Monetary policy assessment at year-end

Swiss National Bank increases the target range for the three-month Libor by 0.25 percentage points to 0.50–1.50%

The Swiss National Bank is increasing the target range for the three-month Libor with immediate effect by 0.25 percentage points to 0.50–1.50%. It intends to hold the rate in the middle of the target range for the time being.

Economic recovery is continuing as expected. It has grown stronger and is more broad-based. The SNB has raised its forecast for economic growth in 2005 and now expects the increase in GDP to reach just over 1.5%. For 2006, it projects growth of a little more than 2%. The National Bank anticipates average inflation for 2005 to remain at 1.2%. On the assumption that the three-month Libor remains unchanged at 1.0%, it forecasts annual inflation of 0.8% in 2006 and 1.2% in 2007.

By raising its target range, the Swiss National Bank is adjusting its monetary policy to economic developments, which are proceeding as expected. This ensures that the inflation outlook remains favourable. Despite the increase in the interest rate, the monetary policy of the SNB remains expansionary and continues to support the upswing. As economic recovery progresses, the SNB will continue to gradually adjust its monetary policy. If the Swiss franc were to appreciate rapidly, the National Bank would react appropriately.

Swiss National Bank