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Press release

Monetary policy decisions of the Swiss National Bank for 2000

Adjustment of the monetary policy concept - slight tightening of the course

The Swiss National Bank, in agreement with the Federal Government, plans to tighten monetary policy somewhat in the coming year 2000. Already in autumn it had permitted money market rates to rise. The National Bank continues to support the economic upswing in Switzerland with its policy, without jeopardising price stability in the long term.

In future, the National Bank will no longer fix a money supply target. Monetary policy decisions will be based mainly on an inflation forecast, which will take all relevant indicators into account. The money stock M3 will continue to play an important role as a monetary indicator.

As in the past, the National Bank will primarily orient its monetary policy to ensuring price stability. In so doing, it strives to prevent inflationary and deflationary developments. Price stability is considered to have been achieved with an inflation rate, measured by the national consumer price index, of less than 2% per annum.

For steering the money market, the National Bank now fixes a target range for the three-month Swiss franc money market rate. For the time being, the National Bank will aim at keeping the three-month rate within a range of 1.25% - 2.25%. It will allow the three-month rate, which - adjusted for the end of month - is currently at the lower end of the target range, to move up towards the middle of the band in the coming months. The target range will be reviewed periodically and be adjusted, if necessary. In fixing the target range, the National Bank increases the transparency of its money market operations. In return, it will no longer fix a discount rate.

In the year 2000 the National Bank expects real gross domestic product to increase by 1.8%, compared with a likely 1.5% this year. Inflation, which will amount to approximately 1% this year, will probably rise to 1.5%. Employment is expected to expand somewhat.

Swiss National Bank