



Press release

Date

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Forecast: 2020 economic slump less serious than feared

Economic forecast by the Federal Government's Expert Group – October 2020¹

The Expert Group is expecting **GDP adjusted for sporting events to fall by 3.8 % in 2020 and unemployment to average 3.2 % over the year as a whole. Prospects for 2020 are therefore less negative than feared in the middle of the year. The momentum is likely to weaken as time goes on.**

Due to the **relaxation** of the health policy measures, the Swiss economy started to swiftly make up lost ground at the end of April, with both **consumer** and **investment demand** exceeding expectations in the **second quarter**. Short-time working was used much less than anticipated in June. Overall, the first half of 2020 is **less negative** than assumed in the June forecast.

The Expert Group is expecting the Swiss economy's **recovery** to have continued in the **third quarter**. Some sectors of the economy, including parts of the accommodation and food services, were supported by the low numbers of Swiss people travelling abroad. Other industries have not recovered as much due to greater dependence on the global economic cycle (such as parts of the manufacturing sector) or being more directly affected by the coronavirus pandemic and the measures implemented (such as international tourism and major events). The economic recovery therefore remains **incomplete** and the previous year's levels have not been reached in most sectors. In September, almost 50 000 more people were unemployed than a year earlier.

For 2020 as a whole, the Expert Group is anticipating a **decline in GDP of 3.8 %** (June forecast: -6.2 %). This would be the strongest decrease in GDP since 1975. The labour market is expected to see further drops in employment and the average **unemployment rate** for 2020 is likely to be **3.2 %** (June forecast: 3.8 %).

As time goes on, the Swiss economy should continue to recover at a moderate pace. The Expert Group is expecting **GDP adjusted for sporting events for 2021 to grow by 3.8 %** (June forecast: 4.9 %). Switzerland's economic output would therefore return to its pre-crisis level only towards the end of 2021, assuming that no further widespread lockdown is imposed in Switzerland or in key trading partner countries. Consumption expenditure and spending on investments within Switzerland should then recover gradually, despite the adverse effects of losses of income and the persistently high level of uncertainty.

¹ Further information can be found (in German) in the economic forecast section of the latest edition of « Konjunkturtendenzen » at www.seco.admin.ch/economic-forecasts.

In 2021, the international environment is set to be fairly varied. For example, the tourism-focused southern European countries are likely to be hit particularly hard by the coronavirus crisis, while other countries, including the USA and Germany, are expected to recover more swiftly. Overall, the global economy should experience a halting return to pre-crisis levels, slowing the Swiss export segments that are sensitive to the economic cycle. Any improvement in the situation on the labour market is expected to be slow at best: unemployment is set to rise to an annual average of 3.4 % in 2021 (June forecast: 4.1 %), with employment only likely to see a minimal rise.

Economic risks

The most significant economic risks are still those linked to the coronavirus pandemic and the responses of economic players and politicians to the situation.

On the one hand, the uncertainty could have a less negative impact on consumer and investment behaviour than the forecast assumes, or could reduce considerably due to the authorisation of vaccines, for instance. A much more rapid economic recovery would then be expected.

On the other hand, the recovery would be interrupted in the event of renewed widespread business and border closures around the world. This would significantly increase the probability of second-round economic effects such as large numbers of job cuts and corporate insolvencies. The risks linked to the continued rise in government and company debt would also grow.

The international trade conflict poses further risks to the global economy. A « hard » Brexit, which appears more likely based on recent events, would be another blow to the fragile economy. The risk of upheaval on the financial markets and further upward pressure on the Swiss franc also remains high.

Finally, there is still a risk of more 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

Selected forecasts, Swiss economy				
Comparison of forecasts of October 20 and June 20				
Year-to-year variation in %, quotas				
forecasts for:	2020		2021	
date of forecasts:	Oct. 20	June 20	Oct. 20	June 20
GDP sport event adjusted ¹	-3.8%	-6.2%	3.8%	4.9%
GDP ¹	-3.8%	-6.2%	4.2%	5.3%
Consumption expenditure:				
Personal Consumption	-4.4%	-7.2%	5.3%	6.5%
Government Consumption	1.8%	2.2%	1.8%	0.7%
Construction Investment	-1.5%	-1.5%	0.0%	0.0%
Investment in Equipment and software	-6.0%	-14.0%	3.0%	3.0%
Exports ²	-6.6%	-8.6%	7.0%	7.2%
Imports ²	-9.9%	-10.1%	7.3%	6.0%
Employment (full time equivalents)	-0.4%	-1.5%	0.3%	0.2%
Rate of unemployment	3.2%	3.8%	3.4%	4.1%
Consumer price index	-0.7%	-0.9%	-0.1%	-0.3%

¹ Forecasts, seasonally and calendar adjusted

² Without valuables

Source: Federal Expert Group on Business Cycles

Exogenous assumptions

	2019	2020	2021
GDP ³			
USA	2.2%	-4.2%	4.2%
Euro area	1.2%	-8.1%	5.0%
Germany	0.6%	-5.5%	4.7%
Japan	0.7%	-5.3%	2.5%
BRIC-Countries ⁴	5.0%	-2.1%	8.4%
China	6.1%	1.7%	8.2%
Price of crude oil (\$/barrel Brent)	64.3	41.1	41.8

³ 2020-2021: 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%	-0.7%	-0.8%
Return on Swiss federal bonds (10 years)	-0.5%	-0.5%	-0.5%
Real exchange rate index, trade weighted	0.7%	4.1%	0.8%
Consumer price index	0.4%	-0.7%	-0.1%

Source: Federal Expert Group on Business Cycles

Labor market forecasts

	2019	2020	2021
Employment (full time equivalents) ⁵	1.6%	-0.4%	0.3%
Rate of unemployment	2.3%	3.2%	3.4%

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%	1.3%	-3.3%	4.6%	447,636	458,392	444,053	462,530	2.0%	1.5%	-3.7%	4.7%	452,543	459,238	442,018	462,575	1.1%	0.2%	-0.5%	0.0%
Personal consumption ²	0.8%	1.4%	-4.4%	5.3%	368,311	377,955	361,469	377,963	2.1%	1.4%	-5.1%	5.2%	372,830	378,106	358,939	377,585	1.2%	0.0%	-0.7%	-0.1%
Government consumption ²	0.9%	0.9%	1.8%	1.8%	79,325	80,436	82,583	84,567	1.4%	1.8%	2.4%	2.3%	79,713	81,132	83,079	84,990	0.5%	0.9%	0.6%	0.5%
Fixed investment	0.8%	1.2%	-4.4%	1.9%	181,538	185,218	177,355	180,545	1.6%	1.4%	-4.5%	1.9%	182,972	185,491	177,197	180,578	0.8%	0.1%	-0.1%	0.0%
Construction	0.0%	-0.5%	-1.5%	0.0%	66,145	66,135	65,525	65,590	0.5%	0.0%	-1.4%	-0.3%	66,490	66,522	65,590	65,393	0.5%	0.6%	0.1%	-0.3%
Equipment and Software	1.2%	2.2%	-6.0%	3.0%	115,393	119,084	111,830	114,955	2.1%	2.1%	-6.2%	3.2%	116,482	118,968	111,607	115,185	0.9%	-0.1%	-0.2%	0.2%
Final domestic demand	0.8%	1.3%	-3.6%	3.9%	629,174	643,610	621,408	643,075	1.8%	1.4%	-4.0%	3.9%	635,515	644,729	619,215	643,153	1.0%	0.2%	-0.4%	0.0%
inter alia: changes in inventories ³	0.9%	-0.2%	-1.3%	0.0%	-1,217	-4,140	-14,080	-13,083					-2,982	-4,630	-13,083	-14,018				
Domestic demand ⁴	1.9%	1.1%	-5.1%	3.9%	627,956	639,470	607,328	629,992	2.6%	1.2%	-5.3%	3.8%	632,532	640,099	606,132	629,135	0.7%	0.1%	-0.2%	-0.1%
Exports ⁴	5.0%	2.1%	-6.6%	7.0%	397,758	415,913	384,831	402,050	7.5%	1.2%	-8.8%	7.8%	407,163	411,951	375,711	404,893	2.4%	-1.0%	-2.4%	0.7%
Exports of goods ⁴	5.0%	4.8%	-3.1%	5.5%	262,847	282,768	268,514	275,178	7.9%	2.6%	-5.9%	6.5%	269,921	277,014	260,791	277,767	2.7%	-2.0%	-2.9%	0.9%
Exports of services	5.0%	-3.0%	-13.8%	10.4%	134,911	133,146	116,316	126,872	6.8%	-1.7%	-14.8%	10.6%	137,243	134,938	114,921	127,126	1.7%	1.3%	-1.2%	0.2%
Imports ⁴	3.3%	2.5%	-9.9%	7.3%	311,117	327,984	293,088	307,112	6.2%	1.6%	-12.0%	7.5%	320,082	325,130	286,267	307,648	2.9%	-0.9%	-2.3%	0.2%
Imports of goods ⁴	6.2%	2.8%	-8.0%	5.4%	197,055	206,911	188,144	192,553	8.5%	1.6%	-10.7%	5.5%	201,327	204,504	182,687	192,745	2.2%	-1.2%	-2.9%	0.1%
Imports of services	-1.5%	2.0%	-13.0%	10.6%	114,062	121,073	104,944	114,560	2.6%	1.6%	-14.1%	10.9%	118,755	120,626	103,580	114,903	4.1%	-0.4%	-1.3%	0.3%
GDP	3.0%	1.1%	-3.8%	4.2%	714,598	727,400	699,071	724,930	3.7%	1.0%	-4.3%	4.4%	719,614	726,921	695,576	726,380	0.7%	-0.1%	-0.5%	0.2%

¹ 2018-2019: SFSO; 2020-2021: 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