

Communications

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Monetary policy assessment of 16 June 2016

Monetary policy remains expansionary

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy. Interest on sight deposits at the SNB is to remain at -0.75% and the target range for the three-month Libor is unchanged at between -1.25% and -0.25% . At the same time, the SNB will remain active in the foreign exchange market, as necessary. The negative interest rate and the SNB's willingness to intervene in the foreign exchange market are intended to make Swiss franc investments less attractive, thereby easing pressure on the currency. The Swiss franc is still significantly overvalued. The SNB's expansionary monetary policy is aimed at stabilising price developments and supporting economic activity.

The new conditional inflation forecast suggests inflation will rise faster over the coming quarters than the SNB predicted in March, principally due to the significant increase in oil prices in the intervening period. The effect of this oil price rise on annual inflation vanishes after the first quarter of 2017. The new conditional forecast subsequently moves closer to that of the last quarter, and is in line with it from 2018. At -0.4% , the inflation forecast for 2016 is 0.4 percentage points higher than in March. For 2017, the SNB expects an inflation rate of 0.3% , compared to 0.1% forecast in the last quarter, while still anticipating a rate of 0.9% for 2018. The conditional inflation forecast is based on the assumption that the three-month Libor remains at -0.75% over the entire forecast horizon.

The moderate recovery in the global economy continues. It is particularly well advanced in the US, which is on the cusp of full employment. Economic growth in the euro area is gradually becoming more broad-based. In China, growth remains robust thanks to economic policy measures aimed at stimulating demand. Overall, international growth is principally being driven by domestic demand. By contrast, international trade and global manufacturing remain subdued. All in all, positive economic signals in recent months have helped ease the situation on the international financial markets, which were dominated by turbulence at the start of the year. Against a backdrop of rising confidence, commodity prices have also

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recovered from their lows. The SNB expects the moderate growth in the global economy to sustain over the coming quarters.

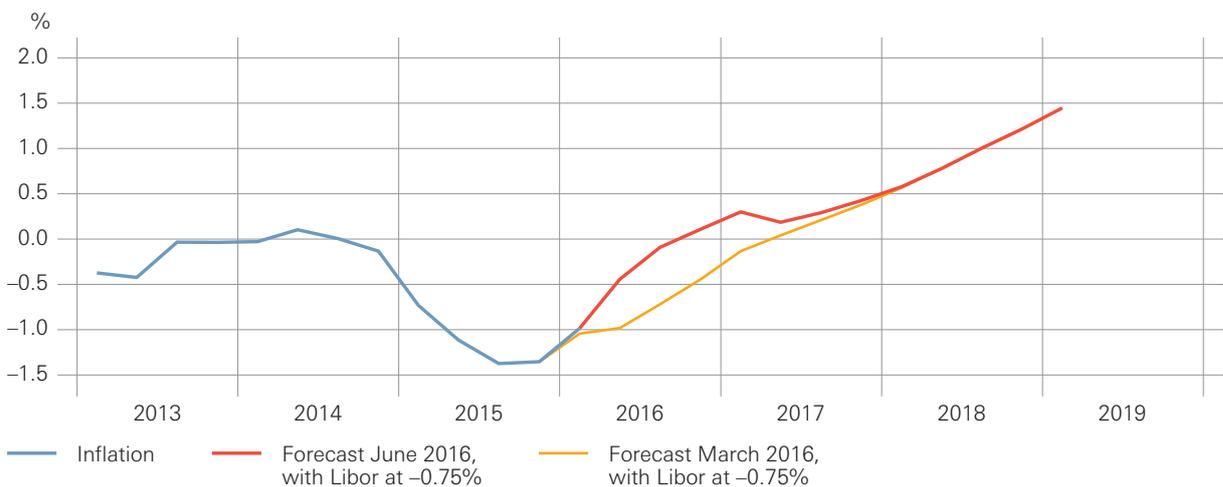
Nevertheless, significant risks remain for the global economy. Furthermore, the imminent UK referendum on whether to stay in the European Union may cause uncertainty and turbulence to increase.

In Switzerland, real GDP grew at an annualised rate of 0.4% in the first quarter. Available indicators suggest that the recovery will be ongoing. The gradual improvement in the international environment will also benefit Switzerland. Exports are likely to continue to recover, and this should stimulate corporate investment and have a positive impact on the labour market. The SNB expects the unemployment rate to stabilise in the second half of the year. For 2016 as a whole, it still anticipates real GDP growth of between 1% and 1.5%.

Growth on the mortgage market once again slowed somewhat in the first quarter of 2016. Real estate prices, by contrast, climbed at a marginally faster rate. Despite restrained momentum in recent quarters, imbalances on the mortgage and real estate market increased slightly due to comparatively weak growth in fundamentals. The SNB will continue to monitor developments on the mortgage and real estate markets closely, and will regularly reassess the need for an adjustment of the countercyclical capital buffer.

CONDITIONAL INFLATION FORECAST OF JUNE 2016

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



Press release

OBSERVED INFLATION IN JUNE 2016

	2013				2014				2015				2016				2013	2014	2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	-0.4	-0.4	0.0	0.0	0.0	0.1	0.0	-0.1	-0.7	-1.1	-1.4	-1.4	-1.0				-0.2	0.0	-1.1

CONDITIONAL INFLATION FORECAST OF JUNE 2016

	2016				2017				2018				2019				2016	2017	2018
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast March 2016, with Libor at -0.75%	-1.0	-1.0	-0.7	-0.4	-0.1	0.0	0.2	0.4	0.6	0.8	1.0	1.2					-0.8	0.1	0.9
Forecast June 2016, with Libor at -0.75%		-0.4	-0.1	0.1	0.3	0.2	0.3	0.4	0.6	0.8	1.0	1.2	1.4				-0.4	0.3	0.9