Niklaus Blattner: Current economic situation and monetary policy

Summary of a speech by Mr Niklaus Blattner, Vice-Chairman of the Governing Board of the Swiss National Bank, at the 1st Basel Economic Talks of the National Bank, Basel, 5 May 2006.

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

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Switzerland's economy clearly picked up pace last year. Exports were the main engine for growth, while construction and consumer expenditure also buoyed up economic activity. Companies were nevertheless reluctant to invest or hire new staff. The recovery was thus still patchy, and inflation risks were accordingly low.

Since the beginning of the year, there has been a stream of positive news from Switzerland and abroad. The US and Asia are still enjoying a high level of economic momentum, and in Europe, too, the recovery is becoming more firmly entrenched. Benefiting from the favourable international environment, the upswing in Switzerland has gained a broader footing. The investment environment in particular seems much more attractive now than last year. This applies especially to Northwestern Switzerland. Many companies in this region have stated that they now want to implement investment plans that have been put on hold for a long time.

The Swiss National Bank expects Switzerland's GDP to expand by just over 2% this year. The economic upturn does not jeopardise price stability, at least not in the short term. In the long term, however, the current low level of interest rates is not compatible with price stability. If the economy performs as expected, the National Bank will further pursue the gradual adjustment of its monetary policy that has already been initiated.