SNB March 2026 Preview: a battle on two fronts

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Better dig in

- **The Swiss National Bank is set to keep its policy rate unchanged at its March 2026 meeting, marking its third consecutive hold.** While the decision may be overshadowed by the many central bank decisions this week, don’t mistake a hold for inaction.
- **The SNB is currently caught in a pincer movement**. As mentioned in our recent update, the surging franc is importing deflation today, while surging oil and gas prices threaten an inflationary shock in the not-so-distant future. Instead of reacting preemptively to one risk – and leaving itself exposed to the other – expect the SNB to dig in.
- **While we won’t see a move in the policy rate – the current deflationary pressure isn’t severe enough to justify cuts deeper into negative territory – the SNB is far from idle.** In an uncharacteristically assertive move, the central bank has started to rattle its saber. The franc’s strength prompted a statement from the SNB signaling a heightened readiness to intervene in FX markets to temper further gains. While there’s no evidence of major interventions yet, the governing board will stress that FX intervention remains a key tool in its arsenal and that it is prepared to deploy it to counter rapid franc appreciation.
- **On the inflation front, we can gauge the impact of the current oil and gas shock by comparing it with earlier energy price surges in 2008, 2011 and 2022.** On that basis, the direct effect is likely to add just under one percentage point to headline inflation. While a sustained period of higher energy costs would also push other prices upward, Swiss headline inflation is currently at a negligible 0.1 percent. That leaves ample room before inflation comes close to the two percent upper boundary of the SNB’s target range. Our base case remains that the Iran conflict will not persist long enough to generate the sustained inflationary impulse needed to force a rate hike in 2026.

- **The Swiss National Bank has only hiked in response to one of the three major energy price shocks in this millennium – in 2022.** That episode was unique: the tightening reflected not just higher energy costs but also pressure from the post-COVID demand boom – headline inflation was already at 1.7 percent in January 2022. Today's landscape is very different: economic momentum is far weaker and inflation is much more subdued. Simply put, 2026 is no 2022.