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Press release

Monetary policy decisions of the Swiss National Bank for 1999

Pragmatic monetary policy course to be continued

The Governing Board of the Swiss National Bank, in agreement with the Federal Government, intends to continue its pragmatic monetary policy in 1999. The Swiss economy will thus be provided with the necessary monetary leeway for a balanced development. In particular, the uncertainties emanating from the forthcoming introduction of the euro are to be taken into account. The Governing Board retains the option of deviating from its monetary policy course in the event of unexpected developments.

In the coming year economic growth is likely to weaken somewhat both in Switzerland and in other countries in continental Europe. In our country, gross domestic product is expected to expand by approximately 1.5% in real terms. The average inflation rate should be around 1% due largely to the increase in value-added tax. The goal of balanced growth accompanied by price stability will thus be reached. Under these circumstances, it will not be necessary to adjust the course of monetary policy.

In the fourth quarter of 1998, the seasonally-adjusted monetary base is expected to exceed the corresponding previous year's level by approximately 4.5%. However, it considerably overstates the degree of expansion of monetary policy. Structural shifts and turbulence in the international financial markets have resulted in an erratic rise in the banks' sight deposits while the demand for banknotes has remained high.

Swiss National Bank