

Economic Impact of the Swiss Financial Sector

**Study commissioned by the
Swiss Bankers Association
(SBA) and the Swiss Insurance
Association (SIA)**

Executive Summary

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Executive Summary

The financial sector is one of the most important industries of the Swiss economy. Its more than 222,000 employees generated value added of CHF 70.5 billion in 2019 which was equivalent to 10 percent of the Swiss overall economy. The intermediate demand of the financial sector and the spending of its employees created another 17.6 billion in value added in other industries. The economic activities of the financial sector generated an estimated CHF 19.3 billion in tax revenue in 2019, corresponding to 12.7 percent of all federal, cantonal and municipal tax revenue.

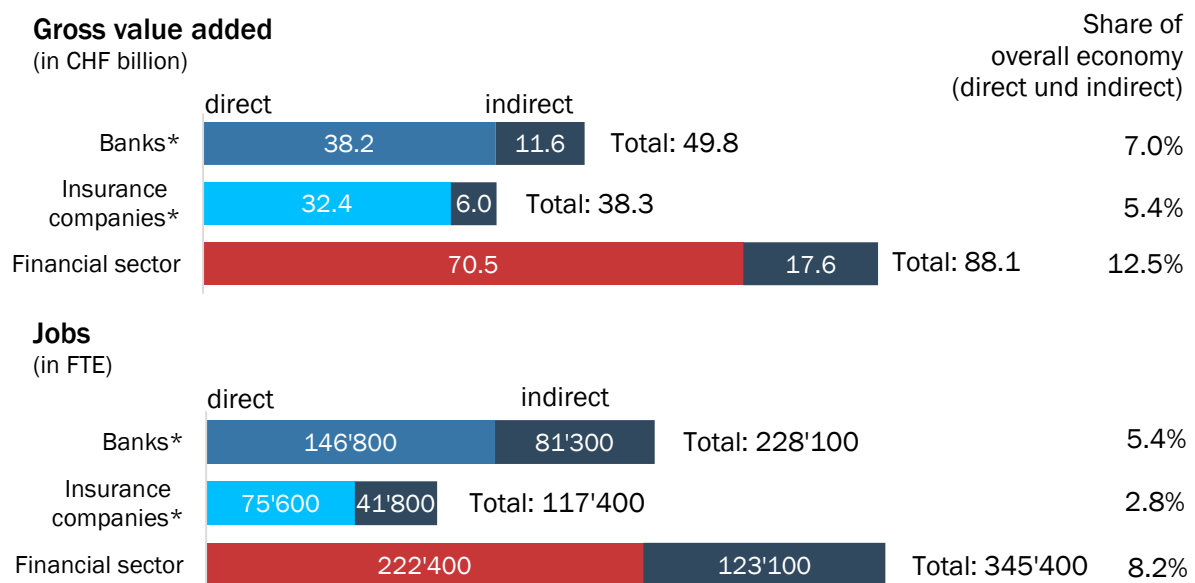
In 2020, due to the Corona Crisis, banks granted Covid-19 credits and thus helped to provide liquidity to companies. The Corona Crisis is likely to cause a decline of value added of the financial sector in 2020. Among other reasons, this is due to the current reluctance to invest of corporations and higher claims payments for insurances. In contrast to many other industries, the financial sector was able maintain its business activities. As a result, the financial sector is expected to be less affected by the crisis than the overall economy. However, due to the challenging business environment, only by 2021 can a modest recovery be expected.

Banks provide liquidity to corporations during the Corona Crisis

Supplying the population and businesses with money is a core function of the banking system and essential for an economy. This also applies during the Corona Crisis. Businesses affected by the crisis were able to apply for Covid-19 credits between 26 March and 31 July 2020 to ensure their liquidity. The banks granted those credits, the federal government guaranteed them completely or partially. In total, CHF 16.9 billion were granted until now within the program. The big banks accounted for 40 percent of this amount, the Cantonal banks for 31 percent.

One in ten value-added Swiss francs is directly generated by the financial sector

Despite the difficulties in recent years, the financial sector still is one of the most important industries of the Swiss economy. Its direct value added of CHF 70.5 billion in 2019 meant that the financial sector accounted for 10 percent of the overall Swiss economic output. With more than 222,000 employees (full-time equivalents, FTE) in 2019, banks and insurances provided more than 1 in 20 jobs in Switzerland. Furthermore, the corporations of the financial sector trigger economic activities in other industries. This is both due to their demand for goods and services of other sectors and the consumption spending of their employees. Such indirect and induced effects accounted for an estimated additional value added of CHF 17.6 billion in 2019, coupled with more than 123,000 jobs (FTE) in other industries. Including these effects, one in eight value added francs and one in twelve jobs in Switzerland were connected to the economic activities of the financial sector.



2019

Nominal gross value added 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

Source: BAK Economics

The financial sector is an important taxpayer

The financial sector contributes significantly to Switzerland's tax revenue. Tax revenue directly or indirectly linked to the financial sector was estimated to a total of CHF 19.3 billion in 2019 which was equivalent to 12.7 percent of all federal, cantonal and municipal tax revenue. Of this amount, around CHF 10.1 billion were taxes on earned income and corporate earnings. About CHF 8.3 billion were collected in form of taxes on financial market transactions and financial services.

Value added by the financial sector estimated to be higher after revision

The National Accounts are a statistical tool to measure the economic output of a country. Its main indicators are the Gross Domestic Product (GDP) and the value added of industries. The value added of an industry is equivalent to the difference between total production and the intermediate consumption used in the production of goods and services.

The Federal Statistical Office regularly revises the National Accounts. The revision in 2020 had a substantial impact on the numbers of the financial sector. Its value added in 2018 is estimated to be more than CHF 6 billion higher after the revision. This is equivalent to a revision of 10 percent. This difference is mainly due to methodical adjustments concerning the business abroad of banks. A larger share of intermediate consumption by banks is now attributed to foreign business units. This means that the domestic value added by banks ends up to be higher. The Swiss big banks, which have a particularly large number of employees abroad, are most affected by this methodological change.

Moderate outlook for the financial sector

The financial sector is less affected by the Corona Crisis than many other industries. Its corporations were able to keep their operations running. However, insurances face higher claims payments due to the crisis. Even though banks benefited from increased trading activities in spring, they are negatively affected by the current reluctance to invest of most companies and losses in the value of assets under management. Hence, the financial sector's value added is expected to decline in 2020. In addition, it is likely that interest rates will continue to stay low due to the Corona Crisis. The modest recovery of the economy in 2021 compared to the sharp decrease in 2020 and possible losses in the credit portfolio will also have a dampening effect on growth in the financial sector. Thus, the financial sector's growth in 2021 is expected to be only modest.

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