



Press release

Date

15 June 2021

Economic forecast: strong recovery following the easing of coronavirus measures

As expected, the easing of coronavirus measures has triggered a swift recovery in the domestic economy. The economic situation has also brightened internationally, with a dynamic recovery looking likely. The Federal Government's Expert Group is increasing its GDP forecast for 2021 to +3.6 %. The Swiss economy is also set to grow at a significantly above-average rate in 2022.

Following the gradual easing in early March, the domestic economy has begun to recover rapidly, as predicted, after suffering significant setbacks in the winter half-year. Industrial production also rose considerably, buoyed by the strong resurgent demand from key trade partners. The indicators are pointing to further increases in both the industrial and the service sector. The Expert Group therefore expects Switzerland's GDP to grow significantly in the second quarter of this year.

Provided that the planned easing of measures can be implemented as intended, the economic recovery is likely to become more widespread as time goes on. In particular, consumer sectors that were severely restricted for a long time due to the pandemic should experience considerable catch-up effects. This would increasingly enable areas of the economy that have been heavily affected, such as accommodation and food services and events, to find their way out of the current crisis too. Overall, the Expert Group expects **growth in GDP adjusted for sporting events** of **3.6 %** in **2021** (March forecast: +3.0 %). The Swiss economy would therefore grow at a significantly above-average rate by historical standards, meaning that GDP would climb well above the pre-crisis level in the second half of 2021. As a result, companies are predicted to increase their investments and expand their workforces. Short-time working is likely to be reduced gradually and unemployment should fall further. The unemployment rate is expected to come to an annual average of 3.1% for 2021 (March forecast: 3.3 %).

For 2022, the Expert Group is also forecasting an above-average **growth in GDP adjusted for sporting events** of **3.3 %** (unchanged forecast). Foreign trade is set to stimulate growth substantially again, supported by the ongoing economic recovery in the major economies. International trade in services such as tourism, in particular, is likely to gather pace. In Switzerland, momentum should gradually return to normal after a strong recovery this year. The continuing recovery is due to have a considerable impact on the labour market, with employment rising significantly (+1.5 %) and the unemployment rate falling further to an annual average of 2.8 % (March forecast: 3.0 %).

Economic risks and additional scenarios¹

Because of the great uncertainty, SECO completes the forecasts of the Federal Government's Expert Group with three scenarios that illustrate the economic effects of key risks.

The risk of stronger economic second-round effects of the crisis such as insolvencies and large-scale lay-offs remains, and would result in much weaker development in demand. Any setbacks in the progression of the pandemic, such as in relation to virus mutations, could also affect the economy and cause a sluggish recovery (Scenario 1 "Second-round effects").

Conversely, the economy could also recover more strongly than assumed in the Expert Group's forecast, both in Switzerland and in other developed economies. This is particularly likely with regard to private consumption, as some households accumulated significant additional savings last year, which could at least partially be used for consumer spending (Scenario 2 "Compensation").

If demand develops strongly, this could lead to capacity bottlenecks and drive up inflation. Should this result in persistent pressure on prices with rising long-term interest rates, economic recovery is likely to experience curbing effects (Scenario 3 "Stagflation"). The risks linked to government and company debt and to corrections on the financial markets would grow considerably in a scenario like this. Existing risks in the Swiss real estate sector would also become more serious.

In the medium term, further risks have increased for Switzerland as a business location. Uncertainty in its relationship with the EU has grown in particular. There is also some uncertainty in connection with the recently agreed global minimum corporate tax rate.

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¹ Further information on the forecast of the Federal Government's Expert Group on Economic Forecasts and on the additional scenarios can be found in the enclosed economic forecast section of "Konjunkturtendenzen Sommer 2021" (in German) and at www.seco.admin.ch/economic-forecasts.

Economic Forecasts Switzerland

Appendix to the SECO press release from 15.06.2021¹

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	-2.7	3.6	(3.0)	3.3	(3.3)
GDP	1.1	-2.7	3.8	(3.2)	3.5	(3.5)
Private consumption	1.4	-4.4	3.9	(3.7)	3.7	(3.7)
Government consumption	0.9	3.6	6.6	(4.2)	-2.4	(-0.8)
Investment in construction	-0.5	-1.1	1.0	(1.0)	0.2	(0.2)
Investment in fixed assets and software	2.2	-2.8	4.5	(4.0)	3.8	(3.5)
Exports of goods	4.8	-1.0	6.0	(3.7)	5.3	(4.8)
Exports of services	-3.0	-15.1	7.6	(13.9)	10.3	(7.0)
Imports of goods	2.8	-7.4	5.5	(4.0)	4.8	(4.5)
Imports of services	2.0	-10.6	6.0	(12.6)	8.3	(4.8)
Contributions to GDP-growth						
Final domestic demand	1.1	-2.5	3.6	(3.1)	2.2	(2.4)
Foreign trade	0.1	0.6	1.1	(0.7)	1.2	(1.1)
Labor market and prices						
Employment in full-time equivalents	1.6	0.1	0.3	(0.3)	1.5	(1.5)
Unemployment rate in %	2.3	3.1	3.1	(3.3)	2.8	(3.0)
Consumer price index	0.4	-0.7	0.4	(0.4)	0.5	(0.4)

* Forecasts by the Federal Expert Group on Business Cycles from 15.06.2021, forecasts from 11.03.2021 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	6.6	(5.1)	3.5	(3.1)
Euro area	1.3	-6.7	4.8	(3.7)	4.2	(3.8)
Germany	0.6	-5.1	3.7	(3.5)	4.1	(3.9)
United Kingdom	1.4	-9.8	6.7	(5.1)	5.5	(5.7)
Japan	0.0	-4.7	2.9	(3.5)	2.8	(2.0)
BRIC-Countries	4.9	-1.0	8.2	(8.3)	5.4	(5.3)
China	6.0	2.3	8.8	(8.8)	5.4	(5.4)
Global demand	1.8	-4.9	5.7	(4.6)	4.1	(3.8)
Price of crude oil in USD/barrel Brent	64.3	41.8	66.0	(63.3)	69.1	(65.4)
Switzerland						
3-month LIBOR in %	-0.7	-0.7	-0.7	(-0.7)	-0.7	(-0.7)
10-year Swiss federal bonds, return in %	-0.5	-0.5	-0.2	(-0.3)	-0.1	(-0.3)
Real exchange rate index	0.7	3.9	-2.7	(0.3)	-0.3	(0.0)

* Assumptions by the Federal Expert Group on Business Cycles from 15.06.2021. Assumptions from 11.03.2021 in brackets.

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