

Quarterly Economic Environment and Outlook

Switzerland	Growth will weaken in the second quarter of 2026. The war in the Middle-East and Donald Trump's trade policy could undermine the economy this year. War in Ukraine remains a concern, investors are looking for new developments with the administration in the United States. The Swiss National Bank decided to keep rates on hold: inflationary pressure remained subdued compared to the previous quarter but this could change with the rise of the oil price. The strength of the Swiss franc remains a concern, the economy is highly dependent on foreign trade, particularly with Germany representing a big share of exported goods. Interest rates could rise if inflationary pressures increase. The main issues are the price of energy, the war in the Middle-East and tariffs. The direction of monetary policy in the near future in Switzerland and across the world will depend on these different issues. Central banks will be very cautious pursuing their monetary policies.
USA	The US economy could weaken in the next few months. During its last meeting, the Federal Reserve left unchanged the federal funds rate. War in the Middle East and Trump's policy to hit trading partners with sweeping tariffs will have an impact on prices and growth this year. The central bank does not need to be in a hurry to shift rates again soon given the very high level of uncertainty: it remains alert about inflation and hitting its growth prospects. It will continue to provide support to lenders to shore up confidence in the banking system. Progress on inflation is slow, forecasts are now very cautious: after a long period battling inflation, the Fed remains less confident to achieve price stability. Consumption remains steady but consumer confidence could weaken. Employment is still healthy: the labour market is keeping its momentum, unemployment rate will be around 4.4%. The service sector is in good shape. House prices are stable, residential investment steady. The corporate sector is more hesitant. A weaker growth in Europe and the rest of the world could hurt export-oriented companies. The economic scenario is less positive now. The combined weight of emergency fiscal and monetary measures and the government funding plan will not help enough to alleviate concerns about the rise of the oil price and tariffs, The Fed monetary policy could change dramatically in the next few months.
Europe	Industrial production is weakening. Growth rates are not improving, most countries are now challenged by the rise of the oil price and tariffs. In Germany, growth is very weak but a big boost to the economy will come from a deal to fund military and infrastructure investments. The industry is less robust, the automobile sector is faltering. Manufacturing companies are less optimistic. Exports and services are steady in France, Italy and Spain. The ECB will continue shrinking its balance sheet and stabilize interest rates but will remain cautious on further steps. In the UK, inflation is not under control yet, it remains above target: the Bank of England has lowered its benchmark to 3.75%, as annual inflation rate has eased in the last months. It could strengthen again with the rise of the energy price. The economic prospects appear to be very poor, unemployment hits the highest rate in five years. Borrowing costs will certainly increase in 2026.
Asia	The government in Japan is pushing for more growth. Bank of Japan kept its benchmark interest rate at around 0.75 % trying to normalize its monetary policy without hurting the economy. It could raise interest rates in the new future. There is some evidence wages increases are gaining momentum. Growth is recovering modestly but war in the Middle East and Trump's tariffs cast a shadow over the economic outlook. Private consumption is supported by improving employment and income. In China, the government prepares more stimulus to help a fragile economy. The main reason for this weak growth is about confidence. The economy is suffering from a property sector slowdown and a weaker trade. In India, the government continues to encourage policy changes designed to improve growth.

Currencies

CHF	Stable, due to its role as a safe-haven currency
USD	Could stabilise, rise slowly
EUR	Weak
GBP	Stable
JPY	Volatile
Gold	Strong
Oil	Stable

Financial Markets

	Switzerland	Europe	UK	USA	Japan
Interest Rates	stable	stable	stable	stable	stable
Bonds	stable	stable	stable	stable	stable
Stock Markets	volatile	volatile	volatile	volatile	volatile

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