



Quarterly Bulletin
4/2023 December

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
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Monetary policy report

Report for the attention of the Governing Board of the Swiss National Bank for its quarterly assessment of December 2023

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 14 December 2023') is an excerpt from the press release published following the assessment.

This report is based on the data and information available as at 14 December 2023. Unless otherwise stated, all rates of change from the previous period are based on seasonally adjusted data and are annualised.

Key points

- On 14 December 2023, the SNB decided to leave its policy rate unchanged at 1.75%. Inflationary pressure had decreased slightly over the past quarter. However, uncertainty remained high. The new conditional inflation forecast was below that of September and was within the range consistent with price stability over the entire forecast horizon.
- Global economic growth was stronger than expected in the third quarter. However, the outlook for the coming quarters is subdued. Inflation has declined significantly in most countries in recent months, but remains above central banks' targets. Inflationary pressure is likely to continue to ease in the coming quarters. Against this backdrop, many central banks have refrained from further monetary policy tightening.
- Economic growth in Switzerland was moderate in the third quarter, and activity is likely to remain subdued going forward. The SNB expects GDP growth of around 1% this year, and anticipates an expansion of between 0.5% and 1% next year.
- Annual CPI inflation fell from 1.6% in August to 1.4% in November. The short-term inflation expectations were virtually unchanged. The longer-term inflation expectations remained within the range consistent with price stability.
- The Swiss franc appreciated moderately in trade-weighted terms. Long-term bond yields declined. Equity prices rose somewhat. The development of residential real estate prices was latterly less dynamic than in previous years. Growth rates in the broad monetary aggregates remained negative. Lending growth was somewhat weaker.

1 Monetary policy decision of 14 December 2023

Swiss National Bank leaves SNB policy rate unchanged at 1.75%

The Swiss National Bank is leaving the SNB policy rate unchanged at 1.75%. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold, and at 1.25% above this threshold. The SNB is also willing to be active in the foreign exchange market as necessary.

Inflationary pressure has decreased slightly over the past quarter. However, uncertainty remains high. The SNB will therefore continue to monitor the development of inflation closely, and will adjust its monetary policy if necessary to ensure inflation remains within the range consistent with price stability over the medium term.

Inflation stood at 1.4% in November, and was thus somewhat lower than in the previous months. The slight decrease was above all attributable to lower inflation on goods and tourism services. However, inflation is likely to increase again somewhat in the coming months due to higher electricity prices and rents, as well as the rise in VAT.

The new conditional inflation forecast is below that of September. In the short term, this is due to the recent lower-than-expected inflation. In the medium term,

reduced inflationary pressure from abroad and somewhat weaker second-round effects are resulting in a downward revision. Over the entire forecast horizon, the inflation forecast is within the range of price stability (cf. chart 1.1). The forecast puts average annual inflation at 2.1% for 2023, 1.9% for 2024 and 1.6% for 2025 (cf. table 1.1). The forecast is based on the assumption that the SNB policy rate is 1.75% over the entire forecast horizon.

Global economic growth was stronger than expected in the third quarter of this year. Inflation has declined significantly in most countries in recent months. Against this backdrop, many central banks have refrained from further monetary policy tightening. With inflation still above the respective targets, monetary policy is likely to remain restrictive in many countries for the time being.

The growth outlook for the global economy in the coming quarters remains subdued. Inflationary pressure is likely to continue to ease.

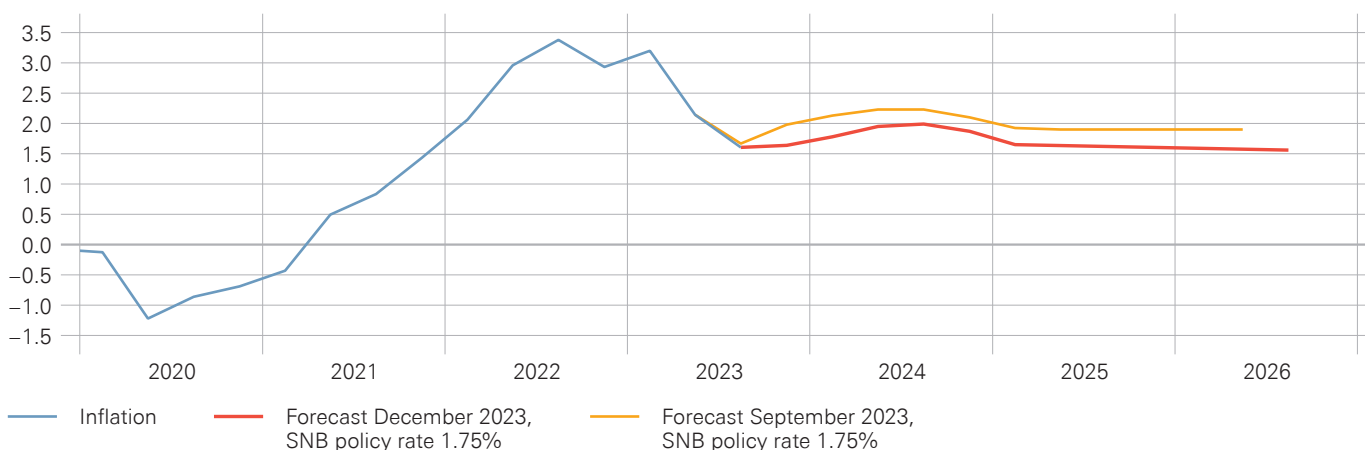
This scenario for the global economy is still subject to large risks. Inflation could remain elevated for longer in some countries, necessitating a further tightening of monetary policy there. Equally, the energy situation in Europe could deteriorate over the course of the winter, and geopolitical tensions could increase. It therefore cannot be ruled out that global growth momentum will weaken more significantly than assumed.

Swiss GDP growth was moderate in the third quarter of this year. The services sector expanded again, while value added in manufacturing stagnated. Unemployment rose somewhat, and the utilisation of overall production capacity was only slightly above average.

Chart 1.1

CONDITIONAL INFLATION FORECAST OF DECEMBER 2023

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



Source(s): SFSO, SNB

Growth is likely to be weak in the coming quarters. Subdued demand from abroad and the tighter financing conditions are having a dampening effect. Overall, Switzerland's GDP is likely to grow by around 1% this year. For 2024, the SNB currently expects growth of between 0.5% and 1%. In this environment, unemployment is likely to continue to rise gradually, and the utilisation of production capacity should decline somewhat further.

The forecast for Switzerland, as for the global economy, is subject to high uncertainty. The main risk is a more pronounced economic slowdown abroad.

Momentum on the mortgage and real estate markets has weakened noticeably in recent quarters. However, the vulnerabilities in these markets remain.

Monetary policy strategy at the SNB

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

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

the economic cycle. Second, the SNB summarises its assessment of inflationary pressure and of the need for monetary policy action in a quarterly inflation forecast. This forecast, which is based on the assumption of a constant SNB policy rate, shows how the SNB expects the CPI to move over the next three years. As the third element in implementing its monetary policy the SNB sets the SNB policy rate, and seeks to keep the secured short-term Swiss franc money market rates close to this rate. If necessary, the SNB may also use additional monetary policy measures to influence the exchange rate or the interest rate level.

Table 1.1

OBSERVED INFLATION IN DECEMBER 2023

	2020				2021				2022				2023				2020	2021	2022		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Inflation	-0.1	-1.2	-0.9	-0.7	-0.4	0.5	0.8	1.4	2.1	3.0	3.4	2.9	3.2	2.1	1.6				-0.7	0.6	2.8

Source(s): SFSO

CONDITIONAL INFLATION FORECAST OF DECEMBER 2023

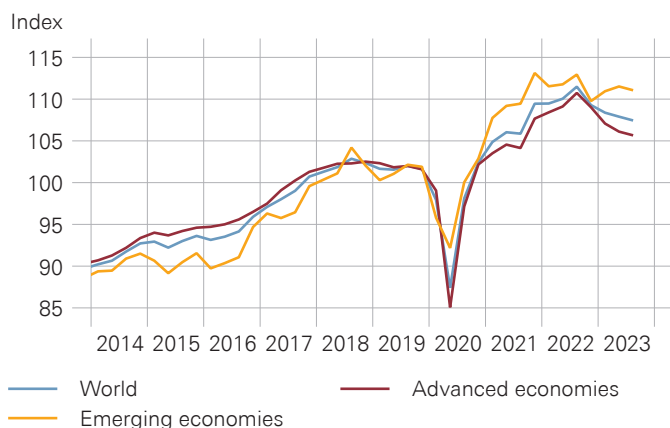
	2023				2024				2025				2026				2023	2024	2025		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Forecast September 2023, SNB policy rate 1.75%			1.7	2.0	2.1	2.2	2.2	2.1	1.9	1.9	1.9	1.9	1.9	1.9					2.2	2.2	1.9
Forecast December 2023, SNB policy rate 1.75%			1.6	1.8	2.0	2.0	1.9	1.7	1.6	1.6	1.6	1.6	1.6	1.6					2.1	1.9	1.6

Source(s): SNB

Chart 2.1

GLOBAL GOODS TRADE

Average of depicted period = 100



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

2 Global economic environment

Global economic growth was stronger than expected in the third quarter of this year, albeit with developments greatly varied between the individual economic areas. While the US economy showed robust growth, momentum in Europe remained weak. Although global growth momentum was relatively solid overall, global trade declined further in the third quarter (cf. chart 2.1). This reflected the still weak manufacturing activity worldwide.

Inflation has declined significantly in most countries in recent months. Against this backdrop, many central banks have refrained from further monetary policy tightening. With inflation still above the respective targets, monetary policy is likely to remain restrictive in many countries for the time being.

The growth outlook for the global economy in the coming quarters remains subdued, in particular due to the tightening of monetary policy in recent quarters and less expansionary fiscal policy. Inflationary pressure is likely to continue to ease.

This scenario for the global economy is still subject to large risks. Inflation could remain elevated for longer in some countries, necessitating a further tightening of monetary policy there. Equally, the energy situation in Europe could deteriorate over the course of the winter, and geopolitical tensions could increase. It therefore cannot be ruled out that global growth momentum will weaken more significantly than assumed.

Table 2.1

BASELINE SCENARIO FOR GLOBAL ECONOMIC DEVELOPMENTS

	2019	2020	2021	2022	Scenario	
					2023	2024
GDP, year-on-year change in percent						
Global ¹	2.8	-2.8	6.3	3.5	3.7	3.0
US	2.5	-2.2	5.8	1.9	2.4	1.3
Euro area	1.6	-6.2	5.9	3.4	0.5	0.4
Japan	-0.4	-4.2	2.6	0.9	1.7	0.5
China	6.0	2.2	8.4	3.0	5.5	4.7
Oil price in USD per barrel						
	64.3	41.8	70.7	100.9	83.5	87.0

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

Source(s): Refinitiv Datastream, SNB

The SNB's forecasts for the global economy are based on assumptions about oil prices and the EUR/USD exchange rate. The SNB is assuming an oil price for Brent crude of USD 87 per barrel, compared with USD 85 in the last baseline scenario, and an exchange rate of USD 1.06 to the euro compared with USD 1.10 previously. Both correspond to the 20-day average when the current baseline scenario was drawn up.

INTERNATIONAL FINANCIAL AND COMMODITY MARKETS

Since the last monetary policy assessment in September, inflation developments and monetary policy expectations have continued to dominate events in international financial markets. Although many central banks made no further interest rate adjustments, they emphasised that monetary policy must remain restrictive for a sufficiently long time in order to bring inflation back to the target in the medium term.

On the bond market, monetary policy signals initially led to a considerable increase in ten-year government bond yields. The rise was most pronounced in the US, partly due to mounting concerns about the US budget. From the end of October, the focus shifted to the downside risks to the economy and the decline in inflation. As a result, yields declined again significantly (cf. charts 2.2 and 2.3). Overall, volatility in the bond markets remained high.

International stock markets moved inversely to long-term interest rates. Towards the end of the period under review, the global stock market index was slightly above its mid-September level. Despite the outbreak of war in the Middle East, uncertainty about future price movements remained low, as indicated by the VIX, the index for the implied volatility of stocks in the US as measured by options prices (cf. chart 2.4).

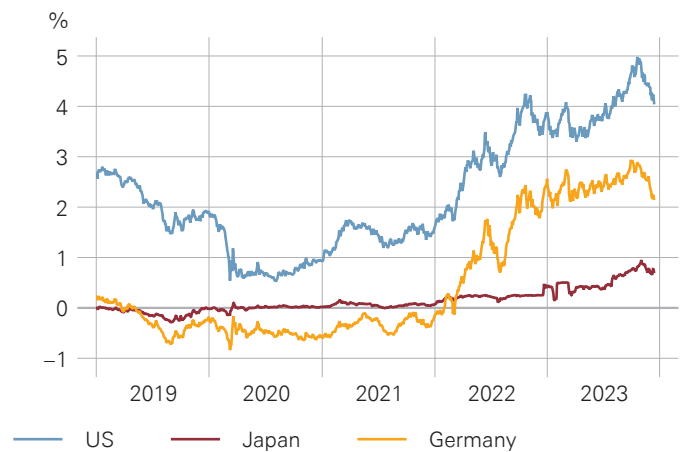
The US dollar initially appreciated in trade-weighted terms due to the rising interest rate differential between the US and other countries, but subsequently weakened again. The euro showed little movement, while the yen initially trended weaker before recently recovering again (cf. chart 2.5).

Commodity prices declined slightly overall (cf. chart 2.6), the main reason being the fall in oil prices. The price of Brent crude recently stood at around USD 75 per barrel, compared with roughly USD 95 in mid-September. The outbreak of war in the Middle East only briefly pushed up oil prices.

Chart 2.2

INTERNATIONAL LONG-TERM INTEREST RATES

10-year government instruments

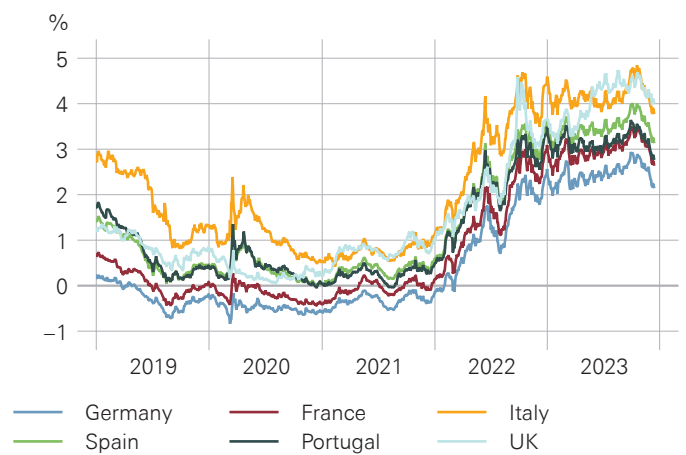


Source(s): Refinitiv Datastream

Chart 2.3

EUROPEAN LONG-TERM INTEREST RATES

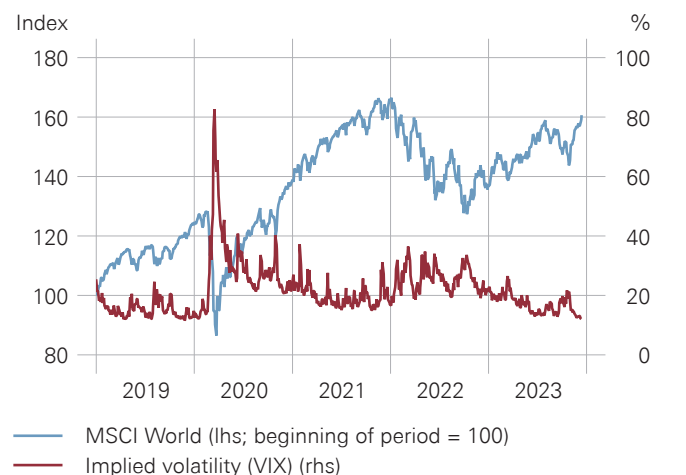
10-year government instruments



Source(s): Refinitiv Datastream

Chart 2.4

STOCK MARKETS



Source(s): Refinitiv Datastream

Chart 2.5

EXCHANGE RATES

Trade-weighted

Index, beginning of period = 100



Source(s): Refinitiv Datastream

Chart 2.6

COMMODITY PRICES

Index, beginning of period = 100

USD/barrel

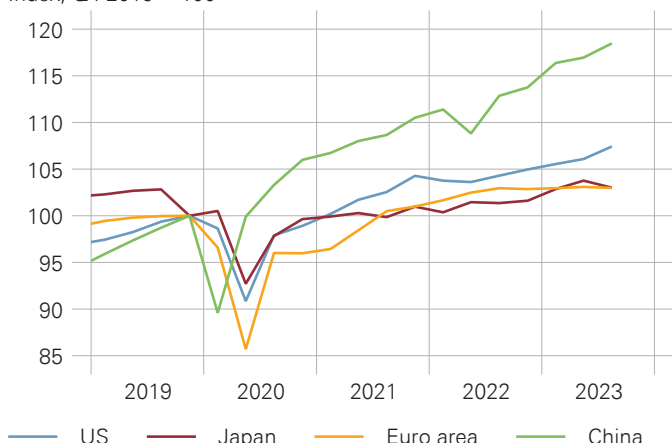


Source(s): Refinitiv Datastream

Chart 2.7

REAL GDP

Index, Q4 2019 = 100



Source(s): Refinitiv Datastream

UNITED STATES

In the US, GDP expansion was a surprisingly robust 5.2% in the third quarter, driven largely by private consumption (cf. chart 2.7). The labour market remained well utilised, but slowed somewhat in recent months. Although the unemployment rate was still low at 3.7% in November, it increased somewhat from its all-time low in April (cf. chart 2.9). In addition, growth in employment and wages weakened.

Various economic indicators, such as retail sales and industrial output, point to a substantial slowdown in GDP growth in the fourth quarter; this is likely due in part to a less expansionary fiscal policy and strikes in the automotive industry. Given that the monetary policy tightening over recent quarters is still having a dampening effect, growth momentum is set to weaken further in 2024. Nevertheless, owing to the strong GDP expansion in the third quarter, the SNB is raising its growth forecast slightly compared to that of September, to 2.4% for 2023 and 1.3% for 2024 (cf. table 2.1).

Consumer price inflation decreased further and stood at 3.1% in November (cf. chart 2.10). Food inflation and core inflation both continued their decline, although the latter was still high at 4.0% (cf. chart 2.11). Inflation as measured by the personal consumption expenditure deflator – the index used by the US Federal Reserve to set its 2% inflation target – amounted to 3.0% in October, thus remaining significantly above the Fed’s target.

In November and December, the Fed left its target range for the federal funds rate unchanged at 5.25–5.5%, having increased it between March 2022 and July 2023 by a total of 5.25 percentage points (cf. chart 2.12). It signalled that the federal funds rate might have reached its peak, but also stated that, in order to bring inflation back to the 2% target in the medium term, it would be necessary to maintain a restrictive stance for quite some time. Additionally, it will continue to reduce its balance sheet, further decreasing its portfolio of Treasury and mortgage-backed securities by up to USD 95 billion per month (roughly 1% of the current balance sheet).

EURO AREA

The economy in the euro area has stagnated for over a year (cf. chart 2.7). Households' loss of purchasing power due to inflation, tighter monetary policy and the less expansionary fiscal policy continued to weigh on domestic demand in the third quarter. In addition, exports saw a renewed decline during the same period. Nevertheless, employment figures rose further, and unemployment remained at a historically low level in October, at 6.5% (cf. chart 2.9).

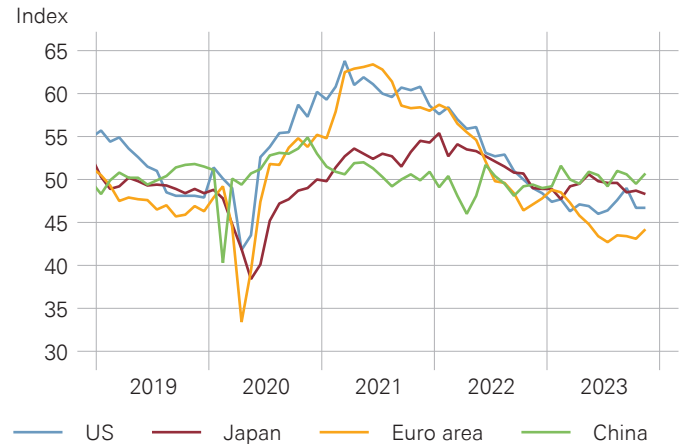
The growth outlook for the months ahead is still subdued according to the most recent company surveys (cf. chart 2.8). With manufacturing growth having already slowed significantly since spring, the services sector is now also increasingly losing momentum. Against this background, the SNB is revising its growth forecast slightly downwards, to 0.5% for 2023 and 0.4% for 2024 (cf. table 2.1).

Consumer price inflation fell substantially in recent months, but at 2.4% in November it was still above the ECB target (cf. chart 2.10). Inflation declined across a broad front. Core inflation, meanwhile, remained high at 3.6% (cf. chart 2.11). It reflects in part the pass-through of high energy costs last year to prices of other goods and services.

The ECB left its key interest rates unchanged in October and December. The relevant interest rate in the money market – the deposit facility rate – thus remained at 4.0% (cf. chart 2.12). At the same time, the ECB emphasised that it intends to maintain its key rates at sufficiently restrictive levels for as long as necessary so that inflation returns to its 2% target in a timely manner. As of July, securities maturing under the asset purchase programme (APP) are no longer reinvested, with the result that the APP portfolio is shrinking by about EUR 25 billion per month (roughly 0.4% of the current balance sheet). Moreover, the reinvestment of securities maturing under the pandemic emergency purchase programme (PEPP) will be reduced in the second half of 2024 and discontinued from 2025.

Chart 2.8

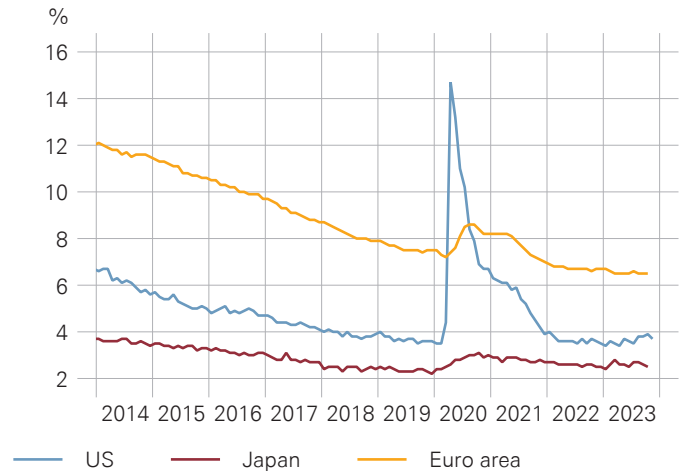
PURCHASING MANAGERS' INDICES (MANUFACTURING)



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

Chart 2.9

UNEMPLOYMENT RATES

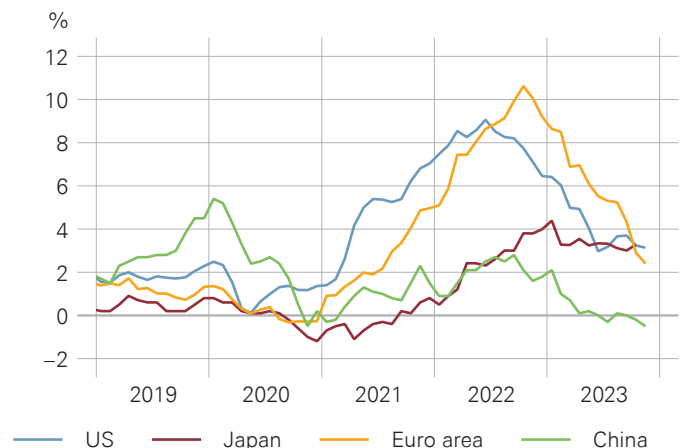


Source(s): Refinitiv Datastream

Chart 2.10

CONSUMER PRICES

Year-on-year change

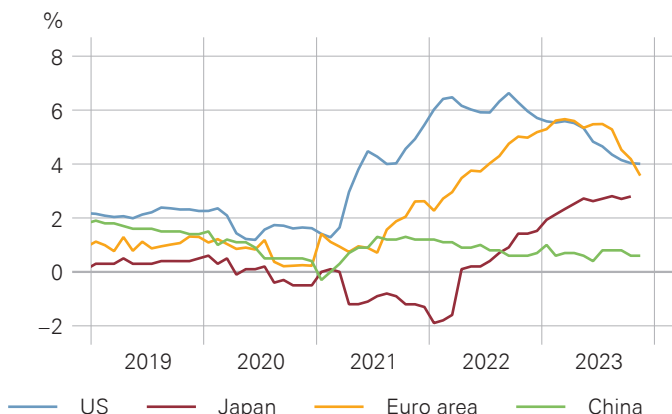


Source(s): Refinitiv Datastream

Chart 2.11

CORE INFLATION RATES¹

Year-on-year change

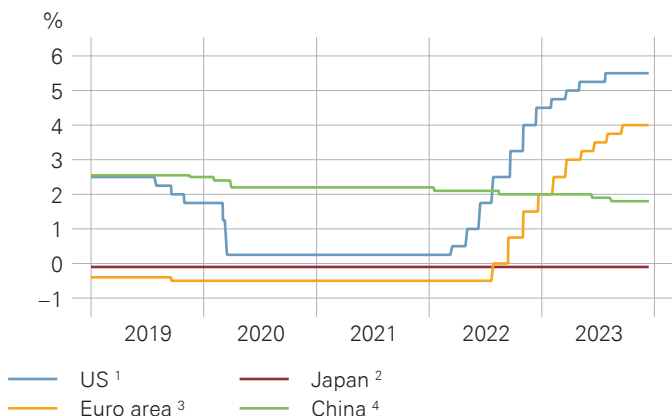


1 Excluding food and energy.

Source(s): Refinitiv Datastream

Chart 2.12

OFFICIAL INTEREST RATES



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

3 Deposit facility rate.

Source(s): Refinitiv Datastream

2 Call money target rate.

4 Reverse repo rate (7-day).

JAPAN

GDP growth in Japan was volatile in previous quarters. Following robust expansion in the first half of the year, GDP contracted by 2.9% in the third quarter (cf. chart 2.7). However, growth in recent quarters has been solid overall, with a strong recovery in inbound tourism being a major contributing factor. Domestic demand remained subdued overall. Private consumption stagnated as a result of weak growth in real income. The labour market continued to be well utilised, and unemployment was still low by historical standards, at 2.5% in October (cf. chart 2.9).

The growth outlook for the Japanese economy remains favourable. On the basis of the trade union-led wage demands for 2023 and 2024, the anticipated gradual increase in wage growth should prompt a recovery in private consumption. In addition, the government’s energy subsidies, which have been extended through to April, and temporary tax cuts will ease the burden on households. Furthermore, corporate investment is likely to pick up once again following the strong growth in corporate earnings in recent quarters. However, as a result of data revisions and disappointing GDP expansion in the third quarter, the SNB is lowering its growth forecast overall to 1.7% for 2023 and 0.5% for 2024 (cf. table 2.1).

Consumer price inflation was stable in recent months and stood at 3.3% in October (cf. chart 2.10), while core inflation remained virtually unchanged at 2.8% (cf. chart 2.11). The continued high level of core inflation reflects not only the pass-through of higher import costs to goods prices, but also the price increases for certain services, such as tourism.

The Bank of Japan expects inflation to return to slightly below the target level of 2% in the medium term. Against this backdrop, it decided to maintain its expansionary monetary policy and leave its targets under the yield curve control programme unchanged (cf. chart 2.12). However, in order to achieve a more sustainable monetary policy, it decided in October to allow yields on ten-year government bonds to fluctuate even more flexibly around the target level of 0% and to no longer regard the 1% mark as the upper bound, but to treat it as a reference. Since this adjustment, though, yields have remained below 1%.

CHINA

In China, third-quarter GDP expansion was surprisingly robust, at 5.3% (cf. chart 2.7). While residential construction investment declined further due to the real estate crisis, manufacturing activity gained momentum and capacity utilisation returned to normal. Activity in the services sector also picked up considerably.

Nevertheless, the economic climate in China remains difficult. Despite government stimulus measures (such as improved lending conditions for buyers), the real estate sector continues to be burdened by funding bottlenecks and defaults, which is holding back residential construction activity. In addition, household and business confidence remain subdued. To boost the economy, the government

intends to invest more in infrastructure in 2024, as it has done in 2023. Owing to the robust GDP expansion in the third quarter, the SNB is raising its growth forecast to 5.5% for 2023, which is above the government's growth target of around 5%. The forecast for 2024 is practically unchanged at 4.7% (cf. table 2.1).

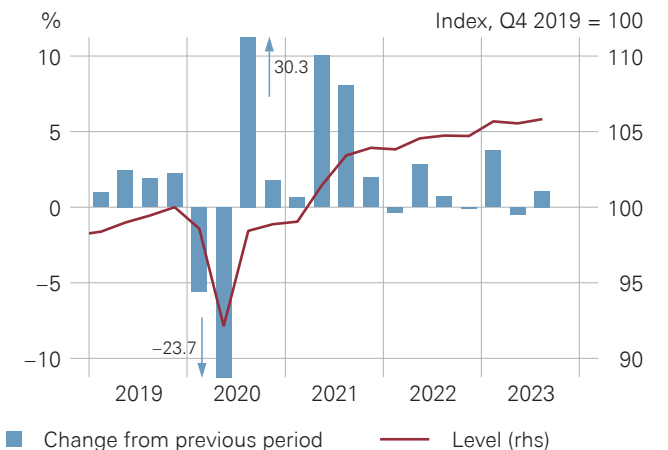
Consumer price inflation trended weaker in recent months and stood at -0.5% in November (cf. chart 2.10). The historically low level of inflation is partly attributable to a decline in food prices. Core inflation remained moderate at 0.6% (cf. chart 2.11).

The People's Bank of China left official interest rates unchanged (cf. chart 2.12).

Chart 3.1

REAL GDP

Adjusted for sporting events

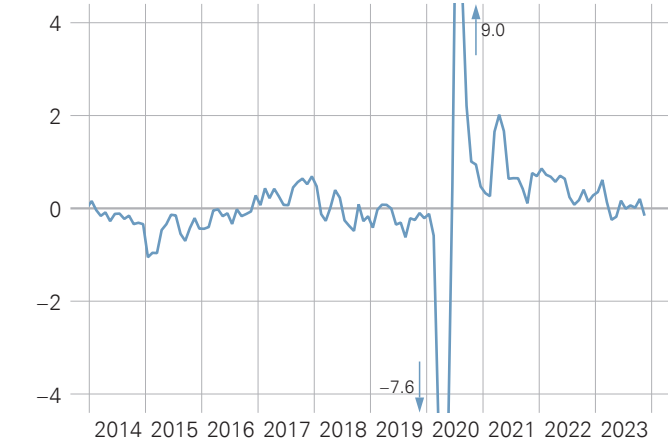


Source(s): SECO

Chart 3.2

SNB BUSINESS CYCLE INDEX

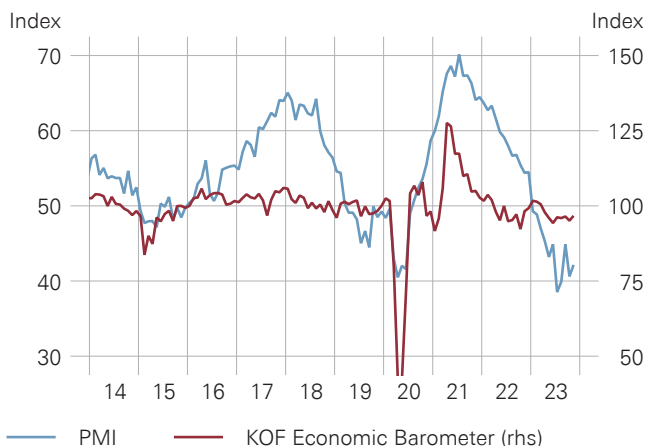
Standardised



Source(s): SNB

Chart 3.3

MANUFACTURING PMI AND KOF ECONOMIC BAROMETER



Source(s): UBS, KOF Swiss Economic Institute

3 Economic developments in Switzerland

Swiss GDP growth was moderate in the third quarter of 2023. Value added in the services sector increased again, albeit not as solidly as in the previous quarters. Value added in manufacturing stagnated. Unemployment rose somewhat, and the utilisation of overall production capacity was only slightly above average.

Growth is likely to be weak in the coming quarters. Subdued demand from abroad and tighter financing conditions are having a dampening effect. The SNB expects GDP growth of around 1% this year, and anticipates an expansion of between 0.5% and 1% for 2024. Unemployment will probably continue to rise slightly, and the utilisation of production capacity is likely to decline somewhat.

The forecast for Switzerland, as for the global economy, is subject to high uncertainty. The main risk is a more pronounced economic slowdown abroad.

OUTPUT AND DEMAND

The SNB takes a wide range of information into account when assessing the economic situation. According to this information, growth will likely be weak in the quarters ahead.

Moderate growth in third quarter of 2023

According to the initial estimate by the State Secretariat for Economic Affairs (SECO), GDP grew by a moderate 1.1% in the third quarter, having declined slightly in the second quarter (cf. chart 3.1). As expected, momentum thus remained muted.

Growth was primarily supported by the services sector and the pharmaceutical industry. In other manufacturing, value added fell amid weak demand from abroad. In construction, too, value added decreased.

Developments were mixed on the demand side. Investment declined, whereas private consumption rose at a below-average rate. Owing to solid growth in merchandising and exports of pharmaceuticals, foreign trade once again made a positive contribution to GDP expansion (cf. table 3.1).

Weak growth in fourth quarter

Economic indicators suggest that growth is likely to be weak in the fourth quarter.

Although the Purchasing Managers' Index (PMI) surveys have recovered somewhat overall from the lows recorded in July and August, they continue to point to weak economic growth. The services PMI was latterly above the growth threshold, while the manufacturing PMI remained well below (cf. chart 3.3).

The SNB's Business Cycle Index and the KOF Economic Barometer aim to depict overall economic momentum. On the whole, they point to below-average economic growth for the fourth quarter (cf. charts 3.2 and 3.3).

The talks held by the SNB's delegates for regional economic relations with companies suggest modest growth (cf. 'Business cycle signals', pp. 30 et seq.).

Table 3.1

REAL GDP AND COMPONENTS

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

	2019	2020	2021	2022	2021 Q4	2022 Q1	Q2	Q3	Q4	2023 Q1	Q2	Q3
Private consumption	1.2	-3.4	1.8	4.2	1.4	1.9	5.0	2.4	2.8	2.3	1.4	0.7
Government consumption	0.8	3.8	3.3	-0.8	-0.9	-2.6	-1.9	0.3	0.9	1.2	0.1	1.9
Investment in fixed assets	0.9	-1.4	2.8	1.2	11.7	-6.6	4.4	0.7	-3.0	4.7	-10.1	-2.6
Construction	-0.9	-1.0	-3.1	-5.5	-5.9	-8.4	-2.9	-9.0	-1.5	0.5	-3.4	0.8
Equipment	1.8	-1.6	6.0	4.6	21.2	-5.6	8.0	5.4	-3.6	6.9	-13.1	-4.2
Domestic final demand	1.1	-1.9	2.3	2.6	4.0	-1.3	3.9	1.6	0.8	2.9	-2.3	-0.1
Change in inventories ¹	0.7	-0.7	-0.8	0.4	1.8	-7.4	21.0	-15.7	-1.4	9.3	-0.5	-9.4
Total exports ^{2,3}	2.0	-4.6	11.5	4.6	2.3	14.2	-28.8	36.1	-1.7	11.7	-5.4	19.3
Goods ²	3.5	-1.2	12.3	4.0	-5.6	31.0	-42.4	55.0	0.2	13.5	-10.3	27.4
Goods excluding merchanting ²	4.9	-3.7	12.7	4.6	12.1	2.5	-2.5	4.6	-7.3	20.2	-8.8	10.3
Services ³	-0.8	-11.1	9.9	6.0	21.7	-17.2	17.8	1.3	-6.0	7.3	7.6	1.7
Total imports ^{2,3}	2.9	-5.9	5.3	6.2	10.5	1.1	5.6	12.9	-3.2	31.0	-10.2	2.7
Goods ²	2.8	-6.3	4.3	7.6	2.0	20.4	-0.8	9.9	-5.5	21.2	-24.2	6.2
Services ³	3.0	-5.2	6.6	4.3	23.5	-21.3	16.0	17.4	0.4	47.4	13.2	-1.8
Net exports ^{3,4}	-0.2	0.2	3.8	-0.2	-3.5	8.1	-21.6	15.0	0.5	-8.2	1.9	10.6
GDP³	1.5	-2.2	5.1	2.5	2.0	-0.4	2.8	0.7	-0.1	3.8	-0.5	1.1

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

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

³ Adjusted for sporting events.

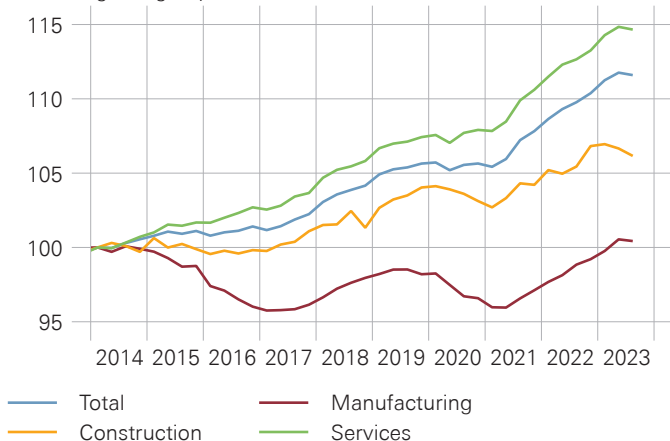
⁴ Contribution to growth in percentage points.

Source(s): SECO

Chart 3.4

FULL-TIME EQUIVALENT JOBS

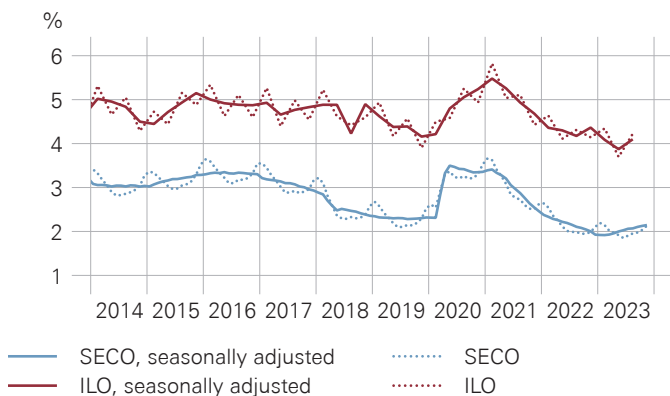
Index, beginning of period = 100



Source(s): SFSO; seasonal adjustment: SNB

Chart 3.5

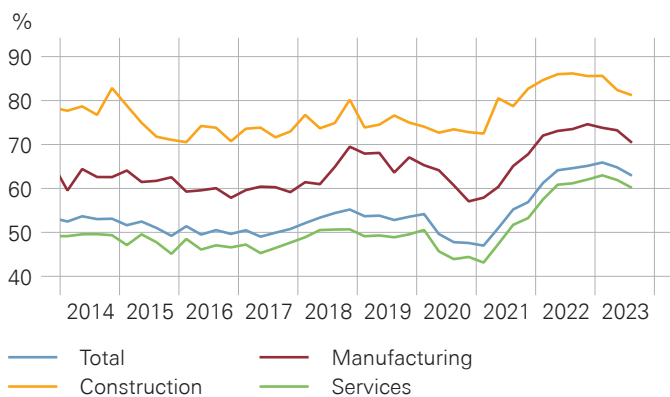
UNEMPLOYMENT RATE



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

Chart 3.6

RECRUITMENT DIFFICULTIES



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

Source(s): SFSO, SNB

LABOUR MARKET

Developments on the labour market lost momentum. Employment declined marginally, while unemployment increased again somewhat. Difficulties in recruiting staff eased slightly.

Slight drop in employment in third quarter

According to the national job statistics (JOBSTAT), the seasonally adjusted number of full-time equivalent positions fell slightly in the third quarter, the first time since the beginning of 2021. The number of jobs declined in all three sectors – services, manufacturing and construction (cf. chart 3.4). According to the Employment Statistics (ES), the seasonally adjusted number of persons employed also registered a slight drop.

Low-level rise in unemployment

In recent months, the number of unemployed persons continued to increase slightly according to figures published by SECO. Excluding seasonal fluctuations, 99,000 people were registered as unemployed at the end of November. The seasonally adjusted unemployment rate stood at 2.1% and thus remained low by historical standards. The unemployment figures calculated by the Swiss Federal Statistical Office (SFSO) in line with the definition of the International Labour Organization (ILO) also increased and stood at 4.1% in the third quarter (cf. chart 3.5).

Difficulty recruiting personnel

According to JOBSTAT, many companies continued to have difficulty recruiting suitable personnel in the third quarter. Although the situation improved somewhat, numerous vacant positions could still not be filled, or only with considerable effort (cf. chart 3.6).

CAPACITY UTILISATION

Output gap slightly positive

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

Potential output as estimated by means of a production function shows only a slightly positive output gap for the third quarter (0.2%). Other estimation methods indicate a somewhat more positive output gap (cf. chart 3.7).

Capacity utilisation varies between sectors

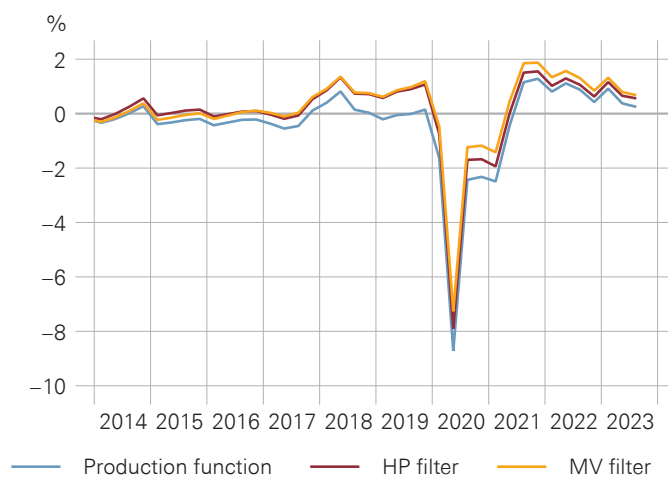
In addition to the estimation of the aggregate output gap, surveys also play an important role in assessing utilisation levels. The surveys on the utilisation of production factors presented a mixed picture for the third quarter. Similar to the output gap, the available indicators pointed to a slightly above-average level of utilisation for the economy as a whole.

According to the surveys conducted by KOF, technical capacity utilisation in manufacturing fell considerably; it was latterly well below its long-term average (cf. chart 3.8). In most areas of the services sector, by contrast, utilisation was slightly above average. It also remained high in construction.

As regards the labour situation, the surveys indicate further improvement. However, staffing levels remained tight in many industries.

Chart 3.7

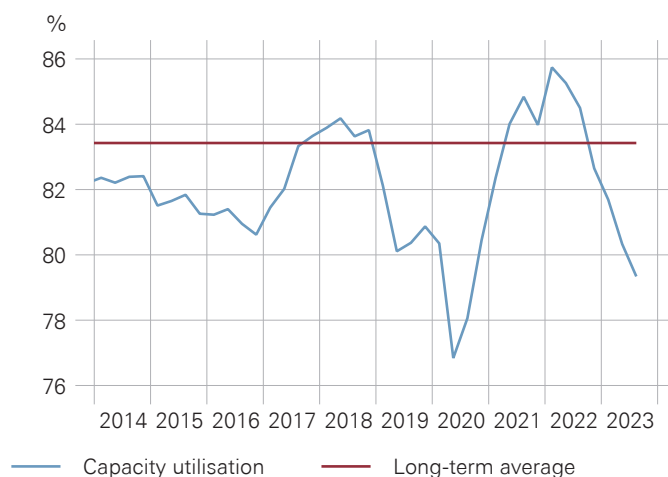
OUTPUT GAP



Source(s): SNB

Chart 3.8

CAPACITY UTILISATION IN MANUFACTURING



Source(s): KOF Swiss Economic Institute

Chart 3.9

MANUFACTURING PMI ABROAD

Export-weighted, 27 countries



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

Chart 3.10

BUSINESS SITUATION

Average across all KOF surveys



Source(s): KOF Swiss Economic Institute

Chart 3.11

EMPLOYMENT OUTLOOK

Seasonally adjusted, standardised



1 Seasonal adjustment: SNB.

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

OUTLOOK

The economic outlook for Switzerland remains muted. The export-weighted manufacturing PMI shows that the international economic environment is not very dynamic (cf. chart 3.9). Accordingly, developments in manufacturing are likely to stay subdued. The outlook in the services sector is somewhat more positive, owing to its stronger domestic focus. Overall, Swiss companies are cautiously optimistic with regard to their future business situation (cf. chart 3.10). The indicators for the employment outlook continue to point to employment growth; they have however declined again (cf. chart 3.11).

GDP is likely to expand by around 1% this year. Foreign demand is not expected to provide much momentum in the year ahead. The tighter financing conditions will likely also hold back growth. Against this background, the SNB expects GDP growth of between 0.5% and 1% for 2024. It is likely that unemployment will continue to increase slightly and the utilisation of production capacity will decline somewhat.

The level of uncertainty associated with the forecast remains high. The main risk is a more pronounced economic slowdown abroad.

4

Prices and inflation expectations

Having declined up to mid-year, the inflation rate as measured by the CPI remained more or less stable in the second half of the year. In November, it stood at 1.4%, slightly below the figure of 1.6% recorded in August. Both core inflation measures have also seen little change since August; in November, the SFSO1 stood at 1.4% and the TM15 at 1.3%.

Short-term inflation expectations presented a mixed picture, but were largely unchanged. Longer-term inflation expectations continued to be stable and were still within the range consistent with price stability.

CONSUMER PRICES

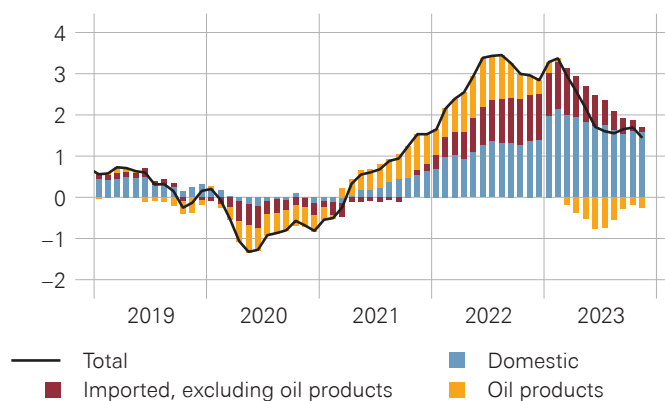
Slight decline in annual inflation

Annual CPI inflation fell slightly from 1.6% in August to 1.4% in November (cf. chart 4.1, table 4.1). As in the preceding months, the decline was largely due to inflation for imported goods and services, which dropped from -0.3% in August to -0.6% in November. Domestic goods and services inflation (2.1% in November) changed very little over the same period, thus remaining the key driver of inflation.

Chart 4.1

CPI: DOMESTIC AND IMPORTED GOODS AND SERVICES

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

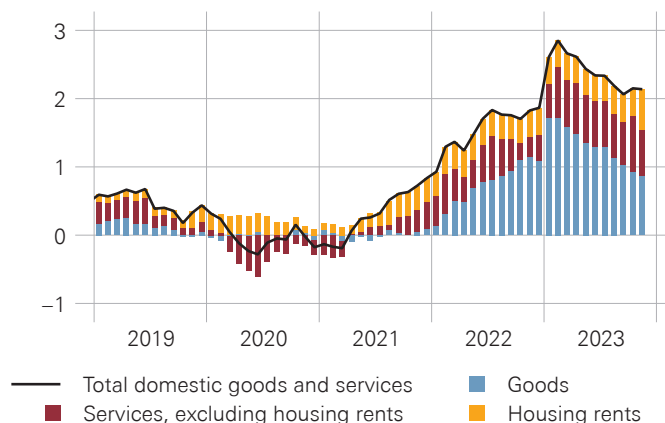


Source(s): SFSO, SNB

Chart 4.2

CPI: DOMESTIC GOODS AND SERVICES

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



Source(s): SFSO, SNB

Table 4.1

SWISS CONSUMER PRICE INDEX AND COMPONENTS

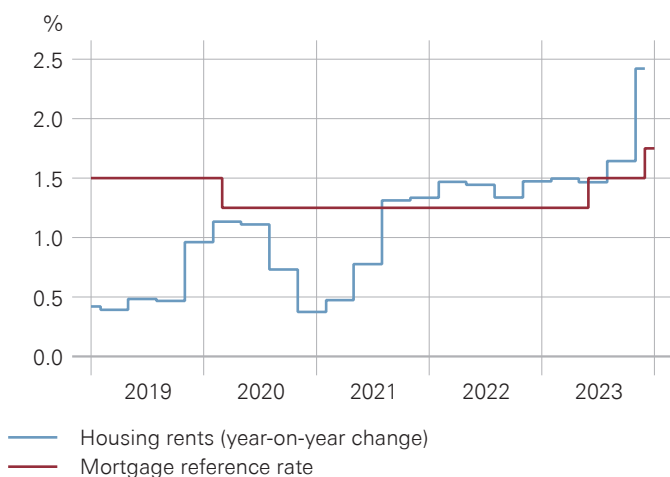
Year-on-year change in percent

	2022	2022	2023			2023			
		Q4	Q1	Q2	Q3	Aug	Sep	Oct	Nov
Overall CPI	2.8	2.9	3.2	2.1	1.6	1.6	1.7	1.7	1.4
Domestic goods and services	1.6	1.8	2.7	2.5	2.2	2.2	2.1	2.2	2.1
Goods	2.9	4.3	6.9	5.8	5.0	4.9	4.5	4.1	3.7
Services	1.1	0.9	1.4	1.4	1.3	1.4	1.3	1.6	1.7
Private services excluding housing rents	1.1	0.4	1.3	1.4	1.5	1.7	1.6	2.1	1.8
Housing rents	1.4	1.4	1.5	1.5	1.6	1.6	1.6	1.6	2.4
Public services	0.5	1.2	1.3	1.4	0.5	0.0	0.1	0.1	0.0
Imported goods and services	6.7	6.3	4.6	1.2	-0.1	-0.3	0.5	0.4	-0.6
Excluding oil products	3.9	5.0	5.0	3.9	2.1	2.1	1.7	1.2	0.5
Oil products	31.8	18.0	1.9	-17.2	-15.7	-16.2	-8.6	-6.0	-8.7

Source(s): SFSO, SNB

Chart 4.3

HOUSING RENTS

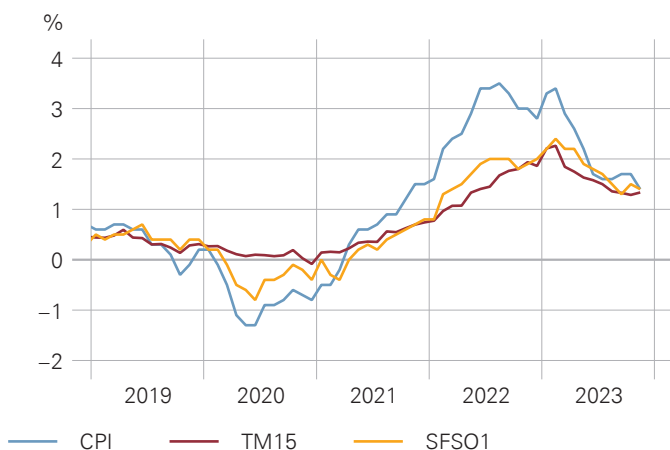


Source(s): Federal Office for Housing (FOH), SFSO

Chart 4.4

CORE INFLATION RATES

Year-on-year change



Source(s): SFSO, SNB

Lower inflation for imported products

As in the previous quarter, the decrease in imported inflation was attributable to imported goods and services excluding oil products. While annual inflation for oil products rose further compared to August, inflation for other imported goods and services saw a renewed decline.

Inflation for imported goods and services excluding oil products retreated between August and November, dropping from 2.1% to 0.5% (cf. table 4.1). Inflation for oil products, meanwhile, increased further from -16.2% to -8.7% (all-time low in June: -22.6%).

Inflation for domestic products virtually unchanged

Domestic inflation has changed little since August, remaining elevated at 2.1% in November (August: 2.2%; cf. chart 4.2). Inflation for domestic goods decreased once again and offset the rise in inflation for domestic services.

Domestic goods inflation came to 3.7% in November, having stood at 4.9% in August, while domestic services inflation rose from 1.4% to 1.7%, largely as a result of higher rents.

Higher rent inflation

Housing rent inflation rose from 1.6% in August to 2.4% in November (cf. chart 4.3). The rise in rent inflation is due to the reference rate increase from 1.25% to 1.5% at the beginning of June.

Inflation for domestic services excluding housing rents advanced from 1.2% in August to 1.3% in November. While inflation for public services stood at the same level in November as in August (0.0%), inflation for private domestic services excluding housing rents climbed from 1.7% to 1.8% in the same period (cf. table 4.1).

Core inflation almost unchanged

Both core inflation rates have remained practically unchanged since August. Core inflation, as measured by the SNB's trimmed mean (TM15), decreased from 1.4% in August to 1.3% in November, while the SFSO core inflation rate 1 (SFSO1) dropped from 1.5% to 1.4% during the same period (cf. chart 4.4). The two rates thus stayed within the range consistent with price stability.

PRODUCER AND IMPORT PRICES

Lower inflation for producer and import prices

Inflation for producer and import prices decreased from -0.8% in August to -1.3% in November (cf. chart 4.5). The decline was due to both import prices and producer prices. The inflation rate for import prices was down from -4.1% in August to -4.8% in November, while that for producer prices declined from 1.0% to 0.6% . The main drivers of the decrease in inflation were energy products and capital goods in the case of import prices, and energy products and intermediate goods in the case of producer prices.

INFLATION EXPECTATIONS

Short-term inflation expectations largely unchanged

The indicators for short-term inflation expectations changed little and presented a mixed picture this quarter.

The index on the expected development of prices over the next twelve months – which is based on the survey of consumer sentiment conducted by SECO – rose again slightly (cf. chart 4.6). The survey conducted in September indicated that just under four-fifths of households anticipated an increase in prices in the short term.

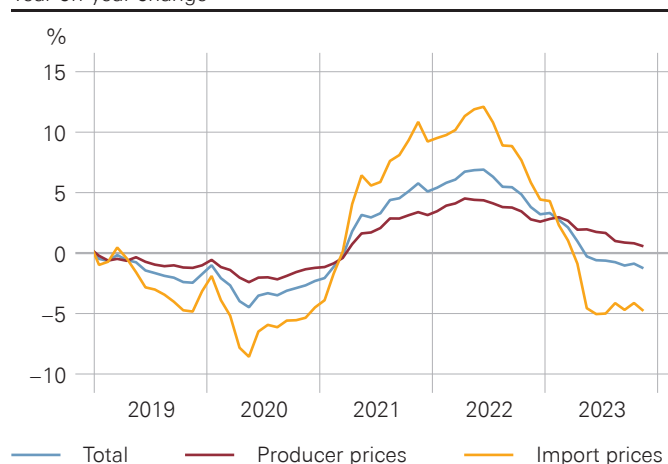
However, the index based on the joint monthly financial market survey by UBS and the CFA Society Switzerland was virtually unchanged and remained in negative territory (cf. chart 4.6). According to the November survey, the share of respondents expecting inflation to rise in the next six months was still lower than the share of those anticipating a decline in inflation.

In the talks conducted by the SNB's delegates for regional economic relations this quarter, companies expected inflation to fall again in the short term (cf. chart 9 in 'Business cycle signals'). The expected annual inflation rate for the next six to twelve months stood at 1.8% , compared with 2.0% in the previous quarter.

Chart 4.5

PRODUCER AND IMPORT PRICES

Year-on-year change



Source(s): SFSO

Chart 4.6

SHORT-TERM PRICE AND INFLATION EXPECTATIONS

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

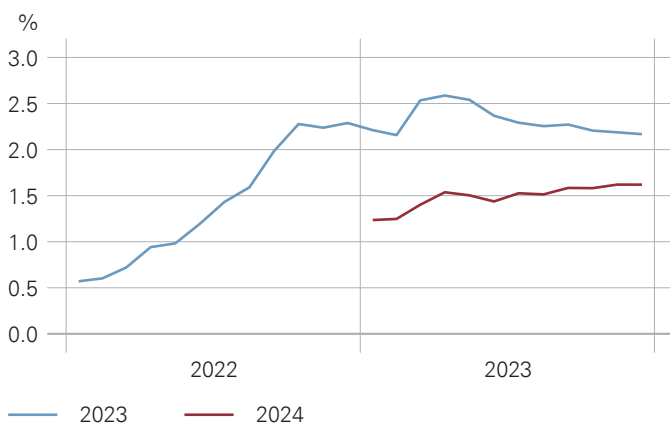


Source(s): CFA Society Switzerland, UBS, SECO

Chart 4.7

SHORT-TERM INFLATION EXPECTATIONS FROM CONSENSUS ECONOMICS

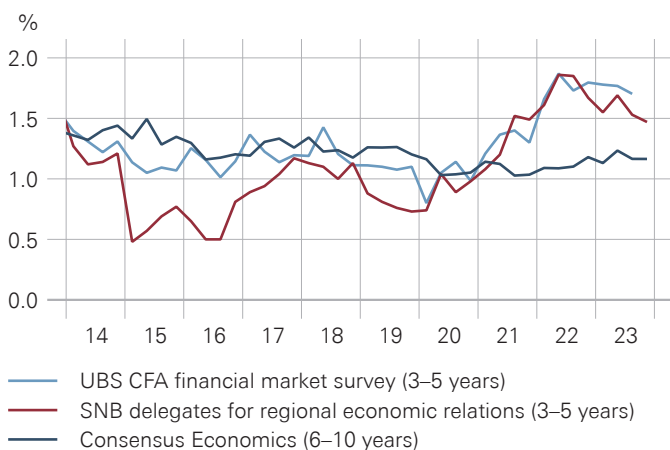
Monthly forecasts for annual inflation



Source(s): Consensus Economics Inc.

Chart 4.8

MEDIUM AND LONG-TERM INFLATION EXPECTATIONS



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

The forecast of the banks and economic institutions participating in the monthly survey conducted by Consensus Economics for expected inflation in 2023 remained stable and stood at 2.2% in December (cf. chart 4.7). For 2024, the panel of experts anticipated a year-on-year reduction in inflation to 1.6%.

Longer-term inflation expectations consistent with price stability

Longer-term inflation expectations saw virtually no change.

For UBS CFA financial market survey respondents, average inflation expectations for a time horizon of three to five years were down slightly in September, at 1.7%, compared to 1.8% in the previous quarter (cf. chart 4.8). In the fourth quarter, company representatives interviewed by the SNB's delegates once again put inflation for the same time frame at 1.5%.

According to the Consensus Economics survey conducted in October, the long-term inflation expectations of participating banks and economic institutions remained at 1.2%.

Survey results on medium and long-term inflation expectations were thus still within the range consistent with price stability, which the SNB equates to a rise in the CPI of less than 2% per year.

5

Monetary developments

Yields on long-term Confederation bonds were markedly lower than at the time of the September monetary policy assessment. The Swiss franc appreciated moderately on a trade-weighted basis. In mid-December, prices on the Swiss stock market were somewhat higher compared with mid-September.

Growth rates in the broad monetary aggregates remained negative. Growth in bank lending weakened further over the past quarter.

MONETARY POLICY MEASURES SINCE SEPTEMBER 2023 ASSESSMENT

Monetary policy unchanged

At its monetary policy assessment of 21 September 2023, the SNB decided to leave its policy rate unchanged at 1.75%. The significant tightening of monetary policy over recent quarters has countered remaining inflationary pressure. The SNB did not rule out that a further tightening of monetary policy may become necessary to ensure price stability over the medium term. Furthermore, it confirmed its willingness to be active in the foreign exchange market as necessary so as to provide appropriate monetary conditions. In the environment at the time, the focus was on selling foreign currency.

Remuneration of sight deposits

Sight deposits up to the threshold were remunerated at an interest rate of 1.75%, while the rate for sight deposits above the threshold was 1.25%. A discount of 0.5 percentage points relative to the SNB policy rate thus continued to apply to sight deposits above the threshold. Together with the absorption of sight deposits via open market operations, this tiered remuneration of sight deposits ensures that monetary policy will be passed through efficiently to interest rates in the money market overall.

Adjustments to remuneration of sight deposits

As of 1 December 2023, the SNB made two adjustments to the remuneration of sight deposits.¹ First, it lowered the threshold factor from 28 to 25. Second, sight deposits which are held to meet minimum reserve requirements will no longer be remunerated. These adjustments ensured that monetary policy implementation remains effective and reduced interest costs for the SNB. The changes have no impact on the monetary policy stance.

Absorption of sight deposits via repo transactions and SNB Bills

Since the monetary policy assessment in September 2023, the SNB has continued to absorb sight deposits by way of repo transactions and the issuance of SNB Bills. For this purpose, repo transactions with a term of one week were auctioned daily, while SNB Bills with terms ranging from a month to a year were auctioned on a weekly basis. By absorbing sight deposits, the SNB reduced the liquidity supply in the money market, and thus ensured that the secured short-term Swiss franc money market rates remained close to the SNB policy rate. Since the September assessment, outstanding liquidity-absorbing repo transactions have averaged CHF 58.1 billion. In the same period, the average level of outstanding SNB Bills amounted to CHF 86.0 billion.

Sight deposits at the SNB virtually constant

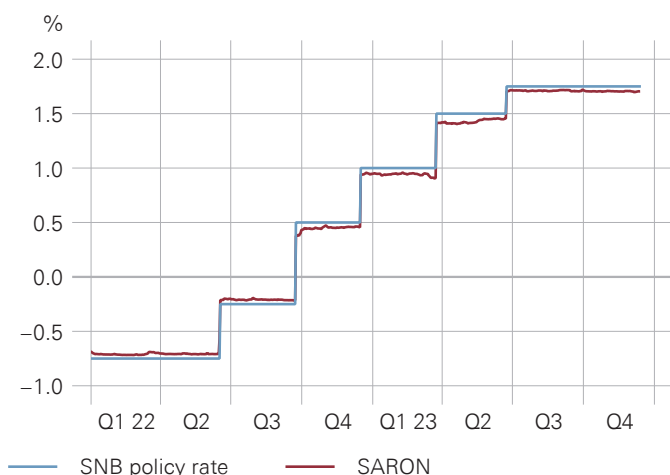
Sight deposits held at the SNB have remained more or less unchanged compared with the September assessment. In the week ending 8 December (last calendar week before the assessment of December 2023), they amounted on average to CHF 471.7 billion. This was marginally lower than in the week ending 15 September, the last calendar week preceding the September 2023 assessment (CHF 473.0 billion). Between these two assessments, they averaged CHF 475.5 billion. Of this amount, CHF 466.2 billion were sight deposits of domestic banks and the remaining CHF 9.3 billion were other sight deposits.

Statutory minimum reserves averaged CHF 21.4 billion between 20 August 2023 and 19 November 2023. Overall, banks still exceeded the minimum reserve requirement by CHF 448.8 billion (previous period: CHF 468.5 billion). Banks' excess reserves thus remain very high.

¹ Cf. press release 'SNB adjusts remuneration of sight deposits' of 30 October 2023.

Chart 5.1

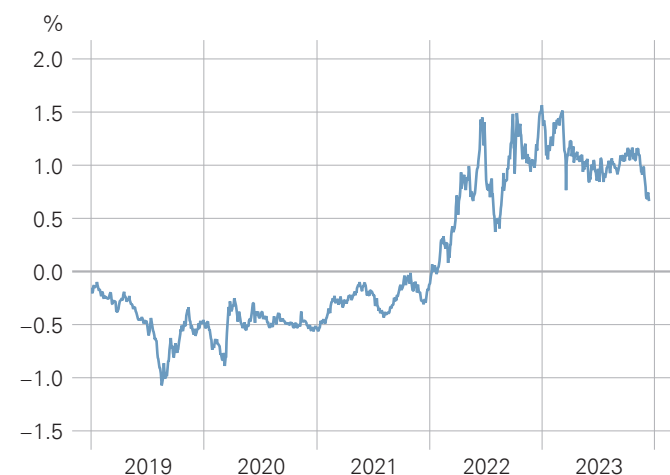
SNB POLICY RATE AND SARON



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

Chart 5.2

10-YEAR SWISS CONFEDERATION BOND YIELD

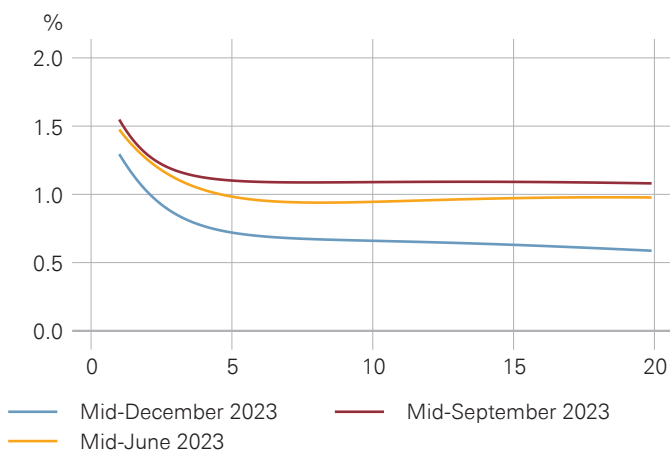


Source(s): SNB

Chart 5.3

TERM STRUCTURE OF CONFEDERATION BONDS

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



Source(s): SNB

MONEY AND CAPITAL MARKET INTEREST RATES

SARON close to SNB policy rate

At its September monetary policy assessment, the SNB left its policy rate unchanged at 1.75%. SARON – the average overnight interest rate on the secured money market – subsequently also continued to fluctuate within a narrow range close to the SNB policy rate (cf. chart 5.1). In mid-December, it stood at 1.70%.

Long-term yields significantly lower

The yield on ten-year Confederation bonds fell from 1.1% at the time of the September assessment to just under 0.7% by mid-December (cf. chart 5.2). During the fourth quarter, yields on ten-year Confederation bonds initially increased marginally. From November, surprisingly low inflation data in the euro area and the US fuelled expectations among market participants that monetary policy would be eased earlier in the major currency areas. This resulted in a marked decline in long-term yields on government bonds worldwide.

Downward shift in yield curve, still inverted

Confederation bond yields have fallen across all maturities since the September assessment, with longer-term bonds exhibiting the most pronounced decline. This has accentuated the inversion of the yield curve (cf. chart 5.3). In mid-December, the difference between yields on ten-year and two-year Confederation bonds was almost –0.3 percentage points, compared with –0.2 percentage points in mid-September.

Real interest rates somewhat lower

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

Long-term real interest rates in mid-December were somewhat below their mid-September levels, given that long-term nominal interest rates were lower and long-term inflation expectations remained practically unchanged (cf. chapter 4).

EXCHANGE RATES

Swiss franc stronger against euro and US dollar

Compared with the last monetary policy assessment in September, the Swiss franc appreciated against both the euro and the US dollar (cf. chart 5.4). In mid-December, one euro was worth around CHF 0.94, while one dollar was CHF 0.88.

Immediately after the September assessment, the Swiss franc initially depreciated slightly against the two currencies. It then strengthened again briefly in October, driven by periods of increased demand for safe investments following the outbreak of war in the Middle East. The franc weakened somewhat as demand for safe investments waned. Following the announcement of surprisingly low inflation in the euro area at the end of November, the Swiss franc appreciated again against the euro.

Up to mid-November, the Swiss franc's momentum against the US dollar had been similar to that against the euro. Then, the lower-than-expected inflation rate in the US and the associated market expectations of US monetary policy being eased earlier in the coming year contributed to the dollar's immediate depreciation against most currencies. Up to mid-December, the dollar subsequently weakened somewhat further against the franc.

Trade-weighted Swiss franc exchange rate up some 1.5%

Since the monetary policy assessment in September, the trade-weighted Swiss franc exchange rate has moved largely in line with the above-mentioned momentum against the euro and the US dollar (cf. chart 5.5). In mid-December, the trade-weighted Swiss franc exchange rate was some 1.5% higher than in mid-September.

Overall, in the period under review, the Swiss franc gained 1.5% in value against the euro (index weighting almost 40%) and just under 2.5% against the US dollar (index weighting 17%). The franc also gained around 1% in value against the yen (index weighting 2.7%), the pound sterling (index weighting 7.5%) and the renminbi (index weighting 8.6%).

Real external value largely unchanged

Having consistently gained in value since the end of 2022, the Swiss franc has stabilised on a real, trade-weighted basis since September (cf. chart 5.6). However, owing to the ongoing inflation differential between Switzerland and other countries, real appreciation this year was less pronounced than nominal appreciation.

Chart 5.4

EXCHANGE RATES



Source(s): SNB

Chart 5.5

NOMINAL EXTERNAL VALUE OF SWISS FRANC

Index, September 2023 monetary policy assessment = 100



Source(s): SNB

Chart 5.6

REAL EXTERNAL VALUE OF SWISS FRANC

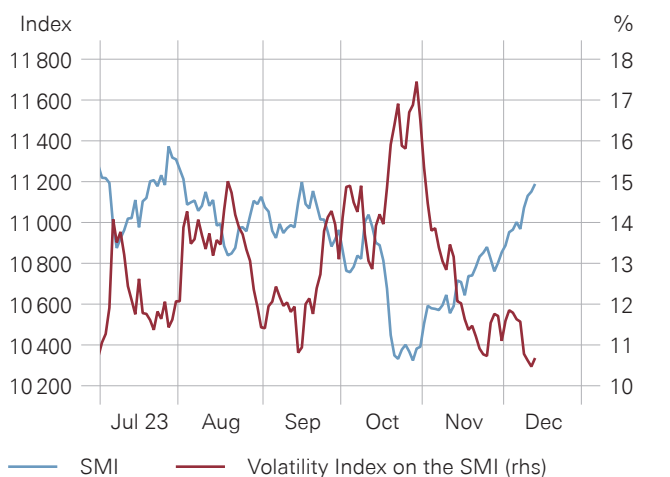
Index, December 2000 = 100



Source(s): SNB

Chart 5.7

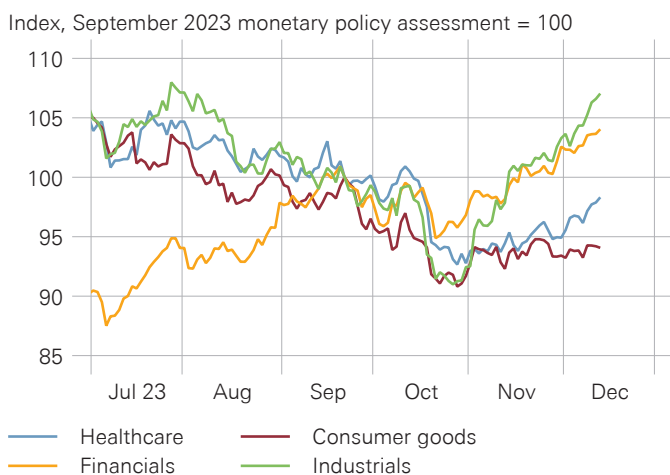
SHARE PRICES AND VOLATILITY



Source(s): SIX Swiss Exchange Ltd

Chart 5.8

SELECTED SPI SECTORS

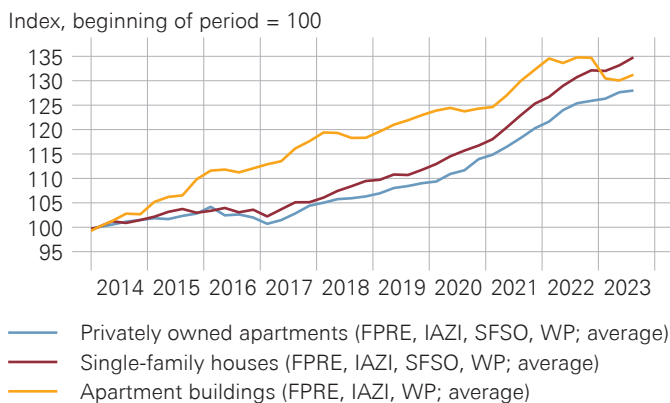


Source(s): SIX Swiss Exchange Ltd

Chart 5.9

TRANSACTION PRICES FOR RESIDENTIAL REAL ESTATE

Nominal (hedonic)



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

SHARE AND REAL ESTATE PRICES

Somewhat higher Swiss share prices

Since the monetary policy assessment in September, the Swiss Market Index (SMI) has largely followed global developments (cf. chapter 2). The outbreak of war in the Middle East caused share prices to fall in October. However, from the end of October, market expectations of a potential easing of monetary policy in the major currency areas triggered a countermovement (cf. chart 5.7). In mid-December, the SMI was some 1% above its mid-September level.

Stock market volatility moves inversely to share prices

The volatility index derived from options on SMI futures contracts is an indicator of how investors gauge uncertainty on the stock market (cf. chart 5.7). This index was negatively correlated with the SMI. In October, the volatility index rose substantially as a result of the conflict in the Middle East. From the end of October, expectations of an earlier easing of monetary policy came to the fore, which helped to decrease uncertainty and reduce risk aversion. This was reflected in a considerable decline in the index.

Movements in sector indices mixed

Chart 5.8 shows the movements of important sector indices in the broad-based Swiss Performance Index (SPI). While share prices of industrials and financials made a full recovery from temporary price declines in October, the indices for consumer goods companies and healthcare companies in mid-December were down almost 6% and 2%, respectively, compared to mid-September.

Momentum in residential real estate prices subdued

Transaction prices for privately owned apartments and single-family houses rose in the third quarter of 2023. Overall, however, momentum was weaker than in previous years (cf. chart 5.9). Although the apartment buildings segment – which includes residential investment property of private and institutional investors – registered a slight increase in prices in the third quarter, prices were still lower than a year ago.

MONETARY AND CREDIT AGGREGATES

Little change to monetary base

Between May and August, the monetary base – which consists of banknotes in circulation and sight deposits of domestic banks held at the SNB – initially fell markedly. This decline mainly reflected the development of domestic banks' sight deposits held at the SNB due to the repayment of liquidity assistance provided to Credit Suisse and the SNB's open market operations. The monetary base has changed only little since August. In November, it averaged CHF 540.3 billion (cf. chart 5.10), and was thus down by around CHF 2.0 billion on August.

Broad monetary aggregates contract

Annual growth rates for the broad monetary aggregates have remained negative over the past three months (cf. table 5.1). In November, the M1 aggregate (currency in circulation, as well as sight deposits and transaction accounts of resident bank customers) fell by 18.7% year-on-year, compared with 17.8% in August. During the same period, M2 (M1 plus savings deposits) contracted by 13.6%, while M3 (M2 plus time deposits) decreased by 3.3% year-on-year, compared with 13.1% and 2.1%, respectively, in August.

Slowdown in mortgage claims growth

Banks' mortgage claims, which make up roughly 85% of all bank lending to domestic customers, were up 2.7% year-on-year in the third quarter of 2023, having increased by an annualised 3.1% in the previous quarter and by 3.4% in the first quarter (cf. table 5.1). Mortgage growth thus slowed further. This slowdown is attributable to mortgage lending to households and to private companies alike.

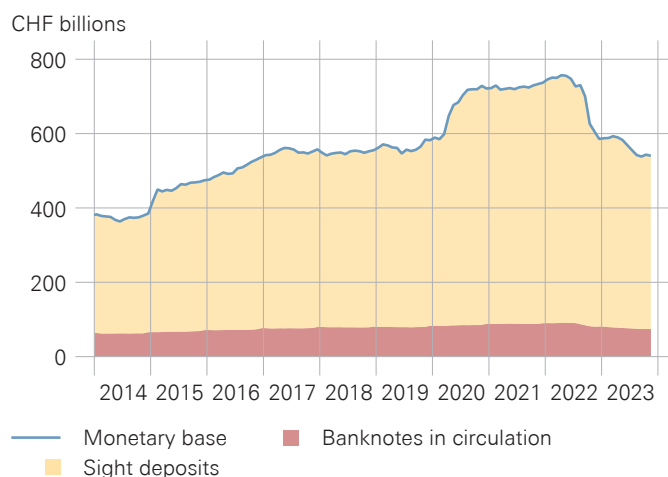
In line with interest rate movements in the capital market, published interest rates for fixed-rate mortgages have fallen somewhat in recent months. The ten-year mortgage interest rate decreased to 2.8% in October, but remained close to the figures recorded in the previous months (cf. chart 5.11). Money market mortgage rates also saw little change in the third quarter of 2023, having risen significantly since the end of September 2022 as a result of the SNB increasing its policy rate.

Decline in other loans

Other loans are considerably more volatile than mortgage loans (cf. chart 5.12). They contracted in the third quarter of 2023 by an annualised 5.3%. The volume of secured other loans has declined further since the beginning of 2022, which is attributable to repayments of COVID-19 loans to the value of CHF 10 billion. In mid-September, it was estimated that approximately CHF 6 billion in COVID-19 loans was still outstanding. The volume of unsecured other loans has remained largely stable since 2020, with fluctuations primarily reflecting developments in other loans to financial companies.

Chart 5.10

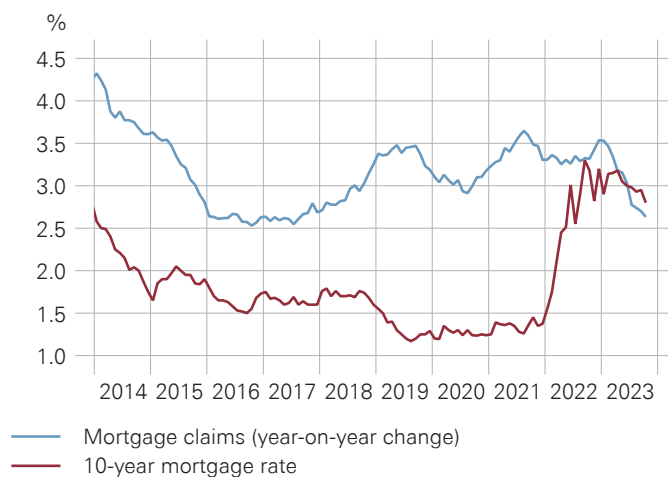
MONETARY BASE



Source(s): SNB

Chart 5.11

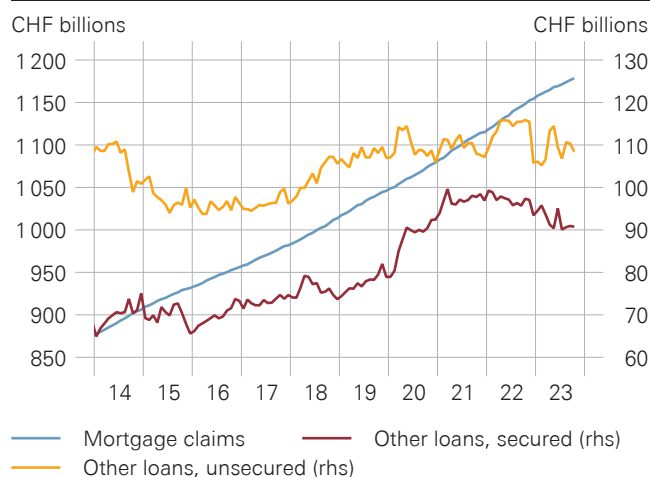
MORTGAGE CLAIMS AND INTEREST RATES



Source(s): SNB

Chart 5.12

MORTGAGE CLAIMS AND OTHER LOANS

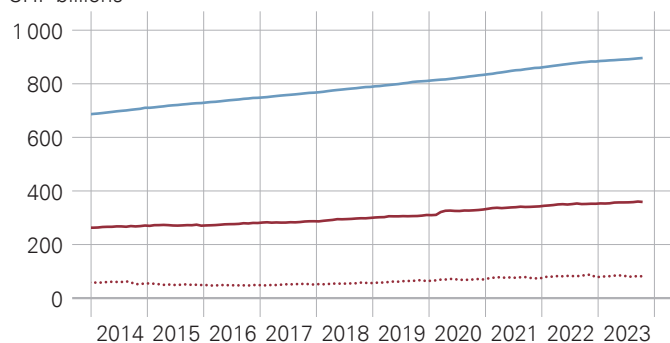


Source(s): SNB

Chart 5.13

LOANS TO HOUSEHOLDS AND COMPANIES

CHF billions



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

Source(s): SNB

Lending growth by sector

Bank loans to households and non-financial companies continued to grow on an annual basis (cf. chart 5.13). At the end of October 2023, loans to households recorded a year-on-year increase of CHF 14.9 billion (1.7%) and loans to non-financial companies a rise of CHF 7.5 billion (2.1%). Loans to financial companies, by contrast, decreased in the same period by CHF 4.9 billion (down 5.7%).

Table 5.1

MONETARY AGGREGATES AND BANK LOANS

Year-on-year change in percent

	2022	2022	2023			2023		
		Q4	Q1	Q2	Q3	Sep	Oct	Nov
M1	2.3	-0.6	-7.0	-12.1	-17.5	-18.2	-17.8	-18.7
M2	-0.2	-2.0	-5.8	-9.3	-12.8	-13.4	-13.0	-13.6
M3	0.3	0.3	-0.1	-0.9	-2.2	-2.8	-2.6	-3.3
Bank loans, total ^{1,3}	3.1	3.1	2.2	2.0	1.5	1.5	1.2	
Mortgage claims ^{1,3}	3.3	3.4	3.4	3.1	2.7	2.7	2.6	
Households ^{2,3}	3.0	2.9	2.6	2.3	1.9	1.8	1.8	
Private companies ^{2,3}	4.2	4.9	5.7	5.5	5.1	5.2	4.9	
Other loans ^{1,3}	1.9	1.5	-4.4	-4.0	-5.3	-4.7	-6.6	
Secured ^{1,3}	-0.1	-1.8	-3.8	-5.4	-5.6	-5.0	-6.8	
Unsecured ^{1,3}	3.6	4.5	-5.0	-2.9	-5.1	-4.5	-6.5	

1 Monthly balance sheets (domestic bank offices, positions vis-à-vis domestic non-banks, all currencies).

2 Credit volume statistics (domestic bank offices, positions vis-à-vis domestic non-banks, all currencies).

3 Growth rates for the bank loans item and its components include information provided by banks on changes in their classification practices. Consequently, they may deviate from growth rates published on the SNB's data portal, data.snb.ch.

Source(s): SNB

Business cycle signals

Results of the SNB company talks

Fourth quarter of 2023

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

The appraisals presented here are based on discussions between the SNB's delegates for regional economic relations and members of management at companies throughout Switzerland. In its evaluation, the SNB aggregates and interprets the information received. A total of 239 company talks were conducted between 10 October and 28 November.

Regions

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

Delegates

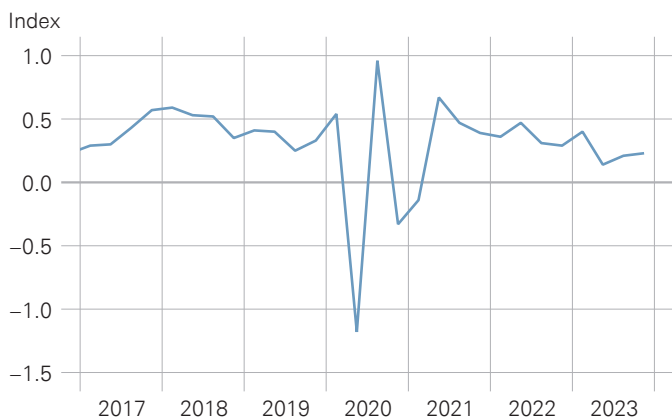
Astrid Frey
Urs Schönholzer
Aline Chabloz
Jean-Marc Falter
Fabio Bossi
Roland Scheurer
Daniel Hanimann
Marco Huwiler

Key points

- Growth in the Swiss economy was modest in the fourth quarter. There were moderate increases in turnover in the services sector and construction. Manufacturing, by contrast, saw business activity stagnate.
- Utilisation of technical capacity in manufacturing declined markedly. In many places, companies significantly reduced their order backlogs that had still been good in the previous quarters.
- Staff shortages have eased somewhat but hiring specialist staff continues to require considerable effort.
- Given the decline in inflation and subdued business activity, companies expect wage growth to slow to around 2% in the coming year.
- In most cases profit margins are at a solid level. However, the renewed increase in competition due to the weak development of demand is reducing the latitude in pricing.

Chart 1

TURNOVER COMPARED TO PREVIOUS QUARTER



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

Source(s): SNB

Chart 2

CAPACITY UTILISATION



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

Source(s): SNB

CURRENT SITUATION

Growth in turnover modest

Real turnover growth, in other words turnover growth adjusted for price changes, remained modest in the fourth quarter (cf. chart 1). Developments in manufacturing, the services sector and construction varied greatly, however.

There were moderate quarter-on-quarter increases in turnover in the services sector and construction. Companies with a focus on digitalisation or sustainability are benefiting from continued strong demand. Business in the financial industry and at fiduciary and consulting companies also developed positively for the most part. The trade industry and hospitality, on the other hand, saw hardly any increase.

Large sections of manufacturing are facing a decline in incoming orders, meaning that the level of turnover can only be maintained thanks to the good order backlog from previous quarters. Export-oriented manufacturing companies are suffering as a result of the economic weakness in their sales markets. Demand from Europe, especially Germany, remains subdued. In addition, sales in China are proving difficult for many companies. By contrast, companies describe the development of turnover in the US as comparatively robust.

Additional curbing effect from high inventory levels

Companies are frequently observing that demand, which is already weak, is being curbed further by customers reducing their inventories. Inventory levels had been increased in recent years to improve companies' ability to deliver in the face of procurement bottlenecks. Given that the procurement situation has largely returned to normal, and that the cost of capital and thus of warehousing has risen, half of the manufacturing companies interviewed describe their inventories as comparatively high. In the current environment, they are only managing to reduce inventories very gradually.

Utilisation of production capacity declining

Modest demand and reductions in order backlogs mean that utilisation of production capacity is declining (cf. chart 2). In manufacturing, capacity utilisation has decreased significantly to below-average levels. In the services sector, infrastructure utilisation has only declined slightly and mostly remains at a normal level.

Decreasing staff shortages and somewhat easier recruitment

The staffing situation has eased somewhat (cf. chart 3). While services companies are still suffering from a lack of staff, manufacturing is no longer experiencing a general shortage. For some manufacturing companies, staffing levels are too high in the current downturn, and they are thus resorting to or considering short-time working.

Recruitment difficulties still exist but are regarded as being somewhat less pronounced. Some companies have noted an increase in unsolicited applications. The recruitment of unskilled labour is now relatively unproblematic. By contrast, specialised job profiles in engineering and IT are still hard to fill, as are positions for experienced specialists in general. There is a broad consensus that these shortages are structural in nature.

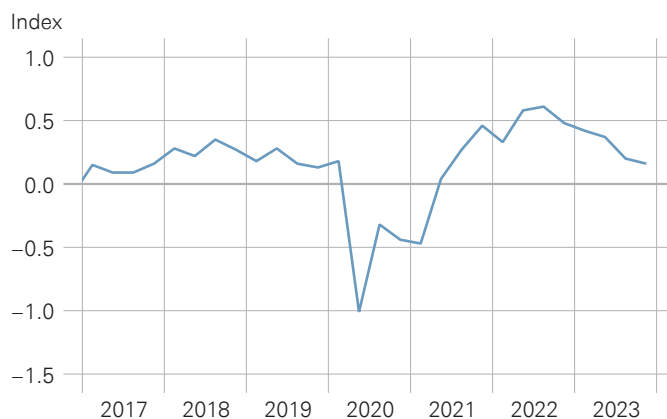
Solid profit margins and stable liquidity situation

Margins have declined slightly but remain at a solid level (cf. chart 4). The majority of companies have no difficulty in making the necessary investments from their profits. The margin situation remains tight for export-oriented companies that are exposed to intensified price competition because of the weak global economy and the firm Swiss franc. At the same time, some manufacturing companies are able to benefit from better purchasing conditions and thus maintain their margins.

Most companies view their liquidity situation as being comfortable. However, a few mention that elevated inventories are a strain on liquidity as they tie up capital. Access to credit is still not a problem for the majority of companies, even with higher interest rates.

Chart 3

STAFF SHORTAGES



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

Source(s): SNB

Chart 4

CHARACTERISATION OF MARGINS



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

Source(s): SNB

DEVELOPMENTS IN INDIVIDUAL INDUSTRIES

Weakness in manufacturing

The global slowdown in manufacturing is affecting different industries to varying degrees.

Parts of the textile industry as well as mechanical engineering and metal construction are experiencing a markedly weak development. Turnover is disappointing for many suppliers to the automotive industry in particular. Producers of intermediate goods such as plastics, glass and packaging materials are also facing weak demand. In addition, the watchmaking industry is experiencing slower growth.

By contrast, companies in the medical technology and pharmaceutical industries are experiencing positive, albeit slightly below-average, momentum. These industries are providing support for some suppliers as well. There is also increased demand for goods related to aviation and the defence industry.

Business at manufacturers of food and other consumer goods is mixed. In general, losses in purchasing power are having a curbing effect. On the other hand, some Swiss products in the premium segment continue to enjoy unbroken popularity on the international markets.

Hardly any growth in trade and logistics

While retail companies are seeing solid demand for everyday items, in the case of food consumers are increasingly switching to cheaper product lines. Customers are showing restraint when it comes to buying durable goods such as clothing and electronics.

For the motor vehicle trade, the supply situation is favourable again, which is supporting turnover. Nevertheless, dealers are feeling the effects of customers' reluctance to place new orders owing to lower purchasing power and increases in leasing interest rates and car prices. A degree of uncertainty regarding the choice of drive technology is also having a curbing effect.

Wholesalers and logistics companies are seeing hardly any positive impetus. Many companies are citing full warehouses and slow final demand. After very positive developments in the last two years, commodity traders are seeing a certain normalisation of turnover and profits.

Hotel industry successful – little impetus in food services

The hotel industry is satisfied with occupancy rates and the earnings situation. In the upmarket segment in particular, profit margins – with few exceptions – are underpinned by high price levels. Demand is broad-based in regional terms and particularly strong from the US. The main group travellers are from India. Travel business from China is still subdued. The war in the Middle East has not led to hotel cancellations, but the fragile geopolitical situation is seen as a risk.

The food services industry is largely satisfied with business activity, but there is still no clear positive impetus. In particular, bookings for corporate events are considered to be subdued. However, there was a short-term boost to business in locations experiencing warm autumn weather.

Robust business activity in the financial and ICT industries

The financial industry continues to report positive business activity. Domestically focused financial services providers are benefiting from profitable interest business, although competition for deposits is gradually emerging, putting pressure on liability margins. The robust real estate market is also having a supportive effect. While homebuyers are displaying increased price sensitivity, there has been no substantial slowdown. At the same time, the performance of the trading and commission business has been diminished by the uncertain stock market environment. Instead of trading shares or high-risk investment products, many clients are remaining fairly passive.

Demand in the ICT industry also remains robust overall. Key growth drivers are investments in cybersecurity, cloud computing, data analytics and artificial intelligence. Both private companies and public institutions often rely on support from external service providers for these technologies. However, customers in manufacturing, especially those for whom Germany is an important sales market, are showing a certain reluctance to invest.

Demand for healthcare services remains high. However, the industry is suffering from a pronounced shortage of specialist staff and many hospitals from a lack of profitability. Expanding services when there is little latitude in pricing poses a challenge.

Solid capacity utilisation in construction

Construction companies report solid capacity utilisation. An important source of support is the public sector, particularly in civil engineering, but also thanks to new construction and renovation of schools, administrative buildings or health and care facilities. In addition, the need for energy-efficient renovation remains high in both residential and commercial construction. Residential construction is profiting from robust demand, but its momentum is being slowed by higher interest rates and protracted approval procedures.

OUTLOOK

Subdued business outlook

The business outlook remains subdued. Overall, companies expect only a slight increase in turnover for the next two quarters (cf. chart 5). In manufacturing in particular, the decline in order books and high inventory levels are causing concern. Some companies see an end to the inventory cycle but generally they expect only a hesitant recovery in demand.

Despite the modest growth outlook overall, companies are planning to increase investment volume. The need for investment in automation and IT infrastructure remains persistently strong, as does the trend to investment in sustainable and energy-efficient technologies. However, in manufacturing in particular, companies have just completed major investment projects and are now holding off on further phases of expansion.

Further increases in staff numbers are also planned, particularly at services companies (cf. chart 6). Despite a slight easing in the recruitment situation, however, it is often uncertain whether it will be possible to find staff with the right qualifications.

Given the lower level of inflation and the subdued business outlook, companies expect wage growth to weaken to a certain extent, the current assumption being an average rise of 2% in 2024 after 2.3% this year.

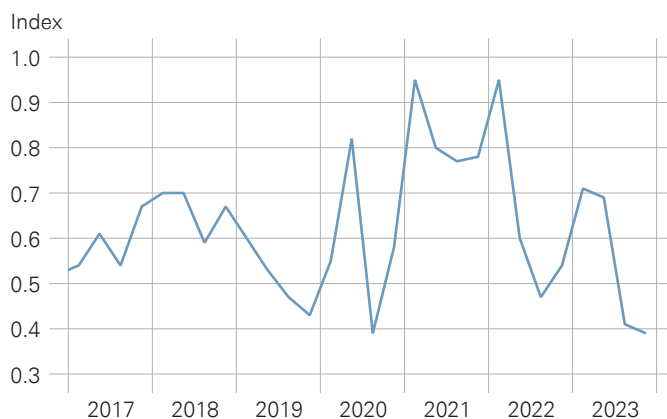
Little change in purchase prices, moderate rise in sales prices

Most companies envisage only minor changes in purchase prices in the coming two quarters (cf. chart 7). While some services companies are still anticipating slight increases, the representatives of manufacturing companies are tending to expect purchase prices to fall slightly.

Companies expect their sales prices to develop somewhat more dynamically. Almost half want to increase them. Companies are primarily citing higher wage and energy costs as the reasons for the planned rises. The increase in VAT rates at the beginning of 2024 will also lead to higher sales prices. However, the rises in sales prices are likely to be moderate for most companies, as they are once again facing more intense price competition.

Chart 5

EXPECTED TURNOVER



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

Source(s): SNB

Chart 6

EXPECTED EMPLOYMENT



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

Source(s): SNB

Chart 7

EXPECTED CHANGE IN PURCHASE AND SALES PRICES

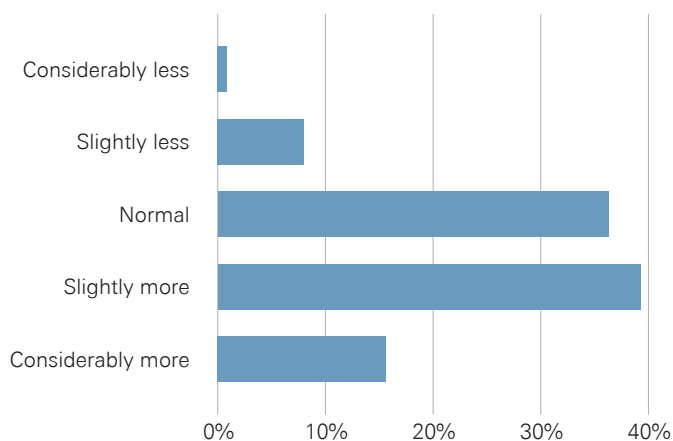


Expected price development for the next 12 months. Positive (negative) index values indicate higher (lower) prices are expected.

Source(s): SNB

Chart 8

UNCERTAINTY



Uncertainty about development of business over the next two quarters.

Source(s): SNB

Elevated uncertainty

Companies view the uncertainty as to the development of turnover in the coming quarters as elevated (cf. chart 8). A growing number are concerned about the economic outlook. The focus has again shifted to the geopolitical situation. Switzerland's relationship with the EU is also causing uncertainty. In addition, there is latent concern that the stronger industrial policies of the major economies will lead to competitive disadvantages for Swiss companies.

The labour shortage has eased recently. However, the structural shortage of skilled labour, partly due to demographic trends, continues to cause concern in many industries and is described by a number of companies as the greatest challenge. Many are not just trying to increase their attractiveness as a place to work, but are also expanding their internal training and further education programmes, as well as investing in process optimisation and digitalisation. Companies whose staff levels are too high are cutting jobs cautiously to avoid a loss of know-how and to be able to cope with foreseeable retirements.

On a positive note, companies are now assuming that the energy supply will be stable this winter. Disruptions in supply chains are also hardly an issue any more.

INFLATION EXPECTATIONS

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

Short-term inflation expectations as measured by the consumer price index are slightly lower: The average for the next six to twelve months is now 1.8%, compared with 2.0% in the previous quarter (cf. chart 9). Inflation expectations over a three to five-year horizon remain unchanged at 1.5%.

Chart 9

EXPECTED INFLATION



Source(s): SNB

About this report

Approach

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

Over 200 companies are visited every quarter. The selection of companies reflects the industrial structure of the Swiss economy based on GDP and employment. Industries subject to stronger cyclical fluctuations are somewhat over-represented, while the public administration and agriculture are not taken into consideration. As a rule, the companies in the sample have at least 50 employees. Different companies are visited from one quarter to the next.

In the talks, the SNB's delegates capture primarily qualitative information. The discussions are nevertheless structured in such a way as to allow the delegates to grade part of the qualitative information received according to a numeric scale. This enables the results to be aggregated and represented graphically.

The five-tier scale ranges from 'substantially higher' or 'much too high' (+2), 'slightly higher' or 'somewhat high' (+1), 'the same' or 'normal' (0), 'slightly lower' or 'somewhat low' (-1), to 'substantially lower' or 'much too low' (-2).

Interpreting the charts

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

Additional information

Further information on the 'Business cycle signals' report is available at www.snb.ch, News & Publications.

Acknowledgements

The SNB would like to thank the representatives from around 900 companies that have consented to take part in interviews with the delegates for regional economic relations during the course of 2023. 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++ Group
a&f systems ag
A.H. Meyer & Cie AG
Aargauische Kantonalbank
ABB Schweiz AG
ABCD Ciné-Dance SA
Abicht Gruppe
Abraxas Informatik AG
Acer Europe SA
Acutronic Schweiz AG
adidas sport gmbh
Aebi & Vincent Architekten
SIA AG
Aequator AG
AG Cilander
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APP Unternehmens-
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Banque Audi (Suisse) SA
Banque Cantonale de
Fribourg
Banque Cantonale de
Genève
Banque Cantonale du Jura
Banque Cantonale du Valais

Banque Cantonale Neu-
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Banque de Commerce
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C

C. Vanoli AG
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Canonica SA
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Carpenteria Alpina SA
Carte Blanche SA
CAS Gruppe AG
Caterpillar Sàrl
Caviar House Airport
Premium (Suisse) SA
CBH Compagnie bancaire
helvétique SA
CCL Label AG
Cedes AG

Cendres + Métaux SA	Duscholux AG	Express Personal AG	GE
Censi Group	E	EY Schweiz AG	Geberit AG
Centre patronal	E. Gutzwiller & Cie	F	Gebrüder Knie, Schweizer
Cercle des Agriculteurs	Banquiers	F. Hoffmann-La Roche AG	National-Circus AG
de Genève et Environs	E. Kamm AG	F. Hunziker + Co AG	Gehri Rivestimenti SA
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Christen AG	e+h Services AG	Palace	Geoinfo Group AG
Christian Cavegn AG	ebi-pharm ag	Faro-Reinigungen AG	Geomagworld SA
Cilag AG	Ebnat AG	FAS Medic SA	Georg Utz Holding AG
CIM Banque SA	EBP Schweiz AG	Faucherre Transports SA	Gerber und Troxler Bau AG
Cisel Group	Ecolab (Schweiz) GmbH	Faulhaber SA	Gesitronic SA
CKW AG	Edmond de Rothschild	Federtechnik Group AG	Gewerbe-Treuhand AG
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comparis.ch	EGS Sécurité SA	Getränke AG	Gimmel Rouages SA
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Congress Kursaal	School	Ferroflex Group AG	Globetrotter Travel
Interlaken AG	Einstein St. Gallen	Ferrum AG	Service AG
Conica AG	EJOT Schweiz AG	Filature de laine peignée	Globus Travel Services SA
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dbi services SA	e-novinfo Sàrl	Frontify AG	Groupe Kudelski
De Rham & Cie SA	Entreprises et Domaines	Frutta Banfi SA	Groupe Nordmann
Décovi SA	Rouvinez Holding SA	futura Ristoranti	Fribourg
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Habib Bank AG Zurich
Haco AG
Haeusler AG Duggingen
Hager AG
HakaGerodur AG
Hamilton Bonaduz AG
Hammer Auto Center AG
Hans Kohler AG
Härtere Gerster AG
Harting AG
Haslimann Aufzüge AG
Hatebur Umform-
maschinen AG
Hauri AG Staffelbach
Heimatt Gruppe
Heineken Switzerland AG
Heli TV SA
Helsinn SA
Helvetia Versicherungen
Henkel und Cie
Herzog & de Meuron
Herzog Elmiger AG
Hevron SA
Hirn Automobile
Hirslanden AG
Hitachi Energy Switzer-
land AG
HKM SA
Hocoma AG
Hoffmann Neopac AG
Homburger AG
Honegger SA
Hornbach Baumarkt
(Schweiz) AG
Hotel Belvoir
Rüschlikon AG
Hôtel Bristol, Genève
Hôtel d'Angleterre,
Genève
Hôtel de la Paix, Lausanne
Hotel des Balances,
Luzern
Hotel Federale, Lugano
Hotel Giardino Ascona
Hotel Internazionale,
Bellinzona
Hotel Julen Zermatt AG
Hotel Lenkerhof AG, Lenk
Hotel Lugano Dante SA
Hotel Schweizerhof,
Lenzerheide
Hotel Schweizerhof,
Luzern
Hotel Walter au Lac,

Lugano
Hôtel Warwick, Genève
Hotelleriesuisse
HP Gasser AG
Hug AG
Hug Baustoffe AG
Hügli Holding AG
Hugo Boss Ticino SA
Humbel Zahnräder AG
Hunziker AG
Huwiler & Portmann AG
Hyposwiss Private Bank
Genève SA

I

I.T. International Trans-
missions S.A.
id Quantique SA
Ideal-Tek SA
Idorsia AG
IFEC ingegneria SA
IM Maggia Engineering SA
Implenia Suisse SA
Indermühle Holding AG
Ineichen AG
INEOS Europe AG
Infras AG
ING
InterCheese AG
Interfida Holding SA
Interiman Group
Holding SA
Irtec SA
Iseppi Frutta SA
ISS Facility Services AG
Itten + Brechbühl AG
Ivers-Lee AG
IWB Industrielle Werke
Basel

J

J.P. Morgan (Suisse) SA
Jabil Switzerland
Manufacturing GmbH
JAG Jakob AG
Jean Cron AG
Jehle AG
JMS-Gruppe
Jobprofi GmbH
Johnson & Johnson
Jos. Berchtold AG
Jost Transport (Umzüge &
Mulden) AG
JT International SA
Jung von Matt AG

K

Kablan AG
Kaladent AG
Kambly SA

Karl Augustin AG
Karl Bubenhofer AG
Karl Geiges AG
Kasag Swiss AG
Khronos Personalberatung
Kilchenmann AG
Kindlimann AG
KKL Luzern Manage-
ment AG
Klarer Fenster AG
Knecht Brugg Holding AG
Konapharma AG
Kost Holzbau AG
KPMG
KPT Versicherungen AG
Kraftwerke Oberhasli AG
Kramer Gastronomie AG
Kühne + Nagel Inter-
national AG
Kundert AG Jona

L

Laboratoire d'analyses
médicales Dr Luc
Salamin SA
Läderach (Schweiz) AG
Lagerhäuser der
Centralschweiz AG
Laiteries Réunies Société
Coopérative
Lalive SA
Lamprecht Transport AG
Landhotel Hirschen,
Erlinsbach
Landis Bau AG
Lantal Textiles AG
Lanz-Anliker Holding AG
laRegion
Laudinella Hotel Group
LAVEBA Genossenschaft
LEM Holding SA
LEMO Group
Les Bains de Lavey SA
Les Blanchisseries
générales LBG SA
Les Toises
Let's Go Fitness
Leuchter IT Solutions AG
Liebherr Machines
Bulle SA
Lienhardt & Partner Privat-
bank Zürich AG
Linnea SA
Livit AG
Localmed & City
Notfall AG
Localnet AG
Loeb Holding AG
Lombardi SA Ingegneri
Consulenti

Lonza
Loomis Schweiz AG
L'Oréal (Suisse) SA
Luigia Group
Luzerner Kantonalbank AG

M

Maag Group
Mägerle AG Maschinen-
fabrik
Maltech Müller AG
Mancini & Marti SA
Manor
Mantu Group SA
Manufacture La Joux-
Perret SA
Maréchaux Holding AG
Marti Bauunterneh-
mung AG, Luzern
Martin Brunner
Transport AG
Matterhorn Group AG
Mätzener & Wyss
Bauingenieure AG
Maurice Montavon SA
Mavag AG
Max Studer Interim SA
Maxi Bazar SA
MB Auto Center Zug AG
MC Trans SA
McDonald's Familien-
restaurant Amacker
Philippe
McDonald's Suisse
MCI Group Holding SA
Mecaplast SA
Mediliant SA
Medisupport
Medtronic International
Trading Sàrl
Mepha Teva
Mercier SA
Merck
Mercury Mission Systems
International
Merz Chur
Messer Schweiz AG
Metallux SA
Metalor Technologies SA
Metalyss AG
Metoxit AG
Metro Boutiques AG
Metzgerei Spahni AG
Michael Page International
(Switzerland) SA
Migros
Migros Bank AG
Migros Industrie AG
Mikron SA
Mister Minit

MKS Pamp SA
Mobility Genossenschaft
Moderna Switzerland
Montagetechnik
 Berner AG
Montanstahl SA
Montres Corum Sàrl
Moovimenta AG
Morga AG
Mosmatic AG
Motomix SA
Mövenpick Gruppe
MSD Merck Sharp &
 Dohme AG
Mulhaupt & Cie SA
Multicuir SA
Mundo AG
MVC & Partners
My Leukerbad AG

N

Nachbur AG
Nanou Solutions Sàrl
Neo Advertising SA
Neoperl
NeoVac Gruppe
Netcetera
New Reinsurance
 Company
NewPlacement Academy
 GmbH
Newrest Restauration SA
Nicolas Suisse SA
Nidwaldner Kantonalbank
Nile Clothing AG
Nokia Schweiz
Norba SA
Novae Restauration
Novartis
Novelis Switzerland SA
Novo Business
 Consultants AG
Noyfil SA

O

Obwaldner Kantonalbank
Oertli Werkzeuge AG
Oettinger Davidoff AG
Officine Ghidoni SA
Oiken SA
Oleificio Sabo
OLZ AG
Optic 2000
Optimo Logistics
Orchid Sports Cars SA –
 Centre Porsche Genève
Orgapropre SA
Ortho-Team AG
Osmopharm SA
Osterwalder St. Gallen AG

Otto Fischer
Otto Hofstetter AG
Otto's AG
OWIBA AG

P

P. Sonderegger AG
Page et fils SA
Paint-Styling AG
Pallas Kliniken AG
Panoramic Gourmet AG
Parkresort Rheinfelden
 Holding AG
Parmaco Metal Injection
 Molding AG
Parterre AG
Patiswiss AG
PayrollPlus AG
Periso SA
Permamed AG
Perosa AG
Perret Sanitaire SA
Pfiffner International AG
Pfisterer Switzerland AG
Physio Clinics
Piaget SA
Pibomulti SA
Piccadilly SA
Pietro Calderari SA
Pilatus-Bahnen AG
Pistor AG
Pitec AG
Pius Schäfler AG
Plastex SA
Plastifil SA
Plumettaz SA
Polycontact AG
Polydentia SA
Pont 12 Architectes SA
Portes du Soleil Suisse SA
Portmann Garten AG
Preci-Dip SA
PriceWaterhouse-
 Coopers AG
Procter & Gamble
 Europe SA
Proderma AG
Pronto AG
Prosegur SA
PuliEco Sagl
PX Group SA

Q

Quantis
Quickline Holding AG

R

R. Audemars SA
Radisson Blu Hotel,
 Lucerne

Raoul Guyot SA
Rausch AG Kreuzlingen
RBC Schaublin
Reasco AG a member
 of WISAG
Regiobank Solothurn AG
Regionalspital Emmen-
 tal AG
Reishauer AG
Reitzel (Suisse) SA
Reka Schweizer Reise-
 kasse
Remaco Holding AG
Rémy Montavon SA
Resolve SA
Restaurants Commercio-
 Piccadilly AG, Zürich
Retraites populaires
Rhätische Bahn AG
Richnerstutz AG
Rico Sicherheits-
 technik AG
Ricola
Rieter Holding AG
Rigi Bahnen AG
Ringele AG
Ringier AG
Riri SA
Ristoranti Fred
 Feldpausch SA
Ritz Carlton Hôtel de la
 Paix, Genève
Rivopharm SA
RKB Europe SA
RLC Architekten AG
Roduit SA
Rollomatic SA
Rollvis SA
Roth Gerüste AG
Rotho Kunststoff AG
Roventa-Henex AG
RTB Corvaglia Sàrl
Ruch Metallbau AG
Rychiger AG

S

SAK Auto Kabel AG
Samsic Facility SA
Sanitas Troesch AG
Sapal SA
Sativa Rheinau AG
saw holding ag
SB Saanen Bank AG
SBB Cargo
 International AG
Scania Schweiz AG
Schatz AG
Schenk Bruhin AG
Schilliger Holz AG
Schilthornbahn AG

Schindler Aufzüge AG
Schneider & Schneider
 Architekten
Schöni Transport AG
Schurter Holding AG
Schwyzer Kantonalbank
Scrasa SA
Sefag Components AG
SEIC SA
Selectchemie AG
Sellita Watch Co SA
Selmoni Gruppe
Sepp Fässler Gruppe
 Appenzell
Service Optic Sàrl
SFI Switzerland SA
Shoppi Tivoli Manage-
 ment AG
Sicas SA
Sidler SA
Siegfried Holding AG
Sigg Switzerland
 Bottles AG
Sigrist-Photometer AG
Sigvaris AG
Sintetica SA
Sintron-Polymec AG
SIR SA
Sisag AG
Siska Immobilien AG
Sitzplatz Schweiz AG
Sketchin
Skyguide SA
Slatkine Reprints SA
SMB Medical SA
Smile Suisse SA
Smood SA
Socar Energy Switzerland
Société suisse des
 explosifs Group
Soldy Group SA
Somedia AG
Sonceboz Automotive SA
Sotax AG
Spirig AG
Spitex Genossenschaft
 Bern
Spross-Holding AG
SSI Schäfer AG
Stadthaus Nidau AG
Stahl Gerlafingen AG
Stanzwerk AG
Stark AG
STEF Suisse SA
Stewo International AG
STI Holding AG
Stiebel Eltron AG
Stihl Kettenwerk Schweiz
Stoosbahnen AG
Storchen Zürich

Straumann Group
Strellson AG
Sucafina SA
Successori di Eugenio
Brughera SA
Südpack Bioggio SA
Suisselearn Media AG
Sulzer AG
Sunrise GmbH
Surfim SA
Suter Inox AG
Sutter Begg
Swatch Group SA
Swiss Jewel Co SA
Swiss Risk & Care
swissgrid ag
Swisslog AG
Swisspearl Schweiz AG
swissQprint AG
Swissquote Bank SA
swissterminal ag
Switch
Sygma AG Liegenschaf-
tenbetreuung
Syngenta AG
Systems Assembling SA

T
T+R AG
Taddei SA
TAG-Heuer
Takeda Pharma AG
talsee AG
Tamborini Vini
Tamedia Finanz und
Wirtschaft AG
Tax Partner AG
Tecnomec SA
Tekhne SA
Tensol Rail SA
Teo Jakob AG
Teoxane SA
Terlinden Textilpflege AG
Terrani SA
The View Lugano
Thommen Gastro-
nomie AG
Thommen Medical AG
Thommen-Furler AG
Thurgauer Kantonalbank
Tiba AG
TILO SA
TMR Transports de
Martigny et Régions SA
Topakustik AG
Totem Escalade SA
Tozzo Gruppe
Trafag AG
Trafigura Holding GmbH
Transports Publics de la

Région Lausannoise SA
Trisa AG
Triumph Holding AG
Trybol AG
TSM Compagnie d'Assu-
rances
TTB Engineering SA

U
u-blox
UBS AG
UCB Farchim SA
Union Bancaire Privée,
UBP SA
Union Européenne
de Radio-Télévision
Unit8 SA
Unitechnologies AG
United Grinding Group AG
Universal-Job AG
urbaplan SA
Urner Kantonalbank
Uze AG

V
Valais/Wallis Promotion
Vale International SA
Valora Holding
VAT Vakuumventile AG
Veco Group SA
Vedia SA
Vending Service AG
Veragouth SA
Verband Schweizerischer
Elektrizitätsunternehmen
Verit Immobilien AG
Véron Grauer SA
Veuthey & Cie SA
Vici AG International
Vifian Möbelwerkstätte AG
Villars Maître Choco-
latier SA
VisilabGroup SA
Vitol SA
Vitra Holding AG
Vogt-Schild Druck AG
von Graffenried AG
Liegenschaften
Vonplon Strassenbau AG
vonRoll casting AG
vonRoll hydro (suisse) ag
VZ Holding AG
V-Zug Gruppe

W
Waeber HMS SA
Wago Contact SA
Walder Wyss AG
Wander AG
Wandfluh AG

Wäscherei Bodensee AG
Wascosa AG
We make it GmbH
Weiss+Appetito Gruppe
Weisse Arena Gruppe
Weleda AG
Wicon AG
WIKA Schweiz AG
Willemin-Macodel SA
Willis Towers Watson
Wipf Holding AG
wirbauen AG
Wirz Group AG
Witschi AG
wohnbedarf Gruppe
Wüest Partner Group
Wullschleger Martinenghi
Manzini Holding SA

Z
Zermatt Bergbahnen AG
Ziemer Ophthalmic
Systems AG
Zimmerli Textil AG
Zindel United
Zingg Transporte AG
Zuger Kantonalbank
Zühlke
Zünd Systemtechnik AG
ZWZ AG

3
3A Composites Core
Materials AG

Chronicle of monetary events

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

At its quarterly assessment of 14 December, the SNB leaves its policy rate unchanged at 1.75%. Inflationary pressure has decreased slightly over the past quarter. However, uncertainty remains high. The SNB will therefore continue to monitor the development of inflation closely, and will adjust its monetary policy if necessary to ensure inflation remains within the range consistent with price stability over the medium term. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold, and at 1.25% above this threshold. A discount of 0.5 percentage points relative to the SNB policy rate thus continues to apply to sight deposits above the threshold. The SNB is also willing to be active in the foreign exchange market as necessary.

December 2023

At its quarterly assessment of 21 September, the SNB leaves its policy rate unchanged at 1.75%. The significant tightening of monetary policy over recent quarters is countering remaining inflationary pressure. The SNB does not rule out that a further tightening of monetary policy may become necessary to ensure price stability over the medium term. To provide appropriate monetary conditions, the SNB is also willing to be active in the foreign exchange market as necessary. Banks' sight deposits held at the SNB will continue to be remunerated at the SNB policy rate of 1.75% up to a certain threshold. Sight deposits above this threshold will be remunerated at an interest rate of 1.25%, and thus still at a discount of 0.5 percentage points relative to the SNB policy rate.

September 2023

At its quarterly assessment of 22 June, the SNB tightens its monetary policy further and raises the SNB policy rate by 0.25 percentage points to 1.75%. In doing so, it is countering inflationary pressure, which has increased again over the medium term. To provide appropriate monetary conditions, the SNB also remains willing to be active in the foreign exchange market as necessary. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold. Sight deposits above this threshold are remunerated at an interest rate of 1.25%, and thus still at a discount of 0.5 percentage points relative to the SNB policy rate.

June 2023

At its quarterly assessment of 23 March, the SNB tightens its monetary policy further and raises the SNB policy rate by 0.5 percentage points to 1.5%. In doing so, it is countering the renewed increase in inflationary pressure. To provide appropriate monetary conditions, the SNB also remains willing to be active in the foreign exchange market as necessary. Banks' sight deposits held at the SNB are remunerated at the SNB policy rate up to a certain threshold. Sight deposits above this threshold are remunerated at an interest rate of 1.0%. With this tiered remuneration of sight deposits and open market operations, the SNB is ensuring that the secured short-term money market rates are close to the SNB policy rate.

March 2023

On 19 March, the SNB announces it will provide ample liquidity assistance to support the implementation of the acquisition of Credit Suisse by UBS. Based on the Federal Council's Emergency Ordinance, in addition to the SNB's existing facilities, Credit Suisse and UBS can obtain further liquidity assistance loans for a total amount of up to CHF 200 billion. These loans are secured by preferential rights in bankruptcy proceedings and some also by a federal default guarantee. This ensures that Credit Suisse is solvent at all times during the crisis. In particular, substantial amounts in foreign currencies have to be provided. In so doing, the SNB performs its statutory task to contribute to the stability of the financial system. With the acquisition of Credit Suisse by UBS, supported by the federal government, the Swiss Financial Market Supervisory Authority (FINMA) and the SNB, a solution has been found to secure financial stability and protect the Swiss economy in an exceptional situation.

Glossary

Annualised	Data are said to be annualised when they are converted to an annual value. When → GDP increases by 1% from one quarter to the next, the annualised growth is 4.06%.
Baseline scenario	The SNB's baseline scenario comprises forecasts for what it considers to be the most likely global economic development for the coming three calendar years. It serves as an important basis for the domestic economic and → inflation forecasts.
Basket of goods	The basket of goods represents an average household's expenditure on goods and services. It is determined on the basis of a household survey and is used to calculate the → Swiss consumer price index.
Bond	A bond is a → security. The buyer of a bond (creditor) makes a specific amount of money available to the bond issuer for a specific period. The issuer repays this amount to the creditor at the end of the term, and in most cases also pays → interest.
Business cycle, business cycle conditions	Business cycle refers to deviations in economic activity from the long-term trend. In addition to → real → GDP, the business cycle is also reflected in a variety of other economic → indicators (e.g. unemployment and consumer confidence indices). A business cycle lasts from the beginning of an upturn and all the way through the economic downturn to its end (→ recession).
Capacity utilisation	Capacity utilisation measures the degree of utilisation of the technical capacities (e.g. machines and equipment) of a company or an industry.
Capital	Capital refers on the one hand to financing resources (→ equity and → debt capital) and on the other to a → factor of production (e.g. machinery).
Capital market	The capital market supplements the → money market, and is a market for raising and investing funds with a term of more than one year. A distinction is made between the market for → equity capital (→ shares), and the market for → debt capital (→ bonds).
Collateral	In credit transactions, the debtor can provide the creditor with collateral (→ secured loan) in order to reduce the risk for the creditor and thus the → interest. The creditor can take possession of the collateral if the debtor is unable to pay the agreed interest or make the repayment.
Consumer price index	→ Swiss consumer price index
Core inflation	Core inflation is a measure of → inflation that excludes goods and services with particularly volatile prices (e.g. energy and food). Core inflation thus captures the underlying price trend. The Swiss Federal Statistical Office therefore takes neither energy and fuel nor unprocessed food and seasonal goods and services into account when calculating the SFSO1 core inflation rate. The TM15, as calculated by the SNB, excludes the 15% of goods and services with the lowest annual rates of change in prices, and the 15% with the highest every month.
Corporate bond	A corporate bond is a → bond issued by a company.
Countercyclical capital buffer	The countercyclical capital buffer is a → macroprudential measure which contributes towards → financial stability. If the capital buffer is activated, banks are required to hold more → capital. The capital buffer can be targeted at the entire credit market or just individual sectors, e.g. the mortgage market.
Debt capital	Debt capital refers to the borrowings and provisions of a company.
Deflation	Deflation denotes a sustained decrease in the general price level over time.
Delegates for regional economic relations	The delegates for regional economic relations represent the SNB in the various regions of Switzerland, collect information on economic development through their contacts to companies in those regions and, as ambassadors of the SNB, explain its policies. They are supported by the Regional Economic Councils. The SNB maintains representative offices in Basel, Berne, Geneva, Lausanne, Lucerne, Lugano, St Gallen and Zurich.
Equity	Equity is the difference between a company's assets and liabilities (→ debt capital).
Excess reserves	Excess reserves are → sight deposits held by banks at the SNB that exceed their → minimum reserve requirement.
Exchange rate	The exchange rate is the rate at which two currencies are exchanged. It is expressed as the price of one currency in units of another currency. If the exchange rate is adjusted for the price development of the countries concerned, it is referred to as the real exchange rate; if it is measured against the currencies of trading partners, it is referred to as the → trade-weighted exchange rate.
Factors of production	Factors of production are the inputs (primarily labour and → capital) used in the production of goods and services.

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

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

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

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

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