



Press release

Date

12 December 2019

Economy expected to brighten only in 2021

Economic forecast by the Federal Government's Expert Group – winter 2019/2020

The Expert Group is maintaining its previous assessment that the Swiss economy will only see modest growth in 2020. A gradual economic upturn is not anticipated until 2021.

Following a forecast of 0.9% in 2019, the Expert Group is expecting GDP growth of 1.7% in 2020 and 1.2% in 2021. However, both the acceleration of GDP growth in 2020 and the slow-down in 2021 will be due to the effect of major sporting events, which has little relevance for the stance of the business cycle.¹ In 2020, the underlying momentum of the economy is set to be similar to this year, before increasing somewhat in 2021.

The international environment remains unfavourable. In particular, the weak growth can be expected to continue in the eurozone as well as in Germany, the single most important trading partner. Although certain segments of Swiss industry, specifically chemicals and pharmaceuticals, are currently not very exposed to economic developments abroad, the export sectors which are sensitive to business cycle fluctuations, such as the metal and machinery industry, would suffer from sluggish international growth. Overall, the Expert Group is still forecasting that exports of goods will see much weaker development in 2020 than in the previous four years.

As a result, utilisation of industrial production capacity will remain low at first, making firms likely to invest only hesitantly in equipment, despite still favourable financing conditions. The Expert Group is also anticipating restrained development for investment in construction, with climbing vacancy rates and the rather slow population growth to date curbing activity in the construction sector.

By contrast, the Expert Group expects growth in consumption to pick up moderately in 2020, supported by the healthy labour market. In the last few months, unemployment has developed somewhat more favourably than could have been assumed; the Expert Group is forecasting an unemployment rate of 2.4% (September forecast: 2.5%) for 2020. Employment is still anticipated to grow solidly. In addition low inflation is also bolstering households' purchasing power. Slowed by the decline in oil prices, among other things, inflation is likely to come in much lower in 2020.

In 2021, the Swiss business cycle is set to brighten gradually, with the economy more or less growing at its potential rate. Global trade is expected to pick up a little in 2021 in the wake of

¹ Further information about the sporting event effect: [Konjunkturtendenzen spring 2018](#) and [autumn 2017](#).

a slight increase in global economic growth, which will also benefit Swiss exports and enable investment in equipment to recover. Meanwhile, the economic slowdown of the two previous years is expected to have a delayed impact on the labour market, with the unemployment rate expected to rise to 2.6%.

Economic risks

Economic downside risks continue to outweigh the upside potential, although some have decreased somewhat, at least in the short term. For example, the US and China are negotiating a partial solution to the **trade conflict**, which has persisted for over a year. The provisional deal between the EU and the UK has also reduced the probability of a disorderly **Brexit**.

However, a further deterioration in terms of both international trade policy and UK/EU relations cannot be ruled out. In particular, the Swiss economy would be negatively affected in the forecast horizon if the US were to impose **punitive tariffs** on more European goods in the coming year and if growth in the EU were to be slowed sharply following a disorderly Brexit.

As in the most recent forecast, there is also uncertainty in connection with the institutional agreement. Should **Switzerland's relationship with the EU** worsen, its attractiveness as a business location and willingness to invest in the country could be impaired. In view of simmering imbalances, the risk of a major correction in the domestic **real estate sector** also still remains.

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Overview

Selected forecasts, Swiss economy					
Comparison of forecasts of December 19 and September 19					
Year-to-year variation in %, quotas					
forecasts for:	2019		2020		2021
date of forecasts:	Dec. 19	Sept. 19	Dec. 19	Sept. 19	Dec. 19
GDP ¹	0.9%	0.8%	1.7%	1.7%	1.2%
Consumption expenditure:					
Personal Consumption	1.0%	1.1%	1.3%	1.3%	1.2%
Government Consumption	1.1%	1.1%	0.9%	0.8%	0.7%
Construction Investment	0.4%	0.6%	0.6%	0.6%	0.4%
Investment in Equipment and software	0.6%	0.2%	1.6%	1.6%	2.5%
Exports ²	2.8%	2.3%	3.0%	3.0%	2.6%
Imports ²	1.2%	1.1%	2.8%	2.4%	2.9%
Employment (full time equivalents)	1.1%	1.1%	0.8%	0.8%	0.8%
Rate of unemployment	2.3%	2.3%	2.4%	2.5%	2.6%
Consumer price index	0.4%	0.5%	0.1%	0.4%	0.4%

¹ forecasts, seasonally and calendar adjusted

² Without valuables

Source: Federal Expert Group on Business Cycles

Exogenous assumptions

	2019	2020	2021
GDP ³			
USA	2.3%	1.8%	1.8%
Euro area	1.2%	1.1%	1.3%
Germany	0.6%	0.8%	1.2%
Japan	0.9%	0.4%	0.6%
BRIC-Countries ⁴	5.1%	5.3%	5.3%
China	6.1%	5.8%	5.7%
Price of crude oil (\$/barrel Brent)	63.9	63.4	64.7

³ 2019-2021: assumptions, seasonally and calendar adjusted

⁴ Weighted average of Brazil, Russia, India and China (GDP at PPP, according to IMF)

Source: Federal Expert Group on Business Cycles

Monetary assumptions

	2019	2020	2021
Three month LIBOR interest rate	-0.7%	-0.8%	-0.7%
Return on swiss federal bonds (10 years)	-0.5%	-0.6%	-0.4%
Real exchange rate index, trade weighted	0.3%	0.1%	0.0%
Consumer price index	0.4%	0.1%	0.4%

Source: Federal Expert Group on Business Cycles

Labor market forecasts

	2019	2020	2021
Employment (full time equivalents) ⁵	1.1%	0.8%	0.8%
Rate of unemployment	2.3%	2.4%	2.6%

⁵ Without sector 1

Source: Federal Expert Group on Business Cycles

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			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Total consumption	0.8%	1.0%	1.2%	1.1%	443,864	453,263	459,862	465,464	1.9%	1.2%	1.3%	1.5%	448,702	454,293	460,365	467,115	1.1%	0.2%	0.1%	0.4%
Personal consumption ²	1.0%	1.0%	1.3%	1.2%	363,093	370,922	376,120	380,634	2.1%	1.1%	1.3%	1.5%	367,250	371,293	376,120	381,775	1.1%	0.1%	0.0%	0.3%
Government consumption ²	0.3%	1.1%	0.9%	0.7%	80,771	82,341	83,742	84,831	1.1%	1.9%	1.5%	1.3%	81,452	83,000	84,245	85,340	0.8%	0.8%	0.6%	0.6%
Fixed investment	1.1%	0.5%	1.2%	1.7%	165,371	167,596	170,137	173,410	1.9%	0.8%	1.4%	1.8%	166,721	168,076	170,478	173,630	0.8%	0.3%	0.2%	0.1%
Construction	1.2%	0.4%	0.6%	0.4%	61,873	62,442	63,194	63,574	1.7%	1.0%	0.8%	0.4%	62,194	62,817	63,320	63,574	0.5%	0.6%	0.2%	0.0%
Equipment and Software	1.1%	0.6%	1.6%	2.5%	103,498	105,154	106,943	109,836	2.1%	0.7%	1.8%	2.7%	104,527	105,259	107,157	110,056	1.0%	0.1%	0.2%	0.2%
Final domestic demand	0.9%	0.9%	1.2%	1.3%	609,235	620,860	629,999	638,874	1.9%	1.1%	1.4%	1.6%	615,422	622,369	630,842	640,745	1.0%	0.2%	0.1%	0.3%
inter alia: changes in inventories ³	0.6%	-0.9%	0.1%	-0.1%	-2,936	-13,306	-8,728	-8,795					-7,100	-9,427	-8,083	-8,569				
Domestic demand ⁴	1.6%	-0.1%	1.4%	1.2%	606,299	607,554	621,271	630,079	1.9%	0.8%	1.6%	1.5%	608,322	612,942	622,760	632,175	0.3%	0.9%	0.2%	0.3%
Exports ⁴	4.5%	2.8%	3.0%	2.6%	378,873	397,577	407,540	419,002	6.7%	2.2%	3.2%	3.2%	386,918	395,587	408,289	421,388	2.1%	-0.5%	0.2%	0.6%
Exports of goods ⁴	5.9%	3.9%	2.5%	3.1%	253,171	269,046	273,066	281,832	8.3%	2.9%	2.7%	3.6%	258,899	266,285	273,412	283,120	2.3%	-1.0%	0.1%	0.5%
Exports of services	1.6%	0.4%	4.0%	1.7%	125,703	128,531	134,474	137,171	3.5%	1.0%	4.3%	2.5%	128,019	129,302	134,878	138,268	1.8%	0.6%	0.3%	0.8%
Imports ⁴	2.4%	1.2%	2.8%	2.9%	297,215	309,466	318,667	328,107	5.4%	1.4%	2.8%	3.2%	305,695	310,082	318,774	328,983	2.9%	0.2%	0.0%	0.3%
Imports of goods ⁴	6.2%	1.2%	2.5%	3.4%	198,720	205,445	211,213	218,394	8.5%	1.5%	2.5%	3.5%	203,009	206,061	211,213	218,613	2.2%	0.3%	0.0%	0.1%
Imports of services	-4.3%	1.3%	3.3%	2.0%	98,495	104,021	107,454	109,712	-0.2%	1.3%	3.4%	2.6%	102,686	104,021	107,561	110,371	4.3%	0.0%	0.1%	0.6%
GDP	2.8%	0.9%	1.7%	1.2%	687,958	695,664	710,145	720,975	3.0%	1.3%	2.0%	1.7%	689,545	698,447	712,275	724,580	0.2%	0.4%	0.3%	0.5%

¹ 2018: SFSO; 2019-2021: forecasts, seasonally and calendar adjusted (Federal Expert Group on Business Cycles)

² National concept

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

⁴ Without valuables