate	The SNB implements its → monetary policy by setting the SNB policy rate. It seeks to keep the short-term secured Swiss franc money market rates close to the SNB policy rate. → SARON is the most representative of these rates.
Sporting-event adjustment	Adjustment for sporting events smooths the data associated with such events symmetrically throughout the year in which the event takes place. This involves the → gross domestic product, the → value added by the entertainment industry, and the import and export of services. Adjusted for sporting events, the data provides a clearer picture of the economic situation as they are no longer affected by the fluctuations caused by major sporting events.
Standing facilities	Standing facilities are a type of → monetary policy instrument. In contrast to → open market operations, the use of standing facilities is initiated not by the SNB, but by a commercial bank.
Stock	→ share

Swap, interest rate swap	A swap is a financial transaction in which the contracting parties exchange payment flows. In an interest rate swap, one contracting party pays the other a variable → interest rate linked to a market interest rate and in return receives fixed interest payments contractually determined in advance.
Swiss consumer price index (CPI)	The Swiss consumer price index (CPI), which is compiled by the Swiss Federal Statistical Office (SFSO), measures the average development of prices for goods and services consumed by households in Switzerland. The CPI is calculated every month based on a → basket of goods representative of household consumption.
Threshold	If the → SNB policy rate is 0% or positive, → sight deposits at the SNB up to a certain threshold are subject to interest (or 'remuneration') at the SNB policy rate. Sight deposits above this threshold are remunerated at the SNB policy rate minus a discount. Sight deposits which are held to meet minimum reserve requirements are not remunerated. If the SNB policy rate is 0%, the threshold per sight deposit account holder is at least CHF 10 million. For domestic banks, the threshold corresponds to the three-year average of the → minimum reserve requirements, multiplied by the applicable threshold factor.
Trade-weighted exchange rate	The trade-weighted or effective → exchange rate is the value of an economy's currency vis-à-vis the currencies of its trading partners. It is calculated using bilateral exchange rates with trading partners, with weightings dependent on trading activity.
Transaction price	The price at which a transaction is actually executed, as opposed to a bid or ask price.
Unemployment rate	The rate of unemployment is the ratio of the number of unemployed people to the number of people in the labour force (i.e. those employed and unemployed), expressed as a percentage.
Utilisation of credit lines	Depending on the type of loan, a borrower can decide whether to use the maximum amount granted by the bank or just some of it. Utilisation refers to the amount drawn down.
Value added	Value added measures the economic output of a sector or industry. It is defined as the difference between the value of goods and services produced in a given sector and the value of inputs obtained from other sectors. Total value added of all sectors, adjusted for taxes and subsidies, gives → GDP.
Volatility	Volatility describes the extent of fluctuations in given variables, e.g. share prices or → interest rates, over a certain period of time.
Yield	Yield refers to the return on financial assets or investments and is usually expressed as a percentage of the → capital invested.
Yield curve	The yield curve, also known as the term structure of interest rates, graphically represents the → yields of fixed-interest investments of the same quality with different maturities. Typically, the yields of → government bonds are used. The yield curve usually slopes upwards as investors demand a → risk premium for bonds with longer maturities.
Yield curve control	Yield curve control involves a central bank setting a target for the yield of government bonds with a specific maturity, typically longer-term, and using bond purchases to ensure that the actual yield is close to the target.

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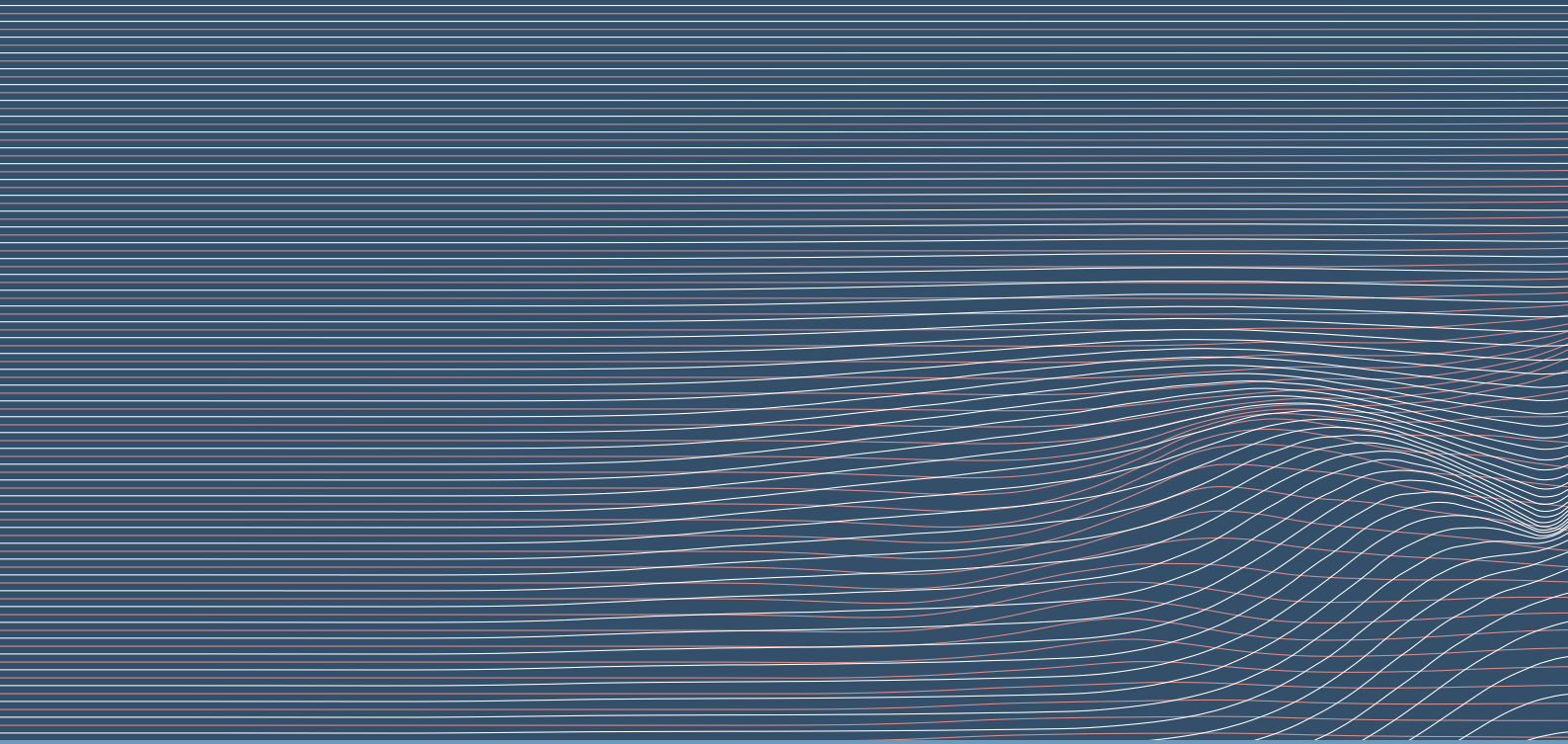
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