

Swiss GDP moderately impacted by the pandemic

In Switzerland, GDP grew more than expected in 4Q 2020 (+0.3% quarter-on-quarter) despite the restrictions imposed. For 2020 as a whole, the fall in Swiss GDP is much smaller than that of its European neighbours. The outlook for 2021 is moderate in the very short term but more optimistic for the rest of the year



Source: Shutterstock

Better result than expected

Swiss GDP grew by 0.3% in the fourth quarter of 2020, following a 7.6% increase in the third quarter. This increase was better than expected, as the impact of the second wave of the coronavirus was much lower than the impact of the first wave. Household consumption fell sharply, by 1.5% over the quarter, due in particular to a drop in spending on catering and leisure activities as a result of the restrictions imposed to limit the spread of the disease. However, the other categories of expenditure performed well, with a rise in investment (+1.9% QoQ for capital goods, +0.1% QoQ for construction), an increase in public consumption (+1.3%) and a rise in

exports of goods (without valuables or transit trade, +3% QoQ).

Better than European neighbours

On average over the year 2020, Swiss GDP decreased by 2.9%. This is a major shock, greater than that of the 2009 financial crisis (-2.1%). However, the fall in Swiss GDP is small in comparison with that observed in 2020 in neighbouring European countries: -5.3% in Germany, -8.2% in France, -8.8% in Italy, -7.5% in Austria. This more favourable development than in neighbouring countries is due to the comparatively moderate restrictions in Switzerland, the probably more favourable sectoral composition of the Swiss economy and the rapid Asian recovery, which is very beneficial to Swiss export industries.

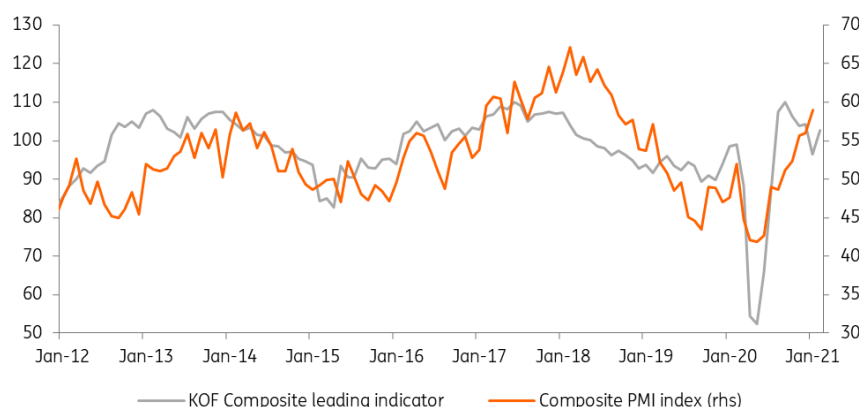
Moderate short-term prospects

The outlook for the first quarter of 2021 is not very bright. Indeed, since January, restrictions to curb the spread of the pandemic have intensified. In particular, a closure of shops, bars, restaurants, sports facilities and leisure places is in force, which will weigh on economic activity in January and February. The Federal Council announced this week that certain restrictions, including the closure of shops, will be lifted on 1 March, but other restrictions, including the closure of bars and restaurants, will remain in place until at least 22 March. This will probably allow economic activity to pick up a bit in March. Even though ski resorts are open in Switzerland, unlike in other European countries, many tourists are unable to visit the country. Tourism is therefore expected to decline in 1Q compared to other years.

At the same time, confidence indicators are doing rather well. The KOF leading indicator exceeded its long-term average in February, reaching 103 against 96 in January. The PMI indices are also at very high levels, boosted by the very good health of the manufacturing sector.

Given the severe restrictions in force, we expect GDP to decline in 1Q 2021, mainly due to a sharp fall in consumption and tourism. Nevertheless, the decrease in GDP should be much smaller than those recorded during the first wave of the coronavirus in 1Q and 2Q 2020 (-1.9% and -7.2% QoQ), mainly due to the manufacturing sector and to the adaptability to health regulations shown by companies that are not obliged to close down.

Confidence indicators are moving in the right direction



Source: Refinitiv Datastream, ING Economic Research

Planned recovery from 2Q

From the second quarter onwards, thanks to the progress of the vaccination campaign and the gradual lifting of restrictions, GDP growth should resume. We expect growth of around 3% for the whole of 2020, which implies a return to the level of activity that prevailed before the crisis at the end of 2021. This is again much better than most European countries, which would only reach their pre-crisis levels by the end of 2022 or even 2023.

Author

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.