



Press release

Date

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Economic forecast: Swiss economic growth significantly below average in 2023 and 2024

Based on the strong first quarter, the expert group on business cycles is marginally upgrading its 2023 outlook for Switzerland's GDP adjusted for sporting events (1.3%, June forecast: 1.1%). However, growth estimates for next year have been revised downward (1.2%, June forecast: 1.5%). This would equate to significantly below-average growth for the Swiss economy in both 2023 and 2024.¹

After a buoyant start to the year, Switzerland's economy stalled in the second quarter. Consumer spending was again strong, and the services sector saw growth across the board. In contrast, the industrial sector recorded a decline in both investments and value added. Current indicators do not signal a trend reversal in the months ahead.

On the whole, global economic growth in the second quarter was in line with expectations. It was a weak quarter for the euro zone, whereas the US economy continued its solid expansion. China's GDP grew as projected, though there are signs of a slowdown in the near future. For the euro zone, too, the coming quarters are likely to be weaker than earlier expected. All in all, the global economy is likely to take longer to recover from the challenges of the past few years than was assumed in the June forecast. Monetary policy will continue to dampen growth, as core inflation worldwide again proves more persistent than expected.

Nonetheless, the strong first quarter has led the expert group to improve its 2023 forecast for Switzerland's growth. GDP adjusted for sporting events is now expected to grow by 1.3% for the whole of 2023 (June forecast: 1.1%). This is assuming the Swiss economy will show weak growth for the second half of the year.

Consumer spending is likely to provide some support, given the sound labour market situation and expectations of at least some employment growth. Moreover, inflation for the whole of 2023 has been revised down marginally to 2.2% (June forecast: 2.3%). On the other hand, the Swiss franc's recent strength coupled with sub-par global demand will hurt goods exports, while declining capacity utilisation and rising interest rates will curb investment activity. The expert group is therefore anticipating weak growth in equipment investment and a decline in construction investment for 2023 as a whole.

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

Looking ahead, some recovery in global demand and thus in Swiss exports can be expected in 2024. Consumer demand will probably lose some momentum, however. For one thing, the economic slowdown is likely to have repercussions on the labour market. Unemployment – averaging 2.0% in 2023 – is projected to reach 2.3% in 2024. At the same time, inflation in 2024 has been revised up to 1.9% (June forecast: 1.5%).

Overall, the expert group expects 2024 GDP growth adjusted for sporting events to come in at 1.2% (June forecast: 1.5%). This would mean significantly below-average growth for two years, without however driving the Swiss economy into recession. As before, this forecast is based on the assumption that there will not be an energy shortage with widespread production losses in the winter of 2023/24.

Economic risks

The economic risks are substantial. Inflation could prove even more persistent internationally and necessitate a more restrictive monetary policy. This would further slow down global demand. Moreover, there could be an increase in existing risks associated with global debt, the risk of property and financial market corrections and the balance sheet risks of financial institutions. In addition, the transmission of monetary policy tightening to the real economy could also turn out to be stronger than currently assumed.

Developments in Germany and China pose increasing risks for the international economy and thereby also for Swiss foreign trade. Germany's industrial sector, for example, could weaken more significantly and hold back the exposed sectors of the Swiss economy more than expected. Also, China's economy could cool down faster than assumed in view of the crisis in the real estate sector, the high level of debt and the gloomy sentiment of companies and households.

Meanwhile, an energy shortage in winter 2023/24 remains a risk, despite the easing seen to date. 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 20.09.2023¹

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 *
GDP and components, sport event adjusted**				
GDP	5.1	2.4	1.3 (1.1)	1.2 (1.5)
Private consumption	1.8	4.2	2.2 (1.8)	1.1 (1.2)
Government consumption	3.3	-0.8	0.8 (0.0)	-1.1 (-2.1)
Investment in construction	-3.1	-5.5	-2.1 (-1.2)	0.7 (0.7)
Investment in fixed assets and software	6.0	4.6	0.8 (2.0)	1.1 (1.1)
Exports of goods	12.3	4.0	3.4 (3.5)	4.1 (4.5)
Exports of services	9.9	6.0	2.8 (2.5)	3.0 (3.5)
Imports of goods	4.3	7.6	1.2 (2.8)	3.8 (3.1)
Imports of services	6.6	4.3	8.0 (5.6)	3.5 (4.5)
Contributions to GDP-growth, sport event adjusted**				
Final domestic demand	2.1	2.3	1.2 (1.2)	0.7 (0.6)
Foreign trade	3.8	-0.2	0.1 (0.1)	0.5 (0.7)
Labor market and prices				
Employment in full-time equivalents	1.0	2.7	2.1 (1.8)	0.8 (0.7)
Unemployment rate in %	3.0	2.2	2.0 (2.0)	2.3 (2.3)
Consumer price index	0.6	2.8	2.2 (2.3)	1.9 (1.5)
GDP, not adjusted for sport events	5.4	2.7	0.8 (0.8)	1.6 (1.8)

* Forecasts by the Federal Expert Group on Business Cycles from 20.09.2023, forecasts from 15.06.2023 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 *
GDP international, real				
United States	5.9	2.1	2.0 (1.5)	1.0 (1.0)
Euro area	5.5	3.4	0.5 (0.7)	1.0 (1.2)
Germany	3.1	1.9	-0.3 (-0.1)	0.9 (1.3)
United Kingdom	7.6	4.1	0.4 (0.3)	0.8 (1.0)
Japan	2.3	1.0	1.6 (1.1)	0.9 (1.1)
BRIC-Countries	8.0	3.3	5.0 (4.8)	4.4 (4.5)
China	8.4	3.0	5.1 (5.4)	4.6 (4.6)
Global demand	6.1	3.0	1.3 (1.3)	1.3 (1.4)
Price of crude oil in USD/barrel Brent	70.7	100.9	82.2 (77.3)	82.7 (72.7)
Switzerland				
SARON in %	-0.7	-0.2	1.5 (1.5)	1.9 (1.9)
10-year Swiss federal bonds, return in %	-0.3	0.8	1.1 (1.2)	1.2 (1.3)
Real exchange rate index	-2.6	-0.6	3.2 (2.0)	1.5 (0.6)

* Assumptions by the Federal Expert Group on Business Cycles from 20.09.2023. Assumptions from 15.06.2023 in brackets.

Sources: SECO, corresponding statistical institutions

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