

Jean-Pierre Roth: Swiss outlook and global developments

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 Icon Roadshow Euro 2008, Frankfurt am Main, 17 March 2008.

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

* * *

The Swiss economy looks back on a number of successful years during which it was a very active participant in the growth of the world economy. The export sector rapidly expanded its presence in the new markets, thereby making an important contribution to this development. What was remarkable was that the increased foreign activities were not detrimental to Switzerland as a production location. On the contrary, the Swiss location benefited overall. Reforms aimed at strengthening and opening up Switzerland as a business location have also made a substantial contribution to economic prosperity in recent years.

The turbulence on the financial markets that erupted in mid-2007 is unlikely to leave the Swiss economy unscathed. The export sector, including the banks, will be affected by the slowdown in the international economy. An additional factor is the substantial rise in the value of the Swiss franc over the past few months against the euro and the US dollar. However, we are already in a position to learn quite a bit from the financial market turmoil. First, because financial markets are so highly integrated, central banks need to cooperate closely in order to master the problems. Second, incentive schemes in banks that have given particular priority to rewards for risky behaviour should be changed, and the instruments for measuring risks need to be reassessed. The way in which the Swiss National Bank steers the Swiss franc money market, however, has proved its worth, with the three-month Libor being successfully held inside the target range. In this way, the real economy has been protected from the upheaval on the interbank market.