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THE SWISS ECONOMY

in

1964

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Established 1856

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Attention: 1 billion = 1000 million

Business Conditions

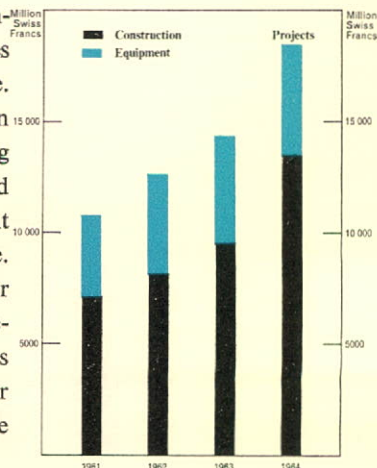
The expansion of Switzerland's economy continued in 1964. The most significant business indicators—income, consumption and production—advanced, with both external and internal economic forces providing the momentum for this rise.

As Switzerland is one of the European nations whose economy is strongly dependent upon exports, its growth is determined to a very great extent by prosperous conditions elsewhere. But the reliance on exports also presents a constant test for Swiss industry and its capacity to adapt to foreign markets. This applies to a number of sectors, such as the watch industry, which exports 90 per cent of its total production, and to the machinery and chemical industries, which gear the bulk of their production to customers abroad.

In 1964, manufacturing industry in the aggregate employed close to two-fifths of the work force, approximately the same proportion as in the previous year. But though the work force in manufacturing re-

mained relatively stable in 1964, employment in construction and in services showed a marked increase. In fact, employment in these branches, including public services, accounted for about 50 per cent of the total labor force. In contrast, the number employed in agriculture registered a decline. Farmers now constitute under 10 per cent of the total labor force in the Swiss economy.

INVESTMENT ACTIVITY



Switzerland's Gross National Product, which increased by 9.7 per cent at current prices during 1963, showed comparable gains in 1964. It is estimated to amount to 55 billion francs. Because the increase in living costs was curbed somewhat, the gain in real terms, if preliminary estimates prove correct, was somewhat bigger than in 1963 when it amounted to 4.7 per cent.

Compared to other Western countries, the proportion of Gross National Product going into new investments was relatively high, accounting for some 30 per cent. Industrial investment slowed down, however, marking a definite shift from expansion of new capacity to modernization and rationalization of existing capacity. In contrast, the heavy volume of construction was again paced by a strong rise in the volume of public works. The latest estimates indicate that residential construction exceeded the volume of the previous year despite the fact that financing became more difficult because of the tightening that took place in the mortgage and capital markets.

Retail trade volume scored another increase that was almost as large as the gain made in the previous year. It benefitted from a rising volume of tourist trade as well as from rising domestic incomes.

A significant factor in the nation's economic growth was that the very high level of imports that prevailed at the beginning of the year began slowing down since the spring. At the same time, the rate of increase in the export trade managed to improve so that the surplus of imports over exports exhibited a declining tendency during the second half of the year. Nevertheless, the import surplus established a new record in 1964 and came to 4.1 billion francs. This was the main factor making for an increase in the deficit of the nation's current balance of payments. It is estimated at about 2 billion francs, and would have gone even higher except that a number of service sectors, such as tourism, banking and insurance, produced remarkable increases in their foreign earnings.

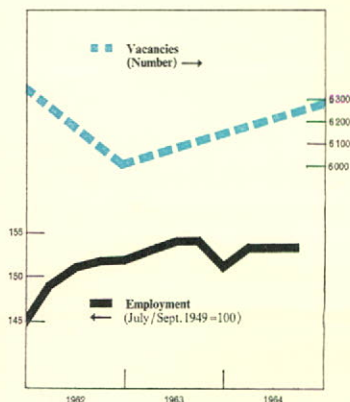
Economic policy The over-expansion of the Swiss economy, as reflected by a record deficit of the balance of trade, has presented policy makers with a difficult task.

On March 17, 1964, two Federal decrees designed to combat price increases were adopted by the parliament; they are being submitted to popular vote on February 28, 1965. The first of these decrees imposes physical controls on construction activities with a view to reducing the volume of new investment to more manageable proportions. The second decree provides a stricter framework to money and credit regulations that had previously been the subject of voluntary agreement between the Central Bank and Swiss banks. In this connection rules concerning foreign funds have been tightened. The more severe regulations, however, apply only to Swiss residents. Restrictions on foreigners on the other hand have been somewhat relaxed. The most important concession was the introduction of investment quotas. These have lifted the heretofore total ban on new investment in Switzerland by non-residents who are now permitted to purchase Swiss securities in amounts equal to those disposed of by other foreign investors.

Further, credit restrictions were continued in a somewhat more rigorous form, and for the first time regulatory powers over domestic issues were granted to the Central Bank.

The new regulations have not escaped criticism. It is true that even temporary direct intervention in the free play of the market forces are objectionable. However, it must be admitted that under the circumstances there exists no alternative program which could replace the Federal decrees. The fight

INDUSTRIAL EMPLOYMENT



against inflation cannot be won unless all sectors of the economy, including the public authorities, work together as a team.

Prices and Wages

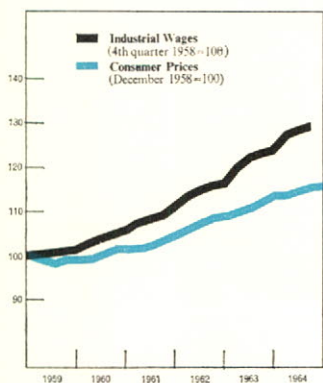
Thanks in part to the restrictive federal measures, the inflationary pressures that have cast a shadow over Switzerland's prosperity for the past few years faded somewhat during the course of 1964. Although the wage-price front could not be regarded as stable, the threat of an inflationary spiral that menaced the competitive position of domestic products on the international markets lost a good deal of its strength. With the exception of the United States and Canada, where rises in the cost of living were held to a minimum, Switzerland's experience compared favorably with that of most countries.

Thus, the consumer price index increased by 2.3 per cent for the year, as against a 3.9 per cent advance registered in the previous year. Wholesale prices rose by an even smaller amount, going up by only 0.6 per cent. The construction industry felt somewhat less pressure than before. In housing, statistics from the city of Zurich show that prices rose by 1.5 per cent between April and October, which

was considerably below the 2.4 per cent increase recorded in the same period of 1963. At the same time, unhealthy property speculation underwent a definite decline.

The pace of wage increases also slowed down. Wage rates in manufacturing and construction exceeded the 1963 level by 5 to 6 per cent. It is significant, however, that there was no change in the weekly

PRICES AND WAGES



average of man hours worked in industry. Nevertheless, there was a lengthening of the work-week in the construction sector during the third quarter.

In order to support the anti-inflationary moves the authorities also put into effect the anti-trust law previously approved by parliament. This is the first such law in Switzerland, and it should serve to foster free competition.

On December 8, 1964, the Swiss people went to the polls, and accepted by a great majority the constitutional amendment dealing with the extension of temporary price controls. Rent controls will now remain only in urban areas until 1966, while the system of rent supervision which applies to the rest of the country will disappear by 1969. Then, the last remainders of the war-time restrictions will vanish, a full generation after the great conflagration.

Monetary Policy

Events on the foreign exchange market, dominated first by the lire crisis and later by the difficulties of the pound, compelled the Swiss authorities to increase their activity in the realm of monetary policy. In execution of a Federal decree an agreement with the International Monetary Fund was concluded on June 11, 1964, under which Switzerland undertook to contribute, under certain conditions, up to the equivalent of US \$ 200 million for the defence of key currencies. In keeping with this agreement Switzerland took part, during November, in the support operation for the pound by opening a credit line of US \$ 160 million, upon which \$ 100 million had been drawn by year's end.

Previously, the Swiss National Bank had already participated in the financial aid to Italy by means of a triangular swap. Within the framework of this operation—an international financial innovation—Switzerland placed \$ 50 million in francs at the disposal of the Italian authorities in exchange for lire, thus enabling them to repay some of their obligations to the United States. Subsequently the American authorities used the \$ 50 million in francs thus received to settle American liabilities under a bilateral swap

arrangement with the Swiss National Bank, and the triangle was thus closed.

From the Swiss point of view, the result of this rather complex transaction was the replacement of an American debtor by an Italian one. For the United States, the advantage consisted in that the foreign exchange position was eased by the compensation of debts to Switzerland with claims on Italy.

A major share of the lire acquired by the Swiss National Bank in the course of this operation was passed on to the commercial banks. This in turn contributed to anti-inflationary policy by reducing the liquid assets of the banking system.

Moreover, in an effort to calm the foreign exchange market, Swiss authorities took measures to limit the repatriation of foreign holdings for the usual year-end requirements. For this purpose, commercial banks were provided with a new type of money market instrument consisting of short-term government obligations which the banks are expected to discount with the Central Bank in order to create the necessary cash reserves.

The funds withdrawn from the money market by the sale of these instruments were used by the Swiss National Bank for the acquisition of \$100 million of American treasury certificates denominated in Swiss francs, thereby providing the United States with currency for the repurchase of US dollars—a move designed at preventing these dollars from being converted into gold.

By these acts of international solidarity the Swiss authorities attempted to contribute to the stability of the international monetary system, in which Switzerland with its particularly close links with the world economy has a vital interest.

Foreign Trade

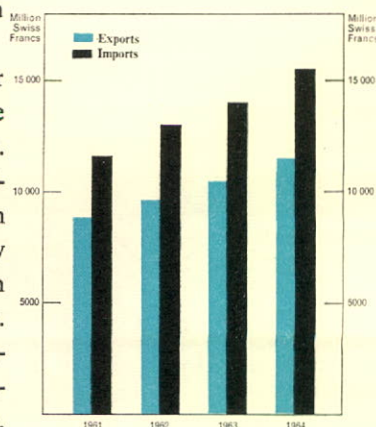
There was a new increase in Switzerland's foreign trade during 1964. However, the rise in imports slowed down following the spring, reflecting a slackening in domestic growth. But the accelerated expansion in exports continued in a remarkably consistent fashion. As a result, Switzerland's normal import surplus increased markedly during the first quarter, then narrowed until October, whilst for the year as a whole a new record was reached.

The combined volume of exports and imports rose to 27 billion francs, which is 10 per cent more than the amount reached a year earlier. Imports rose by 1.6 billion francs, while the gain in exports was 1.0 billion francs, so that the surplus of imports over exports rose by 531 million francs to a total of 4.1 billion francs in 1964. For the first time in Switzerland's economic history, the surplus amounted to over 4 billion francs.

Revenues received from abroad, derived from income on investments, tourism and other invisibles, were clearly inadequate to make up the trade deficit. Thus, Switzerland's balance of payments showed another deficit in the neighborhood of 2 billion francs. Recent developments indicate, however, that measures taken to combat general price increases promise to correct this imbalance and help bring about a return to equilibrium.

Imports showed a bigger increase in terms of value than in terms of quantity. This increase can be attributed largely to the rise in demand for better quality merchandise, which is a sign of higher living standards. There was a substantial increase in exports of consumer goods. In addition,

SWISS FOREIGN TRADE



Swiss Foreign Trade

Europe	Imports		Exports	
	1963	1964	1963	1964
<i>EEC-Countries</i>	Million Swiss Francs			
Belgium/Luxemburg . .	561	551	348	355
France	2 006	2 310	915	998
Italy	1 454	1 523	1 051	1 003
Netherland	516	550	380	414
Western Germany . . .	4 419	4 703	1 722	1 864
EEC, total	8 956	9 637	4 416	4 638
<i>EFTA-Countries</i>				
Austria	359	440	369	448
Denmark	201	266	188	226
Great Britain	927	1 113	644	781
Norway	41	57	114	134
Portugal	36	46	102	119
Sweden	310	355	319	378
Finland	40	47	119	150
EFTA, total	1 914	2 324	1 855	2 236
Greece	23	22	59	81
Spain	114	144	260	299
Turkey	37	40	41	42
Other Countries	318	377	417	412
Europe, total	11 362	12 544	7 048	7 708
America				
Argentina	72	108	95	106
Brazil	65	77	109	97
Canada	139	159	146	190
Columbia	26	25	58	53
Mexico	49	31	127	143
Peru	56	67	65	59
United States	1 206	1 353	961	1 039
Venezuela	6	5	67	87
Other Countries	190	205	158	198
America, total	1 809	2 030	1 786	1 942
Africa				
Nigeria	56	67	16	23
South Africa	37	43	136	166
U.A.R.	26	25	85	67
Other Countries	179	241	152	162
Africa, total	298	376	389	418
Asia				
Israel	40	47	73	73
Iran	30	37	49	69
India	54	54	143	151
Japan	169	191	262	291
Other Countries	190	216	530	418
Asia, total	483	545	1 057	1 002
Australia (incl. Oceania)	37	46	162	192
Grand Total	13 989	15 541	10 442	11 462

imports of both raw materials and semi-finished products also rose impressively, while imports of capital goods showed a relatively moderate rise.

In the export field, the metal and machinery industry accounted for almost half of the rise in total exports, while the chemical and pharmaceutical industry, which made up about one-fifth of total Swiss exports, was responsible for about one-fourth of the total increase. The textile industry did well, with exports of cloth, synthetic fibers, embroidery and hosiery products responsible for most of the improvement. Both the shoe industry and the tobacco industry also succeeded in increasing their sales in foreign markets.

The geographical distribution of Switzerland's foreign trade last year showed that the rise was proportionately greater with countries overseas than in Europe, a reversal of the trend that has been in evidence for the past few years. This switch was entirely due to a slowing down in the rate of expansion in Switzerland's trade with the countries of the European Economic Community. In trade with the Common Market, Switzerland's proportionate share of imports declined from 65 per cent to 62 per cent, while exports went from 43 per cent to 40 per cent. This overall decline resulted in part from the imposition of discriminatory trade barriers by the Common Market and in part by the restrictive economic measures carried out by Italy to cure its payments difficulties, which curbed demand.

In contrast, Switzerland's volume of trade with other members of the European Free Trade Association showed a sizable increase. With tariffs reduced by mutual agreement of all the EFTA's members, they accounted for 15 per cent of the nation's imports and took 20 per cent of total exports. However, the prospect for any short-term improvement in Switzerland's exports to the area was seriously clouded by the 15-per-cent surcharge on imports put into effect as a temporary measure last October in Britain, which ranks as the largest market within the EFTA.

Among countries overseas, sales to the United States—which is now again Switzerland's second most important export outlet—recorded a handsome rise; at the same time,

imports from the United States also increased substantially. Similar patterns developed in Switzerland's trade with Canada, Argentina, Japan, Hong-Kong and Australia, where definite gains in both exports and imports were registered. Switzerland increased its purchases from other producers of raw material, including Brazil, Peru and Indonesia, but sales to these countries declined.

European Integration

The emerging shape of European integration, which has been following two different forms of development, remained generally clouded in 1964. As in the previous year, the two economic communities did not draw closer together, so that Western Europe continued its division into two opposing economic camps. The only progress that was recorded was of an internal nature, namely the speeding up of integration by each bloc, which resulted in increases in the amount of internal trade within each of the two areas.

The European Free Trade Association continued its policy of lowering tariff barriers within the framework of its plan to accelerate liberalization of trade, approved in October, 1963. At the end of 1963 and again at the end of 1964, internal taxes were reduced by 10 per cent; as a result, import tariffs on manufactured goods produced by member countries were down to 30 per cent of their original level at the end of 1964. The only agreed exceptions to this accelerated schedule were Portugal, a member state, and Finland, which is an associate member; these two countries are authorized to relax their tariff barriers at a slower pace. But since October, 1964, Britain has placed itself in a special category; in order to improve its balance of payments, the British Government introduced a series of measures independently, including a substantial additional tariff on manufactured imports. This new surcharge, which has been applied indiscriminately to members of E.F.T.A., as well as to other countries, amounts to 15 per cent of the value of imported goods. As it is collected mainly on finished and semi-finished products, it hits particularly hard at the

other E.F.T.A. members, whose trade with Britain falls largely within these categories.

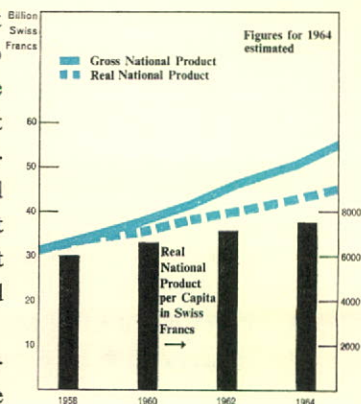
This measure was naturally the subject of extensive discussions among the signatories of the Stockholm Treaty. Although they recognized the difficulties confronting Britain in correcting its serious balance of payments difficulties, they made clear their feeling that the treaty should be honored by all its members. Moreover, it was decided to set up an economic committee, composed of high ranking officials from all the member countries of the E.F.T.A., which will provide a forum for the exchange of information, thereby limiting any sudden and potentially harmful action by anyone of its members.

The European Economic Community also continued the dismantling of its internal tariff structure. On January 1, 1965, it put through a reduction of 10 per cent on internal tariffs which matched a similar move made by the E.F.T.A. at the end of 1964; up until now, the tariff reductions on industrial products have been roughly the same on the two separate markets, although what has happened to date does not take into account the new proposals advanced by the Commission of the European Economic Community. In addition, the "Six" have moved closer to an agricultural union. Serious differences

in approach to the agricultural common market were manifest from time to time, a state of affairs that led to a French threat to withdraw entirely from the E.E.C. But measures put into effect at the beginning of November, and especially the achievement of a wheat price agreement in mid-December averted a dangerous crisis.

The prospects for a reconciliation between the

SWISS GROSS NATIONAL PRODUCT



E.E.C. and E.F.T.A. showed no improvement in 1964. But the sixth Tariff Conference of G.A.T.T., designed to bring about a liberalization of world trade in what has become known as the Kennedy Round, took on special importance. Its aim of reducing trade barriers is wholeheartedly supported by the E.F.T.A., which has continued its efforts to reach this objective. These international trade negotiations, which were proposed by the United States following passage of the Trade Expansion Act of 1962, began in Geneva on May 4, 1964. But a good deal of time and a lot of hard bargaining is probable before concrete results emerge. In the sessions to date, the participating nations have submitted to G.A.T.T. lists of the industrial products that they want to exempt from the 50 per cent linear reduction in tariffs that is being sought in the negotiations.

Like other smaller nations, Switzerland did not exercise its privilege of presenting a list because it did not want to complicate or delay the bargaining procedure. But in cases where other countries refuse to make sufficient concessions in their tariffs, Switzerland reserves the right to return to the principle of reciprocity. It is still too early to form a clear picture of what may be the outcome of the G.A.T.T. negotiations, but Switzerland is obviously intent on attaining the broadest possible success in reducing tariffs, for the liberalization of trade not only in Europe but also in the rest of the world. This would provide a much wider base for economic integration.

Efforts to improve the position of the developing countries and to increase their participation in world trade were the main subjects of discussion at the World Conference for Trade and Development that took place in Geneva from March to June 1964. Switzerland, like various other countries, accepted the final resolutions only under certain reservations.

The problems of developing countries also were discussed at a special session of the G.A.T.T. in November 1964. At that meeting, the Ministers of the contracting parties recognised the need for an adequate legal and institutional framework in connection with the work of

expanding the trade of less developed countries. At the end of these negotiations, the text of a new chapter for G.A.T.T. was adopted and submitted for approval to the governments.

Financial Developments

Under the impact of anti-inflationary policy, credit expansion slowed down to dimensions which conform largely to the growth of Gross National Product. However, since investments continued to exceed domestic savings and the inflow of foreign money showed a marked decline, conditions on the Swiss money and capital markets became noticeably tighter. Accordingly, interest rates increased considerably. In order to combat this trend, the monetary authorities continued their restrictive policy toward foreign borrowings. From the economic point of view, this action appears somewhat paradoxical, as measures to arrest the inflow of foreign funds were maintained, thus restricting the supply of capital. This somewhat ambivalent policy has had various unhappy consequences, and the leading commercial banks have tried to point out to the authorities the dangers and disadvantages that could result from this situation. In addition, certain problems were posed by monetary disturbances, which culminated in the lire and sterling crises. These events had their repercussions on the Swiss foreign exchange market, where the US dollar stayed almost uninterruptedly at the lower support point since spring. At the same time our authorities were compelled to undertake various measures to assist, within the framework of international cooperation, in the defence of the present monetary order.

Money Market

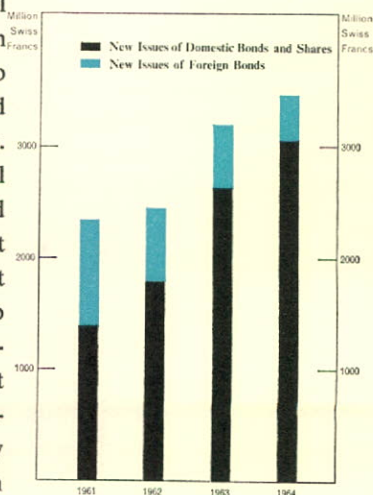
Tightening tendencies were increasingly evident in the Swiss money market until the end of the fall. This state of affairs brought about a *repatriation of capital* that had been invested abroad. At the same time, foreign debtors paid off some of their claims in Swiss francs because they had

become too expensive to carry; furthermore, political and monetary tensions abroad resulted in a further inflow of capital. But these increases in the supply of funds were largely neutralized by the official anti-inflationary program, which led to funds being placed in blocked accounts with the National Bank or offset by compensatory investments abroad. Nonetheless, an appreciable amount of money derived from the redemption and maturing of outstanding loans was available for investment.

But *tightening elements* were stronger than those making for ease. The principal factor was the need for adequate supply of capital, as a result of the extraordinarily high level of activity achieved by the economy, a development that had been accompanied by a strong rise in the amount of money in circulation. The money supply totalled 9.7 billion francs at the end of December, which represented an increase of 8 per cent over the level of a year earlier. Switzerland's monetary authorities frequently tapped the market to limit the supply. In particular, they issued for the first time short-term Federal notes to serve as money market instruments.

These notes, which amount to 225 million francs at present, have been created to enable the banks to mobilize additional liquidity by selling them rather than resorting to the exchange markets and liquidating foreign assets. As the Swiss National Bank reinvested abroad the funds that it took out of circulation and as it pledged large amounts to the international consortium formed to support the pound sterling, monetary reserves dropped by 399 million francs between

SWISS CAPITAL MARKET



the beginning of January and mid-December. Subsequently, however, the trend has varied, so that, at the end of December, monetary reserves totalled 13,5 billion francs, or 186 million more than a year earlier. In addition, the balance sheet of the National Bank reported a rise of 656 million francs in other foreign holdings, which amounted to 863 million francs at the end of 1964.

Despite the official measures applied to sop up excessive liquidity, the assets of the economy freely available in transferable accounts, including market funds, amounted to 2.9 billion francs at the end of December, which was more than 200 million francs above the level of 1963. This rise was due in part to the sterling crisis, which resulted in a large repatriation of funds that served to ease the tightness which had been apparent through the fall.

The tightness that had prevailed on the money market was accompanied, of course, by an unavoidable rise in the cost of credit. Thus, the private discount rate maintained by the banks, which had remained at 2 per cent for many years, was raised, in two successive moves of one-half of 1 per cent, to 3 per cent. On July 3, 1964, the Swiss National Bank increased its rates by one-half of 1 per cent; the official discount rate was set at $2\frac{1}{2}$ per cent; the rate of loans against collateral at $3\frac{1}{2}$ per cent and the rate on special bills for carrying obligatory stocks of foodstuffs and grains was set at $2\frac{1}{4}$ per cent.

Capital Market

Once again, Swiss borrowers resorted to the capital market to an extraordinary extent during the past year. But due to the control that the authorities exercised over Swiss underwritings, in keeping with the powers granted under the anti-inflationary program, the amount of projected issues was often reduced. Even so, the total amount of *Swiss bonds* offered for public subscription during 1964 came to 2.6 billion francs, a new record for the period. After subtracting conversions, the total of net new funds raised on the market in 1964 amounted to 2.5 billion francs, as against 2.1 billion francs for 1963.

The increase resulted in large measure from much greater demands on the part of *public authorities*, whose borrowings rose to 737 million francs, or almost four times larger than the 1963 result. For the first time since 1957, the Confederation went to the market for funds; it issued bonds for 150 million francs in order to obtain part of the funds it needed to pay off a maturing loan of 250 million francs. In addition, the cantons took 313 million francs in fresh funds and municipalities absorbed 275 million francs. The tapping of the market by *electric utilities* also increased, reaching a total of 604 million francs. But the leading *commercial banks* and *mortgage banks* made smaller borrowings, taking 912 million francs in new loans compared to over 1 billion in the preceding year.

Private placements during 1964 totalled 420 million francs, which was 54 million more than the amount recorded in 1963. Redemptions of both stocks and bonds were 428 million francs, or approximately on the same level reached in the previous year.

With yields on fixed interest securities rising because of both increased demand for funds and tighter credit conditions, terms had to be constantly adjusted during the year in favor of prospective lenders. Thus, the Confederation's bonds issued in November were the first federal bonds since 1940 with a 4 per cent compensation. Cantons and major municipalities, which had issued obligations at 4 per cent in the fall of 1963, were compelled to raise the rates, going to $4\frac{1}{2}$ per cent and then $4\frac{3}{4}$ per cent. At the same time, electrical utilities raised the nominal return on their new bonds from $4\frac{1}{4}$ per cent to $4\frac{3}{4}$ per cent; but because of disappointing demand for their securities, some issuers increased the rates to 5 per cent in the fall, a level that had not been attained in 35 years in this category of fixed interest securities. Borrowers who went to this level enjoyed a very successful reception; indeed, the demand for new issues was strong even though the market showed definite signs of fatigue from time to time.

The volume of *equity issues* also was large. In all, equity issues amounted to about 570 million francs for the year,

Foreign Bond Issues in Switzerland in 1964

Nominal Amount in 1000 Francs	Issue	Issue Price	Issue Yield
50 000	Union Sidérurgique du Nord de la France «USINOR», Paris, $4\frac{1}{2}\%$, due 1979, redeemable 1974	99	4.60
50 000	Japan, $5\frac{1}{2}\%$, due 1979, redeemable 1974	98	5.70
60 000	Badische Anilin- & Soda-Fabrik, $4\frac{1}{2}\%$, due 1977-82, redeemable 1970	99.50	4.55
40 000	Rhine Hydro-Electric Power Co., Säk- kingen (Baden), 4%, due 1970-79 ...	100	4.50
21 818*	Republic of Portugal, $5\frac{3}{4}\%$, due 1970- 1984, redeemable 1979	97.70	6.03
9 000	A/S Norsk Elektrisk & Brown Boveri, Oslo, 5%, due 1970-79, redeemable 1970	100	5.00
60 000	Imperial Chemical Industries Ltd., London, $4\frac{1}{2}\%$, due 1968-82, redeem- able 1968	100	4.50
60 000	RWE Rheinisch-Westfälisches Elektri- zitätswerk, Essen, $4\frac{1}{2}\%$, due 1970-79, redeemable 1972	100	4.50
20 000	Hidroeléctrica de Cataluña S.A., Bar- celona, 5%, due 1970-79, redeemable 1974	98	5.15

* amount placed in Switzerland of an international loan of US\$ 20 million

which was over 40 million francs above the level reached in 1963. The major portion of new equity financing was accounted for by three sources—industrial companies, financial companies and banks.

In contrast to the strong trend in domestic underwriting, *new issues for foreign accounts* amounted to only 382 million francs, which was one-third below the 1963 level. This was due to official measures restricting the outflow of capital. While these measures limited the supply of foreign issues, demand for them was strong, mainly because they represented for foreign investors the only Swiss franc denominated investment medium yielding a return. As a result, they were all oversubscribed even though their terms showed little change from those prevailing in the preceding year. Government intervention, in fact, made it possible that, for the first time in Switzerland's financial history, some foreign borrowers were able to sell their bonds at rates lower than those offered on comparable domestic issues.

The table on page 20 lists the principal new foreign bond issues placed on the market in Switzerland during 1964.

Swiss Stock Exchanges

Bearish tendencies predominated on Switzerland's stock market in 1964. In particular, the activity of investors and traders reflected the uncertainties that developed with the implementation of the anti-inflationary program, as well as from the unmistakable and justifiable signs of tightness that appeared in the Swiss capital market.

The year began with the markets demonstrating a good deal of firmness, but symptoms of weakness soon made themselves felt. While waves of selling occurred fairly frequently, they were generally absorbed in a satisfactory fashion, so that declines in prices were both orderly and moderate. By the beginning of June, however, the stock market index showed a drop of about one-fifth from the level that had prevailed at the beginning of the year. At that stage more optimistic sentiment took hold, resulting in a rally at mid-year that was characterized by a considerable

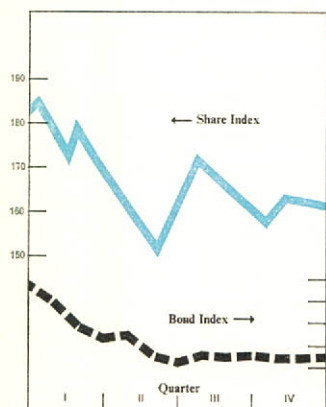
increase in trading volume. By the end of July, however, bullishness again gave way because of a number of factors—uncertainty about the forthcoming elections in Britain and the United States, unrest and rebellion in the Congo and South Vietnam—that created bearishness. Investors became more prudent and speculators, who had been relatively active, were even more cautious, cutting back substantially on their trading.

As a result, demand for equities declined markedly in August; still, because the number of shares sold on the market was relatively small, the pressure on prices was not severe. In fact, every drop in price stimulated buying by long-term investors, who could be counted upon to purchase top quality issues when they were available at what they considered to be reasonable prices. Share prices also were helped by signs of a relaxation in the tight credit conditions that had been in effect; by the second half of October, it was felt that the capital market had actually reached the peak of tightness for the time being.

But while domestic conditions appeared more reassuring, international influences were largely negative and unsettling. There were many examples—the explosion of

China's first atomic bomb, the changes that took place in the leadership of the Soviet Union, the sterling crisis that followed the British elections and the serious divisions over the future of NATO. Given these factors, each attempt to stage a rally was followed by a move in the opposite direction. The result was that, apart from some special situations, quotations of most shares showed remarkably little change for the rest of the year while trading slowed

SWISS SHARE AND BOND INDEXES



to a rather sluggish pace. On the basis of the daily share index published by the Swiss Credit Bank, share prices at the end of December had declined by 12 per cent from the level recorded at the beginning of January, but the December figure was still 8 per cent above the low of the year, which was reached in the first week of June.

The behavior of various groups of stocks was uneven. At the beginning of the year, the supply of *bank* stocks was much greater than demand so that prices declined, but steady demand during the last few months of the year enabled them to recover most of the ground that had been lost. In contrast, *insurances* stocks suffered from a definite falling off in demand, which brought a substantial drop in their prices. In the *industrial* group, Geigy and Hoffman-La Roche were the clear and undeniable favorites; running counter to the general trend of declining prices, they managed to score gains, although Geigy was subject to profit taking after its 4 for 1 split. Shares of Alusuisse also advanced somewhat and so did shares of Suchard. In most other stocks, declines were the rule; however, shares of companies in the consumer goods sector put up a stubborn resistance to the prevailing trend.

Shares of *electric utilities* declined in price and almost all *investment company* shares suffered drops. Italo-Suisse was particularly hard hit largely because of difficulties encountered by Rhone Refineries, in which it holds an interest. There was active trading in the shares of Interhandel, which countered the overall trend of Swiss shares and rose in price; because of an increase in the price of General Aniline & Film Corp., the main holding of Interhandel, the shares attracted speculative interests, especially in the last part of the year, when big blocks of Interhandel changed hands at consistently higher prices.

Yields of the major share groups averaged at the end of 1964 and 1963 as follows:

	Average Gross Yield	
	December 31,	
	1963	1964
Industrial shares	1.8%	2.2%
General average	1.9%	2.5%

The list of *foreign securities* quoted and traded on Swiss exchanges was increased by five more issues during the year. The newcomers were General Shopping S.A., the Luxembourg-based investment company specializing in the department store sector, and four American companies—Litton Industries, U.S. Rubber, Corn Products and Procter & Gamble. Most transactions in foreign shares in 1964 took place in American issues which, apart from rare exceptions such as U.S. Steel, were all higher in December than they were at the beginning of the year. The majority of both German and Dutch shares also rose in value, but among Argentinian issues considerable downward pressure was in evidence, particularly in the shares of Cia Italo-Argentina de Electricidad (CIA).

On the *bond market*, prices of Swiss fixed interest obligations declined. The drop commenced at the beginning of the year and, except for a short interruption during the summer, continued through mid-October. Then, prices stabilized. According to the index on Confederation obligations maintained by the Swiss National Bank, the average yield climbed from 3.54 per cent at the beginning of the year to 4.08 per cent at the end, which was practically the same level they had reached two months earlier.

Foreign bonds were not able to resist all the downward pressures but, by and large, they held up fairly well. For the first time, they sold on a yield basis at prices that were generally below the level prevailing for many top rated Swiss obligations. There were a number of reasons for this reversal of a traditional pattern, but the principal factor was the limited amount of new foreign bonds denominated in Swiss francs stemming from the Government's decision to restrict the export of capital. Thus, these securities were in continuous demand because they constituted practically the only securities denominated in Swiss francs that could be purchased for the accounts of foreign investors.

Foreign Exchange

The volume of business transacted on the foreign exchange market in Switzerland was extremely high throughout

most of the year.

At the beginning of the year, activity was dominated by the reinvestment of funds that had been repatriated to meet year-end payments and by strong demand for foreign currency required for commerce. Subsequently, the tightening in the money market which led to repatriation of funds exerted a downward pressure upon rates. Later on, the market was dominated by the weakness of sterling. Prospects of a political and economic change in Britain were responsible for a considerable degree of nervousness and uncertainty after the summer, followed in November by a widespread flight from sterling. The rush out of sterling, it must be noted, did not only involve foreigners, but to a large extent also the British.

The sterling crisis was finally surmounted as a result of enormous emergency aid, amounting to \$4-billion—a sum unprecedented in international financial annals—provided by the International Monetary Fund and a consortium of foreign central banks, including the Swiss National Bank and the Bank of International Settlement. Even after this huge rescue operation, a certain amount of uneasiness was evident; combined with the normal year-end trends, its influence led to continuing downward pressure upon exchange rates.

Thus, at the end of December, the *U.S. dollar* was close to the point of intervention from which it had hardly deviated during the year except for the first quarter. Its weakness was largely due to its position as a key currency, employed in times of crisis or monetary strain by third countries in order to maintain the rates of their own currency in the exchange market. In the forward market, American currency proved remarkably firm, suggesting that confidence in it was relatively strong; in addition, the cost of swaps remained at their usual low level. By year-end, the rate of one month dollars virtually corresponded to the spot rate due mainly to seasonal factors.

Rates for the *pound sterling* showed a markedly different pattern. At first, it demonstrated considerable firmness, but later it came under extreme pressure. In the fall, it took a sharp tumble, falling to the lowest level in seven years. But in November, following the steep increase in the bank rate announced by the Bank of England and the huge resources put at its disposal by an international consortium, the pound managed to survive the crisis. However, confidence in sterling was not completely restored. As a result, the authorities were compelled to continue their intervention to support the pound; even so, forward discounts remained relatively high. At the end of 1964, the discount reached 4 per cent per year on one month contracts and 3 per cent per year for three-month deliveries. Accordingly, rates favored New York rather than London despite the extremely high level of Britain's bank rate.

Among European currencies, the Italian *lire* declined sharply during the first half of the year. The weakness in the Italian situation also led to supporting measures from official sources, with Switzerland once again among those making a contribution. In the second half, the lira was stronger as Italy's balance of payments improved. But at

Foreign Exchange Quotations in Zurich

	Price	Telegraphic Transfer		Bank Notes	
		End of 1963	End of 1964	End of 1963	End of 1964
		in Swiss Francs			
New York	1 US\$	4.32	4.32	4.31½	4.31½
London	1 £	12.09	12.06	12.06½	12.03
Austria	100 Sch.	16.74	16.74	16.71½	16.70
Belgium	100 Fr.	8.68½	8.71½	8.60	8.67½
Denmark	100 Kr.	62.65	62.45	62.50	62.40
France	100 FF	88.20	88.20	88.03	88.03
Frankfurt	100 DM	108.75	108.75	108.52	108.50
Italy	100 Lire	—,69 ⁵⁰	—,69 ²⁰	—,69 ³	—,69 ⁰⁵
Netherlands . . .	100 Fl.	120.05	120.25	119.80	120.—
Norway	100 Kr.	60.40	60.45	60.30	60.30
Portugal	100 Esc.	15.09	15.05	15.07 ²	15.08
Sweden	100 Kr.	83.20	84.05	83.05	83.85
Argentina	100 m\$n	3.40	3.05	3.20	3.18
Canada	1 Can\$	4.00¾	4.03¼	3.99	4.01

the end of December, the rate on the lira was still lower than it had been at the start of the year.

Because of revaluation rumors, the *West German mark* had been in excess demand from time to time, but finally it also lost ground. Scandinavian currencies had irregular movements, while the Dutch *florin*, the *Belgian franc* and the *French franc* strengthened; this might have been a reflection of the tightness in the domestic money markets, which caused a repatriation of funds.

The *Canadian dollar* was very strong. Following a rise in the Bank of Canada's discount rate at the end of November, it was quoted at 4.023 francs, which was the highest price reached since its devaluation in the summer of 1962.

Among Latin American currencies, the Argentine *peso* found support through August. Then it declined because of changes in the policy of the government in regard to its intervention measures. As for Brazil, the majority of foreign payments by the end of March were no longer made at the official rate of about 70 centimes for 100 *cruzeiros* but at the rates prevailing in the free market; then, in March, the free-market rate declined following devaluation, dropping from about 36 centimes to 27 centimes per 100 *cruzeiros*. In addition, the currencies of *Uruguay*, *Colombia*, *Congo* (Leopoldville) and *Tunisia* suffered devaluations.

Gold Market

In general, relatively calm and stable conditions prevailed on the international gold market during most of 1964. Up until the summer, even political tensions and crises did no more than provoke some temporary stimulation in demand.

Gold Prices in Zurich

	Gold Content grams	End of 1963 in Swiss Francs	End of 1964
Sovereign	7.322	42.60	42.30
Napoleon	5.807	37.80	37.—
Swiss 20 franc coin	5.807	40.20	39.60
Double Eagle	30.092	183.50	180.—
Bar gold	1,000.000	4890.—	4890.—

The supply of gold was large as a result of increased sales by the Soviet Union.

The market turned more active in the fall, following the change in leadership in Moscow, the explosion of the first Chinese atomic device and the victory of the Labor party in the British election. Purchases of gold climbed sharply. At the same time, the gold price on the London market firmed, reaching a price of \$35.1221 per ounce in mid-October, which was about the peak attained during the Cuban missile crisis in November 1962. Subsequently, after international monetary cooperation went to the rescue of the pound sterling, there was a relaxation in demand. But then, in December, purchases again showed a sharp rise, with the London quotation reaching a record for the year at \$35.1262.

The price of gold ingots in Switzerland fluctuated mildly but ended up the year practically unchanged. As the chart on page 27 shows, prices for gold coins declined.

Banking

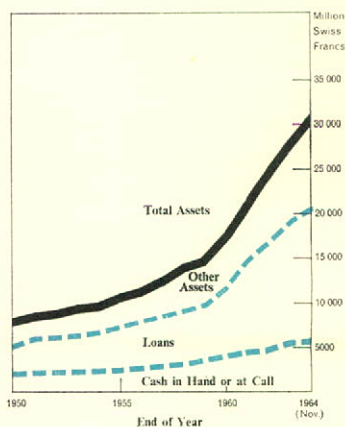
The expansion of the volume of Swiss banking business has progressed at a somewhat slower rate than last year, with aggregate assets of the 62 report publishing institutions registering a 5.2 billion increase in the first eleven months of 1964. This represents a rise of about 8% to a total of 67.8 billion, a markedly smaller rise than reported last year. International developments and domestic anti-inflationary policy have both contributed to this retardation; in particular, the influx of foreign funds has slowed down, whereas domestic savings appear to have continued their flow into the banking system at a rate which is still satisfactory. Nevertheless, while the growth of customers deposits, at 3.9 billion francs, showed a decline of approximately 20% from last year's results, deposits by banks rose to such an extent that the total growth of deposits turned out to be only slightly lower than in 1963. On the assets side of bank balance sheets credits and discounts advanced by 3.5 billion

francs, an amount only insignificantly smaller than last year's rise.

In keeping with their large international business the big banks particularly felt the tapering off in the inflow of foreign funds. In addition they were also affected by various international uncertainties, which compelled them to follow a cautious lending policy. In their domestic business the big banks faced a strong demand for credit. Simultaneously they witnessed the consolidation and repayment of short-term loans out of funds raised by the debtors on the new issues and mortgage markets. Under the impact of these conflicting influences, loans granted by the big banks in 1964 rose only half as much as the year before, and assets with other banks, which are held mainly in foreign money markets, also grew at a reduced rate. In contrast, bill holdings have increased considerably. This is due in part to the acquisition of the new money market instruments (see page 17) designed to increase the covering of year-end liquidity requirements by way of discount rather than through the repatriation of funds over the foreign exchange market. Other contributing factors were transactions with the authorities and international bodies. In general, the liquidity position of the big banks has remained very strong.

In contrast, the growth of cantonal and other banking institutions, mainly mortgage banks, has continued at a rate almost equal to that achieved last year. This stems from the fact that these institutions have once more raised substantial funds on the capital market and also play a leading role in the consolidation, through mortgages, of short-term

BIG COMMERCIAL BANKS



loans granted for the interim financing of construction and investment projects. At the end of November 1964, aggregate balances of the cantonal banks, at 28 billion francs, were lagging behind those of the big banks by 2.3 billion francs.

Insurance

Insurance business generally improved during 1964. Trends were very favorable for the life insurance sector, with policies in force registering a new peak. Especially group insurance contracts, which have been growing in importance, showed a marked rise. This development reflects Switzerland's strong desire to create a comprehensive and forward looking system, with Federal old age and disability insurance forming the basic foundations, but with private initiative—either through individual means or by business or professional projects—providing additional coverage adapted to personal needs. Term insurance coverage continued to increase, but variable annuity policies, which offer guaranteed payments in case of premature death combined with the provision of an expanding share of equity savings, remained in a clearly dominant position.

Companies providing accident and liability coverage were in a position to earn considerably more in 1964 because of an increase in the number of automobiles and higher rate schedules. The current level of rates, as well as a slight decline in the number of accidents in Switzerland, helped to improve earnings. But it must be noted that rates in some sections, such as accident and liability coverage for motor cycles and accident insurance for automobile passengers, were lowered.

Health insurance, while not quite as important in the total insurance picture as it once was, nevertheless managed a satisfactory improvement. But companies writing general or comprehensive liability insurance had their difficulties. Because premiums were not commensurate with rising claims on underwriters, some structural changes may be inevitable.

A rising volume of business was maintained in *property insurance*, a field definitely international in character. Unfortunately, results proved disappointing, partly because premium rates have not fully reflected the frequency of disasters, partly because costs involved in acquiring business and administration were high. These conditions prevailed in fire insurance, although companies in this field managed to improve their positions somewhat by putting through increases in their premium rates, by modifications in the amounts they were willing to insure, and by a direct attack against the sources of disasters. In the theft insurance field, where results had been poor for some time, companies also campaigned for improvements in security measures, as a major portion of the claims against them resulted from carelessness and neglect on the part of the public. *Hail insurance* results were better in Switzerland last year than they had been in the preceding year.

An increase in the number of claims affected results in *transportation insurance*, where major disasters were about as numerous as in 1963. While total losses reported by the shipping sector declined, there were frequent fires and collisions at sea that absorbed an excessive amount of premium revenue. A rising volume of shipping traffic to the developing areas, where harbor facilities cannot be considered adequate, contributed to the increase in claims for damages. As a result, a series of efforts were initiated in the maritime insurance field to cut down on the causes of accidents.

Increased rates, which were put into effect in some countries for automobile and fire insurance, proved advantageous to *reinsurers*. But the major markets for transportation insurance continued to suffer from an extremely high degree of competition. This resulted in concessions on rates, so that the coverage of risks in many cases was stretched to the limit of resources if not beyond. In addition, competition became much more marked in flight insurance.

Overall, the amount of premiums in force showed a new if modest rise once again and, according to estimates, reinsurance volume registered a sizable gain. New placements

were larger than they were a year earlier. Because of a generally rising level of interest rates, income from investments improved.

Federal Finance

A marked increase in expenditure has been characteristic of the development of Swiss government finances. Thus,

Federal expenditure passed the 4 billion franc mark for the first time in Swiss history in 1963, and the 126 million franc surplus registered by the current account of the Swiss federal budget represented, in spite of plentiful tax revenues, a drop of 306 million francs from the 1962 figure.

This trend has continued during 1964. In spite of the blocking of a previously appropriated sum of 187 million francs in connection with the anti-inflationary effort, expenditures rose so steeply that the surplus of 444 million francs originally projected for 1964 is now being estimated at only 270 million francs. In 1965, for the first time in thirteen years, the usual surplus expected according to official estimates is to give way to a balanced budget; furthermore, the possibility of an unexpected rise in expenditures cannot be excluded, in which case the fiscal year would end in deficit.

Such a result would, of course, be in blatant contradiction with the requirements of a consistent anti-inflationary policy. This situation is all the more serious since the budgets of cantons and municipalities, which spend even

Budget and Public Debt of the Confederation

Federal Budget	1962	1963	1964*	1965*
	Million Swiss Francs			
Current Revenues	4 117	4 209	4 878	4 865
Current Expenditures ...	3 684	4 083	4 434	4 837
Excess of Revenues	432	126	444	28
Net Change in Assets ...	+ 53	+ 448	- 159	+ 536
Surplus or Deficit	+ 485	+ 574	+ 285	+ 564
Federal Debt	5 480	5 393	5 175	

* Budget Estimates

more than Federal authorities, have registered deficits in recent years.

In view of this situation and the considerable tasks confronting the public authorities in various fields, the careful reappraisal of outlays has become a matter of great urgency. On the federal level, steps have already been taken in this direction, notably in the case of the ever growing federal subsidies which, in spite of the prosperity of recent years, have risen to 1.14 billion francs in 1964, a three-fold increase over 1956. The breakdown of the budget is shown by the following table which presents Federal expenditures for 1963 and estimates for 1965:

	1963	1965
	Million Swiss Francs	
Interest payments	205	207
Authorities and personnel	455	541
General expenditures	520	561
Disbursements to cantons	147	178
Federal Social Work	215	433
Federal subsidies	878	1,140
International aid and institutions	44	68
Real estate	878	1,015
Public works	629	605
Investment loans	112	103
Total	4,083	4,851

Of these expenditures a major part consists of outlays for defence; this represents a growing sector which amounted to 1,316 million francs in 1963, whereas 1,491 million are budgeted for 1964. This would amount to about 33% of the total Federal expenditure, a sum appearing modest if compared to the Gross National Product. However, when the expenditures of the cantons are added, the picture changes. Furthermore, within the framework of the Swiss militia system, a major part of the cost of defence is borne directly by the economy and by private citizens. Moreover, the pay of both officers and soldiers is much smaller than that obtained under different forms of military organization.

As a result, the relative size of the Swiss defence budget is hardly comparable to similar outlays in other countries.

Within the framework of a general revision of Swiss federal tax laws the authorities are considering as a first step a new codification of the anticipatory tax. According to the new proposal this tax will amount to 30% of capital revenue, instead of the present 27%, whereas the coupon tax will be eliminated. For Swiss residents this would mean that the full 30% of taxes withheld at the source could be credited to federal income tax. Possible alleviation of the tax burden to foreigners would depend on the provisions of double taxation agreements with their respective countries. In the case of the United States the proposed legislation would not lead to any change of the present conditions.

General Review Thanks mostly to increased efficiency, industrial output has risen. With the exception of a few laggard branches, the volume of both domestic and export trade has expanded. While the terms of trade improved, the rise in the costs of production, due mainly to the steady increase of wages, prevented any appreciable widening of profit margins.

Construction activity continued at full capacity, although there was a decrease in new projects since spring. A similar situation prevailed in certain branches of the capital goods industries. In contrast, the chemical, pharmaceutical and watch industries, which normally export 70-90% of their production, have registered good results. In spite of having enjoyed a satisfactory year, the textile and clothing industry is cautious in its outlook for the future, especially as sales to its most important customers, the E.E.C. countries, are increasingly hurt by tariff discrimination. Further problems are created by the new 15% import surcharge imposed by Britain. Rising incomes have caused a lively expansion of domestic consumer demand, bringing retail sales to record heights.

The reports that follow provide a detailed review of the Swiss economy.

Metal Industries **Machinery** Orders for the machinery industry came in at a rapid rate during 1964. The expansion in demand was especially evident in the first half, particularly in sectors catering for the domestic market. Orders reached new heights in anticipation of the restrictions that attempted to curb construction. In addition, demand from the public works sector increased in importance.

During the second half, orders from the domestic market declined, reflecting announcements of a slackening of investment, which was most marked in the industrial sector. On the other hand, demand from abroad rose somewhat. The result was that the decline in the backlog of work, which had been going on since the spring of 1962, was halted in the third quarter of 1964.

Domestic business was stimulated by many factors. The development of thermal power plants for the production of energy helped sales of generators. The increase in the number of plants designed for preparing and filtering water led to a rise in demand for pumps. The decline in stocks of foundry products was stemmed by rising orders, which meant that output could be maintained at previous levels.

In the export field, competition was extremely intense. The industry's position was threatened by continuing increases in wage rates and in the prices of some raw materials. In the diesel motors sector, for example, the market price failed to cover costs. But sales of compressors for refineries were good, and the industry was also gratified by large orders for pump installations and water mains. In addition, orders for textile weaving machines showed an impressive rise, so that the lag in delivery schedules averaged 30 months even though productive capacity was increased.

The geographical distribution of exports showed that Europe continued to take a dominant position. Despite increasing tariff discrimination, there was a rise in orders from the European Economic Community, especially from France and West Germany. Deliveries to the European Free Trade Association also increased. But future prospects were clouded because of the new increase in tariffs enforced by Britain, the biggest single market in the Free Trade area, which may now be practically inaccessible to foreign producers.

The United States, which is Switzerland's biggest customer overseas, increased its orders. Exports to Latin America almost doubled, although they did not succeed in reaching the levels attained in 1962. Contracts reached with the developing countries of Africa and Asia often depend

on their ability to acquire adequate financing; in this respect, Swiss exporters were at a disadvantage in competing against manufacturers from other industrial countries, where government assistance was usually available.

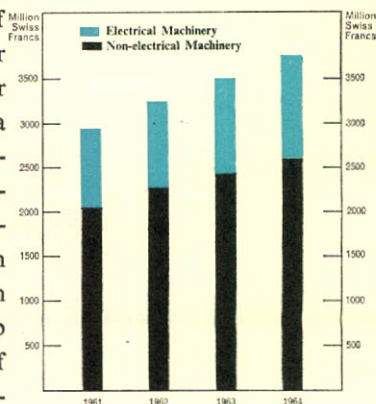
Some firms encountered difficulties because of the limitations placed on the hiring of labor, for the execution of special orders that are one of the main features of this branch of Swiss industry it is not always possible to replace men by machines. This state of affairs could prove a greater burden in the future. But over the near-term, the industry's operations will depend primarily on new investments for plant and machinery made in Switzerland and abroad.

Electrical Equipment

The rate of growth in the sales of the electrical equipment industry slowed down markedly in 1964. Nevertheless, both output and deliveries were slightly higher than they had been in the previous year due to the fact that producers achieved a substantial reduction in their backlog of orders. In the whole industry group (including machinery) the backlog declined from 9.7 to 8.8 months.

Incoming orders, by and large, showed little change from the moderate levels of 1963. The same held true for the pattern of orders. There was a further decline in demand for electric machinery and a continued increase in orders of electrical appliances. Furthermore, the proportion of Swiss orders, in relation to demand from foreign sources, went up once again. Because of much faster delivery sched-

SWISS EXPORTS OF
MACHINERY AND EQUIPMENT



ules, exports of the industry's major products for the first nine months of 1964 increased by 9 per cent over the results for the corresponding period a year earlier, reaching a total of 326 million francs. Electrical appliances accounted for the biggest share of this increase.

Imports into Switzerland showed an even bigger rise, climbing by 15 per cent to reach a total of 183 million francs. For the most part, this rise in imports was accounted for by increased demand for electric and electronic instruments and for measuring and control devices.

The near-term outlook for the electrical equipment industry is somewhat clouded. It is likely that there will be increasing obstacles in the export field, and a continuation of relatively good demand in the domestic market.

Aluminum

The nation's overall prosperity proved advantageous to the aluminum industry, which enjoyed a good year in 1964.

A new rise in activity, which first made itself felt in the autumn of 1963, was sustained at a high level during the year. The output of the three Swiss foundries was in the neighborhood of 64 000 tons, which exceeded the 1963 total by 6.5 per cent. This entire increase was readily absorbed by the domestic market. In contrast, there was a slight decline in exports of raw aluminum.

Demand for semi-finished aluminum products was very strong, but because Swiss producers had taken steps to enlarge their production facilities, they were in a position to fulfil more orders. Manufacturers of aluminum sheet and of finished goods also operated at a satisfactory rate.

In looking ahead, the industry does not expect any lessening of competitive forces even though aluminum prices have been strengthening in foreign markets. Like other Swiss manufacturers, aluminum producers will suffer from the increase in tariffs imposed by Britain.

Iron and Metal Products

The iron and metal products industry recorded good results by and large in 1964. It was able to sustain a high level of activity, which meant that it was relatively impervious to the stabilization measures adopted to forestall inflation.

A steady flow of orders was received from the building industry, the public works sector, and the machinery industry, which are this industry's major customers. At the beginning of the year, some uncertainty was in evidence, but all doubts about the state of business vanished by springtime. The industry's backlog for the end of September revealed that it had 4.09 months' work, or slightly below the 4.5 months registered the previous January. This slight decline was due in part to a faster rate of delivery and in part to a stepping up of automation. Productivity in the industry managed to stage an increase, while labor force declined mainly because recruiting problems. Unfortunately, the improvement in productivity was not great enough to offset all of the rise in production costs. The industry was compelled to raise prices fairly frequently, which proved easier to accomplish for products needed in the construction sector than in other areas.

Among the branches of the industry, producers who exported a large part of their output generally succeeded in strengthening their positions in foreign markets; but in October, Britain's surprise announcement of an additional 15-per-cent surcharge on imports threatened the loss of all the ground that had been gained. Those companies that participated indirectly in the export field as suppliers of goods to manufacturers of electrical equipment, machinery and appliances, also did better last year. Sales to domestic construction enterprises, which took more than half of the industry's output, continued at a brisk pace. Good results also were reported by makers of containers, metal fasteners, dies and other stamped goods, as well as by hot zinc plating producers. The volume of sales in both the home appliance and sporting fields showed an increase, although profits were rather modest.

With the economy under the restraint of a stabilization program, prospects for 1965 must be subject to a very cautious assessment. Obviously, even a minor decline in activity, which might well be accompanied by a modest slowing down of investments in the construction field, would have a major impact on the iron and metal products industry.

Steel Construction

The metal construction industry experienced a shifting pattern in 1964.

During the first half, steel construction firms whose output is devoted almost exclusively to the domestic market reported a new rise in their volume of orders. It was able to achieve this increase in the face of active competition from German, French and Italian companies, but following the summer, the rise in orders gave way to a levelling out, mainly because of a slowdown in new investments for industrial construction. A major portion of the year's volume, amounting to about 70 per cent of total orders, was accounted for once again by the building construction industry, especially for use in industrial plants, factories, and for commercial or administrative buildings. In addition, there was a particularly large increase in the construction of new steel bridges. Prices continued stable as higher wages were offset by mechanization.

Chemicals and Pharmaceuticals

The chemical industry, which is strongly export oriented, did well in 1964. Sales abroad increased at a rapid pace; they

totalled 1.9 billion francs for the first ten months, or 14.8 per cent more than during the corresponding period in the previous year. The increase in the industry's exports exceeded the total increases of all other Swiss exports. At the same time, however, imports showed a very sizable gain, due partly to increased demand but mainly to the fact that the chemical industry was compelled to buy, in foreign markets, semi-finished and finished items that it could not

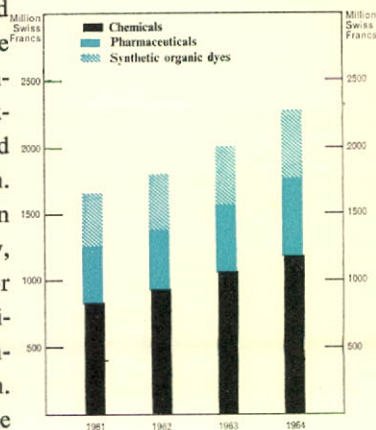
Chemical and
Pharmaceutical Industry

produce in Switzerland because of shortages in both productive capacity and manpower.

The geographical pattern of the industry's sales showed marked differences in the results obtained in the European Economic Community and in the European Free Trade Association. These two areas accounted respectively for one-third and one-sixth of Swiss chemical exports. While sales to Common Market countries increased by only 4.9 per cent, which was clearly below average, the Free Trade countries increased their purchases by 30.9 per cent, or well above the average. This disparity was not due merely to tariff differentials. Apart from special circumstances, which produced an artificial rise in exports to the Common Market in 1963, the opening of manufacturing facilities abroad played a very significant role; the transfer of operations to the Common Market and other areas stemmed mainly from the lack of manpower and inadequate plant capacity in Switzerland, not from the imposition of higher tariffs. In addition, overall economic growth was somewhat less pronounced in the European Economic Community than in the European Free Trade Association. Outside Europe, there was an increase of about 15 per cent in sales to the United States and 17 per cent in sales to Japan.

The product pattern of the industry's exports showed an impressive rise in the sales of dyes and related products, because they benefitted from increased demand in the textile field, which experienced a high level of production. If textiles can maintain their present prosperity, prospects for the dye sector can be regarded with confidence even in the face of intense foreign competition. However, a decline in the

SWISS CHEMICAL AND
PHARMACEUTICAL EXPORTS



activities of the Italian textile industry, as well as in that of many wool finishing plants elsewhere, must be regarded as a cause for concern.

Exports of chemical products for industrial use were generally satisfactory. The same held true for exports of pharmaceutical products despite many difficulties that hampered the sale of specialized items. For example, there was a continual lengthening in the time lag between controlled clinical testing of new products and their release for sale. This naturally increased costs, and gaining official authorization for products meant more time and expense. Moreover, increased competition and growing resistance in many countries to patents, trade marks and prices, added to the risks involved in selling. The fact is that the companies equipped to confront these challenges and handicaps are fairly rare and may become rarer as a result of new mergers and concentrations.

There were fresh increases in exports of both insecticides and products designed to provide protection for plants. Given the competitive pressures on prices in world markets, the sales results achieved by companies in this sector of the industry must be considered as extremely good. Their performance can be attributed above all to their continued emphasis on research, which has provided them with a series of new and improved products that appeal to the world markets.

Rubber and Plastics

In 1964, the rubber and plastic industry once again faced extremely severe competitive pressure from foreign producers.

Prices of most of its product lines declined as a reflection of the competitive struggle and because modernization measures failed in many cases to cover the rise in costs stemming from wage increases, profit margins narrowed in many sectors of the industry.

The total volume of both incoming orders and sales of rubber products reached the level of the preceding year. But demand for specialized products showed a handsome

increase, particularly for anti-corrosive linings in hardened rubber and in plastic materials made for the chemical and machine tool industry. Prices of standardized products, such as rubber hosing and molds, had to be reduced. Similarly, competitive pressures led to reductions for standardized items made of plastics.

In looking ahead, the industry's short-term prospects depend very largely on the level of activity in other areas, notably construction, machinery and equipment. But it is clear that rising wages and increasing competition that have become characteristic of the industry's environment compel producers to proceed with new mechanization programs and more specialized production techniques. These plans, essential to the industry's health, will require new and substantial investments.

Synthetic Fibers

The synthetic fibers industry operated at or near capacity during 1964. Results, however, varied from fabric to fabric.

On the whole, prices of thread and short viscose fibers remained inadequate. Sales of viscose fibers to the textile industry increased slightly in quantity in comparison with 1963, while sales of short fibers showed no change. Because of strong competition from Austrian spinning plants, which had the advantage of government aid and were able to deliver huge quantities of "fibranne" fibers at low prices to Switzerland, there was a shrinkage in demand for the output of domestic producers. Many branches of the textile industry showed a renewed interest in nylon, resulting in a very satisfactory level of sales at prices that conformed to expectations.

A substantial portion of the industry's production was exported once again, particularly to countries in Europe. The additional 15-per-cent surcharge on tariffs introduced by Britain threatens to depress the industry's future sales. Given the capacity of British producers, the new tax will all but close the British market to foreign manufacturers, including the Swiss. Moreover, the European Economic

Community's discriminatory tariffs proved an increasingly formidable burden. Under the conditions that are expected to prevail in 1965, the flexibility and adaptability of the synthetic fibers industry, which is largely export oriented, will be put to a difficult test.

Cotton

By and large both orders and production were maintained at satisfactory levels in the Swiss cotton industry during 1964. At the end of the year, this sector of the textile industry had a six-month backlog of orders.

Spinning mills, which represent one of the two main producers of cotton products, operated at capacity. Prices were generally firm, particularly for combed thread. But a different picture prevailed for fine spun products. Prices for fine spun thread were raised in the spring due to an increase in the price of raw long-staple cotton, but this rise did not suffice to cover the entire boost in production costs. Weaving mills also worked at capacity and found less difficulty than spinners in disposing of their production at satisfactory prices.

Cotton manufacturers, in common with other textile producers, are confronted with the critical problem of acquiring a sufficient number of qualified workers to sustain their competitive position. It is apparent that wages will continue to increase, which will mean a rise in production costs, but with little prospect of a corresponding increase in the value of sales. This dilemma means that special attention must be focused on increased rationalization of production.

Rationalization, however, is not a simple process in the industry, which has to cope with the twin disadvantages of a comparatively small domestic market and a vast variety of items that each firm feels obliged to produce. Under these conditions it is desirable and, in fact, essential to work out cooperative agreements between different firms in the same sector that would make possible reciprocal production programs, with one company concentrating on

Textile Industry

output of a particular line and another on something else. The enormous costs involved in the acquisition of more modern and highly technical equipment needed for rationalization can only prove profitable if the companies in the industry are prepared to proceed simultaneously to accept greater standardization in production.

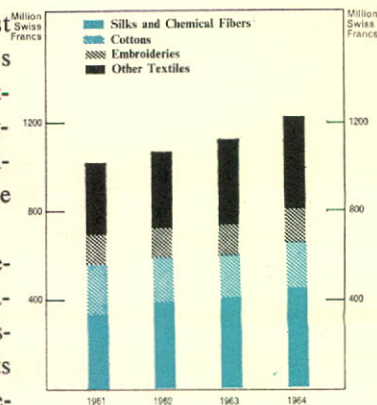
Embroidery

The embroidery industry in 1964 once again experienced a high level of activity. For the most part, production facilities operated at capacity. Sales on the domestic market were estimated in the neighborhood of 12-million francs, while exports were about 160-million francs, or some 10-million francs higher than the previous year.

Some 70 per cent of the total sales abroad, went to European customers, with West Germany, France and Great Britain the most important purchasers. Exports to the European Economic Community accounted for 65 per cent of the industry's European sales, with the European Free Trade Association taking 25 per cent. Because Austria, the major competitor in the embroidery field, is also a member of the EFTA, the discriminatory tariff barriers erected by the Common Market were not a serious handicap for Swiss producers. However, the prospect for maintaining the sales increase registered last year to member countries of the EFTA was threatened by the new 15-per-cent rise in tariffs on imports established by the British.

The United States remained the industry's major non-European customer even though its purchases were slightly be-

SWISS TEXTILE EXPORTS



low the 1963 level. In South America, where demand could support a much higher volume of sales, volume suffered due to restrictive exchange regulations and prohibitive tariffs. In contrast, sales to Japan and Hong-Kong showed a substantial increase.

Despite this generally favorable picture, the industry reported that the increase in its production costs was greater than the improvement in its sales volume. The result accentuated the already narrow disparity between the costs of production and the prices received for the industry's output. The fixed ceiling on personnel also raises serious problems, for hand labor is essential in the embroidery industry, a factor that places definite limits on the extent of automation or rationalization. But while these difficulties are serious, the embroidery industry expects to continue at a satisfactory level of activity because its products have won acceptance in the world of fashion.

Silk and Rayon Weaving

In 1964 as in previous years, the silk and rayon weaving industry was generally very active. Production at most weaving mills continued at the high rate of the preceding year, while exports showed another gain. Imports also rose substantially, with their value reaching the same level as exports. Nevertheless, demand from both domestic and foreign markets was maintained at a very satisfactory pace. Order books were in fact filled as the year drew to a close, assuring capacity operations for some months to come.

The industry reported that internal structural changes, which began to emerge a few years back, took on added impetus during the past year. These changes were reflected in lower sales in some sectors and higher sales in others. The demand for tie silks, for example, showed a decline in comparison with previous years; in contrast, incoming orders rose for other silk and rayon products, especially for clothing and for coat linings. Structural changes stem not only from the tariff barriers established by the

economic division of Europe which hit particularly tie silks, but also from the overall increase in foreign competition in world markets.

The difficulty in recruiting labor remains one of the most serious problems. Indeed, the industry managed to sustain and even expand production despite a shrinking work force only because of substantial efforts aimed at rationalizing and modernizing its production facilities. But it has been unable to keep costs of productions from rising. As a result, profit margins in the industry continued to be unsatisfactory even though it enjoyed booming production and sales.

Silk Ribbons

The silk ribbon industry recorded a recovery in both domestic and foreign demand during 1964. With style changes working in its favor, export sales advanced over the preceding year, especially to the United States. At the same time, sales in the domestic market also improved. In looking ahead, the industry will have to cope with the continuing problem of recruiting qualified labor if it is to succeed in sustaining its position.

Hosiery and Knitting

A series of difficulties beset the hosiery and knitting industry in 1964. It faced a chronic shortage of manpower, as well as higher production costs. These new conditions could not be offset entirely by higher sales prices, mainly because of strong competition.

True, there was a steady increase in demand for goods during the year, but this demand has not mitigated the competitive struggle between domestic and foreign producers. European exporters of hosiery and knitwear to Switzerland were extremely active, recording higher sales.

At the same time, however, Swiss producers managed to increase their position in the world market, due both to the quality and style of their output. During the first

half of the year, knitwear and hosiery goods alone accounted for two-thirds of the entire increase in exports achieved by the Swiss clothing industry.

In the immediate future, the industry's main objective is to accelerate specialization techniques, thereby reducing the variety and number of its products, in order to gain greater output from the manpower available to it. Unfortunately, restrictions on financing will tend to limit the investments required for greater specialization. It also must be noted that relations with important and traditional customers who are members of the European Economic Community are likely to become more and more handicapped as a result of steadily increasing tariff discrimination. Although great efforts have been made, the industry must face the fact that it has not as yet been possible to uncover outlets, in the European Free Trade Association or elsewhere, capable of replacing their former outlets. Certainly, prospects for the industry were not improved by the import surcharge introduced by Britain.

Wool

The wool industry in 1964 registered favorable results. However, foreign competition increased, which led to pressure on prices in the latter half of the year. The industry still recorded a slight rise in production over the volume reached in 1963.

Wool also is threatened by competition from synthetic fibers, which were increasingly in evidence during the past year. In Switzerland as in other European countries, the use of synthetics in comparison to wool remained markedly smaller than in the United States. But the rapid progress being made in fiber technology has compelled the wool industry to step up its investment at the same time that it has accelerated the amortization of its old machinery. The high costs of this essential program were a very heavy financial burden for companies in the industry. Over the past few years, though, they have succeeded in bringing about a basic transformation in the industry's structure,

so that it is now changed from being labor-intensive to being capital-intensive, with its production more and more subject to automation.

As a result of this transformation, the size of the labor force needed by the industry is not expected to increase for some time to come, even though production has been rising and will go even higher. By concentrating on specialization, which can be carried out by a small and skilled work force, the industry has reduced its demands for manpower.

Wool exports in 1964 attained the level of the previous year in both the value and the volume of goods sold. In view of the competitive price struggle that raged in foreign markets, these results were extremely gratifying. But it was not easy to overcome foreign competition and the discriminatory tariffs that protect the six countries of the Common Market, which are the industry's principal customers.

It is not yet possible to determine the impact resulting from Britain's increase in its tariffs on imports. But estimates made only in regard to Swiss manufactured products, quite apart from raw material costs, suggests that it will mean an increase in costs of at least 30 per cent. As Britain cannot be counted on as an export market under such conditions, it is clear that the other members of the European Free Trade Association will have to make up for this loss by increasing their sales to each other. The result would mean a fresh intensification of competition. Nevertheless, the outlook for 1965 is generally regarded as satisfactory by most producers in the wool industry.

Textile Finishing

Although the volume of production and the size of profit margins showed considerable variation last year, most firms in the textile finishing industry enjoyed a high level of activity. The thirty textile finishing plants having unit work contracts employed 7400 workers, or about the same number as in the preceding year.

Firms engaged in the finishing of solid color materials

made of artificial or fully synthetic fibers, experienced an excellent volume of business. But plants for dyeing silk cloth reported another slowdown in their operations. This decline was mainly attributed to the competition from cheaper materials made entirely of synthetics, which took a large share of the market formerly held by pure silk fabrics. Finishers of cotton cloth reported that employment ranged fairly widely from one plant to another because of varying demand for different types of finishing work. In the embroidery finishing field, volume was maintained at about the same rate as in 1963, while demand for finishing of pure wool materials remained relatively slack. Production of textile prints was generally better as has been the case for the past few years, with the exception, however, of prints on rolers.

Profits were under a certain amount of pressure because of an inflation in costs, due largely to rising wages, which could not be completely passed on to purchasers. Judging from preliminary indications of demand for next season, prospects for 1965 appear fairly bright.

Clothes and Lingerie

Business in 1964 was generally good in the clothing and lingerie sector, with production once again hitting a high

level as sales volume increased. However, difficult conditions prevailed in the industry, which was plagued by the extremely tight position of the labor market, by a substantial rise in the volume of imports, and by increasingly discriminatory tariff barriers that affected sales in Europe.

Manufacturers sought to overcome the shortage of labor through a number of different approaches. They tried to increase productivity through resort to rationalization measures; in some cases, they also transferred part of their production to facilities abroad and in others they relied on piece work done in small workshops or at home. Unfortunately, the increase in productivity achieved through rationalization was offset in part by a decline in the average quality of production in many firms, largely because they be-

came more dependent on poorly trained foreign workers. This situation was aggravated by the fact that production costs, especially wages and the price of raw materials, were rising. But because of intense competition, the industry was unable to recover all of the increases through higher prices for its products.

Profit margins were stable on the whole, although there were variations from one sector to another. This pattern reflected shifts in incoming orders and sales. In the aggregate, the industry managed to exceed the results of the previous year, with the value of sales due to price rises slightly ahead of the volume of goods sold.

The industry is not overly optimistic about the immediate future. Its prospects are clouded by the economic division of Europe and by Britain's increase in its tariffs on imports. It is also faced with many factors that make for rising costs but, considering that higher prices would surely hamper sales, new efforts to rationalize production and distribution are indispensable.

Linen

The linen industry managed once again to operate at full capacity during 1964.

Orders already on the books and new ones were large enough to assure full utilization of the industry's productive facilities, but output was not all that it could have been because of a sizable turnover in the labor force as well as a shortage of workers. The labor problem is extremely serious for the linen industry, which has found it difficult to achieve any increase in its work force over the past few years.

Despite some rises in the prices of linen products and a continued modernization effort designed to increase productivity, profit margins generally underwent another decline. The tariff discrimination exercised by the European Economic Community cut into exports to the Common Market, while sales to member countries of the European Free Trade Association showed an improvement. Overall, sales in Europe were about equal or slightly better than last

year's total, and the volume of exports to other foreign countries were also sustained at or close to past patterns.

Prospects for 1965 are generally considered favorable for the linen industry. Nevertheless, the course of business depends to a great extent on developments in the labor market, where sufficient personnel must be recruited in order to sustain production and fill the gaps left by departing workers.

Hat

Braids

Generally good results were reported by the hat braid industry for the twelve-month period covering the 1963-64

seasons. Sales volume was about equal to the level of the preceding year, with prices holding fairly stable.

The sales pattern underwent some changes. Purchases by the United States, which is the industry's major foreign outlet, increased by 5 per cent. But there were declines in sales to Britain, Canada and Australia. The industry also succeeded in stemming the slip in sales to European markets that had been a source of concern in the previous year.

Expectations are considered relatively favorable for the forthcoming season. The industry's optimism is based on the volume of incoming orders and on the prospects of another increase in sales to the United States. It is not yet possible to determine the extent to which the 15-per-cent tariff surcharge imposed by Britain will affect hat braid sales. But there is no doubt that tightness in the labor market, and the ceiling on the work force imposed by the official restrictions, will make it difficult for the industry to take advantage of all the opportunities that may be present in export markets.

Watches

The watch industry succeeded in expanding its volume of exports in 1964.

During the first nine months, the value of watch exports amounted to 1.1 billion francs, which represented a rise of 85 million francs, or 8.3 per cent, over

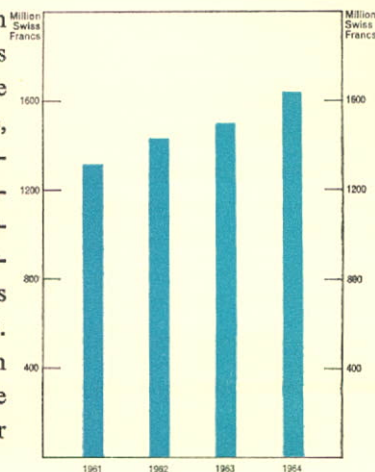
Durable
Consumers' Goods

the figures for the preceding year. This increase was more or less in line with the improvement registered by other Swiss exporters.

Exports of watches and watch movements, which together made up about nine-tenths of the industry's total sales on world markets, recorded a rise of 8.6 per cent in value and about 5 per cent in volume. The increase was most marked in sales of finished watches, with nearly 1.5 million more units being sold abroad; in contrast, exports of watch movements rose by only 100 000 units. This sales pattern, which represented a slight shift from the past, brought a rise in the average price of exports and contributed to the increase in the value of sales. In addition, prices were raised a little in 1964 on both finished watches and watch movements due to higher production costs. These price increases also were a factor in the achievement of better results.

A geographical breakdown of exports sales showed that the United States, which is the major customer for Swiss watches, increased by a slightly smaller amount than the average increase. There were some notable gains, chiefly to Latin America, where sales soared by 25 per cent. Exports to Europe, Australia and Asia were bigger in quantity than in value, because growth was concentrated mainly in the cheaper lines. In Europe, the members of the European Economic Community remained the industry's largest outlet, purchasing 4.4 million watches and watch movements. Switzerland's partners in the European Free Trade Association accounted for 3.4 million units.

SWISS WATCH EXPORTS



Largely because of the good business enjoyed in 1964, the industry is generally optimistic about its future prospects. It recognizes that if it can adapt to the increase in international competition that will be taking place within the framework of new regulations governing watches, it will be able to defend its long-term position as the leading producer in world markets.

Shoes

Despite a small decline in its labor force, the shoe industry managed to increase its production by 6 per cent during 1964.

Imports, however, recorded an even stronger rise, climbing by about 10 per cent; imports now account for about one-third of the supply of shoes available on the domestic retail market, where total sales increased in the neighborhood of 10 per cent.

Exports, meanwhile, registered a rise of about 5 per cent. While sales to the European Economic Community were stable, there was a heightening in demand from countries belonging to the European Free Trade Association. It is not yet possible to determine the effect on shoe exports resulting from Britain's recent action in raising its import tariffs. But it is only logical to expect a marked decline in sales and a serious reduction in profit margins, for Britain was an important and traditional outlet for Swiss shoes.

In common with other industrial sectors, the shoe industry also was confronted with a shortage of qualified workers. This shortage was particularly critical for the industry which, during the past 15 years, managed to increase its output by 52.7 per cent with a rise in the size of the work force of only 7.8 per cent. According to these figures, output per worker rose by 41.7 per cent. Yet in spite of this remarkable advance in productivity, the rise in costs, stemming from increases in the price of raw material and higher wages, could not be entirely absorbed. As a result, price adjustments could not be avoided last year.

The shoe industry expects to benefit from strong demand over the near-term, but it must also face much greater un-

certainties in foreign markets and increasingly difficult labor problems.

Leather

The leather industry had a relatively good year in 1964. But it was not without problems, including a continued shortage of manpower, especially of young workers needed as replacements by tanneries. This shortage will force the industry to rely increasingly on foreign workers in order to maintain current levels of production.

Sales increased in almost every category for Swiss tanners last year. There was a substantial rise in sales of leather uppers; sales of leather for shoe soles also increased, although at a slightly lower pace. The rise in sales to the domestic market was accompanied by a better showing in export markets. This improvement in foreign sales was due mainly to an intensified campaign, carried out by a group of Swiss tanneries over the past few years, aimed at winning new outlets abroad. The industry achieved considerable success in Great Britain, so that the increase in tariffs put through by this country at the end of October created much distress as this action meant a closing down of an important market for Swiss tanneries. Given this development, as well as the fact that incoming orders following the summer vacation period were in some cases below those of a year earlier, it is not surprising that the industry has some reservations about the immediate future.

Food Industry

Chocolate

Consumption of chocolate in Switzerland during 1964 was about equal to the level of the preceding year. This must be regarded with satisfaction, for the Swiss consumed an amount equivalent to 8.2 kg of chocolate per capita last year, which makes them the largest consumers of chocolate in the world. Purchases by foreign visitors and tourists also was at a high level and served to boost sales on the domestic market.

The domestic market experienced increased demand for cheaper quality chocolates as well as for gift chocolates, specialities of all kinds and other luxury items.

There were few marked changes in foreign markets. West Germany registered a decline in purchases but still remained the industry's biggest single customer by accounting for about 30 per cent of total exports. The United States was next, with some 20 per cent. Sales to both the Common Market and the European Free Trade Association were generally stable.

Market conditions appear to be favorable for the chocolate industry as it looks ahead. True, chocolate manufacturers have the same problems confronting other producers of quality goods in Switzerland. But the industry's determination to maintain or improve the superior quality of its products should enable it to prosper. The chocolate industry has a valued reputation for producing high quality products and it intends to maintain this tradition that is so well known around the world.

Biscuits and Confectionary

The biscuit and confectionary industry achieved a moderate increase over the levels of production reached a year earlier. In all, it produced 23.7 million kg of biscuits and 14.9 million kg of confectionary in 1964. This result is remarkable since there has been no change in either the number of persons employed or the number of hours worked in this industry.

While volume rose, profits remained constant, principally because of wage increases that affected costs. Both imports to Switzerland by foreign competitors and exports from Switzerland were higher. Favored by internal tariff reductions, EFTA members especially the U.K., increased their sales to Switzerland. Exports from Switzerland were directed chiefly at Germany, the United States, Austria and Italy.

Rising living standards, based on higher consumer incomes, have spurred demand for specialties and relatively expensive brand items. It is expected that this trend will be maintained in the immediate future.

Canned and Frozen Food

Manufacturers of canned and frozen foods enjoyed generally good sales results in 1964. An abundant harvest made possible the acquisition of large stocks of fruits and vegetables for canning. Other raw materials needed for production also proved readily available. In contrast, the industry experienced serious labor problems, for even in the most modern plants the preservation of quality food-stuffs demands careful handling in the selection of raw materials and constant control over food processing.

The canning industry is hopeful that its sales to restaurants, homes and other outlets will continue to be favorable during the year ahead.

Other Foods

Demand for the products of the condensed and powdered milk industry from both Swiss and foreign customers increased in 1964 over the level prevailing in the preceding year. But productive facilities were not employed to capacity in every instance. Although competition was severe, with producers in other European countries offering cheaper products and new firms in many of the industry's traditional foreign outlets adding to the supply of goods, exports of certain specialized items made in Switzerland showed an increase once again. Nevertheless, the industry found that other more common production items were being forced out of foreign markets. In the domestic market, the industry also managed an increase in sales, with the biggest gains also made in the specialized products category.

Production increased last year in the dietetic and concentrated food industry, although the labor force employed remained practically unchanged. Sales as well as incoming orders rose at about the same rate as the increase in population. The industry was confronted with a serious problem on the domestic market, because Switzerland's extremely low tariffs on imports gave foreign producers the opportunity to compete without any disadvantages. However, it was possible to achieve an increase in the prices of some

important items. Because of these increases and also because of continued progress in the mechanization of production, profit margins, which had been inadequate, showed improvement. Whether this healthier situation can be maintained in 1965 is uncertain in view of the fact that competition is bound to intensify.

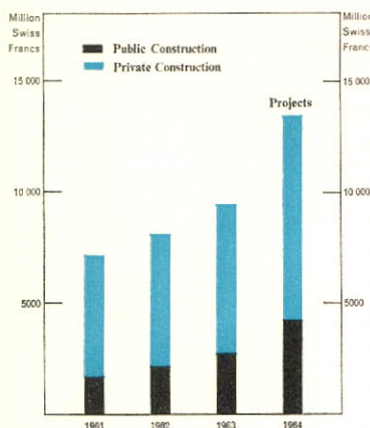
Sales of soups, bouillons and other products of the soup industry rose once again in 1964. These good results were due to constant efforts to improve the quality of the industry's products and a continued effort to expand the variety that it offers. The industry had little difficulty in meeting foreign competition either on the domestic market or abroad. As for the future, prospects continue to appear favorable.

Construction

In line with expectations, the construction industry operated at peak capacity in 1964. With construction during the summer hitting an extremely high level in most areas, first estimates indicated that total volume for the year exceeded the 1963 results by 1 to 2 billion francs.

During the first quarter, the number of man hours worked rose by about 20 million, or some 15 per cent, above the figures for the corresponding period of the previous year, when construction had been slowed down by inclement weather conditions. At the same time, the number of foreign workers employed in the construction industry increased by 7 per cent for the twelve months ending in August, reaching a total of 186,000. Of these, 80

CONSTRUCTION



to 90 per cent could be classified as seasonal workers, including those from areas on the borders of Switzerland. The increase in manpower was facilitated by easier recruiting conditions, especially in Italy, where economic activity experienced a slowdown.

The announcement made at the beginning of the year that a Federal decree would introduce construction controls, led to a rush of new building starts in advance of the measure which took effect on March 17. This development was largely responsible for the record number of apartments, totalling 58,080 units, under construction at mid-year. In the course of the year tight conditions in the capital markets made it increasingly difficult for builders to acquire the necessary financing; this put a brake upon building in some cases.

It is difficult to assess the future outlook of the construction industry. Its prospects do not depend only on conditions in the financial area but also on a number of other considerable and variable elements.

Service Trades

Retail Trade

Firms engaged in retail trade succeeded in scoring a new increase in their business activity in 1964. Influenced by the slackened rise in prices, the total value of goods sold progressed at a slightly slower rate, in the neighborhood of 8 per cent. But the increase in the volume of goods sold was almost equal to that registered in the previous year. There are a number of reasons for the continued advance in the retail sector, the main ones being a constant growth in population and consumer incomes and a greater number of tourists.

Demand showed an increasingly heavy bias for quality and luxury products, reflecting the higher living standards and changing needs of consumers. Thus, significant increases in the volume of retail trade were not confined to food and shoe products, but also brought much higher sales of perfumes, watches, jewelry, appliances, interior decorations (including furniture), books and leisure-time products, such as sporting equipment, television sets and cameras. Fair and warm summer weather helped the sale of summer

and sports clothes; in contrast, demand for fall and winter apparel proved surprisingly slow in making itself felt in the latter part of the year.

The rise in living standards, which has been accompanied by much more discriminating and exacting tastes, requires the modernization and upgrading of retailing methods. Large department stores and their branches, as well as many specialty stores, also have introduced self-service and cash-and-carry techniques to overcome the chronic shortage of trained personnel, a shortage that in fact has become acute. The lack of manpower led a number of stores to adopt a policy of closing on Mondays. Moreover, the changing habits of consumers has compelled adaptations in store hours, changes that, for technical reasons as well, will go into effect in planned shopping centers.

Expectations are considered favorable in almost every retail area for 1965, although the volume of trade obviously depends to a very great extent on the trend of prices and consumer incomes.

Tourism

The hotel industry, which reported a drop in volume in 1963, managed to score a definite increase in 1964.

In the period running from January to November, Swiss hotels reported 30.65 million overnight reservations. This total represented a new record for the period, surpassing the old record reached in 1962 by 720,000. A comparison of results covering this period for the past three years showed new heights in the number of guests every month but January, April and November. All resorts shared in the increase, those catering to tourists in winter as well as those in summer, which had not fared well in the previous year. The summer resorts were helped by fair and stable weather, which induced many vacationers to visit Switzerland in preference to countries further south.

Winter resorts had a less even record because of variations in snow falls, which were more abundant in some regions than in others. But due to an increase in rates and a rising demand for more comfortable accommodation, hotels in the

more expensive categories registered a bigger increase in the number of guest nights than the average. As a result, the net gain in hotel revenues, which amounted to about 1.3 billion francs in 1963, showed an even bigger improvement than the rise in guest nights. The industry is hoping for another good year in 1965.

Transportation Transportation activity in 1964 responded to the overall pattern of economic activity. It rose vigorously at first, but later showed some signs of a slowing down.

The Federal railway system carried a record volume of 36.5 million tons of freight in 1964, that is, 1.6 million tons more than in the previous year. During this same period passenger traffic increased by 7.2 million, a rise that was sparked by widespread interest in Switzerland's National Exhibition. But the rise in revenues that accrued from this intensified use of the railways was more than offset by higher costs, mainly labor costs. As a result, the operating surplus of the railway system for the whole year amounted to 283.5 million francs, which was some 30 million francs below the level reached a year earlier, even though the railways benefitted from an extremely high level of economic activity in Switzerland and from integrated use of their facilities. In order to correct this situation, increased fares were put into effect on November 1, both for passenger and part-load traffic.

Although passenger traffic, as well as freight volume, was heavy because of the fine summer weather, the financial results of the 63 privately owned Swiss railway companies, which together operate a rail network of some 2200 kilometers proved unsatisfactory. This was particularly true for those companies depending mainly on revenues from passenger traffic; they faced increasing competition from buses and automobiles.

Road transportation followed its past performance and recorded another increase. In March, a milestone was reached when the millionth automobile to be put into service in Switzerland since the end of the war was re-

gistered. The volume of Switzerland's international truck transport amounted to 2.9 million tons for the first nine months, bettering the 1963 results by 6 per cent, despite the fact that the third quarter showed a decline compared to the same period a year earlier. Due to a substantial haulage of gravel and a great need for construction materials, the volume of internal truck transport also showed a strong increase.

There was a decline in water transport on the Rhine, with the volume of merchandise shipped during the year totalling 7.5 million tons, which was about 9 per cent less than the volume recorded in the previous year. This decline was mainly a result of the low water level, which hindered the shipping of heavy goods.

Use of air transport, however, rose sharply. Despite an increase of 16 per cent in tonnage per kilometer flown by Swissair during the whole year, the utilization of capacity remained stabilized at around 52 per cent because of much more efficient use of available facilities.

Agriculture

While weather conditions at first appeared extremely favorable for Swiss agriculture in 1964, heat and drought starting in July damaged crops in many areas, particularly at the foot of the Jura. Thus, the initial feed crop was good in all sections, both in quantity and quality, but in many cases there was no second feed crop. In August, however, generally humid conditions permitted a third cutting of hay in some places and promised an abundant pasture in the fall.

Once again, there was a small decline in the amount of land under cultivation; the total cultivated area came to 255 030 hectares (1 hectare = 2.4711 acres), a drop of 2990 hectares. The reduction was due both to the difficulties posed by poor weather conditions and continued shortage of manpower.

The year's harvests were gathered in good weather. Crops were generally good from the point of view of quality and quantity. Production of colza proved better than in the previous year. Because of a big carryover in the stocks of

Agriculture

potatoes, domestic demand was more than met, but cultivation suffered later on because of dry weather. Late potato varieties, however, were normal. The sugar beet crop, which had the benefit of an increase in the area devoted to its cultivation, was satisfactory.

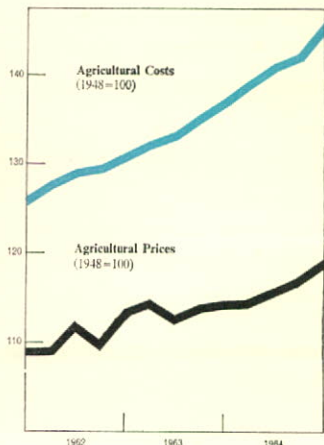
In contrast, less favorable weather conditions produced rather small crops of early maturing market vegetables, while the simultaneous harvests of most seasonal fruit and vegetables presented considerable production problems. Among fruit tree crops, the cherry harvest was abundant and good, while the apricot yield, which amounted to a total of 5 million kg, was smaller than expected. In the seed fruit sector, there was a smaller crop of apples and a bigger one of pears than in 1963.

The livestock sector reported a decline in the number of cattle. Apart from some short-term price fluctuations, high prices prevailed throughout the year for both dairy and beef cattle. But milk deliveries were smaller than they had been in the preceding year while consumption of products made with milk showed an increase.

Egg prices declined to levels not experienced since many years, mainly because of the pressure of very strong foreign competition. As a result, special measures had to be taken in order to dispose of the domestic egg stock.

Even though prices were increased on some products and minimum payments made by the government on other crops were raised, this did not completely compensate the rise in production costs, especially of wages. Nevertheless, the year turned out to be a good one for the farming industry.

SWISS AGRICULTURAL COSTS AND PRICES



ECONOMIC INDICATORS I

	Unit	1961	1962 <i>yearly</i>
Employment			
	3rd Quarter 1949		
Industrial Employment	= 100	143	149
Number of Unemployed	persons	647	599
Vacancies	number	6 349	5 983
Production and Internal Trade			
<i>Building Activity</i>		<i>yearly</i>	<i>figures</i>
Value of Construction	million francs	7 175	8 150
Apartments Completed (65 towns) ...	number of units	23 988	23 672
Residential Building Contracts (65 towns)	number of units	28 773	25 905
		<i>yearly</i>	<i>average</i>
<i>Retail Trade</i> (Sales)	1949 = 100	194	217
<i>Hotel Trade</i> (Overnight Reservations) ..	1000 reservations	2 536	2 626
<i>Railway Traffic</i>		<i>yearly</i>	<i>figures</i>
Gross Income of Federal Railways ...	million francs	1 153	1 242
Foreign Trade and Services			
<i>Value of Foreign Trade</i>			
Imports	million francs	11 644	12 986
Exports	million francs	8 822	9 580
Import Surplus	million francs	2 822	3 406
<i>Net Income from Invisibles</i>			
Foreign Travel	million francs	1 080	1 210
Investment Income	million francs	710	785
Other Income from Invisibles	million francs	118	— 52
Total of Invisibles	million francs	1 908	1 943
<i>Balance of Goods and Services</i>	million francs	—914	—1 463
Prices and Wages			
		<i>yearly</i>	<i>average</i>
<i>Cost of Living</i> (Consumer Price Index) .	Aug. 1939 = 100	187	195
<i>Wholesale Prices</i>			
Home-Type Goods	Aug. 1939 = 100	213	224
Import-Type Goods		217	220
Aggregate Index		215	222
<i>Wages</i>	4th Quarter 1960 = 100	103	109

*) estimated

1963 <i>average</i>	1964	1st Quarter	2nd Quarter	1964 3rd Quarter <i>end of period</i>	4th Quarter
153	153*)	153	153	153	151*)
825	631	242	139	119	631
6 126	6 286	6 996	6 207	6 283	5 685
<i>quarterly figures</i>					
9 530	11 000*)				
20 169	20 873	4 424	5 829	4 807	1 938
26 320	26 869	10 440	5 821	5 942	1 555
<i>monthly average</i>					
235	253	236	243	228	308
2 589	2 690	2 258	2 427	4 550	1 526
<i>quarterly figures</i>					
1 333	1 397	316	348	379	344
13 989	15 541	3 754	3 973	3 810	4 004
10 442	11 462	2 597	2 827	2 783	3 254
3 548	4 079	1 157	1 146	1 027	750
1 290	2 100*)		quarterly figures not available		
850					
— 148					
1 992					
—1 556	2 000*)				
<i>end of period</i>					
202	208	206	208	209	210
231	235	231	234	236	237
231	236	235	234	237	235
231	235	233	234	237	236
116		121	122	123	

ECONOMIC INDICATORS II

	Unit	1961	1962 end of
Banking and Finance			
<i>Swiss National Bank</i>			
Gold Stock	million francs	11 078	11 543
Foreign Exchange	million francs	842	867
Discount and Advances	million francs	136	195
Securities	million francs	43	43
Bank Notes in Circulation	million francs	7 656	8 506
Demand Deposits	million francs	2 947	2 800
<i>Big Commercial Banks (5 institutions)</i>			
Cash and Due from Banks	million francs	6 275	7 321
Bills	million francs	2 589	3 047
Advances on Current Account	million francs	6 811	7 783
Fixed Advances	million francs	3 903	4 386
Investments	million francs	1 375	1 457
Demand Deposits	million francs	10 173	11 216
Time Deposits	million francs	9 001	10 872
Capital and Surplus	million francs	1 285	1 469
Total Assets or Liabilities	million francs	21 180	24 274
Interest Rates			
Call Money Rate	in per cent	1.25	1.86
Interest on Savings Deposits	in per cent	2.73	2.75
Mortgage Rate	in per cent	3.75	3.75
Stock Exchange			
<i>Share Prices</i>			
Industrials	} End of 1959 = 100	234	196
Combined Index		225	188
<i>Bond Prices</i>			
Federal Bonds	nominal value = 100	100	99
Foreign Bonds (156 issues)	issue price = 100	100	103
<i>Bond and Stock Yields</i>			
Average Yield of Federal Bonds	in per cent	2.98	3.12
Average Yield of Swiss Shares	in per cent	1.4	1.7

^{a)} end of November

1963 period	1964	1964			
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
			<i>end of period</i>		
12 204	11 794	11 003	11 247	10 956	11 794
1 083	1 679	855	1 490	1 312	1 679
240	240	251	136	210	240
52	65	59	59	60	65
9 035	9 722	8 682	8 823	8 973	9 722
3 188	3 271	2 047	2 686	2 332	3 271
8 942	10 094 ¹⁾	9 931	10 386	10 629	10 094 ¹⁾
3 178	3 889 ¹⁾	3 179	3 449	3 521	3 889 ¹⁾
8 764	9 114 ¹⁾	8 843	9 057	9 129	9 114 ¹⁾
5 111	5 441 ¹⁾	5 182	5 211	5 327	5 441 ¹⁾
1 405	1 531 ¹⁾	1 483	1 514	1 458	1 531 ¹⁾
12 107	12 993 ¹⁾	12 651	13 169	12 873	12 993 ¹⁾
13 046	14 776 ¹⁾	13 706	14 229	14 891	14 776 ¹⁾
1 731	1 781 ¹⁾	1 781	1 781	1 781	1 781 ¹⁾
27 694	30 366 ¹⁾	28 853	30 013	30 296	30 366 ¹⁾
2.25	2.75	2.25	2.25	2.25	2.75
2.79	2.98	2.90	2.96	2.98	2.98
3.77	4.18	3.98	3.99	4.06	4.18
192	174	185	173	177	174
183	162	176	159	163	162
96	93	93	92	93	93
102	101	100	100	101	101
3.54	4.07	3.89	4.05	4.05	4.07
1.9	2.5	2.0	2.3	2.3	2.5

Stock Prices in Zurich

Net Profits		Par Value Swiss Francs	Annual Dividend Rate		
1963 in 1000	1964 Swiss Francs		1963 Swiss Francs	1964	
					Banks
45 462	46 186	500	50	50*)	Swiss Credit Bank
14 947	16 207	500	40	45	Banque Populaire Suisse (parts) ..
2 051	2 103	500	30	30	Crédit Foncier Suisse
43 386	46 118	500	50	50	Swiss Bank Corporation
45 146	48 717	500	60	60*)	Union Bank of Switzerland
					*) plus right of subscription
					Holding Companies
1962 1962/63	1963 1963/64		1962 1962/63	1963 1963/64	
9 569	9 629	500	50	50	Electro-Watt Electr. & Industr. Management Co.
1 512	1 517	100	10	10	General Finance Company
5 773	6 066	100	11	11	«Holderbank» Financière Glaris S.A. (bearer shares)
4 137	4 249	400	36	40	Indelec Société Suisse d'Industrie Electrique
133	516	500	—	—	Sté Internat. pour Particip. Ind. et Com. (Interhandel) (reg. shares)
8 523	9 540	500	50	50 ³⁾	Motor Columbus S.A. d'Entrepr. Electriques
13 737	6 997	100	24	24	Société Financière Italo-Suisse ...
14 028	15 289	100	9	9	Société Internationale Pirelli S.A. .
3 421	3 450	25	35	35	Union Continentale du Linoléum .
					Insurance Companies
9 028	9 662	100	20	20 ³⁾	Accident and Casualty Ins. Co. of Winterthur (registered shares) ..
4 162	3 425	500	50 ⁴⁾	50	Helvetia Swiss Fire Insurance Co. (registered shares)
26 554	23 989	250	60	60 ⁵⁾	Swiss Reinsurance Co. (registered shares)
1 729	1 664	500	60	60	«Switzerland» General Insurance Co. (registered shares)
13 535	14 722	500 ⁶⁾	135	135	«Zürich» Insurance Co. (registered shares)

¹⁾ ex right of subscription

²⁾ dividend on new capital basis unknown

³⁾ on the increased share capital

⁴⁾ plus Frs. 10.— jubilee bonus

⁵⁾ plus Frs. 60.— jubilee bonus

⁶⁾ 70% paid

1962		P r i c e R a n g e				End of 1964 Price	Gross Yield %
high	low	1963 high	1963 low in Swiss Francs	1964 high	1964 low		
4 770	2 200	3 515	2 735	3 255	2 550	2 920	1,7
2 970	1 700	2 630	1 910	1 985	1 330	1 585	2,8
1 500	850	1 100	920	980	760	760	3,9
4 610	2 150	3 415	2 645	3 100	2 225 ¹⁾	2 585	1,9
6 525	2 900	4 020	3 680	3 800	3 050	3 625	1,7
3 670	2 075	2 765	2 240	2 375	1 780 ¹⁾	1 810	2,8
820	450	555	492	501	420	435	2,3
2 990	860	1 260	975	1 090	500 ¹⁾	576	2)
2 030	980	1 370	1 100	1 250	1 005	1 020	3,9
5 650	2 095	4 290	2 850	5 005	3 680	4 955	—
2 840	1 540	1 940	1 650	1 750	1 350	1 390	3,6
1 020	570	1 100	728	1 089	302 ¹⁾	323	2)
615	500	600	507	515	340	380	2,4
2 020	1 000	1 570	1 310	1 435	1 105	1 230	2,8
1 400	750	1 100	910	995	765	790	2,5
3 250	2 000	2 550	2 050	2 200	1 625	1 650	3,0
5 180	3 150	4 290	3 720	4 025	2 110 ¹⁾	2 230	2,7
3 500	1 900	2 650	2 200	2 260	1 740	1 750	3,4
9 450	5 300	6 375	5 375	5 790	4 975	5 040	2,8

Net Profits		Par Value Swiss Francs	Annual Dividend Rate	
1962 1962/63 in 1000 Swiss Francs	1963 1963/64		1962 1962/63 Swiss Francs	1963 1963/64 Swiss Francs
5 620	11 024	500	25	35
4 033	4 681	500	40	45
11 227	13 224	500	50	50
2 753	2 117	500	31.58	25 ¹⁾
30 587	32 056	500	90	90
2 573	2 485	500	30	30
9 008	9 755	500	50 ²⁾	50
14 559	15 542	200	32 ⁴⁾	32 ⁴⁾⁵⁾
1 931	2 197	500	30	30
2 587	2 783	100	8	8
2 582	3 028	600	72	72 ⁵⁾
22 287	26 732	no par	180 ⁶⁾	200 ⁷⁾
23 772 ⁸⁾	26 400 ⁸⁾	200	20 ⁹⁾	20
2 009	1 370	20	—	—
7 549	7 571	500	40	40
78 689 ¹⁰⁾	84 046 ¹⁰⁾	100	29 ¹⁰⁾	32 ¹⁰⁾
2 827	2 847	350	24.50	24.50
4 009	4 265	250	50	50
23 061	25 565	500	100	100
3 875	4 140	500	45	45
1 646	1 763	200	16	16
2 098	2 103	1000	100	100 ¹¹⁾
10 164	11 218	1000	100	100
		100		10
21 406	22 575	1000	120	120 ¹²⁾

Industrial Enterprises

Aar et Tessin S.A. d'Electricité ...
C. F. Bally Ltd. (reg. shares)
Brown Boveri & Co. Ltd. (bearer shares A)
Centralschweizerische Kraftwerke
Ciba Ltd. (reg. shares)
Electricité de Laufenbourg S.A. ...
George Fischer Ltd. (bearer shares)
J. R. Geigy S.A. (reg. shares)
The Globe Stores (bearer shares) .
Grands Magasins Jelmoli, S.A. ...
Conserves Hero, Lenzbourg
F. Hoffmann-La Roche & Co., Ltd. (bons de jouissance)
Landis & Gyr Ltd. (reg. shares B)
LG International Cp. (part. shares)
Lonza Ltd.
Nestlé Alimentana Co. (bearer shares)
Oerlikon Engineering Co. (reg. shares)
Oursina S.A.
Sandoz Ltd. (reg. shares)
Adolph Saurer, Ltd.
The Sécheron Works Co. Ltd. (bearer shares)
Suchard Holding Ltd. (bearer shares B)
Sulzer Brothers, Ltd. (reg. shares)
" " (bearer part. shares)
Swiss Aluminium Ltd. (reg. shares)

Investment Trusts

ANGLO-VALOR (Inv. Trust for British & Commonwealth Sec.)
CANASEC (Invest. Trust for Canadian Securities)
ENERGIE-VALOR (Inv. Trust for Sec. in the Power Industry)
EUROPA-VALOR (Inv. Trust for European Securities)
INTERCONTINENTAL TRUST (Inv. Trust for Sec. in Europe, US and other countries)
USSEC (Inv. Trust for US Sec.) ..

¹⁾ Frs. 6.25 on new shares

²⁾ Frs. 25.— on new shares

³⁾ ex right of subscription

⁴⁾ adjusted for split

⁵⁾ on the increased share capital

⁶⁾ plus Frs. 180.— net on Sapac (bons de jouissance)

⁷⁾ plus Frs. 200.— net on Sapac (bons de jouissance)

⁸⁾ profit of the group

⁹⁾ plus Frs. 10.— jubilee bonus

¹⁰⁾ Unilac net profits 1000 \$: 3399 and 3211

dividends \$: 1.25 and 1.25

¹¹⁾ Frs. 50.— on new shares

¹²⁾ plus Frs. 30.— jubilee bonus

1962		Price Range				End of 1964 Price	Gross Yield %
high	low	1963 high	low in Swiss Francs	1964 high	low		
2 500	1 625	1 750	1 410	1 450	1 070	1 100	3,2
2 975	1 550	2 215	1 780	1 950	1 690	1 710	2,6
4 725	2 475	3 450	2 560	2 760	2 020	2 160	2,3
2 250	1 400	1 700	1 380	1 390	940	975	2,6
17 500	6 650	9 875	7 750	8 040	6 025	6 250	1,4
3 300	2 150	3 100	2 300	2 625	1 925	1 960	1,5
3 645	1 600	2 275	1 900	2 020	1 500 ^{a)}	1 685	3,0
7 520 ^{a)}	3 600 ^{a)}	5 625 ^{a)}	4 000 ^{a)}	5 800 ^{a)}	4 560 ^{a)}	5 175	0,6
9 000	4 100	6 325	4 500	5 000	4 400	4 750	0,6
2 380	1 330	1 995	1 775	1 860	1 350 ^{a)}	1 525	0,5
9 200	5 100	7 825	6 500	7 285	6 200	6 500	1,1
60 000	36 050	53 900	40 200	56 600	45 900	56 600	0,7
4 700	2 475	3 620	2 985	3 225	2 050 ^{a)}	2 185	0,9
				238	200	213	—
4 510	2 000	2 690	2 300	2 770	2 230 ^{a)}	2 285	1,8
4 440	2 815	3 880	3 220	3 630	3 130	3 350	1,1
1 775	840	1 190	920	940	690	715	3,4
9 775	5 150	7 350	6 100	6 500	5 010	5 440	0,9
15 500	6 500	10 250	7 925	8 240	5 100 ^{a)}	6 220	1,6
3 230	1 600	2 325	2 010	2 120	1 600	1 700	2,6
1 555	830	940	710	745	450	455	3,5
15 500	6 500	13 000	8 875	10 300	7 800	10 250	1,0
5 940	3 550	5 365	4 125	4 200	3 215	3 215	3,1
		598	480	502	362	380	2,6
9 250	4 500	6 790	5 100	6 300	5 075	5 940	2,0
104	92	106	94	108 $\frac{1}{4}$	97	99*)	3,4
678	535	657	592	768	642	760*)	2,8
103	84	101	93 $\frac{3}{4}$	105	99	105*)	2,7
164	122	144	135	141	127 $\frac{3}{4}$	135*)	2,6
330	250	316	274	313	282	301	3,0
885	650	870	752	949	859	920*)	2,9

*) over the counter

Net Profits			Annual Dividend Rate			Foreign Companies
	1962	1963		1962	1963	
	1962/63	1963/64	Par Value	1962/63	1963/64	
	in 1000					
DM	57 013	16 106 ¹⁾	100	15	4 ¹⁾	AEG (Allg. Elek.-Ges.)
DM	144 089	144 031	100	18	18	Badische Anilin- & Soda-Fabrik
£	4 422	4 809	1	sh 2/-	sh 2/3	Bowater Paper Corp. Ltd.
\$	46 250	50 257	— .50	1.32 $\frac{1}{2}$	1.42 $\frac{1}{2}$ ²⁾	Corn Products Co.
£	9 418	12 338	sh 5/-	9 $\frac{1}{4}$ d ³⁾ ⁴⁾	sh 1/- ³⁾ ⁴⁾	Courtaulds, Ltd.
DM	20 893 ⁵⁾	20 932 ⁵⁾	100	17 ⁵⁾	17 ⁵⁾	Deutsche Gold- u. Silber-Scheideanstalt (Degussa)
DM	15 857	15 755	100	14	14	Demag AG
\$	451 601	472 262	5	7.50 ⁷⁾	7.75 ⁸⁾ ⁹⁾	E. I. du Pont de Nemours & Co.
\$	140 342	144 429	10	2.45	2.60 ¹⁰⁾	Eastman Kodak Co.
DM	150 300	150 300	100	18	18	Farbenfabriken Bayer
DM	132 300	138 600	100	18	18	Farbwerke Hoechst
\$	265 844	270 639	5	2.—	2.— ¹¹⁾	General Electric Co.
\$	1 459 077	1 591 823	1 $\frac{2}{3}$	3.—	4.— ¹²⁾	General Motors Corp.
\$		510	100		1.50 ¹³⁾ n.	General Shopping S.A.
£	13 152	15 418	sh 5/-	sh 1/8	sh 1/9 ¹⁴⁾	Great Universal Stores Ltd. (A)
£	32 840	35 082	1	sh 2/9	sh 2/- ¹⁵⁾	Imperial Chemical Industries Ltd.
US\$	94 221	106 311	no par	1.90	2.25 ¹⁶⁾	Intern. Nickel Co. of Canada, Ltd.
DM	80 056	70 250	100	14	12	Mannesmann AG
FF	44 243	47 510	50	3.65n.	3.97n.	Pechiney
hfl.	321 653	343 760	25	4.— ¹⁷⁾	4.— ¹⁷⁾	N.V. Philips' Gloeilampenfabrieken
hfl.	515 984	580 376	20	6.25	6.25 ¹⁸⁾	Royal Dutch
l.Fr.	421 946	442 096	—	100n.	100n.	Société d'Electricité (Sodec) ..
\$	840 903	1 019 469	7	2.50	2.75 ¹⁹⁾	Standard Oil Co. (New Jersey) ..
hfl.	290 656	312 377	20	4.40	3.78 ²⁰⁾	Unilever N.V.
\$	159 825	160 172	no par	3.60	3.60 ²¹⁾	Union Carbide Corp.
\$	163 680	203 549	16 $\frac{2}{3}$	2.50	2.— ²²⁾	United States Steel Corp.

¹⁾ for three months

²⁾ year 1964: \$1.50

³⁾ plus 1 $\frac{1}{2}$ d net supplementary payment

⁴⁾ adjusted for split

⁵⁾ years 1961/62 and 1962/63

⁶⁾ ex right

⁷⁾ plus $\frac{1}{2}$ share of General Motors

⁸⁾ plus 0.36 share of General Motors

⁹⁾ year 1964: \$7.25 plus $\frac{1}{2}$ share of General Motors

¹⁰⁾ year 1964: \$2.55 plus stock

¹¹⁾ year 1964: \$2.20

¹²⁾ year 1964: \$4.45

¹³⁾ interim dividend for 1964/65, estimation for the whole year \$3.— n.

¹⁴⁾ on the increased share capital

¹⁵⁾ after 50% stock

¹⁶⁾ year 1964: \$2.75

¹⁷⁾ plus 5% stock

¹⁸⁾ after 20% stock

¹⁹⁾ year 1964: \$3.—

²⁰⁾ after 33 $\frac{1}{3}$ % stock

²¹⁾ year 1964: \$3.60

²²⁾ year 1964: \$2.—

1962		Price Range				End of 1964 Price	Gross Yield %
high	low	1963 high	low in Swiss Francs	1964 high	low		
564	350	540	430	580	516	546	3,2
555	365	580	433	673	554	630	3,1
29 $\frac{3}{4}$	19 $\frac{1}{2}$	26 $\frac{1}{2}$	21	31	23 $\frac{3}{4}$	25 $\frac{1}{2}$	5,3
				277	223 $\frac{1}{2}$	232 $\frac{1}{2}$	2,8
		11 $\frac{1}{2}$ ⁴⁾	8 $\frac{1}{4}$ ⁴⁾	since July 1 13 $\frac{3}{4}$	10 $\frac{1}{2}$ ⁴⁾	12 $\frac{1}{2}$	4,8
990	486	760	611	815	623 ⁶⁾	650	2,8
668	325	532	356	574	452	452	3,3
1 100	715	1 104	972	1 223	981 ⁶⁾	1 035	3,0
499	365	522	461	622	494	602	1,8
720	396	615	468	686	566	684	2,9
585	361	569	430	620	522 ⁶⁾	577	3,4
339	237	369	312	404	339	392	2,4
255 $\frac{1}{2}$	195	384	250	442	334	420	4,5
		495	448	486	440	476	2,7n.
39	28 $\frac{1}{4}$	34 $\frac{1}{2}$	28 $\frac{1}{2}$	31 $\frac{1}{2}$	24 $\frac{1}{2}$ ⁶⁾	25 $\frac{1}{4}$	4,2
		43 $\frac{3}{4}$	29	29 $\frac{3}{4}$	24 $\frac{3}{4}$	25 $\frac{1}{2}$	4,7
369	224	292	248 $\frac{1}{2}$	379	295 $\frac{1}{2}$	361	3,3
285	200	243	191 $\frac{1}{2}$	276 $\frac{1}{2}$	218	235 $\frac{1}{2}$	5,5
283	175	193 $\frac{1}{2}$	140	204	145	185	1,9n.
320	142	209 $\frac{1}{2}$	166 $\frac{1}{2}$	195	176	185 $\frac{1}{2}$	2,6
189	142	215	187 $\frac{1}{2}$	228	178 $\frac{1}{2}$	190	3,9
147	73	127 $\frac{1}{2}$	80	122	102	102 $\frac{1}{2}$	8,4n.
257	197 $\frac{1}{2}$	329	253	398	326	387	3,3
230	136 $\frac{1}{2}$	231 $\frac{1}{2}$	163 $\frac{1}{2}$	180 $\frac{1}{2}$	165 $\frac{1}{2}$	170 $\frac{1}{2}$	2,7
523	362	522	439	568	499	542	2,9
341	163	246	190 $\frac{1}{2}$	276	220 $\frac{1}{2}$	224	3,8

Bond Prices in Zurich

	Price Range 1964		End of 1964	
	low	high	Price	Gross Yield %
in per cent				
Swiss Bonds				
Federal Government 3 s of 1950	94.90	89.70	90.40	3,8
Federal Government 2 $\frac{3}{4}$ s of June 1954	93.25	89.50	89.50	4,0
Federal Government 3 s of 1956	95.40	91.90	92.25	4,1
Canton of Basle-City 4 $\frac{1}{4}$ s of 1964	100.50	99.—	99.—	4,3
Canton of Berne 3 s of 1959	91.50	88.50	89.50	4,5
Canton of Zurich 3 $\frac{1}{2}$ s of 1960	96.—	91.50	91.90	4,4
City of Zurich 4 $\frac{1}{4}$ s of 1964	101.25	98.50	99.—	4,3
Swissair 4 s of Oct. 1960	96.50	90.50	92.50	4,8
Foreign Bonds				
PUBLIC BODIES				
(Bonds in Swiss Francs)				
Australia 4 $\frac{1}{2}$ s of 1961	106.25	101.75	103.50	4,1
Austria 5 s of 1961 (External Loan)	106.25	100.—	104.—	4,5
Belgium 4 $\frac{1}{2}$ s of 1960 (External Loan)	105.75	100.—	102.25	4,1
Denmark 4 $\frac{1}{2}$ s of 1962	105.50	100.25	102.—	4,3
Europ. Coal and Steel Commun. 4 $\frac{1}{2}$ s of 1962	103.75	100.—	102.—	4,2
Finland 5 s of 1961 (External Loan)	102.50	98.—	100.50	4,9
Italian Publ. Util. Cred. Inst. 3 s of 1947	88.—	80.—	83.25	6,5
Norway 4 $\frac{1}{2}$ s of 1960	104.50	100.—	102.50	4,2
Saskatchewan, Province of (Canada) 4 $\frac{1}{2}$ s of 1960 ...	106.25	102.—	104.50	4,0
Sweden 3 $\frac{1}{2}$ s of Nov. 1954	100.50	97.—	97.25	4,4
World Bank 3 $\frac{1}{2}$ s of 1955	99.50	95.—	97.25	4,0
World Bank 4 $\frac{1}{2}$ s of 1960	105.75	100.—	102.25	4,1
World Bank 4 s of 1961	101.50	96.75	99.25	4,1
INDUSTRIALS AND UTILITIES				
(Bonds in Swiss Francs)				
Badenwerk, Germany, 4 $\frac{1}{2}$ s of 1960 1st mortgage	103.50	99.—	101.50	4,2
Bowater Paper Corp. Ltd., London, 4 $\frac{1}{2}$ s of 1962 (Conversion Loan)	107.50	102.50	102.50	4,2
British Aluminium Co. Ltd., London, 4 $\frac{1}{4}$ of 1961	103.25	98.—	99.75	4,3
British Petroleum Company, Ltd., London, 4 $\frac{1}{2}$ s of 1961	106.75	99.50	102.—	4,3
California Texas Oil Corp. (Caltex), 4 $\frac{1}{4}$ s of 1960 ...	105.—	99.—	101.—	4,1
Farbenfabriken Bayer, 4 $\frac{1}{2}$ s of 1963	104.—	99.50	104.—	4,1
IBM World Trade Corp., New York, 4 $\frac{1}{4}$ s of 1961 ..	107.—	100.50	103.50	3,9
Internat. Standard Electric Corp., 4 $\frac{1}{2}$ s of 1960	108.—	100.25	105.—	3,9
Istituto Mobiliare Italiano (IMI), 4 $\frac{1}{2}$ s of 1961	100.50	94.—	95.50	5,2
Italcementi, Italy, 4 $\frac{1}{2}$ s of 1956	103.25	94.25	97.—	5,0
Pétrofin, Belgium, 4 $\frac{1}{2}$ s of 1961	104.—	100.—	101.75	4,3
N.V. Philips' Gloeilampenfabrieken, 4 $\frac{1}{2}$ s of 1961	107.50	102.75	105.25	4,0
Pirelli S.A., Italy, 4 $\frac{1}{2}$ s of 1955	103.25	95.50	97.—	5,1
Saint-Gobain S.A., Paris, 4 $\frac{1}{2}$ s of 1958	105.—	99.50	103.—	3,8
Telefon AB L.M. Ericsson, Stockholm, 4 $\frac{1}{2}$ s of 1959 ..	106.75	101.50	104.50	3,9

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SWISS CREDIT BANK

BALANCE SHEET AS OF DECEMBER 31

	1964	1963
	(Thousand Francs)	
ASSETS		
Cash	985 384	993 857
Coupons	15 304	12 738
Due from Banks	2 484 331	2 034 968
Bills Discounted	1 061 682	907 738
Advances to Customers in Current Accounts	2 523 150	2 426 247
Time Loans	1 069 622	958 278
Mortgages	99 024	92 891
Investments	365 837	361 207
Syndicate Participations	616	616
Bank Premises	11 500	11 500
Other Assets	120 203	109 436
Total Assets	<u>8 736 653</u>	<u>7 909 476</u>
LIABILITIES		
Due to Banks	1 003 286	889 227
Current Accounts	2 853 987	2 880 934
Time Accounts and Saving Deposits	3 271 161	2 750 648
Medium Term Notes	701 977	618 986
Convertible Bonds 1963	180 000	90 000
Cheques and Short Term Drafts outstanding	16 034	14 046
Acceptances	8 799	8 626
Other Liabilities	153 722	132 445
Capital Stock	250 000	250 000
Reserve Funds	245 000	225 000
Profit Balance	52 687	49 564
Total Liabilities	<u>8 736 653</u>	<u>7 909 476</u>

