Source: UBS

Reciprocal tariffs significantly impact Switzerland as well

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Based on a calculation that is difficult to comprehend, the US is imposing tariffs of 31% on a substantial portion of imports from Switzerland.

What US President Donald Trump announced on 2 April in terms of additional tariffs was indeed substantial. It is too early to precisely estimate the consequences for the Swiss economy or the Swiss equity market. These impacts depend on various factors. First, we need to wait and see how countries affected by reciprocal tariffs will respond and whether the US will further escalate the situation. The timing and extent of tariff reversals by the US will also be crucial once targeted concessions from trading partners have been achieved. In our base scenario, we anticipate that a portion of these tariffs will be partially reversed within three to six months.

Based purely on a comparison of mutual tariffs, the US had little justification for imposing substantial "reciprocal" tariffs on Switzerland. However, US government advisors have apparently included "currency manipulation" and non-tariff trade barriers in their calculation—an approach we find difficult to understand—and have accused Switzerland of imposing a "tariff-equivalent" of 61% on US products. Against this backdrop, the 31% tariff rate now imposed by the US on Swiss imports appears somewhat arbitrary.

Nevertheless, these tariffs will significantly impact Swiss companies exporting directly to the US. Smaller Swiss suppliers, for example those serving the German automotive industry, could also be severely impacted by declining production in Europe, which is already shrinking for structural reasons. Larger, globally positioned Swiss exporters could similarly face challenges, particularly those supplying the US market from production sites in Mexico, either with intermediate or finished products. Additionally, the administrative burden associated with accurately calculating and processing these tariffs should not be underestimated, as it could slow production processes. More broadly, Switzerland will also feel the impact if the US and global economies lose momentum over the next two to three quarters.

Even though markets may experience increased volatility in the coming days or weeks, we highlight the positive medium- to longer-term outlook. Structural drivers, such as productivity growth and rising corporate earnings, remain intact. Over time, these factors—driven by increasing productivity growth and higher corporate profits—will support markets. We recommend investors use market downturns as opportunities to build long-term positions in these growth themes. Additionally, structured strategies, high-quality bonds, gold, and alternative investments can help diversify portfolios and better manage risks.

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