# THE CURRENT ECONOMIC SITUATION

The Global Financial Centres Index, published twice a year since 2007 by a British think tank, ranks the world's 80 largest international financial centers according to their competitiveness. New York, London, Hong Kong and Singapore consistently top the list. For many years, Switzerland played an important role as an international center. It was ranked the top financial center on the European continent, but changes to its position in the index over time show that nothing should ever be taken for granted.

In September 2014, Geneva dropped 4 notches to 13th position on the list, thereby falling out of the top 10 (see p. 31). It is true that all European financial centers were downgraded (Zurich dropped 2 notches to 7th place and Luxembourg dropped 3 notches to 15th place), a trend that was especially pronounced amongst offshore centers (Jersey tumbled from 41st to 62nd place and Guernsey plummeted 25 notches to 67th place). Geneva's fall in the rankings was mainly due to regulatory and government actions that were perceived as detrimental to the financial industry. In other words, framework conditions for the industry have worsened and it remains unclear whether the Government is truly committed to improving them.

Geneva ranks lower than Zurich for the simple reason that these two cities compete in different leagues. Whereas Zurich is regarded as a "global leader", Geneva is still perceived as a "global specialist".

The results of the 2014-15 economic survey conducted by the Geneva Financial Center between June and September 2014 confirm this less than positive news. Adjustments that were begun in 2013 have yet to be completed and financial intermediaries remain conservative in their forecasts on jobs and profits.

Job market indicators generally reflect the overall health of the economy and its level of activity, but do not react immediately to economic changes. This explains why almost 300 jobs were created in the banking sector in 2014. The fact that most of this growth was attributable to front office and corporate functions, including legal and compliance, shows the influence that the recent wave of regulation has had on employment trends in the banking sector. As most of these new jobs are in cost centers rather than profit centers, this will undoubtedly affect margins.

Geneva is still well positioned in the rapidly growing wealth management segment, a cross-border activity that is concentrated in Singapore and Hong Kong in Asia, and Switzerland and London in Europe. The Boston Consulting Group and McKinsey both predict that this growth will generate significant profits in 2016 and 2017. However, this sector is essentially an export industry. In Switzerland, its growth is heavily influenced by stock markets, the strength of the Swiss franc and access to foreign markets. Investors are predominantly seeking investment opportunities that offer both security and high returns. This can only be achieved in financial centers where large amounts of capital and highly specialized skills are concentrated.

This model, which is predicated on free movement of capital, was rocked to its foundations by the financial crisis. In October 2013, the British newspaper "The Economist" described the insidious manner in which globalization is being called into question following the financial crisis. Rampant protectionism is taking hold in the form of increasingly stringent regulations and capital controls. These developments pose a serious risk to Geneva. The priority for the Geneva financial center is to preserve access to foreign markets, especially in the European Union, where around 40% of its clients are located. Failure to find a solution at an institutional level may mean that jobs move abroad. In this regard, the 2014-15 survey reveals that London and Hong Kong would be very popular choices if this move were to occur. It is clearly in Switzerland's best interests to keep as much know-how and added value as possible in the country. In this regard, it is important to distinguish between Swiss banks, which may be active anywhere in the world, and banks in Switzerland, which create jobs on Swiss territory.

The recent disappearance of several banks is another telling development. Since 2012, 18 financial institutions in Geneva have either closed down or merged with other banks. In this context, the arrival of the Brazilian group BTG Pactuall, the Banque du Léman and the British online trading group IG Bank sends a positive signal.

Although economic forecasts are conservative, Geneva has all the requirements for success. Its financial center is recognized by its peers and its reputation abroad is excellent. The GFC will continue to pursue its mission of promoting these strengths through its lobbying, promotion and communication campaigns.