



Press release

Western Switzerland's retailers impacted by e-commerce

Changes in the retail sector – including the growth of e-commerce, competition from cross-border shopping, and a drop in non-food prices – have affected sales in Switzerland's French-speaking cantons to different degrees. According to data issued today in the 15th study on French-speaking Switzerland's GDP, retail sales across the region fell by an average of 7.7% from 2008 to 2018. The sharpest declines were seen in Jura (-9.1%), Neuchâtel (-14.0%) and Vaud (-12.1%), while Fribourg (-1.5%), Geneva (-3%) and Valais (-5.3%) suffered less.

8 May 2019 – The study was published by the region's six cantonal banks, in collaboration with the CREA Institute and the Forum des 100 conference held by Swiss newspaper *Le Temps*. It revealed that, in addition to structural changes, demographics played a key role in the trend in retail sales. Population growth buoyed sales in the cantons of Fribourg and Valais, whereas the demographic trend was more subdued in Jura and Neuchâtel. In Geneva – a regional hub that plays host to a large number of cross-border workers and commuters from other Swiss cantons – retail numbers held firm. The decline in Vaud Canton's retail sector over the past ten years contrasts with the sharp rise during the previous decade.

The contraction in retail sales had knock-on effects on employment. Between 2008 and 2018, the number of retail jobs in French-speaking Switzerland dropped by nearly 6,100, or 6.8%, to 84,000, according to regional estimates prepared by BAK Economics for the cantonal banks of French-speaking Switzerland. As with retail sales figures, employment declined less in Fribourg and Valais than in Jura, Neuchâtel, and Vaud. Employment in the retail sector picked up slightly in the canton of Geneva.

The turning point for retailers came in 2008, when it became clear that e-commerce was a serious contender that would structurally change the retail sector. Online shopping had emerged in the 1990s and, despite doubts about its

Broad-based growth

French-speaking Switzerland's GDP grew by 2.9% in 2018, its best year since 2010. This strong performance was underpinned by solid growth across the economy, including in both the manufacturing sector – where exports reached record levels – and the services and other sectors catering to domestic demand.

With the global economy losing momentum, the region's outlook for 2019 and 2020 has deteriorated, according to estimates issued by the region's six cantonal banks in collaboration with the CREA Institute and the Forum des 100 conference held by Swiss newspaper *Le Temps*. Manufacturing is forecast to slow this year, while sectors driven by domestic demand should remain firm. The GDP growth estimate for French-speaking Switzerland has been trimmed to 1.2% for 2019 and stands at 1.7% for 2020.

Economic growth worldwide has been held back by increasing sluggishness in the eurozone and escalating trade tensions between the US and China. While the IMF has cut its global GDP forecast for 2019, it expects economic output to improve in 2020 – which could help shore up manufacturers in French-speaking Switzerland.

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longevity when the dot-com bubble burst in the early 2000s, now accounts for around 10% of Swiss household purchases, according to market research firm GfK. Also in 2008, amid the fallout of the global financial crisis, the euro began a 30% decline in value that boosted the cross-border purchasing power of Swiss consumers by the same proportion. This factor, combined with the growing popularity of low-cost flights and short vacations to European countries, helped drive up cross-border sales, which have risen to around 10% of household purchases in French-speaking Switzerland.

Today several contrasting trends are at work within the retail sector. Employment figures show that city centers have been affected more by changes to the sector than the suburbs, where superstores are taking hold. We are also seeing a divergence between food and non-food sales. In food retail, prices and revenues have come under less downward pressure and e-commerce has been slow to take root (accounting for only 2.5% of food purchases in 2018). Yet the number of jobs in food retail dropped by 17.3% in French-speaking Switzerland between 2008 and 2016. This decline, which began well before 2008, can be attributed mainly to growing productivity, as larger stores require a relatively lower number of employees.

In non-food retail, prices and revenues fell sharply, largely as a result of globalization and a shift in manufacturing to low-cost countries. E-commerce was also a major factor and now accounts for 16% of purchases. Paradoxically, the number of jobs in non-food retail edged upwards (1.6%) alongside a rise in specialized big-box chains (e.g., for sports, clothing and accessories, and home furnishings); this trend, however, is losing steam.

A key economic indicator

GDP is the most widely used measure of a country or region's economy. It shows how an economy expands or contracts over time and makes it easier to compare different regions. Policymakers and business leaders also draw on GDP forecasts to better guide their economic policy decisions and implement plans.

The Swiss federal government issues national GDP data and has published cantonal GDP estimates for 2008-2016. On top of this, the cantonal banks of French-speaking Switzerland, in collaboration with the Forum des 100, have been publishing GDP figures for the region since 2008, as well as historical data and forecasts for the year in progress and the following year. These figures are calculated by the CREA Institute of Applied Economics, within the University of Lausanne's Business and Economics Faculty, using a clearly explained methodology. The 2018 figures will be presented at the 15th annual Forum des 100 in Lausanne on 9 May 2019.

For more information, visit www.bcf.ch, www.bcge.ch, www.bcj.ch, www.bcn.ch, www.bcvs.ch, www.bcv.ch, www.hec.unil.ch/crea, or www.forumdes100.ch.



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