



## Analyse September 2020

Swiss economy still heavily  
dependent on the public purse





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## Bonhôte Group news

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### PRIVATE CLIENT PARTNERS ZURICH

This summer we acquired Private Client Partners AG, based in Zurich. This company was founded in 1998 and operates as a multi-family office, providing asset administration and consolidation services together with wealth management to UHNWIs from German-speaking Switzerland and further afield.

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### BEAUREGARD-DESSUS ARCHITECTURAL COMPETITION

No fewer than 63 projects from 7 different countries were submitted in this architectural competition, organised by Bonhôte-Immobilier to develop the exceptional 17,500m<sup>2</sup> Beauregard-Dessus site in Neuchâtel.

Prize-giving and the special viewing of the exhibition took place in Neuchâtel on 20 August 2020, during which the candidates whose blueprints had been accepted into the competition were publicly announced.

**Switzerland had no choice: it had to take action to soften the impact of the Covid-19 pandemic. Doing nothing would have eventually endangered its sacrosanct fiscal discipline. So the federal government unleashed billions to prop up an economy which suddenly found itself in trouble. Was too much spent, or will this money provide a much-needed safety net as we head into an autumn season fraught with danger?**

Since its partial lockdown was enacted in March, the Swiss government has spent ten of billions to stem the economic losses. Anything less would have been unthinkable, considering that, even with these measures, the nation's GDP plunged by a record-breaking 8.2% in the second quarter.

#### Three channels

Three main channels were used as the Swiss government rushed to the rescue of firms and households. The first – furloughing workers – has proven its mettle in previous recessions. Six months after the shutdown, close to 1 million workers from among 190,000 companies have benefited from the scheme. Needless to say, this marks another record. The federal government has pumped just over CHF 20 billion into the unemployment fund to allow this money to be paid out.

The second tool, a double-act between the federal government and Swiss banks, was the bridging loans. All it took was a couple of days (sometimes just a few hours) to obtain one of the thousands of state-guaranteed loans made available at breakneck speed. (Imagine how nightmarish this was for the people checking the solvency status of the recipients!) Though some of the funds were misappropriated, 20 billion – subsequently increased to 40 billion – was placed at the disposal of companies, small and large alike. This turned out to be too much, insofar as only 16.8 billion was drawn down. And the borrowers should not forget these are loans and must be repaid in the next five to seven years, theoretically.

Even more unique than the bridging loans was the third measure: subsidies to the self-employed. Through the state's 'loss of income' insurance, 5.3 billion has been paid to self-employed workers, who for a few weeks back in March and April feared they'd be left to their own devices.

# SWISS ECONOMY STILL HEAVILY DEPENDENT ON THE PUBLIC PURSE

## Sector-specific subsidies and cantonal aid

This package of measures has been supplemented with sector-specific subsidies such as the 2 billion in financial aid and loan guarantees given to Swiss, Edelweiss, Skyguide and SR Technics, which did not go down too well with the Green Party. Some 800 million has been handed to public transport companies, which were hit head on by the pandemic. Then there's the 2.1 billion to boost the military's pharmaceutical stockpile and the 290 million allocated to coronavirus testing. All in all, 31 billion was unleashed in a short space of time, plus the 16.8 billion of bridging loans.

Besides the federal government, the cantons have also dipped into their pockets – in quite magnanimous style in fact. Tens (or at times, hundreds) of millions of francs have been spent on tax holidays, rent exemptions, and subsidies for farming, culture and sports sectors, as well as holiday-maker vouchers (in the canton of Valais). It's hard to get the full picture but around 2 billion francs have been spent in this way, making this a sizable source of funds.

This expenditure will undoubtedly place a strain on federal finances: 17 billion this year, 14 billion in 2021. Switzerland will borrow to plug the hole. But this won't be a problem as

Switzerland borrows for free, on the back of its rock-solid' reputation. In other words, investors park their money with the Swiss government in return for nothing. That's the price to pay these days for a safe haven.

## Too much, or not enough?

Things will become more humdrum from this point onwards. Some of the exceptional expenditure still requires approval from cantonal parliaments. But the 'greater good' is likely to win over any last-remaining objectors. Even the most devout believers in balanced budgets have realised that now is not the time for dogmatic posturing.

Yet everything remains in a state of flux. Some economists believe that current calculations are too high, that not all of the money will be used. By contrast, others think that we should wait in case new types of needs emerge, as the pandemic may flare up again starting from this autumn. Manufacturing is still struggling in the third quarter. Ferry operators, airlines and travel agencies may also cry for more help.

One point is certain, however: this outpouring of generosity – never seen before in modern times here – is what is keeping the Swiss economy afloat for now.

Fig. 1: Change in Swiss GDP (QoQ%)

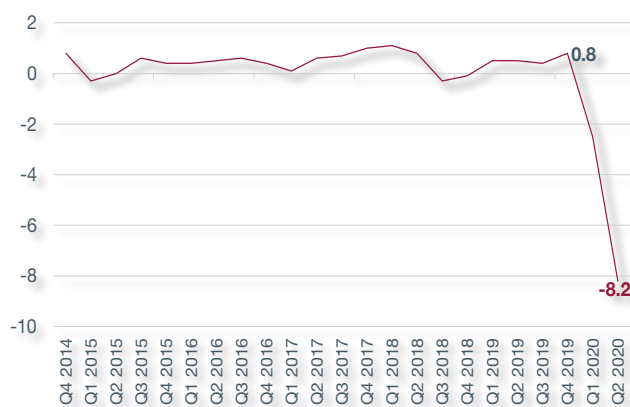
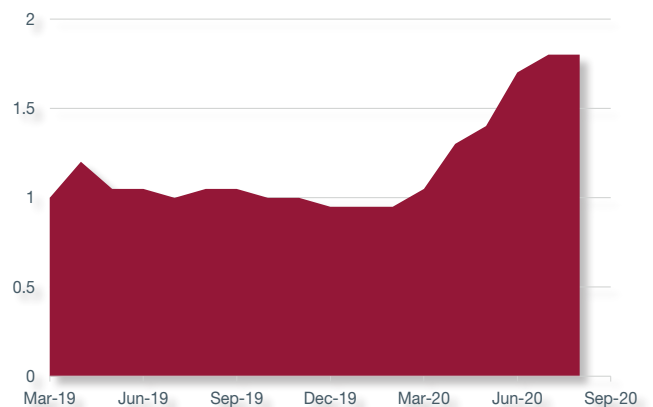


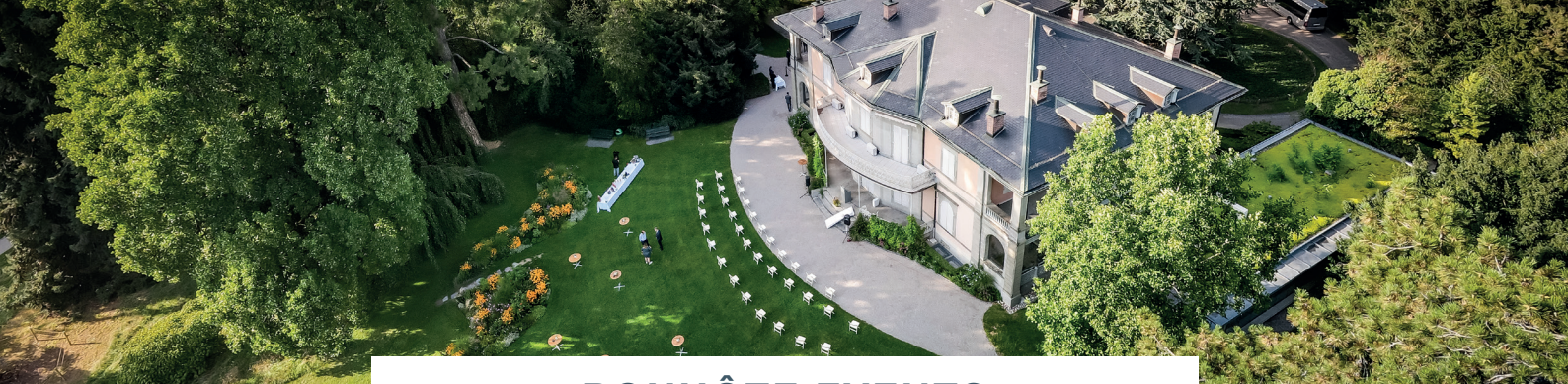
Fig. 2: Change in federal government expenditure (YoY%)



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## BONHÔTE EVENTS

**PRIVATE VIEWING OF ARTS ET CINÉMA EXHIBITION**  
2 SEPTEMBER 2020 - FONDATION DE L'HERMITAGE, LAUSANNE



**AWARD CEREMONY OF THE BEAUREGARD-DESSUS ARCHITECTURAL COMPETITION**  
20 AUGUST 2020 - COLLÈGE DES SABLONS, NEUCHÂTEL

