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# Economic convergence in a wider European and structural context

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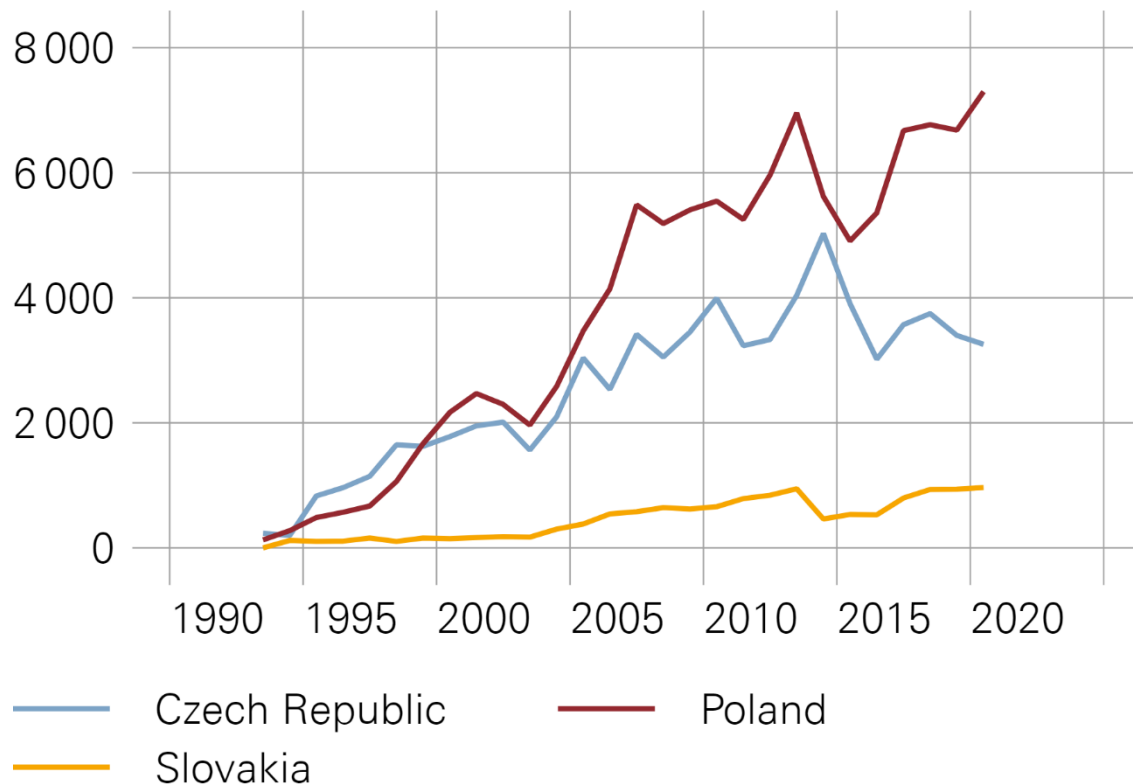
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# Looking back: The role of FDI

# Swiss FDI in Central Europe

## SWISS FDI

in million CHF



- Switzerland is a high-wage country; substantial Swiss FDI investments across Central Europe
- Employment in Swiss-dominated firms has grown by a factor of 5 since 1995
- Stocks of Swiss FDI in manufacturing and service sectors roughly equally large, have grown in parallel

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# Looking forward: Automation and near-shoring

# Automation: Promise and threat

- Promise: Technology will be key in the future (and is already today)
- Threat: Automation means more capital and less labour input in production
  - Can shift the balance in favour of countries with high labour costs
  - For a Swiss investor, reshoring can become attractive
- Ensure that human capital to build up and maintain new technologies is available in Central Europe → skills are crucial

# Near-shoring

- Geographical proximity makes production chains more robust; as does political/cultural proximity
- Near-shoring from Asia likely to focus on labour-intensive activities, reflecting original off-shoring pattern
- For a Swiss investor, the choice of whether to re-shore or near-shore depends on
  - Labour costs
  - Costs of investing in automation technologies
  - Availability of technology-affine staff

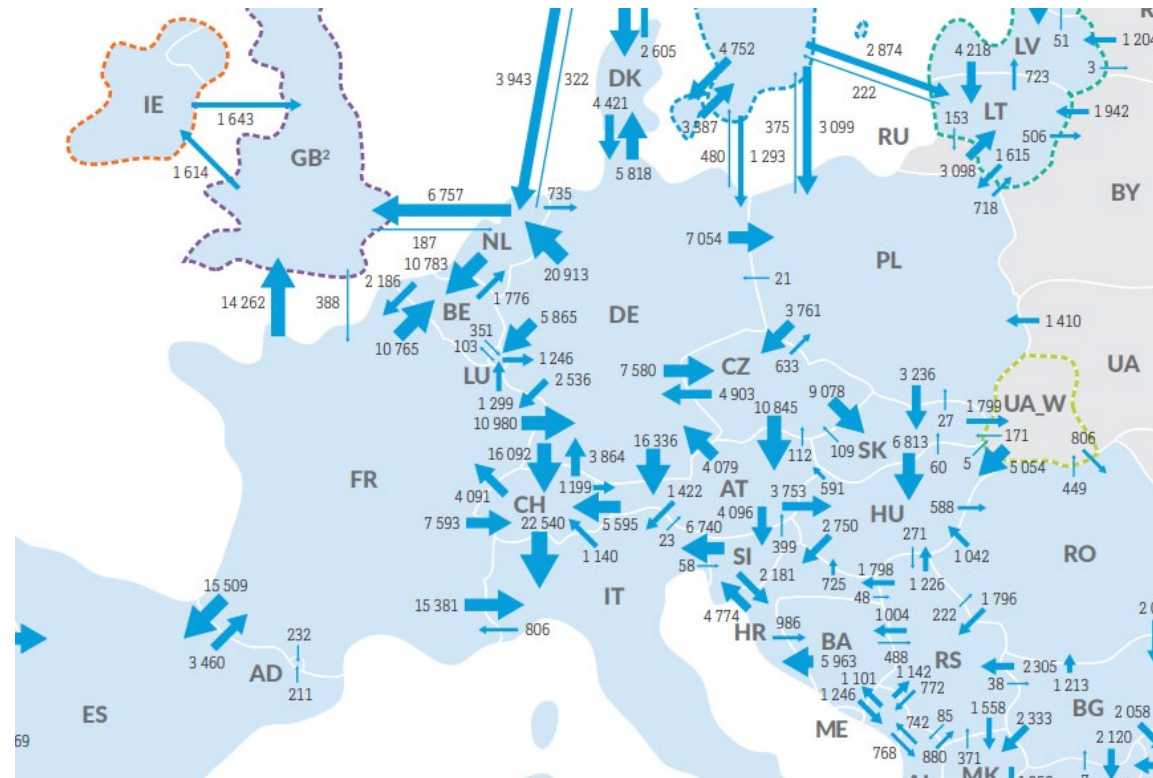
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# Appendix

# Interconnectedness

## EUROPE: ELECTRICITY FLOWS

Physical cross-border flows in 2018 in GWh



SOURCE: ENTSO-E



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# Thank you for your attention!

The presenter thanks Marius Faber for his help in preparing the talk.

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