

ISTMA – Meeting: June 2006 in Figueira da Foz, Portugal

Report from Switzerland (Economic Report June 2006)

1. Commentary on the General Economic development in Switzerland

(source: Credit Swiss)

The latest picture painted by indicators shows the Swiss economy underpinned by broadly supported growth. Overall, GDP Growth amounted in 2005 to 1,9%, after a rise of 2,1% in 2004. Domestic activity proved the mainstay of economic Growth. On the one hand private households prove happy to spend money, as evidence by a marked upturn in retail sales, for example. On the other, economic activity was stimulated by investment in equipment and buildings. Further economic stimuli were provided by the dynamic export demand.

Overview of Switzerland's key economic data:

(Source: UBS Wealth Management Research /April 2006)

Economic indicators for Switzerland Real growth rates in %	Level* estim. Bn. CHF	2004	2005	2006 Forecast
Gross domestic Product	445.9	2.1	1.9	2.3
Private consumption	269.5	1.4	1.6	1.9
Government spending	52.9	1.4	1.3	0.8
Capital spending	93.4	3.3	3.2	3.7
Construction	43.4	4.1	3.6	2.5
Equipment	50.0	2.7	2.8	4.8
Exports (goods and services)	206.1	8.9	4.5	5.8
Imports (goods and services)	173.4	7.4	5.3	7.0
Inflation		0.8	1.2	0.8
Unemployment rate (in%)		3.9	3.8	3.4
CHF/EUR (End of the year)		1.54	1.55	1.53
CH/USD (End of the year)		1.14	1.31	1.20

*Year 2004 (in Bn. CHF current prices)

2. Commentary on Special Tooling & Machining Industry Business Situation

2.1 Industry Overview / Present Economic Situation

MEM industries: enjoy robust foreign demand

(Source: Swissmem Communication)

The Swiss mechanical and electrical engineering industries can look back on a very gratifying 1st quarter of 2006.

New orders received by Swissmem's 290 reporting members grew by 27.7% in the first quarter of 2006 compared with the year-back quarter. New orders from abroad saw a particularly sharp rise, up 31.0% year-on-year. Domestic orders (14.0%) increased at a more moderate pace from a very low year-back figure. The export ratio was a high 81.1%.

The MEM industries lifted sales in the first quarter of 2006 by 2.9% year-on-year. Exports rose by 5.4% despite a strong year-back result, while domestic sales (-5.2%) fell short of the figure achieved in the first quarter of 2005.

2.2 Market Characteristics (Die and Mould Industry in Switzerland)

	2001	2002	2003	2004	2005
Export in Mio €	331.1	303.4	322.1	336.5	333.1
Export in % of the production*	68.4%	63.5%	71.0%	73.2%	73.0%
Turnover in Mio €* [*]	484	477	454	459.6	456.4
Import in Mio €	187.5	181	198.5	197.7	214.4
Number of employees	4320	4160	4080	4140	4140
Number of companies total*	540	520	510	510	510
Domestic Market (T - E + I) in Mio €	340.4	354.6	330.4	320.8	337.7

* Estimate Swissmem, incl. Companies with "own needs"

2.3 Production Characteristics

A number of companies – depending on the segment of customers - continuously finding themselves forced to scale back production.

The standards and requirements get higher like complexity of product, complete project management for the customer, quality standards, very short delivery terms etc.

2.4 International Competitiveness

With a slight increase of the Euro the strong Swiss Franc is still a problem for the traditionally export orientated Swiss industry and is a major factor for declining margins - worse for export is still the weak US \$. It is a difficult time which demands much commitment as well as skills from the whole management although the situation in some specific sectors slightly improved.

2.5 Production Technology & Equipment

Production automation is a must and gets even more sophisticated, complex production processes set high standards and demands to employees. There are real "technology jumps" which sets a life time to production machines to 5 years and less.

2.6 Human Resources & Wages

Even in these difficult times it is not easy to find skilled specialist (very much depending on the region in Switzerland). Wages stayed more or less stable. For 2006 there was just a slight increase.

2.7 Government & Industry Support Programs

There are hardly any industry support programs except training programs for young people (during four years apprenticeship – two days vocation school)

3.8 Outlook for the Future & Problems to be solved

Strong momentum set to continue in 2006

Driven mainly by exports, the first quarter witnessed strong growth across the board in the MEM industries. By contrast, domestic business remained very muted. The Swissmem members surveyed are also optimistic about the coming months. Companies are expecting to see a further thrust of growth from abroad, in particular from the three principal markets Europe (Germany and Eastern European Russia), Asia (China/Hong Kong) and America. The main risks to longer-term growth lie in the high price of oil and other commodities and a further depreciation of the dollar.

The Special Tooling & Machining Industry sees a positive and stable trend towards the end of 2006. For us in the Special Tooling & Machining Industry there are – particularly in today's economic situation – a few important trends (same as 2005). The customers try to reduce the supply-chain costs with single sourcing concepts. The delivery terms are getting shorter, a good "teamwork" with the customer and

highest flexibility is a must. Due to these trends the organizations in companies has to be adapted more frequently.

4. ISTMA - Data:

(source: OZD)

Trade Switzerland with		All Countries			
Commodities	%WFBI	Dies And Moulds (ISTMA Statistics)			
Period	2006 Jan-Mrz	comparison to same quarter last year			
Num	Goods	Export Mio €	Export ± € %	Import Mio €	Import ± € %
%WFBI	Dies And Moulds (ISTMA Statistics)	94.3	14.2	58.7	19.8
8207.30	. tools for pressing, stamping or punching:	17.2	14.2	13.9	7.4
8207.3010 unit weight > 0.5 kg	12.2	12.4	10.1	3.2
8207.3020 unit weight =< 0.5 kg	5.0	18.6	3.8	20.5
8466.2000	. clamping devices	8.6	49.4	4.5	17.0
8480.4100	.. injection or compression types	2.9	-31.6	1.8	-16.9
8480.7p	. moulds for plastics, rubber	65.6	14.0	38.5	28.2
8480.71	.. injection or compression types:	56.4	9.7	35.6	29.2
8480.7110	... for injection moulding of semiconductors	0.0	-99.8	1.2	553.2
8480.7190	... for injection moulding	56.4	12.6	34.4	25.6
8480.7900	.. other moulds and dies	9.1	50.3	2.9	17.4

Trade Switzerland with		All Countries			
Commodities	%WFBI	Dies And Moulds (ISTMA Statistics)			
Period	2006 Jan-Mrz	comparison to same quarter last year			
Num	Countries	Export Mio €	Export ± € %	Import Mio €	Import ± € %
\$WW	All Countries	94.3	14.2	58.7	19.8
111	Germany	33.8	13.5	28.1	18.9
113	Italy	9.7	38.1	6.3	13.9
123	Denmark	8.3	129.0	0.2	12.8
121	Austria	6.7	-12.4	11.5	47.2
403	United States of America	6.1	42.3	1.0	74.1
116	Belgium	4.6	1.1	3.0	8.5
112	France	3.1	-29.6	2.4	-38.8
122	United Kingdom	1.6	-6.9	0.3	25.5
375	Hong Kong	1.5	228.4	0.0	-94.0
154	Czech Republic	1.5	-17.9	1.9	219.0
153	Poland	1.4	120.7	0.2	122.7
149	Turkey	1.3	313.7	0.0	373.0
125	Sweden	1.2	-51.0	0.0	-89.2
114	Netherlands	1.1	14.9	0.5	-7.2
127	Finland	1.0	-	0.0	-95.4
117	Luxembourg	1.0	44.3	0.2	-44.2
145	Spain	1.0	-46.3	0.1	-71.2
373	China	0.9	47.5	0.2	-4.7
143	Ireland	0.8	-9.8	0.1	472.3
147	Greece	0.7	-	-	-