



of investment in transport and communications. Investment rose strongly in 2009 because a number of major infrastructure projects were preponed within the framework of the economic stimulus packages.

There has been little change to the spring economic assessment, which was that there is still no sign of a steady, sustainable upturn in Europe. As a consequence of the expansive fiscal policies pursued by many countries, public-sector budgets have fallen seriously out of kilter. This has raised the risks for the economic recovery going forward. Financial market jitters have again been on the rise, due to the deficits and the debt levels of individual countries.

On account of its budget policies, Switzerland finds itself in a comparatively strong position. However, it is not immune to the turbulence caused in other regions by excessive deficits and adjustment measures. A string of countries have already begun consolidating their budgets – beginning earlier than had recently been assumed. However, these confidence-building measures will encumber the economic recovery in Europe. In certain countries, indeed, the recession is likely to persist for some time yet. This is dampening the outlook for the Swiss export sector. Due to its diversified export structure, however, Switzerland will be able to profit from the gathering pace of economic growth in Asia and the US. This should also help dampen the negative impact of the rise in the value of the Swiss franc – 20% relative to the euro since the end of 2007. In overall terms, Swiss exports will grow this year by 6.6% and are set to expand by a further 3.8% in 2011. The decline in export growth and the strong franc will weigh down on the Swiss economy in 2011. As a consequence, the KOF is expecting growth to reach 1.6% next year. This represents a downwards correction of 0.6 percentage points relative to the spring forecast.

Wage growth is set to be moderate, meaning that this factor is not likely to exert significant cost pressures before the end of 2011. The KOF is moreover expecting import prices to decline in overall terms. In addition, the weaker economic upturn means the inflationary potential stoked by the substantial level of liquidity on money markets will not materialise. For this reason the KOF is expecting only moderate upward pressure on prices in the short to medium term. At the start of next year the hike in value added tax will have an impact on prices. Throughout 2011 as a whole, however, inflation is likely to remain low at 0.9%.

The most noticeable forecast risk is currently the development of the exchange rate. If the value of the Swiss franc (export-weighted) – contrary to our exchange rate scenario – continues to rise, then economic growth will probably be weaker, although it will still be positive. In the most unfavourable case, the upturn might even come to a standstill. However, Swiss exports tend to respond more sensitively to the real economic developments in their destination countries than they do to the exchange rate.