

Domestic politics emerges as a key concern

Swiss economy

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- The UBS CFA Society Switzerland Indicator remained stable in June, indicating moderate optimism among financial analysts about Swiss economic growth over the next six months.
- Survey participants expect the Swiss franc to appreciate further against the euro and the US dollar. Long-term inflation expectations remain stable, with analysts confident that Swiss inflation will stay within the 0–2% range.
- Ahead of elections in France and the US, domestic politics in those countries is the biggest concern. In Switzerland, economic growth is the primary concern.

The UBS CFA Society Switzerland Indicator remained broadly stable in June, edging down by only 0.7 points to 17.5 compared to the previous month (Fig. 1). At this level, the indicator suggests that financial analysts surveyed are moderately optimistic about Swiss economic growth over the next six months. Additionally, survey participants significantly upgraded their assessment of the current economic situation, providing an optimistic tilt to the June survey results.

Eurozone’s growth to improve from low level

Survey participants expect economic growth in the Eurozone to improve, though any rise comes from the subdued current level. Their view on the current situation of the Eurozone economy remains negative. The overall assessment is better for the Swiss economy than for the Eurozone. For the US economy, financial analysts have turned more pessimistic on the outlook but still see the current situation of the US economy more positively than for Switzerland and especially the Eurozone.

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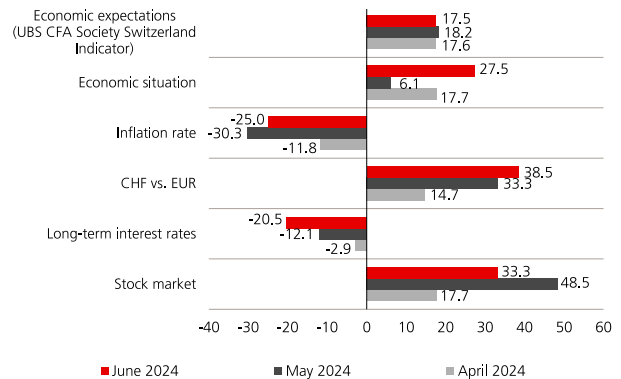
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Fig. 1: UBS CFA Society Switzerland indicator steady in June

Net percentage of responses: A positive value signals a rise, while a negative reading indicates a fall, with -100 being the minimum value and 100 the maximum value.



Sources: CFA Society Switzerland, UBS

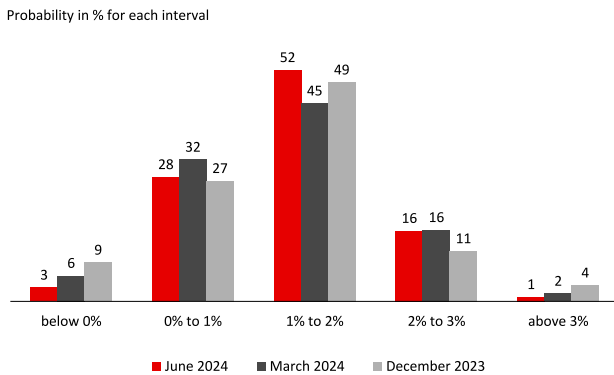
Franc expected to appreciate

Despite its recent appreciation, survey participants expect the Swiss franc to continue to appreciate against the euro and the US dollar. In parallel, most respondents forecast short-term interest rates to decline in Switzerland, the Eurozone, and the US over the next six months. Importantly, the survey was conducted before the latest interest rate cut by the Swiss National Bank on 20 June.

Long-term inflation expectations stable

Our quarterly rotating questions focused on long-term economic growth and inflation expectations for Switzerland. Financial analysts assigned a probability of 52% for long-term growth to stand between 1% and 2% annually (Fig. 2), the most likely outcome. On average, survey respondents expect GDP growth at 1.5% on average over the next three to five years, marking the lowest estimate since the December 2022 survey.

Fig. 2: Where do you expect the average annual real GDP growth rate for Switzerland to be over the next three to five years?



Sources: CFA Society Switzerland, UBS

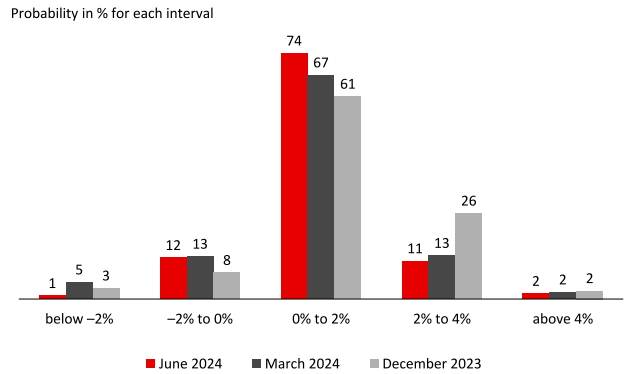
Survey participants appear more confident that inflation will remain within the definition of price stability (0–2% annually) than they did three months ago, as they assigned a 74% probability to such an outcome. This is the highest probability assigned for this inflation range since we asked the question for the first time in 2013. On average, financial analysts surveyed forecast inflation slightly below 1.4% in five years, unchanged from their March estimates.

Biggest concern is domestic politics in the US and the Eurozone

This month, our special question focused on the analysts’ biggest concerns for the US, the Eurozone, and Switzerland (Fig. 4). Ahead of elections in France (30 June and 7 July) and in the US later this year (5 November), domestic politics ranks as financial analysts’ primary concern for the Eurozone and the US. The surprise announcement of snap elections in France on 9 June, just before the beginning of the survey, probably influenced the results for the Eurozone.

Interestingly, public debt in the Eurozone does not appear to be an important source of concern, despite the elevated debt levels of some large members of the monetary union. There are no significant differences between the other sources of concern for the US economy.

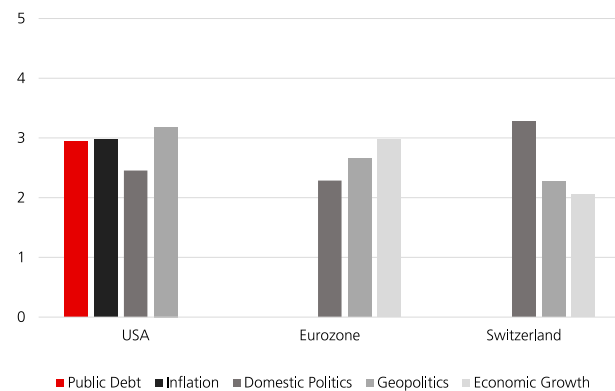
Fig. 3: What do you think Switzerland’s annual inflation rate will be in five years?



Sources: CFA Society Switzerland, UBS

Finally, financial analysts’ biggest concern for Switzerland is economic growth, followed by geopolitics. Domestic politics, inflation, and public debt all appear to rank lower as sources of concern.

Fig. 4: What are your biggest concerns by the end of the year for the following regions? (1=highest concern, 5=lowest concern)



Sources: Macrobond, UBS

The CFA Society Switzerland and UBS (previously Credit Suisse) have been conducting the Switzerland Financial Market Survey (a monthly survey of financial analysts) since January 2017. The detailed results of the survey conducted between 13.06.2024 and 19.06.2024, involving the participation of 40 analysts from the Swiss finance sector, are published here.

Financial Market Survey Switzerland by UBS and CFA Society Switzerland: June 2024 results

Current economic situation	good	+/-	normal	+/-	poor	+/-	balance	+/-
Switzerland	30.0	14.8	67.5	-8.3	2.5	-6.6	27.5	21.4
Eurozone	12.5	3.4	52.5	-5.1	35.0	1.7	-22.5	1.7
USA	45.0	-3.5	50.0	-1.5	5.0	5.0	40.0	-8.5
China	7.7	1.5	30.8	-16.1	61.5	14.6	-53.8	-13.1
Economic expectations	improve		no change		worsen		balance	
Switzerland (UBS CFA Society Switzerland Indicator)	32.5	2.2	52.5	-5.1	15.0	2.9	17.5	-0.7
Eurozone	40.0	-5.5	45.0	5.6	15.0	-0.2	25.0	-5.3
USA	7.5	-1.6	62.5	4.9	30.0	-3.3	-22.5	1.7
China	35.9	-2.8	53.8	-1.0	10.3	3.8	25.6	-6.6
Inflation rate	increase		no change		decrease		balance	
Switzerland	5.0	-4.1	65.0	13.5	30.0	-9.4	-25.0	5.3
Eurozone	7.5	-1.6	47.5	17.2	45.0	-15.6	-37.5	14.0
USA	5.0	-1.1	50.0	7.6	45.0	-6.5	-40.0	5.4
Other economic indicators for Switzerland	increase		no change		decrease		balance	
Export momentum (situation)	8.3	8.3	58.3	-0.3	33.3	-8.1	-25.0	16.4
Export momentum (expectations)	31.4	-10.0	51.4	16.9	17.1	-7.0	14.3	-3.0
Unemployment rate	26.3	-4.9	60.5	-2.0	13.2	7.0	13.1	-11.9
Short-term interest rates	increase		no change		decrease		balance	
Switzerland	2.6	-0.4	36.8	-8.7	60.5	9.0	-57.9	-9.4
Eurozone	2.7	-0.3	40.5	13.2	56.8	-12.9	-54.1	12.6
USA	2.7	-3.4	35.1	-1.3	62.2	4.6	-59.5	-8.0
Short-term interest rate spread	increase		no change		decrease		balance	
Eurozone – Switzerland	13.5	7.3	70.3	17.2	16.2	-24.4	-2.7	31.7
Long-term interest rates	increase		no change		decrease		balance	
Switzerland	23.1	4.9	33.3	-18.2	43.6	13.3	-20.5	-8.4
Germany	17.9	8.8	33.3	-9.1	48.7	0.2	-30.8	8.6
USA	17.9	-0.3	28.2	-5.1	53.8	5.3	-35.9	-5.6
Long-term interest rate spread	increase		no change		decrease		balance	
Germany – Switzerland	13.5	4.1	64.9	5.5	21.6	-9.6	-8.1	13.7
Share price	increase		no change		decrease		balance	
SMI (Switzerland)	53.8	-6.8	25.6	-1.7	20.5	8.4	33.3	-15.2
EuroStoxx 50 (Eurozone)	48.7	-5.8	28.2	-5.1	23.1	11.0	25.6	-16.8
S&P (USA)	43.6	-7.9	25.6	-7.7	30.8	15.6	12.8	-23.5
Swiss franc exchange rate versus	appreciate		no change		depreciate		balance	
EUR	51.3	2.8	35.9	-0.5	12.8	-2.4	38.5	5.2
USD	46.2	8.7	41.0	-9.0	12.8	0.3	33.4	8.4
Commodities	increase		no change		decrease		balance	
Oil (North Sea Brent)	21.6	-4.2	37.8	-7.4	40.5	11.5	-18.9	-15.7
Gold (per ounce)	35.1	-4.9	35.1	1.8	29.7	3.0	5.4	-7.9

Note: 40 analysts participated in the June survey, which was conducted during the period from 13.06.2024 - 19.06.2024. Analysts were asked about their expectations for the next six months. The numbers displayed are percentages. Balances refer to the difference between positive and negative assessments.

Source: CFA Society Switzerland, UBS

Appendix

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