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SWISS ECONOMIC NEWS

Recovery of the Swiss Economy

The government official responsible for employment and national economic defence recently published a report comparing the effects of the economic recessions that took place in the periods preceding and following the second world war. He called attention to the gratifying fact that during the last fifteen years, neither the Swiss nor the European economy has experienced a depression capable of leading to a long period of general stagnation such as the terrible slumps of the 20's and 30's. For fifteen years, the periods of intense industrial activity and general prosperity have been followed by the phenomenon of over-expansion, while the periods during which business has slackened have ceased to deteriorate into crises. Since the end of the war, wages in Switzerland have increased on the whole, even during the recent recession; in no sector have they dropped. As the cost of living increased less during the last budgetary period than between 1956 and 1957, effective wages showed a bigger increase in 1958 (2.6% as opposed to 2.3%).

The recovery.

At any rate, the recovery that started at the end of last year became world-wide during the first half of 1959. Admittedly this recovery is slow; but, still according to the same authority, "this moderate rate of expansion dispels any fear that a rapid and too sudden recovery might lead to new inflationary tendencies." Nor are there any grounds for anxiety in a slow recovery, especially as the countries of Europe are not faced with the problem of the reintegration of a large number of unemployed.

Foreign trade statistics show particularly clearly the business recovery that has taken place in Switzerland where trade with other countries is of the utmost importance. From the first half of 1958 to the first half of 1959, imports rose from 3,700 to 3,900 million francs (second half 1958: 3,650 million). Exports amounted to 3,170 million francs in the first half of 1958, whereas during the first half of 1959 Switzerland exported 3,340 million francs' worth of goods (second half 1958: 3,480 million). It is interesting to note that during the second quarter of 1959, Swiss exports to Common Market countries exceeded the figure for the corresponding period of 1958 by 13%.

In spite of the increase in consumption, the index of prices has continued to drop. In June 1958, it amounted to 182.4, falling in May 1959 to 180.1, dropping still further in June 1959 to 179.9.



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The causes of the recovery.

It would seem that the work carried out by the public authorities and the orders placed by them, the allocation of credits to research and to the development of atomic energy, the assistance given to regions undergoing development and the widespread building of houses and roads have helped to offset the recession and contributed greatly to giving new impetus to production and trade. Demand on the consumer market, which proved such a help to the economy during the recession, has grown even greater. The present exhaustion of stocks will lead to new orders.

For the first time since July 1957, unemployment decreased in comparison with the corresponding period of the previous year. The number of unemployed dropped from 1,588 at the end of June 1958 to 1,120 at the end of June 1959. The demand for manpower is increasing in all branches of the economy. As to the number of work permits issued for the first time to foreigners, it rose from 27,450 in June 1958 to 33,012 in June 1959 (May 1959: 34,444).

On the money and capital markets.

The first half of 1959 was marked in particular by a decrease of $\frac{1}{2}\%$ in the Swiss discount rate; since May 15th 1957, it had remained at $2\frac{1}{2}\%$ until reduced to 2% on February 26th, 1959.

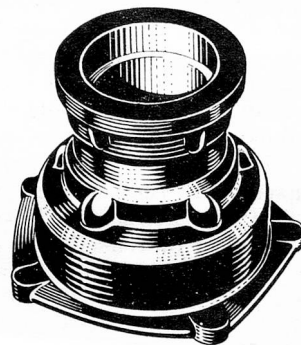
The official periodical "Vie économique" for July 1959 points out that all commitments falling due at the end of the first half were met without difficulty, and that the money market suffered from no shortage of available funds. Long and medium term transactions evolved in an atmosphere of calm; loans were not issued with such frequency as during the second half of 1958. The issues of 3% Government Bonds placed on the capital market during the last weeks of the half year had less success than previous issues. The dividend on the shares issued by electric power stations increased. On the money market, the frequent calling in of funds at sight, undoubtedly mainly in connection with building projects, reflects the new trend. The restoration of the convertibility of currency in numerous countries, undertaken within the framework of O.E.E.C. and G.A.T.T., has resulted in a repatriation of foreign capital which had been placed in Switzerland for safekeeping.

The balance of revenues.

Apart from trade in goods, the balance of revenues covers exports and imports of electricity, the tourist trade, income from capital, insurances concluded with third parties abroad, transit transactions, the transport of goods, international postal traffic and various items such as the earned incomes of foreign wage-earners not spent on Swiss soil, the contribution of foreign governments to the international organisations domiciled in Switzerland, etc. Switzerland's balance of revenues, which showed a deficit of 195 million francs in 1957, boasted a credit of 960 million francs for the last budgetary period.

We note therefore that the Swiss economy has developed in the same way as that of other European countries. The falling off in production and in the receipt of orders recorded in 1958 has stopped; the recovery to which we have called attention naturally varies from one branch to another. But there is a

very definite upward trend; in particular, there is an improvement in two main fields of the Swiss economy: building and foreign trade. It is to be hoped that positive solutions for international collaboration in this sphere will be found and that the formation of the "Little Free Trade Area", to which Switzerland belongs, will also help to simplify the arrangements that will have to be made by the countries adhering to the "European Community".



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