Press Release

Economic outlook

BCGE – The Swiss economy could prove to be surprisingly resilient

Geneva, 9 June 2020 - The sectoral structure of the Swiss economy, dominated by pharmaceuticals, finance and food, should provide the country with sufficient fundamentals to emerge from the crisis after a historic slump in Swiss GDP of -2.6% in the first quarter.

As expected, the recent economic indicators published in Switzerland reflect the extent of the economic crisis caused by the lockdown. GDP fell by 2.6% in the first quarter. Thanks to the measures taken, numerous lives were saved. However, the measures also led to a fall in consumer spending, which is reflected in the decline in retail trade (-15% in April, up to -45% depending on the branch). Last but not least, the employment outlook is also worrying with a rise in youth unemployment (+18%).

2020-2021: Two years of lost growth

Macro scenario	GDP		Inflation		Unemployment rate	
	2020	2021	2020	2021	2020	2021
Switzerland	-3.9	4.2	-1.0	0.8	3.9	4.0
Geneva	-6.2	3.4	-1.0	0.8	5.6	5.5
Eurozone	-7.5	3.2	0.5	0.4	9.0	8.0
United States	-6.3	4.3	1.0	2.0	10.0	7.5

Key Interest Rates	05.06.20	3M	12M	18M
Switzerland	-0.8	-0.8	-0.8	-0.8
Eurozone	0.0	0.0	0.0	0.0
United States	0.3	0.5	0.3	0.3

10Y Interest Rates	05.06.20	3M	12M	18M
Switzerland	-0.5	-0.6	-0.5	-0.4
Eurozone	-0.3	-0.5	-0.3	-0.2
United States	0.8	0.8	1.6	1.7

Currencies & Crude Oil	05.06.20	3M	12M	18M
EUR/CHF	1.09	1.07	1.06	1.04
USD/CHF	0.96	0.95	0.91	0.87
EUR/USD	1.13	1.13	1.17	1.20
Brent crude oil (USD/barrel)	40	35	55	60-65

Source: Thomson Reuters & BCGE

A sector analysis of the Swiss economy, however, provides a more nuanced picture in the first quarter. While certain sectors such as hotels and restaurants lost almost a quarter of their turnover, the manufacturing industry only posted a moderate fall of -1.3%, boosted by the defensive pharmaceutical and chemical sectors. The banking and insurance sectors seem to be holding up well too. As a result, Switzerland is less affected than its European neighbours, for whom tourism in particular plays an important role in national wealth.

Ultimately, the breakdown will lead to a recovery and this raises the question as to whether there will be a return to the 2019 level in 2021. Sentiment weighs heavily in the current debate. However, a purely mechanical sector analysis should neutralise the emotional assumptions that are currently strongly influencing the forecasts. Thanks to its competitiveness, the diversity of its companies and the solidity of its economic operators, Switzerland is proving to be quite resilient, and growth should therefore be back on track by the end of 2021.

Controlling the strength of the Swiss franc against its main partner currencies should also play a role in supporting the export economy. Consumer price inflation stabilised in May, although it is likely to fluctuate sharply over the next two years before returning to moderate driving forces. The Swiss economy could thus prove to be surprisingly resilient, as it already was after the crises of 2008 and 2011.

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