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Press release

# Monetary policy assessment at mid-year

## National Bank leaves the target range for the three-month Libor rate unchanged at 0.25–1.25%

The Swiss National Bank (SNB) leaves the target range for the three-month Libor rate unchanged at 0.25–1.25%. It intends to keep the rate in the middle of the target range at around 0.75% for the time being.

The fourth quarter of 2004 and the first quarter of 2005 saw a stagnation of economic activity in Switzerland, with the high price of oil as well as the depreciation of the dollar in the final quarter of 2004 acting as brakes. These factors also held back economic activity in Europe, as had been expected, thus further weakening the Swiss economy. Despite the sluggish development in the first quarter of 2005, the SNB still expects the economy to recover during the course of the year, with an increase in momentum in the second half. This notwithstanding, the pace of expansion for 2005 is likely to slow further. The SNB thus projects a growth rate of around 1%, as compared with 1.5% at the last assessment. Its expectations with regard to inflation in 2005 remain unchanged from the March assessment, so that average annual inflation for the year is likely to amount to 1%. On the assumption that the three-month Libor remains unchanged at 0.75%, annual inflation is forecast to stand at 0.5% in 2006 and reach 1.4% in 2007. Inflation prospects for the medium term now look more positive than they did at the March assessment. A correction to the expansionary monetary policy pursued by the SNB for a long time now will be necessary if the economic outlook improves. Should the Swiss franc appreciate rapidly, the Swiss National Bank will respond appropriately.

Swiss National Bank