Press release

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
BANCA NAZIUNALA SVIZRA
SWISS NATIONAL BANK

Communications

P.O. Box, CH-8022 Zurich
Telephone +41 58 631 00 00
communications@snb.ch

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Monetary policy assessment of 10 December 2015

Monetary policy remains expansionary

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy. The target range for the three-month Libor remains at between –1.25% and –0.25%, and the interest rate on sight deposits with the SNB is unchanged at –0.75%. Despite depreciating somewhat in recent months, the Swiss franc is still significantly overvalued. The negative interest rate and the interest rate differential with other currencies make the Swiss franc less attractive, and continue to help weaken it. At the same time, the SNB will remain active in the foreign exchange market in order to influence the exchange rate situation, as necessary. The negative interest rate and the SNB's willingness to intervene in the foreign exchange market are intended to ease pressure on the Swiss franc. The SNB's monetary policy thus helps to stabilise price developments and support economic activity.

Overall, the new conditional inflation forecast differs little from that of September. It indicates slightly higher inflation in the short term, and that inflation had already bottomed out in the third quarter. Owing to a slight deterioration in the outlook for the global economy, medium-term inflation is somewhat lower than predicted in September. For the current year, inflation is forecast at –1.1%, a 0.1 percentage point rise on last quarter. For 2016, an inflation rate of –0.5% is expected, and for 2017, the forecast is now at 0.3% instead of 0.4%. The conditional inflation forecast is based on the assumption that the three-month Libor will remain at –0.75% over the entire forecast horizon.

Global economic growth in the third quarter was below expectations, mainly due to weaker manufacturing activity around the globe and sluggish world trade. In contrast to manufacturing, the services sector performed well in most countries due to robust domestic demand.

The SNB has revised its growth forecast for the global economy slightly downwards for the short term. Overall, its assessment of global economic prospects is cautiously optimistic. Nevertheless, there are significant risks. The structural change underway in China could continue to hold back global manufacturing and investment activity. Equally, structural weaknesses in Europe as well as current concerns about public safety could also weigh on economic developments.

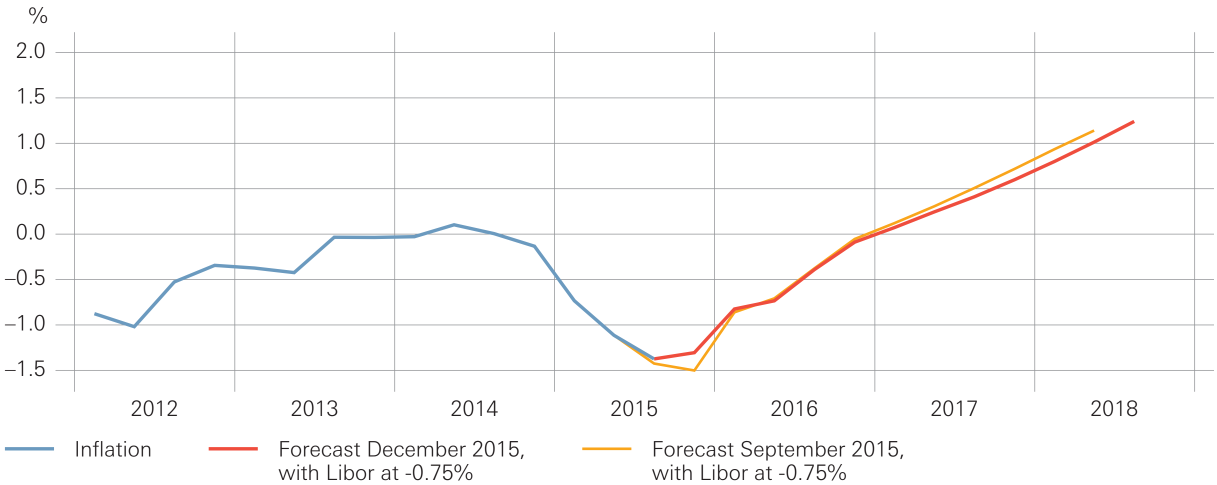
The slower pace of global economic growth was also felt in Switzerland, with the first official GDP estimate indicating stagnation in the third quarter. Economic performance thus came in below expectations. A close examination of a broad range of indicators leads to a somewhat more positive assessment of the economy. Nevertheless, capacity utilisation remains unsatisfactory, and demand for labour muted.

For 2015, the SNB still anticipates real growth of just under 1% in Switzerland. The gradual improvement of the global economy is likely to further strengthen foreign demand for Swiss goods and services. Domestic demand also looks set to remain robust. For 2016, the SNB expects growth of approximately 1.5%.

The past few months have seen mortgage volumes and prices for owner-occupied residential real estate grow roughly in line with fundamentals. Imbalances on these markets have therefore remained largely unchanged. The SNB will continue to monitor developments on the mortgage and real estate markets closely. Accordingly, it will regularly reassess the need for an adjustment of the countercyclical capital buffer.

CONDITIONAL INFLATION FORECAST OF DECEMBER 2015

Year-on-year change in Swiss consumer price index in percent



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OBSERVED INFLATION IN DECEMBER 2015

	2012				2013				2014				2015				2012	2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	−0.9	−1.0	−0.5	−0.3	−0.4	−0.4	0.0	0.0	0.0	0.1	0.0	−0.1	−0.7	−1.1	−1.4		−0.7	−0.2	0.0

CONDITIONAL INFLATION FORECAST OF DECEMBER 2015

	2015				2016				2017				2018				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast September 2015, with Libor at -0.75%			−1.4	−1.5	−0.9	−0.7	−0.4	−0.1	0.1	0.3	0.5	0.7	0.9	1.1			−1.2	−0.5	0.4
Forecast December 2015, with Libor at -0.75%				−1.3	−0.8	−0.7	−0.4	−0.1	0.1	0.2	0.4	0.6	0.8	1.0	1.2		−1.1	−0.5	0.3