

KOF Bulletin

No. 21, July / August 2009

Waiting for the Global Economy

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EDITORIAL BY JAN-EGBERT STURM: WHAT WILL THE SECOND HALF OF 2009 BRING?

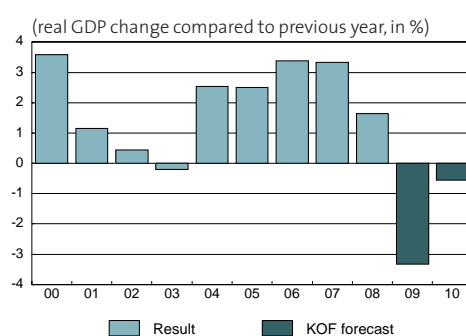
Dear readers, in the editorial of the KOF bulletin's January edition, I spoke of a «distinct recession» in 2009. As has been proven in the meantime, the economic figures are – unfortunately – even worse than was expected at the beginning of the year. The world economy is currently in the midst of a recession, displaying the worst decline in economic performance since the Second World War. It is not just the depth and worldwide synchronicity of the extremely severe slump since the second half of 2008 which are striking, but also the fact that the current recession has become virulent as a liquidity crisis. This means that most economies today find themselves in the situation of the so-called «liquidity trap», which has made it more difficult for the monetary policy to contribute towards economic recovery.

THE TURN-AROUND?

In most recent times, however, there has been an increasing number of cautiously positive signs; early indicators such as business expectations and consumer confidence lead us to hope – from an international point of view – for a nearing turnaround in the trend of the GDP growth rates. However, other indicators such as cargo rates hardly suggest a recovery of the world economy. There are still many uncertainties surrounding the revival of world economic dynamics. The Organisation for Economic Co-operation and Development (OECD) assumes in its current «Economic Outlook», that the trough will very soon be reached. In various regions of the world, there are signs that things will soon bottom out. According to the most recent KOF forecasts in June, the USA, for example, could swing onto a positive growth path in the second half of 2009. Europe should then follow suit after one or two quarters. And Switzerland?

SWITZERLAND, THE LATE BLOOMER

The KOF expects a 3.3% decline in the Swiss gross domestic product (GDP) for the whole of 2009 (see graph G 1). A further contraction must also be anticipated for next year. The KOF assumes a negative annual growth of 0.6%. The delay in the VAT increase and the third economic stimulus package, are not included in this forecast. The agreed measures should lessen the decline, but definitely not completely eliminate it. The shifting of recessive tendencies onto domestic economic activity means Switzerland is lagging behind the world economy, this time making it a «late bloomer». This means that it will slide into recession later than other countries, but will also emerge from it later.

G 1: The long recession

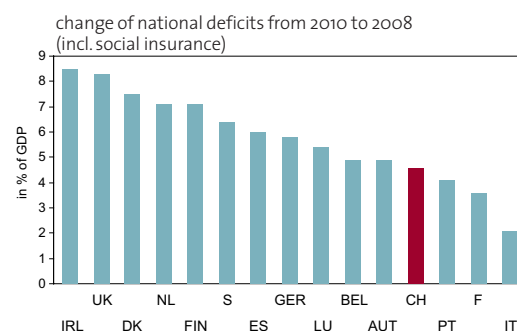
The Swiss economy, which has been affected by export slumps, has benefited from a comparatively stable development in domestic economic activity for a relatively long time. Now, however, also the domestic demand is being affected by the world economic crisis, however with a slight delay. As part of the expected slow recovery of the world economy, exports will nevertheless still record conservative growth in the second half of 2009. Whether this can compensate for the decline in private consumption, which will arise due to the worsening employment market situation and negative actual wage developments, is more than questionable. The crisis in the Swiss export industry will thus gradually shift to the domestic economy.

OF WHAT USE IS THE THIRD ECONOMIC STIMULUS PACKAGE?

While there are hardly any tax-related measures to support the export industry, the shifting of the crisis onto domestic business activity does, in principle, open up more possibilities. As the situation on the employment market in particular will worsen significantly over the next few months, the direction of impact of the third economic stimulus package is fundamentally correct and should be welcomed. To prevent long-term unemployment, investments should be made in the human capital of the unemployed.

It is just a question of whether these measures will be adequate. Compared internationally, the tax incentives of the first two packages (which were primarily aimed at a so far very successful area of the Swiss economy – the construction industry) and the automatic stabilisers are rather modest in terms of volume (see graph G 2). The third package passed on 17 June 2009 will also not change much in this respect. We can only hope that the world economy recovers much quicker than we currently deem realistic.

G 2: Fiscal impulse: Switzerl. in the lower middle field



Explanation: The change in the national deficits includes the effects of both discretionary political amendments as well as the automatic stabilisers on national budgets.

Source: European Commission, KOF

NATIONAL DEBT AS THE NEXT CRISIS?

An advantage of the rather limited tax measures in Switzerland lies in the weakening rise in national debt. Many economies, particularly in the EU, will have to pay for the supportive measures with massive deficits this year, as well as next year. The future effects of the high national debt are still open to questioning. What is for sure is that there is a certain inflation appeal for governments in order to clear their debts. On the other hand, however, we live in a world in which central banks have become much more independent from political happenings.

The prospects just outlined must be met with caution. Further unpleasant surprises cannot be excluded completely. The challenges have not diminished much since January – but they are shifting. The forecasts for the employment market are particularly dismal. However, a slightly recovering worldwide economic activity expected for the end of 2009 could be a silver lining. In Switzerland's case, a lot depends on whether its most important export destinations record positive GDP growth rates towards the end of 2009. As a small, open economy, Switzerland remains reliant on positive external stimuli.

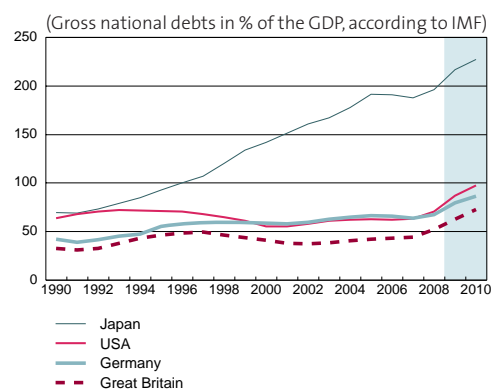
Jan-Egbert Sturm

THE PROBLEM CHILD NATIONAL DEBT

For many industrial nations, it may become a problem in years to come: the further increasing national debt, triggered by giant economic stimulus packages, nationalisation of companies, bank rescue plans, and tax deficits. Other national support measures may also become necessary – which would further increase national debt.

In big industrial nations, the national debt has increased noticeably in the last 20 years (see graph G 3). Japan's debt in particular has increased drastically since the real estate crisis of the early 1990s. In the larger European economies and the USA, a clear upward trend in national debt has been observed since 2008, caused by the recent economic and financial crisis. The economic stimulus packages already agreed on, and those still in the pipeline, will further intensify the rise. According to the most recent report by the EU Commission, the EU states have passed economic stimulus packages for the next two years that total 2.1% of the EU gross domestic product (GDP).

G 3: Debts on the rise

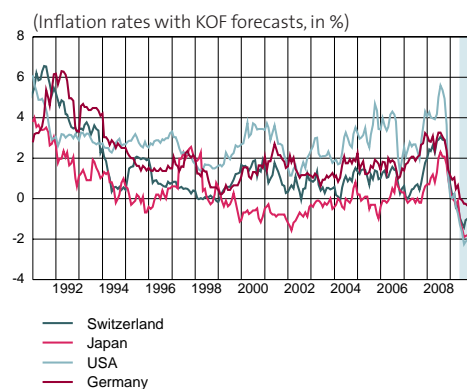


THE DANGER OF INFLATION

High national debt can lead to problems. Governments have an incentive to erase national debt through inflation, such as the German government did after the First World War. During times of hyperinflation, a loaf of bread suddenly cost billions. All debts which the state had taken up from its citizens to finance the war could thus easily be repaid for the equivalent value of a loaf of bread.

To reduce the inflation incentive in the European Monetary Union, the Maastricht Criteria, among other things, were created. These aimed to halt the new debt and the deficit in the member states. This year, most Euro countries will not be able to adhere to the caps because of the economic and financial crisis. Given the extent of the economic crisis and the currently rather deflationary trends, the risk of inflation does not, however, appear to be acute. It can also be expected that the European Central Bank (ECB) – as an independent institution aiming for price stability – will fight any inflation. At present, the market expectations regarding the inflationary trend are also stable, which means that the market participants trust the ECB to ensure price stability (see graph G 4).

G 4: Inflation renaissance?



THE RISK OF «TOO BIG TO FAIL»

The national support measures for banks and companies in financial distress harbour a major risk regarding national debt. Saving other banks or companies would have a significant impact on national debt. Establishing «bad banks» is one possible resort. This concept is currently being discussed in Germany in particular. But the «bad banks» also have disadvantages: The banks' problems are not eliminated by transferring their toxic securities to a «bad bank», but are instead simply postponed.

In Switzerland, the National Bank (SNB) came to the aid of UBS as a «bad bank» in October 2008, and allowed it to remove certain products from its balance sheet. The SNB also stipulates a reworking of the regulatory provisions for banks. To prevent a «too big to rescue», and to preventively counteract the «moral hazard» or a «too big to fail», new lines are being taken. A «too big to fail» provides the incentive of feeling secured against collapse, which could see bankers tending towards taking greater risks than they normally would.

The SNB is therefore planning to tighten its equity capital regulations. If this leads not only to increased equity capital, but also to a reduction in the obligations of the individual banks, then the problem will be mitigated. Another proposal aims at changing the organisational structure of major banks. According to this proposal, certain areas of a bank can be dissolved and liquidated without affecting other areas. This would enable controlled liquidation, and minimise the state's total debt. Finally, the SNB also openly discussed the issue of a size restriction for banks, which prevents a «too big» from the outset.

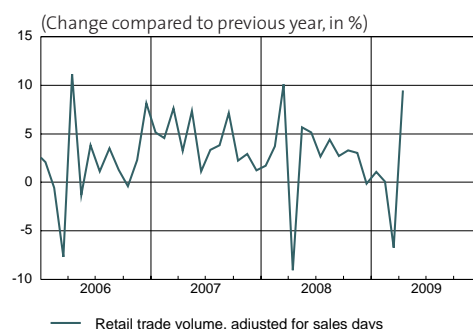
PRIVATE CONSUMPTION: EASTER EFFECT SWEETENS STATISTICS

The analysis of monthly consumer data is currently impeded by a calendar effect: In 2008, Easter fell in March, while this year, it was in April. This means the actual retail trade sales in March recorded a decline, adjusted to the day of sale, of 6.6% compared to the previous year. In April, on the other hand, a 9.6% growth adjusted to the day of sale resulted. The adjustment by the number of sales days unfortunately cannot eliminate the Easter effect. On the contrary: it could even increase it.

In the respective month of Easter, the number of sales days is less, which means the actual sales earned are corrected upwards for the sales day adjustment. However, the purchases for the Easter weekend also fall in the month of Easter, which means the sales per day of sale are higher. Putting both effects together results in the scales tipping drastically.

Viewed over the last semester, the trend of actual retail sales displays gradual stagnation, whereby the values from March and April combined show a slightly positive growth (see graph G 5). For the near future, however, further stagnating or slightly declining sales are expected. According to the KOF retail trade survey, customer frequency is declining, and the retail traders are anticipating mostly stagnating sales in the months to come. The percentage of companies expecting declining sales is thus greater than those expecting increases.

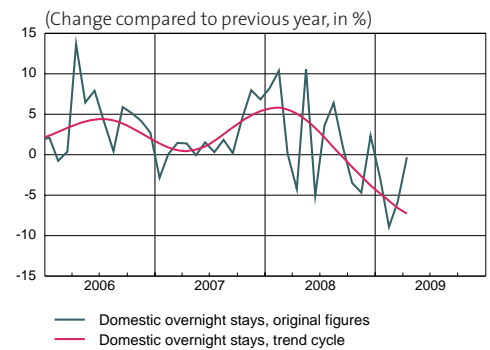
G 5: Retail trade sales with Easter effect



HOTEL INDUSTRY WITH DECLINING RESERVATIONS

The hotel industry was also affected by the Easter effect this spring. In April, the properties thus recorded a 1.8% increase in the total number of overnight stays compared to the previous year. March, however, displayed a decline of 13.7%. If one looks at the accommodation nights by guests from within Switzerland, which is relevant to domestic consumption, a similar picture can be seen – albeit weaker and at a lower level (see graph G 6). In March, the overnight stays by domestic guests decreased by 5.8%, compared to the previous year, while in April, this decline was only very slight at 0.3%.

G 6: Swiss are staying at home



Considering both March and April, we see a 3.5% decrease in overnight stays by domestic guests. This value adjusted to Easter is in line with the downward trend of the last few months. The decreasing demand is also reflected in the KOF accommodation surveys: The evaluation of the profit situation has worsened significantly over the last few quarters, and the properties report that reservations have decreased.

DECREASING CONSUMER CONFIDENCE

The worsening consumer attitudes in the consumer sentiment index, which is published every quarter by the State Secretariat for Economic Affairs (SECO), have been noticeable for a much longer time now. The index dropped further in April, whereby all three sub-components included in the index were lower. People's own financial situation was assessed more pessimistically both for the last twelve months and for the coming twelve months. The general economic situation over the last twelve months was also rated much worse. In sync with the increasing unemployment, the assessment of workplace security has similarly worsened significantly.

What is striking is the fact that, in contrast, the evaluation of the time for greater purchases remained unchanged and above its average value. This general assessment does not, however, appear to apply for the purchasing of vehicles, because the number of new vehicle registrations has declined considerably. Since the beginning of the year, every month, with the exception of March (stagnation), has recorded percentage declines compared to last year, and indeed in the two-figure region.

Given the rising unemployment, the slump in private consumption is expected to continue in the coming quarters. The progress growth rates are likely to tip onto the negative side of the scale in the second half of 2009. Just as consumption has responded sluggishly to the general economic slump, the subsequent recovery may also require some time. According to KOF forecasts, consumer attitudes will not begin to brighten gradually before 2010.

SWISS FOREIGN TRADE FALLS TO 2005 LEVEL

Swiss foreign trade continued its dismal trend in May 2009. According to information from the Swiss Federal Customs Administration (FCA), exports dwindled by an annualised 21.1% and imports by 19.1%, compared to the previous month (smooth components). The total export volume fell to the level of February 2005 (see graph G 7), and the decline once again accelerated for imports: The present-day level corresponds to that of autumn 2005. There is currently no trend reversal in sight, which is also reflected in the figures from the previous year comparison (adjusted to working days): Exports dropped by 20.3% and imports by 16.3%.

The intense networking of the world economy and the high degree of specialisation in the international added-value chain have hit export-oriented countries producing high-quality core components, such as Japan, Singapore and South Korea, particularly hard. As countries, such as China, in which these components are further processed, are suffering from the eroding demand from the major industrial nations such as the USA and EU member states, they are importing less intermediary goods to manufacture products.

SPECIALISATION: A (CURRENT) DISADVANTAGE

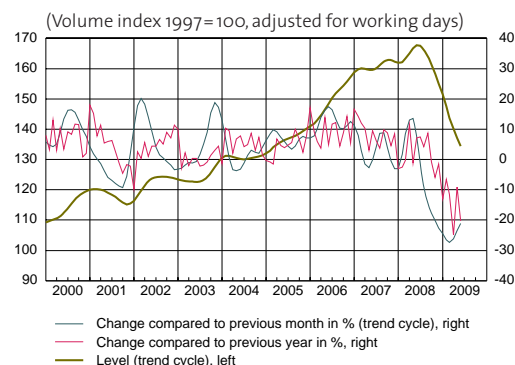
With a goods export quota (based on the gross domestic product) of almost 40%, Switzerland displays an average integration in mercantile trading compared to other countries. Conversely, Switzerland is very highly specialised, similar to Japan, Singapore and South Korea. This is reflected in the relatively high percentage of exports of semi-finished products (including chemical semi-finished goods, electrical and electronic semi-finished goods, as well as semi-finished goods made from metal) and investment items. These have already been in decline for almost a year.

These components of Swiss foreign trade have so far been hit the hardest by the slump. They were less in demand not only from Switzerland's most important trading partners, but also from countries such as China, Russia, India, Brazil and the Eastern European EU countries, which primarily produce bulk goods. This meant the exports of commodities and semi-finished products dropped by an annualised 17.4% in May, the supplying of investment items (including the exports of machines and equipment) abroad by 26.9%.

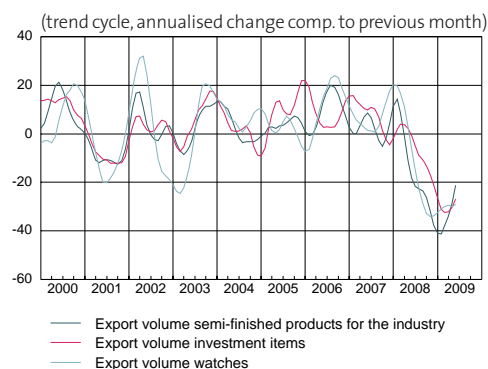
CONSUMER GOODS CANNOT SUPPORT THE EXPORT TREND

But Switzerland's most important export branch, the export of consumer goods, was hardly less affected by the collapse in foreign demand. The decline compared to the previous month was 18.7% in May (based on the smooth components). Liquidity restrictions and bleak consumer expectations led to a drastically decreasing demand for luxury items such as watches and jewellery. Switzerland is particularly affected by this because of its high percentage export of these items (see graph G 8).

G 7: Exports at 2005 level



G 8: Collapse in the export of consumer goods



Watch exporters are noticing the declining sales in all sectors: Both in the mixed price range to the USA, Hong Kong, Italy and France, as well as in the high price range to Japan, Singapore and the United Arab Emirates. In terms of volume, Germany is the greatest consumer of Swiss watches. However, as it mainly purchases watches in the middle and lower price range, it is only in fifth place in terms of overall value. These sectors also suffered significant losses in demand. The exportation of conventionally non-cyclical exports, such as beauty products, cosmetics and pharmaceutical products, recently also declined considerably.

The total imports again decreased after a slowing decline, and reached their lowest trough to date in May. This is essentially due to another decline in the importing of sustainable consumer goods such as precision instruments, watches and jewellery, which rose strongly in the 1st quarter due to the importing of gold ornaments for melting. This was associated with a consistently weak trend among the imports of some non-sustainable consumer goods such as beauty products, cosmetics and pharmaceuticals.

The current foreign trade figures, once again, show that serious pressure from the worldwide recession is being put on Switzerland's business activity trends through the exports channel. The persisting recession in the economies of Switzerland's most important trading partners means exports are not expected to increase even slightly until the end of this year or the beginning of next year.

MORE ECONOMIC NEWS AND GLOSSARY

What do the ECB President's current statements imply for the development of prime rates in the Euro area? Precise information can be found in the KOF Monetary Policy Communicator:

www.kof.ethz.ch/communicator >>

Are you looking for a specific economic indicator? Search here:

www.kof.ethz.ch/publications/bulletin/pdf/kof_bulletin_tables_news_2009_07_en.pdf >>

Have you come across a specialist term and are interested in our technical definitions? You will find these in the glossary:

www.kof.ethz.ch/publications/bulletin/glossary/en >>

Precise details relating to the current KOF forecast can be found in the tables:

www.kof.ethz.ch/publications/bulletin/pdf/kof_bulletin_tables_2009_07_en.pdf >>

KOF data service is able to provide you with time series from our extensive database (in German):

www.kof.ethz.ch/services/data >>

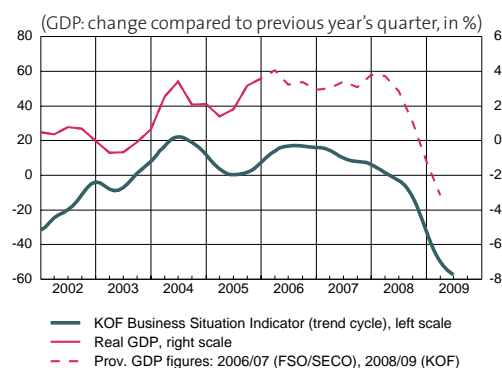
COMPOSITE INDICATORS AND SURVEY RESULTS



COMPOSITE INDICATORS SIGNAL ONGOING GDP DECLINE

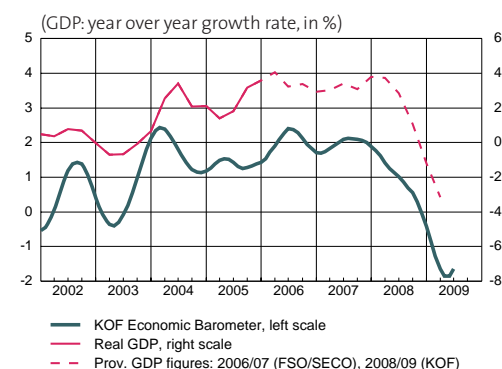
Current trend: The KOF Business Situation Indicator has deteriorated rapidly since autumn 2008. This negative trend continued unabated at the start of the year 2009; the latest figures are now suggesting a stabilisation at a low level (see graph G 9). The decline in the business situation indicators shows that in quarterly year-on-year terms the gross domestic product (GDP) growth rate is also set to be substantially negative, not just in the 1st quarter of 2009 but also in the 2nd quarter. Both the industry sub-indicator as well as the the retail sector sub-indicator are slightly more negative than in recent months. However, the margins of both indicators currently point to a slowdown in the downward trend. Nevertheless, the level of the industry sub-indicator is still substantially below that of the retail sector.

G 9: Slower decline of Business Situation Indicator



Further Trends: The KOF Economic Barometer lies clearly in negative territory, signalling that GDP growth rates are set to continue their sharp decline over the next few months in quarterly year-on-year terms (see graph G 10). However, as the latest data point modestly upwards, the negative growth rates should stop declining in the coming months, or could even rise slightly. This means that although the significant contraction in the Swiss economy is likely to continue, it will no longer accelerate.

G 10: Stabilisation on a low level



The KOF currently publishes two composite indicators: The Economic Barometer with a lead relative to the GDP growth rate in comparison to the previous year, and the Business Situation Indicator, which tracks the GDP trend. The Barometer has a complex structure, while the Business Situation Indicator has a simpler structure. The Barometer, for example, bundles 20 individual indicators together in several steps; by contrast, two single indicators flow into the Business Situation Indicator in a single step.

Discover more about the similarities and differences between the two composite indicators:

www.kof.ethz.ch/publications/bulletin/pdf/kof_bulletin_indicator_comparison_en.pdf >>

The latest press release and technical information (in German) relating to the KOF Economic Barometer is available here:

www.kof.ethz.ch/economic_barometer >>

Further information about the KOF Business Situation Indicator is available here:

www.kof.ethz.ch/publications/bulletin/business_situation/en >>

RETAIL SECTOR AGAIN VIEWS BUSINESS SITUATION AS MERELY SATISFACTORY – SURVEY RESULTS

New survey data are available for the industrial and retail sectors. In overall terms, the assessment of the business situation within the industrial sector is substantially more negative than that within all other economic sectors, thus signalling a very unsatisfactory situation. By contrast, the business situation within the retail sector is viewed as satisfactory. The number of «good» reports issued by companies is broadly in line with the number of «poor» reports, meaning they broadly offset each other. Other economic sectors – with the exception of banks – viewed the situation in April as satisfactory, although only marginally in the case of the wholesale sector. This is demonstrated by the fact that the overall values are to be found in one of the upper two fields of the business situation overview (see graph G 11), i.e. between 0 and 100 on the vertical axis. Only the bank assessment is poor, dropping to the lower field of the chart. The survey questions enterprises in manufacturing, retail trade, wholesale trade, and construction along with banks and insurances, architects and engineers as well as selected service industry branches.

In comparison to the survey conducted three months ago, the business situation for industry again deteriorated sharply in June. At the same time, however, the indicator also eased slightly for the retail sector. The business situation for banks, wholesalers, insurers, the construction industry, selected service providers as well as architects and engineers all deteriorated in April relative to the same quarter of the previous year. This means no sector was able to report a recovery of their business situation. For this reason the overall values lie in the left-hand half between –45 and 0 on the horizontal axis.

Further information on the business situation overview is available in the explanations:

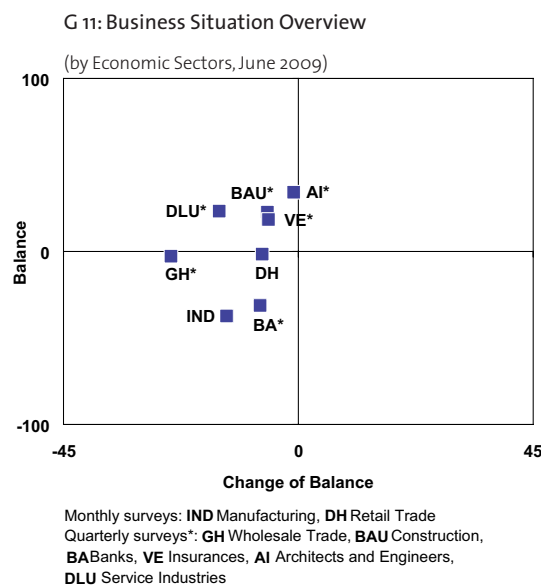
www.kof.ethz.ch/publications/bulletin/business_overview/en >>

The business situations shown above are only a very small part of the available survey results. As a respondent to the survey, you will receive a complete and detailed report on your economic sector and your branch in detail. As an SGK member, you will receive comprehensive information about all sectors of the economy and the branches belonging to them.

Join the SGK (in German): www.kof.ethz.ch/services/sgk >>

Take Part in Survey: www.kof.ethz.ch/publications/bulletin/business_surveys/en >>

KOF Business Surveys: www.kof.ethz.ch/surveys/bts/en >>



RESEARCH

**REDISTRIBUTION IN SWITZERLAND: EUROPEAN OR AMERICAN-STYLE?**

While Switzerland may be European from a geographical perspective, from an economic one it also has «American» characteristics. For example, when it comes to the level of income distribution European Union member states tend to redistribute generously. The US, by contrast, is more restrained in this respect. In their study, Sule Akkoyunlu, Ilja Neustadt and Peter Zweifel examine the empirical demonstrability of the economical, political and behavioural determinants discussed in the relevant literature. Switzerland was used to test the underlying and contraindicative hypotheses, as it lies between the US and EU poles. Economic determinants which explain the greater extent of income distribution in the US than in the EU are not explained in the case of Switzerland. Moreover, the Swiss example only weakly corroborates the political model, which links proportional representation and a multiparty system to redistribution. By contrast, behaviourally-based postulates are strongly supported. Switzerland and the US both share the belief that prosperity is determined by hard work, and not by good fortune, ancestry or contacts and corruption. This means «Janus-faced» Switzerland can help explain the differences in income distribution between the US and the EU.

Akkoyunlu, Sule, Ilja Neustadt and Peter Zweifel (2009): Why Does the Amount of Income Redistribution Differ between the United States and Europe? The Janus Face of Switzerland, KOF Working Papers, No. 228, May.

www.kof.ethz.ch/workingpapers >>

TECHNOLOGY TRANSFER: INSPIRING CONTACTS

What are the technological fields in which Swiss companies conduct research, and in which technological fields are Swiss universities engaged in research? Where is there a knowledge transfer between the private sector and universities, and where does transfer potential still exist? In his study, Martin Wörter explores the technological propinquity between universities and the business community. One might expect to see transfers of knowledge taking place between universities and companies only if they were both active in the same research fields. It is only then, one might think, that a co-operation would benefit both sides. On the part of universities, this could generate additional publications, and on the part of companies this could even give rise to market innovations. Technological «matching» between the university sector and private industry has shown, however, that companies do not only cultivate contacts in research fields with which they are directly familiar. They also use university knowledge sources to look beyond the constraints of their own research activities. For this reason, transfer activities do not only take place in core corporate research fields, but actually extend further than these. They serve not merely to deepen, but also to broaden the knowledge base – particularly in the case of smaller enterprises with fewer than 300 employees. Companies are inspired by the diversity of the institutions and research fields, and this simultaneously opens up new product perspectives.

Woerter, Martin (2009): Technology Proximity between Firms and Universities and Technology Transfer, KOF Working Papers, No. 222, April.

www.kof.ethz.ch/workingpapers >>

AGENDA

KOF EVENTS**Research Seminars:**

Politics, Stock Markets, and Model Uncertainty

Peren Arin, Massey University (New Zealand)

KOF, ETH Zurich, 8 July 2009: www.kof.ethz.ch/events/research_seminar/index_en >>

Globalisation in the 21st Century: Measuring Regional Changes in Multiple Domains

Pim Martens, Maastricht University (Netherlands)

KOF, ETH Zurich, 15 July 2009: www.kof.ethz.ch/events/research_seminar/index_en >>

Households Forming Macroeconomic Expectations: Some Dynamics and the Implications for Monetary Policy

Joshy Easaw, University of Bath (UK)

KOF, ETH Zurich, 22 July 2009: www.kof.ethz.ch/events/research_seminar/index_en >>

KOF Media Agenda (in German): www.kof.ethz.ch/agenda >>

OTHER EVENTS

Spatial Econometrics Conference 2009

Barcelona (Spain), 8–10 July 2009:

www.ub.edu/sea2009.com >>

ZEW Summer Workshop for Young Economists 2009

Mannheim (Germany), 13–16 July 2009: www.zew.de/summer-labour2009 >>

The Shadow Economy, Tax Evasion and Social Norms

Muenster (Germany), 23–26 July 2009:

www.wiwi.uni-muenster.de/shadow2009/ >>

68th International Atlantic Economic Conference

Boston, Massachusetts (USA), 8–11 October 2009: www.iaes.org/ >>

10th Euro Area Business Cycle Network Training School: Learning and Expectations Formation

Hachenburg (Germany), 19–23 October 2009:

www.eabcn.org/10th-eabcn-training-school-learning-and-expectations-formation >>

DIW Macroeconometric workshop

Berlin (Germany), 17–19 December 2009:

www.diw.de/deutsch/macroeconometric_workshop/99382.html >>

The 3rd Annual Conference on the Political Economy of International Organizations (PEIO)

(Call for Papers: 30 September 2009)

Washington DC (USA), 28–30 January 2010:

www9.georgetown.edu/faculty/jrv24/PEIO.html >>

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

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NEXT PUBLICATION DATES

4 September 2009 | 2 October 2009

TABLES – KOF Summer Forecast 2009

SWITZERLAND

Real Gross Domestic Product by Type of Expenditure																
	2001- 2007	Percentage change against												previous year		
		previous quarter (annualized, trend cycle component)												2008	2009	2010
		2008				2009				2010						
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Private consumption	1.5	2.0	1.3	0.5	0.1	0.1	0.1	0.0	-0.5	-0.8	-0.6	-0.3	0.1	1.8	0.2	-0.4
Public consumption	1.1	0.5	2.4	2.5	2.2	2.1	2.3	2.1	1.1	0.2	0.3	1.0	1.8	0.2	2.0	1.0
Gross fixed capital formation	1.8	-1.4	-2.9	-4.8	-4.5	-5.9	-8.6	-9.1	-6.6	-3.8	-1.2	-0.5	-0.9	-1.6	-6.2	-4.2
– Construction	0.6	1.4	0.5	0.4	0.4	1.5	1.9	0.2	-0.8	-0.3	0.0	-1.2	-2.6	-0.4	0.9	-0.4
– Machinery and equipment	2.7	-1.2	-4.1	-7.6	-9.5	-12.1	-15.6	-16.0	-12.5	-7.6	-1.6	0.5	0.5	-2.4	-11.7	-7.7
Exports of goods (1) and services	5.1	5.9	1.4	-9.1	-18.1	-18.2	-10.2	-3.3	0.0	1.9	1.2	2.2	4.5	2.2	-12.1	0.3
– Goods	5.3	7.2	3.0	-10.5	-20.5	-20.3	-10.1	-1.4	2.2	3.9	2.7	3.9	6.3	2.0	-13.1	2.1
– Services	4.4	3.0	-2.2	-6.9	-12.2	-12.4	-9.9	-8.1	-5.2	-2.8	-2.4	-2.0	0.0	2.5	-9.6	-4.0
Imports of goods (1) and services	4.2	-0.1	-1.6	-5.5	-10.5	-11.6	-8.7	-6.7	-1.8	1.5	3.1	3.2	3.8	-0.5	-7.8	-0.7
– Goods (1)	3.8	1.8	-1.2	-7.5	-14.0	-14.8	-10.5	-7.1	-1.7	1.5	2.8	4.1	4.7	-0.8	-9.7	-0.9
– Services	6.1	-7.5	-7.8	6.8	10.9	3.2	-4.9	-4.4	-1.4	1.8	3.4	-0.3	0.4	0.8	1.5	0.0
Change in stocks (2)	0.0	-0.8	-1.4	0.5	2.6	1.8	-0.9	-1.4	-1.1	-0.5	0.5	0.5	0.1	0.2	0.6	-0.4
Gross domestic product (GDP)	1.9	2.9	0.1	-2.8	-4.9	-4.9	-3.1	-1.3	-0.5	-0.3	-0.3	-0.1	0.6	1.6	-3.3	-0.6

(1) Without valuables (i.e. precious metals, precious stones and gems as well as objects of art and antiquities)

(2) Percentage contribution to GDP-growth

Other Macroeconomic Indicators																
	2001- 2007	Percentage change against												previous year		
		same quarter of previous year												2008	2009	2010
		2008				2009				2010						
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real effective exchange rate of Swiss Franc	-0.3	18.6	4.3	-6.8	12.9	5.5	-1.4	-1.1	4.2	-3.0	-1.5	-4.7	2.7	5.3	2.9	-1.0
Short term interest rate (Euro-Fr. 3 month) (1)	1.3	2.6	2.7	2.5	1.3	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.2	2.3	0.1	0.2
Yield of 10 years federal bonds (1)	2.8	3.0	3.3	2.9	2.4	2.2	2.3	2.2	2.3	2.3	2.5	2.6	2.8	2.9	2.2	2.6
Consumer prices	0.9	2.5	2.7	3.0	1.6	0.0	-0.8	-1.2	-0.2	0.9	0.9	0.6	0.5	2.4	-0.6	0.7
Full-time equivalent employment (2)	0.8	3.3	2.6	1.8	0.7	-1.4	-4.1	-6.1	-6.2	-4.8	-3.0	-2.0	-1.5	2.8	-1.8	-4.3
Unemployment rate (1,3)	3.1	2.5	2.5	2.6	2.7	3.1	3.6	4.1	4.8	5.4	5.8	5.9	6.0	2.6	3.9	5.8

(1) Level

(2) Percentage change against previous quarter (annualized, trend cycle component)

(3) Unemployed as percentage of labour force according to census of 2000

GLOBAL ECONOMY

	2001- 2007	Percentage change against												previous year		
		previous quarter (annualized, seasonal adjusted)												2008	2009	2010
		2008				2009				2010						
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real gross domestic product (GDP)																
– OECD total	2.3	1.6	0.2	-0.8	-7.3	-9.1	-1.9	-0.5	0.1	0.8	1.2	1.5	1.8	0.9	-4.2	0.6
– European Union (EU-25)	2.1	2.1	-0.4	-1.1	-5.8	-9.5	-2.3	-1.4	-0.7	0.1	0.9	1.0	1.7	0.9	-4.3	0.0
– USA	2.3	0.9	2.8	-0.5	-6.3	-5.7	-1.4	0.0	0.5	1.3	1.5	1.8	1.9	1.1	-2.8	0.9
– Japan	1.6	3.4	-3.5	-2.5	-14.4	-15.2	-2.2	0.2	0.9	1.1	1.5	1.8	2.0	-0.7	-7.6	1.0
Oil price (\$ per barrel) (1)	44.2	96.7	122.5	115.6	58.1	42.5	45.0	50.0	55.0	60.0	60.0	60.0	60.0	98.2	48.1	60.0

(1) Level