

The Swiss economy

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THE SWISS ECONOMY IN 1960

In Switzerland, in the economic field, the year 1960 opened in an atmosphere of optimism. As in other countries of western Europe, the slight recession of 1958 and the early months of 1959 was hardly more than a memory. The coming months promised to be prosperous, more favourable even in fact than the best years since the second world war.

The actual results turned out to be far better than anything even the most optimistic had forecast. The demand for producer and consumer goods was much greater than the supply, in spite of the overall increase in Swiss industrial production. This led to an overburdening of the economy and often a lengthening of delivery dates. Such a situation was due mainly to difficulties in obtaining sufficient labour.

The situation within the country

Economic life was stimulated by the heightened activity in the building trade and industrial investments together with the increase in consumer buying. Unemployment was practically non-existent; in addition, the number of foreign workers granted permits for temporary residence in Switzerland exceeded the figures for the previous year.

In spite of all these factors, the increase in prices at consumer level was only 1.44 per cent compared with the average for 1959. Nevertheless, the general standard of living of the population continued to rise; the effective wage level rose, from the point of view of both social improvements and actual wage increases.

Foreign trade

In 1960 Switzerland's foreign trade broke all records. Imports were valued at 9,648 million francs, showing an increase of 17 per cent over 1959; exports amounted to 8,131 million francs, i.e. 12 per cent higher than the previous year. The actual prices of imports and exports having changed only slightly, the increase in these figures corresponds to a real improvement in the volume of goods imported and exported by Switzerland.

The increase in imports having been appreciably higher than that in exports, the traditional deficit in the balance of trade was 53 per cent higher than in 1959, amounting to 1,517 million francs. In this connection it should be pointed out that the gap between Switzerland's imports and exports is generally made good by the sums accruing from her invisible exports,

the most important of which are tourism ⁽¹⁾, the income from capital and insurance, as well as transit trade transactions and transport operations.

All sectors of industry — although to varying degrees — have benefited from the increased exports. With regard to Switzerland's trade partners, the part played by western European countries has increased appreciably.

Trade with E.E.C. and E.F.T.A.

In 1959 Swiss imports from the European Economic Community ⁽²⁾ amounted to 4,979 million francs; in 1960, they reached the figure of 5,890 million, which represents an increase of 18 per cent. Swiss exports to countries adhering to this organisation rose in one year from 2,902 million francs to 3,328 million, representing an increase of 15 per cent.

Imports to Switzerland from countries in the European Free Trade Association ⁽³⁾ rose from 1,053 million francs to 1,100 million, which represents an increase of 5 per cent. Her exports to these countries totalled 1,115 million francs in 1959, rising in 1960 to 1,296 million, an increase of 16 per cent.

These figures would seem to indicate that the effect of the structural changes brought about by the creation of E.E.C. and E.F.T.A. played a less decisive role than that of the general favourable situation.

The money and capital market

The Swiss money market was characterised by great liquidity throughout the year. The increase in the circulation of money — that has been noted of recent years — was maintained in 1960. Gold reserves increased parallel with the value of the bank notes in circulation; in 1960, the gold cover for these notes averaged 134.9 per cent.

The international situation led to a considerable influx of foreign funds into Switzerland. This phenomenon, together with the very favourable economic situation, led to considerable increases in the quotations of most shares and, temporarily, also in the price of gold. The bank rate, on the other hand, remained very stable and the strength of the Swiss franc was maintained.

Conclusions

The great prosperity that marked the past year seems to be continuing into 1961. Swiss industry, in fact, has a tremendous number of orders on its books. It seems, however, that the "overburdening" referred to earlier is tending to ease up; a certain set-back is possible, either as a result of the increasing shortage of labour or because Switzerland's economic situation may be adversely affected by the American recession.

Future trends, especially from the point of view of European integration, are marked by a big question mark. Switzerland continues to be strongly in favour of bridging the gap between the European Free Trade Association and the European Economic Community as opposed to allowing Europe to be divided into two separate economic groups, and does everything in her power to promote this end. This bridging of the gap is a *sine qua non* for a harmonious development of trade.

⁽¹⁾ In 1959 foreign visitors are known to have brought Switzerland 1,420 million francs, but, of course, considerable sums must have been spent over and above this amount, on which it is impossible to keep a check. According to the first estimates, the figure for 1960 is expected to be much higher.

⁽²⁾ E.E.C. comprises Belgium, France, Western Germany, Italy, Luxembourg and the Netherlands. At the end of 1960, these countries had reduced their reciprocal customs duties by 20 per cent. A further reduction of 10 per cent occurred at the beginning of this year.

⁽³⁾ E.F.T.A. is composed of Austria, Denmark, Great Britain, Norway, Portugal, Sweden and Switzerland. This association, which came into force on 1st July 1960, reduced customs duties among its members by 20 per cent, except for agricultural produce.