

Communications

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Monetary policy assessment of 11 December 2008

Swiss National Bank lowers the target range for the three-month Libor by 50 basis points to 0.0–1.0%

The Swiss National Bank (SNB) is lowering the three-month Libor target range by 50 basis points to 0.0–1.0% with immediate effect. It will continue to provide the Swiss franc money market with a generous and flexible supply of liquidity. It will take all necessary steps to gradually bring the Libor down to the middle of the target range.

The global economic environment has sharply deteriorated over the past few months. Economic activity has declined in both the US and Europe, and has slowed considerably in Asia. The situation on international financial markets has worsened further since September. The Swiss economy will be heavily affected by these developments. The SNB projects that GDP growth will be negative next year, between –0.5% and –1%.

The unfavourable economic outlook and the falling oil price have prompted a radical adjustment of the inflation forecast. Inflation will undergo a substantial decline over the course of next year, and will remain low thereafter. Assuming a constant rate of 0.5% for the three-month Libor, the SNB is now forecasting average annual inflation of 0.9% in 2009 and 0.5% in 2010.

The improvement in the inflation outlook has provided room for manoeuvre which the SNB is decisively using. By further lowering the Libor target range, the SNB aims to reduce the risk of a deterioration in the situation, and thus supporting economic activity.

The SNB will continue to closely monitor developments in the global economy, in financial markets and in foreign exchange markets. It will implement further measures should the situation so require.