

# 2

## The current economic situation

Since 2002, the Geneva Financial Center has conducted an annual economic survey of banks and independent asset managers in Geneva. The data collected from this survey reflect their analyses and views regarding the development of their business and the outlook for the Geneva financial center.

The results of the 2015-16 survey suggest that financial sector participants are facing a difficult economic situation. However, many indicators also demonstrate the resilience of the Geneva financial center in 2015.

From 2008, when the financial crisis began, to 2014, job numbers in the banking sector remained stable at around 19,000. That number fell slightly during the first half of 2015 as a 3% fall in jobs was observed between August 2014 and August 2015. However, unemployment in the banking sector remained stable. This paradox is explained by the fact that the labor market is a delayed indicator.

Several factors account for these job losses. A financial center's attractiveness depends on its talent pool, its access to clients and the existence of an environment that enables businesses to grow. However, the banking sector is coming under increasing pressure, due primarily to the rise in regulation, but also to the uncertainty surrounding the issues of foreign market access, free movement of talent, and corporate taxation (See p. 9). The current legal uncertainty in these three areas is becoming a drag on the economy as a whole.

Another interesting phenomenon revealed by the survey is a change in professional profiles. Most new positions in banking are in compliance, taxation and risk management. New technology is also a major driver of change, as banks hire IT specialists to provide the digital services that clients expect. Job creation is thus concentrated in cost centers rather than profit centers. This trend has had an unavoidable impact on margins, forcing banks to cut costs.

Against this background, Geneva maintains its prominent position in the area of wealth management. Financial intermediaries reported stable or higher profits in 2015. This trend illustrates the adaptability of an export industry that was severely impacted by the SNB's decision to abandon the Swiss franc/euro currency cap on January 15, 2015. The Geneva financial center's international focus means it cannot afford to look inwards; improving access to markets, especially in Europe, is therefore a priority. Lack of access will primarily impact front office activities. In fact, for the first time in many years, front office jobs fell in 2015.

It should be noted that job losses in front and back offices have different causes. Lack of market access is the main threat to front office jobs, since there is a real risk that companies will relocate elsewhere. Back office jobs, on the other hand, are impacted by cost-cutting measures.

Another indicator that deserves careful consideration is consolidation in the banking sector. In a competitive financial center, consolidation is a natural, continuous phenomenon. The coming years will therefore likely see more mergers and acquisitions, similar to Union Bancaire Privée's purchase of Coutts Bank or Banque Syz's acquisition of the Swiss branch of the Royal Bank of Canada, both in 2015. However, consolidation is not necessarily synonymous with job losses. There were 140 banking institutions in Geneva in 2008. There are only 119 today, yet employment has remained relatively stable.

The canton of Geneva understands that it is in its best interests to retain as many skills and value-added activities as possible within its borders. The 2015-16 economic survey shows that a strong agreement on this point between financial sector participants and local political authorities is essential to the success of the Geneva financial centre.