

# SNB Economic Note

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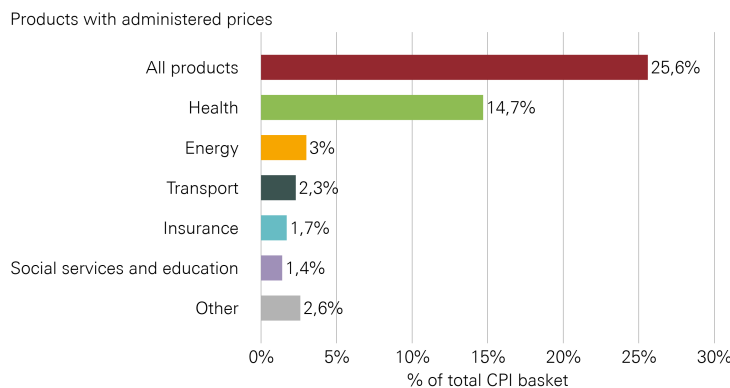
## How large is the impact of administered prices on inflation in Switzerland?

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*Inflation in Switzerland has been low over the past 20 years, both from an international and a historical perspective. One hypothesis is that this is due to the high share of ‘administered’—or regulated—prices in the Swiss consumer price basket. We show that this hypothesis is not supported by the data. Inflation for products with administered prices was typically lower than inflation for other products and thus tended to dampen inflation overall. However, the effect was limited. Swiss inflation and the Swiss inflation gap with the euro area were determined mainly by the evolution of non-administered prices.*

The Swiss Federal Statistical Office (SFSO) classifies the prices of all products in the Swiss consumer price index (CPI) basket as administered or non-administered (see SFSO, 2016). Administered prices are those set or approved by federal, cantonal and communal authorities rather than being determined by market forces. Chart 1 shows that approximately one-quarter of the Swiss CPI currently consists of products with administered prices.

**CHART 1: SWISS CPI BASKET SHARES IN 2025**



Source(s): SFSO, SNB

Within administered prices, health is by far the most important subgroup, followed by energy and transport (mostly public transport). In the health care sector, examples of products with administered prices include medicines, of which those funded by insurance premiums are set by the federal government. Examples of administered prices in the energy sector are households' prices for electricity, gas and remote heating. Households are obliged to consume those products from their local energy providers, which are mostly owned by public authorities. All administered prices are monitored by the price supervisor, an agency tasked with the implementation of the price monitoring law.<sup>1</sup> Note that rents are not classified as administered in Switzerland.

### **Small impact of administered prices on Swiss CPI inflation**

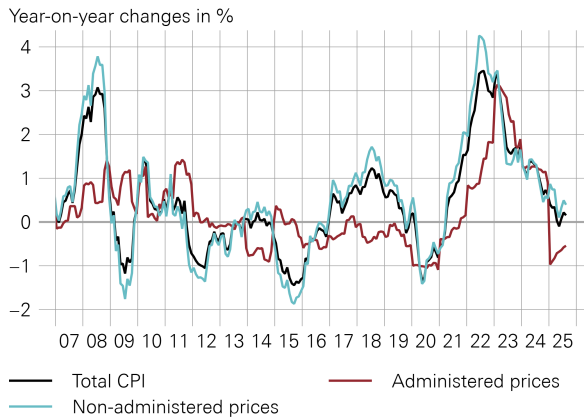
Despite the sizeable share of administered prices in the CPI basket, a measure of inflation excluding them would not have greatly differed from total CPI inflation over the past 20 years. This can be seen in Chart 2, which shows CPI inflation and the inflation rates for non-administered and administered prices since 2007, the first year for which the SFSO published the classification. The CPI inflation rate was on average 0.5%, compared with rates of 0.3% and 0.6% for administered and non-administered prices, respectively. Thus, inflation for products with administered prices was only half as high as that of products with non-administered prices and therefore tended to dampen CPI inflation. However, this effect was limited. CPI inflation including administered prices was only 0.1 percentage points lower than CPI inflation excluding them.

Chart 3 shows the contributions to CPI inflation of administered (the red area) and non-administered (the blue area) prices. Until the end of 2021, the contribution of administered prices to Swiss CPI inflation remained small—in some periods, it was positive; in others, it was negative. However, after the pandemic, it increased—it reached a positive contribution of more than one-third of total inflation during the year 2023. In the period 2023–2024, CPI inflation excluding administered prices would have been lower than CPI inflation including them. Thus, while administered price inflation dampened CPI inflation on average, there were also periods where it reinforced rather than dampened it.

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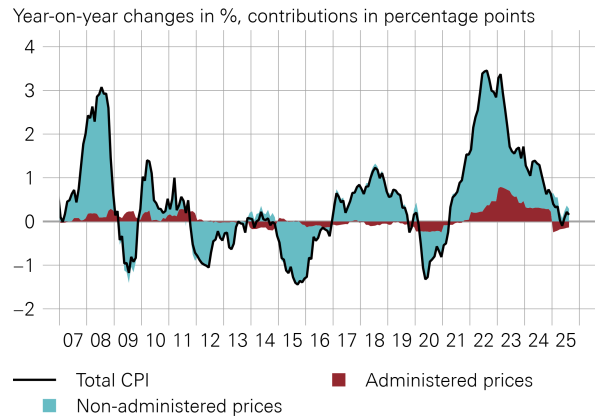
<sup>1</sup> See Swiss Federal Department of Economic Affairs, Education and Research (2006) for details. When the responsible federal, cantonal or municipal government body or parliament wishes to increase an administered price, for example, hospital or energy tariffs or public transport charges, it must consult the price supervisor. While the respective authority must not follow the recommendation of the price supervisor, it must cite the price supervisor's opinion in its decision and give specific reasons if it does not follow it.

**CHART 2: SWISS CPI AND ADMINISTERED PRICES**



Source(s): SFSO, SNB

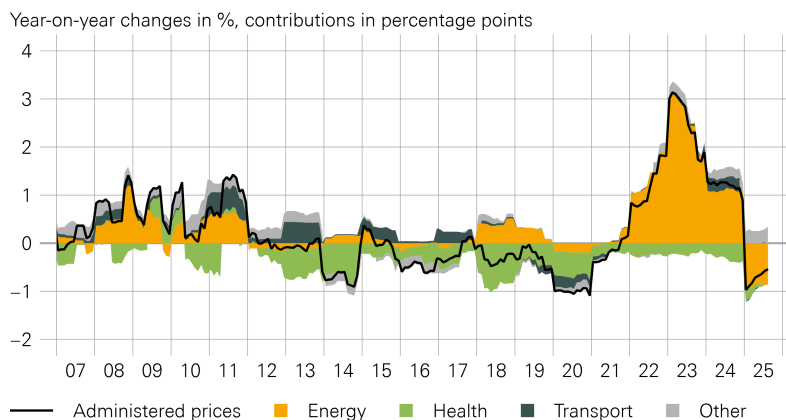
**CHART 3: SWISS CPI AND CONTRIBUTIONS**



Source(s): SFSO, SNB

The main reason for the small contribution of administered prices to CPI inflation up to the pandemic was the falling prices of health products, particularly medicines.<sup>2</sup> Chart 4 shows that, with few exceptions, health consistently contributed negatively to administered price inflation. In contrast, energy contributed mainly positively. The greater contribution of administered prices observed since January 2021 has almost exclusively been driven by the higher energy prices after the outbreak of the war in Ukraine. The increase in energy prices was initially due to a surge in gas prices. Higher electricity prices only contributed to the increase from January 2023 onwards. Electricity prices for households reacted with a lag to the rise in global energy prices, as they are adjusted only once a year in Switzerland (in January).

**CHART 4: SWISS ADMINISTERED PRICES AND CONTRIBUTIONS**



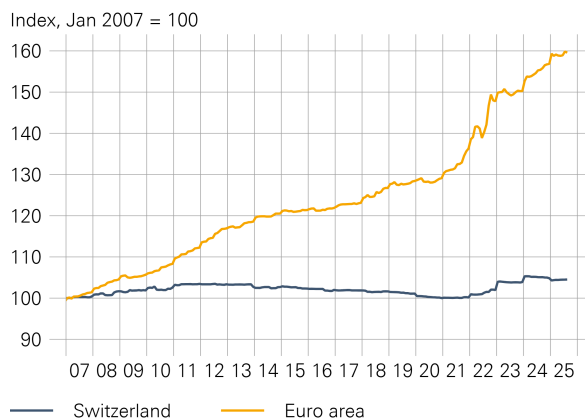
Source(s): SFSO, SNB

<sup>2</sup> Compulsory health insurance premiums are not included in the CPI. Instead of premiums, the CPI directly accounts for the price changes of the various health products. The main reason for this is that the development of health insurance premiums depends not only on prices in the health care sector but also on the frequency with which people use these services. This volume effect runs against the CPI's objective of measuring 'pure' price developments.

## Administered prices cannot explain the inflation gap with the euro area

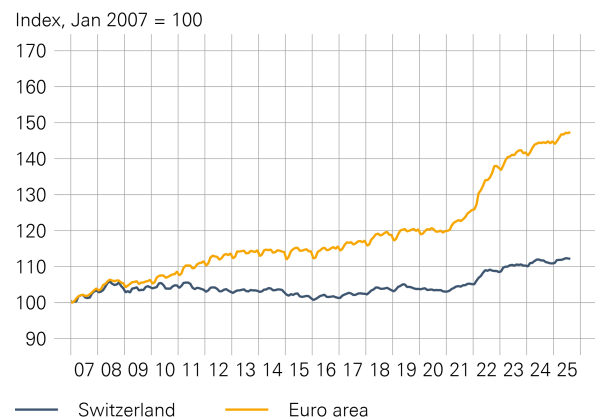
Compared with euro area member countries, Switzerland currently has a high CPI basket share of products with administered prices (in 2025, approximately 25%, compared with 10% in the euro area).<sup>3</sup> This is due mainly to health products, which are either classified as non-administered in certain euro area member countries or as part of government rather than private consumption, as they are publicly funded. In addition, Chart 5 shows that administered prices increased considerably less in Switzerland than in the euro area (almost six times less). However, as seen in Chart 6, the same holds for non-administered prices, which increased approximately five times less in Switzerland than in the euro area. The difference in inflation between the two economies must therefore be due to both administered and non-administered prices.

**CHART 5: ADMINISTERED PRICES**



Source(s): Eurostat, SFSO, SNB

**CHART 6: NON-ADMINISTERED PRICES**

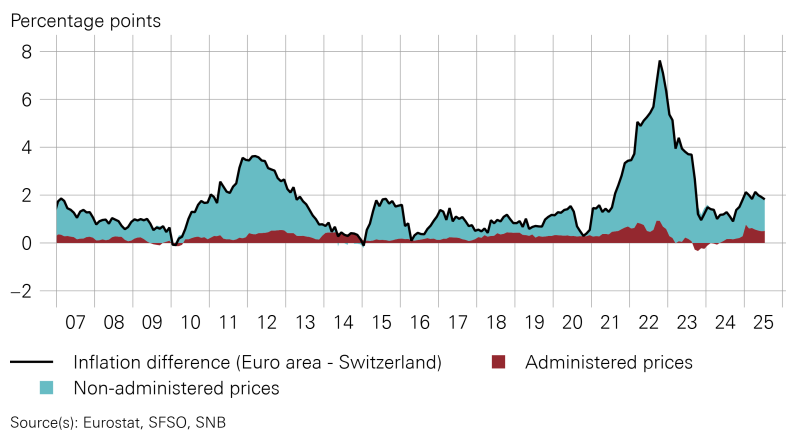


Source(s): Eurostat, SFSO, SNB

Chart 7 shows the contribution of administered prices to the difference in inflation between the euro area and Switzerland over the past 20 years. Administered price inflation was indeed lower in Switzerland, contributing positively to the difference in CPI inflation (the red area). However, overall, administered prices explained less than one-quarter of the difference in inflation between the two economies. That is, Switzerland's lower inflation is explained mainly by non-administered prices.

<sup>3</sup> The classification of administered and non-administered prices is decided by national authorities but based on recommendations by the European Commission (for details, see Eurostat, 2018).

**CHART 7: CONTRIBUTIONS TO THE DIFFERENCE IN INFLATION BETWEEN THE EURO AREA AND SWITZERLAND**



Administered prices are often assumed to play an important role in Switzerland's low inflation. We show that this hypothesis is not supported by the data. Administered prices were neither a significant driver of low inflation in Switzerland nor a key factor in explaining the country's inflation gap relative to the euro area.

## References

Eurostat (2018), *HICP recommendation on administered prices*.

Swiss Federal Statistical Office (2016), *Consumer Price Index: Methodological foundations*.

Swiss Federal Department of Economic Affairs, Education and Research (2006), *20 Jahre Preisüberwachungsgesetz*.

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