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The Current Economic Situation

The Geneva Financial Center has been conducting an economic survey of banks and independent managers in the Center since 2002. The results obtained reflect their opinions and perception of the progress of their business environment and the outlook for the financial center.
The outcomes of the 2020-2021 economic survey show that financial intermediaries remain a resilient pillar of the Geneva economy, contributing over 13% of cantonal GDP, in the face of a challenging situation which is putting pressure on their margins.

After a difficult first half, which saw the net profit of a majority of banks and wealth managers decline, the second half of 2020 benefited from a return to profitability, in particular with more assets under management. A number of factors explain this difficult start to the year. Firstly, increased pressure on margins, negative interest rates and slightly higher costs impacted the profitability of financial players. Secondly, the results for the first six months suffered from market volatility and the concern of the majority of clients who were destabilised by the sudden emergence of the Covid-19 pandemic and the uncertainties over its progression.

In wealth management, one of the three pillars of the Geneva Financial Center, alongside commercial and retail banking and commodity trade finance, several rising indicators confirm the dynamism and attractiveness of the Financial Center. The market share figures for cross-border private wealth management published regularly by the Boston Consulting Group emphasise Switzerland's importance in this sector. Despite an increasingly competitive environment, the Swiss Financial Center retains its leadership position with a market share of 25%. The increase in net fund inflows in the first half of 2020 is a sure sign of renewed confidence, with the Middle East and Asia remaining key geographical areas. Conversely, Europe is still the most complex market and is becoming less attractive.

Against this background, whether it is for private or institutional wealth management, access to the European market remains a strategic priority to maintain jobs, especially front-line jobs, on Swiss territory. In fact, Luxembourg continues to be seen as the preferred destination when activities are transferred abroad. All eyes are therefore on the Federal Council and the European Union whose discussions will determine whether progress can be made on the issue of market access (see page 14).

When it comes to employment, the news is reassuring. Operators in the banking sector employed 17,366 persons at the end of 2020, compared with 18,342 at the end of 2017, a fall of 5.3%. The financial center in the wider sense generated 35,617 jobs in the same period. This figure is marginally higher than in 2017, when there were 35,582 jobs. These statistics reflect the enormous resilience of the Geneva financial center. They also show that there is a direct relationship between the banking sector and the financial sector in the wider sense. The majority of employees who

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Pandemic and financial center: national mobilisation is crucial

had unfortunately lost their jobs in banking have managed to find new employment with another company in the financial ecosystem.

More specifically, IT technology has seen its staff numbers increase in response to the digitisation of the financial sector. This demonstrates the commitment and investments made by financial players to complete the digital transition.

In the economic survey, the banks and independent wealth managers view these results with humility. They are cautious in 2021 because of the uncertain outlook in the wake of the Covid-19 pandemic and the market volatility that is likely to impact employment as well as profitability. In the wealth management sector, the efforts made for some years to meet the needs of clients who are becoming increasingly aware of sustainability will play a key role. The ongoing search for investment solutions in line with climate change consequently remains a key concern (see page 17).

The 2020-2021 economic survey leads to the following conclusion: the financial center is one of the sectors which have weathered the storm in 2020 most successfully. This finding is based on several factors. Firstly, as the Swiss National Bank (SNB) points out, Swiss banks are well endowed with equity, which enables them to manage the greater risks resulting from economic difficulties associated with the pandemic. In addition, the financial center has a good reputation abroad which helps reassure foreign investors. Lastly, due to its budgetary rigour, Switzerland enjoys robust financial health for which other countries envy us.

A KPMG study completed in July 2020, entitled "Clarity on Swiss Taxes, Securing Switzerland's attractiveness as a business location" provides a key insight into an assessment of the factors which might enable Switzerland and Geneva to emerge from the crisis less painfully. KPMG reviews the dimensions which contribute to the overall attractiveness of an economic centre. A democratic system, open markets, flexible employment contract legislation and legal certainty are some of the factors that fall into this category. Switzerland's highly developed innovation capability and its ability to attract talent are other central factors. This survey underlines the great flexibility shown by our country in responding to pressures for change.

This snapshot of the Geneva financial ecosystem taken in the summer of 2020 is particularly important in view of the impact of the Covid-19 pandemic on the economy. Some Swiss companies were shut down for many weeks and even months. In this context, the strength of the financial sector plays a vital role in the implementation of the economic policy measures decided by the Swiss federal government.

The Covid-19 credits programme devised by the Swiss federal government and the banks during the first wave of the pandemic came into effect in March 2020, on the basis of an emergency ordinance, and came to an end in late July 2020. The participating banks granted more than 136,000 Covid-19 credits throughout Swiss territory, with a total volume of just under CHF 17 billion. The branch thus made a substantial contribution to supporting SMEs that were confronted with a cash shortfall because of the pandemic.

On December 19, 2020, this emergency ordinance was transposed into ordinary law in the Covid-19 Joint and Several Guarantee Act. Unfortunately, this legislation has been contested by a referendum, which the Swiss people will be called on to decide on June 13, 2021.

In 2020, the financial sector has demonstrated its ability to mobilise to meet the needs of the economy and the Swiss population by cooperating closely with the Swiss federal government, FINMA, the SNB and politicians to deal with an unprecedented health and economic crisis.