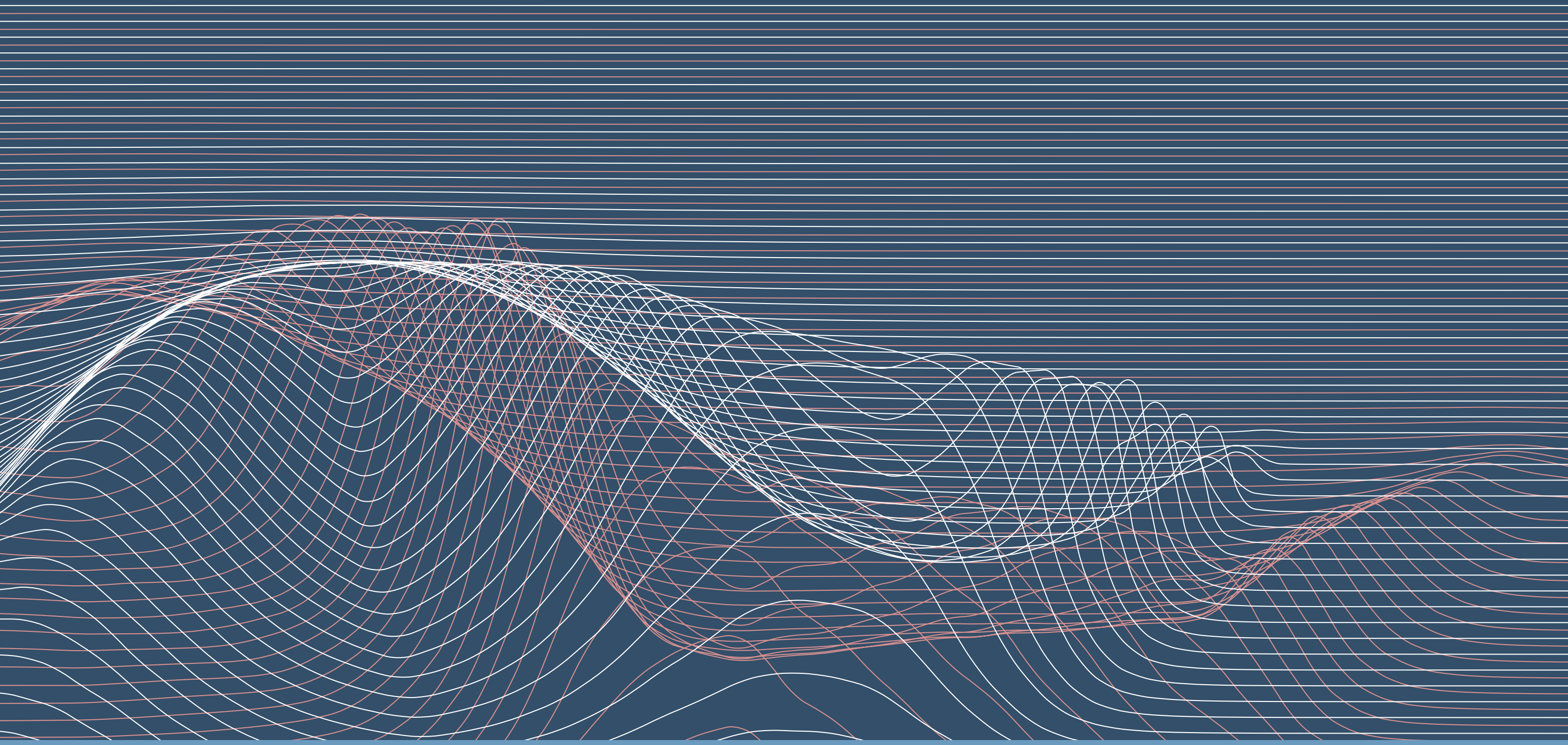


Quarterly Bulletin
4/2020 December

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

Quarterly Bulletin
4/2020 December

Volume 38

SNB BNS

Contents

Monetary policy report

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of December 2020

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 17 December 2020') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 17 December 2020. 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 17 December 2020

Swiss National Bank maintains expansionary monetary policy

The coronavirus pandemic is continuing to have a strong adverse effect on the economy. Against this difficult backdrop, the SNB is maintaining its expansionary monetary policy with a view to stabilising economic activity and price developments.

The SNB is keeping the SNB policy rate and interest on sight deposits at the SNB at –0.75%. In light of the highly valued Swiss franc, the SNB remains willing to intervene more strongly in the foreign exchange market. In so doing, it takes the overall exchange rate situation into consideration. Furthermore, it is supplying generous amounts of liquidity to the banking system via the SNB COVID-19 refinancing facility. The SNB's expansionary monetary policy provides favourable financing conditions, counters upward pressure on the Swiss franc, and contributes to an appropriate supply of credit and liquidity to the economy.

In the current situation, the inflation outlook remains subject to high uncertainty. The new conditional inflation forecast through to the end of 2021 is slightly lower than in September (cf. chart 1.1). This is primarily due to the renewed deterioration in the economic situation as a result of the second wave of the pandemic. In the longer term, the inflation forecast is unchanged from September. The forecast for 2020 is negative (–0.7%). The inflation rate is likely to be higher again next year (0.0%) and slightly positive in 2022 (0.2%). The conditional inflation forecast is based on the assumption that the SNB policy rate remains at –0.75% over the entire forecast horizon (cf. table 1.1).

The coronavirus pandemic and the measures implemented to contain it led to a historic downturn in the global economy in the first half of 2020. This was followed by a strong recovery in the third quarter. Nevertheless, GDP remained significantly below pre-crisis levels in most countries.

Infection numbers have risen again rapidly in Europe and the US since October, and containment measures have once more been adopted. Recent indicators show that this is again having a detrimental impact on economic activity. However, the effects can be expected to be smaller than in spring given that many countries have opted for less severe containment measures.

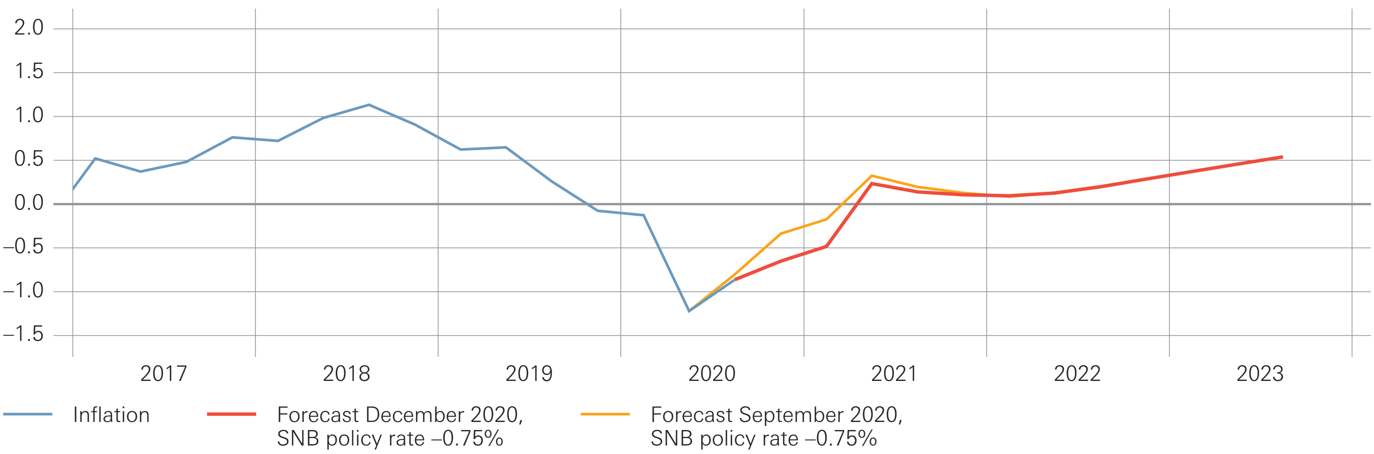
In its baseline scenario for the global economy, the SNB anticipates that the pandemic will be brought back under control in the foreseeable future, and that appropriate measures will prevent further waves of infection. The economic recovery should therefore regain momentum in the course of next year. The monetary and fiscal policy measures adopted worldwide are providing important support in this regard. However, it is likely that global production capacity will be underutilised for some time to come and inflation will remain modest in most countries.

This scenario is subject to a high level of uncertainty, and there are risks on the upside and downside alike. On the one hand, the pandemic or trade tensions could additionally hamper economic activity. On the other, the fiscal and monetary policy measures implemented could support the recovery more strongly than anticipated.

Chart 1.1

CONDITIONAL INFLATION FORECAST OF DECEMBER 2020

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



Sources: SFSO, SNB

Through to late summer, the Swiss economy also recovered markedly and more strongly than originally expected from the first wave of the pandemic. Following a record increase, GDP was still 2% below the pre-crisis level in the third quarter, having been more than 8% below in the second quarter.

However, in October coronavirus also spread rapidly again in Switzerland. This has resulted in a renewed deterioration in the economic outlook. The containment measures implemented thus far are restricting economic activity less than was the case in the spring. Nevertheless, momentum is likely to be weak in Q4 2020 and Q1 2021.

The SNB expects that GDP will shrink by around 3% this year. At its monetary policy assessment in September, it had anticipated an even stronger decline. The revision is due to the fact that the decrease in GDP resulting from the first wave of the pandemic was not as substantial as originally expected.

Developments going forward largely depend on how successfully the spread of the virus can be contained in Switzerland and abroad. The SNB's assumption is that there will not be a significant easing in the containment measures in Switzerland until the spring.

Against this backdrop, the SNB expects GDP growth of 2.5% to 3% for 2021. The recovery thus remains incomplete. Unemployment is likely to rise again, and production factors will remain underutilised for some time yet.

The forecast for Switzerland, as for the global economy, is subject to high uncertainty. Mortgage lending and residential property prices continued to rise in the second and third quarters. The vulnerability of these markets thus persists and continues to present a risk for financial stability.

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. As the third element in implementing its monetary policy the SNB sets the SNB policy rate, and seeks to keep the secured short-term Swiss franc money market rates close to this rate.

Table 1.1

OBSERVED INFLATION IN DECEMBER 2020

	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2017	2018	2019
Inflation	0.5	0.4	0.5	0.8	0.7	1.0	1.1	0.9	0.6	0.6	0.3	−0.1	−0.1	−1.2	−0.9		0.5	0.9	0.4

Source: SFSO

CONDITIONAL INFLATION FORECAST OF DECEMBER 2020

	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2020	2021	2022
Forecast September 2020, SNB policy rate −0.75%			−0.8	−0.3	−0.2	0.3	0.2	0.1	0.1	0.1	0.2	0.3	0.4	0.5			−0.6	0.1	0.2
Forecast December 2020, SNB policy rate −0.75%				−0.7	−0.5	0.2	0.1	0.1	0.1	0.1	0.2	0.3	0.4	0.5	0.5		−0.7	0.0	0.2

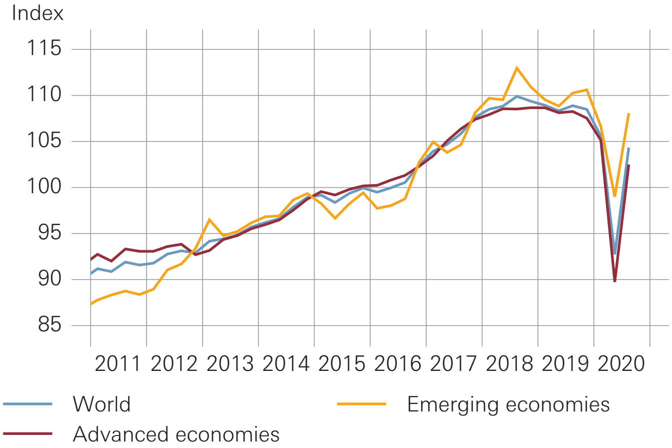
Source: SNB

2
Global economic environment

Chart 2.1

GLOBAL GOODS TRADE

Average of depicted period = 100



Sources: CPB Netherlands Bureau for Economic Policy Analysis, Refinitiv Datastream

The pandemic and the measures implemented to contain it led to a historic downturn in the global economy in the first half of the year. With the decline in new infections and the easing of the containment measures in the summer months, economic activity increasingly resumed. This resulted in the global economy posting a strong recovery in the third quarter. Global trade also picked up again (cf. chart 2.1). Nevertheless, GDP remained significantly below pre-crisis levels in most countries. In the advanced economies, GDP was still around 4% lower than at the end of 2019, having declined by more than 10% in the first half of the year. In China, GDP was already back above its pre-crisis level.

Infection numbers have risen again rapidly in Europe and the US since October. In response to this, numerous containment measures have once more been adopted, and the population has become more cautious again when it comes to activities with a higher risk of infection. Recent indicators show that this is once more having a detrimental impact on economic activity. However, the effects can be expected to be smaller than in spring given that many countries have opted for less severe containment measures.

In its baseline scenario for the global economy, the SNB assumes that the pandemic will be brought back under control in the foreseeable future, and that appropriate measures will prevent further waves of

Table 2.1

BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS

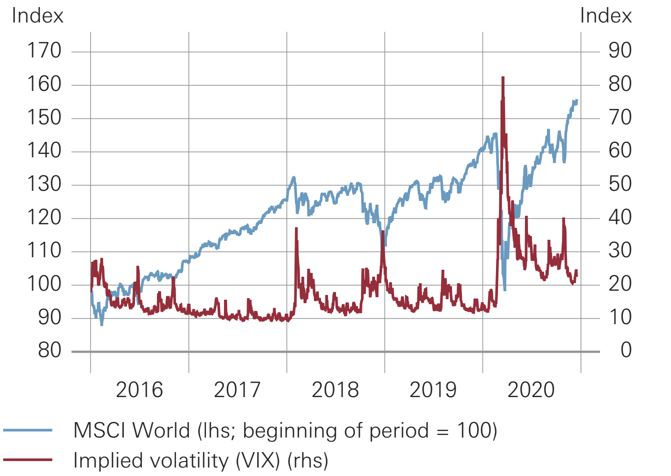
					Scenario	
	2016	2017	2018	2019	2020	2021
GDP, year-on-year change in percent						
Global [1]	3.4	3.9	3.8	3.1	–2.6	6.8
US	1.7	2.3	3.0	2.2	–3.7	3.2
Euro area	1.8	2.7	1.9	1.3	–7.0	4.5
Japan	0.7	1.7	0.6	0.3	–5.5	2.5
Oil price in USD per barrel	43.8	54.3	71.0	64.3	41.0	42.0

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

Sources: Refinitiv Datastream, SNB

Chart 2.2

STOCK MARKETS

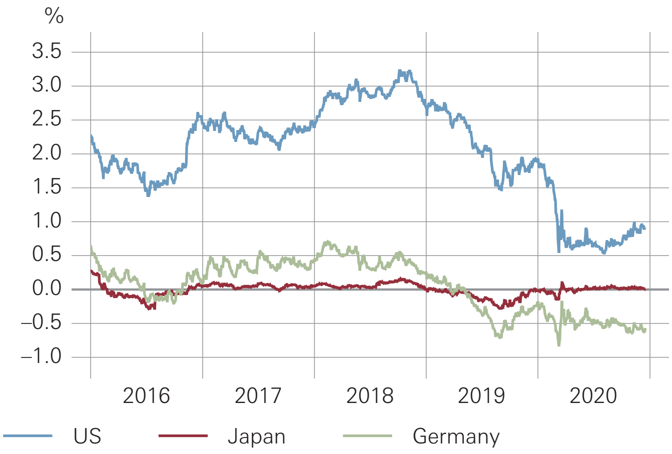


Source: Refinitiv Datastream

Chart 2.3

INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

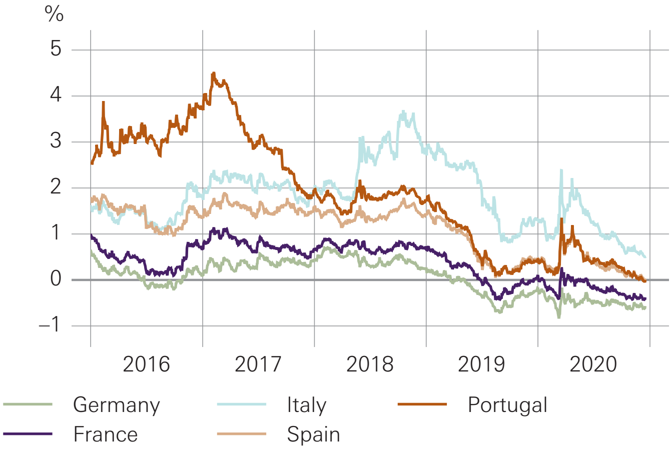


Source: Refinitiv Datastream

Chart 2.4

EUROPEAN LONG-TERM INTEREST RATES

10-year government instruments



Source: Refinitiv Datastream

infection. The economic recovery should therefore regain momentum in the course of next year. The monetary and fiscal policy measures adopted worldwide are providing important support in this regard. However, it is likely that global production capacity will be underutilised for some time to come and inflation will remain modest in most countries.

This scenario is subject to a high level of uncertainty, and there are risks on the upside and downside alike. On the one hand, the pandemic or trade tensions could additionally hamper economic activity. On the other, the fiscal and monetary policy measures implemented could support the recovery more strongly than anticipated.

The SNB's forecasts for the global economy are based on assumptions about oil prices and the EUR/USD exchange rate. The SNB is assuming an oil price for Brent crude of USD 42 per barrel, compared with USD 45 in the last baseline scenario, and continues to assume an exchange rate of USD 1.18 to the euro. Both correspond to the 20-day average when the current baseline scenario was drawn up.

INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

The renewed spread of coronavirus, particularly in Europe, weighed temporarily on financial market sentiment in October. However, sentiment has picked up considerably since November following reports from various pharmaceutical companies on progress in developing coronavirus vaccines. Amid related hopes of an improved growth outlook for the medium term, the MSCI World Index reached a new all-time high. Furthermore, the implied volatility of stocks as measured by option prices – e.g. the VIX in the US – receded, but remained somewhat elevated compared with levels recorded in recent years (cf. chart 2.2).

Yields on ten-year government bonds rose in the US, but were still at a historically low level. In Japan they remained unchanged. Meanwhile, in the euro area they declined, even reaching all-time lows in the peripheral member states (cf. charts 2.3 and 2.4). The US dollar and yen depreciated on a trade-weighted basis compared to mid-September. The euro trended sideways in trade-weighted terms, while the pound sterling gained slightly in value (cf. chart 2.5).

Having initially moved horizontally, the price of oil rose on the back of increasing hopes of better growth prospects thanks to a vaccine. Prices for industrial metals were also higher than three months ago (cf. chart 2.6).

UNITED STATES

Economic activity in the US picked up due to the gradual easing of coronavirus containment measures since May. Despite recording stronger-than-expected growth in the third quarter, GDP was still 3.5% lower than before the outbreak of the pandemic (cf. chart 2.7). Although unemployment has fallen in recent months, it remained high in November at 6.7% (cf. chart 2.10). The number of employed persons was also significantly lower than before the pandemic.

According to indicators, the recovery has lost momentum in the last few months. Furthermore, in November several states tightened containment measures again, following a strong rise in the number of new infections. These measures are likely to weigh on economic activity in the months ahead. In order to mitigate the economic after-effects of the pandemic, the government had already adopted a range of fiscal stimulus packages in spring. These include forgivable loans to small and medium-sized enterprises, tax rebates for households and companies, a temporary extension of unemployment benefits and additional funds for the healthcare system. However, the majority of these measures are due to expire at the end of the year. Congress is debating a new fiscal stimulus package.

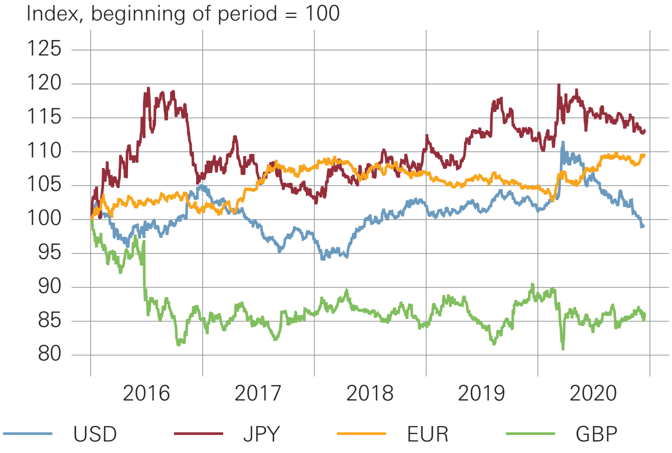
Owing to the faster recovery in the third quarter, the SNB is making a slight upward revision to its GDP forecast for this year. It nevertheless continues to expect a historic decline of 3.7%. Meanwhile, in light of the latest containment measures, it is lowering its 2021 growth forecast slightly, to 3.2% (cf. table 2.1).

Annual inflation as measured by the CPI has shown little change in recent months, and stood at 1.2% in November, compared with 1.3% in August (cf. chart 2.11). Core inflation was virtually unchanged at 1.6% (cf. chart 2.12). By contrast, core inflation as measured by the personal consumption expenditure deflator index increased in the last few months, but at 1.2% in October remained significantly below the US Federal Reserve's target.

The Fed kept its target range for the federal funds rate unchanged at 0.0–0.25% (cf. chart 2.13). It plans to leave interest rates at their current level until the labour market has recovered from the crisis and inflation is at 2% and trending higher. By allowing inflation to moderately exceed its target for some time, the Fed is seeking to achieve a rate that averages 2%. It will continue its bond-buying programme until substantial further progress has been made with regard to its employment mandate and inflation target. By contrast, a number of the lending facilities introduced in spring are scheduled to expire at the end of 2020.

Chart 2.5

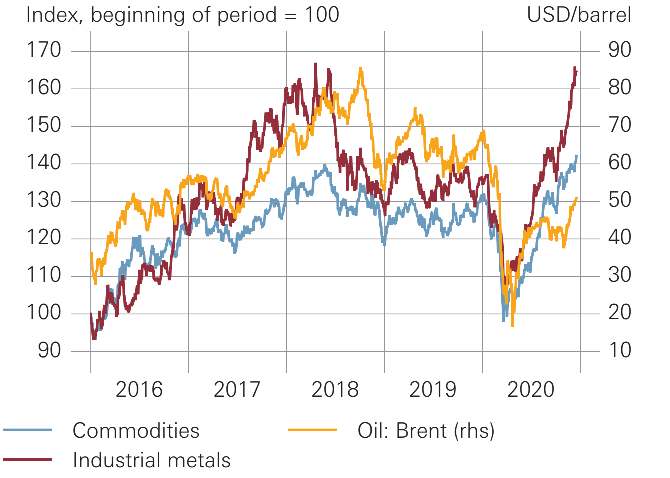
EXCHANGE RATES
Trade-weighted



Source: Refinitiv Datastream

Chart 2.6

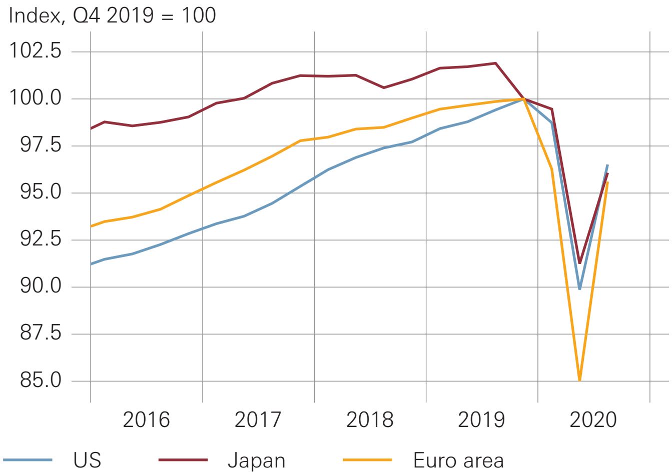
COMMODITY PRICES



Source: Refinitiv Datastream

Chart 2.7

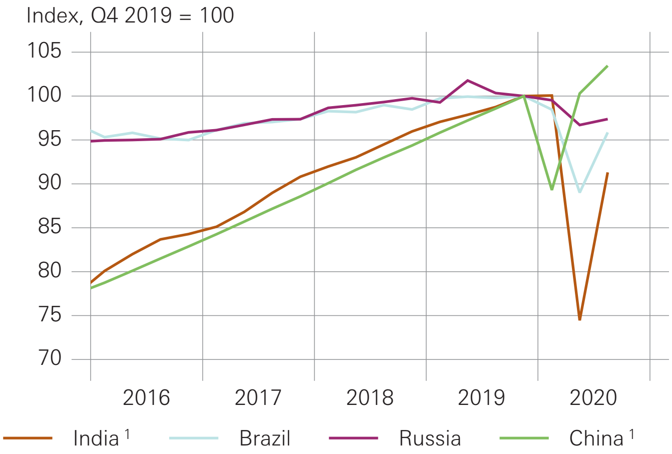
REAL GDP: ADVANCED ECONOMIES



Source: Refinitiv Datastream

Chart 2.8

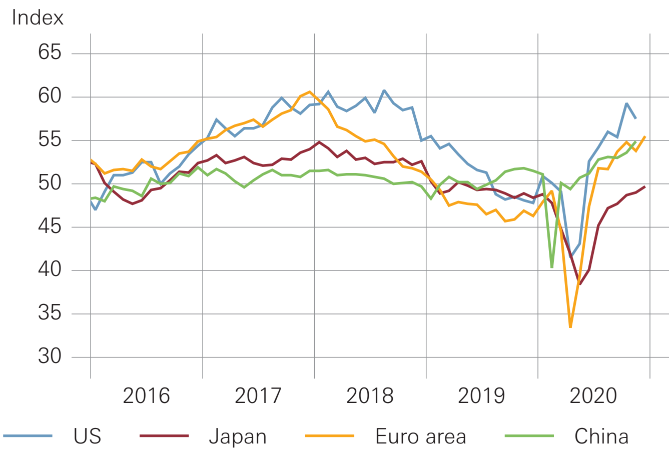
REAL GDP: EMERGING ECONOMIES



1 Seasonal adjustment: SNB
Sources: CEIC, Refinitiv Datastream

Chart 2.9

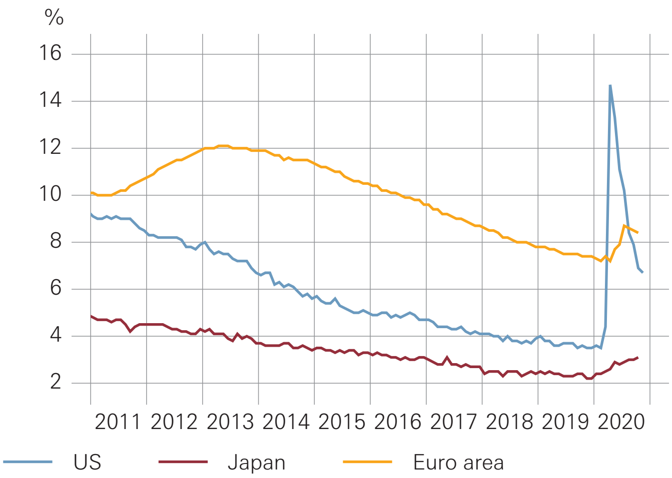
PURCHASING MANAGERS' INDICES (MANUFACTURING)



Sources: Institute for Supply Management (ISM), Markit Economics Limited

Chart 2.10

UNEMPLOYMENT RATES



Source: Refinitiv Datastream

EURO AREA

Following the gradual easing of coronavirus containment measures after the end of April, economic activity in the euro area recovered quickly. GDP grew more strongly than expected in the third quarter. Nevertheless, in the three largest member states and in the euro area as a whole, it was still roughly 4% lower than before the pandemic (cf. chart 2.7). Unemployment has eased back slightly from its high in July and stood at 8.4% in October; at the beginning of the year it was 7.2% (cf. chart 2.10). Short-time work schemes, which were rapidly extended at the beginning of the pandemic, have curbed the rise in unemployment in most euro area member states.

Coronavirus has spread again across the euro area since autumn, and member states have responded by implementing new containment measures. As a result, economic output looks set to fall again in the fourth quarter. However, given that the measures are less strict overall than in spring, the decline is likely to be more moderate. A gradual recovery in economic activity is to be expected in the coming year.

Fiscal policy should also lend support in the quarters ahead. Short-time work schemes will remain in place for the most part. Furthermore, a number of member states took additional measures, including the provision of targeted financial assistance to businesses forced to close temporarily. In the medium term, member states are due to receive support from the EU recovery fund in the form of grants and loans. Countries with limited fiscal room for manoeuvre will likely be the main beneficiaries.

The SNB is revising its 2020 GDP forecast for the euro area slightly upwards on the back of the stronger growth in the third quarter, although it continues to expect a historic decline of 7.0%. However, the after-effects of the latest containment measures are resulting in a somewhat lower growth forecast of 4.5% for 2021 (cf. table 2.1).

Consumer price inflation receded slightly in recent months and stood at –0.3% in November (cf. chart 2.11). Core inflation, at 0.2%, recorded its lowest level in the euro area's history (cf. chart 2.12). Prices for tourism services, in particular, have fallen sharply due to the pandemic.

The European Central Bank further relaxed its monetary policy in December. It extended the scope of its pandemic emergency purchase programme (PEPP) by EUR 500 billion to EUR 1,850 billion (15% of GDP). It also extended the programme by nine months to March 2022. Furthermore, it decided to add three more targeted longer-term refinancing operations (TLTROs) through to December 2021. It left its key interest rates unchanged (cf. chart 2.13).

JAPAN

Following the lifting of national containment measures towards the end of May, economic activity in Japan recovered quickly. The recovery was supported by an extensive stimulus package, which included direct payments to households. GDP exhibited strong growth in the third quarter, but was still roughly 4% below its pre-pandemic level (cf. chart 2.7). The situation on the labour market remained strained. The government is granting companies subsidies through to the end of February 2021 to retain their employees. Nevertheless, unemployment has climbed by almost one percentage point since the beginning of the year, to 3.1% in October (cf. chart 2.10).

Supported by fiscal policy and global demand, the recovery should slowly continue. However, the short-term outlook could deteriorate if the number of new infections – which has been rising since November – requires renewed containment measures that would weigh on the economy. The SNB expects little change to GDP, with a decrease of 5.5% for 2020 and an expansion of 2.5% for 2021 (cf. table 2.1).

Core inflation has remained in negative territory since mid-year (cf. chart 2.13). Prices for tourism services, in particular, have fallen sharply. The Bank of Japan left its monetary policy unchanged (cf. chart 2.13).

CHINA

Following the historic slump in the first quarter, economic activity in China recovered swiftly. By the third quarter, GDP had already significantly exceeded its pre-crisis level (cf. chart 2.8). In addition to manufacturing, the recovery increasingly took hold in the services sector, too. Unemployment in urban areas declined further, and in November was as low as it had been before the pandemic, at 5.2%.

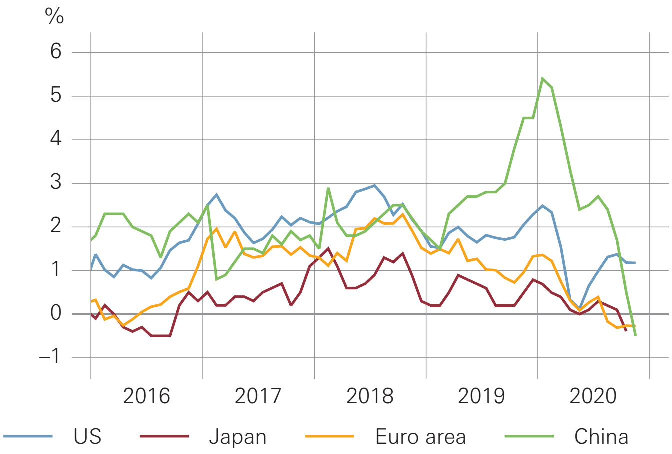
According to indicators, economic activity remained dynamic in October and November. GDP is likely to expand significantly in the fourth quarter as a result. So far, there have been no signs of a new wave of coronavirus infections. The monetary and fiscal policy measures introduced in the first half of 2020 continued to have a positive impact on the economy. Key rates have remained unchanged since being lowered in April (cf. chart 2.13).

At –0.5%, consumer price inflation in November was considerably lower than in August (cf. chart 2.11), which was attributable to food prices. Core inflation stayed at 0.5%, its lowest level in the last ten years (cf. chart 2.12).

Chart 2.11

CONSUMER PRICES

Year-on-year change

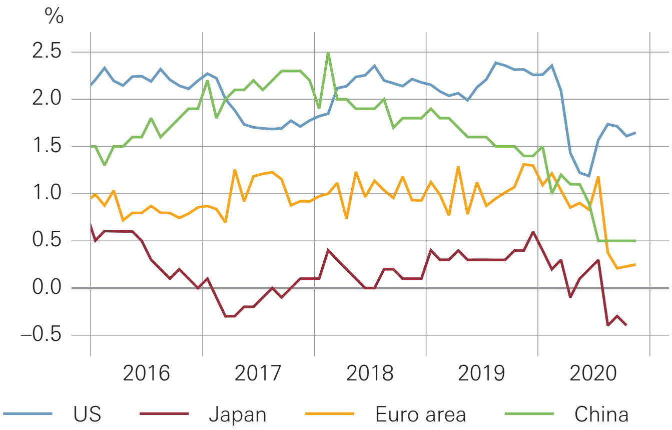


Source: Refinitiv Datastream

Chart 2.12

CORE INFLATION RATES [1]

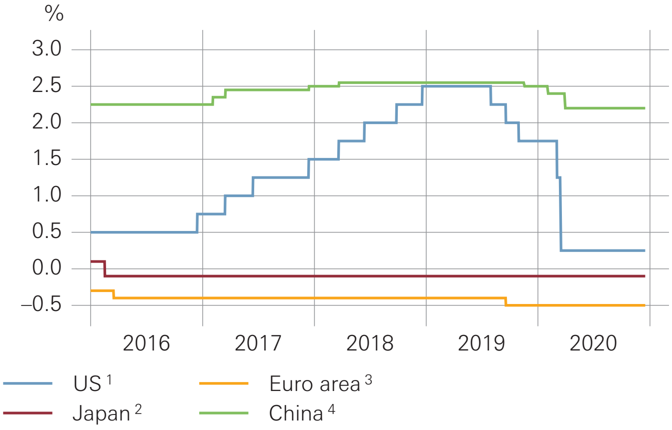
Year-on-year change



1 Excluding food and energy
Source: Refinitiv Datastream

Chart 2.13

OFFICIAL INTEREST RATES

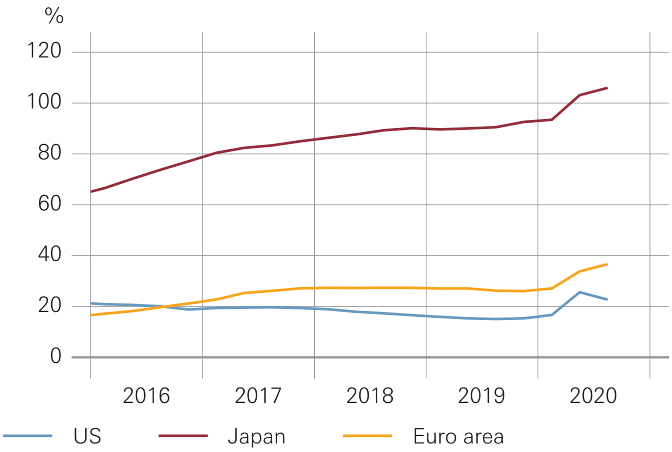


1 Federal funds rate (upper limit of target range)
2 Call money target rate
3 Deposit facility rate
4 Reverse repo rate (7-day)
Source: Refinitiv Datastream

Chart 2.14

MONETARY BASE

Relative to GDP



Source: Refinitiv Datastream

BRAZIL, INDIA AND RUSSIA

Economic activity also recovered in Brazil, India and Russia following the gradual easing of pandemic containment measures since June. In Brazil and India, the economy picked up across a broad front, while Russia's manufacturing suffered from weak global demand for oil. However, GDP in all three economies remained below pre-crisis levels (cf. chart 2.8).

The economic outlook for these countries remains extremely uncertain. A further wave of infections could necessitate the reintroduction of containment measures and weigh on economic growth. Expansionary monetary policies will likely support recovery in the medium term.

3
Economic developments in Switzerland

The Swiss economy recovered markedly from the first wave of the pandemic in the spring. GDP growth was correspondingly strong in the third quarter. Following this increase, GDP was still 2% below the pre-crisis level, having been more than 8% below in the second quarter.

However, coronavirus spread rapidly again in October. This has resulted in a renewed deterioration in the economic outlook. The containment measures implemented thus far are restricting economic activity less than was the case in the spring. Nevertheless, momentum is likely to be weak in Q4 2020 and Q1 2021.

The SNB expects that GDP will shrink by around 3% this year. At its monetary policy assessment in September, it had anticipated an even stronger decline. The revision is due to the fact that the decrease in GDP resulting from the first wave of the pandemic was not as substantial as originally expected.

Developments going forward largely depend on how successfully the spread of the virus can be contained in Switzerland and abroad. In its baseline scenario, the SNB's assumption is that there will not be a significant easing in the containment measures in Switzerland until the spring.

Against this backdrop, the SNB expects GDP growth of 2.5% to 3% for 2021. The recovery thus remains incomplete. Unemployment is likely to rise again, and production factors will remain underutilised for some time yet. The forecast for Switzerland, as for the global economy, is subject to high uncertainty.

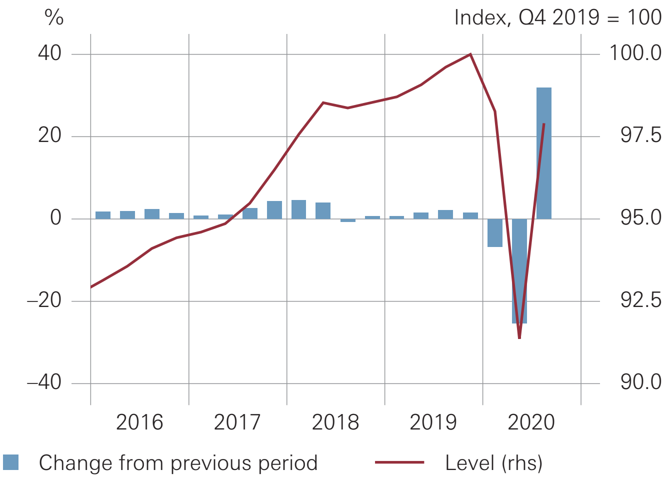
OUTPUT AND DEMAND

The SNB takes a wide range of information into account when assessing the economic situation. This information reveals that economic activity revived considerably between May and September, but then gradually lost momentum. Indicators for October and November suggest a slight decline in activity.

Significant GDP recovery in third quarter
As expected, GDP grew strongly in the third quarter, having contracted in the first half of the year (cf. chart 3.1). According to the initial estimate by the State Secretariat for Economic Affairs (SECO), third-quarter GDP was still

Chart 3.1

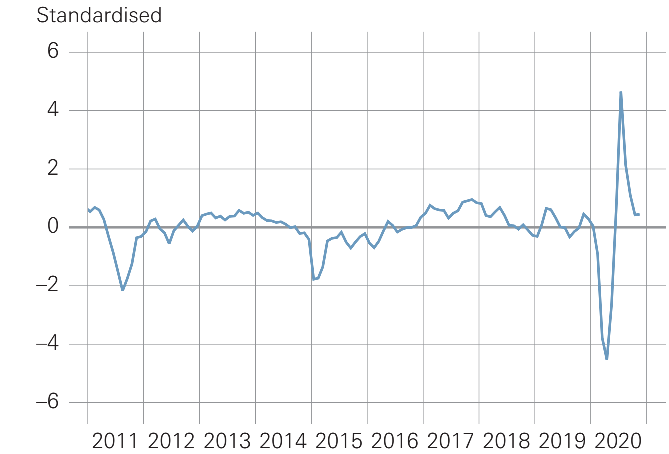
REAL GDP



Source: SECO

Chart 3.2

SNB BUSINESS CYCLE INDEX



Source: SNB

Chart 3.3

MANUFACTURING PMI AND KOF ECONOMIC BAROMETER

Sources: Credit Suisse, KOF Swiss Economic Institute

2.1% below its pre-crisis level at the end of last year, having been 8.6% below in the second quarter.

Value added was up in almost every industry in the third quarter. The increase was particularly strong in those services that had been worst hit by the pandemic, namely in hospitality and entertainment. Value added also rose substantially in manufacturing and construction as well as in the wholesale and retail trade segments. Despite the recovery, however, it was still below its pre-crisis level in most industries.

Domestic final demand picked up across a broad front (cf. table 3.1), but here, too, the majority of final demand components have not yet returned to their pre-crisis levels.

Slowdown in economic recovery

Various economic indicators point to the recovery having slowed in recent months. Moreover, there are now also signs that activity is already declining in certain services segments as a result of the second wave of coronavirus infections. This is particularly affecting personal services, such as hospitality and transport.

The SNB's Business Cycle Index, which offers a comprehensive overview of economic momentum, has been falling since it peaked in July. However, it was recently still slightly above zero, indicating above-average growth (cf. chart 3.2). Similarly, the KOF Economic Barometer and the manufacturing purchasing managers' index (PMI) also continued to point to growth (cf. chart 3.3). Clearer indications of a slowdown have emerged from the talks held by the SNB's delegates for regional economic relations with companies (cf. 'Business cycle signals', pp. 28 et seq.); they suggest a downturn in activity in the fourth quarter.

Renewed decline in GDP likely

In summary, an analysis of the currently available information indicates that economic activity initially recovered rapidly from its low point in April, but that it lost momentum in summer and began to falter in the wake of the renewed spread of the virus in October. Owing to weak growth in various services segments, GDP is likely to decline again in the fourth quarter.

Table 3.1

REAL GDP AND COMPONENTS

Growth rates on previous period in percent, annualised

	2016	2017	2018	2019	2018	2019				2020		
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Private consumption	1.6	1.2	0.8	1.4	1.0	1.8	2.5	0.1	1.8	–15.3	–28.6	56.5
Government consumption	0.4	0.6	0.9	0.9	1.2	0.3	0.4	2.1	2.5	3.4	0.2	0.7
Investment in fixed assets	2.9	3.6	0.8	1.2	–0.6	7.0	–1.7	–1.4	18.7	–12.3	–29.1	33.3
Construction	–0.2	1.5	0.0	–0.5	–2.8	0.5	–1.0	1.0	1.6	0.7	–18.5	22.1
Equipment	4.9	4.9	1.2	2.2	0.6	10.8	–2.1	–2.6	29.3	–18.7	–34.6	40.3
Domestic final demand	1.8	1.8	0.8	1.3	0.5	3.1	1.0	–0.1	6.5	–12.2	–25.4	40.8
Change in inventories [1]	–1.5	–0.3	0.9	–0.2	–9.6	4.6	–1.4	3.2	–7.9	5.2	–7.8	2.5
Total exports [2]	6.8	3.4	5.0	2.1	19.2	–1.2	3.8	1.4	2.2	–3.0	–34.7	23.1
Goods [2]	7.6	5.3	5.0	4.8	32.7	–4.1	10.1	5.4	3.6	7.7	–28.0	30.5
Goods excluding merchanting [2]	5.9	5.8	4.4	4.9	32.4	–0.7	2.7	5.1	–3.8	8.8	–45.1	49.0
Services	5.4	0.1	5.0	–3.0	–3.5	4.7	–8.2	–6.7	–0.7	–23.0	–48.4	5.7
Total imports [2]	4.0	3.8	3.3	2.5	1.7	13.6	0.3	3.8	–4.8	–0.9	–53.7	50.5
Goods [2]	3.8	4.6	6.2	2.8	3.1	20.4	–4.4	4.6	–8.3	–1.4	–45.7	53.1
Services	4.2	2.4	–1.5	2.0	–0.6	2.6	8.9	2.5	1.4	0.0	–64.9	45.7
Net exports [3]	1.9	0.3	1.3	0.1	9.8	–6.6	2.0	–0.9	3.4	–1.3	4.4	–7.5
GDP	**2.0**	**1.6**	**3.0**	**1.1**	**0.7**	**0.7**	**1.5**	**2.2**	**1.6**	**–6.7**	**–25.3**	**31.9**

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 economic recovery in the third quarter was also reflected on the labour market. The unemployment rate stabilised, short-time working continued to decline and employment increased again somewhat. Given the second wave of infections, however, the outlook deteriorated once again.

Slight rise in unemployment in November
The number of people registered as unemployed at the regional employment offices initially stabilised on the back of the economic recovery in the third quarter. However, in November, it began to rise again slightly. Excluding seasonal fluctuations, around 156,000 people were registered as unemployed at the end of November, while the seasonally adjusted unemployment rate published by SECO stood at 3.4% (cf. chart 3.4), one percentage point higher than at the end of last year.

In addition to the SECO unemployment rate, the Swiss Federal Statistical Office (SFSO) also calculates unemployment figures in line with the International Labour Organization (ILO) definition, based on data provided by the Swiss Labour Force Survey (SLFS), a household survey conducted quarterly. This survey includes people who are looking for work but are not registered, or are no longer registered, as unemployed with the regional employment offices. The SFSO unemployment rate calculated in accordance with the ILO definition is therefore higher than the one published by SECO. In the third quarter, it was unchanged at 4.9% (Q4 2019: 4.2%).

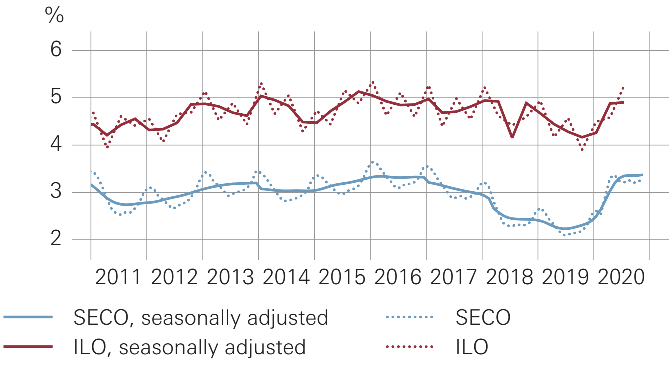
Employment below pre-crisis level in third quarter
According to the Employment Statistics (ES), the seasonally adjusted number of persons employed continued to decline in the third quarter (cf. chart 3.5) and was around 1% lower than before the crisis. The ES measure the number of employed persons on the household side and are based primarily on SLFS data.

The national job statistics (JOBSTAT), by contrast, measure employment on the company side and are based on a survey of firms. According to these statistics, the seasonally adjusted number of full-time equivalent positions rose in the third quarter, but likewise remained below its pre-crisis level. Growth in employment was driven by services. In manufacturing, meanwhile, there were further job losses (cf. chart 3.6).

Continued high level of short-time working
Short-time working declined further in recent months. According to SECO, however, provisional figures in September still put the number of people in short-time work at around 200,000, which is more than 4% of all economically active persons. This was considerably more than at the height of the financial crisis in 2009, when 92,000 persons – around 2% of all economically active persons – were affected.

Chart 3.4

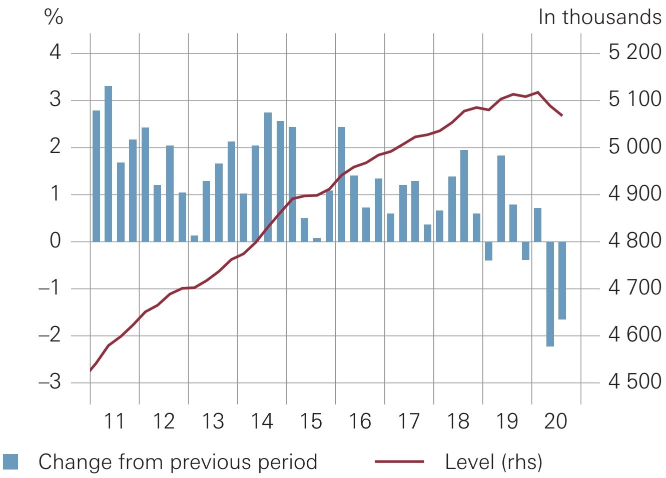
UNEMPLOYMENT RATE



SECO: Unemployed persons registered with the regional employment offices, as a percentage of the labour force (economically active persons). The number of economically active persons is based on the 2000 and 2010 censuses and the three-year averages of the 2012–2014 and 2015–2017 structural surveys.
ILO: Unemployment rate based on International Labour Organization definition.
Sources: SECO, SFSO

Chart 3.5

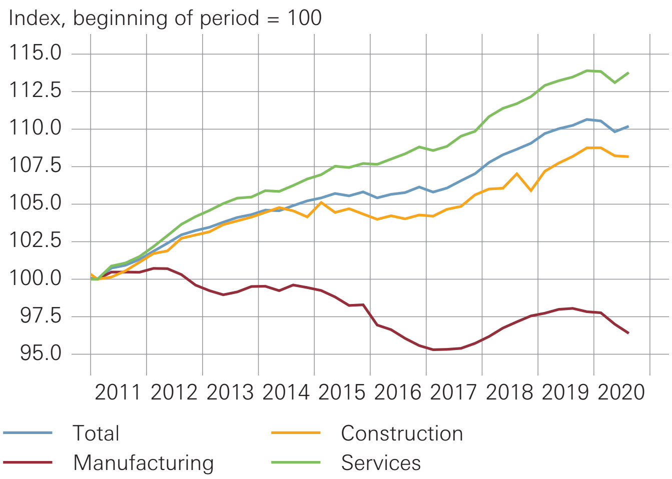
EMPLOYED PERSONS



Source: SFSO; seasonal adjustment: SNB

Chart 3.6

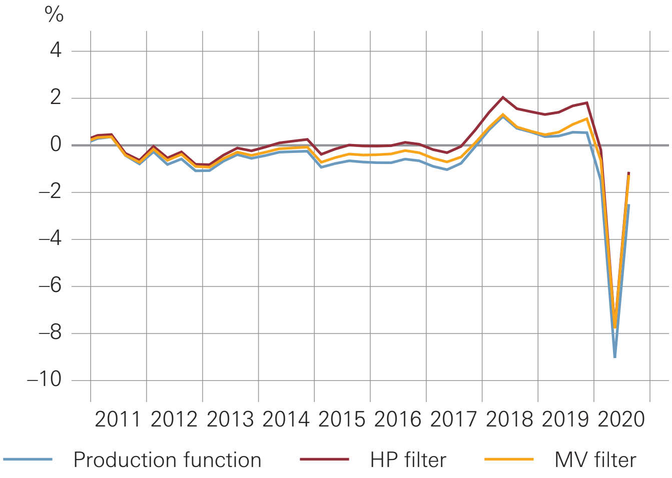
FULL-TIME EQUIVALENT JOBS



Source: SFSO; seasonal adjustment: SNB

Chart 3.7

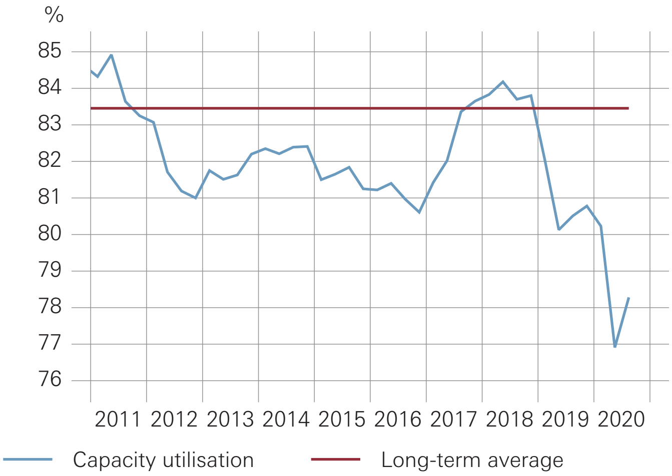
OUTPUT GAP



Source: SNB

Chart 3.8

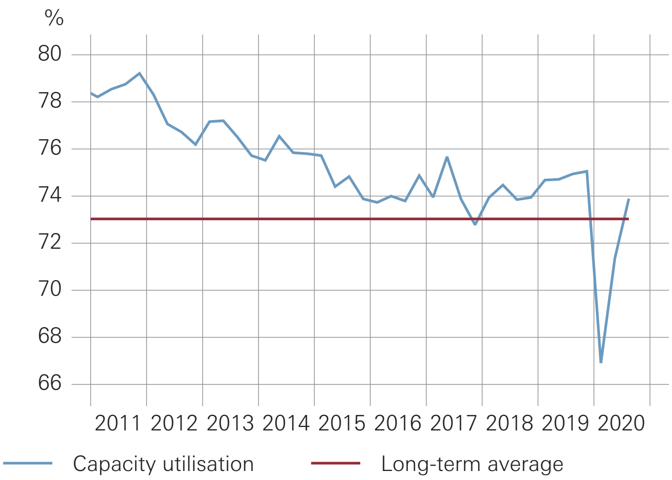
CAPACITY UTILISATION IN MANUFACTURING



Source: KOF Swiss Economic Institute

Chart 3.9

CAPACITY UTILISATION IN CONSTRUCTION



Source: KOF Swiss Economic Institute

CAPACITY UTILISATION

Negative output gap narrows in third quarter
The output gap, defined as the percentage deviation of actual GDP from estimated aggregate potential output, shows how well production capacity in an economy is being utilised. In the case of overutilisation the gap is positive, and in the case of underutilisation it is negative.

Utilisation of production capacity rose again on the back of the recovery in economic activity in the third quarter. Although the output gap narrowed significantly as a result, it remained negative. Potential output as estimated by means of a production function shows an output gap of –2.5% for the third quarter of 2020. Estimates using other methods to establish potential output indicate a somewhat narrower gap in the third quarter (cf. chart 3.7).

Underutilisation in many industries
The surveys conducted among companies confirm that the utilisation of production factors remained below average in most industries. According to the KOF survey, utilisation of technical capacity in the manufacturing sector improved only marginally in the third quarter (cf. chart 3.8). In services, too, utilisation persisted at a low level. The hotel industry was particularly affected, with occupancy rates remaining very low. By contrast, utilisation in construction continued to recover, exceeding its long-term average in Q3 (cf. chart 3.9).

As regards the labour situation, the majority of companies indicated that their staffing levels are still too high. This development is consistent with the high level of short-time working.

OUTLOOK

The second wave of the pandemic and the associated tightening of health policy measures have interrupted the economic recovery in Switzerland. All in all, however, the containment measures implemented thus far are restricting economic activity less than was the case in spring. There are, for example, no discernible signs as yet of a renewed downturn in the manufacturing sector; the recovery has continued, both in Switzerland and abroad (cf. charts 3.3 and 3.10). That said, certain industries – such as hospitality and entertainment – are once again strongly affected by the measures. Business in many other industries, too, remains difficult (cf. chart 3.11). Accordingly, the employment outlook has been subdued of late (cf. chart 3.12).

New infections initially decreased again in November, but remained high. The numbers have been rising again since the beginning of December. It is therefore likely that the containment measures will remain in place for some time to come, or will be tightened even further. In its baseline scenario, the SNB assumes that there will not be a significant easing in the containment measures until the spring. Against this backdrop, it is anticipating weak economic growth in the fourth quarter of 2020 and the first quarter of 2021.

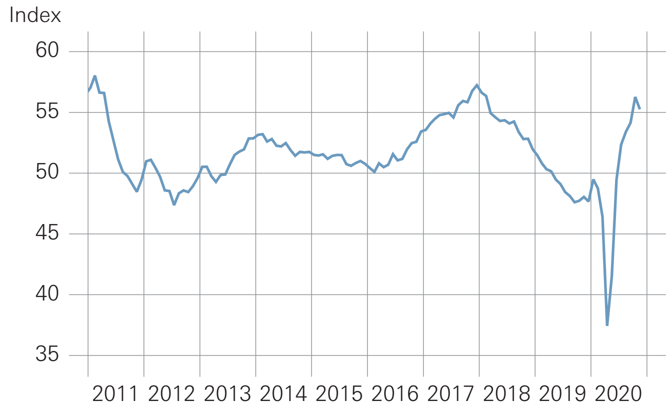
GDP is likely to shrink by around 3% this year. At its monetary policy assessment in September, the SNB had anticipated an even stronger decline. The revision is due to the fact that the economy contracted less sharply during the first wave of the pandemic and recovered more quickly than originally expected.

For 2021, the SNB anticipates GDP growth of 2.5–3%. This forecast is based on the assumption that there will not be a nationwide lockdown as there was in the spring. The recovery thus remains incomplete. Unemployment is likely to rise again, and production factors will remain underutilised for some time yet. The forecast for Switzerland, as for the global economy, is subject to high uncertainty.

Chart 3.10

MANUFACTURING PMI ABROAD

Export-weighted, 27 countries

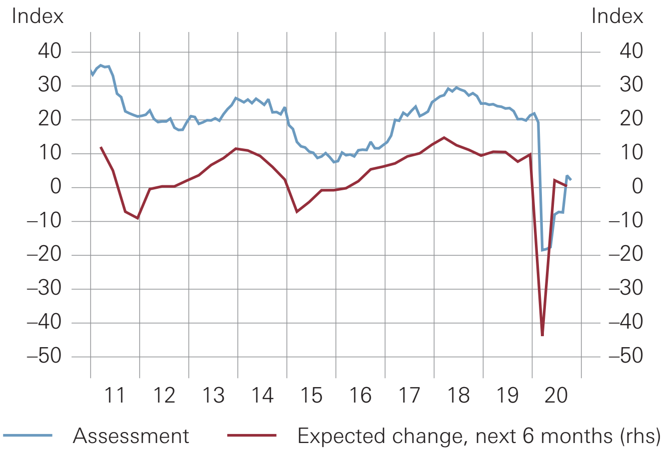


Sources: International Monetary Fund – Direction of Trade Statistics (IMF – DOTS), Refinitiv Datastream, SNB

Chart 3.11

BUSINESS SITUATION

Average across all KOF surveys

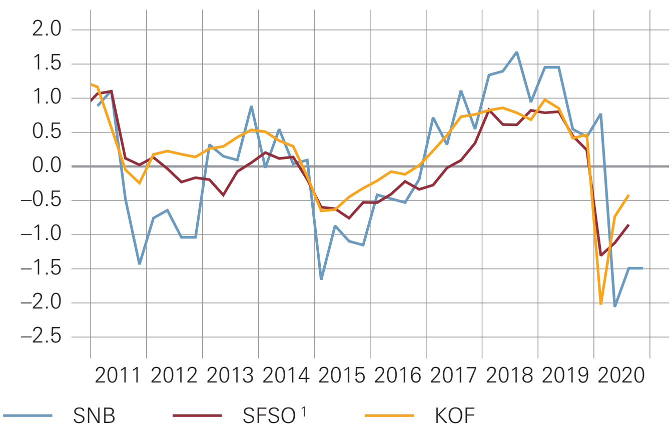


Source: KOF Swiss Economic Institute

Chart 3.12

EMPLOYMENT OUTLOOK

Seasonally adjusted, standardised



1 Seasonal adjustment: SNB
Sources: KOF Swiss Economic Institute, SFSO, SNB regional network

4
Prices and inflation expectations

Following its marked decline in the second quarter in the wake of the economic impact of the coronavirus pandemic and the slump in oil prices in spring, the inflation rate as measured by the CPI stabilised in the third quarter and has since risen slightly. However, at –0.7%, inflation was still in negative territory in November. As in previous quarters, core inflation rates stayed above CPI inflation.

Both short and longer-term inflation expectations were virtually unchanged. Short-term expectations suggest that inflation will remain low in the months ahead, while medium and longer-term expectations are still within the range consistent with price stability, which the SNB equates to a rise in the CPI of less than 2% per year.

CONSUMER PRICES

Annual inflation rate somewhat higher
The annual CPI inflation rate registered a slight increase in the last three months. In November, it stood at –0.7%, compared to –0.9% in August (cf. chart 4.1, table 4.1). Inflation rates both for domestic goods and services and for imported products were somewhat higher than in August. Inflation for domestic goods and services returned to positive territory in October, but fell slightly in November.

Negative inflation for imported products
Inflation for imported goods and services is still clearly negative; however, it rose from –3.4% in August to –2.7% in November. Inflation for oil products and other imported products lowered annual CPI inflation less strongly than in August (cf. chart 4.1).

Slightly higher inflation for domestic products
Inflation for domestic goods and services reached 0% in November, having still been in negative territory in August (cf. chart 4.2). While both domestic goods and services excluding housing rents have pushed up annual CPI inflation somewhat since August, the decline in rent inflation has reduced it slightly.

Table 4.1

SWISS CONSUMER PRICE INDEX AND COMPONENTS
Year-on-year change in percent

	2019	2019 Q4	2020 Q1	Q2	Q3	2020 September	October	November
Overall CPI	**0.4**	**–0.1**	**–0.1**	**–1.2**	**–0.9**	**–0.8**	**–0.6**	**–0.7**
Domestic goods and services	0.5	0.3	0.2	–0.2	–0.1	–0.1	0.2	0.0
Goods	0.6	0.0	–0.2	0.1	0.0	0.0	0.4	0.1
Services	0.5	0.4	0.3	–0.3	–0.1	–0.1	0.1	–0.1
Private services excluding housing rents	0.7	0.5	0.2	–1.0	–0.5	–0.4	–0.1	–0.2
Housing rents	0.5	0.8	1.1	1.1	0.9	0.7	0.7	0.4
Public services	–0.3	–0.6	–0.9	–0.8	–0.8	–0.7	–0.6	–0.6
Imported goods and services	0.0	–1.2	–1.1	–4.2	–3.3	–3.0	–2.8	–2.7
Excluding oil products	0.4	–0.3	–0.8	–2.3	–1.4	–1.2	–0.9	–1.0
Oil products	–2.7	–7.4	–3.8	–18.6	–16.8	–16.6	–16.4	–16.0

Sources: SFSO, SNB

Further decline in rent inflation
Housing rent inflation stood at 0.4% in November, down 0.3 percentage points on August (cf. chart 4.3). The decline is attributable to the lower reference interest rate (calculated as a volume-weighted, average interest rate on domestic mortgage loans in Swiss francs at banks in Switzerland), which receded in March to 1.25%. There is a lag of several months before a decline in the mortgage reference rate causes housing rent inflation to decrease.

Core inflation still above annual CPI inflation
The SFSO core inflation rate 1 (SFSO1) rose further in the last three months, and stood at –0.2% in November, compared to –0.4% in August. Core inflation, as measured by the SNB's trimmed mean (TM15), was down slightly on August and stood at 0% in November. The two rates thus continued to track above CPI inflation (cf. chart 4.4).

The SFSO1 and TM15 rates are both based on the prices of a reduced basket of goods. When calculating SFSO1, energy and fuel as well as unprocessed food and seasonal products are excluded. TM15 excludes the products with the most extreme price changes every month (15% at either end of the distribution curve of annual rates of change in product prices).

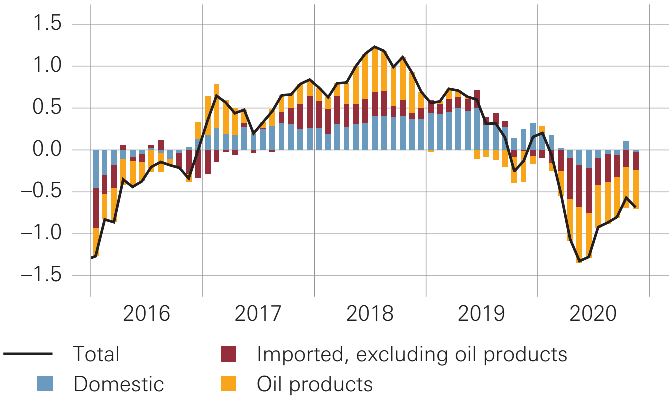
PRODUCER AND IMPORT PRICES

Higher inflation for producer and import prices
Inflation for producer and import prices rose somewhat in recent months and stood at –2.7% in November 2020, compared to –3.3% in August (cf. chart 4.5).

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.

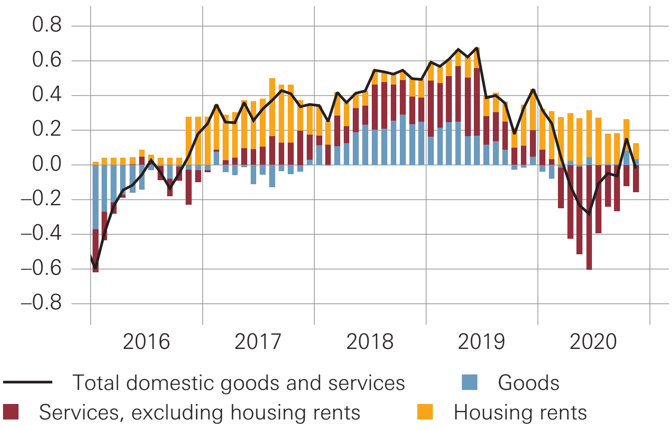


Sources: SFSO, SNB

Chart 4.2

CPI: DOMESTIC GOODS AND SERVICES

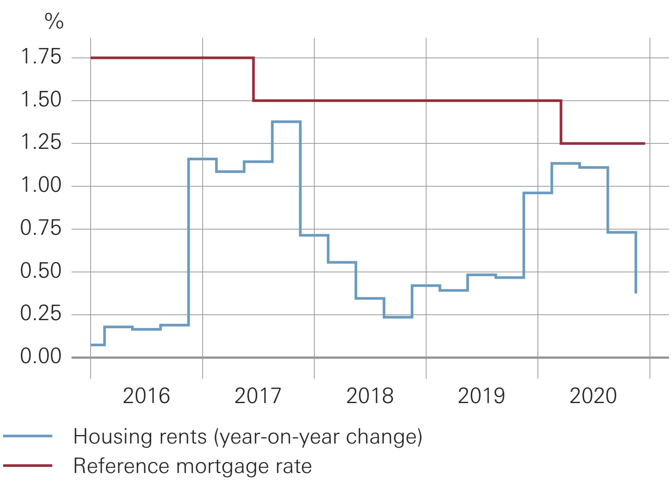
Year-on-year change in domestic CPI in percent. Contribution of individual components, in percentage points.



Sources: SFSO, SNB

Chart 4.3

HOUSING RENTS

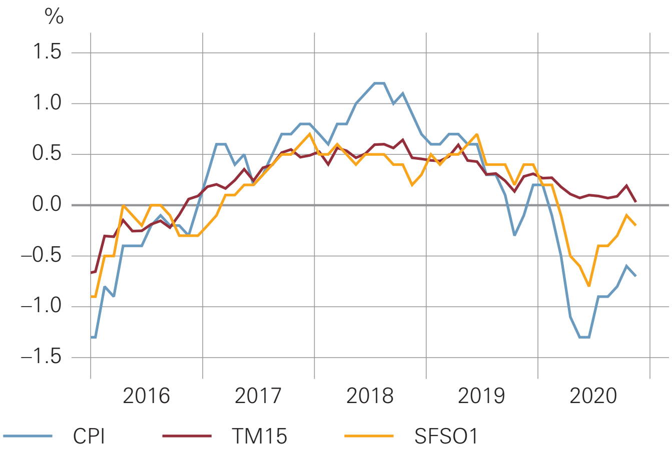


Sources: Federal Office for Housing (FOH), SFSO

Chart 4.4

CORE INFLATION RATES

Year-on-year change

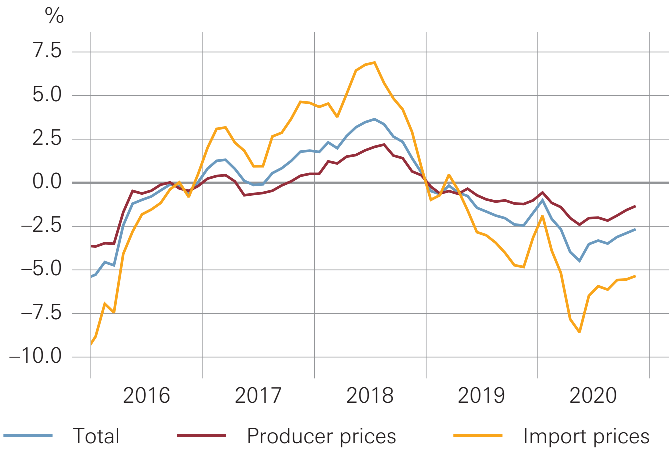


Sources: SFSO, SNB

Chart 4.5

PRODUCER AND IMPORT PRICES

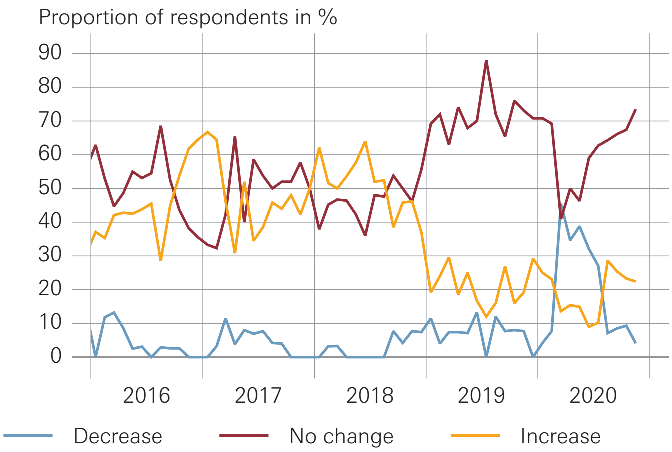
Year-on-year change



Source: SFSO

Chart 4.6

CS-CFA SURVEY: SIX-MONTH INFLATION EXPECTATIONS



Sources: CFA Society Switzerland, Credit Suisse

INFLATION EXPECTATIONS

Inflation expectations practically unchanged

Inflation expectations changed little quarter-on-quarter. While they continue to indicate low inflation rates in the short term, inflation expectations for the longer term remain within the range that the SNB equates with price stability.

According to the joint monthly financial market survey by Credit Suisse and the CFA Society Switzerland, almost 74% of analysts questioned in November 2020 expected inflation rates to remain unchanged in the next six months (cf. chart 4.6). Meanwhile, 22% anticipated a rise in inflation, and only very few thought rates would fall. It is likely that survey participants would have known the annual CPI inflation rate of October, which stood at –0.6%. The survey results thus suggest that respondents expect annual inflation rates to be slightly negative in the months ahead.

The talks conducted by the SNB's delegates for regional economic relations with companies from all sectors also pointed to expectations of low but slightly positive inflation (cf. chart 10 in 'Business cycle signals'). In the fourth quarter of 2020, company representatives anticipated an annual inflation rate of 0.2% for the next six to twelve months. In the preceding quarter, they had put the rate at 0%.

The survey of households conducted by SECO in October paints a similar picture. The numbers of households expecting prices to rise in the next twelve months and those expecting prices to remain unchanged were more or less on a par at around 45% each. Roughly 10% of respondents thought prices would fall.

Longer-term expectations consistent with price stability

Medium and longer-term inflation expectations remain within the range consistent with price stability, which the SNB equates to a rise in CPI of less than 2% per year. Company representatives interviewed by the SNB's delegates in the fourth quarter of 2020 thus put the inflation rate in three to five years at 1.0% on average, almost unchanged on the preceding quarter (Q3 2020: 0.9%).

5 Monetary developments

At its quarterly assessment of 24 September 2020, the SNB reaffirmed its expansionary monetary policy. It kept the SNB policy rate and interest on sight deposits at the SNB at –0.75%, and in light of the highly valued Swiss franc it remained willing to intervene more strongly in the foreign exchange market. Furthermore, under the SNB COVID-19 refinancing facility (CRF), it continued to provide the banking system with liquidity and thus supported the supply of credit to the economy at favourable terms.

In the period following the September monetary policy assessment, the financial markets reacted in particular to news regarding the course of the coronavirus pandemic. Positive news regarding a vaccine contributed to a rise in share prices. Money market interest rates and Confederation bond yields showed little change, however. In mid-December, the Swiss franc was stronger against the US dollar and roughly flat against the euro compared with the level at the assessment in September.

Growth rates for the broad monetary aggregates continued their upward trend. Annual growth in bank lending weakened somewhat compared with the third quarter, but remained robust.

SUMMARY OF MONETARY POLICY SINCE THE LAST ASSESSMENT

Expansionary monetary policy remains unchanged

At its quarterly assessment of 24 September 2020, the SNB confirmed its expansionary monetary policy stance. The environment was once again dominated by the downturn in growth due to the coronavirus pandemic. Against this backdrop, the SNB left unchanged, at –0.75%, the SNB policy rate and 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 confirmed its willingness to intervene more strongly in the foreign exchange market to contribute to the stabilisation of the situation. In so doing, it continued to take the overall exchange rate situation into account. Moreover, under the CRF, it further provided the banking system with generous amounts of liquidity and thus supported the supply of credit to the economy at favourable terms.

Continued provision of liquidity

In addition, the SNB selectively provided the money market with liquidity through repo auctions, thereby ensuring that the secured short-term money market rates remained close to the SNB policy rate. The SNB also continued to conduct weekly USD auctions with maturities of 7 and 84 days, thus providing its counterparties with liquidity in US dollars as required. These operations are conducted in coordination with the Bank of England, the Bank of Japan and the European Central Bank and in consultation with the US Federal Reserve.

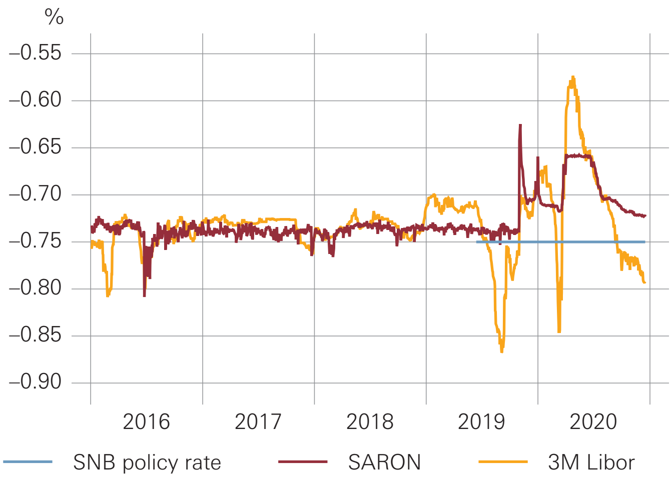
Sight deposits at the SNB slightly higher

Total sight deposits held at the SNB have increased slightly since the monetary policy assessment of September 2020. In the week ending 11 December 2020 (last calendar week before the assessment of December 2020), they amounted to CHF 704.9 billion. This was slightly higher than in the last calendar week preceding the end-September assessment (CHF 703.9 billion). Between the assessments in September and December 2020, sight deposits at the SNB averaged CHF 706.2 billion. Of this amount, CHF 637.6 billion were sight deposits of domestic banks, and the remaining CHF 68.6 billion were other sight deposits.

Between 20 August and 19 November 2020, statutory minimum reserves averaged CHF 20.0 billion. Overall, banks exceeded the minimum reserve requirement by CHF 622.0 billion (previous period: CHF 599.4 billion). Banks' surplus reserves thus remain very high.

Chart 5.1

SNB POLICY RATE AND MONEY MARKET RATES



Sources: Bloomberg, SIX Swiss Exchange Ltd, SNB

Chart 5.2

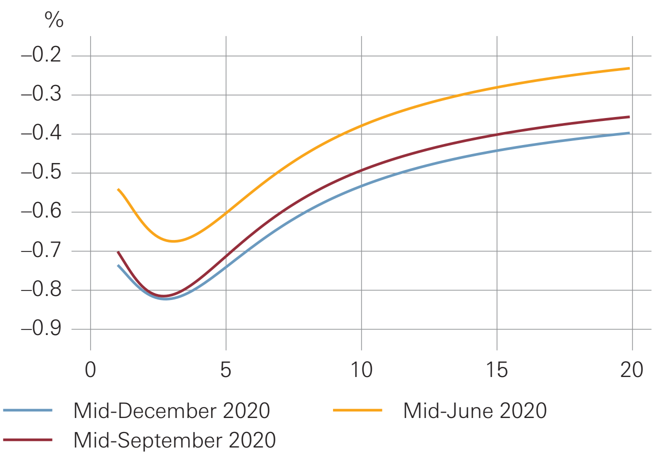
10-YEAR SWISS CONFEDERATION BOND YIELD

Source: SNB

Chart 5.3

TERM STRUCTURE OF CONFEDERATION BONDS

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



Source: SNB

MONEY AND CAPITAL MARKET INTEREST RATES

Little change to money market rates

Since the last monetary policy assessment, money market interest rates consistently tracked close to the SNB policy rate of –0.75%. On the secured money market, SARON stood at –0.72% in mid-December, while on the unsecured market, the three-month Libor was just under –0.79% (cf. chart 5.1).

In mid-November, the Libor administrator launched a consultation procedure on the discontinuation of the CHF Libor as per end-2021. Only the heavily used tenors of the USD Libor are expected to be granted an extension until mid-2023. However, this will not affect the CHF Libor.

Capital market rates largely stable

Long-term capital market rates have fluctuated very little since September. In November, reports of effective coronavirus vaccines sparked a brief period of heightened volatility, although this quickly subsided. The yield on ten-year Confederation bonds stood at around –0.5% in mid-December. It thus showed scarcely any change from the level at the end of September (cf. chart 5.2).

Somewhat flatter yield curve

Estimated interest rates were somewhat lower for medium and long-term maturities compared to the September assessment (cf. chart 5.3). This caused the yield curve to flatten slightly. Confederation bond yields across all maturities remained in negative territory throughout the quarter under review.

Real interest rates still low

Real interest rates are an important factor in the saving and investment decisions of companies and households. These rates have persisted at a low level since the September assessment, as nominal yields on Confederation bonds were in negative territory, while survey measures of medium and longer-term inflation expectations remained positive.

EXCHANGE RATES

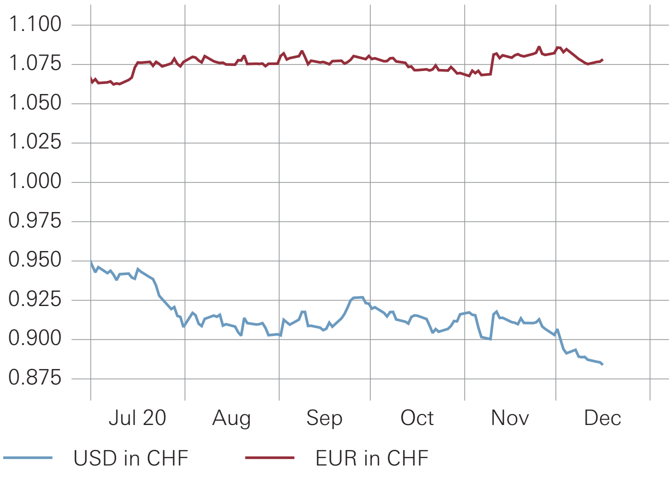
Franc stable against euro and stronger against US dollar
Since the last monetary policy assessment, the Swiss franc has fluctuated against the euro mostly within a relatively narrow range (cf. chart 5.4). It gradually strengthened against the US dollar. In the weeks following the monetary policy assessment in September, the Swiss franc initially appreciated slowly against both the euro and the US dollar. At the beginning of November, it depreciated amid positive reports on the effectiveness of coronavirus vaccines. Owing to the associated decline in uncertainty, the franc was less sought after as a safe haven. The Swiss franc has remained steady against the euro since mid-November, while the US dollar has lost value against both the euro and the franc. In mid-December, one euro was worth around CHF 1.08, roughly the same as at the time of the quarterly assessment at the end of September. At around 0.88 to the Swiss franc, the US dollar reached its lowest level since early 2015, and was thus around 4% lower than at the end of September.

Little change in Swiss franc's trade-weighted external value
Driven primarily by the depreciation of the US dollar, the nominal trade-weighted external value of the Swiss franc initially rose in October (cf. chart 5.5). At the beginning of November it reached a new peak. Amid reports of effective coronavirus vaccines, the franc initially lost over 1% in value on a nominal trade-weighted basis. The weaker US dollar subsequently made a significant contribution to a renewed trade-weighted appreciation, although the franc depreciated against the currencies of other trading partners. By mid-December, the nominal external value of the franc was around the same level as at the end of September.

Real external value still high
The real external value of the Swiss franc has changed little in recent months (cf. chart 5.6). The nominal external value reached new highs on the back of the vaccine announcement. However, the value of the franc in real terms was still slightly weaker than, for example, in 2015 after the discontinuation of the minimum exchange rate against the euro. Given that inflation was lower in Switzerland than in other countries, real appreciation was lower than nominal appreciation in recent years. In a longer-term comparison, the Swiss franc remains highly valued.

Chart 5.4

EXCHANGE RATES



Source: SNB

Chart 5.5

NOMINAL EXTERNAL VALUE OF SWISS FRANC

Index, September 2020 monetary policy assessment = 100

Source: SNB

Chart 5.6

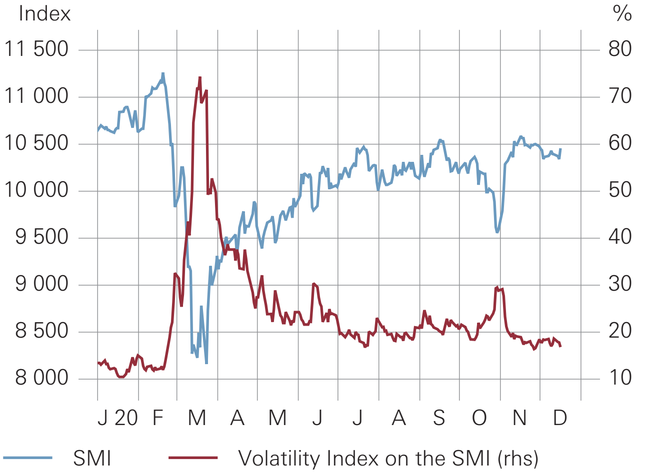
REAL EXTERNAL VALUE OF SWISS FRANC

Index, December 2000 = 100

Source: SNB

Chart 5.7

SHARE PRICES AND VOLATILITY



Sources: Bloomberg, Refinitiv Datastream

Chart 5.8

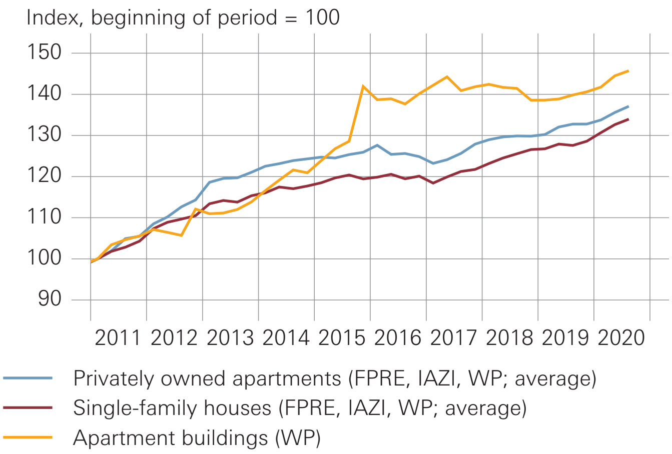
SELECTED SPI SECTORS

Source: Refinitiv Datastream

Chart 5.9

HOUSING TRANSACTION PRICES

Nominal (hedonic)



Sources: Fahrländer Partner Raumentwicklung (FPRE), IAZI, Wüest Partner (WP)

SHARE AND REAL ESTATE PRICES

Share price recovery curbed

In the quarter under review, share price movements were dominated by developments in connection with the coronavirus pandemic. In October, reports of the rising number of new infections led to a deterioration in financial market sentiment, which was reflected in significant share price falls worldwide. Announcements of successful vaccine tests triggered a marked countermovement; however, its momentum slowed in mid-November. In mid-December, the Swiss Market Index (SMI) was about 1% above the end-September level (cf. chart 5.7).

Market uncertainty still low

The volatility index derived from options on SMI futures contracts is an indicator of how investors gauge uncertainty on the stock market (cf. chart 5.7). The index rose significantly at the end of October, but fell again amid the widespread recovery of stock markets to levels recorded for much of the last few quarters.

Minor differences between sectoral indices

Chart 5.8 shows the movements of important sub-indices in the broad-based Swiss Performance Index (SPI). The positive news about coronavirus vaccines particularly benefited those industries whose share prices had come under strong pressure due to the pandemic. The sectoral differences in share price movements that had prevailed since the pandemic thus narrowed over the course of the quarter under review.

Continued growth in residential real estate prices

In the third quarter of 2020, transaction prices for residential real estate increased further (cf. chart 5.9). This applies to both prices of single-family houses and privately owned apartments and prices of apartment buildings. The residential real estate market therefore seems to have been only marginally affected by the coronavirus pandemic thus far. It is not possible to rule out the pandemic affecting this market in the future, however, as household and business income, among other things, may be impacted by the further course of the pandemic.

MONETARY AND CREDIT AGGREGATES

Slight rise in monetary base
The monetary base, which consists of banknotes in circulation and sight deposits of domestic banks held at the SNB, averaged CHF 728.5 billion in November 2020 (cf. chart 5.10), and was thus up CHF 10.6 billion on August.

Other sight deposits held at the SNB fell marginally in the last few months. Total sight deposits at the SNB increased slightly.

Broad monetary aggregates rise further
Growth rates for the broad monetary aggregates continued to trend upwards in recent months. In November, the M1 aggregate (currency in circulation, sight deposits and transaction accounts) was 8.1% above its year-back level (cf. table 5.1). In the same period, M2 (M1 plus savings deposits) grew by 5.2% and M3 (M2 plus time deposits) was up by 5.7%.

Lending growth slows slightly
Having risen in the first half of the year, bank lending (domestic bank offices, all currencies) declined from 4% to 3.5% in the third quarter of 2020 (cf. table 5.1).

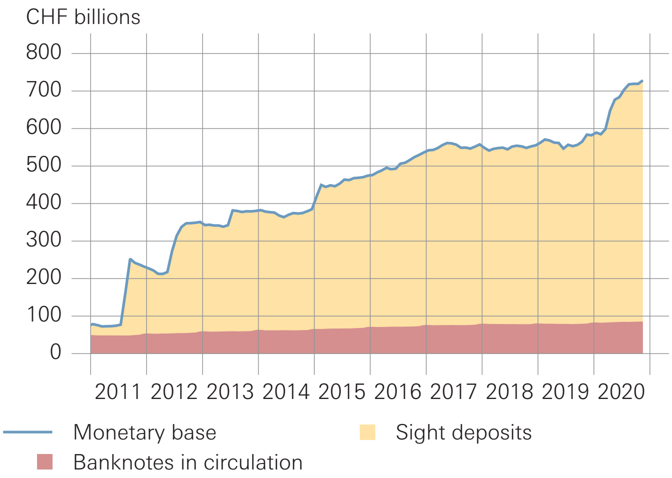
Banks' mortgage claims, which make up roughly 85% of all bank lending to domestic customers, were up 2.9% year-on-year in the third quarter (cf. chart 5.11). Demand for mortgages continued to be supported by low mortgage interest rates. The ten-year mortgage interest rate stood at 1.2% in October 2020, close to its all-time low.

Other loans are considerably more volatile than mortgage loans (cf. chart 5.12). They grew substantially in the first half of the year due to the joint and several guarantees programme introduced by the federal government. This increase in growth is primarily due to secured other loans, which include the COVID-19 bridging loans guaranteed by the federal government. This programme, which grants loans at exceptionally favourable conditions and with terms of five years (cf. 'Emergency corporate loans', Quarterly Bulletin 2/2020 June), has enabled around 135,000 companies – most of them small firms – to access liquidity (credit lines) totalling almost CHF 17 billion.

Following a sharp rise in March 2020, the volume of unsecured other loans declined significantly in the course of the second and third quarters. The current level is similar to what it was before the coronavirus pandemic.

Chart 5.10

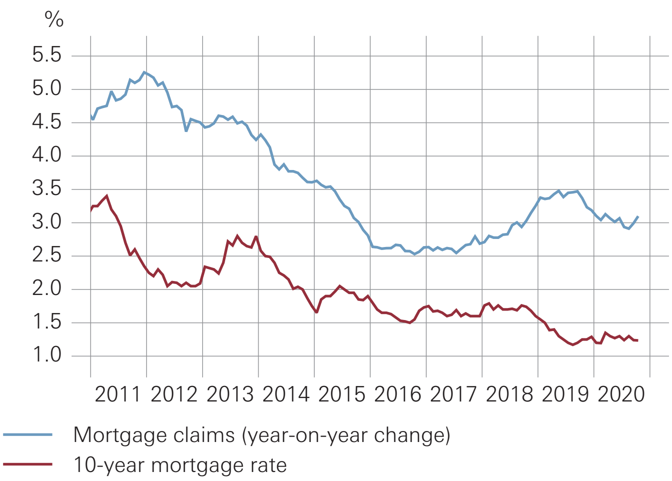
MONETARY BASE



Source: SNB

Chart 5.11

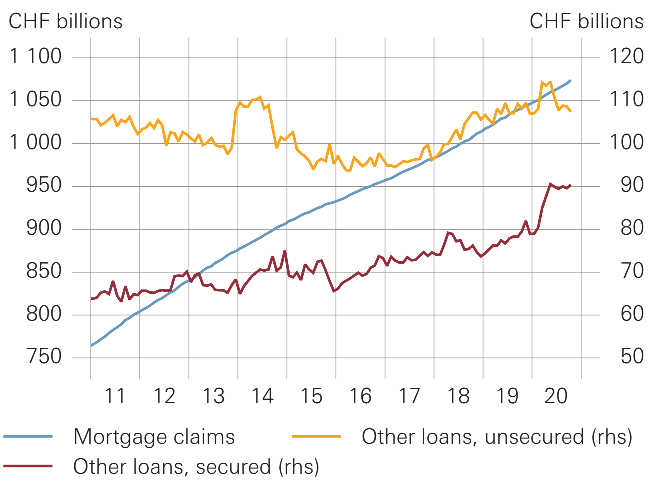
MORTGAGE CLAIMS AND INTEREST RATES



Source: SNB

Chart 5.12

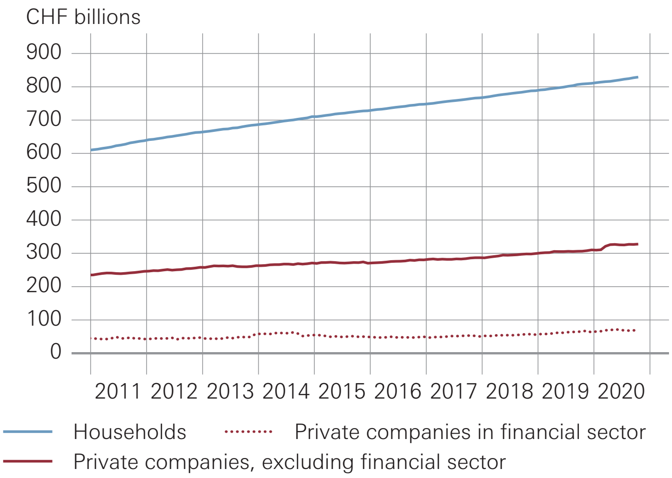
MORTGAGE CLAIMS AND OTHER LOANS



Source: SNB

Chart 5.13

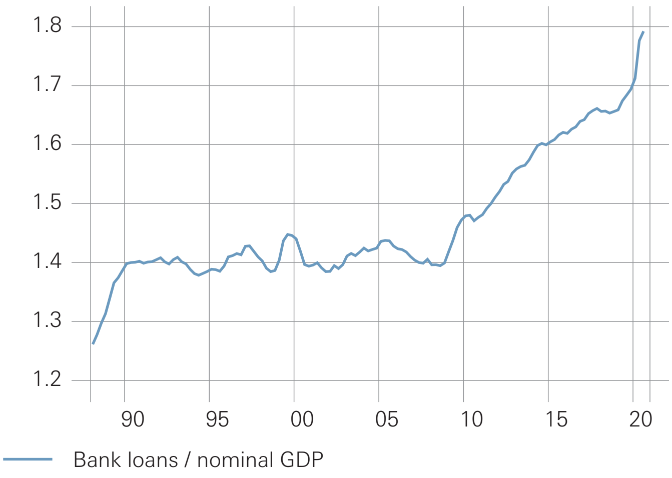
LOANS TO HOUSEHOLDS AND COMPANIES



Source: SNB

Chart 5.14

BANK LOANS RELATIVE TO GDP



Source: SNB

Lending growth by sector
Both households and non-financial companies have continued to benefit from favourable financing conditions. This was reflected in the ongoing steady rise in bank loans (mainly mortgage loans) extended to these two important customer groups (cf. chart 5.13).

At the end of October 2020, loans to households recorded a year-on-year increase of CHF 20.7 billion (2.6%) and loans to non-financial companies a rise of CHF 21.2 billion (6.9%). Loans to financial companies rose in the same period by CHF 3.9 billion (5.9%).

Rising loan ratio
The loan ratio – which is the ratio of bank loans to nominal GDP – was stable throughout the 1990s and up to the financial and economic crisis (cf. chart 5.14). Since 2008, bank lending has been growing at a faster rate than nominal GDP. This year, as a result of the coronavirus pandemic, the sharp decline in GDP coupled with the increase in credit volume contributed to a further substantial rise in the loan ratio.

Table 5.1

MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2019	2019	2020			2020		
		Q4	Q1	Q2	Q3	September	October	November
M1	**3.9**	**1.4**	**0.6**	**3.5**	**5.2**	**5.7**	**7.2**	**8.1**
M2	**2.7**	**0.9**	**–0.3**	**1.5**	**2.8**	**3.2**	**4.4**	**5.2**
M3	**2.9**	**1.4**	**0.5**	**2.5**	**4.0**	**4.2**	**5.5**	**5.7**
Bank loans, total [1, 3]	**3.4**	**3.3**	**3.5**	**4.0**	**3.5**	**3.4**	**3.5**	
Mortgage claims [1, 3]	3.4	3.3	3.1	3.0	2.9	3.0	3.1	
Households [2, 3]	2.8	2.8	2.7	2.6	2.6	2.6	2.7	
Private companies [2, 3]	5.3	4.8	4.3	4.4	4.1	4.2	4.6	
Other loans [1, 3]	3.6	3.8	5.7	9.4	6.5	5.7	5.4	
Secured [1, 3]	2.0	7.1	8.1	16.5	14.8	14.5	13.7	
Unsecured [1, 3]	4.8	1.4	3.9	4.4	0.6	–0.6	–0.7	

1 Monthly balance sheets (domestic bank offices, positions vis-à-vis domestic non-banks, all currencies).
2 Credit volume statistics (domestic bank offices, positions vis-à-vis domestic non-banks, all currencies).
3 Growth rates for the bank loans item and its components include information provided by banks on changes in their classification practices. Consequently, they may deviate from growth rates published on the SNB's data portal, data.snb.ch.

Source: SNB

Business cycle signals
Results of the SNBcompanytalks

Fourth quarter of 2020

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

The appraisals presented here are based on discussions between the SNB's delegates for regional economic relations and company managers throughout Switzerland. In its evaluation, the SNB aggregates and interprets the information received. A total of 242 company talks were conducted between 13 October and 30 November.

In light of the coronavirus crisis, the delegates addressed several additional issues, and asked specific questions on the liquidity situation and lending conditions (for more details, cf. page 32).

Regions	Delegates
Central Switzerland	Gregor Bäurle
Eastern Switzerland	Urs Schönholzer
Fribourg/Vaud/Valais	Aline Chabloz
Geneva/Jura/Neuchâtel	Jean-Marc Falter
Italian-speaking Switzerland	Fabio Bossi
Mittelland	Roland Scheurer
Northwestern Switzerland	Daniel Hanimann
Zurich	Fabian Schnell

Key points

- After the strong but only partial economic recovery in the summer, the fourth quarter has been marked by a renewed flare-up of the pandemic, with a corresponding loss of turnover in many industries.
- Real turnover, particularly in the services sector, is lower quarter-on-quarter; in manufacturing it is stable. Turnover in both these sectors is substantially lower year-on-year. The differences between industries, but also between companies, are bigger than usual.
- Production capacity and infrastructures are substantially underutilised, except in the construction sector. There has been a renewed increase in difficulties in the delivery of goods and services.
- Profit margins have again come under more pressure. Companies' liquidity situation is somewhat tighter than in the previous quarter.
- Staff numbers are seen as too high. Short-time working has enabled many companies to avoid redundancies so far. Even so, reductions in staff numbers are under way or are being considered.
- Companies anticipate a recovery to some extent in the coming quarters. However, uncertainty remains exceptionally high about developments going forward. The main concerns are the consequences of the second wave of infection and the indeterminate duration of the pandemic.

CURRENT SITUATION

Second wave of infection leads to renewed decline in output

After the strong but only partial economic recovery in the third quarter, the fourth quarter was marked by a renewed flare-up of the pandemic, with a corresponding decline in output.

The fact that cases of infection were more widespread was also clearly apparent in the talks with companies, which reported that they were more often affected by employees being ill or having to quarantine than in the previous quarters. Government-imposed closures and other restrictions were again more frequent, although there were big differences from region to region. Many companies were again increasingly making use of homeworking and dividing teams.

In the fourth quarter, real turnover was down quarter-on-quarter (cf. chart 1; for guidance on interpreting the charts, refer to the relevant section at the end of this report), and was also still significantly lower year-on-year. The services sector was hit particularly hard by this development. Turnover in manufacturing was stable by comparison with the previous quarter. Real turnover in construction was higher on both a quarter-on-quarter and year-on-year basis.

As regards exports, business with China and other Asian countries is going well. Business with European countries, by contrast, was described as sluggish. Signals with regard to the US are very mixed, depending on the industry.

Demand for medtech products is a driver, as are demand from the defence industry and for pharmaceutical products. The civil aviation industry continues to face major problems, which is having an impact on all suppliers. Signals from the international automotive industry have improved somewhat.

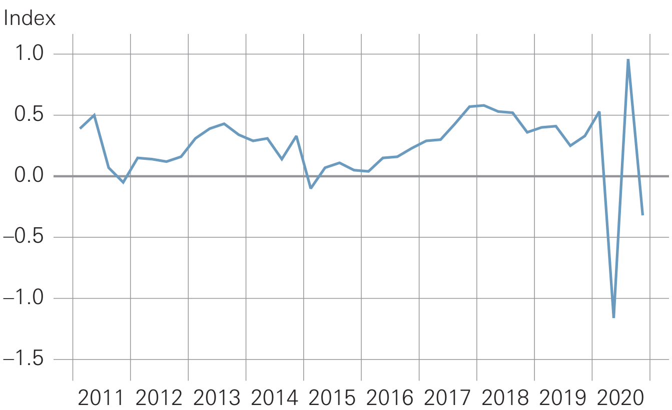
The assessment of the overall effect of the coronavirus crisis so far is slightly more negative than last quarter, with around 75% of companies saying in Q4 that they had been negatively affected by the pandemic, most of them clearly so (cf. chart 2). Of the companies surveyed, 12% reported a positive impact, and 13% said the positive and negative effects had cancelled each other out or that the pandemic had had no tangible impact.

Production capacity remains underutilised

As a result of the coronavirus crisis, technical capacity in manufacturing and infrastructure in the services sector remain substantially underutilised (cf. chart 3). Underutilisation in the services sector has become more pronounced. The construction sector, by contrast, continues to report slight overutilisation.

Chart 1

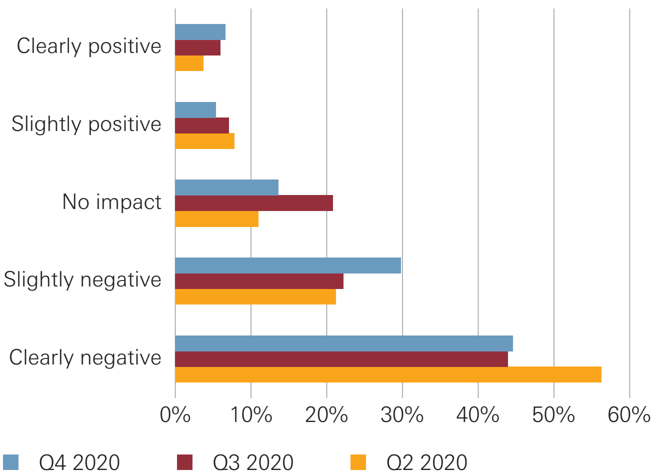
TURNOVER COMPARED TO PREVIOUS QUARTER



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

Chart 2

OVERALL EFFECT OF CORONAVIRUS CRISIS



Source: SNB

Slight procurement bottlenecks – sales obstacles discernible again
Of the companies surveyed, 77% said that they were not having difficulties procuring raw materials and intermediate products, which is comparable to the situation before the coronavirus crisis began. A minority of companies (18%) still report bottlenecks and delays in deliveries from suppliers. There were frequent mentions of problems with supply from Italy in particular.

Problems with regard to sales have again become more pronounced: 37% of the companies reported difficulties in delivering their products and services as usual. While the situation is not as serious as in the second quarter, it is much more problematic than in the third quarter. The main reasons given were compliance with precautionary measures and travel restrictions, but also business closures.

Staff levels too high
In many cases personnel resources are substantially underutilised. Over 40% of the companies view their staff levels as too high. Against this backdrop, short-time working remains an important instrument in reducing wage costs. Added to this, people leaving on account of natural turnover are as a rule not being replaced, and staff are using up their overtime and accrued holidays. Companies want to avoid redundancies for as long as possible. However, redundancies are already under way or increasingly unavoidable at companies that have been persistently and strongly affected.

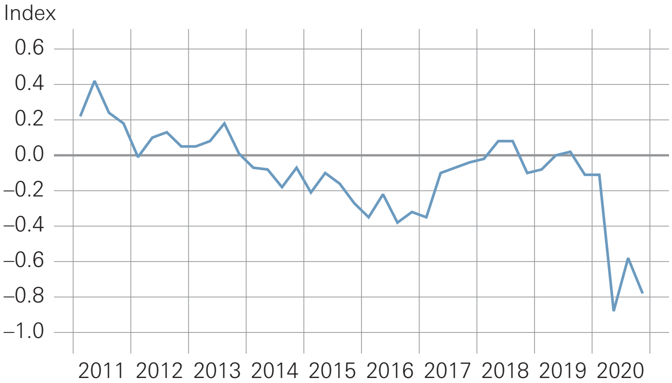
Hiring significantly easier
Companies that have been looking for new staff often reported a high number of responses to job advertisements as well as many unsolicited applications. Hiring is said to be significantly easier than is normally the case. The representatives also noted that the quality of applicants and the degree of flexibility they are prepared to offer were higher than average.

There are more specialists available again on the labour market, but they remain in strong demand in the areas of IT, engineering and construction site management.

Growing pressure on profit margins
The pressure on profit margins has increased. In all three sectors – manufacturing, services and construction – profit margins are viewed as being lower than usual. There was thus a marked increase once again in the percentage of companies having to contend with margins that are not at a sustainable level. This is despite their having implemented measures such as introducing short-time working, investment freezes and cost reductions. There are still very large differences between industries and from company to company.

Chart 3

CAPACITY UTILISATION



Current utilisation of technical capacity / business infrastructure compared to a normal level. A positive (negative) index value signals utilisation is higher (lower) than normal.
Source: SNB

Liquidity situation and lending conditions
Since the outbreak of the coronavirus crisis, securing sufficient liquidity has been among the most pressing challenges facing companies. The SNB has thus included additional questions on this issue in its company talks.

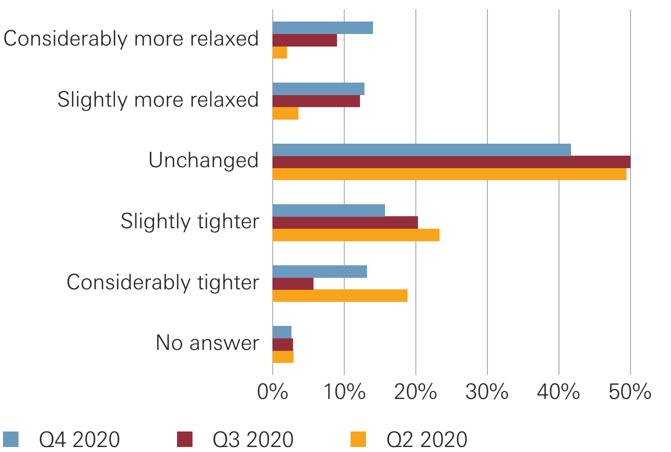
After a relaxation in the liquidity situation in the third quarter, a larger percentage of companies (28%) again view it as tighter than before the coronavirus crisis (cf. chart 4). However, the proportion of companies that see the situation as more relaxed than before the outbreak of the crisis has also increased. This greater heterogeneity is reflected in differences in the extent to which individual industries and companies have been affected by the second wave of infection.

The introduction of short-time working, the federal government's bridging loans and various other measures undertaken by companies to secure liquidity have had a stabilising effect. 40% of the representatives said their company's liquidity situation was unchanged (compared with just under 50% in the two previous quarters). A frequently used measure is strict accounts receivable management. Most companies report, often to their own surprise, that there have thus far been hardly any delays in payment on the part of their customers and practically no bad debt losses. However, towards the end of the period during which the talks were conducted, there were increasing fears of a growing deterioration in the accounts receivable situation in the months to come.

A significant proportion of representatives (34%) had the impression that the banks' lending conditions were 'normal' (cf. chart 5). Equal proportions of representatives characterised the banks' lending conditions either as having eased or become tighter (around 10% in each case). In some cases, the banks had approached their clients proactively to offer them further assistance, for example by allowing customers to suspend repayments. Companies who had been in contact with the banks generally found them very cooperative. 45% of the companies were unable to answer this question as they do not require loans or, if so, have not approached banks.

Chart 4

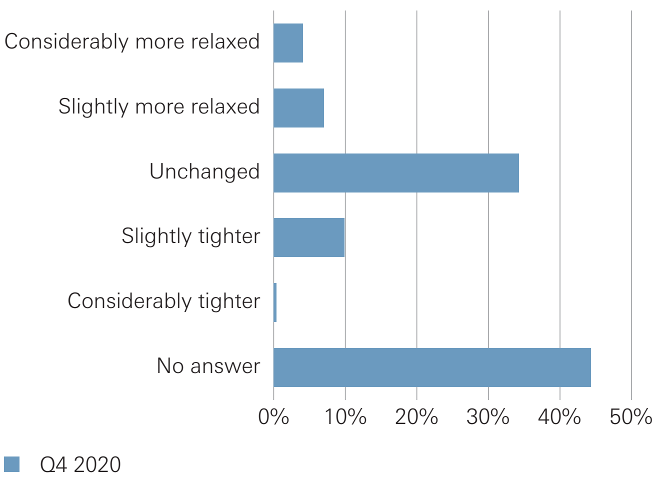
LIQUIDITY SITUATION
vs pre-COVID 19



Source: SNB

Chart 5

LENDING CONDITIONS



Source: SNB

DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

The renewed restrictions due to the pandemic have had a noticeable negative impact in the trade industry. Overall, real turnover showed a significant decline quarter-on-quarter, and was also lower on a year-on-year basis. The infrastructures of bricks-and-mortar retailers, particularly in non-food, have often been markedly underutilised. Online distribution channels, by contrast, have been heavily utilised and are seeing accelerated expansion wherever possible.

The tourism and hospitality industries have again been hard hit by the effects of the pandemic. Real turnover in these industries was significantly lower on both a quarter-on-quarter and a year-on-year basis. By contrast with the rather mixed situation in the third quarter, the effect is now being felt across the board, irrespective of region or target customers. Cross-border shopping has come to a virtual standstill. Industry representatives see a certain degree of risk in companies persisting with homeworking and videoconferencing for some time yet owing to travel restrictions, and that this could result in a decline in turnover.

Depending on the region, restaurants are having to remain closed or are generating only low turnover because of restrictive hygiene measures and the absence of larger events. Demand for lunch catering has also waned significantly. The fact that the high-margin Christmas meal business will be largely non-existent this year is also a matter of major concern for restaurateurs.

The entertainment and leisure industry, as well as conferences and trade fairs, are still among the segments most seriously affected by the pandemic. Most events have been cancelled or may no longer be held. Companies in these industries thus face a correspondingly serious situation as regards turnover, infrastructure utilisation and margins.

Business volumes at banks are still higher year-on-year and quarter-on-quarter. Favourable stock market developments and inflows of new money have been contributory factors. Margins are slightly above levels company representatives regard as normal. Infrastructure utilisation remains low. For this reason, various banks are further reducing their branch networks.

The ICT industry saw increases in real turnover both on a quarter-on-quarter and year-on-year basis. The main driver of demand is the need for fast, functioning and secure IT infrastructure. Business activity has been very favourable for companies operating in business consulting and for engineering and planning firms, where public infrastructure construction in particular has been a driver.

Healthcare companies have recorded a decline in turnover and utilisation, both quarter-on-quarter and year-on-year. This has to do with the fact that there have been renewed restrictions on non-urgent surgery and treatments, and also because fewer personnel are available for such procedures. Patients are also postponing surgery of their own accord. Margins are therefore substantially below the levels that would be considered normal.

Business in the manufacturing sector has varied widely from industry to industry. Activity has been particularly weak in the case of food manufacturers, owing primarily to a decline in catering industry sales. At the majority of mechanical engineering, electrical engineering and metals companies, real turnover was down slightly quarter on quarter, and substantially lower year on year. Production capacity is often underutilised, and margins are below the levels that would be considered normal. By contrast, business activity in the chemicals and pharmaceuticals industry was very dynamic, with correspondingly high levels of utilisation and large profit margins. Business activity was flat for precision instrument manufacturers and energy companies.

There is still a marked weakness in the case of suppliers to the aviation industry. However, there are signs of an upturn in the watchmaking industry and in the sections of the automotive industry geared to electric vehicles.

In construction, seasonally adjusted turnover was flat quarter-on-quarter, and business volumes are also stable by comparison with the same quarter in 2019. This applies to all three industries in the sector: building construction, civil engineering and the finishing trade. In all areas, the hygiene and distancing rules continue to curb productivity somewhat, which is putting pressure on margins. Companies' efforts to fill their order books are also putting pressure on prices.

When asked about the situation on the real estate market, many respondents raised the issue of rising vacancy rates for rental properties and the persistently high level of building activity.

OUTLOOK

Cautious optimism amid a very high level of uncertainty
Companies expect to see an increase in turnover – albeit from very low levels in some cases – in the coming two quarters, but in most cases not until spring (cf. chart 6). However, this assessment is subject to a very high level of uncertainty. There are also marked differences in outlook between the industries. The availability of a vaccine is a decisive factor in companies' assessment of various future scenarios.

The representatives anticipate a protracted difficult phase. Of the companies surveyed, 26% expect a return to pre-crisis levels in 2021, although most do not expect this to happen until the second half of the year. A substantial 24% of companies do not expect a return to pre-crisis levels until 2022 or even later (cf. chart 7). Just under half of the companies have returned to this level this year already or did not suffer any decline in turnover in the first place.

The representatives anticipate a slight increase in the utilisation of their technical capacity and infrastructure over the next two quarters (cf. chart 8), in line with higher turnover expectations. Individual companies anticipate 'catch-up' effects as their customers are likely to resume projects that had been postponed.

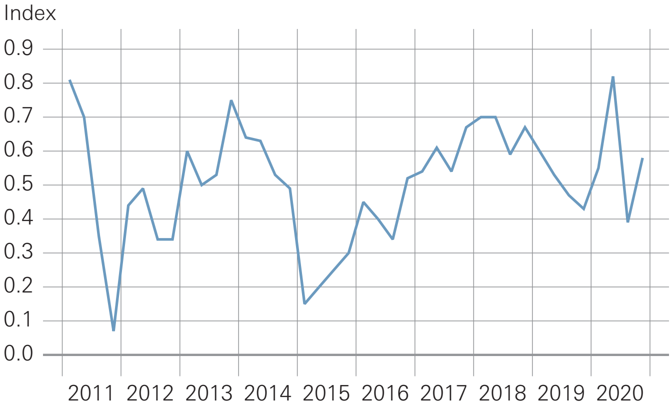
Slight rise in investment
Having remained very cautious with regard to investment so far this year, many companies are planning to increase spending somewhat in the next twelve months. They foresee a slight increase in expenditure on both construction and equipment.

Only 25% of the companies planning to invest said they intended to use their investment primarily to expand their production capacity. For the others the focus, if any, is on investment to meet replacement and modernisation needs. Most investment projects are aimed at increasing efficiency as well as at expanding and modernising IT.

Stable purchase prices – slightly declining sales prices
Representatives anticipate stable purchase prices for the next two quarters. As regards sales prices, the services sector in particular expects to see a slight decline. The goal here is often customer acquisition/retention in a highly competitive environment.

Chart 6

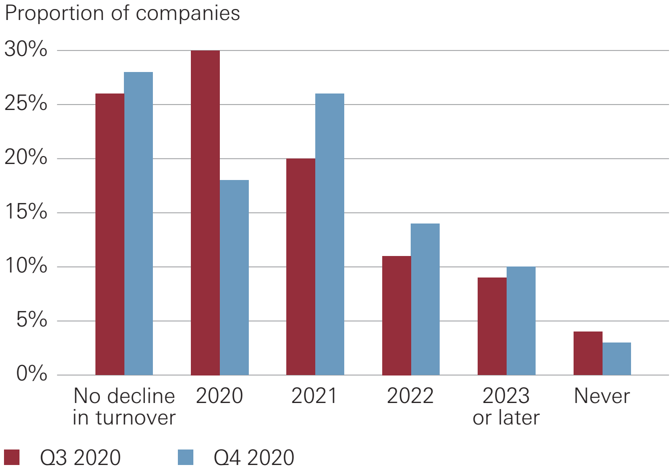
EXPECTED TURNOVER



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

Chart 7

RETURN TO PRE-CRISIS TURNOVER LEVELS



Source: SNB

Planned reduction in staff numbers
Representatives in all three sectors said their companies still intended to slightly reduce staff numbers in the next two quarters (cf. chart 9).

These plans to cut back staff are most clearly prevalent in the travel industry, the mechanical engineering, electrical engineering and metals industries, in hospitality and in banking. By contrast, the following industries intend to increase staff numbers: chemicals, pharmaceuticals, ICT, auditing, consulting and architecture firms, and healthcare.

On the basis of the responses given, companies plan to increase wages by an average of 0.5% in the coming year, mostly by way of performance-related wage rises or structural adjustments. Given the difficult situation at present, companies see little scope for substantial wage increases.

ENVIRONMENT AND RISKS

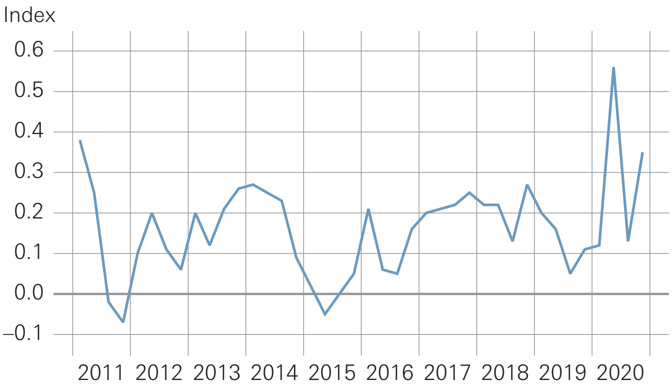
Uncertainty remains extraordinarily high on account of coronavirus. Although a second wave of infection had been expected, some companies had underestimated its scale and effects. The biggest unknown is the indeterminate duration of the pandemic and the related restrictions. There are also fears of a continued rise in unemployment and protracted weakness in economic growth. An increase in bankruptcies is seen as a threat, but occasionally also as an opportunity to expand the company's own field of business.

Companies appreciate the stability of the Swiss franc against the euro. The US dollar's volatile price and tendency to weakness were frequently mentioned. In light of the potential for inflation, the representatives are keeping a critical eye on the ultra-loose monetary policy around the world. The independence of the SNB is important to the representatives.

The widespread use of working from home has accelerated efforts to digitalise, and is prompting companies to think about their future office space requirements. The impact of homeworking on efficiency and corporate culture is the subject of increasing debate.

Chart 8

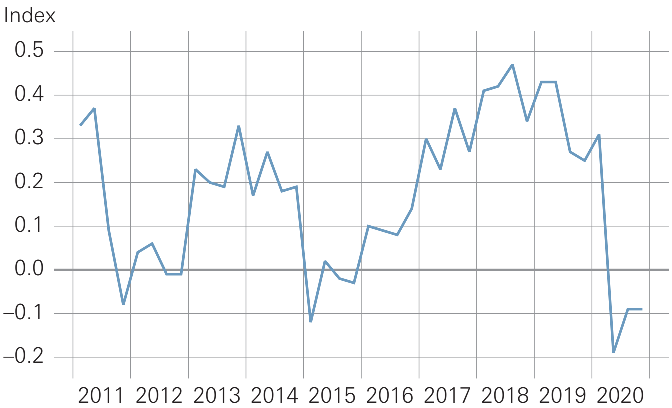
EXPECTED CAPACITY UTILISATION



Expected developments in utilisation of technical capacity / business infrastructure over the coming two quarters. Positive (negative) index values indicate utilisation is expected to be higher (lower).
Source: SNB

Chart 9

EXPECTED EMPLOYMENT



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

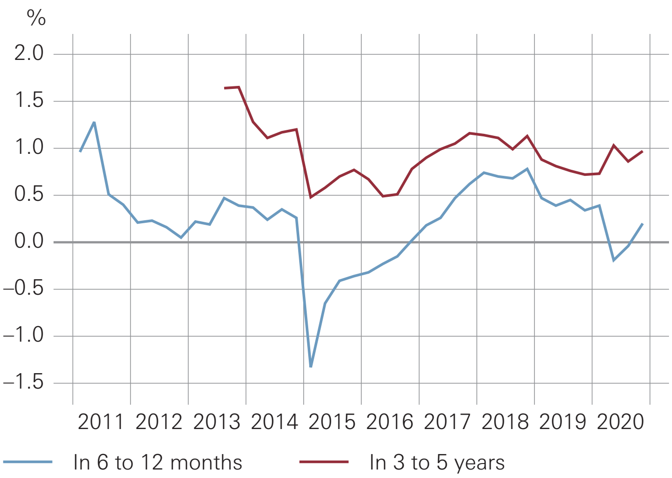
INFLATION EXPECTATIONS

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

There has been a slight increase in short-term inflation expectations as measured in terms of the consumer price index. The average for the next six to twelve months (blue line in chart 10) is 0.2%, compared to 0% in the previous quarter. Over the longer term – i.e. with a time horizon of three to five years (red line in chart) – the average has remained stable at around 1% (0.9% in the third quarter).

Chart 10

EXPECTED INFLATION



Source: SNB

About this report

Approach

Each quarter, the SNB's delegates for regional economic relations hold talks with managers of companies throughout Switzerland. The main results of these discussions are summarised in the 'Business cycle signals' report.

Approximately 240 companies are visited every quarter. 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 the public sector and agriculture are not taken into consideration. Different companies are visited from one quarter to the next.

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 information received according to a numeric scale. This enables the results to be aggregated and represented graphically.

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).

Interpreting the charts

The charts are to be regarded as a numeric summary of the qualitative information received. The index value shown represents the average of the findings from all companies visited. When interpreting the curves, particular relevance should be attached to their overall development, rather than to their numeric level or individual changes.

Additional information

Further information on the 'Business cycle signals' report is available at www.snb.ch, *The SNB*, *SNB regional network*.

Acknowledgements
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A
A. Boss & Co AG. A+B Bürsten-Technik AG. Aare Energie AG. AargauHotels.ch. ABB Schweiz AG. AbbVie AG. Abicht Gruppe. Accenture AG. Acer Europe SA. ACO Passavant AG. Actemium Schweiz AG. adesso Schweiz AG. Aeschlimann AG Décolletages. AF Toscano AG. AG Cilander. ag möbelfabrik horgenglarus. AGZ Ziegeleien AG. AHG Holding AG. AISA Automation Industrielle SA . Akris AG. Ala Trasporti SA. Albinati Aeronautics SA. Aldo Lepori SA Impresa Costruzioni. Allianz Suisse. Alltech Installationen AG. Alpex Pharma SA. Alpha Rheintal Bank AG. Alpha Solutions AG. Alpinamed AG. ALSO Schweiz AG. Alu Menziken AG. Aluminium Laufen AG. AMAC Aerospace Switzerland AG. AMAG Group AG. Amaudruz SA. Ameropa AG. Amici Caffè AG. AmPuls Marktforschung AG. Amstein+ Walthert Genève SA. Amstein SA. André Repond SA. Andrey Transports SA. Andritz Hydro AG. Angst + Pfister Gruppe. Anta Swiss AG. Antistress AG - Burgerstein Vitamine. Anybotics AG. APCO Technologies. Appenzeller Druckerei AG. Aptar Mezzovico SA. Aregger AG. Arnet Bau AG. Arosa Bergbahnen AG. ARU SA. Arvi SA. Asetronics AG. Autogrill Schweiz AG. Autors SA. Avaloq Evolution AG. AVS Systeme AG. AWK Group AG. Axa Schweiz. Axians Schweiz AG. Axpo Holding AG.

B
B. Bigler AG. B+S AG. Bacardi Tradall SA. Bachem AG. Bachmann AG Transporte Schweiz. Bachofen AG. Bad Horn Hotel & Spa. Bad Schinznach AG. Bain & Company Switzerland. Baker & McKenzie. Baloise Group. Baltensperger AG Hochbau Tiefbau Holzbau. Balti AG. Bamix Gruppe. Banca Credinvest SA. Banca del Sempione. Banca dello Stato del Cantone Ticino. Bank Avera. Bank J. Safra Sarasin. Bank Julius Bär & Co AG. Bank Vontobel AG. Banque Audi (Suisse) SA. Banque Bonhôte & Cie SA. Banque Cantonale de Fribourg. Banque Cantonale du Jura. Banque Cantonale Neuchâteloise. Barclays Bank (Suisse) SA. BASF Schweiz AG. Basilea Pharmaceutica AG. Batmaid. Baugeschäft Bärlocher AG. Bauhaus Fachcentren AG. Baumann & Cie, Banquiers. Baumann Electro AG. Baumann Federn AG. Bayer Schweiz. bbv Software Services AG. BDO AG. Beau-Rivage Palace. Beck Glatz Confiseur AG. Belimo Holding AG. Belimport SA. Bemore Holding SA. Berest AG. Bergbahnen Beckenried-Emmetten AG. Bergbahnen Engelberg-Trübsee-Titlis AG. Bergeon SA. Berlinger Group. Bernafon AG. Berndorf Luzern AG. Berner Kantonalbank AG. Bernerland Bank AG. Bernexpo AG. Berthod Transports SA. Bertoni Automobili SA. Bertschi Gruppe. Bewetec AG. Bezirks-Sparkasse Dielsdorf. Bibus AG. Bieri Tenta AG. Big Kaiser Präzisionswerkzeuge AG. Bindella Handwerksbetriebe AG. Bindella terra vite vita SA. Binelli Group. BioMedPartners AG. Birolini SA. Bischofszell Nahrungsmittel AG. BitHawk AG. BlackRock Asset Management Schweiz AG. BLKB. Blu Service Star SA. BMF Group AG. Bobst Group SA. Body'Minute. Bolliger & Tanzi SA. bonacasa AG. Bossard Holding AG. Bossi & Bersani SA. Bottomline Technologies. bpp Ingenieure AG. Brand Automobile AG. Bruderer Bau AG. Brugg Group AG. Brunschwig & Cie SA. BSB + Partner Ingenieure und Planer AG. BSI Software. Bucher Industries AG. Bucher Leichtbau AG. Bucher Travel Inc. Büchi Labortechnik AG. BVZ Holding AG (Gornergrat Bahn AG, Zermatt). Bystronic Laser AG.

C
C. Vanoli Generalunternehmung AG. Cabiancardi SA. Cafina AG. Capi Ombre Sàrl. Caprez Ingenieure AG. Caran d'Ache. Cargill International SA. Carthesio SA. Cäsar Bay AG. Casino du Lac Meyrin SA. Casinotheater Winterthur. Casram SA. Caterpillar Sàrl. Caviar House & Prunier Group SA. Cendres + Métaux SA. Cetra Alimentari SA. Challande & Fils SA. Chemspeed Technologies AG. Chopard & Cie SA. Chris Sports AG. Christian Cavegn AG. Christian Waldburger AG. CI Tech Sensors AG. Cilag AG. CKW AG. Clariant International AG. Clarins SA. Clientis EB Entlebucher Bank. Climeworks AG. Clinica Luganese Moncucco SA. Clinica Sant'Anna. Codan Argus AG. Coltène Holding AG. Comfone AG. Compagnie financière tradition SA. Composites Busch SA. Confiserie Al Porto. Confiserie Christian Boillat. Confiserie Sprüngli AG. Congress Centre Kursaal Interlaken AG. Connect Com AG. Construction Perret SA. Continental Suisse SA. Coop. Corti Spleiss Gruppe. Covestro International SA. Creabeton Matériaux SA. Crealogix AG. Credit Suisse AG. Cross Systems SA. CSC Impresa di costruzione SA. CSL Behring AG. CV VC AG. CWS-boco Suisse SA.

D
Darest Informatic SA. das team ag. Dasis AG. Datalynx Group AG. Dätwyler Holding AG. DAW Schweiz AG. De Ligno AG. De Sede AG. Debiopharm Research & Manufacturing SA. Decathlon Sports Switzerland SA. Décovi SA. Dell Technologies. Della Santa AG Transporte. Deloitte AG. Deltasteel SA. Dénériaz SA. DER Touristik Suisse AG. Detech SA.

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E
EAO Group. easyJet Switzerland SA. Eberhard Unternehmungen. Eberli AG. ebi-pharm ag. EBP Schweiz AG. Ecofin-Gruppe. Ed. Vetter AG. Edmond de Rothschild (Suisse) SA. Eduardo Leemann Sàrl. Edwards Lifesciences SA. EFG Bank AG. EFSA SA. Elektrizitäts werk Altdorf AG. Elektro Compagnoni AG. Elektro-Material AG. Elia Colombi SA. Emaform AG. Emch+ Berger AG Bern. Emil Frey Holding AG. Emile Egger & Cie SA. Emme SA. emmental versicherung. Emmi Schweiz AG. EnAlpin AG. Endress + Hauser Management AG. Energie Thun AG. enerpeak AG. Engadiner Kraftwerke AG. Engelberger Druck AG. Enotrac AG. Erne Gruppe. Ernst & Young AG. Ernst Frey AG. Ernst Schweizer AG. Espace Real Estate AG. Essemtec AG. Etablissement Cantonal d'Assurance du canton de Vaud. Etablissement cantonal d'assurance des bâtiments ECAB. Etavis AG. Eugen Seitz AG. Euro-Airport Basel, Mulhouse. EVZ Gastro AG. Exten SA.

F
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G
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H
Habegger AG. Haecky Gruppe. Hans Eberle AG. Hans Eisenring AG. Hänseler AG. Hasler Transport AG. HASTAG St. Gallen Bau AG. Hatebur Umformmaschinen AG. Hector Egger Holzbau AG. Heimatt Gruppe. Heimbach Switzerland AG. Heineken Switzerland AG. HeiQ Materials AG. Heizmann AG. Helbling Holding AG. Helen of Troy. Heli TV SA. Helsana Versicherungen AG. Henri Harsch HH SA. Henri Schaller SA. Hero AG. Herzog Elmiger AG. Hess & Co AG. Heule Werkzeug AG. Hidrostal AG. Hinni AG. Hirsch (Schweiz) AG. Hirslanden AG. Hodel & Partner AG. Hoffmann Neopac AG. Holcim (Schweiz) AG, Zementwerk Untervaz. Holdigaz SA. Homburger AG. Hornbach Baumarkt (Schweiz) AG. hostettler group. Hotel Astoria Luzern. Hotel Baur au Lac. Hotel Bellevue Palace AG. Hotel Belvédère AG. Hotel Belvoir Rüschlikon AG. Hotel Bernensis AG. Hôtel Cailler. Hotel Cascada AG. Hôtel de la Paix Lausanne. Hotel des Balances. Hotel Geranio au Lac. Hotel Giardino Ascona. Hotel Internazionale Bellinzona. Hotel Lenkerhof AG. Hotel Lido Seegarten. Hotel Lugano Dante SA. Hôtel Ramada Encore Genève. Hotel Schweizerhof Flims. Hotel Schweizerhof Lenzerheide. Hotel Schweizerhof Luzern. Hotelleriesuisse. HP Gasser AG. HSBC Private Bank (Suisse) SA. Huber + Suhner AG. Hug Baustoffe AG. Hunkeler AG Paper Processing. Hunziker AG Thalwil. Hupac Intermodal SA. hydroplant.

I
IBC Insurance Broking & Consulting Holding SA. IBG Engineering AG. IBSA Institut Biochimique SA. Ideal-Tek SA. IFEC ingegneria SA. Iftest AG. IHS Markit Global Sàrl. IKEA AG. Ilapak International SA. IM Maggia Engineering SA. Imoberdorf AG. Incabloc SA. Incyte. Ineichen AG. INEOS Europe AG. inova Personal AG. InterCheese AG. Interfida Holding SA. Intesa Sanpaolo Private Bank (Suisse) Morval SA. Iseppi Frutta SA. Isobar Switzerland. its business AG. Itten + Brechbühl AG. IXM SA.

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K
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O
Oberson Abels SA. Obstberg AG. Obwaldner Kantonalbank. Odier Excursions SA. Officine Idroelettriche della Maggia SA. OLF SA. OLZ AG. Omya AG. Optiswiss AG. Optotune Switzerland AG. Orior AG. Oris SA. Oryx Energies SA. Otto Fischer.

P
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Q
Quickline Holding AG.

R
R. Nussbaum AG. Radio Basilisk. Radisson Blu Hotel Luzern. Raiffeisenbanken. Rainbow SA Servizi di sicurezza. Rapelli SA. Rapp Gruppe. RBC Schaublin. RDR architectes SA. Reasco AG. Regent Lighting AG. Regine Switzerland SA. Regio Energie Solothurn. Regiobank Solothurn AG. Regionalspital Emmental AG. Regionalverkehr Bern-Solothurn AG. Reitzel (Suisse) SA. Reka Schweizer Reisekasse. Rero AG. Restaurants Commercio-Piccadilly AG. Rex Articoli Tecnici SA. Rey AG Blechtechnik. Rhenus Alpina AG. Rhyner Logistik. Richard Mille SA. Richemont International SA. Ricola. Riedo Clima AG. Ringele AG. Riri SA. Rittal AG. RKB Europe SA. RLC Architekten AG. Rollomatic SA. Rollvis SA. Rosset & Cie. Ruch Metallbau AG. Ruckstuhl Elektrotech AG. RVA Associati SA. Rychiger AG. Rytz AG.

S
S. Facchinetti SA. S. Müller Holzbau AG. SA Vini Bée. Sabag Holding AG. Samaplast AG. Samsic Facility SA. Sanitas Krankenversicherungs AG. Sanofi-Aventis (Suisse) SA. Säntis Gastronomie AG. SAP (Schweiz) AG. Sara SA. Sarix SA. Sauter, Bachmann AG. Saviva AG. SB Saanen Bank AG. SBB Cargo International AG. SC Polissage SA. Scania Schweiz AG. Sécheron SA. Sefag Components AG. Sefar Holding AG. Sensirion AG. Sepp Fässler Gruppe Appenzell. Serto AG. Seven Gastro Group Ascona. SFI Switzerland SA. SFS Group AG. SGA Management SA. Shell (Switzerland) AG. Shiptec AG. Siegfried Holding AG. Silicom Group. Similor AG. Sintron-Polymec AG. Sisag AG. Sistag AG. Sitzplatz Schweiz AG. SIX Swiss Exchange AG. Sixt rent-a-car AG. Skan AG. Sketchin. Sky-Frame AG. SL & C Supercomm Langues & Communication Suisse SA. Smood SA. Socar Trading SA. Société Privée de Gérance SA. SoftwareONE AG. Sophia Genetics. Spaeter Ticino SA. Sparkasse Schwyz AG. Spirig AG. Spital STS AG. Spitalzentrum Biel AG. Spitex AemmePlus AG. Spitex Seeland AG. Sucafina SA. Successori di Eugenio Brughera SA. Sunrise Communications AG. Sunstar SA. Surfim SA. Sushi Mania SA. Sushi Shop Genève SA. Sushizen SA. Suteria Chocolata AG. SV Schweiz AG. Swarovski Gruppe. SWG, Grenchen. Swiss Helicopter Group AG. Swiss International Air Lines Ltd. Swiss Medical Network. Swiss Re Ltd. Swiss Risk & Care. Swiss TXT AG. Swisscom AG. Swissprinters AG. Swissquote Bank SA. SwissRoc SA. swisstulle AG. Sygma AG Liegenschaftenbetreuung. Sylvac SA. Symbios Orthopédie SA. Syngenta. Synlab Suisse SA. Syntax Übersetzungen AG.

SCH
Schaeppi Grundstücke Verwaltungen KG. Schaffhauser Kantonalbank. Schellenberg Wittmer. Schilliger Holz AG. Schilthornbahn AG. Schindler Aufzüge AG. Schlatter Industries AG. Schmolz + Bickenbach AG. Schneider & Schneider Architekten. Schöb AG. Schulthess Klinik. Schwab-Guillod AG. Schweiter Technologies AG. Schweizer Electronic AG. Schweizer Heimatwerk Genossenschaft. Schweizerische Bodenseeschifffahrts-gesellschaft AG. Schweizerische Hagel-Versicherungs-Gesellschaft. Schwob AG. Schwyzer Kantonalbank.

ST
Stahl Gerlafingen AG. Stalder AG. Stamm Bau AG. Starrag Group. Stettler Sapphire AG. Stewo International AG. Stöcklin Logistik AG. Storchen Zürich. Straumann Group. Streck Transport AG. Studer Innotec SA. stürmsfs ag.

T
T+R AG. TAG-Heuer. Tally Weijl. talsee AG. Tamborini Vini. Tamedia. Tapernoux SA. Team Television Event and Media Marketing AG. Tech Insta SA. Techniques Laser SA. Tecnopinz SA. Tekhne SA. Teknology SA. Tenconi SA. Tensol Rail SA. Terrani SA. TESA Technology. Thales Suisse SA. The Nail Company SA. Thermalp Les Bains d'Ovronnaz SA. Thermex SA. Thermoplan AG. Thomi + Co AG. Thommen Gastronomie AG. Thommen-Furler AG. Tior SA. TMR Transports de Martigny et Régions SA. TopCC AG. Tozzo Gruppe. Trafigura Holding GmbH. Trasfor SA. Treier AG. Treuhand- und Revisionsgesellschaft Mattig-Suter und Partner. Trisa AG. Truvag Treuhand AG. Tschantré AG. Tschuggen Grand Hotel. Tschümperlin & Co AG. TSM Compagnie d'Assurances. TTB Engineering SA. TUI Suisse. Tusa precision tools SA.

U
u-blox Holding AG. UBS AG. Ultra-Brag AG. Unico Data AG. United Grinding Group. Universitätsspital Basel. upc Schweiz GmbH. Urma AG Werkzeugfabrik. Urner Kantonalbank. Usines Métallurgiques de Vallorbe SA. USM U. Schärer Söhne AG. Uster Technologies AG. Utilis AG.

V
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W
W. Gassmann AG. W. Schneider + Co AG. W. Thommen AG. Wago Contact SA. Wander AG. Wandfluh AG. Wärtsilä Services Switzerland AG. Weidmann Holding AG. Weiss+Appetito Gruppe. Weisse Arena Gruppe. Weleda AG. Wesco AG. WIKA Schweiz AG. Wild & Küpfer AG. Winkler Livecom AG. winsun AG. Winterhalter + Fenner AG. Winterhalter Gastronom AG. Winterthur Gas & Diesel AG. Wirz Gruppe. Witschi Electronic AG. Wüest Partner AG. Wullschleger Martinenghi Manzini Holding SA. Wunderman Thompson Switzerland AG. Würth AG. WW (Switzerland) SA. WWZ Energie AG. Wyniger Gruppe.

Z
zahnarztzentrum.ch AG. Zehnder Group AG. ZFV-Unternehmungen. Zindel United. Zingg Transporte AG. Zucchetti Switzerland SA. Züger Frischkäse AG. Zuger Kantonalbank. Zugerland Verkehrsbetriebe AG. Zühlke. Zürcher Kunstgesellschaft. Zürcher Landbank AG. Zwahlen & Mayr SA. zweifel metall ag.

1
1875 Finance SA.

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.

December 2020

At its quarterly assessment of 17 December, the SNB leaves its policy rate and interest on sight deposits at the SNB at –0.75%, and in light of the highly valued Swiss franc remains willing to intervene more strongly in the foreign exchange market. In so doing, it takes the overall exchange rate situation into account. The SNB continues to supply the banking system with generous amounts of liquidity via the SNB COVID-19 refinancing facility. The SNB's expansionary monetary policy provides favourable financing conditions, counters upward pressure on the Swiss franc, and contributes to an appropriate supply of credit and liquidity to the economy.

September 2020

At its quarterly assessment of 24 September, the SNB leaves its policy rate and interest on sight deposits at the SNB at –0.75%, and in light of the highly valued Swiss franc remains willing to intervene more strongly in the foreign exchange market. In so doing, it takes the overall exchange rate situation into account. The SNB continues to supply the banking system with liquidity via the SNB COVID-19 refinancing facility (CRF). The SNB's expansionary monetary policy thus helps stabilise economic activity and price developments in Switzerland.

June 2020

At its quarterly assessment of 18 June, the SNB leaves its policy rate and interest on sight deposits at the SNB at –0.75%, and in light of the highly valued Swiss franc it remains willing to intervene more strongly in the foreign exchange market. In so doing, it takes the overall exchange rate situation into account. The SNB's expansionary monetary policy thus helps stabilise economic activity and price developments in Switzerland.

May 2020

On 11 May, the SNB announces that it will also accept claims secured by loan guarantees or credit default guarantees offered by cantons as collateral for the SNB COVID-19 refinancing facility, and that claims secured by joint and several guarantees provided for startups by the federal government in cooperation with the cantons will also be deemed eligible collateral.

March 2020

On 25 March, the SNB announces the introduction of the SNB COVID-19 refinancing facility. The CRF operates in conjunction with the federal government's guarantees for corporate loans. The facility allows banks to obtain liquidity from the SNB, which is secured by the federally guaranteed loans. The SNB thereby enables banks to expand their lending rapidly and on a large scale and, at the same time, to access the required liquidity. The interest rate for these refinancing transactions corresponds to the SNB policy rate. In addition, it proposes the deactivation of the countercyclical capital buffer.

At its quarterly assessment of 19 March, the SNB leaves its policy rate and the interest rate on sight deposits with the SNB at –0.75%. However, it increases the threshold factor from 25 to 30, thus raising the exemption threshold for the banking system. In so doing, the SNB strengthens the banks so that they can perform their key role in the economy. The SNB is intervening more strongly in the foreign exchange market. The Swiss franc is even more highly valued, and the world's financial markets are under strong pressure. Negative interest and the interventions serve to counteract the attractiveness of Swiss franc investments and thus ease pressure on the currency. In this way, the SNB stabilises price developments and supports economic activity.

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