Executive Summary

The financial sector as a driving force behind the Swiss economy

It is very hard to imagine a modern national economy without a financial sector. Without functioning banks the supply of money would collapse; without insurance companies, damage or loss would become devastating threats. Economic activity would be virtually impossible. The financial sector and its services are also crucial to the sphere of social care and provisions. The sector offers customers – private customers, firms and institutions – a wide range of products that facilitate successful economic management. A smooth-running financial sector is therefore an essential requirement for a prospering national economy.

The financial sector's infrastructure function is an important pillar of the economy and essential for the efficient performance of many businesses. At 62 bn CHF, the financial sector itself makes an important contribution to gross value added, with every ninth Franc of value added in Switzerland being made in the financial sector. In order to achieve this, the financial sector employs 261,000 persons. With 34 bn CHF, banks (including bank-related services such as stock markets, for example) generated the largest share of value added in the financial sector. However, insurance companies (including insurance-related services such as insurance brokers, for example) are close behind with just under 28 bn CHF of value added. The financial sector in Switzerland is therefore highly diversified.

As a consequence of economic interdependence, Swiss companies in other sectors derive considerable benefit from the success of banks, insurance companies and other financial service providers. On the one hand, the demand for input from other sectors leads to indirect value added effects and, on the other hand, the wage income of the employees also benefits other areas of the Swiss economy because of their private consumption.

Calculations using an input-output model show that in 2012 a total value added of 86 bn CHF resulted from the economic activity of the financial sector. That corresponds to around 15 percent of the gross value added of the economy as a whole. Around 11 percent (526,000 employed persons) of the total remunerative employment in Switzerland is associated with this. The Federal Government, cantons and municipalities benefit from substantial tax revenue. For 2012, tax revenue was estimated at around 17 bn CHF, taking into account financial transaction taxes (balance withholding tax, stamp duty) and value added tax on financial services. This corresponds to approximately 13 percent of the total fiscal revenue of the Federal Government, cantons and municipalities.

Recent past characterised by structural change

The two financial crises of the new millennium – the dotcom bubble (2000-2002) and the financial and debt crisis (2008 -) can clearly be seen in the development of value added in the financial sector thus far. The financial sub-sectors were each affected by these crises to different extents. While the value added of insurance companies and banks decreased significantly during the first crisis, insurance developed significantly more stably during the most recent financial crisis than the banks and other financial service providers. In the case of insurance companies, the first crisis had already triggered a structural change at the beginning of the new millennium, with reorganisation of business strategies and outsourcing, from which the sector emerged stronger. For the banks, structural change of this kind only began after the financial and debt crisis and is currently well under way.

Major growth driver during the past 20 years

During the past 20 years, the financial sector was also one of the most significant sectors of the Swiss national economy with regard to performance. Around 18 percent of growth in the economy as a whole was generated in the financial sector. Only the (wholesale and retail) trade were able to outdo the financial sector as growth drivers.

Healthy prospects for the Swiss financial sector

The banking sector has been in the process of restructuring and reorganisation since the financial and debt crisis. The banks can indeed benefit from the general upturn in the economy since mid-2013 with clearly increasing value added growth, but the number of employed will still continue to fall. In the medium term, there will probably be a strong recovery in the value added growth of the banks, with rates of growth that are above the long-term trend. In the long term, the banks will be able to reap the fruits of restructuring, as a result of which their potential growth path (around 2% p.a.) will again turn out to be more dynamic than that of the economy as a whole (1.7% p.a.).

Insurance companies are also expanding more rapidly than the overall economic average. In the short term, the greatest stimuli for growth are expected to come from the reinsurance sector, while life insurance companies and pension funds will suffer more under the low interest rates with correspondingly slower expansion. In the long term, life insurers may also tap new potential for growth, for example in the longevity risk financing sector. Insurance companies are expanding by 2.1 percent every year overall.

The long-term growth potential of the entire financial sector is around 2 percent. The financial sector is therefore expanding more rapidly than the economy as a whole. However, the growth rates of the 1990s or the pre-crisis boom phase can no longer be achieved.