# Transmission and conduct of monetary policy in Switzerland

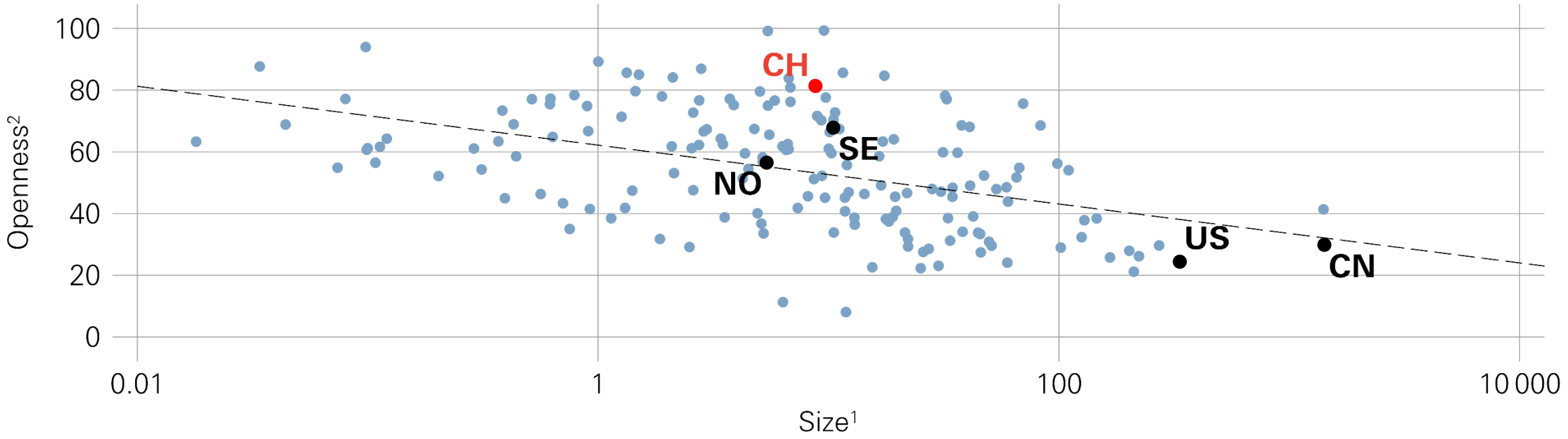
Martin Schlegel
Chairman of the Governing Board
Swiss National Bank

The SNB and its Watchers 2026
Zurich, 5 November 2026

SCHWEIZERISCHE NATIONALBANK
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SWISS NATIONAL BANK

# Switzerland is a small open economy

## COUNTRIES BY SIZE AND OPENNESS



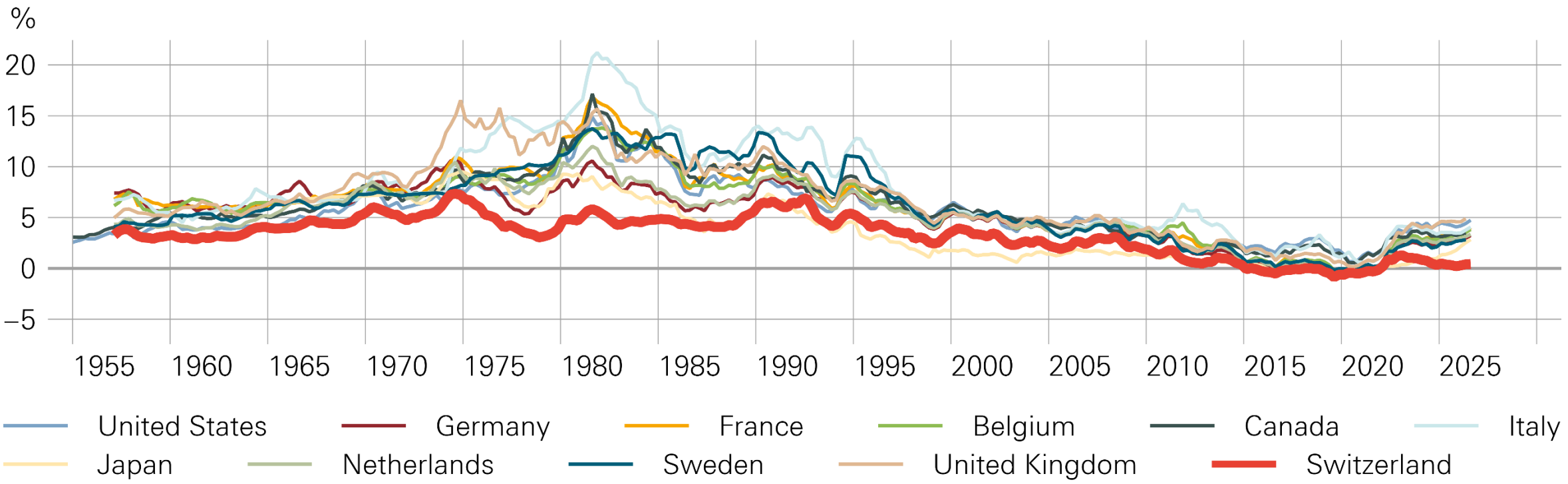

1 Million inhabitants (logarithmic scale).
2 KOF Globalisation Index: trade globalisation, de facto.

Source(s): IMF, KOF

# Switzerland is characterised by a low level of interest rates

## NOMINAL INTEREST RATES

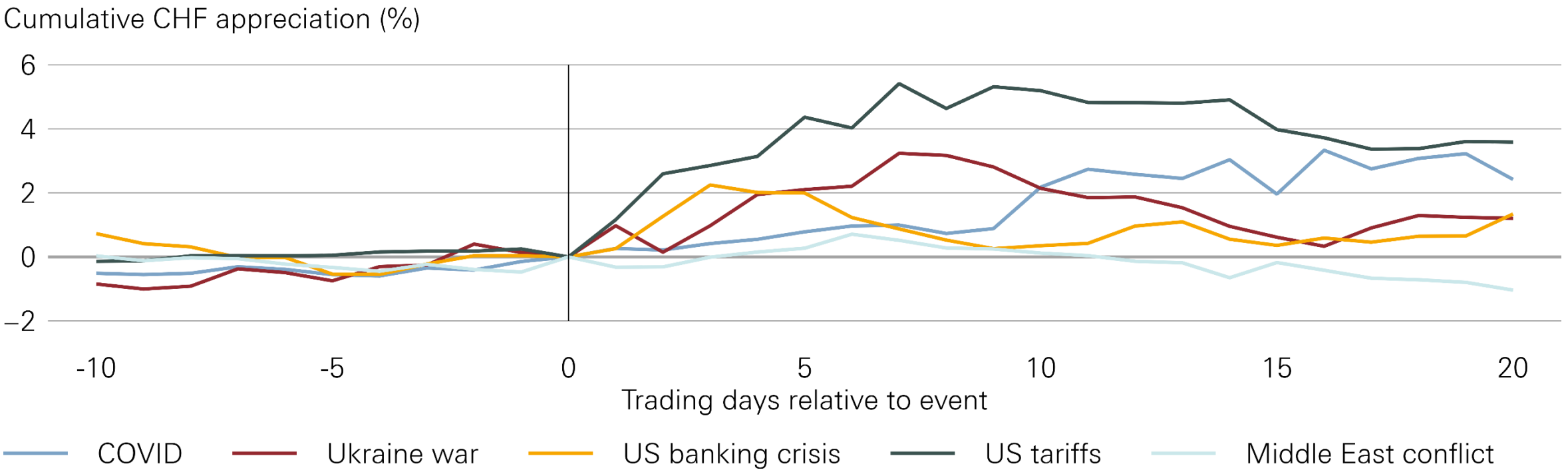
10Y government bond yields




Source(s): LSEG, SNB

# Swiss franc tends to appreciate around risk-off events

## SWISS FRANC AROUND RISK-OFF EVENTS

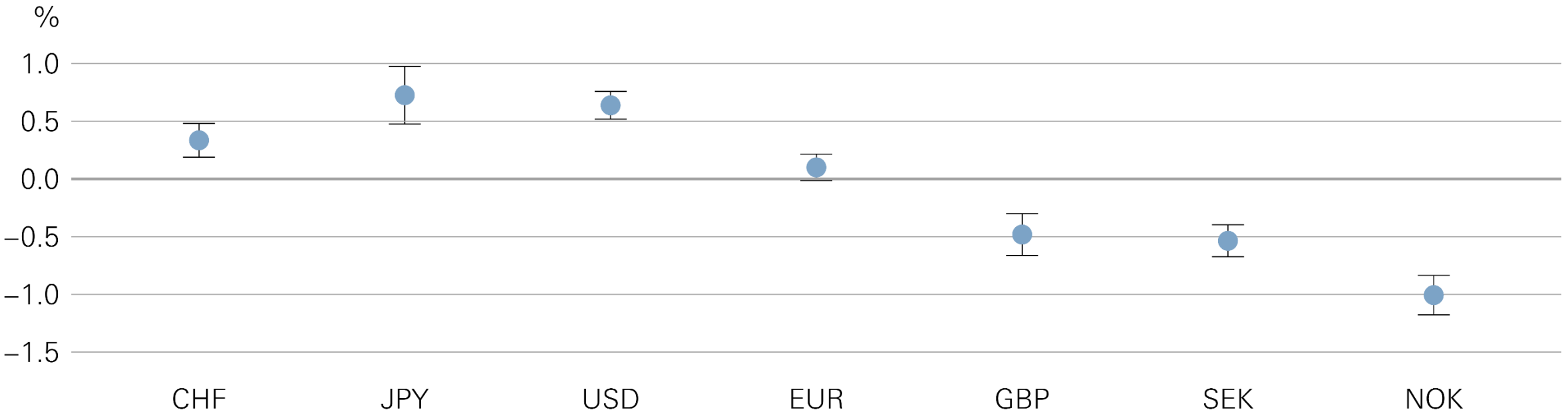



Dates: 21 Feb 2020 (COVID), 23 Feb 2022 (Ukraine war), 8 Mar 2023 (US banking crisis), 2 Apr 2025 (US tariffs), 27 Feb 2026 (Middle East conflict).

Source(s): SNB

# Swiss franc is a safe-haven currency

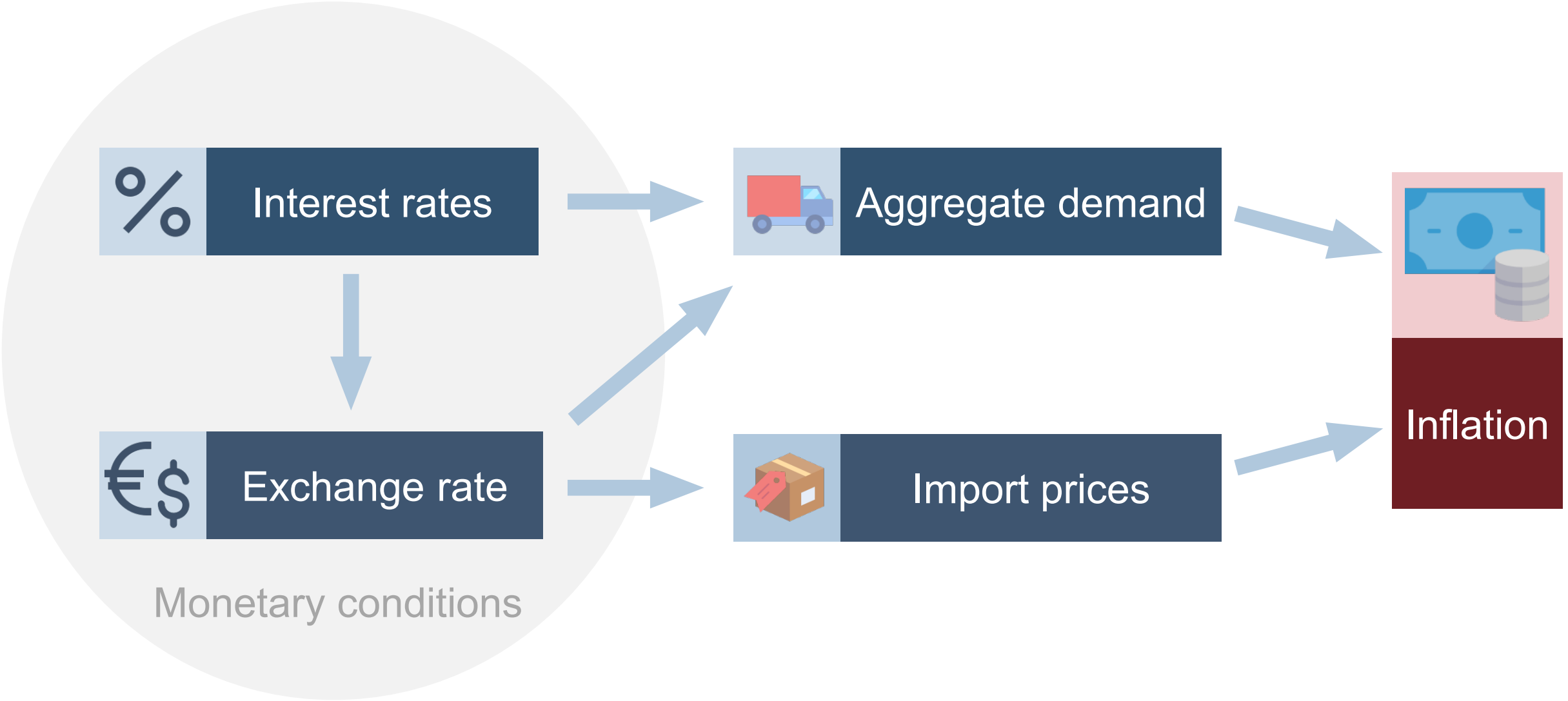
## APPRECIATION FOLLOWING LARGE VIX INCREASES




Notes: Coefficients from a regression of currency returns on large increases (>1σ) in VIX, controlling for macroeconomic surprises, interest rate movements and the discontinuation of the minimum exchange rate, scaled to the VIX increase after the tariff announcement on 2 April 2025. Whiskers denote 95% confidence bands. Daily data from 2010–2026.

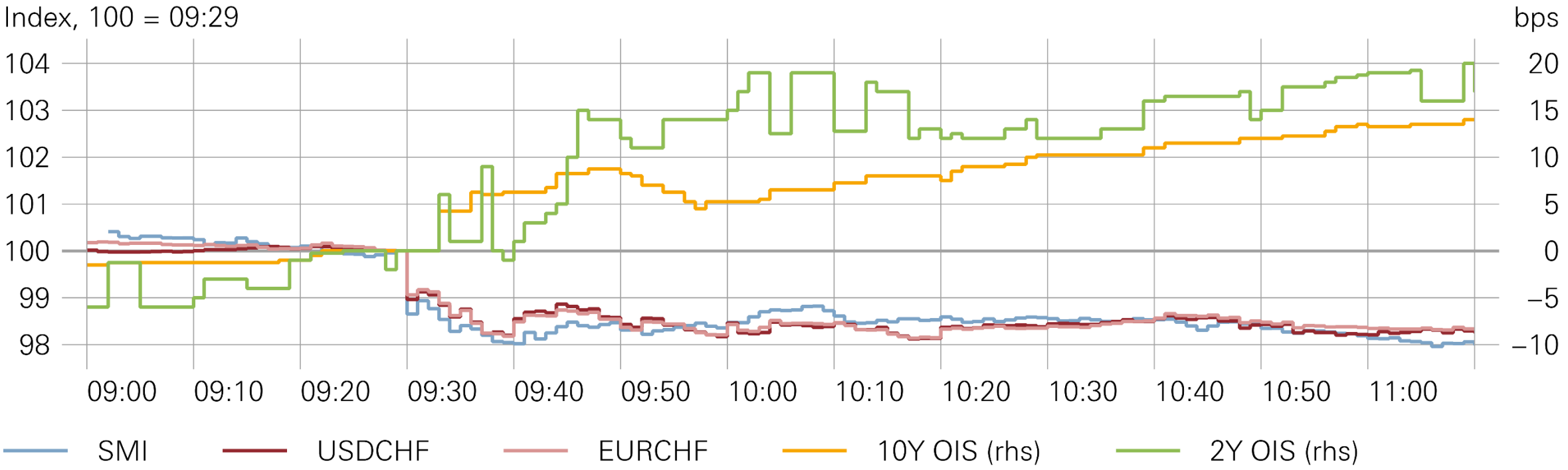
Source(s): SNB

# Role of the exchange rate in monetary policy transmission



# Effect of policy rate changes on financial market variables

## MARKET RESPONSE TO START OF 2022 HIKING CYCLE (16 JUNE 2022)



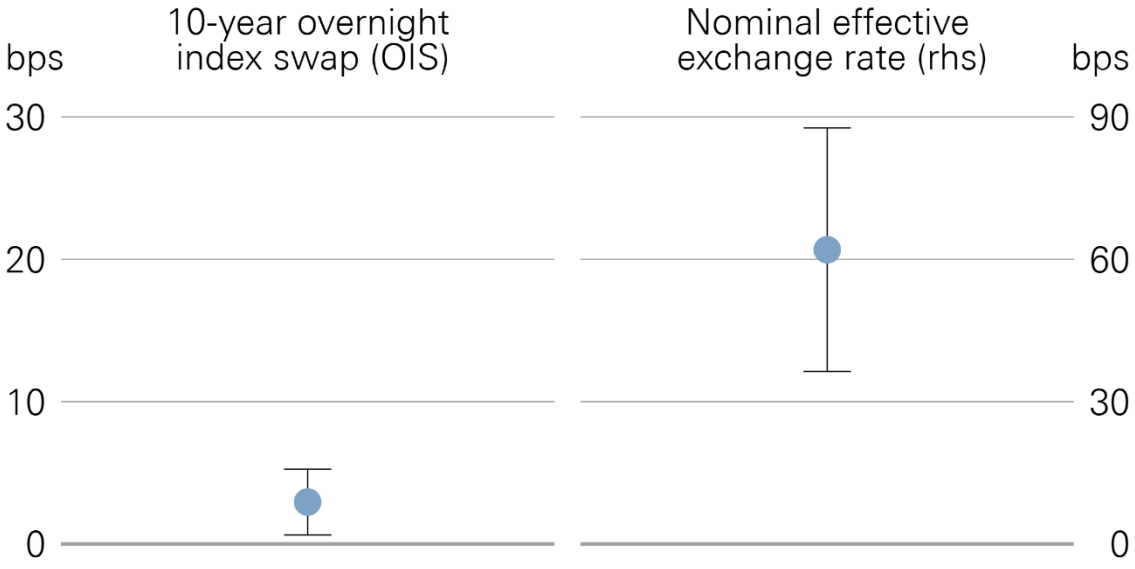

Notes: OIS denotes overnight index swap.

Source(s): LSEG

# Effect of policy rate changes on long-term rate, exchange rate, output and inflation

## SHORT-TERM EFFECT ON LONG-TERM RATE AND NOMINAL EFFECTIVE EXCHANGE RATE

Switzerland; 90% confidence intervals

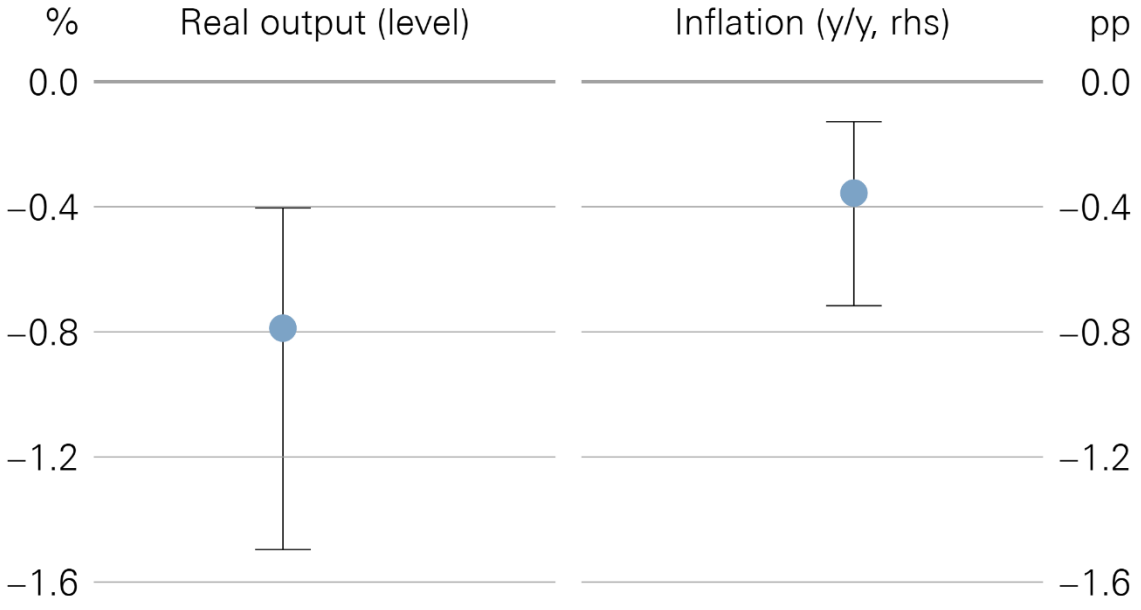



Notes: Effect of monetary policy shock leading to a 10 bps increase in the 2Y OIS rate (cumulated over 3 days). The sample period starts in February 2015.

Source(s): SNB

## MEDIUM-TERM EFFECT ON REAL OUTPUT AND INFLATION

Switzerland; temporary 1pp policy rate increase; effect after one year

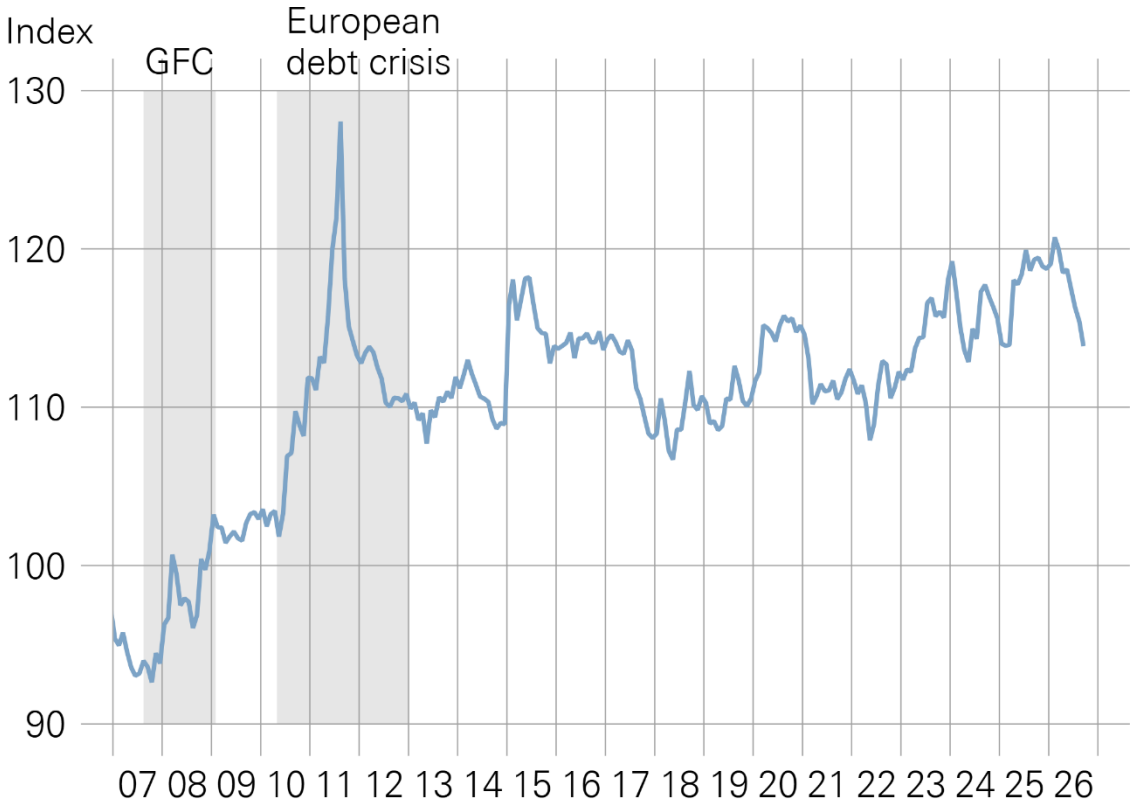



Notes: Mean of internal models, where whiskers indicate range of model estimates.

Source(s): SNB

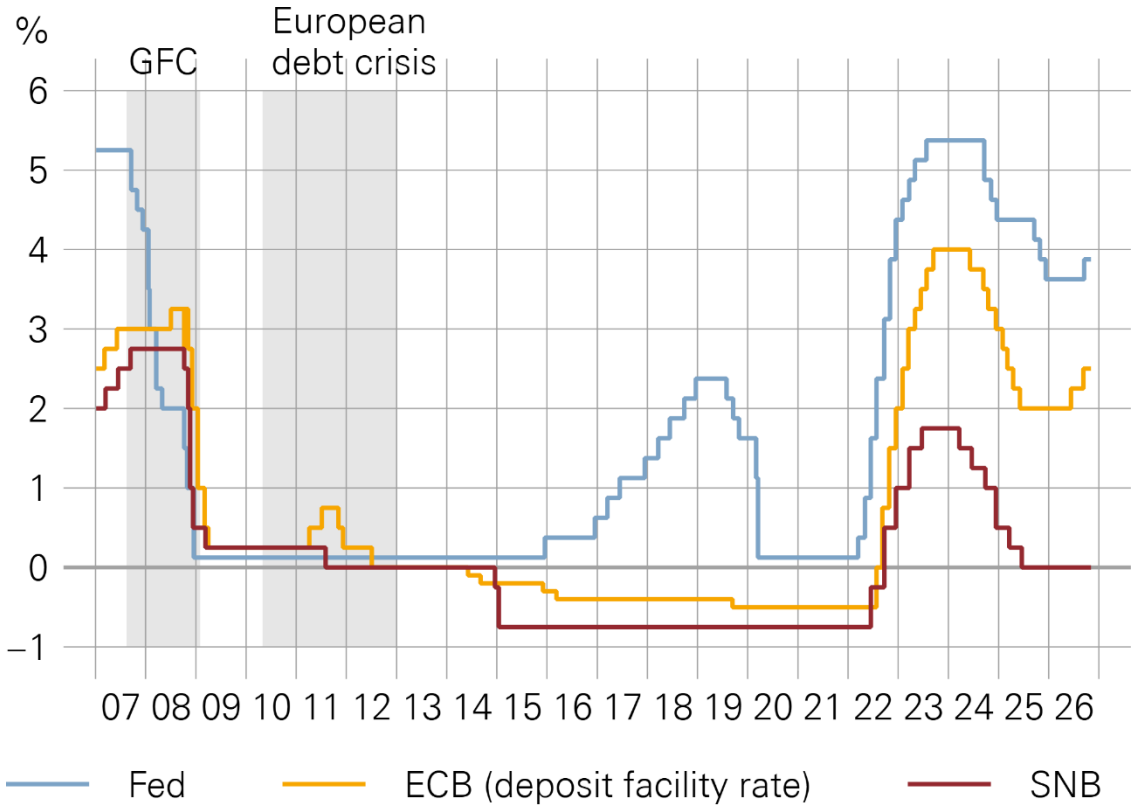
# Aftermath of GFC: Compression of interest rate differentials and appreciation pressure due to safe-haven flows

## CHF REAL EFFECTIVE EXCHANGE RATE




Source(s): SNB

## CENTRAL BANK POLICY RATES

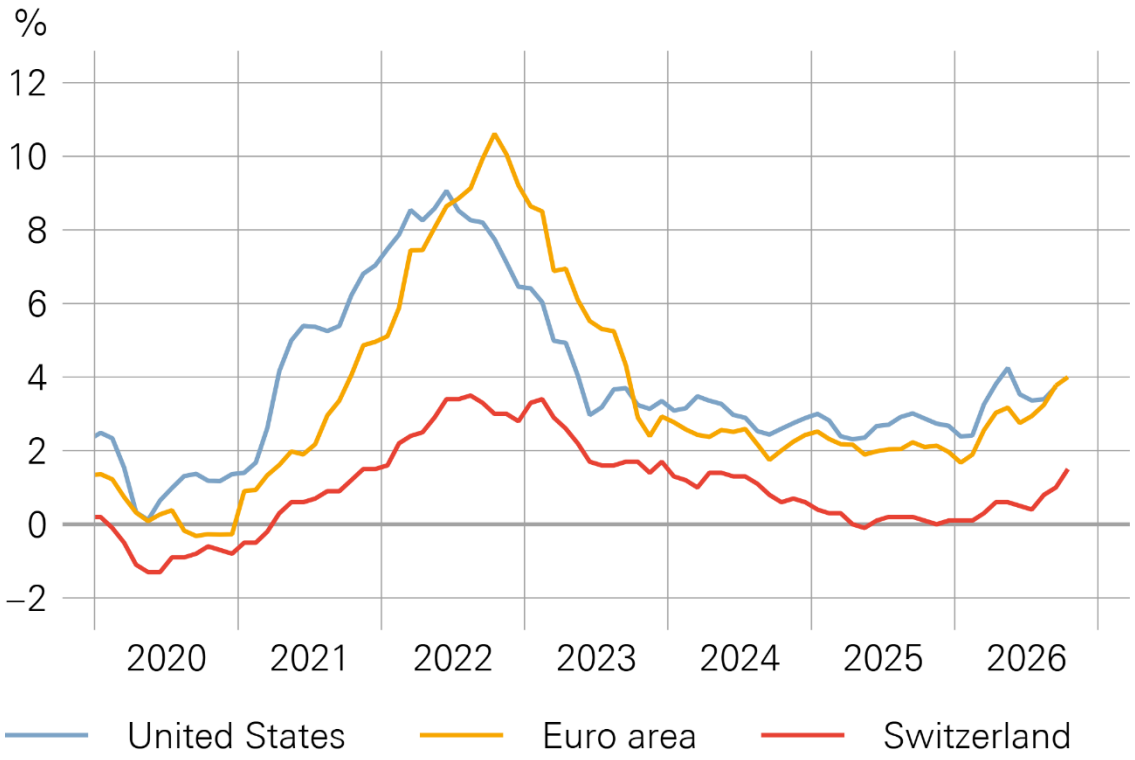



Source(s): Bloomberg, SNB

# Post-pandemic inflation episode: Relatively moderate inflation increase in Switzerland – the SNB tightened policy by raising the policy rate and by selling foreign currency

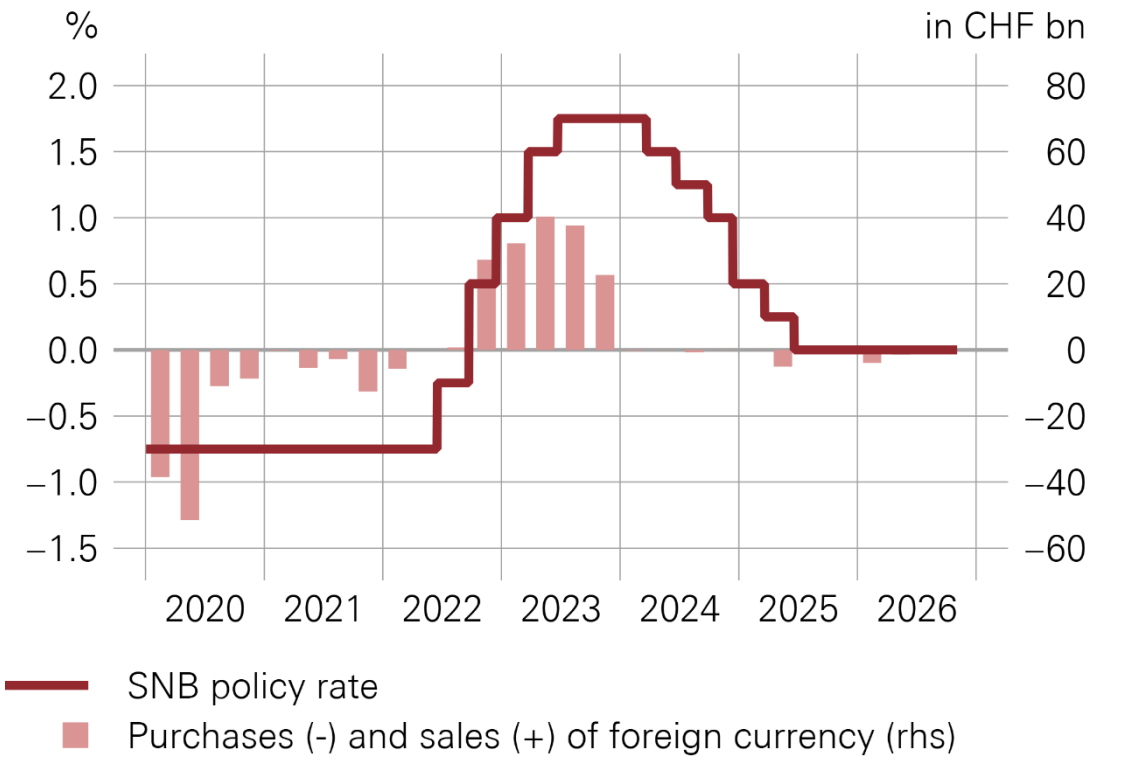
## CPI

Year-on-year change




Source(s): LSEG, SFSO

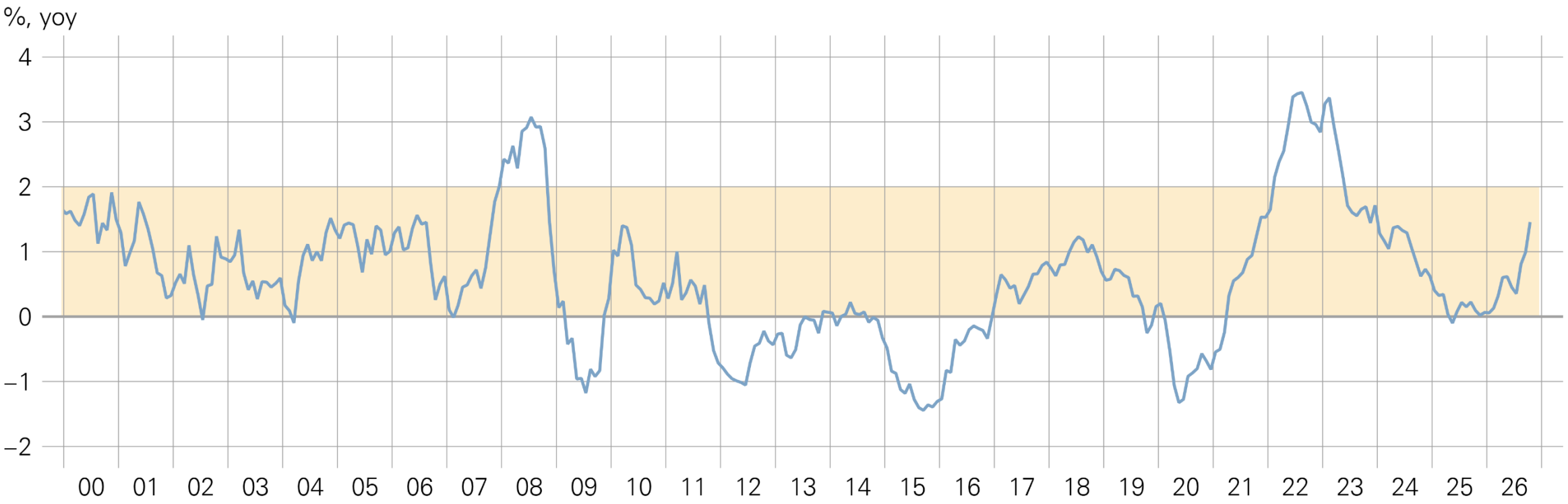
## SNB POLICY RATE AND FOREIGN EXCHANGE INTERVENTIONS




Source(s): SNB

# SNB has fulfilled its mandate – price stability in the medium term

## CPI INFLATION




Notes: Definition of price stability as yellow area.

Source(s): SFSO

# Thank you for your attention!

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