



Communications

P.O. Box, CH-8022 Zurich
Telephone +41 44 631 31 11
communications@snb.ch

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Monetary policy assessment of 19 March 2015

Swiss National Bank leaves monetary policy unchanged

The Swiss National Bank (SNB) is leaving the target range for the three-month Libor unchanged at between -1.25% and -0.25% . The interest rate on sight deposits with the SNB remains at -0.75% and the exemption thresholds remain unchanged. Negative interest helps to make it less attractive to hold investments in Swiss francs. Overall, the Swiss franc is significantly overvalued and should continue to weaken over time. The SNB will continue to take account of the exchange rate situation, and its impact on inflation and economic developments, in formulating its monetary policy. It will therefore remain active in the foreign exchange market, as necessary, in order to influence monetary conditions.

The SNB's conditional inflation forecast has been adjusted substantially downwards compared to the December forecast. Together with the sharp fall in oil prices, the appreciation of the Swiss franc since the minimum exchange rate was discontinued moves inflation further into negative territory for a short period. For 2015, the SNB has revised its inflation forecast downwards by 1 percentage point to -1.1% . Inflation reaches its low point in the third quarter of 2015, at -1.2% . Thereafter, forecast inflation rises more rapidly than in the December forecast, due to the interest rate reductions since the last monetary policy assessment. Nevertheless, in 2016, inflation will amount to -0.5% , which is 0.8 percentage points lower than in the December forecast. Not until 2017 will inflation move into positive territory again, at 0.4% . The conditional forecast assumes that the three-month Libor remains at -0.75% over the entire forecast horizon, and that the Swiss franc weakens.

The global economic recovery is continuing. In the fourth quarter of 2014, growth in the US remained above potential. The favourable momentum of the economy there is also reflected in the sound growth in employment. The economy picked up somewhat in the euro area. This was primarily due to strong quarterly growth in Germany. In Japan, too, demand increased. Consumer price inflation edged down worldwide due to lower oil prices. In many advanced economies, inflation moved into negative territory at the beginning of 2015.



Press release

During the course of the year, the growth of the global economy is likely to firm gradually. Several factors are supporting this growth. First, the significant decline in oil prices is helping to increase demand. Second, monetary policy in the advanced economies remains very expansionary. The euro area, in particular, is likely to benefit from the further decline in interest rates as well as the marked depreciation of the euro. Recently, an easing in European banks' lending conditions, which were very restrictive, has also been observed.

Despite these favourable developments, the outlook for the global economy is still uncertain. Overall, substantial risks remain, with the focus on issues relating to the economic outlook for Greece and the Ukraine conflict.

In the fourth quarter, the Swiss economy again grew faster than expected. On the output side, growth was relatively broad-based, with manufacturing being the main driver. Value added also rose significantly in the banking industry and the public sector. On the demand side, both consumption and equipment investment recorded favourable developments. By contrast, exports of goods and services stagnated.

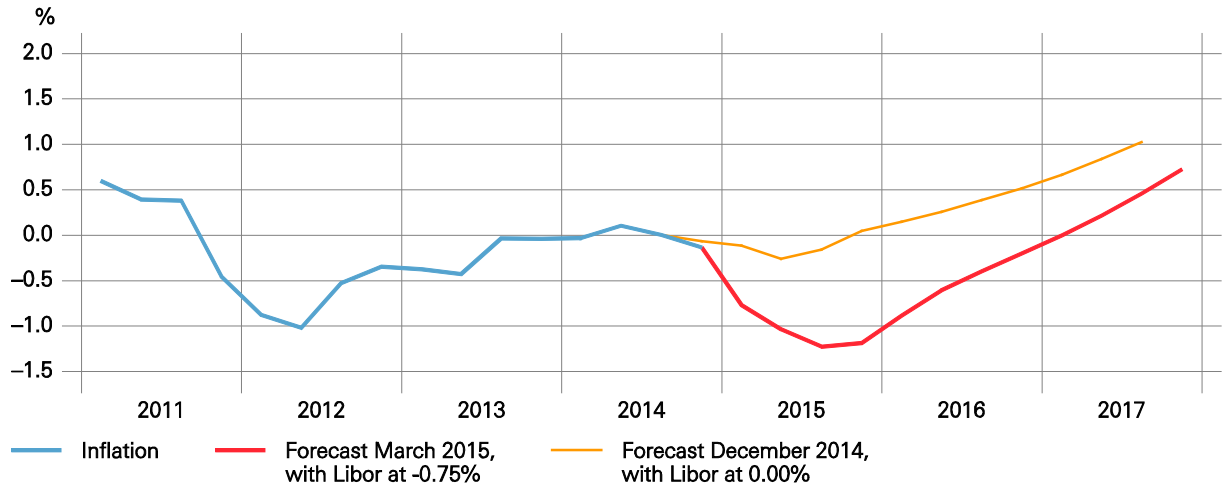
In December, the SNB expected annual growth of some 2% for 2015. With the appreciation of the Swiss franc since mid-January, this forecast has had to be revised. A noticeable weakening in the economy may be expected, particularly in the first half of the year. For the year as a whole, the SNB now only expects real GDP to increase by just under 1%. Given this weakening, appreciable underutilisation of production capacity may be expected in the short term. Unemployment is likely to increase moderately. The anticipated strengthening in the global recovery will have a supportive effect.

Mortgage lending growth weakened further in the fourth quarter. Meanwhile, growth in real estate prices remained more or less unchanged. Overall, 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 closely, and regularly assesses the need for an adjustment of the countercyclical capital buffer.

Press release

CONDITIONAL INFLATION FORECAST OF MARCH 2015

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



OBSERVED INFLATION IN MARCH 2015

	2011				2012				2013				2014				2012	2013	2014
	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	-0.1	-0.7	-0.2	0.0

CONDITIONAL INFLATION FORECAST OF MARCH 2015

	2014				2015				2016				2017				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
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	-0.1	0.3	
Forecast March 2015, with Libor at -0.75%					-0.8	-1.0	-1.2	-1.2	-0.9	-0.6	-0.4	-0.2	0.0	0.2	0.5	0.7	-1.1	-0.5	0.4