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# Company talks by SNB delegates: Objectives and methods

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The one-on-one exchange of information between the SNB and companies has a long-standing tradition. It is an ideal complement to the other available economic data and allows the SNB to better understand the challenges facing the economy. The most precise information possible, both on the current state of the economy and the outlook going forward, form the basis for shaping monetary policy.

The delegates for regional economic relations represent the SNB in the regions and regularly conduct company talks. Since 2010, the SNB has used a structured approach to collect and evaluate the information obtained during these talks. This provides a standardised procedure and facilitates a systematic evaluation of the information collected, in both qualitative and quantitative terms. The results of these talks are summarised and published at regular intervals on the SNB's website and in its *Quarterly Bulletin*.

This study describes the approach used.

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<sup>1</sup> The authors would like to thank Carlos Lenz, Patrick Muhl, Robert Oleschak, Enzo Rossi, Martin Schlegel, Fabio Sonderer and Jacqueline Thomet for their valuable comments.

## 1. INTRODUCTION

The Swiss National Bank's monetary policy is aimed at ensuring price stability while taking due account of economic developments. Each quarter, the SNB Governing Board conducts an in-depth economic assessment in determining its monetary policy stance. To optimally shape its monetary policy, the SNB is dependent on the most precise information possible, both on the current state of the economy and the outlook going forward.

The SNB draws on a number of different sources and tools. For its analysis, it uses a range of official statistics and publicly available surveys from research institutes and trade associations. In addition, with a view to the quarterly assessment, it collects information on the latest developments by conducting regular talks directly at company level.

This one-on-one exchange of information between the SNB and companies has a long-standing tradition. It dates back to shortly after the foundation of the SNB in 1907 and has been maintained over the decades. To this day, the SNB still regards company talks as an ideal complement to other available economic data. In particular, the exchange allows the SNB to better understand the challenges facing the economy.

Over the course of time, the methods used to collect, consolidate and evaluate the information obtained from the corporate world have changed, however. Today, the SNB's eight delegates for regional economic relations are responsible for conducting company talks and for representing the SNB in the regions. Since 2010, they have used a structured set of guidelines for this purpose, which provides a standardised procedure and facilitates a systematic evaluation of the information collected, in both qualitative and quantitative terms. The results of these talks are summarised and published at regular intervals on the SNB's website and in its *Quarterly Bulletin*, notably with the 'Business cycle signals' report and special reports, as well as with time series.<sup>1</sup>

This study documents the methodology used for collecting and evaluating information obtained from the company talks conducted by the SNB's delegates. In the event of any significant changes, the online version of the study will be updated to reflect these.<sup>2</sup>

<sup>1</sup> The 'Business cycle signals' report is published as part of the SNB's *Quarterly Bulletin*. Depending on their size, special reports are either integrated into the 'Business cycle signals' report or published separately on the website, cf. [www.snb.ch](http://www.snb.ch), *The SNB, SNB regional network, Publications*.

Publicly available time series from company talks can be found on the SNB's data portal, cf. [www.snb.ch](http://www.snb.ch), *Statistics, SNB data portal*.

<sup>2</sup> Cf. [www.snb.ch](http://www.snb.ch), *The SNB, SNB regional network, Publications*.

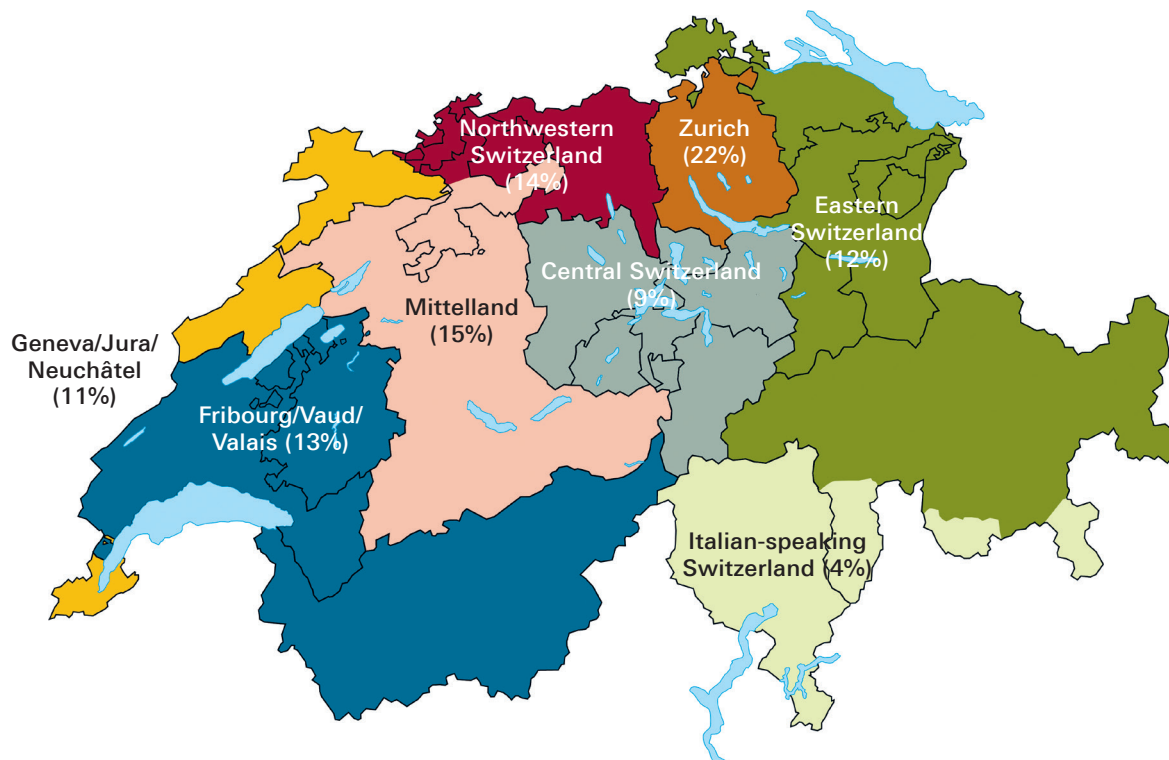


Figure 1: Regional division and economic relevance

## 2. THE SNB'S REGIONAL PRESENCE

The SNB maintains a network of eight representative offices in the following regions: Geneva/Jura/Neuchâtel, Fribourg/Vaud/Valais, Mittelland, Zurich, Northwestern Switzerland, Eastern Switzerland, Central Switzerland and Italian-speaking Switzerland. Economically speaking, the regions are not all the same size. The regional division dates back to the time of decentralised structures, which were of relevance for the country's cash distribution and supply. Over time, the division was adapted to the needs of economic monitoring in such a way that the differences in size tended to be smaller. Linguistic and geographical factors nevertheless remain an essential feature of the division. Figure 1 shows the eight regions and, in brackets, the individual regions' shares of GDP.

In each region, the SNB is represented by a delegate for regional economic relations. The delegates belong to the Economic Analysis unit in the Economic Affairs division, which is primarily responsible for economic analysis and for preparing the monetary policy decision. The SNB representative offices are located in the two head offices in Berne and Zurich, as well as in Basel, Geneva, Lausanne, Lucerne, Lugano and St Gallen.

In their dual function as ambassador and observer, the delegates explain the SNB's policy to local economic players and authorities, and monitor economic developments in their respective regions. This is primarily done through regular, in-depth talks with company management. In addition, the delegates are supported in their tasks by Regional Economic Councils.

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### Regional Economic Councils

The SNB has a Regional Economic Council in each of the eight regions. The councils are made up of three to four local entrepreneurs or managers, depending on the size and economic structure of a region, and are elected by the SNB Bank Council. They are tasked with analysing the economic situation and the effect of monetary policy in their regions, and reporting the results to the SNB's Governing Board. They support the SNB's delegates for regional economic relations in monitoring economic developments and explaining the SNB's policy in the regions. Persons elected to the Regional Economic Councils must have business experience and recognised knowledge of their

## 3. OBJECTIVE AND CONTENT OF COMPANY TALKS

The aim of the company talks is to receive the most up-to-date, precise and comprehensive quarterly assessment possible of the present state of Switzerland's economy and the outlook going forward. The talks not only provide a detailed insight into the current course of business of the relevant companies, they also enable an evaluation of the prospects, with the associated opportunities and risks, as seen from a company's perspective (cf. Hunziker and Zanetti, 2015). By piecing together the information from the various talks, the SNB gets a picture of how companies see the overall economic situation.

The talks are generally held on company premises and last around 90 minutes. Company representatives are members of executive management, typically the CEO or CFO. The SNB's delegates conduct the talks using a standardised set of guidelines. This structured approach enables the SNB to collate and evaluate the information from the various regions and industries in a systematic manner.

The guidelines are not designed as a questionnaire for the companies to complete themselves, and it is up to the delegates to capture the information from the talks. The guidelines are made up of both open and closed questions, and cover different aspects of business development: turnover, prices, margins, production capacity, staff policy, investment plans. In addition, company representatives are asked for their personal inflation expectations. Where necessary, delegates enquire about developments in real (i.e. price-adjusted) terms. Company representatives are also asked to exclude possible seasonal effects from their assessment.<sup>3</sup>

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<sup>3</sup> For most time series, it is therefore not necessary to conduct a seasonal adjustment using a statistical method. There are exceptions in this regard in the construction sector, specifically quarter-on-quarter turnover growth and capacity utilisation.

respective industries. Given their function, they are not only in a position to provide expert information on their own businesses, their network of contacts also provides them with a good overview of regional economic developments. Each quarter, the SNB's delegates meet with their Regional Economic Councils for an in-depth assessment of the economic situation in the regions and to explain the SNB's policy. The information obtained during these talks supplements what the delegates glean from their company talks, thus helping them form a more complete picture. In exceptional circumstances, the delegates may also include the businesses of the Regional Economic Council members in their company talks.

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The talks commence with a short review of performance in the recent past, before moving on to discuss in greater detail the current course of business and the outlook for the quarters ahead.

Closed questions may be answered either with predefined qualitative assessments or with a figure (as in the case of inflation expectations or salary increases, for instance). Moreover, responses may always be supplemented by explanatory comments, such as what factors drive demand or which events have affected margins.

Open questions deal, for example, with specific opportunities, risks or problems. Additional comments may be provided here, too. Furthermore, basic information about the company is also recorded – staff numbers, the share of turnover that is exported and the breakdown of billing currencies.

Another objective of this dialogue with companies is to give them the opportunity to comment on or ask about the SNB's monetary policy. Where necessary, the SNB also uses this network of contacts to discuss special topics.

Numerous central banks around the world also rely on regional networks to collect economic information from companies. They have gathered valuable experience using similar approaches.<sup>4</sup> The US Federal Reserve's *Beige Book* – to name but one – is based on surveys from the various Federal Reserve Districts and has been used for decades as a reference source by financial market participants.<sup>5</sup>

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4 Cf. for example Eckersley and Webber (1997), Martin (2004), Ellis and Pike (2005), Kallum et al. (2005), Brekke and Halvorsen (2009), as well as Hokkanen et al. (2012).

5 Cf. Armesto et al. (2009).

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### Special topics

Although the structure of the guidelines remains essentially unchanged from one quarter to the next, company talks are nevertheless a very flexible tool. Alongside the standard questions, there is also scope for addressing special topics and for discussing them in detail.

For instance, the effects of Swiss franc appreciation and company reactions were a point of focus on a number of occasions (2010, 2011 and 2015). Another special topic looked at the impact of the acceptance

## 4. RECORDING PERIODS, SAMPLE STRUCTURE AND COMPANY PROFILES

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### 4.1. RECORDING PERIODS

As mentioned above, the SNB Governing Board conducts an in-depth economic assessment towards the end of each quarter in order to determine its monetary policy stance. Accordingly, four rounds of company talks are held annually by the SNB's delegates. It takes around seven weeks to conduct the talks, and they are completed two weeks before the monetary policy assessment.

### 4.2. SAMPLE STRUCTURE AND COMPANY PROFILES

In every round of company talks, the delegates conduct 30 interviews each. Thus, in any given quarter, roughly 240 talks across all the regions provide information. Only in the third quarter are the number of talks reduced to 208, as there are fewer company representatives available owing to holiday absences.

Company participation in the talks is voluntary. This notwithstanding, the response rate is very high, at over 90%. In the event of a talk being cancelled or postponed to another quarter, the delegates ask other companies of the same industry to supplement the information, thus ensuring that there is always a complete sample.

The confidentiality with which the SNB handles the information it receives is an important factor when it comes to being granted access to the companies and is the reason why participating companies are not named on a quarterly basis. However, each year, in the December issue of the *Quarterly Bulletin*, the SNB lists all the companies that took part in the talks in the course of the year and agreed to have their names published.

of the mass immigration initiative (2014). In addition, by means of targeted talks, sales problems experienced by automotive companies and their suppliers in the wake of new testing standards in these industries were reviewed with the relevant representatives (2018).

Where time is of the essence, delegates also have the option to discuss special topics over the phone with company representatives. This method is used, for example, when trying to determine how the Christmas trade in retailing has progressed, as this needs to be done as promptly as possible.

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The samples aim to reflect, in as representative a manner as possible, Switzerland's economic structure relative to the individual industries' shares of value added and employment.<sup>6</sup> However, as non-market-oriented industries, the public sector and agriculture are not taken into consideration. The sample structure is determined using the four steps outlined below:

1) Industry selection: An industry is taken into account if its economic significance – measured in terms of GDP and employment ratios – exceeds an average of 1% or if the correlation between its value added and GDP growth is at least 0.5.<sup>7</sup> Multi-year averages from the value added statistics and job statistics of the Swiss Federal Statistical Office (SFSO) are used for this evaluation.

2) Industry weighting: The SNB is interested in an indication of the aggregate economic fluctuations. For this reason, owing to the strength of their cyclical fluctuations – in other words, a value added with a particularly high or low correlation to GDP – certain industries are somewhat over or under-represented in the samples.<sup>8</sup> Each quarter, a maximum of 20 company talks are conducted per industry. This ensures that the interviews are spread across as many different industries as possible.

These two steps produce a national structure with a number of prescribed visits per industry. This countrywide sample structure remains fixed from one quarter to the next. The percentage breakdown of the visits across the main industries is presented in table 1.

3) Regional breakdown: Based on the national structure, the number of company visits to be conducted for each industry are divided between the eight regions. For this purpose, information on the geographical distribution of companies per industry is taken from the SFSO's Business and Enterprise Register (BER).<sup>9</sup> The company visits are allocated to the regions according to the number of companies in a given industry, i.e. the greater the relative significance of an industry in a region, the more company visits will be allotted to said industry. This means, for example, that companies from the pharmaceutical industry will not only be visited in Northwestern Switzerland, the region in which they are by far the most important industry, but also in other regions.

Table 1

**SAMPLE STRUCTURE BROKEN DOWN BY MAIN INDUSTRY**

	Industry	%
<b>Industry</b>	Manufacture of basic metals	6
	Precision instruments, including watches and clocks	8
	Manufacture of machinery and equipment n.e.c., electrical equipment	8
	Manufacture of rubber/plastic/glass products	3
	Chemicals, pharmaceuticals	3
	Other manufacturing	8
	Construction	7
<b>Service</b>	Trade of motor vehicles	2
	Retail trade	4
	Wholesale trade	8
	Transportation, logistics, storage	5
	Hospitality	8
	IT, telecommunications	4
	Banks	6
	Insurance, other financial service activities	3
	Legal and accounting activities	7
	Rental and leasing activities, employment activities, travel agency activities	5
	Other services	5
	<b>Total</b>	<b>100</b>

6 Industry structure in accordance with the Swiss Federal Statistical Office's General Classification of Economic Activities (Noga 2008).

7 For example, in the current structure, the automotive industry is taken into account because its economic significance has reached around 2% in terms of its share of both GDP and employment. The textile and clothing industry, by contrast, with a GDP and employment share of less than 1%, is considered because the correlation between its value added and GDP comes in at around 0.7. Meanwhile, the publishing, programming and broadcasting industries do not fulfil either of the selection criteria and are therefore not included.

8 Over-represented industries (Noga category in brackets): Manufacture of textiles, apparel (13–15), Manufacture of rubber and plastics products, and other non-metallic mineral products (22–23), Manufacture of basic metals (24–25), Precision instruments, watches and clocks (26), Manufacture of machinery and equipment n.e.c. (28), Manufacture of furniture, other manufacturing (31–33), Food and beverage service activities (56).

Under-represented industries: Manufacture of food products (10–12), Manufacture of refined petroleum products, chemicals and chemical products (19–20), Retail trade (47), Warehousing and support activities for transportation (52), Human health activities (86), Creative, arts and entertainment activities (90–93), Activities of membership organisations (94–96).

9 Renamed in January 2019 as the Swiss Business Enterprise Register (SBER).

4) Company selection: Based on the eight regional structures, each delegate comes up with a specific selection of companies, using their own regional databases, built up over the years. Furthermore, using the BER, the SFSO randomly selects per region and quarter three companies from the set list of industries which are to be visited by the delegates. This introduces a certain element of randomness into the sample. These selections also allow the knowledge of the corporate landscape to be continually expanded. The companies considered for the sample generally have at least 50 employees. In some regions and industries, however, this rule of thumb needs to be treated rather flexibly, as there would otherwise not be enough companies to visit.

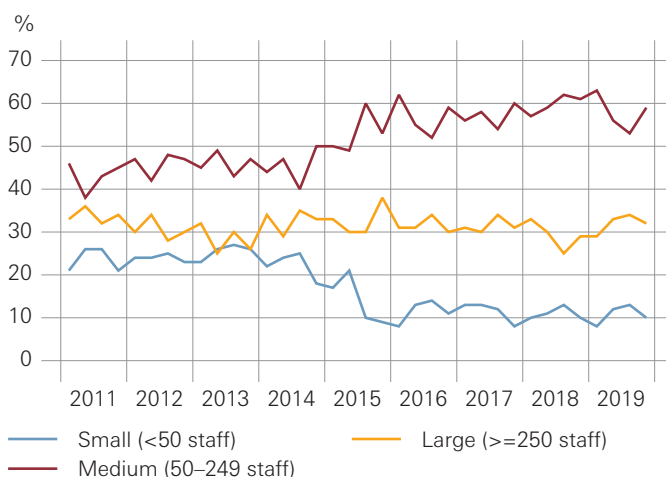
Chart 1 shows how the breakdown by company size has developed in the last few years. Over the course of time, less emphasis has been placed on smaller companies. Compared with the national corporate landscape, small companies are therefore considerably under-represented. Placing the focus on medium-sized and large companies is a necessary consequence of the limited sample. The chart also shows that the proportions of the three size categories fluctuate over time.

In contrast to the defined minimum size of a company, there is no explicit requirement regarding the proportion of export-oriented companies in the sample. These proportions come about as a result of the highly representative sample structure. Their fluctuations are only marginal over time. Chart 2 shows the average distribution of companies broken down by export share.

Another important feature of the SNB's company talks is that the selection of companies changes every quarter. This minimises the burden on individual companies. One part of the sample is based on companies that had been interviewed regularly in the past. However, no company is asked to participate more than once a year. The majority of recurring visits take place at an average interval of six quarters. There are also several first-time visits every quarter. In recent years, their proportion has fluctuated between 20% and 40%.

Chart 1

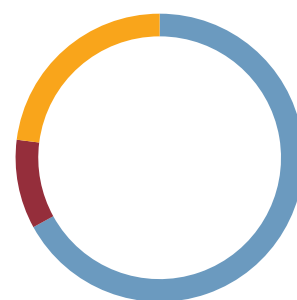
**COMPANY TALKS BY SIZE CATEGORY**



Source: SNB

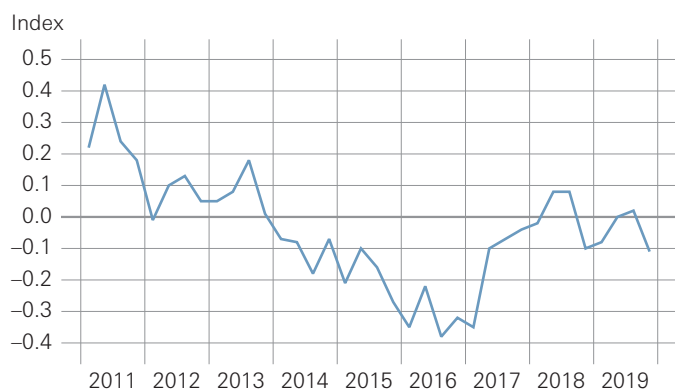
Chart 2

**SAMPLED COMPANIES BY EXPORT SHARE IN %**



Low (0-33%) **67**  
 Medium (34-66%) **10**  
 High (67-100%) **23**

Source: SNB

**CAPACITY UTILISATION**

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

Source: SNB

**5. EVALUATION AND PRESENTATION**

The results of every company talk are recorded in electronic form. The subsequent evaluation is based not only on answers to the closed questions, but also on the textual information provided in response to the open questions and the comments.

For the closed questions, the answers are captured on a qualitative five-tier scale. They are subsequently allocated quantitative values. The numeric scale ranges from  $-2$  to  $+2$ . The answers are converted into numeric form – for instance questions concerning capacity utilisation – as follows:

*Disregarding specific seasonal factors, how do you assess the current utilisation of technical capacity/infrastructure?*

- |   |             |
|---|-------------|
| – Substantial overutilisation                     | → Value: +2 |
| – Slight overutilisation                          | → Value: +1 |
| – Normal utilisation or nearly normal utilisation | → Value: 0  |
| – Slight underutilisation                         | → Value: -1 |
| – Substantial underutilisation                    | → Value: -2 |

The focus of the evaluation is on the overall national economic perspective. Quantitative information is aggregated by calculating the average of all answer values for each question in a particular industry. The values for the three main sectors<sup>10</sup> – services, manufacturing and construction – are also determined by taking the average of all the results from the corresponding industries. Taking the corresponding share of GDP represented by these sectors, these mean values can then be used to give a national index value.

This information can be presented as shown in chart 3. Using the example of capacity utilisation, the chart tracks the course of the answers' mean values over time for the economy as a whole. Positive and negative index values indicate a utilisation level that is either higher or lower than what the companies considered to be a normal level of utilisation.

The 'Business cycle signals' report published in the SNB's *Quarterly Bulletin* summarises the results of the company talks. In addition to the numeric evaluation, the report also includes anecdotal information – based on comments provided during the talks – which contributes to a better understanding of the overall picture.

<sup>10</sup> Primarily developments in these main sectors are reported in the 'Business cycle signals' report. In addition, the analysis also looks at individual industries on a case-by-case basis.

## 6. CONCLUSION

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The company talks conducted by the SNB's delegates for regional economic relations are based on a structured approach. This allows the information obtained to be combined into an overall picture of the Swiss economy and enables the numerous anecdotal elements to be taken into account.

Although the information collected by the delegates is, in contrast to official statistics, based on a comparatively small sample, it has the clear advantage of being available more promptly. Furthermore, the time series are not subject to revisions. The knowledge gained from the talks also allows informative cross-comparisons to be made with model-based economic analyses, which in turn helps either substantiate such analyses or put them into perspective.

From a monetary policy point of view, the company talks by the SNB's delegates thus represent a highly valuable tool for assessing the economic situation. Moreover, from an institutional standpoint, the talks make a significant contribution to the understanding of the SNB's tasks and activities.

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**Published by**

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

**Design**

Interbrand Ltd, Zurich

**Typeset by**

Neidhart + Schön Group AG, Zurich

**Language versions:**

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

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

English: [www.snb.ch](http://www.snb.ch), *Publications, Economic publications, Quarterly Bulletin* (ISSN 1662-257X)

German: [www.snb.ch](http://www.snb.ch), *Publikationen, Ökonomische Publikationen, Quartalsheft* (ISSN 1662-2588)

French: [www.snb.ch](http://www.snb.ch), *Publications, Publications économiques, Bulletin trimestriel* (ISSN 1662-2596)

Italian: [www.snb.ch](http://www.snb.ch), *Pubblicazioni, Pubblicazioni economiche, Bollettino trimestrale* (ISSN 2504-480X)

**Website**

[www.snb.ch](http://www.snb.ch)

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