

Foreword

Ladies and Gentlemen

Last year was a disappointing one from an economic point of view. The upswing failed to materialise and is now anticipated in the course of 2003. Prices on the equity markets continued to decline, bringing about corrections to clearly exaggerated valuations in some sectors. Reasons for the collapse in share prices included the financial scandals involving some renowned companies, which hit investor confidence hard. These scandals, combined with the share slump, impacted severely on the economy in general and the financial sector in particular.

Switzerland was not left unscathed by these developments. Growth remained weak, with inflation low and unemployment rising. Meanwhile, the economic situation was made still more difficult by the strength of the Swiss franc on the foreign exchange markets.

The National Bank responded to the deterioration in conditions for the Swiss economy with a further significant relaxation of its monetary policy. Both short and long-term interest rates fell to the lowest level in many years as a result. The monetary conditions are currently in place for Switzerland to stage an economic recovery as soon as the global economy begins to send out positive signals once again.

On 26 June 2002, the Federal Council passed a Message to the Swiss Parliament on the total revision of the National Bank Law. The objective is the comprehensive modernisation of the National Bank's founding statute. The parliamentary debate on the bill has in the meantime begun.

On 22 September, the Swiss people and the cantons rejected both the popular initiative and the counter-proposal of the Federal Assembly regarding the allocation of the proceeds from the sale of National Bank gold which is no longer required for monetary policy purposes. The sale proceeds will thus remain in the hands of the National Bank for the time being, while political discussion continues about how they are to be used.

In line with a new agreement with the Federal Department of Finance on the distribution of profits, the National Bank will pay a total of Sfr 2.5 billion to the Confederation and the cantons for the first time for the year 2002.

We wish to thank the bank authorities as well as the National Bank's staff for their support over the past year.

Berne, 7 March 2003

Hansueli Raggenbass

President of the Bank Council

Jean-Pierre Roth

Chairman of the Governing Board