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Rescue comes in the nick of time

SWISS banks are mounting a Sfr 300 million rescue operation to save the country's second largest watchmaking group from bankruptcy, following a disastrous year of heavy losses.

The Biel-based Société Suisse pour l'Industrie Horlogère (SSIH) – which markets the world-famous Omega and Tissot brands – told shareholders in a letter their share capital must be considered as lost, following 1980 deficit totalling Sfr 162 million.

The need for the rescue operation is a further blow to the prestige of the Swiss watch industry. Its share of world sales has fallen from more than half 20 years ago to less than a third, in the face of intense competition from Far Eastern and United States watchmakers.

SSIH general manager Ulrich Doenz told a press conference that high prices and unpopular watch designs had caused the company's turnover to fall by more than 7 per cent to Sfr 614 million last year. He said nearly half the losses were caused by the need to reduce the value of unsold stocks.

Losses also arose from the electronics business into which SSIH had diversified in the last 10 years.

It has already begun selling off these businesses as well as cheap lines of watches, and in future will concentrate on the Omega and Tissot brands.

The banks' rescue package consists of Sfr 100 million to cover written-off stocks and restructuring costs, Sfr 100 million to provide new capital, and a similar amount in credit lines.

SSIH said it would shortly begin co-operation with Switzerland's largest watchmaker, Allgemeine Schweizerische Uhrenindustrie AG (ASUAG) in research, development and certain areas of production.

The package agreed by the six banks most closely associated with SSIH is conditional on other banks agreeing to forego financial claims on the company.

The rescue operation means that some 5,000 jobs will be saved. But it has already been announced that the re-structuring programme will result in 237 redundancies this year in Lausanne and Biel.

SSIH shares – which in the 1970s reached a peak of Sfr 448 – fell from Sfr 35 to Sfr 31 upon announcement of last year's heavy losses.

Adjusting to work trends

LAST year the number of people employed in the secondary sector rose in Switzerland for the first time since 1971. The total of people with jobs in industry, the trades and construction made up 39.7 per cent of the Swiss working population, which came to 3,012,000, or close to the level reached in 1975.

In contrast the share of people in agriculture and forestry declined to 7.3 per cent of the working population, while the number in the service sector remained unchanged at 53 per cent.

The increase in employees in the secondary sector can be attributed mainly to the improved situation in construction as well as the machinery and equipment industry. In actual industrial operations within the meaning of the labour law – ie, permanent plants with at least six employees – the number of workers rose in 1980 by 13,583, although trends differed from industry to industry.

The growth in 1980 did not, however, quite offset the drop in employment in the industrial sector since 1975, which means that a net loss of about 23,000 jobs between 1975 and 1980 still exists. In comparison with the "blood-letting" between 1970 and 1975, when 165,000 jobs were eliminated in industry, the figure of 23,000 is not alarming.

On the other hand, even though the decline in jobs began to level off the industries most hard hit during the recession years continued to suffer the largest losses in employees. Between 1975 and 1980, the number of people employed in the watchmaking industry declined by 10,918, in the apparel and shoe industry by 5,979, and in the textile industry by 4,799.

In contrast, employment in the machinery and equipment industry rose by 4,035 during the same period and in the food products industry by 933. The highest percentage gain in this span of five years was recorded in the rubber products industry.

While the composition of Swiss industry continued to change between 1975 and 1980, little variation in the size of companies took place. Employing 68.8 per cent of the working population in 1980 (1975: 69.7 per cent), small and medium-sized companies continue to dominate the industrial scene in Switzerland. In the Federal Republic of Germany, less than half of the labour force works in small and medium-sized companies.

The predominance in Switzerland of small and medium-sized firms with relatively flexible production structures was one of the principal reasons why the Swiss economy could adjust fairly quickly to the altered business environment.

Joining forces

THE Swiss Association of Gas Industry, Zurich, and Swissgas Co Ltd, St Gall and Zurich, have founded a new company known as Swissgas-Stockage Co Ltd, which specialises in research into methods of storing — mainly underground — natural gas of all kinds with a view to ensuring the country's gas supplies.

Five guests at Comptoir

THE 62nd Comptoir suisse will be held in Lausanne from September 12 to 27. In addition to the traditional sectors of industry, agriculture, craftwork and trade it will be welcoming five official guests of honour.

Algeria, the Philippines and Sri Lanka will be presenting their economy and their artisanal, cultural and tourist wealth. These three trade partners of Switzerland are taking part in the Comptoir suisse for the first time. The other two guests of honour will be the Canton of Berne and the Swiss Army.

It will be interesting to gain an idea of the economic growth of Algeria, whose main wealth lies in its large oil deposits. The economy of the Philippines is still based on agriculture and its by-products, but industry is gaining ground every year. As for Sri Lanka, apart from tea, precious stones and a recently developed tourist trade, it possesses great riches and possibilities of growth.

The Comptoir suisse offers its guests of honour an opportunity of making their countries better known in Switzerland and finding many commercial outlets there.

Consumer prices index down

THE Swiss index of consumer prices declined by 0.2 per cent in April to 113.6 points (September 1977 = 100). The main cause of this reduction – the first since October 1980 – was the slight drop in the prices of food (–1.0 per cent) as well as heating and lighting (–2.2 per cent).

In contrast prices for transportation moved up 0.4 per cent and those for health care 1.1 per cent. The other five categories of products were not newly surveyed. The annual rate of inflation stood at 5.6 per cent in April.

The wholesale price index, which measures the prices of raw materials, semi-finished products and consumer goods, climbed by 0.3 per cent to 163.6 points (1963=100). Domestic goods increased by 0.2 per cent and imported merchandise by 0.5 per cent. In comparison with April 1980, wholesale prices were 4.9 per cent higher, with domestic products rising 5.2 per cent and imported goods 4.1 per cent within a year's time.