

Communications

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Monetary policy assessment of 19 September 2013

Swiss National Bank reaffirms minimum exchange rate

The Swiss National Bank (SNB) is maintaining its minimum exchange rate of CHF 1.20 per euro. The Swiss franc is still high. The SNB stands ready to enforce the minimum exchange rate, if necessary, by buying foreign currency in unlimited quantities, and to take further measures, as required. Although the situation on the global financial markets has eased somewhat, the minimum exchange rate, with the three-month Libor close to zero, remains essential. It prevents an undesired tightening of monetary conditions were the upward pressure on the Swiss franc to intensify once again. The target range for the three-month Libor will stay at 0.0–0.25%.

The inflation outlook has hardly changed since June. The SNB's conditional inflation forecast is somewhat higher in the short term, due to a rise in the oil price since the last quarter and the slightly more positive assessment of the economic situation. As last quarter, the forecast is based on a three-month Libor of 0.0% over the next three years. The SNB now anticipates somewhat higher inflation of –0.2% for 2013 and 0.3% for 2014. The inflation forecast for 2015 remains unchanged at 0.7%. There are therefore no signs of inflation risks in Switzerland.

Recent months have seen a continuation of the slow recovery in the global economy. In the second quarter, GDP growth in the advanced economies was stronger than expected, especially in Germany and France. By contrast, economic activity in the emerging economies was sluggish. In the near term, global growth should gradually gain in momentum and become more broad based. Nevertheless, the recovery is likely to remain subdued.

The risk of less favourable global economic developments has decreased somewhat compared to the last quarter. Nevertheless, structural problems in Europe persist, which could cause new tensions on the markets. Moreover, the outlook for the emerging economies has deteriorated, and events in the Middle East could push up the oil price. In addition, sudden changes in

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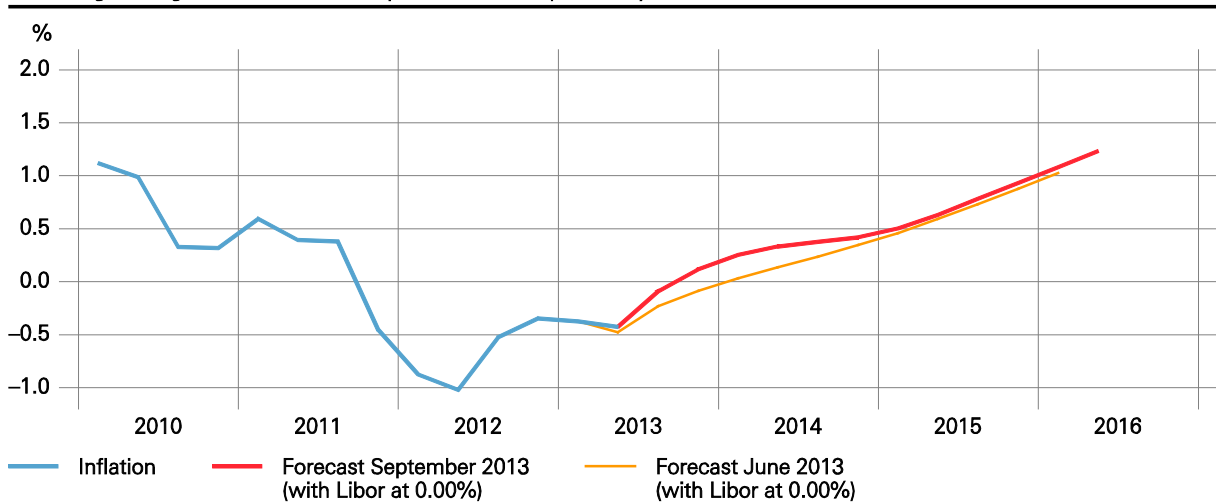
expectations on the further course of monetary policy in key currency areas could lead to increased volatility on the financial markets.

In Switzerland, GDP growth in the second quarter exceeded expectations. While the service industries experienced mainly robust growth, value added in manufacturing declined. Exports in the second half of 2013 should pick up on the back of firmer demand from abroad. Because of the unexpectedly positive second quarter, the SNB has now revised its 2013 growth forecast upwards from 1.0–1.5% to 1.5–2.0%.

On the domestic mortgage and real estate markets, the danger persists that imbalances will increase further. There are, however, some signs of an easing. The price growth in some segments of the real estate market slowed somewhat in the second quarter. Mortgage growth was also slightly lower in the first half of 2013 than in the previous year. Nevertheless, mortgage lending is still climbing more rapidly than GDP. Additionally, starting at a high level, real estate prices increased further. The SNB will continue to monitor the situation closely.

CONDITIONAL INFLATION FORECAST OF SEPTEMBER 2013

Percentage change in Swiss consumer price index from previous year



OBSERVED INFLATION IN SEPTEMBER 2013

	2010				2011				2012				2013				2010	2011	2012
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	1.1	1.0	0.3	0.3	0.6	0.4	0.4	-0.5	-0.9	-1.0	-0.5	-0.3	-0.4	-0.4			0.7	0.2	-0.7

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CONDITIONAL INFLATION FORECAST OF SEPTEMBER 2013

	2013				2014				2015				2016				2013	2014	2015
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast June 2013, with Libor at 0.00%		-0.5	-0.2	-0.1	0.0	0.1	0.2	0.3	0.5	0.6	0.7	0.9	1.0				-0.3	0.2	0.7
Forecast September 2013, with Libor at 0.00%			-0.1	0.1	0.3	0.3	0.4	0.4	0.5	0.6	0.8	0.9	1.1	1.2			-0.2	0.3	0.7