Normalizing monetary policy: Some aspects

Andréa M. Maechler
Member of the Governing Board of the Swiss National Bank

Federal Reserve Bank of New York
New York, 11 July 2017
Protracted period of very low inflation in Switzerland

CPI INFLATION AND CONDITIONAL FORECAST

Source: SNB
Swiss franc remains significantly overvalued

CHF EFFECTIVE EXCHANGE RATE
Real, trade weighted (27 countries)

Index (Long-term average = 100)

Sources: BIS, SNB
Strong rise in central bank balance sheets

**CENTRAL BANKS: ASSETS**

- Index (2007 = 100)
- % of GDP

---

Sources: BIS, Bloomberg, SNB
Increase in monetary base reflects foreign currency purchases

Source: SNB
Broad diversification across asset classes and currencies – currency risk dominates

**FX RESERVES: INVESTMENT CATEGORIES**
As of 31.03.2017

- Government bonds*, 68%
- Other bonds, 12%
- Equities, 20%

*including deposits at other central banks and BIS

**FX RESERVES**
Risk decomposition

- USD
- EUR
- GBP
- JPY
- Other currencies
- Interest rates
- Equities

Source: SNB
Timing and Communication matters – effects on the real economy and financial markets

**Financial Markets:**
Targeted communication can help to minimize extra market volatility.

**Real Economy:**
Accurate timing and speed of normalization is important to dampen growth and inflation as desired.

Source: SNB
Thank you for your attention.

© Swiss National Bank