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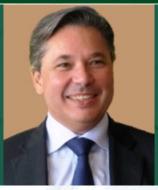
Investments - Flash



M. Alain Freymond - Partner & CIO

SNB COULD CUT RATES TO 0.5% IN DECEMBER

The battle to weaken the franc will remain tough in 2025

Swiss inflation recorded its 2nd consecutive month of contraction in October (-0.1%), following a drop of -0.3% in September. It now stands at +0.6% year-on-year, its lowest level since July 2021, while the core CPI index falls to +0.8%. The trend in consumer prices surprised economists, who were expecting a higher result. The economic situation in Switzerland is likely to be significantly weaker than in the previous quarter, with quarterly growth possibly below +0.2%. The SNB's rather accommodating stance should be reinforced by the very positive trend in prices. The Swiss National Bank may also be tempted to make a more decisive move on December 12, by lowering its key interest rates slightly more than expected, given the current tighter international environment and the rise in the value of the Swiss franc in recent weeks. Swiss inflation has certainly been contained by the strength of the franc, which reduces imported inflation. But by 2025, other factors will also be contributing to a possible continuation of the current trend. For example, the expected fall in electricity prices and the lowering of the reference rate for rents should lead to a reduction in the cost of housing. It is therefore not out of the question that a persistent strong franc could lead to deflationary risks in 2025, with inflation falling below zero. We believe that the SNB is particularly attentive to these factors, and that it could consider cutting its key rates by 0.5% at its next meeting, before continuing its policy in March 2025 with a further 0.25% cut, because with the Trump presidency, the SNB could well have to fight again in 2025 against a new influx of franc buyers in search of safe-haven assets.