Press Release

Economic outlook for 2024/2025

BCGE – Economic outlook: surprises

Geneva, 11 June 2024 – Now that inflation has been brought under control, the path has been paved for the normalisation of monetary policy in Switzerland and the eurozone. The United States is still lagging behind but could lower its rate this autumn. Economic growth remains dynamic, and ongoing household consumption and productivity-enhancing investments by businesses should continue to bolster the economy in 2025. The technological transition plays an important role here, with the development of artificial intelligence opening up a new world of possibilities. Annual growth and inflation are expected to be 1.4% in Switzerland. For Geneva, the numbers come to 1.4% and 1.0% respectively.

Marco scenario	GDP		Inflation		Unemployment rate	
	2024	**2025**	**2024**	**2025**	**2024**	**2025**
Switzerland	1.4	2.0	1.4	1.6	3.1	3.0
Geneva	1.4	2.3	1.0	1.6	4.9	4.8
Eurozone	0.9	1.9	2.7	2.7	6.5	6.2
United States	2.5	2.8	3.4	3.1	4.1	4.0

Key Interest Rates	07.06.24	3M	12M	18M
Switzerland	1.50	1.25	1.00	1.00
Eurozone	4.50	4.25	3.00	2.75
United States	5.50	5.25	4.50	4.25

10Y Interest Rates	07.06.24	3M	12M	18M
Switzerland	0.84	0.80	1.20	1.30
Eurozone	2.50	2.50	2.60	2.90
United States	4.28	4.60	4.50	5.00

Currencies & Crude oil	07.06.24	3M	12M	18M
EUR/CHF	0.97	0.97	1.00	0.96
USD/CHF	0.89	0.90	0.89	0.86
EUR/USD	1.09	1.08	1.12	1.12
Brent crude oil USD/barrel	77	95	105	105

Source : Refinitiv Datastream & BCGE

Monetary policy normalisation underway
2024 is indeed the year of normalisation. Following the lead of the SNB in March, the ECB cut its key interest rate last week, ahead of the Fed – a move rare enough to warrant mentioning – which could follow suit this autumn. The adjustment in monetary policy underscores the return to normality on the growth front, as well as inflation expectations, which should remain close to target in Switzerland and the eurozone. J. Powell, the Fed's big boss, is still waiting for the right moment, his eyes riveted on inflation, which seems to be taking longer to reach the 2% target. At the same time, employment figures are not yet a reliable indicator, stimulated by a dynamic labour market in full transition thanks to the retirement of the baby-boomer generation.

Businesses: 2025's growth engine
The easing of monetary policy is having a favourable effect on economic activity. Nevertheless, economic activity can still be strongly influenced by other factors including the trend in commodity prices, which are sensitive to the geopolitical risks posed by the conflicts in Ukraine and the Middle East. For the time being, these geopolitical risks no longer appear to be negatively impacting growth, but caution is still called for. In 2025, growth is most likely to be driven by business investment aimed at boosting productivity. This is the best response to the major transitions underway, which include the demographic, technological and energy transitions. Developments in artificial intelligence offer promising prospects, already reflected in the valuations of companies active in these sectors.

Real estate prices remain high
The impact of falling interest rates on real estate prices remains limited, particularly in Switzerland and in Geneva itself. Other trends are also at work, notably the demographic dynamic, which remains strong and is having an impact on a demand that is currently exceeding supply. This situation is unlikely to radically change so real estate prices will remain high, underpinned by construction costs and the need for investment in the energy transition. At the same time, converting commercial real estate into residential real estate takes time and does not provide an alternative to the problem of insufficient supply. This is why additional avenues need to be explored.

For further information, please contact:

Christophe Weber, Head of Corporate Affairs & Communications: +41 (0)22 809 20 02 – christophe.weber@bcge.ch
Grégory Jaquet, Deputy BCGE Spokesperson: +41 (0)22 809 32 39 – gregory.jaquet@bcge.ch

Banque Cantonale de Genève   www.bcge.ch
P.O. Box 2251   Tel. +41 (0) 58 211 21 00
1211 Geneva 2

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