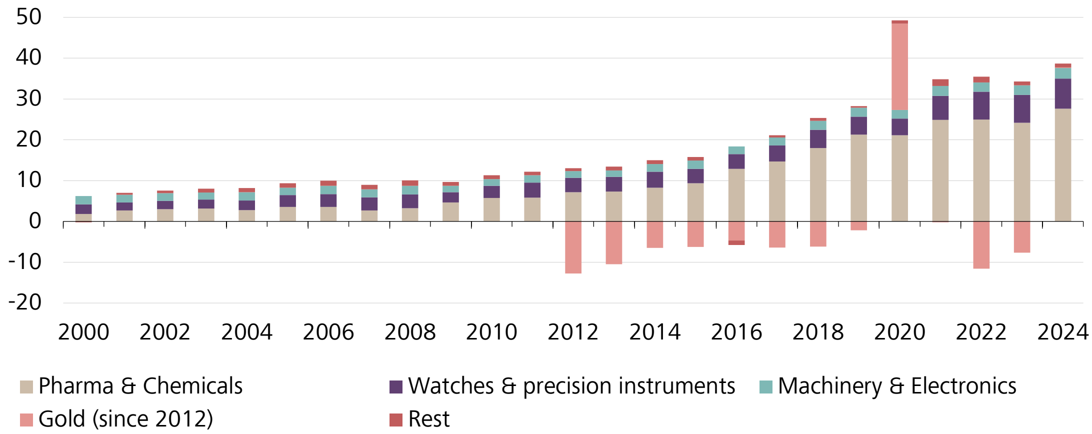
AUGUST 2025

Macro check-up

Switzerland has not yet reached a trade agreement with the United States, and such an agreement is not expected in the coming days—possibly not even in the coming weeks. This significantly increases the downside risk for the economy. Many other countries now have greater planning certainty. However, U.S. tariffs are higher than expected, which means that downside risks for the global economy remain elevated. Against this backdrop, the U.S. Federal Reserve is leaving interest rates unchanged. Nevertheless, the pressure to cut is increasing. The same applies to the Swiss National Bank (SNB) should an acceptable agreement with the U.S. not be reached in a timely manner.

CHART OF THE MONTH: CONCENTRATION RISK IN PHARMA

Swiss trade surplus with the USA, in billion CHF.



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

Switzerland's annual trade surplus in goods has been growing steadily for about 25 years. Last year, it reached a historic high of over CHF 60 billion. The main driver of this dynamic is the pharmaceutical industry—particularly its U.S. business, which generated an export surplus of CHF 28 billion in 2024. This places Switzerland among the countries with which the U.S. records a significant trade deficit in goods. The key difference lies in the dominant role of the pharmaceutical sector and—except for the year 2025—has little to do with gold trading. Only in the EU member state Ireland does the pharmaceutical sector contribute similarly to the trade surplus with the U.S.

This dependence on a single industry and export market now makes the Swiss economy vulnerable. President Trump not only wants a more balanced trade relationship, but also aims to significantly reduce the high prices of drugs. This makes Switzerland an ideal target to set an example and break the resistance of the pharmaceutical sector against lower prices. The U.S. surplus in services trade with Switzerland—over CHF 20 billion—is irrelevant to Trump in this context.

With the announced U.S. import tariff rate of 39%, Switzerland must brace for lower GDP growth, especially since this also results in a painful competitive disadvantage compared to other countries. Following the announcement of the "reciprocal" tariffs on April 2, we revised our GDP forecast for 2025 from 1.3% to 0.9%. For now, we consider this GDP loss sufficient to reflect the impact of the new U.S. tariffs, which will unfold gradually over time. However, downside risks have clearly increased with the recent tariff shock. If U.S. sector-specific tariffs on pharmaceutical imports are introduced, Switzerland could face turbulent times—precisely in the sector that has traditionally served as a stabilizing anchor during economically challenging periods.

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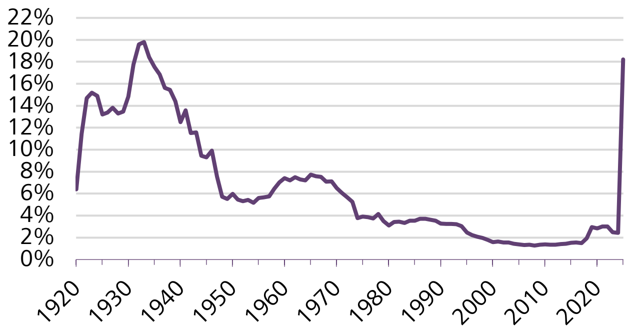
Macro indicators

HISTORIC TURNING POINT IN GLOBAL TRADE

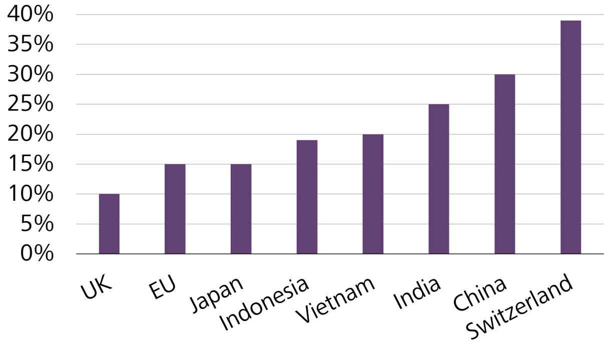
Average U.S. tariff rate (as of August 8, 2025)



Source: Yale Budget Lab, Raiffeisen Economic Research

TARIFF SHOCK FOR ASIA AND SWITZERLAND

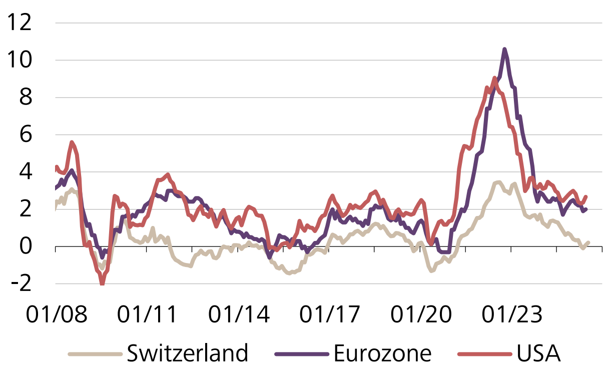
U.S. base tariffs (selection)



Source: White House, Raiffeisen Economic Research

CONSUMER PRICES

In %, yoy



Source: LSEG, Raiffeisen Economic Research

Restrictive U.S. Trade Policy

The negative effects of U.S. tariffs on the global economy have so far been moderate. Due to front-loading effects, many countries were even able to significantly expand their exports to the U.S. in the first half of the year. As a result, sentiment indicators in both the industrial and service sectors remained largely stable. Despite these positive signals, significant downside risks to the global economy persist. In the U.S., GDP has increased again after a decline in the first quarter. However, consumer momentum remained below average, and the labor market no longer appears robust following the latest data revision. In Europe, GDP growth in the second quarter was minimal. The earlier export demand has now faded. Also, President Trump's tariff policy is more restrictive than hoped, as shown by the new trade agreements: the average U.S. tariff rate is expected to be significantly above the previous base level of 10%. Switzerland and several Asian countries are particularly affected—due to their trade surpluses with the U.S. While planning certainty is gradually improving, it remains uncertain whether U.S. trade policy will actually become more predictable. Moreover, the negative effects of tariffs on global trade and the global economy are likely to become more noticeable in the coming months.

EU and U.S. Reach a Deal

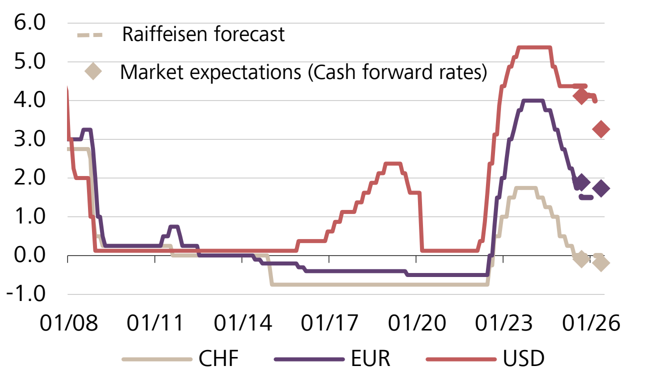
At the beginning of the year, the average U.S. tariff rate on European goods was only a few percentage points. In April, it was raised by 10%, with some exceptions. The newly agreed base tariff of 15%, following negotiations, therefore represents only a moderate increase compared to the status quo. In the automotive sector—which is particularly important for Germany and previously faced a tariff rate of nearly 30%—the burden is actually halved. The agreement also protects Europe's relative access to the U.S. market. So far, only the United Kingdom is better positioned, having negotiated a base tariff of 10%. Compared to last year, however, headwinds for the European economy are nonetheless intensifying. This also applies to Switzerland, which is currently facing a tariff rate of 39%.

Diverging Inflation Outlooks

Due to the general shortage of workers, we do not expect a prolonged downturn in the labor market. This should continue to support domestic demand in the Eurozone and Switzerland, which argues against a sharp decline in inflation. In the U.S., inflation has been surprisingly moderate in recent months. However, we still expect companies to pass part of the tariff burden on to consumers, which will likely cause inflation to rise noticeably again. Some imported products—such as electronics, clothing, and household goods—have already become significantly more expensive.

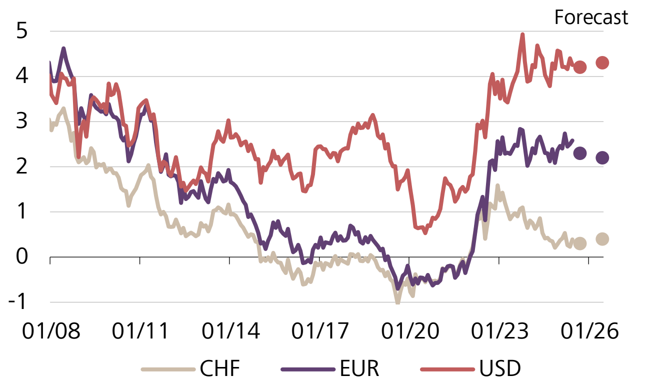
Interest rates

POLICY RATES, IN %



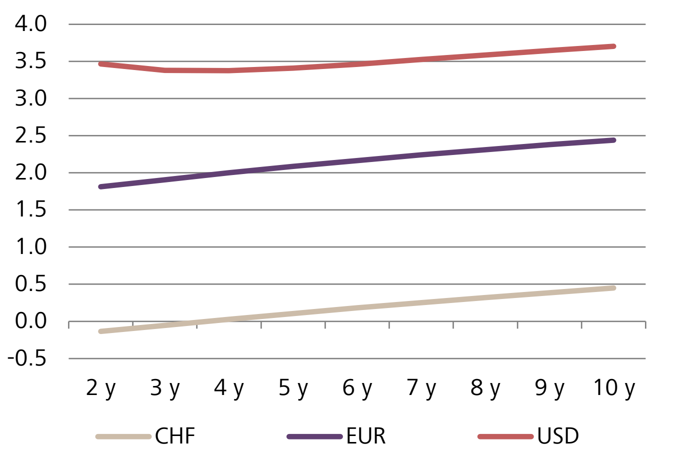
Source: LSEG, Raiffeisen Economic Research

10-YEAR GOVERNMENT BONDS, IN %



Source: LSEG, Raiffeisen Economic Research

YIELD CURVE (AS OF: 08.08.2025), IN %



Source: LSEG, Raiffeisen Economic Research

Political Pressure on the Fed Is Increasing

U.S. President Trump is increasing pressure on Federal Reserve Chair Powell, demanding significantly lower interest rates. Within the Fed, this stance is not met solely with rejection. At the July meeting, two of the eleven attending members of the Federal Open Market Committee voted in favor of an immediate rate cut. However, the majority had until recently considered an easing premature, leaving the Fed funds target rate unchanged at 4.375%. The Fed's latest projections still point to two rate cuts by the end of the year. Therefore, a first rate cut at the next Fed meeting in September is considered plausible. Following agreements with most major trading partners, there is now greater clarity on how high tariffs will be. Yet, the fog surrounding the consequences of U.S. tariff policy is only slowly lifting. In June, tariffs led to noticeable price increases for goods with a high import share. Most Fed officials continue to express concerns about further price pass-throughs. As a result, an imminent rate cut is anything but certain.

ECB Leaves Key Interest Rate Unchanged

The ECB, in turn, left its key interest rate unchanged at 2% in July, as expected. This marked the end of a series of eight consecutive rate cuts, after the deposit rate had peaked at 4% in autumn 2023. President Lagarde emphasized that the future direction of monetary policy remains data-dependent and that the ECB does not want to commit to a clear course. Given the prevailing downside risks to the economy, we still see room for another rate cut this year, even though markets no longer expect it at this point.

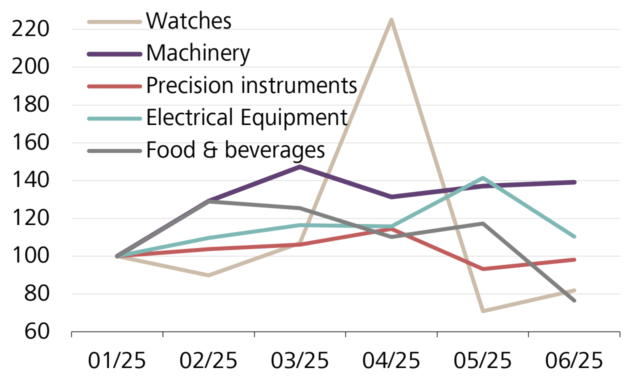
No Immediate Pressure to Act for the SNB

At the SNB, however, we see only a limited likelihood of another interest rate cut by the end of the year. Although the Swiss National Bank emphasizes its willingness to reintroduce negative interest rates if necessary, the threshold for further monetary policy easing is likely higher than before. The SNB is aware of the potential side effects of negative interest rates and would likely only consider this step if the economic outlook deteriorates significantly, deflation risks increase, or the Swiss franc appreciates sharply. Currently, there is no immediate need for action. The impact of U.S. tariffs on the economy must first be observed and analyzed in depth. Inflation is also expected to pick up slightly toward the end of the year. Against this backdrop, we consider it quite possible that the SNB can avoid a return to negative interest rates. However, the poor outcome of the tariff negotiations has increased the risks of negative interest rates, especially since currency market interventions are even less viable in the current environment to curb appreciation of the franc.

Swiss Sectors

EXPORTS SUBJECT TO U.S. TARIFFS

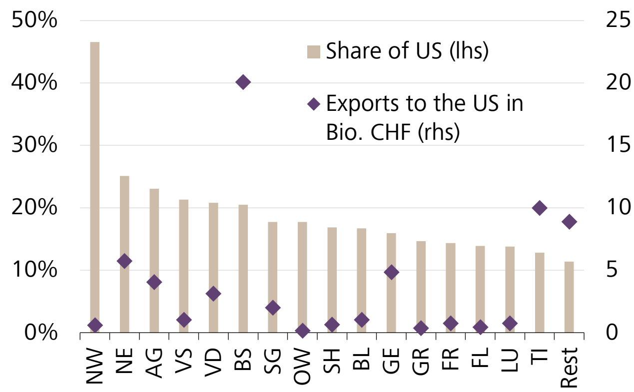
Indexed (Jan. 2025 = 100)



Source: FOCBS, Raiffeisen Economic Research

SHARES OF U.S. EXPORTS BY SWISS CANTON

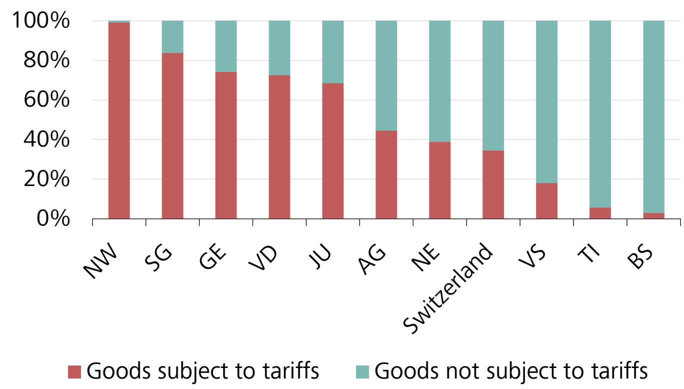
Exports to the USA in billion CHF and U.S. share, 2024



Source: FSO, Raiffeisen Economic Research

EXPORT STRUCTURE OF SELECTED CANTONS

Share of goods subject to tariffs in total exports, 2024



Source: FSO, Raiffeisen Economic Research

Exports Have So Far Responded Differently To Tariffs

With the announcement of a 39% tariff on around 35% of all Swiss products (excluding pharmaceuticals/chemicals and gold) starting August 7, trade with the United States is facing a new stress test. Even the introduction of the base tariff of 10% in April led to significant export fluctuations in certain industries. For example, in the watch industry, exports surged in April before subsequently declining again. There may also have been front-loading effects in the first week of August due to the new tariffs. However, the true impact of the tariffs on the watch industry will only become clear once inventories in the U.S. have been depleted.

The food industry, however, has reacted sensitively to the tariffs: In June, there was a decline, particularly in coffee exports. Whether these goods are generally more responsive to tariffs will become clearer in the coming months. In contrast, no decline has yet been observed in the machinery industry, likely due to orders already placed. U.S. exports in the first half of the year show a clear increase in this sector. However, with a 39% tariff rate, exports are expected to drop quickly. In May and June, Switzerland exported goods to tariffs worth around CHF 3 billion to the USA. At a 10% tariff rate, this already resulted in costs of around CHF 300 million. With the newly announced 39% tariffs, the burden is expected to increase significantly.

Not All Cantons Are Equally Affected

The impact of U.S. tariffs varies significantly by canton. Cantons with high exposure to the U.S. market are particularly affected. These include Nidwalden, Neuchâtel, Aargau, Valais, Vaud, and Basel-Stadt.

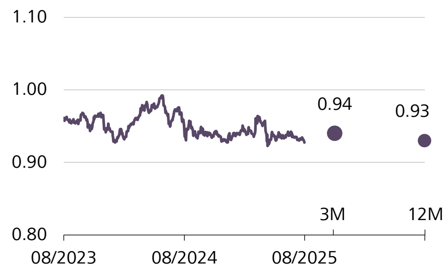
In terms of export value, Basel-Stadt and Ticino are at the top. However, Basel-Stadt benefits from a special position: the pharmaceutical industry, which dominates there, has so far been largely exempt from the tariffs, reducing the immediate burden. A similar situation exists in Ticino, where gold exports, also exempt from tariffs, play a central role.

The situation is different in cantons such as Nidwalden, St. Gallen, Aargau, and parts of Western Switzerland. There, industrial goods such as watches, machinery, precision instruments, and electrical engineering are strongly represented — sectors that are affected by the tariffs.

These regions are expected to face noticeable export losses once existing inventories in the U.S. are depleted and new shipments are subject to the higher tariff rates.

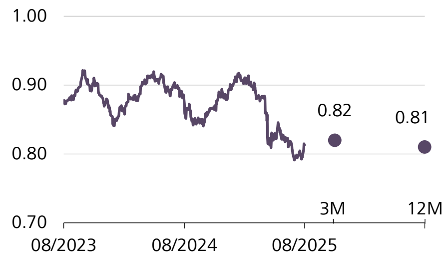
Exchange rates

FORECAST



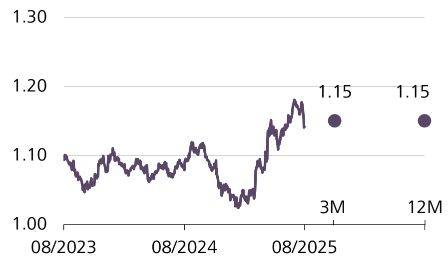
EUR/CHF

In July, the euro fluctuated between 0.92 and 0.94 Swiss francs. At the beginning of August, it benefited from the U.S. tariff blow against Switzerland. Fundamentally, the euro faces headwinds due to geopolitical and economic risks because of its cyclical nature, while the Swiss franc is in demand as a safe haven currency. At the same time, the euro is supported by its ongoing interest rate advantage over the Swiss currency — the European Central Bank (ECB) initiated a rate pause in July. This mix of factors is unlikely to change in the foreseeable future, which is why we forecast a sideways movement in the EUR/CHF currency pair.



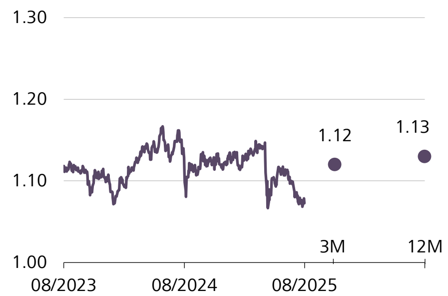
USD/CHF

Toward the end of July, the U.S. dollar tended to strengthen against the Swiss franc, as the Federal Reserve kept its key interest rate unchanged. However, following weak labor market data, the market now expects an interest rate cut soon. Although the recent trade deal has removed some uncertainty, the U.S. economy is losing momentum. We have therefore revised down our 3- and 12-month forecasts for the USD/CHF currency pair.



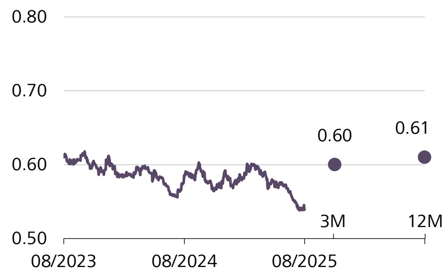
EUR/USD

The transatlantic trade deal provides European companies with planning certainty. However, the flat 15% tariff rate significantly reduces their competitiveness. In addition, the deal includes multi-billion euro EU investments in the United States. On balance, this tends to favor the U.S. dollar. Accordingly, the dollar gained against the euro in July. In the medium term, however, the higher import costs are expected to slow down the U.S. economy. Additional headwinds for the greenback come from the debt situation. As a result, we have raised our 3- and 12-month forecasts for the EUR/USD exchange rate to 1.15.



GBP/CHF

Inflation in the United Kingdom unexpectedly rose from 3.4% to 3.6% in June, reaching its highest level in over a year and a half. Despite this rise in inflation, the Bank of England decided - by a narrow majority - to cut interest rates in early August due to the weak economic situation. In our view, however, the British currency has overshot on the downside. That's why we see it significantly higher in the medium term, at 1.13 Swiss francs.



--JPY/CHF*

Japan and the United States reached a trade agreement in July. Nevertheless, the Japanese currency hit a new all-time low of 0.5375 Swiss francs. By the end of the month, it had recorded a 2.2% loss in value. The Bank of Japan (BoJ) left its key interest rate unchanged. Despite recent signs of easing, inflation (June: +3.3%) remains clearly above the central bank's target. In the medium term, however, the BoJ will likely have no choice but to tighten monetary policy. Accordingly, we are maintaining our previous forecasts, which anticipate a slight recovery in the JPY/CHF exchange rate.

* 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	**0.9**	**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	**3.5**	**3.5**
China	2.0	0.2	0.2	**0.2**	**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	0.25	**0.30**	**0.40**
EUR (Germany)	2.02	2.36	2.64	**2.30**	**2.20**
USD	3.88	4.57	4.26	**4.20**	**4.30**
JPY	0.61	1.09	1.51	**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	0.81	**0.82**	**0.81**
JPY/CHF (x 100)	0.60	0.58	0.55	**0.60**	**0.61**
EUR/USD	1.10	1.04	1.16	**1.15**	**1.15**
GBP/CHF	1.07	1.14	1.08	**1.12**	**1.13**

Commodities (end of year)

	2023	2024	Current***	Forecast 3M	Forecast12M
Crude Oil (Brent, USD/barrel)	77	75	67	**72**	**70**
Gold (USD/ounce)	2063	2625	3396	**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) ****08.08.2025

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	1.4	1.5
Public expenditures	3.0	-1.2	1.7	0.5	1.2	0.8
Investment in equipment	6.0	3.4	1.4	-2.1	1.2	1.9
Investment in construction	-3.1	-6.9	-2.7	2.2	2.2	1.8
Exports	11.5	4.7	1.8	1.0	6.3	1.0
Imports	5.7	5.8	4.1	4.0	6.9	1.9
Unemployment rate in %	**3.0**	**2.2**	**2.0**	**2.5**	**2.9**	**3.3**
Inflation in %	**0.6**	**2.8**	**2.1**	**1.1**	**0.2**	**0.5**

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