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Resilient but not immune: Swiss industry facing stress on two fronts

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Swiss industry is facing a double stress test: higher US tariffs are weighing on individual export sectors, while China's industrial catch-up is intensifying competition in higher-value segments. However, Switzerland remains resilient thanks to its strong position in pharmaceuticals, watches, precision instruments, and specialized machinery, as well as its comparatively limited overlap in exports with China. It has therefore largely maintained its global market share. For investors, this creates opportunities in high-quality Swiss industrial and export companies with strong innovative capabilities, globally diversified sales markets, and solid balance sheets. Nevertheless, we believe focusing on the most competitive companies while maintaining sufficient diversification is essential, including in the Swiss market.

Swiss industry is under pressure but remains resilient. Higher US tariffs and China's rapid industrial rise are changing the rules of global trade, as we examined in our latest [UBS Outlook Switzerland](#). This is affecting export markets, margins, and investment decisions—and therefore investors' portfolios. The key questions we see are: How robust is the Swiss business model, and where are opportunities emerging in an increasingly fragmented global economy?

The United States remains the most important single market for Swiss goods exports, even though tariffs have risen significantly since April 2025. From August to November 2025, tariffs on many Swiss exports temporarily rose to 39%, while goods from the European Union (EU) were subject to an average tariff of only 15%. This left its mark: After import

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levels normalized to their pre-period baseline, US imports from Switzerland were around 27% below the corresponding EU benchmark between August and November. This corresponds to an estimated cumulative loss of exports of up to USD 3.5 billion—around 7% of 2024 US imports from Switzerland, excluding gold.

However, these headlines become less alarming when we take a closer look. A large share of Swiss exports to the US consists of pharmaceuticals, which often benefit from exemptions or low tariff rates. Overall, the estimated effective tariff rate on US imports from Switzerland peaked at 13.4%, but most recently stood at only around 6%. In addition, some tariffs that have already been paid may be refundable following a decision by the US Supreme Court—potentially amounting to around USD 2 billion, particularly in areas such as precision and medical instruments, watches, coffee, machinery, and electrical equipment. Conditions remain challenging for the sectors concerned, but the impact on Swiss industry as a whole is likely to remain manageable.

The greater challenge is coming from China, not least because we see this as a longer-term, structural development. China is continuing to expand its industrial base and is increasingly moving into higher-value segments, including mechanical engineering, electrical equipment, chemicals, medical technology, and complex components. Chinese goods exports have recently increased significantly, while imports have remained subdued. The trade surplus reached record levels. For Swiss companies, this means greater pricing pressure, more intense competition in third markets and, particularly in Germany, indirect effects through European value chains. These value chains are feeling the growing competition from China much more acutely than Switzerland is.

Nevertheless, Switzerland continues to operate from a position of strength, at least compared with most European countries. It is highly specialized in areas such as pharmaceuticals, watches, precision instruments, high-quality machinery, and niche products. Its export overlap with China is significantly lower than that of countries such as Germany or Italy. Accordingly, Switzerland has managed to maintain its global export market share at around 1.2% in recent years, excluding precious metals, despite increasing Chinese competition.

What does this mean for investors? Swiss industry is demonstrating resilience, but it is not immune. In a more fragmented global economy, robust supply chains, geographical diversification, and reliable market access are becoming increasingly important. In our view, companies that move production closer to end markets through nearshoring, expand their presence in structurally growing niches, and consistently invest in innovation are likely to benefit. Investors may therefore find it worthwhile to consider these criteria when constructing their portfolios.

Our conclusion? For long-term investors, high-quality Swiss industrial and export companies remain attractive. We particularly like market leaders with strong pricing power, high research and development intensity, and globally diversified sales markets. Adding such companies to an international portfolio can help make it more resilient to trade-policy fluctuations and structural competition from China. One area we would highlight is select mid-sized companies, which could benefit from the strength of the Swiss economy in a more challenging global environment and continue to benefit from the cyclical recovery in Europe.

At the same time, we would avoid concentration risks in individual regions or sectors. Many Swiss portfolios have significant exposure to large, well-known Swiss blue-chip companies, making them dependent on the performance of individual businesses. Alongside broad diversification within Switzerland, we therefore also consider international exposure crucial for medium- to long-term investment success.

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