



SWITZERLAND

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

September 2026

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 2026 Article IV consultation with Switzerland, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a Lapse of time basis, following discussions that ended on June 25, 2026, 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 4, 2026.
- An **Informational Annex** prepared by the IMF staff.

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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IMF Executive Board Concludes 2026 Article IV Consultation with Switzerland

FOR IMMEDIATE RELEASE

- *The Swiss economy has demonstrated resilience amid heightened global uncertainty and global energy price shock, benefiting from strong policy frameworks and economic flexibility.*
- *Fiscal and monetary policies are cyclically appropriate but will need to remain nimble. Proposed Too-Big-To-Fail (TBTF) reforms are essential to maintaining financial stability.*
- *Rising medium- to long-term fiscal pressures from aging, defense and climate should be managed within the debt-brake framework, and structural reforms are key to enhancing productivity.*

Washington, DC – September 1, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Switzerland¹ and considered and endorsed the staff appraisal without a meeting on a lapse of time basis on August 25, 2026.² The authorities have consented to the publication of the Staff Report prepared for this consultation.³

The economy has navigated global volatility well. Growth (adjusted for sporting events) was strong at 1.5 percent (1.4 percent without adjustments) in 2025 but appears to be softening in 2026 amid geopolitical uncertainty and weaker global growth. The impact of global energy price shock has been milder in Switzerland. After declining to 0.2 percent in 2025, driven by franc appreciation, falling energy prices, and moderating rents, inflation has picked up. Higher energy prices pushed headline inflation to 0.5 percent in June 2026, while core inflation remained subdued at 0.3 percent. A modest fiscal expansion is underway due to the additional pension benefits, while the monetary policy stance remains unchanged since last year.

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 Executive Board takes decisions under the lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

³ Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the [www.imf.org/\[country\]](http://www.imf.org/[country]) page.

Growth (adjusted for sporting events) is expected to moderate to 0.8 percent (1.1 percent without adjustments) in 2026, supported by accommodative monetary policy and real wage growth despite sluggish external demand. Growth will accelerate during 2027-28 before stabilizing at its potential rate (1.5 percent) thereafter. Inflation is projected to pick up to 0.6 percent in 2026, driven by higher global inflation and energy prices, and will remain low at 0.7 percent, within the SNB's price stability range, over the medium term. Current account surpluses will remain large.

Risks to the outlook are mainly external and tilted to the downside. The situation in the Middle East has improved lately but remains fragile. Elevated geopolitical tensions and a rebound in energy prices could dampen growth, while additional US tariffs as a result of ongoing investigations could weigh on exports. Entrenched trade barriers and fragmentation could undermine long-term potential by disrupting multinational supply chains and weakening the export-oriented, high-productivity growth model. On the upside, lower energy prices and easing geopolitical tensions would bolster growth.

Executive Board Assessment⁴

The Swiss economy has demonstrated resilience amid heightened global uncertainty. Low and stable inflation, well-anchored inflation expectations, strong public finances, and a broadly balanced external position reflect the strength of Switzerland's policy frameworks. While weaker external demand and subdued investment have moderated growth, export performance has remained robust. Nevertheless, the outlook is subject to significant uncertainty, and maintaining macroeconomic stability will require agility as Switzerland confronts shifting global conditions, population aging, and longer-term productivity and climate-transition challenges.

Growth should remain modest in the near term before gradually recovering, while inflation stays low and well within the SNB's price stability range. The outlook is clouded by significant external uncertainty, and risks remain tilted to the downside. Further trade fragmentation, geopolitical tensions, or a sustained rebound in energy prices could weaken external demand and dampen growth, while a more persistent rise in inflation could complicate the conduct of monetary policy. Over the medium term, Switzerland's resilience will continue to rest on its strong monetary and fiscal frameworks, which provide substantial buffers to absorb adverse shocks and support macroeconomic stability.

The modest fiscal expansion in 2026 is appropriate. Higher pension spending is expected to more than offset additional revenues from OECD Pillar 2 implementation, resulting in a small

⁴ 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>.

general government deficit. With growth subdued and downside risks elevated, fiscal support should help sustain domestic demand while remaining consistent with sustainability.

Maintaining the debt brake's credibility in the face of rising long-term spending pressures will require addressing tradeoffs. The debt brake is an important institutional strength that has anchored fiscal discipline and kept public debt low while allowing an appropriate response to major shocks. However, demographic change, higher pension and defense spending, rising health care costs, and climate-related expenditure needs will increase fiscal pressures over time. Meeting these challenges while preserving Switzerland's high-quality public services will require additional revenue mobilization, supported by broader reforms to strengthen the efficiency and resilience of the tax system.

The current monetary policy stance is appropriate, and the SNB should remain prepared to adjust policy as conditions evolve. The current mildly accommodative stance is consistent with maintaining price stability, given subdued inflation and well-anchored inflation expectations. At the same time, the outlook remains highly uncertain. While the SNB should continue to look through temporary supply-driven price movements, it should stand ready to tighten policy if inflationary pressures threaten to become more persistent. Conversely, a severe disinflationary shock associated with safe-haven inflows and franc appreciation could warrant additional monetary easing, including through the use of negative policy rates should circumstances require.

Foreign exchange intervention (FXI) can usefully complement monetary policy in exceptional circumstances. FXI compliant with the Integrated Policy Framework (IPF) can address disorderly market conditions and mitigate the effects of large safe-haven inflows that could de-anchor inflation expectations. However, FXI should not substitute for necessary monetary policy adjustment and is most effective when used alongside other policy instruments.

The SNB's monetary policy framework remains prudent and appropriate. The framework continues to provide a credible anchor for inflation expectations and has demonstrated flexibility across a wide range of economic conditions. Clear communication of the SNB's commitment to maintaining price stability and its willingness to deploy available policy instruments as needed will remain important for preserving this credibility.

The authorities' commitment to strengthening Switzerland's TBTF framework is welcome; passage and implementation should proceed. The proposed requirement, consistent with FSAP recommendations, for global systemically important banks to fully capitalize foreign subsidiaries with common equity tier-1 (CET1) capital would materially strengthen resolvability and should not be diluted. The introduction of the SNB's Extended Liquidity Facility is welcome—establishment of a public liquidity backstop would further reinforce the crisis-management framework. Continued efforts to strengthen FINMA's resources, powers, and enforcement capabilities are equally important for ensuring effective supervision and the ability to act swiftly in the event of potential distress.

Additional efforts would further strengthen the financial system resilience. While the banking system remains sound and risks outside the banking sector are generally contained, vulnerabilities in residential real estate markets warrant continued vigilance. Elevated property valuations, compressed rental yields, and pockets of weak borrower affordability underscore the case for further strengthening the macroprudential framework, including formalizing institutional arrangements and adding borrower-based measures to the available policy toolkit. Supervisors should also continue to monitor risks arising from nonbank financial institutions, including insurers' derivative exposures, data gaps, and evolving cross-border linkages, as well as potential spillovers through covered bond and other funding markets. Ongoing efforts to strengthen operational resilience, including in response to growing cyber threats, are welcome, and further improvements to AML/CFT risk-based supervision are encouraged.

Structural reforms will be essential to sustain growth and preserve fiscal sustainability in the face of demographic change. The authorities should advance comprehensive pension and health care reforms to address long-term spending pressures and strengthen the sustainability of social insurance systems. Measures that encourage longer working lives, improve labor force participation, enhance workforce skills, and maintain openness to qualified migration will add to Switzerland's successful labor market model. Further efforts to reduce regulatory burdens, strengthen competition, and improve the environment for investment and innovation would bolster productivity, particularly among small and medium-sized enterprises and in services. Continued progress with the energy transition is commendable, including measures that strengthen energy security and market-based incentives to reduce emissions.

Table 1. Switzerland: Selected Economic Indicators, 2021–2031

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Staff projections										
Real GDP (Percent Change) 1/	6.2	3.6	0.9	1.4	1.4	1.1	1.2	1.9	1.2	1.8	1.2
Real GDP (adj. for sporting events)	5.9	3.5	1.2	1.2	1.5	0.8	1.5	1.7	1.5	1.5	1.5
Total domestic demand	0.5	2.5	3.2	0.9	3.9	1.2	1.1	1.3	1.2	1.2	1.2
Final domestic demand	2.7	3.0	1.7	1.7	0.7	1.0	1.2	1.4	1.3	1.3	1.3
Private consumption	2.2	4.9	1.4	2.4	1.5	1.2	1.3	1.5	1.5	1.4	1.5
Public consumption	2.9	-0.6	1.4	1.3	0.4	1.1	0.9	1.0	0.9	0.9	0.9
Gross fixed investment	3.6	1.1	2.3	0.5	-0.7	0.4	1.1	1.5	1.2	1.2	1.2
Inventory accumulation 2/	-2.0	-0.4	1.6	-0.7	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Foreign balance 2/	5.7	1.3	-1.9	0.6	-2.1	0.0	0.1	0.7	0.1	0.7	0.1
Nominal GDP (billions of Swiss francs)	767.7	819.6	834.4	854.2	867.8	882.8	898.5	922.2	939.6	963.9	982.9
Savings and Investment (Percent of GDP)											
Gross national saving	35.5	35.5	34.4	35.7	35.8	36.2	36.4	36.5	36.0	36.0	35.6
Gross domestic investment	28.0	26.6	28.6	26.8	29.4	29.4	29.4	29.1	29.0	28.6	28.6
Household savings	14.6	11.5	12.6	13.6	...	...	...	...	...	...	...
Current account balance	7.4	9.0	5.8	8.9	6.4	6.8	7.1	7.4	7.0	7.4	7.0
Prices and Incomes (Percent Change)											
GDP deflator	1.9	3.1	0.9	1.0	0.2	0.6	0.6	0.7	0.7	0.7	0.7
Consumer price index (period average)	0.6	2.8	2.1	1.1	0.2	0.6	0.6	0.7	0.7	0.7	0.7
Consumer price index (end of period)	1.6	2.9	1.7	0.6	0.1	0.7	0.7	0.7	0.7	0.7	0.7
Nominal hourly earnings	-0.2	0.9	1.7	1.8	1.8	1.2	1.2	1.2	1.2	1.2	1.2
Unit labor costs (total economy)	-1.5	2.2	2.8	1.9	0.1	0.4	0.3	0.3	0.3	0.3	0.3
Employment and Slack Measures											
Unemployment rate (in percent)	3.0	2.2	2.0	2.4	2.8	3.1	3.0	2.8	2.8	2.8	2.8
Output gap (in percent of potential)	-0.4	0.5	0.0	0.0	0.0	-0.5	-0.4	-0.2	-0.1	0.0	0.0
Capacity utilization	76.3	77.7	77.3	75.6	74.5	...	...	...	...	...	...
Potential output growth	4.9	2.5	1.4	1.5	1.5	1.4	1.4	1.5	1.5	1.5	1.5
General Government Finances (Percent of GDP)											
Revenue	32.4	31.6	31.4	31.9	32.9	33.4	33.6	33.7	33.9	34.0	34.1
Expenditure	33.5	30.4	31.0	31.5	32.6	33.5	33.7	33.8	34.1	34.3	34.5
Balance	-1.1	1.2	0.3	0.4	0.3	-0.1	-0.1	0.0	-0.2	-0.2	-0.4
Cyclically adjusted balance	-1.0	1.0	0.3	0.4	0.3	0.1	0.0	0.0	-0.2	-0.2	-0.4
Gross debt 3/	42.7	38.6	39.8	40.3	39.8	39.4	39.1	38.5	38.3	37.6	37.3
Monetary and Credit (Percent Change, Average)											
Broad money (M3)	1.4	0.1	-2.0	1.9	4.5	1.7	1.8	2.6	1.9	2.6	2.0
Domestic credit, non-financial	3.8	2.6	1.8	2.3	2.3	2.1	1.8	2.6	1.9	2.6	2.0
3-month Treasury bill interest rate (%)	-0.8	0.9	1.7	0.4	0.0	...	...	...	...	...	...
Yield on government bonds (7-year)	-0.4	0.6	1.0	0.6	0.2	...	...	...	...	...	...
Exchange Rates (Levels)											
Swiss francs per U.S. dollar (annual average)	0.9	1.0	0.9	0.9	0.8	...	...	...	...	...	...
Swiss francs per euro (annual average)	1.1	1.0	1.0	1.0	0.9	...	...	...	...	...	...
Nominal effective rate (avg., 2000=100)	129.9	135.8	144.4	149.0	154.5	...	...	...	...	...	...
Real effective rate (avg., 2000=100) 4/	105.8	106.1	109.7	111.2	112.7	...	...	...	...	...	...

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 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 2026 ARTICLE IV CONSULTATION

August 4, 2026

KEY ISSUES

Context. Elevated geopolitical and trade uncertainty, weaker trading partner growth, and safe-haven inflows present significant challenges. Supported by high productivity and strong policy frameworks, the Swiss economy has been resilient. Growth has slowed this year, but consumption has been stable. Higher energy prices, partly offset by franc appreciation, have increased inflation modestly.

Outlook and Risks. The baseline assumes continued high energy prices and restrained global growth. Swiss growth will rise toward potential, but inflation will remain subdued. External risks dominate and leave the balance of risks firmly on the downside. However, a reduction in global energy prices could support higher growth.

Fiscal Policy. The 13th monthly pension payment will result in a modest fiscal expansion. Rising near-term expenditure pressures, notably on pensions and defense, and longer-term challenges, particularly from aging and climate, will require revenue and/or expenditure measures to remain compliant with national and local fiscal rules.

Monetary Policy. The SNB has kept its policy rate at zero since June 2025 while signaling an increased willingness to use foreign exchange intervention (FXI) if necessary. In the event of disinflationary pressures that risk de-anchoring of inflation expectations, the SNB should stand ready to use negative interest rates and, potentially under certain circumstances, FXI guided by IPF.

Financial Policies. The authorities' financial safety net improvements and Too-Big-to-Fail (TBTF) agenda are broadly in line with the 2025 FSAP recommendations. With systemic risk from mortgages continuing to rise, macroprudential oversight and toolkit improvements remain important.

Structural Policies. Further reforms can raise productivity and mitigate labor shortages. Pension and health care reforms will help maintain high welfare outcomes while reducing fiscal costs and risks. Climate mitigation reforms should be designed to minimize economic costs.

Approved By:
Mark Horton (EUR)
and Lamin Leigh
(SPR)

Discussions took place during June 11–25, 2026 in Bern and Zürich. The staff team comprised James P. Walsh (head), Romain Bouis, Ece Özge Emeksiz, and Phakawa Jeasakul (all EUR). Mahika Gandhi and Marizielle Evio assisted from headquarters (all EUR). Christoph Baumann-Kesten and Amelie Brune (OED) attended some meetings. The team met with Swiss National Bank (SNB) Chairman Martin Schlegel, Federal Department of Finance (FDF), Federal Councilor Karin Keller-Sutter, Federal Finance Administration (FFA) Director Sabine D’Amelio-Favez, 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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CONTEXT: STABILITY AMID GLOBAL VOLATILITY

1. Switzerland's strong policy frameworks and highly flexible economy have helped it weather current global volatility. In 2025, exports remained solid despite high and variable US tariffs and slow European trading partner growth. In 2026, the energy price shock from March has affected Switzerland less than its neighbors thanks to lower fossil fuel dependence. Global financial volatility has spurred safe-haven inflows and upward pressures on the franc, but the 2025 external position remained broadly in line with the level implied by medium-term fundamentals and desirable policies. Stable domestic consumption has supported growth. Inflation remains low, but has risen above recent zero readings, mostly due to higher energy prices.

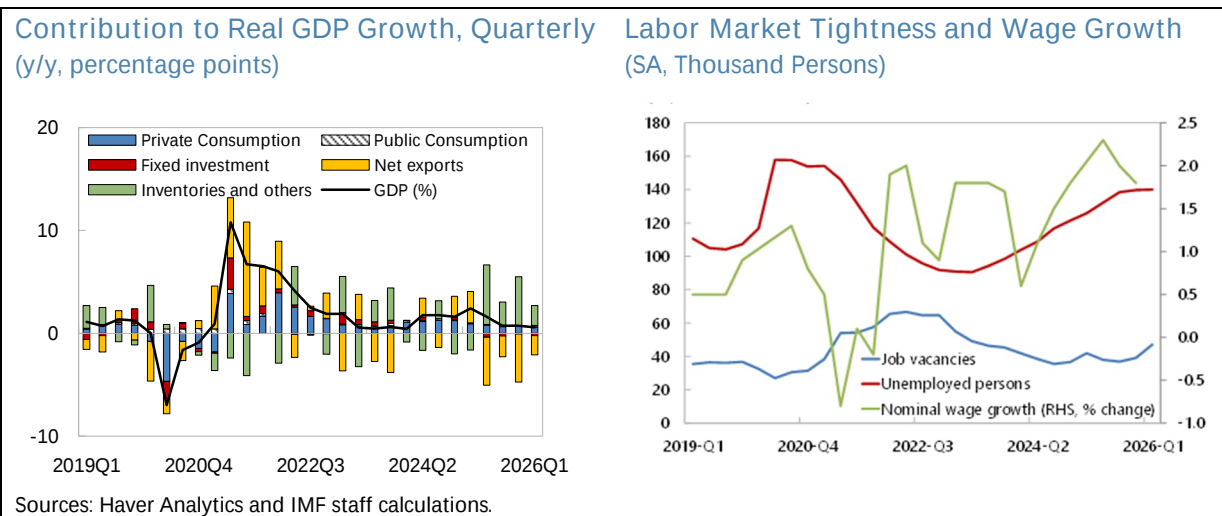
2. Global volatility and medium-term challenges mean that sustaining this record will require continuing improvements to Switzerland's frameworks. Inflation and inflation expectations remain comfortably within the SNB's tolerance band. But more than a year after the policy rate was lowered to zero, limiting monetary policy flexibility, responding to frequent external shocks is challenging. Addressing Too-Big-to-Fail (TBTF) risks and improving the supervisory framework would strengthen financial resilience. House prices continue to rise and lending remains concentrated in mortgages, pointing to the need for vigilance on systemic credit risk. Finally, medium-term fiscal challenges from aging, climate, and rising defense needs will have to be addressed within the prudent but rigid debt-brake framework. Structural measures to rein in long-term fiscal costs while improving labor and product market flexibility will help on both of these fronts, although significant revenue and/or expenditure measures will be needed over the medium term. Other reforms can further improve productivity, labor force participation, and climate mitigation. The recently signed "Bilaterals III" agreements with the EU should ensure continued access to the single market, reducing uncertainty.

ECONOMIC DEVELOPMENTS SINCE 2025 ARTICLE IV

3. Following resilient growth and near-zero inflation in 2025, the economy has slowed (in yoy terms) in 2026 and energy prices have nudged inflation higher. Growth rose to 1.5 percent in 2025 (adjusted for international sporting events of Swiss-based institutions) as real wage gains of 1.6 percent supported consumption, but appears to be softening in 2026, with growth falling to 0.4 percent yoy in 2026:Q1 amid subdued investment, weaker foreign demand, and heightened geopolitical uncertainty. Headline inflation fell sharply—from 1.1 percent in 2024 to 0.2 percent in 2025—driven by franc appreciation, falling energy prices, and moderating rents. Higher energy prices pushed inflation to 0.5 percent in June 2026 with core inflation remaining contained at 0.3 percent, suggesting limited pass-through from higher energy prices to underlying inflation. Various measures of short-term inflation expectations have increased to 0.8–1.2 percent amid higher energy prices, while long-term inflation expectations remain anchored at around 1 percent.¹ The labor market is showing

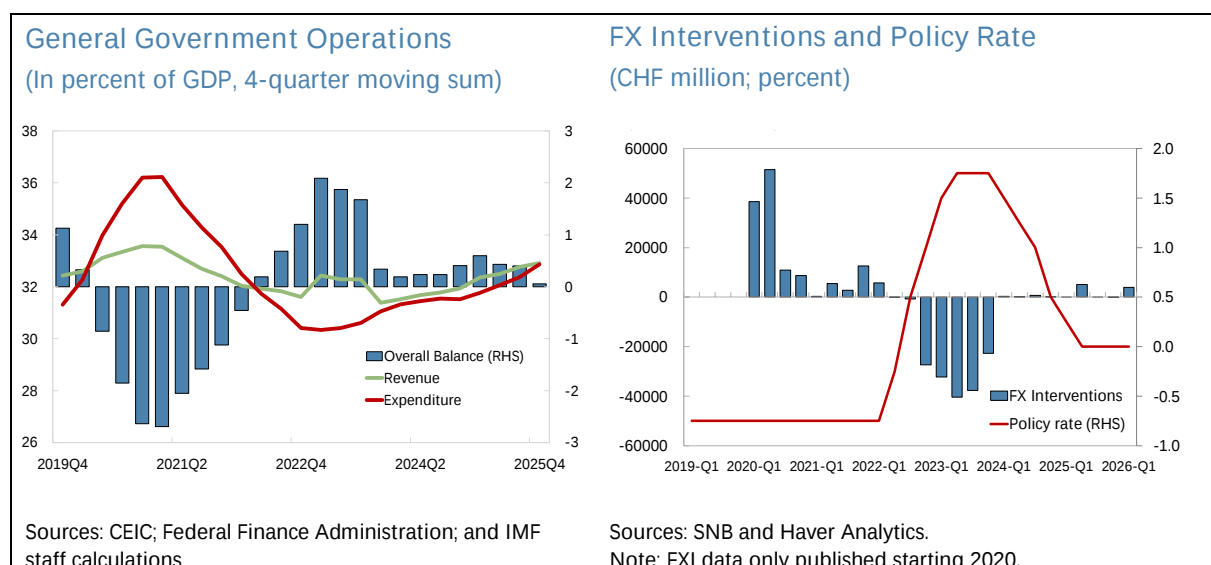
¹ Cumulative pass-through of a 1-percent appreciation after one year is 0.12 percentage point for headline inflation (SIP 2024). A 10 percent increase in energy prices would raise headline inflation by around 0.1 ppt.

signs of modest weakening, with unemployment rising to 3.0 percent, and employment growth slowing to 0.2 percent yoy in 2026:Q1.

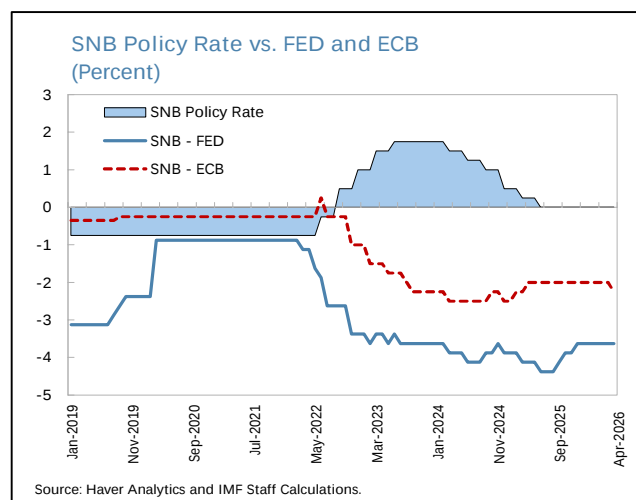


4. The policy mix is mildly stimulative.

- A modest fiscal expansion is underway. The general government overall surplus narrowed to 0.3 percent of GDP in 2025 from 0.4 percent in 2024. The approval by public referendum of a 13th monthly payment to pensioners will raise expenditure by 0.5 percent of GDP in 2026, financed mainly by drawing down pension fund assets (which totaled CHF 55 billion at end-2024). The OECD minimum tax is coming online, while defense spending is rising. No supportive measures have been introduced this year in response to higher energy prices since March; public debt, at around 40 percent of GDP, remains low.



- The policy rate is unchanged since last year. The policy rate has been set at zero since June 2025, well below levels in the US and euro area. The SNB cites growth in credit and monetary aggregates in characterizing this level as stimulative, while noting that the negative impact of negative interest rates on savers and banks sets a high bar for further rate cuts.² It has also expressed a greater willingness to use FXI to counter appreciation pressures from safe-haven flows if necessary: the SNB intervened modestly in 2026:Q1 to address appreciation pressures in response to volatility surrounding Middle East conflict, less than in 2025:Q2 following US trade policy announcements. Three years after the UBS acquisition of Credit Suisse (CS), transmission has not notably weakened as the banking sector has remained competitive (Annex I). Since November, the SNB has also lowered its minimum reserve threshold factor from 18.5 to 13.5 to strengthen interbank lending and monetary policy traction.³



5. The financial system is sound and buffers are ample. Last year's FSAP found the financial system highly resilient to an adverse scenario.⁴

- Among banks, the aggregate Tier 1 regulatory capital ratio is above 20 percent and the liquidity coverage ratio (LCR) is at 175 percent at end-2025, both well above regulatory minima. While UBS lending has fallen relative to the pre-2023 UBS+CS level, rising lending from domestically focused banks has more than offset this fall.⁵
- Non-mortgage credit rebounded in 2026:H1 (up 6.7 percent yoy in April) after shrinking FX loans led to a decline of 2.1 percent in 2025, compared to the 2001-2024 average of 1.7 percent.⁶ Low interest rates supported mortgage growth of 3.1 percent in 2025 while owner-occupied housing prices rose by 4.5 percent. Amid strong competition and high

² [SNB, March 2026 Monetary Policy Assessment](#).

³ Remuneration is reduced by 0.25 ppt. on SNB deposits above a level calculated from this factor; with the policy rate at zero banks must pay the SNB for reserves above that threshold.

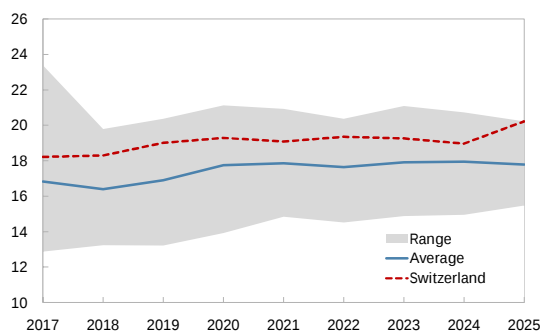
⁴ See IMF. 2025. "[Switzerland: Financial Sector Assessment Program-Technical Note on Systemic Risk Analysis and Stress Testing](#)." IMF Country Report No. 25/311.

⁵ See "[The Credit Suisse Crisis and its Effect on the Swiss Credit Market](#)," Research Seminar Sciences Po / Banque de France, Antoine Martin, February 11, 2026.

⁶ [SNB March Quarterly Bulletin, 2026](#).

housing prices, banks have stretched lending criteria to sustain mortgage growth.⁷ Mortgages grew on average by around 2 percent yoy in the year to May.

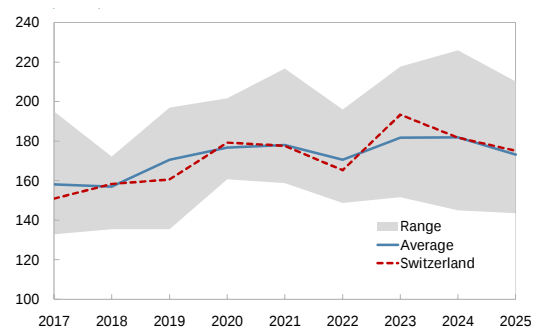
Tier 1 Capital to Risk-Weighted Assets (Percent)



Source: IMF FSI.

Note: Average includes CAN, CHE, DEU, DNK, FRA, ITA, GBR, SWE, and USA.

Liquidity Coverage Ratio (Percent)

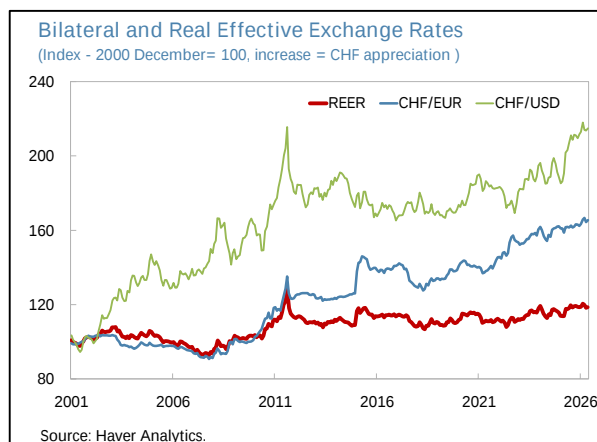


Source: IMF FSI.

Note: Average includes CHE, DEU, DNK, ITA, FRA, GBR, and SWE.

- Among NBFIs, insurers' balance sheets strengthened due to temporarily higher rates in 2022–24. Pension funds achieved a 5.5 percent median yield in 2025, maintaining a healthy balance between contributions and payouts. NBFIs are also present in mortgage markets.

6. The 2025 external position was broadly in line with the level implied by medium-term fundamentals and desirable policies (Annex II). Switzerland's export sector is concentrated in high-value added sectors and is somewhat less sensitive than some countries to exchange rate volatility and trading partner demand (Annex III). The current account surplus stood at 6.4 percent of GDP in 2025. Since September 2025, the franc has remained broadly stable against the US dollar and the euro. SNB's foreign reserves have also been relatively stable, totaling CHF 711 billion at end-May.⁸



7. The authorities have implemented several 2025 Article IV recommendations. The SNB began publishing summaries of monetary policy discussions, enhancing transparency. In line with 2025 FSAP recommendations, an Extended Liquidity Facility is planned, alongside legislative proposals to strengthen FINMA's crisis powers and address TBTF risks. Structural reforms

⁷ See [FINMA Risk Monitor 2025](#), FINMA, November 2025.

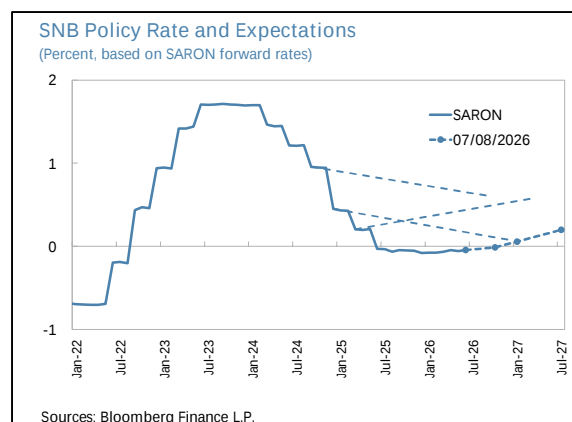
⁸ The de jure exchange rate arrangement is free floating, while the de facto exchange rate arrangement is assessed as crawl-like (Informational Annex)."

progressed with the signing of the EU “Bilaterals III” package to support market access, energy security, and labor market outcomes. To address productivity gaps and strengthen competition, authorities introduced an action plan to reduce regulatory and administrative burdens and revised the Cartel Act to modernize merger control and enhance antitrust enforcement.

OUTLOOK AND RISKS: STAYING THE COURSE IN AN UNCERTAIN CONTEXT

8. Baseline projections assume persistent external headwinds, a continuation of the current monetary policy stance, and rising spending over the medium term.

- External Context. Consistent with the July 2026 IMF WEO update, the baseline assumes weak trading-partner growth and heightened geopolitical uncertainty.⁹ Commodity prices are expected to increase substantially this year, but recede gradually in the medium term. US tariffs on Switzerland are assumed to be set at 12.5 percent.¹⁰



- Domestic Policies. The monetary stance is expected to remain unchanged in the short term. VAT increases will keep the Confederation's balance broadly unchanged, while the balance of social security funds will deteriorate over time as spending pressures rise.

9. Growth is expected to remain below potential in the near term, then gradually recover, while inflation will remain subdued.

- Growth (adjusted for sporting events) in 2026 is projected at 0.8 percent (1.1 non-adjusted). Accommodative monetary policy and housing demand will support investment, and real wage growth should continue to buoy private consumption. External demand is expected to remain weak due to sluggish trading partner growth and high geopolitical and tariff uncertainty. Average inflation is projected at 0.6 percent, driven by higher global inflation and energy prices, moderated by strong exchange rate pass-through.
- Adjusted growth should pick up to 1.5 percent in 2027 (1.2 non-adjusted), supported by global recovery and stable consumption, and stabilize at its potential rate (1.5 percent). Given

⁹ Commodity price assumptions in the baseline are based on the July 2026 WEO.

¹⁰ Following a Section 301 investigation, the United States imposed tariffs of up to 12.5 percent on Swiss imports, net of the existing most-favored-nation (MFN) duty. The effective tariff rate is around 6.1 percent. A 15-percent tariff imposed under Section 232 on pharmaceuticals is expected to have limited impact as many large firms have secured exemptions.

continued franc strength, inflation is expected to remain low, averaging 0.6 percent in 2027 and 0.7 percent in 2028.

10. Risks to the outlook are tilted to the downside. The recovery in 2027 is predicated on normalization of external demand and investment appetite. But further elevated geopolitical tensions and a renewed spike of energy prices would weigh on the outlook (Annex IV). Switzerland is one of many countries being investigated under Section 301 of the US 1974 Trade Act, and imposition of further tariffs could weigh on exports. Entrenched trade barriers and fragmentation could undermine long-term potential by disrupting multinational supply chains and weakening the export-oriented, high productivity growth model. On the upside, lower energy prices and easing geopolitical tensions would further bolster growth.

11. Switzerland's prudent policy frameworks support robustness to potential downside scenarios. In an adverse global downside scenario, higher commodity prices, weaker partner demand, and safe-haven flows could reduce Swiss real GDP by around 0.3 ppt. over two years compared to the current baseline, which already lags earlier forecasts.¹¹ Franc appreciation would partly offset higher energy prices, with inflation rising by around 0.5 ppt. in the first year and 0.1 ppt. in the second year. Inflation would thus remain comfortably within the SNB's 0–2 percent price stability range (PSR). In a more severe scenario, elevated commodity prices and tighter financial conditions could reduce real GDP by 0.9 ppt. over a two-year period compared to baseline projections.¹² Inflation would rise by 0.7 ppt. in both the first and second years, compared to baseline. Low reliance on imported fossil fuels reduces this estimate, but higher policy rates may still be necessary to contain inflation expectations. Automatic stabilizers should be allowed to function. Extraordinary fiscal measures could be contemplated, if needed, to cushion growth and ease the burden on monetary policy.

Text Table 1. Switzerland: Scenario Analysis

	April WEO		Baseline		Adverse Scenario		Severe Scenario	
	2026	2027	2026	2027	2026	2027	2026	2027
Real GDP Growth (adj. for sporting events).	1.0	1.6	0.8	1.5	0.7	1.3	0.4	1.0
Inflation	0.5	0.5	0.6	0.6	1.1	0.7	1.3	1.3

¹¹ [IMF \(2026\), World Economic Outlook, April.](#)

¹² [IMF \(2026\), World Economic Outlook, April.](#)

Authorities' Views

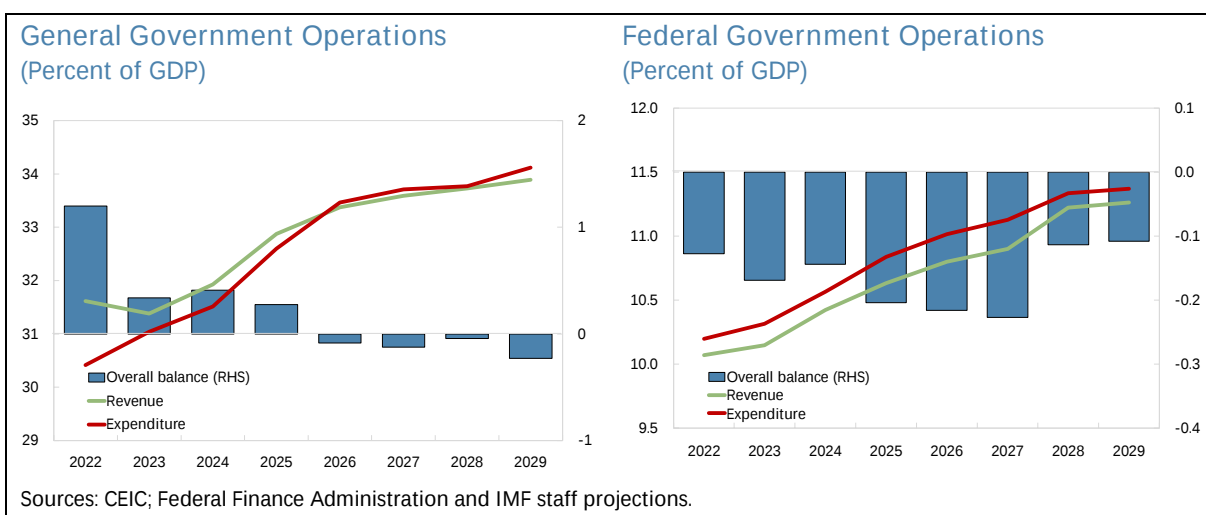
12. The authorities broadly shared staff's assessment of the outlook, risks and external position. They agreed that growth would be moderate in the near term, reflecting a slight slowdown in global economic activity and elevated geopolitical and tariff uncertainty, before picking up as global demand gradually recovers. At their June monetary policy assessment, the SNB expected inflation to rise further slightly in the short term, driven by the past increase of energy prices and higher foreign inflation, before declining again somewhat in the first half of 2027. Inflation is expected to remain within the SNB's range of price stability over the entire forecast horizon. On the assessment of the external position, they pointed out that Switzerland's current account surplus is warranted by fundamentals, with measurement issues related to statistical standards remaining crucial to understanding the surplus. Measurement issues, together with the trend appreciation of the Swiss franc, also explain the large discrepancy between the cumulated current account balances and the NIIP. They noted their ongoing efforts to better capture the activities of large multinational enterprises in BOP and IIP statistics.

POLICY DISCUSSIONS: STRENGTHENING LONG-TERM RESILIENCE

Discussions focused on how Switzerland's already-strong policy frameworks can foster stability amid slowing growth, a volatile global environment, and rising long-term challenges. With only a small output gap, fiscal policy under the debt brake is cyclically appropriate, but long-run expenditure needs present difficult tradeoffs. Inflation remains within the SNB's range, but monetary policy flexibility is limited by the current zero policy rate and costs of employing negative interest rates. On the financial sector, the authorities should continue to improve oversight, expand their macroprudential policy toolkit, and build resilience against high systemic credit and TBTF risks in light of 2025 FSAP recommendations. Structural reforms, including measures to enhance productivity and labor supply, will broaden growth sources. Measures to streamline pension and health systems and advance climate action may reduce fiscal strains along with making the economy more resilient.

Fiscal Policy: Managing Rising Expenditure Pressures

13. The small fiscal expansion in 2026 will help cushion the effects of higher energy prices and uncertainty. The federal deficit will remain at 0.2 percent of GDP, as strong corporate income taxes, including Confederation proceeds from OECD Pillar 2 implementation, compensate for this year's spending increases. However, the pension increase will shift the general government overall balance into a deficit of 0.1 percent of GDP, for an overall deterioration of 0.4 percent of GDP (0.2 cyclically adjusted), partly compensating for the small negative output gap.



14. Medium-term spending commitments will require important fiscal adjustments to ensure debt brake compliance. At the federal level, the medium-term component of the 2026 budget envisages rising expenditure.¹³ Following spending cuts in 2024-25 and Relief Package 27, which further reduces spending by 0.2 percent of GDP, further consolidation will still likely be needed for debt brake compliance. Planned VAT increases aim at covering higher pension and defense spending. In June, the parliament approved an increase in the VAT rate by 0.4 percentage points to finance the 13th monthly old-age pension payment from 2028, while the discussion of another VAT increase to finance defense spending is ongoing. Both are subject to referenda, meaning alternative measures would be required should they not pass. Absent policy actions, it will be challenging to wind down the balance of the amortization account (CHF 26 billion at end-2025) that funded extraordinary expenditure related to COVID-19 and support for Ukrainian refugees.¹⁴

15. Long-term pressures from population aging and climate transition also raise difficult tradeoffs (Annex VI). Public debt is low and robust to shocks (Annex VII). But rising spending on pensions and health care along with climate mitigation costs could increase public debt by more than 56 percent of GDP by 2060.

- Aging. Staff analysis indicates that annual expenditure on old-age and survivors' pensions and disability benefits will rise by 1.4 percent of GDP by 2060. The Federal Finance Administration estimates that general government health expenditure will rise by 1.2 percent

¹³ The government plans to meet a defense spending target of 1 percent of GDP by 2032, requiring additional spending of 0.3 percent of GDP relative to 2025. Additional spending of CHF 21 billion is also envisaged as part of the proposal to raise the VAT rate.

¹⁴ The account can only be closed via budget surpluses or extraordinary revenues (including a portion of SNB profit distribution).

of GDP to 5.0 percent by 2060, even after important reforms.¹⁵ If unaddressed, these commitments would raise public debt by around 48 percent of GDP by 2060.¹⁶

- **Climate.** According to the authorities' 2024 Fiscal Sustainability Report, climate mitigation policies required to achieve Switzerland's net-zero objectives could affect economic activity and public finances, raising public debt in 2060 by 8–11 percent of GDP relative to the reference scenario. Costs could be higher if economic costs from climate change and adaptation spending are considered.

Text Table 2. Switzerland: Long-Term Government Expenditure Pressures
(In percent of GDP)

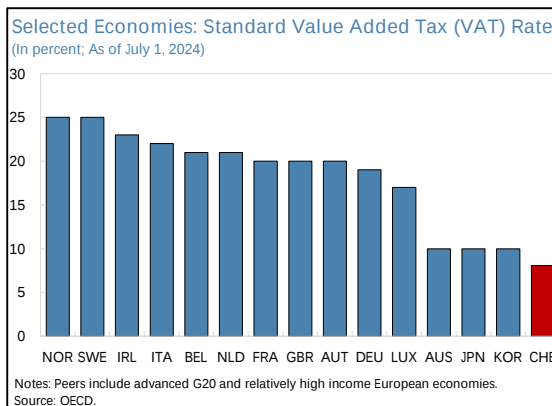
	Expenditure				By 2060	
	2025	2040	2050	2060	Change in expenditure	Additional debt 2/
Social insurance 1/	7.8	9.2	9.2	9.3	1.4	21
Old-age and survivors' insurance	6.0	7.3	7.3	7.4	1.3	..
Disability insurance	1.1	1.1	1.1	1.1	0.0	..
Supplementary benefits	0.7	0.8	0.8	0.8	0.1	..
Health	3.8	4.5	4.8	5.0	1.2	27
Climate	..	..	..	..	..	8
Total	..	..	..	..	..	56
<i>Memo item:</i>						
Total health expenditure	11.5	13.5	14.7	15.3	3.8	..

1/ The figure shows social benefits. Not include unemployment insurance and compensation for loss of earnings schemes as they are less exposed to population aging.

2/ For social insurance, additional debt results from the Confederation's higher contributions and social security funds' financing gaps. For climate, additional debt captures the economic impact of further climate mitigation actions required to achieve the climate objectives.

Sources: Colombier, Lerch and Brändle (2026); Swiss authorities; and IMF staff estimates.

16. With discretionary spending relatively small, revenue measures should be at the center of a long-run sustainability strategy. The debt brake has served Switzerland well, providing an effective fiscal anchor while embedding sufficient flexibility to deal with exceptional circumstances. Going forward, fiscal adjustments to ensure long-term sustainability should be undertaken within the rule. Structural policies can help slow long-term pension and health care costs (see below). Politically challenging retirement age and indexation reforms will have to be



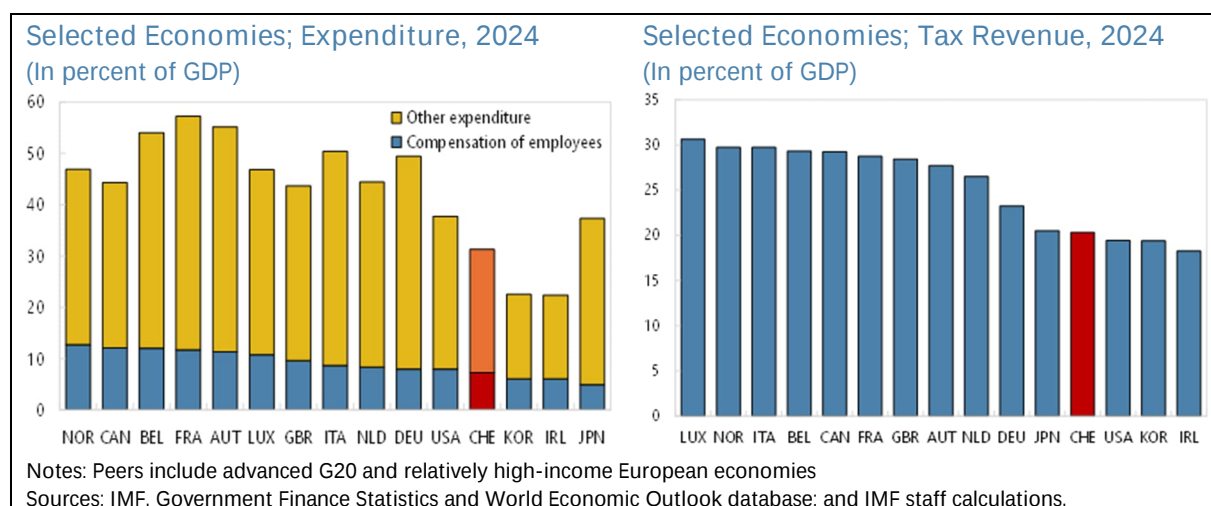
¹⁵ Reforms include a uniform financing scheme for patient care and a cantonal financing contribution requirement to reduce individual premia. See [Colombier, Lerch, and Brändle \(2026\)](#).

¹⁶ Additional debt due to higher other social insurance spending is more limited because social benefits are also financed by social contributions.

weighed against higher contribution rates. Overall, staff analysis suggests that additional measures totaling 0.9 percent of GDP in 2032 and potentially higher over time will be needed to keep debt stable. However, much spending is mandated by law, limiting the scope for expenditure cuts. Numerous tax reforms are underway, some of which are aimed at enhancing efficiency and equity in a highly decentralized tax system (see Box 1). These reforms should aim to be at least revenue-neutral. Staff estimates that the VAT rate would have to be raised slightly in 2032, and then annually thereafter to keep debt stable as expenditure rises, though base broadening or greater collection efficiency would reduce this.¹⁷ Nevertheless, this would still leave Switzerland with a lower tax burden than many OECD peers.

Authorities' Views

17. The authorities emphasized Switzerland's strong fiscal position while broadly agreeing with staff's assessment of rising medium- and long-term spending pressures. The authorities stressed that the debt brake continues to provide a credible and flexible fiscal anchor. Acknowledging budgetary pressures from the 13th monthly old-age pension payment and higher security spending, they felt these would be covered within the debt brake via proposed VAT increases or compensatory spending cuts. They also highlighted the role of the Relief Package 27 and ongoing efforts to identify further savings to ensure continued compliance with the federal debt brake. Looking further ahead, the authorities shared staff's concerns regarding demographic change, security needs, and climate-related costs. While noting the fiscal impact of ongoing health care reforms, they are assessing options to strengthen the financial sustainability of the pension system and reviewing spending responsibilities across levels of governments. While viewing VAT increases as an efficient and reliable source of revenue, they remain open to a broader mix of revenue and expenditure measures to address long-term fiscal pressures.



¹⁷ Tax bases could be broadened by reducing income tax deductions, narrowing the scope of reduced VAT rates, and expanding carbon and real estate taxes.

Box 1. Switzerland: Ongoing Tax Reform Initiatives

Ongoing tax reforms may address existing distortions and mobilize revenue over the medium term.¹

- Individual taxation. Approved by referendum in March, this reform aims to make income tax civil-status neutral, and will be implemented no later than 2032. The shift to individual taxation is expected to reduce federal income tax revenue by CHF 0.6 billion but may boost female labor force participation.
- Taxation of imputed rental value. Approved by referendum in September 2025, this reform will abolish taxation of imputed rental value from 2029, together with most related deductions including mortgage interest expenses and maintenance and renovation costs. At the same time, cantons are authorized to introduce a special property tax on second homes to offset revenue losses, which are estimated at CHF 1.8 billion across all levels of government, assuming a mortgage rate at 1.5 percent.

VAT increases are under discussion. Two proposals would raise the standard VAT rate—now at 8.1 percent—by 0.4 ppts. to finance the 13th monthly old-age pension payment and by 0.5ppts. to finance defense spending.² These would raise revenues by CHF 4.3 billion.

¹ Given implementation uncertainty, the baseline does not include these tax reforms. Proposed VAT increases, however, are included from 2028.

² Earlier proposals to finance pensions envisaged raising the VAT rate in the range of 0.4–0.7 ppts.

Monetary Policy: Managing Increasingly Frequent Shocks

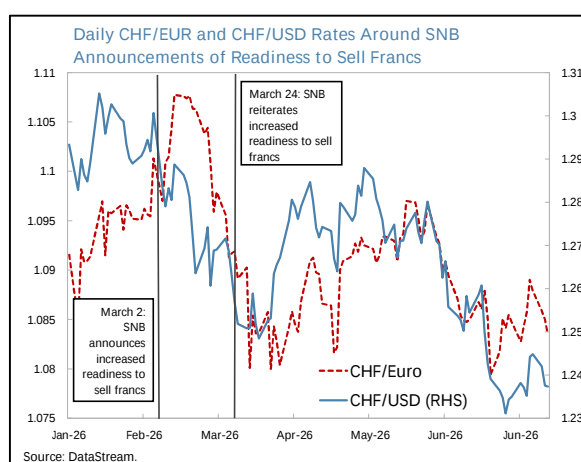
18. The current monetary policy stance is appropriate, but a volatile environment calls for keeping the door open to a return to either positive or negative policy rates. With inflation expectations anchored well within the PSR and above actual inflation, the current mildly expansionary monetary stance is consistent with continued price stability.¹⁸ With inflation expectations relatively well anchored, policy space is sufficient for the SNB to look through a price shock that does not move inflation out of the PSR. However, a major increase in energy prices—and resulting pass-through—could raise stagflation concerns, in which case higher rates might be needed to stabilize inflation expectations (Annex V). But a disinflationary demand shock, especially if exacerbated by safe-haven inflows and appreciation pressures, could cause expectations to fall below the PSR. In that case, the SNB's negative interest rate policy (NIRP) remains the strongest tool. However, Switzerland's 2015–2022 NIRP experience points to several key concerns:

- *Pass-through to funding costs weakened.* The “tiering” of reserves exempted some SNB deposits from negative rates, and while wholesale money market rates turned negative, most retail deposit rates did not fall below zero, dampening the effect of negative rates on average costs.
- *Lending pass-through* was also impaired due to incomplete adjustment of bank funding costs, along with banks' reluctance to cut lending (particularly mortgage) rates as negative rates on their SNB reserves cut into earnings.

¹⁸ Staff estimates the natural policy rate in a range of -0.5 to 0.3 in real terms ([IMF, 2025](#)). With the current real policy rate in the lower part of the range, this concurs with the SNB's assessment of expansionary monetary policy.

- Distortions grew as the policy rate was cut to -0.75 percent. Eventually policy would reach an *effective lower bound* (ELB) beyond which further rate cuts would contract rather than stimulate credit.¹⁹ In the event of a severe shock, monetary policy may thus not be able to be loosened sufficiently, while fiscal policy may be constrained, absent emergency spending provisions, by the debt-brake rule.
- Under negative interest rates, the *exchange rate channel* was significant, as charges on SNB reserves reduced the attractiveness of Swiss deposits as a safe haven, reducing downward price pressures from appreciation.²⁰ By contrast, the *investment channel* in Switzerland is relatively weak as bank lending to companies is small compared to other European countries,

19. FXI can support monetary policy in some cases, but has its own limitations. Changes in the Swiss NEER are negatively correlated with changes in long-term inflation expectations, suggesting that large safe-haven flows could potentially destabilize inflation expectations (Annex V). As the relationship between global financial volatility and such flows has become more uncertain, discussion of how to address them has gained importance (Annex VIII). The franc weakened in March following SNB announcements about greater willingness to engage in FXI in response to volatile energy prices, and the SNB undertook FX purchases during 2026:Q1. However, FXI alone may be insufficient to counter sustained appreciation pressures, particularly given the scale of FXI that may be required to affect inflation expectations in a deep FX market. At the same time, FXI expands the SNB's balance sheet, which could lead to losses if the franc appreciates. Nevertheless, in the event of a severe disinflationary shock that has the capacity to destabilize inflation expectations, staff's modeling results accord with the literature that IPF-compliant FXI could be used as a complement to NIRP.²¹



20. Going forward, the SNB should prevent inflation settling close to the bottom of the PSR. The PSR of 0–2 percent inflation is noteworthy in that it is not a point target surrounded by a tolerance band. Instead, the SNB views inflation readings within the band as economically similar, and believes not fine-tuning inflation within this range provides important flexibility. However,

¹⁹ See Abadi, Brunnermeier, and Koby, 2023. "[The Reversal Interest Rate](#)." *American Economic Review*, 113(8): 2084–2120. Estimates from the financial sector and academics of this rate in Switzerland are generally close to -1 percent, but it may have risen since the 2015–2022 episode as banks and pension funds may now adapt more quickly and insulate assets from negative rates.

²⁰ Jordan, T., "[Monetary Policy Using Negative Interest Rates: A Status Report](#)," 2016.

²¹ See Section 7 in Adrian et al. 2021. "[A Quantitative Microfounded Model for the Integrated Policy Framework](#)" for a discussion of the usefulness of FXI in a liquidity trap.

since 2000, Swiss inflation has more often been at the lower than the upper bound of the PSR.²² The SNB should continue to maintain expectations around their current level near the middle of the PSR, as re-anchoring closer to zero would render monetary policy less effective and could raise financial stability risks (Annex IX). Preventing such a re-anchoring could require a forceful response to sustained low inflation, including temporarily tolerating NIRP distortions, and potentially employing exceptional fiscal policy provisions. Clear communication—i.e., emphasizing a willingness to maintain an accommodative stance for an extended period and to use IPF-compliant FXI—would also be crucial.

21. In line with 2025 Article IV recommendations, the SNB began to publish a summary of its monetary policy discussions in October 2025. These are published four weeks after the decision, and provide the SNB's view of developments and deliberations. Going forward, the SNB could further enrich communications by further using speeches and interviews to elaborate on its reaction function and assessment of risks while providing more detail on projections and FXI. Should the SNB return to negative policy rates, forward-looking communication will become particularly important.

Authorities' Views

22. The authorities welcomed staff's assessment that the monetary policy framework remains appropriate but saw FXI as a flexible and effective tool that is not confined to situations where the policy rate is at the effective lower bound. The authorities noted that low inflation reflects the SNB's credible monetary policy and structural features of the Swiss economy, and that the current stance continues to have an expansionary effect. They agreed that monetary policy flexibility should be maintained, and that in the event of a severe disinflationary shock, NIRP could still be warranted. However, they were of the view that staff overestimated the potential stimulus generated by negative interest rates while underestimating the costs of NIRP, and that the transition from zero to negative rates was qualitatively different from monetary policy shifts above zero. Analogously, they noted that staff underestimated the benefits and overestimated the cost of FXI, which they viewed as a targeted and flexible instrument helping to ensure adequate monetary conditions, notably to smooth the impact of short-lived safe-haven inflows at manageable costs. In the authorities' view, whether FXI or negative interest rates are the appropriate response depends on the source of the shock and on its persistence. They agreed with staff that inflation expectations should remain anchored within the price stability range. While noting that they do not engage in forward guidance, the authorities regarded the SNB's current definition of price stability and communication framework as effective.

²² This could reflect challenges associated with addressing disinflationary pressures from Swiss franc appreciation amid safe-haven flows, given the ELB and the costs associated with NIRP and FXI.

Financial Sector: Enhancing Systemic Resilience

23. Systemic risk is assessed to be somewhat higher than last year. Property-related loans—one fifth at variable rates that are sensitive to interest rate shifts—account for 86 percent of bank lending, exposing the banking sector to still-rising house price risks.

- Since last year, rents for industrial real estate have risen sharply, though in other sectors, subdued demand for new construction points to adequate supply.
- Vulnerabilities in the owner-occupied sector remain elevated. Apartment prices are estimated at 15–40 percent above fundamental levels, although household wealth sometimes provides a cushion, and LTV ratios are moderate and stable.^{23, 24}
- Risks have risen in the residential investment segment, where falling interest rates drove significant price increases in 2025 (3.5 percent y/y in 2026:Q1).²⁵ Yields have become increasingly compressed, and the potential for fire sale defaults among limited liability firms amplifies potential credit risks.²⁶
- Around 25 percent of pension fund assets and 37 percent of life insurer assets are in real estate. Much of this is in direct holdings rather than mortgages, but significant property exposure among NBFIs raises risks during a downturn.²⁷

24. Both the framework and tools for addressing these risks could be improved. As in other European countries and in line with 2025 FSAP recommendations, a dedicated macroprudential committee, ideally chaired by the SNB, would help address potential inaction bias and facilitate design of new macroprudential and systemic risk measures. The main existing tool to address systemic real estate risk, the sectoral countercyclical capital buffer, is at its maximum level of 2.5 percent. The 2025 FSAP stressed that the loan-to-value (LTV) caps set out in self-regulation appeared effective, but the share of loans not meeting FINMA's affordability benchmarks is rising. In this context, macroprudential policies should be tightened to improve resilience. A debt service-to-income (DSTI) limit, ideally phased in gradually and with an exempted loan quota, would slow the buildup of vulnerabilities. Affordability-related credit risks should also

²³ Estimates of house price overvaluation are obtained from various approaches based on: (i) the deviation of the price-to-income and the price-to-rent ratios from their long-run historical averages; (ii) a regression-based estimate from a model for house price growth ([Igan and Loungani, 2012](#)); and (iii) an inverted-demand model using [Muellbauer \(2012\)](#) (see [IMF 2025](#) for details).

²⁴ Going forward, the restriction of interest deductibility beginning in 2029, another FSAP recommendation, will reduce the attractiveness of mortgage debt, particularly of non-amortizing loans (around 2/3 of the current stock). This could help gradually reduce mortgage-related systemic risk.

²⁵ FPPE, "[Meta analysis real estate: Switzerland](#)", April 2026.

²⁶ [SNB Financial Stability Report 2023](#).

²⁷ Mortgages constitute [3 percent of pension fund assets](#) and [9 percent of life insurer assets](#).

be addressed via topping up risk weights under Basel III Final capital rules. Streamlining approvals and facilitating permitting would help housing supply, further easing pressures.

25. The components of the TBTF reform proposal are at different stages of consideration, but the process appears likely to be long and its outcome uncertain.²⁸ Many key measures are in line with FSAP recommendations (Annex X). There are, however, some differences. Proposed improvements to FINMA's powers to act decisively in the event of instability could be strengthened by reducing the ability of legal appeals to suspend FINMA action. The finalized capital rules for hard-to-value assets exclude Deferred Tax Assets (DTAs); including these DTAs would have reduced UBS CET1 capital by around US\$7 billion. But importantly, the proposal still requires that G-SIBs fully cover exposures of foreign subsidiaries with CET1 capital.

26. NBFIs risks are broadly contained. Long-term investors such as life insurance companies and pension funds account for a large share of NBFIs assets. Supervisors should continue to be vigilant about interest and currency derivative exposure among insurers, potential liquidity mismatches and closing NBFIs' data gaps. Beyond this, rising housing market risks could raise questions about the two mortgage bond institutions that issue covered bonds jointly on behalf of member banks (which may account for substantial funding of some small banks), collateralized by mortgages (one-sixth of the total stock). While reducing borrowing costs, these raise potential house price contagion risk. At the moment, these risks appear distant given prudent regulatory requirements and high levels of collateral across a secure chain, but the authorities should continue to monitor linkages.

27. Other reforms would also add to financial system resilience. The SNB will open a new Extended Liquidity Facility (ELF) for banks in 2027, improving the safety net, although as noted in the FSAP, a public backstop would further strengthen confidence.²⁹ Supervisory intrusiveness could also be improved by increasing FINMA's staff to ensure broader and more direct risk-based supervision, by enabling FINMA to fully mandate, oversee, and pay for external regulatory audits, and more generally, by reducing reliance on external regulatory auditors. Rapid AI development has raised cyber risks, heightening the need to strengthen frameworks to contain them.

²⁸ See ["Too-big-to-fail regulations: Federal Council adopts dispatch and Capital Adequacy Ordinance."](#) Federal Council. 22 April 2026.

²⁹ See [Swiss National Bank establishes basis for Extended Liquidity Facility](#), February 19, 2026.

Box 2. Switzerland: Status of TBTF Reform Implementation

Reforms proposed in June 2025 by the Federal Council are at various stages of the legislative approval process. The legislative process is expected to be lengthy, with key measures unlikely to come into force before 2028, and there are limited details on the concrete enhancements to FINMA's powers.

Enhanced Early Intervention is currently put out for consultation: FINMA would gain stronger tools to intervene in bank management or reorganization processes at an earlier stage, before a crisis becomes critical.

Strengthened capital quality requirements:

- The current proposal requires software assets to be phased out of capital over three years, in line with EU rules. This would reduce UBS's CET1 capital by around US\$4 billion. Compliance will be phased in over a multi-year period.
- A requirement that G-SIBs fully deduct the book value of foreign subsidiaries from parent-company CET1 capital remains in the proposal. As the only Swiss G-SIB, this proposal would raise UBS's CET1 capital requirements by US\$20 billion. The reform would be gradual, beginning no earlier than 2028.

A Senior Managers Regime currently put out for consultation would require banks with 250 or more employees to clearly define individual responsibilities, making it easier for FINMA to hold specific executives accountable for failures rather than the institution as a whole.

28. The authorities should strengthen AML/CFT risk-based supervision and implement related FSAP recommendations expeditiously. FINMA should continue to develop supervisory activities targeting banks as a strong focus on AML/CFT supervision is needed to detect and sanction compliance deficiencies early and effectively.³⁰ Risk-based supervision should also include 'gatekeeper' professions (i.e., lawyers, notaries, and accountants), which were recently brought under the AML Act. Enhancing the monitoring of risks from cross-border activities and virtual assets remains important. Furthermore, the authorities should ensure the timely implementation of recent AML/CFT reforms, including updated reporting requirements for legal entities and the operationalization of the beneficial ownership register.³¹

Authorities' Views

29. The authorities agreed that G-SIBs should fully back their foreign subsidiaries with CET1 capital but felt that current systemic-risk is adequately managed within current supervisory framework and macroprudential toolkit. The authorities agreed that systemic risks from the housing market remain elevated, but felt that current macroprudential settings are

³⁰ In this domain as well, strengthening FINMA's powers and resources, along with its willingness to act, remains key.

³¹ In June, the Federal Council decided that these reforms will enter into force from October 2026.

appropriate. They agreed with staff that risks among NBFIs are contained. The authorities pointed to the forthcoming Extended Liquidity Facility (2027) as further reinforcing the safety net. They emphasized the importance of the measures within the TBTF package currently before Parliament, including full coverage of G-SIBs' foreign subsidiary exposures with CET1 capital and the public liquidity backstop, as well as strengthening FINMA's powers, including limiting court suspension of its rulings. While noting that improvements are being made to the framework for systemic risk oversight, they continued to feel a macroprudential committee as suggested by staff was not necessary.

Structural Policies: Enhancing Productivity and Resilience

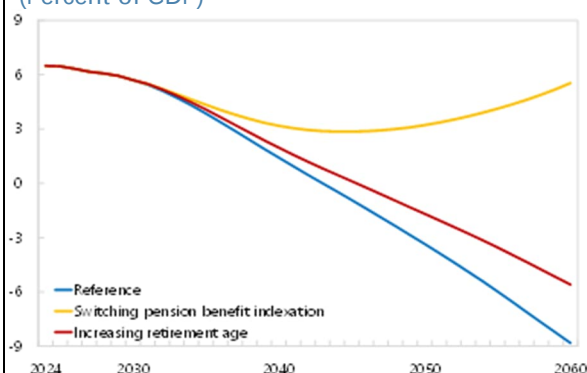
30. Structural reforms are key to alleviating long-term fiscal pressures and maintaining competitiveness. Ensuring the self-sustainability of the pension scheme and improving the efficiency of the health care system would reduce needed fiscal revenue adjustments to address pension costs, with savings rising over time. In parallel, reforms that enhance productivity and address labor shortages are fundamental to fostering business dynamism and sustaining vibrant growth. Given their complementarity, reforms to address skill mismatches and boost productivity should be pursued in parallel, especially in light of AI diffusion.

31. Given age-related fiscal pressures, comprehensive pension and healthcare reforms are a top priority. Even if financing for the 13th monthly pension payment is secured, structural deficits in Pillar 1 public pensions could re-emerge after 2030. Indexing pension benefits only to inflation and linking the statutory retirement age dynamically to life expectancy would help preserve solvency. For Pillar 2, aligning the minimum conversion rate with longevity would reduce cross-subsidization from workers to retirees, while consolidation of the fragmented pension industry could improve governance and financial management. Stronger incentives for delayed retirement would support the sustainability of both pillars.³² In health care, recent reforms are welcome,³³ but further cost containment will require wider use of integrated care models, faster digitalization, and stronger cost accountability, alongside measures to safeguard the long-run affordability of mandatory health insurance.

³² These could include raising the eligibility age, reducing the favorability of early pension take-up, adjusting contributions policies above age 70, and incentivizing part-time work via pension drawdown.

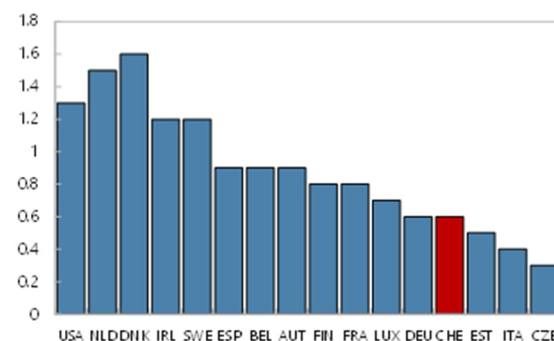
³³ These include uniform financing of inpatient and outpatient care, cost-containment measures, and enhancement to the reimbursement system.

Old-age and Survivors' Insurance Scheme:
Net Assets
(Percent of GDP)



Source: CEIC, Swiss authorities and IMF Staff calculations.
Note: Two reform options, starting from 2031 are considered.
One is to switch pension benefit indexation from a mix of inflation and wage to inflation only. Another is to gradually increase the retirement age to 68 by 2060 from 65, by one year over each decade.

Active Labor Market Policy Spending
(Percent of GDP, 2021)



Source: OECD.

32. Addressing labor shortages would ease business constraints. Aging and skill mismatches are tightening labor supply, particularly in high-skill occupations and construction.³⁴ Policies should focus on expanding access to flexible, targeted upskilling, continuing to ensure that periodic updates to vocational curricula are aligned with rapid technological change, and improving permeability between academic and vocational tracks—an urgent priority as AI diffuses across sectors.³⁵ The authorities should ensure that Switzerland's relatively efficient active labor market policies remain relevant as AI evolves. The planned adoption of individual taxation by 2032 should boost female employment, but this should be complemented by measures to improve the availability and affordability of childcare. Maintaining openness to skilled migration would further help mitigate labor shortages, especially given demographic pressures.

33. Additional reforms would further strengthen productivity. Switzerland's strong productivity performance is underpinned by robust R&D, high-quality education, and deep integration into global value chains, but gains have been concentrated in large, export-oriented firms.³⁶ Recent revisions to the Cartel Act and efforts to reduce regulatory and administrative burdens are welcome, but further progress is needed. Priorities include streamlining administrative procedures—particularly for SMEs—and strengthening competition by reducing entry barriers and harmonizing fragmented regulations across cantons and communes. Improving access to finance for SMEs and innovative startups would support business dynamism, while lowering the cost and complexity of dispute resolution and contract enforcement would further

³⁴ See [Selected Issues Paper](#) for the 2024 Article IV consultation.

³⁵ See [Selected Issues Paper](#) for the 2026 Article IV consultation.

³⁶ See [Selected Issues Paper](#) for the 2025 Article IV consultation.

enhance investment. Continued efforts to address the transnational aspects of corruption would help safeguard Switzerland's strong reputation for integrity and transparency (Annex XII).

34. Realizing AI-related productivity gains requires policies that support adoption while managing associated risks. Priorities include maintaining appropriate privacy safeguards and ensuring that workforce skills evolve in line with changing labor market needs through education, vocational training, and opportunities for workers to re- and upskill throughout their careers. Continued development of AI governance and risk-management frameworks will also be important to promote the safe, responsible, and trustworthy use of AI and help maximize its economic benefits.³⁷

35. Switzerland should build on its low-carbon electricity mix to further deepen resilience. While electricity generation relies mainly on hydro (around 60 percent) and nuclear power (around 30), fossil fuels remain important for transportation and heating. The Acceleration Decree adopted in September 2025 should reduce permitting delays for large-scale renewable energy and grid expansion projects. In parallel, the EU electricity agreement under “Bilateral III” facilitates electricity imports in winter and exports in summer. Further climate mitigation priorities include greater use of carbon pricing to accelerate electrification of road transport and replacement of fossil-fuel heating systems, complemented by targeted support for energy-efficient retrofits.

Authorities' Views

36. The authorities broadly agreed with staff's structural reform priorities but highlighted different approaches in some areas. They emphasized that Switzerland's openness to foreign workers remains critical for alleviating labor shortages, supporting potential growth, and addressing demographic pressures. They viewed that active labor market policies are adequate, emphasizing their efforts to facilitate labor market reintegration. Curricula are also updated periodically to reflect technological change and evolving labor market needs, supporting adjustments in the face of AI diffusion. To prolong working lives, they saw scope to reduce incentives for early retirement associated with Pillars 1 and 2 pensions. However, when discussing Pillar 1 pension reform, they explained the political challenges posed by the staff's proposals—particularly, raising the retirement age or modifying benefit indexation—while emphasizing the need to maintain adequate retirement income and to ensure long-term viability of the system. The authorities also highlighted reforms to reduce administrative and regulatory burdens, especially for small businesses. Regarding health insurance affordability, they viewed that cantons can raise their funding of individual premium reductions above the legal minimum in order to support lower-income households. On climate policy, they emphasized continued implementation of Switzerland's climate strategy, relying on carbon pricing and innovation while preserving competitiveness.

³⁷ See Selected Issues Paper for the 2026 Article IV consultation.

STAFF APPRAISAL

37. The Swiss economy has demonstrated resilience amid heightened global uncertainty. Low and stable inflation, well-anchored inflation expectations, strong public finances, and a broadly balanced external position reflect the strength of Switzerland's policy frameworks. While weaker external demand and subdued investment have moderated growth, export performance has remained robust. Nevertheless, the outlook is subject to significant uncertainty, and maintaining macroeconomic stability will require agility as Switzerland confronts shifting global conditions, population aging, and longer-term productivity and climate-transition challenges.

38. Growth should remain modest in the near term before gradually recovering, while inflation stays low and well within the SNB's price stability range. The outlook is clouded by significant external uncertainty and risks remain tilted to the downside. Further trade fragmentation, geopolitical tensions, or a sustained rebound in energy prices could weaken external demand and dampen growth, while a more persistent rise in inflation could complicate the conduct of monetary policy. Over the medium term, Switzerland's resilience will continue to rest on its strong monetary and fiscal frameworks, which provide substantial buffers to absorb adverse shocks and support macroeconomic stability.

39. The modest fiscal expansion in 2026 is appropriate. Higher pension spending is expected to more than offset additional revenues from OECD Pillar 2 implementation, resulting in a small general government deficit. With growth subdued and downside risks elevated, fiscal support should help sustain domestic demand while remaining consistent with sustainability.

40. Maintaining the debt brake's credibility in the face of rising long-term spending pressures will require addressing tradeoffs. The debt brake is an important institutional strength that has anchored fiscal discipline and kept public debt low while allowing an appropriate response to major shocks. However, demographic change, higher pension and defense spending, rising health care costs, and climate-related expenditure needs will increase fiscal pressures over time. Meeting these challenges while preserving Switzerland's high-quality public services will require additional revenue mobilization, supported by broader reforms to strengthen the efficiency and resilience of the tax system.

41. The current monetary policy stance is appropriate, and the SNB should remain prepared to adjust policy as conditions evolve. The current mildly accommodative stance is consistent with maintaining price stability, given subdued inflation and well-anchored inflation expectations. At the same time, the outlook remains highly uncertain. While the SNB should continue to look through temporary supply-driven price movements, it should stand ready to tighten policy if inflationary pressures threaten to become more persistent. Conversely, a severe disinflationary shock associated with safe-haven inflows and franc appreciation could warrant additional monetary easing, including through the use of negative policy rates should circumstances require.

42. FXI can usefully complement monetary policy in exceptional circumstances. IPF-compliant FXI can address disorderly market conditions and mitigate the effects of large safe-haven inflows that could de-anchor inflation expectations. However, FX intervention should not substitute for necessary monetary policy adjustment and is most effective when used alongside other policy instruments.

43. The SNB's monetary policy framework remains prudent and appropriate. The framework continues to provide a credible anchor for inflation expectations and has demonstrated flexibility across a wide range of economic conditions. Clear communication of the SNB's commitment to maintaining price stability and its willingness to deploy available policy instruments as needed will remain important for preserving this credibility.

44. The authorities' commitment to strengthening Switzerland's TBTF framework is welcome; passage and implementation should proceed. The proposed requirement, consistent with FSAP recommendations, for G-SIBs to fully capitalize foreign subsidiaries with CET1 capital would materially strengthen resolvability and should not be diluted. The introduction of the SNB's Extended Liquidity Facility is welcome—establishment of a public liquidity backstop would further reinforce the crisis-management framework. Continued efforts to strengthen FINMA's resources, powers, and enforcement capabilities are equally important for ensuring effective supervision and the ability to act swiftly in the event of potential distress.

45. Additional efforts would further strengthen the financial system resilience. While the banking system remains sound and risks outside the banking sector are generally contained, vulnerabilities in residential real estate markets warrant continued vigilance. Elevated property valuations, compressed rental yields, and pockets of weak borrower affordability underscore the case for further strengthening the macroprudential framework, including formalizing institutional arrangements and adding borrower-based measures to the available policy toolkit. Supervisors should also continue to monitor risks arising from NBFIs, including insurers' derivative exposures, data gaps, and evolving cross-border linkages, as well as potential spillovers through covered bond and other funding markets. Ongoing efforts to strengthen operational resilience, including in response to growing cyber threats, are welcome, and further improvements to AML/CFT risk-based supervision are encouraged.

46. Structural reforms will be essential to sustain growth and preserve fiscal sustainability in the face of demographic change. The authorities should advance comprehensive pension and health care reforms to address long-term spending pressures and strengthen the sustainability of social insurance systems. Measures that encourage longer working lives, improve labor force participation, enhance workforce skills, and maintain openness to qualified migration will add to Switzerland's successful labor market model. Further efforts to reduce regulatory burdens, strengthen competition, and improve the environment for investment and innovation would bolster productivity, particularly among SMEs and in services. Continued

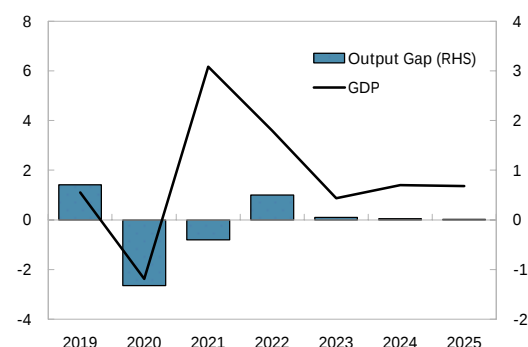
progress with the energy transition is commendable, including measures that strengthen energy security and market-based incentives to reduce emissions.

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

Figure 1. Switzerland: Key Macroeconomic Indicators

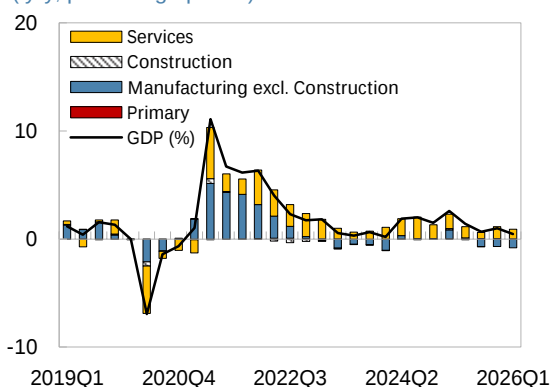
GDP growth in 2025 has been close to potential and the GDP gap is small.

Real GDP Growth and Output Gap
(Percent)



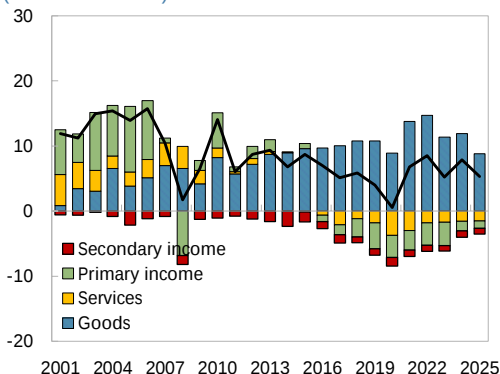
Manufacturing weakened in the second half of 2025.

Supply Contribution to Real GDP Growth
(y/y, percentage points)



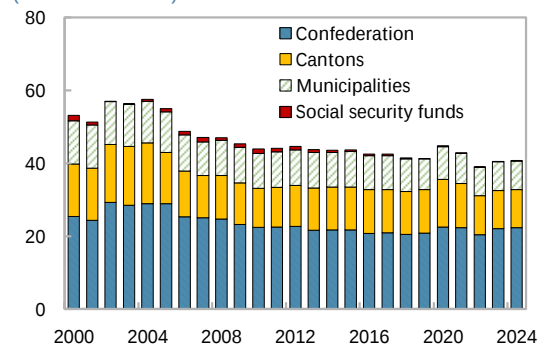
The current account position slightly decreased.

Current Account Balance
(Percent of GDP)



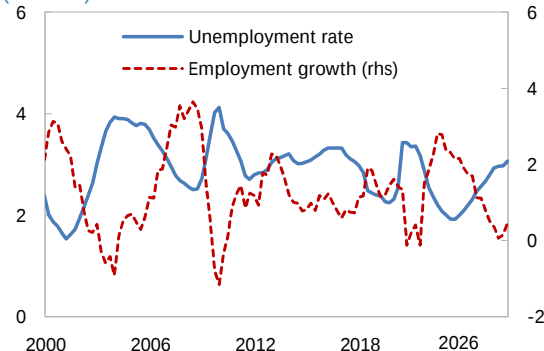
Government debt remains low.

General Government Debt
(Percent of GDP)



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

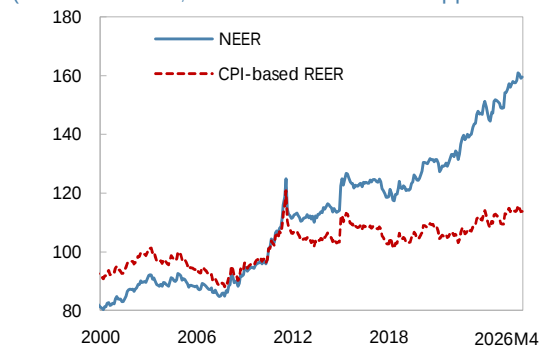
Labor Markets
(Percent)



As inflation differentials persisted, the franc appreciated in nominal terms but less in real terms.

Effective Exchange Rates

(Index 2010=100, increases indicate franc appreciations)

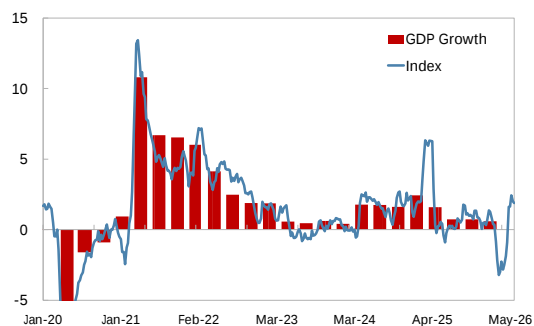


Sources: Haver Analytics; Federal Finance Administration; Information Notice System; State Secretariat for Economic Affairs; and Swiss National Bank.

Figure 2. Switzerland: High Frequency and Leading Economic Indicators

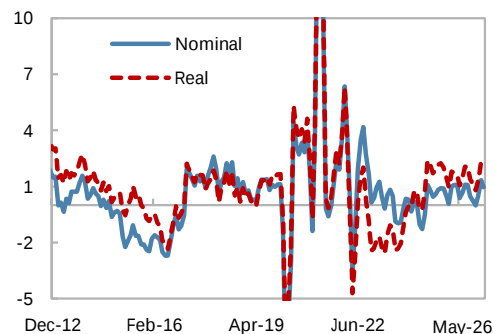
Economic activity remains soft in 2026:H1.

Weekly Economic Activity SECO Index
(Index; y/y percent change)



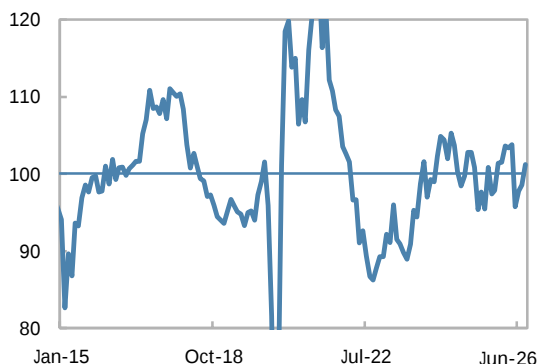
While retail sales growth has picked up...

Retail Sales (3mma) Growth
(Annual growth, percent y/y)



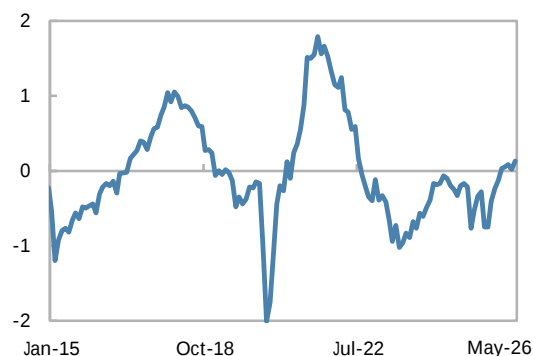
...broad indicators have returned to average levels...

KOF Economic Barometer
(Index, 2009–2018 LT average = 100)



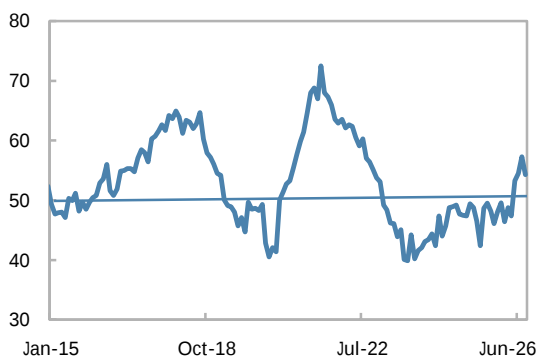
...as has confidence.

Swiss Economic Confidence Indicator
(Percent balance)



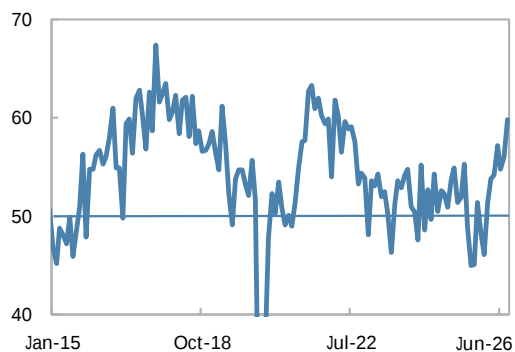
Manufacturing activity recovered somewhat...

Purchasing Managers' Index
(Manufacturing)



...and services sharply rebounded.

Purchasing Managers' Index
(Services)



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

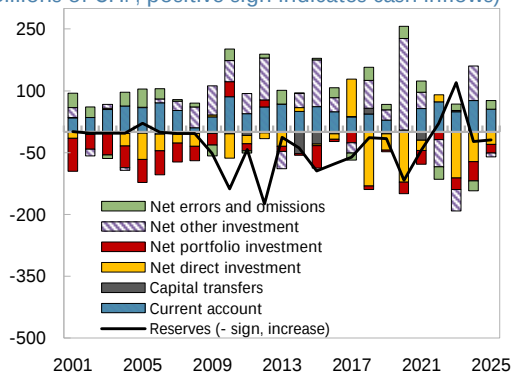
Figure 3. Switzerland: External Accounts

The current account surplus decreased to 6.4 percent of GDP...

...supported by high value-added manufactured exports.

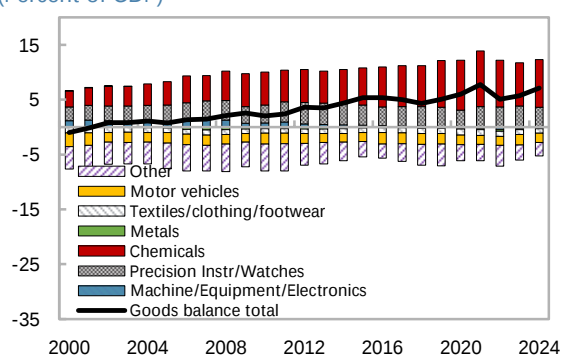
Balance of Payments

(Billions of CHF; positive sign indicates cash inflows)



Goods Balance by Product

(Percent of GDP)

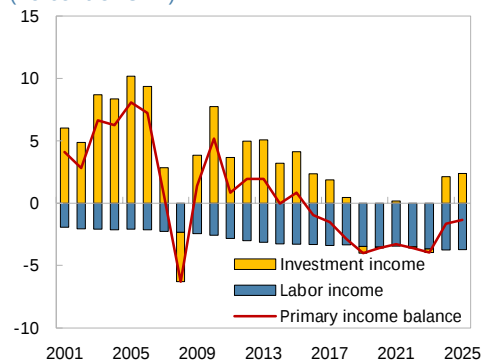


The primary income balance remained broadly stable...

...as did the secondary income balance.

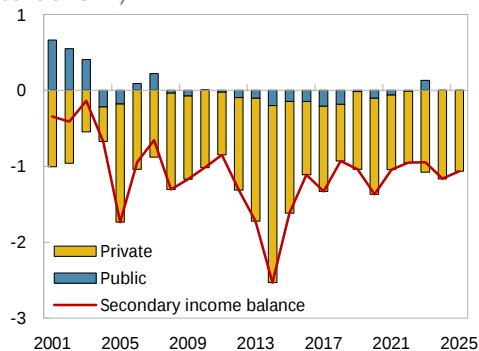
Primary Income Balance

(Percent of GDP)



Secondary Income Balance

(Percent of GDP)

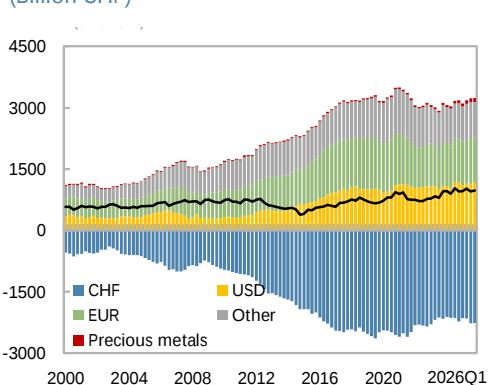


NIIP positions are balanced across USD and euro.

SNB and non-banks contribute to a positive NIIP.

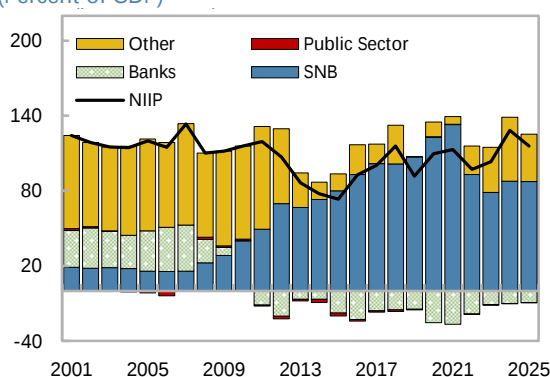
NIIP by Currency, Quarterly

(Billion CHF)



NIIP by Sector

(Percent of GDP)



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

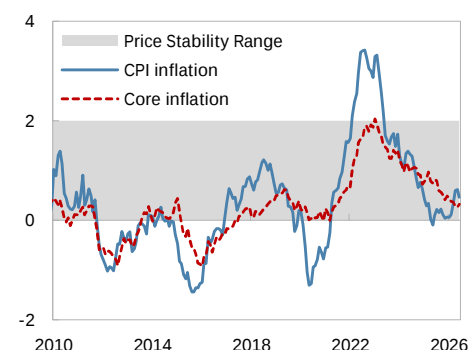
Figure 4. Switzerland: Selected Inflation and Monetary Indicators

Inflation has risen from mid-2025 readings close to zero...

...but remains well-below the euro area average.

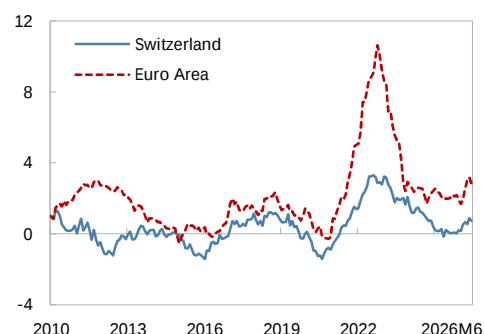
Inflation

(y/y percent change)



Inflation: Switzerland vs. Euro Area

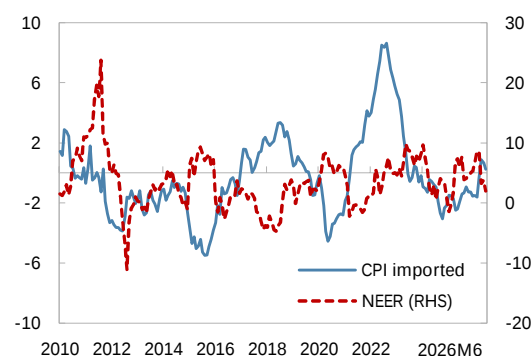
(y/y percent change)



Franc appreciation has been pulling down inflation.

CPI Foreign Inflation and NEER

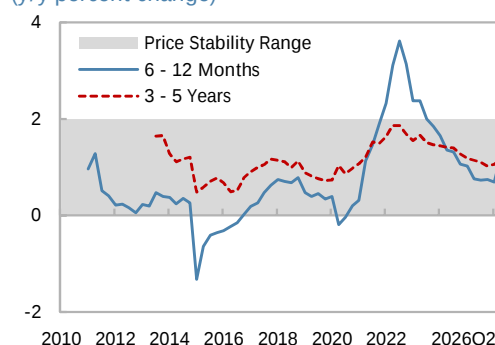
(y/y percent change)



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

Inflation Expectations

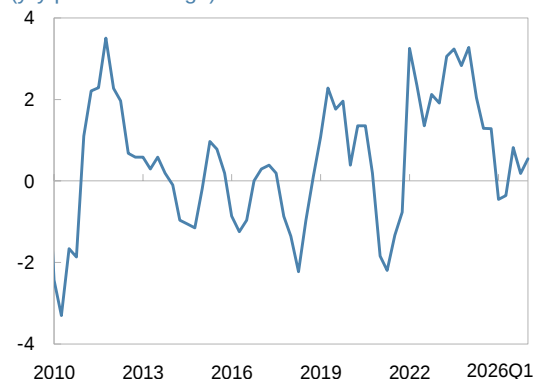
(y/y percent change)



Unit labor cost growth has moderated.

Unit Labor Costs

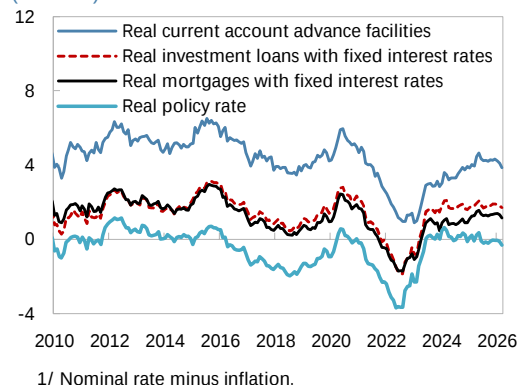
(y/y percent change)



Real interest rates have remained broadly constant with declining inflation.

Real Interest Rates

(Percent)^{1/}



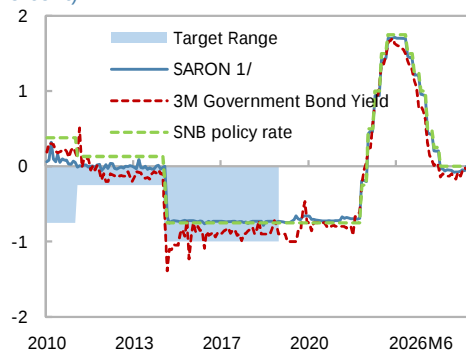
Sources: Haver Analytics; Swiss Federal Statistics Office; and Swiss National Bank.

Figure 5. Switzerland: Monetary Policy

The SNB policy rate has remained at zero since June 2025...

Money Market Rates

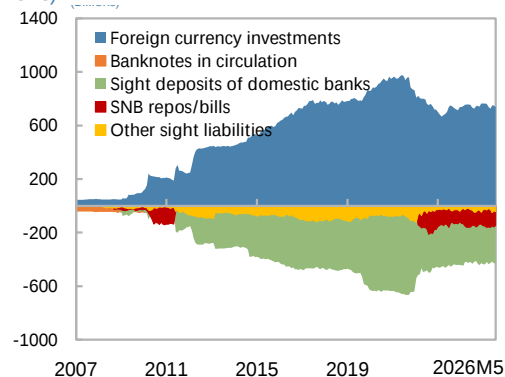
(Percent)



... and FX reserves have remained relatively stable.

Balance Sheet Items of the SNB

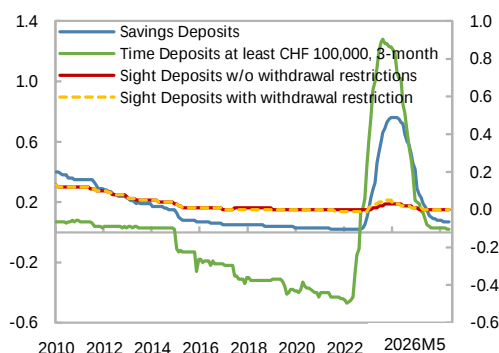
(Billions)



Deposit rates have remained low and stable...

Bank Deposit Rates

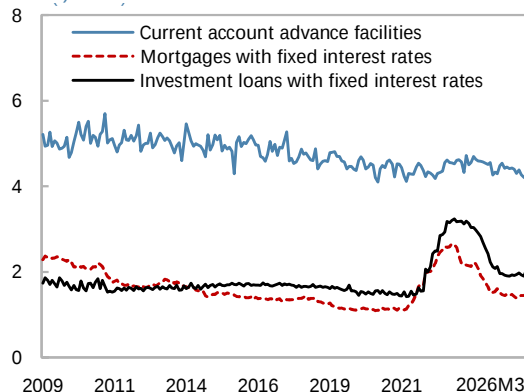
(Percent)



...as have rates on fixed-rate mortgages.

Bank Lending Rates

(Percent)



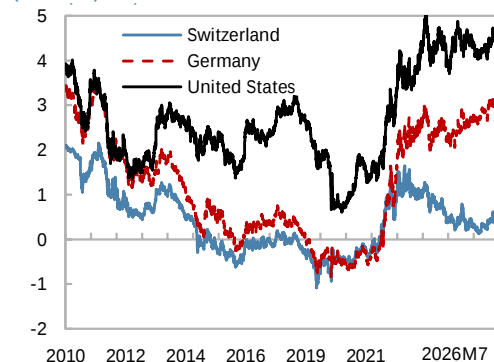
Sources: Swiss National Bank; Bloomberg Finance L.P.; Haver Analytics; and IMF Staff calculations.

1/ SARON (Swiss Average Rate Overnight) is an overnight average rate referencing the Swiss Franc interbank repo market.

Figure 6. Switzerland: Selected Financial Indicators

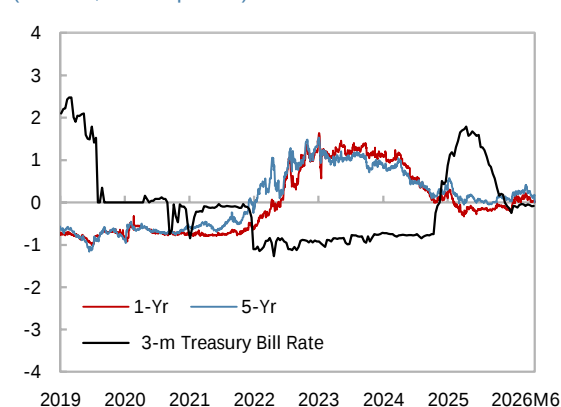
Long-term spreads against other economies remain favorable.

10-Year Government Bond Yields
(Percent)



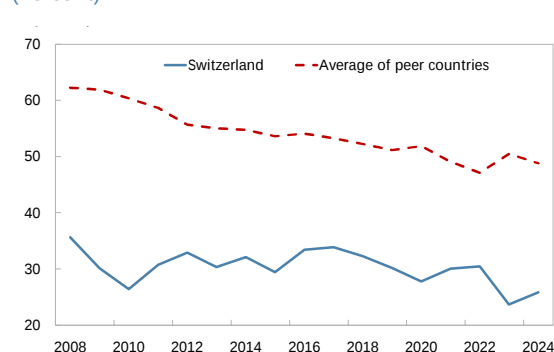
... while three-month yields have turned negative.

Government Bond Yields
(Percent, end of period)



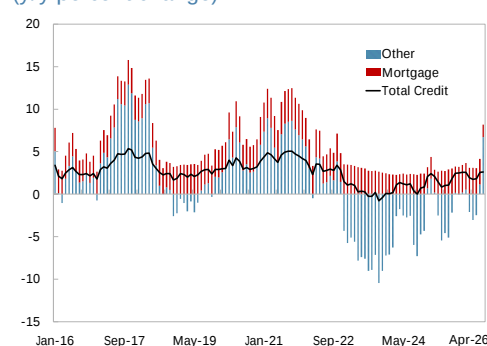
Banks' net interest margins slightly increased...

Interest Margin to Gross Income
(Percent)^{1/}



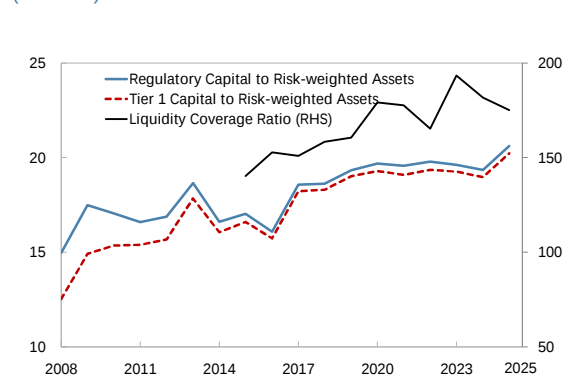
...while total credit growth has stabilized.

Credit Growth
(y/y percent change)



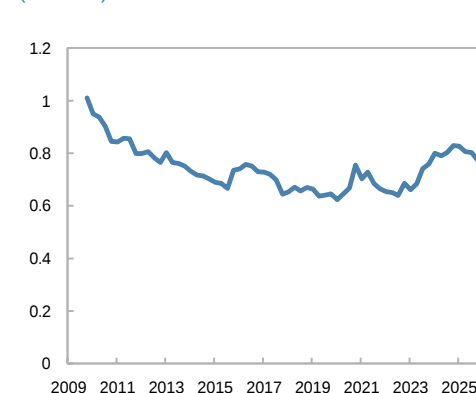
Banks' capital and liquidity positions remain strong...

Financial Soundness Indicators
(Percent)



...while NPLs remain stable at low level.

NPLs to Total Gross Loans
(Percent)



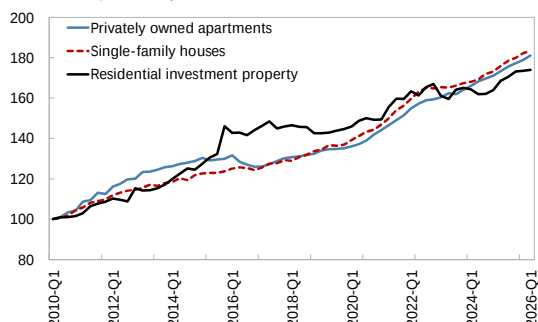
Sources: IMF Financial Soundness Indicators, Swiss National Bank and Haver Analytics.

^{1/} Peer countries: France, Germany, and Italy

Figure 7. Switzerland: Housing Market

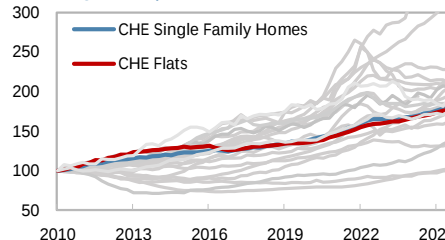
While residential real estate prices kept increasing...

Residential Property Transaction Prices (Index, 2010 Q1=100)



...they have grown less than in peers.

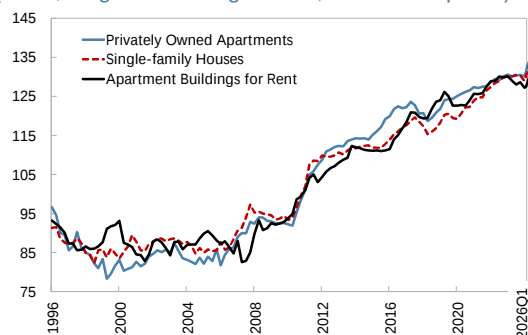
House Prices in Advanced Economies (Index, 2010 Q1=100)



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

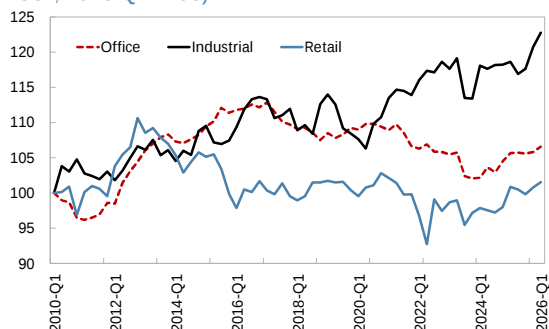
The price-to-income ratio remains historically high...

Residential Property Price-to-Income Ratio (Index, long-term average = 100; transaction prices)



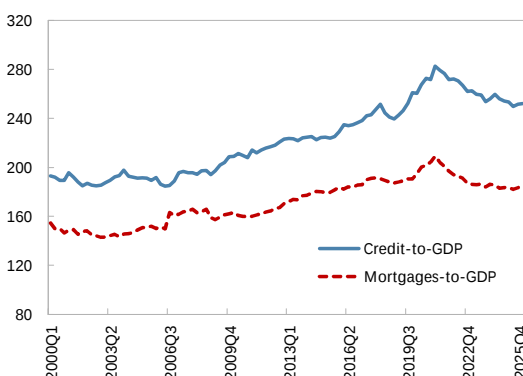
... while CRE rents in industrial segment keep rising.

Commercial Real Estate Asking Rents (Index, 2010 Q1=100)



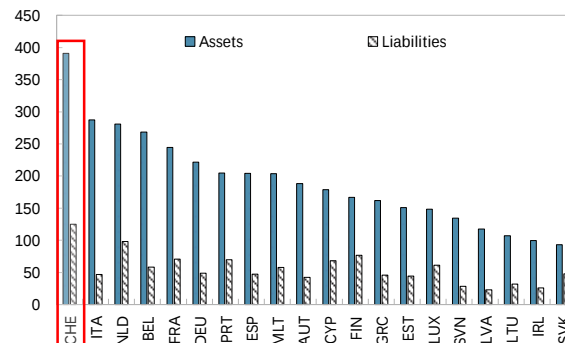
The mortgage and credit-to-GDP ratios remained broadly stable.

Credit Aggregates (Percent of GDP)



Household debt remains elevated but offset by large assets.

Households Assets and Liabilities (Percent of GDP, 2024)



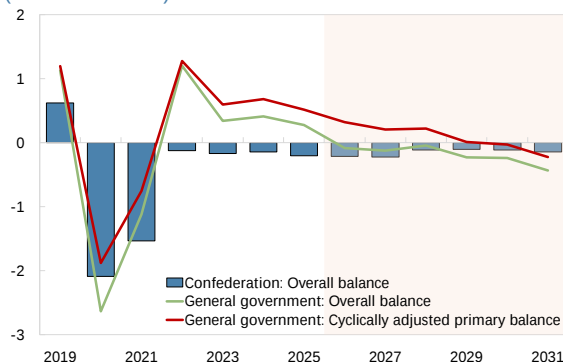
Sources: Haver Analytics and IMF Staff Calculations.

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

Figure 8. Switzerland: Fiscal Developments

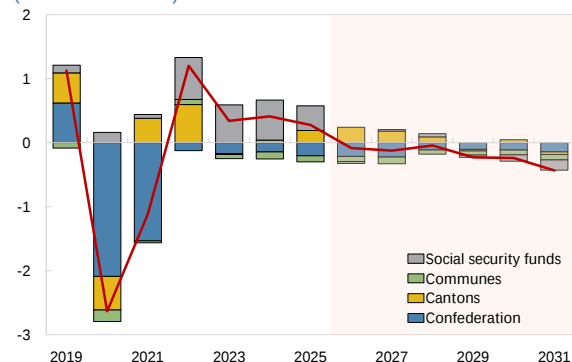
The general government overall balance will begin to rise over the medium term...

Government Balance (Percent of GDP)



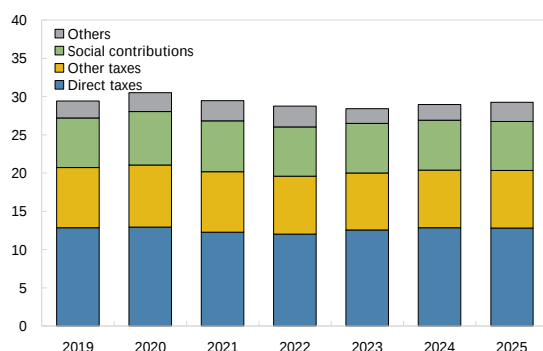
...despite planned VAT increases that will keep the Confederation in balance.

Government Balance by Entities (Percent of GDP)



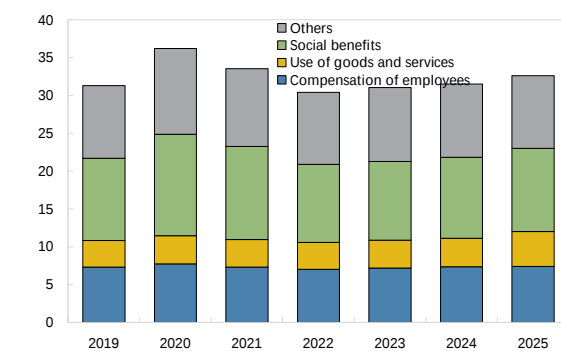
Revenue has remained broadly stable...

General Government: Revenue (Percent of GDP)



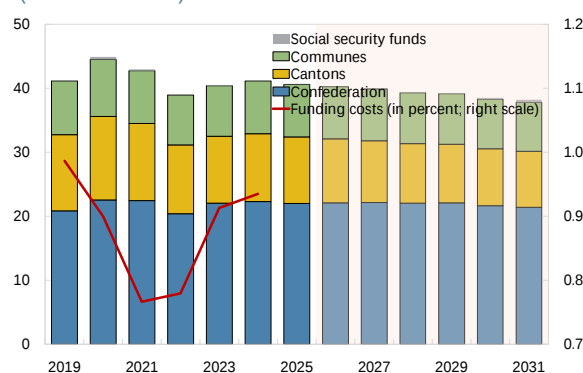
...while expenditure continues to creep upward.

General Government: Expenditure (Percent of GDP)



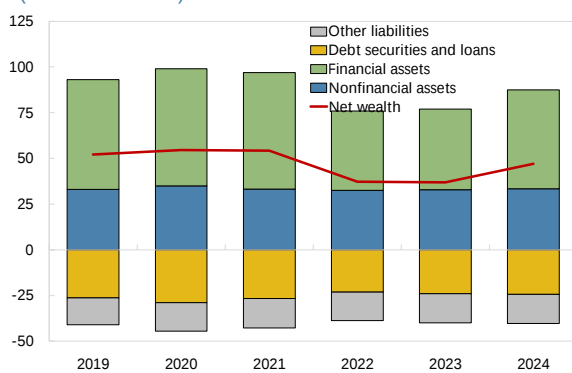
Government debt will steadily decline over the medium term...

Government Debt by Entities (Percent of GDP)



...further strengthening already strong government balance sheets.

General Government: Assets and Liabilities (Percent of GDP)



Sources: CEIC; Federal Finance Administration; and IMF staff estimates.

Table 1. Switzerland: Selected Economic Indicators, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
						Staff projections					
Real GDP (Percent Change) 1/	6.2	3.6	0.9	1.4	1.4	1.1	1.2	1.9	1.2	1.8	1.2
Real GDP (adj. for sporting events)	5.9	3.5	1.2	1.2	1.5	0.8	1.5	1.7	1.5	1.5	1.5
Total domestic demand	0.5	2.5	3.2	0.9	3.9	1.2	1.1	1.3	1.2	1.2	1.2
Final domestic demand	2.7	3.0	1.7	1.7	0.7	1.0	1.2	1.4	1.3	1.3	1.3
Private consumption	2.2	4.9	1.4	2.4	1.5	1.2	1.3	1.5	1.5	1.4	1.5
Public consumption	2.9	-0.6	1.4	1.3	0.4	1.1	0.9	1.0	0.9	0.9	0.9
Gross fixed investment	3.6	1.1	2.3	0.5	-0.7	0.4	1.1	1.5	1.2	1.2	1.2
Inventory accumulation 2/	-2.0	-0.4	1.6	-0.7	2.9	0.0	0.0	0.0	0.0	0.0	0.0
Foreign balance 2/	5.7	1.3	-1.9	0.6	-2.1	0.0	0.1	0.7	0.1	0.7	0.1
Nominal GDP (billions of Swiss francs)	767.7	819.6	834.4	854.2	867.8	882.8	898.5	922.2	939.6	963.9	982.9
Savings and Investment (Percent of GDP)											
Gross national saving	35.5	35.5	34.4	35.7	35.8	36.2	36.4	36.5	36.0	36.0	35.6
Gross domestic investment	28.0	26.6	28.6	26.8	29.4	29.4	29.4	29.1	29.0	28.6	28.6
Household savings	14.6	11.5	12.6	13.6	...	...	...	...	...	...	...
Current account balance	7.4	9.0	5.8	8.9	6.4	6.8	7.1	7.4	7.0	7.4	7.0
Prices and Incomes (Percent Change)											
GDP deflator	1.9	3.1	0.9	1.0	0.2	0.6	0.6	0.7	0.7	0.7	0.7
Consumer price index (period average)	0.6	2.8	2.1	1.1	0.2	0.6	0.6	0.7	0.7	0.7	0.7
Consumer price index (end of period)	1.6	2.9	1.7	0.6	0.1	0.7	0.7	0.7	0.7	0.7	0.7
Nominal hourly earnings	-0.2	0.9	1.7	1.8	1.8	1.2	1.2	1.2	1.2	1.2	1.2
Unit labor costs (total economy)	-1.5	2.2	2.8	1.9	0.1	0.4	0.3	0.3	0.3	0.3	0.3
Employment and Slack Measures											
Unemployment rate (in percent)	3.0	2.2	2.0	2.4	2.8	3.1	3.0	2.8	2.8	2.8	2.8
Output gap (in percent of potential)	-0.4	0.5	0.0	0.0	0.0	-0.5	-0.4	-0.2	-0.1	0.0	0.0
Capacity utilization	76.3	77.7	77.3	75.6	74.5	...	...	...	...	...	...
Potential output growth	4.9	2.5	1.4	1.5	1.5	1.4	1.4	1.5	1.5	1.5	1.5
General Government Finances (Percent of GDP)											
Revenue	32.4	31.6	31.4	31.9	32.9	33.4	33.6	33.7	33.9	34.0	34.1
Expenditure	33.5	30.4	31.0	31.5	32.6	33.5	33.7	33.8	34.1	34.3	34.5
Balance	-1.1	1.2	0.3	0.4	0.3	-0.1	-0.1	0.0	-0.2	-0.2	-0.4
Cyclically adjusted balance	-1.0	1.0	0.3	0.4	0.3	0.1	0.0	0.0	-0.2	-0.2	-0.4
Gross debt 3/	42.7	38.6	39.8	40.3	39.8	39.4	39.1	38.5	38.3	37.6	37.3
Monetary and Credit (Percent Change, Average)											
Broad money (M3)	1.4	0.1	-2.0	1.9	4.5	1.7	1.8	2.6	1.9	2.6	2.0
Domestic credit, non-financial	3.8	2.6	1.8	2.3	2.3	2.1	1.8	2.6	1.9	2.6	2.0
3-month Treasury bill interest rate (%)	-0.8	0.9	1.7	0.4	0.0	...	...	...	...	...	...
Yield on government bonds (7-year)	-0.4	0.6	1.0	0.6	0.2	...	...	...	...	...	...
Exchange Rates (Levels)											
Swiss francs per U.S. dollar (annual average)	0.9	1.0	0.9	0.9	0.8	...	...	...	...	...	...
Swiss francs per euro (annual average)	1.1	1.0	1.0	1.0	0.9	...	...	...	...	...	...
Nominal effective rate (avg, 2000=100)	129.9	135.8	144.4	149.0	154.5	...	...	...	...	...	...
Real effective rate (avg, 2000=100) 4/	105.8	106.1	109.7	111.2	112.7	...	...	...	...	...	...

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 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, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Staff projections										
(In billions of Swiss francs, unless otherwise indicated)											
Current Account	57	73	49	76	55	60	64	68	66	71	69
Goods balance	115	126	106	115	92	88	85	91	94	101	103
Exports	410	466	433	442	517	521	538	561	581	606	628
Imports	295	339	327	327	425	433	453	470	487	505	524
Service balance	-25	-16	-16	-15	-16	-11	-6	-5	-5	-4	-5
Net primary income	-25	-29	-33	-14	-12	-10	-10	-12	-15	-19	-23
Net secondary income	-8	-8	-8	-10	-9	-7	-5	-6	-7	-6	-7
Private Capital and Financial Account	85	43	64	53	77	60	64	68	66	71	69
Capital transfers	-19	0	4	0	-1	0	-1	0	-1	-1	-1
Financial account	65	43	68	53	76	60	63	68	66	71	68
Net direct investment	25	-17	111	72	30	51	40	45	43	44	44
Net portfolio investment	34	18	29	47	20	33	27	30	28	29	29
Net financial derivatives	1	-4	-4	-6	-3	-4	-4	-4	-4	-4	-4
Net other investment	-39	67	52	-83	10	-20	0	-4	-2	1	0
Change in reserves	44	-21	-120	23	19	0	0	0	0	0	0
Net Errors and Omissions	27	-30	16	-23	21	0	0	0	0	0	0
(In percent of GDP, unless otherwise indicated)											
Current Account	7.4	9.0	5.8	8.9	6.4	6.8	7.1	7.4	7.0	7.4	7.0
Goods balance	15.0	15.4	12.7	13.5	10.6	10.0	9.4	9.9	10.0	10.5	10.5
Exports	53.4	56.8	51.9	51.8	59.6	59.0	59.8	60.9	61.8	62.9	63.9
Imports	38.3	41.4	39.2	38.3	49.0	49.0	50.4	50.9	51.9	52.4	53.3
Service balance	-3.3	-1.9	-1.9	-1.8	-1.8	-1.2	-0.7	-0.5	-0.6	-0.5	-0.5
Net primary income	-3.3	-3.6	-4.0	-1.6	-1.3	-1.1	-1.1	-1.3	-1.6	-2.0	-2.3
Net secondary income	-1.0	-1.0	-0.9	-1.2	-1.1	-0.8	-0.6	-0.7	-0.8	-0.7	-0.7
Private Capital and Financial Account	11.0	5.3	7.7	6.2	8.8	6.8	7.1	7.4	7.0	7.4	7.0
Capital transfers	-2.5	0.0	0.5	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Financial account	8.5	5.2	8.2	6.2	8.7	6.8	7.0	7.3	7.0	7.3	7.0
Net direct investment	3.3	-2.1	13.3	8.4	3.4	5.7	4.5	4.9	4.6	4.6	4.4
Net portfolio investment	4.4	2.2	3.4	5.5	2.3	3.8	3.0	3.3	3.0	3.0	2.9
Net financial derivatives	0.2	-0.5	-0.5	-0.6	-0.3	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4
Net other investment	-5.1	8.1	6.3	-9.8	1.2	-2.3	0.0	-0.4	-0.2	0.1	0.0
Change in reserves	5.8	-2.5	-14.3	2.7	2.2	0.0	0.0	0.0	0.0	0.0	0.0
Net Errors and Omissions	3.6	-3.7	1.9	-2.7	2.4	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum Items:											
Net IIP (in percent of GDP)	102.3	88.3	98.0	120.9	110.2	104.7	107.5	109.0	110.9	112.4	114.3
Official reserves											
(billions of Francs, end-period)	1014.1	852.2	724.4	822.6	852.6	...	...	...	...		

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

Table 3. Switzerland: SNB Balance Sheet, 2018–25

	2018	2019	2020	2021	2022	2023	2024	2025
(Millions of Swiss francs; unless otherwise indicated)								
Assets								
Gold	42,237	49,111	55,747	55,691	56,099	57,818	79,048	115,351
Foreign currency reserves	763,728	794,015	910,001	966,202	800,566	677,396	754,159	759,210
IMF, international, and monetary assistance loans	5,889	6,026	7,121	14,821	14,395	13,532	14,256	13,334
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	5,962
Total assets	817,069	860,956	999,028	1,056,776	881,377	794,644	854,078	893,858
Liabilities								
Currency in circulation (banknotes)	82,239	84,450	89,014	90,685	81,697	76,321	74,172	73,078
Sight deposits	574,827	591,454	702,862	727,162	538,979	472,925	449,812	450,591
Repo, SNB bills and time liabilities	...	...	9,027	2,174	165,314	148,368	152,707	159,959
Foreign currency and other liabilities	39,770	17,970	14,175	32,506	29,620	34,446	34,075	43,772
Provisions and equity capital	120,232	167,083	183,951	204,249	65,768	62,584	143,313	166,457
Total liabilities	817,069	860,956	999,028	1,056,776	881,377	794,644	854,078	893,858
Memorandum Items:								
Nominal GDP (billions of Swiss francs)	724	732	710	768	820	834	854	868
Balance sheet, percent of GDP	112.8	117.6	140.7	137.6	107.5	95.3	100.0	103.0
Banknotes, percent of total liabilities	10.1	9.8	8.9	8.6	9.3	9.6	8.7	8.2
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	18.6
Monetary base 1/	549,374	564,161	674,297	725,618	706,823	563,456	529,323	509,672

Sources: Swiss National Bank; and IMF staff estimates.

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

Table 4. Switzerland: General Government Finances, 2021–31

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Staff projections										
	(In billions of Swiss francs; unless indicated otherwise)										
Government operations											
General government											
Revenue	249	259	262	273	285	295	302	311	318	328	335
Expenditure	258	249	259	269	283	295	303	311	321	330	339
Net lending/net borrowing	-9	10	3	4	2	-1	-1	0	-2	-2	-4
Confederation (Federal government) 1/ 2/											
Revenue	81	83	85	89	92	95	98	103	106	109	111
Expenditure	93	84	86	90	94	97	100	105	107	110	112
Net lending/net borrowing	-12	-1	-1	-1	-2	-2	-2	-1	-1	-1	-1
Cantons											
Revenue	108	110	109	113	121	126	128	131	134	139	142
Expenditure	105	106	109	113	119	124	127	130	134	138	142
Net lending/net borrowing	3	5	0	0	2	2	2	1	0	0	0
Communes (Municipalities)											
Revenue	51	54	56	59	61	64	65	67	68	70	71
Expenditure	51	53	57	60	62	65	66	67	68	70	72
Net lending/net borrowing	0	1	-1	-1	-1	-1	-1	-1	-1	-1	-1
Social security funds 3/											
Revenue	74	73	74	77	79	82	84	87	89	91	93
Expenditure	74	67	69	72	76	82	84	86	89	92	95
Net lending / net borrowing	0	5	5	5	3	0	0	0	0	-1	-2
Gross debt											
General government	328	316	332	344	345	348	351	355	360	363	367
Confederation (Federal government) 1/	172	167	184	191	191	195	199	203	208	209	210
Cantons	93	88	87	91	91	88	87	86	86	86	86
Communes (Municipalities)	63	64	66	70	71	72	73	73	74	75	76
Social security funds 3/	1	1	1	1	1	1	1	1	1	2	4
	(In percent of GDP; unless indicated otherwise)										
General government Operations											
Revenue	32.4	31.6	31.4	31.9	32.9	33.4	33.6	33.7	33.9	34.0	34.1
Expenditure	33.5	30.4	31.0	31.5	32.6	33.5	33.7	33.8	34.1	34.3	34.5
Net lending/net borrowing	-1.1	1.2	0.3	0.4	0.3	-0.1	-0.1	0.0	-0.2	-0.2	-0.4
Confederation (Federal government) 1/	-1.5	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Cantons	0.4	0.6	0.0	0.0	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Communes (Municipalities)	0.0	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Social security funds 3/	0.1	0.7	0.6	0.6	0.4	0.0	0.0	0.0	0.0	-0.1	-0.2
Gross debt											
General government	42.7	38.6	39.8	40.3	39.8	39.4	39.1	38.5	38.3	37.6	37.3
Confederation (Federal government) 1/	22.4	20.4	22.1	22.3	22.0	22.1	22.1	22.0	22.1	21.7	21.4
Cantons	12.1	10.8	10.5	10.6	10.4	10.0	9.7	9.3	9.2	8.9	8.8
Communes (Municipalities)	8.3	7.8	7.9	8.2	8.2	8.1	8.1	8.0	7.9	7.7	7.7
Social security funds 3/	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.4
Memorandum Items:											
Nominal GDP (in billions of francs)	768	820	834	854	868	883	898	922	940	964	983
Output gap (in percent)	-0.4	0.5	0.0	0.0	0.0	-0.5	-0.4	-0.2	-0.1	0.0	0.0
General government cyclically adjusted balance	-1.0	1.0	0.3	0.4	0.3	0.1	0.0	0.0	-0.2	-0.2	-0.4

Sources: Haver Analytics; Federal Department of Finance; and IMF staff estimates.

1/ Includes the budgetary unit, separate accounts (i.e., Railway Infrastructure Fund and Motorway and Urban Transportation Fund), and extrabudgetary entities.

2/ Cover the entire budget, including extraordinary revenue and expenditure.

3/ Includes old-age and survivors', disability, and unemployment insurance, as well as compensation for loss of earnings, schemes.

Table 5. Switzerland: General Government Operations, 2015–25

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
(In billions of Swiss francs)											
Revenue	219.9	221.9	228.1	233.7	237.3	238.3	249.0	259.1	261.8	272.7	285.3
Taxes	137.3	140.4	145.0	148.5	151.7	149.3	154.8	160.4	166.9	174.2	176.3
Taxes on income, profits, and capital gains	83.2	85.5	88.2	91.5	94.0	91.7	94.3	98.3	104.9	109.8	111.1
Taxes on goods and services	41.0	40.8	42.4	42.1	42.0	41.6	43.8	44.8	44.5	47.0	47.5
Taxes on property	11.1	11.9	12.2	12.7	13.4	13.7	14.2	14.5	14.9	15.3	15.5
Taxes on international trade and transactions	1.1	1.1	1.1	1.1	1.1	1.2	1.3	1.2	1.2	0.7	0.7
Social contributions	44.5	45.0	45.5	46.3	47.5	49.7	51.0	52.8	54.0	55.7	55.8
Grants	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other revenue	37.9	36.3	37.4	38.6	37.9	39.0	42.9	45.6	40.7	42.5	53.0
Of which: Property income	8.1	7.1	7.7	8.2	8.2	9.8	12.0	13.4	7.1	7.7	9.6
Expenditure	216.6	219.7	221.9	224.8	229.1	257.0	257.6	249.3	259.0	269.2	282.9
Expense	214.4	217.7	219.5	222.3	226.0	253.0	254.5	247.2	255.4	266.3	280.4
Compensation of employees	50.2	50.9	51.6	52.3	53.3	54.8	56.2	57.3	59.9	62.7	64.1
Use of goods and services	25.0	25.1	25.3	25.7	26.0	26.4	27.8	29.3	30.8	32.2	40.2
Interest expense	3.6	3.2	2.7	2.3	2.1	2.0	1.8	1.9	2.2	2.4	2.1
Social benefits	74.3	76.4	77.5	78.1	79.5	95.4	94.5	84.5	86.9	91.4	95.4
Other expenses	61.2	62.1	62.3	63.8	65.0	74.4	74.2	74.2	75.5	77.6	78.6
Net acquisition of nonfinancial assets	2.3	2.0	2.5	2.6	3.1	4.0	3.1	2.1	3.7	2.9	4.7
Net operating balance	5.5	4.3	8.6	11.5	11.4	-14.7	-5.5	11.9	6.5	6.4	4.9
Net lending/borrowing	3.2	2.2	6.1	8.9	8.2	-18.7	-8.6	9.8	2.8	3.5	2.4
Net acquisition of financial assets	3.6	-1.7	15.0	6.8	10.7	-1.6	6.7	10.3	7.0	11.2	30.5
Net incurrence of liabilities	-0.4	-5.8	6.8	-2.5	3.1	15.0	12.7	4.3	4.9	8.6	10.0
(In percent of GDP)											
Revenue	32.4	32.2	32.8	32.3	32.4	33.6	32.4	31.6	31.4	31.9	32.9
Taxes	20.2	20.4	20.8	20.5	20.7	21.0	20.1	19.6	20.0	20.4	20.3
Taxes on income, profits, and capital gains	12.2	12.4	12.7	12.6	12.8	12.9	12.3	12.0	12.6	12.9	12.8
Taxes on goods and services	6.0	5.9	6.1	5.8	5.7	5.9	5.7	5.5	5.3	5.5	5.5
Taxes on property	1.6	1.7	1.8	1.8	1.8	1.9	1.9	1.8	1.8	1.8	1.8
Taxes on international trade and transactions	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Social contributions	6.5	6.5	6.5	6.4	6.5	7.0	6.6	6.4	6.5	6.5	6.4
Other revenue	5.6	5.3	5.4	5.3	5.2	5.5	5.6	5.6	4.9	5.0	6.1
Of which: Property income	1.2	1.0	1.1	1.1	1.1	1.4	1.6	1.6	0.8	0.9	1.1
Expenditure	31.9	31.9	31.9	31.0	31.3	36.2	33.5	30.4	31.0	31.5	32.6
Expense	31.5	31.6	31.5	30.7	30.9	35.6	33.1	30.2	30.6	31.2	32.3
Compensation of employees	7.4	7.4	7.4	7.2	7.3	7.7	7.3	7.0	7.2	7.3	7.4
Use of goods and services	3.7	3.6	3.6	3.5	3.6	3.7	3.6	3.6	3.7	3.8	4.6
Interest expense	0.5	0.5	0.4	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.2
Social benefits	10.9	11.1	11.1	10.8	10.9	13.4	12.3	10.3	10.4	10.7	11.0
Other expenses	9.0	9.0	8.9	8.8	8.9	10.5	9.7	9.1	9.0	9.1	9.1
Net acquisition of nonfinancial assets	0.3	0.3	0.4	0.4	0.4	0.6	0.4	0.3	0.4	0.3	0.5
Net Operating Balance	0.8	0.6	1.2	1.6	1.6	-2.1	-0.7	1.5	0.8	0.8	0.6
Net Lending/Borrowing	0.5	0.3	0.9	1.2	1.1	-2.6	-1.1	1.2	0.3	0.4	0.3
Net acquisition of financial assets	0.5	-0.2	2.2	0.9	1.5	-0.2	0.9	1.3	0.8	1.3	3.5
Net incurrence of liabilities	-0.1	-0.8	1.0	-0.3	0.4	2.1	1.7	0.5	0.6	1.0	1.1

Sources: Haver Analytics; Federal Department of Finance; and IMF staff estimates.

Table 6. Switzerland: Bank Soundness Indicators, 2016–25

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Capital Adequacy										
Regulatory Tier I capital as percent of risk-weighted assets 1/ 2/	15.7	18.2	18.3	19.0	19.3	19.1	19.4	19.3	19.0	20.2
Regulatory Tier 1 capital as percent of assets 2/	7.3	8.3	8.5	8.8	8.7	7.4	7.9	7.8	7.6	7.6
Non-performing loans net of provisions as percent of Tier I capital	3.9	3.0	3.2	2.9	3.3	2.9	2.9	3.1	3.8	3.6
Return on Assets	0.3	0.4	0.4	0.1	0.4	0.3	0.2	0.9	0.6	0.6
Liquidity Coverage Ratio 3/	152.7	150.9	158.3	160.6	179.2	177.6	165.3	193.4	181.8	175.1
Asset Quality and Exposure										
Non-performing loans as percent of gross loans	0.7	0.6	0.7	0.6	0.8	0.7	0.7	0.8	0.8	0.8
Sectoral distribution of bank credit to the private sector (percent)										
Households	67.4	67.6	67.2	66.9	66.1	66.1	66.1	65.9	65.8	66.2
Agriculture and food industry	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.8
Mining and Quarry	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.0
Manufacturing	2.1	2.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.7
Utilities	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Construction	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.7	1.6	1.6
Retail	2.7	2.5	2.6	2.4	2.6	2.7	2.4	2.1	2.1	2.1
Hotels and restaurants / Hospitality sector	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.7	0.7	0.7
Transportation & Storage	0.8	0.7	0.8	0.7	0.7	0.7	0.6	0.6	0.6	0.6
Info & Comm, Real Estate, Professional, Scientific & Admin. Activities	13.4	13.6	13.9	14.2	14.5	14.8	15.2	15.6	16.1	16.1
Finance and Insurance	4.7	4.7	5.0	5.4	5.7	5.8	5.8	5.8	5.6	5.5
Public Administration and Defence	2.3	2.0	1.9	1.8	1.7	1.6	1.5	1.5	1.6	1.6
Education	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Health & Social services	1.5	1.5	1.5	1.4	1.5	1.4	1.4	1.4	1.4	1.4
Art and Entertainment	0.9	0.9	1.0	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
Other	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. Banking Sector Concentration¹

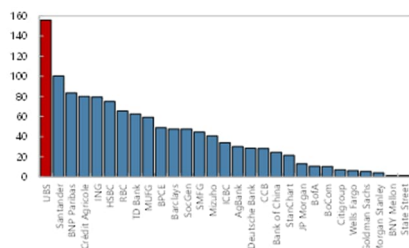
The Swiss banking sector is dominated by a small group of large institutions, including several systemic banks, and concentration increased after the UBS's acquisition of Credit Suisse (CS). Despite this, overall concentration remains comparable to peer countries and lending activity is less concentrated. Mortgage markets remain competitive, with additional participation from insurers and pension funds that target lower-risk borrowers. Evidence suggests that the UBS's acquisition of CS did not reduce overall credit supply or impair monetary policy transmission. Some higher-risk and niche activities were scaled back, but their macro-economic relevance is limited.

1. The Swiss banking sector is dominated by a few large banks, including four labeled systemic. Sectoral assets totaled 360 percent of GDP at end-2025 and concentration has risen since the 2023 acquisition of CS by UBS. UBS, the only G-SIB domiciled in Switzerland, has assets larger than national GDP, and alone accounts for 37 percent of system assets. The three domestic SIBs (Zurich Cantonal Bank, Raiffeisen, and Post Finance) account for 19 percent. Compared with other countries, the assets of Switzerland's largest single bank are high relative to GDP, but concentration is lower when considering the assets of the three largest commercial banks relative to the total.

Figure I.1. Switzerland: Banking Sector Concentration Indicators

G-SIBs: Assets

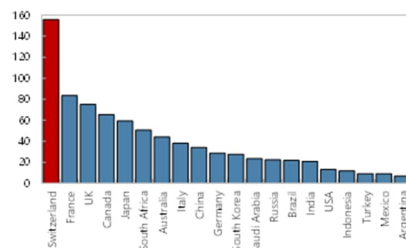
(Percent of host country GDP)



Sources: Financial Stability Board, S&P Global, and IMF Calculations.

G20 Countries and Switzerland: Assets of Largest Banks

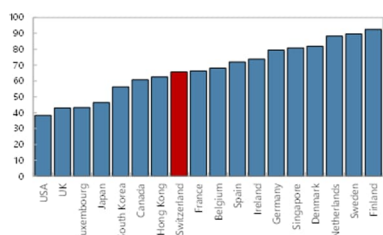
(Percent of GDP)



Sources: S&P Global, and IMF Calculations.

Assets of Three Largest Commercial Banks

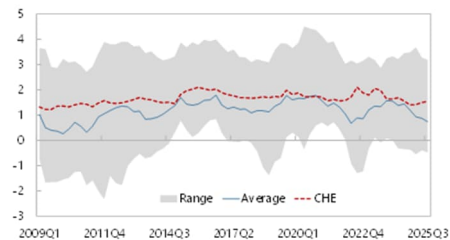
(Share of total commercial banking assets, 2021, percent)



Sources: World Bank Global Financial Development Database, and IMF staff calculations.

Mortgage Spreads

(Percentage point)

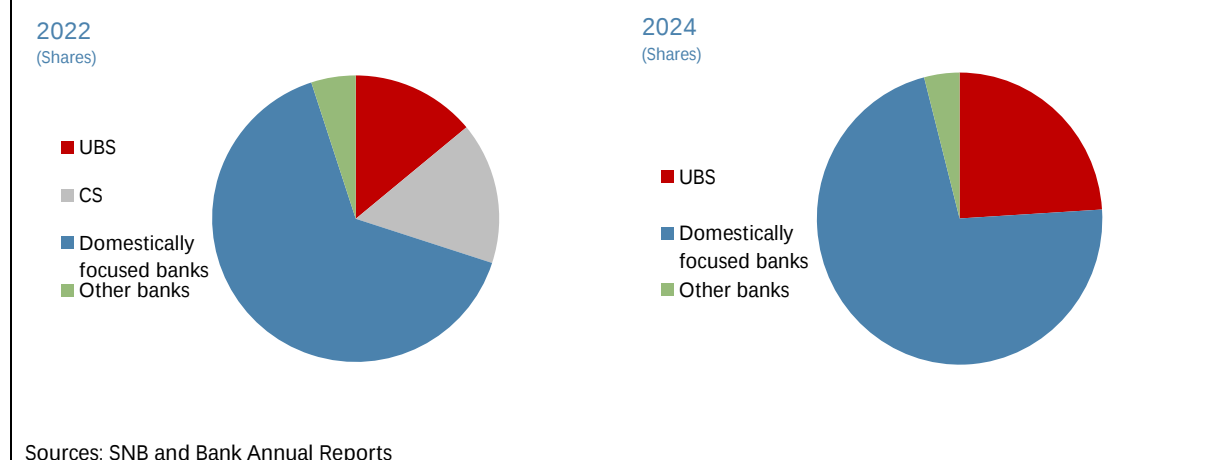


Sources: DataStream, Haver Analytics/Tullet Prebon, and SNB
Note: Average includes CHE, BEL, CAN, FRA, DEU, DNK, ITA, GBR, NLD, SWE, and USA. Spreads are calculated for 10-year rates except for CAN (5-year) and USA (30-year)

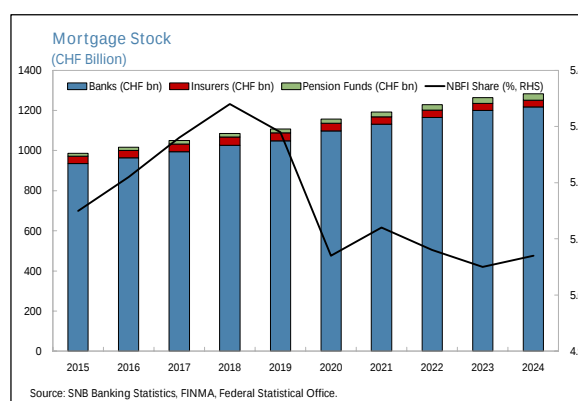
¹ Prepared by Romain Bouis and Phakawa Jeasakul.

2. Bank lending is significantly less concentrated, although it increased following the CS acquisition. UBS's domestic credit market share almost doubled, to around one-quarter at end-2023, following the acquisition of CS, though this declined as the combined bank scaled down its lending portfolio. Domestic loans represent only 22 percent of UBS's total assets, below the level of Switzerland's domestically focused banks (up to two-thirds). The lending market appears competitive, with the spread between mortgage rates and long-term bonds relatively narrow and comparable to that prevailing in other advanced economies. Still, the increase in concentration of the domestic credit market means that in the event of further systemic distress, reallocating an even larger credit portfolio across the banking system would be even more challenging.

Figure I.2. Switzerland: Domestic Loan Market Evolution Around UBS's Acquisition of CS

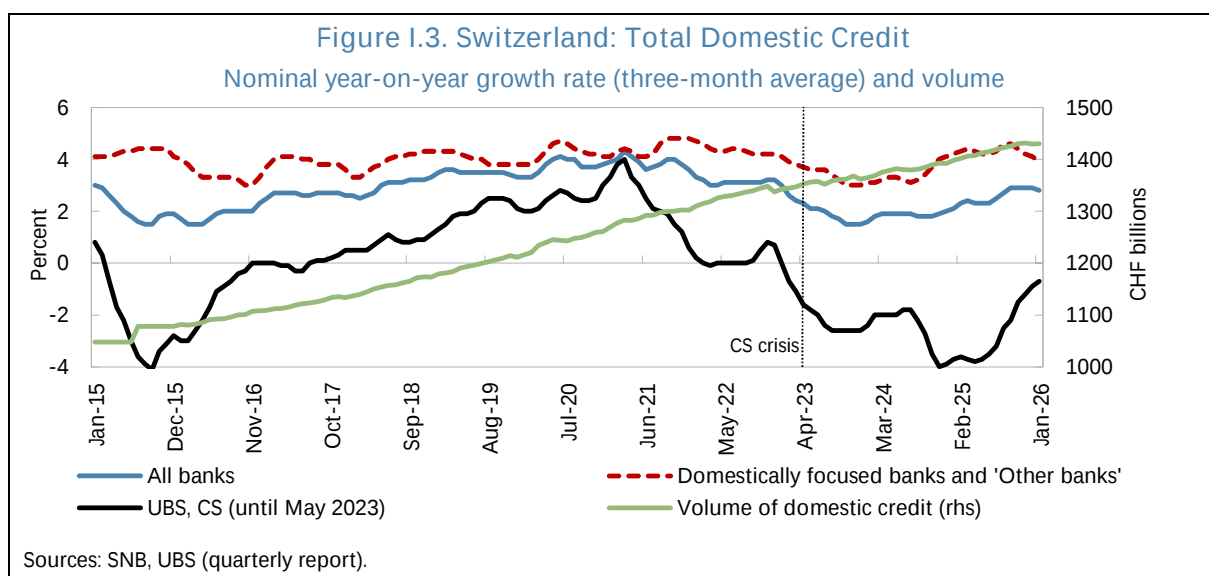


3. Banks also face competition with NBFIs for mortgage business. Life insurers and pension funds directly provide fixed-rate mortgages to match long-dated liabilities, and underwrote 5 percent of the mortgages in 2024. While NBFIs are not covered by banking regulations that limit LTV, they nevertheless tend to focus on higher quality (i.e., lower LTV) loans than banks, in particular owner-occupied, lower-risk residential properties in Switzerland's bigger cities where property markets are more liquid, leaving higher risk lending to banks. Despite this, the share of the mortgage stock held by NBFIs is small, 2.7 percent for insurers and 2.5 percent for pension funds in 2024.



4. UBS' acquisition of CS did not lead to a decline in aggregate credit provision. Academic studies have generally found that large bank mergers reduce credit supply. The largest determinant of this reduction tends to be termination of one line of credit to customers with which both parents had had relationships. The resulting dampening of credit is particularly strong

where substitution effects across banks are weak, leaving fewer options for borrowers.² Between 2022 and 2023, the Herfindahl–Hirschman index for Swiss banks' assets concentration rose from around 15 to more than 25,³ but the SNB found no significant decline in provision of domestic credit, potentially because relatively few borrowers had relationships with both UBS and CS, but also because smaller lenders filled the gap.⁴ Overall, the decline in lending by UBS and CS has been more than offset by domestically focused banks; the volume of domestic credit has still expanded in aggregate (Figure I.3).



5. Some niche sectors saw reductions of service provision, but these are unlikely to be macroeconomically significant. UBS appears mostly to have reduced some higher-risk CS businesses. Pre-acquisition, for example, CS was active in supply-chain finance while UBS was not; this business was wound down post-acquisition. Investment banking activities, such as support for leveraged buyouts US securitized products, and structured credit products also fell as UBS sought to reduce high-risk weighted assets activities. CS's private debt and direct lending infrastructure also shrank, although in these cases other European lenders appeared to have filled the gap. Taken together, however, these areas were of limited importance to financing the domestic Swiss economy.

6. Staff analysis finds no clear evidence that the post-acquisition increase in banking concentration has weakened monetary policy transmission. To look at transmission, a regression analysis estimates pass-through from the overnight risk-free reference market rate (Swiss Average Rate Overnight (SARON)) to term and savings deposits and bank mortgage rates. Pre- and post-acquisition pass-through coefficients are not significantly different for mortgage rates or for any deposit rates up to one year after controlling for the impact of the negative

² Fraise et al. (2018).

³ IMF (2025).

⁴ Baeriswyl et al. (2025) and Martin (2026).

interest rate policy.⁵ The results are robust across different pass-through horizons, across the distribution of interest rates, and across alternative sample periods.⁶ Results should, however, be interpreted with caution as estimates represent conditional co-movements rather than causal effects, while the post-acquisition dummy capture cross-bank average effects which could absorb systemwide coincidental factors.

Table I.1. Switzerland: The Impact of UBS-Credit Suisse Acquisition on Monetary Policy Transmission

	Savings deposit rate	Time deposit rate, 1-month	Time deposit rate, 3-month	Time deposit rate, 6-month	Time deposit rate, 12-month	Variable mortgage rate	Fixed mortgage rate, 5-year	Fixed mortgage rate, 10-year
β	0.195	0.644	0.728	0.765	0.794	0.084	0.569	0.409
λ	0.221	0.092	0.026	-0.004	-0.081	0.054	0.133	0.234
θ	0.067	-0.222	-0.316	-0.385	-0.440	0.013	-0.491	-0.562

Note: β is the coefficient capturing overall interest rate pass-through, λ is the coefficient capturing the impact of increasing banking sector concentration on interest rate pass-through, and θ is the coefficient capturing the impact on the negative interest rate policy on interest rate pass-through. Numbers in bold indicate statistical significance at 5 percent. The regressions are estimated to assess the cumulative pass through over a 12-month period based on data from January 2008.

⁵ Specifically, the regression specification is:

$$\Delta r_{i,t,t+H} = \alpha + \beta \Delta \text{SARON}_{t,t+H} + \lambda (\Delta \text{SARON}_{t,t+H} \times \text{Post-Acquisition}_t) + \theta (\Delta \text{SARON}_{t,t+H} \times \text{Negative Interest Rate Policy}_t) + \varepsilon_t$$

where $\Delta r_{i,t,t+H}$ denotes the cumulative change in bank lending or deposits rate between t and $t + H$ (e.g., 3, 6 and 12 months), the Post-Acquisition dummy is equal to one after July 2023, and Negative Interest Rate Policy dummy is equal to one during January 2015–September 2022. Regressions are estimated by OLS using monthly data, with Newey-West standard errors to account for serial correlation. Bank lending or deposits rates are measured as the cross-bank simple average, median, bottom quartile or top quartile of individual banks' interest rates, with results qualitatively similar across the various measures.

⁶ Some exceptions are that pass-through has strengthened for savings deposit rates of larger depositors and one-year time deposit rates.

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Annex II. External Sector Assessment

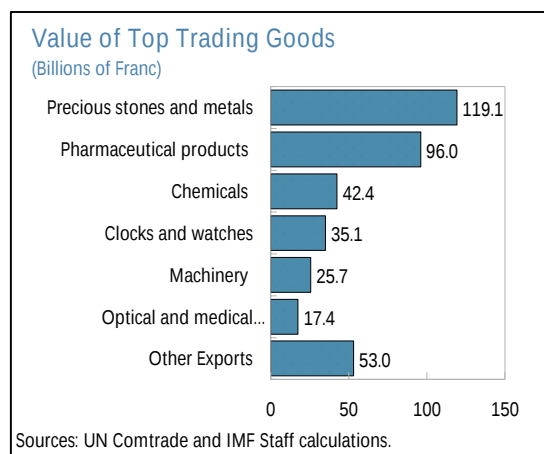
Overall Assessment: <i>The external position in 2025 was broadly in line with the level implied by medium-term fundamentals and desirable policies.</i> The current account surplus, standing at 7.1 percent of GDP in 2025, is expected to narrow in 2026 to 6.8 percent of GDP as lower global demand and franc strength weaken exports. ¹ As in previous years, the assessment is subject to high uncertainty due to complex measurement issues related to large multinational enterprises, including large commodity-related merchandising flows, and data lags.						
Potential Policy Responses: Policies should focus on ensuring economic resilience 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 a very low or negative level. Policies should promote transparent, predictable and mutually beneficial trade policy frameworks. These policies are expected to maintain the “broadly in line” external position going forward.						
Foreign Asset and Liability Position and Trajectory	Background. Switzerland is a major financial center with a large, positive NIIP of 111 percent of GDP and large gross foreign asset and liability positions of 616 and 504 percent of GDP, respectively, in 2025. The NIIP increased by around 21 percent of 2025 GDP over the past five years, due to financial account surpluses (36 percent of 2025 GDP) and valuation effects (-16 percent of 2025 GDP), the rest reflecting statistical reevaluations (1 percent of 2025 GDP). ² Compared with 2024, the NIIP decreased in 2025 by 10 percentage points of GDP. Assets essentially stagnated (as valuation losses due to weaker US dollar were offset by higher stocks due to valuation gains on international stock exchanges); while liabilities rose markedly, due to higher stock market prices in Switzerland. Projections of the NIIP in 2026 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.					
2025 (% GDP)	NIIP: 111	Gross Assets: 616	Reserve Assets: 98	Gross Liab.: 504	Debt Liab.: 32	
Current Account	Background. Switzerland's CA surpluses averaged 6.4 percent of GDP during 2014–2024. BOP methodological improvements significantly affected the CA balance. The revisions are primarily due to the incorporation of the latest information from surveys on cross-border capital linkages at multinational enterprise groups and affected 2023 and 2024 as well as the first two quarters of 2025, with an upward revision for 2024 from 5.1 to 8.9 percent of GDP. The CA surplus in 2025 is estimated at 7.1 percent of GDP, lower than 2024, which was revised up by 3.8 percentage points from last year's <i>External Sector Report</i> . ³ Within the components, the balance of trade in goods decreased year-on-year specifically due to a deficit in non-monetary gold trading caused by higher prices. The deficit in services increased year-on-year, particularly towards the end of the year, while the primary income deficit narrowed, largely driven by a reduction in income payments to foreign entities compared to the high outflows observed in 2024. From the savings-investment perspective, savings increased by 0.9 percent of GDP, driven by a decline in public consumption, while investment increased by 3 percent of GDP. The CA surplus is expected to remain broadly stable over the medium term. Assessment. The EBA CA norm of 6.1 percent of GDP is below the previous year's norm. Based on a cyclically-adjusted CA surplus of 7.0 percent, the overall EBA-estimated CA gap equaled 1.0 percent of GDP in 2025 (due to rounding effects). The policy gap is entirely due to domestic factors, which include domestic credit (1.2 pp) and fiscal underspending (0.4 pp). Adjustment for a specific factor relevant for Switzerland that is not treated appropriately in the income account—namely retained earnings on portfolio equity investment (-1.1 pp)—leads to a gap of -0.1 percent of GDP (± 0.7 percentage points). ⁴					
2025 (% GDP)	CA: 7.1	Cycl. Adj. CA: 7.0	EBA Norm: 6.1	EBA Gap: 1.0	Staff Adj.: -1.1	Staff Gap: -0.1
Real Exchange Rate	Background. Relative to 2024, the average NEER appreciated by 4.2 percent, while the CPI-based REER appreciated by 1.3 percent in 2025. The NEER has appreciated by 42.2 percent since 2013, while the CPI-based REERs has appreciated by 6.7 percent. As of end-June 2026, the NEER has appreciated by 2.5 percent compared to 2025 average and the CPI-based REER has depreciated by 0.6 percent. Assessment. Consistent with the staff CA gap, staff assesses the REER to be overvalued with a midpoint of 0.3 percent $\pm$ 1.25 percentage points, using an elasticity of -0.56.					
Capital and Financial Accounts: Flows and Policy Measures	Background. Net financial outflows totaled 9.1 percent of GDP in 2025, including private outflows of 9.9 percent of GDP (reflecting large CHF appreciation, aggressive monetary easing by the SNB, and investors seeking higher returns abroad) and a decrease in SNB reserve assets of 0.5 percent of GDP. During 2014–24, net private inflows averaged -1.1 percent of GDP, while the average annual increase in SNB reserves was 4.5 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.					
FX Intervention and Reserves Level	Background. Official reserve assets (including gold) amounted to CHF 853 billion (USD 1,070 billion, 98 percent of GDP) in 2025, up CHF 30 billion (USD 38 billion) from 2024. The SNB purchased CHF 5.2 billion (0.6 percent of GDP) of FX (net) through FXIs in 2025, compared to large FXIs selling that occurred in 2022–23, to dampen appreciation pressures on the Swiss franc related to safe-haven flows, thereby contributing to ensuring monetary conditions and turning inflation within the price stability range. 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. Despite the significant USD/CHF depreciation in 2025, the SNB made a profit in 2025 of CHF 26 billion (less than the CHF 80.7 billion recorded for 2024) thanks to higher gold prices. Still, the financial losses incurred by the SNB in 2022 and 2023 indicate some volatility in its income and the presence of risks associated with its large balance sheet. IPF-compliant foreign exchange interventions (FXIs) may be considered in cases of disorderly market conditions or frictions identified in IPF use cases to address risks of inflation expectations becoming de-anchored that could result from large and persistent exchange rate movements.					
¹ The CA surplus for 2025 has been revised downward to 6.4 percent after the data cutoff date for the ESR page but the overall assessment remains the same. The updated Staff Gap is -0.9 percent of GDP (± 0.7 percentage points), and the REER is overvalued with a midpoint of 1.6 percent $\pm$ 1.25 percentage points.						
² 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.						
³ Due to large revisions to historical BOP and NIIP data, particular caution is needed when comparing the external sector assessment results for different periods.						
⁴ The underlying CA is adjusted for a Switzerland-specific factor in the income account: 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 <i>Balance of Payments and International Investment Position Manual (BPM6)</i> . The PE RE bias was estimated using the “stock method” and “flow method” as explained in “ <i>The Measurement of External Accounts</i> ” (IMF Working Paper 19/132), and it is similar in size to estimates based on the SNB's pilot <i>BPM7</i> data.						

Annex III. Competitiveness and Resilience¹

The Swiss franc has appreciated in recent years, reflecting low inflation relative to trading partners and increased safe-haven flows amid heightened global uncertainty. However, Switzerland's export sector has remained resilient, supported by its specialization in high value-added goods. Empirical evidence suggests that fluctuations in external demand and in the exchange rate are important drivers of the evolution of exports, yet the responsiveness of Swiss exports is lower than that of many other economies, likely reflecting the highly specialized nature of Swiss exports.

1. The Swiss franc has appreciated notably in recent years. With inflation lower than in its main trading partners, the franc has tended to strengthen relative to the dollar, euro, and other partner currencies over the past decade, especially in nominal terms. Elevated trade and geopolitical tensions have also strengthened safe-haven demand, further contributing to appreciation in both nominal and real terms. Relative to 2025 average, the NEER in May 2026 has appreciated by 3.6 percent, and the REER by 1 percent. While safe-haven flows reflect Switzerland's resilience, the pace of ongoing appreciation raises questions about sustaining competitiveness in tradable sectors.

2. Switzerland's focus on high value-added goods reduces its overall vulnerability to exchange rate shifts. High value-added products such as chemicals and pharmaceuticals, clocks and watches, and machinery account together for over half of goods exports, and display relatively low exchange rate elasticities (Table III.1). Switzerland's overall real exchange rate elasticity is estimated at around 0.65, below the cross-country average of 0.77, indicating greater resilience to exchange rate pressures (Hanslin Grossmann and others, 2016; Thorbecke and Kato, 2018).² This helps cushion the impact of franc appreciation on external



competitiveness, maintaining export resilience, and, over time, support a shift toward higher-value sectors (Eugster and Donato, 2025). Part of this resilience also reflects firms' pricing power in high value-added sectors and the high import content of exports, which provides a natural hedge through lower imported input costs. While these factors mitigate the effects of franc appreciation, persistent franc strength may still weigh on profitability and competitiveness over time.

¹ Prepared by Ece Özge Emeksiz.

² Elasticities are reported in absolute terms; an increase in the REER leads to a decrease in exports, so the elasticities would be negative without taking absolute values.

3. Swiss exports have exhibited resilience during large appreciation episodes. Using quarterly data for selected countries over 2006–2025, we define large appreciation episodes as quarters in which the real effective exchange rate (REER) appreciates by one standard deviation above its mean.³ We compare goods export growth during these episodes with that in other periods.⁴ Table III.2 presents the results and shows that Swiss export growth was somewhat more resilient during large appreciation episodes compared with some other countries.⁵

Table III.1. Switzerland: Sectoral Exchange Rate Elasticities: Short vs. Long Run		
	Short Run	Long Run
Agriculture	0.81	0.91
Chemicals	0.48	0.53
Paperware	0.84	1.00
Plastics, leather	0.89	0.98
Precision instruments, watches	0.71	0.58
Stones	0.92	0.94
Textiles, clothes	0.82	0.97
Vehicles	0.20	0.40
Other	0.84	1.30
Source: Hanslin Grossmann and others (2016).		

Table III.2. Switzerland: Export Volume Growth: Large Appreciation Periods vs. Other Periods		
	Appreciation Episodes	Other Episodes
Switzerland*	-1.41%	1.23%
Canada	-1.37%	0.52%
Denmark	-2.18%	0.95%
Germany	-4.81%	0.86%
Italy	-5.46%	0.09%
Japan	-2.87%	2.93%
Netherlands	0.11%	1.68%
New Zealand	0.25%	1.22%
Source: IMF Staff Estimates. *Excluding valuables and merchandising.		

³ Data are from the IMF's International Trade in Goods database and SECO.

⁴ Gold exports and proceeds from merchandising are excluded from the analysis for Switzerland. These items can substantially inflate measured exports and trade balances, but reflect transit trade, non-monetary gold transactions, and multinational pricing practices rather than underlying domestic economic activity.

⁵ Canada and New Zealand are commodity exporters, where export performance may be influenced by commodity-price cyclicalities.

4. Swiss exports also respond less strongly to trading partner demand conditions than some other countries. We estimate a model linking export volumes to the REER and foreign demand, following the existing literature (e.g., Bayoumi, 1998; Hooper, Johnson, and Marquez, 1998). The specification uses the logarithms of the variables and controls for changes in commodity prices, reflecting the exposure of some countries in the sample to commodity price cycles. The sample covers annual goods export data for 1980–2025. While the use of aggregate rather than sectoral data limits granularity, the results reinforce earlier findings. REER changes are statistically significant for Switzerland and other countries such as Germany, Italy, and Canada (Table III.3). Trading partner demand is statistically significant across all countries in the sample.

$$\Delta Exports_{j,t} = \alpha + \beta_1 \Delta \sum_{N=0}^4 REER_{j,t-N} + \beta_2 \Delta \sum_{N=0}^4 ForeignDemand_{j,t-N} + \beta_3 \Delta \sum_{N=0}^4 CommodityPrice_{j,t-N} + \varepsilon_{j,t}$$

Table III.3. Switzerland: Exchange Rate and Foreign Demand Responses of Goods Exports

	$\Delta REER_t$	$\Delta ForeignDemand_t$
Switzerland*	-0.413* (0.163)	1.555** (0.427)
Canada	-0.026 (0.253)	2.314** (0.606)
Denmark	-0.669** (0.216)	1.218** (0.402)
Germany	-0.486* (0.217)	2.220** (0.693)
Italy	-0.307** (0.092)	2.571*** (0.657)
Japan	0.016 (0.113)	3.085*** (0.936)
Netherlands	-0.337 (0.187)	1.385* (0.634)
New Zealand	0.038 (0.132)	0.780* (0.299)

Source: IMF Staff Estimates. *Excluding valuables and merchandising.

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Annex IV. Risk Assessment Matrix¹

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Global Risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High	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 diversify demand sources. Monetary policy should remain flexible, and FXI could be considered if safe-haven capital inflows lead to the de-anchoring of inflation expectations.
Protectionism and Trade Disruptions. Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	High	Medium / High While Switzerland is well-positioned to handle these shocks due to its strong fundamentals, flexible economy, and diversified trade patterns, its high trade dependence makes it vulnerable to higher trade barriers and trade policy uncertainty.	Maintain open market access and continue to deepen and broaden trade agreements. Support innovation, enhance infrastructure resilience, and strengthen energy security to sustain growth and support economic resilience. Continued 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.
New Trade Agreements. Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	Low	Low Switzerland's strong fundamentals and diversified export base position it well to benefit from new trade agreements. Reduced uncertainty and lower trade barriers would support external demand, investment, and overall activity, particularly given the economy's high trade openness.	Expand and enhance cooperation with other countries/partners to mitigate the risk of de-globalization. Increase diversification of supply chain network. Continued engagement with partners is key to reducing uncertainty, preserving market access and a rules-based environment, and bolstering resilience.

¹The 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	Expected Impact	Policy Response
Global Risks			
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	Medium / High 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.
Disorderly AI Correction. An abrupt revision in expectations of strong AI-led productivity gains causes a sharp market correction, investment decline, and wealth loss, which suppress demand and tighten financial conditions globally.	High	Medium / High Switzerland's strong integration into global financial markets and exposure to technology intensive sectors make it vulnerable to a disorderly AI-related market correction. A sharp global equity adjustment could generate sizable wealth effects, given the exposure of households and institutional investors, while weaker global investment and tighter financial conditions could weigh on exports and activity.	Closely monitor risks from a disorderly AI-related correction to financial markets and the real economy, with particular attention to wealth effects and institutional investor exposures, particularly leveraged ones. Continue to improve micro- and macroprudential supervisory and regulatory frameworks, and to accumulate buffers in the financial system. If downside risks materialize, allow automatic fiscal stabilizers to operate and ease monetary policy—including the SNB's toolkit of negative policy rates and FXI— as warranted.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by the increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus.	High	Medium / High Switzerland is a global financial center. Under severe financial stress, Swiss banks and other financial institutions could come under pressure, leading to a credit or liquidity crunch, slower economic growth or a recession. However, higher levels of global risk generally trigger safe-haven flows into Swiss banks, potentially mitigating liquidity stresses.	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 flexible approach to monetary policy while continuing to develop the toolkit for policies close to the zero lower bound. Consider FXI if safe-haven capital inflows might de-anchor of inflation expectations.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Global Risks			
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	High	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.
AI Acceleration. Rapid AI adoption significantly improves productivity, boosts growth, and revives business dynamism. Realizing these gains requires complementary policies to manage energy constraints, scale critical inputs, and support labor market transitions.	Medium	Medium Switzerland's strong innovation capacity positions it well to benefit from AI-driven productivity gains, supporting growth and competitiveness, though energy constraints and labor market adjustments could limit gains, and employment disruption in knowledge-intensive industries is a concern.	Support AI diffusion by strengthening innovation, digital and energy infrastructure, and addressing skills gaps through education and training. Maintain flexible, innovation-friendly regulatory frameworks to support productivity gains and smooth labor market transitions.
Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	Medium	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). Invest in renewables generation capacity to insure the energy system against potential downside risks to hydroelectric production.
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 potentially lead to inflation de-anchored expectations and deflation.	High	High Switzerland's environment is marked by low inflation amid safe-haven flows and franc appreciation. Persistent deflationary pressures could constrain monetary policy flexibility and pose challenges to economic activity and raise financial sector risks, especially if policy rates enter negative territory.	The central bank should use all monetary policy tools available, including negative rates and FXI, to prevent the de-anchoring of inflation expectations. Clear communication about tools and goals is essential.
Sharp correction in residential real estate markets. House prices remain high and rising. While there has been some correction, 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	High The Swiss financial system is heavily exposed to the property market. An abrupt price correction could worsen asset quality 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 housing market imbalances through both demand-side (e.g., enhance macroprudential framework and measures) and supply-side (e.g., more social housing, zoning adjustments) actions. Release the sectoral countercyclical capital buffer as appropriate. Continue to monitor banks' capital adequacy and risk managements. Close data gaps and assess risks from NBFIs and in the construction sector.

Source of Risks	Relative Likelihood	Expected Impact	Policy Response
Switzerland-Specific Risks			
G-SIB risks Although the merger is almost complete, implementation risks remain until the merger is complete. The large size of the merged bank poses risks.	Medium	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. Ensure sufficient capital coverage for the entirety of G-SIB risks, including foreign subsidiaries. Monitor closely capital quality of G-SIBs to ensure maximum loss absorption capacity. Continue to develop and update resolution and recovery frameworks.
Populist pressures generating tension between the debt brake and fiscal policies. With rising spending needs on pensions, defense, and climate, cuts to other spending or tax increases will be necessary to ensure fiscal policy consistency with the debt brake.	Medium	Medium / High Large cuts to current spending could undermine physical and human capital investment. Automatic or emergency cuts could add to political and economic uncertainty.	Clear communications about the tradeoffs inherent in the debt brake are essential to build support for a tax base sufficient to fund Switzerland's rising long-term expenditure needs. Given fiscal space, exceptions to the debt brake for public investment could be considered.
Political developments negatively affecting Swiss-EU relations. Agreements with the EU have been signed. But potential referendum outcomes might raise political uncertainty and delay in implementation.	Low	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 supporting timely and effective implementation of the signed agreements and by preserving free flows of goods, labor, and financial services with the EU. Continue close engagement with EU authorities to reduce uncertainty and ensure stable, predictable economic relations.
Lower prices of pharmaceutical products. The price of pharmaceutical products sold in the U.S. is significantly reduced, impacting Swiss pharmaceutical firms.	Low	Medium Firm profitability may be negatively impacted, potentially leading to lower investment and R&D spending.	Continue close engagement with U.S. authorities to limit adverse spillovers from drug pricing reforms. Preserve an attractive domestic environment for pharmaceutical investment and innovation, including through stable regulatory frameworks and strong support for R&D. Monitor potential second round effects on investment and employment.

Annex V. Scenario Analysis Using the IMF's QIPF Model¹

The QIPF model examines how Switzerland can manage external shocks, including global negative demand shocks, safe-haven flows, and higher oil prices. The scenario analysis underscores that effective macroeconomic stabilization requires a coordinated policy mix. While monetary policy remains the primary tool, its effectiveness is constrained by the effective lower bound (ELB), particularly amid persistent appreciation pressures driven by safe-haven flows. In this context, foreign exchange intervention can complement negative interest rate policy by easing currency pressures and reducing their effects on inflation and output. Fiscal policy can further support stabilization by shortening the period during which monetary policy remains constrained by the ELB. Maintaining inflation expectations above low levels is also crucial for preserving policy space and improving macroeconomic outcomes.

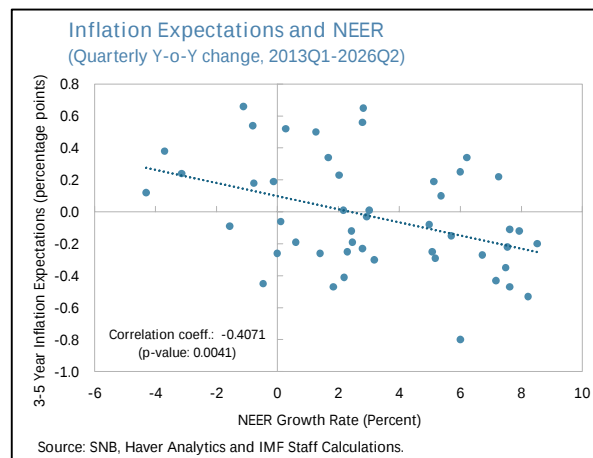
A. The Integrated Policy Framework in the Swiss Context

1. The IMF's Integrated Policy Framework (IPF) helps the Fund and domestic authorities analyze how to respond to economic shocks. By evaluating monetary, exchange rate, macroprudential, and capital flow management policies together, the IPF identifies the best tools for maintaining macroeconomic and financial stability amid diverse shocks and relevant frictions (Basu et al., 2020; Adrian et al., 2021). The integrated use of different policy instruments becomes particularly relevant when a central bank faces trade-offs in the stabilization of output and inflation.
2. The IPF identifies frictions—such as shallow FX markets, balance-sheet mismatches, and heightened risks of pass-through leading to a de-anchoring of inflation expectations—that can amplify economic shocks in open economies and call for tailored policy responses. To manage these, the framework emphasizes a two-pronged approach. Ex ante, structural and macroprudential measures are used to mitigate frictions and reduce imbalances before shocks occur. Ex post, ensuring appropriate fiscal and monetary responses is essential, but complementary measures (e.g., FX intervention) may be able to lower the costs associated with relying on these instruments alone. The IPF also acknowledges that the use of additional tools may have some side effects and hence is appropriate only in specific circumstances laying out several potential “use cases” that warrant special consideration in this respect (IMF, 2023).
3. Switzerland is a small open advanced economy with no major macroeconomic imbalances, sound institutions, and a strong policy framework, but safe haven flows present a risk. The country maintains a de jure floating exchange rate arrangement and the central bank operates a target-range for inflation. It has a strict fiscal rule and low public debt, no major external imbalances, and faces no restrictions on capital movements. Even though the franc exchange market is considered deep and its functioning has been broadly orderly (see Annex VIII),

¹ Prepared by Romain Bouis, Ece Özge Emeksiz (EUR), Marcin Kolasa, and Ruy Lama (MCM).

outsized safe-haven inflows can still induce significant currency appreciation that is unwarranted by fundamentals.

4. This appreciation could lead to a de-anchoring of inflation expectations that might justify FXI. The cumulative pass-through of a 1-percent appreciation to headline inflation after one year is estimated at 0.12 percentage point in Switzerland, relatively higher than the average estimate of 0.05–0.08 percentage point for advanced economies (Carrière-Swallow et al., 2023; IMF, 2024; Jašová et al, 2019). Moreover, in Switzerland, changes in the NEER are also negatively correlated with changes in long-term inflation expectations. Appreciation may trigger deflationary pressures, to which a loosening of the monetary policy stance is typically the appropriate response. The risk of a de-anchoring of inflation expectations is particularly high when policy responses are constrained by the effective lower bound (ELB) or if observed inflation has stalled close to or below the lower end of the PSR. In such circumstances, there may be grounds under IPF use case C for considering sterilized FX intervention, provided that the costs of such interventions are assessed as reasonably low.

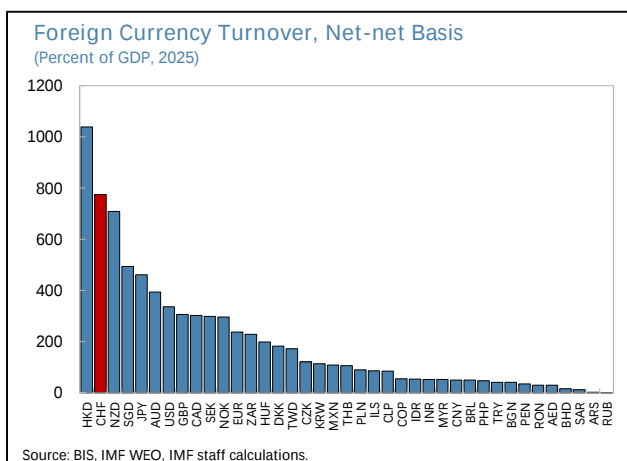


B. Modeling IPF Responses: The Fund's Quantitative Integrated Policy Framework (QIPF) Model

The IMF's QIPF

5. Key model characteristics. The QIPF model is a New Keynesian open economy model tailored to capture key features common to both AEs and EMEs. The calibrated model for Switzerland is a linearized version of the Adrian et al. (2021) IPF model, following the implementation of Chen et al. (2023). A central feature of the model is the assumption that FX traders have limited risk-bearing capacity (Gabaix and Maggiori, 2015). This helps generate realistic exchange rate volatility and implies that sterilized FX interventions can have real economic effects, which creates a role for policy to offset UIP fluctuations.

6. Model Calibration for Switzerland. The model is calibrated to capture the main features of the Swiss economy, relying on some of the parameters of Cwik and Winter (2024) and featuring effects of FX interventions in line with that study. The calibrated parameters are consistent with deep FX markets, as suggested by high Swiss franc turnover compared with international peers.² The model parameterization also implies gradual exchange-rate pass-through, and reasonably well-anchored medium-term inflation expectations. The model's impulse response functions (IRFs) to major shocks and policy instruments broadly capture the empirical evidence for Switzerland and have been discussed with SNB staff.



7. Several limitations of the model warrant consideration. For example, the model assumes that the monetary transmission is not impaired when policy rates become negative. While work by Casiraghi et al. (2021) and Vestin and Eriksson (2021) suggest that NIRP policies are effective, it is possible that the impact of negative rates is more modest than assumed here. Moreover, the model does not allow for the possibility that NIRP can adversely impact financial stability, as banks' ability to generate earnings is impaired by charges on SNB reserves, while deposit stickiness precludes full adjustment of funding costs to negative levels. The model also assumes that FX market depth and premium distortions are known in real time. In practice, FX intervention may therefore be more or less effective than anticipated if the market is shallower or deeper than expected. These possible limitations, and others not mentioned that may apply as well, of the model analysis in this annex should be kept in mind when considering policies to deal with the adverse scenarios.

Scenarios

8. External risks and policy relevant questions guide the simulation of alternative policy scenarios. The scenarios presented below consider the effects of the two following shocks: a negative global demand shock that triggers a safe-haven flow shock, and an oil price shock. The negative global demand shock is calibrated based on the decline of Swiss GDP during the 2008–09 GFC episode, while the global oil price shock is informed by the severe scenario in the April 2026 World Economic Outlook.³ Domestic policy simulations draw on key policy risks

² The SNB does not automatically sterilize all intervention but does steer secured short-term rates close to the SNB policy rate by remunerating sight deposits held by banks and other financial institutions, and by absorbing some of these sight deposits through open market operations in the form of repo transactions and the issuance of SNB Bills.

³ Oil prices are assumed to double over two years, and global output to decline twice as much as in the April 2026 WEO baseline.

identified in the Staff Report for the 2026 Article IV consultation with Switzerland. The model is calibrated to current Swiss conditions, with inflation and the policy rate at zero, a long-run inflation of 1 percent, and ELB set at –1 percent, broadly in line with SNB’s historical experience with the NIRP.

- **Scenario 1—** Responding to a severe global demand and UIP premium shock. A negative global demand shock reduces foreign demand, lowering Swiss GDP by 3 percent and inflation by 1 percent points. Switzerland is unusual in that such shocks typically also simultaneously trigger safe-haven inflows, leading to an appreciation of the Swiss franc and thereby a decline in the UIP premium, and a further contraction in output alongside intensified deflationary pressures. The scenario assesses how monetary policy could address these shocks, including the appreciation pressures arising from safe-haven flows; and to what extent fiscal policy can support the economy given constraints imposed by the fiscal debt brake rule.
- **Scenario 2—** Managing inflation expectations anchored at a very low level. While inflation expectations for the next 6 to 12 months are currently around 0.7 percent, there is a risk that expectations could fall closer to zero. This scenario investigates how monetary policy could respond to shocks similar to those in Scenario 1, but with long-run inflation anchored at a lower level to assess how this reduces monetary policy space and increases the likelihood that the policy rate may reach or remain at the effective lower bound.⁴
- **Scenario 3—** Oil price shock, global negative demand shock, and safe-haven flows. A sharp increase in oil prices, combined with a decline in global demand, creates a policy trade-off by inducing a contraction in GDP alongside higher inflation.⁵ If these shocks are combined with safe-haven inflows, they lead to an appreciation of the Swiss franc, easing inflationary pressures yet weighing further on output. The scenario explores how the SNB should balance inflationary pressures from oil price shock against output losses driven by weaker demand and franc appreciation.

Results

Scenario 1: Responding to Severe Global Demand and UIP Premium Shock

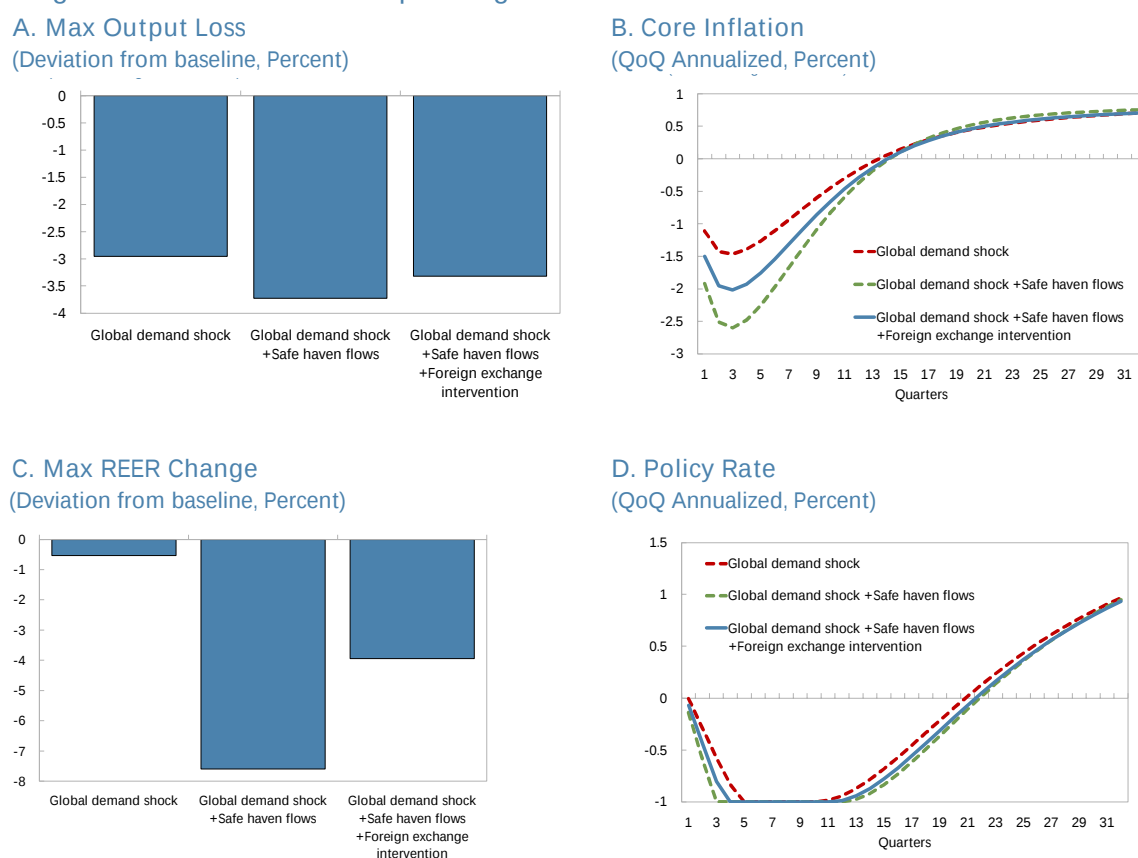
9. The combination of a negative global demand shock and safe-haven flows shock can amplify the economic downturn and intensify disinflationary pressures. A global negative demand shock reduces Swiss GDP by around 3 percent, inflation is reduced by 1 percentage point, and the policy rate stays at the ELB for six quarters. Adopting a negative interest rate policy (NIRP) allows the central bank to better contain the effects of a negative global demand shock relative to a zero lower bound policy. However, when the negative demand shock is combined with a safe-haven flows shock, the macroeconomic effects are amplified as the

⁴ The change of inflation expectations is modeled as an adjustment of the steady state level of inflation, including the inflation target entering the Taylor rule.

⁵ This scenario is informed from the severe scenario presented in the IMF’s [April 2026 World Economic Outlook](#).

policy rate thus stays at the ELB of -1 percent for about ten quarters. In this case, output losses increase to 3.7 percent and inflation falls to about -2.6 percent due to franc appreciation. As the interest rate policy has reached its limits, FX intervention can play an important role, reducing the amount of time spent at the ELB, and dampening the effect on GDP contraction and inflation. These effects are driven partly by a moderation of the exchange rate response to safe-haven flows. In this case, and especially considering the fact that there are likely unmodelled channels via which an extended period of time at the ELB could potentially trigger a de-anchoring of medium- and longer-run inflation expectations, FXI could play a role in re-anchoring inflation expectations as suggested by Use Case C.⁶ However, those benefits should be weighed against a range of costs, including the risk of central bank losses that could be generated with sustained FX interventions and higher Swiss national bank FX reserves, along with the danger that repeated interventions could create confusion around the nominal anchor. While this policy brings substantial stabilization benefits, the amount of FX purchases required to achieve them is substantial as markets are relatively deep.

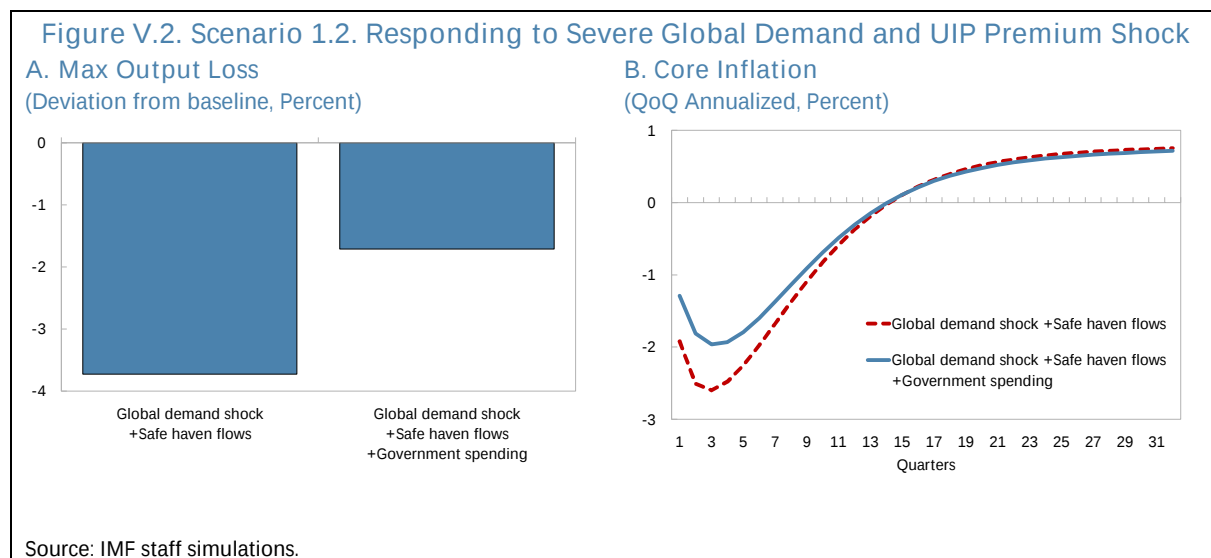
Figure V.1. Scenario 1.1. Responding to Severe Global Demand and UIP Premium Shock



Source: IMF staff simulations.

⁶ As in the other scenarios, we consider an increase in FXI of 11 percent of GDP. A larger FXI intervention could potentially deliver further inflation stabilization gains.

10. Expansionary fiscal policy would also support stabilization. Allowing for a fiscal expansion under Scenario 1 dampens the negative effect on GDP and prices (Figure V.2). Under an expenditure-based stimulus, output is stronger, deflationary pressures are smaller, and the policy rate normalizes more quickly. In Switzerland's case, automatic stabilizers such as unemployment insurance would work in this way. Also, in case of severe shocks, as foreseen by the debt brake, temporary relaxation of the spending ceiling allowing for countercyclical discretionary fiscal policy could be contemplated. Consistent with IPF principles, FXI should not substitute for any warranted adjustment in fiscal policy.



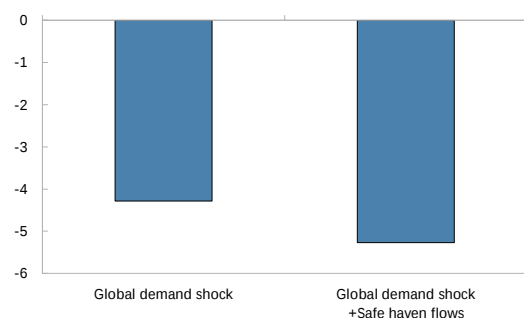
Scenario 2: Risks from Inflation Anchored at Low Level

11. Downside shocks are more damaging, and policy significantly more constrained, if inflation expectations are anchored below current levels, as considered in Scenario 2. Figure V.3 shows that, when long-run inflation is close to zero—compared with the 1-percent baseline—the same shock results in a sharper real exchange rate appreciation, a larger contraction in output, and more pronounced deflationary pressures. Responding to a large demand shock requires the policy rate to remain at the ELB for longer (16 quarters versus 10 quarters in Scenario 2). These findings underscore the point that while inflation outturns anywhere in the 0–2 percent range consistent with the SNB's targets, the effectiveness of monetary policy is greater when inflation expectations are anchored above zero.⁷ As implied by the discussion around Scenario 1, FXI at the ELB can help re-anchor inflation expectations, reinforcing commitment to price stability. By lifting inflation expectations, it can also expand monetary policy space.

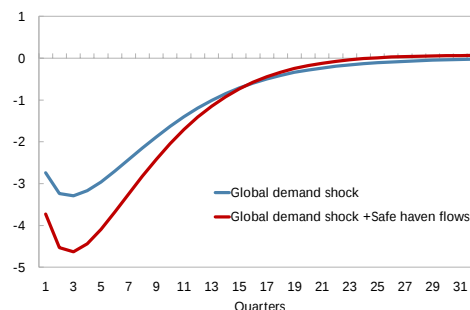
⁷ The SNB defines price stability as an annual increase in the consumer price index of less than 2 percent and considers sustained deflation to be inconsistent with this objective.

Figure V.3 Scenario 2. Risks from Inflation Anchored at Low Level

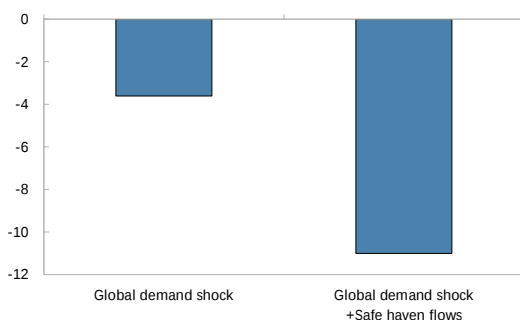
A. Max Output Loss
(Deviation from baseline, Percent)



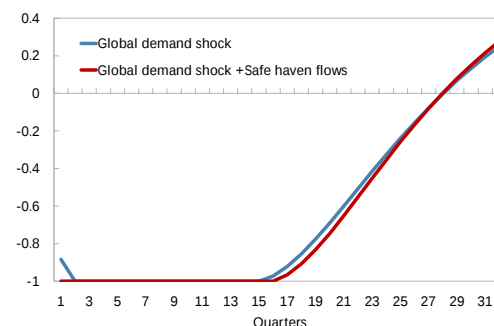
B. Core Inflation
(QoQ Annualized, Percent)



C. Max REER Change
(Deviation from baseline, Percent)



D. Policy Rate
(QoQ Annualized, Percent)



Source: IMF staff simulations.

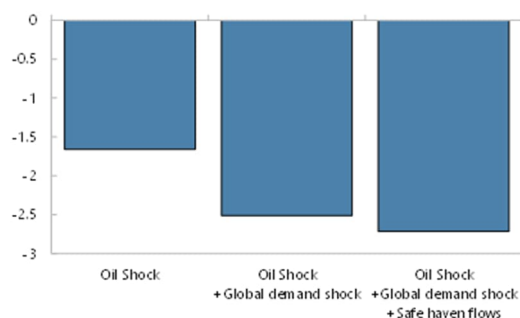
Scenario 3: Severe Global Stagflation

12. Under Scenario 3, monetary policy tightening helps stabilize inflation in face of an energy price shock. Figure V.4. shows that the scenario produces a stagflationary outcome, with declining output and rising inflation, creating a trade-off between stabilizing activity and prices. In contrast to the previous scenarios, the combined effect of higher energy prices, lower global demand, and the safe-haven flows no longer generate deflationary risks but instead bring inflation within the inflation target set by the SNB. In this context, a gradual increase in the policy rate towards its long-run level is sufficient to stabilize inflation around 1 percent, but a considerably stronger tightening should be considered if the global energy crisis did not trigger safe-haven flows to Switzerland.

Figure V.4. Scenario 3. Responding to Global Stagflation

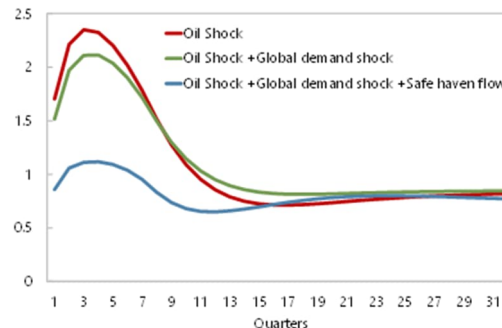
A. Max Output Loss

(Deviation from baseline, Percent)



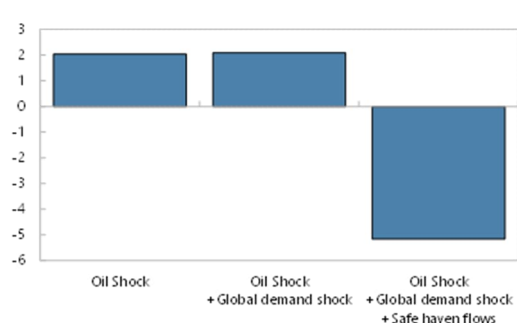
B. Core Inflation

(QoQ Annualized, Percent)



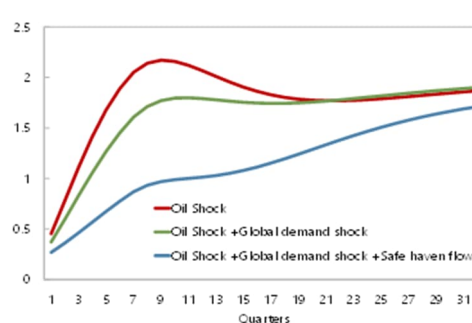
C. Max REER Change

(Deviation from baseline, Percent)



D. Policy Rate

(QoQ Annualized, Percent)



Source: IMF staff simulations.

Conclusion

13. The above scenarios show how, under appropriate conditions, FXI could be deployed to support properly calibrated monetary and fiscal policies in response to severe external shocks with the goal of promoting macroeconomic stability. Expansionary demand management policies are useful to lean against deflationary external shocks. This includes negative policy rates (NIRP), though in the event of severe shocks, a reduced effectiveness below zero and the ELB may preclude a sufficiently strong interest rate response. Expansionary fiscal responses can help reduce the duration of the ELB. Beyond this, global shocks are often accompanied by potentially destabilizing safe-haven inflows to Switzerland that amplify the negative effects of such shocks. In this context, properly calibrated FXI could be deployed to help inflation expectations remain anchored, assuming that appropriate fiscal and monetary policy stances are in place. But the benefits of using FXI should be weighed against the potential costs derived from central bank's balance sheet risks as the required amount of FX interventions is large when markets are deep, and losses stemming from nominal appreciation can be large. Finally, maintaining medium-term inflation expectations anchored above the bottom of the SNB's 0–2 percent price stability range (PSR) leaves more monetary policy space and improves macroeconomic outcomes.

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Annex VI. Long-Term Fiscal Pressures from Population Aging and Climate Transition¹

Switzerland faces rising long-term fiscal pressures from population ageing, health care demands, and climate policy. Longer life expectancy will increase the share of retirees, putting sustained pressure on pension and health spending. The first-pillar pension system is expected to weaken over time as benefits outpace contributions, while health care expenditure will rise with aging, income, technological progress, and cost pressures. At the same time, achieving Switzerland's net-zero emissions target will require stronger climate mitigation efforts that may weigh on economic activity and public finances. Taken together, demographic and climate-related forces will add fiscal pressures absent further policy adjustments.

1. Switzerland faces significant long-term fiscal pressures driven by rapid population aging and climate-related costs. Life expectancy is projected to reach 86 years for men and 89 years for women by 2060, pushing the old-age dependency ratio from 33 percent in 2025 to 46 percent in 2060 and placing sustained upward pressure on pension and health care spending. Longer life spans and a higher share of elderly citizens will raise social protection expenditures and overall health costs. At the same time, Switzerland's goal of achieving net-zero emissions by 2050 will require stronger climate mitigation measures, such as higher carbon prices and stricter emissions standards, which may weigh on economic activity and fiscal revenues.

Fiscal Pressures from Social Protection Spending

2. The Swiss authorities have assessed how demographic changes are likely to affect the financial performance of the old-age and survivors' pension and disability insurance schemes.² Based on the most recent reference population scenario (i.e., A-00-2025) produced by the Federal Statistical Office, the analysis simulates long-term financial performance of these two schemes through 2060. While there are other social security funds (e.g., for unemployment benefits), these are less exposed to demographic changes.

- Old-age and survivors' pensions face growing sustainability risks. Despite net assets of CHF 55 billion at end-2024, the system's operating balance is projected to deteriorate sharply from 2026 due to the planned 13th monthly old-age pension. Even a proposed VAT increase would only partly finance the added costs, leading to rising structural deficits as aging drives benefit payments above contributions.³ Pension spending is projected to rise from 6.0 to 7.4 percent of GDP by 2060, with net assets depleted by mid-2040s.

¹ Prepared by Phakawa Jeasakul.

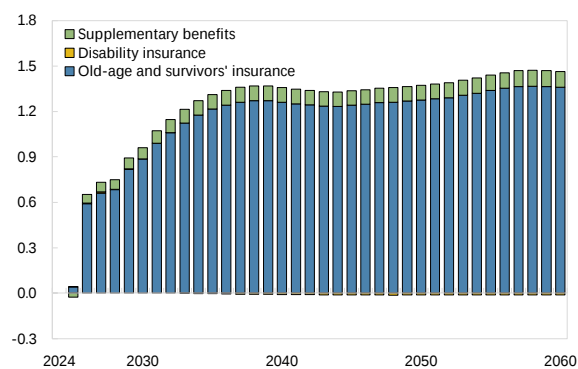
² Data sources for this and the health care analysis include the authorities' [2024 Fiscal Sustainability Report](#) and recent Federal Finance administration [study](#) on health care expenditure projections.

³ In June, the parliament approved an increase in the VAT rate by 0.4 percentage points from 2028, which would raise additional revenue of about 0.2 percent of GDP. Therefore, the 13th monthly old-age pension payment, which costs about 0.5 percent of GDP, would only be partly financed.

- Disability insurance is less affected by demographic aging, but the scheme's financial situation is expected to remain weak. Already holding net liabilities of CHF 6 billion at end-2024, the scheme will likely face structural deficits due to the continued trend of rising disability levels related to mental health. Even though benefits are mainly linked to the working-age population, spending is projected to remain stable at around 1.1 percent of GDP through 2060.
- Spending on supplementary benefits is projected to increase modestly and stabilize around 0.8 percent of GDP. These transfers (which are means-tested) top up pensions and disability benefits to ensure minimum living standards. The increase in supplementary benefits will be largely driven by rising old-age and survivors' pensions.

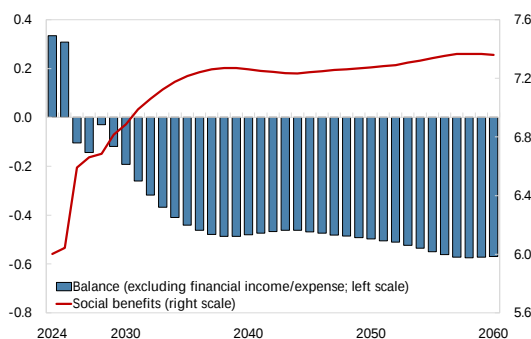
Figure VI.1. Switzerland: Fiscal Pressures from Social Protection Spending

Expenditure related to old-age, survivors' and disability insurance is exposed to population aging, ...
General Government: Selected Social Protection Expenditure
 (Relative to the 2024 level; in percent of GDP)



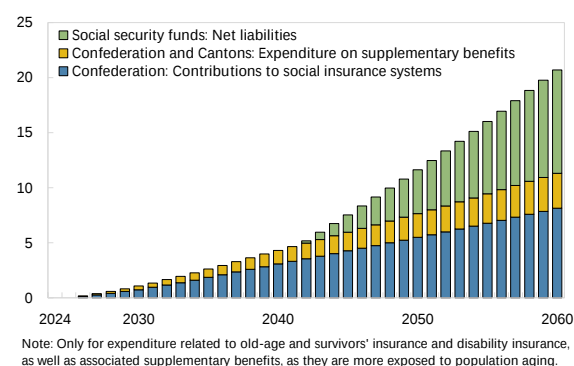
In particular, the old-age and survivors' insurance scheme (i.e., first-pillar pension system) will face significant financial pressures, ...

Old-Age and Survivors' Insurance Scheme: Balance Pension Benefits
 (In percent of GDP)



... with the rise in spending contributing to additional public debt.

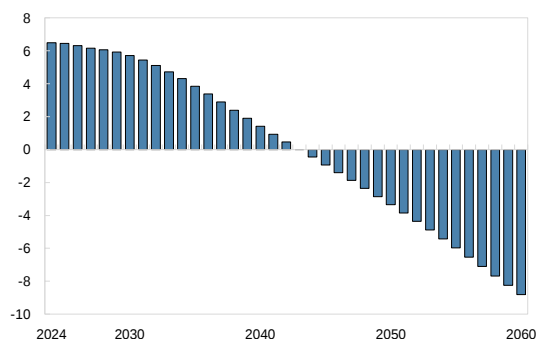
General Government: Additional Debt Due to Higher Social Protection Expenditure
 (In percent of GDP)



Note: Only for expenditure related to old-age and survivors' insurance and disability insurance, as well as associated supplementary benefits, as they are more exposed to population aging.

... and its net assets will be depleted by around mid-2040s due to structural deficits after 2030.

Old-Age and Survivors' Insurance Scheme: Net Assets
 (In percent of GDP)



Sources: CEIC; Federal Finance Administration; and IMF staff estimates.

3. Taken together these trends will raise public debt by around 21 percent of GDP by 2060. Combined expenditure in these areas is projected to rise from 7.8 percent of GDP in 2024 to 9.3 percent by 2060. Direct Confederation spending would rise by around 0.3 ppts. of GDP (adding around 11 percent of GDP in debt) while canton expenditure would remain broadly stable.⁴ As the remaining financing burden falls on social security funds, the pension scheme is projected to accumulate additional debt of about 9 percent of GDP by 2060, which is assumed to be the Confederation's responsibility.

Fiscal Pressures from Health Care Spending

4. Health care spending will also rise. Aging—together with rising incomes, medical technology advances, and cost pressures (Baumol effects)—is a key driver of higher health expenditure. Staff projects long-term health spending using the latest reference population scenario and macroeconomic assumptions broadly aligned with official estimates, extrapolating intermediate years from the authorities' projections for 2032 and 2060. Overall health expenditure is projected to rise from 11.2 percent of GDP in 2023 to 15.3 percent by 2060, even after recent financing reforms.⁵ About two-thirds of the increase is expected to be borne by households through higher premiums, out-of-pocket payments, and cost sharing, while the remainder will fall on the public sector, largely at the cantonal level. Rising health spending could increase public debt by roughly 27 percent of GDP by 2060. Government health expenditure alone is projected to rise from 3.5 to 5.0 percent of GDP.

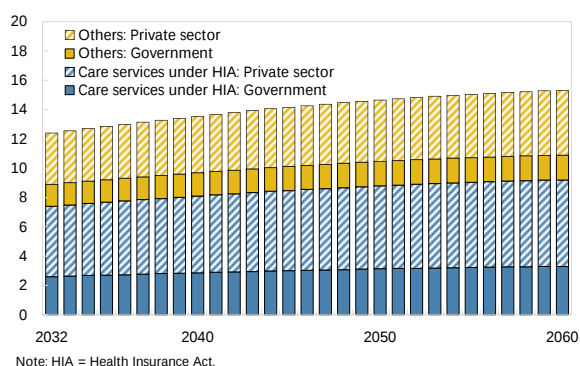
⁴ Confederation and canton expenditures only capture their contributions to social security funds and the costs of supplementary benefits; earmarked tax receipts are not included. Under current arrangements, Confederation contributions to the old-age and survivors' pension scheme amount to 20.2 percent of pension payouts. For the disability benefits scheme, Confederation contributions are based on several factors but subject to a minimum contribution at 37.7 percent of benefit payouts. The costs of supplementary benefits are fully shared by the Confederation (effectively, about one-third) and cantons (about two-thirds).

⁵ Based on staff projections, overall health expenditure increases to 14.6 percent of GDP by 2060. The difference relative to the authorities' projections likely reflects underlying per-capita cost profiles, for which staff has more limited information, as well as alternative treatments of morbidity effects.

Figure VI.2. Switzerland: Fiscal Pressures from Health Spending

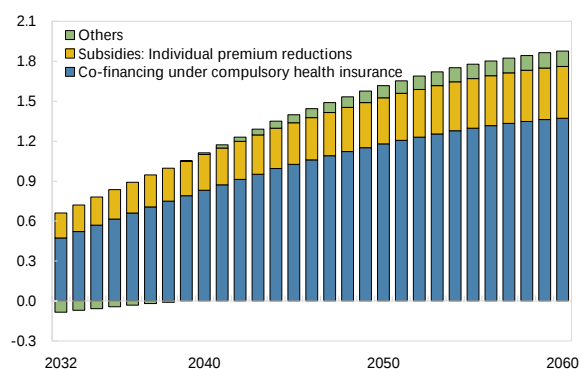
Overall health expenditure is projected to increase substantially, to be borne by both government and private sector, ...

Overall Health Expenditure
(In percent of GDP)



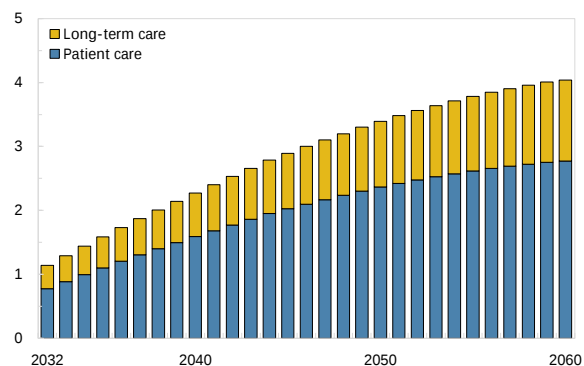
Co-financing of care services under the compulsory health insurance scheme is the leading driver of higher government health expenditure.

General Government: Health Expenditure
(Relative to the 2023 level; in percent of GDP)



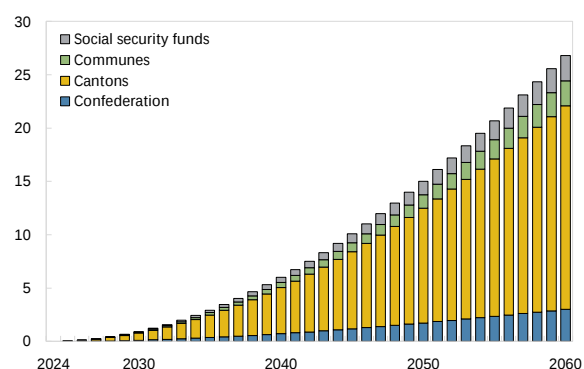
... as patient care and long-term care spending rise, partially due to population aging.

Overall Health Expenditure
(Relative to the 2023 level; in percent of GDP)



Higher government health expenditure could contribute to a significant increase in public debt, especially for cantons.

General Government: Additional Debt Due to Higher Health Expenditure
(In percent of GDP)



Sources: CEIC; Colombier, Lerch and Brändle (2026); Swiss authorities; and IMF staff estimates.

Table VI.1. Switzerland: Projected Health Expenditure

(In percent of GDP)

Health expenditure	2023	2032	2060
Total health expenditure	11.2	12.3	15.3
<i>By care types</i>			
Healthcare	8.9	9.7	11.7
Long-term care	2.3	2.7	3.6
<i>By financing entities</i>			
Government	3.5	4.1	5.0
Confederation	0.4	0.5	0.6
Cantons	2.4	2.9	3.6
Communes	0.4	0.3	0.4
Social security funds	0.3	0.3	0.4
Compulsory health insurance system	4.4	5.0	6.1
Individual premium reductions (i.e., government subsidies)	0.7	0.9	1.1
Paid premiums	3.7	4.1	5.0
Households (excluding private insurance)	2.5	2.6	3.7
Others (including private insurance)	1.6	1.6	1.6
Covered services under Health Insurance Act	6.2	7.2	9.0
Cost-sharing by households	0.6	0.7	0.9
Net expenditure	5.6	6.5	8.1
Financed by premiums	4.1	4.7	5.9
Financed by taxes	1.4	1.7	2.2
Cantons	1.2	1.6	2.0
Communes	0.2	0.1	0.2

Sources: Colombier, Lerch and Brändle (2026); Swiss authorities; and IMF staff calculations.

Fiscal Pressures from Climate Mitigation

5. The climate transition represents an additional source of long-term fiscal pressures. A key channel operates through the macro-fiscal implications of further climate mitigation measures, which may affect economic activity and, in turn, public finances. The authorities' 2024 Fiscal Sustainability Report assesses these effects, with the following main findings:

- Further climate mitigation is required to achieve Switzerland's net-zero emissions target by 2050. In the reference scenario, which assumes no additional policy changes, remaining emissions are projected to amount to nearly 30 million tons of CO₂-equivalent in 2050.
- Additional climate mitigation measures are considered in alternative policy scenarios. The study examines four policy scenarios, combining different mixes of higher carbon prices (through the CO₂ levy), stricter emissions standards, and utilization of carbon capture and targeted subsidies (for utilization of negative emissions technology and carbon capture storage). In all scenarios, including the reference scenario, new taxes on electric vehicles are introduced to offset revenue losses associated with the mineral oil tax and the performance-related heavy vehicle charge.
- The climate mitigation policies required to achieve net-zero emissions target are projected to weigh on economic activity and public finances. Relative to the reference

scenario, real GDP is estimated to be around 2.5 percent lower in the long term. As a result, both government revenue and expenditure decline, with a stronger reduction on the revenue side, contributing to an increase in public debt of about 8–11 percent of GDP by 2060.

- The total fiscal impact of climate-related aspects is likely to be larger. Economic costs from climate change embedded in the reference scenario, together with additional government spending for climate adaptation, are likely to result in higher overall fiscal costs.

Table VI.2. Switzerland: Key Demographic, Macroeconomic and Health Expenditure Assumptions

Indicator	Assumption
Long-term labor productivity growth	1.15 percent
Long-term inflation rate: Consumer prices	1.00 percent
Long-term inflation rate: GDP deflator	1.00 percent
Long-term government funding costs	2.20 percent
Real GDP growth	Based on labor productivity and employment growth
Employment growth	Based on working-age population growth
Economy-wide real wage growth	Based on labor productivity growth
Income elasticity for health expenditure	Outpatient care: 1.2; Inpatient care: 1.0
Wage elasticity for health expenditure 1/ Morbidity 2/	Outpatient care: 0.5; Inpatient care: 0.25; Long-term care: 0.75 0.50

1/ This elasticity captures the Baumol-typed cost effects. For the elasticity value of X, a 1-percent increase in economy-wide real wage would increase real health expenditure by X percent.

2/ The morbidity parameter governs the health status associated with rising life expectancy. The value of 0.5 means that the health condition would deteriorate by half a year for each one-year increase in life expectancy.

References

Colombier, Carsten, Benjamin Lerch, and Thomas Brändle, 2026. "Healthcare Expenditures Projections for Switzerland up to 2060: Aging and Reforms", FFA Working Paper No. 29.

Federal Department of Finance, 2024. "2024 Fiscal Sustainability Report for Switzerland: Aging and Net Zero Target". Federal Department of Finance. April, Berne.

Annex VII. Debt Sustainability Analysis

Figure VII.1. Switzerland: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is assessed to be low, indicating relatively low public debt, relatively small market financing needs, as well as associated limited near-term and medium-term vulnerabilities. Risk is expected to be moderate in the long term.
Near term 1/	...		
Medium term	Low	Low	Medium-term risk is assessed to be low, in line with mechanical signs. The presence of fiscal rules underpins the falling public debt trend as higher spending is expected to be met by additional tax revenue in staff's baseline. Sizeable gross financing needs largely reflect accounts payable, which are large relative to interest-bearing liabilities; market-based financing is thus more limited.
Fanchart	Low	...	
GFN	Low	...	
Stress test	..	...	
Long term		Moderate	Long-term risk is assessed to be moderate. Absent of additional pension and health care reforms, public debt is expected to rise notably in the long run due to rising expenditure pressures from population aging and climate change (see Annex VI).
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	Not required for surveillance countries.
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: Switzerland is at a low overall risk of sovereign stress and public debt is sustainable. Public debt is projected to decline to 37 percent of GDP in 2031, from 40 percent of GDP in 2025. Despite rising expenditure on pensions and defense in the medium term, staff baseline assumes additional tax revenue to meet the debt brake requirements. In the long run, additional public debt is expected as a result of population aging and climate change, highlighting the importance of pension and health care reforms as well as revenue-enhancing measures. With an effective fiscal anchor in the form of the debt brake rule and ample room to raise taxes, authorities are expected to raise additional revenue to meet higher long-term spending needs, contributing to a low overall risk.

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.

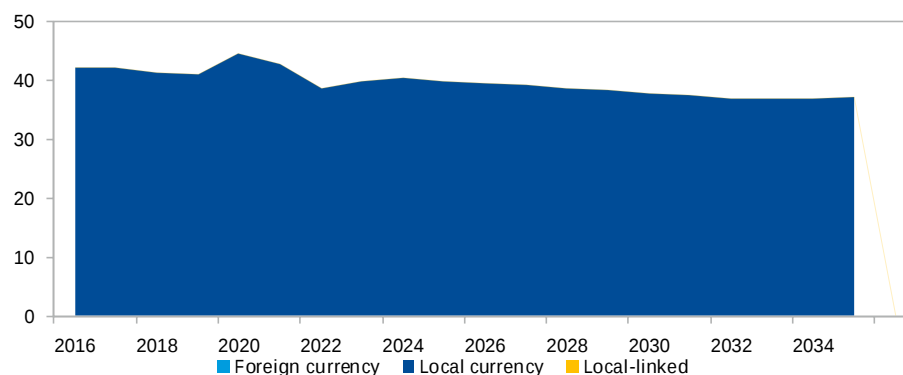
2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access,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

Figure VII.2. Switzerland: Debt Coverage and Disclosures

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1. Debt coverage in the DSA: 1/										CG	GG	NFPS	CPS	Other																																																																																																																
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2. Subsectors included in the chosen coverage in (1) above:																																																																																																																														
Subsectors captured in the baseline										Inclusion																																																																																																																				
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				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																																																																																																																		
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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																																																																																																																	
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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.																																																																																																																														
Commentary: The debt coverage is general government. While the debt figure is based on the consolidated basis, data on intra-government debt holdings are not publicly available. The central government (Confederation) accounts for about 55 percent of total debt. The government is holding a significant amount of financial assets, mostly in company shares, (54 percent of GDP).																																																																																																																														

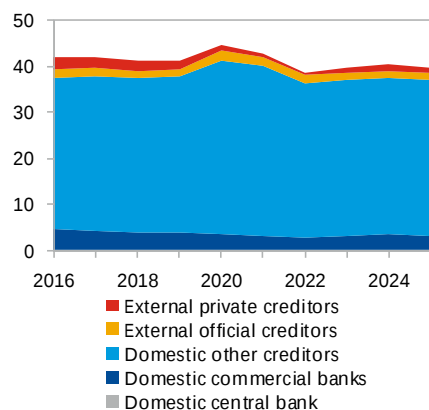
Figure VII.3. Switzerland: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



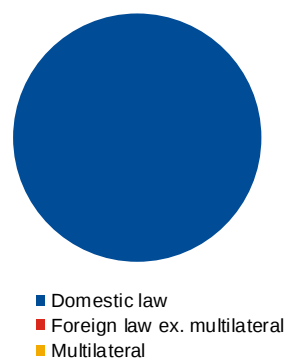
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



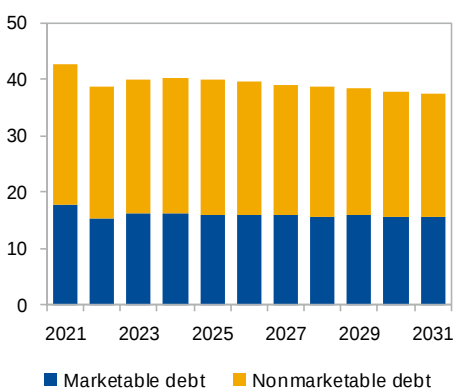
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (percent)



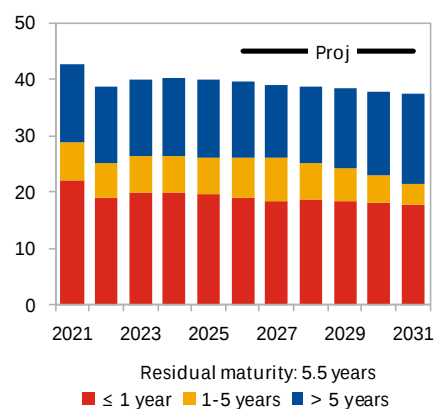
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



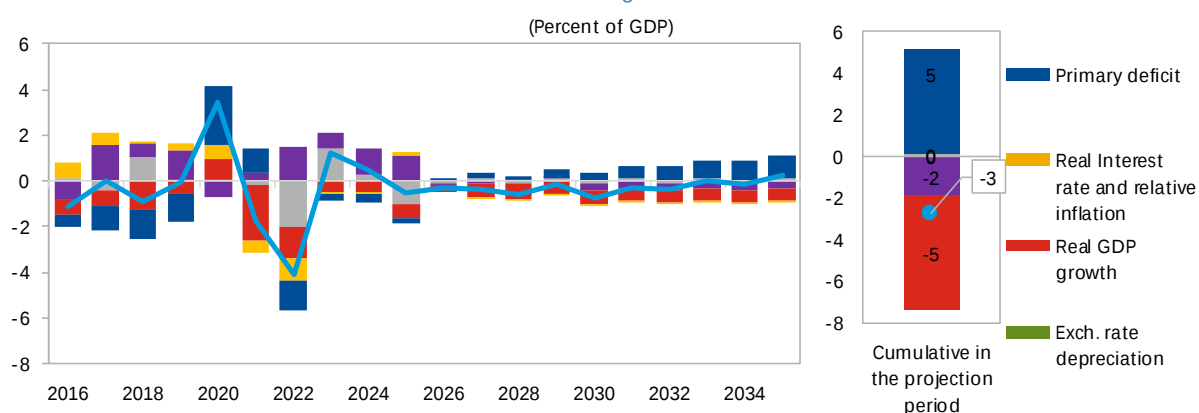
Note: The perimeter shown is general government.

Commentary: Debt is predominantly in domestic currency. Non-marketable debt instruments are substantial as accounts payable amount to slightly more than one-third of total debt. Beyond accounts payable, the central government mainly raises funding by issuing money market debt and bonds. Local governments (cantons and communes) issue bonds and take loans from financial institutions. Debt securities account for about 40 percent of total debt, with the average remaining maturity estimated at around 10.8 years.

Figure VII.4. Switzerland: Baseline Scenario
(Percent of GDP Unless Otherwise Indicated)

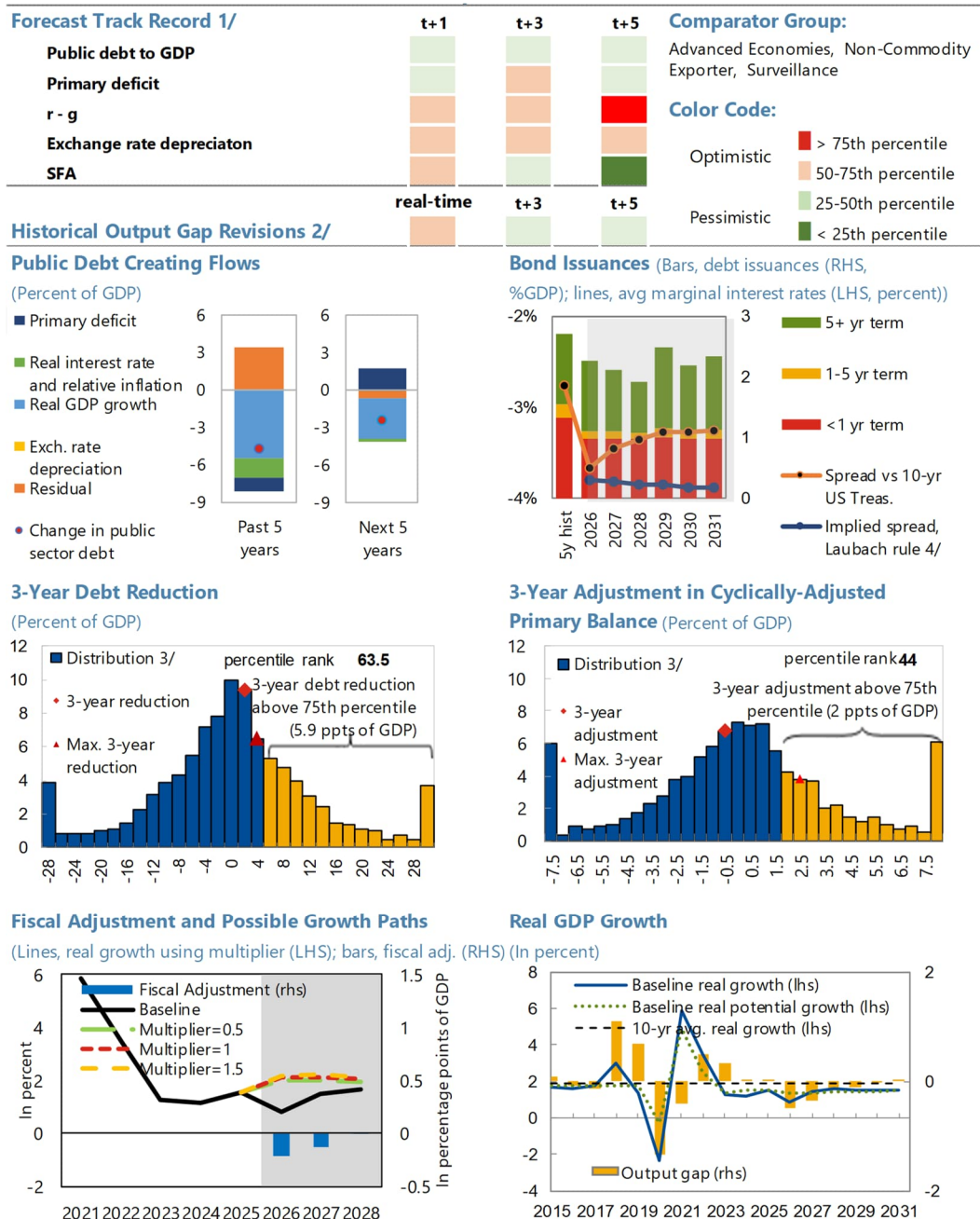
	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	39.8	39.4	39.1	38.5	38.3	37.6	37.3	36.9	36.9	36.8	37.0
Change in public debt	-0.5	-0.3	-0.4	-0.6	-0.1	-0.7	-0.3	-0.4	0.0	-0.1	0.2
Contribution of identified flows	0.5	-0.2	-0.5	-0.5	-0.2	-0.6	-0.4	-0.3	-0.1	0.0	0.1
Primary deficit	-0.2	0.1	0.2	0.1	0.3	0.4	0.5	0.7	0.8	0.9	1.0
Noninterest revenues	32.6	33.1	33.3	33.4	33.6	33.7	33.8	33.8	33.9	33.9	34.0
Noninterest expenditures	32.4	33.2	33.5	33.6	33.9	34.1	34.3	34.5	34.7	34.8	35.0
Automatic debt dynamics	-0.4	-0.3	-0.6	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
Real interest rate and relative inflation	0.2	0.0	0.0	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Real interest rate	0.2	0.0	0.0	-0.1	0.0	-0.1	-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	0.0	0.0	0.0	0.0
Real growth rate	-0.6	-0.3	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
Real exchange rate	0.0	...	...	...	...	...	...	...	...	...	...
Other identified flows	1.2	0.0	-0.1	0.1	0.0	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest revenues	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3
Other transactions	1.4	0.3	0.2	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Contribution of residual	-1.0	-0.1	0.1	-0.1	0.1	-0.1	0.1	-0.1	0.1	-0.1	0.1
Gross financing needs	18.8	18.8	18.6	18.1	18.7	18.4	18.5	18.4	17.6	17.8	17.7
of which: debt service	19.3	18.9	18.7	18.3	18.6	18.4	18.3	18.0	17.1	17.2	17.1
Local currency	19.3	18.9	18.7	18.3	18.6	18.4	18.3	18.0	17.1	17.2	17.1
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:											
Real GDP growth (percent)	1.5	0.8	1.5	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Inflation (GDP deflator; percent)	0.2	0.6	0.6	0.7	0.7	0.7	0.7	0.8	0.8	0.8	0.8
Nominal GDP growth (percent)	1.6	1.7	1.8	2.6	1.9	2.6	2.0	2.6	2.0	2.6	2.0
Effective interest rate (percent)	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6

Contribution to Change in Public Debt



Commentary: Public debt is projected to decline relative to GDP over the medium term as the presence of national and local fiscal rules, notable in the form of debt brake requirements, prevent governments from running structural deficits. In the medium-term baseline, staff assumes that additional tax revenues will be raised to cover higher spending on defense, social protection and health. The extended projection reflects rising long-term expenditure pressures due to population aging and climate transition.

Figure VII.5. Switzerland: Realism of Baseline Assumptions



Commentary: Past forecasts appear broadly realistic. For debt creating flows, real estate growth remains the main driver for the decline in public debt in the next 5-year period. The projected debt and primary balance are within norms.

Source : IMF Staff.

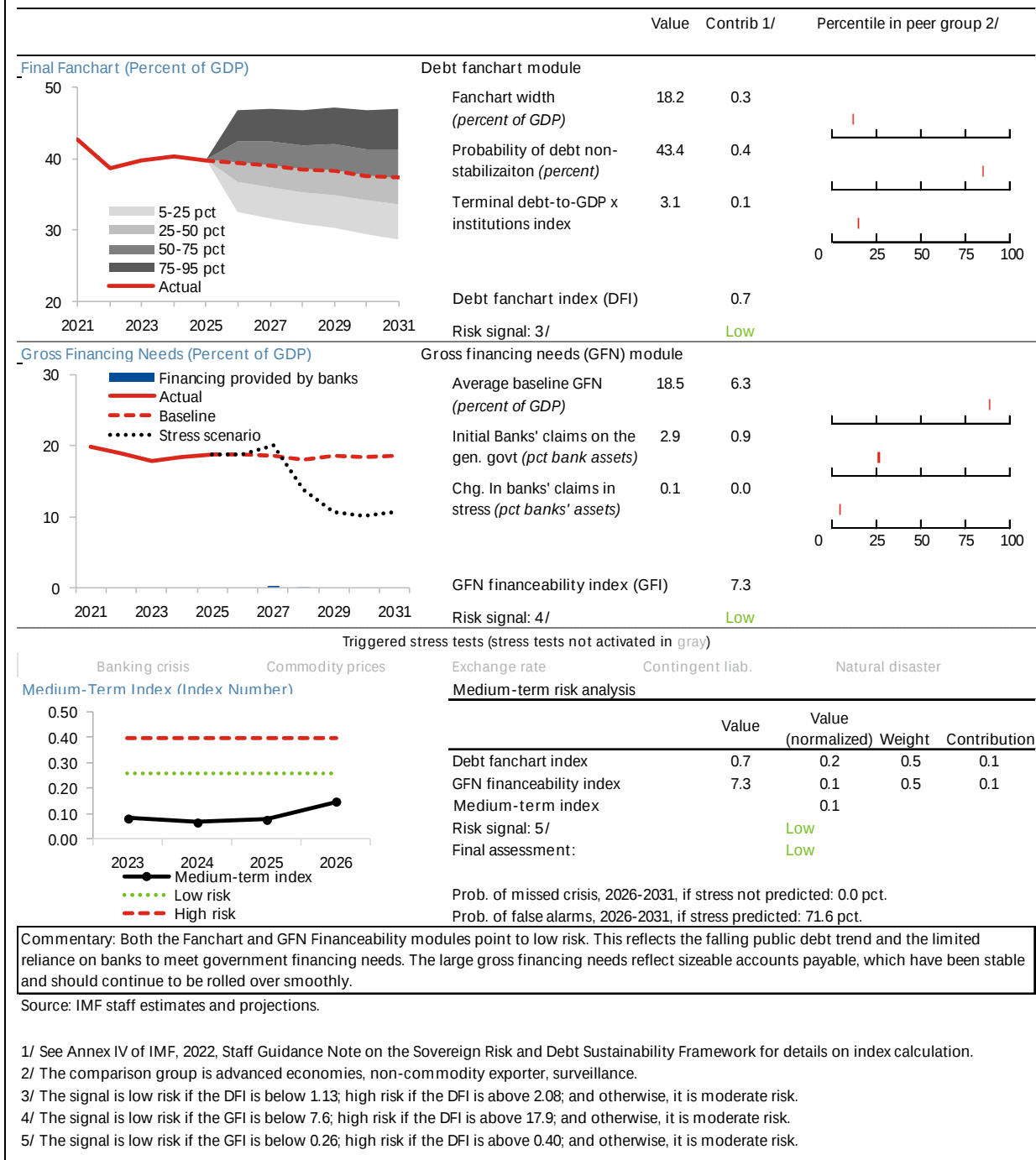
1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

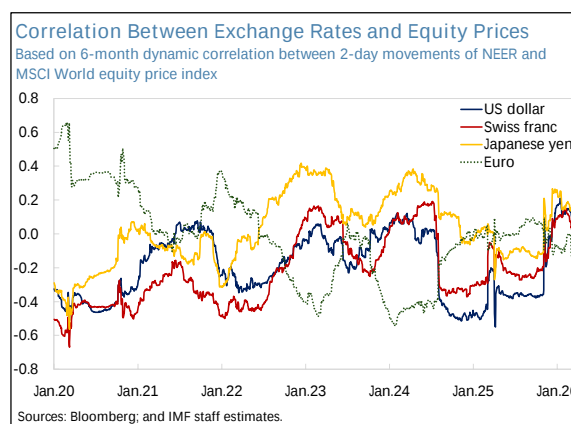
Figure VII.6. Switzerland: Medium-Term Risk Analysis



Annex VIII. Safe-Haven Flows in Switzerland¹

For the past few decades, the US dollar, Japanese yen, and Swiss franc have exhibited safe-haven properties, that is, appreciating during global risk-off episodes. Switzerland has experienced two episodes of sizable safe-haven inflows—during the euro area debt crisis and the COVID-19 pandemic. These inflows were partly accommodated by SNB interventions, which helped moderate exchange rate appreciation and domestic financial market volatility. More recently, more limited safe-haven demand for the franc, together with reduced SNB interventions, may give rise to different market dynamics that warrant close monitoring.

1. The US dollar, Japanese yen, and Swiss franc have, on average, shown negative correlations with risk assets over the past two decades. There is no commonly accepted definition or measurement of safe-haven flows; however, safe-haven demand can be observed through asset price movements.² In a risk-off environment, characterized by rising volatility (shown in the VIX), falling equity prices, and liquidation of risky assets, these currencies tend to appreciate. Empirically, the signs of correlations between exchange rates and global factors indicating risk sentiment (e.g.,



positive correlations with the VIX and gold prices; negative with equity prices) imply that investors buy these currencies during risk-off episodes. For currencies other than the dollar, yen, and franc, these correlations are lower or often of the opposite sign (upper section of Table VIII.1).³ Overall, correlations of asset price movements suggest that the responses of the dollar, yen, and franc to global risk sentiment have evolved in a broadly similar manner in recent years.

2. A similar relationship was noticeable before 2020 with bond prices. In the past, risk measures were also correlated with lower bond yields, especially in the U.S. but also in Europe, including Switzerland. This relationship has weakened since 2020, however, as the benefits of diversification among stocks and bonds appear to have declined globally.⁴ The magnitude of correlations between government bond yields and global risk factors across most advanced economies has thus fallen to near zero, implying less reliability of bonds as a hedge during risk-off episodes (center section of Table VIII.1).

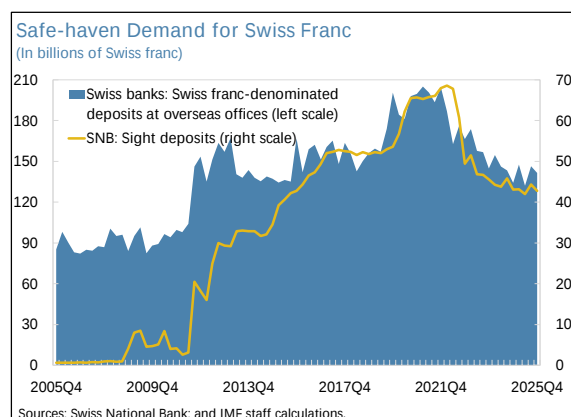
¹ Prepared by Phakawa Jeasakul.

² For example, safe-haven flows could be driven by either nonresidents or residents, or both. In certain circumstances, safe-haven demand may only influence price movements, with a limited impact on fund flows.

³ By contrast with other currencies, gold appears to be seen as a dollar hedge, contributing a negative correlation.

⁴ [Adrian and others \(2026\)](#).

3. In contrast to the dollar and yen, safe-haven demand into franc is intermediated primarily through the banking system. Safe-haven flows into the US and Japan generally go into large government debt markets (US\$35 trillion outstanding in the US, and US\$9 trillion in Japan). But Switzerland's market (US\$150 billion) is small and less liquid. Instead, safe-haven demand for the franc has traditionally materialized in the form of increases in bank deposits. Swiss banks have experienced two distinct waves of large inflows into franc deposits at their overseas offices—during the euro area debt crisis and the COVID-19 pandemic.⁵



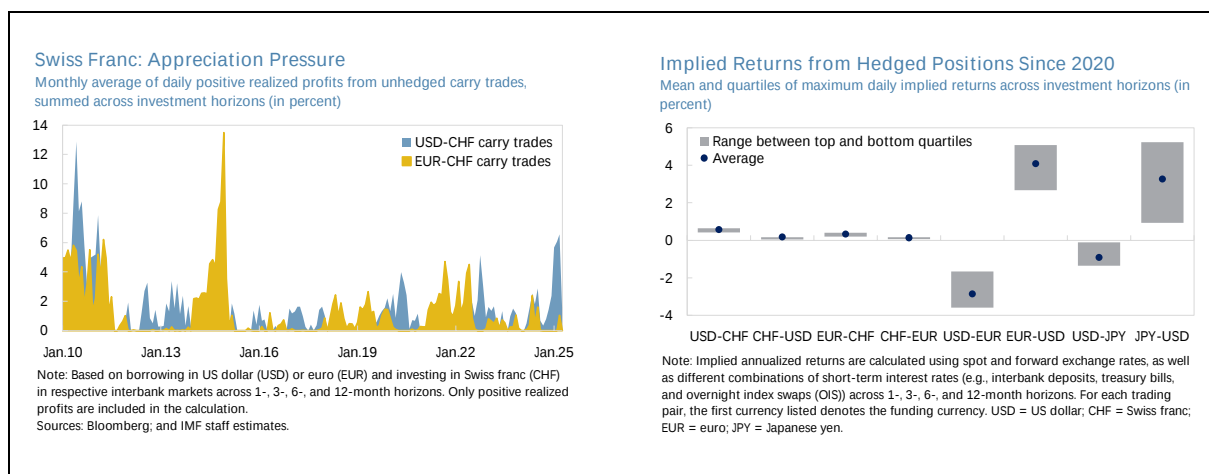
4. Despite inflows into banks, financial stability risks have been contained. Larger bank deposits induced by safe-haven demand appear to be placed as SNB deposits rather than intermediated into risky investments. Reversals in safe-haven demand can generally thus be managed without financial stress. Absent SNB interventions, safe-haven flows do not affect the overall monetary base.⁶ Moreover, despite large inflows, the functioning of the franc exchange market has been broadly orderly, with no evidence of persistent distortions.⁷ In particular, implied returns from hedged positions involving the franc have been small and stable compared with those observed in other major currency pairs (e.g., dollar-euro and dollar-yen).⁸

⁵ The [SNB Quarterly Bulletin](#) (June 2015) documents that nonresidents accumulated CHF 132 billion via Swiss bank accounts during the euro area debt crisis, of which CHF 78 billion were acquired through Swiss branch offices of foreign-domiciled international banks. Nonresidents also increased their holdings of franc-denominated bonds and stocks by CHF 42 billion.

⁶ If the SNB did not intervene, the monetary base would not expand, as francs bought as part of a safe-haven investment must be sold by another holder of francs. This happens, however, at a higher price in foreign currency.

⁷ The franc is one of the most frequently traded currencies. The liquidity in the spot market is slightly lower than other reserve currencies based on bid-ask spreads.

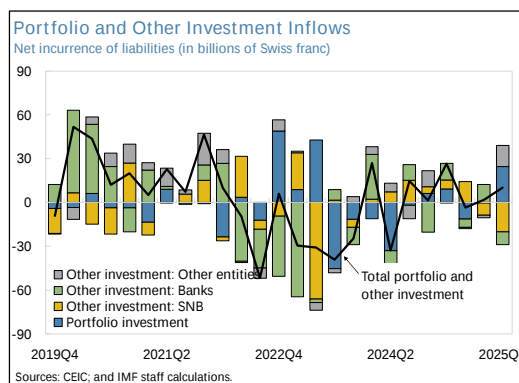
⁸ This calculation reflects deviations from the covered interest parity. This is distinct from cross-currency swap basis points, which represent premiums or discounts associated with swapping funding between two currencies. Generally, these premiums/discounts reflect structural demand-supply imbalances in funding markets.



5. The SNB has in some cases intervened in response to safe-haven flows. With a view of safe-haven inflows into Switzerland having a more immediate effect on inflation, the SNB has in some cases intervened, notably during the Euro area debt crisis and again during the COVID-19 pandemic, buying FX with francs and reflected by increases in sight deposits at the SNB. This effective recycling of nonresident franc-denominated deposits into SNB sight deposits backed by international reserves partly insulated the Swiss financial system from these flows.

6. The situation changed in 2025. Relatively high US interest rates have raised funding costs and falling Swiss policy rates reduced the attractiveness of flows into Switzerland. Dollar weakness also meant that the low-yielding franc was not the only currency that investors could move into to gain from appreciation. As had occurred with bond yields after the pandemic, some correlations between exchange rates and global risk factors have thus weakened for traditional safe-haven currencies.⁹ The resulting smaller safe-haven inflows, along with more limited appreciation of the franc in trade-weighted terms, have limited SNB interventions.

7. However, this shift has led to a new risk environment. More limited interventions mean that safe-haven demand could trigger greater financial market volatility. Evidently, the responsiveness of Swiss money market rates to global risk measures has increased, a phenomenon not observed elsewhere.¹⁰ Furthermore, safe-haven inflows could reduce bank funding costs and thus boost bank lending in Switzerland, potentially raising domestic financial asset prices.



⁹ This might be due to a change in the nature of recent risk-off events which simultaneously generate global uncertainty and raise concerns specific to countries issuing safe-haven currencies.

¹⁰ One explanation is that during the rate-cutting cycle in 2025, appreciation pressures on the franc may have increased the perceived likelihood of further policy rate cuts.

Table VIII.1. Switzerland: Major Reserve Currencies - Correlation with Global Factors 1/

Currency 4/	2010-14			2015-19			2020-24			2025-present		
	vs VIX	vs MSCI	VS Gold	vs VIX	vs MSCI	VS Gold	vs VIX	vs MSCI	VS Gold	vs VIX	vs MSCI	VS Gold
Mean of 1-month dynamic correlation between NEER and global factor movements												
USD	0.33	-0.59	-0.40	0.19	-0.39	-0.48	0.26	-0.49	-0.44	0.16	-0.40	-0.38
CHF	0.16	-0.15	0.18	0.22	-0.23	0.21	0.20	-0.14	0.14	0.11	-0.02	0.25
JPY	0.20	-0.33	0.07	0.24	-0.32	0.34	0.16	-0.18	0.09	0.10	-0.04	0.09
EUR	-0.13	0.26	0.20	0.06	0.02	0.30	-0.01	0.13	0.15	-0.03	0.18	0.27
GBP	-0.09	0.12	0.10	-0.03	0.12	0.05	-0.12	0.26	0.22	-0.18	0.30	0.16
CNY	0.24	-0.43	-0.30	0.01	-0.07	-0.17	0.01	-0.11	0.04	0.10	-0.25	-0.18
AUD	-0.20	0.37	0.18	-0.10	0.27	0.11	-0.14	0.34	0.17	-0.17	0.32	0.13
CAD	-0.31	0.46	0.25	-0.18	0.34	0.20	-0.32	0.46	0.25	0.01	0.13	0.24
Mean of 1-month dynamic correlation between changes in government bond yields and global factors movements 2/												
USD	-0.38	0.41	-0.09	-0.24	0.27	-0.33	-0.02	-0.01	-0.30	0.03	-0.08	-0.07
CHF	-0.25	0.31	-0.06	-0.10	0.14	-0.25	-0.04	0.02	-0.23	0.01	-0.02	-0.12
JPY	-0.09	0.18	-0.07	-0.04	0.05	-0.26	-0.04	0.04	-0.16	-0.01	0.07	-0.02
EUR	-0.33	0.40	-0.07	-0.11	0.20	-0.23	-0.05	0.02	-0.28	-0.04	-0.02	-0.24
GBP	-0.33	0.40	-0.10	-0.15	0.22	-0.23	0.01	-0.03	-0.27	0.04	-0.11	-0.17
CNY	-0.06	0.09	0.04	-0.02	0.06	-0.14	-0.01	0.06	0.00	-0.13	0.10	-0.01
AUD	-0.21	0.30	-0.10	-0.09	0.16	-0.30	0.01	-0.03	-0.22	0.03	-0.02	-0.04
CAD	-0.37	0.41	-0.10	-0.20	0.25	-0.24	-0.01	-0.02	-0.26	0.07	-0.12	-0.06
Mean of 1-month dynamic correlation between changes in short-term market rates and global factors movements 3/												
USD	-0.02	0.01	0.00	-0.05	0.00	-0.08	0.03	-0.05	-0.09	-0.03	-0.01	0.02
CHF	0.02	-0.01	0.00	-0.06	0.06	0.00	0.00	0.00	-0.03	-0.12	0.10	-0.02
JPY	-0.01	0.03	0.00	0.02	-0.04	0.00	0.05	-0.03	0.02	-0.09	0.10	-0.06
EUR	-0.01	0.02	-0.01	-0.08	0.05	-0.03	-0.07	0.02	-0.09	0.03	0.00	-0.01
GBP	-0.04	0.04	-0.01	-0.02	0.04	-0.02	0.00	-0.01	-0.07	0.12	-0.11	-0.03
CNY	..	..	..	..	..	..	..	..	..	..	..	..
AUD	-0.01	0.01	0.03	-0.01	0.01	-0.03	-0.04	-0.01	-0.05	-0.06	0.08	-0.07
CAD	0.04	0.01	0.01	-0.02	-0.02	-0.03	0.03	-0.07	-0.05	0.06	-0.09	0.01

1/ Based on correlation of 2-day changes. Global factors include VIX, MSCI World equity price index, and gold price. The green color indicates that correlation shows a correct sign with a material magnitude, while the pink color indicates the opposite.

2/ Based on 10-year tenor. For EUR, German government bonds are used.

3/ Based on 3-month interbank deposit rates.

4/ USD = US dollar; CHF = Swiss franc; JPY = Japanese yen; EUR = euro; GBP = British pound; CNY = Chinese yuan; AUD = Australian dollar; CAD = Canadian dollar.

Sources: Bloomberg; Haver Analytics; and IMF staff estimates.

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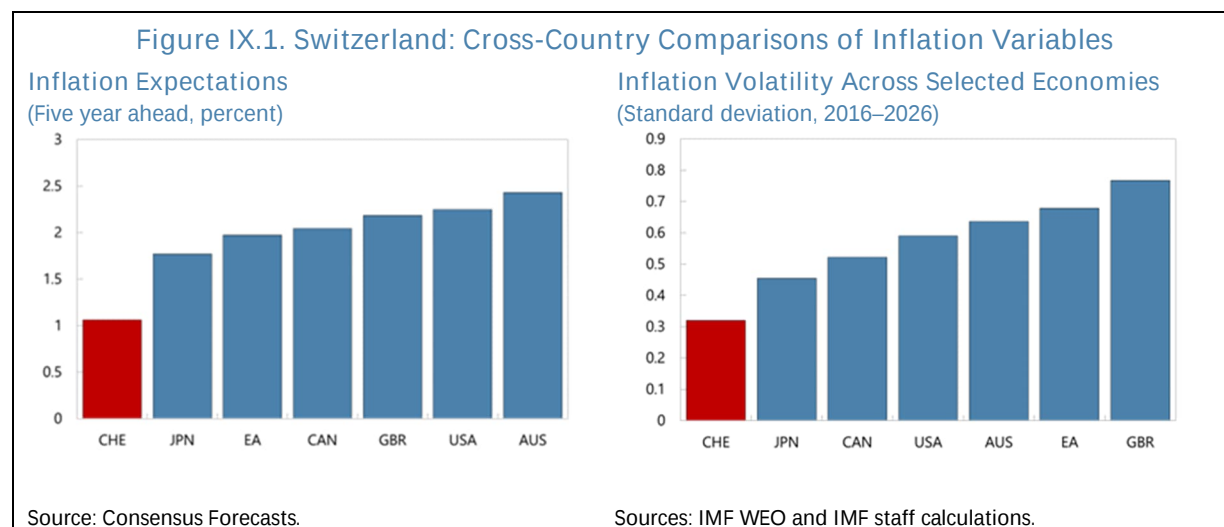
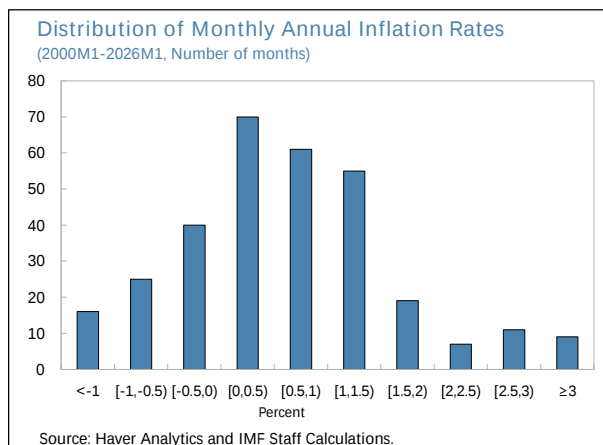
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Annex IX. Effects of Low Inflation¹

Since the adoption of the current price stability range, Swiss inflation has persistently remained very low, with important macrofinancial implications. Prolonged low inflation and the introduction of negative interest rates in other currency areas encouraged the use of negative interest rates, which reduced bank profitability, led banks to loosen lending standards, and take on more risk. Limited pass-through to deposit rates compressed net interest margins, prompting shifts toward fee income, longer maturities, and mortgage lending. Low rates also boosted mortgage demand and house prices, raising systemic risks. Constrained monetary policy space near the effective lower bound weakens policy effectiveness, especially during adverse shocks.

1. Since the introduction in January 2000 of the current 0-2 percent price stability range (PSR), Swiss inflation has been concentrated in its lower segment. During January 2000–January 2026, annual inflation was below one percent around two-thirds of the time. As these readings are within the SNB's PSR, they are consistent with the monetary policy framework. This particularly low-inflation environment leads to several notable macro-financial consequences.



¹ Prepared by Romain Bouis and Ece Ozge Emeksiz.

2. Lower-for-longer interest rates, including NIRP, can support mortgage growth and house price appreciation, increasing systemic risks. While Switzerland's regulatory framework curtails excessive risk-taking, prolonged low interest rates raise mortgage demand and house price growth. Policy rate cuts are transmitted—albeit imperfectly—to mortgage rates, lowering borrowing costs and increasing mortgage expansion and real house price appreciation, especially among domestically focused banks (Danton and Jokipii, 2024; Lambertini and Wu, 2020). With real estate supply constrained, lower interest rates are largely capitalized into higher prices rather than new construction, exacerbating valuation pressures over time (Athias and others, 2025; Swiss Bankers Association, 2019).

3. Low interest rates compress banks' net interest margins and profitability, as experienced by Swiss banks over 2009–2021. A large literature finds that banks' net interest margins (NIMs) depend positively on the interest rate, reflecting a lower passthrough of the policy interest rate to deposit rates relative to loan rates (Borio et al., 2017, Claessens et al., 2018, among others). Although low interest rates also reduce loan losses and therefore support banks' profitability (as measured by the return on assets, ROA), the net effect on banks' profitability is negative on average (Bouis et al., 2025). This lower profitability reduces the capacity of banks to build capital buffers through retained earnings, with implications for financial stability in the long term. As in many other countries, the NIM and ROA of Swiss banks have in the past been negatively impacted by a prolonged period of low interest rates (Danton and Jokipii, 2024), and while they were supported by higher rates from mid-2023, rates again decreased from mid-2024 as the SNB gradually cut its policy rate towards zero (Figure V.1).

4. Monetary policy is less effective when inflation is very low. The simulations based on the IMF QIPF model show that when long-run inflation is anchored close to zero, instead of one, percent, policy responses are less effective (Annex V). An adverse scenario combining a negative demand shock with safe-haven inflows leads to a stronger real exchange rate appreciation, a deeper output contraction, and more pronounced deflationary pressures, because the policy rate must spend more time at the ELB of -1 percent when inflation is anchored at a lower level.² The existence of the ELB thus implies that monetary policy space is less constrained when inflation expectations are anchored well above zero.

² ELB is set to -1 in the QIPF model, in line with the SNB's historical experience with negative interest rate policy (NIRP).

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Annex X. Implementation of Key 2025 FSAP Recommendations

Key Recommendations			
	Recommendations	Time ¹	Update on relevant work in progress ²
	A. Systemic Risk Analysis		
1.	Improve data collection on mortgage exposures, trading investment portfolios, Lombard loans, and bilateral exposures (beyond banks) to enhance risk analysis.	MT	Measures taken include a project to implement an individual loan survey is at an advanced stage. In particular, this survey significantly expands the data provided by the participating banks on mortgages, Lombard loans and corporate loans. The introduction of a comprehensive data survey as part of the implementation of the Prudent Person Principle for Swiss insurance companies (first data collection as at 31 December 2024) has significantly expanded the available data, for example with respect to corresponding exposure data per counterparty.
2.	Enhance the solvency stress test model (including risks relevant for asset managers, micro data on households and firms); develop a liquidity stress test model.	MT	Targeted improvements to existing solvency stress test models, as well as exploratory analyses using microdata to identify potential enhanced approaches are underway. Data availability is a limiting factor currently (e.g. loan-level data). A liquidity stress test is currently under development.
3.	Develop a dataset and regularly collect data on pension funds to enable market-wide horizontal and systemic risk analyses.	MT	This issue was discussed between the Occupational Pension Supervisory Commission (OPSC) and FINMA. The OPSC continues its efforts to improve data availability in the second pillar, although it currently lacks an explicit legal basis for collecting data from pension funds. On FINMA's part limited direct support can be provided through the access of data for insurers.
	B. Financial Regulation and Supervision		
	<i>Cross-Cutting Themes (Banks, Insurance, Securities, AML/CFT, FMs, Cyber Risk)</i>		
4.	Exempt FINMA's supervisory measures from automatic suspension in the event of legal appeals and introduce FINMA's power to levy fines on institutions and individuals.	I/NT	According to the measures put forward by the Federal Council on 10 April 2024 regarding the TBTF regime the suspensive effect of appeals should be removed in a targeted manner for all banks. In addition, as part of the TBTF package FINMA will be able to impose fines against all financial institutions, not against individuals, however. Most measures under the TBTF package are unlikely to come into force before 2028.
5.	Enable FINMA to issue binding prudential standards in all necessary areas and to provide clear supervisory expectations through circulars.	NT	Prudential standards are primarily determined in laws of the Parliament and ordinances of the Federal Council. In addition, FINMA can already issue binding regulation (incl. prudential standards) in the form of FINMA ordinances where laws or ordinances delegate specific areas for FINMA to regulate. Furthermore, FINMA can use circulars to explain how it applies financial market legislation (e.g., in order to clarify supervisory expectations).

Key Recommendations			
	Recommendations	Time ¹	Update on relevant work in progress ²
6.	Increase FINMA's supervisory staff and improve the breadth, depth, and intensity of direct risk-based supervision, including on conduct, fintech, cyber risk and AML/CFT.	NT	In the year 2025 FINMA has increased the number of staff substantially. Mainly to improve the intensity of direct risk-based supervision. There are further steps planned to strengthen the resources in that area.
7.	Enable FINMA to fully mandate, oversee, and pay for external regulatory auditors, and reduce reliance on external regulatory auditors.	MT	According to the measures of the TBTF package FINMA will be responsible for approving the external regulatory auditors. However, FINMA does not oversee or pay for those auditors. Furthermore, the reliance on external regulatory auditors should be reduced with the reinforcement of FINMA's own supervisory capacity by removing any restrictions on onsite audits.
<i>Banks</i>			
8.	Expand and strengthen FINMA's legal powers (to all banks) in early intervention, onsite examinations, Pillar 2 capital adds-on, governance failures; introduce a Senior Manager's Regime applicable to all banks.	I/NT	FINMA's options for early intervention to all banks, in particular enforceability and legally effective intervention, will be strengthened with the implementation of the TBTF package. FINMA's supervisory capacity will be enhanced by removing any restrictions on onsite audits regarding all financial institutions (cf. Rec.7). A Senior Manager Regime will be introduced that leads to a clear assignment of responsibilities at the uppermost hierarchical levels of complex banks and by linking it with possible sanctions by banks and FINMA. It is planned to further improve FINMA's competence in setting Pillar II add-ons (Adjustment in the Capital Adequacy Ordinance).
<i>Securities Markets (Asset Management and Trading Venues)</i>			
9.	Improve market monitoring and reporting, plugging significant data gaps in both asset management and secondary markets.	NT	First measures have been taken. In 2025, the first comprehensive financial industry-wide survey on asset management was carried out. This industry-wide asset management data collection, which is now carried out annually, substantially expands the data available on asset management. Furthermore, during 2025 FINMA has started to analyze trading-related data of the main secondary market trading facilities in Switzerland. Further improvements regarding market monitoring and reporting are planned for 2026.
10.	Enhance the mechanisms to prevent, detect, and enforce market abuse.	MT	Following an in-depth review, amendments to the Financial Market Infrastructure Act, which includes rules of conduct for financial market participants in securities and derivatives trading, as well as provisions to prevent market abuse, was submitted to public consultation . Submission of draft legislation to parliament is forthcoming.

Key Recommendations			
	Recommendations	Time ¹	Update on relevant work in progress ²
<i>Insurance and Pension Funds</i>			
11.	Provide cantonal supervisors with authority and instruments to intervene.	MT	In 2025, the Federal Department of Home Affairs (FDHA) held discussions with the key stakeholders of the 2nd pillar to take stock of the priorities for future reforms of the LOB (Federal Act on Occupational Old Age, Survivors' and Invalidity Pension Provision) and identify possible reform options. It has tasked the FSIO with continuing these discussions and submitting a corresponding discussion paper to the Federal Council by the end of 2026. Reviewing supervisory instruments is part of this process.
12.	Strengthen suitability review for insurers to cover all the heads of control functions.	MT	Initial analysis of the recommendation has been done. A decision on how to proceed has not yet been taken.
13.	Implement recovery planning for all internationally active insurance groups (IAIGs) and designated non-IAIGs; implement resolution planning for IAIGs, as applicable.	NT	In 2025, FINMA developed a revised version of the implementation guidance for insurance recovery plans. All internationally active insurance groups (IAIGs) and designated non-IAIGs have submitted recovery plans in 2025, which were subsequently reviewed and assessed by FINMA. Regarding Resolution Planning, FINMA designed 3 IAIGs as subject to Resolution Planning and reported them in the 2026 FSB Resolution Report consistent with the FSB's Key Attributes 8 to 11. Additional implementation work is planned for 2026/2027.
<i>Cyber Resilience</i>			
14.	Extend cyber and outsourcing regulations to all parts of the financial sector.	NT	Regarding the revision of FINMA Circular 2018/03, efforts are underway to assess the need for adjustments considering international developments. Nevertheless, initial gap analyses have been initiated and potential areas requiring action have been identified. The extension of FINMA Circular 2023/01 to insurance companies is currently under discussion.
15.	Expand cyber risk oversight over critical third-party service providers, improve the incident reporting regulation, and develop a testing framework.	NT	(a) A Swiss cybersecurity law is currently being drafted. As part of this process, various issues related to outsourcing and the management of third-party providers are being addressed and covered. The goal is to create a coherent and comprehensive package to strengthen cybersecurity. The content of this package is intended to be modeled after the EU's Cyber Resilience Act. The public consultation is scheduled for spring 2027. More broadly, internal project work is also underway on the issue of risks associated with third-party providers, with the goal of defining measures to minimize these risks. (b) Initial analysis work has been initiated to revise incident reporting regulation and to incorporate the Format for Incident Reporting and Exchange (FIRE).

Key Recommendations			
	Recommendations	Time ¹	Update on relevant work in progress ²
			Initial discussions and conceptual approaches for a testing framework for strengthening cyber resilience are underway. Subsequent discussions with additional authorities are planned.
	<i>AML/CFT</i>		
16.	Implement the Register of Beneficial Owners and introduce legal obligations for gatekeepers (lawyers, accountants, etc.) to enhance regulatory oversight.	NT	Parliament adopted the law on the introduction of the Beneficial Owners (BO) register and the modification of the Anti-Money Laundering Act introducing new legal obligations for gatekeepers on 26 September 2025. For neither law a referendum was demanded. The draft ordinances accompanying these new laws were opened to public consultation from 15 October 2025 to 30 January 2026 (see here). The laws and its accompanying Ordinances are planned to enter into force later this year.
17.	Issue more granular supervisory guidance and continue enhancing the monitoring of risks from cross-border activities and virtual assets.	NT	As part of its efforts to combat money laundering in a cross-border context, FINMA has set a particular focus on high-risk clients. FINMA has provided the market with guidance on this matter (FINMA Risk Monitor 2024 and 2026, FINMA Annual Report 2024). In the area of virtual assets, FINMA placed a particular emphasis on the prevention of money laundering in relation to stablecoins and published a supervisory notice on the subject in 2024 (FINMA Guidance 06/2024 Stablecoins: risks and challenges for issuers of stablecoins and banks providing guarantees, 26 July 2024). FINMA continues to work towards effective regulation in this area in the context of ongoing legislative projects.
	<i>Financial Market Infrastructure and Fintech</i>		
18.	Increase direct oversight of FMIs and collaboration with foreign authorities.	I	Implementation is on track. In 2026 there is an increase in number and depth of on-site reviews of FINMA at FMIs. The Spanish authority CNMV is participating in those on-site reviews, in which among other topics common risk management platforms are reviewed, and is strongly involved in the planning. FINMA and CNMV have an ongoing exchange (every six months), which continues in 2026 and thereafter. In addition to that, FINMA intends to participate as observer on a regular basis in the BME Clearing Supervisory College. In the area of recovery and resolution, a recurring exchange between the FINMA and CNMV teams has been kicked off and is planned to continue. In general, FINMA and SNB participate regularly in supervisory, resolution and crisis management colleges of other supervisory authorities where relevant. For the oversight and supervision of Swiss FMIs with cross-border activities, the SNB and FINMA collaborate with foreign authorities, in particular the European Securities and Markets Authority, the

Key Recommendations			
	Recommendations	Time ¹	Update on relevant work in progress ²
			European Central Bank, authorities in the Netherlands, and the Bank of England. For the oversight of FMIs domiciled abroad, namely CLS, Eurex Clearing and LCH, the SNB cooperates with the relevant foreign authorities. It also participates in the oversight of the Belgium-based Society for Worldwide Interbank Financial Telecommunication (SWIFT), which operates a global network for the transmission of financial messages.
19.	Assess bank's crypto assets exposures comprehensively and implement the Basel prudential standard in a faithful and timely manner.	NT	(a) FINMA is actively tracking exposure levels of regulated entities to different crypto assets via a quarterly crypto reporting. FINMA's intention with the reporting is to obtain an overview of crypto asset-related activities and holdings at institutions that are involved in this type of business. The reporting is continuously analysed and, where necessary, may be further developed and improved. (b) Currently the implementation is on hold since the standards are still under review by BCBS. Switzerland supports a timely review of the standard and its timely implementation.
20.	Develop a governance structure for open finance.	MT	The FDF is engaging closely with the relevant stakeholders. The current priority is to develop precise indicators to measure progress in the banking and insurance sector against the established official objectives.
<i>Macroprudential Framework and Policies</i>			
21.	Introduce a binding DSTI cap, remove the ceiling on the CCyB, adopt a positive neutral setting for the CCyB, and introduce a capital-based instrument separate from the CCyB to address remaining systemic risks.	I/NT	DSTI: A self-regulation by the Swiss Banking Association is in force. It has been approved by FINMA. FINMA consistently monitors the application of the principle-based regulation in its supervisory activities. It is currently in dialogue with the industry regarding the potential need to concretise the self-regulation. CCyB: As part of the TBTF package, cooperation between authorities is being further formalized and improved. This will also improve the authorities' approach to address and mitigate systemic risks, including discussions regarding borrower-based instruments and the CCyB framework, such as a positive neutral CCyB.
22.	Establish a formal Systemic Risk Council, including SNB (lead), FINMA, and FDF, with a clear mandate, procedures, and accountability to review and propose measures to mitigate systemic risks.	MT	As part of the TBTF package two already existing intragovernmental bodies will be adjusted to analyze risks to the financial system in a more structured way and coordinate responses more closely. The Financial Stability Council led by FDF will meet at least once a year. The Financial Stability Committee led by FINMA will meet at least four times a year and cover a broad range of topics focusing on crisis prevention and coordination. This measure aims to improve the cooperation between the authorities (SNB, FINMA and FDF) on financial

Key Recommendations			
	Recommendations	Time ¹	Update on relevant work in progress ²
			stability, including crisis prevention and crisis management.
<i>Financial Safety Net, Crisis Preparedness, and Management</i>			
23.	Develop a clear early intervention framework detailing sufficiently early and forward-looking triggers, tools, and enforcement mechanisms.	I	With the TBTF package, the early intervention framework will be reinforced, linking distinct indicators to a specific set of tools. Interventions in business-as-usual supervision can be triggered in case of qualitative or quantitative indicators reveal an imminent breach of supervisory law, allowing FINMA to act before any violation actually occurs. In higher-risk situations, based on FINMA's assessment of qualitative or quantitative indicators or if client interests are otherwise at risk, a wider range of tools can be deployed.
24.	Adopt a PLB to formalize government backup to ELA provided to SIBs or non-SIBs that may become systemic in failure to preserve financial stability.	I	As part of the TBTF package a PLB instrument for SIBs will be introduced in ordinary law.
25.	Expand, proportionally, recovery planning to all banks, and resolution planning and resolvability assessments to all Category 3 banks and above; enlarge FINMA's authority to remove impediments to resolution.	NT	As part of the TBTF package the recovery planning is strengthened for SIBs through clearer regulatory requirements and criteria, especially the triggering of the recovery plan, the scope and feasibility of the recovery measures. Also, resolution planning is further improved, in particular FINMA's authority to remove impediments for resolution. While the TBTF package does not include any specific Recovery and Resolution Planning (RRP) measures for non-SIBs, FINMA is leveraging the existing legal framework to the extent possible to further improve crisis preparation in particular of category 3 banks.
26.	Conduct a deep review of legislation to assess the feasibility of implementing a full range of resolution options and adopt necessary changes.	NT	The TBTF package includes further improvements of resolution tools and resolution planning. These improvements are fully aligned with the FSB Key Attributes.
27.	Increase the staff working on recovery and resolution.	NT	In the year 2025 FINMA has increased the workforce in recovery & resolution. Further steps are planned in 2026.
28.	Operationalize and communicate the comprehensive ELA framework; enable SNB to ask banks to prepare collateral, targeting a wide range of assets.	NT	a) In February 2026, the Swiss National Bank has set out in more detail the framework for its announced Extended Liquidity Facility (ELF) to provide liquidity support to banks domiciled in Switzerland. In particular, the SNB has defined a standardised and scalable process for the ELF that will enable participating banks to quickly obtain liquidity support against collateral as necessary. Under the ELF, banks can use mortgages and securities as collateral. The ELF process is currently being tested with pilot banks as well as with SIX Terravis and SIX SIS until mid-2026. The ELF is scheduled to go into operation at the beginning of 2027. (b) As a lesson learned from the Credit Suisse crisis, the Federal Council has considered the introduction of a requirement for banks to prepare collateral for

Key Recommendations			
	Recommendations	Time ¹	Update on relevant work in progress ²
			recourse to central bank liquidity support (see “The Federal Council's parameters for amendments to the Banking Act”). For systemically important banks, this entails a minimum quantitative requirement that covers risks not previously subject to liquidity regulations. For non-systemically important banks, risk indicators for institution-specific estimates of the required volume of collateral will be incorporated into the regulations. The details of these requirements are currently being worked out. Besides mortgages and securities, which can be used for ELF by all banks, the SNB targets additional assets classes that can be used for ELF by systemically important banks. Discussions on this matter are currently underway. Once these assets have been prepared for a transfer to the SNB, they can be used for the new preparation requirement.
29.	Enhance crisis preparedness by adopting a national contingency plan and conducting regular multi-agency crisis simulations, including cross-border.	NT	As part of the enhanced cooperation between authorities under the TBTF package, regular multi-agency crisis simulations are being conducted.
30.	Remove the legal cap on banks' contributions to esisuisse and introduce an ex-ante fund with back-up from the government.	MT	The Deposit Insurance Scheme (DIS) is constantly being further developed. Also, the TBTF package includes improvements, e.g. preparatory measures to accelerate payouts of insured deposits. The reforms strengthen the DIS while not relying on a public Deposit Insurance Agency (DIA), ex-ante DIS funding, or the use of deposit insurance funds for resolution funding, as previously recommended by the FSAP.
¹ I = Immediate (within one year); NT = Near Term (within 1 to 3 years); MT = Medium Term (within 3 to 5 years). ² This table is based on information provided by the authorities.			

Annex XI. Status of Previous Article IV Recommendations

2025 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 of global and trade uncertainty, safe-haven flows), while structural reforms (e.g., address productivity gaps and further enhance EU relations) were advanced.
Fiscal Policy	
Ensure the revenue neutrality of ongoing tax reforms, which aim to improve efficiency, reduce distortions and level the playing field.	Two major ongoing reforms—shifting to individual taxation and abolishing taxation of imputed rental value—are expected to yield some revenue losses. For the latter, cantons are authorized to introduce a special property tax on second homes to offset revenue losses. Other revenue-raising options, including potential VAT increases, are under discussion.
Rebuild fiscal space under the debt-brake rule by reducing the amortization account through the phase-out of extraordinary spending and implementing permanent expenditure cuts.	No additional extraordinary expenditure is envisaged beyond 2027. The pace of reducing the amortization account will depend on the Confederation's ability to generate fiscal surpluses and on the materialization of extraordinary revenue (e.g., SNB profit distribution). While Relief Package 27 was approved, only about 60 percent of the proposed permanent spending cuts will be implemented. Securing additional fiscal adjustments is therefore important to ensure compliance with the debt-brake rule in coming years.
Develop a strategy to address medium-term fiscal pressures, arising from aging-related spending, climate commitments, and higher defense needs.	The authorities continue to update the assessment of long-term fiscal pressures, including through a recent study on health expenditure projections. Policy debates are ongoing on how to finance rising pension and defense expenditures, including through VAT increases. In parallel, the health financing reform is progressing, with the uniform financing scheme for care services being implemented through 2032.
Monetary Policy	
Closely monitor disinflationary risks and carefully weigh further monetary policy easing, given diminishing returns near the effective lower bound and financial stability concerns.	The SNB has kept its policy rate at zero since June 2025 and has expressed a greater willingness to counter future franc appreciation pressures via FXI. In March 2026, the SNB revised its conditional inflation forecast upward, reflecting rising energy prices.
Mitigate risks from the SNB's large balance sheet by maintaining appropriately strong capital provisions and refraining from increasing distributions.	In 2025, the SNB set provisions for currency reserves at CHF 12.7 billion. Together with the distribution reserve of CHF 12.9 billion, this resulted in a net profit of CHF 26.3 billion. The next review of the SNB's dividend policy is scheduled for 2026. FX interventions were limited, with net FX purchases amounting to CHF 5.2 billion.
Conduct a review of the monetary policy framework—potentially with external input, as undertaken by other central banks—and strengthen the transparency and frequency of monetary policy communication. This could include clearer articulation of risks, scenario-based explanations of the reaction function, more detailed information on projections and foreign exchange interventions, and the publication of meeting summaries and speeches.	Since October 2025, the SNB began to publish summaries of its monetary policy discussions, increasing transparency around policy decisions.

2025 Article IV Recommendations	Policy Actions
Financial Sector Policy	
Continue progress in implementing the 2025 FSAP recommendations, including strengthening supervision, crisis management and resolution, and expanding macroprudential tools.	The SNB will introduce a new Extended Liquidity Facility in 2027, while a parliamentary package under discussion would strengthen FINMA's crisis powers and address key TBTF concerns.
Structural Reforms	
Address productivity gaps, particularly for SMEs and in the services sector, by streamlining business procedures, improving access to finance, and enhancing competition.	An action plan to reduce regulatory and administrative burden on firms has been developed, outlining concrete measures to simplify procedures, reduce reporting requirements, and expand digital administrative processes. In addition, the Cartel Act was revised, modernizing merger control and strengthening antitrust enforcement.
Further enhance EU relations, improve energy security while working towards achieving climate targets, and address labor shortages and skill mismatches.	The EU-Switzerland "Bilaterals III" package was signed in March 2026 and is subject to ratification. The package strengthens market access agreements, establishes new cooperation frameworks (notably, in food safety, health, and space), and supports Switzerland's participation in key EU programs. It also introduces an electricity agreement to enhance market integration and energy security, while the update to the free movement of persons framework improves administrative efficiency and preserves Switzerland's labor market safeguards.

Annex XII. Transnational Aspects of Corruption: Updates¹

Previous Recommendations ²	Significant Updates
<i>Supply Side of Corruption – Criminalization and Prosecution of Foreign Bribery</i>	
Address supply side of corruption, including increasing maximum fines for legal persons and enhancing whistleblower protection	Switzerland adopted the Federal Council's Anticorruption Strategy 2026-29 in January 2026, which entails a dedicated objective of detecting and punishing bribery of foreign public officials (Objective 7). In this regard, the Strategy envisages several measures, including developing a legal framework to protect private-sector whistleblowers (Measure 14) and examining the possibility of raising the maximum penalty applicable to legal persons (Measure 16). Both measures are intended to address OECD Phase 4 recommendations that remain outstanding.
<i>Facilitation of Corruption – Preventing the Concealment of Foreign Corruption Proceeds</i>	
Strengthen effective supervision of high-risk sectors attractive for laundering illicit foreign proceeds	In 2024, FINMA conducted 113 onsite inspections of banks, 227 AML/CFT-related investigations and initiated 12 enforcement proceedings. In September 2025, Switzerland adopted a revision to the Anti-Money Laundering Act (AMLA), which extends AML/CFT requirements to gatekeeper professions including legal advisors, trust and company services providers, notaries, and real estate agents. Professionals carrying out covered activities are also required to join a FINMA-supervised self-regulatory organization.
Ensure compliance with preventive measures, including related to beneficial ownership transparency and foreign politically exposed persons	In September 2025, Switzerland passed the Transparency of Legal Persons Act (TLPA), which will come into force in October 2026 and aims to strengthen access to beneficial ownership information by law enforcement authorities. The TLPA creates a federal register of beneficial owners and introduces transparency requirements for domestic legal entities and foreign legal entities with close links to Switzerland. The register will be accessible to some competent authorities, financial intermediaries and legal advisors subject to AMLA, who are obliged to report discrepancies. Implementation of the new obligations will be sequenced over transition periods, prioritizing the registration of high-risk entities.
Enhance cooperation with international counterparts (including through the ML Reporting Office)	In September 2025, Switzerland signed the Third Additional Protocol to the European Convention on Mutual Assistance in Criminal Matters (AP III ECMC), which introduces modernized mutual assistance mechanisms, including facilitation of rapid information exchange to detect and trace illicit financial flows. Switzerland played a central role in drafting provisions for the use of tracking devices on the territory of another party and for the interception of telecommunications—two useful tools for dismantling cross-border money laundering networks.

¹ Under the 2018 Enhanced Framework on Governance, Switzerland volunteered to have its legal and institutional frameworks assessed in the context of bilateral surveillance on supply and facilitation of corruption. The IMF staff and Switzerland have provided additional views and information whose accuracy have not been verified by the OECD Working Group on Bribery (WGB) or the OECD Secretariat, and which do not prejudice the WGB's monitoring of the implementation of the OECD Anti-Bribery Convention.

² The recommendations are provided under paragraph 41 of the 2024 Switzerland Article IV Staff Report, page 22 ([link](#)).

Annex XIII. Data Issues

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

Data Adequacy Assessment Rating¹

A							
Questionnaire Results ²							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral 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	A	A		
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 <i>IMF Review of the Framework for Data Adequacy Assessment for Surveillance</i> , 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 are adequate for surveillance. Switzerland publishes timely economic statistics, and most data and methodological documentation are publicly available. However, some data gaps and limitations remain.							
<i>National accounts statistics.</i> Quarterly GDP components rely on indicator-based estimates and implicit deflators, limiting the assessment of short-term macro dynamics.							
<i>Government finance statistics.</i> while coverage of general government is comprehensive by design, Switzerland's highly decentralized fiscal system implies that early data vintages do not fully reflect consolidated general government developments and are subject to revision. In addition, public debt statistics lack sufficient granularity by maturity, currency and creditor type, and data gaps on arrears, guarantees and other contingent liabilities—especially at subnational levels—constrain fiscal risk analysis.							
<i>External sector statistics.</i> Switzerland's large multinational enterprise presence complicates current account measurement, particularly through merchanting, complex services trade, and income flows. Ongoing methodological improvements and expanded surveys have led to sizeable and recurrent revisions, which, while quality-enhancing, affect the model-based external sector assessment. International investment position statistics also lack detailed breakdowns by currency, maturity, and counterparty.							
<i>Monetary and financial statistics.</i> Core datasets are not available in standard reporting format (SRF) in line with the methodology of the Monetary and Financial Statistics Manual and Compilation Guide. Coverage and granularity of nonbank financial institution data are uneven. Based on the 2025 FSAP, further progress is needed to improve the availability of granular data for systemic risk monitoring analysis, including on banks (e.g., mortgage exposures, trading and investment portfolios and Lombard lending), nonbank financial institutions (particularly, insurers and pension funds), asset management and secondary market activities, as well as cross-sectoral bilateral exposures.							
Changes since the last Article IV consultation A benchmark revision of the system of national accounts was undertaken in 2025. For national accounts statistics, calculation methods and data sources have been updated, establishing a new base year and providing new structural data. Other statistics, including balance of payments (BOP), international investment position (IIP) and government finance statistics, were updated accordingly. For BOP and IIP statistics, additional major revisions were implemented, reflecting the integration of newly available information of the new current account survey introduced in 2023 and the incorporation of the latest information from the surveys on cross-border capital linkages at multinational enterprises. These revisions mainly affected 2023-25 data. The compilation of sectoral balance sheets, particularly for flows on government units, has improved by incorporating actual rather than estimated data on transactions as well as capital gains and losses.							
Corrective actions and capacity development priorities No IMF TA is envisaged.							
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. Further data development could enhance surveillance in other macro-critical areas. In particular, more integrated climate-related datasets linking emissions, sectoral activity, fiscal measures, and climate-related financial risks would support macro-financial surveillance and fiscal sustainability analysis. In addition, more timely and granular indicators on digitalization (e.g., digital financial services and fintech activity) would support analysis of the macro-financial implications of digital transformation.							

Table XIII.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 XIII.3. Switzerland: Table of Common Indicators Required for Surveillance
As of July 08, 2026

	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 ⁷	Frequency of Reporting ⁷	Expected Frequency ^{7,8}	Announced Frequency ⁹	Expected Timeliness ^{7,8}	Announced Timeliness ⁹
Exchange Rates	2026-06-30	2026-07	D	D	D	D	...	1M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities ¹	2026-06	2026-07	M	M	M	M	1M (1W encouraged)	1M
Reserve/Base Money	2026-05	2026-06	M	M	M (W encouraged)	M	2W (1W encouraged)	2W
Broad Money	2026-05	2026-06	M	M	M	M	1M	1M
Central Bank Balance Sheet	2026-05	2026-06	M	M	M (W encouraged)	M	2W (1W encouraged)	2W
Consolidated Balance Sheet of the Banking System	2026-04	2026-06	M	M	M	M	1M	1M
Total assets of other depository corporations ²	2026-04	2026-06	M	M	...	M	...	1M
Total credit from other depository corporations ²	2026-04	2026-06	M	M	...	M	...	1M
Interest Rates ³	2026-06-30	2026-07	D	D	D	D	...	NLT 6W
Consumer Price Index	2026-06	2026-07	M	M	M	M	1M	NLT 2W
Revenue, Expenditure, Balance and Composition of Financing ⁴ -General Government ⁵	2026-03	2026-06	Q	Q	Q	Q	12M	1Q
Revenue, Expenditure, Balance and Composition of Financing ⁴ -Central Government	2026-03	2026-06	Q	Q	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt ⁶	2026-03	2026-06	Q	Q	Q	Q	1Q	3M
Total stock of General Government Debt ⁵	2026-03	2026-06	Q	Q	Q	Q	4M	3M
External Current Account Balance	2026-03	2026-06	Q	Q	Q	Q	1Q	1Q

Table XIII.3. Switzerland: Table of Common Indicators Required for Surveillance (Concluded)

Exports and Imports of Goods and Services	2026-03	2026-06	Q	Q	M	M	8W (4-6W encouraged)	30D
GDP/GNP	2026-03	2026-05	Q	Q	Q	Q	1Q	62D
Gross External Debt	2026-03	2026-06	Q	Q	Q	Q	1Q	1Q
International Investment Position	2026-03	2026-06	Q	Q	Q	Q	1Q	1Q

¹ Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

² Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

³ Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

⁴ Foreign, domestic bank, and domestic non-bank financing.

⁵ The general government consists of the central government (budgetary funds, extra-budgetary funds, and social security funds) and state and local governments. The total stock of general government debt is required for SDDS Plus countries and encouraged for SDDS and e-GDDS countries.

⁶ Including currency and maturity composition.

⁷ 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") semi-annual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

⁸ 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. Indicators that are not in the IMF Data Standards Initiatives are shown as "...".

⁹ 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

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

August 4, 2026

Prepared By

European Department

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FUND RELATIONS	2
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FUND RELATIONS

(As of June 30, 2026)

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	4,240.10	73.47
Reserve position in Fund	1,531.54	26.54

SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	8,819.38	100.00
Holdings	9,435.75	106.99

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				
	2026	2027	2028	2029	2030
Principal					
Interest		0.04	0.04	0.04	0.04
Total		0.04	0.04	0.04	0.04

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

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

transactions on the [SNB data portal](#), starting with data for Q1:2020.² The de facto exchange rate arrangement is classified as crawl-like from April 25, 2025, as bilateral volatility of the exchange rate against the euro has been below the 2-percent threshold.

Switzerland has accepted the obligations of Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement, and maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions except for restrictions in place for security reasons notified to the Fund pursuant to Executive Board Decision No. 144–(52/51).

Latest Article IV Consultation: The last Article IV consultation was concluded on July 1, 2025, with the staff report published on September 16, 2025. 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:

- A mandatory Financial Sector Assessment Program (FSAP) was concluded during the 2025 Article IV consultation. The FSAP findings are summarized in the Financial System Stability Assessment (FSSA). The FSSA, together with accompanying Detailed Assessment Report (Basel Core Principles) and Technical Notes, has been published on the IMF website.
- 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.

²Annual information for previous years was published by the SNB in its annual accountability report.