

The economic impact of the financial sector in Switzerland

Factsheet

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The financial sector remains a crucial industry for the Swiss economy

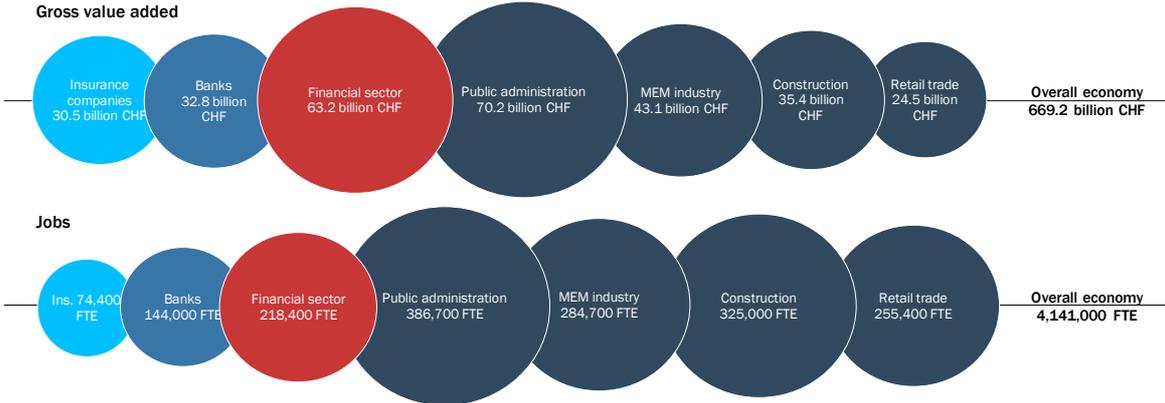
Despite numerous challenges in recent years, the financial sector is one of the most important Swiss sectors. In 2018, every eleventh Swiss franc that added value was derived directly from the financial sector. This added value was generated by the 218,00 employees in banks and insurance companies. Taking into account indirect effects along the entire value chain, about an eighth of Swiss gross domestic product is attributable to financial sector activities. In addition, the financial sector generates tax revenue of 17.6 billion francs.

Traditionally, the financial sector is one of the most important sectors in Switzerland. A key measure of economic performance in a particular industry is added value. This represents the economic added value created by a sector through the production of goods or the provision of services.

By adding value of 63.2 billion CHF in 2018, the financial sector accounted for approximately 9.4 per cent of the Swiss economy as a whole. The financial sector therefore contributed more to the Swiss gross domestic product than the construction industry and the retail trade. Within the financial sector, banks and insurance companies are on a similar level in terms of economic performance. Including indirect and induced value creation effects, added value of as much as 83 billion CHF was attributable to the financial sector (see p.3).

Moreover, the financial sector is still very important as an employer. With 218,000 full-time employees, banks and insurance companies accounted for more than one in every twentieth job in Switzerland in 2018.

Direct economic importance of the financial sector and selected benchmark industries



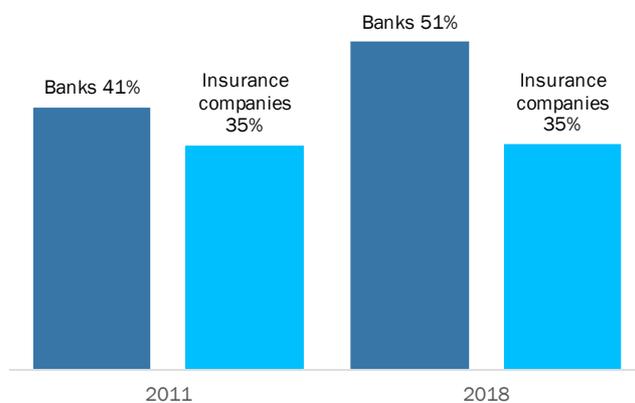
Nominal gross added value in CHF billion, jobs in full time equivalents (FTE)
 Banks and insurance companies including other banking and insurance-related financial services.
 2018
 Source: BFS, BAK Economics

Earnings have rebounded since the financial crisis

Banks went through a pronounced slump in the wake of the financial crisis. The situation stabilised in the following years and earnings of institutions rebounded. Between 2011 and 2018, the bank earnings increased in Switzerland from 59 to 64 billion CHF. Profits have steadily grown since 2014.

Higher earnings figures in an environment of declining prices are a strong indicator that more banking services are being provided for business and the general populace than at the beginning of the decade. Notwithstanding this, real added value only increased slightly during this period. This can be partly explained by the fact that inputs from other industries are being increasingly drawn on in the provision of services. This is duly reflected in the banking sector's higher input ratio. Between 2011 and 2018, this increased from 41 to 51 percent.

Input ratios 2011 and 2018



Input ratio: Ratio of the intermediate inputs in gross production value
Source: BFS, BAK Economics

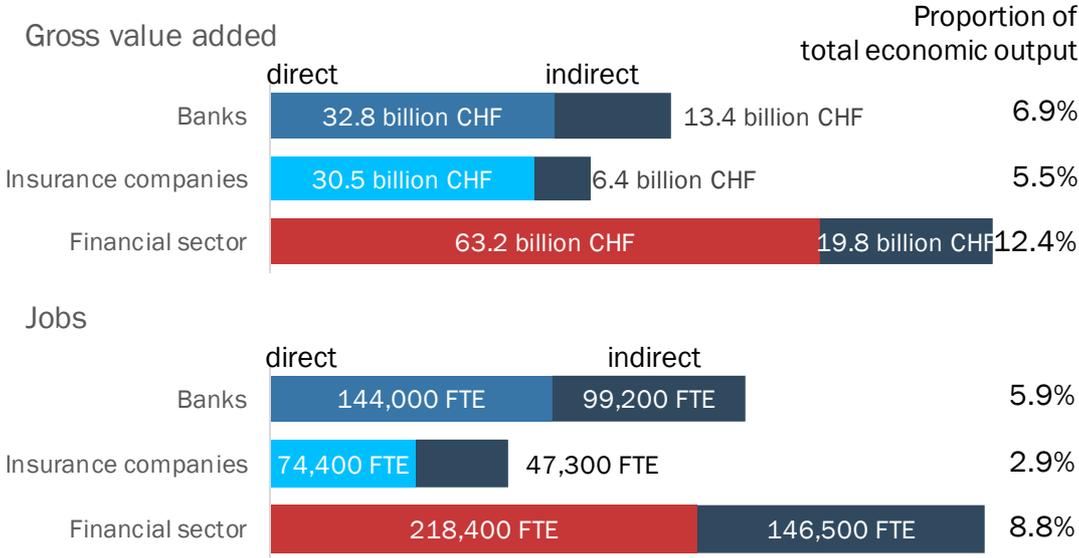
However, the higher input ratio can be attributed to a disintegration within the financial sector where outsourcing to other financial services companies is carried out. Such changes are neutral in terms of the value added by the financial sector as a whole. On the other hand, where outsourcing took place in industries other than the financial sector, there was an industry-wide structural shift, which was reflected (negative in statistical terms) in the value added by banks (and therefore positively impacting the value added by suppliers outside the financial sector).

In the insurance industry, the input ratio remains virtually unchanged. Both real added value and inputs increased steadily and virtually simultaneously. Moreover, premiums of insurance companies saw a significant increase. Between 2011 and 2018, the volume of premiums rose by 13 percent.

Other sectors are buoyed by input demand and consumer spending

The economic importance of an industry invariably results from the momentum that its business activities provides to other areas of the economy. Firstly, demand for intermediate inputs creates positive momentum for companies from other industries along the entire value-added chain. Secondly, trade and industry benefit in particular from the consumer spending of employees. The financial sector created external added value of an estimated 19.8 billion CHF in 2018 through these effects. For each Swiss franc of value added by the financial sector, an additional 30 centimes or so was thus created in companies in other sectors. This was embodied in more than 145,000 full-time positions in the input industries. Taking into account these indirect effects, in 2018 the financial sector accounted for every eight Swiss francs adding value and almost one in every eleventh job in Switzerland.

Direct and indirect economic importance of the financial sector



Nominal gross added value in CHF billion, jobs in full time equivalents (FTE)
 Banks and insurance companies including other banking and insurance-related financial services.
 Proportion of total economic output relates to direct and indirect effects.
 Rounding differences are possible.
 2018
 Source: BAK Economics

The financial sector is an important taxpayer

In 2018, Swiss tax revenue estimated at 17.6 billion CHF was attributable to the economic activity of companies in the financial sector. This was equivalent to 12 per cent of the entire tax revenue of the federal government, cantons and municipalities. Of this amount, 9.3 billion CHF was attributable to taxes on earned income and corporate profits of the financial sector. An additional 8.3 billion CHF was collected by the federal government in the form of taxes on financial market transactions and financial services.

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