

Thomas Jordan: Monetary policy and financial markets – what may we expect in 2008?

Summary of a speech by Mr Thomas Jordan, Member of the Governing Board of the Swiss National Bank, at the Messe Fonds 2008, Zurich, 31 January 2008.

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

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The problems linked to the US housing and mortgage market dominated international financial markets in 2007. Despite the difficulties on the financial markets in the second half of the year, the global economy was robust last year. For 2008, the outlook for global economic growth has deteriorated and become more uncertain.

The turbulence in the financial sector led to a considerable increase in risk premiums in 2007. In the past few years, these premiums had been very low, and even after the recent increase they remain modest by historic standards. Due to the higher level of economic uncertainty in 2008, the process of adjustment in risk premiums looks set to continue in various markets.

From the current standpoint, the Swiss National Bank anticipates a somewhat slower pace of growth for Switzerland in 2008, although the economy should remain robust. However, the risks have increased in the recent period. As a result of the oil price hikes, inflation in Switzerland is likely to rise above 2% in the first half of 2008. Despite raised stock exchange volatility, the SNB does not judge that any additional actions are necessary at present. The quarterly assessment in mid-March 2008 will provide the opportunity to assess the inflation and economic outlook on the basis of new data.