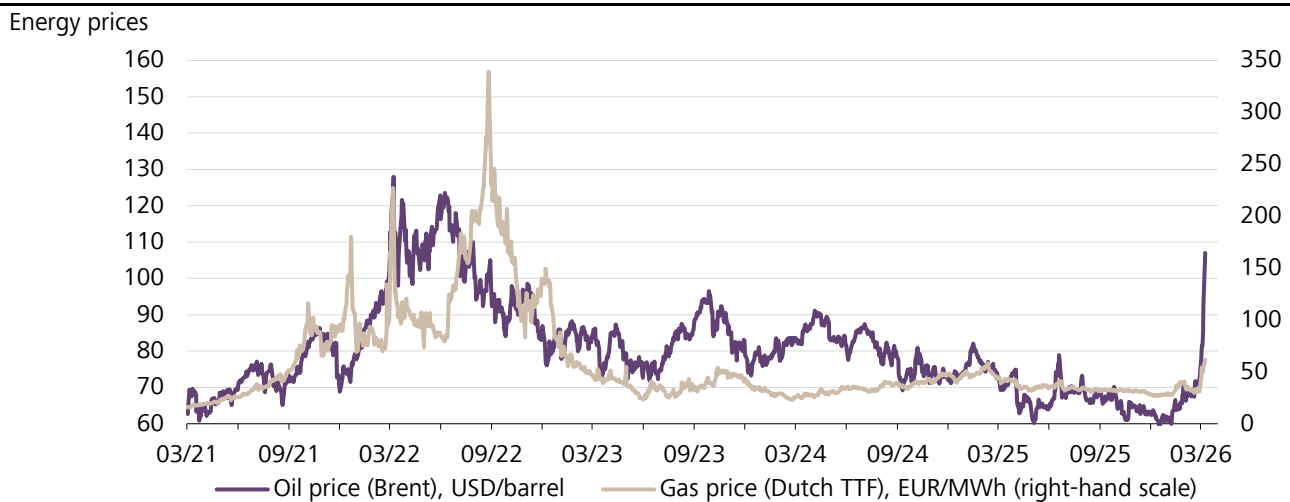


Macro Check-up

For the global economy, the Iran war primarily creates uncertainty regarding the security of oil supplies. A prolonged closure of the crucial shipping route through the Strait of Hormuz – a scenario we do not consider unrealistic – would push oil prices significantly higher. Should the situation ease in the coming weeks, however, the impact would remain low. This shock comes at an inopportune moment. Until recently, the outlook for the European and Swiss economies had stabilised and even brightened somewhat.



CHART OF THE MONTH: IRAN-DRIVEN ENERGY PRICE SURGE



Source: LSEG, Raiffeisen Economic Research

Iran has been weakened after the initial Israeli and US strikes, and its leadership must now regroup. Nevertheless, the regime is still capable of destabilising the entire Gulf region. In the risk scenario of a prolonged closure of the Strait of Hormuz, which we do not view as an unrealistic possibility, the initial modest rise in energy prices observed at the start of the war is likely to intensify substantially. This would fuel global inflation and noticeably dampen global economic activity.

The impact would be especially severe for energy-intensive countries that are dependent on energy imports. In Switzerland, by contrast, consumer-price sensitivity to energy prices is comparatively low. Even an oil price of USD 100 would likely increase Swiss inflation by no more than half a percentage point, both directly and through second-round effects. Furthermore, the Swiss franc's role as a safe haven would become more pronounced in the event of a prolonged conflict, which in turn would moderate price increases. A stronger appreciation of the Swiss franc, combined with

weakening global demand, would also be the main drag on the Swiss export industry, which is relatively low in terms of its energy intensity by international comparison.

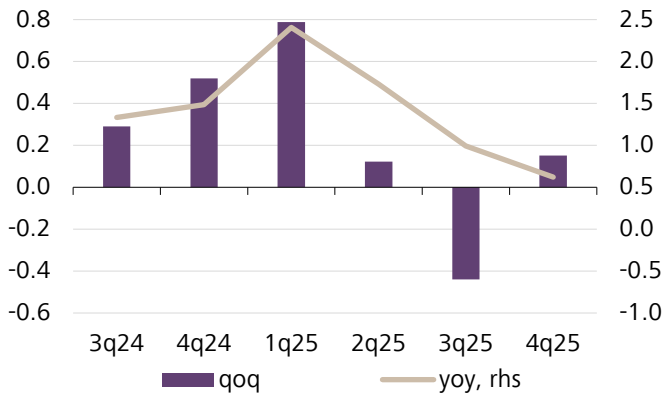
After the outbreak of the war, the Swiss National Bank (SNB) reaffirmed its willingness to intervene in the event of an excessive appreciation of the Swiss franc. However, significant intervention would likely require a marked drop in the EUR/CHF exchange rate to well below the 0.90 mark. This is because the exchange rate has been relatively stable over the past two years and shows no signs of major overvaluation. A moderate rise in energy prices could even support inflation slightly, lifting it from the lower end of the SNB's inflation target range. If, however, the Swiss franc were to appreciate sharply, and foreign-currency purchases alone were not enough to counter this, more imported deflation and increased downside risks for the general price trend could emerge once again. Further interest rate cuts would then be conceivable, although the hurdle for such action is likely to remain high.

Economy



SWISS GDP GROWTH

GDP growth, real, in %

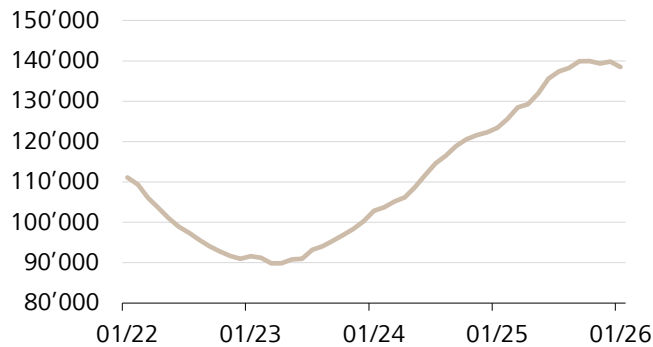


Source: SECO, Raiffeisen Economic Research



SWISS LABOUR MARKET

Number of unemployed, seasonally adjusted

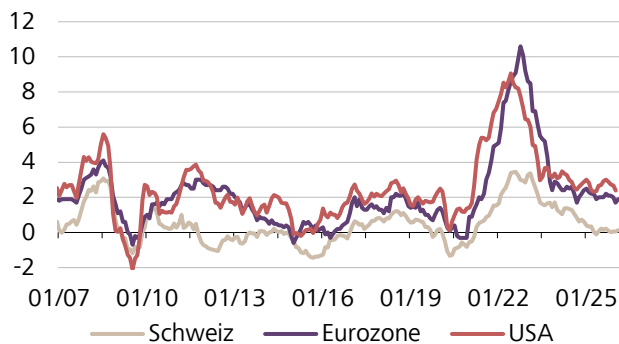


Source: SECO, Raiffeisen Economic Research



CONSUMER PRICES

Year-on-year change in %



Source: LSEG, Raiffeisen Economic Research

Swiss economy remains divided

The Swiss economy did not contract again in the final quarter. Sport-event-adjusted GDP grew by 0.2% compared to the previous quarter. Value creation in the industrial sector stagnated. Numerous industrial fields once again recorded a noticeable decline, linked to lower exports to the US. Many Swiss exports were subject to a US tariff of 39% for most of the quarter. By contrast, the service sector continued to contribute to growth, albeit very unevenly. In line with weaker export activity, demand for warehousing and logistics services fell, as did demand for business-related services. On the other hand, the retail and catering sectors posted significant growth. Stable consumer prices are supporting purchasing power. In addition, unemployment did not rise further at the turn of the year and employment increased again slightly on a seasonally adjusted basis after two consecutive quarterly declines. Consumption is therefore expected to remain a reliable pillar of growth.

In addition, construction investments recorded a noticeable increase following a long period of stagnation. High demand for housing has boosted order backlogs again in the construction industry. In manufacturing, however, capital expenditure continues to trend downwards due to lower capacity utilisation. Even so, the outlook is gradually brightening here too, not least thanks to stabilising demand in neighbouring European countries. Nevertheless, the export sector continues to face headwinds from US tariffs, growing Chinese competition and the Swiss franc, which is once again tending to strengthen due to the Iran war. Initial monthly trade data for January also pointed to a continuation of the sideways movement in exports observed since last May. As a result, we continue to expect GDP growth to remain below average at around 1% for 2026.

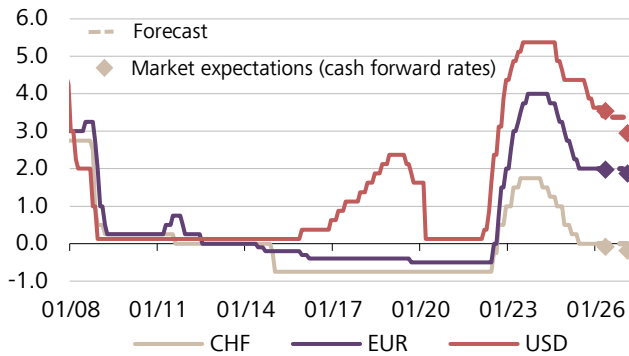
Higher energy prices ahead

Import tariffs are not causing US consumer prices for non-energy goods to rise sharply. However, as these prices had been trending downwards following the post-pandemic surge, some degree of cost pass-through appears to be occurring. In addition, sharply rising service prices point to a general increase in US price pressure due to robust domestic demand. Meanwhile, underlying price pressure in the Eurozone continues to ease slowly, albeit without any signs of the European Central Bank (ECB) undershooting its inflation target in the medium term. In Switzerland, the repeated strength of the Swiss franc is delaying the end of imported deflation. Nevertheless, rising corporate price expectations and war-related increases in energy prices mean that a moderate rise in underlying inflation can be expected later in the year.

Interest rates



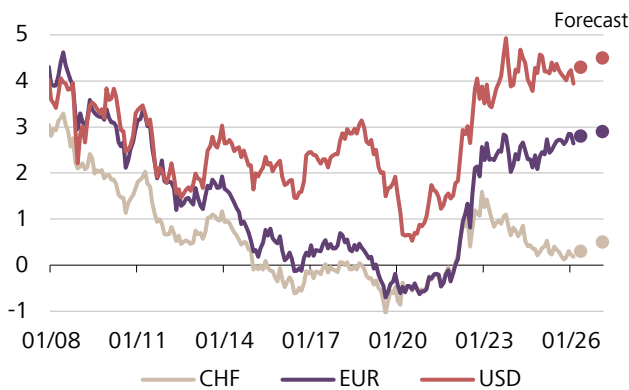
KEY INTEREST RATE, IN %



Source: LSEG, Raiffeisen Economic Research



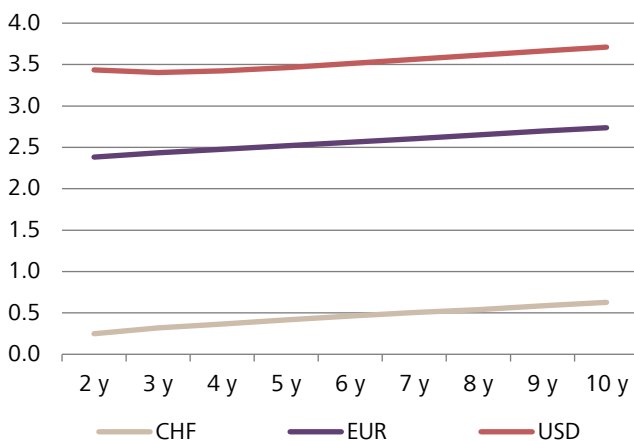
10-YEAR GOVERNMENT BONDS, IN %



Source: LSEG, Raiffeisen Economic Research



YIELD CURVE (AS OF 09 MARCH 2026), IN %



Source: LSEG, Raiffeisen Economic Research

Fed sees more price risks again

After three successive interest rate cuts, the US Federal Reserve (Fed) paused at its January meeting, keeping the Fed funds target rate at 3.625%. While in December most members still considered further interest rate cuts to be appropriate as prices continued to calm, fewer held this view in January. Instead, more voices argued in favour of a more balanced risk assessment, including the possibility of interest rate hikes if inflation remains above the target level. While the central bankers noted signs of stabilisation in the labour market, most considered the risk of inflation persistently overshooting the target to be considerable. This risk has increased further with the recent rise in energy prices.

ECB: no undershooting expected

The ECB has kept its key interest rates unchanged since the middle of last year. The deposit rate remains at 2.0%. At its first meeting this year, however, the ECB showed no concern about a potential undershooting of inflation. The ECB Governing Council still expects the medium-term inflation path to stabilise around the target value. The economic outlook would have to deteriorate sharply for more interest rate cuts. However, the ECB's economic assessment became slightly more optimistic again in January. The forward-looking price indicators at year-end also do not point to a much deeper slowdown. The temporary appreciation of the euro against the US dollar, which generally has a dampening effect on exports and prices, created some additional uncertainty. Lagarde also confirmed at the press conference that exchange rate developments are being monitored very closely. Overall, however, the exchange rate has not changed significantly since the middle of last year. According to the ECB President, the level remains below 1.20, in line with the baseline scenario of Europe's central bank.

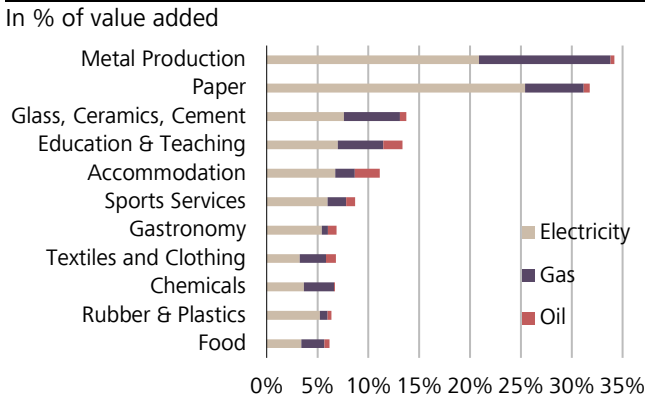
SNB shows little concern

The SNB has also seen no reason to adjust its monetary policy since last June and continues to maintain zero interest rates. Inflation may turn slightly negative again in the short term. However, the outlook for the Swiss economy brightened at the turn of the year, and the already very low interest rates are continuing to stimulate the economy. The recent renewed appreciation of the Swiss franc is unlikely yet to be a major concern for the SNB. In real terms, i.e. adjusted for inflation differences, the Swiss franc has been fairly stable for around two years. Support is being lent here by the higher interest rate differential to the Eurozone, which makes investments in Swiss francs comparatively less attractive. This means that there is actually no acute need for the SNB to act, either on the foreign exchange market or with regard to key interest rates. However, in the wake of the exchange rate fluctuations caused by the Iran war, the SNB reiterated its willingness to intervene in the event of rapid and excessive movements in the Swiss franc.

Swiss industries



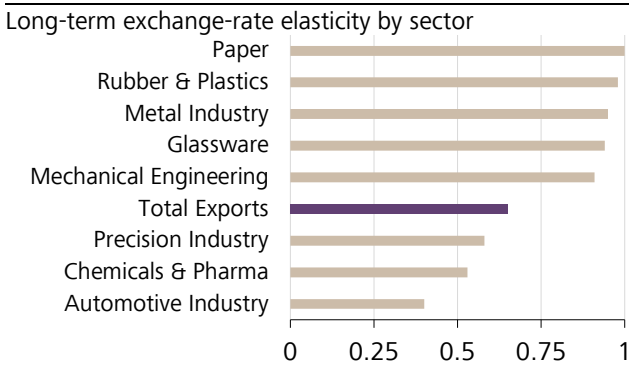
ENERGY COSTS BY SECTOR



Source: FSO, Raiffeisen Economic Research



EXCHANGE-RATE SENSITIVITY

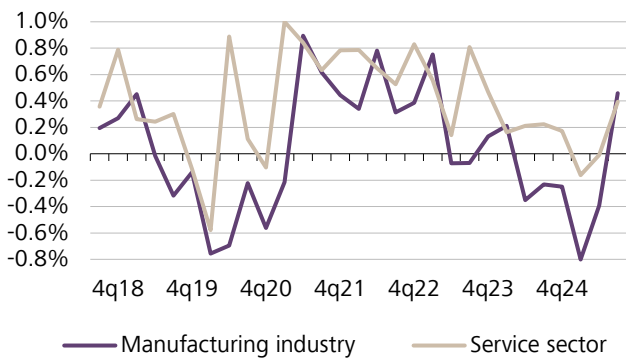


Source: FSO, Raiffeisen Economic Research



EMPLOYMENT GROWTH

Full-time equivalents vs previous quarter, seasonally adjusted



Source: FSO, Raiffeisen Economic Research

Middle East escalation drives oil and gas prices

The Swiss economy's dependence on oil has steadily declined over recent decades. Nevertheless, petrol, heating oil and other petroleum products are still the most important energy source, accounting for 45% of total energy consumption. Most oil consumption is accounted for by road transport and heating requirements. Companies account for only a small share of oil demand, primarily covering their energy requirements with electricity and gas.

Following the military escalation in Iran, however, natural gas prices have also risen. Wholesale prices remain well below the levels seen after Russia's invasion of Ukraine. However, if the war drags on, a similarly sharp price spike as observed in 2022 cannot be ruled out. The majority of the region's natural gas is shipped to Asia. However, a sustained blockade of the Strait of Hormuz would intensify competition for alternative sources of supply and push gas prices noticeably higher in Europe too.

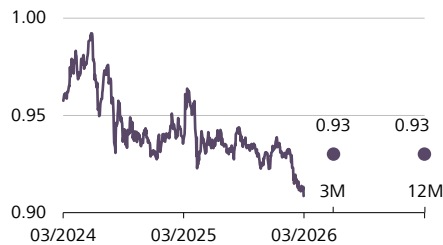
In the Swiss service sector, only a few industries have gas costs that make up a relevant share of total costs due to heating requirements. With the end of the heating season approaching, however, no immediate cost pressure is to be expected here. The situation is different in some industrial sectors where natural gas is used as an important production factor. These include, in particular, metal production and processing, the paper industry, as well as the glass and ceramics sector.

Signs of stabilisation on the labour market

A cooling of the global economy or a further appreciation of the Swiss franc would place a greater burden on companies than energy costs. However, some sectors with high energy intensity, such as the paper and metal industries, also exhibit a high level of sensitivity to exchange rates. They would therefore be more strongly affected than other sectors if the war were to continue.

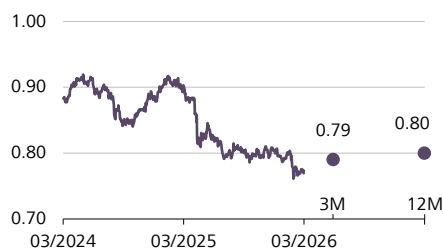
The conflict comes at an inopportune moment, as the outlook for the Swiss economy has recently brightened somewhat. Global industrial activity has gained momentum in recent months. There are also indications that, after four years, German industry is returning to growth. There have recently been signs of stabilisation in the Swiss labour market. For the first time in quite a while, employment in the manufacturing industry has risen again (see chart). However, the war in the Middle East increases the risk that the industrial sector's recovery could once again be delayed.

Exchange Rates



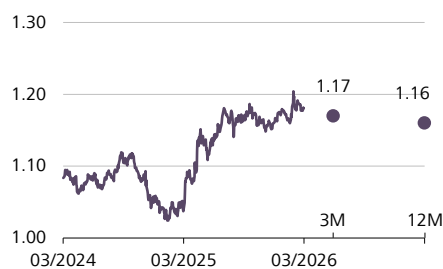
EUR/CHF

The euro depreciated by 1.2% against the Swiss franc in February. Following the outbreak of war in Iran at the beginning of March, it marked an all-time low, excluding the market turbulence of January 2015. However, the single currency is likely to have overshot somewhat on the downside. The Swiss franc will remain in demand as a safe haven. At the same time, given the low inflation and the robust economic activity in the euro area, no further interest rate cuts by the European Central Bank (ECB) are expected. The resulting ongoing interest rate advantage supports the euro. We therefore see the EUR/CHF currency pair at 0.93 on a one-year horizon.



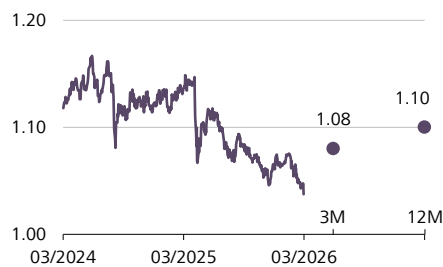
USD/CHF

The U.S. Supreme Court has declared the tariffs based on emergency law null and void. Nevertheless, President Donald Trump announced new tariffs that are based on a different law. This threatens a further loss of confidence in trade relations, which is weighing on the U.S. dollar. Accordingly, the USD/CHF exchange rate trended lower over the past month. However, the attack by the United States and Israel on Iran revived demand for the "greenback" somewhat at the beginning of March. Meanwhile, the Federal Reserve is expected to cut its key interest rate only once more in 2026. The resulting ongoing interest-rate advantage supports the U.S. currency. We are maintaining our forecasts.



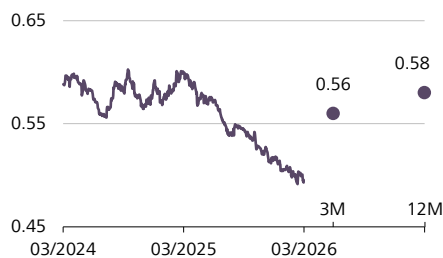
EUR/USD

The interest rate cutting cycles of central banks on both sides of the Atlantic are likely largely complete. The interest-rate differential therefore continues to support the U.S. dollar. In contrast, President Trump's erratic tariff policy and the associated uncertainties are creating headwinds. Accordingly, the EUR/USD currency pair has recently moved in a volatile sideways trend around the 1.18 mark. On a 12-month horizon, we expect the euro to stand at 1.16 U.S. dollars. The main reason for this is our expectation that economic growth in Europe this year will be more subdued compared with the United States.



GBP/CHF

The Bank of England (BoE) finds itself in a complicated position: inflation remains clearly above the 2% target, which actually argues against monetary easing. Such easing, however, would be necessary because, despite the recently surprisingly strong growth, the economy is developing only sluggishly. As a cyclical currency, the British pound faced noticeable headwinds in February due to geopolitical tensions. At times, it even traded as low as 1.03 francs, marking an all-time low. In our view, however, too much negative sentiment is currently priced into the GBP/CHF exchange rate. We expect a recovery in the medium term.



JPY/CHF*

Japan's Prime Minister Sanae Takaichi remains in office following the landslide election victory of the Liberal Democratic Party. This confirms her political agenda, which relies on expansive government spending. As a result, the Japanese yen continued its downward slide against the Swiss franc in February. By the end of the month, it had recorded a depreciation of 1.6%. However, persistently stubborn inflation is likely to prompt the Bank of Japan (BoJ) to raise its key interest rate again in the medium term. In light of this, we continue to forecast a recovery in the JPY/CHF exchange rate.

* 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	1.4	1.0
Eurozone	3.6	0.6	0.8	1.5	1.0
US	2.5	2.9	2.8	2.2	2.1
China**	3.0	5.2	5.0	5.0	4.0
Japan	1.3	0.7	-0.2	1.2	0.8
Global (PPP)	3.8	3.5	3.3	3.2	2.9

Inflation (annual average in %)

	2022	2023	2024	2025 forecast	2026 forecast
Switzerland	2.8	2.1	1.1	0.2	0.2
Eurozone	8.4	5.5	2.4	2.1	1.6
US	8.0	4.1	3.0	2.7	3.0
China	2.0	0.2	0.2	0.1	0.5
Japan	2.5	3.3	2.7	3.2	1.9



FINANCIAL MARKETS

Key interest rates (end of year %)**

	2024	2025	Current****	3M forecast	12M forecast
CHF	0.50	0.00	0.00	0.00	0.00
EUR	3.00	2.00	2.00	2.00	2.00
USD	4.25-4.50	3.50-3.75	3.50-3.75	3.50-3.75	3.25-3.50
JPY	0.25	0.75	0.75	0.75	1.00

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

	2024	2025	Current****	3M forecast	12M forecast
CHF	0.27	0.28	0.38	0.30	0.50
EUR (Germany)	2.36	2.85	2.87	2.80	2.90
USD	4.57	4.17	4.14	4.30	4.50
JPY	1.09	2.06	2.22	2.10	1.90

Exchange rates (end of year)

	2024	2025	Current****	3M forecast	12M forecast
EUR/CHF	0.94	0.93	0.90	0.93	0.93
USD/CHF	0.90	0.79	0.78	0.79	0.80
JPY/CHF (x 100)	0.58	0.51	0.49	0.56	0.58
EUR/USD	1.04	1.17	1.16	1.17	1.16
GBP/CHF	1.14	1.07	1.04	1.08	1.10

Raw materials (end of year)

	2024	2025	Current****	3M forecast	12M forecast
Crude oil (Brent, USD/barrel)	75	61	101	75	65
Gold (USD/ounce)	2'625	4319	5'084	5'500	5'500

*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) ****09.03.2026

Raiffeisen forecasts (II)



SWITZERLAND – DETAILED FORECASTS (ADJUSTED FOR SPORTING EVENTS)

	2021	2022	2023	2024	Forecast 2025	Forecast 2026
GDP, real, % change	5.9	3.5	1.3	1.2	1.4	1.0
Private consumption	2.2	4.9	1.4	2.4	1.5	1.4
Government consumption	2.9	-0.6	1.4	1.3	1.0	0.5
Investment in equipment	7.0	4.7	3.8	1.2	-0.5	0.9
Investment in construction	-3.1	-6.9	-1.5	-1.4	-0.5	0.9
Export	11.5	5.8	-2.0	3.0	2.0	0.0
Import	4.8	6.6	1.1	3.7	4.0	2.3
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	0.2

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