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Abstracts

1. Monetary policy decisions

On 15 June 2000, the Swiss National Bank decided to tighten its monetary policy once more and to increase the target range for the three-month Libor rate from 2.5%-3.5% to 3.00%-4.00%. For the time being, it continues to aim at the middle segment of the target range. The gradual increase in the three-month Libor rate, which - factoring in the interest rate adjustment of the middle of June - has amounted to 1.75% over the year to date, should ensure that the economic upswing does not permanently jeopardise price stability in Switzerland in the coming years.

2. Economic and monetary developments

Bolstered by the favourable international economic situation, the robust and broad-based economic growth in Switzerland was sustained in the first quarter of 2000. Exports continued to provide strong support for the economy. Domestic demand - notably construction activity - gained additional momentum as well. Employment was up in all sectors, and jobless figures continued to recede. After having registered a slight decline in the first four months of the year, inflation picked up a little again to 1.6% in May. Higher prices for petroleum products and rising rents accounted for a large part of the increase.

During the course of the first quarter, the National Bank tightened its monetary policy gradually in order to counter the mounting threat of inflation in Switzerland. In so doing, it reacted to a number of indicators signalling an acceleration in economic growth. On 23 March, the National Bank increased the target range for the three-month Libor rate by 0.75% to 2.5%-3.5%, after having already lifted it by half a percentage point at the beginning of February. In the wake of this tightening, money market rates rose decisively. Furthermore - following the interest rate adjustment seen in March, the Swiss franc appreciated vis-à-vis the euro. On the whole, monetary conditions thus became considerably more restrictive during the first five months of the year.

3. General Meeting of Shareholders

At his first Annual General Meeting, Eduard Belser, President of the Bank Council, examined the role of the bank authorities of the National Bank and looked at questions relating to the institution's structure. The demands made on the central bank in connection with security and stability concern both the operational and financial areas. The reorganisation of the cash distribution concept demonstrates that - within the scope of its mandate - the National Bank limits itself to essential tasks. The new monetary article in the Federal Constitution and the Federal law on currency and payment instruments, which took effect as of 1 May 2000, create new conditions for the National Bank. The National Bank is still required to maintain adequate currency reserves under the revised Federal Constitution. As the investment of these reserves entails certain risks, risk management has been gradually redefined during the last few years. Overall supervision of risk management lies with the Bank Council.

The Chairman of the Governing Board, Hans Meyer, expressed his views on the economic development and the monetary policy decisions associated with it. Switzerland's current economic situation and prospects are encouraging. The increasing risks to the stability of the economy as a whole are the reverse side of the coin. An explanation of the National Bank's new monetary policy concept is followed by reflections on the stability and integrity of the financial centre. Careful handling of Swiss bank secrecy is also an important concern of the central bank. An outline of Switzerland's new monetary constitution and observations on international monetary relations, arguing in favour of a sharper focus on the IMF on its main tasks, conclude Mr Meyer's remarks.

4. Management of the SNB's foreign currency investments

Since the revision of the National Bank Law of 1 November 1997, securities purchased by the National Bank are no longer subject to the provision restricting maturities to 12 months. Consequently, the National Bank has more leeway for diversifying its foreign currency investment portfolio. This article gives an overview of the investment instruments selected by the National Bank and the currency allocation of the portfolio. Furthermore, it outlines the decision-making process and comments on the performance in 1998 and 1999.

5. Chronicle of monetary events

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Increase in the target range for the three-month Libor rate

On 15 June 2000, the National Bank increased the target range for the three-month Libor rate by 0.5 percentage points to 3.0%–4.00%. The Bank thus reacted to growing inflationary threats.