The Determinants of Inflation in Switzerland

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The SNB and its Watchers
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SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
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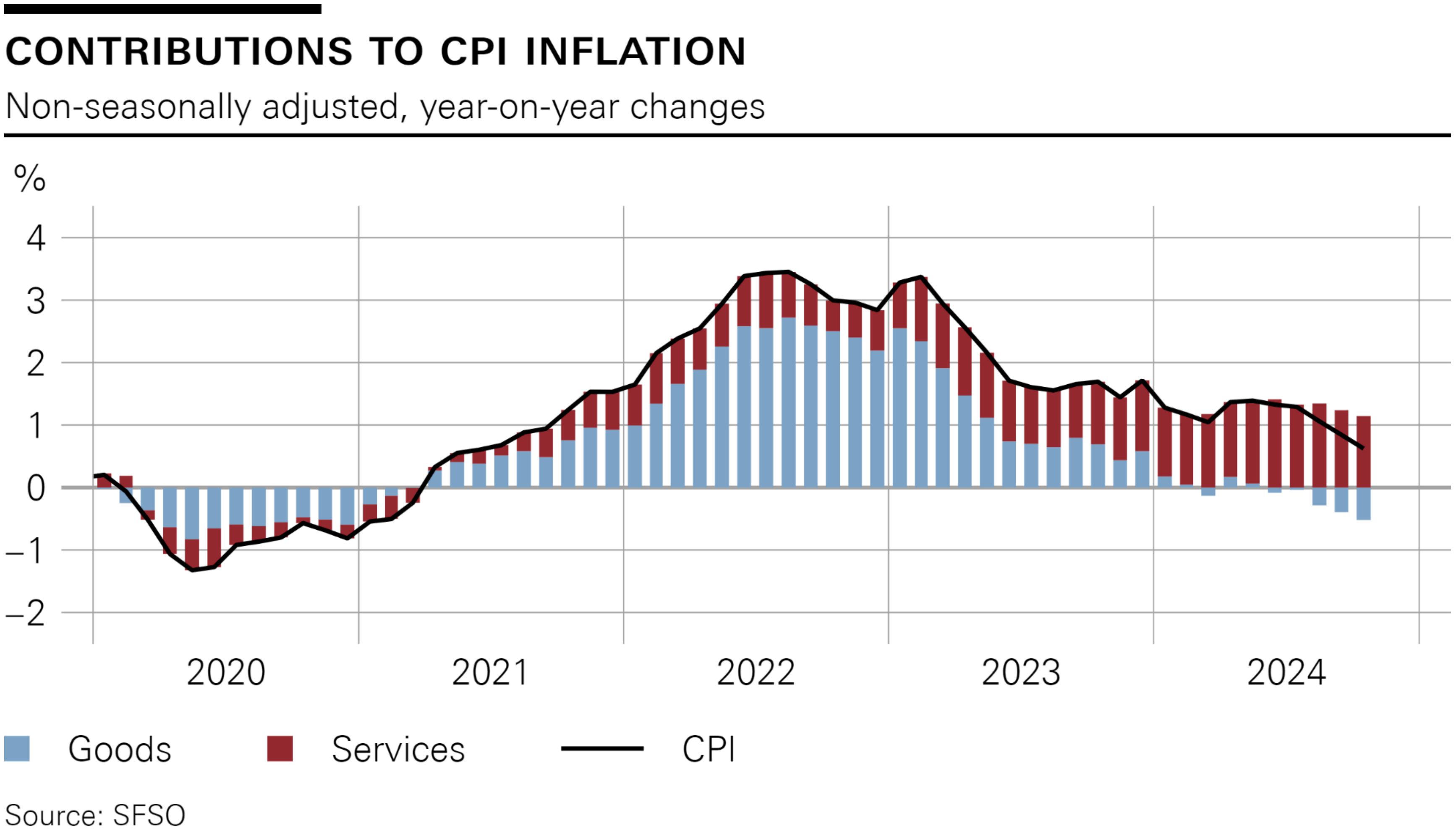
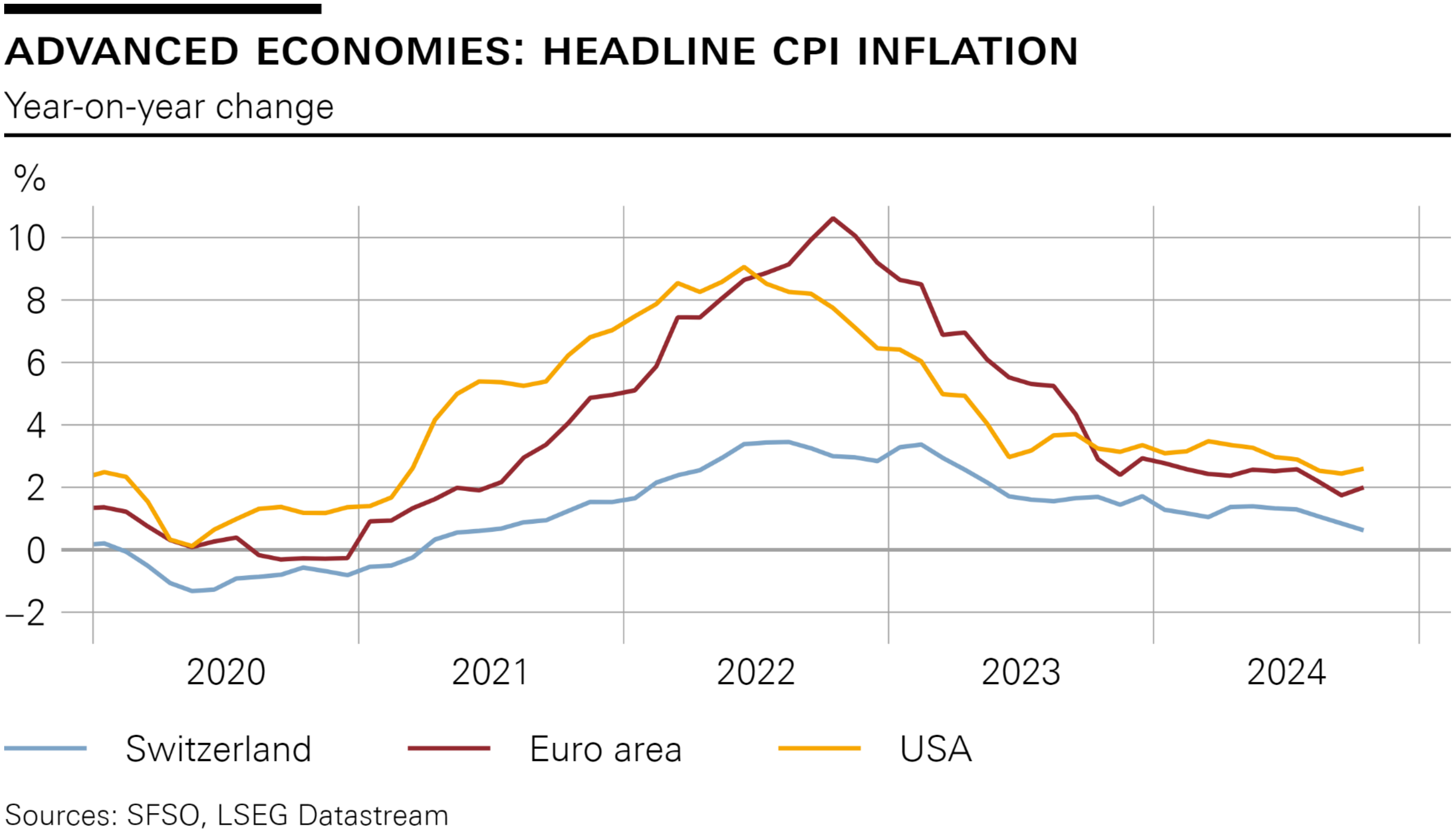
SWISS NATIONAL BANK

Latest inflation episode: initially driven by (mostly imported) goods, but since 2023 by (mainly domestic) services



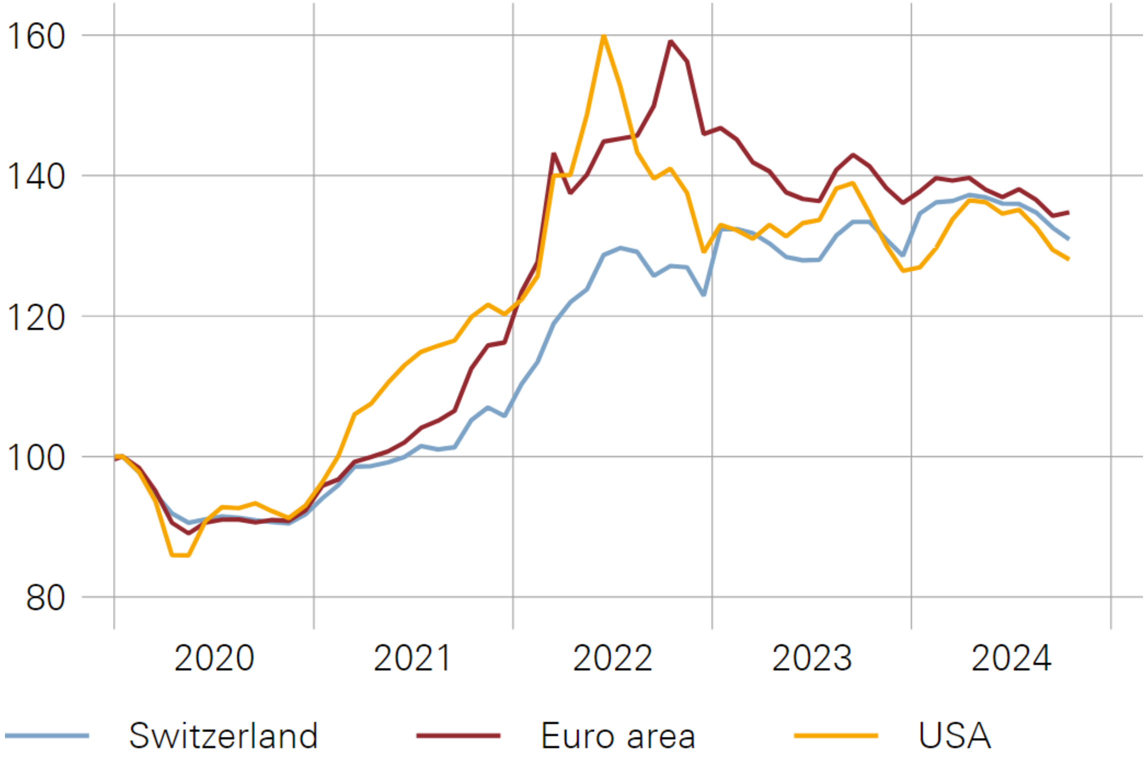
Swiss inflation: Moderate increase after the pandemic in comparison to other countries



Several reasons for lower inflation in Switzerland, e.g. smaller increases in energy and food prices

CPI ENERGY

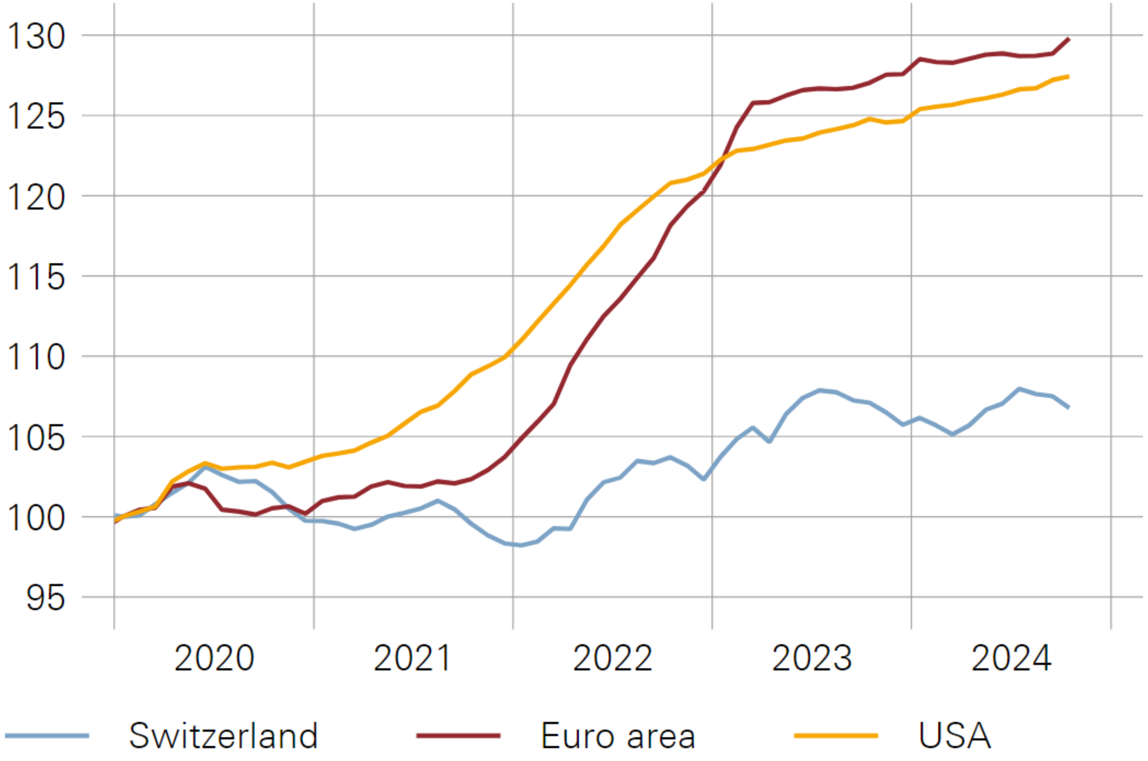
Index, Jan 2020 = 100



Sources: Eurostat, SFSO

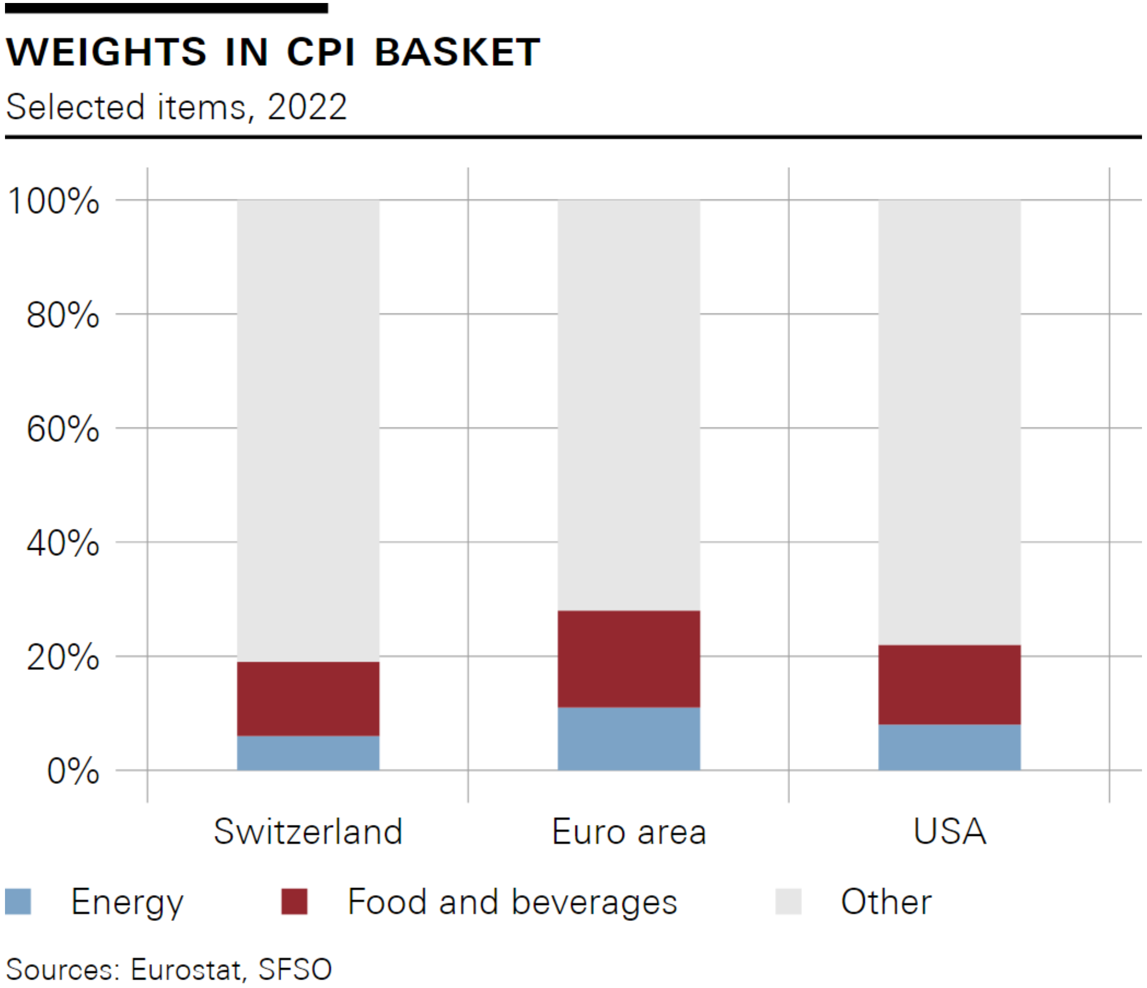
CPI FOOD AND NON-ALCOHOLIC BEVERAGES

Index, Jan 2020 = 100



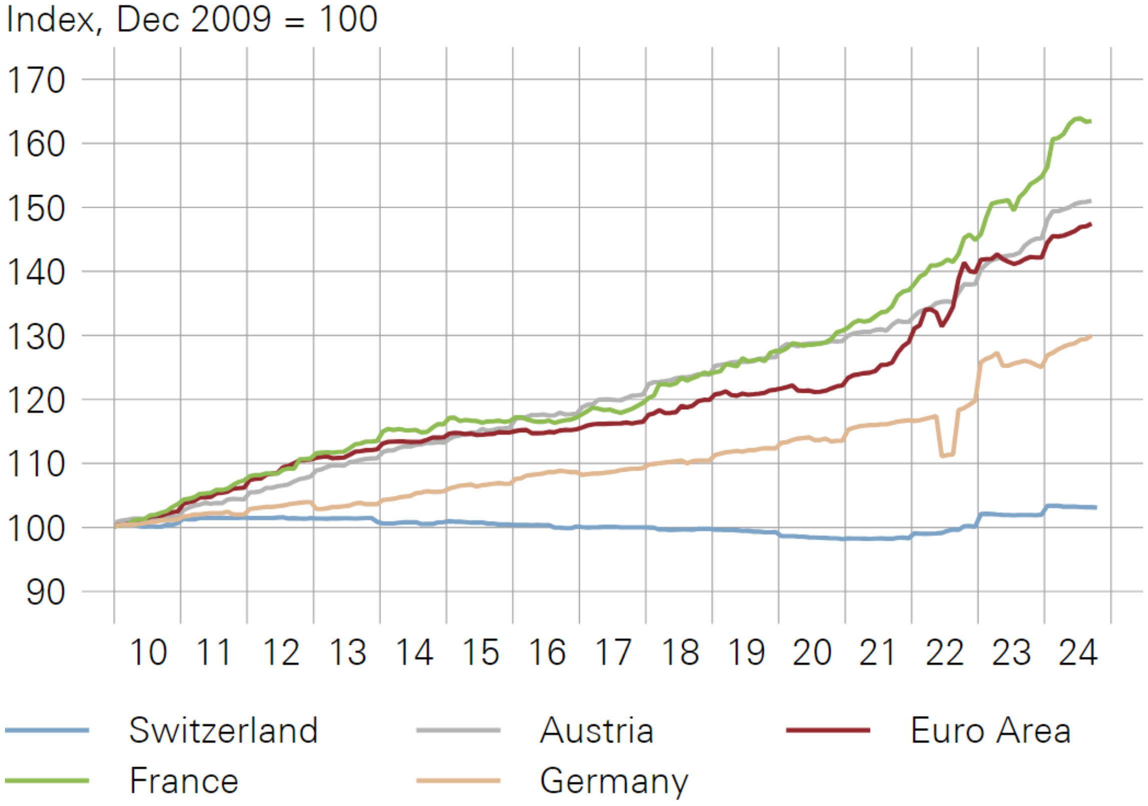
Sources: Eurostat, SFSO

Differences in consumption baskets have also played a role



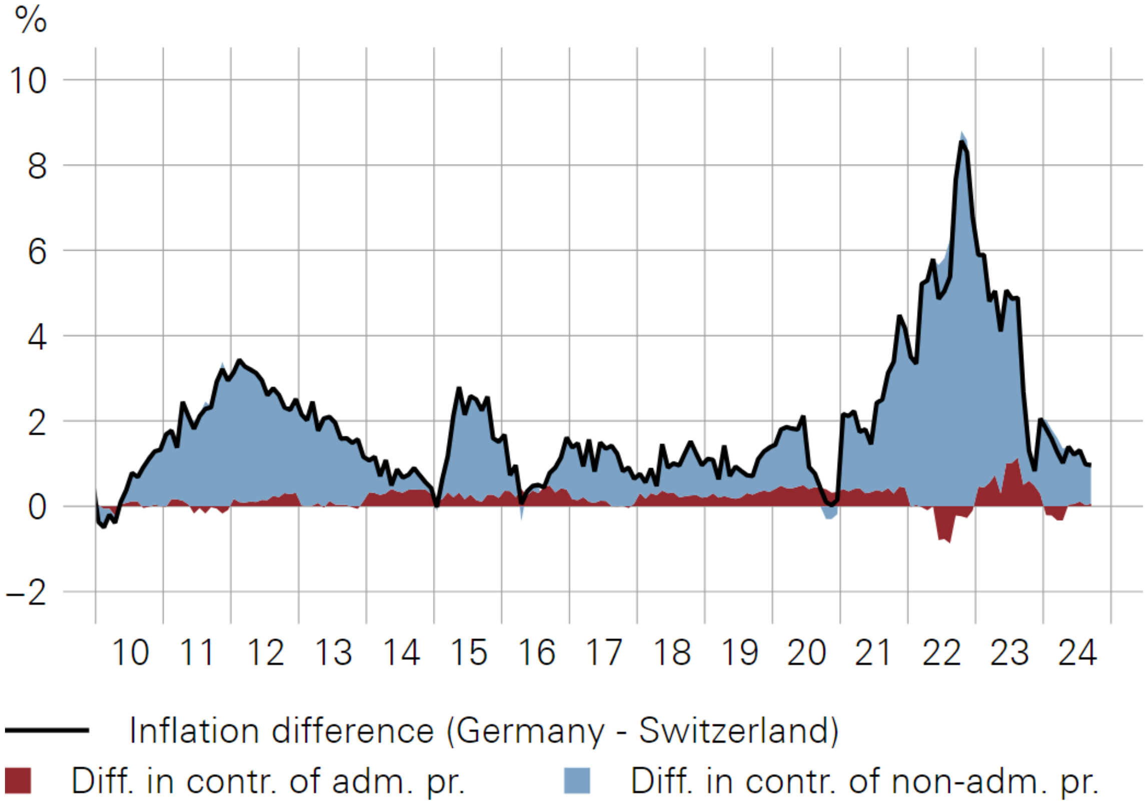
Administered prices: only small contribution to comparatively low inflation in Switzerland

ADMINISTERED PRICES



Sources: SFSO, Eurostat, SNB

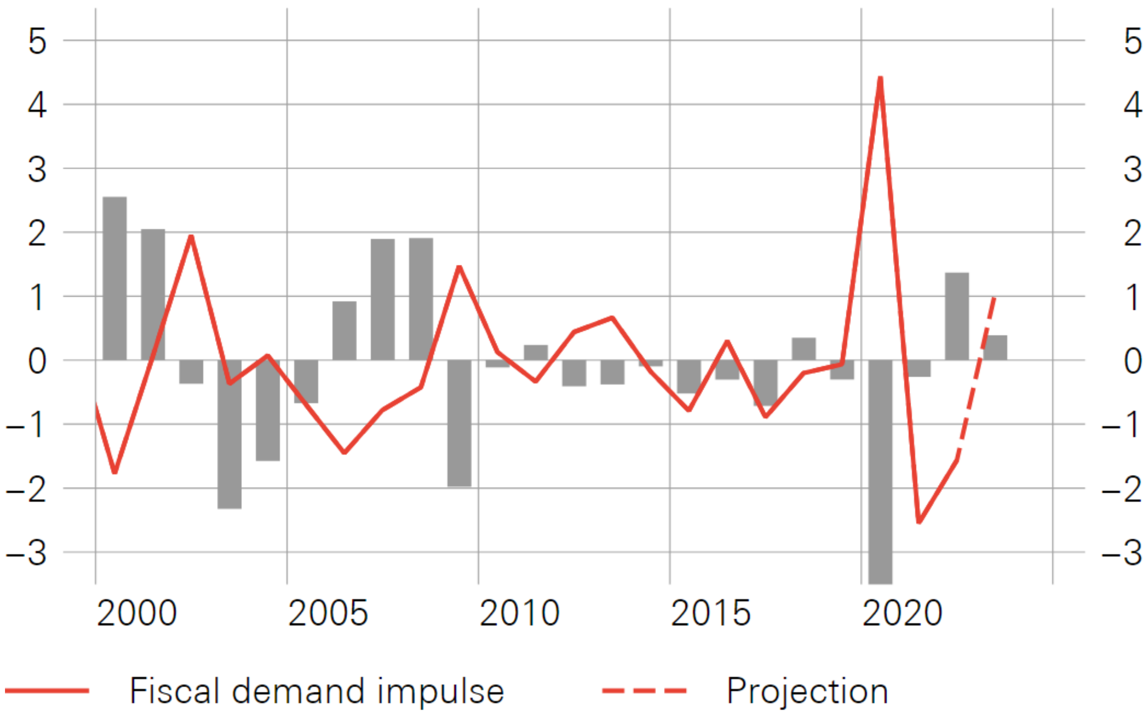
CONTRIBUTIONS TO DIFFERENCE IN INFLATION



Source(s): SFSO, Eurostat, SNB

Sizeable fiscal support in response to pandemic, but overall impulse in Switzerland much smaller than in euro area and US

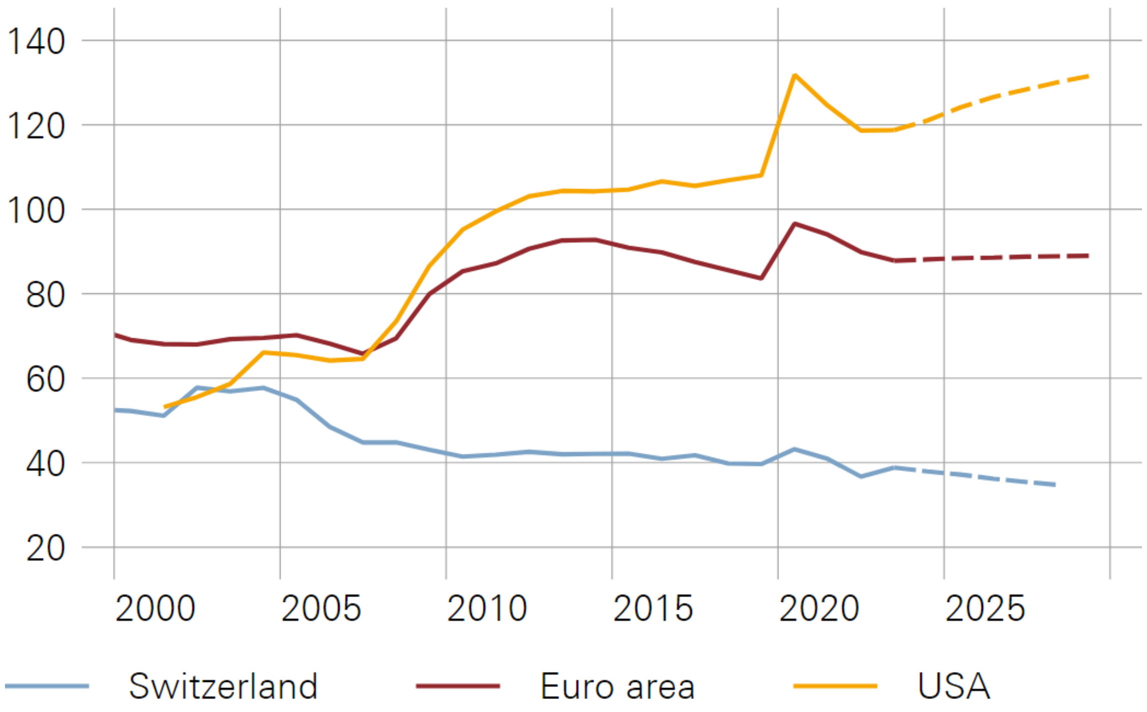
FISCAL POLICY AND OUTPUT GAP



Sources: FFA, SNB

GROSS PUBLIC DEBT

In % of GDP, according to IMF definition [1]



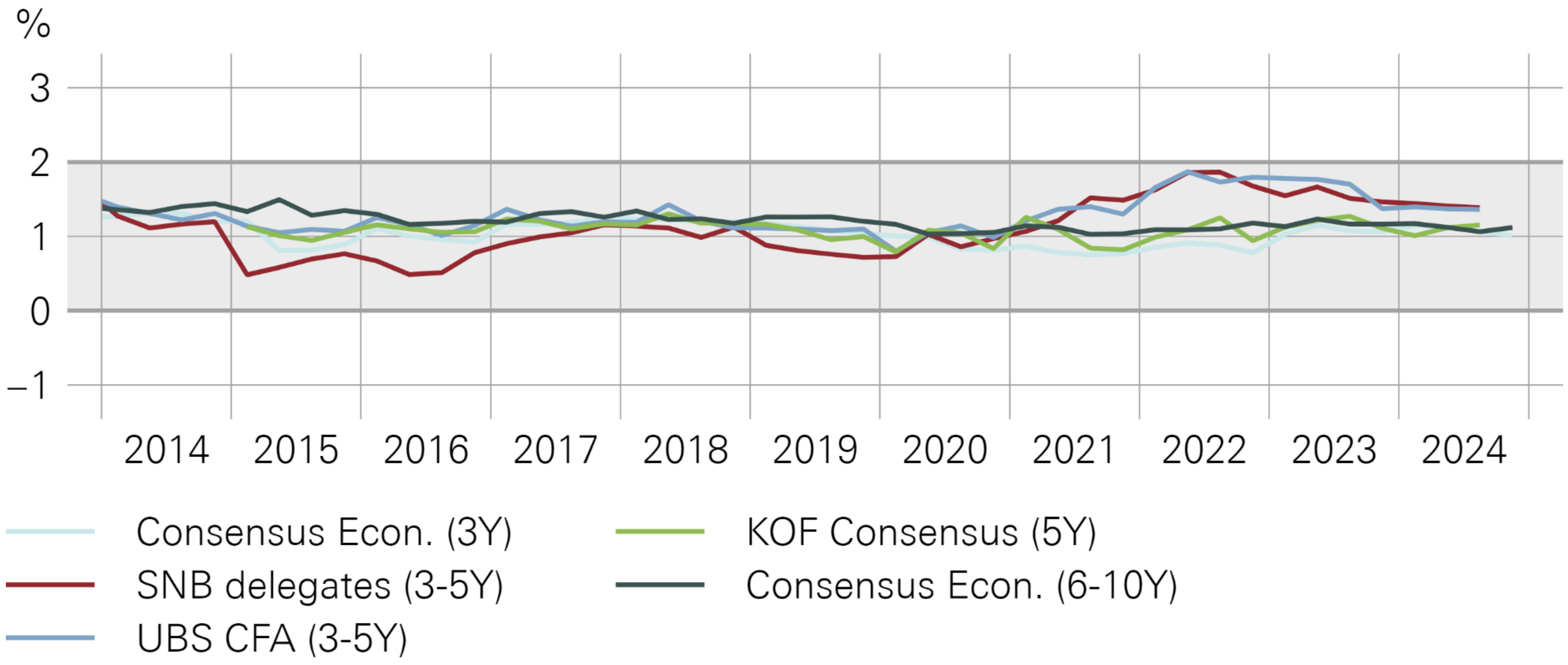
[1] Dashed lines denote provisional estimates or forecasts.

Sources: FFA, IMF

Medium-term inflation expectations well-anchored throughout

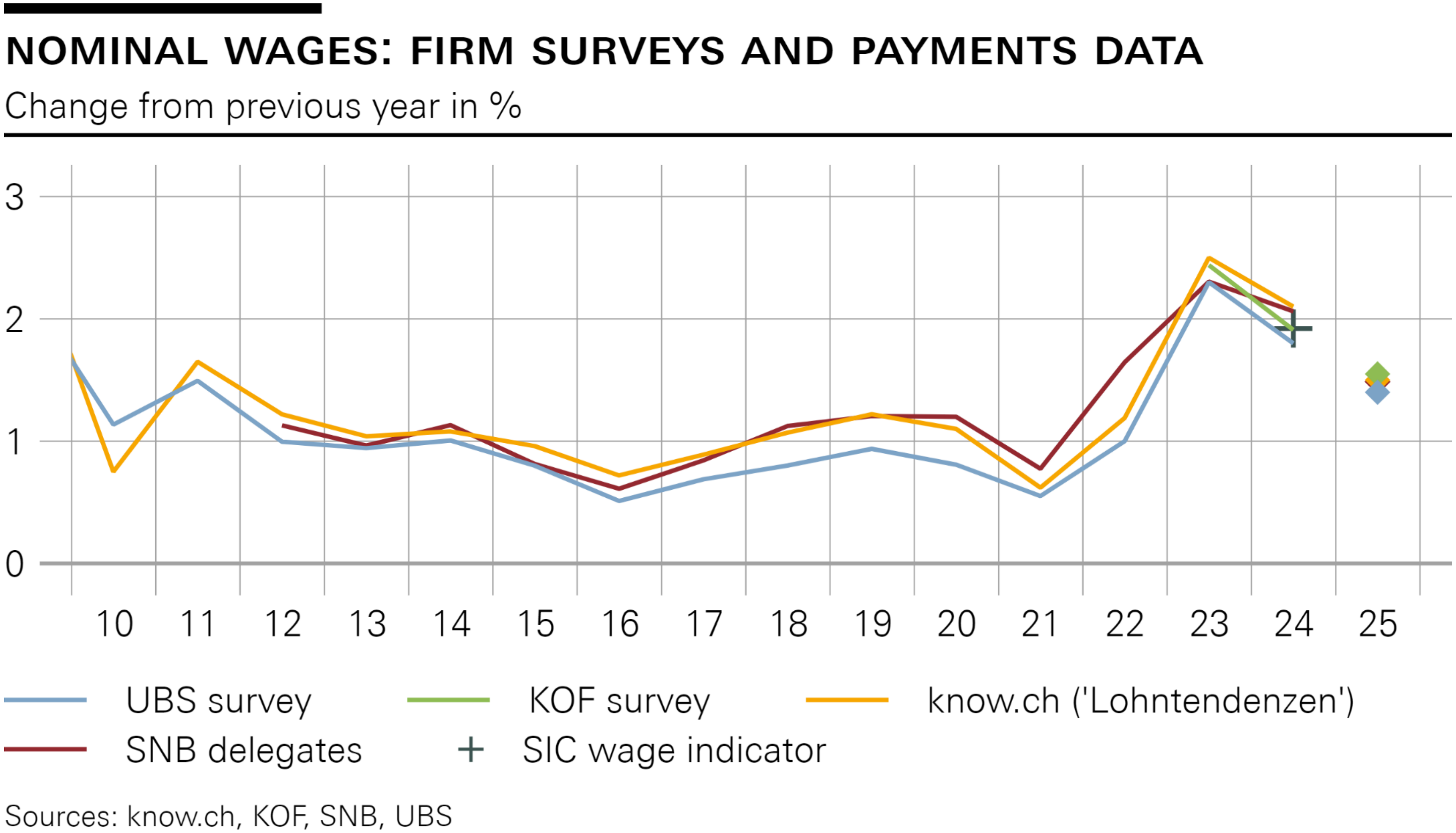
MEDIUM-TERM INFLATION EXPECTATIONS

Horizon in parentheses



Sources: Consensus Economics Inc., CFA Society Switzerland and UBS, KOF, SNB

Wage growth has remained moderate; slowdown expected for 2025



Conclusion

- Latest inflationary period mainly driven by global developments
- Inflation increase in Switzerland much smaller than abroad
- SNB reacted early and limited second-round effects on inflation

Thank you for your attention!