



Sharp rebound in Swiss GDP already anticipated by equity markets

The economic recovery is underway. SNB staying on course. Swiss franc likely to weaken against the euro. New paradigm for interest rates. Risks return to equity markets.

Key points

- Swiss GDP falls by -8.2% in Q2, by -10.5% in H1
- Switzerland withstands the shock of Covid-19 better than its neighbours
- Solid growth prospects in H2 for Swiss GDP, expected to rise by 5.5%
- SNB maintains a policy distinct from that of the major central banks
- Swiss franc likely to weaken
- Temporary new paradigm in fixed income markets
- Risk-reward ratio again unfavourable to Swiss equities

Swiss GDP falls by -8.2% in Q2

The State Secretariat for Economic Affairs (SECO) has published the Q2 2020 growth figures for our country, which show that seasonally adjusted real GDP contracted by -8.2% after a -2.5% decline in the previous quarter.

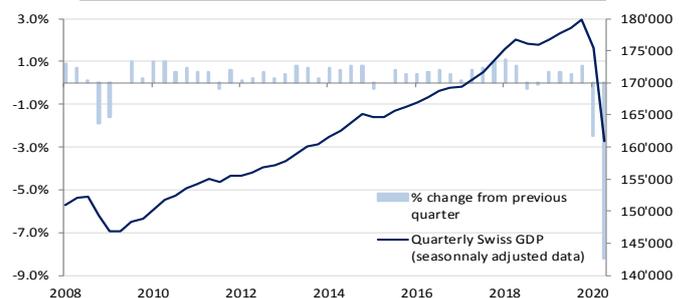
Unsurprisingly, Switzerland's economy is clearly feeling the effects of the global health crisis and the partial lockdown implemented during this period, with the largest quarterly decline since these statistics were first published in 1980.

However, the economic downturn is somewhat less severe than expected, with Switzerland performing better than most industrialised countries.

By international comparison, Switzerland appears to have been somewhat more resilient in the face of the crisis and the general recession caused by the protective measures taken by governments and health authorities. The cumulative fall in GDP of -10.5% over just two quarters in 2020 is therefore logically much more severe than that recorded during the last contraction observed (-3.5%) between Q4 2008 and Q1 2009.

The SECO logically notes that the coronavirus pandemic and the measures taken by our government to contain it severely limited domestic economic activity from March to June. Moreover, the international economy's plunge also contributed to the decline in GDP by penalising our export industries, with the exception of the understandably strong performance of the pharmaceutical sector.

Swiss economic performance (GDP in M CHF)



Sources: SECO, BBGI Group SA

The sectoral composition of the Swiss economy has made it possible for the overall economy to fare better in Switzerland, thanks in particular to the greater weight of the healthcare/pharmaceuticals segment.

The pharmaceutical sector, which managed to increase its sales given the health context, thus partially offset the shock suffered by the other manufacturing sectors, which declined by -9% overall.