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REVIEW
OF ECONOMIC CONDITIONS
IN SWITZERLAND

during 1955

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ECONOMIC CONDITIONS IN SWITZERLAND DURING 1955

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General Survey

Economic activity in *Switzerland* during 1955 was very brisk, the boom being most clearly reflected in the record turnover in both foreign and retail trade as well as in the scarcity of labour. Although more than 270 000 workers from neighbouring countries had temporarily been engaged, nearly all branches of the economy suffered from an acute shortage of workers, especially of skilled labour. From the spring onwards the number of vacancies greatly exceeded that of persons seeking jobs, while both total industrial employment, which averaged 4% higher than in the previous year, and overtime

worked in factories reached a new record in 1955.

In addition to the exhaustion of labour reserves, difficulties arose for a time in the autumn owing to the scarcity of some building materials. All these facts, together with the danger of an inadequate winter supply of electric current, which became evident towards the close of the year, clearly indicate that, in Switzerland as elsewhere, the boom is likely to be contained within certain limits.

There were, however, great differences in the level of employment between individual sectors of business, and often even between the different enterprises in the same sector. Full

capacity operations prevailed above all in the building trades and the capital goods industries where the backlog of orders on hand has grown further despite greater output. The watch industry too, which experienced a recession at the beginning of the year, is now again producing at a high rate. The general situation remained unsatisfactory in the textile industry, which faces foreign competitors offering incredibly low prices; it had therefore much difficulty in obtaining enough orders and in some cases had to cut output. But even in those branches which are at present particularly favoured by the boom the struggle for markets has clearly grown fiercer, and the prices of an increasing number of products are subject to an appreciable downward pressure.

In these circumstances the necessity to prevent a further increase of production costs has become highly important. Fortunately conditions in this respect are favourable in Switzerland, where the domestic price level, according to the official indices, has remained practically stable for the past twelve months.

The level of activity in individual branches of the Swiss economy is now summarily reviewed on the basis of reports kindly supplied by our business friends.

Silk and Rayon Weaving

Activity in the *silk and rayon weaving industry* showed rather wide variations. Some mills could not keep their looms

operating at a normal rate, while others had to farm out work to sub-contractors in order to deliver within the short periods required.

Generally weavers complained of too much hand-to-mouth ordering by customers and of unsatisfactory prices. Their chief object was therefore to produce as cheaply as possible in order to remain competitive. Nonetheless and in spite of the far reaching liberalisation in Western Europe in respect to imports of fabrics, the silk and rayon weaving industry did not share in the general expansion of Swiss exports. Actually, its shipments abroad amounting to 98 million francs were practically as large as those of the previous year.

To go into detail, among dress materials, jacquard weaves were in special demand. There was fairly good business in spun nylon goods, while sales of fabrics made of continuous filament nylon were less satisfactory. Throughout the year the demand for neck-tie materials was adequate. The same applies to fancy goods, which, however, it is now almost impossible to produce on a rational basis with demand so widely scattered.

Imports of silk and artificial fibre fabrics increased further. About two-thirds of the Swiss demand for synthetic fabrics, for instance, is now met by supplies from abroad, mainly from the United States; in addition there are the American nylon fabrics imported by our embroidery industry for duty-free processing, which amounted to more than 2 million metres in 1955.

Procurement of the necessary labour was no easy task, since many workers were attracted by industries paying better wages. It proved, however, possible to fill part of the resulting gaps by bringing in foreign labour.

Silk Ribbon Industry

In the *silk ribbon industry* employment, production and exports remained fairly stable. There were, however, some changes both in the categories of goods exported and in the countries taking them. Thus the losses sustained on certain important markets were offset by greater exports to a number of smaller ones. The wide distribution of exports over nearly eighty countries is in fact an important element of stability in the ribbon trade.

Because of price and owing to high tariffs the simpler types of ribbon are now virtually unsaleable. Specialties on the other hand were in good demand, with changing trends of fashion and of the customer's taste setting producers difficult problems of adjustment and in some cases forcing them to make considerable sacrifices.

Nowadays even richly patterned types of ribbon are woven from fully synthetic yarns; this calls for close cooperation with the suppliers of raw materials and with the processing industry, besides entailing costly research and experimentation in the weaving mills themselves. The immediate prospects must be called uncertain,

especially since, last autumn, Australia, which previously ranked among the largest buyers, introduced new import restrictions and heavy increases of duty partly in order to protect its own manufacturing industry.

Cotton Industry

Thanks to the good home demand the *cotton industry* had on the whole a satisfactory year, even though employment varied greatly between the different enterprises. This applies especially to the weavers, who frequently had to take orders showing inadequate profit margins. Better prices could be had only for specialties.

Although cotton is still favoured by fashion, manufacturers of the finer fabrics—especially muslin—seriously felt the competition of American nylon materials and the aggressive selling tactics of Japanese producers. While some of the looms which became available could be set to weaving poplins, mills dependent on exports were compelled nonetheless to cut output to the extent of 15% of the loom-hours worked in the previous year.

Business was also adversely affected by the uncertainty as to the future cotton policy of the American government. But the most serious problem for the industry of Western Europe is now the Japanese competition which is again extremely keen. So long as that problem remains unsolved, the outlook for the Swiss cotton industry cannot be regarded as bright.

Embroidery Industry

In the *embroidery industry* business continued good. The inflow of new orders, it is true, experienced a slight decline during the spring, causing a decrease in overtime and shift working in the summer. Afterwards, however, trade picked up, and exports totalling 118 million francs have even attained a new record.

There was a particularly marked increase in demand for nylon embroideries, which compelled producers to make important readjustments. On the trade side the most important event of 1955 for the embroidery industry was no doubt the lowering of duties in the United States by 50% for handkerchiefs and 15% for other embroidered goods.

With purchases of about 17 million francs the U.S.A. were again the largest customer, followed by Germany with some 15 million. The greatly increased exports to Great Britain have also approached this figure. There was a large rise in sales to Australia, which bought embroideries for about 10 million francs. Business with the Latin American countries suffered from their definitely protectionist policy, while sales on the home market were maintained despite growing competition.

Hosiery and Knitting Industry

The degree of activity in the *hosiery and knitting industry* varied markedly, but was on the whole some-

what lower than in 1954, while prices were subject to an increased downward pressure. This especially applied to underwear, although sales of these products were adequate in quantity. Activity was highest in the making of outer-wear favoured by fashion, whereas the general situation in full-fashioned hosiery manufacture must be called unsatisfactory, especially since the trend of fashion is still for the finer and finest varieties.

On the other hand business in the panel hose industry was good, so far as the machinery there has been adapted to producing fine nylon stockings; actually stockings of this type rank among the few articles for which relatively satisfactory prices can still be obtained. Profound changes occurred in the men's hose and golf stocking industry, where the introduction of helanca yarns has so lengthened the life of the products that demand seriously contracted, forcing even some long-established producers to cease manufacture.

Woollen Industry

As in other textile branches, the inflow of orders in the *woollen industry* varied a good deal from one firm to another, but left on the whole much to be desired. In addition, selling prices for many of the products were inadequate. Most producers had to do the best they could with small and therefore uneconomical orders for quick delivery. With Swiss import duties relatively low

they have a hard time meeting foreign competitors, who often use dumping methods. Still, they succeeded in maintaining exports at the previous year's volume, which is evidence of their high efficiency and adaptability.

The output of two-count yarns and fabrics with the use of wool and fully synthetic fibres has increased. Although certain difficulties still remain, technical progress in this line has now advanced so far that all such combinations of yarns can be turned into fabrics with excellent dyeing qualities. Since, however, they are comparatively expensive, they still have no great commercial importance.

While immediate prospects must be described as uncertain it is hoped that, if business in general remains good, the position of the woollen industry will not deteriorate in 1956.

Linen Industry

The *linen industry* was on the whole satisfactorily occupied; among weavers, however, the volume of work varied greatly according to the special nature of the goods covered by their production programme. A fairly large number of looms remained idle, or were being used for other textiles.

Thanks to the better quality some gratifying successes were achieved on export markets against foreign competitors who offered lower prices. Simultaneously, orders from Swiss customers increased, as the hotel trade, one of the

large users of linen fabrics, stepped up its purchases.

Fabric prices were reduced slightly. But linen yarns became more expensive towards the end of the year, and if this tendency persists, it will certainly not remain without repercussions on the selling prices of linen fabrics.

Textile Processing

The diverging trend between costs and prices which has prevailed for years in the *Swiss textile processing industry* did not come to a standstill in 1955. On the contrary, while outlays have again risen, especially those for steam, dyes, chemicals, wages, mechanical and building replacements, proceeds from sales dropped some 15%. This decline is mainly due to prices and clearly reflects the serious growth of competition all along the line.

Turnover has contracted in all branches of piece-good-processing, including embroidery finishing. In addition to this, production was also impaired by the excessively short periods for delivery demanded by customers, which make economical operation impossible and adversely affect the quality of output. In duty-free textile processing foreign competitors who have the advantage of large home markets protected by relatively high tariffs, are gaining more and more ground. For the future of the Swiss textile processing industry much depends therefore on whether the rise in costs can be checked.

Tanning

After years of stagnation the *tanning industry* reports some increase in the sole leather business, due to the fact that more shoes are again being produced with leather soles. This partly results from the trend of fashion, but is in part also to be ascribed to publicity stressing the leather sole's hygienic advantages.

Sales of calf leather have also definitely increased. In other lines activity was maintained at the respectable level of the previous year. There was a gratifying expansion of exports, although considerable tariff barriers have to be overcome.

The keener demand for leather caused the demand for raw hides to rise rapidly in the autumn, since apparently no considerable stocks were then available. With the demand for leather greater both from the shoe industry, where activity remains high, and from makers of travelling accessories the tanners can regard the future with somewhat more optimism than in previous years. In all likelihood, however, it will still be difficult to obtain a price for finished leather which will leave an adequate margin of profit.

Shoe Industry

Although imports were greater and the weather was far from good for sales of footwear, the *shoe industry* was able to sell a somewhat larger output, but only at slightly declining prices. Retail sales also increased.

Imports were nearly as high as those in the first post-war years, when backlog demand was heavy, and are causing increasing anxiety to both the industry and the trade. Italy again took the lead among supplying countries. The success of Italian shoes in the Swiss market is doubtless due not only to the trend of fashion in favour of the so-called Latin look, but also to the fact that many of the numerous Italian workers in Switzerland prefer their own country's product. There was moreover a notable rise in imports of German shoes.

On the other hand Swiss exports of footwear also expanded. While shipments to Germany and Great Britain remained stationary, those to the United States and France increased. The higher export quotas arranged with France in the new commercial agreement will have their full effect on trade only in 1956.

Hat Braid Industry

For the *hat braid industry* the second part of the 1954/55 season, running from January to April, began promisingly with demand on the whole very brisk. But the rainy spring brought business to an unexpectedly rapid end; on the principal markets, especially with customers in the United States, Canada and Great Britain, considerable stocks of hat braids were left.

This fact greatly reduced willingness to buy at the start of the new 1955/56

season. American importers in particular have so far held back more than usual with their orders, although the reduced duties made sales prices much more attractive in that country. Turn-over so far has thus been quite appreciably below that of recent years. Since however hat braids, especially the finer varieties, are now being rather more favoured by fashion than fabrics and Italian products, fair business may after all be expected in the next few months.

Rubber Industry

Activity in the *rubber industry* was satisfactory with slightly higher turn-overs. The increase in sales mainly reflects an expansion of output, but is to a lesser extent also due to the fact that it became necessary to adjust prices to the steep rise in the cost of natural rubber.

Technical rubber goods in particular were in greater demand. On the other hand sales of high-pressure water-hoses left much to be desired owing to the rainy summer. Sales were also disappointing in Swiss-produced bicycle tyres, which the low import duty makes keenly sensitive to foreign competition. On the market for automobile tyres, too, the price-struggle has become sharper; but thanks to their efficiency Swiss manufacturers have successfully defended their position against foreign producers, and their output remains at a high level.

Much the same applies to the *plastic industry*, whose manufacturing programme is steadily growing in size and variety. But this industry, too, complains of depressed prices.

Engineering and Electrical Equipment Industry

The *engineering and electrical equipment industry* again operated at full capacity; it started 1955 with an unusually large order backlog and ended with an even larger one, although deliveries reached an unprecedented level. Builders of large equipment did particularly well, whereas the demand for machine-tools flagged a little in the autumn. On the other hand business in textile machinery, previously somewhat dull, noticeably brightened from the summer onwards.

Owing to the very brisk inflow of orders delivery periods again lengthened. But the keen competition, which continued to prevail on the world markets for machinery, is tending to increase the pressure on manufacturers to make concessions in respect of both prices and delivery periods. In addition, if the position achieved in the market is to be maintained, producers must in many cases accept terms of payment which go far beyond the usual facilities and entail additional risks.

To bring down costs and shorten delivery periods it is essential to introduce as much rationalisation as possible into production, the more so since there is a great shortage of skilled labour and

especially of engineers and technicians. Still, the number of persons employed rose further.

The raw materials used have in general become more expensive and are still tending to rise in price. Owing to the heavy demand the suppliers of raw materials and semi-finished goods are stipulating longer delivery periods, and this is making it quite difficult for the industry to arrange for adequate stocks.

With the establishment of the "Reaktor AG", a company which is to build a nuclear fission plant for research purposes, an essential step has now been taken in Switzerland towards investigating on a broader basis the problems set by technical progress in the field of atomic power, the implications of which are so very important for the future of the engineering and electrical equipment industry.

Iron and Metal Goods Industry

Activity in the *iron and metal goods industry* also continued at a high level, thanks in the first place to the large requirements of building contractors, and in lesser degree to the keen demand for household articles. Most producers therefore had their plants adequately to well employed. This however was not fully reflected in earnings, because the costs of various raw materials rose and the keen competition prevented manufacturers from adjusting their selling prices accordingly.

The very strong international demand

for iron and its products led to a lengthening of delivery periods for certain grades of sheet metal and semi-finished iron products on the supplying markets. At the beginning of October the backlog of orders ready for execution was on the average sufficient to ensure three months' employment for the iron and metal goods industry.

Watch Industry

For the *watch industry* 1955 did not begin in promising style, but happily turned out better than was forecast. Exports revived after temporary dullness in January and February, so that a total of 36172000 watches valued at 1077 million francs were shipped abroad in 1955, as against 33523000 worth 1044 million a year earlier. Accordingly the watch industry's share of total Swiss exports declined slightly from 19.7% to 19.1%.

The United States remained much the largest customer, taking 27.7% of all watches exported, as compared to 28.8% and 36.4% in 1954 and 1953 respectively. In particular watches of ordinary types met with a reduced demand, while the higher grades did better. In addition, quite a number of countries appreciably increased their purchases, particularly Spain, Canada, Sweden, Austria, Western Germany, India and some regions in the Near East. But the Turkish, Argentine and Bolivian markets remained closed to the Swiss watch industry, while certain

other countries such as Brazil, Mexico, Chile, Colombia, Portugal and Indonesia tightened their import restrictions on balance of payments grounds.

Producers on the whole seem still to have a substantial order backlog; and since current bookings of orders are more than satisfactory, the watch industry hopes to do good business again in 1956.

Chocolate Industry

In the first quarter, turnover in the *chocolate industry* declined considerably after it had already become clear earlier that the raising of prices on July 1, 1954, was adversely affecting sales. Retailers pursued a very cautious buying policy in view of the weak tendency of the raw cocoa market. Owing to crop failures in Italy and California there is a shortage of almonds, the prices of which have nearly doubled since the harvest began. Hazelnuts also rose 40% in price.

Although the industry still had large stocks of high-priced raw cocoa in the first quarter, it reduced its selling prices by some 10% after Easter, a step which led to a gratifying increase in new order bookings. Since the good tourist season also helped to stimulate sales, part of the drop in turnover suffered till the spring had been made good by the end of the year. Exports remained approximately at the previous year's level, with Germany and the United States again taking the lead among buyers.

Chemical and Pharmaceutical Industry

The *chemical and pharmaceutical industry* shared also in the boom. However, the export of *dyestuffs* which had increased by 25% in the previous year, abated noticeably after the end of the first quarter. Nevertheless aggregate shipments abroad in 1955 fell only moderately below the high level which had prevailed a year ago. This is the more remarkable since further price concessions had to be made in order to maintain the position secured in foreign markets.

Exports were quite good in the case of *textile auxiliary agents*; they even showed a rather satisfactory increase over those of the previous year, although Swiss producers frequently had to lower their prices a good deal in this line, too, in order to meet competitive offers from abroad.

Pharmaceutical exports rose by a further 23 million francs or about 6%, to 405 million francs in 1955, with prices more or less stable. In view of the prime importance which now attaches to this section of the chemical industry increased anxiety is being caused by the price regulations in a number of importing countries, which allow only inadequately for the rising costs of preparing and finishing the products, as well as by the strict rules for the registering of new preparations and by other administrative measures of a protectionist nature. Raw materials and intermediate products were ob-

tained without trouble at prices which in general showed little change. Tar derivatives were an exception, having risen in price owing to the greater demand.

Hotel Trade

The *hotel trade* points with satisfaction to a further rise in the number of visitors. Overnight occupancy during 1955 at hotels, boarding houses and sanatoria totalled 23.7 millions, while this figure had fluctuated between 17.6 and 23.2 millions from 1945 to 1954. In 1955 foreigners accounted for 12.1 millions and Swiss guests for 11.6 millions of the reservations as against 11.4 millions each in the preceeding year. A more than average increase occurred particularly in the number of visitors from Sweden, the United States and France.

The wet and cold weather which prevailed in the summer up till August again led to some diversion of tourist traffic from mountain regions to the towns and larger resorts in the lowlands. It is in this respect characteristic that overnight occupancy in the Canton of Ticino during the first nine months of 1955 increased by 14% over those of the corresponding period of 1954.

Maintenance and repairs which had to be neglected in earlier years are now being undertaken on a larger scale. High building costs, however, coupled with the fact that credit facilities are still a problem, are preventing many hotel-owners from carrying out promptly

all the modernisations which their establishments need. It can, however, be said that in many places renewal work is making gratifying progress. This, together with the other well-known factors, contribute to keeping the prospects for tourist traffic good.

Building Trade

In 1955 the *building trade* even exceeded the output record of the previous year. In the 42 towns covered by the statistics 16735 new dwellings were produced as against 16498 in 1954. A certain saturation of the market is however apparent; and it is unlikely that the present rate of housing starts can be maintained much longer, especially as the number of unoccupied dwellings is on the increase, particularly in small and medium-sized towns.

While house building was extremely brisk, industrial construction also increased. Construction of power stations likewise approached a new record; the large plants at Dixence, Maggia, Mauvoisin and Zervreila are now in the concrete pouring stage, while further such large projects are taking shape on the Gouggra and the Göschenen Alp. The greatly increased demand caused some difficulties over the supply of cement, bricks and tiles in the early autumn, but these bottlenecks were fairly soon overcome.

The biggest problem continued to be the finding of the necessary labour, although welcome relief was afforded by the temporary engagement of

Italian bricklayers, excavators, navvies and labourers. By the middle of August the number of foreign workers engaged in the building and building material industries reached the unprecedented total of 61300. Effective March 1, wages were raised in general by 6 to 7 centimes per hour, and for bricklayers in towns by 10 centimes, while in country districts there were some additional adjustments of basic wages. Many signs indicate that the favourable state of activity in the building trade will continue in 1956.

Retail Trade

Retail turnover expanded during 1955 more than in the previous year. With prices steady the increase was nearly 6%, or even greater than during the post-Korean buying spree of 1951, when prices rose considerably. No doubt the growth of sales, which became more rapid in the second half-year, mainly reflects the high level of employment and the widening number of customers due to the greater influx of foreign visitors and workers.

The largest rise in sales occurred in capital goods and durable consumers goods such as furniture, automobiles, office machinery and typewriters, hardware and ironmongery. These are precisely the articles that are very frequently bought not out of current income but out of accumulated savings, or even on the instalment plan. All the signs in fact indicate that buying on credit has further expanded.

In clothing and textiles, where greater interest was shown in carpets, bedding and blankets in particular, the increase in turnover amounted to about 5%, while sales of foodstuffs, beverages and tobacco were some 4% greater than in the previous year, with prices on the average up by about 1%.

Although some smaller firms still complain that their stocks of goods are too large, the ratio of total inventories to turnover at the close of 1955 would seem to have been lower than a year before. Since it appears safe to rely on a continuation of the high level of economic activity, retailers expect a further rise in business for at least the first half of 1956.

Farming

Results of the different branches of Swiss *farming* in 1955 varied considerably. The coarse fodder crop was good in both quality and quantity, thus facilitating the task of maintaining the country's greatly increased livestock during the winter of 1955/56.

On the other hand the cereals crop has not again achieved the large yields of the previous year. The wheat harvest amounted to about 260000 tons as against 345000 in 1954, and the quality of the grain was again not of the best. Much the same applies to the potato crop, which is estimated at about a million tons, while the sugar beet harvest was somewhat better in quality than in 1954.

As regards fruits the crop of pears turned out satisfactory, while that of apples was mediocre. The wine production, of medium quality, totalled about 800000 hectolitres as against 698000 in 1954.

The fattened livestock market was abundantly supplied with hogs until the summer; thereafter offers declined and prices rose slightly. Fully grown Swiss cattle for slaughtering became more expensive, with the numbers coming to market falling well short of requirements, so that large supplementary imports were needed.

For milk a system of payment by quality was introduced on May 1, the full official price now being paid to farmers only for milk of first-class quality. In milk-processing there was a move away from the production of butter to that of cheese, the output of which at 45000 tons in the first nine months of 1955 was by about a tenth above the level of a year earlier. On the other hand exports remained stable and unsold stocks of cheese have increased. In contrast the excessively high stocks of butter were much reduced thanks to output restriction, although imports were resumed after having been suspended in 1954.

Foreign Trade

The brisk economic activity during 1955 was clearly reflected in Switzerland's *foreign trade*, which reached record dimensions both in imports and

exports. Stimulated by the high level of investment and by the growth of incomes, purchases from abroad rose faster than sales to foreign countries, and the Swiss balance of trade closes accordingly with a much larger import surplus than a year earlier.

The combined total of imports and exports rose in 1955 by 1161 million to a total of 12 billion francs, with imports up by 810 million to 6401 million and exports by 351 million to 5622 million francs. Thus the trade deficit increased from 320 million to 779 million francs; but it still falls short by nearly one half of the invisible income which Switzerland earns from foreign investments and services. The Swiss balance of current payments will therefore again show a surplus for the year under review, which, however, will be a good deal smaller than the surplus of 1063 million francs achieved in 1954.

Since import prices remained stable on the average in 1955, while quotations for many Swiss exports were tending downwards under the impact of keen competition on foreign markets, the expansion of foreign trade was practically all due to an increase in quantity turnover. In terms of tonnage imports were up by about a tenth. Just as in the previous year, only raw materials and manufactured goods shared in the rise, with purchases of liquid fuels, pig iron and semi-finished iron products, as well as of machinery and automobiles showing particularly large increases. As regards foodstuffs there were much larger imports of fattened livestock,

meat and dairy products, while those of grain declined.

On the export side nearly half of the expansion of sales was accounted for by the machine industry. Exports of watches also experienced a gratifying rise after the previous year's setback. Similarly, although often only at the cost of substantial sacrifices in price, most branches of the textile industry were able to increase their foreign sales to some extent. Cotton goods formed an exception, the export of which fell short of the 1954 result. Much the same applies to aniline dyes, while

shipments abroad in other lines of the chemical and pharmaceutical industry continued to grow.

The most important customer and supplier of Switzerland was again the German Federal Republic, with which our trade greatly increased, particularly on the side of imports. Unlike Western Germany and most other European countries Great Britain, Austria and Spain stepped up their purchases from Switzerland much more than their exports to this country. Considerably more Swiss goods were also taken by certain overseas markets, especially

Swiss Foreign Trade by Regions

	Imports			Exports		
	1953	1954	1955	1953	1954	1955
	Million Swiss Francs					
Europe						
Belgium	231	256	287	250	241	241
France	515	643	770	367	389	385
Western Germany	1 017	1 216	1 507	579	641	755
Great Britain	340	316	333	243	263	298
Italy	461	545	613	500	462	463
Netherlands	238	257	293	175	207	200
Sweden	110	87	93	170	183	183
Rest of Europe	478	514	674	673	764	842
Europe, total	3 412	3 871	4 570	2 987	3 150	3 367
Western Hemisphere						
Argentina	57	88	40	33	60	76
Brazil	53	66	53	96	145	104
Canada	202	150	155	95	91	104
United States	619	710	828	852	641	649
Rest of America	280	268	260	286	302	335
America, total	1 211	1 282	1 336	1 362	1 239	1 269
Africa	184	193	224	267	280	326
Asia	231	211	239	458	482	537
Australia and Oceania	33	35	32	91	121	123
Swiss Foreign Trade, total	5 071	5 592	6 401	5 165	5 272	5 622

Egypt, Japan, Canada and Argentina. By contrast Brazil, which is suffering from an acute shortage of foreign exchange, reduced its purchases by almost a third. Fortunately the decline in Swiss exports to the United States which began in the middle of 1953 came to a standstill, while our imports from that country grew further.

Federal Finances

The prosperity of the Swiss economy is also reflected in *federal finances*. With tax revenue exceeding all expectations, the surplus in the Confederation's accounts amounted in 1954 to 231 million francs instead of 14 millions as originally estimated, and it is very likely to surpass even this figure in 1955, being at present tentatively put at 240 million as against the budgeted 22 million francs. Budget estimates for 1956, too, sketch an exceptionally rosy picture of the state of federal finances,

showing an excess of revenue over expenditure—before the tax reduction that has meanwhile been granted—to the tune of 348 million francs.

However satisfactory this situation may be, it inevitably resulted in focussing attention on matters of fiscal policy. Discussion centred on the demand for tax cuts which gave rise to two popular initiatives. In addition, the government brought in a bill providing for a reduction in the federal income tax and sales tax. It was approved by parliament in December and became effective on January 1, 1956. This measure entails for the federal treasury a loss in revenue of about 100 million francs, a small amount in relation to national income; accordingly, concern as to its economic repercussions is entirely out of place, especially as experience shows that high taxation jeopardizes the productive use of capital, which in times of peak employment like the present is more essential than ever.

Budget and Public Debt of the Confederation

	1952	1953	1954	1955*	1956*
Federal Budget					
	Million Swiss Francs				
Current Expenses	2 162	1 884	1 959	1 875	1 969
Current Revenue	1 950	1 975	2 320	1 906	2 432
Balance on Current Account	— 212	+ 91	+ 361	+ 31	+ 463
Increase or Decrease in Assets	+ 31	— 135	— 131	— 9	— 115
Surplus (+) Deficit (—) ..	— 181	— 44	+ 230	+ 22	+ 348
Federal debt held by public	7 727	7 759	7 773	7 602	

* Budget Estimates

Swiss Money Market

Conditions on the *Swiss money market* have changed markedly. As a result of the much greater demand for credit and of the steps taken by the National Bank to drain off liquid funds, the state of extreme ease which had existed for years has given way to a certain tightness. True, the degree of tightness varies greatly from region to region, but it still led to a rise in the more sensitive short-term rates of interest, an average of $1\frac{3}{4}\%$ having been paid for call money since the autumn as against 1% at the beginning of the year.

The overall trend toward monetary firmness is also reflected in the greater recourse to the Central Bank, although still for comparatively small sums. The market obtained further funds chiefly by converting dollar balances into francs, and also, in the autumn, by cashing short-term Federal Treasury bills as these fell due. The official discount rate remained at its previous level of $1\frac{1}{2}\%$, as did also the Central Bank rate of $2\frac{1}{2}\%$ for loans against collateral and the free market discount rate of $1\frac{1}{2}\%$.

In spite of the heavy demand for funds during the last months of 1955, deposits with the bank of issue by business after having fallen in the spring rose again to 1624 million francs by the end of December, thereby exceeding the previous year end by 369 million. However, this item includes the minimum balances required to be maintained

by financial institutions under a gentlemen's agreement with the bank of issue. Such balances are considered as blocked and amount to more than 300 million francs.

The paper currency circulation rose over the year by 104 million to 5516 million francs, while the gold and foreign exchange reserves increased by 337 million to the level of 7310 million, after having temporarily declined by 220 million in the first five months of 1955. The Federal Government's gold holding remained unchanged throughout the year at 226 million francs, whereas its balances with the European Payments Union (E.P.U.) dropped by 292 million to 441 million francs.

New Issues

Demand for long-term money also increased sharply. This development led on the capital market to a further increase in *new issues* and caused the Equalisation Fund of the Old Age and Survivor's Insurance to lend a total of 509 million francs in 1955 as against 349 million in the previous year. Calculated at issue prices, the value of bonds and shares offered for public subscription reached a new peace-time record of 1.7 billion francs (1954: 1.1 billion).

Swiss loans accounted for 1053 million francs as against 641 million in 1954. Of the 1955 total not less than 626 million represented two loans

(continued on page 20)

	Unit	1952	1953
Employment			
	3rd Quarter 1949	<i>yearly average</i>	
Industrial Employment	= 100	110	111
Number of Unemployed	persons	5 314	4 995
Vacancies	number	4 295	4 216
Production and Trade			
<i>Building Activity in 42 Towns</i>		<i>yearly figures</i>	
Apartments completed	number of units	14 274	14 550
Residential Building Contracts	number of units	14 840	19 374
<i>Retail Trade</i>		<i>monthly average</i>	
Retail Sales	1949 = 100	114	117
<i>Hotel Trade</i>			
Overnight Reservations	thousand reservations	1 800	1 861
<i>Railway Traffic</i>		<i>yearly figures</i>	
Gross Income of Federal Railways	million francs	731	748
Foreign Trade			
<i>Value of Trade</i>			
Imports	million francs	5 206	5 071
Exports	million francs	4 749	5 165
<i>Volume of Trade</i>		<i>monthly average</i>	
Imports	1949 = 100	129	134
Exports	1949 = 100	138	154
Prices			
Cost of living	Aug. 1939 = 100	171	170
Wholesale prices			
Home-Type Goods	} Aug. 1939 = 100	198	196
Import-Type Goods		225	239
Aggregate Index		221	213

INDICATORS I

1954	1955	1st Quarter	2nd Quarter	1955 3rd Quarter	4th Quarter
			<i>end of period</i>		
113	118	115	117	119	120
4 329	2 713	2 866	810	863	3 337
4 939	5 952	7 556	6 307	6 115	4 700
			<i>quarterly figures</i>		
16 498	16 735	3 410	5 240	3 470	4 615
21 411	23 146	5 068	6 286	6 675	5 117
			<i>monthly average</i>		
122	130	116	129	120	153
1 894	1 973	1 469	1 819	3 462	1 143
			<i>quarterly figures</i>		
782	833	186	203	236	208
5 592	6 401	1 494	1 594	1 557	1 756
5 272	5 622	1 288	1 360	1 373	1 601
			<i>monthly average</i>		
150	170	159	171	167	183
154	170	154	166	167	193
			<i>end of period</i>		
171	173	172	172	173	174
198	202	201	201	203	203
239	235	234	235	234	235
214	215	215	215	216	216

	Unit	1952	1953
Stock Exchange			
<i>Stock Prices</i>		<i>end of period</i>	
Industrials (34 issues)	{ paid-in share capital = 100	419	404
Combined Index (86 issues)		318	333
<i>Bond Prices</i>			
Federal Bonds (12 issues)	nominal value = 100	104	106
Foreign Bonds (91 issues)	issue prices = 100	70	83
<i>Bond Yield</i>			
Yield of 12 selected Federal Bonds figured to the redemption date	in percent	2,78 %	2,51 %
Banking and Finance			
<i>Swiss National Bank</i>			
Gold Stock	million francs	5 876	6 086
Foreign Exchange Holdings	million francs	491	522
Discount and Advances	million francs	310	272
Securities	million francs	40	36
Banknotes in Circulation	million francs	5 122	5 229
Sight Liabilities	million francs	1 454	1 541
<i>Big Commercial Banks (5 institutes)</i>			
Cash in Hand or at Call	million francs	1 629	1 764
Bills	million francs	1 870	1 922
Advances on Current Account	million francs	2 327	2 339
Fixed Advances	million francs	1 538	1 697
Investments	million francs	1 052	1 092
Sight Deposits	million francs	4 967	5 156
Time Deposits	million francs	2 875	3 115
Capital and Surplus	million francs	702	721
Total Liabilities or Assets	million francs	8 847	9 272

INDICATORS II

1954	1955	1955			
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
			<i>end of period</i>		
514	553	527	507	566	553
424	438	433	415	449	438
104	100	103	100	99	100
89	91	88	90	91	91
2,74 %	3,04 %	2,84 %	3,06 %	3,20 %	3,04 %
6 323	6 686	6 259	6 200	6 323	6 686
650	624	561	747	627	624
220	286	112	164	177	286
47	46	47	46	46	46
5 412	5 516	5 104	5 128	5 228	5 516
1 692	1 990	1 727	1 888	1 788	1 990
1 837	2 095	1 691	1 894	1 788	2 095
1 666	1 738	1 745	1 724	1 776	1 738
2 655	2 978	2 669	2 799	2 845	2 978
1 855	2 035	1 926	1 954	1 999	2 035
1 139	1 014	1 141	1 090	1 035	1 014
5 182	5 570	5 321	5 352	5 375	5 570
3 447	3 796	3 374	3 600	3 642	3 796
743	795	774	774	774	795
9 686	10 494	9 750	10 039	10 111	10 494

issued chiefly for refunding purposes by the Confederation, which in 1954 had floated only a single loan of 225 million francs. Other bond offerings included 275 million for power stations, 76 million for the central mortgage institute, 50 million for the Zurich Cantonal Bank, 17 million for cantons and municipalities, and 8 million francs for sundry enterprises. Roughly 560 million of the Swiss bonds issued were

for refunding purposes, so that the net amount of new money financing was 492 million francs (1954: 242 million), while bond repayments amounted to 184 million francs.

Since rates of interest also hardened on the capital market up till the autumn, the previous year's exceptionally favourable conditions for issuers of loans could not be maintained. The 2½ % type of bond prevalent for first-class

Foreign Bond Issues in Switzerland

Nominal Amount Swiss Francs	Issue	Issue price	Issue yield
50 000 000	Compagnie Française des Pétroles, Paris, 4 s due 1966/70	100 %	4.00 %
50 000 000	«MONTECATINI» Società Generale per l'Industria Mineraria e Chimica, Milan, 4½ s due 1967	99 %	4.60 %
60 000 000	Commonwealth of Australia, 3¼ s due 1970 ...	99.50 %	3.80 %
35 000 000	Anglo American (O.F.S.) Housing Co., Ltd., Johannesburg, 4½ s due 1961/70	100 %	4.50 %
25 000 000	City of Oslo, 4½ s due 1963/70	100 %	4.50 %
50 000 000	Istituto Mobiliare Italiano (IMI), Rome, 4½ s due 1962/71	100 %	4.50 %
10 000 000	«LARINASCENTE» per l'Esercizio di Grandi Magazzini, Ltd., Milan, 4½ s due 1967	99 %	4.60 %
30 000 000	California Texas Corp. (Caltex), New York, 4½ s due 1970	100 %	4.50 %
50 000 000	PIRELLI, Ltd., Milan, 4½ s due 1970	100 %	4.50 %
50 000 000	International Bank for Reconstruction and Development, Washington, DC, 3½ s due 1965/76	100 %	3.50 %
US-Dollars			
2 500 000	Canadawide Investments, Ltd., Ontario, 5½ s due 1967	100 %	5.50 %
1 741 600	Hidrandina S.A., Lima, 7 s due 1956/71	100 %	7.00 %

debtors until last spring was successively replaced by loans bearing 3% and 3½% interest, and issue prices above par have almost disappeared since the summer.

For *foreign account* twelve loans bearing interest at 3½% to 7% were issued to a nominal value of 427 million francs (as against 395 million in 1954) at prices of 99% to par. Among these floatations the bonds of leading foreign private corporations, most of them carrying a 4½% coupon, met with a particularly good reception.

Share issues absorbed 196 million francs (1954: 82 million), thus reaching the highest total ever recorded since the twenties, while the value of newly issued *Swiss investment trust certificates* amounted to about 134 million francs.

Foreign Exchange Market

Business was very brisk on the *foreign exchange market*, with stability characterising the quotations of the dominating currency, the *American dollar*. At the beginning of the year the rate temporarily rose to Sw.fr. 4.29, but later consistently remained close to the lower gold point of 4.28½; in spite of the larger demand from importers the National Bank repeatedly found itself obliged to take considerable amounts of dollars off the market. The *Canadian dollar* fluctuated more actively and in the course of the year lost practically the whole of its premium over the US-dollar.

European currencies qualifying for settlement through the European Payments Union varied only slightly within the official limits, with the *French franc* and the *Danish* and *Norwegian crowns* for a time touching the lower limit. *Sterling* too, which was dealt in very briskly, almost dropped to the intervention point in September, but rapidly recovered afterwards and at the end of December was quoted at 12.25½.

A very lively business developed in transferable sterling at rates varying between Sw.fr. 11.61 and 11.90. Temporary weakness in this type of sterling was due to occasional rumours of devaluation and to the rather unsatisfactory state of the British balance of payments.

The various "*provisional account*" currencies, being closely connected with transferable sterling through the possibility of arbitrage, largely followed the fluctuations of the latter. In the middle of the year French francs on "*Swiss capital account*" rose to Sw.fr. 1.24¼ per 100 French francs or almost the official rate, but afterwards declined to 1.16½. Much less business than during the previous year was done in "*Liberalized Capital Marks*", which rose during the first six months of 1955 from Sw.fr. 99 to 101.60 to close the year at 101.35.

Among *other currencies* the *Egyptian pound* at times fluctuated considerably. Since the end of October there has again been a free market in *Argentine pesos*, on which during the first days of dealings roughly the same prices

were quoted as had previously been paid for Argentine notes and balances on "cuenta no transferible". Since then the rate has slightly weakened. On the other hand the *Brazilian cruzeiro* improved in the course of the year from 5.50 to 6.50 francs.

Dealings in *foreign notes* were somewhat larger owing to the increase in travel. During the summer there was in particular a stronger demand for *French notes*, which rose to Sw.fr. 1.16½; then however they came under pressure owing to the events in Morocco, and at the end of December stood at 1.10 after having fallen to 1.08 during the autumn. The price of *British pound notes* was also somewhat lower at the close of the year than at the beginning

of January; for some time they have now been changing hands at between Sw.fr. 11.15 and 11.30. *German bank notes* on the other hand have been firmer in line with the quotation for provisional account marks and "German marks of limited convertibility"; they were quoted by the end of the year at Sw.fr. 101.30 per 100 marks as against 99 in January. Prices for notes of the *Scandinavian countries* and the *Netherlands* also rose slightly, while those for *Canadian* and *Argentine notes* declined.

Gold Market

In Switzerland *gold coin* prices were under pressure until the spring as the

Zurich Foreign Exchange Quotations

	Payments		Banknotes	
	End of 1954	End of 1955	End of 1954	End of 1955
New York	4.28½	4.28½	4.28½	4.28½
Montreal	4.43½	4.28½	4.42½	4.28½
London	12.25	12.25½	11.42	11.21
Paris	1.25¾	1.24¾	1.13½	1.09½
Italy	— .70	— .69 ⁹⁰	— .67 ¹⁵	— .67
Western Germany				
ordinary marks	104.20	104.50	99.20	101.30
capital marks	99.15	101.35	—	—
Belgium	8.78¾	8.76¾	8.53	8.56
Netherlands	115.67½	115.25	111.85	112.20
Sweden	84.37½	84.40	76.50	81.25
Denmark	63.22½	63.30	56.75	59.50
Norway	61.22½	61.25	53.75	55.50
Buenos Aires	31.25	11.95	16.05	11.80

Gold Prices in Zurich

	Face Value	Gold Content g	End of 1954		End of 1955	
			bid	asked	bid	asked
			in Swiss francs			
Sovereign	£ 1.—	7.322	38.25	39.25	41.50	42.10
Napoléon	fr. 20.—	5.807	29.50	30.50	31.10	31.60
Swiss 20-franc coin	fr. 20.—	5.807	28.25	29.25	29.90	30.40
Double Eagle	\$ 20.—	30.092	149.—	152.—	158.—	159.50
Bar gold	fine per kilo	1000.0	4820.—	4820.—	4820.—	4835.—

result of persistent sales from Paris; in the autumn they recovered in line with the upward movement on French markets, which however lasted only a short time. The National Bank, which had resumed sales of Swiss gold coins in January on grounds of monetary policy, suspended them on October 1 after having sold about 70 million francs' worth.

Swiss Stock Exchanges

On the *Swiss stock exchanges* turn-over reached a record height during the year under review, but the general rise in share prices which had characterized developments in 1954 gave way to a somewhat more selective tendency. True, at first most shares moved further upwards in a very active market. After the beginning of the second quarter, however, investors started to hold back, as they often regarded the quotations then prevailing as too high. Actually, a recessionary movement set in in the spring, but thanks to the consistently good news from Swiss industry and to

a series of capital increases at attractive terms the tendency was on the whole well sustained.

Shortly before the middle of the year business began to revive. Starting in the section of American certificates and certain speculative shares, activity soon spread over to other sectors; and in July, usually a dull month, turnover reached an unprecedented volume. The rise in prices continued during August, though at a much slower pace than in July, and attained its peak by mid-September.

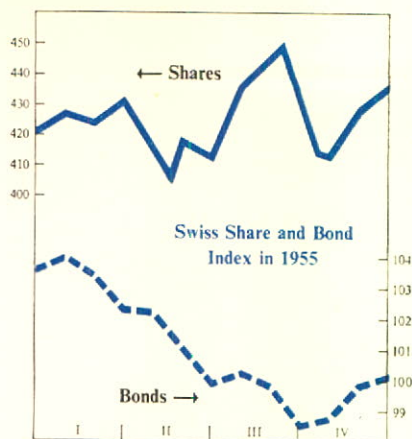
The sell-off in New York induced an appreciable recession in Swiss markets, so that in the first two weeks of October quotations of many securities fell below the level registered at the beginning of the year. In view of the previous exaggerated advance an adjustment was no doubt due and even salutary. But although the market soon steadied, the confident undertone which had prevailed in the summer has definitely given place during the last weeks of 1955 to a more cautious sentiment. At all events the renewed

firmness of New York in November stimulated buying only in some sections of the Swiss markets.

The international political tensions which were again on the increase towards the turn of the year, and the threatened difficulties over the winter supply of electricity in Switzerland, caused investors to adopt a more reserved attitude. Nevertheless, prices of most Swiss shares at the end of December were above those recorded at the beginning of January.

Throughout almost the whole year extremely brisk trading characterized the sector of American certificates which has been extended by five additional issues, namely American Telephone and Telegraph, General Foods, Goodyear Tyre and Rubber, International Paper and F.W. Woolworth. Paralleling quotations in New York, all these shares registered higher prices at the end of 1955 than a year ago, and in some cases the gains were quite substantial.

On the Swiss bond market the slide in prices which began in the spring of 1954 continued until the autumn of 1955 with small turnover. Since then



the market has steadied and quotations recovered slightly. The gross yield of 12 selected federal loans, calculated for redemption on maturity, amounted to 3.04% by the end of 1955 after having risen from 2.70% at the beginning of the year to 3.20% in September.

Most foreign bonds registered some price increases. This applies particularly to German issues, but the rise in their quotations which had been almost continuous since 1952, levelled off during the summer and later gave way to a slightly recessionary tendency.

Share Quotations

Last Annual Dividend paid		Price Range 1955		Dec. 30 1955	
		low	high	bid	asked
Francs	Banks				
40.— ¹	Swiss Credit Bank (Credit Suisse) ..	1376	1550	1538	1540
40.—	Swiss Bank Corporation	1271	1410	1408	1412
	Holding Companies				
40.—	Electro-Watt Electrical and Industrial Management Co.	1220	1495	1272	—
—.—	Sté Internat. pour Particip. Ind. et Commerciales (Interhandel) ..	1220	1780	1350	—
40.—	Motor Columbus S.A. d'Entreprises Electriques	1152	1290	1155	—
—.—	Swiss-American Electric Co. (Series I)	84½	104	98	100
	Insurance Companies				
225.—	Swiss Reinsurance Co., Zurich	9925	12000	11475	11500
130.—	"Zurich" General Accident and Liability Insurance Co.	4900	5550	5200	5350
	Industrial Enterprises				
45.—	S.A. Adolphe Saurer, Arbon	1150	1315	1215	1225
80.—	S.A. pour l'Ind. de l'Aluminium ...	2700	3525	3430	3450
21.—	Ateliers de Construction Oerlikon .	600	740	620	—
35.—	C.F. Bally Ltd., Zurich	960	1095	1077	—
40.—	Brown, Boveri & Co. Ltd., Baden .	1478	2160	2050	2060
90.—	CIBA Limited, Basle	3570	4900	4470	4480
50.—	George Fischer Ltd., Schaffhouse .	1330	1495	1380	1410
35.—	Lonza Electric and Chemical Works	1065	1290	1215	1217
45.— ²	Nestlé Alimentana Co., Vevey	1950	2310	2288	2290
100.—	Sandoz Ltd., Basle	3980	5905	4315	4340
90.—	Sulzer Brothers Ltd., Winterthur .	2230	2850	2510	2550
	Shares of Foreign Companies				
\$ 2.—	Baltimore & Ohio RR. Co. com. ..	156½	228	201	202
\$ 1.50	Pennsylvania Railroad Co.	94½	128½	108	109
—.—	Société d'Electricité (Sodec), Luxemburg.	43½	69	56½	57
\$m/n 7.— ³	Cia. Italo-Argentina de Electricidad	32	58	46	46½
hfl 16.—	Royal Dutch Co.	601	753	729	730
\$ 5.2674	Standard Oil Co. (New Jersey)	459	658	652	653
\$ 3.—	Union Carbide & Carbon Corp. ..	347	499	471	472
\$ 1.70	General Electric Co.	196	240	237½	238
\$ 2.16½	General Motors Corp. com.	195½ ⁴	226 ⁴	196	196½
\$ 3.75	Internat. Nickel Co. of Canada ...	247	374	350	350½
\$ 7.75	Kennecott Copper Corp.	425	550	495	496
\$ 4.50	Montgomery Ward & Co. Inc. ...	317	460	403	404

¹ plus fr. 10.—centenary bonus ² plus \$3.75 per attached Unilac share ³ stock dividend

⁴ new shares after split 3:1; price of old shares up till 8th November: fr. 572—608

Bond Quotations

Swiss Bonds

	Price Range 1955		Dec. 30, 1955	
	low	high	bid	asked
Federal Government 3½ s of 1942	100.50	102.60	101.—	101.25
Federal Government 3½ s of May 1944 ...	100.30	102.15	100.35	—.—
Federal Government 3½ s of June 1945 ...	101.60	106.15	103.—	—.—
Federal Government 3½ s of April 1946 ..	100.40	105.40	101.70	101.90
Federal Government 3 s of 1946	100.15	102.—	100.80	101.—
Federal Government 3½ s of 1947	100.50	105.60	101.75	101.90
Federal Government 3 s of 1949	98.25	105.—	100.10	100.25
Federal Government 2½ s of 1950	96.50	102.30	98.85	99.25
Federal Government 2½ s of June 1954 ...	93.—	101.90	96.—	96.25
Canton of Berne 3½ s of 1949	102.50	108.25	104.—	104.50
Canton of Zurich 3½ s of 1944	101.50	106.50	103.50	103.75
Canton of Zurich 3 s of 1950	98.50	105.50	100.10	100.50
City of Zurich 3½ s of 1944	100.40	102.25	100.50	101.—
City of Zurich 3½ s of April 1948	101.50	106.75	103.25	103.75
City of Zurich 2½ s of 1954	92.50	101.75	96.—	97.—

Foreign Bonds

Austria 4½ s of 1930/54 (Internat. Loan) (Swiss francs)	109.—	122.—	110.—	113.—
Belgium 3½ s of 1937	96.50	99.75	96.—	—.—
Belgian Congo 4 s of 1952	103.—	106.25	104.—	104.75
Brazil 3½ s (formerly 6½ s), Plan A (£) ...	39.—	84.—	83.—	—.—
Chile 3 s of 1930	40.25	46.25	44.—	—.—
Commonwealth of Australia 4 s of 1953 ..	101.75	105.75	105.—	—.—
Denmark 4 s of 1912	97.—	101.—	97.50	98.50
France 4 s of 1939	99.—	102.75	100.75	—.—
Germany 5 s of 1924/53 (Dawes Loan) (Swiss francs)	89.—	104.—	101.50	—.—
Germany 4½ s of 1930/53 (Young Loan) (Swiss francs) for oblig. of fr. 843.75 ...	615.—	796.—	735.—	736.—
International Bank for Reconstruction and Development 3½ s of 1954	99.50	103.—	100.60	100.75
Italian Public Utility Credit Institute 3 s of 1947 (Swiss francs)	71.50	76.50	76.—	—.—
Japan 5 s of 1907/52	80.—	212.—	156.—	156.50
Netherlands 4 s of 1950	102.—	105.75	104.75	105.50
Norway 3s of 1938	90.50	95.75	91.50	—.—
Union of South Africa 4 s of 1952	98.25	101.—	99.25	99.50
City of Paris 5 s of 1932	102.—	106.—	104.—	105.—
International Standard Electric Corp., New York, 4 s of 1954	101.75	106.50	105.50	105.75

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