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The Current Economic Situation

The Geneva Financial Center has been conducting an economic survey of its banks and independent wealth managers since 2002. The results obtained mirror their analysis and perception of the progress of their business environment and the outlook for the Financial Center.

At the end of September 2022, the banking sector comprised 87 banks present in Geneva and employed more than 17,000 staff. More specifically, there were 22 commercial and wealth management banks and 50 foreign-owned banks. There were also over 700 independent wealth managers, more than 3,000 financial intermediaries, just under 500 insurance companies, over 1,300 trustees and accountants and more than 600 law firms and notary's offices. This great diversity allows the financial centre in the broad sense of the term to generate 38,000 jobs (6.5% more compared to the previous statistics dating from 2020). The financial sector accounts for nearly 12.4% of Geneva's gross domestic product (GDP).

The results of the 2022-2023 economic survey underline the strength and resilience of the players in the banking and financial services industries in Geneva in the face of geopolitical, energy and fiscal uncertainties.

In the first half of 2022, the majority of banking institutions and independent wealth managers reported higher net profits, with growth of more than 15% for over one-third of them. However, the big banks with more than 200 employees are more cautious as profits are slowing. This is hardly surprising given the short-term economic background. On the one hand, the first six months of 2022 were still severely affected by the health crisis. While the situation was considerably better in Europe, it deteriorated in China with a direct impact of the "zero Covid" strategy on that country's output. On the other hand, this period was characterized by a major geopolitical crisis, namely the war in Ukraine which broke out on February 24, 2022 (see p. 7). The economic survey

therefore reflects this growing uncertainty, as well as relative resistance in the business climate.

This ambivalence is particularly apparent in wealth management activity, one of the three pillars of the Geneva Financial Center, together with commercial and retail banking, and commodity trade financing.

In general, the volume of assets under management is falling. The majority of banking institutions and two-thirds of independent wealth managers have seen a decline in their assets under management. This is mainly attributable to the stock markets, suffering the full impact of the war in Ukraine.

The state of health of the Geneva Financial Center can also be measured by the trend in net capital inflows. In a particularly challenging environment for investors, there are still several positive signs. Net capital inflows are generally stable. The Middle East and Asia remain key regions with rising fund transfers. European clients are also finding the Geneva Center attractive again. The two years of pandemic and the war in Ukraine have shaped a new and more fragmented world order. For twenty years, inflation remained weak and interest rates low, even negative. Today, this environment has given way to high inflation and rising interest rates, helping to offset the effects of a reduction in the volume of assets under management linked to market variations.

Players in the banking and financial services industries remained cautious in the second half of 2022. Against the background of the economic sanctions imposed on Russia (see p. 7), Switzerland has endorsed the packages of measures imposed by the European Union (EU). In applying



Following record results in 2021, optimism in the year 2022 has been cautious, due to the destabilization of the financial markets



these measures, the Swiss banks worked hard to analyse their databases and draw up a list of the persons and entities liable for sanctions. The 2022-2023 economic survey shows that the impact on players in the Geneva Financial Center is negligible as the majority of these clients are dealt with from Zurich.

Apart from the economic sanctions against Russia, the outbreak of the war in Ukraine led to even greater shocks on the energy markets. In order to guarantee the continuity of its operations, the banking sector did its utmost to ensure that its clients' assets would remain safe and accessible in the event of an energy shortage (see p. 9). However, the financial system is not an island and also depends on the resilience of its counterparts in other countries.

This interconnection likewise applies to access to foreign markets. In the case of private or institutional wealth management, access to the European market in particular remains a strategic priority to maintain employments, especially for those on the "front line" on Swiss territory. As was the case in 2021, Luxembourg remains the privileged destination for the transfer of activities abroad. It is therefore essential for Berne to resume negotiations with Brussels in an effort to make progress on the many issues that are key to prosperity and employment in our country (see p. 17).

In the light of the above factors, the players in the banking and financial sectors expect 2023 to be a difficult year, except for employment where stability is expected. This attitude is explained in large measure by the short-term economic forecasts made by the State Secretariat for Economic Affairs

(SECO) which expects lower than average Swiss economic growth, a tense energy situation in Europe, high international inflation and tighter monetary policy. This anticipation of weak global demand will affect Swiss exporting sectors of which the financial sector is one. In a nutshell, inflation is enemy number one.

Taxation was at the forefront of the 2022-2023 economic survey. This topic overshadows all others at cantonal and federal level. However, 2023 is a pivotal year for the fiscal competitiveness of Switzerland in general and Geneva in particular. For the latter, the wave of new draft laws and initiatives on taxation creates a climate of uncertainty that is detrimental to the canton's attractiveness (see p. 15).

In this environment, which is challenging to say the least, the Financial Center continues to grasp opportunities in the field of sustainable finance. This is clearly in the forefront of the areas that need to be strengthened, ahead of fintech. According to the banks and independent wealth managers, two factors will contribute to the success of the green transition: the development of sustainable investment products and solutions, and the development of incentivizing regulation and international common standards. Consequently, the banking sector, under the aegis of the Swiss Bankers' Association (SBA) and the asset managers, led by the Asset Management Association Switzerland (AMAS), have defined four priorities in order to give momentum to this development and expedite its implementation: incentivizing regulation, staff training, reliable data and transparency (see p. 20).

The development of sustainable investment products and solutions, drafting of incentivizing regulation and international common standards are the keys to a successful green transition