

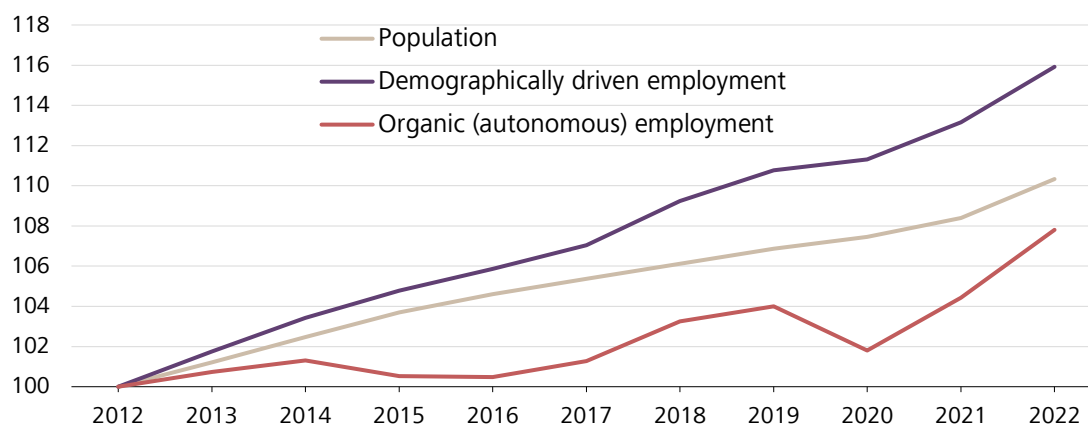
Macro check-up

In the first few months of this year, Swiss GDP was boosted by a surge in exports in anticipation of US tariffs. This has now reversed and many exporters are rather skeptical about the coming months. Despite stable domestic demand, growth is likely to be subdued for the rest of the year. Due to the unexpectedly strong start to the year, we have nevertheless raised our GDP forecast for 2025 slightly to 1.1%. The SNB is assuming a similar moderate growth rate. However, the SNB does not want to return to negative interest rates due to their negative side effects.



CHART OF THE MONTH: DEMOGRAPHIC-DRIVEN GROWTH

Indices (2012=100)



Source: Federal Statistical Office (FSO), Raiffeisen Economic Research

Switzerland continues to grow, but in the past two years, this growth has been more horizontal than vertical, driven primarily by population rather than productivity

From an employment perspective, Switzerland is growing more strongly in demographically driven sectors - in other words, in sectors that are significantly influenced by population trends, above all the healthcare sector. In contrast, employment growth that is independent of population trends or organic is weaker and even declining in industry. Between 2012 and 2022, 76% of growth was demographically driven. Employment in these sectors grew faster than the population, at an average of 1.5% per year. In contrast, the organic employment only grew by 0.8%.

There are clear regional differences: While some regions are stagnating or even declining, others - for example in tourism or in knowledge-intensive services - are experiencing strong organic growth. Western Switzerland stands out, as it has resisted the broader trend of deindustrialization.

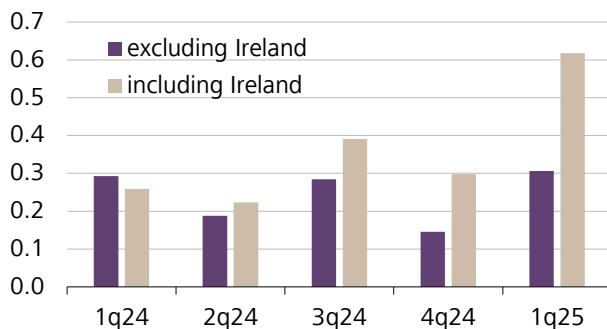
Zurich stands out in exactly the same way: the region was responsible for over 40% of organic growth between 2012 and 2022, mainly thanks to flourishing services in the IT and management consultancy sectors. Qualitative growth in organic sectors is essential for Switzerland's long-term competitiveness. However, this also harbors risks, as a high proportion does not automatically lead to more employment and can lead to dependence on key sectors such as the pharmaceutical industry. Demography-driven sectors, on the other hand, have a stabilizing effect, as they are less susceptible to economic fluctuations and global crises. So it all depends on the mix. More on this topic in our new study (in German): [Wirtschaftswachstum in der Schweiz – nur noch in die Breite?](#)

Macro indicators



IRELAND GDP EFFECT

Eurozone GDP, in % compared to previous quarter

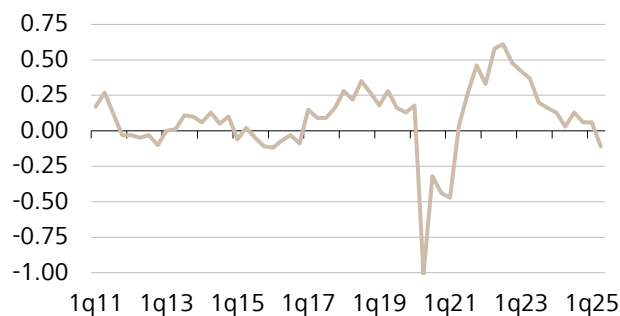


Source: Eurostat, Raiffeisen Economic Research



SWISS LABOR MARKET

SNB survey on staff shortages

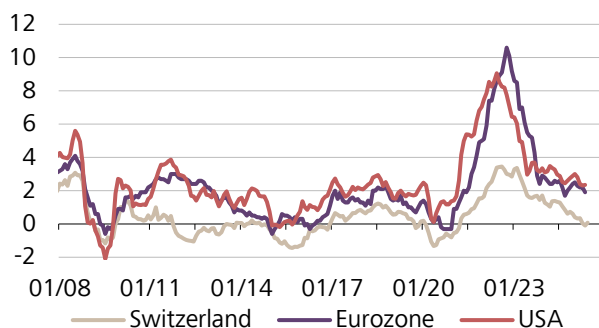


Source: SNB, Raiffeisen Economic Research



CONSUMER PRICES

In %, yoy



Source: LSEG, Raiffeisen Economic Research

Fluctuating economic data

Trump's tariff policy continues to disrupt global trade dynamics. While the de-escalation of the trade conflict with China has eased the most severe concerns, tariffs on Chinese imports remain steep—at a minimum of 30%. In addition, sector-specific duties and reciprocal baseline tariffs of 10% are in place. These measures are already placing a tangible burden on global trade. Moreover, anticipatory effects ahead of tariff implementation, along with uncertainty about future measures, are significantly distorting trade data. In Switzerland, this environment contributed to an unusually strong GDP growth of 0.8% in the first quarter, largely driven by a surge in pharmaceutical exports to the United States. However, this was followed by a sharp correction in exports during the first two months of the second quarter, which is expected to weigh on GDP figures. A similar pattern can be observed in the euro area, which posted robust GDP growth of 0.6% at the beginning of the year. Notably, a substantial portion of this growth—more than half—was attributable to Ireland, a key global hub for the pharmaceutical industry.

Outlook remains subdued

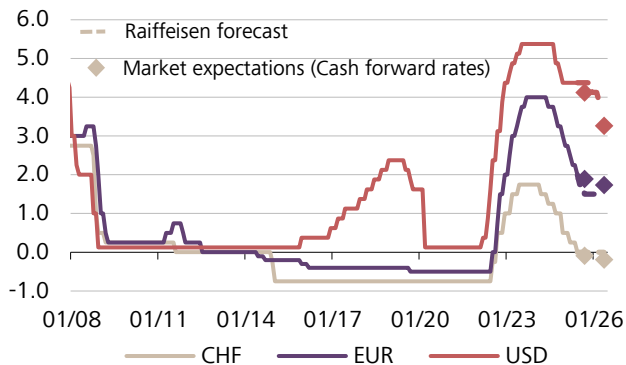
The underlying growth trend in Europe remains subdued. In Germany, indicators increasingly point to at least a stabilization in the industrial sector, despite ongoing headwinds from trade policy. Looking beyond the short term, optimism is growing around potential momentum from planned investment programs. In other major eurozone economies, however, the outlook is more muted—particularly in France, where fiscal consolidation pressures are more pronounced. Swiss companies are also showing greater caution following a prolonged industrial downturn and the impact of tariffs. Job cuts are being planned, especially in mechanical engineering and the metal industry. Overall, hiring intentions still suggest a moderate increase in employment. However, the previously elevated levels of labor shortages are no longer evident. Despite rising real wages, the less favorable labor market outlook is dampening consumer willingness to spend.

At the same time, rising customs revenues reported by the Treasury and stable import prices suggest that the cost of tariffs is largely being absorbed by U.S. importers. As a result, inflationary pressure is gradually building up in the price pipeline, which could translate into higher consumer prices in the second half of the year. In contrast, European companies are not reporting increased price pressure. In the eurozone, disinflation remains on track, supported by slowing wage growth. In Switzerland, a stronger franc combined with lower energy prices has even led to slight deflation. However, stable domestic demand suggests that a broader, more pronounced decline in prices is unlikely.

Interest rates



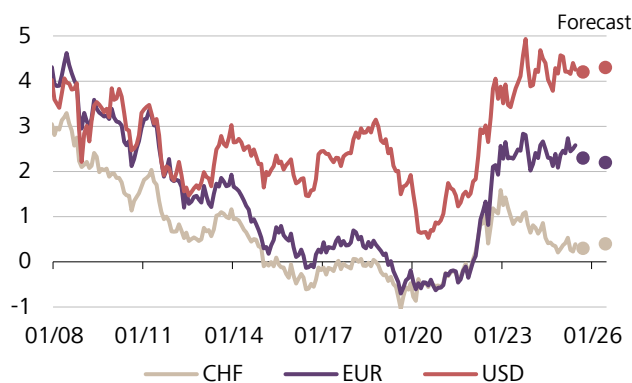
POLICY RATES, IN %



Source: LSEG, Raiffeisen Economic Research



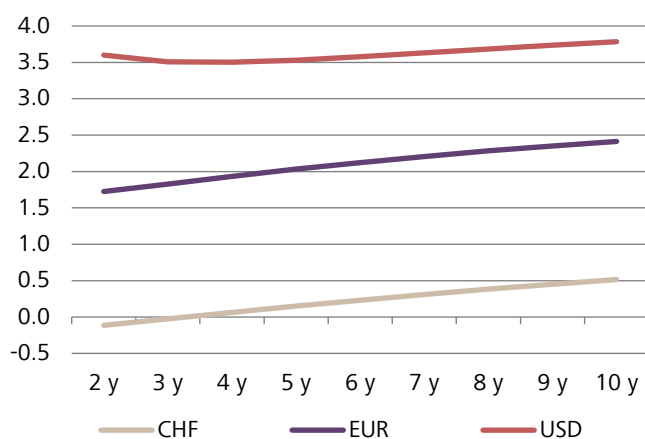
10-YEAR GOVERNMENT BONDS, IN %



Source: LSEG, Raiffeisen Economic Research



YIELD CURVE (AS OF: 07.07.2025), IN %



Source: LSEG, Raiffeisen Economic Research

Fed in a good position

Following the tariff de-escalation with China, the US Federal Reserve sees fewer major downside risks for the US economy. While consumer price inflation has recently moderated, concerns about renewed upward pressure on prices remain elevated. Against this backdrop, the Fed sees no justification for pre-emptive rate cuts—particularly as long as the labor market remains resilient. The federal funds target rate has held steady at 4.375% since the last cut in December. Fed Chair Jerome Powell emphasized that while the inflationary impact of tariffs may prove temporary, it is crucial to prevent long-term inflation expectations from becoming unanchored. Overall, U.S. central bankers believe they are well positioned and see no urgency to ease what is currently only a mildly restrictive monetary policy stance.

ECB nearing the end of its rate-cutting cycle

The ECB, by contrast, continued to lower interest rates in June. The deposit rate now stands at 2.0%, close to the estimated neutral level. With inflation expected to stabilize around the target over the medium term, the rate-cutting cycle appears to be gradually coming to an end. The ECB also considers itself well positioned to navigate the current uncertainty and has stopped providing forward guidance on the future rate path. Given the prevailing downside risks, we still see some room for further rate cuts this year. However, several Governing Council members are advocating for a pause at the upcoming July meeting.

SNB cuts rates to zero

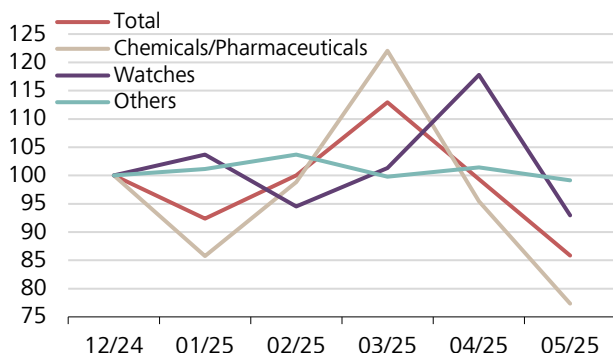
In June, the SNB also lowered its key interest rate further to zero, citing a renewed decline in inflationary pressure—primarily driven by the negative economic effects of U.S. tariff policy. Nevertheless, the SNB continues to expect moderate growth in the Swiss economy, which did not warrant a stronger policy response. The central bank is also mindful of the undesirable side effects of negative interest rates and the challenges they pose for financial market participants. As such, any decision to reintroduce negative rates would not be taken lightly. The threshold for such a move is now higher than it was during the large, preemptive rate cut in December, when rates were still in positive territory. We therefore still see a fair chance that the SNB can avoid returning to negative rates. However, the central bank remains ready to act should significantly greater downside risks materialize. Since markets had partially priced in a more aggressive rate cut, long-term Swiss franc capital market rates rose slightly in response to the SNB's more cautious move. At present, the yield curve reflects at most a slight dip below the zero mark..

Swiss Sectors



EXPORTS

Seasonally adjusted, indexed (Dec. 2024 = 100)

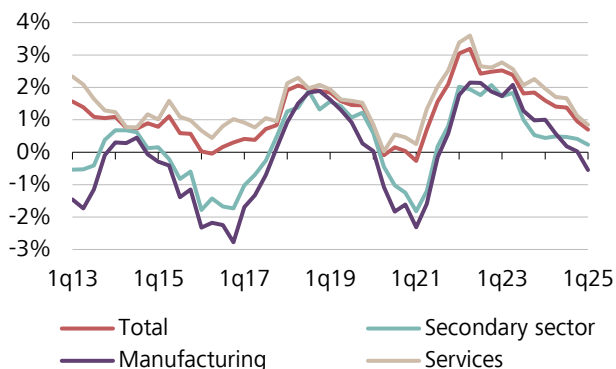


Source: FOCBS, Raiffeisen Economic Research



EMPLOYMENT GROWTH

Full-time equivalents (FTE) year-on-year

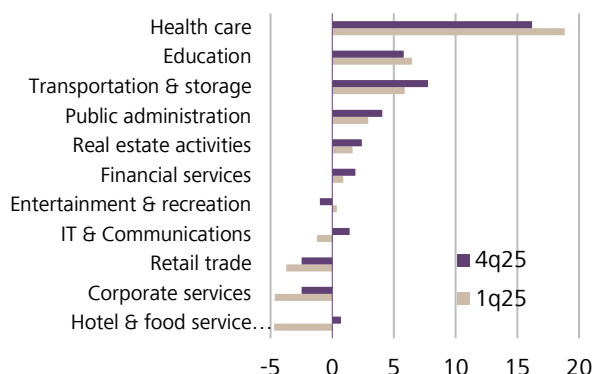


Source: FSO, Raiffeisen Economic Research



EMPLOYMENT IN THE TERTIARY SECTOR

FTEs, year-on-year change, in thousands



Source: FSO, Raiffeisen Economic Research

Exports decline sharply in the second quarter

Export figures from March to May were highly volatile due to anticipatory effects related to U.S. tariffs. Initially, exports to the United States rose sharply, followed by a significant decline. This primarily affected pharmaceuticals and watches—two export products that are not only high in value but also easy to ship in large quantities on short notice.

The short-term export surge led to strong GDP growth in the first quarter. However, the opposite now threatens in the following quarters. By May, exports to the U.S. had fallen to just 60% of their level at the end of 2024. Indirect effects of the tariffs are also looming—for example, through a weakening of global demand. In recent months, exports to both the euro-zone and China have also declined noticeably.

Employment in the manufacturing sector is declining

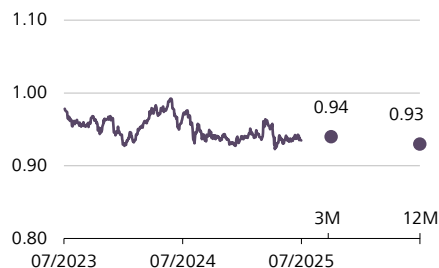
The new U.S. trade policy is hitting Swiss industry at an inopportune time, as the manufacturing sector has already been under pressure for some time, with noticeable effects on the labor market. Employment, measured in full-time equivalents, declined by 0.5% year-on-year in the first quarter. In the MEM (mechanical, electrical, and metal) industries as well as in several smaller sectors, employment has been falling since 2024. At the beginning of the year, the “data processing equipment and watches” sector also recorded a decline.

In the second quarter, labor market momentum continued to weaken, as shown by business surveys, among other indicators. This also applies to the services sector, where job growth has now fallen below the long-term average. In the first quarter, only 27,500 new jobs were created in the tertiary sector, corresponding to an increase of 0.8%. Employment growth is increasingly concentrated in a few areas, particularly in government-related sectors and industries that benefit strongly from ongoing population growth. In other sectors, however, job growth remains weak. Employment is declining, for example, in information technology and in research and development. The decline in business services is largely due to a sharp drop in the “employment placement” segment (-20%). Temporary employment trends often serve as an early indicator of changes in the labor market. The sharp decline in the first quarter is therefore not a good sign for future employment developments.

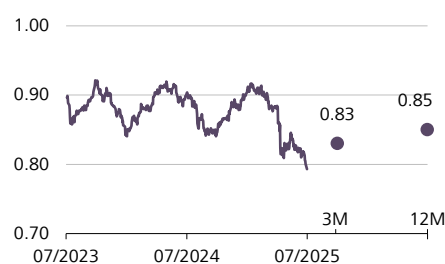
Exchange rates



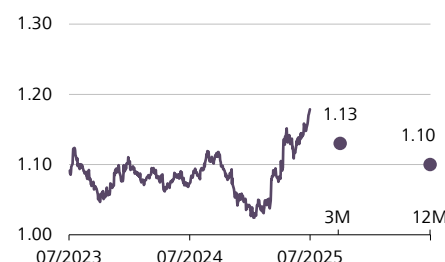
FORECAST

**EUR/CHF**

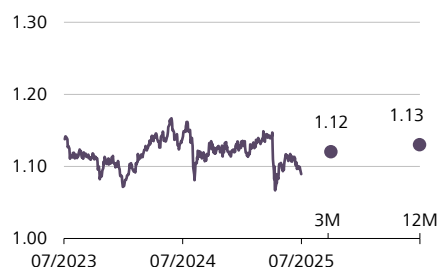
The euro moved largely sideways in June. The attempt to stabilize above the 0.94 franc mark initially failed due to the military escalation in the Middle East. The Swiss franc was in demand as a safe haven and appreciated toward the end of the month. The fact that the Swiss National Bank (SNB) lowered its key interest rate to zero had no significant impact. Economic prospects remain subdued, although positive impulses are coming from heavyweight Germany. We expect a continued sideways movement for the remainder of the year.

**USD/CHF**

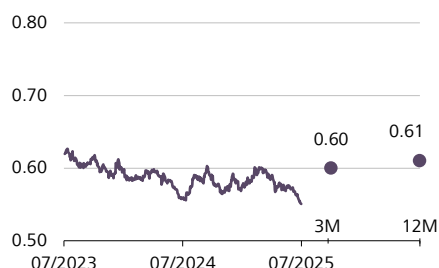
The dollar is weakening. Economic prospects are deteriorating. Most recently, the U.S. Federal Reserve also lowered its growth outlook, following earlier downward revisions by the Organisation for Economic Co-operation and Development (OECD). The dampening effects of trade tariffs are likely to unfold with a delay. In addition, debt levels continue to rise. However, much of this is already priced into the current exchange rate, which is why we expect a somewhat stronger U.S. dollar over the course of the year.

**EUR/USD**

While the U.S. economy is weakening and investor confidence is suffering under the government's erratic tariff policies, Europe is gaining ground. For months, investors have been reallocating their portfolios and investing in Europe, among other regions. This has strengthened the single currency. However, since the euro has appreciated by around 13% against the U.S. dollar since the beginning of the year, and the interest rate differential increasingly favors the dollar, we expect a slightly lower EUR/USD exchange rate of 1.10 over a 12-month horizon.

**GBP/CHF**

Inflation in the UK remains stubbornly high. Further interest rate cuts are therefore not expected in the near term. At the same time, recent economic data has been disappointing. As a result, the risk of slipping into stagflation has increased. In June, the British pound depreciated by 1.6% against the Swiss franc, bringing the year-to-date decline to 3.6%. We believe that much of the negative news is already priced in, and that the interest rate advantage will lead to an appreciation of the pound.

**JPY/CHF***

The Japanese yen continued its downward trend in June, losing 3.6% against the Swiss franc and falling to an all-time low. One contributing factor is the high inflation rate, with core inflation currently at its highest level in over two years. As an export-oriented nation, Japanese companies generally benefit from a weak currency. However, U.S. tariffs are currently creating headwinds. The Bank of Japan (BoJ) remains under pressure. Over a 12-month horizon, we expect a moderate appreciation of the yen to 0.61.

* Multiplied by 100

Source: Bloomberg, Raiffeisen Schweiz CIO Office, Raiffeisen Schweiz Economic Research

Raiffeisen Forecasts (I)



MACRO INDICATORS

GDP (Average annual growth in %)

	2022	2023	2024	Forecast 2025	Forecast 2026
Switzerland*	2.9	1.2	0.9	1.1	1.0
Eurozone	3.6	0.5	0.9	0.9	1.0
USA	2.5	2.9	2.8	1.3	0.9
China**	3.0	5.2	5.0	4.5	4.0
Japan	1.0	1.8	0.1	0.8	0.8
Global (PPP)	3.6	3.3	3.2	2.7	2.6

Inflation (Annual average in %)

	2022	2023	2024	Forecast 2025	Forecast 2026
Switzerland	2.8	2.1	1.1	0.2	0.5
Eurozone	8.4	5.5	2.4	2.0	1.8
USA	8.0	4.1	3.0	4.0	3.5
China	2.0	0.2	0.2	0.5	0.9
Japan	2.5	3.3	2.7	2.7	1.9



FINANCIAL MARKETS

Policy interest rates (end of year in %)**

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

Capital market rates (yields on 10-year government bonds, end of year, in %)

	2023	2024	Current****	Forecast 3M	Forecast 12M
CHF	0.65	0.27	0.39	0.30	0.40
EUR (Germany)	2.02	2.36	2.60	2.30	2.20
USD	3.88	4.57	4.34	4.20	4.30
JPY	0.61	1.09	1.46	1.40	1.20

Exchange rates (end of year)

	2023	2024	Current***	Forecast 3M	Forecast 12M
EUR/CHF	0.93	0.94	0.94	0.94	0.93
USD/CHF	0.84	0.90	0.79	0.83	0.85
JPY/CHF (x 100)	0.60	0.58	0.55	0.60	0.61
EUR/USD	1.10	1.04	1.18	1.13	1.10
GBP/CHF	1.07	1.14	1.08	1.12	1.13

Commodities (end of year)

	2023	2024	Current***	Forecast 3M	Forecast 12M
Crude Oil (Brent, USD/barrel)	77	75	68	75	70
Gold (USD/ounce)	2063	2625	3313	3450	3500

*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) ****07.07.2025

Raiffeisen Forecasts (II)



SWITZERLAND – DETAILED FORECASTS (ADJUSTED FOR SPORTING EVENTS)

	2021	2022	2023	2024	Forecast 2025	Forecast 2026
GDP, real, yoy in %	5.3	2.9	1.2	0.9	0.9	1.0
Private consumption	2.2	4.3	1.5	1.8	1.8	1.9
Public expenditures	3.0	-1.2	1.7	1.9	1.1	0.8
Investment in equipment	6.0	3.4	1.4	-2.6	0.5	2.0
Investment in construction	-3.1	-6.9	-2.7	2.4	1.6	1.8
Exports	11.5	4.7	1.8	0.9	1.6	1.9
Imports	5.7	5.8	4.1	3.8	2.0	2.0
Unemployment rate in %	3.0	2.2	2.0	2.5	2.7	2.7
Inflation in %	0.6	2.8	2.1	1.1	0.2	0.5

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