MACRO RESEARCH INSIGHT

CROSS-ASSET ANALYSIS — *SWISS ASSETS*

September 2026

THE SWISS ECONOMY SURPRISES WITH ITS STRENGTH – Part 2

- ✓ Record increase in Swiss exports in July
- ✓ Strong signals from leading indicators
- ✓ Inflation driven by energy prices and the weaker franc
- ✓ The SNB still has no cause for concern

THE SWISS ECONOMY SURPRISES WITH ITS STRENGTH – Part 2

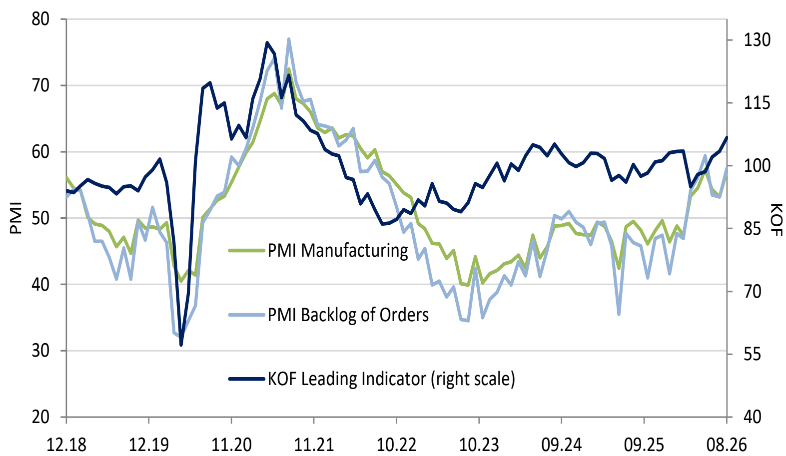
Record July Exports Drive Trade Balance Rebound

Swiss exports surged +10.7% in July 2026, the sharpest monthly jump in a decade, driven by chemical and pharmaceutical demand. With imports dropping -2.8%, net trade provided a strong boost to overall GDP. This surge highlights the structural resilience of Switzerland's pharmaceutical sector against global headwinds. A late-2025 trade agreement also offers key competitive protection in the U.S. market. However, traditional manufacturing sectors like watchmaking and machinery still face broader full-year revenue declines.

PMI Accelerates Across Manufacturing and Services

Leading indicators extended Q2's economic momentum into late summer, with the manufacturing PMI accelerating sharply to 57.1 points in August. Sub-indices for new orders, order backlogs, and factory output remain firmly elevated, confirming that Swiss industrial capacity is operating at high utilization rates. The KOF Economic Barometer jumped to 106.7 points, signaling broad-based fundamental health. Similarly, the services PMI remains strongly expansionary at 58.3, supported by commercial and tourism momentum. These robust survey reads suggest the Swiss economic expansion could continue to outperform analyst expectations.

PMI – KOF Indicators



Sources : Bloomberg, BBGI Group

Franc Depreciation Eases Pressure on Industrial Exporters

While Germany's stagnant manufacturing sector continues to drag on Eurozone-bound capital goods exports, the Swiss franc's recent depreciation has provided vital price relief to traditional industrial sectors. Currency adjustments are helping buffer price competitiveness for technology (MEM) and watchmaking exports despite elevated global logistics costs and Middle Eastern supply tensions. A slightly weaker exchange rate acts as a key release valve for export-oriented conglomerates. This currency tailwind helps offset high shipping expenses and persistent energy input costs. Consequently, full-year GDP growth is expected to maintain a steady pace of around +1.0%.

Headline Inflation Rises to +0.8% on Energy Shock

Swiss headline inflation accelerated to +0.8% year-over-year in August, exceeding market forecasts of +0.5% and reaching its highest level in two years. This uptick was primarily driven by volatile energy, petroleum, and housing costs following geopolitical conflict in the Middle East. Despite the headline acceleration, underlying core inflation remained remarkably calm at just +0.4%. Rising raw material and energy prices have not triggered an alarming internal cost-push price spiral. Furthermore, Swiss price growth remains vastly superior to the Eurozone's sharp inflation rebound to +3.2%.

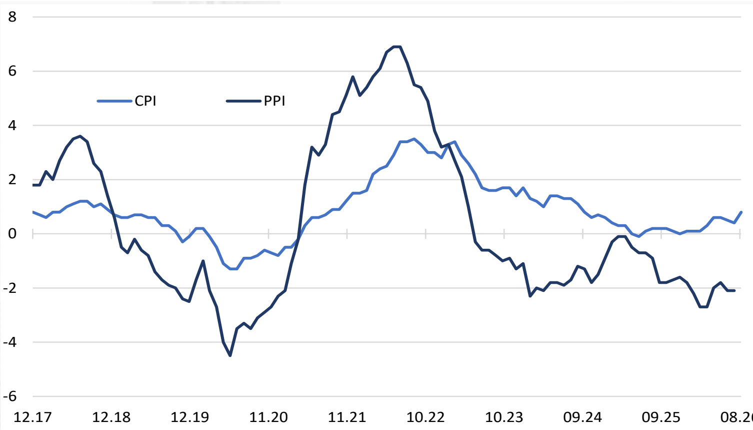
Exogenous Cost Pressures Keep Inflation Within Target

The recent inflation increase aligns with expected currency movements and stays comfortably within the Swiss National Bank's target band of 0% to +2%. Because price acceleration is restricted to imported energy and food components, internal service prices, rents, and wages show no sign of overheating. The absence of second-round wage-price effects confirms the domestic economy is not at risk of overheating. Inflation is projected to drift slightly above +1.0% by year-end as energy base effects persist. Imported cost pressures are expected to remain manageable without disrupting consumer stability.

Accommodative SNB Policy Ahead

Despite strong Q2 GDP performance and higher August inflation, the Swiss National Bank has no immediate cause for concern or policy tightening. By maintaining key policy rates at 0%, the central bank provides an accommodative, predictable framework that gives the domestic economy room to breathe. The SNB is expected to keep interest rates unchanged through the remainder of the year. Avoiding premature monetary tightening prevents derailing current industrial and service sector momentum. This measured policy stance affords Switzerland a rare stability unavailable to most major central banks.

CPI & PPI - Switzerland



Sources : Bloomberg, BBGI Group

Contact US : BearBull Global Investments Group | Dubai International Financial Centre (DIFC) | Al Fattan Currency House | Tower 1 | Unit 702 Dubai | United Arab Emirates | Tel +97142722719 | www.bearbull.ae