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Quarterly Bulletin  
1/2026 March

SCHWEIZERISCHE NATIONALBANK  
BANQUE NATIONALE SUISSE  
BANCA NAZIONALE SVIZZERA  
BANCA NAZIUNALA SVIZRA  
SWISS NATIONAL BANK





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Quarterly Bulletin  
1/2026 March

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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 March 2026

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 March 2026') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 19 March 2026. Unless otherwise stated, all rates of change from the previous period are based on seasonally adjusted data and are annualised.

## Key points

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- On 19 March 2026, the SNB decided to leave its policy rate at 0%. Medium-term inflationary pressure has remained virtually unchanged since mid-December. The monetary policy helps to keep inflation within the range consistent with price stability and supports economic development. Given the conflict in the Middle East, the SNB's willingness to intervene in the foreign exchange market has increased.
- Global economic growth was solid in the fourth quarter of 2025. However, due to the conflict in the Middle East and the increase in energy prices, growth is likely to slow somewhat in the short term, and inflation is likely to rise.
- Swiss GDP grew again in the fourth quarter of 2025, having contracted in the previous quarter. Nevertheless, the economic outlook for the coming months is uncertain. Growth could be rather subdued in the short term. However, an upturn is to be expected in the medium term. The SNB expects GDP growth of around 1% for 2026 and around 1.5% for 2027.
- Inflation in Switzerland rose from 0.0% in November 2025 to 0.1% in February 2026. This increase was driven in particular by higher goods inflation. Inflation expectations were largely unchanged and within the range consistent with price stability.
- The economic outlook globally and for Switzerland has become considerably more uncertain against the backdrop of the conflict in the Middle East.
- The yield curve for Confederation bonds shifted slightly upwards from mid-December. The Swiss franc appreciated significantly. Prices on the Swiss stock market declined somewhat. Residential real estate prices continued to rise. Growth momentum in the broad monetary aggregates and in mortgage lending stabilised.

# 1 Monetary policy decision of 19 March 2026

## Swiss National Bank leaves SNB policy rate unchanged at 0%

The Swiss National Bank is leaving the SNB policy rate unchanged at 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 still stands at 0.25 percentage points. Given the conflict in the Middle East, the SNB's willingness to intervene in the foreign exchange market has increased. The SNB thereby counters a rapid and excessive appreciation of the Swiss franc, which would jeopardise price stability in Switzerland.

The conditional inflation forecast for the coming quarters is higher than in December due to the rise in energy prices. Medium-term inflationary pressure, however, has remained virtually unchanged since the last monetary policy assessment. The monetary policy helps to keep inflation within the range consistent with price stability and supports economic development. The SNB will continue to monitor the situation closely and adjust its monetary policy if necessary, in order to ensure price stability over the medium term.

As expected, inflation has risen slightly since the last monetary policy assessment, from 0.0% in November 2025 to 0.1% in February 2026. This increase was driven in particular by higher goods inflation.

With the rise in energy prices due to the escalation in the Middle East, inflation is likely to increase more strongly in the coming quarters. As a result, the conditional inflation forecast in the short term is higher than in December. In the medium term, it is slightly lower due to the stronger Swiss franc. The forecast is within the range of price stability over the entire forecast horizon (chart 1.1). It puts average annual inflation at 0.5% for 2026, 0.5% for 2027 and 0.6% for 2028 (table 1.1). The forecast is based on the assumption that the SNB policy rate is 0% over the entire forecast horizon.

Global economic growth was solid in the fourth quarter of 2025. While inflation remained elevated in the US, in the euro area it stayed close to the central bank's target. Key rates were left unchanged in both currency areas.

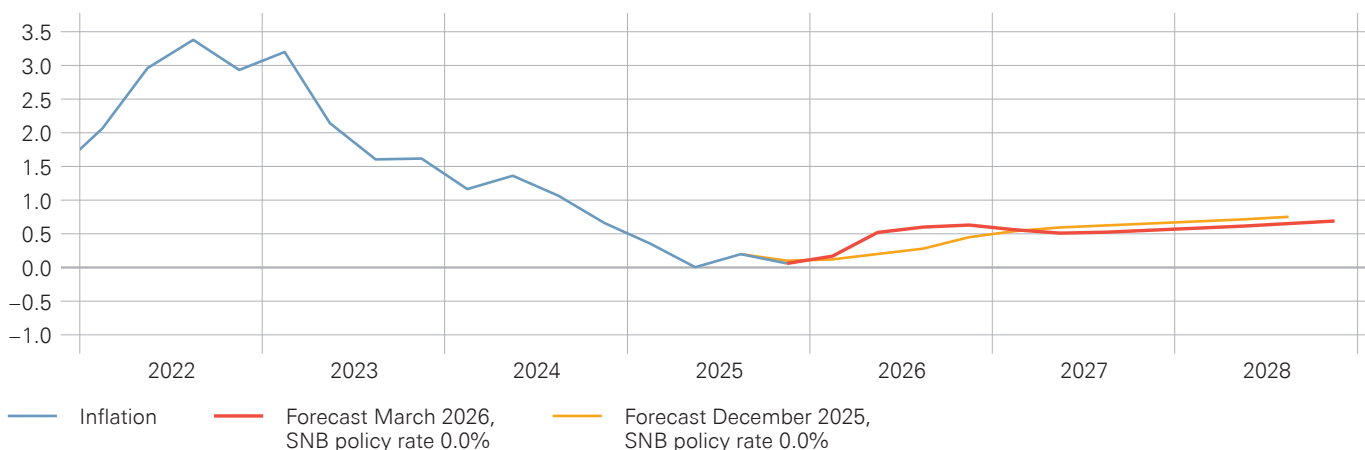
With the conflict in the Middle East, the economic outlook has become considerably more uncertain. In its baseline scenario, the SNB anticipates that the increase in energy prices will raise inflation in many countries in the short term. Furthermore, global economic growth is likely to temporarily slow somewhat.

The global economic outlook is subject to significant risks, in particular owing to the situation in the Middle East. For instance, energy prices could rise more strongly than expected in the baseline scenario, which would considerably increase inflation and substantially constrain economic

Chart 1.1

## CONDITIONAL INFLATION FORECAST OF MARCH 2026

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



Source(s): SFSO, SNB

growth. Potential supply chain disruptions and heightened uncertainty could also weigh on growth. In addition to the situation in the Middle East, the trade policy outlook also remains uncertain.

Swiss GDP grew again in the fourth quarter, having contracted in the previous quarter. Unemployment in February was at the same level as at the time of the last monetary policy assessment.

The economic outlook for Switzerland for the coming months is uncertain. In the shorter term, growth could be rather subdued, with a certain upturn to be expected in the

medium term. The SNB currently expects growth of around 1% for 2026 as a whole, followed by around 1.5% in 2027.

The main risk to the economic outlook for Switzerland is the development in the global economy. In particular, the situation in the Middle East could curb global economic activity.

### 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 MARCH 2026

	2022				2023				2024				2025				2023	2024	2025
	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	0.0	0.2	0.1	2.1	1.1	0.2

Source(s): SFSO

#### CONDITIONAL INFLATION FORECAST OF MARCH 2026

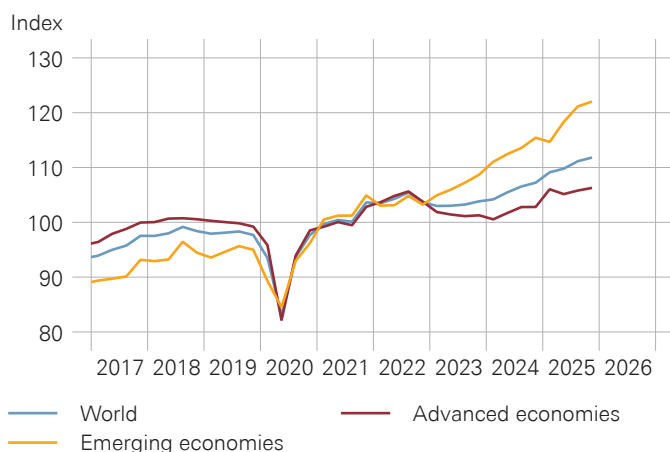
	2025				2026				2027				2028				2026	2027	2028	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Forecast December 2025, SNB policy rate 0.0%					0.1	0.1	0.2	0.3	0.5	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.3	0.6		
Forecast March 2026, SNB policy rate 0.0%					0.2	0.5	0.6	0.6	0.6	0.5	0.5	0.6	0.6	0.6	0.6	0.7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

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

Global economic growth was solid in the fourth quarter of 2025. Despite US tariffs and trade policy uncertainty, international trade in goods (chart 2.1) and investment continued to grow, due in part to high spending on artificial intelligence (AI). Consumer spending also supported growth.

While inflation remained elevated in the US, in the euro area it stayed close to the central bank's target. Key rates were left unchanged in both currency areas.

With the conflict in the Middle East, the economic outlook has become considerably more uncertain. In its baseline scenario, the SNB anticipates that the increase in energy prices will raise inflation in many countries in the short term. Furthermore, global economic growth is likely to temporarily slow somewhat, partly as higher inflation is likely to weigh on consumers' purchasing power. On the other hand, the easing of monetary policy last year as well as the more expansionary fiscal policy in some countries are having a supportive effect.

The global economic outlook is subject to significant risks, in particular owing to the situation in the Middle East. For instance, energy prices could rise more strongly than expected in the baseline scenario, which would considerably increase inflation and substantially constrain economic growth. Potential supply chain disruptions and heightened uncertainty could also weigh on growth. In addition to the situation in the Middle East, the trade policy outlook also remains uncertain.

Table 2.1

**BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS**

	2022	2023	2024	2025	Scenario	
					2026	2027
<b>GDP, year-on-year change in percent</b>						
Global <sup>1</sup>	3.8	3.5	3.3	3.3	3.0	3.0
US	2.5	2.9	2.8	2.1	2.3	2.2
Euro area	3.7	0.5	0.9	1.5	1.1	1.1
China	3.1	5.4	5.0	5.0	4.3	4.3
<b>Oil price in USD per barrel</b>						
	102.4	83.6	81.3	69.1	89.0	80.0

<sup>1</sup> 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 oil price has recently risen sharply as a result of the conflict in the Middle East. In its baseline scenario, the SNB is assuming that the price for Brent crude will gradually decline from a value of approximately USD 100 per barrel over the coming quarters. It is assuming an exchange rate of USD 1.16 to the euro.

## INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

Following the last monetary policy assessment, events in international financial markets were initially characterised by solid economic activity. However, market sentiment subsequently deteriorated – first due to mounting concerns over the high valuations of technology companies in connection with AI, and then owing to the situation in the Middle East.

Yields on long-term government bonds in advanced economies fluctuated in the period under review. Given the growing risk aversion, yields initially fell for the most part until February. However, rising inflation expectations amid the escalation in the Middle East saw yields increase again and they were ultimately slightly higher than in mid-December. In Japan, yields on long-term government bonds continued to rise overall due to growing doubts about the country's fiscal sustainability (charts 2.2 and 2.3).

The MSCI World Index trended sideways overall in the period under review. In particular, share prices of companies with less volatile earnings performed well initially, while riskier shares – for example those in the technology sector – suffered slight losses. In March, however, share prices relinquished most of their previous gains amid the escalation in the Middle East. Companies in regions dependent on energy imports, such as Europe and Asia, recorded above-average share price losses. Uncertainty about future price movements increased, as indicated for example by the VIX, the index for the implied volatility of stocks in the US derived from options prices (chart 2.4).

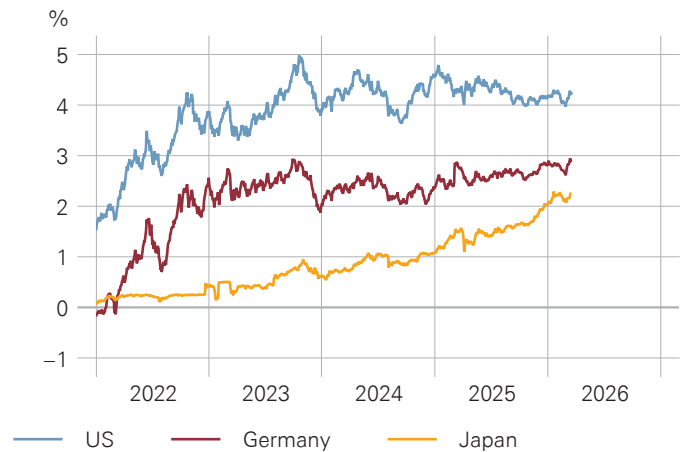
In the period under review, the exchange rates of the major currencies showed little movement overall. Although confidence in the US dollar temporarily weakened in January amid geopolitical tensions over Greenland, causing it to initially depreciate on a trade-weighted basis, it strengthened again as a result of the escalation in the Middle East and the rise in oil prices. The euro initially remained stable, but depreciated from March. Uncertainty about the fiscal and monetary policy stance in Japan contributed to the volatility of the yen, whose value was latterly lower than at the time of the last monetary policy assessment (chart 2.5).

Commodity prices rose significantly. The Middle East escalation led to the Strait of Hormuz – through which approximately one-fifth of the world's oil and liquefied

Chart 2.2

### INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

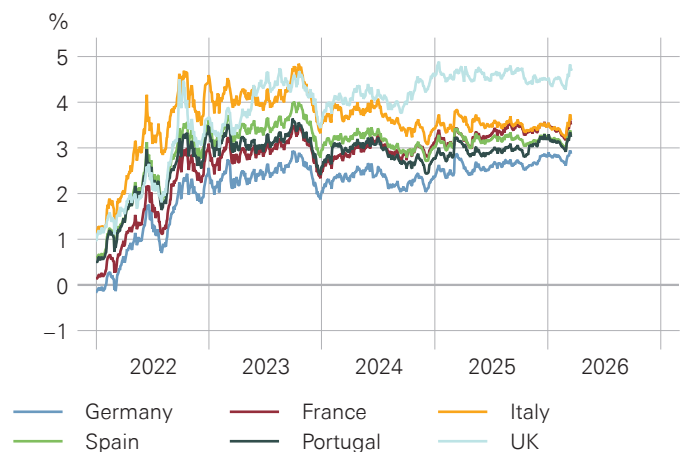


Source(s): LSEG Datastream

Chart 2.3

### EUROPEAN LONG-TERM INTEREST RATES

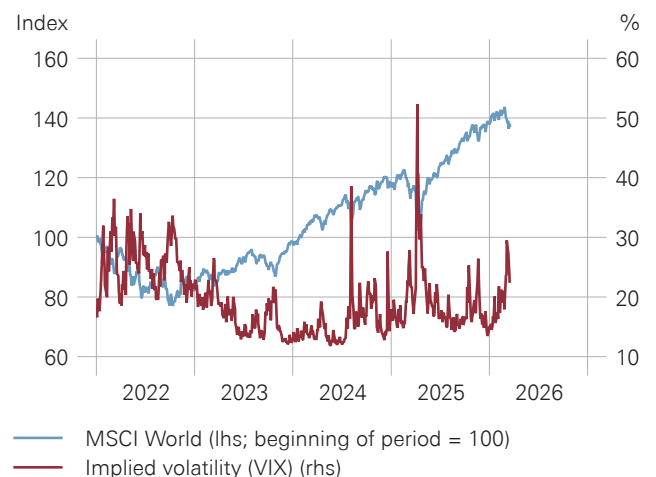
10-year government instruments



Source(s): LSEG Datastream

Chart 2.4

### STOCK MARKETS



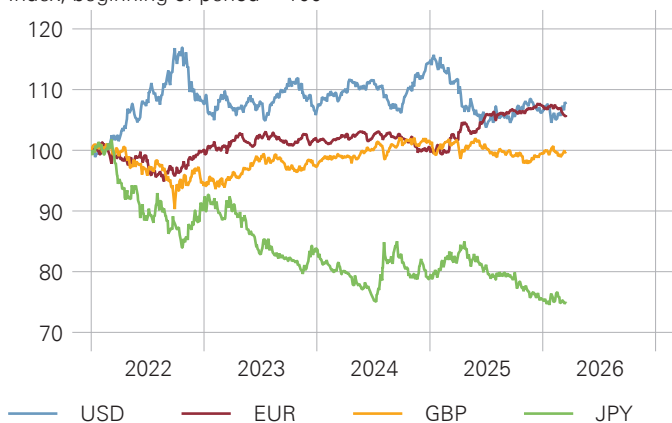
Source(s): LSEG Datastream

Chart 2.5

**EXCHANGE RATES**

Trade-weighted

Index, beginning of period = 100

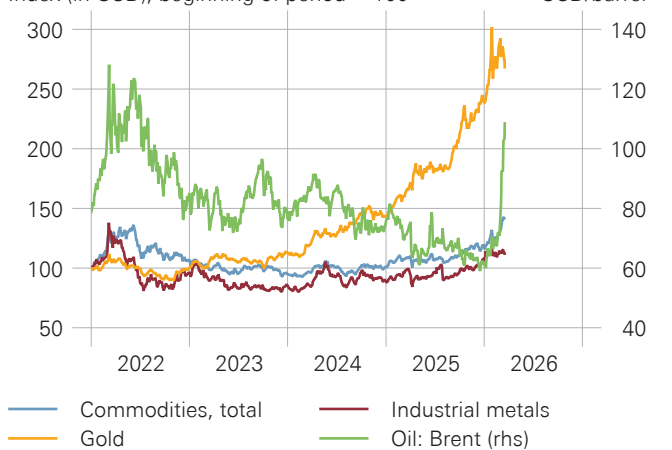


Source(s): LSEG Datastream

Chart 2.6

**COMMODITY PRICES**

Index (in USD), beginning of period = 100 USD/barrel

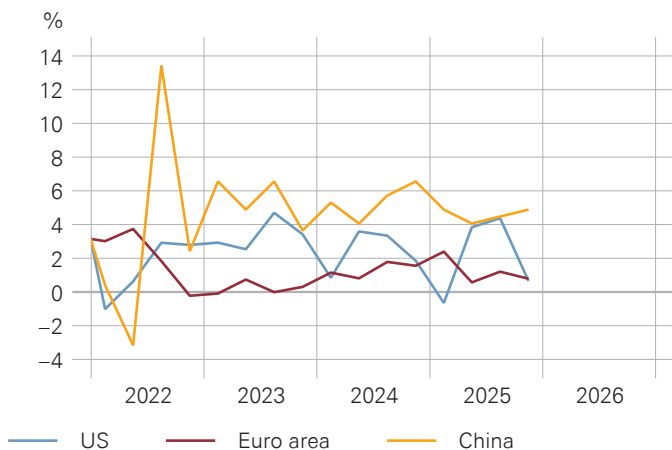


Source(s): Bloomberg, LSEG Datastream

Chart 2.7

**REAL GDP**

Change from previous period



Source(s): LSEG Datastream

natural gas is transported – becoming impassable. This pushed up energy prices markedly. The price of Brent crude increased from USD 62 per barrel in mid-December to USD 109 latterly. Prices for industrial and precious metals were very volatile and rose significantly overall, with the price of gold in particular again recording strong gains due to the uncertainty (chart 2.6).

**UNITED STATES**

In the US, GDP expansion slowed significantly to 0.7% in the fourth quarter, following strong growth in the previous quarter (chart 2.7). Above all, the shutdown of many government services between early October and mid-November had a dampening effect. Private domestic demand, by contrast, remained solid, with AI-related IT investment in particular still very dynamic. For the year as a whole, GDP grew by a solid 2.1%.

The labour market continued to operate at average capacity. While employment growth was rather subdued in recent months, the unemployment rate stood at 4.4% in February, similar to the level recorded in autumn.

Trade policy conditions have changed since the last monetary policy assessment. In February, the US Supreme Court ruled that the majority of tariffs introduced in 2025 were unlawful. In response, the US administration decided to impose a new, uniform import tariff of 10% on all trading partners, initially for a maximum of 150 days. At present, the average tariff on US imports is therefore lower than at the time of the December assessment.

Following subdued GDP growth in the last quarter owing to the government shutdown, a catch-up effect is expected in the first quarter of 2026. Thereafter, the hitherto solid economic momentum will likely be affected in part by the conflict in the Middle East and the significant rise in oil prices. A slight temporary slowdown in growth momentum is thus to be expected. However, the continued dynamic development regarding AI and the easing of monetary policy last year should be a source of support. Furthermore, value added in the domestic oil sector is likely to benefit from higher oil prices. The SNB anticipates GDP expansion of 2.3% for 2026 and 2.2% for 2027 (table 2.1).

Inflation declined significantly in recent months and stood at 2.4% in February (chart 2.10). This primarily reflected the fact that core inflation weakened, to 2.5% (chart 2.11). Inflation nevertheless remained elevated, which is likely primarily due to the tariffs being passed through to consumer prices. Inflation as measured by the personal consumption expenditure deflator – the index used by the US Federal Reserve (Fed) to set its 2% inflation target – was 2.8% in January. Owing to the higher oil prices, inflation is expected to rise in the months ahead.

In response to downside risks to employment, the Fed lowered its target range for the federal funds rate by 75 basis points overall between September and December

2025, to 3.5–3.75% (chart 2.12). It has since left its policy rate unchanged, and in March emphasised that the implications of the situation in the Middle East for the US economy were uncertain.

## EURO AREA

In the euro area, GDP expanded by 0.8% in the fourth quarter, following 1.2% a quarter earlier (chart 2.7). However, this slowdown in growth was attributable to a special factor (volatile exports of pharmaceutical products in Ireland). Excluding this factor, economic momentum improved and was solid. Private consumption strengthened, supported by favourable income growth, and investment momentum was also positive. Meanwhile, trade tensions with the US continued to weigh on goods exports. GDP growth for 2025 was 1.5%, compared with 0.9% the previous year.

Economic indicators suggest that economic momentum continued at a solid pace in early 2026. In addition, data released for Germany indicates that the fiscal package adopted last September is increasingly supporting manufacturing activity. Consumer sentiment also improved in the euro area on the back of favourable labour market conditions. The unemployment rate was historically low in January, at 6.1% (chart 2.9).

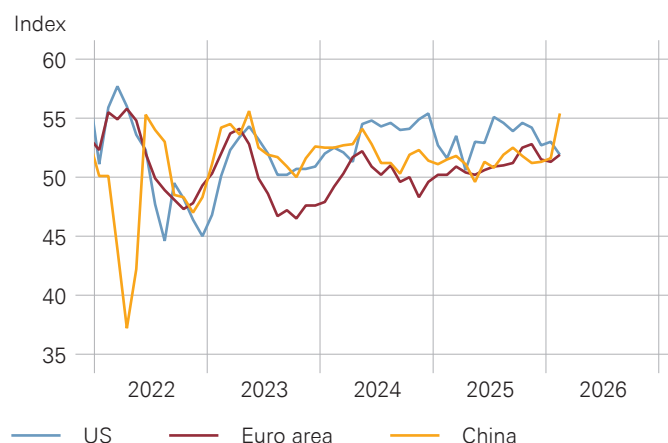
The short-term growth outlook has deteriorated somewhat amid the escalation in the Middle East. The easing of monetary policy last year and the increased fiscal spending on defence and infrastructure continue to support growth. However, this is likely to only partially offset the loss in consumers' purchasing power and the increased production costs faced by businesses due to higher energy prices. Growth is therefore expected to slow somewhat overall in the quarters ahead. The SNB anticipates GDP expansion of 1.1% for both 2026 and 2027 (table 2.1).

Consumer price inflation continued to fall in recent months and stood at 1.9% in February (chart 2.10), almost at the 2.0% target of the European Central Bank (ECB). Core inflation initially declined somewhat until January, but rose again in February to 2.4%, due in part to temporary effects related to the Olympic Games in Italy (chart 2.11). Owing to the significant rise in energy prices, inflation is expected to increase in the coming months.

The ECB left its key interest rates unchanged in December and February. The deposit facility rate has thus remained at 2.0% since June 2025 (chart 2.12). Since the end of 2024, proceeds from securities maturing under the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) are no longer reinvested by the ECB, with the result that the portfolio has been shrinking by an average of around EUR 40 billion per month (approximately 0.6% of the current balance sheet).

Chart 2.8

## PMI COMPOSITE<sup>1</sup>



<sup>1</sup> 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

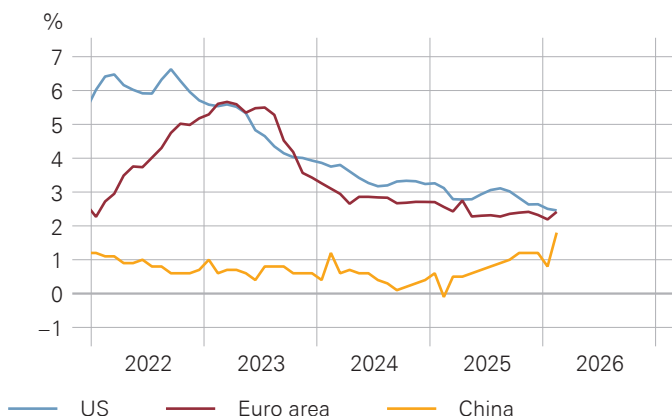


Source(s): LSEG Datastream

Chart 2.11

### CORE INFLATION RATES<sup>1</sup>

Year-on-year change

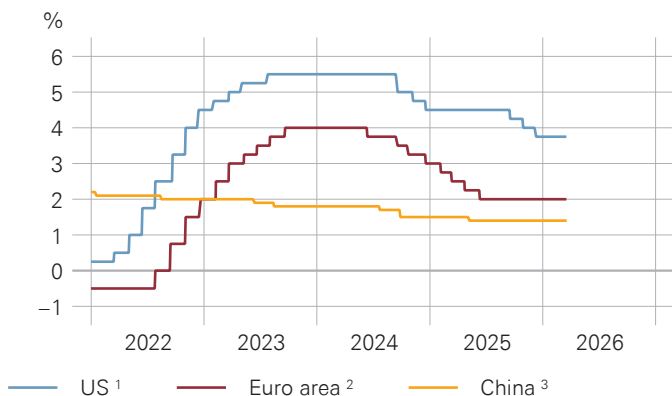


<sup>1</sup> Excluding food and energy.

Source(s): LSEG Datastream

Chart 2.12

### OFFICIAL INTEREST RATES



<sup>1</sup> Federal funds rate (upper limit of target range).

<sup>2</sup> Deposit facility rate.

<sup>3</sup> Reverse repo rate (7-day).

Source(s): LSEG Datastream

## CHINA

In China, GDP grew by 4.9% in the fourth quarter, following 4.5% in Q3 (chart 2.7). Development was positive in the services sector as well as in manufacturing, the latter being supported by strong export growth. Construction and real estate services were the only industries to remain weak.

For 2025 as a whole, GDP increased by 5.0%, in line with the government's official growth target. Domestic demand was supported by the expansionary fiscal policy. In addition, net exports made a significant contribution to GDP growth.

Higher energy prices as a result of the situation in the Middle East are likely to temporarily dampen economic growth somewhat. Structural adjustments in the property sector are also likely to weigh on economic activity. However, there is support from the dynamic development seen with regard to AI and from economic policy.

For example, the programmes for industrial equipment renewals and consumer goods trade-ins, as well as the loan subsidy initiative, have been extended into the current year. There are also further measures to support the property sector. The new five-year plan (2026–2030) additionally aims to boost private consumption and productivity. The SNB expects GDP growth of 4.3% for both 2026 and 2027 (table 2.1).

Consumer price inflation rose to 1.3% in February, owing to elevated volatility linked to the Chinese New Year holiday (chart 2.10). Core inflation increased to 1.8% (chart 2.11).

# 3 Economic developments in Switzerland

Swiss GDP grew again in the fourth quarter of 2025, having contracted in the previous quarter.<sup>1</sup> This was mainly due to the fact that value added in the pharmaceuticals industry rose once again following its marked decline in the third quarter. Services continued to expand. Unemployment stabilised and stood at the same level in February as at the time of the last monetary policy assessment.

The economic outlook for the coming months is uncertain. In the shorter term, growth could be rather subdued, with a certain upturn to be expected in the medium term. The SNB expects growth of around 1% for 2026 and around 1.5% for 2027.

The main risk to the economic outlook for Switzerland is the development of the global economy. In particular, the situation in the Middle East could curb global economic activity and increase upward pressure on the Swiss franc.

## OUTPUT AND DEMAND

The SNB takes a wide range of indicators into account when assessing the economic situation. Since the relevant data was collected before the escalation in the Middle East, it does not yet reflect the effects of the conflict. The indicators suggest that economic activity picked up again somewhat following a period of weak growth in summer 2025 and continued to gain momentum until the escalation in the Middle East.

### GDP growth in Q4 2025

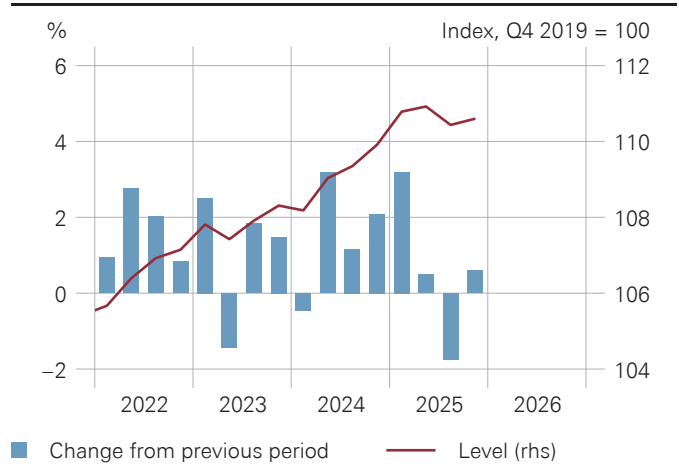
According to the estimate by the State Secretariat for Economic Affairs (SECO), GDP expanded by 0.6% in the fourth quarter, having fallen by 1.7% in the previous quarter (chart 3.1). This was mainly due to the fact that value added in the pharmaceuticals industry rose once again following its marked decline in the third quarter. In the services sector, too, value added continued to increase. It also exhibited strong growth in construction, but decreased in both the energy industry and manufacturing excluding pharmaceuticals.

<sup>1</sup> 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

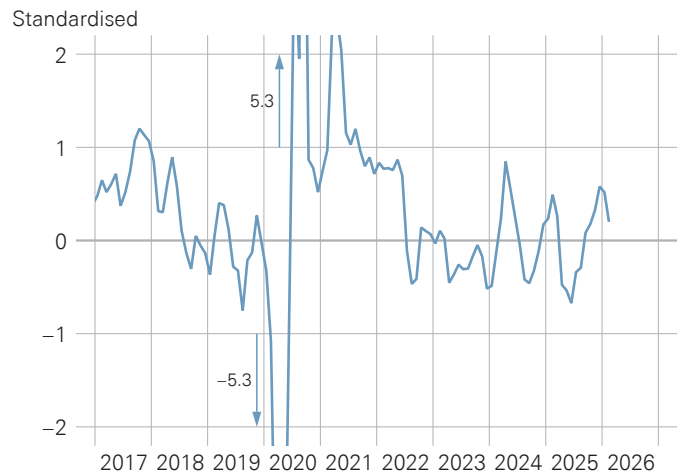
Adjusted for sporting events



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

On the expenditure side, domestic demand grew robustly. Private consumption and equipment investment recorded solid growth, and construction investment saw a strong rise. Net exports, by contrast, made a negative contribution to GDP growth, with imports increasing significantly more strongly than exports (table 3.1).

#### Positive business cycle signals at beginning of year

The available indicators pointed to a further recovery in economic activity in early 2026.

The SNB's Business Cycle Index and the KOF Economic Barometer aim to assess the overall economic growth momentum using a broad data base (charts 3.2 and 3.3).

Both indicators recovered from the low levels recorded in summer 2025, thus signalling, until the escalation in the Middle East, an upturn in economic activity.

Signals in manufacturing were subdued. While the outlook in this sector improved due to the reduction in US tariffs, the manufacturing purchasing managers' index (PMI) remained below the growth threshold (chart 3.3). The talks held by the SNB's delegates for regional economic relations with companies present a somewhat more positive picture and suggest positive momentum in manufacturing (cf. 'Business cycle signals', pp. 28 et seq.).

Table 3.1

### REAL GDP AND COMPONENTS

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

	2022	2023	2024	2025	2024				2025			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Private consumption	4.9	1.4	2.4	1.5	3.2	3.3	2.6	1.0	0.6	1.9	1.8	1.8
Government consumption	-0.6	1.4	1.3	1.0	0.2	0.1	2.0	2.5	-0.3	2.3	-0.8	-0.3
Investment in fixed assets	1.0	2.2	0.4	-0.5	4.9	1.0	-2.5	-0.5	1.0	-3.3	0.1	3.0
Construction	-6.9	-1.5	-1.4	-0.5	-2.3	-0.7	0.7	-4.3	0.4	-0.2	0.2	4.1
Equipment	4.7	3.8	1.2	-0.5	8.1	1.7	-3.8	1.1	1.3	-4.5	0.1	2.6
Domestic final demand	2.9	1.6	1.6	0.8	3.3	2.2	0.9	0.7	0.6	0.4	0.9	1.9
Change in inventories <sup>1</sup>	0.6	1.6	-0.3	1.4	2.1	-10.3	7.9	-3.8	4.1	-0.4	3.9	3.5
Total exports <sup>2,3</sup>	5.8	-2.0	3.0	2.0	-0.5	23.5	-17.7	13.1	17.0	-11.6	-7.1	1.3
Goods <sup>2</sup>	4.3	-3.3	2.7	2.4	-5.8	33.8	-24.4	19.4	25.7	-18.7	-9.7	2.5
Goods excluding merchanting <sup>2</sup>	5.1	1.2	5.5	2.2	4.3	43.3	-18.0	32.0	10.3	-10.8	-25.5	10.8
Services <sup>3</sup>	9.6	1.2	3.6	1.1	12.0	4.3	-1.4	1.1	0.4	5.3	-1.6	-1.1
Total imports <sup>2,3</sup>	6.6	1.1	3.7	4.0	10.9	3.7	-6.4	4.7	24.3	-15.3	5.0	11.3
Goods <sup>2</sup>	8.2	0.8	4.2	8.3	10.9	3.4	-6.1	11.2	44.7	-20.4	3.0	20.7
Services <sup>3</sup>	4.3	1.5	2.9	-1.6	10.9	4.0	-6.8	-3.6	1.2	-7.7	7.8	-0.8
Net exports <sup>3,4</sup>	0.4	-1.8	0.0	-0.7	-5.4	11.6	-7.6	5.2	-1.4	0.6	-6.5	-4.6
<b>GDP<sup>3</sup></b>	<b>3.5</b>	<b>1.2</b>	<b>1.2</b>	<b>1.4</b>	<b>-0.5</b>	<b>3.2</b>	<b>1.2</b>	<b>2.1</b>	<b>3.2</b>	<b>0.5</b>	<b>-1.7</b>	<b>0.6</b>

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 conditions stabilised recently. Employment started to increase again, while unemployment stopped rising. Difficulties in recruiting staff eased further.

### Renewed rise in employment

According to the national job statistics (JOBSTAT), there was a renewed rise in the seasonally adjusted number of full-time equivalent positions in the fourth quarter. New jobs were created in services, manufacturing and construction (chart 3.4). According to the Employment Statistics (ES), the seasonally adjusted number of persons employed was unchanged, having declined slightly in the previous quarter.

### Stabilisation of unemployment

The number of unemployed persons remained stable in recent months according to figures published by SECO, having been on the rise since 2023. Excluding seasonal fluctuations, 140,000 people were registered as unemployed at the end of February, the same number as at the end of November 2025. The seasonally adjusted unemployment rate stood at 3.0% in February. The unemployment rate calculated by the Swiss Federal Statistical Office (SFSO) in line with the definition of the International Labour Organization (ILO) increased from 4.8% in Q3 to 5.1% in Q4 (chart 3.5).

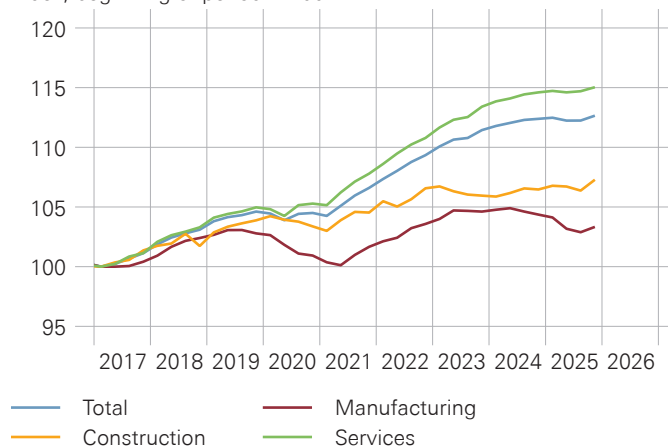
### Recruitment difficulties ease further

According to JOBSTAT, recruitment difficulties eased further overall in the fourth quarter, a development that was attributable to the services sector. In manufacturing and construction, by contrast, companies once again had somewhat more trouble finding suitable personnel (chart 3.6).

Chart 3.4

### FULL-TIME EQUIVALENT JOBS

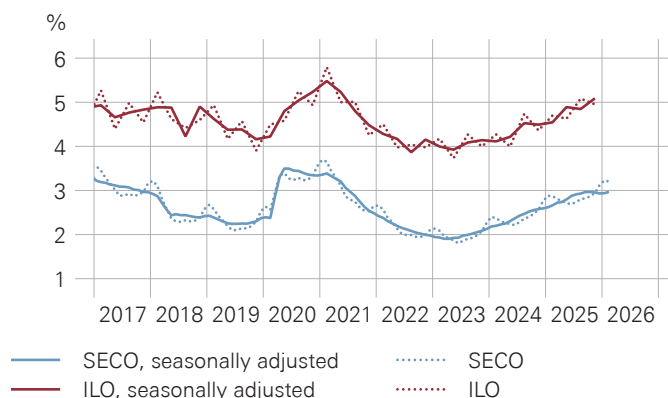
Index, beginning of period = 100



Source(s): SFSO; seasonal adjustment: SNB

Chart 3.5

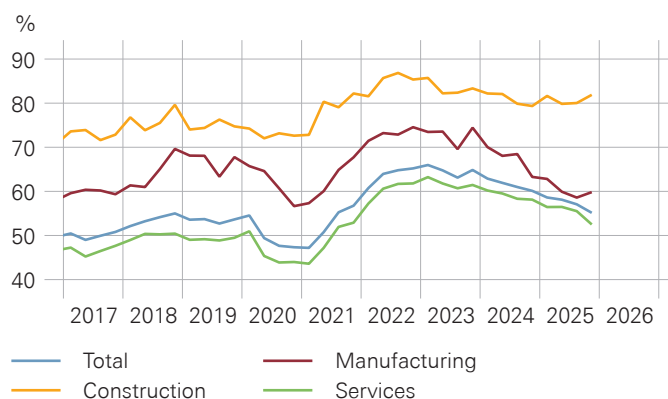
### UNEMPLOYMENT RATE



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

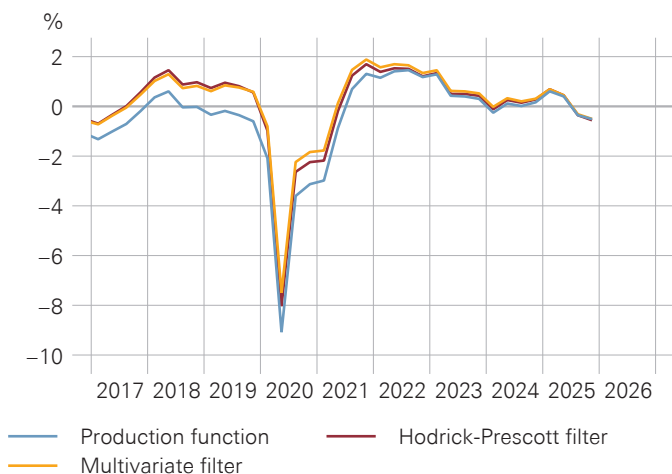
### RECRUITMENT DIFFICULTIES



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

**CAPACITY UTILISATION**

**Output gap slightly negative**

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.

The estimate by means of a production function shows a slightly negative output gap for the fourth quarter, as do estimates using other methods (chart 3.7).

**Capacity utilisation varies between sectors**

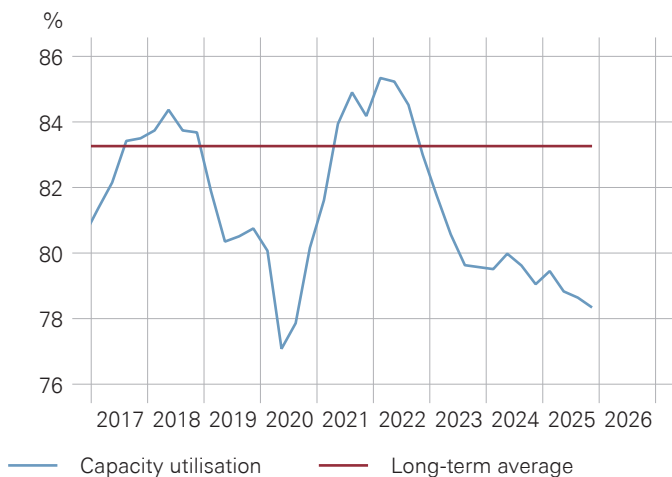
In addition to the estimation of the aggregate output gap, surveys also play an important role in assessing utilisation levels. These surveys point to an average level of utilisation for the economy as a whole and thus paint a slightly more positive picture than the output gap estimates. However, there are substantial differences between the sectors.

According to the surveys conducted by KOF, technical capacity utilisation in manufacturing remained considerably below the long-term average (chart 3.8). Most areas of the services sector, by contrast, continued to be relatively well utilised.

As regards the labour situation, companies indicated that staffing levels were adequate in the fourth quarter, i.e. neither too low nor too high. Here, too, the situation varied from one sector to another. While staffing levels in construction and some services industries were still considered to be tight, companies in manufacturing reported that levels were too high.

Chart 3.8

**CAPACITY UTILISATION IN MANUFACTURING**



Source(s): KOF Swiss Economic Institute

## OUTLOOK

The economic outlook for the coming months is uncertain due to the situation in the Middle East.

Economic indicators pointed to a pick-up in economic activity up until the escalation in the Middle East. Although signals from the export-weighted PMI abroad remained rather muted (chart 3.9), companies included in the KOF surveys assessed business prospects for the coming months to be good (chart 3.10). In addition, the employment outlook based on various company surveys pointed to positive, albeit moderate, economic growth (chart 3.11).

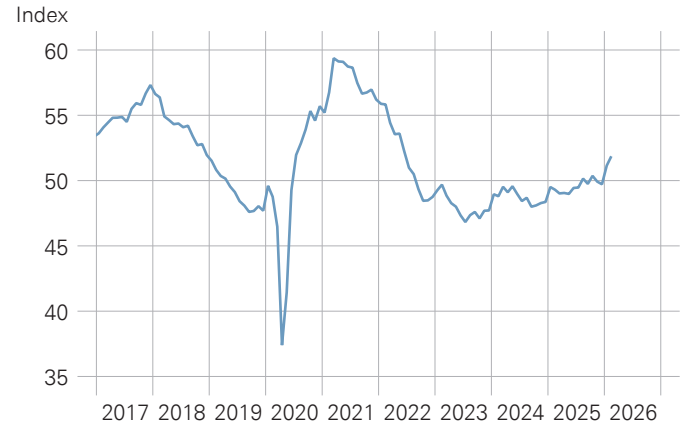
Nevertheless, GDP growth could be rather subdued in the shorter term. However, a certain upturn is to be expected in the medium term. The SNB expects growth of around 1% for 2026 and around 1.5% for 2027.

The main risk to the economic outlook for Switzerland is the development of the global economy. In particular, the situation in the Middle East could curb global economic activity and increase upward pressure on the Swiss franc.

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

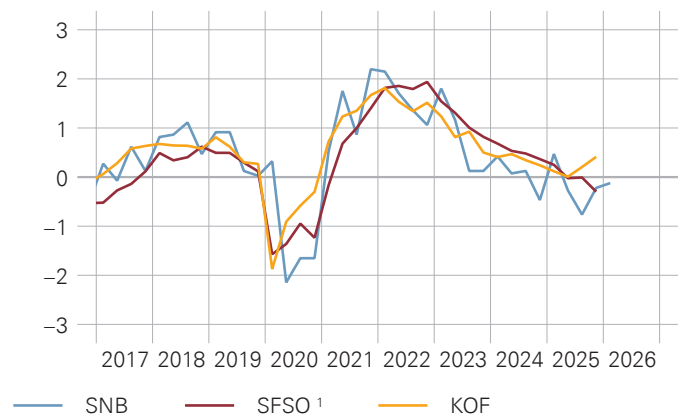


Source(s): KOF Swiss Economic Institute

Chart 3.11

### EMPLOYMENT OUTLOOK

Seasonally adjusted, standardised



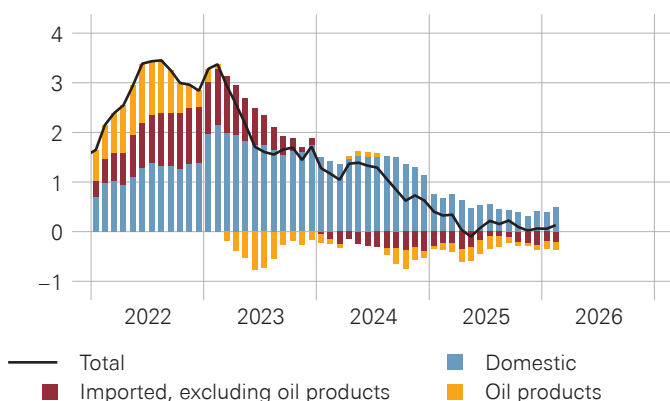
1 Seasonal adjustment: SNB.

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.

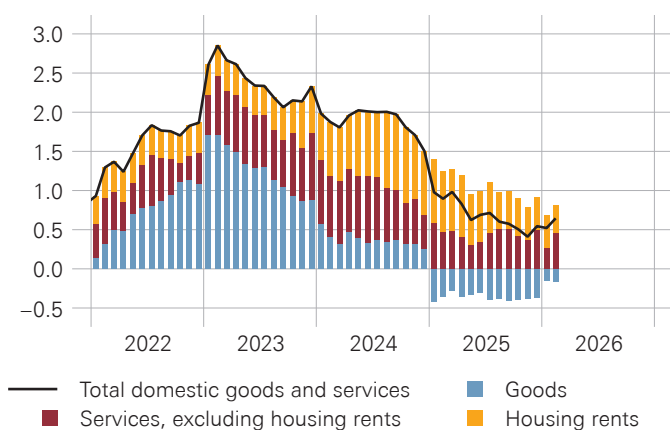


Source(s): SFSO, SNB

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

	2025				2025		2026		
	Q1	Q2	Q3	Q4	Nov	Dec	Jan	Feb	
<b>Overall CPI</b>	<b>0.2</b>	<b>0.4</b>	<b>0.0</b>	<b>0.2</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>
Domestic goods and services	0.7	1.0	0.7	0.6	0.5	0.4	0.5	0.5	0.6
Goods	-1.6	-1.6	-1.5	-1.8	-1.7	-1.7	-1.7	-0.7	-0.8
Services	1.4	1.7	1.3	1.3	1.1	1.0	1.2	0.9	1.0
Private services excluding housing rents	1.0	1.3	0.8	1.1	1.0	0.8	1.1	0.5	1.1
Housing rents	2.5	3.3	2.8	2.1	1.7	1.6	1.6	1.6	1.4
Public services	0.3	0.1	0.3	0.4	0.5	0.5	0.5	0.5	0.4
Imported goods and services	-1.6	-1.6	-2.3	-1.2	-1.4	-1.3	-1.6	-1.5	-1.6
Excluding oil products	-1.0	-1.2	-1.3	-0.5	-1.2	-1.2	-1.3	-1.0	-1.1
Oil products	-6.1	-4.2	-9.3	-7.4	-3.1	-2.4	-3.7	-6.1	-6.4

Source(s): SFSO, SNB

## 4

### Prices and inflation expectations

The inflation rate as measured by the consumer price index (CPI) rose from 0.0% in November 2025 to 0.1% in February 2026. This increase was driven in particular by higher domestic inflation. Core inflation remained unchanged from November and was still higher than annual CPI inflation.

Most indicators for short and longer-term inflation expectations saw only little change this quarter. Inflation expectations thus remained within the range consistent with price stability.

#### CONSUMER PRICES

##### Slight rise in annual CPI inflation

Annual CPI inflation rose by 0.1 percentage points compared with November and stood at 0.1% in February (chart 4.1, table 4.1). This increase was attributable to higher domestic inflation. The contribution made by domestic goods and services was up from 0.3 percentage points in November to 0.5 percentage points in February, while that of imported goods and services fell from -0.3 percentage points in November to -0.4 percentage points in February.

### Higher domestic inflation

Prices for domestic goods and services rose by 0.6% year on year in February, 0.2 percentage points more than in November (chart 4.2, table 4.1). This was driven by an increase in domestic goods inflation from  $-1.7\%$  in November to  $-0.8\%$  in February, which was due to a less pronounced year-on-year decline in electricity prices. Meanwhile, inflation for domestic services remained unchanged at  $1.0\%$  in the same period.

Inflation for domestic services excluding housing rents rose from  $0.7\%$  in November to  $0.8\%$  in February. This increase was largely attributable to prices in restaurants and for car insurance. Housing rent inflation, by contrast, fell by 0.2 percentage points to  $1.4\%$  in February. This decrease reflected, among other things, the effect of the reductions in the reference interest rate in 2025. The mortgage reference rate receded from  $1.75\%$  to  $1.5\%$  in March 2025 and again by 0.25 percentage points in September, to  $1.25\%$  (chart 4.3). Owing to contractual notice periods, changes to the reference interest rate typically take several months to pass through to rent inflation.

### Lower imported inflation

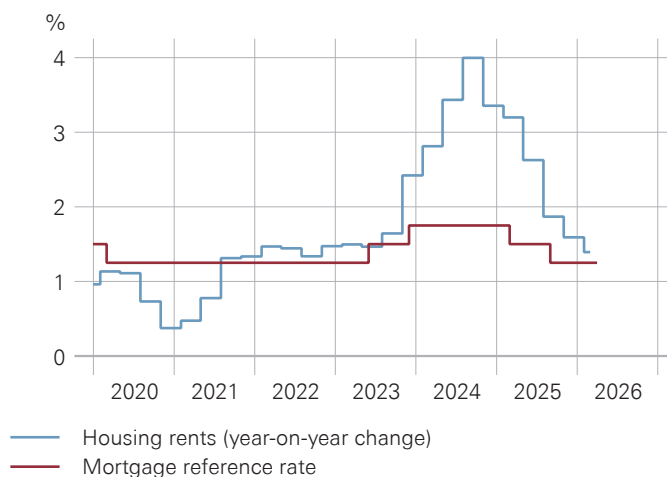
Imported inflation was down 0.3 percentage points compared with November and stood at  $-1.6\%$  in February. This decrease primarily reflected the development of oil product prices, inflation for which dropped from  $-2.4\%$  in November to  $-6.4\%$  in February. Inflation for other imported goods and services increased slightly from  $-1.2\%$  to  $-1.1\%$  in the same period. This was mainly due to food and household goods prices.

### Core inflation unchanged

The various core inflation metrics changed only marginally between November and February. The SFSO core inflation rate 1 (SFSO1) and the core inflation rate as measured by the SNB's trimmed mean (TM15) both remained unchanged at  $0.4\%$  (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

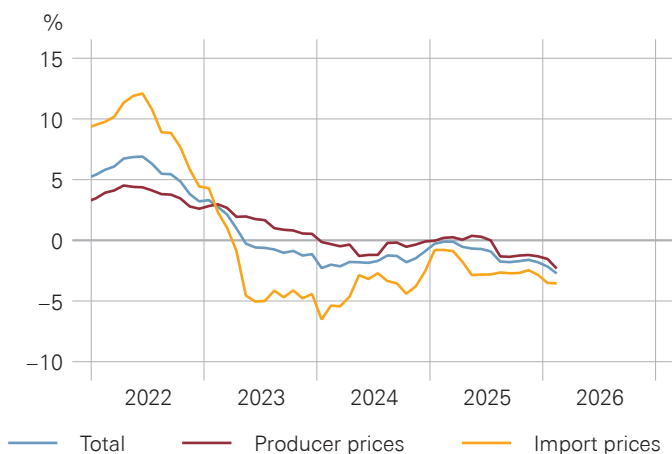


Source(s): SFSO, SNB

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 producer and import price inflation

Inflation as measured by the producer and import price index declined by 1.1 percentage points between November and February, and stood at  $-2.7\%$  in February (chart 4.5). This decrease was attributable to lower inflation for both producer prices and import prices.

#### INFLATION EXPECTATIONS

#### Short-term inflation expectations largely stable

Most indicators for short-term inflation expectations saw only little change this quarter.

The index on the expected development of prices over the next 12 months – which is based on the SECO consumer sentiment survey – has remained largely stable since 2023 (chart 4.6). The survey conducted in January indicated that still roughly four out of five households anticipate an increase in prices.

The index based on the joint monthly financial market survey by UBS and the CFA Society Switzerland was slightly lower in February compared with the previous quarter (chart 4.6). Approximately three out of five survey respondents latterly anticipated unchanged inflation rates.

The talks conducted by the SNB’s delegates for regional economic relations with company representatives showed unchanged short-term inflation expectations in the first quarter of 2026 (chart 11 in ‘Business cycle signals’). Expected annual inflation for the next 6 to 12 months stood at around  $0.7\%$ , as in the previous quarter.

However, the forecast of the experts from the banks and economic institutions participating in the monthly survey conducted by Consensus Economics for expected inflation in 2026 receded from  $0.5\%$  in November to  $0.4\%$  in mid-March (chart 4.7). For 2027, the panel of experts anticipates a rise in inflation to  $0.6\%$ , just under  $0.1$  percentage points lower than in the previous quarter.

**Little change overall in longer-term inflation expectations**

Based on the latest available UBS CFA financial market survey (December 2025), average expectations for a time horizon of three to five years stood at 1.0% (chart 4.8). Company representatives interviewed by the SNB’s delegates for regional economic relations in the first quarter of 2026 put inflation for the same time frame at around 1.1%, compared with 1.0% in the previous quarter.

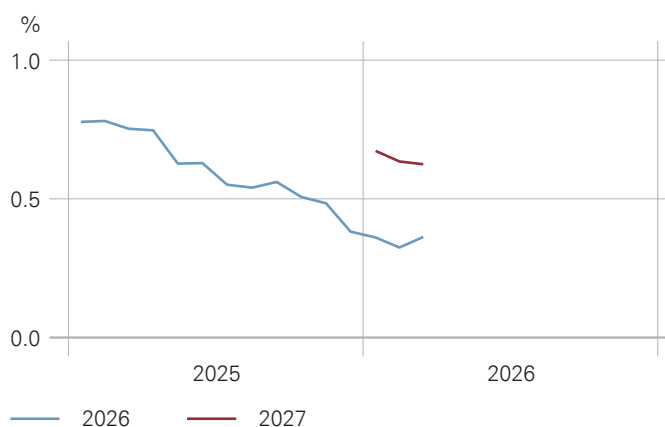
According to the Consensus Economics survey conducted in January, the long-term inflation expectations (six to ten years) of participating banks and economic institutions were around 1.0%, as against 1.1% in the previous quarter.

Survey results available up to mid-March 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**

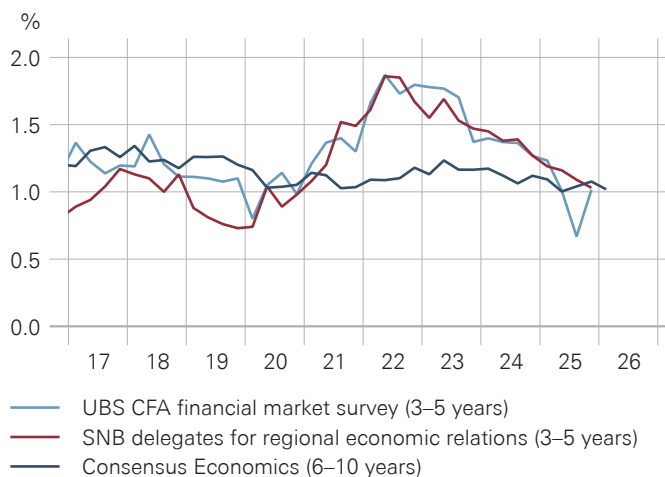
Monthly forecasts for annual inflation



Source(s): Consensus Economics Inc.

Chart 4.8

**LONGER-TERM INFLATION EXPECTATIONS**



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

# 5

## Monetary developments

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The yield curve for Confederation bonds shifted slightly upwards compared with the December monetary policy assessment. The Swiss franc appreciated significantly. Prices on the Swiss stock market declined somewhat. Residential real estate prices continued to rise. Growth momentum in the broad monetary aggregates and in mortgage lending stabilised.

### **MONETARY POLICY MEASURES SINCE DECEMBER 2025 ASSESSMENT**

#### **Monetary policy unchanged**

At its monetary policy assessment of 11 December 2025, the SNB decided to leave its policy rate unchanged at 0%. It also reaffirmed its willingness to be active in the foreign exchange market as necessary. Inflation in the previous months had been slightly lower than expected. In the medium term, however, inflationary pressure was virtually unchanged compared to the September monetary policy assessment. The SNB's monetary policy helped to keep inflation within the range consistent with price stability and supported economic development.

The SNB stated it would continue to monitor the situation closely and adjust its monetary policy if necessary, in order to ensure price stability.

#### **Remuneration of sight deposits**

By remunerating sight deposits, the SNB influences the interest rate level on the money market, so that the short-term secured money market rates are close to the SNB policy rate. The SNB uses a system of tiered remuneration. This encourages liquidity redistribution between sight deposit account holders and thereby promotes an active money market.

Sight deposits up to the threshold were remunerated at an interest rate of 0%, while the rate for sight deposits above the threshold was -0.25%. A discount of 0.25 percentage points relative to the SNB policy rate thus applied to sight deposits above the threshold. Effective as of 1 March 2026, the SNB lowered the threshold factor for the remuneration of sight deposits of account holders subject to minimum reserve requirements from 16.5 to 15.

#### **Absorption of sight deposits via repo transactions and SNB Bills**

The SNB continued to absorb sight deposits above the thresholds. 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. With this absorption, the SNB reduces the supply of sight deposits in the money market. Together with the remuneration of sight deposits, this ensures that the short-term secured Swiss franc money market rates are close to the SNB policy rate.

Outstanding liquidity-absorbing repo transactions have averaged CHF 69.4 billion since the December assessment. In the same period, the average level of outstanding SNB Bills amounted to CHF 86.9 billion.

#### **Sight deposits at the SNB lower**

Sight deposits held at the SNB were slightly lower than at the time of the December monetary policy assessment. In the week ending 13 March 2026 (last calendar week before the assessment), they amounted on average to CHF 454.4 billion. This was lower than in the week ending 5 December 2025, the last calendar week preceding the December assessment (CHF 461.9 billion). Over the weeks between these two assessments, they averaged CHF 455.4 billion. Of this amount, CHF 435.9 billion were sight deposits of domestic banks and the remaining CHF 19.4 billion were other sight deposits.

Statutory minimum reserves averaged CHF 48.1 billion between 20 November 2025 and 19 February 2026. Overall, banks exceeded the minimum reserve requirement by CHF 393.6 billion (previous period: CHF 401.4 billion).

## MONEY AND CAPITAL MARKET INTEREST RATES

### SARON close to SNB policy rate

Since mid-December, SARON – the average overnight interest rate on the secured money market – has mostly fluctuated within a narrow range slightly below the SNB policy rate (chart 5.1). In mid-March, SARON stood at around –0.04%.

### Long-term interest rates hardly changed

Yields on long-term Confederation bonds have changed only little since the December monetary policy assessment (chart 5.2).

Amid a global decline in yields from mid-December, the yield on ten-year Confederation bonds also initially decreased somewhat until the end of February, before rising again from the beginning of March, largely as a result of a higher term premium. However, it subsequently fell again, with the yield on ten-year Confederation bonds standing at 0.34% in mid-March, thus only marginally higher than in mid-December (0.32%).

### Slight upward shift in yield curve

Since the December monetary policy assessment, the yield curve for Confederation bonds with short (less than three and a half years) and long (more than eight years) maturities has shifted upwards. This shift reflected both higher expected short-term interest rates and an increase in the term premium (chart 5.3). The rise in interest rate expectations is likely attributable to markets having anticipated higher inflation due to the oil and gas price hikes since the escalation in the Middle East. Additionally, uncertainty about global inflation and economic developments increased, which was reflected in higher term premia.

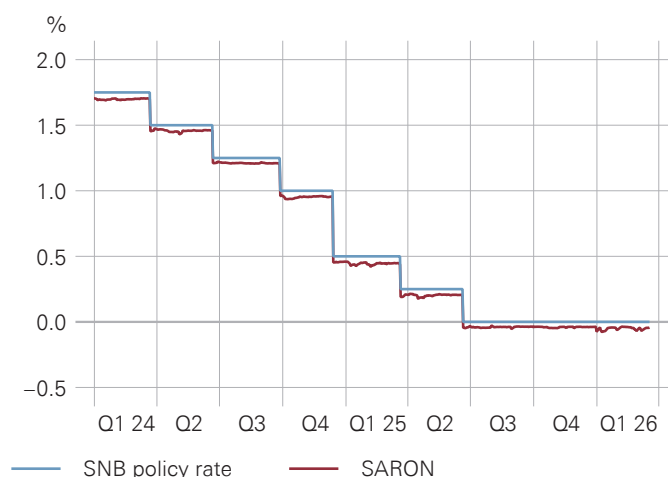
### Little change in real interest rates

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.

Given that long-term nominal interest rates and long-term inflation expectations (chapter 4) have both changed only little since mid-December, long-term real interest rates in mid-March were similar to the levels recorded at the time of the December assessment.

Chart 5.1

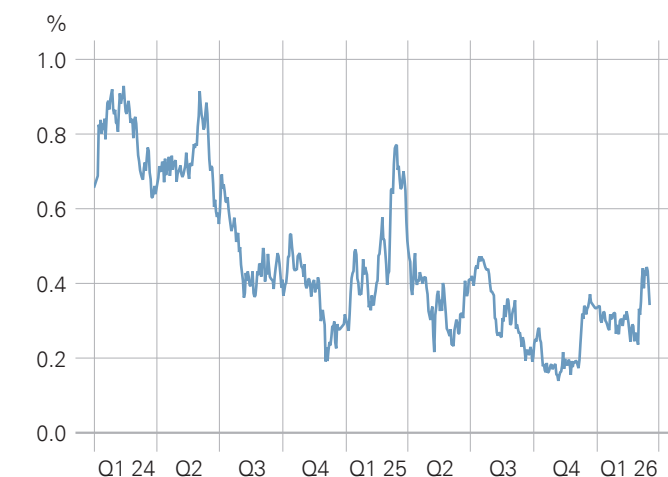
### SNB POLICY RATE AND SARON



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

Chart 5.2

### 10-YEAR SWISS CONFEDERATION BOND YIELD

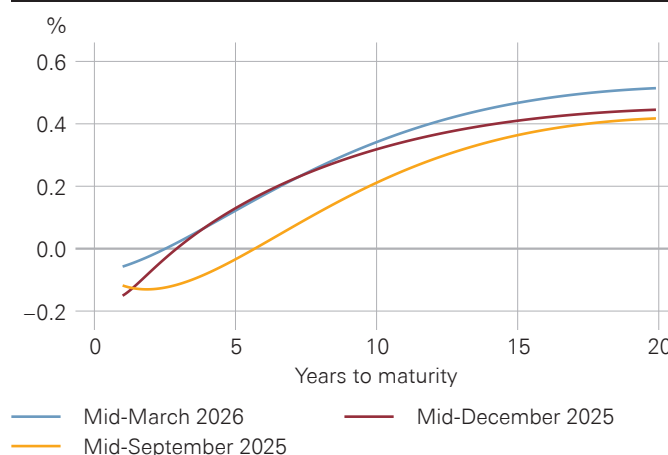


Source(s): SNB

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

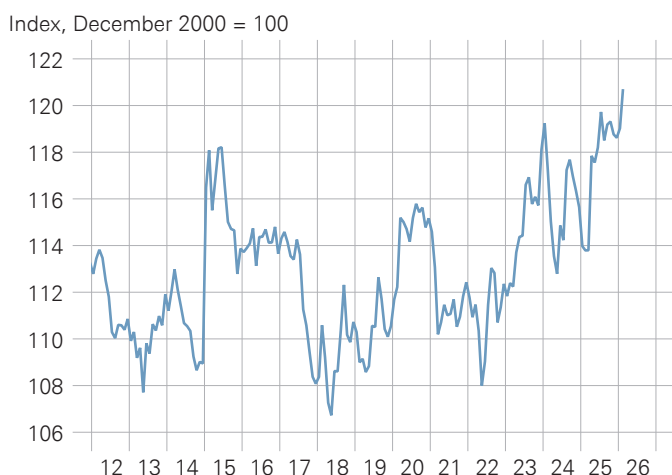
**NOMINAL EXTERNAL VALUE OF SWISS FRANC**



Source(s): SNB

Chart 5.6

**REAL EXTERNAL VALUE OF SWISS FRANC**



Source(s): SNB

**EXCHANGE RATES**

**Swiss franc stronger against euro and US dollar**

The Swiss franc has gained 3.2% against the euro and 2.3% against the US dollar since the December monetary policy assessment (chart 5.4). In mid-March, one euro was worth CHF 0.91, while one dollar was CHF 0.79.

Shortly after the December assessment, the Swiss franc initially recorded slight gains. This appreciation reflected a narrowing of the interest rate differentials between the major currency areas and Switzerland and a deterioration in risk sentiment. At the turn of the year, the Swiss franc weakened again somewhat against the US dollar. This was due in part to better-than-expected economic data in the US, which made further interest rate cuts by the Fed appear less likely.

Subsequently, from mid-January, the Swiss franc strengthened significantly. At times, this strengthening was a reflection of increased uncertainty about the outlook for monetary policy in the US and Japan. However, it also reflected a number of factors that made safe investments such as the Swiss franc and precious metals attractive. These include the escalation in the Middle East, as a result of which the SNB signalled an increased willingness to intervene in the foreign exchange market in the event of an excessive appreciation of the Swiss franc.

**Nominal trade-weighted appreciation of Swiss franc**

The Swiss franc has strengthened by 2.6% in nominal trade-weighted terms since the monetary policy assessment in December (chart 5.5). It appreciated not only against the euro (index weighting: 40%) and the US dollar (index weighting: 17%) but also against the currencies of other major trading partners. Thus, the Swiss franc gained 2.0% against the pound sterling (index weighting: 6%), 5.2% against the Indian rupee (index weighting: 2.7%) and 3.7% against the Japanese yen (index weighting: 2.3%).

**Real external value of Swiss franc higher**

The significant nominal appreciation of the Swiss franc since January led to an increase in its real external value, which reached a new high in February (chart 5.6).

## SHARE AND REAL ESTATE PRICES

### Swiss share prices slightly lower

In mid-March, the Swiss Market Index (SMI) was 1.2% lower than at the time of the December monetary policy assessment (chart 5.7). Through to the end of February, solid earnings reports from many SMI companies and the prospect of lower US tariffs contributed to a significant rise in the SMI. Amid the escalation in the Middle East, the SMI – as other European share indices – fell sharply.

### Higher 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). As measured by this index, uncertainty increased from mid-December to early February. This reflected a number of factors, including still widespread concerns about an overvaluation of shares of US technology companies. In the course of February, the volatility index declined again, but rose sharply when the escalation in the Middle East began. In mid-March, its level was above average by historical standards (since 1999).

### Strong fluctuations in 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. From mid-December until the end of February, most sector indices increased markedly. With the escalation in the Middle East, all sector indices fell significantly. In mid-March, the indices for industrials and healthcare companies were higher than at the time of the December assessment, by 6.3% and 4.3% respectively. Share prices of listed retail staples companies were practically unchanged. By contrast, the index for financials was 3.7% lower in mid-March than in mid-December.

### Continued rise in residential real estate prices

Transaction prices for residential real estate rose further in Q4 2025 (chart 5.9). Growth momentum for privately owned apartments and for apartment buildings, which include residential investment property of private and institutional investors, significantly exceeded the average of the last ten years, while for single-family houses it was broadly in line with the long-term average.

Chart 5.7

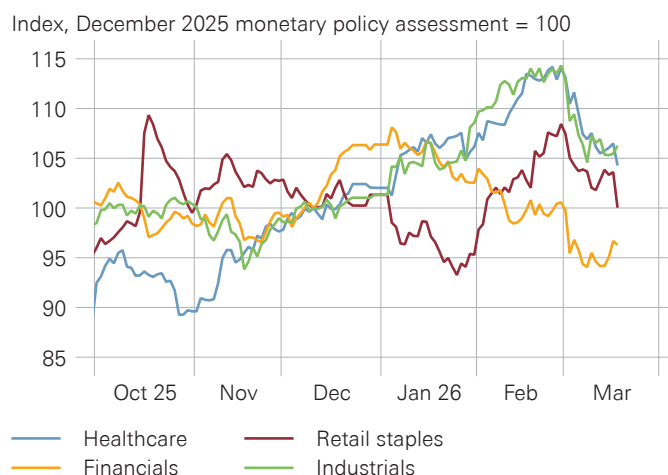
## SHARE PRICES AND VOLATILITY



Source(s): SIX Swiss Exchange Ltd

Chart 5.8

## SELECTED SPI SECTORS

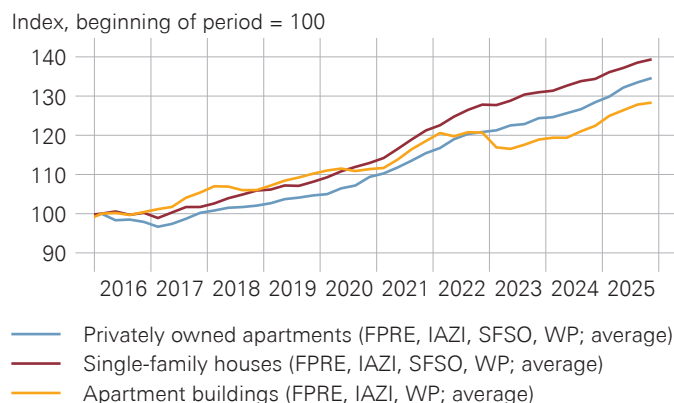


Source(s): SIX Swiss Exchange Ltd

Chart 5.9

## TRANSACTION PRICES FOR RESIDENTIAL REAL ESTATE

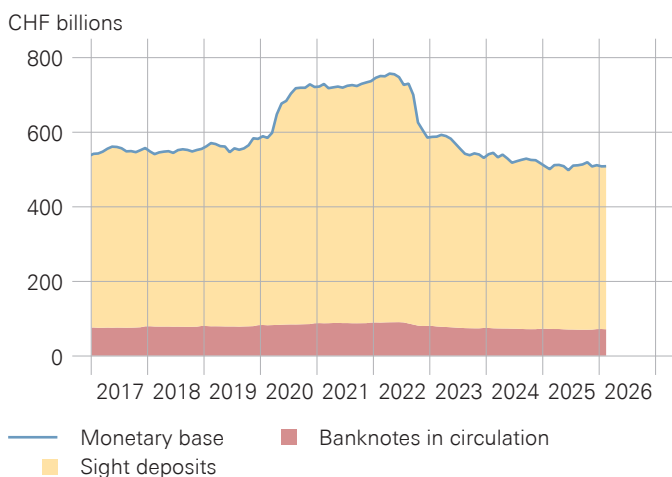
Nominal (hedonic)



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

Chart 5.10

**MONETARY BASE**



Source(s): SNB

Chart 5.11

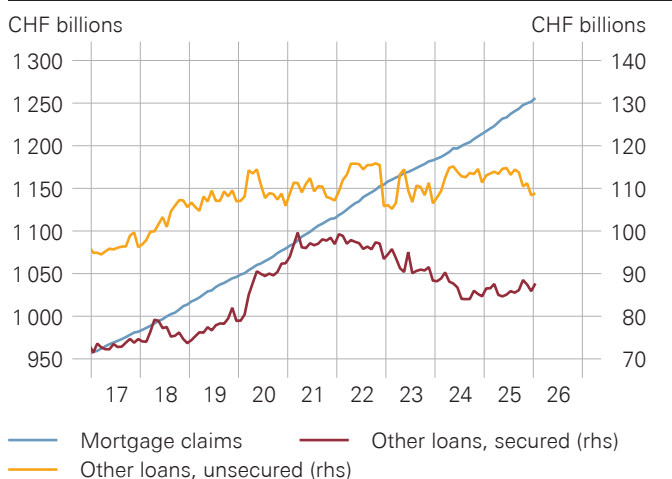
**MORTGAGE CLAIMS AND INTEREST RATES**



Source(s): SNB

Chart 5.12

**MORTGAGE CLAIMS AND OTHER LOANS**



Source(s): SNB

**MONETARY AND CREDIT AGGREGATES**

**Little change in monetary base**

Having declined significantly in 2022 and 2023 amid the tightening of monetary policy, the monetary base has changed only little since. In February 2026, the monetary base averaged CHF 508.9 billion, which was CHF 0.6 billion higher than in November 2025 (chart 5.10).

**Growth momentum in broad monetary aggregates stabilising**

In February, the M1 aggregate (currency in circulation, as well as sight deposits and transaction accounts of resident bank customers) rose by 19.4% year on year, compared with growth of 21.2% in November. Meanwhile, M2 (M1 plus savings deposits) increased by 13.6% year on year in February, having risen by 15.8% in November. M3 (M2 plus time deposits) grew by 4.9% year on year in February, as it had in November (table 5.1).

The strong growth in monetary aggregates reflects the low level of capital market interest rates (chart 5.2) relative to interest rates on bank deposits. This increases the incentive to hold short-term bank deposits. Furthermore, lending growth and the associated creation of bank deposits also contributed to the increase in the broad monetary aggregates. These factors remained the most important drivers of growth in monetary aggregates in recent months.

**Growth in mortgage claims stable**

Published interest rates for fixed-rate mortgages continued to move in line with capital market rates in recent months. The ten-year mortgage rate stood at around 2.0% at the end of January 2026 (chart 5.11) and was thus slightly higher than at the end of October 2025 (around 1.8%).

Supported by the decline in interest rates through to the end of 2024, mortgage lending by banks picked up over the course of 2025. Growth in mortgage claims increased from 2.4% in 2024 to 3.2% in Q3 2025, and remained at this level in Q4 (chart 5.11, table 5.1).

**Decrease in other loans mainly driven by foreign currency lending**

Other loans fluctuate considerably more strongly than mortgage claims (chart 5.12). If other loans are broken down by unsecured/secured loans as well as by currency, the following picture emerges.

The volume of unsecured other loans has remained largely stable since 2020, with any fluctuations primarily attributable to developments in other loans to financial corporations. 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 down 0.1% year on year in Q4 2025, other loans in foreign currencies contracted by 2.6% (table 5.1). These developments continued in January 2026.

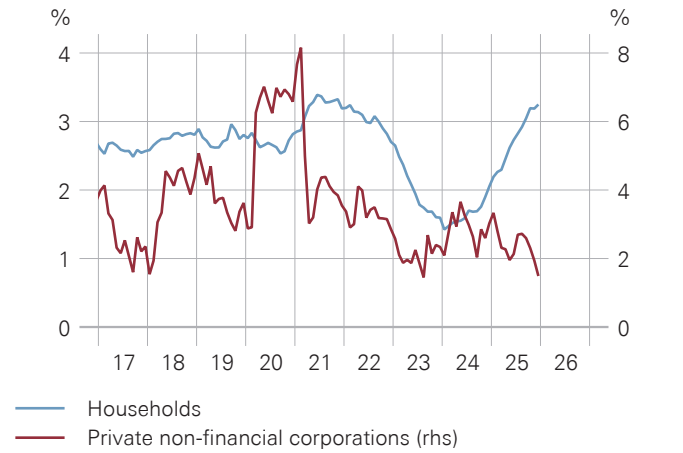
### Lending growth by sector

In addition to a breakdown by loan type and currency, lending can also be assessed by borrowing sector. This shows that bank loans to households and non-financial corporations continued to grow year on year (chart 5.13). At the end of December 2025, loans to households recorded a year-on-year increase of CHF 29.7 billion (3.2%) and loans to non-financial corporations a rise of CHF 5.5 billion (1.5%).

Chart 5.13

### LOANS TO HOUSEHOLDS AND CORPORATIONS

Year-on-year change



Source(s): SNB

Table 5.1

### MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2025	2025				2025	2026	
		Q1	Q2	Q3	Q4	Dec	Jan	Feb
<b>M1</b>	<b>15.4</b>	<b>6.1</b>	<b>14.1</b>	<b>21.2</b>	<b>20.2</b>	<b>18.1</b>	<b>19.2</b>	<b>19.4</b>
<b>M2</b>	<b>12.9</b>	<b>7.4</b>	<b>12.5</b>	<b>16.3</b>	<b>15.1</b>	<b>13.5</b>	<b>13.9</b>	<b>13.6</b>
<b>M3</b>	<b>3.8</b>	<b>2.3</b>	<b>3.6</b>	<b>4.4</b>	<b>4.7</b>	<b>4.5</b>	<b>5.3</b>	<b>4.9</b>
<b>Bank loans, total</b> <sup>1,3</sup>	<b>2.6</b>	<b>2.5</b>	<b>2.3</b>	<b>2.9</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>	
Mortgage claims <sup>1,3</sup>	3.0	2.8	3.0	3.2	3.2	3.1	3.2	
Households <sup>2,3</sup>	2.8	2.3	2.7	2.9	3.1	3.1	3.3	
Private corporations <sup>2,3</sup>	3.7	3.8	3.5	3.8	3.5	3.2	2.9	
Other loans <sup>1,3</sup>	0.0	0.7	-1.5	1.3	-0.6	-0.9	-1.6	
Secured <sup>1,3</sup>	-0.3	-2.5	-3.0	2.1	2.3	1.4	1.3	
Unsecured <sup>1,3</sup>	0.2	3.3	-0.3	0.7	-2.7	-2.7	-3.8	
In CHF <sup>1,3</sup>	1.4	2.0	0.8	2.7	-0.1	-0.2	-0.2	
In other currencies <sup>1,3</sup>	-5.7	-4.4	-10.8	-4.8	-2.6	-4.0	-7.3	

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

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# Business cycle signals

Results of the SNB company talks

## First quarter of 2026

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 14 January and 3 March.

Most of the talks were held before 28 February, i.e. before the recent escalation in the Middle East. In order to assess the potential implications of this conflict, the delegates conducted follow-up surveys with 50 companies in the week of 6–13 March, asking them about their business outlook. The additional information is not reflected in the index values shown, but is factored into their interpretation.

### 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

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- According to the talks with company representatives, the Swiss economy grew solidly at the beginning of the year. Services companies continued to record robust turnover growth, and in manufacturing the signs of a slight upturn that had already been observed in the previous quarter were confirmed.
- In manufacturing, the utilisation of technical capacity remains significantly below normal levels. Although low utilisation and the strength of the Swiss franc are weighing on margins, the situation has improved somewhat. Manufacturing companies attribute this above all to declines in staffing levels, but in some cases also to the reduced US tariffs.
- Companies are optimistic about the development of their business and anticipate robust increases in turnover in the next two quarters. The information received after the escalation in the Middle East suggests that the majority of companies are adhering to their expectations. Some directly affected companies are significantly lowering their expectations, however. Uncertainty is considered to be high.
- Companies are finding it comparatively easy to recruit staff at present and staffing levels are more or less in line with their requirements.
- Many companies are investing in projects involving artificial intelligence (AI) and are anticipating efficiency gains in the coming years. However, the majority of companies report that the use of AI is not currently reducing their need for staff.

Chart 1

**TURNOVER**



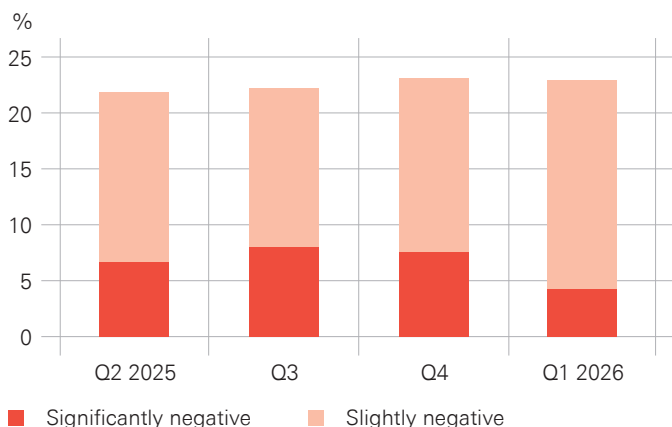
Developments in real turnover compared to the previous quarter. Positive (negative) index values signal an increase (decrease).

Source(s): SNB

Chart 2

**EFFECTS OF US TRADE POLICY**

Share of companies reporting direct negative effects of US trade policy on their business



■ Significantly negative    ■ Slightly negative

Source(s): SNB

**CURRENT SITUATION**

**Solid growth in turnover at beginning of year**

According to the talks with company representatives, the Swiss economy has started the year with solid growth (chart 1). In the services sector, consulting firms, IT service providers and financial institutions have been able to match the robust growth of previous quarters. However, turnover growth in consumer-related services such as retail trade and food services has been somewhat less pronounced than in the previous quarter.

The construction sector has been unable to maintain the high growth rates of previous quarters. That said, the very good order situation suggests that this is only a temporary dip in growth.

In manufacturing, signs of a slight upturn already observed in the previous quarter were confirmed. Increased inventories, which last year had been curbing demand, have now been largely reduced. At the same time, the subdued investment activity of the last few quarters has created pent-up demand, resulting in somewhat stronger demand again for capital goods. In some cases this also applies to European sales markets, where increasing investment in the transport and energy infrastructure and in defence are supporting demand. In addition to this, certain orders that had been put on hold are now being released owing to reduced US tariffs. Companies are generally seeing lively demand from the US, whereas demand from Europe and Asia remains mixed.

All in all, however, companies report that US trade policy is continuing to have a dampening effect on their business activity. A good fifth of the companies visited are feeling negative effects (chart 2). That said, the proportion of companies reporting a significant negative impact is appreciably lower than in the previous quarter. For one thing, the US has reduced additional tariffs. For another, companies are implementing various measures to counter the burden of tariffs and the uncertainty surrounding US trade policy. This includes relocating individual steps in the manufacturing process abroad. Following the reduction in the tariffs, the pressure to introduce such measures eased again. Even so, some of the companies affected are continuing to work on opening up new sales markets and establishing new supply chains to broaden their geographical base.

### Technical capacity utilisation mixed

Despite the solid growth, technical capacity utilisation remains below normal levels (chart 3). There are still differences between the sectors. Utilisation in manufacturing continues to be significantly lower than usual. So far, growth has not been sufficient to achieve any appreciable improvement in utilisation. Capacity utilisation in the services sector is only slightly below the usual level. Owing to the current dip in growth, construction companies are seeing capacity utilisation decline to levels slightly below the average.

### Appropriate staffing levels and easier recruitment

Overall, staffing levels are in line with requirements (chart 4). This also applies to manufacturing, where they were still too high in previous quarters. Many manufacturing companies report that they have had to reduce staff numbers.

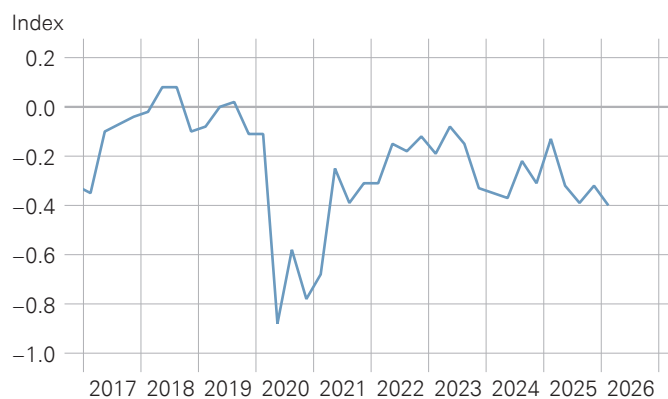
The recruitment situation for companies has continued to improve. Even in fields where there has been a severe shortage of specialist staff in recent years, vacancies can now be filled without major difficulties. For example, companies are currently receiving a sufficient number of good applications for IT positions. However, recruiting specialist staff in skilled trades remains difficult. The same can be said of positions that require a high degree of flexibility in terms of location and working hours.

### Solid margin situation

Companies report that profit margins remain at solid levels (chart 5). In the services sector, margins have declined slightly. In manufacturing, by contrast, margins have improved somewhat, despite the continued low level of capacity utilisation and the stronger Swiss franc. Manufacturing companies often attribute this to the major efforts they have made to increase productivity and reduce costs. This has included reducing staffing levels. Some companies are also benefiting from the fact that the burden of US tariffs has eased compared with previous quarters.

Chart 3

### CAPACITY UTILISATION

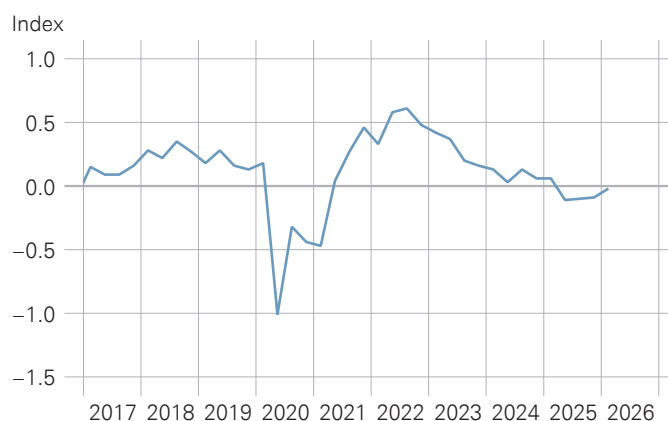


Utilisation of technical capacity and/or business infrastructure compared to a normal level. A positive (negative) index value signals utilisation is higher (lower) than normal.

Source(s): SNB

Chart 4

### STAFF SHORTAGES



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

Source(s): SNB

Chart 5

### CHARACTERISATION OF MARGINS



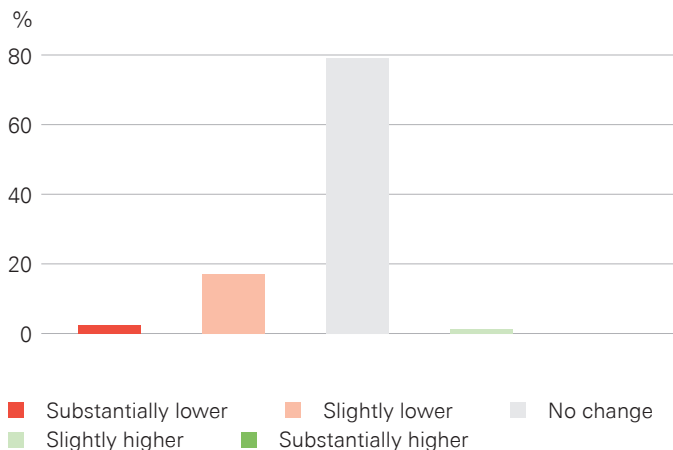
Characterisation of the margin situation. Negative (positive) index values signal an uncomfortable (comfortable) margin situation.

Source(s): SNB

Chart 6

### IMPACT OF AI ON DEMAND FOR STAFF

Change in current demand for staff due to use of AI



Source(s): SNB

### Artificial intelligence not yet significantly reducing companies' need for staff

The SNB's delegates talked with company representatives about how the use of artificial intelligence is affecting their current staff needs.

A clear majority (just under 80%) of the company representatives interviewed said that AI was not changing their staff needs at present (chart 6). However, only few say that they expect AI not to have any effect on staffing requirements in the future. Many are in the process of preparing to use AI, for example by creating the necessary data basis. Companies frequently mention that applications are currently in the test phase. Some companies point out that the initial aim of AI is to improve the quality of services, deploy their workforce more systematically, or reduce the amount of work that has to be outsourced to external service providers. They only expect to see staff reductions in the coming years.

Around one-fifth of companies have less demand for staff as a result of AI, although the changes are typically only slight. AI is reducing staff needs primarily at consulting firms, in software development and in support functions. Frequently affected are human resources and accounting, legal departments and translation services. In some cases, marketing services can also be provided by fewer staff.

Hardly any companies currently report needing more staff because of AI. Only in isolated cases is there an increase in staffing requirements to carry out AI projects or support AI applications that have already been implemented.

## DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

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### **Low capacity utilisation despite upturn in parts of manufacturing**

Companies from various manufacturing industries confirm signs of an upturn in demand. As had already been the case in previous quarters, this was supported by demand, primarily from the public sector, for goods and services for transport and energy infrastructure and defence. Life sciences and suppliers to domestic construction are also seeing continued high demand. In the current quarter, companies in the watchmaking industry are now also reporting reductions in inventories and a resulting improvement in the order situation. Rising investment in the infrastructure required for the use of AI is also having a positive effect. However, demand remains weak from the German automotive industry, where there are only very isolated signs of a recovery. Some manufacturing companies report growing competition from Chinese suppliers, who are catching up in terms of quality.

That said, capacity utilisation remains low in a number of manufacturing industries. This is particularly true of the mechanical engineering and metals industries. The watchmaking industry is also suffering from low utilisation despite a slight improvement in the order situation.

### **Mixed business activity in trade industry**

While food sales grew steadily at the beginning of the year, other retail product groups recorded only subdued momentum. Companies attribute this to muted consumer sentiment and growing competition from Chinese online providers.

Developments in wholesale and logistics have varied depending on the sales market. Companies are profiting from solid growth in goods and services for construction and in pharmaceutical products. By contrast, companies geared to customers in manufacturing have been experiencing only subdued demand.

### **Pleasing winter months for hotel industry**

Over the winter months, guest numbers in the hotel industry were stable at a high level. Despite difficult weather and snow conditions at times, which had a curbing effect on day-trip tourism, the optimistic expectations regarding winter tourism turned out to be well founded. Hotels experienced solid demand from guests from Switzerland and individual guests from abroad. Since the escalation in the Middle East, however, the outlook has been very uncertain. Some businesses have seen their first cancellations and a decline in bookings from the Middle East and the Asian markets. Demand from domestic guests, by contrast, could increase.

Companies geared to business customers saw only muted demand for seminars and conferences. Weak demand from business customers also affected the food services industry, where subdued consumer sentiment has been exerting additional pressure.

### **Dynamic business activity in ICT, management consulting and financial industry**

The information and communications technology (ICT) industry continued to see dynamic business activity at the beginning of the year. An important source of support is companies' efforts to cut costs and improve their competitiveness. These include digitalisation and process optimisation, increasingly through the use of AI applications. Improving IT security and data sovereignty is another area of growth. There is also high demand from the public sector for digitalisation services.

Consulting firms, too, are reporting dynamic demand for their services. Clients have an increased need for advice, particularly on dealing with regulatory requirements.

The financial industry continues to do solid business. Credit volumes have shown further growth, and a positive stock market performance at the beginning of the year supported commissions in the wealth management business.

### **Full order books in construction**

In construction, growth in turnover was unable to fully match the robust momentum of previous quarters. The order books are still full, however, supported by public infrastructure construction and robust demand in residential and renovation construction. Companies attribute the somewhat weaker development in turnover primarily to building permit delays and in some cases staff shortages. In addition to this, in manufacturing, orders have been postponed as a result of the high level of uncertainty.

## OUTLOOK

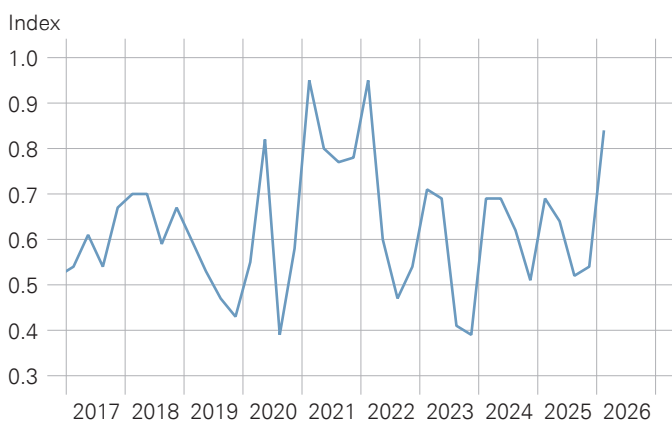
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### **Improved business outlook but high level of uncertainty**

The business outlook improved at the beginning of the year, and companies expect robust turnover growth for the next two quarters (chart 7). Companies in manufacturing are seeing signs of an economic upturn in Europe and a gradual increase in investment activity. They expect the upturn to take hold over the coming quarters.

Chart 7

**EXPECTED TURNOVER**

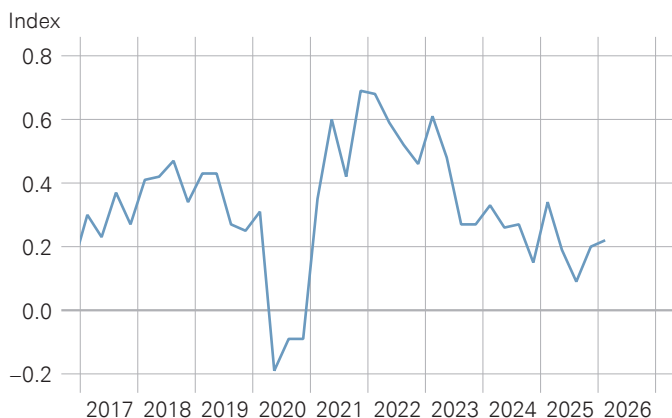


Expected developments in real turnover over the coming two quarters. Positive (negative) index values indicate turnover is expected to be higher (lower).

Source(s): SNB

Chart 8

**EXPECTED EMPLOYMENT**

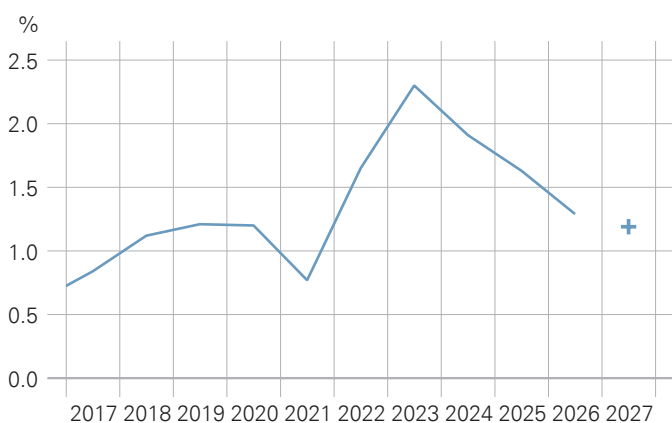


Expected developments in staff numbers over the coming two quarters. Positive (negative) index values indicate an expected increase (decrease).

Source(s): SNB

Chart 9

**WAGE INCREASES**



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

Source(s): SNB

The information received after the escalation in the Middle East suggests that the majority of companies are adhering to their expectations. Some directly affected companies are significantly lowering their expectations, however. This includes those for which the Middle East is an important sales or procurement market, or which are suffering from the disruption to the region’s air transport hubs. However, uncertainty is considered to be high. Companies cite as risks a broad-based deterioration in the economy and a further appreciation of the Swiss franc as a result of geopolitical developments. They also continue to regard US trade policy as a factor in the uncertainty.

**Moderate increases in investment and staff levels**

Companies are planning moderate increases in investment. Manufacturing and construction companies are continuing to concentrate on maintenance, as well as replacement investments and measures to increase efficiency. Plans to expand domestic production capacity are rather rare. Services companies anticipate higher spending on their IT infrastructure.

At the same time, companies expect to increase staff numbers moderately in the next two quarters (chart 8). Companies in the services and construction sectors anticipate an increase in their workforce. Staffing plans in manufacturing vary, although staff levels are expected to increase slightly overall.

**Slightly weaker wage growth**

Given the easier recruitment situation and low inflation, the companies surveyed expect wage growth of 1.3% on average this year, down from 1.6% in 2025 (chart 9). For 2027, company executives expect marginally lower wage growth of around 1.2%. However, they do point out that it is currently still difficult to make reliable statements.

**Purchase prices expected to rise more strongly than sales prices**

Companies expect purchase prices to rise in the next two quarters. Sales prices also look set to rise, although the anticipated increase is slightly lower than for purchase prices (chart 10).

On the procurement side, developments in the price of raw materials and energy are a factor in manufacturing and construction. Towards the end of the period during which the talks were conducted, and especially after the escalation in the Middle East, companies were expecting rising energy prices to lead to higher prices for intermediate products such as steel, copper, aluminium and glass. There was, however, a great deal of uncertainty regarding the scale of these increases.

Services companies in particular face further price increases for software licences, cloud services, AI applications and IT security. Some companies are also having difficulties when it comes to procuring goods and services required for the AI infrastructure. This is leading to an increase in purchase prices for data storage in particular.

As for sales prices, companies still see a certain need to pass on purchase prices, which have increased in some cases, as well as higher labour costs to their customers. However, the scope for price adjustments is in many cases limited by the tight competitive situation.

### INFLATION EXPECTATIONS

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

There has been virtually no change in short-term inflation expectations as measured by the consumer price index. The average for the next 6 to 12 months (chart 11) is 0.7%. Inflation expectations over a 3 to 5-year horizon now average 1.1% versus 1.0% in the previous quarter. Some companies point out that a number of different factors have led to increased uncertainty around inflation expectations. In the short term, these factors are the exchange rate and – given the escalation in the Middle East – commodity prices. In the longer term, companies cite structural factors such as the use of AI and its implications on the labour market.

### 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

Chart 10

### EXPECTED CHANGE IN PURCHASE AND SALES PRICES

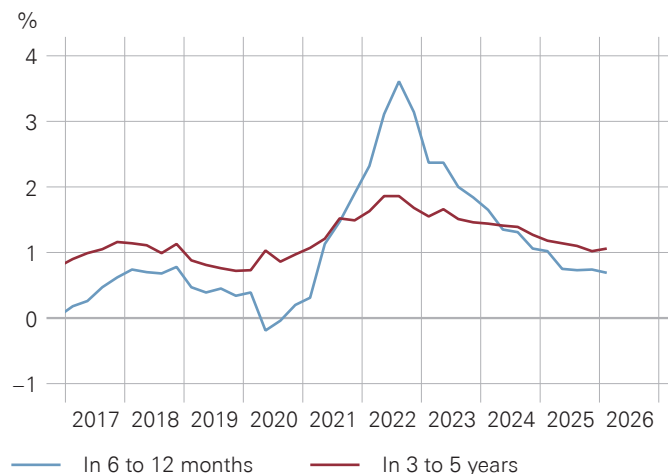


Expected price development for the next 12 months. Positive (negative) index values indicate higher (lower) prices are expected.

Source(s): SNB

Chart 11

### EXPECTED INFLATION



Source(s): SNB

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 an average of the findings from all companies visited.

Further information can be found in the 'Business cycle signals' reports at [www.snb.ch](http://www.snb.ch), The SNB/Regional economic relations.

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# 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](http://www.snb.ch).

At its quarterly assessment of 19 March, the SNB leaves its policy rate unchanged at 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 still stands at 0.25 percentage points. Inflationary pressure in the medium term was virtually unchanged compared to the previous quarter. The monetary policy helps to keep inflation within the range consistent with price stability and supports economic development. The SNB stresses that it will continue to monitor the situation closely and adjust its monetary policy if necessary, in order to ensure price stability over the medium term. Given the conflict in the Middle East, the SNB stresses that its willingness to intervene in the foreign exchange market has increased.

March 2026

At its quarterly assessment of 11 December, the SNB leaves its policy rate unchanged at 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 still stands at 0.25 percentage points. The SNB remains willing to be active in the foreign exchange market as necessary. Inflationary pressure in the medium term was virtually unchanged compared to the previous quarter. The monetary policy helps to keep inflation within the range consistent with price stability and supports economic development. The SNB stresses that it will continue to monitor the situation and adjust its monetary policy if necessary, in order to ensure price stability.

December 2025

At its quarterly assessment of 25 September, the SNB leaves its policy rate unchanged at 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 still stands at 0.25 percentage points. The SNB remains willing to be active in the foreign exchange market as necessary. Inflationary pressure was virtually unchanged compared to the previous quarter. Monetary policy helps to keep inflation within the range consistent with price stability and supports economic development. The SNB stresses that it will continue to monitor the situation and adjust its monetary policy if necessary, in order to ensure price stability.

September 2025

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. It also mentions that a negative SNB policy rate can have undesirable side-effects and presents challenges for many economic agents.

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

# 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	Government 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 Business Cycle Index	The SNB Business Cycle Index captures economic momentum using a dynamic factor model based on a large number of indicators. For a brief explanation, see the SNB Quarterly Bulletin 1/2018 (box on p. 15).
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.



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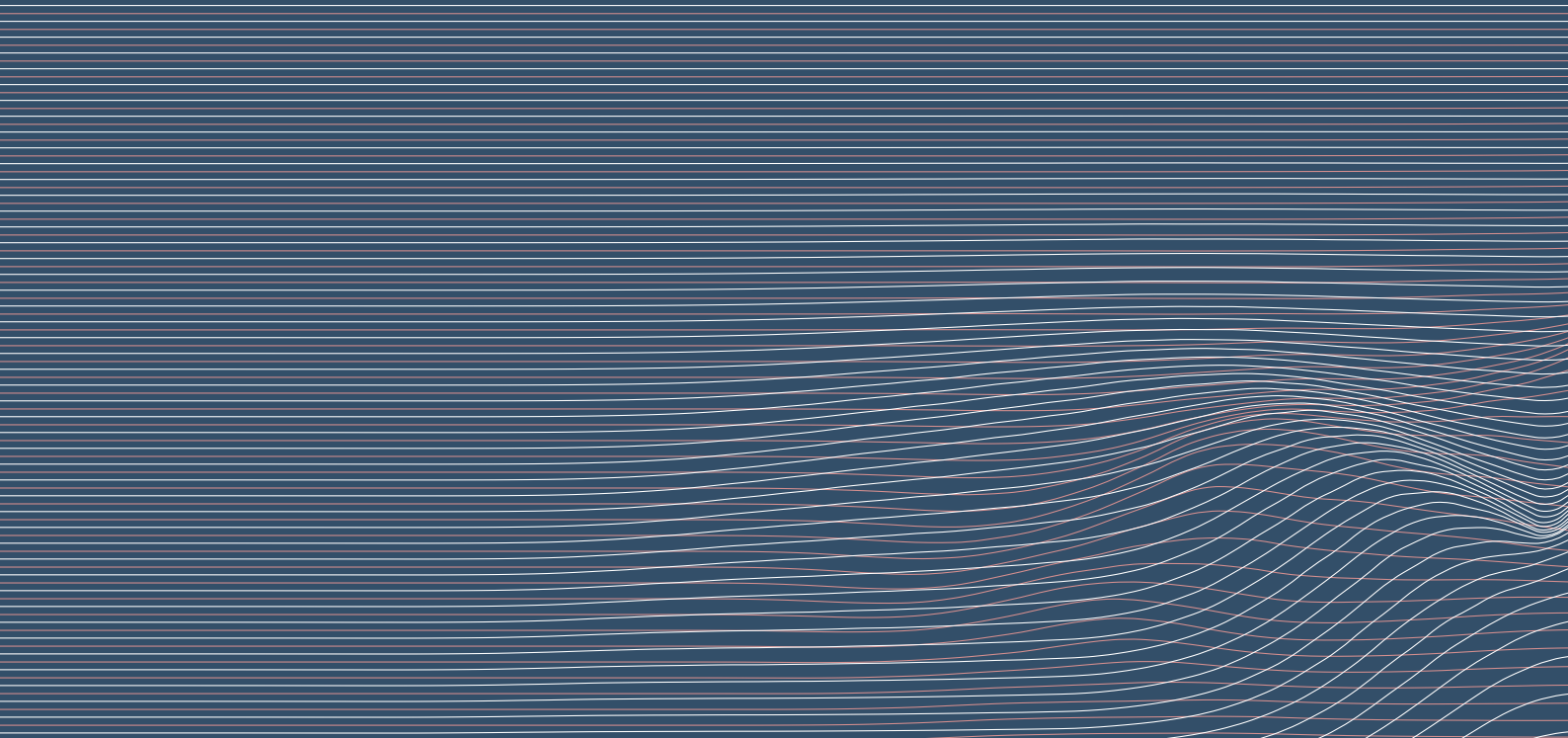
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