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IMPROVED business conditions experienced in Switzerland in the fourth quarter of 1979 are expected to hold for the first half of 1980, if not longer. The tight labour market — mainly in construction, textiles and machinery manufacture — will probably boost the level of real wages during the current year.

This means that there is almost sure to be an increase in real disposable income, particularly in view of the well-filled order books with which Swiss business started the year.

However, the increase in mortgage rates will drive up rents, so prospects are better for private consumption in the first half of 1980 than the second. Nevertheless, for the year as a whole, real private consumption growth of about 1.5 per cent looks probable.

Capital investment will rise less rapidly this year than in 1979. This applies more to buildings, for which 2 per cent growth is expected, and less to equipment (up 3 per cent). As for foreign trade, the persistent stability of the nominal Swiss franc exchange rate is one significant factor. It will produce a rise in exports in real terms.

On the other hand the softening of international business conditions expected in the second half of 1980 will affect our exports perceptibly, with a certain timelag.

If the authorities stick to their present monetary policy the minor appreciation expected in the valuation of the Swiss franc should have relatively little effect on imports.

The latter will be influenced more by a possible weakening of business activity. It will mean a lower growth rate for imports, though price increases for sources of energy will partially offset this effect.

Consequently imports will grow less rapidly in 1980 than in the preceding year. By the same token the trade balance deficit should be lower.

As a result of increases in wages and mortgage rates — the latter also affect the prices of farm produce — “homemade” inflation will probably worsen. If worldwide business conditions do deteriorate, however, imported inflation will probably decline.

It can be expected, then, that

## Trends indicate the Swiss inflation rate should steady at around four per cent

the relatively pronounced price rises occurring at the beginning of this year will subside during the second half. The inflation rate will probably be around 4 per cent in 1980.

If the expected developments of the individual components are balanced off against each other, it appears that real value GDP will grow by 1 to 1.5 per cent during the year.

The budgeted deficit of the Confederation, cantons and municipalities adds up to Sfr. 2,300 million for 1980 — Sfr. 150 million higher than the 1979 budget deficit.

Though the accounts have generally turned out rosier than the budgets in recent years, both 1979 and 1980 will certainly produce much higher public spending deficits than did 1978 (Sfr. 434 million).

In the current year the Confederation accounts for 56 per cent of the aggregate budget deficit, and its expenditure exceeds receipts by 7.4 per cent. As was the case in 1979 the federal government deficit will exceed the deficits of the cantons and municipalities both in absolute terms and in relation to total expenditure.

Total expenditure by the

Confederation, cantons and municipalities is expected to be Sfr. 46,400 million in 1980 — net of double counting. This brings average annual growth since 1975 to 4 per cent.

Total receipts on the other hand have grown by 4.6 per cent annually since 1975 and are budgeted at Sfr. 44,100 million this year. Both revenue and expenditure have risen faster than GNP (up 3.4 per cent) on an annual average basis since 1975.

In 1980 public spending is expected to account for 27.1 per cent of GNP, compared with 26.3 per cent in 1975. Compared with the 1979 budget, public expenditure is expected to rise by Sfr. 1997 million or 4.5 per cent. In real terms the level of expenditure should, however, be about the same as that of the previous year.

Incidentally, the increase in public revenue and expenditure budgeted for 1980 is approximately the same for all three government levels. Federal government expenditure will increase by Sfr. 847 million or 5.1 per cent, that of the cantons by Sfr. 800 million or 3.7 per cent, and that of the

municipalities by Sfr. 600 million or 4.1 per cent. The growth rate of budgeted revenue is 5.9 per cent for the federal government and 3.4 per cent for the cantons and municipalities.

The federal government's financial accounts for 1980 show expenditure of Sfr. 17,500 million and revenue of Sfr. 16,200 million, leaving a budget deficit of Sfr. 1,300 million.

Of the increase in expenditure, Sfr. 759 million or 90 per cent is accounted for by defence spending, social security, transport and agriculture. Transfer payments amount to Sfr. 11,500 million or 66 per cent of budgeted federal spending.

Actual expenditure amounts to Sfr. 6,000 million or 34 per cent of the total. Compared with the 1979 budget transfer payments have risen by about 6 per cent, actual expenditure by slightly less than 4 per cent. Only about one-fifth of total federal outlays represent capital investment.

This type of expenditure is down by more than 5 per cent in the 1980 budget, compared with a 7 per cent increase in consumption expenditure. Because revenue is expected to rise faster than expenditure in 1980, restrictive effects will be generated on national income and overall demand.

The growth in revenue is budgeted at Sfr. 898 million for the year — an expansion of 5.9 per cent. Tax receipts are put at a figure of Sfr. 14,400 million, making up around 90 per cent of total revenues.

Thus, in the arithmetic of the budget, the government's Sfr. 898 million of extra income includes an additional Sfr. 644 million in tax proceeds. — **Christian Kuntzer**, “Prospects”, Swiss Bank Corporation.

## June fairs and exhibitions

**June 1 to 4:** Zurich. PAPEX — Stationery Trade Fair for office products.

**June 12 to 17:** Basle. ART II/80 — 11th International Art Fair (20th century art).

**June 14 to 16:** Zurich. KOSPAFU — International Cosmetics, Perfumery and Pedicure Exhibition.

**June 14 to 22:** Basle. KAM — 21st Art and Antiques Fair of Switzerland.

**June 16 to 21:** Zurich. Industrial Handling — International Exhibition for Mechanised and Automated Production.

**June 17 to 19:** Geneva. International Microcomputers, Mini-computers, Microprocessors 80 — Exhibition and Conference.

**June 17 to 20:** Basle. SWISSPACK 80 — 5th International Packaging Exhibition.

**June 17 to 21:** PRO AQUA - PRO VITA 80 — 8th International Exhibition for Environmental Sanitation.

## ECONOMIC WORLD

WHAT company isn't constantly on the lookout for new ways to cut costs, or at least to get them under control? One profitable place to start is employee expense accounts, which can be a very large item in companies where travelling is an important part of the job.

But it is not enough just to tighten up the expense account guidelines and rules. Reliable controls are essential.

Now the Swiss banks are offering their business customers a service — the newly introduced Eurocard Company Card — which simplifies the all-too-often complicated expense account procedures and above all makes it that much easier to control these costs.

The Eurocard Company Card has the same attributes as the Eurocard Personal Card, which was introduced last spring. A cashless payment instrument usable all over the world, it is tailor-made for the specific requirements of business-related travel, designed for companies whose managers and employees take frequent business trips, both domestic and foreign.

The Company Card is the key to a dense network of about 3 million participating firms in more than 100 countries and on all five continents, from which all kinds of goods and services can be purchased without cash, merely on the strength of the cardholder's signature.

Whenever the holder of a

Company Card wants to pay for something, he simply presents his Eurocard, checks the bill and signs it. Once a month the company then receives a clearly itemised overall statement in Swiss francs or a separate monthly statement for each card.

The simplest way to settle these invoices is to have them charged directly to the bank account, but companies may also pay them by cheque or ordinary bank payment order if they wish. So the administrative procedure is just as simple as the use of the card itself.

Eurocard Company Cards allow firms to cut their cash advances to a minimum, which greatly reduces the risk of loss for themselves and their employees. Should a Eurocard ever be lost, neither the company nor its employees bear any liability whatever if the loss is reported promptly. Even if the loss is not noticed immediately, the maximum liability is Sfr. 100.

An added benefit is that the bothersome changing of money — often into a number of different currencies — is no longer necessary.

# Company card can help control costs

The scheme offers companies not only easier administration but financial benefits. For one, there's an interest saving between the usual expense account advance and the time the card is used. And because a certain period elapses between the date of use and the monthly statement the company also profits from four to six weeks of free credit.

Eurocard charges no entry fee. All the company pays is an annual charge of Sfr. 80 for its first Company Card and Sfr. 50 for each additional card.

There are two types of card — with or without the imprint of the company's name. In either case the card is issued in the name of the holder and is not transferable.

Basically two partners bear responsibility under the Company Card scheme — the company, which signs the contract with Eurocard, and the employees who use the cards.

The company applies for new cards and of course has to decide which of its people will receive a company card.

Establishing a climate of mutual trust is always the best way to do business. For this reason a company obviously

cares what sort of impression its employees make on business trips. From this standpoint it is reassuring to know that the bearer of a Eurocard Company Card enjoys credit and confidence practically anywhere in the world.

Why? Because Eurocard is backed up by the aggregate reputation and probity of the Swiss banks, which have owned Eurocard (Switzerland) SA outright since the beginning of 1979. Anyone presenting one of these cards identifies himself as the trusted customer of a Swiss bank.

Which might well open some additional doors, and certainly the doors to about three million sources of goods and services throughout the world.

## Appointed

THE Swiss Volksbank and the Banque Populaire Suisse SA Luxembourg have appointed Mr Hans Peter Tödtli as their assistant representative in the UK.

He joins Mr Roland E. Stähli, representative for the UK and vice president, and Mr Stanley A. Gunzi, adviser.

## What today's executives cost . .

**BUSINESS executives based in London get less than half the salary of their counterparts in Geneva. That is one of the findings of a new survey which compares salaries and costs in 16 European cities and New York.**

**The survey, International Transfers 1980, carried out by Management Centre Europe, examines the cost of employing a director of sales by a company with a turnover of £10 to 20 million.**

**It points out one obvious lesson to any multinational looking for a site for their European headquarters: Britain is much cheaper than Switzerland.**

**And not only in respect of salaries. Britain is less expensive in other ways, too, especially office rents.**

**For a British executive working in Geneva, his cost of living is more than 30 per cent higher than it would be in London.**

	Salary	Other costs	Total	Net income as % of gross
Frankfurt	32.4	26.2	58.6	60
<b>GENEVA</b>	<b>32.1</b>	<b>25.8</b>	<b>57.9</b>	<b>71</b>
Brussels	29.3	25.6	54.9	55
Paris	26.1	28.5	54.6	75
The Hague	30.8	23.7	54.5	51
Stockholm	21.3	22.7	44.0	37
Vienna	24.0	18.5	42.5	52
New York	21.6	19.1	40.7	72
Copenhagen	24.8	14.1	38.9	46
Madrid	21.3	17.5	38.8	77
<b>LONDON</b>	<b>15.0</b>	<b>19.6</b>	<b>34.6</b>	<b>69</b>
Helsinki	17.5	15.9	33.4	53
Rome	16.9	13.8	30.7	71
Oslo	15.2	13.9	29.1	54
Athens	14.3	14.4	28.7	65
Lisbon	14.7	13.4	28.1	51
Dublin	12.3	11.7	24.0	61

(Figures given in £ thousands)

### Cost of living abroad for a British executive

<b>GENEVA</b>	<b>134.2</b>
Stockholm	127.9
Brussels	127.3
Copenhagen	124.6
Frankfurt	123.8
Oslo	122.9
The Hague	122.5
Paris	122.3
Vienna	119.3
Helsinki	113.0
Athens	108.2
Madrid	103.8
<b>LONDON</b>	<b>100.0</b>
Dublin	96.3
Rome	96.1
Lisbon	86.1
New York	82.3



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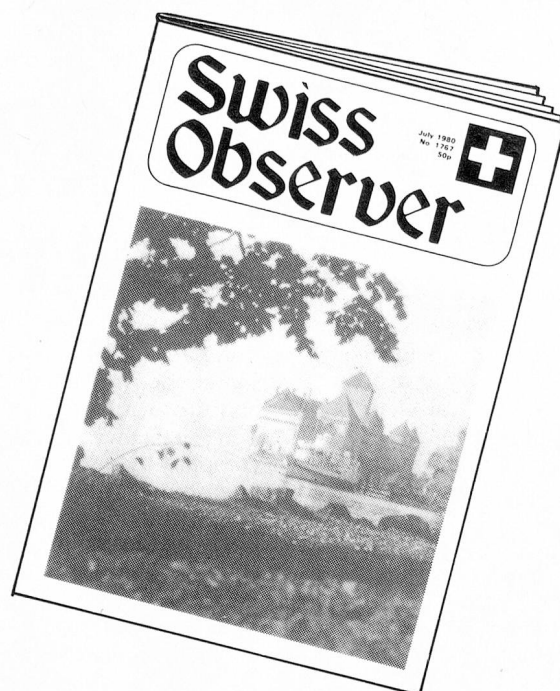
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# ECONOMIC WORLD

**By Hans Schneider**  
Deputy President, Swissair

TOTAL revenue of the companies in which Swissair has majority holdings, excluding Kuoni Travel, came to more than Sfr. 250 million in 1979, which is about 10 per cent of Swissair's revenue overall. The yield of the investments in the associate companies sector amounted last year to about 4 per cent, a figure not yet satisfactory.

However, in the comparatively short time of their operations, our associate companies have developed well and since their inception have considerably enlarged their asset value and earning power.

At present investments in subsidiary companies and participations correspond to only 4 per cent of Swissair's investments overall, while their personnel numbers about 9 per cent of that of the parent company.

Up to the end of 1979 Swissair had invested in its subsidiaries and participations some 125 million francs in the form of share capital and loans and this sum is expected to approach 300 million francs by the end of the 1980s.

In accordance with existing



## Aiming high with hotel chain project

policy, diversification is being limited to areas related to Swissair's activities or complementary to them. The object is not diversification for its own sake but to achieve profits and provide to the public a more complete product.

It is therefore intended to expand and strengthen in the next ten years primarily the existing associates and participations.

Probably the major part of new investments will be devoted to Swissair Tourism Participations Ltd since the development of a Swissair hotel chain will call for considerable effort.

With this hotel chain Swissair has set itself three main objectives:

TO CREATE a profitable branch of activities as additional risk bearer (the aim of diversification, properly speaking).

TO ACHIEVE favourable public recognition through the interplay between the hotel chain and Swissair (image promotion).

TO PROVIDE the necessary hotel capacity for Swissair passengers and air crews (complementary service).

The decisions taken so far include the creation of a chain of existing or newly built first class

and luxury hotels for year-round operation.

This Swissair hotel chain will not be of a uniform standard. Hotels will be adapted to regional and country requirements, but will be uniform in their high service quality. The hotels will have to come up to Swissair service standards.

They will be located in Switzerland and abroad, predominantly at points served by Swissair. However, the chain will not become operative until at least three to four hotels are members, which is not expected to be the case until 1981.

Advanced concepts have already been worked out regarding product formulation, marketing and contractual arrangements. Although actual hotels are not yet in the scheme, negotiations are in progress with about half a dozen establishments and it is hoped to conclude some of them successfully in the course of this year.

Personnel for the project is at present being actively recruited, in so far as it is not available in Swissair associates Prohotel and Reveca.

In setting up this hotel chain Swissair intends to prove that the Swiss are not just good hotel managers but are also able to build up an international hotel organisation and operate it successfully.

The Swissair hotel chain will not compete with the Penta group of tourist hotels in which Swissair has an interest together with British Airways, Lufthansa and several banks.

Swissair will actively continue to support the Penta group, which at present comprises 13 hotels.

**THE available results for the winter season 1979/80 and prospects for the summer season point to an uptrend in the Swiss tourist trade. From November 1979 to February 1980, the number of overnight stays in hotels increased by 12.7 per cent over the same period of the previous year to 8.27 million. The occupancy rate in terms of Swiss guests went up by 10.9 per cent and the number of overnight stays by foreign visitors increased by as much as 14.4 per cent.**

The marked recovery in the number of overnight stays by foreign tourists following last year's decline is mainly due to the 23 per cent gain in German holidaymakers, who represent by far the largest group of foreign tourists in Switzerland with a share of 37 per cent in the total of overnight stays by guests from abroad. In addition, more French and Belgians (up 13 per cent each) as well as British guests (9 per cent) spent their winter holidays in Switzerland.

After the good results recorded for the winter season, a substantial revival of the tourist trade is also expected for this summer. According to a survey conducted

## Tourist trade decline is now reversed

in March by the Union Bank of Switzerland, which covered some 50 holiday resorts, 70 per cent of the resort officials expect a higher and 28 per cent at least the same number of visitors as in last summer. Only one tourist resort anticipates a renewed decline.

Prospects for the secondary sector of the hotel industry (holiday apartments, group accommodations, youth hostels and camping sites) are also entirely favourable. About half of the resorts included in the survey - especially in the Valais, the Bernese Oberland and the Ticino - expect a greater number of overnight stays in the secondary sector than in the previous year, while the remainder anticipates about the same number of visitors.