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SWITZERLAND'S ECONOMIC SITUATION.

1st Half-year 1946.

World events in 1944 and 1945 caused considerable changes in Switzerland's trade relations with foreign markets. With the Curie Agreement, concluded on March 8th between Switzerland and the Allied Nations, a new era in the organisation of this country's economic relations was opened. Since that day, about twenty other trade or payment agreements have been negotiated with various nations. All these agreements are of a type similar to the form of treaty based on the opening of credits. The terms vary according to the situation and needs of the partner State and their duration is from 6 months to 3 years. The national Bank of each State grants the other a credit for a predetermined amount in its national currency, a credit which can be operated only in the corresponding monetary territory, rates of exchange being fixed in the terms of the agreement. Seeing that, at the moment, Switzerland's exports to the partner State are in most cases more considerable than the imports from that same country, the credit is, for the time being, restricted to a loan made by Switzerland to her partner. Any overdraft of the credits must be refunded in gold or free currency. On the other hand, the ceiling of the credits can be raised, provided that the debt is wholly or partially reimbursed in gold. This method of payment tends towards the re-establishment of the multilateral system in international payments and, in this respect, clearly differs from the Clearing system based on the principle of strict compensation. Up to the present, Switzerland has reserved 800 million Swiss francs for the credits provided for in these recent agreements; of this amount, only 300 millions have been employed so far.

It is undeniable that these credits have enabled Switzerland both to lend her assistance in European reconstruction and to revive her foreign trade. During the first six month of the present year, Swiss commerce has developed considerably.

In spite of this, however, present foreign trade volumes still stand at a level one-quarter lower than in the last pre-war year. Imports total 1,632.8 million francs, an increase of 1,347.7 millions as compared with the first six months of 1945. Exports show an aggregate of 1,150.9 millions and have practically doubled within the same period.

Switzerland's Foreign Trade Balance.

1st halfyear	Imports		Exports		Balance		Value of exports in % of value of imports
	in tons	Value in million fr.	in tons	Value in million fr.	+ or - deficit in million fr.		
1938	347,318	781.3	39,045	618.4	-162.9	76.2	
1945	28,748	285.1	6,924	593.5	+308.1	208.1	
1946	251,470	1,632.8	22,643	1,150.9	-481.9	79.5	

Switzerland's source of supply and markets.

	Imports				Exports				
	1st half-year		1st half-year		1st half-year		1st half-year		
	1945	1946	1938	1946	1945	1946	1938	1946	
	in million	in million	in % of total	in million	in million	in million	in % of total	in million	
			iv.	imports		iv.	exports		
Germany	...	43.7	17.5	23.2	1.1	10.4	2.2	15.7	0.2
France	...	40.0	102.1	14.3	9.9	47.4	143.5	9.2	12.5
Italy	...	22.4	93.5	7.3	5.7	1.9	57.0	6.9	4.9
Belgium-Luxembourg	2.6	137.3	4.3	8.4	5.3	90.9	3.2	7.9	
Netherlands	...	0.7	27.5	3.5	1.7	1.5	40.6	4.7	3.5
Great Britain	...	2.1	83.3	5.9	5.1	13.4	20.9	11.2	1.8
Spain	...	19.9	64.6	6.3	4.0	52.6	54.4	0.4	4.7
Portugal	...	3.8	39.6	6.3	2.4	31.5	25.7	0.6	2.5
Sweden	...	10.0	82.0	1.2	5.1	22.1	113.3	3.1	9.8
Czecho-Slovakia*	6.7	77.3	3.6	4.7	1.3*	26.9	3.3	2.3	
Turkey	5.2	27.7	0.4	1.7	8.5	18.7	0.3	1.6	
South Africa (Union)*	0.1	7.1	0.2	0.4	5.1	32.4	1.1	2.8	
British India	...	2.2	10.5	1.4	0.6	26.0	20.7	1.8	1.8
Canada	...	6.6	72.3	1.5	4.4	17.6	16.3	1.1	1.4
United States	...	15.4	258.9	7.8	15.9	173.0	221.2	6.9	19.2
Brazil	...	13.6	35.0	0.7	2.1	31.8	34.3	1.3	3.0
Argentine	...	40.9	139.8	3.6	8.6	49.2	39.4	2.7	3.4

These figures reveal that, at the end of June 1946, Switzerland's commercial exchanges with foreign markets closed with a deficit of 481.9 million francs as against an overplus of 308.1 million francs in the previous year. This change in the situation is not to be wondered at; in fact, it indicates a return to more normal conditions, because Switzerland's trade balance only very rarely shows an overplus of exports. This apparent deficit is compensated by the "invisible exports" such as interest on Swiss capital invested abroad, insurance transactions, the tourist trade, etc.

Since the end of the war, Switzerland's foodstuff and raw material situation has improved. Some arrivals have greatly lightened the task of industry, although conditions cannot yet be considered as entirely normal. There is a shortage of coal, for instance, of certain foodstuffs, rayon, building materials and quite a number of basic products. Swiss exports are increasing. Foreign purchases of silks, which represent the most important export item of the textile industry, have increased considerably. The goods concerned are chiefly artificial silk and staple fibre fabrics exported mostly to Sweden, France and the United States. Sales of St. Gall embroideries, too, have exceeded the results shown for both the first and second half of 1945. The export of woollens, haberdashery and knitted goods are the items which relatively speaking, nevertheless show the greatest advance. Swiss consignments of artificial silk fibres are about half as high as those despatched during the last peace year; silk ribbons stand at a level slightly higher than in 1938. Millinery braids also show a rise as compared with the same period last year and, since 1945, have constantly shown relatively high export figures. Compared with the second half-yearly results for 1945, the footwear industry is also able to show an improvement in exports; nevertheless, this branch still has to account for a 60% regression as compared with peacetime figures.

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In the metal industry, sales of machinery have leapt up; watch exports also have increased, although according to the number of units registered, the figures here are much below the level of the last pre-war year. However, it must be remembered that watch sales, which amounted to 277 million francs during the first half of the present year, represent about one-quarter of the total value of Switzerland's export trade. Instrument and apparatus exports have also increased remarkably and exceed 1938 figures.

In the chemical and pharmaceutical industry exports of aniline and indigo dyes are practically equal to pre-war figures. As compared with 1938 statistics, consignments of medicines and perfumes — taken as a whole — have been much greater this year. Half-yearly reports show that chemicals for industrial uses, which to-day have reached two-thirds of pre-war deliveries, show the most considerable increase.

Among other products exported during the first six months of 1946, mention must be made of potatoes (73,030 tons, value 25 million francs), farm and breeding cattle (3,929 head, 8.1 millions), wooden pre-fabricated hutments (18,040 tons, 14 millions), timber, planks of resinous woods (33,700 tons, 4.4 millions), books (13.4 millions in value). Except for the saw-mill products (planks) these figures are all much higher than for the first half of 1945. Italy was the chief buyer of farm and breeding cattle and potatoes; the wooden hutments and potato seedlings were sent principally to France; both these countries were the most important markets for timber and planks.

Customs revenue reflects this revival of foreign trade; receipts for the first half-year totalled 126 million francs, 100 millions more than for the corresponding period of 1945.

The Swiss Federal Railways have also benefited by this general improvement, despite the heavy increase in road traffic now noted in Switzerland. During the first six months of the year, passenger traffic on the Swiss Federal Railways totalled 103 millions, namely, 2.3 millions more than over the same period last year. Goods traffic rose from 6 to 8 million tons. Passenger traffic receipts are 3.8 millions more than at the end of June, 1945, while goods traffic receipts have risen from 100 to 144 million francs.

The labour market in June still reflected the general manpower shortage now prevailing in Switzerland. Whole-time unemployment registrations at Labour Exchanges reached a new low record at the end of June: 1,039, as compared with 1,193 last year at the same date. Even in these cases, most of the unemployed concerned were only temporarily out of work because they were being drafted from one place of work to another or could no longer be employed within restricted limits. The number of vacancies registered reached an extraordinarily high level.

The rise in cost of living is more or less stabilized. The official cost of living index stood at 151.1 (August 1939=100) at the end of June, 1.4% lower than in June 1945. The foodstuff index rose to 209.05, lighting and heating to 170.0, clothing 258.0 and rents to 177.5. The wholesale price index stood at 198.5 (August 1939=100) and, as compared with June 1945, fell 4.1% during the period under review.

The Swiss hotel trade had to be content with home travel during the war; now it is happy to see the return of a great number of foreign guests. Last May, the tourist traffic was particularly heavy. In May 1945,

6,650 foreigners registered at Swiss hotels; in May 1946, the figure rose to 100,500. This great leap is due to the gradual restoration of the economic and political situation and to the recent international agreements Switzerland has concluded. This trade has also been favoured by the recent resumption of currency exchange with certain countries and also by the greater facilities now granted in regard to Swiss visas and holiday permits.

Swiss National Bank reports show that, technically, the Swiss franc remained extremely sound during the first half of the present year. The note circulation decreased by some 218 million francs, but this was partially compensated by an increase of sight deposits which rose from 1,110 to 1,212 million francs. Total liabilities fell from 4,945 to 4,829 million francs during the January-June period and these are entirely covered by the National Bank's gold and currency holdings. Coverages is even higher now than at the end of 1945 and represents 103% of the liabilities. At the end of June, gold reserves alone covered 99% of the sight deposits and drafts.

To close this brief survey, let us mention that following the Washington Agreement signed on May 25th between Switzerland and an Allied Delegation, Swiss holdings in the United States have been freed and the Black Lists suppressed. Swiss national economy is thus liberated from a heavy burden which weighed on the revival of international trade exchanges between this country and the great democracies of the Western world.

A.C.

(" Swiss Industry and Trade ")

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