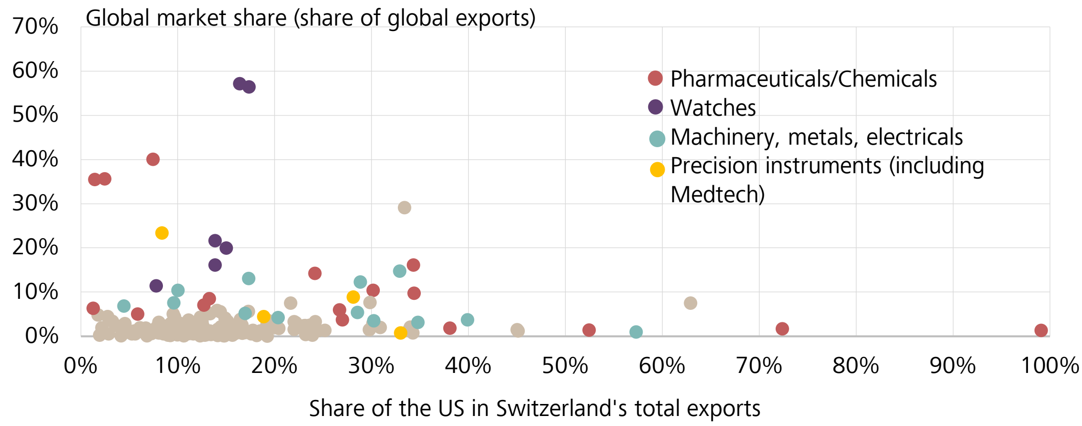
SEPTEMBER 2025

Macro check-up

High US tariffs are leaving their mark on Swiss industry, especially SMEs. However, there remains a realistic prospect of easing tensions in the trade dispute with the US. The global economy on the other hand is proving to be more resilient than expected, not least because most countries are refraining from taking countermeasures in the trade dispute with the US. It is still too early to consider the situation resolved, however, particularly when it comes to price pressure in the US, even though the Fed has downplayed inflation risks and has already hinted at an imminent interest rate cut.

CHART OF THE MONTH: SWISS GLOBAL MARKET LEADERS

Swiss exports to the US by product category and sector (goods exceeding CHF 10 million in export value), excluding gold



Source: International Trade Centre, Raiffeisen Economic Research

Thanks to the exemptions for chemical-pharmaceutical products and gold, less than 40% of Swiss exports to the US are currently subject to tariffs. Over 70% of these exports consist of watches, precision instruments and products from the MEM industry. In all three sectors, manufacturers are in part facing significant declines in sales and profits, even if they increase prices. However, the price sensitivity of demand is not the same across segments. Products in which Swiss companies are established global market leaders are expected to exhibit lower price elasticity. Here, the likelihood of US clients switching to rival products is comparatively low.

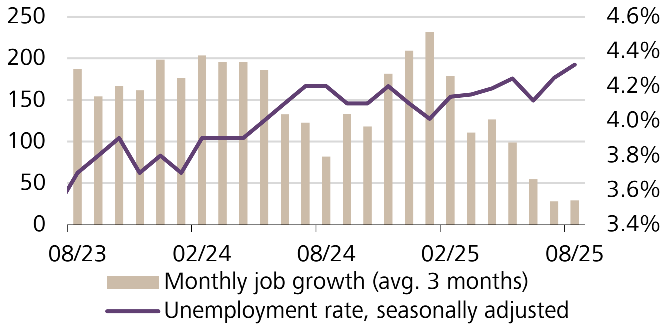
Swiss watches, for example, account for almost 60% of the global market volume. For patent-protected medicines, meanwhile, there are few alternatives depending on the area of application, which should ensure stable demand for the industry in the event of tariffs. In the case of precision instruments and the medtech sector, at least half of US exports fall into product categories in which Switzerland holds a global market share of at least 5%. For precision scales, the global market share exceeds 20%, while artificial joints and pacemakers hold shares between 10% and 20%. The strong market position should enable the companies concerned to pass on part of the tariffs to clients without a noticeable drop in demand. The same applies to parts of the. MEM (Mechanical, Electrical and Metal) industry, where a number of 'hidden champions' can also be found. Some 15% of US exports here still consist of goods with a global market share above 5%.

At most, only about a quarter of Switzerland's total exports to the US are significantly exposed to the high tariffs. However, there is already evidence of a slowdown in these products. Most SMEs exporting to the US appear unable to pass on the high tariff costs to their clients without suffering a marked drop in demand, according to a special survey conducted as part of the latest Raiffeisen SME PMI.

Economic situation

SIGNS OF SLOWDOWN IN THE US

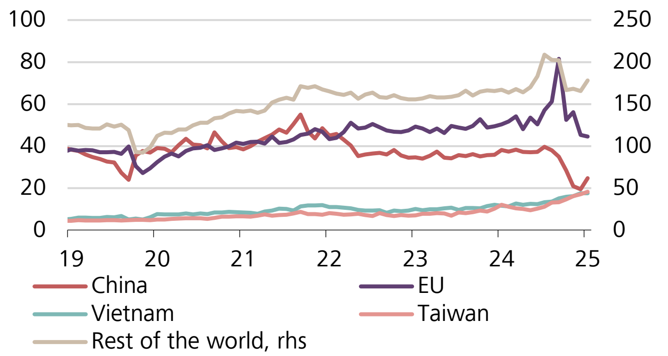
US job growth in thousands



Source: LSEG, Raiffeisen Economic Research

REROUTING OF US IMPORTS

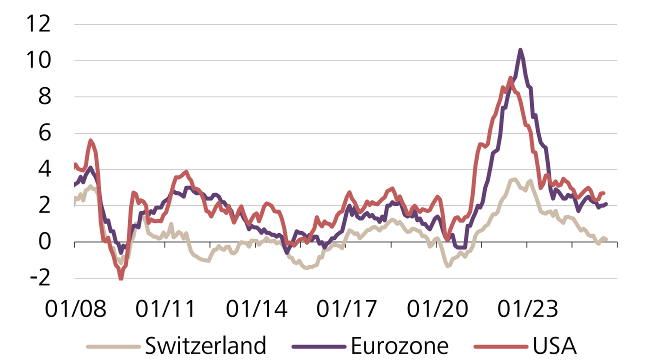
US imports in billion USD



Source: LSEG, Raiffeisen Economic Research

CONSUMER PRICES

% compared to previous year



Source: LSEG, Raiffeisen Economic Research

US companies bearing the brunt of tariffs

Over the past five months, tariffs have generated roughly USD 130 billion for the US Treasury, which is more than 5% of government revenues during that period. The main burden of tariff costs continues to fall on US companies, which are still refraining from significant price increases. As a result, their profit margins are declining, although generally not to an extent that would necessitate job cuts. However, companies are now recruiting fewer staff, and employment growth has slowed significantly. The only reason that the unemployment rate is not rising more sharply is because the labour supply is shrinking as a result of the tightening of migration policies. The outlook for private consumption remains subdued, even though consumer spending has recently exceeded expectations. Tariff-induced price pressure on the upstream stages of production has increased significantly and is expected to gradually feed through to consumer prices.

Renewed pull forward effects in goods trading

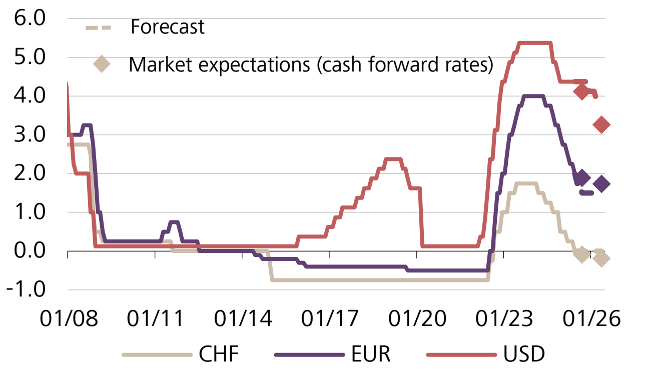
The recent tariff increases have triggered renewed pull forward effects. Following a sharp rise in the first quarter and a subsequent pullback, US imports have recently begun to rise again. Imports from China are still massively below the previous year's level. However, the bulk of Chinese exports still reach the US via indirect routes through Southeast Asia, where tariffs are lower. The Chinese industry has thus far successfully managed to withstand the impact of tariffs. However, it remains uncertain how much longer the US will tolerate this trade rerouting. In the eurozone, on the other hand, the Purchasing Managers' Index for industry has risen above the growth threshold for the first time in three years. However, this improvement is primarily due to the recovery in the domestic industrial sector. Export orders continue to weaken, and no growth incentives are expected in the near future due to the US tariffs.

Disinflation trend continues to take hold across eurozone

In the eurozone, inflation is forecast to rise by more than 2% in the coming months due to base effects. However, the weaker economy, slowing wage growth and, not least, the absence of tariff countermeasures continue to support expectations of lower inflation over the medium term. Price stability in Switzerland also appears to be secure, despite inflation being close to zero. The industry is undoubtedly starting from a significantly more challenging position than its competitors due to the 39% tariff. However, the much larger domestic sector remains stable (see page 4), making widespread and pronounced price declines unlikely.

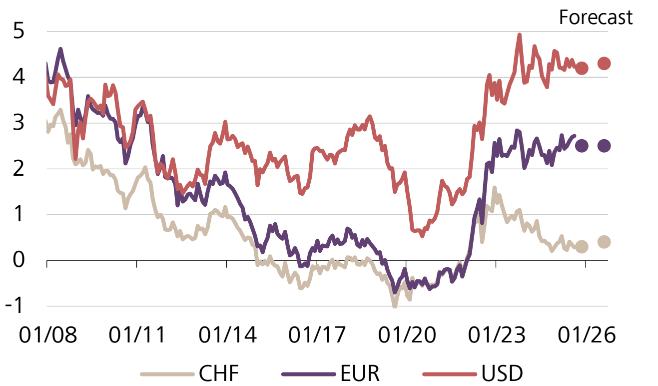
Interest Rates

KEY INTEREST RATES, IN %



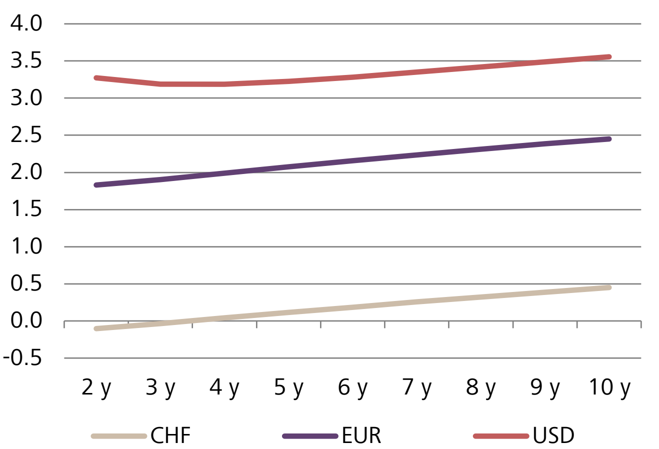
Source: LSEG, Raiffeisen Economic Research

10-YEAR GOVERNMENT BONDS, %



Source: LSEG, Raiffeisen Economic Research

INTEREST RATE CURVE (08.09.2025), IN %



Source: LSEG, Raiffeisen Economic Research

US Federal Reserve in retreat

At the annual central bank symposium in Jackson Hole, Fed Chair Powell unexpectedly shifted the focus from inflation risks to the weakening of the job market. He drew attention to the possibility of an adjustment of monetary policy, signalling that the policy rate could fall as early as September. In Powell's baseline scenario, the tariffs imposed by the government will lead only to a temporary increase in the price level, but not to a sustained increase in inflation. However, as he himself acknowledged, this assessment remains subject to considerable uncertainties. A number of indicators, such as producer prices or company pricing plans, continue to point to rising inflationary pressure. We therefore do not expect interest rates to be lowered multiple times before the end of the year, even if the US government continues to exert strong pressure on the Fed.

ECB in waiting mode

Monetary policy in the US is considered to be restrictive, as the neutral interest rate is placed around 50–100 basis points below the current level. In the eurozone, on the other hand, the deposit rate is already close to the estimated neutral level at 2.0%. According to the European Central Bank (ECB), economic and inflationary risks are currently broadly balanced, meaning that no further adjustment is deemed necessary at this time. However, we believe that if economic data is poor, this assessment may change quickly, and we therefore continue to believe that further easing this year is realistic. The negative effects of the US tariffs have not yet been fully felt. The political turmoil in France and the rising spreads of French government bonds could also lead the ECB to consider further interest rate cuts.

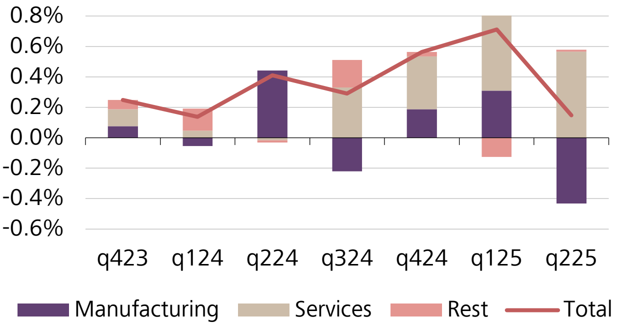
SNB trying to avoid negative interest

In response to the tariff shock at the beginning of August, the Swiss National Bank has remained notably reserved. There are currently no immediate plans to reduce the key interest rate to a negative level. The SNB continues to emphasise the high threshold for negative interest rates, stressing that such measures would only be considered under strict conditions due to their potential side effects. According to the SNB, there is currently no acute risk of deflation, with inflation currently moving away from the zero line. The euro–franc exchange rate is broadly stable. The appreciation of the franc against the US dollar is more a reflection of a weak US currency rather than a strong Swiss franc. Although the economy is losing momentum, it remains in line with expectations. The SNB appears to be adopting a wait-and-see approach to the impact of the US tariffs, not least because a near-term easing of the trade conflict with the US cannot be ruled out.

Swiss sectors

ADDED VALUE BY SECTOR

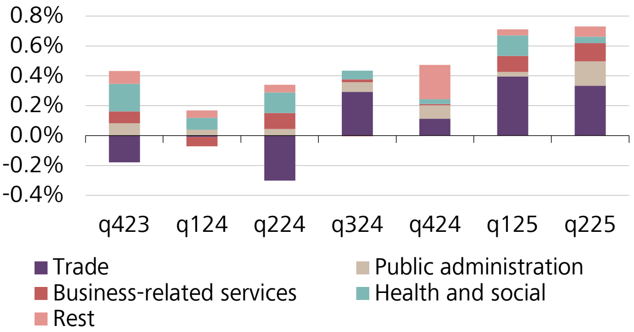
Contributions to real GDP growth compared to previous quarter



Source: SECO, Raiffeisen Economic Research

GROWTH IN TERTIARY SECTOR

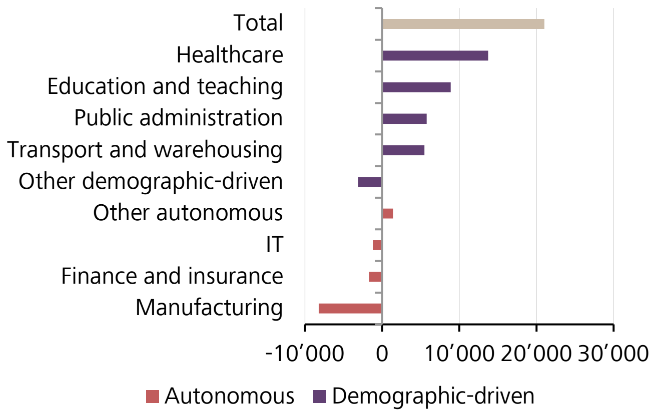
Sectoral contributions to quarterly change



Source: SECO, Raiffeisen Economic Research

JOB MARKET

Employment in FTE, growth Q2 2024–Q2 2025



Source: FSO, Raiffeisen Economic Research

Robust service sector

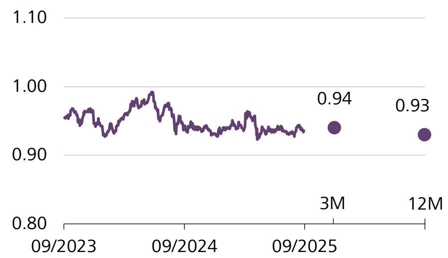
Following the strong surge in exports at the beginning of the year, added value in the manufacturing sector fell significantly in the second quarter. Nevertheless, the sport-event-adjusted GDP grew again, albeit only marginally, thanks to continued growth in the services sector. Economic output is thus currently 1.7% above the previous year's level, with the robust increase almost entirely attributable to the tertiary sector. Around half of GDP growth stems from the volatile transit trade, which is classified as "wholesale trade". Overall, however, growth in the services sector is broad based. The strongest year-on-year gains are currently seen in public administration (+2.6%) and the healthcare and social services sector (+2.2%). However, added value has also increased outside of government-related sectors, such as in hospitality (+1.8%), transport and communications (+1.4%) and business-related services (+1.1%). Only financial services (-0.4%) and education (-0.1%) recorded a year-on-year decrease in the second quarter.

Employment growth remains broad based

Additional job losses are looming in the manufacturing sector due to the US tariffs. Over 8,000 jobs have already been lost in the last four quarters (see chart). However, the stable situation in the tertiary sector argues against a wide spread downturn in the job market. Employment growth is mainly driven by demographic-related service sectors, which are largely independent of broader economic developments. Such sectors include, for example, the health sector, education and public administration. In the last four quarters, almost all new jobs have been created in these government-related sectors. On the other hand, employment growth is weak in autonomous sectors that are not dependent on the population. This includes not only the manufacturing sector, but also former growth drivers such as the IT industry or the financial sector. These autonomous sectors still account for around 40% of total employment in Switzerland. The outlook for the job market is therefore trending downwards. Overall, there is little evidence of growth in total employment and the unemployment rate is expected to continue to rise gradually.

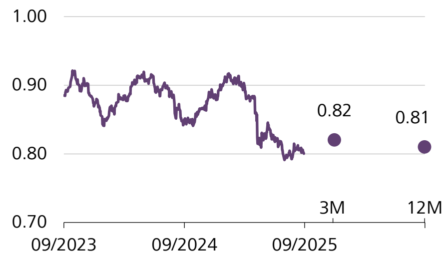
Exchange rates

FORECAST



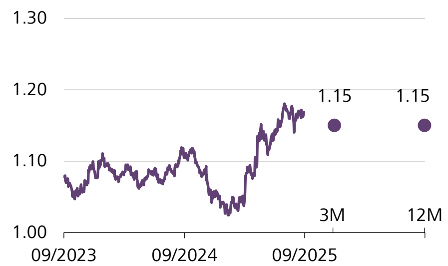
EUR/CHF

The euro benefited particularly in the first week of August against the Swiss franc due to the initially failed Swiss trade negotiations with the United States. However, from the second half of the month, the momentum slowed, and by the end of the month, the euro had gained only 0.6%. This is because the Swiss currency continues to be in demand as a safe haven. The euro, on the other hand, remains supported by the significantly higher key interest rates of the European Central Bank (ECB) compared to those of the Swiss National Bank (SNB). Therefore, we expect the EUR/CHF currency pair to move sideways over the course of the year



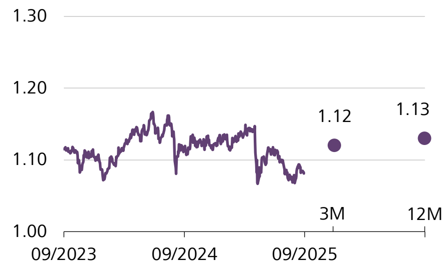
USD/CHF

Given the weakening of the U.S. labor market, the Federal Reserve opened the door to a potential interest rate cut in September. Meanwhile, despite the 39% tariff blow against Switzerland, the U.S. dollar depreciated by 1.5% against the Swiss franc in August. In addition to rising expectations of rate cuts in the U.S., investor hopes for a tariff deal under better conditions also contributed to the franc's appreciation. Furthermore, the dollar is being weighed down by inflation risks stemming from the tariffs and by Donald Trump's attacks on the Fed's independence. All in all, we expect the USD/CHF currency pair to move sideways



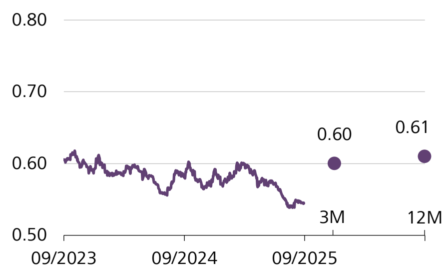
EUR/USD

Im Nachgang zum Handelsdeal zwischen der Europäischen Union (EU) und den USA hat sich der Euro im vergangenen Monat gegenüber dem US-Dollar um 2.4% verteuert. Damit dürfte die Gemeinschaftswährung aber etwas nach oben überschossen haben. Das gilt umso mehr, da die EZB ihre Geldpolitik in den kommenden Monaten wohl noch etwas lockern dürfte, um so der schwächelnden Wirtschaft unter die Arme zu greifen – auf Jahressicht erwarten wir zwei Zinssenkungen in Höhe von insgesamt 50 Basispunkten. Wir sehen das Devisenpaar EUR/USD deshalb mittelfristig leicht unter dem aktuellen Spotpreis, bei 1.15.



GBP/CHF

Due to the shrinking economy, the Bank of England (BoE) cut its key interest rate by 25 basis points to 4.0% at its August meeting. Inflation in the UK remains stubborn though .In July, the inflation rate even rose from 3.6% to 3.8%, the highest level in a year and a half. As a result, there is little room for further rate cuts in the foreseeable future. Accordingly, the British pound appreciated by 0.8% against the Swiss franc last month. In our view, too much negative sentiment is currently priced into the British currency. We thus forecast the GBP/CHF exchange rate at 1.13 over a 12-month horizon



JPY/CHF*

The JPY/CHF exchange rate temporarily climbed to 0.5511 in August. By the end of the month, it had recorded a gain of 1.1%. Meanwhile, U.S. Treasury Secretary Scott Bessent publicly criticized the Bank of Japan (BoJ), stating that it was acting "behind the curve" in its fight against inflation — core inflation stood at 3.1% in July. However, the central bank is unlikely to be pressured by criticism from Washington. Given the weak economic outlook, we expect a very cautious tightening of its monetary policy. Accordingly, the appreciation potential of the Japanese yen remains limited. Over a one-year horizon, we forecast the yen at 0.61 Swiss francs.

* mit 100 multipliziert
Quellen: 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	0.6	0.8	**0.9**	**1.0**
USA	2.5	2.9	2.8	**1.5**	**1.3**
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	**3.0**	**3.3**
China	2.0	0.2	0.2	**0.2**	**0.5**
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	**4.00-4.25**	**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	0.24	**0.30**	**0.40**
EUR (Germany)	2.02	2.36	2.65	**2.50**	**2.50**
USD	3.88	4.57	4.07	**4.20**	**4.30**
JPY	0.61	1.09	1.60	**1.40**	**1.20**

Exchange rates (end of year)

	2023	2024	Current***	Forecast 3M	Forecast 12M
EUR/CHF	0.93	0.94	0.93	**0.94**	**0.93**
USD/CHF	0.84	0.90	0.80	**0.82**	**0.81**
JPY/CHF (x 100)	0.60	0.58	0.54	**0.60**	**0.61**
EUR/USD	1.10	1.04	1.17	**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	**68**	**70**
Gold (USD/ounce)	2063	2625	3628	**3550**	**3600**

*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) ****08.09.2025

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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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