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REMOVAL OF THE EXCHANGE RATE FLOOR: AN ENDURANCE TEST FOR THE SWISS ECONOMY

The increase in the value of the Swiss franc following the removal of the exchange rate floor will weigh down heavily on the Swiss business cycle. The KOF is forecasting gross domestic product (GDP) growth of 0.2 per cent in 2015. Exporters in particular are feeling the effects of the strong franc. Due to falling prices and consumer tourism, private consumption is initially holding up well. However, businesses are delaying investments in capital equipment. The negative effects on the labour market will still be relatively limited this year, although the unemployment rate will increase more strongly in 2016. GDP growth will remain weak next year at one per cent.

The performance of the economy over the next few months will be significantly influenced by the removal of the euro-franc exchange rate floor. Given the exchange rate of 1.07 Swiss francs to the euro assumed by the KOF for the forecasting period, many businesses are being confronted with significant reductions in competitiveness, which means that a fall in overall economic output measured as a proportion of GDP is likely. The first quarter of 2015 has already seen a real term fall in seasonally adjusted GDP compared to the previous quarter. The KOF is only forecasting a return to GDP in the fourth quarter. Overall, the average annual GDP growth for 2015 will thus be very low (0.2%). GDP growth will remain comparatively weak next year at one per cent (see G1).

Given more than two consecutive quarters of negative growth rates, the Swiss economy is accordingly at the start of a technical recession, although this will initially have hardly any implications for the labour market. However, production falls are expected in many sectors over the course of the year, including above all for businesses that sell most of their products in the eurozone. Export growth will be low this year (2016: 2.4%) (see G2).

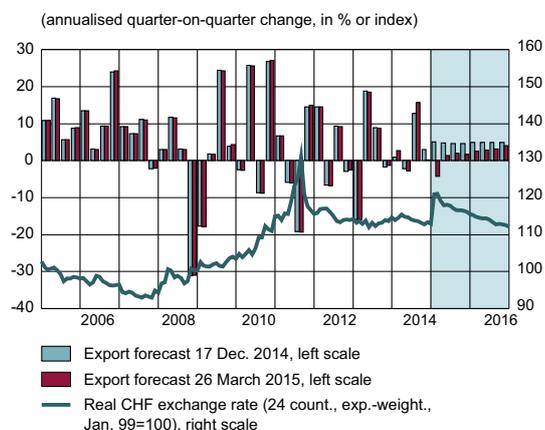
The unemployment rate according to the definition used by the State Secretariat for Economic Affairs (SECO) is expected to increase slightly to 3.4 per cent. A higher rate of 3.8 per cent is forecast for next year. According to the International Labour Organisation (ILO) definition to be used for international comparisons, the unemployment rate will be 4.5 per cent (2015) and 4.9 per cent (2016), respectively.

The deteriorating labour market situation will dampen private consumption. Due to still buoyant incomes and lower prices, however, the slowdown

G 1: Switzerland: Real GDP with Forecast



G 2: Total Exports and CHF Exchange Rate



will not be very pronounced. Once again, the Swiss economy is being propped up by private consumption (2015: 2.0%). The Swiss consumer price index LIK is slated to fall again this year by -0.8 per cent. Prices will stagnate next year.

Both investments in capital equipment and construction are also expected to decline. Due to the uncertain economic outlook and uncertainty regarding the implementation of the initiative against mass immigration, a large number of investment plans have been put on ice. The KOF is forecasting economic growth of 0.3 per cent in capital investment this year and a 0.6 per cent fall for investment in construction.

INCREASED FORECASTING UNCERTAINTY

As mentioned above, the KOF is proceeding on the assumption that the exchange rate will remain stable at 1.07 francs to the euro until the end of 2016. However, its value may turn out to be either lower or higher. The KOF already considered in its forecast of 28 January 2015 what a most pessimistic economic scenario involving parity between the franc and the euro would look like. Swiss GDP was forecast to fall by 0.5 per cent during the current year.

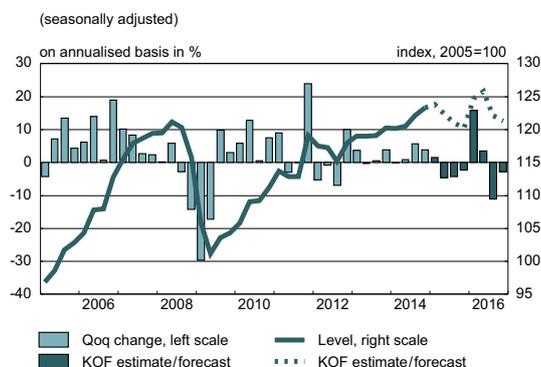
However, a KOF survey has shown that Swiss businesses are rather expecting the franc to fall slightly in value against the euro over the coming quarters. In addition, over the last few years the Swiss economy has proved to be remarkably versatile in response to external shocks. This means that the actual trend may be more positive than that projected by the KOF in this forecast.

GLOBAL BUSINESS CYCLE: UNEVEN PROSPECTS FOR THE WORLD ECONOMY

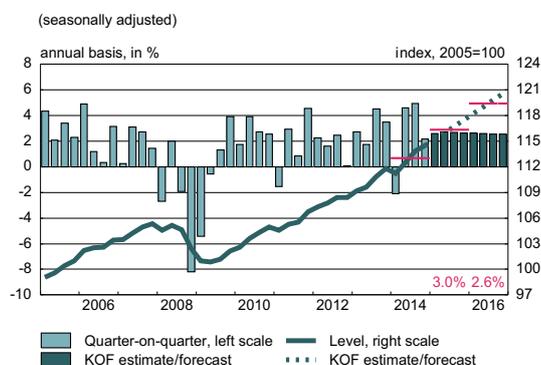
The USA has once again lived up to its role as a driver of growth in the global economy. The upswing of the past year is expected to continue. The euro area economy has likewise returned to growth, with the German business cycle providing the impetus. Greece continues to be a problem child, while other countries have outgrown this role. With the exception of India, the pace of expansion is slowing down in the major emerging markets.

The USA was in the boom phase of a business cycle in the past summer half-year. Overall, the US economy in 2014 reported a 2.4 per cent growth of the gross domestic product (GDP). This is the highest value since 2010, when growth was 2.5 per cent. Even though the business cycle in the USA in the winter half-year 2014/2015 has slackened, the upswing is expected to continue. This is evidenced by the good employment trend, the monetary environment and the low price of oil. However, the increased value of the dollar has been a burden on the export activity. Overall, Swiss Institute for Business Cycle Research (KOF) expects a three per cent growth in GDP for 2015.

G 3: Real Investment in Equipment



G 4: USA: Real GDP With Forecast

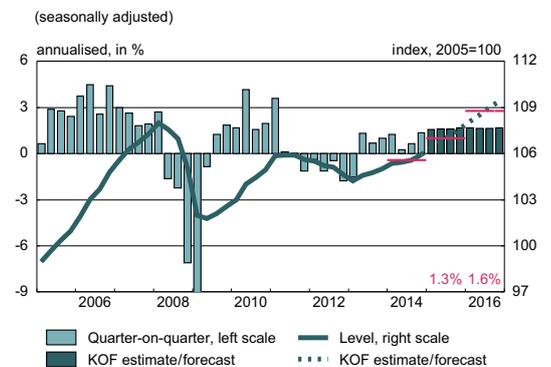


After the US Central Bank (Fed) ended its quantitative easing programme (QE3) in October 2014, it will presumably start with the tightening of monetary policy through interest rate increases in the middle of 2015, which is expected to lead to a gradual weakening of long-term growth. The KOF expects a deceleration of GDP growth to 2.6 per cent for 2016 (see G 4).

EURO AREA ECONOMY ENTERING CALMER WATERS

The euro area reported a year-on-year growth of 1.4 per cent in the fourth quarter of 2014, which, however, is mainly based on the unexpected strong growth in Germany of 2.8 per cent. Spain reached the same high rate, while Italy and France continued to stagnate. Overall, the business cycle in many countries of the euro area is once again on a positive path. Supported by the further easing of the European Bank's (ECB's) monetary policy, a less restrictive fiscal policy, the depreciation of the euro against the dollar and the continued low price of oil, the recovery in the euro area is expected to continue (see G 5).

G 5: Eurozone: Real GDP With Forecast



The situation in Greece remains tense. While GDP increased slightly in the past year, at 0.6 per cent, uncertainty increased again, however, with the inauguration of the new government at the end of January. At the end of February, after difficult negotiations in the run-up to the implementation of those reforms, the Greek government has consented to the reforms that were agreed beforehand in the rescue package for Greece. As a result, the country is given additional time to implement these reforms and receive the remaining aid money of the rescue programme (7.2 billion euros). This is also urgently required since before the elections there was a massive drop in tax income. Greece must make a repayment in the amount of 1.4 billion euros to the International Monetary Fund (IMF) already at the end of March. This can probably still be coped with from uncommitted funds. However, already in June and July, further repayments in the amount of 1.4 billion and 3.5 billion euros are due. Greece's liquid assets are not sufficient for these payments. Overall, repayments in the amount of 22.5 million euros are due this year.

In its spring forecast, the KOF assumes that the Greek government and the institutions (formerly troika), consisting of the European Commission, IMF and ECB, will reach an agreement which includes a partial implementation of the reforms and thus triggers the release of the last tranche of the rescue programme. None of the parties involved wishes to have a Greek withdrawal from the eurozone. Nonetheless, it is possible that the situation in Greece will escalate again, among other things due to political opposition both in Greece itself as well as in the other eurozone countries. A withdrawal would have unforeseeable consequences even if new security measures were taken in comparison with the situation of 2012. These include the Banking Union, the ESM rescue fund as well as the ECB's OMT programme.

INDIAN GOVERNMENT WITH AMBITIOUS REFORM PROGRAMME

With the exception of India, the pace of expansion into the major emerging markets is slowing down. The continued low energy prices are expected to promote India's economic development. A consolidation of the national budget was postponed to the future, which will have a positive

impact on GDP growth in the short term. The Indian government launched a reform programme, which, among other things, includes privatisations, infrastructure investments and harmonisation of the VAT regime, a reduction in bureaucracy and a reduction in corporation tax. For this year, a growth of 6.7 per cent, for 2016 growth of 7.1 per cent is expected. This forecast assumes that energy prices and thus inflation will remain stable.

In China the now large capital stock will no longer increase at the high rates of the past decade. The government has come to terms with moderate growth and shelved the target GDP growth rate of 7.5 per cent. To stimulate the economy, however, the Central Bank reduced the key interest rate in February 2015. Brazil's economy has stagnated since 2013 and is in danger of sliding into a recession. In addition, the depreciation of the real is fuelling inflation. Russia's currency as well is under depreciation pressure, which the Central Bank is countering by raising interest rate. The country is expected to enter into a recession in 2015. Not only the low price of oil is responsible for this, but also Russia's Ukraine policy or the West's sanctions imposed on the country as a reactive response.

INCOME INEQUALITY DEBATE:

CAPITALISTIC AND HAPPY TO REDISTRIBUTE AT THE SAME TIME?

There is a good deal of disagreement about inequality among economists. Are politics to blame for this? Or is inequality an inevitable product of market economy activities? Or can the ethno-linguistic fractionalisation of a country explain differences in income distribution between countries?

In a new research paper, Jan-Egbert Sturm and Jakob de Haan investigate the connection between market economy and income inequality for a large number of countries. To this end, they use an adjusted Index of Economic Freedom (EF) as a representative variable for capitalism and the Gini coefficient as a variable for income inequality. Furthermore, they analyse the connection between income redistribution and the fractionalisation of a society. Here, it becomes clear that the impact of ethno-linguistic fractionalisation depends on the level of economic freedom: highly fractionalised countries have lower income redistribution, while market-oriented and less fractionalised countries have higher income redistribution.

ECONOMIC FREEDOM AND INCOME INEQUALITY

The authors investigate the connection between the market economy and income inequality by using several components of the EF Index of the Fraser Institute as representative for the market economy. The EF Index is a composite index, which, among other things, includes income redistribution through the state sector and inflation. The latter distort the estimates and are therefore excluded. As an independent variable they use Gini coefficients based on household incomes from Solts' (2009)¹ standardised World Income Inequality Database (SWIID) of Private Households. By including a series of control variables, it is shown that the coefficient of the EF Index is never significantly different from zero. From this, it can be concluded that the relationship between economic freedom and income inequality is not robust.

1) Solts, Frederick (2009): «Standardizing the World Income Inequality Database.» *Social Science Quarterly* 90 (2): 231–242

REDISTRIBUTION AND ETHNIC FRACTIONALISATION

Several studies suggest that there is a negative correlation between ethno-linguistic fractionalisation and income distribution. De Haan and Sturm show that no significant redistribution takes place in highly fragmented countries i.e. the relationship between a Gini coefficient which is geared towards gross income disparities and one that is based on net income disparities is statistically not different from one. The degree of the economic freedom does not play any statistically demonstrable role. Countries with a high degree of economic freedom, however, have clearly more redistribution than countries with a lower degree of economic freedom.

CONCLUSION

The results of the study suggest that there is no stable relationship between economic freedom and income inequality. Furthermore, the impact of the ethno-linguistic fractionalisation on income redistribution appears to depend on the degree of economic freedom: countries which have a high degree of fractionalisation have low or even no income redistribution, while capitalistic countries which have a lower degree of fractionalisation report a significant degree of income redistribution.

The underlying investigation appears as: Sturm, J.-E. and J. de Haan (2015): Income Inequality, Capitalism, and Ethno-Linguistic Fractionalization, American Economic Review: Papers & Proceedings 2015, forthcoming, based on the KOF Working Paper No 370.

<http://kof.ethz.ch/de/publikationen/p/kof-working-papers/370/> >>

THE SECRET OF SWITZERLAND'S LONG-TERM ECONOMIC SUCCESS: WORLD-CLASS VOCATIONAL TRAINING

According to a study by the American NCEE (National Center on Education and the Economy), the Swiss vocational training system is regarded as the gold standard. It offers not only apprenticeships throughout all sectors of the economy, but also attracts young people with strong educational track records. Thanks to well calibrated cooperation between affiliated partners, young professionals are provided with training and are highly sought after on the labour market due to their high qualifications. The report is based on a study carried out during a visit by an American delegation, organised by ETH Zurich's KOF Swiss Economic Institute in June 2014.

The NCEE recently established that the quality of the American vocational training system had deteriorated considerably and that it would need to be revamped if the current economic challenges were to be successfully overcome. Accordingly, NCEE experts went on fact-finding missions to various countries in order to identify strategies that had resulted in successful cooperation between training schemes and employers in other countries. In Switzerland, the delegation was accompanied by training experts from ETH Zurich's KOF Swiss Economic Institute. The NCEE concludes that Switzerland has one of the best vocational systems in the world, and ascribes the country's high economic performance partly to this fact.

As a measure of international success, the report mentions Switzerland's very low unemployment rate by international comparison, its excellent global innovation and its very high average per capita income.

The special characteristics of Swiss vocational training, which differs significantly from the training system in the United States, include the following features:

- 70 per cent of young persons aged between 16 and 19 decide to complete an apprenticeship. Switzerland integrates apprentices into productive teams of adults at an early stage, where they learn about taking on responsibility and are supervised by specialists.
- Compared to other countries, learning in businesses and at school is more embedded into real situations, and week after week theory is put into practice and applied in specific operational processes from everyday work.
- Young people receive a salary whilst undergoing training, earning around 600-700 Swiss francs per month at the start of the apprenticeship and rising to around 1,100-1,200 Swiss francs at the end of the apprenticeship.
- At the end of the period of training, the young professionals receive a nationally recognised certificate of proficiency, which is recognised both in the event of direct entry into full-time employment as well as for more advanced training at the tertiary level.
- Thanks to the high permeability between educational pathways, training may be pursued throughout a worker's entire career, irrespective of the initial choice of further education.

From the Swiss perspective, it makes sense that the authors have stressed precisely these characteristics. Young people aged between 16 and 19 generally attend high school in the USA. Although preparation for gainful employment is an issue in some more progressive high schools, it is only intended to raise awareness for the reality of the world of work through short, often-unpaid internships (normally four weeks) or open days (job shadowing) in a company, and cannot be compared with preparation for a profession. This occurs in community colleges in the USA, which are part of the tertiary level and lead to the award of an associate degree. However, here too practical experience in businesses is only acquired at the end of the period of training, which is otherwise mostly academic. It is usually unpaid and not integrated into the curriculum. The students are on average older than Swiss apprentices and must self-finance their education, which is why the authors emphasise the comparably high monthly salary for apprentices in Switzerland during the period of training as an important distinguishing feature.

The coordinators of the study held numerous interviews with senior Swiss business representatives at the Swiss Economic Forum. The interviewees in turn stressed the particular significance of vocational training for Switzerland's economic success. The special feature of the Swiss vocational training system as compared to other countries lies, according to the authors, in the role played by the training firm: it draws significant benefits from its investment in young professionals, which is in part responsible for the long-term economic success of the country. Firms in the USA would largely tend to avoid a dual apprenticeship according to the Swiss model due to the fear of their young professionals being poached and the resulting loss of the investment. They also lack one of the main partners for the proper operation of an actual vocational training system like in Switzerland: the labour market organisations that support their member firms in the development of job profiles, curricula, training materials and the schooling of vocational trainers.

ABOUT THE NCEE:

The National Center on Education and the Economy (NCEE) is a non-profit organisation based in Washington (DC), which carries out comparative political studies of education systems around the world. The NCEE has a long tradition of political consultancy. Its reports and recommendations have an influence on politics in the United States. In 1990 the organisation published a report entitled: "America's Choice: High Skills or Low Wages!" The report influenced the "School to Work Act" and the establishment of the "National Skills Standards Board" during the Clinton Administration.

The report entitled "Gold Standard: The Swiss Vocational Education and Training System" was written by the American vocational training experts Nancy Hoffman (Jobs for the Future, Boston) and Robert Schwartz (Harvard Graduate School of Education, Cambridge MA).

www.ncee.org/wp-content/uploads/2015/03/SWISSVETMarch11.pdf >>

KOF INDICATORS



KOF BUSINESS SITUATION INDICATOR: BUSINESS SITUATION DETERIORATES AGAIN

The KOF Business Situation Indicator for the Swiss private sector further decreased in March (see G 6) – after its already strong decline in February. The KOF Business Situation Indicator thus confirms once again the change in the economic climate, which was triggered by the scrapping of the minimum exchange rate. The economic climate remains strained.

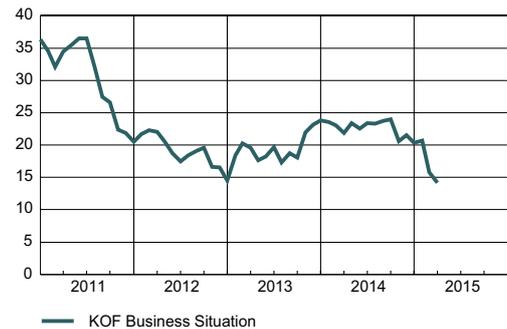
Like in February, retail traders and manufacturing industry companies are once again less satisfied with their business situation (see G 7). The business situation indicator for the manufacturing industry sector has fallen by more than 21 percentage points to date in comparison to the end of year 2014. This decrease has virtually the same impact as a sudden drop in temperature. In the financial services sector, the situation stabilised in March. The good business situation in the planning and building trade associated with the construction activity decreased slightly. The wholesale trade, the hotel and catering industry and the other service providers were surveyed for the last time in January and thus essentially before the Swiss National Bank’s exchange rate change on 15 January. The wholesale trade and the hotel and catering industry at the time reported a deterioration of the business situation. On the other hand, the situation for the other services providers improved.

In regional terms, (see G 8), after the clear slow-down in February, the business situation has also continued to deteriorate slightly in almost all larger regions in this month. Only in the case of Ticino, which ranks at the bottom of the list in the situation assessment, the situation has not continued to develop negatively. If the current business situation assessment is compared with the situation at the end of the year 2014, merely the companies in Espace Mittelland and in the Lake Geneva region are currently reporting a more favourable situation than at the time.

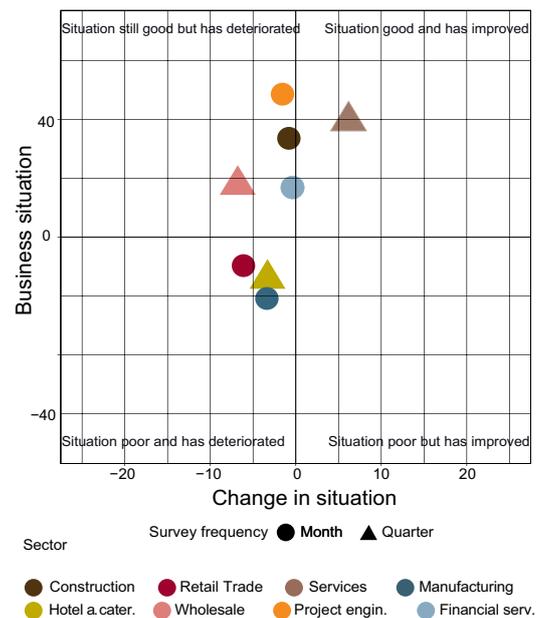
EXPLANATION OF GRAPHS

Graph G 6 shows the KOF business situation for all economic sectors covered by the survey. For economic sectors that are only surveyed quarterly, the business situation is kept at the same level during the intervening months.

G 6: KOF Business Situation Indicator
(balance, seasonally adjusted)



G 7: KOF Business Situation: Change in Different Sectors



Graph G 7 shows the business situation and the current change in the situation. The monthly surveys highlight the changes compared to the previous month. The quarterly services report the changes in the most recent quarter compared to the previous quarter. The quarterly values are not changed in the intervening months and are only updated in the first month of each quarter.

Graph G 8 reports the business situation in the major regions according to the Federal Statistics Office. The regions are highlighted in different colours depending on the business situation. The arrows within the regions indicate the change in situation compared to the previous month. For example, an upward arrow means that the situation has improved compared to the previous month.

The KOF Business Situation Indicator is based on more than 6,000 reports from businesses in Switzerland. Each month businesses are surveyed in the economic sectors of industry, retail trade, construction, project engineering and financial and insurance services. Businesses in the hotel and catering sector, wholesalers and other service providers are surveyed quarterly in the first month of each quarter. Businesses are requested amongst other things to assess their current business situation. They may class their situation as “good”, “satisfactory” or “bad”. The balance of the current business situation is the percentage difference between the answers “good” and “bad”.

Further information regarding the KOF Business Tendency Surveys is available at:

www.kof.ethz.ch/en/surveys/business-tendency-surveys/ >>

KOF ECONOMIC BAROMETER: STABILISATION AT LOW LEVEL

In March 2015, the KOF Economic Barometer slightly climbed by 0.5 points from a revised 90.3 to 90.8 (see G 9). After the rapid fall of the composite indicator in the first two months of the year by nearly nine points, it has now stabilised, albeit at a comparatively low level.

The change in the Swiss monetary policy manifested itself in our barometer in February. In March, the indicator did not deteriorate any further compared to the previous month. Hence, according to the March reading of the barometer, the Swiss economy is expected to develop weakly in the near future.

The slight rise of the barometer was mainly driven by a recovery of the indicators related to domestic consumption, manufacturing and exports. Here, the situation is at least not seen as negative as before. On the other hand, the sentiment in construction and in the financial sector has further deteriorated. Within the manufacturing sector, the outlook improved particularly in the metal and the electrical industry, which previously had experienced a pronounced deterioration. The

G 8: KOF Business Situation in the Private Sector



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

Source: KOF

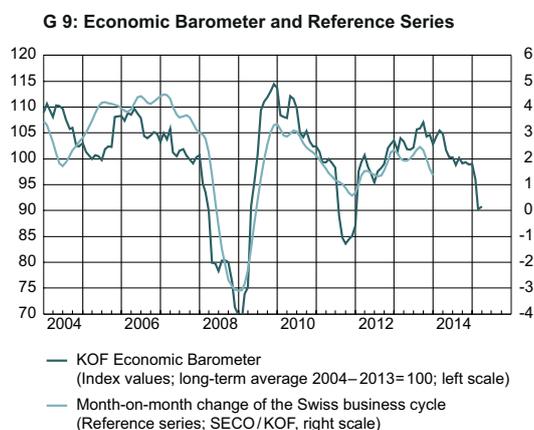
Net balances

■ 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	

downward movement in the chemical industry, however, continues. A look at the different indicators reveals that the assessments of inventories and intermediary products have improved, whereas order books, production and employment are judged more pessimistically than before. A swift recovery of the Swiss economy is thus not to be expected soon.

KOF ECONOMIC BAROMETER AND REFERENCE SERIES

The KOF Economic Barometer is a composite leading indicator for the Swiss economy. The latest version comprises 217 indicator variables, which are combined based on statistically determined weights. The indicator variable selection and their weights are updated annually after the release of the previous year's annual Gross Domestic Product (GDP) data by the Swiss Federal Statistical Office. Last year's revision took place in October. Our new reference series is the smoothed continuous growth rate of Swiss GDP according to the new System of National Accounts ESGV 2010, released at the end of September 2014.



More information about the KOF Economic Barometer on our website:

<http://www.kof.ethz.ch/en/indicators/economic-barometer/> >>

FURTHER 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/ >>

KOF ECONOMIC FORECAST

How much GDP growth does the KOF expect for this year? How will the labour market develop? You find the latest KOF Economic Forecasts here:

www.kof.ethz.ch/static_media/bulletin/84/kof_bulletin_forecasts_2015_04_en.pdf >>

AGENDA

**KOF EVENTS****KOF Research Seminar:**

Self-Selection of Emigrants:

Theory and Evidence on Stochastic Dominance in Observable and Unobservable Characteristics

Panu Poutvaara – LMU Munich, Ifo

ETH Zurich, 8 April 2015

The Optimal Timing of Unemployment Benefits: Theory and Evidence from Sweden

Camille Landais – London School of Economics

ETH Zurich, 29 April 2015

tba

Vladimir Kuzin – Deutsche Bundesbank

ETH Zurich, 13 May 2015

Jos van Ommeren – VU University Amsterdam

ETH Zurich, 20 May 2015

Martin Gassebner – University of Hannover

ETH Zurich, 3 June 2015

David Tripe – Massey University

ETH Zurich, 9 June 2015www.kof.ethz.ch/en/events/k/kof-research-seminar/ >>**KOF-ETH-UZH International Economic Policy Seminar:**

tba

Gary Coop, University of Strathclyde

ETH Zurich, 16 April 2015

Liquidity-Driven FDI

Rahul Mukherjee – University of Geneva

ETH Zurich, 23 April 2015

Heterogeneous Firms and Scarcity of High-ability Workers

Harmut Egger, University of Bayreuth

ETH Zurich, 30 April 2015

tba

Michael Burda, Humboldt University Berlin

ETH Zurich, 7 May 2015www.kof.ethz.ch/en/events/k/kof-eth-uzh-seminar-in-international-economic-policy/ >>**KOF Media Agenda:** www.kof.ethz.ch/en/medien/agenda/ >>

CONFERENCES/WORKSHOPS

The 2015 Meeting of the European Public Choice Society

The Solvency of Pension Systems

Groningen (Netherlands), 7–10 April 2015

www.rug.nl/feb/research/epcs2015/ >>

Annual Meeting Swiss Society of Economics and Statistics

The Solvency of Pension Systems

Basel (Switzerland), 2–3 June 2015

sgvs.ch/ >>

Silvaplana Workshop in Political Economy

Silvaplana (Switzerland), 25–29 July 2015

www.journals.elsevier.com/european-journal-of-political-economy/call-for-papers/silvaplana-workshop-in-political-economy/ >>

11th World Congress of the Econometric Society

Montreal (Canada), 17–21 August 2015

eswc2015.com/ >>

9th Annual Conference on the Political Economy of International Organizations

(Call for Papers: 30 September 2015)

Salt Lake City (USA), 7–9 January 2016

peio.me/ >>

Add event: www.kof.ethz.ch/publications/bulletin/event/index_en >>

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NEXT PUBLICATION DATES

8 May 2015 | 5 June 2015

TABLES – KOF Spring Forecast 2015

SWITZERLAND

Real Gross Domestic Product by Type of Expenditure																
	2005-2013	Percentage change against												previous year		
		previous quarter (annualized, trend cycle component)												2014	2015	2016
		2014				2015				2016						
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Private consumption	1.7	0.5	1.1	1.7	1.9	2.4	2.4	1.9	1.7	1.5	1.4	1.5	1.7	1.0	2.1	1.6
Public consumption	1.1	-0.4	-0.3	1.9	2.7	2.6	1.9	0.9	0.6	1.4	1.3	0.9	1.7	1.1	1.8	1.2
Gross fixed capital formation	2.0	-0.4	1.8	3.2	1.4	-1.3	-1.3	-2.3	0.2	4.3	2.7	-2.6	-3.3	1.5	-0.1	0.8
– Construction	1.4	0.8	-0.6	-2.0	-1.4	-0.3	0.2	-1.3	-0.3	0.2	-0.2	-0.1	0.6	0.9	-0.6	-0.2
– Machinery and equipment	2.3	-1.1	3.5	6.6	3.0	-2.0	-2.2	-2.9	0.5	6.9	4.5	-4.2	-5.6	1.8	0.3	1.4
Exports of goods (1) and services	4.0	0.3	3.9	6.0	3.1	-1.3	-0.3	0.4	2.1	4.0	2.5	2.2	3.9	3.9	1.2	2.4
– Goods	3.6	4.9	6.4	4.5	1.7	-1.1	-1.2	0.2	2.5	3.6	3.1	4.2	5.2	4.1	0.8	2.8
– Services	3.7	1.0	-1.6	0.5	1.4	-0.6	2.8	4.8	2.8	1.7	0.9	0.8	2.0	2.3	0.7	2.2
Imports of goods (1) and services	3.6	0.0	0.6	1.3	1.3	3.3	3.1	0.8	3.0	4.8	3.2	1.3	1.7	1.6	2.4	2.9
– Goods (1)	3.0	2.5	2.5	1.1	1.2	2.7	2.4	0.4	3.3	5.4	3.2	0.9	0.9	1.3	2.5	2.9
– Services	5.2	-0.3	-1.0	-0.1	2.8	3.3	3.5	3.4	2.4	2.7	2.8	3.0	2.9	2.1	2.1	2.8
Change in stocks (2)	0.2	2.0	-0.2	-2.3	-2.1	-0.1	-0.1	-0.2	-0.3	-0.5	0.3	0.5	-0.2	0.1	-0.6	-0.3
Gross Domestic Product (GDP)	2.1	1.7	1.9	2.3	1.6	-0.5	-1.5	-0.7	0.7	1.6	1.8	1.5	1.3	2.0	0.2	1.0

(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																
	2005-2013	Percentage change against												previous year		
		previous quarter												2014	2015	2016
		2014				2015				2016						
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real effective exchange rate of Swiss Franc (1)	1.3	2.0	-0.2	-3.6	-1.7	28.5	-7.7	-4.1	-2.2	-4.1	-2.0	-4.6	-1.6	0.6	3.4	-3.5
Short term interest rate ((3-month Libor CHF) (2))	0.9	0.0	0.0	0.0	0.0	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	0.0	-0.8	-0.8
Yield of 10 years federal bonds (2)	1.9	1.0	0.8	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Consumer prices (3)	0.5	0.0	0.1	0.0	-0.1	-0.7	-0.8	-1.0	-0.7	-0.2	0.0	0.0	0.0	0.0	-0.8	0.0
Full-time equivalent employment (4)	1.4	0.6	0.6	1.0	1.2	0.5	-0.6	-1.1	-0.9	-0.2	0.5	0.8	0.7	0.9	0.1	-0.2
Unemployment rate (2,5)	3.2	3.2	3.2	3.2	3.1	3.2	3.3	3.5	3.6	3.7	3.8	3.8	3.8	3.2	3.4	3.8

(1) Annualized

(2) Level

(3) Same quarter of previous year

(4) Smooth components annualized

(5) Unemployed as percentage of labour force according to census of 2010

GLOBAL ECONOMY

Percentage change against																
	2005-2013	previous quarter (annualized, seasonal adjusted)												previous year		
		previous quarter												2014	2015	2016
		2014				2015				2016						
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real Gross Domestic Product (GDP)																
– OECD total	1.4	1.0	1.6	2.5	1.8	2.0	2.1	2.1	2.1	2.1	2.1	2.0	2.0	1.8	2.0	2.1
– European Union (EU-28)	0.9	1.6	0.9	1.2	1.5	1.7	1.9	1.9	1.8	1.9	1.8	1.8	1.8	1.3	1.6	1.8
– USA	1.5	-2.1	4.6	5.0	2.2	2.6	2.7	2.7	2.7	2.7	2.6	2.6	2.5	2.4	3.0	2.6
– Japan	0.7	5.1	-6.4	-2.6	1.5	1.3	1.0	1.2	1.2	1.2	1.2	1.2	1.1	0.0	0.3	1.2
Oil price (\$ per barrel) (1)	84.8	107.9	109.8	102.1	76.0	56.0	62.0	62.3	62.5	62.9	63.2	63.5	63.8	98.9	60.7	63.3

(1) Level

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