WEEKLY ANALYSIS

M. Alain Freymond — Associé & CIO

UNEXPECTED NEW RISKS FOR SWISS ASSETS

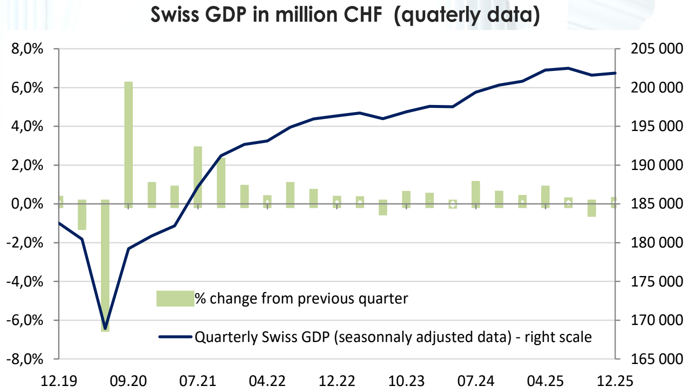
The Swiss economy avoids technical recession. Weak outlook for H1 2026. Reversal of inflation trend. Change in the nature of risks for the SNB. Geopolitics supports the franc. Increased risks for Swiss assets.

Key points

- Swiss economy avoids technical recession in Q4
- The war in the Middle East also threatens Switzerland
- Headwinds for Swiss economy amid oil shock
- Leading indicators largely lagging
- Probable reversal of inflation trend
- New dilemma for the SNB at its March meeting
- The franc remains buoyed by geopolitical risks
- Inflationary risks reverse the interest rate market
- Risks of correction for real estate and equities

Swiss economy avoids technical recession in Q4

The publication on February 27 of Swiss GDP figures for the fourth quarter of 2025 ultimately disappointed forecasters, who had been expecting a more pronounced upturn in economic momentum in our country. The +0.1% increase in Q4 nevertheless made it possible to avoid a technical recession after the -0.4% decline seen in Q3. On an annual basis, Swiss GDP ultimately grew by +0.7%, significantly better than the consensus expectations of +0.5%. Growth stabilized at the end of the year. Value added in the industrial sector stagnated, while merchandise exports rebounded slightly (+0.6%) after two quarters of decline. Chemicals and pharmaceuticals performed well, growing by +1.9%, while other sectors recorded a decline of -1.3%. It was domestic demand, thanks to resilient private consumption (+0.4%) and continued strong activity in construction (+0.6%), that prevented GDP from continuing its decline. The strength of consumption was reflected in retail trade figures (+2%). The services sector made only a small contribution (+0.2%) to the overall result. Adjusted for sporting events, GDP rose by +1.4% in 2025.



Source: Bloomberg, BBGI Group SA

The war in the Middle East also threatens Switzerland

The day after the Swiss GDP figures were published, on February 28, a new conflict broke out in the Middle East involving the United States, Israel, and Iran, which now threatens the international political balance, the geopolitics of the region, and also the global economy through the potential effects of this war on the security of the world's energy supply. Although the conflict is thousands of kilometers away from Switzerland, our economy will be impacted by the conflict that has just broken out. First, it should be remembered that Switzerland also depends on imports of fossil fuels, the availability of which is not guaranteed and whose prices can fluctuate significantly depending on market conditions. Despite the diversification of its energy supply sources and the importance of hydroelectricity in its energy mix, Swiss imports of hydrocarbons are also essential to the smooth functioning of our economy and account for around 70% of the total. We share a legitimate concern in the current context, which has deteriorated very rapidly in a matter of days and is characterized in particular by the Iranian army's blockade of the Strait of Hormuz and the increasingly significant involvement of the Gulf countries in the conflict. In recent days, the intensification of the conflict and bombing in Iran, as well as in all Gulf States, unfortunately suggests a major increase in the risks to crude oil supplies on global markets. Merchant fleets and tankers are being held up at the