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Swiss economy 2026

Market Comment, July / August 2026

The Swiss economy is expected to deliver a respectable performance in 2026, although not all factors are pointing in the same direction. On the positive side, Switzerland is likely to benefit from economic stimulus measures in neighbouring European countries, and in Germany in particular, reflecting close economic ties. Furthermore, the outcome of the tariff negotiations with the US, while perhaps not yet final, appears likely to have a less adverse impact on export dynamics than had initially been feared, provided it remains in place. The increase in energy prices triggered by the Iran war, despite having eased considerably in recent times, as well as somewhat higher unemployment are likely to continue acting as moderating influences on growth. Nevertheless, unemployment is by no means at a high level by historical standards. Domestic demand is being supported by a healthy construction sector and robust private consumption, with both being boosted by low interest rates. Overall, the Swiss economy should therefore continue to follow its long-term positive trend in 2026.

The Swiss economy expanded by +1.4% in 2025, outperforming the growth of +1.2% recorded in 2024. Less welcome was the rise in unemployment, driven partly by the integration of Credit Suisse into UBS as well as by the export-related challenges associated with the US. However, Swiss unemployment remains at a moderate rather than elevated level when viewed in a historical context. Broadly speaking, the economic growth registered in 2025 was driven by the relatively dynamic service sectors. Private consumption remains robust, supported by the general decline in inflation. Although the Iran war has seen an increase in energy prices, Switzerland is less dependent on oil and gas than many other European and, in particular, Asian economies thanks to its highly diversified energy mix.

While Swiss economic growth is not being driven by technology investments to the same extent as in the US, the country stands to benefit from economic stimulus measures implemented by neighbouring European countries, and by Germany in particular, both this year and next. Increased defence spending by the governments of many European countries and substantially higher levels of infrastructure investment in Germany are likely to generate positive spillover effects for Swiss economic activity. It is not yet fully clear just how US tariff decisions will impact the pharmaceuticals sector, even though both Novartis and Roche are known to have reached an agreement with the US government last December. The outlook is complicated by the announcement of new US tariffs of 15% in April 2026, which the Federal Council has labelled an additional burden.

Since 2024, inflation in Switzerland has gradually declined from 1% towards a range of 0% to 0.5%, promoting discussions about the reintroduction of negative interest rates. However, such a move appears undesirable from the perspective of the Swiss National Bank. Negative interest rates would entail disadvantages for the banking sector and are not warranted as long as inflation remains broadly stable or trends slightly higher. An inflation range of between 0% and 0.5% should come as no surprise during the course of 2026, provided there are no unexpected external shocks, such as further geopolitical escalations or emerging signs of recession. Swiss industrial production has once again shown a more moderate rate of expansion in recent times, but it too could benefit from Germany's economic stimulus measures. Historically, domestic demand in Switzerland has been underpinned by a strong construction sector and rising private consumption. This pattern could continue in 2026, as lower key interest rates lend support for both sectors.

> "Global supply chains may be restructured to ensure resource security – diversification is becoming more important."
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> Gérard Piasko, Chief Economist

Even though stronger-than-expected growth in the EU could lend support to the euro, the Swiss franc continues to benefit from several very positive factors relative to other countries. Firstly, Switzerland has a balanced budget. This is in contrast to both the US and the Eurozone, both of which have growing budget deficits. Secondly, Swiss government debt as a percentage of gross domestic product is substantially lower than in other major economies. This reflects the fiscal capacity of Switzerland, providing considerable scope for growth-supporting measures should global or domestic demand weaken. And thirdly, inflation in Switzerland remains very low compared to other countries. In fact, it is the lowest of all industrialised nations, i.e. those belonging to the international Organisation for Economic Co-operation and Development (OECD). Relatively low inflation by international standards, low public debt and a balanced fiscal budget have historically acted as stabilising anchors for the Swiss franc, making Swiss investments particularly interesting for foreign investors.

Conclusion: although Switzerland faces economic challenges, as is the case in other countries, economic growth over the coming quarters is likely to remain broadly in line with its long-term positive trend.

Gérard Piasko

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