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Tel. +41-44-234 85 00

08 November 2018

News Release

UBS Outlook Switzerland: Companies plan to invest more and create jobs

According to a recent UBS survey, Swiss companies are optimistic about their business in the coming year. They plan to step up investments and expand their workforce. Very few expect specific risks to materialize. They see the biggest danger in a general economic slowdown.

Zurich, 08 November 2018 – UBS interviewed Swiss companies about their expectations for the year ahead, possible risks to their companies and what they have done to hedge against them.
As they look ahead to the new year, Swiss companies are brimming with self-confidence and optimism. Most of the approximately 2,500 Swiss firms interviewed by UBS expect business to pick up in 2019 compared with the current, already very solid year.

Companies enter the new year with confidence

"Following a rough phase of adjustment to an environment marked by a strong Swiss franc and uncertainties, many Swiss companies appear to be emerging from the crisis with renewed strength," says Axel P. Lehmann, President UBS Switzerland. "Most companies expect the economy next year to perform at least on a par with this year, if not better. They plan to invest more and create jobs."

Despite the widespread optimism about the new year, the companies UBS interviewed clearly see some risk on the horizon. For around two-thirds of them, the biggest worry is a significant slowdown of the domestic economy. Other domestic developments, such as a rejection of the tax proposal or a real estate crisis, however, are not seen as a danger by the majority of firms. The vast majority of small firms and nearly half the big companies are not concerned about a failure of the framework agreement between Switzerland and the EU.

Every second survey respondent is worried about a global economic slowdown. Moreover, in the view of many companies, one of the biggest risks that has emerged is another rapid strengthening of the Swiss franc. Roughly 40 percent of the companies consider this risk to be medium-high or high.

High economic growth expected

UBS economists expect the Swiss economy to grow by about 1.6 percent in the coming year. This is in line with the long-term trend growth, but is markedly lower than the 2.9 percent growth UBS had forecast for this year. The Swiss franc, which is stronger than in the first half of the year, and the weakening global economy are likely to put a damper on Swiss exports and investments.

The outlook for the year ahead is dampened by a host of economic and geopolitical uncertainties. The biggest threats to Switzerland would be an escalation in the battle between Rome and Brussels over Italy's fiscal policy, a major slowdown of the European economy or a global trade war.

In an environment marked by risks, the Swiss National Bank (SNB) will continue its cautious monetary policy. UBS does not expect the SNB to make its first interest rate move before the end of 2019, when the European Central Bank for its part will have raised interest rates for the first time. The prospect of a less expansive

monetary policy is likely to weaken the Swiss franc against the euro in the upcoming year. However, given the considerable uncertainties, UBS does not expect the Swiss franc to weaken in the short term.

UBS Swiss economic forecasts

% change yoy in real terms, adjusted for seasonal and calendar effects					Forecasts UBS	
	Level*	**2015**	**2016**	**2017**	**2018F**	**2019F**
Gross domestic product	668.6	1.3	1.6	1.7	2.9	1.6
Private consumption	359.6	1.7	1.5	1.2	1.3	1.6
Government spending	80.1	1.1	1.2	0.9	1.0	0.6
Capital spending	164.4	2.3	3.5	3.4	3.0	1.8
Construction	61.4	1.5	0.4	1.3	1.8	1.0
Equipment	103.0	2.8	5.3	4.6	3.7	2.2
Exports**	362.0	2.4	7.0	3.8	3.0	3.1
Imports**	287.5	2.8	4.7	4.2	3.4	2.6
Inflation		-1.1	-0.4	0.5	1.0	1.0
Unemployment rate***		3.2	3.3	3.2	2.6	2.5

*Year 2017 (in CHF bn at current prices) ** excluding non-monetary gold and valuables ***annual average
F: Forecasts UBS

Source: SECO, UBS

In developing the UBS CIO WM economic forecasts, UBS CIO WM economists worked in collaboration with economists employed by UBS Investment Research. Forecasts and estimates are current only as of the date of this publication and may change without notice.

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UBS Switzerland AG

Media contact

Daniel Kalt, Regional CIO Switzerland
Phone +41-44-234 25 60, daniel.kalt@ubs.com

Sibille Duss, UBS Chief Investment Office WM
Phone +41-44-235 69 54, sibille.duss@ubs.com

Alessandro Bee, UBS Chief Investment Office WM
Phone +41-44-234 88 71, alessandro.bee@ubs.com

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