

## **Jean-Pierre Roth: Central bank policy and developments on the real estate market**

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank and Chairman of the Board of Directors of the Bank for International Settlements, at the 8th International Symposium of the Group of Fifteen, Zurich, 1 February 2007.

*The complete speech can be found in German on the Swiss National Bank's website ([www.snb.ch](http://www.snb.ch)).*

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The Swiss National Bank takes considerable interest in the real estate market for a number of different reasons. Movements in real estate prices, on which it focuses in particular, can have a bearing on private consumption, investments and bank lending in addition to directly influencing the consumer price index through the rent component. The SNB's monetary policy is aimed at maintaining price stability, as measured by changes in consumer prices. Therefore, if it had reason to expect that developments in the real estate market could jeopardise price stability in the economy as a whole, the SNB would definitely adjust its monetary policy.

The Swiss real estate market has shown a very positive performance over the last few years and has made a substantial contribution to the upturn of the economy. According to the National Bank's assessment, the housing market in particular is currently well-balanced. The present situation thus gives no cause for concern. The SNB will, however, continue to monitor developments closely, particularly those factors that might boost demand for residential space in the future. As the Swiss economy is on the upswing, income is rising, as are the prices of assets. Demographic changes could also add to the pressure. For instance, immigration of well-qualified persons with high purchasing power has increased quite steeply since the agreement on the free movement of persons entered into force almost five years ago. These factors all tend to drive up demand for residential space. So far, supply has been able to keep pace with the increasing demand. Nevertheless, with supply adjusting only slowly, a higher level of demand could well accelerate price increases in the real estate market. It would then be the SNB's responsibility to ensure – under these more difficult circumstances – that price movements in the real estate market did not threaten price stability as a whole.