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THE SWISS ECONOMY IN 1965

Slowing down

Although the upward trend of Swiss economy continued in 1965, it nevertheless showed signs of slowing down, particularly as a result of the Government measures designed to put an end to the excessive inflationary conditions. The reduction in the number of foreign workers imposed by the Government, as well as the tightening up of credit regulations cut down the excess demand in the investment sector. Requirements in investment goods and consumer goods decreased, leading to a striking change in the evolution of foreign trade. While imports increased only 2.5% in 1965 compared with 1964, the increase in exports for the same period amounted to 11.22%. This led to a considerable drop in the deficit in the balance of trade. From over 4 billion francs in 1964, it fell to 3.1 billion in 1965. The coefficient of trade, i.e. the proportion of imports covered by exports, rose therefore from 73.8 to 80.8%. The improvement in the balance of trade, combined with other factors, led to big reductions in the unfavourable balance of revenues, which probably did not exceed a few hundred million francs in 1965 compared with 1.8 billion the previous year.

The nominal gross income, which amounted to Fr.55,565 million in 1964, rose to Fr.60,200 million in 1965; nevertheless the increase, which had been 10.3% for the period 1963 to 1964, was only 8.3%. In 1965, for the first time since 1959, the total investments made in the country did not increase, which is a very clear sign of the change of climate in the economy. It is the investments of private enterprise which are on the decline, those of the public sector having experienced a slight increase.

Employment

In industry, the figure for employment dropped slightly and the growth in industrial production definitely slowed down. The increased output is due almost entirely to progress in productivity; the slower increase in the turnover of the retail trade makes it possible to conclude that the growth in consumer demand has fallen off slightly.

The general slowing down of economic activity has however had no effect on the cost of living. Consumer prices have even risen more steeply, especially owing to the increased price of many foodstuffs, due to bad weather and rising prices in agriculture. The index of consumer prices (end of August 1939 = 100) reached 220.1 at the end of December 1965, thus exceeding the level for December 1964 by 4.9%.

The index of wholesale prices, which is for the most part determined by the prices of imported goods, has on the other hand remained stable for a long time. But since last summer, it has also shown an appreciable increase, so

that with 242.8 points at the end of 1965, the increase amounted to 2.7% in twelve months.

The construction of medium-price housing and subsidized housing was not slowed down by recent legislation or by the limitation of credit: in fact, more housing was built in 1965 than the previous year. The number of building projects however, decreased.

In order to encourage the construction of medium-rent flats, the Federal Chambers passed a law providing for direct aid on the part of the Confederation for the reduction of rents, the obtaining of capital and the necessary guarantees.

Industrial Production

According to an index published in 1965 for the first time, the increase in industrial production has slowed down since the middle of 1964. In fact, the rate of increase, which was 5% for the three previous years, did not exceed 3% in 1965. Output has been increased by the rationalisation of firms. Production however did not evolve in the same way in all branches; it fell off, for example, in textiles and chemicals. Furthermore, the lull that occurred in building led to a decrease in the demand for the goods produced by the industries which work for this sector. The production of machinery, instruments, apparatuses and watches, on the other hand, continued to increase. At the end of September 1964, the figure for employment was 1.2% lower than the previous year. From September 1964 to September 1965, the number of workers and employees decreased by 2.1% in industry, 2.2% in building and 0.2% in craftwork, trade and transport. The decrease in the total number of persons employed was mainly a result of the measures taken to restrict the number of foreign workers. These measures called for a great effort on the part of the economy. The reduction in the number of foreign workers certainly eased the situation in the housing market and slowed up the expansion of private consumption. In addition, it contributed to improving the balance of revenues.

The real increase in the revenue of the country, i.e. after making allowances for the rise in the cost of living amounted to 4.3% in 1965 as opposed to 5.0% in 1964. If it is taken into consideration that the influx of foreign workers has been stopped and that the population has increased to a lesser extent, it can be seen that there is a higher rate of increase per head of the population than during the previous years; this confirms the fact that the limitation of the number of foreign workers has somewhat reduced the expansion while the effective national revenue per head of the population has increased more rapidly, which signifies an increase in prosperity.

So far the general view as outlined by the Swiss Office for the Development of Commerce and Trade. [O.S.E.C.]

From a report by the Swiss Bank Corporation we learn that

Investment

in new building and its distribution between public and private capital reflect fairly accurately what was the general trend in economic activity during last year. The increase of all building planned for 1965 (Fr.13,500 millions, the exact value of projects actually executed being not yet known) over the total for construction during 1964 (Fr.11,700 millions) was much less than in previous years. This phenomenon is not a cause for alarm and merely reflects quite logically the slowing-down of economic expansion. On the other hand, some concern has been caused in the relative importance of public and private investment in this sphere. Public works rendered necessary by the plans for modernizing the country's "infrastructure" are gaining in importance from year to year. Their share in total building expenditure rose from 31.7% in 1963 to 32.5% in 1964 and again, according to some estimates, to 35.3% in 1965. The corresponding relative decrease in work undertaken by private interests (chiefly affecting construction for industrial and trade purposes, as the total of new dwelling accommodation has increased) points to an unfortunate trend for the Swiss economy, whose productive capacity is clearly being powerfully obstructed in its efforts to expand.

The calmer waters in which the economy now finds itself have not failed to exert a beneficial influence on the *balance of trade*. Imports reached 15,900 million francs in 1965 and exports 12,900 millions, or 80.8% of imports against only 73.8% in 1964. Imports felt the deceleration of economic development keenly, and remained at about the same level as in 1964, while exports increased by some 1,400 million francs in 1965.

The *money and capital markets* experienced a measure of strain during the first six months of the year, which was followed by a return to quieter conditions. The placing of new loans is still subject to control and these are carefully matched to the market's capacity, so that interest rates have scarcely fluctuated over the past months, still remaining around 4½% to 5%. The desire to prevent any excessive withdrawal of funds from the market has led the monetary authorities to restrict yet again the floating of foreign loans in Switzerland.

New issues of Swiss bonds aggregated 2,523 million francs, much the same as the 1964 total. New issues of shares fell by half and reached 282 millions, thus proving how reluctant corporations are at the moment to increase their share capital. The public seems to take but slight interest in such operations, and these, moreover, have a depressing effect on prices. The total net withdrawal of funds from the market was thus, allowing for repayments, 2,681 million francs in 1965 against 3,025 millions in 1964. The currency reserves of the Swiss National Bank increased slightly during the year under review and totalled 14,017 million francs a year previously. (*So far Swiss Bank Corp.*)

In the course of the past few weeks, news of annual general meetings of some of the more important Swiss industrial undertakings has come in. Almost exclusively, there were not only handsome surpluses in 1965, but also increased rates of profits.

Machine Industry

It is well known that of the big industrial countries Switzerland has the highest exports of machinery per head of the population, followed by Western Germany, Great Britain, U.S.A. and France. In 1965, Exports of machinery

reached a new top figure of 4,308 million francs, an increase of 12% over 1964. Its share in the total of Swiss exports was 33.5%. Its biggest customer was again Western Germany. In common with other countries, the Swiss machine industry, however, registered a further slowing down in the increase of production.

Sulzer's (share capital of 195.6m. francs) had fewer orders from inside Switzerland in 1965, but there was a big increase in orders from overseas. For the first time, their turnover surpassed the one-billion-franc mark.

Maschinenfabrik Oerlikon increased its production revenue from 15.8 million to 17.1m. francs in 1965. Georg Fischer, Schaffhausen, made a net profit of 10½m. francs and at the same time decreased their manpower by 2% to 13,677.

Von Roll A.G., Gerlafingen, had a net profit of Fr.9,777,617.—. General expenses went down by 1.6m. to 3.7m. francs.

Food Production

In the food industry, too, exports have been satisfactory. Nestlé Alimentana S.A., holding the AGM in Lausanne because of their centenary, stated that in ten years, they had more than doubled their turnover. In 1965, they employed 85,233 men and women and made a profit of 98.7 million francs. To mark the centenary all the staff were given a bonus, and a Foundation (capital of 20m.) has been created for the study of nutrition throughout the world.

The Suchard chocolate company increased their exports by 17% to seventy-five countries. Dr. A. Wander's profit for the year was 3.480m. francs, and the company consider their turnover remarkable. Hero tinned goods at Lenzburg showed a profit of 2,990 million francs.

Chemical and other Industries

The results of only two chemical firms are to hand. Sandoz reached a new profit figure of 31.8m. francs, and Geigy's total reached Fr.20,820,435.—.

From Alusuisse's report it could be seen that consumption of aluminium had gone back for the first time for many years. A slowing down in the increase of production was also registered in the paint and varnish industry.

The watch industry exported to the value of 1798.5 million francs, 10.3% more than in 1964. More will be said about it at a later date.

Textiles

The textile industry increased the export of materials and clothing to 1,289 million francs as against 1,218 m. in the previous year.

The wool industry reached a turnover of approximately 600 million francs in 1965, about one-fifth of it in the export business. The "Verein Schweizerischer Wollindustrieller" which comprises 106 firms, stated in their report that the number of employed, both Swiss and foreign, had gone down. In 1965, 49.4% of the total were foreigners. The number of workers was 11% lower than in 1955, but there had been an increase in wages of 70% in the same period and 60% in expenditure over the ten years.

In 1965, the cotton industry exported cotton yarn to the value of 54m., cotton materials for 152.6m. and embroidery goods for 162.4m. francs. The total represents 2.5% of the whole Swiss exports. Here, too, Germany was the best customer.

Share Capital and Dividends

The share capital of the 48,000 registered companies

in Switzerland totalled 25 milliard francs in 1965. As to dividends, no figures are available as yet for last year, but the figures for 1964 give a good picture.

The sectors of the economy which distributed the highest dividends during 1964 were insurance (20.24%), the chemical industry (17.12%) and holding companies (13.98%). The most interesting yields were attained in December 1964 in the transport sector (3.32%), in real estate companies (2.91%) and in electricity, gas and water companies (2.73%).

Such figures of big profits and excellent results could be misleading. There are many small (and some large) undertakings where things are not easy and where the necessity of having to reduce staff under the government's measures to curb the excessive boom cause hardship. There are parts in the country where the inhabitants have not yet felt any beneficial effect of the general prosperity. The still rising cost of living causes concern. The problem of inflation has not been solved, and whilst the Government's measures seem to have succeeded as judged by some of the figures, they have no doubt, contributed on the other hand towards some of the recent price rises.

The expansion of exports show that Switzerland is well able to compete with her products on the world's markets. It is to be hoped that restrictive measures will be lifted soon, otherwise Swiss products will become dearer and that may in turn create difficulties for the export trade.

The President of the Swiss Trade Federation (Schweizerischer Gewerbeverband), at the recent Trade Congress in Locarno, asked for an increased adjustment of Swiss economic policy to what is naturally possible and for a speedy return to "balanced prudence". This should remain the indispensable ingredients of Swiss statesmanship, and the State should revert to the duties which Constitution and legislation provide.

(Apart from above-mentioned sources,
also based on news received by A.T.S.)

SWITZERLAND A FULL MEMBER OF GATT

On 1st April, the member States of GATT (General Agreement on Tariffs and Trade) unanimously accepted Switzerland as a full member. The Federal Council empowered the leader of the Swiss GATT delegation, Minister Weitnauer, to sign the relevant documents subject to ratification. In this agreement, GATT granted Switzerland some special concessions which partly differ from GATT rulings, such as the continuation of her agricultural import restrictions which are anchored in legislation regarding alcohol and cereals and in the federal decree concerning economic measures *vis-à-vis* foreign countries.

Switzerland has been a provisional member of GATT since November 1958, without the right to vote, and has taken an active part in the work of the organisation, especially in the negotiations still in being in the "Kennedy Round". On 10th May the Federal Council decided to propose ratification of the agreement to the Federal Assembly in the June Session.

Switzerland has thus become the 69th member country of GATT and will now be able to make her voice heard in this important international body. The concessions made to Switzerland bearing regard to her special case, are an important pointer for the future and European integration. For years, member countries had either to be industrial or agricultural, and with Switzerland having been accepted as industrial country with an agricultural policy, this obstacle which seemed unsurmountable, has now been pushed out of the way. [A.T.S.]

EUROPE DAY 1966

The Council of Europe was founded in May 1949. Switzerland has been a member for three years now and has been very active in the Council's work. So far she has signed seventeen European agreements, eleven of which have been ratified by Parliament. Apart from the Council, Switzerland is interested in a further twenty European organisations of economic, technical, scientific, or cultural character. In every member country, the anniversary of the founding of the Council is being celebrated as Europe Day. In Switzerland, this year's fifth of May was the second commemoration day, and the federal authorities published a special book suitable for young people. There were special programmes on radio and television, in schools and above all in the groups of the "Europa Union" which today has over 2,500 members in Switzerland. Federal Councillor Spuehler gave an address over the radio, and he reminded his audience that it was nearly twenty years since Sir Winston Churchill first expounded the idea of European unity in his famous speech at Zurich University.

In Zurich, the new Municipal President, Dr. Sigmund Widmer, made his maiden speech on European unity, and he said that Switzerland's path to a free Europe was leading across a "policy of small steps". Dr. Widmer also cited a famous quotation by the former Federal Councillor and great statesman F. T. Wahlen: "We must be Europeans in order to remain Swiss". [A.T.S.]

NEWS OF PROMINENT MEN

The Hans-Reinhart-Ring for 1966 has been awarded to the actor **Max Knapp** who has been at the Basle Municipal Theatre since 1928. He is Swiss born and bred.

On 22nd April the resignation was announced of **Ernest Ansermet** as Conductor of the *Orchestre de la Suisse Romande* which the eminent Genevese founded in 1918.

Early in May, **Dr. Hans Münch** performed for the last time as resident Conductor of the *Abonnementskonzerte der Allgemeinen Musikgesellschaft*, in Basle. For his last concert, he chose the same works as in his first one in 1935, Schubert's Unfinished Symphony and Reger's "Hillervariationen". At a celebration, the well-known Conductor received the golden Medal of Honour of the Canton of Baselstadt.

On 10th May, the world-renowned Theologian **Prof. Karl Barth** celebrated his 80th birthday. Eminent personalities from home and abroad spoke at the official birthday celebration. The Rector of Bonn University whence Prof. Barth had been sent away by the Nazis in 1935, announced his University's award of the highest honour of *Ehrensator*. At the Luncheon following the celebration, the *Rector Magnificus* of Basle University was in the chair. (by courtesy of "Basler Nachrichten".)

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