

Communications

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Berne, 16 June 2011

Monetary policy assessment of 16 June 2011

Swiss National Bank maintains expansionary monetary policy

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy. The target range for the three-month Libor remains at 0.0–0.75%, and the SNB intends to keep the Libor within the lower part of the target range at around 0.25%.

The global economic recovery is continuing, even if the outlook has dampened somewhat in the past few weeks. The level of capacity utilisation in the Swiss economy is rising. Despite the strong appreciation of the Swiss franc, the economy continues to benefit from robust international demand. However, margins in the export industry are coming under increasing pressure. For 2011, the SNB is maintaining its forecast of real growth in Swiss GDP of around 2%.

Overall, however, downside risks predominate. These include, in particular, the debt problems in the euro area periphery. In addition, high deficits require several countries in various parts of the world to undertake fiscal consolidation measures, economic fragility notwithstanding. The recent commodity price increase weighs on global economic growth and poses upside risks to inflation. In Switzerland, the main risks remain, on the one hand, the effects of the strong Swiss franc on the export industry and, on the other, the danger of overheating in the real estate sector.

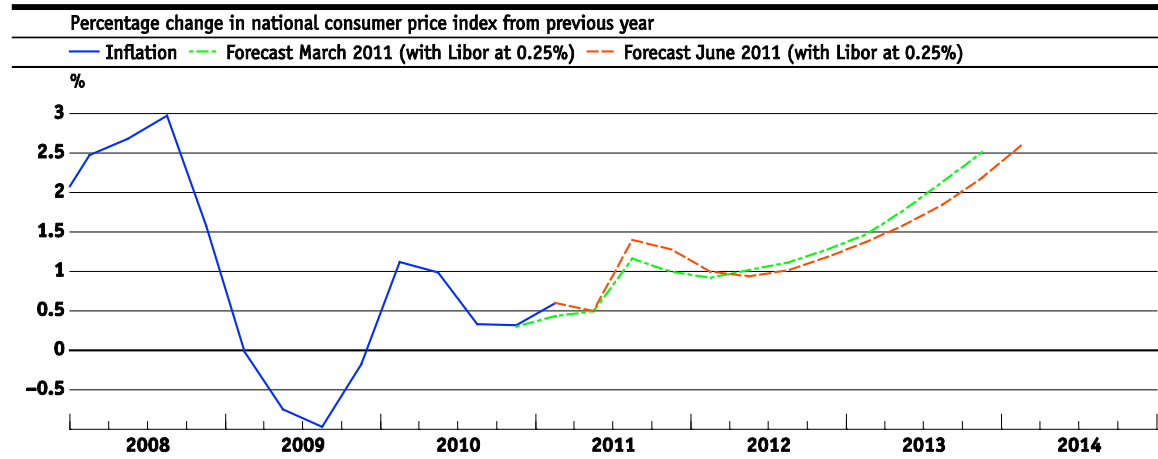
Until the beginning of 2012, the path of the SNB's conditional inflation forecast lies above that of the previous quarter's forecast. This is attributable to the assumption of higher oil prices compared to the previous quarter and somewhat higher import prices. Assuming an unchanged three-month Libor of 0.25% over the forecast horizon, the SNB expects average inflation rates of 0.9% for 2011, 1.0% for 2012 and 1.7% for 2013. Over the course of 2012, the path of the new forecast is lower than that of March because of the latest appreciation of the Swiss franc and the slightly slower development of international growth. Towards the end of the forecast period, inflation rises briskly and exceeds the upper bound of 2%. This shows that the current expansionary monetary policy cannot be maintained over the entire forecast horizon without compromising price stability in the long term. Due to the risks mentioned previously, the conditional inflation forecast is, however, associated with a high level of uncertainty.



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Conditional inflation forecast of March 2011 and of June 2011



Observed inflation June 2011

	2008				2009				2010				2011				2008	2009	2010
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	2.5	2.7	3.0	1.6	0.0	-0.7	-1.0	-0.2	1.1	1.0	0.3	0.3	0.6				2.4	-0.5	0.7

Conditional inflation forecast of March 2011 with Libor at 0.25% and of June 2011 with Libor at 0.25%

	2011				2012				2013				2014				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast March 2011, Libor at 0.25%	0.4	0.5	1.2	1.0	0.9	1.0	1.1	1.3	1.5	1.8	2.1	2.5					0.8	1.1	2.0
Forecast June 2011, Libor at 0.25%		0.5	1.4	1.3	1.0	0.9	1.0	1.2	1.4	1.6	1.8	2.2	2.6				0.9	1.0	1.7

Press release