

## Communications

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## Monetary policy assessment of 13 December 2007

### Libor target range maintained at 2.25%–3.25%

The Swiss National is leaving the target range for the three-month Libor unchanged at 2.25–3.25%. It intends to hold the rate in the middle of the target range for the time being.

The global economy is likely to grow at a somewhat slower pace this year and next year than the National Bank expected back in September. This notwithstanding, and in spite of the turbulence on the international financial markets, the Swiss economy is in very good shape. Growth in employment is broadly based and domestic demand robust. For 2007, the National Bank projects growth in real gross domestic product of a little over 2.5%. However, it is likely to lose some of its momentum next year. For 2008, the economy is expected to grow at approximately 2%. It should be borne in mind, however, that the upheaval witnessed on the financial markets during the last few months may jeopardise this relatively optimistic scenario.

The expected downturn in economic growth will result in an improved inflation outlook for 2009 and 2010. However, rising oil prices will temporarily push up inflation in the first half of 2008. Assuming that the three-month Libor remains unchanged at 2.75%, the National Bank expects an average annual inflation rate of 0.7% in 2007, 1.7% in 2008 and 1.5% in 2009. After having passed its peak in the first half of 2008, inflation is likely to stabilise below 2%. While this improved inflation outlook in the medium term is fraught with considerable uncertainty as a result of the persistent weakness of the Swiss franc and the increase in commodity prices, it nevertheless allows the National Bank to adhere to its monetary policy course.