



Press release

Date

11 March 2021

Forecast: rapid recovery following the gradual easing of coronavirus measures

Economic forecast by the Federal Government's Expert Group – March 2021

The Expert Group largely confirms its previous assessment. GDP is set to decrease in the first quarter of this year, but the easing of coronavirus measures should subsequently lead to a rapid recovery. Uncertainty remains extremely high.

The tightening of measures to contain the spread of the virus have been heavily impacting the affected sectors since late 2020. This has led to a collapse in business activity in parts of the service sector. The Expert Group therefore assumes that Switzerland's GDP will fall significantly in the first quarter of this year. However, a collapse of a similar magnitude to last spring so far seems unlikely.

Should the epidemiological development allow the gradual easing of coronavirus measures as intended, the domestic economy should recover very quickly. Various consumer opportunities that were largely unavailable in the winter months would re-emerge and lead to turnover rising again in the affected sectors. At the same time, growing global demand is set to boost exports. The utilisation of production capacities will increase accordingly, which in turn will have a positive impact on investment activity within Switzerland. Overall, the Expert Group expects **growth in GDP adjusted for sporting events of 3.0 % in 2021** (unchanged forecast). This would see the Swiss economy grow at an above-average rate by historical standards, and the pre-crisis GDP level being exceeded by late 2021. Unemployment is predicted to fall gradually and reach an annual average of 3.3 % for 2021 (unchanged forecast).

This forecast is based on the expectation that the planned easing of measures from spring 2021 onwards will largely be implemented as intended, and that any tightening of virus containment measures involving significant economic impacts will no longer be necessary.

Assuming these conditions are met, the economic recovery should also become more widespread as time goes on. Particularly vulnerable areas of the economy, such as international tourism, should also gradually find their way out of the current crisis. For **2022**, the Expert Group therefore predicts an above-average **growth in GDP adjusted for sporting events of 3.3 %**. The international environment has become more favourable since last December's forecast (3.1 %), which will also benefit the Swiss export sector. Employment is expected to rise considerably as the economy recovers, and unemployment is set to fall to an annual average of 3.0% (unchanged forecast).

Economic risks

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

The recovery would be noticeably delayed if in the coming months further strict containment measures were to be introduced domestically and by key trade partners, for example due to backlogs in the coronavirus vaccination programmes.

We also cannot exclude the possibility that the pandemic will continue to affect economic development into 2022, such as through the spread of coronavirus mutations against which the existing vaccines are less effective. There could also be stronger economic second-round effects than assumed in the Expert Group's forecast, such as large-scale job cuts and a high number of corporate insolvencies. The risks linked to government and company debt would also grow.

However, the coronavirus situation could also develop more favourably than expected internationally, particularly due to rapid progress in the vaccination programmes. Should this happen, the economic recovery could prove to be stronger over the course of 2021 than the Expert Group's forecast predicts, particularly due to stronger catch-up effects in private consumer spending.

There are also risks to the world economy due to international trade conflict. There is still a certain amount of uncertainty with regard to the relationship between Switzerland and the EU in connection with the institutional agreement. 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 three updated economic scenarios. They are to be found in the economic forecast section of the latest edition of « Konjunkturtendenzen » (in German) at www.seco.admin.ch/economic-forecasts.

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Economic Forecasts Switzerland

Appendix to the SECO press release from 11.03.2021¹

Economic forecasts Switzerland

Growth rates in % unless otherwise stated, growth contributions in percentage points,

GDP and components: volumes; foreign trade: excluding valuables

| | 2019 | 2020 | 2021 * | 2022 * |
|--|------|-------|------------|------------|
| GDP and components: volumes, foreign trade: excluding valuables | | | | |
| GDP, sport event adjusted | 1.6 | -3.0 | 3.0 (3.0) | 3.3 (3.1) |
| GDP | 1.1 | -3.0 | 3.2 (3.2) | 3.5 (3.3) |
| Private consumption | 1.4 | -4.5 | 3.7 (4.1) | 3.7 (2.7) |
| Government consumption | 0.9 | 2.9 | 4.2 (2.0) | -0.8 (0.4) |
| Investment in construction | -0.5 | -0.7 | 1.0 (0.5) | 0.2 (0.2) |
| Investment in fixed assets and software | 2.2 | -2.2 | 4.0 (3.3) | 3.5 (3.5) |
| Exports of goods | 4.9 | -1.7 | 3.7 (3.2) | 4.8 (5.9) |
| Exports of services | -3.0 | -17.2 | 13.9 (5.2) | 7.0 (13.5) |
| Imports of goods | 2.8 | -7.4 | 4.0 (4.0) | 4.5 (6.0) |
| Imports of services | 2.0 | -12.7 | 12.6 (5.5) | 4.8 (10.0) |
| Contributions to GDP-growth | | | | |
| Final domestic demand | 1.1 | -2.4 | 3.1 (2.9) | 2.4 (2.0) |
| Foreign trade | 0.1 | 0.4 | 0.7 (0.1) | 1.1 (1.3) |
| Labor market and prices | | | | |
| Employment in full-time equivalents | 1.6 | 0.0 | 0.3 (0.3) | 1.5 (1.5) |
| Unemployment rate in % | 2.3 | 3.1 | 3.3 (3.3) | 3.0 (3.0) |
| Consumer price index | 0.4 | -0.7 | 0.4 (0.1) | 0.4 (0.3) |

* Forecasts by the Federal Expert Group on Business Cycles from 11.03.2021, forecasts from 15.12.2020 in brackets.

International and monetary environment

Growth rates in % unless otherwise stated

| | 2019 | 2020 | 2021 * | 2022 * |
|--|------|------|-------------|-------------|
| GDP international, real | | | | |
| United States | 2.2 | -3.5 | 5.1 (3.4) | 3.1 (4.0) |
| Euro area | 1.3 | -6.8 | 3.7 (3.5) | 3.8 (4.2) |
| Germany | 0.6 | -5.3 | 3.5 (3.6) | 3.9 (4.1) |
| United Kingdom | 1.4 | -9.9 | 5.1 (6.0) | 5.7 (5.8) |
| Japan | 0.3 | -4.9 | 3.5 (2.7) | 2.0 (2.5) |
| BRIC-Countries | 4.8 | -1.0 | 8.3 (7.7) | 5.3 (5.5) |
| China | 6.0 | 2.3 | 8.8 (8.1) | 5.4 (5.6) |
| Global demand | 1.8 | -5.0 | 4.6 (4.1) | 3.8 (4.3) |
| Price of crude oil in USD/barrel Brent | 64.3 | 41.8 | 63.3 (45.2) | 65.4 (45.9) |
| Switzerland | | | | |
| 3-month LIBOR in % | -0.7 | -0.7 | -0.7 (-0.8) | -0.7 (-0.7) |
| 10-year Swiss federal bonds, return in % | -0.5 | -0.5 | -0.3 (-0.5) | -0.3 (-0.5) |
| Real exchange rate index | 0.7 | 3.9 | 0.3 (0.1) | 0.0 (0.0) |

* Assumptions by the Federal Expert Group on Business Cycles from 11.03.2021. Assumptions from 15.12.2020 in brackets.

Note:

The detailed forecasts for GDP and the demand components (levels, nominal development, deflators) are now being published as an Excel file on the SECO website.

¹Data and further information: www.seco.admin.ch/economic-forecasts