

Economic trends

Worksheet

Summer 2020

Background

Every quarter the Federal Government's Expert Group publishes a forecast of economic developments in Switzerland based on assumptions about the international economy and monetary developments.¹

The summer forecast was presented on 16 June 2020 with a SECO press release and documented in a comprehensive SECO publication entitled 'Konjunkturtendenzen'/'Tendances conjoncturelles'.

This publication is freely accessible online at www.seco.admin.ch/Konjunkturtendenzen.

In this **task**, iconomix presents a concise summary on the basis of excerpts from the 35-page SECO publication. It then sets a number of questions, for which it provides sample answers.²

Questions marked with the icon are advanced questions that go beyond the excerpts from the SECO text and encourage further thought.



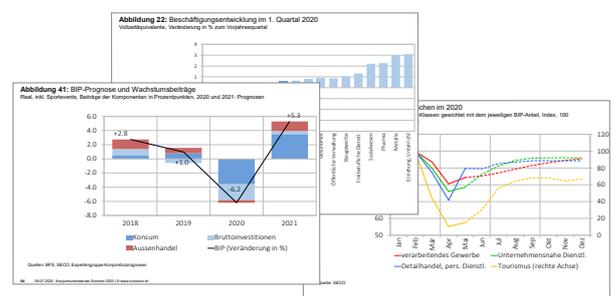
The task is structured as follows: As a small economy geared to the global markets, Switzerland is heavily influenced by international economic developments.

For this reason, the summary starts with an outline of the **global economic situation** and the monetary environment.

The second section looks into the **economic situation in Switzerland**, while the third presents the latest **economic forecast**. The fourth part of the summary explains the **risks** to economic development and the forecast.

Slide set with charts and tables

The iconomix 'Economic trends' unit also includes a PDF slide set containing all the charts and tables from the corresponding SECO publication, covering areas such as contributions made by the various economic sectors to GDP growth, global trade and inflation trends.



¹ In addition to the Federal Government's Expert Group, a range of other institutions and companies also publish economic forecasts for Switzerland. They include BAK Economics, Institut CREA de macroéconomie appliquée, Credit Suisse (CS), the International Monetary Fund (IMF), KOF Swiss Economic Institute at the ETH, the Organisation for Economic Co-operation and Development (OECD), the Swiss National Bank, Swiss Life, UBS and Zürcher Kantonalbank (ZKB).

² The sample answers are reserved for teachers and can only be seen by users who are logged in.

Economic situation in Switzerland

Overview

The coronavirus pandemic and the accompanying public health measures have hit the Swiss economy hard.

Gross domestic product

Switzerland's GDP shrank by 2.6% in the first quarter of 2020 following an increase of 0.3% in Q4 2019. The strongest declines were recorded in the services sector.

Labour market

In the first quarter of 2020, employment declined (-0.2%) and there was a significant increase in unemployment. At the end of April, the seasonally adjusted unemployment rate was 3.4% (in December 2019 it was still 2.3%). An even stronger rise was prevented by the massive uptake of short-time working.

Prices

Consumer prices have been in broad decline since the beginning of the year. Inflation has been negative since February.

Questions on the economic situation in Switzerland

a. What is the economic situation in Switzerland in mid-2020?

b. What is the situation on the labour market?

c. How did inflation develop at the beginning of 2020?



d. In the first quarter of 2020, private consumption recorded its strongest decline in 40 years. The development of this component of demand is usually very stable. Why is private consumption normally very stable, and why was this not the case on this occasion? Give reasons.

