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KOF Bulletin

No. 104, February 2017

ECONOMY AND RESEARCH

KOF INDICATORS

KOF Swiss Economic Institute

EDITORIAL

Dear readers,

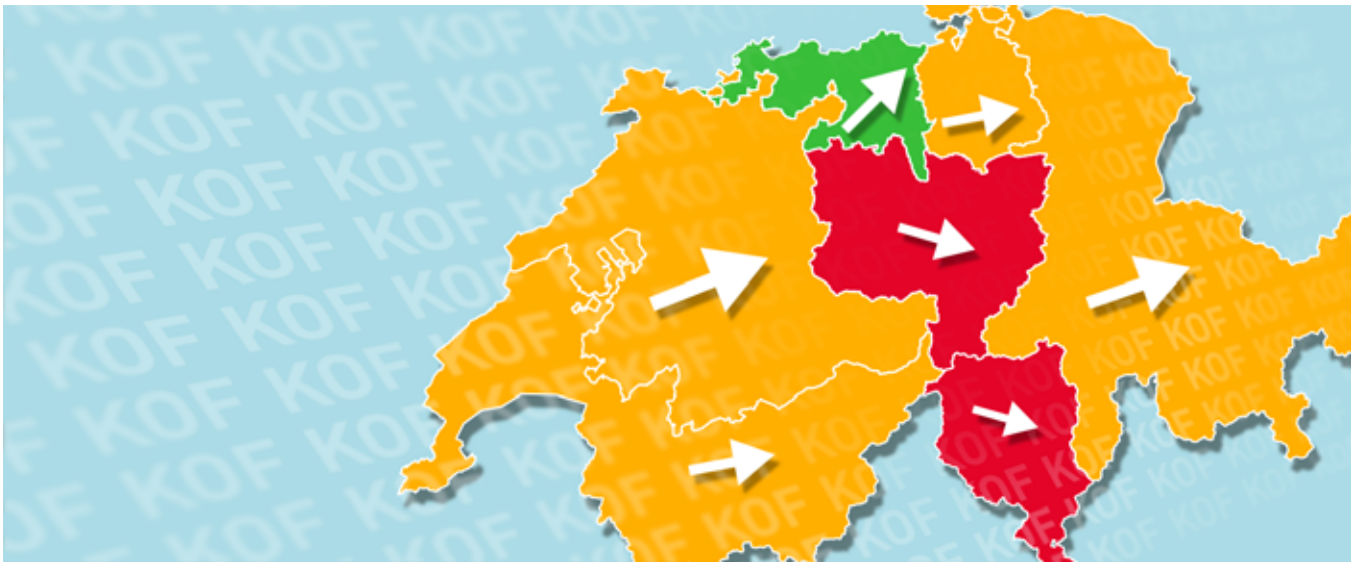
KOF conducts surveys on a regular basis and in many dimensions. One of its key studies is the quarterly Business Tendency Survey among Swiss companies. According to the latest survey of January 2017, the respondents remain cautious in their assessment of the business situation. A further important study is the Investment Survey, which is attesting to a certain optimism with regard to the current year: In 2017, companies plan to raise investments by 4.5 per cent. KOF surveys companies not only with regard to investments but also with respect to their innovation policies. The recent ten Innovation Survey in the Swiss economy shows that, although the percentage of innovators has declined, Swiss companies are still among the most innovative enterprises worldwide. The last article in this month's Bulletin analyses a subject that has dominated the political debate for quite some time now: inequality. The question will be discussed whether financial development is bad for those who are less well-off.

We hope you enjoy your read,

David Iselin, Anne Stücker and Solenn Le Goff

ECONOMY AND RESEARCH

KOF Business Tendency Surveys: Companies Report Subdued Situation at the Beginning of the Year



The KOF Business Situation Indicator for the Swiss private economy declined slightly at the start of 2017, resulting in the third monthly slowdown of the business situation in a row (see G 1). Nevertheless, companies considered their situation to be more favourable in January 2017 than at the beginning of 2016. The latest slowdown shows, however, that the Swiss economy is still on difficult terrain.

Development by economic sector

The slowdown of the business situation is primarily due to the assessments provided by manufacturing companies and wholesalers (see T 1). In the manufacturing industry, the indicator dropped for the third time in a row, albeit just slightly like in the previous two months. Nevertheless, this trend shows that tension appears to be on the rise again among manufacturing companies. In the retail trade, the situation is almost unchanged; in this sector, the assessment is stagnating at a low level. In contrast, the situation has improved in the construction and project engineering sector, among banks and insurances, in the hotel and catering industry and among the other service providers.

Business situation by region

From a regional perspective, only Ticino and Central Switzerland show a marked decline in the macroeconomic Business Situation Indicator. In the other regions – North-West Switzerland, Espace Mittelland, Eastern Switzerland as well as the Zurich and Lake Geneva regions – the situation improved slightly (see G 2). Eastern Switzerland stands out in year on year comparison, with companies reporting a significant improvement of their situation at the beginning of this year compared to the start of 2016.

Slowdown in the manufacturing industry, recovery in the construction sector

The situation in the manufacturing industry has deteriorated slightly, with companies considering their situation at the beginning of the year as less favourable than last summer. Incoming orders declined at the end of 2016 and companies tended to slightly reduce their production volumes. This affected capacity utilisation of machinery and equipment, which declined on a seasonally-adjusted basis. Close to half of the respondents mentioned insufficient demand as an impediment to their business activities. Recently, these complaints have been particularly frequent among export-oriented companies. On top of this, enterprises are

G 1: KOF Business Situation Indicator
(balance, seasonally adjusted)

increasingly forced to make renewed price concessions. The slower business situation is juxtaposed, however, with a slightly more optimistic assessment of the near future. Although pressure on selling prices is likely to persist, companies are still expecting a recovery in terms of their order books. Respondents also increasingly anticipate opportunities in their foreign business activities. All in all, the companies plan to expand production volumes.

The positive situation in the construction-related building trades and project engineering sector improved further. However, neither the construction companies nor the project engineering firms expect this trend to continue in the coming six months. Falling prices in the construction industry continue to put pressure on the companies' earnings situation. Utilisation of machinery and equipment has declined further, although more companies are complaining about weather-related impediments than in the same period of last year. Accordingly, capacity utilisation in the civil engineering sector dropped substantially. In return, however, companies received contracts which could not be completed. The scope of the order books has increased. In the case of the project engineering firms, fees are also under pressure, although the respondents hope that their earnings situation will stabilise in the near future. They expect to expand their service provision in the coming three months. Residential construction is increasingly turning into a stumbling block. In contrast, the volume of new contracts in the industrial-commercial field has hardly changed.

Retail and wholesale remain sluggish, hotel and catering is picking up

In the retail trade, the business situation at the start of the year was more or less unchanged compared to the last survey. The indicator has been treading water for over a year now, marking a rather unsatisfying situation in the retail trade. However, according to the businesses, both customer frequencies and sales volumes declined very little compared to the same month last year. Downward pressure on selling prices is much lower than last January. Nevertheless, retailers do not expect a turnaround in sales in the near future and remain cautious when ordering new goods.

Following a slight rebound last summer, the situation in the wholesale trade slowed down again in January. Demand dropped off and stocks increased. Over two-thirds of the respondents report insufficient demand. The companies are also expecting a rise in purchase prices.

T 1: KOF Business Situation for Switzerland (seasonally adjusted balances)

	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Jan 17
Private sector (overall)	3.7	4.0	6.2	7.7	9.8	8.2	10.1	11.0	11.4	11.7	10.0	9.3	8.6
Manufacturing	-13.1	-13.1	-10.0	-7.2	-6.2	-3.5	-8.4	-7.8	-7.6	-6.0	-9.6	-8.9	-10.5
Construction	21.8	27.7	26.0	25.0	22.4	23.0	24.1	27.6	23.1	25.3	26.6	24.5	27.7
Project engineering	46.3	46.3	45.5	45.3	46.7	43.9	45.5	46.2	46.1	45.8	42.1	46.2	47.4
Retail trade	-11.5	-11.5	-5.3	-9.0	-10.9	-8.8	-11.6	-10.6	-8.4	-7.5	-11.9	-9.7	-9.7
Wholesale trade	-14.9	-	-	-7.7	-	-	4.0	-	-	3.4	-	-	-9.8
Financial services	10.7	16.7	21.2	18.2	26.9	14.6	18.5	23.4	23.7	25.0	21.9	17.7	19.8
Hotel and catering	-18.8	-	-	-16.7	-	-	-23.0	-	-	-16.8	-	-	-14.5
Other services	20.3	-	-	20.5	-	-	24.0	-	-	22.2	-	-	24.8

Answers to the question: We assess our business situation as good/satisfactory/bad. The balance is the percentage of "good" answers minus the percentage of "bad" answers.

In the hotel and catering industry, the business situation improved further in January. Although the respondents are still predominantly dissatisfied with their situation, on balance the negative voices declined for the second consecutive time. Enterprises located in the mountains did not keep pace with January's positive overall trend. On the contrary, their business situation slowed down. Broken down into catering and hotel establishments, the former reported a clear improvement of their situation while the latter are less satisfied with their situation than in the preceding quarter. Although many catering companies complain about insufficient demand and unfavourable weather conditions and are sceptical when it comes to demand in the coming months, they hope to be able to raise prices slightly to make up for these factors. In contrast, hotel businesses expect a further drop in the prices of their services. This affects the companies' outlook although the number of overnight stays has recently stabilised and the earnings situation has deteriorated very little.

Banks, insurers and other service providers more optimistic

Following a gradual slowdown in autumn, banks and insurers reported a stabilisation of their business situation. Especially banks gave a more favourable assessment of their situation at the beginning of the year. For the first time in a long time, they no longer give a negative assessment of their business situation with foreign clients. On top of this, they were more satisfied with their domestic business in January than in the previous quarter. Corporate demand increased particularly. For the near future, the institutes anticipate a higher volume of company loans, although they assess credit ratings more sceptically than before. Banks have become more confident again with regard to the future earnings trend. All in all, banks and insurers have a more positive outlook on the business development in the coming six months than before. Compared to the previous year, the decline in the net return on capital has stopped in the insuring industry and rising premium scales are expected in the near future.

The business situation of the other service providers improved again in January. Especially business service providers, among them consultancy firms, reported a brighter situation than in the previous quarter. All in all, demand for other services rose in the past three months and complaints about insufficient demand have declined. The companies managed to stabilise their level of competitiveness but are afraid that they will have to lower the prices of their services in the near future. As regards the future trend in demand, the other service providers are confident.

G 2: KOF Business Situation in the Private Sector

The angle of the arrows reflects the change in the business situation compared to the previous month

Net balances

- 55 to 100
- 30 to under 55
- 16.5 to under 30
- 9 to under 16.5
- 5 to under 9
- -5 to under 5
- -9 to under -5
- -16.5 to under -9
- -30 to under -16.5
- -55 to under -30
- -100 to under -55

The results of the current KOF Business Tendency Surveys of January 2017 are based on the answers of over 4,500 companies in industry, construction and the main service sectors. The response rate was approximately 56 per cent.

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You can find more information about the KOF Business Tendency Surveys on our website: www.kof.ethz.ch →

Investments of Swiss Companies on the Rise Again

Swiss companies plan to increase their investment activities by around 4.5 per cent in 2017. The envisaged rise in capital investments and the substantial increase in planned growth investments indicate that the outlook among Swiss companies has become slightly more optimistic. These are the results of the KOF Investment Survey conducted in autumn 2016.

Switzerland's economic development in the last few years had its ups and downs. After an approximate two per cent expansion in 2014, the sudden revaluation of the Swiss franc in January 2015 put the brakes on production growth in Switzerland. Despite the revaluation and its associated competitive disadvantages, Swiss GDP still grew by a further 0.8 per cent in 2015. According to estimates based on preliminary SECO figures, Switzerland's economic performance has improved more robustly in 2016 (1.4%). The recovery is expected to continue this year and the economy is likely to pick up more speed. The current KOF forecast anticipates GDP growth of around 1.6 per cent in 2017.

The investment trend in any economy is closely linked with the GDP trend. In economic boom times, investment is usually higher than during slow phases. Largely in line with the GDP trend, the trend in capital investments has been rather inconsistent in the last three years. On a price-adjusted basis, capital investments expanded by 2.8 per cent in 2014, 1.6 per cent in 2015 and 2.3 per cent in 2016. In comparison, the average capital investment growth rate in the period 2002 to 2012 was around 2.1 per cent.

Companies want to increase investments in 2017

The KOF Investment Survey is now delivering first estimates of investment activities for the year 2017. The survey results indicate a capital investment growth rate of a nominal 4.5 per cent. [1] A 4.5 per cent increase in capital investments is seen as a strong investment stimulus. In comparison, the average rate of change in the last four years was approximately 2.2 per cent.

The investment figures collected for the year 2017 are based on investment plans that the respondents have drawn up but are not certain to carry out. KOF also enquired about the companies' subjective implementation certainty to determine the precision of the rate of change resulting from the plans. In autumn 2016, a total of 84.8 per cent of the companies rated their 2017 investment plans as certain or very certain. In contrast, 15.2 per cent of the companies were uncertain or very uncertain with regard to their plans. The level of implementation certainty is thus the same as in the preceding year.

Swiss companies want to invest more in 2017.

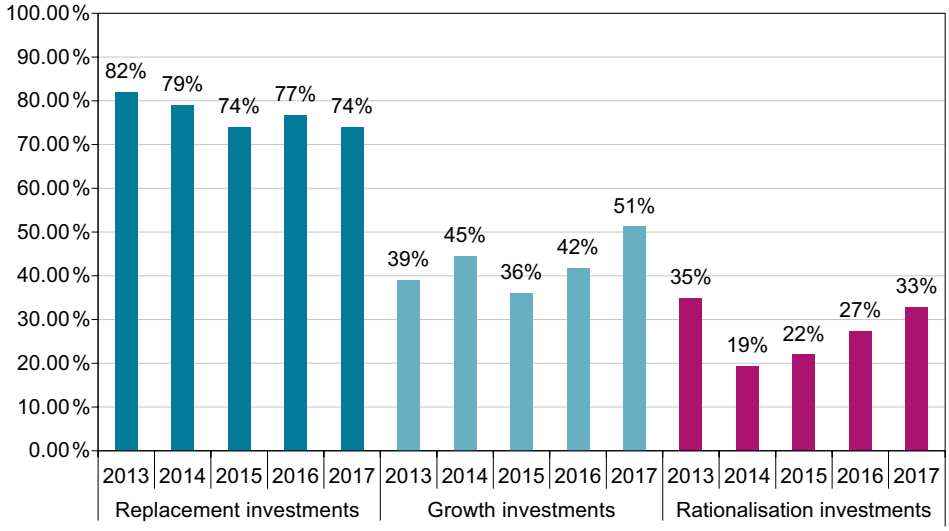
Confidence on the rise

Graph G 3 shows the percentage of companies that carried out replacement, growth and rationalisation investments in the last five years. While the percentages in the period 2013 to 2016 refer to implemented investments, the 2017 figures relate to planned investments. Specific investments are not necessarily limited to one category but may be assignable to several or all categories.

In terms of economic activity, the different categories carry different weights. While pure replacement investments serve to replace existing plant and machinery and do not affect the production capacity of an economy, growth investments are of key importance to future economic

[1] The rates of change in the survey results reflect the capital investments of private companies in Switzerland. The agricultural sector, private households and semi-public enterprises are either partially included or not included at all. The rates of change are therefore not directly comparable to those of the VGR (national accounts).

G 3: Investment Structure



development. On the one hand, growth investments raise the capital stock and hence the production capacity of an economy, on the other hand they act as an indicator of the companies' expectations. In times of low economic activity combined with a negative outlook and a high level of uncertainty, companies usually hesitate before expanding their production facilities and often restrict themselves to replacing existing facilities. In contrast, during an economic boom, companies expect rising demand and expand their capacities in response.

According to the KOF Investment Survey, over 50 per cent of the respondents are planning to make growth investments in 2017, indicating a more optimistic outlook. A substantial portion of the budgeted 4.5 per cent increase in capital investments is likely to go into the expansion of existing capacities, which will raise the total production potential in Switzerland. Aside from higher growth investments, 2017 is also likely to see an increase in rationalisation investments. In the course of rationalisation investments, companies replace existing production facilities with more efficient ones and seek to raise their competitiveness with the help of the new facilities.

KOF investigates innovation activities in the Swiss economy on behalf of the State Secretariat for Economic Affairs (SECO). The current tenth Innovation Survey covers the period from 2012 to 2014 and is based on the responses of 1,778 companies.

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Innovation Activities in the Swiss Economy: Growing Concentration of R&D Expenditure

Swiss companies are still among the most innovative enterprises in the world. However, the percentage of innovators has declined. Among the companies that generate innovations, the innovation expenditure to turnover ratio has nevertheless gone up. These are the results of the tenth Innovation Survey of the Swiss Economy for the years 2012 to 2014.

During the latest observation period (2012 to 2014), the negative trend towards declining percentages of companies performing research and development activities (R&D) continued. A total of 14.3 per cent of all companies engaged in R&D. At 16.6 per cent, the respective share was still higher in the period from 2010 to 2012. The decline is predominantly due to the high-tech industry (pharmaceuticals, chemicals, mechanical engineering, electrical engineering, medical technology, vehicles, clocks) as well as the traditional service industries (retail/wholesale, transport/logistics, hotel and catering, real estate, personal services), and to a lesser degree to modern services (financial sector, IT media, telecommunications, business support services) and the low-tech industries (e.g. food, print, metal production, energy).

In 2014, the R&D expenditure to turnover ratio declined (see G 4). However, over a longer period of time, the ratio has increased substantially. In the years 2012 to 2014, companies engaged in R&D activities invested, on average, 2.7 per cent of turnover in R&D projects and 4.1 per cent in innovation projects (including R&D expenditure). This increase is particularly pronounced among low-tech companies, traditional service providers and big enterprises.

Cost savings through process innovation on the rise

All in all, organisational and marketing innovation is more prevalent than process innovation. However, in the period from 2012 to 2014, cost cutting through process innovation has become significantly more important. The service sector was the main driving force behind this development. On the whole, organisational and marketing innovation declined compared to the previous period.

Fewer new products on the market

Innovation success as measured by the innovative product to turnover ratio has improved both overall and in most sub-aggregates. This is exclusively due to an increase in the "company innovations" share of turnover. This type of innovation is new for the company but not for the market. Hence, there is a relatively low innovation content. In contrast, the share of "market innovations" declined slightly.

Costs and amortisation times act as barriers

Barriers to innovation have become progressively less significant. The importance of shortages of R&D staff, and specialists in general, which has been widely discussed in public, has declined since the period from 2006 to 2008. While the shortage of specialists is relatively small in big companies, it is a comparatively bigger barrier to innovation in medium-sized companies.

As before, the main barriers to innovation are high investment costs and excessive amortisation times. This applies particularly to industrial enterprises and big companies. Market risks represent another significant barrier for big companies. For enterprises with less than 50 employees, lack of equity is more frequently a barrier to innovation than for bigger enterprises.

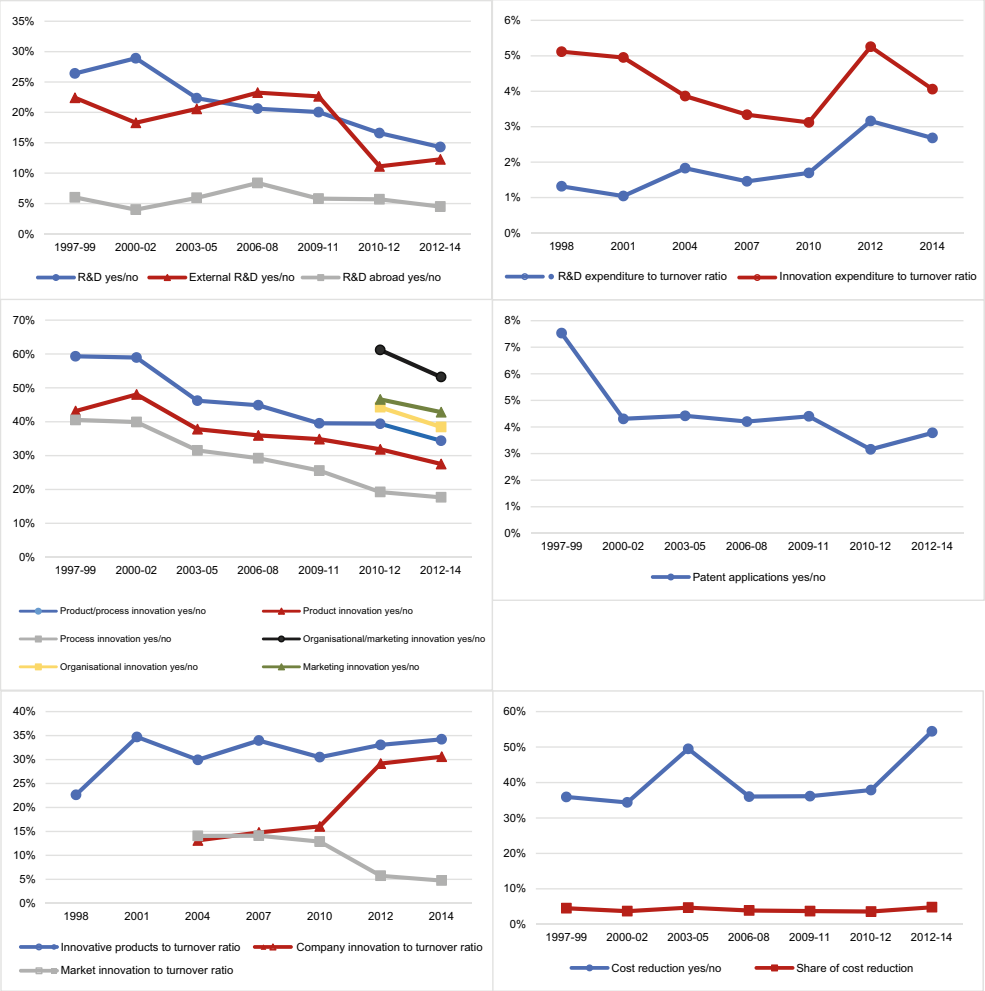
The percentage of companies receiving public innovation subsidies has risen since 2009. The latest figure is 9.1 per cent. Although most enterprises receive support in the context of national subsidy schemes, international programmes are becoming more prevalent.

Cooperation is gaining importance

R&D cooperation agreements, predominantly with other Swiss companies or university institutions, have also become more important during the period under review, especially since 2009. Over time, cooperation with competitors and companies in other sectors has been declining.

The use of information and communication technologies (ICT) was also investigated in the survey period 2012 to 2014. In comparison to all other companies, big industrial

G 4: Trend in Innovation Indicators (in %) 1997–1999 to 2012–2014, Swiss Economy



Note: The R&D/innovation expenditure to turnover ratios relate to innovating companies, the company/market innovation to turnover ratios to product innovations, the share of cost reduction to process innovation and all other indicators to all companies.

enterprises invest most in ICT and are most frequently procuring inputs via internet channels. However, the sale of products and services is of greater significance for the service sector. While bigger companies are more frequent users of social media and cloud computing, they are also more often affected by ICT security problems than smaller companies.

Innovation study

KOF investigates innovation activities in the Swiss economy on behalf of the State Secretariat for Economic Affairs (SECO). The current tenth Innovation Survey covers the period from 2012 to 2014 and is based on the responses of 1,778 companies.

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The study No. 88 "Die Entwicklung der Innovationsaktivitäten in der Schweizer Wirtschaft 1997–2014" by Spyros Arvanitis, Florian Seliger, Andrin Spescha, Tobias Stucki and Martin Wörter is available at: www.e-collection.library.ethz.ch/eserv/eth:50487/eth-50487-01.pdf →

Financial Development Bad for the Poor?

Not least driven by the publication of the book "Capital" by Thomas Piketty, questions about inequality appear at the top of the list of economic issues to be addressed. One important aspect is the question about the relationship between financial development and income inequality. In a new paper, Jakob de Haan and Jan-Egbert Sturm show that financial development has caused higher income inequality.

What is the relationship between financial[1] development and income inequality? Answering this question has proven to be harder than expected. The existing economic theory provides answers in both directions – positive and negative –, and the empirical literature also presents mixed findings. On the one hand, more financing may make it easier for the poor to borrow money for viable projects, which in turn may reduce income inequality (Galor and Moav, 2004). Financial imperfections, such as information and transaction costs, are especially binding on the poor, who lack collateral and credit histories. A relaxation of these credit constraints may therefore benefit them (Beck et al., 2007). On the other hand, improvements in the formal financial sector might benefit the well-off, who rely less on informal connections for capital (Greenwood and Jovanovic, 1990). So which side has the stronger arguments?

New support for the negative effects on equality comes in the form of a KOF Working Paper: "Finance and income inequality: A review and new evidence" by Jakob de Haan and Jan-Egbert Sturm. De Haan and Sturm show that a higher level of financial development, financial liberalization and the occurrence of a banking crisis all increase income inequality. This inclusion of three variables at the same time distinguishes de Haan and Sturm's approach from other studies, which include two of these variables at best. Furthermore, they test to what extent the effect of financial liberalization is conditional on the level of financial development and institutional quality.

For their analysis, they use a panel fixed effects model for a sample of 121 countries covering the period from 1975 to 2005, and then examine how financial development, financial liberalization and banking crises are related to income inequality. Their dependent variable of choice are the five-year averages of Gini coefficients based on the gross income of households. The Gini coefficient is derived from the Lorenz curve and ranges between zero (perfect equality) and 100 (perfect inequality). They use five-year, non-overlapping averages for three reasons: First, annual macroeconomic data are noisy, and this applies especially for data on income inequality. The annual income inequality data are imputed for years for which no information was available in the underlying databases (there are only infrequent measures of inequality for large parts of Africa, Latin America, and Asia). Second, some of the explanatory variables used are only available for five-year intervals. Third, they are not so much interested in short-term driven effects (e.g. business cycle).

A systemic banking crisis in a five-year period is mostly followed by a substantial increase in income inequality. In contrast to the prediction by Bumann and Lensink (2016), De Haan and Sturm's results suggest that, if there are high levels of financial development, financial liberalization increases income inequality. Whereas good political institutions do reduce income inequality overall, the positive impact of financial liberalization on income inequality is actually higher in countries with a higher quality of political institutions, as measured by the level of democratic

[1] Financial Development is measured as "Private Sector Credit to GDP". Hence, the definition is concentrating on how well developed the banking sector is.

accountability. Furthermore, institutional quality does not condition the impact of financial development on income inequality. This stands in contrast to the prediction by Rajan and Zingales (2003), who say that if institutions are of high quality, financial development will reduce inequality.

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The underlying KOF Working Paper "Finance and income inequality: A review and new evidence" by Jakob de Haan and Jan-Egbert Sturm can be found here:
www.e-collection.library.ethz.ch/eserv/eth:49651/eth-49651-01.pdf →

Literature

Bumann, S., Lensink, R., 2016. Capital account liberalization and income inequality. Journal of International Money and Finance 61, 143–162.

Galor, O., Moav, O. (2004). From physical to human capital accumulation: inequality and the process of development. Review of Economic Studies 71, 1001–1026.

Greenwood, J., Jovanovic, B., 1990. Financial development, growth, and the distribution of income. Journal of Political Economy 98, 1076–1107.

Rajan, R.G., Zingales, L., 2003. The great reversals: the politics of financial development in the twentieth century. Journal of Financial Economics 69, 5–50.

KOF INDICATORS

KOF Employment Indicator Not Budging

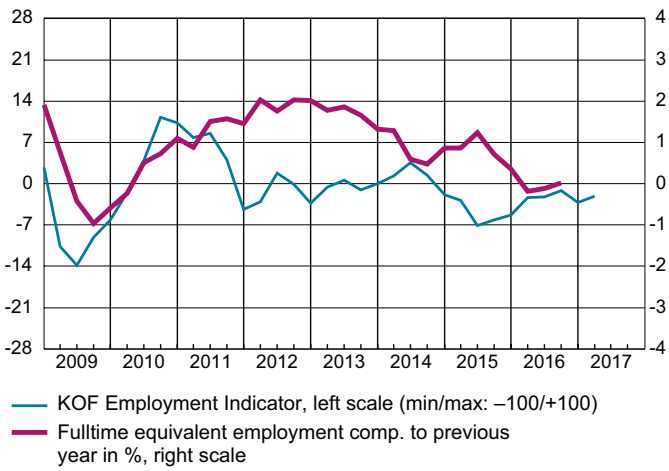
For one and a half years now, Swiss companies have held back when it comes to creating new jobs (see G 5). According to the new KOF Employment Indicator, this is unlikely to change in the coming months. Employment prospects are sketchy in numerous sectors.

At –2.1 points in the first quarter of the new year, the KOF Employment Indicator has now been negative for two years. The indicator is calculated on the basis of quarterly Business Tendency Surveys. In the context of the surveys, KOF asks 4,500 companies to answer questions regarding their employment situation and staff planning. If the indicator is negative, the number of companies which consider cutting their workforce is larger than the number of companies aiming to create new jobs. In the past, companies have often put their plans into practice. The negative value thus indicates that an upswing on the Swiss employment market is still some time off.

Retail has not yet digested the Swiss franc shock

Employment assessments are negative in the majority of sectors. The only bright spot are the survey results of the other service providers, which include, among others, transport, healthcare and social services enterprises. The indicator for this sector is clearly back in the positive range. In contrast, industrial companies, hotels and catering companies as well as banks and insurance companies still show significant restraint when it comes to creating new jobs. Employment prospects are also unpromising in the wholesale and retail industries where employment indicators slumped in the first quarter 2015 and have been clearly negative ever since. With the collapse that occurred in January 2015, it may be concluded that the downturn is connected with the Swiss franc appreciation. Retail companies have been reporting strong price pressure ever since. It appears that this competitive pressure is curbing the company's inclination to create new jobs – although the business situation in the retail trade has somewhat improved over the last few months. It looks as if the retail companies have still not digested the Swiss franc shock and slight staff cuts are likely to be made in the coming months.

G 5: KOF Employment Indicator and Employment
(Employment according to FSO)



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More detailed information regarding the KOF Employment Indicator can be found on our website:
www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-employment-indicator →

KOF Economic Barometer: Soft Drop

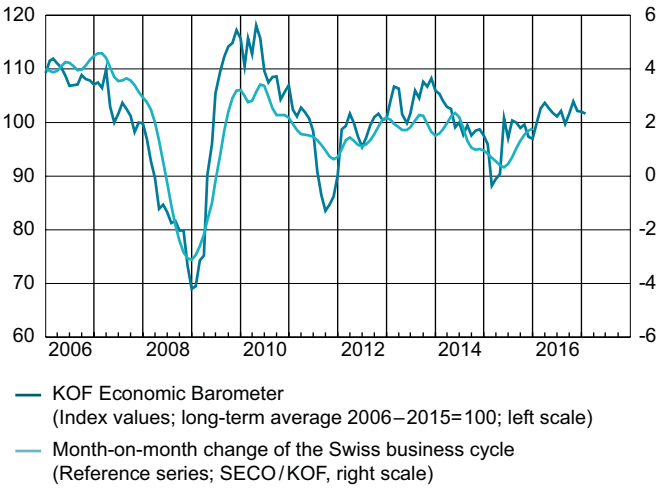
The KOF Economic Barometer dropped slightly in January 2017 (see G 6). Compared to its December 2016 value, it is now standing at 101.7 points. The standing at a level slightly above the long-term average indicates stable perspectives for the Swiss economy in the near future.

In January 2017, the Economic Barometer reached a score of 101.7 points. This relates to a slight downward revision by 0.4 points compared to its December value (102.1, revised from 102.2). Positive impulses to the Barometer came from the construction and the export sector. Negative signals to the January standing came from indicators related to the financial sector, private consumption and, in particular, to the hotel and restaurant industry. The indicators from the manufacturing sector neutralized each other.

However, within the manufacturing industry, the development was heterogeneous. Positive tendencies stemmed from the chemical and the metal industry, whereas the textile industry contributed negatively. The remaining industries combined conveyed a neutral contribution in January.

In particular, the competition position of the manufacturing sector has improved. At the same time, the judgment of the revenues has deteriorated somewhat.

G 6: KOF Economic Barometer and Reference Series



KOF Economic Barometer and reference time series: annual update

In September 2016, the scheduled annual update of the KOF Economic Barometer took place. The annual update of the Barometer included the following stages: redefinition of the pool of indicators that enter the selection procedure, update of the reference time series, a new execution of the variable selection procedure and a procedure to estimate missing monthly values of quarterly variables. The updated reference series is the smoothed continuous growth rate of Swiss GDP according to the new System of National Accounts ESVG 2010, released at the end of August 2015, which takes into account the release of the previous year's annual Gross Domestic Product (GDP) data by the Swiss Federal Statistical Office. As a result of the indicator variable selection procedure, the updated KOF Economic Barometer is now based on 272 indicators (instead of 238 as in the previous vintage) from a pool of more than 400 potential indicator series. They are combined using statistically determined weights.

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For detailed information on the KOF Economic Barometer, visit our website:
www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-economic-barometer →

AGENDA

KOF Events

Young Swiss Economists Meeting – YSEM 2017
16. Februar 2017 – 17. Februar 2017
www.kof.ethz.ch/news-und-veranstaltungen/event-calendar-page/konferenzen/ysem2017/ →

EEAG Report 2017: Populism and Economic Policy
Harold James (Princeton and EEAG) and Jan-Egbert Sturm (KOF Swiss Economic Institute and EEAG) will discuss the challenges that lie ahead of us concerning the rising populism and its consequences for economic policy. Martin Meyer (Schweizerisches Institut für Auslandforschung) will moderate the event.

Swiss Re Centre for Global Dialogue, Rüschlikon, Zurich
16 March 2017
5.30 – 7.30 pm
www.cgd.swissre.com/events/EEAG_REPORT_2017.html#tab_3 →

KOF Research Seminar:
www.kof.ethz.ch/en/news-and-events/event-calendar-page/kof-research-seminar →

KOF-ETH-UZH International Economic Policy Seminar:
www.kof.ethz.ch/en/news-and-events/event-calendar-page/kof-eth-uzh-seminar →

Conferences/Workshops

You can find current events and workshops under the following link:
www.kof.ethz.ch/en/news-and-events/event-calendar-page/konferenzen →

KOF Media Agenda

Here you can find our media events:
www.kof.ethz.ch/en/news-and-events/media/media-agenda →

KOF Publications

You will find a complete list of all KOF publications (KOF Analyses, KOF Working Papers and KOF Studies) on our website.
www.kof.ethz.ch/en/publications →

TABLE KOF WINTER FORECAST 2016

SWITZERLAND

Real Gross Domestic Product by Type of Expenditure

		Percentage change against														
		previous quarter (annualised, trend cycle component)												previous year		
	2007-	2016				2017				2018				2016	2017	2018
	2015	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Private consumption	1.6	0.7	0.5	0.5	1.1	1.2	1.0	0.9	0.9	1.1	1.2	1.2	1.2	0.9	0.9	1.1
Public consumption	1.3	1.9	1.3	1.0	0.9	0.8	0.7	0.5	0.2	0.1	0.3	0.3	0.3	1.4	0.8	0.3
Gross fixed capital formation	1.6	3.2	2.5	0.4	-0.5	-0.2	0.2	-0.5	1.3	2.7	1.7	2.4	2.7	2.3	0.0	1.7
– Construction	2.0	-0.3	0.1	1.3	1.3	0.5	0.7	1.4	2.0	2.4	2.0	1.6	1.6	0.4	0.9	1.9
– Machinery and equipment	1.4	4.9	3.6	-0.1	-1.5	-0.5	-0.1	-1.8	0.8	2.8	1.6	2.9	3.5	3.6	-0.5	1.6
Exports of goods (1) and services	2.9	7.8	4.3	1.7	2.7	1.9	1.6	3.3	2.8	2.3	3.5	4.4	3.4	5.6	2.2	3.0
– Goods	2.2	9.9	4.4	2.5	1.6	0.9	1.1	1.8	3.2	4.1	4.0	4.0	4.3	6.7	1.7	3.4
– Services	2.7	3.1	2.2	1.6	1.5	3.9	2.9	1.9	2.9	3.0	3.1	2.6	2.7	3.2	2.7	2.8
Imports of goods (1) and services	3.1	4.2	1.2	1.1	2.7	4.1	2.5	1.1	1.9	3.3	3.7	3.9	3.7	3.2	2.5	3.0
– Goods (1)	1.8	5.9	1.2	2.1	3.4	5.2	3.1	0.4	1.5	3.4	4.1	3.8	3.5	4.1	3.1	3.0
– Services	6.0	0.7	-4.5	-1.7	1.0	2.6	2.8	1.0	2.0	3.5	4.1	3.2	3.7	1.5	1.2	3.0
Change in stocks (2)	0.1	-1.8	-1.4	-0.6	0.9	2.8	2.3	0.3	0.1	0.5	0.5	0.2	0.1	-2.1	1.5	0.4
Gross Domestic Product (GDP)	1.6	1.9	1.5	1.0	1.3	1.8	1.7	1.7	1.8	1.9	2.1	2.0	1.9	1.4	1.6	1.9

(1) Without valuables (i.e. precious metals including non-monetary gold, precious stones and gems as well as objects of art and antiquities)
(2) Percentage contribution to GDP-growth

Other Macroeconomic Indicators

		Percentage change against														
		previous quarter												previous year		
	2007-	2016				2017				2018				2016	2017	2018
	2015	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real effective exchange rate of CHF (1)	2.5	-2.2	-1.7	1.6	1.6	-0.7	-0.7	-2.8	0.0	-2.4	-0.9	-2.8	0.0	-2.8	-0.3	-1.5
Short term interest rate (3-month Libor CHF) (2)	0.6	-0.8	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7
Yield of 10 years federal bonds (2)	1.5	-0.4	-0.4	-0.5	-0.2	-0.1	0.0	0.0	0.1	0.2	0.2	0.2	0.3	-0.4	0.0	0.2
Consumer prices (3)	0.2	-1.0	-0.4	-0.2	-0.1	0.4	0.2	0.3	0.3	0.2	0.2	0.3	0.3	-0.4	0.3	0.3
Full-time equivalent employment (4)	1.3	-0.2	0.2	0.4	0.4	0.5	0.4	0.3	0.3	0.3	0.6	0.8	0.8	0.0	0.4	0.4
Unemployment rate (2.5)	2.9	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.4	3.3	3.3	3.4

(1) Annualised
(2) Level
(3) Same quarter of previous year
(4) Annualised trend-cycle component
(5) Unemployed as percentage of labour force according to survey 2012-2014

GLOBAL ECONOMY

		Percentage change against														
		previous quarter (annualised, seasonal adjusted)												previous year		
	2007-	2016				2017				2018				2016	2017	2018
	2015	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real Gross Domestic Product (GDP)																
– OECD total	1.2	1.6	1.4	2.3	1.8	1.9	1.9	1.9	2.0	2.1	2.1	2.2	2.2	1.7	1.9	2.1
– European Union (EU-28)	0.7	2.0	1.6	2.2	1.6	1.5	1.5	1.6	1.7	1.6	1.6	1.6	1.6	1.9	1.6	1.6
– USA	1.3	0.8	1.4	3.2	2.1	2.1	2.0	2.1	2.2	2.4	2.6	2.7	2.8	1.6	2.2	2.4
– Japan	0.4	2.8	1.8	1.3	1.1	1.3	1.3	0.9	0.9	0.7	0.7	0.7	0.8	1.0	1.2	0.8
Oil price ($ per barrel) (1)	88.5	35.2	47.0	47.0	51.1	55.2	55.4	55.7	56.0	56.3	56.6	56.9	57.3	45.1	55.6	56.8

(1) Level

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