

Swiss Economics

Financial analysts see all signs pointing to recovery

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Sentiment indicators and export expectations are currently further inside positive territory than they have ever been before, thanks in no small part to the latest US fiscal stimulus package. Furthermore, even the prospects for the labour market are brightening. According to survey outcomes, the CHF is likely to depreciate during the reflation phase.

There is little sign of pessimism among analysts with regard to the pandemic's long-term impact on growth. Their inflation expectations for the next five years remain anchored within the SNB's target range.

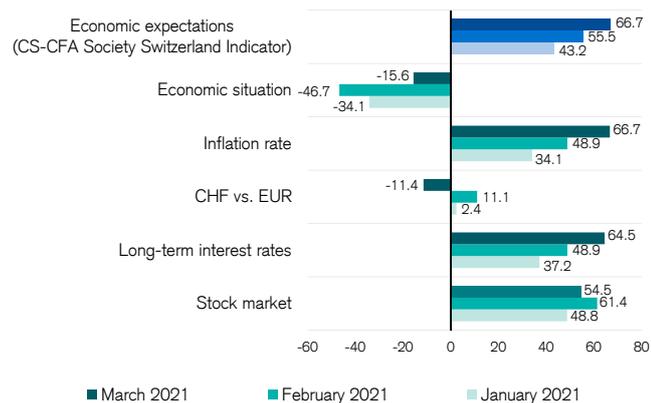
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Switzerland****Contact:**Sheila Ohlund CFA, President
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sheila.ohlund@swiss.cfa**Sentiment indicator at an all-time high**

From 55.5 points in the prior month, the CS CFA Society Switzerland indicator climbed to 66.7 points in March (see figure 1), thus even surpassing its reading in October 2009. As far as the next six months are concerned, analysts anticipate a strong economic recovery by historical standards in Switzerland. And now that the latest fiscal stimulus package has been signed into law, the prospects for the US are even better (see table). Conversely, survey respondents believe that a slowdown in China is looking increasingly likely. Assessments of the current economic situation in Switzerland are improving appreciably. While they still indicate a poor economic environment, they are nevertheless at their highest level since the start of the pandemic. It is a similar picture when it comes to analysts' assessment of the export market at present, with the overall situation still being described as poor. That said, looking to spring and summer this year the analysts expect momentum on the export market to pick up considerably, and expectations are actually at a historic high. Prospects on the labour market have improved significantly, with fewer than half of respondents to the survey expecting the unemployment rate to rise.

Figure 1
Indicators for Switzerland (balances)



Source: CFA Society Switzerland, Credit Suisse

Analysts expect the value of the CHF to fall

As the global bounceback gathers pace, demand for a safe haven such as the CHF will wane. The analysts surveyed also share this view, as reflected in their expectation – for the first time since March 2019, prior to the trade war between the US and China – that the CHF will depreciate against the EUR. The same applies to the Swiss franc’s expected performance versus the US dollar. The economic revival is also leaving its mark on inflation expectations, with two-thirds of survey participants forecasting an increase over the next six months. That said, base effects are likely to be a factor in this regard as well and are set to emerge in the coming months following the sharp fall in inflation rates a year ago. As a result, not a single analyst expects the annual inflation rate to fall in the near term. However, our special questions on long-term inflation expectations (see figure 3) show that permanently higher inflation is not expected over the longer run.

Expectations for long-term interest rates continuing to climb

As the prospects of a global economic recovery rise, so too do the forecasts for long-term interest rates, which have been heading up considerably since October 2020. More than two-thirds of the analysts surveyed expect long-dated interest rates in Switzerland, the eurozone and the US to rise, with virtually no analysts now anticipating a fall. However, analysts do not expect any change at the short end of the yield curve over the next six months. While the balance of survey results has been edging up for several months now, especially in the US, a large majority (around 80%) of respondents expect short-dated rates to hold steady.

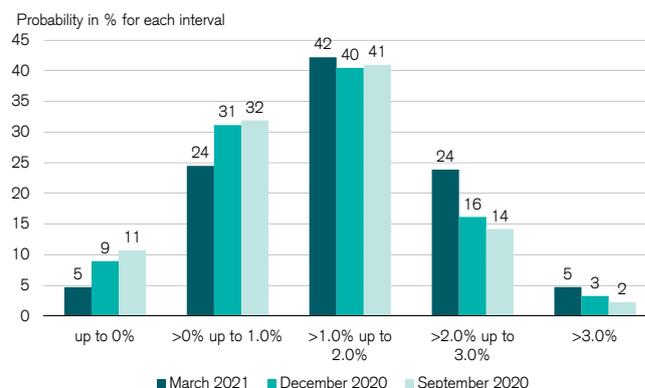
Equity markets still in the ascendancy in analysts’ view

A year after the historic market correction in 2020, the consensus opinion among the analysts is that the equity market will remain in a steady upswing despite the recent volatile movements. 70% of the respondents project that share prices will continue to rise on the eurozone and US stock markets over the next six months. The more defensive Swiss Market Index (SMI) is also expected to climb, albeit by a slightly lower percentage of analysts (64%). Meanwhile, opinions on commodity prices are mixed. While the survey participants generally see potential for an increase in the price of oil – and gold

to a lesser extent – the responses are more varied, with more than half of the respondents forecasting stagnating or falling prices.

Figure 2

What is your forecast for Switzerland’s annual rate of economic growth in the next three to five years?



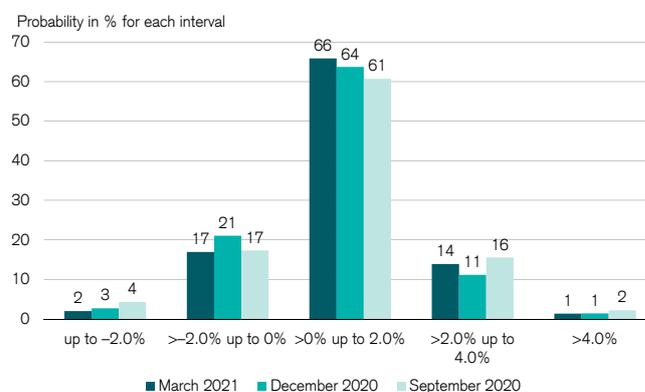
Source: CFA Society Switzerland, Credit Suisse

Persistently high inflation is not expected

Our quarterly special survey on the mid to long-term trend in gross domestic product (GDP) shows that the financial analysts are now less pessimistic about the long-term fallout of the pandemic. The probability mass for annual economic growth over the next three to five years has continuously moved upwards since March 2020. An annual growth rate of 1–2% is now considered most likely, although a rate of more than 2% or as much as 3% also seems possible at a probability of 30%. The analysts’ exact forecasts produce an average rate of 1.83%. The average inflation forecast for the next three to five years has climbed significantly from 0.98% in December to 1.21%, which also exceeds the long-term forecast from pre-pandemic times (0.91% in December 2020). However, the probability distribution of the responses still shows that the inflation rate is likely to remain in the target range of the Swiss National Bank (SNB) on a long-term horizon, with the chances of the inflation rate surpassing 2% at only 15%.

Figure 3

What is your forecast for Switzerland’s annual rate of inflation five years from now?

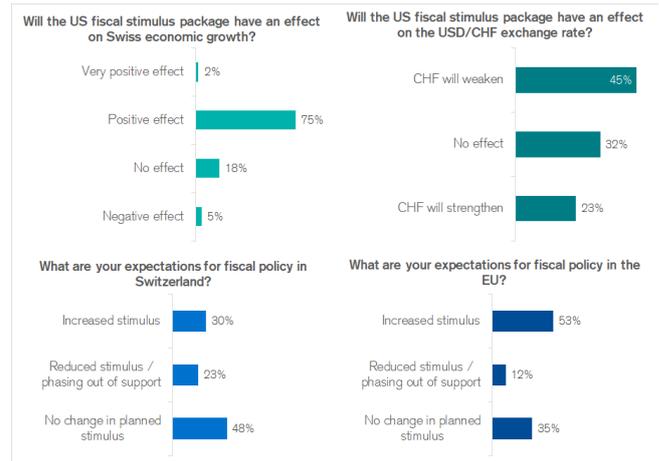


Source: CFA Society Switzerland, Credit Suisse

Special questions on fiscal policy

In a special survey, we asked the financial analysts about the latest fiscal package in the US and the prospects of further stimulus measures in Switzerland and the euro area. As much as three-quarters of the analysts think that Switzerland's economic growth will benefit from the US fiscal programme (see figure 4). The impact on the USD/CHF exchange rate is less clear based on the results of the survey. According to 45% of the participants, the US dollar is most likely to strengthen, while 23% expect the opposite and one third do not anticipate any palpable effects at all. Additional fiscal measures are also foreseeable in the euro area in the course of the year according to 52% of the respondents. This seems less likely in Switzerland, as only 30% of the survey participants expect further stimulus. Half of the analysts project that there will be no change to Swiss fiscal policy, while a quarter think that the existing measures may even be scaled back.

Figure 4
Special questions on fiscal policy



Source: CFA Society Switzerland, Credit Suisse

The CFA Society Switzerland and Credit Suisse have been conducting the Switzerland Financial Market Survey (a monthly survey of financial analysts) since January 2017. Detailed results of the survey conducted between 18 and 25 March 2021, involving the participation of 47 analysts from the Swiss financial sector, are published here.

(29/03/2021)

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

Current economic situation	good	+/-	normal	+/-	poor	+/-	balance	+/-
Switzerland	11.1	8.9	62.2	13.3	26.7	-22.2	-15.6	31.1
Eurozone	6.7	4.5	48.9	13.3	44.4	-17.8	-37.7	22.3
USA	24.4	15.5	51.1	0.0	24.4	-15.6	0.0	31.1
China	40.0	-12.3	60.0	14.5	0.0	-2.3	40.0	-10.0
Economic expectations	improve		no change		worsen		balance	
Switzerland (CS CFA Society Switzerland Indicator)	75.6	4.5	15.6	2.3	8.9	-6.7	66.7	11.2
Eurozone	75.6	4.5	15.6	4.5	8.9	-8.9	66.7	13.4
USA	82.2	8.9	15.6	0.0	2.2	-8.9	80.0	17.8
China	52.3	4.6	45.5	-2.2	2.3	-2.2	50.0	6.8
Inflation rate	increase		no change		decrease		balance	
Switzerland	66.7	13.4	33.3	-8.9	0.0	-4.4	66.7	17.8
Eurozone	71.1	15.5	28.9	-11.1	0.0	-4.4	71.1	19.9
USA	75.6	6.7	24.4	-2.3	0.0	-4.4	75.6	11.1
Other economic indicators for Switzerland	increase		no change		decrease		balance	
Export momentum (situation)	12.2	12.2	51.2	-3.8	36.6	-8.4	-24.4	20.6
Export momentum (expectations)	63.4	5.9	34.1	1.6	2.4	-7.6	61.0	13.5
Unemployment rate	45.5	-18.1	31.8	6.8	22.7	11.3	22.8	-29.4
Short-term interest rates	increase		no change		decrease		balance	
Switzerland	15.6	11.2	82.2	-8.9	2.2	-2.2	13.4	13.4
Eurozone	17.8	11.1	80.0	-8.9	2.2	-2.2	15.6	13.3
USA	24.4	11.1	73.3	-11.1	2.2	0.0	22.2	11.1
Short-term interest rate spread	increase		no change		decrease		balance	
Eurozone – Switzerland	7.1	-0.2	88.1	-2.1	4.8	2.4	2.3	-2.6
Long-term interest rates	increase		no change		decrease		balance	
Switzerland	66.7	13.4	31.1	-11.1	2.2	-2.2	64.5	15.6
Germany	70.5	10.0	27.3	-7.6	2.3	-2.4	68.2	12.4
USA	73.3	-1.7	20.0	-2.7	6.7	4.4	66.6	-6.1
Long-term interest rate spread	increase		no change		decrease		balance	
Germany – Switzerland	9.5	-4.5	83.3	1.9	7.1	2.4	2.4	-6.9
Share price	increase		no change		decrease		balance	
SMI (Switzerland)	63.6	-6.9	27.3	6.8	9.1	0.0	54.5	-6.9
EuroStoxx 50 (Eurozone)	70.5	-2.2	18.2	0.0	11.4	2.3	59.1	-4.5
S&P (USA)	70.5	4.6	15.9	-6.8	13.6	2.2	56.9	2.4
Swiss franc exchange rate versus	appreciate		no change		depreciate		balance	
EUR	22.7	0.5	43.2	-23.5	34.1	23.0	-11.4	-22.5
USD	25.0	-10.6	38.6	-5.8	36.4	16.4	-11.4	-27.0
Commodities	increase		no change		decrease		balance	
Oil (North Sea Brent)	46.5	9.9	39.5	-9.3	14.0	-0.6	32.5	10.5
Gold (per ounce)	38.1	-3.4	35.7	-3.3	26.2	6.7	11.9	-10.1

Note: 45 analysts participated in the Financial Market Survey Switzerland for March from 18 to 25 March 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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