

Communications

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Monetary policy assessment of 18 June 2009

Swiss National Bank maintains policy of relaxing monetary conditions

The Swiss National Bank (SNB) is continuing the policy introduced in March whereby it implemented a firm relaxation of monetary conditions. Despite the emergence of some encouraging signs, the global economic situation remains unfavourable and further economic deterioration cannot be ruled out. In Switzerland, the economic situation is difficult; the risk of deflation has abated, but still remains a concern.

Consequently, the SNB is leaving the Libor target range unchanged at 0–0.75%. It is still aiming to bring the Libor down to the lower part of the range, in other words, to around 0.25%. It will continue to provide the economy with a generous supply of liquidity and to purchase Swiss franc bonds with the aim of reducing risk premia on long-term bonds issued by private sector borrowers. The SNB will take firm action to prevent an appreciation of the Swiss franc against the euro.

The economy in the US and Europe suffered a substantial decline in the first quarter. As anticipated, the Swiss economy was hard hit by the deterioration in the global economy. The SNB has not changed its GDP growth forecast for the year under review. It expects real GDP to fall by between 2.5% and 3%. Real GDP will continue decreasing throughout this year, although the rate of decline will ease off and will gradually be transformed into rising rates during the course of next year.

The inflation forecast remains almost unchanged by comparison with that published in March. Annual average inflation will be negative in 2009, at around –0.5%, mainly due to the fall in the price of commodities since 2008. Taking account of the effects of the expansionary monetary policy pursued for several months now, the SNB expects this trend to be reversed from the beginning of next year. Inflation will become slightly positive, amounting to 0.4% in 2010 and 0.3% in 2011.

The outlook for inflation still necessitates a firmly expansionary monetary policy. Moreover, a not inconsiderable risk of deflation remains. For this reason, the SNB has decided to maintain the monetary policy adopted in March. In doing so, it aims not only

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to check the risk of deflation but also to limit the risk of additional deterioration of the economic situation. The SNB continues to use an inflation forecast as its guide. In this way, it can ensure that the unconventional measures currently in force do not compromise medium and long-term price stability.

Press release