



ECONOMIC STRUCTURE

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One of the most liberal and competitive economies in the world, Switzerland has always maintained close economic ties with other countries. A secure legal system, long-term stable fundamentals for investors, relatively little regulation, and the proximity to research institutions make it the location of choice in Europe for businesses offering high-quality products and services.

2.1 GROSS DOMESTIC PRODUCT AND INDUSTRY STRUCTURE

Switzerland's per capita gross domestic product is the second largest in the world (see Fig. 7). The per capita GDP was far above the EU average in 2017. The service sector generates some 70% of the gross domestic product. Comprising 25% of GDP, the industrial sector is also an important mainstay of the economy, the key sectors being chemicals, capital goods, and banking. The Swiss economy is strongly export-oriented; the ratio of export trade to the gross domestic product is one of the highest in the world. The EU plays a key role here, accounting for 53.8% of exports and 71.8% of imports. Small and medium-sized enterprises (SMEs) dominate the Swiss economic landscape. More than 99% of companies have fewer than 250 full-time employees. However, Switzerland is also home to multinational companies that account for around one third of the country's value creation. They employ 1.3 million people, with the result that one in three jobs is at a multinational concern. Employees are highly motivated, possess a keen sense of responsibility, and are very loyal to their company. These typical Swiss characteristics are responsible for the quality and service ethos in both the industrial and service sectors.

Gross Domestic Product per Capita (Nominal), 2017

in thousands of US dollars

(FIG. 7)

1	Luxembourg	108
2	Switzerland	81
3	Macau SAR	80
4	Norway	74
5	Iceland	73
6	Ireland	69
7	Qatar	61
8	USA	60
9	Denmark	56
11	Singapore	54
13	The Netherlands	48
17	Hong Kong	45
18	Canada	45
19	Germany	44
23	France	40
24	United Kingdom	39
25	Japan	39
27	Italy	32
68	Russia	10
69	Brazil	10
76	China	9

Source: IMF Online, 2017

More than 75% of people employed in Switzerland work in the service sector. The industrial sector accounts for nearly 22% (see Fig. 8). Although the industrial sector is increasingly diminishing in importance in advanced industrialized countries, in Switzerland the absolute number of people working in the secondary sector has remained stable for nearly 20 years.

Industry Structure and Shares of Workforce, 2017

(FIG. 8)

INDUSTRY	WORKFORCE (3 RD QUARTER 2017)	
	in 1,000	in %
Total (not including agriculture and forestry)	4,917.00	100%
Sector II Total	1,077.1	21.91%
Mining and mineral extraction	4.9	0.10%
Processing and manufacturing	678.4	13.80%
Energy	29.3	0.60%
Water supply and purification	18.8	0.38%
Construction	343.4	6.98%
Sector III Total	3,839.9	78.09%
Vehicle trading, maintenance, and repair	649.8	13.22%
Transport and warehousing	240.5	4.89%
Hospitality	250.6	5.10%
Information and communication	160.4	3.26%
Financial and insurance services	242.3	4.93%
Real estate and housing	60.6	1.23%
Professional, scientific, and technical occupations	408.9	8.32%
Other economic services	332.3	6.76%
Public administration	201.1	4.09%
Education	342.7	6.97%
Healthcare and social services	702.1	14.28%
Arts, entertainment and leisure	97.5	1.98%
Other services	152.0	3.09%

Source: Swiss Federal Statistical Office (FSO), employment statistics (BESTA)

In international competitiveness indexes, Switzerland has occupied one of the top spots for many years. In 2017, it took first place in the World Economic Forum (WEF) ranking for the ninth consecutive year (see Fig. 9). Switzerland scored highest for innovativeness, a strong education system, and a flexible labor market.

International Competitiveness Ranking, 2017

Overall score from 1 to 7

(FIG. 9)

1	Switzerland	5.86
2	USA	5.85
3	Singapore	5.71
4	The Netherlands	5.66
5	Germany	5.65
6	Hong Kong	5.53
7	Sweden	5.52
8	United Kingdom	5.51
9	Japan	5.49
10	Finland	5.49
18	Austria	5.25
19	Luxembourg	5.23
20	Belgium	5.23
22	France	5.18
24	Ireland	5.16
27	China	5.00
38	Russia	4.64
40	India	4.59
43	Italy	4.54

Source: WEF, The Global Competitiveness Report 2017 – 2018

Switzerland is also one of the world's leading innovators. In 2017, it was ranked as the world's most innovative country for the seventh consecutive year, leading the Global Innovation Index (see Fig. 10).

Global Innovation Index, 2017

Overall score from 0 to 100

(FIG. 10)

1	Switzerland	67.7
2	Sweden	63.8
3	The Netherlands	63.4
4	USA	61.4
5	United Kingdom	60.9
6	Denmark	58.7
7	Singapore	58.7
8	Finland	58.5
9	Germany	58.4
10	Ireland	58.1
12	Luxembourg	56.4
14	Japan	54.7
15	France	54.2
16	Hong Kong	53.9
18	Canada	53.7
22	China	52.5
29	Italy	47.0
45	Russia	38.8
60	India	35.5
69	Brazil	33.1

Source: INSEAD, The Global Innovation Index 2017

“Switzerland is the world’s most innovative country. It stands out primarily because of its innovation output, offering an ideal environment for innovation and proving its strength through the high maturity of the market and the economy.”

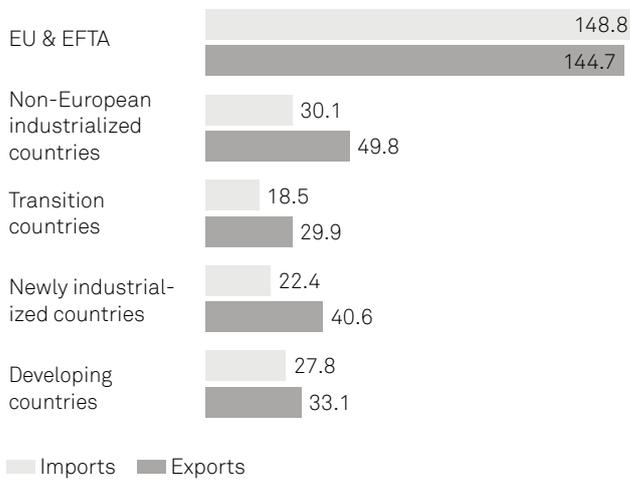
2.2 INTERNATIONAL INTEGRATION

As the Swiss domestic market is small and the country lacks natural resources (apart from water), Swiss companies have been forced to seek and cultivate abroad what have often been their key markets since the advent of industrial production. Due to this necessity to open the country to the outside, Switzerland is an important player in world trade. Exports make up around 33% of the gross domestic product. As a result, Switzerland has taken a leading role among the important exporters in world trade, with regard to both goods and services.

Foreign Trade by Economic Area, 2016

Imports and exports (billions CHF)

(FIG. 11)



Source: Swiss Customs Administration (EZV) 2017

2.2.1 Goods and Services Trade

Europe is by far Switzerland's most important trade partner (2016). Around 70% of all imports and over 50% of exports are traded with the EU. Germany has traditionally been Switzerland's most important buyer and also supplier, while Italy and France are its second and third most important suppliers. The USA is Switzerland's second largest trading partner, followed by China.

The classic example of a successful export-oriented branch of industry is what is known as Switzerland's "secret automobile and aviation industry" – a little-known network of highly specialized manufacturing companies and problem-solvers providing components for a range of areas, from precision and micromechanics to materials technology, plastics, and textiles. As technology and innovation leaders, these Swiss companies have been able to position themselves as reliable suppliers of quality and precision products.

Switzerland is a co-signatory of the WTO Agreement, and has continually championed market liberalization through free trade agreements, as a member of EFTA, and through bilateral agreements with the EU. As a result of its consistent market liberalization policy, Switzerland has become an efficient trading center and a market of economic significance – not only relative to its market size.

"Switzerland is an attractive location for foreign investors. At the end of 2015, foreign direct investments amounted to 833 billion Swiss francs."

2.2.2 Direct Investments

Switzerland's exposure to global markets is among the strongest of any country. At the end of 2015, direct investments abroad totaled 1,121 billion Swiss francs. Swiss companies with direct investments abroad employ around 3 million people in their foreign subsidiaries and operating units, and they are also important employers in Switzerland. Switzerland is among the top ten largest direct investors in the world. Switzerland is an important direct investor in the USA as well; in 2015, 18.3% of all Swiss direct investments were made in the USA, a total of 205,117 million Swiss francs.

Switzerland is also an attractive location for foreign investors, in particular from the EU (79.3% or 660,502 million Swiss francs) and the USA. The capital stock of U.S.-American investors in Switzerland is 11.7% or 97,814 million Swiss francs.

Direct Investments Capital Stock, 2015

(FIG. 12)

CAPITAL STOCK AT YEAR END, 2015	SWISS DIRECT INVESTMENTS ABROAD		FOREIGN DIRECT INVESTMENTS IN SWITZERLAND	
	CHF (millions)	in %	CHF (millions)	in %
Total	1,120,843	100.0%	833,193	100.0%
EU	544,939	48.6%	660,502	79.3%
United Kingdom	50,930	4.5%	38,137	4.6%
Germany	38,192	3.4%	25,011	3.0%
The Netherlands	121,944	10.9%	196,988	23.6%
Luxembourg	137,772	12.3%	202,112	24.3%
France	47,144	4.2%	40,301	4.8%
Italy	15,558	1.4%	4,342	0.5%
Spain	8,469	0.8%	10,246	1.2%
Austria	6,787	0.6%	62,597	7.5%
Rest of Europe	33,589	3.0%	10,736	1.3%
Offshore financial centers	19,196	1.7%	N/A	N/A
Russian Federation	9,328	0.8%	N/A	N/A
North America	246,629	22.0%	97,505	11.7%
USA	205,117	18.3%	97,814	11.7%
Canada	41,512	3.7%	-309	0.0%
Central and South America	150,246	13.4%	65,474	7.9%
Brazil	9,265	0.8%	N/A	N/A
Offshore financial centers	123,593	11.0%	67,359	8.1%
Asia, Africa + Oceania	145,440	13.0%	9,711	1.2%
Japan	9,379	0.8%	5,649	0.7%
Singapore	17,627	1.6%	N/A	N/A
China	20,020	1.8%	N/A	N/A
Hong Kong	6,894	0.6%	N/A	N/A
Taiwan	1,802	0.2%	N/A	N/A
India	4,779	0.4%	N/A	N/A
Australia	17,173	1.5%	N/A	N/A

Source: Swiss National Bank (SNB), 2017

2.3 KEY INDUSTRY CLUSTERS

From an economic perspective, clusters can be defined as networks of manufacturers, suppliers, research facilities (e.g. universities), service providers (e.g. designers and engineers), and related institutions (e.g. chambers of commerce) that have a certain regional proximity to one another and which are formed via a common relationship based on trade along a value chain (e.g. automotive manufacturing). The members of these clusters are connected by supply, competition, or common interests. These networks are referred to as clusters only if there is a large group of companies near to one another whose activities complement or are related to another along one or more value chains. Only then can a growth pool be formed that also attracts suppliers and specialized service providers, while generating competitive advantages for all companies involved.

Switzerland has several of these industry clusters, which are also important on an international scale. The key industry clusters in Switzerland will be briefly described over the next few pages. The figures provided are for reference purposes only, as the clusters sometimes overlap.

2.3.1 Life Sciences: Chemicals/Pharmaceuticals, Biotech, Medtech

Extremely successful global conglomerates such as Novartis, Roche, Syngenta, and smaller companies form a unique industrial cluster in north-western Switzerland, making the city of Basel and the surrounding region the national and international location of choice for pharmaceutical and chemical companies. The Swiss chemical-pharmaceutical industry is virtually exclusively active in specialty chemicals and is very internationally orientated. Approximately three-quarters of the product portfolio covers so-called “life science” products, i.e. products that intervene in the metabolic processes of living organisms, and 98% of sales are generated abroad. Chemical-pharmaceutical products are Switzerland’s most important export goods, accounting for around 40% of goods exports. Companies in the Swiss chemical-pharmaceutical industry have a leading worldwide position in many market sectors and employ around 44,200 people. The industry represents 4% of the gross domestic product. Only the metal and mechanical engineering industry is larger in Switzerland.

Owing to the ripple effect of pharmaceutical giants Novartis and Roche, as well as recent investments by international businesses such as CSL Behring, UCB Farchim, Glenmark, and Biogen Idec, unique biotech clusters have formed in the regions of Basel, Bern-Freiburg-Neuenburg, and around Lake Geneva. In 2017, the sector had a staff of over 15,300. Such a concentration of biotechnology companies is not to be found anywhere else in the world. Over half of Swiss biotech firms are small companies with less than 20 employees. They profit from the geographical proximity to large companies both in Switzerland and in its neighboring countries. Some well-known global players headquartered in Switzerland and which are industry leaders in Europe include Actelion, Amgen, Biogen Idec, Crucell, and Merck Serono.

The concentration of medical technology companies in Switzerland is also unusually high. The medtech sector consists of 1,350 companies, including approximately 300 manufacturers, 480 suppliers, over 220 distribution and sales companies, and 350 specialized service providers, which are mainly located in the Lake Geneva area, the Bern-Biel area, the Basel area, and the Zurich metropolitan area. 75% of all products manufactured in Switzerland are then exported, which makes up 5.2% of all Swiss exports. Sales in 2016 amounted to around 14.1 billion Swiss francs. Investment in research and development, growth rates, and profitability are all above average. In total, around 54,500 people are employed in medical technology. This corresponds to 1% of the working population – more than any other country (Germany: 0.4%, UK/EU/USA: 0.2%). The largest employer is Synthes, with the diagnostics division of Roche and Johnson & Johnson Medical following just behind it. Other global Swiss companies are Ypsomed, Sonova (hearing aids), and Straumann (dental implants). Some major foreign corporations worth mentioning are Zimmer Biomet, Medtronic, B. Braun, and Stryker.

www.s-ge.com/invest-lifesciences

Facts and figures on Switzerland as a life sciences location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.s-ge.com/invest-pharma

Facts and figures on Switzerland as a pharma location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.s-ge.com/biotech

Facts and figures on Switzerland as a biotech location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.s-ge.com/medtech

Facts and figures on Switzerland as a medical technology location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.scienceindustries.ch

Swiss industry association for chemicals, pharma, biotech
Languages: German, English, French

www.swiss-medtech.ch

Swiss medical technology association
Languages: German, English, French

2.3.2 Machinery, Electrical Engineering, and Metals Industry

The machinery, electrical engineering, and metals industry (MEM) sector is the largest industrial sector and holds a key position in the Swiss economy with 320,000 employees. In 2016, the MEM industry's share of value creation amounted to about 7.4%.

Countless companies of the Swiss MEM industry have a leading international role in their sub-sectors. Around 80% of products from the MEM industry are exported and the industry contributes 35% to total Swiss exports.

Large companies in the metal and mechanical engineering industry well-known names such as OC Oerlikon, Rieter, Schindler, and ABB are present in almost every canton. Particularly in the cantons of Zurich, Aargovia, Ticino, and Valais, in the Rhine Valley, as well as in central Switzerland, growth is among the strongest in the world. Most companies focus on innovation and quality in order to compete with cheaper locations and maintain and expand their global market position. Today, this branch of industry is able to compete on the international stage, thanks to well-advanced restructuring and to the use of new technologies.

The Swiss watch industry is primarily located in the Jura region stretching from Geneva to Schaffhausen (called the "watchmaker belt"). There are also individual sites in Mittelland, Ticino, and Valais; Geneva, Biel, and La Chaux-de-Fonds are three watchmaking centers. Companies such as the Swatch Group, IWC Schaffhausen, Rolex SA, Richemont SA, and the LVMH Group are headquartered here. The Swiss watch industry makes products whose high degree of mechanization makes a strongly demarcated division of labor possible. As a result, the sector generally comprises small and medium-sized enterprises, averaging just under 70 employees per company. Around 700 companies employ 59,000 people (as of 2017). 95% of all employees and businesses are located in the nine cantons of the Jura region, resulting in a watch industry cluster. Particularly in the luxury segment, the world market position of Swiss watchmakers is excellent. 95% of all watches are exported. The total value of Swiss watch exports was 19.4 billion Swiss francs in 2016.

The availability of highly qualified staff with professional know-how has resulted in the relocation to this area of more and more companies outside the watchmaking industry which require similar technology for their production. In particular, this "precision cluster" includes medical technology, which has significantly expanded its presence in the region in recent years. A cluster strongly orientated to micromechanics and optics has also formed in eastern Switzerland and the Bern region.

www.s-ge.com/invest-mem

Facts and figures on Switzerland as an MEM location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.swissmem.ch

Association of the Swiss mechanical, electrical engineering and metal industry (MEM)
Languages: German, English, French, Italian

www.fhs.swiss

Federation of the Swiss Watch Industry (FH)
Languages: English, French, Chinese, Japanese

2.3.3 Information and Communication Technology

Switzerland occupies a leading position with regard to the development of infrastructure for the information society. According to the OECD, Switzerland is in first place worldwide, ahead of the Netherlands and Denmark, with over 50% of inhabitants having a fixed-line high-speed Internet connection (see Fig. 47, Section 11.2). More than 85% of over-14s use the Internet. The World Economic Forum "Networked Readiness Index 2016" placed Switzerland in seventh place behind Singapore, Finland, Sweden, Norway, the USA, and the Netherlands. With 210,800 working in the field of information and communication technology (ICT), the ICT field is the sixth largest area in Switzerland (2015).

Several distinguished companies from the IT sector have established locations in the Zurich-Lake Constance area, in the vicinity of the Swiss Federal Institute of Technology Zurich, its research facilities, and the University of Zurich, such as IBM, Google, and Microsoft. Proximity to these universities was a key factor in their choice of location. Other IT centers have emerged in Bern and Lucerne. Swiss IT companies such as Noser Engineering and Coresystems AG are leaders in their markets. Some of the largest employers in the sector are foreign companies such as Siemens, Dell, HP, and Reuters. One important criterion encouraging foreign IT firms to settle in Switzerland is the extremely well educated, technically experienced, and often multilingual workforce.

www.s-ge.com/invest-ict

Facts and figures on Switzerland as an ICT location
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.s-ge.com/data-centers

Facts and figures on data centers in Switzerland
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.bakom.admin.ch

Federal Office of Communications (OFCOM)
Languages: German, English, French, Italian

www.ictswitzerland.ch

Umbrella association of the Swiss ICT industry
Languages: German, English

www.digitalswitzerland.com

National initiative for making Switzerland a leading digital innovation hub
Language: English

2.3.4 Cleantech

Cleantech comprises technologies, processes, and goods and services that have the aim of reducing environmental pollution and allowing the sustainable use of natural resources and systems. Cleantech is applied in all sectors of the economy and affects the entire value chain. As a small country with limited resources, Switzerland has been concerned with environmental protection from an early stage. Waste collection, Minergie standards, connection to sewage treatment plants, the energy recovery of all waste, and other measures are a matter of course for the Swiss population. Legislation and regulations at a high level have forced industrial solutions and led to many years of valuable experience. This constantly yields new and innovative developments. Nowadays the work of an estimated 530,000 employees is associated with the cleantech sector, 5.5% of all jobs. The gross value added is 49 billion Swiss francs, which comprises 4.2% of the gross domestic product. 38% of Swiss cleantech companies export products and services. The sector is characterized by a heterogeneous corporate landscape, ranging from start-up/spin-off companies to large multinational groups.

www.s-ge.com/cleantech

Export Promotion Cleantech

Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

cube.s-ge.com

Official database of Swiss cleantech companies

Language: English

www.cleantech.admin.ch

Official information about cleantech

Languages: German, English, French, Italian

www.swisscleantech.ch

Association of the Swiss cleantech industry

Languages: German, French

2.3.5 Company Headquarters

Switzerland is a vital center for the global and regional headquarters of foreign companies. While European firms have their global headquarters in Switzerland, U.S. companies tend to open their regional headquarters here. According to a 2016 study by KPMG, more than 850 international companies have their headquarters or other core functions in Switzerland. Nearly 75% of these companies are from North America and Europe, followed by Japan (11%), China (4%), and the rest of the Asia-Pacific region. Prominent examples such as eBay, Biogen, Bombardier, General Motors, Nissan, Sony, Google, IBM, and Mondelez show the attractiveness of Switzerland as a location for company headquarters.

Some key criteria in the choice of location include the favorable tax environment, the availability of qualified staff, a high quality of life, and the advantageous geographic location. Neutrality in an economic sense is also important. All the major European markets are comfortable having a Swiss main office. Switzerland also scores highly in stability, legal certainty, and the safety of people and the environment. Companies also value the high standard of living and the quality of the education system. Other advantages include proximity to research facilities and clients and reliable double-taxation agreements. Switzerland is also perfectly suited as a test market because it offers the widest possible variety in a small area.

“Upwards of 850 international companies have headquarters in Switzerland.”

2.3.6 Financial Services

The Swiss financial center is an important element of the economy as well as a world-class cluster. In Switzerland there are some 260 banks, 200 insurance companies, and 1,800 pension funds. The majority of the financial institutions are located in Zurich, Geneva, Basel, and Lugano. In 2016, direct value creation by banks and insurance companies amounted to around 60 billion Swiss francs, with banks and insurance companies each contributing 30 billion Swiss francs. This corresponds to about 9.4% of the entire Swiss gross domestic product. Nearly 214,000 employees work in the financial sector (full-time equivalent), which is about 5.6% of the entire working population in Switzerland. Around 144,000 of these employees work at banks, while roughly 70,000 work in the insurance industry. The importance of the financial industry is also reflected in the courses offered by universities. Thanks to the “Swiss Finance Institute” – a collaborative effort between financial institutions and leading Swiss universities – education and financial research are guaranteed.

From an international perspective, the Swiss banking center is regarded very highly and is extremely competitive. Innovativeness, professionalism, and quality set Swiss banks apart. Their core competency is asset management. With a fourth of the world’s global cross-border investments, Switzerland is the market leader in cross-border private banking. In addition to the two major globally active banks, UBS and Credit Suisse, there are numerous regional and specialized institutions. This diversity is one of Switzerland’s major strengths as a banking center, because it guarantees that every customer will find the right Swiss bank for every need.

The key factors for success and the basic conditions for the insurance industry include a high per capita income, a strong need for security, a solidly structured old-age pension system, an open and internationally networked insurance center, a credible regulatory environment, and international know-how in the reinsurance business.

For more information and links relating to banking, see page 96 onward.

www.s-ge.com/financial-center

Facts and figures on Switzerland as a financial center
Languages: German, English, French, Italian, Spanish, Portuguese, Russian, Chinese, Japanese

www.swissbanking.org

Swiss Bankers Association
Languages: German, English, French, Italian

www.svv.ch

Swiss Insurance Association
Languages: German, English, French

2.3.7 Trading and Resources

Switzerland is one of the world’s most important commodities trading platforms. Around one third of global trade in crude oil products is transacted via Geneva. Regarding the trade in grain, oilseed, and cotton, Geneva is first in the world and first in Europe in sugar trading. Zug is a hub for trade in mining products. At first glance, such a prominent position may seem surprising because Switzerland is a landlocked country with very few natural resources. But because of its central location, it has been a major crossroads for various trade routes since the early days of international trade in coffee and cotton. Later, the Swiss financial center became

a hub for international trade due to its traditional locational advantages. In addition to comparatively low taxes, trading companies value its central location, good infrastructure, and connections with other countries.

Also important for the Swiss economy are the numerous commodities-related services based here, such as insurance, law firms, consulting companies, trust and fiduciary companies, and freight and security businesses. Major Swiss banks and cantonal banks as well as various foreign banks have specialized in financing commodities trading in the regional hubs. They finance the purchase of raw materials, guarantee the seamless processing of transactions, and offer protection against operational and credit risks. All in all, commodities trading amounts to around 4% of Switzerland’s GDP.

In recent years trade in commodities has continually risen in importance. On the list of the largest Swiss companies (2017), there are four commodities companies in the top five: Glencore International (1), Vitol (2), Cargill International (3), and Trafigura (4).

www.stsa.swiss

Swiss federation for commodities trading and shipping and navigation
Languages: German, English, French, Italian

www.vsig.ch

Umbrella organization of Swiss trading companies
Languages: German, French

www.lcta.ch

Lugano Commodity Trading Association
Languages: English, Italian, Russian

www.zugcommodity.ch

Zug Commodity Association (ZCA)
Language: English