

STACK
Supplement on
European Integration

REVIEW
OF ECONOMIC CONDITIONS
IN SWITZERLAND

during 1959

SWISS CREDIT BANK

CREDIT SUISSE • CREDITO SVIZZERO

SCHWEIZERISCHE KREDITANSTALT

*Branches
in Switzerland:*

Basle
Berne
Geneva
Lausanne
Lucerne
Lugano
Neuchâtel
St. Gall
Zug

Aarau
Arosa
Bienne
Chiasso
Coire
Davos
Frauenfeld
Glaris
Interlaken
Kreuzlingen
Küsnacht
St. Moritz
Schwyz
Weinfelden

*Town Branches
in Zurich:*

Aussersihl
Enge
Oerlikon
Rathausplatz
Rigiplatz
Seefeld
Unterstrass
Zurich Airport

*Town Branches
in Basle:*

Claraplatz
Spalenberg

SWISS CREDIT BANK
CRÉDIT SUISSE · CREDITO SVIZZERO
SCHWEIZERISCHE KREDITANSTALT

Head Office in Zurich

Established 1856

Capital and surplus: 279 million Francs

BRANCH IN NEW YORK:

SWISS CREDIT BANK, NEW YORK AGENCY

25 PINE STREET

AFFILIATED COMPANIES:

SWISS AMERICAN CORPORATION

25 PINE STREET

New York

CREDIT SUISSE (CANADA) LIMITED

CREDIT SUISSE BUILDING, 1010 BEAVER HALL HILL

Montreal

REPRESENTATIVE OFFICES

IN LONDON:

Robert J. Keller

4 TOKENHOUSE BUILDINGS, KINGS ARMS YARD
LONDON E.C. 2

IN BUENOS AIRES:

Carlos A. Coll Benegas

BARTOLOMÉ MITRE 559, 5º PISO, Of. 528
BUENOS AIRES

Res. - Swiss Credit Bank - Apr. 27 '60

**REVIEW
OF ECONOMIC CONDITIONS
IN SWITZERLAND**

during 1959

SWISS CREDIT BANK
CREDIT SUISSE • CREDITO SVIZZERO
SCHWEIZERISCHE KREDITANSTALT

CONTENTS

Page

I GENERAL SURVEY

Business Conditions	3
Building Trade	5
Foreign Trade	5

II FINANCIAL DEVELOPMENTS

Money Market	8
Capital Market	9
Capital Market · New Issues	
Federal Finances	11
Banking	12
Foreign Exchange Market	13
Gold Market	15
Stock Exchange	15

III INDUSTRY REPORTS

Capital Goods Industries	18
Engineering Industry · Electrical Equip- ment Industry · Iron and Metal Goods Industry	
Chemical and Pharmaceutical Industry	20
Dyestuffs · Pharmaceutical Products · Other Chemical Products · Plastics	
Watch Industry	21
Textile Industry	22
Cotton Industry · Embroidery Industry · Hosiery and Knitting Industry · Silk In- dustry · Wool Industry · Other Branches	
Food Industry	26
Chocolate Industry · Canned Food Ma- nufactures · Other Branches	
Other Consumer Goods Industries	28
Hat Braid Industry · Leather Industry · Rubber Industry · Shoe Industry	
Retail Trade	29
Tourism	30
Transport	30
Farming	31

IV STATISTICAL ANNEX

Swiss Share and Bond Prices ...	34
Economic Indicators	36

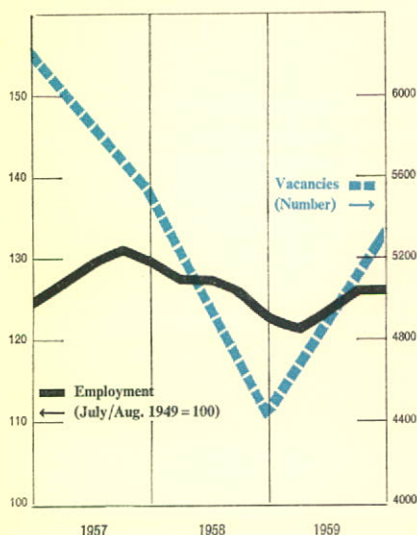
Business Conditions

Switzerland, in common with other industrial nations, experienced a vigorous economic upturn in 1959. *Industrial activity* improved rapidly; consequently, the "employment coefficient" or business index advanced

quarter by quarter to reach 135 at the end of the year compared to 113 for the same period in 1958 (100 is considered satisfactory). This high level is chiefly due to a new peak of activity reached in the construction industry as well as strong foreign demand, which benefitted all of the sectors engaged in the export trade. The hotel trade enjoyed an excellent volume of business which, in turn, served to boost retail sales. The recovery of business has been aided by the relative ease of financial markets.

However, *manufacturing capacity* was not used up to the limit in all plants, mainly because there was an increasing scarcity of labor, both in Switzerland itself and in neighboring foreign countries which normally supply workers to our industry. At the end of September, 1959, the industrial employment index was still 1% below the level prevailing during the same period a year earlier, while the actual number of foreign workers showed only an insignificant increase. The amount of overtime worked has mounted since the middle of the year; at the same

INDUSTRIAL EMPLOYMENT



time, though, delays in delivery have cropped up in some sectors.

The tightening of the *labor market* is clearly evident from the fact that in October there were only 28 applicants seeking work for every 100 jobs available; a year ago, there were 78 applicants for every 100 jobs. This situation has made management more conscious of the need to rationalize production, particularly now that international competition is so much more intense.

Switzerland is one of the few countries where the *cost of living* showed a drop during the year. Although the consumer price index has again exhibited a slightly rising trend since August, it was 181.5 at the end of December (August 1939 = 100), which was 0.6% below the level of a year earlier. The wholesale price index stood at 215.7 (August 1939 = 100) which was only 0.9% more than in 1958.

The economic *integration* now going on in Europe presents many problems also for Switzerland. In order to pave the way for a multilateral association with the six member countries of the European Economic Community (EEC), the so-called "Seven"—Austria, Denmark, Great Britain, Norway, Portugal, Sweden and Switzerland—have formed their own community, the European Free Trade Association (EFTA). Unlike the "Six's" Treaty of Rome, the EFTA agreement of the "Seven" which was

signed last November in Stockholm concerns itself solely with economic aims. The sovereignty of the member states remains inviolate; in addition the right to practice autonomous tariffs towards countries outside the free trade area is also left unchanged. A more detailed examination of both institutions is provided in a brochure, *The European Economic Community and the European Free Trade Association*, which is included as a supplement to this publication.

Switzerland's support of the EFTA treaty is a clear testimony of this country's desire for a closer economic cooperation with other nations in so far as it is consistent with Swiss obligations, both national and international. At any rate, the Swiss participation within the EFTA must be considered as a move of major importance in regard to Swiss commercial policy. On the other hand, Switzerland, which is so closely tied to the world economy, is particularly pleased that the United States and Canada have made clear that they are prepared to work towards a solution of the problem created by the division between the six nations of the European Economic Community and the seven of the European Free Trade Association. It is our hope that the result of these efforts will be a progressive liberalization of customs barriers in all nations professing liberal trade doctrines.

Building Trade

The economic upturn in 1959 was greatly assisted by the fact that the building trade successfully overcame the difficulties that it faced in 1958. The large number of *residential building* permits issued during the second half of 1958 insured a very high level of activity in construction during the first half of 1959, and once achieved, it was maintained throughout the rest of the year. In other sectors, construction also enjoyed a boom, which contributed to the attainment of a new overall record. As compared to 1958, the number of dwelling units in the 42 towns included in the Federal statistics increased from 12,423 to 14,359. In several large cities, construction has proceeded from the center of town to neighboring suburbs, so that the increase in smaller communities has been still greater.

The higher number of manhours worked in the building industry also indicates the greater amount of activity. The effective force of seasonal labor climbed from 78,000 in 1958 to 89,000 in 1959. During the next few months, the major problem facing building contractors is the recruiting of skilled workers from Italy at a time when our neighbor is itself engaged in a big expansion of construction activity.

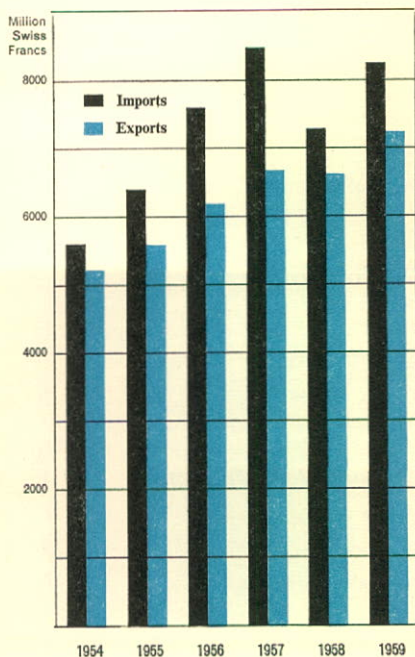
Apart from some small and purely local modifications in working conditions, there was no important change in the *wage structure* during 1958. But early in 1960 the trade unions made

substantial demands, and won significant increases in wages as well as a reduction in the work week.

Foreign Trade

Swiss foreign trade clearly reflects the substantial rise in economic activity that occurred in 1959. The decline in imports, which had started in mid-1957, came to an end in the spring of last year and gave way to a very healthy upturn. In December monthly

SWISS FOREIGN TRADE 1954-1959



import figures reached nearly 1000 million francs, a new record, partly owing to purchases made in anticipation of the new customs tariff which became effective on January 1, 1960.

At the same time, our exports have reached new peaks, so that in the month of October they exceeded 700 million francs for the first time in any one month. The graphic on the preceding page clearly illustrates the improvement.

In 1959 imports amounted to 8268 million and exports to 7274 million Swiss francs as against 7335 million and 6649 million respectively in the previous year. Accordingly, the excess of imports over exports rose from 686 million to 994 million Swiss francs. As both the prices of imports and exports declined, the expansion of foreign trade shows an even bigger quantitative increase.

Swiss Foreign Trade

	Imports			Exports		
	1957	1958	1959	1957	1958	1959
	Million Swiss Francs					
Europe						
Austria	208	153	176	210	202	219
Belgium/Luxemburg	357	317	341	288	263	275
France	886	757	932	518	494	501
Great Britain	450	413	617	366	372	414
Italy	936	870	951	541	520	593
Netherlands	380	362	388	266	241	286
Sweden	133	106	126	210	205	201
Western Germany	2 193	1 954	2 308	961	1 080	1 242
Rest of Europe	573	524	521	766	826	900
<i>Europe, total</i>	6 116	5 456	6 360	4 126	4 203	4 631
Western Hemisphere						
Argentina	89	62	58	101	88	85
Brazil	51	51	68	88	89	90
Canada	150	170	131	128	144	152
Mexico	57	53	41	78	90	94
United States	1 197	837	875	765	658	814
Venezuela	19	12	9	80	106	104
Rest of America	211	200	167	218	218	218
<i>Western Hemisphere, total</i>	1 774	1 385	1 349	1 458	1 393	1 557
Africa	231	219	227	293	292	301
Asia	278	241	295	728	640	665
Australia and Oceania	47	34	37	109	121	120
Grand Total	8 447	7 335	8 268	6 714	6 649	7 274

The strong advance in *imports*, which began in April, is largely due to mounting purchases of durable goods. As a whole, and according to the index of quantity weighted by value, imports of manufactured products have increased by nearly 25%, while raw material imports showed an 11% advance. On the other hand, the decline in food imports, which began in 1957, continued.

As far as the increase in *exports* is concerned, two-fifths were produced by the increased sales of the chemical and pharmaceutical industry which benefitted from particularly favorable conditions. Machine, tool and instrument makers, who still suffered from the recession in the first quarter, managed to increase their sales once again throughout the remainder of the year. As for watch exports, they rose in quantity rather than value; however the monthly sales volume for the last months of the year was appreciably greater than in 1958. Most branches

of the textile industry, particularly the silk sector, expanded their foreign sales in substantial measure. The food-stuffs industry saw an increase in cheese sales, while soup manufacturers lost several of their markets.

Statistics indicate that the growth in imports stemmed entirely from trade with European countries which, in turn, increased their purchases from Switzerland. A particularly strong expansion occurred in the trade with the countries of the European Economic Community, especially with the Federal Republic of Germany, our biggest trading partner; the territories of the Common Market supply 60% of our imports and take 40% of our exports. Trade with the countries participating in the European Free Trade Association (EFTA) has also increased, thanks above all to the substantial rise in our purchases from Great Britain. Overseas our trade with the United States has gone up, while that with Cuba and Argentina steadily declined.

Money Market

In the Swiss money market *liquidity* continued to increase during the first weeks of 1959, in conformity with the usual seasonal pattern. On February 26, the Swiss National Bank reduced by one half of 1%, to 2% and 3% respectively, its discount rate and the rate on collateralized loans; this was clearly an adjustment to prevailing market conditions.

In the middle of February, deposits of banks and other firms with the Central Bank registered a new record of 3.2 billion francs; following that peak there occurred a sudden change, which lowered these deposits to 1.7 billions by the middle of December, a decline of 1451 millions. This significant *reduction in liquidity* was partly due to the rise in economic activity in the spring, and the increase in credit demands which accompanied it. In addition, a contributing factor was the rise in interest rates in international financial centers which encouraged a substantial outflow of funds seeking short-term investments in foreign

countries. Simultaneously, the issuance of foreign loans and of investment trust certificates showed a steady growth. Thus, the *gold and foreign currency* reserves of the Swiss National Bank, which had surpassed 9 billion francs for the first time in January, declined by 910 millions up to the first week of December, when they stood at 8.2 billions.

In the last two weeks of the year, substantial amounts of short-term investments in foreign countries were repatriated, mostly to dress up balance sheets; these funds were promptly re-exported at the beginning of 1960. Thus, the monetary reserves, which had increased by about 658 millions during the last three weeks of December, have declined by 519 millions at the end of January, 1960, falling to 8.4 billions. Accompanying this development, demand deposits of the economy climbed to 2.3 billions at the end of 1959, then declined slightly in January, 1960, a movement contrary to the normal seasonal pattern.

Due to the rise in the volume of payments, the amount of *bank notes* in

circulation was constantly above the level of the preceding year. At the end of December, it was 6.3 billions, or 235 millions more than at the end of 1958. Nevertheless, the economy was able to reduce its borrowings from the central bank. They have fallen, in 1959, to the lowest level in several years. However, short-term rates have shown a tendency to increase since last spring, so that the rate for call money increased from a range of $\frac{3}{4}\%$ to 1% in March to $1\frac{1}{2}\%$ in December. At the same time, the rate for three-month deposits at the big banks have risen from the 1% to $1\frac{1}{8}\%$ range to $1\frac{1}{4}\%$ to 2% range.

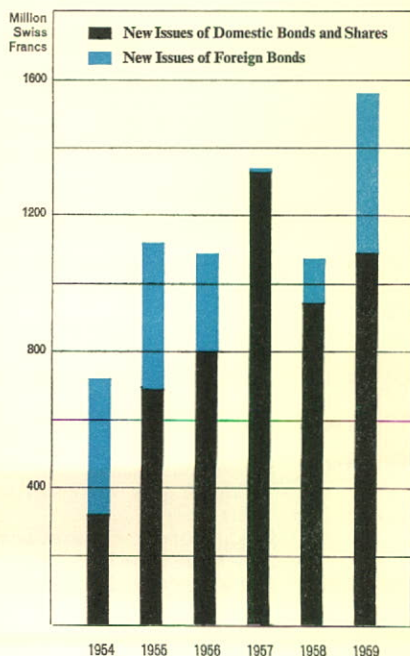
Capital Market

Once again the Swiss capital market has demonstrated its impressive capacity. In spite of the increased demand for credit, the decline in *mortgage rates* continued through September. As a result, the interest charges for new mortgages dropped to $3\frac{3}{4}\%$, a rate which heretofore had only applied to mortgage loans granted before 1957.

On the other hand, the market was able to absorb *stock and bond offerings* that reached a net amount of 1.4 billion francs—a new record level. Despite these substantial withdrawals of funds, new issues offered for subscription were, in general, well received, although occasional issues ran into some difficulty, especially in the autumn.

The total value, figured on issue prices, of *Swiss bonds* offered for public subscription, amounted to 883 million francs, of which 197 millions were for conversion purposes. New cash financings amounted to 686 million francs, compared to 827 millions in 1958. On the other hand, repayment totaled 163 millions, which was less than a quarter of last year's volume; the net amount raised by Swiss bonds issues therefore reached 523 million francs, which was three times 1958's level. The most important borrowers were

SWISS CAPITAL MARKET



electric power plants, which issued 319 million francs in new obligations. Other substantial borrowers included: mortgage institutions, 191 millions; local government authorities, 150 millions; holding companies, 132 millions; others, mainly industrial enterprises, 91 millions.

As borrowing rates declined in the early part of the year, borrowers also found that marketing conditions for their offerings improved—only to turn tighter later on. Thus, mortgage

institutions, local government authorities and the big cantons had to raise their interest payments to $3\frac{1}{4}\%$ on their borrowings in the second half, after having been able to sell obligations at 3% in the spring. Electric utilities, apart from two issues offered at $3\frac{3}{4}\%$, maintained their issuing rate at $3\frac{1}{2}\%$ throughout the year. The same rate was also accorded to most industrial borrowers.

Issues of *foreign bonds* took a record amount of 535 million francs, of which

Foreign Bond Issues in Switzerland in 1959

Nominal Amount Swiss Francs	Issue	Issue Price	Issue Yield
100 000 000	International Bank for Reconstruction and Development, Washington D.C., 4 s due 1974.	100%	4.00%
50 000 000	Electricity Supply Commission (ESCOM) Johannesburg, 5 s, 1965/74	100%	5.00%
60 000 000	The British Petroleum Company, Ltd., London, $4\frac{1}{2}$ s, 1974	100%	4.50%
15 000 000	Kjøbenhavns Telefon Aktieselskab. Copenhagen, $4\frac{1}{2}$ s, 1970/77	100%	4.50%
50 000 000	Royaume de Belgique, Régie des Télégraphes et des Téléphones, Bruxelles, Conversion Issue $4\frac{1}{2}$ s, 1971	100%	4.50%
40 000 000	Telefonaktiebolaget L.M. Ericsson, Stockholm, $4\frac{1}{2}$ s due, 1969/77	100%	4.50%
50 000 000	Kingdom of Denmark, $4\frac{1}{2}$ s due 1974	100%	4.50%
15 000 000	Elektrokemisk A/S, Oslo, $4\frac{1}{2}$ s due 1965/74	99%	4.63%
50 000 000	International Standard Electric Corporation, New York, 4 s due 1961/74	100%	4.00%
10 000 000	Société Ferroviaire Internationale de Transports Frigorifiques, INTERFRIGO, Bruxelles, $4\frac{1}{2}$ s due 1967/74	100%	4.50%
25 000 000	Crédit Foncier Franco-Canadien, Montreal, $4\frac{1}{2}$ s due 1970/75	99.50%	4.55%
50 000 000	Norsk-Hydro-Elektrisk, Kvaelfstofaktieselskab., Notodden (Norway), $4\frac{1}{2}$ s, due 1970/77	100%	4.50%

50 millions were for refunding purposes. All 14 issues, offered at rates between 4% and 5¼%, were well received with one exception. More than half of the new funds raised by foreign issues were for the accounts of debtors domiciled in member countries of the European Free Trade Association; for reasons of commercial policy, priority had to be given to them over the demands of borrowers from the territory of the European Economic Community.

Equity issues have accounted for 403 million francs, or about three times as much as in 1958. Of this amount, 198 millions represents the increase in the capitalization of Nestlé/Unilac, the biggest transaction of its kind ever made in Switzerland. Finally, it must be recorded that new *share certificates in investment funds* had reached 548 million francs by September, three times more than the total for all of 1958, and thus surpassing all records established to date. This steep increase was due above all to the keen interest shown by investors in the various mutual funds for European securities, which had been established in Switzerland during the year under review.

Federal Finances

The state of *Federal finances* worsened during the past year. While the final accounts for 1958 closed with a surplus of 295 million francs, revenues

and expenditure will about be in balance in 1959 according to the budget estimates. It is true that the boom produced a higher level of revenues than had been expected; but this increase has partially been offset by a rise in additional spending.

In 1960, the revised budget estimates provide for a *deficit* of 15 million francs. This deficit, the first for a number of years, results from a definite increase in spending, amounting to over 200 million francs above the governmental estimate made for the five year period 1959-64. If we add the projected expenditures entailed in the construction of the national road program and the outlays for the Confederation's new disability insurance, not included in the budget, the actual excess of expenditure will be in the neighborhood of 400 million francs.

This development deviates from accepted fiscal policy in times of prosperity and full employment, when federal spending should be reduced and a surplus achieved in order to avoid an unhealthy stimulation of overall demand. The need to reduce federal spending assumes added urgency because of the fact that the *reform of the army*, scheduled for 1961 through 1964 will call for an annual increase of about 200 millions in military spending, thus raising overall expenditures to an average of 1.2 billions per year.

Budget and Public Debt of the Confederation

	1957	1958	1959*	1960*
Federal Budget		Million Swiss Francs		
Current Expenditure	2 238	2 643	2 388	2 546
Current Revenue	2 440	2 826	2 394	2 767
Excess of Revenue	202	183	6	221
Net Change in Assets	— 20	+ 112	— 5	— 236
Surplus or Deficit	+ 182	+ 295	+ 0,8	— 15
Federal debt held by public	6 864	6 372	6 248	

* Budget Estimates

Banking

The upturn in economic activity that got underway last spring was fully shared by the *banks* as their statements show. The 62 banks, the balance sheets of which are included in the monthly statistics compiled by the National Bank of Switzerland and which account for 80% of the total balances of all Swiss banks, increased their loans by 1.9 billion francs during the first 11 months of 1959 (January-November, 1958: 443 million), bringing the total to 26.3 billions. Of this increase, 1.1 billions went into short-term advances and into term loans, with the remainder going into mortgages.

The influx of new deposits has slowed, increasing by only 1.7 billion francs, or about 900 million francs less than for the same period in 1958. The inflow of sight deposits showed a significant decline; since last June it has all but

ceased. In addition, the mobilization of funds in the form of new medium-term notes, a usual method of financing for Swiss banks, was less marked last year than in 1958. Actually, the banks showed little interest in such issues until the summer. Then, they found themselves forced to modify, on a number of occasions, issuing terms in favor of subscribers.

Almost half of the new funds available were placed with the five largest *commercial banks*, which increased their loan portfolios by 1006 million francs in 1959. They made their biggest disbursement of loans in the autumn—and in December. This was due to an important rise in purchases in anticipation of the new increase in tariffs. At the end of the year, the loans of the big commercial banks amounted to 6.7-billion francs—including their mortgage commitments. They exceeded the 1958 total by more than one billion

francs; this development contrasted sharply with that of 1958 when retirement of loans exceeded new loans by more than 147 million francs. In spite of the big increase in new loans in 1959, the large commercial banks were in a very liquid condition at the end of the year. As for other credit institutions, liquidity also remained satisfactory. However, the sizable credits granted for construction but not yet utilized necessitate the maintenance of substantial liquid assets.

Foreign Exchange Market

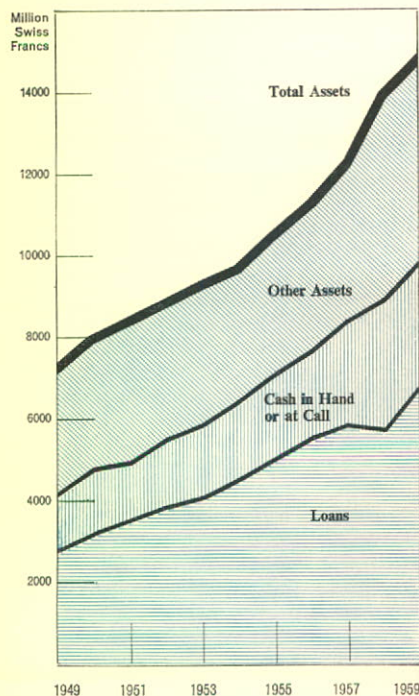
Activity was often brisk on the foreign exchange market, particularly in the second half of the year. This stemmed in part from arbitrage transactions stimulated by the differences in interest rates in the world's financial centers. In addition, there were big increases in both the number of foreign issues as well as in foreign trade.

The bulk of transactions was again done in the *American dollar*. It was particularly firm during the summer and autumn and reached its peak price for the year at the end of October, when it hit 4.347 francs; then it declined to some extent as a result of large sales. At the beginning of December, the seasonal increase in demand to meet the liquidity needs, always present at the end of the year, brought about a definite decline in spot rates, while forward rates showed only a slight dip.

The *Canadian dollar* has also suffered considerable fluctuation in the exchange market. Its premium over the American dollar exceeded 5%, a rate reflecting the extremely favorable evaluations of the prospects of the Canadian economy, which has again attracted a large influx of foreign capital. However, if this influx in funds should decline, the premium could be reduced very quickly.

The well sustained demand for Swiss francs during the latter part of the year also exerted a strong pressure on the quotations of other currencies. The *pound sterling*, which traded at 12.075 francs at the end of 1958, experienced a

BIG COMMERCIAL BANKS 1949-1959



very strong trend until the autumn, when it decreased from 12.20 to 12.09 francs in a few weeks. On the futures market, the discount of $1\frac{1}{2}\%$ to $1\frac{3}{8}\%$ on the pound of one to three months delivery, prevailing at the beginning of November, changed to a premium at the beginning of December.

The *Egyptian pound*, which was under pressure during the first half, recovered

subsequently as a result of higher cotton exports. As for the *Argentine peso*, it seems to have found support around the 5.20 franc level per 100 pesos after having suffered a temporary decline to 4.15 francs this summer as against a value of 6.125 at the beginning of the year. In contrast, the *Brazilian cruzeiro* has been sinking since the spring; at the end of December, its rate was 2.25

Foreign Exchange Quotations and Gold Prices in Zurich

FOREIGN EXCHANGE	Price per	Telegraphic or Mail Transfer		Bank Notes	
		End of 1958	End of 1959	End of 1958	End of 1959
		in Swiss Francs			
New York	1 US \$	4.30 $\frac{7}{8}$	4.32 $\frac{1}{2}$	4.30 $\frac{1}{2}$	4.32
London	1 £	12.08 $\frac{1}{2}$	12.11	12.07 $\frac{1}{2}$	12.09
Austria	100 Sch.	16.62	16.65	16.60	16.64
Belgium	100 Fr.	8.65 $\frac{3}{4}$	8.65 $\frac{1}{4}$	8.59	8.58 $\frac{1}{2}$
Denmark	100 Kr.	62.50	62.65	62.25	62.40
France	100 Fr.	—87 $\frac{7}{8}$	—88 $\frac{15}{16}$	—86	—86 $\frac{75}{100}$
Italy	100 Lire	—69 $\frac{07}{100}$	—69 $\frac{7}{100}$	—68 $\frac{55}{100}$	—69 $\frac{50}{100}$
Netherlands	100 Fl.	114.17 $\frac{1}{2}$	114.65 $\frac{1}{2}$	113.75	114.60
Norway	100 Kr.	60.42 $\frac{1}{2}$	60.50	60.—	60.50
Portugal	100 Esc.	15.—	15.08	15.—	15.10
Sweden	100 Kr.	83.42 $\frac{1}{2}$	83.47 $\frac{1}{2}$	82.75	83.40
Western Germany ...	100 DM	103.25	103.70	103.05	103.65
Argentina	100 m\$n	6.12 $\frac{1}{2}$	5.27 $\frac{1}{2}$	6.—	4.90
Canada	1 \$	4.47	4.54 $\frac{5}{8}$	4.46	4.54

GOLD PRICES	Gold Content grams	End of 1958		End of 1959	
		bid	asked	bid	asked
		in Swiss Francs			
Sovereign	7.322	41.20	41.70	39.75	41.—
Napoleon	5.807	31.25	31.75	30.50	31.50
Swiss 20-franc coin ..	5.807	30.75	31.15	30.—	31.—
Double Eagle	30.092	159.—	160.50	159.—	163.—
Bar gold	1,000.000	4865.—	4880.—	4860.—	4900.—

francs per 100 cruzeiros, compared to 3.09 at the end of 1958.

The price of *bank notes* from countries which possess convertible currencies generally moved in line with the foreign exchange rate. With the increase in international tourist travel, the volume of trading in foreign exchange was probably higher in 1959 than in 1958.

Gold Market

On the whole, the *gold market* remained calm in 1959. True, a re-awakening in demand made itself felt at times, usually on rumors that the United States would raise the *price of gold* in terms of the dollar; these rumors were categorically denied on every occasion. In addition, an objective examination of the problem makes it abundantly clear that a devaluation of the dollar in terms of gold would not solve the problems confronting the free world. If that happened, the primary role that the U.S. dollar plays as a medium of international payment and as a foreign currency reserve would unquestionably force other countries of the free world to devalue their own currencies too.

In any case, these rumors had no influence on the price of gold bars; in contrast, it had an effect on gold coin quotations, which showed wide fluctuations. However, by the end of 1959, they were being traded on

the Swiss market at prices generally lower than those prevailing a year ago. This is clearly shown in the table on page 14.

Swiss Stock Exchanges

The strong recovery in the demand for equities, which was observed in markets all over the world, has also been experienced in Switzerland. During the year, the volume of trading on the Zurich stock exchange showed an increase of about 53% over the same period in 1958. In addition to certain special movements, and the demand emanating from a group of newly founded investment trusts, foreign purchases appear to have made a substantial contribution to the expansion of business in our markets. Most Swiss stocks have risen in price. This is not surprising, for since the spring the economic outlook in Switzerland has been viewed with considerable optimism. However, based on the averages, the rise in share prices has been less marked in Switzerland than on other European exchanges. There has been considerable divergence between the movements of one stock and another, according to the type of the security as well as among different groups.

The average yield of *Swiss stocks* fell from about 3.1% at the end of 1958 to 2.4% on December 31, 1959, whereas high quality banking and industrial bonds yielded 3.5% on the same date.

Throughout the year, there was a strong demand for shares of the big Swiss banks. Their appeal lies partly in the fact that these shares may be acquired in the form of bearer certificates, this being less and less the case for other high grade Swiss equities. In the market for industrial shares, the chemical stocks, in particular, showed considerable strength; they have frequently been purchased by important funds, especially the newly created investment trusts. Nestlé was extremely active

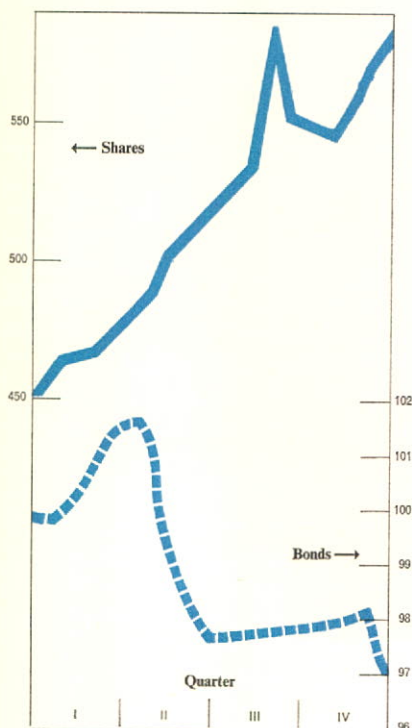
after the increase in its capitalization; by the end of 1959 its bearer certificates sold some 700 francs higher than registered shares. The market in insurance stocks was generally quiet, and their quotations did not show much change. In contrast, domestic holding companies were active; the shares of Interhandel, Metallwerte, Italo-Suisse and Papier St. Moritz, spurred on by speculations, were outstanding examples of the kind of spectacular changes in price that took place. Electro Watt was another issue that gained a lot of attention, and saw a rise in price. During the year, the average gross yields of the most important categories of domestic stocks showed the following changes:

Average Gross Yield
December 31

	1958	1959
Bank shares	3.1%	2.1%
Insurances shares	2.5%	2.5%
Industrial shares	3.1%	2.5%
Trust shares	3.2%	2.4%

Among the *shares of foreign holding companies*, Philips was a big favorite, while Royal Dutch lost ground. The prices of German shares traded in Switzerland made substantial advances; this group was increased by three very well-known issues: Farbwerke Hoechst AG, Farbenfabriken Bayer AG, Siemens & Halske AG. As for the Argentinian securities, the final agreement on the estimate of the installations transferred by CADE has produced a rise in Sodec; the shares of Cia Italo-Argentina de Electricidad (CIA) have also increased in price, although by a

SWISS SHARE AND BOND INDEX IN 1959



lesser amount. On the lively market in *American shares*, whose group has two newcomers (Dow Chemical, Ford Motor Co.), gains in price were general. However, Kennecott Copper, Standard Oil (N.J.) and three railway shares did not follow the prevailing trend.

On the bond market, the rise in prices that began at the end of 1957 gave way to a fall in the spring of 1959. This change, which is the result of increased pressure on the capital market,

lasted with some interruptions until the end of the year. The gross yield of Federal bonds, as measured by the National Bank, reached 3% at the beginning of January and stood at 3.29% at the end of December. Most foreign fixed income securities also moved down in price. An exception to this general trend were the German government bonds; another were the convertible bonds of West Rand Investment Trust Ltd.

Capital Goods Industries

In the ENGINEERING INDUSTRY the number of incoming orders, which had started declining in 1958, stabilized during the first months of 1959 and then began rising towards the end of the year. However, the recovery was not spread equally over the industry; some sectors advanced rapidly while others lagged behind.

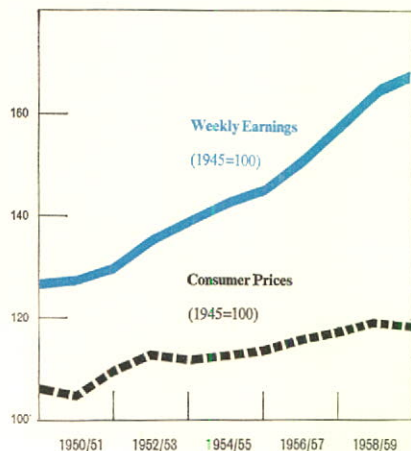
Activity started rising first in the foundries, where orders began improving in late 1958. In the spring, the demand for equipment needed in the construction industry, including heating and air conditioning systems, was particularly strong. But the makers of capital equipment did not begin an upward movement until considerably later. In fact, it was only after the International Exhibition in Milan, which took place in September, that the textile machinery makers showed any improvement.

The number of workers in the machinery industry, which had declined during the first quarter, was increased later in the year and showed a rise

over the 1958 level. In the beginning of 1959, production outpaced orders, but in the second half, orders rose faster than the increase in production; this led to delays in delivery. Unfortunately, costs also showed an upward trend.

In the competition for world markets, the conditions of payment often proved to be a dominant factor, even more important at times than prices or delivery schedules. Machine tool

INDUSTRIAL PAY



firms in many European countries outbid each other in offering long-term credits to obtain orders from underdeveloped nations; they cannot, however, compete in this respect with U.S. firms, which can rely upon the support of Export-Import Bank. Fortunately, the Swiss machine tool industry now has guarantees against export risks which allow it to compete, on more or less equal terms, at least with its European competitors.

The outlook for 1960 seems favorable. However, tight money could slow down new investment in capital equipment. Another threat, which cannot be ignored by the Swiss industry, is the rapid formation of the Common Market, which appears to be displaying protectionist symptoms. It is hoped that this threat can be overcome by multilateral relationships between the "7" forming the European Free Trade Association and the "6" of the Common Market.

The decline in orders experienced by the ELECTRICAL EQUIPMENT INDUSTRY in 1958 was reversed in the spring of 1959. But the upturn was not felt in all sectors. Domestic demand for small and medium-sized electrical products was good, but orders for big machines and for electrical appliances declined, largely because few new power plant projects were started in Switzerland. To offset this decline, however, foreign demand improved. But the upturn in foreign orders took place under very severe competitive conditions. There

was extreme competition in prices, which is due to the excessive productive capacity of many important foreign producers, who, when conditions deteriorate, do not hesitate to sell their products for export at prices below their actual production costs. The export organizations of the Eastern European bloc follow the same price-cutting policy, but in their case, it is based on political motives.

As in machine tool exports, the types of credit available play a very important role in sales to underdeveloped countries. Thus, for many markets, the maximum limits of the Berne Union agreement on the amount and terms of credits are the minimum needed to obtain orders.

Costs of raw materials and wages remained stable in 1959. But wages will be sharply up in 1960 and will probably not be completely offset by greater efficiency in production. The actual output of electrical equipment will be maintained at a high level in the months to come, but great efforts must continue to be made if order backlogs are to remain at their current level.

Activity definitely improved in the IRON AND METAL GOODS INDUSTRY in 1959, due to the recovery of industrial production in general and to the extremely high level of activity in the construction sector in particular. Most firms in iron and metal goods showed a very satisfactory level of employment, and in many instances, achieved full

employment. Specifically, the iron industry showed considerable improvement over the 1958 picture. The demand for products not only increased, but the steel strike in the United States created a scarcity for semi-finished iron products, which are always in strong demand. However, sales of galvanized sheet metal goods and of non-ferrous metal products suffered for several months from the uncertainty which prevailed in the international markets for raw materials. Towards the end of the year, though, these sectors began to improve. As for finished products, the increased level of demand by the building trade produced a large volume of orders. For example, radiators, automatic washing machines, stoves, water-heating systems, kitchen cabinets, toilet installations and garage doors have been among the products benefiting from the high level of construction. In all of these fields, however, Swiss manufacturers have had to make strenuous efforts to keep pace with growing competition. This was especially true for lock and iron work makers, who had to make strong efforts simply to survive.

In the household goods area, plastic objects are continuing to make inroads into the market once held so firmly by tin plate manufacturers. On the other hand, enamel manufacturers showed a very successful level of output. In addition, during the past year, the deliveries of spare parts made by machine tool and electrical equipment industries have been of great im-

portance, because they permitted the hardware industry to participate indirectly in the growth of machine exports. Moreover, many groups and firms in the industry, in line with tradition, were active in seeking direct exports and produced encouraging results. In retrospect, the industry had an extremely good year. But the prospects for the coming year appear less favorable, for most people in the industry fear that the economic integration of Europe will mean quite a period of adjustment.

The steel construction industry was able to increase its sales in 1959 over the volume registered in 1958. But uncertainty regarding the development of the European integration is widespread and is clearly reflected in the decision of many managements to refrain from launching any new expansion projects.

Chemical and Pharmaceutical Industry

Exports by the chemical and pharmaceutical industry reached a new record during 1959. Each sector of the industry participated in this advance, although not at the same rates. DYE EXPORTS were particularly strong, chalking up a 33% increase over the 1958 totals. Europe has again been our main customer for dyes, taking about three-fifths of export sales; but because of the revival in the textile trade, deliveries to markets outside Europe also im-

proved. This rise was particularly noticeable in the African market, which takes only about 4% of our total dye exports, followed by Asia and North America. As long as a high level of activity is maintained in the textile industry, and as long as the establishment of two preferential zones in Europe does not bring big shifts in markets, the prospects for exports in this important branch of the chemical industry are very good.

PHARMACEUTICAL exports, which, with over 600 million francs, make up almost half of the industry's total exports, also registered a rapid rate of increase in export sales. However, as importing countries tend, in an increasing number of cases, to protect their own industries, Swiss firms have had to transplant some of their production installations to foreign countries.

Despite very strong foreign competition, our exports of OTHER CHEMICAL PRODUCTS, which depend on conditions in industries such as textiles, leather, paper, soap, and plastics, have also been on the upgrade. With a much greater productive capacity available, however, the pressure on prices remained a formidable factor. Favored by good weather, the sales of bug and worm killers rose. There was an especially big rise in the sales of insecticides, whose success in the export market is based on special research

and development projects carried out in Switzerland.

In the PLASTICS INDUSTRY, the quantity of sheets produced was satisfactory. The same holds true for the production of artificial leather, table coverings and similar products. However, the pressure of competition, which was very strong, was seriously felt by the makers of mass produced goods such as tubes, pipes and bottles.

Despite a record level of activity in the construction industry, sales of plastic insulated wires and cables showed a slight decline; however, demand for other plastic materials used by the construction industry registered an increase.

Watch Industry

In 1959 the Swiss WATCH INDUSTRY registered a revival in its exports, starting in the second half an upturn that was sparked by the recovery in other sectors of industry. During the year under review about 40 million watches and watch movements were exported, some 4.3 million more units than in 1958. However, the value of exports, which amounted to 1125 million francs in 1959, only slightly exceeded the amount realized during 1958. So, while watch exports again reached the 1-billion franc level, its share of total Swiss exports continues its declining

pattern. In 1957 watch exports accounted for 19.4% of the total; they dropped to 16.8% in 1958 and fell to 15.5% in 1959.

An appraisal of both the volume and value of Swiss watch sales in foreign countries indicates that the medium-priced products have been hurt the most. In some foreign markets inventories have been excessive, leading to cut prices.

Sales of watches showed sizeable regional differences. Largely due to a perceptible increase in our exports to Canada and the United States, the American continent strengthened its position as the chief market for the Swiss watch industry. However, our sales to Africa, Asia, Australia and Europe underwent declines in both value and volume. There is the prospect that in 1960 new markets will open to the industry in the countries of the European Free Trade Association, particularly in Great Britain, which up until now has maintained a very restrictive policy on watch imports. It is difficult to make any firm predictions about the value of our 1960 exports, but most firms in the industry think that there will be no great change from the 1959 totals. However, the technical and commercial progress made by foreign competition poses a serious threat to the Swiss industry.

Textile Industry

The Swiss COTTON INDUSTRY entered 1959 with its order backlog at the lowest level ever recorded. During the first quarter, manufacturers were forced to cut back on their production. Then, in the spring, demand for fine cloth began to recover, although prices at first failed to reflect the pickup. But they firmed steadily as demand increased, so that exports were profitable when operating capacity was fully utilized. In the domestic market, demand was not very strong until the third quarter. Now, however, the industry has enough orders to insure for weaving plants continuous operations at full capacity for some months to come, a state of affairs that did not seem possible only a short time ago. The profit margins of weaving enterprises are regarded as satisfactory, but they remain insufficient for thread makers.

The recovery of demand experienced in Switzerland was not a unique case; it was part of the worldwide improvement in the cotton trade. The stagnation in orders, which was clearly evident in the last half of 1958 and the early part of 1959, made our producers determined to seek protective measures against Asiatic competition, which freely engaged in the practice of price cutting. Last autumn, the Government finally decided that merchandise from East-Asia would be subject to price control. It remains to be seen whether this measure will eliminate the in-

credibly low prices that have prevailed, especially on finished goods.

Beginning last spring, incoming orders rose steadily for the EMBROIDERY INDUSTRY, producing an improvement in employment. The percentage of operating capacity being utilized rose from 86% last January to 95% at the end of November. Despite overtime and work by two shifts, delays in delivery time lengthened. In fact, delays of more than two months were usual in some cases.

The rise in production was purely quantitative because the average price received dropped sharply. Nevertheless, total exports were again in the neighborhood of 120 million francs, with the United States, Great Britain and Western Germany constituting the major foreign markets. Prices of Swiss fabrics, which were cheaper at the start of the year than similar Japanese goods, rose sharply during the second quarter.

In several countries, competing manufacturers, who have installed new machinery, have demanded protective measures. This was the case in Mexico, for example, which refused to grant import licenses on merchandise. In Australia, a request has been made to raise customs duties to 60% from the old level of 5% to 17%. And several South American countries have been in the process of raising the duties on all imported textiles. In view of these measures, it is heartening that the

European Free Trade Association (EFTA) has been established. In 1958 embroidery sales to this free trade zone amounted to some 25 million francs, nearly as much as the sales to the Common Market of the "Six". The elimination of customs barriers should encourage further trade. It appears, then, that the outlook for the industry for the coming year can be regarded with confidence.

In 1959, fashion trends proved favorable for the HOSIERY AND KNITTING INDUSTRY. Incoming orders did not actually improve until the second quarter of the year, when weather conditions and the seasonal influx of foreign tourists served to stimulate business. It was mostly a case of increased production, with selling prices remaining more or less stable. The establishment of the 46 hour week, introduced on the 1st of August, led to an increase in costs which could only be offset by strenuous efforts to increase efficiency.

The tendency towards rising prices in raw materials and other supplies became a serious problem, because competition, both foreign and domestic, was very much in evidence. Imports of knitting and hosiery products at very low prices was the major problem facing Swiss producers. They hope, however, that the Federal Council's imposition of price controls on textile goods coming from the Far East, which was enacted in the autumn, will

lessen the pressure of cheap imports in the future. Due to the fact that most customs duties are very high, the possibility of increasing Swiss exports are limited; and for a number of sectors of the industry, steps taken by the Common Market seemed to threaten discrimination.

The demands of fashion necessitate a continual increase in the number of items offered for sale, thus calling for high investment in the industry, either to increase production or to make it more efficient. Unfortunately, the possibilities of increasing productivity are not great. In essence, the hosiery and knitting industry is made up of a large number of small and medium-sized factories, which must continually adapt themselves to frequent changes in fashion; for the most part, many items can only be produced in relatively small quantities. Thus the very nature of the industry makes it difficult to engage in large scale production of a few standardized items; its future prospects therefore largely depend on winning new markets, which will only be realized if foreign countries reduce their customs duties.

The SILK AND RAYON WEAVING INDUSTRY recorded a healthy volume of incoming orders. This was especially marked in the silk cloth trade, which benefitted from the latest trends in fashion. Orders from foreign markets started rising in the spring, and by the end of the year, silk and rayon exports

had recorded a 21% increase over the 1958 totals. Sales might have been even higher except for the fact that buyers, who have become accustomed to prompt deliveries, met with delays in shipments; manufacturers found it increasingly difficult to hire enough workers and thus were unable to operate at capacity.

The shortage of labor was very acute. Many weaving enterprises were unable to find replacements created by the normal attrition in staff, quite apart from the replacements created by lay-offs made in previous years when business was slack. The industry still has to solve the problem of acquiring the necessary workers, while at the same time maintaining competitive prices.

Despite the gains made during the past year, the outlook for the silk industry must be viewed with caution. In the sector manufacturing highly fashioned materials, the next twelve months should produce a satisfactory volume of business. But in the sector turning out standardized items, prospects are less bright. One threat comes from the pressure of rising costs on the price of finished products; another is from imports, and this is already being felt in the case of cloth for linings.

A steady flow of incoming orders brought a satisfactory degree of employment to the SILK RIBBON INDUSTRY. Despite intense competition, the volume reached in 1958 was maintained last year. The industry, however, saw

changes in distribution of its sales to foreign countries. For example, sales to our main foreign market, the United States, declined to some extent this past summer. Velvet ribbon sales were particularly hard hit as U.S. buyers, who were apparently overstocked, reduced their orders to this section of the industry. This decline, however, may be only of a temporary nature.

But during the past few years a number of countries, which traditionally imported Swiss ribbon, have developed their own production facilities. This is a source of concern; for some of these markets are already lost to Swiss manufacturers because of protective tariffs and other barriers to imports; in other markets, sales on a reduced scale can only be maintained owing to the specialized nature and superior quality of Swiss goods, and it is not at all certain that our lead in this area can be maintained. Still, the silk ribbon industry is hopeful that its export prospects will improve with the reduction in customs duties and the elimination of import quotas which is now in sight in Europe.

Following the deep recession of 1958, the WOOL INDUSTRY experienced a strong revival in the spring of last year. Only a few months later, a number of factories encountered serious bottlenecks, as production was not able to keep up with the rising tide of incoming orders requesting prompt deliveries; additional workers, who were urgently

needed, were only obtained with great difficulty, and their number fell far short of the demand. This shortage applied not only to domestic labor, but increasingly to workers from foreign countries. In fact, foreign textile plants, especially those in Germany, were also recruiting workers from Italy and Austria.

The lack of skilled labor has forced the wool industry to focus its attention on modernization of plant, a basic need if it is to maintain competitive prices. Automation is just around the corner for producers of woollen garments—this was clearly demonstrated at the recent international exhibition of textile machinery, which is held every three years in Milan. In view of the various tendencies towards economic integration in Western Europe the Swiss wool industry has started in some sectors to reshape itself. For example, the textile industry has formed free associations of enterprises which are making themselves more competitive by rationalizing their samples, production and sale. In 1959 the manufacturers of yarn and woolsens spent a great deal of money in common publicity campaigns, which will be intensified in the future.

One of the sectors which has not profited from the upswing in business is the LINEN INDUSTRY, its sales being disappointing during the first half of the year. True, orders began increasing later on, but prices continued to be

under pressure. As cotton and linen yarns were cheaper at the beginning of the year, weavers lowered their prices in the first half of 1959; however, in the months that followed, and in the autumn particularly, prices of yarn increased. This rise coming at a time when production costs were boosted by the introduction of the 46-hour week will, sooner or later, mean a price increase in linen cloth.

Modest exports, especially of specialized fabrics and hotel linen, have been maintained, largely due to the superior quality of the materials. Nevertheless, domestic weavers have continued to suffer from cheap foreign imports, which came in great quantity from countries where a very low wage level prevails.

Volume in the TEXTILE FINISHING INDUSTRY showed a drop of 15% in the first quarter compared to the same period in 1958. But with the pickup in other branches of the textile industry, the finishing sector began to show some improvement. However, the resurgence of activity was not enjoyed by all plants on an equal basis. By the end of September, firms in embroidery finishing and in fine cotton fabrics showed a sales increase of about 9%; but sales volume in the finishing of coarse and medium grade materials, which are sold mainly on the domestic market, dropped 18% in comparison with the 1958 figures. Again, the drop in work experienced for the past few years in

piece dyeing of silk and rayon has ended; sales of these two sectors have increased by 16% and 18% respectively over the 1958 levels. This was accomplished despite intense foreign competition.

Similarly, the machine printing trade is faced with difficulties. It faced a steep sales decline in the first half of the year, and though sales increased later, the industry was not able to recoup its losses. The development of screen printing, which is much more suitable to the production of specialized fabrics, has obviously hurt sales by machine printers.

The trend towards rising costs is continuing to plague textile finishers. To offset wage increases, which were granted on July 1, as well as the rise in social security contributions, manufacturers raised prices for most goods by 5% on October 1, and for all other goods on January 1, 1960. The near term outlook for the textile finishing industry seems to be favorable, provided, of course, that sales and production in the entire Swiss textile industry remain at a high level.

Food Industry

At the beginning of 1959 the sales of the CHOCOLATE INDUSTRY were marking time, largely because there had been a 10% increase in the price of regular chocolate bars. After the summer, sales picked up, but were unable to reach the levels of 1958. The wave of

new trade names, which was very marked in previous years, has lost some of its momentum, so that the number of new products which came on the market was more in line with normal times.

With the exception of the United States, which is our second largest export market, our most promising customers are European. Sales volume in many foreign countries has obviously suffered from the increase in prices, and though there has been a slight decline in the prices of raw cocoa and cocoa butter, chocolate production-costs continue to display a rising tendency. In particular, wages have been a pressure on costs, which have not been adequately offset in other areas. The chocolate factories are now seeking new measures of increasing productivity, as a means of combating higher costs.

Among other branches of the food industry, the CANNED FOOD MANUFACTURERS could be particularly satisfied with their 1959 performance. Despite cutbacks, sometimes quite large, in the amount of cultivated areas, they have again handled all the main vegetables in very large quantities, so that their stocks, already large, were considerably increased. Unfortunately, the supply of some fruits and of tomatoes urgently needed by our industry and which, for canning purposes, must be of a quality unavailable

on the domestic market, were delayed or actually blocked by import difficulties. The demand for canned vegetables was greater than the demand for stewed fruits and jams. Products of the canning industry were sold on all five continents.

Manufacturers sought to improve their production methods, aiming for a quicker and better regulated system that would enhance the quality of the finished product. To accomplish this objective big investments were again needed for the construction and improvement of plant.

The past year was extremely favorable for SOUP AND BOUILLON MAKERS, whose products met with excellent success. Their line was expanded by a number of special varieties, which were received favorably by the public.

In contrast, the position of EVAPORATED MILK AND POWDERED MILK MANUFACTURERS has worsened because of foreign competition. Production costs, due to the higher cost of milk and of labor, made for higher sales costs than prevailed for the products of the Danish and the Dutch. The achievement of satisfactory results on the export market, which is limited to a small number of products, appears to be due to the high quality and prestige of Swiss goods.

In the round CHEESE market, the delivery prices of high quality cheese for export increased at the beginning of the year. The scarcity of supplies, brought about by an extremely dry summer, raised the export prices for Italy, France and Germany. However, the demands made by the German market have not been entirely satisfied because of a lack of ripe cheese; in fact, 1,400 tons of cheese had to be liquidated as kitchen cheeses because of poor quality. The export of processed cheese in boxes showed an increase. During 1959 foreign sales of cheese aggregated 138 million francs, compared to 132 million francs a year earlier.

Other Consumer Goods Industries

During the first quarter, sales volume in the HAT BRAID INDUSTRY remained at 1958's low level. Sales to England declined sharply, although sales to the United States showed a little improvement. And after a very long slack period, the new 1959-60 season began very slowly. However, there was some firming up in trade after the first half, so that sales volume in the second half reached a higher level than in the same period a year earlier.

Fashion and style came to the aid of the braid industry, particularly to makers of fancy and specialized items. However, the decline in sales which continues to be felt in the hat industry clouds the outlook for Swiss braid.

In the LEATHER INDUSTRY employment increased in 1959 over last year's totals and prices of tanned leather were adjusted, to a certain extent, to the clearly higher costs for raw materials. With the increase in volume in both the shoe and leather industry and a heightened demand on the export market, particularly for uppers, inventories at the tanneries declined. West Germany and the United States were the principal foreign markets.

At the same time, imports of uppers and of soles have also increased. These imports make clear that Swiss tanneries are facing a strong threat from foreign competition. This has served to accelerate the concentration of the industry into a smaller number of large producers.

As prices of raw materials declined in the last few weeks of the year, customers have been more cautious in their orders to the tanneries. However, most of the tanners look for satisfactory—and even good—business in 1960.

The RUBBER INDUSTRY enjoyed full employment with a large number of incoming orders creating, in some instances, a stretchout in deliveries. But the industry has problems, particularly with its costs. Moreover, the lack of workers, skilled and unskilled, is very pressing; with producers making a wide variety of goods, there is little opportunity to bring about an automation of production.

Business was very good in 1959, especially in rubber tires and inner tubes. In other sectors, the sale of material for shoe soles improved, but the output of high-pressure tubing for hoses declined as a result of increased competition from plastic piping.

In the SHOE INDUSTRY a large and rapid rise in demand took place last year in contrast to the drop in 1958. The number of shoes manufactured during the year showed an increase, but despite this rise, the lack of sufficient workers made it impossible to satisfy all demands. In addition, some buyers placed abnormally large orders in anticipation of rising prices. As a matter of fact, the rapid rise in the price of raw materials meant that shoe manufacturers found their profit margins narrowing because they were forced to pay higher prices than they had originally calculated; at the same time both retailers and consumers had to pay more.

The year ahead will see an increase in customs duties for leather, which will aggravate the price situation. A number of new problems have arisen in the industry, particularly for those firms engaged in the export trade. The collective labor contract was renewed in the autumn for a period of three years, with management agreeing to a reduction in the work week from 47 hours to 46 hours. They have also agreed to an increase in the minimum wage, which took effect on November 1.

Although production increased, the average margin of profit narrowed further, since producers have not been able to pass on the further rise in costs to their customers. As for styling, it has been characterized by lengthened forms, in fact by very pointed tips, by high thin heels and by extremely fine detail work.

The high level of business activity insures a high level of consumer purchasing power; this should help the shoe industry which, in spite of its problems, looks to the coming year with confidence.

Retail Trade

The sales volume recorded by RETAIL TRADE in Switzerland mounted throughout 1959. The rate of increase was faster than in 1958, although prices since April were actually under the level of a year earlier. In September, business was particularly strong, with sales over 7.8% better than in the same period in 1958, mainly because of an exceptional increase in the demand for *textile products*, their sales advancing over 11%. The September results were all the more remarkable because the weather was excellent; this normally means a delay in purchases for autumn and winter. It appears that the latest styles, which appeal to the public's taste, and the high purchasing power of consumers, are chiefly responsible for the excellent record established.

In the *foodstuffs line*, where volume increased by 3% on the average, there was a steady increase in the sale of beef and pork. Under the general heading of "other merchandise", which includes home appliances, metal goods and other *durables*, the average increase was 4%; in this area, the sale of automobiles was noteworthy. Sales of furniture were good, and the same applies to the sale of sporting goods.

Under these circumstances, *inventories* were maintained at about the same level as a year earlier. In the first part of 1959 they were allowed to run off somewhat; but in the spring, when the business climate had clearly improved, re-stocking of inventories took place, partly because of mounting sales, partly because of fears of price advances, and partly because delivery times lengthened. Retail trade can count on further increases during the months to come, provided that the political and economic climate does not undergo a change.

Tourism

Last year was one of RECORD TOURISM. In 1959, the number of bookings in Swiss hotels (26,966 millions) reached a new peak. Favored by good snow and weather conditions, the winter season was excellent. During the summer vacation months—June through August—the number of guests in hotels situated in the tourist regions

surpassed the 1958 totals. The hotel trade had the advantage of remarkable weather this summer and also benefited from the elimination of French monetary restrictions, which had definitely cut down on French tourist traffic. Over the past ten years the total number of visitors has increased by 50%, although there has been a small decline in the number of bookings in sanatoria and nursing homes.

Given a continuation of the status quo in the political sphere, the outlook for the hotel trade is excellent, especially as increasing attention is being paid to the renovation and modernization of Swiss hotels.

Transport

The increase in the volume of foreign trade, the high level of economic activity at home and the rise in tourist traffic have all contributed to vigorous growth in the TRANSPORTATION INDUSTRY. During 1959 the Federal Railways carried 2.5 million more passengers and 1.7 million tons more merchandise than a year earlier. For private lines, the Federal decree on equalization of the fares of concessionary railways with those of the Federal Railways was extremely significant. For this adjustment, subsidized by a payment from the Federal Treasury of 22 million francs, will not only bring economic relief to the regions serviced by these private lines,

but will also help, indirectly, to bring about a solution to the complex financial problems that face these enterprises.

The general increase in transport activity is also evident from transshipments, made at the port of Basle, which reached 4.9 millions of tons in 1959, about 1% more than in 1958, but still remained below the peak attained in 1957. It is already clear, though, that the *transport of goods by road* will set a new record.

The same applies to our *national airline*, which reached new records for both passengers and freight. This is a notable achievement, considering that up until now it is still using only piston-engined aircraft which must compete against foreign airlines who already possess jet planes. By the spring of 1960 our aviation company will also enter the jet age; following that, the replacement of equipment is scheduled to be so rapid that Swissair, in collaboration with the Scandinavian Airlines System (SAS), will be able to lay claim, by the middle of 1961, to the title of being one of the most modern airlines in the world.

Farming

On the whole, the year was a favorable one for Swiss FARMERS. The warm but damp weather experienced during the spring was advantageous, so that

the hay crop was satisfactory and its quality excellent. In contrast, the dry spell in the summer and autumn was detrimental to meadow and pasture land, so that the volume of fodder in barns is well below the peak results achieved in 1958. But because of the substantial reserves carried over from the previous year there is enough feed on hand to take care of the increased number of livestock, particularly of cows, over the current winter.

Because of the expansion in cow herds in 1959, *milk* production reached 47.5 million quintals, this was 4.9% more than in comparison with 1958. As consumption has not shown a comparable expansion, a further increase in the surplus has been the result. The Government is committed to a policy of subsidizing the sale of milk, but in an effort to hold down production, it will initiate a program to penalize farmers who have unduly increased their cow herds.

Among other animal products, *egg* prices have declined intermittently under the twin pressure of large domestic supplies and continuous imports. On the other hand, rising demand for *meat* met with unchanged supplies from domestic sources. Consequently, prices for meat stayed firm even though imports showed a notable increase. In 1959, total income of farmers, coming from the sale of meat, milk and eggs, amounted to 2041.8 million francs—about 3.9% more than in 1958.

The drought experienced in the summer and autumn hurt *potato* and

beet growers. According to early estimates, the *wheat* harvest amounted to 360,000 tons, which is superior to the average crop. Starting on January 1, 1960, a new law on cereals went into effect; it ended the Confederation's monopoly on imports of bread cereals, so that from now on purchases from foreign countries will be made by private traders or by mills. This liberalization in the law does not eliminate, in any way, the Confederation's obligation to buy cereals

produced domestically at a price that will cover costs.

A memorable frost, which occurred in April, caused considerable damage to some of our *fruit crop*. For example, the apple, pear, cherry and nut crops were 50% below the excellent results of 1958. In contrast, our *vineyards*, having the advantage of excellent weather, produced 1.1 million hectoliters. This grape harvest is not only very good in quantity, but it is also good in quality.

Share Prices in Zürich

Last Annual Dividend paid		Price Range 1959		End of 1959	
		low	high	Price	Gross Yield
Francs	Banks and Insurance Companies	in Swiss Francs			%
50.—	Swiss Credit Bank	1430	2110	2110	2.4
50.—	Swiss Bank Corporation	1340	2015	2014	2.5
60.—	Swiss Reinsurance Co.	2225	2600	2340	2.6
135.—	"Zurich" Insurance Co.	4550	5375	5180	2.7
	Holding Companies and Investment Trusts				
40.—	Electro-Watt Elec. & Ind. Manag. Co.	1295	2030	1895	2.1
40.—	Motor Columbus S.A. d'Entrepr. Elec.	1195	1620	1498	2.7
—.—	Sté Internat. pour Particip. Ind. et Commerciales (Interhandel)	2285	3775	3675	—
22.—	CANASEC (Invest. Tr. for Can. Sec.) ...	629	696	664	3.3
25.25	USSEC (Invest. Tr. for US Securities) ..	778	849	826	3.1
8.75	Intercontinental Trust	253	330	290	3.0
	Industrial Enterprises				
40.—	C. F. Bally Ltd., Zurich	1095	1570	1460	2.7
45.—	Brown, Boveri & Co., Ltd., Baden .	2065	3400	3310	1.4
90.—	CIBA Limited, Basle	5250	7575	7400	1.2
50.—	George Fischer Ltd., Schaffhouse ..	1315	1640	1550	3.2
35.—	Lonza Electric and Chemical Works	1000	1655	1550	2.3
1) ¹⁾	Nestlé Alimentana Co.	1550 ¹⁾	2290 ¹⁾	2065 ¹⁾	1) ¹⁾
21.—	Oerlikon Engineering Co.	590	725	655	3.2
120.—	S.A. pour l'Ind. de l'Aluminium	3185	4450	4250	2.8
100.—	SANDOZ Ltd., Basle	4590	8080	7215	1.4
45.—	Adolph Saurer Ltd., Arbon	1100	1370	1260	3.6
90.— ²⁾	Sulzer Brothers, Ltd., Winterthur ..	2200	2850	2650	3.4 ²⁾
	Foreign Companies				
DM 12.—	AEG (Allg. Elek.-Ges., Germany) ...	301	526	464	2.7
£ —.8.—	Anglo Amer. Corp. of S. Africa Ltd. .	98	129	129	3.8
\$ 1.50	Baltimore & Ohio RR. Co. com. . .	170	213	173½	3.7
\$ 7.—	E. I. du Pont de Nemours & Co. . .	878	1195	1144	2.6
\$ 1.80	Eastman Kodak Co.	328½	479	468	1.7
\$ 2.—	General Electric Co.	324	426	425	2.0
\$ 2.—	General Motors Corp. com.	195	253½	237	3.6
\$ 3.—	Internat. Nickel Co. of Canada, Ltd.	375	475	470	2.8
\$ 6.—	Kennecott Copper Corp.	396½	504	414	6.2
\$ 2.—	Montgomery Ward & Co., Inc.	174½	230	229	3.8
fl. 16.— ³⁾	Philips' Lamps	538	950	936	2.0 ³⁾
fl. 5.—	Royal Dutch	175	215½	194½	2.9
—.—	Société d'Electricité (Sodec)	47½	111	97½	—
\$ 2.25	Standard Oil Co. (New Jersey)	200½	252½	217	4.5
\$ 3.60	Union Carbide Corp.	517	647	632	2.5
\$ 3.—	United States Steel Corp.	383	466	428½	3.0

¹⁾ Prices for bearer shares after increase of capital. Dividend upon new basis of capitalization not yet declared

²⁾ plus Fr. 20.— jubilee bonus

³⁾ plus 5% stock

Bond Prices in Zurich

	Price Range 1959		End of 1959	
	low	high	Price	Gross Yield
	in per cent			%
Swiss Bonds				
Federal Government 3½ s of 1947	100.25	104.—	100.50	3.2
Federal Government 3 s of 1949	96.50	102.—	96.50	3.3
Federal Government 2½ s of June 1954	92.40	99.—	92.75	3.4
Federal Government 3 s of 1956	97.—	102.10	97.25	3.2
Canton of Berne 3½ s of 1949	100.75	104.50	101.75	3.3
Canton of Zurich 3 s of 1950	96.25	101.50	96.50	3.3
City of Zurich 3½ s of 1957	101.25	105.75	101.50	3.4
Swissair 4 s of 1958	99.25	104.—	99.25	4.1
Foreign Bonds				
PUBLIC BODIES				
Australia 4 s of 1953	98.50	103.75	100.—	4.0
Austria 4½ s of 1930/54 (Swiss francs)	103.—	112.—	103.—	
Belgium 4 s of 1952	98.25	102.75	100.50	3.9
Belgian Congo 4 s of 1956	83.—	94.—	86.75	5.6
Brazil 3½ s (formerly 6½ s), Plan A (£)	94.—	98.—	97.—	3.5
Chile 3 s of 1930	46.—	50.50	49.—	6.1
Denmark 4 s of 1912	97.—	100.50	99.—	4.1
Europ. Coal and Steel Commun. 4½ s of 1956	91.50	103.50	98.—	4.5
France 4 s of 1939	100.—	104.—	101.50	3.7
City of Paris 5 s of 1932	102.—	105.—	102.—	3.6
Germany 5 s of 1924/53 (Dawes, Sw. frs.)	103.75	111.—	103.25	4.4
Italian Publ. Util. Cred. Inst. 3 s of 1947 (Sw. frs.)	79.—	86.50	83.50	4.5
Japan 5 s of 1907/52	155.—	167.—	157.—	
Netherlands 4 s of 1950	100.75	103.75	101.75	3.2
Norway 3 s of 1938	91.—	95.50	91.50	4.1
Sweden 3½ s of May 1954	93.25	97.50	95.—	4.4
Union of South Africa 4 s of 1952	86.50	95.50	86.50	5.6
World Bank 3½ s of 1954	90.50	99.—	90.50	4.5
FOREIGN COMPANIES				
Anglo Amer. Corp. of S. Afr. Ltd. 4 s of 1950	98.25	102.25	98.50	4.6
California Texas Corp. (Caltex) 4 s of 1956	100.25	106.—	100.25	4.0
Cie Française des Pétroles 4 s of 1955	94.75	101.25	98.—	4.3
IBM World Trade Corp., New York, 4 s of 1958	100.50	105.50	101.—	3.9
Internat. Standard Electric Corp. 4 s of 1954	99.75	105.25	100.—	4.0
Italcementi, Italy, 4½ s of 1956	100.50	104.—	102.—	4.3
Italian Finance Corp. (IMI) 4½ s of 1955	98.75	103.—	100.25	4.5
Montecatini, Italy, 4½ s of 1955	102.—	107.—	104.—	3.9
Péchiney, France, 4½ s of 1954	100.50	106.25	103.50	3.4
Pétrofin, Belgium, 4 s of 1954	94.50	102.—	99.75	4.0
Pirelli S.A., Italy, 4½ s of 1955	100.—	105.50	101.50	4.3
Saint-Gobain S.A., Paris, 4½ s of 1958	101.—	104.75	101.75	4.3
West Rand Inv. Tr. Ltd., S. Afr., 4½ s conv. of 1954	106.50	123.50	123.50	

ECONOMIC INDICATORS I

	Unit	1956	1957
Employment			
	3rd Quarter 1949		<i>yearly</i>
Industrial Employment	= 100	123	129
Number of Unemployed	persons	3 038	2 047
Vacancies	number	6 190	5 500
Production and Trade			
<i>Building Activity in 42 Towns</i>			
			<i>yearly</i>
Apartments completed	number of units	16 519	18 384
Residential Building Contracts	number of units	18 123	14 468
<i>Retail Trade</i>			
			<i>monthly</i>
Retail Sales	1949 = 100	141	150
<i>Hotel Trade</i>			
	thousand		
Overnight Reservations	reservations	2 020	2 114
<i>Railway Traffic</i>			
			<i>yearly</i>
Gross Income of Federal Railways	million francs	885	932
Foreign Trade			
<i>Value of Trade</i>			
Imports	million francs	7 597	8 447
Exports	million francs	6 203	6 714
<i>Volume of Trade</i>			
			<i>monthly</i>
Imports	1949 = 100	196	209
Exports	1949 = 100	188	201
Prices			
Cost of living (Consumer Price Index)	Aug. 1939 = 100	175	179
Wholesale prices			
Home-Type Goods	Aug. 1939 = 100	206	210
Import-Type Goods		242	244
Aggregate Index		220	224

1958	1959	1st Quarter	2nd Quarter	1959 3rd Quarter	4th Quarter
<i>average</i>			<i>end of period</i>		
126	124	122	123	124	126
3 373	2 426	2 675	1 120	810	2 722
4 403	5 310	5 621	5 200	5 992	5 034
<i>figures</i>			<i>quarterly figures</i>		
12 423	14 359	2 269	3 938	3 341	4 811
17 674	24 707	5 012	6 733	5 902	7 060
<i>average</i>			<i>monthly average</i>		
153	161	151	155	147	195
2 084	2 247	1 787	2 000	3 934	1 268
<i>figures</i>			<i>quarterly figures</i>		
911	959	209	233	271	246
7 335	8 268	1 783	2 080	2 001	2 404
6 649	7 274	1 606	1 736	1 797	2 137
<i>average</i>			<i>monthly average</i>		
191	218	187	219	224	254
198	222	194	213	223	261
			<i>end of period</i>		
182	181	181	180	181	181
211	211	210	210	212	212
225	216	215	213	215	220
217	213	213	212	214	216

ECONOMIC INDICATORS II

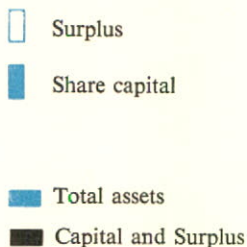
	Unit	1956	1957
Stock Exchange			
<i>Stock Prices</i>			
			<i>end of</i>
Industrials (39 issues)	paid-up share capital = 100	613	523
Combined Index (94 issues)		450	374
<i>Bond Prices</i>			
Federal Bonds	nominal value = 100	97	93
Foreign Bonds (105 issues)	issue prices = 100	88	91
<i>Bond Yield</i>			
Yield of 12 selected Federal Bonds figured to the redemption date	in per cent	3.22%	3.61%
Banking and Finance			
<i>Swiss National Bank</i>			
Gold Stock	million francs	7 103	7 384
Foreign Exchange Holding	million francs	627	781
Discounts and Advances	million francs	459	278
Securities	million francs	46	45
Bank Notes in Circulation	million francs	5 810	5 931
Sight Liabilities	million francs	2 286	2 393
<i>Big Commercial Banks (5 institutions)</i>			
Cash in Hand or at Call	million francs	2 214	2 523
Bills	million francs	1 842	1 950
Advances on Current Account	million francs	3 332	3 543
Fixed Advances	million francs	2 141	2 313
Investments	million francs	951	999
Sight Deposits	million francs	6 101	6 366
Time Deposits	million francs	3 945	4 571
Capital and Surplus	million francs	861	898
Total Liabilities or Assets	million francs	11 255	12 198

1958	1959	1st Quarter	2nd Quarter	1959 3rd Quarter	4th Quarter
<i>period</i>				<i>end of period</i>	
599	759	602	*	715	759
451	583	471	*	555	583
100	97	101	98	98	97
95	95	95	95	96	95
3.00%	3.3%	2.8%	3.2%	3.2%	3.3%
8 329	8 369	8 376	8 259	8 221	8 369
561	535	474	497	403	535
80	98	54	57	58	98
45	44	45	44	44	44
6 109	6 344	5 727	5 775	5 875	6 344
2 726	2 535	3 022	2 899	2 665	2 535
3 198	3 113	2 856	2 859	2 756	3 113
2 171	2 196	2 160	2 268	2 217	2 196
3 409	4 169	3 428	3 588	3 761	4 169
2 301	2 545	2 327	2 406	2 542	2 545
1 176	1 206	1 223	1 304	1 234	1 206
7 446	7 452	7 447	7 633	7 614	7 452
5 160	5 826	5 202	5 469	5 558	5 826
934	1 018	934	934	949	1 018
13 904	14 771	13 936	14 452	14 576	14 771

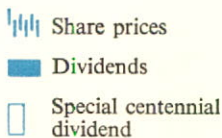
* Index figures are falsified by special influences and do therefore not reflect the trend of the market.

SWISS CREDIT BANK 1856-1959

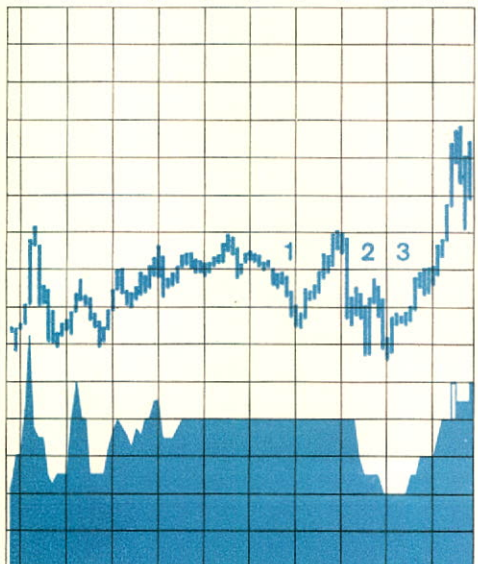
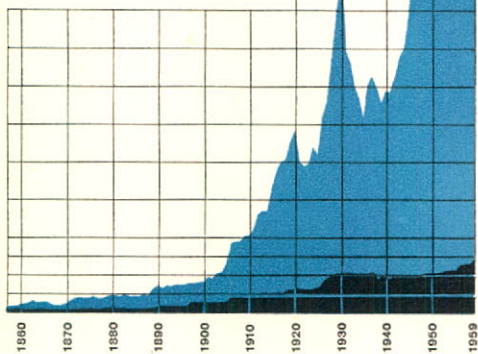
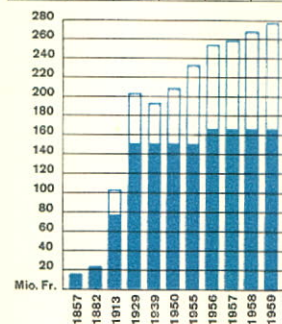
**Total assets
and Share capital
including Surplus**



**Dividends and prices
of the shares
of the Swiss Credit Bank
on the Zurich Stock exchange**



- 1** World War I
2 Period of Great Depression
3 World War II



SWISS CREDIT BANK NEW YORK AGENCY

25 Pine Street – Cables: Credswiss

NEW YORK 5, N.Y.

The activities of the Bank's

NEW YORK AGENCY

include the following types of business:

Foreign Exchange



Loans and Discounts



Commercial and Travellers' Letters of Credit



Collections



Purchase, Sale and Safekeeping of Securities, etc.



The Agency also acts as connecting link between
the Head Office and Branches in Switzerland and
their American Correspondents

OFFICERS

Walter Niklaus
Arnold Hunn

Senior Agent
Deputy Agent
J. J. Battista

Paul Weber
John C. Campbell
Sub-Agent

Agent
Sub-Agent

SWISS AMERICAN CORPORATION

Incorporated under the laws of the State of New York

25 Pine Street - Cables: Swissam

NEW YORK 5, N. Y.

Capital and Surplus \$3,000,000

UNDERWRITERS AND DISTRIBUTORS OF MUNICIPAL AND CORPORATE SECURITIES

Execution of orders for the purchase and sale of United
States Government as well as municipal bonds, corporate
bonds and shares, listed and unlisted



Research service available to customers for investment analyses



Safekeeping



Collections, redemptions



Any other services connected with the supervision of securities



Associate Member, American Stock Exchange
Member, National Association of Security Dealers, Inc.

OFFICERS

Otto de Neufville	President	Henry Stravitz	Exec.Vice-President
P. Jordi	Vice-President	John F. Rush	Treasurer
James T. McCormack	Secretary	John H. Wenker	Asst. Secretary

CREDIT SUISSE (CANADA) LTD.

Credit Suisse Building, 1010 Beaver Hall Hill
Cables: Credit

MONTREAL, CANADA

An affiliated company of the
SWISS CREDIT BANK, ZURICH,
whose special lines include:

Safe custody of securities



Execution of orders for the purchase and sale of securities on the
various Canadian stock exchanges at official commission rates



Subscription to new bond and stock issues



Investment advisory service



Information on economic matters and tax problems
as well as other services in the field of personal
property administration



OFFICERS

C. W. Fessler
A. Sieben

Managing Director
Assistant Manager



EVERYWHERE
AT YOUR SERVICE

