

# Press release

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## Economists surveyed by KOF and NZZ expect to see normalisation of interest-rate policy

**In March, KOF and the Neue Zürcher Zeitung (NZZ) newspaper surveyed 110 economists at Swiss universities on their assessments of inflation and monetary policy in Switzerland. More than half of these respondents reckon that the key interest rate will be positive in the next five years. An interest-rate move by the SNB is not expected until the ECB has raised its key rate.**

In February and March 2022, consumer prices in Switzerland increased year on year more than at any time since the financial crisis of 2009. The economists surveyed mainly attribute the currently high inflation rates to the increase in costs resulting from high factor and energy prices as well as staff and supply shortages. Demand-based price pressures are seen as less significant. Inflation has been rising steadily in Switzerland for several months. Will it return to normal soon or will these inflationary trends continue for a few more months? 63 per cent of the economists who provided an assessment believe that the current price rises are (more) temporary in nature, while 37 per cent reckon that they are (more) permanent. As far as the inflation rate in five years' time is concerned, around three-quarters of the survey respondents expect this to be within the Swiss National Bank's (SNB) target range of 0 per cent to 2 per cent.

### Most respondents view the SNB's monetary policy as appropriate

With consumer prices rising by 2.2 per cent year on year in February and by 2.4 per cent in March, inflation is outside the range that the SNB defines as price stability. This raises the question of whether the current monetary policy is still justified or whether a more restrictive stance is needed to keep inflation in check. The survey results reveal that more than half of the economists are of the opinion that the monetary policy measures implemented in Switzerland are appropriate, while 44 per cent view monetary policy as being (slightly) too expansionary. Economists' attitude towards the SNB's monetary policy stance has not changed significantly in the last three years. A KOF-NZZ survey of economists conducted back at the end of 2019 revealed two similarly large camps that viewed monetary policy as being either appropriate or (slightly) too expansionary, on the one hand, and only a few that considered it to be (slightly) too restrictive.

The key interest rate in Switzerland has been in negative territory since January 2015. More than half of the economists surveyed expect this key interest rate to be positive in the next five years. A further 38 per cent expect this rate to be around 0 per cent. Only 6 per cent think that it will be about the same as it is now or slightly less negative. At the end of 2019 this attitude was non-existent. In the survey conducted at that time, a minority expected to see a reversal of interest-rate policy in the near future, with 22 per cent of survey respondents at the time expecting to see a positive interest rate in five years. Discussion of any monetary policy normalisation often focuses on how likely it is that the SNB will raise key interest rates before the European Central Bank (ECB) does so. 94 per cent of the researchers surveyed believe it is (highly) unlikely that the SNB will make any such move before the ECB.

### Half expect to see nominal appreciation of the Swiss franc

The Swiss franc has appreciated fairly steadily in nominal terms against the currencies of its major trading partners in recent years. More than half of the survey respondents expect the Swiss franc to appreciate (slightly) over the coming twelve months.

### No consensus on how to adjust the ECB's stance in response to the war in Ukraine

The ECB is also in a difficult situation at the moment. While the sharp rise in consumer prices would tend to require a more restrictive monetary policy, the economic risks arising from the war in Ukraine call for a more expansionary stance. The researchers surveyed disagree on whether the ECB should adjust its monetary policy as a result of the war in Ukraine: 35 per cent favour a (slightly) more restrictive policy stance, while 46 per cent believe it should remain unchanged and 19 per cent think it should be (slightly) more expansionary compared with the hypothetical scenario without any war.

The KOF-NZZ survey of economists covers topics relevant to economic policy in Switzerland and provides a means of making the views of academic research economists visible to the public. KOF's media partner in the preparation and interpretation of this survey of economists is Switzerland's Neue Zürcher Zeitung (NZZ) newspaper. KOF and the NZZ conducted a survey on inflation and monetary policy in Switzerland in March. 785 economists were contacted and responses were received from 110 economists at 17 institutions.

Further information on the KOF-NZZ survey of economists and a graphical representation of the findings are available here:

<https://kof.ethz.ch/en/surveys/experts-surveys/economists-surveys.html>

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