Press release

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Monetary policy assessment of 24 March 2022

Swiss National Bank retains expansionary monetary policy

The SNB is retaining its expansionary monetary policy. It is keeping the SNB policy rate and interest on sight deposits at the SNB at −0.75% and is willing to intervene in the foreign exchange market as necessary, in order to counter upward pressure on the Swiss franc. In so doing, it takes the overall currency situation and the inflation rate differential with other countries into consideration. The Swiss franc remains highly valued. Russia’s invasion of Ukraine has led to a strong increase in uncertainty worldwide. Against this backdrop, the SNB with its monetary policy is ensuring price stability and supporting the Swiss economy.

Inflation has risen again in recent months, and stood at 2.2% in February. This is primarily due to the significant increase in the prices for oil products and goods affected by supply bottlenecks. The tight situation with regard to these products and goods is likely to persist in the coming months owing to the war in Ukraine. The SNB’s new conditional inflation forecast is therefore above that of December, particularly for 2022 (cf. chart 1). The upward revision is less pronounced over the longer term. The new forecast stands at 2.1% for 2022, and 0.9% for 2023 and 2024 (cf. table 1). The conditional inflation forecast is based on the assumption that the SNB policy rate remains at −0.75% over the entire forecast horizon.

The global economic recovery continued in the fourth quarter of 2021. However, economic activity was temporarily impaired at the turn of the year by a renewed wave of the pandemic. At the same time, inflation continued to rise in the US and the euro area. As a result of the war in Ukraine, there was a significant increase in financial market volatility in February, with strong rises in the prices of fossil fuels and other commodities.

In its baseline scenario for the global economy, the SNB assumes that energy prices will remain high for the time being, but that there will be no acute energy shortages in the major economic areas. It also anticipates that the global economic recovery will continue overall despite the war in Ukraine, albeit somewhat subdued. The higher commodity prices will lift inflation further in the short term.

Economic growth has slowed in Switzerland. Following a strong increase in both preceding quarters, GDP rose by 1.1% in the fourth quarter of 2021. For the year as a whole, however, the Swiss economy grew by 3.7%. Momentum remained positive through to February 2022. The situation on the labour market also continued to improve.

Thus far, the war in Ukraine has had an effect on the Swiss economy above all via the strong increase in commodity prices. The higher commodity prices are likely to weigh on consumption and increase companies' production costs. Foreign trade is also likely to be affected by the war, albeit not severely given Switzerland's limited direct economic ties to Ukraine and Russia. Supply bottlenecks in the case of imported intermediate products could deteriorate further, and uncertainty could have an adverse impact on investment activity.

In its baseline scenario for 2022, the SNB anticipates GDP growth of around 2.5%, this being lower than its previous forecast. In this scenario, growth is briefly subdued before rebounding, and unemployment is likely to decline further somewhat.

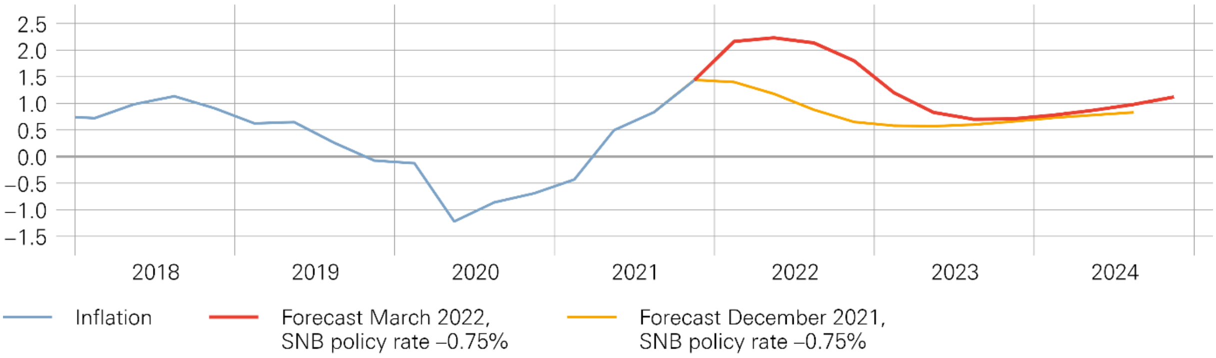
It is difficult to assess the future course of the war and its economic impact. The forecasts for the global economy and for Switzerland are therefore subject to very high uncertainty. The risks to growth are considerable and to the downside. In particular, a further escalation of the war and a widening of the sanctions could weigh more heavily on economic activity worldwide and in Switzerland than assumed in the baseline scenario. At the same time, a worsening in the tight supply of raw materials could lead to a further rise in inflation globally. This would also increase the risk of inflation dynamics firming as a result of second-round effects. Added to this, a renewed deterioration in the pandemic situation cannot be ruled out.

The momentum on the mortgage and real estate markets has continued, and the vulnerabilities have increased further overall. Against this backdrop, the Federal Council reactivated the sectoral countercyclical capital buffer on 26 January 2022 following a proposal by the SNB, setting the level at 2.5% of risk-weighted exposures secured by residential property in Switzerland. This will increase the capital requirements for these exposures as of 30 September 2022, and will maintain – and where necessary, strengthen – the banking sector's resilience. The SNB will continue to monitor developments on the mortgage and real estate markets closely.

Press release

CONDITIONAL INFLATION FORECAST OF MARCH 2022

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



Source(s): SFSO, SNB

OBSERVED INFLATION IN MARCH 2022

	2018				2019				2020				2021				2019	2020	2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	0.7	1.0	1.1	0.9	0.6	0.6	0.3	−0.1	−0.1	−1.2	−0.9	−0.7	−0.4	0.5	0.8	1.4	0.4	−0.7	0.6

Source(s): SFSO

CONDITIONAL INFLATION FORECAST OF MARCH 2022

	2021				2022				2023				2024				2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast December 2021, SNB policy rate −0.75%				1.4	1.4	1.2	0.9	0.7	0.6	0.6	0.6	0.7	0.7	0.8	0.8		1.0	0.6	
Forecast March 2022, SNB policy rate −0.75%					2.2	2.2	2.1	1.8	1.2	0.8	0.7	0.7	0.8	0.9	1.0	1.1	2.1	0.9	0.9

Source(s): SNB

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