

Communications

P.O. Box, CH-8022 Zurich
Telephone +41 44 631 31 11
Fax +41 44 631 39 10

Zurich, 10 December 2009

Monetary policy assessment of 10 December 2009

Swiss National Bank maintains its expansionary monetary policy

The Swiss National Bank is maintaining its expansionary monetary policy. The economic recovery, while certainly underway, nevertheless remains fragile. There is still considerable uncertainty over how the situation will develop.

Consequently, the SNB is holding the target range for the three-month Libor at 0–0.75%. It is aiming to keep the Libor in the lower end of this range, i.e. around 0.25%. It will continue to provide the economy with a generous supply of liquidity; however, its purchases of Swiss franc bonds issued by private sector borrowers will be discontinued. The SNB will act decisively to prevent any excessive appreciation of the Swiss franc against the euro.

Signs of a global economic recovery are gathering strength. The Swiss economy is also on the road to recovery and is developing as expected. Economic activity has returned to growth since the third quarter, even though GDP will decline by around 1.5% over the year as a whole. For 2010, however, the SNB expects real GDP growth of between 0.5% and 1%.

The inflation forecast remains more or less unchanged compared to the September forecast. Average annual inflation will amount to approximately –0.5% in 2009. For 2010, the SNB expects inflation of 0.5% and, for 2011, 0.9%. There are still considerable risks attached to this inflation forecast. The recovery of the global economy remains fragile. The financial industry is gradually recovering, but another deterioration cannot be entirely ruled out. A risk of deflation remains. For these reasons, it would not be appropriate to raise interest rates at the moment. Nevertheless, the inflation forecast shows that the expansionary monetary policy cannot be maintained indefinitely without compromising medium and long-term price stability.