



# Press release

Date

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## **Economic forecast confirmed: Swiss economic growth significantly below average in 2023**

**The expert group on business cycles continues to expect significantly below-average growth for the Swiss economy, with a rate of 1.1% in 2023, followed by 1.5% in 2024 (GDP adjusted for sporting events). The Swiss economy started the year vigorously, and energy prices continue to fall. However, inflationary pressures remain high internationally and there are pronounced economic risks.<sup>1</sup>**

Switzerland's GDP (adjusted for sporting events) grew substantially in the first quarter of 2023. Domestic final demand showed a solid increase, buoyed by factors including the strong rise in private consumption. The industrial sector provided an additional boost to growth in the wake of rising goods exports. However, current indicators are giving mixed signals, and a general weakening of the Swiss economy is expected in the second quarter.

Globally, the economic situation is currently somewhat brighter than predicted in March. The declining GDP in the euro area contrasts with the positive development in China and the US. Energy prices have also declined further in recent months, which is slowing inflation. However, core inflation in the major advanced economies has not fallen as much as expected. Accordingly, international monetary policy is expected to remain more restrictive, with dampening effects on global demand.

On the domestic front, too, comparatively high inflation rates may be expected in the short term. Inflation should stabilise at 2.3% in 2023 (forecast in March: 2.4%). The dampening effects of declining energy prices are offset by continuing price pressure in other areas. Private consumption should nevertheless see modest growth over the coming quarters, bolstered by a solid labour market. Some growth, albeit below average, is also expected in investments. Overall, domestic demand would thus be the main pillar of growth in 2023. Foreign trade, on the other hand, will likely contribute little to GDP growth.

Against this backdrop, the expert group maintains its forecast of a weakening Swiss economy in 2023. It expects economic growth to be well below average at 1.1% (adjusted for sporting events). As before, the forecast is based on the assumption that there will not be an energy shortage with widespread production losses in the winter of 2023/24. At the same time, gas and electricity prices are expected to remain high by historical standards.

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<sup>1</sup> Further information on the forecast by the federal government's expert group on business cycles can be found in the attached 'Konjunkturprognose' chapter of the 'Konjunkturtendenzen Sommer 2023' report (available in German and French) and at <http://www.seco.admin.ch/economic-forecasts>.

By the end of 2024, further declines in inflation rates are expected internationally. Global demand will likely recover somewhat. The expert group maintains its forecast for 2024: the Swiss economy will grow at a rate of 1.5%, with 1.5% average annual inflation.

The economic slowdown is also likely to have an effect on the labour market, albeit with a lag. Following an average rate of 2.0% in 2023, unemployment is projected to reach 2.3% in 2024.

### **Economic risks**

The global economic situation is fragile and the risks are pronounced. Inflation could prove even more persistent internationally and necessitate a more restrictive monetary policy. This would further slow down global demand. Existing risks associated with increased global debt and the risk of property and financial market corrections would increase.

Balance sheet risks could arise or increase for financial institutions against the backdrop of simultaneous, rapid monetary policy tightening in multiple countries, which could have repercussions for financial stability. The transfer to the real economy could also be stronger than currently assumed.

Finally, an energy shortage in winter 2023/2024 remains a risk, despite the current easing. If a severe energy shortage were to occur in Europe, with large-scale production losses and a significant downturn, a recession twinned with high price pressure could also be expected in Switzerland.

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# Economic Forecasts Switzerland

Appendix to the SECO press release from 15.06.2023<sup>1</sup>

## Economic forecasts Switzerland

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

	2021	2022	2023 *	2024 *
<b>GDP and components, sport event adjusted**</b>				
GDP	3.9	2.0	1.1 (1.1)	1.5 (1.5)
Private consumption	1.7	4.0	1.8 (1.5)	1.2 (1.2)
Government consumption	3.5	0.1	0.0 (-0.6)	-2.1 (-1.8)
Investment in construction	-3.0	-4.4	-1.2 (-1.3)	0.7 (0.2)
Investment in fixed assets and software	8.1	1.8	2.0 (1.7)	1.1 (1.3)
Exports of goods	10.7	4.3	3.5 (3.0)	4.5 (4.9)
Exports of services	8.0	8.9	2.5 (4.7)	3.5 (3.5)
Imports of goods	4.3	8.2	2.8 (2.0)	3.1 (3.3)
Imports of services	4.3	3.3	5.6 (6.5)	4.5 (4.5)
<b>Contributions to GDP-growth, sport event adjusted**</b>				
Final domestic demand	2.4	1.9	1.2 (0.9)	0.6 (0.6)
Foreign trade	3.4	0.4	0.1 (0.3)	0.7 (0.9)
<b>Labor market and prices</b>				
Employment in full-time equivalents	1.0	2.7	1.8 (1.1)	0.7 (0.7)
Unemployment rate in %	3.0	2.2	2.0 (2.0)	2.3 (2.3)
Consumer price index	0.6	2.8	2.3 (2.4)	1.5 (1.5)
GDP, not adjusted for sport events	4.2	2.1	0.8 (0.8)	1.8 (1.8)

\* Forecasts by the Federal Expert Group on Business Cycles from 15.06.2023, forecasts from 16.03.2023 in brackets.

\*\* Affected by sport event effects are: GDP, exports of services, imports of services, foreign trade.

Sources: FSO, SECO

## International and monetary environment

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

	2021	2022	2023 *	2024 *
<b>GDP international, real</b>				
United States	5.9	2.1	1.5 (1.2)	1.0 (1.2)
Euro area	5.3	3.5	0.7 (0.7)	1.2 (1.3)
Germany	2.6	1.9	-0.1 (0.1)	1.3 (1.2)
United Kingdom	7.6	4.1	0.3 (-0.3)	1.0 (1.0)
Japan	2.2	1.0	1.1 (1.2)	1.1 (1.1)
BRIC-Countries	8.0	3.3	4.8 (4.5)	4.5 (4.5)
China	8.4	3.0	5.4 (5.2)	4.6 (4.6)
Global demand	6.0	3.0	1.3 (1.2)	1.4 (1.5)
Price of crude oil in USD/barrel Brent	70.7	100.9	77.3 (82.5)	72.7 (78.3)
<b>Switzerland</b>				
SARON in %	-0.7	-0.2	1.5 (1.6)	1.9 (1.9)
10-year Swiss federal bonds, return in %	-0.3	0.8	1.2 (1.6)	1.3 (1.7)
Real exchange rate index	-2.5	-0.8	2.0 (0.8)	0.6 (0.0)

\* Assumptions by the Federal Expert Group on Business Cycles from 15.06.2023. Assumptions from 16.03.2023 in brackets.

Sources: SECO, corresponding statistical institutions

<sup>1</sup>Data and further information: [www.seco.admin.ch/economic-forecasts](http://www.seco.admin.ch/economic-forecasts)