SNB December 2025 Preview: stay the course

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Steady as she goes

- **At its December 2025 meeting, the Swiss National Bank is set to hold rates steady again.** But that doesn't mean inflation and economic developments haven't been exciting. Since our last update, Swiss inflation and economic indicators have provided a mixed picture.
- **The modest resurgence in inflationary pressure seen in Q3 has now faded.** In November, headline inflation barely remained positive, with the Q4 average currently at just 0.06%. This is well below the SNB's prior expectation of 0.4% for the quarter. Clearly, they'll have to revise their conditional inflation outlook down. Price pressures remain almost entirely driven by housing rents; once that component is stripped out, both headline and core inflation are actually in deflation.
- **At the same time, the broader economic outlook has improved significantly.** The newly concluded US–Switzerland trade agreement is basically the best the Swiss could get, cutting country-specific tariffs to 15% from 39% and carving out exemptions for pharmaceuticals. With the trade deal finally done, the improved outlook for foreign demand should boost the Swiss economy. At the same time, appreciation pressure on the franc has eased over the past month, both against the euro and the dollar, reducing import price deflation.
- **The SNB can justifiably hold rates tomorrow, with the trade uncertainty lifted offsetting deflation risks.** At the same time, the SNB stands ready to cut rates further into negative territory if necessary. However, given the SNB's well-known aversion to negative rates, and since we don't expect conditions next year to warrant a cut, we expect that the SNB will remain on hold until the September meeting next year (the end of our forecast horizon).