SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
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Press release

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Monetary policy assessment of 12 December 2013

Swiss National Bank reaffirms minimum exchange rate

The Swiss National Bank (SNB) is maintaining its minimum exchange rate of CHF 1.20 per euro. The Swiss franc is still high. The SNB stands ready to enforce the minimum exchange rate, if necessary, by buying foreign currency in unlimited quantities, and to take further measures as required. With the three-month Libor close to zero, the minimum exchange rate continues to be the right tool to avoid an undesirable tightening of monetary conditions in the event of renewed upward pressure on the Swiss franc. The SNB is leaving the target range for the three-month Libor unchanged at 0.0–0.25%.

In December, the SNB’s conditional inflation forecast was adjusted downwards slightly. On the one hand, the unexpectedly low rates of inflation for October and November are serving as a lower departure point for the forecast. On the other, the decline in inflation in the euro area and the slight fall in the oil price are also helping to dampen the inflation outlook. As in the previous quarter, the forecast is based on a three-month Libor of 0.0% over the next three years. For 2013, the SNB anticipates an unchanged inflation rate of –0.2%. For 2014 and 2015, the inflation forecast is down in each case by 0.1 percentage points and is now at 0.2% and 0.6% respectively. Consequently, no inflation risks can be identified for Switzerland in the foreseeable future.

As expected, the global economic recovery continued in the third quarter, with the main drivers being the US, the UK and China. In the euro area, by contrast, growth lacked momentum. In many emerging economies, too, economic activity was rather sluggish. For the coming months, the SNB expects a slight increase in global growth overall.

However, uncertainty about the continued recovery of the world economy remains high. In many advanced economies, low interest rates and high government indebtedness are constraining room for manoeuvre in economic policy and making the global economy prone to shocks. The forthcoming assessment of banks’ balance sheets in the euro area as well as the

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further course of monetary policy normalisation in the major currency areas could lead to noticeable spikes on international financial markets.

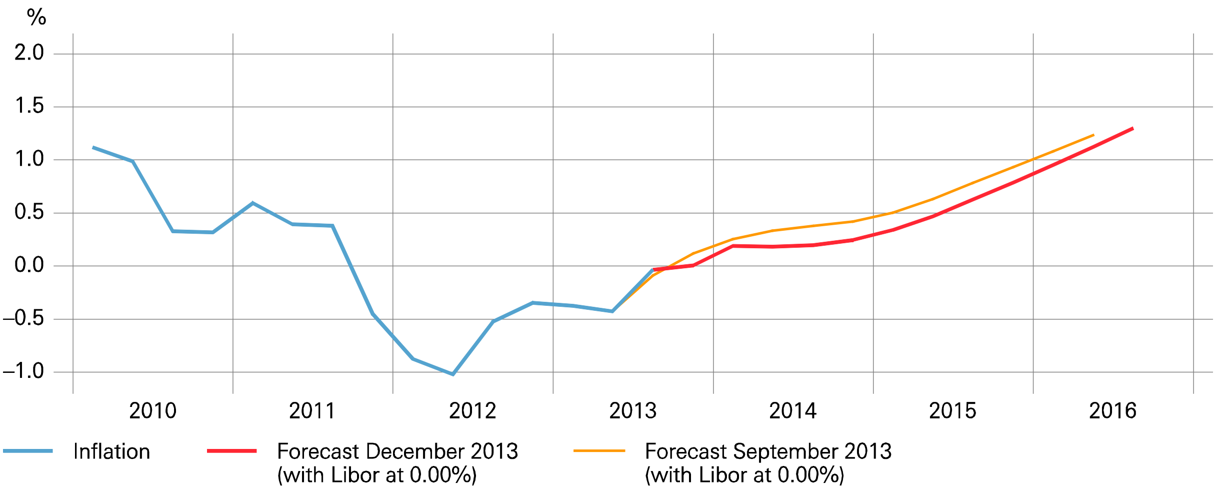
In Switzerland, the economy continued to develop favourably in the third quarter. However, there are signs that growth may weaken temporarily in the fourth quarter. The SNB continues to expect growth of 1.5–2.0% for 2013. For 2014, it expects a growth rate of around 2.0%.

However, given the vulnerable economic situation abroad, downside risks still prevail for Switzerland.

In an environment of persistently low interest rates, the danger of a further build-up of imbalances on mortgage and real estate markets remains considerable. For this reason, the SNB continues to monitor the situation very closely, and regularly assesses whether the countercyclical capital buffer should be adjusted.

CONDITIONAL INFLATION FORECAST OF DECEMBER 2013

Percentage change in Swiss Consumer Price Index from previous year



OBSERVED INFLATION IN DECEMBER 2013

	2010				2011				2012				2013				2010	2011	2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	1.1	1.0	0.3	0.3	0.6	0.4	0.4	–0.5	–0.9	–1.0	–0.5	–0.3	–0.4	–0.4	0.0		0.7	0.2	–0.7

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CONDITIONAL INFLATION FORECAST OF DECEMBER 2013

	2013				2014				2015				2016				2013	2014	2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast September 2013, with Libor at 0.00%			–0.1	0.1	0.3	0.3	0.4	0.4	0.5	0.6	0.8	0.9	1.1	1.2			–0.2	0.3	0.7
Forecast December 2013, with Libor at 0.00%				0.0	0.2	0.2	0.2	0.2	0.3	0.5	0.6	0.8	1.0	1.1	1.3		–0.2	0.2	0.6