

Jean-Pierre Roth: Switzerland in the midst of the euro area - situation and outlook

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank, at the South Tyrolean Industrialists' Association, Bozen, 14 October 2003.

The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch).

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In the past decade, the European currency landscape has undergone fundamental changes. The European Central Bank today enjoys an excellent reputation as an independent central bank. Within a very short time, the euro has become most significant as an investment currency, and it continues to gain ground. Since 2002, from the time it took physical form, it has also been legal tender in twelve EU countries.

The introduction of the single currency has also had manifold implications for Switzerland. First of all, the euro has made business for Swiss companies easier. Foreign currency management has been facilitated, and the danger of currency turbulences, as witnessed under the European Monetary System EMS, has diminished. The euro is used as a payment instrument in Switzerland approximately to the same extent as formerly the national currencies of our immediate neighbours. It is possible that it will yet gain some significance in this respect. There is no risk, however, of it superseding the Swiss franc as payment instrument. As an investment and issuing currency, the euro represents increased competition, but the Swiss franc will remain an attractive diversification currency. The greater price transparency in the European market brought about by the euro's launch also has an influence on Switzerland's domestic economy, heightening awareness of the need for structural changes.

Finally, initial fears that the exchange rate relation between the Swiss franc and the euro might be destabilised by the introduction of the euro have not come true. Notwithstanding a few fluctuations, the relation between the two currencies has remained remarkably stable. Overall, therefore, the cohabitation between the Swiss franc and the euro is definitely a "success story".