

Communications

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Monetary policy assessment of 21 June 2018

Swiss National Bank leaves expansionary monetary policy unchanged

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy, thereby stabilising price developments and supporting economic activity. Interest on sight deposits at the SNB remains at -0.75% and the target range for the three-month Libor is unchanged at between -1.25% and -0.25% . The SNB will remain active in the foreign exchange market as necessary, while taking the overall currency situation into consideration.

All in all, the value of the Swiss franc has barely changed since the monetary policy assessment of March 2018. The currency remains highly valued. Following the March assessment, the Swiss franc initially depreciated slightly against the US dollar and the euro. However, in light of political uncertainty in Italy, we have since seen countermovement, particularly against the euro. The situation on the foreign exchange market thus remains fragile, and the negative interest rate and our willingness to intervene in the foreign exchange market as necessary therefore remain essential. These measures keep the attractiveness of Swiss franc investments low and ease pressure on the currency.

The new conditional inflation forecast for the coming quarters is slightly higher than it was in March 2018 due to a marked rise in the price of oil; this price rise ceases to affect annual inflation after the first quarter of 2019. From mid-2019, the new conditional forecast is lower than it was in March 2018, mainly due to the muted outlook in the euro area. At 0.9% , the inflation forecast for 2018 is 0.3 percentage points higher than projected at the March assessment. For 2019, the SNB continues to anticipate inflation of 0.9% . For 2020, we expect to see inflation of 1.6% , compared with 1.9% forecast in the last quarter. The conditional inflation forecast is based on the assumption that the three-month Libor remains at -0.75% over the entire forecast horizon.

Press release

Overall, global economic growth was solid in the first quarter. Growth in the US and China was strong and broad-based. The pace of economic expansion slowed in the euro area, however, albeit partly due to temporary factors. The economic signals for the coming months remain favourable. The SNB's baseline scenario therefore assumes that the global economy will continue to grow above its potential.

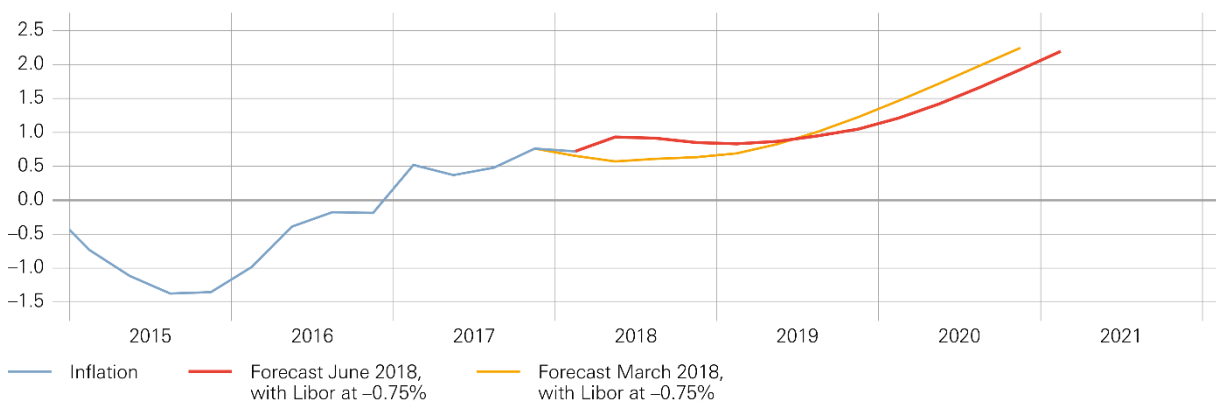
The risks to the SNB's baseline scenario are more to the downside. Chief among them are political developments in certain countries as well as potential international tensions and protectionist tendencies.

Switzerland's economy continued to recover as expected, with GDP once again growing faster than estimated potential in the first quarter. Overall capacity utilisation improved further on the back of this positive development. The SNB still anticipates GDP growth of around 2% for the current year and expects to see unemployment falling further.

Imbalances on the mortgage and real estate markets persist. While growth in mortgage lending has been only moderate over the last few quarters, real estate prices have continued to rise. Particularly in the residential investment property segment, there is the risk of a correction due to the strong increase in prices in recent years. The SNB will continue to monitor developments on the mortgage and real estate markets closely, and will regularly reassess the need for an adjustment of the countercyclical capital buffer.

CONDITIONAL INFLATION FORECAST OF JUNE 2018

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



Sources: SFSO, SNB

Press release

OBSERVED INFLATION IN JUNE 2018

	2015				2016				2017				2018				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	-0.7	-1.1	-1.4	-1.4	-1.0	-0.4	-0.2	-0.2	0.5	0.4	0.5	0.8	0.7				-1.1	-0.4	0.5

Source: SFSO

CONDITIONAL INFLATION FORECAST OF JUNE 2018

	2018				2019				2020				2021				2018	2019	2020
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Forecast March 2018, with Libor at -0.75%	0.7	0.6	0.6	0.6	0.7	0.8	1.0	1.2	1.5	1.7	2.0	2.2					0.6	0.9	1.9
Forecast June 2018, with Libor at -0.75%		0.9	0.9	0.9	0.8	0.9	0.9	1.0	1.2	1.4	1.7	1.9	2.2				0.9	0.9	1.6

Source: SNB