SNB Research: Go your own way

August 7, 2026

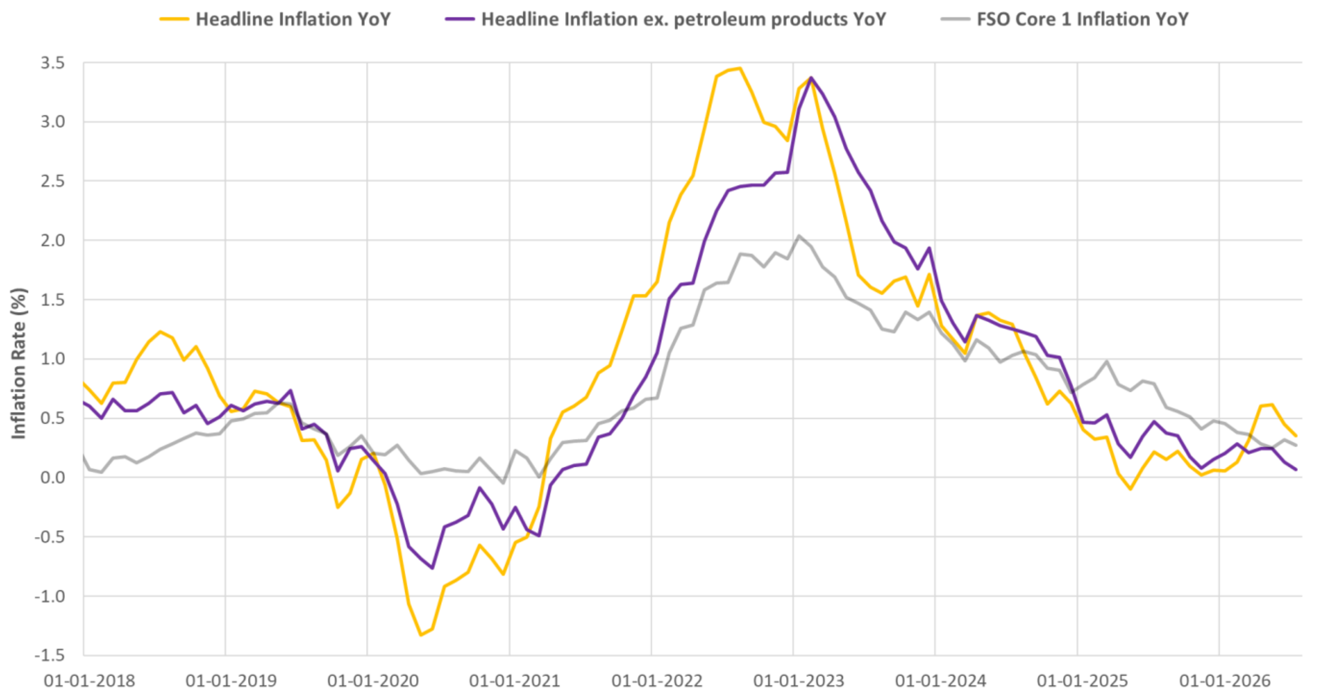
Research

Joris van Beek
Economist
+31 20 522 0214
j.vanbeek@afsgroup.nl

Rumours and Second Hand News

- **When I think of Swiss banking, I think of discretion.** The Swiss National Bank is no exception. SNB officials are famous for monotonously sticking to the script and playing their cards close to the chest. Leaks from within the SNB are a genuine rarity. Naturally, my head turned last week when a scoop hit my Bloomie feed. Bloomberg reported that according to anonymous insider sources the SNB is set to keep its policy rate pegged at zero percent all the way until the end of 2027;
- **That the SNB intends to stay put comes as no surprise.** My own forecast has had the policy rate locked at zero percent till the end of my twelve-month forecast horizon for quite some time now. A zero percent policy rate has become – to borrow an overused phrase from the early 2020s – the new normal in Switzerland;
- **Don't get me wrong: Switzerland isn't immune to the global inflationary impulse from the war in Iran, but unlike elsewhere this is by and large a welcome development for the SNB.** On the eve of the conflict, Swiss inflation was practically non-existent – with headline inflation just barely above zero. Since then, inflation has risen off the floor of the SNB's 0–2 percent target range – though it remains at the lower end. Headline inflation peaked at 0.6 percent YoY in May before easing back to 0.4 percent in July – as the energy price shock weakened;
- **Figure 1 illustrates that the modest uptick in inflation is almost entirely attributable to energy prices – specifically petroleum products.** Strip those out and the picture becomes far more subdued: headline inflation excluding petroleum products stood at just 0.07 percent YoY in July, its lowest reading since 2021. Broader price pressures remain virtually non-existent. FSO Core 1 inflation – which excludes energy and seasonal items – has been stuck at 0.3 percent YoY for the past four months, at its lowest level since 2021;

Figure 1: Swiss inflation with and without petroleum products



Source: FSO; AFS

- **To be fair, a renewed escalation of the war in Iran could drive energy prices higher – increasing inflationary pressure.** However, inflation has plenty of room to rise before posing a genuine concern for Swiss price stability – and an energy shock large enough to change that just doesn't seem to be in the cards at the moment;
- **In fact, renewed escalation in Iran may pose less of a threat to Swiss price stability than a swift resolution to the conflict.** As we saw during the lull in fighting under the Memorandum of Understanding, energy prices can fall sharply as soon as the Strait of Hormuz reopens – and with it, price pressure fades away;
- **The Swiss franc is another key variable at play.** Its strength throughout 2025 created persistent deflationary pressure via cheaper imports. But over the past two months the franc has weakened as markets priced in (further) ECB and FOMC tightening. A swift resolution in the Middle East could unwind those expectations – narrowing the interest rate differential again, potentially strengthening the franc and reawakening the imported deflationary pressure that has been absent since April;

- **Does that mean a return to deeply negative interest rates is around the corner?** No. First, the SNB has made its desire to avoid cutting rates deeper into negative territory clear. Second, while a gradual de-escalation between the US and Iran is my base case, a truly sustainable peace deal does not appear imminent. Finally, surveys suggest Swiss growth will strengthen over the medium term – supporting a gradual increase in inflationary pressure. Take the KOF Leading Indicator – which has previously proven prescient in forecasting Swiss economic conditions six months ahead. It has fully reversed its Iran war decline and is now signaling Swiss growth will move back above its medium-term average in the not-too-distant future;
- **The insider sources Bloomberg spoke to also hint at a hike – not a cut – being the SNB's next move after 2027.** Granted, officials haven't commented on the report, so it could simply be a one-off leak that doesn't really reflect the views of the organization. But I believe the story's release fits into the SNB's evolving communication strategy. Under SNB President Martin Schlegel the bank has expanded its means of communication: from publishing summaries of monetary policy discussions to releasing the external presentations its board members give. Tactical source stories are hardly an unprecedented communication tool in central banking – just look at the ECB;
- **The gnomes of Zurich (and Bern) are embracing greater transparency – unlike their counterparts across the Atlantic.** But none of that changes my call. I've been convinced for some time now – along with plenty of other SNB watchers – that rates are staying locked at zero. Market pricing, however, tells a different story. Prior to the Bloomberg report, SARON OIS swaps were pricing in 15bps of tightening by year-end. That has since collapsed to just 5bps. Over a twelve-month horizon, markets are still pricing 23bps of tightening – effectively pricing in a full rate hike. Nevertheless, my view remains firm: zero hikes and zero cuts – a zero percent SNB policy rate for at least the next twelve months.