

WEEKLY ANALYSIS

A WEAKER FRANC THIS SUMMER ?

The Swiss economy holds up in Q1. Weak outlook for Q2 and Q3. Sluggish consumption. Inflation contained for now. SNB on hold. A "game changer" for the franc. Rising volatility in listed real estate.

Key points



- GDP growth (+0.4%) despite sluggish consumption
- Weaker but still positive outlook for Q2 (+0.2%)
- A slowdown set to extend to Q3
- Surprisingly strong signals from leading indicators
- Moderate upward revisions to inflation expectations
- Status quo at least until September from SNB
- Short-term "game-change" for the Swiss franc
- No attractive opportunities in bonds
- Extreme volatility in real estate fund indexes
- Still a complex environment for Swiss equities

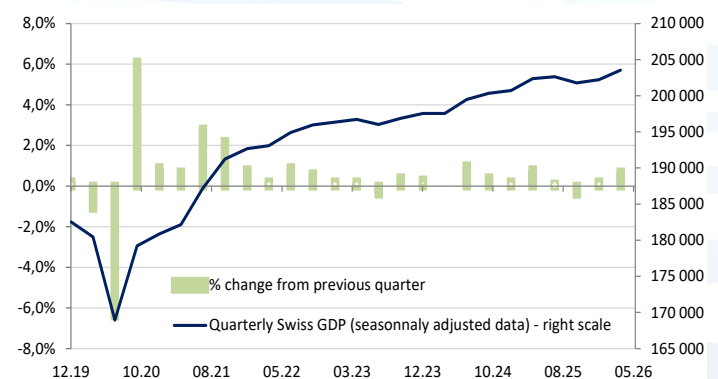
In services, the picture was more mixed. Transport (+1.9%) and financial services (+1.3%) posted solid performances, while trade contracted by -0.8%, weighed down largely by retail (-1.3%), and the hospitality sector declined by -0.6%, due to a drop in overnight stays by both Swiss and foreign tourists. Exports (-2.2%) were held back by the strength of the franc, but excluding chemicals/pharma and transit trade, they still managed to grow by +2.9%. The decline in imports (-2.4%) allowed net trade to contribute positively to GDP, drawing a line under the late-2025 blockage caused by anticipation of US tariff measures.

Household spending stagnated. The exceptionally mild weather at the start of the year notably curbed energy expenditure (heating), which weighed on consumption figures. General government consumption (+0.9%) grew at an above-average pace. Investment in equipment and construction both declined by -0.2%. The labour market remained stable, with the unemployment rate slightly above 3%. The real test for the Swiss economy is still to come, as the effects of the energy shock will take time to materialise over the coming quarters, and the economy will then need to rely on the resilience of domestic demand and the dynamism of the services sector.

GDP growth (+0.4%) despite sluggish consumption

The Swiss economy rebounded more strongly than expected in the first quarter of 2026. The final real GDP figure (adjusted for seasonal, calendar, and sporting event effects) came in at +0.4% (slightly revised from the initial flash estimate of +0.5%). Excluding the sporting event adjustment, GDP recorded a more pronounced increase of +0.7%. An analysis of SECO's report reveals a two-speed economy: the manufacturing sector (excluding pharma) performed well and offset the weakness in domestic consumption. After several difficult quarters, the industrial sector staged a surprisingly strong rebound. Overall manufacturing output grew by +1.5%, driven primarily by other manufacturing branches (such as machinery, electronics, and watchmaking), which surged by +4.6%. SECO notes that the reduction in US tariffs (via the Switzerland-US agreement of late 2025) provided strong support for exports to the United States. Chemistry and pharmaceuticals, on the other hand, fell by -3.4%, suffering a sharp decline in exports over the period. The construction sector advanced only modestly, by +0.3%.

Swiss Quaterly GDP (in Million CHF)



Sources: Bloomberg, BBGI Group SA