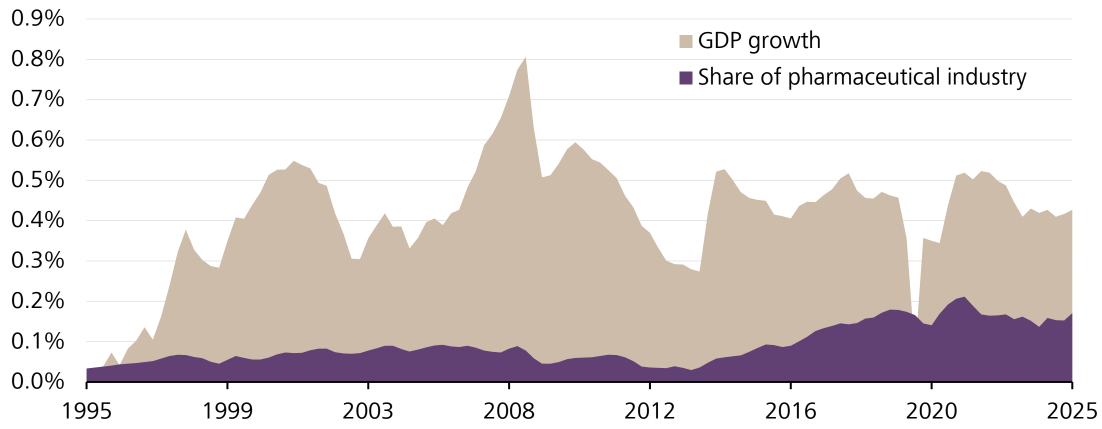
OCTOBER 2025

Macro check-up

Swiss exports to the US fell in August. However, due to the robust development of the internal market and the fact that only a part of the industry is affected by tariffs, the economic impact is limited in scope. The SNB has lowered its growth forecast for 2026 to just under 1%, a figure that we have been expecting for some time. However, in light of the fact that the key interest is already very low, the SNB does not see any need for further action. The barrier for a return to the negative range remains high.

CHART OF THE MONTH: DRIVER OF GROWTH IN SWITZERLAND

Quarterly GDP growth (real) and share of pharmaceuticals & chemicals, five-year moving average



Source: SECO, Raiffeisen Economic Research

The pharmaceutical industry generates almost 10% of Swiss GDP, contributes around 40% to economic growth and generates more than half of all exports. Most pharmaceutical companies generate the majority of their revenue in the US. The country is both a key market and an Achilles' heel, as US business is under considerable political pressure.

President Trump is calling for significant price reductions and additional investment commitments. As leverage, he has announced a tariff of 100%. However, this is more of a threatening gesture than a viable option, as such a high tariff would greatly push prices up. A compromise whereby pharmaceutical companies from Switzerland and other countries offer selective discounts and additional investments therefore seems more plausible. In return, the US government refrains from taking drastic measures and imposes no more than a moderate tariff. While such a compromise reduces margins in business with the US and results in production being relocated from Switzerland, it would avoid more serious consequences in the short term.

In the long term, political pressure for lower prices is unlikely to subside. The concessions that have been made by pharmaceutical companies so far are solely due to President Trump's initiative. To date, the US has not introduced any legally binding price regulations. If medicines continue to remain significantly more expensive than abroad, there is a growing risk that sooner or later, the US Congress will take steps towards formal regulation in a similar way to the European model. A system change of this extent represents the biggest risk that Swiss pharmaceutical companies are facing.

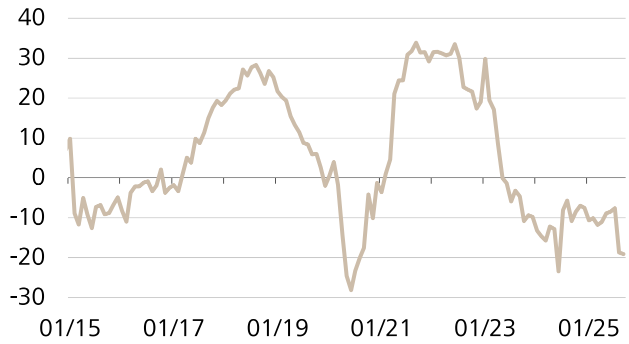
If a compromise is reached, the sector's substantial contribution to Swiss GDP growth will not be overly impaired for the time being. Due to the world's ageing population, the pharmaceutical business remains a lucrative growth market. Nevertheless, President Trump's head-on attack must be seen as a wake-up call to Switzerland. Read more on this topic in our new study: Swiss Pharmaceuticals and the US: Cluster Risk or Cluster Opportunity?

RAIFFEISEN
Economic Research

Economic situation

SWISS CORPORATE SENTIMENT

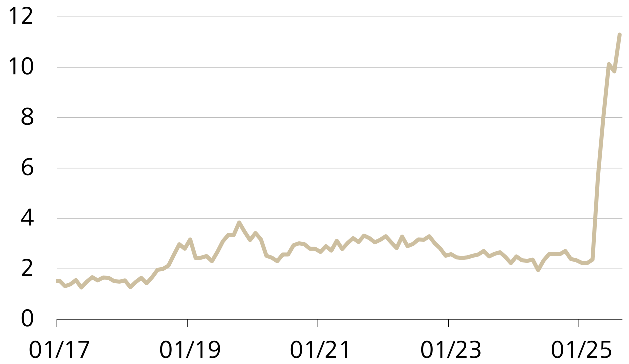
KOF Business Climate in the Manufacturing Sector



Source: LSEG, Raiffeisen Economic Research

US TARIFF REVENUE

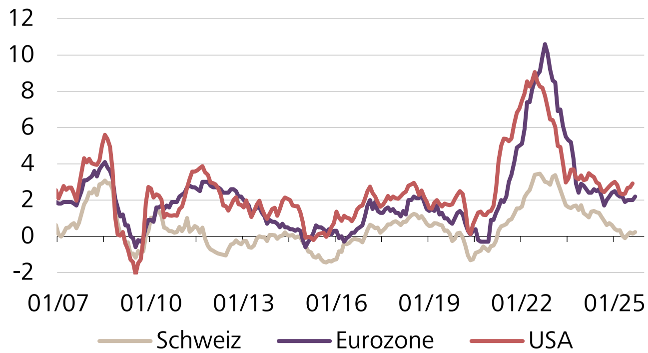
Average effective tariff rate in %



Source: LSEG, Raiffeisen Economic Research

CONSUMER PRICES

% compared to previous year



Source: LSEG, Raiffeisen Economic Research

Fluctuating tariffs

After a strong start to the year, the first Swiss GDP estimate for the second quarter showed a sharp deceleration in growth from 0.8% to 0.2% compared to the previous quarter. As in other countries, the cause of this high level of volatility is US customs policy. Before the reciprocal tariffs were announced at the beginning of April, early exports, particularly in the pharmaceuticals sector, had initially led to a surge in exports, which reversed in the second quarter and put a significant strain on industrial added value. The Swiss service sector, on the other hand, continued to make a stable and positive contribution to growth across the board.

A bleaker industrial sentiment

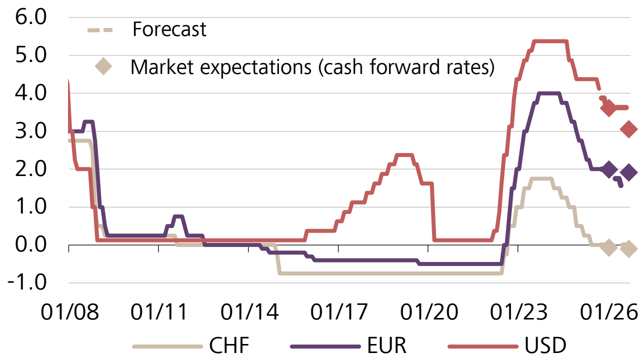
Since this announcement, the outlook for Swiss industry has nevertheless continued to deteriorate as US punitive tariffs were announced – which were much higher than expected. While the EU has concluded an agreement with the US and has at least been able to limit the level of punitive tariffs to 15% – with the exception of steel and aluminium – Switzerland initially has a much higher punitive tariff of 39%, with Swiss pharmaceutical companies even being threatened with a punitive tariff of 100%. Exceptions, workarounds or a subsequent deal could cushion the effects. For many companies, however, the high tariff rate essentially results in a significant loss of price competitiveness, with the appreciation of the CHF against USD adding to this. As a result, sentiment has deteriorated more recently, especially in industry surveys (see chart). Consumers are therefore also becoming increasingly concerned about their jobs. However, rising real wages help to stabilise purchasing power despite a slight rise in unemployment.

Divergence in product prices

The final extent of the tariff burden on both the world economy and the distribution of costs still remains very uncertain. Companies are often able to temporarily evade the burden by increasing inventories. Nevertheless, sharply rising US tariff revenues meanwhile confirm an increase in the average tariff burden on US imports to over 10%. At the same time, fairly stable import price data indicate that the tariff burden is mainly borne by US importers. Company surveys show that sales price plans have increased accordingly. This has begun to be reflected in the rising prices for US consumer goods, which is expected to continue into the coming months at the least. There is no equivalent pressure on prices in Europe, partly because governments have largely renounced counter-tariffs. The bleak economic outlook tends to further dampen the overall pressure on prices. In Switzerland, however, deflation on the price of imported goods – due to the strong CHF – seems to have peaked. At the same time, service inflation has stabilised at a moderate level in recent months, leaving headline inflation slightly above zero.

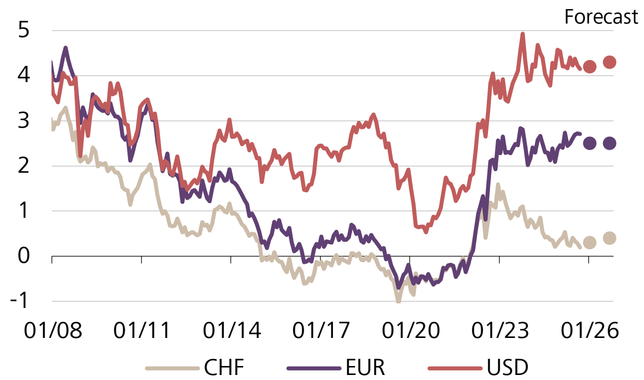
Interest rates

KEY INTEREST RATES, IN %



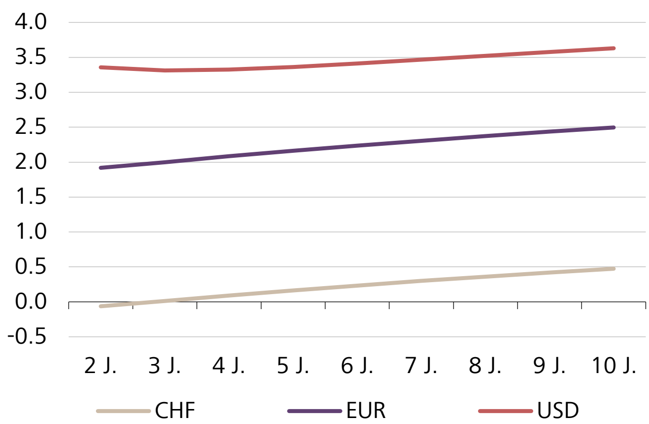
Source: LSEG, Raiffeisen Economic Research

10-YEAR GOVERNMENT BONDS, %



Source: LSEG, Raiffeisen Economic Research

YIELD CURVE AS OF 09.10.2025 (%)



Source: LSEG, Raiffeisen Economic Research

Fed lowers interest rates as a precaution

The US Federal Reserve has taken a longer break in monetary easing as a result of persistent price pressure. Despite this, in September, increasing signs of a noticeable slowdown in the labour market ultimately prompted the Fed to cut interest rates for the first time this year. The target range was reduced by 25 basis points to 4.0%–4.25%. To prevent a continued decline in employment growth, most Fed officials are open to further cuts in security at upcoming meetings. However, Fed Chair Jerome Powell does not yet see the need for larger interest rate cuts, as consumer prices are simultaneously showing a stronger upward trend due to tariffs. As long as the US economy holds up reasonably well, an extensive period of easing – as the US President deems necessary – is not warranted.

ECB is in a good position

Meanwhile, the ECB does not see a need for further action. Following the eight cuts from 4.0% to 2.0%, the key interest rate – i.e. the deposit rate – has not been reduced since the last mid-year reduction. Despite the negative effects on tariffs, unemployment in the eurozone remains at an almost record low. Following the customs deal, which reduces uncertainty, the ECB considers growth risks to be more balanced. With an inflation trend that is not far off its target value, ECB President Lagarde still considers the central bank to be in a good position and currently sees no reason to continue to reduce interest rates as a precautionary measure. In the event of additional delayed negative tariff effects and slower positive fiscal stimulus effects, a further downward adjustment of interest rates cannot yet be ruled out.

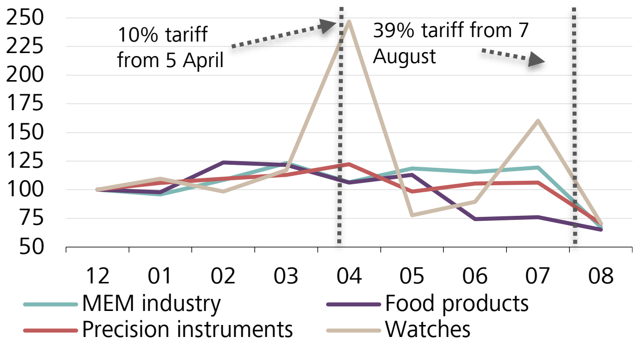
SNB confirms significant challenges

At its quarterly meeting in September, the Swiss National Bank did not continue to lower the key interest rate any further, leaving it at 0%. During the last adjustment in June, SNB President Martin Schlegel stressed that the hurdle for reintroducing negative interest rates due to negative side effects on savers, pension funds and the transmission process for monetary policy was significantly higher than for interest rate cuts in the positive range. This assessment was reiterated in the recent decision. Despite the high US punitive tariffs, the SNB expects the economic effects to be limited and it does not expect a recession. Moreover, the downward trend in underlying inflation has recently come to a halt. The annual inflation rate remains slightly positive, with stable price expectations. The SNB's medium-term inflation projection thus remains virtually unchanged – comfortably within the target range of 0%–2%. In addition, since the SNB estimates that the rapid interest rate cuts since March 2024 will continue to support the economy, no additional easing measures are needed until further notice.

Swiss sectors

EXPORTS TO THE US

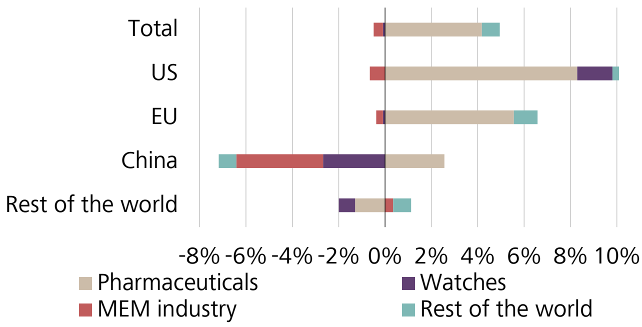
Development since the beginning of the year, unadjusted



Source: BAZG, Raiffeisen Economic Research

SWISS EXPORTS WORLDWIDE

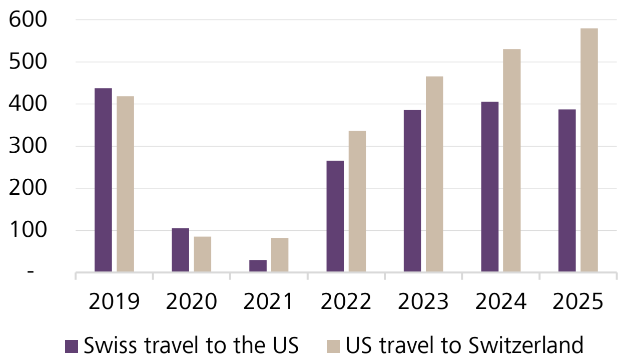
Jan-Aug, yoy in %, incl. growth contributions



Source: BAZG, Raiffeisen Economic Research

ARRIVAL OF TOURISTS

January to August, cumulative, in thousands



Source: US Department of Commerce, Raiffeisen Economic Research

Exports to the US fall significantly

The dramatic tariff changes of 7 August have already left their mark on exports to the US. In the sectors affected by the tariffs, exports fell by around 45% in August compared with July. The decline was widespread, but the impact on the business situation in the sector varies. In the watch industry, the volume of exports for the current year is still significantly higher than the previous year (+20%) – despite the recent slump. Several watch manufacturers acted proactively, significantly increasing their inventories in the US in July. While these advance exports will create a gap in exports in the coming months, they are helping companies to cushion the effects of the tariff burden on the US market. Contrary to this, no advance effects – or only limited effects – could be observed in the other sectors. While exports of precision instruments to the US are still 2% above the previous year's level so far, after the slump in August, food products (-3%) and the MEM industry are already showing a noticeable decline compared to 2024 (-5.7%).

Exports to China are also in decline

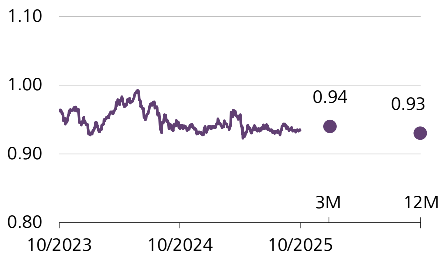
With more stringent US tariffs, the market that many export industries considered to be the only reliable driver of growth in recent years is in danger of collapsing. At the same time, demand from China continues to subside, especially for machinery and watches, due to the country's economic deceleration. Exports to the EU, on the other hand, increased in August. Overall, they have nevertheless been stagnating for some time, with pharmaceutical exports being one of the few exceptions. Due to the US tariffs, we expect the economy to continue to develop in a subdued manner for both trading partners, which means that the environment for Swiss exporters will remain difficult.

The decline in demand for US travel continues

An additional burden on export business with the US is the weak USD, while Swiss tourism has shown few signs of slowing down so far. Americans continue to travel to Switzerland in large numbers. Thanks to their significant contribution, the industry is on track to set a new record for overnight stays this year. Despite the favourable exchange rate, the Swiss are less inclined to travel to the US: in the summer, the number of trips was 5% below the previous year and 7% below the level of 2023. Nevertheless, the general demand for air travel still remained high, as shown by the latest passenger numbers at Swiss airports.

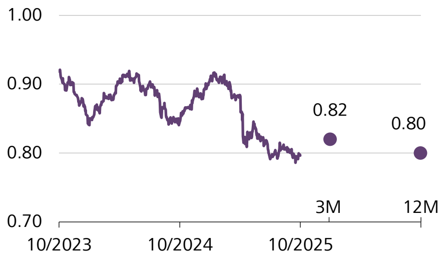
Exchange rates

FORECAST



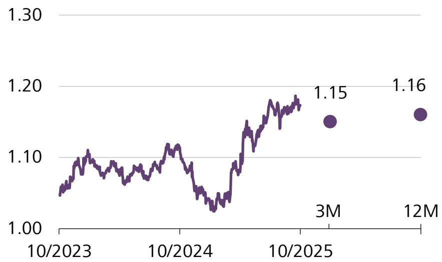
EUR/CHF

The euro remained stable against the Swiss franc in September, fluctuating between 93 and 94 centimes - a range that has persisted for some time. We expect the single currency to continue moving within this band over the next 12 months. Stability was also supported by the European Central Bank (ECB), which left its key interest rate unchanged last month. While markets currently do not anticipate another rate move within the year, we forecast two rate cuts of 25 basis points each. It is also encouraging that the recent government crisis in France did not further weaken the euro.



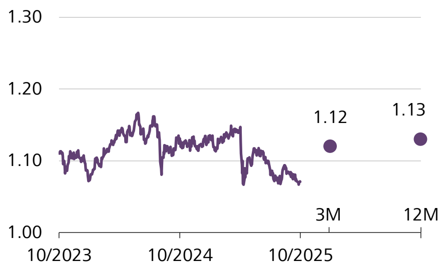
USD/CHF

The weakness in the US dollar continues: In September, the dollar temporarily fell to a record low against the Swiss franc, ending the month down 0.5%. We expect another rate cut by the US Federal Reserve before year-end, which would reduce the interest rate advantage of the greenback and could exert further pressure on the currency. Persistent inflation, currently at 2.9% and well above the Fed's 2% target, adds to the challenges. The government shutdown that took effect on October 1st has also done little to improve sentiment. However, since the dollar currently appears somewhat oversold, we anticipate a moderate rebound in the coming quarter.



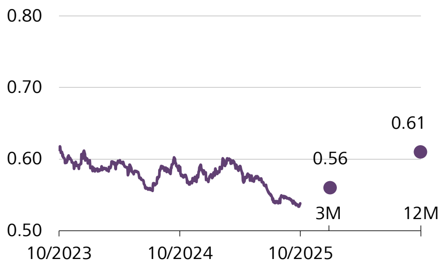
EUR/USD

The euro continues its upward trend against the US dollar, appreciating by 0.4% in September. Since the beginning of the year, this brings the cumulative gain to around 13%. We believe the euro may have overshot somewhat with this movement and expect a short-term correction to 1.15. This is despite the fact that the interest rate differential is likely to shift in favor of the euro by year-end. While US interest rates are expected to decline over the next three months, the European Central Bank is not expected to adjust its rates for the time being.



GBP/CHF

The UK is experiencing stagflation: the economy is stagnating while the inflation rate stands at 3.8%, nearly twice the Bank of England's 2% target. These figures highlight how narrow the path is for further rate cuts. While elevated inflation argues for a restrictive monetary policy, the weak economy would actually require lower interest rates. In this environment, the British pound lost 1% in September. However, given the correction that has already taken place, we believe that too much negative sentiment is priced in and therefore expect a stronger pound over both the three- and twelve-month horizons.



JPY/CHF*

The Japanese yen has been on a rollercoaster ride. After a weak performance in September, the currency rebounded in early October following the release of a positive Tankan report, which fueled market expectations of an imminent rate hike by the Bank of Japan. However, those hopes have faded with the appointment of Sanae Takaichi as leader of the ruling Liberal Democratic Party. Since the first weekend of October, investors have been betting on increased government spending and a more accommodative monetary policy, which has weighed on the yen. Nevertheless, due to elevated inflation, we expect slightly rising interest rates over the course of the year and a stronger yen in the longer term.

* Multiplied by100
Sources: Bloomberg, Raiffeisen Schweiz CIO Office, Raiffeisen Schweiz Economic Research

Raiffeisen forecasts (I)

ECONOMIC SITUATION

GDP (average annual growth in %)

	2022	2023	2024	2025 forecast	2026 forecast
Switzerland*	2.9	1.2	0.9	**0.9**	**1.0**
Eurozone	3.6	0.5	0.8	**0.9**	**1.0**
US	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	2025 forecast	2026 forecast
Switzerland	2.8	2.1	1.1	**0.2**	**0.5**
Eurozone	8.4	5.5	2.4	**2.0**	**1.8**
US	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

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	4.00–4.25	**3.75–4.00**	**3.50–3.75**
JPY	-0.10	0.25	0.50	**0.50**	**0.75**

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

	2023	2024	Current****	3M forecast	12M forecast
CHF	0.65	0.27	0.21	**0.30**	**0.40**
EUR (Germany)	2.02	2.36	2.70	**2.50**	**2.50**
USD	3.88	4.57	4.14	**4.20**	**4.30**
JPY	0.61	1.09	1.70	**1.50**	**1.30**

Exchange rates (end of year)

	2023	2024	Current****	3M forecast	12M forecast
EUR/CHF	0.93	0.94	0.93	**0.94**	**0.93**
USD/CHF	0.84	0.90	0.80	**0.82**	**0.80**
JPY/CHF (x 100)	0.60	0.58	0.52	**0.56**	**0.61**
EUR/USD	1.10	1.04	1.16	**1.15**	**1.16**
GBP/CHF	1.07	1.14	1.07	**1.12**	**1.13**

Raw materials (end of year)

	2023	2024	Current****	3M forecast	12M forecast
Crude oil (Brent, USD/barrel)	77	75	66	**68**	**70**
Gold (USD/ounce)	2063	2625	4040	**3900**	**4200**

*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) ****09.10.2025

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**	**0.9**	**1.0**
Private consumption	2.2	4.9	1.4	2.4	1.4	1.5
Government consumption	2.9	-0.6	1.4	1.3	1.2	0.8
Investment in equipment	7.0	4.7	3.8	1.2	1.2	1.9
Investment in construction	-3.1	-6.9	-1.5	-1.4	2.2	1.8
Export	11.5	5.8	-2.0	3.0	6.3	1.0
Import	4.8	6.6	1.1	3.7	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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