

Quarterly Bulletin
4/2014 December

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



Quarterly Bulletin
4/2014 December

Volume 32

Contents

	Page
Monetary policy report	4
1 Monetary policy decision of 11 December 2014	5
Monetary policy strategy at the SNB	6
2 Global economic environment	7
3 Economic developments in Switzerland	13
4 Prices and inflation expectations	19
5 Monetary developments	23
Business cycle trends	30
Acknowledgements	34
Chronicle of monetary events	38

Monetary policy report

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of December 2014.

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 11 December 2014') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 11 December 2014. Unless otherwise stated, all rates of change from the previous period are based on seasonally adjusted data and are annualised.

1 Monetary policy decision of 11 December 2014

Swiss National Bank reaffirms minimum exchange rate

The Swiss National Bank (SNB) is maintaining its minimum exchange rate of CHF 1.20 per euro, and is leaving the target range for the three-month Libor unchanged at 0.0–0.25%. Deflation risks have increased once again and the Swiss franc is still high. Consequently, the SNB will continue to enforce the minimum exchange rate with the utmost determination. It is prepared to buy foreign currency in unlimited quantities for this purpose. With the three-month Libor at zero, the minimum exchange rate is the key instrument to avoid an undesirable tightening of monetary conditions. If required, the SNB will take further measures immediately.

The SNB has once again adjusted its conditional inflation forecast downwards compared to the previous quarter. Above all, the appreciably lower oil price will push inflation into negative territory during the next four quarters. Over the medium to long term, persistently low inflation across the globe and the even weaker outlook for the euro area economy will dampen inflation in Switzerland. For 2014, the SNB has revised its inflation forecast downwards by 0.1 percentage points to 0.0%. For 2015, forecast inflation will even turn negative, at –0.1%. Only in 2016 is inflation expected to rise slightly, to 0.3%. This

constitutes a downward adjustment of 0.3 percentage points for 2015, and 0.2 percentage points for 2016. These forecasts assume that the three-month Libor will remain at zero over the entire forecast horizon, and that the Swiss franc will weaken.

Global economic developments continue to be mixed. The US, UK and China all saw robust growth in the third quarter. In the euro area and Japan, by contrast, it was weaker than expected. The SNB is assuming that global economic growth will gradually firm over the course of next year. The considerable fall in oil prices should be a contributory factor. However, the prospects for individual countries vary widely. While the US is likely to see favourable developments, the outlook for the euro area is very subdued.

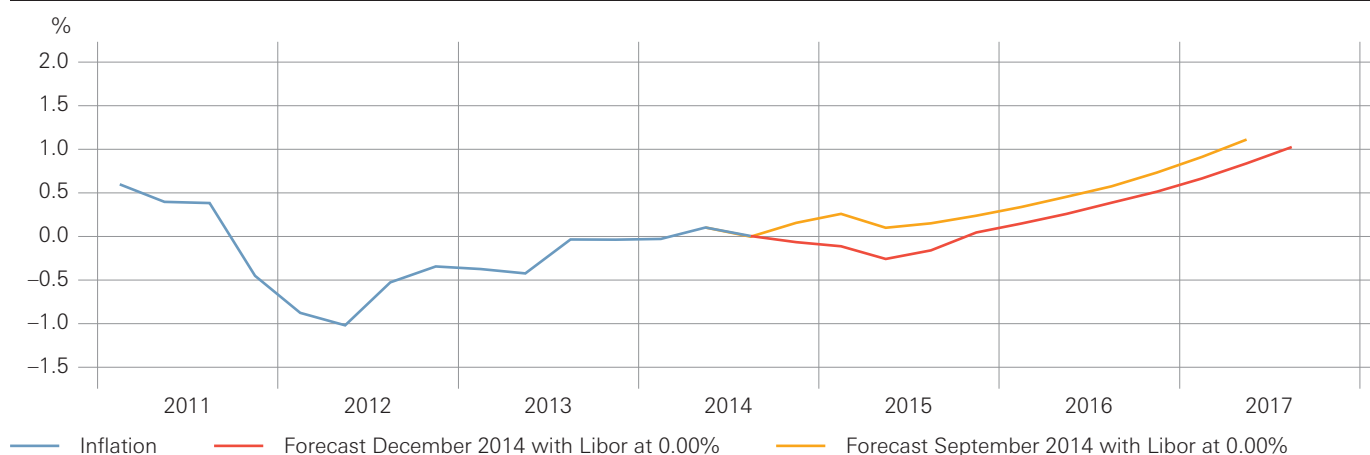
Overall, the global economic outlook is still dominated by downside risks – the most important of which are the continuing difficult conditions in the euro area and a possible escalation in geopolitical tensions.

Following a weak second quarter, real GDP growth in Switzerland was unexpectedly favourable in the third. On the demand side, the increase was driven predominantly by goods exports. Momentum in equipment investment, by contrast, remained weak. In part, growth was also boosted by special factors. Moreover, utilisation of economic capacity continued to be unsatisfactory. It is likely that growth will once again be markedly lower in the fourth quarter. As a result of the comprehensive revision of the national accounts, the reported figures for previous quarters are higher, and therefore GDP growth for the current year should also be somewhat higher than assumed in September, by 1.5–2%. However, the underlying economic momentum has not changed. For

Chart 1.1

CONDITIONAL INFLATION FORECAST OF DECEMBER 2014

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



Source: SNB

next year, the SNB still expects to see GDP growth of about 2%. Thus, the underutilisation of economic capacity should decline only gradually.

In the third quarter, mortgage lending growth weakened further. At the same time, real estate prices continued to

rise. However, as in 2013, price momentum was weaker than in previous years. The imbalances that have built up on these markets in recent years are still just as high as before. The SNB is monitoring the situation on these markets closely, and regularly assesses the need for an adjustment of the countercyclical capital buffer.

Monetary policy strategy at the SNB

The SNB has a statutory mandate to ensure price stability while taking due account of economic developments.

The SNB has specified the way in which it exercises this mandate in a three-part monetary policy strategy. First, it regards prices as stable when the Swiss consumer price index (CPI) rises by less than 2% per annum. This allows it to take account of the fact that the CPI slightly overstates actual inflation. At the same

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

Table 1.1

OBSERVED INFLATION IN DECEMBER 2014

	2011				2012				2013				2014				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	0.6	0.4	0.4	-0.5	-0.9	-1.0	-0.5	-0.3	-0.4	-0.4	0.0	0.0	0.0	0.1	0.0		0.2	-0.7	-0.2

CONDITIONAL INFLATION FORECAST OF DECEMBER 2014

	2014				2015				2016				2017				2014	2015	2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast September 2014, with Libor at 0.00%			0.0	0.2	0.3	0.1	0.2	0.2	0.3	0.5	0.6	0.7	0.9	1.1		0.1	0.2	0.5	
Forecast December 2014, with Libor at 0.00%			-0.1	-0.1	-0.3	-0.2	0.0	0.1	0.3	0.4	0.5	0.7	0.8	1.0		0.0	-0.1	0.3	

Source: SNB

2 Global economic environment

The global economic trend remains heterogeneous. The US, the UK and China posted robust growth in the third quarter. By contrast, economic performance in the euro area remained disappointingly lacklustre. Germany too registered only very modest growth. Japan's GDP saw a considerable decline in the wake of the VAT increase.

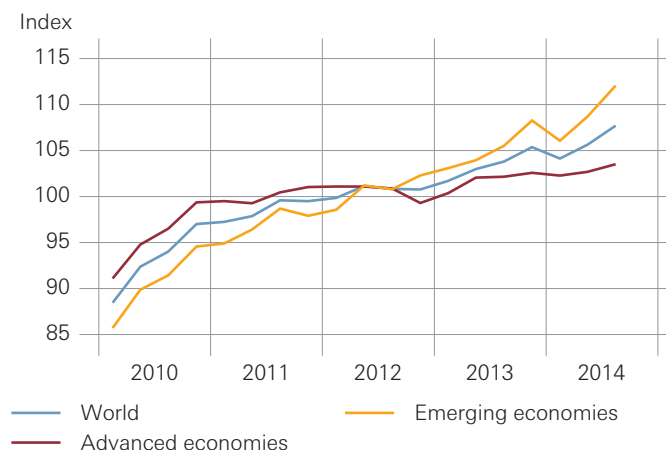
Global economic growth is likely to firm gradually in the course of 2015. The considerable fall in oil prices should be a contributory factor. However, the prospects for individual countries vary widely. The SNB is assuming that production capacity utilisation in the US and the UK will gradually improve somewhat on the back of robust growth. There have been no visible signs of a recovery in the euro area; the further growth prospects have worsened once again. The emerging economies are also presenting a noticeably heterogeneous picture. China remains a pillar of the global economy, although a gradual weakening of its growth is likely. India's growth outlook is somewhat more favourable again thanks to the planned economic reforms, while the prospects for Brazil and Russia remain subdued.

The outlook for the global economy is still very uncertain. The main risk factors are the continuing difficulties in the euro area and the possible escalation of geopolitical tensions.

Chart 2.1

GLOBAL EXPORTS

Period average = 100

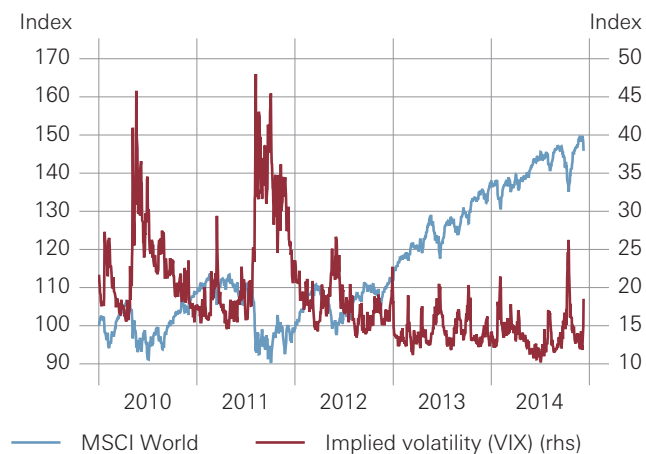


Sources: CPB, Thomson Reuters Datastream

Chart 2.2

STOCK MARKETS

Beginning of period = 100 (lhs)



Source: Thomson Reuters Datastream

Table 2.1

BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS

	2010	2011	2012	2013	Scenario	
					2014	2015
GDP, year-on-year change in percent						
Global ¹	5.4	4.0	3.1	3.2	3.3	3.9
US	2.5	1.6	2.3	2.2	2.2	3.6
Euro area	2.0	1.6	-0.7	-0.5	0.8	1.1
Japan	4.7	-0.4	1.7	1.6	0.4	0.9
Oil price in USD per barrel ²						
	79.6	111.4	111.7	108.7	101.0	84.0

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

² Level.

Sources: SNB, Thomson Reuters Datastream

Chart 2.3

INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

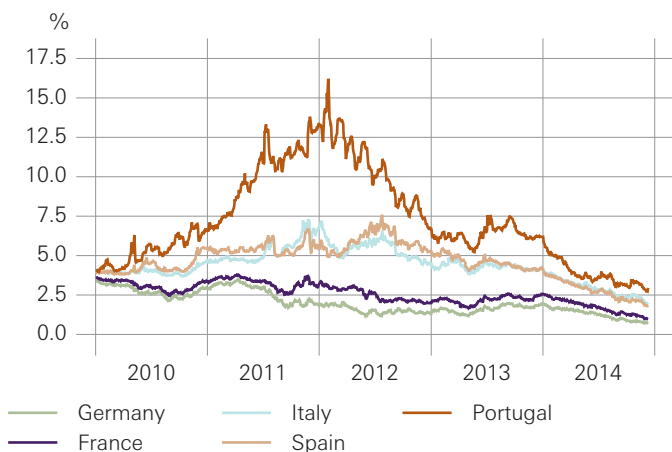


Source: Thomson Reuters Datastream

Chart 2.4

EUROPEAN LONG-TERM INTEREST RATES

10-year government instruments



Source: Thomson Reuters Datastream

Chart 2.5

EXCHANGE RATES

Trade-weighted, beginning of period = 100



Source: Thomson Reuters Datastream

Inflation in the advanced economies is persisting below the targets set by the respective central banks. In the euro area it is only just positive. The decrease in commodity prices, in particular oil, will continue to dampen inflation in the advanced economies over the short term. In the course of next year, however, inflation is likely to rise again as capacity utilisation increases.

The SNB's forecasts are based on assumptions regarding the oil price and the EUR/USD exchange rate. The SNB is assuming an oil price for Brent crude of USD 84 per barrel and an exchange rate of USD 1.26 to the euro.

INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

Since the September assessment, financial markets have been volatile. Concerns about global economic developments initially put equity markets under severe pressure, but these losses were made good from mid-October on (cf. chart 2.2). Supported by falling commodity prices, the US S&P 500 stock market index reached a new high, while Japan's Nikkei index rose to a seven-year high, owing mainly to the substantial depreciation of the yen. The VIX volatility index for US shares – which serves as an indicator of market uncertainty and is derived from option prices – fell in November following a sharp but short-lived increase the month before. Yields on long-term government bonds moved down worldwide, reaching new lows in some European countries (cf. charts 2.3 and 2.4). Diverging monetary policy developments in the US and the euro area contributed to a trade-weighted appreciation of the US dollar, while the euro lost further ground (also trade-weighted). The yen, too, weakened following a renewed easing of Japanese monetary policy (cf. chart 2.5).

Commodity prices fell overall (cf. chart 2.6). Oil dropped to its lowest level in four years as a result of increased supplies combined with muted demand. Food prices softened further, while the prices of cyclically sensitive industrial metals trended sideways.

UNITED STATES

The US continued to show signs of an economic recovery. GDP rose by 3.9% in the third quarter, following growth of 4.6% in the prior period (cf. chart 2.7). Employment growth remained solid, while unemployment continued to decrease (cf. chart 2.10). Overall, capacity remains underutilised despite the favourable economic trend. Unemployment stood at 5.8% in November, which is still clearly above the low point reached in 2007, before the onset of the economic and financial crisis. Moreover, the participation rate, which measures the participation level of the employable population in the labour market, receded further than was to be expected in view of demographic developments.

The sharp fall in the price of oil is expected to support growth over the coming quarters, more than offsetting the negative effects of the dollar appreciation. Lower petrol prices gave consumer confidence a further boost and are likely to stimulate spending. The continuation of expansionary monetary policy and a less restrictive fiscal policy in the US are also having a positive impact. The SNB is expecting economic growth of 2.2% for 2014 and 3.6% for 2015 (cf. table 2.1). Owing to the lower oil price and revised GDP data, growth forecasts are slightly higher than three months previously.

Consumer price inflation has been stable over the past few months, reaching 1.7% in October (cf. chart 2.11). Core inflation has remained almost unchanged at 1.8% (cf. chart 2.12). The lower oil price is likely to put downward pressure on inflation in the next few months. However, after a prolonged phase at a very low level, wage inflation has recently risen slightly.

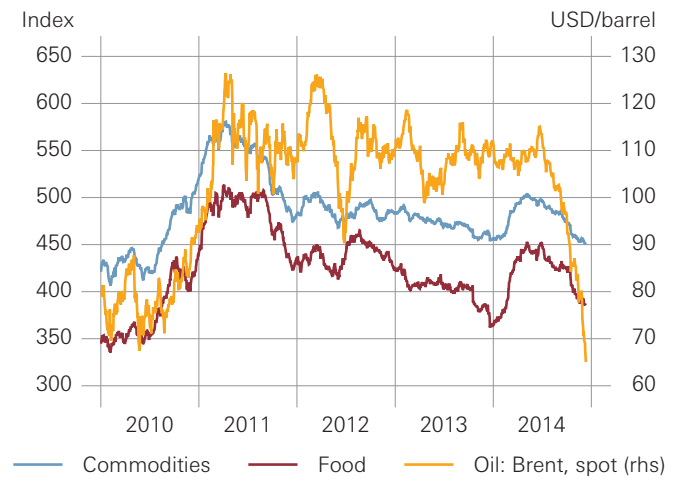
In line with expectations, the Federal Reserve (Fed) discontinued its securities purchase programme at the end of October as the labour market improved. In doing so, the Fed is no longer expanding its balance sheet. For the time being, however, it will reinvest the amounts redeemed when bonds mature. The target range for the federal funds rate has been left unchanged at 0%–0.25% since December 2008 (cf. chart 2.13). The Fed expects considerable time to pass before any interest rate move is made and interest rates to remain lower than usual for a while, even after the monetary policy goals of price stability and full employment have been achieved.

EURO AREA

Economic developments in the euro area remained very weak. GDP increased by only 0.6% in the third quarter (cf. chart 2.7). The services sector and the manufacturing industry saw an increase in value added, whereas construction activity contracted. Investment decreased further. Economies remained weak in most member states. Virtually at stagnation level, Germany's performance again proved disappointing. Italy stayed in recession. The euro area unemployment rate remained at 11.5% (cf. chart 2.10).

Chart 2.6

COMMODITY PRICES

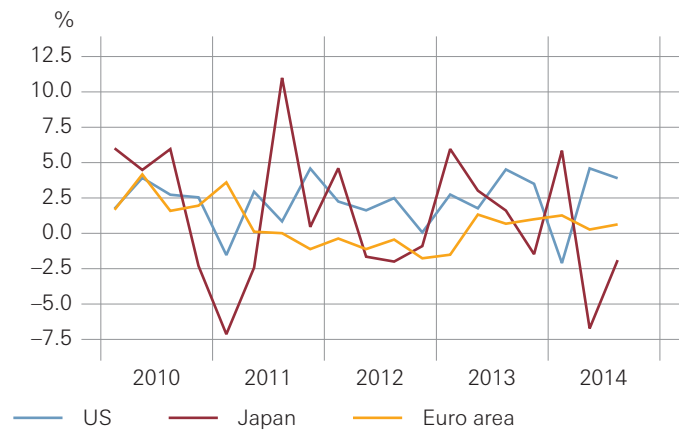


Source: Thomson Reuters Datastream

Chart 2.7

REAL GDP: ADVANCED ECONOMIES

Change from previous period

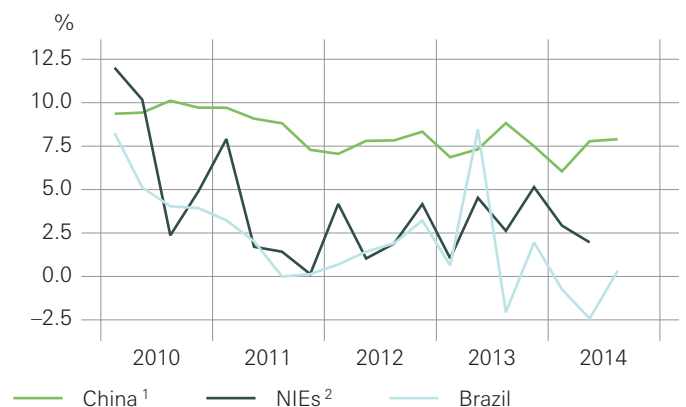


Source: Thomson Reuters Datastream

Chart 2.8

REAL GDP: EMERGING ECONOMIES

Change from previous period



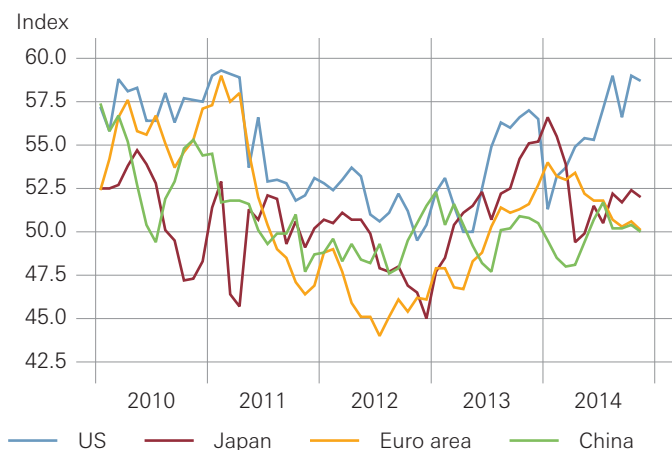
¹ Estimate: SNB.

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

Source: Thomson Reuters Datastream

Chart 2.9

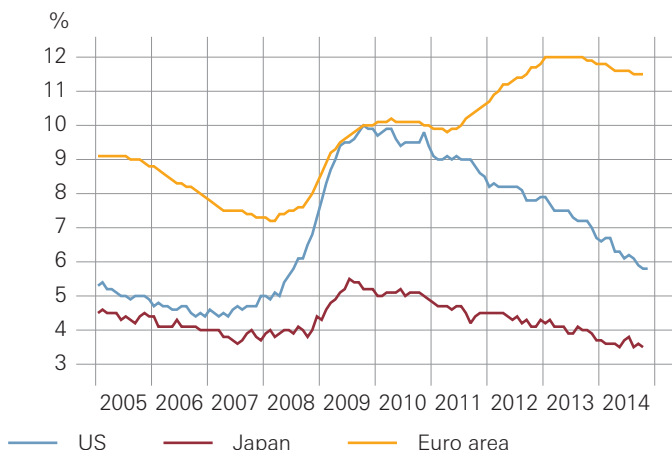
PURCHASING MANAGERS' INDICES (MANUFACTURING)



Source: Markit Economics Ltd 2009; all rights reserved

Chart 2.10

UNEMPLOYMENT RATES

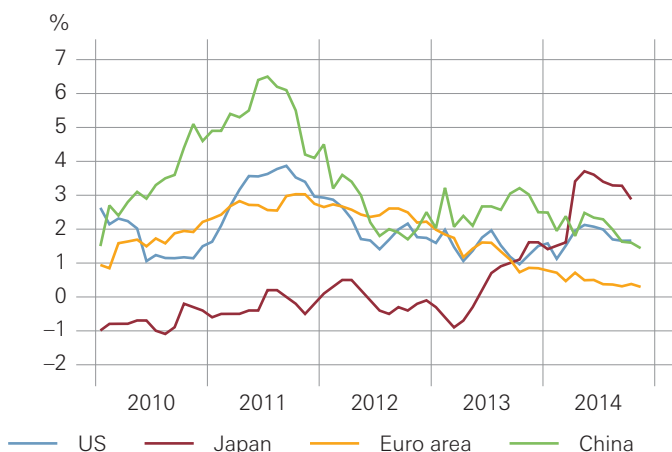


Source: Thomson Reuters Datastream

Chart 2.11

CONSUMER PRICES

Year-on-year change



Source: Thomson Reuters Datastream

Since the previous assessment, the outlook for the euro area has again become bleaker. Austerity efforts in the public and private sectors, coupled with high unemployment, continue to weigh on domestic demand. The smouldering conflict in Ukraine and the sluggish economic developments witnessed by a number of emerging economies have, moreover, dampened export expectations. A rapid upturn in investment activity is therefore unlikely. Lower energy prices can be expected to give some support to private consumption. Furthermore, the latest monetary policy measures from the European Central Bank (ECB) and a weaker euro are likely to provide moderate growth stimuli. Now that the ECB has completed its assessment of banks and assumed responsibility for banking supervision, uncertainty as to the soundness of the banking system should have diminished somewhat. The SNB has revised its growth forecasts for the euro area downwards. It expects GDP to grow by 0.8% in 2014 and 1.1% in 2015.

Barely in positive territory, consumer price inflation is well short of the ECB's target of just below 2%. In November, it stood at 0.3% (cf. chart 2.11). Core inflation remained at 0.7% (cf. chart 2.12). Inflation expectations obtained from surveys and on the financial markets also remained low.

The ECB left its key interest rates unchanged (cf. chart 2.13). In November, it began implementing the purchase programmes for covered bonds and asset-backed securities (ABS) announced in September. The ECB intends to steer the Eurosystem balance sheet in the direction of around EUR 3 trillion (some 30% of GDP). At the beginning of 2015, however, monetary policy will be reviewed and, if necessary, adjusted.

JAPAN

In Japan, hopes of a rapid upturn in growth were disappointed. Performance in the first half of the year was already weak as a result of the VAT increase introduced on 1 April, and GDP then fell unexpectedly by 1.9% in the third quarter (cf. chart 2.7). Private demand contracted again, while public sector demand expanded slightly. Overall, GDP thus receded by 1.3% year-on-year.

The coming quarters are expected to see a catch-up effect. Exports and manufacturing output have recently picked up considerably. Private households are likely to start spending somewhat more again after exceptionally poor weather over the summer months had dampened demand. Public spending, the recent depreciation of the yen and the fall in the price of oil are also expected to stimulate Japan's economy. November's decision to postpone the planned VAT increase from October 2015 to April 2017 also lessens the risk of a renewed economic downturn next year. Given Japan's surprisingly weak performance in the third quarter, the SNB has lowered its growth forecast for 2014, while leaving it unchanged for 2015.

Japanese consumer price inflation edged down in the course of the past few months. Annual inflation stood at 2.9% in October (cf. chart 2.11). Excluding the estimated effect of the VAT increase and volatile goods prices, inflation still remains below 1%. Annual inflation is likely to continue easing temporarily as a result of negative base effects and lower oil prices. Sluggish longer-term inflation expectations over the past few months remained below the Bank of Japan's inflation target of 2%.

Japan's central bank relaxed monetary policy once again at the end of October. The monetary base is to be increased by JPY 80 trillion (around 17% of GDP) per year through an extended purchase programme for long-term Japanese government bonds. The previous annual target was JPY 60–70 trillion (cf. chart 2.14). The measure is aimed at supporting inflation expectations and pushing annual inflation up to 2% in the foreseeable future.

EMERGING ECONOMIES

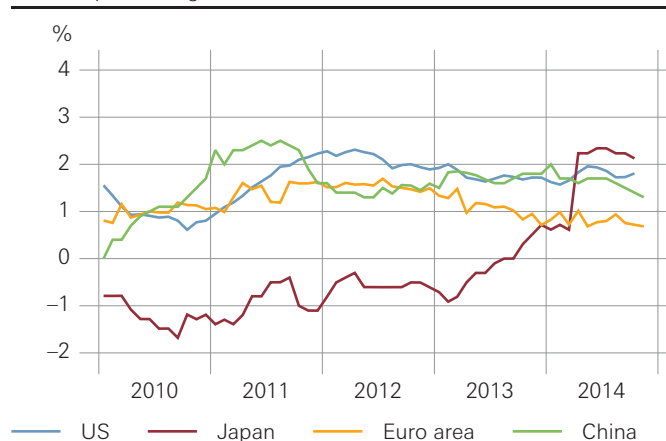
The emerging economies again presented diverging cyclical movements. China reported solid growth in the third quarter, too, thanks in part to public spending on infrastructure and government measures to support the real estate market (cf. chart 2.8). Aggregate demand firmed in India. By contrast, economic momentum remained weak in Brazil.

The growth outlook for the coming quarters is subdued. China is headed towards more sustainable, albeit lower growth. The Chinese housing market continues to harbour downside risks. India's planned economic reforms should stimulate growth. The prospects for Brazil, on the other hand, remain muted as a consequence of the country's tight monetary policy and precarious fiscal situation. Russia's growth is likely to be slowed by the economic sanctions and the lower oil price.

Chart 2.12

CORE INFLATION RATES¹

Year-on-year change

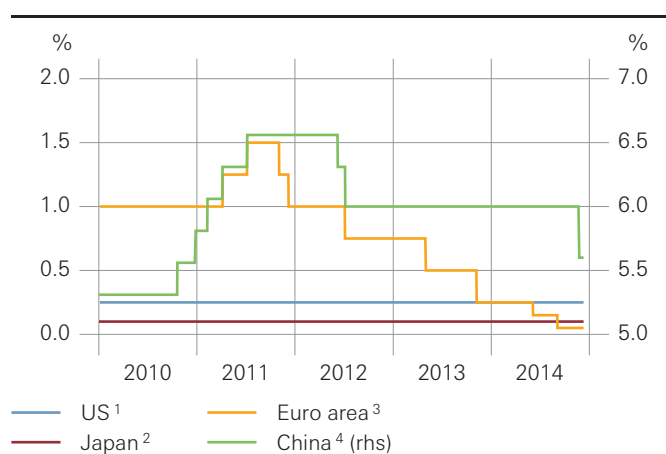


¹ Excluding food and energy.

Source: Thomson Reuters Datastream

Chart 2.13

OFFICIAL INTEREST RATES



¹ Federal funds rate.

² Call money target rate.

Source: Thomson Reuters Datastream

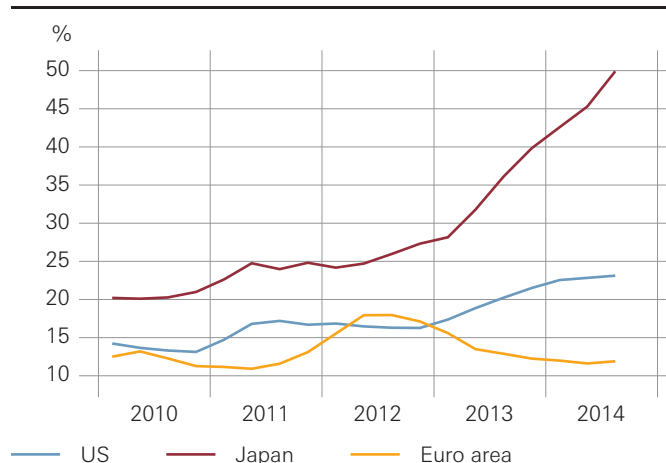
³ Main refinancing rate.

⁴ One-year lending rate.

Chart 2.14

MONETARY BASE

Relative to GDP



Source: Thomson Reuters Datastream

In the light of the mixed economic environment, inflation in the emerging economies also continued to develop unevenly. In China, persistent overcapacity, a stronger currency and falling commodity prices were among the factors keeping inflation well below the target set by the central bank. In Brazil and Russia, however, inflation remained exceptionally high, while in India, lower food prices prompted a noticeable fall in inflation.

As a consequence, these countries' monetary policies also diverged. China lowered its key interest rates to underpin economic growth (cf. chart 2.13). By contrast, Russia and Brazil raised their interest rates in an effort to stem inflation and depreciation.

3 Economic developments in Switzerland

Following weak developments in the second quarter, Switzerland's GDP registered surprisingly positive growth in the third. On the demand side, growth was driven primarily by goods exports. Private and public consumption, too, picked up after a subdued first half of the year, whereas equipment investment remained lacklustre.

Accordingly, the negative output gap narrowed slightly. Utilisation of technical production capacity in manufacturing, however, remained below average. Employment was up, and the unemployment rate was marginally lower than in the previous quarter.

The SNB expects GDP growth to slow perceptibly in the fourth quarter. Owing to the surprisingly positive third quarter and the revision of data from the previous quarters in connection with the changeover to a new national accounts standard (cf. box on page 16), GDP growth in the current year is likely to reach 1.5% to 2%, somewhat more than anticipated in September. For 2015, the SNB is expecting growth of around 2%. The current underutilisation of production capacity is likely to decrease only slowly. In the labour market, too, the SNB expects only a moderate recovery.

AGGREGATE DEMAND AND OUTPUT

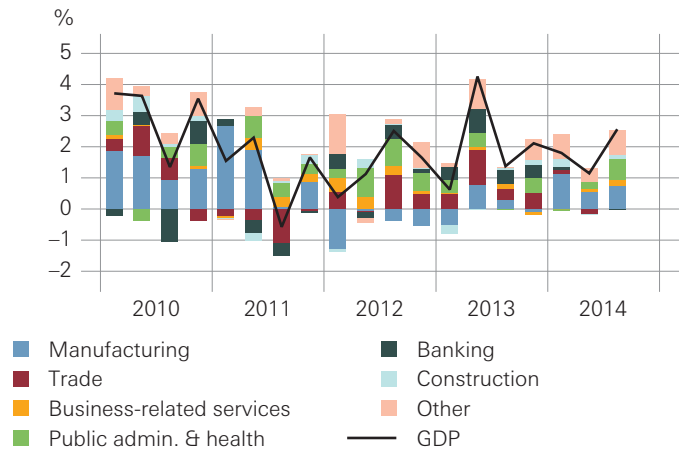
Robust growth

Nearly all industries recorded positive growth in the third quarter (cf. chart 3.1). Value added in manufacturing continued to rise. An unusually large increase in value added was registered in the healthcare industry. Only in the trade and banking industries did value creation remain slightly below the level of the previous quarter.

Chart 3.1

CONTRIBUTIONS TO GROWTH, BY SECTOR

Change from previous period

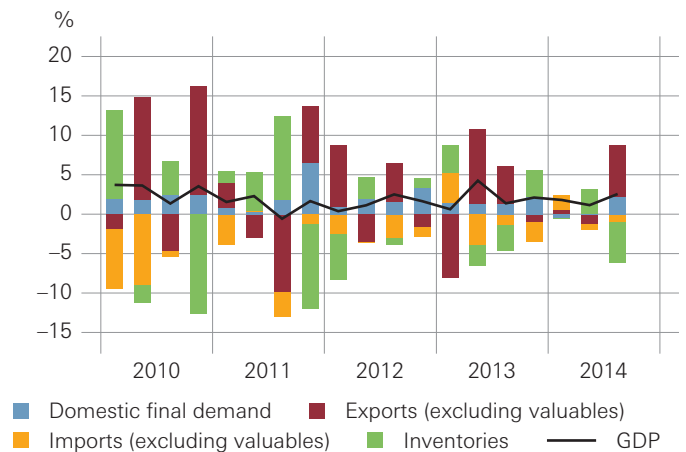


Source: State Secretariat for Economic Affairs (SECO)

Chart 3.2

CONTRIBUTIONS TO GROWTH IN DEMAND

Change from previous period

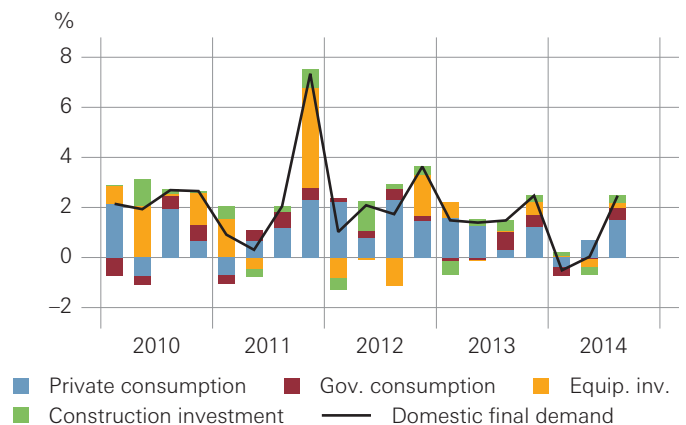


Source: SECO

Chart 3.3

DOMESTIC FINAL DEMAND, GROWTH CONTRIBUTIONS

Change from previous period



Source: SECO

Dynamic foreign trade

After the subdued developments of the first half of the year, exports of goods and services recorded a strong advance in the third quarter. Chemical and pharmaceutical products as well as precision instruments and watches made a significant contribution, while exports from other industries also registered increases. Demand stimulus came primarily from the US, Asia and the Middle East. Since imports increased only slightly, the foreign trade contribution to GDP growth was clearly positive (cf. table 3.1).

Equipment investment remains subdued

Domestic final demand gained momentum in the third quarter (cf. chart 3.3 and table 3.1). Supported by a continued strong inflow of immigrants, private consumer spending recorded robust growth. Equipment investment advanced only marginally, still remaining slightly below the level of 2008, i.e. before the beginning of the financial and economic crisis. Due to ongoing below-average capacity utilisation in manufacturing and the uncertain global economic outlook, willingness to invest remains subdued. Construction investment again registered an increase. While business construction gained somewhat in momentum, residential construction showed signs of a slight weakening.

Table 3.1

REAL GDP AND COMPONENTS

Growth rates on previous period in percent, annualised

	2010	2011	2012	2013	2013					2014		
					Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Private consumption	1.6	0.9	2.8	2.2	2.4	2.6	2.1	0.5	2.0	-0.6	1.2	2.5
Government consumption	0.2	2.1	2.9	1.4	1.6	-1.0	-0.8	5.7	3.9	-2.8	-0.6	3.7
Investment in fixed assets	4.2	4.4	2.5	1.8	7.6	0.2	0.9	1.9	3.0	0.8	-2.3	1.9
Construction	3.5	2.5	2.9	1.3	3.5	-5.6	2.4	4.3	2.6	1.6	-2.9	3.2
Equipment	4.6	5.5	2.3	2.1	10.2	3.9	-0.1	0.4	3.2	0.4	-1.8	1.1
Domestic final demand	2.1	1.9	2.7	2.0	3.6	1.5	1.4	1.5	2.5	-0.5	0.0	2.5
Change in inventories ¹	0.8	0.3	-1.0	0.7	1.3	3.4	-2.7	-3.3	3.4	-0.2	3.0	-5.2
Total exports ²	7.9	3.5	2.6	0.0	-2.9	-15.3	18.9	9.1	-1.7	0.9	-2.2	12.8
Goods ²	11.4	6.2	0.9	-2.3	-5.0	-20.0	16.9	15.2	-3.5	-4.5	4.0	17.2
Services	1.3	-2.3	6.1	4.7	1.4	-5.1	22.8	-1.8	1.9	12.2	-13.1	4.4
Total imports ²	9.2	5.0	4.2	1.5	3.2	-9.3	9.3	3.3	6.1	-4.6	1.9	2.4
Goods ²	10.9	3.1	2.3	0.7	-5.2	-4.1	6.2	1.4	12.4	-11.4	9.5	4.2
Services	6.6	8.5	8.1	3.3	24.5	-19.7	16.5	7.5	-6.6	11.9	-12.6	-1.5
Net exports ³	0.3	-0.1	-0.3	-0.6	-2.9	-4.1	5.7	3.3	-3.5	2.4	-1.9	5.6
GDP	3.0	1.8	1.1	1.9	1.6	0.6	4.3	1.4	2.1	1.8	1.1	2.6

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

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

3 Contribution to growth in percentage points.

Source: SECO

LABOUR MARKET

Momentum in the labour market appears to be slowly picking up. The number of employed persons rose moderately in the third quarter, although unemployment has receded only marginally in the past few months.

Moderate rise in employment

According to the employment statistics of the Swiss Federal Statistical Office (SFSO), the number of employed persons continued to advance in the third quarter, with the quarter-on-quarter increase amounting to 1.7% (cf. chart 3.4).

The national job statistics JOBSTAT show that new jobs were again created in manufacturing. However, employment in this sector still remains clearly below the pre-crisis level (cf. chart 3.5). The services sector, too, registered an ongoing increase in the number of jobs overall, whereas the total amount of jobs in construction decreased.

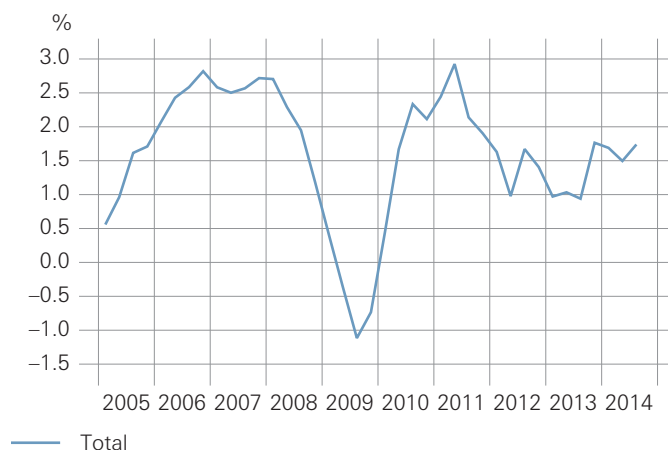
Slight fall in the rate of unemployment

The number of people registered as unemployed with regional employment offices has been decreasing very slowly on a seasonally adjusted basis since September 2013. The seasonally adjusted rate of unemployment therefore remained unchanged at 3.2% between May 2013 and September 2014. In October, it finally inched down to 3.1% and persisted at this level in November (cf. chart 3.6).

Chart 3.4

EMPLOYED PERSONS

Change from previous period

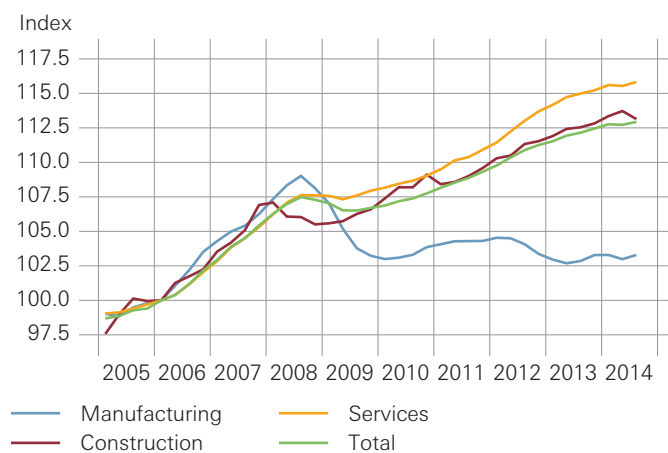


Source: Swiss Federal Statistical Office (SFSO); seasonal adjustment: SNB

Chart 3.5

FULL-TIME EQUIVALENT JOBS

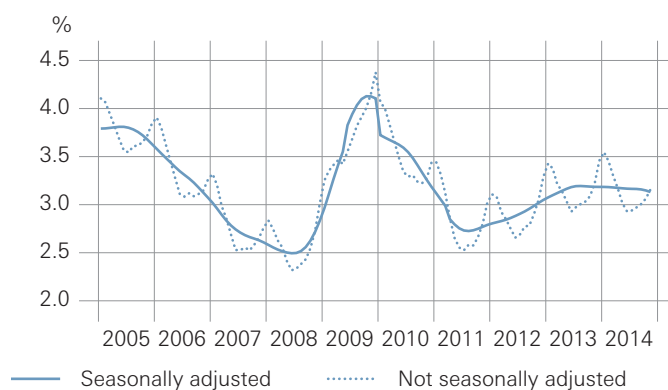
Q1 2006 = 100



Source: SFSO; seasonal adjustment: SNB

Chart 3.6

UNEMPLOYMENT RATE



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

National accounts revision and its impact on the output gap

On 30 September, the Swiss Federal Statistical Office (SFSO) published the revised national accounts statistics for Switzerland, which are based on the European System of National and Regional Accounts 2010 (ESA 2010). The changeover to the new national accounts standard represents the most comprehensive revision of the national accounts in the past seven years. The revision comprises a number of methodological changes as well as improvements in the data basis.¹ The aim of the new standard is to record economic performance more precisely.

As a result of the revision, Switzerland's GDP since 1995 is around 5–6% above its former level. The main reason for this upward correction is the fact that expenditure for research and development is now booked as investment.

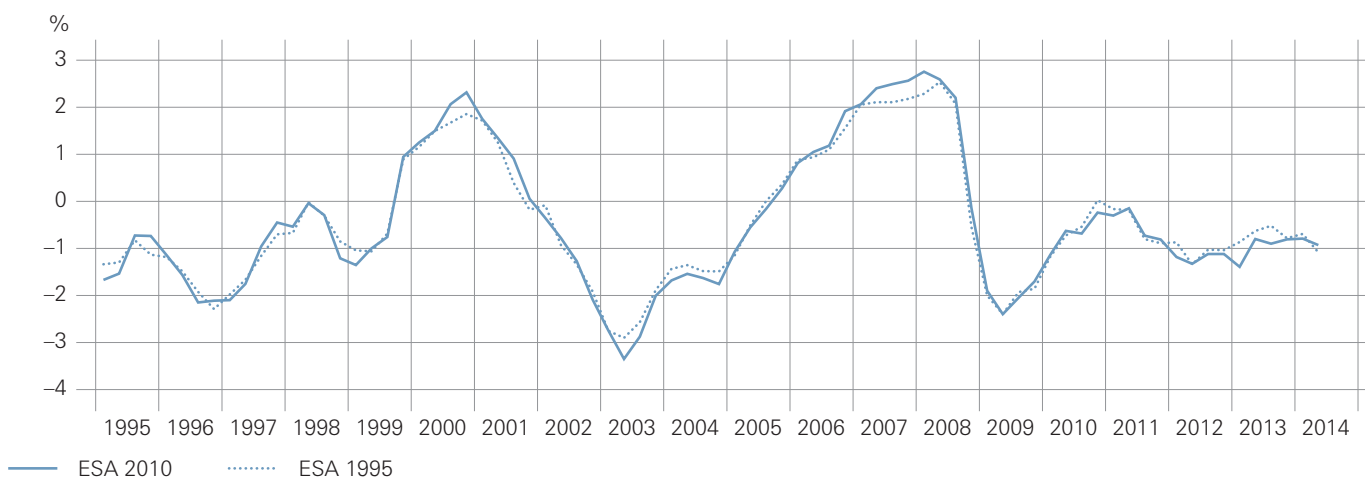
The changeover to the new standard has slightly altered the path of GDP from one quarter to the next,

and growth rates for the recent past are now a little higher. Overall, however, the momentum and assessment of Switzerland's economic cycle has remained largely unchanged.

A principal question from a monetary policy perspective is to what extent the new national accounts standard influences estimates of the output gap in the economy, especially as economic developments relative to the potential output are more relevant than the absolute level of GDP from a monetary policy point of view. The chart below compares the estimated output gap based on ESA 1995 (ESA95) data with that based on the new ESA 2010 data. Both estimates use the SNB's production function approach and cover the period from the first quarter of 1995 to the second quarter of 2014. As the chart shows, the output gap is only marginally influenced by the national accounts changeover. This is because the estimated potential output has been revised by a similar amount to GDP itself. As a result, the output gap in the second quarter of 2014 remained at about –1% after the revision, too. The national accounts revision has therefore not led to any change in the SNB's assessment of the current economic situation.

¹ Cf. www.bfs.admin.ch/bfs/portal/de/index/news/medienmitteilungen.html?pressID=9716 for detailed information (in German, French and Italian only).

OUTPUT GAP



Source: SNB

CAPACITY UTILISATION

Slightly higher capacity utilisation in manufacturing

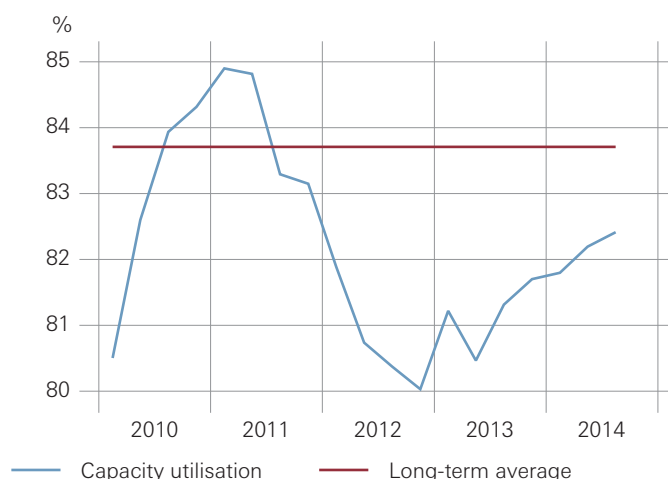
According to the survey by KOF Swiss Economic Institute, utilisation of technical capacity in manufacturing increased in the third quarter by 0.2 percentage points to 82.4%. While this still leaves industrial capacity utilisation below the long-term average, the slow upward trend of the past few quarters has nevertheless continued (cf. chart 3.7). By contrast, machine utilisation in the construction sector decreased somewhat. Unlike the situation in manufacturing, capacity utilisation in construction is nonetheless clearly above the long-term average (cf. chart 3.8). As to the services sector, surveys continue to suggest average utilisation.

Negative output gap

The output gap, which is defined as the percentage deviation of observed GDP from estimated aggregate potential output, shows how well the production factors in an economy are being utilised. Although the output gap narrowed in the third quarter in line with increasing capacity utilisation in manufacturing, it still remains negative. Estimated potential output calculated by means of a production function showed an output gap of -0.7% for the third quarter. Estimates using other methods to establish potential output (Hodrick-Prescott filter and multivariate filter) suggest a somewhat narrower output gap (cf. chart 3.9).

Chart 3.7

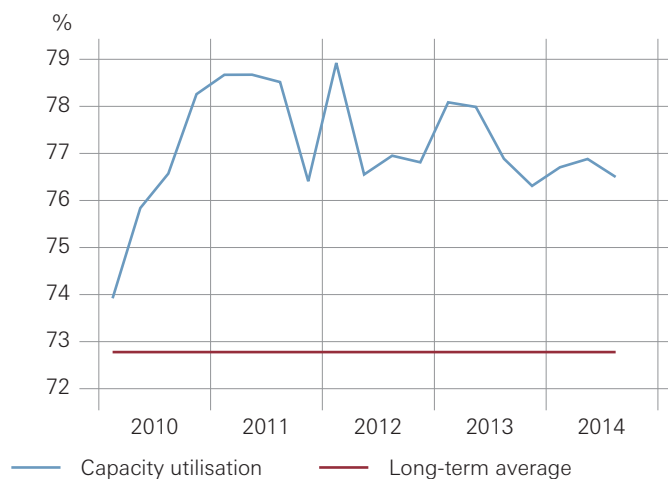
CAPACITY UTILISATION IN MANUFACTURING



Source: KOF Swiss Economic Institute

Chart 3.8

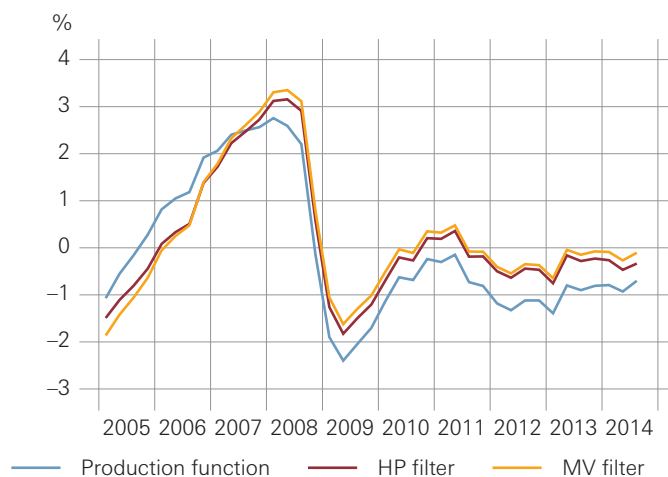
CAPACITY UTILISATION IN CONSTRUCTION



Source: KOF Swiss Economic Institute

Chart 3.9

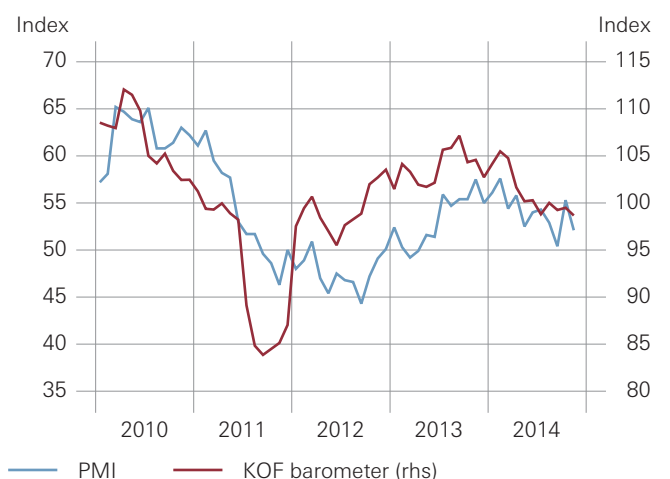
OUTPUT GAP



Source: SNB

Chart 3.10

LEADING INDICATORS

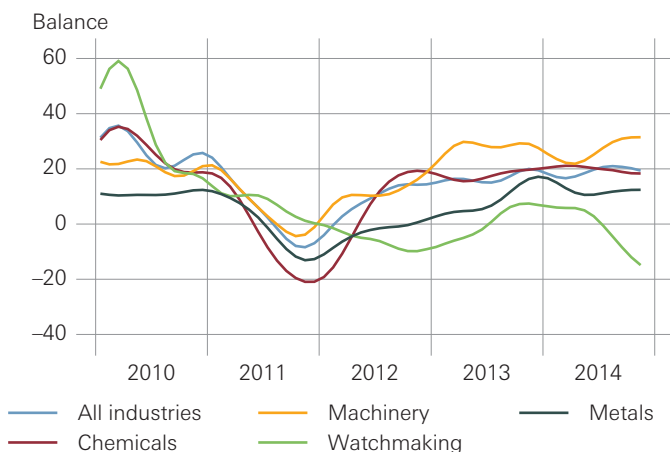


Source: Credit Suisse

Chart 3.11

EXPECTED NEW ORDERS

Trend component



Source: KOF Swiss Economic Institute

Chart 3.12

EMPLOYMENT LEADING INDICATORS



1 Monthly figures

2 Trend component: SNB

Sources: Credit Suisse, KOF Swiss Economic Institute, SFSO

OUTLOOK FOR THE REAL ECONOMY

Available indicators suggest that economic growth will slow down noticeably in the fourth quarter. Exports, in particular, are likely to expand considerably less strongly. For 2014 as a whole, the SNB now expects GDP growth of between 1.5% and 2.0%. The slightly higher estimate compared to the assessment of September is primarily due to the surprisingly positive third quarter and the revision of the growth figures for the first half of the year in connection with the changeover in the national accounts (cf. box on page 16).

The economy is expected to pick up somewhat at the beginning of 2015. Thanks to gradual economic recovery abroad (cf. global economic baseline scenario in chapter 2), the situation in the export-oriented industries is likely to improve further and the utilisation of production capacity should increase. Given this situation, equipment investment is also expected to register an upturn in the course of the year. Industries with a domestic focus should continue to benefit from the favourable domestic environment. For 2015, the SNB expects GDP growth of about 2%. The current underutilisation of production capacity is likely to decrease only gradually. Accordingly, unemployment is expected to decline at a slow pace.

This forecast remains associated with considerable risk, with developments abroad continuing to represent the largest risk. However, domestic factors, such as the ongoing uncertainty among companies as to the country's future immigration policy, could also put a damper on economic developments.

4

Prices and inflation expectations

Following a long period in negative territory, inflation has been hovering around zero for over a year now. The minimum exchange rate has prevented deflationary developments, but inflation still lies at the bottom end of the range that the SNB equates with price stability. Moreover, the available surveys show that medium-term inflation expectations have fallen steadily in recent years. However, at around 1%, they are still currently close to the long-term average inflation rate.

CONSUMER PRICES

CPI inflation still zero

The annual inflation rate as measured by the national consumer price index (CPI) remained almost unchanged in recent months. After averaging 0.0% in the third quarter, it measured –0.1% in November (cf. table 4.1). The slight decline in consumer price inflation can be explained by lower oil prices. Excluding oil products, prices rose by 0.1% in November year-on-year.

Table 4.1

SWISS CONSUMER PRICE INDEX AND COMPONENTS

Year-on-year change in percent

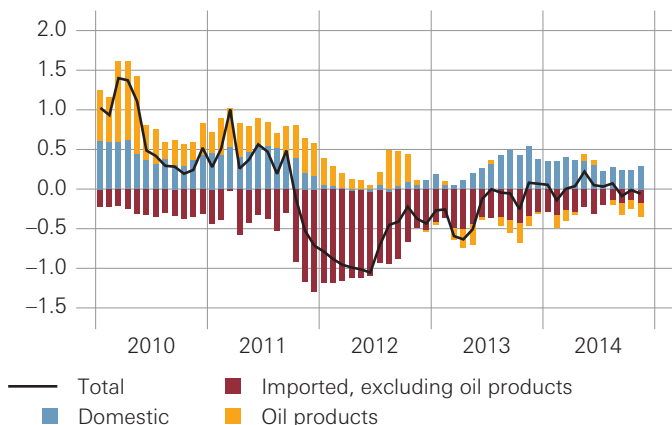
	2013	2013 Q4	2014 Q1	Q2	Q3	2014 September	October	November
Overall CPI	-0.2	0.0	0.0	0.1	0.0	-0.1	0.0	-0.1
Domestic goods and services	0.4	0.6	0.5	0.5	0.3	0.3	0.3	0.4
Goods	-0.3	0.1	0.4	0.5	0.3	0.4	0.2	0.2
Services	0.6	0.7	0.5	0.4	0.3	0.3	0.4	0.4
Private services excluding rents	0.5	0.5	0.3	0.3	0.3	0.2	0.3	0.8
Rents	0.4	1.2	1.4	1.2	1.1	1.2	1.2	1.1
Public services	1.0	0.5	-0.5	-0.5	-0.9	-1.1	-1.1	-1.8
Imported goods and services	-1.9	-1.8	-1.5	-0.9	-0.9	-1.2	-1.0	-1.3
Excluding oil products	-1.8	-1.6	-1.3	-1.3	-0.7	-0.7	-0.6	-0.8
Oil products	-2.5	-3.1	-2.4	1.1	-1.8	-3.9	-3.1	-4.6

Sources: SFSO, SNB

Chart 4.1

CPI: DOMESTIC AND IMPORTED GOODS

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

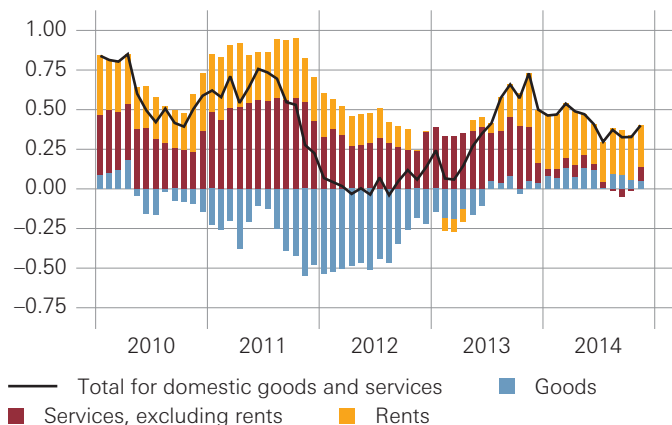


Source: SFSO

Chart 4.2

CPI: DOMESTIC GOODS AND SERVICES

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

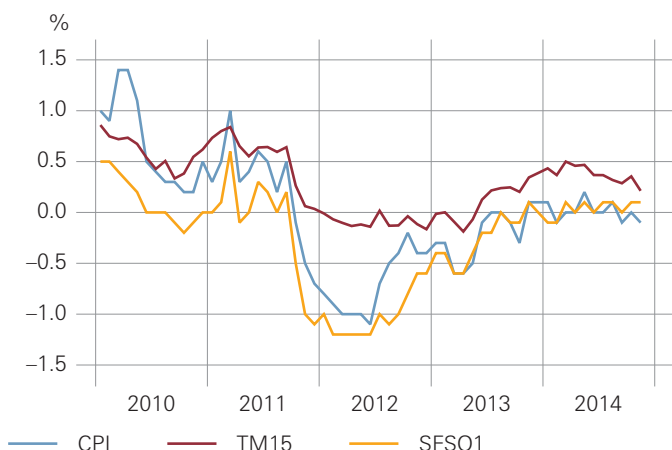


Sources: SFSO, SNB

Chart 4.3

CORE INFLATION RATES

Year-on-year change



Sources: SFSO, SNB

Fall in prices for oil products

As domestic goods prices remained slightly above their year-back level, it was imported goods that contributed to the negative annual CPI inflation. Prices for oil products were responsible for approximately half of the negative contribution made by imported goods (cf. chart 4.1). The decline in prices of other imported goods has slowed considerably since the beginning of 2012, due to the stabilising effect of the minimum exchange rate against the euro.

Inflation for domestic goods unchanged

Annual inflation for domestic goods has remained largely unchanged since August. Due to rising rents, services continued to make a much stronger contribution than goods (cf. chart 4.2). The easing of upward price pressure for goods is mainly attributable to the food price trend.

Low and stable core inflation

Core inflation rates have fluctuated only slightly in recent months, remaining at a very low level (cf. chart 4.3). The trimmed mean calculated by the SNB (TM15) continued just above the Swiss Federal Statistical Office's core inflation 1 (SFSO1). SFSO1, on the other hand, barely differed from the CPI inflation rate until October. The decline in oil prices meant that, in November, CPI inflation fell slightly below that of the SFSO1, which uses a reduced basket of CPI goods excluding fresh and seasonal products as well as energy and fuel.

PRODUCER AND IMPORT PRICES

Declining supply prices

The annual inflation rate for supply prices (producer and import prices) remained negative in November (cf. chart 4.4). The year-on-year decline in import prices was once again sharper than for producer prices. However, in November 2014, the difference between both inflation rates narrowed again slightly.

REAL ESTATE PRICES

Increase in residential property prices decelerates

According to most available indices, the rise in residential property prices slowed in the third quarter of 2014 compared to the second quarter, even falling slightly. One exception was the relatively volatile Fahrländer Partner price index for owner-occupied apartments (cf. chart 4.5).

The trend towards regional differences continued, with prices in the Lake Geneva region stagnating at a very high level, while in eastern Switzerland, for example, prices considerably higher than one year ago are still being paid.

Continued moderate rise in existing rents

The annual inflation on asking rents recorded by Wüest & Partner (rents for apartments offered on the market) weakened considerably in the third quarter. Annual inflation for these rents was thus only slightly above inflation for the rents recorded in the CPI, which may be regarded as a benchmark for existing rents (cf. chart 4.6).

The number of vacant housing units (as compiled by the SFSO) rose by approximately 14% between June 2013 and June 2014. This should have a dampening effect on asking rent prices for owner-occupied apartments. The share of housing units not being utilised stood at 1.1%.

Chart 4.4

PRODUCER AND IMPORT PRICES

Year-on-year change

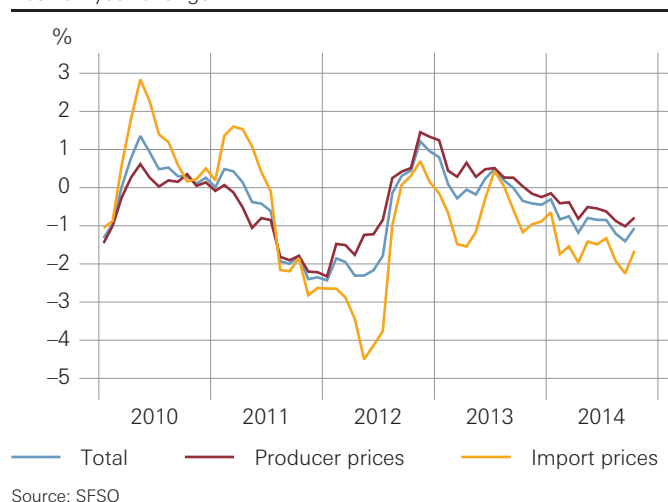


Chart 4.5

TRANSACTION PRICES, OWNER-OCCUPIED APARTMENTS

Nominal (hedonic), beginning of period = 100

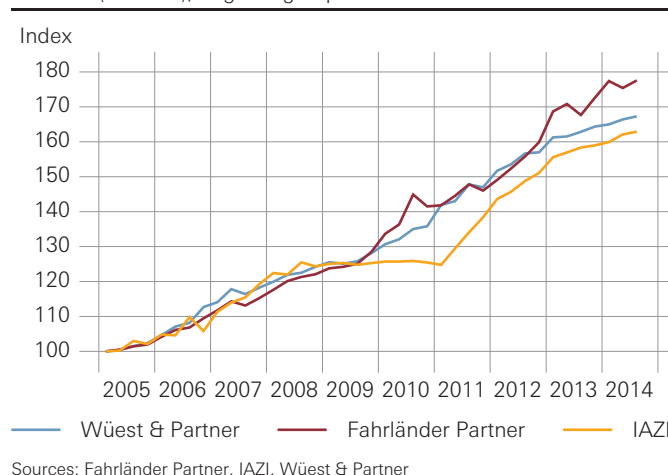
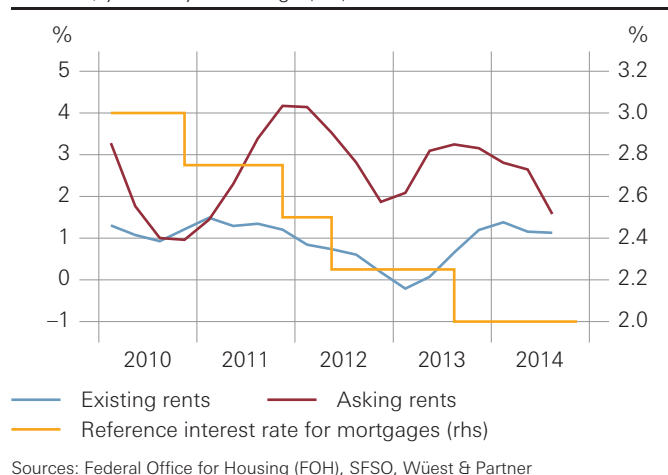


Chart 4.6

APARTMENT RENTS AND REFERENCE INTEREST RATE

Nominal, year-on-year change (lhs)



INFLATION EXPECTATIONS

Slight decline in short and medium-term inflation expectations

Several surveys in the fourth quarter showed a slight decline in short and medium-term inflation expectations.

The large majority of financial analysts surveyed for Credit Suisse's ZEW Financial Market Report in November 2014 continued to foresee no changes in the inflation rate over six months. Compared to the survey conducted in August, the share of respondents expecting no change climbed slightly, at the expense of respondents expecting higher rates.

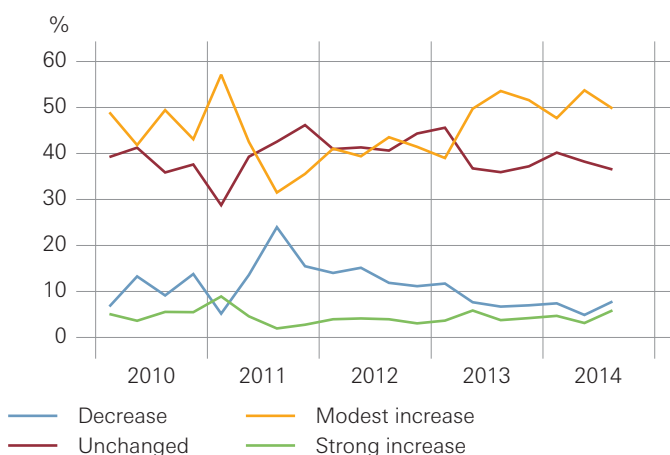
According to the survey of households carried out by SECO in October 2014, 56% of respondents expected price rises, 37% expected no change and 8% expected prices to fall over the next twelve months. In comparison to the previous quarter's survey, a slightly larger number of households expect a drop in prices and slightly fewer expect prices to stay the same or to go up (cf. chart 4.7).

Talks held by the SNB delegates for regional economic relations with company representatives from all sectors of the economy provide information on quantitative inflation expectations. The respondents surveyed in the fourth quarter expect the inflation rate to be 0.3% in six to twelve months (third quarter expectation: 0.4%); at 1.1%, expectations for the next three to five years were the same as in the previous quarter. Participants in Deloitte's CFO survey in the third quarter of 2014 put inflation in two years' time at 1.1% (second quarter expectation: 1.2%).

Chart 4.7

PRICE EXPECTATIONS

Survey on expected movements in prices for coming 12 months



Sources: SECO, SNB

5

Monetary developments

In recent quarters, interest rates have remained very low across all maturities. Mortgage rates declined further, reaching a new low in the fourth quarter, and yields on government bonds likewise dropped to new lows.

Despite falling mortgage rates, mortgage lending growth continued to decline. At the same time, real estate prices increased further. However, as in 2013, price momentum remained weaker than in prior years, suggesting that the measures taken to dampen the mortgage and real estate markets are having some effect. Nonetheless, the imbalances that have built up on these markets in recent years remain high and it is therefore too early to give the all-clear.

Since the last monetary policy assessment in September, the Swiss franc has moved closer to the minimum exchange rate, and has consequently once again strengthened against the euro. Simultaneously, both it and the euro have depreciated against the US dollar. The export-weighted real external value of the Swiss franc continues to lie considerably above its long-term average; the Swiss franc is thus still high.

In view of heightened deflation risks, the minimum exchange rate remains the key instrument for ensuring appropriate monetary conditions. A further appreciation of the Swiss franc would have a major impact on salary and price structures, and would push inflation well into negative territory. Companies in Switzerland would be forced to cut costs drastically again to remain competitive – a scenario that would severely impair price stability. The minimum exchange rate helps to reduce such deflation risks.

SUMMARY OF MONETARY POLICY SINCE THE LAST ASSESSMENT

Continuation of monetary policy announced in September 2011

In the past quarter, the SNB maintained unchanged the monetary policy which it announced in September 2011 and has reiterated at subsequent assessments. On 6 September 2011, the SNB set a minimum exchange rate of CHF 1.20 to the euro. One month before, in August, it had already narrowed the target range for the three-month Libor to 0.0–0.25%.

Sight deposits at the SNB virtually unchanged

Since the September 2014 monetary policy assessment, total sight deposits held at the SNB have remained almost unchanged. In the week ending 5 December 2014 (last calendar week before the mid-December assessment), sight deposits totalled CHF 369.2 billion, compared to CHF 368.2 billion in the same period before the mid-September 2014 assessment. Between the assessments in mid-September and mid-December 2014, sight deposits at the SNB averaged CHF 368.3 billion. Of this amount, CHF 313.7 billion was accounted for by the sight deposits of domestic banks and the remaining CHF 54.6 billion by other sight deposits.

High level of banks' surplus reserves

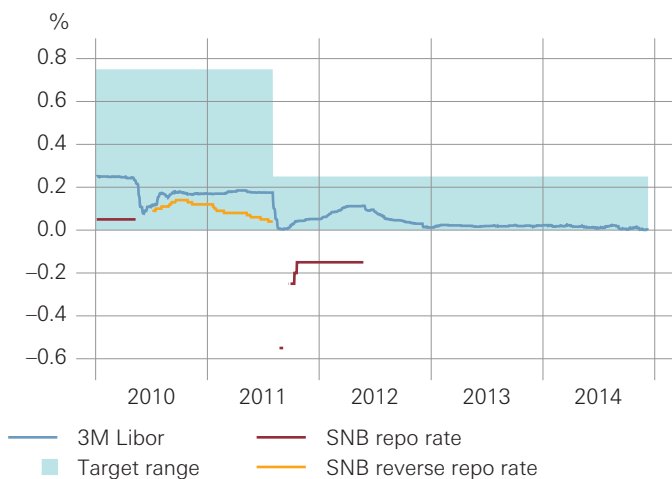
Statutory minimum reserves averaged CHF 14.6 billion between 20 August and 19 November 2014. They were thus virtually unchanged from the preceding period (20 May 2014 to 19 August 2014). Overall, banks exceeded the minimum reserve requirement by CHF 304.6 billion (previous period: CHF 297.8 billion). Banks' surplus reserves have thus remained exceptionally high.

SNB test operations

Since 2 May 2014, the SNB has been using the SIX Repo Ltd (SIX) electronic trading platform to conduct its monetary policy operations. However, since the level of Swiss franc liquidity in the financial system has remained high and monetary policy instruments are geared towards the enforcement of the minimum exchange rate, the SNB has offered no repo transactions in the context of monetary policy operations since the end of 2012. In order to test the productive environment of the new trading platform, it conducted open market operations (repo transactions and SNB Bills) for a three-month trial period, starting in mid-August 2014. These exercises successfully verified the readiness of the SNB, its counterparties and its infrastructure providers to transact monetary policy operations.

Chart 5.1

MONEY MARKET RATES

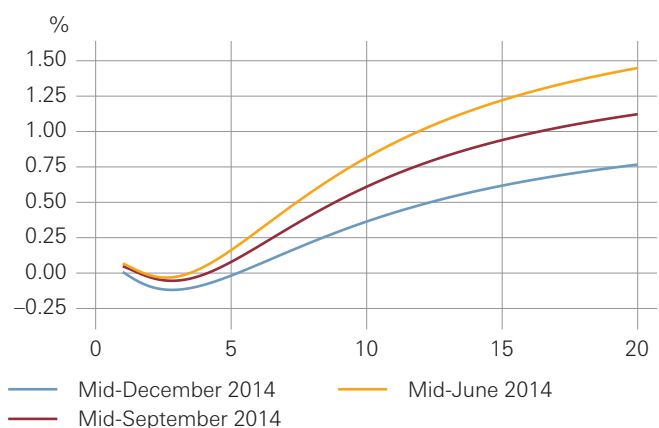


Sources: Bloomberg, SNB

Chart 5.2

TERM STRUCTURE OF SWISS CONFEDERATION BONDS

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

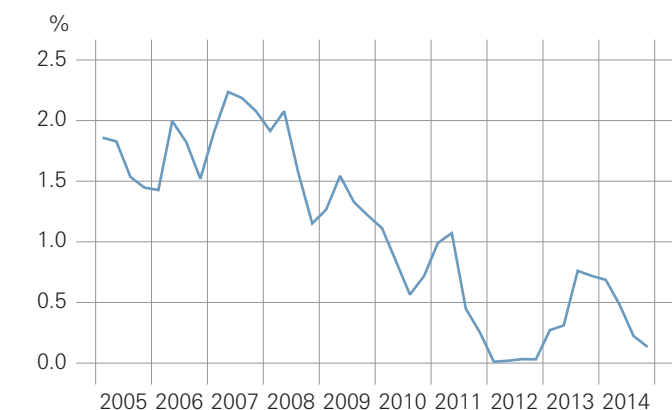


Source: SNB

Chart 5.3

ESTIMATED REAL INTEREST RATE

10-year Confederation bonds
Inflation expectations estimated with VAR model



Source: SNB

MONEY AND CAPITAL MARKET INTEREST RATES

Money market interest rates remain low

Due to ongoing high liquidity levels, trading volumes on the money market remained low, as in previous quarters. Interest rates remained very low (cf. chart 5.1).

In mid-December 2014, the three-month Libor was close to zero. Interest rates in the secured money market (Swiss Average Rates) were likewise close to zero and the issuing yields for money market debt register claims of the Swiss Confederation remained in negative territory.

Further decline in long-term interest rates

Weaker economic data, particularly from the euro area, caused bond yields in Switzerland and abroad to decrease. In mid-December, the yield on ten-year Confederation bonds dropped to approximately 0.4%, compared to 0.6% at the last quarterly assessment in September, at times even falling below the historic lows witnessed in 2012.

Continued flattening of yield curve and downward shift

Decreased yields across the entire spectrum of maturities caused a downward shift in the yield curve. The yield curve simultaneously continued to flatten, as long-term interest rates fell slightly more markedly than short-term rates (cf. chart 5.2). The trajectory of the yield curve for Confederation bonds is similar to that of Japanese government bonds and is significantly flatter than that of other major advanced economies.

Decline in real interest rates

With long-term inflation expectations virtually unchanged, the decline in long-term nominal yields led to lower long-term real interest rates. The estimated ten-year real interest rate was around 0.1% in mid-December, only marginally above the historic lows of 2012 (cf. chart 5.3). The calculation of the real interest rate is based on the ten-year yield on Confederation bonds and estimated inflation expectations for the same time horizon, determined using a vector autoregressive (VAR) model.

EXCHANGE RATES

Swiss franc stronger against the euro and weaker against the US dollar

In the wake of ECB monetary policy easing, the euro lost ground against most currencies in recent months. The Swiss franc, too, appreciated against the euro, with the value of the latter approaching the minimum exchange rate of CHF 1.20 per euro in November (cf. chart 5.4).

The decline of the euro against the Swiss franc reflected both the ECB's monetary policy easing and temporary factors. Among these were Switzerland's 'gold initiative', which went to a vote on 30 November 2014, and the conversion of Swiss franc loans into Hungarian forint loans, which briefly increased demand for Swiss francs.

Thanks in part to the minimum exchange rate, the euro weakened considerably less against the Swiss franc than it did against most other currencies. The Swiss franc consequently lost value against the US dollar. In mid-December, one US dollar was worth CHF 0.97, the strongest the US dollar has been since mid-2013.

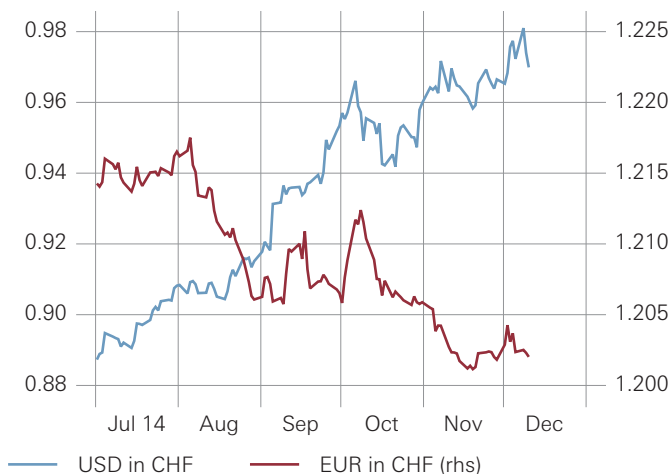
Real external value of Swiss franc still high

The real trade-weighted external value of the Swiss franc has fallen slightly since March 2014 (cf. chart 5.5), mainly due to the weak euro and the relative stability of the single currency against the Swiss franc. Since inflation in Switzerland remained slightly lower than abroad, depreciation was greater in real than in nominal terms.

The real depreciation of the Swiss franc this year largely offset the appreciation in 2013. The trade-weighted external value of the Swiss franc in November 2014 was practically the same as in mid-2013 and remains substantially above its long-term average.

Chart 5.4

EXCHANGE RATES



Source: SNB

Chart 5.5

REAL EXTERNAL VALUE OF SWISS FRANC

Export-weighted, January 1999 = 100



Source: SNB

STOCK MARKETS

Temporary decline in share prices in October

Having reached a new annual high in September, share prices fell significantly around the world in the first half of October in response to geopolitical uncertainty and weaker economic data. At the same time, the volatility indices of the major stock exchanges, as well as the price of government bonds, rose sharply.

In the second half of October, share prices recovered rapidly and the expected volatility of share prices reverted to September levels (cf. chart 5.6). This stock market recovery was reinforced by many central banks' announcements that they planned to maintain, or even expand, their policies of quantitative easing. Share indices in Switzerland (SPI) and the US (S&P 500) recorded new all-time highs in December.

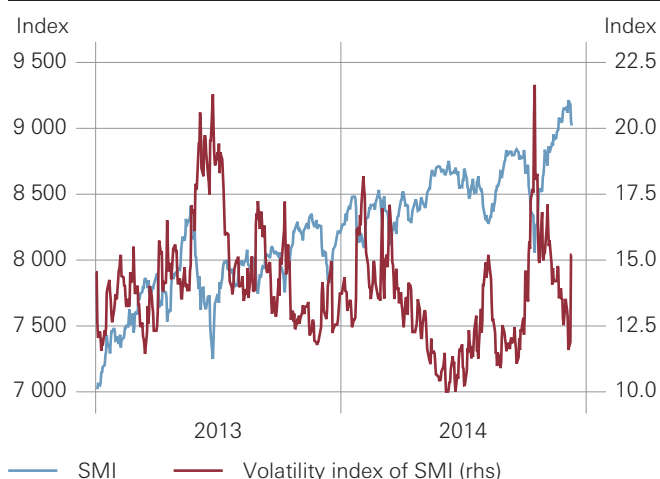
All major sector indices higher than at the beginning of 2014

The major sub-indices in the Swiss Performance Index (SPI) all show a similar trajectory to the overall index (cf. chart 5.7). The slowdown, which first manifested itself in consumer goods and industrials, was followed by a strong recovery in the second half of October and in November.

Over the year as a whole, the rise in the SPI was carried by the health care sub-index, which is dominated by the large pharmaceutical companies. By early December, the sub-indices for financial services and consumer goods had also exceeded levels recorded at the beginning of the year by a clear margin.

Chart 5.6

SHARE PRICES AND VOLATILITY



Sources: Bloomberg, Thomson Reuters Datastream

Chart 5.7

SELECTED SPI SECTORS

Beginning of period = 100



Source: Thomson Reuters Datastream

MONETARY AND CREDIT AGGREGATES

Monetary base remains high

The monetary base has been almost unchanged in recent months, remaining at a very high level (cf. chart 5.8).

The monetary base comprises banknotes in circulation plus domestic banks' sight deposits with the SNB. Since the beginning of the financial and economic crisis, the monetary base has increased in small bursts. This has primarily been a reflection of movements in domestic banks' sight deposits with the SNB. Currency in circulation increased steadily; however, this rise was only slight relative to the volume of sight deposits.

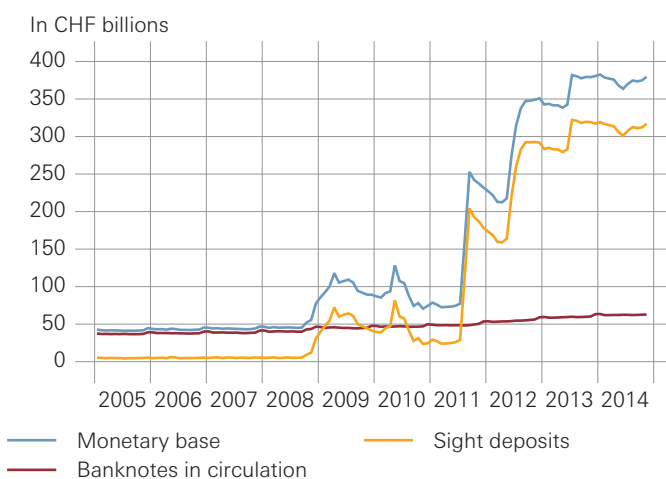
Slowdown in growth of money supply

Chart 5.9 shows the broader monetary aggregates, which cover money stocks held by private households and companies. M1 includes currency in circulation and sight deposits and transaction accounts; M2 includes M1 plus savings deposits; and M3 includes M2 plus time deposits. The chart illustrates the shift towards more liquid assets that took place at the end of 2008 – a period when the SNB had sharply reduced interest rates, and time deposits had consequently become less attractive. Between 2009 and 2012, the broad monetary aggregates grew relatively quickly by historical and international standards. Growth in the money supply has slowed since 2013.

The broad monetary aggregates have changed only marginally in recent months. In November 2014, year-on-year growth rates were 3.1% for M1 and M2 and 3.6% for M3 (cf. table 5.1).

Chart 5.8

MONETARY BASE

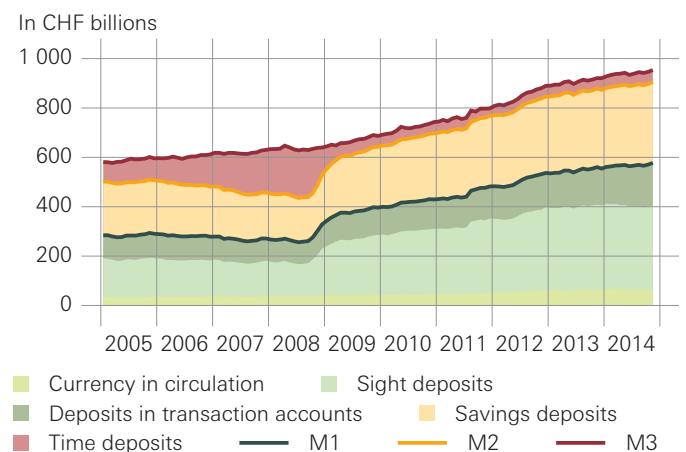


Source: SNB

Chart 5.9

MONETARY AGGREGATES

Including PostFinance



Source: SNB

Growth in money supply driven by lending

The expansion of the money supply witnessed since the beginning of the financial and economic crisis is mainly attributable to bank lending. An examination of components of the M3 monetary aggregate and its balance sheet counterparts, based on the consolidated balance sheet of the banking sector, shows that approximately 70% of the increase in the M3 monetary aggregate between October 2008 and October 2014 (CHF 311 billion) was attributable to the increase in domestic Swiss franc lending (CHF 216 billion). The remaining 30% of the M3 increase was due in part to households and companies switching their portfolio holdings from securities and foreign exchange into Swiss franc sight deposits.

Stable mortgage lending growth in the third quarter

In the third quarter of 2014 – as in the previous quarter – banks' mortgage claims, which make up four-fifths of all domestic bank lending, were up 3.8% year-on-year. Mortgage lending growth thus continued to slow, as it has for some time now, despite the fact that mortgage rates have fallen to a historic low (cf. chart 5.10). A breakdown by borrower shows that the growth slowdown has taken place in mortgage lending to households as well as companies (cf. table 5.1).

Table 5.1

MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2013	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 September	2014 October	2014 November
M1 ¹	8.3	4.6	5.0	4.2	3.1	2.8	2.9	3.1
M2 ¹	7.3	4.2	4.2	3.7	3.1	2.9	3.0	3.1
M3 ¹	7.3	4.2	4.5	3.9	3.4	3.4	3.4	3.6
Bank loans, total ^{2, 4}	3.5	3.3	4.0	4.5	4.4	4.3	3.7	
Mortgage claims ^{2, 4}	4.5	4.3	4.2	3.8	3.8	3.7	3.7	
Households ^{3, 4}	4.0	3.8	3.7	3.6	3.4	3.4	3.3	
Private companies ^{3, 4}	6.2	6.2	5.8	4.5	4.5	4.6	4.6	
Other loans ^{2, 4}	-1.2	-1.7	3.1	7.7	8.0	7.4	4.0	
Secured ^{2, 4}	0.4	-3.8	-3.4	4.3	8.8	12.2	7.9	
Unsecured ^{2, 4}	-2.2	-0.3	7.5	10.0	7.5	4.3	1.4	

1 On 26 June 2013, PostFinance was granted a banking licence. The growth rates are based on monetary aggregate figures adjusted retroactively for the period January 2005 to May 2013 (cf. *Monthly Statistical Bulletin*, table B2a online, and 'Information on SNB statistics', August 2013, p. III).

2 Monthly balance sheets.

3 Credit volume statistics.

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

Source: SNB

This slower growth in mortgage lending may be attributed to various measures taken since 2012 to restrain the banks' appetite for risk and strengthen their resilience. These include the banks' own self-regulation measures, which subject mortgage lending to stricter minimum requirements. Moreover, at the request of the SNB, the Federal Council activated the countercyclical capital buffer in 2013 and increased it this year. This obliges the banks to back their mortgage loans on residential property with additional capital. The SNB's bank lending survey also indicates that lending standards have been tightened and demand for loans among households and companies has declined.

Other loans virtually unchanged

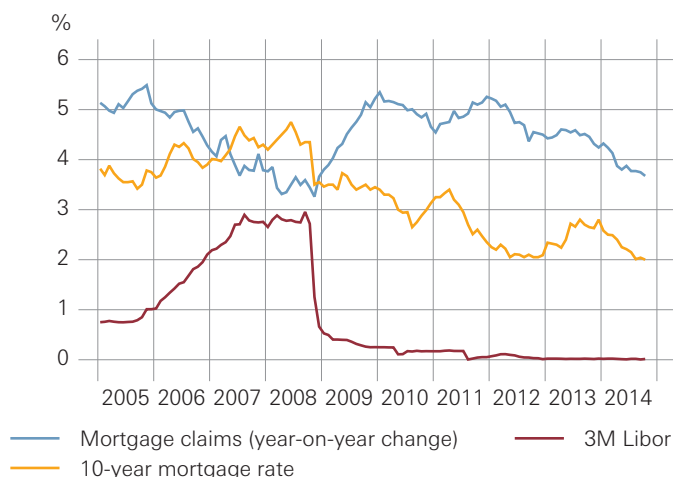
The volume of other loans (loans not secured by mortgages) has trended flat amid high volatility since the beginning of the financial and economic crisis (cf. chart 5.11). For a time, other loans rose sharply between December 2013 and October 2014, due principally to the issuing and repayment of a large intra-group loan by a financial-sector company.

Growing ratio of bank lending to GDP

The strong growth in bank lending recorded in recent years is reflected in the ratio of bank loans to nominal GDP (cf. chart 5.12). After a sharp rise in the 1980s, this ratio remained largely unchanged until mid-2008. Since the onset of the financial and economic crisis, it has increased again substantially. This increase suggests that banks' lending activities have supported aggregate demand. However, strong lending growth also entails risks for financial stability. In the past, excessive growth in lending has often been the root cause of later difficulties in the banking industry.

Chart 5.10

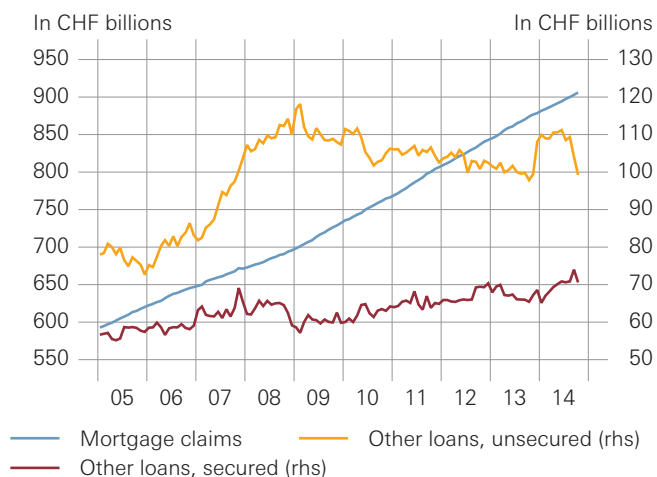
MORTGAGE CLAIMS AND 3M LIBOR



Sources: Bloomberg, SNB

Chart 5.11

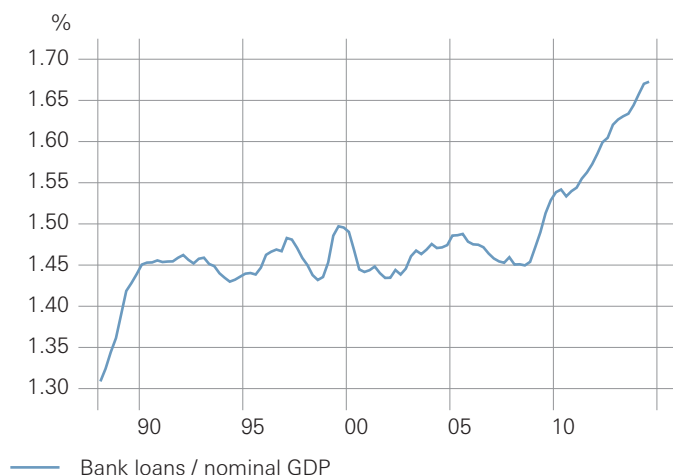
MORTGAGE CLAIMS AND OTHER LOANS



Source: SNB

Chart 5.12

BANK LOANS AS A PERCENTAGE OF GDP



Source: SNB

Business cycle trends

SNB regional network

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of December 2014

Fourth quarter of 2014

The Swiss National Bank's delegates for regional economic development are constantly in touch with companies from different areas of the economy. This report is based on discussions conducted in October and November 2014 with 226 managers and entrepreneurs on the current and future situation of their companies and the economy in general. The selection of companies differs from one quarter to the next. It reflects the industrial structure of the Swiss economy, based on the breakdown of GDP (excluding agriculture and public services).

Regions

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

Delegates

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

SUMMARY

According to this survey, which does not factor in the public sector, Switzerland witnessed further moderate growth in the fourth quarter of 2014, driven mainly by developments in the services sector. In an unusually large number of industries, the weather had a significant and, overall, positive impact on business. Exports continued to see moderate growth. Margins were stable, generally remaining a little lower than the levels considered by respondents to be normal.

Despite increased uncertainty over geopolitical risks and a number of political developments in Switzerland that are hard to predict, the outlook for real turnover growth in the coming months is still guardedly optimistic. However, this confidence seems to have gradually waned since the beginning of the year. By and large, companies are still cautious when it comes to recruitment and investment planning.

BUSINESS ACTIVITY

Manufacturing: Momentum virtually unchanged

With real turnover only moderately higher than in the previous quarter, momentum in the manufacturing industry remained almost unchanged. As before, about 40% of the companies visited reported a quarter-on-quarter rise in real turnover, while another 40% described it as sluggish. A comparison with the prior-year figures shows that business momentum has slowed down perceptibly.

The only sector to report turnover growth of a more dynamic nature was the mechanical engineering industry. None of the sectors posted lower turnover than in the preceding quarter. Watchmakers and watch parts suppliers experienced a noticeable downturn in momentum, above all in the medium and high-price segments. This trend is connected in no small degree to a fall-off in demand from China and Russia.

The US, China and the Arab countries are among the export markets enjoying relatively high momentum. In Europe, demand from Germany is having a stabilising effect, despite another slight quarter-on-quarter decrease. While the UK is providing some welcome impetus, the signals from France and Spain are very mixed. Broken down by industry, there is sustained strong demand from automakers and the life sciences, medtech and telecom industries.

Construction: High level of stability

Turnover in the construction industry persisted at the high level seen in the preceding quarter. The finishing trade reported slight growth in turnover; structural and civil engineering trended flat. Civil engineering suffered in particular from growing austerity pressures in the public sector. Momentum appears to be levelling off in the residential construction segment.

Services: Business activity dynamic

The services sector witnessed an upturn in momentum compared with the previous quarter. While just under 40% of the companies surveyed achieved a quarter-on-quarter increase in turnover, 50% reported that turnover had flattened. In an exceptionally large number of industries, the constant whims of the weather had a significant and generally positive impact on business.

Business was relatively dynamic for retailers (with the exception of the consumer durables segment), IT companies, the travel industry, facility management services and the hotel trade. The favourable development reported by hoteliers was much broader-based than previously, with not only city tourism but also mountain tourism reporting healthy business volumes. An increase in traveller numbers from the US, UK, China and India was recorded.

One sector reporting a slight quarter-on-quarter decrease in turnover was the car trade. Numerous retailers continued to cite the far-reaching impact of the structural change resulting from the growing proportion of online purchases, which is making consumers noticeably more price-sensitive. Individual respondents, mostly in the interior of the country, mentioned a renewed increase in cross-border shopping.

CAPACITY UTILISATION

Overall, the companies surveyed reported production capacity utilisation as being at normal levels.

In manufacturing, companies in the timber processing, plastics and precision instrument manufacturing segments rated capacity utilisation as somewhat higher than normal. Capacity utilisation was reported by food industry businesses as being considerably lower than normal. Respondents in the metalworking industry also stated that capacity utilisation was on the low side.

Within the construction industry, utilisation of technical capacity was generally above average, in particular in the finishing trade and the civil engineering segment. With order books still looking healthy but customer acquisition posing more of a challenge, respondents expect slightly lower capacity utilisation overall.

In the services sector, utilisation of infrastructure (i.e. primarily office and retail space as well as transport capacity) was reported to be normal overall. In particular, retailers, facility management service providers and R&D companies indicated that utilisation was on the high side. Conversely, despite a slight increase in turnover, hotels and restaurants reported that capacity was significantly underutilised.

DEMAND FOR LABOUR

Demand for staff still steady

Overall, respondents in all three categories – manufacturing, construction and services – reported that staff numbers were still in line with requirements, which indicates that demand for labour is stable. However, there are still some quite substantial differences between the various industries in their assessment of how appropriate staffing levels are. Staffing policy measures such as weekend work and extra shifts, on the one hand, and planned job cuts and short-time work, on the other, are limited to individual cases.

The manufacturing companies surveyed rated their staff numbers as being in line with requirements. The plastics processing and pharmaceutical industries reported that their headcounts were somewhat too low.

Headcounts are considered appropriate in the construction industry. Within the services sector, IT companies continued to report that staff levels were too low.

The process of recruiting staff was generally rated to be as challenging as usual. While the shortage of specialists in manufacturing was seen as slightly more acute than before, the situation in construction appears to be easing to some degree. Engineers, chemists, construction site managers and well-qualified craftspeople are still among the most sought-after specialists. By contrast, many companies continued to report that the level of spontaneous job applications was still high to very high, above all in Ticino and French-speaking Switzerland. Job advertisements also frequently attract a very large number of applications. The time and effort taken up by the selection process is tending to rise. In those instances where staff recruitment was rated as being easier than usual, an increase in applications from people in the banking sector was often cited as one of the reasons.

PRICES, MARGINS AND EARNINGS SITUATION

Margins stable

In all three categories, margins overall were reported as being stable compared to the previous quarter. However, they were still considered to be somewhat lower than usual, with almost 40% of companies surveyed arriving at this assessment. A further 40% of companies reported that margins were within the normal range. Where margins could be improved, this is attributable not only to cost-cutting measures and lower commodity prices, but also to isolated price increases and an improved product mix.

Profit margins were rated as lower than usual in almost all areas of manufacturing. This is particularly true for the metalworking and machinery industries, precision instrument manufacturers and food producers. Businesses surveyed in the pharmaceutical industry reported margins to be above average. In the coming months, manufacturing companies expect purchase prices to go down slightly, but will be reducing their sale prices even more sharply.

In the construction industry, the companies surveyed reported margins to be generally normal in both the main and ancillary segments. The coming months are expected to see lower building raw material prices and a decrease in construction prices.

Companies in the services sector rated margins as slightly lower than usual overall. The following segments in particular had to contend with low margins: wholesalers (including the car trade), hotels and restaurants, IT companies and real estate agents. Retailers noted that customers frequently expect products to be priced at similar levels to those found abroad. What is more, owing to the weather, this year's sale season is also starting much earlier than usual. Both effects are putting margins under pressure. Banks' margins overall remained slightly below average. The services companies surveyed expect both purchase and sale prices to remain stable in the coming months.

The topic of exchange rates was mentioned frequently by respondents. Companies from all three categories are appreciative of the planning advantages to be derived from having a minimum exchange rate for the Swiss franc against the euro, but they are also quite aware of the attendant risks for the SNB.

OUTLOOK

Muted optimism

Although the increase in uncertainty observed in the previous quarter is still evident, companies remain relatively confident about the business outlook for the coming months. Levels of optimism have, however, become steadily more muted since the beginning of the year.

In the vast majority of industries, respondents expect a moderate rise in turnover in the next six months. Some watchmakers and watch parts suppliers are expecting a slowdown in business though. The construction industry is gradually readying itself for a downturn in the previously very robust building activity.

Survey participants in the services sector envisage a marginal increase in headcounts over this time horizon, in particular the trade segment, IT companies and engineering offices. On the other hand, the manufacturing and construction industries are not planning any changes in staffing numbers.

Investment plans are still generally very restrained. Any capital expenditure is primarily to increase efficiency and only in rare cases to expand capacity.

As in the previous quarters, respondents expect inflation – measured by the consumer price index – to be stable at around 0.3% in the short term (6–12 months) and roughly 1.1% over a longer time horizon (3–5 years).

A prime concern among many of the survey participants is the uncertain geopolitical situation. The abundance of political initiatives and developments in Switzerland are another source of worry and are seen as a threat to the hitherto stable conditions. In connection with inheritance tax reform – another subject that came up frequently – respondents from SMEs were concerned about the implications for company succession planning.

Acknowledgements

The SNB would like to thank representatives from some 900 companies that consented to take part in interviews with the delegates for regional economic relations during the course of 2014. In doing so, they have made a significant contribution to the evaluation of economic developments. The companies listed below have agreed that their names may be published:

A

A. Marchon SA. ab ingénieurs sa. Abacus Research AG. ABB Schweiz AG. ABCD Ciné-Dance SA; Carte Blanche SA. Abraxas Informatik AG. Actelion Pharmaceuticals Ltd. Adaxys SA. Addax Energy SA. Adecco. Ad-Hôtels SA. Aduno SA. Advis AG. Aeschlimann AG, Décolletages. AFG Management Consulting SA. Afiordigusto Sagl. Agathon AG. AGC Verres Industriels SA. Agroval SA. Air Dynamic SA. Airport Casino Basel AG. Albergo Ristorante Concabella SA. Albiro AG. Alder + Eisenhut AG. Aldo Lepori SA Impresa Costruzioni. Alesa AG. Alice Allison SA. Aligro-Demaurex & Cie SA. Allianz Suisse. Allitude SA. ALPS Automation SA. Alu Menziken Extrusion AG. Aluminium Laufen AG. AMAG Automobil- und Motoren AG. Amaris Consulting Sàrl. Ameropa AG. Amstein SA. Ander Group SA. Andrey Transports SA. Andritz Hydro AG. Angela Bruderer AG. Angenstein AG. Angst + Pfister Gruppe. Antalis AG. Aquametro AG. Aquila & Co. AG. architekten : rlc ag. Arcolor AG. Artisa Group Holding SA. Arvi SA. Ascenseurs Menétrey SA. ASS AG. Assos of Switzerland SA. ATB SA. Auto Eberhart AG. Auto Kunz AG. Auto Marti AG. Autoneum Holding AG. avocis ag. AXA Winterthur.

B

B&C Swiss SA. B+S AG. Baechler Teinturiers SA. Balestrafic SA. Baloise Bank SoBa AG. Bamix SA. Banca dello Stato del Cantone Ticino. Banca Popolare di Sondrio (SUISSE). Banca Raiffeisen. Bangerter Microtechnik AG. Bank CIC (Schweiz) AG. Bank EEK AG. Banque Cantonale de Fribourg. Banque Cantonale de Genève. Banque Cantonale du Jura. Banque Cantonale Neuchâteloise. Banque Cantonale Vaudoise. Banque Cramer & Cie SA. Banque Pictet & Cie SA. Banque Privée Edmond de Rothschild SA. Bär & Karrer AG. Bardusch AG. Basler Versicherungen. BAUHAG Produkte zum Bauen AG. Baumann & Cie, Banquiers. BauRent AG Ost. Bauwerk Parkett AG. Bayer MaterialScience. BDO AG. Beck Glatz Confiseur AG. Beckman Coulter. Beiersdorf AG. Belcolor AG Flooring. Belimed Sauter AG. Bell AG. Belloli SA. Belotti Moda Sport SA. Belotti Ottica & Udito. Belvédère Hotels, Scuol. Benninger Guss AG. Benteler Rothrist AG. Bergbahnen Destination Gstaad AG. Bergbahnen Engelberg-Trübsee-Titlis AG. Bergbahnen Sörenberg AG. Berhalter AG. Berndorf Luzern AG. Bernensis Hotel AG, Interlaken. Berner AG. Bernerland Bank AG. Bertholet + Mathis SA. Best Western Hotel Bristol und Bären, Bern. Bettermann AG.

Bider und Tanner AG. Bindella Handwerksbetriebe AG. Bindella terra vite vita SA. Binelli & Ehrsam AG. bio-familia AG. Biokema SA. Bischofszell Nahrungsmittel AG. BKW Energie AG. Blaser Café AG. Bläuer Uhren + Bijouterie AG. Blue Management GmbH. blue-infinity (Switzerland) SA. Bobst Group SA. Boehringer Ingelheim (Schweiz) GmbH. Bolliger & Tanzi SA. Born Informatik AG. Bosch Packaging Systems AG. Bossard AG. BP Europa SE. Brauchli SA. Breitenmoser Fleischspezialitäten AG. Brico SA. Brilltounet SA. Bringhen SA. Bruderer AG. Brunner & Associés S.A. B-Source SA. Bucher Reisen AG. Büro Schoch direct AG. BVZ Holding AG.

C

C. Vanoli AG. Cab Productions SA. CabriO Stanserhorn-Bahn. Caïscio Compost Sagl. Camillo Vismara SA. Candrian Catering AG. Canoo. Caran d'Ache SA. Carl Spaeter AG. Carthesio SA. CasaInvest Rheintal AG. Cäsar Bay AG. Casino Bad Ragaz AG. CCHE Architecture et Design SA. CDM Hôtels & Restauration SA. CDS Bausoftware AG. Centro per la Schiena Sagl. Centro Stampa Ticino SA. Ceramaret SA. CeRFi SA. CES Creative Electronic Systems SA. Cetra Alimentari SA. CGC Energie SA. Chaletbau Matti Holding AG. Chaussures Aeschbach SA. Chiquita Brands International Sàrl. Chocolats Camille Bloch SA. Chopard & Cie SA. Christ und Gantenbein. Christian Cavegn AG. Christian Jakob AG. Chromos AG. Cilag AG. Ciolina AG. Citröen (Suisse) SA. City-Garage AG. Clariant. Clarins SA. Cleanfix Reinigungssysteme AG. Clear Channel Schweiz AG. Clientis Bank Toggenburg AG. Clientis EB Entlebucher Bank AG. Clientis Zürcher Regionalbank. Codefine SA. Colas Suisse Holding. Commerce de fer fribourgeois SA. Compagnie d'Assurances Nationale Suisse. comparis.ch. Comptoir Immobilier SA. Confiserie Sprüngli AG. Construction Perret SA. Coop. Coresystems AG. Cornèr Banca SA. Cornu & Cie SA. Corti Gruppe. Covedis SA. CRAI Suisse SA. Création Baumann AG. Credit Suisse AG. Cremo SA. CSD Ingénieurs SA. CSL Behring AG. CWS-boco Suisse SA.

D

Dallmayr Automaten-Service (Ticino) SA. Daniel Jenny & Co. Data Unit AG Informatik. Dätwyler Holding AG. de Planta et Portier Architectes. Debiopharm Research & Manufacturing SA. Delcò Mobili SA. Delta Möbel AG. Delta Security AG. Demomatic SA. Dénériaz SA. Dentsply Maillefer. Desinfecta AG. Deutsche Bank (Schweiz) AG.

Deville Mazout Sàrl. Digicall SA. Dipl. Ing. Fust AG. Direct Mail Company AG. Dolder AG. Dottikon Exclusive Synthesis AG. Dr. Röthlisberger AG. Dreieck-Transfer Transport und Logistik AG. Dreier AG Transporte Logistik. DSM Nutritional Products AG. Du Pont de Nemours International S.A. Dubois & Dépraz SA. Duchosal Berney SA.

E

EAO Group. easyJet Switzerland SA. Eberhard Unternehmungen. ebi-pharm ag. Econis AG. Ecoplan AG. Ed. Vetter AG. Edelweiss Market. Edilcentro Wullschleger SA. Edwards Lifesciences SA. EGS Sécurité SA. EKV AG. Elco AG. Elis Schweiz. Emch AG Bauunternehmung. Emch+Berger AG Bern. Emile Egger & Cie SA. Emme SA. emmental versicherung. En.Al. Ti SA. Engelberger Druck AG. Entreprise Belloni SA. Erne AG Bauunternehmung. Ernest Gabella SA. Ernst & Young. Ernst Frey AG. Ernst Marti AG. Espace Real Estate AG. Esplanade Hotel Resort & SPA SA. Etel SA. Evolva. Ex Libris AG. Exion Networks SA.

F

F. Hoffmann-La Roche AG. F. Murpf AG, Transporte und Logistik. Fabbri SA. Famille Frutiger. Farner Consulting AG. Fastlog AG. Felss Rotaform AG. fenaco Genossenschaft. Ferox SA. Ferring International Center SA. Ferroflex AG. Fert & Cie Voyages SA. Festland AG. FG Groupe SA. Fiduciaire Fidag SA. Fiedler SA. Fiege Logistik (Schweiz) AG. Fielmann AG. Filtrox AG. Firmenich SA. Firstcaution SA. Fischer Precise Group AG. Fisher Clinical Services GmbH. Flughafen Bern AG. Flumroc AG. FNAC (Suisse) SA Succursale de Lausanne. Folag AG. Foncia Switzerland SA. Fondation Papiliorama. Fraisa SA. Franke Group. Franscella SA. Fratelli Roda SA. Free Time Club SA. Fressnapf Schweiz AG. Frigerio SA. Fritz Bruderer AG. Fritz Studer AG. FT Logistics AG. Funicolare Lugano-Paradiso – Monte San Salvatore SA. Fusco Express Sagl.

G

Galli Hoch- und Tiefbau AG. Garage Camenisch SA. Garaio AG. Garaventa AG. Garbani AG. GEA Pharma Systems AG. Geberit International AG. Gehri Rivestimenti SA. Geo Edil SA. Georg Utz Holding AG. Gfeller + Partner AG. Gfeller Elektro AG. Gilles Desplanches SA. Ginsana SA. Giovanelli Fruchtimport AG. Givaudan SA. Glaeser Wogg AG. Glarner Kantonalbank. Glencore International AG.

Glenmark Pharmaceuticals SA. Globe Limo SA. Globetrotter Travel Service AG. Goba AG Mineralquelle und Manufaktur. Gonet & Cie. GPA Guardian Protection SA. Grand Casino Luzern AG. Grand Hôtel Zermatterhof. Grande Boucherie du Molard SA. Grandi Magazzini Manor Sud SA. Grands Magasins Globus SA. Granol AG. Graphax AG. Graubündner Kantonalbank. Gregor Furrer & Partner Holding AG. Grisoni-Zaugg SA. Grosspeter AG. Groupe CGN SA. Groupe E Connect SA. Groupe Elsa Mifroma. Groupe Leuba SA. Groupe T2i. Groupe Uvavins. Grünenfelder SA. GTL SA. Gübelin AG.

H

H + R Gastro AG. H. Wellauer AG. Haco AG. Hager AG. Häring & Co. AG. Hartchromwerk Brunner AG. Hasler Transport AG. Haupt Verlag AG. Heineken Switzerland AG. Heizmann AG. Helbling Holding AG. Helsinn Holding SA. HelvéCie SA. Helvetia Versicherungen. Herzog Bau und Holzbau AG. Hess & Co AG. Hewlett-Packard (Schweiz) GmbH. HG Commerciale. Hiag Immobilien. Highlight Communications AG. Holenstein AG. Holy Cow ! Gourmet Burger Compagny SA. Holzbau Kayser AG. Honegger AG. Hornbach Baumarkt (Schweiz) AG. Hostettler AG. Hotel Beatus, Merligen. Hotel Belvedere Locarno. Hotel Cascada Luzern. Hotel Castell, Zuoz. Hotel Chlosterhof, Stein am Rhein. Hotel Colorado SA. Hotel de la Paix. Hotel des Balances AG. Hotel Eden Spiez AG. Hotel Ermitage-Golf, Schönried. Hotel Heiden AG. Hotel ibis Zürich City West. Hôtel Intercontinental Geneva. Hotel La Campagnola SA. Hotel Schweizerhof, Lenzerheide. Hotel Sempachersee AG. Hotelplan. HT-Holding AG. HUG AG. Hunkeler AG Paper Processing. Hypothekarbank Lenzburg AG.

I

Iba AG. IBM Schweiz AG. idéAI-prod et idéAI events SA. IFEC Consulenze SA. IHS Global SA. Imbach Reisen AG. Immoprogramm SA. Implenia Schweiz AG. Impresa generale Pfister SA. Indermühle Gruppe, Rekingen. Induni & Cie SA. Inkasso Küng AG. Inox Communication SA. Institut Straumann AG. Inter IKEA Centre Switzerland SA. Interiman Group. Interroll Holding AG. Intersport Schweiz AG. Iseppi Frutta SA. ISS Schweiz AG. Itten + Brechbühl AG.

J

Jaquet SA. Jaquet Technology Group. jas AG. Jet Aviation. JL Services SA. Johann Müller AG. Johnson

Controls. Joseph Diémand SA. Jowissa Uhren AG.
Jung von Matt/Limmat AG. Jura Elektroapparate AG.
Jura Materials.

K

Karl Vögele AG. Keigel AG. Keller Swiss Group AG.
Kindlimann AG. King Jouet Suisse SA. Knecht Brugg
Holding AG. Koch AG. Kongress und Kursaal Bern AG.
Kramer Gastronomie. Kugler Bimétal SA. Kuhn Rikon AG.
KurierZentrale GmbH. Kyburz & Cie SA.

L

L. Kellenberger & Co. AG. La goccia SA, pulizie generali.
La Tipografica SA. Laboratoires Biologiques Arval SA.
Landert Motoren AG. Landhotel Hirschen, Erlinsbach.
Landis Bau AG. LARAG AG. Laubscher Präzision AG.
Laurent Membrez SA. Lausanne Palace & SPA 5*.
Lehmann Holzwerk AG. Lehnherr S.A. Leoni Studer AG.
Les Boutiques Angéloz SA. Let's Go Fitness Holding SA.
Leuchter IT Solutions AG. LGT Bank (Schweiz) AG.
Libreria Il segnalibro Sagl. Liebherr Machines Bulle SA.
Lignatur AG. List AG. LK International AG.
LN Industries SA. Loeb Holding AG. Logbau AG.
Lombard Odier & Cie. Lombardi SA Ingegneri Consulenti.
Lonza AG. L'Oréal Suisse SA. Losinger Marazzi SA.
Lötscher Tiefbau AG. Lotti Impianti SA. Lucul Production
et Distribution SA. Luisoni Consulenze Professionali SA.
Luzerner Kantonalbank. LV-St. Gallen. LWP Ledermann
Wieting & Partners SA.

M

Maison Dupin. Mammot Sports Group AG. Manor AG.
Manotel SA. Manpower SA. Mars Schweiz AG. Marti
Bauunternehmung AG. Marvinpac SA. Matériaux
Sabag SA. Mathys AG Bettlach. Max Pfister Baubüro AG.
maxon motor AG. MCI Group Holding SA. McKinsey.
MCL Medizinische Laboratorien AG. Medela AG.
Medelec SA. Media Markt. Meditest Vevey SA.
Medtronic Europe Sàrl. Menétrey SA. Mepha Schweiz AG.
Mercedes-Benz Automobil AG. Merlini & Ferrari SA.
Messmer AG. Métalem S.A. Metalizzazione SA. Metalor
Technologies SA. Metrohm AG. Meubles Descartes SA.
Micarna SA. Michelin Suisse SA. Microsynth AG.
Migros. Migros Bank AG Nordwestschweiz. Mikron SA.
Mirabaud & Cie SA. MIT-GROUP. Möbel Pfister AG.
Möbel Svoboda AG. Möbelfabrik Wellis AG. Möbel-Märki
Handels AG. mobilezone ag. Mobilière Suisse Société
d'assurances, Agence générale de Genève. Mode
Weber. Model Emballages SA. Molini Ticinesi Riuniti SA.
Mondini Engineering SA. Monn SA. Mordasini Maler
Gipser AG. Morga AG. Mori Seiki International SA.
MPM facility services SA. Muesmatt AG Fenster und
Schreinerei. Müller-Steinag Holding AG. Multitime
Quartz SA. Mundipharma Medical Company.
Muttoni SA.

N

Naef Holding SA. Nellen & Partner AG. Nestlé
Nespresso SA. Neue Aargauer Bank AG. New Rock SA.
Newave SA. NH Hotel Group. Nidwaldner Kantonalbank.

Nobel Biocare. Novae Restauration SA. Novartis
International AG. NOVO Business Consultants AG.
NRS Printing Solutions AG.

O

Obrist Bauunternehmung AG. Obwaldner Kantonalbank.
Officine Ghidoni SA. Ofisa Société fiduciaire et de
Conseils. OLZ & Partners. Omya AG. Otto Hofstetter AG.

P

PanGas AG. Papyrus Schweiz AG. Parietti et Gindrat SA.
Parkhotel Bellevue Adelboden AG. Parking Riponne SA.
Parkresort Rheinfelden AG. Parmigiani Fleurier SA.
Partners Group. Pasta Röthlin AG. Pastificio Simona SA.
Pavatex AG. PB Swiss Tools GmbH. Perosa AG. Perrin
Holding SA. Pestalozzi + Co AG. Peter Engeloeh AG.
Pfefferlé & Cie SA. Pfisterer-Sefag AG. Pharmacie
populaire société coopérative. Pharmacie Principale SA.
Pharmacies BENU SA. Piccadilly SA. Pietro Calderari SA.
Pilatus-Bahnen AG. Pini Swiss Engineers SA.
PME Perspectives SA. Polivideo SA. Pollux Reinigungs-
service AG. Port-franc de Martigny SA. Pouly
Tradition SA. Prantl Bauplaner AG. PrétotNet SA.
PricewaterhouseCoopers AG. PRO Entreprise sociale
privée. Probst Maveg SA. Procter & Gamble SA.
Proderma Betriebs AG. Produits dentaires SA.
Projekta AG Ingenieure und Planer. Prosegur SA.
Protectas SA. Provida AG. Publi Annonces SA.

Q

Quickmail AG.

R

R. Bühler AG. R. Nussbaum AG. Radisson Blu Hotels.
Raiffeisenbanken. Ramseier Holding AG. Redinvest
Immobilien AG. Régence Production SA. Régie de
Fribourg SA. Régie du Rhône SA. Regiobank
Solothurn AG. Regiopress SA. Rego-Fix AG. Reichle &
De-Massari AG. Reiden Technik AG. Reisebüro Agustoni.
Rekag AG. Remaco AG. Remimag AG. Restaurant
Florida AG Studen. Retraites Populaires. Retripa. Rhenus
Alpina. Rhyner Logistik. ricardo.ch AG. Richemont
International SA. Richter-Dahl Rocha & Associés
architectes SA. Ricoh Schweiz AG. Rieter Holding AG.
Ristorante Montalbano. Ristoranti Fred Feldpausch SA.
Ritschard SA. Rittmeyer AG. Robatech AG. Rolf
Gerber AG. Rolla SP Propellers SA. Romande Energie SA.
Romantik Hotel Sternen, Kriegstetten. Roth Gerüste AG.
Roth Pflanzen AG. Röthlisberger Schreinerei AG. Rotho
Kunststoff AG. Rubis SA. Ruch AG. RVA Associati SA.

S

S.Facchinetti SA. SA di Gestione Shopping Center
Morbio Inferiore. SA Vini Bée. SABAG Holding AG.
Salzmann AG. Sandro Vanini SA. Sanitas Troesch AG.
Santex AG. Sarix SA. saw spannbetonwerk ag. SB
Saanen Bank AG. Schaltag AG. Schenker Schweiz AG.
Schenker Storen AG. Scheuchzer SA. Schibli AG.
Schiffahrtsgesellschaft des Vierwaldstättersees AG.
Schild AG. Schilthornbahn AG. Schindler Elettronica SA.

Schmelzmetall AG. Schneider & Cie. AG. Schoeller Textil AG. Schöni Transport AG. Schubarth + Co AG. Schulte Gartenbau. Schwyzer Kantonalbank. Secur'Archiv SA. Securitas Gruppe Schweiz. Sedelec SA. See & Park Hotel Feldbach AG, Steckborn. Seeburg Hotels AG. Seehotel Hermitage Luzern AG. Seehotel Waldstätterhof AG. Seerose Resort & Spa. Sefa SA. Sefar Holding AG. Selmoni Installation AG. Semadeni AG. Service 7000 AG. Settelen AG. SEV'design SA. SFS Group AG. SGS Société Générale de Surveillance SA. Shell (Switzerland) AG. Shoppi Tivoli. sia Abrasives Schweiz. Sieber Transport AG. Siemens Schweiz AG. SIG Combibloc Group AG. SIKA AG. Silhouette Wellness SA. SIP Société d'Instruments de Précision SA. SIR Service d'intervention Rapide SA. Sisag AG. Slongo AG. Società Anonima Giovanni Balmelli Faspea. Société Suisse des Explosifs Group. Socol SA. Solaronix SA. Spaini Bau AG. SPAR Gruppe. Sparkasse Schwyz. Spühl AG. St. Galler Kantonalbank. Stamm Bau AG. Stämpfli Verlag AG. Stebler Blech AG. Steffen Informatik AG. STEG Electronics AG. Steinemann Technology AG. Steiner AG. Stettler Sapphire AG. Stewo International AG. Stirnimann AG. Stöckli Metall AG. Stöcklin Logistik AG. Stoosbahnen AG. Stoppani AG. Storchen Zürich. Studio Ingegneria Sciarini SA. Sucafina SA. Südpack Bioggio SA. Suiten Hotel Parco Paradiso. Sunage SA. Sushi Mania SA. Swarovski Gruppe. Swatch Group SA. Swiss Helicopter AG. Swiss Life Schweiz. swisspor Romandie SA. Swissport International Ltd. Switel SA. SWS Medien AG Print. Syntax Übersetzungen AG.

T

T+R AG. Taiana SA. Taxi-Phone Centrale SA. Teamlog (Suisse) S.A. Tecan Group AG. The Nielsen Company (Switzerland) GmbH. Thermalp les Bains d'Ovronnaz SA. TMR Transports de Martigny et Régions SA. Toneatti AG Bilten. Topnet SA. Totsa Total Oil Trading SA. Trans-Continental SA. Treuhand- und Revisionsgesellschaft Mattig-Suter und Partner. Triba Partner Bank AG. Trisa AG. Trumpf Maschinen AG. Truvag AG. Tschanré AG. Tschopp Holzindustrie AG. Tschümperlin Schuhe + Sportmode. TUI Suisse. Turck Duotec SA.

U

UBS AG. UGP Unione Gestori Patrimoniali SA. Ulysse Nardin S.A. Unisto AG. UPS United Parcel Service (Schweiz) AG. Urner Kantonalbank.

V

Vacheron Constantin. Vadian Bank AG. Valcambi SA. Vale International SA. Valencia Kommunikation AG. Valiant Bank AG. Van Baerle AG. Variofilm SA. Varioprint AG. Vaudoise Assurances Holding SA. Vennerhus Weine AG. Verwo AG. Vetropack SA. VF International Sagl. Virtua SA. Visilab SA. Vitogaz Switzerland AG. Vitol SA. Voigt AG. Vonplon Strassenbau AG. Voyages Buchard SA. VP Bank (Schweiz) AG. VRSB AG.

W

Waldhaus Flims Mountain Resort & Spa. Walo Bertschinger AG. Walter Matter SA. Walter Meier AG. Walter Zoo AG. Wandfluh AG. Wanner + Fankhauser AG. Wäscheria Textil Service AG. weba Weberei Appenzell AG. Weiss + Appetito AG. Weleda AG. Wesa AG. Westiform AG. WICOR Holding AG. Willy Stäubli Ing. AG Wasserbau Stahlbau. Winterhalter + Fenner AG. Wohncenter von Allmen AG. Wüest & Cie. AG.

Z

Zambon Svizzera SA. Zanini – L'Aristocrazia dei Vini. Zehnder Group. Zenhäusern Frères SA. Ziegelei Schumacher. Ziemer Ophthalmic Systems AG. Zindel Gruppe AG. Zingg Transporte AG. Zubler AG. Zuger Kantonalbank. Zühlke Engineering AG. Zürcher Kantonalbank. Zürcher Landbank AG. Zürich Marriott Hotel. Zürich Versicherungsgesellschaft AG. Zweifel Pomy-Chips AG.

Chronicle of monetary events

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

<p>At its quarterly assessment of 11 December 2014, the SNB reaffirms that it will maintain the minimum exchange rate of CHF 1.20 per euro. The SNB will continue to enforce the minimum exchange rate with the utmost determination. If necessary, it is prepared to purchase foreign currency in unlimited quantities, and to take further measures as required. The target range for the three-month Libor remains unchanged at 0.0–0.25%. In the view of the SNB, deflation risks have increased once again and the Swiss franc is still high. With the three-month Libor at zero, the minimum exchange rate continues to be the key instrument to avoid an undesirable tightening of monetary conditions in the event of renewed upward pressure on the Swiss franc.</p>	<p>December 2014</p>
<p>At its quarterly assessment of 18 September 2014, the SNB reaffirms that it will maintain the minimum exchange rate of CHF 1.20 per euro. The SNB will continue to enforce the minimum exchange rate with the utmost determination. If necessary, it is prepared to purchase foreign currency in unlimited quantities, and to take further measures as required. The target range for the three-month Libor remains unchanged at 0.0–0.25%. In the view of the SNB, the Swiss franc is still high. With a three-month Libor close to zero, the minimum exchange rate continues to be the key instrument to avoid an undesirable tightening of monetary conditions in the event of renewed upward pressure on the Swiss franc.</p>	<p>September 2014</p>
<p>At its quarterly assessment of 19 June 2013, the SNB reaffirms that it will maintain the minimum exchange rate of CHF 1.20 per euro. The SNB will continue to enforce the minimum exchange rate with the utmost determination. If necessary, it is prepared to purchase foreign currency in unlimited quantities, and to take further measures as required. The target range for the three-month Libor remains unchanged at 0.0–0.25%. In the view of the SNB, the Swiss franc is still high. With a three-month Libor close to zero, the minimum exchange rate continues to be the right tool to avoid an undesirable tightening of monetary conditions in the event of renewed upward pressure on the Swiss franc.</p>	<p>June 2014</p>
<p>At its quarterly assessment of 20 March, the SNB reaffirms that it will maintain its minimum exchange rate of CHF 1.20 per euro. The SNB continues to stand ready to enforce the minimum exchange rate, if necessary, by buying foreign currency in unlimited quantities, and to take further measures as required. The target range for the three-month Libor remains unchanged at 0.0–0.25%. In the view of the SNB, the Swiss franc is still high. With the three-month Libor close to zero, the minimum exchange rate continues to be the right tool to avoid an undesirable tightening of monetary conditions in the event of renewed upward pressure on the Swiss franc.</p>	<p>March 2014</p>
<p>On 22 January, at the proposal of the SNB, the Federal Council raises the countercyclical capital buffer (CCB) in reaction to the imbalances on the Swiss residential mortgage and real estate markets, which have increased further since the activation of the CCB in February 2013. The CCB now amounts to 2% (previously 1%) of risk-weighted mortgage loans for the financing of residential property in Switzerland. The banks concerned must comply with the higher buffer requirements from 30 June 2014.</p>	<p>January 2014</p>
<p>At its quarterly assessment of 12 December, the SNB reaffirms that it will maintain the minimum exchange rate of CHF 1.20 per euro. The SNB continues to stand ready to enforce the minimum exchange rate, if necessary, by buying foreign currency in unlimited quantities, and to take further measures as required. The target range for the three-month Libor will stay at 0.0–0.25%. In the view of the SNB, the Swiss franc is still high. With the three-month Libor close to zero, the minimum exchange rate continues to be the right tool to avoid an undesirable tightening of monetary conditions in the event of renewed upward pressure on the Swiss franc.</p>	<p>December 2013</p>

Published by

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

Design

Interbrand Ltd, Zurich

Typeset and printed by

Neidhart + Schön AG, Zurich

Language versions:

The *Quarterly Bulletin* is available
in printed form in
German (ISSN 1423–3789) and
French (ISSN 1423–3797).

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

English: www.snb.ch, *Publications*,
Quarterly Bulletin (ISSN 1662–257X)
German: www.snb.ch, *Publikationen*,
Quartalsheft (ISSN 1662–2588)
French: www.snb.ch, *Publications*,
Bulletin trimestriel (ISSN 1662–2596)
Italian (Business cycle trends):
www.snb.ch, *Pubblicazioni*, *Pubblicazioni*
economiche, *Bollettino trimestrale*

Website

www.snb.ch

Copyright ©

The Swiss National Bank (SNB) respects all third-party rights,
in particular rights relating to works protected by copyright
(information or data, wordings and depictions, to the extent that
these are of an individual character).

SNB publications containing a reference to a copyright
(© Swiss National Bank/SNB, Zurich/year, or similar) may, under
copyright law, only be used (reproduced, used via the internet,
etc.) for non-commercial purposes and provided that the source is
mentioned. Their use for commercial purposes is only permitted
with the prior express consent of the SNB.

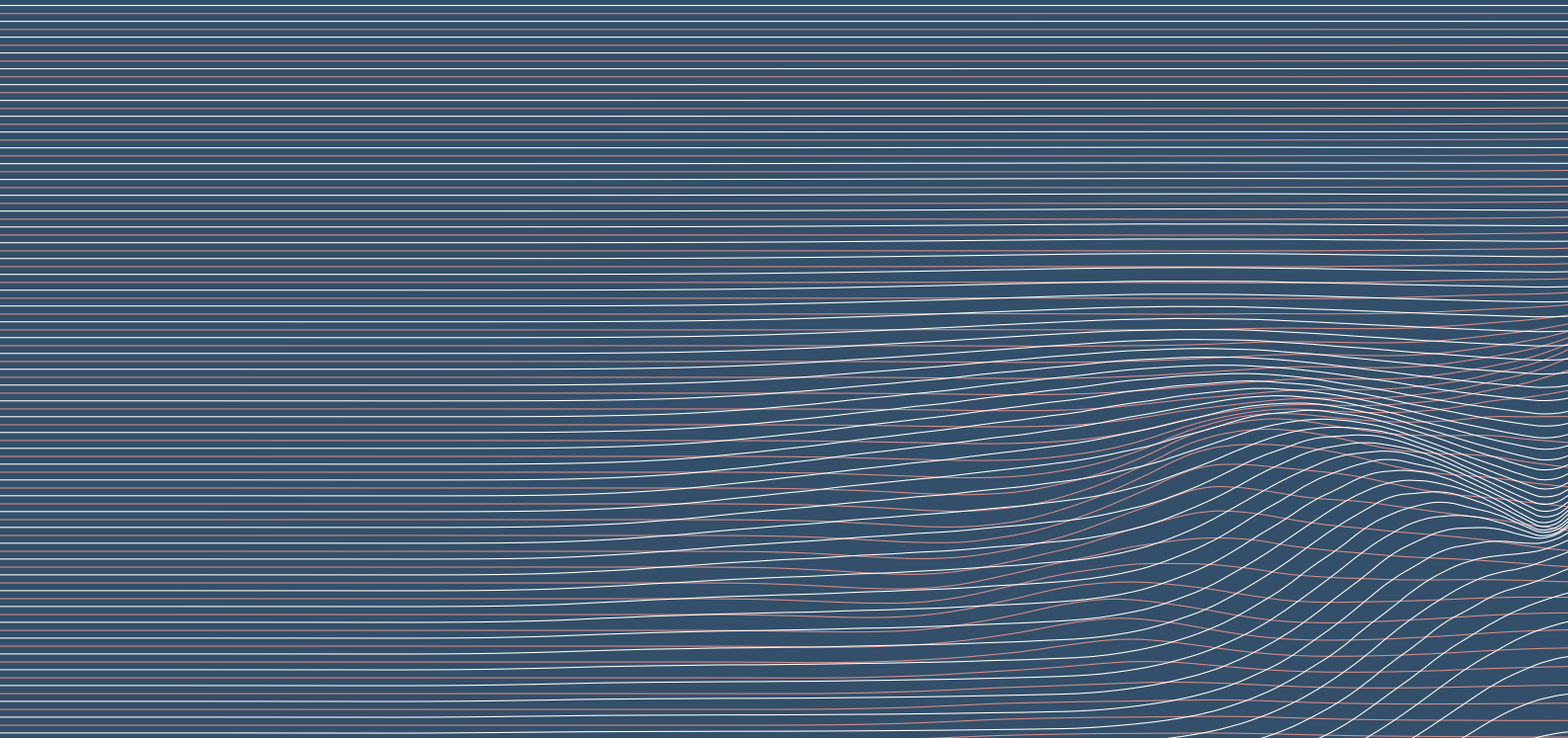
General information and data published without reference to
a copyright may be used without mentioning the source.

To the extent that the information and data clearly derive from
outside sources, the users of such information and data are obliged
to respect any existing copyrights and to obtain the right of use
from the relevant outside source themselves.

Limitation of liability

The SNB accepts no responsibility for any information it provides.
Under no circumstances will it accept any liability for losses
or damage which may result from the use of such information.
This limitation of liability applies, in particular, to the topicality,
accuracy, validity and availability of the information.

© Swiss National Bank, Zurich/Berne 2014



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

