

Quarterly Bulletin
4/2024 December

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
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SWISS NATIONAL BANK



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Monetary policy report

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly monetary policy assessment of December 2024

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 12 December 2024') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 12 December 2024. Unless otherwise stated, all rates of change from the previous period are based on seasonally adjusted data and are annualised.

Key points

- On 12 December 2024, the SNB decided to lower its policy rate by 0.5 percentage points to 0.5%. With this decision, the SNB took into account the reduction in inflationary pressure over the course of the quarter.
- Global economic growth was moderate in the third quarter of 2024, and this is likely to remain the case in the coming quarters. In anticipation of a continued decline in inflation, various central banks cut their policy rates further.
- Economic growth in Switzerland was modest in the third quarter of 2024. The SNB anticipates GDP growth of around 1% for 2024 as a whole. Economic development should improve somewhat thereafter. The SNB expects growth of between 1% and 1.5% for 2025.
- Inflation decreased from 1.1% in August to 0.7% in November. Inflation expectations remained within the range consistent with price stability.
- The Swiss franc appreciated against the euro, but depreciated markedly against the US dollar. Confederation bond yields and Swiss share prices declined. There was hardly any change in the momentum of residential real estate prices. Growth rates in the broad monetary aggregates increased further in line with interest rate developments. Growth in mortgage lending remained stable at the level of the preceding quarter.

1 Monetary policy decision of 12 December 2024

Swiss National Bank eases monetary policy and lowers SNB policy rate to 0.5%

The Swiss National Bank is lowering the SNB policy rate by 0.5 percentage points to 0.5%. Banks' sight deposits held at the SNB will be remunerated at the SNB policy rate up to a certain threshold, and at 0% above this threshold. The SNB also remains willing to be active in the foreign exchange market as necessary.

Underlying inflationary pressure has decreased again this quarter. The SNB's easing of monetary policy takes this development into account. The SNB will continue to monitor the situation closely, and will adjust its monetary policy if necessary to ensure inflation remains within the range consistent with price stability over the medium term.

Inflation in the period since the last monetary policy assessment has again been lower than expected. It decreased from 1.1% in August to 0.7% in November. Both goods and services contributed to this decline. Overall, inflation in Switzerland is still being driven mainly by domestic services.

In the shorter term, the new conditional inflation forecast is below that of September. This above all reflects the lower-than-expected inflation in the case of oil products

and food. Thanks to the policy rate cut, there is little change in the medium term. The new forecast is within the range of price stability over the entire forecast horizon (cf. chart 1.1). It puts average annual inflation at 1.1% for 2024, 0.3% for 2025 and 0.8% for 2026 (cf. table 1.1). The forecast is based on the assumption that the SNB policy rate is 0.5% over the entire forecast horizon. Without the rate cut, the conditional inflation forecast would have been lower.

Global economic growth was moderate in the third quarter of 2024. Recently, inflation in many countries was again close to central banks' targets. However, core inflation remained elevated. In anticipation of a continued decline in inflation, various central banks cut their policy rates further this quarter.

Underlying inflationary pressure abroad is likely to carry on easing gradually over the next quarters. At the same time, the moderate pace of global growth should continue.

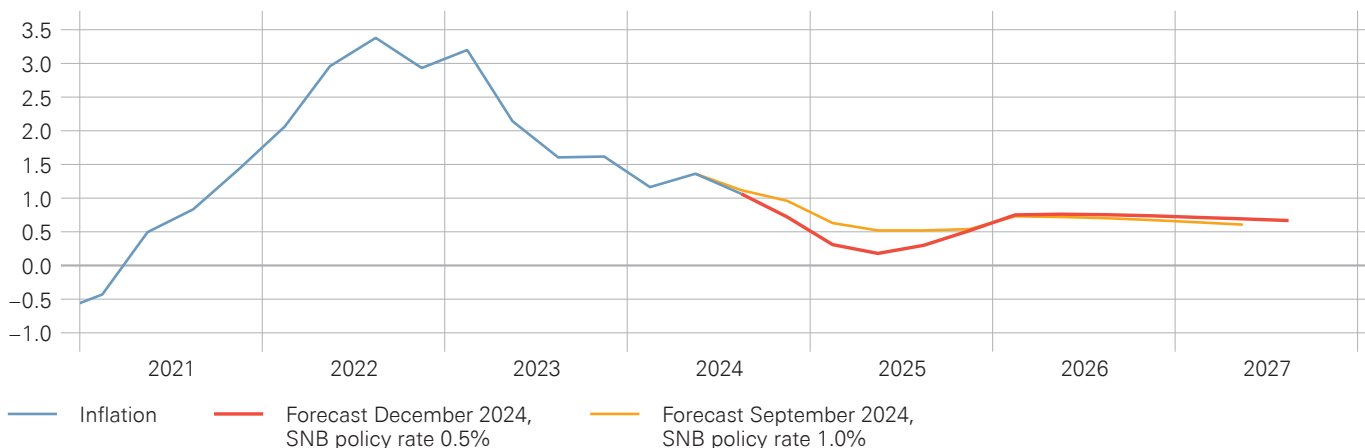
Uncertainty about the economic outlook has increased in recent months. In particular, the future course of economic policy in the US is still uncertain, and political uncertainty has also risen in Europe. In addition, geopolitical tensions could result in weaker development of global economic activity. Equally, it cannot be ruled out that inflation could remain higher than expected in some countries.

As anticipated, GDP growth in Switzerland was only modest in the third quarter of 2024. Growth in the services sector was again somewhat stronger, while value added in manufacturing declined. There was a further slight increase in unemployment, and employment growth was only subdued. The utilisation of overall production capacity was normal.

Chart 1.1

CONDITIONAL INFLATION FORECAST OF DECEMBER 2024

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



Source(s): SFSO, SNB

The SNB anticipates GDP growth of around 1% for the current year. Thanks also to the easing of monetary policy in recent quarters, growth should pick up somewhat next year, albeit only slightly due to the moderate global economic activity. The SNB currently expects growth of between 1% and 1.5% for 2025. In this environment, unemployment should continue to rise slightly, while the utilisation of production capacity is likely to decline somewhat.

The forecast for Switzerland, as for the global economy, is subject to significant uncertainty. Developments abroad represent the main risk.

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. In addition, the SNB allows inflation to fluctuate somewhat with

the economic cycle. Second, the SNB summarises its assessment of inflationary pressure and of the need for monetary policy action in a quarterly inflation forecast. This forecast, which is based on the assumption of a constant SNB policy 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. If necessary, the SNB may also use additional monetary policy measures to influence the exchange rate or the interest rate level.

Table 1.1

OBSERVED INFLATION IN DECEMBER 2024

	2021				2022				2023				2024				2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	-0.4	0.5	0.8	1.4	2.1	3.0	3.4	2.9	3.2	2.1	1.6	1.6	1.2	1.4	1.1		0.6	2.8	2.1

Source(s): SFISO

CONDITIONAL INFLATION FORECAST OF DECEMBER 2024

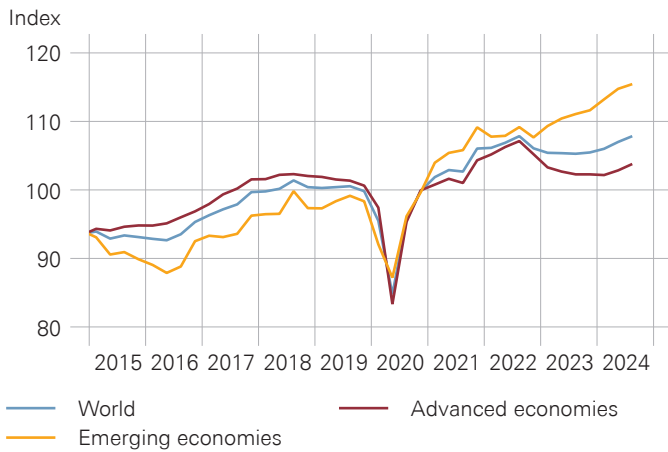
	2024				2025				2026				2027				2024	2025	2026
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast September 2024, SNB policy rate 1.0%			1.1	1.0	0.6	0.5	0.5	0.5	0.7	0.7	0.7	0.7	0.6	0.6			1.2	0.6	0.7
Forecast December 2024, SNB policy rate 0.5%			0.7	0.3	0.2	0.3	0.5	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.7		1.1	0.3	0.8

Source(s): SNB

Chart 2.1

GLOBAL GOODS TRADE

Average in depicted period = 100



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

2 Global economic environment

Global economic growth was moderate in the third quarter of 2024. Economic activity remained solid in the US, while in the euro area it improved only slightly. Growth in the Chinese economy was rather modest by longer-term comparison. The services sector continued to contribute positively to economic activity worldwide. By contrast, momentum in large parts of manufacturing remained subdued. Nevertheless, global trade expanded further in the third quarter, due primarily to strong trade in the emerging economies (cf. chart 2.1).

Recently, inflation in many countries was again close to central banks' targets. This was due, among other things, to lower energy prices. Core inflation remained elevated. In anticipation of a continued decline in inflation, various central banks cut their policy rates further.

Underlying inflationary pressure abroad is likely to carry on easing gradually over the next quarters. At the same time, the pace of global growth should remain moderate. Household purchasing power should continue to recover and, together with the monetary policy easing, support growth.

Uncertainty about the economic outlook has increased in recent months. In particular, the future course of economic policy in the US is still uncertain, and political uncertainty has also risen in Europe. In addition, geopolitical tensions could result in weaker development of global economic

Table 2.1

BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS

	2020	2021	2022	2023	Scenario	
					2024	2025
GDP, year-on-year change in percent						
Global ¹	-2.7	6.6	3.6	3.3	3.1	3.1
US	-2.2	6.1	2.5	2.9	2.8	2.4
Euro area	-6.2	6.3	3.6	0.5	0.8	1.1
China	2.2	8.4	3.0	5.2	4.7	4.8
Oil price in USD per barrel						
	41.8	70.7	100.9	82.5	80.5	74.0

¹ World aggregate as defined by the IMF, PPP-weighted.

Source(s): LSEG Datastream, SNB

activity. Equally, it cannot be ruled out that inflation could remain higher than expected in some countries.

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 74 per barrel, compared with USD 79 in the last baseline scenario, and an exchange rate of USD 1.08 to the euro compared with USD 1.10 previously. Both correspond to the 20-day average when the current baseline scenario was drawn up.

INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

Since the monetary policy assessment in September, varying economic developments in advanced economies, changed expectations regarding the future course of monetary policy as well as political uncertainties have shaped events in international financial markets.

Surprisingly robust economic activity in the US helped to dampen market expectations of swift interest rate cuts by the Federal Reserve. In addition, the US presidential election led to expectations of a higher budget deficit and a more restrictive trade policy. Yields on US government bonds rose significantly as a result. This initially also affected yields on government bonds of other countries. In the euro area, yields subsequently declined again. This was primarily due to a weaker economic outlook and the expectation that the ECB would cut key interest rates more quickly (cf. charts 2.2 and 2.3).

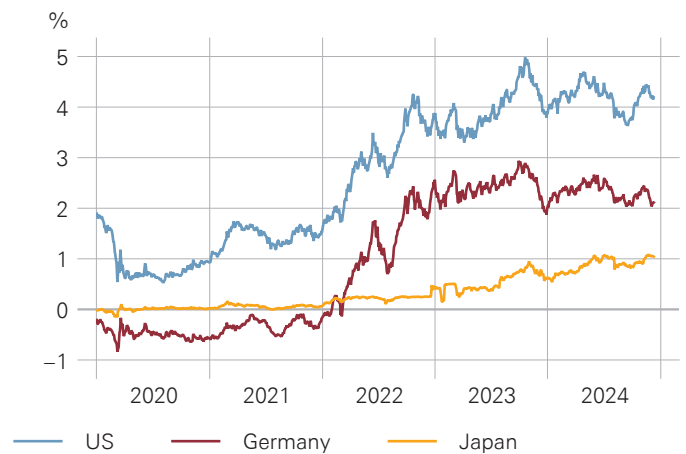
The differing economic prospects in the individual currency areas were also reflected on the stock market, with strong price gains in the US and losses in the euro area. China's stock market benefited from the announcement of new economic stimulus measures. The MSCI World Index thus trended somewhat higher. Uncertainty about future price movements decreased slightly, as indicated by the VIX, the index for the implied volatility of stocks in the US as measured by options prices (cf. chart 2.4).

The re-evaluation of market expectations regarding monetary policy and the changed interest rate differentials continued to shape developments on the foreign exchange market. Accordingly, the US dollar appreciated on a trade-weighted basis. Expectations of a rise in US import tariffs also supported the US dollar. The euro, by contrast, weakened in trade-weighted terms. The yen initially also lost value, but latterly recouped some of the losses (cf. chart 2.5).

Chart 2.2

INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

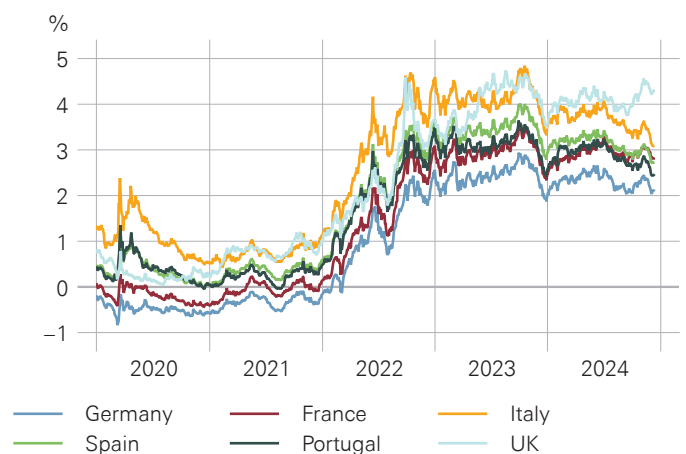


Source(s): LSEG Datastream

Chart 2.3

EUROPEAN LONG-TERM INTEREST RATES

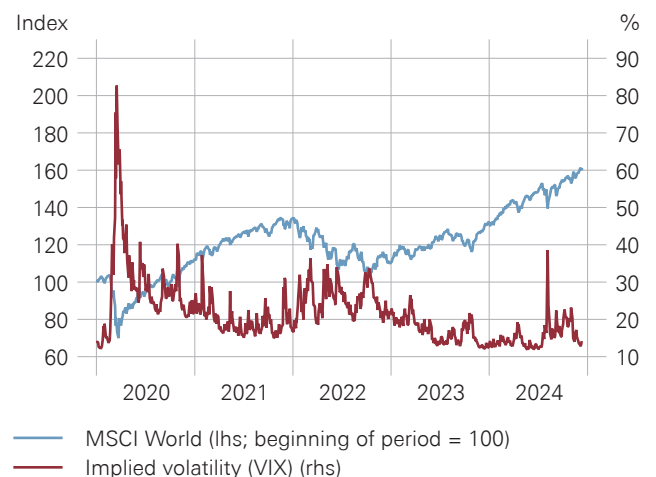
10-year government instruments



Source(s): LSEG Datastream

Chart 2.4

STOCK MARKETS



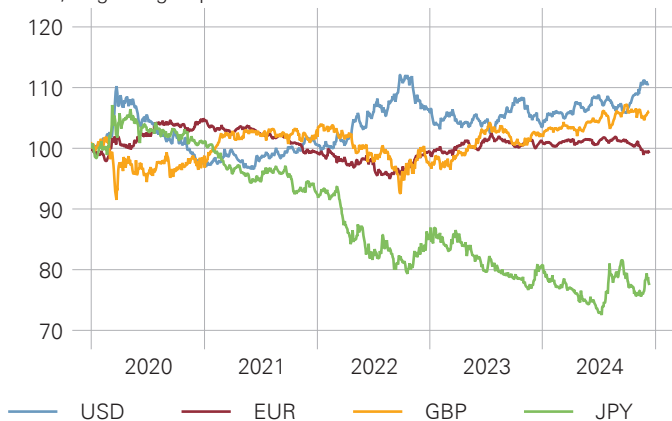
Source(s): LSEG Datastream

Chart 2.5

EXCHANGE RATES

Trade-weighted

Index, beginning of period = 100



Source(s): LSEG Datastream

Chart 2.6

COMMODITY PRICES

Index, beginning of period = 100

USD/barrel



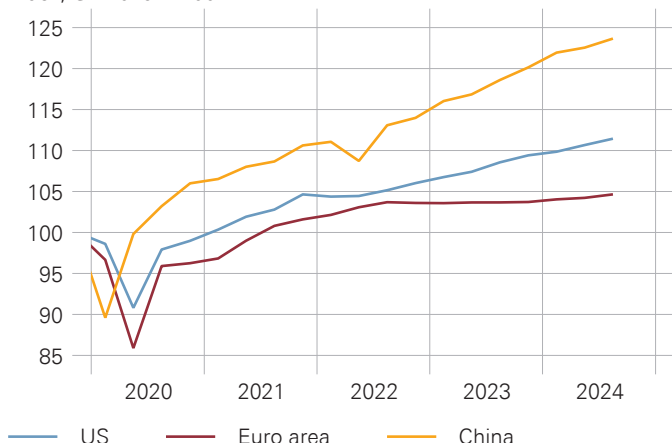
Commodities, total Industrial metals
Oil: Brent (rhs)

Source(s): LSEG Datastream

Chart 2.7

REAL GDP

Index, Q4 2019 = 100



US Euro area China

Source(s): LSEG Datastream

Commodity prices changed little overall. Brent crude latterly stood at around USD 73 per barrel, virtually the same as at the end of September. Industrial metal prices, by contrast, decreased somewhat in light of the subdued economic outlook in the euro area and China (cf. chart 2.6).

UNITED STATES

At 2.8%, third-quarter GDP growth in the US remained solid (cf. chart 2.7). Private consumption in particular was still very dynamic.

Owing to temporary factors, employment momentum was volatile in recent months, but continued to slow on the whole. Unemployment tended to move sideways and stood at 4.2% in November (cf. chart 2.9). Wage growth remained slightly elevated. Overall, the labour market is likely to be operating at close to normal capacity.

Economic growth is likely to weaken slightly in the coming quarters, but remain solid overall. Private consumption is likely to lose some momentum due to wage growth no longer being quite so strong. The Fed’s interest rate cuts, on the other hand, should provide support.

Owing to the unexpectedly strong GDP growth in Q3 and a slightly more positive outlook for Q4 2024 and Q1 2025, the SNB is raising its growth forecast for 2024 to 2.8% and for 2025 to 2.4% (cf. table 2.1). The level of uncertainty associated with this forecast has increased considerably, as US economic policy faces realignment following the presidential election.

Consumer price inflation trended sideways in recent months and was 2.7% in November, while core inflation in particular remained high at 3.3% (cf. charts 2.10 and 2.11). Inflation as measured by the personal consumption expenditure deflator – the index used by the Fed to set its 2% inflation target – stood at 2.3% in October.

In light of the progress achieved in combating inflation since the beginning of the year, as well as the waning momentum in the labour market, the Fed further eased its monetary policy. It lowered its target range for the federal funds rate in November by 25 basis points, to 4.5–4.75% (cf. chart 2.12), and signalled further interest rate cuts. At the same time, it will continue to reduce its balance sheet. The portfolio of Treasury and mortgage-backed securities will be further reduced, by up to USD 60 billion per month (around 0.9% of the current balance sheet).

EURO AREA

In Q3, GDP growth in the euro area increased to 1.7% (cf. chart 2.7). Private consumption and investment picked up in particular, while exports declined. Despite the slightly improved economic momentum, utilisation of overall production capacity was still below average. Employment growth continued to be solid, and the unemployment rate remained at a historically low level in October, at 6.3% (cf. chart 2.9).

The latest signals suggest that the economic expansion is set to be more subdued again in Q4. Industrial output in the major euro area member states decreased in October, and the purchasing managers' index (PMI) indicates a further decline in November (cf. chart 2.8). Survey results suggest that momentum also slowed in the services sector.

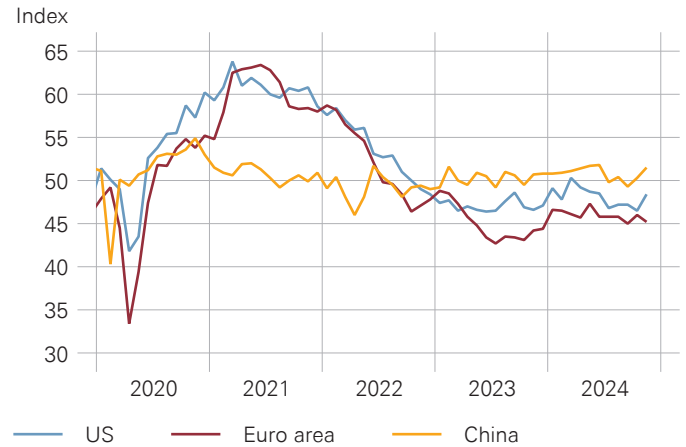
Growth is expected to pick up somewhat in the medium term. Private consumption in particular is likely to recover further on the back of strong wage growth. The SNB is leaving its growth forecast virtually unchanged at 0.8% for 2024 and at 1.1% for 2025 (cf. table 2.1).

In September, consumer price inflation briefly fell below the ECB's target of 2%, but subsequently increased again, and stood at 2.3% in November (cf. chart 2.10). Core inflation was still elevated at 2.7% (cf. chart 2.11). Given the strong wage growth, services inflation in particular remained high.

In anticipation of a further decline in inflation, the ECB lowered its key interest rates by 25 basis points both in October and December. The deposit facility rate will thus stand at 3.0% from mid-December (cf. chart 2.12). The ECB also signalled that a further interest rate cut was likely. In addition, proceeds from securities maturing under the asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) are only being partially reinvested, with the result that the portfolio is shrinking by EUR 30–35 billion per month (around 0.75% of the current balance sheet).

Chart 2.8

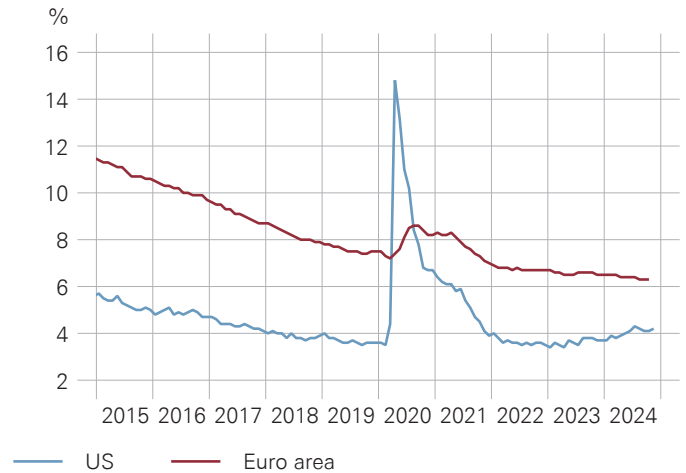
PURCHASING MANAGERS' INDICES (MANUFACTURING)



Source(s): Institute for Supply Management (ISM), S&P Global

Chart 2.9

UNEMPLOYMENT RATES

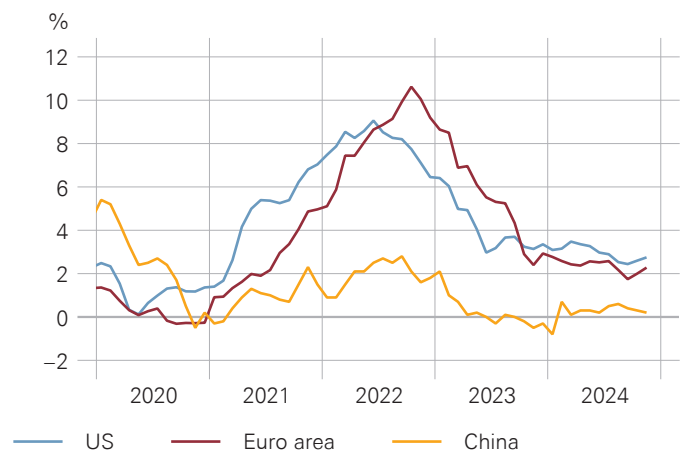


Source(s): LSEG Datastream

Chart 2.10

CONSUMER PRICES

Year-on-year change

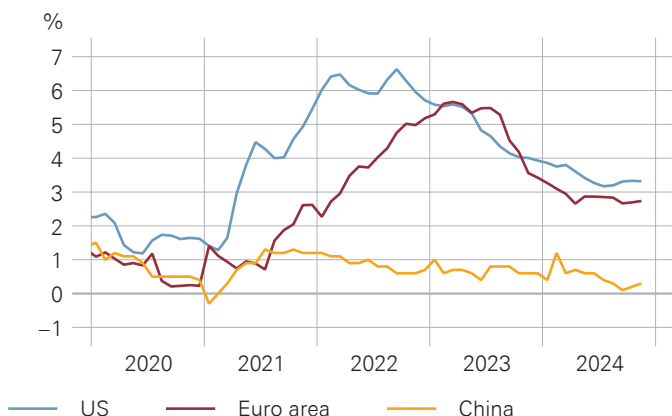


Source(s): LSEG Datastream

Chart 2.11

CORE INFLATION RATES¹

Year-on-year change

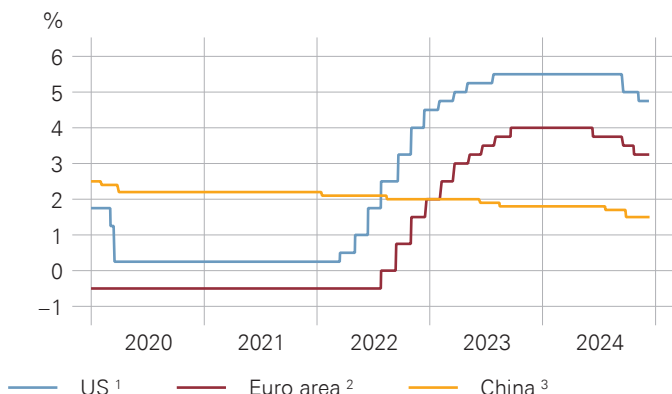


¹ Excluding food and energy.

Source(s): LSEG Datastream

Chart 2.12

OFFICIAL INTEREST RATES



¹ Federal funds rate (upper limit of target range).

² Deposit facility rate.

³ Reverse repo rate (7-day).

Source(s): LSEG Datastream

CHINA

While GDP growth in China picked up somewhat in the third quarter, it remained muted at 3.6% (cf. chart 2.7). Support came from manufacturing activity, which benefited from the ongoing dynamic development in exports. Growth in the services sector remained tentative despite government measures to boost consumption. The real estate crisis continued to weigh on economic activity.

Given the sluggish growth, authorities passed a range of stimulus and structural measures in September. The existing fiscal space this year will be used to reach the 2024 growth target of around 5%. Added to this is a further easing of monetary policy, including a reduction in policy rates (cf. chart 2.12) and mortgage rates aimed at supporting economic expansion in the quarters ahead. Among the structural measures is a public sector debt swap programme for local governments to shift hidden debt to the official balance sheet. These measures will likely contribute to improving financial stability.

The SNB has left its growth forecast for China essentially unchanged at 4.7% for the current year and 4.8% for 2025 (cf. table 2.1).

Consumer price inflation remained weak. In November, it stood at 0.2% and was thus slightly lower than in August (cf. chart 2.10). Core inflation was unchanged at 0.3% (cf. chart 2.11).

3 Economic developments in Switzerland

Economic growth in Switzerland was modest in the third quarter of 2024. Growth in the services sector was again somewhat stronger, while value added in manufacturing declined. There was a further slight increase in unemployment, and employment growth was only subdued. The utilisation of overall production capacity was normal.

The SNB anticipates GDP growth of around 1% for this year. Thanks also to the easing of monetary policy in recent quarters, growth should pick up somewhat next year, albeit only slightly due to the moderate global economic activity. The SNB expects growth of between 1% and 1.5% for 2025. In this environment, unemployment should continue to rise slightly, while the utilisation of production capacity is likely to decline somewhat.

The forecast for Switzerland, as for the global economy, is subject to significant uncertainty. Developments abroad represent the main risk.

OUTPUT AND DEMAND

The SNB takes a wide range of information into account when assessing the economic situation. According to this information, growth weakened in the third quarter of 2024. The latest signals point to a moderate GDP expansion in Q4.

Muted growth in Q3 2024

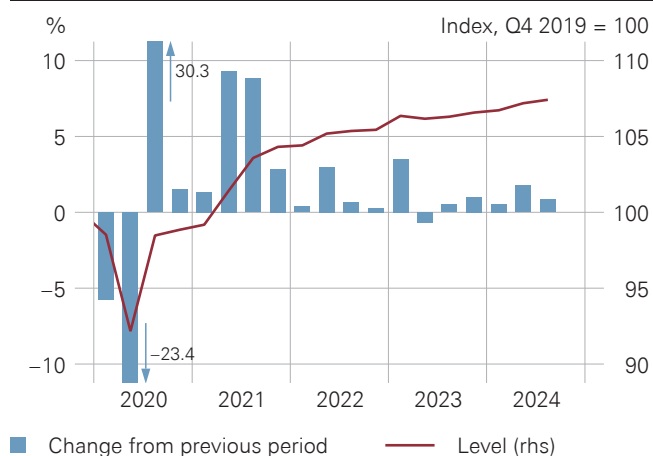
According to the estimate by the State Secretariat for Economic Affairs (SECO), GDP advanced by 0.9% in the third quarter (cf. chart 3.1). Value added in the services sector, particularly in trade, supported this growth. In manufacturing, by contrast, value added decreased, mainly as a result of subdued momentum in global manufacturing.

A breakdown of GDP by component shows that consumption and construction investment developed favourably, while foreign trade made a negative contribution to GDP growth due to a decline in goods exports (cf. table 3.1).

Chart 3.1

REAL GDP

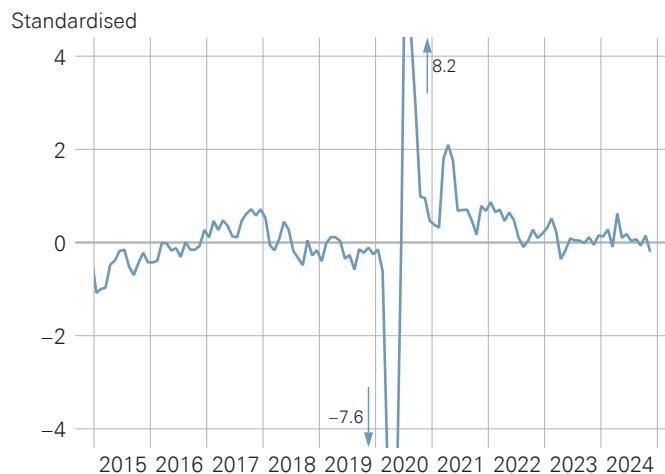
Adjusted for sporting events



Source(s): SECO

Chart 3.2

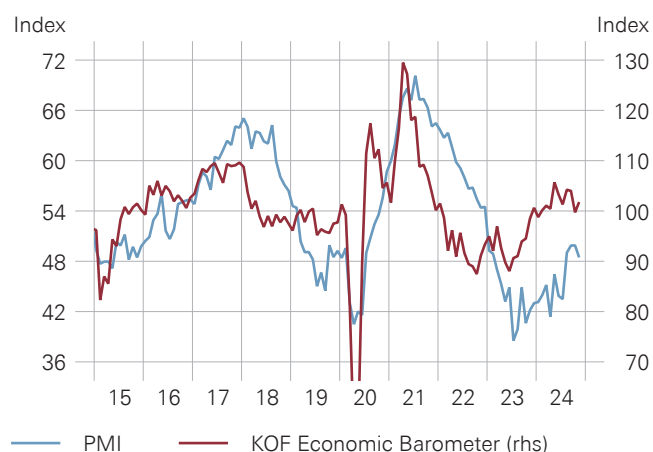
SNB BUSINESS CYCLE INDEX



Source(s): SNB

Chart 3.3

MANUFACTURING PMI AND KOF ECONOMIC BAROMETER



Source(s): KOF Swiss Economic Institute, UBS

Moderate growth in Q4 2024

The available economic indicators suggest that growth will be moderate in the fourth quarter.

The SNB's Business Cycle Index and the KOF Economic Barometer aim to filter out a signal on overall economic growth momentum from a broad data base. In recent months, the SNB's Business Cycle Index was at a slightly below-average level (cf. chart 3.2). According to the KOF Economic Barometer, economic activity briefly gained some momentum in the summer months, but it is likely to have slowed again latterly (cf. chart 3.3). Both indicators point to growth in line with the long-term average. Signals from other indicators, such as the PMIs, the KOF surveys and unemployment figures, by contrast, are weaker.

Overall, the available indicators suggest moderate growth in the fourth quarter.

Signals in manufacturing and services remain mixed, although the divergence between the two sectors has once again narrowed somewhat. While the manufacturing PMI improved latterly, it still points to weak development in manufacturing activity (cf. chart 3.3). Indicators in services, by contrast, point to continued expansion.

Table 3.1

REAL GDP AND COMPONENTS

Growth rates on previous period in percent, seasonally adjusted, annualised

	2020	2021	2022	2023	2022	2023					2024		
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Private consumption	-3.4	2.2	4.3	1.5	1.0	1.5	1.6	0.7	1.6	2.0	1.5	2.2	
Government consumption	3.8	3.0	-1.2	1.7	1.2	2.7	1.6	3.1	2.8	1.5	1.3	1.9	
Investment in fixed assets	-1.4	2.8	-0.1	0.1	-1.9	7.1	-7.4	-0.5	-3.1	2.3	-2.1	-2.4	
Construction	-1.0	-3.1	-6.9	-2.7	-3.1	-0.6	-3.4	1.6	1.7	2.9	3.2	3.7	
Equipment	-1.7	6.0	3.4	1.4	-1.4	11.1	-9.1	-1.4	-5.2	2.0	-4.6	-5.3	
Domestic final demand	-1.9	2.5	2.2	1.1	0.2	3.3	-1.1	0.7	0.4	2.0	0.4	0.8	
Change in inventories ¹	-0.8	-0.6	0.9	1.1	-2.8	11.9	-2.7	-2.2	-3.5	14.9	-9.1	5.0	
Total exports ^{2,3}	-4.6	11.5	4.7	1.8	0.8	-2.1	-4.6	7.0	12.9	-19.1	19.8	-9.6	
Goods ²	-1.2	12.3	4.1	2.8	2.4	-2.1	-7.4	12.6	17.7	-27.7	23.9	-15.2	
Goods excluding merchanting ²	-3.6	12.6	4.8	2.3	-5.9	18.2	-9.8	11.0	-6.8	11.5	26.9	-13.6	
Services ³	-11.2	9.9	6.1	-0.6	-3.1	-2.2	2.7	-5.5	1.6	5.2	11.4	3.6	
Total imports ^{2,3}	-6.1	5.7	5.8	4.1	-4.9	20.1	-11.2	4.3	7.3	8.9	1.6	-1.7	
Goods ²	-6.4	4.4	7.6	0.9	-6.6	16.8	-19.6	4.0	9.7	9.3	-3.4	-6.5	
Services ³	-5.6	7.5	3.3	9.2	-2.6	25.6	2.8	4.7	4.0	8.2	8.5	4.8	
Net exports ^{3,4}	0.3	3.6	0.1	-0.9	3.0	-11.3	2.9	2.1	4.2	-16.1	10.5	-4.9	
GDP³	-2.2	5.3	2.9	1.2	0.3	3.5	-0.7	0.5	1.0	0.6	1.8	0.9	

1 Contribution to growth in percentage points (including statistical discrepancy).

2 Excluding valuables (non-monetary gold and other precious metals, precious stones and gems as well as works of art and antiques).

3 Adjusted for sporting events.

4 Contribution to growth in percentage points.

Source(s): SECO

LABOUR MARKET

The labour market lost further momentum in recent months. Employment growth was slow, while unemployment continued to rise. Difficulties in recruiting staff eased slightly.

Muted employment growth in Q3

According to the national job statistics (JOBSTAT), the seasonally adjusted number of full-time equivalent positions rose only slightly in the third quarter. New jobs continued to be created in services and construction. Meanwhile, in manufacturing, the number of jobs declined (cf. chart 3.4). Compared with the previous quarter, employment growth weakened further overall. According to the Employment Statistics (ES), the seasonally adjusted number of persons employed also showed just a slight increase, thus growing more slowly than in the previous period. The rise in the number of persons employed was due to the greater number of workers from abroad.

Rising unemployment

In recent months, the number of unemployed persons continued to rise according to figures published by SECO. Excluding seasonal fluctuations, 122,000 people were registered as unemployed at the end of November. The seasonally adjusted unemployment rate was up from 2.5% in August to 2.6% in November. The unemployment figures calculated by the Swiss Federal Statistical Office (SFSO) in line with the definition of the International Labour Organization (ILO) also increased and stood at 4.5% in the third quarter (cf. chart 3.5).

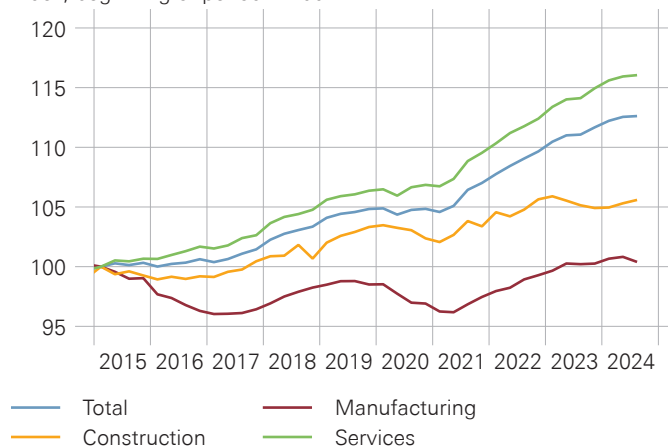
Recruitment situation eases slightly

According to JOBSTAT, the recruitment difficulties decreased in recent quarters. Companies in services, construction and manufacturing reported having somewhat less trouble finding suitable personnel in Q3 than a year ago (cf. chart 3.6).

Chart 3.4

FULL-TIME EQUIVALENT JOBS

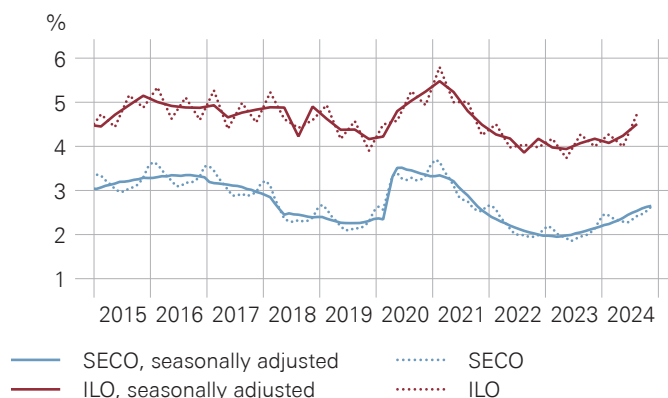
Index, beginning of period = 100



Source(s): SFSO; seasonal adjustment: SNB

Chart 3.5

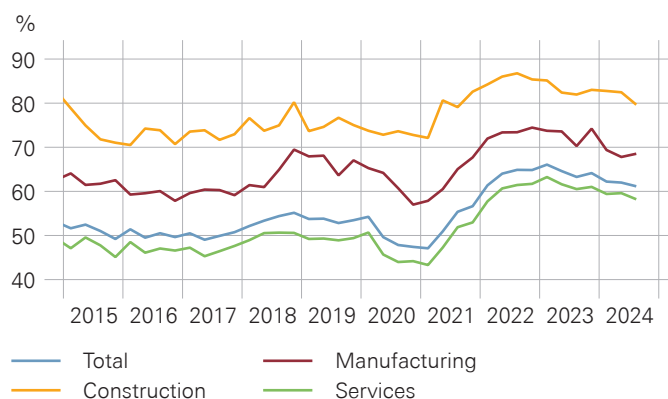
UNEMPLOYMENT RATE



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

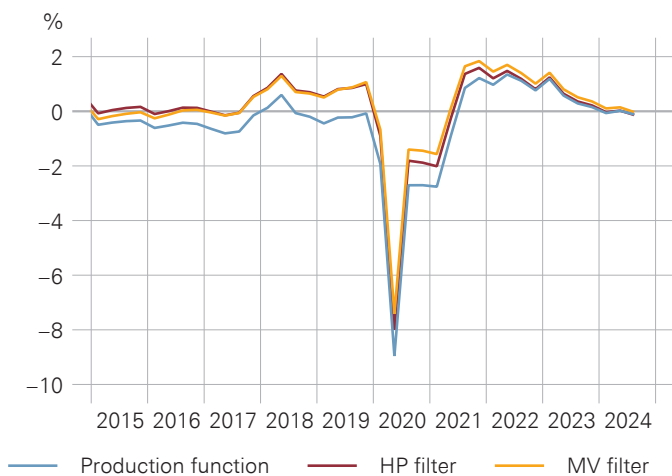
RECRUITMENT DIFFICULTIES



Share of companies that had difficulties or did not succeed in recruiting qualified staff. Only companies that are actively recruiting qualified staff are taken into account. Estimate based on the national job statistics (JOBSTAT).
Source(s): SFSO, SNB

Chart 3.7

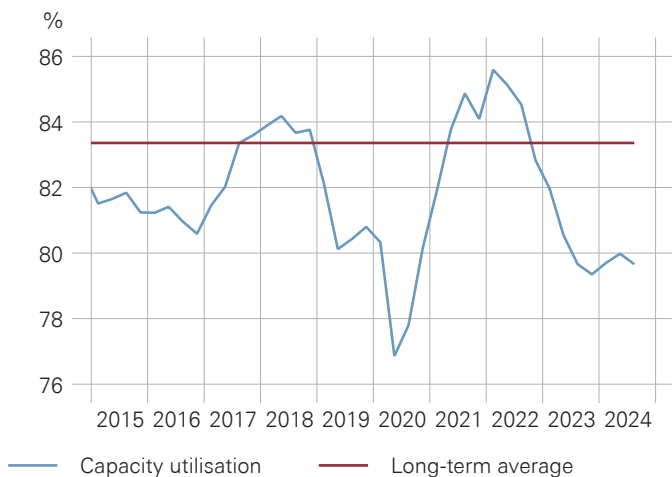
OUTPUT GAP



Source(s): SNB

Chart 3.8

CAPACITY UTILISATION IN MANUFACTURING



Source(s): KOF Swiss Economic Institute

CAPACITY UTILISATION

Output gap closed

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.

Potential output as estimated by means of a production function shows a closed output gap for the third quarter, corresponding to a normal level of utilisation. Other estimation methods also indicate that the gap is closed (cf. chart 3.7).

Capacity utilisation varies between sectors

In addition to the estimation of the aggregate output gap, surveys also play an important role in assessing utilisation levels. According to the surveys conducted by KOF, technical capacity utilisation in manufacturing remained considerably below the long-term average (cf. chart 3.8). In most areas of the services sector, by contrast, utilisation was still slightly above average. The available indicators thus pointed to an average level of utilisation for the economy as a whole.

Furthermore, the surveys continue to indicate a shortage of labour to some degree, although the situation varied from one industry to another. While staffing levels in the services industries were still considered to be tight, the majority of companies in manufacturing reported that levels were too high.

OUTLOOK

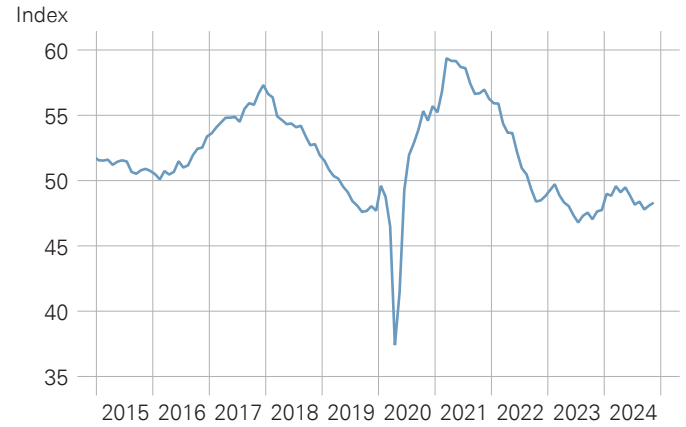
Economic activity in Switzerland is expected to be moderate in the quarters ahead. The international economic environment remains lacklustre, as shown by the export-weighted manufacturing PMI (cf. chart 3.9). According to the KOF surveys, companies are less positive in their assessment of the current business situation than in previous years, and their expectations regarding future business developments have not improved further (cf. chart 3.10). In addition, a number of surveys indicate that employment is likely to continue to rise, yet at a slower pace than in the preceding quarters (cf. chart 3.11).

The SNB anticipates GDP growth of around 1% for the current year. Thanks also to the easing of monetary policy in recent quarters, growth should pick up somewhat in 2025, albeit only slightly due to the moderate global economic activity. The SNB currently expects growth of between 1% and 1.5% for 2025. In this environment, unemployment should continue to rise slightly, while the utilisation of production capacity is likely to decline somewhat. The forecast remains subject to significant uncertainty. Developments abroad pose the biggest risk.

Chart 3.9

MANUFACTURING PMI ABROAD

Export-weighted, 27 countries



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

Chart 3.10

BUSINESS SITUATION

Average across all KOF surveys

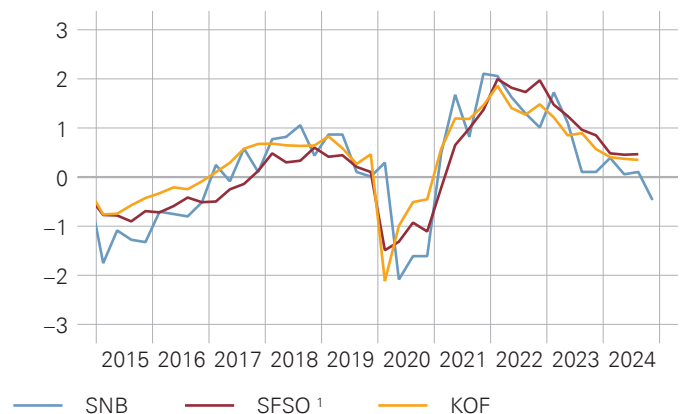


Source(s): KOF Swiss Economic Institute

Chart 3.11

EMPLOYMENT OUTLOOK

Seasonally adjusted, standardised



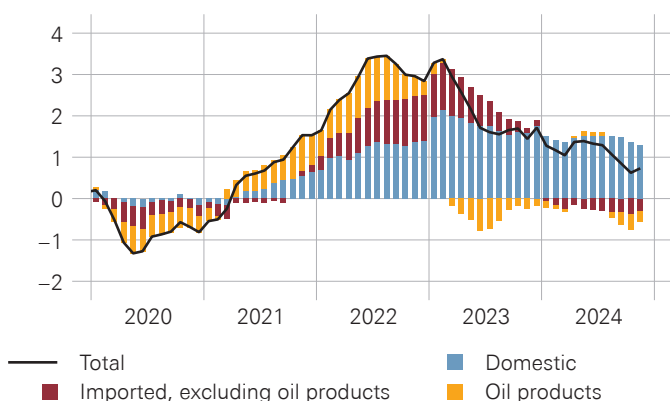
1 Seasonal adjustment: SNB.

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

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.

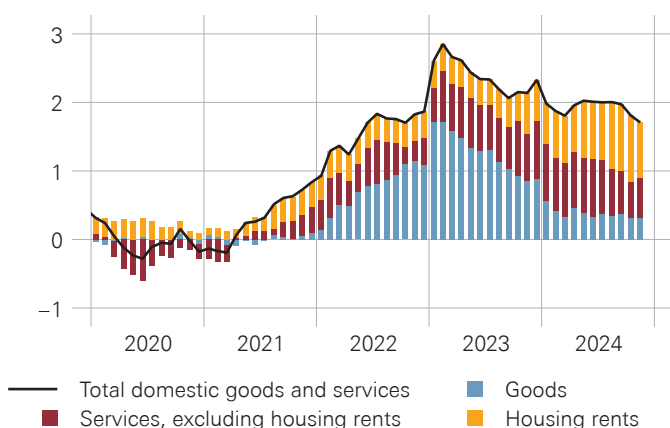


Source(s): SFSO, SNB

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

Table 4.1

SWISS CONSUMER PRICE INDEX AND COMPONENTS

Year-on-year change in percent

	2023	2023	2024			2024			
		Q4	Q1	Q2	Q3	Aug	Sep	Oct	Nov
Overall CPI	2.1	1.6	1.2	1.4	1.1	1.1	0.8	0.6	0.7
Domestic goods and services	2.4	2.2	1.9	2.0	2.0	2.0	2.0	1.8	1.7
Goods	5.4	3.9	1.9	1.8	1.7	1.6	1.7	1.5	1.4
Services	1.5	1.7	1.9	2.1	2.1	2.1	2.1	1.9	1.8
Private services excluding housing rents	1.5	2.0	1.8	1.8	1.6	1.5	1.4	1.1	1.2
Housing rents	1.7	2.2	2.7	3.2	3.8	4.0	4.0	4.0	3.4
Public services	0.8	0.2	0.7	0.7	0.7	0.7	0.7	0.7	0.8
Imported goods and services	1.4	-0.1	-1.1	-0.6	-1.8	-1.9	-2.7	-3.1	-2.3
Excluding oil products	2.9	0.8	-0.7	-1.0	-1.5	-1.5	-1.6	-1.7	-1.5
Oil products	-10.0	-6.9	-3.9	2.7	-4.4	-4.6	-10.7	-12.8	-8.8

Source(s): SFSO, SNB

4

Prices and inflation expectations

The inflation rate as measured by the consumer price index (CPI) fell from 1.1% in August to 0.7% in November. Underlying inflation as measured by core inflation also saw a slight decrease in the past three months.

While short-term inflation expectations largely declined over the past quarter, longer-term inflation expectations showed little change. Overall, inflation expectations remained within the range consistent with price stability.

CONSUMER PRICES

Decline in annual inflation

Annual CPI inflation receded by 0.4 percentage points in the past three months and stood at 0.7% in November (cf. chart 4.1, table 4.1). In contrast to the previous quarter, this decrease was not solely attributable to imported inflation, but also to domestic inflation. The contribution made by imported inflation was -0.6 percentage points in November (August: -0.5 percentage points), while domestic inflation contributed 1.3 percentage points (August: 1.5 percentage points). As in the preceding two years, domestic inflation thus remained the key driver of inflation.

Lower imported inflation

The decline in imported inflation from -1.9% in August to -2.3% in November was due to oil products (cf. chart 4.1, table 4.1). Inflation for oil products fell from -4.6% in August to -8.8% in November, while inflation for other imported goods and services was unchanged at -1.5% . Over these last three months, there were no longer any imported goods and services that still made a significant positive contribution to inflation.

Lower domestic inflation

Domestic inflation fell from 2.0% in August to 1.7% in November (cf. chart 4.2, table 4.1), with both domestic goods and domestic services contributing to the decrease. While inflation for domestic goods declined by a further 0.2 percentage points to 1.4% , inflation for domestic services receded by 0.3 percentage points to 1.8% .

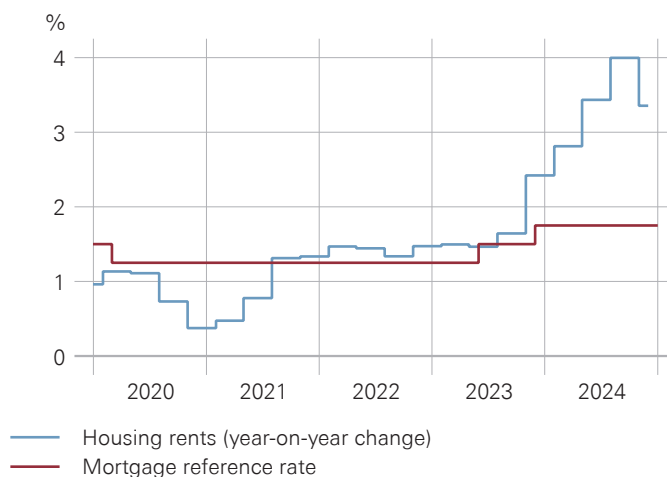
As regards domestic services, the decrease was partly attributable to housing rents. Housing rent inflation was down from 4.0% in August to 3.4% in November (cf. chart 4.3). The drop is likely due above all to the diminishing effects of the mortgage reference rate increase one year ago. The mortgage reference rate was unchanged at 1.75% in November. Inflation for domestic private services excluding housing rents declined from 1.5% in August to 1.2% in November, while for domestic public services it increased slightly from 0.7% to 0.8% (cf. table 4.1).

Slight decrease in core inflation

Core inflation has fallen slightly since August. For instance, the core inflation rate as measured by the SNB's trimmed mean (TM15) decreased from 1.2% in August to 1.0% in November, while the SFSO core inflation rate 1 (SFSO1) receded from 1.1% to 0.9% during the same period (cf. chart 4.4).

Chart 4.3

HOUSING RENTS



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

Chart 4.4

CORE INFLATION RATES

Year-on-year change

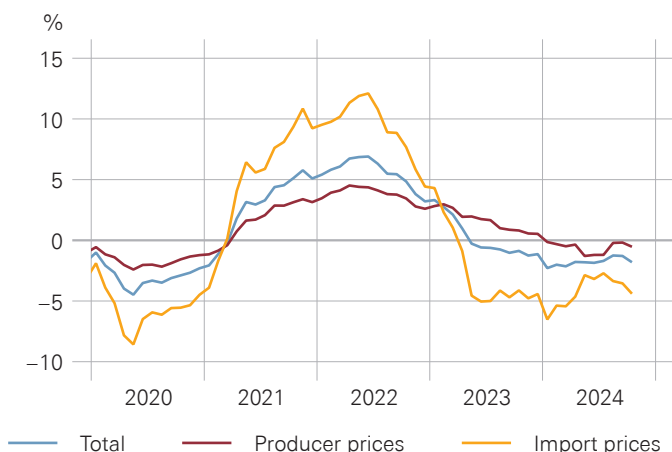


Source(s): SFSO, SNB

Chart 4.5

PRODUCER AND IMPORT PRICES

Year-on-year change



Source(s): SFSO

Chart 4.6

SHORT-TERM PRICE AND INFLATION EXPECTATIONS

Aggregate responses from SECO survey on consumer sentiment and UBS CFA financial market survey



Source(s): CFA Society Switzerland, SECO, UBS

PRODUCER AND IMPORT PRICES

Lower inflation for producer and import prices

Inflation as measured by the producer and import price index stood at -1.8% in October, down from -1.2% in August (cf. chart 4.5). The decrease was largely attributable to import prices. Inflation for import prices fell from -3.4% to -4.4% in the same period, primarily as a result of energy products. Inflation for producer prices was down from -0.2% in August to -0.5% in October, which was due to capital goods and energy products.

INFLATION EXPECTATIONS

Short-term inflation expectations lower overall

Most indicators for short-term inflation expectations have declined this quarter.

The index on the expected development of prices over the next twelve months – which is based on the consumer sentiment survey conducted by SECO – is an exception in this regard, seeing little change (cf. chart 4.6). The survey conducted in October indicated that roughly three out of four households still anticipate an increase in prices in the short term.

The index based on the joint monthly financial market survey by UBS and the CFA Society Switzerland, meanwhile, initially declined noticeably over the course of the quarter, before rising surprisingly strongly in November (cf. chart 4.6). Nevertheless, given that more respondents continued to expect inflation to fall rather than rise in the next six months, the index remained in negative territory. In the November survey, a total of three out of four respondents anticipated unchanged or falling inflation rates.

The talks conducted by the SNB's delegates for regional economic relations with company representatives also showed a decline in short-term inflation expectations (cf. chart 9 in 'Business cycle signals'). The expected annual inflation rate for the next six to twelve months stood at around 1.1% , compared with just under 1.3% in the previous quarter.

Similarly, the forecast of the banks and economic institutions participating in the monthly survey conducted by Consensus Economics for expected inflation in 2024 receded slightly from 1.2% in September to 1.1% in November (cf. chart 4.7). Compared to September, the panel of experts has revised its inflation expectations for 2025 substantially downwards, to 0.7%.

Little change in longer-term inflation expectations

The indicators for longer-term inflation expectations, by contrast, remained largely stable in the quarter under review.

For UBS CFA financial market survey respondents, average inflation expectations for a time horizon of three to five years stood at 1.4% in September, as in the previous quarter (cf. chart 4.8). Company representatives interviewed by the SNB’s delegates in Q3 put inflation for the same time frame at 1.3%, compared with 1.4% a quarter earlier.

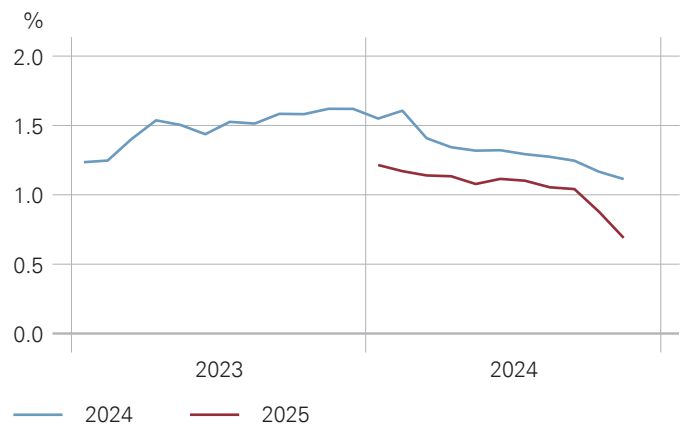
According to the Consensus Economics survey conducted in October, the long-term inflation expectations (six to ten years) of participating banks and economic institutions was practically unchanged at 1.1%.

Survey results on medium and long-term inflation expectations were thus 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 4.7

SHORT-TERM INFLATION EXPECTATIONS FROM CONSENSUS ECONOMICS

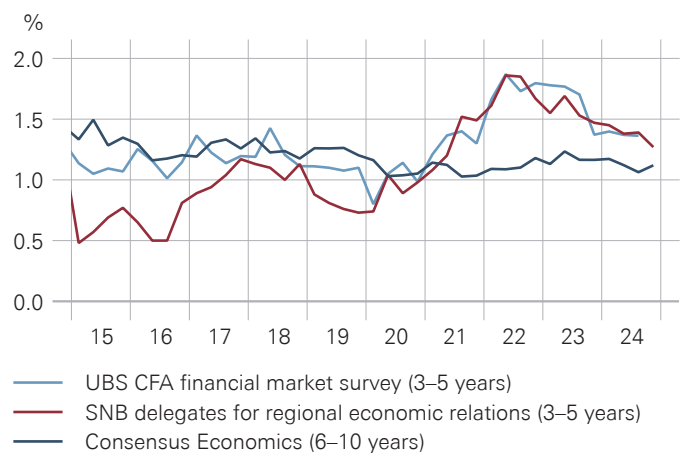
Monthly forecasts for annual inflation



Source(s): Consensus Economics Inc.

Chart 4.8

MEDIUM AND LONG-TERM INFLATION EXPECTATIONS



Source(s): CFA Society Switzerland, Consensus Economics Inc., SNB, UBS

5

Monetary developments

Yields on Confederation bonds have fallen across all maturities since the monetary policy assessment in September, with the decline being more pronounced for short maturities than at the long end. The Swiss franc appreciated against the euro while depreciating markedly against the US dollar. Swiss share prices declined, following a similar trend to other European stock markets.

Growth rates in the broad monetary aggregates increased further, but remained low by historical standards. Growth in mortgage lending remained at the level of the preceding quarter.

MONETARY POLICY MEASURES SINCE SEPTEMBER 2024 ASSESSMENT

Monetary policy easing

At its monetary policy assessment of 26 September 2024, the SNB decided to lower its policy rate by 0.25 percentage points to 1.0%. The SNB also confirmed that it remains willing to be active in the foreign exchange market as necessary. Inflationary pressure in Switzerland had again decreased significantly compared to the previous quarter. Among other things, this decrease reflected the appreciation of the Swiss franc over the previous three months. The SNB's easing of monetary policy took the reduction in inflationary pressure into account. The SNB noted that further rate cuts could become necessary in the coming quarters to ensure price stability over the medium term.

Remuneration of sight deposits

Sight deposits up to the threshold were remunerated at an interest rate of 1.0%, while the rate for sight deposits above the threshold was 0.5%. A discount of 0.5 percentage points relative to the SNB policy rate thus continued to apply to sight deposits above the threshold. The SNB lowered the threshold factor for the remuneration of sight deposits of account holders subject to minimum reserve requirements from 25 to 22, effective as of 1 October 2024. Together with the absorption of sight deposits via open market operations, this tiered remuneration of sight deposits ensures that monetary policy will be passed through efficiently to interest rates in the money market overall.

Absorption of sight deposits via repo transactions and SNB Bills

The SNB continued to absorb sight deposits by way of repo transactions and the issuance of SNB Bills. For this purpose, repo transactions with a term of one week were auctioned daily, while SNB Bills with terms ranging from one month to one year were auctioned on a weekly basis. By absorbing sight deposits, the SNB reduced the liquidity supply in the money market, and thus ensured that the secured short-term Swiss franc money market rates remained close to the SNB policy rate.

Since the September monetary policy assessment, outstanding liquidity-absorbing repo transactions have averaged CHF 79.2 billion. In the same period, the average level of outstanding SNB Bills amounted to CHF 49.7 billion.

Sight deposits at the SNB slightly lower

Sight deposits held at the SNB were slightly lower compared with the September assessment. In the week ending 6 December 2024 (last calendar week before the assessment), they amounted on average to CHF 458.8 billion. This was marginally lower than in the week ending 20 September 2024, the last calendar week preceding the September assessment (CHF 465.3 billion). Over the weeks between these two assessments, they averaged CHF 461.8 billion. Of this amount, CHF 453.3 billion were sight deposits of domestic banks and the remaining CHF 8.5 billion were other sight deposits.

Statutory minimum reserves averaged CHF 44.7 billion between 20 August 2024 and 19 November 2024. Overall, banks exceeded the minimum reserve requirement by CHF 414.2 billion (previous period: CHF 424.7 billion). Banks' excess reserves thus remain very high.

MONEY AND CAPITAL MARKET INTEREST RATES

SARON close to SNB policy rate

At its September monetary policy assessment, the SNB lowered its policy rate for the third time this year by 25 basis points, to 1.0%. SARON – the average overnight interest rate on the secured money market – subsequently continued to fluctuate slightly below the SNB policy rate (cf. chart 5.1). In mid-December, it stood at 0.96%.

Lower long-term yields

Yields on long-term Confederation bonds declined in the quarter under review. In mid-December, the yield on ten-year Confederation bonds was just under 0.30%, around 15 basis points lower than at the monetary policy assessment in September (cf. chart 5.2).

Yield curve rising again

Yields on Confederation bonds with short maturities have also fallen since the September assessment. This decrease is partly due to the continued decline in inflation in Switzerland, which has contributed to a downward revision of market expectations regarding the future course of the SNB policy rate. Yields on short-term Confederation bonds fell more sharply than yields on long-term bonds, with the result that the yield curve for maturities in excess of three years once again has a positive slope, having been either flat or inverse in the preceding quarters (cf. chart 5.3).

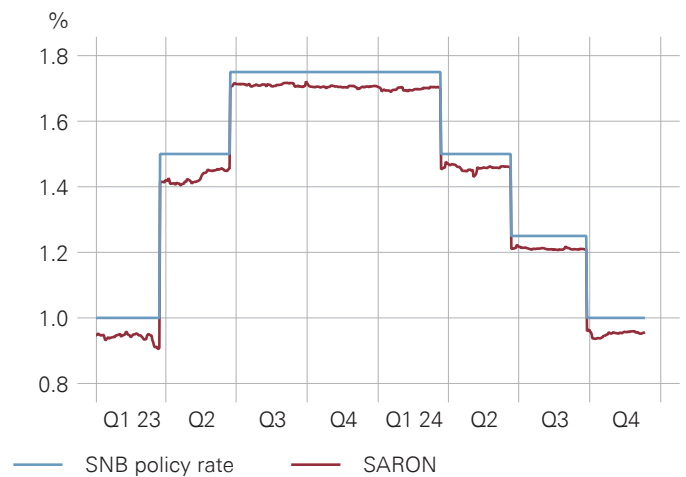
Long-term real interest rates down slightly

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.

Since the monetary policy assessment in September, long-term real interest rates have fallen somewhat. This decline reflects the lower nominal interest rates (cf. chart 5.3) coupled with stable long-term inflation expectations (cf. chapter 4).

Chart 5.1

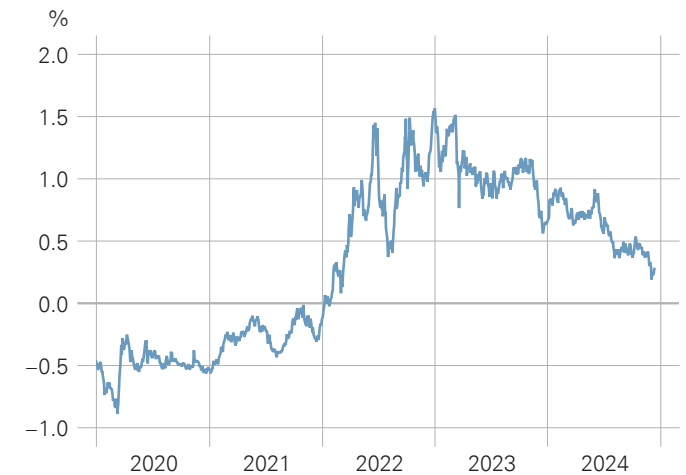
SNB POLICY RATE AND SARON



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

Chart 5.2

10-YEAR SWISS CONFEDERATION BOND YIELD

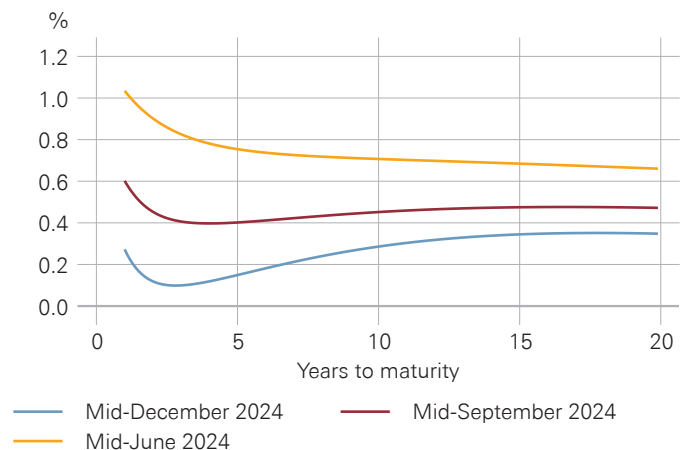


Source(s): SNB

Chart 5.3

TERM STRUCTURE OF CONFEDERATION BONDS

Nelson-Siegel-Svensson method



Source(s): SNB

Chart 5.4

EXCHANGE RATES



Source(s): SNB

Chart 5.5

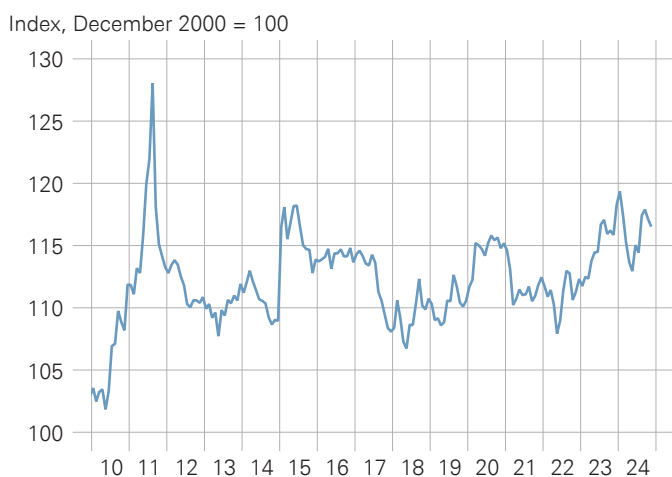
NOMINAL EXTERNAL VALUE OF SWISS FRANC



Source(s): SNB

Chart 5.6

REAL EXTERNAL VALUE OF SWISS FRANC



Source(s): SNB

EXCHANGE RATES

Swiss franc stronger against euro, but considerably weaker against US dollar

Since the last monetary policy assessment in September, the Swiss franc has appreciated by just under 2.0% against the euro. At the same time, it has weakened by 4.5% against the US dollar. In mid-December, one euro was worth CHF 0.93, while one dollar was CHF 0.88 (cf. chart 5.4).

Immediately after the SNB policy rate was lowered in September, the Swiss franc depreciated slightly against both currencies. It then initially moved sideways against the euro, before gaining in value in November. This appreciation was due to a broad-based weakness of the euro, which was partly attributable to rising political uncertainty and lower-than-expected economic figures in the euro area.

By contrast, the franc has weakened steadily against the US dollar since early October. This depreciation stemmed from a widening of the interest rate differential between the dollar and the franc in the wake of higher interest rates in the US. In November, the Swiss franc weakened further. This primarily reflected a broad-based appreciation of the dollar following the US presidential election at the beginning of November.

Trade-weighted Swiss franc exchange rate stable

In the period under review, the Swiss franc changed little on a trade-weighted basis. In mid-December, the trade-weighted nominal Swiss franc exchange rate was close to the level at the time of the September assessment (cf. chart 5.5).

The substantial drop in value of the Swiss franc against the US dollar (index weighting: 17.7%) was offset not only by its appreciation against the euro (index weighting: 39.2%), but also its 0.6% gain against the pound sterling (index weighting: 6%) and its 1.4% increase against the yen (index weighting: 2.4%).

Real external value of Swiss franc stabilises

The real external value of the Swiss franc declined slightly in October and November, after having strengthened significantly on a real, trade-weighted basis as well between May and September amid the appreciation in nominal terms (cf. chart 5.6).

SHARE AND REAL ESTATE PRICES

Swiss share prices lower

At the time of the December monetary policy assessment, the Swiss Market Index (SMI) was just under 4.0% lower than at the end of September (cf. chart 5.7). This decline was consistent with developments on European stock markets (cf. chapter 2).

Little change in Swiss 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). As usual, this index mostly fluctuated inversely to the SMI in the period under review. In mid-December, the volatility index was marginally below the level at the time of the September assessment.

Rise in most sector indices

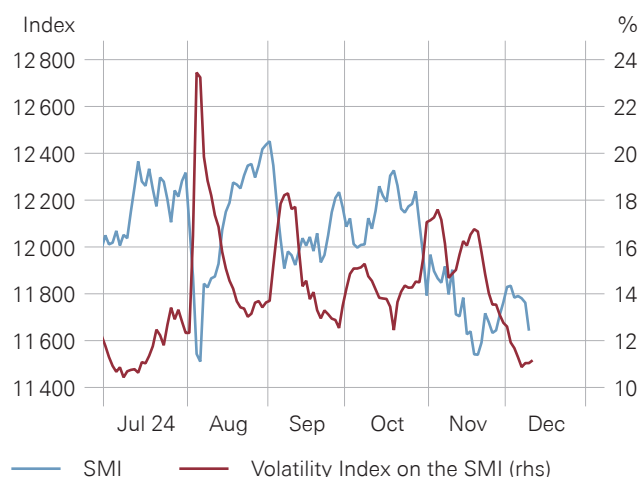
Chart 5.8 shows the movements of important sector indices in the Swiss Performance Index (SPI), which in contrast to the SMI is broad based. With the exception of the index for financials, the SPI sector indices fell in the period under review. At the time of the December assessment, share prices of financials were 6.7% above their end-September levels. Meanwhile, share prices of companies in the other major sectors were down between 2.2% and 7.5% in the same period. The differing effects of the anticipated economic policy measures in the US on the individual sectors may account for this divergence.

Little change in momentum in residential real estate prices

Prices for residential real estate rose by around 3% year-on-year in the third quarter of 2024 (cf. chart 5.9). Momentum in transaction prices for privately owned apartments and single-family houses was thus essentially unchanged. The apartment buildings segment – which includes residential investment property of private and institutional investors – saw prices rise somewhat faster year-on-year than in the previous two quarters. Overall, momentum in residential real estate prices remained weaker than in the period between 2017 and 2022.

Chart 5.7

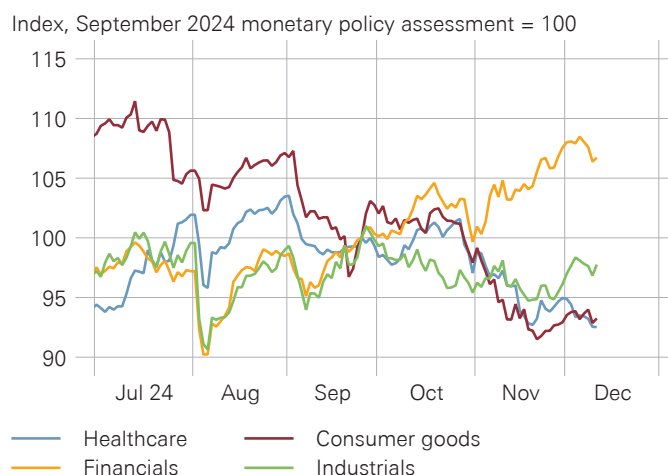
SHARE PRICES AND VOLATILITY



Source(s): SIX Swiss Exchange Ltd

Chart 5.8

SELECTED SPI SECTORS

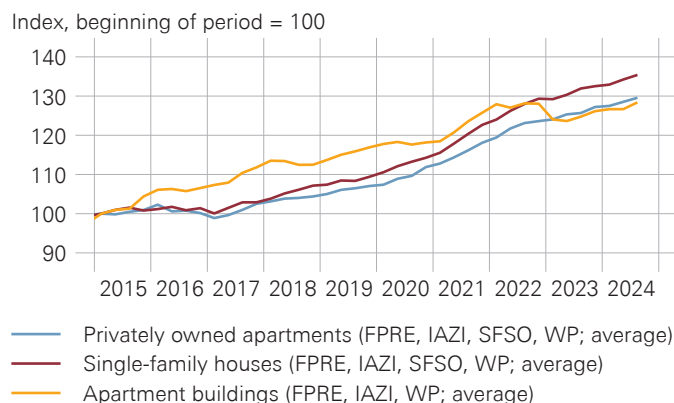


Source(s): SIX Swiss Exchange Ltd

Chart 5.9

TRANSACTION PRICES FOR RESIDENTIAL REAL ESTATE

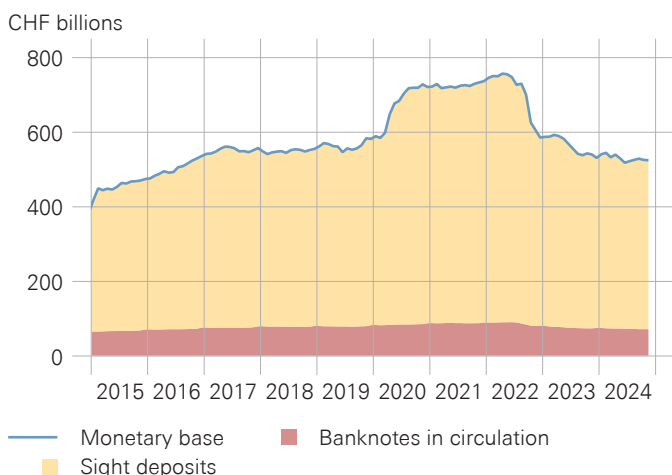
Nominal (hedonic)



Source(s): Fahländer Partner Raumentwicklung (FPRE), IAZI, SFSO (from 2017), Wüest Partner (WP)

Chart 5.10

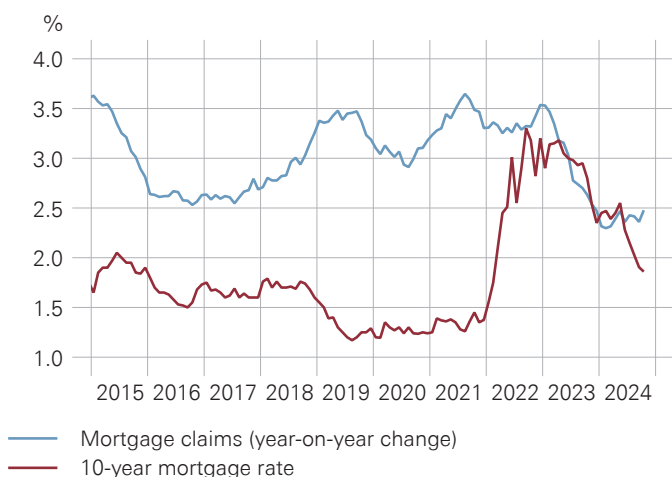
MONETARY BASE



Source(s): SNB

Chart 5.11

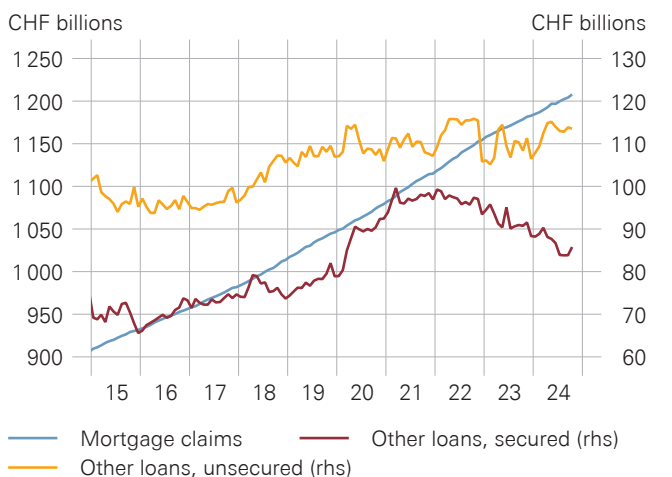
MORTGAGE CLAIMS AND INTEREST RATES



Source(s): SNB

Chart 5.12

MORTGAGE CLAIMS AND OTHER LOANS



Source(s): SNB

MONETARY AND CREDIT AGGREGATES

Little change to monetary base

Having declined in 2022 and 2023 following the tightening of monetary policy, the monetary base has changed only little since the beginning of 2024. In November 2024, it averaged CHF 525.0 billion (cf. chart 5.10), which was around CHF 1.1 billion lower than in August.

Most broad monetary aggregates rise again slightly

Following a prolonged phase of negative growth, broad monetary aggregates saw growth rates continue to rise in the past three months (cf. table 5.1) because the decline in interest rates observed since 2023 (cf. chart 5.2) increased the incentive to hold short-term bank deposits.

In November, the M1 aggregate (currency in circulation, as well as sight deposits and transaction accounts of resident bank customers) fell by just 1.1% year-on-year, compared with a decline of 6.3% in August. The M2 aggregate (M1 plus savings deposits) rose by 1.9% year-on-year in November (August: -2.3%), while M3 (M2 plus time deposits) grew by 1.8% (August: 1.1%) during the same period.

Stable growth in mortgage claims

In line with interest rate movements in the capital market, published interest rates for fixed-rate mortgages have fallen in recent months. The ten-year mortgage rate stood at 1.9% at the end of October 2024 (cf. chart 5.11). Following the renewed SNB policy rate cut in September, money market mortgage rates also fell.

Growth in banks' mortgage claims, which had declined considerably in 2023 amid the monetary policy tightening, stabilised this year on the back of these interest rate developments, and stood at 2.5% in October (cf. chart 5.11, table 5.1). While growth in mortgage lending to households has risen slightly since the beginning of the year, growth in lending to companies has declined slightly.

Decline in other loans

Other loans fluctuated considerably more than mortgage claims (cf. chart 5.12), contracting by 1.4% year-on-year in the third quarter of 2024.

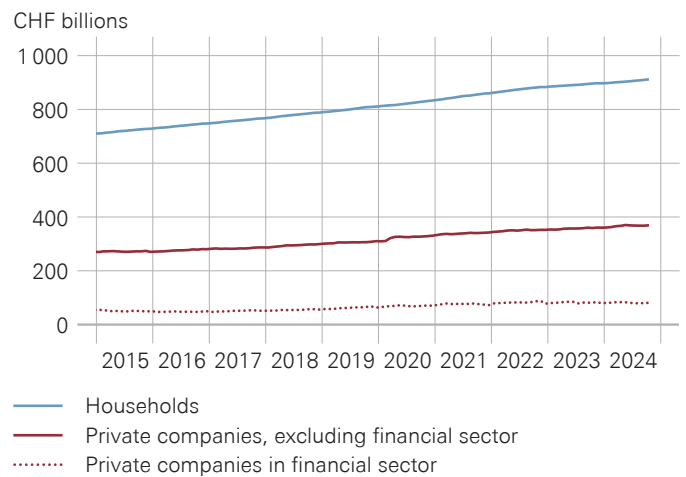
The decline in the volume of secured other loans, which began in early 2022, continued, and is still driven primarily by phased repayments of COVID-19 loans. The volume of unsecured other loans has remained largely stable since 2020, with any fluctuations primarily reflecting developments in other loans to financial companies.

Lending growth by sector

In addition to a breakdown by loan type, lending can also be assessed by borrowing sector. This approach shows that bank loans to households and non-financial companies continued to grow year-on-year (cf. chart 5.13). At the end of October 2024, loans to households and to non-financial companies increased by CHF 15.7 billion (up 1.8%) and CHF 10.2 billion (up 2.9%) respectively year-on-year, while loans to financial companies contracted in the same period by CHF 0.5 billion (down 0.6%).

Chart 5.13

LOANS TO HOUSEHOLDS AND COMPANIES



Source(s): SNB

Table 5.1

MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2023	2023	2024			2024		
		Q4	Q1	Q2	Q3	Sep	Oct	Nov
M1	-13.6	-17.9	-16.1	-12.1	-6.2	-4.0	-3.0	-1.1
M2	-10.2	-13.0	-11.4	-7.4	-2.3	-0.6	0.4	1.9
M3	-1.4	-2.5	-2.0	-0.5	1.1	1.8	1.4	1.8
Bank loans, total ^{1,3}	1.8	1.5	1.9	1.9	1.9	1.8	2.1	
Mortgage claims ^{1,3}	3.0	2.5	2.3	2.4	2.4	2.4	2.5	
Households ^{2,3}	2.1	1.8	1.6	1.6	1.7	1.8	1.8	
Private companies ^{2,3}	5.2	4.7	4.3	4.6	4.1	3.9	4.2	
Other loans ^{1,3}	-4.6	-4.5	-0.8	-1.2	-1.4	-1.8	0.1	
Secured ^{1,3}	-5.2	-6.0	-5.8	-5.1	-7.4	-7.8	-5.5	
Unsecured ^{1,3}	-4.0	-3.3	3.7	2.0	3.6	3.2	4.8	

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 2024

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

The appraisals presented here are based on discussions between the SNB's delegates for regional economic relations and members of management at companies throughout Switzerland. In its evaluation, the SNB aggregates and interprets the information received. A total of 241 company talks were conducted between 8 October and 26 November.

Regions

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

Delegates

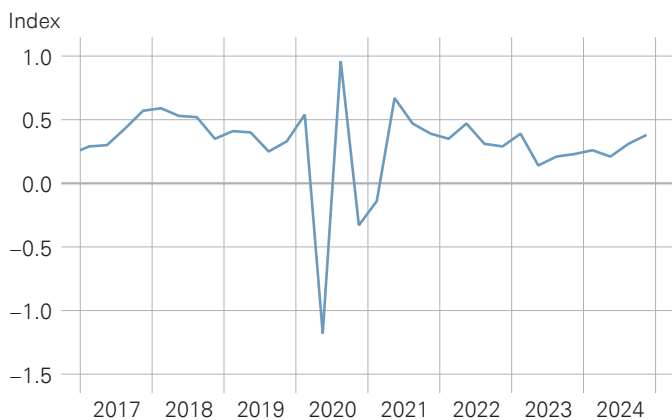
Astrid Frey
Urs Schönholzer
Aline Chabloz
Jean-Marc Falter
Fabio Bossi
Roland Scheurer
Daniel Hanimann
Marco Huwiler

Key points

- Companies recorded moderate turnover growth overall in Q4. This was supported by the services sector and construction, while there was again only little expansion in manufacturing.
- Business confidence is declining. Companies expect only modest turnover growth in the next two quarters.
- Overall, staffing levels are roughly in line with companies' needs. In parts of the manufacturing sector, however, they are considered to be too high and increasing use is being made of short-time working.
- Against a backdrop of declining inflation, somewhat easier recruitment and the subdued business outlook, companies expect wage growth of approximately 1.5% in the coming year, compared with around 2% in 2024.

Chart 1

TURNOVER



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

Source(s): SNB

Chart 2

CAPACITY UTILISATION



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

Source(s): SNB

CURRENT SITUATION

Robust growth in services sector – modest increases in manufacturing

Companies recorded moderate turnover growth overall in the fourth quarter (cf. chart 1), mainly supported by the services sector and construction. The financial industry, and also consulting and planning firms, were for the most part able to match the robust growth of previous quarters. Activity in the trade and hospitality industries, on the other hand, was fairly subdued. In construction, infrastructure project demand remains high. Added to this, there are signs of an improvement in the order situation in residential construction, thanks among other things to lower interest rates.

In manufacturing, by contrast, growth was modest. Companies operating in metal processing, the manufacture of plastics and mechanical engineering are not seeing any upturn in growth. They are suffering from persistently weak demand from Europe. In particular, order volumes from the German automotive industry are low. The watchmaking industry has also been struggling with a weak order situation, and is clearly feeling the effects of lower demand from Chinese customers. Growth remains predominantly positive for companies supplying the defence, aviation and energy industries, and there was also further improvement for life sciences firms.

Technical capacity remains underutilised

Technical capacity utilisation remains below normal levels (cf. chart 2), as reported in particular by companies in areas of manufacturing experiencing weak demand. Services companies also report slight underutilisation. Transport companies, for example, are unable to completely utilise their vehicle capacity. Some representatives also cite too much office space, retail space, and warehousing and freight capacity. Construction companies, by contrast, consider their capacity utilisation to be good thanks to the improved order situation.

Labour market cooling

Companies report a further cooling of the labour market, which is no longer as tight as it was. Overall, staffing levels are now roughly in line with companies' needs (cf. chart 3). There are, however, differences between the sectors. Staff numbers at companies in services and construction are still somewhat too low. Manufacturing companies, by contrast, consider their staffing levels to be too high, with some using short-time working or no longer replacing departing employees.

Difficulties in recruitment are also easing and are now only slightly more pronounced than usual. In manufacturing in particular, vacancies are again being filled more quickly. Challenges with hiring remain somewhat elevated at services companies, but are increasingly limited to specific job profiles. For example, there are shortages of highly specialised IT staff, as well as in the case of engineers and specific health professions. Construction companies say it is still difficult to fill managerial positions requiring a background in a skilled trade or technical field.

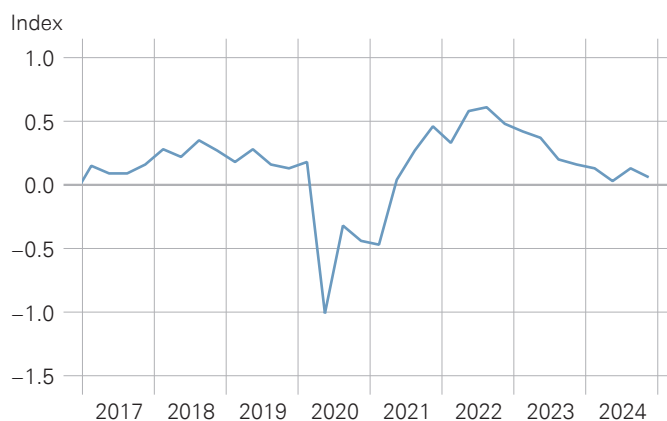
Challenging margin situation in manufacturing

Profit margins remain at solid levels overall (cf. chart 4). However, margins are under strong pressure at companies where capacity utilisation is still low, particularly in the metals and machinery industry. An additional challenge frequently mentioned by representatives is the appreciation of the Swiss franc against the euro. Elsewhere in manufacturing the margin situation is less problematic, while profit margins in the services sector are for the most part solid. According to construction firms, margins are at levels usual for the industry.

Most companies view their liquidity situation as being unproblematic. Only a few report that increased inventories or longer payment periods are having an adverse effect on liquidity. However, some say that credit negotiations are currently rather tough, with less attractive interest rate terms being offered than in the past.

Chart 3

STAFF SHORTAGES



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

Source(s): SNB

Chart 4

CHARACTERISATION OF MARGINS



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

Source(s): SNB

DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

Low growth in various manufacturing industries

Business activity is very subdued in various industries in the manufacturing sector. Weak demand from the German automotive and construction industries is weighing particularly heavily on companies active in metal processing, the manufacture of plastics and mechanical engineering.

The watchmaking industry is also struggling with weak demand, especially from China, as well as high inventories. Against the backdrop of very positive momentum in recent years, companies built up capacity that they are now no longer able to fully utilise. Demand for goods and services used in the energy and defence industries, by contrast, is developing positively.

Life sciences companies and parts of the food industry continue to support growth. Medical technology and pharmaceutical companies are deriving particular benefit from robust demand from the US. Biotech companies also report that the availability of risk capital has improved thanks to the decline in interest rates worldwide.

Business activity subdued in retail, wholesale and logistics

Growth in retail is subdued. As regards foods, volumes are increasing slightly in many cases, but the price pressure is tangible. The non-food business, by contrast, is stagnating or declining. Many customers are still very price-sensitive, opting for low-cost products, using online providers abroad or shopping in neighbouring countries.

In the motor vehicle trade, customer uncertainty regarding the choice of engine technology is curbing sales of new vehicles. The service business and trade in spare parts, on the other hand, are benefiting from the fact that vehicles are not being replaced so quickly.

The weakness of the manufacturing sector is weighing on business activity in wholesale and logistics, with cross-border transport particularly hard hit. By contrast, transport of foods, pharmaceuticals and goods for the construction industry is having a stabilising effect.

Subdued activity in hospitality

The hospitality industry is losing momentum somewhat. Food services are seeing a revival in demand towards the end of the year, for example owing to Christmas events, but are at the same time faced with business travel remaining fairly weak and the sluggish trend in demand for corporate events. The hotel industry is experiencing subdued demand from Europe, especially Switzerland's neighbours. Guests from the US and parts of Asia, on the other hand, are bringing stability.

Robust business activity in financial, ICT and consulting industries

Banks and insurers are experiencing robust growth. For the former, it is above all increasing mortgage volumes in the private client business that are contributing to growth. Fintech services also increasingly being offered successfully. While cost-cutting efforts in manufacturing, healthcare and public administration are having a curbing effect on the ICT industry, momentum is still positive overall. Consulting and planning services remain in strong demand, particularly when it comes to automation and innovation projects and in the context of new regulatory requirements that clients must comply with.

Improved business activity in construction

The order situation in construction is improving. Large public road and infrastructure projects are providing support. In residential construction, and to some extent in commercial construction, lower interest rates are also gradually stimulating demand. On the other hand, at times protracted approval procedures and objections are leading to delays in realising construction projects. Companies specialising in energy-efficient renovations are no longer able to quite match the momentum of previous quarters, and there are signs of some overcapacity.

OUTLOOK

Deterioration in business outlook

Business confidence is declining. For the next two quarters companies expect only modest, albeit positive, turnover growth (cf. chart 5). There is still a great deal of uncertainty concerning this outlook. Companies are mostly unable to base their expectations on orders already received, but hope these will materialise in the coming quarters. Representatives also point out that various factors could further inhibit growth, frequently citing international developments such as China's industrial policy and the increasingly protectionist stance of the US. Other challenges mentioned were exchange rate fluctuations, the shortage of specialists and increasing regulatory complexity in Switzerland and Europe.

Cautious investment plans and moderate workforce expansion

Companies are cautious when it comes to their plans for investment, and do not expect their capital expenditure to increase next year. Manufacturers are focusing their investments on optimising production processes to counter sustained cost pressure. Only few plan to significantly expand their technical capacity. Services companies are frequently investing in their IT infrastructure as part of digitalisation projects.

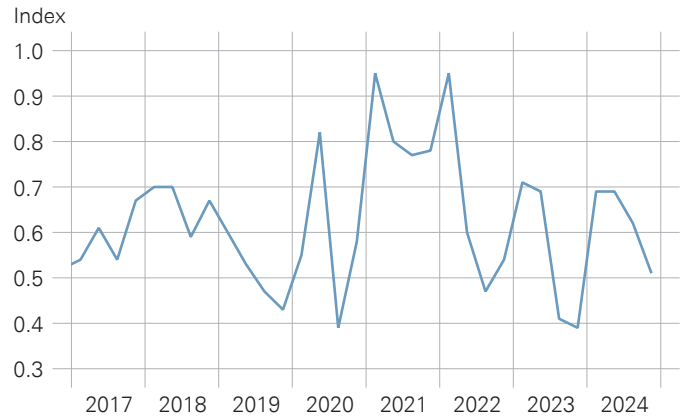
At the same time, companies expect to increase staff numbers moderately overall in the coming quarters (cf. chart 6). Plans vary considerably from sector to sector. Only a small number of manufacturing companies expect to increase staff numbers, and some are cutting jobs. Companies that already have sites abroad are increasingly considering relocating jobs there. Services and construction companies, by contrast, plan to further increase staff numbers. Even though the recruitment situation is returning to normal, companies emphasise that employment growth is only possible if sufficient specialists with the right qualifications are available.

Slowing in wage growth

Against a backdrop of declining inflation, easier recruitment and the subdued business outlook, companies expect wage growth to decrease further, with an average rise of 1.5% in 2025 compared with around 2% in 2024 (cf. chart 7). They also expect wage rises to increasingly be granted on an individual basis again.

Chart 5

EXPECTED TURNOVER

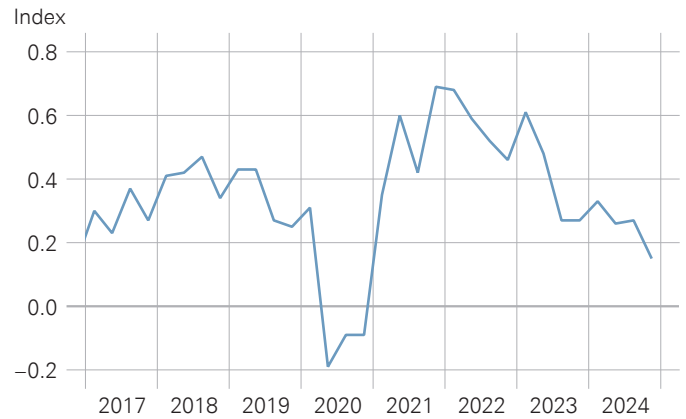


Expected developments in real turnover over the coming two quarters. Positive (negative) index values indicate turnover is expected to be higher (lower).

Source(s): SNB

Chart 6

EXPECTED EMPLOYMENT

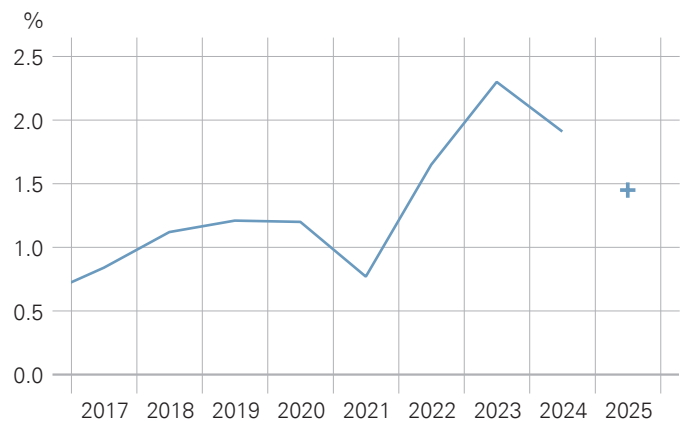


Expected developments in staff numbers over the coming two quarters. Positive (negative) index values indicate an expected increase (decrease).

Source(s): SNB

Chart 7

WAGE INCREASES



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

Source(s): SNB

Chart 8

EXPECTED CHANGE IN PURCHASE AND SALES PRICES

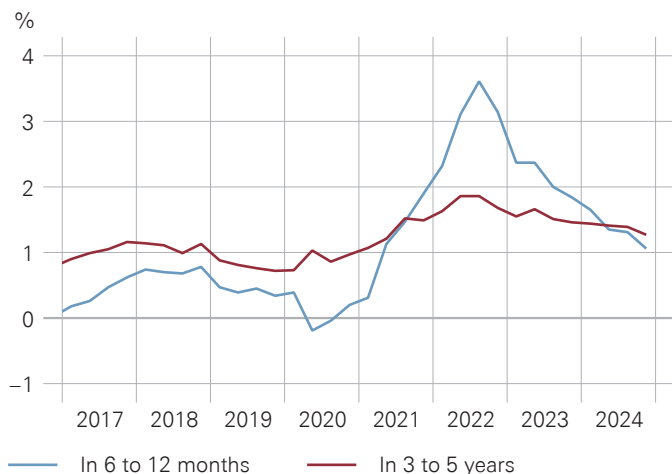


Expected price development for the next 12 months. Positive (negative) index values indicate higher (lower) prices are expected.

Source(s): SNB

Chart 9

EXPECTED INFLATION



Source(s): SNB

About this report

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

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

Small rise in purchase and sales prices in most cases

For the next two quarters, companies expect purchase and sales prices to remain stable or rise slightly (cf. chart 8). The strength of the Swiss franc against the euro and the weak state of the European economy are having a curbing effect on purchase prices. Despite this, higher transport costs – the performance-related heavy vehicle charge (HVC) will be increased as of 1 January 2025 – as well as renewed rises in costs for certain raw materials and inputs are leading to slight upward pressure on purchase prices in manufacturing and construction. The main factors for services companies are rising IT costs and licence fees.

Companies plan to adjust their sales prices in line with any increases in purchase prices, and some also intend to do so at the turn of the year to take account of rising wage costs. They point out, however, that given the competitive situation, the scope for raising prices remains limited.

INFLATION EXPECTATIONS

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

Short-term inflation expectations as measured by the consumer price index have fallen again: The average for the next six to twelve months (cf. chart 9) is 1.1%, compared with 1.3% in the previous quarter. Inflation expectations over a three to five-year horizon have also declined, now averaging 1.3% versus 1.4% the previous quarter.

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

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

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 2024. 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. Vogel AG
Aare Seeland mobil AG
Abacus Research AG
ABB Schweiz AG
Accelleron Industries AG
Accenture AG
acrevis Bank AG
Adent Cliniques dentaires
adesso Schweiz AG
AduUlam Spitäler und
Pflegezentren
ADV Constructions SA
AEK Bank 1826
Genossenschaft
Aeschlimann AG
Affentranger Bau AG
Affolter Group SA
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AHG Holding AG
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Aldo Lepori SA Impresa
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Aligro
Allfi Group
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Caisse d'Épargne CEC SA
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Camille Bauer
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Clientis Sparcassa 1816	Derendinger AG	Ernest Gabella SA	Foppa AG
Clinica Hildebrand Centro di riabilitazione Brissago	Dertour Suisse AG	Ernst Marti AG	Forming AG
Clinique CIC Suisse	Desinfecta AG	Ernst Schweizer AG	Forster Rohner Gruppe
Club Méditerranée (Bureau Suisse) SA	Deutsche Bank	ESA	Fr. Sauter AG
Codan Argus AG	DGS Druckguss Systeme AG	Esmo – European Society for Medical Oncology	Franck Muller Watchland SA
Cogestim SA	DHL Logistics (Schweiz) AG	Essemtec AG	Franke Group
Coiffina AG	Die Schweizerische Post AG	Estech Group	Fraporlux Swiss SA
Colasit AG	Dieci AG	Etablissement Cantonal d'Assurance du canton de Vaud	Fratelli Gilardi SA
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 Hotel Splendide Royal,
 Lugano
 Hotelplan Group
 Hotelplan Suisse
 MTCH AG
 Hugelshofer Holding AG
 Hugo Boss (Schweiz) AG
 Hydro Exploitation SA
 Hypothekarbank Lenzburg
 H55

I

IBC Energie Wasser Chur
 IBM Schweiz AG
 IBSA Institut
 Biochimique SA
 Ichnos Sciences SA
 icotec AG
 Ifolor AG
 Iftest AG
 IMA Automation
 Switzerland SA
 Immer AG
 Imoberdorf AG
 Implenia Schweiz AG
 IMTF
 Induni & Cie SA
 Infra-Com Swiss AG
 Infront Sports & Media AG
 Ingenus Pharmaceuticals
 Sagl
 innova Versicherungen AG
 Innovative Sensor
 Technology IST AG
 Insulae SA

Intensiv SA
 Intersport Schweiz AG
 iSpin AG
 ISS Schweiz AG
 Itris Gruppe
 ITS Servizio
 Canalizzazioni SA
 Iveco (Schweiz) AG
 IWC Schaffhausen Branch
 of Richemont
 International SA
 IXM SA

J

Jabil Switzerland
 Manufacturing GmbH
 Jakob AG, Jakob-Markt
 Jansen AG
 Jenzer Fleisch und
 Feinkost AG
 JL Services SA
 Johnson Electric
 International AG
 Josef Arnet AG
 Josef Meyer Stahl &
 Metall AG
 Jubin Frères SA
 Jungfraubahnen
 Management AG
 Jura Elektroapparate AG

K

Kaisermatt Technologie
 Kaltband AG
 Kantonsspital Aarau
 Kasper Holding
 Kaufmann Oberholzer AG
 KBI Biopharma -
 Selexis SA
 Kebo AG
 KIFA AG
 Killer Group
 Kindlimann AG
 King Jouet Suisse SA
 Kissling + Zbinden AG
 Ingenieure Planer
 KMS AG
 Knecht Brugg Holding AG
 Knuchel Farben AG
 Koenig & Bauer Banknote
 Solutions SA
 Kolb Distribution AG
 Komax Holding AG
 KPMG AG
 Krebsler AG
 Krüger + Co. AG
 Kühne + Nagel
 International AG
 Kühni AG
 KUK Electronic AG

Kuny AG
 Kurierzentrale GmbH

L

La Goccia SA
 La Rapida SA
 Labcorp Central
 Laboratory Services Sàrl
 LAC Lugano Arte e Cultura
 Landquart Fashion Outlet
 Lang Energie AG
 LARAG AG
 lastminute.com group
 Laurent Membrez SA
 Lawil Gerüste AG
 Lazzarini AG
 Le Fournil Romand SA
 Lehner Versand AG
 Leica Geosystems AG
 Leister Gruppe
 Lenz & Staehelin
 Lenzlinger Söhne AG
 Les Boutiques Angéloz SA
 Leuthold Mechanik AG
 Liaudet Pial SA
 Lidl Schweiz AG
 Lifeware SA
 Light Chain Bioscience -
 NovImmune SA
 Liip
 LN Industries SA
 Lonza
 Loosli AG
 Losinger Marazzi SA
 Lötscher Plus Gruppe
 Louis Lang SA
 Loyco SA
 Lustenberger & Dürst AG
 Lüthy + Stocker AG
 Luzerner Kantonalbank AG

M

M. Opitz & Co AG
 Macaroon SA
 Maerki Baumann & Co. AG
 Maestrani Schweizer
 Schokoladen AG
 Magtrol SA
 Maison V. Guimet fils
 Mammut Sports Group AG
 MAN Energy Solutions
 Schweiz AG
 Manor
 Manpower Group
 Mars Schweiz AG
 Martel AG
 Massimo Cerutti SA
 Matériaux Sabag SA
 Max Felchlin AG
 Max Pfister Baubüro AG

maxon motor ag
MCH Group
McKinsey & Company, Inc.
Switzerland
Medartis AG
Mediconsult AG
Mediluc sagl
Medipack AG
Melitta Cafina AG
Menétrey SA
Mercedes-Benz
Automobil AG
Merian-Iselin Klinik
Merlini & Ferrari SA
Messe Luzern AG
Metalem SA
Metallizzazione SA
Metanord SA
Meyerhans Mühlen AG
Mibelle Group
Microdul AG
Micro-Sphere SA
Migros
Migros Golf AG
Möbel-Märki Handels AG
Mobil in Time Gruppe
MoneyPark AG
Monn SA
Moresi.com SA
Moser-Baer AG
Motorex-Bucher Group AG
MSC Mediterranean
Shipping Company
Holding SA
MTF Info Centro SA
Müller Frauenfeld AG
Müller Group
Müller-Steinag Gruppe
Multitime Quartz SA
Munit SA

N

NDW – Neue
Duschenwelt AG
Neuroth Hörcenter AG
New Rock SA
New Work
Nexi Schweiz AG
Nicol. Hartmann
Holding AG
NiD SA
Nidwaldner Kantonalbank
Niklaus LNI SA
Nivalis Group SA
Noser Group
Nova Taxi AG
Novartis
Novo Nordisk
Novocure GmbH
Novoplast AG
NS Partners SA

O

Oberwaid AG
Obwaldner Kantonalbank
OC Oerlikon
Odier Excursions SA
ÖKK
OM Pharma SA
Omya
Opacc Software AG
OPO Oeschger AG
Orange Cyberdefense
Switzerland SA
Orior AG
Ornera SA
Oryx Energies SA
Oskar Rüegg AG
Outils Rubis SA
OVD Kinegram AG

P

Pamasol Willi Mäder AG
Panerai
Papyrus Schweiz AG
Park Hotel Vitznau
Partners Group
Pax
PB Swiss Tools GmbH
peka-metall AG
Pemsa Group
Perrin Groupe
Pestalozzi AG
Pfizer AG
Pharmaplan AG
Philip Morris International
Pilatus Flugzeugwerke AG
Pini Group SA
Planair SA
Planzer Transport AG
Podium Industries SA
Pollux
Reinigungsservice AG
Polydec SA
Poretti & Gaggini SA
Porsche Zentrum Zug,
Risch AG
PPG Industries Europe Sàrl
Prager Dreifuss AG
Precipro SA
Precitrame Machines SA
Pricewaterhouse
Coopers AG
Primaform AG
Prime & Co
Prime21 AG
Privera AG
PRO, entreprise humaine
Probst Group Holding
Proman Group Switzerland
Promena AG
PSP Swiss Property AG
Punto Fresco SA

Pure Production AG
PWB AG
PZM Psychiatriczentrum
Münsingen AG

Q

QoQa
Qualibroker

R

R. Mazzoli SA
Raboud Group
Radisson Blu Hotel Zurich
Airport
Rahn AG
Raiffeisenbanken
RealSport SA
Recomatic SA
Reed Electronics AG
Regazzi Holding SA
Regio Energie Solothurn
Rego-Fix AG
Rehaklinik Tschugg AG
Reichmuth & Co
Privatbankiers
Renggli AG
Rey Technology
Holding AG
Rezzonico Lugano
Rhyner Logistik
Richard AG Murgenthal
Riedo Clima SA
Rivella Group
Riwax-Chemie AG
Robatech AG
Ronin Primeurs SA
Rööslis Transporte
Röthlisberger AG, Die
Schreinerhermanufaktur
Rubag Baumaschinen AG
Rytz AG

S

S. Facchinetti SA
Sabag Luzern AG
Safram SA
SAGA Ring Garage AG
Saint-Gobain Weber AG
Samuel Werder AG
Sandro Sormani SA
Säntis Gastronomie AG
Säntis-Schwebebahn AG
SAP (Schweiz) AG
Savoy SA
Schaffhauser
Kantonalbank
Schällibaum AG
Schärli Architekten AG
Schaub Maler AG
Scheitlin Syfrig
Architekten

Schellenberg Wittmer
Schenker Storen AG
Scherer & Bühler AG
Scherler AG
Scherler AG, Elektro und
Telematik
Schibli-Gruppe
Schiffahrtsgesellschaft des
Vierwaldstättersees AG
Schilliger Garden Centre
Schmid Gruppe
Schmiedewerk Stooss AG
Schmolz + Bickenbach
Stahlcenter AG
Schöttli AG
Schulthess Juristische
Medien AG
Schweizer Heimatwerk
Genossenschaft
Schweizerische Bodensee-
Schiffahrt AG
Schwendimann AG
Abfallentsorgung +
Transporte
Schwob AG
Schwyzer Kantonalbank
Scierie Zahnd SA
Seehotel Hermitage
Luzern AG
Sefar Holding AG
Segmüller Collection
Semadeni Industry
Group AG
Serbeco SA
Servo Personal und
Treuhand GmbH
SFS Group AG
SGA Management SA
Sieber Transport AG
Siegfried Holding AG
Siemens Schweiz AG
Siga Holding AG
Sigma-Aldrich Production
GmbH
Sika Schweiz AG
Silicom
Similasan
SIX Group AG
SKS AG Kunststoffe und
Werkzeugbau
smahrt consulting AG
Smart Gorla Services SA
SMG Swiss Marketplace
Group
Smurfit Kappa
Swisswell AG
SNP Société
Neuchâteloise de
Presse SA
Société Générale Private
Banking (Suisse) SA

Société Privée de
Gérance SA
SonarSource SA
Sonnenbau Gruppe
Sonova Holding AG
Sored SA
Soulfood
Sowind SA
Spar- und Leihkasse
Frutigen AG
Sparkasse Schwyz AG
Spavetti AG
Spectros AG
Speno International SA
SpineArt SA
Spinelli SA
Spital STS AG
Spitalzentrum Biel AG
Spitex Biel-Bienne
Regio AG
Splash & Spa Tamaro SA
Stähli Läpp Technik AG
Stalder AG
Stamm Bau AG
Stance SA
Stanserhorn-Bahn
StarragTornos Group AG
Steeltec AG
Stef Schweiz AG
Steinel Solutions AG
Stettler Sapphire AG
Stisa Sviluppo Traffici
Internazionali SA
STMicroelectronics SA
Stöckli Metall AG
Stöcklin Möbel AG
Straumann Group
Straumann-Hipp AG
Streuli Pharma AG
Studer Cables AG
Studio d'ingegneria Visani
Rusconi Talleri SA
Studio Ingegneria
Sciarini SA
Stutz Holding AG
Suhner Group AG
Sun Chemicals Colors &
Effects Switzerland SA
Suter Viandes SA
Suter Zotti AG
Sutter Ingenieur- und
Planungsbüro AG
SWG, Grenchen
Swiss Helicopter
Group AG
Swiss Re Ltd.
Swiss Risk & Care
Swiss Visio Network
Swisscom AG
SwissOptic AG
swisspor Romandie SA

SwissRoc SA
swisstulle AG
Sylvac SA
Symbios Orthopédie SA
Symbiotics Group
Syngenta AG
Syntax Übersetzungen AG
Syntegon Packaging
Systems AG

T

Tally Weijl
Talus Informatik AG
Tamaro Drinks SA
Tapernoux SA
Tarchini Group
TAS Assurances SA
TBF + Partner AG
TD Synnex Switzerland
Teca-Print AG
Tech Insta SA
Tech-Laser Sandoz SA
Techniques-Laser SA
Tecsedo SA
Téléverbier SA
Temenos Suisse SA
ten23 Health
Thales Suisse SA
The Nail Company SA
The Woodward Geneva
ti&m AG
Time Pieces SA
Toggenburger
Unternehmungen
Tonhalle-Gesellschaft
Zürich AG
Top Net Services SA
TopCC AG
Totsa TotalEnergies
Trading SA
Tradall SA
Transportgemeinschaft AG
Trasfor SA
TRB Chemedica SA
Treuhand- und
Revisionsgesellschaft
Mattig-Suter und Partner
Trianon SA
Tricycle
Tschantré AG
Tschümperlin AG
T-Systems Schweiz AG
Tulux AG
Turbo-Separator AG
Twint AG

U

UBS AG
UCC Coffee
Switzerland AG
Ugo Bassi SA

Ultra-Brag AG
Unilever Schweiz GmbH
Unimed SA
Universitätsspital Basel
Urma AG
Utz Group

V

Vacheron & Constantin SA
Valcambi SA
Valora
Vasconi SA
VBG Verkehrsbetriebe
Glattal AG
Verfora AG
Vetter AG Lommis
VF International Sagl
Victorinox AG
Villars Holding SA
Vini e Distillati Angelo
Delea SA
Viquodéco Sàrl
Vitogaz Switzerland AG
Vogt AG Lostorf
Volg Konsumwaren AG
Volken Group
Volpi Group
Volvo Car Switzerland AG
Von Bergen SA

W

Wagner AG
Wago Contact SA
Waldburger Gartenbau AG
Wälli AG Ingenieure
Walo Bertschinger AG
Warteck Invest AG
Wäsche-Perle AG
Weber AG Stahl- und
Handwerkerzentrum
Wegmüller AG Holz- und
Kartonverpackungen
Wenger Fenster AG
Westiform AG
Wetrok AG
Wild & Küpfer AG
Winteler SA
Witschi Electronic AG
Wittenstein AG
Woodman Asset
Management AG,
succursale di Lugano
Work-Shop Personal Wil
GmbH
Worldline Schweiz AG
Wyss Gruppe AG

Y

YouGov Schweiz AG
Yuh

Z

Zambon Svizzera SA
zb Zentralbahn AG
Zenith
Zindel Gruppe AG
Zoo Zürich AG
Zucchetti Switzerland SA
Züger Frischkäse AG
Zuger Kantonalbank
Zürcher Kantonalbank
Zürcher Oberland
Medien AG
Zürich Tourismus
Zürich Versicherungen
Schweiz
Zürich, Generalagentur
Roland Howald AG
Zwahlen & Mayr SA
Zweifel Pomy-Chips AG

4

4B AG

Chronicle of monetary events

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

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

December 2024

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

September 2024

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

June 2024

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

April 2024

At its quarterly assessment of 21 March, the SNB lowers its policy rate to 1.5%. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold, and at 1.0% above this threshold. The SNB also remains willing to be active in the foreign exchange market as necessary. With its decision, the SNB is taking into account the reduced inflationary pressure as well as the appreciation of the Swiss franc in real terms over the past year. The policy rate cut also supports economic activity. The easing thus ensures that monetary conditions remain appropriate. The SNB will continue to monitor the development of inflation closely, and will adjust its monetary policy again if necessary to ensure inflation remains within the range consistent with price stability over the medium term.

March 2024

Glossary

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

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

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

Potential output, production potential	Potential output or production potential is the level of → real → GDP at normal utilisation of the → factors of production. Potential output is estimated using tools such as the → HP filter.
Price stability	According to the SNB's definition, price stability is considered to prevail when → inflation, as measured by the → Swiss consumer price index, is below 2%, and there is also no → deflation.
Production function	A production function describes the relationship between inputs (→ factors of production) and the resulting output (goods and services).
Purchasing power	The purchasing power of money indicates how many goods and services in a fixed → basket of goods can be bought with one unit of money. If → inflation prevails, purchasing power decreases over time.
Real	Real is the term used when an economic variable is adjusted to reflect price development (→ real rate of interest).
Real rate of interest	Adjusting the → nominal interest rate for the loss of → purchasing power due to → inflation over the duration of a credit transaction gives the real interest rate. The real rate of interest is thus calculated as the difference between the → nominal interest rate and the → inflation rate.
Recession	A recession is an economic downturn. There is no uniform definition, but a recession is often said to occur when → real → GDP falls for at least two consecutive quarters.
Refinancing	Refinancing has two meanings in economics. First, refinancing is when commercial banks raise funds on the → money market or → capital market. Second, it refers to the replacement of maturing debt by means of new debt.
Repo transactions, repo rate	In a repo transaction, the cash taker sells → securities to the cash provider and simultaneously agrees to repurchase securities of the same type and quantity at a later date. Economically, a repo transaction is a → secured loan. The → interest rate used in a repo transaction is called the 'repo rate'. The SNB can use repo transactions to steer → liquidity in the → money market. It can provide liquidity or, using a reverse repo, absorb liquidity.
Risk premium	A risk premium reflects the valuation of the risk associated with a financial instrument.
SARON	SARON (Swiss Average Rate Overnight) is the interest rate for → repo transactions in Swiss francs with overnight maturity. It is based on → transaction prices and trade quotes. The SNB has been focusing on SARON in seeking to keep the short-term Swiss franc money market rates close to the → SNB policy rate.
Seasonal adjustment	Seasonal adjustment is a statistical method to remove regular seasonal effects (such as the rise in unemployment in the winter months) from time series so that → business cycle conditions, for example, can be more easily identified.
Secured money market rate	The secured money market rate is the → interest for → secured loans on the → money market which are usually concluded as → repo transactions (→ SARON).
Secured/covered loan	A secured or covered loan, in contrast to an unsecured (uncovered) loan, is a loan where the debtor provides → collateral. The main type of secured loan is a → mortgage loan.
Security	A security certifies a property right (e.g. the right to receive an interest payment). The most important securities traded on a market are → shares and → bonds.
Share	A share or → stock is a → security with which the buyer acquires a participation in a company.
Sight deposits at the SNB	Banks use their sight deposits held at the SNB to carry out transactions (e.g. payments) for their customers. In addition to sight deposits held by domestic banks, total sight deposits include sight liabilities towards the Confederation, sight deposits of foreign banks and institutions, as well as other sight liabilities.
SNB Bills	SNB Bills are interest-bearing debt certificates issued by the SNB and denominated in Swiss francs. They were first issued in autumn 2008. The SNB uses this instrument to temporarily absorb → liquidity from the market. The amount of the SNB Bill is withdrawn from the counterparty's sight deposit at the SNB, and the SNB increases the liability item SNB debt certificates. SNB Bills have a maximum term of 12 months. They are eligible as → collateral in → repo transactions with the SNB.
SNB policy rate	The SNB implements its → monetary policy by setting the SNB policy rate. It seeks to keep the secured short-term Swiss franc money market rates close to the SNB policy rate. → SARON is the most representative of these rates.
Sporting-event adjustment	Adjustment for sporting events smooths the data associated with such events symmetrically throughout the year in which the event takes place. This involves the → gross domestic product, the → value added by the entertainment industry, and the import and export of services. Adjusted for sporting events, the data provides a clearer picture of the economic situation as they are no longer affected by the fluctuations caused by major sporting events.
Standing facilities	Standing facilities are a type of → monetary policy instrument. In contrast to → open market operations, the use of standing facilities is initiated not by the SNB, but by a commercial bank.
Stock	→ share

Swap, interest rate swap	A swap is a financial transaction in which the contracting parties exchange payment flows. In an interest rate swap, one contracting party pays the other a variable → interest rate linked to a market interest rate and in return receives fixed interest payments contractually determined in advance.
Swiss consumer price index (CPI)	The Swiss consumer price index (CPI), which is compiled by the Swiss Federal Statistical Office (SFSO), measures the average development of prices for goods and services consumed by households in Switzerland. The CPI is calculated every month based on a → basket of goods representative of household consumption.
Threshold	If the → SNB policy rate is zero percent or positive, → sight deposits at the SNB up to a certain threshold are subject to interest (or 'remuneration') at the SNB policy rate. Sight deposits above this threshold are remunerated at the SNB policy rate minus a discount. Sight deposits which are held to meet minimum reserve requirements are not remunerated. The threshold per sight deposit account holder is at least zero. For domestic banks, the threshold corresponds to the three-year average of the → minimum reserve requirements, multiplied by the applicable threshold factor.
Trade-weighted exchange rate	The trade-weighted or effective → exchange rate is the value of an economy's currency vis-à-vis the currencies of its trading partners. It is calculated using bilateral exchange rates with trading partners, with weightings dependent on trading activity.
Transaction price	The price at which a transaction is actually executed, as opposed to a bid or ask price.
Unemployment rate	The rate of unemployment is the ratio of the number of unemployed people to the number of people in the labour force (i.e. those employed and unemployed), expressed as a percentage.
Utilisation of credit lines	Depending on the type of loan, a borrower can decide whether to use the maximum amount granted by the bank or just some of it. Utilisation refers to the amount drawn down.
Value added	Value added measures the economic output of a sector or industry. It is defined as the difference between the value of goods and services produced in a given sector and the value of inputs obtained from other sectors. Total value added of all sectors, adjusted for taxes and subsidies, gives → GDP.
Volatility	Volatility describes the extent of fluctuations in given variables, e.g. share prices or → interest rates, over a certain period of time.
Yield	Yield refers to the return on financial assets or investments and is usually expressed as a percentage of the → capital invested.
Yield curve	The yield curve, also known as the term structure of interest rates, graphically represents the → yields of fixed-interest investments of the same quality with different maturities. Typically, the yields of → government bonds are used. The yield curve usually slopes upwards as investors demand a → risk premium for bonds with longer maturities.
Yield curve control	Yield curve control involves a central bank setting a target for the yield of government bonds with a specific maturity, typically longer-term, and using bond purchases to ensure that the actual yield is close to the target.

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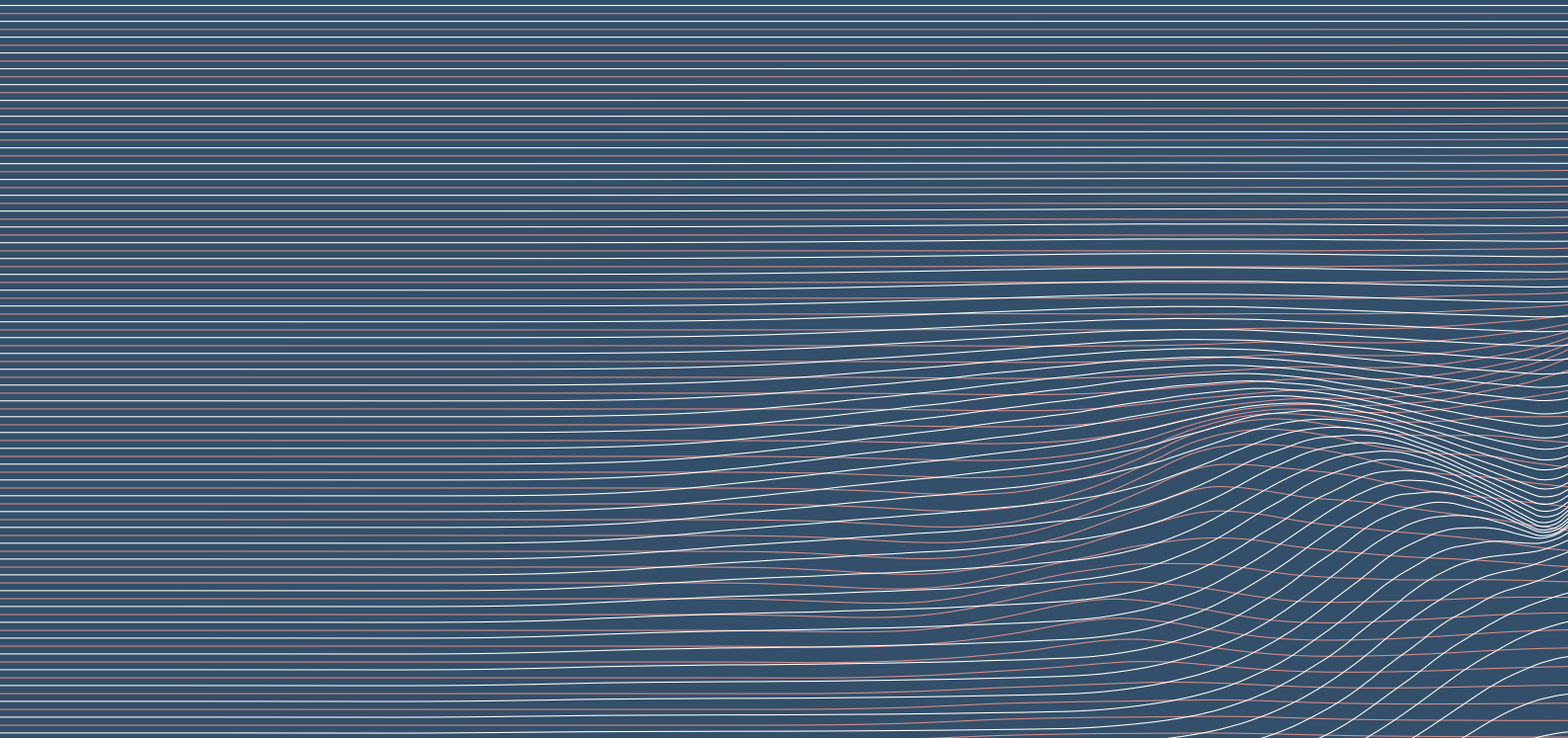
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