

Communications

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Monetary policy assessment of 21 March 2024

Swiss National Bank eases monetary policy and lowers SNB policy rate to 1.5%

The Swiss National Bank is lowering the SNB policy rate by 0.25 percentage points to 1.5%. The change applies from tomorrow, 22 March 2024. Banks' sight deposits held at the SNB will be remunerated at the SNB policy rate up to a certain threshold, and at 1.0% above this threshold. The SNB also remains willing to be active in the foreign exchange market as necessary.

The easing of monetary policy has been made possible because the fight against inflation over the past two and a half years has been effective. For some months now, inflation has been back below 2% and thus in the range the SNB equates with price stability. According to the new forecast, inflation is also likely to remain in this range over the next few years.

With its decision, the SNB is taking into account the reduced inflationary pressure as well as the appreciation of the Swiss franc in real terms over the past year. The policy rate cut also supports economic activity. Today's easing thus ensures that monetary conditions remain appropriate.

The SNB will continue to monitor the development of inflation closely, and will adjust its monetary policy again if necessary to ensure inflation remains within the range consistent with price stability over the medium term.

Inflation has declined further since the beginning of the year, and stood at 1.2% in February. This decrease was attributable to lower goods inflation. Inflation is currently being driven above all by higher prices for domestic services.

The new conditional inflation forecast is significantly lower than that of December. In the short term, this is above all due to the fact that price momentum in the case of some categories of goods has slowed more quickly than had been expected in December. In the medium term, lower second-round effects are leading to a downward revision. Over the entire forecast

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horizon, the conditional inflation forecast is within the range of price stability (cf. chart). The forecast puts average annual inflation at 1.4% for 2024, 1.2% for 2025 and 1.1% for 2026 (cf. table). The forecast is based on the assumption that the SNB policy rate is 1.5% over the entire forecast horizon.

The global economy grew moderately in the fourth quarter of 2023. Having declined rapidly in many countries in 2023, inflation has decreased at a somewhat slower pace in recent months. Inflation in many countries remains above central banks' targets. Against this background, many central banks have left their restrictive monetary policy unchanged for the time being.

Global economic growth is likely to remain moderate in the coming quarters. Inflation is likely to decline further, not least due to the restrictive monetary policy.

This scenario for the global economy is still subject to significant risks. Inflation could remain elevated for longer in some countries, necessitating a tighter monetary policy there than expected in the baseline scenario. Equally, geopolitical tensions could increase. It therefore cannot be ruled out that global economic activity will be weaker than assumed.

Swiss GDP growth was moderate in the fourth quarter of last year. The services sector expanded again, while value added in manufacturing stagnated. Unemployment rose somewhat further, and the utilisation of overall production capacity was normal.

Growth is likely to remain modest in the coming quarters. The weak demand from abroad and the appreciation of the Swiss franc in real terms over the past year are having a dampening effect. Overall, Switzerland's GDP is likely to grow by around 1% this year. In this environment, unemployment is likely to continue to rise gradually, and the utilisation of production capacity is likely to decline somewhat further.

Our forecast for Switzerland, as for the global economy, is subject to significant uncertainty. The main risk is weaker economic activity abroad.

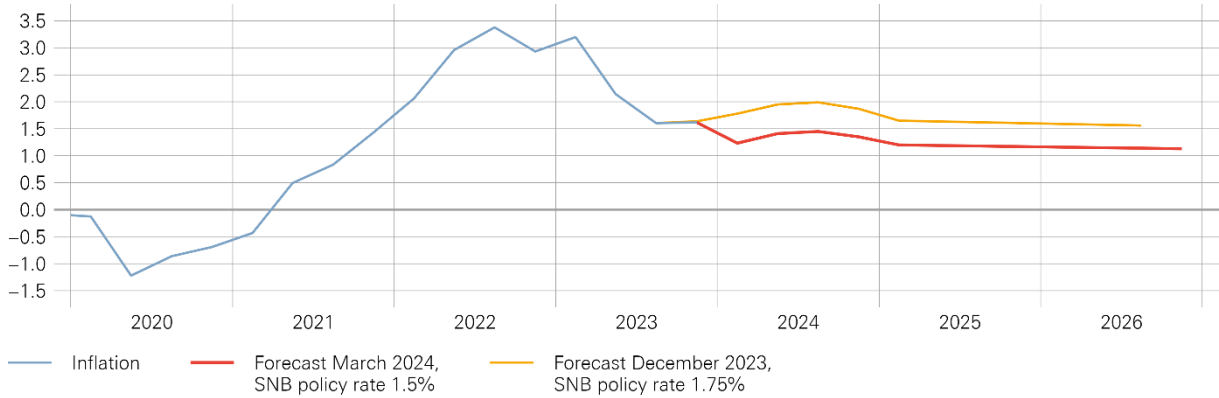
Momentum on the mortgage and real estate markets has weakened noticeably in recent quarters. However, the vulnerabilities in these markets remain.

More detailed information on the monetary policy decision can be found in the [introductory remarks of the Governing Board](#).

Press release

CONDITIONAL INFLATION FORECAST OF MARCH 2024

Year-on-year change in Swiss consumer price index in percent



Source(s): SFSO, SNB

OBSERVED INFLATION IN MARCH 2024

	2020				2021				2022				2023				2021	2022	2023
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
Inflation	-0.1	-1.2	-0.9	-0.7	-0.4	0.5	0.8	1.4	2.1	3.0	3.4	2.9	3.2	2.1	1.6	1.6	0.6	2.8	2.1

Source(s): SFSO

CONDITIONAL INFLATION FORECAST OF MARCH 2024

	2023				2024				2025				2026				2024	2025	2026	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Forecast December 2023, SNB policy rate 1.75%					1.6	1.8	2.0	2.0	1.9	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.9	1.6	
Forecast March 2024, SNB policy rate 1.5%					1.2	1.4	1.5	1.4	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.1	1.1	1.4	1.2	1.1

Source(s): SNB