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ECONOMIC RESEARCH – MARCH 2026

INVESTMENT INSIGHT SWITZERLAND

- ✓ The Swiss economy avoids a technical recession in Q4
- ✓ The war in the Middle East also threatens Switzerland

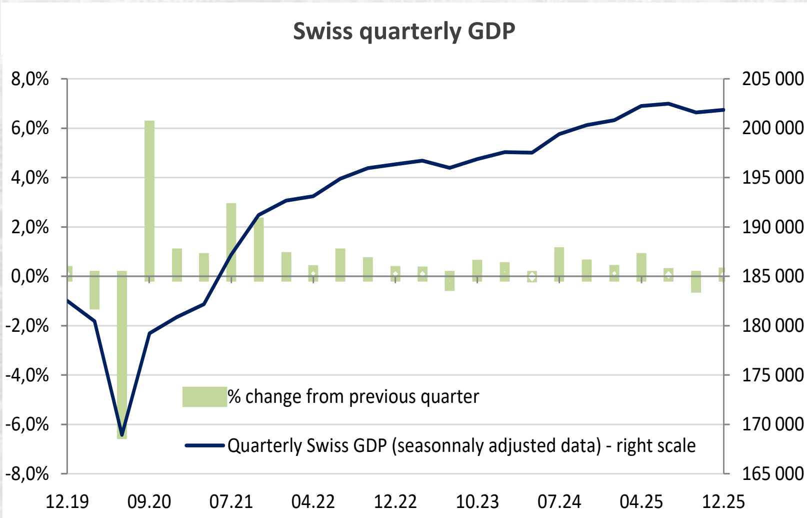
NEW UNEXPECTED RISKS FOR SWISS ASSETS

Marginal Q4 recovery and annual performance

The 0.1% uptick in fourth-quarter GDP was a critical development that successfully prevented a technical recession following the 0.4% contraction in the previous period. This stabilization allowed the full-year 2025 growth to reach 0.7%, a figure that notably outperformed the initial consensus forecast of 0.5%, confirming that the Swiss economy retained its footing despite a volatile global backdrop.

Sectoral divergence: Industry stagnation vs. pharma strength

A clear dichotomy has emerged within the Swiss industrial landscape. While total industrial value added remained stagnant, the chemical and pharmaceutical sectors acted as a vital lifeline, growing by 1.9%. In contrast, other industrial segments suffered a decline of 1.3%. Despite these internal challenges, goods exports managed a slight 0.6% rebound after six months of contraction. This divergence highlights a structural shift where high-value-added sectors are increasingly carrying the weight of the national export economy, compensating for the cyclical weaknesses found in more traditional manufacturing and machinery sectors.



Sources : Bloomberg, BBGI Group

Domestic demand as a pillar of stability

In the absence of strong external momentum, domestic demand served as the primary safeguard against further economic decline. Private consumption remained remarkably resilient, growing by 0.4%, which was further evidenced by a robust 2% increase in retail sales. Additionally, the construction sector maintained steady activity with a 0.6% expansion. While the services sector provided only a nominal contribution of 0.2%, the combined strength of the Swiss consumer and the building trade proved sufficient to anchor the GDP. This internal fortitude remains the most reliable component of the current economic landscape.

Geopolitical escalation and energy supply vulnerability

The sudden escalation of conflict in the Middle East involving the U.S., Israel, and Iran on February 28 has introduced severe systemic risks to the global economy. For Switzerland, the primary concern lies in energy security, as the nation relies on hydrocarbon imports for approximately 70% of its total energy needs. The Iranian blockade of the Strait of Hormuz, a critical chokepoint for global oil, presents a direct threat to supply continuity. While Switzerland possesses significant hydropower resources, the sheer scale of its fossil fuel dependency means that any prolonged disruption in the Gulf will inevitably ripple through the Swiss industrial and transport sectors.

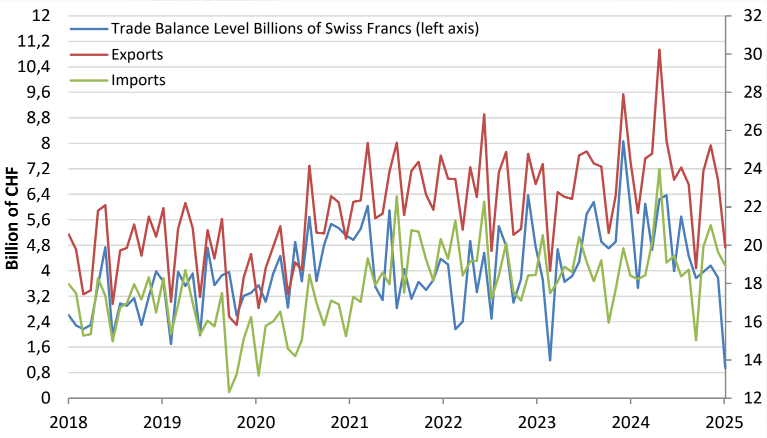
Market volatility and oil price surges

The impact of the conflict on global energy markets has been immediate and dramatic. Following a 20% rise in early 2026, crude oil prices surged an additional 69% to reach 120 USD per barrel by March 9, marking a nearly 100% year-to-date increase. This price action reflects a state of high anxiety regarding the regionalization of the conflict. Unlike the 2022 Ukrainian crisis, the current situation directly threatens 20% of global oil consumption. If production facilities are forced to suspend pumping due to exhausted storage or safety risks, the resulting supply chain constraints could persist long after the initial military hostilities subside.

Inflationary implications for the Swiss economy

The surge in energy costs poses a significant threat to price stability. Historical data from 2022 shows that energy-driven imported inflation pushed Swiss producer prices up by 6.9% and consumer price indices to a peak of 3.5%. Should the current Middle Eastern conflict led to sustained high energy prices, Switzerland will likely face renewed inflationary pressures. This could erode the gains made in private consumption and force a more restrictive monetary environment. The interplay between geopolitical instability and energy costs now stands as the most substantial downside risk to the Swiss economic outlook for the remainder of 2026.

Swiss trade balance, imports, and exports



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