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FINANCIAL AND COMMERCIAL NEWS FROM SWITZERLAND.

Inflation?

Mr. Musy, head of the Federal Department of Finance, has submitted to the Federal Council a detailed report on the question of exchange and inflation in which he examines the possibility of reducing the exaggerated value of the Swiss franc by expanding the note circulation. He discusses, in the first place, the influence of the trade balance on the exchange fluctuations and points out that although before the war this was one of the most important factors affecting the exchanges, it can now no longer be said to be effective. For example, France increased her exports in 1919 by 4 milliards as compared with the year before, but at the same time the exchange was steadily depreciating. Switzerland's exports, on the other hand, have been falling off in the most disconcerting manner, but her exchange has been steadily rising. It is under the heading of "Confidence" that the most decisive influence may be found. As long as the banks were obliged to pay out gold against their notes there could only be slight variations in the rates of exchange, but when, with the outbreak of war, the obligation to convert was removed and the export of gold was forbidden, the old basis of reckoning was destroyed. The printing press was brought into requisition to finance the needs of the belligerent states. The output of notes grew out of all proportion to the ordinary needs of business, and the currency note became, in fact, merely the equivalent of a forced loan, and the more the general confidence in the issuing state was undermined, the less became the value of the note. In certain countries this inflation has been carried to such extremes that "Confidence" as a factor in the exchanges has over-ruled every other influence. For Switzerland to start upon a deliberate policy of inflation, would, in the opinion of Mr. Musy, be nothing but to court disaster. The knowledge that it was artificial would be general, and it would, therefore, in no way impair the general confidence. While a certain depreciation would undoubtedly result, it is, in the opinion of the report, utterly improbable that it would bring a fall of 30 to 40 points, as the supporters of inflation maintain. The present metallic covering held by the National Bank, viz., about 700 million francs in gold and silver, would allow of an increase of about 700 millions in the paper circulation. In order, therefore, to make any real impression on the market it would be necessary to increase the present circulation by a vast issue of notes. There is no demand for these notes for the uses of ordinary daily business, and it would, therefore, be impossible to keep them in circulation. Such a procedure would also be contrary to the law of 1905 governing the issue of bank notes, for such an issue would not correspond to any real need.

The report concludes by pointing out that it is an illusion to believe that by re-establishing the equilibrium of the exchange rate Switzerland would gain her former export facilities while Europe's former prosperity will only be regained by persevering labour and by sacrifices.

Liquidation of the Zürcher Depositenbank.

A meeting of shareholders of the Zürcher Depositenbank was held in Zurich on the 22nd of December, at which approval was given to the scheme for a moratorium for the depositors. As soon as the moratorium is legally confirmed the bank will go into liquidation. The directors will then be replaced by the liquidation commission which was elected at the meeting of creditors held on the 30th of October. This commission will have full powers to carry out all the business connected with the bank's liquidation.

The Fall in Nestlé Shares.

The Swiss stock exchanges were dominated during the early days of December by the sensational fall in the price of Nestlé ordinary shares, which dropped 200 francs in a few days without any apparent reason. The slump was reflected here in the fall of the new 8 per cent. preference shares, which at one time went as low as 17s. 6d., but quickly regained a considerable part of the loss. A semi-official statement on the condition of the Company, which appeared in the Swiss newspapers early in December, indicated that in view of the effect of the general economic conditions on the industry the results of the year's working were likely to be unfavourable. The losses on the year are likely to be considerable, and will necessitate the absorption of the reserves. In spite of this, however, the vitality of the concern is still evidenced by the fact that sales show an increase of many million cases on the pre-war figure, although the present year's sales will be much less than those of 1920. The item "various creditors," which in the last balance sheet stood at about 293 millions, will be reduced to about 200 millions at the end of 1921, thus representing a diminution of nearly 100 millions

due to consolidation of capital, reduction of stocks and cutting down production wherever it appeared necessary. The Company has such wide ramifications all over the world that any detailed statement as to the financial condition is not to be expected until the report on the financial year—ending December 31st—is ready. Meanwhile it is understood that, particularly in Great Britain, sales are continuing to be most satisfactory.

Stock Exchange Prices.

The following table gives the latest quotation of a few representative securities quoted on the various Swiss stock exchanges, the prices for the 23rd of December being compared with those ruling about a fortnight ago:—

	BONDS.	Dec. 12th.	Dec. 23rd
Swiss Confederation 3% 1903	...	63.50%	65.75%
Swiss Confederation 9th Mob. Loan 5%	...	99.35%	99.65%
Federal Railways A—K 3½%	...	67.50%	68.82%
Canton Basle-Stadt 5½% 1921	...	97.25%	97.20%
Canton Fribourg 3% 1892...	...	59.50%	60.25%
Zurich (Stadt) 4% 1909	...	97.60%	97.82%
	SHARES.		
Crédit Suisse...	...	532 frs.	535 frs.
Union de Banques Suisses...	...	500 frs.	502 frs.
Swiss Bank Corporation	517 frs.	534 frs.
Fabrique Chimique ci-dev. Sandoz	...	1100 frs.	1050 frs.
C. F. Bally S.A.	600 frs.	640 frs.
Fabrique de Machines Oerlikon...	...	410 frs.	415 frs.
Enterprises Sulzer	395 frs.	390 frs.
S.A. Brown Boveri (new)	197 frs.	195 frs.
Nestlé & Anglo-Swiss Condensed Milk Co.	...	238 frs.	229 frs.

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