

Annual report 1983
Abridged version

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1. Economic developments and central bank policy – a summary

1.1 International economic developments

After three years of stagnation and recession, the world economic situation brightened in 1983. World trade, which had fallen off sharply in 1982, picked up again. The real gross national product of the OECD countries rose by an estimated 2%, after declining slightly the previous year. The recovery began first in the United States and then gradually spread to most of the other industrial countries. Whereas in the United States it quickly turned into a vigorous upsurge, the economies of the European countries and Japan emerged only slowly from the stagnation. Activity was stimulated mainly by private consumption and house-building. Stocks, on the other hand, were expanded only hesitantly, and other capital expenditure hardly increased at all. During the year the exports of the European countries and Japan revived, not least owing to the brisk demand from the United States.

Recovery of the world economy and world trade

In most of the oil-importing and newly industrialised countries, economic growth would again appear to have lagged behind the demographic increase in 1983. The heavily indebted countries, in particular, found themselves faced with an intractable economic situation. Adoption of restrictive policies designed to fight inflation and high budget deficits became an essential requirement for the restoration of sound economic conditions. In the oil-exporting countries the growth in the real gross national product slowed down. The drop in earnings from oil exports forced these countries to cut down imports and curtail government spending programmes.

Slight growth in the newly industrialised and developing countries

In some of the OECD countries, signs of an improvement in the labour market situation began to appear in the course of the year. Employment started to rise again in North America and Japan in the second half of the year; in the European countries it declined further. The unemployment rate in the OECD area as a whole rose to 8.7%, representing some 33 million unemployed. In addition to the slackness of demand for labour, the increase in the working population also helped to push up the unemployment figures in many countries.

Employment and unemployment in the OECD area

The economic revival in the industrial countries was coupled with a further slackening of inflation. Monetary policy, aimed at price stability since the beginning of the 1980s, led, particularly in the United States, the Federal Republic of Germany and the United Kingdom, to a pronounced slowing-down of inflation. At 5.5% the average inflation rate in the OECD area was down to its lowest level since the beginning of the 1970s.

Falling inflation in the industrial countries

The improvement in economic activity was also reflected in the movement of raw material prices. After a marked decline in the two preceding years, prices rose again in 1983. An important exception was the price of oil,

Rise in raw-material prices – fall in oil prices

which fell further, thus assisting the recovery process in the oil-importing countries.

Appreciation of the dollar and the yen – parity changes in the EMS

The international monetary situation was characterised in 1983 by an appreciation of the US dollar and the Japanese yen and parity changes within the European Monetary System (EMS). The dollar rate fluctuated again in relation to most leading currencies and went through phases of marked appreciation, especially in the summer and towards the end of the year. While the yen made a good showing, the pound sterling weakened considerably against the dollar in the second half of the year. The EMS currencies lost value appreciably against the dollar, and on 21st March 1983 the parities within the EMS were realigned.

Increase in the US current account deficit

The OECD countries' combined deficit on current account decreased slightly in 1983 to about \$24 billion. Within the OECD, substantial shifts took place. Prominent among these were the trebling of the Japanese current account surplus and the quadrupling of the United States' current account deficit.

1.2 International economic policy

Monetary policy

Relaxation of monetary policy in the first half of the year

Monetary policy in the OECD countries was somewhat more expansionary than in the previous year. Especially in the first half of the year, the monetary authorities of some countries, in view of the initial hesitancy of the revival of economic activity, allowed the monetary aggregates to increase more than had been planned, and the money supply targets were at times substantially exceeded. The more restrictive line of monetary policy in the second half of the year showed, however, that great importance was still being attached to price stability in the industrial countries. The growth in the money supply slowed down, so that the monetary aggregates in the major industrial countries returned within the prescribed ranges.

Fall in interest rates

Owing to the more plentiful money supply and the lower inflation rates, interest rates in the OECD countries fell compared with the previous year. In real terms, however, they remained still high.

Predominantly restrictive fiscal policy in the OECD area – expansionary fiscal policy in the United States

During the past few years it became increasingly clear that, in addition to the attainment and safeguarding of price stability, reduction of the large budget deficits is an important prerequisite for growth without inflation. In

most industrialized countries government spending was by then rising only slowly, and taxes were increased, so that there was no further growth in the share of government deficits in the aggregate GNP of the OECD countries. The United States' expansionary budget policy contrasted with this predominantly restrictive line of fiscal policy in the OECD area. The combination of rising deficits with a monetary policy aimed at price stability was one of the reasons for the continued high level of real interest rates in the United States.

Attention was focused in 1983 on the strong dollar and the fluctuations in exchange rates. At the Williamsburg summit in May the major industrialized countries agreed that the governments should endeavour to stabilise the price level and bring down interest rates by means of appropriate monetary and budget policies. A further aim was to achieve greater stability of exchange rates by means of closer co-operation in economic and monetary policies. But no effective action was taken to achieve this aim.

International monetary policy

Debt problems

The problem of helping a number of heavily indebted countries to overcome their payment difficulties was once more a feature of international monetary co-operation in 1983. Some countries were again unable to meet all their foreign commitments.

Payment difficulties of heavily indebted countries

Unlike in the previous year, when the decline in the current account deficits of many debtor countries had been brought about solely by a drastic cut in imports, in 1983 there was also a revival in exports to the industrial countries.

Reduction in current account deficits of many debtor countries

This enabled the developing and newly industrialized countries to benefit by the economic recovery in the OECD area. In addition, thanks to higher raw material prices and lower oil prices, the terms of trade improved in favour of the oil-importing debtor countries.

The continued high level of interest rates made it difficult for many debtor countries to meet the accumulated interest charges and repay the loans on time without external assistance. The situation was worsened by the fact that, owing to lack of confidence in these countries' own economic policies and attractive real interest rates abroad, funds which were urgently needed at home flowed out into the international money and capital market.

High real interest rates – a burden on debtor countries

In the debt-rescheduling negotiations a key role was played by the International Monetary Fund – the only institution which can make lending condi-

Economic policy measures – a prerequisite for further loans

tional to the adoption of specific economic policies. Acceptance of these conditions by the debtor countries was the prerequisite for the commercial banks' participation in the debt rescheduling. This was important because the private sector had a central role to play in tiding over the financing problems of the countries still burdened by debt. According to IMF figures, more than half the funds lent to the oil-importing developing countries between 1974 and 1981 were provided by commercial banks.

Monetary co-operation

International co-operation alleviated debt crisis

The close co-operation between the International Monetary Fund, the central banks via the Bank for International Settlements (BIS), the governments and the commercial banks was largely responsible for the fact that the debt crisis became less acute than in the previous year.

Credit assistance by national monetary authorities within the framework of the BIS

Mexico can be cited as an example of successful co-operation between the governments, the International Monetary Fund and the banking sector as it repaid the bridging loan granted by the BIS on time in August. In the course of 1983 the BIS granted stand-by facilities for Argentina and Yugoslavia, only Yugoslavia having made use of its credit. A loan to Hungary was also partly renewed. Brazil having met its remaining liabilities to the BIS, somewhat behind schedule, in November, none of the BIS facilities guaranteed by the central banks was outstanding at the end of the year.

Raising of IMF quotas

As a result of the expansion of its lending for the purpose of bridging over balance of payments disequilibria, the International Monetary Fund itself was faced with financing problems. The Fund therefore proposed to the member countries, in February 1983, a quota increase of 47.4%, i. e. from 61 billion Special Drawing Rights (SDR) to SDR 90 billion. Ratification proved a difficult matter, mainly owing to the hesitation of the United States. Once the quota increase had been ratified by the US Congress, there was no further obstacle to ratification in the other western countries. The quota increase came into force at the end of November 1983.

Expansion of the General Arrangements to Borrow

The IMF's financing problems induced the ministers and central-bank governors of the Group of Ten to propose, in January 1983, an expansion of the General Arrangements to Borrow (GAB) from SDR 6.4 to 17 billion. In view of the aggravation of the debt problems, the IMF resources in question are now, unlike previously, to be available also for the refinancing of lending to countries which are not members of the Group of Ten. At the January meeting the countries of the Group of Ten furthermore decided to grant full membership to Switzerland, which had been an associate member since 1964 (see page 22).

Parallel with the GAB, Saudi Arabia concluded an association agreement with the IMF whereby that country will provide the Fund with a further SDR 1.5 billion for refinancing purposes if the Group of Ten countries agree to the revision of the GAB. Ratification of the new GAB by the Group of Ten countries and Switzerland together with the agreement with Saudi Arabia would make it possible for loans of up to SDR 18.5 billion to be granted to the IMF by a decision of the Group of Ten.

Association agreement between IMF and Saudi Arabia

During December the BIS and nineteen industrial countries – including Switzerland but not including the United States – indicated their willingness to grant the IMF a medium-term bridging loan of SDR 3 billion. A further SDR 3 billion will be provided by Saudi Arabia.

Bridging loan to the IMF

1.3 Economic developments in Switzerland

The recession which characterized the economic situation in 1982 became less pronounced in the first half of 1983 and was subsequently replaced by a slight economic recovery. This represented the spreading to Switzerland of the incipient cyclical upswing observable in the OECD area. The real gross national product only declined slightly in comparison with the previous year.

Slight economic recovery in the second half of the year

Private consumption increased in the second half of the year and house-building revived. On the other hand, the majority of businessmen were still cautious in their assessment of the prospects for the future and displayed little propensity to invest either in industrial and commercial property or in capital goods. In the services sector it was primarily the banks and insurance companies that succeeded in expanding their activity, while tourism – Swiss and foreign visitors alike – failed to increase. Owing to the worldwide weakness of investment activity, exports of capital goods declined further. While the value of exports rose during the year, their volume remained at the previous year's level. The higher import bill led to an expansion in the trade deficit and reduced the surplus on current account.

Revival of private consumption and house-building – stagnation of investment and export

Employment, and thus also the number of vacancies, fell again in 1983 as a result of the economic stagnation. There was a further rise both in the number of wholly unemployed persons and in short-time working. On average unemployment, at 0.8%, was twice as high as in the previous year; in comparison with other countries, however, it remained low.

Higher unemployment

The rate of inflation slowed down markedly in 1983. The annual average rate was 2.9%, whereas it had still been as high as 5.6% in 1982. In addition

Inflation much slower

to the National Bank's monetary policy aimed at price stability, the decline in average import prices compared with the previous year also contributed to this gratifying development. Thanks to the slowing-down of inflation, real wages rose slightly in comparison with the previous year.

Differing movements of rates for the Swiss franc

The export-weighted exchange rate for the Swiss franc rose in 1983 in both nominal and real terms, although the franc was quoted at lower levels on the foreign exchange markets against the US dollar and the Japanese yen. While these two currencies reached their high for the year in December, the D-mark weakened further.

1.4 The National Bank's monetary policy

Main features of monetary policy

In the light of previous experience it is to be assumed that the adjusted monetary base should not increase by more than 2 to 3% per annum if Switzerland is to be assured of non-inflationary growth in the long run. For reasons of economic policy in 1983, the National Bank did not consider that the time had yet come to set its course towards this longer-term growth target for the adjusted monetary base. Consequently, despite a restrictive monetary policy, the growth in the adjusted monetary base remained above the level adopted as the longer-term objective.

Monetary policy 1983

As in the previous year, the National Bank had again envisaged an average expansion of 3% in the adjusted monetary base. With an actual growth of 3.6%, the target set by the National Bank was somewhat exceeded. At the beginning of August, as the export-weighted external value of the franc was tending to rise, the National Bank confirmed its intention, already announced at the end of May, to expand the money supply by rather more than 3% and decided to participate in the concerted operation undertaken by various central banks on the foreign exchange market. It bought D-marks against both francs and dollars.

Money supply target for 1984: 3%

In December 1983 the Governing Board, in agreement with the Federal Government, decided to expand the adjusted monetary base in 1984 again by an average of 3%. The National Bank is thereby adhering to the course of monetary policy pursued during the two preceding years. Monetary policy is continuing to be aimed at medium-term and long-term price stability, while still leaving the economy sufficient monetary latitude for the incipient recovery. As in the past, the 3% target is not an immutable magnitude but is to be regarded as a guideline.

2. Monetary policy and financial markets

2.1 Evolution of the monetary base

The National Bank set for 1983 – as it had for 1982 – a money supply target of 3% for the average growth in the adjusted monetary base (consisting of the note circulation and balances with the National Bank, less end-of-month refinancing credits). With this unchanged target it adhered to its monetary policy aimed at holding down the inflation rate.

Monetary policy aimed at combating inflation

In January 1983 the reduction in "end-of-year liquidity" window dressing by banks was somewhat delayed and the adjusted monetary base increased rather more than originally envisaged. In view of the appreciation of the franc and the hesitancy of the revival in economic activity, the National Bank decided in May not to correct the slight overshooting. The interventions on the foreign exchange market at the beginning of August, as part of a concerted action, reflected a further intentional easing of monetary policy. For 1983 as a whole the average growth in the adjusted monetary base amounted to 3.6%.

3% money supply target slightly exceeded

Development of monetary aggregates

Percentage change compared with corresponding quarter of previous year – Yearly and quarterly averages

Quarter	Adjusted Monetary base ¹		Money stock M ₁ ²		Money stock M ₂ ³		Money stock M ₃ ⁴	
	Billions of francs	Change %	Billions of francs	Change %	Billions of francs	Change %	Billions of francs	Change %
1979	30.5	6.8	62.8	9.0	88.7	10.0	196.6	9.4
1980	28.1	-7.0	57.2	-9.0	104.4	17.6	209.4	6.5
1981	28.0	-0.5	55.1	-3.6	118.0	13.1	220.5	5.3
1982	28.7	2.6	56.8	3.0	122.7	4.0	228.2	3.5
1983	29.7	3.6	61.1	7.5	118.6	-3.3	243.5	6.7
1983								
1st quarter	30.1	7.6	61.5	15.3	116.8	-5.9	238.6	6.3
2nd quarter	29.2	2.4	61.1	8.8	118.0	-4.4	243.5	7.7
3rd quarter	29.3	2.6	59.2	5.4	119.1	-1.6	244.1	7.4
4th quarter	30.4	2.0	62.4	1.9	120.6	-1.4	247.7	5.5

¹ Adjusted monetary base = Note and coin circulation plus banking system's deposits less end-of-month refinancing credits.

² Money stock M₁ = Currency circulation plus sight deposits in Swiss francs.

³ Money stock M₂ = M₁ plus time deposits in Swiss francs plus sight and time deposits in foreign currencies held by private residents with banks.

⁴ Money stock M₃ = M₂ plus savings deposits held by private residents with banks.

The note circulation, which represents about three-quarters of the monetary base, tends to rise when interest rates fall, but always reacts to changes in the interest-rate level with a certain time-lag. Accordingly, the pronounced decline in interest rates which began in 1982 still continued to cause an acceleration of the note circulation during the first months of

Rise in note circulation

1983. As the year went on, however, the effects induced by interest rates lessened. The yearly average rise in the note circulation amounted to 3.3%.

Growth in balances

Following a marked increase at the beginning of the year, balances held by the private sector with the National Bank decreased from April to July and then rose again. Their growth as compared with the previous year averaged 6.5%.

2.2 Development of the other monetary aggregates

Direct influence of monetary policy on M_1

Of the three monetary aggregates M_1 , M_2 , and M_3 , M_1 is the one most quickly influenced by changes in the monetary base. The two components of M_1 , the currency circulation and domestic demand deposits, are mainly determined by the monetary base. The trend of these monetary magnitudes is largely parallel. Owing, however, to the relative inflexibility of the interest rates paid on demand and savings deposits, fluctuations in short-term interest rates lead to quick and substantial shifts between time deposits on the one hand and demand and savings deposits on the other. Demand deposits, the volume of which had expanded substantially since the middle of 1982 owing to the reductions in interest rates on time deposits, remained above their previous year's level in 1983. The average yearly increase in M_1 in 1983 amounted to 7.5%, compared with 3.0% the previous year.

Decline in M_2

The relatively low interest rates on the money market continued to encourage the shifting of funds from time deposits to savings deposits (a component of M_3). This led, in the first two quarters, to a relatively large reduction compared with the previous year (-5.9% and -4.4% respectively) in M_2 (M_1 plus time deposits). In the second half of the year M_2 stabilised at a level slightly below that of 1982.

Growth in M_3

The above-mentioned shifts ceased in the second half of the year, while savings deposits went on growing to a modest extent. M_3 (M_2 plus savings deposits) showed an average increase on the year of 6.7%.

2.3 The financial markets

The money market

Average money market rates down compared with previous year

Interest rates on the money market, which had fallen sharply in 1982 and especially in January 1983, rose continuously from mid-February until mid-June. After the slight easing of the National Bank's monetary policy in the

middle of the year, they declined again. On the Euro-franc market, which most accurately reflects the state of the Swiss money market, the interest rate on three-month Euro-francs fell at the beginning of January by $\frac{3}{4}$ percentage points to $2\frac{1}{2}\%$, rose again by mid-June to $5\frac{1}{8}\%$ and fluctuated in the last quarter of the year around 4% . Compared with 1982 it showed an average decline of 0.8 percentage points. The yields of money market debt register claims against the Federal Government and the interest rate paid on the big banks' fixed-term deposits were largely parallel with those on the Euro-franc market. As in the previous year, Federal money market instruments were issued with maturities of one, three and six months, although only the three-month maturity was issued regularly every month.

On 18th March 1983 the National Bank lowered the discount and lombard rates by half a percentage point to 4% and $5\frac{1}{2}\%$ respectively. Recourse to traditional central bank advances, which are used almost exclusively for meeting end-of-month financing requirements, was at about the same yearly average level as in 1982. At the quarter-ends, additional foreign currency swaps were also concluded in order to provide further liquidity.

Lowering of discount and lombard rates

On 26th January the US Treasury redeemed the last tranche of the so-called Carter Bonds. These were bonds denominated in Swiss francs which the American Treasury had issued in January 1979 in order to build up foreign currency reserves for interventions in the foreign exchange market. The increase in the banks' balances brought about by the redemption of these bonds was compensated for by the National Bank by the non-renewal of swap credits.

Last redemption of "Carter Bonds"

The National Bank's credit-granting to the banking system

Month	Credit-granting in millions of francs, monthly averages							
	Swap credits		Discounts and lombard advances		Total		of which: end-of-month refinancing credit ¹	
	(1)		(2)		(3) = (1) + (2)		(4)	
	1982	1983	1982	1983	1982	1983	1982	1983
January	8 485	10 664	1 027	872	9 512	11 536	504	858
February	7 823	9 819	1 328	493	9 151	10 312	418	132
March	8 670	10 164	882	838	9 552	11 002	503	740
April	9 159	9 713	880	471	10 039	10 184	319	257
May	9 819	9 603	632	1 193	10 451	10 796	195	677
June	10 011	9 485	637	703	10 648	10 188	512	788
July	9 392	9 513	780	910	10 172	10 423	360	562
August	9 089	9 566	926	1 066	10 015	10 632	406	389
September	9 676	10 503	612	828	10 288	11 331	432	579
October	9 949	10 421	694	990	10 643	11 411	392	608
November	11 229	11 476	741	741	11 970	12 217	319	242
December	13 829	14 339	694	878	14 523	15 217	1 244	1 280

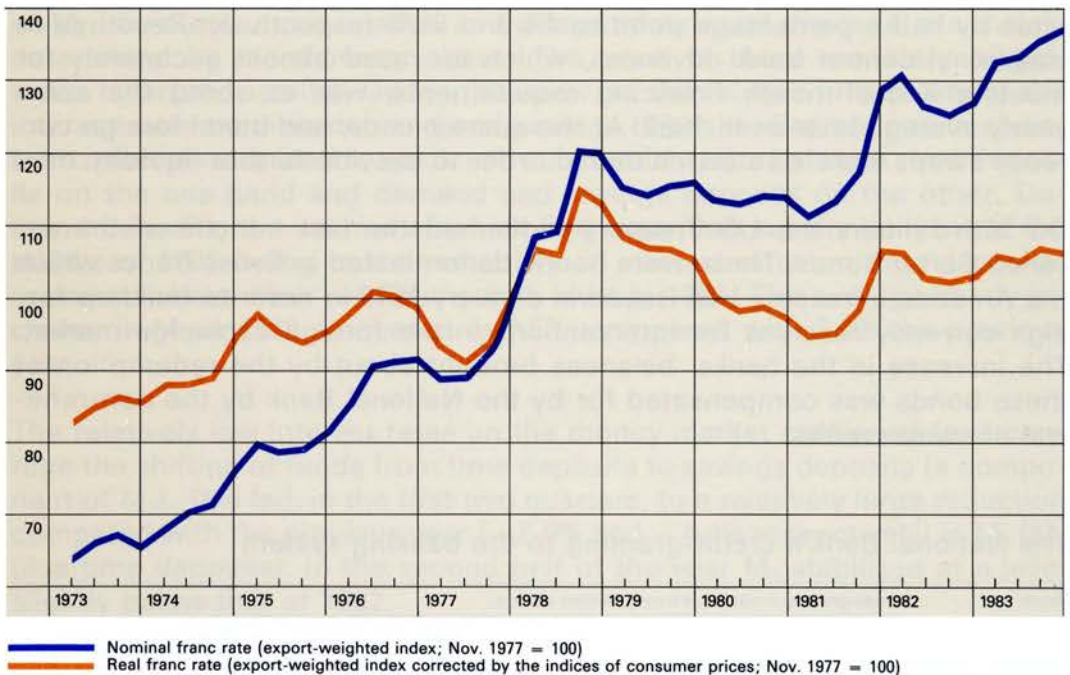
¹ Corresponds to the difference between the monetary base and the adjusted monetary base.

External value of the franc up in nominal and real terms

Foreign exchange market and exchange rates

The movement of the nominal and the real, export-weighted general index of the exchange rate for the franc is shown in the following chart for the years 1973 to 1983. It can be seen that the nominal exchange rate for the Swiss franc rose continuously in 1983 and reached a peak at 137 index points in the fourth quarter. As the inflation rate was lower in Switzerland than abroad, the real appreciation of the Swiss franc compared with the previous year was restricted to 2%.

Nominal and real exchange rate for the Swiss franc



Dollar rate up and D-mark rate down

The movements of the exchange rates which are of the greatest importance for the Swiss economy were not uniform in 1983. Until August the dollar rate rose almost uninterruptedly, then fell for a while and subsequently went up again to reach at Fr. 2.21 mid-December, its highest level since November 1982. The strength of the dollar at the beginning of the second half of the year induced a number of central banks to undertake a concerted intervention on the foreign exchange market by selling dollars. The attention of the National Bank, on the other hand, was mainly concentrated in August on the low D-mark rate (80.8 centimes compared with an average rate of 83.6 centimes the previous year). In accordance with the earlier decision

to take an easier line in monetary policy, the National Bank bought D-marks against dollars and Swiss francs in the course of this concerted intervention. After that, the D-mark rate fluctuated around 81 centimes, before finally falling below 80 centimes in December. The Japanese yen steadily appreciated during the year, its yearly average having been slightly above the previous year's level. After the realignment of exchange rate parities in the European Monetary System in the spring, the rates for the French franc and the Italian lira fell to levels which were, on average, appreciably lower than in the previous year. The pound sterling reached its peak for the year, 3.27 Swiss francs, in June. Its average rate against the franc over the twelve months was lower than in the previous year.

Capital market

As on the money market, interest rates on the capital market were in 1983 on average below the previous year's level. While money market rates reached their peak for the year as early as June, interest rates in the bond market continued to rise during the third quarter.

Lower capital market rates than in previous year

The average yield of Federal bonds rose from 4.23% at the beginning of January to 4.75% in September and then declined again, reaching 4.53% at the end of the year. Thus, except for a period during the summer, it was always above the money market rates.

The low level of interest rates on the money and bond markets at the beginning of the year led in the spring of 1983 to a reduction of half a percentage point in savings-deposit and mortgage rates. Despite this reduction, thanks to the slowing-down of inflation, the real interest rate received by savers on their deposits was relatively high.

Lowering of savings-deposit and mortgage rates

The National Bank continued its purchases on the bond market in 1983 in order to increase the proportion of domestic securities among its assets. As the share purchased by the National Bank in the total of the outstanding bonds of the borrower categories in question remained very small, the effects of the security purchases on the interest rate structure are likely to have been only minimal.

Continuation of purchases on the bond market

Issues by domestic borrowers reached a record level. The increase was connected with the conversion of bonds which were prematurely redeemed owing to the sharp fall in interest rates. The amount of new issues by domestic borrowers, on the other hand, remained practically the same as in the previous year.

Expansion of issuing activity owing to increase in conversions

Public authorities, banks and power stations the main borrowers

As usual, leading borrowers in the domestic sector were the public authorities, banks and power stations, conversions having been predominant in the two last-mentioned categories. The largest percentage growth in new issues was registered by the category "Industry and trade".

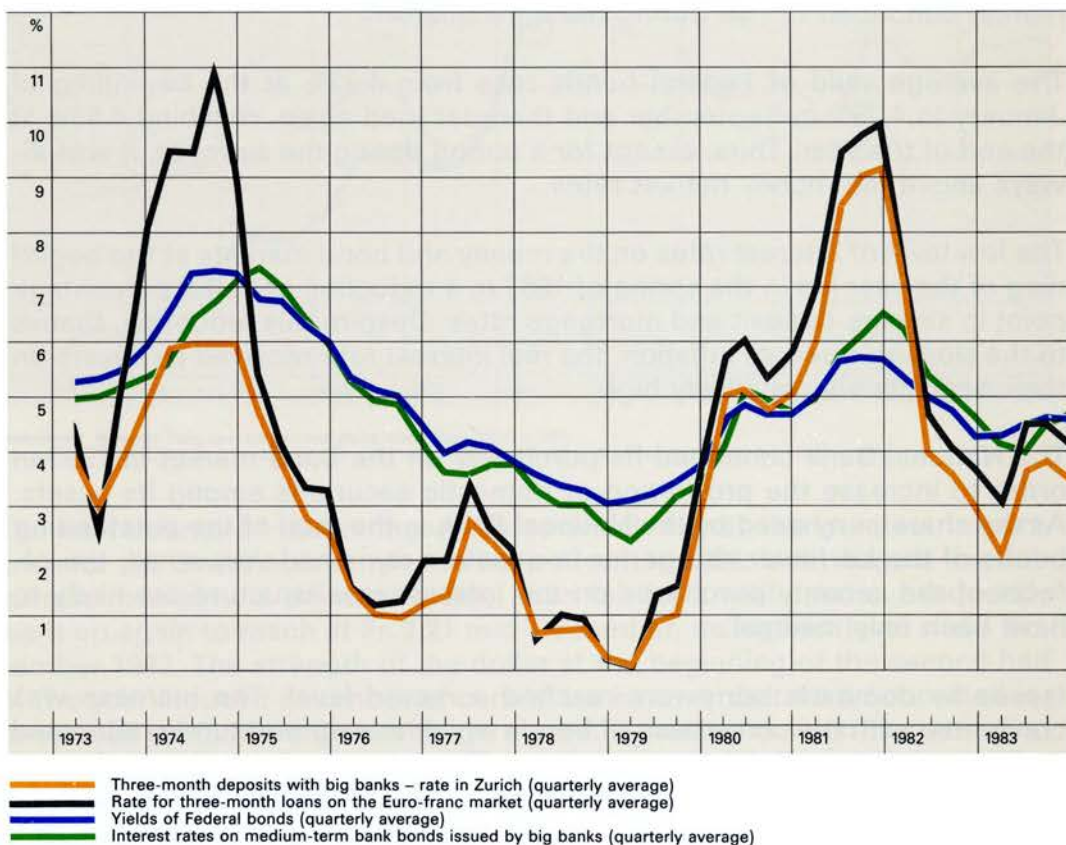
Decline in net recourse to the Swiss capital market

In 1983 net recourse to the Swiss capital market in the form of public issues of bonds and shares was considerably below the previous year's level. The decline amounted to about 4 billion Swiss francs and was attributable to the marked increase in redemptions.

Growth in capital exports

The capital exports authorised by the National Bank in 1983 totalled Fr. 40.2 billion, representing an increase of 7.1%. Issues of notes accounted for the largest proportion 51% (1982: 47%, 1981: 37%). Bond issues represented 26% (1982: 27%, 1981: 23%) and credits to foreign borrowers 23% (1982: 26%, 1981: 40%) of total capital exports.

Money and capital market rates



The shift from direct bank lending to issues of notes took place in the summer of 1982. On the one hand, the payment difficulties of many debtor countries made the banks more cautious in their lending and, on the other hand, the relaxations of the capital export regulations introduced with effect from 1st July 1982 particularly encouraged the issuing of medium-term notes by foreign borrowers. Whereas the average amount of lending in 1983 was greater than that in the second half of 1982, the pre-mid-1982 level was not reattained.

High proportion of note issues

Capital export authorisations according to groups of countries (Percentages)

Groups of countries	1980	1981	1982	1983
Industrial countries	68.7	71.1	74.7	78.7
Developing countries	14.7	14.0	9.9	8.5
Centrally planned economies				
– Eastern Europe	3.1	4.2	1.4	1.1
– Others	0.5	0.3	—	—
OPEC	1.9	1.4	0.3	0.6
International organisations ¹	11.1	9.0	13.7	11.1
Total, percentages	100.0	100.0	100.0	100.0
Total, billions of francs	23.3	32.2	37.5	40.2

¹ IBRD, ADB, IDB, EIB, Coal and Steel Community, Euratom, Council of Europe Resettlement Fund.

The breakdown according to groups of countries confirmed the trend already observable in the second half of the previous year. The share of industrial countries rose in 1983 to 78.7%, whereas that of the developing countries shrank to 8.5%.

Higher share of the industrial countries in capital export

2.4 Bank balance sheets

The recession, which did not end until the second half of the year, continued to have a strong effect on banking business in 1983. The growth in the combined balance sheet total of the 71 main banks, which had averaged 8% from 1973 to 1983, fell from 10.9% in 1980 to 7.1% in 1983.

Slowing down of balance sheet growth due to recession

Lending, the total of which was low, again, as in 1982, consisted largely of mortgage loans. As these loans usually replace building loans granted previously, they tend to react rather slowly to changes in the economic situation. Receivables (overdrafts plus fixed-term advances and loans), on the other hand, remained till November at the previous year's level. At the end

Stagnation of total lending

of 1983 the volume of outstanding bank lending to public borrowers was smaller, especially in the case of foreign borrowers, than it had been a year earlier, this being a reflection of the banks' greater caution in view of the international debt problems. Had it not been for the banks' participation in debt-rescheduling measures for certain countries, the decline would have been even more marked.

Swiss franc lending as a barometer of the cyclical trend

The movement of Swiss franc lending to domestic and foreign borrowers is regarded as a good cyclical barometer. It suggests that the recent recession passed its lowest point in the course of 1983, Swiss franc lending having reattained its previous year's level at the end of December 1983 after a longish decline. The high growth rates in newly authorized credits consequently point to a revival in economic activity in 1984.

Inflow of savings owing to high real interest rates

The evolution of the structure of customers' deposits in 1983 was, as usual, influenced by movements of interest rates. Funds received, after reaching a peak at the end of 1982, declined again sharply last year. Of this smaller inflow of new resources, more than half was accounted for in the second half of the year by savings, on which the real interest rate had become positive again for the first time in quite a long period. Within this category there was once more an above-average growth in save-as-you-earn accounts (mostly recorded under the heading of savings and time deposits). Demand deposits rose only slightly, having for years grown more slowly than all other bank deposits. Fixed-term deposits, which, owing to the high level of short-term interest rates, had previously become attractive, were only slightly higher in 1983 than in the previous year, having offered a higher yield than savings deposits only for a short time during the summer. Even so, the proportion of liabilities which they represented was still twice as large as it had been ten years earlier. The total of the banks' longer-term resources in 1983 was above the previous year's level; in particular, the amount of their outstanding bonds was higher. On the other hand, the volume of medium-term bank bonds (obligations de caisse), which were offered by the banks on relatively attractive terms in the last quarter only, remained unchanged.

Increase in trustee funds

Trustee funds rose in 1983 by 8.5% to 181 billion francs. A growth in dollar investments due to the movement of exchange rates was coupled with a decline in Swiss franc investments, this latter category of trustee business having been affected by the competition from savings deposits. As the level of short-term interest rates was below that of the two previous years, trustee deposits were not very attractive in 1983. In view of the uncertain state of the international financial markets, some investors also preferred bank balances to trustee funds.

2.5 Other measures of monetary policy

Capital exports subject to authorization

By virtue of Article 8 of the Bank Act, the issuing of foreign loans and notes and the granting of credits to borrowers domiciled abroad by banks and investment companies in Switzerland and the Principality of Liechtenstein are subject to authorization if these transactions amount to Fr. 10 million or more and are for a period of one year or more.

Legal basis: Art. 8 of the Bank Act

On 9th September 1983 the National Bank requested the banks which play a leading role in the issuing of foreign loans to refrain until further notice from submitting applications for public loans of foreign export-financing institutions. This measure was adopted in view of the increasingly unfavourable effect on Swiss exporters produced by government-backed export financing abroad. Subsequently, following the successful outcome of the negotiations concerning the "Arrangement on guidelines for government-backed export credit" conducted by the OECD and the renewal of this arrangement, the purpose of which is to fix certain limits to competitive subsidising in the field of export financing, the National Bank relaxed its restrictions again. Thus, from 25th November onwards the placing of public loans of foreign export-financing institutions was in principle permitted again, provided that these borrowers abide by the above-mentioned arrangement.

Temporary restriction on borrowing by foreign export-financing institutions

As part of the further liberalisation of capital exports, the "calendar" for public loans issued by foreign borrowers was abolished with effect from 1st January 1984. In order to prevent any accumulation of loans, the National Bank provides the leading issuing banks with information about the number, volume and issue dates of projects already authorized. The maximum amount per loan was raised from 100 million to 200 million francs.

Abolition of the "calendar" with effect from 1. 1. 1984

Co-operation of the National Bank in the provision of international financial assistance

The National Bank's participation in international monetary co-operation was influenced in 1983 by the debt crisis. Within the framework of the bridging facilities provided by the Bank for International Settlements (BIS) the National Bank took part in 1983 in assistance projects for the benefit of Argentina and Yugoslavia. In this connection it assumed substitution undertakings totalling \$60 million, for which in turn it received a guarantee from the Federal Government under the Federal Act concerning Switzerland's co-operation in international monetary measures. By a substitution

Co-operation in international lending projects under the aegis of the BIS

Participation of the National Bank in stand-by arrangements at the end of 1983

	Original undertaking	Outstanding credits and substitution undertakings		Open undertaking
		End 1982	End 1983	End 1983
1. Swap agreements				
Federal Reserve Bank of New York	\$ 4 billion	—	—	\$ 4 billion
Bank of Japan	Yen 200 billion	—	—	Yen 200 billion
BIS	\$ 600 million	—	—	\$ 600 million
2. Multilateral credits				
General Arrangements to Borrow	SF 865 million	—	—	SF 865 million
IMF oil facility ¹	SDR 250 million	SDR 17.3 million	—	—
IMF "Witteveen" facility	SDR 650 million	SDR 499.9 million	SDR 635.8 million	—
1981 central bank credits to IMF	SDR 150 million	SDR 40.6 million	SDR 117.9 million	—
3. Bilateral credits				
Portugal ²	\$ 30 million	\$ 30 million	\$ 15 million	—
Turkey ²	\$ 45.5 million	\$ 45.5 million	\$ 45.5 million	—
Yugoslavia ²	\$ 80 million	—	\$ 80 million	—
4. Substitution undertakings				
Mexico ²	\$ 25 million	\$ 19.8 million ³	—	—
Hungary ²	\$ 50/20 million	\$ 50.0 million	—	—
Brazil ²	\$ 30 million	\$ 12.5 million ³	—	—
Argentina ²	\$ 20 million	—	—	—
Yugoslavia ^{2,4}	\$ 40 million	—	—	—

¹ Partly with guarantee of the Federal Government.

² With Federal Government guarantee.

³ The credit had not been fully drawn at the end of 1982.

⁴ The substitution undertaking was replaced in August by a medium-term loan.

undertaking the National Bank undertakes, for instance in the event of the insolvency of a debtor, to pay its share at the request of the BIS and to take over the BIS's rights as a creditor.

Unutilized BIS bridging loan to Argentina

In January the BIS and Argentina signed an agreement for a \$500 million bridging loan. The National Bank participated in this with a \$20 million substitution undertaking. On 31st May this facility expired without having been utilized.

BIS monetary assistance loan to Yugoslavia

The National Bank's participation, amounting to \$40 million, in a BIS bridging loan totalling \$500 million to Yugoslavia was replaced in August by a medium-term National Bank loan. In addition the National Bank granted

Yugoslavia a monetary assistance loan amounting to a further \$40 million. These new loans totalling \$80 million are based on an agreement between the Federal Government and Yugoslavia and are guaranteed by the Confederation. Repayment is scheduled to start in 1987.

In 1982 the BIS granted Hungary a bridging loan of \$300 million. The National Bank participated in this with a substitution undertaking for \$50 million. In April 1983 Hungary repaid this loan and received from the BIS a two-month supplementary loan of \$100 million with a \$20 million substitution undertaking from the National Bank.

Repayment of BIS
bridging loan by
Hungary

The bridging loan granted by the BIS to Brazil at the end of 1982 was to be replaced in 1983 by a loan from the International Monetary Fund (IMF). Owing, however, to delays in the negotiations between the IMF and Brazil, it was not possible for the tranches falling due at the end of May and the end of August to be repaid on time. This meant that \$12.9 million of the National Bank's total substitution undertaking became payable. In this case, too, the BIS refrained from taking advantage of the substitution undertakings of the participating central banks. Subsequently, after an agreement had been reached between the IMF and Brazil in November, the outstanding BIS loan was repaid in full.

Taking over of the BIS
loan to Brazil by the IMF

The remainder of a BIS bridging loan granted to Mexico in 1982 was repaid in accordance with the agreement by August 1983 – indeed, part of it was prematurely repaid in May. The National Bank had participated in the loan, totalling \$1.85 billion, with a substitution undertaking of \$25 million.

Repayment of BIS loan
by Mexico

In 1981 the International Monetary Fund had obtained lending undertakings from various central banks for the purpose of financing its growing lending. The National Bank had participated in these to the extent of SDR 150 million, which was not, however, fully utilised until 1983. The IMF repaid a first tranche of SDR 32 million at the end of December.

Full utilization of the
1981 central bank credit
by the IMF

In the course of 1983 the IMF repaid in full to the National Bank the loan which had been granted under the oil facility. In 1974 and 1975 the IMF had created two special credit facilities in favour of countries which had found themselves in balance of payments difficulties owing to the massive rise in oil prices. The National Bank had participated to the extent of SDR 250 million in the financing of the second oil facility, part of which had been guaranteed by the Federal Government.

Repayment of the loan
under the oil facility

The ministers and central bank governors of the Group of Ten decided on 18th January 1983 to raise the lending undertakings given under the General Arrangements to Borrow (GAB) from SDR 6.4 to 17 billion and to ex-

Expansion of the
General Arrangements
to Borrow

tend eligibility to benefit by these resources to all the members of the Fund. Switzerland, which had previously participated in the GAB under an association agreement, was offered full membership of the Group of Ten. Its share, which had previously amounted to Fr. 865 million, was adjusted to SDR 1020 million (Fr. 2315 million). The importance of the Group of Ten for international monetary co-operation was further increased by the widening of the uses of the GAB. The giving of substantial assistance to the IMF in its efforts to prevent the insolvency of countries overburdened with debt is in the economic interest of Switzerland, in view of its close associations with foreign countries.

Switzerland accedes to
the General
Arrangements to Borrow

The Federal Government, by a message dated 29th June 1983, presented to both Houses of the Federal Parliament a draft of a Federal Act on Switzerland's accession to the GAB. The Federal Act was passed by Parliament on 1st/14th December 1983. As the Group of Ten mainly deals with monetary matters and Switzerland's contribution is financed by the National Bank, Parliament appointed the Swiss National Bank as the institution participating in the GAB. Unlike the previous situation, where the GAB were co-financed by Switzerland, the National Bank's credits are no longer guaranteed by the Federal Government. As the ratification proceedings in the ten previous member countries were concluded by the end of the year and the Federal Act of 14th December 1983 is not subject to the referendum. Switzerland will, as agreed, declare its accession to the Group of Ten by 30th April 1984.

3. Balance Sheet and Profit and Loss Account

STATE BANK OF NEW YORK AND TRUST COMPANY

ASSETS		LIABILITIES	
Cash	100,000	Capital	1,000,000
U.S. Government Bonds	500,000	Reserves	200,000
State Bonds	200,000	Deposits	700,000
City Bonds	100,000	Notes	100,000
Real Estate	300,000	Other	100,000
Loans	400,000		
Other Assets	100,000		
Total	1,200,000	Total	1,200,000

INCOME		EXPENSES	
Interest on Loans	100,000	Interest on Deposits	50,000
Interest on Bonds	50,000	Interest on Notes	10,000
Dividends	20,000	Other Expenses	20,000
Other Income	10,000		
Total	180,000	Total	80,000
Net Income	100,000		

STATE BANK OF NEW YORK AND TRUST COMPANY
120 WALL STREET, NEW YORK, N. Y.
INCORPORATED IN THE STATE OF NEW YORK
OFFICE: 120 WALL STREET, NEW YORK, N. Y.
BRANCHES: ALBANY, BOSTON, CHICAGO, CINCINNATI, CLEVELAND, DETROIT, INDIANAPOLIS, KANSAS CITY, LOUISVILLE, MEMPHIS, MILWAUKEE, MINNEAPOLIS, OMAHA, PHOENIX, PORTLAND, RICHMOND, ST. LOUIS, ST. PETERSBURG, TAMPA, WASHINGTON, D. C.

3.1 Main Components of the Balance Sheet since 1946

Assets

Year	Gold holdings ¹	Foreign exchange	Foreign Treasury Bonds in Swiss francs: SDRs ²	Balances with foreign central banks covered by exchange rate guarantee	Domestic portfolio			Total	Lombard advances	Securities	Balances with domestic correspondents	Loss on foreign exchange and gold holdings
					Swiss bills	Treasury Bonds ³	Dis-counted bonds					
<i>In millions of francs</i>												
1946	4 949,9	158,0	—	—	46,1	14,5	13,9	74,5	164,2	52,7	51,7	—
1947	5 256,2	102,5	—	—	116,3	20,1	18,8	155,2	246,6	48,4	68,6	—
1948	5 821,0	236,6	—	—	115,2	1,5	8,8	125,5	79,0	47,4	50,4	—
1949	6 240,2	260,0	—	—	81,4	2,0	0,7	84,1	31,0	39,7	26,7	—
1950	5 975,8	256,4	—	—	165,3	31,5	4,4	201,2	85,0	40,9	60,3	—
1951	6 003,8	227,6	—	—	233,8	4,6	12,7	251,1	58,9	39,9	53,0	—
1952	5 876,1	490,9	—	—	243,9	—	1,8	245,7	64,0	40,1	37,5	—
1953	6 086,1	522,2	—	—	190,8	14,7	1,1	206,6	65,2	35,5	34,9	—
1954	6 323,4	649,8	—	—	91,6	2,0	9,6	103,2	116,6	46,5	41,3	—
1955	6 686,3	624,1	—	—	129,2	2,0	23,0	154,2	131,8	45,9	47,8	—
1956	7 102,9	627,0	—	—	170,9	21,5	80,0	272,4	186,9	45,7	56,1	—
1957	7 383,5	781,4	—	—	193,9	—	31,9	225,8	52,0	45,3	41,4	—
1958	8 329,3	560,9	—	—	56,0	—	2,3	58,3	21,8	44,6	33,0	—
1959	8 369,3	534,6	—	—	50,6	—	7,3	57,9	39,7	44,2	45,2	—
1960	9 454,7	583,0	—	—	49,2	—	4,3	53,5	37,8	43,3	45,1	—
1961	11 078,0	842,4	—	—	62,2	—	7,3	69,5	66,3	42,9	58,3	—
1962	11 543,3	867,4	207,0	—	67,4	45,0	11,2	123,6	71,7	42,8	77,8	—
1963	12 203,8	1 083,3	207,0	—	87,5	35,0	19,7	142,2	97,5	51,7	61,5	—
1964	11 793,6	1 679,1	432,0	431,3	109,8	24,8	28,0	162,6	77,7	65,3	75,3	—
1965	13 164,2	852,6	432,0	428,5	98,1	9,5	31,5	139,1	38,9	92,9	66,1	—
1966	12 297,4	2 060,3	432,0	518,9	97,8	16,7	43,3	157,8	109,3	181,7	81,5	—
1967	13 369,7	1 986,7	432,0	173,9	99,4	—	43,1	142,5	86,6	181,9	72,4	—
1968	11 355,8	5 601,2	1 442,0	108,3	256,2	6,8	25,5	288,5	160,1	180,6	99,7	—
1969	11 434,5	5 792,9	1 851,0	—	584,7	118,5	28,2	731,4	277,1	170,2	89,5	—
1970	11 821,3	8 441,1	1 851,0	—	306,6	71,0	21,4	399,0	223,5	156,0	82,8	—
1971	11 879,4	10 323,3	4 278,0	—	78,1	—	2,4	80,5	28,5	10,8	72,4	1 243,5 ⁴
1972	11 879,7	12 323,1	4 278,0	—	770,3	152,0	13,8	936,1	418,8	—	142,3	1 243,5 ⁴
1973	11 892,7	12 519,9	4 613,0	—	862,7	200,0	35,0	1 097,7	557,7	—	281,8	1 243,5 ⁴
1974	11 892,7	11 570,6	5 403,0	—	2 166,8	484,0	43,5	2 694,3	699,9	92,5	166,9	621,5 ⁴
1975	11 892,7	14 705,8	5 403,0	—	1 706,5	227,0	5,4	1 938,9	200,2	3,7	136,3	621,5 ⁴
1976	11 903,9	20 426,5	5 222,0	—	912,5	375,0	13,3	1 300,8	157,0	63,8	160,3	—
1977	11 903,9	20 514,2	3 949,0	—	1 207,4	267,0	44,7	1 519,1	197,5	559,1	171,6	—
1978	11 903,9	28 981,8	2 028,5	—	214,6	—	21,5	236,1	49,6	348,0	185,7	2 593,5 ⁵
1979	11 903,9	26 390,4	—	—	1 532,2	10,0	38,3	1 580,5	886,4	963,4	288,6	1 110,9 ⁵
1980	11 903,9	27 355,6	11,4	—	2 285,1	152,0	48,4	2 485,5	919,8	1 212,2	289,6	—
1981	11 903,9	25 494,8	0,2	—	2 710,0	256,0	40,9	3 006,9	2 513,9	1 018,4	399,6	—
1982	11 903,9	31 872,8	6,3	—	2 076,8	109,2	2,1	2 188,1	1 559,6	1 268,3	314,0	—
1983	11 903,9	32 677,5	28,7	—	2 524,5	149,2	2,6	2 676,3	2 408,6	1 562,5	346,4	—

¹ Valuation since 10th May 1971: 1 kg fine gold = Fr. 4595.74; previously: 1 kg = Fr. 4869.80.

² Since 1980, Special Drawing Rights.

³ Since 1948, only Federal Treasury Bonds; since 1979 including money-market book claims.

⁴ Liability of the Federal Government in accordance with the Federal Act of 15th December 1971.

⁵ Covered by hidden reserves on gold.

Liabilities

Note circulation	Cove- rage of note circu- lation by gold holdings	Sight liabilities					Banks minimum reserves	Time liabilities	Foreign exchange valuation adjust- ment	Capital and reserves	Provisions for foreign exchange risks	others	Balance sheet total	Year
		Total	of which Giro accounts of banks trade, and industry	Ac- counts of the Confed- eration	Ac- counts held under payment and clearing agree- ments	Balan- ces of foreign banks ⁶								
<i>In millions of francs</i>	%	<i>In millions of francs</i>												
4 090,7	121,00	1 164,6	662,3	194,6	223,5	—	—	—	—	67,5	—	7,8	5 499,8	1946
4 383,4	119,91	1 172,3	722,3	127,2	263,4	—	—	—	—	68,0	—	5,1	5 932,1	1947
4 594,3	126,70	1 242,8	960,0	11,2	221,7	—	—	337,1	—	68,5	—	5,1	6 400,6	1948
4 566,3	136,66	1 731,1	1 334,8	105,8	249,6	—	—	200,0	—	69,0	—	4,1	6 721,9	1949
4 663,8	128,13	1 773,1	1 042,1	485,6	170,2	—	—	—	—	69,5	—	4,4	6 658,6	1950
4 927,3	121,85	1 528,8	1 101,9	225,4	159,9	—	—	—	—	70,0	—	3,6	6 675,9	1951
5 121,9	114,73	1 453,9	1 209,2	78,9	126,8	—	—	—	—	70,5	—	3,9	6 796,8	1952
5 228,5	116,40	1 540,9	1 147,3	157,3	171,5	—	—	—	—	71,0	—	5,3	6 996,8	1953
5 411,6	116,85	1 692,2	1 255,2	216,1	171,5	—	—	—	—	71,5	—	4,8	7 327,2	1954
5 515,5	121,23	1 990,4	1 623,8	268,9	82,1	—	—	—	—	72,0	—	13,4	7 738,2	1955
5 809,7	122,26	2 286,4	1 570,6	609,2	89,2	—	—	—	—	73,0	—	16,0	8 340,1	1956
5 931,2	124,49	2 393,0	1 831,1	471,1	74,7	—	—	—	—	74,0	—	17,1	8 574,6	1957
6 109,3	136,34	2 726,4	2 541,2	105,7	61,3	—	—	—	—	75,0	—	16,8	9 098,9	1958
6 343,9	131,93	2 535,3	2 330,7	165,6	22,1	—	—	—	—	76,0	—	17,0	9 141,5	1959
6 854,1	137,94	2 756,4	2 288,4	416,6	33,3	—	—	390,3	—	77,0	—	18,4	10 266,2	1960
7 656,0	144,70	2 947,0	1 996,1	662,5	37,2	231,5	1 035,0 ⁷	293,5	—	78,0	—	21,7	12 206,6	1961
8 506,1	135,71	2 799,7	2 294,2	355,9	30,0	98,0	1 035,0 ⁷	373,0	—	79,0	—	22,9	12 994,7	1962
9 035,4	135,07	3 187,8	2 700,0	389,4	39,3	31,8	1 035,0 ⁷	357,3	—	80,0	—	26,1	13 910,2	1963
9 721,8	121,31	3 270,6	2 907,9	291,5	24,4	25,6	1 035,0 ⁷	433,2	—	81,0	—	28,7	14 787,6	1964
10 042,5	131,08	3 215,4	3 005,0	126,2	20,9	44,3	1 035,0 ⁷	602,0	—	82,0	—	37,1	15 287,6	1965
10 651,1	115,46	3 430,5	2 982,2	375,2	23,3	34,4	1 035,0 ⁷	389,0	—	83,0	—	37,2	15 922,3	1966
11 326,8	118,04	4 144,9	3 810,8	230,7	29,0	53,9	—	550,0	—	84,0	—	52,2	16 519,0	1967
12 047,3	94,26	6 413,6	5 776,2	505,0	33,4	75,1	—	233,1	—	85,0	—	69,2	19 339,7	1968
12 518,4	91,34	6 954,8	6 353,4	493,0	40,0	49,6	—	141,9	—	86,0	—	105,0	20 482,5	1969
13 106,0	90,20	8 410,1	7 749,6	405,3	18,3	208,4	—	401,7	—	87,0	—	145,0	23 095,3	1970
14 309,9	83,01	11 854,4	10 701,6	713,7	15,3	393,1	516,4 ⁸	313,1	—	88,0	665,2	160,0	28 014,6	1971
16 635,0	71,41	11 020,8	9 312,6	1 380,3	17,0	279,5	2 029,3 ⁹	75,2	—	89,0	783,7	210,0	31 362,9	1972
18 296,2	65,00	9 036,1	8 234,9	458,2	7,8	296,7	2 872,0 ⁹	229,6	—	90,0	547,7	290,0	32 297,8	1973
19 435,8	61,19	10 367,1	9 505,0	714,5	—	114,8	347,8 ⁹	1 233,2	—	91,0	157,7	360,0	33 260,6	1974
19 127,8	62,17	13 296,0	11 478,5	1 623,8	—	150,0	165,3 ⁹	379,8	—	92,0	389,7	380,0	34 991,0	1975
19 730,9	60,33	16 648,7	12 643,7	3 817,5	—	146,2	246,2 ⁹	954,8	—	93,0	—	390,0	39 324,0	1976
20 396,8	58,36	16 330,2	13 622,8	2 513,8	—	149,3	—	772,2	—	94,0	—	226,2	38 921,0	1977
22 499,1	52,91	20 062,8	15 583,9	3 437,7	—	990,6	—	2 893,2	—	95,0	—	190,2	46 421,0	1978
23 760,9	50,10	17 735,6	13 207,1	2 209,4	—	2 252,8	—	630,1	—	95,0	—	143,5	43 244,5	1979
24 106,3	49,38	16 376,1	13 661,0	402,8	—	2 254,0	—	273,5	—	95,0	2 157,1	270,0	44 318,7	1980
23 336,7	51,01	14 958,0	12 466,7	1 513,9	—	908,0	—	500,0	—	96,0	4 531,3	340,0	44 584,5	1981
24 477,0	48,63	15 713,5	13 992,7	798,9	—	852,0	—	250,0	1 624,6	97,0	6 564,6	450,0	49 374,2	1982
24 759,4	48,08	15 229,4	14 229,2	812,0	—	125,4	—	—	2 528,1	98,0	8 565,8	500,0	51 869,2	1983

⁶ Prior to 1961 under "Giro accounts of banks, trade and industry".

⁷ Giro accounts of banks temporarily blocked.

⁸ In accordance with the agreement of 16th August 1971 concerning extraordinary minimum reserves.

⁹ Minimum reserves of banks in respect of domestic and foreign liabilities, in accordance with the Federal Act of 20th December 1972, 19th December 1975.

3.2 Profit and Loss Account as at 31st December

Expenditure	1983	1982
Operating expenses		
Bank authorities	Fr. 722 172.30	Fr. 688 389.75
Personnel	Fr. 46 602 171.37	Fr. 47 790 133.45
Premises	Fr. 20 355 241.20	Fr. 9 464 125.95
Furniture and fixtures	Fr. 9 657 935.30	Fr. 2 652 078.25
Business and office equipment and supplies ..	Fr. 2 248 531.04	Fr. 2 117 365.46
Information and communication	Fr. 1 638 947.24	Fr. 1 866 786.99
Printing, publications	Fr. 615 086.20	Fr. 1 045 273.05
Expenditure in respect of note circulation	Fr. 18 658 671.10	Fr. 16 116 020.85
Other expenditure on materials	Fr. 5 661 665.34	Fr. 5 181 369.69
Other expenses		
Interest payable to depositors	Fr. 2 408 350.05	Fr. 2 664 338.20
Interest payable to Federal Government	Fr. 42 289 042.10	Fr. 24 086 286.55
Interest payable on Federal Treasury bonds ..	Fr. 13 126 329.—	Fr. 34 599 448.—
Other sterilisation expenses	Fr. 167 247.96	Fr. 4 533 015.03
Writing-down of own securities	Fr. 138 467 099.05	Fr. 114 509 881.—
Depreciation of bank buildings	Fr. 640 688.55	Fr. 2 497 110.70
Taxes	Fr. —.—	Fr. 8 897 930.45
Appropriation to staff and pensioners' welfare facilities funds	Fr. 2 500 000.—	Fr. 3 000 000.—
Provisions for		
– Bank buildings	Fr. —.—	Fr. 50 000 000.—
– Production of bank notes	Fr. 50 000 000.—	Fr. —.—
– Open-market operations	Fr. —.—	Fr. 50 000 000.—
– Taxes	Fr. —.—	Fr. 10 000 000.—
– Foreign exchange risks	Fr. 2 001 141 124.94	Fr. 2 033 354 352.50
Net profit	Fr. 7 592 823.20	Fr. 7 592 823.20
	<u>Fr. 2 364 493 125.94</u>	<u>Fr. 2 432 656 729.07</u>

Income	1983	1982
Operating income		
Commissions	Fr. 4 755 992.95	Fr. 3 006 189.76
Income from bank buildings	Fr. 2 891 870.15	Fr. 2 603 451.35
Sundry income	Fr. 1 670 954.07	Fr. 1 779 739.03
Other income		
Income from foreign exchange and gold	Fr. 2 228 957 159.16	Fr. 2 307 192 757.88
Income from discounting	Fr. 23 650 952.86	Fr. 37 518 437.—
Income from secured advances	Fr. 17 737 919.75	Fr. 15 655 614.35
Income from own securities	Fr. 83 231 726.60	Fr. 62 801 110.85
Income from domestic correspondents	Fr. 1 596 550.40	Fr. 2 099 428.85
	<u>Fr. 2 364 493 125.94</u>	<u>Fr. 2 432 656 729.07</u>

Explanatory notes on the Profit and Loss Account

The National Bank's Profit and Loss Account closed in 1983 with an income surplus of Fr. 2061.2 million. The greater part of the surplus was earned on dollar investments and it was mainly used to increase provisions, especially that for foreign exchange risks (Fr. 2001.1 million), thus making allowance for the continued uncertainty of the monetary situation and the resultant risks associated with the National Bank's large foreign exchange holdings.

Earnings from investments and dealings in foreign currencies amounted to Fr. 2229.0 million. The dollar was shown in the annual accounts at the December average rate of Fr. 2.195 (1982: Fr. 2.049). The valuation adjustment applied to the foreign currency holdings amounted to Fr. 903.5 million. It was shown in the Balance Sheet – as had been done for the first time in 1982 – and no longer included in the Profit and Loss Account.

Earnings from discount and lombard advances, at Fr. 41.4 million, were below the previous year's level. This reduction was the result of movements in opposite directions. In the case of discounts, both the lowering of the interest rate and the reduction in average recourse to this kind of credit during the year led to a decline in earnings. Earnings on lombard advances, on the other hand, increased, despite the reduction in the lombard rate, owing to an expansion in such borrowing compared with 1982.

Income from the Bank's own securities amounted to Fr. 83.2 million. The rise is connected with the increase in security holdings.

Total expenditure on personnel, at Fr. 46.6 million, was lower than in the previous year, mainly because of the absence of the bonus paid the previous year in connection with the Bank's 75th anniversary.

Expenditure on premises, at Fr. 20.4 million, was mainly on renovation of the Berne and Zurich head offices. The remainder of the cost of construction of the new Kaiserhaus building in Berne was charged to the "Bank buildings" account and completely written off against the Profit and Loss Account at the end of the year.

Expenditure in respect of the note circulation, which includes the cost of paper, printing, transport and insurance, rose to Fr. 18.7 million.

The payment of interest on the Government's accounts, amounting to Fr. 42.3 million, consisted of the interest on the Federal Government's investment and deposit accounts. The rise in interest expenditure was due to the fact that the National Bank did not pass on its entire acquisitions of

Federal investments to the market and therefore had to pay interest on the remainder.

Interest payments on the Bank's own bonds, at Fr. 13.1 million, were lower than in the previous year owing to the redemption, in the summer, of the bonds still outstanding.

4. Organisation as on 1st January 1984

4.1 Supervisory Authorities

Bank Council	40 members President: Edmund Wyss Vice-President: François Schaller
Bank Committee	10 members of the Bank Council, including its president and vice-president
Local committees	3 members each; at both head offices and the eight branches
Auditing Committee	Chairman: Werner Staub

4.2 Bank Management

Governing Board	Fritz Leutwiler, Zurich Pierre Languetin, Berne Markus Lusser, Zurich
Secretariat General	
Secretary General	Andreas Frings, Director, Zurich
Deputy Secretary General	Theodor Scherer, Assistant Director, Berne Peter Hadorn, Assistant Director, Zurich
<i>Department I (Zurich)</i>	
Head of Department	Fritz Leutwiler, Chairman of the Governing Board
Secretariat	Anna Elisabeth Heeb, Senior Officer
Press Relations	Erich Heini, Assistant Director
Deputy Heads of Department	Peter Klauser, Director Kurt Schiltknecht, Director
Economic Section	Kurt Schiltknecht, Director
Economic Studies	Georg Rich, Director Jean-Pierre Béguelin, Assistant Director Peter Buomberger, Senior Officer (on special leave) Christoph Menzel, Senior Officer
Banking Studies	Max Baltensperger, Director Anton Föllmi, Assistant Director Martin Klaus, Senior Officer
Legal and Administrative Section	Peter Klauser, Director
Legal Function	Werner Schmid, Legal Adviser
Personnel	Gerhard Nideröst, Deputy Director
Auditing and Controlling	Hans Baumgartner, Director Robert Meli, Assistant Director
Adviser on Business Management	Ernst Kilgus, Küsnacht

Department II (Berne)

Head of Department	Pierre Languetin, Vice-Chairman of the Governing Board
Deputy Head of Department	Jean-Pierre Roth, Director
Banking Section	Walter Bretscher, Director
Central Accounting	Hans-Peter Dosch, Deputy Director
Securities	Max Isenschmid, Deputy Director
Cashier's Office (Berne)	Adolf Lerch, Assistant Director
Correspondence, Bills and Cheques	Robert Raschle, Assistant Director Daniel Ambühl, Senior Officer
Cash and Collection, Security, Services	Johann Ammann, Director
Chief Cashier's Office	Valentin Zumwald, Chief Cashier Roland Tornare, Deputy Chief Cashier Josef Schmidlin, Senior Officer
Security	Alex Huber, Senior Officer

Department III (Zurich)

Head of Department	Markus Lusser, Member of the Governing Board
Deputy Head of Department	Hans Meyer, Director
Staff	Monique Dubois, Assistant Director
Electronic Data Processing	Christian Vital, Deputy Director Raymond Bloch, Senior Officer Jürg Ziegler, Senior Officer
Foreign Exchange, Money Market and Securities	Hans Stahel, Director Mario Corti, Deputy Director
Foreign Exchange	Werner Bächtold, Assistant Director
Investment Group	Martin Papp, Senior Officer
Money Market Operations, Bills and Cheques	Hans Walter Preisig, Assistant Director
Securities	Albert Kunz, Assistant Director
Other Banking Operations	Hans Schmid, Deputy Director
Accounting	Werner Bolliger, Assistant Director
Giro and Clearing	Eugen Guyer, Assistant Director
Correspondence	Walter Obi, Assistant Director
Cashier's Office	Roland-Michel Chappuis, Assistant Director

Branches

<i>Aarau</i>	Heinrich Herzog, Director Fritz Merz, Senior Officer
<i>Basle</i>	Rudolf Winteler, Director Karl Schär, Senior Officer
<i>Geneva</i>	Serge Delémont, Director Jean-Pierre Borel, Senior Officer
<i>Lausanne</i>	Willy Schreyer, Director Fernand Verdon, Senior Officer
<i>Lucerne</i>	Hans Theiler, Director Joseph Burri, Senior Officer
<i>Lugano</i>	Cesare Gaggini, Director Franco Poretti, Senior Officer
<i>Neuchâtel</i>	Francis von Arx, Director Charles Girod, Senior Officer
<i>St. Gall</i>	René Kästli, Director Alfred Geiger, Senior Officer

Sub-Branches

<i>Bienne</i> (attached to Berne Head Office)	Paul Bürgi, Head
<i>La Chaux-de-Fonds</i> (attached to Neuchâtel Branch)	Jacques Jolidon, Head

This annual report of Banque nationale suisse is published as a comprehensive version in German and French and as an abridged version in Italian and English. All four editions are available at the Secretariat General of Banque nationale suisse, 3003 Berne, telephone 031/21 02 11.

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