E. GUTZWILLER & CIE
BANQUIERS

Basel, Q3-2024 (July 2024)

Quarterly Economic Environment and Outlook

- Switzerland — Growth could slow down in the third quarter of 2024. War in Ukraine remains a concern. Combination of conflict and supply shocks could have a negative effect across Europe and Switzerland. The strength of the Swiss Franc is less of a concern. The central bank lowered interest rates again, further downward moves can't be excluded this year. Swiss inflation is now under control. The main issue, the direction of monetary policy in the near future across the world, is shattering confidence.

- USA — The US economy will decelerate in the next few months. Interest rates will be reduced, the Fed will continue to provide support to lenders to shore up confidence in the banking system. Inflation forecasts being now more optimistic, the Fed still remains alarmed over a far too high core inflation. Consumption remains steady but consumer confidence could weaken. Employment is healthy: the labour market has lost some momentum but remains very strong. The service sector is very firm. House prices are relatively stable, residential investment steady. The corporate sector is more hesitant. A weaker growth in Europe and the world could hurt export-oriented companies. The economic scenario is slightly less positive now. The combined weight of emergency fiscal and monetary measures and the government funding plan are not enough to alleviate some concerns about the Fed monetary policy and the costs of standing up to Russia making good on its threats against Ukraine.

- Europe — Industrial production is weakening. Growth rates are not improving, most countries are still challenged by public debt financing. In Germany, the industry is less robust, the service sector is resilient. Manufacturing companies are less optimistic. Exports and services are steady in France, Italy, and Spain. The ECB will continue on shrinking its balance sheet, lowered interest rates but will be cautious on further steps. In the UK, inflation is now under control: the Bank of England is holding interest rates at a 16-year high despite inflation falling to its target. The economic prospects appear to be poor, borrowing costs will certainly be lowered in the next few months. After elections the new government will face a difficult challenge to reduce debt: UK's debt burden is almost 100% of GDP at a 30-year high.

- Asia — The government in Japan is pushing for more growth. Bank of Japan shifted its monetary policy by raising interest rates from slightly negative to 0% -0.1% and halted its quantitative easing measures. This was the first policy change towards tightening in seventeen years. The public debt remains very high. The economic growth is firm but it struggles with a weak domestic demand. Exports are very strong. In China, the government prepares stimulus to help a very weak economy. The main reason for this weak growth is about confidence. The economy is suffering from property sector slowdown and weaker trade. In India, the government continues to encourage policy changes designed to improve growth.

Currencies

- CHF — Stable, due to its role as a safe haven currency
- USD — Stable
- EUR — Stable
- GBP — Stable
- JPY — Stable
- Gold — Firm
- Oil — Strong

Financial Markets

	Switzerland	Europe	UK	USA	Japan
Interest Rates	lowering	lowering	lowering	lowering	lowering
Bonds	steady	steady	steady	steady	steady
Stock Markets	rising	rising	rising	rising	rising

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