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Press release

Monetary policy assessment at mid-year

Libor target range left unchanged at 0.0% – 0.75%

The National Bank has decided to leave the target range for the three-month Libor rate unchanged at 0.0%-0.75%. For the time being, the three-month Libor is to be kept at the lower end of the target range at 0.25%. In the past two years the National Bank took decisive steps in response to declining economic growth and to the upward trend of the Swiss franc. Owing to the low inflationary pressure the National Bank has narrowed the target corridor for the three-month Libor by a total of 3.25 percentage points since March 2001. Interest rates were last lowered on 6 March of this year.

The recovery of the global economy is likely to be delayed still further so that in Switzerland, too, any perceptible economic upswing can only be expected to materialise during the course of 2004. The National Bank is therefore maintaining its expansionary monetary policy and shall keep the attractiveness of Swiss franc investments low. This does not jeopardise price stability. Assuming that the three-month Libor rate will remain stable at 0.25%, average annual inflation is expected to amount to 0.6% this year, 0.4% next year, and 1.2% in 2005. For 2003 the National Bank anticipates real economic activity to stagnate overall.

Swiss National Bank