Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Federal Department of
Economic Affairs, Education and Research EAER

State Secretariat for Economic Affairs SECO
Economic Policy Directorate
Short-Term Economic Analyses

Press release

Date 19 December 2017

Economic recovery gains momentum

Economic forecasts by the Federal Government's Expert Group – Winter 2017/2018[1]

The Federal Government's Expert Group expects the Swiss economy to make a speedy recovery over the next few quarters. While only moderate GDP growth of 1.0% is anticipated in 2017 due to a weak first half of the year, the forecast for GDP growth in 2018 is strong at 2.3% in the course of the global economic upturn. A solid 1.9% growth is predicted for 2019. Both foreign trade and the domestic economy are contributory factors in this regard. Employment is likely to increase noticeably, with unemployment set to drop again.

The Swiss economy left behind the hesitant growth seen in the first half of 2017 and grew substantially in the 3rd quarter. The upturn also became more broad-based. At the start of the year, GDP growth was driven almost exclusively by the industry sector, whereas most service sectors are now growing again. However, the subdued first half of 2017 means that only moderate **GDP growth** of 1.0% is expected for full-year 2017 (September forecast: 0.9%).

The stable and broad-based **global economic upturn** is providing good momentum. Economic activities around the world have recently developed at an even faster pace than was envisaged in the last forecast. **Leading indicators** suggest that this high rate of growth will continue internationally as well as in Switzerland. Global economic momentum is then likely to let up gradually in the second half of the forecast period. The Expert Group therefore expects the Swiss economy to flourish over the coming quarters, anticipating considerably above-average **GDP growth** of 2.3% in 2018 (September forecast: 2.0%) and a solid 1.9% in 2019.

The **Swiss export sector** benefits from a robust global economy, particularly if the recent depreciation of the Swiss franc persists. Solid and broad-based growth in exports is predicted in the forecast period. In particular, sectors that are sensitive to the business cycle and exchange rates, including tourism and the mechanical engineering-, electronics and metal industries, are expected to play an increasingly important role here, accompanied by impulses from the chemical and pharmaceutical industries too. Foreign trade is counted on providing a correspondingly substantial boost to growth over both forecast years.

[1] The Federal Government's Expert Group publishes its forecasts for Switzerland's economic development four times a year. More detailed information can be found in the quarterly publication "Konjunkturtendenzen" ("Economic Trends"), which is available in German and in French online (www.seco.admin.ch/konjunkturtendenzen) and in printed form as a supplement to the political economics magazine "Die Volkswirtschaft" (www.dievolkswirtschaft.ch).

Domestic demand will also continue to support growth in the forecast period. In line with the international environment, investment in equipment should gain significant momentum in the coming quarters, with companies' order books looking well filled, capacity utilisation considerably higher and financing conditions favourable. Private consumption on the other hand is likely to see only moderate growth. While the labour market is continuing to recover and the population is expanding further, real wage growth will be rather muted over the course of the forecast period. Consolidation of investment in construction is due to continue at a high level. The Expert Group expects building activities to continue loosing pace in the second half of the forecast period.

As the economy continues to make a speedy recovery, things will continue to improve on the **labour market** over the next few quarters. A moderate rise in employment of 0.4% coupled with an unemployment rate of 3.2% is expected for full-year 2017. The recovery on the labour market should stabilise over the course of the forecast period. The Expert Group anticipates a 1.2% rise in employment in 2018 and a further 1.0% increase in 2019. In the meantime, the unemployment rate looks set to drop to 2.9% (2018) and finally 2.8% (2019).

Underpinned by oil prices, inflation in 2017 will return to normal, with an expected annual average of 0.5%. The recent drop in the reference interest rate is expected to result in a fall in rents in 2018, causing inflation to decrease to 0.3%. The Expert Group expects inflation of 0.7% in 2019.

Economic risks

In terms of the global economic outlook, short-term positive and negative risks are balanced. The global economic upturn may turn out to be even stronger and longer-lasting than the forecast suggests, which could be accompanied by a further depreciation in the Swiss franc. Both causes would give the Swiss economy a further boost.

By contrast, the political risks in the international context remain an issue (including the conflict over North Korea and Brexit negotiations). If these risks increase or materialise to some extent, this could once again create upward pressure on the Swiss franc, curbing Swiss exports in the process. There is also considerable uncertainty surrounding the US economic policy and the planned tax reform. Rising vacancy rates in Switzerland pose the risk of a sharper downturn in the building sector.

Other risks will also need to be borne in mind in the medium term. The high level of national and company debt places the financial system in a vulnerable position and very high equity prices at present also pose the risk of a sudden backlash with potentially serious consequences for the real economy. Implementation of the structural reforms designed to strengthen potential growth around the world is also proving sluggish.

Enquiries:

Eric Scheidegger, SECO, Head of the Economic Policy Directorate,
Tel.: +41 58 462 29 59

Ronald Indergand, SECO, Head of Short-Term Economic Analyses,
Economic Policy Directorate, Tel.: +41 58 460 55 58