Philipp Hildebrand: Developments in the current financial crisis

Summary of a speech by Mr Philipp Hildebrand, Vice-Chairman of the Governing Board of the Swiss National Bank, at the Swiss Funds and Asset Management Forum, Berne, 2 April 2009.

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

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The financial market turbulence, which began some 20 months ago, has grown into the largest and most complex crisis since the 1930s. The real world economy is now feeling the full force of this financial crisis. We are currently experiencing a very difficult period, although there are a few signs that the global economy could possibly be close to the cyclical trough. However, the route to recovery is unlikely to be straightforward, and the downside risks to growth remain considerable.

Throughout the world, governments and central banks have taken steps to stabilise the financial system. In addition, a large number of countries are pursuing fiscal policies aimed at stimulating demand. Central banks have lowered interest rates rapidly and sharply, and, in some cases, taken exceptionally far-reaching measures to alleviate the economic downturn. Cumulatively, these measures will ultimately help to ensure that the global economy returns to a growth path.

The Swiss National Bank (SNB), too, has made decisive use of conventional monetary policy tools and innovative, far-reaching monetary policy measures. We will deploy these measures aggressively for as long as this remains appropriate, both within the context of our monetary policy strategy and with a view to our inflation forecast.

We are aware that long-term risks are associated with the option we have chosen for fighting this crisis. Yet the SNB is profoundly convinced that the risks associated with the option of "doing too little", let alone the option of "doing nothing", would have been far greater. As soon as a return of the Swiss economy to its long-term growth path can be foreseen, the SNB will certainly not hesitate to redirect its monetary policy accordingly.