

Communications

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Monetary policy assessment of 11 December 2014

Swiss National Bank reaffirms minimum exchange rate

The Swiss National Bank (SNB) is maintaining its minimum exchange rate of CHF 1.20 per euro, and is leaving the target range for the three-month Libor unchanged at 0.0–0.25%. Deflation risks have increased once again and the Swiss franc is still high. Consequently, the SNB will continue to enforce the minimum exchange rate with the utmost determination. It is prepared to buy foreign currency in unlimited quantities for this purpose. With the three-month Libor at zero, the minimum exchange rate is the key instrument to avoid an undesirable tightening of monetary conditions. If required, the SNB will take further measures immediately.

The SNB has once again adjusted its conditional inflation forecast downwards compared to the previous quarter. Above all, the appreciably lower oil price will push inflation into negative territory during the next four quarters. Over the medium to long term, persistently low inflation across the globe and the even weaker outlook for the euro area economy will dampen inflation in Switzerland. For 2014, the SNB has revised its inflation forecast downwards by 0.1 percentage points to 0.0%. For 2015, forecast inflation will even turn negative, at –0.1%. Only in 2016 is inflation expected to rise slightly, to 0.3%. This constitutes a downward adjustment of 0.3 percentage points for 2015, and 0.2 percentage points for 2016. These forecasts assume that the three-month Libor will remain at zero over the entire forecast horizon, and that the Swiss franc will weaken.

Global economic developments continue to be mixed. The US, UK and China all saw robust growth in the third quarter. In the euro area and Japan, by contrast, it was weaker than expected. The SNB is assuming that global economic growth will gradually firm over the course of next year. The considerable fall in oil prices should be a contributory factor. However, the prospects for individual countries vary widely. While the US is likely to see favourable developments, the outlook for the euro area is very subdued.

Press release

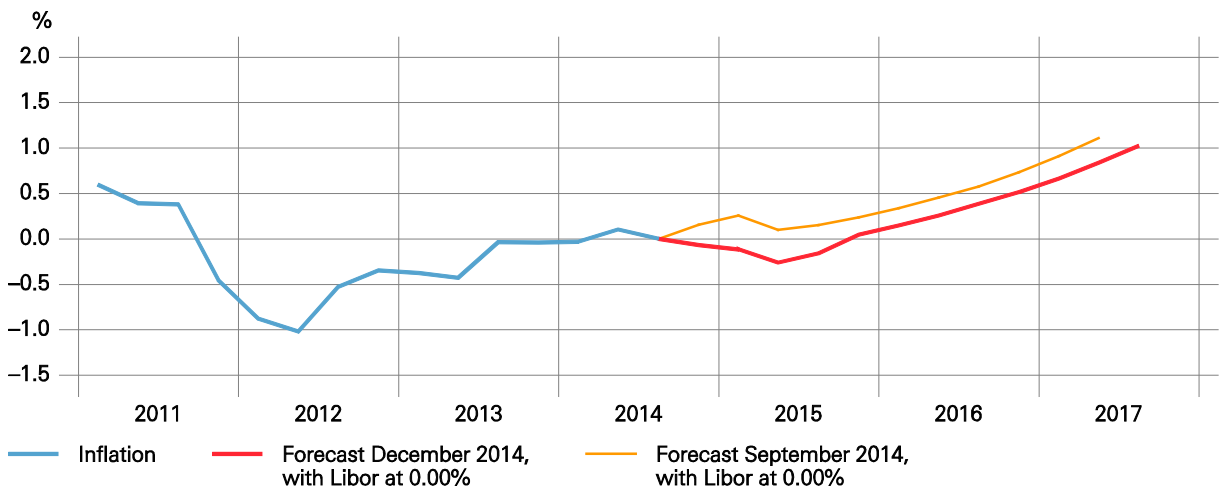
Overall, the global economic outlook is still dominated by downside risks – the most important of which are the continuing difficult conditions in the euro area and a possible escalation in geopolitical tensions.

Following a weak second quarter, real GDP growth in Switzerland was unexpectedly favourable in the third. On the demand side, the increase was driven predominantly by goods exports. Momentum in equipment investment, by contrast, remained weak. In part, growth was also boosted by special factors. Moreover, utilisation of economic capacity continued to be unsatisfactory. It is likely that growth will once again be markedly lower in the fourth quarter. As a result of the comprehensive revision of the national accounts, the reported figures for previous quarters are higher, and therefore GDP growth for the current year should also be somewhat higher than assumed in September, by 1.5–2%. However, the underlying economic momentum has not changed. For next year, the SNB still expects to see GDP growth of about 2%. Thus, the underutilisation of economic capacity should decline only gradually.

In the third quarter, mortgage lending growth weakened further. At the same time, real estate prices continued to rise. However, as in 2013, price momentum was weaker than in previous years. The imbalances that have built up on these markets in recent years are still just as high as before. The SNB is monitoring the situation on these markets closely, and regularly assesses the need for an adjustment of the countercyclical capital buffer.

CONDITIONAL INFLATION FORECAST OF DECEMBER 2014

Year-on-year change in Swiss consumer price index in percent



Press release

OBSERVED INFLATION IN DECEMBER 2014

	2011				2012				2013				2014				2011	2012	2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	0.6	0.4	0.4	-0.5	-0.9	-1.0	-0.5	-0.3	-0.4	-0.4	0.0	0.0	0.0	0.1	0.0		0.2	-0.7	-0.2

CONDITIONAL INFLATION FORECAST OF DECEMBER 2014

	2014				2015				2016				2017				2014	2015	2016
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast September 2014, with Libor at 0.00%			0.0	0.2	0.3	0.1	0.2	0.2	0.3	0.5	0.6	0.7	0.9	1.1			0.1	0.2	0.5
Forecast December 2014, with Libor at 0.00%			-0.1	-0.1	-0.3	-0.2	0.0	0.1	0.3	0.4	0.5	0.7	0.8	1.0			0.0	-0.1	0.3