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LETTER FROM SWITZERLAND.**1958: A year of transition for the Swiss Economy.**

At this time last year, we were congratulating ourselves on the record results achieved by the Swiss economy during 1957, although the falling off in the situation, which had already been occurring for some time, made us express certain reservations with regard to the future. This cautious attitude proved to be justified: Switzerland did not escape the widespread recession that hit most countries. It should however be pointed out that her economic activity is not passing through a phase of real depression; it has simply become stabilised at a level that can still be considered high.

Satisfactory industrial production in spite of slight unemployment.

It is interesting to note that cases of unemployment occurred during 1958 — the first for a good many years. Although the number of unemployed remained fewer than the number of vacancies, unemployment nevertheless existed, especially in the watchmaking industry and textiles, the two most heavily affected branches of the Swiss economy, as well as in certain other sectors. The laying-off of staff made necessary by the circumstances chiefly affected the number of foreign workers, which, however, remained high.

Except for the two above-mentioned industries, industrial production fell off only slightly on the whole, the orders in hand at the beginning of the year being quite sufficient to keep the wheels of industry turning. New orders were rather less numerous, which had the effect of considerably shortening delivery dates, especially in the metallurgical industry.

Considerable decrease in imports.

Switzerland's foreign trade during 1958 was characterised by two outstanding features: first, the satisfactory maintenance of exports at almost the same level as in 1957 (6,650 million compared with 6,710 million), and second, the marked decrease in imports (7,340 million compared with 8,450 million). As a result, the chronic deficit in the trade balance, which amounted in 1957 to the all-time-high of 1,730 million, dropped by more than 1,000 million to the figure of 690 million at the end of last December.

The metallurgical industry was once more at the head of Switzerland's export industries. In fact it even succeeded in increasing its sales abroad, from

2,320 million in 1957 to 2,500 million in 1958. The chemical and pharmaceutical industry came second, taking the place of watchmaking, even though its exports fell slightly as a result of the difficulties met with by dyestuffs (1,140 million compared with 1,150 million). Watchmaking came in third position (1,120 million compared with 1,300 million). These were followed by textiles, also falling off (790 million compared with 850 million), and foodstuffs, whose exports were greater than in 1957 (410 million compared with 390 million).

Of Switzerland's trade partners, Western Germany remained in the lead: best buyer (1,080 million) and best supplier (1,950 million). Next in order came the United States (660/840 million), Italy (520/870 million), France (490/760 million), then Great Britain (370/410 million) and the Benelux countries (Belgium-Luxembourg Union 260/320 million, the Netherlands 240/360 million).

Greater liquidity in the money market.

The economic recession and its consequences — the reduction of stocks and the considerable decrease in Switzerland's adverse balance of trade — resulted in greatly increased liquidity on the money and capital market, whereas in 1957 this market experienced a tightening up which adversely affected the building trade in particular. Thus, from January to last August, the assets of the Swiss economy at the National Bank increased from 1,300 million francs to the all-time-high of 3,100 million. In mid-December they still amounted to over 2,600 million, *i.e.*, some 900 million francs more than at the end of 1957.

Thanks to this steady increase in liquidity, the construction of houses, which had fallen off in the first months of the year, began again with renewed activity. In civil engineering, on the other hand, activity remained stable and the making of roads and the carrying out of hydro-electric schemes continued at the same rate as in 1957.

The future viewed with optimism.

The falling off in the situation, which made itself felt particularly in certain sectors, nevertheless has a positive side in that the Swiss economy — slightly strained as a result of the years of over-expansion through which it had passed — was allowed a breathing space in which to catch up with itself once again. Furthermore it gave the most seriously affected industrialists an opportunity to take stock of their position and realise that there were certain defects,

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either in their organisation or their methods, that required remedying. A big effort has also been made to rationalise methods in the branches which proved the least adapted to the new conditions and encouraging results have already been achieved.

The coming into force of the Common Market, however, raises fresh problems for Switzerland. While the countries of Little Europe have absorbed almost 40 per cent of Switzerland's exports during the last few years, Swiss purchases from these countries represent some 60 per cent of the total national imports. Switzerland is therefore following the question of economic integration very closely — without losing sight of the importance of doing trade with all European countries and, in fact, the whole world.

It should also be remembered that in 1958 Switzerland took part — with nineteen countries adhering to GATT (General Agreement on Customs Tariffs and Trade), on the basis of the draft of her future customs tariff — in negotiations which culminated at the end of the year in the signing of a statement concerning her temporary adherence to this agreement.

The Swiss economy was therefore not content to let matters rest last year. On the contrary, with great energy and vision it laid the foundations of its future, well aware that the maintenance of its prosperity depends upon its continuing to play, in the new world that is being created around us, the part it has always played up to now.



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