



KOF Bulletin

No 44, September 2011

Global Economy: Troubled Times

THE ECONOMY

- Global Recession Set to Return? >>
- Interventions by the SNB to Stabilise the Exchange Rate >>
- Is the Consumption Party Over? >>
- Cleantech Potential in Switzerland >>
- More Economic News >>

KOF ECONOMIC BAROMETER AND SURVEY RESULTS

- KOF Economic Barometer – Sharp Fall >>
- Increasing Scepticism in Companies >>

RESEARCH

- Is the Size of a Country Decisive for the Type of Investment in India? >>
- Effects of Rational Inattentiveness on the Economy >>

AGENDA

- KOF Media Agenda >>
- KOF Events >>
- Other Events >>
- Careers >>

CUSTOMER SERVICE >>

IMPRINT >>

TABLES – KOF Summer Forecast 2011

- Switzerland >>
- Global Economy >>

GLOBAL RECESSION SET TO RETURN?

While the stock markets have priced in an imminent return of the global recession, surveys confirm that this is probably unjustified.

The fear of a renewed recession is back. At the end of July, US economic data were revised downward. Suddenly, the country was at the brink of stagnation. Private consumption, the backbone of the US economy, recently grew by a meagre 0.4% (annualised). The figures were joined by equally disappointing data from the Eurozone in August. Germany, the Eurozone's economic engine, appears to have lost steam, recording an annualised 0.5% growth rate in the 2nd quarter of 2011. Following three quarters of contracting GDP, Japan is once again stuck in recession – only less than two years after the end of the last recession.

The stock markets, jittery due to the debt crises in the US and Europe, saw prices plummeting in reaction to nascent fears. And the Swiss Franc, which the markets consider to be as secure as gold, skyrocketed, forcing the Swiss National Bank to put the brakes on and open the purse strings.

“WORLD ECONOMIC SURVEY”: ALTHOUGH THE GLOBAL ECONOMY IS COOLING DOWN ...

Is a new global recession just around the corner? Leading economic indicators can help answer this question – albeit not with absolute certainty. In August, the Ifo Institute for Economic Research in Munich published its quarterly “World Economic Survey”, presenting assessments of their national economy by experts in 117 countries. As the survey was carried out in July, the debate regarding debt limits in the USA and the debt crisis in Europe should already have coloured the replies.

The survey results point towards a substantial cooling of the global economy. In North America, Europe and Asia, the economic climate has deteriorated in the last six months – most significantly in the USA. A small majority of respondents still consider the situation to be “good”. The USA forms an exception with a majority of respondents assessing the situation as “bad”. In response to the question what the situation will be in six months, the majority replied with “better”. This refers to the USA, Eastern Europe, Latin America and Asia.

According to the respondents, the situation in Western Europe will remain unchanged in the next six months. However, the assessments vary widely in terms of individual countries: While the current economic situation in Germany is considered to be “excellent” and only a small majority of experts foresee a deterioration in the next six months, the situation in Italy, Spain and the UK is considered to be dismal. At least, the Spanish and British experts expect an improvement in the coming six months. French experts anticipate their economy to pick up from its present “satisfactory” level.

The major Asian economies also show significant differences. While most of the Japanese experts expect their economy to pick up – albeit from a catastrophically low level – experts in India consider both the country's current situation and the outlook to be positive. There is little movement in China. The majority believes that the situation is satisfactory but will deteriorate in the coming six months.

... THE SIGNS ARE NOT POINTING TOWARDS A RECESSION

All in all, the “World Economic Survey” does not contain many signs of an imminent recession. In particular the expected improvement in the USA gives rise to optimism. In fact, the US economy needs to catch up, especially in the automotive sector. Due to supply bottlenecks caused by the earthquake

catastrophe in Japan, a number of US consumers could not realise their intended acquisitions in the 2nd quarter of 2011. Most likely this is one of the reasons for the meagre growth in consumption in the USA.

Furthermore, cars are part of equipment investments that are also likely to have suffered due to the supply bottlenecks. With warehouses cleaned out, further orders must be placed. Hence, all in all, there are signs that indicate further growth of the US economy in the second half of the year. This assessment is supported by initial “hard” economic indicators, such as sales figures in the retail trade and industrial production in July.

The “excellent” assessment by German economic experts after the end of the 2nd quarter comes as a surprise given the meagre 0.5% growth rate reported by the official statistics. This shows that the scanty quarterly result probably arose due to special effects in the statistics. Construction, for example, declined by 5% following a 50% growth rate in the 1st quarter (annualised). This is a typical rebound effect that has probably pulled the 2nd quarter GDP growth rate down by approx. 1.5 percentage points (annualised). It does, however, not signify an end to the upswing in Germany.

INTERVENTIONS BY THE SNB TO STABILISE THE EXCHANGE RATE

The Swiss National Bank has, as called for by many quarters, intervened on the foreign exchange market to weaken the franc. It has not been necessary to apply the two-handed lower limit for the exchange rate so far. There is hope that this mechanism will not have to be used. It has not yet been completely ruled out, however.

At the beginning of August the Swiss National Bank (SNB) once again initiated measures to combat the strong franc for the first time since the exchange rate interventions from March 2009 to June 2010. However, the package of measures adopted by the SNB this time does not contain any direct exchange rate interventions on the foreign exchange market. The SNB will increase the supply of Swiss francs by increasing the money supply. This should control demand better and reduce the pressure on the franc. The latest steps by the SNB are welcome. The development of the exchange rate has assumed alarming proportions. Moreover, the measures constitute a calculable risk in view of low inflation expectations.

THE ACTION BY THE SNB

As the first step, the SNB increased bank reserves by allowing SNB bills and reverse repos to expire or by repurchasing them. Both instruments have been used since 2009 with the aim of absorbing the increased money supply promptly and effectively through exchange rate interventions. The increased money supply as a result of the sales of Swiss francs was thus neutralised.

Sight deposits were increased gradually over a two-week period. The SNB announced the measures on 3 August 2011. First of all, sight deposits were increased by Fr. 50 billion to Fr. 80 billion. On 10 August the SNB increased the limits from Fr. 80 billion to Fr. 120 billion. It subsequently raised the threshold by a further Fr. 80 billion to Fr. 200 billion on 17 August.

The SNB stressed that it intends to complete the increase as quickly as possible. Reverse repos only have a term of one week. It completely suffices not to renew them in order to increase the money supply quickly. By contrast, SNB bills have very long terms, up to 337 days in some cases. If a rapid increase in sight deposits is planned, active steps must be taken to repurchase these bills.

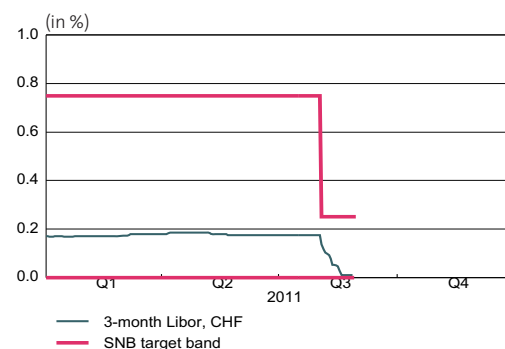
TAKING STOCK

The increase in sight deposits does not strengthen the balance sheet of the SNB. It merely results in a shift to the liabilities side. An assessment of the effectiveness of the measure requires asking what will subsequently happen to the sight deposits held by the banks. The banks are thus able to freely dispose of their deposits, subject to compliance with the reserve requirement. If the National Bank continues to hold these amounts, this will be tantamount to a zero effect, but if they are withdrawn, the money supply will increase and the increasing demand for the Swiss franc could be controlled.

As a result of the money multiplier, the increased money supply in M3 is basically much larger than was the original increase in the money supply by the Central Bank. At present, the money supply multiplier is approx. 10. It is thus still far below its level prior to the financial and economic crisis (around 14). Moreover, the degree of compliance with the reserve requirement has always remained above 300% until now (effective date: June 2011). The liquid funds that are evidently available in sufficient numbers have not been activated. It is therefore not possible at present to determine the extent of the transfer effect.

As a second step, the SNB reduced the 3-month LIBOR target range (see G 1). The target ranging from 0 to 0.75% with a target of 0.25% has now been replaced by a target ranging from 0 to 0.25%, but an interest rate that is very close to zero per cent is envisaged. The SNB accordingly intends to continue reducing the attractiveness of investments in Swiss francs. And it is simultaneously continuing to increase the spread between investments in Switzerland and the Eurozone. The spread is regarded as one of the determinants of the exchange rate movement. The larger it is, the more attractive are investments in the Eurozone. The SNB is able to control short-interest rates very well. They consequently fell to 0.008% within a few days (effective date: 19 August 2011). Since the interest rate was already close to zero, the impact on the exchange rate of the franc is likely to be negligible.

G 1: 3-Month Libor with Target Band



Furthermore, the SNB is again using foreign exchange swaps as an instrument to control liquidity. These swaps were last used in autumn 2008. Their purpose is to create franc liquidity. This is another way of increasing the money supply. The foreign exchange swaps are for a fixed term and automatically devolve upon the seller again upon expiry. Unfortunately, the SNB has not specified the conditions that govern such transactions.

A QUESTION OF COMMUNICATION

The signal that all these measures are sending should not be underestimated: the SNB is not resting on its laurels. The measures suggest that the SNB will keep interest rates low for a longer period than was anticipated until now (by the KOF as well). One thing is certain: there will be no more interest rate rises this year.

It is still too early to judge the effect of the various measures adopted to weaken the franc. The stop on reverse repos and SNB bills and their repurchase as well as the use of exchange rate swaps are increasing the supply of francs and should reduce the pressure on the exchange rate. The policy adopted by the SNB is also preventing the risk from spreading in its own balance sheet. Instead, the SNB is leaving it to the banks to sell Swiss francs to foreigners and become involved in the Eurozone.

If the money remains on bank accounts, this will neither have an impact on the exchange rate, inflation nor on asset prices in Switzerland. It will be interesting to see what happens when the money is activated in some form. Since it is primarily the domestic money supply that is being increased, apart from the exchange rate the SNB should also closely monitor trends in the construction sector. This is where the likelihood of a further acceleration in prices, i.e. a bubble, appears to be greatest.

THIS IS NOT THE END OF THE MATTER

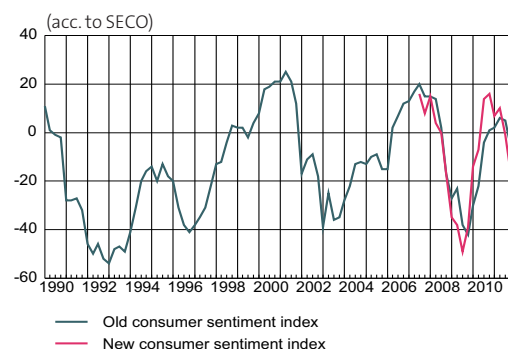
The SNB has by no means shot its bolt yet. It can choose the option of a lower limit for the franc-euro rate at any time, as many observers have recommended (including the KOF). At the moment its policy seems to have created sufficient impact to at least stabilise the appreciation of the franc.

IS THE CONSUMPTION PARTY OVER?

Consumer sentiment has deteriorated in July. At the same time, other indicators are pointing towards a relatively positive consumption trend. The path of consumption is therefore unclear.

According to the index prepared by the State Secretariat for Economic Affairs (SECO), consumer sentiment has deteriorated in July (see G 2). Three of the four questions on which the index is based received more pessimistic answers than in the previous quarter. Consumers expect a slowdown of the general economy and a deterioration of their own financial situation. In addition, although the respondents anticipate an increase in unemployment, they also expect more opportunities for saving.

G 2: Consumer Sentiment



Due to increasingly unfavourable news regarding the economy, the deterioration in consumer sentiment does not come as a surprise. National debt in Europe and the USA was once again an issue and the strong Swiss Franc raised further concerns about the domestic economy. However, worries regarding the further economic development have not yet affected the consumption behaviour.

RETAIL TREND DIFFICULT TO READ

In the first six months of 2011, the monthly real retail sales figures were highly volatile, including some extreme changes compared to the previous year. This is probably due to the fact that many bank holidays were scheduled much later than last year. Retail sales still appear to follow a slight upward trend. However, given the phenomenon of shopping tourism in neighbouring countries, it is difficult to estimate effective consumer spending in the retail sector.

Following a year-long record-breaking increase in car registrations, the figures stabilised in June and July. Whether this indicates a decline in registrations or merely a normalisation is not yet clear. At any rate, growth at this speed would not have been tenable over a prolonged period of time.

The number of domestic overnight stays is still above that of the previous year. Consumers are still spending money on vacations and also holiday in Switzerland despite the strong franc.

OUTLOOK UNCERTAIN DESPITE POSITIVE INCOME TREND

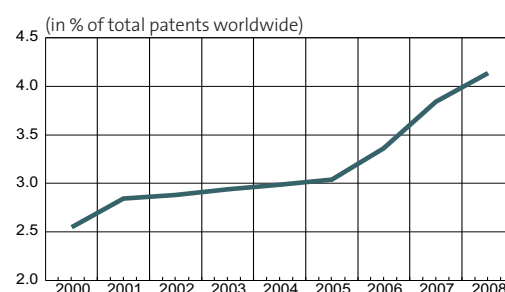
AHV contributions in the first six months of 2011 were 4.3% higher than in the previous year. Accordingly, nominal incomes should have risen and supported consumption in the coming months. On the other hand, consumers may exercise more restraint due to fears of a renewed recession. Hence, the outlook for private consumption remains uncertain. Nevertheless, the fact that consumers remained calm during the 2008/2009 recession gives hope for confidence.

CLEANTECH POTENTIAL IN SWITZERLAND

Cleantech is growing rapidly. In the period 2000-2008, the number of Cleantech patents rose by 227% globally. Growth in Switzerland is not progressing at a comparable speed. Nevertheless, each fourth company in Switzerland is active in the Cleantech sector – at 32%, the figure is even higher in the industrial sector.

Worldwide, Cleantech, i.e. environmentally compatible technologies that can be patented under the environmental patent label (definition according to OECD), has grown significantly in the last few years: between 2000 and 2008, the number of patents rose from just under 2,700 to over 6,100 – an increase of 227%. In the same period, the share of Cleantech patents in patents worldwide rose from 2.5% to 4.1% (see G 3). The mechanical engineering sector and the chemical industry have the highest share of Cleantech patents.

G 3: Share of Cleantech Patents



OTHER COUNTRIES HAVE TAKEN OFF

According to a recently published KOF study, Denmark, Austria and Japan are the top three countries specialising in Cleantech. Switzerland's specialisation in this field is below average: In the period from 2000 to 2008, the share of Cleantech patents merely rose from 2.6% to 2.8%.

However, this meagre increase is no indication of the prevalence of Cleantech in Switzerland. Close to 24% of local companies with over 5 employees categorise themselves as active in the Cleantech area. In the industrial sector, the figure is 32%, in construction 16%, in the service sector 14%. Industries with a high degree of Cleantech specialisation are usually larger (more staff per company), more capital intensive and more export-oriented than other industries.

The highest share in Cleantech patents in Switzerland can be found in the metal product, metal manufacturing and mechanical engineering sectors, followed by non-metallic minerals, the bulk chemical industry and vehicle manufacturers. In international comparison only the metal product and non-metallic minerals sectors have an above-average Cleantech share.

KYOTO AND CLEANTECH

A country's Cleantech specialisation and its commitments to reduce greenhouse emissions (Kyoto Protocol) are good indicators of the impact of politics on the prevalence of Cleantech. It was found that the more a country specialises in Cleantech, the closer it is to the Kyoto targets. The political intent to reduce emissions in the context of international agreements thus increases Cleantech specialisation.

The study in German entitled “Potenziale für Cleantech im Industrie- und Dienstleistungsbereich in der Schweiz” is available at:

www.kof.ethz.ch/de/publikationen/p/kof-studien/ >>

MORE ECONOMIC NEWS

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

www.kof.ethz.ch/static_media/bulletin/44/kof_bulletin_tables_2011_09_en.pdf >>

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

www.kof.ethz.ch/static_media/bulletin/44/kof_bulletin_forecasts_2011_09_en.pdf >>

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

www.kof.ethz.ch/de/ueber-uns/services/datenservice/ >>

KOF ECONOMIC BAROMETER AND SURVEY RESULTS



KOF ECONOMIC BAROMETER – SHARP FALL

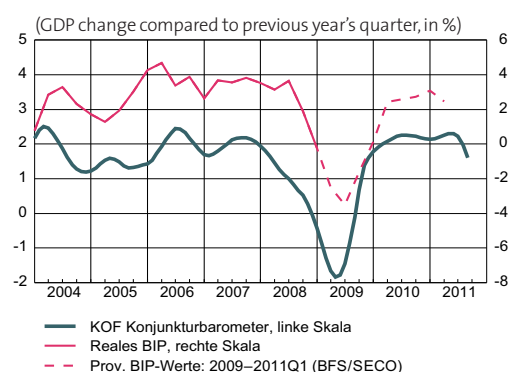
The KOF Economic Barometer has fallen sharply in August (see G 4). The Barometer fell by 0.37 points compared to July and now stands at 1.61 points. There has not been such a sharp fall for more than two years. The growth rate of Swiss Gross Domestic Product (GDP) is thus likely to experience a marked slowdown in the coming months. The Economic Barometer is based on a multi-sectoral design with three modules. The performance of these modules is contributing to the overall performance of the Barometer as follows: the “Core GDP” module (national economy, excluding construction and banking) remains in positive territory, but is pointing to a marked downward trend. However, the “Construction” module is still showing encouraging signals, whereas the “Banking” module is showing slightly negative momentum in positive territory.

The “Core GDP” module, which comprises a good 90% of aggregate value added, dominates the barometer. The “Swiss Industry”, “Swiss Consumption” and “EU Export Destination” measurement models underlie the Barometer. The current downward movement of the “Core GDP” module is attributable to a marked slowdown in the “Swiss Industry” and “EU Export Destination” measurement models as well as to a slight downward movement in the “Swiss Consumption” module.

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

www.kof.ethz.ch/de/indikatoren/konjunkturbarometer/ >>

G 4: KOF Economic Barometer



INCREASING SCEPTICISM IN COMPANIES

Even though all sectors, apart from the hotel and catering trade, are still rating their business situation as positive, in many sectors the assessment has deteriorated compared to the last survey (see G 5). There are still exceptions, i.e. the building trade as well as architectural and engineering firms, which again rate their business situation in August as better than three months ago. New figures are available for industry, the retail trade, financial services and insurance providers, the building trade and project engineering; the remaining sectors of the economy were last surveyed in July.

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. The available data is provisional and could be subject to change.

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

www.kof.ethz.ch/en/publications/kof-bulletin/explanation-of-graphs/ >>

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. As an SGK member you will receive comprehensive information about all sectors of the economy and the branches belonging to them.

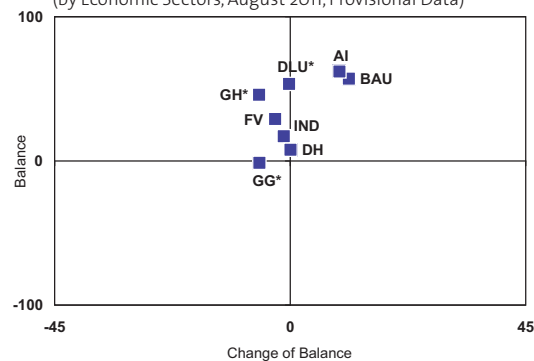
Join the SGK: www.kof.ethz.ch/en/about-us/official-bodies/sgk-society/ >>

Take Part in Survey: www.kof.ethz.ch/en/surveys/business-tendency-surveys/ >>

KOF Business Surveys: www.kof.ethz.ch/en/surveys/business-tendency-surveys/ >>

G 5: Business Situation Overview

(by Economic Sectors, August 2011, Provisional Data)



Monthly Surveys: **AI** Architects and Engineers, **BAU** Construction, **DH** Retail Trade, **FV** Financial Activities, **IND** Manufacturing, Quarterly Surveys*: **DLU** Service Industries, **GG** Hotel and Catering, **GH** Wholesale Trade

IS THE SIZE OF A COUNTRY DECISIVE FOR THE TYPE OF INVESTMENT IN INDIA?

The decision by foreign investors about the most appropriate form of investment should be contingent on the strength of the bargaining position in the host country. In which situations will technical cooperation in an equity engagement be preferable and on what does the extent of the investment depend? Axel Dreher, Peter Nunnenkamp and Krishna Chaitanya Vadlamannati use India as an example to examine whether and to what extent the different country-of-origin characteristics in comparison to the characteristics of India as a host country are influenced by the decisions made by investors. The dataset comprises 24,500 projects in India by investors from 45 countries during the period 1991–2004. Their results show that the relative market size of the country of origin and India, relative financial market development, relative risk, relative endowment of human capital and the previous international experience of investors significantly affect the type of engagement by foreign investors in India. Investors from larger and richer countries of origin with more developed financial markets prefer direct investment to technical cooperation. Since they have a stronger bargaining position vis-à-vis the Indian authorities, investors are able to persuade the authorities to accept wholly-owned subsidiaries. However, investors tend to avoid the potentially high sunk costs of wholly-owned subsidiaries when the political risks in India are high compared to the country of origin. Stronger currencies in the countries of origin attract fewer FDI projects – presumably because huge and sudden fluctuations in exchange rates create considerable uncertainty.

Dreher, Axel, Peter Nunnenkamp and Krishna Chaitanya Vadlamannati (2011): **The Role of Country-of-origin Characteristics for Foreign Direct Investment and Technical Cooperation in Post-reform India**, KOF Working Papers No. 283, June.

www.kof.ethz.ch/en/publications/p/kof-working-papers/ >>

EFFECTS OF RATIONAL INATTENTIVENESS ON THE ECONOMY

In a theoretical model Lena Dräger examines how the choice made by economic agents between new and old information creates inflation and output expectations that affect economic growth. Based on the “sticky information” models of Mankiw and Reis as well as the model in Dräger (2010), this decision is modelled as a cost-benefit analysis between accurate forecasting with rational expectations and the costs of obtaining up-to-date information. The agents in the model accordingly assess the accuracy of their forecast in each period and consider whether the costs of the latest information that is required to create rational expectations is money well spent or whether the forecast should be made on the basis of outdated (“sticky”) and free information. This determines the ratio of rational agents in the period, which again has an impact on output, inflation and the nominal interest rate in the subsequent period. The simulated dynamic equilibrium time paths for inflation, output and the nominal interest rate show a high level of persistence. The model is thus capable of depicting an important stylised fact with regard to macroeconomic data. In addition, the degree of inattentiveness appears to fall as soon as the variability in the forecasted variable increases. It follows from these results that a rise in the variability of the forecasted variable increases and hence justifies the costs of new information for rational expectations. The effect of a monetary policy interest rate shock also varies with the degree of inattentiveness. If the effect is sufficiently high, hump-shaped impulse responses to inflation and output are found after a monetary policy shock. The delayed effect of an interest rate shock on inflation and, to a lesser extent, on output, is thus yet another stylised fact which the model is able to depict. Moreover, since fluctuations in the degree of inattentiveness affect the stability of the model, the interest rate rules of monetary policy should take inflation as well as output into consideration in order to ensure a unique and stable model.

Dräger, Lena (2011): Endogenous Persistence with Recursive Inattentiveness, KOF Working Papers No. 285, July.

www.kof.ethz.ch/en/publications/p/kof-working-papers/ >>

AGENDA

**KOF MEDIA AGENDA****September 2011**

- 07.09. Consensus Forecast (in German)
- 08.09. Monetary Policy Communicator
- 27.09. Autumn Forecast 2011
- 30.09. KOF Economic Barometer

October 2011

- 06.10. Monetary Policy Communicator
- 07.10. KOF Bulletin
- 28.10. KOF Economic Barometer
- 31.10. Employment Indicator (in German and French)

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

KOF EVENTS

CIRET/KOF/HSE Workshop on National Business Cycles in the Global World

Moscow (Russia), 16–17 September 2011:

www.ciret.org/workshops/ >>

KOF Forecast Presentation

External Speakers:

Marie-Gabrielle Ineichen-Fleisch (Director SECO),

Hans Hess (President Swissmem)

Zurich (Switzerland), 27 September 2011:

www.kof.ethz.ch/de/veranstaltungen/k/prognosetagung/ >>

KOF Research Seminar:

t.b.a.

Thibault Fally, Colorado University Boulder

ETH Zurich, 21 September 2011:

www.kof.ethz.ch/de/veranstaltungen/k/kof-research-seminar/ >>

OTHER EVENTS

Jahrestagung 2011 Verein für Socialpolitik

Die Ordnung der Weltwirtschaft: Lehren aus der Krise

Frankfurt a. M. (Germany), 4 – 7 September 2011:

www.socialpolitik.eu/cgi-bin/backend.pl/start >>

Macro and Financial Econometrics Conference

Heidelberg (Germany), 29 – 30 September 2011:

www.uni-heidelberg.de/fakultaeten/wiso/awi/professuren/empwirtfor/konferenz.html >>

World Conference on Financial Crisis and Impact

Ankara (Turkey), 28 September – 2 October, 2011:

<http://mimm-ltd.com/WCFC2011.aspx> >>

CESifo Conference on Macroeconomics and Survey Data

Munich (Germany), 11–12 November 2011

www.cesifo-group.de/portal/page/portal/ifoHome/c-event/c2conf/5oconfforthcoming#Macroeconomics%20and%20Survey%20Data%202011 >>

5th Annual Conference on the Political Economy Organizations

(Call for Papers: 30 September 2011)

Philadelphia (USA), 26 – 28 January 2012:

www.peio.me/ >>

Workshop on Human Trafficking, International Crime and National Security:

A Human Rights Perspective

Gottingen (Germany), 3 – 4 February 2012:

www.human-trafficking-research.org/ >>

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

CAREERS

Professor Public Finance and Social Security Economics

www.kof.ethz.ch/static_media/upload/filer/public/2011/05/17/ad_professor_publicfinance.pdf >>

CUSTOMER SERVICE

The KOF Bulletin is a free service by e-mail which informs you about the latest developments relating to the economy, our research and important events on a monthly basis.

Register: www.kof.ethz.ch/publications/bulletin/registration/en >>

For previous KOF Bulletins, visit our archive:

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

Visit us at: www.kof.ethz.ch >>

You can also extract time series from our extensive database via the KOF data service (in German):

<http://www.kof.ethz.ch/de/ueber-uns/services/datenservice/> >>

The reproduction of this Bulletin (including excerpts thereof) is permitted only with the written permission of the publisher and with the citation of the original source.

ISSN 1662-4289

IMPRINT**PUBLISHER**

ETH Zurich, KOF Swiss Economic Institute, WEH D 4, Weinbergstrasse 35, 8092 Zürich
Tel. +41 44 632 53 44 | Fax +41 44 632 12 18 | kof@kof.ethz.ch

EDITORIAL TEAM

Anne Stücker | David Iselin
bulletin@kof.ethz.ch

NEXT PUBLICATION DATES

7 October 2011 | 4 November 2011

TABLES – KOF Summer Forecast 2011

SWITZERLAND

Real Gross Domestic Product by Type of Expenditure																
Percentage change against																
	2001- 2009	previous quarter (annualized, trend cycle component)												previous year		
		2010				2011				2012				2010	2011	2012
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Private consumption	1.4	1.9	1.2	1.1	1.1	0.8	1.1	1.4	1.5	1.6	1.7	1.8	1.9	1.7	1.0	1.6
Public consumption	1.5	-4.5	-3.8	1.1	2.4	0.8	0.0	0.0	-0.1	0.4	0.4	0.1	0.5	-1.6	0.6	0.2
Gross fixed capital formation	0.9	2.1	5.4	8.0	8.5	3.7	-1.4	0.8	5.2	6.5	6.1	3.8	4.1	4.6	3.9	4.6
– Construction	0.8	0.2	5.4	5.8	5.4	2.8	-1.8	-1.3	3.2	3.9	2.9	2.4	3.3	3.3	2.9	2.0
– Machinery and equipment	1.0	3.6	5.7	7.6	7.0	4.6	3.1	4.3	7.3	8.8	7.8	5.3	5.6	5.7	4.8	6.9
Exports of goods (1) and services	3.4	10.7	1.0	-1.4	7.0	12.7	4.9	-0.5	1.4	3.5	5.7	7.8	6.8	8.4	5.4	3.5
– Goods	3.0	15.7	7.4	2.5	5.3	6.9	2.6	2.0	4.5	5.2	7.0	8.6	7.7	9.3	5.0	5.3
– Services	4.1	3.5	-3.5	-8.8	5.5	22.2	8.3	-6.8	-4.1	-0.9	2.7	7.2	5.2	6.5	6.3	-0.1
Imports of goods (1) and services	2.6	13.5	9.3	2.1	-1.5	2.9	8.9	10.6	9.5	8.5	7.2	7.2	7.7	6.8	4.5	8.6
– Goods (1)	1.8	20.1	14.6	3.5	-0.5	3.4	7.1	10.9	10.2	8.4	7.5	8.2	8.4	9.9	4.6	8.8
– Services	6.2	-4.6	1.4	-3.0	-7.8	0.5	11.5	11.5	10.7	7.4	3.4	4.4	7.2	-4.5	4.0	7.5
Change in stocks (2)	0.1	-1.6	2.1	2.0	-1.5	-2.1	2.8	5.3	3.5	1.2	-0.3	-1.0	-1.1	-2.0	0.5	1.8
Gross Domestic Product (GDP)	1.5	3.2	3.0	2.9	2.9	2.9	2.9	2.8	2.2	1.5	1.4	1.8	2.2	2.6	2.8	1.9

(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																
Percentage change against																
	2001- 2009	same quarter of previous year												previous year		
		2010				2011				2012				2010	2011	2012
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real effective exchange rate of Swiss Franc	0.7	3.1	4.5	18.4	8.5	9.3	9.4	3.2	3.2	-2.2	-4.7	-8.3	-2.0	5.8	8.7	-1.1
Short term interest rate ((3-month Libor CHF) (1))	1.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.4	0.6	0.8	0.9	0.2	0.2	0.7
Yield of 10 years federal bonds (1)	2.7	2.0	1.6	1.4	1.6	1.9	2.0	2.1	2.2	2.3	2.3	2.4	2.5	1.6	2.0	2.4
Consumer prices	0.9	1.1	1.0	0.3	0.3	0.6	0.4	0.9	1.0	0.9	1.1	1.3	1.3	0.7	0.7	1.2
Full-time equivalent employment (2)	1.0	0.9	1.1	1.1	0.9	0.6	0.4	0.3	0.7	1.2	1.6	1.5	1.0	0.7	0.6	1.1
Unemployment rate (1,3)	3.1	4.1	3.9	3.7	3.6	3.4	3.1	2.9	2.8	2.8	2.8	2.7	2.7	3.9	3.1	2.7

(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

Percentage change against																
	2001- 2009	previous quarter (annualized, seasonal adjusted)												previous year		
		2010				2011				2012				2010	2011	2012
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Real Gross Domestic Product (GDP)																
– OECD total	1.5	3.2	3.7	2.5	1.0	1.2	1.6	2.5	2.5	2.4	2.4	2.5	2.6	2.9	1.8	2.4
– European Union (EU-27)	1.3	1.5	4.0	2.1	0.8	3.1	2.1	1.7	1.8	2.0	2.1	2.3	2.5	1.8	2.1	2.0
– USA	1.5	3.7	1.7	2.6	3.1	1.8	2.6	2.4	2.5	2.7	2.9	3.0	3.1	2.9	2.4	2.7
– Japan	0.4	9.1	0.2	3.8	-3.0	-3.7	-1.4	4.1	3.9	2.4	2.0	1.9	2.0	4.0	-0.6	2.5
Oil price (\$ per barrel) (1)	52.1	76.7	78.7	76.4	86.8	104.9	115.0	115.6	116.2	116.8	117.4	118.0	118.6	79.6	112.9	117.7

(1) Level