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# Monetary policy decisions of the Swiss National Bank for 1998

## No tightening of monetary policy envisaged

The Governing Board of the Swiss National Bank, in agreement with the Federal Government, is not planning to tighten monetary policy in 1998. It currently considers the inflation risks in Switzerland to be low. The supply of money will be expanded as required to permit continued economic recovery without threatening price stability. Monetary policy will also duly take the uncertainties emanating from European monetary integration into account. As usual, the Governing Board will retain the option of deviating from its monetary course in the event of disruptions in the financial markets.

In 1998, the Swiss National Bank expects real gross domestic product to increase by around 2 percent and the average inflation rate to amount to 1 percent. Economic development is thus moving in a direction in line with the goal of balanced growth accompanied by continued price stability. Under these circumstances, the demand for money is likely to increase in keeping with the expansion in the supply of money aimed at by the Swiss National Bank. If an unexpectedly rapid and marked economic upswing should begin to manifest itself, the National Bank would, however, be compelled to reassess the monetary situation.

In the fourth quarter of 1997, the seasonally-adjusted monetary base is likely to exceed the corresponding level of the previous year by approximately 3 percent. This growth rate considerably overstates the actual degree of expansion of monetary policy since substantial shifts in the demand for banknotes and sight deposits were again recorded in 1997. Since this makes it more difficult to interpret the monetary base, the Governing Board increasingly resorts to other indicators to assess its monetary policy course, the chief of these being the money supply M3. Its growth rate of currently 4 percent is in a range consistent with the goal of price stability.

Swiss National Bank