

Press Relations

P.O. Box, CH-8022 Zurich
Telephone +41 1 631 31 11
Telefax +41 1 631 39 10
www.snb.ch
snb@snb.ch

Zurich, 14 September 2000

Press release

Monetary policy decisions for the 4th quarter 2000

Tighter monetary policy to be continued - unchanged target range of 3%-4% for the 3-month Libor rate

On 14 September 2000, the Swiss National Bank decided to adhere to the tighter monetary policy implemented in the summer. It intends to keep the 3-month Libor rate in the middle of the target range of 3%-4% for the time being. The target range had last been raised by half a percentage point to the present level on 15 June.

The growth of real gross domestic product in the first half of 2000 averaged 3.8%, clearly exceeding the previous year's level. Stimulating factors emanated both from abroad and from within Switzerland. Particularly noteworthy was the vigorous pickup in investment activity and exports. The supply surplus still existing at the start of the year was reduced steadily so that in the second quarter overall economic capacities were again almost fully utilised for the first time in eight years. This was particularly evident in the labour market where there were increasing signs of a tight employment situation. In the second quarter, economic growth again weakened somewhat compared with the previous period.

Annual inflation measured by the national consumer price index moved up by 0.6 percentage points to 2.0% between April and July before again receding to 1.3% in August. The predominant influence emanated from oil prices, which rose by leaps and bounds in June and declined again temporarily in the weeks that followed. Price increases for domestic goods were gratifyingly moderate. It must also be remembered, however, that economic developments impact on price developments with a considerable time lag.

Leading indicators such as the development of incoming orders in industry point to a continued and broadly-based economic upswing in the next few quarters. It is, however, expected to proceed at a more relaxed pace than at the beginning of the year. For the year 2000 the National Bank anticipates average economic growth of just over 3% and for the coming year approximately 2%.

In mid-June, the National Bank had signalled a rise in inflation to probably more than 2% in 2001 as a result of the vigorous economic upswing. With the tighter monetary policy, however, it could again be expected to drop below 2% in 2002, i.e. a level which the National Bank equates with price stability. A review of monetary policy for the 4th quarter showed that this assessment remains basically unchanged.

Swiss National Bank