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Press release

Monetary policy decisions for the 3rd quarter 2000

Tightening of monetary policy - increase in the target range for the three-month Libor rate from 2.5%-3.5% to 3.0%-4.00%

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 part of the target range. The last adjustment of the target range for the Libor rate was made on 23 March, when the National Bank raised the target range by $\frac{3}{4}$ %.

The robust economic upswing which had got under way in the second half-year of 1999 continued with undiminished vigour in the current year. For 2000, the National Bank expects an average growth of real gross domestic product of 3%, after having anticipated a rise of only 1.8% at the end of 1999. Against this background, the National Bank made an upward adjustment to the inflation forecast it published in December 1999.

The gradual increase in the three-month Libor rate, which - taking into account today's interest rate adjustment - has amounted to 1.75% since the start of the year, should ensure that the economic upswing does not permanently jeopardise price stability in Switzerland in the coming years.

Since monetary policy only affects the economy and the development of prices with a time lag, a rise in inflation to just over 2% in 2001 can probably not be prevented. Such a rise in inflation, however, is only likely to continue until the more restrictive monetary policy begins to take effect. In 2002 and 2003, inflation should therefore again fall below 2%. The present development of the monetary aggregates does not indicate any impending medium-term increase in inflation. For 2000, the National Bank still expects an inflation rate of 1.5%.

Swiss National Bank