

# Swiss Banking Outlook

Update March 2024



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## Upbeat outlook for banks

The updated Swiss Banking Outlook shows that banking experts who participated in an SBA survey predict modest economic growth for 2024 and 2025. They also expect a further normalization of domestic inflation and anticipate two quarter-point cuts in the Swiss National Bank's policy rate by the end of 2024. Banks in Switzerland are expected to achieve a similar aggregate net income as seen in 2023. Decreasing income from interest operations is predicted to be offset by a higher result from the commission business and services.

Between the end of January and the beginning of February 2024, 15 experienced experts from member institutions of the SBA were surveyed about their short and medium-term outlook on the economy as well as the banking industry. This analysis serves as an update to the Swiss Banking Outlook, which is part of SBA's annual publication, the Banking-Barometer.

## Modest growth

Economic growth for Switzerland is predicted to be 1.2% for the current year, which represents a slightly worse outlook compared with last year. The inflation forecast is 1.6%. Two SNB rate cuts are expected during the course of the year. The updated Swiss Banking Outlook is a little more optimistic for next year, predicting somewhat more robust economic growth and a further fall in inflation.

Figure 1

### Consensus forecast for various economic indicators

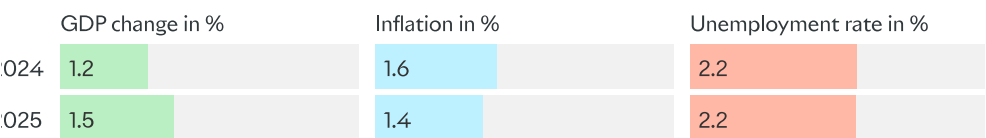
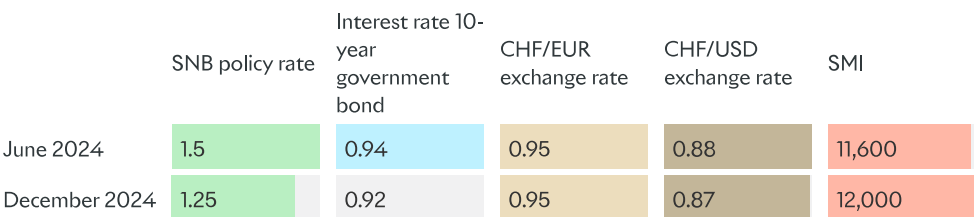


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

Figure 2

### Consensus forecast for various financial market indicators



Note: The forecasts given for the SNB policy rate correspond to the most frequently quoted values

Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

The experts expect Swiss gross domestic product (GDP) to grow by 1.2% in 2024 and 1.5% in 2025, slowly bringing it closer to the potential growth rate of around 1.75%.

Figure 3

## Change in GDP

In % compared to the previous year

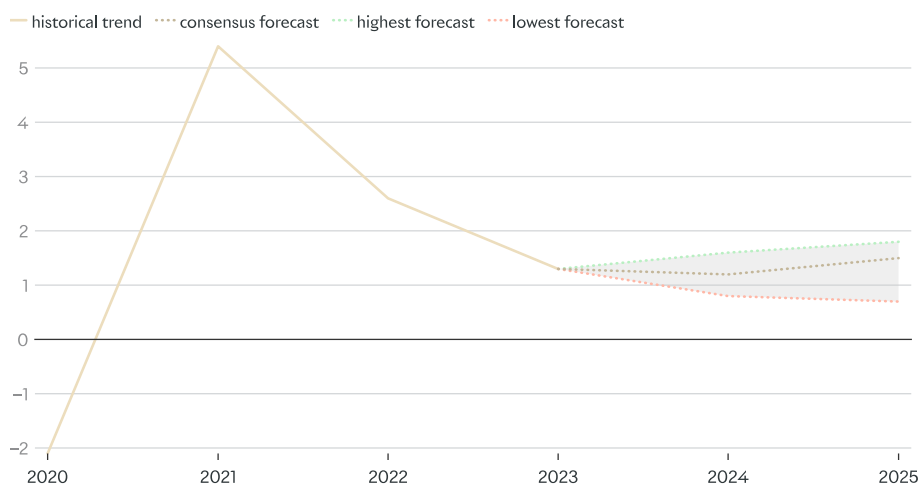


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

Inflation is predicted to fall slightly in 2024 to 1.6%, which is already below the SNB's upper limit of 2%. The consensus forecast for next year is just under 1.5% as the experts see inflationary pressure easing further.

Figure 4

## Inflation

Inflation rate in % compared to the previous year

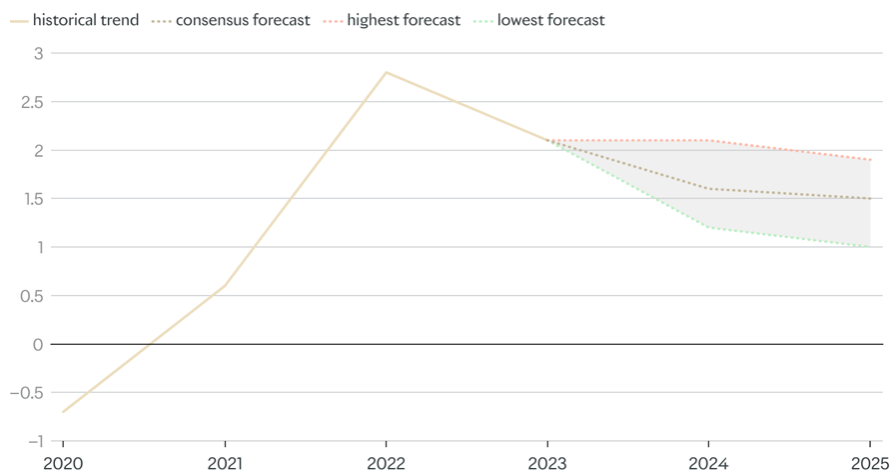


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

In line with the forecasted normalisation of inflation, the SNB is expected to lower its policy rate more than once as the year progresses. No more than one rate cut is anticipated by mid-2024, but the majority of the experts surveyed see two quarter-point cuts being made by the end of the year. Two-thirds of them predict an SNB policy rate of 1.25% or lower by then.

Figure 5

## SNB policy rate

Number of mentions

■ June 2024 ■ December 2024

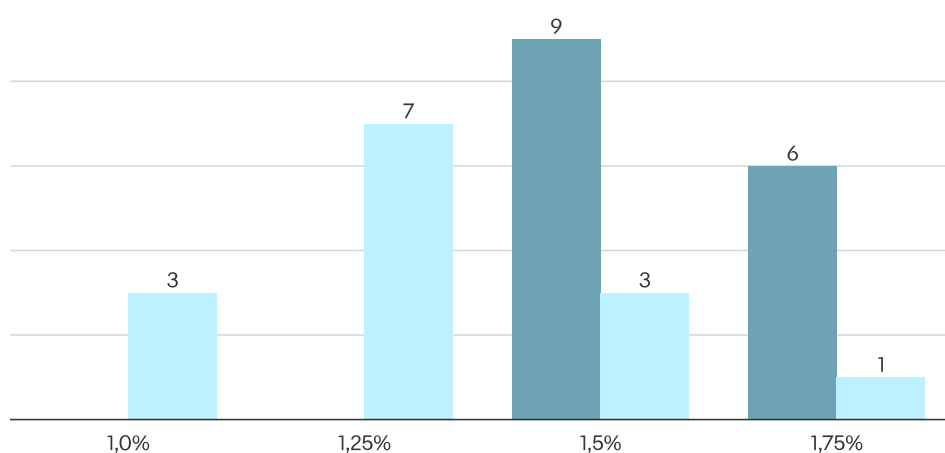


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

The experts are less upbeat with regard to the Swiss Market Index (SMI). On average, they forecast an index level of 11,600 points for the middle of the year, which is much lower than the forecast in last year's Swiss Banking Outlook. They expect the index to reach 12,000 points by the end of the year, equating to a gain of 7.7% for the year as a whole – only slightly above the long-term average of 6.8%. The individual forecasts range from 11,700 points (+5%) to 12,500 (+12.2%).

Figure 6

## Swiss Market Index SMI

Index level at mid-year and year-end

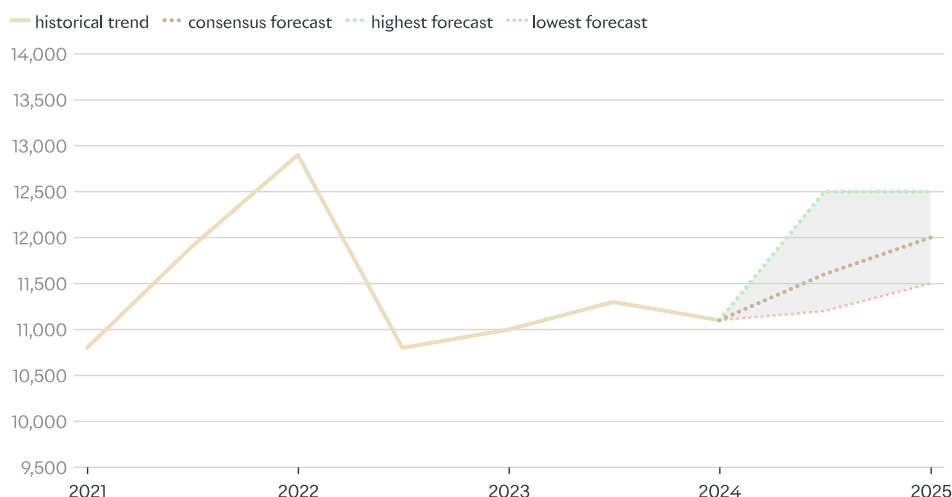


Chart: Swiss Bankers Association · Source: SIX Swiss Exchange, Swiss Banking Outlook – Update

## Banks' net income stable at high level

Overall expectations for Swiss banks' income are positive. After a record year in 2023 which was driven by interest operations, the updated Swiss Banking Outlook forecasts another high figure for aggregate net income in 2024. Whereas only 13% of the experts surveyed expect an increase compared with last year, the largest share (47%) anticipate a stable trend.

According to those polled, last year's record figure will not be beaten in 2024. Just under half expect net income to remain stable at a high level, while others think it will fall slightly. There is more agreement when it comes to estimates for individual fields of business. The result from interest operations was exceptionally high last year but is expected to show a decline this year as headline interest rates fall and competition intensifies. Meanwhile, the experts see the result from commission business and services increasing. There is no consensus on the result from trading activities, although the majority expect it to be flat. Looking at the industry as a whole, the normalisation in interest operations should be offset by the improved result from commission business and services.

Figure 7

Aggregated net income

Expected net income 2024 compared to the previous year

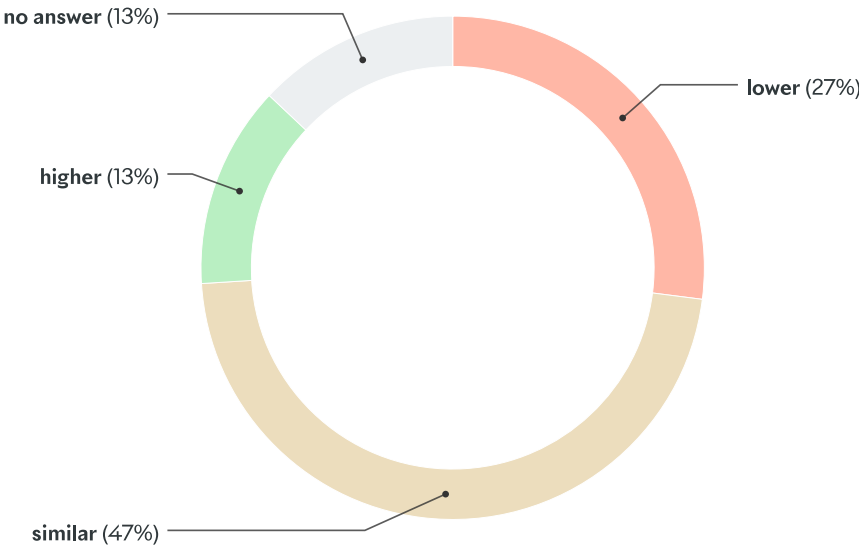


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

Figure 8

Net income by field of business

Expected net income 2024 compared to the previous year

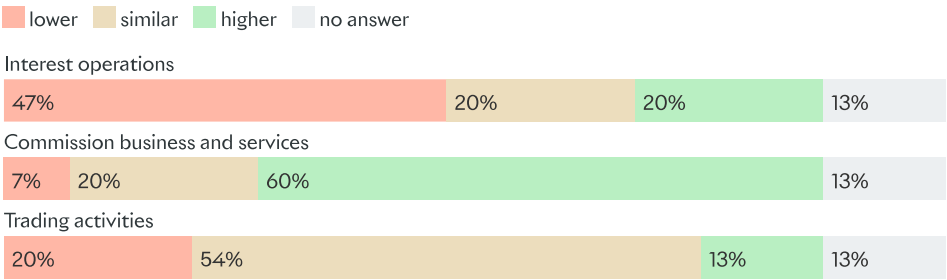


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

The banking experts who took part in the survey forecast growth in lending below the five-year average for this year. This cautious view is especially unanimous with regard to mortgage loans. The respondents attribute this to falling construction activity and higher interest rates. They are also cautious for non-mortgage loans, but their expectations are more varied. Improved economic sentiment and capital spending, which could boost demand for loans, are set against the negative effect from interest rates being above the long-term average.

Figure 9

## Growth rate in the lending business

Expected growth for 2024 compared to the average of the last five years according to the SNB banking statistics (3,4% p. a.)

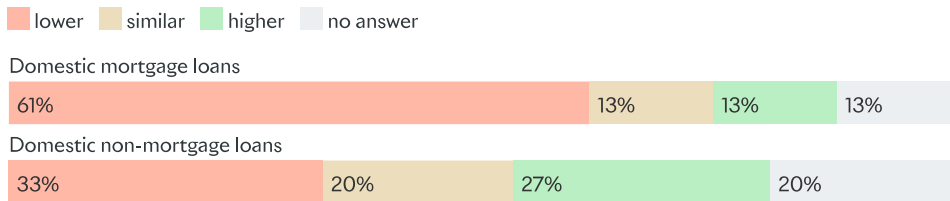


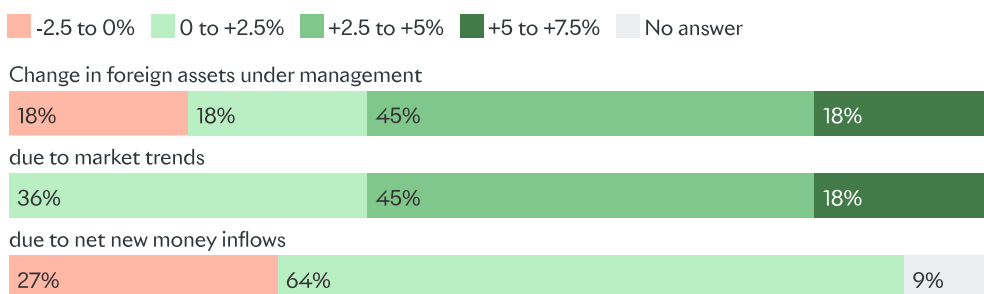
Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update

A majority of respondents expect a small increase in foreign assets under management for 2024, but their views differ on the two underlying factors – growth in existing assets and net new money inflows. Regarding existing assets, most experts believe that foreign assets under management in Switzerland will grow due to market development. However, with regard to net new money flows, numerous respondents expect net asset outflows from foreign clients. The negative opinions are motivated primarily by uncertainty over the impact of Swiss sanction policy and geopolitical tensions. There are fears that assets may be shifted to less restrictive financial centres, causing Switzerland’s importance as an asset management location to decline. The more optimistic, on the other hand, stress the rising level of global financial assets and Switzerland’s outstanding position on the asset management market.

Figure 10

## Change in foreign assets under management in Switzerland

Expected change in 2024 in per cent compared to the previous year



Note: The areas shown above represent all responses in the possible response range from –10 to +10%, n=11

Chart: Swiss Bankers Association · Source: Swiss Banking Outlook – Update