

Jean-Pierre Roth: The Swiss economy and financial centre – successes and new challenges

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank and Chairman of the Board of Directors of the Bank for International Settlements, at the Handelskammer Schweiz-Österreich und Liechtenstein (Foreign Trade Chamber for Switzerland-Austria and Liechtenstein), Vienna, 25 February 2008.

The complete speech can be found in German on the Swiss National Bank's website (www.snb.ch).

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Mid-2003 saw the start of a remarkable, broad-based economic upswing in Switzerland which is still underway, even if business cycle uncertainty has increased in the recent period. A number of factors indicate that the long-term growth outlook, too, has improved for Switzerland. These factors include the increasing globalisation of our economy and the opening up of the labour market to the EU. The Swiss economy is participating in globalisation through increased direct investment as well as growing foreign trade. At the same time, there is more competition on the domestic goods market, although a fair bit still remains to be done in this area to complement the opening up of the labour market to the EU.

Globalisation and market opening present companies and economic policymakers with challenges that become particularly acute when setbacks occur – as in the case of the current international financial market turbulence. Although the international money markets have now calmed somewhat, we have not yet seen the end of the turmoil on the financial markets – neither for the financial institutions involved nor for the international economy.

After four years of strong growth and low inflation, this means more difficult times ahead for the Swiss economy. Due to the turbulence on the financial markets, the economic outlook has become more uncertain while, at the same time, inflationary pressure has heightened over the past few months – not such a comfortable position for a central bank. A positive element remains the achievements of the past few years, which have laid the foundations for a higher long-term growth trend. These need to be further improved in order to retain Switzerland as a dynamic business location.