

# Advanced text with exercises

## Background

Every quarter, the Federal Government’s Expert Group publishes a forecast of economic developments in Switzerland<sup>[1]</sup> based on assumptions about the international economy and monetary developments.

The **spring forecast** was presented on **18 March 2026** with a SECO press release and documented in a comprehensive SECO publication entitled ‘Konjunkturtendenzen’/‘Tendances conjoncturelles’ (see illustration opposite). This publication is freely accessible online in German or French at [www.seco.admin.ch/Konjunkturtendenzen](http://www.seco.admin.ch/Konjunkturtendenzen).

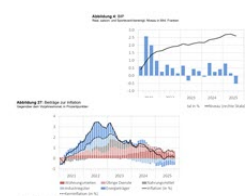


In this **advanced text with exercises**, Iconomix presents a concise summary on the basis of excerpts from the SECO press release and the 31-page SECO publication. It then sets a number of questions on the text to improve comprehension. Questions marked with the 🧠 icon are advanced questions that go beyond understanding the SECO text and encourage further thought and reflection.

As a small economy geared to the global markets, Switzerland is heavily influenced by international economic developments. For this reason, the summary starts with an outline of the **global economic situation** and the monetary environment. The second section looks into the **economic situation in Switzerland** in the fourth quarter of 2025. The third part presents the latest **economic forecast** for 2026 and 2027, while the fourth explains the **risks** to economic development and the forecast.

### Slide set with charts and tables

The Iconomix ‘Economic trends’ unit also includes a [PDF slide set \(in German only\)](#) containing all the charts and tables from the corresponding SECO publication, covering areas such as the contribution made by final domestic demand to GDP growth, global trade and inflation trends.



## 1) International and monetary environment

### Real economy

In the fourth quarter of 2025, the global economy, when looking at Switzerland's key trading partners, expanded somewhat more slowly than in the previous quarter. While growth weakened in both the US and the euro area, GDP in China continued to expand at a similar rate to before. In the UK and in Japan, the economy saw little growth towards the end of the year.

In some countries, the labour market situation was still relatively favourable despite a slight downturn. However, inflation remains high in the major economic areas, particularly for services, which is weighing on household purchasing power.

### Monetary developments

Inflation had receded in many countries by January. However, the outbreak of war in the Middle East caused a sharp rise in oil prices at the beginning of March. At the same time, stock markets fell markedly, particularly in Europe. The Swiss franc is highly valued in both real and trade-weighted terms.

### Exercises on the international and monetary environment

- a) Briefly describe how the global economy developed in the fourth quarter of 2025.

- b) Briefly describe monetary developments since December 2025.

- c) ✎ The text states that inflation in Q4 2025 remained high in the major economic areas and that this is weighing on household purchasing power. Explain the relationship between high inflation and household purchasing power.

- d) ✎ The text states that oil and gas prices have risen sharply since the beginning of March as a result of the war in the Middle East. How is this affecting private households? Explain.

## 2) Economic situation in Switzerland

### Gross domestic product

Swiss GDP adjusted for sporting events grew by 0.2% in Q4 2025. Economic development thus stabilised towards the end of the year.

Growth was concentrated in a few industries, notably in trade and in the chemicals/ pharmaceuticals industry. In most other areas, value added was either weak or declining.

### Labour market

The unemployment rate stood at 2.9% in January. In recent months, unemployment moved sideways in most industries.

### Inflation

Inflation stood at 0.1% in February (December 2025: 0.1%). The low figure is largely attributable to energy prices.

### Exercises on the economic situation in Switzerland

- a) Describe how the Swiss economy developed in the fourth quarter of 2025.

- b) Briefly describe the situation in the Swiss labour market.

- c) Briefly explain how inflation has developed since December 2025.

- d) 🌐 The text states that the low inflation rate of 0.1% recorded in February was largely due to energy prices. What conclusions do you draw from this in relation to the development of energy prices prior to the outbreak of war in the Middle East? Explain.

### 3) Economic forecast for Switzerland

#### Economic environment

The war in the Middle East has led to a substantial rise in international energy prices since the end of February.

Sluggish growth in global demand, heightened uncertainty and the highly valued Swiss franc are having a dampening effect on exposed sectors of the export economy. On the whole, however, foreign trade is expected to provide moderate, yet positive growth stimulus this year.

#### Gross domestic product

Overall, the Federal Government's Expert Group has slightly lowered its growth forecast for Switzerland. For 2026, it expects Swiss GDP expansion to be well below average at 1.0% (December forecast: 1.1%).

In 2027, growth for the Swiss economy is set to accelerate to 1.7%, with annual average inflation of 0.5% (unchanged forecasts). Global demand should gather pace moderately.

#### Labour market

The moderate economic outlook is reflected in the labour market. The unemployment rate is set to rise to an annual average of 3.0% in 2026, before returning to an average of 2.8% in 2027.

#### Inflation

Inflation in Switzerland continues to be low in an international comparison. This is due not only to the ongoing currency appreciation, which is dampening prices of imported goods, but also to lower price increases for services.

Given the rise in oil and gas prices, however, inflation for the current year is also expected to be slightly higher in Switzerland than previously anticipated (0.4%; December forecast: 0.2%).

#### Exercises on the economic forecast for Switzerland

- a) Describe briefly what GDP growth the Federal Government's Expert Group is expecting for 2026 and 2027.

- b) Briefly summarise what unemployment rate can be expected in the forecast period of 2026 and 2027.

- c) Describe in a few words how inflation is likely to develop over the course of the year.

- d) ✚ The worldwide oil and gas price shock impacts the Swiss economy via three channels: higher inflation, weakening global demand and a further appreciation of the Swiss franc. Briefly outline how each of the three channels affects the Swiss economy.

- e) ✚ In times of international crisis, investors seek safe investments, and the Swiss franc is regarded worldwide as a trusted currency due to Switzerland's political and economic stability. Explain how international tensions influence demand for the Swiss franc and how this affects its exchange rate.

f) ⚡ A rapid and excessive appreciation of the Swiss franc poses a risk to price stability in Switzerland. Why is this so? Explain.

g) ⚡ During periods of limited room for manoeuvre with regard to interest rates – the SNB policy rate currently stands at 0% – the Swiss National Bank may deploy additional monetary policy measures, such as interventions in the foreign exchange market. Describe how the SNB intervenes in the foreign exchange market to weaken the Swiss franc.

#### 4) Economic risks

##### Energy prices

The war in the Middle East has led to a rise in international energy prices since the end of February; market developments are very volatile. The future course of the conflict is uncertain and poses risks to global economic development. A prolonged disruption to the region's energy infrastructure or transportation routes could cause prices to increase further. In such a scenario, the global economy would come under additional strain, and inflation would rise worldwide. In Switzerland, too, weaker growth and higher inflation would be expected.

##### Trade policy uncertainty

In addition, uncertainty surrounding international economic and trade policy continues. This forecast is based on the technical assumption that US import tariffs will remain at their current levels. However, changes to US tariffs and the introduction of new tariffs are possible, for instance once existing US regulations expire.

##### Additional economic risks

Other economic risks also persist. Further corrections in the financial markets are possible. The risks associated with global debt, particularly sovereign debt, remain high. If various risks materialise, continued upward pressure on the Swiss franc would be expected.

##### Exercises on the economic risks

a) Any economic forecast is subject to a certain degree of uncertainty. Name major downside risks mentioned in the text.

b) ⚡ Given the high level of uncertainty, SECO is supplementing the Expert Group's forecast with an alternative, more negative scenario. This assumes a more prolonged rise in energy prices (compared to the baseline scenario). Why does it make sense for the Federal Government's Expert Group to think in scenarios when uncertainty is high? Give arguments.

**Footnotes:**

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<sup>[1]</sup> In addition to the Federal Government's Expert Group, a range of other institutions and companies also publish economic forecasts for Switzerland. They include BAK Economics, Institut d'économie appliquée (CREA), the International Monetary Fund (IMF), KOF Swiss Economic Institute at ETH Zurich, the Organisation for Economic Co-operation and Development (OECD), the Swiss National Bank, Swiss Life, UBS and Zürcher Kantonalbank (ZKB).