

Press release

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KOF-NZZ survey of economists: Economists are sceptical about the takeover of Credit Suisse by UBS

Together with the Neue Zürcher Zeitung (NZZ), KOF surveyed economists at Swiss universities on the Swiss banking sector and the takeover of Credit Suisse and received 167 responses. Almost half of the economists would have preferred a takeover by the state (and possible later sale) as a solution. More than two-thirds of the survey participants fear a deterioration in the stability of the Swiss banking sector as a result of the takeover.

After the share price of Credit Suisse (CS) fell sharply in recent months and clients increasingly withdrew their deposits and credit balances from the bank, Credit Suisse was on the verge of insolvency in mid-March. On 19 March 2023, the Swiss government, the Swiss National Bank, the Swiss Financial Market Supervisory Authority, UBS and Credit Suisse announced the emergency takeover of Credit Suisse by UBS. This decision was heavily debated in public and among economists.

In the KOF-NZZ economists' survey conducted at the end of March, Swiss economists were asked which measure they thought should most likely have been implemented in the crisis situation at Credit Suisse on the weekend of 18/19 March 2023. With a share of 48%, the option of a takeover by the state (and possible sale at a later date) is seen as the best solution. The advantage of this alternative would have been that it would not have created a banking giant by Swiss standards and would have preserved the intensity of competition in the Swiss banking market. At the same time, however, this state solution would probably have created even higher risks for Swiss taxpayers.

The application of the restructuring and resolution procedure according to the "too-big-to-fail" framework would have been preferred by 28% of the survey participants. This contingency plan would have provided for the systemically important Swiss business of Credit Suisse to be rescued and the international part to be restructured or wound up in an orderly manner. The aim of this approach is basically not to burden taxpayers. However, the applicability and consequences of these rules - especially with regard to the international business - are uncertain in the current situation.

With a share of 19%, the option of a takeover by UBS chosen by the institutions involved is considered to be less popular among the economists surveyed. However, the fact that the stability of the (international) financial markets can be achieved quickly and the restructuring of Credit Suisse can be started immediately speaks in favour of this approach. The remaining 6% of respondents would have chosen another path. According to the comments of the survey participants, these include, for example, a takeover by a foreign bank or a "whatever it takes" statement by the Swiss National Bank.

Acquisition is seen as beneficial for UBS

UBS takes over Credit Suisse for a purchase price of CHF 3 billion. At the same time, UBS is entitled to government guarantees and liquidity assistance. On the one hand, UBS is taking risks with the takeover, for example with regard to possible future costs for legal disputes and whether the integration of CS will also succeed optimally. Furthermore, the costs of the reorganisation and future stricter regulatory requirements harbour uncertainties. On the other hand, UBS is improving its competitive position, especially among Swiss corporate clients, and UBS's assets under management are rising strongly. Around three quarters of the business researchers surveyed see the takeover as a (rather) good deal for UBS. Only 12% said they see the takeover as disadvantageous for UBS.

Swiss financial centre and banking sector suffer

The economists were also asked how the Credit Suisse crisis and the resolution by the Swiss institutions involved had affected the international reputation of the Swiss financial centre overall. The answers are clear: almost 80% of the participants in the survey are of the opinion that the international reputation has deteriorated rather or significantly.

The impact of the Credit Suisse takeover on the Swiss banking sector is also currently the subject of much debate. In the survey, participants were asked to indicate whether, in their opinion, the four aspects "access to credit for Swiss companies and private individuals", "stability of the Swiss banking sector", "quality of services provided by the Swiss banking sector" and "cost efficiency of the Swiss banking sector" have improved, not changed or deteriorated. Stability has worsened according to 69% of the economic researchers, meaning that the proportion of "worsened" reports is highest for this aspect. More than half of the respondents also believe that the quality of services and access to credit have deteriorated. Compared to the other aspects, cost efficiency is likely to be the least affected, with 46% expecting a deterioration, 39% no change and 15% an improvement.

The KOF-NZZ Economists Survey deals with topics relevant to economic policy in Switzerland and is an instrument for making the views of academically researching economists visible to the public. KOF's media partner in the preparation and interpretation of the Economists' Survey is the Neue Zürcher Zeitung (NZZ). In March, KOF conducted a joint survey with the NZZ on the Swiss banking sector and the takeover of Credit Suisse. The survey started on 23.03.2023 and ended on 29.03.2023. 863 economists were contacted. Responses were received from 167 economists from 19 institutions.

Further information on the KOF-NZZ Economists Survey and a graphical representation of the results can be found here:

<https://kof.ethz.ch/en/surveys/experts-surveys/economists-surveys.html>

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