

Foreword

Ladies and Gentlemen

In the past year, the Swiss economy was in excellent shape. Gross domestic product exhibited vigorous and broadly based growth. The continued marked decline in unemployment was particularly gratifying. This development, however, should not obscure the fact that the work environment has become increasingly demanding. Considerable flexibility is required of both employees and employers. A balanced economic development and stable conditions facilitate the adjustment process. The National Bank contributes to this by conducting a forward-looking and stability-oriented monetary policy.

In 2000, inflation rose slightly, in line with expectations. It remained below 2%, however, and thus did not exceed the bounds of price stability. A significant proportion of the rise in inflation is due to higher oil prices; by contrast, prices for domestic goods and services only increased moderately. In order not to threaten price stability in the medium term, the National Bank tightened its monetary policy in the course of the year. We are convinced that with this move we have prevented economic overheating without unduly slowing down the Swiss economy.

For the first time, the National Bank fixed a target range for a short-term interest rate, the three-month Libor rate, for steering its monetary policy. The adjustments to this interest rate target range were based on regular inflation forecasts. The experience gained with the new monetary policy concept has been positive. The concept was on the whole also well received by the public.

On 1 May 2000, the Federal law on currency and payment instruments entered into force. This enabled the National Bank to begin with the sale of those gold holdings that are no longer required as monetary reserves. The proceeds from the sale of gold are to be put to other public uses.

Currently, work on the total revision of the National Bank Law is under way. The revision of the National Bank Law is an important foundation to adequately meet the demands of the future.

The earnings situation of the National Bank in 2000 again permits a distribution of profits to the Confederation and the cantons in the agreed amount of Sfr 1.5 billion.

We wish to thank the bank authorities as well as our Bank's staff for their support in the past year, which has contributed considerably to the success achieved.

Berne, 9 March 2001

Eduard Belser

President of the Bank Council

Jean-Pierre Roth

Chairman of the Governing Board