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Press release

Monetary policy assessment of 15 March 2012

Swiss National Bank keeps the minimum exchange rate unchanged

The Swiss National Bank (SNB) will continue to enforce the minimum exchange rate of CHF 1.20 per euro with the utmost determination. It is prepared to buy foreign currency in unlimited quantities for this purpose. The target range for the three-month Libor will remain unchanged at 0.00–0.25%. The SNB will continue to maintain liquidity on the money market at an exceptionally high level.

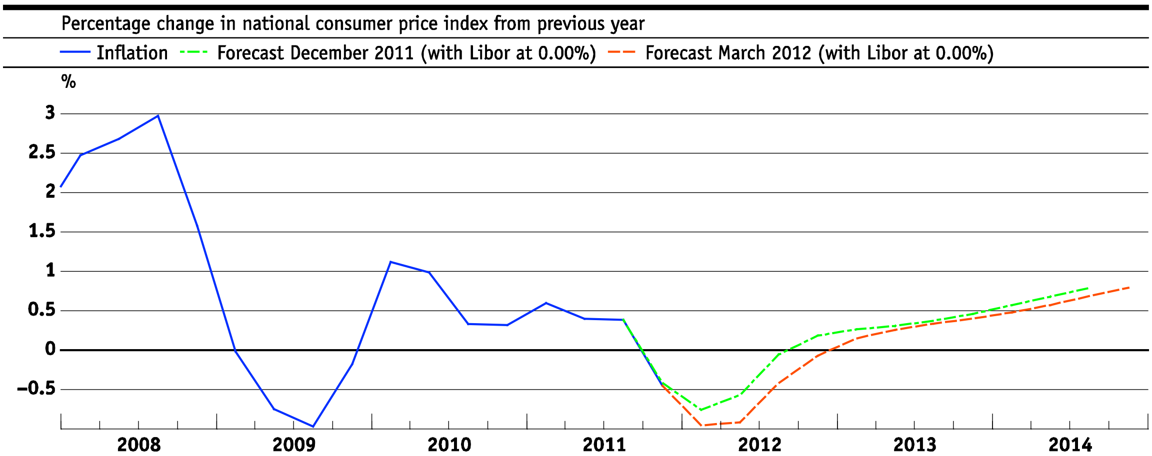
Even at the current rate, the Swiss franc is still high. In the foreseeable future, there is no risk of inflation in Switzerland. Compared to December, the inflation forecast has even fallen further. If developments in the international economy are worse than foreseen, or if the Swiss franc does not weaken further, as expected, downside risks for price stability could re-emerge. The SNB stands ready to take further measures at any time if the economic outlook and the risk of deflation so require.

Developments in the global economy are mixed. While growth in the US was surprisingly positive in the fourth quarter, GDP fell in the euro area and Japan. In Switzerland, growth has slowed significantly over the course of the past year. Added value declined in the fourth quarter in industries affected by exchange rate movements. While the high value of the Swiss franc continues to present enormous challenges to the economy, the minimum exchange rate is having an impact. It has reduced exchange rate volatility and given business leaders a better basis for planning. There are growing indications that Switzerland’s economy is stabilising. For 2012, the SNB is now forecasting moderate growth, at close to 1%.

The situation on the financial markets has eased somewhat recently. Uncertainty remains very high, however. It is unclear whether the advances in solving the European sovereign debt crisis will succeed in defusing the situation permanently. Moreover, there is a risk that geopolitical tensions will lead to a further rise in the price of oil. On the Swiss mortgage and real estate market for residential property there are growing signs of imbalances. Should these imbalances increase further, this could lead to considerable risks to financial stability.

The SNB's conditional inflation forecast, which is based on the assumption of a three-month Libor of 0.0%, has been adjusted downwards once again compared to that of December. In the short term, inflation will move further into negative territory. Last summer's appreciation of the Swiss franc had a stronger dampening effect on prices than anticipated. In the longer term, inflation will be lowered by the worsening growth outlook for the euro area and the continuing high valuation of the Swiss franc. For 2012, the forecast shows an inflation rate of –0.6%. For 2013, the SNB is expecting inflation of 0.3% and for 2014, of 0.6%.

Conditional inflation forecast of December 2011 and of March 2012



Observed inflation in March 2012

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2009	2010	2011
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	0.4	–0.5	–0.5	0.7	0.2

Conditional inflation forecast of December 2011 with Libor at 0.00% and of March 2012 with Libor at 0.00%

	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2012	2013	2014
Forecast December 2011, Libor at 0.00%				–0.4	–0.8	–0.6	–0.1	0.2	0.3	0.3	0.4	0.5	0.6	0.7	0.8		–0.3	0.4	
Forecast March 2012, Libor at 0.00%					–1.0	–0.9	–0.4	–0.1	0.1	0.3	0.3	0.4	0.5	0.6	0.7	0.8	–0.6	0.3	0.6

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