



# Press release

Date

16 June 2020

---

## Forecast: Swiss economy in the coronavirus crisis

### Economic forecast by the Federal Government's Expert Group – June 2020

**The Expert Group is largely confirming its previous assessment and expecting the sharpest fall in GDP in decades for 2020. The low point is set to be reached in the second quarter. Provided that further waves of the pandemic with severe containment measures do not materialise, the economy should begin to recover from the second half of the year.**

The Expert Group on Economic Forecasts is expecting **GDP adjusted for sporting events** to fall by **-6.2%** in 2020 (April 2020 forecast: -6.7%) and unemployment to average 3.8% over the year as a whole. This would make it the lowest economic slump since 1975.

In the wake of the **health policy measures** that became necessary in mid-March to contain the coronavirus, many companies were forced to restrict or completely suspend their business activities, triggering a sharp fall in GDP as early as the first quarter of 2020. For the **second quarter**, in which economic activity was affected by the measures for a longer period of time, the Expert Group is expecting an even bigger **slump in economic output**. However, thanks to the rapid decline in Covid-19 case numbers, the health policy measures could be eased somewhat more quickly from the end of April than had been assumed in the most recent forecast. The short-term prospects have therefore brightened compared with the April forecast.

For the rest of the year, the Expert Group is expecting only a limited recovery, as in the most recent forecast. Households are suffering **losses of income** caused by an increase in short-time working, rising unemployment and a decline in employment. The considerable economic uncertainty and **protective measures** to prevent coronavirus infections are likely to further restrict the **consumption expenditure** of private households.

Negative international economic development has also hit the segments of Swiss **foreign trade** that are sensitive to the economic cycle. The **global economy** has fallen into recession. In some major economies, it has not yet been possible to control the coronavirus pandemic. The economic losses incurred to date as a result of the measures to fight the pandemic are also very severe, which is slowing economic recovery. Overall, the Expert Group is therefore expecting international economic activity to mount a **sluggish recovery**, with key trading partners, chiefly the major southern European countries, facing long lasting consequences of the coronavirus crisis.

Due to the underutilised production capacity, the deterioration of businesses' financial situation and the high level of uncertainty, a significant reduction in **investment in equipment** is also likely for 2020 as a whole.

In 2021, the Swiss economy should continue its moderate recovery. The Expert Group is expecting GDP to grow by 4.9% (April forecast: 5.2%), assuming that no renewed intensification of the health policy measures becomes necessary, that the second-round economic effects in the form of lay-offs and corporate bankruptcies remain limited and that demand from abroad returns to normal levels little by little. Consumption expenditure and spending on investments within Switzerland should then recover gradually. An improvement to the situation on the labour market is expected to be slow at best: unemployment is set to rise further to 4.1% in 2021, with employment only likely to see a minimal rise.

### **Economic risks**

The course the economy will take hinges on the progression of the pandemic. Forecast uncertainty therefore remains extraordinarily high.

On the one hand, the economy could recover faster than the forecast assumes, if, for instance, the measures are relaxed more quickly, Swiss consumers prove to be less unsettled by the coronavirus or other countries make up lost ground more strongly than anticipated.

On the other hand, the pandemic could flare up again in Switzerland and key trading partner countries, which would necessitate more severe containment measures. This would slow the recovery and increase the probability of more serious second-round economic effects such as large waves of lay-offs and bankruptcies, which would have major economic consequences throughout the entire forecast period.

As result of the stabilisation measures required, government and company debt is rising rapidly around the world, increasing the risk of default on loans and insolvencies of companies. This could ultimately threaten the stability of the financial system. The risk of upheaval on the financial markets and further upward pressure on the Swiss franc is high.

The international trade conflict poses further risks to the global economy. Finally, there is still a risk of major corrections in the Swiss real estate sector.

### **Enquiries**

Eric Scheidegger, SECO, Head of the Economic Policy Directorate, Tel.: +41 58 462 29 59

Ronald Indergand, SECO, Head of Short-Term Economic Analyses, Economic Policy Directorate, Tel.: +41 58 460 55 58

### Overview

<b>Selected forecasts, Swiss economy</b>				
Comparison of forecasts of June 20 and April 20				
Year-to-year variation in %, quotas				
forecasts for:	2020		2021	
date of forecasts:	June 20	April 20	June 20	April 20
GDP sport event adjusted <sup>1</sup>	<b>-6.2%</b>	-6.7%	<b>4.9%</b>	5.2%
GDP <sup>1</sup>	<b>-6.2%</b>	-6.7%	<b>5.3%</b>	5.6%
Consumption expenditure:				
Personal Consumption	<b>-7.2%</b>	-7.5%	<b>6.5%</b>	6.5%
Government Consumption	<b>2.2%</b>	2.0%	<b>0.7%</b>	0.7%
Construction Investment	<b>-1.5%</b>	-1.5%	<b>0.0%</b>	0.0%
Investment in Equipment and software	<b>-14.0%</b>	-16.0%	<b>3.0%</b>	3.0%
Exports <sup>2</sup>	<b>-8.6%</b>	-10.7%	<b>7.2%</b>	9.6%
Imports <sup>2</sup>	<b>-10.1%</b>	-12.7%	<b>6.0%</b>	8.4%
Employment (full time equivalents)	<b>-1.5%</b>	-1.5%	<b>0.2%</b>	0.2%
Rate of unemployment	<b>3.8%</b>	3.9%	<b>4.1%</b>	4.1%
Consumer price index	<b>-0.9%</b>	-1.0%	<b>-0.3%</b>	-0.5%

<sup>1</sup> Forecasts, seasonally and calendar adjusted

<sup>2</sup> Without valuables

Source: Federal Expert Group on Business Cycles

### Exogenous assumptions

	2019	2020	2021
GDP <sup>3</sup>			
USA	2.3%	-5.6%	4.6%
Euro area	1.2%	-8.9%	5.5%
Germany	0.6%	-6.2%	4.6%
Japan	0.7%	-5.3%	3.0%
BRIC-Countries <sup>4</sup>	5.0%	-0.6%	8.0%
China	6.1%	0.2%	9.2%
Price of crude oil (\$/barrel Brent)	64.3	37.8	38.3

<sup>3</sup> 2020-2021: assumptions, seasonally and calendar adjusted

<sup>4</sup> 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%	-0.7%	-0.7%
Return on Swiss federal bonds (10 years)	-0.5%	-0.5%	-0.4%
Real exchange rate index, trade weighted	0.5%	2.9%	0.0%
Consumer price index	0.4%	-0.9%	-0.3%

Source: Federal Expert Group on Business Cycles

### Labor market forecasts

	2019	2020	2021
Employment (full time equivalents) <sup>5</sup>	1.2%	-1.5%	0.2%
Rate of unemployment	2.3%	3.8%	4.1%

<sup>5</sup> 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) <sup>1</sup>								Nominal values, in Mio CHF (at current prices) <sup>1</sup>								Evolution of prices <sup>1</sup>			
	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%	1.2%	-5.5%	5.3%	443,864	454,275	430,234	450,213	1.9%	1.4%	-6.1%	5.3%	448,702	455,193	427,382	449,828	1.1%	0.2%	-0.7%	-0.1%
Personal consumption <sup>2</sup>	1.0%	1.2%	-7.2%	6.5%	363,093	371,735	345,214	364,344	2.1%	1.3%	-8.0%	6.3%	367,250	371,998	342,107	363,615	1.1%	0.1%	-0.9%	-0.2%
Government consumption <sup>2</sup>	0.3%	1.3%	2.2%	0.7%	80,771	82,540	85,020	85,870	1.1%	2.1%	2.5%	1.1%	81,452	83,195	85,275	86,213	0.8%	0.8%	0.3%	0.4%
Fixed investment	1.1%	0.8%	-9.3%	1.8%	165,371	168,132	152,826	155,113	1.9%	1.1%	-9.6%	1.8%	166,721	168,555	152,405	155,175	0.8%	0.3%	-0.3%	0.0%
Construction	1.2%	0.6%	-1.5%	0.0%	61,873	62,542	62,002	62,126	1.7%	1.2%	-1.3%	-0.2%	62,194	62,946	62,126	62,002	0.5%	0.6%	0.2%	-0.2%
Equipment and Software	1.1%	1.0%	-14.0%	3.0%	103,498	105,590	90,824	92,987	2.1%	1.0%	-14.5%	3.2%	104,527	105,609	90,279	93,173	1.0%	0.0%	-0.6%	0.2%
Final domestic demand	0.9%	1.1%	-6.5%	4.4%	609,235	622,407	583,060	605,327	1.9%	1.4%	-7.0%	4.3%	615,422	623,748	579,787	605,003	1.0%	0.2%	-0.6%	-0.1%
inter alia: changes in inventories <sup>3</sup>	0.6%	-0.8%	0.0%	0.0%	-2,936	-12,569	-9,415	-7,081					-7,100	-9,415	-7,081	-6,650				
Domestic demand <sup>4</sup>	1.6%	0.2%	-6.6%	4.5%	606,299	609,838	573,644	598,245	1.9%	1.0%	-6.8%	4.5%	608,322	614,333	572,705	598,353	0.3%	0.7%	-0.2%	0.0%
Exports <sup>4</sup>	4.5%	2.6%	-8.6%	7.2%	378,873	397,041	359,711	378,450	6.7%	1.7%	-10.3%	7.9%	386,918	393,570	352,914	380,785	2.1%	-0.9%	-1.9%	0.6%
Exports of goods <sup>4</sup>	5.9%	4.8%	-6.9%	6.2%	253,171	271,415	249,013	258,095	8.3%	3.3%	-9.1%	6.9%	258,899	267,346	243,102	259,949	2.3%	-1.5%	-2.4%	0.7%
Exports of services	1.6%	-1.9%	-12.3%	9.6%	125,703	125,626	110,698	120,355	3.5%	-1.4%	-13.0%	10.0%	128,019	126,224	109,813	120,836	1.8%	0.5%	-0.8%	0.4%
Imports <sup>4</sup>	2.4%	1.6%	-10.1%	6.0%	297,215	310,606	277,668	289,732	5.4%	1.1%	-11.6%	6.4%	305,695	308,956	273,211	290,801	2.9%	-0.5%	-1.6%	0.4%
Imports of goods <sup>4</sup>	6.2%	1.9%	-10.9%	5.4%	198,720	206,853	182,762	189,934	8.5%	1.0%	-12.1%	5.7%	203,009	205,120	180,203	190,504	2.2%	-0.8%	-1.4%	0.3%
Imports of services	-4.3%	1.0%	-8.6%	7.3%	98,495	103,753	94,906	99,798	-0.2%	1.1%	-10.4%	7.8%	102,686	103,836	93,008	100,297	4.3%	0.1%	-2.0%	0.5%
<b>GDP</b>	<b>2.8%</b>	<b>1.0%</b>	<b>-6.2%</b>	<b>5.3%</b>	<b>687,958</b>	<b>696,273</b>	<b>655,687</b>	<b>686,963</b>	<b>3.0%</b>	<b>1.4%</b>	<b>-6.7%</b>	<b>5.5%</b>	<b>689,545</b>	<b>698,947</b>	<b>652,409</b>	<b>688,337</b>	<b>0.2%</b>	<b>0.4%</b>	<b>-0.5%</b>	<b>0.2%</b>

<sup>1</sup> 2018: SFSSO; 2019: SECO; 2020-2021: forecasts, seasonally and calendar adjusted (Federal Expert Group on Business Cycles)

<sup>2</sup> National concept

<sup>3</sup> Changes in inventories and statistical discrepancies; contributions to GDP-growth

<sup>4</sup> Without valuables