

Quarterly Bulletin
4/2015 December

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
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SWISS NATIONAL BANK



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4/2015 December

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Monetary policy report

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of December 2015.

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 10 December 2015') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 10 December 2015. Unless otherwise stated, all rates of change from the previous period are based on seasonally adjusted data and are annualised.

1

Monetary policy decision of 10 December 2015

Monetary policy remains expansionary

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy. The target range for the three-month Libor remains at between -1.25% and -0.25% , and the interest rate on sight deposits with the SNB is unchanged at -0.75% . Despite depreciating somewhat in recent months, the Swiss franc is still significantly overvalued. The negative interest rate and the interest rate differential with other currencies make the Swiss franc less attractive, and continue to help weaken it. At the same time, the SNB will remain active in the foreign exchange market in order to influence the exchange rate situation, as necessary. The negative interest rate and the SNB's willingness to intervene in the foreign exchange market are intended to ease pressure on the Swiss franc. The SNB's monetary policy thus helps to stabilise price developments and support economic activity.

Overall, the new conditional inflation forecast differs little from that of September (cf. chart 1.1). It indicates slightly higher inflation in the short term, and that inflation had already bottomed out in the third quarter. Owing to a slight deterioration in the outlook for the global economy,

medium-term inflation is somewhat lower than predicted in September. For the current year, inflation is forecast at -1.1% , a 0.1 percentage point rise on last quarter. For 2016, an inflation rate of -0.5% is expected, and for 2017, the forecast is now at 0.3% instead of 0.4% . The conditional inflation forecast is based on the assumption that the three-month Libor will remain at -0.75% over the entire forecast horizon.

Global economic growth in the third quarter was below expectations, mainly due to weaker manufacturing activity around the globe and sluggish world trade. In contrast to manufacturing, the services sector performed well in most countries due to robust domestic demand.

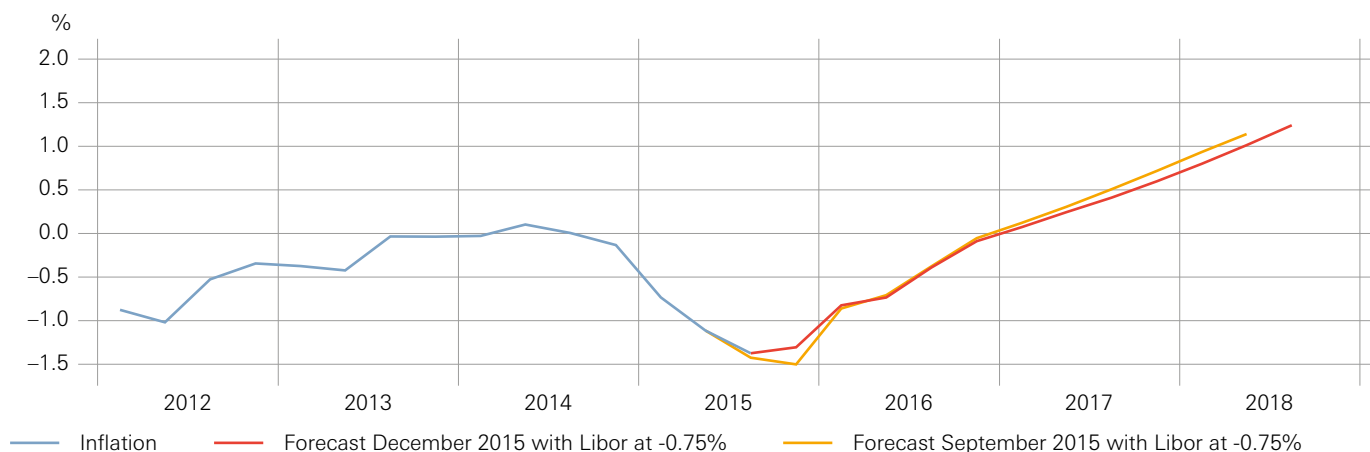
The SNB has revised its growth forecast for the global economy slightly downwards for the short term. Overall, its assessment of global economic prospects is cautiously optimistic. Nevertheless, there are significant risks. The structural change underway in China could continue to hold back global manufacturing and investment activity. Equally, structural weaknesses in Europe as well as current concerns about public safety could also weigh on economic developments.

The slower pace of global economic growth was also felt in Switzerland, with the first official GDP estimate indicating stagnation in the third quarter. Economic performance thus came in below expectations. A close examination of a broad range of indicators leads to a somewhat more positive assessment of the economy. Nevertheless, capacity utilisation remains unsatisfactory, and demand for labour muted.

Chart 1.1

CONDITIONAL INFLATION FORECAST OF DECEMBER 2015

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



Source: SNB

For 2015, the SNB still anticipates real growth of just under 1% in Switzerland. The gradual improvement of the global economy is likely to further strengthen foreign demand for Swiss goods and services. Domestic demand also looks set to remain robust. For 2016, the SNB expects growth of approximately 1.5%.

The past few months have seen mortgage volumes and prices for owner-occupied residential real estate grow roughly in line with fundamentals. Imbalances on these markets have therefore remained largely unchanged. The SNB will continue to monitor developments on the mortgage and real estate markets closely. Accordingly, it will regularly reassess the need for an adjustment of the countercyclical capital buffer.

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. At the same time, it allows inflation to fluctuate somewhat with the economic cycle. Second, the SNB summarises its assessment of the situation and of the need for monetary policy action in a quarterly inflation forecast. This forecast, which is based on the assumption of a constant short-term interest rate, shows how the SNB expects the CPI to move over the next three years. Third, the SNB sets its operational goal in the form of a target range for the three-month Swiss franc Libor.

Table 1.1

OBSERVED INFLATION IN DECEMBER 2015

	2012				2013				2014				2015				2012	2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	-0.9	-1.0	-0.5	-0.3	-0.4	-0.4	0.0	0.0	0.0	0.1	0.0	-0.1	-0.7	-1.1	-1.4	-0.7	-0.2	0.0	

CONDITIONAL INFLATION FORECAST OF DECEMBER 2015

	2015				2016				2017				2018				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast September 2015, with Libor at -0.75%			-1.4	-1.5	-0.9	-0.7	-0.4	-0.1	0.1	0.3	0.5	0.7	0.9	1.1		-1.2	-0.5	0.4	
Forecast December 2015, with Libor at -0.75%			-1.3	-0.8	-0.7	-0.4	-0.1	0.1	0.2	0.4	0.6	0.8	1.0	1.2		-1.1	-0.5	0.3	

Source: SNB

2 Global economic environment

Global economic growth was weaker than expected in the third quarter of 2015. This was mainly due to subdued manufacturing activity around the globe and sluggish world trade (cf. chart 2.1).

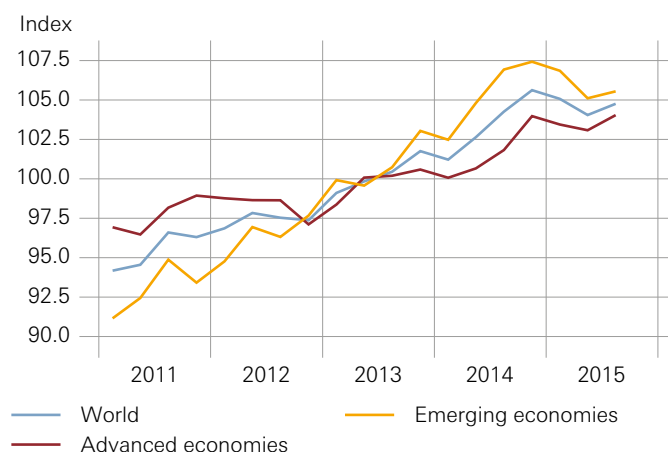
In some major emerging economies such as Russia and Brazil, the economy remains very weak. Furthermore, industrial activity in China has slowed considerably since the beginning of the year as a result of structural changes. This has curbed manufacturing activity worldwide and weighed on commodity prices. Against this backdrop, global investment activity remains restrained. This has especially impacted economies with strong global trade links as well as commodity-exporting countries.

In contrast to manufacturing, the services sector performed well in most countries due to robust domestic demand. Buoyed by the decline in energy prices and a further improvement in the labour market, private household consumption regained momentum, particularly in the US and Europe.

Chart 2.1

GLOBAL EXPORTS

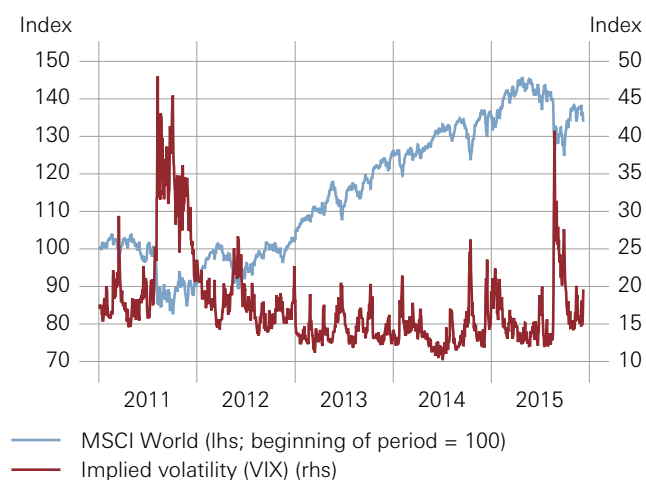
Period average = 100



Sources: CPB, Thomson Reuters Datastream

Chart 2.2

STOCK MARKETS



Source: Thomson Reuters Datastream

Table 2.1

BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS

	2011	2012	2013	2014	Scenario	
					2015	2016
GDP, year-on-year change in percent						
Global ¹	4.0	3.1	3.3	3.5	3.3	3.7
US	1.6	2.2	1.5	2.4	2.4	2.6
Euro area	1.6	-0.9	-0.3	0.9	1.5	1.8
Japan	-0.4	1.7	1.4	-0.1	0.6	1.1
Oil price in USD per barrel	111.4	111.7	108.7	99.0	53.6	48.0

¹ PPP-weighted (US, euro area, UK, Japan, China, South Korea, India, Brazil and Russia).

Sources: SNB, Thomson Reuters Datastream

Chart 2.3

INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

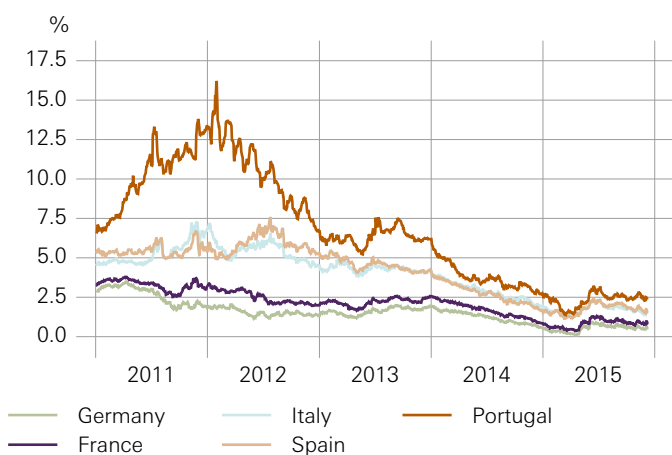


Source: Thomson Reuters Datastream

Chart 2.4

EUROPEAN LONG-TERM INTEREST RATES

10-year government instruments



Source: Thomson Reuters Datastream

Chart 2.5

EXCHANGE RATES

Trade-weighted, beginning of period = 100



Source: Thomson Reuters Datastream

The SNB has revised its short-term growth forecast for the global economy slightly downwards, but the outlook for the medium term remains unchanged. On the whole, the moderate recovery in the advanced economies looks set to continue, on the back of the highly expansionary monetary policy, low energy prices and modest fiscal policy stimuli. In this environment, inflation is likely to pick up again.

The growth forecasts still involve considerable risks. The structural change underway in China could continue to hold back global manufacturing and investment activity. Equally, structural weaknesses in Europe have yet to be addressed. Current concerns about public safety could also weigh on economic developments.

The SNB's forecasts are based on assumptions about the oil price and the EUR/USD exchange rate. The SNB is assuming an oil price for Brent crude of USD 48 per barrel and an exchange rate of USD 1.08 to the euro. This corresponds to the 20-day average when the baseline scenario was drawn up.

INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

Following turmoil on the financial and commodity markets in the summer, global stock markets started to recover at the beginning of October. Recovery was also driven by favourable labour market figures from the US, diminished concerns about growth in China and market expectations of a further relaxation of monetary policy in the euro area. At the start of December, however, the MSCI World Index still stood at some 7% below the high reached in April. Implied volatility of US stocks (VIX) as measured by option prices, which serves as an indicator of market uncertainty, normalised after hitting its highest level since 2011 in August (cf. chart 2.2).

Against this backdrop, yields on long-term government bonds declined in most euro area member states (cf. chart 2.4). In the US and Japan, yields trended sideways (cf. chart 2.3).

Expectations that monetary policies in the US and the euro area would diverge influenced movements in the foreign exchange market. The US dollar appreciated, fuelled by financial market expectations of a rise in the federal funds rate in December, while the euro weakened. The yen remained stable (cf. chart 2.5).

Global commodity prices continued to fall overall (cf. chart 2.6). The price for Brent crude temporarily dipped to its lowest level since the start of 2009 due to high inventory levels and modest demand. Prices of industrial metals hit a multi-year low in some cases, while food prices stagnated.

UNITED STATES

The US economy lost momentum in the third quarter. The reduction in inventories slowed GDP growth in the US to 2.1% in the third quarter, as compared with 3.9% in the previous period (cf. chart 2.7). Supported by low petrol prices and robust growth in employment, the trend in private consumption remained favourable. The unemployment rate fell to 5.0% in November (cf. chart 2.10). The reduction in the share of part-time positions is further evidence of an ongoing recovery in the labour market. Overall, however, labour market capacities remain slightly underutilised.

Economic growth is expected to pick up again in the short term. The increase in employment will continue to stimulate private consumption and residential construction. In addition, the rise in tax receipts should lead to an expansion in government expenditure. The appreciation of the US dollar and subdued foreign demand, however, continue to depress economic activity. On the basis of the slower rate of expansion in the second half of the year, the SNB has reduced its economic growth forecast for 2015 and 2016 to 2.4% and 2.6% respectively (cf. table 2.1).

Due to the low oil prices, consumer price inflation in the US has remained close to zero over the past few months. Core inflation, by contrast, rose slightly to 1.9% in October (cf. charts 2.11 and 2.12).

The Federal Reserve left the target range for the federal funds rate unchanged in October at 0.0–0.25% (cf. chart 2.13). However, it emphasised that further improvements in the labour market situation and signs of inflation edging upwards would call for gradual normalisation to begin in December. Nevertheless, the Federal Reserve still takes the view that the US economic situation will, for some time yet, require lower interest rates than usual, even after price stability and full employment have been achieved.

EURO AREA

Economic recovery in the euro area proceeded at a weaker pace. GDP increased by 1.2% in the third quarter, to just slightly below the pre-crisis level at the start of 2008. Growth was underpinned by the domestic economy: Private consumption regained some of its momentum, contributing to an improvement in retail sentiment. By contrast, exports were only slightly up, following solid growth in previous quarters. This was reflected in stagnating value added in the manufacturing sector. Unemployment in the euro area fell once again.

Chart 2.6

COMMODITY PRICES

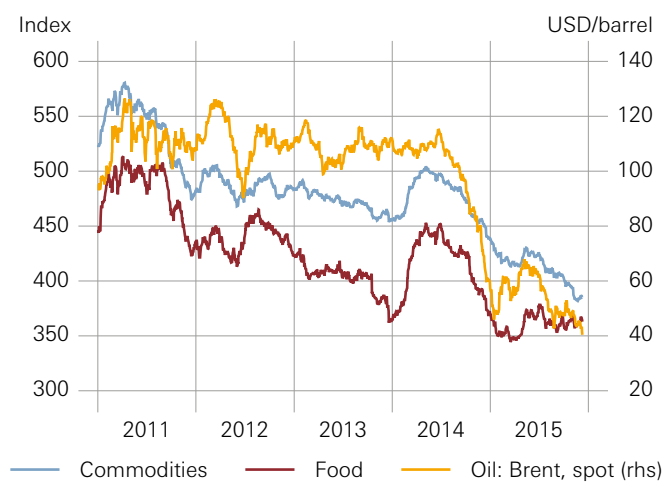


Chart 2.7

REAL GDP: ADVANCED ECONOMIES

Change from previous period

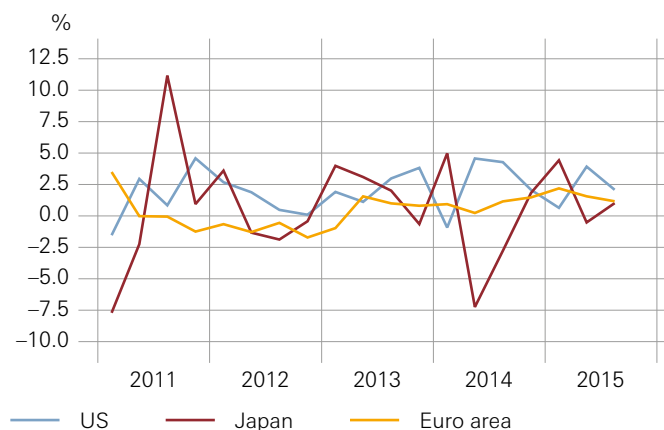
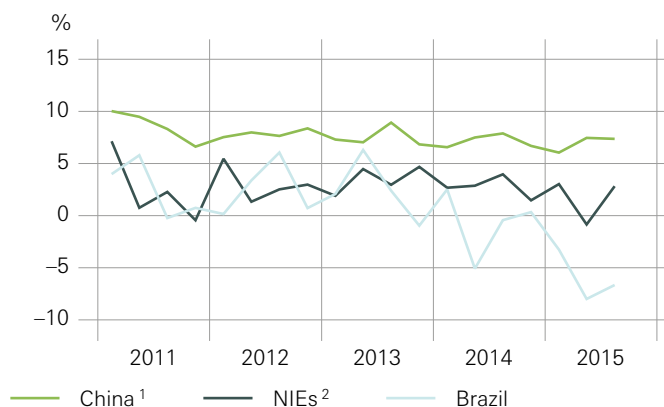


Chart 2.8

REAL GDP: EMERGING ECONOMIES

Change from previous period



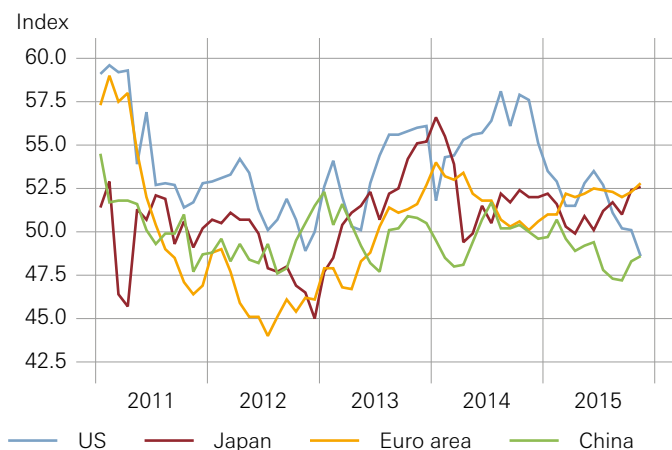
1 Estimate: SNB.

2 PPP-weighted (South Korea, Taiwan, Hong Kong, Singapore).

Source: Thomson Reuters Datastream

Chart 2.9

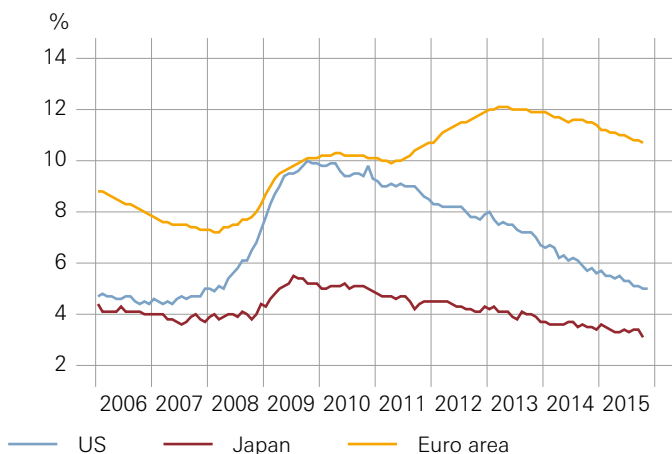
PURCHASING MANAGERS' INDICES (MANUFACTURING)



Source: Markit Economics Ltd 2009; all rights reserved

Chart 2.10

UNEMPLOYMENT RATES

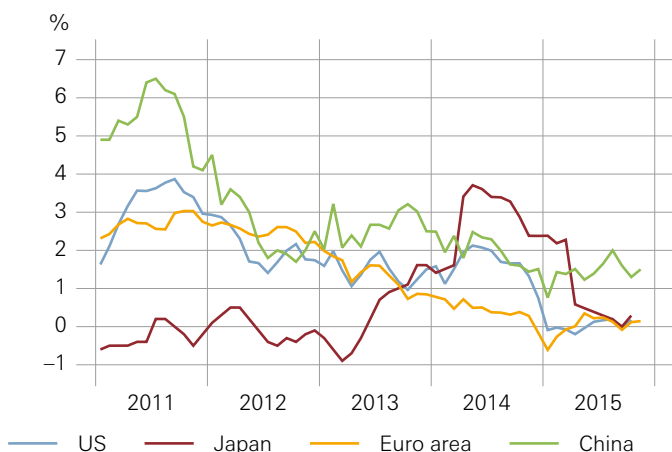


Source: Thomson Reuters Datastream

Chart 2.11

CONSUMER PRICES

Year-on-year change



Source: Thomson Reuters Datastream

Expansionary monetary policies, the weak euro and favourable commodity prices continue to provide positive growth stimuli. Fiscal policy too is likely to support economic activity overall in the coming year, particularly in the context of the strong migration flows towards Europe. However, momentum is being suppressed by a number of factors. Muted economic growth in the emerging economies is expected to curb foreign demand and restrain investment activity. In some euro area member states, the restructuring of public sector finances and the implementation of growth-stimulating reforms still pose major challenges. Concerns about public safety are an added factor. The SNB is leaving its growth forecast for the euro area unchanged at 1.5% for 2015. However, it has revised its forecast for 2016 downwards slightly to 1.8% (cf. table 2.1).

Consumer price inflation in the euro area is still below the European Central Bank's (ECB) target of just below 2%. Owing to low energy prices, annual inflation has hovered around zero over recent months and stood at 0.1% in November (cf. chart 2.11). Core inflation remained virtually unchanged at 0.9% (cf. chart 2.12).

Against this backdrop, the ECB decided to adopt further easing measures in December. It reduced the deposit rate by 10 basis points to -0.3%. Furthermore, the asset purchase programme launched in March is to be extended by a further six months, until March 2017, with the range of debt purchased to be expanded to include municipal and regional bonds. Furthermore, principal repayments of maturing assets are to be reinvested. The ECB also promised to provide unlimited liquidity to banks through its refinancing operations until at least the end of 2017.

JAPAN

In Japan, economic growth is still volatile. After declining in the second quarter, GDP grew once again in the third quarter (cf. chart 2.7). While growth in manufacturing dropped off unexpectedly, private final demand increased again, buoyed by private consumption and booming tourism from Asia.

The Japanese economy remains vulnerable overall. Concerns over weak growth in China have had an adverse impact on the business climate in recent months. The latest indications from the export industry, however, are encouraging. Sentiment in the services sector as a whole remains upbeat. The unemployment rate fell in October to its lowest level since 1995 (cf. chart 2.10). Against this background, overall wage growth is expected to gradually pick up and support private consumption.

In the wake of declining energy prices, consumer price inflation has been fluctuating around zero over the last few months. In October, annual inflation stood at 0.3% (cf. chart 2.11). Excluding energy and food prices, it came to 0.8% (cf. chart 2.12). In recent months, longer-term inflation expectations have fallen slightly and remain below the Japanese central bank's inflation target of 2%. Since relaxing its monetary policy at the end of October 2014, the Bank of Japan has not made any further adjustments to its policy, which is geared to an expansion of the monetary base (cf. chart 2.14).

EMERGING ECONOMIES

The economic trend in the emerging economies varied greatly from one country to another. China surprised observers with sustained and robust GDP growth in the third quarter (cf. chart 2.8). This reflected growth in value added in the services sector, while manufacturing activity continued to lose momentum. In India, GDP continued to grow strongly. In Russia, growth stagnated, while in Brazil it again shrank considerably.

In China, the government's growth target for this year of around 7.0% is fully achievable. The various economic stimulation measures, including monetary policy easing, the promotion of infrastructure projects and the recent reduction in VAT on small cars, will bolster the economy in the coming quarters. The Chinese government also announced its new growth target for the next five years. To achieve its target of doubling economic output by 2020 from its 2010 level, annual growth of at least 6.5% is required. However, high overcapacity, as well as the indebtedness in the manufacturing and construction sectors, continue to pose serious risks.

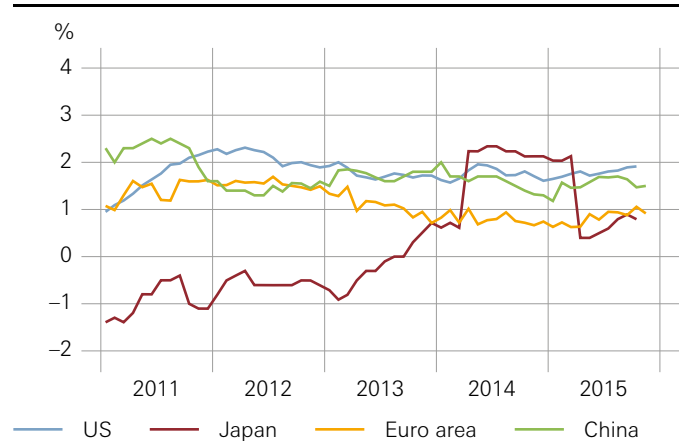
The SNB forecasts short-term growth close to potential for India (approximately 7.0%). Delays in the implementation of economic reforms due to political divisions entail slight downside risks. The Russian economy should gradually recover over the next few quarters following stabilisation of energy prices. In Brazil, declining real incomes as a result of high inflation, tight monetary and fiscal policy, rising unemployment and political uncertainty are dampening growth prospects.

Inflation trends in the emerging economies were also mixed. In China, annual inflation has been trending sideways since the beginning of the year and came in below the central bank's target figure of 3.0% for 2015 (cf. chart 2.11). In India, inflation remained largely stable (5.0%). As for Brazil and Russia, it lingered at a very high level (10.5% and 15.0% respectively), due in part to their weak currencies.

Chart 2.12

CORE INFLATION RATES¹

Year-on-year change

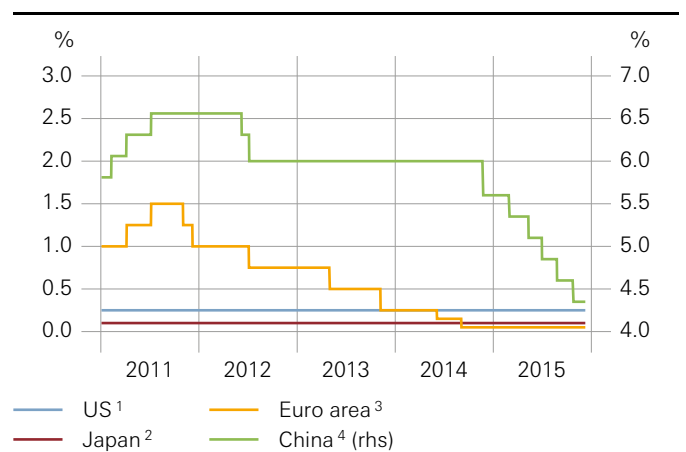


¹ Excluding food and energy.

Source: Thomson Reuters Datastream

Chart 2.13

OFFICIAL INTEREST RATES



¹ Federal funds rate.

² Call money target rate.

Source: Thomson Reuters Datastream

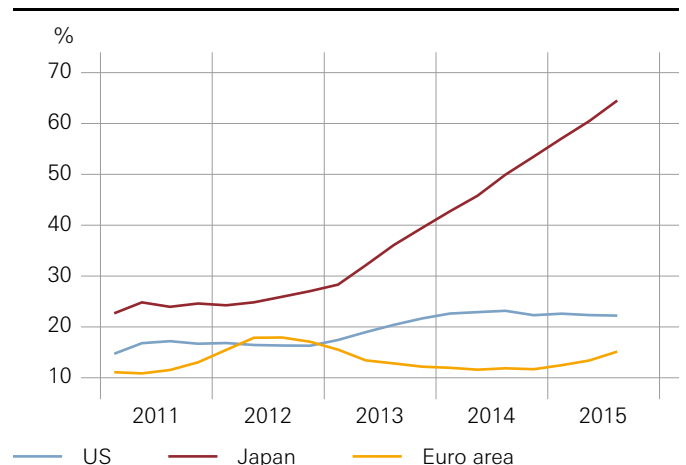
³ Main refinancing rate.

⁴ One-year lending rate.

Chart 2.14

MONETARY BASE

Relative to GDP



Source: Thomson Reuters Datastream

China's central bank decreased its key interest rate and reserve ratio further in September and October. As a result, the one-year lending rate stands at a historic low of 4.35% (cf. chart 2.13). India's central bank, too, further reduced its key interest rate in September. In Russia and Brazil, the central banks kept the key interest rate unchanged at a high level in order to combat inflation and currency depreciation.

3 Economic developments in Switzerland

The slower pace of global economic growth was also felt in Switzerland, with the first official GDP estimate indicating stagnation in the third quarter. Overall economic performance thus came in below expectations.

Output was dampened by unfavourable value added developments in the trade sector and among financials. Value added in manufacturing rose slightly overall, but varied greatly from one industry to another. This was compounded by an unusually sharp dip in energy output – an exceptional factor not linked to the economic cycle.

On the demand side, the picture was somewhat more favourable. Although demand for preliminary and intermediate goods and equipment suffered as a result of surprisingly weak global manufacturing activity, both private and public consumption as well as exports were up on the first half of the year. Final demand thus outpaced GDP. A range of other indicators also points to a somewhat more positive assessment of the economy.

Nevertheless, capacity utilisation remained unsatisfactory, and demand for labour muted, with the seasonally adjusted unemployment rate having edged up from 3.3% to 3.4% since the last monetary policy assessment.

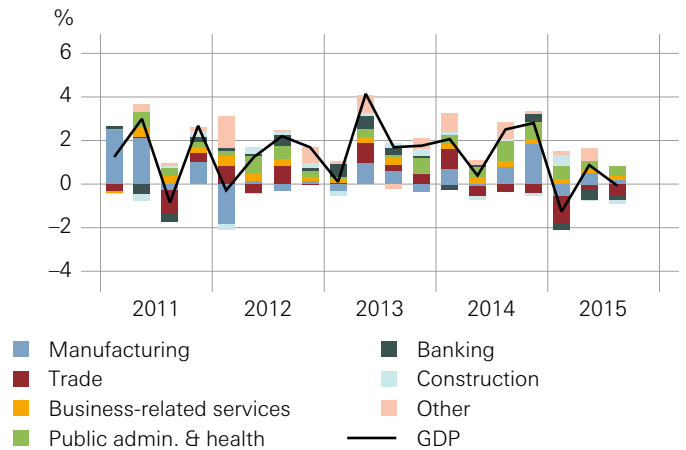
As many companies have had to reduce prices considerably, margins remain a major source of concern. However, measures aimed at cutting production costs and increasing efficiency are now beginning to take effect and rallying demand is likely to help ease pressure on margins in the coming months.

Switzerland's economy is expected to grow moderately in the coming quarters. The SNB's growth forecast for 2015 remains unchanged at just under 1%. The gradual improvement of the global economy is likely to strengthen foreign demand for Swiss goods and services. Domestic demand is also likely to remain robust. For 2016, the SNB expects growth of approximately 1.5%.

Chart 3.1

CONTRIBUTIONS TO GROWTH, BY SECTOR

Change from previous period

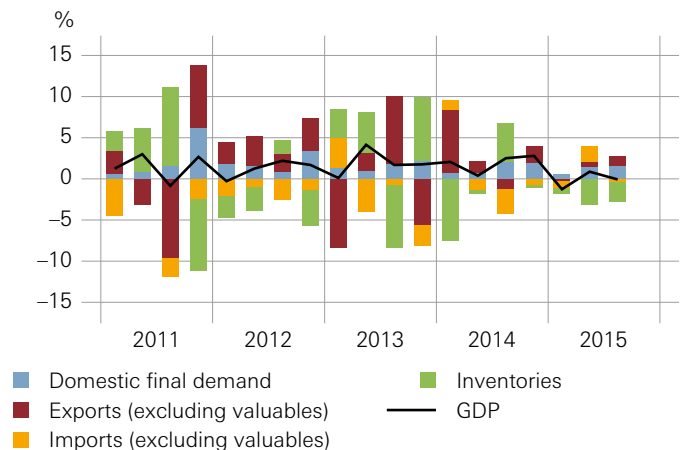


Source: State Secretariat for Economic Affairs (SECO)

Chart 3.2

CONTRIBUTIONS TO GROWTH IN DEMAND

Change from previous period

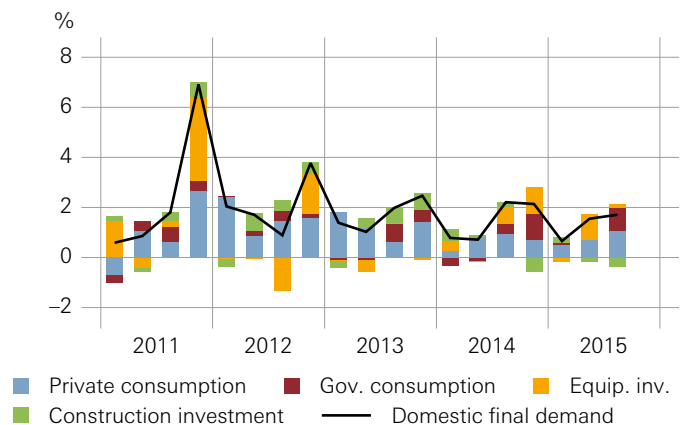


Source: SECO

Chart 3.3

DOMESTIC FINAL DEMAND, GROWTH CONTRIBUTIONS

Change from previous period



Source: SECO

AGGREGATE DEMAND AND OUTPUT

Stagnation in the third quarter

According to the first official estimate, GDP stagnated in the third quarter. Growth in value added varied from one sector to another (cf. chart 3.1). While it increased moderately in manufacturing and hospitality, it slowed in construction, trade and financials. Furthermore, this summer saw an unusually sharp decline in energy output.

A systematic analysis of the relevant indicators suggests somewhat more positive underlying economic development. The KOF barometer, for instance, is compatible with slight growth.

Domestic final demand solid

Domestic final demand continued to pick up (cf. chart 3.3 and table 3.1), driven by private and public consumption. Consumer spending was underpinned by a consistently high immigration rate and favourable developments in real income. Equipment investment also increased again slightly, but construction investment continued to decline. Residential construction has tapered off markedly since mid-2014.

Slight export growth

Exports continued to expand in the third quarter, once again ensuring a positive external contribution to GDP growth (cf. table 3.1). The growth in exports was primarily due to favourable developments in chemicals and pharmaceutical products. However, many export sectors continued to suffer from the difficult exchange rate situation and the slowdown in the global manufacturing cycle, which is reflected in lacklustre world trade. Imports were up slightly overall.

Table 3.1

REAL GDP AND COMPONENTS

Growth rates on previous period in percent, annualised

	2011	2012	2013	2014	2013	2014				2015		
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Private consumption	0.8	2.7	2.2	1.3	2.4	0.5	1.3	1.5	1.1	0.8	1.2	1.7
Government consumption	2.1	2.1	1.3	1.3	3.7	-2.8	-1.0	3.0	8.6	0.4	-0.3	7.3
Investment in fixed assets	4.3	2.9	1.2	2.1	2.2	3.3	0.1	3.4	1.6	0.4	3.3	-0.9
Construction	2.5	2.9	3.1	3.3	6.4	4.5	0.6	1.7	-5.6	2.7	-1.2	-3.7
Equipment	5.3	2.8	0.0	1.3	-0.5	2.5	-0.3	4.5	6.5	-1.1	6.3	0.9
Domestic final demand	1.9	2.7	1.8	1.5	2.5	0.8	0.7	2.2	2.1	0.7	1.6	1.7
Change in inventories ¹	0.3	-1.0	0.7	-0.4	7.7	-7.5	-0.4	4.8	-0.5	-0.8	-3.1	-2.6
Total exports ²	3.5	3.0	0.0	4.2	-10.5	14.9	2.9	-2.1	3.9	-0.4	1.4	2.4
Goods ²	6.2	0.9	-2.3	5.1	-16.8	19.0	10.0	-7.0	3.2	2.7	0.9	4.3
Goods excluding merchanting ²	6.5	1.7	-1.0	4.0	-3.3	11.4	2.5	8.7	-2.3	-9.7	3.1	1.9
Services	-2.2	7.4	4.7	2.4	3.0	7.3	-10.0	8.4	5.5	-6.4	2.3	-1.3
Total imports ²	4.7	4.4	1.3	2.8	6.0	-2.8	3.2	7.3	1.6	2.0	-4.6	0.8
Goods ²	3.1	2.3	0.7	1.7	13.8	-10.6	10.3	2.2	-6.5	2.1	-12.0	-0.1
Services	8.6	9.3	2.9	5.1	-9.2	16.4	-10.4	19.0	20.1	1.8	11.1	2.3
Net exports ³	-0.1	-0.2	-0.6	1.0	-8.1	8.8	0.2	-4.2	1.4	-1.1	2.6	0.9
GDP	1.8	1.1	1.8	1.9	1.8	2.1	0.4	2.5	2.8	-1.3	0.9	-0.1

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 Contribution to growth in percentage points.

Source: SECO

LABOUR MARKET

The slowdown in global economic activity recorded since the beginning of 2015 is having an effect on the labour market. Employment recently stagnated and unemployment increased again somewhat. Notwithstanding this, leading indicators for employment such as the employment component in the PMI and KOF Swiss Economic Institute surveys suggest that the labour market will stabilise at a modest level in the coming months (cf. chart 3.12).

Stagnating employment

According to the employment statistics of the Swiss Federal Statistical Office (SFSO), the seasonally adjusted number of gainfully employed persons stagnated in the third quarter. This development should, however, be seen in the context of a sharp rise in 2014 (cf. chart 3.4).

Due to a revision of the employment statistics, no employment data are currently available for the third quarter (cf. chart 3.5). The SFSO will publish these data with some delay.

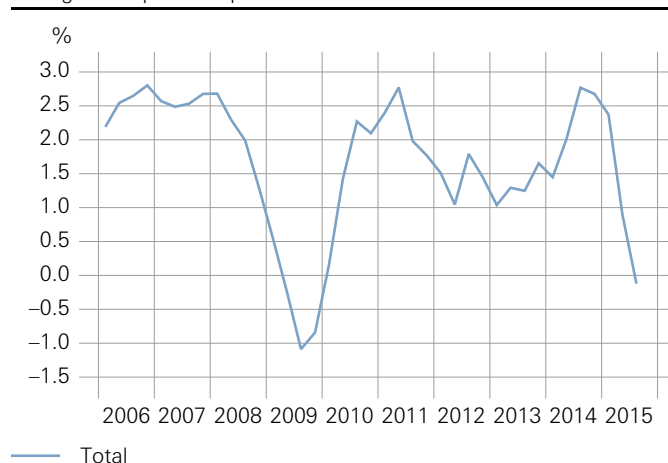
Slight rise in unemployment

Unemployment rose in numerous sectors over the last few months. The rise was slightly higher in manufacturing than in the services sector. Excluding seasonal fluctuations, a total of 147,000 people were registered as unemployed at the end of November. The seasonally adjusted unemployment rate was 3.4% (cf. chart 3.6).

Chart 3.4

EMPLOYED PERSONS

Change from previous period

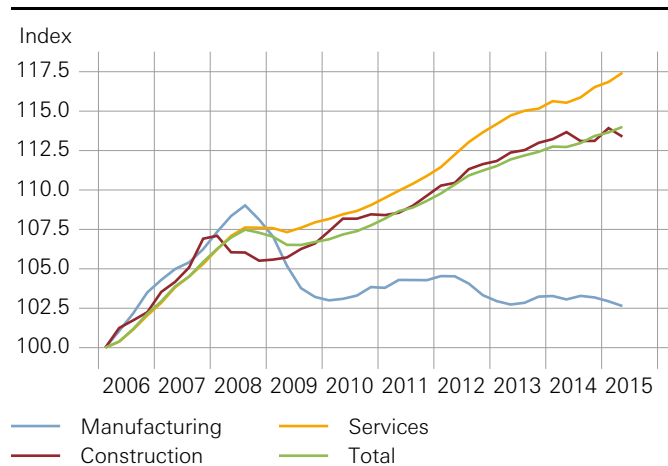


Source: Swiss Federal Statistical Office (SFSO); seasonal adjustment: SNB

Chart 3.5

FULL-TIME EQUIVALENT JOBS

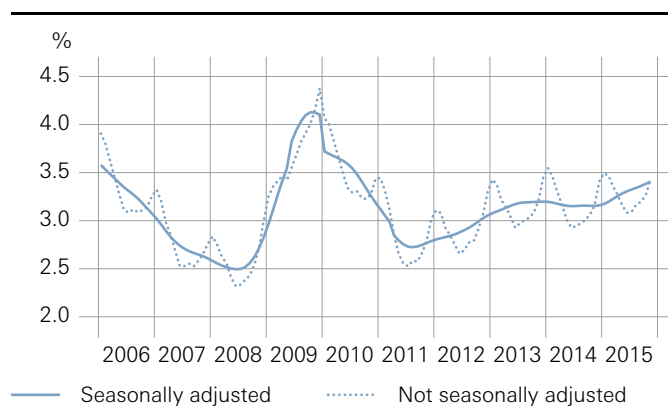
Q1 2006 = 100



Source: SFSO; seasonal adjustment: SNB

Chart 3.6

UNEMPLOYMENT RATE

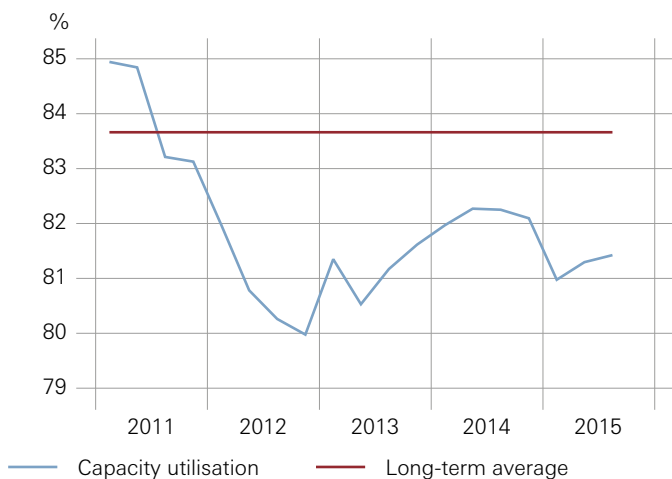


Unemployed registered with the regional employment offices, as a percentage of the labour force according to the 2000 census (labour force: 3,946,988 persons) up to 2009, and according to the 2010 census (labour force: 4,322,899 persons) from 2010.

Source: SECO

Chart 3.7

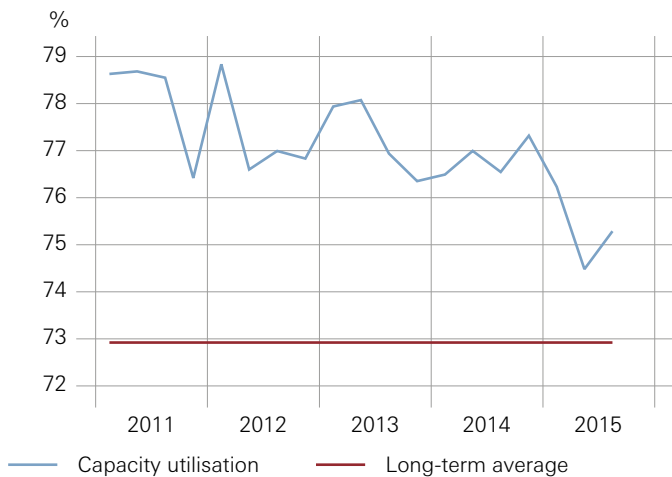
CAPACITY UTILISATION IN MANUFACTURING



Source: KOF Swiss Economic Institute

Chart 3.8

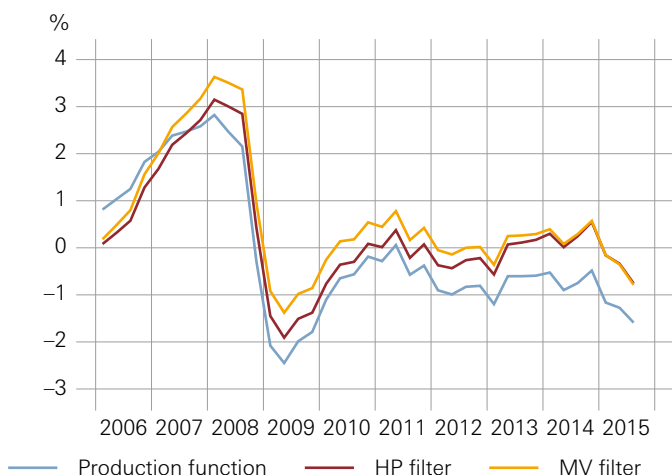
CAPACITY UTILISATION IN CONSTRUCTION



Source: KOF Swiss Economic Institute

Chart 3.9

OUTPUT GAP



Source: SNB

CAPACITY UTILISATION

Underutilisation in manufacturing

According to the survey by KOF Swiss Economic Institute, utilisation of technical capacity in manufacturing increased slightly, from 81.3% to 81.4%, in the third quarter. It is thus still well below the long-term average (cf. chart 3.7). Machine utilisation in the construction industry also increased somewhat in the third quarter. In contrast to manufacturing, capacity utilisation in construction remains above the long-term average (cf. chart 3.8). The surveys continue to point to an average level of capacity utilisation in the services sector.

Negative output gap

The output gap, which is defined as the percentage deviation of observed GDP from estimated aggregate potential output, shows how well the production factors in an economy are being utilised. GDP stagnation in the third quarter widened the output gap further. Estimated potential, calculated by means of a production function, revealed an output gap of -1.6% for the third quarter, compared to -1.3% in the previous quarter. Other methods for estimating potential output (Hodrick-Prescott filter and multivariate filter) suggest a less negative output gap (cf. chart 3.9).

The different estimates reflect the various ways of calculating production potential. The production function approach considers the labour market situation and the stock of capital in the economy. Since the supply of labour, in particular, has risen steadily in recent years – primarily as a result of immigration – potential output and, hence, the output gap are larger when calculated with this method than with purely statistical filtering methods.

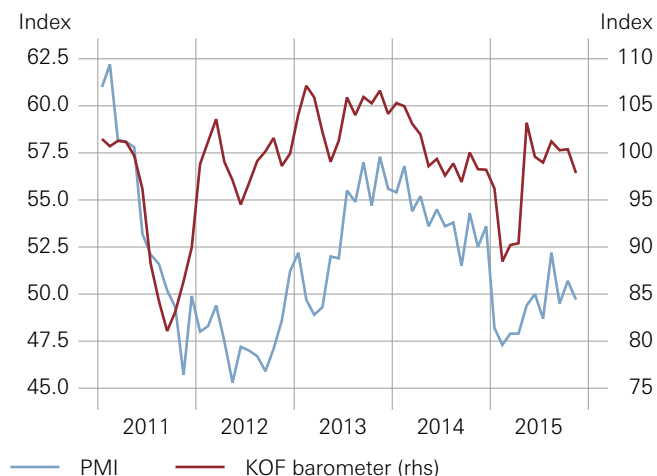
OUTLOOK FOR THE REAL ECONOMY

The SNB's forecast models, which factor in available indicators as well as standard macroeconomic variables, predict that GDP will expand moderately in the fourth quarter. The SNB's growth forecast for 2015 remains unchanged at just under 1%.

The economy in Switzerland is likely to pick up gradually in the course of 2016. Thanks to the improved global environment, exports are expected to provide positive momentum. Domestic demand is likely to remain robust. For 2016, the SNB expects growth of approximately 1.5%.

Chart 3.10

LEADING INDICATORS

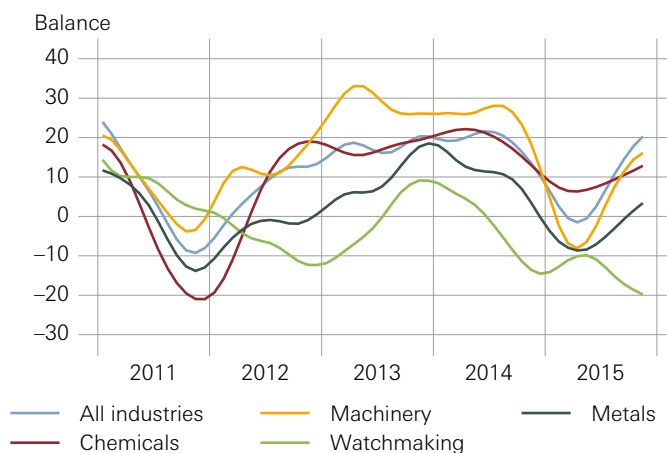


Sources: Credit Suisse, KOF Swiss Economic Institute

Chart 3.11

EXPECTED NEW ORDERS

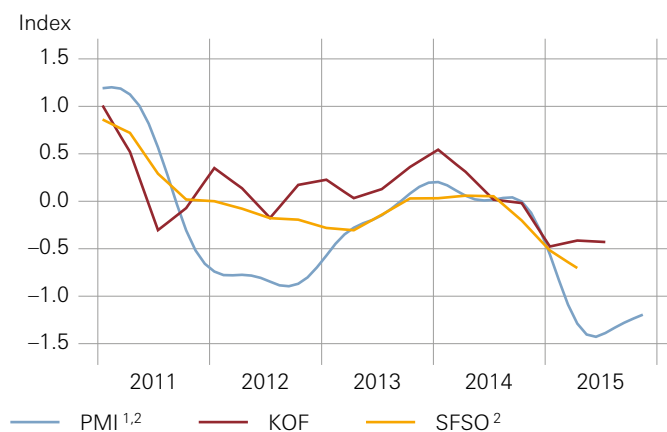
Trend component



Source: KOF Swiss Economic Institute

Chart 3.12

EMPLOYMENT LEADING INDICATORS



1 Monthly figures.

2 Trend component: SNB.

Sources: Credit Suisse, KOF Swiss Economic Institute, SFSO

4 Prices and inflation expectations

Annual consumer price inflation has stabilised at -1.4% . It is thus still below the level that the SNB equates with price stability. Core inflation rates are closer to zero, although they too are negative.

The decline of the annual inflation rate into negative territory began in autumn 2014, triggered by sharply falling oil prices, and continued in the first half of 2015 on the back of Swiss franc appreciation. Over the coming months, the impact of the declining index numbers on the calculation of the annual inflation rate will recede. This should help annual inflation to gradually move back towards zero over the course of 2016.

Medium and long-term inflation expectations were largely unchanged in the third and fourth quarters, remaining in positive territory.

On the real estate market, prices for residential property rose slightly in the third quarter. Although upward pressure on prices has eased considerably over the last two years, this has not redressed the imbalances that had built up in previous years. Residential property prices are still at high levels.

CONSUMER PRICES

CPI inflation has stabilised

Annual inflation, as measured by the Swiss consumer price index (CPI), was unchanged between August and November, at -1.4% (cf. table 4.1). This stabilisation is due to the fact that the index has not fallen any further over the last few months. The downward pressure on prices originating from the discontinuation of the minimum exchange rate in January has gradually decreased.

Table 4.1

SWISS CONSUMER PRICE INDEX AND COMPONENTS

Year-on-year change in percent

	2014	2014 Q4	2015 Q1	Q2	Q3	2015 September	October	November
Overall CPI	0.0	-0.1	-0.7	-1.1	-1.4	-1.4	-1.4	-1.4
Domestic goods and services	0.4	0.4	0.5	0.2	0.0	0.0	-0.1	-0.3
Goods	0.3	0.2	0.0	-0.7	-1.0	-1.1	-0.9	-0.9
Services	0.4	0.5	0.6	0.5	0.3	0.3	0.1	-0.2
Private services excluding rents	0.4	0.6	0.8	0.5	0.4	0.4	0.1	-0.4
Rents	1.2	1.1	1.0	1.2	0.9	0.7	0.7	0.1
Public services	-0.8	-1.2	-0.8	-0.9	-0.9	-0.8	-0.8	0.0
Imported goods and services	-1.2	-1.6	-4.2	-4.8	-5.4	-5.5	-4.9	-4.4
Excluding oil products	-1.0	-0.8	-1.5	-2.7	-3.1	-2.9	-2.7	-2.9
Oil products	-2.4	-6.7	-19.3	-16.6	-18.5	-20.0	-17.9	-13.5

Sources: SFSO, SNB

Negative inflation contribution from imported goods and services ...

The contribution of imported goods and services to annual CPI inflation continues to be clearly negative. Yet the negative inflation rates have fallen back slightly. This applies above all to oil products (cf. chart 4.1).

... and from domestic goods and services

The contribution of domestic goods and services to the annual CPI inflation rate has declined steadily over the course of the year, and has been negative since September. In recent months, these developments have been driven by inflation in services, including rents. By contrast, domestic goods inflation was relatively stable (cf. chart 4.2).

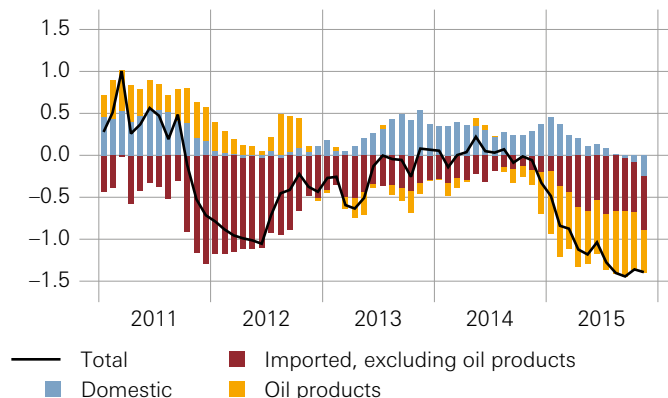
Another fall in core inflation rates

Core inflation rates have fallen continuously since January 2015, and have been in negative territory since March. In November, the SFSO core inflation rate 1 (SFSO1) and the SNB's trimmed mean (TM15) were slightly lower than in August (cf. chart 4.3).

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.

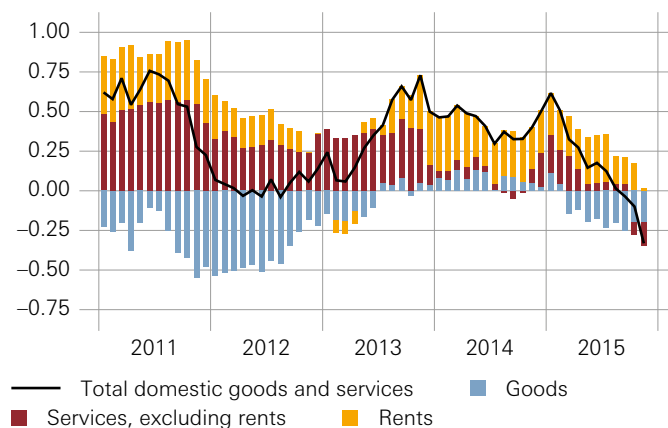


Sources: SFSO, SNB

Chart 4.2

CPI: DOMESTIC GOODS AND SERVICES

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

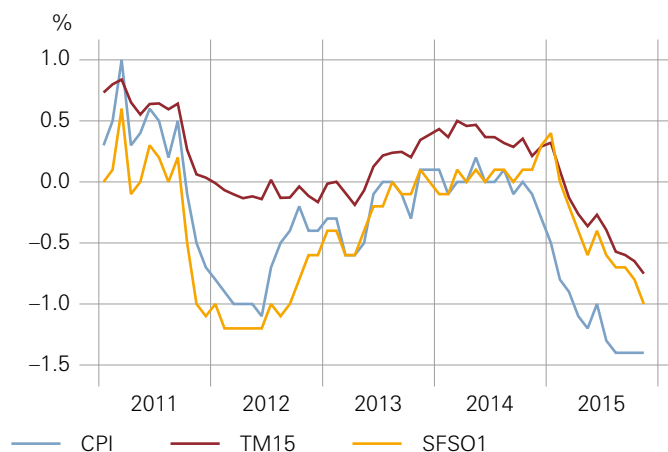


Sources: SFSO, SNB

Chart 4.3

CORE INFLATION RATES

Year-on-year change

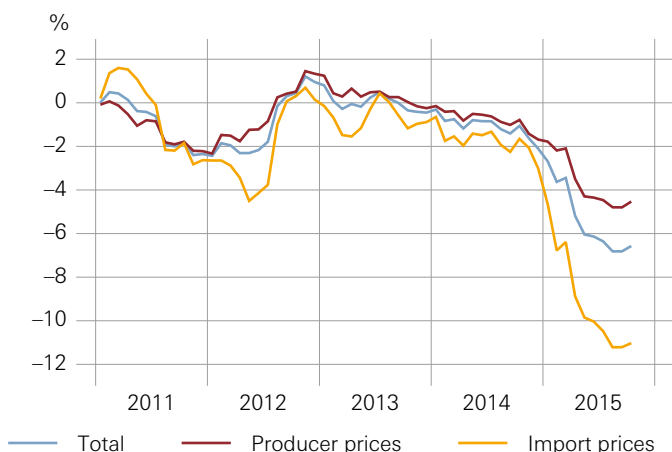


Sources: SFSO, SNB

Chart 4.4

PRODUCER AND IMPORT PRICES

Year-on-year change

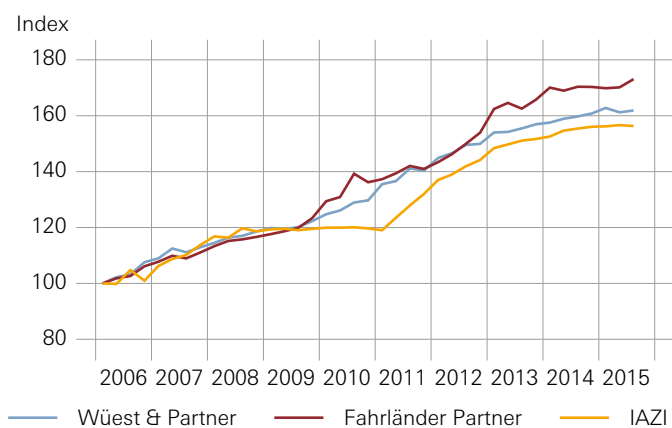


Source: SFSO

Chart 4.5

TRANSACTION PRICES, OWNER-OCCUPIED APARTMENTS

Nominal (hedonic), beginning of period = 100

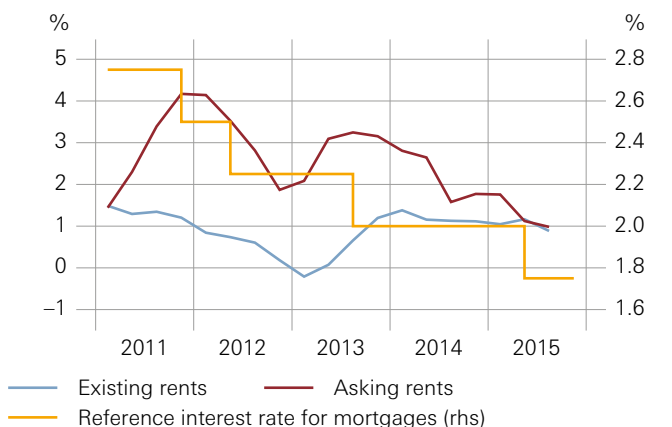


Sources: Fahrländer Partner, IAZI, Wüest & Partner

Chart 4.6

APARTMENT RENTS AND REFERENCE INTEREST RATE

Nominal, year-on-year change (lhs)



Sources: Federal Office for Housing (FOH), SFSO, Wüest & Partner

PRODUCER AND IMPORT PRICES

Stabilisation of producer and import price inflation

Producer and import prices continue to be well below their level of one year ago (cf. chart 4.4). This is primarily a reflection of the sharp decline in crude oil prices on the international markets up to January 2015 and the appreciation of the Swiss franc in the wake of the discontinuation of the minimum exchange rate in January. Since August, producer prices have risen slightly, followed by import prices. This has meant that their annual rates have not dipped further into negative territory.

REAL ESTATE PRICES

Slight rise in prices for residential property

Most available real estate price indices suggest that residential property prices picked up again slightly in the third quarter. This applies to both owner-occupied apartments (cf. chart 4.5) and single-family homes.

Since the beginning of this year, upward pressure on prices in the residential property market has eased further, although prices remain at a high level.

Slower momentum in rent inflation

The pace of rent inflation weakened slightly in the third quarter (cf. chart 4.6). This applied both to rents included in the CPI, which may be regarded as a benchmark for existing rents, and to the rents for apartments offered on the market (asking rents) recorded by Wüest & Partner. In the third quarter, asking rents and existing rents were both around 1% above their level of one year ago.

The vacancy rates published annually by the SFSO rose again, reaching 1.2% as at 1 June 2015, the highest level since 2001. Both apartments for rent and those for sale contributed to the year-on-year increase. The growing share of empty apartments in the housing stock is likely to have a dampening effect on apartment rents and prices.

INFLATION EXPECTATIONS

Stable inflation expectations

According to surveys, inflation expectations have remained largely unchanged. Following the sharp fall in the price level and inflation rates between autumn 2014 and summer 2015, a growing number of respondents expect rising prices or an increase in the inflation rate over the next six or twelve months.

Short-term expectations

According to the survey of households conducted by SECO in October, the share of respondents expecting higher prices over the next twelve months rose to 45%, while the share expecting falling or unchanged prices was smaller than in July (cf. chart 4.7).

The Credit Suisse ZEW Financial Market Report shows that, in November, two-thirds of the financial analysts surveyed were expecting inflation rates to remain unchanged over a six-month horizon (August 2015: 71%). The share of respondents expecting rising inflation rates grew from 15% to 25%, whereas the share expecting lower, i.e. more negative inflation, declined from 15% to 9%.

Talks held by the SNB delegates for regional economic relations with companies from all sectors of the economy confirmed the stability of inflation expectations. In the fourth quarter – as in the previous quarter – respondents expected inflation of –0.4% over the next six to twelve months.

Medium and long-term expectations

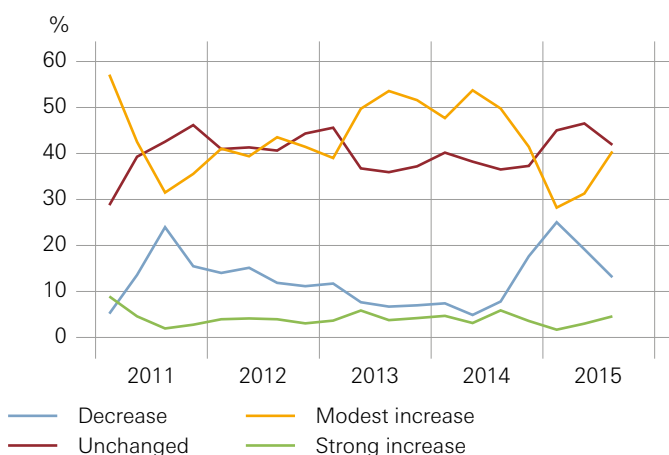
Medium-term inflation expectations have also remained largely unchanged. Participants in Deloitte's CFO survey in the third quarter put inflation in two years' time at 0.8%, compared to 0.7% in the second quarter. Talks held by the SNB delegates for regional economic relations yielded similar results. In the fourth quarter, respondents put inflation in three to five years' time at 0.6%, the same as in the previous quarter.

Surveys on long-term inflation expectations continue to show that the discontinuation of the minimum exchange rate has had little impact, and that expectations remain well anchored.

Chart 4.7

PRICE EXPECTATIONS

Survey on expected movements in prices for coming 12 months



Sources: SECO, SNB

5

Monetary developments

When the SNB discontinued the minimum exchange rate against the euro in January, the monetary policies of the major currency areas were set to diverge. The SNB was aware that this would have significant consequences for international monetary relations. This is exactly what came to pass, and is clearly reflected in the exchange rate path of the Swiss franc against various currencies. Shortly before the monetary policy assessment in December 2015, the USD/CHF exchange rate was virtually the same as it was at the end of 2014. Meanwhile, the Swiss franc had appreciated roughly 10% against the euro since the beginning of the year. The export-weighted Swiss franc exchange rate was about 8% higher than it was in January, having gained approximately 20% at times in the interim.

In January, concurrently with the discontinuation of the minimum exchange rate, the SNB lowered the interest rate on sight deposits to -0.75% . The interest rate differential with other currencies, which had narrowed considerably due to declining interest rates abroad, again expanded significantly following this decision. Even after the ECB's mild interest rate cut in December 2015, the CHF/EUR interest rate differential remained significantly wider than at the beginning of the year. This helped to weaken the Swiss franc, pulling it back from the highs recorded shortly after the discontinuation of the minimum exchange rate.

Since the beginning of the year, monetary aggregates have developed in a stable way. October saw a shift from deposits on transaction accounts to deposits on savings accounts, which led to a decline in the M1 monetary aggregate, but did not affect the growth rates of the broader M2 and M3 aggregates. It is likely that such shifts are currently motivated by both the interest rate environment and by regulatory measures.

In the past few months, growth in mortgage loans and prices for real estate has been roughly in line with fundamentals. Imbalances have therefore remained largely unchanged.

SUMMARY OF MONETARY POLICY SINCE THE LAST ASSESSMENT

Expansionary monetary policy remains unchanged

At its monetary policy assessment of 17 September 2015, the SNB reaffirmed its expansionary monetary policy and decided to leave the target range for the three-month Libor unchanged at -1.25% to -0.25% . It also left unchanged, at -0.75% , the interest rate on sight deposits held by banks and other financial market participants at the SNB which exceed a given threshold.

Furthermore, the SNB underlined its commitment to taking account of the exchange rate situation, and its impact on inflation and economic developments, in formulating its monetary policy. It would remain active in the foreign exchange market to influence monetary conditions as necessary.

Higher sight deposits at the SNB

Since the monetary policy assessment of September 2015, total sight deposits held at the SNB have increased slightly. In the week ending 4 December 2015 (last calendar week before the mid-December assessment), they amounted to CHF 467.5 billion, up by CHF 3.2 billion compared to the last calendar week preceding the mid-September assessment. Between the two assessments, sight deposits at the SNB averaged CHF 466.9 billion, of which CHF 401.3 billion was accounted for by the sight deposits of domestic banks and the remaining CHF 65.6 billion by other sight deposits.

High level of banks' surplus reserves

Between 20 August and 19 November 2015, statutory minimum reserves averaged CHF 14.4 billion. Overall, banks exceeded the requirement by some CHF 391.7 billion on average (previous period: CHF 382.8 billion). Banks' surplus reserves have thus once again increased.

MONEY AND CAPITAL MARKET INTEREST RATES

Money market interest rates largely unchanged

Interest rates on the money market remained in negative territory in the fourth quarter. Interest rates on both secured (Swiss Average Rates) and unsecured money market transactions (Libor) were close to the interest rate on sight deposits at the SNB of -0.75% (cf. chart 5.1). The three-month Libor thus remained close to the middle of the target range of -1.25% to -0.25% .

Long-term interest rates deeper in negative territory

In the three months since the assessment of mid-September, the yield on ten-year Confederation bonds was constantly in negative territory, at times reaching new historic lows of under -0.3% . Mid-December saw the yield at around -0.2% , which was lower than in mid-September.

Downward shift of yield curve

The yield curve for Confederation bonds shifted downwards between mid-September and mid-December (cf. chart 5.2). In mid-December, yields on Confederation bonds with terms of up to 13 years were in negative territory. The yields reflect expectations of a sustained period of low short-term interest rates.

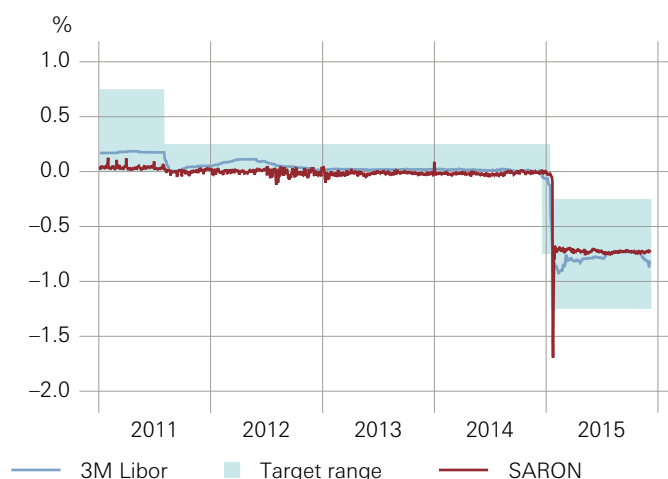
Low long-term real interest rates

The estimated long-term real interest rate stood at -0.2% in mid-December. This was slightly below the level recorded in the first quarter of 2015, which was already very low (cf. chart 5.3).

The real interest rate estimate is based on the development of the ten-year yield on Confederation bonds and the estimated inflation expectations for the same time horizon, determined using a vector autoregressive (VAR) model.

Chart 5.1

MONEY MARKET RATES

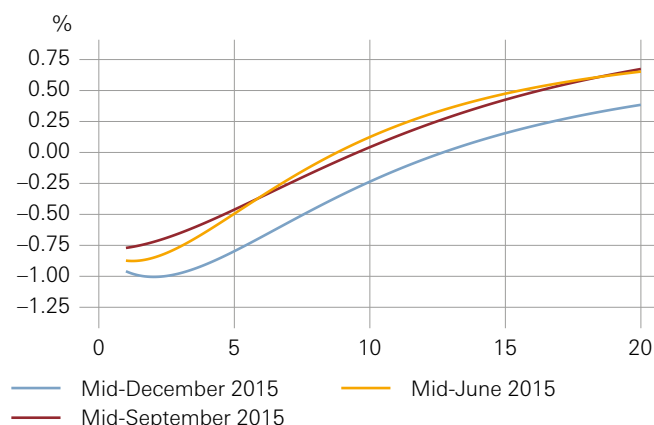


Sources: Bloomberg, SIX Swiss Exchange Ltd, SNB

Chart 5.2

TERM STRUCTURE OF SWISS CONFEDERATION BONDS

After Nelson-Siegel-Svensson. Years to maturity (hor. axis)



Source: SNB

Chart 5.3

ESTIMATED REAL INTEREST RATE

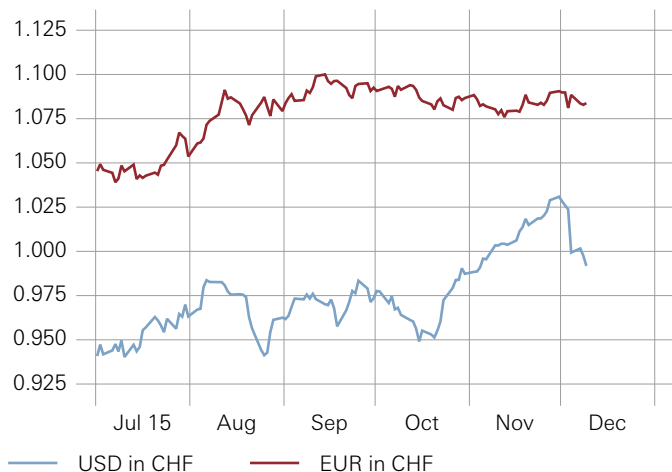
10-year Confederation bonds
Inflation expectations estimated with VAR model



Source: SNB

Chart 5.4

EXCHANGE RATES



Source: SNB

Chart 5.5

MCI NOMINAL



Source: SNB

Chart 5.6

REAL EXTERNAL VALUE OF SWISS FRANC

Export-weighted, January 1999 = 100



Source: SNB

EXCHANGE RATES

Swiss franc stronger against euro and weaker against US dollar

Since the monetary policy assessment of mid-September, the Swiss franc has appreciated somewhat against the euro (cf. chart 5.4). In the first half of December, the euro cost around CHF 1.08, after having risen briefly to CHF 1.10 in September.

Since mid-October, the Swiss franc has depreciated against the US dollar. The appreciation of the US dollar reflects the increased likelihood – in the opinion of market participants – of an interest rate rise by the Federal Reserve in December.

On 3 December, the ECB announced an easing of its monetary policy. Following the announcement, the euro appreciated against the US dollar; this was because the markets had in fact expected a more substantial easing. The markets' disappointment had little effect on the CHF/EUR exchange rate, however, as they assumed that the SNB would ensure that the interest rate differential remained unchanged. The Swiss franc's appreciation against the US dollar was equivalent to that of the euro.

Monetary conditions somewhat eased

On an export-weighted basis, the Swiss franc was slightly weaker in mid-December than it had been at the time of the September assessment. Monetary conditions have thus become slightly more expansionary.

The Monetary Conditions Index (MCI) in chart 5.5 combines changes in the three-month Libor with changes in the nominal export-weighted external value of the Swiss franc to provide a measure of monetary conditions. To take account of uncertainty regarding the relative impact of changes in interest rates and exchange rates, two versions of the index are used, with each version assigning a different weight to the two components. The index is reset to zero at the time of the last monetary policy assessment. Negative MCI values indicate an easing of monetary policy.

High real external value of Swiss franc

The export-weighted real external value of the Swiss franc remains at a high level. The weakening registered from May onwards has slowed down considerably since September (cf. chart 5.6).

STOCK MARKETS

Stock market recovery

By October, the Swiss stock market had largely recovered from the setback that originated in China and affected international stock markets in the second half of August. The recovery in Switzerland was in line with developments on most other major stock markets (cf. chart 5.7). In mid-December, the Swiss Market Index (SMI) stood at around 10% below its annual peak.

The expected volatility of the SMI, which is calculated using option prices, decreased considerably in September and October, after having risen swiftly and steeply following the sharp price decline in August. In December, it remained at roughly the average of the months February to July.

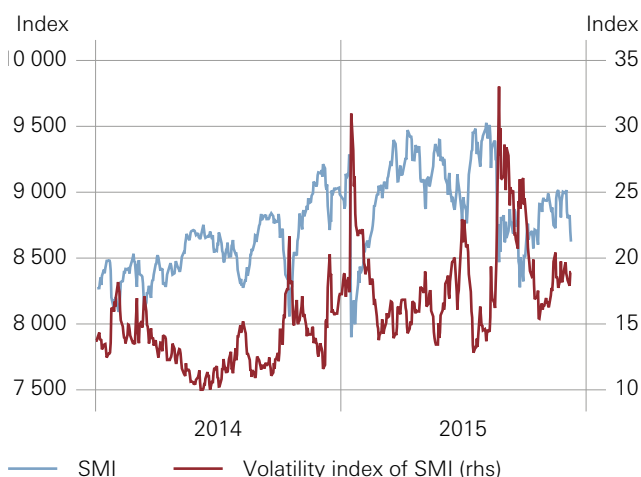
All major sector indices involved in recovery

The movements of the SMI since August are also reflected in the sector sub-indices of the more comprehensive Swiss Performance Index (SPI) (cf. chart 5.8). Of the most important sub-indices, only the consumer goods index had returned to the level of the beginning of August by mid-December. The other sector sub-indices stood at a somewhat lower level.

Chart 5.8 further illustrates the developments since the discontinuation of the minimum exchange rate. The sector sub-indices were indexed at 100 as at 14 January 2015 (the day before the discontinuation of the minimum exchange rate). The financials sub-sector was clearly above that level in mid-December, whereas the other sub-indices represented here were slightly below it.

Chart 5.7

SHARE PRICES AND VOLATILITY

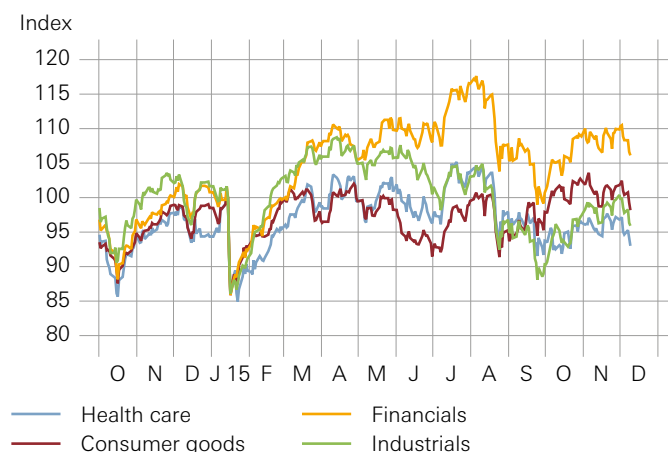


Sources: Bloomberg, Thomson Reuters Datastream

Chart 5.8

SELECTED SPI SECTORS

14 January 2015 = 100



Source: Thomson Reuters Datastream

MONETARY AND CREDIT AGGREGATES

Rising monetary base

The monetary base, which consists of banknotes in circulation and sight deposits of domestic banks with the SNB, continued to increase from August to November (cf. chart 5.9). The increase amounted to CHF 7.9 billion, of which CHF 6.3 billion resulted from the rise in the banks' sight deposits.

Weak growth in broad monetary aggregates

The broad monetary aggregates, M2 and M3, changed only slightly in the past few months (cf. chart 5.10). In October, the M2 monetary aggregate was 1.0% above its

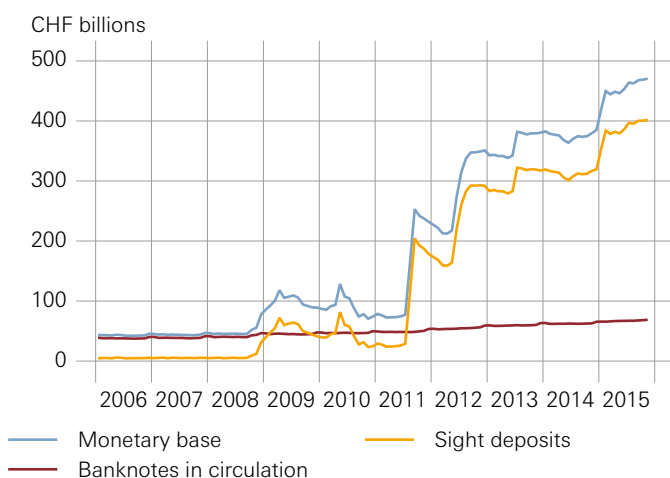
year-back level, while the M3 monetary aggregate grew by 1.4% over the same period (cf. table 5.1).

M1 monetary aggregate influenced by shifts at an individual bank

As a result of a banking institution's new account products, considerable shifts in deposits from transaction accounts to savings deposits were registered in October. The M1 monetary aggregate (notes and coins in circulation, sight deposits and transaction accounts) therefore declined, whereas M2 (M1 plus savings deposits) and M3 (M2 plus time deposits) were not affected by this change.

Chart 5.9

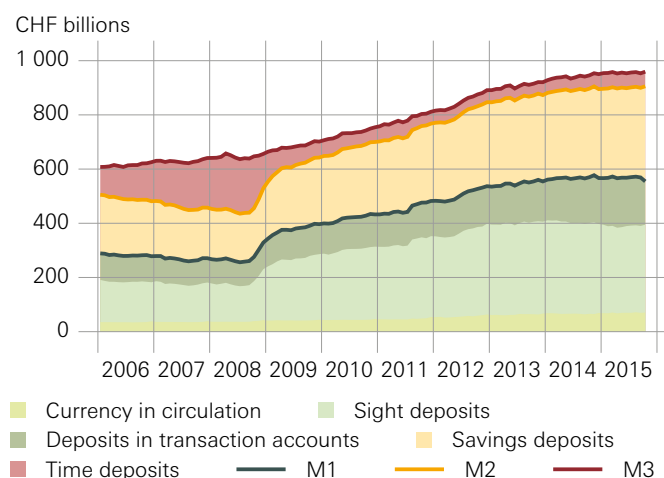
MONETARY BASE



Source: SNB

Chart 5.10

MONETARY AGGREGATES



Source: SNB

Table 5.1

MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2014	2014	2015	2015	2015	2015	2015	2015
		Q4	Q1	Q2	Q3	August	September	October
M1	3.7	2.7	1.0	0.2	0.6	0.5	0.6	-2.7
M2	3.4	2.8	1.6	0.9	1.0	0.9	0.9	1.0
M3	3.7	3.4	2.4	1.7	1.5	1.4	1.3	1.4
Bank loans, total ^{1, 3}	4.1	3.5	2.5	1.6	1.6	1.6	1.8	2.3
Mortgage claims ^{1, 3}	3.9	3.6	3.6	3.5	3.2	3.2	3.1	3.0
Households ^{2, 3}	3.5	3.3	3.5	3.5	3.4	3.4	3.3	
Private companies ^{2, 3}	4.8	4.4	3.9	3.7	3.0	3.1	2.8	
Other loans ^{1, 3}	5.3	2.6	-2.9	-7.3	-6.4	-6.3	-4.7	-1.7
Secured ^{1, 3}	4.3	8.0	4.2	0.5	0.1	2.5	-1.5	0.1
Unsecured ^{1, 3}	6.0	-1.0	-7.2	-12.2	-10.8	-12.0	-7.0	-3.0

1 Monthly balance sheets.

2 Credit volume statistics.

3 Growth rates for the bank loans item and for its components include information provided by banks on changes in their classification practices. Consequently, they may deviate from growth rates published in the *Monthly Bulletin of Banking Statistics*.

Source: SNB

Slowdown in mortgage lending growth

In October, banks' mortgage claims, which make up roughly 85% of all bank lending, were up 3.0% year-on-year. Despite mortgage rates being at historically very low levels, the weaker growth in mortgage lending observed since 2012 has continued (cf. chart 5.11).

The breakdown by borrower indicates that the decline in mortgage lending growth in the current year is primarily due to the development of mortgage lending to private companies. Growth in mortgage lending to households remained virtually constant (cf. table 5.1).

Decline in other loans

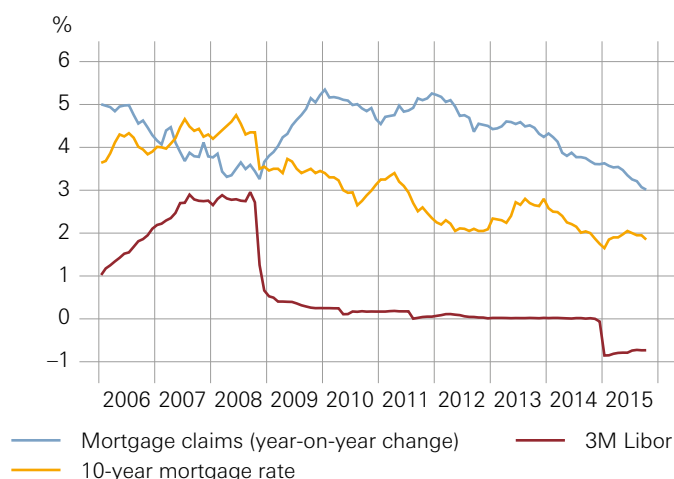
The volume of other loans decreased in October by 1.7% year-on-year. Since the onset of the financial and economic crisis, the trend for these loans has been flat, despite substantial fluctuations. The modest increase observed in secured other loans since 2009 was offset by a slight decline in unsecured other loans (cf. chart 5.12).

Rising loan ratio

The strong growth in bank loans recorded in recent years is reflected in the loan ratio, i.e. the ratio of bank loans to nominal GDP (cf. chart 5.13). After a sharp rise in the 1980s, this ratio remained largely unchanged until 2008. Since the onset of the financial and economic crisis, it has increased again substantially. This increase suggests that banks' lending activities have, on the one hand, supported residential construction and economic demand. On the other hand, strong lending growth also entails risks for financial stability. In the past, excessive growth in lending has often been the root cause of later difficulties in the banking sector.

Chart 5.11

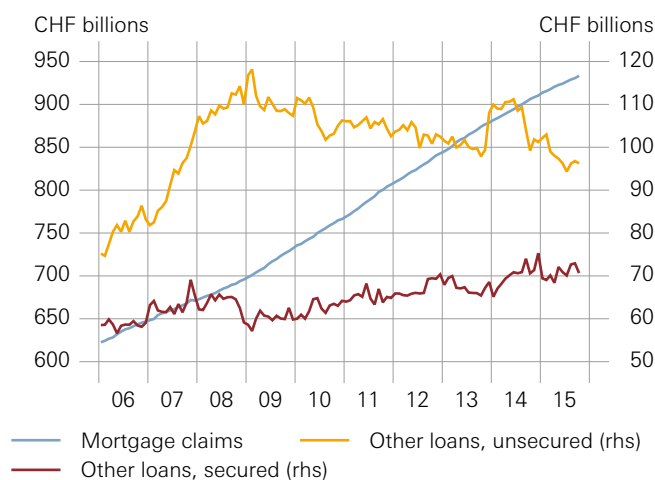
MORTGAGE CLAIMS AND 3M LIBOR



Sources: Bloomberg, SNB

Chart 5.12

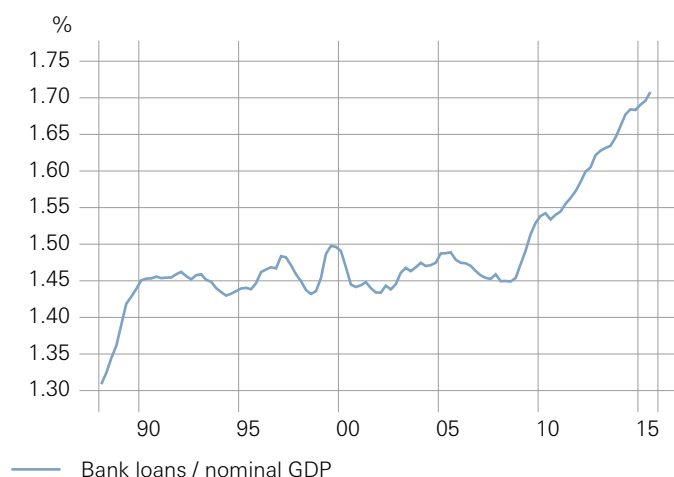
MORTGAGE CLAIMS AND OTHER LOANS



Source: SNB

Chart 5.13

BANK LOANS AS A PERCENTAGE OF GDP



Source: SNB

Business cycle trends

SNB regional network

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of December 2015

Fourth quarter of 2015

The Swiss National Bank's delegates for regional economic relations are constantly in touch with companies from different areas of the economy. This report is based on discussions conducted from the beginning of October to the end of November 2015 with 232 managers and entrepreneurs on the current and future situation of their companies and on the economy in general. The selection of companies differs from one quarter to the next. It reflects the industrial structure of the Swiss economy, based on the composition of GDP (excluding agriculture and public services).

Regions

Central Switzerland
Eastern Switzerland
Geneva
Italian-speaking Switzerland
Mittelland
Northwestern Switzerland
Vaud-Valais
Zurich

Delegates

Walter Näf
Urs Schönholzer
Jean-Marc Falter
Fabio Bossi
Martin Wyss
Daniel Hanimann
Aline Chabloz
Rita Kobel
Markus Zimmerli

SUMMARY

According to this survey, real turnover remained unchanged from the previous quarter overall. Margins are still very strained following the price reductions at many companies in the previous months.

The outlook for real turnover growth in the months ahead has improved marginally. The international economic situation is assessed as being slightly more favourable. Many companies also hold a somewhat more confident view of the coming year as the measures they implemented after the discontinuation of the minimum exchange rate start to take effect, and improved margins are expected for 2016. Staff numbers in manufacturing are once again likely to recede slightly, whereas investment activity remains at the current level overall.

BUSINESS ACTIVITY

Stagnating turnover

In manufacturing, real turnover was slightly above that of the previous quarter. In many places, however, there is continued divergence between the real turnover trend and the nominal turnover trend, which is lower.

Higher levels of real turnover can be seen in the pharmaceutical industry, at producers of machinery and electrical equipment, and in the food industry. The business activity of the metal processing companies and precision instrument manufacturers surveyed was flat. The watchmaking industry and its suppliers reported that real turnover was generally below the previous quarter's.

As to foreign trade, sales to the US remain dynamic. In some cases, there was also an increase in demand from Japan and certain European countries, with respondents frequently mentioning Spain, Italy, France, the UK and Portugal. The ongoing favourable economic situation in Germany is also having a positive impact. By contrast, many segments continue to feel the effects of the sharp economic downturn in Russia and the slowdown in China. A general reduction in demand can be observed among those countries dependent on the oil price.

The slowdown in business activity continued in construction. Real turnover was once again below the previous quarter's values, not only in the finishing trade but also in the structural and civil engineering sectors, albeit to a lesser degree. Business activity, however, remains at a high level.

In the services sector, real turnover overall remains unchanged from the previous quarter. The picture varies between sectors: while information and communications technology (ICT), banks, insurance companies and auditors recorded increases in turnover, respondents from the wholesale, transport and hotel industries reported lower turnover. Retailing presented a mixed picture.

CAPACITY UTILISATION

Continued underutilisation

The companies surveyed continued to rate production capacity overall as underutilised. In comparison to the previous quarter, underutilisation has grown slightly. More than 40% of the companies surveyed rated their utilisation as lower than usual.

In manufacturing, almost half of the survey respondents reported underutilisation, with half of those even experiencing substantial underutilisation. Most segments are affected. Capacity utilisation was rated as normal among producers of electrical appliances.

In construction, utilisation of technical capacity was still reported as higher than normal overall; this was particularly the case for structural engineering, but also for civil engineering.

In the services sector, most segments reported a slight to significant underutilisation of infrastructure (primarily office and retail space as well as transport capacity). It is especially low in retailing and hospitality, with the weather and cross-border shopping being stated by respondents as the main reasons. Engineering firms are benefiting from good to very good utilisation.

DEMAND FOR LABOUR

Staff numbers slightly too high

Overall, staff numbers are currently rated as slightly too high. This is particularly the case in manufacturing, especially the metal processing and machinery industries. In construction, headcounts are considered appropriate. In the services sector, respondents in the retailing and hospitality industries report that headcounts are still somewhat too high. By comparison, IT companies and auditors are recruiting more staff.

A wide variety of changes in staffing policy that were implemented after the discontinuation of the minimum exchange rate – including hiring freezes, longer working hours for the same pay, and short-time working – remain in place at many companies.

PRICES, MARGINS AND EARNINGS SITUATION

Considerable margin pressure

Margins remain strained in all three sectors. Two-thirds of the respondent companies assessed their margins as lower than usual, half of them as significantly lower. Almost 20% of companies reported that margins were within the normal range. Many companies were forced to cut their prices in the last few quarters in order to remain competitive and maintain turnover volumes. Accordingly, numerous measures were taken to reduce costs, with increased purchases abroad being frequently mentioned. Only rarely is there room for price increases, and then mostly abroad.

Pressure on margins is especially pronounced in manufacturing. Respondents from all segments, with the exception of the pharmaceutical industry, consider their margins to be lower or even significantly lower than normal.

Companies in construction and in the services sector also rated margins as lower than usual overall. In this regard, the very homogeneous assessment in wholesale, the motor vehicle trade and hospitality is particularly striking.

OUTLOOK

Cautious optimism

The outlook for 2016 overall remains very cautious, although a slight increase in real turnover is expected for the coming months. The tentative optimism has continued to rise in manufacturing in particular. Companies in the services sector are also showing restrained optimism on the whole, boosted by hopes of an improved economic situation in Europe and the slightly more favourable exchange rate conditions. The measures taken to increase productivity and lower costs are generally also tending to increase optimism with regard to margins.

The survey participants in manufacturing anticipate further modest staff reductions. Construction also shows a slight decline after seasonal adjustment. By contrast, staff numbers in the services sector are likely to increase somewhat.

Many companies imposed an immediate freeze on investments following the discontinuation of the minimum exchange rate and this is still in place at some firms. Investment plans for the coming 12 months continue to show no improvement overall.

Respondents' inflation expectations – measured by the consumer price index – are at -0.4% on average over the short term (6–12 months); this value remains unchanged from the last survey. Expectations over the longer-term horizon are also unchanged from the previous quarter, at 0.6%.

Some of the survey respondents fear that the problematic margin situation is leading to accelerated structural transformation, particularly in manufacturing. In addition, the implementation of the initiative against mass immigration and the future of the bilateral treaties remain a point of focus among the entrepreneurs. Representatives from many segments feel that the strength of the Swiss franc is reason for a critical re-evaluation of the regulatory environment.

Acknowledgements

The SNB would like to thank the representatives from more than 850 companies that have consented to take part in interviews with the delegates for regional economic relations during the course of 2015. In doing so, they have made a significant contribution to the evaluation of economic developments. The companies listed below have agreed that their names may be published:

A

Aare Energie AG. Aargauische Kantonalbank. AB Allo Boissons SA. abacon Sicherheit AG. Abacus Research AG. ABB Schweiz AG. ABCD Ciné-Dance SA, Carte Blanche SA. Accenture AG. Accor Gestion Hôtelière et Services SA. Accuray International Sàrl. Acino Holding AG. Adcubum AG. Adecco Human Resources SA. ADV Constructions SA. Advis AG. AEK Energie AG. Aerni Gruppe. Aerolite Max Bucher AG. Aéroport International de Genève. Aeschlimann AG, Décolletages. Aeschlimann AG, Zofingen. AF-Consult Switzerland AG. Agathon AG. Agility Logistics AG. AHG Holding AG. Akris AG. Albergo Pestalozzi Lugano. Albiro AG. Aldi Suisse AG. Aligro – Demaurex & Cie SA. Allianz Suisse. Allmendinger AG. Alpex Pharma SA. Alpha Rheintal Bank AG. Alpiq InTec West AG. Alpnach Norm AG. AlSCO Swiss. ALSO Schweiz AG. Alstom (Schweiz) AG. Alwys Holding. Amac Aerospace Switzerland AG. amag. Amaudruz SA. Ameron Hotel Flora – Dulac AG. Ampegon AG. André Repond SA. API SA. Aptar Mezzovico SA. Arrighi Import SA. Arthur Bründler AG. Arthur Weber AG. Assos of Switzerland SA. Astoria Betriebs AG. Ateliers Busch SA. Atmoshaus Gruppe. Audemars Holding SA. Audemars Piguet. Auto Iten AG. Auto Kaiser AG. Auto Marti AG. Autobritt Automobiles SA. Autohaus Wederich, Donà AG. auviso audio visual solutions ag. Avis Budget Autovermietung AG. Axibat SA. Xpo Holding AG.

B

B&C Swiss (Logistics and Distribution) SA. B+S AG. Bacher AG. Bachmann Mobile Kommunikation AG. Baechler Teinturiers SA. Baker & McKenzie. Balmer-Etienne AG. Baltensperger AG Hochbau Tiefbau Holzbau. Banca Coop. Banca del Sempione. Banca dello Stato del Cantone Ticino. Bangarter Microtechnik AG. Bank Gantrisch Genossenschaft. Bank Julius Bär & Co AG. Bank Sparhafen Zürich AG. Bank Thalwil. Banque Cantonale de Fribourg. Banque Cantonale de Genève. Banque Cantonale du Jura. Banque Cantonale du Valais. Banque Cantonale Neuchâteloise. Banque Cantonale Vaudoise. Barry Callebaut AG. Basellandschaftliche Kantonalbank. Basler & Hofmann AG. Basler Kantonalbank. Bataillard AG. Batimetal SA. Bauknecht AG. Baumann Federn AG. Baumann Koelliker Installation. Baume & Mercier SA. Baumer Electric AG. Bayer Consumer Care AG. BDO AG. Béati Frères SA. Beck Glatz Confiseur AG. Belimport SA. Belloli SA. Bergbahnen Engelberg-Trübsee-Titlis AG. Bernensis Hotel AG, Interlaken. Bernerland Bank AG.

Bernet Holding AG. berney associés. Bernina International AG. Bertschi Holding AG. Best Western Hotel Bristol und Bären, Bern. Beutler Nova AG. Bezema AG. BfB Société Fiduciaire Bourquin frères et Béran SA. BG Ingénieurs Conseils SA. Bioforce AG. Bircher Reglomat AG. Biwi SA. BlackRock Asset Management Schweiz AG. Blanc & Cie SA. Blanchisserie du Léman. Bläuer Uhren + Bijouterie AG. BLS AG. blue-infinity (Switzerland) SA. BMF Group AG. Bobst Group SA. Boccard Parcs et Jardins SA. Bogn Engiadina Scuol (BES) SA. Bordier & Cie. Born Informatik AG. Boulangerie Industrielle Bisa SA. Boulangerie-Pâtisserie Wolfisberg SA. BR Bauhandel AG. brack.ch. Brauerei Locher AG. Brauhaus Sternen AG. BravoNext SA. Brolliet SA. Bruhin AG druck | media. Brühlhart & Partners SA. BSI SA. Bucher Transport AG. Bumotec SA, SIP SA. Bunge SA. Burckhardt of Switzerland AG. Burckhardt+Partner AG. Bureau d'ingénieurs civils Daniel Willi SA. Büro Keller AG. Business & Decision (Suisse) SA. BVZ Holding AG. Bystronic Laser AG.

C

C. Messerli SA. C. Vanoli Generalunternehmung AG. Cadramont SA. Cafim SA. Calida Holding AG. Candrian Catering AG. Cantin SA. Cargill International SA. Carlo Bernasconi AG. Cäsar Bay AG. Casinò Admiral SA. Casino du Lac Meyrin SA. Casino Restaurants Bern AG. Casram SA. CCHE Architecture et Design SA. Cedes AG. Cellere AG. Censi & Ferrari SA. Cerbios-Pharma SA. Chalet de Gruyères SA. Chaletbau Matti Holding AG. Chocolat Alprose SA. Chocolat Bernrain AG. Chocolat Schönenberger AG. Chocolats Camille Bloch SA. Chocolats et Cacaos Favarger SA. Cimo SA. Ciolina AG. Cipag SA. Citec Ingénieurs-Conseils SA. CKW AG. Club Méditerranée (Suisse) SA. Collano Adhesives AG. Coloral SA. Comet AG. Confiserie Sprüngli AG. Contrinex SA. Coop. Corti Gruppe. Covedis SA, Sushizen SA. cR Werbeagentur AG. CRB SA. Création Baumann AG. Credit Suisse AG. cronoparty & services sagl. Cross Research SA. Crypto AG. CSL Behring AG. CTA AG, Klima-Kälte-Wärme. CVW Disques Office SA. CWA Constructions SA.

D

Darest Informatic SA. de Sede AG. Debiopharm Group. Debrunner Acifer AG. Delcò Mobili SA. Dell SA. Dénériaz SA. Denogent SA. Der Teufelhof Basel AG. Devillard SA. DHL Logistics (Schweiz) AG. Die Mobiliar. Domaco Dr. med. Aufdermaur AG. Domaine de

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E

E. Weber AG. EAO Group. Eberhard Unternehmungen. Eberli Sarnen AG. ebi-pharm ag. Ebnat AG. Edelweiss Catering by meee ag. Egeler Lutz AG. Egg-Telsa SA. EKT Holding AG. Elca Informatique SA. Elektra Baselland. Elektrisola Feindraht AG. Elektro Compagnoni AG. Elektro-Material AG. Elite SA. Emanuele Centonze Holding SA. Emch+Berger AG Bern. Emch+Berger WSB AG. Emil Egger AG. Emil Frey AG. Emile Egger & Cie SA. Emilio Stecher AG. Energie Wasser Bern. Ennio Ferrari Impresa Generale SA. Enzler Hygiene AG. Epsilon SA. Eqos Energie Schweiz AG. Erbas SA. Ernst & Young SA. Ernst Basler + Partner AG. Ernst Marti AG. Ernst Schweizer AG, Metallbau. Esmo – European Society for Medical Oncology. Espace Media AG. Etavis AG. Eternit (Schweiz) AG. Eurobus AG. Euromaster (Suisse) SA. Europ Assistance Suisse.

F

F. Bernasconi & Cie SA. F. Hoffmann-La Roche AG. F. Hunziker + Co AG. F. Murpf AG, Transporte und Logistik. Face AG für Kommunikationsdesign. Fassbind Hôtels SA. Fastlog AG. Felco SA. Feldmann Bau AG. Felicitas Promotions AG. Felix Transport AG. Feller AG. fenaco Genossenschaft. Ferriere Cattaneo SA. Ferrum AG. Fiamm SoNick SA. fiduciariaMega SA. Filippi SA. Finnova AG. Firmenich SA. First Industries. FISBA AG. Fischer Spindle Group AG. Flawa AG. Fleischmann Immobilien AG. Fleur de Pains SA. Fleuriot Fleurs SA. Fogal AG. Folex AG. Fondation Papillorama. Fontana Print SA. Fortimo AG. Fostag Formenbau AG. Four Seasons Hôtel des Bergues. Fraisa SA. Frey AG Stans. Frigaz SA. Frigerio SA. Fritz Meyer Holding AG. Fritz Studer AG. Frutiger AG Basel. Fuchs Hairteam AG. Full Speed Systems AG. Funk Insurance Brokers AG.

G

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Fischer AG. Gericke AG. Gérofinance-Dunand SA – Régie de la Couronne. Gfeller + Partner AG. Gfeller Elektro AG. Gindraux Fenêtres SA. Giuseppe Vanini AG. Glatz AG. GLB. Glutz AG. Goldener Damen- und Herrenmode AG. Gondrand International AG. Gottex Fund Management Sàrl. Gotthard Raststätte A2 Uri AG. Granella Gruppe. Graniti Maurino SA. Graphax AG. Gräub Auto Center AG. Graubündner Kantonalbank. green.ch. Grisoni-Zaugg SA. Groupe Ardentis. Groupe Boas. Groupe Eldora SA. Groupe H. Groupe Lathion (Tourisme, Carrières). Groupe Lémò. Groupe Orllati SA. Groupe Zuttion SA. Gruppo Fabbri (Svizzera) SA. GTL SA. Güggeli-Express GmbH. Gunvor SA. GVS Agrar AG. GWF Messsysteme AG. Gysi AG Chocolatier Suisse.

H

H + R Gastro AG. H. Goessler AG. Habasit AG. Hach Lange Sàrl. Haco AG. Hälg Holding AG. Hamilton Bonaduz AG. Hans Leutenegger SA. Hänseler AG. Häny AG. Hatebur Umformmaschinen AG. Haupt AG Ruswil. Haupt Verlag AG. Häusermann + Partner AG. Helbling Reisen AG. Helsana Versicherungen AG. Henri Harsch HH SA. Hero AG. Herzog Haustechnik AG. Hevron SA. Hoegger AG. Hogrefe AG. Honda Motor Europe Ltd. Horst AG. Hôtel Beau-Rivage SA. Hotel Bellevue Palace AG. Hotel de la Paix. Hotel Eden Roc. Hotel Eden Spiez AG. Hotel Lenkerhof AG, Lenk im Simmental. Hotel Lido Seegarten. Hôtel Montreux Palace SA. Hotel Ramada Regina-Titlis AG. Hotel Saratz AG. Hotel Schweizerhof, Lenzerheide. Hotel Walter au Lac. HRS Holding AG. Huber Straub AG. Hugelshofer Holding AG. Hugentobler Fahrzeugbau AG. Hügli Holding AG. Hugo Boss Ticino SA. Hunziker Festwirtschaften AG. Hupac Intermodal SA. Hydro Exploitation SA.

I

Iba AG. IBC Insurance Broking and Consulting SA. IBSA Institut Biochimique SA. IFEC ingegneria SA. Ifolor AG. Iftest AG. IGP Pulvertechnik AG. Ikea AG. Ilapak International SA. IM Maggia Engineering SA. Innovative Sensor Technology IST AG. Institut Straumann AG. Interroll Holding AG. Intersport Schweiz AG. ISA Sallmann AG. Iseppi Frutta SA. ISS Facility Services AG. Itecor Suisse SA. ITS SA. IWC Schaffhausen Branch of Rlichemont International SA.

J

J.P. Morgan (Suisse) SA. Jakob Müller Holding AG. Jan Autos Holding SA. Japan Tobacco International AG. Jaquet Technology Group. Jauslin Stebler AG. Jean Cron AG. Jean Singer et Cie SA. Jehle AG. Johnson & Johnson AG. Jörimann Stahl AG. Jos. Berchtold AG. Jossi AG. Jost Elektro AG, Brugg. Jowissa Uhren AG. JPF Construction SA. Juggers Sécurité SA. Jungfraubahnen. Jungheinrich AG. Jura Elektroapparate AG.

K

K. Dysli AG. Kabelwerke Brugg AG Holding. Kaltband AG. Kambly SA. Kaufmann & Fils SA. Kelly Services (Suisse) SA. Keramik Laufen AG. Kern AG Textilreinigung. Kern Tunneltechnik SA. Kestenholtz Holding AG. Kistler Group. KPMG AG. Krüger & Co AG. Kudelski SA. Kunststoff Schwanden AG. Kuoni Viaggi SA. Kurt Steiner AG.

L

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M

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N

Naef Immobilier SA. New Reinsurance Company. Newave SA, A member of ABB Group. Nidwaldner Kantonalbank. Niederer Kraft & Frey AG. Nietlispach Holding AG. Nova Marine Carriers SA. Novartis International AG. Novimmune SA. Novozymes Switzerland AG. Noyfil SA. NRS Printing Solutions AG.

O

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P

Pamp SA. Panalpina. Parkhotel Delta. Parmigiani Fleurier SA. Pasan SA. Pasito-Fricker AG. Pathé Küchlin AG. Paul Bütiger AG. Paul Leimgruber AG. Payot SA. PB Swiss Tools GmbH. Pensa Human Resources SA. Personal Sigma Sursee AG. Pfeifferlé & Cie SA. Pfizer AG. Phoenix Security. Piaget SA. Pibomulti SA, Emissa. Pierhor SA. Pilet & Renaud SA. Pillet SA. Pistor AG. Pius Schäfler AG. PK Bau AG. PKB Privatbank AG. Planzer Trasporti SA. Plastifil SA. Point Company. Point Prod' SA. Polyphor AG. Precicast SA. Precitrame Machines SA. Premec SA. PricewaterhouseCoopers AG. Priora FM SA. Progin SA. Prosecur SA. Provins SA. Publineon. PWP SA.

R

R. Nussbaum AG. Radisson Blu Hotel, St. Gallen. Raiffeisenbanken. ramatech systems AG. Rapelli SA. Raymond Weil SA. Regent Schweiz Beleuchtungskörper AG. Regine Switzerland SA. Reglatronic SA. Reichle & De-Massari AG. Restaurant Florida AG Studen. Retraites Populaires. Rex Articoli Tecnici SA. Rhätische Bahn AG. Rhyner Logistik. Riedo clima AG Düdingen. Rigot & Rieben Engineering SA. Riri SA. Rivella AG. Roche Diagnostics International AG. RohnerChem. Ronda AG. Rossignol GmbH. Roth Gerüste AG. Rotho Kunststoff AG. RS Recupero materiali SA. RWD Schlatter AG.

S

SA Vini Bée. Sabag Holding AG. Safram SA. SAG Swiss Automotive Group. Sajat SA. Sandro Vanini SA. Sanitas Troesch AG, St. Gallen. sanofi-aventis (suisse) sa. Säntis Gastronomie AG. Säntis-Schwebebahn AG. SAP (Schweiz) AG. Saviva AG. SB Saanen Bank AG. Schaffhauser Kantonalbank. Schärli Architekten AG. SCHAZO AG. Scherer & Bühler AG. Scherler AG Luzern. Schild AG. Schilthornbahn AG. Schlagenhaut Gruppe. Schneider Holding AG. Scholz & Friends Schweiz AG. Schwarz Stahl AG. Schweizer Electronic AG. Schweizer Heimatwerk. Schweizerische Post. Schwob AG. Schwyzer Kantonalbank. Scott Sports SA. SCS Supercomputing Systems AG. Securitas Gruppe Schweiz. Sefar Holding AG. Semadeni AG.

Sepp Fässler AG. Servier (Suisse) SA. Seven Gastro Group Ascona. Seven-Air Gebr. Meyer AG. SGR Consulting. SI Group. Sicas SA. Sidrag AG. Sieber Transport AG. Siegfried AG. Sierre Energie SA. SIGA AG. Sigvaris AG. Sinnvoll Gastro. Sintetica SA. Società Anonima Giovanni Balmelli 'Faspea'. Società Editrice del Corriere del Ticino SA. Société électrique intercommunale de la Côte SA (SEIC). Société Générale Private Banking (Suisse) SA. Société Privée de Gérance SA. Société Technique SA. Sofraver SA. Softec AG. Sola Switzerland AG. Solvias. Sparkasse Schwyz AG. Speno International SA. Splash & Spa Tamaro SA. St. Gallisch-Appenzellische Kraftwerke AG. Stadler Rail AG. Stämpfli Verlag AG. Starling Hotel. Steiner Transport AG. Stettler Sapphire AG. Stihl Kettenwerk GmbH & Co KG, Zweigniederlassung Wil. Stirnimann AG, Baumaschinen. STMicroelectronics SA. Streck Transport AG. Streuli Pharma AG. Studio Ingegneria Sciarini SA. Stump's Alpenrose AG. stürmsfs ag. Stutz Holding AG. Surfim SA. SV (Schweiz) AG. Swatch Group SA. Swiss Holiday Park AG. Swiss Risk & Care. Swiss Space Systems Holding SA. SwissFlock AG. Swisslog Holding AG. Swissôtel Métropole Genève. Swissquote Bank SA. Switcher SA. Symbios Orthopédie SA. Symetis. Syngenta AG. Systems Assembling SA.

T

T+R AG. TAG Aviation SA. TAG Heuer. Taiana SA. Tapos SA. TCS Assurances SA. Tech Data (Schweiz) AG. Tech Insta SA. Télèverbier SA. Telsonic AG. Temenos Group AG. Tesa SA. Thalia SA. Thermo Fisher Scientific (Ecublens) Sàrl. Thomann Nutzfahrzeuge AG. Tinext SA. Tornos SA. Totsa Total Oil Trading SA. Trafigura Holding GmbH. Translait SA. Transportgemeinschaft AG. Trecor SA. Treff AG. Treier AG. TreNew Electronic AG. Trumpf Maschinen AG. TSM Compagnie d'Assurances. Tulux Licht.Lumière.

U

UBS AG. UCB Farchim SA. Ugo Bassi SA. Unilever Schweiz GmbH. Unitechnologies AG. Univerre Pro Uva AG. upc cablecom GmbH. Uster Technologies AG.

V

VAC René Junod SA. Vacheron & Constantin SA. Valora Schweiz AG. Varioprint AG. VC999 Verpackungs-systeme AG. Vebeago AG. Veragouth SA. Veriset Küchen AG. VF International SAGL. Victorinox AG. Vögeli AG. Volg Gruppe. Von Arx SA. Von Bergen SA. VTX Telecom SA. V-Zug AG.

W

W. Althaus AG. Wälli AG Ingenieure. Warteck Invest AG. Wegmüller Attikon. Weiss+Appetito AG. Wenger Fenster AG. Westiform AG. WICOR Holding AG. Wilhelm Schmidlin AG. Willi Haustechnik AG. Winterhalter + Fenner AG. Wirteverband Basel-Stadt. Wisi'on Tool AG. Woodpecker Holding AG. Würth AG.

Y

Ypsomed AG.

Z

ZFV-Unternehmungen. Ziemer Ophthalmic Systems AG. Zimmerli of Switzerland. Zuger Kantonalbank. Zürcher Kantonalbank. Zürichsee Schifffahrtsgesellschaft AG.

4

4 B Holding AG. 4PL Central Station Group.

Chronicle of monetary events

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

<p>At its quarterly assessment of 10 December 2015, the SNB leaves its target range for the three-month Libor unchanged at between -1.25% and -0.25% and the interest rate on sight deposits with the SNB at -0.75%. The SNB reaffirms that it will remain active in the foreign exchange market in order to influence the exchange rate situation, as necessary. In the SNB's view, the Swiss franc is still significantly overvalued, despite having depreciated somewhat. The negative interest rate and the SNB's willingness to intervene in the foreign exchange market are intended to ease pressure on the Swiss franc. The SNB's monetary policy thus helps to stabilise price developments and support economic activity.</p>	<p>December 2015</p>
<p>At its quarterly assessment of 17 September 2015, the SNB leaves its target range for the three-month Libor unchanged at between -1.25% and -0.25% and the interest rate on sight deposits with the SNB at -0.75%. The SNB reaffirms that it will remain active in the foreign exchange market as necessary, in order to take account of the impact of the exchange rate situation on inflation and economic developments. In the SNB's view, the Swiss franc is still significantly overvalued, despite a slight depreciation. The negative interest rates in Switzerland and the SNB's willingness to intervene as required in the foreign exchange market serve to ease the pressure on the franc.</p>	<p>September 2015</p>
<p>At its quarterly assessment of 18 June 2015, the SNB leaves its target range for the three-month Libor unchanged at between -1.25% and -0.25% and the interest rate on sight deposits with the SNB at -0.75%. Negative interest rates in Switzerland help to make holding investments in Swiss francs less attractive. In the view of the SNB, the Swiss franc is significantly overvalued. The SNB reaffirms that it is taking account of the exchange rate situation and its impact on inflation and economic developments. It therefore remains active in the foreign exchange market, as necessary, to influence monetary conditions.</p>	<p>June 2015</p>
<p>On 22 April 2015, the SNB reduces the group of sight deposit account holders that are exempt from negative interest; the only exemptions now are those of the central Federal Administration and the compensation funds for old age and survivors' insurance, disability insurance and the fund for loss of earned income (AHV/AVS; IV/AI; EO/APG).</p>	<p>April 2015</p>
<p>At its quarterly assessment of 19 March 2015, the SNB leaves the target range for the three-month Libor unchanged at between -1.25% and -0.25%. The interest rate on sight deposits with the SNB remains at -0.75% and the exemption thresholds remain unchanged. Negative interest helps to make it less attractive to hold investments in Swiss francs. In the view of the SNB, the Swiss franc is significantly overvalued overall and should continue to weaken over time. The SNB affirms that it will continue to take account of the exchange rate situation and its impact on inflation and economic developments. It will therefore remain active in the foreign exchange market, as necessary, in order to influence monetary conditions.</p>	<p>March 2015</p>
<p>On 15 January 2015, the SNB discontinues the minimum exchange rate of CHF 1.20 per euro. At the same time, it lowers the interest rate on sight deposit account balances at the SNB that exceed a given exemption threshold by 0.5 percentage points, to -0.75%, with effect from 22 January 2015. The target range for the three-month Libor now amounts to between -1.25% and -0.25% (previously between -0.75% and 0.25%). The reduction in interest rates is aimed at ensuring that the discontinuation of the minimum exchange rate does not lead to an inappropriate tightening of monetary conditions. The SNB stresses that it will continue to take account of the exchange rate situation in future. If necessary it will therefore remain active in the foreign exchange market.</p>	<p>January 2015</p>

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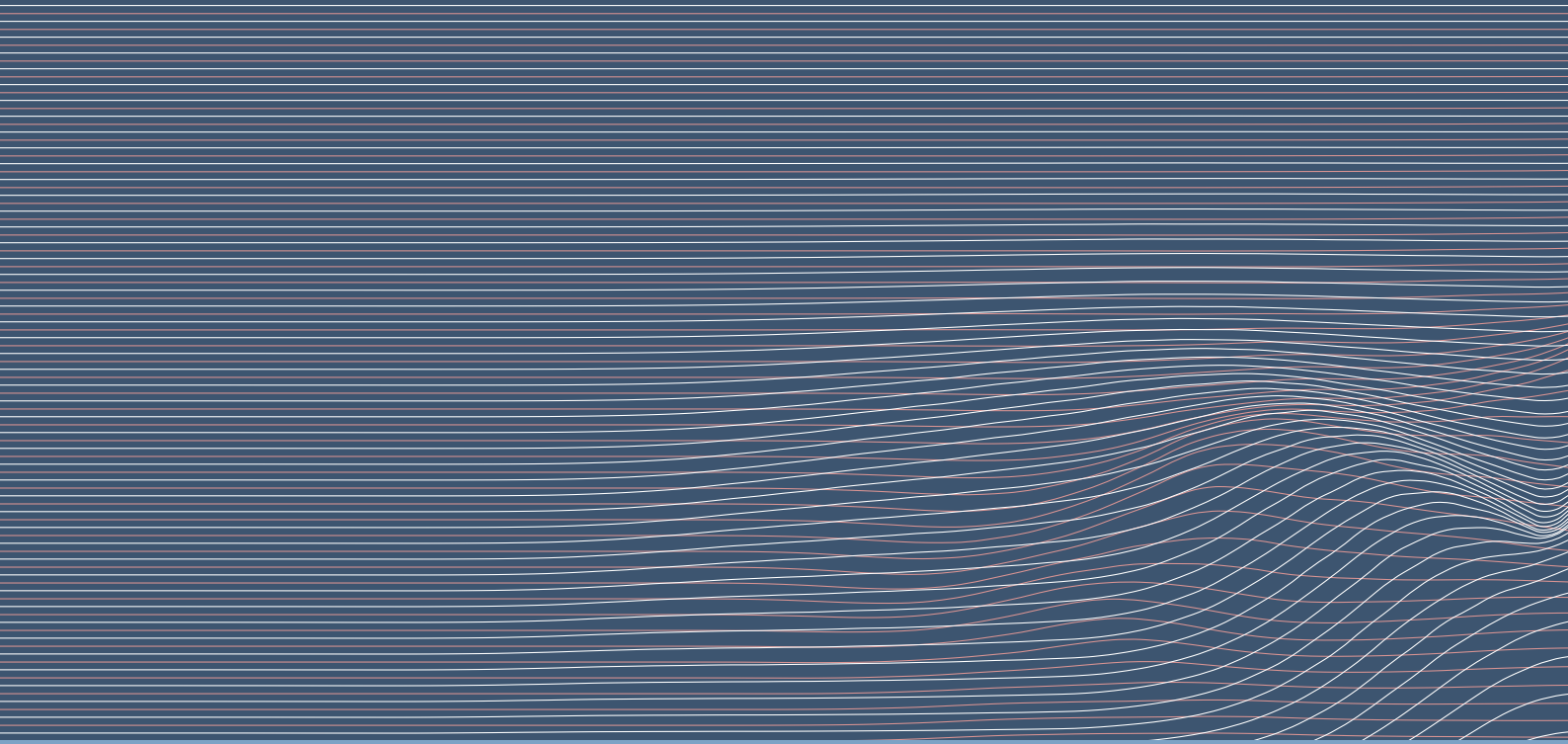
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