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Monetary policy assessment of 13 September 2012

Swiss National Bank leaves minimum exchange rate unchanged

The Swiss National Bank (SNB) is leaving the minimum exchange rate unchanged at CHF 1.20 per euro, and will continue to enforce it with the utmost determination. It remains committed to buying foreign currency in unlimited quantities for this purpose. The Swiss franc is still high and is weighing on the Swiss economy. For this reason, the SNB will not permit an appreciation of the Swiss franc, given the serious impact this would have on both prices and economic performance in Switzerland. It is leaving the target range for the three-month Libor rate unchanged at 0.0–0.25%. If necessary, it stands ready to take further measures at any time.

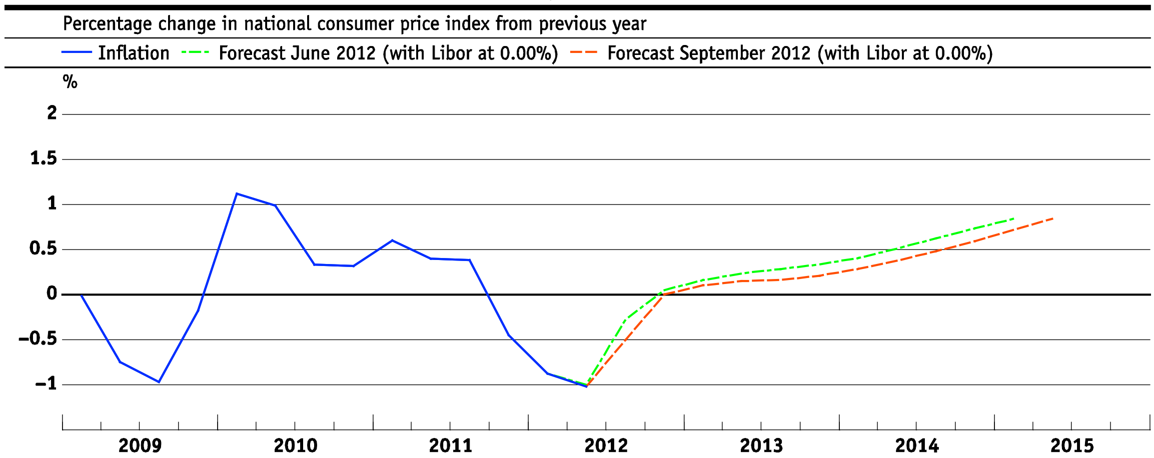
Compared to the June forecast, the SNB's conditional inflation forecast has been adjusted downwards slightly. It is based on a three-month Libor of 0%. The further deterioration in the inflation outlook stems partly from the unfavourable prospects for the global economy and a more pronounced underutilisation of production capacity in Switzerland, and partly from the fact that a depreciation of the Swiss franc has failed to materialise as expected. The forecast continues to project that the Swiss franc will weaken over the forecast horizon. The SNB is expecting an inflation rate of –0.6% for 2012, 0.2% for 2013, and 0.4% for 2014. Consequently, there is no threat of inflation in Switzerland in the foreseeable future.

In the second quarter of 2012, economic growth weakened worldwide. Although the emerging economies continued to underpin the global expansion, their rates of growth were lower than expected. Economic performance in the US remained lacklustre. In the euro area, recessionary trends were accentuated and a number of peripheral economies registered strongly negative growth rates. The unfavourable international environment also weighed on the Swiss economy. In the second quarter, real GDP fell slightly and unemployment increased. As a result of the deterioration in the global economic outlook and the downward revision of GDP for earlier quarters, the SNB is now expecting growth of around 1% for Switzerland in 2012, as opposed to the 1.5% projected in the June forecast.

Press release

Downside risks to the Swiss economy will also stay high in the near term. The global economy remains vulnerable. Growth prospects are being dampened by the euro area crisis, on the one hand, and the uncertainty surrounding forthcoming fiscal policy decisions in the US, on the other. The situation on the financial markets is also fragile. In addition, the continuing strong momentum on Swiss residential mortgage and real estate markets poses risks for financial stability over the medium term.

Conditional inflation forecast of June 2012 and of September 2012



Observed inflation in September 2012

	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2009	2010	2011
Inflation	0.0	–0.7	–1.0	–0.2	1.1	1.0	0.3	0.3	0.6	0.4	0.4	–0.5	–0.9	–1.0			–0.5	0.7	0.2

Conditional inflation forecast of June 2012 with Libor at 0.00% and of September 2012 with Libor at 0.00%

	2012 Q1	2012 Q2	2012 Q3	2012 Q4	2013 Q1	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2015 Q4	2012	2013	2014
Forecast June 2012, Libor at 0.00%		–1.0	–0.3	0.1	0.2	0.2	0.3	0.3	0.4	0.5	0.6	0.7	0.8				–0.5	0.3	0.6
Forecast September 2012, Libor at 0.00%			–0.5	0.0	0.1	0.2	0.2	0.2	0.3	0.4	0.5	0.6	0.7	0.8			–0.6	0.2	0.4

Press release