*Jobs associated with a country are not legion. Yet, everybody has heard of the traditional 'Swiss banker'. In the news, books or movies, Swiss banks are omnipresent. Bank secrecy, tax evasion, US fines, they have been lately the target of numerous controversies. Is the stereotype of Switzerland country of bankers nevertheless well-deserved? The answer in figures and graphics.*

## Banks and employment

The cliché of the Swiss banker might be well known but how prevalent is he really? The following graphic represents all the jobs in Switzerland by economic divisions in 2008, areas are proportional to the number of jobs.

In the chart above there is no specific category for only bankers, but *Financial* *Intermediation* covers all jobs in financial services: banks, insurance, pension funds, … Out of the total Swiss workforce:

*5.8% works in financial services, that is 1 out 17 people. A workforce somewhat inferior to education or to the hotel and restaurant industry*

*Out of the whole workforce in financial intermediation, about a third is working for an insurance company, i.e. 1.6% in 20121.*

How does that compare with other countries? The chart under shows the proportion of jobs in Financial Intermediation for different countries:

Although Switzerland has one the largest workforce in financial services, countries like UK or US have proportionally nearly as many jobs in financial services.

## Banks and economy - too big to fail?

What is the contribution of the financial activities to the country's economy? The chart under shows the contribution in percentage of all financial activities (banking and insurance) in the Gross Domestic Product.

Unsurprisingly, as for its proportion of financial jobs, financial activities represent a large chunk of Switzerland's GDP. The insurance sector alone was estimated to contribute to 5% of the GDP in 2012, i.e. 45% of the value added by the whole financial intermediation sector1.

The estimation of financial activities in the GDP is a disputed topic. The numbers shown here are upper estimates, some considers that the value added by financial institutions to be overestimated and to be closer to 6% than to 11% in Switzerland (somewhat similar to the construction sector). The UN, OECD, Eurostat and the European Bank have established a joint task force to establish a new method to measure the contribution of financial activities to the GDP output. The main dispute is the estimation of the risk premium, i.e. the revenues from interest rates which obviously represent an important part of banks' revenues. Some argue that it does not create any value added to the GDP and should be not considered2.

Another way to way to gauge the importance of the banking sector in the economy is by considering banks' total assets. Bank assets are typically listed on the left-hand side of a balance sheet and encompass everything that a bank owns: loans, securities, and physical assets such as buildings. The interactive chart under shows the total bank asssets by country in absolute terms as well as relative to GDP or capita:

DW chart

Banking assets usually account for over 100% of GDP in the developed economies. But in all European countries, one can see that banking assets are multiples of their annual GDP. Here again worldwide, Switzerland has proportionally of the highest banking assets per capita and by GDP.

Swiss banks worldwide

If it is clear that financial activities have a preponderant role in the Swiss economy, how do Swiss financial companies rank internationally? The chart under presents the market capitalisation of the 25 largest banks in 2014:

Swiss banks are no heavy weights ranking “only” 21st and 35th of the largest bank by market capitalisation (UBS $78 billion and Credit Suisse $51 billion). Considering insurance companies, Switzerland does slight better on the worldwide ranking, 7th and 17th (with a market capitalisation for Zurich and Swiss RE of $39 and 23 billions respectively). As a comparison, at the end of 2013 Apple had a market capitalisation of $415.7 billion, while flagship Swiss companies Roche and Nestle were capitalised up to $202 and $234 billion respectively.

Given these numbers and the worldwide ranking of Swiss financial institutions, one may wonder why Swiss banks are so notorious?

That is because of one area of financial services where Switzerland is the current world leader: private banking or wealth management. The term "private" refers here to a service rendered on a more personal basis than in mass market retail banking, typically via dedicated bank advisers. It does not necessarily refer to a privately owned non-incorporated banking institution although it may also be the case. Such service is traditionally offered to wealthy individuals, providing personal investment-related advice but potentially also managing client's entire financial situation.

Private banking is the way banking originated. The first banks in Venice were focused on managing personal finance for wealthy families. Private banks became known as ‘Private’ to stand out from the retail banking and savings banks. Historically, private banking has been viewed as a exclusive niche that only caters to high-net-worth individuals with liquidity over $1 million, though it is now possible to open private banking accounts with as little as $250,000 for private investors. For private banking services, clients pay either based on the annual portfolio performance or a "flat-fee" usually calculated as an annual percentage of the total capital invested .

Private banking

In the international ranking of private banking by assets under management, Switzerland has 6 private banks in the top 203. In 2013, UBS was the world top private banker with more than $1.7 trillions asset under management from high-net-worth individuals. More than a trillion may be hard to imagine, this number is put into perspective under :

Assets under management by UBS' private banking division is more than 20 times UBS’ market capitalisation, about 3 times Switzerland’s annual GDP.

In 2012, it was estimated that the total assets under management in Swiss private banking to be USD 6.15 trillion (equivalent to more than a third of the annual GDP of the EU or the US), about half of it being managed by the two international banks UBS and Credit Suisse. More than half of these assets is offshore wealth (capital where the investor has no tax domicile). Switzerland is currently the world leader in offshore private banking, a market estimated at $8.5 trillion worldwide.

https://dw-swissinfo.s3-website-us-west-2.amazonaws.com/7ZttF/2/

Although Singapore has been increasing its market share in the recent years, Switzerland is still the world leader. The reasons for it are a long experience in private banking, an economically and politically stable environment and of course, its fiercely criticized bank secrecy law codified in 1934.

Without giving here any estimate of how much wealth might have evaded taxation through private banking, one may note however the association in the chart above between offshore private banking market shares and whether those states have or had some form of banking secrecy (Switzerland, Singapore, Channel islands, Caribbean, Luxembourg,).

An estimate from the Swiss bankers association considered that wealth management employed 54 thousands people in 2012. The figures for other countries are not available but one may safely assume that Switzerland has one of the highest proportion of wealth manager in the world, although it represents just 1% of all Swiss jobs. The productivity of that sector is also unsurprisingly high, with more than CHF 16 billions of value added, private banking alone accounts for 2.8% of the annual Swiss GDP. Swiss wealth manager might be considered especially productive, the core of their income is based however on the volume of assets they managed through flat and/or performance fees. In that regard, it is clear that Switzerland currently administers a tremendous mass of individuals' capital. With eroding international tolerance of tax fraud and growing pressure on the bank secrecy, the question is how large is the proportion of wealth managed offshore for the purpose to evade tax and subsequently, how attractive offshore wealth management will be once the international banking and tax regulatory framework are harmonized.

## References

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2. <http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=STD/CSTAT/WPNA(2012)2/ADD1&docLanguage=En>

3. Scorpio partnership private banking benchmark 2013