

Swiss GDP growth not as good as it seems

Swiss GDP increased by 0.4% quarter-on-quarter in 3Q19, compared to 0.3% in 2Q19. But the good figure masks less favourable details

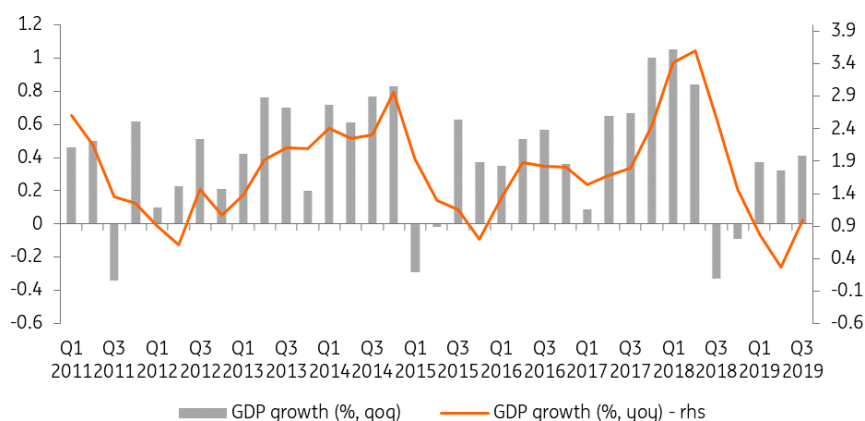


Source: Pexels

Strong growth figures but less favourable details

Switzerland's GDP grew by 0.4% in the third quarter of 2019, compared to 0.3% in the previous quarter. This growth was supported primarily by the export of chemicals and pharmaceuticals as well as energy. According to SECO (State secretariat for economic affairs), without the boost from these two sectors, GDP growth would have been close to zero. Overall, the cyclical slowdown was confirmed. Private consumption growth slowed to 0.2%, from 0.3% in the previous quarter. Investments in capital goods and construction recovered slightly, but not enough to be a real boost to economic growth, as they only offset the sharp decline observed in 2Q.

GDD growth



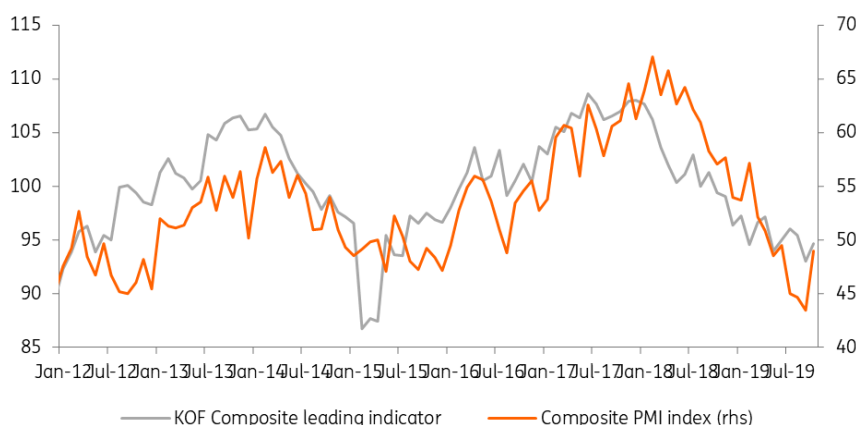
Source: Thomsons Reuters, ING Economic Research

Signs of stabilisation?

For the future, the Swiss economy is still facing some headwinds, although some signs of stabilisation are beginning to emerge. Leading indicators are still shaky, but stopped falling in October. Thus, the composite PMI indicator stood at 49 in October, up sharply from 43.4 in September. The KOF leading indicator also rose slightly to 94.6 in October from 93.1 in September, although it remains well below its long-term average. The question now is whether the rise in these indicators is temporary or whether it heralds an acceleration of the Swiss economy. We tend to believe the second option could prevail, if there is no shock. As a result, GDP growth is expected to reach 0.9% in 2019, much lower than the growth observed in 2018 (2.8%), which was boosted superficially by major sporting events (television broadcasting rights being collected by companies based in Switzerland). For 2020, we expect GDP growth of 1.2%.

Economic risks are on the downside. An intensification of trade tensions between the US and China, or a trade battle between the EU and the US, could have a significant impact on the Swiss economy. The same applies to Brexit without an agreement, or a very sharp deterioration in relations between the EU and Switzerland. Turbulence on the financial markets could also push the Swiss franc to appreciate and lead to a decline in Swiss exports.

Leading indicators stopped falling



Source: Thomsons Reuters, ING Economic Research

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 <http://www.ing.com>.