

## Swiss economy: Turning the page after weak 2017

The Swiss economy grew by 1.1% in 2017, its weakest pace since 2012. But figures published today showed that the second half of the year was stronger than expected, giving GDP a strong base for 2018. We expect 2% growth this year



Source: iStock

### Low 2017 growth despite a buoyant second half

Private consumption grew at a weak pace of just 1.2% in 2017 compared to 2016 (+1.5%) and 2015 (+1.8%). Economic uncertainties were still weighing on companies' hiring intentions and the unemployment rate remained above 3% all year. This led to a further decline in retail sales which are back at their 2007 level. Consumer confidence has been very low in 2017, at its 2009/2011 average (1.3), which explains the limited private consumption growth (0.2% QoQ on average). With increased consumer confidence during the first quarter of 2018 and a brightening economic outlook, we expect private consumption growth to rebound from 1.2% in 2017 to 1.5% in 2018.

Industrial production was growing by 9% YoY in 4Q17. The recovery in industrial activity, mainly led by external demand, has brought capacity utilisation back to its 2012 level. With industry running at more than 84% of capacity, stronger business investment should be seen in

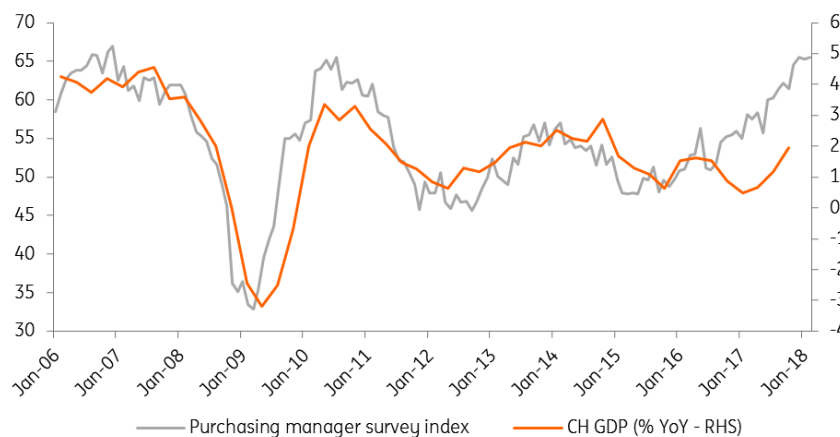
coming quarters. After the strong investment rebound in the third quarter, business investment declined by 1.3% in 4Q17. This was partially compensated by household investment, leaving the investment growth at 0.4% QoQ in 4Q17. All in all, domestic demand was strongly supported by investment while private consumption was still lagging behind at the end of the year.

**1.1%** Swiss GDP growth in 2017, the weakest since 2012

### The Swiss economy should rebound in 2018

Swiss exports fell by 0.7% in 2017, but the strong decline in imports due to weak private consumption and a depreciating Swiss franc allowed a positive contribution of 1pp in 2017. With the trend expected to continue for the EUR/CHF, this contribution should be higher in 2018. Today's PMI data points to a further acceleration in growth in the first half of 2018. The Swiss economy is therefore starting 2018 on a strong footing.

### PMI Manufacturing remains growth supportive in February



Source: Thomson Reuters