

**Zeitschrift:** The Swiss observer : the journal of the Federation of Swiss Societies in the UK  
**Band:** - (1969)  
**Heft:** 1565

**Artikel:** Swiss Economy in 1968 and prospects por 1969  
**Autor:** [s.n.]  
**DOI:** <https://doi.org/10.5169/seals-689506>

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# The Swiss Observer

FOUNDED IN 1919 BY PAUL F. BOEHRINGER.

**The Official Organ of the Swiss Colony in Great Britain**

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Telephone: 01-253 2321/2.

Published Twice Monthly at 23 LEONARD STREET, E.C.2.

Telegrams: PAPERWYSE STOCK LONDON

Vol. 55 No. 1565

FRIDAY, 14th MARCH 1969

## SWISS ECONOMY IN 1968 AND PROSPECTS FOR 1969

Last year, the growth of the Swiss economy picked up again, after a slackening in the upward trend noted in 1965 and especially in 1967, according to a report issued by the Economic Research Committee, an organisation carrying out periodic diagnoses of the economic situation in Switzerland. During the period under consideration, the increase in the sales of goods and services abroad more than doubled and was the main cause of the improvement in business. It seems, however, that the growth of private consumption was not as marked as in 1967, while the increase in investments was more rapid.

The evolution of western economy, except for the monetary risk, should allow Swiss economy to develop under good conditions in 1969. Foreign demand will undoubtedly continue to grow at a high rate, although probably slightly lower than in 1968, while the increase in home demand will advance more rapidly, it would appear.

### Increase in the rate of growth in 1968

The general aims of Switzerland's economic policy were achieved rather more satisfactorily in 1968 than in 1967. The rise in prices slowed up markedly; the great tension due to overemployment on the labour market, slackened off a little for some time and the rate of growth of the economy probably more than doubled. The surplus in the balance of revenues however increased still further. According to the latest estimates, the real gross national product increased by 3.6% in 1968. This rate of growth is about double that of 1967, the lowest recorded since 1958. The index of growth in private consumption, which began to fall in 1962, becoming stabilised in 1966 and 1967, fell again very slightly during 1968. It must be about 4.5% in nominal value, as opposed to 7.2% in 1967 and about 2.3% in real value, as opposed to 2.8%. Public consumption increased by 3.5% in real value. This rate of growth is similar to that of the previous two years. The final growth proceeds of agricultural production in 1968 dropped some 1.4% compared with 1967. On the other hand, the index of industrial production was about 4% higher than the previous year.

### Favourable economic prospects

At home, the strong liquidity and easily mobilised assets will simplify the granting of loans. They could also, however, lead to a greater extension of the latter than is desirable for the development of the economy. Private consumption will probably increase at a higher rate than in 1968. Once again the consumption of goods will increase less quickly than that of services. In the clothing and foodstuffs sectors, turnover should advance to the same extent as production; good quality products will be

in greater demand. The demand for services is expected to pick up slightly, especially for insurances, transport and communications, education and leisure. The "income" factor also leads us to expect an increase in the rate of growth.

Public consumption will probably go up in real value at the same rate as in 1968. The growth of investments will be more rapid and will not be the same for all sectors of the economy. The construction of housing will be stepped up considerably during 1969. The growth in industrial investments however will be more moderate, especially in so far as expansion work and new buildings are concerned.

### Increase in foreign trade

Exports prospects are favourable, even though a slight slackening in their growth is to be expected. Exports to the European Economic Community will probably increase again at a high rate. The steps taken by West Germany to encourage imports and the expected recovery in Italy should have a favourable effect on Swiss sales, while the austerity measures introduced in France in an attempt to save the currency will hardly be felt at all. France, in fact, played only a very moderate part in the growth of Swiss exports during 1968. The increase in exports towards the United States and Great Britain will be rather small, owing to the measures introduced in these countries with a view to improving the state of their balance of payments. Even so, Switzerland's exports as a whole will not be much less, for the part played by Switzerland's sales to these two countries is less than half that of her exports to EEC. In addition, her export chances should increase slightly for other members of EFTA and remain very good for certain big overseas countries.

The rate of growth of Swiss imports will be higher on the whole although differentiated, the growth in consumption being likely to speed up not only for services but also for goods. As the retail trade has very large stocks at present, the rate of growth for imports of consumer goods will probably not increase during the first months of the year. Current purchases of raw materials on the other hand will be much higher, since stocks dropped to a normal level during the last few months. Imports of equipment goods will increase to a less marked degree in 1969.

From the above, it can be predicted that the deficit in the balance of trade will increase again and will thus to a certain extent reduce the surplus in Switzerland's balance of revenues. Judging from the first signs of the evolution of the various items of the gross national product, the fairly marked recovery of growth, which began in 1968, may be expected to continue.

The evolution of the different branches of industry will not undergo any appreciable change. Activity will grow more intense however in civil engineering and the building trade. The growth will probably be high again in the chemical industry, the machinery and apparatuses industry and in the graphic arts. Watchmaking on the other hand will be up against very keen world competition. The present growth in services may be expected to continue in 1969. It should also be noted that the satisfaction of the needs of the leisure sector will offer more and more scope for industry.

### Threat to the stability of prices

The predicted rate of growth of the gross national product, amounting to 3 to 4%, seems satisfactory. However, overemployment will undoubtedly become more marked and will lead everywhere to an increase in wages exceeding the improvement in productivity. Consequently the period of comparative stability of prices might come to an end this year. As a result of the increase in imports, the balance of revenues will approach equilibrium. A similar trend in the balance of payments will depend on the movements of capital, which are unpredictable in periods of monetary insecurity. The Economic Research Committee considers, finally, that it should be possible to cope more effectively with the recurring inflationary trends. At present, however, the government and the National Bank are not sufficiently prepared to ward off these threats.

*(Swiss Office for Development of Trade = O.S.E.C.)*

### ANGLO-SWISS NEWS ITEMS

Ambassador H. A. F. Hohler, British diplomatic representative to Switzerland, gave a clarification of the Swiss attitude to Rhodesian economic sanctions at a lunch of the English-Speaking Club in Lausanne. Mr. Hohler has Swiss connections, his family having come from the Aargau.

The British Leyland Motor Corporation Ltd. intends, for the first time, to take up a loan (5 $\frac{3}{4}$ %) of 60 million Swiss francs.

The new British Consul-General in Geneva is Mr. Laurence James Evans, who replaces Miss Cornelia J. Polak.

Sir Dudley Cunliffe Owen is the new President of the Cresta Club at St. Moritz, in succession to Lord Derek Brabazon of Tara.

Swiss painters and architects were very well represented at a retrospective exhibition at the Royal Academy in London, called "50 Years Bauhaus".

The Swiss pianist Fernande Kaeser was awarded the Beethoven Medal of the International Harriet Cohen Prize in London.

British European Airways will be introducing a new "Businessmen's" flight between Basle and London, beginning 1st April. A "Trident" will do daily return flights from Basle, allowing Swiss businessmen a day in London.

As was announced in our last issue, the ratification instruments of the Anglo-Swiss agreement on Social Security were exchanged in London on 19th February, a year after signing it.

The Agreement extends those of 1953 and 1959. Newly included are the Swiss Invalidity Insurance and the corresponding benefits of the British sickness insurance Scheme and family allowances. It improves the present ruling regarding the change-over from the health insurance scheme of one country to that of the other.

*(A.T.S., "Pro Helvetia" and "Weekly Tribune".)*

### SWISS VOTERS DECIDED . . .

. . . in the Grisons to elect the Liberal Jakob Schutz as new member of the government.

. . . in the Canton of Neuchâtel that the minimum age for cantonal parliamentary candidates should be lowered from 25 to 20 years, that a new law for school accident insurance should be introduced.

. . . in the Canton of Aargau where the fifth seat in the Government had to be filled, to elect *Oberrichter* Dr. Joerg Ursprung (BGB Party) which will leave the Party representation as before (two Social Democrats, one each Liberal, BGB and Conservative Christian Socialist).

. . . in Zurich to spend 18.5 million francs on improving the water supplies on the left bank of the Limmat, to raise the fine of one to three francs for not collecting voting papers, to grant a loan of 9m. to the Foundation "Krankenhaus Sanitas" Kilchberg and to give a one-time allowance to old-age pensioners and citizens entitled to assistance.

. . . at Wetzikon, Gossau, Sursee, Ruettenen (So) and Egg (Zch) to have new schools. The project at Steffisburg was rejected, as was the plan to have a learners' swimming pool at the Duebendorf school Hoegler.

. . . at Wetzikon, Gossau, Aadorf (TG), Schattenthalb (a small Bernese village with only 940 inhabitants), and at Uster, to have various projects to improve water supplies and waste-water disposal arrangements.

. . . at Netstal (GL), to reject the scheme to have a garbage incineration plant on the Commune's territory.

. . . in three more Solothurn Communes to grant women (R.C. communities) the vote in Church matters.

. . . at Auvernier (NE) not to grant permission to have a dance hall.

*(By courtesy of Agence Télégraphique Suisse.)*

### DIAMOND WEDDING ANNIVERSARIES

The following couples have recently celebrated their Diamond Weddings: Mr. and Mrs. Emil and Sophie Haas-Pfulg, Mr. and Mrs. Fritz and Antonia Zuercher-Binas and Mr. and Mrs. Rudolf and Marie Arnold-Bernhard, all three couples in Basle. Mr. and Mrs. Alexis Perrette (Nyon), Mr. and Mrs. Ulrich and Anna Luethi-Probst (Schlieren), Mr. and Mrs. Heinrich and Frieda Meier-Hassler (Oberglatt), Mr. and Mrs. Otto and Lina Hutterli-Wuethrich (Illnau) and Mr. and Mrs. Franz and Anna Stierli-Wick (Wil, SG) were also able to look back on 60 years of married life.

The Iron Wedding was celebrated at Herisau by Mr. and Mrs. Jakob and Frieda Schoch-Mueller.

*(“Basler Nachrichten” and A.T.S.)*