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Press release

Monetary policy assessment of 15 September 2011

Swiss National Bank enforces minimum exchange rate with utmost determination

The Swiss National Bank will enforce the minimum exchange rate of CHF 1.20 per euro set on 6 September with the utmost determination. It is prepared to buy foreign currency in unlimited quantities. It continues to aim for a three-month Libor at zero and will maintain total sight deposits at the SNB at significantly above CHF 200 billion.

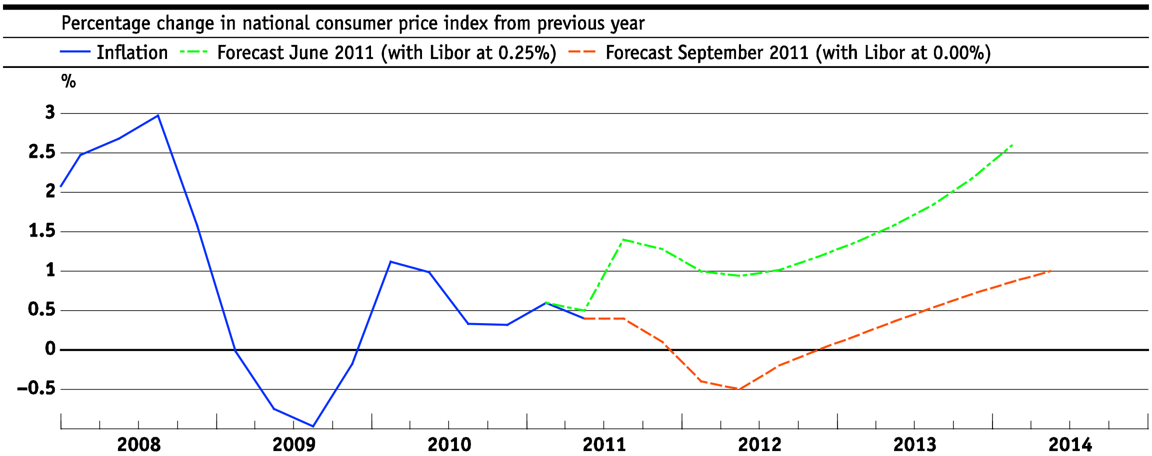
With these measures, the SNB is taking a stand against the acute threat to the Swiss economy and the risk of deflationary development that spring from massive overvaluation of the Swiss franc. Even at a rate of CHF 1.20, the Swiss franc is still high and should continue to weaken over time. If the economic outlook and deflation risks so require, the SNB will take further measures.

The growth of the global economy has slowed substantially in the course of the second quarter. The outlook for the advanced economies, in particular, has worsened considerably. In Switzerland, economic activity is suffering from both the strong Swiss franc and the softening in international demand. The SNB expects growth to come to a halt in the second half of the year. For 2011 as a whole, GDP growth can be expected at 1.5–2.0%. This is only because of the favourable economic development in the first half of the year. Without the stabilising effect of the minimum exchange rate, there would be a substantial threat of recession.

Uncertainty about the future outlook for the global economy remains exceptionally high and the risks for the global financial system have increased substantially. The deterioration in the outlook for growth and fiscal problems in the advanced economies are both adversely impacting confidence in financial markets worldwide.

The SNB's conditional inflation forecast has shifted substantially downwards as a result of the massive appreciation in the Swiss franc and the deterioration in the outlook for the global economy. For 2011, the forecast shows an inflation rate of 0.4%, for 2012 a rate of –0.3% and for 2013 a rate of 0.5%. This forecast is based on the assumption of a three-month Libor of 0.0% and a further weakening in the Swiss franc. In the foreseeable future, there is no risk of inflation in Switzerland. There are, however, downside risks for price stability should the Swiss franc not weaken further.

Conditional inflation forecast of June 2011 and of September 2011



Observed inflation September 2011

	2008				2009				2010				2011				2008	2009	2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	2.5	2.7	3.0	1.6	0.0	-0.7	-1.0	-0.2	1.1	1.0	0.3	0.3	0.6	0.4			2.4	-0.5	0.7

Conditional inflation forecast of June 2011 with Libor at 0.25% and of September 2011 with Libor at 0.00%

	2011				2012				2013				2014				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast June 2011, Libor at 0.25%		0.5	1.4	1.3	1.0	0.9	1.0	1.2	1.4	1.6	1.8	2.2	2.6				0.9	1.0	1.7
Forecast September 2011, Libor at 0.00%			0.4	0.1	-0.4	-0.5	-0.2	0.0	0.2	0.4	0.5	0.7	0.9	1.0			0.4	-0.3	0.5

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