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The Swiss Observer

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THE SWISS ECONOMY IN 1966

On the whole, the situation and evolution of the Swiss economy in 1966 were favourable, as can be deduced from two factors of the greatest importance; first, the development of foreign export trade with a resultant fall in the adverse balance of trade and, second, the slowing up of the economic expansion, already started the previous year as a result of the government's policy towards combating the dangers of inflation. In this connection, it should be noted that the Federal Council's decree regarding the limitation of building was not renewed, after it expired in March 1966, while that regarding restrictions on loans was extended for a year. Last March, the government took new steps to decrease the influx of foreign workers, while at the same time relaxing certain earlier measures.

Foreign Trade

When examining Switzerland's foreign trade, we see that the rate of increase of imports more than doubled, while that of exports fell off slightly, although still remaining higher than the former. But the coefficient of trade, i.e. the proportion of imports covered by exports, which amounted to 88% in 1959 and had dropped to 73.8% in 1964, rose spectacularly again to 83.5% last year. With the record figures for imports (17 billion Swiss francs) and exports (14.2 billion francs), the adverse balance (2.8 billion) dropped slightly below the figure for 1961, when the coefficient of trade was however only 75.8%. With regard to value, the metallurgical industry as usual comes first in Swiss exports with a total of over 7.5 billion francs, including the watchmaking industry whose share amounts to about 2 billion, the chemical industry comes second (2.8 billion), followed by textiles (1.4 billion francs). Of Switzerland's buyers and suppliers, Western Germany continues to take first place, by accounting for nearly 30% of Switzerland's total imports and about 15% of her exports. Switzerland's other main suppliers, in decreasing order of importance, are France, Italy, the United States of America and Great Britain, while among the buyers of Swiss products, the United States of America come second, followed by France, Italy and Great Britain: It should also be pointed out that while Europe is still Switzerland's main supplier (80.2% of her total imports) and buyer (65.9% of her total exports), the Common Market countries are by far her biggest suppliers, with a total approximately four times as great as that of EFTA countries; the positions are the same with regard to purchases of Swiss products, except that Switzerland's exports to the Common Market are only twice as high as those of the Free Trade Area. Thanks to the evolution of Switzerland's foreign trade, the balance of revenue, in which the balance of trade is the most important item, should also

prove slightly in Switzerland's favour for 1966, in view of the fact that the deficit of 1.9 billion recorded in 1964, had already dropped to 300 million francs in 1965.

Prices and costs

While the rate of increase in private consumption fell off, public expenditure more than tripled in 1966. In spite of measures taken to put a brake on the rising cost of living, the index of consumer prices — whose bases of calculation have been adapted to the population's present way of living — increased by 4.6% in 1966 (4.9% in 1965). This increase can be attributed among other things to the increase in rents as well as to the rise in the cost of services and certain foodstuffs. At the end of the year, the index of wholesale prices, on the other hand, was only 0.9% higher than in the previous year. Swiss products were the main cause of the rise. As to the rate of increase in turnover in the retail trade, which amounted to 11% in 1962 and 6.2% in 1965, it fell to 5.1%, which clearly shows the slowing up in the economic expansion.

Building and investments

In the building sector, the easing off in the situation continued, the tightening of the money and capital market having eased the pressure of demand. Building plans for 1966 amounted to 13.2 billion Swiss francs, i.e. 3% less than in 1965.

Although the measures introduced for the purpose of avoiding the dangers of inflation continued to put a brake on equipment investments, the proportion of those used to rationalise production has increased. On the whole, gross investments within the country represent, in round figures, one quarter of the gross national product. In few western countries is the part played by investments so high in comparison with the national product.

Labour market and output

As a result of the official measures restricting foreign labour, also taken with a view to avoiding the dangers of inflation, the labour market suffered from a certain shortage of skilled labour, especially in industry, an almost inevitable consequence, unfortunately, of the decrease in the number of workers. From the end of the third quarter of 1965 to the same period last year, the number of workers decreased by 0.8% in industry and by 0.6% in building, although increasing by 0.4% in craftwork, trade and transport. In Switzerland at the end of August, there were 648,548 foreign workers subject to control. This figure was 4.1% lower than the previous year.

With regard to industrial production, the increase was the same as during 1965, i.e. 3%. The increase was

largest in the chemical industry (+19%) and in the watch-making industry (+14%), while output in the textile industry decreased (-4%) and that in the clothing industries remained practically stationary.

In agriculture, the gross output was 3,864 million francs, which represents an increase of 6.4% compared with 1965.

Finance

On the money and financial market, the tension has increased still further. The official discount rate, which had been 2.5% since the beginning of July 1964, was raised to 3.5% by the Swiss National Bank, from July 6th, 1966.

On the whole, the evolution of the situation allows us to deduce that the growth will continue in 1967 but at a slower pace. It is likely that demand will remain in excess of supply although less so than before: consequently, the trend towards higher prices and costs will continue in various sectors of the economy. The role incumbent on financial policy will take on even greater importance in the fight against inflation.

(Swiss Office for the Development of Trade — O.S.E.C.)

ELECTIONS IN THE CANTON OF LUCERNE

In the elections in the Canton of Lucerne on 7th May, all seven members of the Government were confirmed in office, and thus the representation of the Parties remains the same: Conservatives three, Liberals two, Socialists and Christian Socialists one each. Voting participation was surprisingly high with 85.44%.

A similar participation was recorded for the elections to the Cantonal Parliament. This, for Lucerne, was, however, rather on the low side.

Like in the recent Zurich elections, the big surprise was the increase in popularity of the "Landesring der Unabhängigen". They managed to increase their seats from five to twelve in the Parliament of 170. In Lucerne alone, they doubled their numbers. All twelve of their candidates were elected. The picture now is the following: Conservatives 70 seats (as thitherto), Christian-Socialists 17 (-2); Liberals 59 (-4); Social Democrats 11 (-2), Landesring 12 (+7), Farmers and Citizens (BGB) 1 (+1). The Liberals are the biggest losers, whilst the BGB are now represented for the first time. The dissident young Liberals "Junges Luzern" and the group "Freiheit und Recht" were not successful.

[A.T.S.]

NEW SWISS R.C. CARDINAL

Amongst the 27 new Cardinals chosen by H.H. the Pope is a Swiss, Dr. P. Benno Gut. He was born in 1897 at Reiden (Lucerne). As Benedictine Pater of Einsiedeln he was Professor at the International Benedictine University in Rome. Then he became Prefect at the *Stiftsschule* Einsiedeln and later Abbot of the Monastery. For the last few years he has been once more in Rome as Abbot *Primas* of the Benedictines.

(*"Basler Nachrichten"*.)

FEDERAL MOSAIC

In a comment in the "Basler Nachrichten" on 15th April, the writer reflects on the travelling which the Federal Councillors do nowadays. He remembers the pertinent remarks made in dailies when Federal Councillor Escher went to Paris for the first time, and, when his successor, Federal Councillor Lepori undertook a personal journey to East Asia, the critics were very voiciferous. Now, the members of the Federal Government travel far and wide, and nobody voices any objection; the journeys of Ministers to EFTA Conferences have made the public used to them. Recently, Federal Councillor Schaffner was in Japan to represent Switzerland at the International Trade Fair, and later to pay an official visit to Hong Kong. Federal Councillor Tschudi gave an address at the opening of the extension of the Swiss Institute in Rome. Later, Federal Councillor Schaffner represented Switzerland at the 20th anniversary celebrations of the European Trade Commission, and, at the end of April, the Swiss Foreign Minister, *Bundesrat* Spuehler, paid a visit to Austria, during which he discussed problems common to the two countries.

Federal Councillor Spuehler also represented Switzerland at the 40th meeting of the Committee of Ministers of the Council of Europe. He and his colleague Dr. Schaffner attended the EFTA meeting in London at the end of April, the latter having been at the EFTA meeting in Stockholm in early March.

The Vice-President of the Confederation, Federal Councillor Spuehler, will represent Switzerland at the centenary celebrations in Canada; he will also attend the 1st August celebrations of the Swiss Colony at the Montreal World Exhibition. At the funeral of the West German Federal Chancellor, Dr Adenauer, the Swiss Government was represented by a former member, Dr. Max Petitpierre.

* * *

Switzerland signed the international agreement for the peaceful use of space. Israel and the Confederation have signed an agreement to cancel the requirement of visas for journeys of three months or less. The Federal Council have rejected an appeal by the Swedish Communist Nils Andersson who had been expelled on account of subversive political activities.

* * *

At the end of 1966, 1,336 extra-territorial persons lived in the Swiss capital (1965: 1,275), members of foreign diplomatic missions accredited to the Swiss Confederation. There were 88 Embassies and 6 Legations, 65 of which in Berne. The actual number of diplomats totals 454, whilst officials number 431. There were 70 Consulates General, 94 Consulates, 9 Vice-Consulates and 14 Consular Agencies.

At the end of last year, the number of international officials in Switzerland totalled 7,650, of them 1,750 were Swiss. This is an increase of 750 within a year. To this figure must be added about 500 temporary workers. The number of permanent missions and delegations accredited to the Geneva seat of the United Nations has been increased from 67 to 73.

(Mainly by courtesy of Agence Télégraphique Suisse.)