

INTERNATIONAL MONETARY FUND



Staff Country Reports

April 1996

IMF Staff Country Report No. 96/31

Switzerland—Recent Economic Developments

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INTERNATIONAL MONETARY FUND

SWITZERLAND

Recent Economic Developments

Prepared by a Staff Team 1/

Approved by the European I Department

February 5, 1996

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Switzerland: Basic Data

Area and population

Total area	41,293 square kilometers
Total population (1994)	7.0 million
GNP per capita (1994)	\$37,702

	1992	1993	1994	1995 1/	1996 1/
<u>(Percentage changes at 1980 prices)</u>					
<u>Demand and supply</u>					
Private consumption	-0.2	-0.6	1.0	0.5	1.3
Public consumption	-0.1	-1.2	0.8	--	-0.6
Gross fixed investment	-5.0	-2.5	5.9	4.8	2.4
Construction	-2.3	-1.8	3.2	-1.0	-1.0
Machinery and equipment	-9.6	-3.7	11.0	15.0	7.5
Total domestic demand	-3.3	-1.8	3.8	2.2	1.3
Exports of goods and nonfactor services	3.4	1.6	3.3	3.1	4.5
Imports of goods and nonfactor services	-3.8	-0.8	9.0	6.0	4.3
Foreign balance 2/	3.1	1.1	-2.6	-1.6	-0.2
GDP	-0.3	-0.8	1.2	0.7	1.2
GNP	-0.7	-0.5	0.7	0.7	0.9
<u>(In millions, unless otherwise indicated)</u>					
<u>Employment and unemployment</u>					
Employment	3.80	3.78	3.77	3.78	3.80
(Percent change)	-1.6	-0.6	-0.3	0.3	0.5
Unemployed (registered)	0.09	0.16	0.17	0.15	0.16
Unemployment rate	2.5	4.5	4.7	4.2	4.3
Standardized unemployment rate	2.9	3.7	3.8	3.3	...
<u>(Percentage changes, unless otherwise indicated)</u>					
<u>Prices and incomes</u>					
GDP deflator	2.6	2.0	1.4	1.3	1.1
Consumer price index	4.0	3.3	0.9	1.9	0.9
Unit labor costs (total economy)	3.7	1.9	0.0	1.1	1.0
Real disposable income 3/	-0.5	-1.9	-0.4	-0.9	0.3
Personal saving ratio	12.7	11.5	10.3	9.1	8.2
<u>(In billion SwF, unless otherwise indicated)</u>					
<u>Public finances</u>					
Central Government					
Financial balance (cash basis)	-2.9	-7.8	-5.1	-3.8	-4.3
(In percent of GDP)	-0.8	-2.3	-1.4	-1.1	-1.2
Gross debt	55.3	67.9	75.3	78.3	81.8
(In percent of GDP)	16.3	19.8	21.4	21.8	22.3
General Government					
Financial balance	-11.8	-13.3	-10.4	-8.8	-8.0
(In percent of GDP)	-3.5	-3.9	-3.0	-2.4	-2.2
Gross debt	129.8	150.3	165.0	173.1	180.0
(In percent of GDP)	38.3	43.9	46.9	48.2	49.0

1/ Staff projections.

2/ Change as percent of previous year's GDP.

3/ Deflated by the national accounts deflator for private consumption.

Switzerland: Basic Data (continued)

	1992	1993	1994	1995 1/	1996 1/
(In billions of Swf, unless otherwise indicated)					
Balance of payments					
Trade balance	-1.4	2.4	2.2	1.1	1.3
Services balance	26.8	30.4	27.7	26.8	26.6
Net private transfers	-3.3	-3.3	-3.3	-3.5	-3.7
Net official transfers	-0.8	-0.9	-1.5	-1.1	-1.1
Current account	21.3	28.7	25.1	23.4	23.2
(In percent of GDP)	6.3	8.4	7.1	6.5	6.3
Foreign direct investment	-7.4	-13.1	-10.4	...	...
Outward	8.0	12.9	14.4	...	...
Inward	0.6	0	4.0	...	...
Portfolio investment	-8.6	-26.4	-21.8	...	...
Outward	13.6	44.8	23.0	...	...
Inward	5.0	18.5	1.2	...	...
Banking sector, net	-8.7	14.1	14.9	...	...
Memorandum items:					
Net investment income	19.2	20.7	18.5	19.8	21.1
(In percent of GDP)	5.7	6.0	5.3	5.5	5.7
Net external assets	342.4	362.7	360.0	360.0	383.2
(In percent of GDP)	101.1	105.8	102.3	100.3	104.3
(Percentage changes in annual averages)					
Monetary data					
Central bank money	-0.9	1.7	1.8	0.2 2/	...
Money (M1)	2.0	10.5	5.6	4.1 2/	...
Broad money (M3)	2.1	3.9	5.1	2.4 2/	...
(Period averages in percent)					
Interest rates					
Three month deposit rate	5.5	3.5	3.6	2.5 3/	...
Yield on government bonds	5.5	4.0	5.2	4.6 3/	...
(Levels)					
Exchange rates					
Swf per US\$ (end of period)	1.46	1.48	1.31	1.16	...
Swf per US\$ (annual average)	1.41	1.48	1.37	1.18	...
Nominal effective rate (1990=100)	96.6	99.8	106.3	116.4 4/	...
Real effective rate (1990=100)	98.4	101.4	106.1	114.0 5/	...

Source: International Monetary Fund, World Economic Outlook database.

1/ Staff projections unless otherwise noted.

2/ First nine months compared with same period a year ago.

3/ Average January-November.

4/ November 1995.

5/ September 1995.

I. Overview

The Swiss economy is in the third year of an economic recovery. Over the past year output growth has remained very weak, however, in part due to the contractionary impact of further exchange rate appreciation of the Swiss franc, and employment growth has been minimal. There was a temporary rise in consumer price inflation due to the introduction of a value added tax, but on the whole inflationary pressures have remained subdued, aided by lower import prices and continued wage moderation. The balance of payments has again shown a strong surplus on the current account, partly resulting from increased net investment income.

Official policies have sought to support the recovery, while at the same time continuing the process of fiscal consolidation and structural reforms. Monetary policy has been eased progressively during 1995, as reflected in lower short term interest rates, but the growth rate of base money has remained significantly below its medium-term targeted path. Meanwhile, the fiscal position has strengthened for a second year in a row, despite the weak economic recovery. However, the improvement was not sufficient to prevent a further rise in the public debt/GDP ratio.

II. The Real Sector

1. Gross domestic product

In the early nineties Switzerland experienced an unusually long (but rather shallow) recession which bottomed out in the middle of 1993 (Chart II-1). Since then the economy has returned to positive growth, with the main impulses coming from commodity exports and private investment (including renewed stockbuilding). The recovery has been hesitant, however, in large measure due to sharp exchange rate appreciation which depressed tourism and induced many producers to switch from domestic to foreign suppliers of intermediate inputs. Indeed, the most recent national accounts revisions point to modest real GDP growth of 1.2 percent in 1994, which is considerably below earlier official estimates and compares unfavorably with growth in other OECD countries.

After three years of declining investment there was renewed growth in gross capital formation of close to 6 percent in 1994, reflecting improved business confidence deriving mainly from growing export orders. Investment in machinery and equipment, in particular, was the sole component of domestic demand to grow strongly (11 percent), while construction increased more moderately (Chart II-2). By contrast, volume growth in both private and public consumption remained modest, reflecting consumer unease associated with further declines in real disposable incomes and government efforts at fiscal retrenchment. The contribution to growth of the foreign balance was substantially negative as import volume increased sharply, reflecting the investment boom and falling import prices in domestic currency terms, while commodity exports increased more moderately and

services exports actually declined mainly due to the effects of exchange rate appreciation on tourism receipts.

The recovery continued at a moderate pace in the early months of 1995, but slackened considerably as the year progressed and preliminary quarterly estimates indicated stagnation by the third quarter. 1/ Commodity exports and enterprise investments were again the main growth components, while consumption remained subdued and construction actually declined. 2/ Higher prices deriving from the introduction of a value-added-tax, coupled with increased contribution rates for unemployment insurance and higher taxation at municipal and cantonal levels, further depressed household disposable incomes. At the same time, exchange rate movements weakened competitiveness of Swiss exporters and led to a disproportionate rise in imports. Consequently, it is estimated that the foreign sector's net contribution was again substantially negative in 1995 and that real GDP growth did not exceed 1 percent for the year as a whole.

The prospects for 1996, and beyond, are highly conditional on cyclical developments in neighboring countries and future exchange rate movements. Growth of domestic demand components will remain subdued in 1996; while private consumption may pick up somewhat, as real disposable household income increases (for the first time in five years) and the savings ratio declines further, enterprise investment is likely to slow down considerably. Export growth can be expected to accelerate moderately in 1996, assuming stronger growth in OECD countries and no further exchange rate appreciation of the Swiss franc. With the external sector's contribution turning from sharply negative to near neutral, it is anticipated that real GDP growth will strengthen to perhaps 1 1/4 to 1 1/2 percent.

2. Employment and unemployment

The unemployment rate, which had remained around 1 percent or less throughout the eighties, rose sharply in the early nineties to reach a peak of 5.2 percent in January/February of 1994 (Table A6). While the recession had undoubtedly a negative impact on the demand for labor, a number of other factors on the supply side contributed to this development. The female labor market participation rate continued on its upward trend and a sizable number of foreign workers, including asylum seekers, have obtained permanent resident status. Also, behavioral changes, partly induced by the increasing

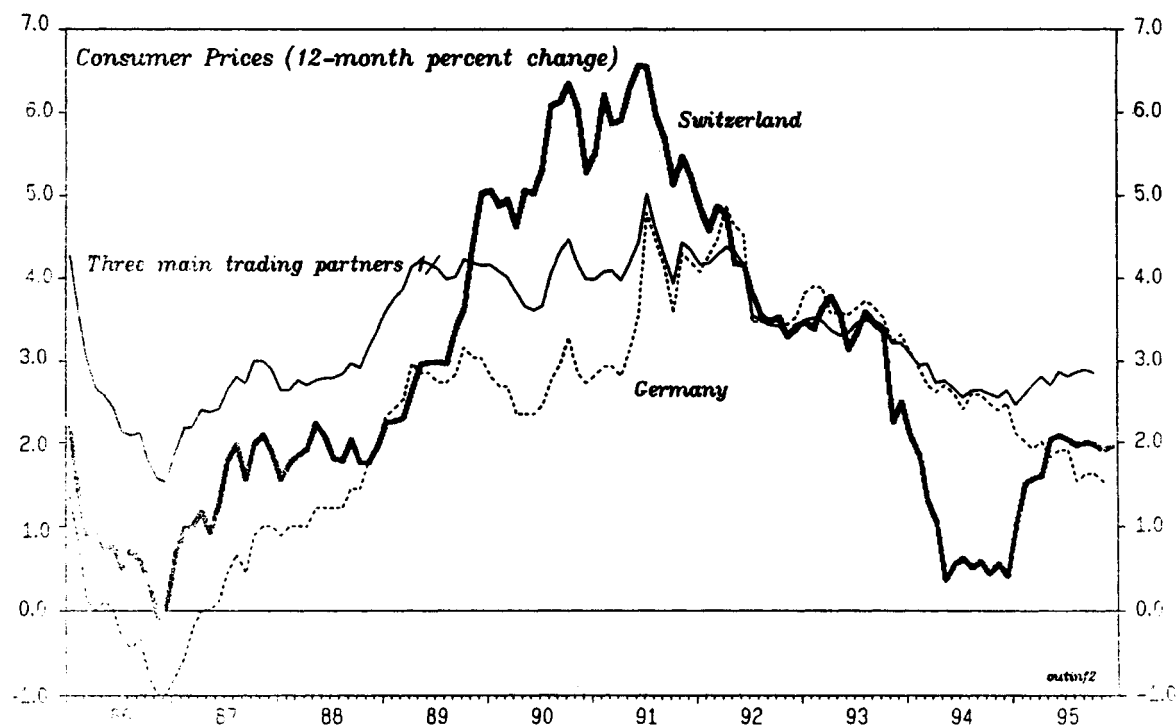
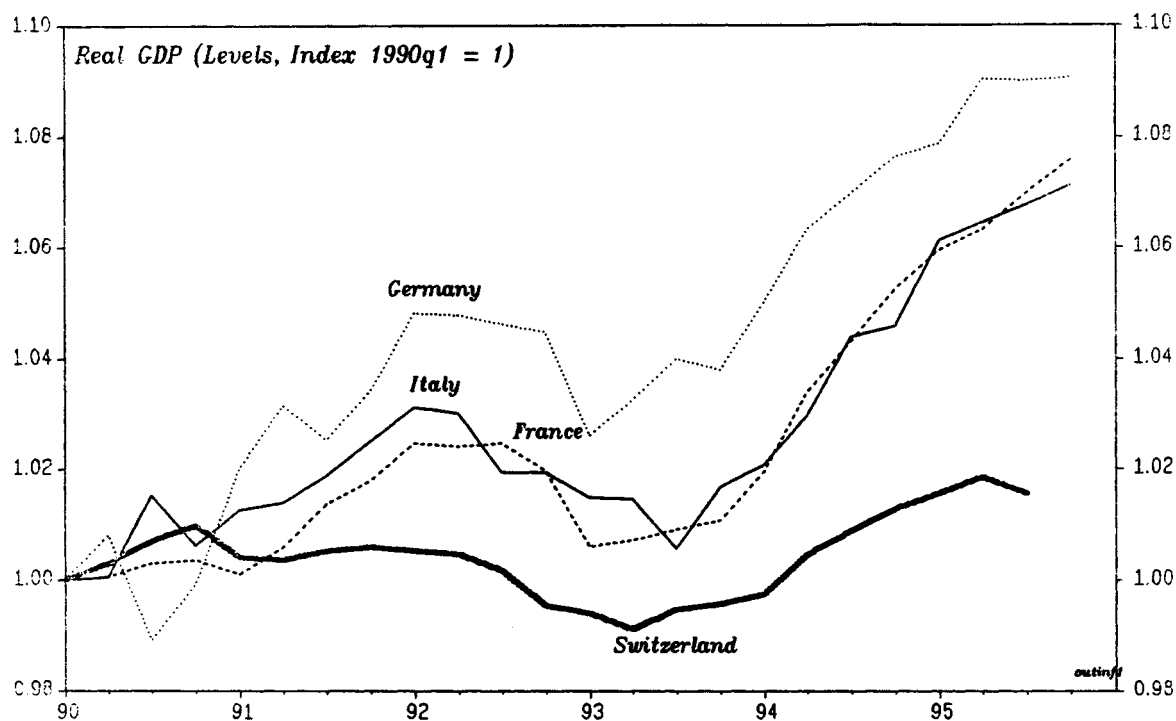
1/ Year-on-year growth of real GDP is estimated to have decelerated from 1.8 percent in the first quarter of 1995, to 1.4 percent in the second, and 0.7 percent in the third.

2/ Investment in machinery and equipment was also boosted by an ongoing Swissair program to replenish its fleet and by a drop in the cost of capital resulting from lower import prices and from the replacement of the old turnover tax, which used to be levied on investment goods, with the new VAT.

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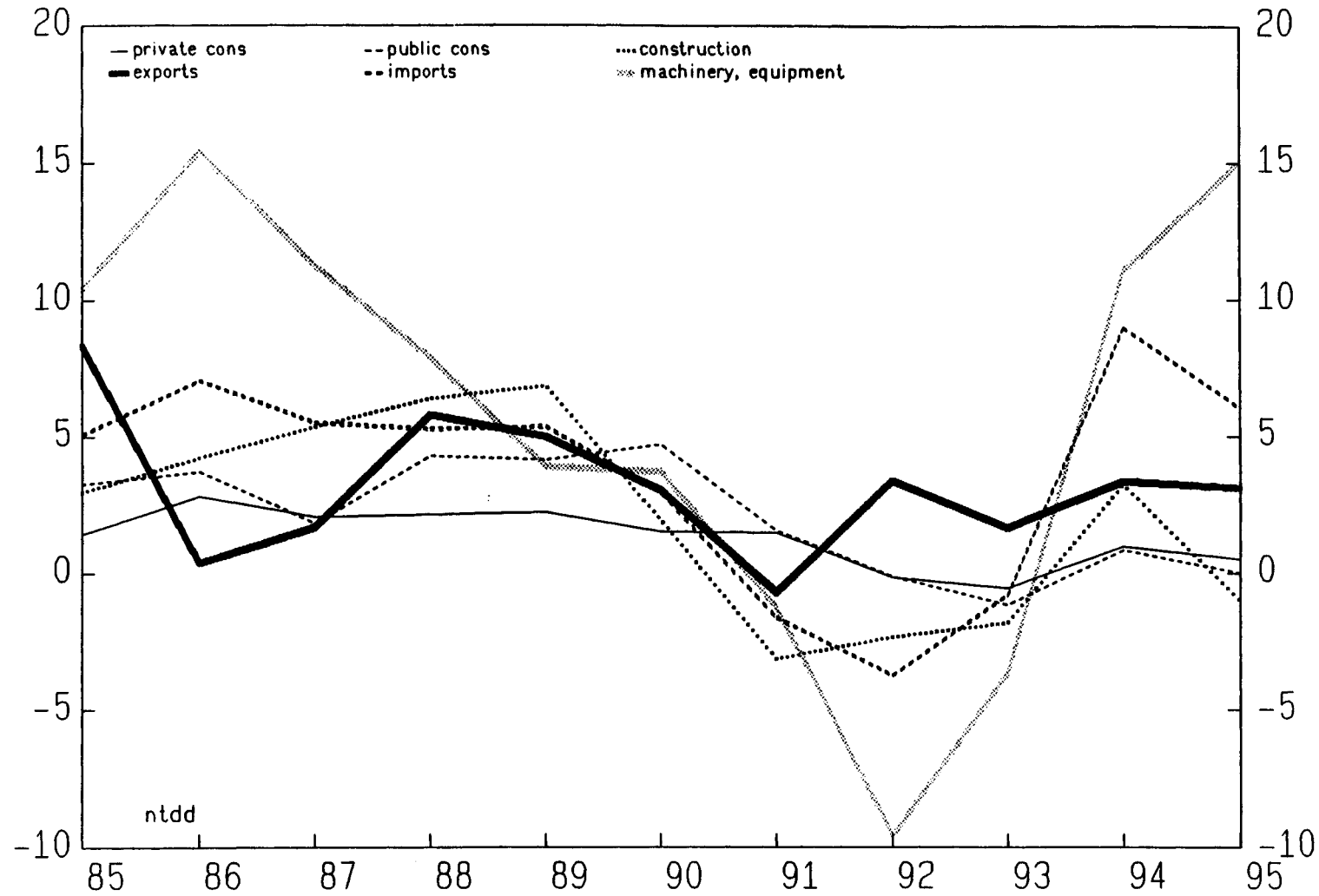
CHART II-1
Switzerland

Output and Inflation



Sources: IMF World Economic Outlook, and Swiss Institute for Business Cycle Research.
1/ Germany, France, Italy.

CHART II-2
Switzerland
Aggregate Demand Components
(annual percentage change, volumes)



Source: IMF, World Economic Outlook.

generosity of the unemployment benefit system, have led a growing number of persons to register as unemployed. 1/

Over the past two years registered unemployment has tended to decline to about 4 percent of the labor force in the autumn of 1995 (Chart II-3), while the OECD standardized unemployment rate fell by about half a percentage point to 3.3 percent over the same period. In combination with little change in the overall employment index, this suggests that a significant number of people have left the labor force, e.g., as benefits have expired or in connection with early retirement. However, the decline in unemployment has come to a halt lately, and registered unemployment has risen again to 4.2 percent last November. 2/

Looking forward, some moderate employment gains can be expected as economic growth accelerates in 1996 and beyond. Also, a number of structural factors are likely to contribute to lowering unemployment over the medium term. The growth in foreign labor supply is expected to decelerate in the coming years (partly linked to the relative decline of the construction and tourism industries, which will reduce the number of seasonal and temporary workers and ultimately the growth in foreign permanent residents). Also, the trend to shorter working hours is likely to continue, and changes in education and in the unemployment compensation system--providing incentives and institutional support for job search--are intended to reduce the number of registered unemployed (Chapter V).

From an international perspective the Swiss labor market appears to be a comparatively flexible one--in Europe, only Austria and Luxembourg display similarly low overall unemployment rates--in large measure due to a highly decentralized wage determination process. Other positive features are relatively low youth and female unemployment rates. Youth unemployment is very close to the national average, reflecting the apprenticeship system in Switzerland, while the female unemployment rate is only about one percentage point above the male rate. By contrast, unemployment is disproportionately concentrated in certain regions and among foreign nationals. In the French speaking cantons of western Switzerland and in (Italian speaking) Ticino the unemployment rate is nearly double what it is in the rest of the country (6.1 versus 3.2 percent in October 1995). Foreign nationals represent about

1/ Recent estimates by the "Kommission fuer Konjunkturfragen" indicate that the ratio of the registered unemployed to the total "inactive potential labor force" has risen from 54 percent in 1991 to 82 percent in 1994.

2/ A recent reform of the labor market statistics has significantly altered the picture with regard to both the level and changes in employment over the past decade. An employer-based survey has been replaced by a household survey (Schweizerische Arbeitskrafteerhebung, SAKE) as the main source for employment data. It was widely accepted that the old method tended to underestimate employment growth, particularly in the services sector. The revised data show that the level of employment at the end of 1994 was higher by 46,000 persons compared with the old data. Also, the new data show a less pronounced drop in employment from the peak in 1991.

26 percent of the labor force but over 42 percent of the registered unemployed, which translates in an unemployment rate of 7.7 percent compared with 3 percent for Swiss nationals (October 1995). Finally, the share of the long-term unemployed (over one year) in total unemployment has risen sharply from about 7 percent in 1990 to 29 percent in 1994; however, this share is dominated by older workers and has shown some modest decline in recent months.

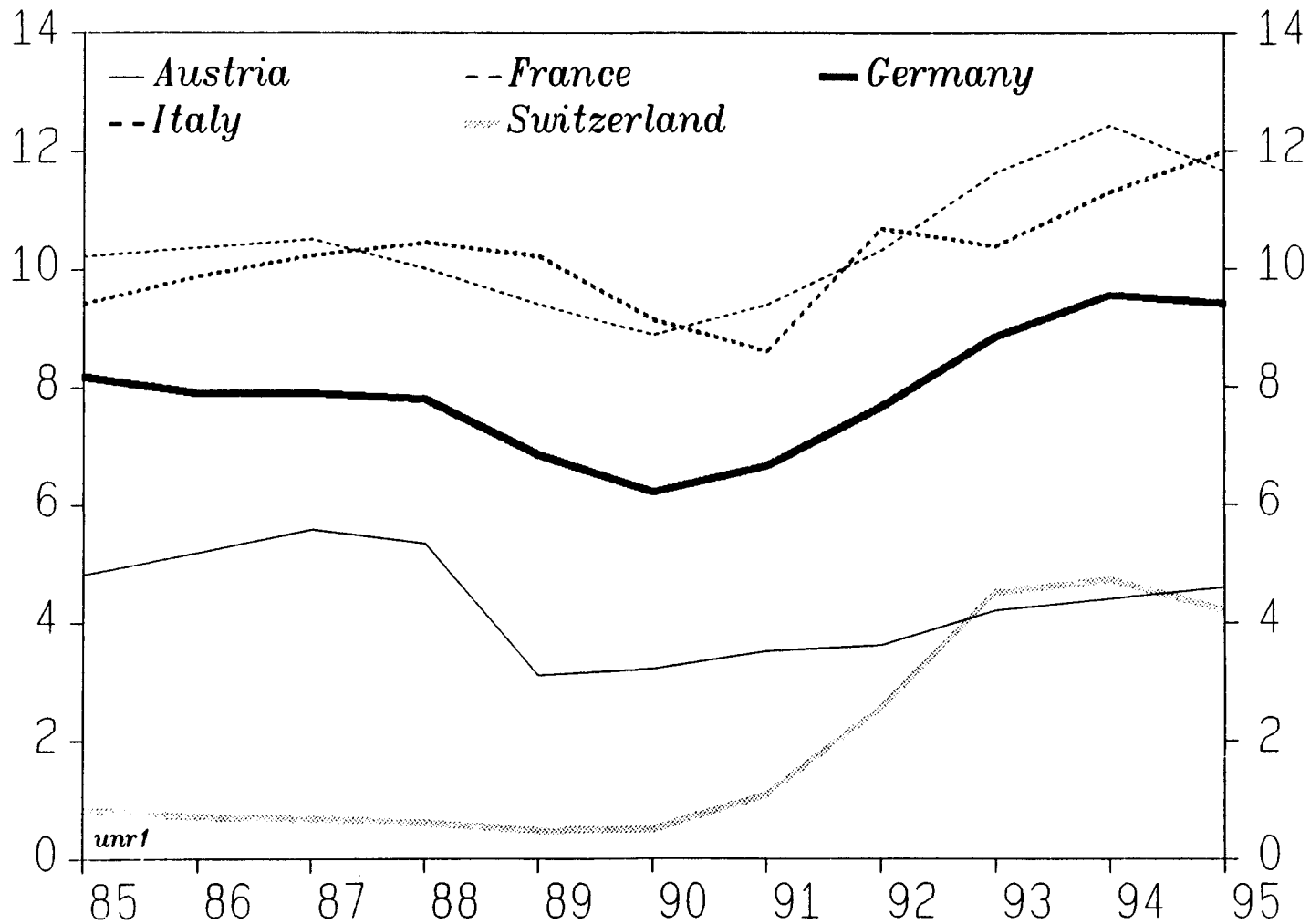
3. Prices and wages

Despite a return to positive growth, inflationary pressures eased in 1994. The CPI inflation rate decelerated rapidly in the early months, to reach 0.4 percent in May, and was little changed during the remainder of the year; on average the consumer price index rose by slightly less than 1 percent in 1994 compared with over 3 1/4 percent in the preceding year. A number of factors contributed to this development, e.g., continued wage moderation, a cautious monetary policy stance, subdued consumer confidence, and especially the strength of the Swiss franc on the exchange markets. As mentioned, import prices actually declined, but domestic goods inflation also weakened (especially in services).

Consumer price inflation accelerated in the early months of 1995, reaching a peak of 2.1 percent last June, but has stabilized in recent months. The main explanation resides in the introduction of VAT at the beginning of the year, which had a significant impact on the prices of services. Goods prices, by contrast, were only marginally affected by the new tax. ^{1/} The one-time VAT effect on consumer prices is now estimated at slightly over 1 percentage point, whereas the impact on the GDP deflator is considerably lower at less than 1/2 percentage point. Besides VAT, the other major factor affecting inflation was the dampening effect of further exchange rate appreciation, so that import prices have on balance little changed over the past year.

^{1/} As reported in SM/95/2, the replacement of the old turnover tax with the VAT entailed a substantial change in the tax base: services are now subject to VAT and investment goods are no longer taxed. For most goods the tax rate has increased from 6.2 to 6.5 percent. Also, several formerly tax-exempt goods (e.g. food and medication) are now taxed at a reduced VAT rate of 2 percent, while other previously exempted energy products and most services are taxed at the full VAT rate of 6.5 percent (a number of exemptions remain, however, such as services in the areas of health, housing, education, and banking).

Unemployment Rates: An International and Temporal Comparison



Sources: IMF, World Economic Outlook database.
1/ Data for 1995 are staff projections.

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Table II-1. Switzerland: Prices

(Percent changes over the same period a year earlier)

	1993	1994				1995		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
Consumer price index	3.3	1.7	0.7	0.6	0.5	1.4	1.9	2.0
Goods	1.7	0.7	-0.2	0.3	-0.1	0.5	0.4	0.3
Private services	4.5	2.5	1.2	0.4	0.7	1.4	2.5	3.1
Public services	5.3	3.1	2.1	2.1	1.9	4.5	4.8	4.5
Rents	...	...	...	-0.8	-0.2	-0.4	0.9	1.8
Imported goods/services	2.2	0.6	-0.9	-0.5	-1.0	-0.2	-0.3	-0.4
Domestic goods/services	...	...	...	1.0	0.9	2.0	2.7	2.8
GDP deflator	2.0	1.9	1.7	1.3	0.9	1.8	1.2	...

Source: Swiss National Bank.

With the economy continuing to perform below potential, inflationary pressures are likely to remain contained. Also wage moderation has continued and the VAT effect has worn off. Therefore, in the absence of any significant exchange rate "correction," it is anticipated that the average annual inflation rate will decelerate in 1996, perhaps to about 1 percent, significantly lower than rates expected to prevail in virtually all other OECD countries.

Nominal wage increases in 1994 averaged about 1 1/2 percent, well below the previous year's inflation rate which often acts as a benchmark for wage adjustments. With inflation rapidly decelerating during the year, real wages increased typically by about half a percent. The reverse occurred in 1995, with nominal wage increases of about 1 1/4 percent and VAT-induced acceleration of inflation leading to a decline in the purchasing power of wages. Nominal wages are expected to increase only marginally faster in 1996, by perhaps 1 3/4 percent, as there are no signs that last year's VAT-induced increase in inflation is being incorporated in wage agreements for 1996; if the anticipated lower inflation rate materializes it can be expected that real wages will increase by less than 1 percent in the coming year. While the results of the most recent round of wage negotiations are not yet fully known, there is little doubt about two underlying trends; first, broad automatic inflation adjustments are becoming rare and, second, wage adjustments are increasingly individualized.

III. Public Finance

1. General government developments

During the early nineties the fiscal position weakened considerably, in part because of recessionary conditions, but also reflecting rapid growth in spending on entitlement programs (particularly pensions and health care). The general government's finances, which had been broadly in balance at the beginning of the decade, moved into deficit. The latter reached a level of close to 4 percent of GDP by 1993, of which more than two thirds could be attributed to the federal government. Deficits also tended to rise at the levels of the cantons and the municipalities (communes). Consequently, the gross debt of the general government rose sharply from approximately 32 percent of GDP in 1989 to nearly 44 percent in 1993 (Table III-1). During 1990-93, the relative size of government as measured by general government expenditures steadily increased by over 8 percentage points to reach close to 42 1/2 percent of GDP, whereas the share of governmental revenues (including social security contributions) increased more moderately by less than 4 percentage points of GDP over the same period.

Over the past two years the public finances have strengthened considerably (Chart III-1). In 1994, both the federal and the general government deficits declined by nearly 1 percentage point. While there was also progress with deficit reduction at the levels of the cantons and municipalities, the effect--in terms of its impact on the general government balance--was neutralized by a reduction in the social security surplus. Further significant deficit reduction was achieved at all governmental levels (excluding social security) in 1995, well ahead of budgetary targets and despite a weakening of economic activity. Preliminary estimates indicate that the consolidated general government deficit has declined by another half percentage point to about 2 1/2 percent of GDP. The recent improvement in the fiscal position, however, was insufficient to arrest the unfavorable debt dynamics and the public debt ratio is likely to have risen further to exceed 48 percent of GDP.

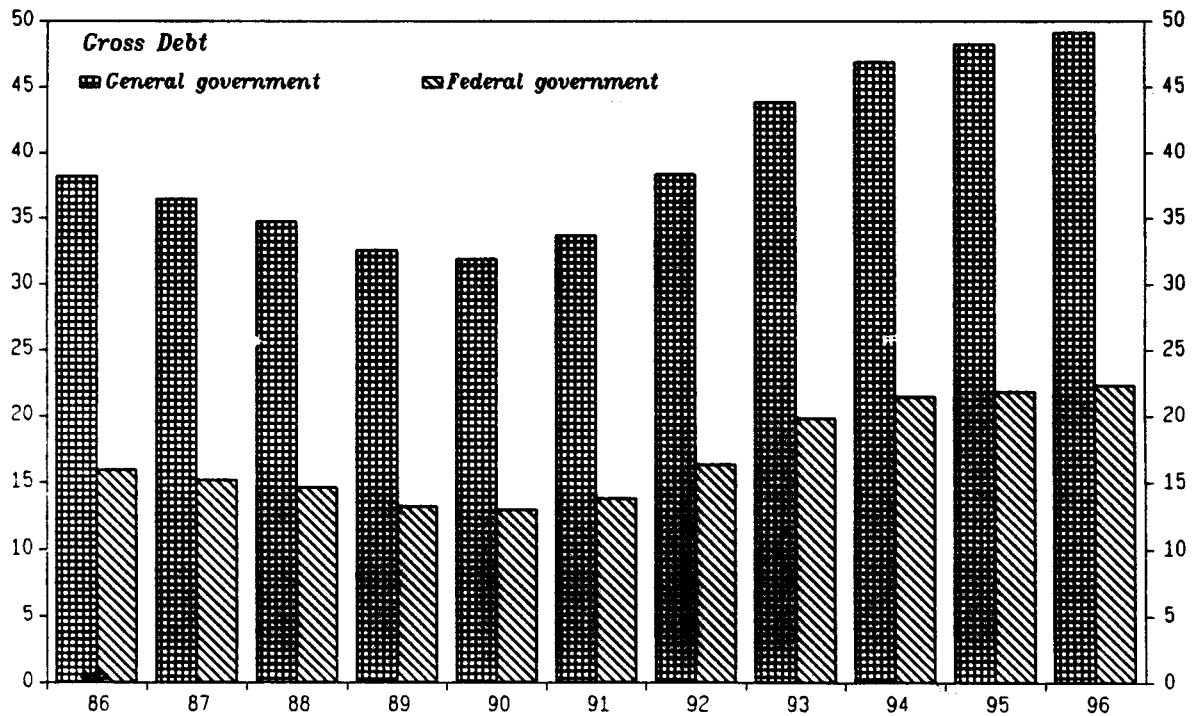
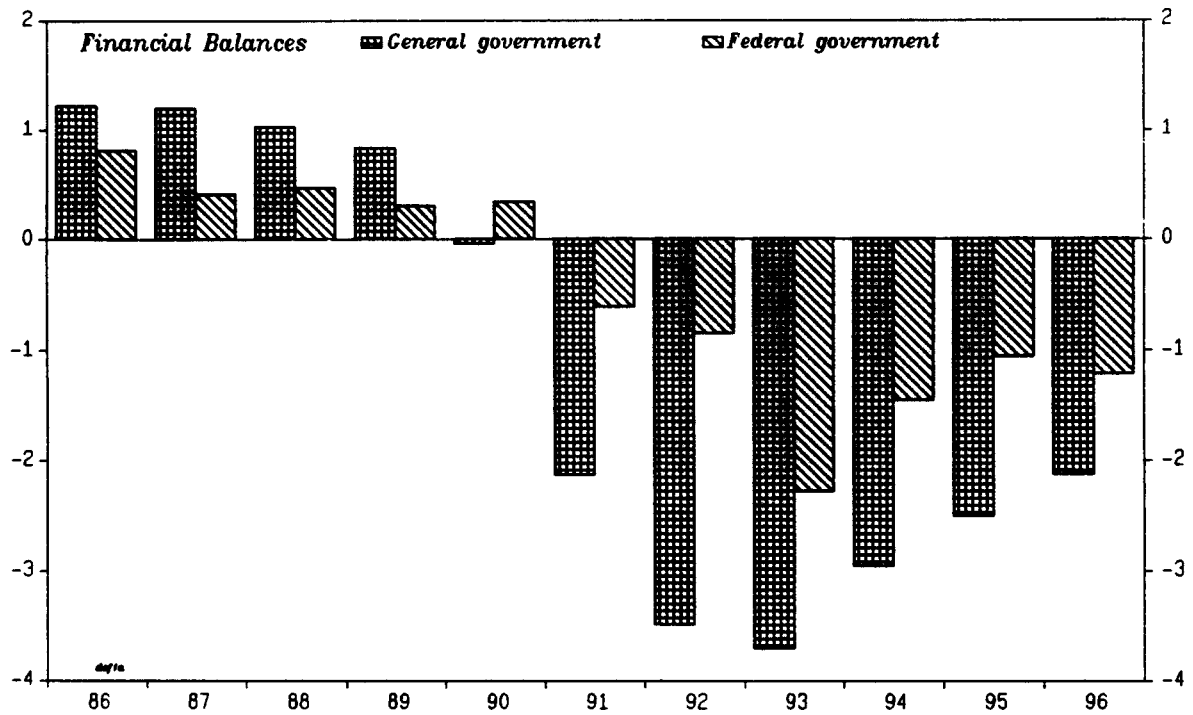
Compared with most other countries, Switzerland's public sector deficit and debt remain moderate in scope. Furthermore, the sharp increase in the size of government and in the debt/GDP ratio that occurred in the early nineties have induced the authorities to take corrective action. These efforts at fiscal consolidation should be continued, at least until stabilization of the debt ratio is achieved, in order to preserve leeway for anti-cyclical policy and for coping with likely new challenges in the future.

2. Federal government finances

The 1994 budget envisaged a moderate reduction in the federal deficit to approximately 2 percent of GDP on a cash basis. While expenditures were still planned to increase somewhat faster than nominal GDP, revenues were expected to grow much faster mainly due to the two-year collection cycle for

CHART III-1
Switzerland

Fiscal Developments 1/
(In percent of GDP)



Source: IMF World Economic Outlook database.
1/ Data for 1995 and 1996 are staff projections.

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Table III-1. Developments in the Public Finances

	1988	1989	1990	1991	1992	1993	1994	1995 1/	1996 2/
<u>(In percent of GDP)</u>									
Federal government									
Financial balance 3/	0.5	0.3	0.3	-0.6	-0.8	-2.3	-1.4	-1.1	-1.1
Gross debt	14.6	13.2	13.0	13.8	16.3	19.8	21.4	21.8	22.5
General government balances 4/									
Territorial authorities	0.2	-0.3	-1.1	-3.0	-3.5	-4.6	-3.4	-2.6	-2.2
Federal government	0.1	-0.1	-0.2	-1.2	-1.5	-2.7	-1.9	-1.4	-1.4
Lower levels	0.1	-0.1	-0.9	-1.8	-2.0	-1.9	-1.5	-1.2	-0.9
Cantons	0.2	-0.1	-0.6	-1.1	-1.2	-1.6	-1.1	-0.9	-0.7
Communes	--	-0.1	-0.3	-0.6	-0.8	-0.3	-0.4	-0.3	-0.2
Social security	0.8	1.1	1.1	0.9	--	0.9	0.4	0.1	0.1
Overall balance	1.0	0.8	--	-2.1	-3.5	-3.7	-3.0	-2.5	-2.1
Gross debt	35.1	32.6	31.9	33.7	38.4	43.8	46.9	48.2	49.4

Source: Federal Ministry of Finance.

1/ Estimates.

2/ Budgets as of January 1996.

3/ Administrative basis; the pension fund surplus has not been subtracted from revenues and the railway loans have not been added to expenditures.

4/ Financial statistics basis; adjusted for pension fund surplus in federal government figures.

income taxes which typically results in disproportionately large receipts in even-numbered years. In the event, the actual outcome in 1994 was considerably more favorable and the cash deficit declined to about 1 1/2 percent of GDP; both current expenditures and tax revenues moved closely in line with budgeted numbers, but capital expenditures fell considerably short of earlier intentions and accounted for the lower deficit.

The 1995 budget anticipated a federal cash deficit of about 1 3/4 percent of GDP. It was a conservative budget in the sense that overall expenditure would change little (relative to 1994 budget numbers) and revenue would increase modestly by only 2 percent, despite the expectation of additional revenue of about SW F 1 billion deriving from the switchover from the turnover tax to a VAT tax. While expenditure restraint was envisaged throughout the federal government, the main factor was a sharp reduction in federal transfers to the social security system made possible by an increase (at the beginning of 1995) in the contribution rate to the unemployment insurance system from 2 percent to 3 percent of gross wages. ^{1/}

Preliminary estimates indicate that the fiscal outcome in 1995 was again considerably better than had been envisaged in the budget, essentially because VAT receipts have been substantially higher than budgeted (Tables A8 and A9). Other tax receipts have been somewhat weaker on account of the unanticipated slowdown in economic activity, while overall expenditure was barely changed relative to 1994. As a result, the federal cash deficit has declined to slightly over 1 percent of GDP. However, two adjustments are in order. First, the cash surplus of the civil servants' occupational pension scheme (EVK), estimated at about Sw F 1.2 billion in the past year, should not be treated as federal revenue. Second, regular loans to the railways of over SW F 1.1 billion should be properly treated as federal expenditure ("lending minus repayments") as they are motivated by public policy purposes rather than profit or liquidity management and are unlikely to be repaid ever. When account is taken of these adjustments the federal deficit is still close to 1 3/4 percent of GDP.

The federal budget for 1996 aims to lower the deficit by about half a percentage point (compared with the previous year's budget numbers) to about Sw F 4.3 billion. However, given recent estimates of a more favorable outcome over the past year, this would leave the deficit little changed at about 1 1/4 percent of GDP. If, again, adjustment is made for the civil servants' pension fund surplus on the revenue side and for railway loans on the expenditure side, the deficit would reach close to Sw F 6.2 billion or 1 3/4 percent of GDP. Overall expenditure is expected to increase broadly in line with (assumed) nominal GDP growth of 4 percent, but current expenditure is budgeted to grow significantly faster, particularly in the

^{1/} This represents a major revenue measure at the general government level, but has the effect of lowering expenditures at the federal level.

areas of transfers to the cantons and to the social security funds. ^{1/} Also, agricultural support payments and the federal interest burden are rising relatively fast, whereas defense and infrastructural spending are declining. At first sight, overall revenue growth of close to 10 percent (budget to budget) appears remarkable. However, it reflects mainly a number of incidental factors: (1) buoyancy of income tax revenue in even years due to the two-year collection cycle; (2) for the first time VAT will be paid over a full year (the first quarter was excluded in 1995); and (3) nontax revenue is boosted by over Sw F 1 billion in loan repayments from the unemployment insurance consolidation fund. When account is taken of these factors, "adjusted" revenue growth is likely to be less than 2 percent in 1996.

IV. Monetary and External Sectors

1. The conduct of monetary and exchange rate policy

The overall objective of the Swiss monetary authorities remains the pursuit of price stability which is considered to be equivalent to an annual rise in the CPI of about 1 percent. They do not maintain any formal exchange rate commitment, but rather orient their policy to money supply targets. The operational target variable of the Swiss National Bank (SNB) is the seasonally adjusted monetary base (M0), which consists of cash in circulation and banks' sight deposits with the central bank. ^{2/} A medium-term targeting framework has been adopted: the first targeting period began in the fourth quarter of 1989 and ended in the fourth quarter of 1994, and a new 5-year period is presently running through the fourth quarter of 1999. In both cases, the target average growth rate of M0 was set at 1 percent a year. ^{3/}

Over the shorter term, the central bank keeps the public informed by announcing its forecasts concerning the rate of growth of M0 both on an annual and on a quarterly basis. While the medium-term target creates a framework for the SNB's own activities and also provides an anchor to market

^{1/} The main increase relates to the health care insurance system, due to a new law which provides federal subsidies for individual health insurance contributions. Another large increase concerns disability insurance, as the number of beneficiaries is rising rapidly and the federal contribution rate is being raised anew (after being temporarily lowered over 1993-95).

^{2/} The choice of this aggregate is based on considerations of stability (of money demand) and of controllability (by the SNB). However, the central bank also closely follows movements in other monetary aggregates and, at times, has revised their definitions. To illustrate, as of January 1995 revisions were made in the coverage of M1, M2, and M3, while a minor technical adjustment was made in M0 (i.e. the exclusion of the sight deposits of a few nonbank institutions with the SNB). For more details, see SM/95/2.

^{3/} Based on the assumptions of potential output growth of 2 percent a year and of a trend increase in velocity of 2 percent a year.

expectations, pragmatic considerations enter into the short-run conduct of monetary policy. To illustrate, for 1995 the SNB forecasted the monetary base to grow by approximately 2 percent, well in excess of the 1 percent medium-term target; the rationale was to take account of (anticipated) higher demand for money emanating from the economic upturn and the introduction of value added tax, and to partially correct for the fact that during the previous targeting period M0 had remained well below its targeted path.

While the National Bank Law allows for a variety of operations which can influence the monetary base, in practice the main instrument that is used to influence banks' reserves consists of swap transactions in the foreign exchange market. Open market operations are also undertaken regularly, but they are hampered somewhat by a poorly developed money market and a relatively low level of short-term (federal) government debt. Minimum reserve requirements have not been used over the past two decades, and official interest rates play only a limited role in the conduct of monetary policy. The Lombard rate on secured advances is maintained at 200 basis points above the daily call money rate and Lombard loans are in principle used only for short periods to tide over liquidity shortages. The SNB typically does no longer discount credits by buying securities before they mature; therefore, changes in the discount rate have no direct effect on monetary conditions but are infrequently used as a signaling device.

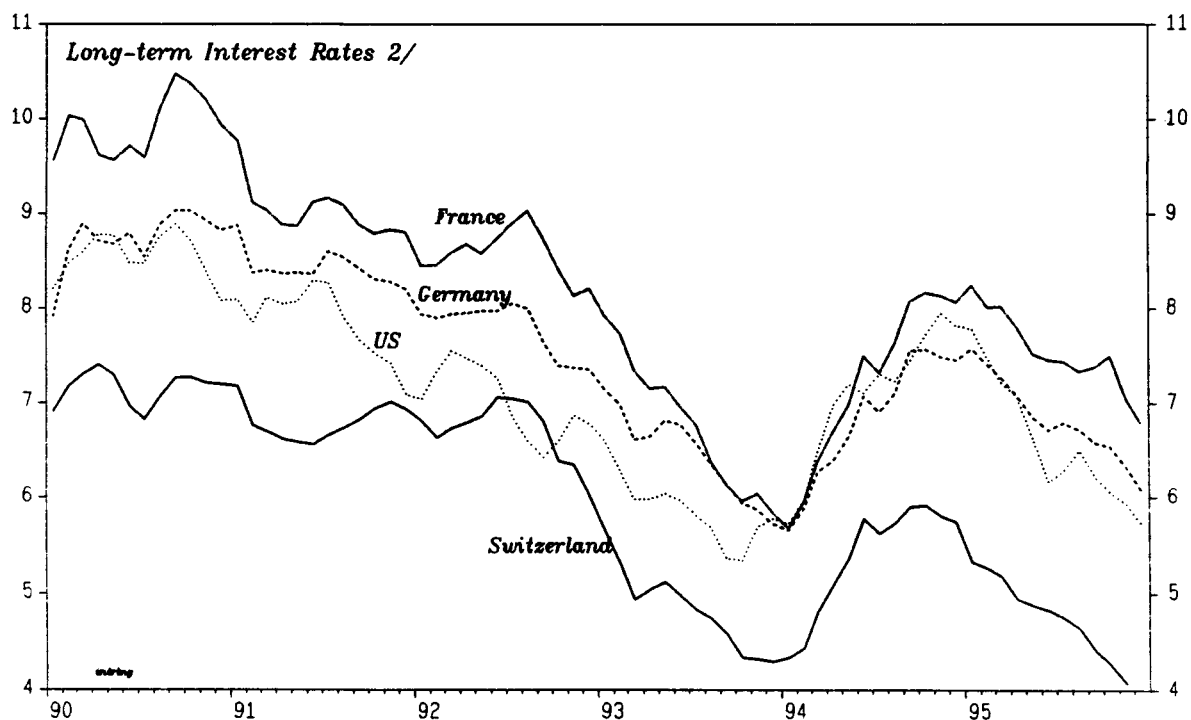
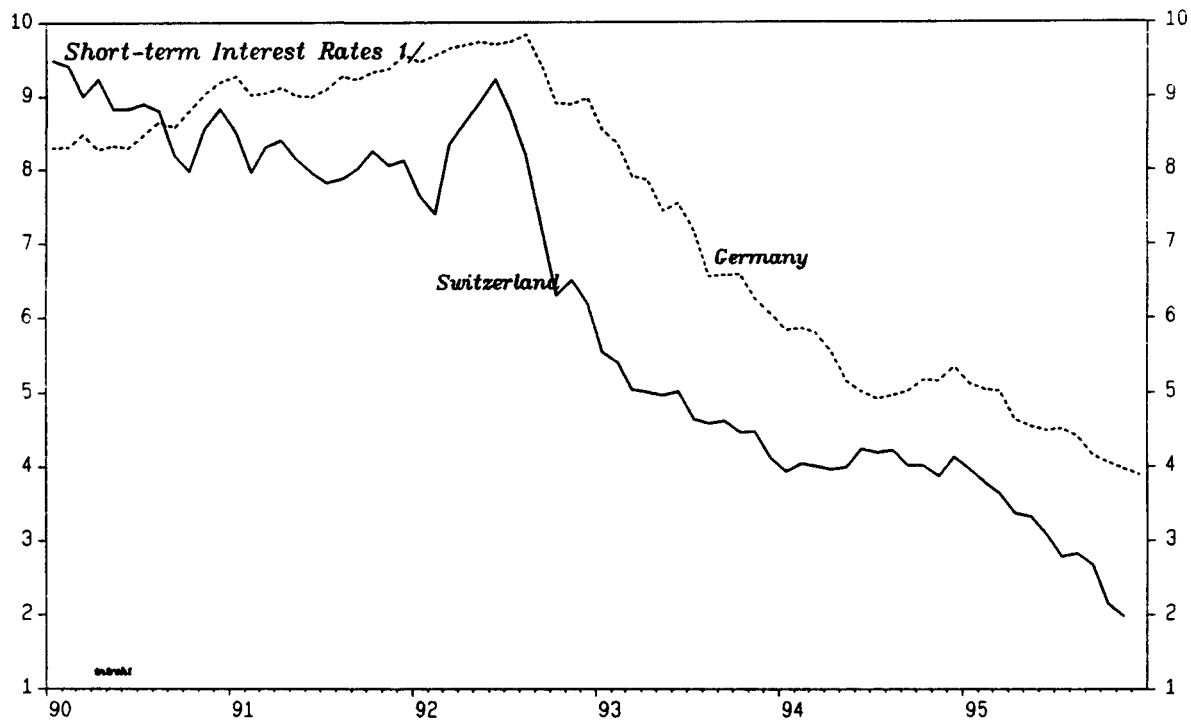
2. Monetary developments

In the early nineties the authorities pursued a rather restrictive monetary policy to curb persistent inflationary pressures. Short-term interest rates at times exceeded 9 percent, and the growth rate of the monetary base lagged significantly behind the medium-term target. As in other European countries, an easier monetary policy stance was taken from about the middle of 1992; short-term rates declined sharply, while long-term rates eased more moderately in line with developments abroad, and the previously inverted yield curve turned gradually into a positive slope (Tables A12 and A13).

The policy stance turned more cautious in 1994, as short-term interest rates were kept broadly stable around 4 percent in Switzerland (Chart IV-1). At the same time, the interest differential vis-à-vis Germany tended to narrow, and the effective exchange rate continued its appreciating trend (Table A14). ^{1/} While this development contributed to a rapid decline in domestic inflation, there were growing concerns expressed about deteriorating competitiveness. On balance, the gap between the targeted medium-term growth path and the actual level of the monetary base (M0) did not narrow in 1994; after growing somewhat ahead of the SNB's desired rate in the first

^{1/} The bilateral exchange rate against the deutsche mark was little changed, however, and the SNB intervened twice on the foreign exchange market in 1994 (in May and in June) with a total amount of US\$ 100 million as part of concerted central bank actions in support of the US dollar.

- 10a -
 CHART IV-1
 Switzerland
 Interest Rates



Sources: Swiss Institute for Business Cycle Research, data tape; and IMF, International Financial Statistics database.

1/ For Switzerland, 3-month Euro-Swiss franc deposit rate; for Germany, 3-month money market rate.

2/ 10-year government bond yield.

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half of the year, M0 declined in the second half and, on balance, increased by only 0.6 percent between the fourth quarter of 1993 and the fourth quarter of 1994 (Chart IV-2).

Over the whole period of 1990-94 M0 grew on average by only 0.2 percent a year and at the end-point of the medium-term target path it fell short by close to 4 percent. The SNB has attributed slightly more than half of this deviation to lower demand for base money deriving from improved liquidity management by the banks and the growth of cashless payments. As mentioned, at the end of 1994, a new medium-term growth target for M0, equivalent to 1 percent per annum, was announced for the period through the fourth quarter of 1999. The starting point of the new target path was set slightly below the end point of the previous medium-term target path, but was still about 2 3/4 percent above the actual M0 level; in doing so, account was taken of the fact that actual output was still far below its potential level and allowance was made for the anticipated VAT-induced jump in the price level. ^{1/}

For 1995, the central bank envisaged base money growth of about 2 percent which would have reduced the gap with the target path. In the event, monetary growth was again considerably below target in the first half of the year, as economic activity remained subdued and the inflationary impact of VAT introduction was lower than expected. As evidence mounted that underlying inflation was under control, monetary policy became more accommodative and the SNB allowed money market rates to fall steadily from about 4 percent at the beginning of the year to about 2 percent in December. Long-term interest rates have also declined by about 1 percentage point. As money market rates fell the central bank, with a certain lag, also lowered the official discount rate by half a percentage point each in March and again in July. A third discount rate cut of the same magnitude in September was coupled with more explicit efforts to lower money market rates further by supplying additional base money to the banks. By mid-December it was estimated that the seasonally-adjusted monetary base in the fourth quarter of 1995 would exceed the corresponding year-earlier level by approximately 1.3 percent, well below the 2 percent annual target. On December 15, the discount rate was cut for the fourth time by another half a percentage point to the current level of 1 1/2 percent. Also, the SNB has announced that it is again aiming for M0 growth "in excess of the medium-term growth rate of 1 percent" in 1996. ^{2/}

Meanwhile, the exchange rate has strengthened further considerably in 1995, particularly in March/April and September when there were renewed tensions on international currency markets. Weakness of the US dollar led

^{1/} For more details, see SM/95/2, pp 25-26.

^{2/} While the impact of lower interest rates has not yet been clearly discernable in M0 growth, other more-interest-sensitive monetary aggregates have expanded briskly lately. In November 1995 M1, M2, and M3 were respectively 9.9, 9.3, and 3.8 percent higher than a year earlier.

to pressures within the European Monetary System and there was also considerable nervousness about plans for European monetary union. As often in the past, the Swiss franc appeared to play the role of "safe haven" currency. Compared with a year ago, the effective exchange rate has appreciated by close to 9 percent in nominal terms and over 7 percent in real terms. This development has contributed to the recent slowdown in economic activity and, as mentioned, has led to lower interest rates which in turn have stimulated faster growth in the broader monetary aggregates during the last three quarters of 1995 (Chart IV-3).

3. Developments in the balance of payments

a. Current account

In the early nineties Switzerland's current account surplus more than doubled to reach a peak of over 8 percent of GDP in 1993, reflecting mainly a significant slump in demand for imports of goods (induced by recessionary conditions) concomitant with the maintenance of moderate export growth. ^{1/} Indeed, the traditional trade deficit--which had averaged over 3 1/2 percent of GDP in the second half of the eighties--had turned into a (modest) surplus for the first time in four decades. In 1994, however, the large current account surplus declined to about 7 percent of GDP, mainly because of lower net factor income from abroad, while the surplus on goods and nonfactor services also narrowed somewhat (Table A15). For 1995, preliminary quarterly data indicate a further weakening of the trade and services balance, but renewed growth in net factor income; on balance the current account is still estimated to be close to 6 1/2 percent of GDP.

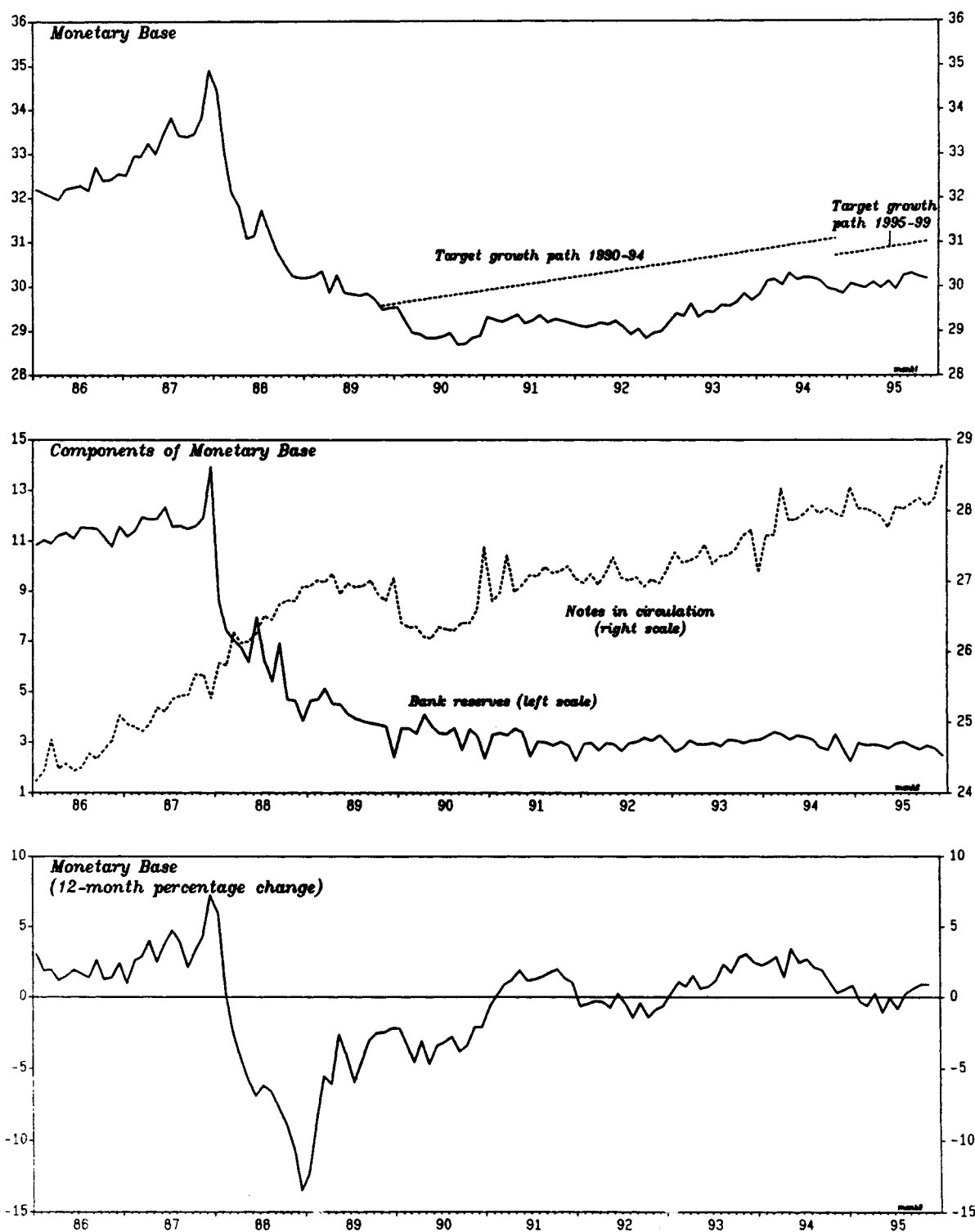
With economic recovery underway, imports of goods rose strongly by close to 10 percent in volume terms during 1994, while exports increased more moderately at about half that rate. At the same time, exchange rate appreciation led to lower import prices, and to a lesser extent to lower export prices as exporters felt compelled to make price concessions to maintain competitiveness (Table A16). ^{2/} The net result was that the trade balance maintained a modest surplus in 1994. Rapid import growth continued in the first half of 1995, reflecting the investment boom in machinery and enterprise equipment and large scale switching from domestic to foreign suppliers of intermediate goods induced by the Swiss franc's appreciation; exports, however, tended to stagnate in nominal terms as modest volume growth was largely offset by further price declines resulting from additional sharp appreciation of the franc last spring. On

^{1/} Nevertheless, in volume terms Swiss export growth has been much slower than both the expansion of world trade and the growth in exports of other OECD countries; over the period 1990-94 Swiss exports grew by less than 10 percent, compared with growth of about 25 percent in its potential global market (i.e. the amount imported by its trading partners weighted according to Switzerland's export structure).

^{2/} However, exporters benefitted from lower input prices, as imports represent a sizable part of industrial inputs.

CHART IV-2
Switzerland

The Monetary Base 1/

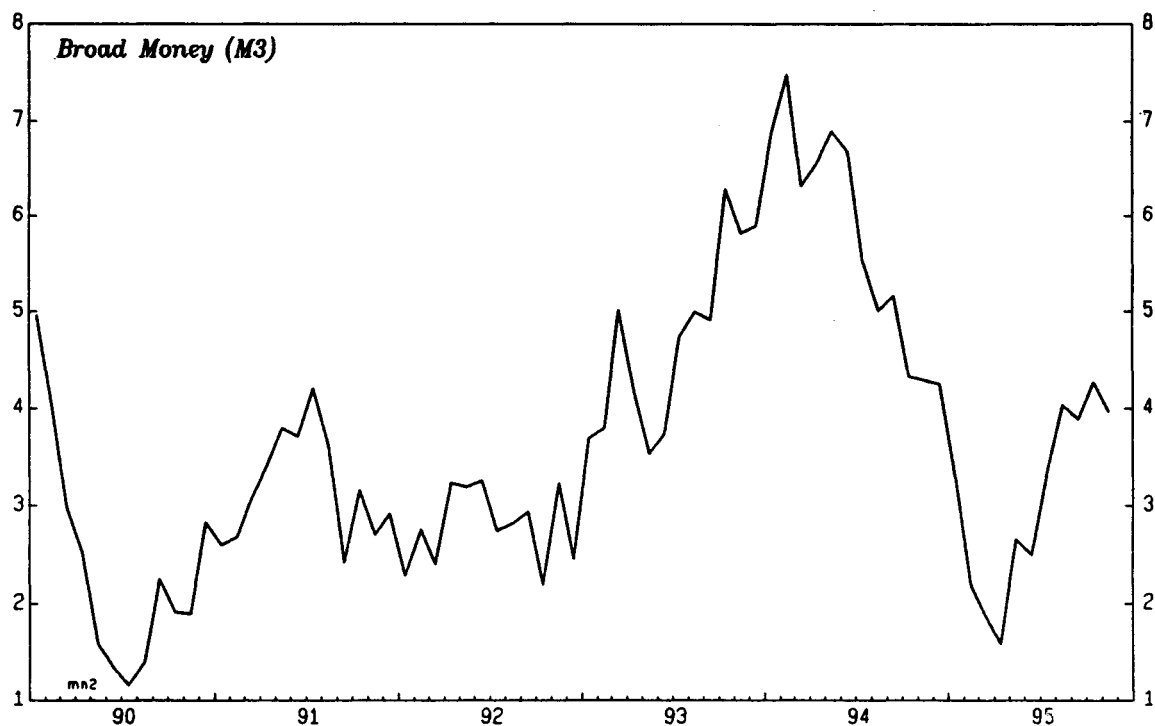
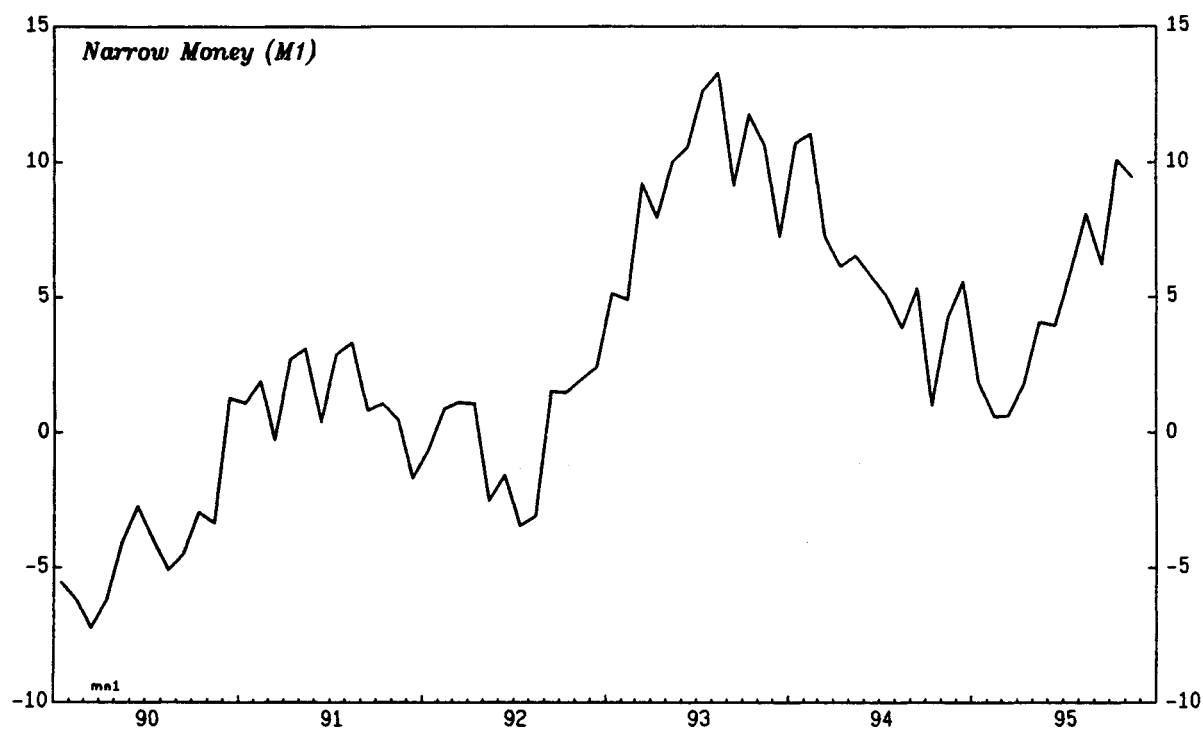


Sources: IMF, World Economic Outlook database; Swiss National Bank, Monthly Bulletin.
1/ Seasonally adjusted; in billions of Swiss francs. The fall in bank reserves and monetary base in 1988-90 was related to changes in reserve requirements and the payments system.

- 12b -

CHART IV-3
Switzerland

Monetary Aggregates
(12-month percent changes)



Source: Swiss Institute for Business Cycle Research.

balance, then, the trade surplus turned into a small deficit in the first two quarters of 1995. As the economic slowdown became more pronounced, however, import growth decelerated considerably in the third quarter and the trade balance is estimated to have maintained a modest surplus for the year as a whole.

The large nonfactor services surplus narrowed somewhat in 1994. Overnight stays of foreign tourists declined by about 1 1/4 percent, whereas overnight stays of Swiss tourists abroad continued to increase by nearly 1 1/2 percent. In Swiss franc terms, however, the tourism surplus was little changed. The contribution of the private insurance sector to the surplus continued to rise steadily and now amounts to close to Sw F 2 billion. By contrast, after three years of dynamic growth net earnings from financial services (mainly bank commissions) declined by about Sw F 0.5 billion to Sw F 6.6 billion, as stock market trading was weak and issuing business declined in 1994. The nonfactor services surplus is estimated to have narrowed further in 1995, partly because of relatively poor winter and summer seasons for Swiss tourism, which was reflected in lower earnings from tourism in the first and in the third quarter of the year.

As mentioned, the surplus on factor incomes declined from close to 4 percent of GDP in 1993 to about 3 1/4 percent in 1994, essentially because of a sharp increase (of over Sw F 2 billion) in foreigners' earnings on their direct investments in Switzerland. On the receipts side, significant increases in interest and dividend earnings were largely offset by lower earnings on "other" Swiss investments abroad. For 1995, data for the first three quarters show rapid growth on both the receipts and the payments side for investment income; on a net basis, however, it is likely that the surplus on factor income will rise moderately for the year as a whole. Finally, net unrequited transfers to foreigners increased to slightly over 1 1/4 percent of GDP in 1994, mainly on account of growing public sector transfers, especially pension benefit payments by social insurance funds. Transfers of a similar magnitude are estimated for 1995.

b. Capital account

Both inflows and outflows of capital rose significantly in 1994, but foreign investment in Switzerland increased much faster than Swiss investment abroad and, consequently, the capital account deficit fell from about 9 percent of GDP in 1993 to 6 1/2 percent in 1994. Swiss direct investment abroad increased moderately and, for the first time since 1990, there was also an increase of foreign direct investment into Switzerland. ^{1/} The securities markets were characterized by rising long term interest rates in 1994 and the issuing volume of long-term bonds in

^{1/} The main reason appears to be that foreign-controlled holding companies have reinvested the income on their foreign participations in Switzerland for exchange rate reasons. These funds are likely to remain only temporarily in the country.

international capital markets declined; accordingly, both inflows and outflows of portfolio investment fell steeply. By contrast, large capital flows occurred via the international interbank market which was characterized by a high degree of liquidity and favorable refinancing conditions; on this score there was a sizable net inflow in 1994, as the banks partially refinanced domestic credits via the international interbank market.

The SNB's foreign exchange reserves fell by about Sw F 1 billion in 1994, mainly because the inflow of foreign exchange earnings (Sw F 1.6 billion) was more than offset by the exchange loss deriving from revaluation of the reserves (Sw F 2.3 billion). Switzerland's net foreign asset position also declined for the same reason, but remained in excess of 102 percent of GDP. Despite a further sizable current account surplus in 1995, the level of the net foreign asset position is likely to have changed little in Swiss franc terms, but to have fallen further by about two percentage points relative to GDP.

V. Structural and Other Issues

1. Labor market policies

As mentioned, the Swiss labor market appears to be relatively flexible when compared with most other European countries as the wage determination process is highly decentralized, with settlements differing significantly depending on the specific circumstances prevailing in individual industries and firms. However, increased unemployment in the early nineties and emerging signs of significant structural unemployment, particularly the rising share of the long-term unemployed, have spurred efforts to strengthen work incentives and to enhance labor mobility. An example of the latter is improved portability of occupational pension rights which took effect at the beginning of 1995.

A major development in 1995 was the adoption of the new federal law on unemployment insurance by both chambers of the Swiss federal parliament in June, which is indicative of a growing shift towards more active labor market measures. The reform involves two major components: (1) intensive follow-up to promote speedy (re)integration of the unemployed into gainful employment, and (2) a tightening of benefits in order to promote job search and strengthen work incentives.

The follow-up measures include an increase in the number of "slots" in active programs (training courses, employment programs, and on-the-job traineeships) from 9,000 in 1993 to 25,000 by 1997. While these programs are to be provided by the cantons, the federal government will initially finance the bulk of the cost. The cantons have a strong financial incentive to get the unemployed back to work, however; they contribute to the financing a lump sum of Sw F 3,000 per slot per year and, after the so-called framework period of two years, carry all the costs associated with

welfare payments). The cantons are also required to set up regional placement offices (RPO) with placement officers to provide intensive counselling and job-search assistance to the unemployed; as benchmarks will serve the ratios of one RPO per 1,000 unemployed and one placement officer per 75-150 unemployed.

Benefit provisions have been tightened in a number of ways. A waiting period of 5 days before the start of unemployment benefits will apply and unemployed school leavers may have to wait up to twelve months. Passive benefit payments are to be paid only for 150 days (longer periods apply for those over ages 50 and 60). Thereafter jobseekers are obliged to participate in labor market programs and receive so-called active benefits. Both passive and active benefits are paid only during the "framework period of two years." Also embodied in the new law is a more stringent definition of what is "suitable work" for a benefit recipient, particularly in terms of remuneration relative to previous earnings, and penalties for uncooperative behavior have been increased. For example, work which pays at least 70 per cent of previous earnings has to be accepted, and the maximum period of benefit cuts for uncooperative behavior has been raised from 40 to 60 days.

2. Revitalization program

Already in 1993 the authorities announced a revitalization program aimed at liberalizing domestic markets and thereby ameliorating a major factor responsible for Switzerland's comparatively weak growth performance. ^{1/} Over the past year, an important milestone was the adoption of the "internal market law" by parliament in early October, which is to take effect next July. The new law stipulates the principle of nondiscrimination with regards to public procurement at all government levels. The present competition law has been strengthened and the behavior of companies "with substantial impact" will be monitored closely. Regional fragmentation of the national market, deriving from cantonal regulations and prohibitive practices will be removed. While the bulk of Swiss technical regulations have already been harmonized with those existing in important trading partners, the new law on technical barriers to trade (TBT) institutionalizes and perpetuates the harmonization process; in future, exceptions will need to be based on considerations of an "overwhelming public interest" and can neither be a means for arbitrary discrimination nor a hidden trade barrier.

For the new legislative period, which started in October 1995, the authorities plan to focus on the second part of the revitalization plan. They will seek to promote innovation through further efforts in education and research (e.g., creation of innovation and technology sectors), and to pursue fiscal reforms in order to preserve fiscal advantages that induce foreign corporations to locate in Switzerland. Other central issues concern

^{1/} This program was extensively covered in last year's reports (for more details see SM/95/2 and Supplement 1).

the debate on the financing of the social security system, further steps in the agricultural sector, and liberalization of market access in the infrastructure area (e.g., telecommunications and electricity, see further).

3. Public enterprises

The Federal Government's plans to reform the PTT and to liberalize the markets for telecom and postal services remain at the consultation stage. Draft bills will be debated by parliament in late 1996 and the goal is for the new laws to take effect at the beginning of 1998. It is proposed to split the PTT into two autonomous businesses. The Postal Service is to remain a fully state-owned corporation, while Telecom will be opened to private investment (with the nonfederal share limited to 49 percent). ^{1/} The monopoly on network infrastructure and telephone services will be totally removed, while the monopoly on postal services will be reduced. Special regulations are to secure the availability of basic telecom and postal services in the whole country.

Reform plans for the reorganization of the Federal Railways (SBB) are also in the consultation stage and will be debated by parliament in the first half of 1996. Managerial autonomy and responsibility will be enhanced. A separation between infrastructure and operations will be effected, and new rules for financing will be established (including contributions by the cantons to cover the cost of noncommercial services).

Attempts are being made to promote competition in the energy sector. Last June, a report was issued on the electricity sector which recommended a number of broad changes: third party access, higher efficiency, more rapid and transparent authorization procedures, and international harmonization. However, discussions on practical propositions to realize these changes are still in an early stage. The Federal Energy Office will make its recommendations in 1996 concerning the electricity sector; it is currently also engaged in discussions with the gas sector to seek similar changes.

4. International trade and agriculture

On July 1, 1995, Switzerland became a founding member of the World Trade Organization (WTO) and, through adoption of the so-called GATT-Lex, formally brought the Uruguay Round Agreements under Swiss federal law. The legislative changes involved a number of laws in the areas of agricultural protection, intellectual property rights, and banking law. In addition, about 80 regulations concerning the application of these laws were enacted by the Federal Council, and a new law on federal public procurement entered into force on January 1, 1996, thereby implementing the corresponding WTO Agreement.

^{1/} Earlier plans for an umbrella holding company have been dropped.

During the Uruguay Round negotiations, Switzerland actively participated in the sectoral initiatives on pharmaceuticals, chemical products, scientific instruments, furniture, and medical, agricultural, and construction equipment. The textiles and fashion industry also stands to gain from tariff reductions in third markets (outside European partners with which Switzerland has Free Trade Agreements). Of particular importance are the agreements on services and intellectual property, as Switzerland is the world's sixth largest exporter of services (counting the EU as one) and produces the highest number of patents per inhabitant.

The level of agricultural protection remains very high, despite the transformation of nontariff barriers into tariffs and even after implementation of tariff cuts mandated by the Uruguay Round. Agricultural prices in Switzerland are still typically double those in the EU. Since 1993, reforms have taken the form mainly of a gradual switch from price supports to direct income support. In particular, rapid growth has occurred in direct payments that are linked to the provision of environmental services or that promote ecological modes of production (in order to achieve the goal of "sustainability" in agriculture). Last October the government issued a report on "Agriculture 2002," containing proposals for a second phase of agricultural reforms, thereby starting a process of extensive consultations. The goal is to achieve significant liberalization of market regulations (e.g., abolition of milk quotas) to promote competition, not only in the agricultural sector but also in downstream sectors such as food processing and distribution.

Over the past year the Swiss authorities have been seeking harmonization with the EU through bilateral negotiations in seven major areas: research and development, air transport, land transport, technical trade barriers, agriculture, public procurement, and free movement of labor. While there appears to be great interest on both sides in reaching agreement, significant differences remain concerning the free movement of persons and land transportation, and negotiations are continuing in the early months of 1996. Following the rejection of the EEA agreement in December 1992, the Swiss position remains that free circulation of people can only be envisaged in the distant future, although qualitative improvements should be possible in the near future. Negotiations regarding land transportation are hampered by the absence of full harmonization within the EU itself. Major stumbling blocks involve the size of trucks, taxation, the use of railways, and construction of new alpine tunnels.

Table A1. Switzerland: Real GDP Developments

(Percentage changes at 1980 prices) 1/

	1991	1992	1993	1994	1994				1995	
					1st qtr.	2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
Private consumption	1.5	-0.2	-0.6	1.0	1.4	1.3	0.6	0.6	-0.2	1.0
Public consumption	1.5	-0.1	-1.2	0.8	0.5	1.0	1.0	0.7	0.1	0.1
Gross fixed investment	-2.5	-5.0	-2.5	5.9	7.6	6.3	5.0	5.2	10.4	6.1
Construction	-3.1	-2.3	-1.8	3.2	7.1	2.0	1.6	3.4	0.0	-0.7
Machinery and equipment	-1.2	-9.6	-3.7	11.0	8.4	15.0	12.3	8.6	25.2	18.3
Final domestic demand	0.4	-1.5	-1.2	2.2	2.8	2.6	1.9	1.8	2.5	2.3
Stockbuilding 2/	-0.9	-1.9	-0.7	1.5	-1.2	2.6	2.5	2.0	3.6	0.4
Total domestic demand	-0.5	-3.3	-1.8	3.8	1.5	5.2	4.3	3.9	6.0	2.7
Exports of goods and nonfactor services	-0.7	3.4	1.6	3.3	5.7	0.4	2.8	4.5	1.7	4.8
Imports of goods and nonfactor services	-1.7	-3.8	-0.8	9.0	8.6	8.9	9.1	9.2	10.8	7.1
Foreign balance 2/	0.5	3.1	1.1	-2.6	-1.2	-3.9	-3.0	-2.2	-4.3	-1.4
GDP	-0.0	-0.3	-0.8	1.2	0.3	1.4	1.5	1.7	1.8	1.4

Source: Swiss Institute for Business Cycle Research, data tape.

1/ For quarterly data, growth rates are with respect to the same quarter of the previous year.

2/ Contribution to growth of GDP.

Table A2. Switzerland: Components of Nominal GDP

(In millions of Swiss francs, at current prices)

	1991	1992	1993	1994
Private consumption	190,490	198,070	203,005	207,030
Public consumption	46,640	49,320	49,705	50,410
Gross fixed investment	21,202	20,094	19,255	20,098
Construction	55,880	53,180	51,200	53,555
Machinery and equipment	28,930	27,195	25,820	26,835
Final domestic demand	321,940	327,765	329,730	337,830
Stockbuilding	4,545	-980	-4,175	-2,210
Total domestic demand	326,485	326,785	325,555	335,620
Exports of goods and nonfactor services	116,720	122,170	125,300	127,300
Imports of goods and nonfactor services	112,130	110,190	108,005	111,000
Foreign balance	4,590	11,980	17,295	16,300
GDP	331,075	338,765	342,850	351,920

Source: Swiss Institute for Business Cycle Research, data tape.

Table A3. Switzerland: Components of Real GDP

(In millions of Swiss francs, at constant prices)

	1991	1992	1993	1994
Private consumption	128,285	128,065	127,330	128,545
Public consumption	30,150	30,105	29,745	29,990
Gross fixed investment	60,685	57,640	56,210	59,545
Construction	38,340	37,440	36,750	37,940
Machinery and equipment	22,345	20,200	19,460	21,605
Final domestic demand	219,120	215,810	213,285	218,080
Stockbuilding	2,455	-1,455	-2,825	280
Total domestic demand	221,575	214,355	210,460	218,360
Exports of goods and nonfactor services	86,005	88,890	90,340	93,360
Imports of goods and nonfactor services	98,245	94,545	93,755	102,155
Foreign balance	-12,240	-5,655	-3,415	-8,795
GDP	209,335	208,700	207,045	209,565

Source: Swiss Institute for Business Cycle Research, data tape.

Table A4. Switzerland: Implicit Price Deflators

(Percent changes)

	1991	1992	1993	1994	1995 Q1-11 1/
Gross domestic product	5.5	2.6	2.0	1.4	1.5
Total domestic demand	5.0	3.5	1.5	-0.6	0.4
Private consumption	5.7	4.2	3.1	1.0	1.2
Public consumption	7.2	5.9	2.0	0.6	0.6
Gross fixed investment	2.8	-0.2	-1.7	-1.5	-1.3
Construction	3.0	-2.5	-1.9	1.3	2.0
Machinery and equipment	2.6	4.0	-1.4	-6.4	-4.9
Exports of goods and nonfactor services	2.2	1.3	0.9	-1.7	-3.6
Imports of goods and nonfactor services	0.5	2.1	-1.2	-5.7	-4.6
Gross national product	5.5	2.7	2.3	1.3	...
Memoranda items:					
Final domestic demand	5.3	3.4	1.2	0.1	0.3
Total demand	4.3	2.7	1.2	-0.9	-0.7

Source: Swiss Institute for Business Cycle Research, data tape.

1/ Change over Q1-11 1994.

Table A5. Switzerland: Household Disposable Income and Savings

(Percent change, unless otherwise indicated)

	1991	1992	1993	1994
National income	6.0	2.1	1.6	2.1
Income from property and entrepreneurship	3.7	0.4	3.4	4.3
Gross income from dependent employment	7.3	3.4	1.0	1.2
Personal income from property and entrepreneurship	3.3	-0.6	-1.7	0.8
Transfers to households	12.3	12.0	10.7	3.7
Government	16.4	9.5	4.7	9.1
Social security funds	11.5	12.6	12.0	2.6
From abroad	5.3	0.0	0.0	1.3
Taxes and transfers paid	5.9	5.8	5.4	3.9
Direct taxes	3.4	6.7	0.6	6.4
Social security contributions	7.9	5.2	9.4	2.3
Transfers to government	3.8	8.0	5.0	7.2
Transfers abroad	7.3	2.1	-1.1	0.4
Household disposable income	8.2	3.6	1.2	0.6
Saving	15.3	1.2	-8.0	-10.0
Saving ratio (in percent)	13.0	12.7	11.5	10.3
Private consumption, nominal	7.2	4.0	2.5	2.0
Private consumption deflator	5.7	4.2	3.1	1.0
Private consumption, real	1.5	-0.2	-0.6	1.0

Source: Swiss Institute for Business Cycle Research, data tape.

Table A6. Switzerland: Labor Market

(In millions)

	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
Population	6.53	6.57	6.62	6.67	6.72	6.80	6.87	6.94	6.99	7.04
Labor force	3.38	3.46	3.54	3.63	3.72	3.84	3.91	3.90	3.95	3.94
Employment	3.35	3.43	3.52	3.61	3.70	3.82	3.87	3.80	3.78	3.77
Unemployment	0.03	0.03	0.02	0.02	0.02	0.02	0.04	0.09	0.16	0.17
Unemployment rate	0.8	0.7	0.7	0.6	0.5	0.5	1.1	2.5	4.5	4.7
Standardized unemployment rate ^{1/}	...	...	...	...	...	...	1.8	2.9	3.7	3.8

Source: Swiss Institute for Business Cycle Research, data tape; Federal Statistical Office.

^{1/} Survey-based. Schweizerische Arbeitskraefte-Erhebung (SAKE).

Table A7. Switzerland: Prices, Wages, and Productivity

(Percentage changes) 1/

	1992	1993	1994	1994			1995	
				2nd qtr.	3rd qtr.	4th qtr.	1st qtr.	2nd qtr.
Wholesale price index	0.1	0.2	-0.3	-0.2	0.3	0.8	0.5	-0.3
Raw materials prices	-0.4	-11.4	3.5	11.4	21.0	25.8	15.5	0.7
Consumer price index	4.0	3.3	0.9	0.6	0.5	1.4	1.9	2.0
Goods	1.1	1.7	0.2	0.3	-0.1	0.5	0.5	0.2
Services	6.5	4.6	1.4	0.7	0.9	2.0	3.0	3.4
Gross wage income per employed person	5.1	1.6	1.5	...	...	...	...	...
Hourly wages 2/	4.9	2.9	1.4	...	...	...	...	...
Real hourly wages 2/ 3/	1.0	-0.3	0.5	...	...	...	...	...
Real GDP per employed person	1.3	-0.2	1.5	1.5	1.6	1.2	1.4	...
Unit labor cost, economy-wide	3.7	1.9	0.0	...	...	...	...	...
Export prices 4/	0.6	0.6	-2.1	-1.4	-2.4	-5.4	-4.0	...
Import prices 4/	1.4	-1.3	-5.8	-5.0	-4.5	-5.2	-4.0	...

Sources: Swiss Institute for Business Cycle Research, data tape; IMF, World Economic Outlook database.

1/ For quarterly data, growth rates are with respect to the same quarter of the previous year.

2/ Gross wages per employee, economy-wide.

3/ Deflated by consumer price index.

4/ Deflators for goods.

Table A8. Switzerland: Federal Government Finances

	(Billions of Swiss francs)					
	1992	1993	1994	1995 budget	1995 estimate	1996 ^{1/} budget
Expenditure	37.82	40.60	41.34	42.40	41.40	43.97
(In percent of GDP)	(11.1)	(11.8)	(11.7)	(11.8)	(11.5)	(12.0)
Current expenditure	33.65	33.98	35.87	37.61	..	39.50
(In percent of GDP)	(9.9)	(9.9)	(10.2)	(10.4)	..	(10.8)
Personnel	4.76	4.83	5.00	4.94	..	4.95
Goods	3.00	2.97	2.94	3.03	..	3.01
Defense ^{2/}	2.70	2.31	2.44	2.62	..	2.39
Interest	2.55	2.49	3.08	3.32	..	3.45
Transfers	20.64	21.39	22.41	23.70	..	25.70
Cantons Municipalities	7.00	6.12	8.05	7.82	..	9.23
Social security and other	13.70	15.27	14.36	15.89	..	16.47
Capital expenditure ^{3/}	4.17	6.62	5.49	4.79	..	4.47
Revenue (incl. pension fund surplus)	34.95	32.78	36.24	36.32	37.60	39.92
(In percent of GDP)	(10.3)	(9.6)	(10.3)	(10.1)	(10.5)	(10.9)
Taxes	30.41	28.59	31.43	32.05	32.60	35.05
Other	4.55	4.19	4.81	4.27	5.00	4.87
Financial balance (cash basis)	-2.86	-7.82	-5.10	-6.08	-3.80	-4.05
(In percent of GDP)	(-0.8)	(-2.3)	(-1.4)	(-1.7)	(-1.1)	(-1.1)
Pension Fund surplus	2.18	1.38	1.60	0.97	1.24	0.93
Financial balance (adjusted)	-5.04	-9.20	-6.71	-7.05	-5.04	-4.98
(In percent of GDP)	(-1.5)	(-2.7)	(-1.9)	(-2.0)	(-1.4)	(-1.4)
Railway loans	0.60	0.16	0.64	1.12	1.12	0.96
Financial balance (adjusted)	-5.64	-9.36	-7.34	-8.17	-6.16	-5.94
(In percent of GDP)	(-1.7)	(2.7)	(-2.1)	(-2.3)	(-1.7)	(-1.6)
Memorandum item:						
Military expenditure	6.25	5.75	5.94	5.95	..	5.65
(In percent of GDP)	(1.8)	(1.7)	(1.7)	(1.7)	..	(1.5)

Source: Federal Ministry of Finance.

^{1/} As of January 1996.^{2/} Military procurement only.^{3/} Includes loans to unemployment insurance fund.

Table A9. Switzerland: Federal Government Tax Revenue

(Billions of Swiss francs)

	1991	1992	1993	1994	1995 budget	1995 proj.	1996 ^{1/} budget
Direct federal tax	6.85	8.34	7.88	8.96	8.65	8.30	9.40
Withholding tax	4.10	3.97	1.93	3.51	2.90	2.70	4.05
Stamp duties	1.93	1.95	2.18	2.02	1.85	1.60	1.80
Turnover tax/VAT ^{2/}	10.00	9.82	9.38	9.38	10.70	12.25	11.73
Fuel taxes	3.21	3.25	3.96	4.27	4.47	4.35	4.59
Other	3.07	3.08	3.26	3.29	3.48	3.40	3.48
Total	29.17	30.41	28.59	31.43	32.05	32.60	35.05
(In percent of GDP)	(8.8)	(9.0)	(8.3)	(8.9)	(8.9)	(9.1)	(9.6)

Source: Federal Ministry of Finance.

^{1/} As of January 1996.^{2/} The VAT (value-added tax) was introduced at the beginning of 1995.

Table A10. Switzerland: Federal Government Assets and Liabilities

(End-of-period; in billions of Swiss francs)

	1990	1991	1992	1993	1994
Assets	46.41	50.91	60.76	74.75	83.39
Financial assets	13.48	14.51	19.65	24.89	26.54
Administrative and other	15.46	15.80	16.49	18.99	20.28
Balancing item 1/	17.47	20.59	24.63	30.88	36.57
Liabilities	46.41	50.91	60.76	74.75	83.39
Gross financial debt	40.90	45.82	55.62	69.78	78.34
(In percent of GDP)	(13.0)	(13.8)	(16.4)	(20.3)	(22.3)
Current payables	5.01	3.66	3.84	5.14	6.89
Short-term debt	4.45	9.15	13.53	17.57	19.24
Medium- and long-term debt	14.84	14.38	18.27	26.13	29.83
Other 2/	16.60	18.63	19.99	20.94	22.38
Valuation adjustments	2.97	2.97	3.30	3.58	3.86
Other	2.55	2.12	1.84	1.39	1.18
Memorandum item:					
Net financial debt 3/	27.42	31.30	35.98	44.89	51.80
(In percent of GDP)	(8.7)	(9.5)	(10.6)	(13.1)	(14.7)

Source: Federal Ministry of Finance.

1/ Amount by which liabilities exceed all other assets.

2/ Largely deposits of federal pension fund (EVK) with the federal government.

3/ Difference between gross financial debt and financial assets.

Table A11. Switzerland: General Government Finances

(In millions of Swiss Francs)

	1988	1989	1990	1991	1992	1993	1994	1995 budget	1995 proj.	1996 budget
Federal government										
Expenditure	27,496	28,504	31,616	35,501	37,816	40,600	41,341	42,399	...	43,972
Revenue ^{1/}	27,791	28,188	30,837	31,457	32,777	31,401	34,635	35,348	...	38,991
Balance	295	-316	-779	-4,044	-5,040	-9,199	-6,706	-7,051	-5,036	-4,981
Cantons										
Expenditure	34,828	37,619	41,413	45,955	48,334	52,392	52,508	53,900	...	55,000
Revenue	35,274	37,436	39,561	42,174	44,175	47,002	48,801	49,700	...	52,600
Balance	446	-183	-1,852	-3,781	-4,159	-5,390	-3,707	-4,200	-3,250	-2,400
Communes										
Expenditure	26,031	27,863	30,245	33,239	35,968	37,087	37,500	39,500	...	40,000
Revenue	25,958	27,615	29,423	31,088	33,340	35,892	36,200	37,500	...	39,050
Balance	-73	-248	-822	-2,151	-2,629	-1,195	-1,300	-2,000	-815	-950
Territorial auth.										
Expenditure	74,130	79,083	86,614	96,272	102,955	110,244	111,156	113,714	...	114,687
Revenue	74,798	78,336	83,161	86,296	91,127	94,459	99,442	100,463	...	106,556
Balance	668	-747	-3,453	-9,976	-11,827	-15,785	-11,714	-13,251	-9,286	-8,131
Social security										
Expenditure	23,787	24,361	26,358	29,330	33,814	35,008	...	...	...	...
Revenue	25,811	27,515	29,686	32,247	33,841	38,078	...	...	...	...
Balance	2,024	3,154	3,328	2,917	27	3,070	1,323	562	300	330
Consolidated account of territorial auth. and social security										
Expenditure	90,077	96,272	105,077	116,960	127,461	134,978	...	...	...	...
Revenue	93,669	98,679	104,952	109,901	115,661	122,263	...	...	...	...
Balance	2,692	2,407	-125	-7,059	-11,800	-12,715	-10,391	-12,689	-8,800	-8,000

Source: Federal Finance Administration, *Öffentliche Finanzen der Schweiz*, 1992; and data provided by the authorities.^{1/} The surplus of the civil servant pension fund has been subtracted.

Table A12. Switzerland: Interest Rates and Equity Prices

	3-month Euromarket rates		Return on	Stock market
	Sfr	DM	federal bonds	index
1989	6.95	6.97	5.20	724.17
1990	8.83	8.38	6.45	721.49
1991	8.12	9.15	6.24	732.39
1992	7.78	9.38	6.40	841.92
1993	4.82	7.16	4.55	1,054.97
1994	4.04	5.23	4.96	1,266.05
1992				
I	7.80	9.51	6.31	799.97
II	8.92	9.66	6.81	865.23
III	8.07	9.54	6.71	825.53
IV	6.33	8.82	5.76	876.97
1993				
I	5.32	8.16	4.99	938.77
II	4.99	7.54	4.68	999.70
III	4.61	6.70	4.43	1,059.37
IV	4.35	6.24	4.11	1,222.06
1994				
I	3.99	5.76	4.31	1,359.65
II	4.06	5.15	4.91	1,275.10
III	4.14	4.87	5.30	1,219.38
IV	4.00	5.14	5.32	1,210.09
1995				
I	3.78	4.95	5.18	1,215.59
II	3.25	4.45	4.72	1,282.80
III	2.75	4.26	4.41	1,379.76
1994				
Jan.	3.92	5.76	4.08	1,423.34
Feb.	4.04	5.81	4.34	1,333.76
Mar.	4.00	5.71	4.50	1,321.84
Apr.	3.96	5.46	4.76	1,304.18
May	3.98	5.06	4.82	1,284.64
June	4.24	4.93	5.14	1,236.49
July	4.18	4.82	5.07	1,202.63
Aug.	4.22	4.86	5.35	1,258.50
Sep.	4.01	4.93	5.47	1,197.00
Oct.	4.01	5.06	5.46	1,171.86
Nov.	3.86	5.07	5.27	1,218.12
Dec.	4.12	5.29	5.22	1,240.30
1995				
Jan.	3.96	4.98	5.28	1,205.05
Feb.	3.77	4.95	5.23	1,248.19
Mar.	3.62	4.92	5.04	1,193.54
Apr.	3.36	4.52	4.81	1,230.18
May	3.32	4.43	4.66	1,293.98
June	3.07	4.40	4.69	1,324.25
July	2.78	4.42	4.57	1,347.24
Aug.	2.81	4.30	4.46	1,389.94
Sep.	2.66	4.04	4.19	1,402.11
Oct.	2.15	3.97	3.96	1,423.88
Nov.	2.02	...	...	...
Dec.	...	...	...	...

Source: Swiss Institute for Business Cycle Research, data tape.

Table A13. Switzerland: Monetary Aggregates

(Percentage changes over a year earlier)

	1989	1990	1991	1992	1993	1994	1995 October
Banknotes	2.4	-2.1	2.2	0.1	1.5	1.9	0.9
Sight deposits with SNB	-38.5	-13.5	-6.2	-9.9	3.9	1.0	1.4
Monetary base	-5.0	-3.4	1.3	-0.9	1.7	1.8	1.0
Sight deposits	-8.7	-5.3	0.5	-0.3	13.2	7.9	13.9
M1	-4.1	-5.1	1.9	2.0	10.5	5.6	9.9
Time deposits	-7.1	-10.6	1.4	3.6	21.5	14.2	8.9
M2	-5.7	-8.0	1.7	2.8	16.1	10.2	9.3
Saving deposits	50.9	26.0	4.4	0.9	-17.5	-7.5	-12.5
M3	5.9	2.0	2.7	2.1	3.9	5.1	3.8
Domestic credit	13.5	8.9	3.9	2.4	3.6	3.5	...
Public sector	13.3	12.0	8.6	6.6	27.5	3.9	...
Private sector	13.5	8.7	3.6	2.2	1.8	3.5	1.8

Sources: Swiss Institute for Business Cycle Research, data tape; IMF, International Financial Statistics database.

Table A14. Switzerland: Exchange Rate Developments

	SwF/\$	DM/SwF	FF/SwF	SwF/£	Nominal Effective Exchange Rate 1/	Real Effective Exchange Rate 2/
1988	1.4633	1.2008	4.0726	0.8238	100.2	99.7
1989	1.6359	1.1493	3.9007	1.0006	95.0	93.9
1990	1.3892	1.1648	3.9248	0.7860	100.0	100.0
1991	1.4340	1.1577	3.9360	0.8158	98.5	99.9
1992	1.4062	1.1112	3.7671	0.8022	96.6	98.4
1993	1.4776	1.1189	3.8332	0.9857	99.8	101.4
1994	1.3677	1.1867	4.0609	0.8948	106.3	106.1
1995	1.1825	1.2125	4.2237	0.7493	113.3	...
1992						
I	1.4562	1.1124	3.7852	0.8232	95.1	96.9
II	1.4770	1.0932	3.6841	0.8184	93.4	95.1
III	1.3031	1.1230	3.8068	0.6851	98.2	100.1
IV	1.3885	1.1164	3.7923	0.8821	99.7	101.6
1993						
I	1.5059	1.0858	3.6836	1.0210	97.2	99.1
II	1.4613	1.1073	3.7351	0.9518	98.4	100.5
III	1.4774	1.1357	3.9356	0.9825	100.9	102.4
IV	1.4670	1.1470	3.9784	0.9874	102.5	103.7
1994						
I	1.4534	1.1864	4.0335	0.9772	104.8	105.3
II	1.4089	1.1795	4.0369	0.9375	104.8	104.7
III	1.3120	1.1907	4.0807	0.8463	107.6	107.4
IV	1.2965	1.1904	4.0924	0.8183	107.9	107.1
1995						
I	1.2431	1.1910	4.1606	0.7860	110.4	110.0
II	1.1549	1.2090	4.2582	0.7232	113.9	113.5
III	1.1809	1.2127	4.1907	0.7506	113.0	112.7
IV	1.1506	1.2375	4.2853	0.7374	116.1	...
1994						
Jan.	1.4717	1.1844	4.0229	0.9860	104.5	105.2
Feb.	1.4586	1.1911	4.0458	0.9865	104.8	105.3
Mar.	1.4298	1.1836	4.0317	0.9591	105.1	105.3
Apr.	1.4371	1.1817	4.0452	0.9694	104.3	104.7
May	1.4136	1.1728	4.0188	0.9406	104.3	104.0
June	1.3759	1.1840	4.0468	0.9025	105.8	105.6
July	1.3254	1.1852	4.0645	0.8578	106.8	106.7
Aug.	1.3189	1.1863	4.0696	0.8550	107.4	107.2
Sep.	1.2917	1.2007	4.1081	0.8262	108.6	108.3
Oct.	1.2646	1.2007	4.1165	0.7875	109.0	108.6
Nov.	1.2953	1.1879	4.0877	0.8150	107.7	106.7
Dec.	1.3294	1.1827	4.0728	0.8523	107.1	106.1
1995						
Jan.	1.2870	1.1907	4.1137	0.8172	108.6	108.0
Feb.	1.2711	1.1815	4.1137	0.8088	108.8	108.7
Mar.	1.1714	1.2008	4.2543	0.7320	113.7	113.2
Apr.	1.1380	1.2131	4.2582	0.7075	115.0	114.6
May	1.1685	1.2047	4.2712	0.7360	113.2	112.8
June	1.1581	1.2091	4.2451	0.7262	113.4	112.9
July	1.1575	1.2003	4.1749	0.7259	112.8	112.5
Aug.	1.1958	1.2085	4.1574	0.7621	112.0	111.7
Sep.	1.1895	1.2293	4.2398	0.7639	114.3	113.9
Oct.	1.1458	1.2343	4.3123	0.7258	116.1	...
Nov.	1.1425	1.2398	4.2771	0.7306	116.4	...
Dec.	1.1634	1.2384	4.2664	0.7559	115.7	...

Source: IMF, International Financial Statistics database.

1/ Against the 21 most important trading partners.

2/ Against the 10 most important trading partners and based on relative consumer prices.

Table A15. Switzerland: Balance of Payments

(Billions of Swiss francs)

	1989-90	1991	1992	1993	1994	1995 Q1+Q2
CURRENT ACCOUNT BALANCE	11.74	15.22	21.25	28.67	25.14	12.38
Merchandise trade balance	-10.60	-8.50	-1.41	2.45	2.24	-0.48
Exports	89.04	90.97	95.44	96.81	99.39	49.61
Imports	99.64	98.46	96.84	94.36	97.15	50.09
Non factor services balance	11.13	14.71	15.09	16.89	15.97	9.04
Exports	23.74	28.37	29.62	31.73	31.16	15.39
Of which: Tourism	11.65	11.02	11.49	11.26	11.32	5.57
Imports	12.61	13.67	14.53	14.84	15.19	6.35
Of which: Tourism	9.62	8.22	8.65	8.82	8.77	3.12
Factor services balance	14.20	12.70	11.72	13.51	11.69	5.84
Capital services balance	20.62	20.29	19.23	20.70	18.55	9.26
Capital income	39.84	38.24	35.63	35.62	35.45	18.36
Capital payments	19.22	17.95	16.40	14.92	16.90	9.10
Labor services balance	-6.42	-7.59	-7.51	-7.19	-6.86	-3.42
Labor income	1.07	1.22	1.27	1.35	1.45	0.73
Labor payments	7.49	8.81	8.78	8.54	8.31	4.15
Net unrequited transfers	-2.99	-3.69	-4.15	-4.19	-4.75	-2.02
Memorandum item:						
Gross domestic product	301.94	331.07	338.77	342.85	351.92	...

Table A15. (concluded). Switzerland: Balance of Payments

(Billions of Swiss francs)

	1989-90	1991	1992	1993	1994
CAPITAL ACCOUNT BALANCE	-14.52	-17.11	-22.82	-30.48	-22.36
Foreign direct investment	-5.91	-5.63	-7.40	-13.07	-10.40
Abroad	10.85	9.38	7.97	12.95	14.43
Into Switzerland	4.94	3.75	0.58	-0.01	4.03
Portfolio investment	-3.26	-17.17	-8.62	-26.35	-21.75
Abroad	8.08	25.16	13.64	44.83	23.00
Into Switzerland	4.83	7.99	5.02	18.47	1.25
Banking sector	-3.91	7.98	-8.68	14.09	14.94
of which:					
Increase in credit claims	-1.41	-2.55	6.77	3.62	19.90
Increase in credit liabilities	15.15	2.72	-1.03	6.02	35.17
Net increase in fiduciary funds	-20.67	2.77	0.82	14.67	-0.48
Enterprises	-2.52	-0.78	0.05	1.01	-2.69
Increase in claims	4.86	0.33	4.31	0.81	-4.10
Increase in liabilities	2.34	-1.11	4.37	0.20	1.41
Other private sector	1.51	-1.14	2.05	-6.02	-2.36
Other public sector	-0.44	-0.35	-0.23	-0.14	-0.10
CHANGES IN NATIONAL BANK RESERVES					
(- = increase)	-0.73	-3.07	-6.91	-1.38	0.90
REVALUATION OF NATIONAL BANK RESERVES					
(- = increase)	-1.32	1.70	0.69	0.76	-2.34
ERRORS AND OMISSIONS	4.82	3.33	7.84	2.48	-1.27

Source: Swiss National Bank.

Table A16. Switzerland: Volumes and Values of Merchandise Trade ^{1/}

	1989	1990	1991	1992	1993	1994	1995
	Q1-11						
<u>(In billions of Swiss Francs unless otherwise indicated)</u>							
Exports							
Volume (at 1980 prices)	65.7	68.7	67.7	70.7	71.1	74.6	38.5
Percent change	5.2	4.5	-1.4	4.3	0.6	4.9	5.6
Unit value index ^{3/}	130.4	130.7	132.0	132.8	133.6	130.7	126.3
Percent change	8.2	0.2	1.0	0.6	0.6	-2.1	-4.7 ^{2/}
Value	85.7	89.8	89.4	93.9	95.0	97.5	48.6
Percent change	13.8	4.7	-0.4	5.0	1.2	2.6	0.6 ^{2/}
Imports							
Volume (at 1980 prices)	87.7	90.6	88.9	85.3	84.2	92.2	49.8
Percent change	5.4	3.2	-1.8	-4.1	-1.3	9.5	9.2
Unit value index ^{3/}	111.5	109.9	109.9	111.5	110.0	103.6	98.7
Percent change	9.5	-1.4	0.0	1.4	-1.3	-5.8	-4.6
Value	97.8	99.6	97.8	95.2	92.6	95.6	49.1
Percent change	15.4	1.8	-1.8	-2.6	-2.7	3.2	4.2 ^{2/}
Terms of trade index ^{4/}							
Percent change	-1.2	1.6	1.0	-0.8	1.9	3.9	-- ^{2/}

Source: Swiss Institute for Business Cycle Research; data tape.

^{1/} On a national accounts basis.^{2/} Relative to Q1-Q11 1994.^{3/} Value divided by volume.^{4/} Export unit value divided by import unit value.

Table A17. Switzerland: Composition of Foreign Trade

(In billions of Swiss francs, current prices)

	1991	1992	1993	1994
Exports, total	<u>88.0</u>	<u>92.1</u>	<u>93.3</u>	<u>95.8</u>
Agriculture	3.1	3.4	3.4	3.6
Energy	0.1	0.1	0.1	0.1
Textiles	4.7	4.6	4.3	4.2
Paper	2.2	2.3	2.2	2.3
Leather, rubber, plastics	2.4	2.6	2.7	2.9
Chemicals	19.1	21.3	22.3	23.5
Minerals	0.6	0.7	0.7	0.7
Metals	7.5	7.7	7.4	7.8
Machinery	25.2	25.3	24.8	26.1
Vehicles	1.8	2.1	1.8	1.8
Precision instruments, watches	18.4	19.0	20.5	20.0
Other	2.8	3.1	3.0	2.8
Imports, total	<u>95.0</u>	<u>92.3</u>	<u>89.8</u>	<u>92.6</u>
Agriculture	8.1	8.0	7.9	8.3
Energy	4.4	3.9	3.4	3.0
Textiles	8.9	8.8	8.5	8.4
Paper	3.8	3.8	3.7	3.9
Leather, rubber, plastics	3.4	3.5	3.4	3.6
Chemicals	10.7	11.4	11.9	12.5
Minerals	2.0	1.9	1.9	2.0
Metals	8.1	7.7	7.3	7.9
Machinery	18.9	18.2	18.0	19.0
Vehicles	11.0	10.0	8.4	9.2
Precision instruments, watches	11.0	10.4	11.3	10.3
Other	4.8	4.7	4.2	4.4
Exports, total	<u>88.0</u>	<u>92.1</u>	<u>93.3</u>	<u>95.8</u>
Raw materials and semi-finished products	29.6	30.2	30.3	31.0
Energy	0.1	0.1	0.1	0.1
Equipment goods	30.5	31.1	30.1	31.3
Consumption goods	27.8	30.7	32.8	33.4
Imports, total	<u>95.0</u>	<u>92.3</u>	<u>89.8</u>	<u>92.6</u>
Raw materials and semi-finished products	32.2	31.4	31.1	32.0
Energy	4.4	3.9	3.4	3.1
Equipment goods	24.0	22.4	21.2	22.3
Consumption goods	34.5	34.6	34.0	35.3

Source: La Vie Economique.