



Quarterly Bulletin
4/2021 December

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



Quarterly Bulletin
4/2021 December

Volume 39

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Monetary policy report

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of December 2021

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 16 December 2021') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 16 December 2021. Unless otherwise stated, all rates of change from the previous period are based on seasonally adjusted data and are annualised.

Key points

- On 16 December 2021, the SNB decided to maintain its expansionary monetary policy. It kept the SNB policy rate at -0.75% and remained willing to intervene in the foreign exchange market as necessary. The conditional inflation forecast was slightly higher than in September.
- The economic recovery worldwide weakened somewhat in the third quarter. In its baseline scenario, the SNB assumes that despite the adverse developments regarding the coronavirus pandemic at present, the economic recovery will continue, albeit somewhat subdued. Inflation is higher in both the US and the euro area, but is likely to drop back again in the medium term.
- The Swiss economy continued its recovery. The SNB expects GDP growth of around 3.5% for 2021, and around 3% in 2022. Unemployment is likely to decline again somewhat, and the utilisation of production capacity is likely to continue to return to normal.
- Annual CPI inflation has been rising steadily since the beginning of the year, and stood at 1.5% in November. The increase was largely due to the rise in inflation for oil products. The inflation expectations derived from the surveys were within the range compatible with price stability across all time horizons.
- The Swiss franc remained highly valued, and appreciated in trade-weighted terms. Long-term interest rates fluctuated significantly, but remained roughly on a par with the previous quarter, whereas share prices reached all-time highs. The expansion of monetary and credit aggregates was still robust, and real estate prices continued to show strong growth.

1 Monetary policy decision of 16 December 2021

Swiss National Bank maintains expansionary monetary policy

The SNB is maintaining its expansionary monetary policy. It is thus ensuring price stability and supporting the Swiss economy in its recovery from the impact of the coronavirus pandemic. It is keeping the SNB policy rate and interest on sight deposits at the SNB at -0.75% , and remains willing to intervene in the foreign exchange market as necessary, in order to counter upward pressure on the Swiss franc. In so doing, it takes the overall currency situation into consideration. The Swiss franc remains highly valued.

The SNB's new conditional inflation forecast for 2021 and 2022 is slightly above that of September (cf. chart 1.1). This is primarily due to higher import prices, above all for oil products and for goods affected by global supply bottlenecks. In the longer term, the inflation forecast is virtually unchanged compared with September. The new forecast stands at 0.6% for 2021, 1.0% for 2022, and 0.6% for 2023 (cf. table 1.1). The conditional inflation forecast is based on the assumption that the SNB policy rate remains at -0.75% over the entire forecast horizon.

The coronavirus pandemic is continuing to shape the global economic situation. The economic recovery worldwide weakened somewhat in the third quarter due to waves of infection in certain areas and supply bottlenecks in various industries in the manufacturing sector. At the same time, inflation was unusually high in both the US and the euro area. In addition to supply chain problems, higher energy prices also played an important role in this respect.

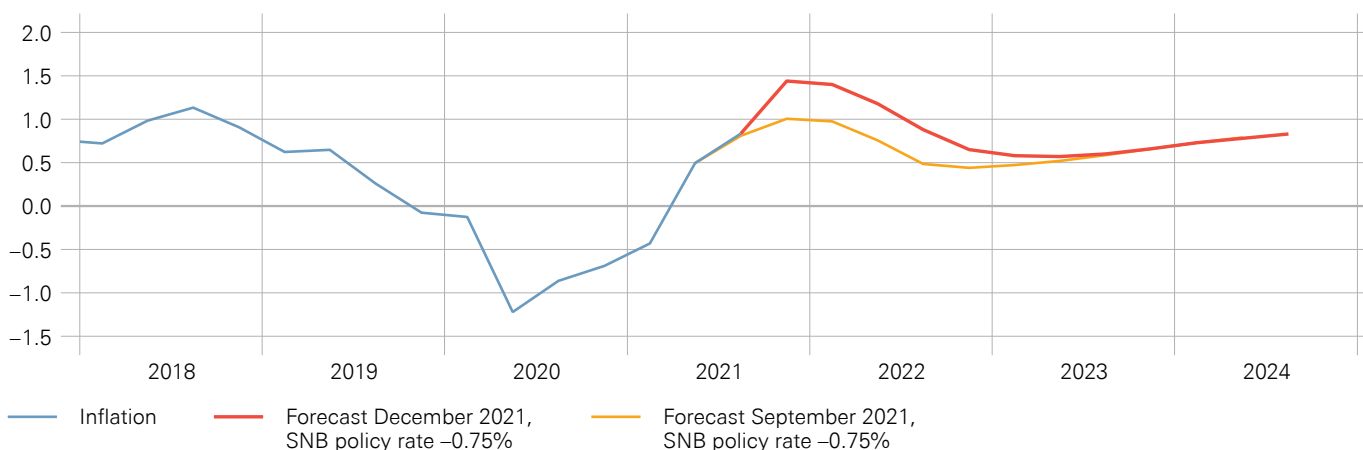
In its baseline scenario for the global economy, the SNB assumes that extensive containment measures will not have to be introduced again, this despite the adverse developments regarding the pandemic at present. The economic recovery should thus continue, albeit somewhat subdued. Supply bottlenecks are likely to persist for some time yet, leading to price increases for the goods concerned. This situation is likely to ease over the medium term, however, with inflation abroad dropping back to more moderate levels.

In Switzerland, the economic recovery has continued. There was a further robust increase in gross domestic product (GDP) in the third quarter, thus lifting it above its pre-crisis level for the first time. The situation on the labour market also continued to improve. GDP is likely to grow by around 3.5% this year. This is slightly stronger than the SNB had expected in September, the reason being that activity in certain service industries – such as hospitality – was more dynamic than was assumed at that time. That said, the economy has lost momentum again somewhat of late.

Chart 1.1

CONDITIONAL INFLATION FORECAST OF DECEMBER 2021

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



Source(s): SFSO, SNB

In its baseline scenario for Switzerland, the SNB anticipates a continuation of the economic recovery next year. This is based on the assumption that no measures will have to be introduced that would additionally impair economic activity. Against this backdrop, the SNB expects GDP growth of around 3% for 2022. Unemployment is likely to decline again somewhat, and the utilisation of production capacity should continue to return to normal.

The recent worsening of the pandemic situation has again increased the uncertainty with regard to the forecasts, both for Switzerland and abroad. Economic developments over the coming quarters will hinge on which additional containment measures are taken in the countries affected.

Mortgage lending and residential property prices have risen strongly in recent quarters. Overall, the vulnerability of the mortgage and real estate markets has increased further. The SNB regularly reassesses the need for the countercyclical capital buffer to be reactivated.

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 2021

	2018				2019				2020				2021				2018	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	0.7	1.0	1.1	0.9	0.6	0.6	0.3	-0.1	-0.1	-1.2	-0.9	-0.7	-0.4	0.5	0.8		0.9	0.4	-0.7

Source(s): SFSO

CONDITIONAL INFLATION FORECAST OF DECEMBER 2021

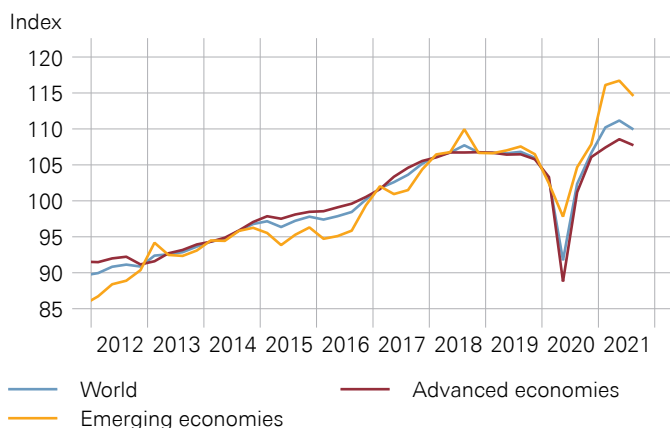
	2021				2022				2023				2024				2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast September 2021, SNB policy rate -0.75%			0.8	1.0	1.0	0.8	0.5	0.4	0.5	0.5	0.6	0.7	0.7	0.8			0.5	0.7	0.6
Forecast December 2021, SNB policy rate -0.75%				1.4	1.4	1.2	0.9	0.7	0.6	0.6	0.6	0.7	0.7	0.8	0.8		0.6	1.0	0.6

Source(s): SNB

Chart 2.1

GLOBAL GOODS TRADE

Average of depicted period = 100



Source(s): CPB Netherlands Bureau for Economic Policy Analysis, Refinitiv Datastream

2 Global economic environment

The coronavirus pandemic is continuing to shape the global economic situation. In the third quarter, GDP and employment were still below their pre-crisis levels in many countries, and new waves of infection are time and again impairing economic activity. Added to this, there are supply bottlenecks in various industries in the manufacturing sector. These are attributable to a strong recovery in demand for goods and to disruptions in international production chains. Against this backdrop, the global economic recovery slowed somewhat in the third quarter, and global trade declined, albeit from a high level (cf. chart 2.1). At the same time, inflation was unusually high in both the US and the euro area (cf. charts 2.10 and 2.11). This is above all attributable to the supply bottlenecks and higher energy prices. One-off effects, such as the recovery of prices that had fallen markedly in 2020 owing to the pandemic, are also contributing to the rise in inflation.

In its baseline scenario for the global economy, the SNB assumes that extensive containment measures will not have to be introduced again, this despite the adverse developments regarding the pandemic at present. The economic recovery should thus continue, albeit somewhat subdued. At the same time, the supply bottlenecks seen in various manufacturing industries are likely to persist a while longer, leading to price increases for the goods

Table 2.1

BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS

	2017	2018	2019	2020	Scenario	
					2021	2022
GDP, year-on-year change in percent						
Global ¹	3.8	3.6	2.8	-3.1	6.0	4.1
US	2.3	2.9	2.3	-3.4	5.5	4.4
Euro area	2.8	1.8	1.6	-6.5	5.1	3.8
Japan	1.7	0.6	-0.2	-4.5	1.8	4.0
China ²	7.0	6.7	5.9	2.2	8.0	5.2
Oil price in USD per barrel						
	54.3	71.0	64.3	41.8	71.7	84.0

¹ World aggregate as defined by the IMF, PPP-weighted.² The annual figures are based on seasonally adjusted data and can therefore differ slightly from the official annual figures.

Source(s): Refinitiv Datastream, SNB

concerned. However, as the supply bottlenecks ease and energy prices stabilise, and as various one-off effects abate, inflation abroad is likely to come down to more moderate levels in the course of the next year.

This scenario for the global economy is subject to high uncertainty, with risks on the upside and downside alike. On the one hand, there could be a renewed deterioration in the situation surrounding the pandemic, once again significantly impairing the economy. On the other hand, the economic policy measures introduced since the outbreak of the pandemic could support the recovery more strongly than anticipated in the baseline scenario. There is also heightened uncertainty about the development of inflation abroad at present.

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 84 per barrel, compared with USD 72 in the last baseline scenario, and an exchange rate of USD 1.16 to the euro compared with USD 1.18 previously. Both correspond to the 20-day average when the current baseline scenario was drawn up.

INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

Financial market sentiment has been mixed since the monetary policy assessment in September. Having temporarily attained new all-time highs on the back of good corporate results and favourable economic data, the MSCI World Index declined again following the emergence of a newly discovered coronavirus variant at the end of November. Overall, however, the index has recorded a slight increase compared to September. Moreover, owing to this new variant, the implied volatility of stocks as measured by option prices – e.g. the VIX in the US – recently rose again (cf. chart 2.2).

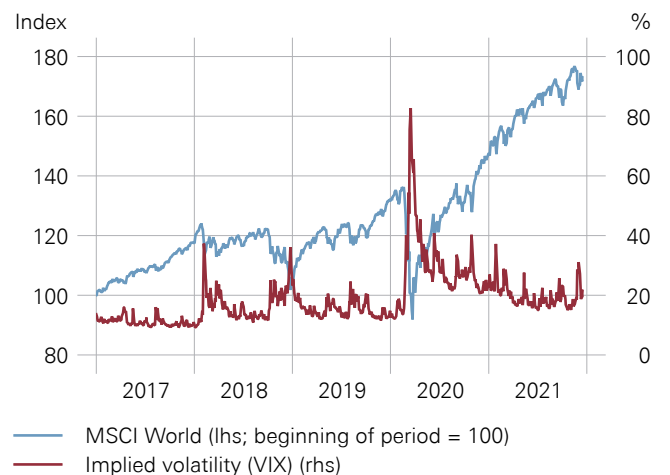
Inflation fears fuelled uncertainty about the global monetary policy outlook and led to a sharp rise in yields on short-term government bonds in advanced economies, particularly in the US. Meanwhile, yields on ten-year government bonds trended slightly lower (cf. charts 2.3 and 2.4).

The diverging monetary policy stances in advanced economies and the challenging pandemic situation in Europe also influenced movement in the foreign exchange market. In anticipation of an imminent tightening of monetary policy in the US, the dollar appreciated on a trade-weighted basis while the euro lost value in trade-weighted terms and the pound sterling and the yen weakened somewhat (cf. chart 2.5).

Having initially risen significantly, commodity prices declined again recently owing to renewed concerns about the economy. At mid-December, the oil price per barrel

Chart 2.2

STOCK MARKETS

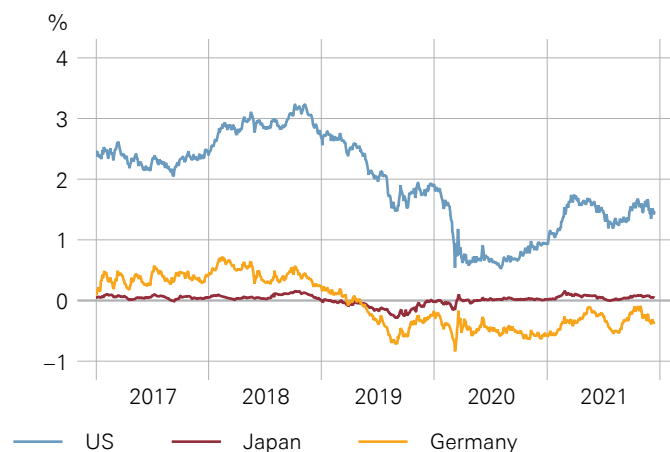


Source(s): Refinitiv Datastream

Chart 2.3

INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

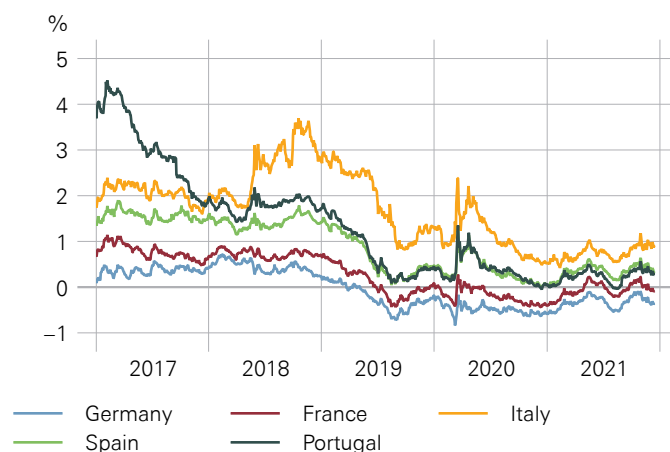


Source(s): Refinitiv Datastream

Chart 2.4

EUROPEAN LONG-TERM INTEREST RATES

10-year government instruments



Source(s): Refinitiv Datastream

Chart 2.5

EXCHANGE RATES

Trade-weighted

Index, beginning of period = 100



Source(s): Refinitiv Datastream

Chart 2.6

COMMODITY PRICES

Index, beginning of period = 100

USD/barrel



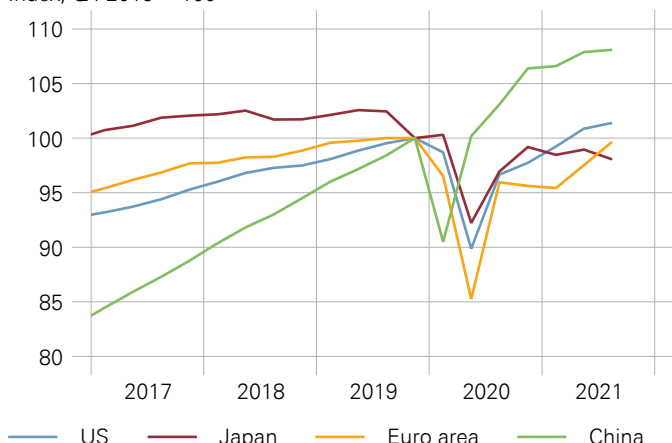
Commodities Industrial metals
Oil: Brent (rhs)

Source(s): Refinitiv Datastream

Chart 2.7

REAL GDP

Index, Q4 2019 = 100



US Japan Euro area China

Source(s): Refinitiv Datastream

was USD 74 per barrel, an approximate return to its level three months previously (cf. chart 2.6).

UNITED STATES

Following robust growth in the first half of the year, GDP in the US expanded by 2.1% in the third quarter (cf. chart 2.7). Renewed tension surrounding the pandemic situation as well as supply bottlenecks in manufacturing had a dampening effect on growth. Utilisation of overall production capacity remained below average in the third quarter. Employment figures persisted well below their pre-crisis levels and unemployment stood at 4.2% in November, compared with 3.5% before the pandemic (cf. chart 2.9).

According to monthly indicators, the economy recently picked up pace again. The services sector benefited from a temporary easing of the pandemic situation. Moreover, favourable financing conditions and positive fiscal policy stimuli supported economic activity. In November, the US Congress approved a further stimulus package, providing USD 550 billion (2.6% of GDP in 2020) in additional funding for infrastructure (including transportation, utilities and broadband). The SNB therefore expects GDP expansion for 2021 to be lower than it did in September, but to remain strong, at 5.5%. Its forecast for 2022 is unchanged at 4.4% (cf. table 2.1).

Consumer price inflation climbed further in recent months and stood at 6.8% in November (cf. chart 2.10). This was due not only to higher energy and food prices, but also to higher core inflation, which was 4.9% in November (cf. chart 2.11). The elevated level of core inflation is, on the one hand, a reflection of prices returning to normal after the sharp price drops recorded at the beginning of the pandemic in 2020. On the other, it is in response to a shortage of certain goods due to high demand and disruptions to supply chains. Core inflation as measured by the personal consumption expenditure deflator likewise rose and, at 5.0% in October, significantly exceeded the US Federal Reserve’s target.

In light of the substantial progress made with regard to its employment mandate and inflation target in November and December, the Fed reduced the pace of its net asset purchases and is planning to end them in March 2022.

It kept its target range for the federal funds rate unchanged at 0.0–0.25% (cf. chart 2.12). It intends to leave interest rates at their current level until the labour market has recovered from the crisis.

EURO AREA

In the third quarter, GDP in the euro area expanded by 9.1% and was only slightly below its pre-crisis level (cf. chart 2.7). The easing of coronavirus containment measures in the previous quarter supported the recovery in the services sector. Meanwhile, the global shortage of important intermediate products continued to slow industrial output. GDP grew in all the major member states. Employment figures in the euro area increased further in the third quarter and, at 7.3% in October, unemployment was back near its pre-pandemic level (cf. chart 2.9).

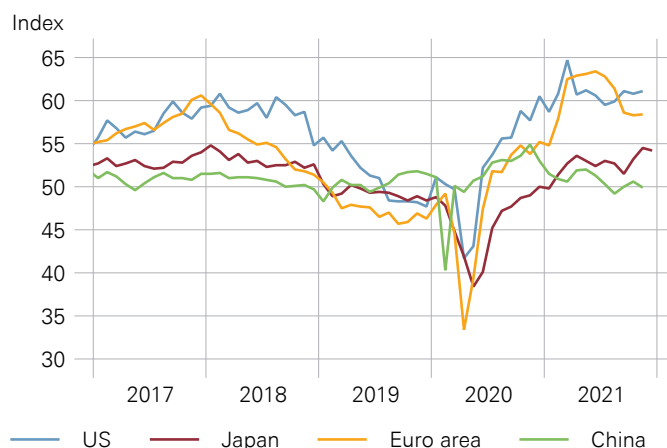
The economic recovery is likely to have slowed in the fourth quarter. This is due in part to the fact that the strong growth in the two preceding quarters was driven by the reopening of the economy. Furthermore, the rising infection rates in all the major euro area member states is likely to have affected the recovery in services. Thanks to progress in vaccination programmes, however, these developments have so far called for renewed strict lockdowns only in isolated cases. The SNB expects GDP growth of 5.1% for 2021 and 3.8% for 2022 (cf. table 2.1).

Driven by energy prices, consumer price inflation in the euro area advanced further in recent months and stood at 4.9% in November (cf. chart 2.10). Core inflation also picked up and was latterly 2.6% (cf. chart 2.11); this was particularly in response to the lifting of containment measures and the ongoing supply bottlenecks in manufacturing, which led to shortages of certain goods.

At its last meeting in December, the European Central Bank still regarded the current high level of inflation as temporary and left its key interest rates unchanged (cf. chart 2.12). It intends not to raise them at least until it sees inflation reaching 2% well ahead of the end of its projection period and durably for the rest of the projection horizon. The ECB decided to further reduce the pace of securities purchases under its pandemic emergency purchase programme (PEPP) and to discontinue net asset purchases as planned in March 2022. It intends to reinvest the principal payments from maturing securities until at least the end of 2024, an extension of one year. The ECB plans to continue with its regular asset purchase programme (APP) until shortly before it starts raising its key interest rates. The purchase pace is to be temporarily increased in the second and third quarters of 2022.

Chart 2.8

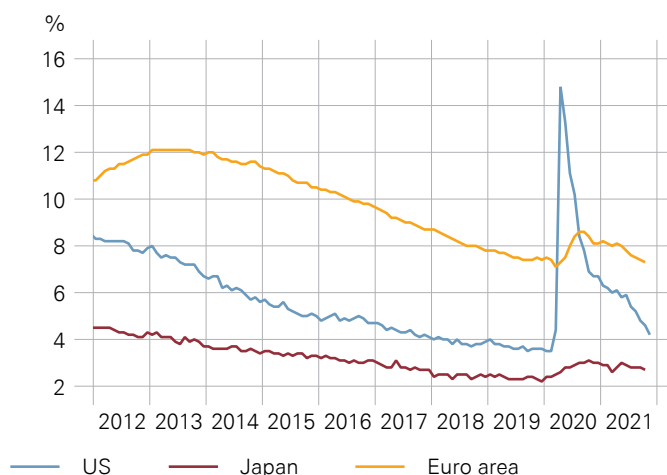
PURCHASING MANAGERS' INDICES (MANUFACTURING)



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

Chart 2.9

UNEMPLOYMENT RATES

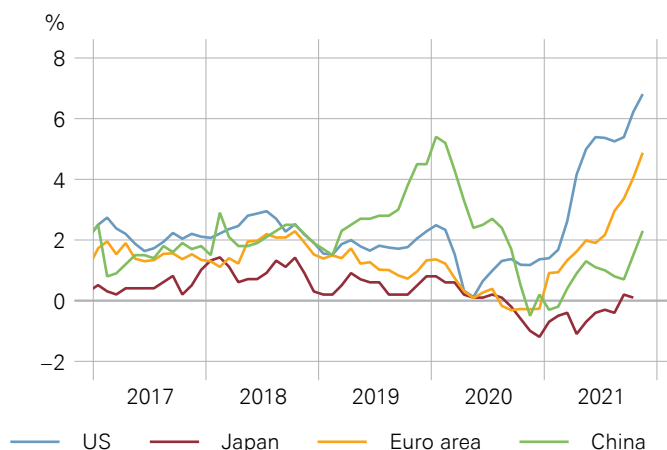


Source(s): Refinitiv Datastream

Chart 2.10

CONSUMER PRICES

Year-on-year change

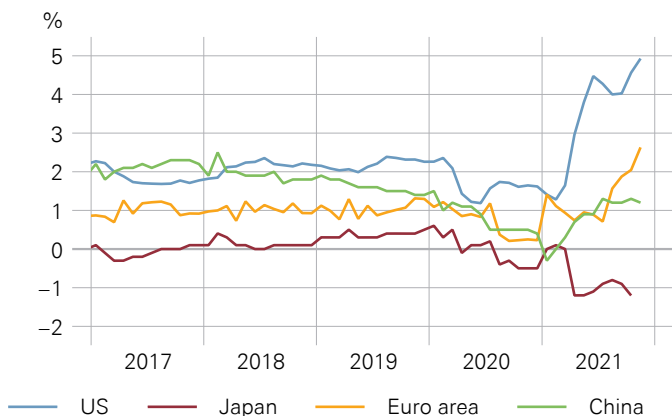


Source(s): Refinitiv Datastream

Chart 2.11

CORE INFLATION RATES ¹

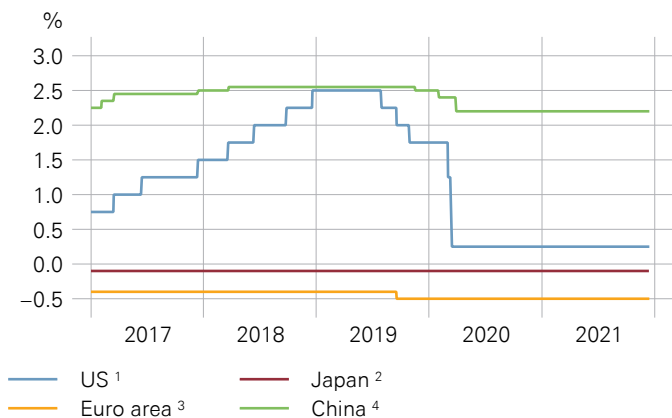
Year-on-year change



¹ Excluding food and energy
Source(s): Refinitiv Datastream

Chart 2.12

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(s): Refinitiv Datastream

JAPAN

GDP in Japan contracted by 3.6% in the third quarter, thus persisting below its pre-crisis level (cf. chart 2.7). This was mainly attributable to another pandemic wave and tightened containment measures as well as procurement problems in the automotive industry. As a result, private consumption, investment and exports receded. Employment figures and labour market participation likewise remained lower than before the pandemic. The unemployment rate stood at 2.7% in October (cf. chart 2.9).

The pandemic situation has eased since September, and the state of emergency declared in many prefectures in the third quarter was lifted at the end of September. Nevertheless, the procurement problems in the automotive industry continue to weigh on economic activity, as evidenced by the weak growth in industrial output and exports in October. However, surveys indicate that the business situation is showing signs of improvement in the fourth quarter. It is therefore likely that GDP will see a return to strong growth. The SNB now expects GDP expansion to be lower for 2021, at 1.8%, but anticipates more robust growth of 4.0% for 2022 (cf. table 2.1).

Fuelled by higher energy prices, consumer price inflation has hovered close to 0% in recent months (cf. chart 2.10). Core inflation, by contrast, has remained in negative territory since April and stood at -1.2% in October (cf. chart 2.11). This was mainly due to cuts in mobile communication charges.

The Bank of Japan left its targets under the yield curve control programme unchanged (cf. chart 2.12).

CHINA

China recorded weak GDP growth of 0.8% in the third quarter. This was attributable to power outages, delivery problems and adverse weather conditions, which weighed on activity in manufacturing and construction. The services sector, on the other hand, performed favourably overall, despite the isolated emergence of virus hotspots.

A number of factors are likely to hold back economic activity in the near future. These include deleveraging in the real estate sector, a temporary energy shortage and renewed virus hotspots in the individual provinces. Against this background, the government intends to continue supporting small and medium-sized enterprises through fiscal measures. The SNB has lowered its growth

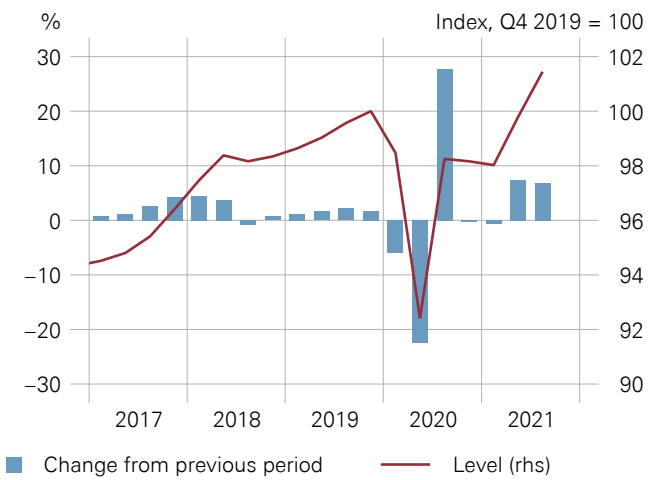
expectations for China, to 8.0% for 2021 and 5.2% for 2022 (cf. table 2.1).

Consumer price inflation rose to 2.3% in November, due in part to food and fuel prices (cf. chart 2.10). Core inflation was unchanged at 1.2% (cf. chart 2.11).

The People's Bank of China left key rates unchanged (cf. chart 2.12). However, in December, it further reduced the reserve requirement ratio for banks.

Chart 3.1

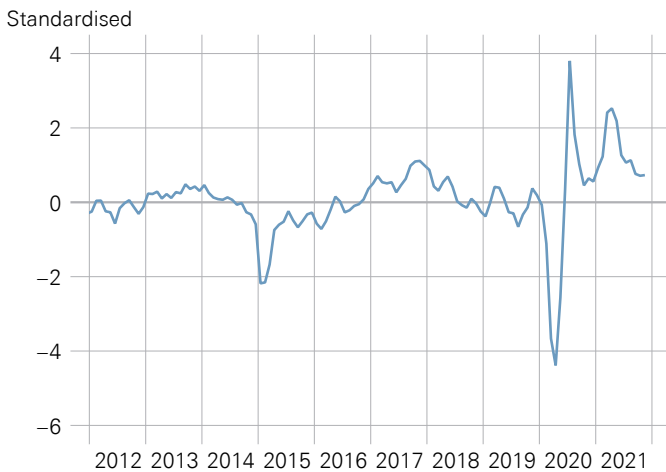
REAL GDP



Source(s): SECO

Chart 3.2

SNB BUSINESS CYCLE INDEX



Source(s): SNB

Chart 3.3

MANUFACTURING PMI AND KOF ECONOMIC BAROMETER



Source(s): Credit Suisse, KOF Swiss Economic Institute

3 Economic developments in Switzerland

In Switzerland, the economic recovery has continued. There was a further robust increase in GDP in the third quarter, and it thus exceeded its pre-crisis level for the first time. The situation on the labour market also continued to improve.

GDP is likely to grow by around 3.5% this year. This is slightly stronger than the SNB had expected in September, the reason being that activity in certain service industries – such as hospitality – was more dynamic. That said, the economy has lost momentum again somewhat of late. Supply bottlenecks are posing a challenge for Swiss companies, too, but have had little impact on economic growth thus far.

In its baseline scenario, the SNB anticipates a continuation of the economic recovery next year. This is based on the assumption that no pandemic containment measures will have to be introduced that would additionally impair economic activity.

Against this backdrop, the SNB expects GDP growth of around 3% for 2022. Unemployment is likely to decline again somewhat, and the utilisation of production capacity should continue to return to normal.

The forecast for Switzerland, as for the global economy, is subject to high uncertainty. Economic developments in the coming quarters will hinge on whether the pandemic situation worsens further and which additional containment measures are taken.

OUTPUT AND DEMAND

The SNB takes a wide range of information into account when assessing the economic situation. While these show that economic activity continued to recover at a robust pace in the third quarter, many indicators suggest that momentum has slowed of late.

Strong GDP growth in third quarter

According to the initial estimate by the State Secretariat for Economic Affairs (SECO), GDP grew by 6.8% in the third quarter, having risen strongly in the previous quarter. It thus exceeded its pre-crisis level of end-2019 for the first time (cf. chart 3.1).

Value added increased in many industries, especially in the services sector, which had been hard hit by the pandemic (e.g. hospitality). While a rise was also evident in manufacturing, a decrease in value added was recorded in the wholesale and retail trade segments as well as in financial services.

Private consumption again recorded robust growth, whereas investments declined and foreign trade made a negative contribution to GDP expansion (cf. table 3.1).

Slowdown in economic recovery

After the easing of containment measures and a certain degree of pent-up demand in the spring and summer had led to a strong upswing, various indicators suggest that the economic recovery has slowed in recent months.

The SNB's Business Cycle Index and the KOF Economic Barometer aim to depict overall economic momentum. Although both indicators have receded in the last few months, they continue to point to above-average expansion (cf. charts 3.2 and 3.3). In manufacturing, too, signals remain positive overall, despite a slowdown in momentum. While the purchasing managers' index (PMI) weakened somewhat in autumn, it still indicates sound growth in manufacturing (cf. chart 3.3). Similar signals came from goods exports.

Although procurement problems continue to be a source of concern for companies, they have so far not had a significant impact on overall economic activity. The talks held by the SNB's delegates for regional economic relations with companies suggest that developments will remain positive in the fourth quarter, despite the growing difficulties with the procurement of intermediate products (cf. 'Business cycle signals', pp. 28 et seq.).

Table 3.1

REAL GDP AND COMPONENTS

Growth rates on previous period in percent, annualised

	2017	2018	2019	2020	2019	2020					2021		
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Private consumption	1.2	0.7	1.4	-3.7	1.7	-10.8	-25.7	42.7	-6.2	-12.0	17.1	11.4	
Government consumption	0.6	1.0	0.7	3.5	2.9	4.6	4.0	0.4	11.1	3.5	17.3	-5.8	
Investment in fixed assets	3.6	1.3	0.6	-1.8	18.7	-13.0	-25.4	36.4	2.8	-3.8	8.8	-3.1	
Construction	1.5	0.0	-0.9	-0.4	2.5	1.5	-18.8	22.6	-0.6	0.2	1.0	0.5	
Equipment	4.9	2.1	1.4	-2.5	28.7	-20.0	-28.9	45.1	4.7	-6.0	13.4	-5.0	
Domestic final demand	1.8	0.9	1.1	-2.2	6.5	-9.6	-22.1	34.3	-1.5	-7.6	14.6	4.5	
Change in inventories ¹	-0.3	1.0	0.5	-0.9	-5.6	7.2	-7.6	-0.1	-2.1	2.8	-12.6	6.1	
Total exports ²	3.4	4.9	1.5	-5.6	-1.1	-10.3	-33.7	30.6	14.7	4.4	19.3	3.7	
Goods ²	5.3	4.4	3.4	-1.1	-2.5	-3.6	-25.7	40.7	0.0	11.8	14.7	9.4	
Goods excluding merchanting ²	5.8	4.4	4.9	-2.9	-1.9	5.8	-44.9	44.1	16.2	21.5	8.5	14.5	
Services	0.1	5.9	-2.3	-14.5	2.0	-22.6	-48.6	9.0	58.6	-10.8	30.7	-8.4	
Total imports ²	3.8	3.6	2.3	-8.0	-4.3	-1.8	-50.6	47.2	11.2	-2.3	8.3	13.0	
Goods ²	4.6	6.2	2.8	-6.2	-7.1	0.7	-45.2	54.5	0.3	4.7	-0.8	13.6	
Services	2.4	-0.7	1.4	-11.0	0.7	-6.0	-58.9	34.5	33.9	-13.5	26.0	12.1	
Net exports ³	0.3	1.1	-0.2	0.4	1.3	-4.9	4.3	-3.1	3.0	3.3	7.1	-3.4	
GDP	1.6	2.9	1.2	-2.4	1.7	-6.0	-22.4	27.8	-0.4	-0.6	7.4	6.8	

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).

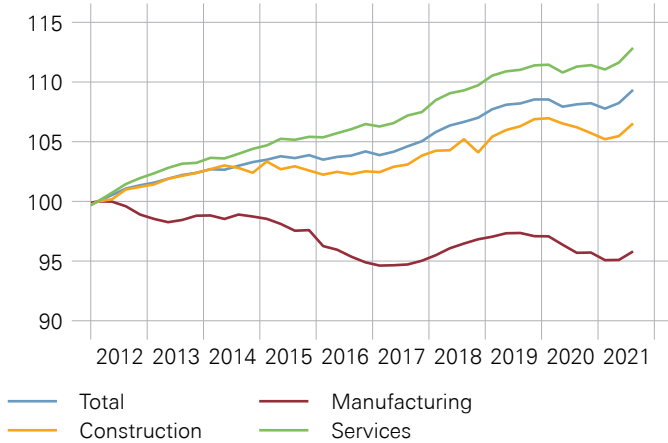
³ Contribution to growth in percentage points.

Source(s): SECO

Chart 3.4

FULL-TIME EQUIVALENT JOBS

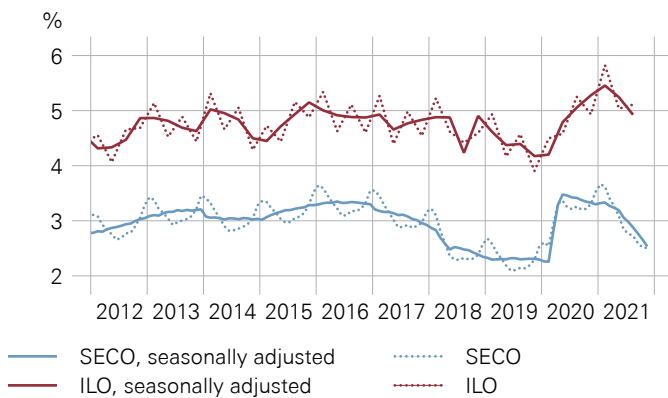
Index, beginning of period = 100



Source(s): SFSO; seasonal adjustment: SNB

Chart 3.5

UNEMPLOYMENT RATE

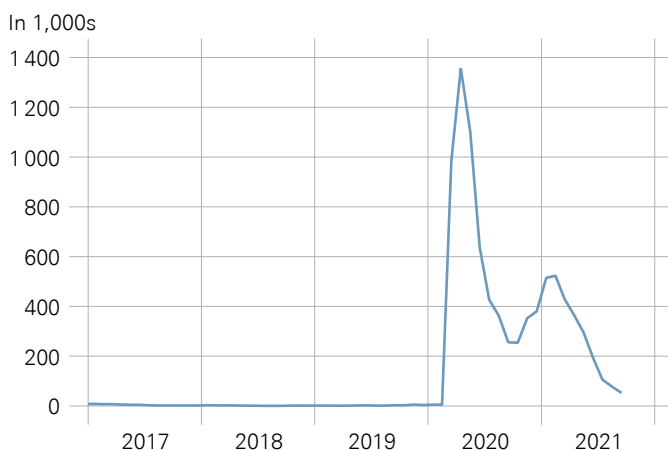


SECO: Unemployed persons registered with the regional employment offices, as a percentage of the labour force (economically active persons).
 ILO: Unemployment rate based on International Labour Organization definition.
 Source(s): SECO, SFSO

Chart 3.6

SHORT-TIME WORKING

Employees affected



Source(s): SECO

LABOUR MARKET

The ongoing recovery in economic activity was also reflected in the labour market.

Employment growth continues in third quarter

According to the national job statistics (JOBSTAT), the seasonally adjusted number of full-time equivalent positions rose further in the third quarter. New jobs were created in services, in particular, but also in construction and manufacturing (cf. chart 3.4). These statistics measure employment on the company side and are based on a survey of firms. The Employment Statistics (ES), on the other hand, measure the number of employed persons on the household side. They are based mainly on data provided by the Swiss Labour Force Survey (SLFS), a household survey conducted quarterly. According to the ES, the seasonally adjusted number of persons employed also rose in the third quarter.

Further decline in unemployment ...

The number of people registered as unemployed at the regional employment offices decreased further in recent months. Excluding seasonal fluctuations, 118,000 people were registered as unemployed at the end of November, 16,000 fewer than at the end of August. Meanwhile, the seasonally adjusted unemployment rate published by SECO stood at 2.5% at the end of November, which was only marginally above its pre-crisis level in February 2020. 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. These figures include people who are looking for work but are not registered, or are no longer registered, as unemployed with the regional employment offices, and are thus higher than the unemployment rate published by SECO. The seasonally adjusted unemployment rate decreased in the third quarter, to 4.9%, but was thus still above the pre-crisis level of 4.2% (cf. chart 3.5).

... and in short-time working

Short-time working also declined further. Provisional figures from SECO suggest that the number of people in short-time work fell by 141,000 to 53,000 between June and September (cf. chart 3.6). Thus, in September, around 1% of all economically active persons were still in short-time work.

CAPACITY UTILISATION

Negative output gap 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.

As economic activity continued to recover in the third quarter, so too did the utilisation of production capacity. Potential output as estimated by means of a production function shows an output gap of -0.5% for the third quarter. Other estimation methods, however, suggest the gap has closed (cf. chart 3.7).

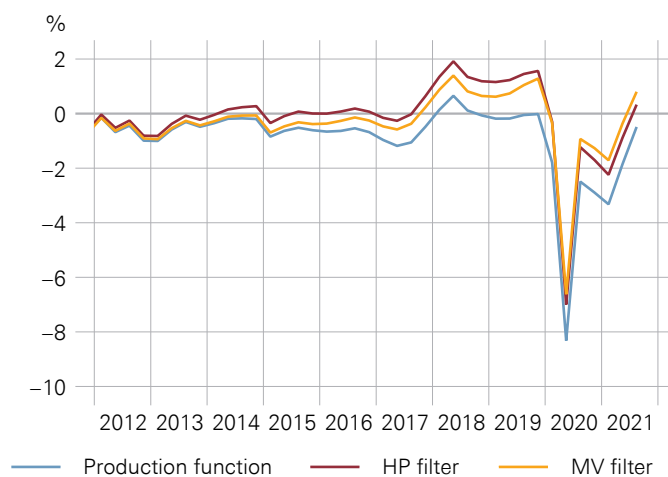
Underutilisation continues in some services industries

The surveys conducted by KOF among companies show that utilisation improved further in many industries in the third quarter. According to these surveys, utilisation of technical capacity was above its pre-crisis level in both manufacturing and construction (cf. charts 3.8 and 3.9). While technical capacity utilisation also improved in the services sector overall, it remained below pre-pandemic levels in some industries, the hotel trade in particular.

As regards the labour situation, the majority of companies indicated that staff utilisation increased further in the third quarter. In numerous industries, staff levels are now no longer deemed to be too high. Indeed, in construction, levels are already considered to be on the low side.

Chart 3.7

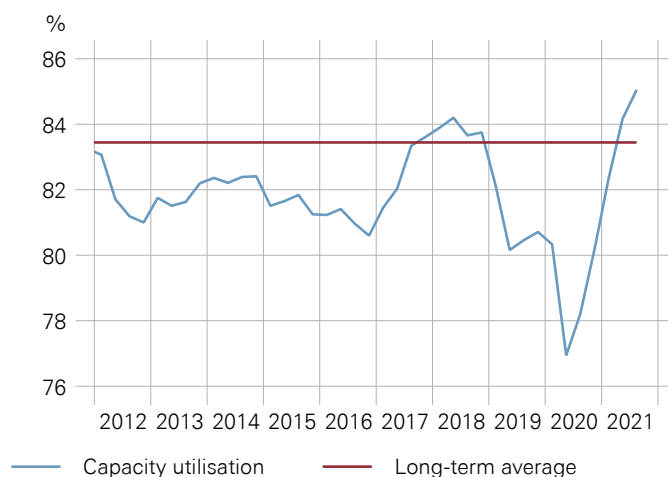
OUTPUT GAP



Source(s): SNB

Chart 3.8

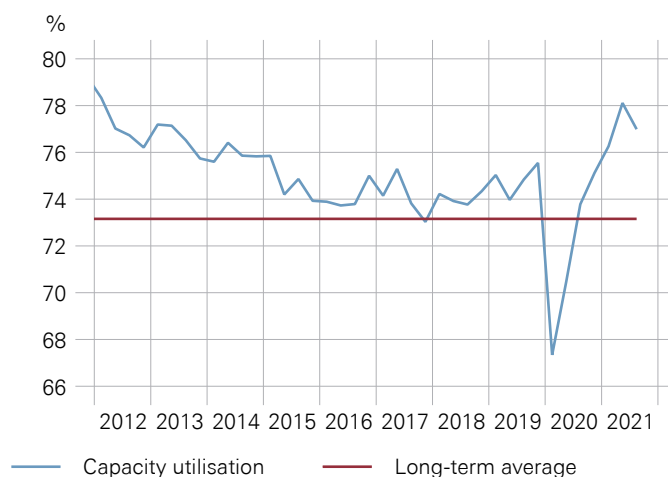
CAPACITY UTILISATION IN MANUFACTURING



Source(s): KOF Swiss Economic Institute

Chart 3.9

CAPACITY UTILISATION IN CONSTRUCTION



Source(s): KOF Swiss Economic Institute

Chart 3.10

MANUFACTURING PMI ABROAD

Export-weighted, 27 countries

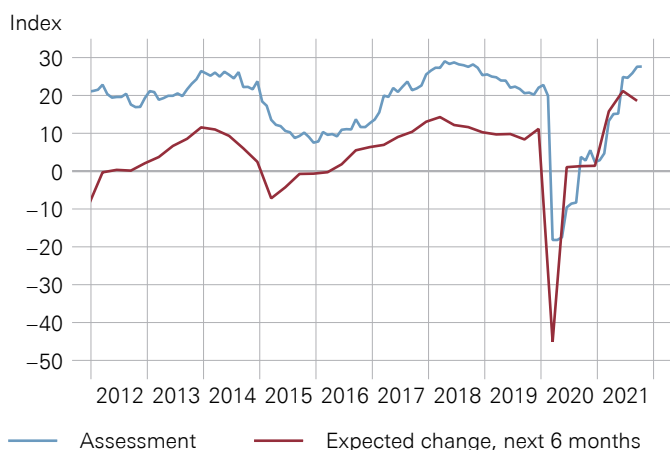


Source(s): International Monetary Fund – Direction of Trade Statistics (IMF – DOTs), Refinitiv Datastream, SNB

Chart 3.11

BUSINESS SITUATION

Average across all KOF surveys

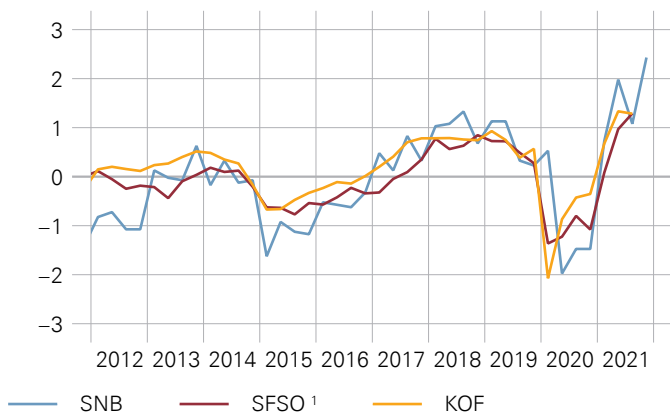


Source(s): KOF Swiss Economic Institute

Chart 3.12

EMPLOYMENT OUTLOOK

Seasonally adjusted, standardised



1 Seasonal adjustment: SNB

Source(s): KOF Swiss Economic Institute, SFSO, SNB regional network

OUTLOOK

The economic outlook for Switzerland remains favourable. Although global manufacturing has weakened somewhat according to the PMI, foreign demand is likely to continue to increase in line with the baseline scenario for the global economy (cf. chart 3.10). Swiss business sentiment is also positive, as the KOF surveys show, with companies in most industries expecting the business situation to improve further over the course of the next six months (cf. chart 3.11). Surveys indicate that the employment outlook will likewise remain positive (cf. chart 3.12).

For this year, the SNB anticipates GDP growth of around 3.5%. The slight upward revision compared with the September forecast is attributable to the fact that developments in various services industries, particularly hospitality, were more dynamic than expected.

In its baseline scenario, the SNB anticipates a continuation of the economic recovery next year. This is based on the assumption that no pandemic containment measures will have to be introduced that would additionally impair economic activity.

Against this backdrop, the SNB also expects above-average GDP growth for 2022 of around 3%. Unemployment is likely to decline again somewhat, and the utilisation of production capacity should continue to return to normal.

The forecast for Switzerland, as for the global economy, is subject to high uncertainty. Economic developments in the coming quarters will hinge on whether the pandemic situation worsens further and which additional containment measures are taken.

4 Prices and inflation expectations

The inflation rate as measured by the CPI has risen further in recent months. Inflation stood at 1.5% in November, while core inflation reached 0.7%.

Short and longer-term inflation expectations derived from surveys were 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

Continued rise in annual inflation rate

Annual CPI inflation has climbed further since August. In November, it stood at 1.5%, an increase of two percentage points since the beginning of the year (cf. chart 4.1, table 4.1).

Significantly higher inflation for imported products

The rise in annual CPI inflation was primarily attributable to price increases in imported goods and services, which have seen further considerable growth since August and, in November, stood at 4.1%.

These price increases are largely due to the rise in oil prices. Having declined sharply at the beginning of the coronavirus pandemic, oil prices recovered this year to reach a level in November higher than when the pandemic broke out. Inflation for oil products climbed from 23.0% in August to 36.3% in November (cf. table 4.1).

Inflation for other imported goods and services likewise rose. In October, it was in positive territory for the first time since before the pandemic and stood at 0.6% in November (cf. table 4.1).

Slightly higher inflation for domestic products

Inflation for domestic goods and services returned to positive territory in April. Although it has remained well below inflation for imported goods and services, it has been climbing steadily since then and stood at 0.7% in November (cf. chart 4.2). Much of this increase can be attributed to inflation for domestic services excluding housing rents.

In November, housing rents and domestic services excluding housing rents each accounted for just under half of inflation for domestic goods and services. Despite being in positive territory, the contribution made by domestic goods was still very small.

Table 4.1

SWISS CONSUMER PRICE INDEX AND COMPONENTS

Year-on-year change in percent

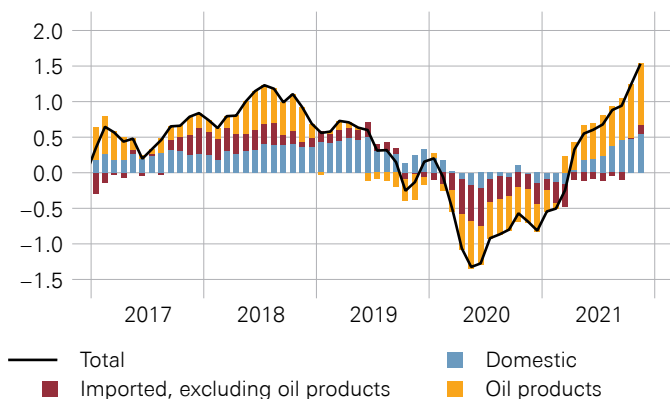
	2020	2020 Q4	2021 Q1	2021 Q2	2021 Q3	2021 September	2021 October	2021 November
Overall CPI	-0.7	-0.7	-0.4	0.5	0.8	0.9	1.2	1.5
Domestic goods and services	0.0	0.0	-0.2	0.2	0.5	0.6	0.6	0.7
Goods	0.0	0.1	0.0	-0.3	0.0	0.1	0.0	0.2
Services	0.0	0.0	-0.2	0.3	0.6	0.7	0.8	0.9
Private services excluding housing rents	-0.4	-0.2	-0.6	0.3	0.5	0.6	0.8	0.9
Housing rents	0.9	0.5	0.4	0.7	1.1	1.3	1.3	1.3
Public services	-0.8	-0.6	-0.3	-0.3	0.1	0.1	0.1	0.0
Imported goods and services	-2.9	-2.8	-1.3	1.5	2.0	2.0	3.2	4.1
Excluding oil products	-1.4	-1.1	-1.2	-0.5	-0.4	-0.5	0.1	0.6
Oil products	-13.7	-15.3	-1.3	19.2	23.7	24.6	31.8	36.3

Source(s): SFSO, SNB

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.

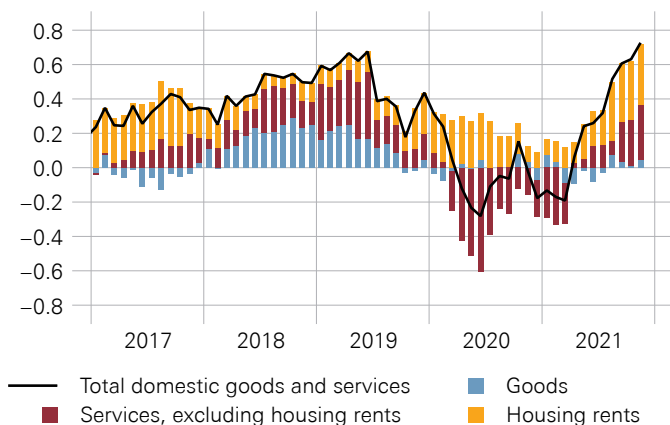


Source(s): SFSO, SNB

Chart 4.2

CPI: DOMESTIC GOODS AND SERVICES

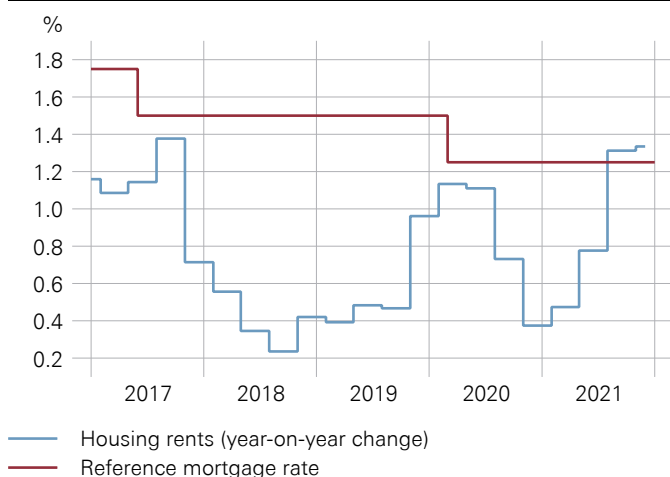
Year-on-year change in domestic CPI in percent. Contribution of individual components, in percentage points.



Source(s): SFSO, SNB

Chart 4.3

HOUSING RENTS



Source(s): Federal Office for Housing (FOH), SFSO

Rent inflation practically unchanged

Housing rent inflation has changed little since August. Compared with the beginning of the year, it has risen from 0.4% to 1.3% in November (cf. chart 4.3). The reference mortgage rate has remained unchanged since the beginning of 2020.

Core inflation slightly higher

The SFSO core inflation rate 1 (SFSO1) increased from 0.4% in August to 0.7% in November. Core inflation, as measured by the SNB's trimmed mean (TM15), rose in the same period from 0.6% to 0.7% as well (cf. chart 4.4).

Both core inflation rates exclude goods and services with particularly volatile prices. When calculating SFSO1, energy and fuel as well as unprocessed food and seasonal goods and services are not included. TM15 excludes the goods and services with the most extreme price changes every month (i.e. the 15% of goods and services with the lowest annual rates of change in prices, and the 15% with the highest).

PRODUCER AND IMPORT PRICES

Further rise in inflation for producer and import prices

Inflation for producer and import prices rose further and stood at 5.8% in November compared to -2% in February (cf. chart 4.5). This increase is primarily a reflection of the considerably higher import prices, which were up 10.9% year-on-year in November. Producer prices also recorded an increase, albeit less pronounced. The biggest contribution to the increase in both producer and import prices came from oil products and intermediate inputs (e.g. metal, timber, plastic). Prices for consumer goods saw little change. With regard to intermediate inputs, supply bottlenecks are likely to have played an important role in the rise in prices.

INFLATION EXPECTATIONS

Short-term inflation expectations still consistent with price stability

While a number of indicators for short-term inflation expectations hardly changed compared with the previous quarter, others rose slightly.

According to the joint monthly financial market survey by Credit Suisse and the CFA Society Switzerland, opinions continued to be divided among the analysts questioned in November 2021 as to how inflation rates would develop in the next six months. As in August, the proportion of those expecting inflation to rise was on a par with those expecting unchanged rates, at around 40% each. The share of respondents anticipating a fall in inflation rates, meanwhile, was virtually unchanged at just under 20% (cf. chart 4.6).

The survey of households conducted by SECO in October likewise shows little change in households' expectations with regard to the development of prices over the next twelve months. Compared with July, the proportion of those anticipating a rise in prices increased slightly from 67% to just under 69%. Decreases were in a similar range, with the proportion of respondents expecting unchanged prices down from 29% to 28%, and those expecting a fall in prices down from 4% to 3%.

In the talks conducted by the SNB's delegates for regional economic relations, by contrast, companies expected higher inflation in the short term (cf. chart 11 in 'Business cycle signals'). In the fourth quarter of 2021, company representatives anticipated an annual inflation rate of 1.9% for the next six to twelve months, compared with 1.5% in the previous quarter. Assessments by banks and economic institutions likewise indicated a slight increase in short-term inflation expectations.

Longer-term inflation expectations largely unchanged

Longer-term expectations were almost unchanged compared with the previous quarter.

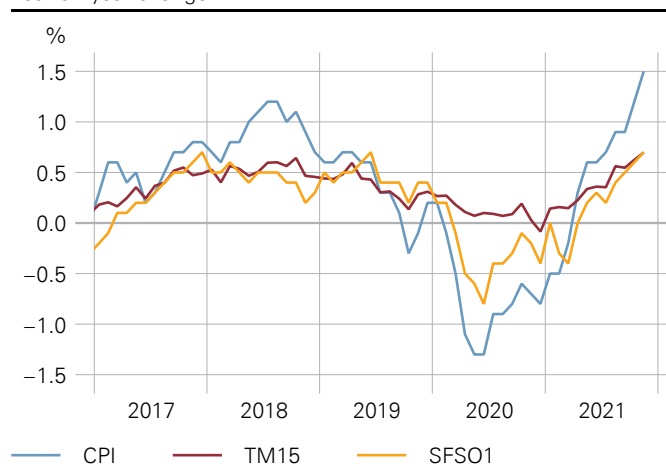
Company representatives interviewed by the SNB's delegates in the fourth quarter of 2021 once again put the average inflation rate in three to five years at just under 1.5%. Assessments by banks and economic institutions regarding the longer-term inflation expectations also saw little change.

Overall, all available survey results on longer-term expectations were still within the range consistent with price stability, which the SNB equates to a rise in the CPI of less than 2% per year.

Chart 4.4

CORE INFLATION RATES

Year-on-year change

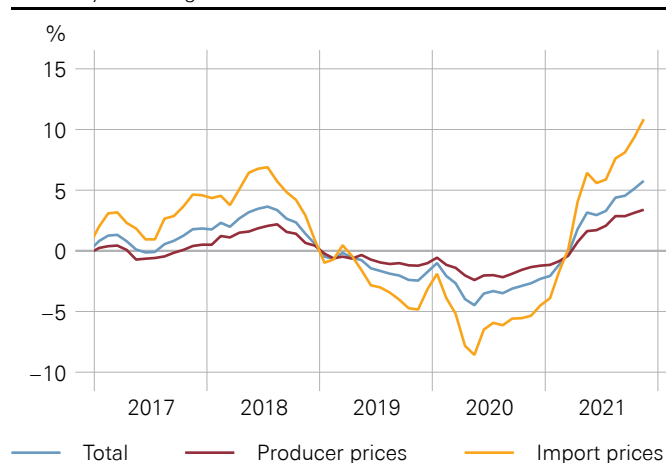


Source(s): SFSO, SNB

Chart 4.5

PRODUCER AND IMPORT PRICES

Year-on-year change

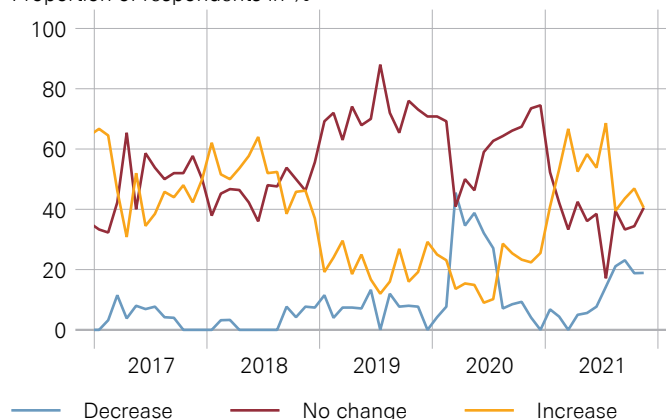


Source(s): SFSO

Chart 4.6

CS-CFA SURVEY: SIX-MONTH INFLATION EXPECTATIONS

Proportion of respondents in %



Source(s): CFA Society Switzerland, Credit Suisse

5

Monetary developments

At its quarterly assessment of 23 September 2021, the SNB reaffirmed its expansionary monetary policy. It kept the SNB policy rate and interest on sight deposits at the SNB at -0.75% . Taking the overall currency situation into consideration, and in light of the highly valued Swiss franc, the SNB remained willing to intervene in the foreign exchange market as necessary.

In the period following the September monetary policy assessment, share prices reached new highs. The yields on long-term Confederation bonds were volatile. The Swiss franc remained largely stable against the US dollar and appreciated significantly against the euro.

The broad monetary aggregates grew less rapidly than in the previous quarters. Growth in bank lending remained robust. There were still no discernible signs of credit rationing.

MONETARY POLICY MEASURES SINCE LAST ASSESSMENT

Expansionary monetary policy remains unchanged

At its monetary policy assessment of 23 September 2021, the SNB confirmed its expansionary monetary policy stance with a view to ensuring price stability and providing ongoing support to the Swiss economy in its recovery from the impact of the coronavirus pandemic. It 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 as necessary in the foreign exchange market, in order to counter upward pressure on the Swiss franc. In so doing, it took the overall currency situation into consideration.

No liquidity provision in CHF or USD

Since the monetary policy assessment in September 2021, it has not been necessary to provide the money market with Swiss franc liquidity through open market operations. With the exception of a test purchase, there was no demand for weekly USD auctions with maturities of seven days. The USD auctions are conducted in coordination with the Bank of England, the Bank of Japan and the European Central Bank, in consultation with the US Federal Reserve.

Higher sight deposits at the SNB

Total sight deposits held at the SNB have increased slightly since the monetary policy assessment in September 2021. In the week ending 10 December 2021 (last calendar week before the assessment of December 2021), they amounted on average to CHF 722.7 billion. This was higher than in the last calendar week preceding the assessment on 23 September 2021 (CHF 714.7 billion). Between the assessments of September and December 2021, sight deposits at the SNB averaged CHF 717.9 billion. Of this amount, CHF 643.3 billion were sight deposits of domestic banks and the remaining CHF 74.6 billion were other sight deposits. Statutory minimum reserves averaged CHF 22.3 billion between 20 August and 19 November 2021. Overall, banks exceeded the minimum reserve requirement by CHF 623.8 billion (previous period: CHF 619.0 billion). Banks' excess reserves thus remain very high.

MONEY AND CAPITAL MARKET INTEREST RATES

Slight rise in SARON

Interest rates on the secured money market have risen slightly in the three months since the last monetary policy assessment. SARON, the average overnight interest rate on the secured money market, stood at just under -0.71% in mid-December, having remained between -0.73% and -0.72% for the first eight months of the year. This slight increase was attributable to the rise in exemption thresholds relative to sight deposits in recent months. These thresholds grow with a time lag, for instance when customer sight deposits and thus minimum reserve requirements increase at banks.

The three-month Libor, which had served as the SNB's monetary policy reference rate until June 2019, stood at -0.78% in mid-December (cf. chart 5.1). The setting of CHF Libor rates will cease as per end-2021.

Capital market interest rates volatile

Following the monetary policy assessment of September, the yield on ten-year Confederation bonds initially rose further and, by the end of October, had almost reached the zero bound. It then declined again to just under -0.28% and was thus slightly lower in December than at the time of the last monetary policy assessment (cf. chart 5.2). These volatile interest rate movements in the fourth quarter of 2021 were similar to developments abroad and were largely a reflection of the heightened uncertainty surrounding the inflation outlook and the further course of the pandemic.

Flatter yield curve for long-term maturities

In mid-December, the yield curve for Confederation bonds with a maturity of up to eight years was higher than at the time of the last monetary policy assessment in September. For maturities in excess of that, the yield curve flattened (cf. chart 5.3).

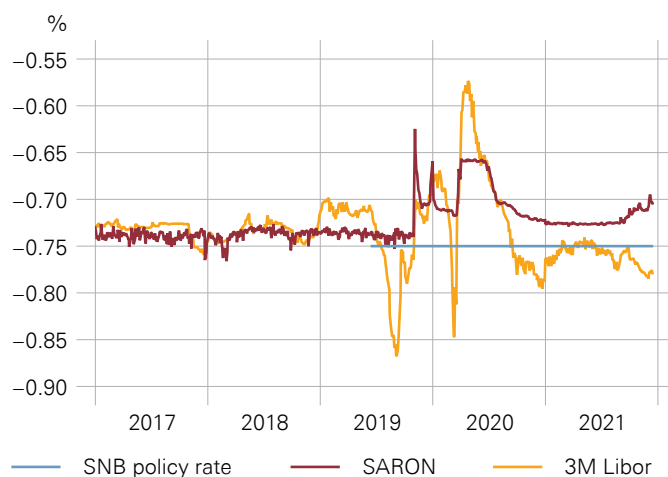
Real interest rates low

Real interest rates – the difference between nominal interest rates and inflation expectations – are an important factor in the saving and investment decisions of companies and households.

Nominal interest rates have changed little since the last monetary policy assessment and are still in negative territory. Inflation expectations have stayed in positive territory and have also remained virtually unchanged since the September assessment (cf. chapter 4). In mid-December, real interest rates thus persisted at a low level by historical standards.

Chart 5.1

SNB POLICY RATE AND MONEY MARKET RATES



Source(s): Bloomberg, SIX Swiss Exchange Ltd, SNB

Chart 5.2

10-YEAR SWISS CONFEDERATION BOND YIELD

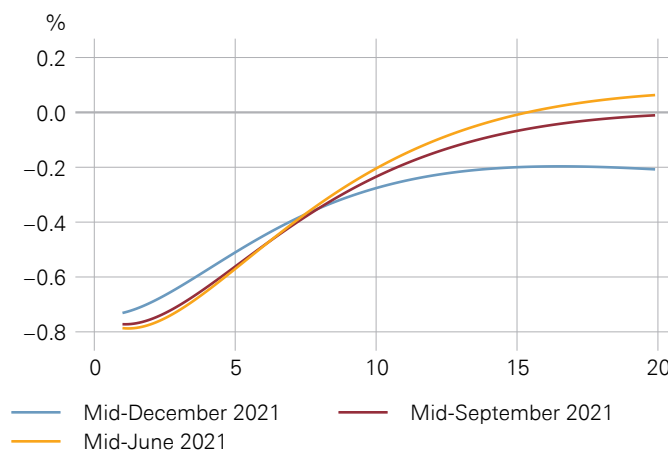


Source(s): SNB

Chart 5.3

TERM STRUCTURE OF CONFEDERATION BONDS

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



Source(s): SNB

Chart 5.4

EXCHANGE RATES



Source(s): SNB

Chart 5.5

NOMINAL EXTERNAL VALUE OF SWISS FRANC



Source(s): SNB

Chart 5.6

REAL EXTERNAL VALUE OF SWISS FRANC



Source(s): SNB

EXCHANGE RATES

Significant appreciation of Swiss franc against euro

The Swiss franc has gained steadily in value against the euro since the monetary policy assessment in September (cf. chart 5.4). Its value against the dollar, by contrast, has changed little over the same period.

The appreciation of the Swiss franc against the euro reflected a broad-based euro weakness, driven in part by the renewed rise in coronavirus case numbers in Europe. Moreover, the ECB affirmed that monetary policy in the euro area would remain expansionary. Markets in the US, on the other hand, increasingly expected monetary policy to be tightened as a result of rising inflation. This divergence in the expected monetary policy stances of the major currency areas was accompanied by a stronger dollar and weaker euro in November, which was also evident in the corresponding Swiss franc exchange rates.

Higher trade-weighted external value of Swiss franc

Since the last monetary policy assessment, the nominal trade-weighted external value of the Swiss franc has risen by some 3% (cf. chart 5.5). This increase primarily reflected the appreciation of the Swiss franc against the euro (3.8%, index weighting 43%), the pound sterling (2.9%, index weighting 8%) and the yen (3.8%, index weighting 3%). Thus, in December, the nominal trade-weighted external value of the Swiss franc exceeded the highs reached in the fourth quarter of 2020.

Real external value still high

Because inflation has been higher abroad than in Switzerland in recent months, the Swiss franc has strengthened less in trade-weighted terms (cf. chart 5.6). While the nominal external value rose by around 3.7% between March and November 2021, the increase in value in real terms was significantly smaller, at 2.4%. The Swiss franc remains highly valued.

SHARE AND REAL ESTATE PRICES

New all-time highs for share prices

Following sharp declines in September, share prices in the major economies rose again in October and for much of November on the back of solid corporate earnings, reaching new all-time highs. Expectations of monetary policy tightening in the US as well as uncertainty about the further course of the pandemic resulted in a drop in prices at the end of November.

Swiss shares continued to gain in value compared to the last monetary policy assessment. In mid-December, the Swiss Market Index (SMI) was just under 5% above the mid-September level (cf. chart 5.7).

Pandemic affects stock market volatility

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). Following the last monetary policy assessment in September, the index initially fell further, before rising sharply at the end of November amid uncertainty surrounding the economic impact of the emergence of a new coronavirus variant. By mid-December, however, the volatility index was once again close to the level recorded at the beginning of the year.

Share price gains for consumer goods companies

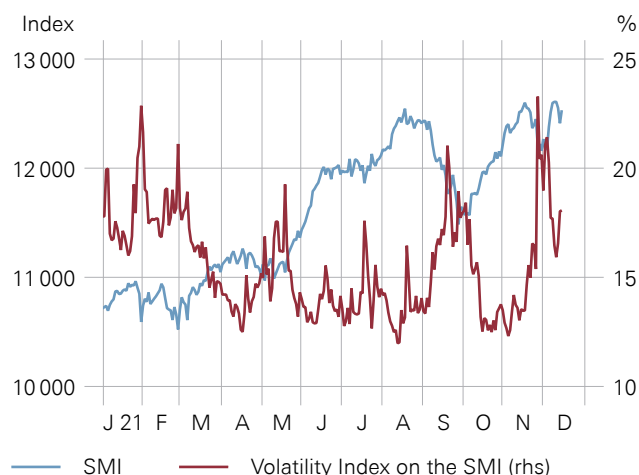
Chart 5.8 shows the movements of important sector indices in the broad-based Swiss Performance Index (SPI). Share prices of consumer goods companies, in particular, gained in value since the last monetary policy assessment. By contrast, in mid-December the other sector indices were roughly at the levels of mid-September.

Continued growth in residential real estate prices

Transaction prices for residential real estate increased further in the third quarter of 2021 (cf. chart 5.9). Prices in the apartment buildings segment have also risen substantially of late. Overall, the coronavirus pandemic seems to have strengthened demand and thus also price growth in residential real estate.

Chart 5.7

SHARE PRICES AND VOLATILITY



Source(s): Bloomberg, Refinitiv Datastream

Chart 5.8

SELECTED SPI SECTORS

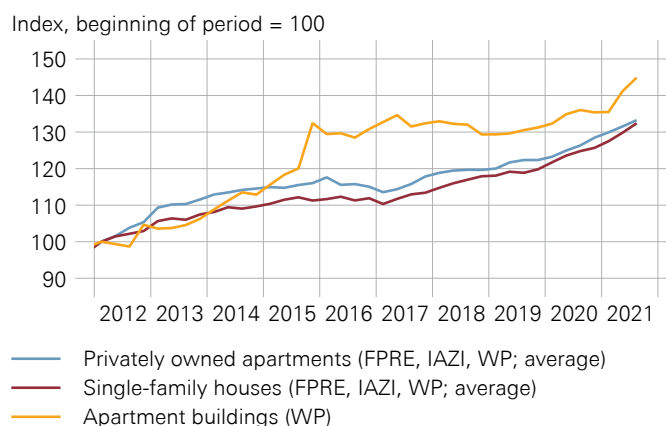


Source(s): Refinitiv Datastream

Chart 5.9

TRANSACTION PRICES FOR RESIDENTIAL REAL ESTATE

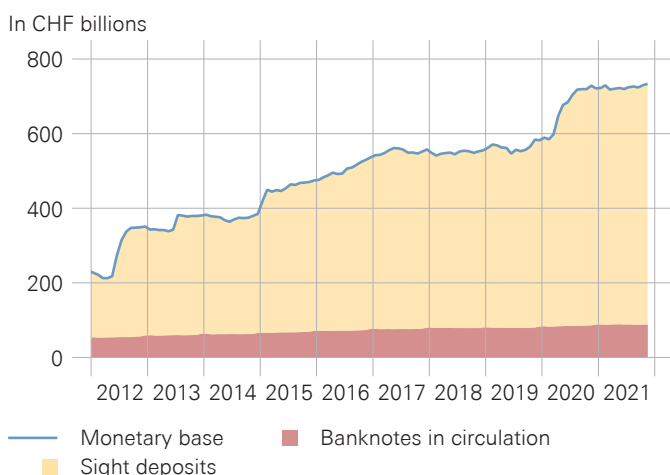
Nominal (hedonic)



Source(s): Fährländer Partner Raumentwicklung (FPRE), IAZI, Wüest Partner (WP)

Chart 5.10

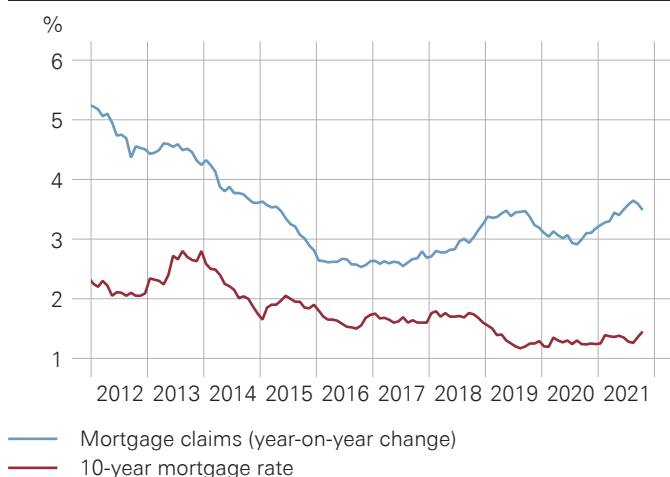
MONETARY BASE



Source(s): SNB

Chart 5.11

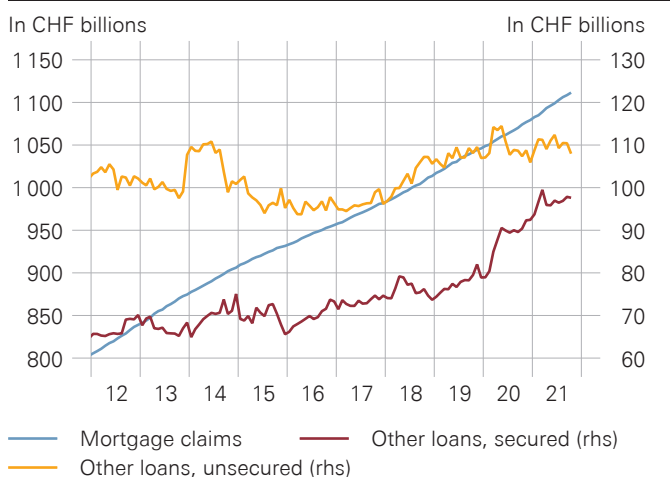
MORTGAGE CLAIMS AND INTEREST RATES



Source(s): SNB

Chart 5.12

MORTGAGE CLAIMS AND OTHER LOANS



Source(s): SNB

MONETARY AND CREDIT AGGREGATES

Little change in monetary base

The monetary base, which consists of banknotes in circulation and sight deposits of domestic banks held at the SNB, rose slightly in the last three months. It nevertheless remained close to the level recorded since August 2020. In November 2021, the monetary base averaged CHF 733.5 billion (cf. chart 5.10), and was thus up around CHF 7.1 billion on August.

Growth in broad monetary aggregates slows further

Annual growth rates for broad monetary aggregates have slowed further in recent months (cf. table 5.1). In November, the M1 aggregate (currency in circulation, as well as sight deposits and transaction accounts of resident bank customers) grew 4.7% year-on-year, somewhat slower than in August 2021 (5.8%). Similarly, annual growth rates for the M2 and M3 aggregates also declined further. In the same period, both M2 (M1 plus savings deposits) and M3 (M2 plus time deposits) grew by around 2% each. In August, annual growth rates had stood at 3.0% (M2) and 3.2% (M3). This decrease reflects the fact that COVID-19 loans granted in the last year no longer factor in the calculation of growth rates.

Stronger growth in bank lending

Bank lending by domestic bank offices in all currencies was up 3.8% year-on-year in the third quarter of 2021, having risen by 3.3% in the second quarter (cf. table 5.1). Both mortgage lending and other lending contributed to the rise in the growth rate.

Banks' mortgage claims, which make up roughly 85% of all bank lending to domestic customers, were up 3.6% year-on-year in the third quarter (cf. chart 5.11). Demand for mortgages continued to be supported by historically low mortgage interest rates. The ten-year mortgage interest rate stood at just under 1.5% in October 2021, which was slightly above the all-time low of just under 1.2% recorded in August 2019.

Other loans are considerably more volatile than mortgage loans (cf. chart 5.12). While unsecured other loans have changed little since the beginning of the pandemic, the volume of secured other loans saw a substantial increase. The rise in these loans in the first half of 2020 was primarily due to the COVID-19 loans guaranteed by the federal government, while the increase in the first few months of 2021 reflected in particular the growth of foreign currency lending. However, the volume of secured other loans saw little change in the second and third quarters of 2021.

Lending growth and credit line utilisation by sector

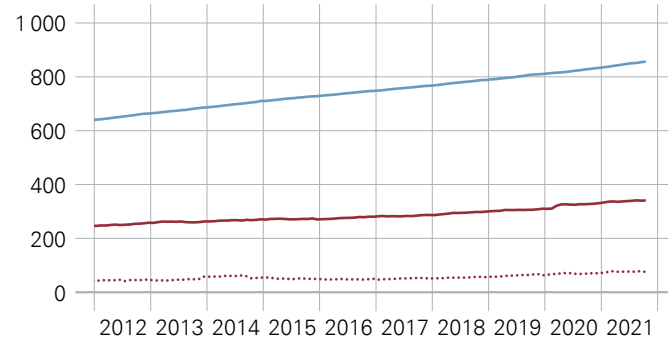
Both households and non-financial companies made use of the continued favourable financing conditions. This was seen in the ongoing steady rise in bank loans extended to these two important customer groups (cf. chart 5.13).

At the end of September 2021, loans to households recorded a year-on-year increase of CHF 27.2 billion (3.3%) and loans to non-financial companies a rise of CHF 13.4 billion (4.1%). Loans to financial companies rose in the same period by CHF 9.5 billion (13.8%).

Chart 5.13

LOANS TO HOUSEHOLDS AND COMPANIES

In CHF billions



— Households
— Private companies, excluding financial sector
..... Private companies in financial sector

Source(s): SNB

Table 5.1

MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2020	2020	2021	2021	2021	2021	2021	2021
		Q4	Q1	Q2	Q3	September	October	November
M1	4.3	8.1	9.3	6.6	6.2	6.2	5.4	4.7
M2	2.3	5.2	6.6	4.5	3.3	3.3	2.6	2.0
M3	3.2	5.9	6.5	4.3	3.3	3.3	2.5	1.9
Bank loans, total ^{1,3}	3.6	3.5	4.0	3.3	3.8	3.8	3.6	
Mortgage claims ^{1,3}	3.1	3.1	3.3	3.4	3.6	3.6	3.5	
Households ^{2,3}	2.7	2.7	2.7	3.0	3.1	3.1	3.1	
Private companies ^{2,3}	4.4	4.6	5.3	5.4	5.7	5.6	5.3	
Other loans ^{1,3}	6.8	5.7	8.3	2.3	4.6	5.0	4.0	
Secured ^{1,3}	13.5	14.5	18.7	7.6	8.2	9.2	8.0	
Unsecured ^{1,3}	2.0	-0.8	0.6	-1.9	1.5	1.6	0.5	

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(s): SNB

Business cycle signals

Results of the SNB company talks

Fourth quarter of 2021

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 members of management at companies throughout Switzerland. In its evaluation, the SNB aggregates and interprets the information received. A total of 241 company talks were conducted between 11 October and 30 November.

Regions

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

Delegates

Astrid Frey
Urs Schönholzer
Aline Chabloz
Jean-Marc Falter
Fabio Bossi
Roland Scheurer
Daniel Hanimann
Fabian Schnell

Key points

- Growth in the Swiss economy continued in the fourth quarter at only slightly slower pace. There were robust increases in turnover both in the services sector and in manufacturing and construction.
- Shortages of staff are becoming more pronounced, and companies are planning to take on more personnel in the coming quarters. Recruitment problems continue to worsen.
- Procurement bottlenecks remain a major challenge. In some cases restrictions and delays in production cannot be avoided.
- The margin situation remains stable. Increases in turnover are having a positive impact, while higher purchase prices and production processes rendered less efficient by delivery delays are pushing up costs.
- Given the subdued wage development in 2021, higher inflation and the tighter labour market, companies expect somewhat stronger but still moderate wage growth overall for the coming year.
- Companies expect demand to continue to develop positively in the coming quarters. However, recruitment difficulties and a lack of intermediate products may have an increasingly curbing effect on production.
- With the rising number of cases and the new coronavirus variant that emerged at the end of November, uncertainty about the course of the pandemic is also coming to the fore again.

CURRENT SITUATION

Sustained growth in Swiss economy

Growth in the Swiss economy continued in the fourth quarter at only slightly slower pace. There was a robust increase in real turnover by comparison with the previous quarter (cf. chart 1; for guidance on interpreting the charts, refer to the relevant section at the end of this report).

Companies in the services sector broadly report positive development. However, the recovery at companies directly affected by measures to contain the pandemic lost momentum in the course of the quarter.

Construction and, especially, manufacturing remain a robust pillar of economic growth. While production losses owing to ongoing procurement bottlenecks cannot be prevented everywhere, in most cases companies are finding ways of maintaining production, even if this often entails additional work and expense. Overall, manufacturing companies continue to profit from the positive development of export business. Demand from the US in particular remains lively. Machine components and electrical equipment are in particular demand. By contrast, companies are getting mixed signals from Europe and Asia. On the one hand, orders for products from the ICT sector are developing dynamically. On the other hand, demand from the automotive industry is suffering from procurement bottlenecks. Added to this, sporadic outbreaks of coronavirus and strong countermeasures are slowing business activity, especially in China.

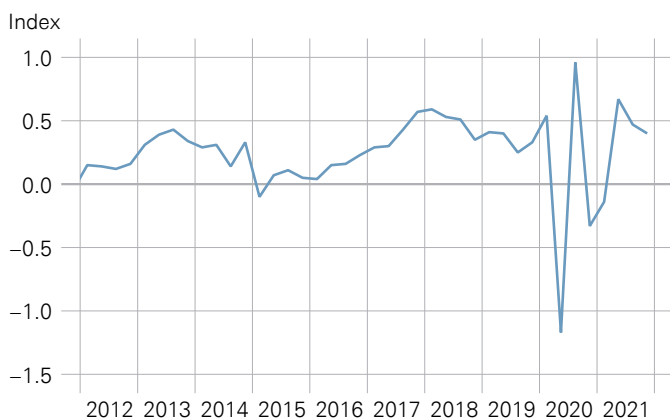
Despite sustained recovery, the majority of representatives rate the overall impact of the coronavirus pandemic on their business so far as negative. Of the companies surveyed, 55% take this view (cf. chart 2). Just under one quarter of companies reported a positive impact, while another fifth said the positive and negative effects cancelled each other out or the pandemic had no tangible impact.

Production capacity underutilised

Utilisation of technical capacity and infrastructure is improving as turnover increases (cf. chart 3). In manufacturing and construction, capacity utilisation is normal. Overall, however, capacity utilisation remains below average owing to underutilisation in the services sector. Many companies expect that the increase in working from home will be a lasting phenomenon, meaning that overcapacity in office space is likely. In addition, reduced international travel continues to hamper tourism and hospitality.

Chart 1

TURNOVER COMPARED TO PREVIOUS QUARTER

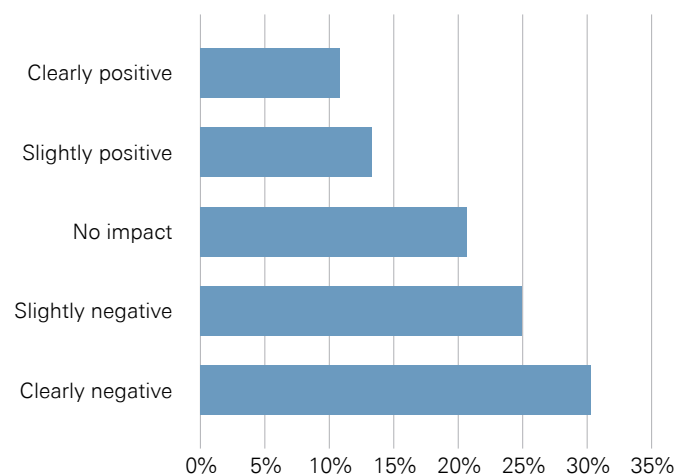


Developments in real turnover compared to the previous quarter. Positive (negative) index values signal an increase (decrease).

Source(s): SNB

Chart 2

OVERALL EFFECT OF CORONAVIRUS CRISIS



Source(s): SNB

Procurement bottlenecks continue

There was no substantial easing in the procurement of intermediate products in the fourth quarter. As had already been the case the previous quarter, around two thirds of companies were affected by supply difficulties (cf. chart 4). Substantial delays were reported, particularly when it came to procuring raw materials such as metals, plastics and chemicals. Delivery times for IT and electronic products, as well as packaging materials, have also been prolonged from the usual few days to several weeks or even months. The delivery problems are also pronounced in the vehicle trade and in some consumer goods segments, such as bicycles and sporting goods. Geographically speaking this is a global phenomenon, although when it comes to manufacturing and retail it mainly concerns products from the Asian region.

As a result of supply bottlenecks, prices continue to increase. In addition, delays are impairing the efficiency of production processes. Against the backdrop of declining inventories, production is increasingly being reduced and in some cases even halted.

International travel restrictions remain an obstacle

International travel restrictions are still seen as having a dramatic impact. Not only are they stifling demand in the hotel trade, they are also preventing exporting companies from delivering their products and spare parts with the usual on-site presence. Acquiring new customers is also still proving difficult. The disruptions are also having a negative impact on international logistics, rendering intercontinental transport more expensive and more difficult to plan.

On the other hand, there is now hardly any mention of delivery problems within Switzerland.

Increasingly tight staffing levels and more challenging recruitment

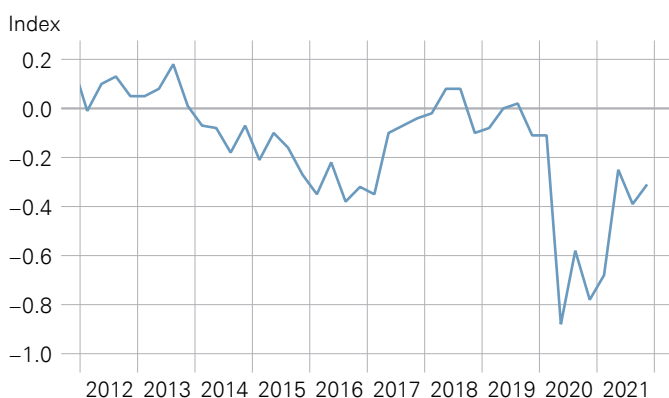
The shortage of staff has again become significantly more pronounced, and hiring difficulties are becoming more serious. Companies report a progressive drying up of the market for occupations with a medium to high degree of specialisation. Accelerated digital transformation continues to exacerbate the shortage of IT specialists in particular. Also noticeable are more pronounced hiring difficulties in logistics and continued hiring problems in the hotel and hospitality industry: Only with considerable effort and significantly higher pay is it possible to find staff. The reasons cited are the reorientation of skilled workers to other industries during the pandemic and greater difficulty in recruiting from abroad.

Little change in profit margins

The margin situation in industries directly affected by pandemic-related restrictions remains unfavourable. At the same time, however, profit margins at the majority of companies are stable at a level that is at least sustainable. On the one hand, higher turnover is underpinning margins, and several companies report that lower costs resulting from reduced travel or event cancellations are having a positive impact on profit margins. On the other hand, less efficient production processes as a result of delays in delivery are increasing production costs and reducing margins.

Chart 3

CAPACITY UTILISATION



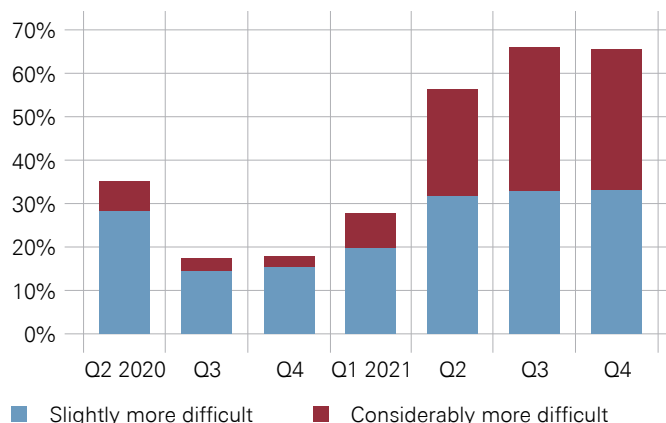
Current utilisation of technical capacity / business infrastructure compared to a normal level. A positive (negative) index value signals utilisation is higher (lower) than normal.

Source(s): SNB

Chart 4

PROCUREMENT SITUATION

Share of companies facing a more difficult procurement situation as compared to pre-COVID 19



Source(s): SNB

The effects of rising purchase and sales prices are manifold. Some companies report that given the general price dynamics, higher sales prices are easier to enforce and that this room for manoeuvre can be used to increase margins. On the other hand, higher purchase prices are having a curbing effect on margins at companies that cannot fully and immediately pass the increases through to sales prices. This can be due to intense competition, but also to contractual agreements. Construction companies are frequently affected by this.

LIQUIDITY AND FUNDING CONDITIONS

Liquidity situation stable

Companies' liquidity situation remains stable. Just less than half of companies describe the liquidity situation as being the same as before the coronavirus crisis. One third – a slightly higher share than the previous quarter – even say their liquidity situation is more relaxed (cf. chart 5). In particular, an improvement in business activity is having a positive impact on liquidity. At one fifth of companies the situation is tighter than before the coronavirus crisis. Some of these companies report delays in payment on the part of customers. Some companies also report that government support mechanisms are no longer sufficient to cover the ongoing losses.

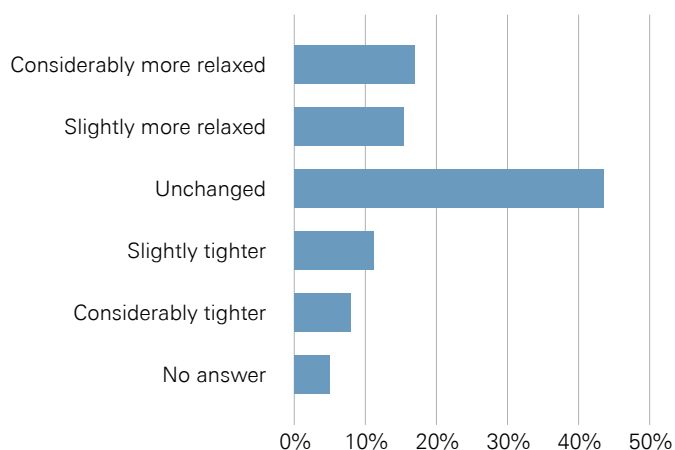
Little change in lending conditions

Most representatives assess the banks' lending conditions as similar to previous quarters. Only few companies are confronted with more restrictive credit conditions. 93% of the companies interviewed have not noticed any problems with lending – either judging lending conditions to be normal or even relaxed, or not requiring bank loans in the first place (cf. chart 6). On the other hand, just under 7% of companies regard conditions as being more restrictive, the lowest figure since the outbreak of the pandemic. Representatives of industries that have been hard hit by the pandemic and whose prospects remain uncertain, however, are still experiencing greater restraint on the part of the banks.

Chart 5

LIQUIDITY SITUATION

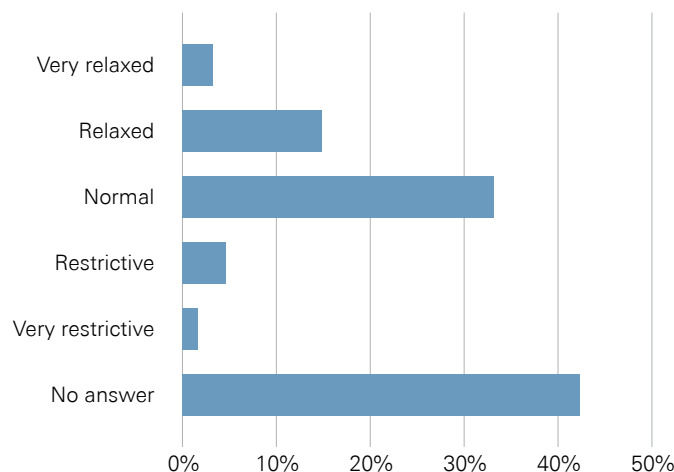
As compared to pre-COVID 19



Source(s): SNB

Chart 6

LENDING CONDITIONS



Source(s): SNB

DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

Business activity in the trade industry was lacklustre in the fourth quarter. Overall, real turnover was at around the same level as the previous quarter. On the one hand, some wholesale operations are profiting from a sustained upswing in manufacturing or continued robust demand from construction. At the same time, however, procurement bottlenecks are having a hindering effect. Motor vehicle dealers, for example, are having to contend with pronounced delivery problems, which are being directly reflected in significantly lower turnover. Turnover at retailers is stagnating. Among the inhibiting factors, companies cite the pick-up in shopping abroad and, with a view to the Christmas business, supply bottlenecks in some instances.

Tourism and hospitality, but also the entertainment and leisure industry, continue to be hard hit by the effects of the pandemic. It is true that demand on the part of guests from Switzerland remains robust, and, thanks to the option of holding events subject to a certificate requirement, the situation improved to some extent through to mid-November. Hotels profited, for example, from a certain pent-up demand for seminars and conferences. However, this can only partially compensate for the fact that international travel is still largely absent. In the hospitality industry, some businesses are also noticing reduced turnover and a certain amount of expense entailed in checking compliance with the certificate requirement. Added to this, a rise in coronavirus case numbers from mid-November brought a marked increase in cancellations.

Business in the financial sector continues to develop favourably. Banks report sustained growth in mortgage volumes. The service and commission business remains stable despite the somewhat weaker performance from the stock markets at the beginning of the quarter. Company representatives also express optimistic expectations for the coming quarters. They see the recruitment of specialist staff as a challenge.

The positive development also continues in the ICT industry. The most important driver is digitalisation, with persisting growth in demand for fast, secure IT infrastructure, often in connection with cloud solutions, and a sustained trend towards online commerce.

Business in the manufacturing industries continues to develop positively. Manufacturing is benefiting across the board from the continued positive development of foreign demand, especially from the US. The development of sales in the watchmaking industry and its suppliers is particularly dynamic. But broad sections of the mechanical engineering, electrical engineering and metals industries are also seeing robust growth, thanks among other things to orders from the defence and medical technology industries, as well as to developments around electric vehicles. Business in the food and packaging industry is also developing favourably. However, procurement bottlenecks and international travel restrictions are having a hindering effect, making the delivery of machines and spare parts as well as the provision of services and the acquisition of customers more difficult.

In construction, seasonally adjusted turnover has seen robust growth quarter-on-quarter. Construction companies, as well as architecture, engineering and planning firms, are profiting from brisk demand and thus a high level of investment in the residential segment. Companies operating in civil engineering and the finishing trade, by contrast, report a slight levelling off, albeit at a high level. Owing to continued increases in the prices of raw materials, supply bottlenecks, challenges in logistics and what is still described as intense competition, construction companies' margins remain slightly below what is considered normal.

OUTLOOK

Companies remain confident

Companies in the manufacturing and services sectors expect turnover to continue to rise in the next two quarters (cf. chart 7), this despite ongoing challenges in hiring staff and procuring intermediate products. Their confidence is based on the continued positive momentum of the global economy and the fact that domestic demand remains robust. In construction, turnover is expected to stabilise at a high level.

Thanks to the continued growth, turnover for the majority of companies is currently at least at pre-coronavirus levels. Of the companies surveyed, 42% have fully recovered from a decline in turnover (cf. chart 8). Another 28% of companies have not suffered a decline in turnover. On the other hand, around 30% of companies do not expect to see turnover return to pre-coronavirus levels until next year at the earliest.

The representatives anticipate an increase in the utilisation of their technical capacity and infrastructure over the next two quarters (cf. chart 9). Against this backdrop, companies' appetite for investment also continues to grow. By comparison with 2021, companies in the manufacturing and services sectors are planning higher capital expenditure on both equipment and buildings next year. Construction companies are expecting the level of investment to remain unchanged.

Increased demand for personnel and moderate increases in wages

Significant increases in staff numbers are planned in the next two quarters (cf. chart 10), owing on the one hand to favourable business prospects and on the other to the fact that many companies consider current staffing levels to be too low. The following industries are planning particularly

pronounced increases in staff numbers: information and communications technology, chemicals and pharmaceuticals, insurance and financial services, and architecture and engineering firms. The hospitality and hotel industries also plan to increase staff numbers.

Given the subdued wage development in 2021, higher inflation and high demand for personnel, companies anticipate somewhat stronger wage growth in the coming year. However, the planned increases in wages remain moderate overall. Based on the answers available in the current quarter, companies are planning to increase wages by an average of just under 1.5% in the coming year. As a result of recruitment difficulties, wage increases in the hospitality industry are higher than in previous years. Similar to previous years, however, the most pronounced increases in wages are for particularly sought-after specialists in IT, finance and manufacturing.

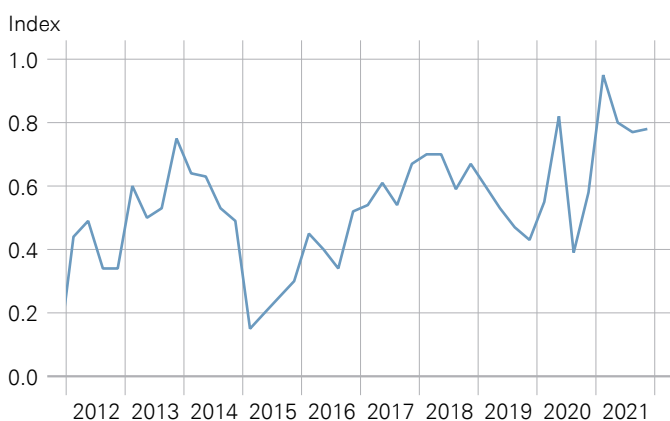
Purchase and sales prices rising significantly

Given the continuing supply bottlenecks and increased transport costs, the increase in expected purchase and sales prices will continue. Company representatives anticipate further increases in purchase prices for energy and a wide range of raw materials and intermediate products in the coming two quarters. In many cases companies are able to pass increasing purchase prices through to sales prices. As the end of the year approaches, adjustments to list prices are generally more frequent.

Somewhat less pronounced increases in purchase prices are expected in the construction sector. However, in this sector too, sales prices – which until now could not be raised in some cases owing to contractual agreements – are increasingly being made to reflect high purchase prices.

Chart 7

EXPECTED TURNOVER

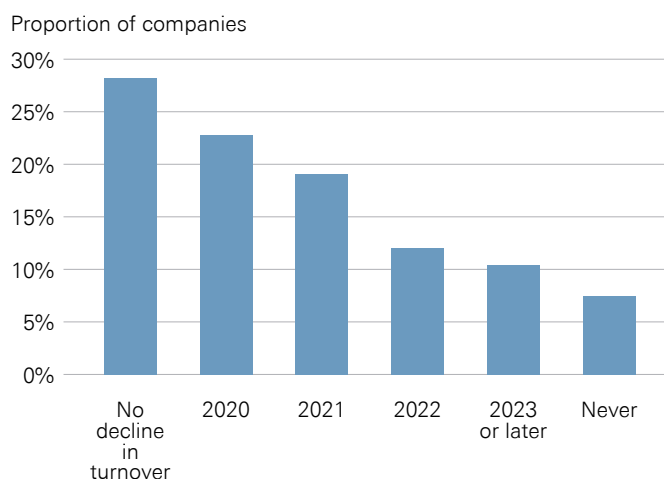


Expected developments in real turnover over the coming two quarters. Positive (negative) index values indicate turnover is expected to be higher (lower).

Source(s): SNB

Chart 8

RETURN TO PRE-CRISIS TURNOVER LEVELS



Source(s): SNB

ENVIRONMENT AND RISKS

Recruitment difficulties, procurement bottlenecks and pandemic to the fore

In the current quarter, recruitment difficulties, procurement bottlenecks and the pandemic are dominating companies' perception of risk.

Recruitment difficulties are now seen by some companies as the biggest challenge. These are already resulting in orders having to be turned down in some cases, and there are fears that the situation will worsen.

There is little confidence among companies that the situation regarding procurement bottlenecks will return to normal any time soon. The problems are likely to continue well into next year. Gradually declining inventory levels are increasingly raising fears of production losses.

With the rising number of cases and the new virus variant which emerged at the end of November, the coronavirus pandemic is also coming to the fore again. The optimism that still dominated in the summer waned steadily over the course of the quarter. The gradual recovery in industries directly affected by measures is threatening to come to a standstill. However, it is also frequently mentioned that the Swiss economy has come through the pandemic comparatively well so far, giving rise to a certain amount of confidence for the coming quarters.

Exchange rate, energy supply and protectionism are additional risks

In addition to recruitment difficulties, the procurement situation and the pandemic, some of the representatives also talked about the exchange rate situation. Companies appreciate the fundamental stability of the Swiss franc. At the same time, however, many are concerned about the most recent appreciation of the Swiss franc against the euro and see a further strong appreciation as a risk.

The security of Switzerland's energy supply is also increasingly perceived as a potential risk for the economy.

The geopolitical tensions around China and the US are also increasingly mentioned. Furthermore, some companies report an increasingly rough business climate in China and generally see burgeoning protectionism as a risk for the global economy.

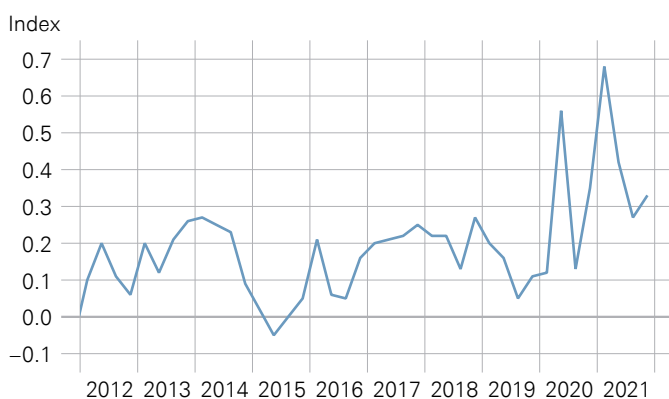
Digitalisation and sustainability as challenge and opportunity

The majority of companies see ongoing digitalisation as an opportunity to make production processes more efficient. At the same time, however, increasing interconnectedness – including via online sales channels – means that cybersecurity is becoming a challenge.

With a somewhat longer forecast horizon, climate change and the trend to sustainability are also seen as opportunities for new business models – particularly in the broad field of energy efficiency. Providers of products perceived as being less sustainable view the same trend as a risk, however.

Chart 9

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(s): SNB

Chart 10

EXPECTED EMPLOYMENT

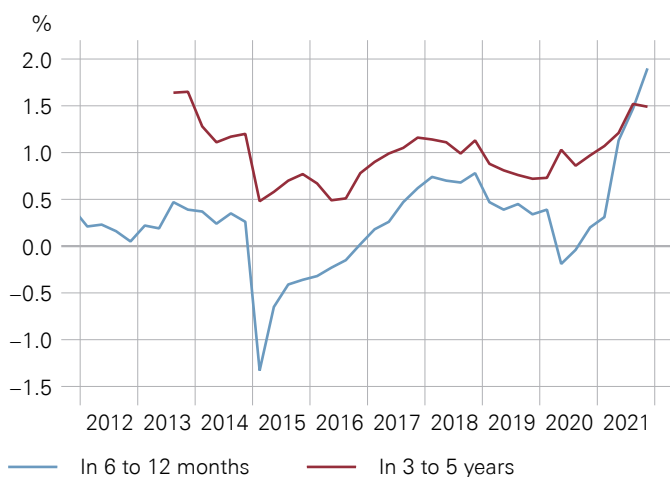


Expected developments in staff numbers over the coming two quarters. Positive (negative) index values indicate an expected increase (decrease).

Source(s): SNB

Chart 11

EXPECTED INFLATION



Source(s): SNB

INFLATION EXPECTATIONS

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

There has been a significant increase in short-term inflation expectations as measured by the consumer price index: The average for the next six to twelve months (cf. chart 11) is 1.9%, compared with 1.5% in the previous quarter. A reason frequently given for this is widely observed increases in producer prices, which, according to representatives, will gradually be reflected in consumer prices. Expectations are also influenced by the rise in inflation observed in the recent past, especially abroad.

On the other hand, there has been little change in longer-term inflation expectations: After an appreciable increase the previous quarter, inflation expectations over a three to five-year horizon remain stable at 1.5%.

About this report

Approach

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

Over 200 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 administration and agriculture are not taken into consideration. As a rule, the companies in the sample have at least 50 employees. 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

The SNB would like to thank the representatives from around 900 companies that have consented to take part in interviews with the delegates for regional economic relations during the course of 2021. In doing so, they have made a significant contribution to the evaluation of economic developments. The companies listed below have agreed that their names may be published:

A

A. Marchon SA. A. Vogel AG. Aargauische Kantonalbank. ab ingénieurs SA. Abacus Research AG. ABB Schweiz AG. ABCD Ciné-Dance SA. acrevis Bank AG. Adecco Gruppe Schweiz. Adent Cliniques dentaires. ADV Constructions SA. Aebi & Vincent Architekten SIA AG. Aerne Engineering AG. AEW Energie AG. Affentranger Bau AG. Affidea SA. AFRY Schweiz AG. AG für Fruchthandel. Agathon AG. Aicher, De Martin, Zweng AG. Airport Casino Basel AG. Albiro AG. Alcon Grieshaber AG. Aldi Suisse AG. Alex Gemperle AG. Allfi Group. Alpina Group AG. Alpiq Holding AG. Alpnach Schränke AG. AlSCO Swiss. Also Schweiz AG. Altes Tramdepot Brauerei Restaurant AG. Aluminium Laufen AG. Alupak AG. Always Holding AG. AMAG Automobil- und Motoren AG. Ameron Hotel Flora, Luzern. Ammann Schweiz AG. Ampac Flexibles AG. Amplifon AG. Andermatt Group AG. APM Technica AG. APP Unternehmensberatung AG. APR Applied Pharma Research SA. AR Packaging Swiss AG. Arcolor AG. Argor-Heraeus SA. Aroba AG. Arthur Bründler AG. Arthur Weber AG. Ascensia Diabetes Care. Assa Abloy (Schweiz) AG. Assetmax AG. AstraZeneca AG. atelier ribo sa. Ateliers Busch SA. Autobritt Automobiles SA. Autoneum Holding AG. Auto-Trachsler AG. auviso - audio visual solutions ag. Avadis Vorsorge AG. Axis Re Se. Axon Lab AG.

B

B + T Bild + Ton AG. B. Braun Medical AG. Balance Familie AG. Balestrafic SA. Bally. Balmer-Etienne AG. Baloise Group. Banca del Ceresio SA. Banco Santander International SA. Bangerter Microtechnik AG. Bank EEK AG. Bank Julius Bär & Co AG. Bank Linth LLB AG. Banque Cantonale de Genève. Banque Cantonale du Jura. Banque Cantonale du Valais. Banque Cantonale Neuchâteloise. Banque Cantonale Vaudoise. Banque de Commerce et de Placements SA. Banque Internationale à Luxembourg (Suisse) SA. Banque Syz SA. Basel Tourismus. Basler Kantonalbank. Bataillard AG. Baumat AG. Baume & Mercier SA. Bauwerk Gruppe. bbv Software Services AG. BDO AG. Beau-Rivage Neuchâtel SA. Belloli SA. Bergbahnen Meiringen-Hasliberg AG. Bergbahnen Sörenberg AG. Bernhard Polybau AG. Bertholet + Mathis SA. Bessy's Kleintierpraxis AG. bexio AG. Bianchi Schwald Sàrl. Bici Entertainment SA / Aquaparc. Biplast AG. Birchmeier Sprühtechnik AG. BLS AG. Blu Restaurant & Lounge, Locarno. BMC Switzerland AG. Board International SA. Bohren Möbel AG. Bommer + Partner Treuhandgesellschaft.

Bonvin Nettoyages SA. Borer Chemie AG. Boschung Group. Boss Holzbau AG. Boucherie du Palais SA. Boucledor SA. Boutique Hotel Villa Orselina. Bouygues E&S InTec Svizzera SA. Bracco Suisse SA. brack.ch. Braun AG. Bringhen Group. Brother (Schweiz) AG. Bruderer AG. Brugg Group AG. Brunschwig Group. BSC Young Boys AG. Bucher Industries AG. Bunge SA. Burckhardt Compression AG. Burckhardt of Switzerland AG. Burkhalter Holding AG. Buzz Brothers Sàrl.

C

C Staffing Agency Sàrl. Cadar SA. Caffé Chicco d'oro SA. Campus Sursee. Canonica SA. Canplast SA. Carhartt Work in Progress Holding AG. Carpenteria Alpina SA. Carte Blanche SA. Carugati SA Trasporti Internazionali. Casale SA. Casino Restaurants Bern AG. Castello del Sole Ascona. Caviezel AG. Cembra Money Bank. Censi & Ferrari SA. Ceramaret SA. Cerbios - Pharma SA. CeRFI SA. CGN SA. CH Media. Chaletbau Matti Holding AG. Chocolat Alprose SA. Chocolats Camille Bloch SA. Christen AG. Chromos Group AG. Ciclissimo. CIMO SA. City-Garage AG. Clariant International AG. Clear Channel Schweiz AG. Clenia AG Privatlinikgruppe. Clot SA. Club Méditerranée (Bureau Suisse) SA. CMT Rickenbach SA. CNHI International SA. Cochi SA. Comibit SA. Commerzbank Schweiz. Compagnie Financière Michelin Suisse SA. Constellium Valais SA. Coop. Cornèr Banca SA. CPH Chemie & Paper Holding AG. CRB SA. Création Baumann AG. Credit Suisse AG. Crevoisier SA. Crossinvest SA. CSCV Sàrl. CSD Ingénieurs SA. CTA Services SA.

D

Dallmayr AutomatenService SAc. Dätwyler IT Infra AG. De Martin AG Surface Technology. De Rham & Cie SA. Debrunner Koenig Gruppe. Delta Möbel AG. Deltacarb SA. Demaurex SA. Denner AG. Dept Digital Marketing AG. Desinfecta AG. DGS Druckguss Systeme AG. Diction AG. Die Mobilier. Die Schweizerische Post AG. Diener & Diener Architekten. Diethelm Fassadenbau AG. Digma SA. Dimab Groupe. Diwisa Distillerie Willisau AG. Dixi Polytool SA. Dnata Switzerland AG. Dolder Hotel AG, Zürich. Domicil Holding AG. d'Orlando SA. Dosenbach-Ochsner AG. Dottikon Exclusive Synthesis AG. Dreier AG. DS Smith Packaging Switzerland AG. Duferco SA. Dumont & Dupraz SA.

E

e. Luterbach AG. E. Weber AG. EderClean SA. Edilgroup SA. Egeli Informatik AG. Egg-Telsa SA. EGS Sécurité SA. EHL - Ecole Hôtelière de Lausanne. ELCA Groupe. Electrasim SA. Elektrisola Feindraht AG. Elektrizitätswerk des Kantons Schaffhausen AG. Element AG. Eli Lilly (Suisse) SA. Elis (Suisse) SA. Elkuch Eisenring AG. Emanuele Centonze Holding SA. Emch + Berger WSB AG. Emil Egger Romandie SA. Emil Frey AG. Emmi Schweiz AG. Energie Thun AG. Energie Wasser Bern. Energy Schweiz AG. Enotrac AG. Entreprise Belloni SA. Entris Banking AG. Enzler Holding AG. Erbas SA. Erbicol SA. Ergon Informatik AG. Eric Schweizer AG. Erich Keller AG. Ericsson AG. Ernest Gabella SA. Ernst Marti AG. ESA. Etablissements Techniques Fragnière SA - ETF. Etampa AG. Etel SA. Eugster / Frismag AG. Europ Assistance Suisse Holding SA. Eventmore SA. Eversys SA. Excellent Personal AG Baden. Exedra AG. Expersoft Systems AG. EY Schweiz AG.

F

F. & H. Engel AG. F. Hoffmann-La Roche AG. F. Hunziker + Co AG. F. Murpf AG. Fairmont Le Montreux Palace. Falegnameria Svanotti Sagl. Fanzun AG. Farner Consulting AG. Faro-Reinigungen AG. FAS Medic SA. Fastlog AG. Faucherre Transports SA. Faulhaber Minimotor SA. Fedegari (Suisse) SA. Feldschlösschen Getränke AG. Ferrovia Monte Generoso SA. Ferrum AG. FG Groupe. Fidinam Group Holding SA. Fiedler SA. Fielmann AG. Filippi SA. Filtrox AG. Fischer Electric AG. Fischer Reinach AG. Fischer Spindle Group AG. Five Guys. Flyability SA. Folex AG. Fondation Pré Vert du Signal de Bougy. Forbo Giubiasco SA. Fordras SA. Forster Rohner Gruppe. Fossil Group Europe GmbH. Fostag Formenbau AG. Fr. Sauter AG. Franck Muller Watchland SA. François Brasier SA. François Studer SA. Franke Group. Fratelli Roda SA. Free Shop Frontiera SA. Frigerio SA. Frigosuisse AG. Fritz Landolt AG. Fritz Schiess AG. FrymaKoruma AG. Fuchs-Movesa AG. Funicar AG. Furrer-Jacot AG.

G

Gabriel Transport AG. Gamma Catering AG. gammaRenax AG. Garage Tarcisio Pasta SA. Gärtnerei Schwitter AG. Gasser Felstechnik AG. Gastrag. GAWO Gasser AG. Gazzose Ticinesi SA. GE Switzerland. Gebrüder Weiss AG. Gehri Rivestimenti SA. Gehrige AG Bauunternehmung Wil. Geistlich Pharma AG. Geo Edil SA. Georg Fischer AG. Gewerbe-Treuhand AG. GfK Switzerland AG. Gifiswitz SA. Gilbert Petit-Jean SA. Giosy Tours SA. Givaudan SA. Glas Trösch AG. Glatt Maschinen- und Apparatebau AG. GLB. Globetrotter Travel Service AG. Globus Travel Services SA. Glutz AG. Gmür AG. Goba AG. Gobat Groupe. Godrink Group – Boissons Liechti SA. Golfhotel Les Hauts de Gstaad SA. Gonet SA. Gotthard-Raststätte A2 Uri AG. Gottlieb Spezialitäten AG. GPA Guardian Protection SA. Grand Casino Luzern AG. Grand Casino St. Gallen AG. Grand Hotel Victoria-Jungfrau AG, Interlaken.

Grand Hotel Villa Castagnola. Graniti Maurino SA. Grano Giardini SA. Greubel Forsey SA. Grob AG. Groupe Alvazzi. Groupe André Chevalley. Groupe Autocorner. Groupe Eldora. Groupe Kudelski. Groupe Lathion (Tourisme, Carrières/Recyclage, Transports). Groupe Olympic SA. Groupe Pictet. Groupe Point Prod Actua. Groupe Posse. Groupe Power Data. Groupe R Management SA. Grunderco SA. Gruppo A++. Gruyère Energie SA. GTL SA. Gucci Timepieces. Güdel AG. Gunvor SA. Gustav Spiess AG. Gut AG Gebäudetechnik.

H

H + R Gastro AG. H. Goessler AG. H. Wellauer AG. Haag-Streit Holding AG. Habasit AG. Hälg Holding AG. Hammer Auto Center AG. Hans Christen AG. Hans Kohler AG. Hans Leutenegger SA. Härtereier Gerster AG. Hauser Gärten AG. Havas AG. Heimgartner Fahnen AG. Helsinn Holding SA. Helvetia Versicherungen. Henkel und Cie. Herbamed AG. Herzog & de Meuron. Herzog Haustechnik AG Luzern. Hilding Anders Switzerland AG. Hitachi ABB Power Grids Schweiz AG. Hitachi Vantara AG. Hotel Bellevue-Terminus, Engelberg. Hotel Central Plaza AG, Zürich. Hotel Eden Spiez AG. Hotel Federale, Lugano. Hotel Grischa, Davos Platz. Hotel Krone, Aarburg. Hôtel Métropole, Genève. Hotel Montana, Luzern. Hôtel Président Wilson, Genève. Hotel Säntispark, Abtwil. Hotel Schweizerhof Bern AG. Hotel Schweizerhof, Lenzerheide. Hotel Splendide Royal, Lugano. Hotel St. Gotthard, Zürich. Hotel Walter au Lac, Lugano. Hotelplan Group. Huber + Monsch AG. Huber Fenster AG. Hug AG. Hugelshofer Holding AG. Hugo Boss Ticino SA. Hunziker AG. Hüsler Nest AG. Hutter Dynamics AG. Hypothekbank Lenzburg.

I

IBM Schweiz AG. Idorsia AG. Ilem SA. IMA Automation Switzerland SA. Immer AG. Implenia Schweiz AG. IMTF Group. ING. Ingenus Pharmaceuticals Sagl. innova Versicherungen AG. Insulae SA. Intensiv SA. Interiman Group Holding SA. Interregionale Blutspende SRK AG. Ipsos (Suisse) SA. ISA Sallmann AG. ISS Schweiz AG. Itris Gruppe. Iveco (Schweiz) AG. IWB Industrielle Werke Basel. IWC Schaffhausen Branch of Richemont International SA.

J

Jabil Switzerland Manufacturing GmbH. JAG Jakob AG. Jean Singer et Cie SA. Jelmoli AG. Jenni Energietechnik AG. Jermann Ingenieure und Geometer AG. JESA. Joggi AG. Johnson Electric International AG. Josef Arnet AG. Josias Gasser Baumaterialien AG. Jutzler AG.

K

KADI AG. Kalkfabrik Netstal AG. Kalt Maschinenbau AG. Kantonsspital Baselland. Karakas et Français SA. Karl Morf AG. KIFA AG. Kilchenmann AG. Killer Interior AG. King Jouet Suisse SA. Klinik Lengg AG. KMS AG. Knecht Brugg Holding AG. Koch AG. Konapharma AG. KPMG AG. Kraftwerke Oberhasli AG.

Kugler Bimétal SA. Kühni AG. Küng Automobile. Kuratle Group. Kyburz & Cie SA.

L

L. Kellenberger & Co AG. La goccia SA, pulizie generali. La Rapida SA. La Solution (santé à domicile) SA. Lagerhäuser der Centralschweiz AG. Landhotel Hirschen, Erlinsbach. Landi Zentralschweiz. Lantal Textiles AG. LARAG AG. lastminute.com group. Lawil Gerüste AG. Lazzarini AG. LCA Automation AG. Lehner Versand AG. Leister AG. LEMO SA. Lenz & Staehelin. Lenze Schmidhauser. Lenzerheide Bergbahnen AG. Lenzlinger Söhne AG. Lerch AG Bauunternehmung. Les Boutiques Angéloz SA. LHH Schweiz GmbH. Libera AG. Lidl Schweiz AG. Link. Livesystems AG. Livit AG. Localnet AG. Loeb Holding AG. Lombardi SA Ingegneri Consulenti. Longemalle Collection. Lonza. L'Oréal (Suisse) SA. Louis Bélet SA. Lowa Schuhe AG. Lucarna Macana AG. Lustenberger & Dürst AG. Lüthy + Stocker AG. Luzerner Kantonalbank AG.

M

M. Opitz & Co AG. Maag Group. Mägerle AG Maschinenfabrik. Maillefer Instruments Holding Sàrl. Mancini & Marti SA. Manor. Marina Gastro AG. Markem-Imaje. Marmy Viandes en gros SA. Mars Schweiz AG. Martel AG. Matériaux Sabag SA. Max Studer Interim SA. Maxi Bazar SA. McDonald's Suisse. MCI Group Holding SA. McKinsey Switzerland. Medartis AG. Medela AG. Medisupport. Meier + Cie AG. Menz AG. Mepha Teva. Merck. Merian-Iselin Klinik. Merlini & Ferrari SA. Messe Zug AG. Metallizzazione SA. Metro Boutiques AG. Metzgerei Angst AG. Mibelle Group. Michael Page International (Switzerland) SA. Miele AG Schweiz. Migros. Migros Bank AG. Mikron SA. Möbel Pfister AG. Mobility Genossenschaft. Mökah AG. MoneyPark AG. Monn SA. Morath AG. Moser Schaffhausen AG. Moser-Baer AG. Motomix SA. MS Direct Group AG. MSC - Mediterranean Shipping Agency AG, Basel. Mubea Präzisionsstahlrohr AG. Müller Martini AG. Müller Reformhaus Vital Shop AG. MultiNet Communication GmbH. Mundo AG. Mungo Befestigungstechnik AG.

N

Naef Immobilier. Nestlé Nespresso SA. Netstream AG. Neuweiler AG. New Rock SA. Newrest Restauration SA. NielsenIQ. Niklaus LNI SA. Nile Clothing AG. Nivalis Group SA. Nokia Schweiz. Nomad Aviation AG. Notter Gruppe. Novae Restauration. Novartis. Novelis Switzerland SA. Novo Nordisk Pharma AG. Novotel, Basel. NS Partners.

O

Obrist Interior AG. OBT AG. Obwaldner Kantonalbank. Oertli Werkzeuge AG. Ofac société coopérative. Officine Ghidoni SA. Oiken SA. olo marzipan O. Lohner AG. Opacc Software AG. Optic 2000. Optimo Logistics. Orgapropre SA. Orthotec AG. Osmopharm SA. OWIBA AG.

P

PackSys Global AG. Paint-Styling AG. Pamp SA. Parkhotel Beau-Site, Zermatt. Parmigiani Fleurier SA. Pâtisserie-confiserie Moutarlier Sàrl. Patrimony 1873 SA. PB Swiss Tools GmbH. PCP.COM Gruppe. peka-metall AG. Pentagram Wealth Management SA. Persona Service. Pestalozzi AG. Petitpierre SA. Pfizer AG. Pharmapool AG. PHIDA Groupe. Philip Morris Products SA. Piaget SA. Pibor Iso SA. Piccadilly SA. Pistor AG. PJ made SA. PKB Privatbank AG. Planair SA. Plastigum AG. Polyphor AG. Poretti & Gaggini SA. Porsche Zentrum Zug. Prager Dreifuss AG. Prematic AG. PriceWaterhouseCoopers AG. Primaform AG. Prime21 AG. Privera AG. Probst Group Holding. Proderma AG. Profilpress AG. Progin SA Métal. Promena AG. Pumpstation Gastro GmbH.

Q

QIM Info SA.

R

R. Audemars SA. R. Morand et Fils SA. R. Nussbaum AG. Radio Top AG. Rahn+Bodmer Co. Raiffeisenbanken. Rausch AG Kreuzlingen. RealSport Group. Regazzi Holding SA. Regent Beleuchtungskörper AG. Rego-Fix AG. Reha- und Kurklinik Eden AG. Rehaklinik Hasliberg AG. Reichmuth & Co Privatbankiers. Reishauer AG. Remaco Holding AG. Remimag Gastronomie AG. Remontées Mécaniques Crans Montana Aminona (CMA) SA. Renggli AG. Repo SA. Revaz SA. Reyl & Cie SA. Rezzonico Editore. Rhätische Bahn AG. Rhy Personal AG. Richnerstutz AG. Rieter Holding AG. Riffelalp Resort AG. Rigi Bahnen AG. Ring Garage SAGA AG. Ringier AG. Ristoranti Fred Feldpausch SA. Rivella AG. Rivopharm SA. Robatech AG. Roth Gerüste AG. Rotho Kunststoff AG. Roventa-Henex AG. Ruckstuhl AG. Ruckstuhlgaragen. Rufalex Rollladen-Systeme AG. Rugenbräu AG.

S

Safram SA. Safran Vectronix AG. Saint-Gobain Weber AG. SAK Auto Kabel AG. Salt. Samuel Werder AG. Samvaz SA. Sanitas Troesch AG. Santex Rimar AG. sântis packaging ag. Sântis-Schwebebahn AG. Savoy Hotel Baur en Ville AG, Zürich. Scout24 Schweiz AG. SCRT SA. Semadeni AG. Sercab SA. Service 7000 AG. Sicas SA. Siegfried Evionnaz SA. Siegfried Holding AG. Siemens Schweiz. Siga Holding AG. Sigma-Aldrich Production GmbH. Signal AG. Sigrist-Photometer AG. Simpego Versicherungen AG. Sintetica SA. SIR SA. Siska Immobilien AG. Sisley SA. SJB Kempter Fitze AG. Slatkine Reprints SA. Smart Gorla Services SA. SMB Medical SA. Smurfit Kappa Swisswell AG. SNP Société Neuchâtoise de Presse SA. Société Générale Private Banking (Suisse) SA. Société suisse des explosifs Group. Soldy Group SA. Solenthaler Recycling AG. Somazzi Dario Materiali da costruzione SA. Sonceboz Automotive SA. Sonova Holding AG. Soudronic AG.

Spaghetti Gastro Group. Spar- und Leihkasse
Frutigen AG. SpineArt SA. Spitalzentrum Biel AG.
Spross-Holding AG. Südpack Bioggio SA. Sulzer AG.
Sunstar-Holding AG. Suter Inox AG. Suter Viandes SA.
Sutter Ingenieur- und Planungsbüro AG. SV Group AG.
Swan Analytische Instrumente AG. Swatch Group SA.
Swiss Jewel Co SA. Swiss Prime Site AG. Swiss Safety
Center AG. SwissFlock AG. swissgrid ag. swisspor
Romandie SA. Sycrilor Industries SA. Sylvain & CO SA.
Syngenta AG. Syntegon Packaging Systems AG.
Systems Assembling SA.

SCH

Schaer Pharma. Schällibaum AG. Schatz AG.
Scheitlin Syfrig Architekten. Schenker Storen AG.
Scherer & Bühler AG. Scherler AG. Scheuchzer SA.
Schiffahrtsgesellschaft des Vierwaldstättersees AG.
Schlossberg Switzerland AG. Schmiedewerk Stooss AG.
Schneider Sanitaires SA. Schnetzer Puskas Ingenieure.
Schoeller Textil AG. Schöni Transport AG. Schöttli AG.
Schroder & Co Bank AG. Schwarz Kitchen Selection SA.
Schwyzer Kantonalbank.

ST

Stähli Läpp Technik AG. Stahlton Bauteile AG.
Stanzwerk AG. Steinel Solutions AG. Steiner AG. Stella
Brandenberger Transporte AG. Stisa Sviluppo Traffici
Internazionali SA. Straumann Group. Straumann-
Hipp AG. Studio d'ingegneria Visani Rusconi Telleri SA.
Studio Ingegneria Sciarini SA. Styker Spine Sàrl.

T

Talus Informatik AG. Tamedia Espace AG. Tarcisi
Maissen SA. TAS Assurances SA. Tax Partner AG.
TBF + Partner AG. TeamWork Management SA.
Teca-Print AG. Tecnopinz SA. Tecsedo SA. Télé-
verbier SA. Teo Jakob AG. Terlinden Textilpflege AG.
The Chedi Andermatt. The Hamburger Foundation Sàrl.
The Omnia AG. The View Lugano. Thermoplan AG.
Thommen Medical AG. thyssenkrupp Materials
Schweiz AG. ti&m AG. tibits ag. Ticicom SA. TILO SA.
Time Pieces SA. Tobi Seeobst AG. Toggenburger Unter-
nehmungen. Top Net Services SA. Totsa TotalEnergies
Trading SA. Transitec Ingénieurs-Conseils. Transport-
gemeinschaft AG. Treuhand- und Revisionsgesellschaft
Mattig-Suter und Partner. Trümpi AG. Trunz Holding AG.
Tschümperlin AG. T-Systems Schweiz AG. Tulux AG.
Twint AG. TX Group AG.

U

UBS AG. UCB Farchim SA. Ulrich Imboden AG.
Ultra-Brag AG. Uniman SA. Union Bancaire Privée,
UBP SA. Union Diner. Unisto AG. Universal-Job AG.
Urner Kantonalbank. USFA - Falegnamerie Associate
società cooperativa.

V

Vacheron & Constantin SA. Valcambi SA. Valora.
Vap Roman SA. Veco Group SA. veepee.ch. Vending
Service AG. Verzinkerei Kriessern AG. VF Inter-
national Sagl. Vici AG International. Vischer AG. Vitol SA.
Volkshaus Basel. Volpi Group. von Graffenried AG
Liegenchaften. Von Roll Schweiz AG. VüCH AG.
VZ Holding AG. V-Zug AG.

W

Wagner AG. Wälli AG Ingenieure. Walo Bertschinger AG.
Walter Zoo AG. Wascosa AG. Waser + Co AG. Weber AG
Stahl- und Handwerkerzentrum. Webrepublic AG.
Weinmann-Energies SA. Wenger + Wirz AG.
Werthanor SA. Wetrok AG. Willemin-Macodel SA.
Wincasa AG. Windlin Gruppe. Wipf Holding AG.
Wolfensberger AG. work24.com AG. World Economic
Forum. Wüest AG. Wyss Gruppe AG.

Z

zb Zentralbahn AG. Zengaffinen Unternehmungen.
Zenith. Zentrum Paul Klee. Zermatt Bergbahnen AG.
Ziegler (Schweiz) AG. Zindel Gruppe AG. Zoo Zürich AG.
Zürcher Oberland Medien AG. Zürich Versicherungen
Schweiz. Zürich, Generalagentur Roland Howald AG.
Zweifel Pomy-Chips AG. Zwissig Groupe. ZWZ AG.

Glossary

Annualised	Data are said to be annualised when they are converted to an annual value. When → GDP increases by 1% from one quarter to the next, the annualised growth is 4.06%.
Baseline scenario	The SNB's baseline scenario comprises forecasts for what it considers to be the most likely global economic development for the coming three years. It serves as an important basis for the domestic economic and → inflation forecasts.
Basket of goods	The basket of goods represents an average household's expenditure on goods and services. It is determined on the basis of a household survey and is used to calculate the → Swiss consumer price index.
Bond	A bond is a → security. The buyer of a bond (creditor) makes a specific amount of money available to the bond issuer for a specific period. The issuer repays this amount to the creditor at the end of the term, and in most cases also pays → interest.
Business cycle, business cycle conditions	Business cycle refers to deviations in economic activity from the long-term trend. In addition to → real → GDP, the business cycle is also reflected in a variety of other economic → indicators (e.g. unemployment and consumer confidence indices). A business cycle lasts from the beginning of an upturn and all the way through the economic downturn to its end (→ recession).
Capacity utilisation	Capacity utilisation measures the degree of utilisation of the technical capacities (e.g. machines and equipment) of a company or an industry.
Capital	Capital refers on the one hand to financing resources (→ equity and → debt capital) and on the other to a → factor of production (e.g. machinery).
Capital market	The capital market supplements the → money market, and is a market for raising and investing funds with a term of more than one year. A distinction is made between the market for → equity capital (→ shares), and the market for → debt capital (→ bonds).
Collateral	In credit transactions, the debtor can provide the creditor with collateral (→ secured loan) in order to reduce the risk for the creditor and thus the → interest. The creditor can take possession of the collateral if the debtor is unable to pay the agreed interest or make the repayment.
Consumer price index	→ Swiss consumer price index
Core inflation	Core inflation is a measure of → inflation that excludes goods and services with particularly volatile prices (e.g. energy and food). Core inflation thus captures the underlying price trend.
Corporate bond	A corporate bond is a → bond issued by a company.
Countercyclical capital buffer	The countercyclical capital buffer is a → macroprudential measure which contributes towards → financial stability. If the capital buffer is activated, banks are required to hold more → capital. The capital buffer can be targeted at the entire credit market or just individual sectors, e.g. the mortgage market.
Debt capital	Debt capital refers to the borrowings and provisions of a company.
Deflation	Deflation denotes a sustained decrease in the general price level over time.
Delegates for regional economic relations	The delegates for regional economic relations represent the SNB in the various regions of Switzerland, collect information on economic development through their contacts to companies in those regions and, as ambassadors of the SNB, explain its policies. They are supported by the Regional Economic Councils. The SNB maintains representative offices in Basel, Berne, Geneva, Lausanne, Lucerne, Lugano, St Gallen and Zurich.
Equity	Equity is the difference between a company's assets and liabilities (→ debt capital).
Exchange rate	The exchange rate is the rate at which two currencies are exchanged. It is expressed as the price of one currency in units of another currency. If the exchange rate is adjusted for the price development of the countries concerned, it is referred to as the real exchange rate; if it is measured against the currencies of trading partners, it is referred to as the → trade-weighted exchange rate.
Exemption threshold, threshold factor	The exemption threshold indicates the limit below which no → negative interest is charged on a bank's → sight deposits. This threshold applies to each sight deposit account holder and is at least CHF 10 million. For a domestic bank, the exemption threshold is usually calculated as the three-year average of the → minimum reserve requirement multiplied by the threshold factor (currently 30) minus the bank's cash holdings.
Factors of production	Factors of production are the inputs (primarily labour and → capital) used in the production of goods and services.
Final demand, domestic	Domestic final demand is the sum of private and public consumption plus construction and equipment investment (e.g. new machines).

Financial stability	A financial system is stable if its individual components – banks, financial markets and financial market infrastructures (e.g. stock exchanges) – fulfil their individual functions and are resilient to potential disruptions.
Fine-tuning operations	Fine-tuning operations refer to measures taken by a central bank to curb excessive volatility in short-term → interest rates on the → money market. This can be carried out using → repo transactions, for example.
Fiscal policy	Measures (receipts and expenditure) that aim to influence → business cycle conditions.
Foreign exchange	Foreign exchange comprises credit balances and claims denominated in a foreign currency.
Foreign exchange market interventions	When a central bank intervenes in the foreign exchange market, it buys or sells its domestic currency against a foreign currency with the aim of influencing the → exchange rate.
Full-time equivalent (FTE)	The full-time equivalent is the unit of measure for the number of full-time employees that would be needed to complete the working hours of full-time and part-time employees.
Futures contract	A futures contract governs a transaction that has to be performed at a future point in time specified in the contract.
Government bond	A government bond is a → bond issued by a public-law institution.
Government consumption	Government consumption measures government consumption expenditure, i.e. current spending on goods and services provided by the government to the citizens of a country (e.g. schools, healthcare, defence).
Gross domestic product (GDP)	Gross domestic product indicates the total value of all final goods and services produced in a country during a period, after subtracting the cost of intermediate inputs. → Real GDP is the most important measure of an economy's → value added.
Hodrick-Prescott filter (HP filter)	The Hodrick-Prescott filter is a tool for calculating a trend in a data series. For example, deviations of → real → GDP from trend are used in business cycle analysis.
ICT industry	The ICT industry comprises those companies active in information and communications technology.
Indicator	An indicator is a statistical metric or data series that, for example, provides information on → business cycle conditions.
Inflation, inflation rate	Inflation is a sustained increase in the general price level over time. Inflation reduces the → purchasing power of money. In Switzerland, inflation is measured using the → Swiss consumer price index (CPI). The inflation rate denotes the percentage change in the index compared to the previous year.
Inflation forecast, conditional	The SNB publishes a forecast of movements in the → inflation rate over the coming three years every quarter at its → monetary policy assessment. The forecast is conditional because it is based on the assumption that the SNB will not change the → SNB policy rate over the forecast horizon. The SNB bases its monetary policy decisions on the inflation forecast.
Interest, interest rate	Interest is the price a borrower pays to the creditor in return for the latter making a sum of money available for a certain period. Its level is influenced by the term and the financial standing (creditworthiness and solvency) of the debtor as well as the quality of any → collateral. Interest is expressed as a percentage of the loan (interest rate) and usually refers to a time period of one year.
Interest differential, interest margin transaction	The difference between → interest rates on investments which vary, for example, according to currency or risk, is called the interest rate differential. An interest margin transaction uses the interest differential between various financial products to generate profit.
Joint and several guarantee	A joint and several guarantee is a form of guarantee in which the guarantor may already be held liable after one unsuccessful reminder to the debtor.
KOF Economic Barometer	The KOF Economic Barometer is an → indicator that shows how the Swiss → business cycle is likely to develop in the near future. It has been published by the KOF Swiss Economic Institute at ETH Zurich since the 1970s.
Libor	The Libor (London Interbank Offered Rate) corresponds to the average → interest rate at which banks report being able to borrow on the → money market in a given currency and for a certain term without depositing → collateral. The Swiss franc Libor is being discontinued at the end of 2021.
Liquidity	Liquidity has three meanings in economics. First, being liquid refers to the ability to make due payments at any time and without restriction. Second, liquidity describes the funds required for this purpose. Banks exchange liquidity via the → money market, and the SNB can influence liquidity with → repo transactions, among other things. Third, a market is considered liquid if transactions can be effected without triggering significant price movements.
Macroprudential measure	Regulatory requirement for banks, for example, which contributes to → financial stability.
Mandate	Mandate refers to the SNB's statutory tasks. Article 99 of the Federal Constitution entrusts the Swiss National Bank, as an independent central bank, with the conduct of monetary policy in the interests of the country as a whole. The National Bank Act sets this out in detail, explaining that the SNB is required to ensure → price stability and, in so doing, to take due account of economic developments (art. 5 para. 1 NBA).

MEM industries	MEM industries refers to the companies in the mechanical engineering, electrical engineering and metals industries.
Minimum reserves, minimum reserve requirement	In order to facilitate the smooth functioning of the → money market, banks are required to hold minimum reserves against a certain percentage of their Swiss franc short-term liabilities (e.g. customer deposits). The minimum reserves are composed of cash in Swiss francs and → sight deposits held at the SNB. The minimum reserves form the basis for calculating the → exemption thresholds for → negative interest.
Monetary aggregate, broad	The broad monetary aggregate, in contrast to the → monetary base, is the stock of money held by households and companies outside the banking sector. It comprises money held on bank accounts and cash.
Monetary base	The monetary base is composed of the sum of banknotes in circulation plus the → sight deposits of domestic commercial banks held at the SNB. The monetary base is also referred to as the M0 monetary aggregate.
Monetary conditions	The interest rate level and the → exchange rate determine monetary conditions. The SNB uses → monetary policy instruments to influence monetary conditions in order to fulfil its → mandate.
Monetary policy	Monetary policy is the implementation of → monetary policy instruments by the central bank to set appropriate → monetary conditions and thereby fulfil its statutory → mandate.
Monetary policy assessment	As a rule, the SNB conducts a monetary policy assessment every quarter. Based on economic developments both domestically and abroad as well as → monetary conditions in Switzerland, the SNB Governing Board decides whether → monetary policy is to remain unchanged, or be tightened or eased.
Monetary policy instruments	In order to set appropriate → monetary conditions, the SNB uses monetary policy instruments such as → repo transactions and → foreign exchange market interventions.
Monetary policy strategy	The SNB's monetary policy strategy sets out how it operationalises its statutory → mandate. The strategy, which has been in place since December 1999, consists of three elements: the definition of → price stability, the conditional → inflation forecast over the subsequent three years, and the → SNB policy rate.
Money market	The money market is the market for raising and investing short-term → liquidity. Here, banks in particular grant short-term loans to each other, either secured against → collateral (→ repo transactions) or unsecured. Short-term liquidity is defined as liquidity with a term of up to one year.
Mortgage loan	A → secured loan for which real estate serves as the collateral.
Multivariate filter (MV filter)	Multivariate filters are used, for example, in business cycle analysis. In contrast to the → HP filter, MV filters use multiple → indicators to calculate a trend in a data series.
Negative interest	Negative interest is the → interest which the SNB charges on → sight deposits held by banks and other financial market participants at the SNB above a certain → exemption threshold. It is a → monetary policy instrument and currently corresponds to the → SNB policy rate.
Nominal	Nominal is the term used when an economic variable is not adjusted to reflect price development (→ nominal interest rate).
Nominal interest rate	→ Interest rates are usually stated in nominal terms, i.e. they do not take into account that, during → inflation, the → purchasing power of money is lower after the credit transaction expires than before the credit transaction.
Open market operations	Open market operations are a type of → monetary policy instrument. In contrast to → standing facilities, the use of open market operations is initiated by the SNB, rather than a commercial bank.
Option	An option is the right to either buy (call option) or sell (put option) a → share, for example, at a fixed price on a specific date. This right can be securitised and traded on exchanges.
Other loans	According to the SNB's definition, the other loans category comprises all loans granted to households and companies that are not → mortgage loans. They can be secured or unsecured (→ secured loan).
Output gap	The output gap is defined as the percentage deviation of → real → GDP from the estimated → potential output. If actual economic output falls below potential output, the output gap is negative and the economy is thus underutilised.
Personal consumption expenditure (PCE) deflator	The personal consumption expenditure (PCE) deflator measures the development of prices for domestic and foreign goods and services in demand by households in Switzerland. Unlike the → Swiss consumer price index, it is not based on a specific → basket of goods, rather it takes all current consumer spending into account.
PMI manufacturing	The Purchasing Managers' Index is based on surveys and is an important → indicator of activity in the manufacturing sector. The Swiss index is composed of sub-indices covering production, order volume, delivery times, inventory, purchases and number of employees. A value above 50 points is considered a growth signal.
Potential growth	Potential growth refers to the change in → potential output.

Potential output, production potential	Potential output or production potential is the level of → real → GDP at normal utilisation of the → factors of production. Potential output is estimated using tools such as the → HP filter.
Price stability	According to the SNB's definition, price stability is considered to prevail when → inflation, as measured by the → Swiss consumer price index, is below 2%, and there is also no → deflation.
Production function	A production function describes the relationship between inputs (→ factors of production) and the resulting output (goods and services).
Purchasing power	The purchasing power of money indicates how many goods and services in a fixed → basket of goods can be bought with one unit of money. If → inflation prevails, purchasing power decreases over time.
Real	Real is the term used when an economic variable is adjusted to reflect price development (→ real rate of interest).
Real rate of interest	Adjusting the → nominal interest rate for the loss of → purchasing power due to → inflation over the duration of a credit transaction gives the real interest rate. The real rate of interest is thus calculated as the difference between the → nominal interest rate and the → inflation rate.
Recession	A recession is an economic downturn. There is no uniform definition, but a recession is often said to occur when → real → GDP falls for at least two consecutive quarters.
Refinancing	Refinancing has two meanings in economics. First, refinancing is when commercial banks raise funds on the → money market or → capital market. Second, it refers to the replacement of maturing debt by means of new debt.
Repo transactions, repo rate	In a repo transaction, the cash taker sells → securities to the cash provider and simultaneously agrees to repurchase securities of the same type and quantity at a later date. Economically, a repo transaction is a → secured loan. The → interest rate used in a repo transaction is called the repo rate. The SNB can use repo transactions to steer → liquidity in the → money market.
Risk premium	A risk premium reflects the valuation of the risk associated with a financial instrument.
SARON	SARON (Swiss Average Rate Overnight) is the interest rate for → repo transactions in Swiss francs with overnight maturity. It is based on → transaction prices and trade quotes. The SNB has been focusing on SARON in seeking to keep the short-term Swiss franc money market rates close to the → SNB policy rate.
Seasonal adjustment	Seasonal adjustment is a statistical method to remove regular seasonal effects (such as the rise in unemployment in the winter months) from time series so that → business cycle conditions, for example, can be more easily identified.
Secured money market rate	The secured money market rate is the → interest for → secured loans on the → money market which are usually concluded as → repo transactions (→ SARON).
Secured/covered loan	A secured or covered loan, in contrast to an unsecured (uncovered) loan, is a loan where the debtor provides → collateral. The main type of secured loan is a → mortgage loan.
Security	A security certifies a property right (e.g. the right to receive an interest payment). The most important securities traded on a market are → shares and → bonds.
Share	A share or → stock is a → security with which the buyer acquires a participation in a company.
Sight deposits at the SNB	Banks use their sight deposits held at the SNB to carry out transactions (e.g. payments) for their customers. In addition to sight deposits held by domestic banks, total sight deposits include sight liabilities towards the Confederation, sight deposits of foreign banks and institutions, as well as other sight liabilities.
SNB COVID-19 refinancing facility (CRF)	The CRF is a → standing facility established as part of the measures to cushion the economic impact of the coronavirus pandemic. The CRF allows banks to obtain liquidity from the SNB. The corporate loans, for which the Confederation and cantons have provided guarantees, serve as → collateral. The SNB can also accept other collateral for the CRF.
SNB policy rate	The Swiss National Bank implements its → monetary policy by setting the SNB policy rate. The SNB seeks to keep short-term Swiss franc → money market rates close to the SNB policy rate. → SARON is the most representative of these rates today. The → negative interest rate currently corresponds to the SNB policy rate.
Standing facilities	Standing facilities are a type of → monetary policy instrument. In contrast to → open market operations, the use of standing facilities is initiated not by the SNB, but by a commercial bank.
Stock	→ share
Swap, interest rate swap	A swap is a financial transaction in which the contracting parties exchange payment flows. In an interest rate swap, one contracting party pays the other a variable → interest rate linked to a market interest rate and in return receives fixed interest payments contractually determined in advance.
Swiss consumer price index (CPI)	The Swiss consumer price index (CPI), which is compiled by the Swiss Federal Statistical Office (SFSO), measures the average development of prices for goods and services in demand by households in Switzerland. The CPI is calculated every month based on a → basket of goods representative of household consumption.

Trade-weighted exchange rate	The trade-weighted or effective → exchange rate is the value of an economy's currency vis-à-vis the currencies of its trading partners. It is calculated using bilateral exchange rates with trading partners, with weightings dependent on trading activity.
Transaction price	The price at which a transaction is actually executed, as opposed to a bid or ask price.
Unemployment rate	The rate of unemployment is the ratio of the number of unemployed people to the number of people in the labour force (i.e. those employed and unemployed), expressed as a percentage.
Utilisation of credit lines	Depending on the type of loan, a borrower can decide whether to use the maximum amount granted by the bank or just some of it. Utilisation refers to the amount drawn down.
Value added	Value added measures the economic output of a sector or industry. It is defined as the difference between the value of goods and services produced in a given sector and the value of inputs obtained from other sectors. Total value added of all sectors, adjusted for taxes and subsidies, gives → GDP.
Volatility	Volatility describes the extent of fluctuations in given variables, e.g. share prices or → interest rates, over a certain period of time.
Yield	Yield refers to the return on financial assets or investments and is usually expressed as a percentage of the → capital invested.
Yield curve	The yield curve, also known as the term structure of interest rates, graphically represents the → yields of fixed-interest investments of the same quality with different maturities. Typically, the yields of → government bonds are used. The yield curve usually slopes upwards as investors demand a → risk premium for bonds with longer maturities.
Yield curve control	Yield curve control involves a central bank setting a target for the yield of government bonds with a specific maturity, typically longer-term, and using bond purchases to ensure that the actual yield is close to the target.

Chronicle of monetary events

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

<p>At its quarterly assessment of 16 December, the SNB leaves its policy rate and the interest rate on sight deposits with the SNB at -0.75%. In light of the highly valued Swiss franc, it remains willing to intervene in the foreign exchange market as necessary. In so doing, it takes the overall currency situation into account. The SNB's expansionary monetary policy thus ensures price stability and supports the Swiss economy in its recovery from the impact of the coronavirus pandemic.</p>	December 2021
<p>At its quarterly assessment of 23 September, the SNB leaves its policy rate and the interest rate on sight deposits with the SNB at -0.75%. In light of the highly valued Swiss franc, it remains willing to intervene in the foreign exchange market as necessary. In so doing, it takes the overall currency situation into account. The SNB's expansionary monetary policy serves to ensure price stability and provide support to the Swiss economy in its recovery from the impact of the coronavirus pandemic.</p>	September 2021
<p>At its quarterly assessment of 17 June, the SNB leaves its policy rate and the interest rate on sight deposits with the SNB at -0.75%. It remains willing to intervene in the foreign exchange market as necessary. In so doing, it takes the overall currency situation into account. 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.</p>	June 2021
<p>On 23 April, the Bank of England, the Bank of Japan, the European Central Bank and the Swiss National Bank, in consultation with the US Federal Reserve, jointly decide to discontinue offering dollar liquidity at the 84-day maturity. This decision is taken in view of sustained improvements in US dollar funding conditions. The operational change will be effective as of 1 July 2021. From 1 July 2021 onwards, these central banks will continue to hold weekly operations with a 7-day maturity.</p>	April 2021
<p>At its quarterly assessment of 25 March, the SNB leaves its policy rate and the interest rate on sight deposits with the SNB at -0.75%. It remains willing to intervene in the foreign exchange market as necessary. In so doing, it takes the overall currency situation into account. It is also continuing to supply the banking system with liquidity on generous terms. 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.</p>	March 2021
<p>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 currency situation into account. The SNB continues to supply the banking system with liquidity on generous terms 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.</p>	December 2020

Published by

Swiss National Bank
Economic Affairs
Börsenstrasse 15
P.O. Box
CH-8022 Zurich

Design

Interbrand Ltd, Zurich

Typeset by

Neidhart+Schön Group AG, Zurich

Language versions:

The Quarterly Bulletin is available in printed form in German (ISSN 1423-3789), French (ISSN 1423-3797) and Italian (ISSN 2504-3544), either as single copies or on subscription, from: Swiss National Bank, Library
P.O. Box, CH-8022 Zurich
Telephone +41 58 631 11 50
Fax +41 58 631 50 48
Email: library@snb.ch

The Quarterly Bulletin can also be downloaded from the SNB website in the following language versions:

English: www.snb.ch, Publications/
Economic publications/Quarterly Bulletin
(ISSN 1662-257X)
German: www.snb.ch, Publikationen/
Ökonomische Publikationen/Quartalsheft
(ISSN 1662-2588)
French: www.snb.ch, Publications/
Publications économiques/Bulletin
trimestriel (ISSN 1662-2596)
Italian: www.snb.ch, Pubblicazioni/
Pubblicazioni economiche/
Bollettino trimestrale (ISSN 2504-480X)

Website

www.snb.ch

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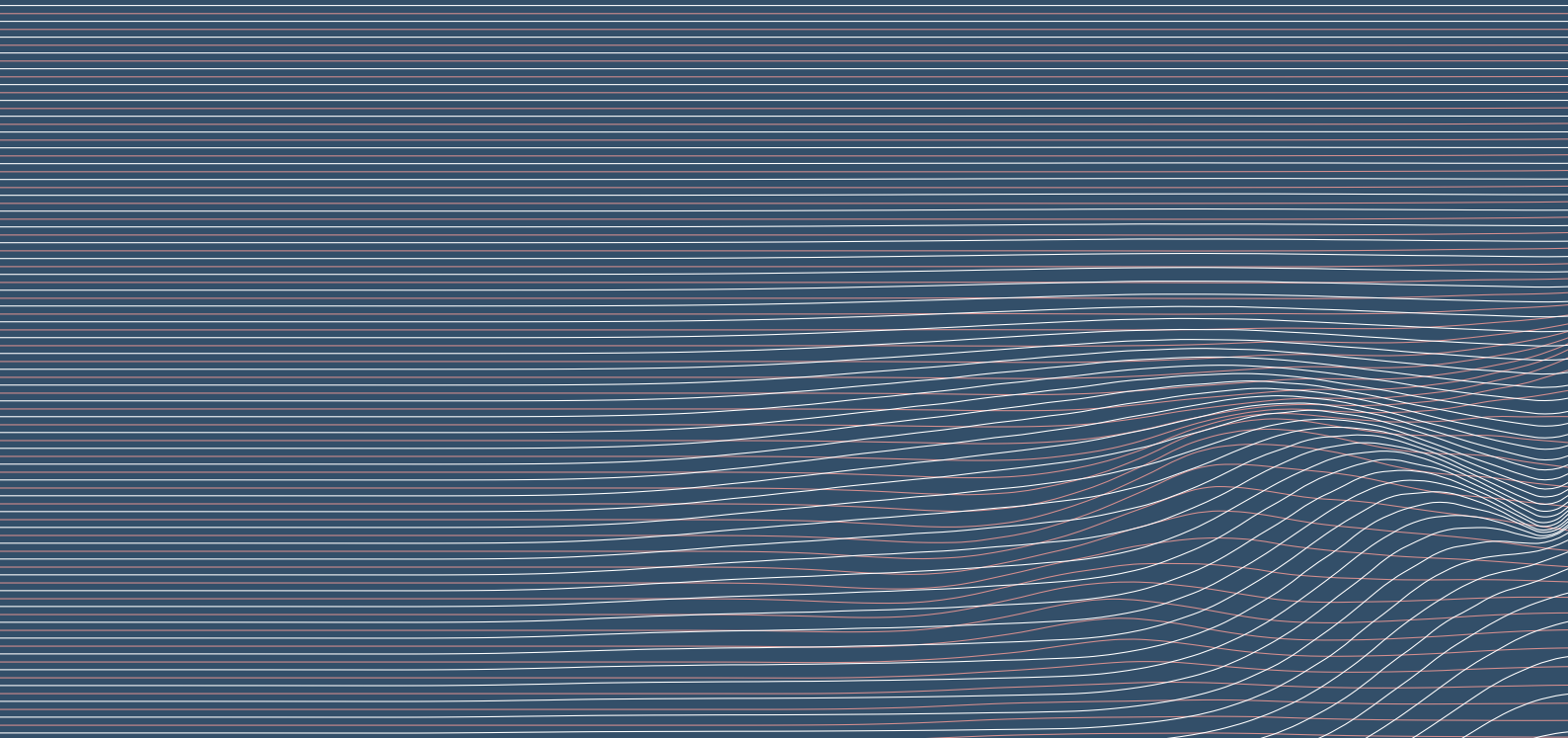
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