

Swiss Economics

Delta variant clouding analyst sentiment slightly

Financial Market Survey Switzerland | 28/07/2021, 07:57, UTC

The barometer of sentiment among Swiss financial analysts has shed points again. However, despite renewed Covid-induced fears it remains in optimistic territory.

The analysts expect Switzerland to post average growth of 2.9% in 2021, while their inflation expectations are largely anchored within the Swiss National Bank's target range.

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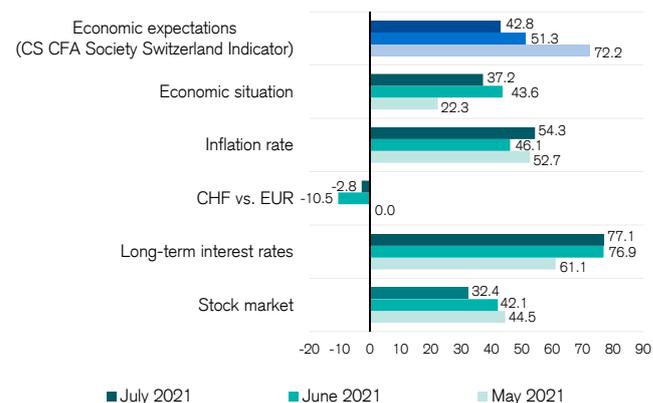
Economic expectations continue to fall

The CS CFA Society Switzerland indicator dropped by another 8.5 to 42.8 points in July (June: 51.3). It therefore stands roughly where it did last summer, before the second wave of coronavirus sent the index tumbling. But the new Delta variant of Covid-19 has not yet sparked a correction on this scale. Although the analysts' assessment of the current economic

situation in Switzerland also came in at a slightly more modest level of 37.2 points, it is still higher than it was in May. Regarding the outlook for the Eurozone and the US, the analysts have made bigger downward revisions to their economic expectations – the reading for the US was down by as much as 32 points and now stands only just above the growth threshold (see table).

Figure 1

Indicators for Switzerland (balances)



Source: CFA Society Switzerland, Credit Suisse

Analysts believe the labor market will continue to pick up

Survey participants' export expectations are also down substantially versus the prior month. That said, the situation on the Swiss labor market looks more favorable. For the third month in succession, the analysts believe the unemployment rate will fall over the next six months. As far as the CHF exchange rate is concerned, slightly more than half of the ana-

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lysts surveyed do not anticipate any change versus either the EUR or the USD. There is no consensus among the remainder regarding appreciation or depreciation versus the EUR. For the USD, the majority of the remaining analysts believe that the greenback is more likely to strengthen against the CHF.

Rise in long-term rates expected in Switzerland and the US

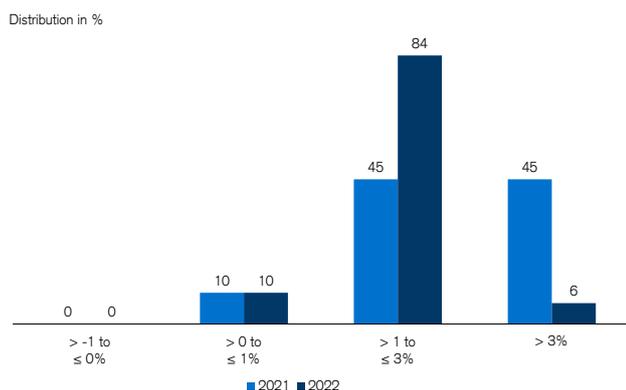
In line with the sideways trend in exchange rates anticipated by the lion's share of survey respondents, the analysts do not expect the interest rate differential to spike in either direction. For both short-term and long-term interest rates, there is almost a consensus with regard to the differentials remaining unchanged. This is because a large majority of respondents are forecasting a rise in long-term interest rates over the coming six months in all three regions (77% for Switzerland and Germany and 89% for the US). The recent downtrend in actual long-term rates has done little to change this. With regard to the short end of the yield curve, however, most analysts expect to see a sideways trend, as has consistently been the case since the large-scale central bank interventions commenced in the early days of the pandemic.

US inflation may have already peaked

In terms of inflation expectations, a growing number of analysts believe that inflation in the US may have already peaked. While almost half of the respondents still anticipate a further increase in the next six months, the proportion maintaining this outlook has been continuously falling since March. Meanwhile, 29% expect the inflation rate to stagnate and 23% forecast a decline. By contrast, the share of those who look for an uptrend in inflation in Switzerland and the euro area has increased again in July, namely to two-thirds of all survey participants.

Figure 2

What is your forecast for real Swiss GDP growth in 2021 and 2022?



Source: CFA Society Switzerland, Credit Suisse

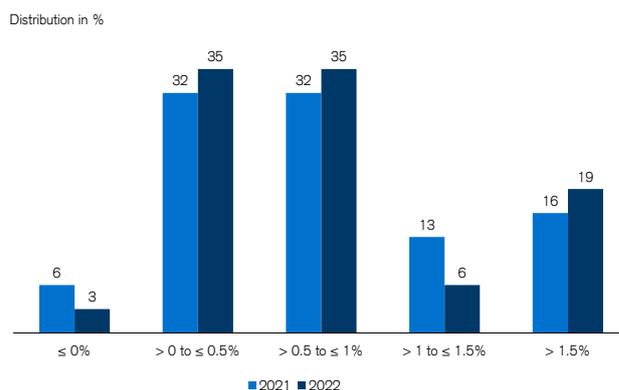
No threat of a recession this year or next

As the economic recovery in Switzerland is already at an advanced stage this year, none of the survey participants expects a recession in 2021 despite renewed concerns about coronavirus stemming from the Delta variant (see figure 2).

Instead, our quarterly special poll on growth in Swiss gross domestic product (GDP) shows that equal amounts of analysts forecast growth rates of 1–3%, or of more than 3% this year. Their average projection is 2.88%, up from 2.64% the last time this question was posed in April. Similarly, the respondents do not see any risk of a recession next year. The vast majority (84%) expects growth to range from 1 to 3% in 2022, with the average forecast at 2.29% (up from 2.22% in April). Compared to the broad dispersion of responses in previous polls – especially at the height of the pandemic – forecasting uncertainty has therefore continued to decrease.

Figure 3

What is your forecast for Switzerland's annual rate of inflation in 2021 and 2022?



Source: CFA Society Switzerland, Credit Suisse

Analysts' inflation expectations are anchored

At the same time, uncertainty remains slightly elevated with regard to inflation expectations for this year and next. While the spread of responses remains broad compared to April, the mass of distribution has moved upwards, however. Practically none of the analysts now expect to see deflation either this year or next (see figure 3). Instead, moderate inflation rates are envisaged, with a third of the respondents projecting a range of 0% to 0.5%, while an equal proportion sees inflation coming in between 0.5% and 1%. Yet 13% of the analysts estimate that the inflation rate will overshoot to an average of more than 2% this year. At 0.97% for 2021 and 0.96% for 2022, the analysts' average forecasts are comfortably within the target range of the Swiss National Bank (SNB).

The CFA Society Switzerland and Credit Suisse have been conducting the Financial Market Survey Switzerland (a monthly survey of financial analysts) since January 2017. Detailed results of the survey conducted between 15 and 22 July 2021, involving the participation of 35 analysts from the Swiss financial sector, are published here.

(26/07/2021)

Financial Market Survey Switzerland by Credit Suisse and CFA Society Switzerland: July 2021 results

Current economic situation	good	+/-	normal	+/-	poor	+/-	balance	+/-
Switzerland	42.9	-5.8	51.4	5.2	5.7	0.6	37.2	-6.4
Eurozone	25.7	0.1	65.7	1.6	8.6	-1.7	17.1	1.8
USA	65.7	-1.0	31.4	-1.9	2.9	2.9	62.8	-3.9
China	37.1	-18.2	60.0	15.3	2.9	2.9	34.2	-21.1
Economic expectations	improve		no change		worsen		balance	
Switzerland (CS CFA Society Switzerland Indicator)	51.4	-7.6	40.0	6.7	8.6	0.9	42.8	-8.5
Eurozone	54.3	-12.4	31.4	8.3	14.3	4.0	40.0	-16.4
USA	34.3	-17.0	40.0	1.5	25.7	15.4	8.6	-32.4
China	29.4	-4.8	52.9	0.3	17.6	4.4	11.8	-9.2
Inflation rate	increase		no change		decrease		balance	
Switzerland	68.6	14.8	17.1	-21.4	14.3	6.6	54.3	8.2
Eurozone	65.7	4.2	17.1	-13.7	17.1	9.4	48.6	-5.2
USA	48.6	-25.1	28.6	20.7	22.9	4.5	25.7	-29.6
Other economic indicators for Switzerland	increase		no change		decrease		balance	
Export momentum (situation)	36.7	-2.7	60.0	8.5	3.3	-5.8	33.4	3.1
Export momentum (expectations)	40.0	-7.1	40.0	-4.1	20.0	11.2	20.0	-18.3
Unemployment rate	14.7	-3.7	44.1	-0.6	41.2	4.4	-26.5	-8.1
Short-term interest rates	increase		no change		decrease		balance	
Switzerland	20.0	-3.1	80.0	3.1	0.0	0.0	20.0	-3.1
Eurozone	22.9	-5.3	77.1	5.3	0.0	0.0	22.9	-5.3
USA	28.6	-5.6	71.4	5.6	0.0	0.0	28.6	-5.6
Short-term interest rate spread	increase		no change		decrease		balance	
Eurozone – Switzerland	9.4	-1.4	90.6	4.1	0.0	-2.7	9.4	1.3
Long-term interest rates	increase		no change		decrease		balance	
Switzerland	77.1	-2.4	22.9	5.0	0.0	-2.6	77.1	0.2
Germany	77.1	-5.0	22.9	7.5	0.0	-2.6	77.1	-2.4
USA	88.6	6.5	11.4	-4.0	0.0	-2.6	88.6	9.1
Long-term interest rate spread	increase		no change		decrease		balance	
Germany – Switzerland	25.0	6.1	75.0	-0.7	0.0	-5.4	25.0	11.5
Share price	increase		no change		decrease		balance	
SMI (Switzerland)	47.1	-2.9	38.2	-3.9	14.7	6.8	32.4	-9.7
EuroStoxx 50 (Eurozone)	58.8	6.2	26.5	-13.0	14.7	6.8	44.1	-0.6
S&P (USA)	41.2	6.1	38.2	-10.4	20.6	4.4	20.6	1.7
Swiss franc exchange rate versus	appreciate		no change		depreciate		balance	
EUR	22.9	4.5	51.4	-1.2	25.7	-3.2	-2.8	7.7
USD	17.1	-9.2	51.4	9.3	31.4	-0.2	-14.3	-9.0
Commodities	increase		no change		decrease		balance	
Oil (North Sea Brent)	26.5	-5.9	38.2	-2.3	35.3	8.3	-8.8	-14.2
Gold (per ounce)	41.9	-1.0	48.4	8.4	9.7	-7.4	32.2	6.4

Note: 35 analysts took part in the Financial Market Survey Switzerland for July from 15 to 22 July 2021. Analysts were asked about their expectations for the next six months. The numbers displayed are percentages. The balances represent the difference between the positive and negative shares of responses.

Source: CFA Society Switzerland, Credit Suisse

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