Switzerland’s economy expanded more than economists expected in the third quarter, with exports helping it perform better than neighboring Germany.

Swiss gross domestic product rose 0.5 percent in the three months through September from the second quarter, when it expanded by the same amount, the Secretariat for Economic Affairs in Bern said in a statement today. That beats the 0.4 percent median estimate in a Bloomberg survey of 19 economists.

The Swiss National Bank (SNBN) set a cap on the franc of 1.20 per in September 2011, citing the risk of deflation and a recession. Since then, the Swiss economy has seen a single quarter of contraction, while the debt-plagued euro area only emerged from an 18-month slump in the middle of this year.

If the SNB were to tighten monetary policy reflecting better growth, “it would have immediate negative domestic effects,” said Christian Lips, an economist at NordLB in Hanover. “Looking forward, neither the cap nor the rates can be changed before year-end 2014,” given weak growth in the neighboring euro area, Switzerland’s top trading partner, he said.

The franc, which has slipped two percent against the euro since the start of the year as the bloc’s debt crisis has waned, was trading unchanged at 1.2324 per euro at 8:43 a.m. in Zurich, off an intra-day high of 1.2321.

**Better Exports**

In the third quarter of 2013, household consumption increased 0.2 percent from the second, construction investment climbed 1 percent and exports of goods increased 0.5 percent.

“Following an extended period of relative stagnation, exports of goods showed a strong increase,” the SECO said in the statement.

Combined with recovering euro area demand, less volatility in the exchange rate due to the currency cap has helped exporters, SNB President Thomas Jordan said in Biel this week.

The 17-nation currency bloc’s economy grew just 0.1 percent in the three months through September. Germany’s, the biggest economy of the region, expanded 0.3 percent in the third quarter.
Jordan said this the cap on the franc was still “indispensable” and would stay in place. Jordan has in the past stressed the cap is not a tool for fine tuning -- remarks some economists have taken to mean the cap won’t be shifted to another level.

Jordan’s remarks were “a clear indication that the SNB is unlikely to touch their current monetary-policy framework” at the next policy review on Dec. 12, according to Reto Huenerwadel, senior economist at UBS AG in Zurich.

**Manufacturing Output**

Compared with a year ago, the Swiss economy grew 1.9 percent in the third quarter, down from a 2.5 percent year-on-year growth rate in the second, today’s data showed. Domestic demand is the biggest component of Swiss economic growth, accounting for about 57 percent of output last year, while exports made up 10 percent.

Switzerland’s manufacturing sector has improved in recent months, according to the forward-looking Procure.ch Purchasing Manager’s Index.

The Swiss economy is expected to outperform that of the euro-area next year too. The Organisation for Economic Cooperation and Development foresees Swiss growth of 1.9 percent this year, accelerating to 2.2 in 2014. That compares with a predicted contraction of 0.4 percent for the euro area in 2013, followed by an expansion of just 1 percent next year.

A high influx of skilled immigrants, many of them from the EU, has helped support Swiss aggregate demand in recent years. Swiss GDP is now 5 percent above its pre-crisis level, though -- contrary to Germany -- in per-capita terms output has not yet returned to its pre-crisis level, SNB board member Fritz Zurbruegg said last week.

Switzerland’s output gap remains negative, meaning there is little inflationary pressure, Zurbruegg said. Swiss consumer prices are expected to fall 0.2 percent this year, and the central bank doesn’t see a threat to its 2 percent price-stability threshold in the medium term.

To contact the reporter on this story: Catherine Bosley in Zurich at cbosley1@bloomberg.net

To contact the editor responsible for this story: Craig Stirling at cstirling1@bloomberg.net

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