



Canton of Zurich
Department for Economic Affairs
Office for Economy and Labour

Zurich Financial Centre 2023/2024

Monitor, Forecasts, Focus Sustainable Finance



Executive Summary

The Zurich financial centre is the backbone of the Swiss financial centre as a whole and an important pillar of Zurich's economy. The City of Zurich constitutes the hub of the Zurich financial centre, by virtue of its high concentration of large banks and insurance companies.

The focus of this publication is on sustainable finance at the Zurich financial centre – a topic that, in light of the Paris Climate Goals and the UN Sustainable Development Goals, is becoming ever more significant. Given its importance, the Zurich financial centre plays a key role in positioning the Swiss financial centre as a global leading location for sustainable finance.

Significance, Structure and Development of the Zurich Financial Centre

The Zurich financial centre is the backbone of the Swiss financial centre

The Zurich financial centre (consisting of the cantons of Zurich, Schwyz and Zug) is by far the largest location for the finance industry in Switzerland. The 97,300 jobs (in full-time equivalents) pertaining to the financial centre generated gross value added in the amount of CHF 29.9 billion in 2021. This corresponds to 42 per cent of jobs and 45 per cent of gross value added of the Swiss financial centre as a whole.

The Zurich financial centre is a central pillar of Zurich's economy

The financial sector is one of the most important sector groups in the Zurich region. In 2021, companies pertaining to the Zurich financial centre provided one in ten jobs in the region and generated 16 per cent of regional economic output. Due to the financial centre's job productivity, the share of jobs is lower than the value-added share.

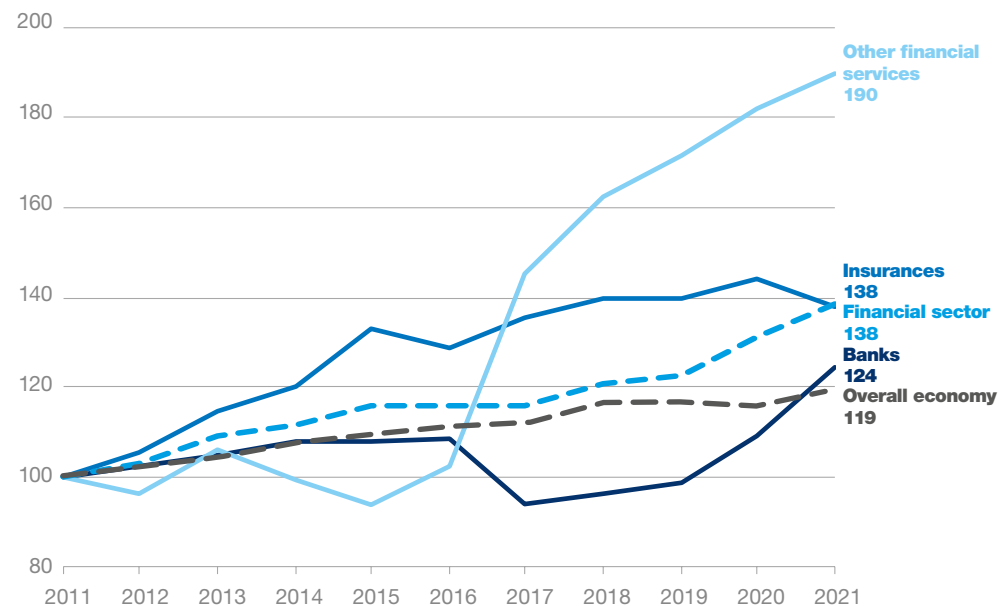
Development, overall, of real gross value added of the financial sector was more dynamic compared to that of the economy as a whole, especially during the pandemic years 2020/2021. The Zurich financial centre thus backed the economy of Zurich when economic activities of many other sectors were constrained due to measures to combat the Covid pandemic.

Development of real gross value added of the financial sector and the overall economy in the Zurich region 2011–2021

Indexed, 2011 = 100

The index value for 2021 is shown next to the sector group / subsector group designation

Source: BAK Economics



Job growth was below the aggregate average between 2011 and 2021. The number of jobs increased in all three subsectors (banks, insurances, other financial services) of the financial sector in 2020 and 2021. One of the reasons for this is that companies operating in the financial sector are expanding their IT areas on account of digitalisation, in order to stay competitive in the future as well.

The City of Zurich is the hub of the Zurich financial centre

The City of Zurich is the hub of the Zurich financial centre, by virtue of its high concentration of large banks and insurance companies. This is especially true for banks, while insurance companies are also increasingly based in other districts of the canton as well. Financial sector companies in the City of Zurich are of major significance for the urban economy, generating 27 per cent of the city's economic output in 2021. In none of the comparator regions – inter alia Hong Kong, Luxembourg and Singapore as economies specialised in financial services – is the significance of the financial sector greater for the respective local economy.

Growth outlook marked by opposing developments

2022 has been characterised by differences in the development of the interest and the commission business for banks. Whereas the interest rate hike had a positive effect on the interest business, the assets under management declined as a consequence of the bear market. Overall, a slight growth in value added is expected for 2022 (0.3%) and for 2023 (0.7%). Backed by both business areas, value added growth is likely to be stronger in the medium term (Ø 2024–2028: 1.7%). Two opposing trends are also apparent with respect to jobs: whereas jobs are disappearing, inter alia due to cost-cutting programmes and a further thinning out of branch networks, new jobs are being created in the field of IT. Overall, a slight downward trend is expected for the forecast period (2022: 0.0%, 2023: -0.4%, Ø 2024–2028: -0.2%).

Despite higher claims payments due to inflation, a moderate increase in value added is expected for insurances (2022: 1.5%, 2023: 1.5%). Demand for insurances is stable and, on account of inflation and higher probability of extreme weather events, insurance premiums are also increasing. Owing to, inter alia, general economic and population growth, development is likely to be more dynamic again in the medium term (Ø 2024–2028: 2.4%). It is to be expected that insurances will create more jobs in the domains of digitalisation, regulation and sustainability, with overall job growth in the insurance industry slowing over time (2022: 1.6%, 2023: 1.3%, Ø 2024–2028: 0.8%).

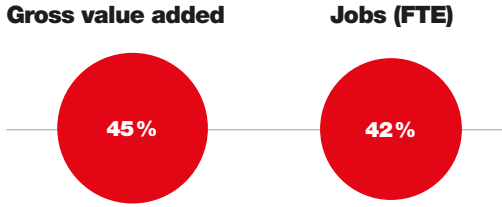
The current decline in stock market prices is causing assets under management in the strong fund industry to shrink as well. With respect to other financial services, job growth (2022: 3.3%, 2023: 2.7%, Ø 2024–2028: 1.1%) is supporting value-added development (2022: 0.6%, 2023: 1.0%, Ø 2024–2028: 2.1%), especially in the short term.

The Zurich Financial Centre...

Zurich Financial Centre Monitor 2023/24



... is the backbone of the Swiss financial centre
(Share of the Zurich financial centre in the Swiss financial centre)



The **Zurich financial centre** is by far the **largest financial centre in Switzerland**.



... is a central pillar of Zurich's economy
(Share of the Zurich financial centre in the Zurich region in %)

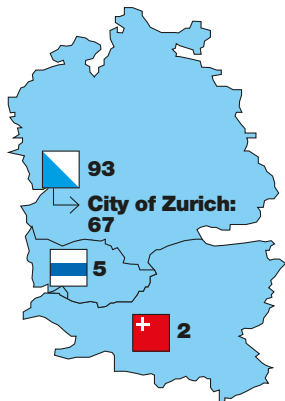


The **Zurich financial centre** is one of the most important **sector groups** in the **Zurich** region.

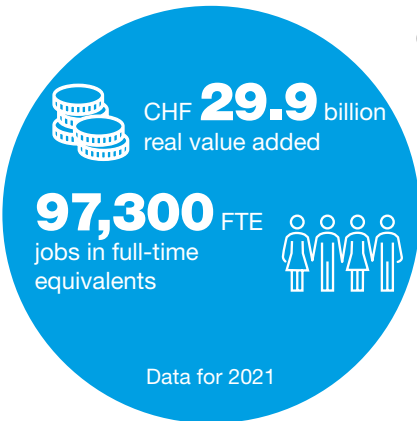
Due to the **Zurich financial centre's high job productivity**, the share of jobs is lower than the value-added share.



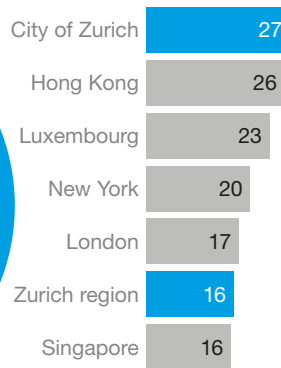
... is geographically highly concentrated
(Share in gross value added of the Zurich financial centre in %)



With a high concentration of large banks and insurance companies, the **City of Zurich** is the **hub** of the **Zurich financial centre**.



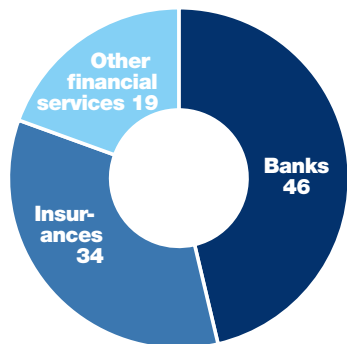
... is centred in the City of Zurich
(Share in regional gross value added of the Zurich financial centre in %)



The significance of the **financial sector in the City of Zurich** is greater than in economies specialised in financial services such as Hong Kong, Luxembourg and Singapore.



... is balanced in its sector structure
(Share in gross value added of the Zurich financial centre in %)



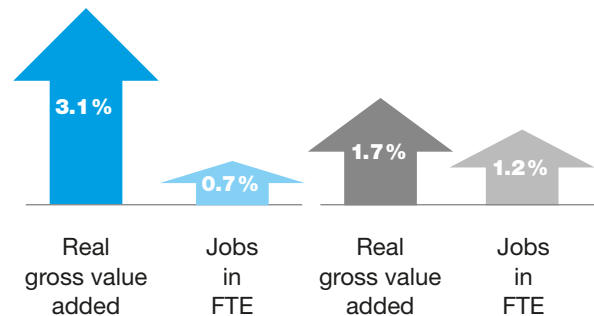
The largest share of value added within the Zurich financial centre is generated by the subsector **Banks**. However, as well as being a **banking centre**, the Zurich financial centre is also an internationally significant **location for the insurance industry**.



... has experienced above-average growth
(Ø annual growth rate in %, 2011–2021)

Growth of the **financial sector** has been **more dynamic** than that of the **economy as a whole**, thus backing the regional economy.

Zurich financial centre **Zurich region**



Focus: Sustainable Finance

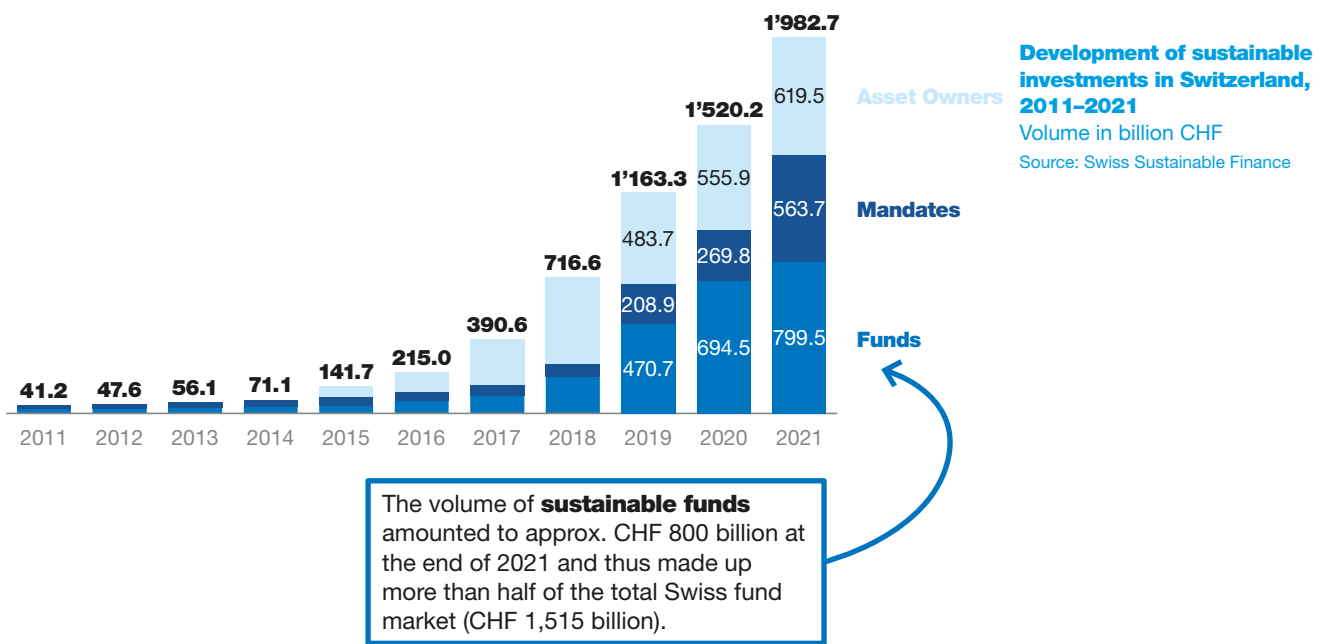
Increasing significance of sustainable finance

Sustainability in business is increasingly in focus with companies across all sectors of the economy. Drivers of this development are, inter alia, the Paris Climate Goals and the UN Sustainable Development Goals, but also changed customer needs and legal parameters. Given their intermediary role, finance companies can act as a catalyst in the transformation towards a more sustainable economy.

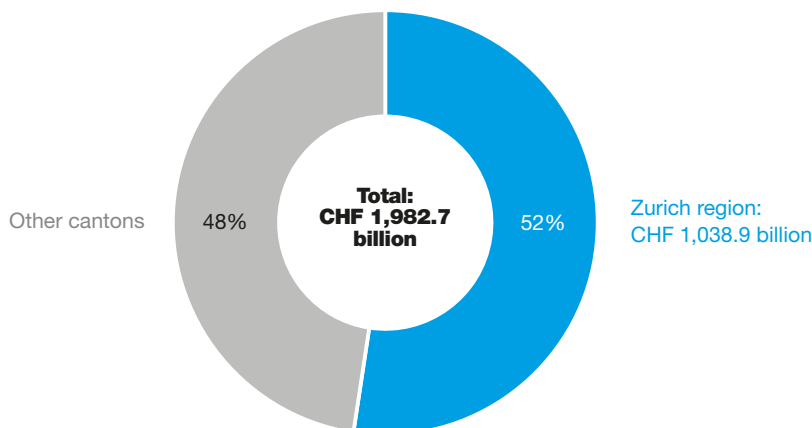
The Swiss Federal Council, having recognised the significance and potential of sustainable finance, formulated the goal whereby the Swiss financial centre is to become a global leading location for sustainable financial services. To that end, the Zurich financial centre has a key role to play by virtue of its significance for the Swiss financial centre. According to Swiss Sustainable Finance, the volume of sustainable investments in Switzerland amounted to CHF 1,982.7 billion in 2021. Slightly more than half of that amount was attributable to companies within the Zurich financial centre.

Development of sustainable investments in Switzerland

in billion CHF



Sustainable investments by regions



Innovative, sustainable financial products and services

Many providers of financial products and services are already taking sustainability into account in some way. Therefore, an online survey was conducted to investigate ambitious approaches and explore how widespread specific financial products and services with innovative sustainable approaches are. The survey was carried out in collaboration with Swiss Sustainable Finance and took place between 27th September and 28th October 2022. More than 500 companies within the Zurich financial centre were invited to participate, of which 108 companies completed the survey. The results showed that several companies already have products/services with innovative sustainable approaches on offer.

Investment products with specific sustainability goals

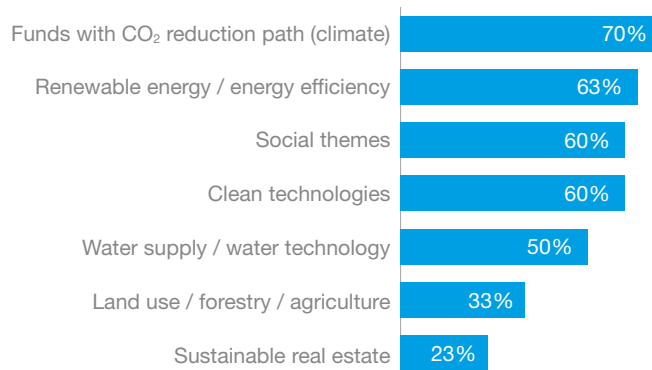
Approximately every third company offers investment products for which quantitative environmental, climate or social goals have been set. Transparency as to the effect and degree of goal achievement of the investment products is important in order to demonstrate the benefits of the investments, as well as to increase visibility of financial flows. Seventy per cent of these companies comply with this by informing their clients by way of annual reports.

Investment product themes

(Share of companies who offer investment products in the ... area in %)

Investment product themes, 2022

Sources: BAK Economics, Swiss Sustainable Finance



ESG commitment

43 per cent of the companies communicate directly with portfolio companies, to promote activities that are in line with ESG (environmental, social, and corporate governance). Half of these companies have a company-internal team to conduct the business dialogue.

Sustainable bonds

One in four banks has already been involved as a lead or in a consortium for issuing sustainable bonds. While bonds to finance green projects (e.g. energy efficiency) are the most frequent, there are also bonds used to finance social projects (e.g. affordable housing).

Sustainable loans

Consideration of sustainability aspects in the lending business occurs, on the one hand, as part of the general credit assessment process and influences lending terms (e.g. interest-rate advantages for mortgages for properties with a sustainability label). On the other hand, banks also offer sustainability-focused loans (inter alia, green, social or sustainability-linked loans). The survey findings do not provide any consistent statements in regard to the offering of sustainable corporate loans and mortgages.

Sustainable insurance products

Sustainability aspects in the insurance business are taken into account both in investment activities and with insurance solution offerings that promote transformation towards a sustainable economy (inter alia, energy savings insurance). The survey findings do not provide any consistent statements in regard to the offering of sustainable insurance products.

Sustainable services of fintech companies

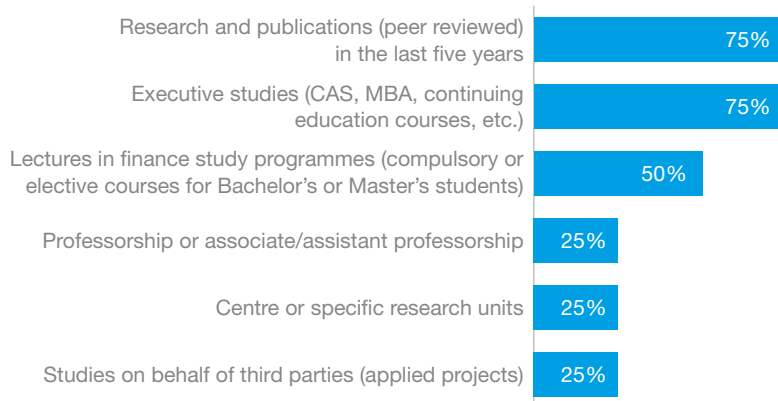
One in five fintech companies takes account of sustainability in the financial services it provides. These services range from sustainability analyses and research, through digital solutions for sustainable investments, to green bank accounts.

University activities in the domain of sustainable finance

The universities in the Zurich region conduct research, teach and publish on sustainable finance and thus make an important contribution. One university has a specific research centre for sustainable finance.

University activities

(Share of universities that pursue activity, in %)



University activities, 2022

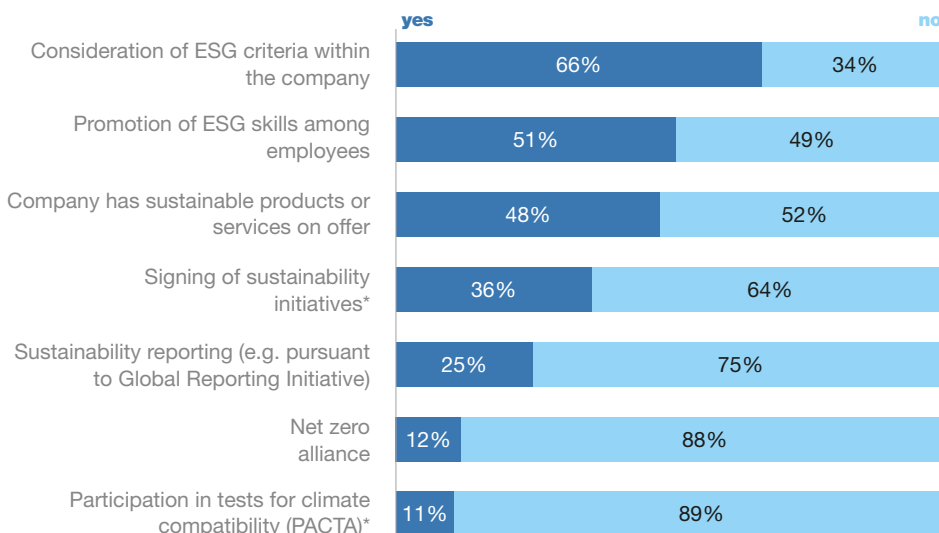
Sources: BAK Economics, Swiss Sustainable Finance

Stronger market position through sustainable finance

In light of the growing significance of achieving the Paris Climate Goals and the UN Sustainable Development Goals, the potential for development of sustainable finance is considerable. That being said, there is still room to exploit this potential, with impetus coming from demand side: customers increasingly want sustainable financial products and services. This is also reflected in the fact that every second company sees sustainable finance as an opportunity to strengthen their reputation as well as to gain customer loyalty and attract new customers.

What sustainability measures are already being implemented by your company?

(Without public sector institutions/universities)



Sustainability measures, 2022

Sources: BAK Economics, Swiss Sustainable Finance

* Fintech and service providers in the domain of sustainable finance are not included.

However, companies also face challenges. Half of the surveyed companies rate the increasingly more complex political situation and the regulatory parameters prescribed by the Swiss Confederation and the European Union (EU) as challenging or very challenging. It is worth mentioning that Switzerland has hitherto also relied more heavily on principles-based specifications, especially by comparison with the EU. Furthermore, four out of ten of the surveyed companies rate the growing demand for transparency of climate risks and sustainability measures as challenging or very challenging. Therefore, it is important to have approved standards in place to ensure credibility.

How challenging are the following aspects in connection with sustainable finance?
(Without public sector institutions/universities)

Challenges in connection with sustainable finance, 2022

Subject to possible rounding differences
Sources: BAK Economics, Swiss Sustainable Finance

	Very challenging	Challenging	Fairly challenging	Fairly unchallenging	Unchallenging
General political and regulatory parameters	19%	36%	20%	16%	9%
Disclosure of climate risks and sustainability reporting	13%	27%	28%	14%	18%
Credibility (avoidance of greenwashing)	13%	27%	20%	17%	24%
Recruiting of skilled staff	12%	24%	25%	22%	19%
Price and competitive pressure (inter alia, innovation)	6%	27%	28%	18%	20%

City and Canton of Zurich as facilitators

The majority of the surveyed companies feel fairly well connected or well-connected within the Zurich financial centre with respect to sustainable finance. Room for improvement in terms of networking is mostly seen and desired with science and research, with other companies, and for legal and regulatory questions.

Promotion of sustainable finance at the Zurich financial centre and networking between key players could also be facilitated through giving visibility on a platform, through regular sharing of ideas within a conference setting, and through data gathering and publications. All three measures are seen as helpful by the majority of companies that participated in the survey.

The City and the Canton of Zurich act as facilitators to advance sustainable development within the financial centre and to root it even more firmly in Zurich. Thus, with [Innovation Zurich](#), the Division of Business and Economic Development of the Canton of Zurich operates a platform that focuses on making companies and organisations in the innovation environment visible, and on connecting them with each other. Furthermore, the cantonal Division of Business and Economic Development is a founding partner of [Swiss Sustainable Finance](#) and a location partner of the [Impact Finance Conference](#), which will be held in Zurich in July 2023 and aims to support the strategic positioning of a responsible financial centre.

The Office for Economic Development of the City of Zurich is also a founding partner of [Swiss Sustainable Finance](#) and organises an annual event to promote dialogue between representatives from the Zurich financial centre, the City of Zurich, the Canton of Zurich, the Swiss Confederation and the Swiss National Bank. In 2022, the City of Zurich’s Office for Economic Development also organised a “contact lunch” at which representatives from the sustainable finance industry had the opportunity to interact with the City Council and with members of the city administration.



Publishing Details

Published by

Department for Economic Affairs of the Canton of Zurich
Office for Economy and Labour
Division of Business and Economic Development

Project Coordination

Eva May (Project Manager)
Division of Business and Economic Development Canton of Zurich
CH-8090 Zurich
Tel. +41 44 259 26 52
eva.may@vd.zh.ch

Jacqueline Kaiser
Office for Economic Development City of Zurich
CH-8001 Zurich
Tel. +41 44 412 37 41
jacqueline.kaiser2@zuerich.ch

Project Realisation Monitor and Focus

BAK Economics AG
CH-4053 Basel
Tel. +41 61 279 97 00
Info@bak-economics.com
www.bak-economics.com
Michael Grass
Sebastian Schultze
Alexandra Zwankhuizen

Project Realisation Focus

Swiss Sustainable Finance
CH-8001 Zurich
Tel. +41 44 515 60 50
info@sustainablefinance.ch
www.sustainablefinance.ch
Sabine Döbeli
Dr. Hendrik Kimmerle

Photographs (copyright/right of use)

Zürich Tourismus

Design and Print

kdmz

Copyright

The contents of this publication, in particular texts and graphs, are protected by copyright. Copyright is held by BAK Economics AG. This publication may neither be partly nor fully copied or reproduced in any other form to thus make it available to third parties for free or for a fee. This publication may be cited with specific reference to the source ("Source: BAK Economics")

© by BAK Economics AG
All rights reserved

