

Communications

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Berne, 18 June 2015

Monetary policy assessment of 18 June 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 at the SNB remains at -0.75% . Negative interest rates in Switzerland make holding investments in Swiss francs less attractive and will help to weaken the Swiss franc over time. Overall, the Swiss franc is significantly overvalued. The SNB takes 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 new conditional inflation forecast does not differ greatly from the one we presented in March. Inflation will reach its low point in the third quarter of 2015, at -1.2% . For the subsequent period, the new inflation forecast is slightly higher than in March due to the rise in oil prices. The forecasts for 2015 and 2016 are up slightly, by 0.1 percentage points to -1.0% for 2015 and to -0.4% for 2016. The forecast continues to indicate that inflation will move back into positive territory at the beginning of 2017; there will be a slight slowdown in the rate of increase as the year progresses. The inflation forecast for 2017 is down by 0.1 percentage points, to 0.3% . The conditional forecast assumes that the three-month Libor will remain at -0.75% over the entire forecast horizon, and that the Swiss franc will weaken.

Global economic growth was weaker than expected in the first quarter of 2015, and this development had a detrimental impact on world trade. In the US, GDP declined slightly. In the euro area, however, the economy continued to pick up, supported by persistent euro weakness and improved lending conditions. In Japan, too, the economy gained momentum. In the emerging economies, performance remained uneven, while growth continued to cool in China.

The global economy is expected to gather pace again, reinforced by expansionary monetary policy around the world and ongoing low oil prices. Nonetheless, uncertainty about the future

Press release

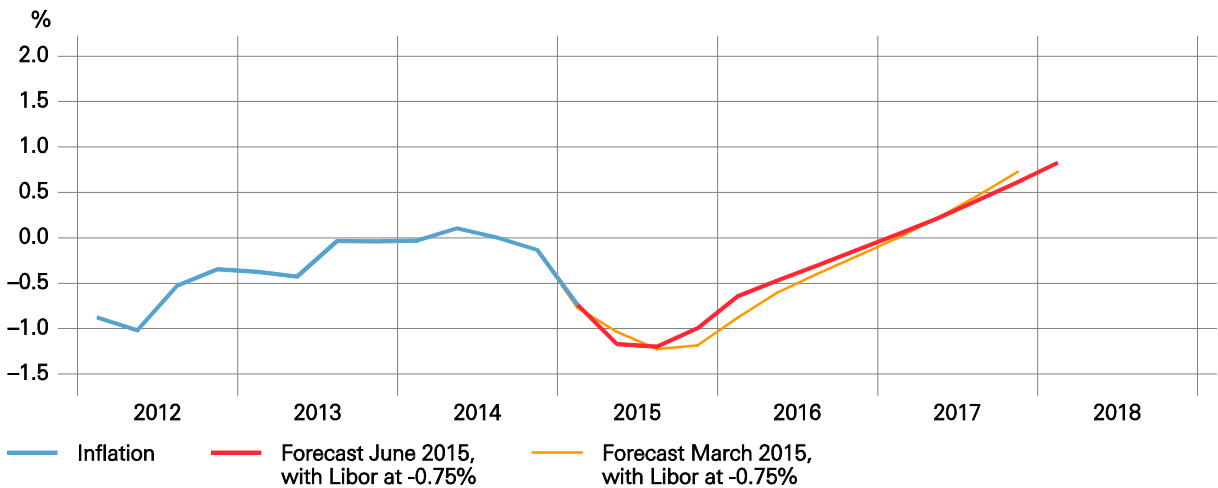
development of the global economy remains high. Various risks – first and foremost the difficult financial situation in Greece and geopolitical tensions – could jeopardise the recovery.

According to initial estimates, Switzerland’s real GDP declined slightly in the first quarter. As expected, goods exports suffered from the strong Swiss franc appreciation, but also from a downturn in global trade. Domestic demand, by contrast, developed robustly. The situation varies considerably from one industry to another, however. Profit margins are under significant pressure in several sectors, and this is forcing companies to take steps to reduce production costs and raise efficiency. Against this backdrop, unemployment has increased slightly on a seasonally adjusted basis.

Over the coming months, the global economic recovery is likely to lead to a gradual upturn in demand for Swiss products; this will cushion the impact of the exchange rate shock somewhat. As the global economy gathers momentum, we expect Switzerland to return to positive growth in the second half of the year. The SNB continues to anticipate growth of just under 1% for 2015 as a whole.

CONDITIONAL INFLATION FORECAST OF JUNE 2015

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



Press release

OBSERVED INFLATION IN JUNE 2015

	2012				2013				2014				2015				2012	2013	2014
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	-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				-0.7	-0.2	0.0

CONDITIONAL INFLATION FORECAST OF JUNE 2015

	2015				2016				2017				2018				2015	2016	2017
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
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
Forecast June 2015, with Libor at -0.75%		-1.2	-1.2	-1.0	-0.6	-0.5	-0.3	-0.1	0.0	0.2	0.4	0.6	0.8				-1.0	-0.4	0.3