

Philipp Hildebrand: In the focus of the Swiss National Bank - economic outlook and monetary policy

Summary of a speech by Mr Philipp Hildebrand, Member of the Governing Board of the Swiss National Bank, at the WGZ-Bank, Luxemburg, 9 September 2005.

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

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The world economy expands at a robust pace but the growth rates of the important economic blocs diverge considerably. In spite of the accommodative monetary policy in most industrial countries, inflation and inflation expectations remain well contained which may, among other things, be due to the process of globalisation and the credibility of central banks. Switzerland, small and extremely open, benefits from a recovering global economy. The conditions for returning to a path of modest expansion look favourable. However, there are certain risks that may affect the global and the Swiss economy negatively. Most importantly, high oil prices and the devastating effect of the hurricane „Katrina“, as well as the possibility of increasing long-term interest rates have to be mentioned. A persistently high price of oil could act as a brake to demand dynamics and growth prospects could also be threatened by soaring long-term interest rates, an effect that could be amplified through the housing channel. In the foreign exchange markets, structural and cyclical factors continue to determine the value of the US-dollar.