SWITZERLAND

The sharp downturn of economic activity is expected to continue throughout 2009, reflecting the fall in world trade. A slow recovery in the course of 2010 will be led by gradually improving exports, notably to East Asia. Unemployment is projected to exceed 5% in 2010 and prices may decline towards the end of 2010.

With low capacity utilisation and a risk of deflation, policy interest rates should remain close to zero. Further fiscal stimulus would diminish the risk of deflation. To prevent persistent unemployment, measures should be taken to improve incentives for cantons to place the unemployed into jobs more quickly and ensure a sufficient supply of apprenticeships.

Switzerland: **Demand, output and prices**

	2005	2006	2007	2008	2009	2010
	Current prices CHF billion	Percentage changes, volume (2000 prices)				
Private consumption	278.6	1.6	2.1	1.7	0.2	0.4
Government consumption	54.2	-0.9	-1.1	0.0	3.2	0.9
Gross fixed capital formation	98.2	4.7	5.4	-1.7	-5.0	0.2
Final domestic demand	431.0	2.0	2.5	0.5	-4.8	0.4
Stockbuilding[1]	1.9	-0.5	-1.3	-0.3	6.0	-0.6
Total domestic demand	433.0	1.4	1.1	0.2	1.8	-0.3
Exports of goods and services	226.2	9.9	9.4	2.3	-14.6	-1.1
Imports of goods and services	196.1	6.5	5.9	-0.2	-8.4	-1.4
Net exports[1]	30.2	2.1	2.3	1.4	-4.4	0.0
GDP at market prices	463.1	3.4	3.3	1.6	-2.7	-0.2
GDP deflator	_	1.7	1.8	2.2	0.6	0.5
Memorandum items						
Consumer price index	_	1.1	0.7	2.4	-0.2	0.7
Private consumption deflator	_	1.3	1.1	1.7	0.5	0.6
Unemployment rate	_	4.0	3.6	3.5	4.5	5.1
General government financial balance[2]	_	1.0	1.3	1.0	-1.5	-2.5
Current account balance[2]	_	15.1	10.0	9.2	8.0	7.7

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.
2. As a percentage of GDP.
Source: OECD Economic Outlook 85 database.