UBS Outlook Switzerland

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FX Survey 2025

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Editorial

Dear Readers

We had been expecting lower year-over-year growth in 2024, but remarkably industrialized markets beat our expectations to hit 1.7% instead of the forecast 1.1%. The US economy in particular performed well, and emerging markets also grew more strongly than anticipated.

We polled roughly 400 Swiss companies for our annual currency management survey. Just under half of them are industrial companies and around 60% exporters.

The euro is the most important currency for those surveyed, and around half of them say they hedge their currency risk.

The pricing stability from currency hedging makes companies more competitive, and also increases planning certainty. Hedging also lets companies protect their profit margins by ensuring the costs of imported goods or services are not pushed up by unhelpful currency movements. You can protect yourself against market risks by using customized hedging strategies. Our advisors will be happy to support you—from traditional forward contracts all the way to structured hedges. You can stay flexible and devote all your attention to your daily business.

The following pages provide insights into the opportunities and challenges facing the Swiss economy that the companies surveyed are concerned about, and expert opinions. We hope this publication will give you a new outlook on the currency risk in your business, and that it makes for inspirational reading.

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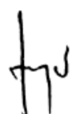


Companies expect stronger franc

Swiss companies have a mixed growth outlook for the domestic economy in 2025. They see benchmark interest rates coming down all over the world, leading to a stronger franc. Most risk to currencies is likely to come from (geo)politics.

Meret Mügeli, Florian Germanier, Alessandro Bee, Maxime Botteron, Matteo Mosimann

As part of our annual currency survey, in the fall we surveyed around 400 companies on their forecasts for economic and exchange rate trends. Almost half of the companies that took part were industrials, the rest were in the services sector. 60% were exporters, meaning they generate more than 10% of their revenue from exports. Nearly 80% of them are importers, buying more than 10% of their inputs from abroad. Hence, most of the companies in the survey are focused on external trade and exposed to currency risk.

The most important currency is the euro
The key purchasing currency for nearly half of all companies surveyed is the euro, followed by the Swiss franc and the US dollar. The British pound, Japanese yen, and other currencies play only a minor role. This applies to both industrial and service companies. Because of their very nature, foreign currencies are more important for importers. For 58% of them, the euro is the most important currency for procurement, followed by the Swiss franc (23%) and the US dollar (15%). The focus for companies that look to the domestic market, by contrast, is the franc (Figure 1).

When it comes to sales too, there are clear differences depending on exposure to foreign trade (Figure 2). Export-oriented firms most commonly sell in euro (55%), followed by the US dollar (22%) and the franc (20%). This applies to industrials, as these tend to export more than services companies (77% compared to 43%). For companies with a domestic focus, which includes many services providers, the franc is clearly the most important currency.

This dominance of the euro in external trade is also apparent in the latest survey. Already in previous years, more than half of the companies engaged in foreign trade named the euro as the most important currency for buying and selling.

The euro is the most frequently hedged
Almost half of those surveyed (46%) said they hedge their currency risk. Companies that trade abroad do this more frequently that those that focus on the domestic market. The average in previous years has been 42%, so more companies are hedging.

The currency most frequently hedged is the euro (Figure 3). In second place is the US dollar, then sterling.

The companies surveyed use various instruments to hedge currency risk, most commonly fixed forwards and swaps. Less commonly deployed are flexible forwards or structured strategies with combinations. 40% of the companies surveyed also use natural hedging. This is where income and expenditure in a foreign currency are matched as closely as possible, so positive and negative currency effects balance each other out. Accordingly, natural hedging is most commonly used by companies that are both importers and exporters.

The average level of hedging is 59%, in line with the average seen in recent years. This figure is higher among services companies (62%) than for industrials (54%), likely because the latter can more commonly benefit from natural hedging.

Almost half of companies hedge at regular intervals; 30% do so for projects and orders; and 23% hedge on an opportunistic basis.

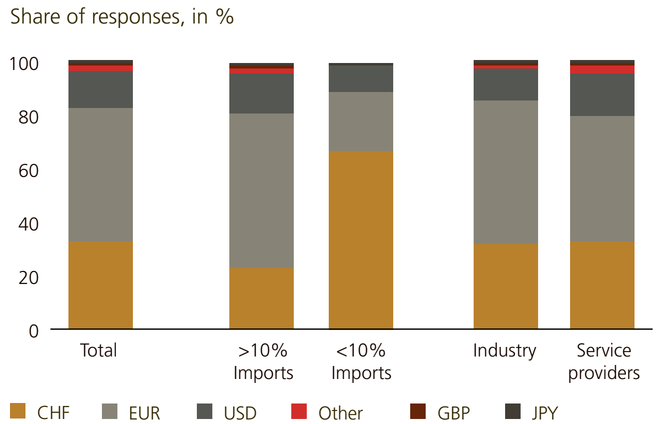
The majority have no plans to change their hedging
More than half of the companies surveyed (60%) expect currency risk this year to be on a similar scale to 2024. Just under 30% expect more currency risk, and only 10% are planning for less. The majority of companies therefore have no plans to adjust their hedging ratio. Only 11% want to increase it and even fewer to lower it.

Companies see the biggest driver of market volatility as being (geo)political events, such as the economic policy Donald Trump will pursue as US president, the war in Ukraine, and tensions in the Middle East. The economic environment and central bank policy may also cause volatility, but these are cited less frequently than (geo)politics.

Figure 1

What is your main currency for buying?

Share of responses, in %

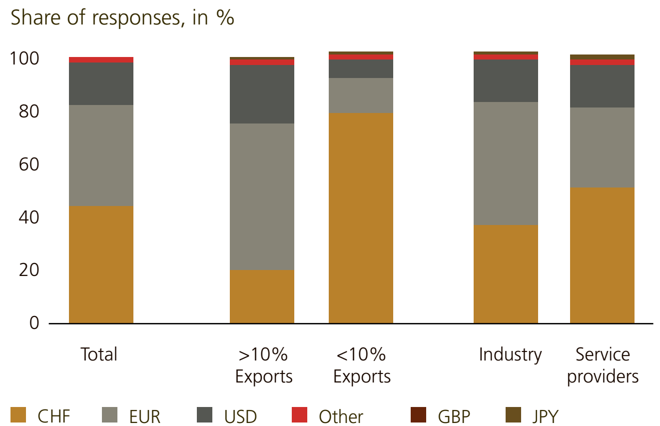


Source: UBS FX Survey 2025

Figure 2

What is your main currency for selling?

Share of responses, in %

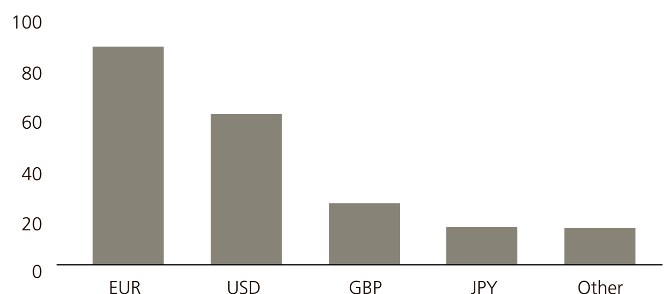


Source: UBS FX Survey 2025

Figure 3

If you hedge, which currencies do you hedge?

Share of responses by companies that hedge, in %, more than one answer possible



Source: UBS FX Survey 2025

Mixed economic outlook for Switzerland

Companies have a cautious outlook on the Swiss economy for 2025. 40% of those surveyed expect growth to be 1% or less. One-third of companies surveyed are forecasting that Swiss economic growth in 2025 will be on par with 2024, at between 1.1% and 1.5%. Only a quarter see an acceleration, i.e., growth of more than 1.5%. Industrials have a gloomier outlook on the Swiss economy than services companies, which comes as no surprise given the weak state of foreign demand.

40% of companies expect inflation in Switzerland to be lower in 2025 than in 2024, at between 0.6% and 1%. Few see inflation below 0.5%. Half of them still expect inflation to be over 1% in 2025, mostly in the 0–2% target range of the Swiss National Bank (SNB). Just 6% of companies surveyed see inflation over 2% (Figure 4).

Only a quarter of companies assume the SNB will cut its benchmark rate further from the current 0.5%. On average for those surveyed, the benchmark interest rate at the end of 2025 is seen at 0.5%. Considerably more companies expect further rate cuts from the European Central Bank (ECB) and the Federal Reserve. On average, they see the upper end of the Fed's policy rate range at 3%. For the ECB, too, 77% are expecting further cuts; on average they see the benchmark interest rate at 2% at the end of 2025. Accordingly, survey participants are expecting more rate cuts from the Fed and the ECB than from the SNB. As a result, the yield pickup the euro and US dollar offer over the franc should diminish, providing support for the latter.

Companies see a stronger franc

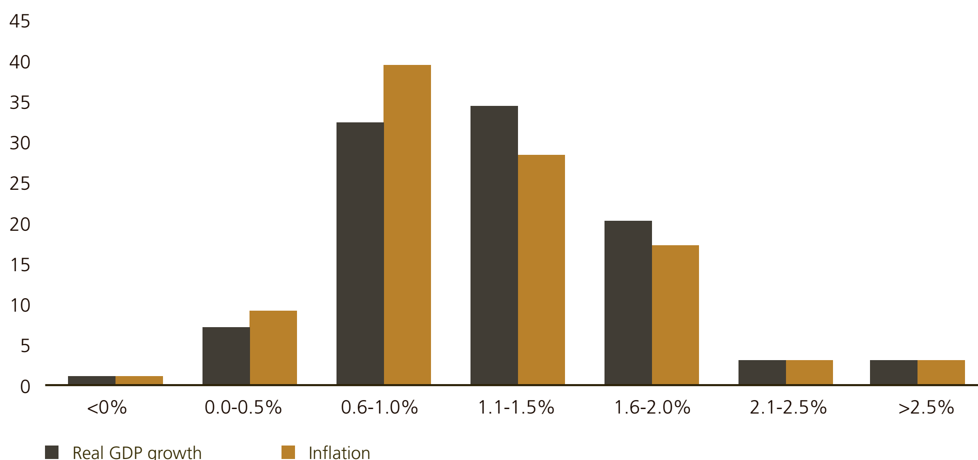
Expectations of lower interest rate spreads are also reflected in companies' exchange rate forecasts.

Three-quarters of those surveyed expect the EURCHF rate to be between 0.90 and 0.95 at the end of 2025. Only 13% are predicting a rate below that and just 10% one above it. They therefore expect the franc to be stronger against the euro than they were anticipating in the survey at the end of 2023. Figure 5 shows that there has been a tendency to underestimate the appreciation of the franc against the euro in recent years. On average, the companies surveyed see EURCHF at 0.92 at the end of 2025, which is lower than UBS is predicting (UBS forecast: 0.93). However, companies' forecasts and those of UBS (formerly of Credit Suisse) have been relatively close to each other.

Figure 4

Growth and inflation expectations of the surveyed companies for Switzerland

Share of responses, in %



Source: UBS FX Survey 2025

The Swiss franc is also expected to strengthen more against the dollar than in the last survey, substantially so in fact. 75% of survey participants expect the USDCHF exchange rate to be in the 0.80–0.90 range at the end of 2025. 18% expect the rate to be higher, and just a few see it lower. This results in an average expected exchange rate for USDCHF of 0.85 (UBS forecast: 0.88).

There are also differences in expectations before and after the election of Donald Trump as US president. Companies tend to think his victory is positive for the dollar. The average expected exchange rate was higher after the election (0.86) than before (0.84). By contrast, companies' forecasts for EURCHF were not affected by the US elections.

Compared to the USD and EUR, the GBPCHF rate is closest to the year-end expectation for 2024. Based on the forecasts of the companies surveyed, at the end of 2025 the rate should be at 1.08. This is considerably different from the UBS forecast of 1.13. However, companies' forecasts for GBPCHF are relatively widely spread.

Institutional investors expect currency risk to be higher in 2025

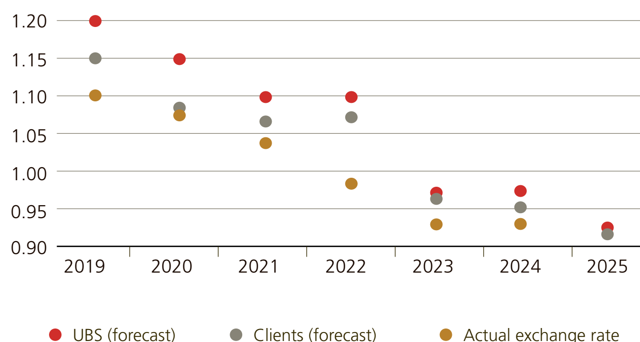
Our survey was also addressed to institutional investors. Their predictions for Swiss economic growth in 2025 are slightly more optimistic than those of companies: 40% expect growth of 1.1–1.5%, 30% see it higher, and 30% lower. Forecasts for inflation are similar and the predictions for the SNB and ECB benchmark rates are in line with those of the companies we surveyed. For the Fed, however, institutional investors on average see rates being cut by 50 basis points less (to 3.5% instead of 3%).

When it comes to exchange rates at the end of 2025, institutional investors share the same view as companies: 0.92 for EURCHF, 0.85 for USDCHF, and 1.09 for GBPCHF. However, a larger portion of the institutional investors surveyed sees currency risks rising over the year than is the case for companies.

Figure 5

Comparison of EURCHF forecasts

Forecast and actual year-end rates (December average)

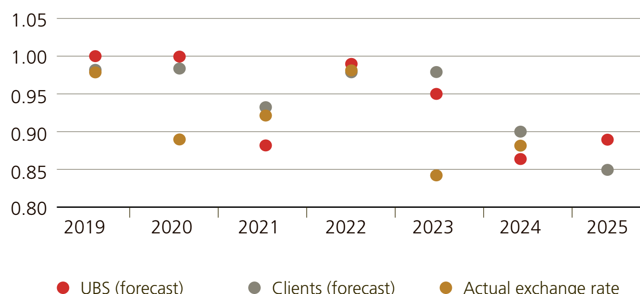


Source: UBS FX Survey 2025

Figure 6

Comparison of USDCHF forecasts

Forecast and actual year-end rates (December average)

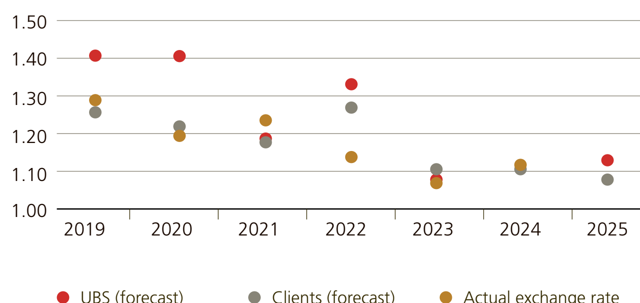


Source: UBS FX Survey 2025

Figure 7

Comparison of GBPCHF forecasts

Forecast and actual year-end rates (December average)



Source: UBS FX Survey 2025

[1] Credit Suisse forecasts until 2023, as the foreign exchange survey was published by Credit Suisse until 2024. Thereafter UBS forecasts.

Central banks still in the driving seat

Falling inflation is making it possible for central banks to keep cutting interest rates. The European Central Bank and the Fed have more scope to do so than the Swiss National Bank, though. The declining interest rate spread will likely support the franc against the US dollar and the euro.

Alessandro Bee, Florian Germanier, Meret Mügeli

Economy

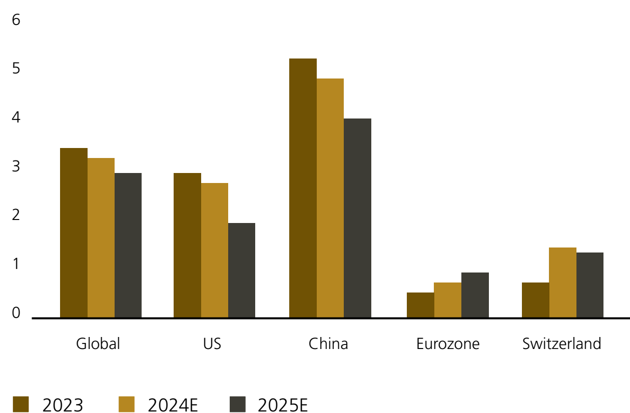
The rate cuts anticipated in 2024 did come—but later than expected. Inflation moved down and the global economy performed better than many had feared. We expect robust global economic growth in 2025 as well. All regions will contribute to this: in the US, it should be driven by lower interest rates and taxes, in Europe by higher real wages, and in China by the government stimulus program.

Europe: will higher real wages have an impact?
Growth in the Eurozone has been suffering in recent quarters under persistently higher energy prices, high interest rates, and a less generous fiscal policy. But the sharp rise in real wages should boost European consumption in 2025. However, there are risks to the recovery. There has been no improvement in sentiment in the purchasing manager survey for services companies in the past few months. A second risk is President Trump's trade policy. Along with a weak economy, Europe is also suffering from structural problems; many European economies are not well placed when it comes to being competitive. This limits the potential from any upturn.

Figure 1

Solid economic prospects

Growth of real domestic product, year-over-year as a percentage, USB forecasts from 2024



Sources: Macrobond, UBS

China: real estate market vs stimulus program
The real estate crisis is still holding back growth in China. Higher tariffs from the newly elected Trump administration are a further risk. At the same time, the Chinese government is trying to stabilize the economy by taking monetary and fiscal measures: At the end of September, the People's Bank of China loosened monetary policy considerably, and the government is working on an extensive fiscal program.

US: rate cuts and Donald Trump
US growth has survived the high rates over the last two years. The cycle of cuts initiated in September last year should continue to support it. Donald Trump's victory in the presidential election will likely further boost the economy thanks to tax cuts and deregulation in the finance and energy sectors. The risks lie in trade policy. Imposing steep tariffs doesn't just hurt US trading partners, it also hits US consumers. A recession is unlikely, but cannot be entirely ruled out. High tariffs across the board under the Trump administration could cause stagflation—high inflation and low growth. An oil price shock would threaten a similar risk. Raised tensions in the Middle East could drive up the oil price, resulting in high inflation in the US and other industrialized markets.

Switzerland: putting hopes in Europe
Swiss industry, and hence the entire Swiss economy, is likely to benefit from a slight recovery in Europe this year and a solid global economy. We expect the economy to grow 1.5% in 2025 (adjusted for sporting events), marking a return to trend growth after a period below the long-term average in 2023 and 2024. Our economic predictions are slightly more optimistic than those of the companies we surveyed. However, if the uptick in the Eurozone we are anticipating fails to materialize, 2025 will be another year of below-average growth for Switzerland.

Key interest rates

SNB: more rate cuts to come
The Swiss National Bank (SNB) looks set to continue cutting rates in 2025. We assume that at the end of 2025 the benchmark rate will be 0.25%, which means we expect one reduction more than the companies surveyed. Inflation should remain well below the 1% level this year. The SNB is probably also concerned about the recovery in the Eurozone, and hence the Swiss economy too. Given the low level of interest rates, there is limited scope for rate cuts unless the SNB wants to return to negative interest rates.
These are possible, but not likely. If the European Central Bank (ECB) were to move its interest rates back toward zero, the Swiss National Bank (SNB) would be forced to reintroduce negative interest rates in order to prevent a significant appreciation of the Swiss franc by maintaining a sufficiently large interest rate differential. This is not the core scenario for the Eurozone—it would equate to a recession.

The Fed and the ECB: more scope than the SNB
The Fed started its rate-cutting cycle in September. As inflation nears the 2% target level, further cuts are likely. By the end of 2025, we are expecting a total 50 basis points of cuts to 3.75–4.0%. The fall in inflation in the Eurozone should also allow the ECB to continue cutting rates, with all the more justification as growth is weak. We expect rate cuts of 100 basis points in all, taking the ECB benchmark rate to 2%.

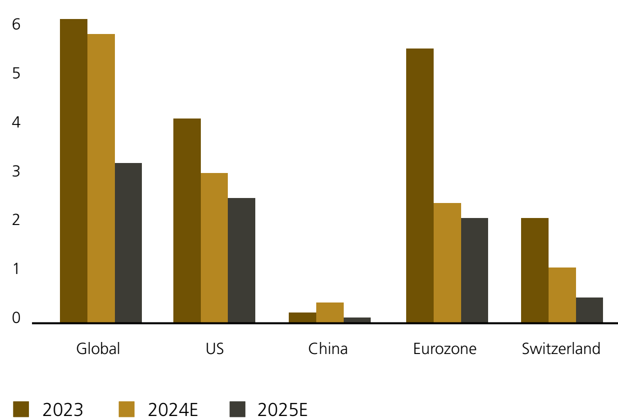
Currencies

USDCHF: Trump slows the downtrend
The Fed has plenty of scope to cut interest rates on the one hand, and the SNB has little scope to do so on the other; these look set to remain the main drivers for the USDCHF exchange rate. In our purchasing power parity model, the US dollar is overvalued against the franc. Both give the franc scope to appreciate against the US dollar.

Figure 2

Inflation is slowing

Inflation as a percentage, USB forecasts from 2024



Sources: Macrobond, UBS

However, we think the franc will strengthen less than was expected before Donald Trump was elected. His economic policy is likely to generate more growth and more inflation, and thus higher interest rates than originally assumed. This is unlikely to be sufficient enough to replace the vanishing yield differential as the main driver, while the Fed reacts over the coming quarters to the current fall in inflation. But it is likely to moderate the appreciation of the franc. We see the USDCHF exchange rate falling to 0.88 over the next 12 months.

Donald Trump's economic policy should boost the US dollar in the short term, however over the long term the currency should come under greater pressure. Higher inflation and worries over the mountain of debt in the US will likely hold the dollar back more than previously anticipated.

EURCHF: in a tight range
We see franc strength in the short term. As with the US dollar, the yield pickup between the euro and the franc should gradually diminish. The political and economic risks in Europe at the moment also reinforce the attractiveness of the franc's safe-haven properties.

If the Eurozone recovers over the course of the year as we are forecasting, this would put some wind in the sails of the common currency. Any calming of the war in Ukraine or decline in political risks in Europe could also support the euro.

All in all, the EURCHF exchange rate should trade in a tight range. The SNB will strive to prevent the franc from strengthening too much, especially if the industrial recovery does not emerge. The fact that the Eurozone is not just facing economic challenges at the moment but is also having to wrestle with a weak competitive position of its economic engine Germany suggests the euro will not appreciate strongly. We see the EURCHF exchange rate at 0.93 over the next 12 months.

UBS currency forecasts (Chief Investment Office)

	13.01.2025	**Mar 2025**	**Jun 2025**	**Sep 2025**	**Dec 2025**
USDCHF	0.92	0.93	0.91	0.89	0.88
EURCHF	0.94	0.93	0.93	0.93	0.93
GBPCHF	1.11	1.11	1.12	1.12	1.13

Source: UBS

Hedging currency risks: strategies and instruments

Transaction risks are at the forefront of currency hedging. A rolling hedging strategy takes into account that payment flows are more uncertain the further into the future they are. The choice of hedging instruments should be based on the company's level of flexibility and the extent to which it incorporates its own assessment of the currency markets.

Alessandro Bee

Export and import companies are exposed to currency risks. Fluctuating exchange rates have a twofold impact: They make financial planning difficult and can have a negative impact on operating profit. Currency hedging therefore aims to achieve more planning security for a company and fewer fluctuations in results.

The companies need to ask themselves the following questions: What currency risks do we want to hedge? What strategy do we want to adopt and how long should the hedging horizon be? What instruments do we want to use?

Different currency risks

The company is exposed to currency risks in different phases of its operations, when buying and selling products or in the valuation of subsidiaries. They can also restrict competitiveness.

1. **Transaction risks** impact payment flows: Currency fluctuations can affect the calculated profit when buying and selling products in foreign currencies, in relation to dividend income, or when obtaining a loan in a foreign currency. Transaction risks take center stage in currency hedging.

2. **Translation risks** arise from converting items on the income statement and balance sheet of foreign subsidiaries into the parent group's currency. Most translation risks are not hedged directly, but borrowing in foreign currencies can act as a natural hedge. However, direct hedging makes sense if, for example, a foreign subsidiary is about to be sold.

3. **Economic risks:** Changes in exchange rates affect the company's competitiveness. These risks are rarely hedged directly because they are too difficult to quantify. They can be reduced in the long term through natural hedging. Production is shifted to the same currency zone in which the products are sold in order to reduce the currency risk.

Currency hedging strategies

A company operating largely in the domestic sector can selectively hedge the proceeds from a large foreign order. An opportunistic hedge is also worth considering if companies view the prevailing exchange rate as advantageous and want to “lock it in”.

On the other hand, systematic hedging of currency risks is carried out on a regular basis and in line with a strategy. This helps to increase planning security and reduce the fluctuations in results.

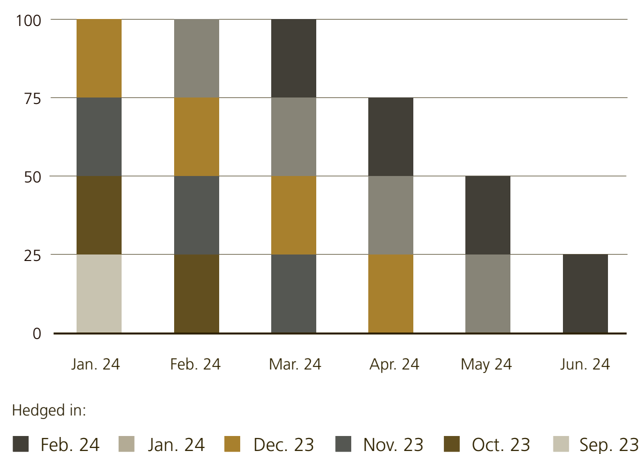
Short-term liquidity planning, from which the foreseeable future (net) foreign currency flows can be derived, is the starting point for such a foreign currency hedging strategy.

The further into the future the payment flows are, the less predictable they are as a general rule. At the same time, price fluctuations in relation to payments to be made imminently and with a high degree of certainty have a greater impact. In order to efficiently squeeze the volatility from the payment flows, imminent payment flows that are easy to assess, in particular, should be hedged.

Figure 1

Illustration of a rolling hedging strategy

Payment flow of a company and hedge ratio in percent



Sources: UBS, based on: Lütolf, Rupp and Birrer – Handbuch Finanzmanagement (2019)

Rolling hedge

A rolling hedge distributes the payment flow hedges across different points in time. In Figure 1, 25% of the payment flows for February are hedged in January (at the current forward exchange rate for one month in grey), 25% for March (at the current forward exchange rate for two months) and so forth. In February (in black), 25% are hedged in turn for March, 25% for April.

The rolling hedge features two major advantages:

1. Payment flows that are more imminent and easier to forecast are hedged in particular. In February, all payment flows for March are hedged, but only 25% of the payment flows for June.

2. The exchange rate for the payment flows in March is the average of the different forward exchange rates from November to February. If the entire payment flow from March had been hedged in February in a currency market transaction for one month, only this one price would be included in the result. A weighted mean of different exchange rates generally features a lower volatility than a series of individual exchange rates.

Instruments

In order to assess which instrument is most suitable for minimizing risk in a certain situation, the instruments are compared with respect to the three goals: 1) a higher level of hedging; 2) the opportunity to participate in favorable exchange rate movements; and 3) the lowest possible hedging costs (Table 1).

Table 1

Currency hedging instruments and their characteristics

Instrument	Hedging	Participation	Cost of hedging
1. Spot exchange transaction	None	Full	None
2. Forward exchange transaction	Full	None	Forward rate is usually less favorable than the spot price
3. Currency options	Full	Full	Premium payment
4. Instruments offering full hedging / partial participation	Full	Partial	Strike less favorable than the forward rate
5. Instruments offering partial hedging and participation	Partial	Partial	Uncertainty about the hedged amount

Source: UBS

1. Spot exchange transaction

The spot exchange transaction is not a hedge, but it is suitable as a benchmark for assessing the other instruments. Foreign currencies are bought or sold at the payment date at the respective current price. No hedging takes place at the payment date, but no hedging costs are incurred. There is also the possibility of participating in a favorable exchange rate trend.

2. Forward exchange transaction

In a forward exchange transaction, a currency is bought or sold for a certain date. The exchange rate is determined at the time of concluding the transaction, and the forward transaction is binding for both parties.

The payment flow in a forward transaction can be fully hedged, but it is not possible to participate in a favorable exchange rate trend. On the cost side, the forward rate is generally worse from a Swiss franc perspective than the current spot price.

Forward transactions are not distinguished by a high level of flexibility. However, transactions are offered nowadays that allow an amount to be accessed during the term and not just at the end. This offers the forward transaction a certain degree of flexibility.

3. Currency option transaction

With currency option transactions, the buyer acquires the right, but is not obliged, to buy or sell a currency at a specific price (strike) at a certain point in time or within a specific period.

The option contract allows the payment flow to be fully hedged and to fully participate in the currency's positive development. The costs incurred are the initial premium payment. This is determined by how attractive the option is, which depends on, among other things, to what extent the strike price differs from today's price.

By combining different options, more flexible instruments can be created than those described above.

4. **Instruments offering full hedging and partial participation**
Similar to a forward exchange transaction, these instruments allow the buyer to acquire the agreed amount at the agreed strike price, when the currency trend is unfavorable. However, the strike is slightly less favorable than the forward rate. The buyer can benefit in part from a positive currency trend. Depending on the instrument used, participation is structured in different ways. The buyer can, for example, benefit from a favorable exchange rate, provided a predefined barrier is not exceeded or reached.

These instruments still guarantee that the amount is fully hedged. In addition, there is sometimes the possibility of participating in a favorable development. Unlike option contracts, an initial premium is not payable. However, the hedged exchange rate is slightly worse than the forward rate where the currency trend is unfavorable. This means that the instrument involves slightly higher costs than a classic forward exchange transaction.

5. **Instruments offering partial hedging and participation**
These instruments allow the customer to acquire the agreed amount at the agreed strike price (as with a normal forward exchange transaction) when the currency trend is unfavorable; the strike price is even more attractive than for a forward transaction. In case of a favorable currency trend, the buyer may be forced to buy a larger amount of the foreign currency at the strike price.

Unlike the option contract, no premium is payable. In case of an unfavorable currency trend, the hedged exchange rate is even better than the forward exchange rate. However, buyers of the instrument do not initially know which part of the amount is actually hedged. They have to make compromises for this target.

Incorporating the instruments in a hedging strategy

In order to reach a decision on what instrument to use and when, the company must consider which targets are prioritized for which part of the payment flows.

1. **Basis hedge:**
If the planning security is prioritized for the hedged amount, as well as for the hedged exchange rate, a classic forward exchange rate transaction is recommended.

2. **Target hedge:**
If the planning security in relation to the hedged amount needs to be high, but the company is prepared to accept a slightly poorer exchange rate in an unfavorable case in exchange for the opportunity to benefit from the currency development in a favorable case, currency options or instruments with full hedging and partial participation are recommended. The company can introduce its own outlook here on the currency market development.

3. **Maximum hedge:**
Instruments offering partial hedging and partial participation lend themselves if a hedge is desirable but not directly necessary. This can be the case if the company demonstrates a certain degree of flexibility in settling invoices. The company can use these instruments to secure a hedge at advantageous terms, but incurs the risk that it does not know exactly how much is actually hedged in a period.

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