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What is keeping inflation in Switzerland lower than in the euro area? A product group perspective

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Over the past 15 years, inflation in Switzerland has, on average, been almost 2 percentage points lower than in the euro area. This note shows that two-thirds of the Swiss inflation gap with the euro area was driven by goods, in particular food and energy, while the remaining third was driven by services. The note also shows that inflation was lower in Switzerland than in the euro area primarily because of smaller price increases rather than different consumption habits.

Swiss inflation has been relatively low over the past 15 years, both in historical terms and in comparison with other countries. For a comparison with euro area countries, the most suitable yardstick is the harmonised index of consumer prices (HICP).[1] Chart 1 shows that average inflation was lower in Switzerland than in all 18 euro area members displayed. Average Swiss inflation was 0.4%, which is 1.8 percentage points lower than the euro area average (at 2.2%). The inflation gap was sizeable against all member countries. Compared with the member country with the lowest average inflation (Ireland at 1.5%), the gap was 1.1 percentage point; meanwhile against the member country with the highest average inflation (Estonia at 4.2%), the gap was 3.8 percentage points.

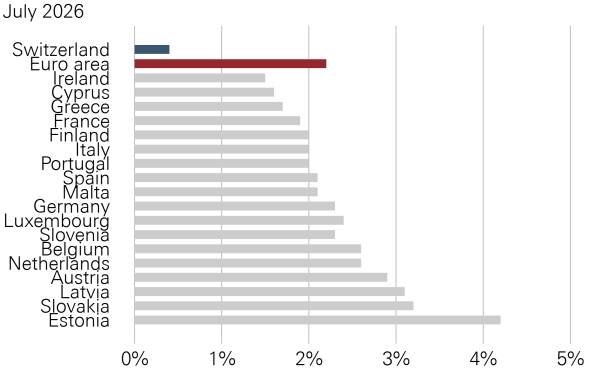
The inflation gap between Switzerland and the euro area has varied over time. Chart 2 shows that the gap was most pronounced during the global inflation surge that followed the

[1] According to the HICP legal framework, HICPs have to be calculated with comparable methods and coverage. In the euro area, the HICP is used not only for international comparisons of inflation, but also as a price stability measure by the ECB and as a price convergence indicator for a possible accession to the European Monetary Union (Eurostat, 2024). In Switzerland, the HICP is an additional indicator to the Swiss CPI (FSO, 2018), which the SNB uses to measure price stability. While the two indices for Swiss inflation are based on the same methodology, they differ in certain coverage and product treatment respects. The impact of these differences on the aggregate development of the two indices has been very limited. The Swiss HICP is thus a close approximation to official Swiss inflation statistics.

pandemic. In 2022, the gap peaked at more than 7.0 percentage points. It also widened during the European debt crisis, reaching 3.5 percentage points in 2012.

CHART 1: AVERAGE INFLATION IN SWITZERLAND AND EURO AREA MEMBER COUNTRIES

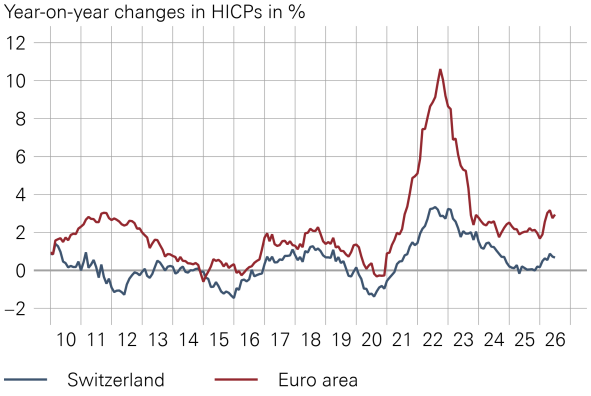
Year-on-year changes in HICPs in %, Average for Jan 2010 - July 2026



Source(s): Eurostat

CHART 2: INFLATION IN SWITZERLAND AND EURO AREA

Year-on-year changes in HICPs in %



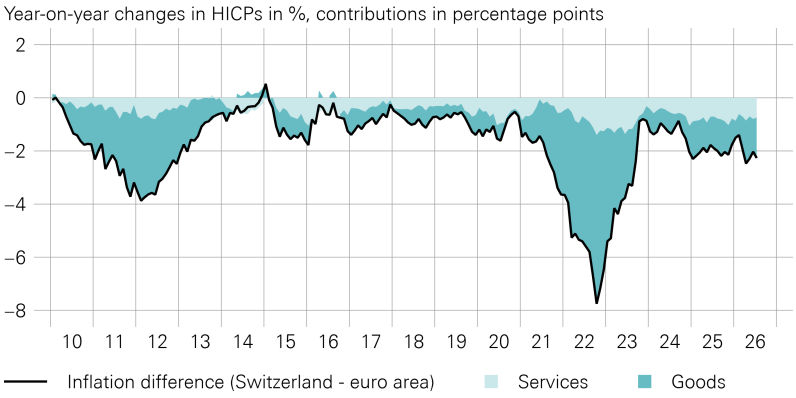
Source(s): Eurostat

Inflation in Switzerland could be lower than in the euro area because Swiss households may consume different products and because they may face a different evolution of prices for the same products. To determine the role played by these two factors, the next section first disaggregates the inflation gap into the contribution of different product groups and then disentangles the differences across the two currency areas in group basket weights and price developments. Differences in group basket weights reflect differences in consumption habits, while differences in group price developments reflect a different evolution of prices faced by households for the same product groups.

Inflation gap driven mainly by goods, in particular food and energy

Chart 3 provides a breakdown of the inflation gap by services (light turquoise area) and goods (dark turquoise area). Both goods and services persistently contributed negatively to the gap. On average, since 2010, Swiss goods inflation has been 2.2 percentage points lower than the euro area rate, while services inflation has been 1.5 percentage points lower. Over the entire period, goods prices have risen by 44% in the euro area and remained stable in Switzerland. Services prices have risen by 44% in the euro area and by 13% in Switzerland. The bulk of the inflation gap was thus explained by goods, especially during the post-pandemic surge in global inflation (2021–2023) and the euro area debt crisis (2010–2012). Since 2010, an average of around two-thirds of the inflation gap has been driven by goods – even when excluding the inflationary period of 2021–2023. The fact that the inflation gap was mainly attributable to goods implies that, in the case of Switzerland, imported products necessarily played a significant role in the lower inflation dynamics. Indeed, half of the goods and almost none of the services consumed by Swiss households are imported.

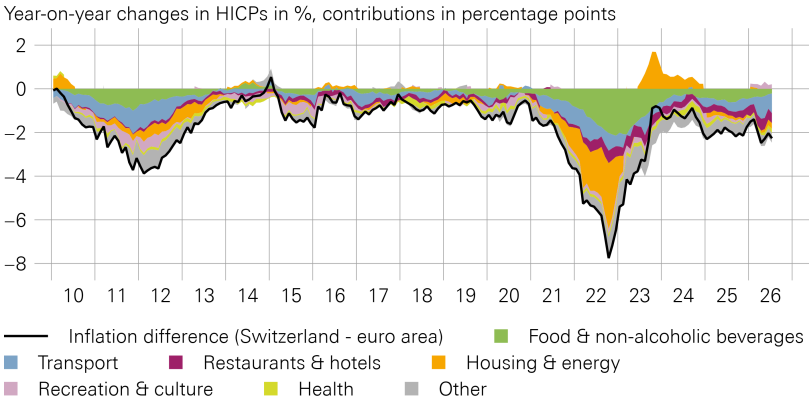
CHART 3: CONTRIBUTIONS TO DIFFERENCE IN INFLATION BETWEEN SWITZERLAND AND EURO AREA



Source(s): Eurostat

Chart 4 further disaggregates the inflation gap into product groups. On average, the five largest drivers were food and non-alcoholic beverages (green area), transport (including passenger transport services, fuels as well as purchases of vehicles; blue area), restaurants and hotels (purple area), housing and energy (orange area), as well as recreation and culture (light purple area). Food and transport each accounted for approximately 20% of the gap. Restaurants and hotels, housing and energy, and recreation and culture each accounted for around 10%. Other product groups, such as health (light green area), contributed less to the inflation gap – and are barely visible in the chart. The contribution of housing and energy rose most during the inflation surge of 2021–2023. This increase was driven by energy, which mainly consists of electricity, gas and heating oil. Together with fuels (which are included in the energy part of the transport group), energy comprised one-quarter of the inflation gap during 2021–2023.[2]

CHART 4: CONTRIBUTIONS TO DIFFERENCE IN INFLATION BETWEEN SWITZERLAND AND EURO AREA



Source(s): Eurostat

[2] Towards the end of 2023 and during 2024, the contribution of housing and energy was positive. During that period, housing energy inflation, in particular electricity, was considerably higher in Switzerland than in the euro area.

Product group contributions to the inflation gap may be due not only to differences in price developments, but also to differences in product group basket weights – that is, the shares of product groups in the consumption basket.

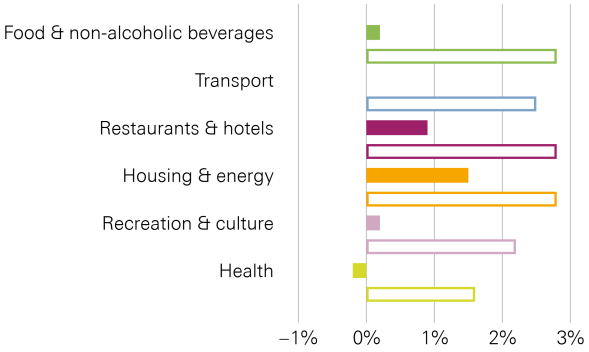
Chart 5 shows the average price development in Switzerland and the euro area for the main product groups discussed above. The differences between the two currency areas were considerable for all groups. For the food and non-alcoholic beverages group as well as the transport group, the difference was around 2.5 percentage points. In the groups restaurants and hotels, recreation and culture, and health, it was around 2 percentage points, and in housing and energy, it was around 1.5 percentage points.

Likewise, chart 6 shows the corresponding basket weights for 2026. The weights are smaller in Switzerland than in the euro area for food and non-alcoholic beverages, transport, restaurants and hotels, and recreation and culture, but larger for housing and energy as well as health. For most product groups, the difference in weights is relatively small – it lies between 0.5 and 5 percentage points. For health, however, the difference reaches almost 15 percentage points. In several euro area member countries, health products are directly publicly funded and thus classified as part of government rather than household consumption, explaining the group's smaller weight in the euro area.

CHART 5: AVERAGE PRODUCT GROUP INFLATION

Year-on-year changes in %, Average for Jan 2010 - July 2026

Switzerland (filled bars) versus euro area (outlined bars)

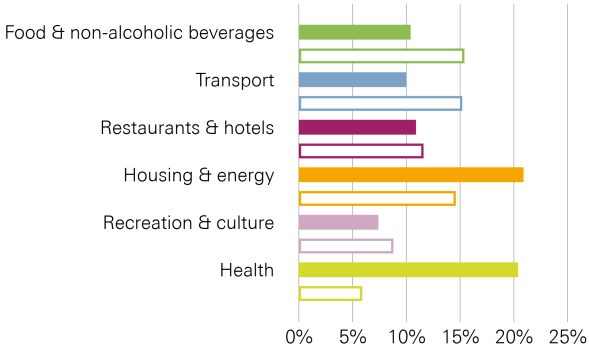


Source(s): Eurostat

CHART 6: PRODUCT GROUP BASKET WEIGHTS

In % of total HICP basket in 2026

Switzerland (filled bars) versus euro area (outlined bars)



Source(s): Eurostat

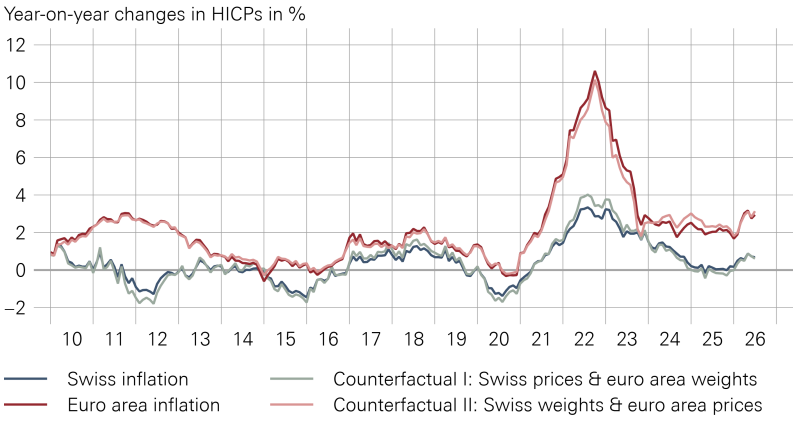
Based on the relevant product groups discussed above, therefore, Swiss inflation could be lower because Swiss households consumed different products than households in the euro area and because they faced a different evolution of prices for the same products. Disentangling the influence of these two factors is non-trivial given the construction of consumer price indices. One approach – taken up in the next section – is to conduct counterfactual analyses.

Differences in price developments rather than consumption patterns explain most of the gap

The roles played by consumption habits and price developments can be quantitatively distinguished using *counterfactual* inflation rates, that is, rates that would have prevailed had either only basket weights or price developments differed. The pale grey line in chart 7 depicts a first counterfactual. It shows the Swiss inflation rate if households faced Swiss prices but consumed the products according to the basket weights in the euro area. This counterfactual inflation rate is very close to the actual Swiss inflation rate (dark blue line). Thus, although there are considerable differences in consumption patterns between the two currency areas (as shown in chart 6), their impact on the inflation gap remained limited.

The pale red line in chart 7 depicts a second counterfactual. It shows the Swiss inflation rate had households faced euro area prices but still consumed products as in the Swiss consumption basket. The computed inflation rate almost fully replicates the actual inflation rate in the euro area (dark red line). The Swiss inflation gap to the euro area was therefore determined mainly by differences in price developments.[3]

CHART 7: INFLATION COUNTERFACTUALS



Source(s): Eurostat

Summing up, over the past 15 years, and according to an analysis based on harmonised group-level data, two-thirds of the Swiss inflation gap to the euro area was driven by goods (as opposed to services), in particular by food and energy. Furthermore, Swiss inflation was lower than the euro area rate, primarily because of smaller price increases rather than different consumption habits.

[3] Counterfactuals based on data at a consumer price index position rather than group level – which cover a shorter period – provide a similar but less pronounced picture, in particular during the inflationary episode in 2021–2023.

References

Eurostat (2024), *Harmonised Index of Consumer Prices (HICP): Methodological manual, 2024 edition*.

Federal Statistical Office FSO (2018), *Harmonised Index of Consumer Prices (HICP): Overview of methods and weightings 2018*.

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