

Zeitschrift: The Swiss observer : the journal of the Federation of Swiss Societies in the UK
Herausgeber: Federation of Swiss Societies in the United Kingdom
Band: - (1962)
Heft: 1417

Artikel: The Swiss economy in 1961
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DOI: <https://doi.org/10.5169/seals-693302>

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THE SWISS ECONOMY IN 1961

The boom continues

For Switzerland, 1961 was yet another record year with regard to economic expansion. The net national income, for example, which amounted to S.Fr. 34 billion in 1960, might well, according to the first estimates, approach the 37 billion mark. Most industrial sectors benefited greatly from the general state of intense activity. In the electro-technical industry, orders increased by 25%, compelling this industry to lengthen its delivery dates, as a result of the acute shortage of manpower. A similar trend and identical problems were met with in other sectors of the engineering industry. The watchmaking industry — whose products must now pass a compulsory technical check — as well as the chemical and pharmaceutical industries, also profited from the prevailing extremely favourable conditions. In textiles, the situation was almost stable but good. Towards the end of the year, however, certain branches experienced a slight falling off in foreign orders, allowing them to expect a comparative lull. Finally, building, without reaching the expected volume, which would have cost in the neighbourhood of S.Fr. 8 billion, i.e. 25% higher than in 1960, experienced a particularly busy year, the number of working hours having risen 15% over the figure of 1960. Nevertheless, in spite of this intense activity, the housing shortage in most big towns remains acute.

In the field of large-scale projects, mention must be made of an extraordinary engineering feat: the completion, in September 1961, of the highest hydro-electric dam in the world, the Grande-Dixence, rising some 935 feet above the river bed and holding back over 14 billion cubic feet of water; the net average annual output of power made possible by the construction of this huge dam is estimated at approximately 1,600 million kW/h.

The trend of prices ...

The present state of intense activity prevailing in Switzerland was accompanied in 1961 by a sharper rise in prices than during previous years. The index of consumer prices, for example, rose from 184.7 in December 1960 to 191.3 in December 1961 (base year: 1939=100). One has to go back as far as 1947 to find another such rise, which is to be attributed mainly to the increase in rents and to a certain extent to the rising cost of home agricultural produce.

... and wages

Another result of the 1961 boom is the particularly strained position of the labour market. Not only is unemployment non-existent, but in most sectors the number of situations vacant greatly exceeds the number of workers in search of jobs. Such a situation is all the more remarkable when it is considered that during August 1961 the Swiss economy employed the record number of 550,000 foreign workers, a figure exceeding that of 1960 by 26% and representing some 22% of the working population! The labour shortage is one of the main concerns of employers wishing to avoid an excessive rise in production costs, especially as profit margins tend to be growing smaller. It is leading to a continual increase in wages — which have been rising even more sharply than consumer prices. Thus in 1961, the *effective* wages of workers in industry and the building trade rose 1.1%. Wage-earners having thus derived certain material advantages from the

general state of prosperity, it is not surprising that the social climate is excellent: 1961 was the first year, since statistics concerning labour conflicts have been kept, during which not a single working day was lost as a result of such a conflict.

Foreign trade

In 1961 Swiss imports and exports broke all previous records, amounting to S.Fr. 11,644 million and S.Fr. 8,822 million respectively. But whereas the former rose 20.7% from one year to the next, the latter rose only 8.5%. The deficit has therefore increased. The figure for 1961 leads observers to fear that the overall balance of trade, which has been a favourable one for the last 10 years (with the exception of 1957), will be heavily in the red.

The deficit was particularly large in trade with EEC (S.Fr. 3,625 million), and especially with Federal Germany (S.Fr. 2,086 million). With EFTA, the balance was a favourable one, as with most overseas countries, except the U.S.A. and Canada. The Common Market has further strengthened its position as Switzerland's biggest trade partner. Trade as a whole (imports plus exports) between Switzerland and EEC (without Greece) represented 53.3% of the country's total foreign trade (as opposed to 51.8% in 1960). These figures were respectively 25.6% (24.4%) for Federal Germany alone, 13.8% (13.5%) for EFTA (without Finland) and 10.7% (9.8%) for the U.S.A. This geographical distribution shows why Switzerland has always been actively in favour of a European market without, however, being able to sacrifice her neutrality and her trade with countries overseas. In accordance with this policy, in December 1961, together with Sweden and Austria, she proposed starting negotiations with a view to an eventual *association* with the Common Market.

The *structure* of Switzerland's foreign trade, by *categories of products*, shows a steady rise in trade in machinery, apparatus and instruments (imports: S.Fr. 1,920 million, i.e. plus 37%; exports: S.Fr. 2,927 million, i.e. plus 13.3%). Such a trend is typical of a comparatively small economy with a fast expanding industry and a high degree of technical development. Enjoying an excellent reputation abroad for her numerous original achievements and her high quality products, Switzerland is nevertheless obliged to turn to her neighbours for certain specialities indispensable to the development and rationalisation of her industries.

Conclusion and future prospects

Orders pouring into industry and the building trade, rising prices and wages, the trade deficit growing larger and larger — at the end of 1961, the Swiss economy showed certain inflationary tendencies. The situation is being closely watched by all circles concerned: the banks are trying to neutralize the effect of the excess of foreign capital pouring into Switzerland, and the big economic associations are urging caution on their members in regard to their price, wage and investment policies; moreover, the government is fully prepared for taking the necessary steps to prevent the situation from getting out of hand. Finally, it is very probable that in 1962 activity will not increase to the same extent as in 1961 and that certain sectors will be content to remain at the level they have now reached.

(OSEC.)