

Press Release

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Corona Crisis Could Cost the Swiss Economy CHF 35 billion between March and June

Using four scenarios, KOF has calculated the short-term economic consequences of the COVID-19 pandemic. In the most positive scenario, Switzerland must expect to lose CHF 22 billion in value added between March and June. In the most negative scenario, this loss rises to 35 billion francs. The high costs are largely driven by international developments.

To contain the spread of the coronavirus, social and economic life in Switzerland and many other countries has virtually ground to a halt. KOF has estimated how high the economic costs that could result from the state of emergency between March and June 2020 might be. These calculations show that Switzerland must expect to **lose between CHF 22 billion and CHF 35 billion in value added during these four months.**

The calculations are based on four scenarios for the performance of the economy going forward. The most positive scenario assumes a one-month lockdown in Switzerland and a 10 per cent slump in international economic output. **In this comparatively 'mild' scenario the loss in value added between March and June amounts to almost 22 billion francs. This is around 9 per cent of normal economic output over the same period.** The most negative scenario assumes a two-month lockdown and a 17 per cent slump in international economic output. In this more severe scenario, the total costs amount to 35 billion francs or about 15 per cent of value added. Calculated per week, the lockdown in Switzerland will generate costs of around CHF 1.2 billion.

Costs largely determined by the international environment

The calculations also show what, from a Swiss perspective, are the main drivers of these high losses. **Between 44 per cent and 71 per cent of the economic costs are attributable to international developments – i.e. the collapse of the global economy.** The **lockdown measures** in Switzerland (plant closures and mobility restrictions) **will cause between 19 per cent and 45 per cent of the costs**, depending on the scenario. **Illness-related absences from work and quarantine measures account for 8 per cent to 14 per cent of the costs.** If, however, the infection rate were to rise sharply and ten more people were to be quarantined for every person who fell ill, the costs of work lost would rise dramatically. In this scenario they could account for up to 38 per cent of the total loss.

"Even if the current strategy is successfully implemented, the economic costs for Switzerland will be largely determined by the international environment", said Jan-Egbert Sturm, Director of KOF. "Unless the crisis is contained globally, the economic problems in Switzerland will remain severe". Nevertheless, a relaxation of the lockdown measures would provide great relief for the Swiss economy – provided that a return to exponential infection rates can be prevented. The calculations also suggest that efficient quarantine measures could prevent unnecessary losses of value added.

Impact on individual sectors of the economy

The scenarios also make it clear that **the retail, transport and hospitality sectors in particular are suffering from the consequences of the COVID-19 pandemic.** They must expect to suffer losses in **value added of between 15 per cent and 25 per cent** and will be the hardest-hit sectors in all four scenarios. They are followed by industry and business-related services. The restrictions in the construction industry as well

as in consumer-related services and the public sector are also making themselves felt. However, these sectors are much less dependent on the international environment.

A detailed report on these lockdown scenarios can be found on our website:

<https://kof.ethz.ch/en/news-and-events/media/press-releases.html> →

An overview of KOF's publications on the coronavirus to date – together with the latest facts and figures – can be found here:

<https://kof.ethz.ch/en/forecasts-and-indicators/indicators.html> →

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