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Press release

Monetary policy assessment of 17 June 2010

Swiss National Bank maintains its expansionary monetary policy

The Swiss National Bank (SNB) is maintaining its expansionary monetary policy. Consequently, it is leaving the target range for the three-month Libor unchanged at 0.00–0.75% and intends to hold the Libor in the lower part of the target range, at around 0.25%.

The recovery of the global economy continues and the Swiss economy is benefiting from it. Although the weakening of the euro with respect to the Swiss franc is dampening export activity, this activity is being supported by growth in foreign demand. The domestic sector is still performing favourably. For 2010, the SNB is now expecting real GDP growth of about 2.0%. In view of these pleasing developments, the deflationary risk in Switzerland has largely disappeared.

At the same time, uncertainty has increased since the last monetary policy assessment. The latest tensions on the financial markets, particularly with regard to the public finances of some individual countries, have increased the downside risks. Should these downside risks materialise and, via an appreciation of the Swiss franc, lead to a renewed threat of deflation, the SNB would take all the measures necessary to ensure price stability.

The SNB's conditional inflation forecast for 2010 and 2011 has increased slightly since March. It remains unchanged for 2012. Assuming an unchanged three-month Libor of 0.25%, average inflation for 2010 is expected to amount to 0.9%, for 2011 to 1.0% and for 2012 to 2.2%. This forecast shows that short-term price stability is guaranteed. It also shows that the current expansionary monetary policy cannot be maintained over the entire forecast horizon without compromising medium and long-term price stability. The forecast is still associated with very considerable uncertainties.