Snap | 28 May 2019 Switzerland

Switzerland: Growth surprises on the upside

Swiss GDP growth surprised on the upside in 1Q, at 0.6% quarter-on-quarter. This doesn't change the forecasts for Switzerland, which remain tinged with uncertainty



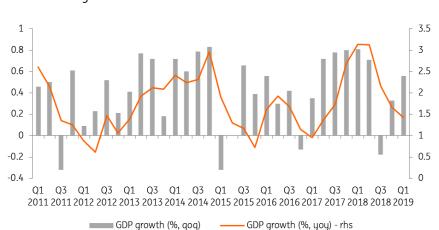
Source: Shutterstock

Positive surprise

Swiss GDP growth continues to surprise quarter after quarter. This time, the surprise is positive: GDP rose by 0.6% QoQ in 1Q19, above the consensus expectation of 0.4%. This is stronger than the growth seen in 4Q18 (0.3%) and in 3Q18 (-0.2% QoQ), which have both been revised upward.

- Contrary to what's usually been the case, strong growth in 1Q was mainly due to domestic demand, particularly to consumption, which increased by 0.45% QoQ- higher than the long-term average.
- In addition, investments also increased. This was due to investment in construction (+0.5% QoQ), which went up again after declining for two quarters, as well as investment in capital goods, which regained strength (+ 1.47% QoQ).
- Buoyed by stronger than expected growth in its trading partners, particularly in Germany, foreign trade showed a favourable trend in 1Q. As a result, exports of goods (without gold

Snap | 28 May 2019 1



and valuables) increased by 2.2% QoQ, driven by a still very dynamic manufacturing industry.

Source: Thomson Reuters Datastream, ING Economic Research

Outlook remains cloudy

Like its neighbours in the eurozone and Germany, 1Q growth in Switzerland was more dynamic than expected. Thanks to a positive base effect, this should enable 2019 growth to perform well, staying above 1% for the whole year. Nevertheless, this good first quarter result doesn't change the fact that difficulties are likely to increase as the year progresses. Indeed, leading indicators for 2Q19 are not showing particular signs of dynamism:

- The manufacturing PMI stood at 48.5 in April, falling below the key 50 mark for the first time since December 2015.
- The global economic slowdown, trade tensions and uncertainties are likely to weigh on the Swiss industrial sector in the coming quarters.
- Consumer confidence is also declining, which could limit the positive momentum of consumption in the coming months, especially if real wages continue to show a flattening trend.

Nothing changes for the SNB

The better-than-expected Swiss GDP growth in 1Q should not change the Swiss National Bank's monetary policy in coming months. Inflation is still low and the SNB still considers the Swiss franc to be "highly valued". We think the main SNB rate will remain at its current level until the next business cycle, and we don't see any rate hike over the forecast horizon.

Author

Charlotte de Montpellier

Senior Economist, France and Switzerland charlotte.de.montpellier@ing.com

Snap | 28 May 2019 2

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.

Snap | 28 May 2019 3