

WEEKLY ANALYSIS

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THE SNB COULD ALREADY GO NEGATIVE IN JUNE

A particularly robust Q1. Growth expected to slow in Q2. Leading indicators uncertain and mixed. Switzerland back in deflation. SNB to cut rates in June. Swiss franc likely to weaken. Increasing risks for equities.

Key points



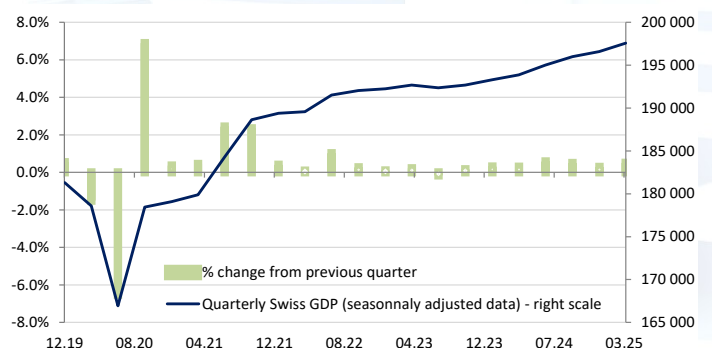
- A surprisingly robust first quarter for the GDP
- High risks of growth slowing in Q2
- More nuanced and contrasting leading indicators
- CPI and PPI indices point to deflation
- SNB could move into negative rates in June
- SNB may trigger weakening of the franc
- Long-term yields approach zero again
- Growing risks for Swiss equities

A surprisingly robust first quarter for the GDP

The Swiss economy has made a surprisingly robust start to 2025, posting a significant acceleration in real Gross Domestic Product (GDP) growth in the first quarter. Growth of +0.8% was indeed surprisingly strong, exceeding both initial estimates and analysts' expectations, driven mainly by foreign trade. A marked increase in exports, particularly in the chemicals and pharmaceuticals sectors, was the predominant factor, largely attributable to an "anticipation" phenomenon on the part of companies seeking to get ahead of the imminent imposition of US tariffs. The service sector also contributed to this widespread growth. The first quarter of 2025 was thus marked by a notable acceleration in economic growth. The State Secretariat for Economic Affairs (SECO) initially published an initial estimate of real Gross Domestic Product (GDP) growth at +0.7% quarter-on-quarter (QoQ), after adjustment for seasonal variations and sporting events. This preliminary estimate was already considered above average. Publication of the final figures revealed an upward revision, taking GDP growth adjusted for seasonal and calendar

variations to a robust +0.8%. This figure represents an acceleration on the +0.6% expansion recorded in Q4 2024. Without adjustment for sporting events, GDP growth stood at +0.5% in Q1 2025, also up from +0.3% in Q4 2024. On an annual basis, Switzerland's GDP grew by +2.0% in Q1 2025, marking an acceleration on the +1.6% growth in Q4 2024 and significantly exceeding the anticipated +1.5% expansion. This performance represents the fastest pace of economic expansion since Q2 2024. This growth far exceeded analysts' expectations, who were forecasting more modest growth of between +0.2% and +0.5%. This result is a positive signal, suggesting an underlying resilience of the Swiss economy, or the influence of stronger drivers than initially anticipated by market observers. However, a high overall figure alone does not guarantee sustainable economic health. Overall GDP growth, while robust, masks a crucial underlying imbalance in its spending components. Private consumption slowed significantly to +0.2% quarter-on-quarter and seasonally adjusted, marking its weakest expansion since Q1 2021. This represents a significant deceleration on the +0.5% recorded in Q4 2024. Public consumption also dipped to +0.4% from +0.6% in the previous quarter. Despite this moderation, it maintained a positive contribution, posting above-average growth. Overall fixed investment also showed signs of weakness, with growth slowing to +0.5% in Q1 2025, below the more solid +1.3% increase recorded in the previous quarter.

Swiss GDP in million CHF (quarterly data)



Source: Bloomberg, BBGI Group SA