

## **Fritz Zurbrügg: The financial crisis in its sixth year – an end in sight?**

Speech by Mr Fritz Zurbrügg, Member of the Governing Board of the Swiss National Bank, at the Money Market Event, Zurich, 21 March 2013.

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

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In this, the sixth year of the financial crisis, the situation on the financial markets has eased considerably. Is what we're seeing the prospect of an end to the crisis, or is this just a flash in the pan?

Measures by central banks made a major contribution to stabilising the financial sector. This sector, however, is just a part of the whole, and while its stability is a precondition for sustained global economic growth, it is by no means a guarantee. The positive mood in the financial markets and leading economic indicators raise hopes that a recovery is underway. If these hopes are to be realised, however, structural reforms need to be implemented.

The three most significant challenges for the global economy are increasing the resilience of the financial sector, improving the flexibility of labour and goods markets (especially in Europe), and consolidating the public finances of the advanced economies. Progress has been made in all three areas. The way ahead, however, is still both long and difficult. Due to the relatively lengthy period of weak growth, there is considerable danger that reform fatigue might spread in those countries most severely affected. It is therefore that much more important that the reforms are well-planned and credible, and that they are implemented consistently, but also prudently. There is also the threat that pressure will build on central banks to compensate a failure to reform with monetary policy measures.

Central banks can and must resist this pressure, in order that they can continue to focus on ensuring price stability. Governments, on the other hand, should embrace this deep crisis as an opportunity to implement urgently needed structural reforms. Only then will we be able to say, with certainty, that the end of the financial crisis is in sight.