

Communications

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Monetary policy assessment of 16 December 2010

Swiss National Bank maintains its expansionary monetary policy

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy. It is leaving the target range for the three-month Libor unchanged at 0.00–0.75%, and intends to keep the Libor within the lower part of the target range at around 0.25%.

The global economic recovery is continuing. While the growth dynamic in emerging economies is vigorous, the recovery in the industrialised economies remains modest overall. Growth in Switzerland was robust in the third quarter of 2010, but the weakening of exports, in particular, points to a significant reduction in growth in the quarters ahead. The SNB expects GDP to grow by some 1.5% in 2011, following growth of about 2.5% in the current year.

Monetary policy operates in an environment of heightened uncertainty. Concerns about stability in the euro area have led to renewed financial market tensions. Against this backdrop, the Swiss franc has again appreciated. Should these tensions be exacerbated and put a strain on economic developments in the euro area, this would also have a detrimental effect on the Swiss economy. If a deflation threat emerges, the SNB would take the measures necessary to ensure price stability.

The SNB's conditional inflation forecast for 2012 and 2013 is slightly below the September forecast. This correction is the result, in particular, of the less favourable economic outlook for Europe compared with the last assessment. For 2011 it is marginally higher, due mainly to a higher price for oil. Assuming an unchanged three-month Libor of 0.25%, average inflation for 2010 is expected to amount to 0.7%, for 2011 to 0.4% and for 2012 to 1.0%. The conditional inflation forecast shows that there is no threat to price stability in the short term. However, the rising path in 2012 and 2013 shows that the current expansionary monetary policy cannot be maintained over the entire forecast horizon without compromising long-term price stability. The inflation forecast is still associated with a very high level of uncertainty.