

# CHART OF THE WEEK

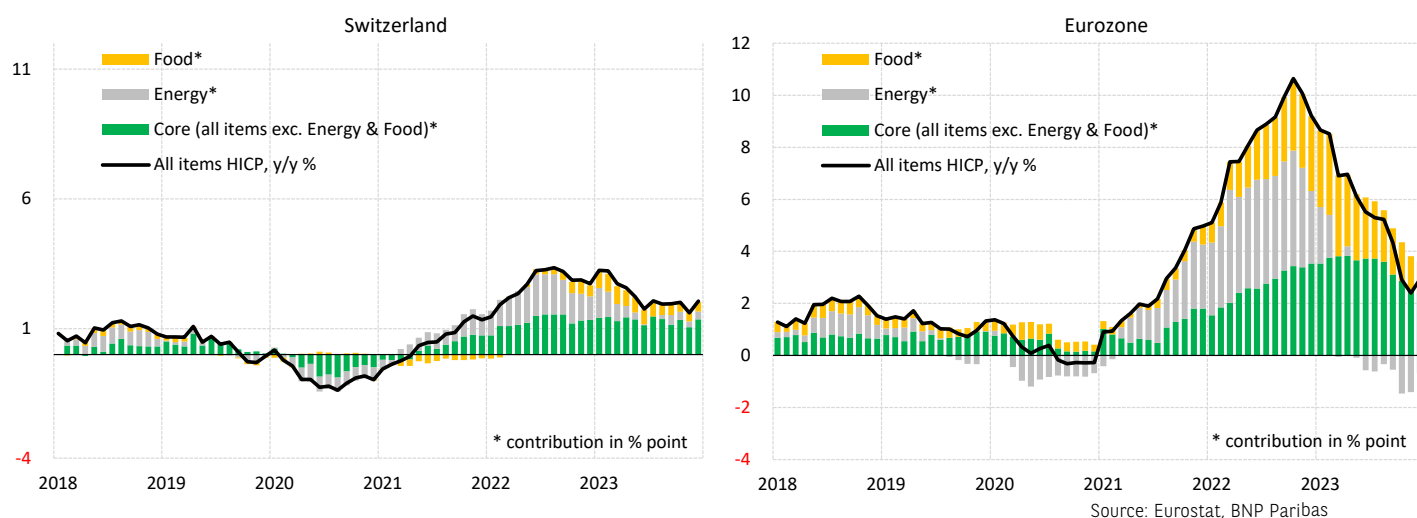


7 February 2024

## INFLATION IN EUROPE: THE SWISS EXCEPTION

Lucie Barette

### Contributions to inflation



The sharp rise in inflation seen in Europe since 2021 has mainly been caused by the increase in the cost of energy (gas, electricity, and oil products), which have subsequently spread to the other components of the Harmonised Index of Consumer Prices (HICP). While euro area inflation peaked at 10.6% y/y in October 2022, Swiss inflation has never exceeded 3.3% y/y, in July-August 2022. The country has been able to avoid the damaging high-inflation shock seen in the Eurozone thanks to its structural characteristics, most notably its energy mix, as well as thanks to its strong currency.

Switzerland's energy mix depends only on 2% of fossil fuels<sup>1</sup>. By contrast, this figure stands at 38% in the Eurozone. The weight from hydropower energy (68%), nuclear energy (19%) and photovoltaic and wind energy (11%) has enabled the Swiss economy to be moderately impacted by the increase in gas prices from Russia<sup>2</sup> and by the surge in oil prices (with energy price inflation reaching +29% y/y at its highest between 2021 and 2022, compared to +44% y/y in the euro area over the same period). Energy also accounts for a lower share of household consumer spending, meaning that the weight assigned to its contribution when calculating inflation is automatically lower than in the Eurozone (5.5% compared to 10.2%, respectively). As a result, the energy component has only contributed 38% to Switzerland's headline inflation on average, compared with 54% in the euro area. The first-round effects of this shock have then spread to the other HICP components. However, as the rise in energy prices has generally been contained in Switzerland, no significant increases have been seen in the food and core components either.

The appreciation of the Swiss franc has also helped to contain inflation by reducing the cost of imported goods and services. This strategy has helped the country to get an even firmer grip on the prices of imported oil and gas, which are largely traded in EUR and USD. Due to this limited rise in prices, the Swiss National Bank has also become one of the last central banks to emerge from the negative interest rates period. It has also only hiked its rates five times since mid-2022 (250 basis points in total), taking the nominal interest rate to 1.75% and thereby leaving the real rate in negative territory (with inflation standing at around 2% y/y at the end of 2023).

<sup>1</sup> 2% of Switzerland's total energy consumption is dependent on fossil fuels.

<sup>2</sup> Russian gas accounted for 41% of Switzerland's gas imports in 2021, and thus accounted for only 4% of its energy mix.

lucie.barette@bnpparibas.com

ECONOMIC RESEARCH



BNP PARIBAS

The bank  
for a changing  
world

## ECOCONJONCTURE

Structural or thematic topics.

## ECOEMERGING

Analyses and forecasts for a selection of emerging economies.

## ECOPERSPECTIVES

Analyses and forecasts with a focus on developed countries.

## ECOFLASH

Data releases, major economic events.

## ECOWEEK

Recent economic and policy developments, data comments, economic calendar, forecasts.

## ECOCHARTS

Easy-to-read monthly overview of inflation dynamics in the main developed economies.

## ECOPULSE

Monthly barometer of key economic indicators of the main OECD countries.

## MACROWAVES

Our economic podcast.

HOW TO RECEIVE OUR PUBLICATIONS

**SUBSCRIBE ON OUR WEBSITE**  
see the Economic Research website

&

**FOLLOW US ON LINKEDIN**  
see the Economic Research linkedin page

**OR TWITTER**  
see the Economic Research Twitter page



The information and opinions contained in this document have been obtained from, or are based on, public sources believed to be reliable, but there is no guarantee of the accuracy, completeness or fitness for any particular purpose of such information and such information may not have been independently verified by BNPP or by any person. None of BNPP, any of its subsidiary undertakings or affiliates or its members, directors, officers, agents or employees accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, as to the accuracy and completeness of the information or any opinions based thereon and contained in this document and it should not be relied upon as such. This document does not constitute research, as defined under MIFID II, or form any part of any offer to sell or issue and is not a solicitation of any offer to purchase any financial instrument, nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on, in connection with any contract or investment decision. Information and opinions contained in this document are published for the information of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient, are subject to change without notice. In providing this document, BNPP does not offer investment, financial, legal, tax or any other type of advice to, nor has any fiduciary duties towards, recipients. Any reference to past performance is not indicative of future performance, which may be better or worse than prior results. Any hypothetical, past performance simulations are the result of estimates made by BNPP, as of a given moment, on the basis of parameters, market conditions, and historical data selected by BNPP, and should not be used as guidance, in any way, of future performance. To the fullest extent permitted by law, no BNPP group company accepts any liability whatsoever (including in negligence) for any direct or consequential loss arising from any use of or reliance on material contained in this document even when advised of the possibility of such losses. All estimates and opinions included in this document are made as of the date of this document. Unless otherwise indicated in this document there is no intention to update this document. BNPP may make a market in, or may, as principal or agent, buy or sell securities of any issuer or person mentioned in this document or derivatives thereon. Prices, yields and other similar information included in this document are included for information purposes however numerous factors will affect market pricing at any particular time, such information may be subject to rapid change and there is no certainty that transactions could be executed at any specified price. BNPP may have a financial interest in any issuer or person mentioned in this document, including a long or short position in their securities and/or options, futures or other derivative instruments based thereon, or vice versa. BNPP, including its officers and employees may serve or have served as an officer, director or in an advisory capacity for any person mentioned in this document. BNPP may, from time to time, solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) within the last 12 months for any person referred to in this document. BNPP may be a party to an agreement with any person relating to the production of this document. BNPP may to the extent permitted by law, have acted upon or used the information contained herein or in the document, or the analysis on which it was based, before the document was published. BNPP may receive or intend to seek compensation for investment banking services in the next three months from or in relation to any person mentioned in this document. Any person mentioned in this document may have been provided with relevant sections of this document prior to its publication in order to verify its factual accuracy.

This document was produced by a BNPP group company. This document is for the use of intended recipients and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without the prior written consent of BNPP. By accepting or accessing this document you agree to this.

BNP Paribas is a société anonyme incorporated in France, licensed and supervised as a credit institution by the European Central Bank (ECB) and as an investment services provider by the Autorité de contrôle prudentiel et de résolution (ACPR) and Autorité des marchés financiers (AMF), and having its registered office at 16, boulevard des Italiens, 75009 Paris, France.

Some or all of the information contained in this document may already have been published on <https://globalmarkets.bnpparibas.com>.

For country-specific disclaimers (United States, Canada, United Kingdom, Germany, Belgium, Ireland, Italy, Netherlands, Portugal, Spain, Switzerland, Brazil, Turkey, Israel, Bahrain, South Africa, Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand, Vietnam) please type the following URL to access the applicable legal notices: [https://globalmarkets.bnpparibas.com/gm/home/Markets\\_360\\_Country\\_Specific\\_Notices.pdf](https://globalmarkets.bnpparibas.com/gm/home/Markets_360_Country_Specific_Notices.pdf)  
© BNP Paribas (2023). All rights reserved.

Published by BNP PARIBAS Economic Research

Head office: 16 boulevard des Italiens - 75009 Paris France / Phone : +33 (0) 1.42.98.12.34  
Internet: [group.bnpparibas](http://group.bnpparibas) - [www.economic-research.bnpparibas.com](http://www.economic-research.bnpparibas.com)

Head of publication : Jean Lemierre / Chief editor: William De Vijlder

