

ECONOMIC STRUCTURE

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One of the most liberal and competitive economies in the world, Switzerland has always maintained close economic ties with other countries. A secure legal system and long-term stable fundamentals for investors, relatively little regulation, and the proximity to research institutions make it the location of choice in Europe for businesses offering high-quality products and services.

2.1 GROSS DOMESTIC PRODUCT AND INDUSTRY STRUCTURE

Switzerland's per capita gross domestic product is the fourth largest in the world (Fig 7). In 2014, per capita GDP was far above the EU average at CHF 86,895. Switzerland outranks France by 101%, and Germany and the UK by 83% and 90%, respectively. The service sector generates some 70% of the gross domestic product. Comprising 25% of GDP, the industrial sector is also an important mainstay of the economy, with the key sectors being chemicals, capital goods, and banking. The Swiss economy is strongly geared towards exports – as a percentage of GDP, its foreign trade is among the highest in the world. The EU plays a key role here, accounting for 45% of exports and 66% of imports. Small and medium-sized enterprises (SMEs) dominate the Swiss economic landscape. More than 99% of companies have fewer than 250 full-time employees. But Switzerland is also home to multinational companies that account for around one third of GDP. They employ 1.29 million people, with the result that one in three jobs is in a multinational concern. Employees are highly motivated, possess a keen sense of responsibility, and are very loyal to their company. These typical Swiss characteristics are responsible for the quality and service ethos in both the industrial and service sectors.

Gross Domestic Product Per Capita (Nominal), 2014 (US\$)

(FIG. 7)

1	Luxembourg	114,234
2	Norway	96,994
3	Qatar	95,585
4	Switzerland	86,894
5	Australia	60,930
6	Denmark	60,770
8	Singapore	56,287
9	USA	54,597
10	Ireland	53,361
12	Netherlands	51,491
16	Belgium	47,648
17	Germany	47,504
18	United Kingdom	45,695
21	France	43,204
22	Hong Kong SAR	39,992
24	Japan	36,265
25	Italy	35,274
42	Russia	12,948
45	Brazil	11,571
52	China	7,574
61	India	1,632

Source: IMD World Competitiveness Online 2015

Around 75% of the Swiss workforce is engaged in the service sector. The figure for the industrial sector is just under 25% (Fig. 8). Although the industrial sector is increasingly diminishing in importance in advanced industrialized countries, in Switzerland the absolute number of people working in the secondary sector has remained stable for nearly 20 years.

Industry Structure and Shares of Workforce, 2015

(FIG. 8)

INDUSTRY	WORKFORCE (2ND QUARTER 2015)	
	(1,000s)	(%)
Total (not including agriculture and forestry)	4,244.30	100%
Sector II Total	1,040.4	24.51%
Mining and mineral extraction	4.8	0.11%
Processing and manufacturing	658.6	15.52%
Energy	27.0	0.64%
Water supply and purification	16.3	0.38%
Construction	333.7	7.86%
Sector III Total	3,203.9	75.49%
Vehicle trading, maintenance and repair	627.6	14.79%
Transport and warehousing	216.0	5.09%
Hospitality	208.6	4.91%
Information and communication	145.6	3.43%
Financial and insurance services	231.0	5.44%
Real estate and housing	33.5	0.79%
Professional, scientific and technical occupations	343.3	8.09%
Other economic services	178.1	4.20%
Public administration	186.0	4.38%
Education	295.4	6.96%
Healthcare and social services	583.5	13.75%
Arts, entertainment and leisure	53.0	1.25%
Other services	102.2	2.41%

Source: Federal Statistical Office (BFS), Job Statistics (JOBSTAT)

In international competitiveness indexes, Switzerland has occupied one of the top spots for many years. In 2015 it took first place in the World Economic Forum (WEF) ranking for the seventh consecutive year (Fig. 9). Switzerland receives top scores for innovation, labor market efficiency, and transparency of public institutions.

International Competitiveness Ranking, 2015

Overall score 1–7

(FIG. 9)

1	Switzerland	5.76
2	Singapore	5.68
3	USA	5.61
4	Germany	5.53
5	Netherlands	5.50
6	Japan	5.47
7	Hong Kong SAR	5.46
8	Finland	5.45
9	Sweden	5.43
10	United Kingdom	5.43
19	Belgium	5.20
20	Luxembourg	5.20
22	France	5.13
24	Ireland	5.11
28	China	4.89
43	Italy	4.46
45	Russia	4.44
55	India	4.31
75	Brazil	4.08

Source: World Economic Forum, The Global Competitiveness Report 2015–2016

Switzerland is also one of the world’s leading innovators. In 2015 it was ranked as the world’s most innovative country for the fifth consecutive year, leading the Global Innovation Index (Fig. 10).

Global Innovation Index, 2015

Overall score 0-100

(FIG. 10)

1	Switzerland	68.3
2	United Kingdom	62.4
3	Sweden	62.4
4	Netherlands	61.6
5	USA	60.1
6	Finland	60.0
7	Singapore	59.4
8	Ireland	59.1
9	Luxembourg	59.0
10	Denmark	57.7
11	Hong Kong SAR	57.2
12	Germany	57.1
19	Japan	54.0
21	France	53.6
25	Belgium	50.9
29	China	47.5
31	Italy	46.4
48	Russia	39.3
70	Brazil	35.0
81	India	31.7

Source: INSEAD, The Global Innovation Index 2015

“Switzerland is the most innovative country in the world. It boasts outstanding innovation output, provides an ideal environment for innovation, and offers a high degree of market and economic maturity.”

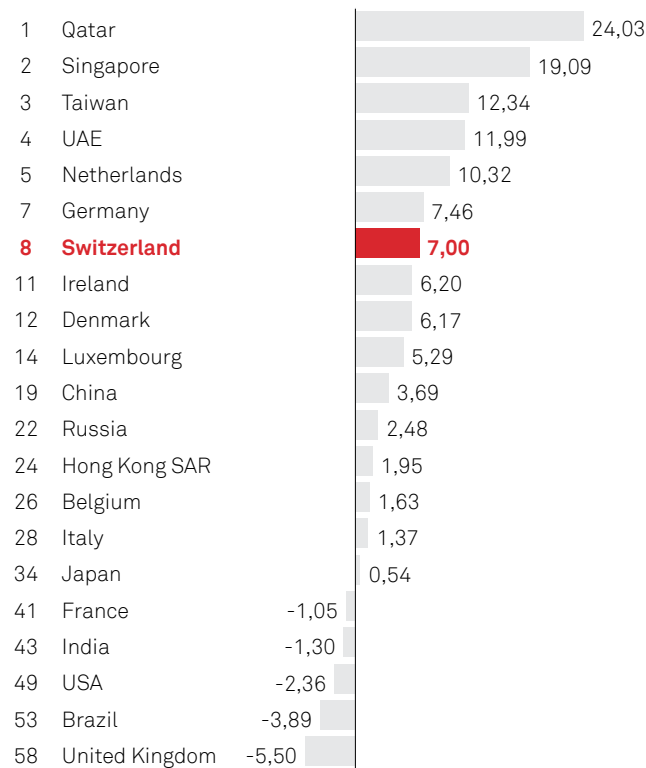
2.2 INTERNATIONAL INTEGRATION

As the Swiss domestic market is small and the country is lacking in natural resources (apart from water), since the advent of industrial production Swiss companies have been forced to seek and cultivate abroad what are often their key markets. Thanks to this necessity to open the country to the outside, Switzerland is an important player in world trade. Exports make up around 35% of GDP. As a result, Switzerland has taken a leading role among the important exporters in world trade, with regard to both goods and services.

Balance of Trade

% of GDP, 2014

(FIG. 11)



Source: IMD World Competitiveness Online 2015

2.2.1 Goods and Services Trade

Europe is by far Switzerland's most important trade partner (2014). Two thirds of all imports and almost half of all exports are traded with the EU. Germany has traditionally been Switzerland's most important buyer and also supplier, while France and Italy are its second and third most important suppliers. The U.S. is Switzerland's second largest trade partner, followed by Italy and France. Newly industrialized and developing nations account for 15% of exports, and 8% of imports.

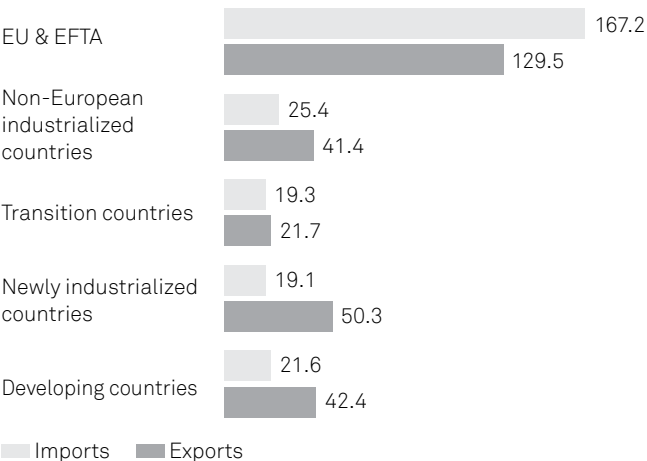
The classic example of a successful export-oriented branch of industry is what is known as Switzerland's 'secret automobile and aircraft industry': a little known network of highly specialized manufacturing companies and problem-solvers providing components for a range of areas, from precision and micro-mechanics to materials technology, plastics, and textiles. As technology and innovation leaders, these Swiss companies have been able to position themselves as reliable suppliers of quality and precision products.

Switzerland is a co-signatory of the WTO Agreement, and has continually championed market liberalization through free trade agreements, as a member of EFTA, and through bilateral agreements with the EU. As a result of its consistent market liberalization policy, Switzerland has become an efficient trading center and a market of economic significance – not only relative to its market size.

Foreign Trade by Economic Area, 2014

Imports and exports (billions CHF)

(FIG. 12)



Source: Swiss Customs Administration (EZV)

2.2.2 Direct Investments

Switzerland's exposure to global markets is among the strongest of any country. In 2013, direct investments abroad totaled CHF 1,073 billion, or 167% of GDP. In comparison, in the Netherlands, direct investments abroad in the same year amounted to 121% and in the UK 70%. Swiss companies with direct investments abroad employ around 3 million people in their foreign subsidiaries and operating units, and they are also important employers in Switzerland. Switzerland is among the top ten largest direct investors in the world. Switzerland is also the eighth biggest foreign investor in the USA; in 2013, 17.6% of all Swiss direct investments or CHF 189,039 million were made in the USA.

Switzerland is also an attractive location for foreign investors, in particular from the EU (81.7% or CHF 562,047 million) and the USA. The capital stock of U.S. investors in Switzerland is 12.6% or CHF 88,060 million.

“Switzerland is an attractive location for foreign investors. In 2013 foreign direct investments amounted to CHF 688 billion.”

Direct Investments: Capital Stock, 2013

(FIG. 13)

CAPITAL STOCK AT YEAR END, 2013	SWISS DIRECT INVESTMENTS ABROAD		FOREIGN DIRECT INVESTMENTS IN SWITZERLAND	
	CHF (millions)	(%)	CHF (millions)	(%)
Total	1,072,809	100.0%	688,084	100.0%
EU	464,537	43.3%	562,047	81.7%
United Kingdom	78,720	7.3%	21,300	3.1%
Germany	51,420	4.8%	25,593	3.7%
Netherlands	60,984	5.7%	189,982	27.6%
Luxembourg	96,905	9.0%	144,270	21.0%
France	30,491	2.8%	38,421	5.6%
Italy	26,802	2.5%	3,946	0.6%
Spain	15,751	1.5%	10,671	1.6%
Austria	10,806	1.0%	59,896	8.7%
Rest of Europe	57,562	5.4%	20,976	3.0%
Offshore financial centers	31,575	2.9%	n.a.	n.a.
Russian Federation	15,025	1.4%	n.a.	n.a.
North America	233,042	21.7%	88,060	12.8%
USA	189,039	17.6%	86,804	12.6%
Canada	44,003	4.1%	417	0.1%
Central and South America	174,949	16.3%	6,791	1.5%
Brazil	21,182	2.0%	n.a.	n.a.
Offshore financial centers	121,603	11.3%	14,916	2.2%
Asia, Africa, Oceania	142,621	13.3%	10,211	1.5%
Japan	11,532	1.1%	3,162	0.5%
Singapore	22,090	2.1%	n.a.	n.a.
China	17,039	1.6%	n.a.	n.a.
Hong Kong SAR	7,390	0.7%	n.a.	n.a.
Taiwan	2,814	0.3%	n.a.	n.a.
India	6,820	0.6%	n.a.	n.a.
Australia	18,989	1.8%	n.a.	n.a.

Source: Swiss National Bank (SNB), direct investments 2013

2.3 KEY INDUSTRY CLUSTERS

From an economic perspective, clusters can be defined as networks of manufacturers, suppliers, research facilities (e.g. universities), service providers (e.g. designers and engineers), and related institutions (e.g. chambers of commerce) that have a certain regional proximity to one another and which are formed via a common relationship based on trade along a value chain (e.g. automotive manufacturing). The members of these clusters are connected by supply, competition, or common interests. These networks are referred to as clusters only if there is a large group of companies near to one another whose activities complement or are related to another along one or more value chains. Only then can a growth pool be formed which also attracts suppliers and specialized service providers and creates competitive advantages for all companies involved.

Switzerland has several of these industry clusters, which are also important on an international scale. The key industry clusters in Switzerland will be briefly described over the next few pages. The figures provided are for reference purposes only, as the clusters sometimes overlap.

2.3.1 Life Sciences: Chemicals / Pharmaceuticals, Biotech, Medtech

Extremely successful global conglomerates such as Novartis, Roche, Syngenta, and smaller companies form a unique industrial cluster in north-western Switzerland, making the city of Basel and the surrounding region the national and international location of choice for pharmaceutical and chemical companies. The Swiss chemical-pharmaceutical industry is virtually exclusively active in specialty chemicals and is very internationally orientated. Approximately three quarters of the product portfolio covers life science products, i.e. products which intervene in the metabolic processes of living organisms, and 98% of sales are generated abroad. Chemical-pharmaceutical products are Switzerland's most important export goods, accounting for 41% of goods exports. Companies in the Swiss chemical-pharmaceutical industry have a leading worldwide position in many market sectors and employ around 70,000 people. The industry represents 4% of GDP. Only the metal and mechanical engineering industry is larger in Switzerland.

Owing to the ripple effect of pharmaceutical giants Novartis and Roche, as well as recent investments by international businesses such as CSL Behring, UCB Farchim, Glenmark and Biogen Idec, unique biotech clusters have formed in the regions of Basel, Bern-Freiburg-Neuenburg and around Lake Geneva. At the end of 2014, the industry counted 207 biotech development companies and 57 biotech supplier companies with around 14,500 employees. Such a concentration of biotechnology companies is not to be found anywhere else in the world. Over half of Swiss biotech firms are small companies with less than 20 employees. They profit from the geographical proximity to large companies both in Switzerland and in its neighboring countries. Some well-known global players headquartered in Switzerland and which are industry leaders in Europe include Actelion, Amgen, Biogen Idec, Crucell, and Merck Serono.

The concentration of medical technology companies in Switzerland is also unusually high. The medtech sector consists of approximately 350 manufacturers, 500 suppliers, over 260 distribution and sales companies and 330 specialized service providers, which are mainly located in the Lake Geneva area, the Bern-Biel area, the Basel area, and the Zurich metropolitan area. 63% of all products manufactured in Switzerland are then exported, which makes up 5.2% of all Swiss exports. Sales in 2013 amounted to around CHF 14 billion. Investment in research and development, growth rates, and profitability are all above average. In total around 52,000 people are employed in the medical technology sector. At 1.1% relative to the working population this is more than any other country (Germany: 0.4%, UK/EU/USA: 0.2%). The largest employer is Synthes, ahead of the diagnostics division of Roche and Johnson & Johnson Medical. Other global Swiss companies are Ypsomed, Sonova (hearing aids), and Straumann (dental implants). Some major foreign corporations worth mentioning are Zimmer, Medtronic, B. Braun, and Stryker.

www.s-ge.com/invest-lifesciences

Facts and figures on Switzerland as a life sciences location
Languages: German, English, French, Italian, Portuguese, Russian, Chinese, Japanese

www.scienceindustries.ch

Swiss industry association for chemicals, pharma, biotech
Languages: German, English, French

www.medical-cluster.ch

Network of medical technology companies
Languages: German, English

www.fasmed.ch

Network of medical technology companies
Languages: German, French

2.3.2 Mechanical, Electrical Engineering and Metals Industry

The mechanical, electrical engineering and metals industry (MEM) represents the largest industrial sector and holds a key position in the Swiss economy with 330,000 employees. In 2014 the MEM industry's share of added value amounted to about 9%.

Countless companies of the Swiss MEM industry have a leading international role in their sub-sectors. Around 80% of products from the MEM industry are exported, and the industry contributes 32% to total Swiss exports.

Large companies in the metal and mechanical engineering industry well-known names such as OC Oerlikon, Rieter, Schindler, and ABB are present in almost every canton. Particularly in the cantons of Zurich, Aargau, Ticino, and Valais, in the Rhine Valley and in central Switzerland, growth is among the strongest in the world. Most companies focus on innovation and quality in order to compete with cheaper locations and maintain and expand their global market position. Today, this branch of industry is able to compete on the international stage, thanks to well-advanced restructuring and the use of new technologies.

The Swiss watch industry is primarily located in the Jura region stretching from Geneva to Schaffhausen (called the 'watchmaker belt'). There are also individual sites in Mittelland, Ticino and Valais; Geneva, Biel and La Chaux-de-Fonds are three watchmaking centers. Companies such as the Swatch Group, IWC Schaffhausen, Rolex SA, Richemont SA, and the LVMH Group are headquartered here. The Swiss watch industry makes products whose high degree of mechanization makes a strongly demarcated division of labor possible. As a result, the sector generally comprises small and medium-sized businesses, averaging just under 70 employees per company. Around 560 companies employ 59,000 people (as of 2014). 95% of all employees and businesses are located in the nine cantons of the Jura region, resulting in a watch industry cluster. Particularly in the luxury segment, the world market position of Swiss watchmakers is excellent. 95% of all watches are exported; the total value of Swiss watch exports in 2014 was CHF 24 billion.

The availability of highly qualified staff with professional know-how has resulted in the relocation to this area of more and more companies outside the watchmaking industry which require similar technology for their production. In particular, this 'precision cluster' includes medical technology, which has significantly expanded its presence in the region in recent years. A cluster strongly orientated to micromechanics and optics has also formed in eastern Switzerland and the Bern region.

www.s-ge.com/invest-mem

Facts and figures on Switzerland as an MEM location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.swissmem.ch

Association of the Swiss mechanical, electrical engineering and metal industry
Languages: German, English, French, Italian

2.3.3 Information and Communications Technology

Switzerland occupies a leading position with regard to the development of infrastructure for the information society. According to the OECD, 48% of the population has a fixed high-speed Internet connection, putting Switzerland in first place worldwide ahead of the Netherlands and Denmark. More than 85% of over-14s use the Internet. The World Economic Forum Networked Readiness Index 2015 placed Switzerland in sixth position behind Singapore, Finland, Sweden, the Netherlands and Norway. According to official statistics, the information and communications technology (ICT) sector in Switzerland comprises just over 18,000 companies, which corresponds to 3% of the total number of all companies. More than 145,000 people, or nearly 4% of the workforce, are active in the ICT sector.

In the Zurich-Lake Constance area, well-known companies from the IT sector – including IBM, Google, and Microsoft – have settled around the Swiss Federal Institute of Technology Zurich, its research facilities, and the University of Zurich. Proximity to these universities was a key factor in their choice of location. Other IT centers have emerged in Bern and Lucerne. Swiss IT companies such as Noser Engineering and Coresystems AG are leaders in their markets. Some of the largest employers in the sector are foreign companies such as Siemens, Dell, HP, and Reuters. One important criterion encouraging foreign IT firms to settle in Switzerland is the extremely well educated, technically experienced and often multilingual workforce.

www.s-ge.com/invest-ict

Facts and figures on Switzerland as an ICT location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.s-ge.com/data-centers

Facts and figures on data centers in Switzerland
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.bakom.admin.ch

Federal Office of Communications (OFCOM)
Languages: German, English, French, Italian

www.ictswitzerland.ch

Umbrella organization for the information and telecommunications sector
Languages: German, French

2.3.4 Cleantech

Cleantech comprises technologies, processes, goods and services, which have the aim of reducing environmental pollution and allowing the sustainable use of natural resources and systems. Cleantech is applied in all sectors of the economy and affects the whole value-added chain. As a small country with limited resources, Switzerland has been concerned with environmental protection from an early stage. Waste collection, Minergie standards, connection to sewage treatment plants, the energy recovery of all waste, and other measures are a matter of course for the Swiss population. Legislation and regulations at a high level have forced industrial solutions and led to many years of valuable experience. This constantly yields new and innovative developments. Nowadays the work of an estimated 160,000 employees is associated with the cleantech sector, 4.5% of all jobs. The estimated gross value added is CHF 18–20 billion and corresponds to 3.5% of GDP. 38% of Swiss cleantech companies export products and services. The sector is characterized by a heterogeneous corporate landscape, ranging from start-up/spin-off companies to large multinational groups.

www.cleantech.admin.ch

Official information about cleantech
Languages: German, English, French, Italian

www.cleantech-switzerland.com

Export platform for the cleantech industry
Languages: English, Chinese

www.swisscleantech.ch

Association of the Swiss cleantech industry
Languages: German, French

2.3.5 Company Headquarters

Switzerland is a vital center for the global and regional headquarters of foreign companies. While European firms have their global headquarters in Switzerland, U.S. companies tend to open their regional headquarters here. The number of companies that have moved their headquarters to Switzerland has risen in recent years. According to an analysis by the consultancy company Arthur D. Little, more than 300 headquarters have been relocated to Switzerland from 2003 to the middle of 2011. 53% of these companies come from the USA, 31% from Europe and 11% from Asia. Prominent examples such as eBay, Bombardier, General Motors, Nissan, Sony, Google, IBM, and Kraft show the attractiveness of Switzerland as a location for company headquarters.

Some key criteria in the choice of location include the favorable tax environment, the availability of qualified staff, a high standard of living, and the advantageous geographical location. Neutrality in an economic sense is also important – all the major European markets are comfortable with a Swiss main office. Switzerland also scores highly in stability, legal certainty, and the safety of people and the environment. Companies also value the high standard of living and the quality of the education system. Other advantages include proximity to research facilities and clients and reliable double-taxation agreements. Switzerland is also perfectly suited as a test market because it offers the widest possible variety in a small area.

“Between 2003 and 2011 over 300 companies relocated their headquarters to Switzerland.”

2.3.6 Financial Services

The Swiss financial center is an important element of the economy as well as a world-class cluster. In Switzerland there are some 300 banks, 200 insurance companies, and 2,000 pension funds. The majority of the financial institutions are located in Zurich, Geneva, Basel and Lugano. In 2014, the direct value added by banks and insurance companies amounted to around CHF 61 billion, with banks contributing CHF 34 billion and insurance companies CHF 27 billion. This corresponds to about 10% of the entire Swiss GDP. 230,000 people are employed in the financial sector, which is about 5.4% of all wage earners in Switzerland. Of this number, 120,000 work in banks, 50,000 at insurance companies and the rest at other financial sector companies. The importance of the financial industry is also reflected in the courses offered by universities. The Swiss Finance Institute – a collaborative effort between financial institutions and leading Swiss universities – ensures the delivery of education and financial research.

From an international perspective, the Swiss banking center is regarded very highly and is extremely competitive. Its core competency is asset management for private clients. In addition to the two major globally active banks, UBS and Credit Suisse, there are numerous regional and specialized institutions. There are some 120 foreign banks in the country, and 54% of the securities managed in Switzerland come from foreign clients.

The key factors for success and the basic conditions for the insurance industry include: a high per capita income, a strong need for security, a solidly structured old-age pension system, an open and internationally networked insurance center, a credible regulatory environment, and international know-how in the reinsurance business.

For more information and links relating to banking, see page 100 onward.

www.s-ge.com/financial-center

Facts and figures on Switzerland as a financial center
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.svv.ch

Swiss Insurance Association
Languages: German, English, French

2.3.7 Trading and Resources

Switzerland is one of the world's most important commodities trading platforms. Around one third of global trade in crude oil products is transacted via Geneva. Regarding the trade in grain, oilseeds, and cotton, Geneva is the world number 1, and in sugar trading the number 1 in Europe. Zug is a hub for trade in mining products. At first glance, such a prominent position may seem surprising because Switzerland is a landlocked country with very few natural resources. But because of its central location, it has been a major crossroads for various trade routes since the early days of international trade in coffee and cotton. Later, the Swiss financial center became a hub for international trade due to its traditional locational advantages. In addition to comparatively low taxes, trading companies value its central location, good infrastructure, and connections with other countries.

Also important for the Swiss economy are the numerous commodities-related services based here, such as insurance, law firms, consulting companies, trust and fiduciary companies, freight and security businesses. Major Swiss banks and cantonal banks as well as various foreign banks have specialized in financing commodities trading in the regional hubs. They finance the purchase of raw materials, guarantee the seamless processing of transactions, and offer protection against operational and credit risks. All in all, commodities trading amounts to 3% of Switzerland's GDP.

In recent years trade in commodities has continually risen in importance. On the list of the 1,000 largest Swiss companies (2014) there are six commodities companies in the top 20: Vitol (1st place), Cargill International (3rd), Mercuria Energy Trading (4th), and Gunvor (7th) are Geneva-based trading firms. Glencore (2nd) and Trafigura (4th) are based in central Switzerland.

www.vsig.ch

Umbrella organization of Swiss trading companies
Languages: German, English, French

www.gtsa.ch

Geneva Trading & Shipping Association (GTSA)
Language: English

www.lcta.ch

Lugano Commodity Trading Association
Languages: German, Italian

www.zugcommodity.ch

Zug Commodity Association (ZCA)
Language: English