

Thomas Jordan: Prospects for the Swiss economy in 2009

Summary of a speech by Mr Thomas Jordan, Member of the Governing Board of the Swiss National Bank, at the erfa-Gruppe, Weinfelden, 15 January 2009.

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

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Following a long, strong and broad-based growth phase, the world economy moved into a major recession in mid-2008. About a year after the beginning of the unprecedented financial market crisis, there was a radical turnaround in the global economic outlook. The European and Asian economies were not disconnected from the US, as had been hoped. The Swiss economy leans heavily on its export and financial sectors and faces a difficult year. A recession appears unavoidable in 2009.

Consequently, the skilful deployment of monetary and fiscal policies as well as optimal conduct on the part of business practitioners in Switzerland are particularly important. Monetary policy can be changed quickly and its impact is relatively rapid through its influence on interest rates and the exchange rate. The SNB has reacted resolutely to the deterioration in the economic situation and has reduced interest rates to almost zero. If necessary, monetary policy can be rendered even more expansionary through a series of alternative instruments.

In the case of fiscal policy, the focus is on effective automatic stabilisers – first and foremost, allowing the occurrence of temporary budget deficits, together with unemployment benefits and compensation for short-time working. In view of the extent and risks of the current crisis, fiscal policy will need to consider and prepare the deployment of additional stabilisation measures alongside the automatic stabilisers.

In addition to the increased focus on economic policy, business practitioners within the Swiss economy are also challenged. In the case of banks, it is essential that credit shortages for companies and private households be avoided. Moreover, interbank business needs to be strengthened in order to smooth out liquidity imbalances. Companies must enhance their innovativeness and use opportunities for opening up new markets. The Swiss economy has many structural strengths and this prompts confidence that Switzerland will overcome the crisis.