

## Foreword

Ladies and Gentlemen

In 1997, the Swiss economy emerged from a long period of stagnation. The recovery was still hesitant at first. We are confident that it will continue and strengthen.

Exports were the chief factor contributing to the brighter economic picture. They expanded markedly due to the favourable situation abroad and the weakening of the Swiss franc. Initially, consumption was slow to rise, but began to pick up in the second half of the year. The construction industry still saw no ray of hope; building investment declined once more. Numerous sectors were exposed to strong competitive pressure, inducing enterprises to make renewed efforts at modernisation and rationalisation. Accordingly, expenditure on plant and equipment again grew distinctly, whereby the competitiveness of our economy was improved.

Inflation remained at a low level. The favourable price development, however, was accompanied by an unsatisfactory situation on the labour market. The unemployment rate was higher than in the previous year, though it receded in the course of the year. Unemployment is in large measure due to structural causes. It is therefore expected to be reduced only gradually despite the economic recovery.

In the year under review, we again ensured that monetary conditions remained favourable. With a generous supply of money, we kept short-term interest rates at a low level and thus counteracted the rise of the Swiss franc exchange rate. As uncertainty surrounding the interpretation of the monetary base increased, we paid greater attention to the broadly defined monetary aggregates, notably  $M_3$ , in assessing the situation.

A focus of our activity was the reform of the monetary constitution, which has become outdated by the development of the international monetary system. The link between the Swiss franc and gold is to be severed. Furthermore, the Swiss National Bank's mandate in the Constitution is to be formulated in more detail. Finally, the principle of the Bank's independent status and the obligation to hold adequate monetary reserves are to be embodied in the Constitution. – In 1997, a partial revision of the National Bank Law became effective, making it possible for us to manage our monetary reserves more profitably.

The higher earnings from foreign-currency investments and the rise of the dollar exchange rate led to a high aggregate income. This permits the National Bank – after dividend and per capita payments and the allocation to the legal reserves – again to distribute to the Confederation and the cantons the amount of Sfr 600 million agreed on with the Federal Government.

The discussions on Switzerland's role in the Second World War continued in the year under review. The commission under the chairmanship of Professor Bergier set up by the Federal Council at the end of 1996 investigated the gold transactions of the National Bank. In a first public assessment, the commission confirmed the hitherto known facts. – As a gesture of humanity, we contributed an amount of Sfr 100 million to the fund for needy victims of the Holocaust.

We wish to thank the Bank's staff for the dedicated and responsible way in which they have fulfilled their tasks.

Berne, 6 March 1998

**Jakob Schönenberger**

President of the Bank Council

**Hans Meyer**

Chairman of the Governing Board