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WEEKLY ANALYSIS

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SWISS GDP GROWTH COULD REACH +3.2% IN 2021

Switzerland is emerging from the crisis in a position of strength. GDP is already benefiting from Asia's recovery. Swiss franc depreciation is gaining momentum. SNB to post extraordinary profits in 2021. The bond market is gone. Caution on equities.

Key points

- Swiss GDP growth of +0.3% in Q4 2020 is higher than expected
- Domestic demand logically collapsed with the return of health restrictions
- Switzerland went through the Covid-19 crisis without any major impact on its GDP in 2020
- Hesitant start to the year but still very favourable outlook for the whole of 2021
- SNB earned 23 billion in 2020, stays the course
- Swiss franc weakens as global economy recovers
- The horizon is getting a little darker for Swiss franc bond markets
- Swiss equities still waffling

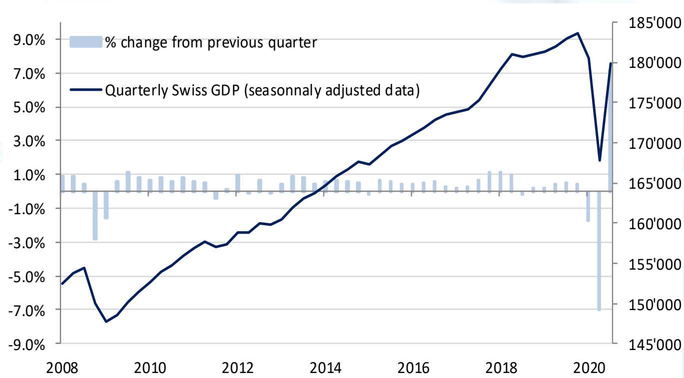
Swiss GDP growth of +0.3% in Q4 2020 is higher than expected

The State Secretariat for Economic Affairs (SECO) has published the Q4 2020 growth figures for our country, which show that the economy continued to recover through the end of the year. Although the Q4 growth rate (+0.3%) was much lower than that of the previous quarter (+7.2%), which fully benefited from the end of the health measures, it still proved higher than forecasters' expectations. The latter were in fact expecting GDP to stagnate at the end of the year due to the reinstatement of health restrictions during the quarter.

Swiss GDP thus ultimately contracted by -1.6% over the whole of 2020, a satisfactory result overall given the particularly difficult context of the global pandemic during this period. Adjusted for inflation, however, the trend in GDP growth was more negative, declining by -2.9% over the year as a whole.

At the end of the year, the Swiss economy surprised most forecasters with its unexpected strength even as the reintroduction of health restrictions was expected to weigh on economic momentum. The negative effects of the slowdown in consumption caused by the pandemic control measures were essentially offset by stronger external demand and higher public spending. The second wave of Covid-19 was thus clearly less damaging to the economy than the first in the spring.

Performance of the Swiss economy (GDP) in mil. (CH)



Sources: SECO, BBGI Group SA

Domestic demand logically collapsed with the return of health restrictions

The new government measures taken to combat the second wave of Covid-19 clearly caused a shock in Q4. The sectors already heavily impacted by the first wave in the spring were again affected and logically saw their sales figures contract significantly.