

Press release

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Euro crisis weighing on Swiss growth

Despite various unfavourable indicators, Switzerland's economy held up well in 2012 and defied both the euro crisis and the strength of the Swiss franc. But unfortunately, this difficult environment is unlikely to improve in 2013. The umbrella organisation for the Swiss business sector – economiesuisse – has noted with some concern that the will on the part of many of Europe's heavily indebted states to implement reforms is already waning again. Under these circumstances, in real terms the growth of Switzerland's gross domestic product is unlikely to exceed 0.6 percent in 2013, though the unemployment rate is expected to remain low.

Switzerland's economic development in the course of 2012 was characterised by both positive and negative trends. The domestic market – in particular the construction industry, retail trade and some segments of the services sector (e.g. insurance) – proved to be robust, though certain other sectors (e.g. communication and telecommunications, advertising) did not fare so well. By contrast, practically all export-oriented sectors had to combat problems during the year. Here the main positive exceptions were the watchmaking, chemicals and pharmaceuticals industries. As before, economiesuisse anticipates GDP growth of 0.9 percent for 2012.

The Swiss National Bank's protection of the minimum exchange rate with the euro is an important support mechanism which in the current situation should under no circumstances be discontinued. At 1.20, the Swiss franc is still overvalued by around 10 percent measured in terms of purchasing power parity, but this stable lower limit nonetheless creates budget security for companies. If this specified low were to no longer apply and the exchange rate were to fall even lower, this would have severe consequences for the Swiss economy.

Europe still in crisis mode

The major interventions on the part of the European Central Bank (ECB) have significantly reduced the threat that the euro zone could collapse, but at the same time it has become apparent that the will on the part of various heavily indebted countries to implement reforms is already waning. The structural problems have not been rectified, and tax increases are severely hampering economic momentum. The monetary policy of the ECB cannot substitute the necessary reforms. "If the central banks make large amounts of money cheaply available, this results in moderate time gains and a certain amount of growth, but there is then a significant risk that addressing the underlying problems will be put off still further and the end of the tunnel will remain out of sight," economiesuisse CEO Pascal Gentinetta explained to media representatives today. In addition to becoming an obstacle to competitive capacity throughout the entire continent, the rapid pace of the centralisation process within the EU could also hamper the bilateral path.

In view of these unfavourable indicators, economiesuisse expects the debt crisis in Europe to persist for at least a further two to three years. The growth rate throughout the entire euro zone will remain negative in 2012 (minus 0.4 percent) as well as in 2013 (minus 0.5 percent).

Slowdown of economic growth in Switzerland in 2013

As before, the situation for the Swiss economy is not exactly rosy, but it is nonetheless considerably better than in most of the countries in the euro zone. In the view of Rudolf Minsch, chief economist at economiesuisse, the main trends can be expected to persist in the next few years: demand for Swiss products and services in Europe will fall further, the strong Swiss franc will remain an obstacle to exports and the ongoing shortage of specialised personnel will limit the growth of companies in Switzerland. "On balance, the Swiss economy is anticipating a relatively low growth rate of 0.6 percent for 2013," notes Rudolf Minsch.

The outlook for the individual sectors varies considerably. In the export sector, the watchmaking, pharmaceuticals and civil aviation industries will be among the winners in 2013, while the machinery, electrical, metals, textiles, plastics, paper and foodstuffs industries, as well as banking and tourism, will find the going somewhat tougher. On the domestic front, some sectors face a struggle, especially advertising, communication providers and automobile dealers, while others – including various service providers, the retail trade, the information and communication technology industry and, as before, the construction industry – can anticipate relatively strong growth.

Low unemployment rate, negligible inflation

As a result of the growth slowdown, demand for new employees will fall slightly, and this in turn will be reflected by a lower immigration rate. However, specialised personnel will continue to be sought after by companies in innovative and expanding sectors. For 2013, economiesuisse anticipates an average unemployment rate of 3.3 percent.

The inflation rate, too, can be expected to hold at a low level in the coming twelve months, but will remain in the plus zone. In view of the growing competition on the Swiss market, major price increases are not to be expected, other than in the real estate sector, where the threat of a bubble continues to exist due to the fact that pressure on the most desirable locations has barely eased.

Forecasts for the Swiss economy

Change versus previous year (in percent)

	2008	2009	2010	2011	2012 P	2013 P
Real GDP	2.1	-1.9	3.0	1.9	0.9	0.6
Private consumption	1.4	1.4	1.6	1.2	1.9	0.9
Public consumption	2.7	3.3	0.7	2.0	1.8	1.3
Building investment	0.0	3.0	3.5	2.4	0.7	1.5
Equipment investment	0.8	-10.8	5.8	5.2	2.5	-0.5
Exports (total)	3.1	-8.6	7.8	3.8	-0.7	-0.5
Imports (total)	0.3	-5.5	7.4	2.4	1.2	-0.2

Change versus previous year (in percent), annual average

Inflation rate	2.4	-0.5	0.7	0.2	-0.4	0.3
Unemployment rate	2.6	3.7	3.5	2.8	2.9	3.3

Exogenous assumptions*

	2012	2013
Swiss franc/euro exchange rate	1.21	1.21
Swiss franc/US dollar exchange rate	0.94	0.94
Oil price (US dollars)	110	110
USA growth rate	1.9	2.0
Euro zone growth rate	-0.4	-0.5
China growth rate	7.6	7.3
Short-term interest rates	0.1	0.1
Federal bond yield	0.8	1.1

** Input data for calculating economic forecasts*

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