Macropru in Switzerland
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SIPA – IESE Conference
Next Steps for Macroprudential Policies
November 12, 2015
Switzerland

• SOE with a safe haven currency
• Financial stability risks are home-made
  – External capital flows present an ER and MP challenge - little interaction with financial stability issues
  – Two financial stability issues
    • Two SIBs, very large relative to the economy
    • A bubbly real estate market
Real estate prices

Swiss real estate price indices

Asking prices (Q1/2000 = 100)

- single-family houses
- Owner-occupied apartments

Sources: SNB, W&P
Credit-to-GDP

Domestic credit-to-GDP

Source: SNB
Mortgage to gdp

Mortgages-to-GDP

%
A pragmatic multipronged approach

- Self-regulation: increased down-payment + shorter amortization
- Permanent increase in the risk-weighting for the loan tranche exceeding LTV of 80%
- Activation of sectoral CCB at 1%, effective as of end of Sep 2013
- Increase in sectoral CCB to 2%, effective as of end of Jun 2014
- Adjustments of self-regulation guidelines with respect to loan repayments

Financial Stability Report: repeated public warnings since 2010

- Jul 2012
- Jan 2013
- Feb 2013
- Jan 2014
- Sep 2014

Federal Council & SNB
FINMA
SNB
Banking Association
Effectiveness – evidence so far

MORTGAGE GROWTH
Annual growth rate, monthly data

REAL ESTATE PRICE GROWTH
asking price indices, real annual rates

Sources: SNB, Wüest & Partner

1 Activation of CCB  2 Increase to 2%
Financial stability: a Swiss message

• In the restricted context of the Swiss economy
• A stable financial system is not an impossible dream
• It is a matter of political will
• Build on the conviction that there is a need to act
• And the readiness to accept paying the price of precaution when knowledge is limited