

ECONOMIC RESEARCH – SEPTEMBER 2025

INVESTMENT INSIGHT

SWITZERLAND

- ✓ Moderate growth in Q2 confirms expected slowdown
- ✓ High risk of stagnation in Q4 Leading indicators more nuanced and mixed

SERIOUS THREATS LOOM OVER SWISS STOCKS

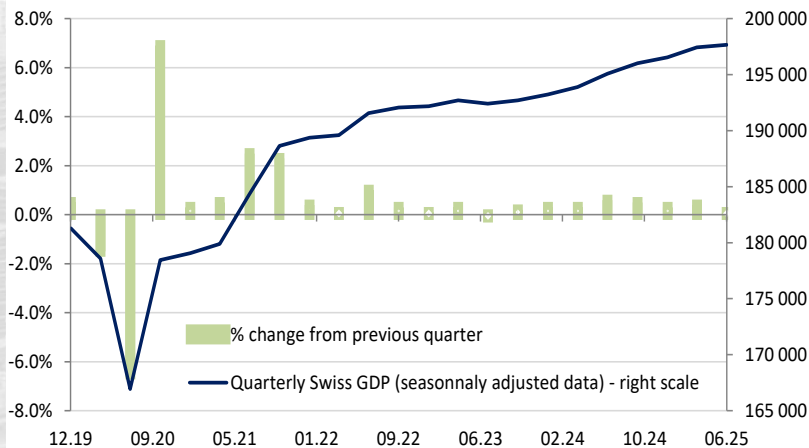
Normalization confirms expected slowdown

Switzerland's real GDP grew by a modest +0.3% quarter-on-quarter in Q2 2025, marking a significant deceleration from the exceptional +0.8% recorded in the first quarter. This return to a more moderate pace of expansion was widely anticipated, as the Q1 surge was largely driven by unique, non-recurring factors.

Domestic demand loses momentum

A detailed analysis of Q2 GDP components reveals underlying weakness. Private consumption, a traditional economic pillar, grew by only +0.2%, half its historical average, reflecting lingering consumer caution. Similarly, investment in capital goods stagnated, indicating that businesses remain hesitant to commit to new projects. Only investment in construction showed resilience, supported by low interest rates. The overall trend highlights a clear loss of momentum in the domestic economy, with a general sense of caution pervading both households and businesses.

Swiss GDP in million CHF (quarterly data)



Sources : Bloomberg, BBGI Group

Resilience compared to European partners

Despite the slowdown, Switzerland's performance proved particularly resilient when compared to its main European trading partners. This is especially evident in the contrast with Germany, whose economy stagnated at just +0.1% growth. Switzerland's superior performance is a testament to the structure of its economy.

Structural strengths cushion against weakness

Unlike its European neighbors that are heavily dependent on traditional heavy industry, the Swiss economy is more concentrated in less cyclical sectors such as pharmaceuticals, chemicals, and financial services. This composition has effectively insulated Switzerland from the structural weakness affecting its key trading partners, particularly Germany, whose industrial model is struggling with high production costs and sluggish global demand.

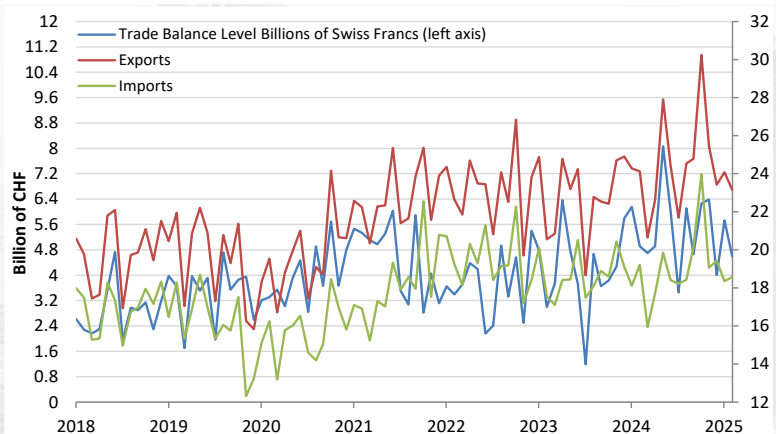
Outlook for H2: A high risk of stagnation

The economic outlook for the second half of 2025 is marked by considerable uncertainty and a high risk of stagnation. The temporary boost from the exceptional Q1 export surge has now dissipated, and the domestic growth drivers are showing clear signs of strain. The industrial sector, notably the MEM industry, continues to face sluggish external demand, with order books at historically low levels, providing no immediate relief.

Services sector becomes the primary engine

As a result, any potential for growth in Q3 and Q4 will be almost exclusively dependent on the resilience of the services sector and a possible recovery in private consumption. With wage increases expected to provide only a marginal gain in purchasing power, consumer spending is unlikely to be a significant catalyst. This outlook suggests that 2025 as a whole will be a year of near-stagnation for the Swiss economy, with forecasts converging around a modest +1.1% growth.

Trade balance, Swiss imports and exports



Sources : Bloomberg, BBGI Group

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