
Business cycle signals

Results of the SNB company talks

First quarter of 2025

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

The appraisals presented here are based on discussions between the SNB's delegates for regional economic relations and members of management at companies throughout Switzerland. In its evaluation, the SNB aggregates and interprets the information received. A total of 241 company talks were conducted between 14 January and 4 March.

Regions

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

Delegates

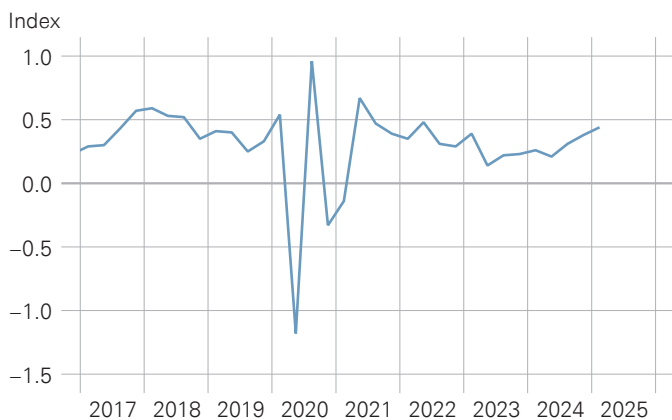
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Key points

- The companies surveyed report solid turnover growth overall in the first quarter. Growth momentum in the services sector and construction remains robust. Turnover in manufacturing also saw tangible growth, having barely increased in previous quarters.
- Despite this upturn in growth, capacity utilisation at manufacturing companies improved only slightly, and there is still significant underutilisation.
- Companies are no longer as concerned as in previous years about the shortage of specialist staff and recruitment difficulties. Staffing levels are approximately in line with companies' needs.
- The growth outlook is brightening somewhat but is still subject to considerable uncertainty. In particular, as long as the precise details of the new US administration's trade policy are not known, the effects are difficult for companies to assess.

Chart 1

TURNOVER



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

Source(s): SNB

Chart 2

CAPACITY UTILISATION



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

Source(s): SNB

CURRENT SITUATION

Solid growth in turnover

According to the talks with company representatives, growth momentum in the Swiss economy increased in the first quarter. Those interviewed report a solid rise in turnover overall (chart 1). In the services sector, banks, insurance companies, consulting firms and IT service providers have been able to match the robust growth of previous quarters. Turnover growth in consumer-related services such as retail and food services has been slightly less pronounced.

After the weak development in recent quarters, there are signs of a certain upturn in manufacturing. There is a slight improvement in demand discernible in parts of Europe, most frequently in Spain and Italy. Companies continue to see dynamic growth in demand from the US. Some indicate that demand could be supported by imports being brought forward owing to the threat of tariffs. While demand from China is described as fairly weak, companies make positive mention of other parts of Asia, among them India. Not all manufacturing industries are seeing an upturn in demand, however. In particular, the order situation remains weak among suppliers to the German automotive industry, as well as in the watchmaking and chemicals industries. Companies no longer see customers reducing their inventories as a negative factor.

The construction sector reports predominantly solid rates of growth. High demand for public infrastructure is having a supportive effect. There are also signs of an improvement in the order situation in residential construction.

Improvement in technical capacity utilisation

The solid growth in turnover is accompanied by improvements in technical capacity utilisation, which is now only slightly below normal levels overall (chart 2). However, there are still significant differences between the sectors. Despite a slight improvement, utilisation in manufacturing remains at a low level, especially at mechanical engineering and metal processing companies. In most cases, services companies describe their infrastructure as adequate. Only a few report that they have slightly too much office and retail space. The majority of construction companies also say they are operating at normal levels of capacity.

Staff levels appropriate

Companies report that staffing levels are approximately in line with their needs (chart 3). This is the case in the services sector, but also for the majority of manufacturing companies, the latter having more frequently described levels as being too high in the previous quarter. For some manufacturing companies, a pick-up in demand has led to an improvement in staff utilisation. Meanwhile, others report having downsized in recent quarters. Furthermore, there are still some manufacturing companies relying on short-time working. The staffing situation in construction remains fairly tight.

The effort involved in filling vacancies is considered to be at normal levels, and the shortage of specialist staff widely reported in recent years is now limited to specific job profiles. Staff reductions at some large companies are making recruitment easier for other firms. In general, companies are receiving a good number of suitable applications for commercial job vacancies. There are still shortages when it comes to technical specialists and skilled trades, food services and hotels, some healthcare professions and jobs involving shift work. Construction companies still report difficulties in recruiting qualified specialist and management staff. Even though they are having significantly fewer recruitment difficulties than in previous years, companies still attach great importance to the in-house training of specialist staff and increasing their attractiveness as employers.

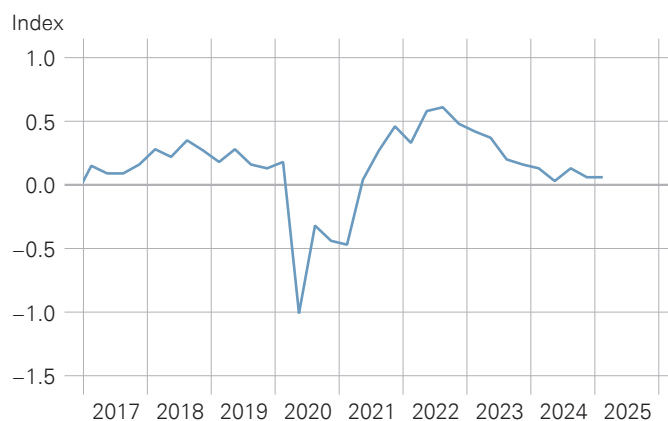
Improved margin situation

Companies have seen an improvement in margins versus the previous quarter and in most cases describe them as solid (chart 4). The main reasons cited for this are efficiency gains and an upturn in demand. In manufacturing in particular, somewhat better capacity utilisation is resulting in improved margins overall. The weakening of the Swiss franc in recent months and the decline in purchase prices in some cases are also easing the pressure on margins. However, the margin situation depends heavily on demand in the industry in question. Margins in the metals and machinery industry, for example, remain under strong pressure.

Most companies describe their liquidity situation as solid. In the majority of cases, companies are able to finance investment with their own funds or take advantage of stable banking relationships. A few report higher interest premiums. The companies affected point out that Credit Suisse no longer existing might be a factor in this.

Chart 3

STAFF SHORTAGES



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

Source(s): SNB

Chart 4

CHARACTERISATION OF MARGINS



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

Source(s): SNB

DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

Upturn in manufacturing

Manufacturing companies have seen an upturn in business activity in the first quarter. Companies in medical technology and pharmaceuticals have benefited from persistently strong demand, especially from the US. Some companies point out that demand for weight-loss drugs, as well as the related procedures and products, are increasing sales momentum. Demand is also higher for products and services associated with the expansion of transport and energy infrastructure, and in the defence industry, and very dynamic in the case of aviation.

By contrast, demand from the German automotive industry remains weak and is still weighing on companies active in metal processing, the manufacture of plastics and mechanical engineering. The watchmaking industry continues to struggle with weak demand from China. While there has been no further decline in turnover, there are barely any signs of an upturn either. Companies in the chemical industry also report weak demand from China and strong price pressure resulting from overcapacity at Chinese competitors.

Subdued business activity in trade industry

In retail, customers are still price-sensitive. In the food business, they are opting for lower-cost product lines, which is curbing business performance despite increasing sales volumes. In non-food, retailers are still feeling the competition from online providers abroad. Sales of motor vehicles are gaining some momentum again after a weak performance the previous year. Demand for electric vehicles remains subdued, however. As regards wholesale, business activity varies depending on the sales market. While demand from customers has risen somewhat in the case of manufacturing and construction, there has been hardly any increase in retail.

Solid guest numbers in hotel industry

Overall, the hotel industry reports that guest numbers are stable at a high level. Guests from the US and parts of Asia in particular are travelling to Switzerland in large numbers. Hotels and local mountain transport in the winter sports resorts are benefiting from good weather and snow conditions.

In food services, there is a lack of positive impetus. Companies are feeling the effects of muted consumer sentiment.

Robust business activity in financial, ICT and consulting industries

The financial industry has been able to maintain the robust growth of previous quarters. The commission business is being supported by the positive development of the stock markets, especially at the beginning of the year. Thanks to lower interest rates, there have also been solid increases in mortgage volumes. At the same time, however, with the client deposit business described as being hard-fought, there is a certain amount of pressure on margins in the interest business.

Momentum in the information and communications technology (ICT) industry remains robust. Demand for process automation, solutions for protecting against cyberattacks, and the construction of data and computing centres is high.

The services of management consulting and engineering firms also remain in strong demand, particularly when it comes to automation and innovation projects and in the context of new regulatory requirements that clients must comply with.

Improved business activity in construction

The order situation in construction is improving. Public-sector infrastructure projects remain an important source of support. Demand for facility maintenance and building services also remains solid. Added to this, lower interest rates are boosting residential construction. However, companies point to the curbing effect of regulations and time-consuming approval procedures.

OUTLOOK

Improved business outlook accompanied by major uncertainty

With the improved growth momentum in the first quarter, companies are also becoming more confident about the coming quarters. For example, they anticipate solid turnover growth in the next two quarters (chart 5). While the outlook is positive per se, however, it is subject to considerable uncertainty. A particular concern is the new US administration's trade policy. At the time the talks with company representatives took place it was largely unclear what measures would be implemented. Further risks cited by companies include the persisting weakness of the German economy, exchange rate developments and cyberattacks.

Cautious investment plans – moderate workforce expansion

Companies expect a cautious increase in their investment in equipment in the quarters to come. Services companies are endeavouring to optimise their internal processes and sales channels. In addition to the necessary replacement investments, manufacturing companies are focusing on efficiency gains, and are driving forward the automation of their production processes. Only few plan to significantly expand their production capacity. In most cases, manufacturing companies will be able to manage significantly higher production volumes with their existing capacity. Some companies also mention that they are holding off on making investments owing to the uncertain outlook in connection with the threat of tariffs.

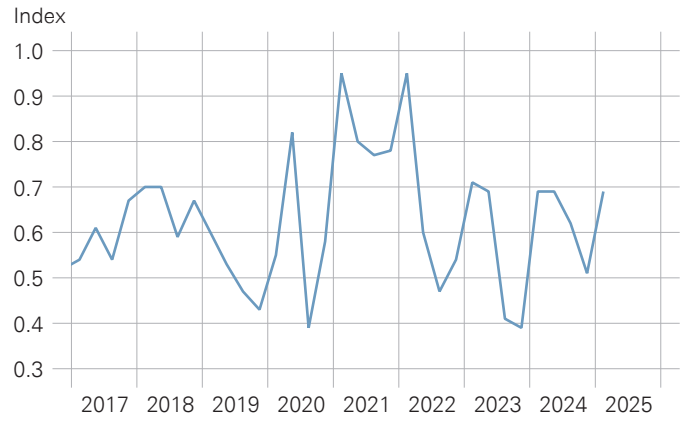
Companies anticipate increases in staff numbers in the next two quarters (chart 6), with services and construction firms expecting the growth in headcount to remain robust. Having tended to describe their staff levels as too high in the past few quarters, and in some cases having cut jobs, manufacturing companies now are also more often planning to hire additional staff.

Wage growth expected to slow

Given the decline in inflation and the fact that the recruitment situation has largely returned to normal, the companies surveyed expect wage growth of 1.8% on average this year, down from 1.9% last year (chart 7). While adjustments in line with inflation played an important role in companies' wage policies in previous years, pay increases are increasingly being granted on an individual basis again. For 2026, company executives expect wage growth to decline further to around 1.3%. However, they do point out that it is currently still difficult to make reliable statements. They cite the situation in the labour market, the performance of their own business and the development of inflation as factors that will have a decisive influence on wage developments.

Chart 5

EXPECTED TURNOVER

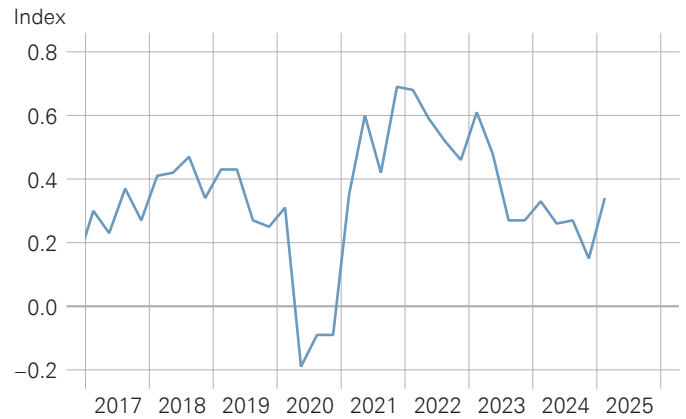


Expected developments in real turnover over the coming two quarters. Positive (negative) index values indicate turnover is expected to be higher (lower).

Source(s): SNB

Chart 6

EXPECTED EMPLOYMENT

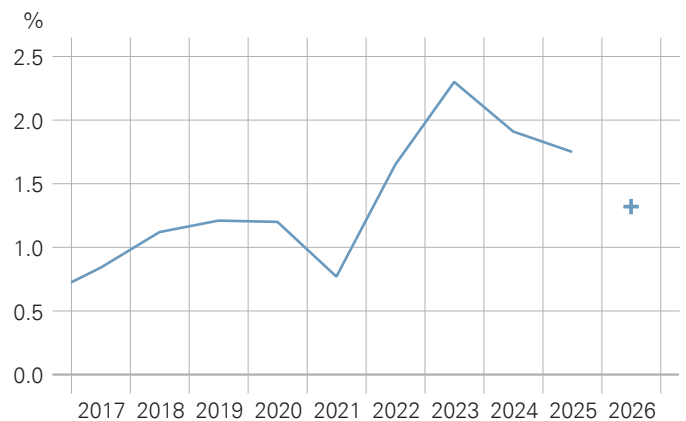


Expected developments in staff numbers over the coming two quarters. Positive (negative) index values indicate an expected increase (decrease).

Source(s): SNB

Chart 7

WAGE INCREASES



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

Source(s): SNB

Chart 8

EXPECTED CHANGE IN PURCHASE AND SALES PRICES

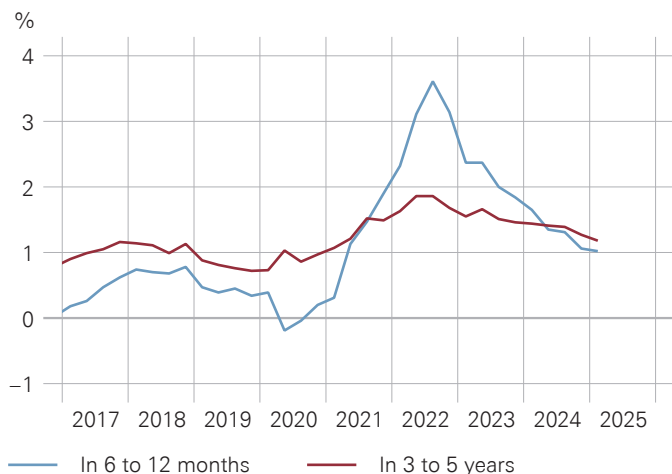


Expected price development for the next 12 months. Positive (negative) index values indicate higher (lower) prices are expected.

Source(s): SNB

Chart 9

EXPECTED INFLATION



Source(s): SNB

About this report

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

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

Small rise in purchase and sales prices in most cases

For the next two quarters, companies expect purchase and sales prices to remain stable or rise slightly (chart 8). On the one hand, reductions in the price of electricity and gas are curbing costs. On the other hand, the rising prices of certain raw materials and inputs are leading to slight upward pressure on purchase prices in manufacturing and construction. Some companies point out that the introduction of tariffs can heavily influence price developments for internationally traded goods. Services companies are having to contend with rising prices for cloud services and software licences.

Companies intend to pass on the slight increases in purchase prices, along with higher wage costs, to customers. However, not all industries have the same room for manoeuvre. Retail and food services companies, for example, say that it will hardly be possible to pass on costs in full. Some manufacturing companies also do not see themselves in a position to increase their sales prices without losing volumes – something they wish to avoid given that their capacity utilisation is still low.

INFLATION EXPECTATIONS

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

Short-term inflation expectations as measured by the consumer price index have again decreased marginally: The average for the next six to twelve months (chart 9) is 1.0%, compared with 1.1% in the previous quarter. Inflation expectations over a three to five-year horizon have also declined slightly, now averaging 1.2% versus 1.3% the previous quarter.

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

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

Chronicle of monetary events

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

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

March 2025

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

December 2024

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

September 2024

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

June 2024

On 22 April, the SNB decides to raise the minimum reserve requirement for domestic banks, and to that end amends the National Bank Ordinance as of 1 July. Liabilities arising from cancellable customer deposits (excluding tied pension provision) are to be included in full in the calculation of the minimum reserve requirement, as is the case with the other relevant liabilities. The SNB also raises the minimum reserve ratio from 2.5% to 4%. These adjustments ensure that implementation of the SNB's monetary policy remains effective and efficient, and do not affect the monetary policy stance.

April 2024

Glossary

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

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

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

Potential output, production potential	Potential output or production potential is the level of → real → GDP at normal utilisation of the → factors of production. Potential output is estimated using tools such as the → HP filter.
Price stability	According to the SNB's definition, price stability is considered to prevail when → inflation, as measured by the → Swiss consumer price index, is below 2%, and there is also no → deflation.
Production function	A production function describes the relationship between inputs (→ factors of production) and the resulting output (goods and services).
Purchasing power	The purchasing power of money indicates how many goods and services in a fixed → basket of goods can be bought with one unit of money. If → inflation prevails, purchasing power decreases over time.
Real	Real is the term used when an economic variable is adjusted to reflect price development (→ real rate of interest).
Real rate of interest	Adjusting the → nominal interest rate for the loss of → purchasing power due to → inflation over the duration of a credit transaction gives the real interest rate. The real rate of interest is thus calculated as the difference between the → nominal interest rate and the → inflation rate.
Recession	A recession is an economic downturn. There is no uniform definition, but a recession is often said to occur when → real → GDP falls for at least two consecutive quarters.
Refinancing	Refinancing has two meanings in economics. First, refinancing is when commercial banks raise funds on the → money market or → capital market. Second, it refers to the replacement of maturing debt by means of new debt.
Repo transactions, repo rate	In a repo transaction, the cash taker sells → securities to the cash provider and simultaneously agrees to repurchase securities of the same type and quantity at a later date. Economically, a repo transaction is a → secured loan. The → interest rate used in a repo transaction is called the 'repo rate'. The SNB can use repo transactions to steer → liquidity in the → money market. It can provide liquidity or, using a reverse repo, absorb liquidity.
Risk premium	A risk premium reflects the valuation of the risk associated with a financial instrument.
SARON	SARON (Swiss Average Rate Overnight) is the interest rate for → repo transactions in Swiss francs with overnight maturity. It is based on → transaction prices and trade quotes. The SNB has been focusing on SARON in seeking to keep the short-term Swiss franc money market rates close to the → SNB policy rate.
Seasonal adjustment	Seasonal adjustment is a statistical method to remove regular seasonal effects (such as the rise in unemployment in the winter months) from time series so that → business cycle conditions, for example, can be more easily identified.
Secured money market rate	The secured money market rate is the → interest for → secured loans on the → money market which are usually concluded as → repo transactions (→ SARON).
Secured/covered loan	A secured or covered loan, in contrast to an unsecured (uncovered) loan, is a loan where the debtor provides → collateral. The main type of secured loan is a → mortgage loan.
Security	A security certifies a property right (e.g. the right to receive an interest payment). The most important securities traded on a market are → shares and → bonds.
Share	A share or → stock is a → security with which the buyer acquires a participation in a company.
Sight deposits at the SNB	Banks use their sight deposits held at the SNB to carry out transactions (e.g. payments) for their customers. In addition to sight deposits held by domestic banks, total sight deposits include sight liabilities towards the Confederation, sight deposits of foreign banks and institutions, as well as other sight liabilities.
SNB Bills	SNB Bills are interest-bearing debt certificates issued by the SNB and denominated in Swiss francs. They were first issued in autumn 2008. The SNB uses this instrument to temporarily absorb → liquidity from the market. The amount of the SNB Bill is withdrawn from the counterparty's sight deposit at the SNB, and the SNB increases the liability item SNB debt certificates. SNB Bills have a maximum term of 12 months. They are eligible as → collateral in → repo transactions with the SNB.
SNB policy rate	The SNB implements its → monetary policy by setting the SNB policy rate. It seeks to keep the secured short-term 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 zero percent 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. The threshold per sight deposit account holder is at least zero. For domestic banks, the threshold corresponds to the three-year average of the → minimum reserve requirements, multiplied by the applicable threshold factor.
Trade-weighted exchange rate	The trade-weighted or effective → exchange rate is the value of an economy's currency vis-à-vis the currencies of its trading partners. It is calculated using bilateral exchange rates with trading partners, with weightings dependent on trading activity.
Transaction price	The price at which a transaction is actually executed, as opposed to a bid or ask price.
Unemployment rate	The rate of unemployment is the ratio of the number of unemployed people to the number of people in the labour force (i.e. those employed and unemployed), expressed as a percentage.
Utilisation of credit lines	Depending on the type of loan, a borrower can decide whether to use the maximum amount granted by the bank or just some of it. Utilisation refers to the amount drawn down.
Value added	Value added measures the economic output of a sector or industry. It is defined as the difference between the value of goods and services produced in a given sector and the value of inputs obtained from other sectors. Total value added of all sectors, adjusted for taxes and subsidies, gives → GDP.
Volatility	Volatility describes the extent of fluctuations in given variables, e.g. share prices or → interest rates, over a certain period of time.
Yield	Yield refers to the return on financial assets or investments and is usually expressed as a percentage of the → capital invested.
Yield curve	The yield curve, also known as the term structure of interest rates, graphically represents the → yields of fixed-interest investments of the same quality with different maturities. Typically, the yields of → government bonds are used. The yield curve usually slopes upwards as investors demand a → risk premium for bonds with longer maturities.
Yield curve control	Yield curve control involves a central bank setting a target for the yield of government bonds with a specific maturity, typically longer-term, and using bond purchases to ensure that the actual yield is close to the target.

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