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Switzerland - Detailed Report and Excel Spreadsheets

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Switzerland: Country Risk Overview: Medium-Term Risk: Risk Background - April 28, 2003

Switzerland is a stable democracy, which has determinedly pursued a strategy of neutrality: it has refused to join NATO or the European Union, although it finally narrowly voted to become a full member of the United Nations in March 2002. Its economic advantages include a central location in Europe, political stability, public security, very low inflation, and a qualified work force. It has a small, open economy that imports raw materials and exports high-value-added manufactured goods, as well as providing banking and other financial services. Nevertheless, the country suffered from an extended period of economic stagnation during the early 1990s, inflicted mainly by an over-valued exchange rate. This has been a recurring problem for the economy. Relatively high labor costs and political isolation within Europe are the country's other main problems.

In May 2000, a referendum approved seven bilateral agreements that had been negotiated with the EU in December 1998, primarily relating to freer trade and labor movement. These agreements were implemented in June 2002 and should help ease Switzerland's isolation within Europe by bringing the country closer to the European Union. Potential EU membership remains a long way off, however. The anti-EU lobby in Switzerland is very strong. The New European Movement forced a referendum in March 2001 calling on the government to immediately open talks with the EU on Swiss membership, but a large majority of voters rejected the proposal. Although the government supports the idea of joining the EU as a long-term goal, it does not believe that Switzerland is ready yet to join, and wants to have a free hand to set the timetable. Consequently, it campaigned strongly for a "no" vote in the referendum. Even so, following the comprehensive scale of the rejection, the government has acknowledged that it might struggle to get a mandate to open talks on EU membership during the next Parliament (2003-07), for which it has been aiming.

The key risks facing Switzerland over the next few years are related to the global economic situation and the external value of the Swiss franc, given its traditional role as a safe haven for international investors during financial crises. The global economic picture is still uncertain. Despite current visible signs of improvement in the United States and Western Europe, sustainable economic recovery is far from assured. In addition, there remains the possibility that further terrorist incidents could occur, with negative repercussions for the global economy. In addition, the recent excessive strength of the Swiss franc could recur, which would constrain the country's competitive position in both Europe and other global markets.

Switzerland: Country Risk Overview: Medium-Term Risk: Trends to Watch - February 25, 2003

- The level of the Swiss franc against both the euro and the U.S. dollar.
- Willingness of the Swiss National Bank to act in response to movements in the exchange rate.
- Public opinion on EU membership.
- Monetary Integration: Is Switzerland going to join the European Monetary Union?

Switzerland: Country Risk Overview: Short-Term Risk: Events to Watch - May 20, 2003

- The level of the Swiss franc, against both the euro and the U.S. dollar.
- The Swiss National Bank: Will the SNB lower rates once again amid slowing growth?
- Forthcoming unemployment data. Will seasonally adjusted unemployment rise further?
- Consumer confidence and spending indicators.
- Wage demands and settlements.

- Inflation indicators.
- Manufacturing sector data to see if the sector is recovering.
- Outcome of the negotiations between the EU and Switzerland over Swiss bank secrecy.
- Public opinion on EU membership.

Switzerland: Country Risk Overview: Short-Term Risk: Recent Developments - May 08, 2003

There were no signs of an economic rebound in the first quarter of 2003. The key risks facing Switzerland in the near term are related to the global economic situation in general and the Eurozone in particular, slowing consumer spending growth, and a potential appreciation of the Swiss franc.

Any prospective upturn in Switzerland is highly dependent on the economic developments in the Eurozone, the destination of 60% of Swiss exports. Uncertain European growth prospects represent a significant risk to the Swiss economic outlook, given its high degree of openness and the significant share of exports to Eurozone in total exports.

Meanwhile, the domestic side of the economy shows signs of considerable weakness. Consumer spending growth has slowed dramatically. Consumer confidence is close to its lowest level in nine years, the manufacturing sector is contracting, and the labor market is set to deteriorate further. A look at the investment component of GDP over the last quarters reveals the very fragile nature of the Swiss economy, and suggests that an upturn is not likely to occur any time soon. Equipment investment fell for the fifth consecutive quarter in the final three months of 2002 and was still down 13% quarter on quarter (q/q). There is ample excess capacity in the economy and business sentiment is weak. By contrast, exports—driven by rising demand from Asia—together with the continuing decline in imports, made a positive contribution to growth. Meanwhile, the Swiss franc, despite easing notably in April, is limiting Swiss competitiveness, particularly in regard to the manufacturing sector and exporters. However, the risk of recurrent appreciations in the franc's value in foreign exchange markets and of the negative impact on the country's competitiveness has decreased since our last risk assessment.

It is vital for future growth prospects that consumer spending recovers, as the probability of stimulus through rising export demand is limited at present. Very low inflation should support purchasing power, as well as enable the SNB to keep monetary policy expansionary for some time. Any sustained surge in oil prices or major terrorist incidents in the United States or Europe would seriously exacerbate risks to recovery prospects.

Switzerland: Economic Trends: Business Confidence and Investment: Outlook - May 20, 2003

The short-term outlook for equipment investment remains cloudy, given the fragile industrial sentiment and modest export prospects amid the global uncertainty. Given that the war in Iraq has been successfully concluded, firms can be expected to gradually abandon their reluctance to increase production capacity in the second half of this year, as the risk that additional capacity cannot be put to profitable use will decline. Even so, the slump in investment continued in the fourth quarter of 2002. Total investment fell an annualized -8.5% quarter on quarter (q/q) and was down by 7.6% year on year. Construction investment fell 3.6% q/q, while equipment investment fell a sizable 12.8%. Within the latter investment component, all three subcategories (machinery, vehicles, and aircraft) were hit by the recessionary development. A notable pickup is not likely before the second half of 2003.

As yet, there are few signs that increasing business confidence is leading to a significant upgrading of investment intentions. Capital goods orders currently remain subdued due to excess production capacity, although they may well have bottomed out. The return to increased investment spending, along with higher export demand, will form the base of a sustainable recovery in Switzerland.

Switzerland: Economic Trends: Business Confidence and Investment: Recent Trends - May 19, 2003

The March quarterly survey of around 350 companies by UBS found that overall they had experienced a poor first quarter, and were gloomy about second-quarter prospects. In the first quarter, sales were down markedly year on year and orders had declined, with both domestic demand and export sales weakening. Companies complained about the uncertain economic and geopolitical outlooks, low capacity utilization, poor earnings power, thin order books, and falling work backlogs. Activity is expected to decline slightly in the second quarter, with domestic demand seen softer than export demand. Employment prospects were poor, with 31% of companies expecting to cut jobs by the end of June, and only 5% expecting to add new staff.

The Swiss purchasing managers' index (PMI) eased to a seasonally adjusted 46.6 in April from a revised 46.7 in March. (A value above 50 points indicates the manufacturing sector is expanding while a figure below 50 signals a contraction.) The production index fell by 3.3 points, to 42.2, and the orderbook subindex fell to 45.9, signaling a further decline in future manufacturing output. The purchasing volume subindex fell close to an all-time low, dropping 2.7 points, to 39.6 points. Meanwhile, the employment index showed some improvement, to stand at 47.2 points, yet still signaling a contracting labor force in the manufacturing sector. The outlook for the manufacturing sector is bleak and a continuing weakness in demand across the Eurozone and a strong franc should limit any improvement in 2003.

Industrial production fell by 2.1% year on year (y/y) in the fourth quarter of 2002—the sixth consecutive quarterly decline. The rate of decline slowed from 3.5% y/y in the third quarter. Also raising hopes that the long-suffering sector could be bottoming out was a 1.3% year-on-year rise in new orders to the industrial sector in the fourth quarter; this was the first increase for seven quarters. New orders were down 0.3% y/y in the third quarter. Orders on hand were still down 1.1% y/y in the fourth quarter, although this was less than the 4.6% year-on-year decline in the third quarter. While the data offer some encouragement, it is hard to see the sector recovering until growth of aggregate demand in the Eurozone begins to strengthen. The current strength of the franc is also a major problem for the industrial sector.

Switzerland: Economic Trends: Consumer Markets: Outlook - April 01, 2003

Recent poor consumer confidence and retail data highlight the precarious state of the Swiss economy. In the current economic environment it is not only weak export demand that weighs down Swiss growth prospects: the domestic side of the economy also shows signs of considerable weakening. On the positive side, however, very low annual consumer price inflation should provide support by boosting purchasing power when the recovery takes hold. In our March/April quarterly forecasting round, we projected private consumption to increase just 0.6% in 2003, modestly down from its 0.9% growth in 2002, and below the long-term average growth of 1.4%. The notable weakness in consumer spending is due to an overall weak outlook for the Swiss economy, rising unemployment, and faltering consumer confidence, in particular. Given the high uncertainty about economic prospects, it seems reasonable to expect a rather cautious consumer through 2003. In 2004, private consumption growth should head back in line with its long time average of 1.4%, expanding 1.3%.

Switzerland: Economic Trends: Consumer Markets: Recent Trends - May 20, 2003

The Swiss consumer sentiment index fell sharply, to 36 points in April, from 25 in January, according to the State Secretariat for Economic Affairs. The bleak outlook for the Swiss economy and a very weak labor market sent the indicator back to October levels—a five-and-a-half-year low. The index is conducted on a quarterly basis and compiled from a survey of more than 1,000 households. In April, Swiss households were more pessimistic about the performance of their economy (-99, versus -81 in January 2003) as well as their personal finances over the past 12 months (-12 versus, -2 in January 2003). Households were still positive on balance with regard to their financial situation in the coming 12 months, yet much less so than in January 2003. Other indicators, which do not enter the main indicator, were pointing downwards as well. The developments in the Swiss economy in the next 12 months are judged more pessimistic. Households say that this is not a good time to save and say purchases of big-ticket items (like cars) will have to be delayed. Jobs are judged to be more insecure than in January 2003. The sentiment data, combined with other recent data releases, suggest that the economy will not grow at all this year. It is hard to see any source of expansion. Sentiment is weak, the domestic economy is ailing, demand for Swiss exports is weak, the exchange rate limits Swiss competitiveness, and the real economy—employment, GDP, and real wages—point to stagnation, if not a return to a technical recession.

Swiss retail sales fell by a real 1.3% in January. The Federal Statistics Office said that sales of food, drink, and tobacco rose 1.7% year on year, while the sub-index for clothes and textiles fell 2.0%. The weak January numbers follow a 2.8% fall in December. Although the overall index did not fall dramatically, a 5% fall in the home furnishings sub-index and a 5.2% decline in the index for cars suggest that consumers were very cautious indeed, especially when it came to big-ticket items. Unemployment is at a five-year high, and the outlook for the Swiss economy is gloomy, given that an upturn in the Eurozone is not detectable in the current data.

Switzerland: Economic Trends: Currency: Outlook - May 20, 2003

The strength of the Swiss franc was a major factor causing the Swiss National Bank (SNB) to cut its key interest rate by 300 basis points since beginning of the slowdown in March 2001. SNB officials have repeatedly indicated that it is the Swiss franc/euro rate rather than the Swiss franc/dollar rate that is of most relevance, given Switzerland's close trading ties with Europe. The monetary authorities have stressed they would not hesitate to cut rates again or even sell francs on the open market, should a sharp rise in the currency destabilize the domestic economy.

Global Insight believes that the franc will remain generally strong against the dollar, with the currency staying relatively stable against the euro after the recent depreciation shift over 1.50/euro. In the current climate of economic uncertainty, there is still the danger that the Swiss franc will be subject to sharp appreciations versus major currencies, in particular, against the dollar. We believe that the value of the Swiss franc will only to a limited extent be driven by economic fundamentals. The growth and interest rate differentials between the United States/Eurozone and the Swiss economy should support the dollar and the euro respectively, which is contrary to the observed appreciation in the franc's value. The safe-haven status of the Swiss franc—and thereby high demand for Swiss-franc-denominated assets—ensures that fundamentals do not become the prime driver of the exchange rate. The impact of the war in Iraq on the Swiss franc turned out to be very limited. Even so, there are other risks out there. The war against terrorism is not yet over. There is still the possibility that it could widen to other arenas and that further terrorist attacks could occur.

The SNB chairman has ruled out, for some time to come, the pegging of the franc to the euro. He believes that such a policy would not eliminate external shocks, such as volatility in the franc. Furthermore, he argues that such a policy would prevent the SNB from conducting a policy geared towards the Swiss economy, and would result in the end of the competitive advantage from Swiss interest rates being below Eurozone levels. Indeed, Chairman Jean-Pierre Roth has frequently stressed that the franc's independence is an important asset for Switzerland and its financial markets. He reiterated this stance in January 2003, as various lobby groups called for the franc to be linked to the euro amid a renewed strengthening of the franc against other major currencies.

Switzerland: Economic Trends: Currency: Recent Trends - May 20, 2003

Niklaus Blattner, Swiss National Bank (SNB) directorate member, indicated in the beginning of May that the SNB was satisfied with the performance of the franc against the euro. The euro rose to 1.51 for the first time in over 19 months, climbing over the 1.50-franc level that the export industry considers their pain barrier. With regard to the franc/dollar rate, the franc strengthened against the dollar to 1.32 in mid-May. Blattner said that there was little the SNB could do to influence the dollar/franc exchange rate because there were simply too many factors at work, which determine the dollar rate. He confirmed the SNB's growth forecast of just under 1% in 2003, but said that risks were on the downside. He also noted that the central bank's highly expansive monetary policy did not pose any risks to price stability.

The SNB has consistently played down the appreciation shift of the Swiss franc against the U.S. dollar. Global Insight shares this view. Although the SNB does closely monitor the franc's appreciation against the dollar, the franc's value against the euro is of much greater importance for the Swiss economy, with over 60% of its exports going to the Eurozone.

The franc has been generally weaker against the euro since the SNB surprisingly cut interest rates on March 6, lowering its target for the three-month Libor rate by 0.5 percentage point, to 0.00–0.75%. The bank is aiming for the lower end of this range, effectively a rate of 0.25%. The SNB has since stressed that, despite the low level of interest rates, it still had means at its disposal to counter an excessively strong franc, including intervention in the foreign exchange markets. Other possibilities include buying government bonds to bring down the yields and thus longer-term interest rates and pumping liquidity into the money market.

After making substantial gains in 2002, the franc appreciated further early in 2003, as concern about a U.S.-led war against Iraq mounted and pushed investors out of the dollar and into the safe-haven franc. The dollar has been hurt by the perception that a war will make investors more risk averse, thereby making it more difficult for the United States to attract the capital inflows it needs to finance its large current account deficit. In addition, the costs of a military campaign are seen worsening the U.S. budget deficit. The negative impact of the Iraq situation on the dollar was compounded by the perception that the United States was becoming increasingly isolated in its stance, and could end up taking military action with limited support, which would push up its costs further. The dollar was also being pressurized by some worrisome U.S. economic data. Furthermore, there were also continuing doubts about the Bush administration's commitment to a strong dollar policy.

Switzerland: Economic Trends: Current Accounts: Outlook - May 08, 2003

The current account surplus is forecast at 41.8 billion (9.8% of GDP) in 2003. Exports and imports will both remain subdued early in 2003, but should pick up in the second half, now that significant military operations in Iraq have drawn to a close, and in light of an improving global economic environment. Further improvement should occur in 2004, when the current account is seen at 43.1 billion francs (9.8% of GDP). A more buoyant global economy should also boost the services surplus and investment income.

Switzerland: Economic Trends: Current Accounts: Recent Trends - May 08, 2003

The current account amounted to 49.6 billion francs last year, up from just under 37.9 billion in 2001, and close to last year's record surplus of 53.48 billion. In 2002, there was a trade surplus of 4.5 billion, compared to a deficit of 4.6 billion in 2001. Exports fell by 1.0% year on year (y/y) to 130.4 billion francs, hit by the strong franc and faltering growth in key markets, but this was outweighed by a 5.4% y/y plunge in imports to 123.1 billion, which highlighted the softness of domestic demand. The net deficit in other trade narrowed from 6.3 billion francs in 2001 to 2.7 billion in 2002. Meanwhile, the net surplus in services edged up from 24.2 billion francs in 2001 to 24.9 billion in 2002, as a healthy increase in insurance sector income offset lower revenues from tourism, international transportation and bank commissions. The net surplus in investment income increased from 33.8 billion francs in 2001 to 35.9 billion in 2002, while the net deficit in labor income climbed from 8.6 francs to 9.2 billion. The deficit in current transfers edged down from 6.9 billion francs in 2001 to 6.6 billion in 2002.

The current account was in surplus by 12.6 billion francs in the fourth quarter of 2002, according to provisional Swiss National Bank data. This was down from 14.4 billion francs in the third quarter, but modestly higher than the 11.9-billion surplus in the corresponding quarter in 2001. The trade surplus was 1.9 billion francs in the fourth quarter, matching the third quarter, and up from 0.9 billion in the fourth quarter of 2001. Exports rose by 4.4% quarter on quarter (q/q) and 0.9% year on year (y/y), despite the strength of the franc. Meanwhile imports edged up by 0.7% q/q and were down 3.8% y/y amid subdued domestic demand. There was a net surplus of 5.9 billion francs in services in the fourth quarter of 2002, and a net surplus of 6.2 billion in labor and investment income. Current transfers were in deficit by 1.4 billion francs.

Switzerland ran a merchandise trade surplus of 846.7 million Swiss francs in February, versus a revised January deficit of 447.3 million franc, according to the Federal Customs Office. Compared with the year-earlier month, imports to the fragile economy fell a real 3.9%, to 9.85 billion, while exports were up a real 3.1%, to 10.69 billion, despite the Swiss franc's strength. Firms seem to have slashed profit margins to maintain their competitiveness amid a rising currency. Global Insight believes that the strong franc will be a drag on exports. However, it should be borne in mind that the sensitivity of Swiss exports to changes in demand in the Eurozone is ten times stronger than Swiss export's sensitivity to changes in the franc's value.

Switzerland: Economic Trends: Economic Growth: Outlook - May 20, 2003

The short-term economic outlook for the Swiss economy is a concern. This assessment is unchanged, although some of the developments in the first quarter would suggest that the conditions for an upturn have become more favorable. As a result of the end of the Iraq war, confidence was supposed to return. However, there are no signs of this happening. Stock markets have recovered from record lows, which should have positively impacted spending intentions by lifting disposable incomes. There are no signs of this happening either. Oil prices have fallen significantly to moderate levels, which was supposed to help the recovery along. Yet, the Swiss recovery seems further away than at the end of last year. Why?

The three factors above, which many believed would trigger a business cycle upturn, are easily outweighed by the negative consequences of a notable deterioration in the Western European outlook. It now seems increasingly likely that the growth performance of most (if not all) countries in the Eurozone will undershoot last year's poor outcome. It is hard to perceive where growth should come and the sharp rise in the euro/dollar exchange rate may well turn this year into another lost year for the Eurozone. Warnings of deflation should not be given too much weight, although there certainly are some countries (Germany, in particular) where the risk of deflation has increased in recent months.

The latest available national accounts data reveal that although the economy has been growing for the past three quarters, the recovery is very fragile, even though activity expanded an annualized 1.4% quarter on quarter and 0.8% year on year (y/y). The national account numbers are somewhat misleading. It should be noted that due to the decline at the end of 2001, the economy was growing from a very low base, which made it relatively easy to achieve growth rates that seem encouraging on the surface. A source of concern is the fact that growth in the past quarters has largely been supported by net exports. Worryingly, the positive trend in exports seems to have been suspended in the first quarter, though, highlighting the fragility of the export-dependent economy.

The behavior of Swiss macro variables is not in line with the stylized facts of the business cycle. A massive expansion in money supply has neither affected inflation—it averaged a miniscule 0.6% in 2002—nor has it in any way supported economic growth. Real GDP growth averaged 0.1% in 2002. Another curious feature of the business cycle is that, although exports increased steadily from the end of 2001 until the end of 2002, this has not had any impact on the continuing decline in investment. Investment does not show any signs of recovery. Only the trend in the labor market displays one of the classic features of a business cycle downturn: unemployment is rising, while employment is falling. The number of unemployed has doubled since February 2001 and the number of vacancies has fallen below 10,000. The labor market has deteriorated significantly, with the rate of unemployment close to five-year highs. Global Insight believes that the demand for labor will remain soft in the coming quarters, leading to a further rise in unemployment.

Private consumption growth was cut in half in 2002, expanding by only 0.9%. Retail sales are falling in real terms and new car registrations dropped 13.7% y/y in the first quarter. The slowdown in private spending is set to continue as unemployment continues to rise and the economic outlook remains uncertain. The return to healthier private consumption growth is one of the preconditions for the Swiss economy to return to healthier growth. However, the likelihood of this happening in the near term is relatively small. One reason is the current unfavorable economic environment. Another factor that is unrelated to the business cycle is the cycle for durable consumer goods. Following years of economic stagnation in 1991–96, private consumption rose an average 2.1% during the period of economic expansion in 1998–2000, as a result of pent-up demand. A return to this level of expansion is therefore unlikely to materialize in the near term.

Another precondition for a return to healthy growth in Switzerland, although by far not as important as a recovery in the U.S. and European economies, is a stabilization in the real value of the Swiss franc. We believe that the franc will remain strong in 2003 and 2004, particularly against the dollar. The currency is forecasted to stay relatively stable against the euro, following its recent depreciation shifts to levels of 1.50 against the euro. In the current situation, though, there is a risk that the Swiss franc will be subject to renewed appreciations versus major currencies. A notable appreciation would limit Swiss export competitiveness and constrain an export-led recovery, once export demand picks up.

Inflationary pressures are not detectable in the Swiss economy. This trend should continue in the near term, given the marked slowdown in growth, the fall in oil prices, and the strength of the franc. As happened in the course of last year, we should see a renewed reduction in the rate at which prices are rising (disinflation) following the oil prices peak in the first quarter. The risk of a fall in the overall price level (deflation), though, remains small. Consumer price inflation should average a moderate 0.9% in 2003.

Against this background of low inflation, the Swiss National Bank has created very favorable conditions for a prospective upturn—interest rates are at a historical low. Monetary aggregates continued to grow vigorously and mortgage lending was up, suggesting expansionary monetary conditions. A further interest rate cut cannot be ruled out. Going forward, any prospective upturn in Switzerland is highly dependent on the economic developments in the

Eurozone, which accounts for 60% of Swiss exports. Economic developments in Europe's two biggest economies, Germany and France, are of major importance for the Swiss outlook. In fact, the state of the German economy, which accounts for a third of the Eurozone's GDP, is seriously worrying. The fact that there are no signs of a sustainable upturn in those countries does not bode well for the Swiss economy. Thus, Switzerland will remain vulnerable as long as a self-sustained recovery in the Eurozone does not materialize.

In sum, given that the recovery in the Eurozone is unlikely before 2004, signs of a slowdown in world trade, a still strong Swiss franc, and a notable slowdown in consumer spending growth, the economy is unlikely to show any significant improvement before the beginning of next year. The Swiss economy should revive only gradually, with real GDP growth forecast to average a mere 0.7% for the year as a whole. In 2004, real GDP is projected to expand by 1.9%. The risks to this forecast are clearly on the downside.

Switzerland: Economic Trends: Economic Growth: Recent Trends - May 20, 2003

Switzerland's leading indicator fell to -0.48 in March, from a downwardly revised -0.44 in February. The January and March figures of the barometer were also revised downwards. The revised data show a clear deterioration in the indicator since December 2002. The KOF economic barometer signals the growth trend of GDP. It points to the likely performance of the Swiss economy in six to nine months—and the lower the number the worse chance of recovery. The latest fall in the indicator suggests that economic activity will drop again towards the end of 2003. We believe that our current growth projection is too optimistic and that the Swiss economy in fact will experience another year of near stagnation this year.

The latest batch of indicators shows signs of a renewed slowdown in Swiss economic activity. Real exports fell 0.3% year on year (y/y) in the first quarter, ending a trend of consistently expanding exports since the end of 2001. Given that the contribution of net trade in the past quarters ensured positive growth rates, this trend, if sustained, does not bode well for the future. Real retail sales were up a miniscule 0.1% last year, falling by an average 3.4% in the two final months of 2002 and down a real 1.3% in January. Consumer confidence fell back again in April to record lows. The manufacturing sector's problems have not receded, and the strength of the franc threatens competitiveness. Industrial production in the fourth quarter fell 2.1% y/y, although some rare good news was provided by a 1.3% year-on-year increase in new orders, which was the first increase for seven quarters. Overall, investment goods production is on the decline. The SVMME purchasing managers' index (PMI) is still below the 50% mark, still signaling a contraction in the manufacturing sector. Indeed, the index has been below 50% in 10 of the past 11 months. It stood at 46.6% in April, down from 46.7% in March. The April survey paints a worrisome picture for the sector in the first and second quarters of 2003. In addition, continued subdued demand for capital goods from the European Union is a dampening factor that is unlikely to change in the near term.

The Swiss government revised down its economic growth forecast to zero in 2003, from the 0.8% it had expected in January, and to 1.6% in 2004 from 1.9%. The State Secretariat for Economic Affairs (SECO) projects private consumption expanding by only 0.7% this year. Equipment investment is now forecast to decline by 4% and exports are forecast to expand by only 1.4%. The SECO said in a statement that economic indicators suggested that the situation would not improve before 2004.

The Swiss economy grew slightly in the fourth quarter, yet remained stagnant over the whole of last year. Fourth-quarter GDP rose by a real 0.8% y/y, and was up an annualized, seasonally adjusted 1.4% quarter on quarter (q/q). Over the whole of 2002, the Swiss economy stagnated, growing a minuscule 0.1% y/y. In the final quarter of last year, private consumption grew 0.4% y/y, largely due to expenditures on housing and health care, i.e., cyclical consumption expenditures. On an annualized basis, private consumption was up 0.7% on the third quarter. At the same time, government expenditures grew solidly, at an annualized 2.1% q/q and 2.4% y/y. The slump in investment continued in the fourth quarter. Total investment fell an annualized -8.5% q/q. Construction investment fell 3.6% q/q, while equipment investment fell a sizable 12.8%. Within the latter investment component, all three subcategories (machinery, vehicles, and aircraft) were hit by the recessionary development.

On the trade side, exports grew a notable 4.8% q/q in the fourth quarter, despite an appreciating franc, yet the expansion was weaker than in previous quarters. It should also be noted that the expansion in export volume was accompanied by notable price reductions. Exports of goods rose an annualized 3.4%, while services, including tourism, grew 10.7% q/q and were up 5.0% y/y, versus the post-September 11, fourth quarter of 2001. Imports continued their downward trend, down an annualized 4.2% q/q and 1.6% y/y. Although the fourth-quarter GDP data were better than expected, we believe that there is still no reason for optimism with regard to the Swiss economic outlook. The domestic economy remains very weak and the surprisingly strong export performance, which lifted growth in the final quarter, came to an end in January. Other factors, like an appreciating franc and a weak Eurozone outlook are likely to contribute to very modest growth prospects in the first half of this year.

Switzerland: Key Monthly Indicators

	2002						2003			
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb	Mar	Apr.
KOF Leading Indicator	-0.47	-0.46	-0.45	-0.47	-0.38	-0.38	-0.40	-0.44	-0.48	
OECD Leading Indicator	121.4	122.0	122.4	122.5	123.0	123.6	123.9	124.1	124.7	
PMI Manufacturing (Level)	48.2	45.9	44.4	45.7	52.1	47.0	48.3	48.9	46.7	46.6
Real Retail Sales (Year/year)	-2.0	-0.6	-1.1	2.6	-4.1	-2.8	-1.3			

Switzerland: Key Quarterly Indicators

	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2001	2001	2001	2001	2002	2002	2002	2002	2003	2003
SECO Consumer Confidence (Level)	25	21	12	-17	-11	-9	-18	-39	-25	-36
Industrial Production (% change y/y)	5.0	2.1	-1.4	-5.4	-8.7	-4.6	-3.5	-2.1		
Industrial Orders (% change y/y)	2.8	-2.6	-5.2	-8.8	-6.7	-1.9	-0.3	1.3		
Orders on hand (% change y/y)	22.5	7.5	8.8	4.5	3.2	4.9	-4.6	-1.1		

Switzerland: Economic Trends: Fiscal Policy: Outlook - May 08, 2003

Government fiscal policy is set to remain relatively tight. In 2002-06, average expenditure growth is projected to be 4.4%, while revenues are projected to grow at an average 4.2%. These diverging growth rates will result in rising deficits reaching 960 millions francs by 2006, according to the Finance Department. The underlying assumption is for nominal GDP to grow 3.3% during the period. Given that the elasticity of revenues is around one, i.e., revenues grow in line with nominal GDP, there are additional measures that will make revenue growth exceed the growth rate of nominal GDP. The government plans to raise the value-added tax rate by 1 percentage point during the above period. Also, road tolls for heavy trucks are to be introduced in 2005, and should contribute to higher revenues.

Switzerland: Economic Trends: Inflation: Outlook - May 20, 2003

The outlook is for a subdued rate of inflation. The marked slowdown in growth, the strength of the franc, and continuing wage moderation will continue to contribute to a low inflation environment in Switzerland. The probability of deflation remains small, but it cannot be ruled out entirely. The increases in consumer price inflation are extremely low; however, it should be noted that core inflation has steadily been at 0.7-0.9% for the past five months.

The slowdown in growth, coupled with the current significant deterioration in the labor market, reduces the danger that a tight labor market will lead to significantly higher wage settlements, even though the unions have indicated that they will push for improved settlements. Over the medium term, inflation should be kept in check by increasing supply-side flexibility, characterized by the utilization of foreign labor, which has been facilitated by the implementation of the bilateral agreements with the EU in June 2002.

On balance, barring an oil price shock, consumer price inflation should remain muted over the coming months, and we expect it to remain well below the SNB's 2.0% targeted ceiling. After an inflation outcome of 0.7% in 2002, consumer price inflation is likely to rise modestly in 2003, to average 0.9%, amid slightly improved, yet still poor economic growth. The SNB still expects inflation to average within its forecast range of 0.9-1.6% in 2003-04.

Switzerland: Economic Trends: Inflation: Recent Trends - May 20, 2003

Swiss consumer price inflation slowed to 0.7% year on year in April, down from 1.3% in March, as easing oil prices brought down fuel costs for Swiss households. Month on month, inflation slowed to 0.2%, according to the Swiss Federal Statistics Office. In March, the monthly increase had been 0.4%, due to a spike in heating oil cost. The Swiss consumer price index hit a 20-month high in March, with prices rising 1.3% year on year. Core inflation in April, which strips out volatile food, drink, tobacco, and oil prices, rose 0.8% in the month and was 0.7% higher than a year earlier. Price pressures are set to continue to recede, as economic activity in the Swiss economy remains weak and oil prices have come back down to pre-war levels and have ceased to pose any immediate threat to the overall prices level.

Switzerland's combined index for producer and import prices, seen as a leading indicator for consumer price inflation, fell by 0.3% year on year in April, following the first year-on-year rise since mid-2001 in March 2003. Compared with March, the index was down 0.5% in April. Producer prices were 0.1% higher on the year, while import prices fell 1.3%. The inflation outlook for the Swiss economy is benign. The strong franc and ample excess capacity in the Swiss economy will keep prices down. Global Insight expects price pressures to remain absent this and next year.

Given that price pressures in the Swiss economy remain subdued, the Swiss National Bank will be able to maintain its easy monetary policy stance, one of the preconditions for a return to healthier growth. A look at the output gap is informative in this respect because changes in the inflation rate tend to be closely correlated to the size of the output gap. The OECD estimates that the output gap in 2002 was around 1.3%. With the level of GDP below trend and no signs of an upturn in activity to close the gap, the rate of inflation will continue to remain low. The risk of deflation in the Swiss economy remains small: domestic prices in 2002 rose 1.4% on average, with core inflation averaging 0.9%.

Switzerland: Monthly Inflation Indicators

(Percent change)	2002					2003							
	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Consumer Price Index													
Yearly	1.1	0.7	0.3	-0.1	0.5	0.5	1.2	0.9	0.9	0.8	0.9	1.3	0.7
Monthly	0.9	0.1	-0.1	-0.6	0.0	0.2	0.6	-0.2	-0.1	0.1	0.1	0.4	0.2
Core Inflation													
Yearly	1.3	1.1	0.9	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.7	0.7	0.7

Switzerland: Economic Trends: Labor Markets: Outlook - April 08, 2003

The significant weakening of Swiss economic activity has been clearly reflected in the labor market, which tends to lag the economic cycle. The rate of unemployment was at a near five-year high in February and March. At the same time, employment is falling. Alarmingly, not only employment in the secondary sector is contracting: employment in the service sector is now declining for the first time in five years. Swiss blue-chip companies have announced further staff reductions and more job cuts this year are in the offing. In a nutshell, the latest labor market indicators are clear evidence that a sustainable economic recovery is still a long way off. Given the very modest near-term growth prospects, a further underlying deterioration in the labor market in the first half of this year is to be expected. Consequently, the rate of unemployment could yet reach 4%, although it traditionally falls over the spring and summer due to seasonal factors. A slightly improved outlook should also start to help the labor market in the second half of the year. Consequently, in our March/April

quarterly forecast, we projected the unemployment rate to average 3.8% this year, before heading back toward 3.5% in 2004.

The March quarterly survey of around 350 companies by UBS found 31% of them expected to cut jobs by the end of June, while only 5% expected to add new staff.

Switzerland: Economic Trends: Labor Markets: Recent Trends - May 19, 2003

The unemployment rate was steady at 3.9% in April, according to the State Secretariat of Economic Affairs (SECO). The number of jobless workers was virtually unchanged, at 141,624, in April. The unemployment figures are not seasonally adjusted, and April is traditionally a month in which the job market is boosted by seasonal hiring. Thus, the rate of unemployment should rise further over the summer. Meanwhile, in April the number of vacancies fell and temporary employment was on the increase—both signs of a deteriorating labor market. Global Insight has become highly pessimistic about the outlook for the Swiss economy and labor market.

The labor market is displaying one of the classic features of a business cycle downturn: unemployment is rising, and employment falling. The number of unemployed has doubled since February 2001 and the number of vacancies has fallen below 10,000. The unemployment rate remained at a near five-year high of 3.9% in March, having risen to this level in February from 3.8% in January, according to the State Secretariat of Economic Affairs (SECO). The number of unemployed edged down from 142,023 in February to 141,808 in March, but this modest decline was due to seasonal factors. Indeed, the monthly decline was less than in March 2002 and the continuing weakness of the labor market is highlighted by the annual comparison. In March 2002, the number of jobless was only 92,371, while the unemployment rate stood at 2.6%. Meanwhile, vacancies rose from 9,115 in February to 9,684 in March. Again, though, this was significantly worse than the March 2002 level of 10,964. Global Insight has become highly pessimistic about the outlook for the Swiss economy and labor market. In recent weeks, major Swiss blue-chip companies have announced thousands of job cuts. At the same time, the latest batch of domestic indicators, Eurozone data, and geopolitical uncertainties make it unlikely that the job market will recover before 2004.

Fourth-quarter employment data, released by the Federal Statistics Office, reveals a further deterioration in the labor market. For the first time in over five years, employment in the service sector contracted. The vacancies index dropped to 35.9 in the fourth quarter—a new record low. Jobs were lost at major insurers Zurich Financial, Swiss Life, and banks like Credit Suisse. In industry, ABB among others, is cutting staff. Chemical group Clariant announced it was shedding 1,700 jobs, while Credit Suisse is cutting another 1,250 jobs.

The working population (people working at least one hour per week) in the fourth quarter of 2002 fell by 0.1% year on year (y/y), according to the Swiss Federal Statistics Office. This is the first decline in five years. The working population stood at 4,151 million, with 3,590 million employed. The fall was exclusively due to a fall in the participation of men in the workforce (-1.1% versus the fourth quarter 2001). At the same time the number of employed women rose by 1.1% y/y. Total payrolls were down by 0.8% y/y in the fourth quarter, with payrolls in the manufacturing sector showing a decline of 2.5% y/y and the service sector falling 0.1%, according to the Statistics Office.

In the second half of 2002, the unemployment rate rose amid the impact of the economic slowdown. In September, it reached 2.8%, up from 2.7% in August, 2.6% in July, and 2.5% in June. The number of jobless increased from 92,362 in August to 101,889 in September, according to the SECO. The unemployment rate had been stable at 2.5% in April–June, but since then, the labor market has further deteriorated. The labor market is markedly weaker than a year earlier, when there were 62,170 jobless, leading to an unemployment rate of just 1.7%. The labor market data are not seasonally adjusted, so the number of jobless typically tends to drop in the summer. In 2002, however, as a result of stagnating economic activity, the unemployment rate moved in the opposite direction.

Switzerland: Labor Market Indicators

	2002					2003					
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May
Unemployed (Thsds, NSA)	93	96	102	110	121	130	139	142	142	142	
Unempl. Rate (%)	2.6	2.7	2.8	3.0	3.3	3.6	3.8	3.9	3.9	3.9	
Vacancies (Thsds)	9,6	8,9	8,3	8,2	7,4	6,7	7,9	9,1	9,7	9,0	

Switzerland: Economic Trends: Monetary Policy: Outlook - May 20, 2003

In the current economic situation, inflation does not pose a threat to price stability. The risks to inflation stemming from higher oil prices have come down notably post-Iraq war. Swiss inflation averaged 0.7% in 2002, significantly below the central bank's 2.0% target ceiling. The Swiss economy is still virtually stagnant and a return to healthier growth is unlikely before the beginning of 2004. An expansive monetary policy remains one of the crucial preconditions for a recovery in the Swiss economy. We expect the Swiss National Bank (SNB) to continue to respond swiftly to sudden changes in the Swiss franc's value. The monetary authorities will be pleased that the franc has retreated markedly—trading at an 19-month low against the euro in May. The recent depreciation takes away the immediate pressure to cut rates in reaction to too strong a franc. The SNB reduced its sparse room for maneuver in March. Real interest rates are already negative and there are only 25 basis points to cut before the SNB will be left with intervention in foreign exchange markets as its main tool of monetary policy.

The current expansive monetary policy stance is a necessary condition for economic recovery in Switzerland. Clearly, it is not a sufficient condition. The recovery will be export-led, and its timing and strength will therefore largely be a function of the recovery in the U.S. and Eurozone economies. Meanwhile, the SNB can keep interest rates low until the positive economic signals become clearer. Given the poor near-term growth prospects, coupled with a benign inflation outlook, the future interest rate profile will be rather shallow. The direction of interest rates is down in the near-term, given the fragile Swiss economy. Interest rates are projected to reach 0.75% by the end of 2003 and 2.00% by the end of 2004.

Switzerland: Economic Trends: Monetary Policy: Recent Trends - May 08, 2003

An official of the Swiss National Bank (SNB) made clear that it has various possibilities to combat the worsening outlook for the Swiss economy, though admitted that it cannot shield Switzerland against all foreign influences. Short-term interest rates are now close to zero, and real interest rates are negative. Chairman Roth said that the SNB could try to bring down long-term interest rates by buying bonds, thereby stimulating investment and construction activity. Another means at the bank's disposal is foreign exchange market intervention to mitigate the strength of the franc.

In March 2003, the SNB lowered its target for the three-month Libor rate by 0.5 percentage point, to 0.00-0.75%. The target range had been unchanged since July 26, 2002. Since the lower point of the target range cannot be negative, the target range is now technically reduced to only 75 basis points. The SNB will target a Libor rate of 0.25%. In a statement, the SNB said that, "the global economic and political uncertainties are persisting. This is adversely affecting the business climate in Switzerland and could delay the economic upturn that was expected to materialize in 2003. Given this difficult situation, the National Bank wishes to ward off a tightening of monetary conditions that would arise from an appreciation of the Swiss franc. The easing of monetary policy does not pose a threat to price stability in Switzerland." The SNB did not wait until March 20, when it presented its detailed monetary-policy assessment. Clearly, the bank must have considered a monetary easing to be very urgent.

Switzerland: Economic Trends: Public Finances: Outlook - May 08, 2003

The public finances outlook has been worsened by the current significant slowdown in growth starting in 2001 and the provision of funds to salvage a national airline last year, which cost the government 850 million francs. Going forward, government fiscal policy is set to remain relatively tight. In 2002-06, average expenditure growth is projected to be 4.4%, while revenues are projected to grow at an average 4.2%. These diverging growth rates will result in rising deficits reaching 960 millions francs by 2006, according to the Finance Department. The underlying assumption is for nominal GDP to grow 3.3% during the period. Given that the elasticity of revenues is around one, i.e., revenues grow in line with nominal GDP, there are additional measures that will make revenue growth exceed the growth rate of nominal GDP. An increase in the value-added tax by 1 percentage point during the above period is planned. Also, road tolls for heavy trucks to be introduced in 2005 should contribute to higher revenues. Our current forecast is for the general government deficit to have reached 2.0% of GDP in 2002. We expect it to edge back down to 1.7% of GDP in 2003 and 1.4% of GDP in 2004, helped by gradually improving growth.

Switzerland: Executive Summary: Economic Outlook: Long Term - May 08, 2003

We expect long-term annual Swiss GDP growth to average just under 2.0% per year. This would be a much stronger performance than that achieved during most of the 1990s, but is likely to be modestly under the rate achieved by most other Western European economies. We expect to see some productivity gains, boosted by technological developments and applications, and believe that participation rates will increase as the population ages over the very long term. It is likely that the Swiss will make increasing use of foreign workers to counter labor shortages in key areas, especially following the implementation of the bilateral agreements with the EU in June 2002, leading to freer movement of goods, people, and transport.

Growth prospects will continue to be constrained by comparatively high labor costs and although to a lesser extent the fact that the country only partially benefits from the European single market. Both these constraints should be eased gradually as closer ties with the EU develop over the long term, however. Growth may also be constrained by periodic spells of sustained Swiss franc strength, particularly if it is against the euro, given Switzerland's close trade linkage with the Eurozone. Meanwhile, inflation is projected to remain generally subdued, at around 1.5% a year. The development of Switzerland's ties with the EU will clearly have major economic repercussions over the long term, but potential membership and the subsequent joining of EMU currently seem likely to remain years in the future.

Switzerland: Executive Summary: Economic Outlook: Medium Term - May 08, 2003

Growth should average around 0.7% in 2003, after a virtually flat performance in the first two quarters of this year. Thereafter, activity is expected to head back gradually towards the economy's long-term growth potential, which is estimated to be 1.75-2.00%. Private consumption growth is expected to recover in 2004 and prove rather resilient thereafter.

We expect inflation to remain subdued at an average of 1.5% over the medium term, provided that no major supply shocks occur. Another important factor with regard to economic growth remains the value of the Swiss franc. Given its close trading links with the Eurozone, the exchange rate of the franc against the euro is crucial. We expect that Swiss franc/euro exchange rate volatility will remain low, a trend that has been observed since the introduction of the euro. However, the volatility in the Swiss franc/euro exchange rate is likely to be characterized by infrequent, one-time appreciation shifts in the Swiss franc.

Although the SNB's primary objective is price stability, we expect the central bank to create monetary conditions that are conducive to more favorable terms of trade. Monetary policy cannot alter real variables in the medium to long term, however. Swiss growth potential will remain a function of the existing capital, public infrastructure, and both the quality and quantity of available labor.

Switzerland: Executive Summary: Economic Outlook: Short Term - May 20, 2003

The short-term economic outlook for the Swiss economy is a concern. This assessment is unchanged, although some of the developments in the first quarter would suggest that the conditions for an upturn have become more favorable. As a result of the end of the Iraq war, confidence was supposed to return. However, there are no signs of this happening. Stock markets have recovered from record lows, which should have positively impacted spending intentions by lifting disposable incomes. There are no signs of this happening either. Oil prices have fallen significantly to moderate levels, which was supposed to help the recovery along. Yet, the Swiss recovery seems further away than at the end of last year. Why?

The three factors above, which many believed would trigger a business cycle upturn, are easily outweighed by the negative consequences of a notable deterioration in the Western European outlook. It now seems increasingly likely that the growth performance of most (if not all) countries in the Eurozone will undershoot last year's poor outcome. It is hard to perceive where growth should come and the sharp rise in the euro/dollar exchange rate may well turn this year into another lost year for the Eurozone. Warnings of deflation should not be given too much weight, although there certainly are some countries

(Germany, in particular) where the risk of deflation has increased in recent months.

The latest available national accounts data reveal that although the economy has been growing for the past three quarters, the recovery is very fragile, even though activity expanded an annualized 1.4% quarter on quarter and 0.8% year on year (y/y). The national account numbers are somewhat misleading. It should be noted that due to the decline at the end of 2001, the economy was growing from a very low base, which made it relatively easy to achieve growth rates that seem encouraging on the surface. A source of concern is the fact that growth in the past quarters has largely been supported by net exports. Worryingly, the positive trend in exports seems to have been suspended in the first quarter, though, highlighting the fragility of the export-dependent economy.

The behavior of Swiss macro variables is not in line with the stylized facts of the business cycle. A massive expansion in money supply has neither affected inflation – it averaged a miniscule 0.6% in 2002 – nor has it in any way supported economic growth. Real GDP growth averaged 0.1% in 2002. Another curious feature of the business cycle is that, although exports increased steadily from the end of 2001 until the end of 2002, this has not had any impact on the continuing decline in investment. Investment does not show any signs of recovery. Only the trend in the labor market displays one of the classic features of a business cycle downturn: unemployment is rising, while employment is falling. The number of unemployed has doubled since February 2001 and the number of vacancies has fallen below 10,000. The labor market has deteriorated significantly, with the rate of unemployment close to five-year highs. Global Insight believes that the demand for labor will remain soft in the coming quarters, leading to a further rise in unemployment.

Private consumption growth was cut in half in 2002, expanding by only 0.9%. Retail sales are falling in real terms and new car registrations dropped 13.7% y/y in the first quarter. The slowdown in private spending is set to continue as unemployment continues to rise and the economic outlook remains uncertain. The return to healthier private consumption growth is one of the preconditions for the Swiss economy to return to healthier growth. However, the likelihood of this happening in the near term is relatively small. One reason is the current unfavorable economic environment. Another factor that is unrelated to the business cycle is the cycle for durable consumer goods. Following years of economic stagnation in 1991–96, private consumption rose an average 2.1% during the period of economic expansion in 1998–2000, as a result of pent-up demand. A return to this level of expansion is therefore unlikely to materialize in the near term.

Another precondition for a return to healthy growth in Switzerland, although by far not as important as a recovery in the U.S. and European economies, is a stabilization in the real value of the Swiss franc. We believe that the franc will remain strong in 2003 and 2004, particularly against the dollar. The currency is forecasted to stay relatively stable against the euro, following its recent depreciation shifts to levels of 1.50 against the euro. In the current situation, though, there is a risk that the Swiss franc will be subject to renewed appreciations versus major currencies. A notable appreciation would limit Swiss export competitiveness and constrain an export-led recovery, once export demand picks up.

Inflationary pressures are not detectable in the Swiss economy. This trend should continue in the near term, given the marked slowdown in growth, the fall in oil prices, and the strength of the franc. As happened in the course of last year, we should see a renewed reduction in the rate at which prices are rising (disinflation) following the oil prices peak in the first quarter. The risk of a fall in the overall price level (deflation), though, remains small. Consumer price inflation should average a moderate 0.9% in 2003.

Against this background of low inflation, the Swiss National Bank has created very favorable conditions for a prospective upturn – interest rates are at a historical low. Monetary aggregates continued to grow vigorously and mortgage lending was up, suggesting expansionary monetary conditions. A further interest rate cut cannot be ruled out. Going forward, any prospective upturn in Switzerland is highly dependent on the economic developments in the Eurozone, which accounts for 60% of Swiss exports. Economic developments in Europe's two biggest economies, Germany and France, are of major importance for the Swiss outlook. In fact, the state of the German economy, which accounts for a third of the Eurozone's GDP, is seriously worrying. The fact that there are no signs of a sustainable upturn in those countries does not bode well for the Swiss economy. Thus, Switzerland will remain vulnerable as long as a self-sustained recovery in the Eurozone does not materialize.

In sum, given that the recovery in the Eurozone is unlikely before 2004, signs of a slowdown in world trade, a still strong Swiss franc, and a notable slowdown in consumer spending growth, the economy is unlikely to show any significant improvement before the beginning of next year. The Swiss economy should revive only gradually, with real GDP growth forecast to average a mere 0.7% for the year as a whole. In 2004, real GDP is projected to expand by 1.9%. The risks to this forecast are clearly on the downside.

Switzerland: Executive Summary: Leading Indicators and Cyclical Update: Cyclical Analysis - May 30, 2003

Swiss growth slowed appreciably in 2001, when the economy recorded the slowest rate of expansion since 1996, expanding only 0.9%, down from 3.2% in 2000 – the strongest performance since 1990. The slowdown became pronounced even before it was heightened by the adverse global economic repercussions of the September 11 terrorist attacks on the United States. Indeed, the Swiss economy started to contract in the second quarter of 2001.

The second half of 2001 saw two further quarterly contractions, with growth increasingly being affected by the slowdown in economic activity in Western Europe, which followed on the downturn in the United States. Even in the first quarter of 2002, the economy still declined on both the quarterly and annual basis. The Swiss economy stabilized in the second quarter of 2002, yet economic growth averaged a minuscule 0.1% last year. In fact, the economy has not moved beyond the opening phase of a cyclical recovery and falling employment and rising unemployment in particular point to a continuation of a growth recession in Switzerland. Two features are particularly characteristic of the current weakness of the Swiss economy. Firstly, the economy has suffered markedly from the global slowdown, probably even more than other Western European economies. Secondly, private consumption growth expanded only 0.5% in 2002 amid rising unemployment and an uncertain economic outlook, which is well below the long-term trend figure of 1.3%. Last year, private consumption was driven mainly by spending on the relatively non-cyclical areas of housing and health care.

Meanwhile, the monthly business cycle barometer published by the Swiss Institute for Business Cycle Research (KOF) indicates that the worst might not be over yet. The indicator suggests that economic growth will not show any significant improvement before the start of 2004. At the same time, it is a well-established fact that the cyclical recovery in the Eurozone is much more gradual than previous recoveries. This has significantly increased the risks for the Swiss economic outlook, since the Eurozone takes 60% of Swiss exports, with exports traditionally driving the Swiss business cycle. In fact, exports account for around 40% of the country's GDP, with a high proportion of Swiss exports being capital goods. As a result of this high degree of openness, Switzerland is more vulnerable to an economic slowdown than other countries. Further out, barring any major shock to the economy, we should see a gradual improvement beginning 2004 – supported by expansionary monetary policy. Economic activity should exceed the 1.0% growth mark for the first time in four years only in 2004, when the GDP is forecasted to advance by 1.5%. This year, however, will be another lost year for the Swiss economy, with activity projected to remain almost flat, at 0.1% growth year on year.

Switzerland: Executive Summary: Leading Indicators and Cyclical Update: Leading Indicators - May 30, 2003

Switzerland's leading economic indicator plunged to -0.93 in April, from a revised -0.81 in March. The previously reported March value was -0.48. The revisions in the indicator go back into last year. The new profile shows that the indicator started falling in September 2002. Since the leading indicator points to the likely performance of the Swiss economy in six to nine months' time, it signals a slowdown in economic activity already in the first half of this year. KOF said that order intake, order backlog, and pre-purchasing levels all continued to decline. This latest and important economic indicator, combined with other poor data lead us to believe that growth in the Swiss economy will be minimal this year. The gloomy outlook in the Eurozone, which takes 60% of Swiss exports, still presents the main risk to the Swiss economic outlook. Exports account for around 40% of the country's GDP, with a high proportion of Swiss exports being capital goods. As a result of this high degree of openness, Switzerland is more vulnerable to an economic slowdown than other countries. An additional concern is the slowdown in private consumption growth amid rising unemployment, very weak consumer sentiment, and an uncertain economic outlook.

Switzerland: Leading Indicators

	2002					2003				
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
KOF Leading Indicator	-0.47	-0.46	-0.45	-0.47	-0.38	-0.36	-0.40	-0.69	-0.81	-0.93
OECD Leading Indicator	121.4	122.0	122.4	122.5	123.0	123.6	123.9	124.1	124.7	
SVME PMI, SA	48.2	45.9	44.1	45.7	52.1	47.0	48.3	48.9	46.7	46.6

The Swiss purchasing managers' index (PMI) eased to a seasonally adjusted 46.6 in April from a revised 46.7 in March. (A value above 50 points indicates the manufacturing sector is expanding while a figure below 50 signals a contraction.) The production index fell by 3.3 points, to 42.2, and the orderbook subindex fell to 45.9, signaling a further decline in future manufacturing output. The purchasing volume subindex fell close to an all-time low, dropping 2.7 points, to 39.6 points. Meanwhile, the employment index showed some improvement, to stand at 47.2 points, yet still signaling a contracting labor force in the manufacturing sector. The outlook for the manufacturing sector is bleak and a continuing weakness in demand across the Eurozone and a strong franc should limit any improvement in 2003.

The OECD composite leading indicator (CLI) for Switzerland rose in March, having risen for the previous 13 months. This trend is hard to explain given that the economy seems to be stagnating, if not contracting, and other leading indicators point to a slowdown towards the end of the year. However, it would not be surprising if the indicator will be revised—as has been the case often in the past.

Switzerland: Executive Summary: News and Views: Bottom Line - May 30, 2003

Outlook Summary

The economic outlook for the Swiss economy is a concern. Private consumption growth has slowed noticeably, while seven quarterly declines in investment have still not removed the massive overcapacity in the economy. As a result, the domestic economy has been in recession for quite some time. The contribution of net exports has kept the economy afloat. Economic data so far this year have been disappointing, and activity is likely to have contracted in the first half of this year. In the whole 2003, activity is likely to remain flat for a second year in a row. Interest rates are 225 basis points lower than in the Eurozone, while fiscal policy is *not* constrained by European limits—and still the Swiss economy does not move. The reason is that while investment and spending are usually a function of interest rates, this link is a weak one, especially when economic decision-making is dominated by uncertainty.

- **Forecast Highlights:** We revised down our GDP projection in the June interim forecast. Growth is projected to average 0.1% in 2003 and 1.5% in 2004, down from our earlier forecast of 0.7% and 1.9%. The Swiss business cycle is highly dependent on the economic developments in the Eurozone, where prospects look increasingly bleak this year. The Swiss economy will remain vulnerable as long as self-sustained recovery in the Eurozone does not materialize.
- **Event to Watch:** The Swiss franc. Real interest rates are already negative and the Swiss National Bank (SNB) has only a further 25 basis points to cut before it will be left with only the tool of currency market intervention to steer the economy and influence the value of the franc.

Recent Developments

- **Growth:** Fourth-quarter GDP rose by a real 0.8% year on year (y/y), and was up an annualized, seasonally adjusted 1.4% quarter on quarter. In 2002, the economy stagnated, growing a minuscule 0.1% y/y. A massive contribution of net exports to real GDP ensured that the economy did not contract.
- **Inflation:** Consumer prices slowed to 0.2% month on month and 0.7% y/y in April. Defying economic theory, the massive expansion in money supply has so far not fuelled higher inflation nor has it in any way supported economic growth.
- **Currency:** The Swiss franc traded near 1.29 to the dollar end-May, reaching a six-and-a-half-year high. Against the euro, the currency of Switzerland's main trading partners, the franc stood at 1.526, considerably lower from early-March's three-and-a-half-year high of 1.46.
- **Trade:** The behavior of Swiss trade has finally become consistent with the usual business cycle. Real exports in the first quarter declined 0.3% y/y, while imports grew 2%. Exports had been growing steadily since the end of 2001. This trend has now come to an end.

- **Unemployment:**The trend in the labor market exhibits one of the classic features of a business cycle downturn: unemployment is rising, while employment is falling. The number of unemployed has doubled since February 2001 and the unemployment rate stood at 3.9% in April.
- **Business and Consumer Confidence:**Consumer sentiment fell sharply to -36 points in April from -25 in January 2003. Business survey data in April suggests that the economy will slow again in the second half of 2003. The order backlog continued to fall, which does not bode well for future output.

Leading Indicators

The KOF leading indicator, published by the Swiss Institute for Business Cycle Research, signals that GDP slowed in the first half of 2003. Before the May 28 release, which showed major downward revisions in past values of the indicator, it had signaled a slowdown in the second half of this year. Now, the turning point has been established in September 2002. Since the leading indicator points to the likely performance of the Swiss economy in six to nine months' time, it signals a slowdown in economic activity already in the first half of this year. Global Insight believes that a sustainable recovery will not occur before the beginning of 2004. The March purchasing managers' survey paints a worrisome picture for the manufacturing sector. The PMI has indicated contraction in ten out of the past eleven months.

High-Frequency Indicators

(Percent change from a year earlier, unless otherwise specified)

	Mar-03	Apr-03	May-03	Jun-03	Jul-03
Consumer Price Index	1.34	0.65	0.50	0.70	1.30
Wholesale Price Index	0.10	-0.10	-0.30	-0.20	-0.20
Exchange Rate, Month-end (LCU/US\$)	1.36	1.36	1.35	1.36	1.38
Exchange Rate, Average (LCU/US\$)	1.36	1.38	1.35	1.36	1.38
Broad Money Supply (a)	10.0	9.5	9.5	8.6	7.0
Policy Rate (b) (%)	0.3	0.3	0.3	0.3	0.3
Short-Term Rate (c) (%)	0.3	0.3	0.3	0.3	0.3
Nominal Retail Sales	0.8	0.8	0.8	0.8	0.8
Industrial Production	0.0	0.0	0.0	0.0	0.0
Trade Balance (Mil. US\$)	287	84	584	635	241

a. Broad money supply is M3.

b. The policy rate is 3-month LIBOR.

c. The short-term rate is 3-month LIBOR.

Note: Bolded numbers indicate latest historical data.

Switzerland: Executive Summary: News and Views: Featured Story - April 04, 2003

Real GDP Growth and Terms of Trade Changes

In international comparisons of standard of living, Switzerland is consistently among the best-performing countries in the world, even though Swiss GDP growth over the past two decades has been among the lowest in the OECD. While real GDP growth averaged just 1.5% in the 1980-2000 relative to an average of above 2.0% in the Big Four European economies, Swiss GDP per capita is around US\$30,000. This is notably higher when compared with an average US\$24,000 for Germany, France, the United Kingdom, and Italy. This is also not simply a matter of Switzerland having a lower population. In fact, while Switzerland's population per square kilometer is notably lower than that in the United Kingdom and Germany, it is notably higher than that in France.

So why has GDP growth been so weak relative to the Big Four in an economy that has such a high comparative standard of living? One might think that the growth differential is due to a convergence process—i.e., that Switzerland must have started out with a higher standard of living in the past and other economies are now simply "catching up." However, this is not the case. The average GDP growth per capita in Switzerland over 1880-1995 was a mere 1.5%. So the question remains: Why does Switzerland currently have one of the highest per capita incomes in the world?

Is this a measurement problem? Ulrich Kohli, an economist at the Swiss National Bank, shows that official statistics underestimate Swiss growth by approximately 0.6% annually in 1980-2000, which brings Swiss GDP growth closer to the rates enjoyed by the Big Four. The reason for this is that the conventional measure of real GDP does not properly incorporate terms-of-trade changes. Over the past two decades, Swiss terms of trade (the ratio of export prices to import prices) have improved by more than 35%, a development that undoubtedly has increased real value added, real income, and welfare in Switzerland. However, the conventional measure of GDP treats an improvement in the terms of trade of a country as a price effect, not a real effect. When calculating real GDP, imports are subtracted at constant prices; the fact that imports have become cheaper does not enter the equation, resulting in a too-low real GDP figure. Consequently, an improvement in the terms of trade—either via lower relative import or higher export prices—does not only underestimate real value added, but leads to real GDP actually moving in the wrong direction. Likewise, real GDP tends to underestimate the negative effect of a

deterioration in the terms of trade; although the situation is less serious in this case.

This rather odd feature of the standard measure of real GDP is hardly new. The American Bureau of Economic Analysis has been publishing a "Command-Basis GNP" series, which corrects for terms-of-trade changes, for the past 20 years. Empirical research suggests that in the case of Germany, France, Belgium, and New Zealand—all countries that enjoyed significant improvements in their terms of trade over the past 20 years—real GDP underestimates real growth. By contrast, real GDP overestimates growth in the case of Norway and Turkey, since it does not properly account for the deterioration in the terms of trade of these countries.

The conclusion is that real GDP figures should be interpreted with care. This is particularly true in the case of open economies, where the distortionary effect of a measure of real GDP—which does not accurately reflect changes in the terms of trade—will be largest.

Swiss Economy Languished in 2002

The Swiss economy is likely to have underperformed all other Western European countries during 2002 in terms of real GDP growth. Indeed, Global Insight estimates that Swiss GDP contracted by 0.1%—the only economy in the region likely to have experienced a drop in output in 2002. This gap in relative growth performance might seem somewhat counterintuitive given that, at least with regard to economic policy, Switzerland enjoys some advantages over the Eurozone economies. Switzerland still has its own independent central bank, while its fiscal policy is not constrained by the European Union's Stability and Growth Pact—two factors frequently held responsible for the Eurozone's present lackluster growth.

The Swiss economy was technically in recession for most of 2001: seasonally adjusted real GDP declined over four successive quarters, starting in the second quarter of 2001. The second quarter of 2002 saw the first quarterly expansion in more than a year, although on the year-over-year basis, activity was still down 0.4%, highlighting the fragility of the Swiss economy. Worryingly, the rate of expansion in household expenditure during the first half of 2002 was the weakest in seven years, averaging 0.8% year on year—well below the historical average of 1.4%. It would appear that consumer spending—the largest component of GDP—is unlikely to be a key driver of growth in next year's anticipated upturn.

Last year, consumer confidence fell sharply, the manufacturing sector contracted, and the labor market deteriorated significantly. A look at the equipment investment component of GDP reveals the extent of overcapacity in the economy: equipment investment fell 15% in the first half of 2002, following a 10% average real expansion during 1998-2000. It will take at least two more quarters to remove the excess capacity, restore profits, and pave the way for a recovery in investment.

The Swiss National Bank has created a monetary framework for the country's economic recovery. Real interest rates are close to 0%, while long-term interest rates are at historically low levels. Fiscal policy is not excessively expansionary, but public consumption in 2002 should have averaged well above the historical average. While the government's current expansive policy stance is a necessary condition for economic recovery, it is not a sufficient condition.

The prospective recovery will be export-led, and its timing and strength will therefore largely be a function of the recoveries in the U.S. economy in general and the Eurozone economies in particular. Thus, the current poor European growth prospects represent a significant risk to the Swiss outlook, particularly given the Swiss economy's degree of openness and its consequent high vulnerability to external shocks. In fact, the sum of visible imports and exports as a percentage of GDP—a common measure of an economy's degree of openness—is 77.5% in Switzerland, compared with an average of just 30.0% in the Eurozone. More than 60% of Swiss exports go to the Eurozone region, while Swiss imports from the region account for around 78% of total imports. As a result of this high degree of openness, Switzerland will remain vulnerable so long as a self-sustained recovery in the Eurozone fails to materialize.

It is often argued that the strength of the Swiss franc hurts its exports—the sector expected to eventually lead the recovery. Empirically, though, this claim does not stand up to scrutiny. Economic research suggests that over the past two decades the sensitivity of Swiss exports to changes in demand in the Eurozone was ten times stronger than Swiss export's sensitivity to changes in the franc's value. Economists at Julius Bär, a Swiss bank, estimate that a 1.0% rise in Eurozone demand typically raises Swiss exports by 1.4%, while there is no statistically significant exchange-rate effect to be found. This is not to say that a lower franc does not raise Swiss export competitiveness, other things being equal. It just demonstrates that the *relative importance* of the exchange rate risk to Swiss export performance is small, when compared with the demand effect.

Given the fragile and gradual recovery in the Eurozone and a notable slowdown in consumer spending growth, the Swiss economy will hardly have expanded at all last year. Global Insight estimates that economic activity contracted by 0.1% in 2002. In 2003, the recovery should take hold in the second half of the year, following a virtually flat performance in the first two quarters. Swiss real GDP growth is seen to average 0.7% over the year as whole.

Switzerland: Executive Summary: News and Views: News - May 30, 2003

May 28: Switzerland's leading economic indicator plunged to -0.93 in April, from a revised -0.81 in March, the KOF think tank reports. The previously reported March value was -0.48. The revisions in the indicator go back into last year. The new profile shows that the indicator started falling in September 2002. Since the leading indicator points to the likely performance of the Swiss economy in six to nine months' time, it signals a slowdown in economic activity already in the first half of this year. KOF said that order intake, order backlog, and pre-purchasing levels all continued to decline. This latest and important economic indicator, combined with other poor data lead us to believe that growth in the Swiss economy will be minimal this year. The June interim will reflect this, when we will revise our current GDP growth of 0.7% for this year downwards by a significant margin.

May 27: Nonfarm payrolls fell 1.1% year on year, to 3.57 million, in the first quarter of 2003, according to government data. Employment in the manufacturing sector declined for the fifth consecutive quarter, down by 2.8% in the first. Meanwhile, the job drop in services worsened to -0.4% in the first quarter, down from -0.1% in the final quarter of 2002. Moreover, the index of job vacancies plunged 39.5 points to 90.5—the lowest level since the index was introduced in 1997. Switzerland's job market is not expected to recover before the middle of next year, at the earliest.

May 23: Retail sales fell by an inflation-adjusted 3.1% in February. The Federal Statistics Office said that real sales of clothing and shoes plummeted 4.8% in February, while sales of food, drinks, and tobacco edged up 1.0%. For the first two months of the year, real retail sales declined a 2.2%, after dropping 2.8% in December 2002. These very poor sales data point to continuing weakness in consumer spending and this trend is unlikely to turn around anytime soon, since the real economy remains weak. Real GDP growth should be virtually flat in the first half of 2003, unemployment has risen to unprecedented levels (although only moderately relative to other European economies), and real wage gains will remain limited until a sustainable recovery materializes across the Eurozone.

May 22:Switzerland ran a merchandise trade surplus of 211.9 million francs in April, after a revised surplus of 298.8 million francs in March, according to the Federal Statistics Office. Compared with April 2002, real imports to the fragile Swiss economy fell 10.5%, to 10.3 billion francs, while real exports fell 3.2%, to 10.5 billion francs.

May 19:Orders to the machinery sector rose 8.4% in the first quarter from a year earlier, according to the industry association Swissmem, whose members account for 40% of overall Swiss exports. But Swissmem cautioned that the increase was from an exceptionally low first quarter in 2002. Overall machinery exports fell 1% in the quarter, to 12.8 billion Swiss francs, while exports to the Eurozone, which accounts for about two-thirds of total sales abroad, increased by less than 1%. A sustained upturn will not occur until the United States and Eurozone economies recover, according to Swissmem said.

May 16:Switzerland's combined index for producer and import prices, a leading indicator for consumer price inflation, fell by 0.3% year on year in April, following the first year-on-year rise since mid-2001 in March 2003. Compared with March 2003, the index was down 0.5% in April. Producer prices were 0.1% higher on the year, while import prices fell 1.3%, the Federal Statistics Office reported. The inflation outlook for the Swiss economy is benign. The growth outlook is bleak and risks stemming from higher energy prices have abated since the end of the war in Iraq.

May 16:The Swiss government revised down its economic growth forecast to zero in 2003, from the 0.8% it had expected in January, and to 1.6% in 2004 from 1.9%. The State Secretariat for Economic Affairs (SECO) projects private consumption expanding by only 0.7% this year. Equipment investment is now forecast to decline by 4% and exports are forecast to expand by only 1.4%. The SECO said in a statement that economic indicators suggested that the situation would not improve before 2004.

May 8:The Swiss consumer sentiment index fell sharply, to 36 points in April, from 25 in January, according to the State Secretariat for Economic Affairs. The bleak outlook for the Swiss economy and a very weak labor market sent the indicator back to October levels—a five-and-a-half-year low. The index is conducted on a quarterly basis and compiled from a survey of more than 1,000 households. In April, Swiss households were more pessimistic about the performance of their economy (-99 versus -81 in January 2003) as well as their personal finances over the past 12 months (-12 versus -2 in January 2003). Households were still positive on balance with regard to their financial situation in the coming 12 months, yet much less so than in January 2003. Other indicators, which do not enter the main indicator, were pointing downwards as well. The developments in the Swiss economy in the next 12 months are judged more pessimistic. Households say that this is not a good time to save and say purchases of big-ticket items (like cars) will have to be delayed. Jobs are judged to be more insecure than in January 2003. The sentiment data, combined with other recent data releases, suggest that the economy will not grow at all this year. It is hard to see any source of expansion. Sentiment is weak, the domestic economy is ailing, demand for Swiss exports is weak, the exchange rate limits Swiss competitiveness, and the real economy—employment, GDP, and real wages—point to stagnation, if not a return to a technical recession.

May 7:Switzerland's respected KOF think tank said it projected no signs of an upturn in the Swiss economy in the third quarter of 2003. Its quarterly collective business indicator for industry, which signals trends in GDP growth, pointed to a slight contraction in GDP in the first quarter of 2003.

May 7:The unemployment rate was steady at 3.9% in April, according to the State Secretariat of Economic Affairs (SECO). The number of unemployed was virtually unchanged at 141,624 in April. The unemployment figure are not seasonally adjusted and April is traditionally a month in which the job market is boosted by seasonal hiring. Thus, the rate of unemployment should rise further over the summer. Meanwhile, in April the number of vacancies fell by 670, to 9,014, and temporary employment was on the increase—both signs of a deteriorating labor market. Global Insight has become highly pessimistic about the outlook for the Swiss economy and labor market.

May 2:The Swiss purchasing managers' index (PMI) eased to a seasonally adjusted 46.6 in April from a revised 46.7 in March. (A value above 50 points indicates the manufacturing sector is expanding while a figure below 50 signals a contraction.) The production index fell by 3.3 points, to 42.2, and the orderbook subindex fell to 45.9, signaling a further decline in future manufacturing output. The purchasing volume subindex fell close to an all-time low, dropping 2.7 points, to 39.6 points. Meanwhile, the employment index showed some improvement, to stand at 47.2 points, yet still signaling a contracting labor force in the manufacturing sector. The outlook for the manufacturing sector is bleak and a continuing weakness in demand across the Eurozone and a strong franc should limit any improvement in 2003.

Apr. 30:Switzerland's leading indicator fell to 0.48 in March, from a downwardly revised 0.44 in February, according the KOF research institute. The KOF economic barometer signals the growth trend of GDP. It points to the likely performance of the Swiss economy in six to nine months—and the lower the number the worse chance of recovery. The latest fall in the indicator suggests that economic activity will drop again towards the end of 2003. We believe that our current growth projection is too optimistic and that the Swiss economy in fact will experience another year of stagnation this year.

Apr. 28:Swiss consumer price inflation slowed to 0.7% year on year in April, down from 1.3% in March, as easing oil prices brought down fuel costs for Swiss households. Month on month, inflation slowed to 0.2%, according to the Swiss Federal Statistics Office. In March, the monthly increase was 0.4% due to a spike in heating oil costs and the Swiss consumer price index hitting a 20-month high, with prices rising 1.3% year on year. Core inflation in April, which strips out volatile food, drink, tobacco, and oil prices, rose 0.8% on the month and 0.7% on the year. Slowing price pressures are set to continue, as economic activity in the Swiss economy remains weak and oil prices have come down back to pre-war levels and do not pose any immediate threat to prices. This should enable the Swiss National Bank to maintain its expansionary monetary policy in the month to come.

Apr. 25:Swiss National Bank (SNB) Chairman Jean-Pierre Roth warned that the risk of renewed downturn in Switzerland should not be underestimated, given the uncertain economic and geopolitical environment. The SNB sees Swiss GDP growth at a little less than 1% this year. Since the release of this forecast, Vice Chairman Bruno Gehrig has said that the economy might only expand by 0.5% or a little more in 2003. The Swiss business cycle heavily depends on the economic developments in neighboring France and Germany. In both countries, a sustainable business cycle upturn is not in sight yet.

Apr. 24:Switzerland's March merchandise trade surplus fell to 389.9 million Swiss francs in March, down from 748.9 million francs in February. For the first quarter of 2003, Switzerland posted a trade surplus of 679.9 million francs, a nominal decline of 24% year on year. Adjusted for working days, imports fell a real 3.4%, while exports declined a real 3.7% in March. The weakness in foreign trade is a reflection of lackluster demand across the Eurozone. Economic activity in the export-dependant Swiss economy will not recover before a sustainable business cycle upturn in the Eurozone materializes. There are no signs of this happening any time soon, however.

Apr. 24:UBS lowered its growth forecast for the Swiss economy from 0.8% to 0.6%. The bank believes that unemployment in the Swiss economy will climb to 4% in the course of this year. It also sees a slight improvement in business investment and believes that the recent weakening of the franc should begin to show in improved export numbers in the third quarter of this year, according to the Swiss newspaper *Neue Zuercher Zeitung*.

Apr. 24:In its latest outlook for the Swiss economy, the OECD said growth in the fragile, export-dependent economy would not pick up until the second half of 2003, but would exceed its potential in 2004, supported by monetary policy. It added that the Swiss National Bank should maintain its expansionary monetary policy until the upturn is firmly established. The OECD sees Swiss growth averaging 0.6% this year, slightly lower than Global Insight's forecast of 0.7%.

Apr. 24:Nominal wages in the Swiss economy grew by an average 1.8% last year compared with 2001, according to the Swiss Federal Statistics Office. The business cycle downturn had led companies to limit wage demands in the autumn 2001 wage negotiations. In 2001, nominal wages had been growing at 2.5%. Real wages grew by an average 1.1% last year. With the exception of 2001, this is the strongest growth in real wages since 1992, and was partly due to a very low inflation rate of 0.6% last year. According to a pay survey conducted by UBS in October 2002, nominal pay levels should rise by 1.3% in 2003.

Apr. 17:Swiss retail sales fell by a real 1.3% in January. The Federal Statistics Office said that sales of food, drink, and tobacco rose 1.7% year on year, while the sub-index for clothes and textiles fell 2.0%. The weak January numbers follow a 2.8% fall in December. Although the overall index did not fall dramatically, a 5% fall in the home furnishings sub-index and a 5.2% decline in the index for cars suggest that consumers were very cautious indeed, especially when it came to big-ticket items. Unemployment is at a five-year high, and the outlook for the Swiss economy is gloomy, given that an upturn in the Eurozone is not detectable in the current data.

Apr. 17:The Swiss Automobile Importers Association (VSAI) reported that new car registrations in Switzerland fell 13.7% in the first quarter, compared with a year earlier.

Apr. 16:The Swiss Federal Customs Office revised down its merchandise trade surplus for February to 748.9 million francs, from the 846.7 million francs reported originally. The office revised imports from 9.85 billion francs to 9.96 billion francs and exports from 10.69 billion francs to 10.71 billion francs.

Apr. 15:Switzerland's combined index for producer and import prices, seen as a leading indicator for consumer price inflation, rose by 0.3% year on year in March, the first year-on-year rise since mid-2001. Compared with February 2003, the index was up 0.5% in March, primarily due to higher oil prices. Producer prices were flat on the year, while import prices rose 0.8%, the Federal Statistics Office reported. The inflation outlook for the Swiss economy is benign. The growth outlook is low and risks stemming from higher energy prices have abated over the past weeks, as the military conflict in Iraq came to an end.

Apr. 12:The number of bankruptcies in Switzerland in the first quarter rose by 22% compared with a year earlier, according to *Creditreform*. This is the worst performance since 1996.

Apr. 11:The Swiss franc weakened to a 18-month low of 1.497 per euro, amid a pessimistic forecast for the economy by the influential KOF economic institute. The franc has also been generally weaker as growing signs that the war in Iraq will be short have diluted its attractiveness as a "safe haven" currency. The franc traded just under 1.39 per dollar, compared with its recent three-month low of 1.4067. The weakening of the franc against the euro will be of particular relief to Swiss exporters.

Apr. 11:The Swiss National Bank expressed satisfaction that the war in Iraq had not led to substantial upward pressure on the franc, as had been feared.

Apr. 10:The KOF Institute for Business Cycle Research forecast that GDP would be flat this year, with a return to growth in the fourth quarter offsetting very modest contractions in the first three quarters. In 2004, growth is seen improving very modestly, to 0.8%. Subdued foreign sales are expected to hold back growth. As a result, the average unemployment rate is seen increasing from 3.8% in 2003 to 4.2% in 2004. Meanwhile, consumer price inflation is expected to average just 0.9% in 2003.

Apr. 8:The unemployment rate remained at a near five-year high of 3.9% in March, having risen to this level in February from 3.8% in January, according to the State Secretariat of Economic Affairs (SECO). The number of unemployed edged down from 142,023 in February to 141,808 in March, but this modest decline was due to seasonal factors. Indeed, the monthly decline was less than in March 2002 and the continuing weakness of the labor market is highlighted by the annual comparison. In March 2002, the number of jobless was only 92,371, while the unemployment rate stood at 2.6%. Meanwhile, vacancies rose from 9,115 in February to 9,684 in March. Again, though, this was significantly worse than the March 2002 level of 10,964. Global Insight has become highly pessimistic about the outlook for the Swiss economy and labor market. In recent weeks, major Swiss blue-chip companies have announced thousands of job cuts. At the same time, the latest batch of domestic indicators, Eurozone data, and geopolitical uncertainties make it unlikely that the job market will recover before 2004. Indeed, it is still possible that the unemployment rate could reach 4.0%, although it is more likely to edge lower over the next few months because of the normal seasonal influence. Even so, the decline is expected to be much less pronounced than usual.

Apr. 7:The franc weakened, as news that U.S. forces had entered central Baghdad raised hopes that war in Iraq would soon end. This diminished the franc's attractiveness as a "safe haven" currency. The franc traded at a three-month low of 1.4067 per dollar, compared with its early-March four-and-a-half-year high of 1.33 per dollar. The franc was also modestly weaker around 1.4875 per euro.

Apr. 7:The vice chairman of the Swiss National Bank (SNB) acknowledged that GDP growth would be only 0.5%, or marginally higher, in 2003. This marked a downward revision of the SNB's previous projection of growth of just under 1.0%. While Bruno Gehrig downplayed the risk of recession, he noted that there were "rather high" downside risks to the economy and that it is difficult to be optimistic about the prospects for the next two or three quarters. Recovery will be dependent on an upturn elsewhere in Western Europe, feeding through into higher Swiss exports, as well as improving domestic investment. In our April forecasts, Global Insight projected 2003 Swiss GDP growth at 0.7%.

Apr. 4:The OECD composite leading indicator (CLI) for Switzerland was unchanged in February, having risen for the previous 12 months. The steady if gradual improvement in the CLI suggests that an economic upturn should occur over the coming six months. Even so, the annualized six-month rate of change of the trend-restored CLI slowed to 3.4% in February, from 4.1% in December. This was the weakest level since October, suggesting that some momentum has been lost. The six-month trend-restored CLI is considered to be less volatile than the CLI and to provide clearer signals for future turning points than the CLI itself. It is deemed to be a good guide to economic trends nine months and further ahead.

Apr. 4:The March quarterly survey of around 350 companies by UBS found that overall they had experienced a poor first quarter, and were gloomy about second-quarter prospects. In the first quarter, sales were down markedly year on year and orders had declined, with both domestic demand and export sales weakening. Companies complained about the uncertain economic and geopolitical outlooks, low capacity utilization, poor earnings power, thin order books, and falling work backlogs. Activity is expected to decline slightly in the second quarter, with domestic demand seen softer than export demand. Employment

prospects were poor, with 31% of companies expecting to cut jobs by the end of June, and only 5% expecting to add new staff.

Apr. 3: The current account was in surplus by 12.6 billion francs in the fourth quarter of 2002, according to provisional Swiss National Bank data. This was down from 14.4 billion francs in the third quarter, but modestly higher than the 11.9-billion surplus in the corresponding quarter in 2001. The trade surplus was 1.9 billion francs in the fourth quarter, matching the third quarter, and up from 0.9 billion in the fourth quarter of 2001. Exports rose by 4.4% quarter on quarter (q/q) and 0.9% year on year (y/y), despite the strength of the franc. Meanwhile imports edged up by 0.7% q/q and were down 3.8% y/y amid subdued domestic demand. There was a net surplus of 5.9 billion francs in services in the fourth quarter of 2002, and a net surplus of 6.2 billion in labor and investment income. Current transfers were in deficit by 1.4 billion francs.

Apr. 3: The current account amounted to 49.6 billion francs last year, up from just under 37.9 billion in 2001, and close to last year's record surplus of 53.48 billion. In 2002, there was a trade surplus of 4.5 billion, compared to a deficit of 4.6 billion in 2001. Exports fell by 1.0% year on year (y/y) to 130.4 billion francs, hit by the strong franc and faltering growth in key markets, but this was outweighed by a 5.4% y/y plunge in imports to 123.1 billion, which highlighted the softness of domestic demand. The net deficit in other trade narrowed from 6.3 billion francs in 2001 to 2.7 billion in 2002. Meanwhile, the net surplus in services edged up from 24.2 billion francs in 2001 to 24.9 billion in 2002, as a healthy increase in insurance sector income offset lower revenues from tourism, international transportation and bank commissions. The net surplus in investment income increased from 33.8 billion francs in 2001 to 35.9 billion in 2002, while the net deficit in labor income climbed from 8.6 francs to 9.2 billion. The deficit in current transfers edged down from 6.9 billion francs in 2001 to 6.6 billion in 2002.

Apr. 2: Consumer prices rose 0.4% month on month (m/m) and 1.3% year on year (y/y) in March, according to the Federal Statistics Office, up from 0.1% m/m and 0.9% y/y in February. Indeed, it was the highest annual inflation rate since July 2001, and marks a continuation of the upward trend in annual consumer price inflation, since last July, when consumer prices fell 0.1% y/y. However, this increase in inflation has been driven by higher oil prices, which reached a two-year high early in March. Consequently, heating oil prices were up 17.2% m/m and 38.2% y/y in March, a major contributory factor to the 1.2% month-on-month rise in imported goods. Seasonal food prices also rose in March. Otherwise, inflationary pressures remain negligible. Indeed, domestic product prices increased just 0.1% m/m. Inflation in Switzerland continues to be held down by weak economic growth and a strong Swiss franc, which cuts the price of imported goods. The central bank has a target range of 0-2% for annual consumer price inflation, and the current level is fully consistent with price stability.

Apr. 1: The Swiss purchasing managers' index (PMI) fell to a seasonally adjusted 47.0 in March, down from 48.9 in February (revised up from 48.0), as increased global uncertainty generated by the Iraq situation heightened the fragility of the Swiss economy. The production sub-index plunged by 7.1 points, to 44.8 in March, denoting markedly contracting output (below 50.0 indicates a decline). The orderbook index edged up by 0.6 point, to 47.7, but still showed falling demand. Employment contracted at an increased rate, with the index falling by 2.1 points, to just 45.0. Purchasing volumes fell by 1.3 points, to 43.9. The PMI has been below the 50% expansion mark in nine of the past ten months, and signs of a recovery are not in sight. The March survey, compiled by the Swiss purchasing managers' association, heightens the worrisome picture for the sector in the first and second quarters of 2003. In addition, the risk of a further strengthening in the franc's value amid the war in Iraq and still-subdued demand for capital goods from the European Union are dampening factors that are unlikely to change in the near term.

Switzerland: Political Trends: Domestic Politics: Outlook - February 25, 2003

The SVP's stronger position in Parliament and continuing popularity in the polls could lead to more confrontational domestic politics on occasions. Overall, though, there should not be a serious threat to the long-term political stability and consensus approach, nor radical changes in economic policy. Switzerland's external position and relationships will continue to be the key issues. The next general election is due by October 2003.

Following the rejection of the March 2001 referendum calling for the government to begin immediate talks with the EU on Swiss membership, it seems unlikely that Switzerland will join for many years to come. Although the government is in favor of membership in the long term, it has made it clear that it does not believe any talks on the matter should start during the lifetime of this Parliament, which will end in October this year. The government stressed in the run-up to the March 2001 referendum that it does not believe that Switzerland is ready to join, and that a number of economic and political reforms will need to occur in advance of Swiss accession. Swiss National Bank and the Swiss business federation adopted similar stances.

However, the sheer scale of the vote against starting EU membership talks in the March referendum indicates that Swiss accession is unlikely to take place for at least a decade, even though the government ideally would like to initiate membership talks during the 2003-07 Parliament. Indeed, the government has since said that it is considering pushing back its target date for EU membership talks. Foreign Minister Joseph Deiss admitted that the government faced difficulties in clearing the way for membership talks with the EU during the 2003-07 Parliament, as currently planned. He also acknowledged that it would take some time for Switzerland to complete the internal reforms needed to join the EU, and to gauge the effects of the seven bilateral agreements with the EU, which took effect in June 2002.

Nevertheless, Switzerland is likely to seek closer ties with the EU in the interim, primarily based on the seven bilateral accords. Immediately following the referendum result, the EU said that it was prepared to discuss with Switzerland ways of broadening and deepening relations, following the decision of Swiss voters to reject immediate EU membership talks.

Switzerland: Political Trends: Domestic Politics: Recent Developments - May 08, 2003

On September 22, 2002, the Swiss failed to decide what to do with some of the country's gold reserves in a referendum. In March 2000, the Swiss National Bank started to sell off just over a half of the country's 2,590 tonnes of gold. The Swiss rejected a government-backed plan to use the annual interest of the proceeds of the gold sales—estimated at 1 billion Swiss francs—to be divided between a humanitarian fund, regional governments (cantons), and the state pension scheme. Some 52% voted "no" to this proposal. Voters also rejected a proposal for all the interest to go to the state pension scheme, with 48% in favor and 52% against it. Meanwhile, the Swiss also rejected a proposal to liberalize Swiss energy markets in the course of the next six years. As a result, the energy market will not be opened up to competition in the foreseeable future and will retain its monopolistic structure.

On September 10, 2002, Switzerland became the 190th member of the United Nations. The formal accession followed a referendum that narrowly approved full Swiss membership in the United Nations in March this year. The vote in favor was 54.6:45.4, while 12 out of 23 cantons supported membership (a majority of cantons in favor was required, in addition to the overall vote). Switzerland has been the only state, apart from the Vatican, not to be a full UN member, although it has often engaged in UN activities and hosts the organization's European headquarters. The reluctance to become a full UN member reflected Switzerland's determination to remain neutral and independent. The decision to become a full UN member is unlikely to dilute this stance significantly. Indeed, the closeness of the vote shows that there is still a strong isolationist tendency within the country. As a result, the development of closer ties with the

European Union is likely to remain a slow process.

The seven bilateral agreements concluded between the European Union and Switzerland took effect at the beginning of June 2002. This followed a referendum held in May 2000 that easily passed □□67.2% of voters voted in favor of the agreements, some eight years after Swiss voters had rejected, by a large margin, the chance to join the European Economic Area (EEA). The bilateral agreements will let Switzerland enjoy many of the benefits that membership in the European Union would bestow, without giving up the country's monetary and economic independence. One of the major changes will be that Swiss and EU citizens can live and work freely on either side of the frontier. On the other hand, the treaties will lay the foundation for increased competition for previously protected Swiss producers and farmers. The agreements cover issues related to the free movement of persons, air transport, rail and road transport, trade in agriculture, mutual recognition of evaluations of conformity, public procurement, and scientific and technical cooperation. The negotiations relating to the tax of savings and cooperation against fraud have not been concluded yet and remain excessively difficult. The EU wants Switzerland to lift some banking secrecy rules and transfer taxes on savings accounts owned by EU residents.

Switzerland: Political Trends: Domestic Politics: Risk - February 03, 2003

Political risks remain low. The SVP's strengthened position has not caused politics to become significantly more confrontational as had been speculated, although this remains a possibility, should the party seek to exploit its improved popularity on a number of issues.

The question of whether or not Switzerland should join the EU will remain a major long-term issue. However, it has currently been in the background and is likely to remain there for some time, following the very strong vote against starting immediate membership talks in the March 2001 referendum. While the government is in favor of joining the EU in principle, it prefers to leave the schedule open. The SVP is fiercely opposed to EU membership, so its recent rise in popularity is hardly consistent with greater desire for EU membership. Meanwhile, the seven bilateral agreements concluded between the European Union and Switzerland took effect beginning in June 2002. The bilateral agreements will let Switzerland enjoy many of the benefits that membership in the European Union would bestow, without giving up the country's independence, and should help to strengthen Swiss ties with the EU and reduce the country's perceived isolation.

Switzerland: Technical Notes: Interim Forecast Technical Notes: Forecast Assumptions - May 08, 2003

- The global economic and geopolitical background will improve gradually, now that the Iraq war is over. It will pick up more markedly in 2004. Oil prices will remain moderate, well down from their early-March peaks.
- The Swiss National Bank's monetary policy remains expansionary.
- The Swiss franc remains strong over the near term, at 1.47 at the end of 2003 and 1.45 end of 2004 against the euro.
- The European Central Bank will cut its key interest rate from 2.50% currently to 2.00% by the end of the third quarter of this year. The key interest rate will start to rise in the first half of 2004, reaching 3.25% by the end of that year and a peak of 4.25% by the end of 2005.
- The euro will largely retain its current strength, although it is expected to weaken temporarily later this year, as it becomes clear that the U.S. economy is growing markedly faster than Europe's. Interest rate differentials are also likely to become less positive for the euro. The euro is forecasted to trade around US\$1.15 for a time, then fall back to US\$1.10 at the end of 2003. It is seen rising to US\$1.15 at the end of 2004, and then trending up to US\$1.20 over the longer term.
- Wage moderation continues.

Switzerland: Technical Notes: Interim Forecast Technical Notes: Forecast Risks - May 08, 2003

- Further major terrorist assaults occur, with negative repercussions for the global economy. The dampening impact on Switzerland would be magnified if any terrorist incidents occurred in Europe.
- The United States suffers a renewed downturn.
- Equity markets fall back again, and then do not recover significantly for an extended time.
- Equity markets fall significantly further, and do not recover significantly for an extended period.
- The Swiss franc appreciates excessively against other major currencies, playing its traditional role as a □safe haven,□ limiting Swiss export competitiveness.
- The European Central Bank fails to cut interest rates further if the Eurozone economy continues to struggle, and then moves too early in tightening policy, reflecting excessive concern over inflation threats.

Switzerland: Technical Notes: Interim Forecast Technical Notes: Major Changes Since the Last Forecast - May 08, 2003

There are no major changes in the May interim forecasts for the near term compared with the previous month. Economic activity is expected to expand by only 0.7% this year and 1.9% in 2004.

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Global Insight														
SWITZERLAND -- Recent Monthly Indicators														
	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02
BUSINESS CONFIDENCE														
OECD Leading Indicator, y-o-y	0.2	-0.4	-0.6	-0.9	-1.8	-2.8	-3.6	-3.7	-3.5	-3.7	-3.6	-2.9	-1.7	-0.8
Industrial Production, y-o-y	4.9	2.1	2.1	2.1	-2.3	-2.3	-2.3	-7.0	-7.0	-7.0	-10.0	-10.0	-10.0	-4.6
Housing Permits, y-o-y	...	...	-17.5	...	...	...	...	...	...	...	...	...	...	...
Mfg, Unfilled Orders, Value, NSA	...	...	112.6	...	...	114.7	...	...	104.4	...	...	108.6	...	...
Capacity Utilization NSA	...	...	82.5	...	...	81.9	...	...	80.6	...	...	79.5	...	...
CONSUMER MARKETS														
Retail Sales Index, Vol., y-o-y	-0.4	0.0	1.8	1.2	3.2	1.4	3.4	-0.5	1.9	0.4	1.8	2.4	-1.8	3.1
Passenger Car Rgstr., y-o-y	-6.0	-1.1	-1.3	6.1	-1.7	-2.6	-9.5	-1.7	28.8	-14.9	-7.5	-6.2	-10.6	-5.0
FOREIGN TRADE														
Exports, Customs Basis, y-o-y	8.2	15.0	2.9	8.8	10.6	1.1	-9.2	4.7	-3.4	-9.0	0.2	-5.8	-11.1	7.0
Imports, Customs Basis, y-o-y	5.2	17.1	-0.1	3.9	7.5	-3.4	-6.2	-1.7	-12.6	-15.0	-6.4	-4.3	-13.5	3.8
Current Account Bal., CHF Bn NSA	...	...	10.3	...	...	6.9	...	...	11.9	...	...	11.6	...	...
Trade Balance, CB, CHF Bn NSA	-0.5	-0.9	0.1	0.1	0.1	-0.7	0.1	0.3	0.6	0.4	0.8	-0.1	0.2	-0.4
INFLATION														
Consumer Price Index, y-o-y	1.0	1.2	1.8	1.6	1.4	1.1	0.7	0.6	0.3	0.3	0.5	0.7	0.5	1.1
Producer Price Index, y-o-y	0.5	0.9	0.7	0.8	0.7	0.5	0.5	0.1	-0.1	0.0	-0.1	-0.5	-0.4	-0.8
MONETARY POLICY														
Exchange Rate, CHF/USD, Average	1.7	1.7	1.8	1.8	1.8	1.7	1.6	1.6	1.7	1.7	1.7	1.7	1.7	1.7
Discount Rate, EOP	3.2	3.0	3.2	3.2	3.2	3.3	2.1	2.1	2.1	1.6	1.5	1.6	1.4	1.4

Global Insight														
SWITZERLAND -- Recent Monthly Indicators														
	Mar-01	Apr-01	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01	Jan-02	Feb-02	Mar-02	Apr-02
Confederate Bond Yield	3.3	3.5	3.6	3.4	3.4	3.3	3.3	3.0	3.3	3.6	3.6	3.6	3.6	3.5
Monetary Base, y-o-y	0.7	4.3	3.2	3.0	4.1	3.4	6.0	6.2	8.4	10.8	11.9	8.3	9.7	5.6
3-Months Deposit Rate	2.9	2.6	2.6	2.6	2.8	2.8	1.9	1.7	1.7	1.5	1.5	1.4	1.3	1.1
LABOR MARKETS														
Unemployment Rate NSA	1.8	1.7	1.7	1.6	1.7	1.7	1.7	1.9	2.1	2.4	2.6	2.6	2.6	2.5
Total Employment Index, y-o-y	...	...	1.8	...	...	1.7	...	...	0.7	...	...	-0.1	...	...
Job vacancies, Units, EOP, y-o-y	-3.0	-3.2	-9.7	-12.9	-10.4	-13.9	-17.6	-11.9	-4.8	-12.3	-23.5	-23.3	-24.7	-25.0

Global Insight											
SWITZERLAND -- Recent M											
	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03
BUSINESS CONFIDENCE											
OECD Leading Indicator, y-o-y	-0.4	-0.1	0.9	2.1	3.0	3.2	3.2	3.6	4.1	3.7	...
Industrial Production, y-o-y	-4.6	-4.6	-3.5	-3.5	-3.5	-2.0	-2.0	-2.0	...	...	...
Housing Permits, y-o-y	...	...	...	...	...	...	...	...	...	...	...
Mfg, Unfilled Orders, Value, NSA	110.1	...	...	109.7	...	...	...	...	...	...	...
Capacity Utilization NSA	80.8	...	...	80.5	...	...	80.8	...	...	...	...
CONSUMER MARKETS											
Retail Sales Index, Vol., y-o-y	0.3	-4.5	-2.3	-3.5	-0.1	0.4	-5.7	-1.6	...	...	...
Passenger Car Rgstr., y-o-y	-11.6	-4.5	1.4	-15.5	-0.6	-10.3	-15.5	8.2	-19.1	-18.4	-18.5
FOREIGN TRADE											
Exports, Customs Basis, y-o-y	-6.0	-0.9	1.7	-5.4	6.4	0.4	-3.0	5.9	-4.7	3.1	...
Imports, Customs Basis, y-o-y	-9.4	-5.5	-2.1	-12.7	0.1	-6.6	-4.7	1.1	6.8	-5.2	...
Current Account Bal., CHF Bn NSA	11.0	...	...	14.4	...	...	12.6	...	...	...	...
Trade Balance, CB, CHF Bn NSA	0.8	0.6	0.5	0.4	1.1	1.3	1.1	0.4	-0.5	0.8	...
INFLATION											
Consumer Price Index, y-o-y	0.6	0.3	-0.1	0.5	0.5	1.2	0.9	0.9	0.8	0.9	1.3
Producer Price Index, y-o-y	-0.5	-0.8	-0.6	-0.6	-0.6	-0.4	-0.3	-0.4	-0.4	-0.1	...
MONETARY POLICY											
Exchange Rate, CHF/USD, Average	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Discount Rate, EOP	1.0	1.0	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	...

Global Insight											
SWITZERLAND -- Recent M											
	May-02	Jun-02	Jul-02	Aug-02	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03
Confederate Bond Yield	3.5	3.3	3.3	3.2	2.8	2.9	2.8	2.4	2.4	2.4	...
Monetary Base, y-o-y	7.7	6.0	5.9	7.8	3.4	6.0	2.6	0.5	0.1	0.2	...
3-Months Deposit Rate	0.9	0.9	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	...
LABOR MARKETS											
Unemployment Rate NSA	2.5	2.5	2.6	2.7	2.8	3.0	3.3	3.6	3.8	3.9	3.9
Total Employment Index, y-o-y	-0.5	0.6	-0.1
Job vacancies, Units, EOP, y-o-y	-26.3	-27.2	-20.5	-21.1	-23.2	-24.7	-35.7	-29.7	-16.7	-16.1	-11.7

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Switzerland -- Interim Annual Forecast

Last updated: 8-May-03

	Units	Historical Data Edge	1979	1980	1981	1982	1983	1984	1985
Retail Sales									
Change over a year ago	%	2002		7.4	6.8	3.3	3.0	3.5	4.5
Trade and Current Account									
Merchandise Exports	Mil. US dollars	2002	#N/A	29,006	27,179	24,186	23,853	23,730	25,530
Change over a year ago	%	2002		#N/A	-6.3	-11.0	-1.4	-0.5	7.6
Merchandise Imports	Mil. US dollars	2002	#N/A	35,214	30,684	26,772	27,242	27,014	28,889
Change over a year ago	%	2002		#N/A	-12.9	-12.7	1.8	-0.8	6.9
Trade Balance	Mil. US dollars	2002	#N/A	-6,207	-3,505	-2,586	-3,389	-3,284	-3,359
Percent of GDP	%	2002	#N/A	-5.8	-3.6	-2.6	-3.4	-3.4	-3.5
Current Account Balance	Mill. US dollars	2002	2	-1	3	4	4	4	5
Percent of GDP	%	2002	#N/A	0.0	0.0	0.0	0.0	0.0	0.0
Government Finance									
Fiscal Balance, % of GDP	%	2002	0.0	0.0	0.0	0.0	-1.0	0.0	0.0

Global Insight

Switzerland -- Interim Annual Forecast

Last updated: 8-May-03

	Units	Historical Data Edge	1986	1987	1988	1989	1990	1991	1992
Gross Domestic Product (GDP)									
Real GDP Growth	% change over year ago	2002	3.6	0.3	1.5	4.4	3.7	-0.6	-0.2
Nominal GDP	Billion US dollars	2002	138	173	187	180	228	233	243
Nominal Per-Capita GDP	US dollars	2002	21,243	26,353	28,337	27,010	34,015	34,334	35,284
Population									
Population	Millions	2001	6.50	6.55	6.59	6.65	6.71	6.80	6.88
Population Growth	% change over year ago	2001	0.5	0.8	0.6	0.9	0.9	1.3	1.2
Inflation									
Consumer Price Index	% change over year ago	2002	0.8	1.4	1.9	3.2	5.4	5.9	4.0
Wholesale Price Index	% change over year ago	2002	-1.3	-0.7	2.1	3.2	2.3	1.3	0.7
Exchange Rate (against US dollar)									
Year-end value	LCU/US\$	2002	2	1	2	2	1	1	1
Change over a year ago	%	2002	-21.6	-22.1	18.1	3.3	-17.4	5.5	8.1
Year average value	LCU/US\$	2002	2	1	1	2	1	1	1
Change over a year ago	%	2002	-26.5	-17.2	-2.0	11.6	-14.7	2.9	-1.4
Interest Rates									
Short-term	% per annum	2002	#N/A	#N/A	3.3	7.3	8.9	#N/A	#N/A
Long-term	% per annum	2002	4.3	4.1	4.2	5.2	6.5	6.2	6.4
Policy rate	% per annum	2002	4.1	2.9	4.9	9.2	8.8	8.2	6.0
Money Supply (end of period)									
Narrow Money Supply	Bil. LCU	2002	106	119	125	120	119	121	124
Change over a year ago	%	2002	5.8	12.7	4.8	-4.2	-0.3	1.3	2.7
Broad Money Supply	Bil. LCU	2002	288	319	337	357	366	375	381
Change over a year ago	%	2002	7.5	10.9	5.6	6.0	2.4	2.4	1.8
Industrial Production									
Change over a year ago	%	2001	#N/A	#N/A	#N/A	#N/A	#N/A	0.0	-1.3

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Switzerland -- Interim Annual Forecast

Last updated: 8-May-03

	Units	Historical Data Edge	1986	1987	1988	1989	1990	1991	1992
Retail Sales									
Change over a year ago	%	2002	3.5	1.8	3.1	2.7	2.0	-0.8	-3.4
Trade and Current Account									
Merchandise Exports	Mil. US dollars	2002	35,101	42,452	46,892	46,914	58,460	57,700	61,366
Change over a year ago	%	2002	37.5	20.9	10.5	0.0	24.6	-1.3	6.4
Merchandise Imports	Mil. US dollars	2002	38,327	47,262	52,811	53,938	64,802	62,385	61,726
Change over a year ago	%	2002	32.7	23.3	11.7	2.1	20.1	-3.7	-1.1
Trade Balance	Mil. US dollars	2002	-3,226	-4,810	-5,920	-7,023	-6,342	-4,685	-360
Percent of GDP	%	2002	-2.3	-2.8	-3.2	-3.9	-2.8	-2.0	-0.1
Current Account Balance	Mill. US dollars	2002	7	8	9	7	9	11	15
Percent of GDP	%	2002	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government Finance									
Fiscal Balance, % of GDP	%	2002	2.0	2.0	1.0	1.0	0.0	-2.0	-3.0

Global Insight

Switzerland -- Interim Annual Forecast

Last updated: 8-May-03

	Units	Historical Data Edge	1993	1994	1995	1996	1997	1998	1999
Gross Domestic Product (GDP)									
Real GDP Growth	% change over year ago	2002	-0.3	0.3	0.6	0.3	1.7	2.4	1.5
Nominal GDP	Billion US dollars	2002	237	261	308	295	256	262	259
Nominal Per-Capita GDP	US dollars	2002	34,121	37,286	43,763	41,714	36,122	36,802	36,207
Population									
Population	Millions	2001	6.94	6.99	7.04	7.07	7.09	7.12	7.16
Population Growth	% change over year ago	2001	0.9	0.7	0.7	0.4	0.3	0.4	0.6
Inflation									
Consumer Price Index	% change over year ago	2002	3.3	0.8	1.8	0.8	0.5	0.0	0.8
Wholesale Price Index	% change over year ago	2002	0.4	-0.5	-0.1	-1.8	-0.7	-1.2	-1.0
Exchange Rate (against US dollar)									
Year-end value	LCU/US\$	2002	1	1	1	1	1	1	2
Change over a year ago	%	2002	1.4	-11.5	-12.2	17.4	8.1	-5.5	15.2
Year average value	LCU/US\$	2002	1	1	1	1	1	1	2
Change over a year ago	%	2002	5.0	-7.4	-13.9	5.1	16.9	0.0	3.4
Interest Rates									
Short-term	% per annum	2002	#N/A	4.2	2.9	2.0	#N/A	#N/A	1.4
Long-term	% per annum	2002	4.6	5.0	4.5	4.0	3.4	3.0	3.0
Policy rate	% per annum	2002	4.1	4.3	1.8	1.9	1.5	1.4	1.9
Money Supply (end of period)									
Narrow Money Supply	Bil. LCU	2002	137	141	155	170	185	195	207
Change over a year ago	%	2002	10.1	3.5	9.8	9.5	8.7	5.3	6.4
Broad Money Supply	Bil. LCU	2002	400	415	427	456	471	473	477
Change over a year ago	%	2002	5.0	3.7	2.9	6.7	3.4	0.4	1.0
Industrial Production									
Change over a year ago	%	2001	-2.1	4.3	2.0	0.0	4.6	3.6	3.5

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Last updated: 8-May-03

	Units	Historical Data Edge	1993	1994	1995	1996	1997	1998	1999
Retail Sales									
Change over a year ago	%	2002	-1.0	1.3	-1.6	-0.8	2.3	1.7	1.7
Trade and Current Account									
Merchandise Exports	Mil. US dollars	2002	58,692	66,246	78,023	76,215	72,536	75,412	76,242
Change over a year ago	%	2002	-4.4	12.9	17.8	-2.3	-4.8	4.0	1.1
Merchandise Imports	Mil. US dollars	2002	56,721	64,093	76,967	74,482	71,108	73,910	75,449
Change over a year ago	%	2002	-8.1	13.0	20.1	-3.2	-4.5	3.9	2.1
Trade Balance	Mil. US dollars	2002	1,971	2,154	1,056	1,734	1,428	1,502	793
Percent of GDP	%	2002	0.8	0.8	0.3	0.6	0.6	0.6	0.3
Current Account Balance	Mill. US dollars	2002	19	17	21	22	25	26	30
Percent of GDP	%	2002	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government Finance									
Fiscal Balance, % of GDP	%	2002	-4.0	-2.0	-2.0	-2.0	-2.0	-1.0	0.0

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	Units	Historical Data Edge	2000	2001	2002	2003	2004	2005	2006
Gross Domestic Product (GDP)									
Real GDP Growth	% change over year ago	2002	3.1	0.9	0.1	0.7	1.9	2.1	1.9
Nominal GDP	Billion US dollars	2002	240	246	267	312	328	349	369
Nominal Per-Capita GDP	US dollars	2002	33,280	33,913	36,708	42,662	44,671	47,187	49,609
Population									
Population	Millions	2001	7.21	7.24	7.28	7.32	7.35	7.39	7.43
Population Growth	% change over year ago	2001	0.7	0.4	0.6	0.5	0.4	0.5	0.5
Inflation									
Consumer Price Index	% change over year ago	2002	1.6	1.0	0.6	0.9	1.3	1.5	1.5
Wholesale Price Index	% change over year ago	2002	0.9	0.5	-0.5	0.1	1.4	1.3	1.4
Exchange Rate (against US dollar)									
Year-end value	LCU/US\$	2002	2	2	1	1	1	1	1
Change over a year ago	%	2002	3.1	1.8	-16.8	-1.4	-3.6	-1.5	-1.5
Year average value	LCU/US\$	2002	2	2	2	1	1	1	1
Change over a year ago	%	2002	12.7	0.0	-7.7	-12.2	-1.8	-2.4	-2.0
Interest Rates									
Short-term	% per annum	2002	3.2	2.9	1.1	0.5	1.6	2.3	2.3
Long-term	% per annum	2002	3.9	3.4	3.2	2.6	3.1	3.3	3.3
Policy rate	% per annum	2002	3.4	1.8	0.6	1.3	2.0	2.3	2.3
Money Supply (end of period)									
Narrow Money Supply	Bil. LCU	2002	203	220	244	262	282	293	305
Change over a year ago	%	2002	-2.0	8.6	10.7	7.6	7.5	4.0	4.0
Broad Money Supply	Bil. LCU	2002	472	498	530	552	563	571	588
Change over a year ago	%	2002	-1.1	5.5	6.5	4.0	2.0	1.5	3.0
Industrial Production									
Change over a year ago	%	2001	8.4	-0.7	-5.1	2.1	3.5	2.4	2.2

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	Units	Historical Data Edge	2000	2001	2002	2003	2004	2005	2006
Retail Sales									
Change over a year ago	%	2002	2.1	2.3	-0.1	0.6	1.5	1.8	1.7
Trade and Current Account									
Merchandise Exports	Mil. US dollars	2002	74,606	78,086	83,991	97,948	107,044	117,329	127,127
Change over a year ago	%	2002	-2.1	4.7	7.6	16.6	9.3	9.6	8.4
Merchandise Imports	Mil. US dollars	2002	75,839	76,738	79,030	92,956	100,594	111,200	122,252
Change over a year ago	%	2002	0.5	1.2	3.0	17.6	8.2	10.5	9.9
Trade Balance	Mil. US dollars	2002	-1,233	1,348	4,961	4,992	6,450	6,130	4,874
Percent of GDP	%	2002	-0.5	0.5	1.9	1.6	2.0	1.8	1.3
Current Account Balance	Mill. US dollars	2002	32	22	26	31	33	35	35
Percent of GDP	%	2002	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Government Finance									
Fiscal Balance, % of GDP	%	2002	2.0	-1.0	-2.0	-2.0	-1.0	-1.0	-1.0

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	Units	Historical Data Edge	2007	2008	2009	2010	2011	2012	2013
Gross Domestic Product (GDP)									
Real GDP Growth	% change over year ago	2002	1.6	1.8	1.7	1.7	2.0	2.0	2.0
Nominal GDP	Billion US dollars	2002	384	398	412	425	441	457	473
Nominal Per-Capita GDP	US dollars	2002	51,566	53,473	55,178	57,025	59,096	61,242	63,467
Population									
Population	Millions	2001	7.44	7.45	7.46	7.46	7.46	7.46	7.46
Population Growth	% change over year ago	2001	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Inflation									
Consumer Price Index	% change over year ago	2002	1.5	1.5	1.5	1.5	2.0	2.0	2.0
Wholesale Price Index	% change over year ago	2002	1.4	1.4	1.4	1.4	1.0	1.0	1.0
Exchange Rate (against US dollar)									
Year-end value	LCU/US\$	2002	1	1	1	1	1	1	1
Change over a year ago	%	2002	-0.4	-0.4	0.0	0.0	0.0	0.0	0.0
Year average value	LCU/US\$	2002	1	1	1	1	1	1	1
Change over a year ago	%	2002	-0.8	-0.4	0.0	0.0	0.0	0.0	0.0
Interest Rates									
Short-term	% per annum	2002	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Long-term	% per annum	2002	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Policy rate	% per annum	2002	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Money Supply (end of period)									
Narrow Money Supply	Bil. LCU	2002	320	338	357	376	397	419	442
Change over a year ago	%	2002	5.0	5.5	5.5	5.5	5.5	5.5	5.5
Broad Money Supply	Bil. LCU	2002	613	639	666	693	723	753	785
Change over a year ago	%	2002	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Industrial Production									
Change over a year ago	%	2001	2.7	2.9	2.6	2.5	3.0	2.0	3.0

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	Units	Historical Data Edge	2021	2022	2023	2024	2025
Gross Domestic Product (GDP)							
Real GDP Growth	% change over year ago	2002	2.0	2.0	2.0	2.0	1.0
Nominal GDP	Billion US dollars	2002	630	653	676	701	719
Nominal Per-Capita GDP	US dollars	2002	84,430	87,496	90,674	93,968	96,426
Population							
Population	Millions	2001	7.46	7.46	7.46	7.46	7.46
Population Growth	% change over year ago	2001	0.0	0.0	0.0	0.0	0.0
Inflation							
Consumer Price Index	% change over year ago	2002	2.0	1.0	1.0	2.0	2.0
Wholesale Price Index	% change over year ago	2002	1.0	1.0	1.0	1.0	1.0
Exchange Rate (against US dollar)							
Year-end value	LCU/US\$	2002	1	1	1	1	1
Change over a year ago	%	2002	0.0	0.0	0.0	0.0	0.0
Year average value	LCU/US\$	2002	1	1	1	1	1
Change over a year ago	%	2002	0.0	0.0	0.0	0.0	0.0
Interest Rates							
Short-term	% per annum	2002	2.5	2.5	2.5	2.5	2.5
Long-term	% per annum	2002	3.4	3.4	3.4	3.4	3.4
Policy rate	% per annum	2002	2.5	2.5	2.5	2.5	2.5
Money Supply (end of period)							
Narrow Money Supply	Bil. LCU	2002	678	715	755	796	840
Change over a year ago	%	2002	5.5	5.5	5.5	5.5	5.5
Broad Money Supply	Bil. LCU	2002	1,090	1,136	1,184	1,234	1,285
Change over a year ago	%	2002	4.2	4.2	4.2	4.2	4.2
Industrial Production							
Change over a year ago	%	2001	2.0	2.0	2.0	2.0	2.0

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	Units	Historical Data Edge	2021	2022	2023	2024	2025
Retail Sales							
Change over a year ago	%	2002	1.3	1.3	1.3	1.3	1.3
Trade and Current Account							
Merchandise Exports	Mil. US dollars	2002	291,697	308,907	326,824	345,779	365,835
Change over a year ago	%	2002	5.8	5.9	5.8	5.8	5.8
Merchandise Imports	Mil. US dollars	2002	302,641	322,312	343,263	365,575	389,337
Change over a year ago	%	2002	6.4	6.5	6.5	6.5	6.5
Trade Balance	Mil. US dollars	2002	-10,944	-13,405	-16,439	-19,795	-23,502
Percent of GDP	%	2002	-1.7	-2.1	-2.4	-2.8	-3.3
Current Account Balance	Mill. US dollars	2002	41	42	43	44	44
Percent of GDP	%	2002	0.0	0.0	0.0	0.0	0.0
Government Finance							
Fiscal Balance, % of GDP	%	2002	0.0	0.0	0.0	0.0	0.0

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	Units	Historical Data Edge	1981-1985	1986-1990	1991-1995	1996-2000	2001-2005	2006-2010
Gross Domestic Product (GDP)								
Real GDP Growth	% change (compound average rate)	2002	1.4	2.7	-0.1	1.8	1.1	1.8
Nominal GDP	Bil. US dollars (5-year average)	2002	98	181	256	262	300	398
Nominal Per-Capita GDP	US dollars (5-year average)	2002	15,315	27,391	36,957	36,825	41,028	53,370
Population								
Population	Millions (5-year average)	2001	6.41	6.60	6.93	7.13	7.32	7.45
Population Growth	% change (compound average rate)	2001	0.5	0.7	1.0	0.5	0.5	0.2
Inflation								
Consumer Price Index	% change (compound average rate)	2002	4.3	2.5	3.2	0.7	1.1	1.5
Wholesale Price Index	% change (compound average rate)	2002	3.1	1.1	0.4	-0.8	0.5	1.4
Exchange Rate (against US dollar)								
Year-end value	LCU/US\$ (5-year average)	2002	2	1	1	1	1	1
Change over a year ago	% change (compound average rate)	2002	3.2	-9.3	-2.1	7.4	-4.5	-0.5
Year average value	LCU/US\$ (5-year average)	2002	2	2	1	1	1	1
Change over a year ago	% change (compound average rate)	2002	7.8	-10.7	-3.2	7.4	-4.9	-0.6
Interest Rates								
Short-term	% per annum (5-year average)	2002	#N/A	#N/A	#N/A	#N/A	1.7	2.5
Long-term	% per annum (5-year average)	2002	4.9	4.8	5.3	3.5	3.1	3.3
Policy rate	% per annum (5-year average)	2002	4.1	6.8	3.6	2.0	1.7	2.5
Money Supply (end of period)								
Narrow Money Supply	Bil. LCU	2001	#N/A	118	136	192	260	339
Change over a year ago	% change (compound average rate)	2001	#N/A	3.6	5.4	5.5	7.7	5.1
Broad Money Supply	Bil. LCU	2001	#N/A	334	400	470	543	640
Change over a year ago	% change (compound average rate)	2001	#N/A	6.4	3.1	2.0	3.9	4.0
Industrial Production								
Annual change	% change (compound average rate)	2001	#N/A	#N/A	0.6	4.0	0.4	2.6

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	Units	Historical Data Edge	1981-1985	1986-1990	1991-1995	1996-2000	2001-2005	2006-2010
Retail Sales								
Annual change	% change (compound average rate)	2002	4.2	2.6	-1.1	1.4	1.2	1.4
Trade and Current Account								
Merchandise Exports	Mil. US dollars (5-year average)	2002	24,896	45,964	64,405	75,002	96,880	142,998
Merchandise Imports	Mil. US dollars (5-year average)	2002	28,120	51,428	64,378	74,158	92,104	138,833
Trade Balance	Mil. US dollars (5-year average)	2002	-3,225	-5,464	27	845	4,776	4,166
CA Balance	Mil. US dollars (5-year average)	2002	4.0	7.8	16.8	27.1	29.2	34.4
Government Finance								
Fiscal Balance, % of GDP	percent of GDP	2002	-0.20	1.20	-2.60	-0.60	-1.40	-0.20

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	Units	Historical Data Edge	2011-2015	2016-2020	2021-2025
Gross Domestic Product (GDP)					
Real GDP Growth	% change (compound average rate)	2002	2.0	2.0	1.8
Nominal GDP	Bil. US dollars (5-year average)	2002	474	567	676
Nominal Per-Capita GDP	US dollars (5-year average)	2002	63,547	75,957	90,599
Population					
Population	Millions (5-year average)	2001	7.46	7.46	7.46
Population Growth	% change (compound average rate)	2001	0.0	0.0	0.0
Inflation					
Consumer Price Index	% change (compound average rate)	2002	1.6	1.6	1.6
Wholesale Price Index	% change (compound average rate)	2002	1.0	1.0	1.0
Exchange Rate (against US dollar)					
Year-end value	LCU/US\$ (5-year average)	2002	1	1	1
Change over a year ago	% change (compound average rate)	2002	0.0	0.0	0.0
Year average value	LCU/US\$ (5-year average)	2002	1	1	1
Change over a year ago	% change (compound average rate)	2002	0.0	0.0	0.0
Interest Rates					
Short-term	% per annum (5-year average)	2002	2.5	2.5	2.5
Long-term	% per annum (5-year average)	2002	3.4	3.4	3.4
Policy rate	% per annum (5-year average)	2002	2.5	2.5	2.5
Money Supply (end of period)					
Narrow Money Supply	Bil. LCU	2001	443	579	757
Change over a year ago	% change (compound average rate)	2001	5.5	5.5	5.5
Broad Money Supply	Bil. LCU	2001	786	965	1,186
Change over a year ago	% change (compound average rate)	2001	4.2	4.2	4.2
Industrial Production					
Annual change	% change (compound average rate)	2001	2.4	2.0	2.0

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	Units	Historical Data Edge	2011-2015	2016-2020	2021-2025
Retail Sales					
Annual change	% change (compound average rate)	2002	1.3	1.3	1.3
Trade and Current Account					
Merchandise Exports	Mil. US dollars (5-year average)	2002	187,510	247,217	327,808
Merchandise Imports	Mil. US dollars (5-year average)	2002	187,476	252,740	344,625
Trade Balance	Mil. US dollars (5-year average)	2002	35	-5,523	-16,817
CA Balance	Mil. US dollars (5-year average)	2002	35.1	37.4	42.8
Government Finance					
Fiscal Balance, % of GDP	percent of GDP	2002	0.00	0.00	0.00

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	Units	Historical Data Edge	2000-Q1	2000-Q2	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4
Real GDP										
Quarter-end	Bil. constant lcu	2002-Q4	86	86	87	87	87	87	87	87
Quarterly change	%	2002-Q4	0.9	0.6	0.5	0.5	0.3	0.0	-0.3	-0.3
Change over a year ago	%	2002-Q4	3.5	3.5	3.1	2.5	2.0	1.4	0.6	-0.3
Inflation										
Consumer Price Index										
Quarterly change	%	2003-Q1	0.6	0.3	0.3	0.4	0.0	0.8	-0.2	-0.2
Change over a year ago	%	2003-Q1	1.6	1.6	1.5	1.6	1.0	1.5	1.0	0.4
Wholesale Price Index										
Quarterly change	%	2003-Q1	0.2	0.3	0.1	0.1	0.0	0.6	-0.1	-0.4
Change over a year ago	%	2003-Q1	0.9	1.3	0.7	0.8	0.6	0.8	0.6	0.0
Exchange Rate (against US dollar)										
Quarter-end	LCU/US\$	2003-Q1	1.66	1.63	1.74	1.64	1.73	1.79	1.62	1.67
Quarterly change	%	2003-Q1	4.4	-1.8	6.7	-5.7	5.5	3.5	-9.5	3.1
Change over a year ago	%	2003-Q1			16.0	3.1	4.2	9.8	-6.9	1.8
Quarter average	LCU/US\$	2003-Q1	1.63	1.68	1.71	1.74	1.66	1.75	1.69	1.65
Quarterly change	%	2003-Q1	5.8	3.1	1.8	1.8	-4.6	5.4	-3.4	-2.4
Change over a year ago	%	2003-Q1	14.0	11.3	11.8	13.0	1.8	4.2	-1.2	-5.2
Interest Rates										
Short-term	% per annum	2003-Q1	2.48	3.27	3.51	3.45	3.39	3.21	2.88	1.98
Long-term	% per annum	2003-Q1	3.94	4.09	3.92	3.75	3.44	3.49	3.33	3.28
Policy rate	% per annum	2003-Q1	2.86	3.40	3.59	3.37	3.33	3.24	2.28	1.84
Money Supply (end of period)										
Narrow Money Supply										
Quarterly change	%	2003-Q1	-0.2	-2.3	-1.7	2.2	-1.4	2.0	0.7	7.3
Change over a year ago	%	2003-Q1	1.8	-3.6	-4.9	-2.0	-3.2	1.1	3.5	8.6
Broad Money Supply										
Quarterly change	%	2003-Q1	-0.9	-1.8	-0.4	2.1	1.3	0.9	-0.6	3.8

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	Units	Historical Data Edge	2000-Q1	2000-Q2	2000-Q3	2000-Q4	2001-Q1	2001-Q2	2001-Q3	2001-Q4
Change over a year ago	%	2003-Q1	-1.7	-2.7	-2.5	-1.1	1.1	4.0	3.8	5.5
Industrial Production										
Quarterly change	%	2002-Q4	-4.9	3.2	-1.7	9.7	-5.7	0.2	-5.8	4.4
Change over a year ago	%	2002-Q4	11.4	8.9	7.9	5.9	5.0	2.0	-2.3	-7.0
Retail Sales										
Quarterly change	%	2002-Q4	-2.2	-0.5	1.7	0.8	0.5	-0.2	0.9	0.6
Change over a year ago	%	2002-Q4	2.5	3.5	2.9	-0.3	2.5	2.8	2.1	1.8
Merchandise Trade										
Exports, quarterly total	Mil. US dollars	2003-Q1	18,529	18,586	18,246	19,260	20,343	19,290	18,502	19,941
Quarterly change	%	2003-Q1	-10.6	0.3	-1.8	5.6	5.6	-5.2	-4.1	7.8
Change over a year ago	%	2003-Q1	-1.7	1.4	-0.2	-7.1	9.8	3.8	1.4	3.5
Imports, quarterly total	Mil. US dollars	2003-Q1	18,948	18,766	18,385	19,755	20,234	19,126	18,414	18,955
Quarterly change	%	2003-Q1	-4.3	-1.0	-2.0	7.5	2.4	-5.5	-3.7	2.9
Change over a year ago	%	2003-Q1	-0.4	3.4	-0.1	-0.2	6.8	1.9	0.2	-4.0
Trade Balance, quarterly total	Mil. US dollars	2003-Q1	-420	-180	-139	-495	109	164	89	986
Change over a year ago	%	2003-Q1	121.1	-199.9	6.7	-152.9	-125.9	-191.0	-163.6	-299.3

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	Units	Historical Data Edge	2002-Q1	2002-Q2	2002-Q3	2002-Q4	2003-Q1	2003-Q2	2003-Q3	2003-Q4
Real GDP										
Quarter-end	Bil. constant lcu	2002-Q4	87	87	87	88	88	88	88	88
Quarterly change	%	2002-Q4	-0.1	0.3	0.4	0.3	0.0	0.1	0.1	0.5
Change over a year ago	%	2002-Q4	-0.6	-0.4	0.3	1.0	1.0	0.8	0.5	0.7
Inflation										
Consumer Price Index										
Quarterly change	%	2003-Q1	0.2	0.9	-0.6	0.5	0.2	0.5	0.0	0.1
Change over a year ago	%	2003-Q1	0.6	0.7	0.3	1.0	1.0	0.6	1.2	0.7
Wholesale Price Index										
Quarterly change	%	2003-Q1	-0.3	0.2	0.0	-0.2	-0.1	0.1	0.3	0.4
Change over a year ago	%	2003-Q1	-0.3	-0.7	-0.6	-0.4	-0.1	-0.2	0.1	0.6
Exchange Rate (against US dollar)										
Quarter-end	LCU/US\$	2003-Q1	1.68	1.47	1.48	1.39	1.36	1.36	1.38	1.37
Quarterly change	%	2003-Q1	0.6	-12.5	0.7	-6.1	-2.2	0.0	1.5	-0.7
Change over a year ago	%	2003-Q1	-2.9	-17.9	-8.6	-16.8	-19.0	-7.5	-6.8	-1.4
Quarter average	LCU/US\$	2003-Q1	1.68	1.59	1.49	1.47	1.37	1.36	1.38	1.37
Quarterly change	%	2003-Q1	1.8	-5.4	-6.3	-1.3	-6.8	-0.5	1.0	-0.5
Change over a year ago	%	2003-Q1	1.2	-9.1	-11.8	-10.9	-18.5	-14.3	-7.6	-6.8
Interest Rates										
Short-term	% per annum	2003-Q1	1.71	1.35	0.77	0.70	0.49	0.27	0.42	0.92
Long-term	% per annum	2003-Q1	3.61	3.43	3.07	2.69	2.44	2.48	2.58	2.73
Policy rate	% per annum	2003-Q1	1.64	1.24	0.75	0.62	0.31	0.25	0.75	1.25
Money Supply (end of period)										
Narrow Money Supply										
Quarterly change	%	2003-Q1	-1.0	2.3	3.9	5.3	10.8	-8.1	1.1	4.5
Change over a year ago	%	2003-Q1	9.0	9.3	12.8	10.7	24.0	11.4	8.4	7.6
Broad Money Supply										
Quarterly change	%	2003-Q1	0.5	0.9	1.4	3.6	3.8	-0.4	-0.5	1.1

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	Units	Historical Data Edge	2002-Q1	2002-Q2	2002-Q3	2002-Q4	2003-Q1	2003-Q2	2003-Q3	2003-Q4
Change over a year ago	%	2003-Q1	4.7	4.6	6.7	6.5	10.0	8.6	6.5	4.0
Industrial Production										
Quarterly change	%	2002-Q4	-8.8	6.4	-4.7	5.9	-5.4	6.6	-4.3	6.5
Change over a year ago	%	2002-Q4	-10.1	-4.5	-3.4	1.4	1.6	1.8	2.2	2.8
Retail Sales										
Quarterly change	%	2002-Q4	1.1	-3.4	1.1	0.1	2.3	-2.7	1.1	0.1
Change over a year ago	%	2002-Q4	2.4	-0.9	-0.7	-1.1	0.1	0.8	0.8	0.8
Merchandise Trade										
Exports, quarterly total	Mil. US dollars	2003-Q1	18,980	21,160	21,342	22,528	23,327	25,597	23,653	25,395
Quarterly change	%	2003-Q1	-4.8	11.5	0.9	5.6	3.5	9.7	-7.6	7.4
Change over a year ago	%	2003-Q1	-6.7	9.7	15.3	13.0	22.9	21.0	10.8	12.7
Imports, quarterly total	Mil. US dollars	2003-Q1	18,386	20,202	20,018	20,445	22,826	24,295	22,653	23,206
Quarterly change	%	2003-Q1	-3.0	9.9	-0.9	2.1	11.6	6.4	-6.8	2.4
Change over a year ago	%	2003-Q1	-9.1	5.6	8.7	7.9	24.2	20.3	13.2	13.5
Trade Balance, quarterly total	Mil. US dollars	2003-Q1	595	958	1,324	2,083	501	1,302	1,000	2,189
Change over a year ago	%	2003-Q1	446.6	485.7	1393.6	111.4	-15.8	35.9	-24.5	5.1

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	Units	Historical Data Edge	2004-Q1	2004-Q2	2004-Q3	2004-Q4	2005-Q1
Real GDP							
Quarter-end	Bil. constant lcu	2002-Q4	89	90	90	90	91
Quarterly change	%	2002-Q4	0.9	0.5	0.1	0.6	1.1
Change over a year ago	%	2002-Q4	1.6	2.0	2.0	2.1	2.3
Inflation							
Consumer Price Index							
Quarterly change	%	2003-Q1	0.6	0.3	0.3	0.2	0.6
Change over a year ago	%	2003-Q1	1.2	1.1	1.3	1.5	1.4
Wholesale Price Index							
Quarterly change	%	2003-Q1	0.6	0.1	0.3	0.4	0.4
Change over a year ago	%	2003-Q1	1.4	1.4	1.4	1.4	1.2
Exchange Rate (against US dollar)							
Quarter-end	LCU/US\$	2003-Q1	1.35	1.34	1.34	1.32	1.32
Quarterly change	%	2003-Q1	-1.5	-0.7	0.0	-1.5	0.0
Change over a year ago	%	2003-Q1	-0.7	-1.5	-2.9	-3.6	-2.2
Quarter average	LCU/US\$	2003-Q1	1.31	1.35	1.34	1.33	1.32
Quarterly change	%	2003-Q1	-4.1	2.6	-0.6	-0.7	-0.8
Change over a year ago	%	2003-Q1	-4.1	-1.1	-2.7	-2.9	0.5
Interest Rates							
Short-term	% per annum	2003-Q1	1.25	1.58	1.75	2.00	2.25
Long-term	% per annum	2003-Q1	2.89	3.04	3.15	3.27	3.30
Policy rate	% per annum	2003-Q1	1.25	1.75	1.75	2.00	2.25
Money Supply (end of period)							
Narrow Money Supply							
Quarterly change	%	2003-Q1	10.7	-8.1	1.1	4.5	7.1
Change over a year ago	%	2003-Q1	7.5	7.5	7.5	7.5	4.0
Broad Money Supply							
Quarterly change	%	2003-Q1	1.8	-0.4	-0.5	1.1	1.3

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	Units	Historical Data Edge	2004-Q1	2004-Q2	2004-Q3	2004-Q4	2005-Q1
Change over a year ago	%	2003-Q1	2.0	2.0	2.0	2.0	1.5
Industrial Production							
Quarterly change	%	2002-Q4	-4.8	6.6	-4.3	6.5	-5.8
Change over a year ago	%	2002-Q4	3.5	3.5	3.5	3.5	2.4
Retail Sales							
Quarterly change	%	2002-Q4	3.1	-2.7	1.1	0.1	3.4
Change over a year ago	%	2002-Q4	1.5	1.5	1.5	1.5	1.8
Merchandise Trade							
Exports, quarterly total	Mil. US dollars	2003-Q1	24,941	27,769	26,192	28,168	27,646
Quarterly change	%	2003-Q1	-1.8	11.3	-5.7	7.5	-1.9
Change over a year ago	%	2003-Q1	6.9	8.5	10.7	10.9	10.8
Imports, quarterly total	Mil. US dollars	2003-Q1	24,224	26,091	24,784	25,521	26,805
Quarterly change	%	2003-Q1	4.4	7.7	-5.0	3.0	5.0
Change over a year ago	%	2003-Q1	6.1	7.4	9.4	10.0	10.7
Trade Balance, quarterly total	Mil. US dollars	2003-Q1	717	1,678	1,409	2,646	842
Change over a year ago	%	2003-Q1	43.2	28.9	40.8	20.9	17.4

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	Units	Historical Data Edge	Jan-00	Feb-00	Mar-00	Apr-00	May-00	Jun-00	Jul-00	Aug-00
Retail Sales										
Monthly change	%	Jan-03	-6.5	5.0	-1.3	-4.0	3.4	1.7	-5.2	8.7
Change over a year ago	%	Jan-03	2.9	5.4	-0.6	3.8	7.8	-0.6	-1.1	4.4
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	5,377	6,344	6,808	5,561	6,704	6,321	6,272	5,489
Monthly change	%	Mar-03	-14.9	18.0	7.3	-18.3	20.6	-5.7	-0.8	-12.5
Change over a year ago	%	Mar-03	-6.8	6.9	-4.7	-6.9	14.9	-3.2	1.9	2.8
12-month moving total	Mil. US dollars	Mar-03	75,798	76,210	75,878	75,467	76,339	76,130	76,249	76,399
Imports	Mil. US dollars	Mar-03	5,697	6,243	7,008	5,727	6,646	6,392	6,424	5,923
Monthly change	%	Mar-03	-13.3	9.6	12.3	-18.3	16.0	-3.8	0.5	-7.8
Change over a year ago	%	Mar-03	3.6	1.6	-5.2	-3.9	15.7	-0.9	3.5	5.0
12-month moving total	Mil. US dollars	Mar-03	75,597	75,698	75,313	75,080	75,982	75,925	76,139	76,419
Trade Balance	Mil. US dollars	Mar-03	-320	101	-201	-167	58	-71	-153	-434
12-month moving total	Mil. US dollars	Mar-03	201	512	565	387	356	206	110	-20

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	Units	Historical Data Edge	Sep-00	Oct-00	Nov-00	Dec-00	Jan-01	Feb-01	Mar-01	Apr-01
Retail Sales										
Monthly change	%	Jan-03	-2.4	-0.1	-2.2	3.9	-0.6	-1.6	1.3	-7.0
Change over a year ago	%	Jan-03	5.5	0.0	-0.6	-0.2	6.1	-0.5	2.1	-1.1
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	6,485	6,540	6,693	6,027	6,516	6,591	7,236	6,208
Monthly change	%	Mar-03	18.1	0.8	2.3	-9.9	8.1	1.2	9.8	-14.2
Change over a year ago	%	Mar-03	-4.5	-9.2	-7.3	-4.6	21.2	3.9	6.3	11.6
12-month moving total	Mil. US dollars	Mar-03	76,097	75,435	74,910	74,620	75,759	76,007	76,434	77,082
Imports	Mil. US dollars	Mar-03	6,038	6,743	6,812	6,199	6,498	6,494	7,243	6,510
Monthly change	%	Mar-03	1.9	11.7	1.0	-9.0	4.8	-0.1	11.5	-10.1
Change over a year ago	%	Mar-03	-7.9	1.0	3.9	-5.6	14.1	4.0	3.3	13.7
12-month moving total	Mil. US dollars	Mar-03	75,900	75,967	76,222	75,854	76,655	76,905	77,139	77,922
Trade Balance	Mil. US dollars	Mar-03	447	-204	-119	-172	18	98	-7	-302
12-month moving total	Mil. US dollars	Mar-03	197	-532	-1,312	-1,233	-895	-899	-705	-840

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	Units	Historical Data Edge	May-01	Jun-01	Jul-01	Aug-01	Sep-01	Oct-01	Nov-01	Dec-01
Retail Sales										
Monthly change	%	Jan-03	4.9	10.3	-10.2	8.4	-5.1	3.1	-2.8	0.8
Change over a year ago	%	Jan-03	0.4	8.9	3.2	2.9	0.1	3.3	2.6	-0.4
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	6,779	6,303	6,503	5,683	6,315	7,418	6,973	5,550
Monthly change	%	Mar-03	9.2	-7.0	3.2	-12.6	11.1	17.5	-6.0	-20.4
Change over a year ago	%	Mar-03	1.1	-0.3	3.7	3.5	-2.6	13.4	4.2	-7.9
12-month moving total	Mil. US dollars	Mar-03	77,157	77,138	77,370	77,564	77,395	78,273	78,553	78,076
Imports	Mil. US dollars	Mar-03	6,528	6,088	6,476	5,860	6,078	7,202	6,422	5,332
Monthly change	%	Mar-03	0.3	-6.7	6.4	-9.5	3.7	18.5	-10.8	-17.0
Change over a year ago	%	Mar-03	-1.8	-4.8	0.8	-1.1	0.7	6.8	-5.7	-14.0
12-month moving total	Mil. US dollars	Mar-03	77,804	77,500	77,551	77,488	77,528	77,987	77,597	76,729
Trade Balance	Mil. US dollars	Mar-03	251	215	28	-177	238	217	551	218
12-month moving total	Mil. US dollars	Mar-03	-647	-362	-181	76	-134	287	957	1,347

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	Units	Historical Data Edge	Jan-02	Feb-02	Mar-02	Apr-02	May-02	Jun-02	Jul-02	Aug-02
Retail Sales										
Monthly change	%	Jan-03	3.1	-1.1	-2.4	-3.6	-1.6	10.1	-6.4	5.8
Change over a year ago	%	Jan-03	3.3	3.8	0.0	3.6	-2.8	-3.0	1.1	-1.3
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	6,375	6,098	6,507	6,882	7,015	7,263	7,921	6,022
Monthly change	%	Mar-03	14.9	-4.3	6.7	5.8	1.9	3.5	9.1	-24.0
Change over a year ago	%	Mar-03	-2.2	-7.5	-10.1	10.9	3.5	15.2	21.8	6.0
12-month moving total	Mil. US dollars	Mar-03	77,935	77,441	76,713	77,387	77,623	78,583	80,001	80,340
Imports	Mil. US dollars	Mar-03	5,938	6,108	6,340	7,005	6,508	6,689	7,591	5,729
Monthly change	%	Mar-03	11.4	2.9	3.8	10.5	-7.1	2.8	13.5	-24.5
Change over a year ago	%	Mar-03	-8.6	-5.9	-12.5	7.6	-0.3	9.9	17.2	-2.2
12-month moving total	Mil. US dollars	Mar-03	76,169	75,783	74,880	75,375	75,355	75,956	77,072	76,940
Trade Balance	Mil. US dollars	Mar-03	437	-10	167	-123	507	574	330	294
12-month moving total	Mil. US dollars	Mar-03	1,766	1,658	1,833	2,012	2,268	2,627	2,929	3,399

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	Units	Historical Data Edge	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03
<i>Inflation</i>										
Consumer Price Index										
Monthly change	%	Apr-03	0.1	0.6	-0.2	-0.1	0.1	0.10	0.40	0.18
Change over a year ago	%	Apr-03	0.5	1.2	0.9	0.9	0.8	0.95	1.34	0.65
Wholesale Price Index										
Monthly change	%	Apr-03	0.1	-0.1	-0.1	0.0	-0.1	-0.10	0.31	-0.10
Change over a year ago	%	Apr-03	-0.6	-0.4	-0.3	-0.4	-0.4	-0.10	0.10	-0.10
<i>Exchange Rate (against US dollar)</i>										
Month-end	LCU/US\$	Apr-03	1.48	1.48	1.49	1.39	1.36	1.36	1.36	1.36
Monthly change	%	Apr-03	-0.7	0.0	0.7	-6.7	-2.2	0.0	0.0	0.0
Change over a year ago	%	Apr-03	-8.6	-9.2	-9.7	-16.8	-20.5	-20.5	-19.0	-16.0
Monthly average	LCU/US\$	Apr-03	1.49	1.49	1.47	1.44	1.38	1.36	1.36	1.38
Monthly change	%	Apr-03	-0.7	0.0	-1.3	-2.0	-4.2	-1.4	0.0	1.5
Change over a year ago	%	Apr-03	-9.1	-8.6	-10.9	-13.3	-17.4	-20.0	-18.6	-16.4
<i>Interest Rates</i>										
Short-term	% per annum	Apr-03	0.8	0.7	0.8	0.6	0.6	0.6	0.3	0.3
Long-term	% per annum	Mar-03	2.8	2.9	2.8	2.4	2.4	2.4	2.5	2.5
Policy rate	% per annum	Apr-03	0.8	0.7	0.8	0.6	0.6	0.6	0.3	0.3
<i>Money Supply (end of period)</i>										
Narrow Money Supply										
Monthly change	%	Mar-03	1.5	1.0	3.7	0.5	-0.2	1.3	9.6	-8.1
Change over a year ago	%	Mar-03	12.8	12.1	12.2	10.7	13.0	13.1	24.0	14.0
Broad Money Supply										
Monthly change	%	Mar-03	0.6	0.7	1.5	1.3	0.8	1.2	1.7	0.1
Change over a year ago	%	Mar-03	6.7	5.6	5.3	6.5	7.9	8.6	10.0	9.5
<i>Industrial Production</i>										
Monthly change	%	Dec-03	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A	#N/A
Change over a year ago	%	Dec-03	#N/A	#N/A	#N/A	0.0	0.0	0.0	0.0	0.0

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	Units	Historical Data Edge	Sep-02	Oct-02	Nov-02	Dec-02	Jan-03	Feb-03	Mar-03	Apr-03
Retail Sales										
Monthly change	%	Jan-03	-5.4	7.3	-8.4	2.2	4.4	0.3	-2.1	-3.6
Change over a year ago	%	Jan-03	-1.7	2.3	-3.5	-2.2	-0.9	0.5	0.8	0.8
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	7,399	8,162	7,592	6,774	7,352	7,862	8,113	8,476
Monthly change	%	Mar-03	22.9	10.3	-7.0	-10.8	8.5	6.9	3.2	4.5
Change over a year ago	%	Mar-03	17.2	10.0	8.9	22.1	15.3	28.9	24.7	23.2
12-month moving total	Mil. US dollars	Mar-03	81,424	82,168	82,787	84,011	84,988	86,752	88,357	89,951
Imports	Mil. US dollars	Mar-03	6,698	7,361	6,869	6,214	7,677	7,324	7,826	8,392
Monthly change	%	Mar-03	16.9	9.9	-6.7	-9.5	23.5	-4.6	6.9	7.2
Change over a year ago	%	Mar-03	10.2	2.2	7.0	16.6	29.3	19.9	23.4	19.8
12-month moving total	Mil. US dollars	Mar-03	77,561	77,720	78,168	79,050	80,789	82,004	83,490	84,878
Trade Balance	Mil. US dollars	Mar-03	701	801	723	560	-324	538	287	84
12-month moving total	Mil. US dollars	Mar-03	3,863	4,447	4,619	4,961	4,199	4,748	4,867	5,073

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	Units	Historical Data Edge	May-03	Jun-03	Jul-03	Aug-03	Sep-03	Oct-03	Nov-03	Dec-03
Retail Sales										
Monthly change	%	Jan-03	-1.6	10.1	-6.4	5.8	-5.4	7.3	-8.4	2.2
Change over a year ago	%	Jan-03	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	8,609	8,512	8,690	6,690	8,273	9,321	8,570	7,504
Monthly change	%	Mar-03	1.6	-1.1	2.1	-23.0	23.7	12.7	-8.1	-12.4
Change over a year ago	%	Mar-03	22.7	17.2	9.7	11.1	11.8	14.2	12.9	10.8
12-month moving total	Mil. US dollars	Mar-03	91,545	92,794	93,564	94,231	95,105	96,263	97,241	97,972
Imports	Mil. US dollars	Mar-03	8,025	7,878	8,450	6,532	7,671	8,479	7,850	6,878
Monthly change	%	Mar-03	-4.4	-1.8	7.3	-22.7	17.4	10.5	-7.4	-12.4
Change over a year ago	%	Mar-03	23.3	17.8	11.3	14.0	14.5	15.2	14.3	10.7
12-month moving total	Mil. US dollars	Mar-03	86,395	87,583	88,442	89,245	90,218	91,335	92,316	92,980
Trade Balance	Mil. US dollars	Mar-03	584	635	241	158	602	842	720	626
12-month moving total	Mil. US dollars	Mar-03	5,150	5,211	5,121	4,986	4,886	4,928	4,925	4,992

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	Units	Historical Data Edge	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04
Retail Sales										
Monthly change	%	Jan-03	5.2	0.3	-2.1	-3.6	-1.6	10.1	-6.4	5.8
Change over a year ago	%	Jan-03	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	7,872	8,365	8,704	9,279	9,237	9,253	9,639	7,427
Monthly change	%	Mar-03	4.9	6.3	4.1	6.6	-0.5	0.2	4.2	-22.9
Change over a year ago	%	Mar-03	7.1	6.4	7.3	9.5	7.3	8.7	10.9	11.0
12-month moving total	Mil. US dollars	Mar-03	98,491	98,994	99,586	100,390	101,018	101,759	102,707	103,444
Imports	Mil. US dollars	Mar-03	8,180	7,734	8,310	9,093	8,522	8,476	9,259	7,164
Monthly change	%	Mar-03	18.9	-5.5	7.5	9.4	-6.3	-0.5	9.2	-22.6
Change over a year ago	%	Mar-03	6.6	5.6	6.2	8.4	6.2	7.6	9.6	9.7
12-month moving total	Mil. US dollars	Mar-03	93,483	93,893	94,378	95,079	95,576	96,174	96,983	97,615
Trade Balance	Mil. US dollars	Mar-03	-308	631	394	186	715	777	380	263
12-month moving total	Mil. US dollars	Mar-03	5,008	5,101	5,209	5,311	5,442	5,585	5,724	5,829

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	Units	Historical Data Edge	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05
Retail Sales										
Monthly change	%	Jan-03	-5.4	7.3	-8.4	2.2	5.5	0.3	-2.1	-3.6
Change over a year ago	%	Jan-03	1.5	1.5	1.5	1.5	1.8	1.8	1.8	1.8
Merchandise Trade										
Exports	Mil. US dollars	Mar-03	9,126	10,311	9,508	8,349	8,759	9,273	9,614	10,183
Monthly change	%	Mar-03	22.9	13.0	-7.8	-12.2	4.9	5.9	3.7	5.9
Change over a year ago	%	Mar-03	10.3	10.6	10.9	11.3	11.3	10.9	10.5	9.7
12-month moving total	Mil. US dollars	Mar-03	104,298	105,288	106,226	107,070	107,957	108,866	109,775	110,679
Imports	Mil. US dollars	Mar-03	8,360	9,284	8,636	7,602	9,068	8,558	9,179	10,007
Monthly change	%	Mar-03	16.7	11.0	-7.0	-12.0	19.3	-5.6	7.3	9.0
Change over a year ago	%	Mar-03	9.0	9.5	10.0	10.5	10.9	10.7	10.5	10.0
12-month moving total	Mil. US dollars	Mar-03	98,305	99,110	99,896	100,620	101,508	102,332	103,201	104,114
Trade Balance	Mil. US dollars	Mar-03	766	1,028	872	747	-309	716	435	176
12-month moving total	Mil. US dollars	Mar-03	5,993	6,178	6,330	6,450	6,449	6,534	6,575	6,565

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	Units	Historical Data Edge	May-05
<i>Inflation</i>			
Consumer Price Index			
Monthly change	%	Apr-03	0.04
Change over a year ago	%	Apr-03	1.40
Wholesale Price Index			
Monthly change	%	Apr-03	0.01
Change over a year ago	%	Apr-03	1.20
<i>Exchange Rate (against US dollar)</i>			
Month-end	LCU/US\$	Apr-03	1.31
Monthly change	%	Apr-03	-0.8
Change over a year ago	%	Apr-03	-3.0
Monthly average	LCU/US\$	Apr-03	1.32
Monthly change	%	Apr-03	-0.4
Change over a year ago	%	Apr-03	-2.6
<i>Interest Rates</i>			
Short-term	% per annum	Apr-03	2.3
Long-term	% per annum	Mar-03	3.3
Policy rate	% per annum	Apr-03	2.3
<i>Money Supply (end of period)</i>			
Narrow Money Supply			
Monthly change	%	Mar-03	-0.2
Change over a year ago	%	Mar-03	4.0
Broad Money Supply			
Monthly change	%	Mar-03	0.0
Change over a year ago	%	Mar-03	1.5
<i>Industrial Production</i>			
Monthly change	%	Dec-03	#N/A
Change over a year ago	%	Dec-03	0.0

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	Units	Historical Data Edge	May-05
Retail Sales			
Monthly change	%	Jan-03	-1.6
Change over a year ago	%	Jan-03	1.8
Merchandise Trade			
Exports	Mil. US dollars	Mar-03	10,156
Monthly change	%	Mar-03	-0.3
Change over a year ago	%	Mar-03	10.0
12-month moving total	Mil. US dollars	Mar-03	111,598
Imports	Mil. US dollars	Mar-03	9,423
Monthly change	%	Mar-03	-5.8
Change over a year ago	%	Mar-03	10.6
12-month moving total	Mil. US dollars	Mar-03	105,015
Trade Balance	Mil. US dollars	Mar-03	734
12-month moving total	Mil. US dollars	Mar-03	6,584

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	Units	Historical Data Edge	May-01	May-02	May-03	May-04	May-05
<i>Inflation</i>							
Consumer Price Index							
Monthly change	%	Apr-03	0.54	0.10	-0.06	0.04	0.04
Change over a year ago	%	Apr-03	1.77	0.65	0.50	1.10	1.40
Wholesale Price Index							
Monthly change	%	Apr-03	-0.12	0.21	0.01	0.01	0.01
Change over a year ago	%	Apr-03	0.66	-0.51	-0.30	1.40	1.20
<i>Exchange Rate (against US dollar)</i>							
Month-end	LCU/US\$	Apr-03	1.80	1.56	1.35	1.35	1.31
Monthly change	%	Apr-03	4.0	-3.7	-0.7	0.0	-0.8
Change over a year ago	%	Apr-03	6.5	-13.3	-13.5	0.0	-3.0
Monthly average	LCU/US\$	Apr-03	1.75	1.59	1.35	1.35	1.32
Monthly change	%	Apr-03	2.3	-3.6	-2.2	0.0	-0.4
Change over a year ago	%	Apr-03	1.7	-9.1	-15.1	0.0	-2.6
<i>Interest Rates</i>							
Short-term	% per annum	Apr-03	3.2	1.2	0.3	1.5	2.3
Long-term	% per annum	Mar-03	3.6	3.5	2.5	3.1	3.3
Policy rate	% per annum	Apr-03	3.2	1.2	0.3	1.5	2.3
<i>Money Supply (end of period)</i>							
Narrow Money Supply							
Monthly change	%	Mar-03	1.7	-0.2	-0.2	-0.2	-0.2
Change over a year ago	%	Mar-03	0.0	5.2	14.0	7.5	4.0
Broad Money Supply							
Monthly change	%	Mar-03	0.7	0.0	0.0	0.0	0.0
Change over a year ago	%	Mar-03	2.6	3.2	9.5	2.0	1.5
<i>Industrial Production</i>							
Monthly change	%	Dec-03	#N/A	#N/A	#N/A	#N/A	#N/A
Change over a year ago	%	Dec-03	#N/A	#N/A	0.0	0.0	0.0

Global Insight
Switzerland -- Monthly Forecast

Last updated: 8-May-03

	Units	Historical Data Edge	May-01	May-02	May-03	May-04	May-05
Retail Sales							
Monthly change	%	Jan-03	4.9	-1.6	-1.6	-1.6	-1.6
Change over a year ago	%	Jan-03	0.4	-2.8	0.8	1.5	1.8
Merchandise Trade							
Exports	Mil. US dollars	Mar-03	6,779	7,015	8,609	9,237	10,156
Monthly change	%	Mar-03	9.2	1.9	1.6	-0.5	-0.3
Change over a year ago	%	Mar-03	1.1	3.5	22.7	7.3	10.0
12-month moving total	Mil. US dollars	Mar-03	77,157	77,623	91,545	101,018	111,598
Imports	Mil. US dollars	Mar-03	6,528	6,508	8,025	8,522	9,423
Monthly change	%	Mar-03	0.3	-7.1	-4.4	-6.3	-5.8
Change over a year ago	%	Mar-03	-1.8	-0.3	23.3	6.2	10.6
12-month moving total	Mil. US dollars	Mar-03	77,804	75,355	86,395	95,576	105,015
Trade Balance	Mil. US dollars	Mar-03	251	507	584	715	734
12-month moving total	Mil. US dollars	Mar-03	-647	2,268	5,150	5,442	6,584

Industries - Sample Report

(This pdf file is for sample purposes only. Global Insight reports are available for download in HTML and Excel formats)

Semiconductors - Detailed Report and Excel Spreadsheets

Last Updated - April 11, 2003

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Semiconductors: Industry Outlook: Bottom Line - March 21, 2003

The Philadelphia Semiconductor Stock Index ended 2002 down 44.6%, and as of March 10, is down another 3.4% year to date. The investor optimism of October 2002, when valuations jumped 50%, appears short-lived. Investors were wary of missing the inevitable rebound and bid up shares of chip firms, as expectations about a broader high-tech recovery for 2003 took hold. This was the second year running when fourth-quarter equity values posted strong gains, although this year, there may indeed be more evidence to support a recovery for 2003.

The latest industry data has been positive. Global semiconductor sales have increased steadily since late 2001, with sales growing 1.3% in 2002. Global Insight expects sales to grow around 8-13% in 2003, as the economy gradually improves and technology investment begins to grow again.

Sales in 2002 increased the most for memory, application-specific logic, and sensor semiconductor chips. Weakness persists in the sales of chips used primarily in computer equipment and communication equipment with the exception of wireless chips. There has also been a geographic shift in semiconductor sales with this recovery. The Asia-Pacific region accounted for 36% of sales and Japan accounted for an additional 22%. Part of this geographic swing is due to the growing importance of China as both a production center and a market for high-tech goods.

In 2002, the global semiconductor industry sold goods worth \$140.7 billion. With a solid economy, sales should top the \$155-billion mark for 2003. The industry should return to its 2000 peak by 2005 at the latest; compared with other manufacturing industries, the steady pace of technological advances will lead to above-average growth for semiconductor makers.

Semiconductors: Industry Outlook: Demand - March 21, 2003

Key end-markets for semiconductors are computers, communication equipment, consumer appliances, industrial equipment, and automobiles. Recent strength has come from consumer demand and strong automotive sales.

With an expected slowdown in automotive sales and production in 2003, as well as concerns about consumer spending in the United States, future semiconductor growth depends on the return of business investment in IT equipment. This investment steadily returned in the latter half of 2002 and should grow slowly in 2003. Global Insight expects growth in IT investment to slowly pick up in 2003, as equipment unit sales improve. Communication equipment investment will take longer to recover due to the weakness in the telecommunication services market and among its suppliers. Recovery here will remain weak, although some growth is a welcome change from the declines experienced since 2000.

Semiconductors: Industry Outlook: Forecast Risk - March 21, 2003

Global Insight's forecast for the semiconductor industry depends on the continuing recovery of the U.S. and world economies. So far, the recovery is proceeding apace. However, the situations in Iraq and North Korea have increased the uncertainty. Consequently, the capital equipment spending rebound that is expected to drive the recovery has been delayed. There is also a growing risk that the recovery could stall. Such a scenario would have a devastating impact on the weakened technology industries, curtailing the recovery among semiconductor firms. In particular, it is likely that the consumer and automotive markets would slow as well, removing a main source of strength for the semiconductor industry. Firms would wait longer to upgrade their IT equipment and delay new technology projects. While outright declines in the computer and electronic component industries are unlikely, a prolonged period of flat sales would cause further pain to semiconductor firms used to the double-digit growth of the late 1990s.

A second risk factor is the value of the U.S. dollar. Since the semiconductor supply chain spans the globe, a sharp depreciation in the value of the dollar will have a heavy impact. For one, prices for U.S. buyers will increase, particularly for memory chips and other semiconductors. Second, if the strong dollar curtails U.S. semiconductor imports, to the benefit of U.S. producers, the Asian economies could suffer disproportionately.

Semiconductors: Industry Outlook: Prices - March 21, 2003

The producer price index (PPI) for semiconductors fell 1.0% in the fourth quarter and 3.3% for 2002. Spot DRAM prices have remained in the \$2.50-3.50 range throughout most of 2002 and averaged \$2.90 the week of March 7, 2003. Global Insight forecasts the PPI will fall 4.7% in 2003, with the largest declines coming from microprocessor chips.

By contrast, the average selling price for semiconductors fell 10.7%, to \$0.419 per chip in 2002. Large increases in memory, logic, and discrete chip prices in the early part of the year were reversed, as demand did not accelerate and production capacity was ample. Global Insight expects the average selling price for semiconductors to fall an additional 4.7% in 2003 and 13.1% in 2004.

Semiconductors: Industry Outlook: Supply - March 21, 2003

Capacity utilization rates have remained flat, both in the United States and globally. U.S. capacity utilization remains around 66%, no different than in August 2002. Globally, the situation is better, with capacity utilization rates at 82% for the fourth quarter of 2002. The closely watched Taiwanese foundries, Taiwan Semiconductor and United Microelectronics, also boasted rates close to 70%, but they have predicted declines in the months to come to perhaps as low as 50%. Production capacity has continued to grow as wafer sizes reach 300mm and etching processes shrink to 90 nanometers. Hence, despite industry consolidation, the semiconductor industry can still satisfy demand for most products.

China continues to attract a great deal of foreign direct investment in new semiconductor equipment. With a new investment or joint venture deals announced almost daily, China represents a huge source of future supply, as well as a major market. Global Insight expects China to produce the majority of Asian semiconductors within the next two to three years.

Semiconductors: Industry Profile: Key Players - March 21, 2003

The following table lists the top 20 firms in the Dow Jones market group of semiconductor firms. The ranking is determined by 2002 sales.

	2002 Sales (Millions of U.S. dollars)	Revenue per Employee (U.S. dollars)
Samsung Electronics Company Ltd	35,344*	758,937
Intel Corp	26,764	318,213
Flextronics International Ltd	12,910	N/A
Sanmina-SCI Corp	8,762	83,119
Texas Instruments Inc	8,383	236,177
ST Microelectronics	6,304*	N/A
Infineon Technologies	5,140	152,880
Hynix Semiconductor Inc.	4,025*	295,632
Taiwan Semiconductor Manufacturing Co	3,598*	N/A
Tokyo Electron Ltd	3,146	560,095
Advanced Micro Devices Inc	2,697	269,979
Micron Technology Inc	2,589	217,453
Rohm Co Ltd	2,419	213,735
Agere Systems Inc	2,177	283,333
United Microelectronics Corp	2,063*	N/A
LSI Logic Corp	1,817	264,943
Analog Devices Inc	1,708	252,991
National Semiconductor Corp	1,495	205,107
Xilinx Inc	1,016	619,626
Ibiden Company Ltd	1,596	317,177

(*Indicates 2001 sales. All sales figures are total company revenues, including sales of products other than semiconductors.)

Semiconductors: Industry Profile: Overview - March 21, 2003

With \$140.7 billion in 2002 sales and global supply chains, the semiconductor industry contains some multinational giants. Nevertheless, the industry concentration remains relatively low. The top ten firms represent 32% of the total market, while the next-largest 20 firms represent an additional 16%. This leaves roughly half of the market serviced by firms with annual sales under \$500 million. Part of the reason for this competitiveness is the trend toward the use of design firms and foundries. The rise of foundries—Taiwan Semiconductor and United Microelectronics are the two largest—has allowed small semiconductor firms to design cutting-edge semiconductor chips and then outsource the manufacturing. The traditional barrier to entry of large capital investments in fabrication plants has been eliminated.

The smaller chip firms usually carve out their niche in specialty products like graphics chips, wireless communication chips, or semiconductors for the military and communication firms. One side effect of this industry structure is the increasing importance of claiming and defending intellectual property and patents.

Semiconductors: News and Views: News and Highlights - March 21, 2003

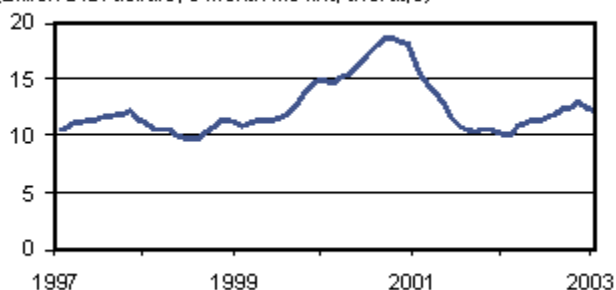
In January 2003, the three-month moving average of global semiconductor sales tallied \$12.2 billion, a small 2.4% decrease from December's level, but a 22.0% increase from a year ago. For 2002, global sales climbed 1.3%.

The book-to-bill ratio for semiconductor equipment manufacturers dropped slightly to 0.92 in January, from 0.94 in December, but was above its recent October low of 0.78. Indicating \$92 of new orders for every hundred dollars of sales, the statistic points to reduced capital spending by semiconductor firms and highlights a certain vulnerability and shakiness for the industry's recovery.

The producer price index (PPI) for semiconductors fell 1.0% in the fourth quarter and 3.3% for 2002. Spot DRAM prices continue to slide, averaging \$2.90–3.00 in February. January's average selling price for all semiconductors was flat, compared with last year. Global Insight forecasts the semiconductor PPI to fall 4.7% in 2003.

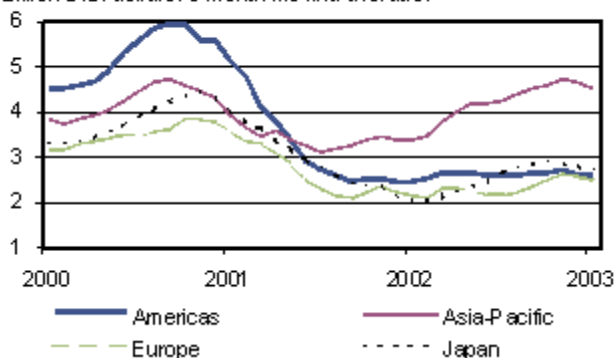
World Semiconductor Shipments Rebound...

(Billion U.S. dollars, 3-month moving average)



...With Asia Leading the Recovery.

(Billion U.S. dollars, 3-month moving average)



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**GLOBAL INSIGHT FIRST QUARTER 2003 FORECAST
SEMICONDUCTORS**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
REVENUE										
Revenue Electronic Components & Acces. Billions of '96\$	128.0	149.7	166.3	185.0	234.8	190.5	192.0	229.6	285.1	319.5
%	10.2	17.0	11.1	11.3	26.9	-18.8	0.8	19.6	24.2	12.1
END MARKET ACTIVITY										
Revenue Computer & Office Mach. Billions of '96\$	103.7	144.4	229.9	323.6	453.1	470.4	534.0	626.8	743.9	816.5
%	48.8	39.2	59.2	40.8	40.0	3.8	13.5	17.4	18.7	9.8
Revenue Communications Equip. Billions of '96\$	67.7	76.5	85.7	103.2	127.9	105.3	80.2	75.6	80.3	83.5
%	15.4	12.9	12.1	20.3	24.0	-17.7	-23.8	-5.8	6.2	4.1
Revenue Motor Vehicles & Parts Billions of '96\$	329.5	351.0	365.2	407.0	393.8	353.6	392.9	392.7	403.3	413.9
%	-0.3	6.5	4.0	11.4	-3.3	-10.2	11.1	-0.1	2.7	2.6
Revenue Industrial Machinery & Equip. Billions of '96\$	382.2	437.4	533.7	627.5	777.4	774.7	829.6	922.3	1054.6	1143.8
%	13.1	14.5	22.0	17.6	23.9	-0.3	7.1	11.2	14.4	8.5
EMPLOYMENT										
Employment Electronic Components & Acces. Millions of People	0.615	0.650	0.660	0.640	0.688	0.660	0.560	0.515	0.495	0.523
%	5.6	5.7	1.5	-3.0	7.4	-4.0	-15.2	-8.0	-3.9	5.6
PRICES AND INPUT COSTS										
PPI Semiconductors & Related Devices (12/98=1.0)	1.224	1.107	1.017	0.974	0.911	0.868	0.839	0.799	0.762	0.726
%	-7.1	-9.6	-8.1	-4.2	-6.5	-4.7	-3.3	-4.7	-4.7	-4.7
Average Selling Price Worldwide Total Semiconductor Products US\$	0.613	0.537	0.487	0.497	0.546	0.469	0.419	0.399	0.347	0.333
%	--	-12.3	-9.4	2.1	9.8	-14.0	-10.7	-4.7	-13.1	-4.2
PPI Microprocessors (12/98=1.0)	60.289	38.164	13.043	5.203	1.770	0.782	0.428	0.305	0.219	0.109
%	-21.4	-36.7	-65.8	-60.1	-66.0	-55.8	-45.3	-28.7	-28.2	-50.4

World Average Selling Price Total											
Microprocessors US\$	73.11	85.86	84.18	83.19	81.68	78.61	75.34	65.24	63.36	67.86	
%	--	17.4	-2.0	-1.2	-1.8	-3.8	-4.2	-13.4	-2.9	7.1	
AHE Semiconductors & Related											
Devices (wage \$/hr)	15.53	16.17	17.59	18.42	19.37	20.60	21.82	22.50	23.43	24.37	
%	6.5	4.2	8.8	4.7	5.2	6.4	5.9	3.2	4.1	4.0	

ECONOMIC DRIVERS

Real Business Investment in										
Computer Equip. Billions of '96\$	70.9	102.9	147.7	207.4	246.4	239.9	283.7	337.9	405.0	489.2
%	44.1	45.2	43.5	40.4	18.8	-2.6	18.2	19.1	19.9	20.8
Real Business Investment In										
Communications Equip. Billions of										
'96\$	65.6	74.5	85.6	102.5	132.1	105.8	94.9	94.4	100.1	105.5
%	12.1	13.6	14.9	19.7	28.8	-19.9	-10.3	-0.5	6.1	5.3

Where PPI = Producer Price Index & CPI = Consumer Price Index