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ECONOMIC RESEARCH – JUNE 2026

INVESTMENT INSIGHT SWITZERLAND

- ✓ GDP rose (0.4%) despite sluggish consumption
- ✓ Outlook weaker but positive for Q2 (+0.2%)

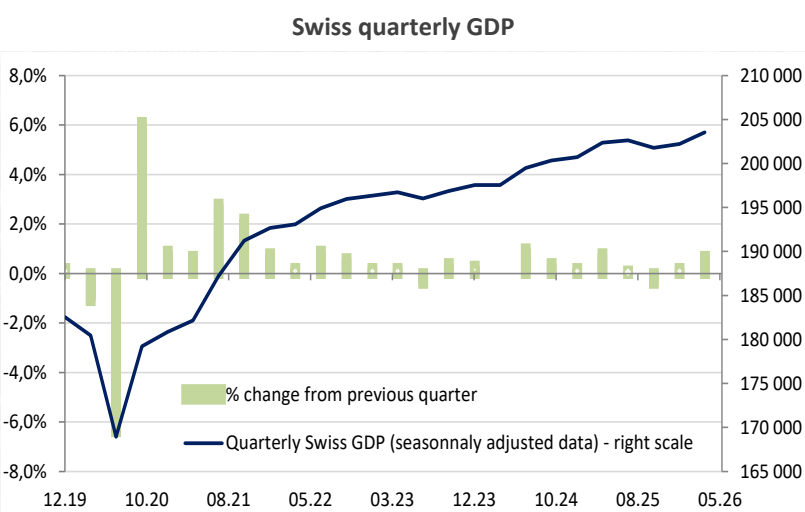
WILL THE FRANC FALL THIS SUMMER?

Swiss Industry Triggers Strong Q1 Rebound

The Swiss economy started 2026 on surprisingly firm footing, expanding by +0.4% in real GDP terms and outperforming initial stagnation fears. This growth was entirely powered by a striking +1.5% resurgence in the broader manufacturing sector, which was heavily anchored by a +4.6% production surge in machinery, electronics, and watchmaking. Exporters capitalized aggressively on the final months of preferential U.S. tariff reductions to flood North American channels before the agreement's expiration. This industrial burst effectively offset a steep −3.4% contraction in the underperforming chemical and pharmaceutical branches.

Trade Surplus Cushions Stagnant Local Consumption

While the headline GDP figure impressed, Switzerland's domestic economy revealed a fragile, two-speed trajectory as household consumption completely flatlined. Retail trade volumes shrank by −0.8% and the hospitality sector contracted by −0.6%, hampered by a sudden drop-off in tourist overnight stays and exceptionally mild weather that depressed domestic home-heating expenditures. Despite these local headwinds, the trade balance provided a powerful macroeconomic buffer as imports dropped by −2.4%. This sharp import contraction allowed net trade to rescue the bottom-line growth figure.



Sources : Bloomberg, BBGI Group

Geopolitical Shock Drags Down Q2 Guidance

The escalations in Iran and the resulting maritime blockades have cast a severe shadow over Central Europe, forcing a sharp growth slowdown to just +0.2% for the second quarter. Leading economic indicators point to rapidly depleting industrial order books as the initial early-year export momentum faces an abrupt global cooling. In response to these compounding geopolitical headwinds, SECO and KOF have proactively slashed Switzerland's full-year 2026 growth expectations down to a conservative +0.9%. Prolonged energy grid disruptions could easily compromise this baseline forecast further.

Imported Cost Pressures Disrupt Inflation Target

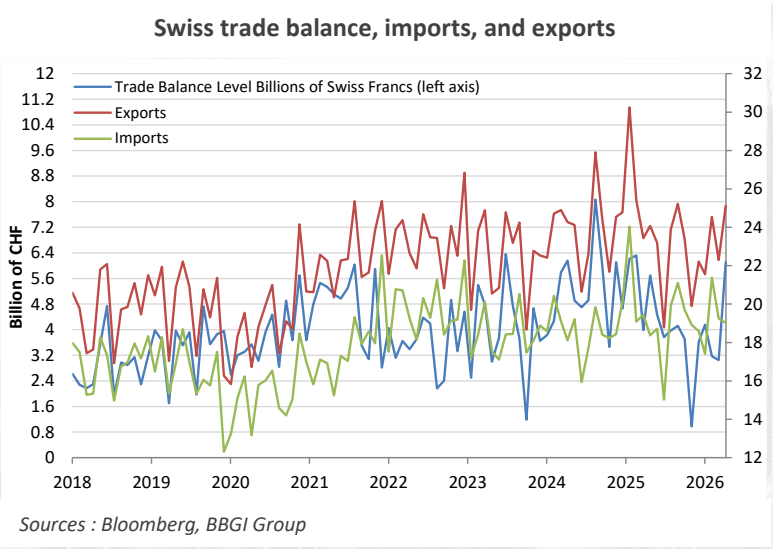
Switzerland's historically pristine price stability is facing an unfamiliar test as upstream hydrocarbon shocks begin migrating downstream into the local consumer supply chain. Headline CPI accelerated significantly from a flat +0.1% in February to +0.6% by May, driven directly by cascading fuel costs at the pump and high freight logistics fees. While these figures remain highly enviable by global standards, the sudden upward trajectory has caught local markets off guard. This persistent price pressure threatens to permanently alter domestic consumer behavior.

Safe-Haven Franc Yields Unexpected Export Respite

In a highly atypical deviation from historical patterns, the Swiss franc has temporarily softened against both the euro and the U.S. dollar despite intensifying global warfare. This rare currency depreciation has provided a vital lifeline for premium Swiss exporters, allowing their non-pharmaceutical shipments to jump +2.9% when excluding transit trade. However, monetary authorities view this competitive exchange rate buffer as a distinct double-edged sword. A weaker currency actively limits the country's structural capacity to insulate itself from imported global inflation.

Labor Resilience Masks Demand Risks

The Swiss domestic labor market maintained its characteristic structural stability through the early months of the year, with the national unemployment rate holding steady just above 3%. However, this tight employment backdrop is no longer translating into healthy consumer velocity as underemployment metrics begin to experience a marginal upward drift. Corporate CFOs are reacting defensively to the global supply crunch by freezing capital expenditure budgets and reducing overall investment in heavy machinery by −0.2%. The economy is heavily exposed to a domestic demand freeze.



Sources : Bloomberg, BBGI Group

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