Switzerland: 2025 Article IV Consultation-Press Release; Staff Report; and Statement by the Alternate Executive Director for Switzerland

INTERNATIONAL MONETARY FUND

INTERNATIONAL MONETARY FUND

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SWITZERLAND

September 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE ALTERNATE EXECUTIVE DIRECTOR FOR SWITZERLAND

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Switzerland, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its September 10, 2025 consideration of the staff report that concluded the Article IV consultation with Switzerland.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 10, 2025, following discussions that ended on July 1, 2025, with the officials of Switzerland on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 26, 2025.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Alternate Executive Director** for Switzerland.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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PRESS RELEASE

PR 25/297

IMF Executive Board Concludes 2025 Article IV Consultation with Switzerland

FOR IMMEDIATE RELEASE

Washington, DC – September 16, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Switzerland on September 10, 2025[1]

Growth is projected to gradually converge to potential by 2028, with near-term performance constrained by global trade tensions and uncertainty. Downside risks stem from a potential escalation of trade tensions, volatile energy markets, and intensified safe-haven flows that could challenge Switzerland's export-oriented growth model. On the upside, continued discussions with the U.S. may lead to lower tariffs and higher growth.

The SNB's policy rate cut to zero was warranted given low inflation and weakening labor market conditions. Limited space for further policy easing suggests the need to cautiously calibrate the use of available policy tools as well as to manage expectations through careful communication amid heightened uncertainty.

While the expansionary fiscal stance for 2025 is appropriate given the moderate economic slack, the confluence of demographic pressures, climate commitments, defense needs, and pension reforms necessitates a comprehensive medium-term fiscal strategy that reconciles the constraints of the debt-brake rule with mounting medium-to-long term expenditure demands.

The Credit Suisse crisis catalyzed crucial reforms to Switzerland's Too-Big-To-Fail framework. Sustaining financial stability requires comprehensive implementation of enhanced supervisory powers, expanded macroprudential tools to address real estate risks, and a strengthened financial safety net that matches the complexity of Switzerland's globally significant financial sector.

Preserving Switzerland's productivity leadership requires reducing administrative barriers, enhance R&D access, and secure stable market access to maintain resilience against rising geo-economic fragmentation.

Executive Board Assessment[2]

Executive Directors commended Switzerland's strong economic fundamentals, underpinned by robust institutions, prudent policies, and a skilled labor force, which have supported resilience and macroeconomic stability despite repeated external shocks. They however noted challenges from trade fragmentation, higher external tariffs, and safe-haven flows. In this context, they supported continued prudent policies. Directors welcomed the authorities' engagement with key external partners to preserve

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

market access, noting the new agreement with the EU, and commended their continued support for multilateralism and for a rules-based international environment.

Directors generally considered the moderately expansionary fiscal stance for 2025 appropriate. A few Directors, however, called for a more expansionary stance to help address growth challenges and deflation risks, and reduce current account surpluses. Directors highlighted the importance of maintaining flexibility within the debt-brake to avoid procyclical fiscal tightening if adverse shocks materialize. Looking ahead, Directors noted that aging-related spending, climate goals, and defense needs will intensify medium-term spending pressures, requiring both expenditure-rationalization and revenue-mobilization measures. They welcomed ongoing tax reform efforts and saw scope to broaden the tax base. They encouraged a review of spending responsibilities across government levels.

Directors agreed that the recent monetary policy easing was warranted given economic slack and disinflationary pressures. They emphasized, however, that additional policy rate cuts below zero should carefully weigh financial stability risks, including weaker bank profitability and elevated real estate exposures. They considered that the SNB's monetary policy framework has served the country well but could benefit from a review, including communication tools and risk scenarios, to further strengthen guidance in the current challenging environment.

Directors welcomed the 2025 FSAP findings that the financial system is resilient although noting vulnerabilities from real estate exposures and low interest rates. They welcomed the authorities' proposed financial sector reforms which are broadly in line with FSAP recommendations. They supported swift implementation of measures to strengthen FINMA's supervisory powers and capacity, enhance crisis preparedness, and broaden the macroprudential toolkit, and encouraged a more proactive supervisory approach. Directors encouraged continued vigilance on AML/CFT and cyber risks.

Directors noted that Switzerland's structural competitiveness remains strong, but productivity gaps persist, particularly among smaller firms and in services, reflecting issues of access to finance, constrained R&D, a small domestic market and regulatory frictions. They encouraged continued efforts to streamline business procedures, enhance competition, and improve SME financing. Directors also welcomed reforms to the Cartel Act and Vocational Training Act and looked forward to effective implementation.

Table 1. Switzerland: Selected Economic Indicators, 2018–30

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Staff projections					
Real GDP (Percent Change) 1/	2.9	1.2	-2.3	5.6	3.1	0.7	1.4	0.9	1.3	1.1	1.8	1.2	1.8
Real GDP (adj. for sporting events)	2.5	1.5	-2.2	5.3	2.9	1.2	1.0	1.2	1.0	1.4	1.5	1.5	1.5
Total domestic demand	1.2	2.0	-0.4	0.2	2.1	2.0	1.9	1.2	1.3	1.2	1.2	1.2	1.2
Final domestic demand	0.7	1.1	-1.9	2.5	2.3	1.1	0.8	1.0	1.3	1.2	1.2	1.2	1.2
Private consumption	0.7	1.2	-3.4	2.2	4.3	1.5	1.8	1.1	1.0	1.1	1.1	1.1	1.1
Public consumption	0.8	0.8	3.8	3.0	-1.2	1.7	0.5	1.0	0.7	1.0	1.0	1.0	1.0
Gross fixed investment	0.8	0.9	-1.5	2.8	0.0	0.1	-0.8	0.8	2.1	1.6	1.5	1.5	1.5
Inventory accumulation 2/	0.3	0.8	1.3	-1.9	-0.1	0.8	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Foreign balance 2/	1.8	-0.6	-2.0	5.3	1.3	-0.9	-0.3	0.0	0.2	0.1	0.8	0.2	0.8
Nominal GDP (billions of Swiss francs)	709.8	717.3	696.1	744.5	791.1	804.0	825.6	834.5	850.2	865.6	887.2	903.9	926.3
Savings and Investment (Percent of GDP)													
Gross national saving	31.3	29.9	30.1	33.4	33.6	31.2	32.0	30.7	31.2	31.8	32.2	33.0	33.4
Gross domestic investment	25.7	26.4	29.6	26.4	24.8	25.9	26.9	25.7	26.1	26.5	26.6	27.0	27.1
Household savings	9.9	11.0	14.7	13.6	11.1	...	...	...	...	...	...	...	...
Current account balance	5.6	3.5	0.5	7.0	8.7	5.3	5.1	5.0	5.0	5.3	5.6	6.0	6.3
Prices and Incomes (Percent Change)													
GDP deflator	0.8	-0.1	-0.7	1.3	3.0	0.9	1.3	0.1	0.6	0.7	0.7	0.7	0.7
Consumer price index (period average)	0.9	0.4	-0.7	0.6	2.8	2.1	1.1	0.1	0.6	0.7	0.7	0.7	0.7
Consumer price index (end of period)	0.7	0.2	-0.8	1.6	2.9	1.8	0.6	0.1	0.6	0.7	0.7	0.7	0.7
Nominal hourly earnings	0.5	0.8	0.9	-0.2	0.9	1.7	1.8	1.3	1.0	1.0	1.0	1.0	1.0
Unit labor costs (total economy)	-0.7	1.8	1.1	-1.3	2.3	2.7	1.1	0.7	0.6	0.3	0.2	0.2	0.2
Employment and Slack Measures													
Unemployment rate (in percent)	2.5	2.3	3.2	3.0	2.2	2.0	2.4	2.9	3.1	2.9	2.8	2.8	2.8
Output gap (in percent of potential)	0.7	0.4	-1.6	-0.4	0.5	0.0	-0.2	-0.3	-0.6	-0.6	-0.4	-0.3	-0.1
Capacity utilization	73.8	74.6	71.7	76.3	77.7	77.3	...	...	...	...	...	...	...
Potential output growth	1.8	1.8	-0.3	4.0	2.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
General Government Finances (Percent of GDP)													
Revenue	33.0	33.3	34.0	34.1	32.7	32.2	32.5	32.3	32.3	32.3	32.3	32.3	32.3
Expenditure	31.8	32.0	37.0	34.4	31.6	32.1	31.9	32.1	32.3	32.2	32.2	32.3	32.3
Balance	1.3	1.3	-3.0	-0.3	1.2	0.1	0.6	0.3	0.1	0.2	0.2	0.1	0.1
Cyclically adjusted balance	1.1	1.2	-2.5	-0.2	1.0	0.1	0.6	0.4	0.3	0.3	0.3	0.1	0.1
Gross debt 3/	39.8	39.7	43.2	40.9	37.2	38.7	37.5	36.9	36.1	35.3	34.3	33.6	32.7
Monetary and Credit (Percent Change, Average)													
Broad money (M3)	3.2	0.8	6.5	1.4	0.1	-2.0	1.9	1.1	1.9	1.8	2.5	1.9	2.5
Domestic credit, non-financial	4.0	4.2	2.4	3.8	2.6	1.8	2.3	1.1	1.9	1.8	2.5	1.9	2.5
Three-month T-bill rate	-0.9	-0.8	-0.8	-0.8	-0.2	1.5	1.1	...	...	...	...	...	...
Yield on government bonds (7-year)	-0.2	-0.7	-0.6	-0.4	0.6	1.0	0.6	...	...	...	...	...	...
Exchange Rates (Levels)													
Swiss francs per U.S. dollar (annual average)	1.0	1.0	0.9	0.9	1.0	0.9	0.9	...	...	...	...	...	...
Swiss francs per euro (annual average)	1.2	1.1	1.1	1.1	1.0	1.0	1.0	...	...	...	...	...	...
Nominal effective rate (avg., 2000=100)	120.4	123.2	130.2	129.9	135.9	144.5	149.0	...	...	...	...	...	...
Real effective rate (avg., 2000=100) 4/	103.2	104.2	108.2	105.5	105.9	109.3	110.8	...	...	...	...	...	...

Sources: Haver Analytics; IMF's Information Notice System; Swiss National Bank; and IMF staff estimates.

1/ The medium-term forecasts reflect the impact on Swiss GDP of major international sporting events, such as the Olympic Games, FIFA World Cup and UEFA European Championship.

2/ Contribution to growth. Inventory accumulation also includes statistical discrepancies and net acquisitions of valuables.

3/ Reflects the new GFSM 2001 method, which values debt at market prices. Calculated as the sum of Federal, Cantonal, Municipal and Social security gross debts.

4/ Based on relative consumer prices.

SWITZERLAND

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

August 26, 2025

KEY ISSUES

Context. Switzerland remains highly resilient, supported by strong institutions, prudent policies, and a skilled labor force. However, global uncertainty, trade fragmentation, and persistent safe-haven flows have increased economic pressures. After slowing in 2024, growth picked up in early 2025 including due to front-loaded exports, but momentum remains tepid. Inflation has fallen to near zero despite policy easing by the Swiss National Bank (SNB). U.S. tariffs to Swiss goods were raised to 39 percent (excluding, *inter alia,* pharmaceuticals and gold) in August 2025.

Outlook and Risks. The baseline assumes continued geopolitical uncertainty and modest global growth. Near term growth will remain below potential, with a gradual recovery through 2030. Inflation will remain subdued. Risks are broadly balanced. Geopolitical fragmentation, volatile energy prices, and trade policy shifts could weigh on exports and investment. Safe-haven flows could prompt further franc appreciation. Continued discussions with the U.S. may lead to lower tariffs and higher growth.

Fiscal Policy. The moderately expansionary 2025 stance appropriately supports the economy, but aging, climate goals, defense needs, and pension reforms require a medium-term strategy that aligns rising spending demands with the requirements of the debt-brake rule.

Monetary Policy. Disinflation and softening labor conditions led the SNB to cut rates to zero in mid-June. With limited room for further easing, careful tool calibration and enhanced communication are essential to guide expectations in a low-rate, high-uncertainty environment.

Financial Policies. The Credit Suisse crisis in 2023 has spurred critical Too-Big-to-Fail (TBTF) reform proposals. Financial resilience hinges on implementing enhanced supervisory powers, expanding macroprudential tools to address housing risks, and reinforcing the financial safety net for a globally significant sector.

Structural Policies. Retaining global productivity leadership requires easing administrative burdens, improving R&D and access to finance for small firms, and preserving external market access to sustain resilience amidst global fragmentation.

Approved By:
Mark Horton (EUR) and Eugenio Cerutti (SPR)

Discussions took place during June 17–July 1, 2025, in Zürich and Bern. The staff team comprised Gabriel Di Bella (head), Tianxiao Zheng, Salvatore Dell'Erba, and Ece Ozge Emeksiz (all EUR). S. Pelin Berkmen (EUR) led mission preparation, while Gloria Li, Mahika Gandhi, Marizielle Evio assisted from headquarters (all EUR). Oana Croitoru (MCM) joined in discussions of the FSAP, and Mark Horton (EUR) participated in key policy discussions. Christoph Baumann-Kesten and Amelie Brune (OED) participated in the mission. The team met with Swiss National Bank (SNB) Chairman Martin Schlegel, Federal Finance Administration (FFA) Director Sabine D'Amelio, Financial Market Supervisory Authority (FINMA) CEO Stefan Walter, other officials from the federal administration, the SNB, and FINMA, and representatives from the labor unions and business associations, the private sector, and think tanks.

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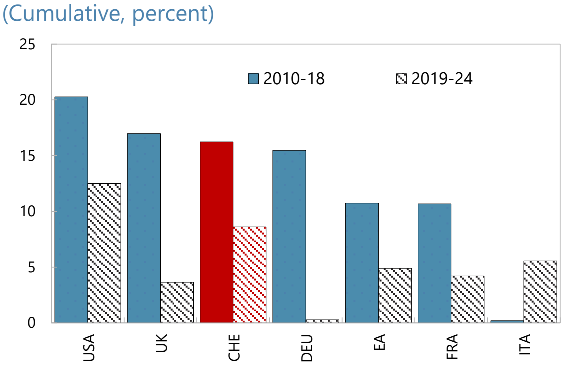
ANNEXES

CONTEXT: SUSTAINING RESILIENCE AMID RISING PRESSURES

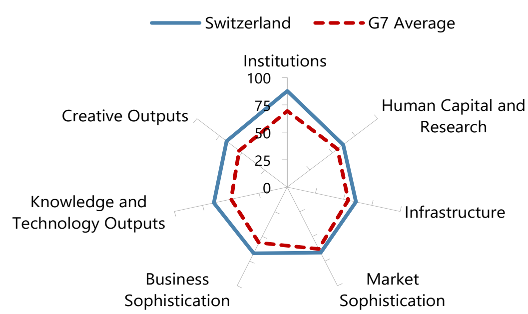
1. **Switzerland continues to demonstrate economic resilience, underpinned by robust institutions and strong fundamentals.** Switzerland ranks among the world's most complex and innovative economies.[1] Stable institutions, prudent macroeconomic management, and a skilled labor force have supported steady growth and low inflation despite repeated external and domestic shocks. Nonetheless, the external environment has become more challenging, with elevated global policy uncertainty, and trade tensions recently reflected in the increase of U.S. tariffs on Swiss imports to 39 percent (excluding, *inter alia,* pharmaceuticals and gold). Moreover, persistent safe-haven inflows have contributed to sustained franc appreciation. Domestically, financial sector reforms remain a priority to preserve Switzerland's standing as a leading global financial center.

2. **Sustaining resilience will require coordinated policy action and renewed consensus.** Key priorities include avoiding deflationary risks, addressing rising fiscal pressures, advancing financial sector reforms in line with FSAP recommendations, further enhancing labor productivity through structural measures, and engaging with the U.S., the EU and other partners to preserve market access and a rules-based environment, and bolster external resilience. Progress on these fronts will require broad-based political support.

Real GDP Growth
(Cumulative, percent)



Global Innovation Index, 2024
(Scores out of 100)[1/]



Sources: WEO and IMF Staff calculations.
[1/]The Global Innovation Index (GII) from WIPO scores economies across seven pillars (Institutions, Human Capital and Research, Infrastructure, Market Sophistication, Business Sophistication, Knowledge and Technology Outputs, and Creative Outputs). Each pillar is divided into three sub-pillars, each of which is composed of individual indicators (63 indicators are hard data; 10 indicators index data; and 5 indicators are survey/subjective data).

[1]Switzerland ranks second globally in the Economic Complexity Index from Harvard Growth Lab, which measures knowledge intensity based on trade data; and first in the Global Innovation Index from the World Intellectual Property Organization, which assesses innovation performance.

ECONOMIC DEVELOPMENTS SINCE 2024 ARTICLE IV

3. Economic activity moderated in 2024, weighed down by external weakness and fiscal consolidation—monetary easing helped cushion the slowdown.

- **Growth slowed as external demand softened, and investment weakened.** GDP growth declined to 1 percent (adjusted for sporting events), from 1.2 percent in 2023. Unemployment rose to 2.4 percent; the vacancy ratio declined; and employment growth slowed to 0.7 percent. Nominal wages increased 1.3 percent (y/y), yielding modest real wage gains.

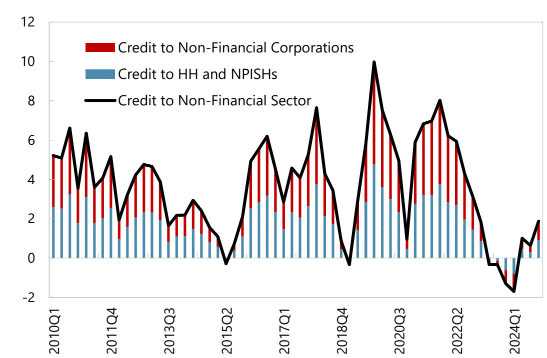
- **Inflation fell sharply on franc strength, lower energy prices, and base effects.** Headline inflation dropped to 1.1 percent from 2.1 percent, with imported inflation down to 1.5 percent and energy prices falling 6 percent. Domestic inflation eased to 1.9 percent as rent pressures moderated.

- **Fiscal policy tightened through higher revenues and lower spending.** The general government surplus rose to 0.6 percent of GDP, supported by VAT revenues and reduced extraordinary expenditures. The cyclically adjusted primary surplus reached 0.7 percent; General government debt declined to 37.6 percent of GDP.

- **Monetary easing was offset by safe-haven flows**. Despite policy rate cuts, the franc appreciated 2 percent against the euro and dollar, and 3.6 percent in nominal effective terms. FX interventions were limited (0.1 percent of GDP).

- **Credit and housing markets picked up.** Credit grew 2.1 percent, driven by mortgages (2.5 percent). Lending to households and firms increased, and residential real estate prices rose. Commercial real estate remained stable, with signs of recovery in office and retail segments.

Credit to Private Non-Financial Sector
(From all sectors, y/y percent change)



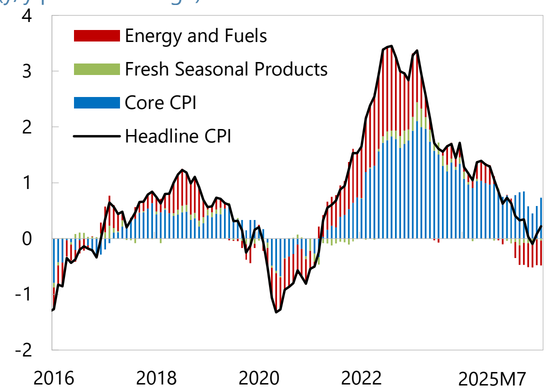
Source: Haver Analytics; BIS; and IMF Staff calculations.

- **The 2024 external position was broadly in line with the level implied by medium-term fundamentals and desirable policies.** The current account surplus held at 5.1 percent of GDP. Export gains in chemicals and pharma offset lower merchanting, the services deficit widened, and the primary income deficit narrowed.[2]

[2] The *de jure* exchange rate arrangement is free floating, while the *de facto* exchange rate regime is floating (Informational Annex).

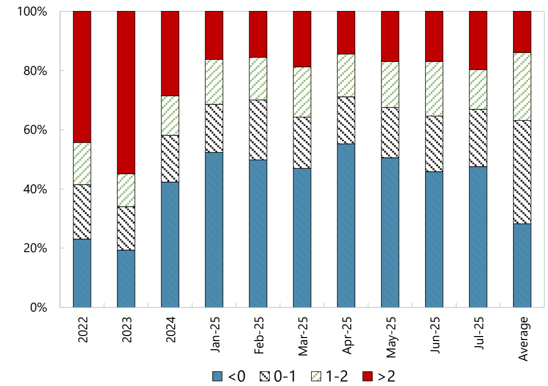
Contribution to Headline CPI

(y/y percent change)



Share of Items within Inflation Bands

(Percentage of total items)[1]



Sources: Haver Analytics; FSO and IMF Staff calculations.

[1] Note: Average is calculated for 2011–2025.

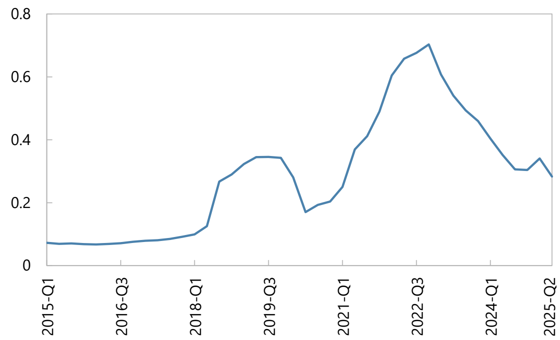
4. In early 2025, growth rebounded temporarily, but underlying momentum remained tepid.

- **Growth picked up due to anticipatory effects, but underlying indicators remained soft.** Real GDP rose by 0.8 percent (q/q) in 2025:Q1, primarily due to a surge in net exports driven by front-loaded foreign demand ahead of expected U.S. tariff increases. The growth uptick was not broad-based, with high-frequency indicators showing persistent weakness in business activity and consumer confidence, suggesting that the acceleration may be temporary. The output gap is assessed to be around -0.3 percent of potential GDP. Labor market slack has continued to build. The unemployment rate increased further to 2.9 percent as of July 2025. Although still close to its 10-year average, the upward trend in unemployment reflects further softening in labor demand. Real wages likely remained positive given the disinflationary environment, but employment prospects weakened.

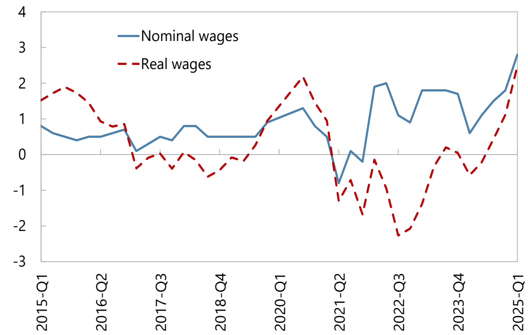
- **Disinflation deepened, with widespread price softness.** Headline inflation slowed to 0.2 percent (y/y) through July, with core inflation at 0.8 percent (y/y). Price declines are broad-based, with half of CPI items posting negative annual inflation rates. Survey-based medium-term inflation expectations remained anchored at around 1 percent, underscoring confidence in the SNB's monetary policy framework.[3]

[3] The SNB's inflation expectations survey has edged down. Short-term expectations (6–12 months) declined to 0.8 percent in 2025:Q2, from 1 percent in 2025:Q1. Medium-term expectations (3–5 years) also fell to 1.1 percent (1.2 percent in 2025:Q1).

Vacancy to Unemployment
(Ratio)



Wage Growth
(y/y percent change)



Sources: Haver Analytics; and IMF Staff calculations.

- **Fiscal policy eased modestly in 2025:Q1.** The general government surplus slightly narrowed compared to 2024:Q1, reflecting a moderate increase in expenditures that outpaced revenue growth. The pickup in spending was mainly driven by higher social benefits transfers.

- **Responding to disinflationary pressures, the SNB cut the policy rate to zero in June 2025.** This brought the cumulative easing to 175 bps since March 2024. Higher external uncertainty since April led to lower bond yields; the franc appreciated 11 percent *vis-a-vis* the USD, and 0.2 percent *vis-a-vis* the Euro (end-July 2025 vs. end-December 2024).

- **Real estate markets continued to benefit from lower interest rates and resilient household demand.** As of 2025:Q2, prices for owner-occupied and single-family homes rose by 4.4 percent and 5.4 percent (y/y), respectively. Prices for residential investment property through 2025:Q1 increased by 2.6 percent (y/y). Commercial real estate prices showed mild signs of recovery in the office and retail space.

- **The current account balance rose sharply in 2025:Q1 underpinned by temporary factors.** The current account posted a surplus of CHF 19 billion (compared to CHF 10 billion in 2024:Q1) on safe haven-related increases of (non-monetary) gold trading and an export surge due to tariff anticipation; the service balance remained broadly unchanged.[4]

[4] On gold trading, see Wicht L., (2025) "Gold as a Safe-Haven Asset and the Swiss External Sector." Swiss National Bank Economic Note No. 04/2025. On a more general note, BOP data are undergoing significant revisions following the implementation of a new current account survey in 2023 (Annex I).

OUTLOOK AND RISKS: A GRADUAL RECOVERY AMID HEIGHTENED UNCERTAINTY

5. Baseline projections assume persistent external headwinds, accommodative monetary policy, and policy-constrained fiscal space.

- **External Context.** In line with the July 2025 IMF WEO update, the baseline assumes weak trading-partner growth and elevated geopolitical uncertainty. Commodity prices are expected to increase slightly in the short-to-medium term yet are anticipated to recede toward 2030. U.S. tariffs on Switzerland are assumed at 39 percent (excluding, *inter alia*, pharmaceuticals and gold); and on the EU at 15 percent (excluding, *inter alia*, gold).[5]

- **Domestic Policies.** Monetary policy remains accommodative. With the policy rate at zero, the SNB aims to preserve price stability and limit financial stability risks from a low/negative interest environment, while managing safe-haven flows. The fiscal baseline assumes that expenditure pressures will be tightly managed within the debt-brake rule.

6. The outlook foresees below-potential growth in the near term and a gradual recovery over the medium term, with inflation remaining subdued.

- **Short term (2025).** Growth is projected at 1.2 percent (adjusted for sporting events), supported by construction investment (driven by monetary easing and housing demand), and modest private consumption, aided by real wage growth but dampened by weak confidence. External demand is expected to remain a drag amid trading partner weakness, higher tariffs, and continued franc appreciation. Average inflation is projected at 0.1 percent, reflecting strong exchange rate pass-through, global disinflation, lower energy prices, and declining rents. Nominal wage growth is expected at 1.3 percent, slightly above medium-term inflation expectations.

- **Medium term (2026–2030).** Growth is projected to soften to 1 percent in 2026 on the back of weaker U.S. import demand, rebound to 1.4 percent in 2027 supported by Germany's looser fiscal position, and converge toward potential growth by 2028, as domestic and external demand gradually recover and the output gap closes. Inflation is expected to rise slowly but remain low, reaching 0.6 percent in 2026 and 0.7 percent in 2027, reflecting lagged effects of monetary easing and a gradual rebound in energy prices.

7. Risks to the outlook are broadly balanced. Rising geopolitical tensions, volatile energy prices, uncertainty over trade policies, and their amplification via global and financial channels

[5] Sector-specific tariffs remain in effect. Staff assess the U.S. effective tariff rate on Swiss imports at 21.2 percent.

could weigh on growth and employment. If U.S. tariffs for other major economies increase in line with those currently in Switzerland, the impact on growth would be significantly larger. In a downside scenario, indirect spillovers through weaker global demand, tighter financial conditions, increased uncertainty, and stronger safe-haven flows could additionally reduce Swiss real GDP by around 0.5–0.6 percentage points over three years. These general equilibrium effects also include inflation falling by up to 0.7 percentage points due to further franc appreciation, intensifying pressures on the exposed sectors. An ongoing Section 232 investigation in the U.S. could result in higher pharmaceutical import tariffs, which could shave an additional 0.3 percent from real GDP over 2025–27. In addition, U.S. Executive Order #14297 ("Delivering Most-Favored-Nation Prescription Drug Pricing to American Patients"), could cut revenues of some Swiss pharmaceutical firms and weaken innovation. Persistently high trade barriers and fragmentation could also weigh on Switzerland's long-term potential by disrupting multinational supply chains and weakening the country's export-oriented, productivity-driven growth model (Annexes II and III). On the upside, Switzerland's continued discussions with the U.S. may lead to a lower tariff rate (e.g., similar to the EU's) and raise real GDP by an estimated 0.5 percent over three years. Moreover, a stronger-than expected impact of Germany's fiscal easing, and rising domestic pension payments could support demand and ease currency pressures.

Authorities' Views

8. **The authorities broadly shared staff's assessment of the outlook and risks as well as of the external position.** They agreed that growth will moderate in the near term due to global trade policy uncertainty, the normalization of exports after an initial front-running effect, and subdued foreign demand. They expect inflation to be low in the short term. While additional pressure on the franc will create downside risks to imported inflation, inflation is expected to slowly rise and remain within the price stability range over the medium term. The authorities also expect the unemployment rate to further increase due to below-potential economic growth. On tariffs, the authorities conveyed that they remain firmly committed to discussions with the U.S. On the assessment of the external position, they noted that a large current account surplus is warranted by Switzerland's fundamentals, including the overall level of development, demographics, fiscal policy, and the pension system (Annex I). They pointed out that measurement issues related to statistical standards remain crucial to understanding these surpluses and help explain the large discrepancy between the cumulated current account balances and the NIIP. They recognized that evaluating Switzerland's 2024 current account balance comes with considerable uncertainty and stressed that initiatives are underway to enhance the tracking of contributions from large and complex multinational enterprises (MNEs) to the BOP/IIP statistics, aiming to improve the overall quality of external sector data.

POLICY DISCUSSIONS

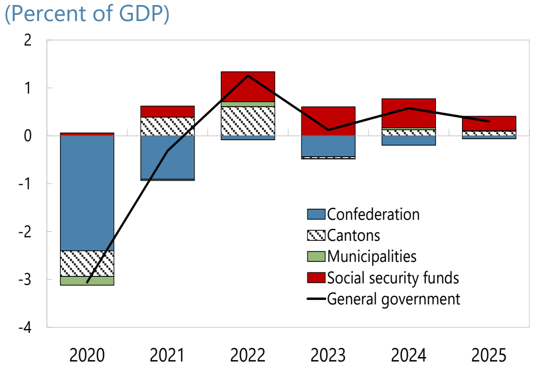
Discussions focused on managing rising structural fiscal pressures, including from demographics, defense, and climate change targets within Switzerland's debt-brake rule. On monetary policy, attention centered on recent rate cuts, disinflation risks, and the SNB's monetary and communication framework and instruments. Financial sector talks revolved around the findings and recommendations of the 2025 FSAP, especially reforms to strengthen crisis management and supervision. On structural issues, discussions addressed the importance of deepening international integration, productivity constraints, labor shortages, and energy security.

Fiscal Policy: Addressing Medium-Term Expenditure Pressures

9. The moderately looser fiscal stance projected for 2025 is appropriate given some economic slack. The general government's overall fiscal surplus is projected to decline to 0.3 percent of GDP in 2025 from 0.6 percent of GDP in 2024, largely reflecting a reduction in the surplus of social security funds. The federal government deficit is projected to remain broadly unchanged *vis-a-vis* 2024 (0.2 percent of GDP), as higher defense and social welfare spending is offset by budget consolidation measures.

General Government Fiscal Balance

(Percent of GDP)



Sources: Federal Finance Administration; and IMF Staff calculations.

10. Given existing spending pressures, the authorities aim to implement permanent expenditure cuts by 2027–28 and phase out extraordinary spending by 2027, and to gradually reduce the amortization account to zero. Extraordinary expenditures to mitigate COVID-19 impacts and assist refugees from Ukraine led to an "amortization account" balance of 3.2 percent of GDP at end-2024. Staff assess that to eliminate this balance as required, the Federal Council plans to (i) implement "Relief Package 2027", with permanent expenditure reductions of 0.3–0.4 percent of GDP starting in 2027; and (ii) phase out extraordinary expenditures by 2027. The objective is to bring the amortization account balance to zero by 2035, or if needed, by 2039. SNB profit distributions, expected to resume in 2025, will help.[6] On social security, the authorities intend to defray new 13th monthly

[6] "Relief package 2027" targets 0.3 percent of GDP in savings in 2027 and 0.4 percent from 2028, via staffing and program cuts (e.g., transport, climate/energy efficiency, research) and tighter capital benefit taxation; parliamentary debate begins in fall. The fiscal impact of the 13th monthly pension payment is included in the baseline.

pension payments (0.5 percent of GDP per year from late 2026) mandated by a public referendum via VAT rate hikes. A recapitalization of social security funds may be needed due to pressures on disability insurance.

11. Ongoing tax reform efforts aim at improving efficiency, removing distortions and leveling the playing field. Several reforms are under legislative review or pending referendum, with revenue impacts varying based on economic conditions and implementation details (Box 1). Key initiatives include individual taxation for married couples, the abolition of imputed rental value taxation, automatic adjustment for income tax bracket creep, and the extension of reduced VAT rates for accommodation services. Although the overall impact on fiscal revenues is not expected to be substantial, significant expenditure pressures warrant, at least, revenue-neutral tax reforms.

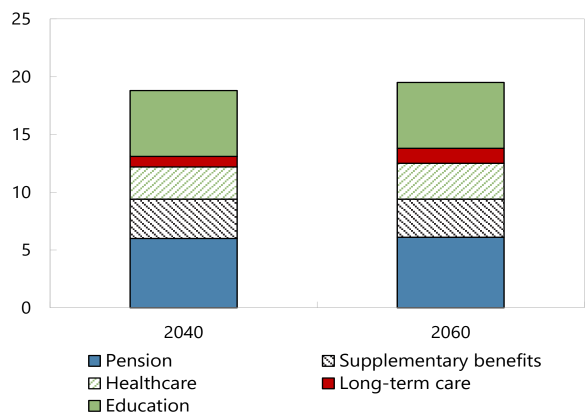
12. Demographics, climate goals, and defense needs pose medium-to-long-term fiscal pressures and create difficult trade-offs. The authorities' 2024 Fiscal Sustainability Report projects demographic-related spending reaching 19.8 percent of GDP by 2060, up 2.6 ppts from 2021. The federal government and federal social security funds (AHV/IV) account for 1.3 ppts of the increase, while cantonal spending rises by just under 1 point and municipal spending adds the remaining 0.3 ppts. Climate mitigation to meet net-zero targets could raise public debt by 3–4 ppts of GDP by 2040 and 8–11 ppts by 2060, depending on policy design, with the federal government bearing most of the cost. Defense spending is projected to rise from 0.7 to 1 percent of GDP by 2032, primarily affecting the federal budget. Despite these pressures, Switzerland is at a low risk of sovereign stress and debt is sustainable (Annex VI).

13. The rigid provisions of the debt-brake rule limit fiscal flexibility, and plans should be adjusted if shocks materialize to avoid overtightening. Taking the debt-brake rule as the baseline, fiscal policy should nonetheless remain flexible: automatic stabilizers should operate in mild downturns, while in more severe cases, the extraordinary provisions of the rule should be invoked to allow targeted, time-bound, and non-distortionary discretionary support to households and firms, mitigating the risk of recession and deflation. Targeted and temporary support may be needed if U.S. tariffs remain at current levels on a permanent basis and other shocks materialize. While reducing the amortization account will help restore room to respond to future shocks, priority should be given to avoid unwarrantedly tight fiscal policies. Efforts should also continue to avoid conservative revenue forecasts and spending below budgeted levels.[7] While staff acknowledged a preference for low taxation and for spending cuts over tax increases, they noted that expenditures remain lean and tax collections low relative to peers, and thus, that there is scope to broaden the tax base and improve administrative efficiency. Further spending cuts risk affecting important services and programs, despite Switzerland's high income and

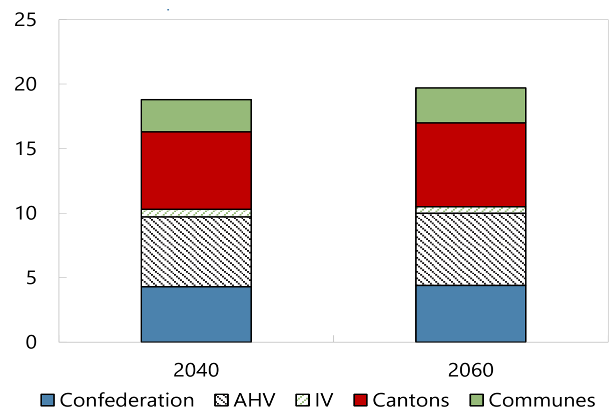
[7] Revenue forecast errors have been significantly reduced in recent years.

substantial fiscal space. On the medium-term, a plan of spending reprioritization and revenue measures is needed to address the significant medium-to-long term expenditure pressures. This includes assessing how future spending needs will affect different levels of government and whether responsibilities should be rebalanced.

Projected Demographic-Dependent Government Expenditures by Category
(Percent of GDP)

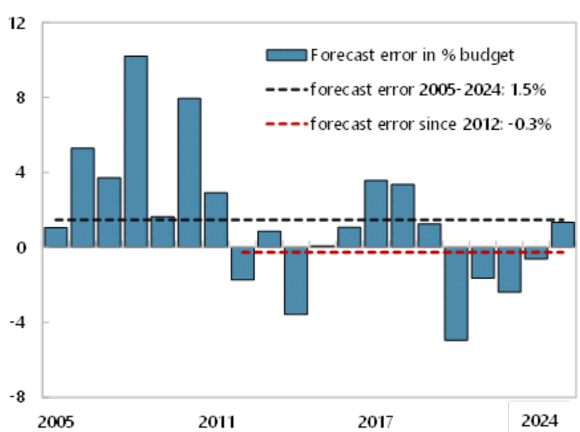


Projected Demographic-Dependent Expenditures by Government Level
(Percent of GDP)

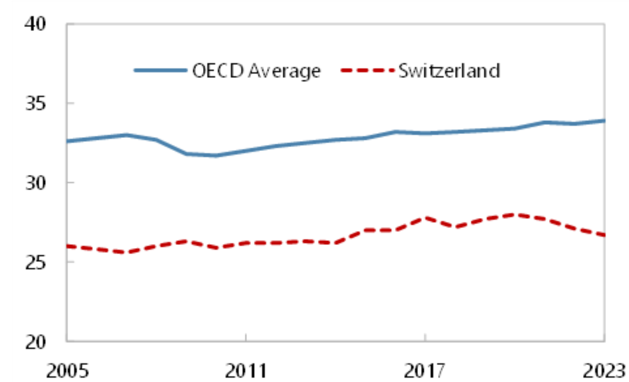


Sources: 2024 Swiss Fiscal Sustainbility Report; and IMF staff calculations.

Ordinary Federal Revenues: Forecast Errors
(Percent of budget)



Tax-to-GDP Ratio
(Percent of GDP)



Sources: Federal Finance Administration; OECD; and IMF Staff calculations.
Note: The definition of tax includes social contributions to ensure consistency with the OECD comparison.

Box 1. Switzerland: Tax Reforms Initiatives

Switzerland features a highly decentralized tax system, with federal, cantonal, and municipal authorities all levying taxes. The system emphasizes competitiveness and fiscal discipline, maintaining relatively low overall tax burdens. Ongoing tax reforms aim to support public policy objectives, with recent efforts focused on improving economic efficiency, enhancing equity, and leveling the playing field. These reforms are advancing at varying stages and have mixed implications for revenue.

Ongoing Tax Reform Initiatives

Tax Reform	Objective	Status	Revenue Impact
Individual taxation	Replace joint taxation of married couples to eliminate unequal treatment based on marital status.	Adopted by Parliament, but a referendum is likely to be called.	Around CHF 600 million revenue loss depending on implementation.
Taxation of imputed rental value	Abolish imputed rental value taxation, while tightening mortgage interest deductibility and allowing cantons to tax secondary homes.	Adopted by Parliament but subject to a mandatory national referendum due to constitutional amendment.	Depends on the mortgage rate: revenue shortfalls in low-interest rate and revenue gains in high-interest rate scenario.
Automatic compensation of bracket creep	Automatic adjustment of income tax brackets to compensate for income growth.	Deliberations on the draft bill expected in October 2025.	Expected to reduce automatic revenue gains from bracket creep.
Special VAT for accommodation	Extend the special VAT rate of 3.8 percent for accommodation services beyond 2027.	Federal Council opposed the extension, citing fiscal costs, market distortions, and strong sector performance. Public consultation planned by end-2025.	Depending on the outcome, revenue impact remains uncertain.
Withholding tax reform for TBTF instruments	Extend the withholding tax exemption for interest on TBTF instruments.	Federal Council submitted a dispatch to Parliament in June 2025.	Revenue impact is uncertain.
Extension of loss offsetting	Extend the loss carryforward period for companies from seven to ten years.	Plenary debate in the National Council completed.	Modest impact; precise estimates unavailable due to limited data.
Revised VAT ordinance and net tax rate ordinance	Simplify net tax rate reporting and clarify recent VAT Act changes to curb tax planning.	Has entered into force on 1 January 2025.	The revenue impact is expected to be positive; precise estimates unavailable.

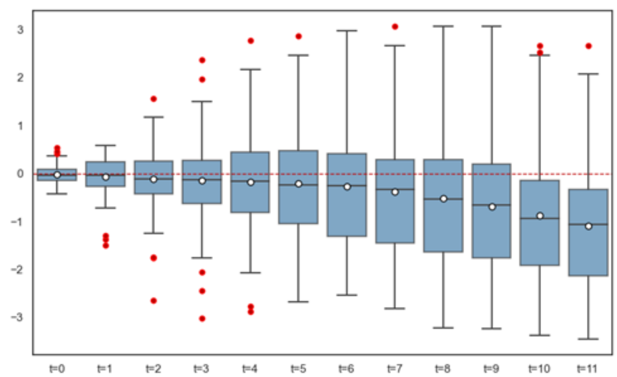
Authorities' Views

14. The authorities broadly concurred with staff's assessment, acknowledging the difficult medium-term fiscal policy tradeoffs. They described significant expenditure pressures, including those stemming from defense spending and contributions to social insurance. They agreed that efforts to improve pension-system sustainability should continue. They noted that continued actions are being taken to secure financing of the 13th monthly pension payment and to stabilize AHV finances for the period 2030–40. The authorities also agreed that a mix of expenditure rationalization and revenue-enhancing measures would be needed to address these pressures. They noted that efforts are underway to reallocate responsibilities between the confederation and the cantons. However, they stressed the public's generally low appetite for tax increases and expressed a preference for expenditure reprioritization. On the amortization account, they noted that they expect to bring it to zero as planned but that they would extend the amortization period further if needed. While recognizing the debt-brake rule's stringency, they noted that reforms may lead to a much worse outcome. They stressed that the rule has performed well, enjoys popular support and any major changes would require a constitutional amendment.

Monetary Policy: Mitigating Deflationary Pressures

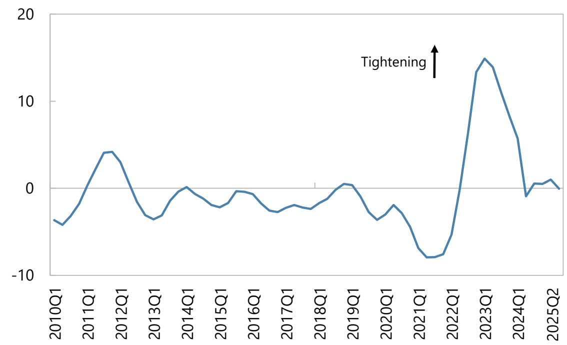
15. The SNB has progressively lowered its policy rate since March 2024 in response to sustained disinflation and repeated downward revisions to its inflation outlook. At each quarterly policy meeting, conditional inflation forecasts were revised lower, reflecting persistent downward surprises that originated in the prices of imported goods, oil, food, some services (e.g., housing rents, and tourism), and associated second-round effects. Policy rates were reduced in 25 bps steps, except for a 50-bps cut in December 2024. In June 2025, with headline inflation for May at −0.1 percent (y/y) and the inflation path further downgraded, the SNB lowered the policy rate to zero, while underscoring its commitment to maintaining inflation within the 0–2 percent range. As of June 2025, the SNB projected average headline inflation of 0.2 percent in 2025 and 0.5 percent in 2026, similar to staff projections. Market participants now anticipate a move of the policy rate into negative territory by year-end. Historically, SNB conditional forecasts have been reasonably accurate at the one-year horizon but have tended to overestimate inflation at longer horizons, particularly at the two- and three-year marks (Annex IV).

Forecast Error Distribution by Horizon
(Percentage points)

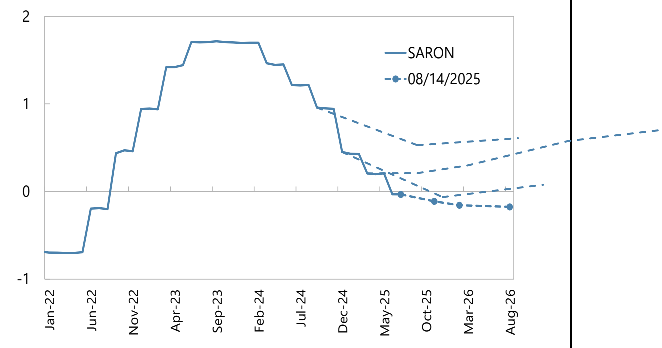


Source: IMF Staff calculations.

Financial Conditions Index Level
(Contribution to unscaled FCI)



SNB Policy Rate and Expectations
(Percent, based on SARON forward rates)



Sources: Borraccia et al., 2023; IMF Working Paper 23/209; and Bloomberg Finance L.P.

16. Future policy action needs to consider that trade-offs of further easing become more pronounced when policy rates decline below zero. Given that Switzerland's neutral rate is near (or below) zero in real terms, the current monetary policy stance is slightly expansionary, which is appropriate given moderate economic slack (Annex V). Additional policy rate cuts (the primary policy tool) into negative territory will be needed, for example if sharp pressures on the franc lead to broader disinflationary pressures and (or) a de-anchoring of inflation expectations. While negative rates may amplify financial sector risks (via weaker bank profitability and higher real estate exposures), the exchange rate channel may be stronger at present, given that wider interest rate differentials than in previous negative interest rate episodes could mitigate the intensity of foreign financial inflows, easing exchange rate appreciation pressures. Although difficult to determine with precision, the effective lower bound is likely around -75 to -100 bps, possibly lower. FXIs may be needed to manage surges of safe haven flows that risk de-anchoring of inflation expectations, as per the Fund's Integrated Policy Framework (Annex V). That said, FXIs also need to be considered carefully given the SNB's already large balance sheet (100 percent of GDP), and potentially larger valuation risks. With limited availability of government bonds and other domestic securities and already compressed term-premia, quantitative easing is not an effective policy tool for Switzerland in the baseline.

17. The SNB's monetary policy and communication framework have served Switzerland well, although evolving challenges may warrant a review. Switzerland's low inflation environment, while historically beneficial, has also left the economy vulnerable to shocks and extended periods of negative interest rates and significant balance sheet expansion through FXIs. With elevated uncertainty and low equilibrium interest rates, a review of the monetary policy framework, potentially with external input as done by other central banks, could help assess tradeoffs, including clarifying medium-term inflation preferences, targeting a narrower inflation range, and (or) reinforcing symmetry by avoiding a persistent low inflation bias. Communication remains broadly consistent with conditional projections and interest rate guidance, but there is scope to strengthen transparency and frequency, given the limited number of policy meetings (Annex V). Enhancements could include a clearer articulation of risks, scenario-based explanations of the reaction function, more detail on projections and FX interventions, and release of meeting summaries and speeches.

18. Mitigating risks from the SNB's balance sheet requires maintaining appropriately strong capital provisions and refraining from raising distributions. The next review of SNB dividend policy is scheduled for 2026. The SNB reported profits of approximately CHF 80 billion in 2024, partially offsetting sizable losses in 2022–23. Profits in 2024 were primarily due to foreign currency and gold valuation gains. The SNB is expected to resume profit distribution to cantons and the federal government in 2025.[8]

19. The SNB continues to explore the use of a wholesale central bank digital currency (wCBDC) for settling tokenized financial assets. In a dedicated project pilot (Project *Helvetia*) wCBDC is made available on an external distributed ledger technology-based platform. Market adoption has been slow, due to the efficiency of the traditional financial market infrastructure and constraints on wCBDC availability. The SNB recently enhanced wCBDC availability and will continue monitoring market activity during an extended pilot phase, which runs through June 2027.

Authorities' Views

20. The authorities consider the monetary policy framework to be effective and well-calibrated to Switzerland's unique challenges. These include sharp and (or) persistent safe-haven pressures and limited conventional policy space because of low equilibrium interest rates. With the policy rate currently at zero and medium-term inflation expectations well-anchored, the authorities consider that trade-offs grow more significant if rates move below zero because of undesirable side effects of negative interest rates. The SNB also sees a role for FXIs in smoothing volatility from safe-haven flows. Regarding profit distributions, the SNB follows the legal requirement that building provisions must take precedence over distributions and that the latter are to be smoothed over time. The SNB is of the view that its communication framework has been effective in achieving its monetary policy goals. As part of its standing assessment of the monetary policy framework, the SNB expressed that it will continue to explore ways to enhance the effectiveness of its communication with markets and the public.

Financial Sector: Enhancing Systemic Resilience

21. The financial system maintains large capital and liquidity buffers. Aggregate regulatory Tier 1 bank capital is near 19 percent and liquidity buffers are around 180 percent, both well-above regulatory minima. Asset quality remains strong despite a recent increase in non-performing loans from a low level, related to construction, hospitality, and retail sectors. Bank profitability has declined with lower policy rates. The risks of unrealized losses from security holdings at amortized cost remain low. Non-life insurers experienced robust growth in premiums while pension funds remained stable. While the financial system is vulnerable to real estate

[8] The SNB reported a loss of CHF 15.3 billion in 2025:H1 due to foreign currency valuation changes.

corrections and interest rate shocks, the 2025 FSAP found that the financial sector is generally resilient to severe shocks. Systemically important banks (SIBs) and most other banks would meet regulatory capital requirements under severe stress, and liquidity risks are limited. Insurers can also handle severe solvency and liquidity shocks. Nonetheless, global uncertainty and financial stability risks warrant strengthening resilience.

22. Vulnerabilities in the mortgage and residential real estate markets persist. Mortgages account for a large share of bank domestic lending (86 percent) and real estate investment constitutes a large share of assets of life insurers and pension funds (FSAP, 2025). Supply constraints and resilient demand have contributed to increasing house prices, and evidence points to price overvaluation, especially in some markets. Vulnerabilities are pronounced in the investment property market, which is sensitive to yield considerations and more likely to experience defaults in a downturn; risks are more moderate in commercial real estate due to lower bank exposures. Lower interest rates and housing affordability initiatives for new borrowers are likely to put further upward pressure on house prices. Amid low profitability, banks might engage in increased risk-taking, including by lowering lending standards. Low interest rates may also encourage insurers and pension funds to resume a search-for-yield, increasing systemic risks.[9]

23. New macroprudential tools and housing reforms would help reduce systemic risks in the real estate sector. The sectoral countercyclical capital buffer (CCyB) for residential mortgage loans reached the maximum of 2.5 percent in 2022. The 2025 FSAP recommended introducing a time-varying sectoral capital instrument, using the CCyB as a broad-based positive cycle-neutral buffer, implementing a debt service-to-income (DSTI) cap for risky mortgage lending, and establishing a formal Systemic Risk Council comprised of SNB, FINMA, and Federal Department of Finance (FDF) representatives to regularly assess and communicate on systemic risk. Complementary reforms to housing taxation to remove mortgage interest deduction and increase housing affordability are also important to lowering risks in real estate.

24. Data gaps affect risk assessment in the large, heterogenous NBFI sector. The insurance sector (60 percent of GDP) is well-supervised and can withstand severe shocks, as shown by stress testing. For the large, fragmented pension funds sector (150 percent of GDP), data gaps and lack of uniform reporting (mostly to cantonal supervisors) impede market-wide horizontal analyses. Investment funds (160 percent of GDP) are largely open-ended, introducing liquidity risks; however, substantial improvements have been made in the regulatory and supervisory framework for liquidity risk management since the last FSAP. Overall, data gaps for the asset management sector, trading venues and insurance sector persist, affecting risk and

[9] See 2024 SIP "Real Estate Markets and Vulnerabilities," 2025 FSAP Technical Note "Macroprudential Policy and Real Estate Risks," and 2025 SNB Financial Stability Report (FSR). The 2025 FSAP suggests price overvaluation of 20–30 percent. The SNB FSR estimates overvaluation for apartments of 15–40 percent.

interconnectedness assessments. Recent initiatives to improve monitoring and close these gaps are welcome.[10]

25. The authorities are working to address limits in supervisory, resolution, and crisis management frameworks exposed by the 2023 Credit Suisse (CS) crisis. Following acquisition of CS, UBS became the world's largest G-SIB relative to the size of the host country's economy. UBS is also more complex and interconnected than other G-SIBs. While UBS's integration with CS has progressed well, risks remain until its finalization. Drawing on lessons from the CS crisis, including a TBTF report and parliamentary investigation, the Federal Council has recently proposed several reforms aimed at strengthening the financial sector and reducing risks for the state, taxpayers and the economy (Box 2). The reforms would improve the TBTF framework, enhance bank governance, strengthen prevention, early intervention, and crisis preparedness, and expand powers of FINMA. The proposals are broadly in line with FSAP recommendations. Timely legislative consideration and action are needed.

26. The 2025 FSAP stressed that enhanced legal powers and resources for FINMA are essential for more effective supervision. FINMA's legal powers should be expanded to include a full suite of early intervention powers, immediately enforceable, including the ability to preemptively restrict bank business activities, require capital conservation measures, address governance failures, and rectify deficiencies in risk management. FINMA should be able to conduct onsite inspections for all banks, require forward-looking Pillar 2 capital add-ons, impose fines, and set binding supervisory standards, while reducing reliance on external auditors. Improved market monitoring and mechanisms for preventing and detecting market abuse would enhance securities supervision. Additional resources are needed for FINMA to enhance its approach, particularly in the direct oversight of corporate governance, risk management, AML/CFT, cyber risk, and recovery. Importantly, FINMA needs to be proactive and direct in its engagement with supervised firms across sectors (banks, insurance, securities).

27. Switzerland's financial safety net should be broadened to enhance stability. Resolution planning should include Category 3 banks (which include some large and complex market participants), insurance groups, and financial market infrastructures. FINMA, SNB, and FDF should develop coordinated crisis response plans. The cap on deposit insurance contributions should be lifted, aligning it with international best practices. SNB's new Emergency Liquidity Facility will establish a flexible framework for emergency liquidity assistance for all banks, significantly reinforcing the safety net. Introducing a public liquidity backstop for SIBs, extendable to systemic non-SIBs, would provide additional room for maneuver in a crisis.

[10] See SNB's Financial Stability Report (2025). Figures in ¶21–22 and ¶24 are for 2024.

Box 2. Switzerland: The Too-Big-to-Fail Reform Package

On June 6, the Federal Council announced comprehensive reforms to strengthen the TBTF regime. The package centers on three pillars aimed at reducing the likelihood of future banking crises and minimizing risks for taxpayers and the economy by:

- **Strengthening Prevention** with introduction of a senior managers' regime, which assigns clear responsibilities to individuals enabling targeted accountability for misconduct; enhancing corporate governance with claw-back provisions for variable compensation and strengthening capital quality requirements for assets that are not sufficiently recoverable in crises; and introducing for SIBs the requirement to fully deduct the book value of foreign subsidiaries from parent-company CET1 capital.
- **Expanding Crisis Toolkit** by providing FINMA with expanded early intervention powers and authority to impose administrative fines; strengthening recovery planning requirements with enhanced feasibility assessments; expanding resolution options; strengthening SIBs' capital base; and improving crisis organization and information-sharing among agencies.
- **Strengthen Liquidity** by requiring banks to prepare collateral for accessing SNB liquidity, with quantitative minimum requirements for SIB; and removing legal barriers to collateral transfer.

Amendments to ordinance are expected to enter into force in early 2027, while legislative amendments will enter into force by 2028–29.

28. **To safeguard the Swiss financial center's resilience and integrity, heightened vigilance on cyber, AML/CFT, crypto, and fintech risks is essential.** Weaknesses in risk-based AML/CFT supervision of banks, including limited legal powers to impose fines, resource constraints, and overreliance on external auditors remain (¶26). The cyber resilience framework should extend to all financial entities and external service providers. The registry of beneficial ownership rollout must progress, with the legal framework expanded to include gatekeepers such as lawyers, accountants, trust, and company service providers. Increasing crypto exposures require comprehensive assessment and timely implementation of Basel standards. The authorities should continue to assess and mitigate financial integrity risks from cross-border payments and their potential impact on financial stability**.** Finally, the complex financial market infrastructure set-up demands closer oversight and collaboration with foreign authorities, especially in risk management and recovery and resolution.[11]

Authorities' Views

29. **The authorities consider the financial system to be resilient, while recognizing the need to further strengthen the regulatory and supervisory framework.** They assess that systemic risk has decreased since last year, due to the good progress on the CS-UBS merger, including de-risking of legacy assets, though real estate-related vulnerabilities remain elevated and could further rise in a low-interest rate environment. The authorities view the TBTF reform package as a key step in strengthening financial stability by introducing stricter capital

[11] Switzerland volunteered for coverage of transnational aspects of corruption, and last year's recommendations still stand (Switzerland: 2024 Article IV Consultation—Press Release; Staff Report; Informational Annex; and Statement by the Executive Director for Switzerland, IMF Country Report No. 2024/179 (Washington, D.C.: International Monetary Fund).

requirements for systemically relevant banks, improving bank governance, crisis preparedness, early intervention, and strengthening FINMA's powers. They noted that FINMA has intensified supervision through additional resources and supervisory benchmarks, in coordination with international peers. While the authorities currently see no urgency to adapt the macroprudential toolkit considering the latest developments on the mortgage and real estate markets, they are aware that the CCyB is at its legal maximum and that any potential adaptation or implementation of (new) measures would entail a certain lead time. The authorities also noted that establishing the Extended Liquidity Facility (ELF) will bolster banks' capacity to manage unforeseen liquidity shocks. Continued vigilance on AML/CFT and cyber risks remains a priority.

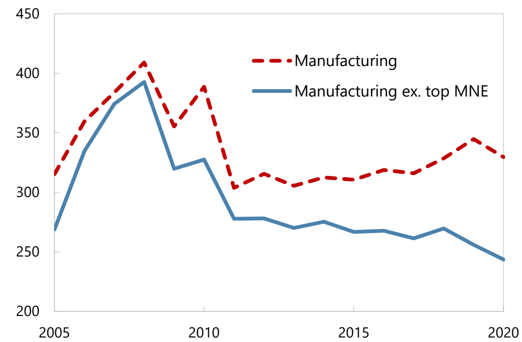
Structural Policies: Supporting Productivity Growth and Resilience to Global Shocks

30. Switzerland has high labor productivity, on par with the U.S. and above European peers.[12] Strong productivity is underpinned by robust R&D, high-quality education, and deep global integration that promotes competition and innovation. Switzerland is well-integrated into global value chains, focusing on high-value-added activities and hosting numerous MNEs. However, significant productivity disparities exist across sectors. MNEs in high-value-added manufacturing have driven much of the strong performance. Labor productivity in small firms and services has lagged, hindered by low R&D intensity, limited access to financing, small market size, high skilled labor cost, and lengthy construction permitting. These challenges are compounded by a risk-averse financing environment and administration frictions, which dampen business dynamism and limit smaller firms' R&D and other innovative activities.

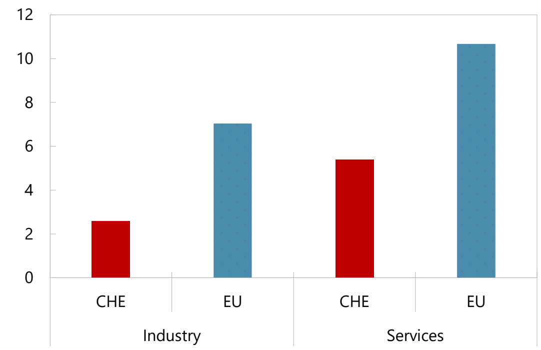
31. Productivity-enhancing reforms are advancing, but additional efforts are needed to ease business constraints and address labor shortages. Priorities include: further streamlining administrative procedures, especially for SMEs; enhancing competition and spurring innovation by reducing entry barriers; improving access to finance for SMEs and startups to support investment in technology and talent; deepening market integration to help firms scale up and benefit from cross-border knowledge flows; and addressing labor shortages through upskilling and maintaining an open labor market. Ongoing initiatives to boost productivity via competition-friendly regulation and expanded market access are welcome. Key projects include revision of the Cartel Act to align merger review standards with international norms and reform of the Vocational Training Act to strengthen higher vocational education.

[12] See 2025 SIP "A Firm Level Analysis of Labor Productivity in Switzerland."

Labor Productivity of Manufacturing (exc. MNEs)
(Operating revenue per employee; Thousands, CHF)



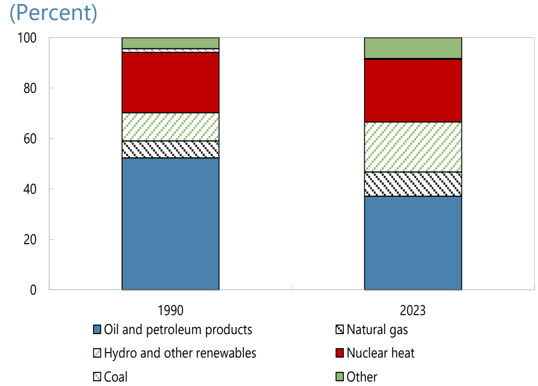
Firm Entry Rates
(Percent, 2019)



Sources: Orbis; OECD DynEmp; CompNet; Business Dynamics Statistics; and IMF Staff calculations.

32. Sustained engagement with key partners is critical for preserving growth and market access. Ongoing engagement with the U.S., the EU, and other partners remains key to preserving market access and a rules-based environment, reducing uncertainty, supporting growth, and bolstering resilience amid growing geo-economic fragmentation. In this regard, a broad new package of EU-Switzerland agreements marks a step forward in bilateral relations and market integration. Concluded at end-2024, the agreements cover labor mobility, industrial standards, agriculture, and air and land transport, regulating Switzerland's access to the EU single market. New provisions address electricity, food safety, and health. In May, both parties initialed an agreement on Swiss participation in EU programs. Next steps include formal signing and ratification under the respective legal frameworks; the Federal Council has called for an optional referendum.

Gross Energy Consumption
(Percent)



Sources: Bundesamt für Energie BFE; Schweizerische Gesamtenergiestatistik 2023; and IMF Staff calculations.

33. Accelerating the renewable energy transition would strengthen resilience and energy security. Switzerland's energy mix already features a high share of renewables, with hydropower and other sources accounting for over 25 percent of current consumption. The Energy Strategy 2050 and net zero target by 2050 underpin support for expanding renewables. The "Federal Act on a Secure Electricity Supply from Renewable Energy Sources" introduced regulatory measures to increase energy efficiency and scale up renewable capacity. To reduce seasonal reliance on electricity imports and mitigate supply risks, a thermal reserve has been installed to ensure sufficient winter generation. Ratifying and implementing the electricity agreement with the EU would help ease long-term supply constraints. The revised CO_2 Act and ordinances, which retained existing emissions reduction instruments, entered into force in January 2025. To maintain the effectiveness of carbon pricing, the CO_2 levy should be increased after 2030 to avoid real-value erosion, and the tax base should be broadened by reassessing current exemptions.[13]

Authorities' Views

34. The authorities broadly agreed with staff's assessment. They emphasized that, compared to its peers, Switzerland has both enjoyed a high level of labor productivity and relatively strong productivity growth in recent years. Looking ahead, it faces challenges similar to other advanced economies. The authorities highlighted the continued importance of strengthening "framework conditions" through competition-friendly regulation and openness to foreign markets, among others. Vocational training was reaffirmed as a cornerstone of the Swiss economic model, with ongoing efforts to support workforce development and skills adaptation. The authorities also noted that the "Federal Act on a Secure Electricity Supply from Renewable Energy Sources" sets clear targets for renewable energy, efficiency, and consumption, supporting both energy security and emissions reduction.

STAFF APPRAISAL

35. Switzerland continues to exhibit strong economic competitiveness and resilience, supported by robust institutions, prudent macroeconomic management, and a skilled labor force. These strengths have helped contain inflation and preserve confidence through repeated external shocks. In addition, Switzerland's external position is assessed to be broadly in line with the level implied by medium-term fundamentals and desirable policies. Nonetheless, Switzerland faces mounting headwinds from high U.S. tariffs, persistent safe-haven flows, trade fragmentation, and geopolitical uncertainty. Domestically, maintaining resilience will require careful macroeconomic management and continued structural reform momentum.

36. Growth is projected to remain below potential in the near term and to gradually recover towards potential; risks are broadly balanced. Sustained external volatility, tighter global financial conditions, and a further rise in global trade barriers could erode confidence and weaken investment. A prolonged environment of uncertainty could challenge Switzerland's export-oriented, productivity-driven growth model, especially if R&D and innovation slow. Continued discussions with the U.S. may lead to lower tariffs and higher growth. A positive resolution of global trade tensions and stronger domestic demand could also support the recovery.

37. Inflation has fallen sharply, and disinflationary risks warrant close monitoring. Recent monetary policy easing was warranted given broad-based price softness and currency appreciation. Further easing should be carefully weighed, given diminishing returns near the

[13] IEA (2023), Switzerland 2023, IEA, Paris; OECD (2024), OECD Economic Surveys: Switzerland 2024, OECD Publishing, Paris; International Monetary Fund, 2024, Switzerland: 2024 Article IV Consultation—Press Release; Staff Report; Informational Annex; and Statement by the Executive Director for Switzerland, IMF Country Report No. 2024/179 (Washington, D.C.: International Monetary Fund.)

effective lower bound and financial stability concerns. The SNB's monetary policy framework has served Switzerland well but could benefit from a review, including of communication tools and risk scenarios, to strengthen guidance in a low-rate environment.

38. The moderately expansionary fiscal stance for 2025 is appropriate given remaining economic slack. Ongoing tax reform efforts to improve efficiency, reduce distortions, and level the playing field are welcome, but ensuring at least revenue neutrality is essential in light of rising expenditure pressures.

39. Reducing the amortization account through the phase-out of extraordinary spending and permanent expenditure cuts will help rebuild fiscal space under the debt-brake rule. However, fiscal policy should retain flexibility. Automatic stabilizers should operate freely during mild downturns, while in more severe shocks, the extraordinary provisions of the debt-brake should be activated again to avoid procyclical tightening. This may be necessary if high U.S. tariffs prove persistent and other shocks materialize.

40. Over the medium term, aging-related spending, climate commitments, and higher defense needs will intensify fiscal pressures, raising difficult trade-offs between expenditure restraint and additional revenues. Given Switzerland's comparatively low tax burden, there is scope to broaden the tax base. A comprehensive review of spending responsibilities across government levels would support an efficient and equitable fiscal response to long-term challenges.

41. The financial system remains resilient, but risks persist. The 2025 FSAP found that banks and insurers can withstand severe shocks, although vulnerabilities from real estate exposures remain elevated. The current low-interest rate environment puts renewed pressure on bank profitability and may lead to an increase in the search for yield and systemic risks. The Credit Suisse episode underscored the need to strengthen supervision, crisis management, and resolution.

42. The authorities' proposed financial sector reforms respond to lessons from recent events and broadly correspond to key FSAP findings and recommendations. Strengthening FINMA's powers, expanding macroprudential tools, and enhancing crisis preparedness are essential to safeguarding financial stability. Implementation should proceed swiftly, and supervisory capacity should be further enhanced. FINMA should be more proactive and direct. Macroprudential tools should be broadened, including through the introduction of a debt-service-to-income cap, additional capital instruments, and the establishment of a formal Systemic Risk Council. The growing systemic relevance of real estate exposures calls for close monitoring and timely policy action.

43. Structural competitiveness remains strong, but productivity gaps persist. Smaller firms and services lag behind, weighed down by limited access to finance, constrained R&D, and regulatory frictions. Continued efforts to streamline business procedures, enhance competition, and improve financing for SMEs are needed. Reforms to the Cartel Act and Vocational Training Act are steps in the right direction.

44. **Continued engagement with key partners is critical to preserving growth and market access and a rule-based environment in a more fragmented global economy.** Sustained engagement with the U.S. and other key partners is critical to reducing uncertainty, sustaining growth, and bolstering resilience. The conclusion of the EU agreement package represents a milestone for external resilience and market access. Formal ratification will help reduce uncertainty and bolster bilateral ties.

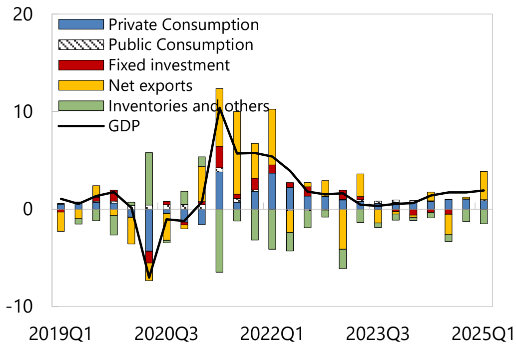
45. **It is recommended that the next consultation takes place on the regular 12-month cycle.**

Figure 1. Switzerland: Key Macroeconomic Indicators

Private consumption was the main contributor to GDP growth in 2024.

Contribution to Real GDP Y/Y Growth, Quarterly

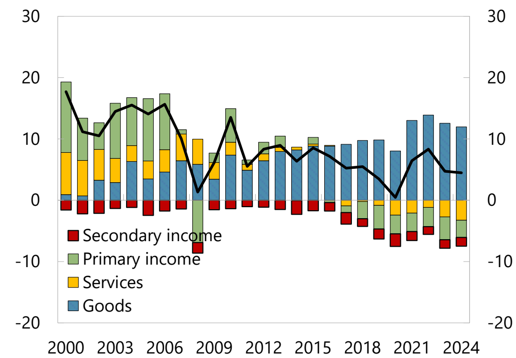
(Percent of GDP)



The current account surplus remained broadly constant in 2024.

Current Account Balance

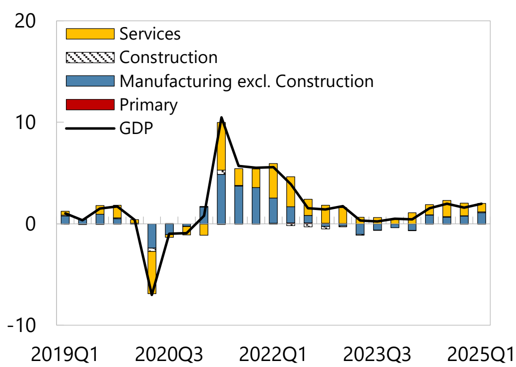
(Percent of GDP)



Manufacturing activity recovered in 2024

Contribution to Real GDP Growth, Quarterly

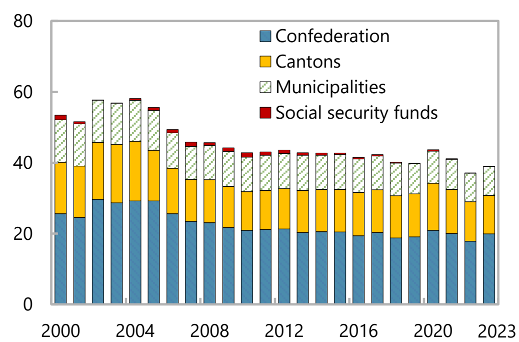
(Percent of GDP)



Government debt increased but remains low.

General Government Debt

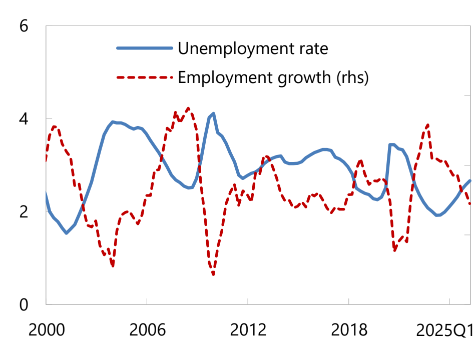
(Percent of GDP)



Employment growth is softening while unemployment is slowly rising from a low level.

Labor Markets

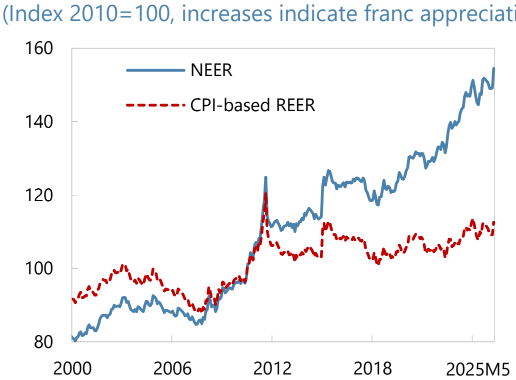
(Percent)



The exchange rate appreciated in nominal and real terms.

Effective Exchange Rates

(Index 2010=100, increases indicate franc appreciations)



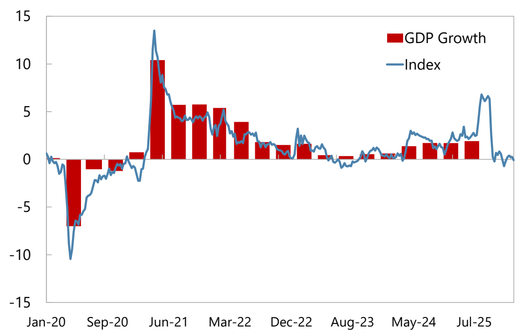
Sources: Haver Analytics; Federal Finance Administration; Information Notice System; State Secretariat for Economic Affairs; and Swiss National Bank.

Figure 2. Switzerland: High Frequency and Leading Economic Indicators

Economic activity has remained soft in 2025:H1.

Weekly Economic Activity SECO Index

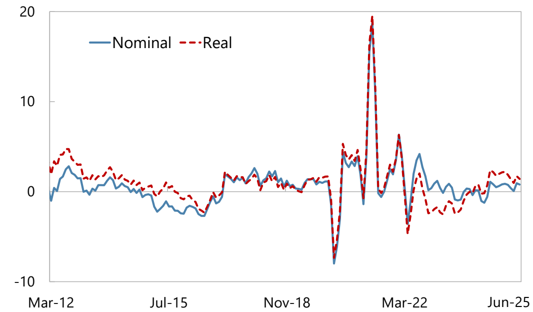
(Index; y/y percent change)



While retail sales growth has picked up...

Retail Sales (3mma) Growth

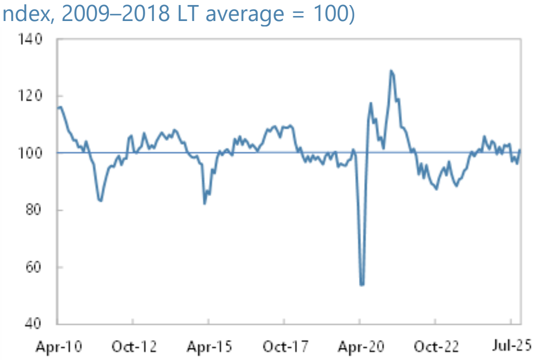
(Annual growth, percent y/y)



...broad indicators indicate slow growth...

KOF Economic Barometer

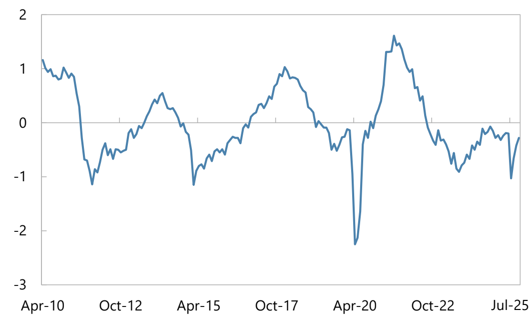
(Index, 2009–2018 LT average = 100)



...amid weak confidence.

Swiss Economic Confidence Indicator

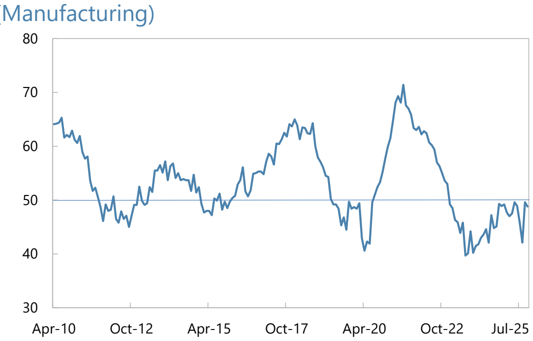
(SECO)



Manufacturing activity recovered somewhat...

Purchasing Managers' Index

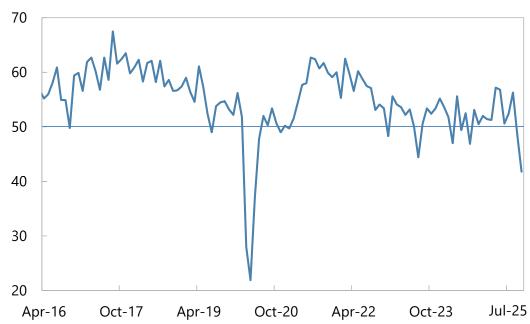
(Manufacturing)



...but services receded after a period of expansion.

Purchasing Managers' Index

(Services)



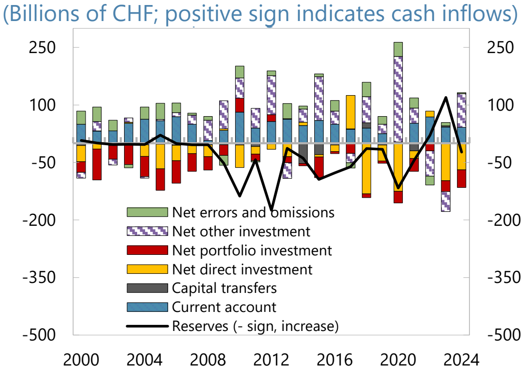
Sources: Haver Analytics; State Secretariate for Economic Affairs (SECO); Konjunkturforschungsstelle (KOF) and Procure.ch.

Figure 3. Switzerland: External Accounts

The current account remained in surplus…

Balance of Payments

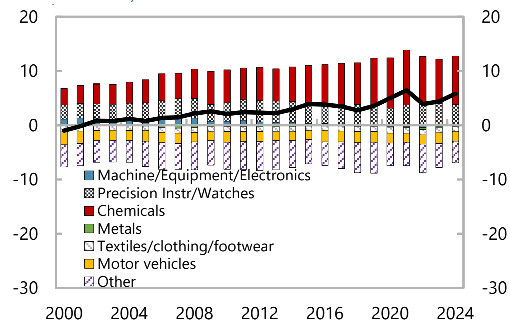
(Billions of CHF; positive sign indicates cash inflows)



…supported by chemical & precision instruments' exports.

Goods Balance by Product

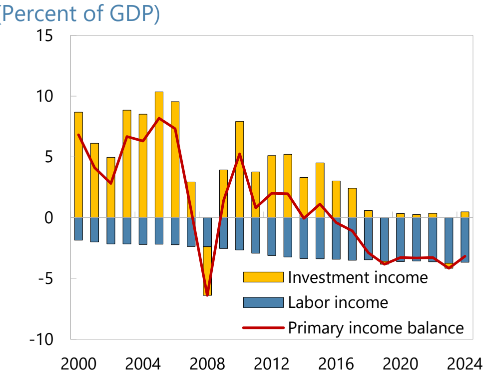
(Percent of GDP)



Labor income drives the negative primary balance…

Primary Income Balance

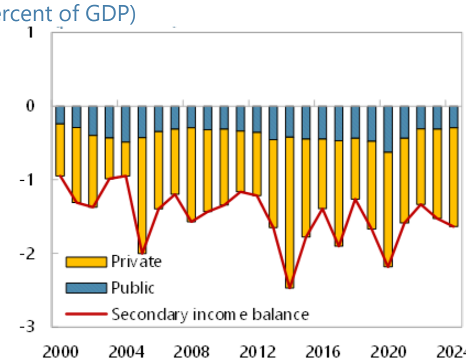
(Percent of GDP)



…and secondary income declined further.

Secondary Income Balance

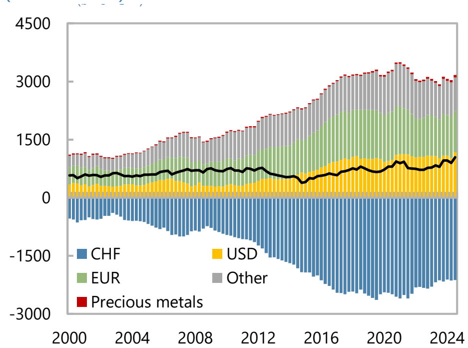
(Percent of GDP)



NIIP positions are balanced across USD and euro

NIIP by Currency, Quarterly

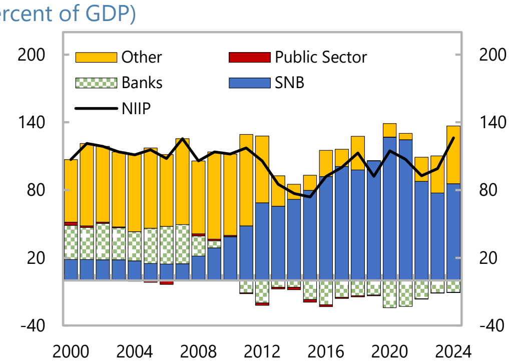
(Billion CHF)



SNB and non-banks contribute to a positive NIIP .

NIIP by Sector

(Percent of GDP)



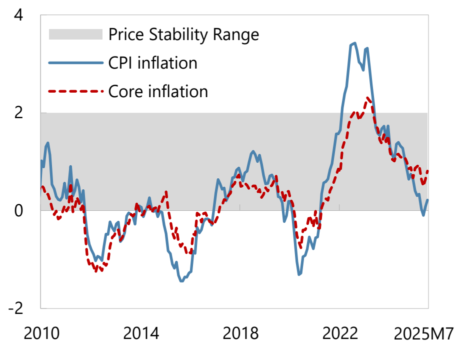
Sources: Swiss National Bank; Federal Customs Administration; and Haver Analytics.

Figure 4. Switzerland: Selected Inflation and Monetary Indicators

Inflation declined to around zero in mid-2025…

Inflation

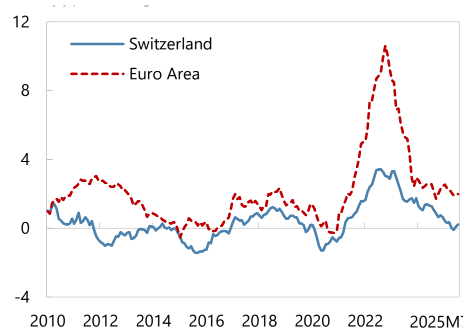
(y/y percent change)



….and remains well-below the Euro Area average.

Inflation Switzerland vs. Euro Area

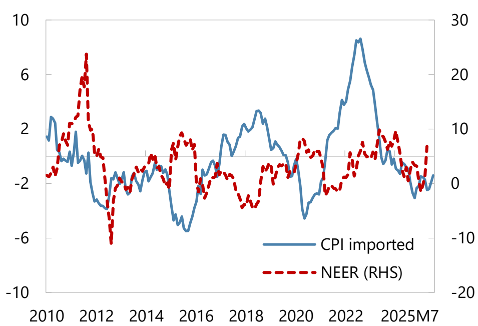
(y/y percent change)



Franc appreciation is pulling down inflation.

CPI Foreign Inflation and NEER

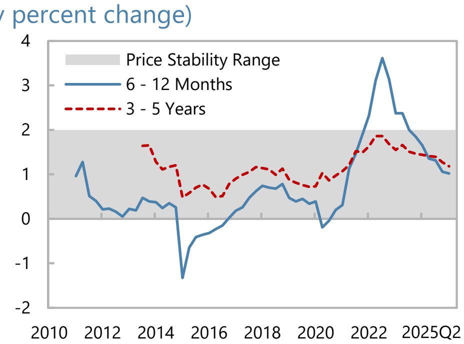
(y/y percent change)



Medium-term inflation expectations remain within the SNB's definition of price stability

Inflation Expectations

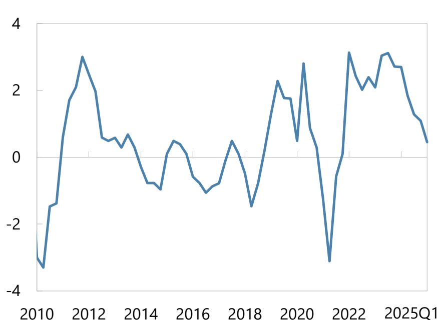
(y/y percent change)



Unit labor cost growth has moderated.

Unit Labor Costs

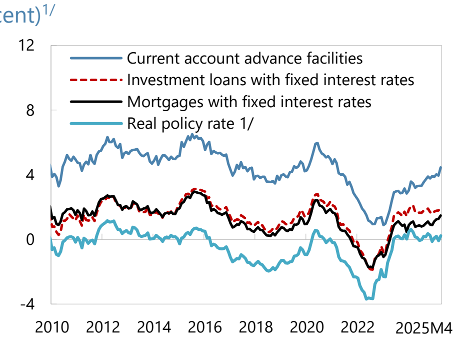
(y/y percent change)



Real interest rates have remained broadly constant with declining inflation.

Real Interest Rates

(Percent)1/



1/ Nominal rate minus inflation.

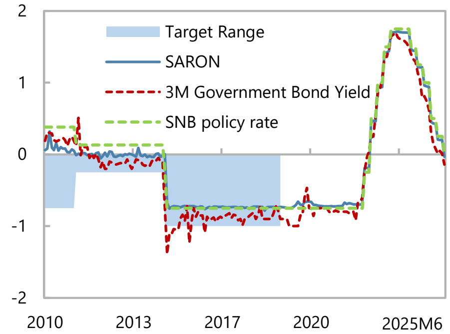
Sources: Haver Analytics; Swiss Federal Statistics Office; and Swiss National Bank.

Figure 5. Switzerland: Monetary Policy

The SNB policy rate was lowered to zero percent.

Money Market Rates

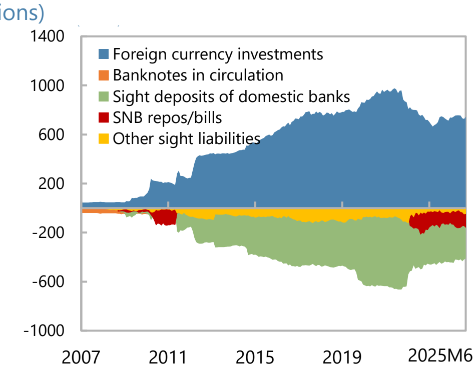
(Percent)



FX reserves increased mainly due to valuation gains.

Balance Sheet Items of the SNB

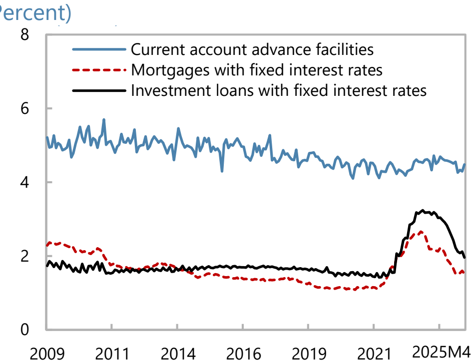
(Billions)



The decline in mortgage and investment loan rates slowed down…

Bank Lending Rates

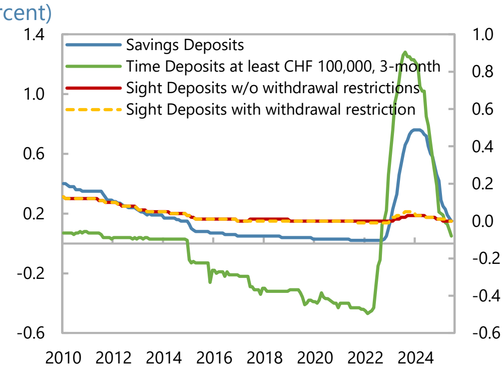
(Percent)



…but it continued for bank deposit rates.

Bank Deposit Rates

(Percent)

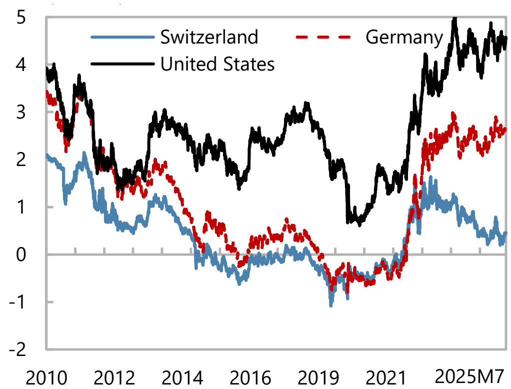


Sources: Swiss National Bank; Bloomberg Finance L.P; Haver Analytics; and IMF Staff calculations.
1/ SARON (Swiss Average Rate Overnight) is an overnight average rate referencing the Swiss Franc interbank repo market.

Figure 6. Switzerland: Selected Financial Indicators

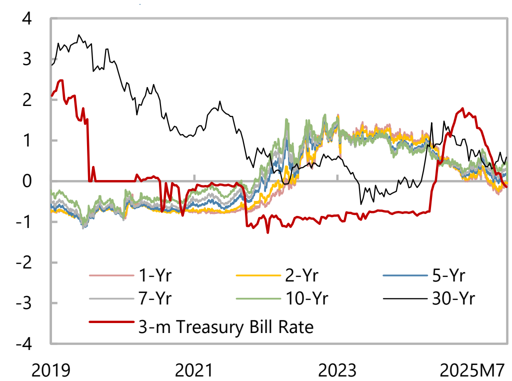
Long-term yields differentials have widened with respect to other advanced economies…

10-Year Government Bond Yields
(Percent)



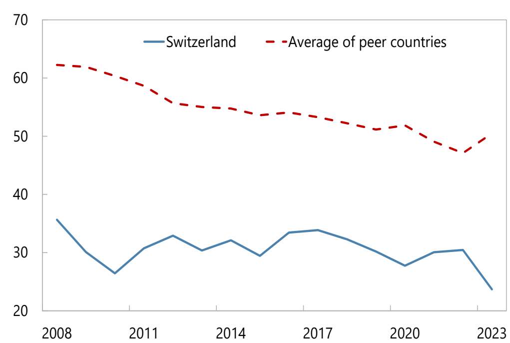
…and shorter maturities yields have turned negative.

Government Bond Yields
(Percent, end of period)



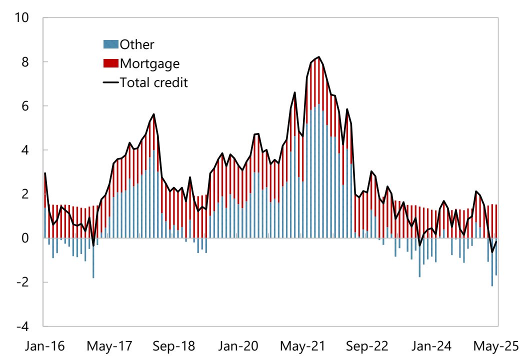
Banks' net interest margins have decreased…

Interest Margin to Gross Income
(Percent)[1/]



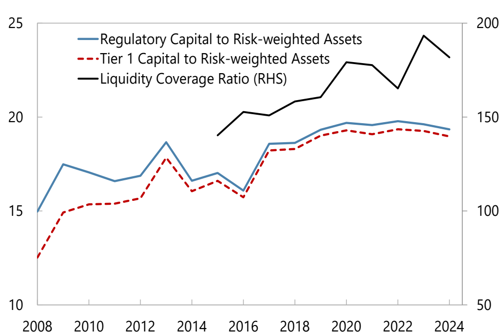
…while credit growth remained robust for mortgages.

Credit Growth
(y/y percent change)



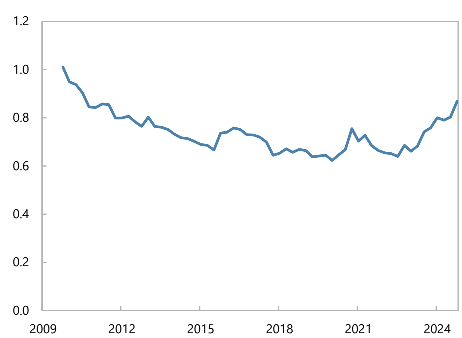
Banks's capital and liquidity positions remained broadly stable…

Financial Soundness Indicators
(Percent)



…while NPL increased slightly from a low level.

NPLs to Total Gross Loans
(Percent)



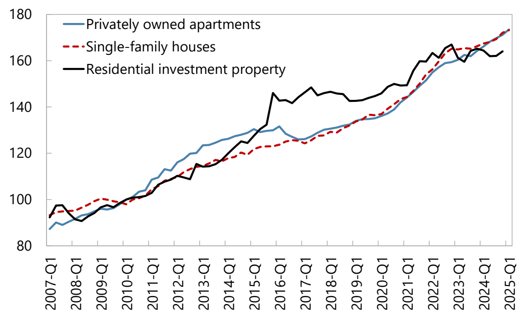
Sources: IMF Financial Soundness Indicators, Swiss National Bank and Haver Analytics.
[1/] Peer countries: Germany, France and Italy

Figure 7. Switzerland: Housing Market

While residential real estate prices have picked up…

Residential Property Transaction Prices

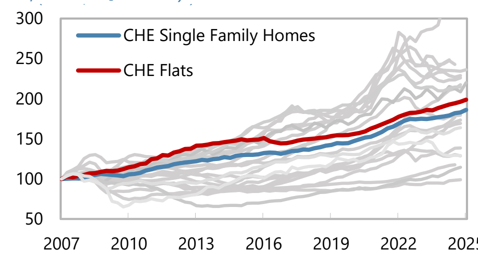
(Index, 2010 Q1=100)



…house prices have increased less than in peers.

House Prices in Advanced Economies

(Index, 2007 Q1=100)

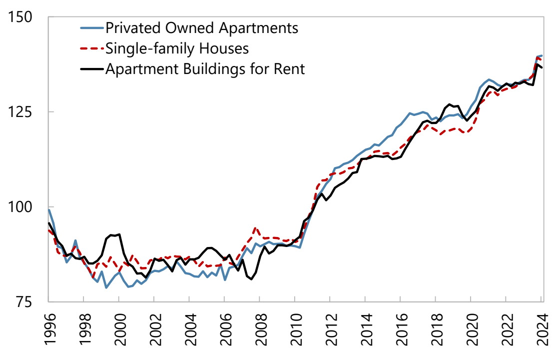


Note: Shown in the chart are selected EU members and other advanced economies, including AUT, AUS, BEL, CAN, CHE, CHE, CYP, DEU, DNK, ESP, FRA, GBR, HRV, HUN, ITA, LTU, LUX, NLD, NZL, SWE, SVN, SVK, and USA.

But the price-to-income ratio is historically high.

Residential Property Price-to-Income Ratio

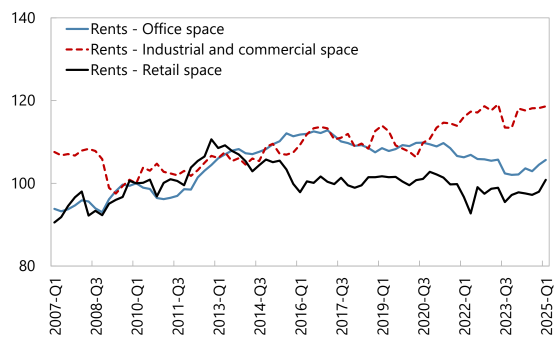
(Index, long-term average = 100; transaction prices)



Commercial real estate prices have also picked up.

Commercial Real Estate Asking Prices

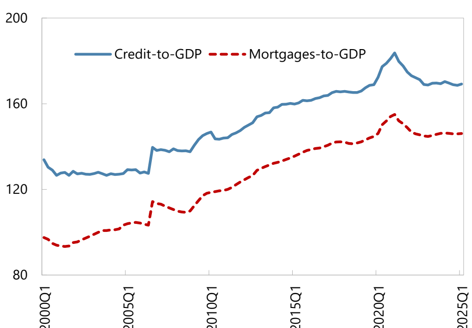
(Index, 2010 Q1=100)



The mortgage and credit to GDP ratios remained broadly stable.

Credit Aggregates

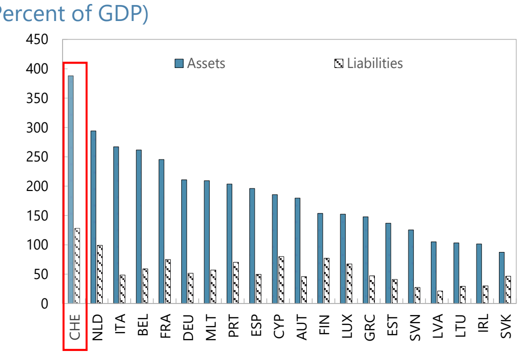
(Percent of GDP)



Household debt remains elevated but offset by large assets.

Households Assets and Liabilities

(Percent of GDP)



Sources: Swiss National Bank; Wuest Partners; Information and Training Center for Real Estate (IAZI); BIS; OECD; Haver Analytics and IMF Staff calculations.

Table 1. Switzerland: Selected Economic Indicators, 2018–30

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Staff projections					
Real GDP (Percent Change) 1/	2.9	1.2	-2.3	5.6	3.1	0.7	1.4	0.9	1.3	1.1	1.8	1.2	1.8
Real GDP (adj. for sporting events)	2.5	1.5	-2.2	5.3	2.9	1.2	1.0	1.2	1.0	1.4	1.5	1.5	1.5
Total domestic demand	1.2	2.0	-0.4	0.2	2.1	2.0	1.9	1.2	1.3	1.2	1.2	1.2	1.2
Private consumption	0.7	1.2	-3.4	2.2	4.3	1.5	1.8	1.1	1.0	1.1	1.1	1.1	1.1
Public consumption	0.8	0.8	3.8	3.0	-1.2	1.7	0.5	1.0	0.7	1.0	1.0	1.0	1.0
Gross fixed investment	0.8	0.9	-1.5	2.8	0.0	0.1	-0.8	0.8	2.1	1.6	1.5	1.5	1.5
Inventory accumulation 2/	0.3	0.8	1.3	-1.9	-0.1	0.8	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Foreign balance 2/	1.8	-0.6	-2.0	5.3	1.3	-0.9	-0.3	0.0	0.2	0.1	0.8	0.2	0.8
Nominal GDP (billions of Swiss francs)	709.8	717.3	696.1	744.5	791.1	804.0	825.6	834.5	850.2	865.6	887.2	903.9	926.3
Savings and Investment (Percent of GDP)													
Gross national saving	31.3	29.9	30.1	33.4	33.6	31.2	32.0	30.7	31.2	31.8	32.2	33.0	33.4
Gross domestic investment	25.7	26.4	29.6	26.4	24.8	25.9	26.9	25.7	26.1	26.5	26.6	27.0	27.1
Household savings	9.9	11.0	14.7	13.6	11.1	...	...	...	...	...	...	...	...
Current account balance	5.6	3.5	0.5	7.0	8.7	5.3	5.1	5.0	5.0	5.3	5.6	6.0	6.3
Prices and Incomes (Percent Change)													
GDP deflator	0.8	-0.1	-0.7	1.3	3.0	0.9	1.3	0.1	0.6	0.7	0.7	0.7	0.7
Consumer price index (period average)	0.9	0.4	-0.7	0.6	2.8	2.1	1.1	0.1	0.6	0.7	0.7	0.7	0.7
Consumer price index (end of period)	0.7	0.2	-0.8	1.6	2.9	1.8	0.6	0.1	0.6	0.7	0.7	0.7	0.7
Nominal hourly earnings	0.5	0.8	0.9	-0.2	0.9	1.7	1.8	1.3	1.0	1.0	1.0	1.0	1.0
Unit labor costs (total economy)	-0.7	1.8	1.1	-1.3	2.3	2.7	1.1	0.7	0.6	0.3	0.2	0.2	0.2
Employment and Slack Measures													
Unemployment rate (in percent)	2.5	2.3	3.2	3.0	2.2	2.0	2.4	2.9	3.1	2.9	2.8	2.8	2.8
Output gap (in percent of potential)	0.7	0.4	-1.6	-0.4	0.5	0.0	-0.2	-0.3	-0.6	-0.6	-0.4	-0.3	-0.1
Capacity utilization	73.8	74.6	71.7	76.3	77.7	77.3	...	...	...	...	...	...	...
Potential output growth	1.8	1.8	-0.3	4.0	2.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
General Government Finances (Percent of GDP)													
Revenue	33.0	33.3	34.0	34.1	32.7	32.2	32.5	32.3	32.3	32.3	32.3	32.3	32.3
Expenditure	31.8	32.0	37.0	34.4	31.6	32.1	31.9	32.1	32.3	32.2	32.2	32.3	32.3
Balance	1.3	1.3	-3.0	-0.3	1.2	0.1	0.6	0.3	0.1	0.2	0.2	0.1	0.1
Cyclically adjusted balance	1.1	1.2	-2.5	-0.2	1.0	0.1	0.6	0.4	0.3	0.3	0.3	0.1	0.1
Gross debt 3/	39.8	39.7	43.2	40.9	37.2	38.7	37.5	36.9	36.1	35.3	34.3	33.6	32.7
Monetary and Credit (Percent Change, Average)													
Broad money (M3)	3.2	0.8	6.5	1.4	0.1	-2.0	1.9	1.1	1.9	1.8	2.5	1.9	2.5
Domestic credit, non-financial	4.0	4.2	2.4	3.8	2.6	1.8	2.3	1.1	1.9	1.8	2.5	1.9	2.5
Three-month t-bill rate	-0.9	-0.8	-0.8	-0.8	-0.2	1.5	1.1	...	...	...	...	...	...
Yield on government bonds (7-year)	-0.2	-0.7	-0.6	-0.4	0.6	1.0	0.6	...	...	...	...	...	...
Exchange Rates (Levels)													
Swiss francs per U.S. dollar (annual average)	1.0	1.0	0.9	0.9	1.0	0.9	0.9	...	...	...	...	...	...
Swiss francs per euro (annual average)	1.2	1.1	1.1	1.1	1.0	1.0	1.0	...	...	...	...	...	...
Nominal effective rate (avg., 2000=100)	120.4	123.2	130.2	129.9	135.9	144.5	149.0	...	...	...	...	...	...
Real effective rate (avg., 2000=100) 4/	103.2	104.2	108.2	105.5	105.9	109.3	110.8	...	...	...	...	...	...

Sources: Haver Analytics; IMF's Information Notice System; Swiss National Bank; and IMF staff estimates.

1/ The medium-term forecasts reflect the impact on Swiss GDP of major international sporting events, such as the Olympic Games, FIFA World Cup and UEFA European Championship.
2/ Contribution to growth. Inventory accumulation also includes statistical discrepancies and net acquisitions of valuables.
3/ Reflects the new GFSM 2001 method, which values debt at market prices. Calculated as the sum of Federal, Cantonal, Municipal and Social security gross debts.
4/ Based on relative consumer prices.

Table 2. Switzerland: Balance of Payments, 2018–30

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Staff projections					
	(In billions of Swiss francs, unless otherwise indicated)												
Current Account	**40**	**25**	**3**	**52**	**69**	**42**	**42**	**42**	**43**	**46**	**50**	**55**	**59**
Goods balance	71	71	59	106	115	112	112	129	137	141	147	153	160
Exports	338	341	331	401	455	440	436	479	503	530	560	591	624
Imports	267	270	272	295	339	327	324	349	366	389	412	437	464
Service balance	-2	-6	-18	-17	-10	-24	-31	-37	-45	-51	-53	-60	-61
Net primary income	-20	-28	-23	-25	-26	-33	-26	-35	-35	-30	-35	-28	-28
Net secondary income	-9	-12	-15	-12	-11	-12	-14	-15	-13	-15	-10	-11	-11
Private Capital and Financial Account	**78**	**46**	**40**	**79**	**46**	**51**	**45**	**42**	**43**	**46**	**50**	**55**	**59**
Capital transfers	14	-4	-1	-20	0	4	0	2	1	1	1	1	1
Financial account	92	41	39	59	46	54	44	43	44	47	51	56	60
Net direct investment	132	42	124	20	-15	98	69	83	76	80	78	79	78
Net portfolio investment	10	6	30	34	20	28	46	37	42	39	41	40	40
Net financial derivatives	4	2	-9	1	-4	-4	-6	-5	-6	-5	-6	-5	-6
Net other investment	-68	-24	-223	-39	66	52	-88	-72	-69	-67	-62	-58	-54
Change in reserves	13	16	117	44	-21	-120	23	0	0	0	0	0	0
Net Errors and Omissions	**38**	**21**	**37**	**27**	**-23**	**9**	**3**	**0**	**0**	**0**	**0**	**0**	**0**
	(In percent of GDP, unless otherwise indicated)												
Current Account	**5.6**	**3.5**	**0.5**	**7.0**	**8.7**	**5.3**	**5.1**	**5.0**	**5.0**	**5.3**	**5.6**	**6.0**	**6.3**
Goods balance	10.0	9.9	8.5	14.2	14.6	14.0	13.6	15.5	16.1	16.3	16.6	17.0	17.2
Exports	47.6	47.5	47.6	53.8	57.5	54.7	52.8	57.4	59.1	61.2	63.1	65.3	67.3
Imports	37.7	37.6	39.0	39.5	42.9	40.7	39.2	41.9	43.0	44.9	46.5	48.4	50.1
Service balance	-0.2	-0.9	-2.6	-2.3	-1.2	-3.0	-3.7	-4.5	-5.3	-5.9	-6.0	-6.6	-6.6
Net primary income	-2.9	-3.8	-3.3	-3.3	-3.3	-4.2	-3.2	-4.2	-4.1	-3.4	-3.9	-3.1	-3.0
Net secondary income	-1.3	-1.7	-2.2	-1.6	-1.3	-1.5	-1.6	-1.8	-1.6	-1.7	-1.2	-1.2	-1.2
Private Capital and Financial Account	**10.9**	**6.4**	**5.8**	**10.6**	**5.9**	**6.3**	**5.4**	**5.0**	**5.0**	**5.3**	**5.6**	**6.0**	**6.3**
Capital transfers	2.0	-0.6	-0.2	-2.6	0.0	0.4	0.0	0.2	0.1	0.1	0.1	0.1	0.1
Financial account	12.9	5.8	5.6	8.0	5.8	6.8	5.4	5.2	5.1	5.4	5.7	6.2	6.4
Net direct investment	18.6	5.8	17.9	2.6	-1.9	12.2	8.4	10.0	9.0	9.2	8.8	8.7	8.5
Net portfolio investment	1.4	0.8	4.4	4.5	2.5	3.5	5.6	4.4	4.9	4.6	4.6	4.4	4.3
Net financial derivatives	0.6	0.3	-1.4	0.2	-0.5	-0.5	-0.7	-0.6	-0.7	-0.6	-0.6	-0.6	-0.6
Net other investment	-9.5	-3.4	-32.0	-5.3	8.4	6.5	-10.6	-8.6	-8.1	-7.7	-7.0	-6.4	-5.8
Change in reserves	1.9	2.2	16.8	5.9	-2.6	-14.9	2.8	0.0	0.0	0.0	0.0	0.0	0.0
Net Errors and Omissions	**5.3**	**2.9**	**5.3**	**3.6**	**-2.9**	**1.1**	**0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum Items:													
Net IIP (in percent of GDP)	112.9	92.3	114.9	107.3	92.7	98.9	126.0	118.5	111.8	112.3	112.6	114.1	115.4
Official reserves													
(billions of Francs, end-period)	776.5	826.4	954.1	1014.1	852.2	724.4	822.6	...	...	...	...	...	...

Sources: Haver Analytics; Swiss National Bank; and IMF staff estimates.

Table 3. Switzerland: SNB Balance Sheet, 2018–24

	2018	2019	2020	2021	2022	2023	2024
	(Millions of Swiss francs; unless otherwise indicated)						
Assets							
Gold	42,237	49,111	55,747	55,691	56,099	57,818	79,048
Foreign currency reserves	763,728	794,015	910,001	966,202	800,566	677,396	754,159
IMF, international, and monetary assistance loans	5,889	6,026	7,121	14,821	14,395	13,532	14,256
Swiss franc repos	…	6,529	550	3,216	…	…	…
U.S. dollar repos	…	…	8,842	2,147	…	…	…
Swaps against Swiss francs	…	…	…	…	…	…	…
Money market, Swiss franc securities, other	5,214	11,805	26,159	20,062	10,317	45,898	6,615
Total assets	817,069	860,956	999,028	1,056,776	881,377	794,644	854,078
Liabilities							
Currency in circulation (banknotes)	82,239	84,450	89,014	90,685	81,697	76,321	74,172
Sight deposits	574,827	591,454	702,862	727,162	538,979	472,925	449,812
Repo, SNB bills and time liabilities	…	…	9,027	2,174	165,314	148,368	152,707
Foreign currency and other liabilities	39,770	17,970	14,175	32,506	29,620	34,446	34,075
Provisions and equity capital	120,232	167,083	183,951	204,249	65,768	62,584	143,313
Total liabilities	817,069	860,956	999,028	1,056,776	881,377	794,644	854,078
Memorandum Items:							
Nominal GDP (billions of Swiss francs)	710	717	697	745	791	804	825
Balance sheet, percent of GDP	115.2	120.1	143.4	141.8	111.4	98.9	103.5
Banknotes, percent of total liabilities	10.1	9.8	8.9	8.6	9.3	9.6	8.7
Refinancing operations, percent of total assets	…	…	…	…	…	…	…
Provisions and equity capital, percent of total assets	14.7	19.4	18.4	19.3	7.5	7.9	16.8
Monetary base 1/	549,374	564,161	674,297	725,618	706,823	563,456	529,323

Sources: Swiss National Bank; and IMF staff estimates.

1/ Currency in circulation and sight deposits of domestic banks.

Table 4. Switzerland: General Government Finances, 2018–30

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
								Staff projections					
	(In billions of Swiss francs, unless otherwise specified)												
General Government													
Revenue	234	239	237	254	259	259	268	270	275	280	287	292	300
Expenditure	225	229	258	256	250	258	264	268	275	279	285	292	299
Net lending/net borrowing	9	10	-21	-2	9	1	5	2	0	1	2	1	1
Confederation (Federal Government) 1/													
Revenue	78	80	75	86	83	82	87	87	89	91	93	95	97
Expenditure	73	74	92	93	84	86	88	89	92	93	95	98	100
Net lending/net borrowing	5	6	-17	-7	-1	-4	-2	-2	-3	-2	-2	-3	-3
Cantons													
Revenue	95	97	100	108	110	109	114	115	117	119	122	125	128
Expenditure	93	94	104	106	104	110	113	114	116	118	121	123	126
Net lending/net borrowing	3	3	-4	2	5	0	1	1	1	1	1	1	1
Communes/Municipalities													
Revenue	49	49	49	51	53	56	57	58	59	60	61	63	64
Expenditure	49	50	51	51	53	56	57	58	59	60	62	63	65
Net lending/net borrowing	0	-1	-1	0	0	0	0	-1	-1	-1	-1	-1	-1
Social Security 2/													
Revenue	64	65	78	74	73	74	76	76	78	79	81	82	84
Expenditure	63	64	77	73	68	69	71	73	75	76	78	80	82
Net lending / net borrowing	1	1	1	2	5	5	5	3	3	3	3	3	3
General Government Gross Debt 3/	282	284	301	305	294	311	310	308	307	306	304	304	303
Confederation (Federal government) 1/	133	137	145	149	141	160	160	157	158	156	154	155	154
Cantons	85	87	93	91	92	87	87	86	84	83	81	80	79
Communes/municipalities	65	62	63	64	63	65	64	65	65	66	66	67	67
Social security 2/	2	1	3	1	1	1	1	0	0	1	2	2	3
	(In percent of GDP)												
General Government Operations													
Revenue	33.0	33.3	34.0	34.1	32.7	32.2	32.5	32.3	32.3	32.3	32.3	32.3	32.3
Expenditure	31.8	32.0	37.0	34.4	31.6	32.1	31.9	32.1	32.3	32.2	32.2	32.3	32.3
Net lending/net borrowing	1.3	1.3	-3.0	-0.3	1.2	0.1	0.6	0.3	0.1	0.2	0.2	0.1	0.1
Confederation (Federal government) 1/	0.7	0.8	-2.5	-0.9	-0.1	-0.4	-0.2	-0.2	-0.4	-0.3	-0.2	-0.3	-0.3
Cantons	0.4	0.5	-0.5	0.2	0.7	0.0	0.1	0.1	0.2	0.2	0.2	0.1	0.2
Communes/municipalities	0.0	-0.1	-0.2	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Social security	0.1	0.1	0.1	0.2	0.6	0.6	0.6	0.4	0.3	0.4	0.3	0.3	0.3
General Government Gross Debt 3/	39.8	39.7	43.2	40.9	37.2	38.7	37.5	36.9	36.1	35.3	34.3	33.6	32.7
Confederation (Federal government) 1/	18.8	19.1	20.9	20.0	17.9	19.9	19.3	18.8	18.6	18.0	17.4	17.1	16.6
Cantons	12.0	12.1	13.3	12.2	11.7	10.9	10.5	10.2	9.9	9.6	9.2	8.9	8.5
Communes/municipalities	9.2	8.6	9.1	8.6	8.0	8.0	7.8	7.8	7.7	7.6	7.5	7.4	7.3
Social security 2/	0.2	0.1	0.4	0.2	0.1	0.1	0.1	0.0	0.0	0.1	0.2	0.2	0.3
Memorandum Items:													
Nominal GDP (billions of francs)	710	717	697	745	791	804	825	835	850	866	887	904	926
Output gap (percent)	0.7	0.4	-1.6	-0.4	0.5	0.0	-0.2	-0.3	-0.6	-0.6	-0.4	-0.3	-0.1
General Government cyclically adjusted balance	1.1	1.2	-2.5	-0.2	1.0	0.1	0.6	0.4	0.3	0.3	0.3	0.1	0.1

Sources: Federal Ministry of Finance; and IMF staff estimates.

1/ Includes the balance of the Confederation and extrabudgetary funds (Public Transport Fund, ETH, Infrastructure Fund, Federal Pension Fund).

2/ Includes old age, disability, survivors protection scheme as well unemployment and income loss insurance.

3/ Forecasted.

Table 5. Switzerland: General Government Operations, 2013–24

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(In billions of Swiss francs, unless otherwise specified)											
Revenue	210.3	212.6	220.5	221.5	229.9	234.5	238.9	236.5	254.1	259.1	259.2	268.4
Taxes	129.1	130.9	135.9	138.0	144.6	146.9	151.2	145.5	156.0	159.0	159.1	164.8
Taxes on income, profits, and capital gains	78.3	79.3	83.7	85.0	89.9	91.9	95.5	89.9	94.6	96.5	96.5	99.9
Taxes on goods and services	38.6	38.8	39.1	38.9	40.2	39.9	39.9	39.5	46.7	47.6	47.6	49.3
Taxes on property	10.4	10.9	11.2	12.0	12.4	12.8	13.5	13.7	12.5	12.8	12.8	13.2
Taxes on international trade and transactions	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.3	1.3	1.4
Social contributions	43.2	43.7	44.5	45.0	45.5	46.3	47.5	49.6	49.9	53.0	53.9	55.3
Grants	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other revenue	37.8	37.7	39.9	38.2	39.5	41.0	40.0	41.2	47.9	46.7	45.9	48.0
Of which: property income	7.5	6.5	8.3	7.3	7.9	8.3	8.2	9.9	9.1	9.2	9.2	9.6
Expenditure	213.1	214.2	216.9	219.8	222.2	225.3	229.3	257.5	256.3	249.6	258.2	263.7
Expense	211.7	212.8	215.0	218.1	219.6	222.3	225.7	253.1	242.9	259.3	263.5	270.6
Compensation of employees	47.9	48.7	49.6	50.2	50.9	51.6	52.7	54.1	55.0	58.7	59.6	61.2
Purchases/use of goods and services	23.7	24.1	24.3	24.4	24.6	25.3	25.4	25.8	27.2	29.0	29.5	30.3
Interest expense	4.0	3.7	3.6	3.2	2.7	2.3	2.1	2.0	2.9	2.8	3.0	3.0
Social benefits	71.5	73.0	74.3	76.4	77.5	78.1	79.5	95.9	88.5	94.5	96.0	98.6
Expense n.e.c.	64.7	63.2	63.2	64.0	63.8	65.0	66.1	75.3	69.4	74.3	75.4	77.5
Net acquisition of nonfinancial assets	1.4	1.4	1.8	1.7	2.6	3.0	3.6	4.4	13.3	-9.7	-5.3	-6.9
Net Operating Balance	-1.4	-0.2	5.5	3.3	10.3	12.1	13.2	-16.5	11.2	-0.2	-4.3	-2.2
Net Lending/Borrowing	-2.8	-1.6	3.6	1.6	7.7	9.2	9.6	-21.0	-2.2	9.4	1.0	4.8
Net acquisition of financial assets	-5.2	42.0	-23.7	14.1	77.5	-10.8	63.0	12.5	17.9	23.3	28.7	34.1
Net incurrence of liabilities	-2.4	43.7	-27.3	12.5	69.8	-20.0	53.4	33.5	20.1	13.9	27.7	29.3
	(In percent of GDP)											
Revenue	32.1	31.9	33.0	32.7	33.6	33.0	33.3	34.0	34.1	32.7	32.2	32.5
Taxes	19.7	19.7	20.4	20.4	21.1	20.7	21.1	20.9	20.9	20.1	19.8	20.0
Taxes on income, profits, and capital gains	12.0	11.9	12.5	12.5	13.1	13.0	13.3	12.9	12.7	12.2	12.0	12.1
Taxes on goods and services	5.9	5.8	5.9	5.7	5.9	5.6	5.6	5.7	6.3	6.0	5.9	6.0
Taxes on property	1.6	1.6	1.7	1.8	1.8	1.8	1.9	2.0	1.7	1.6	1.6	1.6
Taxes on international trade and transactions	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Social contributions	6.6	6.6	6.7	6.6	6.6	6.5	6.6	7.1	6.7	6.7	6.7	6.7
Other revenue	5.8	5.7	6.0	5.6	5.8	5.8	5.6	5.9	6.4	5.9	5.7	5.8
Expenditure	32.6	32.2	32.5	32.4	32.5	31.8	32.0	37.0	34.4	31.6	32.1	31.9
Expense	32.3	32.0	32.2	32.2	32.1	31.3	31.5	36.3	32.6	32.8	32.8	32.8
Compensation of employees	7.3	7.3	7.4	7.4	7.4	7.3	7.3	7.8	7.4	7.4	7.4	7.4
Purchases/use of goods and services	3.6	3.6	3.6	3.6	3.6	3.6	3.5	3.7	3.6	3.7	3.7	3.7
Interest expense	0.6	0.6	0.5	0.5	0.4	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Social benefits	10.9	11.0	11.1	11.3	11.3	11.0	11.1	13.8	11.9	11.9	11.9	11.9
Expense n.e.c.	9.9	9.5	9.5	9.4	9.3	9.2	9.2	10.8	9.3	9.4	9.4	9.4
Net acquisition of nonfinancial assets	0.2	0.2	0.3	0.3	0.4	0.4	0.5	0.6	1.8	-1.2	-0.7	-0.8
Net Operating Balance	-0.2	0.0	0.8	0.5	1.5	1.7	1.8	-2.4	1.5	0.0	-0.5	-0.3
Net Lending/Borrowing	-0.4	-0.2	0.5	0.2	1.1	1.3	1.3	-3.0	-0.3	1.2	0.1	0.6
Net acquisition of financial assets	-0.8	6.3	-3.5	2.1	11.3	-1.5	8.8	1.8	2.4	2.9	3.6	4.1
Net incurrence of liabilities	-0.4	6.6	-4.1	1.8	10.2	-2.8	7.5	4.8	2.7	1.8	3.4	3.6

Source: Federal Ministry of Finance.

Table 6. Switzerland: Bank Soundness Indicators, 2012–24

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Capital Adequacy													
Regulatory Tier I capital as percent of risk-weighted assets 1/ 2/	15.7	17.8	16.1	16.6	15.7	18.2	18.3	19.0	19.3	19.1	19.4	19.3	19.0
Regulatory Tier 1 capital as percent of assets 2/	5.7	6.3	7.0	7.5	7.3	8.3	8.5	8.8	8.7	7.4	7.9	7.8	7.6
Non-performing loans net of provisions as percent of Tier I capital	5.0	4.5	3.7	3.8	3.9	3.0	3.2	2.9	3.3	2.9	2.9	3.5	3.8
Return on Assets	0.1	0.4	0.3	0.6	0.3	0.4	0.4	0.1	0.4	0.3	0.2	0.4	0.6
Liquidity Coverage Ratio 3/	...	...	...	140.3	152.7	150.9	158.3	160.6	179.2	177.6	165.3	193.4	181.8
Asset Quality and Exposure													
Non-performing loans as percent of gross loans	0.8	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.8	0.7	0.7	0.8	0.8
Sectoral distribution of bank credit to the private sector (percent)													
Households	66.9	66.2	66.6	67.6	67.4	67.6	67.2	66.9	66.1	66.1	66.1	65.9	65.8
Agriculture and food industry	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Mining and Quarry	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.0
Manufacturing	3.0	2.6	2.4	2.2	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8
Utilities	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6
Construction	1.6	1.6	1.5	1.6	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.6
Retail	3.0	2.7	2.8	2.5	2.7	2.5	2.6	2.4	2.6	2.7	2.4	2.1	2.1
Hotels and restaurants / Hospitality sector	1.0	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.7	0.7
Transportation & Storage	0.8	0.8	0.8	0.8	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.6	0.6
Info & Comm, Real Estate; Professional, Scientific & Admin. Activities	12.6	13.0	13.2	13.2	13.4	13.6	13.9	14.2	14.5	14.8	15.2	15.6	16.1
Finance and Insurance	5.2	5.7	5.3	4.8	4.7	4.7	5.0	5.4	5.7	5.8	5.8	5.8	5.6
Public Administration and Defence	1.7	2.3	2.3	2.3	2.3	2.0	1.9	1.8	1.7	1.6	1.5	1.5	1.6
Education	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Health & Social services	1.3	1.3	1.4	1.4	1.5	1.5	1.5	1.4	1.5	1.4	1.4	1.4	1.4
Art and Entertainment	1.0	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Extraterritorial Organization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Swiss National Bank.

1/ Based on parent company consolidation. This consolidation basis equals the CBDI approach defined in FSI compilation guide plus foreign bank branches operating in Switzerland, and minus overseas deposit-taking subsidiaries.

2/ The reported figures comply with the definitions in the Capital Adequacy Ordinance and in FINMA's institution-specific 'too big to fail' (TBTF) decrees, and take into consideration the Basel III transitional provisions for 2013 to 2018. The figures have only limited comparability over this period, since the capital definitions in the transition phase became stricter with each year.

3/ The 'Liquidity Coverage Ratio' indicator was introduced as of Q1 2015. Data from the old 'Liquid Assets to Short-Term Liabilities' indicator are shown prior to that time.

Annex I. External Sector Assessment

<table>
<tr><td colspan="7">Overall Assessment: Switzerland's external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies. Ongoing BOP methodological improvements are significantly affecting the CA balance, urging caution against basing the assessment on the EBA CA model. According to the Swiss National Bank (SNB), in the case of the current account balance, according to the information available as of June 2025, there will be a significant upward revision for 2024 as several revision effects point in the same direction. The large uncertainties surrounding the measurement of the CA calls for relying on other considerations, including the large positive NIIP. Against this background, the assessment is based on a holistic view of Switzerland's external sector, with the change in assessment from last year motivated by the strength of Switzerland's external buffers (surplus on net foreign investment position and sizable and increasing foreign reserves), large fiscal buffers, and overall economic developments. As in previous years, the assessment is subject to high uncertainty due to complex measurement issues related to large multinational enterprises and data lags.
Potential Policy Responses: Policies should focus on supporting the ongoing economic recovery and addressing low inflation. Substantial fiscal policy space should be used to support growth if downside risks materialize. A comprehensive medium-term plan is needed to address increasing structural fiscal needs on aging, climate, and defense. Monetary policy should continue to pursue price stability and avoid the risk of inflation settling at very low or negative rates. Commitment to free trade and cooperation, as shown by the abolition of industrial tariffs in 2024 and effort to expand trade relations, should continue to build resilience.</td></tr>
<tr><td>Foreign Asset and Liability Position and Trajectory</td><td colspan="6">Background. Switzerland is a major financial center with a large, positive NIIP of 126 percent of GDP and large gross foreign asset and liability positions of 638 and 512 percent of GDP, respectively, at end-2024. The NIIP has fluctuated by around 100 percent of GDP over the past five years, due to valuation effects and CA surpluses.[1] Compared with 2023, the NIIP increased in 2024 by almost 30 percentage points of GDP. On both the assets and liabilities side, the increase in stocks was due to exchange rate-related and price-related valuation gains. Projections of the NIIP in 2025 and beyond are complicated by the large gross positions and compositional differences among assets and liabilities.
Assessment. Switzerland's large gross liability position and the volatility of financial flows and investment returns present some risk, but this is mitigated by the large gross asset position and the CHF denomination of about two-thirds of external liabilities.</td></tr>
<tr><td>2024 (% GDP)</td><td>NIIP: 126</td><td>Gross Assets: 638</td><td>Reserve Assets: 99</td><td>Gross Liab.: 512</td><td colspan="2">Debt Liab.: 26</td></tr>
<tr><td>Current Account</td><td colspan="6">Background. Switzerland's CA surpluses averaged 6.2 percent of GDP during 2013–2023. The preliminary CA surplus in 2024 is estimated at 5.1 percent of GDP, roughly unchanged from 2023, which was revised down by 2.4 percentage points from last year's External Sector Report.[2] Within the components, the balance of trade in goods remained unchanged year-on-year as increased exports of chemical and pharmaceutical products were offset by a lower surplus in merchanting. The deficit in services increased year-on-year, while the primary income deficit decreased. From the saving-investment perspective, savings increased by 0.8 percent of GDP, driven by a decline in public consumption, while investment increased by 0.9 percent of GDP. The CA surplus is expected to remain broadly stable over the medium term.
Assessment. The EBA CA norm of 6.7 percent of GDP is slightly above previous year's norm. Based on a cyclically-adjusted CA surplus of 5.1 percent, the overall EBA-estimated CA gap equaled -1.6 percent of GDP in 2024. Domestic policy gaps account for 1.3 percentage points (pp) and include domestic credit (0.5 pp) and fiscal underspending (+0.5 pp); policy gaps in the rest of the world contribute +0.2 pp. Adjustments for specific factors relevant for Switzerland that are not treated appropriately in the income account—namely valuation losses on fixed-income securities arising from inflation (-3.4 pp) and retained earnings on portfolio equity investment (-1.2 pp)—lead to a gap of -6.2 percent of GDP (±0.8 percentage points).[3] However, based on a holistic assessment of Switzerland's current account and the expected upward CA revisions, the CA gap is likely significantly smaller than what is suggested by the application of the model.</td></tr>
<tr><td>2024 (% GDP)</td><td>CA: 5.1</td><td>Cycl. Adj. CA: 5.1</td><td>EBA Norm: 6.7</td><td>EBA Gap: -1.6</td><td>Staff Adj.: -4.6</td><td>Staff Gap: -6.2</td></tr>
<tr><td>Real Exchange Rate</td><td colspan="6">Background. Relative to 2023, the average NEER appreciated by 3.1 percent, while the CPI-based REER appreciated by 1.4 percent in 2024. The NEER has appreciated by 33.2 percent since 2013, while the CPI-based REERs has appreciated by 5.2 percent. As of end-April 2025, the NEER has appreciated by 1 percent compared to 2024 average and the CPI-based REER has depreciated by 1 percent.
Assessment. The staff CA gap implies REER overvaluation of 11.5 percent in 2024 (applying an elasticity of 0.54). The EBA REER index and level models suggest that the REER in 2024 was overvalued by 16.9 and 22.5 percent, respectively. The fit of these models does not capture trends specific to Switzerland, in particular, a secular improvement in productivity, especially in knowledge-based sectors. Consistent with the CA gap, the REER gap in 2024 to be in the range of 10.2 percent and 13 percent with a midpoint of 11.5 percent (overvalued).</td></tr>
<tr><td>Capital and Financial Accounts: Flows and Policy Measures</td><td colspan="6">Background. Net financial outflows totaled 6.1 percent of GDP in 2024, including private outflows of 3.3 percent of GDP and an increase in SNB reserve assets of 2.8 percent of GDP. During 2011–2023, net private inflows averaged 0.9 percent of GDP, while the average annual increase in SNB reserves was 6.5 percent of GDP.
Assessment. Financial flows are large and volatile, reflecting Switzerland's financial center and safe-haven status. This results in sizable net private financial flows during periods of uncertainty, adding to appreciation pressures.</td></tr>
<tr><td>FX Intervention and Reserves Level</td><td colspan="6">Background. Official reserve assets (including gold) amounted to CHF822 billion (USD934 billion, 99.8 percent of GDP) at end-2024, up CHF99 billion (USD128 billion) from end-2022. The SNB purchased CHF1.2 billion (0.1 percent of GDP) of FX (net) through FXIs in 2024, compared to large FXIs selling that occurred in 2022–2023 and to return inflation within the price stability range.</td></tr>
</table>

	Assessment. Reserves are large relative to GDP, but more moderate in comparison with short-term foreign liabilities. Considering the reserve currency status of the franc, the adequacy of FX reserves is not a pressing concern for Switzerland. While the SNB made a large profit in 2024 (CHF 80.7 billion, USD89.50 billion), the financial losses incurred by the SNB in 2022 and 2023 indicate the volatility of its income and the risks associated with its large balance sheet. Foreign exchange interventions can be considered in cases of disorderly market conditions or to prevent inflation expectations de-anchoring that could result from large and persistent exchange rate movements.

[1] Valuation changes reflect fluctuations of exchange rates (ERs) and prices of securities and precious metals that interact with differences among assets and liabilities in terms of currencies and instruments. As a result, an appreciation (depreciation) of the Swiss franc has a negative (positive) effect on the NIIP. Other stock-flow adjustments include changes in statistical sources, such as changes in the number of entities surveyed and items covered.

[2] Due to large revisions to historical BOP and NIIP data, particular caution is needed when comparing the external sector assessment results for different periods.

[3] The underlying CA is adjusted for Switzerland-specific factors in the income account : (1) retained earnings on portfolio equity investment that are not recorded in the income balance of the CA (or, the PE RE bias) under the sixth edition of the IMF *Balance of Payments and International Investment Position Manual (BPM6)*, and (2) recording of nominal interest on fixed income securities under the *Balance of Payments Manual* framework, which compensates for expected valuation losses (due to inflation and/or nominal exchange rate movements), even though this stream compensates for the (anticipated) erosion in the real value of debt assets and liabilities. The PE RE bias was estimated using the "stock method" and "flow method" as explained in "*The Measurement of External Accounts*" (IMF Working Paper 19/132), and it is similar in size to estimates based on the SNB's pilot *BPM7* data.

Annex II. Risk Assessment Matrix[1]

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
Global Risks				
Trade policy and investment shocks. Higher trade barriers or sanctions reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions, and higher inflation.	High	ST, MT	High While Switzerland is well-positioned to handle these shocks due to its strong fundamentals and diversified trade patterns, its high trade dependence makes it vulnerable to increased trade barriers and trade policy uncertainty.	Maintain open market access and pursue bilateral and multilateral trade agreements. Strengthen economic diversification. Support innovation, enhance infrastructure resilience, and strengthen energy security to sustain growth and support economic resilience. Ongoing engagement with the EU, the U.S., and other partners is key to reducing uncertainty, preserving market access and a rules-based environment, and bolstering resilience.
Tighter financial conditions and systemic instability. Higher-for-longer interest rates and term premia amid looser financial regulation, rising investments in cryptocurrencies, and higher trade barriers trigger asset repricing, market dislocations, weak bank and NBFI distress, and further U.S. dollar appreciation, which widens global imbalances, worsens debt affordability, and increases capital outflow from EMDEs.	Medium	ST	Medium / High Switzerland is a global financial center. In the event of a severe financial crisis, Swiss banks and other financial institutions could come under stress, and lead to a credit crunch, slower economic growth or a recession. Heightened risk/volatility may also trigger large safe-haven capital inflows.	Strengthen regulation and supervision of bank and nonbank financial sectors to increase resilience. Let fiscal automatic stabilizers work and provide targeted fiscal support in case of a severe growth downturn. Continue data dependent approach for monetary policy. Consider FXIs if safe-haven capital inflows lead to excess volatility and de-anchoring of inflation expectations.
Intensification of regional conflicts. Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium	ST	Medium /High While the competitiveness and diversification of the Swiss economy can cushion such shocks, disruptions to international trade and the global supply chain could still have severe impact on economic activity. Intensification of conflicts may also trigger large safe-haven capital inflows.	Encourage businesses to adapt their strategies to account for potential risks (e.g., diversify supply network). Ensure supply of essential goods (e.g., food, energy). Expand and enhance cooperation with other countries/partners to further strengthen the resilience of the Swiss economy. Continue data dependent approach for monetary policy. Consider FXIs if safe-haven capital inflows lead to excess volatility.

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline.

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
Global Risks				
Commodity price volatility. Supply and demand volatility (due to conflicts, trade restrictions, OPEC+ decisions, advanced economy energy policies, or green transition) increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium	ST	Medium The impact on the Swiss economy could be multifold, including higher production costs for firms, higher household living costs, liquidity/solvency risk for energy providers, and financial risk for commodity traders, etc.	Ensure supply of essential goods (e.g., food, energy). Protect vulnerable groups. Support energy providers with systemic importance, if needed; and strengthen regulations. Help firms and/or households cushion higher energy costs, if necessary.
Global growth acceleration. Easing of conflicts, positive supply-side surprises (e.g., oil production shocks), productivity gains from AI, or structural reforms raise global demand and trade.	Low	ST	Low An improving external environment could stimulate growth, while reduced risk and volatility may slow down safe heaven flows and alleviate appreciation pressures of the currency.	Continue data dependent approach for monetary policy. Fiscal policy should keep flexibility, while supporting long-term productivity.
Deepening geoeconomic fragmentation. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems lead to higher input costs, hinder green transition, and lower trade and potential growth.	High	ST, MT	Medium / High The Swiss economy is highly open and integrated with the global economy through trade and financial channels. Deepening geo-economic fragmentation would add pressure on inflation and growth in the near term, and lower potential in the long run.	Expand and enhance cooperation with other countries/partners to mitigate the risk of de-globalization. Increase diversification of supply chain network. Strengthen regulation and supervision of bank and nonbank financial sectors. Ongoing engagement with the EU, the U.S., and other partners is key to reducing uncertainty, preserving market access and a rules-based environment, and bolstering resilience.
Cyberthreats. Cyberattacks on physical or digital infrastructure and service providers (including digital currency and crypto assets) or misuse of AI technologies trigger financial and economic instability.	High	ST, MT	Medium Switzerland is a leader in cross-border asset management and fintech, prone to cyberattacks. Successful attacks can lead to outages of information and communication technology systems and jeopardize the protective goals of availability, confidentiality, and integrity.	Raise awareness and enhance monitoring of cyberthreats. Urge businesses/institutions to have robust cyber defenses and business continuity plan. Stand ready to provide support to critical infrastructure or institutions in case of attacks. If effects are widespread, consider fiscal and liquidity support.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Medium	ST, MT	Medium As an Alpine country, Switzerland is affected by climate change. Related extreme events have become more frequent over the past century, often causing significant economic losses. Such developments also bring challenges to insurance and reinsurance companies.	Strengthen preparation for natural disasters and other climate-related extreme events. Promote green transition along with other sustainable development goals (SDGs).

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
Switzerland-Specific Risks				
Persistent downward inflationary pressures. With inflation at the lower bound of the price stability range, any shock could take inflation into negative territory and could lead to inflation expectations de-anchoring and deflation.	High	ST	**High** Switzerland's environment is marked by low inflation amid safe-haven flows and franc appreciation. Persistent deflationary pressures could restrict monetary policy flexibility and pose challenges to economic activity and financial sector risks, especially if policy rates enter negative territory.	Monetary policy should use all monetary policy tools available to prevent de-anchoring of inflation expectations. Given the elevated uncertainty, clear communication is essential.
Sharp correction in residential real estate markets. House prices remain high and rising. While there has been some correction in house prices, unexpected steep increases in interest rates, along with other negative shocks (e.g., lower growth, higher living costs, cross border links), could potentially trigger a major adjustment in housing prices.	Medium	ST, MT	**High** The Swiss economy has a large exposure to the property market. An abrupt correction in housing prices could potentially lead to asset quality deterioration for banks, lower returns or losses for investors, shrinking wealth for households, and a contraction in construction and other related activities, posing risks to economic activity and financial sector stability.	Reduce imbalances of the housing market through both demand-side (e.g., enhance macroprudential framework and measures) and supply-side (e.g., more social housing, zoning adjustments) actions. Strengthen bank buffers. Assess risks to NBFIs and in the construction sector. Consider changes to portfolio allocation limits for insurers and pension funds (indicative). In a sharp downturn, ensure banks use their buffers to absorb losses and keep credit flowing.
Risks stemming from ongoing merger of CS-UBS and very large G-SIB. Although the merger has progressed successfully so far, implementation risks remain until the merger is complete. The large size of the merged bank poses risks during stress periods.	Medium	MT	**Medium** Although the rest of the financial sector has significant buffers, the large size of the bank poses systemic risks. There may also be implications on the financial sector's competition landscape.	Strengthen crisis management, supervisory and regulatory frameworks.
Political developments negatively affecting Swiss-EU relations. Bilateral negotiations with the EU have concluded. But potential referendum outcomes might raise political uncertainty and delay in implementation.	Low	ST, MT	**Medium** Beyond the baseline of disruptions progressively undermining trade, investment, research partnership, and labor relations with the EU, further negative political challenges could emerge.	Seek to limit economic fallout by implementing remedial measures and by preserving efficient flows of goods, labor, and financial services with the EU. Continue strong engagement with the EU authorities.
Lower prices of pharmaceutical products. The price of pharmaceutical products sold in the U.S. is significantly reduced, impacting Swiss pharmaceutical firms.	Medium	ST, MT	**Medium** Firm profitability may be negatively impacted, potentially leading to lower investment and R&D spending.	Seek to limit economic fallout by implementing remedial measures. Continue strong engagement with U.S. authorities.

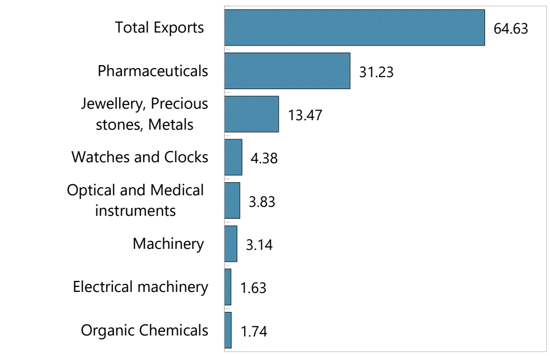
Annex III. Impact of Tariffs

1. **Since April, U.S tariffs on Swiss goods have undergone several changes.** Concretely,

- **April 2.** The U.S. announced tariffs of 31 percent on Swiss goods, with an effective tariff rate of 17.7 percent after exemptions, *inter alia*, on gold and pharmaceuticals.

- **April 10.** A 10 percent tariff was applied to key Swiss exports, including machinery, watches, and agricultural products (including coffee capsules, energy drinks, cheese, and chocolate). Pharmaceutical and gold exports were excluded. The effective tariff rate stood at 7.8 percent.

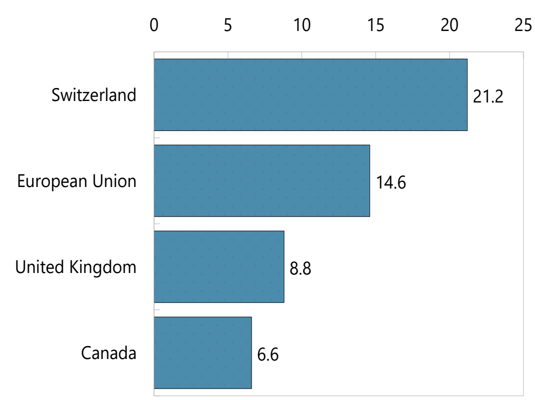
Value of Top Trading Goods to United States
(Billions of Francs)



Source: UN Comtrade.

- **August 1.** Tariffs on Swiss goods were raised to 39 percent, effective from August 7 excluding, *inter alia*, pharmaceutical and gold. Staff assess the effective tariff rate to have increased to 21.2 percent, higher than in other advanced economies. Sector-specific tariffs applied to steel and aluminum, car and car parts, semi-finished copper products and copper-intensive derivatives and downstream products remain in effect.

Effective Tariff Rate: Select Advanced Economies
(Percent)



Source: WTO and IMF Staff Calculations.

2. **Switzerland's trade exposure has gradually shifted towards the U.S. and China, but the EU remains the largest trading partner.** This trend is particularly evident in key sectors such as chemicals and high-tech; China's significance in the high-tech sector has surpassed that of the U.S. Goods exports to the U.S., excluding precious metals, account for 6 percent of GDP and 15 percent of total exports. Exports to the EU represent 18 percent of GDP and 42 percent of exports (Germany 5 and 12 percent, respectively), and China 2 and 5 percent, respectively. Pharmaceuticals are the top Swiss export to the U.S. Other significant exports include precious stones and metals, watches, machinery, optical and medical instruments, electrical machinery, organic chemicals, aircraft, coffee, works of art, and chemical products, followed by other non-alcoholic beverages (excluding fruit or vegetable juices) and cheese.

3. Staff analysis suggests that changes in tariffs and their spillovers, including those associated with changes in uncertainty could significantly impact Swiss GDP.

- **Downside scenarios.** In Switzerland-only downside scenario involving an extension of the 39 percent tariff rate to pharmaceuticals, real GDP could decline by 0.3 percent over the next three years. In a global downside scenario with higher U.S. tariffs in key trading partners (e.g., Euro Area and China), indirect spillovers through weaker global demand, tighter financial conditions, increased uncertainty and increased safe heaven flows, could additionally reduce Swiss real GDP by around 0.5 – 0.6 percent over three years.

- **Upside scenario.** Switzerland's continued discussions with the U.S. may lead to lower tariffs and higher growth. The associated increase in external demand could lead to a rise in real GDP of 0.5 percent over three years.

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Annex IV. Drivers of Low Inflation

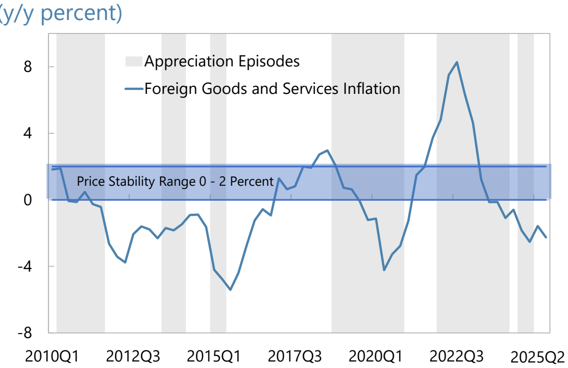
1. Inflation expectations anchored at around 1 percent and moderate wage growth have contributed to a low inflation environment. Survey-based medium-term inflation expectations fluctuate around 1 percent, and wage growth has been relatively contained due to its strong links to inflation expectations and productivity (SIP, 2024).[1] Moreover, the flexible Swiss labor market is attractive for immigrants, helping to limit upward pressure on wages and reduce second-round effects on inflation.

2. Cautious fiscal policy, guided by the debt-brake rule, has also contributed to low inflation dynamics. For instance, unlike many countries that implemented strong fiscal stimulus during the COVID-19 pandemic, Switzerland adopted a more restrained approach, helping to prevent overheating of the economy.

3. The Inflation Diffusion Index highlights the broad-based and subdued nature of inflation. From 2022 to June 2025, the diffusion index on 281 goods shows price trends by inflation category: negative (<0%), low (0–1%), moderate (1–2%), and high (>2%). In 2023, around 55 percent of goods had high inflation. By July 2025, this share had sharply declined to 19 percent, with 47 percent of goods experiencing price declines. Average figures from 2011–2025 show a dominant share of goods in the negative and low inflation categories, highlighting the country's historically low and stable inflation environment.

4. Other factors behind the lower Swiss inflation are:

Imported Inflation and Appreciation Episodes
(y/y percent)



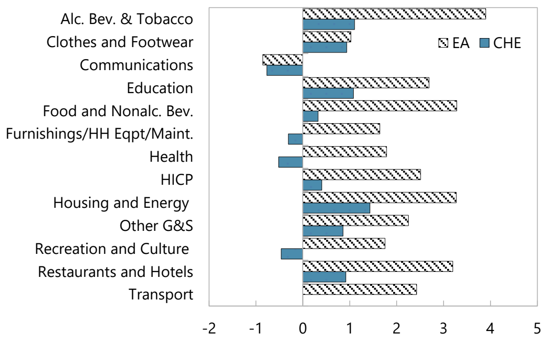
Sources: Haver Analytics and IMF Staff calculations.

- **Imported inflation:** Imports account for 25 percent of the Consumer Price Index (CPI) basket, with pre-Covid import-price inflation averaging 0.25 percent. Exchange rate fluctuations have a rapid and significant pass-through, a 1 percent appreciation is estimated to lower inflation by 0.12 percent over a year (SIP 2024).
- **Administered prices:** In Switzerland, 27.6 percent of non-energy (such as rent, health-related goods and services, insurance, transport) and 2.7 percent of energy prices are administrated, higher than the 10.5 percent in the Euro Area (EA). From 2014 to 2024, non-energy administered prices fell by 0.9 percent in Switzerland but rose by 21.7 percent in the EA. Over the same period, energy prices increased by 62.9 percent in Switzerland (which has a lower basket-weight) compared to a 66.9 percent rise in the EA.

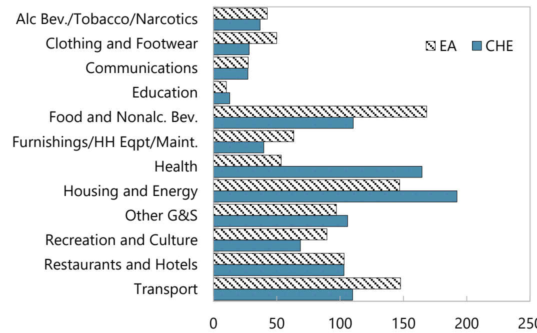
[1] International Monetary Fund, 2024, *Switzerland: Selected Issues*. IMF Country Report No. 2024/180 (Washington, D.C.: International Monetary Fund)

- **The composition of the HICP basket:** In Switzerland**,** key components of the HICP basket—housing and energy, healthcare, food, alcohol, and tobacco—typically have stable prices and low dispersion.

Harmonized Index of Consumer Prices
(Average. 2011–25)



HICP Weights
(Parts per 1000)



Sources: Haver Analytics; IMF Staff calculations.

Annex V. Topics in Monetary Policy

A. Neutral Interest Rates in Switzerland

1. The real neutral interest rate (r*) is a critical concept for assessing the monetary policy stance. It is generally defined as the level of the real short-term interest rate that maintains output at its potential and keeps inflation at its target level.[1] Thus, the policy stance is considered accommodative if r<r* and restrictive if r>r*. However, the neutral rate is unobservable and difficult to estimate given that it varies with the state of the economy and unobserved shocks.

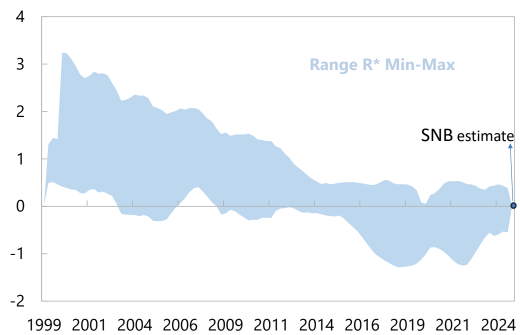
2. Staff used four state-of-the-art methodologies to assess Switzerland's neutral rate. First, a common starting point for neutral rate estimations is the semi-structural model of Holsten, Laubach and Williams (2017), HLW, which is a linearized New Keynesian model including a Phillips curve and an IS curve where trend output is the key driver of the natural rate via a household Euler equation. Second, we extend the HLW model to an open-economy setting amended by real exchange rate appreciations, hereafter "HLW with REER", following among others Mesonnier and Renne (2007), Hledik and Vlcek (2018), Wynne and Zhang (2018), and Bulir and Vlcek (2024). In this setup, both lower domestic potential growth and appreciation of the franc can contribute to a decrease in the neutral rate. The appreciation of the franc reflects increased demand for savings from foreign investors, driven, for example, by safe haven flows. Third, Del Negro and others (2017) estimate a factor model that decomposes observable variables like inflation, inflation expectations, and interest rates into cyclical and trend components, where $\bar{r}^*$ as a deep trend of real short-term interest rates. The approach uses fewer restrictions by assuming a set of cointegrating relationships between the financial variables and their trends instead of assuming a linear relationship between r* and trend growth as HLW does. The structural relationships linking to interest rates are often weak in the data (see e.g. Hamilton and others, 2016) such that a more parsimonious time-series approach can add value to a reasonable estimation of r*. Lastly, Del Negro and others (2019) extend the 2017 closed economy version into an open economy model by allowing for a common factor across countries. Given the uncertainty in measuring inflation expectations, we use both forward-looking consensus forecasts from professional forecasters as well as backward-looking inflation expectations calculated as the moving average of realized inflation.

3. The analysis suggests that Switzerland's neutral rate is in the -0.5 to 0.3 percent range. Using forward-looking consensus inflation expectations, the HLW approach assesses the neutral rate for 2024:Q3 at 0.3 percent, while the HLW REER approach estimates it at -0.2 percent. Applying the approach in Del Negro (2017) results in a rate slightly below -0.5 percent, and the approach in Del Negro (2019) leads to a r* of -0.4 percent. Estimates based on backward-looking inflation are comparable with deviations around 0.1 percent. All methods indicate a declining

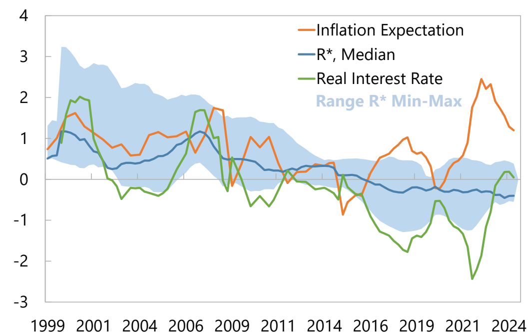
[1] The neutral interest rate is the non-inflationary rate of interest (in the short and medium run), while the natural interest rate is the long-run flexible-price equilibrium rate of the real interest rate, in other words the steady state level of the neutral rate (Obstfeld, 2023).

trend in r* in line with the real interest rate path, though the cyclical characteristics of each series vary significantly. The Del Negro (2017) approach captures the recent increase in rates, whereas the other series display no noticeable increase over the past two years. HLW estimates, due to the added inertia in the neutral rate determination, show minimal variation at higher frequencies. In contrast, HLW REER estimates reveal a more significant decline and exhibit cyclical behavior driven by the real appreciation of the Swiss franc. On average, the estimates diverge by over 1.5 percent, with some instances of divergence reaching up to 2.8 percent. Lastly, the results are sensitive to factors such as the type and maturity of interest rate series, the measures of inflation expectations, and the specifications of parameters and priors during estimation, as well as the starting point of the sample. The different estimates highlight the uncertainty surrounding the neutral rate, what complicates the policymakers' efforts to target the desired policy stance.

Neutral Interest Rate R* and Cross-Country Comparison



Neutral Interest Rate R* and Monetary Policy Stance



Source: IMF Staff calculations.

4. A low neutral interest rate r* may constrain monetary policy space and increase financial sector risks. When r* is near or below zero, policy rates may hit the effective lower bound (ELB), necessitating the use of unconventional monetary policy tools. A persistently low r* may weigh on bank profitability, especially important in bank-based economies, encouraging risk-taking and greater exposure to real estate. A low r* across countries may also complicate global monetary coordination (Bartsch and others, 2020).

B. Experience with Negative Interest Rate

5. Negative Interest Rates (NIRP) in Switzerland have shown limited passthrough to deposit and lending rates. While NIRP successfully reduced money market rates and government bond yields, its impact on lending and deposit rates was more limited. This was partly due to the SNB's two-tier reserve system, which exempted from NIRP reserves up to 20–30 times the minimum requirement and charged -0.75 percent on excess reserves. Additionally, domestic banks were hesitant to transfer negative rates to depositors, influenced by their reliance on retail deposits (and fears of deposit withdrawals). In addition, banks were slow to decrease lending rates (Arteta and others, 2016 ; Brandao-Marques and others, 2021; and Danthine, 2018). Michail (2019) finds no significant impact on inflation or lending, noting weak transmission through interest rate channel.

6. The exchange rate channel, however, has been effective to reduce the need for FXI interventions. Brandao-Marques and others (2021) argue that the exchange rate channel, where lower domestic rates relative to foreign rates help ease appreciation pressures, served as the primary transmission channel for NIRP despite the limited pass-through to bank lending rates. Cwik and Winter (2024) suggest that FXIs were essential in stabilizing the franc during periods of low policy rates and in supporting inflation. They credited NIRP with aiding the stabilization of the franc, reducing reliance on FXIs and enhancing the effectiveness of monetary policy.

7. NIRP can reduce bank profitability and increase risk taking. To maintain profitability, high-deposit reliant banks loosened their lending terms relative to low-deposit banks by asking for lower loan spreads, granting larger loans, and offering more fixed-rate loans. They eased lending standards and took more risk to preserve profitability and gain market share (Towbin and Schelling, 2022). NIRP compressed net interest margins (NIMs) by restricting banks' ability to pass costs to depositors, especially for smaller banks. In response, many banks shifted their focus towards fee-based income, increased asset durations and mortgage ratios, and curbed deposit growth when other sources of funding became relatively cheaper to counterbalance squeezed margins (Danton and Jokipii, 2024).

8. NIRP can contribute to price stability, although with the potential to increase financial vulnerabilities. The exchange rate channel may be effective in reducing reliance on FXIs by alleviating appreciation pressures, positively contributing to price stability and keeping inflation expectations anchored. That said, the limited pass-through to deposit and lending rates, along with pressures on bank profitability suggest that NIRP can lead to increased risk-taking and financial sector risks.

C. Effectiveness of FXIs

9. Studies on Switzerland show that foreign exchange interventions (FXI) have complemented interest rate policy and contributed appropriate monetary conditions. Empirical evidence underscores the effectiveness of FXIs in managing exchange rate pressures and complementing interest rate policy. For example, a cross-country study by Adler and others (2015) finds that a 1 percent of GDP FX purchase results in a 1.4–1.7 percent depreciation in the real effective exchange rate, with effects lasting over a year and no evidence of asymmetric responses. Similarly, Stoffels and Tille (2020) show that FXI helped curb excessive appreciation of the Swiss franc from 2000 to 2016. Theoretical work, including Cavallino (2019) finds that FXIs can mitigate exchange rate fluctuations from portfolio shocks and smooth consumption. However, an optimal policy mix also requires rate cuts to reduce domestic prices and close the output gap. Portfolio flow shocks shift the Phillips curve away from the efficient allocation, increasing welfare loss. While monetary policy minimizes this loss along the shifted curve, FXIs smooth consumption fluctuations and lessen the shift’s magnitude. Bacchetta and others (2023) demonstrate FXI can enhance welfare in small open economies, particularly during periods of safe-haven capital inflows and when there are deviations from UIP/CIP. Similarly, Cwik and Winter (2024) show that FXI was an effective tool in preventing franc appreciation during periods of low policy rates, thereby supporting inflation. Surges in safe-haven inflows may lead to sustained exchange rate appreciation, and a de-anchoring of inflation expectations. This may be mitigated by FXIs under the IMF's Integrated Policy Framework (IMF, 2023).

D. The SNB's Monetary Policy Framework and Communication

10. Monetary policy framework and evolution. The SNB enhanced its transparency and communication when it transitioned from monetary targeting to a concept based on price stability in the late 1990s. The shift was motivated by challenges in interpreting signals from the intermediate monetary target (the seasonally adjusted monetary base) and the excess volatility of the overnight rate (Jordan and others, 2010). Since the early 2000s, the SNB monetary policy strategy has focused on three key elements: 1) price stability, defined as a the consumer price index (CPI) increase between 0 and 2 percent per annum, aimed at achieving inflation within this range over the medium-term; 2) the conditional inflation forecast as the main indicator for monetary policy and as a central instrument of communication; 3) setting appropriate monetary conditions, as determined by the interest rate level and exchange rates, using the SNB policy rate as key instrument; if necessary, the SNB may also use additional monetary policy measures to influence the exchange rate or the interest rate level, FXIs have played a prominent role in the recent past.

11. Frequency and transparency of communication compared to other central banks. The SNB's governing board is comprised by the Chairman plus the vice Chairman and a Member . The SNB operates with four scheduled policy meetings, following macro-data availability. Unscheduled monetary policy assessments are possible if deemed by Board appropriate due to extraordinary events. The SNB holds four media conferences per year, after each of its policy meetings (compared to two annually before the strategy revision in 2022). Because of the consensus-based nature of Board decisions, SNB speeches and interviews in between policy meetings reflect core elements of the most recent policy decision and news conference. The Board may use speeches and interviews to adjust its communication in between policy meetings. Contrary to other central banks, the SNB does not publish minutes of its policy meetings. Overall, the smaller Board structure and lower frequency of meetings allow for streamlined and consistent communication, with flexibility in case of extraordinary events. However, lack of release of a meeting summary limits the presentation of the decision-making process compared to other major central banks.

12. Communication around policy instruments. At quarterly monetary policy assessments, the SNB announces its policy decisions in a press release, followed by a news conference where Governing Board members explain the decisions. The announcements are later detailed in a Quarterly Bulletin, with further analyses of economic and monetary developments. The Quarterly Bulletin is published four working days after the announcement of the policy decision. A key component of the SNB's interest rate communication is its conditional inflation forecast, which serves as both a policy indicator and communication tool. This forecast assumes that the SNB policy rate will remain constant over a three-year forecast period, showing how prices are expected to move under the baseline assumptions and an unchanged policy rate. Some other central banks incorporate expected policy changes (Norges Bank, Sveriges Riksbank and Reserve Bank of New Zealand).[2] The conditional inflation forecast was an explicit focus of the 2022 strategy review. The SNB concluded that the forecast supports appropriately efficient communication and policy transmission. The SNB does not explicitly engage in systematic forward guidance but uses its inflation forecast as a signal of its policy intentions. Furthermore, in September 2024, the SNB launched a new publication, the SNB Economic Notes. These are short non-technical contributions on a range of economic and financial subjects related to the SNB's mandate. They are intended to promote transparency and information around a broad spectrum of SNB-related themes.

13. FXIs. FXIs have been used to achieve price stability complementing interest rate policies.[3] The SNB has used FXIs symmetrically, in low and high inflation environments—purchasing FX between 2009 and 2021 to counteract deflation risk and selling FX post-pandemic when inflation surged to tighten monetary policy. Communication around this tool is in line with the IMF's Central Bank Transparency Code, with data on FXIs published on a quarterly basis with a lag of three months. In addition, the SNB publishes detailed balance sheet data on a monthly basis after one month.

14. Communication instruments and policy signals. The SNB's communication strategy has been effective in anchoring inflation expectations around the mid-point of the 0–2 percent price stability range. The SNB's quarterly publication of its conditional inflation forecast serves as an important tool for managing market expectations. According to the SNB's strategy, changes in the forecast enable markets to draw conclusions about potential future monetary policy adjustments, helping to align market expectations with the SNB's policy intentions. Additionally, the SNB communicates through its statements. Relying on recent literature which extracts quantitative signals from text, a measure of forward-looking policy sentiment based on sentence-level analysis of SNB monetary policy statements was developed by Silva and others (2025). The index shows that the SNB's communication is internally consistent, with the sentiment index correlating with changes to the end-point of the conditional inflation forecasts (i.e. the tone of the speech becomes more hawkish when inflation projections by the SNB increase), but this correlation is lower during low inflation periods.[4] In addition, changes in tone help predict future policy rate changes (Gonzalez and Tadle, 2022).

[2] The ECB and Bank of England publish inflation projections based on financial markets' expected short-term interest rate.

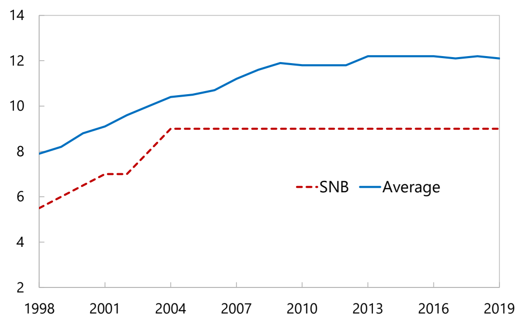
[3] See for example Schlegel (2024).

[4] The correlation is 16 percent between 2012–19, compared to 60 percent between 2005–11 and 82 percent between 2020–24.

Figure V.1. Switzerland: The SNB's Communication Framework

Transparency of SNB has increased but remains below peers.

Central Bank Transparency Index [1]

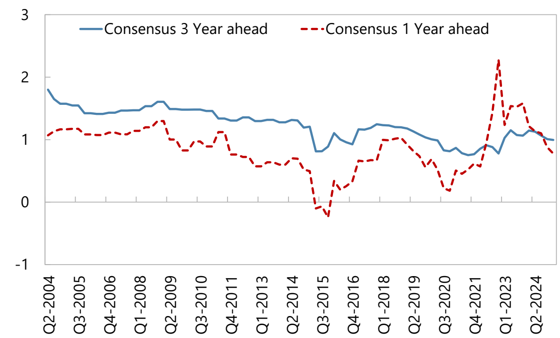


Note: Average includes the Bank of Canada, Czech National Bank, Danmarks Nationall Norges Bank and the Riksbank. Source: Dincer et. al (2019)

Inflation expectations have remained anchored over time around the mid-point of the price stability range.

Inflation Expectations

(Percent)

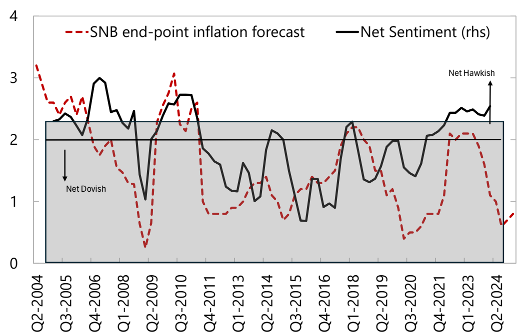


Sources: Consensus Forecasts.

The tone of SNB speeches generally correlates with its conditional inflation projections.

Inflation Forecast and Policy Sentiment

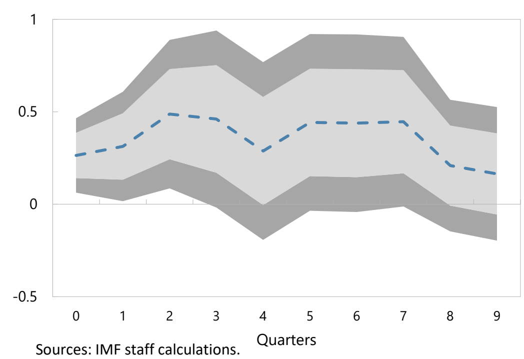
(Percent y/y, index)



Sources: SNB and IMF Staff Calculations (Silva et al. 2025)

Change in tone helps predict future policy rate changes.

Local Projection of Policy Rate Using Sentiment Index[2]



Sources: IMF staff calculations.

[1] The index accounts for five distinct aspects of transparency: politcal, economic ,procedural, policy and political. Each dimension of transparency is captured by a sub-index with three separate items, each of which receives a score of 0, 1/2, or 1. The overall index equals the sum of the scores across all items, ranging from 0 to a maximum of 15 (Dincer et al. 2022).

[2] The specification follows Gonzalez and Tadle (2022).

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Annex VI. Debt Sustainability Analysis

Figure VI.1. Switzerland: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, indicating a relatively low level of vulnerability in the near, medium, and long-terms.
Near term 1/	...	...	
Medium term	Low	Low	Medium-term risks are low. The baseline assumes that medium-term spending needs related to aging, climate, and national defense will be managed within the debt-brake rule, given the institutional resilience of this rule in steering fiscal policy.
Fanchart	Low	...	
GFN	Low	...	
Stress test	..	...	
Long term		Low	Long-term risks are low given low debt levels, despite structural spending needs arising from defense, aging, and climate. However, spending pressures may challenge the debt-brake rule and necessitate a comprehensive fiscal plan. The authorities have a strong track record of adhering to the rule and adjusting spending to meet emerging challenges.
Sustainability assessment 2/		Sustainable	The projected debt path is expected to stabilize and GFNs will remain at manageable levels. Therefore, debt is assessed as sustainable.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Switzerland is at a low overall risk of sovereign stress and debt is sustainable. Debt is expected to decrease in the medium-term anchored by the debt-brake rule framework. Medium-term liquidity risks as analyzed by the GFN Financeability Module are low. Interest payments averaged 0.6 percent of GDP in 2005–23, falling to 0.3 percent in 2023, well below the OECD average of 3 percent. Ten-year bond yields ranged from 0–1 percent, reflecting low inflation and Switzerland's safe-haven status. Over the longer run, Switzerland should continue with structural reforms and closely monitor emerging spending needs from security and aging that may feed into debt dynamics. The authorities' planned measures and fiscal plan will help contain the long-run risks.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure VI.2. Switzerland: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

CPS	NFPS	GG: expected	CG		Subsectors captured in the baseline	Inclusion	Comments
				1	Budgetary central government	Yes	
				2	Extra budgetary funds (EBFs)	No	Not applicable
				3	Social security funds (SSFs)	Yes	
				4	State governments	Yes	
				5	Local governments	Yes	
				6	Public nonfinancial corporations	No	
				7	Central bank	No	
				8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage | Missing from recommended coverage | Not applicable

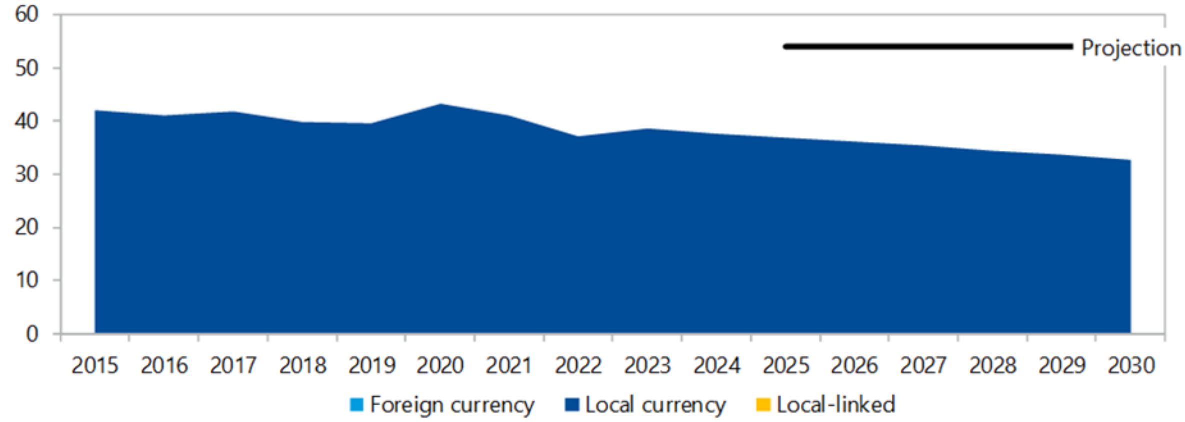
Reporting on intra-government debt holdings

CPS	NFPS	GG: expected	CG		Issuer \ Holder	Budget. central govt	Extra-budget. funds (EBFs)	Social security funds (SSFs)	State govt.	Local govt	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
				1	Budget. central govt									0
				2	Extra-budget. funds									0
				3	Social security funds									0
				4	State govt.									0
				6	Nonfin pub. corp.									0
				7	Central bank									0
				8	Oth. pub. fin. corp									0
					Total	0	0	0	0	0	0	0	0	0

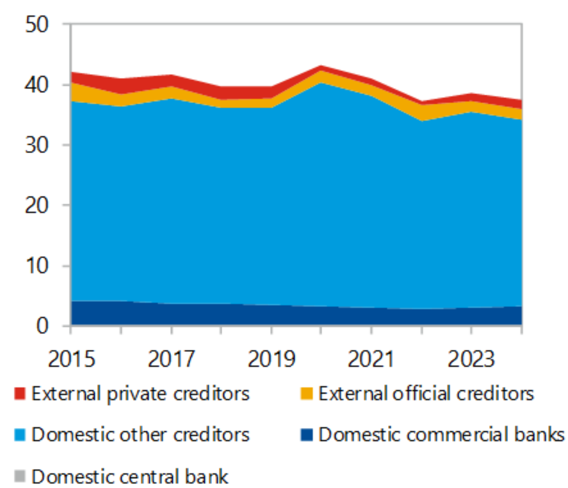
1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.
2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.
3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.
4/ Includes accrual recording, commitment basis, due for payment, etc.
5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.
7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Figure VI.3. Switzerland: Public Debt Structure Indicators

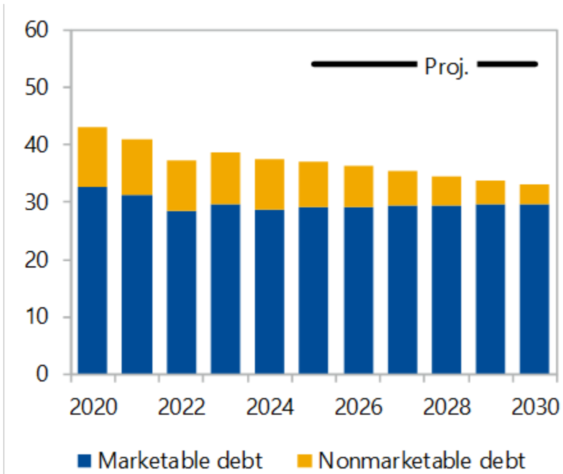
Debt by Currency
(percent of GDP)



Public Debt by Holder
(percent of GDP)



Debt by Instrument
(percent of GDP)

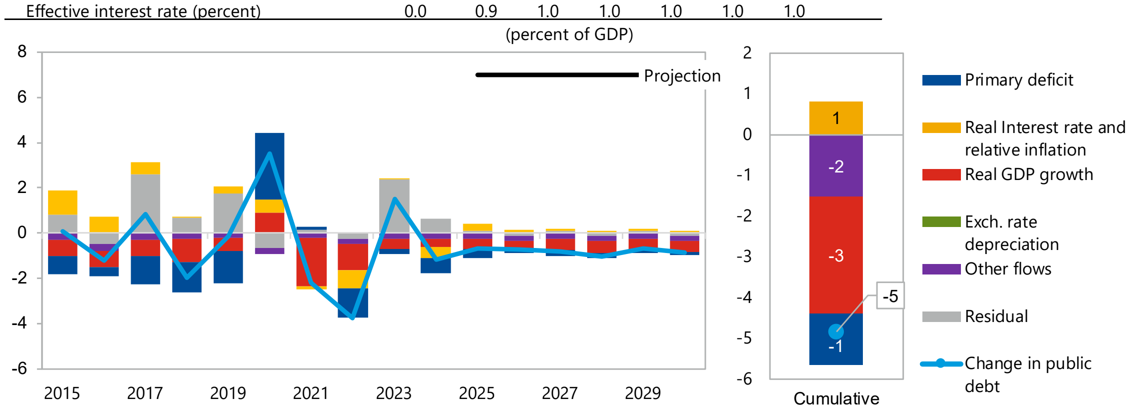


Note: The perimeter shown is general government

Figure VI.4. Switzerland: Baseline Scenario

(percent of GDP unless indicated otherwise)

	Actual	Medium-term projection					
	2024	2025	2026	2027	2028	2029	2030
Public debt	37.5	36.9	36.1	35.3	34.3	33.6	32.7
Change in public debt	-1.2	-0.7	-0.7	-0.8	-1.0	-0.7	-0.9
Contribution of identified flows	-1.8	-0.8	-0.6	-0.9	-0.9	-0.8	-0.8
Primary deficit	-0.7	-0.4	-0.1	-0.3	-0.2	-0.1	-0.1
Noninterest revenues	32.3	32.1	32.1	32.1	32.1	32.1	32.1
Noninterest expenditures	31.6	31.7	31.9	31.8	31.9	32.0	32.0
Automatic debt dynamics	-0.9	-0.2	-0.2	-0.4	-0.4	-0.4	-0.4
Real interest rate and relative inflatio	-0.5	0.3	0.1	0.1	0.1	0.1	0.1
Real interest rate	-0.5	0.3	0.1	0.1	0.1	0.1	0.1
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-0.4	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5
Real exchange rate	0.0	…	…	…	…	…	…
Other identified flows	-0.2	-0.3	-0.3	-0.3	-0.2	-0.3	-0.2
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	-0.2	-0.3	-0.3	-0.3	-0.2	-0.3	-0.2
Contribution of residual	0.6	0.1	-0.1	0.1	-0.1	0.1	-0.1
Gross financing needs	2.8	3.4	3.6	4.0	4.6	5.4	6.1
of which: debt service	3.8	4.0	4.0	4.5	5.1	5.7	6.5
Local currency	3.8	4.0	4.0	4.5	5.1	5.7	6.5
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:							
Real GDP growth (percent)	1.0	1.2	1.0	1.4	1.5	1.5	1.5
Inflation (GDP deflator; percent)	1.3	0.1	0.6	0.7	0.7	0.7	0.7
Nominal GDP growth (percent)	2.7	1.1	1.9	1.8	2.5	1.9	2.5
Effective interest rate (percent)	0.0	0.9	1.0	1.0	1.0	1.0	1.0



Staff commentary: The authorities have implemented a series of measures to eliminate foreseen structural deficit, all while addressing the rising structural spending needs related to national defense, population aging, and climate change. It is assumed in the baseline that the authorities will address these pressures under the current fiscal rule without additional borrowing. Public debt level is expected to steadily decline and remain low over the years, reflecting the strength of the fiscal rule and sustained strong fiscal performance.

Figure VI.5. Switzerland: Realism of Baseline Assumptions

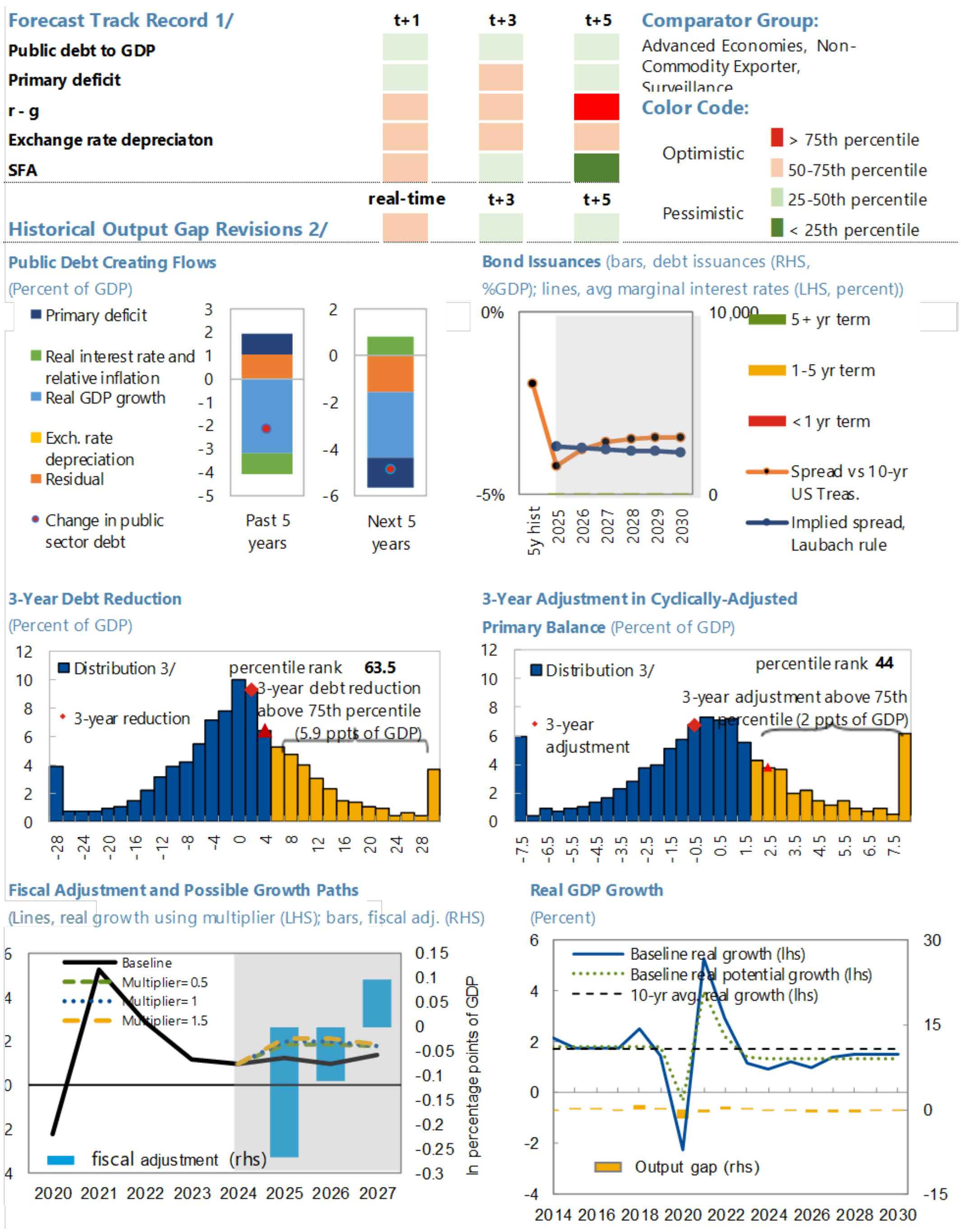


Figure VI.6. Switzerland: Medium-Term Risk Analysis

Debt Fanchart and GFN Financeability Indexes

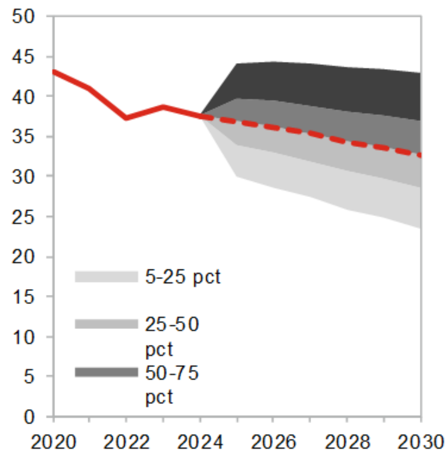
(percent of GDP unless otherw ise indicated)

Module	Indicator	Value	Risk index	Risk signal	Adv. Econ., Non-Com. Exp, Program (0 25 50 75 100)
Debt fanchart module	Fanchart w idth	19.6	0.3	...	
	Probability of debt not stabilizing (pct)	7.2	0.1	...	
	Terminal debt level x institutions index	2.7	0.1	...	
	Debt fanchart index	**...**	**0.4**	**Low**	
GFN finance-ability module	Average GFN in baseline	4.5	1.5	...	
	Bank claims on government (pct bank assets)	5.3	1.7	...	
	Chg. in claims on govt. in stress (pct bank assets)	0.1	0.0	...	
	GFN financeability index	**...**	**3.3**	**Low**	

Legend: Interquartile range; Sw itzerland

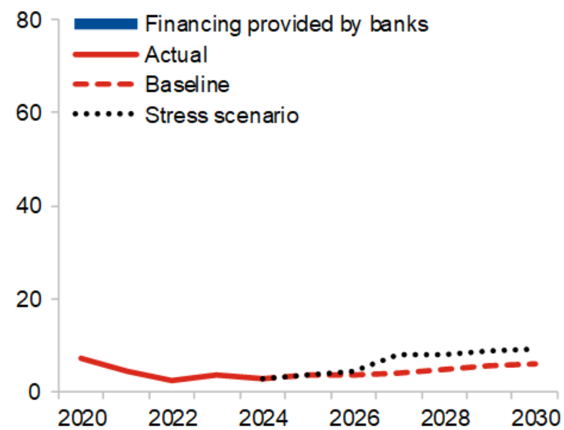
Final Fanchart

(percent of GDP)



Gross Financing Needs

(percent of GDP)



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Risk Analysis

	Low risk	High risk	Weight	Normalized
Debt fanchart index	1.1	2.1	0.5	0.1
GFN finaceability index	7.6	17.9	0.5	0.1
Medium-term index (MTI)	0.3	0.4	...	0.1, Low

Prob. of missed crisis, 2025-2030 (if stress not predicted): 0.0 pct.

Prob. of false alarm, 2025-2030 (if stress predicted): 94.3 pct.

Commentary: Of the tw o medium-term tools, both the Debt Fanchart Module and the GFN Financeability Module point to low level of risk.

Annex VII. Status of Previous Article IV Recommendations

2024 Article IV Recommendations	Policy Actions
Overall Policy Recommendations	
Policies should remain agile and data-dependent, responding to near-term challenges and take action to tackle longer-term, structural issues.	Fiscal and monetary policies were broadly tailored to new challenges (e.g., impact trade uncertainty, low inflation, safe-haven flows), while structural reforms (e.g., strengthen pension sustainability and enhance EU relations) were advanced.
Fiscal Policy	
Consider a medium-term plan to address fiscal pressures arising from increasing spending needs.	The authorities have taken a series of actions to address spending pressures. About CHF 2 billion consolidation measures were implemented in the 2024 budget and the Federal Council plans to implement "Relief Package 2027", with permanent expenditure reductions of 0.3–0.4 percent of GDP starting in 2027. The 2024 Fiscal Sustainability Report has identified medium-term spending needs arising from demographics and climate, which provides a good basis for policy proposals.
Pursue a balanced path to amortize accumulated extraordinary spendings that limit headwinds on growth from higher surpluses.	Extraordinary expenditures are unwinding. The authorities have established an exit strategy for the extraordinary financing related to Ukrainian refugees, aiming to phase out extraordinary expenditures by 2027 to bring the amortization account balance to zero by 2035, or if needed, by 2039.
Pension reforms should continue to safeguard the sustainability of the system.	A 13th pension payment under Pillar I pension has passed a referendum in March 2024. The authorities have proposed a VAT rate increase of 0.7 percentage points to finance the forthcoming spending increase. Reforms to Pillar II, including lowering the conversion rate and the contribution salary threshold, were rejected in a referendum in September 2024.
Monetary Policy	
The SNB should continue to cut rates to insure against inflation moving to and settling at very low (or possibly negative) rates.	The SNB continued its easing cycle started in March 2024, with cumulative cuts of 175 basis points through June 2025 while revising downward its conditional inflation forecasts.
The SNB should continue to adopt a prudent risk management approach, increase provisions as planned, and if the opportunity arises, gradually reduce its large balance sheet.	The SNB recorded substantial profits of approximately CHF 80 billion. FXIs were minimal in 2024, with the SNB purchasing only CHF 1.2 billion in the FX market.
Financial Sector Policy	
Closely monitor progress on the UBS-CS merger, and in time, review and draw lessons.	A parliamentary investigation committee (PIC) published a second report on the events in December 2024. The government proposed a final set of reforms for parliamentary debate in June 2025.
Closely monitor financial sector risks. Consider 1) tightening prudential tools, if housing imbalances build and 2) expanding the macroprudential toolkit. Further progress on 2019 FSAP recommendations is needed to strengthen resilience.	The SNB has broadened the set of counterparties to SNB's liquidity assistance to include non-SIBs. See also FSSA (2025).

2024 Article IV Recommendations	Policy Actions
Structural Reforms	
Continue to enhance EU relations, energy security and to work towards achieving climate targets, along with the implementation of measures to address labor shortages and skill mismatches.	The EU and Switzerland concluded negotiations at the end of 2024, resulting in a broad package of sectoral agreements. Following a phase of legal review and the formal conclusion of negotiations, scheduled for spring 2025, Swiss parliament and the general population will vote on the package. The Parliament has adopted the "tax justice initiative" under the individual taxation. The initiative aims to increase the employment incentives for households' second earners.
Source: IMF Staff calculations.	

Annex VIII. Data Issues

Table VIII.1. Switzerland: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
A							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	A	B	B	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	B	A	B		
Granularity 3/	B		A	B	B		
			B		B		
Consistency			A	B		A	
Frequency and Timeliness	A	A	A	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).

3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. The data provided to the Fund is adequate for surveillance. Switzerland publishes timely economic statistics and posts most of the data and the underlying documentation on the internet. There are gaps with respect to the publication of monetary and financial statistics in standard reporting format (SRF) following the methodology of the Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG). While Switzerland currently publishes selected series of Depository Corporations Survey and the Central Bank Survey in the National Summary Data Page, the data is not very granular. There are gaps also in the publication of financial soundness indicators, where publication of indicators for other financial corporations should be enhanced.There are data collection gaps on mortgage exposures, NBFI, trading investment portfolios, Lombard loans, and bilateral exposures (beyond banks) which are needed to enhance risk analysis. The data on public debt breakdown is not sufficiently granular and there are gaps on arrears, guarantees, and other contingent liabilities in the debt statistics. Finally, given the complexity of capturing the role of Multinational Enterprises in the economy, the Current Account data is undergoing various set of revisions, whose magnitude hampers the model-based external sector assessment.

Changes since the last Article IV consultation.The introduction of a new Current Account Survey in 2023Q1 to address the operations of MNEs, has introduced adjustments which have reallocated items within different components of the current account, resulting in breaks for certain series when confronted with historical data.The 2025Q1 data release and the subsequent September 2025 update are expected to address these breaks in data, resulting in possibly an upward revision of the 2024 the current account surplus.

Corrective actions and capacity development priorities. The authorities plan to introduce a loan-by-loan dataset to capture linkages across financial sector.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics

Other data gaps.

Table VIII.2. Switzerland: Data Standards Initiatives

Switzerland adheres to the Special Data Dissemination Standard (SDDS) Plus since January 2021 and publishes the data on its National Summary Data Page. The latest SDDS Plus Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).

Table VIII.3. Switzerland: Table of Common Indicators Required for Surveillance

As of July 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Switzerland[8]	Expected Timeliness[6,7]	Switzerland[8]
Exchange Rates	Jul-25	Jul-25	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	May-25	Jun-25	M	M	M	M	1W	1M
Reserve/Base Money	May-25	Jun-25	M	M	M	M	2W	2W
Broad Money	May-25	Jun-25	M	M	M	M	1M	1M
Central Bank Balance Sheet	May-25	Jun-25	M	M	M	M	2W	2W
Consolidated Balance Sheet of the Banking System	Apr-25	Jun-25	M	M	M	M	1M	1M
Interest Rates[2]	Jul-25	Jul-25	D	D	D	...	...	...
Consumer Price Index	Jun-25	Jul-25	M	M	M	M	1M	NLT 2W
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	2023	Mar-24	Q	Q	A/Q	...	2Q/12M	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	May-25	Jun-25	M	M	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2025Q1	Jun-25	Q	Q	Q	Q	1Q	3M
External Current Account Balance	2025Q1	Jun-25	Q	Q	Q	Q	1Q	1Q
Exports and Imports of Goods and Services	May-25	Jun-25	Q	Q	M	M	8W	30D
GDP/GNP	2025Q1	Jun-25	Q	Q	Q	Q	1Q	NLT 62D
Gross External Debt	2025Q1	Jun-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	2025Q1	Jun-25	Q	Q	Q	Q	1Q	1Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

SWITZERLAND

August 26, 2025

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By European Department

CONTENTS

FUND RELATIONS

(As of May 31, 2025)

Membership Status: Joined May 29, 1992; Article VIII.

General Resources Account:

	SDR Million	Percent of Quota
Quota	5,771.10	100.00
Fund holdings of currency	4,235.84	73.40
Reserve position in Fund	1,535.30	26.60

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	8,819.38	100.00
Holdings	9,398.31	104.71

Outstanding Purchases and Loans: None

Financial Arrangements: None

Projected Payments to Fund[1]

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2024	2025	2026	2027	2028
Principal					
Interest		0.04	0.04	0.04	0.04
Total		0.04	0.04	0.04	0.04

[1] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange Rate Arrangement:

The de jure exchange rate arrangement is free floating. The exchange rate of the Swiss franc is determined by market forces in the foreign exchange market, and all settlements are made at free market rates. However, the Swiss National Bank (SNB) reserves the right to intervene in the foreign exchange market. The SNB publishes quarterly information regarding its foreign exchange transactions on the SNB data portal, starting with data for Q1:2020.[1] The de facto exchange rate regime is classified as floating.

Switzerland has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system that is free of multiple currency practices and restrictions on the making of

[1] Annual information for previous years was published by the SNB in its annual accountability report.

payments and transfers for current international transactions except for restrictions in place for security reasons notified to the Fund pursuant to Decision No. 144–(52/51).

On July 7, 2025, Switzerland notified the IMF of exchange restrictions that have been imposed against certain countries, individuals, and entities, in accordance with relevant UN Security Council resolutions and EU regulations. More information on the restrictions can be found at the Swiss State Secretariat for Economic Affairs (SECO) site.

Latest Article IV Consultation: The last Article IV consultation was concluded on March 28, 2024, with the staff report published on June 24, 2024. Switzerland is on the standard 12-month consultation cycle.

Technical Assistance (TA):

Switzerland is a major financial supporter of IMF externally-financed capacity development (TA and training), including country-specific and region-wide projects globally as well as IMF's multi partner vehicles (regional and thematic trust funds and regional capacity development centers). Switzerland has also been a supporter of other IMF initiatives, including financing for low-income countries via the Poverty Reduction and Growth Trust, the Catastrophe Containment and Relief Trust (CCRT), support for debt relief to Somalia and Sudan, contributions to the Fund's Resilience and Sustainability Trust and to the Global Public Finance Partnership. The 16th review of quotas was ratified in December 2024.

Resident Representative: None

Financial System Stability Assessment Update and ROSCs:

- Two FSAP missions to Switzerland took place in 2024 and 2025, and the Aide Memoire was presented to the authorities. The FSAP findings are summarized in the accompanying Financial System Stability Assessment (FSSA), which will be discussed at the Board together with the 2025 Article IV staff report.

- Reports on the Observance of Standards and Codes (Basel core principles, IAIS core principles, and IOSCO objectives and principles) were conducted in 2013–14, and the report was issued on May 28, 2014.

Statement by Christoph Baumann-Kesten, Alternate Executive Director for Switzerland and Amelie Brune, Senior Advisor to Executive Director September 10, 2025

On behalf of our Swiss authorities, we thank staff for the insightful policy discussions and the thorough analysis and assessment presented in their reports. The authorities appreciate staff's finding that Switzerland's economy is highly resilient, supported by strong institutions, prudent policies, and a skilled labor force. The recommendations are valuable for critical reflection on policies and reforms in Switzerland and as input to domestic policy debates.

Outlook and risks

The authorities broadly agree with staff's assessment of the outlook and the main risks to it.

In its June forecast, the Swiss federal government projected significantly below-average growth for the Swiss economy, at 1.3 percent for 2025. Since August, the US applies additional tariffs of 39 percent on the majority of imports from Switzerland. Switzerland regrets the additional tariffs but remains in close dialogue with the US authorities, with the aim of reducing these tariffs as swiftly as possible. (Situation as of August 29, 2025.)

With the introduction of higher US tariffs, the outlook has worsened. In an updated economic scenario as of end-August, growth is expected to reach 1.2 percent in 2025, followed by 0.8 percent in 2026. The weaker development is primarily due to a correction in goods exports. The resulting lower utilization of production capacity and uncertainty weigh on investment and are expected to impact the labor market. However, depending on the degree of exposure to US tariffs, impacts differ strongly between sectors. A recession similar to the experiences during the 2008/2009 financial crisis or the pandemic of 2020 is currently not anticipated. To cushion the impact on individual companies, the government plans to enhance automatic stabilizers through an extension of short-time work compensation.

Risks to the outlook are sizeable, especially regarding the duration and level of tariffs and the goods categories affected. Downside risks relate to the pharmaceutical industry, a further appreciation of the Swiss franc, and/or a deterioration of the international environment. On the upside, progress in trade negotiations could lead to a reduction in global tariff and non-tariff measures, thus underpinning trade flows and confidence among investors and consumers. Furthermore, an improved outlook in major trading partners and/or significant advancements on the Swiss-EU package would benefit economic activity in Switzerland.

Fiscal policy

Thanks to its low public debt ratio, Switzerland has adequate fiscal buffers to face future crises. At the federal level, the debt brake is the cornerstone of a credible, rules-based fiscal framework.

It contributes to the conduct of sound fiscal policies and to fiscal sustainability, while allowing for flexibility. Over more than two decades, the debt brake has served fiscal policy well and has increased resilience. In case of a short-term weakening of the economy with respect to baseline projections, the cyclical factor of the debt brake adjusts automatically.

To cope with increasing pressures stemming from defense spending and contributions to social insurance schemes, the federal government adopted a step-by-step approach in its 2024 and 2025 budgets. Together with parliament, it implemented short-term measures to reduce spending growth. To ensure conformity with the debt brake in 2027 and 2028, a comprehensive relief package will allow for additional savings measures that include earmarked expenditures. Measures for the longer term are focused on a possible mix of expenditure rationalization and revenue-enhancing measures, in line with staff recommendations.

Monetary policy

In June 2025, the Swiss National Bank (SNB) lowered its policy rate by 0.25 percentage points to 0 percent to counter lower inflationary pressure. Since March 2024, the SNB cut its policy rate by a total of 175 basis points. Assuming the SNB policy rate remains at 0 percent, inflation is expected to stay between 0 and 2 percent, that is, the range that the SNB equates with price stability, over the next three years. The SNB will continue to monitor the situation closely and adjust its monetary policy if necessary, to ensure that inflation remains within the range over the medium term.

The SNB regularly assesses its monetary policy framework in light of ongoing monetary policy challenges. This has led to a number of adjustments in recent years, including with respect to the implementation of monetary policy (introduction of the SNB policy rate), communication (for example, increase in the frequency of press conferences), and instruments used (after the 2022 review, the strategy now explicitly mentions other policy instruments besides the SNB policy rate). Overall, the SNB's monetary policy and communication frameworks have proven successful. The SNB will continue to review them and make further adjustments if necessary.

External sector assessment

The authorities broadly share staff's assessment of the external position. They note that a substantial current account (CA) surplus is warranted by Switzerland's fundamentals, including its overall level of development, demographics, and the pension system. They also note that measurement issues, including the biases related to inflation differentials and retained earnings on portfolio investment, continue to significantly affect the Swiss CA and the net international investment position. Such discrepancies are not specific to Switzerland and should continue to be carefully analyzed by staff as an integral part of the External Balance Assessment (EBA) methodology.

The authorities also agree that the assessment of the external sector is subject to substantial uncertainty. As part of a benchmark revision scheduled for end-September 2025, Switzerland's CA balance for 2024 will be revised upwards significantly. Due to this forthcoming revision, an assessment based solely on the EBA CA model would have been inappropriate. As in previous years, uncertainty also stems from the inherent complexity of large multinational corporations, which heavily affect Switzerland's external sector. Various projects to achieve more fundamental improvements to the production of balance of payments/international investment position statistics are ongoing.

Structural issues

Switzerland exhibits strong labor productivity, supported by a high level of research and development, a high-quality education system, an effective macroeconomic framework and strong institutions, as well as deep global market integration. As staff also show in their analyses, certain disparities exist across sectors and firm size. As a dynamic economy facing global competition, it is crucial for Switzerland to continuously enhance its innovative strength, locational appeal, and productivity. The authorities are accordingly committed to advancing productivity-enhancing reforms that foster competition and drive innovation.

Financial sector

The authorities welcome staff's findings that the financial sector is generally resilient to severe shocks, and the recognition of ongoing progress on key financial sector reforms in the wake of the merger of CS and UBS. The planned measures are well aligned with the main thrust of staff's recommendations in the current Financial Sector Assessment Program and will introduce stricter capital requirements for systemically relevant banks, improve bank governance, crisis preparedness, early intervention, and strengthen powers of the Swiss Financial Market Supervisory Authority (FINMA). Also, FINMA has intensified supervision through additional resources and supervisory benchmarks, in coordination with international peers. The authorities have taken staff's recommendations under advisement and will consider how to prioritize implementation. In some instances, however, they consider the identified shortcomings to be overstated. Also, a number of recommendations are not compatible with basic legislative processes, notably with respect to the suggested timelines.

Bank liquidity is ample, with the liquidity coverage ratio exceeding 190 percent, and the banking system is generally resilient to severe liquidity stress. The SNB is establishing an Extended Liquidity Facility (ELF) to further facilitate banks' access to the SNB's liquidity support framework. The establishment of the ELF is very much in line with Fund recommendations. However, the authorities do not concur with the Fund's recommendation to extend the Public Liquidity Backstop framework beyond systemically important banks, as the ELF will effectively and significantly expand banks' access to central bank liquidity in case of unforeseen liquidity shocks.

The authorities share staff's assessment of risks in the Swiss mortgage and real-estate markets. While household debt is high, so is private wealth, which, in turn, increases households' resilience. At this point, the authorities see no urgency to broaden the macroprudential toolkit beyond making existing instruments more flexible. The authorities support the recommendations on stress testing, which are broadly in line with the SNB's intention to continuously enhance the effectiveness of the current stress testing framework.

In the ongoing effort to ensure high standards of banking regulation and supervision, FINMA's powers will be further extended. Current reform proposals include increased capital requirements going beyond the scope of international peers' implementation of Basel III. While resolution and recovery planning will also be extended in certain aspects, the current setup is already closely aligned with relevant FSB standards. Regulatory amendments also seek to clarify and sequence early intervention powers.

The authorities appreciate the assessment of insurance regulation and supervision and the recognition of the Swiss Solvency Test (SST) as a highly sophisticated and robust risk-based capital adequacy regime. Regarding securities markets, the authorities share the view that some aspects of the framework can be further strengthened and highlight that several reforms, including for trading systems, are underway. Like staff, they see room for reducing data gaps in the pension system and agree that financial innovation warrants regulation as well as supervision to continuously adapt.

The authorities also continuously identify any need for action in the regulatory regime to ensure cyber resilience and financial integrity. Switzerland's progress in tackling money laundering, terrorist financing, and proliferation financing was recognized in the FATF's follow-up report of October 2023. Further efforts to strengthen measures to combat financial crime and safeguard financial integrity are underway, notably a new federal registry for the beneficial ownership of legal persons and the extension of due diligence provisions to gatekeepers.