

# Economic Impact of the Swiss Financial Sector

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

Executive Summary 2023



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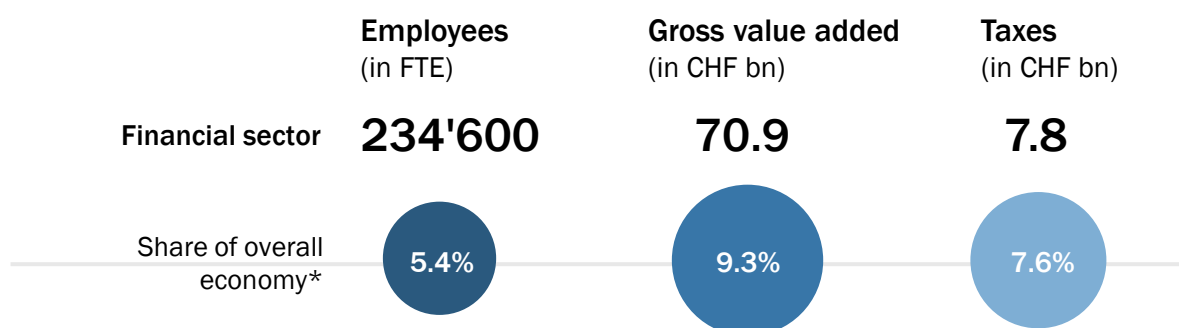
# Executive Summary

The financial sector provides numerous financial services that are essential for a functioning economy (e.g. money supply, risk protection). Along the entire value chain, a gross value added of CHF 101.1 bn was generated in 2022 (directly and indirectly) and 448'200 employees (FTE) were associated with the financial sector. The financial sector also fulfils important economic functions through its activities in the real estate sector. Mortgage lending enables households to buy property. In addition, investments in real estate as part of occupational and private pension provision benefits society and the economy in the form of higher pension assets and residential and commercial property. These are the key findings of the new study conducted by BAK Economics commissioned by the Swiss Bankers Association SBA and the Swiss Insurance Association SIA.

## The financial sector is a cornerstone of the Swiss economy

Financial sector companies are vital to an economy because, among other things, they ensure payment transactions, enable a more efficient allocation of capital and reduce the financial and personal risks of companies and individuals. By providing such financial services, the 234'600 employees (FTE) working for companies in the financial sector generated a direct gross value added of CHF 70.9 bn in 2022, i.e. 5.4 per cent of the employees (FTE) in Switzerland were directly attributable to the financial sector. In terms of gross value added, the share of the economy is significantly higher at 9.3 per cent, due to above-average productivity. The income of employees and the profits of companies in the financial sector are taxed. This generated substantial tax revenues of CHF 7.8 bn for the Confederation, cantons and municipalities in 2022. This corresponds to 7.6 per cent of the tax revenue in Switzerland generated by direct taxation of individuals and legal entities.

## The direct economic effects of the financial sector in 2022



\*refers in the case of taxes to the share of direct taxes of individuals and legal entities.  
Source: BAK Economics

## The financial sector also stimulates economic activity in other sectors

In addition to the provision of financial services and their infrastructure function, financial sector companies are also important as stimulators for other sectors because of their economic interdependence. Through the demand for intermediate goods and services, for example IT or consulting services, they trigger impulses in sectors outside the financial sector. In addition, financial sector employees contribute to gross value added in trade and commerce through their consumer spending. Taking these effects into account, the financial sector generated a gross value of CHF 101.1 bn in 2022 and 448'200 employees (FTE) in the Swiss economy were directly or indirectly attributable to the activities of the financial sector. The Confederation, cantons and municipalities benefited in the form of fiscal revenues amounting to CHF 18 bn or around 12 per cent of public sector fiscal revenues. The fiscal income is the result of the direct taxes related to value added effects and financial market-related taxes.

### The direct and indirect economic effects of the financial sector in 2022

	Direct	Indirect	Total	Overall economy	Share direct	Share total
<b>Employees</b> (in FTE)	234'600	213'600	448'200	4'344'800	5.4%	10.3%
<b>Gross value added</b> (in CHF bn)	70.9	30.2	101.1	760.2	9.3%	13.3%
<b>Taxes*</b> (in CHF bn)	7.8	10.2	18.0	153.8	7.6%	11.7%

Share direct of overall economy refers to the direct effects. Share total of overall economy refers to the sum of direct and indirect effects.

Direct and indirect taxes are set in relation to the total fiscal revenues of the Confederation, cantons and municipalities.

\*The indirect effects of taxes are inclusive of financial market-related taxes.

Source: BAK Economics

## The financial sector with important activities in the real estate sector

The financial sector plays several roles in the real estate sector. By providing mortgages, banks, insurance companies and pension funds enable households to buy property that would often be unaffordable without a mortgage loan. Unlike insurance companies and pension funds, lending is a core business for banks, which account for 95 per cent of the market volume<sup>1</sup> (2022: CHF 1'209 bn).

Pension funds, insurance companies and banks are not only financial intermediaries but also property owners and act as landlords of residential and commercial property on the market. This is particularly true of pension funds and life insurance companies. In 2022, 15.3 per cent of these properties, by market value<sup>2</sup>, will be owned by financial sector companies, of which 14.2 per cent will be owned by pension funds and life insurance companies alone. Both the resulting rental income and the interest income from the mortgages make an important contribution to meeting payment obligations to customers.

The real estate investments made by pension funds, insurance companies and banks as part of the management of pension assets benefit society and the economy in the form of higher pension assets and residential and commercial property.

<sup>1</sup> Sources: BAK Economics, FINMA, FSO Pension funds statistics, SNB

<sup>2</sup> Sources: BAK Economics, FINMA, FSO Pension funds statistics, SNB, Wüest Partner

## Outlook: Contrary developments within the financial sector

Overall economic growth is expected to be subdued this year (+0.5%) due to the restrictive monetary policy and the weak external environment. Although the negative factors are expected to ease in 2024, economic growth will remain moderate (+1.0%).

Banks will benefit from the interest rate increase by the Swiss national bank this year. Real gross value added excludes the nominal increase in the interest margin. In addition, real exports of services and assets under management are expected to decline, so that real value added is expected to decline in 2023 (-3.4%), followed by an opposite effect in 2024 (+4.0%). The integration of Credit Suisse into UBS will have a visible impact on the number of employees (in FTE) from next year onwards (2024: -0.8%, Ø2025-2028: -0.6%).

Insurance companies are currently operating in a «hard market» where low supply meets high demand. Insurance companies are benefiting from rising premium volumes and are proving to be a stable growth driver (2023: +3.3%, 2024: +3.0%).



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BAK Economics AG (BAK) is an independent Swiss economic research and consulting institute. Founded as a spin-off of the University of Basel, BAK has stood for the combination of scientifically based empirical analysis and its practical implementation since 1980.

One of BAK's research focuses is economic analyses of the sectors of the Swiss economy. For these, BAK has developed a broad set of analysis and modeling tools, including Economic Footprint analyses.

In addition to classical economic research, BAK also offers various economic consulting services for companies. The broad model and analysis infrastructure serves as a starting point for in-depth analyses of company-specific issues and the development of solutions in the area of planning and strategy development.

BAK has offices in Basel, Bern, Lugano