

WEEKLY ANALYSIS

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FAVOURABLE OUTLOOK FOR SWISS FINANCIAL ASSETS

The Swiss economy is slowing down. Risk of recession. Signs of stabilisation of inflation. Monetary policy to be tightened soon. Yield spreads favourable to the Euro. Yields stabilising. Still positive outlook for equities.

Key points



- Swiss economy slows down in Q3
- Domestic demand provides greater support to GDP
- Leading indicators still falling
- Inflation stabilisation becomes a reality
- The SNB should gradually adjust its policy
- Spreads increasingly unfavourable to the Swiss franc
- Bond yields remain relatively attractive
- Swiss equities likely to lose momentum

Swiss economy slows down in Q3

Swiss gross domestic product grew by +0.2% in the third quarter, a very slight increase compared to the previous quarter, which was revised from +0.3% to only +0.1%. The Swiss economy has thus recorded four consecutive quarters of very weak growth between +0.1% and +0.3%. The economic situation in Switzerland thus appears to be more stable than that observed in most other regions and countries that have entered into recessions. In the particularly difficult context marked in Switzerland by the negative impact of the war in Ukraine, inflation, the rise in the Swiss franc and the strong increase in economic and political uncertainties, the Swiss economy may surprise by its stability. In our country, the economy thus seems to be much more resistant to the turbulence of all kinds that is appearing and threatening global growth.

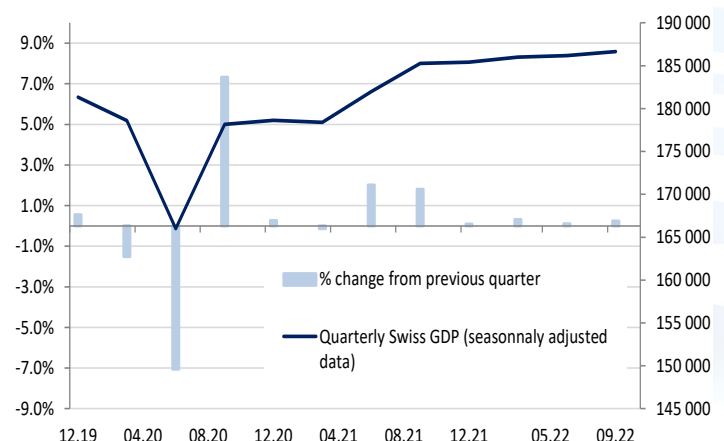
Since September 2020, Swiss GDP has only experienced a negative quarterly period of barely -0.1% in March 2021. The strength of the franc against the European currency in particular is a significant brake on the development of Swiss exports to the euro zone, but this is offset by the weakening of the franc against the dollar in 2022.

Switzerland is resisting the difficult international economic situation, but is unable to escape the effects of declining external demand. This very slightly positive development of the quarterly growth sequences is thus logically insufficient to maintain a solid annual growth. The latter is in fact decreasing steadily to the point of falling to only +0.5% over one year at the end of September 2022. It should be remembered that real annual growth was still +2.8% in June and +4.4% in March.

This performance fell short of economists' expectations for a slightly more dynamic behaviour of the economy in the third quarter (+1%).

As far as we are concerned, the economic slowdown announced for several quarters has therefore quite clearly materialised in our country. The domestic components have nevertheless remained relatively solid and have been little affected by the rise in inflation. We shall see below what the main components that have influenced the evolution of GDP in recent months have been and what the detailed outlook is for the coming quarters. The last quarter could still be particularly weak if the European and US economies together enter a phase of increasingly marked slowdown and, as expected, record significantly lower growth. The Swiss economy would then suffer from even weaker dynamics supported by domestic consumption. GDP growth could still be close to 0% and significantly reduce the outlook for the full year.

Performance of the Swiss economy (GDP) in million (CHF)



Sources: Bloomberg, BBGI Group SA