

The economy in switzerland economics essay



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Switzerland is a peaceful, wealthy, and current market economy with low unemployment, a highly expert labor force, and a per capita GDP among the highest in the world. Switzerland's economy benefits from a highly developed service sector, led by financial services, and a manufacturing industry that specializes in high-technology, knowledge-based production. Its economic and political stability, transparent legal system, exceptional infrastructure, efficient capital markets, and low corporate tax rates also make Switzerland one of the world's most competitive economies. The Swiss have brought their economic practices largely into conformity with the EU's, to enhance their international competitiveness, but some trade protectionism remains, particularly for its small agricultural sector. The fate of the Swiss economy is tightly linked to that of its neighbors in the euro zone, which purchases half of all Swiss exports. The global financial crisis of 2008 and resulting economic downturn in 2009 stalled export demand and put Switzerland in a recession. The Swiss National Bank (SNB) during this period effectively implemented a zero-interest rate policy to boost the economy as well as prevent appreciation of the franc, and Switzerland's economy recovered in 2010 with 2.7% growth. The sovereign debt crises currently unfolding in neighboring euro-zone countries pose a significant risk to Switzerland's financial stability and are driving up demand for the Swiss franc by investors seeking a safehaven currency. The independent SNB has upheld its zero-interest rate policy and conducted major market interventions to prevent further appreciation of the Swiss franc, but parliamentarians have urged it to do more to weaken the currency. The franc's strength has made Swiss exports less competitive and weakened the country's growth outlook; GDP growth fell to 2.1% in 2011. Switzerland has

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also come under increasing pressure from individual neighboring countries, the EU, the US, and international institutions to reform its banking secrecy laws. Consequently, the government agreed to conform to OECD regulations on administrative assistance in tax matters, including tax evasion. The government has renegotiated its double taxation agreements with numerous countries, including the US, to incorporate the OECD standard, and in 2011 it reached deals with Germany and the UK to resolve outstanding issues, particularly the possibility of imposing taxes on bank deposits held by foreigners. These steps will have a lasting impact on Switzerland's long history of bank secrecy.

Definition: This entry briefly describes the type of economy, including the degree of market orientation, the level of economic development, the most important natural resources, and the unique areas of specialization. It also characterizes major economic events and policy changes in the most recent 12 months and may include a statement about one or two key future macroeconomic trends.

Source: CIA World Factbook – Unless otherwise noted, information in this page is accurate as of July 26, 2012

1. Introduction:

About two third of the area of Switzerland is covered with forest, lakes and mountains. Since Switzerland has no mineral resources, it must import, process and resell them as products. “ Services” are the most important part of the economy. This includes banking, assurances and tourism.

agricultural is also an important part of the economy. But the production of the Swiss farmers does not fulfill the needs of all people, so Switzerland must rely on imported goods from other countries.

2. The three sectors:

The economy in Switzerland is divided into three sectors:

landwirtschaft (agriculture)

industrie (industry)

diensteistungen (services)

Less than 10% of the population is employed in the landwirtschaft (agriculture), also considered the primary sector. This sector is strongly supported by the government.

About 40% of the population is employed in the “ Industrie, Gewerbe and Handwerk” (industry, trade and handicraft), also considered the secondary sector. This sector includes the “ Maschinen- und Metallindustrie” (machine and metal industry), “ Uhrenindustrie” (watch industry) and the “ Textilindustrie” (textile industry). All of them export much of their products to foreign countries and suffer a lot because of the expensive Swiss Franc. The fact that Switzerland does not belong to the European Union additionally slows down the Swiss exports.

More than 50% of the population is employed in the “ Dienstleistungssektor” (services), also considered the tertiary sector. This sector includes banking, assurances, tourism and so on. Banking is one of

the most important businesses in Switzerland. Many of the banks have started to use the Internet for business purposes. For more information, see the directory of Swiss banks.

3. Foreign trade:

Switzerland is one of the countries with the highest contribution of the foreign trade to the gross inland product. The most important trade partners are the so called “ industrialized countries”. In 2003, 77. 2% of the exported goods were shipped to and 89. 0% of the imported goods came from those countries. In particular, 60. 3% of the goods were shipped to and 81. 7% of the imported goods came from countries which belong to the European Union (EU).

3. 1 Most important trade partners:

The tables below show the names of the countries and the values of the imported and exported goods in million Swiss Francs (1 million = 1'000'000) for the year 2003.

Rank

Country

Import

Rank

Country

Export

1

Germany

41'200

1

Germany

27'700

2

Italy

13'800

2

USA

13'800

3

France

13'700

3

France

11'500

4

Netherlands

6'400

4

Italy

11'000

5

Austria

5'400

5

Great Britain

6'200

USA

5'400

6

Japan

5'100

6

Great Britain

4'900

7

Austria

4'400

7

Ireland

4'700

Netherlands

4'400

8

Belgium

3'600

8

Belgium

2'600

9

Japan

2'600

9

Ireland

900

3. 2 Most important trade goods:

The table below shows the value of the imported and exported goods in million Swiss Francs (1 million = 1'000'000) for the year 2002.

No

Goods

Import

No

Goods

Export

1

Chemicals

27'256

1

Chemicals

44'846

2

Machines

25'925

2

Machines

31'693

3

Vehicles

12'843

3

Precision tools, watches, jewelry

22'602

4

Agriculture and fishery

9'864

4

Agriculture and fishery

4'219

5

Metals

9'329

5

Vehicles

3'742

6

Textile, clothing and shoes

8'625

6

Textile, clothing and shoes

3'726

7

Precision tools, watches, jewelry

8'167

7

Leather, rubber, plastic

3'647

8

Energy

5'369

8

Paper

3'275

9

Paper

4'740

9

Other

1'746

10

Other

4'516

10

Metals

975

11

Leather, rubber, plastic

4'264

11

Stone, soil

780

12

Stone, soil

2'229

12

Energy

363

4. Currency:

The Swiss currency is called “ Schweizerfranken” (“ Swiss Francs”) or short “ Franken”. One hundred “ Rappen” make up one Swiss Franc. CHF is the ISO representation for Swiss francs; however, the old notation sFr. is still used quite often.

This is a 5 Franken coin, called a “ fünfliber”

The currency is available in the following coins:

1 Rappen (“ Räppler”, no longer in use)

2 Rappen (“ Zweiräppler”, no longer in use)

5 Rappen (“ Fünfer”)

10 Rappen (“ Zehner”)

20 Rappen (“ Zwanziger”)

½ Franken (“ Fünfziger”)

1 Franken (“ Fränkler”)

2 Franken (“ Zweifränkler”)

5 Franken (“ Fünfliber”) – a long time ago, there used to be a five francs bill (includes images of approx. 220kB)

Images of all coins.

The currency is available in the following bills:

10 Franken (images of current, previous and older bill, approx. 400 kB)

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20 Franken (images of current and previous bill, approx. 450 kB)

50 Franken (images of current bill, approx. 220 kB)

100 Franken (images of current, previous and older bill, approx. 710 kB)

200 Franken (images of current bill, approx. 270 kB)

1000 Franken (images of current bill, approx. 330 kB)

To convert currency, we suggest the oanda online currency converter.

5. Cost of living:

Now and then I receive questions about the cost of living in Switzerland.

Even though it is difficult to compare the costs of living between various countries, I try to list some indications that may give an idea what it means to go along with your salary in Switzerland.

5. 1 Exchange rates:

I remember times when I was young (some 35 years ago), when one US dollar (USD) cost more than four Swiss Francs (CHF) and one German Mark cost more than one Swiss Franc. Today (May 14, 2010), one US dollar costs approximately CHF 1. 11 and the German Mark has been replaced by the Euro (EUR). One Euro corresponds to about CHF 1. 40. These ever changing exchange rates are one problem in comparing costs of living.

5. 2 Salaries:

Another problem in comparing the costs of living is the amount of money one has available to spend, also known as the salary. This is particularly difficult because most people do not like to talk about it, at least here in Switzerland.

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Of course, the actual salary depends on the education, the position within the company or organization, the duration of the employment etc. The following table is a very rough approximation of a yearly income depending on the level of education:

type of education

salary range

apprenticeship (typically 3 or 4 years)

CHF 40'000 - 80'000

Academic

CHF 70'000 - 150'000

lower management

CHF 120'000 - 250'000

higher management

CHF 200'000 ++

5. 3 Expenses:

Again as a very rough approximation, a Swiss family spends its income as follows:

25-35% for rent of a condominium or house

10-20% for assurances (health, liability, theft, car), health care and savings deposits

15-20% for food (at home and in restaurants)

20-40% for other expenses (non-food, car maintenance, phone bills, vacations, recreational activities)

5-15% for taxes (Taxes vary across the different cantons quite a lot)

5. 4 Cost of some food goods:

The following table is a list of some food goods and their approximative cost as of summer 2010 in the area of Zürich.

Goods

Amount

Approximative cost in CHF

Bread in a store

1 kg

3. 00 – 4. 00

Milk in a store

1 liter

2. 00

Coffee or tee in a restaurant

1 cup (no refill)

3. 50

Softdrink in a restaurant

0. 2 or 0. 3 l

3. 50 – 4. 00

Hamburger in fast food restaurant

200 gr

5. 00

A meal in a family restaurant without beverages

1 person

15. 00 – 30. 00

If you are not familiar with our metric unit system, see explanations about metric versus U. S. unit systems

5. 5 Cost of some non-food goods:

The following table is a list of some non-food goods and their approximative cost as of spring 2010 in the area of Zürich.

Goods

Amount

Approximative cost in CHF

Diesel

1 liter

1. 85 (changes daily!)

Gasoline

1 liter

1. 70 (changes daily!)

Cigarettes

1 pack

5. 00

Compact Disk (music)

1 CD

10. 00 – 25. 00

Jeans

1

100. 00 – 150. 00

Building land

1 m²

400. 00 – 1200. 00

House (without land)

4 . 5 rooms

400'000 - 1'000'000++

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