

Swiss financial sector remains an important pillar of the economy

Basel, October 26, 2016 – The Swiss financial sector is performing well in the current challenging market environment. Digitalisation of the sector requires substantial investment from companies. At the same time, low interest rates, persistent pressure on margins and the cost of necessary regulatory adjustments are squeezing profitability. Despite this, the financial sector has still been able to expand its economic output this year moderately, meaning that it remains a central pillar of the Swiss economy. In 2015, related economic activities, including direct and indirect effects, accounted for a gross value added of around CHF 80 billion and around 400,000 full-time equivalent jobs. This is shown by the results of the economic impact analysis drawn up by BAKBASEL, commissioned by the Swiss Bankers Association (SBA) and the Swiss Insurance Association (SIA).

The Swiss financial sector is one of the most important sectors of the Swiss economy. Every tenth Swiss franc is generated directly in the financial sector. Within the Canton of Zurich, it accounts for almost every fifth Swiss franc. These are very high figures by international comparison.

Effective value added effect of the financial sector

2015; rounding off differences possible / Source: BAKBASEL

The analysis shows that other sectors in Switzerland profit substantially from the activities of banks, insurers and other financial services companies. Demand for advance performances from other sectors leads to indirect value added effects, inter alia amongst consultancy companies, fintech, IT service providers and audit firms, to mention just a few.

Every tenth job in Switzerland linked to activities in the financial sector

Model calculations performed by BAKBASEL show that in the year 2015 the total economic activities of the financial sector generated a value added of CHF 80.3 billion. This corresponds to 12.9 percent of total economic output. 10 percent (400,000 full-time equivalents) of all jobs in Switzerland are linked to this. The federal government, cantons and municipalities also benefit here in the form of tax revenues amounting to around CHF 19.8 billion. By comparison: this

corresponds to 14.6 percent of total fiscal revenues of the federal government, cantons and municipalities, or a very large proportion of total government expenditure on social welfare (CHF 22.0 billion).

Digitalisation demands substantial investment and facilitates wide-ranging opportunities

Even if the two financial crises have had a major impact on its performance in the recent past, the financial sector still grew significantly more strongly over the past 20 years than the economy as a whole. While the overall economy in the year 2015 was about 41 percent bigger than it had been 20 years previously, the financial sector expanded by about 86 percent over the same period.

Currently, the business environment for banks and insurers is challenging. There is enormous pressure on margins, and this is being further reinforced by increasingly intense competition. In addition, implementation of new regulatory requirements is incurring adjustment costs. All these factors are squeezing corporate returns. At the same time, companies are under pressure to invest considerable sums in new technologies.

Increasing innovative pressure is resulting inter alia from the need to respond to emerging competition from the fintech segment, as well as the new opportunities that technological innovations present, including new business models and process improvements. BAKBASEL is not expecting a major disruption of established players by fintech companies.

Despite challenging business environment, moderate expansion in 2016

Notwithstanding the technology-driven structural shift and the challenging market environment, the financial sector expanded moderately in the current year 2016 and will continue to make a significant contribution towards economic prosperity in Switzerland in the years to come.

In the medium and longer term, continued digitalisation of the sector will boost efficiency and productivity, and will lead to higher corporate earnings. In respect of the coming ten years, the long-term growth potential of the financial sector as a whole is expected to be around 2 percent.

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