

Jean-Pierre Roth: The position of the Swiss franc exchange rate in the Swiss National Bank monetary policy strategy

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank and Chairman of the Board of Directors of the Bank for International Settlements, at the University of St. Gallen, St. Gallen, 19 December 2007.

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

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The exchange rate is an important factor in determining the domestic price level in Switzerland. Nevertheless, it is not a monetary policy goal for the Swiss National Bank and is only relevant insofar as it has an impact on future inflation. Our concerns about our currency's weakness should not be read as a hidden form of exchange rate policy but rather as genuine concern about future price stability. A sustained tendency to weakness on the part of the Swiss franc could trigger inflationary effects that – sooner or later – would have to be countered with monetary policy instruments taking the form of interest rate measures. In the medium-term, this could lead to a reduction in the interest spread between the Swiss franc and the euro.