

Switzerland

The financial sector, and particularly the banking sector, is one of the cornerstones of the Swiss economy. Its direct contribution to Switzerland's gross value added is 9.4%. As of year-end 2021, there were 239 banks with 2,451 branches and 6,774 ATMs in Switzerland. In addition, banks in Switzerland dispose of 172 branches abroad.

The sector is very diverse with banks differing in size, business model, ownership structure and regional orientation. They include four major banks, 24 cantonal banks, 36 stock exchange banks, one Raiffeisenbank and 59 regional and savings banks. The rest is split between private banks, foreign controlled banks and foreign branches in Switzerland, among others.

Banks contribute to Switzerland's international top competitiveness rank by catalysing economic development, offering a large number of skilled jobs, paying above-average salaries and having a considerable share of public-sector funding in taxes. The rapid deployment of Covid-19 credits by the Swiss banks in March 2020 was a significant factor to counter the economic downturn caused by the pandemic. The bank's swift response has proven useful also throughout 2021.

However, the challenges currently faced by banks in Switzerland are in fact manifold: high regulatory costs; shrinking margins; price-sensitive customers; restricted access to foreign markets; rising competition from both financial and non-financial actors and continuing negative interest rates. Overall, Swiss banks remain affected by the negative interest rates. Interest rates on banks' sight deposits at the Swiss National Bank, which exceed an exemption threshold, remain negative at -0.75%. By the end of 2021, an end of the low rates' regime was not in sight due to the persisting upward pressure on the Swiss franc.

Despite considerable headwinds, the Swiss banking sector is in good shape. The stability-related homework is done, service quality meets the highest standards, but profitability needs to be increased. Banks in Switzerland are now primarily focusing on digital innovation in order to develop new business models and to improve internal efficiency and cost structures. Furthermore, the Swiss FinTech landscape has increased significantly, to now over 384 FinTech companies. Almost 30% of them are active in the field of Distributed Ledger Technology. In 2021, the Swiss Financial Market Supervisory Authority approved the first independent marketplace for digital assets in the world, the first Swiss DLT-based stock exchange and the first Swiss crypto fund.

Almost half of the CHF 8,830 billion (€8,919 billion) assets currently managed by Swiss banks originated abroad. With a market share of 22% Switzerland is the global leader in the field of cross-border private wealth management business.

The banks' lending business remains key for the economic development of Switzerland, especially for SME which employ around 67% of the labour force in Switzerland. Swiss SMEs that make use of external capital primarily rely on bank financing. Over 90% of the companies that applied for a bank loan received an approval. The total outstanding domestic credit volume in 2021 rose moderately to CHF 1,294 billion (€1,307 billion) of which CHF 1,111 billion (€1,122 billion) are attributable to domestic mortgage lending.

Clients with banks and securities dealers that are authorised by the Swiss financial market authority FINMA, are covered by a depositor protection scheme. If a bank or securities dealer is declared bankrupt, deposits up to a maximum of CHF 100,000 per client, are secured. This applies to all deposits, including those made at foreign branches.

The aggregate balance sheet of all the banks in Switzerland amounts to CHF 3,587.8 billion in 2021 (€3,624 billion). The economic contribution of banks remains high, since banks are important consumers of goods and services.

Before the Covid-19 pandemic, Switzerland's economy showed continuous growth and a low unemployment rate. In 2020, real gross domestic product (GDP) declined by 2.4, followed by a strong rebound. Compared with those of other countries, the Swiss economy has withstood the COVID-19 pandemic well to date. The protective measures were gradually eased in 2021, leading to a strong economic recovery and a fall in unemployment. By the end of 2021, Swiss economic output had already risen above the level seen in the fourth quarter of 2019. The average unemployment rate for Switzerland in 2021 also has fallen back to pre-pandemic levels at 2.6%.

Alongside the CHF 39.9 billion (€40.4.4 billion) generated by the Swiss banking sector in 2021, the indirect effects create an additional CHF 17.6 billion (€17.8 billion) of value added in other sectors, leading to a total of 8.1% share of Switzerland's gross value added.

In 2021, the financial sector paid CHF 19.9 billion (€20.1 billion) in direct and indirect taxes. Approximately 13% of all tax receipts can be attributed to the financial sector.

In 2021, Swiss banks employed 107,478 people (FTE), of which 90,591 were employed in Switzerland. Most of them are employed at one of the four large banks (25.3%), followed by cantonal banks (20%). The proportion of women employed at Swiss banks stood at 38.3%.