Opportunities in Switzerland

By NEIL SMITH
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IN his wonderful little book, "Switzerland for Beginners", George Mikes said:

"One of the best-guarded secrets of the Swiss is that there are really no such people. There are no Swiss. The outside world may be misled by superficial external appearances; the Swiss themselves – for reasons of policy, diplomacy and also because it would be too complicated to explain all this to dense foreigners – refrain from pricking the legend and behave as though they existed. But they do not. As I said above, there are no such people."

My starting position is that not only do the Swiss exist but that there are 16.2 million of them, rather than the 6.3 million usually quoted in reference books.

I base this slightly unorthodox view on the facts of Swiss purchasing power compared with ours. In 1978 (the latest year for which OECD figures are available) Swiss private consumption per capita amounted to $8,420 whereas that in the UK was $3,270.

So Swiss purchasing power then (in 1978) was 2.57 times greater than ours – or 6.3 million Swiss bought as much as over 16 million Britons.

Trade figures are even more complicated than population figures. British customs figures for 1980 show that our exports to Switzerland amounted, in round figures, to £3,000 million. But this figure includes very special items such as gold and precious stones.

Again in round figures real exports probably amounted to about £1,500 million or £238 worth of British goods for every Swiss man, woman and child. This compares with British exports of £83 per head to Germany, £65 per head to France and £33 per head to Italy.

However one looks at it and without playing with any figures, Switzerland is Britain's seventh largest export market. It is a market to be taken seriously.

In 1980 our market share based on Swiss import figures was just over 8 per cent; although final figures for 1981 are not yet available it seems unlikely to be much over 6 per cent.

The German share was 28 per cent – but they had 43 per cent of the import market for capital goods. They are, of course, in a special position but we must try to win some of their share for ourselves. A one per cent increase in our market share would be worth £156 million.

The Swiss rightly pride themselves on having one of the world's most stable economies. This carries the advantage of relatively stable consumer spending and industrial investment, but also means that trends and changes are much less dramatic than in other countries, and therefore less easily identifiable.

But change certainly does take place. Some industries – like watches and textiles – have had change forced upon them.

The watch industry has not yet fully recovered and is still on the look out for suitable diversification; the textile industry is beginning to find its own corner in the market – high quality, good design at a high price.

That trend is typical. Swiss industry will have to keep up its technological and qualitative leadership, with all that implies for investment in new, manpower-saving equipment.

While continuing to give the usual support to all British companies needing help in finding agents, in enquiries about the market, etc, we have in my office tried to identify more precisely the areas which we think are deserving of greater attention.

We think that, in capital goods, opportunities continue to exist for machine tools, medical equipment, security equipment, computers and software, data processing equipment, hyudraulic and pneumatic components and telecommunications equipment.

British exports of capital goods to Switzerland in 1980 were worth Sfr. 570 million, or 5.6 per cent of the market.

With some honourable exceptions British suppliers of capital goods have a good deal of ground to make up, but there is a lot of goodwill towards Britain if only we would deliver the right goods at the right price at the right time.

Swiss trade statistics for the period 1975 to 1980 show that, whereas the British share of the Swiss market has risen from 5 per cent to 8.3 per cent overall, our share of the market for consumer goods (including consumer durables) declined from 6.1 per cent to 4.6 per cent.

An indication of the value and importance of the Swiss consumer goods market is that if we had maintained the share of the market in 1980 which we had in 1975 this would have been worth an additional £70 million in British exports to Switzerland.

In Switzerland we are competing against neighbours with a distinct language advantage. British exporters must, therefore, be prepared to produce brochures and price lists in German and French (possibly also in Italian), if they are to help their agent to be effective.

It will also be necessary to consider smaller volume orders than in other countries. Orders normal in other markets are often too large for the Swiss buyer who will nevertheless expect at least as much care and attention to be given to his order as to that of a much larger customer.

Those exporters willing to take this trouble can do very good business. One leading British dress manufacturer does substantial business in Switzerland on the basis of being able and willing to supply a dozen or so of any one kind at a time.

Another problem for a new entrant to the Swiss market is that however well-known a product may be in Britain it is unlikely that the average Swiss will have heard of it. This applies to consumer goods in particular.

The launching of a product new to the market can be expensive, but many determined exporters have succeeded.

At the annual Swiss Industries Fair in Basle in April 1980 there was, as usual, a British watch, clock and jewellery joint venture stand with over 60 British manufacturers showing there, including one who told me that 70 or 80 percent of his total production of British-made grandfather clocks was exported to Switzerland.

I know that trade fairs are no longer as popular as they used to be; they are expensive and time-consuming. But there some important ones in Switzerland which have become regular international meeting selling places. We and the Department of Trade support several of them each year with joint venture stands with British industry.

I look with some confidence to the future of Anglo-Swiss trade

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Getting a grip on inflation

SWITZERLAND'S economic slowdown will continue throughout 1982 as exports lag in response to the appreciation of the Swiss franc and as domestic consumption declines, the Paris-based organisation for Economic Cooperation and Development reports.

In its annual survey of the Swiss economy, the OECD predicts that Switzerland's gross domestic product will drop 0.8 per cent this year after the 1.9 per cent increase posted in 1981. However, OECD economists see a modest recovery next year with GDP expanding at a 2 per cent rate.

By contrast, the report says efforts to control inflation apparently are succeeding – aided in part by the relative exchange rate value of the Swiss franc, which in effect has forced import prices lower.

The pace of consumer price growth will slow to 4 per cent this year from 6.5 per cent in 1981 and could drop as low as 2.5 per cent by next year.

But the outlook for other areas remains depressed. The report notes that the country's industrial performance will worsen this year, and forecasts industrial output to drop 2.5 per cent compared with last year's flat growth rate. Production, however, will pick up in 1983 when it is forecast to expand 3 per cent.

Part of the reason for the projected downturn is a decline in domestic consumption. The report notes that domestic demand will drop 0.5 per cent this year compared with the 1.3 per cent increase recorded last year.

The OECD foresees a slight increase in demand next year of 0.6 per cent.

Aggravating this consumer slump has been a drop in overall investment, and the OECD cautions that investment will decline "fairly significantly" in Switzerland this year.

However, the report notes that "the scale and duration of the decline in capital investment will probably be limited, so that it might show a positive growth rate in 1983" as demand improves.

Unemployment, meanwhile, will remain low – about 0.5 per cent of the work force – but some working hours might be trimmed.

Referring to the relative strength of the Swiss currency, the OECD notes that the franc's effective exchange rate has firmed at about 5 per cent since the second half of 1982 and blamed the steady appreciation for the erosion of Swiss price competitiveness on the export market.

This firming trend, coupled with the sluggish demand for capital goods on the part of Switzerland's foreign customers – notably France and West Germany – will "probably cause Switzerland's volume of exports and services to stagnate in 1982 and their prices to remain stable," the report says.

Switzerland's overall terms of trade, however, may improve this year as import prices and volume drop. This would enable the current account surplus to reach 3.5 billion dollars from 2.1 billion dollars last year.

Swiss opportunities

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relations. 1981 was not a good year for us – our rate of inflation and the pound were too strong and our industrial and economic performances too weak.

But I believe that during 1982 the Swiss franc is more likely to strengthen than to weaken. This will have some effect on Swiss export prices and possibly on the health of Swiss exporting industries. But it should be of help to those selling to Switzerland.

The Swiss National Bank believes that inflation will be again below 5 per cent by the second half of 1982. Interest rates should then fall with some encouragement to industrial investment.

We in the British Trade Directorate in Zurich will continue our industrial and commercial visiting programme in which we cover over 1,000 Swiss firms and organisations each year.

Much of it will be in support of our usual bread and butter work of advising exporters on the market potential for their products, or helping them to find agents.

But we will also be on the look out for broader possibilities of collaboration between Swiss and British industry since, although there is every reason to hope for and to expect a steady increase in our trade with Switzerland. If we are prepared to work for it, a real expansion – that is, new openings and new ventures – is more likely to come from new investments and new joint activities between Swiss and British industry.

Switzerland is already the second largest investor in the UK after the United States. Even in the present economic climate some Swiss companies have shown sufficient confidence in Britain's future to invest again.

We must also try to attract Swiss sub-contracting work to Britain. Switzerland has an acute labour shortage – we have an over-abundance. The Swiss have to invest and keep ahead of the rest of the world to maintain their high living standards. We can help them.

Whether after reading this short article you accept my premise that there are 16 million Swiss or whether you continue in the old-fashioned belief that there are really only 6.3 million of them, I hope you will agree with me that they represent a very interesting and attractive market well worth serious attention. I and my staff in Zurich will do all we can to help you to find and keep a place in that market.