

Quarterly Economic Environment and Outlook

- Switzerland** Growth will remain stable in the fourth 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 also a concern, the economy is highly dependent on foreign trade, particularly Germany with an 18% share of exported goods. 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 is the direction of monetary policy in the near future across the world, as a new era of easing policy in the USA has begun.
- USA** The US economy will decelerate in the next few months. The Federal Reserve cut its benchmark interest rate by half a percentage point and more reductions will follow. The central bank is concerned about the prospects of growth and will continue to provide support to lenders to shore up confidence in the banking system. Inflation forecasts are now very optimistic, after a long period battling inflation the Fed appears to achieve their price stability. Consumption remains steady but consumer confidence could weaken. Employment is healthy: the labour market has lost some momentum but remains strong. The service sector is in good shape. 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, growth is very weak. The industry is less robust, the automobile sector is faltering. Manufacturing companies are less optimistic. Exports and services are steady in France, Italy, and Spain. The ECB will continue on shrinking its balance sheet and lower 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. The new Labour 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 kept its benchmark interest rate at around 0.25% trying to normalize its monetary policy without hurting the economy. The economic growth is recovering, it struggles with a weak domestic demand but should continue to grow at a pace above its potential growth rate. Inflation should rise somewhat next year. The public debt remains high. 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 Could weaken
- EUR Stable
- GBP Strong
- JPY Stable
- Gold Strong
- Oil Weak

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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