

The Swiss franc and the cost base

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The strength of the Swiss franc is a permanent feature of the Swiss economy. Having appreciated against the euro and the dollar over the decades, the franc serves as a safe haven in times of crisis. A strong franc makes Swiss exports more expensive and increases the costs of Swiss locations for international companies, since salaries, rents and services are paid in francs.¹ For companies in Zug whose revenues are in dollars, such as the commodity traders, a strong franc raises the costs of their Swiss operations relative to their competitors in Dubai or Singapore. The companies have adapted by keeping their Swiss operations lean and by locating labour-intensive functions elsewhere. The headquarters in Zug perform high-value functions such as management, trading and finance, while operations, logistics and back-office functions are located in lower-cost countries. The strong franc thus reinforces the character of Zug as a location for headquarters and specialised functions, while limiting the growth of employment in the canton, which is not necessarily a disadvantage, given the pressure on housing and infrastructure.

1 Notes

1. Wikipedia, "Swiss franc": SNB minimum exchange rate of CHF 1.20 per euro from 6 September 2011 to 15 January 2015, negative interest rates introduced in December 2014, further appreciation of 12.7 per cent against the US dollar in 2025; SNB, monetary policy assessment of 22 September 2022, [snb.ch](https://www.snb.ch) (return to a positive policy rate). ↩

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