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## The Current Economic Situation

The Geneva Financial Center (GFC) has conducted an economic survey of banks and independent managers at the center since 2002. The results obtained reflect their opinions and perceptions of the progress of their business environment and the outlook for the financial center. The banking sector comprises 92 banks with a presence in Geneva, generating more than 17,000 jobs and accounting for 13% of the Canton of Geneva's GDP. There are also over 500 independent managers providing a total of 3,000 jobs. The financial center in the broad sense of the term (banks, independent wealth managers, insurance and fiduciary companies etc.) generates more than 35,000 high value-added jobs.

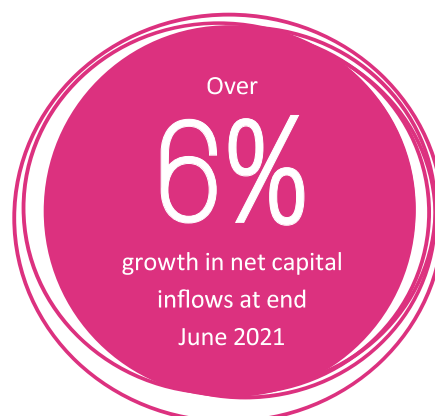
The results of the 2021-2022 economic survey provide a heartening diagnosis of the health of the Geneva financial center. Its strength enabled it to continue to play its essential role during the coronavirus pandemic, namely that of providing credit for businesses. In fact, Swiss banks granted some 139,000 loans with a value in excess of CHF 17 billion as part of the Covid-19 lending programme.

Banking and finance was one of the sectors that proved to be remarkably resilient during the economic crisis generated by the Covid-19 pandemic, with increased net profit and net capital inflows.

In the first half of 2021, the majority of banking establishments and independent wealth managers reported higher profits; the increase was over 15% for more than one-third of them. This excellent economic performance underpins the GFC's strategic model based on diversity of business models, activities and professions. After two years in which the pandemic played a prominent role, the impact of Covid-19 on the progress of business was less severe in the first half of 2021 than in 2020, thereby demonstrating the ability of financial intermediaries to adapt.

In wealth management, one of the Geneva financial center's three pillars together with commercial and retail banking and commodity trade financing, the center's dynamic and competitive performance has been confirmed by several indicators showing increases. All the financial intermediaries grew their assets under management and their earnings increased strongly. The overwhelming majority reported growth of more than 10%. This is a strong indication of the Geneva financial center's attractiveness. Taking a closer look, the performance of these assets has been shaped both by the strength of the stock markets and by fluctuations in contributions and withdrawals. However, exchange effects only had a limited impact.

The increase in net capital inflows in 2021 is undoubtedly another strong indicator of the strength of the Geneva financial center. For some categories, the major banks and those employing fewer than 50 staff in particular, net inflows reached record highs. During the stressful period caused by the pandemic, this testifies to renewed confidence in the Geneva financial center. This favourable trend is attributable mainly to an international clientele. Assets under management for European clients have risen while the Middle East remains one of the key regions with strong inflows. In this area, the Geneva banks have to compete globally. However, the figures for market shares in private cross-border wealth management published regularly by the Boston Consulting Group show Switzerland's importance in this sector. Despite an increasingly competitive environment, the Swiss financial center maintains its leadership position with a 25% market share.





## **If the financial sector is to continue to play its key role in the economy, renewal of the dialogue with the EU and attractive taxation must top the political agenda**

For both private and institutional wealth management, access to the European market remains a strategic priority to maintain employment, especially on the front office side, in Switzerland. Luxembourg continues to rank as the destination of choice for the transfer of activities abroad. However, financial intermediaries do not move at the same pace as the political agenda. They did not wait for a potential agreement between Switzerland and the European Union (EU) in order to take measures to develop their business in Europe soil. By doing so, they increased their staff numbers outside Switzerland to a greater extent.

It is therefore crucial to the financial center for Berne to maintain better relations with Brussels. The worst scenario of all would be to see the dialogue stall altogether, leading to an erosion of the bilateral route. The banking and financial sector therefore expects the Federal Council to adopt a dynamic vision of relations with Europe in order to make progress on the many issues that are vital to our country's prosperity and level of employment (see page 17).

As with earnings, there is a growing mood of optimism with regard to employment in banking and finance. Asked why staff numbers rose in 2021, the establishments surveyed referred to the organic growth of their business. It was the front office that benefited from the highest increase in staff numbers in 2021. IT departments were not far behind, showing that financial intermediaries continued to invest in innovation in response to digitisation, and in measures to enhance cybersecurity.

In the economic survey, the banks and independent wealth managers welcomed these results with confidence and expected 2022 to be another good year, even if the largest establishments express some caution over job creation in Switzerland as compared to other countries. This optimism is based on the financial center's attractiveness as well as on the strength of its banks. For the first time, Switzerland tops the competitiveness ranking published by the IMD and is classed as the most innovative country in Europe in a European Commission report. The Swiss National Bank (SNB) also takes a positive view of the situation of Swiss banks in its annual report on financial stability. The central bank considers that they proved to be resilient when confronted with the economic crisis caused by the Covid-19 pandemic.

In this context, an analysis of the real estate market was presented to the traditional GFC press conference on October 5, 2021 (see page 19). This key indicator of the health of the Geneva economy also successfully survived the pandemic crisis. In fact, the energy, digital and demographic transitions are important underlying trends. Real estate in Switzerland and especially in Geneva is currently in a generally dynamic cycle, albeit with variations from one segment to another. In Geneva, strong demand for housing is correlated with a very low vacancy rate. In terms of commercial property, the picture is more mixed: arcades, retail outlets and hotels are the worst affected sectors. In this context, the property sector presents no more than moderate risks to the banks because of their prudent policy and a tight set of regulatory provisions.

The 2021-2022 economic survey reaches the following conclusion: the financial center is one of the sectors that stood up best in the face of the turbulence in 2021. The great majority of financial players expect to see strong performance in 2022 in terms of their operating income, profit and employment. This is therefore a highly successful financial center which is now committed to transitioning towards a more sustainable economic model (see page 20) and is at the forefront of the digital revolution (see page 11).

The optimism expressed in the 2021-2022 economic survey must of course be tempered by the war in Ukraine which broke out on February 24, 2022. Its impact on the financial center cannot be measured yet. The 2022-2023 economic survey will provide the first indications in this regard.