



Press release

Date

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Economic forecast: Ukraine conflict dampens recovery

The expert group is lowering its 2022 growth forecast for Switzerland to 2.8% (GDP adjusted for sporting events). Higher inflation and the Ukraine conflict are slowing the pace of recovery. On the other hand, the pandemic situation has improved faster than anticipated. Growth of 2.0% is still expected for 2023. The war in Ukraine poses major risks for the global economy.¹

The fourth quarter of 2021 was marked by the most recent wave of COVID-19 and the tightening of restrictions. As expected, the Swiss economy continued to recover, although at a somewhat slower pace.

The war in Ukraine has clouded the outlook and poses major economic risks. However, the Swiss economy is starting out in relatively good shape, with the domestic economy on the rebound. The labour market is also performing strongly: employment is growing, unemployment has reverted to pre-crisis levels, and some sectors are even lamenting a shortage of skilled workers. Furthermore, the lifting of most of the pandemic restrictions bodes well for a strong recovery in the service sector. The hospitality industry and leisure and culture services, in particular, still have substantial catch-up potential.

The direct impact of the Ukraine conflict on Switzerland is likely to be limited, given the relatively low level of economic ties with Russia and Ukraine. Nonetheless, significant indirect effects are to be expected. World prices of key exports from Russia and Ukraine – energy resources as well as certain food staples and industrial metals – have soared. Global inflationary pressures will therefore remain high for now. The recent appreciation of the Swiss franc is helping to contain price pressures within Switzerland, but higher inflation rates are still to be expected on the domestic front. The expert group has adjusted its 2022 inflation forecast for Switzerland to 1.9% (forecast from December 2021: 1.1%) and is assuming a negative knock-on effect on consumer spending. Moreover, increased uncertainty is weighing on the investment climate, and global supply chain issues are again mounting.

Against this backdrop, the expert group has revised its **2022 growth forecast to 2.8%** (GDP adjusted for sporting events; forecast from December: 3.0%). The Swiss economy would thus continue its pandemic recovery for now with above-average GDP growth, but with less momentum than in the previous forecast. This scenario is assuming no significant downturn

¹ Further information on the forecast by the federal government's expert group on economic forecasts can be found in the attached 'Konjunkturprognose' chapter of the 'Konjunkturtendenzen Frühjahr 2022' report and at <https://www.seco.admin.ch/economic-forecasts>.

among key trading partners and, in particular, no major energy and raw material shortages in Europe.

In the second half of the forecast period, the catch-up effect in relation to the pandemic is likely to fade. Provided that the dampening impact of the Ukraine conflict also subsides, the economy is expected to normalise. For **2023** overall, the expert group forecasts **GDP growth of 2.0%** (adjusted for sporting events). Inflation is predicted to fall to an average of 0.7% (unchanged forecast) for the year.

For the labour market, the expert group anticipates further recovery and is forecasting an average unemployment rate of 2.1% in 2022, followed by 2.0% in 2023.

Economic risks

Uncertainty in relation to the Ukraine conflict is very high. Even without international military escalation, there is a risk of more severe economic impacts than assumed in the current forecast.

The Swiss economy would be significantly affected if its key trading partners were to suffer a major economic downturn. This could happen, for example, if Europe experienced serious production shortfalls as a result of disruptions in raw material supplies from Russia. Such a **scenario**² would likely lead to continued high global price pressures and, at the same time, a slowdown in economic growth.

Further risks are posed by the sharp rise in government and corporate debt internationally. Risks also persist in the real estate sector, both domestically and internationally, especially in China.

Meanwhile, uncertainty in relation to the coronavirus pandemic has clearly declined, even if further setbacks cannot be ruled out, e.g. from new variants.

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² Cf. the supplementary negative scenario from SECO in the attached 'Konjunkturprognose' chapter of the 'Konjunkturtendenzen Frühjahr 2022' report.

Economic Forecasts Switzerland

Appendix to the SECO press release from 14.03.2022¹

Economic forecasts Switzerland

Growth rates in % unless otherwise stated, growth contributions in percentage points, GDP and components: volumes, seasonally adjusted; foreign trade: excluding valuables

	2020	2021	2022 *		2023 *	
GDP and components						
GDP, sport event adjusted	-2.6	3.6	2.8	(3.0)	2.0	(2.0)
GDP	-2.5	3.7	3.0	(3.2)	1.7	(1.7)
Private consumption	-3.7	2.7	3.6	(3.8)	1.9	(2.0)
Government consumption	3.5	2.7	-0.7	(-1.5)	-1.4	(-1.9)
Investment in construction	-0.4	1.2	-0.5	(0.0)	0.2	(0.2)
Investment in fixed assets and software	-2.5	4.0	3.4	(4.0)	3.4	(4.0)
Exports of goods	-1.7	11.5	4.2	(3.8)	3.7	(4.1)
Exports of services	-14.6	10.4	8.5	(10.0)	5.0	(5.6)
Imports of goods	-6.3	4.7	4.7	(4.3)	3.9	(5.0)
Imports of services	-10.5	6.5	8.0	(8.4)	5.5	(5.5)
Contributions to GDP-growth						
Final domestic demand	-2.0	2.4	2.2	(2.4)	1.4	(1.5)
Foreign trade	0.1	3.6	0.6	(0.7)	0.4	(0.4)
Labor market and prices						
Employment in full-time equivalents	0.1	0.6	1.8	(1.5)	0.9	(0.9)
Unemployment rate in %	3.1	3.0	2.1	(2.4)	2.0	(2.3)
Consumer price index	-0.7	0.6	1.9	(1.1)	0.7	(0.7)

* Forecasts by the Federal Expert Group on Business Cycles from 14.03.2022, forecasts from 09.12.2021 in brackets.
Sources: FSO, SECO

International and monetary environment

Growth rates in % unless otherwise stated, GDP and global demand: volumes, seas. adjusted

	2020	2021	2022 *		2023 *	
GDP international, real						
United States	-3.4	5.7	3.5	(4.0)	2.4	(2.4)
Euro area	-6.5	5.2	3.4	(3.7)	2.6	(2.5)
Germany	-4.9	2.9	3.0	(3.9)	2.9	(2.5)
United Kingdom	-9.4	7.5	4.1	(5.0)	2.0	(2.3)
Japan	-4.5	1.7	3.1	(3.8)	1.8	(1.4)
BRIC-Countries	-0.8	7.4	5.0	(5.6)	4.8	(4.9)
China	2.3	8.1	5.0	(5.3)	5.3	(5.4)
Global demand	-4.7	5.7	3.5	(4.0)	2.7	(2.6)
Price of crude oil in USD/barrel Brent	41.8	70.7	101.2	(77.3)	87.9	(80.9)
Switzerland						
SARON in %	-0.7	-0.7	-0.7	(-0.7)	-0.5	(-0.6)
10-year Swiss federal bonds, return in %	-0.5	-0.3	0.2	(-0.1)	0.4	(0.1)
Real exchange rate index	3.9	-2.4	0.8	(0.6)	0.0	(0.0)

* Assumptions by the Federal Expert Group on Business Cycles from 14.03.2022. Assumptions from 09.12.2021 in brackets.
Sources: SECO, corresponding statistical institutions

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