



Press release

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Forecast: second coronavirus wave interrupts economic recovery

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

In the winter half-year of 2020/2021, the second wave of the coronavirus will have an adverse effect on the Swiss economy. The Expert Group is therefore revising its GDP forecast for the coming year downwards. If the health situation eases, growth is likely to increase significantly as time goes on, although uncertainty remains extremely high.

Rising case numbers and the measures to combat the coronavirus will slow international economic development considerably in the winter half-year of 2020/2021, especially in Europe. In general, however, less dramatic containment measures have been taken than last spring and the overall economic impact is likely to be less severe.

The Expert Group is therefore assuming that Switzerland's GDP will decline in this fourth quarter, but no real slump in the Swiss economy will materialise. The latest GDP data also shows that Switzerland's economy has made it through the last three quarters in somewhat better shape than previously thought. In this context, for **2020** as a whole, the Expert Group is expecting **GDP adjusted for sporting events to fall by – 3.3 %** (October forecast: –3.8 %). This would be the strongest decrease since 1975. The average unemployment rate for the year is likely to be 3.2 %.

The start of 2021 is also set to be affected negatively by the spread of the coronavirus and the associated measures. Accordingly, the Expert Group is revising its forecast for **2021** downwards and is now anticipating **growth in GDP adjusted for sporting events of 3.0 %** (October forecast: +3.8 %), which however is still well above the long-term average. In particular, economic growth should significantly increase in the course of 2021, and Switzerland's economic output should return to its pre-crisis level towards the end of the year. Unemployment is due to rise further in the short term and come to an annual average of 3.3 % for 2021.

This forecast is based on the expectation that the health situation will gradually return to normal from spring 2021, after coronavirus vaccines become widely available, for example. Under this condition, temporary above-average GDP growth would then be likely, as some delayed consumption expenditure and spending on investments would be made up and, in the course of the global economic recovery, exports of goods would pick up noticeably in particular.

As time goes on, the economic recovery in Switzerland should also become more widespread. Assuming that hardly any measures to contain the coronavirus are required in 2022, even particularly vulnerable economic sectors such as international tourism should find their way out of the crisis. For **2022**, the Expert Group is expecting above-average **GDP adjusted for**

sporting events to grow by 3.1 %. Employment is set to rise considerably, with unemployment declining to an annual average of 3.0 %.

Economic risks

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

On the one hand, the second wave of the coronavirus could have a less negative impact on the economy than assumed, especially abroad, or the coronavirus vaccines could be administered across the board earlier than expected, making further containment measures unnecessary. A much more rapid economic recovery would then be expected.

On the other hand, the recovery would be interrupted again if further severe waves of the pandemic were to materialise during the forecast period, resulting in dramatic containment measures in Switzerland and abroad. This would further increase the probability of second-round economic effects such as large-scale job cuts and corporate insolvencies. The risks linked to government and company debt would also grow.

The international trade conflict poses further risks to the global economy. A « hard » Brexit would be another blow to the fragile economy. Finally, there is still a risk of more major corrections in the Swiss real estate sector.

Note:

Because of the great uncertainty the SECO completes the economic forecast of the Expert Group with two updated economic scenarios. They are to be found in the economic forecast section of the latest edition of « Konjunkturtendenzen » at www.seco.admin.ch/economic-forecast (in German).

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Overview

Selected forecasts, Swiss economy					
Comparison of forecasts of December 20 and Octobre 20					
Year-to-year variation in %, quotas					
forecasts for:	2020		2021		2022
date of forecasts:	Dec. 20	Oct. 20	Dec. 20	Oct. 20	Dec. 20
GDP sport event adjusted ¹	-3.3%	-3.8%	3.0%	3.8%	3.1%
GDP ¹	-3.3%	-3.8%	3.2%	4.2%	3.3%
Consumption expenditure:					
Personal Consumption	-4.4%	-4.4%	4.1%	5.3%	2.7%
Government Consumption	2.2%	1.8%	2.0%	1.8%	0.4%
Construction Investment	-1.0%	-1.5%	0.5%	0.0%	0.2%
Investment in Equipment and software	-3.5%	-6.0%	3.3%	3.0%	3.5%
Exports ²	-6.1%	-6.6%	3.8%	7.0%	8.1%
Imports ²	-9.1%	-9.9%	4.5%	7.3%	7.5%
Employment (full time equivalents)	-0.1%	-0.4%	0.3%	0.3%	1.5%
Rate of unemployment	3.2%	3.2%	3.3%	3.4%	3.0%
Consumer price index	-0.7%	-0.7%	0.1%	-0.1%	0.3%

¹ Forecasts, seasonally and calendar adjusted

² Without valuables

Source: Federal Expert Group on Business Cycles

Exogenous assumptions

	2020	2021	2022
GDP ³			
USA	-4.2%	3.4%	4.0%
Euro area	-8.0%	3.5%	4.2%
Germany	-6.0%	3.6%	4.1%
Japan	-5.6%	2.7%	2.5%
BRIC-Countries ⁴	-1.8%	7.7%	5.5%
China	1.6%	8.1%	5.6%
Price of crude oil (\$/barrel Brent)	41.3	45.2	45.9

³ 2020-2022: 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

	2020	2021	2022
Three month LIBOR interest rate	-0.7%	-0.8%	-0.7%
Return on Swiss federal bonds (10 years)	-0.5%	-0.5%	-0.5%
Real exchange rate index, trade weighted	3.9%	0.1%	0.0%
Consumer price index	-0.7%	0.1%	0.3%

Source: Federal Expert Group on Business Cycles

Labor market forecasts

	2020	2021	2022
Employment (full time equivalents) ⁵	-0.1%	0.3%	1.5%
Rate of unemployment	3.2%	3.3%	3.0%

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			
	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022	2019	2020	2021	2022
Total consumption	1.3%	-3.2%	3.7%	2.3%	458,392	444,375	458,722	469,790	1.5%	-3.7%	3.8%	2.6%	459,238	442,343	459,351	471,199	0.2%	-0.5%	0.1%	0.3%
Personal consumption ²	1.4%	-4.4%	4.1%	2.7%	377,955	361,469	373,656	384,128	1.4%	-5.1%	4.2%	3.0%	378,106	358,939	374,029	385,280	0.0%	-0.7%	0.1%	0.3%
Government consumption ²	0.9%	2.2%	2.0%	0.4%	80,436	82,906	85,067	85,662	1.8%	2.8%	2.3%	0.7%	81,132	83,403	85,322	85,919	0.9%	0.6%	0.3%	0.3%
Fixed investment	1.2%	-2.6%	2.3%	2.3%	185,218	180,662	184,846	189,175	1.4%	-2.6%	2.3%	2.1%	185,491	180,728	184,884	188,797	0.1%	0.0%	0.0%	-0.2%
Construction	-0.5%	-1.0%	0.5%	0.2%	66,135	65,857	66,253	66,186	0.0%	-0.9%	0.2%	0.0%	66,522	65,923	66,054	66,054	0.6%	0.1%	-0.3%	-0.2%
Equipment and Software	2.2%	-3.5%	3.3%	3.5%	119,084	114,804	118,593	122,989	2.1%	-3.5%	3.5%	3.3%	118,968	114,804	118,830	122,743	-0.1%	0.0%	0.2%	-0.2%
Final domestic demand	1.3%	-3.1%	3.3%	2.3%	643,610	625,037	643,568	658,965	1.4%	-3.4%	3.4%	2.4%	644,729	623,070	644,235	659,996	0.2%	-0.3%	0.1%	0.2%
inter alia: changes in inventories ³	-0.2%	-1.2%	0.1%	0.0%	-4,140	-13,353	-7,370	-9,271					-4,630	-8,069	-9,271	-10,379				
Domestic demand ⁴	1.1%	-4.4%	3.4%	2.3%	639,470	611,685	636,198	649,695	1.2%	-3.9%	3.2%	2.3%	640,099	615,001	634,964	649,617	0.1%	0.5%	-0.2%	0.0%
Exports ⁴	2.1%	-6.1%	3.8%	8.1%	415,913	386,906	386,647	421,319	1.2%	-9.6%	4.6%	8.9%	411,951	372,522	389,655	424,407	-1.0%	-3.7%	0.8%	0.7%
Exports of goods ⁴	4.8%	0.0%	3.2%	5.9%	282,768	276,932	272,111	291,060	2.6%	-4.8%	4.3%	6.7%	277,014	263,648	274,890	293,367	-2.0%	-4.8%	1.0%	0.8%
Exports of services	-3.0%	-18.5%	5.2%	13.5%	133,146	109,974	114,536	130,258	-1.7%	-19.3%	5.4%	14.2%	134,938	108,875	114,765	131,040	1.3%	-1.0%	0.2%	0.6%
Imports ⁴	2.5%	-9.1%	4.5%	7.5%	327,984	295,521	301,794	324,697	1.6%	-11.2%	4.7%	7.7%	325,130	288,672	302,126	325,469	-0.9%	-2.3%	0.1%	0.2%
Imports of goods ⁴	2.8%	-7.4%	4.0%	6.0%	206,911	189,371	191,037	202,499	1.6%	-10.2%	4.0%	6.2%	204,504	183,689	191,037	202,904	-1.2%	-3.0%	0.0%	0.2%
Imports of services	2.0%	-12.0%	5.5%	10.0%	121,073	106,151	110,757	122,198	1.6%	-13.0%	5.8%	10.3%	120,626	104,983	111,089	122,565	-0.4%	-1.1%	0.3%	0.3%
GDP	1.1%	-3.3%	3.2%	3.3%	727,400	703,069	721,051	746,316	1.0%	-3.9%	3.4%	3.6%	726,921	698,851	722,493	748,555	-0.1%	-0.6%	0.2%	0.3%

¹ 2018-2019: SFSO; 2020-2022: 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