

**ECONOMIC RESEARCH – NOVEMBER 2025**

**INVESTMENT INSIGHT**

**SWITZERLAND**



- ✓ Sudden but expected slowdown in the Swiss economy
- ✓ Switzerland falls behind a resilient Europe

**RETURN OF NEGATIVE INTEREST RATES**

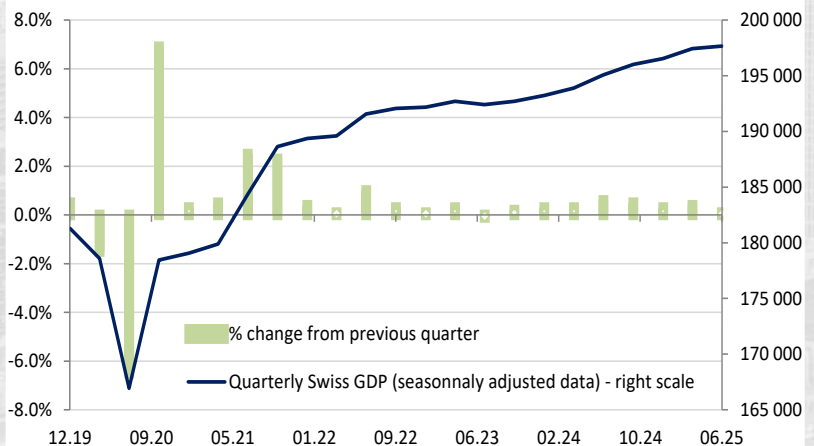
**Q3 GDP contraction: A defiance of consensus**

The flash GDP estimate published by SECO on November 17th reported an unexpected contraction of -0.5% for Q3 2025. This result abruptly deviated from the market consensus for a soft landing, confirming the more cautious forecasts held by independent analysts. This figure signals a decisive break from the positive momentum observed earlier in the year and highlights the critical, growing vulnerability of the nation's export-driven economic model to international instabilities.

**Exogenous shock to the manufacturing sector**

Detailed analysis indicates that the contraction was predominantly driven by a significant weakening of the industrial sector. Specifically, the key chemical and pharmaceutical industries—crucial drivers of Swiss exports—were heavily impacted by heightened geopolitical uncertainty and the immediate constraints imposed by US tariffs. This political decision in the United States acted as a violent, non-cyclical shock, rapidly transforming what might have been a natural slowdown into a sharp, decisive contraction. For the first time in an extended period, the manufacturing base actively penalized, rather than contributed to, national growth.

**Swiss GDP in million CHF (quarterly data)**



Sources : Bloomberg, BBGI Group

## Absence of compensatory internal drivers

A major concern is the current inability of the domestic economy to serve as a buffering mechanism. The service sector, traditionally a stabilizing force, registered growth below its historical average. Widespread global economic uncertainty severely curtailed both business and household sentiment, leading to an insufficient level of internal demand. This stagnation prevented the services economy from mobilizing sufficient momentum to offset the severe collapse observed in the industrial sector.

## Non-linear shift: From stagnation to recession

The economic trajectory from Q2 to Q3 demonstrates a shift combining continuity and disruption. Q2's anemic growth of +0.1% already signaled underlying stagnation from cooling global demand. However, the move into a technical recession in Q3 was not the result of a linear, accelerating deterioration. It was primarily triggered by a disruptive political accident—the direct and immediate enforcement of US protectionism—which rapidly eroded the commercial stability and order book inertia that had sustained growth in the preceding quarter.

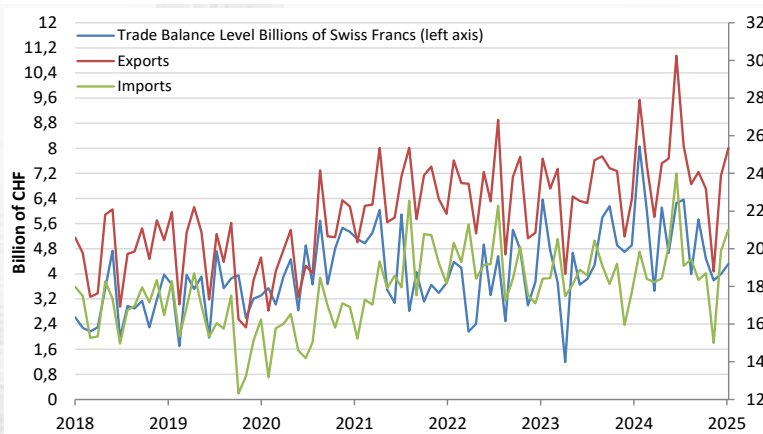
## Heightened geopolitical vulnerability

The extreme volatility of the Q3 performance underscores that Switzerland's high degree of dependence on its major trading partner, the United States, has become a significant liability. Foreign administrative and policy decisions now hold the power to tip the nation's GDP from positive to negative in a short time frame. This necessitates a pragmatic and immediate revision of SECO's previously resilient annual growth forecasts, confirming that a robust Swiss economy must now navigate significantly riskier, politically charged waters.

## Decoupling from Eurozone resilience

Switzerland's contraction contrasts sharply with the broader Eurozone, which showed unexpected resilience, recording modest but positive growth of +0.2% in Q3. This discrepancy marks a rare break in the customary synchronized economic cycles of the region. While neighboring Germany managed to achieve stagnation (0%), reflecting shared structural struggles in manufacturing, Switzerland's poorer performance is primarily attributable to the concentrated, sudden shock to its US export base. Furthermore, unlike France and Italy, where household consumption continues to act as an internal buffer, Swiss consumers appear to have frozen activity amid mounting uncertainty.

Trade balance, Swiss imports and exports



Sources : Bloomberg, BBGI Group

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