



University of
Zurich^{UZH}

Under the zero bound interest rate: the impact of the European
Central Bank's unconventional negative policy rate decision on the
Swiss economy

MASTER'S THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
ARTS IN ECONOMICS AND BUSINESS ADMINISTRATION

AUTHOR

CHRISTIAN TAVASCI

SUPERVISOR

PROF. DR. STEVEN ONGENA

DEPARTMENT OF BANKING AND FINANCE

UNIVERSITY OF ZURICH

DATE OF SUBMISSION: 08.07.2019

Abstract

Was the introduction of a negative interest rate by the European Central Bank a significant event for the Swiss economy? Through different event studies, I set out to investigate the various impacts not only on the entire Swiss economy, but also on different self-generated indexes representing small, medium and large companies, on the various business sectors in Switzerland and on the different business models adopted by Swiss financial institutions. The results show that only the large companies exhibit a low negative impact; in all other cases the effects are insignificant. The main reason for these results is linked to their stronger dependency on the Euro currency, caused by the international environment in which they operate.

However, the Zero Lower Bound on the deposit rate, the SNB currency floor and the redirection of international investment, probably towards the EMDE countries, cause a malfunctioning of: interest rates, exchange rates, portfolios and credit supply transmission channels. As a result, the spillover effects on the Swiss economy are insignificant.