

Swiss Banking Outlook: moderate economic development, but muted expectations for Swiss banks

Basel, 4 March 2025 – The Swiss Bankers Association (SBA) today published the updated version of the Swiss Banking Outlook, which is considered a relevant indicator of the economic development and the state of the banking sector. The consensus forecast shows a mixed picture: moderately positive economic development, low inflation and a further decline in interest rates are expected in 2025. Aggregate operating profit for the banks will decrease slightly due to a decline in interest-bearing business.

The chief economists and CIOs of the SBA member institutions surveyed expect Switzerland to see economic growth of 1.3 percent in 2025, which is likely to increase to 1.5 percent in 2026. GDP will thus gradually approach the potential rate of 1.75 per cent. The inflation forecast for 2025 is 0.6 per cent, which is within the Swiss National Bank's (SNB) target range. At the same time, the unemployment rate is expected to rise from 2.4 percent to 2.6 per cent. A decline in employment is also emerging in the banking industry: several institutions have already announced that they will be cutting jobs as part of restructuring programs.

"The banking sector is going through a challenging phase. The high level of international uncertainty is reflected in the considerable range of answers given by individual experts," says Dr Martin Hess, Head of Economic Policy at the SBA, adding: "The Swiss economy is developing moderately, but the low-interest rate environment is likely to have a negative impact on aggregate operating net income. Commission business will presumably not be able to compensate for the decline in interest-related business, which means that many institutions are under pressure to optimize their cost structures."

Falling interest margins impact business performance

Expectations regarding the operating performance of banks in Switzerland are muted after the peak years of 2023 and 2024. Interest-related business is under particular pressure: 85 percent of the experts surveyed expect a decline in income from interest-related business, as the continued fall in interest rates is putting pressure on margins. By contrast, commission and service fee business and trading income are expected to remain stable or increase slightly.

In terms of volume development, positive credit growth is also expected in 2025 due to rising real estate prices and sustained demand. However, this will be below average in a multi-year comparison. The trend in assets managed from abroad is viewed positively. Experts expect an increase of 2.5 to 5 percent in 2025, driven by a strong stock market performance and the attractiveness of the Swiss financial center in a geopolitically turbulent environment.

Return to zero interest rate policy not ruled out

The SNB's monetary policy is a key topic in the forecasts. A majority of respondents expect the key interest rate to fall to 0.25 percent by mid-2025. By the end of the year, Switzerland could already be back in a zero or even negative interest rate environment. Lower inflation expectations lead to a comparable picture for the yield on 10-year government bonds. According to the respondents, this is likely to remain at the low level of 0.4 per cent. Switzerland's international interest rate advantage is currently particularly evident: in the US, Germany, the UK and France, long-term interest rates are between 2 and 4 percent higher.

Swiss franc remains strong

The Swiss franc remains strong. However, a majority of the experts do not expect a further massive appreciation by the end of the year. One reason for this is the expectation that the SNB has not ruled out possible currency market interventions.

About the methodology of the Swiss Banking Outlook Update

The results are based on a written survey of 20 financial market experts from member institutions of the SBA. The respondents are chief economists, chief investment officers or senior investment experts. The half-yearly Swiss Banking Outlook provides a consensus forecast of relevant economic and financial market indicators as well as assessments of developments in the banking sector in Switzerland.

Link to [Swiss Banking Outlook](#).

About the SBA

The SBA is the umbrella organisation of the Swiss banks. It represents the sector nationally and internationally vis-à-vis the private sector, policymakers, the authorities and the general public. The SBA advocates for open markets, scope for entrepreneurial freedom and a level playing field. As a centre of competence, it propagates banking expertise and actively engages in future topics. It was founded in Basel in 1912, and its membership today comprises around 265 organisations and some 12,000 individuals.

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