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Monetary policy assessment of 14 June 2012

Swiss National Bank maintains minimum exchange rate

The Swiss National Bank (SNB) will maintain the minimum exchange rate of CHF 1.20 per euro and will enforce it with the utmost determination. It remains prepared to buy foreign currency in unlimited quantities for this purpose. Even at the current rate, the Swiss franc is still high. Another appreciation would have a serious impact on both prices and the economy in Switzerland. The SNB will not tolerate this. If necessary, it stands ready to take further measures at any time.

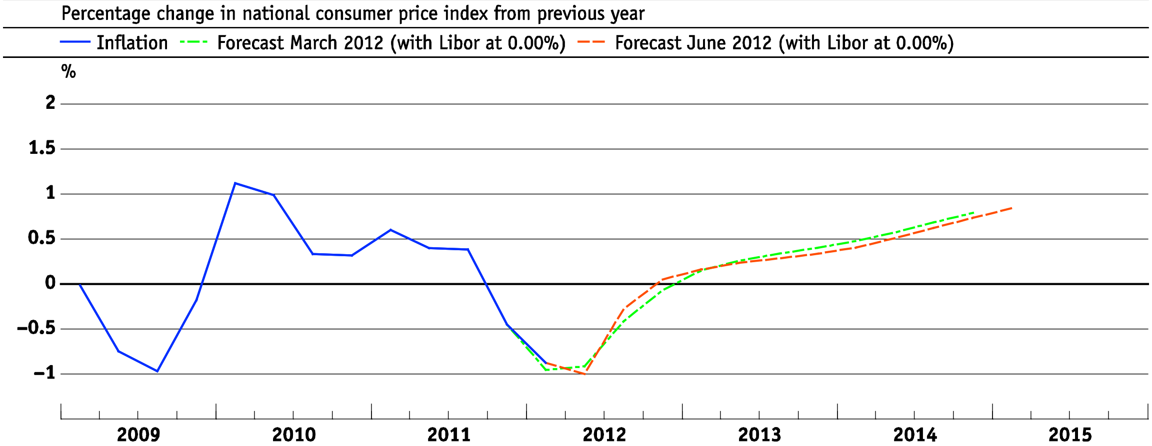
The target range for the three-month Libor remains at 0.00–0.25%. Essentially, the SNB's conditional inflation forecast is unchanged from its March forecast. It is based on a three-month Libor of 0.0% and continues to assume that the Swiss franc will weaken over the forecast horizon. For 2012, the forecast shows an inflation rate of –0.5%. For 2013, the SNB is expecting inflation of 0.3% and for 2014, of 0.6%. Consequently, in the foreseeable future, there is no risk of inflation in Switzerland.

The SNB expects that the global economy will only recover slowly. While the emerging economies make a major contribution to global growth, momentum in the advanced economies will remain subdued. In Europe, in particular, economic activity will be extremely weak on account of the financial and debt crisis. Switzerland will experience a significant economic slowdown over the rest of the year. Only because of the unexpectedly strong winter half-year does the SNB now expect growth of around 1.5% for 2012.

The risks for the Swiss economic situation remain exceptionally high. The uncertainty about future developments in the euro area has again risen. If global activity proves disappointing or the turmoil on the financial markets increase, downside risks will again emerge for the economy and price stability in Switzerland. The imbalances in the Swiss residential mortgage and real estate markets increased further last quarter. Consequently, the SNB welcomes the Federal Council decision to make available a countercyclical capital buffer which can counter adverse developments on the domestic credit market.

Press release

Conditional inflation forecast of March 2012 and of June 2012



Observed inflation in June 2012

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2009	2010	2011
Inflation	0.0	–0.7	–1.0	–0.2	1.1	1.0	0.3	0.3	0.6	0.4	0.4	–0.5	–0.9				–0.5	0.7	0.2

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

	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2012	2013	2014
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
Forecast June 2012, Libor at 0.00%		–1.0	–0.3	0.1	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.7	0.8				–0.5	0.3	0.6