

BAK press release

Inflation in Switzerland above 2 percent in 2022

BAK Economics, 10.03.2022 (Basel/Bern/Lugano/Zurich) – Due to the war in Ukraine, BAK Economics has revised its forecast for Swiss economic growth strongly downwards: for 2022 GDP growth of 2.3% is assumed, which is around 0.7% lower than was forecast at the beginning of February (all figures are real and corrected for major sporting events). BAK expected an increase in Swiss GDP of 1.7% for 2023 (-0.2% compared to the last forecast).

Despite major revisions, the growth outlook for the current year remains complexly above average. The recovery effects of the Covid-19 pandemic are continuing. Before the outbreak of the war in Ukraine, the main indicators pointed to an even more dynamic recovery than previously assumed. In light of the latest developments, however, these assessments can no longer be considered available.

One of the most important negative effects on the economic cycle is the loss of purchasing power due to massive price increases in energy sources. BAK Economics estimates that the Swiss inflation rate in 2022 will be around 2.1%. In combination with the high uncertainties relating to changes in the geopolitical environment this will slow down the recovery of private consumer spending.

In the current situation, the Swiss Franc plays an ambivalent role. Being considered a safe haven currency, our currency has appreciated significantly. In this sense, BAK Economics expects an exchange rate with the Euro close to parity for the annual average in 2022. On the one hand, this dampens imported inflation and thus generates a lower loss of purchasing power for consumer goods and production factors than in many other countries. On the other hand, the price competitiveness of Swiss exporters is affected, even though, due to the high inflation differentials with other nations, it is less pronounced than in previous phases of appreciation. The outlook for exports is therefore threatened above all by the general weakening of global demand and the sanctions imposed on Russia. However, many of Switzerland's European trading partners, such as Germany in particular, are more affected by the negative economic repercussions of the exceptional geopolitical situation.

The war in Ukraine has already had a major impact on economic forecasts for 2022. However, these outlooks are threatened by risks and contingencies, starting with the danger of further escalation of the conflict, which would further undermine economic stability, as well as, of course, increase the suffering of those affected.

Given the context of great uncertainty, we invite you to participate in our webinar which will take place on Monday, March 21, 2022 at 11:00 am. During the webinar we will discuss the economic implications of the war in Ukraine in more detail with participants. [REGISTER HERE.](#)

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