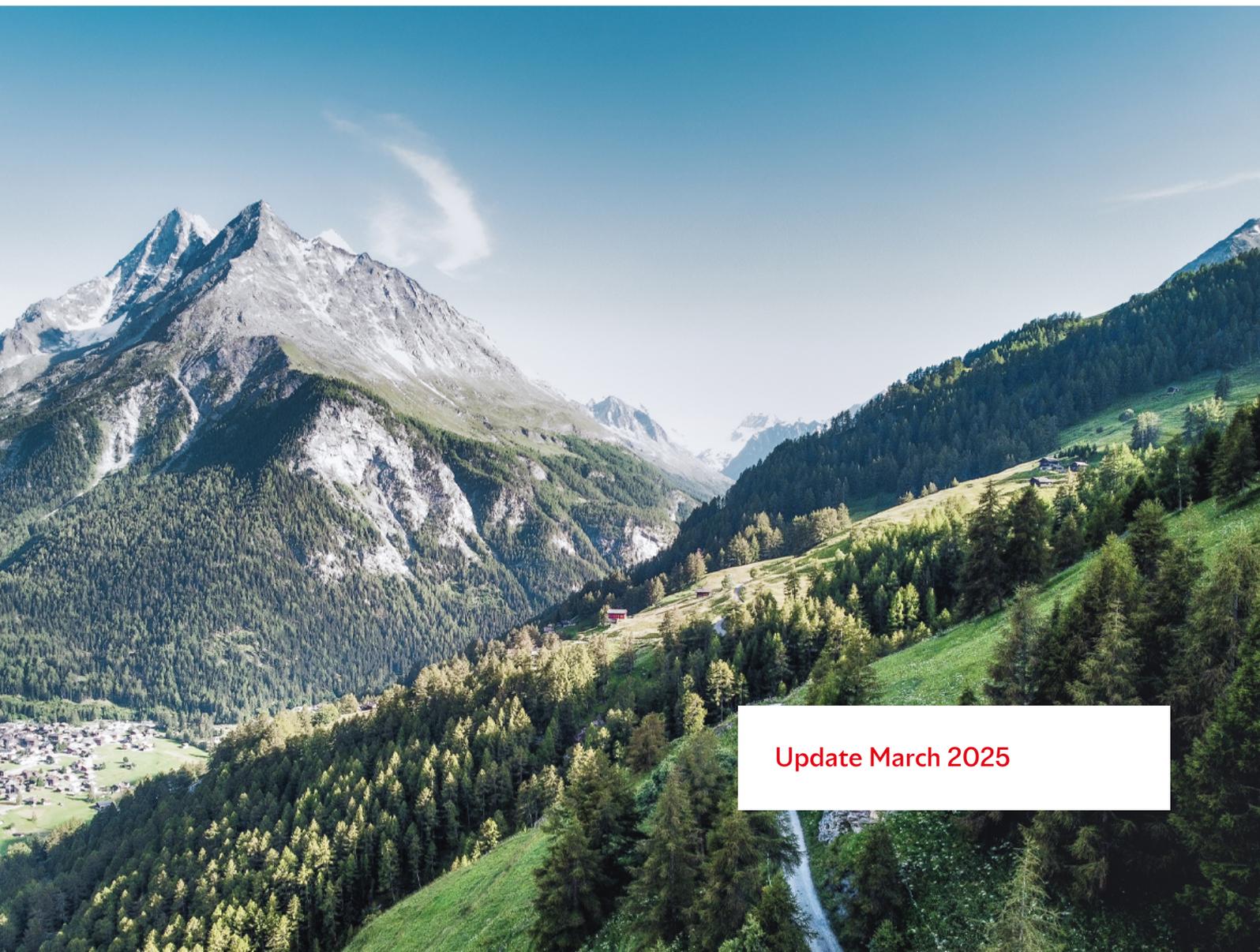


Swiss Banking Outlook



Update March 2025

• Swiss Banking

In its Swiss Banking Outlook Update, the SBA outlines the expected trends in selected macroeconomic and financial market indicators and discusses topics with relevance for Swiss banking. The consensus forecasts are based on a survey of experienced financial market experts from SBA member institutions.

Swiss economy faces mixed trends

The experts surveyed anticipate moderate economic growth this year and next, along with low inflation and a slight rise in unemployment. They expect the Swiss National Bank (SNB) to cut its policy rate once more to 0.25% by mid-year. Many believe that a return to the zero-interest policy is possible. The aggregate net income of the banks in Switzerland will fall slightly year-on-year. The main reason for this is a drop in the result from interest operations, which is unlikely to be fully offset by an increase in the result from commission business and services.

Swiss Banking Outlook Update methodology

In all, 20 seasoned financial market experts from SBA member institutions responded to the written survey on the short- and medium-term outlook for the banking industry in February 2025. They include chief economists, chief investment officers and leading investment specialists.

The Swiss Banking Outlook Update includes a consensus forecast for each of the main macroeconomic and financial market indicators as well as expectations regarding opportunities and risks for the banking business in Switzerland. The experts' opinions refer in each case to the Swiss banking industry as a whole rather than the performance of their own institution.

Slight recovery in Swiss economy

Moderate economic growth of 1.3% is predicted for Switzerland this year. This reflects a marginal improvement in the outlook. The inflation forecast for 2025 is 0.6%, and the experts see unemployment rising from 2.4% to 2.6%. The number of people employed in the banking industry is also likely to fall. Several Swiss banks have announced restructuring measures that will see them shedding hundreds of jobs.

The SNB policy rate is expected to fall to 0.25% by the end of June 2025. Some experts are even predicting a return to the zero-interest policy as early as the first half of the year. Negative interest rates are unlikely before the end of the year, but they cannot be entirely ruled out. The picture is similar for ten-year government bond yields, which remain doggedly low at 0.4%. The economic outlook for next year is a little more optimistic, with stronger growth of 1.5% and a small increase in inflation to 0.8%.

Figure 1

Consensus forecast for various economic indicators

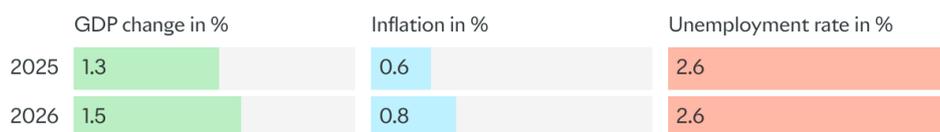
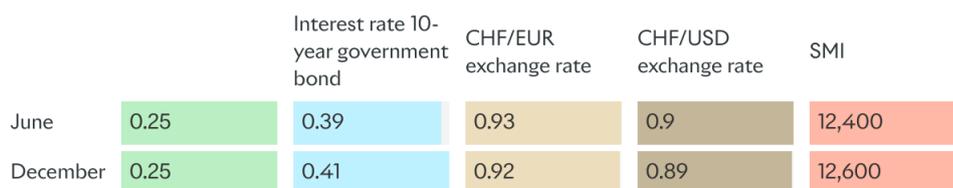


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook · Update March 2025

Figure 2

Consensus forecast for various financial market indicators



Note: The forecasts given for the SNB policy rate correspond to the most frequently quoted values

Chart: Swiss Bankers Association · Source: Swiss Banking Outlook · Update March 2025

The experts expect Swiss real gross domestic product (GDP) to grow by 1.3% in 2025 and 1.5% in 2026, slowly bringing it closer to the potential growth figure of around 1.75%. It is interesting to note the significant difference of more than one percentage point between the highest and lowest forecasts. This reflects the current uncertainty over the economic environment.

Figure 3

Real gross domestic product

% change year-on-year

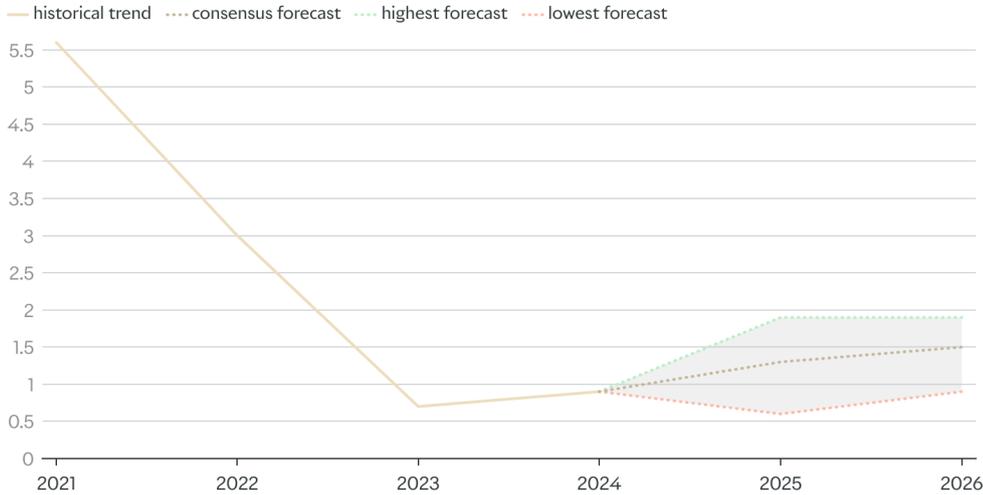


Chart: Swiss Bankers Association · Source: SECO, Swiss Banking Outlook · Update March 2025

The experts see inflation easing once again this year. The consensus forecast for the inflation rate is 0.6%, within the SNB's target range. The forecast for next year is 0.8%. Swiss inflation thus remains very low compared with other nations in the Organization for Economic Co-operation and Development (OECD).

Figure 4

Inflation

Inflation rate in % compared to the previous year

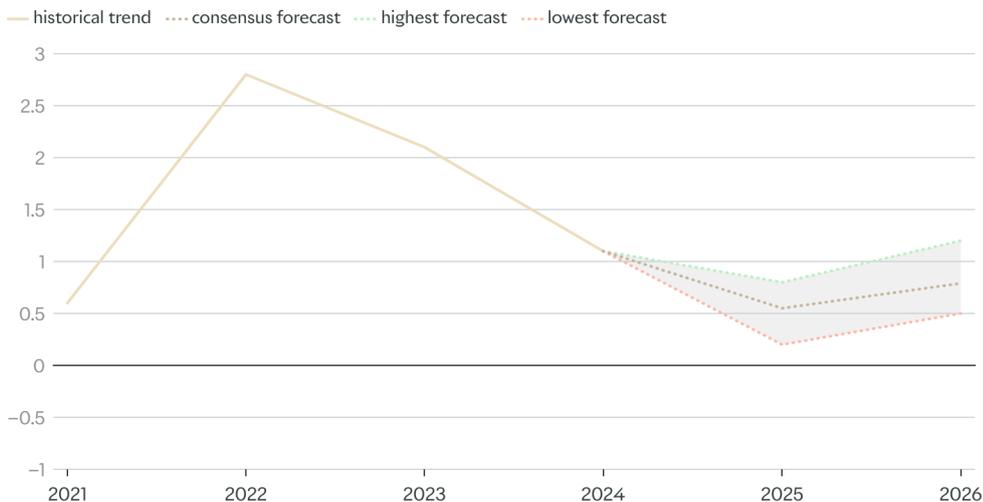


Chart: Swiss Bankers Association · Source: Consumer Price Index, Swiss Banking Outlook · Update March 2025

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The experts predict that the SNB policy rate will be cut once more in the first half of this year. A narrow majority expect it to be at 0.25% at the end of June 2025. Half think that a return to the zero-interest policy or even negative interest rates before the end of the year is on the cards. This is due to the downside inflation risks emanating from the volatile international environment.

Figure 5

SNB policy rate

Number of mentions

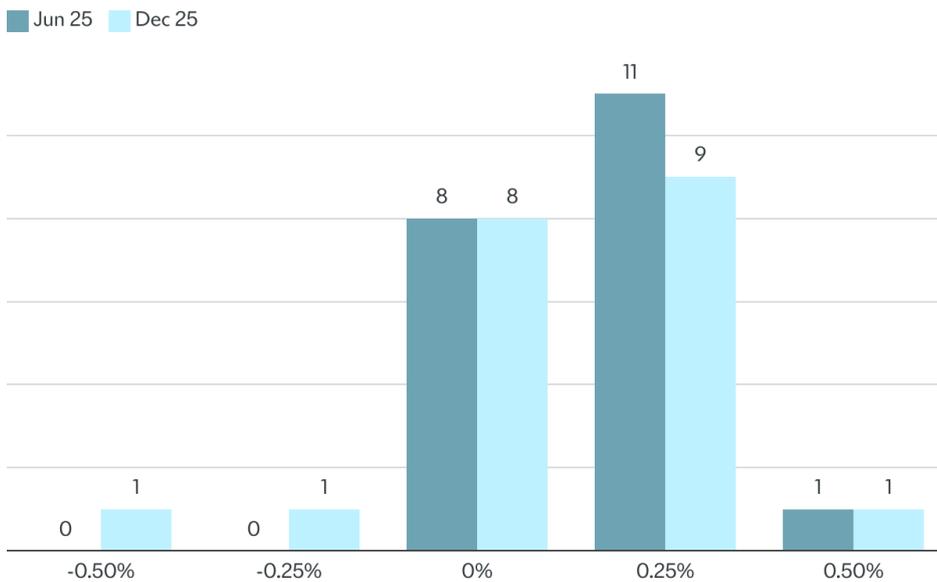


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook · Update March 2025

Lower inflation expectations are making for a similar picture with regard to ten-year government bond yields. The survey respondents see these remaining at their low level of 0.4%. Switzerland's yield advantage is especially pronounced at the moment. Ten-year government bond yields in the US, Germany, the UK and France range between 2.4% and 4.6%.

Figure 6

10-year government bond yield

Changes in yield on Swiss Confederation bonds with a term of 10 years

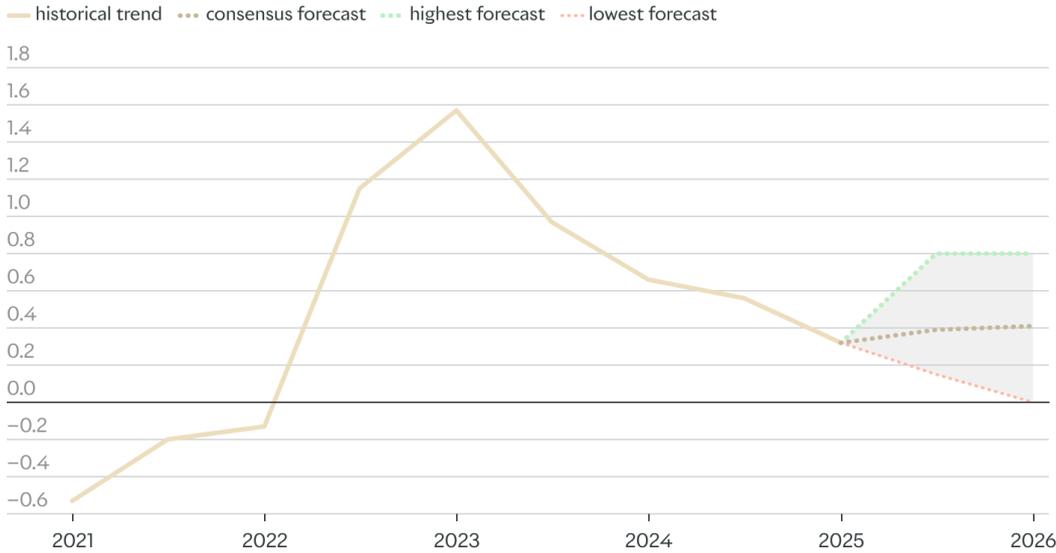


Chart: Swiss Bankers Association · Source: Swiss National Bank, Swiss Banking Outlook · Update March 2025

Views on the Swiss stock market trend are generally positive. On average, the experts put the Swiss Market Index (SMI) at 12,400 by mid-year, representing a sharp rise compared with the level of 11,600 recorded at the end of 2024. However, this is lower than the more optimistic prediction of a historic high of 12,850 points for June 2025 in last year's Swiss Banking Outlook.

The SMI is expected to end the year at 12,600 points, which would equate to a gain of 8.6% for the year as a whole, well above the long-term average. The SMI's annual gains have averaged out at 1.8% over the past five years and 2.6% over the past ten years.

Figure 7

Swiss Market Index SMI

Index level at mid-year and year-end

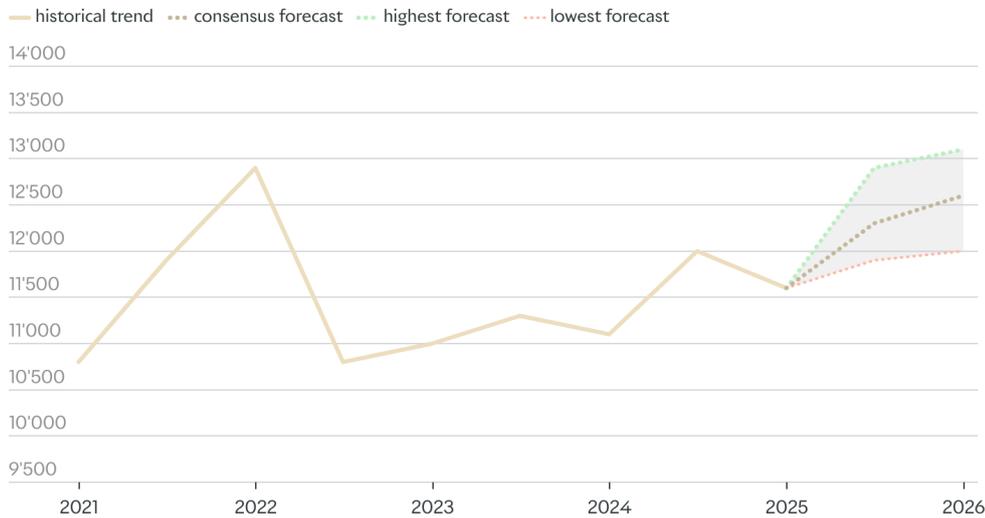


Chart: Swiss Bankers Association · Source: SIX Swiss Exchange, Swiss Banking Outlook · Update March 2025

The experts are assuming that exchange rates will remain largely stable over the year ahead (see Figure 2). The consensus forecasts back up the widespread expectation of a strong Swiss franc acting as a safe haven in an uncertain international environment. One reason against an even stronger franc could be that those taking part in the survey expect the SNB to intervene on the currency markets – indeed, the SNB itself is not ruling this out.

Interest rates posing challenges for banks

The experts foresee a slight downturn in the business trend in the banking industry. Aggregate net income is likely to be lower in 2025 than in the record years that were 2023 and 2024. Whereas 35% of the experts surveyed expect it to be flat year-on-year, the largest share (55%) anticipates a negative trend. The main reason they cite is lower interest margins.

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Figure 8

Aggregated net income

Expected net income 2025 compared to the previous year

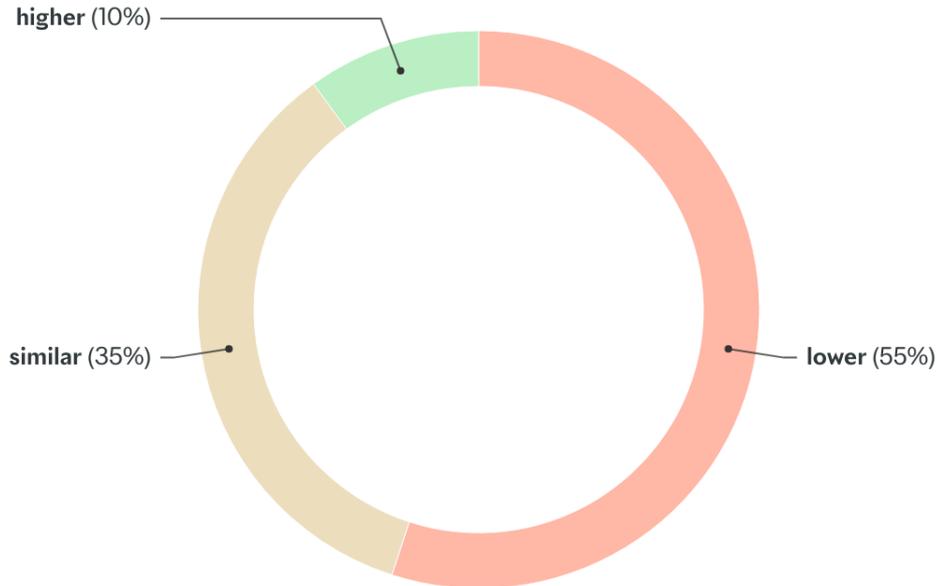


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook · Update March 2025

Accordingly, there is a lot of variation when it comes to estimates for individual fields of business. Most forecast a drop in the result from interest operations compared with last year, especially with low interest rates depressing margins. Meanwhile, half of the experts see the result from commission business and services remaining unchanged, and half see it increasing. The picture is similar with regard to trading activities.

Overall, therefore, the expectation is that aggregate net income (see Figure 8) will be down slightly, with 55% seeing a downturn in the result from interest operations as the dominant factor. The other 45% expect the results from commission business and services and from trading activities to offset or even outweigh any fall in the result from interest operations.

Figure 9

Net income by field of business

Expected net income 2025 compared to the previous year

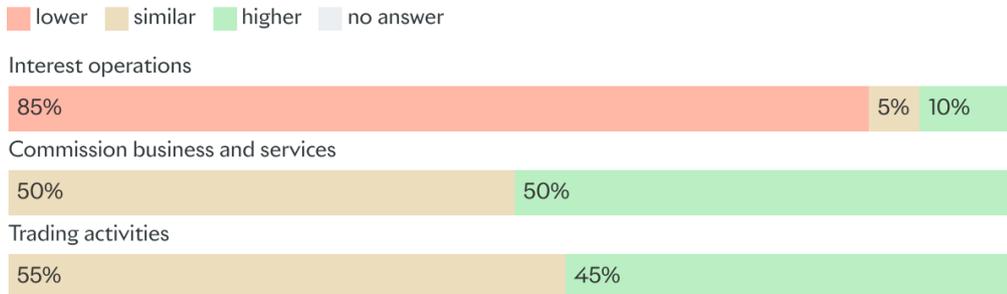


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook · Update March 2025

Opinions on growth in lending are mixed. Whereas the optimists cite above-average demand for mortgages due to lower interest rates, the more sceptical note that lending policies have become more restrictive as liquidity for lending has been eroded by a steady fall in customer deposits and revised minimum reserve requirements. Nevertheless, positive lending growth is possible on the back of rising property prices and persistently strong demand. At the same time, however, falling margins are weighing on the result from interest operations.

Moderate growth is expected for domestic non-mortgage loans on account of doggedly low interest rates and the upbeat economic trend.

Figure 10

Growth rate in the lending business

Expected growth for 2025 compared to the average of the last five years according to the SNB banking statistics (3% p. a.)

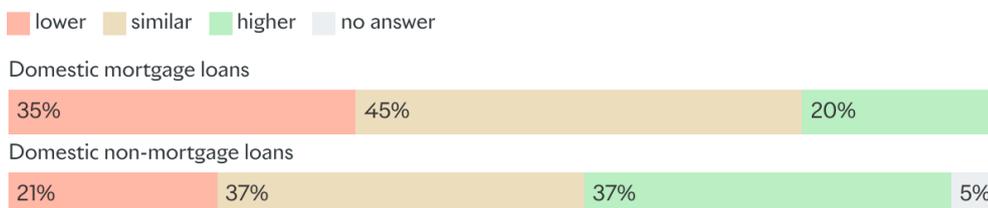


Chart: Swiss Bankers Association · Source: Swiss Banking Outlook · Update March 2025

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Opinions on foreign assets under management are positive. A majority of respondents expect a small to large increase in 2025, with the consensus forecast lying in the range between 2.5% and 5%. This is in line with the long-term growth forecast by BCG. The experts see strong stock market performance over the next year as the main driver.

However, they also have a positive view of net inflows from abroad, expecting growth of 1-2%. This is attributed to the stability and attractiveness of the Swiss financial centre. The study [“The impact of geopolitical risks on Swiss Banking”](#) published by the Swiss Bankers Association and zeb in September 2024 also comes to this conclusion.

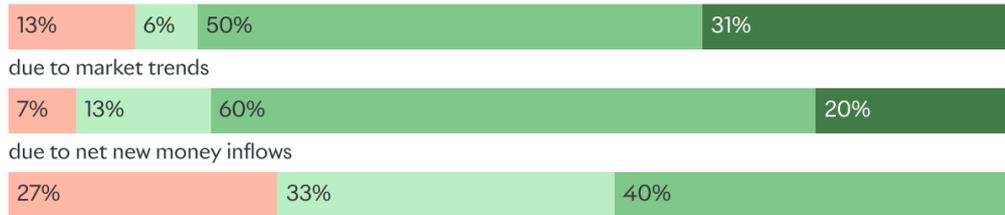
Figure 11

Change in foreign assets under management in Switzerland

Expected change in 2025 in per cent compared to the previous year

■ -2.5 to 0% ■ 0 to +2.5% ■ +2.5 to +5% ■ +5 to +7.5%

Change in foreign assets under management



Note: The areas shown above represent all responses in the possible response range from -10 to +10%

Chart: Swiss Bankers Association · Source: Swiss Banking Outlook · Update March 2025