

Jean-Pierre Roth: Prospects for the Swiss franc in the heart of the euro area

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank, at the Associazione Carlo Cattaneo, Lugano, 9 March 2005.

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

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The launch of the euro in January 1999 fundamentally transformed the international monetary order. Switzerland, a small country that strongly depends on exports and capital transactions, suddenly found itself surrounded by a market with almost 300 million people sharing a single currency. What were the monetary consequences of this development, and what are the prospects for the Swiss franc, which is traditionally considered a "success product"?

The role of the Swiss franc in commercial and financial transactions has certainly diminished. Although the euro is only rarely used as a means of payment in the Swiss market, billing within the euro area is increasingly taking place in the single currency only – a fact to which Swiss companies have to adjust. In the financial markets, the euro now acts as a counterweight to the dollar. The Swiss franc has thus lost some of its significance as a safe-haven currency and has performed more in line with its fundamentals.

The introduction of the euro has, however, not affected our monetary autonomy or the Swiss interest rate advantage. The Swiss National Bank has been able to respond with flexibility and determination to the recent economic slowdown. As a result, the Swiss economy has benefited from far more favourable monetary conditions than Germany, for example, which is subject to the same interest rate regime as those euro area countries in the process of convergence. Furthermore, the interest rate bonus has remained, partly because of the heterogeneous economic development of the euro area.

Even if the international significance of the Swiss franc diminished, its unique character should strengthen in view of the increasing complexity and diversity of the euro area. The markets have correctly assessed this process. The development of the euro area also presents a challenge to the Swiss economy. In this context, Switzerland's monetary autonomy will remain a significant asset.