

Foreword

Ladies and Gentlemen

We look back on an eventful year. Notably economic and social difficulties in large parts of the world and their implications for both the financial markets and real international economic developments have been of particular concern to us.

All in all, 1998 was a gratifying year for our economy. Though exports lost momentum, domestic demand, notably private consumption, picked up. In the construction industry the situation stabilised. These developments had a perceptible impact on the labour market. The number of unemployed declined markedly, with the trend, however, being overstated by statistical influences. Nevertheless, this is a positive indication of the flexibility of the labour market.

Monetary conditions made a significant contribution to the economic recovery. We supported this positive development by conducting a generous monetary policy. In the given circumstances, price stability is not jeopardised by this policy. It continues to be an important prerequisite for a balanced overall economic development. Moreover, price stability is also a social concern, since the weakest members of society suffer the most from inflation.

Work in connection with the reform of the monetary constitution progressed according to plan. Now that the mandate has been specified, independence and accountability have been incorporated and provisions concerning the monetary reserves have been laid down, the planned constitutional article conforms to modern standards.

At the beginning of 1999 the European Monetary Union became a reality. A large majority of the members of the European Union opted for the euro as a common currency. The European Central Bank assumed responsibility for monetary policy. These events are a milestone in the process of European integration. They are also of considerable significance for Switzerland. We have noted with satisfaction that the aims and concepts of the European Central Bank are largely in conformity with our own ideas. As regards the future development, we are confident even if the extent of the challenges facing us cannot be overlooked.

The efforts under way to come to terms with the role played by Switzerland during the Second World War have been continued. In the spring, the Independent Commission of Experts under the chairmanship of Professor Bergier published an interim report on the gold transactions. A conclusive assessment will appear in the final report.

The National Bank's earnings continue to permit a distribution of profits to the Confederation and the cantons. Following allocation to the reserve fund and payment of the usual dividend and per capita contribution to the cantons, profit distribution – according to the new agreement with the Confederation – amounts to Sfr 1.5 billion.

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

Berne, 5 March 1999

Jakob Schönenberger
President of the Bank Council

Hans Meyer
Chairman of the Governing Board