



Press release

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Forecast: economic slowdown expected

The expert group on business cycles confirms its previous assessment. The Swiss economy is expected to grow at a significantly below-average rate of 1.0% in 2023, followed by 1.6% in 2024 (GDP adjusted for sporting events). This projection assumes, among other things, that there will be no energy supply shortages either this or next winter.

Switzerland's GDP growth in the third quarter came in within expectations, driven in particular by domestic demand. Private consumption increased robustly, partly reflecting a post-pandemic catch-up effect in the tourism and leisure sectors. Economic indicators have weakened somewhat more recently, and the Swiss economy is expected to perform below average in the current fourth quarter.

Beyond that, the course of the economy will depend crucially on global economic activity and also on energy supplies. The group of experts is assuming in its forecast there will be no energy shortages with widespread production losses either this or the following winter. However, the energy situation in Europe is likely to remain tense with gas and electricity prices running high. Furthermore, high international inflation and the tightening of monetary policy are likely to curb demand. Overall, the expert group expects global demand to remain subdued over the next two years. This will also slow down the exposed sectors of Swiss foreign trade.

High energy prices are a factor in the relatively high inflation rates expected for Switzerland too: 2.9% in 2022, followed by 2.2% in 2023 (September forecasts: 3.0% and 2.3% respectively). A corresponding slowdown in consumer spending can be assumed, while rising interest rates are likely to curtail investment activity internationally.

Against this backdrop, the expert group is forecasting economic growth in Switzerland of 1.0% in 2023 (September forecast: 1.1%), compared with 2.0% in 2022 (unchanged forecast). This would point to sluggish growth for the Swiss economy, but not a severe recession. This slowdown is also likely to be reflected in the labour market, with unemployment expected to edge up from an average of 2.2% in 2022 to 2.3% in 2023.

Looking further ahead, Europe's energy situation is projected to gradually normalise after a tense 2023/24 winter. At the same time, inflation rates will likely ease worldwide and the global economy should gradually gain momentum. This would also trigger a recovery in Switzerland. For 2024 as a whole, the expert group forecasts growth of 1.6%, which is slightly below average, with inflation at 1.5%. Unemployment is expected to continue rising, averaging 2.4% for the year.

Economic risks

The likelihood of facing an energy shortage this winter has diminished recently. However, such a risk for the 2023/24 winter is now emerging. In particular, the situation could come to a head if Europe's gas storage facilities are already heavily used in the coming months. 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 (**negative scenario**¹).

There is also the risk of monetary policy having a greater impact on the real economy than assumed. Inflation could prove more persistent internationally than previously thought, which could require a tighter monetary policy stance. In view of rising interest rates, the risks associated with the sharp increase in global debt have also increased. The risk of financial market corrections remains high. Risks also persist in the real estate sector, both domestically and internationally.

Pandemic-related setbacks cannot be ruled out, for example as a result of new virus variants. In particular, China's economy could be further weakened by strict containment measures, with repercussions on the global economy.

It is also possible, however, that the economy will fare better than projected. This could happen, for example, if the energy situation over the coming quarters turns out to be less severe than expected or eases more quickly. Such a **positive scenario**¹ would likely mean lower inflation rates and more robust demand at home and abroad.

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¹ Cf. supplementary scenarios by SECO in the 'Konjunkturprognose' section under www.seco.admin.ch/konjunkturprognosen (in German)

Economic Forecasts Switzerland

Appendix to the SECO press release from 13.12.2022¹

Economic forecasts Switzerland

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

	2021	2022 *	2023 *	2024 *		
GDP and components, sport event adjusted**						
GDP	3.9	2.0	(2.0)	1.0	(1.1)	1.6
Private consumption	1.7	4.1	(4.0)	1.5	(1.4)	1.3
Government consumption	3.5	1.1	(0.3)	-2.1	(-2.5)	-2.1
Investment in construction	-3.0	-4.0	(-2.2)	-0.2	(-0.2)	0.1
Investment in fixed assets and software	8.1	2.5	(1.7)	1.7	(1.7)	1.4
Exports of goods	10.7	2.5	(1.3)	3.0	(1.5)	4.9
Exports of services	8.0	10.2	(10.4)	4.7	(3.2)	3.5
Imports of goods	4.3	8.2	(6.7)	2.0	(1.2)	3.3
Imports of services	4.3	5.7	(3.9)	7.0	(4.2)	4.5
Contributions to GDP-growth, sport event adjusted**						
Final domestic demand	2.4	2.3	(2.1)	0.8	(0.7)	0.7
Foreign trade	3.4	-0.6	(-0.3)	0.2	(0.1)	0.9
Labor market and prices						
Employment in full-time equivalents	1.0	2.7	(2.7)	0.7	(0.7)	0.7
Unemployment rate in %	3.0	2.2	(2.2)	2.3	(2.3)	2.4
Consumer price index	0.6	2.9	(3.0)	2.2	(2.3)	1.5
GDP, not adjusted for sport events	4.2	2.1	(2.1)	0.7	(0.8)	1.9

* Forecasts by the Federal Expert Group on Business Cycles from 13.12.2022, forecasts from 20.09.2022 in brackets: Exports of services, imports of services and foreign trade are not adjusted for sport events.

** 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	2.0	(1.8)	0.8	(1.3)	1.3
Euro area	5.3	3.3	(3.2)	0.6	(0.6)	1.3
Germany	2.6	1.9	(1.7)	0.0	(0.1)	1.2
United Kingdom	7.5	4.4	(3.4)	-0.4	(0.1)	1.0
Japan	1.7	1.5	(1.7)	1.5	(1.6)	1.1
BRIC-Countries	7.6	3.2	(2.3)	3.7	(4.1)	4.4
China	8.1	3.0	(2.5)	4.5	(5.0)	4.6
Global demand	5.9	2.9	(2.6)	0.9	(1.0)	1.6
Price of crude oil in USD/barrel Brent	70.7	101.3	(103.4)	84.3	(89.5)	79.1
Switzerland						
SARON in %	-0.7	-0.2	(-0.2)	1.2	(1.0)	1.3
10-year Swiss federal bonds, return in %	-0.3	0.8	(0.7)	1.4	(1.2)	1.5
Real exchange rate index	-2.6	-0.7	(-0.6)	0.3	(0.8)	0.0

* Assumptions by the Federal Expert Group on Business Cycles from 13.12.2022. Assumptions from 20.09.2022 in brackets.
Sources: SECO, corresponding statistical institutions

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