

Swiss clocking up new growth

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Zurich | Behind the headline-grabbing job reductions at Switzerland's biggest banks is a manufacturing boom that is keeping the economy ahead of the rest of Europe.

Even after 10,000 Swiss job losses at banks led by UBS and Credit Suisse Group in the past five years, the nation's unemployment rate has fallen to 3.1 per cent, the lowest of Europe's 10 biggest economies and less than the rate a decade ago. The nation of 8 million is adding workers in factories that make electrical equipment, airline seating, toilets and drugs.

"People think that precision engineering, watchmaking and the medical industry are minor, but collectively added up, they are quite sizeable in Switzerland," said Hubertus Von Gruenberg, chairman of Zurich-based ABB Ltd, the world's largest maker of power transformers. Banks were "overemphasised" in the public perception as there was a big finance industry relative to the

size of the country, he said, adding that the industrial base is "powerful and important".

Banks and insurers had 152,000 full-time employees last year, compared with 588,000 who work for industrial companies. The banking industry's share of domestic economic output fell to 6.2 per cent in 2011 from 8.7 per cent in 2007, according to the most recent data from the Swiss Bankers Association.

"Switzerland is like a Silicon Valley for the manufacturing industry," said Deloitte partner Markus Koch. Given the higher cost base, no Swiss manufacturer would survive if it were not world leading or top quality, he said.

The focus on high-quality engineering allows companies to compete with cheaper products from emerging markets, even as the Swiss franc's 1.6 per cent advance against the euro from a 20-month low in January makes its exports more expensive. "We always have to be better than the others, that's the only way we can compete these days," said Ilona Illing, director of design at Lantal Textiles, a maker of business class

seats for Deutsche Lufthansa planes.

Global demand for air cushions that replace foams in airplane seats allowed Lantal, which morphed into an airplane seats manufacturer from making cheese cloths more than a century ago, to add 34 jobs last year.

Pressure to stay ahead has pushed Swiss companies from drugmaker Novartis to watchmaker Swatch to the top of the global rankings for 2012 patent applications. Universities such as Zurich's Swiss Federal Institute of Technology and a pro-business regulatory environment have helped make Switzerland a home for research hubs for US companies, including IBM and Google.

The growth in engineering and manufacturing helped to make up for job losses in the finance industry. In response to requests from regulators, Swiss banks have reduced their dependence on borrowed money and exited businesses that fail to deliver good returns. Banks employ 10,000 fewer people in Switzerland today than five years ago, says the banking employees' association.

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