

News conference

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Introductory remarks by the Governing Board

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Chairman of the Governing Board / Vice Chairman of the Governing Board / Member of the
Governing Board

Swiss National Bank

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Ladies and gentlemen

As Chairman of the Governing Board, it is my pleasure to welcome you to the news conference of the Swiss National Bank. I would also like to welcome all those who are joining us today online. After our introductory remarks, we will take questions from journalists as usual. Questions can also be asked by telephone.

Monetary policy decision

I will begin with our monetary policy decision. We have decided to lower the SNB policy rate by 0.25 percentage points to 1.0%. The change applies from tomorrow, 27 September 2024. Banks' sight deposits held at the SNB will be remunerated at the SNB policy rate up to a certain threshold, and at 0.5% above this threshold. We also remain willing to be active in the foreign exchange market as necessary.

Inflationary pressure in Switzerland has again decreased significantly compared to the previous quarter. Among other things, this decrease reflects the appreciation of the Swiss franc over the last three months. With today's easing of monetary policy, we are taking the reduction in inflationary pressure into account. Further cuts in the SNB policy rate may become necessary in the coming quarters to ensure price stability over the medium term.

Inflation forecast

Allow me to address the development of inflation in more detail. Inflation in the period since the last monetary policy assessment was lower than expected, standing at 1.1% in August compared to 1.4% in May. Imported goods and services in particular contributed to the decline. Overall, inflation in Switzerland is currently being driven mainly by higher prices for domestic services.

Our new conditional inflation forecast is significantly lower than that of June. The stronger Swiss franc, the lower oil price and electricity price cuts announced for next January have contributed to the downward revision. The stronger decline in inflation also means that weaker second-round effects are expected in the medium term. The new forecast is within the range of price stability over the entire forecast horizon (cf. chart). It puts average annual inflation at 1.2% for 2024, 0.6% for 2025 and 0.7% for 2026 (cf. table). Our forecast is based on the assumption that the SNB policy rate is 1.0% over the entire forecast horizon. Without today's rate cut, the conditional inflation forecast would have been even lower.

Global economic outlook

Let me now turn to the global economic outlook. Global economic growth was moderate in the second quarter of 2024. While economic activity remained solid overall in the US, the recovery slowed somewhat in the euro area. The services sector continues to contribute positively to global economic activity. By contrast, momentum in manufacturing remains subdued, particularly in Germany.

Inflation in many countries remains above central banks' targets. However, it has continued to decline in recent months. Various central banks have cut their policy rates as a result. While monetary policy remains restrictive in many countries, declining inflation rates and uncertainty about the economic outlook have caused market participants to expect a faster and stronger easing of monetary policy over the coming months than had been the case until recently. This has led to a noticeable decline in global capital market interest rates.

Inflationary pressure abroad is likely to continue to ease gradually over the next quarters. At the same time, the moderate pace of global growth should continue. Consumers' purchasing power is likely to recover further and support consumption. Furthermore, the dampening effect of past monetary policy tightening should ease.

Our scenario for the global economy is still subject to significant risks. For example, geopolitical tensions could increase, resulting in weaker development of global economic activity. Equally, it cannot be ruled out that inflation will remain elevated for longer in some countries.

Swiss economic outlook

This brings me to the situation in Switzerland. GDP growth was solid in the second quarter of 2024. Momentum in the chemicals/pharmaceuticals industry was particularly strong, while growth in many other industries was moderate. There was a further slight increase in unemployment. The utilisation of overall production capacity was normal.

Growth is likely to remain rather modest in Switzerland in the coming quarters due to the recent appreciation of the Swiss franc and the moderate development of the global economy. We anticipate GDP growth of around 1% this year. In this environment, unemployment should continue to rise slightly, while the utilisation of production capacity is likely to decline slightly. Over the medium term, the growth-dampening effect of the recent appreciation should subside and economic development should gradually improve as a result. We currently expect growth of around 1.5% for 2025.

Our forecast for Switzerland, as for the global economy, is subject to significant uncertainty. Developments abroad represent the main risk.

Monetary policy outlook

Ladies and gentlemen, allow me to return to our monetary policy.

With the turbulence on global financial markets at the beginning of August, interest rate expectations declined markedly in the major currency areas. Interest rate expectations for Switzerland, too, have declined, albeit less strongly than in other countries. As a consequence, the Swiss franc has appreciated noticeably.

Together with the lower oil price and electricity price cuts announced for the beginning of 2025, the appreciation of the Swiss franc has contributed significantly to reducing inflationary pressure. Against this backdrop, we also expect weaker second-round effects in the medium

term. Our new conditional inflation forecast is thus significantly lower than that of June over the entire forecast horizon. With today's easing of monetary policy, we are taking the reduction in inflationary pressure into account.

Uncertainty about the future path of inflation is still high. Overall, we currently see the downside risks to inflation as greater than the upside risks. We will continue to monitor developments closely, and will further ease our monetary policy if necessary to ensure inflation remains within the range consistent with price stability over the medium term.

New publication series 'SNB Economic Notes'

Finally, let me say a few words about the launch of our new publication series 'SNB Economic Notes', which complements our existing range of publications. This new series will feature articles on various economic and central banking policy topics. The aim is to publish short articles here that are rigorously researched but at the same time appeal to a wide audience. You will find the first SNB Economic Note in your documentation. Others will soon be published on our website.

Ladies and gentlemen, thank you for your attention. I will now hand over to Martin Schlegel.

Liquidity support to the banking sector

The Swiss National Bank provides liquidity to the Swiss banking system. However, banks can find themselves in situations where they need large amounts of liquidity quickly. It is therefore important for all banks to be able to obtain liquidity from the SNB when necessary.

Against this backdrop, the SNB regularly reviews its framework for supplying banks with liquidity. Thus, in 2019, we launched an initiative with the aim of ensuring that the SNB can provide liquidity to all banks in Switzerland should the need arise. Under this initiative, mortgages are used as collateral. We have now successfully introduced the possibility for banks to obtain liquidity against mortgage collateral. This possibility of drawing liquidity has far-reaching implications, since mortgages in Switzerland constitute over 85% of domestic credit volume. We expect banks involved in mortgage lending to prepare for this scenario. Several banks have already begun to make the necessary preparations.

Now we are going one step further. The SNB will make it possible for all banks in Switzerland to obtain liquidity against securities. We will accept a broad range of securities, in particular less liquid bonds issued by borrowers with lower credit ratings, as well as securitisations and shares in various currencies. Systemically important banks have been able to obtain liquidity against such securities for many years already.

Banks must be able to obtain liquidity quickly when necessary. To do so successfully, they need to be well prepared. Specifically, they have to ensure that they can transfer their collateral to the SNB. In future, banks should therefore be required to permanently hold ready

a certain volume of collateral for the purpose of obtaining liquidity from the SNB. We are convinced that these measures further strengthen the Swiss banking sector.

I will now hand over to Antoine Martin.

Launch of instant payments

Since 20 August, bank customers in Switzerland have been able to transfer funds within seconds – 24 hours a day, seven days a week. I would like to discuss three aspects of this development. First, I will review how the launch of instant payments proceeded; second, I will discuss the advantages the new service offers to private individuals and companies; and third, I will address the roles played by the SNB and the financial institutions.

The market launch of instant payments was successful. Around 60 banks, covering over 95% of Swiss retail payment transactions, are currently able to receive and process instant payments. In the week following the market launch, some days saw the execution of more than 10,000 instant payments. The participating banks report that operations are functioning well and we are observing remarkably rapid processing times, of about two seconds on average.

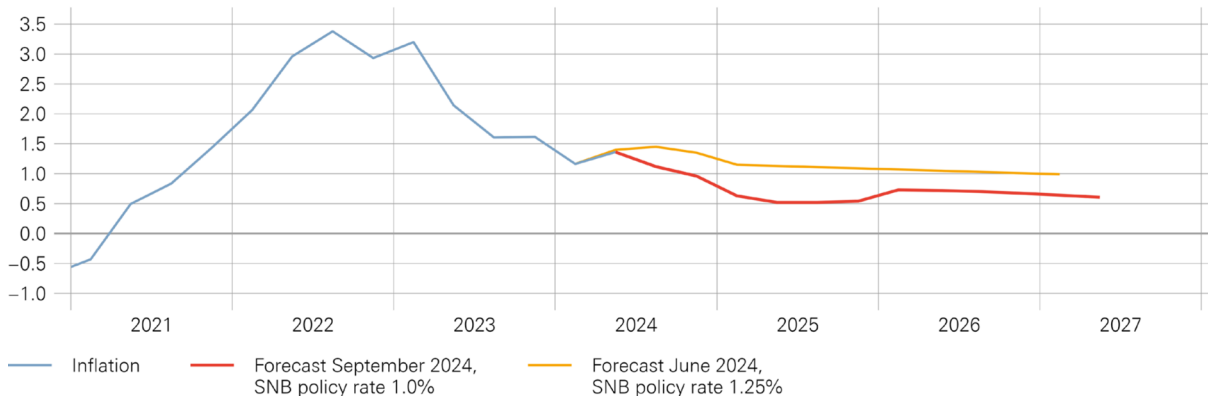
Instant payments are attractive for private individuals as well as for companies and commercial banks. Private individuals benefit from a more efficient retail payment system. For instance, in the case of a vehicle purchase, for which payment has to be made before handover, instant payments allow the amount to be credited to the vendor's account immediately. Furthermore, the direct and immediate transfer of a payment eliminates counterparty risks for the financial institutions involved, since they no longer have to credit a customer's account with the amount in advance. Instant payments also simplify liquidity management for companies.

The SNB anticipates that instant payments will become established in the medium term as the new standard for electronic payments, offering competitive terms. We will continue to support the development of instant payments in the future. Together with SIX Interbank Clearing Ltd, we are investigating, for instance, how to facilitate the technical connection of payment providers to this new infrastructure.

The Swiss financial sector is highly innovative. The launch of instant payments constitutes an opportunity to develop new customer applications and to once more demonstrate the sector's capacity to provide innovative solutions.

CONDITIONAL INFLATION FORECAST OF SEPTEMBER 2024

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



Source(s): SFSO, SNB

OBSERVED INFLATION IN SEPTEMBER 2024

	2021				2022				2023				2024				2021	2022	2023	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Inflation	-0.4	0.5	0.8	1.4	2.1	3.0	3.4	2.9	3.2	2.1	1.6	1.6	1.2	1.4				0.6	2.8	2.1

Source(s): SFSO

CONDITIONAL INFLATION FORECAST OF SEPTEMBER 2024

	2024				2025				2026				2027				2024	2025	2026		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
Forecast June 2024, SNB policy rate 1.25%	1.4	1.5	1.4	1.2	1.1	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0					1.3	1.1	1.0	
Forecast September 2024, SNB policy rate 1.0%				1.1	1.0	0.6	0.5	0.5	0.5	0.7	0.7	0.7	0.7	0.6	0.6				1.2	0.6	0.7

Source(s): SNB