



Press release

GDP growth forecast for French-speaking Switzerland points to acceleration

The economy of French-speaking Switzerland appears to be bouncing back from the Swiss National Bank's (SNB) decision in January 2015 to drop the EUR/CHF currency floor. After coming in at 0.9% last year, the region's growth is expected to accelerate to 2.3% in 2018. In 2019, the economy should continue to expand at a relatively brisk clip of 1.9%. Those forecasts were released today by the region's six cantonal banks, in collaboration with the CREA Institute and the *Forum des 100*, an annual conference held by Swiss newspaper *Le Temps*.

23 May 2018 – The economy of French-speaking Switzerland, like the Swiss economy as a whole, is getting a boost from the synchronized global economic recovery, and the euro's appreciation against the Swiss franc. 2017 marked a turning point with regard to the EUR/CHF rate. While the Swiss franc had weakened slightly since January 2015, that depreciation gained pace as of mid-2017. Overall, the franc has lost 10% against the euro since the beginning of 2017. Global growth has also gained momentum. In 2017, it reached almost 4% for the first time since the sharp rebound following the 2009 recession. Global growth is synchronized across both emerging markets and industrialized nations alike. Moreover, this positive trend should continue through next year.

In the 11th study on French-speaking Switzerland's GDP, forecasts by the CREA Institute take account of this favorable macro environment and point to regional growth for 2018 and 2019 well above 1% – the level it had been hovering around from 2015 to 2017.

The region experienced somewhat lackluster growth of 0.9% in 2017 due primarily to a weak services sector in the first half of the year, which a rebound in financial services and the hospitality industry could not fully make up for. However, growth was

French-speaking Switzerland's energy transition

French-speaking Switzerland is in a good position for the country's Energy Strategy 2050. The region faces the same challenges as the rest of the country: transitioning away from nuclear power, reducing its dependence on fossil fuels, and being more energy-efficient by reducing waste. However, the region's milder climate and less energy-intensive manufacturing industry, as well as an accelerating trend towards renovating older buildings and a higher proportion of new builds, should make it easier to accomplish the strategy's goals.

A chapter of the study on French-speaking Switzerland's GDP looks at how the energy transition will affect the region. According to calculations by the Energy Center at the Swiss Federal Institute of Technology in Lausanne (EPFL), residents need to reduce energy consumption by 53% and CO₂ emissions by 72%.

Hitting those numbers would entail cutting fossil fuel use by 72% and increasing renewable energy use by 114%. Were that to occur, annual spending on energy would likely decrease by 4%, since the extra investment in energy efficiency would be offset by a decrease in fossil fuel spending. The energy transition should also have a net positive effect on employment (+53%) in the energy industry and businesses directly linked to it, such as transportation and building renovations.



supported by the machinery, watch-making, chemicals, and pharmaceuticals industries. Those industries benefitted from the improved global outlook and stronger euro.

Economic tailwinds from a variety of industries – across both the secondary and tertiary sectors – should drive the recovery in French-speaking Switzerland in 2018 and 2019. Manufacturing should remain solid given the favorable macro environment. The trend in construction activity, however, is more muted compared with previous years. In the services sector, retailers and wholesalers, business services and real estate, public and semi-public services, financial services, transport and communications, and hospitality should all spur growth.

However, several downside risk factors for growth remain. They include uncertainty surrounding Brexit, geopolitical tensions, the normalization of monetary policy in the US and eventually in the eurozone, and the threat of a trade war. Should such uncertainties become more prevalent, that could weigh on global growth or push up the Swiss franc.

A key economic indicator

GDP is the most used metric for the economic performance of a country or region. It shows how an economy changes over time and makes it easier to compare different regions. Policymakers and business leaders also draw on GDP forecasts as decision-making and project-planning tools.

The Swiss federal government publishes data on the country's GDP and has published GDP estimates for individual cantons for 2008–2015. On top of this, the cantonal banks in French-speaking Switzerland, in collaboration with the *Forum des 100*, have been publishing GDP figures for their region since 2008, including historical data and forecasts for the year in progress as well as the following year. The CREA Institute of Applied Economics in the Business and Economics Faculty of the University of Lausanne calculates the figures using a transparent methodology. The results will be presented at the 14th annual *Forum des 100*, to be held in Lausanne on 24 May 2018.

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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