

Swiss National Bank holds rates despite economic risks and strong franc

The Swiss National Bank (SNB) kept its policy rate unchanged at 0%, as inflation remains very low and economic risks mount. Despite a weakening growth outlook, the SNB is avoiding further easing for now



SNB Chairman Martin Schlegel arrives at a media briefing on 25 September 2025

Status quo at the SNB

As expected, the Swiss National Bank (SNB) left its policy rate unchanged at 0%, with consumer price inflation running at just 0.2% year-on-year in August. Despite the strength of the Swiss franc, the SNB refrained from labelling it a risk or describing it as “highly valued,” a term it had used in previous communications. The relatively low inflation in Switzerland compared to other countries is helping to keep the real exchange rate relatively stable, even as the nominal franc appreciates, likely reassuring the SNB.

Recent comments from the SNB suggest a more relaxed stance on exchange rate developments. Still, the central bank has reiterated its readiness to intervene in the foreign exchange market if necessary. No changes were made to the remuneration of sight deposits held by banks at the SNB, which continue to earn interest at the policy rate up to a defined threshold, and 25 basis points below that rate beyond the threshold.

Inflation remains subdued

Inflation ticked up from -0.1% in May, but underlying price pressures remain weak and close to the lower bound of the SNB's target range of 0-2%. The main drag comes from imported goods, which make up 23% of the consumer basket and saw prices fall 1.3% year-on-year – largely due to lower energy prices (-8.3%) and the strong franc. Domestic goods prices rose by 0.6% year-on-year, showing slightly more momentum.

A deteriorating economic outlook

Economic risks have increased since the SNB's last meeting, notably due to the 39% tariffs imposed by the United States on Swiss exports. The SNB described these tariffs as “a major challenge for affected companies” and warned they could dampen activity. However, the impact is expected to be concentrated in export-oriented sectors, with services still performing relatively well.

The SNB now forecasts GDP growth of “barely 1%” in 2026. Under normal circumstances, such a downgrade might warrant a downward revision of inflation forecasts and potentially open the door to rate cuts. But the SNB appears reluctant to move in that direction. It maintains that “the inflation trend has hardly changed since Q2” and kept its inflation projections unchanged at: 0.2% for 2025, 0.5% for 2026, and 0.7% for 2027. These stable forecasts underpin the decision to hold rates.

With rates already at 0%, the SNB noted that “the bar is high” for further cuts, which would push rates into negative territory. During its press conference, the SNB emphasised that a move into negative rates would not be equivalent to a “normal” rate cut.

Risks tilted to the downside

In our view, there's a risk that inflation could be undershooting the SNB's forecasts in the coming months. In August, both imported and domestic goods prices fell by 0.1% month-on-month, and service prices also declined. With global energy prices still low and Swiss growth slowing, annual inflation could edge closer to 0% or even turn negative again.

At this stage, it's clear the SNB would prefer to avoid returning to negative rates, and we do not expect further rate cuts. However, the door to future easing remains ajar. A sharper-than-expected deterioration in the economic outlook could quickly bring rate cuts back into the conversation.

Charlotte de Montpellier

SNB learns to live with strong franc

Conspicuous by its absence in today's update is any greater concern over Swiss franc strength. There's no description of the franc being “highly valued” or the SNB being prepared to intervene more strongly in FX markets. That may well be down to the realpolitik of a more interventionist US administration wary of trading partners limiting currency strength for trade gain.

EUR/CHF is largely unchanged on today's update, and our view is that it will continue to trade around these 0.92/93 levels until a more bullish eurozone/ECB story emerges in 2026. If anything, the SNB's lack of concern over the strong franc – even as the inflation-adjusted franc trades up at the highs – is a mildly bearish development for EUR/CHF today.

Chris Turner

Author

Charlotte de Montpellier

Senior Economist, France and Switzerland

charlotte.de.montpellier@ing.com

Chris Turner

Global Head of Markets and Regional Head of Research for UK & CEE

chris.turner@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.