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Bericht "Economic Outlook 2009", Bloomberg, 23. April 2009

By Joshua Gallu

April 23 (Bloomberg) -- Swiss National Bank Vice-Chairman Philipp Hildebrand said "patience" is needed to evaluate how current measures will help the economy before steps such as negative interest rates are considered.

"Before we look at steps like negative interest rates, you have to have patience to let the medicine work," Hildebrand said at an event in Basel today. He was asked about the possible need for negative interest rates to help the economy and wasn't commenting on the bank's currency intervention.

As central banks grapple with the worst global recession since World War II, they have cut interest rates close to zero and implemented new measures to revive growth. The SNB is purchasing corporate bonds and started buying currencies to stave off deflation as the Swiss economy heads for its worst slump in more than three decades.

Hildebrand, who has been a leading advocate of unconventional measures and will succeed Jean-Pierre Roth as head of the central bank in January, said in an interview published in Bilanz today that the SNB will "resolutely" prevent an appreciation of the franc as long as the risk of deflation persists. The SNB said on April 21 it raised its euro holdings by almost 30 percent in the first quarter.

Franc Declines

The Swiss franc has fallen about 2.2 percent against the euro since the SNB began buying currencies on March 12. It had gained almost 8 percent in the previous six months, eroding export competitiveness and neutralizing interest-rate cuts.

Switzerland's economy will probably shrink this year by up to 3 percent, the most since 1975, the SNB estimates. Exports fell for a second month in February and manufacturing contracted at record pace in March.

The worst of the country's economic slump will only be felt in the second half of the year, Bilanz quoted Hildebrand as saying. The "downturn" will hit Switzerland later than the U.S. and Europe and "the recovery may also start here with a slight delay," he said.

The franc earlier advanced to as high as 1.5086 percent euro against the euro, reversing a decline, after Hildebrand's comments in Basel were taken as a sign the central bank wouldn't intervene to weaken the franc again. That was a "misinterpretation," said Geoffrey Yu, a currency strategist at UBS AG in London.