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LETTER FROM SWITZERLAND. THE ECONOMIC SITUATION IN 1939.

It is difficult to judge the year 1939 as a whole. It is a fact that whereas during the first eight months the situation could be considered normal — if one can indeed call 'normal' a period of only relative security, when war scares repeatedly shook the world's confidence and consequently disturbed international markets — the last four months were passed under a war regime. In 1939, therefore, two distinct periods must be considered.

During the first, the economic situation showed a marked improvement and, in the summer Swiss industrial activity was very satisfactory, even excellent, in most branches. It is true that this progress was partly due to the measures taken by public administrations to create the possibility of work and to strengthen national defence. But this was only a side-factor. The world boom had also acted as a stimulant to Swiss export industries and up to the end of August, sales of Swiss products abroad increased in a way which had not been seen for many years. Here are a few figures illustrative of the situation: from January to August, Swiss exports amounted to 908.8 million Swiss francs, against 818.6 millions in the corresponding period of the previous year, which represents an increase of 90 millions. Import figures also increased appreciably, for during those months they rose from 1035.5 million Swiss francs in 1938 to 1167.9 millions in 1939. On the other hand unemployment figures also improved, coming down to an almost normal level, and one may say that in general the economic situation of the country was satisfactory.

Then came the war, and peace-time conditions changed into war-time conditions. Fortunately, Switzerland had prepared against this eventuality and thus was not taken unawares. The measures already anticipated to ensure national supplies were immediately put into execution. Naturally, they struck a heavy blow at the freedom of trade but the nation rose to the occasion and trade gradually improved again.

In September, exports fell to 55.2 million Swiss francs, but in the following months they increased continuously, reaching the sum of 120 millions in December, which is approximately the same as pre-war figures. As for imports, they also fell suddenly during September (98.4 million Swiss francs), but rose again

appreciably, to reach a peak in November with 227.5 million Swiss francs. These statistics prove two points: firstly, that Switzerland is still an interesting client for other countries; secondly, that in spite of the international situation, Switzerland is still at work and thus retains her possibility of exporting the numerous products of superior quality on which her industrial reputation is based.

With a vigilant army at her frontiers to guard her established neutrality, Switzerland is striving to lead as normal an economic life as possible. As a result, the chemical, machine and instrument industries, for example, are working full time. The watch-making industry, of course, has had a severe setback, but far less serious than one might think; the falling-off of exports in this industry during the last four months of 1939, is due entirely to the fact that Swiss watches are exported throughout the whole world and not only to a few countries. The production capacity of the watch-making industry remains intact, however, and there is even an improvement in the export figures of certain articles, as for example in the case of chronographs, which are beginning to acquire a world-wide reputation.

As for the monetary situation, there is absolutely no cause for anxiety, and it may be considered entirely normal. Not the slightest tension has been observed, and the position of the Swiss franc is not threatened in any way. The money reserve of the banks is sufficient to meet the needs of industry and commerce. During the first months of war, so great a discipline has been manifested in regard to Swiss capital that no restrictive measures have been taken. Far from having gone out of the country, capital seems to have come in during these months. From September to December, 1939, a surplus of 347 million francs were imported into Switzerland as against 73.5 millions for the corresponding period of 1938, while the monetary reserve of the National Bank of Switzerland was diminished by only 84 million francs.

Thus, had it not been for the war, from the economic point of view, 1939 would have been a better year than 1938. Moreover, in 1939 all the nation's industrial and commercial energy was centred on Zurich where the Swiss National Exhibition proved a great success. Switzerland is not blind to the difficulties which await the nation in the coming year. In order to guard her neutrality, which is indeed necessary to Europe, Switzerland must keep her army mobilised, and this costs the country 4 to 5 million Swiss francs per day — to which must be added all those other sacrifices made over a number of years for national defence. Moreover, the cost of living will increase, even though measures have been taken to prevent all unjustified rise in prices: the cost of living has already risen from 137 points in August to 142 in December. The nation will not lose courage, however. It seems to have sustained the first repercussions of the war very well and in a way which indicates that the economic life of the country is strong and healthy; the currency remains firm; there are still certain supplies in reserve. And thus life goes on. At the frontiers, the army stands on guard; at the rear, the nation goes on working, producing, buying and exporting. And indeed, the economic vitality of the country will be made manifest at the forthcoming Swiss Industries Fair which, in spite of circumstances, will be held in Basle next March.

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