



Press release

Date

13 June 2019

Weaker global economy also slows Swiss economy

Economic forecasts by the Federal Government's Expert Group – summer 2019¹

The Expert Group is expecting moderate GDP growth of 1.2% for 2019. The weakening of the global economy is slowing down Swiss foreign trade, while the considerable uncertainty is weighing on investment activity. Economic growth is set to increase in 2020 and rise to 1.7%.

In the first quarter of 2019, both the international and the Swiss economy have seen significant growth. However, the outlook remains subdued and uncertainty is still high. The Expert Group is therefore maintaining its assessment that the Swiss economy will only experience below-average growth in 2019 (+1.2%; March forecast: +1.1%) before growth rises to 1.7% (unchanged) in 2020.

In the wake of the declining momentum in the international economy, the development of world trade is weak and demand for Swiss products is flattening out, slowing down the export economy. Declining capacity utilisation coupled with considerable uncertainty is curbing companies' investments in their production capacity. Investment in construction is also expected to stimulate growth only moderately, with vacancy rates climbing while building permits are falling.

The situation on the labour market in 2019 remains favourable overall. The average unemployment rate for the year comes in at a low 2.4% and employment continues to grow, although less dynamically than in the previous year. Wages could rise moderately again, with limited inflationary pressure at the same time (annual inflation for 2019: 0.6%). This will benefit households' purchasing power, and private consumption is gaining a little momentum after a weak 2018.

Provided that the international trade conflict does not intensify dramatically, the global economy and world trade will grow more strongly again in 2020. This will also support Switzerland's exports. At the same time, investment activity will recover. In addition, consumption expenditure growth will accelerate in the wake of rising real income and an ongoing increase in employment. Meanwhile, the current economic slowdown will have a somewhat delayed impact on the unemployment rate, with the Expert Group expecting an increase to an annual average of 2.6% for 2020.

¹ More detailed information on the Expert Group's forecasts can be found in the quarterly publication "Konjunkturtendenzen", which is available in German and in French, online (www.seco.admin.ch/konjunkturtendenzen) and in printed form as a supplement to the magazine "Die Volkswirtschaft" (www.dievolkswirtschaft.ch).

Economic risks

Downside risks continue to predominate for the global economy. Initial consequences of the trade dispute with the US have materialised in **China**, where the development of foreign trade is disappointing and growth has slowed over the past few quarters. With the recent tariff increases, the **trade dispute** has taken an unfavourable turn. If the situation were to intensify further, the global economy, and thus the Swiss economy, would be expected to cool off more strongly, particularly if the EU and Germany were to be significantly affected. Conversely, the domestic and the foreign economy could pick up again more strongly in case of an agreement on important aspects of the trade dispute.

Political uncertainty remains high in Europe. In particular, it is unclear how and when Brexit will come into force. Moreover, Italy's uncertain economic and financial situation is still an issue. In **Switzerland's relationship with the EU**, the uncertainty has decreased somewhat with the acceptance of the corporate tax reform, but it persists in connection with the framework agreement. Should relations with the EU deteriorate significantly, Switzerland's attractiveness as a business location and companies' investment activity could suffer.

In view of simmering imbalances, the risk of a major correction in the Swiss **real estate sector** remains. Conversely, there is also the possibility that the **domestic economy**, both in Switzerland and internationally, will pick up more strongly than forecast owing to the good situation on the labour market. This would benefit the domestically oriented service sectors in particular.

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Overview

Selected forecasts, Swiss economy				
Comparison of forecasts of June 19 and March 19				
Year-to-year variation in %, quotas				
forecasts for:	2019		2020	
date of forecasts:	June 19	March 19	June 19	March 19
GDP	1.2%	1.1%	1.7%	1.7%
Consumption expenditure:				
Personal Consumption	1.2%	1.1%	1.4%	1.4%
Government Consumption	1.2%	0.8%	0.8%	0.8%
Construction Investment	0.6%	0.6%	0.6%	0.9%
Investment in Equipment and software	0.8%	0.8%	2.8%	2.8%
Exports	3.1%	2.5%	3.2%	3.2%
Imports	2.3%	2.4%	3.2%	3.3%
Employment (full time equivalents)	0.8%	0.7%	0.8%	0.8%
Rate of unemployment	2.4%	2.4%	2.6%	2.6%
Consumer price index	0.6%	0.4%	0.6%	0.6%

Source: Federal Expert Group on Business Cycles

Exogenous assumptions

	2018	2019	2020
GDP			
USA	2.9%	2.4%	1.9%
Euro area	1.9%	1.1%	1.5%
Germany	1.4%	0.9%	1.5%
Japan	0.8%	0.8%	0.4%
BRIC-Countries ¹	5.9%	5.5%	5.6%
China	6.6%	6.1%	6.0%
Price of crude oil (\$/barrel Brent)	71.0	69.3	72.6

¹ Weighted average of Brazil, Russia, India and China (GDP at PPP, according to IMF)

Sources: Federal Expert Group on Business Cycles

Monetary assumptions

	2018	2019	2020
Three month LIBOR interest rate	-0.7%	-0.7%	-0.8%
Return on swiss federal bonds (10 years)	0.0%	-0.3%	-0.1%
Real exchange rate index, trade weighted	-2.5%	-1.0%	-0.2%
Consumer price index	0.9%	0.6%	0.6%

Sources: Federal Expert Group on Business Cycles

Labor market forecasts

	2018	2019	2020
Employment (without sector 1) ²	1.8%	0.8%	0.8%
Rate of unemployment	2.6%	2.4%	2.6%

² In full time equivalents

Evolution of Gross Domestic Product, expenditure approach (ESA 2010)

	Real values, in Mio CHF (at prices of preceding year) ¹								Nominal values, in Mio CHF (at current prices) ¹								Evolution of prices ¹			
	Growth rates				Levels				Growth rates				Levels				Growth rates			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Total consumption	1.1%	1.0%	1.2%	1.3%	437'430	444'188	451'967	459'585	1.6%	1.6%	1.6%	1.7%	439'606	446'616	453'735	461'591	0.5%	0.5%	0.4%	0.4%
Personal consumption ²	1.1%	1.1%	1.2%	1.4%	357'575	363'315	369'544	375'841	1.7%	1.6%	1.5%	1.8%	359'498	365'162	370'652	377'345	0.5%	0.5%	0.3%	0.4%
Government consumption ²	0.9%	1.0%	1.2%	0.8%	79'855	80'873	82'424	83'744	1.2%	1.7%	2.0%	1.4%	80'108	81'454	83'083	84'246	0.3%	0.7%	0.8%	0.6%
Fixed investment	3.3%	2.1%	0.7%	2.0%	164'867	167'897	170'746	175'036	3.0%	3.1%	1.2%	2.2%	164'475	169'514	171'617	175'386	-0.2%	1.0%	0.5%	0.2%
Construction	1.4%	0.7%	0.6%	0.6%	61'814	61'884	62'568	63'384	0.8%	1.2%	1.3%	0.8%	61'453	62'195	63'006	63'511	-0.6%	0.5%	0.7%	0.2%
Equipment and Software	4.5%	2.9%	0.8%	2.8%	103'053	106'013	108'178	111'652	4.5%	4.2%	1.2%	3.0%	103'022	107'319	108'611	111'875	0.0%	1.2%	0.4%	0.2%
Final domestic demand	1.7%	1.3%	1.1%	1.5%	602'297	612'085	622'713	634'621	2.0%	2.0%	1.5%	1.9%	604'081	616'130	625'352	636'977	0.3%	0.7%	0.4%	0.4%
inter alia: changes in inventories ³	-0.1%	-0.2%	-0.5%	0.0%	-10'413	-10'304	-10'163	-9'596					-8'975	-6'715	-9'596	-9'302				
Domestic demand ⁴	1.6%	1.1%	0.5%	1.5%	591'884	601'781	612'550	625'025	2.2%	2.4%	1.0%	1.9%	595'106	609'415	615'756	627'675	0.5%	1.3%	0.5%	0.4%
Exports ⁴	3.6%	3.8%	3.1%	3.2%	361'434	375'100	395'638	411'206	3.5%	6.3%	3.8%	4.0%	361'206	383'875	398'487	414'235	-0.1%	2.3%	0.7%	0.7%
Exports of goods ⁴	5.1%	5.3%	3.3%	3.1%	238'011	250'878	264'205	273'945	5.2%	7.3%	3.9%	3.9%	238'200	255'647	265'739	276'012	0.1%	1.9%	0.6%	0.8%
Exports of services	0.7%	1.0%	2.5%	3.4%	123'423	124'221	131'434	137'262	0.4%	4.2%	3.5%	4.1%	123'006	128'228	132'748	138'222	-0.3%	3.2%	1.0%	0.7%
Imports ⁴	4.1%	1.2%	2.3%	3.2%	282'250	291'238	310'516	322'278	6.1%	5.5%	2.9%	3.6%	287'740	303'634	312'384	323'673	1.9%	4.3%	0.6%	0.4%
Imports of goods ⁴	5.5%	4.8%	2.7%	3.2%	184'469	196'129	207'874	216'242	7.1%	8.1%	3.5%	3.6%	187'184	202'409	209'537	217'107	1.5%	3.2%	0.8%	0.4%
Imports of services	1.6%	-5.4%	1.4%	3.1%	97'781	95'110	102'642	106'035	4.5%	0.7%	1.6%	3.6%	100'557	101'225	102'847	106'566	2.8%	6.4%	0.2%	0.5%
GDP	1.6%	2.6%	1.2%	1.7%	671'069	685'642	697'672	713'953	1.2%	3.2%	1.8%	2.3%	668'572	689'656	701'858	718'237	-0.4%	0.6%	0.6%	0.6%

¹ 2017: SFSSO; 2018: SECO; 2019-2020: Forecasts (Federal Expert Group on Business Cycles)

² National concept

³ Changes in inventories and statistical discrepancies; contributions to GDP-growth

⁴ Without non-monetary gold and valuables