



Press release

French-speaking Switzerland reaps benefits of its outward-looking economy

The outward-looking, internationally connected nature of French-speaking Switzerland's economy has driven robust growth over the last two decades, as sectors geared toward export markets or sensitive to global economic trends grew more quickly in Western Switzerland than in other industrialized regions and made a greater contribution to GDP. The region's GDP has risen almost 50% since the beginning of the century (up 47.6% between 2001 and 2021), outpacing the United States (up 46.6%), Switzerland as a whole (up 40.7%), advanced economies (up 38.8%), and the eurozone (up 22.1%).

10 October 2022 – Internationally connected sectors of the economy accounted for nearly 60% of GDP growth in French-speaking Switzerland between 2001 and 2021. In other words, almost two-thirds of the region's growth during the period can be traced to the outward-looking nature of its economy, according to the 15th edition of the study on Western Switzerland's GDP, published by the region's six cantonal banks, in collaboration with the CREA Institute and Forum des 100 (an annual conference held by Swiss newspaper *Le Temps*).

The economy can be divided into three categories: first, industries that target foreign customers, are sensitive to global economic trends, or relate to financial markets; second, those that are affected mainly by the Swiss business cycle; and third, those that are largely unaffected by the business cycle.

Sectors connected to the international economy account for just over half of French-speaking Switzerland's GDP (53.7% in 2021). That is slightly lower than the Swiss average (56.9%), which is driven up by Basel-based pharma, but higher than the eurozone average of 48.8%. Outward-focused sectors grew by 56.4% between 2001 and 2021 in Western Switzerland, compared with 51.0% in Switzerland as a whole and 28.2% in the eurozone.

However, French-speaking Switzerland is not the only front-runner. Countries in the

Slowing growth

Following the Covid-19 pandemic and a strong recovery in 2021 (up 4.8%), economic growth in French-speaking Switzerland is expected to slow significantly. CREA Institute's latest growth estimates are for 2.5% in 2022 and 1.1% in 2023. That remains higher than forecasts for Switzerland as a whole, where GDP is expected to rise by 2.0% in 2022 and 1.1% in 2023.

The macro outlook has deteriorated significantly this year given the war in Ukraine, sanctions against Russia, the return of inflation and the amplitude of some price rises, risks of major supply shortages (especially in energy), and central banks' rapid monetary tightening. Many countries might experience a recession, and visibility is low.

While nearly all sectors were lifted by the economic recovery in 2021, the outlook for 2022 is less upbeat. The downturn in the global economy will weigh on industries with greater exposure to countries outside Switzerland. While the domestic market should be less affected, it will nevertheless feel the effects of supply chain problems and the rise in inflation and interest rates. The consequences of the economic downturn should become clearer in 2023.



east and north of the European Union have also experienced robust growth: GDP rose 88.1% in the east and 60.2% in the north over the same period, primarily on the strength of sectors oriented toward international markets.

Western and Southern Europe lagged, with Western Europe up 25.4% between 2001 and 2021 and Southern Europe up 9.2%. Although some countries with outward-focused economies such as Ireland and Luxembourg have posted high growth figures, others – including larger countries like Spain, France, Italy, and to a lesser extent Germany – have seen below-average growth compared with Europe as a whole.

Domestic market creates more jobs

While outward-focused sectors drove nearly 60% of French-speaking Switzerland’s expansion between 2001 and 2021, those sensitive to trends in the domestic economy or largely unaffected by the business cycle nonetheless accounted for the other 40%. These sectors are also less volatile and therefore a valuable source of stability for the local economy.

Sectors firmly anchored in the domestic economy also create more jobs. They currently account for 60% of jobs in the region, and were responsible for 85% of jobs created during the 2001–2021 period, particularly in construction, business services, and real estate, but also in healthcare, social work, teaching, and public administration.

Clouds on the horizon

However, both French-speaking Switzerland and Switzerland as a whole might find it difficult to maintain their outward focus. Rising protectionist and geopolitical tensions over the past decade, coupled with supply chain disruptions, may signal realignments in the global economy going forward. More importantly, Swiss relations with the European Union have been strained, and got worse recently when Switzerland walked away from framework agreement negotiations. For instance, the situation has been problematic for research and teaching.

A key economic indicator

GDP is the most widely used measure of a country or region’s economy. It shows how an economy expands or contracts over time and makes it easier to compare different regions. Policymakers and business leaders also draw on GDP forecasts to better guide their economic policy decisions and implement plans.

The cantonal banks of French-speaking Switzerland, in collaboration with the Forum des 100, have been publishing GDP figures for the region since 2008, as well as historical data and forecasts for the year in progress and the following year. These figures are calculated by the CREA Institute of Applied Economics, within the University of Lausanne’s Business and Economics Faculty, using a clearly explained methodology. The 2021 figures will be presented at the 18th annual Forum des 100 on 11 October 2022.

For more detailed information, visit www.bcf.ch, www.bcge.ch, www.bcj.ch, www.bcn.ch, www.bcvs.ch, www.bcv.ch, www.hec.unil.ch/crea, or www.forumdes100.ch.



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