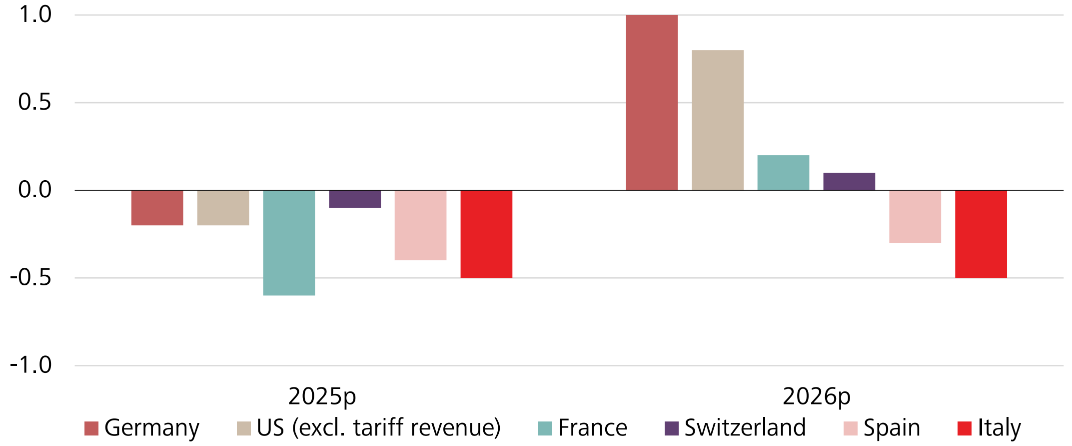
JANUARY 2026

Macro check-up

The tariff deal struck with the US will not immediately put the Swiss export industry back on the road to recovery. Headwinds from various directions remain persistently strong, causing order backlogs to shrink further at the turn of the year. Domestic demand is likewise not immune to weak foreign demand. On the other hand, the Swiss economy is continuing to receive support from monetary policy. Deflationary risks are not a concern for the Swiss National Bank (SNB). Moreover, provided the Swiss franc remains largely stable, especially against the euro, the SNB should remain satisfied with the orientation of its monetary policy and maintain zero interest rates.

CHART OF THE MONTH: STIMULUS VERSUS FISCAL RESTRAINT

Fiscal impulse based on the forecast for the change in the structural, primary financing balance in % of GDP



Source: EU Commission, IMF, Raiffeisen Economic Research

The US economy slowed somewhat in the final quarter due to the longest government shutdown in history. Back payments of wages and delayed spending are, however, providing some tailwind at the turn of the year. This also applies to fiscal policy. The One Big Beautiful Bill Act (OBBBA) brings noticeable relief for consumers and businesses. The possibility of immediate write-offs encourages investment. Employees benefit – temporarily until after the mid-term elections – from tax exemptions for tips and overtime as well as increased standard deductions. Overall, the federal budget provides for early support and later burdens during the legislative term, meaning stimulus effects in the first half of 2026, in particular, that offset or even overcompensate negative tariff impacts.

In Europe, fiscal policy will be expansive this year, especially in Germany. There is, however, disillusionment regarding general economic policy and the plans for the use of the enormous borrowing authorisations. Less than half of the funds are earmarked for additional investments. And the disbursements are already lagging significantly behind the budget plans. Nevertheless, the large volume should gradually have a growth-promoting effect over the course of the year. Germany remains the exception. The final allocations from the EU recovery programme and higher defence expenditure are likely to prevent government spending from declining in the rest of the Eurozone as well. Fundamentally, however, the other major members find themselves on a consolidation course.

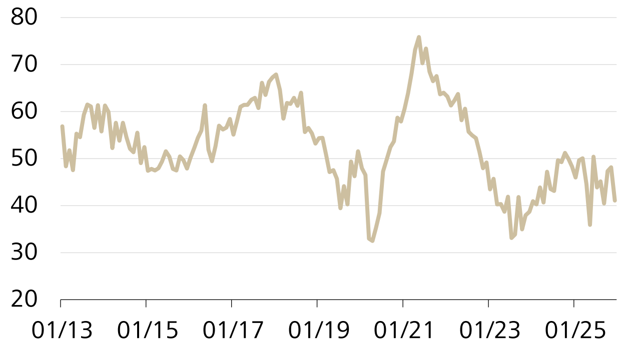
The situation is similar in Switzerland. Here, while government debt and interest burdens are not a problem, the debt brake continues to force fiscal policy to exercise restraint – unlike in the US. In the Federal Palace, a great deal of time is being spent on clarifying individual, smaller budget items in order to keep the state account virtually balanced, meaning no significant impetus for the Swiss economy in either direction.

RAIFFEISEN
Economic Research

Economy

WEAK ORDER SITUATION

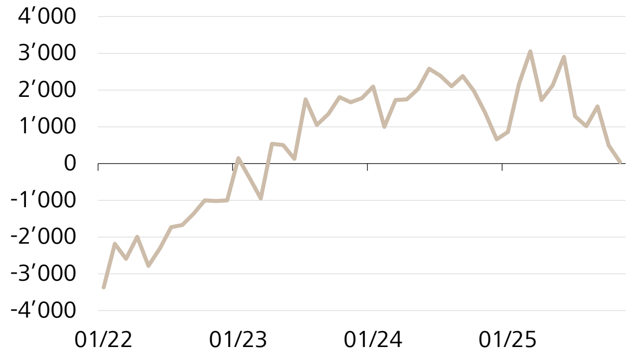
Swiss industrial PMI, order backlog



Source: procure, Raiffeisen Economic Research

SWISS UNEMPLOYMENT

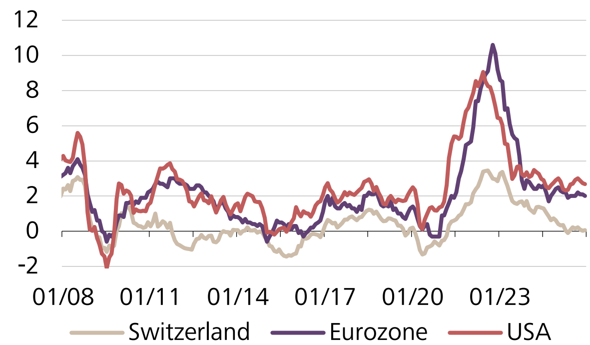
Unemployment, seasonally adjusted, versus previous month



Source: SECO, Raiffeisen Economic Research

CONSUMER PRICES

Year-on-year change in %



Source: LSEG, Raiffeisen Economic Research

Swiss economy remains divided

At the turn of the year, the Swiss economy is being supported by robust demand for services. Meanwhile, signs of recovery are visible in the construction sector. Residential construction, in particular, is benefiting from the return to very low interest rates. In manufacturing, by contrast, capacities remain significantly underutilised. Despite the deal, companies still see US punitive tariffs as a major challenge, and this situation is compounded by the strong Swiss franc. Companies seeking to pass on some or all of the tariff costs are reporting more cautious demand. To improve sales prospects, surveys show that more companies are considering relocating production abroad, not least to the US, or at least expanding capacity abroad rather than in Switzerland. This is likely to hold back domestic investment activity this year. Accordingly, sentiment among manufacturers showed no signs of recovery at the end of the year. The order situation was again assessed more negatively in the December surveys. The business outlook remains subdued, especially in the machinery, metal and watchmaking industries. In addition to the tariffs, many companies cite weak demand from the German automotive industry and generally from China as reasons for this.

Consumer sentiment dampened by job insecurity

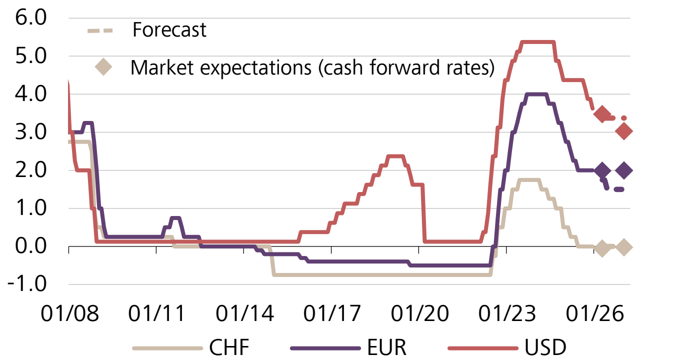
However, even with more resilient domestic demand, the trend is not uniform. Business-related service providers are suffering from the industrial slowdown. Retailers continue to report heightened price sensitivity among consumers and stronger demand in the low-price segment. In contrast, the hospitality sector remains well utilised. Consumer restraint is also linked to increased job insecurity. The temporary 39% punitive tariffs caused an increase in short-time working for a while. And even after the tariff agreement, staffing plans in the industry remain negative. At the same time, the overall employment outlook has stabilised, slowing the rise in unemployment significantly towards the end of the year (see chart).

No signs of deflation

In the US, the impact of tariffs on consumer prices has so far been less pronounced than feared. This is partly due to the numerous tariff exemptions. However, many US companies are planning further pass-throughs. As a result, price pressure is likely to remain high, at least in the coming months. In Switzerland, the opposite appears to be true. The inflation rate had fallen back closer to the zero mark by year-end. However, the dampening effect of the strong Swiss franc has now reached its peak. Service providers are also once again reporting slightly higher sales price plans in corporate surveys. Overall, this should give a slight boost to the inflation rate over the course of the year. Broad-based price declines are therefore by no means indicated.

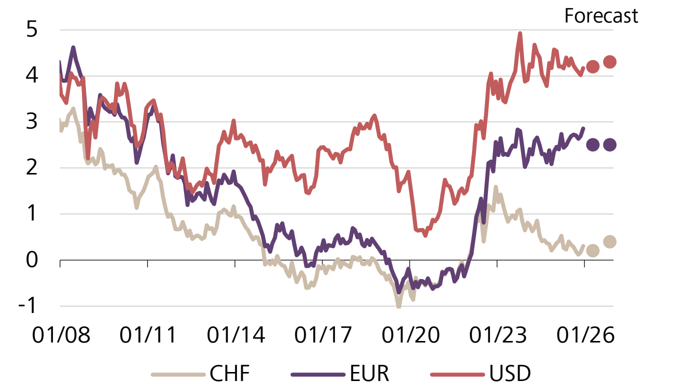
Interest rates

KEY INTEREST RATE, IN %



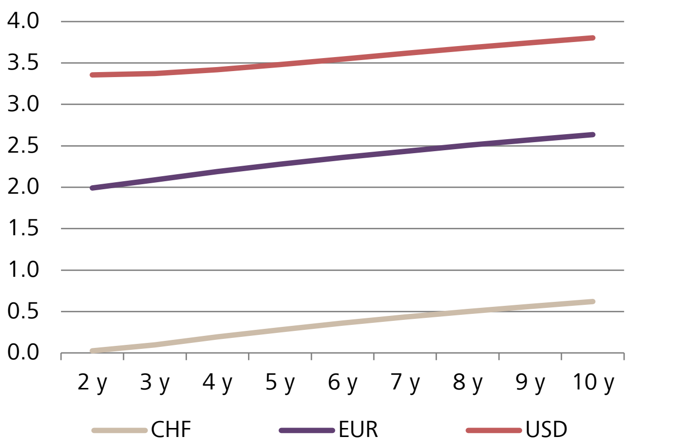
Source: LSEG, Raiffeisen Economic Research

10-YEAR GOVERNMENT BONDS, IN %



Source: LSEG, Raiffeisen Economic Research

YIELD CURVE (AS OF 14 JANUARY 2026), IN %



Source: LSEG, Raiffeisen Economic Research

Fed now also in a good position

The US Federal Reserve cut its key interest rates by 25 basis points for the third consecutive time at the end of the year. At 3.625%, the Fed funds target rate is now considered neutral by the Fed Chair, and US monetary policy is in a good position. As the views of the members of the Federal Open Market Committee (FOMC) on the extent of the downside risks for the labour market and the upside risks for inflation now diverge sharply, the next steps are highly debated. While Jerome Powell has tended to emphasise labour market risks, the new FOMC forecasts showed somewhat more robust economic expectations overall, with only a minority in favour of more than one further rate cut in 2026. If labour market data continues to show no signs of considerable cooling, further significant rate cuts are not warranted.

ECB remains open

At its last meeting of 2025, the European Central Bank (ECB) still saw no need for adjustment. The deposit rate remains at 2.0%. The Eurozone economy is assessed as resilient. And, according to the ECB, inflation indicators remain in line with the inflation target. However, the ECB President still sees the inflation outlook as unusually uncertain in both directions – perhaps even more so recently. For this reason, it is currently not possible to provide guidance on where the next interest rate move will go. The statement somewhat relativises the remark made by Executive Board member Isabel Schnabel, who considered a rate hike to be plausible for the next adjustment. By contrast, we believe that another downward adjustment of interest rates is more likely in 2026 given the unstable economy.

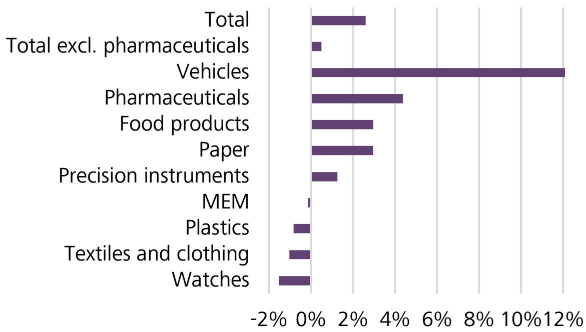
SNB is satisfied

At its December meeting, the SNB did not express any concern about the slightly lower-than-expected inflation recently. The medium-term outlook remains virtually unchanged. Early rate cuts continue to provide support, while reduced downside risks for the economy should also contribute to higher inflation in 2026. Not least, the tariff deal with the US has slightly brightened the economic outlook. Moreover, the EUR/CHF exchange rate trend, which has now been stable for two years, argues against deflation risks. The ECB's early pause keeps the interest rate differential between the Eurozone and Switzerland high, limiting the attractiveness of the Swiss franc. Overall, the SNB is very satisfied with the progress of the easing cycle to date and with the current monetary policy stance. Even without the higher hurdle for a return to negative interest rates, the environment does not favour a further cut.

Swiss industries

SWISS EXPORTS

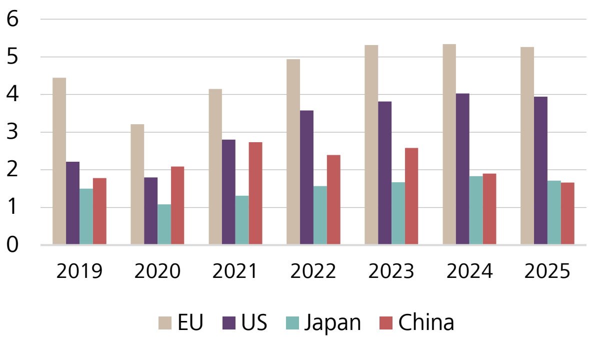
January to November, year-on-year change in %



Source: FOCBS, Raiffeisen Economic Research

WATCH EXPORTS

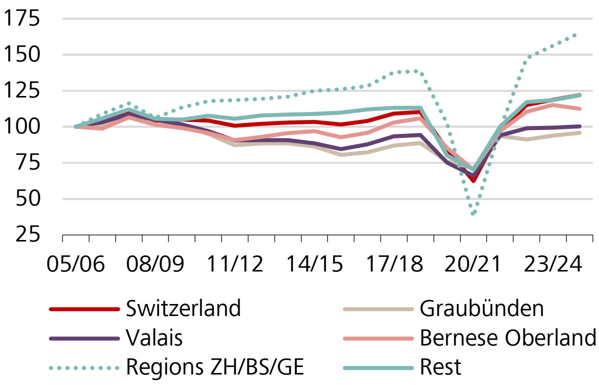
January to November, in CHF billion



Source: FOCBS, Raiffeisen Economic Research

OVERNIGHT STAYS IN WINTER

November to April, indexed (2005/2006 season = 100)



Source: FSO, Raiffeisen Economic Research

Watch exports to China fall sharply again

Despite US tariffs, Swiss exports in 2025 are expected to exceed the previous year's level. This even applies to exports to the US, albeit only thanks to extensive advance deliveries in the pharmaceutical sector, mostly in spring. The EU was the main growth driver in other sectors with global export growth, including rail and aircraft as well as precision instruments. By contrast, exports to China declined in most sectors, particularly in the MEM industry (machinery, electrical engineering and metals) and watchmaking. Swiss watch exports to China fell by about 12%, having already plunged 25% in the previous year. Weak consumer sentiment due to the ongoing real estate crisis and the high level of household uncertainty is having an impact here. Forecasts for 2026 also remain subdued, as GDP growth in China and in other key sales markets is expected to weaken further. The entire export sector continues to face headwinds. The 15% US tariffs also represent a considerable burden for the affected industries.

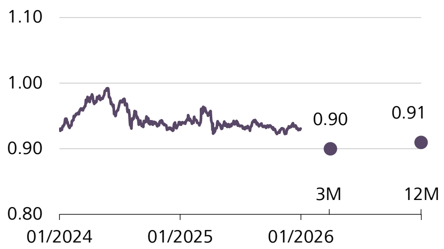
Winter tourism growing less strongly

Tourism is also an export-orientated sector. However, as a service industry, it is not directly affected by tariffs. The hotel industry can look back on an extremely successful summer season (May to October), which was marked by several major events. A record number of visitors was recorded for the third time in a row, driven by rising overnight stays by both domestic (+2.8%) and foreign guests (+2.4%). Another record is also expected for the winter, even though the season has started slowly. November saw the first year-on-year decline in a long time. However, this was primarily due to the strong November 2024 with particularly good weather. According to surveys, hoteliers are expecting slightly higher guest numbers overall than recorded in last winter's record.

Behind the solid overall picture, however, regional differences persist. While city tourism is booming, ski resorts are benefiting less. In Valais and Graubünden, the number of overnight stays is stagnating. One reason is the different guest structure. The share of long-distance travellers has increased in recent years. However, they often do not come to Switzerland primarily for skiing. Ski tourism remains heavily dependent on European guests, some of whom react very sensitively to higher prices (due to exchange rates).

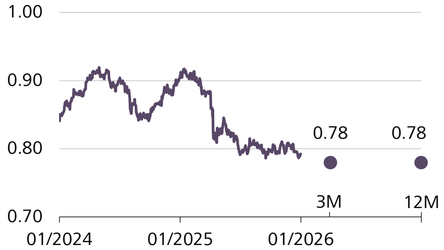
Exchange Rates

FORECAST



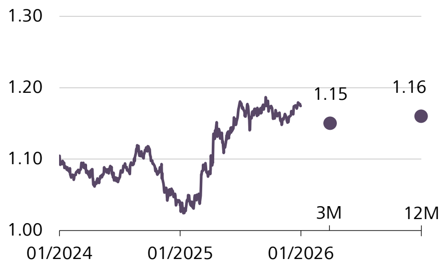
EUR/CHF

The euro lost 0.4% in value against the Swiss franc in December. For the full year, this results in a decline of one percent. Unlike the Swiss National Bank (SNB), the European Central Bank (ECB) is likely to slightly lower its key interest rates again in 2026 in our view, which will further reduce the euro's interest rate advantage over the franc. The Swiss currency, on the other hand, is expected to remain in demand due to the uncertain market environment (including the war in Ukraine and the conflict between Venezuela and the USA). Accordingly, we forecast the EUR/CHF currency pair at 0.91 on a 12-month horizon.



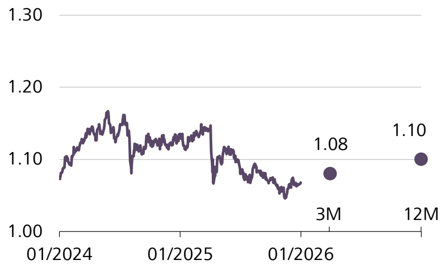
USD/CHF

At its last monetary policy meeting of 2025, the U.S. Federal Reserve (Fed) cut its key interest rate by 0.25% as expected. With this decision, it underscores that its focus is no longer on inflation but on the cooling labor market. As a result, the U.S. dollar depreciated by 1.5% against the Swiss franc in December. This brings its cumulative loss for 2025 to almost 13%. The "greenback" is likely to remain under pressure in the new year, as the Fed is expected to cut rates once more. At the same time, the franc benefits from geopolitical uncertainties. We see the USD/CHF exchange rate at 0.78 in the medium term.



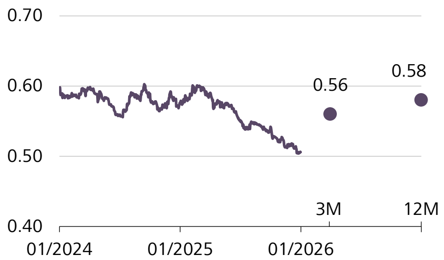
EUR/USD

In the final month of the past year, the euro extended its gains against USD to 13.4%. However, the single currency now appears to have exhausted its appreciation potential: our 12-month forecast for the EUR/USD pair stands at 1.16. The euro is weighed down by weak economic activity and Europe's debt situation. The fact that the "greenback" is unlikely to benefit from this is mainly due to the U.S. government's tariff and trade policies as well as the escalation of the conflict with Venezuela. Meanwhile, both the ECB and the U.S. Federal Reserve are nearing the end of their respective rate-cutting cycles.



GBP/CHF

Inflation in the United Kingdom fell sharply before Christmas, from 3.6% to 3.2%, surprising markets. The Bank of England (BoE) seized the opportunity to cut its key interest rate by a quarter percentage point to 3.75%, as expected. In the meantime, the pound sterling stabilized above the 1.06 franc mark. We continue to believe that too much pessimism is priced into the GBP/CHF exchange rate. However, the struggling economy limits the scope for a recovery of the British currency. Against this backdrop, we have slightly revised down our 3- and 12-month forecasts to 1.08 and 1.10, respectively.



JPY/CHF*

In December, the Japanese yen once again weakened against the Swiss franc, resulting in an annual loss of over 12%. For the new year, we expect a slight recovery in the JPY/CHF exchange rate. The main reason is the ongoing normalization of the Bank of Japan's (BoJ) monetary policy. Most recently, it raised its key interest rate by 25 basis points to the highest level since 1995 and signaled further rate hikes. In addition, the government has approved a record budget equivalent to 623 billion francs for the coming fiscal year to support the economy.

* Multiplied by 100
Sources: Bloomberg, Raiffeisen Switzerland CIO Office, Raiffeisen Schweiz Economic Research

Raiffeisen forecasts (I)

ECONOMIC SITUATION

GDP (average annual growth in %)

	2022	2023	2024	2025 forecast	2026 forecast
Switzerland*	3.5	1.3	1.2	**1.2**	**1.0**
Eurozone	3.6	0.6	0.8	**1.3**	**1.0**
US	2.5	2.9	2.8	**1.8**	**1.3**
China**	3.0	5.2	5.0	**4.8**	**4.0**
Japan	1.3	0.7	-0.2	**1.2**	**0.8**
Global (PPP)	3.6	3.3	3.2	**2.9**	**2.6**

Inflation (annual average in %)

	2022	2023	2024	2025 forecast	2026 forecast
Switzerland	2.8	2.1	1.1	**0.2**	**0.5**
Eurozone	8.4	5.5	2.4	**2.1**	**1.6**
US	8.0	4.1	3.0	**3.0**	**3.2**
China	2.0	0.2	0.2	**0.2**	**0.5**
Japan	2.5	3.3	2.7	**2.7**	**1.9**

FINANCIAL MARKETS

Key interest rates (end of year %)***

	2023	2024	Current****	3M forecast	12M forecast
CHF	1.75	0.50	0.00	**0.00**	**0.00**
EUR	4.00	3.00	2.00	**2.00**	**1.50**
USD	5.25-5.50	4.25-4.50	3.50-3.75	**3.50-3.75**	**3.25-3.50**
JPY	-0.10	0.25	0.50	**0.75**	**1.00**

Capital market interest rates (10-year government bond yields; end of year %)

	2023	2024	Current****	3M forecast	12M forecast
CHF	0.65	0.27	0.27	**0.20**	**0.40**
EUR (Germany)	2.02	2.36	2.84	**2.50**	**2.50**
USD	3.88	4.57	4.18	**4.20**	**4.30**
JPY	0.61	1.09	2.19	**1.80**	**1.60**

Exchange rates (end of year)

	2023	2024	Current****	3M forecast	12M forecast
EUR/CHF	0.93	0.94	0.93	**0.90**	**0.91**
USD/CHF	0.84	0.90	0.80	**0.78**	**0.78**
JPY/CHF (x 100)	0.60	0.58	0.51	**0.56**	**0.58**
EUR/USD	1.10	1.04	1.17	**1.15**	**1.16**
GBP/CHF	1.07	1.14	1.08	**1.08**	**1.10**

Raw materials (end of year)

	2023	2024	Current****	3M forecast	12M forecast
Crude oil (Brent, USD/barrel)	77	75	65	**60**	**65**
Gold (USD/ounce)	2'063	2'625	4’632	**4'500**	**5'000**

*Adjusted for sporting events **The GDP figures are more controversial in their accuracy than in other countries and should be viewed with some caution. *** The key interest rate relevant for money market rates (SNB deposit rate, ECB deposit rate, interest rate corridor for the Fed Funds target rate) ****14.01.2026

Raiffeisen forecasts (II)

SWITZERLAND – DETAILED FORECASTS (ADJUSTED FOR SPORTING EVENTS)

	2021	2022	2023	2024	2025 forecast	2026 forecast
GDP, real, % change	**5.9**	**3.5**	**1.3**	**1.2**	**1.2**	**1.0**
Private consumption	2.2	4.9	1.4	2.4	1.4	1.3
Government consumption	2.9	-0.6	1.4	1.3	1.3	0.7
Investment in equipment	7.0	4.7	3.8	1.2	-0.8	0.8
Investment in construction	-3.1	-6.9	-1.5	-1.4	-0.5	0.8
Export	11.5	5.8	-2.0	3.0	1.4	-0.6
Import	4.8	6.6	1.1	3.7	2.3	0.6
Unemployment rate in %	**3.0**	**2.2**	**2.0**	**2.4**	**2.8**	**3.2**
Inflation in %	**0.6**	**2.8**	**2.1**	**1.1**	**0.2**	**0.5**

Publisher
Raiffeisen Economic Research
Fredy Hasenmaile, Chief Economist of the Raiffeisen Group
The Circle 66
8058 Zurich, Switzerland
economic-research@raiffeisen.ch

Authors
Alexander Koch
Domagoj Arapovic

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