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Press release

Monetary policy assessment at mid-year

Libor target range left unchanged at 0.75% – 1.75%

The Swiss National Bank has decided to leave the target range for the three-month Libor rate unchanged at 0.75% - 1.75%. For the time being, the three-month Libor is to be kept in the middle of the target range. Since the last assessment of 21 March 2002, the National Bank has again adjusted its monetary policy. On 2 May 2002, it lowered the target range for the three-month Libor by 0.5 percentage points to the current level. Some time earlier, on 27 March 2002, it had already lowered repo rates by approximately 10 basis points, which led to a corresponding change in the three-month Libor. In both cases, the National Bank acted in response to the appreciation of the Swiss franc, which had led to an undesirable tightening of monetary conditions.

Since March 2001, the National Bank has eased its monetary policy substantially, lowering the target range for the three-month Libor by a total of 2.25 percentage points. After the cyclical downturn in the second half of last year, there are now signs that the world economy is starting to pick up, which will also benefit economic activity in Switzerland. However, uncertainties regarding the upswing persist. For the time being, the National Bank will thus maintain its expansive monetary policy stance. This does not jeopardise price stability. Assuming that the three-month Libor rate will remain stable at 1.25%, average annual inflation is expected to hover between 0.9% and 1.6% in the next three years. For 2002 the National Bank still anticipates a growth rate of around 1%.

Swiss National Bank