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# THE STATE OF THE SWISS ECONOMY NOW

## SWISS EVENTS

According to the results of the survey of Swiss industrial companies conducted by the Union Bank of Switzerland in December 1976, a levelling off in the economy is expected in the first quarter of 1977 in comparison with the preceding three-month period.

Compared to the first quarter of 1976, two-fifths of the firms questioned expect larger domestic and foreign order volumes. But the survey indicates a weakening of demand from abroad, since 30 per cent of the companies polled are looking for a decline in foreign orders.

## Production stagnates

The number of firms planning a rise in production has decreased. Average capacity utilisation will therefore not improve. For this reason, capital spending cannot be expected to strengthen.

Slightly higher sales figures are likely both for the first quarter of 1977 and for the whole of the year. Although sales prices will also be somewhat above the previous year's levels, earnings will not improve.

Domestic credit demand is unlikely to increase in view of the reluctance of business to spend capital on new plant and equipment.

The supply of funds is again likely to exceed the demand for capital, so that a further decline in interest rates may be expected over the near term.

The slight improvement in business which was forecast in September 1976 by the industrial firms participating in the UBS survey, materialised to a large extent in the fourth quarter of 1976. On balance, order volumes, production and sales of these companies surpassed the levels of the preceding quarter as well as the corresponding quarter of 1975. But finished product inventories displayed a more unfavourable trend in the last quarter of 1976; just under half of the companies reported inventories to be below the level a year ago, but overall they showed a small increase compared to the third quarter of 1976.

## More orders

In comparison with the last quarter of 1975, more than half of the participating firms recorded higher order volumes, while just under a quarter reported fewer orders. A breakdown of domestic and foreign order volumes shows that at just under 50 per cent of the companies domestic orders rose, whereas only two-fifths of the firms registered higher order volumes from abroad. Against the preceding quarter, 38 per cent of those questioned reported an increase in domestic orders and one-third

a rise in foreign orders. A comparison of the forecasts in September with the statements of the firms in December shows that the development of order volumes did not quite come up to expectations.

The relatively satisfactory overall business trend cannot, however, disguise the fact that a number of enterprises are still facing cyclical and structural problems. This is illustrated also by the strongly-varied pattern of business developments within individual sectors. Inadequate incoming order volumes and other difficulties have in the last few weeks again led to a rise in the pace of layoffs and plant shutdowns. Partly due to seasonal factors, the number of fully unemployed persons also increased again: in November 1976 it stood at 15,300 which was, however, still 25 per cent below the figure a year before (20,300).

The favourable development of exports continued in the fourth quarter of 1976. About 45 per cent of the companies reported higher export volumes than a year ago, while around 33 per cent reported a gain in shipments against the preceding quarter. Total Swiss exports rose in October 1976 by 14.5 per cent and in November by as much as 19.3 per cent compared to the corresponding months of the previous year.

## Backlogs down

Thanks to fairly good order backlogs, production in the fourth quarter increased at more than half of the firms in comparison with the previous year. But since incoming orders could not keep pace with the production rise, order backlogs declined marginally. Moreover, a buildup of finished product inventories replaced the trend towards reduction which had prevailed for several quarters.

Even though more than half of the companies (57 per cent) reported total sales to be higher both against the preceding quarter and against the corresponding 1975 quarter, earnings can be assumed to have remained unsatisfactory. Lower sales prices were recorded against the same quarter of 1975 by nearly 45 per cent of the firms, and against the third quarter of 1975 by just under one-sixth of the companies queried.

According to the latest UBS survey, the first quarter of 1977 will witness a slight levelling off in the economy. Most of the important indicators are signalling a decline from the fourth quarter of 1976. At the same time, a buildup of finished product inventories is expected on balance. But a more favourable picture emerges when business trends in the first quarter of 1977 are compared with the same three-month period of 1976: order volumes, order backlogs and sales will substantially surpass the previous year's – admittedly low – figures.

The new UBS survey underlines the fact that companies are having increasing difficulty in assessing future trends. For example, in December more companies were unable to give detailed figures for future order volumes since incoming orders were beginning to display irregular trends.

Compared to the first quarter of 1976, about two-fifths of the industrial firms covered by the survey expect larger domestic and foreign order volumes. About 20 per cent of those questioned anticipate a drop in domestic orders while as many as 30 per cent are foreseeing a decline in their foreign order volume.

While in all previous quarters more than half of the enterprises expanded production in comparison with the corresponding quarter of the year before, only 43 per cent of the firms plan production increases in the first quarter of 1977. Capacity utilisation is therefore unlikely to go up noticeably in the next three months. This is another indication that capital spending will scarcely increase for the present.

Forty-six per cent of the participating industrial companies are anticipating higher sales in the first quarter of 1977, whereas only one-fifth expect lower sales figures in comparison with the previous year. For exports alone, the respective percentages are 39 per cent and 27 per cent. For the whole of 1977, about 40 per cent of the companies forecast higher sales than in 1976. Only 12 per cent expect a sales decline. Although sales prices should tend to be somewhat above the previous year's levels, no appreciable earnings rise can be counted on because of continued below average capacity utilisation over the near term.

Whereas most of the companies will cut payrolls further by not replacing workers who leave, 8 per cent of those questioned are planning staff layoffs. About 40 per cent of the firms will therefore employ fewer personnel in the first quarter of 1977 than in the same quarter of last year.

By courtesy of the Union Bank of Switzerland.

## HUNGARIAN-SWISS CO-OPERATION

Ghelfi Engineering Co. Ltd. at Uster (Zürich) has signed a co-operation agreement with the Hungarian foreign trade firm Nikex for the joint completion of schemes for the protection of the environment.

The co-operation will take the form in particular of the planning and building – in Hungary and in other countries – of household and industrial waste incineration plants.

# SWISS INSURANCE—INTERNATIONALLY IMPORTANT

Switzerland differs from other big countries with regard to insurance in the extraordinarily high proportion of business concluded abroad by all branches in this sector.

With the exception of Great Britain, no other country possesses such a large foreign portfolio as Switzerland which is, calculated per head of the population, the biggest exporter of insurance in the world. Swiss insurance owes the prestige it enjoys abroad not only to the country's neutrality, its political, economic and monetary stability, a legislation favourable to insurance, but also to the knowhow and reliability of its insurers as well as their ease of adaptation to foreign markets.

In 1974, Swiss insurance companies, as a whole, took in a total of 15,404 million francs' worth of premiums, 6,613 million of which was accounted for by direct transactions concluded in Switzerland, 4,046 million by those concluded abroad and 4,745 million by reinsurance operations.

The European Economic Community is the biggest foreign market for Swiss insurance companies, in particular life assurance companies; in fact, 90 per cent of the total premiums they received came from outside the country. But EFTA is also an interesting market for

companies dealing in accident insurance and the insurance of objects as well as reinsurance companies; in the same year 1974, the former concluded 53 per cent, the latter 57 per cent of their business abroad.

It is interesting to note that in 1975 Swiss insurance companies carried on their activities in 30 countries, with over

150 agencies, the majority of which were located in EEC countries. Zürich is now, with London, Munich, Paris and New York, one of the leading international reinsurance centres. In 1975, there were 240 professional reinsurers in the world. The volume of premiums (excluding Lloyd's) totalled some 9 billion dollars, with Swiss reinsurers coming third.

## RESTRUCTURATION OF SWISS AGRICULTURE

During the ten-year period from 1965 to 1975, the number of Swiss agricultural concerns fell by 18 per cent and that of persons employed in this sector by about 28 per cent.

The drop was particularly heavy in farms of 1 to 10 hectares (1 hectare = 2.47 acres), while remaining fairly small for concerns with less than 1 hectare, that is to say those that constitute only an accessory source of income.

Out of the 76,900 agricultural concerns run by people for whom agriculture is their main source of livelihood, 6,600 (or 9 per cent) possess less than 5 hectares of productive land.

These are mainly fruit-growing concerns, vineyards, market gardens or pig-farms.

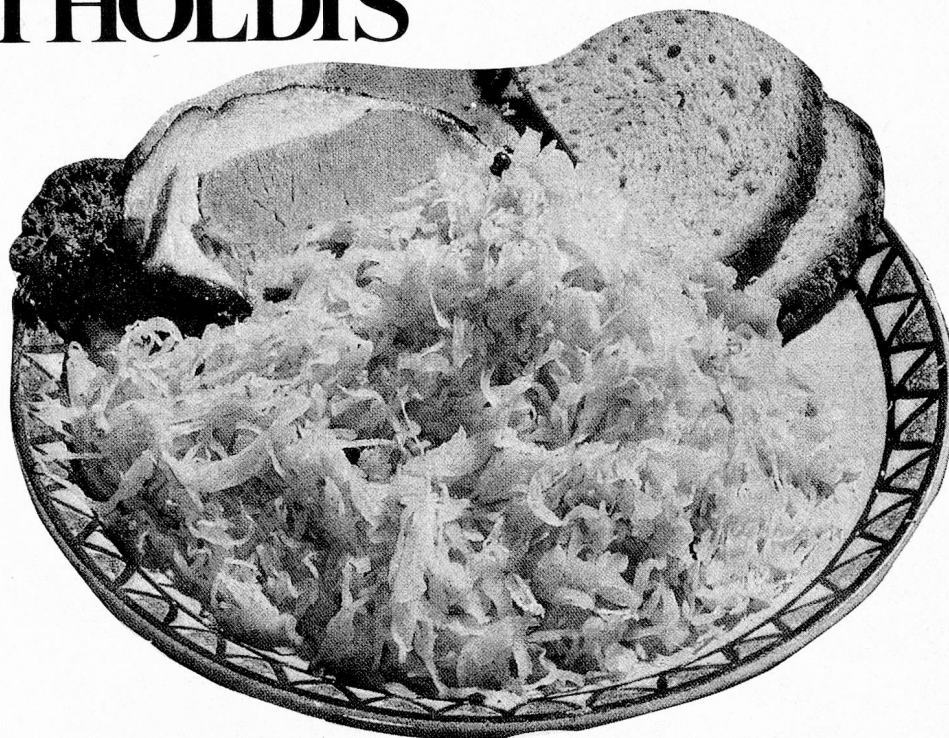
These special branches also play an important role in the 5 to 10 hectares category, which numbers 20,300 concerns. The proportion of farms with over 10 hectares of productive land, that is to say where cultivation of the soil predominates, rose from 46 to 65 per cent during the ten-year period in question.

There is also a very marked tendency for cattle-raising to become more concentrated: in ten years, the average number of head of cattle per farmer rose from 14 to 21.

## INDEX OF PRICES IN SWITZERLAND AT THE END OF NOVEMBER 1976

	Wholesale price 1963=100	Difference in relation to	Retail price End of Sept. 1966=100	Difference in relation to
End of November 1976	147.6		166.7	
End of October 1976	147.6	—	166.4	+ 0.2%
End of November 1975	146.2	+ 1.0%	165.2	+ 0.9%

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# SWITZERLAND'S NATIONAL PRODUCT IN 1975

The results of Switzerland's national accounts for the year 1975 confirm that in that year the Swiss economy suffered the most serious set-back since the last war.

At market prices, the gross national product totalled 144,270 million francs; it was thus 1.5 per cent lower than the previous year, which had represented a rate of growth of 8.9 per cent. The falling off was much more marked in real terms than in nominal value.

After eliminating the effect of rising prices, the national product for the year showed a decrease of 7.6 per cent, while the overall growth was already only 1.7 per cent in 1974. The very rapid reversal of the upward trend was triggered off in the first place by the excessive activity of the building trade during the previous years. The exceptional size of the drop is accounted for by a combination of recessive trends in the building trade and foreign demand, as well as by their secondary effects on stocks.

As a result of the recession, the gross national product per head of the population also dropped for the first time in Switzerland for a great many years; the drop amounting to 0.9 per cent in nominal value and 7.1 per cent in real terms. At the same time, the real gross national product per person employed, calculated according to the general productivity of labour, fell by a little over 2 per cent. This result can undoubtedly be explained by the fact that the production potential of certain branches

was far from being used to the full. The year before, productivity had increased by 2 per cent.

## A NEW BANKNOTE ACCEPTOR

A Swiss firm in Geneva recently put on the market the third generation of banknote acceptors. This new instrument is called the SN-20 and works according to an entirely new testing procedure: the colour test.

This process, invented and patented by the Swiss firm, offers safeguards against forgeries. In addition, it has an extremely high acceptance rate of between 97 and 99 per cent, of all banknotes in circulation; even old and crumpled notes are accepted. Tests take a maximum of 3.5 seconds.

Rejected banknotes are immediately returned through the slot. The banknote acceptor will help to extend the use of automatic slot machines of all kinds, such as for example for self-service petrol pumps, railway tickets and automatic banknote changers. The new acceptor is extremely easy to maintain. It is provided with a socket for plugging in a servicing set, which makes it possible to check all functions on the spot without having to dismantle the machine.

## SWISS HEALTH SCHEME IN SAUDI ARABIA

Under the terms of the three-year contract it has signed for the period 1977-79 with the government of Saudi Arabia, Basle-based Ciba-Geigy (Basle - Switzerland) has been made responsible for continuing on a wider scale the fight against flies and rats already undertaken in certain regions.

It is now being asked to treat systematically an area of some 100,000 acres. The first operations, in 1972 and 1973, were mainly confined to Mecca, where the firm succeeded in putting a stop to the proliferation of disease-carrying animals attracted by the large accumulation of rubbish in the streets at the time of big pilgrimages; thanks to this first successful campaign, no epidemic broke out.

From 1974 to 1976, teams operated systematically over an area of 50,000 acres. The new contract covers the ten largest cities in the country and will necessitate engaging some 720 assistants and employees from Europe and neighbouring countries; the logistic infrastructure will mobilise about 800 mechanical devices and 180 vehicles, not to mention three to five single-engine and twin-engine planes.

The Swiss firm will also collaborate in a pilot project in a small town, where an integrated scheme of public hygiene will be put into effect, comprising simultaneously the systematic use of insecticides and other chemical products, the organisation of a refuse disposal service and the education of the population in matters of hygiene. The experience gained will help the government choose the equipment best suited to local conditions for its overall health scheme.



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# GROWING INTEREST IN OUR ANTIQUES

At the 18th Art and Antiques Fair of Switzerland, which is taking place from 17th to 27th March, 1977 in the halls of the Swiss Industries Fair, Basle, 51 exhibitors are showing their representative range of old works of art and products of artistic crafts. For the first time the number of exhibitors has thus exceeded the 50 mark; accordingly, it has proved necessary to include the gallery in Hall 8 as exhibition space.

Apart from pictures and engravings of the most widely varying epochs, the exhibits at the Fair include in particular antiques in silver, pewter, glass and porcelain, earthenware, watches, clocks and furniture from past centuries up to the middle of the last century. Moreover, an extensive part of the exhibits consists of works of art from Antiquity and non-European cultures.

After the great success of last year's

first try, a stand for young collectors will again be installed and will display objets d'art provided by the exhibitors on a collective basis. This is aimed first and foremost at those visitors who first wish to become familiar with a particular sector by purchasing quality pieces at reasonable prices.

This year the Basle Museum of Art will be responsible for the Special Cultural Exhibition which has been held for some years now as a complementary part of the Art and Antiques Fair. It will feature sketches and paintings by the Swiss artist Frank Buchser (1828-90).

All exhibitors at the Swiss Art and Antiques Fair are members of the Association of Swiss Art and Antiques Dealers. They guarantee the authenticity of their exhibits which also undergo examination by a jury.

## LEISURE AND RECREATION SHOW

Starting in 1978, there will be a new international exhibition in Geneva. Called "Loisirama (Leisurama)", this annual event will bring together specialists and industry representatives involved in the leisure and recreation field, giving them the opportunity to contact each other and show the public what they have to offer. And for the public itself the exhibition will have the flavour of a popular festival.

The first International Leisure and Recreation Exhibition will be held at Geneva's Exhibition Centre from 6th to 16th April, 1978.

"Leisure - An essential human requirement" is the theme of the exhibition, pointing up its cultural, social and commercial significance. There will be 13 distinct sectors: sports, camping and caravanning, do-it-yourself, handicraft hobbies, gardening, photography, music, youth, games, literature, health, school associations and, of course, travel and holidays.

Organisation of LOISIRAMA 78 was entrusted to an Executive Committee presided over by M. Pierre Raisin, Administrative Councillor in the Geneva City Government. The Committee comprises specialists in the field and officials of ORGEXPO, the foundation established by the major users of the Geneva Exhibition Centre.

Patrons of the Exhibition are the Government of the Republic and State of Geneva, the Geneva City Council and the World Leisure and Recreation Association (WLRA). The WLRA will stage an

international symposium of experts as part of the exhibition.

The permanent secretariat of LOISIRAMA is located at 22, rue du Mont-Blanc, CH-1201 GENEVA - Phone (022) 32 15 22. It can be contacted for all information.

## PRO AQUA - PRO VITA '77

The figure of over 250 applications received so far reflects a steadily growing interest shown by the circles concerned, in Pro Aqua - Pro Vita 77, 7th International Exhibition for Environmental Sanitation, to be held from 14th to 18th June, 1977 in the halls of the Swiss Industries Fair in Basle. Of no less importance are the International Technical Meetings which will be held during the Exhibition under the general heading "Environmental Conservation: Yesterday - Today - Tomorrow" and for which the final programme is now available in its entirety.

The information provided by the Technical Meetings will be followed up by a wide range of excursions to objects of interest regarding environmental technology, which are maintained both by private industry as well as by public institutions. Further details and application forms for Pro Aqua - Pro Vita 77 can be obtained from: Secretariat Pro Aqua AG, P.O. Box, CH-4021 Basle, Switzerland. Tel. 061/26 20 20, Telex 62 685 fairs ch.

## SWISS PUBLISHERS AT THE INTERNATIONAL BOOK FAIR IN MONTREAL

Swiss publishers will be taking part in the International Book Fair to be held in Montreal from 13th to 18th April, 1977. A collective stand, entitled "Swiss Books", will present some 550 books published in Switzerland, about 400 of which will be in French and 150 in German, Italian, Romansh or English. The works displayed in Canada will cover subjects as widely varied as technology, the humanities, literature, education, practical life, environment, etc. not to mention, naturally, books about Switzerland and art books, a speciality for which Swiss publishers have acquired a worldwide reputation.

## SWISS PACKAGING LINE FOR FINLAND

Swiss industry is noted for its flexibility in meeting market requirements and the wishes of the clientele. Thus, for example, a firm in Schaffhausen recently supplied a Finnish firm with a packaging line tailored specially to its individual requirements.

The customer, a big flour mill in Finland, was suddenly obliged to package its cereal flour not only in 2 kg bags as previously but also in 1 kg packages; at the same time, production needed to be substantially increased and over-wrapping automated. The PLS/TVL flour packaging line developed by the Swiss firm enables the customer to select the package size according to incoming orders and adapt his production rapidly to meet specific market requirements.

## SWISS HOTELS OPTIMISTIC FOR 1977

Switzerland's leading hotels are confident of a "reasonably successful" 1977, according to a New Year survey. Of the 37 members of the Leading Hotels of Switzerland group, 17 predict increased bookings this year. A further 19 are either expecting their 1976 level of business to be maintained or are unable to make any forecast. Only one member of the group is expecting a fall in bookings.

The survey also reveals encouraging signs of a boost in business and congress tourism, and increased group tourism.

General finding of the survey indicate more bookings - but not necessarily higher profits.

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