

**Zeitschrift:** The Swiss observer : the journal of the Federation of Swiss Societies in the UK

**Herausgeber:** Federation of Swiss Societies in the United Kingdom

**Band:** - (1984)

**Heft:** 1811

**Rubrik:** Business world

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# VARIED OUTLOOK FOR SWISS INDUSTRY

THE progressing cyclical upswing in North America and the materialising economic recovery in several other industrial nations has brightened the outlook somewhat for Switzerland's export industry, according to a report by the Union Bank of Switzerland.

In its survey of the outlook for the Swiss economy in 1984 it says, however, that as capital spending programs are generally only realised in the second phase of a recovery process and the external value of the Swiss franc should display a slight overall rise, there is no cause for undue optimism.

This is particularly the case in the machinery industry, whose average order backlog, at 5.7 months, was 0.3 months lower at the end of September 1983 than at the end of June 1983.

Conversely, the outlook for the chemical industry and consumer-orientated sectors such as the food industry and some segments of the textile industry is brighter. In 1984, a small overall increase in the real value of goods exported can again be anticipated for the first time since 1981.

In the case of companies geared mainly to the domestic market, the manufacturers of consumer goods are also likely to display a slightly more favourable business trend than capital goods producers in 1984. Those firms which face extremely tough competition from abroad – such as representatives of the apparel industry – are an exception.

Overall, Swiss industrial output is estimated to be somewhat higher than in 1983. Owing to the fact that personnel rolls in the autumn of 1983 were regarded as being too high by a large percentage of firms surveyed in the machinery, metals and watchmaking industry, this will not necessarily result in a rapid improvement of the situation on the employment market.

Whereas a gradual reduction in the number of employees on a short working week appears probable, there is little likelihood of a significant drop in the total of those fully employed. Thanks to the favourable business trend projected for service companies, the unemployment rate should, however, continue at the very low level by international standards of less than one per cent.

In 1984, spending on plant and equipment by industry and service companies is expected to exceed the 1983 level, if the air-

liners purchased by Swissair in 1983 are not included.

The main considerations determining such capital expenditure are structural adjustments, modernisation of productive apparatus and streamlining of operational work-flows. Extension projects are expected to be generally less common.

Following a 1.6 per cent decline in real terms in 1982 and another slight drop in 1983, construction activity should again show an overall rise. From sector to sector, however, a very mixed trend can be expected.

In 1984, the upturn in residential construction is expected to continue; at the beginning of October 1983, order backlogs in the building industry were nine per cent higher than the previous year's level and, in the first ten months of 1983, the volume of newly granted construction loans was up by 28 per cent.

Stronger investment may also be anticipated in connection with public-sector building. Conversely, construction outlays will diminish in the commercial/industrial field and particularly in the civil engineering sector.

Keen competition will therefore continue to spread across the building trade as a whole. The resulting pressure on construction costs should significantly boost demand in 1984 for home building as well as for commercial/industrial construction. On the other hand, a drop in mortgage rates appears unlikely, at least in the first half of 1984.

Private consumption, which registered surprisingly strong real growth of more than one per cent in 1983 and thus made a major contribution to the stabilisation of the Swiss economy, will probably increase further.

As wages and salaries were only raised marginally owing to the sharp drop in the inflation rate – the Swiss consumer prices

index displayed a 1.8 per cent increase at the end of November 1983 – and the unsatisfactory corporate earnings situation in many cases, private consumer spending is unlikely, at least in the first half of 1984.

Private households will also no longer be able to benefit from a sharp deceleration in the inflation rate during the course of the year. In 1984, consumer prices are estimated to rise by two to 2.5 per cent on an annual average basis.

Despite the strained financial situation of the Federal Government and numerous cantons and municipalities, public consumption will again be subject to above-average growth in the coming year.

In the event of a modest appreciation of the Swiss franc against the US dollar and sustained low inflation expectations, the interest rate level will decline somewhat.

In 1984, the trade balance deficit is projected, amid higher imports and exports, to be on a par with the year-earlier level of roughly Fr. 8 billion. As the surpluses on the balances from tourism and investment income are not expected to fluctuate significantly, the current account balance is estimated to close with a surplus in the region of Fr. 4.5 billion.

In summarising, there appears to be every likelihood that the Swiss economy will return to the path of growth in 1984. With an approximate 1.5 per cent year-to-year rise in the real gross domestic product, the recovery will remain within modest dimensions.

Moreover, a rapid and significant reduction in the jobless rate cannot be anticipated for structural reasons.

The international competitiveness of Swiss companies is again likely to improve, even in the event of a slight appreciation of the Swiss franc, thanks to lower cost increases and impressive flexibility on their part.

## Export increase is key to economic recovery

ACCORDING to the Centre for Research into the Economic Situation, run by the Federal Institute of Technology in Zurich (EPFZ), the recovery of the Swiss economy should continue this year thanks to a slight increase in exports.

An increase in sales abroad may be expected owing to the fact that international trade will increase thanks to the more favourable situation in industrialised countries. An improvement should also occur on the labour market.

The real gross interior product

should increase by about 2 per cent, which seems small; nevertheless Switzerland will be well placed among its European neighbours in this respect.

With regard to employment, the research centre notes that unemployment settled during the summer of 1983 at about 30,000 in terms corrected for seasonal variations.

The number of fully unemployed is expected to be in the neighbourhood of 20,000 at the end of the year.

All forecasts seem to indicate that in 1984 inflation will not remain at the very low levels recorded in October and September 1983 (1.4 per cent).

Swiss Economic News

## Ciba-Geigy boost

SWISS chemical giant Ciba-Geigy has reported total group sales during 1983 of Sfr. 14,730 million - an increase of seven per cent over 1982. Although currency exchange rate factors again had a negative influence, it was not as pronounced as in the preceding year. On the basis of local currencies, sales growth amounted to nine per cent.

The dyestuffs and chemicals division was able to increase its sales in the face of strong competition in some areas. Sales growth in the pharmaceuticals division correspond to world pharmaceutical growth as a whole. Agricultural division's expansion

took place despite the US government's measures to reduce crop acreages. Economic recovery in the majority of industrialised countries, and especially in the US and Asia, boosted sales of the plastics and additives division.

The Airwick Group's performance was influenced by consumer reticence and structural adaptations. Although unfavourable economic conditions in various markets persisted, the Ilford Group achieved an increase in sales.

Ciba-Geigy's annual general meeting is scheduled for Thursday, May 10.

## Hoffmann sales rise 5.7%

WORLDWIDE group sales of Hoffmann-La Roche, Switzerland's second largest pharmaceutical and chemical manufacturer, rose 5.7 per cent to Sfr. 7.5 thousand million last year.

Pharmaceutical products accounted for the bulk of the business, with sales increasing 4.5 per cent to Sfr. 3.142 thousand million.

Sales of vitamins and fine chemicals registered a 9 per cent increase to Sfr. 2.164 thousand million.

## Arms sales fall again

SWISS arms sales in 1983 totalled Sfr. 377.2 million, continuing a decline since 1981 when sales reached Sfr. 500 million.

The bulk of the sales were to Western Europe. Austria took the largest single share buying arms worth Sfr. 71 million.

Nigeria, with purchases of Sfr. 59.3 million, was by far the largest non-European customer.

Swiss law forbids arms sales to areas of conflict or crisis.

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