Bearbull Global Investments Group Limited
Al Fattan Currency House – Tower 1 – Unit 702
Dubai International Financial Centre (DIFC) - Dubai - UAE
www.bearbull.ae +971 4 2722719

ECONOMIC RESEARCH – JUNE 2025

INVESTMENT INSIGHT SWITZERLAND

- ✓ A surprisingly robust first quarter for the GDP
- ✓ High risks of growth slowing in Q2

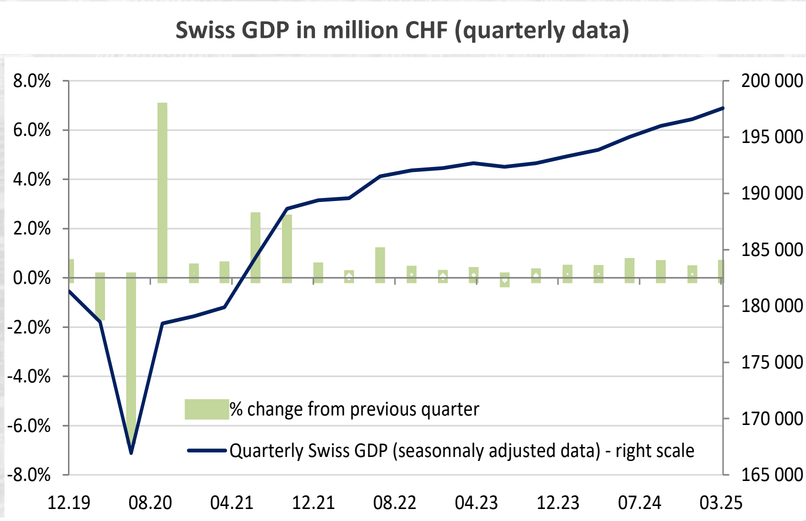
THE SNB COULD ALREADY GO NEGATIVE IN JUNE

Unexpectedly strong first quarter

Switzerland's economy started 2025 with a surprisingly strong first quarter, with real GDP accelerating to a robust +0.8% quarterly growth. This performance, driven predominantly by exports, surpassed analysts' expectations and represented the fastest economic expansion since Q2 2024.

Foreign trade as the main driver

Foreign trade was the primary engine behind the first quarter's exceptional GDP growth. Exports of goods and services surged by a seasonally adjusted +10.5% quarter-on-quarter, the best performance since Q3 2022. This impressive result was largely attributed to an "anticipation" phenomenon, where companies rushed to get ahead of the imminent imposition of new U.S. tariffs. While exports were strong, imports also rose significantly by +13.1%, resulting in a negative net contribution to GDP.



Sources : Bloomberg, BBGI Group

Weakness in domestic demand

Despite the robust headline GDP figure, underlying data reveals a significant imbalance, with domestic demand showing notable weakness. Private consumption, a key driver of the economy, slowed to a mere +0.2% growth, its weakest performance since Q1 2021. This deceleration was also mirrored in public consumption and fixed investment, which both showed signs of losing momentum compared to the previous quarter.

Mixed contribution from key economic sectors

While foreign trade drove the overall growth, the contributions from other sectors were mixed. Private and public consumption, along with fixed investment, all saw decelerating growth rates. This suggests that the strength of the first quarter was not broad-based, raising questions about the sustainability of the economic performance. The resilience of the construction sector and a rise in equipment and software investment provided some support, but it was not enough to offset the broader weaknesses in domestic demand.

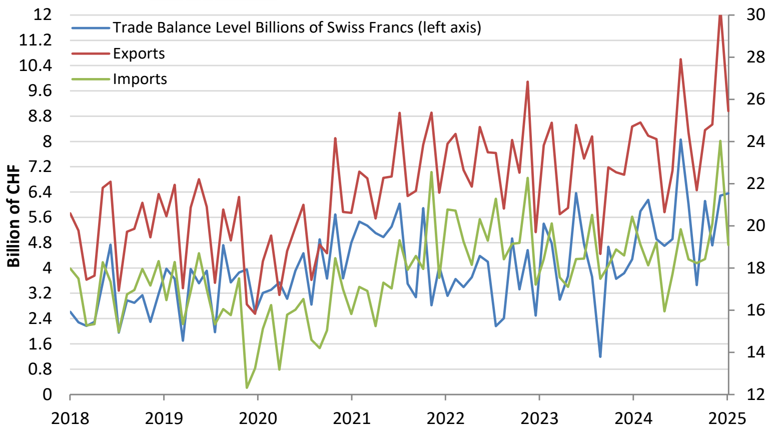
Q2 outlook: high risk of a slowdown

The sustainability of Switzerland's economic growth is highly questionable for the second quarter. The strong export performance in Q1 was likely a one-off event driven by the anticipation of tariffs, and this effect will not be repeated. Combined with persistently sluggish domestic demand and pressures on the labor market, there is a high risk of a significant slowdown. This reliance on volatile external factors makes the outlook for the rest of 2025 uncertain, with a likely deceleration in growth following the strong first quarter.

SECO's role and forecasts

The State Secretariat for Economic Affairs (SECO) played a key role in providing initial estimates that were later revised upwards. SECO's preliminary estimate for GDP growth was a solid +0.7%, which was then revised up to +0.8%, confirming the surprising strength of the first quarter. SECO's analysis and data highlight the underlying resilience of the Swiss economy, despite the prevailing uncertainties. Looking ahead, SECO's forecasts will be a crucial indicator for tracking how the economy responds to the shift in external drivers and the continued weakness in domestic demand, as the full impact of global trade policies unfolds.

Trade balance, Swiss imports and exports



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