

Economic outlook

BCGE – The economic recovery is as multi-faceted as the crisis

Geneva, 23 June 2021 – After the rebound that followed the crisis, the Swiss economy is now back on track. However, the recovery is proceeding differently depending on the sector, region and size of the company. The manufacturing sector is doing well and will generate growth of 2.7% for Geneva and 2.5% for Switzerland in 2022. The unemployment rate in Geneva is not expected to exceed 5.2% (with an average in Switzerland of 2.6%). The rise in inflation is under control and should not lead to a tightening of interest rates in Switzerland until 2023. This favourable interest rate environment, together with the evolution of demand following the pandemic crisis, offers good prospects for Geneva's residential real estate market.

Marco scenario	GDP		Inflation		Unemployment rate	
	2021	2022	2021	2022	2021	2022
Switzerland	3.2	2.5	0.6	0.5	3.0	2.6
Geneva	4.0	2.7	0.6	0.5	5.2	5.2
Eurozone	3.9	2.5	1.5	1.4	8.4	7.9
United States	5.1	3.1	3.1	2.1	5.5	5.0

Key Interest Rates	16.06.21	3M	12M	18M
Switzerland	-0.71	-0.75	-0.75	-0.75
Eurozone	0.00	0.00	0.00	0.00
United States	0.25	0.25	0.25	0.75

10Y Interest Rates	16.06.21	3M	12M	18M
Switzerland	-0.1	-0.2	-0.1	0.0
Eurozone	-0.3	-0.2	0.0	0.1
United States	1.5	1.6	1.9	2.1

Currencies & Crude oil	16.06.21	3M	12M	18M
EUR/CHF	1.09	1.08	1.05	1.04
USD/CHF	0.89	0.89	0.84	0.83
EUR/USD	1.21	1.22	1.25	1.25
Brent crude oil USD/barrel	72	70	65	65

Source : Thomson Reuters & BCGE

Solid growth after the rebound

The recovery in world trade, driven by China, is making up for the economic impact of the pandemic. This is mainly due to commodities, semiconductors and the automotive industry, which account for almost a third of world trade. Geneva, whose economy is more oriented towards the dollar zone than the euro zone, is benefiting fully from this trend. Chemicals and pharmaceuticals, as well as watchmaking, are showing a strong recovery. Commodity trading is also an important source of income, along with private and commercial banks, and provides substantial support to the overall economy.

Unemployment and inflation are under control

The stimulus programmes implemented by the various public authorities have made it possible to absorb the impact of the crisis. However, the situation varies from one sector to another, and the hotel and restaurant sector has been hardest hit. Controlled unemployment has allowed the savings capacity of households to increase. These savings have been mainly invested rather than consumed, without any significant impact on the general price level. Inflation remains under control for the time being. A tightening of interest rates is probably not on the cards (in 2022) but could occur in 2023, first in the United States, then in Europe and lastly in Switzerland.

Real estate is growing in Geneva

Although the pandemic crisis has not had a direct influence on real estate, particularly in Geneva, it has, on the other hand, changed demand and the type of real estate sought. The desire for more space and improved housing has fuelled demand for detached villas and large co-ownership associations (PPE) (more than 4 rooms), the prices of which have risen sharply. On the other hand, despite the ongoing transitions in commercial real estate, prices have shown little response to the uncertain economic environment; arcades and hotels may be more permanently affected. Financing conditions, and in particular low interest rates, will continue to offer attractive investment conditions.

For further information, please contact:

Christophe Weber, Head of Corporate affairs & Communication: +41 (0)22 809 20 02 – christophe.weber@bcge.ch
Grégory Jaquet, Deputy BCGE Spokesperson: +41 (0)22 809 32 39 – gregory.jaquet@bcge.ch

Banque Cantonale de Genève www.bcge.ch
P.O. Box 2251 Tel. +41 (0) 58 211 21 00
1211 Geneva 2 Fax +41 (0) 58 211 21 99

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