

Economic Impact of the Swiss Financial Sector

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Executive Summary 2024

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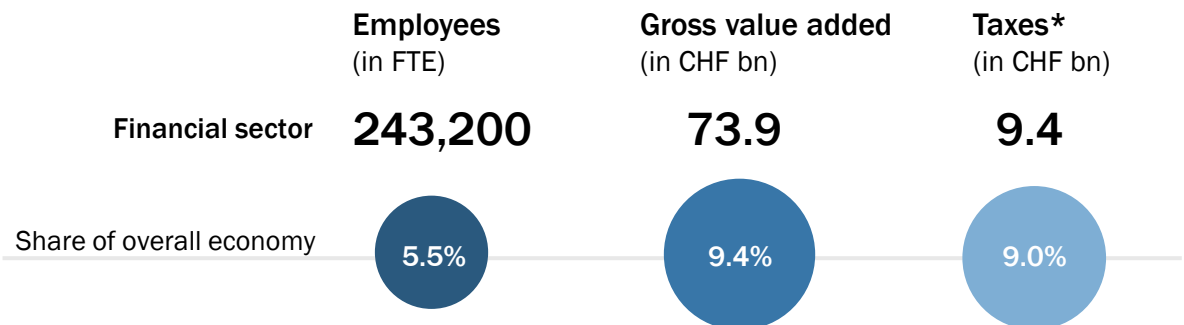
Executive Summary

The financial sector provides a wide range of financial services in Switzerland and abroad. In addition to offering a range of essential services (bank accounts, loans and insurance), Switzerland has established significant international hubs for cross-border wealth management and reinsurance. In 2023, banking services accounted for 16.0 per cent and insurance services for 6.4 per cent of Swiss exports of services. The provision of financial services in Switzerland and abroad generated gross value added of CHF 108.4 billion along the entire value chain in 2023 (directly and indirectly), associated with 479,300 employees (full-time equivalents, FTE).

The financial sector is a cornerstone of the Swiss economy

Financial sector companies are vital to an economy because, among other things, they ensure payment transactions, enable a more efficient allocation of capital and reduce the financial and personal risks of companies and individuals. Their services are not only provided domestically, but also exported to other countries. Switzerland has established itself as a key international hub in areas such as cross-border wealth management and reinsurance. In 2023, banking services accounted for 16.0 per cent and insurance services for 6.4 per cent of Swiss exports of services. With the provision of financial services in Switzerland and abroad, the 243,200 employees (FTE) working in the financial sector generated direct gross value added of CHF 73.9 billion in 2023. 5.5 per cent of employees (FTE) in Switzerland were thus directly attributable to the financial sector. In terms of gross value added, the share of the overall economy is significantly higher at 9.4 per cent, which is due to the above-average level of productivity. Tax revenue is the most important source of income for the Confederation, cantons and municipalities to finance state services. The taxation of employee income and the profits of companies in the financial sector generated substantial fiscal revenue of CHF 9.4 billion for the federal government, cantons and municipalities in 2023. This corresponds to 9.0 per cent of tax revenue in Switzerland, which is generated through the direct taxation of individuals and legal entities.

The direct economic effects of the financial sector in 2023



*refers in the case of taxes to the share of direct taxes of individuals and legal entities.
Source: BAK Economics

The financial sector stimulates economic activity in other sectors

To enable companies in the financial sector to concentrate on their core competences when providing their financial services, they demand external services, such as in consulting or IT and thereby trigger economic activities in industries outside the financial sector. In addition, employees in the financial sector contribute to gross value added in trade and commerce through their consumer spending. Taking these effects into account, gross value added totaled CHF 108.4 billion in 2023 and 479,300 employees (FTE) in the Swiss economy were directly or indirectly attributable to the activities of the financial sector. In addition, substantial fiscal revenues of CHF 20.7 billion are linked to the financial sector for the public sector. The fiscal income results from the direct taxes associated with the value added effects as well as financial market-related taxes. Fiscal income can be used, for example, to finance federal expenditure on education and research (CHF 7.7 billion) and that of the cantons and municipalities for transport (CHF 11 billion).

The direct and indirect economic effects of the financial sector in 2023

	Direct	Indirect	Total	Overall economy	Share direct	Share total
Employees (in FTE)	243,200	236,100	479,300	4,439,700	5.5%	10.8%
Gross value added (in CHF bn)	73.9	34.5	108.4	783.2	9.4%	13.8%
Taxes* (in CHF bn)	9.4	11.3	20.7	164.3	9.0%	12.6%

Share direct of overall economy refers to the direct effects. Share total of overall economy refers to the sum of direct and indirect effects. Direct and indirect taxes are set in relation to the total fiscal revenues of the Confederation, cantons and municipalities. Direct taxes in relation to the direct taxes of individuals and legal entities.

*The indirect effects of taxes are inclusive of financial market-related taxes.

Source: BAK Economics

Outlook: Dynamic development expected in the financial sector

In the current year, weak foreign demand, high global uncertainty and the appreciation of the Swiss franc are dampening the economic recovery in the industrial sector. As a result, overall economic growth (+1.4%) is moderate. Despite the weak economic trend, companies are continuing to recruit and hire workers (FTE employees 2024: +1.4%).

The banks are expecting growth in commission business in the current year. Demand for credit is also expected to remain stable. The strong growth in real gross value added (+3.6%) in 2024 also includes counter-effects to the declines in previous years. Weaker growth (+1.8%) is therefore expected for 2025. The integration of Credit Suisse into UBS will be accompanied by job cuts and will impact the banks' employment trend (2024: -0.6%, 2025: -1.1%).

Due to high claims payments in the past and economic uncertainty, insurance companies find themselves in a 'hard market' in which high demand meets scarce supply. An increase in insurance volume is therefore expected, which will have a positive impact on the development of real gross value added (2024: 3.5%, 2025: 2.5%).



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BAK Economics AG (BAK) is an independent Swiss economic research and consulting institute. Founded as a spin-off of the University of Basel, BAK has stood for the combination of scientifically based empirical analysis and its practical implementation since 1980.

One of BAK's research focuses is economic analyses of the sectors of the Swiss economy. For these, BAK has developed a broad set of analysis and modeling tools, including Economic Footprint analyses.

In addition to classical economic research, BAK also offers various economic consulting services for companies. The broad model and analysis infrastructure serves as a starting point for in-depth analyses of company-specific issues and the development of solutions in the area of planning and strategy development.